



QUARTERLY ACTIVITIES REPORT

for the period ended 30 September 2012

HIGHLIGHTS

NAMIBIA URANIUM EXPLORATION

- **Shallow RC drilling (~4 m depth) at Mile 72 has confirmed uranium mineralisation within the basement alaskite, granites and schists.**
- **The shallow drilling followed up previous high-grade surface samples up to 13,912 ppm U₃O₈ from Mile 72.**
- **Kudu-Impala covers over 200 km² of outcropping or subcropping uranium mineralisation.**
- **The Company is entering a new phase of exploration at Mile 72, focusing exclusively on delineating alaskite-hosted primary uranium mineralisation within the basement sequence.**
- **A High Density Airborne Magnetic Survey is planned to better target basement drilling for Rössing-style primary uranium mineralisation.**

AUSTRALIAN EXPLORATION

- **Airborne geophysical (VTEM) targets confirmed at the Manindi Base Metal Cu-Zn Project (WA) have potential to substantially expand the resource.**



CORPORATE

Alex Clemen, a long-standing director of the Company, died in July and his passing was noted with regret by all connected with him. The Company's exploration programme was severely disrupted without Mr Clemen's guidance.

On 23 July, Mr Michael Scivolo was appointed to fill the vacancy, and he has offered himself for election at the Company's forthcoming annual General Meeting as required by the Company's constitution

In addition, Mr Kieron Munro, the Company's Exploration Manager, who was based in Namibia, left the country to return to Australia, but will continue to consult on an as-needed basis.

Subsequent to the end of the quarter, Mr Vincent Algar was appointed to oversee the Namibian exploration programme.

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. Some of the highest uranium grades in the world have been recorded in outcrop and in shallow pits. Metals has entered into a new phase of exploration, targeting a large high-tonnage moderate grade primary deposit of a similar style to the Rössing and Husab mines to the south.

In the June quarter, the Company reported that it had received very positive results in relation to the final batch of 154 assays obtained from the trench sampling at the Mile 72 Project in Namibia (Figure 1). Assay results were also received from the pilot shallow RC drilling programme of 231 drillholes for 1,023m at Mile 72 (Figure 3). These showed strong anomalism away from the main Kudu-Impala prospect.

A new phase of exploration at Mile 72

Following the collection and review of data from the recent surface sampling and shallow RC drilling programme, Metals is preparing for a new phase of exploration at Mile 72. The primary exploration target is uranium mineralisation hosted within the granite-schist-alaskite basement sequence. Primary mineralisation within the licence area is most likely to be of a similar style to the Rössing and Husab deposits.

Granite-hosted primary uranium deposits are typically high tonnage and moderate grade (250-600 ppm or 0.025-0.06 % U_3O_8). As such, the grades encountered at surface at Mile 72 are not expected to be encountered at depth but are, rather, a surface enrichment feature indicative of mineralisation at depth (See Figure2).

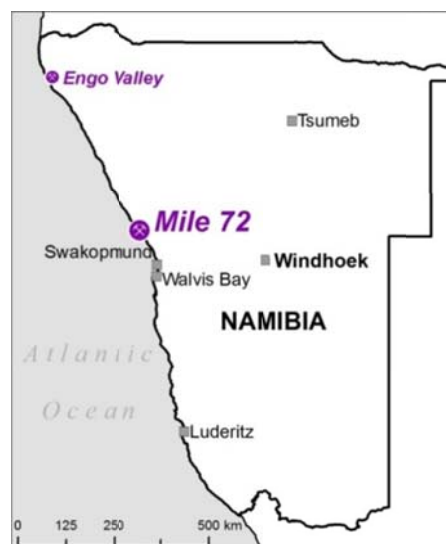


Figure 1 – Location of the Mile 72 uranium project, Namibia.

Metals' Geologists have reviewed all historic and recent data collected at and around Mile 72. Some of the key findings to date include:

- The Mile 72 area has an equivalent propensity to generate alaskites (the hosts to uranium mineralisation) to the Alaskite Alley area that contains Rössing and Husab.
- Interpretation of the Kudu-Impala geology from geophysics shows that unique geological features, which may be important in the concentration of uranium mineralisation, occur within the EPL3308 licence boundary.
- Uranium that is concentrated at surface at Kudu-Impala must be sourced from the basement sequence within the licence area, and has not been transported in from elsewhere.
- Groundwaters may have shifted the surface uranium anomalies relative to subsurface mineralisation to a limited extent.
- For a mineralised profile in this type of weathering environment, we will expect to see very high grades at surface, followed by a zone of depletion (maybe 20-50 m depth) that contains very little or no mineralisation, followed by fresh primary mineralisation.
- U_3O_8 grades up to 324ppm and identification of alaskite rock units in geological logging of the shallow drilling programme are good indicators of potential primary basement uranium mineralisation.
- Several targets have been identified that require further refining and analysis prior to drilling and we expect to identify additional targets as work progresses.



Figure 2 – Areas exhibiting prime geological conditions for the genesis of alaskites. Mile 72 had the same conditions as those experienced at Husab, Rössing and Valencia. (Red = peak conditions ideal for genesis of alaskite. Pink = peak conditions exceeded required conditions but area still hosts potential for alaskites.)

Forthcoming exploration activity

Preparation is underway for a high-resolution 50m line-spacing aeromagnetic survey which will take place as soon as all government approvals are in place and suitable equipment is available. The results of the programme will be used in conjunction with existing data in order to refine drill targeting.

Following completion of the geophysical programme and interpretation of the results, drilling of an array of deep (around 80-100 m), widely spaced drillholes will be carried out over the chosen target areas. This first pass drilling programme will serve as a precursor to subsequent more substantial and targeted resource definition programmes.

Recent Exploration Results

Surface trenching

The previously reported surface sampling results from the Kudu-Impala area highlighted the significant values achieved at Mile 72. Grades were as high as **13,912 ppm U_3O_8** , and intervals of up to nearly **300 m in length with in excess of 900 ppm U_3O_8** have been identified. The high-grade results were located outside the previously defined extent of the Kudu-Impala prospect area, significantly increasing the area of prospectivity.

Pilot shallow RC drilling programme

During the March quarter of 2012 the Company completed a short pilot programme of shallow RC drilling at Mile 72.

Drilling was very shallow, and was aimed at confirming or refuting the presence of calcrete-hosted Langer-Heinrich style mineralisation at Mile 72. Most drillholes in the 231 hole programme were drilled to a depth of 4m or less, with only 18 of these drilled to a depth of 10m.

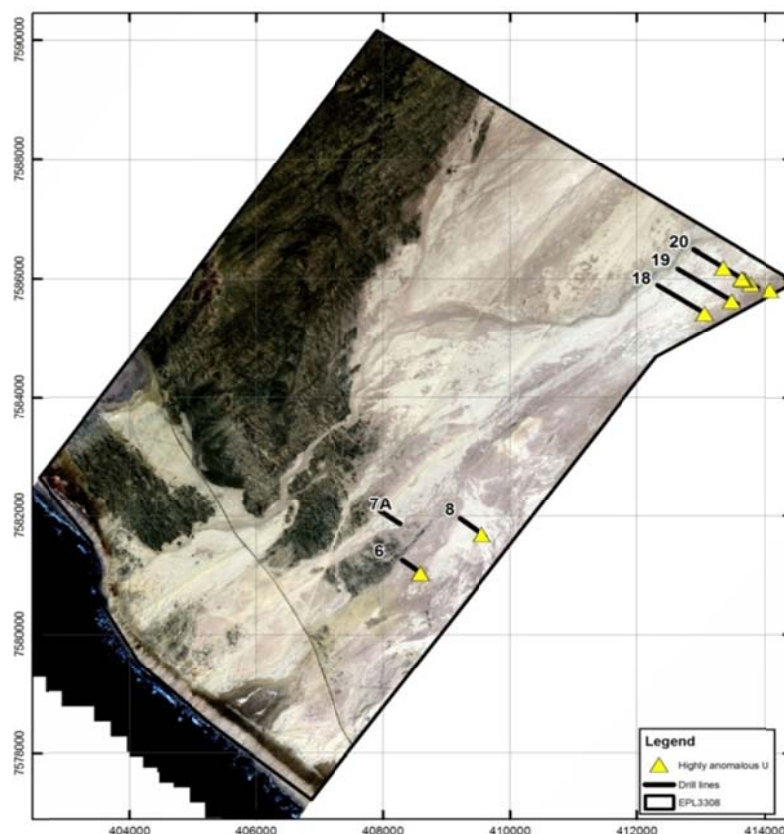


Figure 3 – Satellite image of the Mile 72 licence area, showing the recent RC drill fences. At Kudu-Impala, NE Extension, and Central Areas, “weathered rock” areas have been trench sampled and an initial 231 drillhole programme has been completed in the “gravel” areas in the current programme.

The programme results did not support the calcrete-hosted deposit model, but the drilling assay and geological logging results produced some very encouraging results (Table 1). In the areas tested uranium mineralisation within the bottom-of-hole samples suggested that there is potential for deeper alaskite hosted Rössing-style mineralisation in the drilled areas. Anomalous uranium mineralisation occurs in the bottom-of-hole drill samples in several

locations. These encouraging results confirm uranium mineralisation in the underlying basement rocks which comprise mostly alaskite, granite and biotite schist.

Table 1 - Highlights of RC Drill hole assays
(samples exceeding 100 ppm U₃O₈)

Hole No.	From (m)	To (m)	U ₃ O ₈ (ppm)
M72RC0167	3	4	324.2
M72RC0213	2	3	317.2
M72RC0054	1	2	316.0
M72RC0067	2	3	292.4
M72RC0162	3	4	241.7
M72RC0046	2	3	221.7
M72RC0213	0	1	220.5
M72RC0047	3	4	214.6
M72RC0061	0	1	187.5
M72RC0067	3	4	187.5
M72RC0077	2	3	158.0
M72RC0029	0	1	141.5
M72RC0049	2	3	134.4
M72RC0087	3	4	113.2
M72RC0049	1	2	108.5
M72RC0144	2	3	107.3
M72RC0054	2	3	104.3

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-age sediments 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 km² park (See Figure 4).

In January 2012, Metals submitted a detailed Environmental Overview and Environmental Management Plan document to the Namibian Ministry of Environment and Tourism (MET) to apply for an Environmental Clearance and Access Permit to commence surface exploration work at Engo Valley. The necessary Environmental Clearance and Access Permits were granted in July 2012.

A programme of field work to map, sample and assess the Engo Valley Project area has been planned and is ready to commence once relevant approvals are in place.

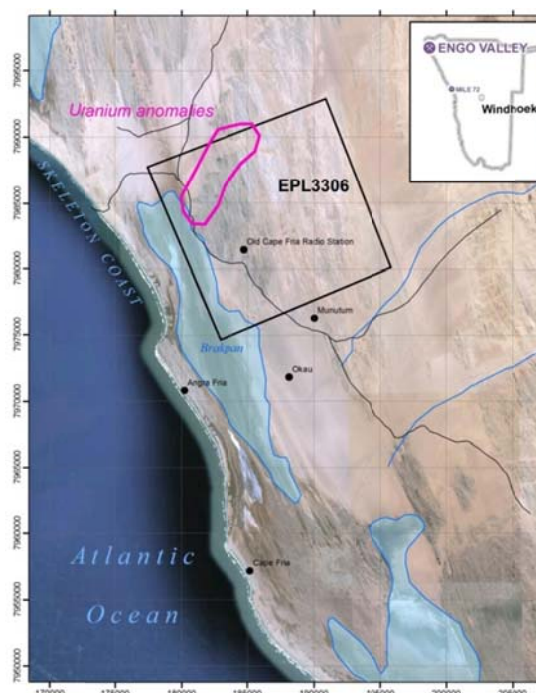


Figure 4 – The Engo Valley licence area (EPL3306)

BASE METAL PROJECTS, WESTERN AUSTRALIA

Metals currently holds an interest in two base metals projects in Western Australia.

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.

During the quarter, the Company finalised the interpretation of a series of 3-D geophysical models based on a Fixed-Loop Time-domain ElectroMagnetic (FLTEM) survey previously undertaken at Manindi. These surveys successfully validated anomalies detected during a Versatile Time-domain ElectroMagnetic (VTEM) geophysical survey over the entire group of tenements that was carried out in the previous quarter.

The geophysical surveys generated six new anomalies adjacent to the known mineralisation and provided a number of new drill targets at Manindi. Figure 6 shows the location of the areas containing the defined Resources at Manindi and the highest ranking new FLTEM anomalies. These new geophysical anomalies have the potential to substantially expand the existing resource.

The 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.

Metals has previously delineated a JORC resource of:

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

The resource is divided into the following categories (at a 1% Zinc cut-off):

Measured	497,000 tonnes @ 7.32% Zinc
Indicated	438,000 tonnes @ 6.38% Zinc
Inferred	419,000 tonnes @ 4.14% Zinc



Figure 5 – Location of the Western Australian base metals projects.

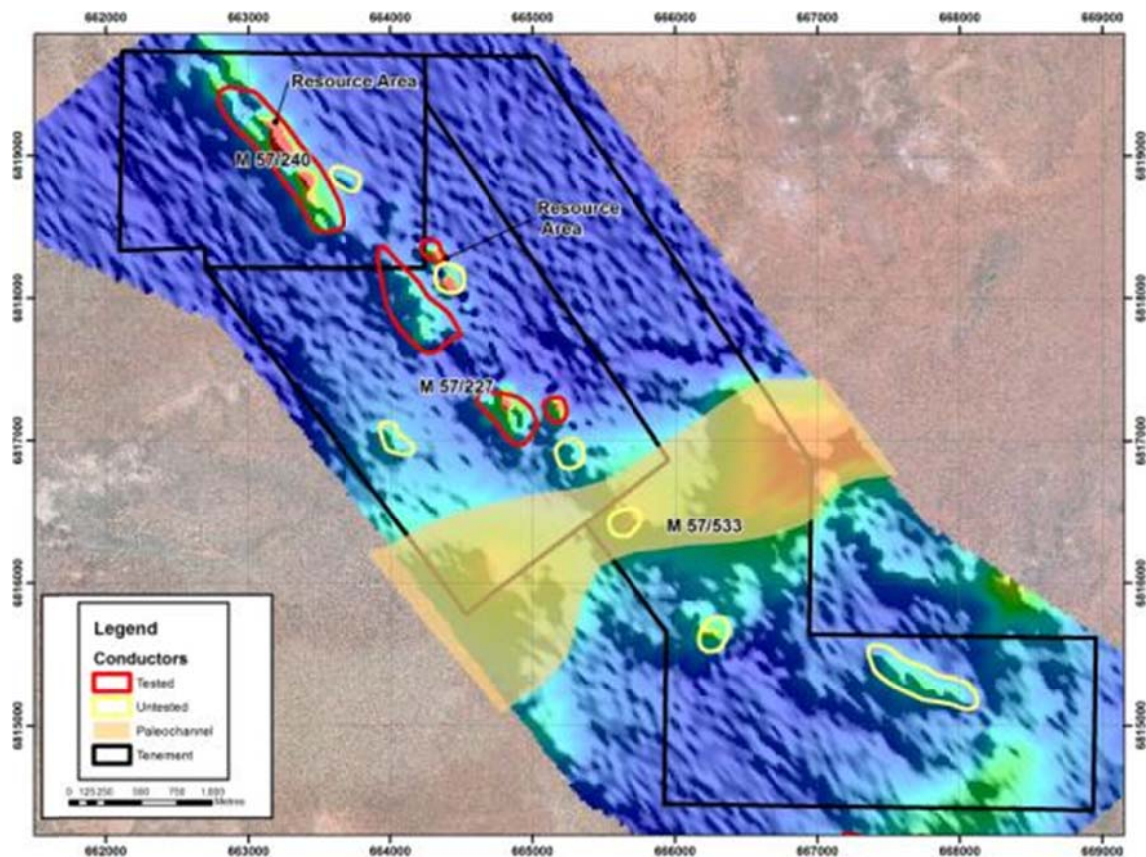


Figure 6 - Resources and FLTEM targets at Manindi

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.

During the quarter, ARH completed an extensive biogeochemical sampling programme over the Sherlock Bay Extended Project. Samples were collected and submitted to Genalysis Laboratory in Perth for analysis, with results expected to be received in the coming quarter.

GOLD PROJECTS, VICTORIA

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

Following the receipt of high quality regional 100 m line spacing aeromagnetic surveys in the previous quarter (**Error! Reference source not found.**), identification of gold targets by the interpretation of the

data throughout the project areas is now able to commence. Metals is also securing the services of a local consultant with experience at Wedderburn and South Arnaud. The consultant has already identified several target areas that will complement the targeting exercise currently underway using the aeromagnetic data.

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.

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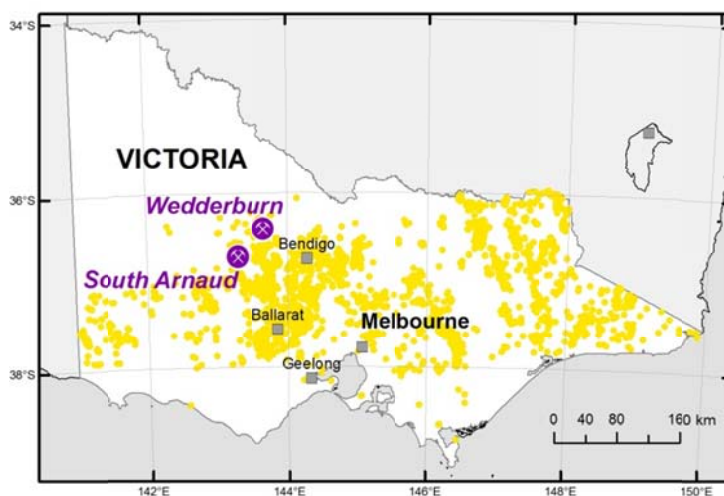


Figure 7 – Location of the Wedderburn and South Arnaud projects in western Victoria. Yellow dots represent gold deposits and prospects, and their distribution highlights the rich gold belts of Victoria.

Competent Persons 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 full time 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.