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The Manager
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QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2010

AUSTRALIAN PROJECTS

1. WESTERN AUSTRALIAN BASE METAL PROJECTS

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

The Manindi zinc project is located in the Murchison District 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 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.

The Marmion Uranium project is located in the Eastern Goldfields and has the potential to contain calcrete-hosted styles of uranium mineralisation.



1.1 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 has previously delineated a JORC resource of:

1.354 million tonnes @ 6.04% Zinc, 0.25% Copper, 3.4 gpt Silver & 0.25 gpt 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

Metals is currently undertaking a detailed review of the project to identify further targets for exploration to expand the existing resource base, which may then allow the project to be developed.

1.1.1 HYPERSPECTRAL ANALYSIS

A hyperspectral analysis of Manindi and its surrounds shows potential for further mineralisation along strike. Satellite imagery was analysed over Manindi and its surrounds, and identified two areas with a very similar mineral reflectance signature to that of the outcropping mineralisation. One is immediately north of Manindi, and the other is to the south at the Wombat prospect. Both of these areas independently show distinct soil anomalies.

These target areas will be investigated in future work as part of the overall assessment of the Manindi project.

1.2 MARMION URANIUM PROJECT – EASTERN GOLDFIELDS

The Marmion Uranium project is located to the northeast of the town of Menzies, in the Eastern Goldfields. The project is composed of one granted exploration licence (E 29/740) that covers in excess of 200 km².

The lease area covers the eastern end of Lake Ballard, the north end of Lake Marmion and more than 16 km of palaeochannel linking the two lakes.

The project is prospective for calcrete-hosted styles of uranium mineralisation, specifically playa lake styles of mineralisation as found at Mega Uranium's Lake Maitland project and channel calcrete styles, such as the mineralisation at BHP's Yeelirrie deposit.

The 'first pass' literature review shows limited exploration for uranium, with no exploration in recent times. The eastern end of the Lake Ballard area was explored in the late 1970s by Uranerz, with grab samples returning up to **100 ppm U₃O₈**. The northern end of Lake Marmion was explored by Afmeco in 1978, having conducted radiometric surveys and a limited shallow drilling programme. The drilling was limited to 5 holes only on the margin of the lake due to access issues, and only intersected low grade (<50 ppm) uranium mineralisation.

The area of highest potential is the palaeochannel between the two lakes, which is over 16 km long. The palaeochannel has yet to be explored, and may host Yeelirrie style channel calcrete-hosted mineralisation. Detailed data compilation and evaluation is ongoing.





Google Imagery of the Marmion Uranium Project shows the tenement outline and target areas.

1.3 SHERLOCK BAY EXTENDED BASE METAL PROJECT - PILBARA

The Sherlock Bay Extended project is composed of an 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 (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.

A biogeochemical field sampling programme was completed by ARH in September. Around 2,000 vegetation samples were collected. The samples will be analysed over the coming months in an attempt to identify subtle anomalies that may relate to mineralisation in the subsurface.

2. VICTORIAN GOLD PROJECTS (EL 5242 - 5245)

Metals has been granted tenure over four **historical gold mining areas in western Victoria**, namely the South Arnaud (EL 5242), Wedderburn (EL 5243), Scarsdale (EL 5244), and Moyston (EL 5245) projects. The tenure allows for low impact gold exploration over a number of historical gold mining areas that have not been adequately explored utilising modern exploration methods.



Government records show that over 450 gold prospects, mines and occurrences are documented within

the four licence areas, with a combined production of over 59,000 ounces from reef and vein gold deposits, at average grades **in excess of 16 gpt gold**. A similar amount of gold was also recovered from alluvial deposits in the licence areas.

These gold fields were discovered in the Victorian Gold Rush of the mid-1800s, with all significant gold mining activity ceasing in these areas by 1930. The Company believes that a significant opportunity exists in western Victoria, and **that historic mining has only exploited the upper portions of the extensive gold mineralising systems.**

Metals established a field base in Victoria at the start of this quarter. Regional field assessment and reconnaissance is advancing, with data compilation ongoing. Access to various sites is being investigated, with some of the licences over farm areas. Site visits to many of the gold mines and workings are progressing despite delays from torrential rains and flooding during the quarter.

A detailed review of the geology, structure and historical exploration data is progressing for each of the project areas. Fieldwork is concentrating on identifying target areas for future soil sampling and rock chipping programmes. A number of areas have been shortlisted, and will be assessed and prioritised once assessment of all accessible areas is completed.

AFRICAN PROJECTS

3. NAMIBIAN URANIUM PROJECTS

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

Metals held these licences since March 2006 and they fell due for renewal in May and June 2008. Metals lodged its applications to renew the licences in February and May 2008.

Work has been suspended on these projects pending the outcome of ongoing legal action. As previously reported, the vendor of the tenements lodged a court application against the Company, the Minister of Mines and Energy and the vendor's former partner who facilitated the tenement acquisition in 2005. Judgement was given in favour of the vendor on 30 July 2009.

The Company and its lawyers had a number of concerns with the judgment, and after seeking further legal advice, lodged an appeal against it in the Namibian Supreme Court.

The appeal, was heard on 5 July 2010, at which the judges reserved their decision. A further update will be provided when the decision is handed down.



4. PROJECT GENERATION

Metals has acquired a number of gold and uranium projects in both Victoria and Western Australia through its active project generation programme. The Company will continue to seek out and evaluate 'low-cost', high quality exploration opportunities to add to the Company's project portfolio.

Yours faithfully
Norman Grafton
Company Secretary
Metals Australia Ltd

Or consult our website:

www.metalsaustralia.com.au

Competent Persons 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 various styles of mineralisation and types of deposit under consideration, and to the activity that they are undertaking to qualify as Competent Persons as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Timothy Putt consents to the inclusion in the report of the matters based on his 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.