



# QUARTERLY ACTIVITIES REPORT

*for the period ended 30 September 2013*

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## HIGHLIGHTS

### NAMIBIA URANIUM EXPLORATION

- **Drilling Commences at Mile 72 Uranium Project. 4,000m RC drill program underway.**
- **Multiple occurrences of elevated Uranium values in handheld XRF and spectrometer measurement from initial RC drillholes.**
- **Geological logging confirms presence of alaskite-hosted uranium mineralisation at depth at Mile 72.**
- **Drilling information is correlating well with body of previous exploration work. New relationships between geology and mineralisation are being established as the program develops, and are strongly encouraging for the ongoing RC program.**

### AUSTRALIAN EXPLORATION

- **Manindi Base Metal Project (WA) to undergo exploration review.**
- **Base Metal and Nickel targets generated by joint venture partner at Sherlock Bay Extended project**

## URANIUM PROJECTS, NAMIBIA

### THE MILE 72 URANIUM PROJECT

The Mile 72 Uranium Project is a large uranium project on the coast of Namibia, north of the city of Swakopmund (Figure 1). Some of the world's highest uranium grades of recent times have been recorded in outcrop and in shallow pits. Uranium mineralisation on surface at Mile 72 occurs as secondary carnotite within gypcrete, **and importantly, as carnotite in the alaskite units** (Figure 2).

During the quarter, Metals commenced drill testing a series of well-defined targets, aimed at identifying a large high-tonnage moderate grade primary deposit of a similar style to the Rössing and Husab mines to the south.



Figure 1 – Location of the Mile 72 uranium project, Namibia.



Figure 2. Alaskite with smoky quartz (black) and carnotite (light yellow). Smoky quartz is developed through damage to the quartz crystal structure through radioactive breakdown, most likely from primary uranium minerals rather than the secondary carnotite shown here.

Drilling commenced on Thursday 12 September 2013.

The program is the first to test this area for uranium mineralisation at significant depth below surface. The program is focused on a series of priority targets testing the Damaran schist-granite-alaskite sequence where it correlates with surface geochemical and radiometric highs.

The program design includes 40 drillholes for 4,000m of RC drilling, testing to a level of 85m below surface. Five drillholes in a line of approximately 1 km length were completed in the first week of drilling.

The primary objective of the program is to confirm the presence of significant widths and grades of subsurface uranium mineralisation at Mile 72. Success of the program will lead to further and more intense drill programs.

### **Initial Geology and Radiometrics highly encouraging**

The initial holes at Mile 72 in the current program have confirmed the presence of alaskitic pegmatite rocks.

While drilling, the Company is logging the drill chips using several methods of uranium grade determination. An RS125 spectrometer is used to estimate each metre grade of uranium in ppm, and a handheld XRF is used to analyse each metre. Elevated intervals are being sent to a certified laboratory for full assay.

In an important breakthrough at Mile 72, the drilling and initial grade logging has indicated significantly elevated Spectrometer readings and XRF uranium measurements within alaskite intervals in three of the first five holes drilled. The intervals occur at depths up to 85m below surface. These elevated levels of uranium are strongly supportive of the Company's primary mineralisation model currently being tested by this drilling program.

The exploration team has also identified key geological relationships as a result of the drilling process. These relationships are allowing more focused drill targeting to take place as the current program progresses.

Grades and intervals from the drilling will be released to the market on the receipt of certified laboratory results.

### **Drill program ongoing through October and into November**

The program is designed as a proof-of-concept for deep-seated Rössing-style alaskite-hosted uranium mineralisation in the southern part of the Mile 72 licence area. Success will be measured on the basis of extended intercepts of significant uranium mineralisation, which in this context would be **several metres in excess of 150ppm U<sub>3</sub>O<sub>8</sub>**.

On the successful completion of this program, a series of follow-up programs will be required to infill and expand upon any intercepts encountered.

### **Exploration licence and environmental permit update**

In accordance with Namibian law, the Company has submitted the required documentation to the Namibian Ministry of Mines and Energy for the renewal of the Mile 72 licence, EPL3308. The Ministry has acknowledged the Company's early submission of the application for renewal and will advise further in due course. In the Company's view, Metals has met or exceeded all requirements for ongoing exploration of the licence area, and foresees no impediments to the renewal of the exploration licence. The current delay by the Ministry in approving the licence extension appears to be a general bureaucratic delay problem being experienced by many Namibian Companies at present.

The company received all the necessary environmental permit extensions and approved notification to drill prior to the commencement of the program.

## THE ENGO VALLEY URANIUM PROJECT

The Engo Valley Project (EPL3306) is located in the remote northwest of Namibia in the Skeleton Coast National Park. The project is located close to the proposed port location at Angra Fria on the northern Namibian coast. The Project is prospective for uranium located within and below the Karoo sedimentary rocks present on the licence. Access permits are required to visit the Skeleton Coast National Park and there are no roads and no habitable sites within the 16,000 km<sup>2</sup> park (see Figure 3).

The necessary Environmental Clearance and Access Permits for Engo Valley were granted in July 2012.

An extension application was lodged prior to the expiry of the licence in June 2013. The delay in granting of the environmental permit was cited as a reason for limited work having been carried out. The company now awaits the decision of the Ministry on the licence extension. Given the remoteness of this project, any field work at Engo is not likely to be undertaken until after the completion of drilling at Mile 72.

The Company has not been notified of the status of its re-application during the Quarter.

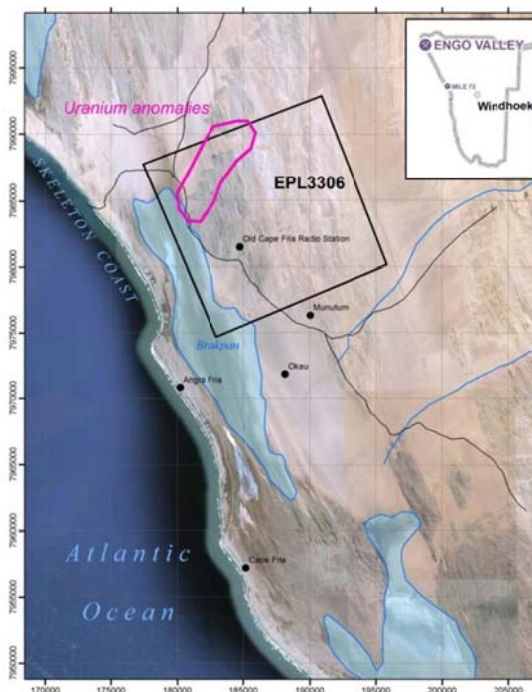


Figure 3 – The Engo Valley licence area (EPL3306)

## BASE METAL PROJECTS, WESTERN AUSTRALIA

Metals currently holds an interest in two base metals projects in Western Australia (Figure 4).

The Manindi zinc project is located around 500 km northeast of Perth and is being explored by Metals with a view to expanding the existing resources and examining the project's copper potential.

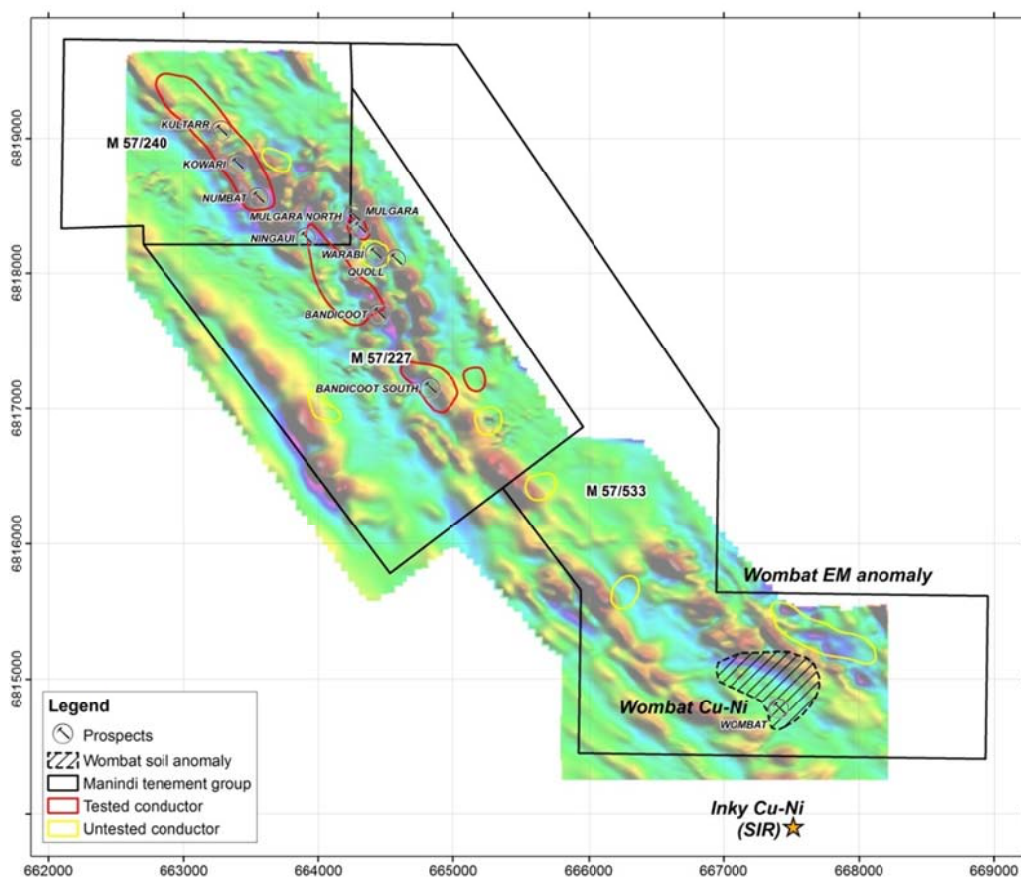
The Sherlock Bay base metal joint venture project is located in the Pilbara region and is being managed and explored by Australasian Resources Ltd (ARH). The project surrounds ARH's Sherlock Bay nickel deposit.

### MANINDI ZINC PROJECT

The Manindi zinc project is a significant resource located in the Murchison District of Western Australia, 20 km southwest of the defunct Youanmi gold mine.



Figure 4 – Location of the Western Australian base metals projects.



**Figure 5 - EM and Geochemistry targets at Manindi showing location of Inky Prospect (Sirius Resources)**

During the current quarter, the Company undertook a review of the status of the geological interpretation and resource estimation work conducted previously at Manindi in 2008. The geological team reviewed the existing drilling and interpreted ore envelopes as well as the potential for further exploration discovery of copper and nickel.

The additional prospectivity is highlighted by the recently identified Inky Cu-Ni Prospect held by Sirius Resources. The Inky prospect is located 1 km south of the licence boundary of Metals' M57/533, 2km south of the Metals Wombat Cu-Ni soil and VTEM anomalies, and 6.25km SE of the Manindi Zn-Cu-Au-Ag Resource.

Metals has identified seven untested geophysical anomalies adjacent to the known mineralisation at Manindi which constitute attractive new drill targets for copper-zinc and copper-nickel mineralisation. Copper-rich VMS deposit discoveries such as Sandfire's Doolgunna Project and Cu-Ni discoveries such as Sirius's Nova deposit have been found utilising similar geophysical techniques in WA in the recent past. Manindi is located within a known mineralised terrane with significant upside potential for further base metals discovery.

### Manindi resource

The Manindi base metal deposit is a volcanogenic massive sulphide zinc deposit, comprising a series of lenses of mineralisation that have been folded, sheared, faulted, and possibly intruded by later dolerites and gabbros. The style of mineralisation is similar to other base metal sulphide deposits in the Yilgarn Craton, particularly Golden Grove to the west of Manindi at Yalgoo, and Teutonic Bore-Jaguar in the Eastern Goldfields.

In 2008, Metals delineated a resource that complied with all JORC requirements at that time. The resource (at a 1% Zinc cutoff) was calculated to be:

**1.354 million tonnes @ 6.04% Zinc, 0.25% Copper, 3.4 g/t Silver & 0.25 g/t Gold**

With changes to JORC reporting criteria, the Company will review the historical resource to ensure compliance.

### **SHERLOCK BAY EXTENDED BASE METAL PROJECT**

The Sherlock Bay Extended project is composed of two Exploration Licences (E47/1769 and E47/1770), which surround the main Sherlock Bay nickel deposit (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 (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.

In 2012 and early 2013, ARH completed a biogeochemical survey over the Sherlock and Sherlock Bay Extended tenements. A total of 20 target areas have been identified for follow-up.

The results were reviewed and interpreted by a consultant of ARH.

The interpretive work identified seven areas of interest shown on Figure 6 and Table 1. Thirteen targets which warrant further exploration were located on the JV tenements. The interpretation gave consideration to specific elements that might be most significant in determining areas of potential economic mineralisation. Known deposits within the region include; Sherlock Bay (Ni,Cu), Balla Balla (Fe,Ti,V & P), plus the Salt Creek and Whim Creek base metals deposits (Cu,Zn,Pb). The elements associated with ore minerals of these deposits were considered for anomalism across the project area.

These results provide significant encouragement to progress exploration.

ARH is now collating all the data from the recent sampling in order to determine future exploration programs for the project.

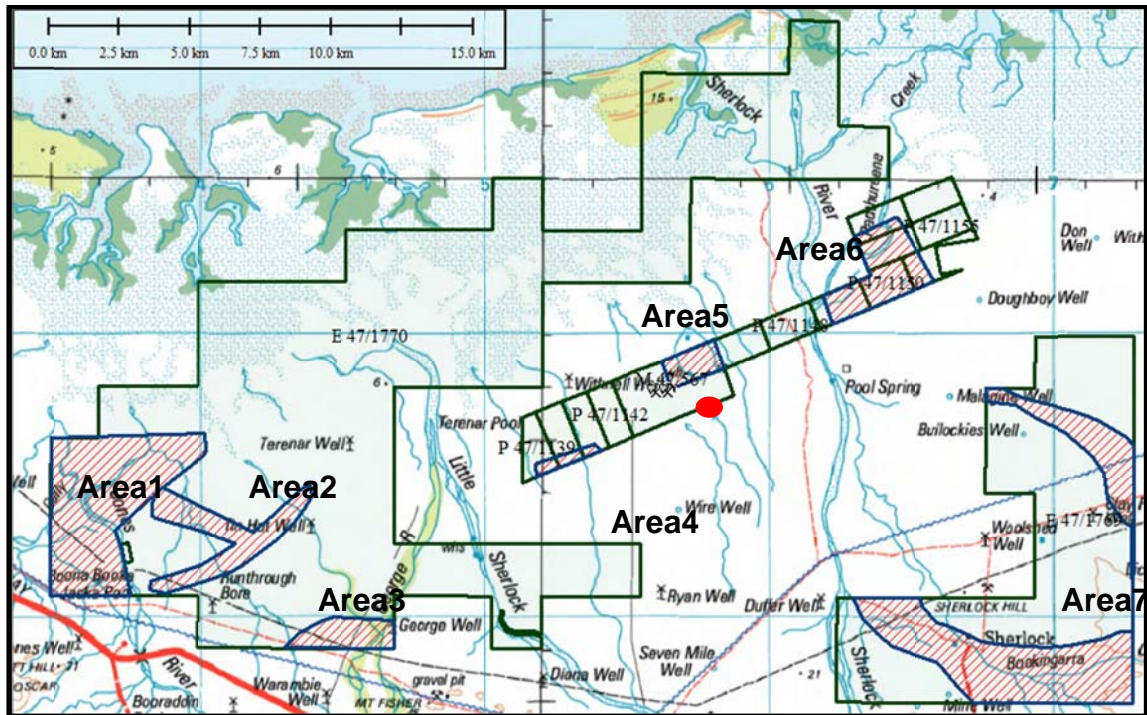


Figure 6: Areas of exploratory interest set against 1:250,000 topography data (red oval indicates Sherlock deposit)

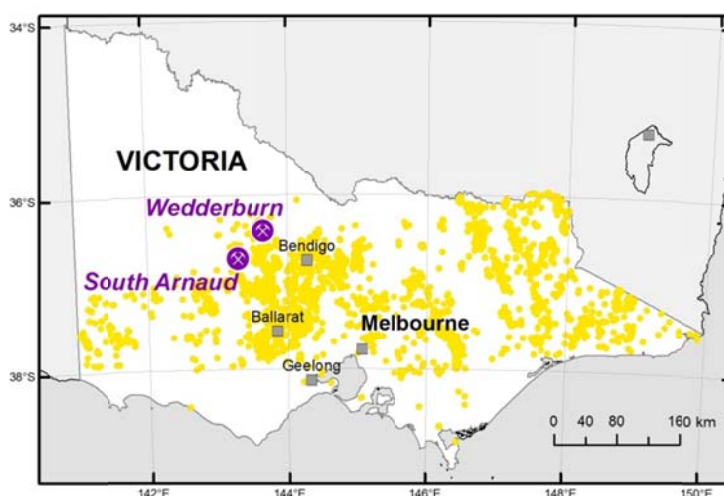
Targeted Anomalism	Prospective Areas	Prospective Area Subgroup	Tenement
Nickel	Area 1	A1.1	E47/1770
		A1.2	E47/1770
		A1.3	E47/1770
	Area 2	A2.1	E47/1770
		A2.2	E47/1770
	Area 7	A7.1	E47/1769
A7.2		E47/1769	
Gold	Area 8		E47/1770
	Area 9		E47/1769
Platinoid	Area 10		E47/1769
Titanium	Area 11		E47/1770
	Area 12		E47/1770

Table 1: Total areas of exploratory interest (note Ti is often elevated in areas of interest for Nickel)

## GOLD PROJECTS, VICTORIA

Metals holds two low impact exploration licences in western Victoria (Figure 7). The St Arnaud South (EL5242) and Wedderburn (EL5243) projects contain significant historic workings that have received little modern and systematic exploration.

The Victorian Goldfields were discovered in the gold rushes of the mid-1800s, with all significant gold mining activity ceasing by 1930. Government records show that numerous gold prospects, mines and occurrences are documented within the licence areas.



**Figure 7** – Location of the Wedderburn and South Arnaud projects in western Victoria. Yellow dots represent gold deposits and prospects, and their distribution highlights the rich gold belts of Victoria.

No work was conducted on the Victorian Licenses during the period.

The company is currently undergoing a strategic review of its Victorian activities and is considering a number of options with respect to its licenses in Victoria.

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[www.metalsaustralia.com.au](http://www.metalsaustralia.com.au)

### Competent Person Declaration

The information in this release relating to the geology and exploration results of the projects owned by Metals Australia Ltd is based on information compiled by Dr Matthew Painter, who is a consultant to Metals Australia. Dr Painter is a member of The Australian Institute of Geoscientists, a Recognised Professional Organisation by the Australasian Joint Ore Reserves Committee, who has sufficient experience relevant to the style of mineralisation and types of deposits under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Dr Painter consents to the inclusion in this report of the matters based on their information in the form and context in which it appears.

### Forward-Looking Statements

This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning Metals Australia Ltd's planned exploration programme and other statements that are not historical facts. When used in this document, the words such as "could," "plan," "estimate," "expect," "intend," "may," "potential," "should," and similar expressions are forward-looking statements. Although Metals Australia Ltd believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.