

30 January 2009

**The Manager
Company Announcements Office
Australian Securities Exchange
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000**

Dear Sir,

QUARTERLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2008

1. WESTERN AUSTRALIAN BASE METAL PROJECTS



Metals Australia Ltd ('Metals') currently holds an interest in two base metals projects in Western Australia.

The Manindi Zinc project is located in the Murchison District and is being actively explored by Metals with a view to expanding the existing resource base. Work during the quarter has included evaluation of the geochemistry and drilling, as well as continuing metallurgical studies.

The Sherlock Bay Base Metal project is located in the Pilbara region and is being managed and explored by Australasian Resources Ltd (ARH). The project surrounds ARH's Sherlock Bay nickel deposit and is currently being explored for both base and precious metals.

A. MANINDI ZINC PROJECT - MURCHISON DISTRICT

The Manindi Zinc Project is located in the Murchison District of Western Australia, 20 kms southwest of the Youanmi mine site. The project comprises a series of volcanogenic massive sulphide zinc deposits. The geological environment shows similarities to those of other base metal sulphide deposits in the Yilgarn Craton of Western Australia such as the Golden Grove deposits located to the west of Manindi, at Yalgoo, and the Teutonic Bore-Jaguar deposits in the Eastern Goldfields.

Metals is currently undertaking a detailed study of the project dataset with a view to identifying further targets for exploration.

EXPLORATION & DEVELOPMENT

Metals' exploration and development programme within the Manindi project area includes the following:

Exploration

Exploration at Manindi is focusing on the identification of copper and zinc targets for drilling. Surface sampling and reconnaissance work has proved effective in the delineation of targets with further ground reconnaissance required at Echidna, Ringtail and Wombat. Other targets to be evaluated include Numbat, Ningau, Dunnart, Quoll and Bandicoot.

Development

Metallurgical studies continue for the Manindi resources, under the direction of Metals' consulting metallurgist, Mr E. Dombrose. The metallurgical testwork on the potential for the production of a base metal concentrate is now reaching completion, and results will be made available when they are received.

B. SHERLOCK BAY EXTENDED BASE METAL PROJECT - PILBARA

The Sherlock Bay Extended project is composed of a granted Exploration Licence (E 47/1227) and two Exploration Licence Applications (ELA 47/1769 and ELA 47/1770), which cover an area of more than 470 km² and surround the main Sherlock Bay nickel deposit, which is wholly owned by Australasian Resources Ltd ('ARH'). The project is prospective for nickel, copper, silver and gold mineralisation.

The project is a joint venture between ARH (70% interest) and Metals Australia Ltd (30% interest). ARH are the managers of the project, with Metals being 'free-carried' through to the completion of a bankable feasibility study and the decision to commence commercial mining.

ARH completed a detailed assessment of the tenement area during the quarter. Work undertaken included:

- A review of Moving Loop EM to define further drill targets.
- A comprehensive programme of fact and interpretive geological mapping.
- Orientation soil and vegetation geochemical sampling over various areas of the project.

Vegetation sampling has proved to be particularly effective in the detection of mineralisation below alluvial cover. Exploration for 2009 is planned to include vegetation sampling and drilling, where applicable.

2. NAMIBIAN URANIUM PROJECTS



Prior to Metals' involvement, Mile 72 & Engo Valley uranium projects had little or no exploration undertaken on them in the past twenty years. The projects have the potential to host near surface, pedogenic and syngenetic uranium deposits. Metals has focused on systematically exploring the Mile 72 uranium project.

Exploration at Mile 72 during the quarter was limited to geological mapping and rehabilitation.

Metals awaits the renewal of its licences at both Mile 72 & Engo Valley. An announcement in regard to the renewal of these leases will be made when official notification is received.

Yours faithfully,

Norman Grafton
Company Secretary
Metals Australia Ltd

Competent Person Declaration

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Timothy Putt of Exploration and Mining Information Systems, who is a member of The Australasian Institute of Geoscientists and the Society of Economic Geologists. Mr. Putt has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Mr Putt consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

For further information please contact:

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Or consult our website:

www.metalsaustralia.com.au