

31 January 2007

The Manager - Companies
Australian Stock Exchange Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Quarterly Report for the Period Ended 31 December 2006

EXPLORATION

Manindi Zinc Project, Murchison, WA. (M57/227,240, 533, P57/934-936, 938, 939, 942)

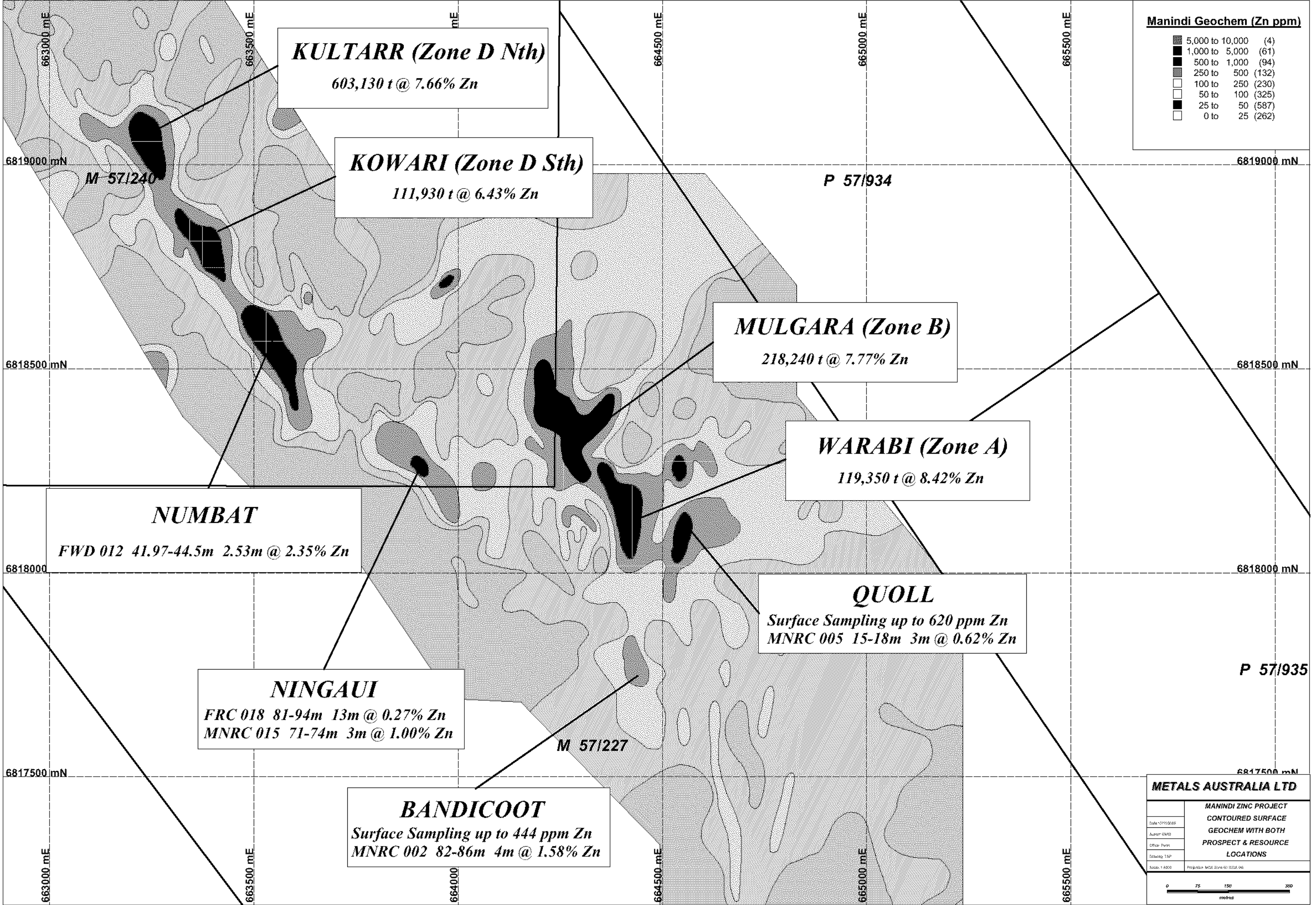
The Manindi Zinc Project is located in the East Murchison District of Western Australia, 20 kms south west of Youanmi. The project comprises a series of volcanogenic massive sulphide zinc deposits. The geological environment shows similarities to those of other base metal sulphide deposits in the Yilgarn 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.

The Manindi Zinc Project boasts a JORC compliant resource, contained within four separate mineralised zones, namely Warabi (Zone A), Mulgara (Zone B), Kowari (Zone D Sth) & Kultarr (Zone D Nth). The resource currently stands at:

1,052,540 t @ 7.64% Zinc (at a 1% Zinc cut-off grade)

This resource **does not** include the results from the latest RC & Diamond drilling programmes completed in June & September 2006.

Metals Australia Ltd maintains an active exploration programme designed to better define and expand the known resources at Manindi, in order to bring the project into production. The work programme for this quarter is detailed below.



1. Reverse Circulation (RC) Resampling at Warabi & Mulgara.

The resampling of the RC drilling at Warabi & Mulgara was undertaken in preparation for revised resource calculations, which will be undertaken following the upcoming round of diamond drilling. Previous assays were based upon composite samples.

Six RC drill holes were resampled within the Warabi & Mulgara area, with the aim of the programme to confirm the earlier composite sampling and to better delineate the intervals over which 'ore grade' assays were generated. The results of the drill hole resampling are detailed below:

A. Warabi (Zone A)

The current JORC compliant resource at Warabi, utilising a 1% Zinc cut-off grade, is:

119,350 t @ 8.42% Zinc

Two drill holes were resampled from Warabi.

MNRC 008

This drill hole was emplaced to the north of the established resource position at Warabi, to test a surface EM target. The hole extended the known resource by over 25 metres to the north. The original drill intercept was reported as:

MNRC 008 44-49 m 5m @ 11.8% Zn/ 0.74% Cu

Subsequent resample over one metre intervals has confirmed this result as:

MNRC 008 (Resample) 44-49 m 5m @ 13.3% Zn/ 0.78% Cu/ 12.6 ppm Ag

MNRC 014

This drill hole was designed to test the depth extensions of previously identified, high-grade zinc mineralisation. The drill hole successfully intersected the following reported mineralisation:

MNRC 014 48-61 m 13m @ 19.94% Zn/ 0.58% Cu

Subsequent resample over one metre intervals has confirmed this result as:

MNRC 014 (Resample) 48-61 m 13m @ 19.82% Zn/ 0.60% Cu/ 12 ppm Ag

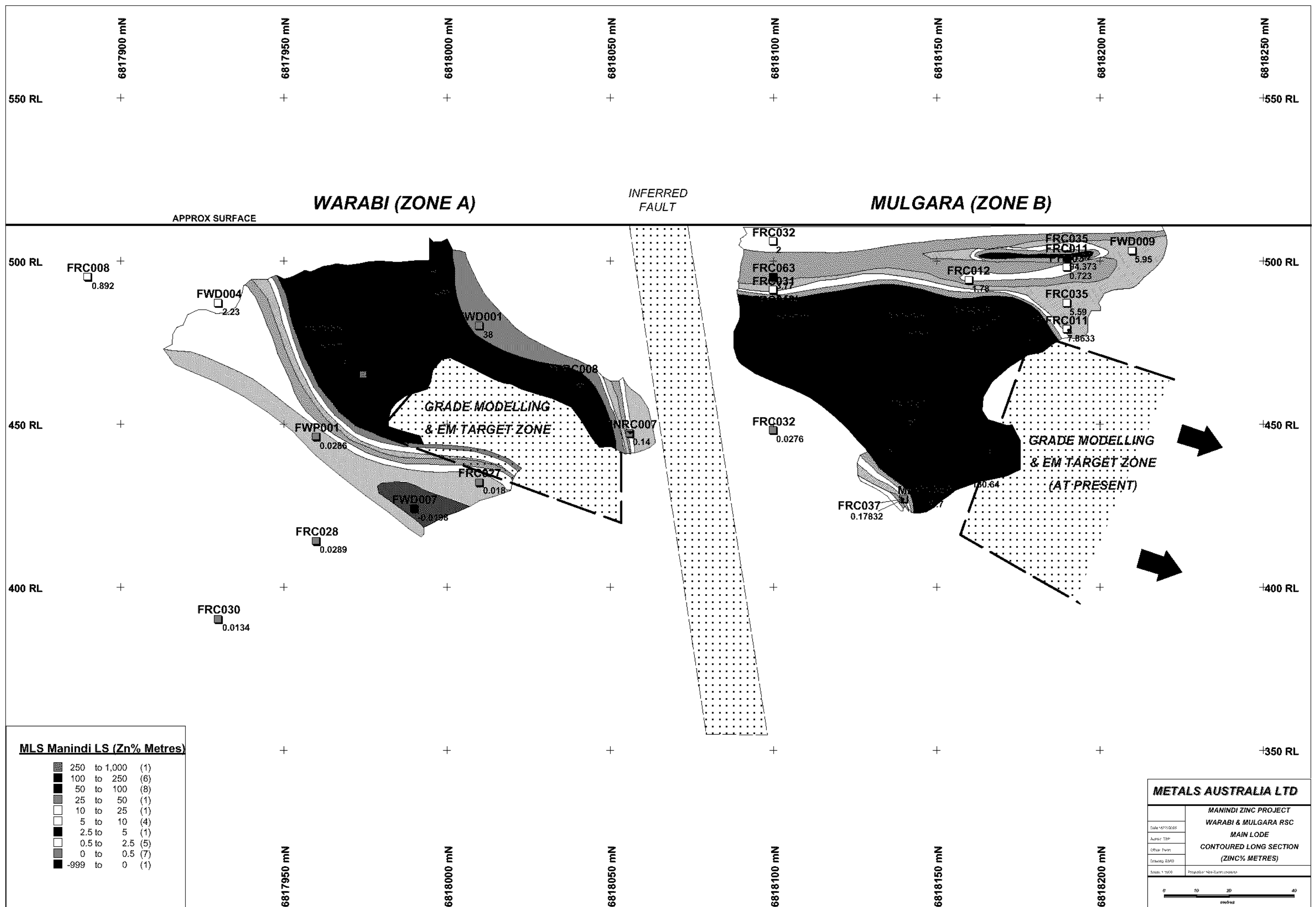
However the ore body is showing high-grade zonation and the above intercept includes the following high-grade zinc intercept:

MNRC 014 (Resample) 49-51 m 2m @ 41.40% Zn/ 0.11% Cu/ 4 ppm Ag

And deeper within the drill hole, a zinc-copper rich intercept of:

MNRC 014 (Resample) 54-58 m 4m @ 14.49% Zn/ 1.22% Cu/ 23.25 ppm Ag

Infill diamond drilling will be undertaken at this prospect as a part of the upcoming drilling programme.



B. Mulgara (Zone B)

The current JORC compliant resource at Mulgara, utilising a 1% Zinc cut-off grade, is:

218,240 t @ 7.77% Zinc

A total of four drill holes were resampled at Mulgara. Two of the drill holes MNRC 012 & 013, tested the main lode, while the other two holes tested the hanging wall lode.

MNRC 012

This drill hole was designed to test the shallow northern extensions of Mulgara, as defined through drilling and surface EM. The hole confirmed the presence of high-grade mineralisation at a relatively shallow level (around 30 metres below surface). The original drill intercept was reported as:

MNRC 012 23-39 m 16m @ 7.40% Zn including 10m @ 10.2% Zn

Subsequent resample over one metre intervals has confirmed this result as:

MNRC 012 (Resample)	23-39 m	16m @ 7.49% Zn/ 0.41% Cu/ 8.19 ppm Ag
Including	29-39 m	10m @ 9.37% Zn/ 0.46% Cu/ 9.8 ppm Ag

MNRC 013

This drill hole was designed to test the depth extensions of previously identified, high-grade zinc mineralisation. The drill hole successfully intersected the following reported mineralisation:

MNRC 013 89-92 m 3m @ 16.90% Zinc

Subsequent resample over one metre intervals has confirmed this result as:

MNRC 013 (Resample) 89-92 m 3m @ 15.13% Zn/ 0.67% Cu/ 10 ppm Ag

Extensional & infill diamond drilling will be undertaken at this prospect as a part of the upcoming drilling programme.

2. Diamond Drilling At Kultarr (Zone D North)

A number of diamond drill holes were emplaced to facilitate the down hole electromagnetic (DHEM) programme at Kultarr (Zone D North). Two of these holes intersected the ore body at depth, as designed, and produced the following results:

A. MND 005 (Kultarr Deeps)

This drill hole was drilled approximately 25 metres to the north and 25 metres below the existing resource position at Kultarr (Zone D North). The drill hole intersected two zones of

mineralisation, being the interpreted footwall and main lodes of the ore body, with assays as follows:

Footwall

MND 005	2.39m @ 12.70% Zinc	from 163.52 metres
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Main Lode

MND 005	10.22m @ 12.60% Zinc	from 172.36 metres
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These intersections confirm that the ore body continues at depth below the current resource and a further programme of diamond drilling has now been planned, in concert with the DHEM interpretation, to further define the resource at depth.

B. MND 001 (Kultarr South Deeps)

This drill hole was emplaced to test the area between Kowari (Zone D South) and Kultarr (Zone D North) at depth and to facilitate the EM programme. This drill hole encountered a zone of mineralisation, with assays as follows:

MND 001	1.60m @ 4.11% Zinc	from 253.6 metres
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Although this zone is relatively narrow, this intercept confirms the presence of mineralisation at depth in an area of previously unrecognised & tested mineralisation and appears to tie in with preliminary targets generated through the EM survey.

3. Kowari/ Kultarr (Zone D) Down Hole Electromagnetic Survey (DHEM)

Two diamond drill holes were emplaced adjacent to the Kultarr (Zone D Nth) ore body to facilitate the DHEM programme, in September 2006. In addition a number of historical drill holes, along the full strike extent of Kowari & Kultarr, were 'reamed out' and utilised for an extensive DHEM survey. The results of the DHEM and geological 'grade' modelling are as follows:

A. Kowari (Zone D Sth)

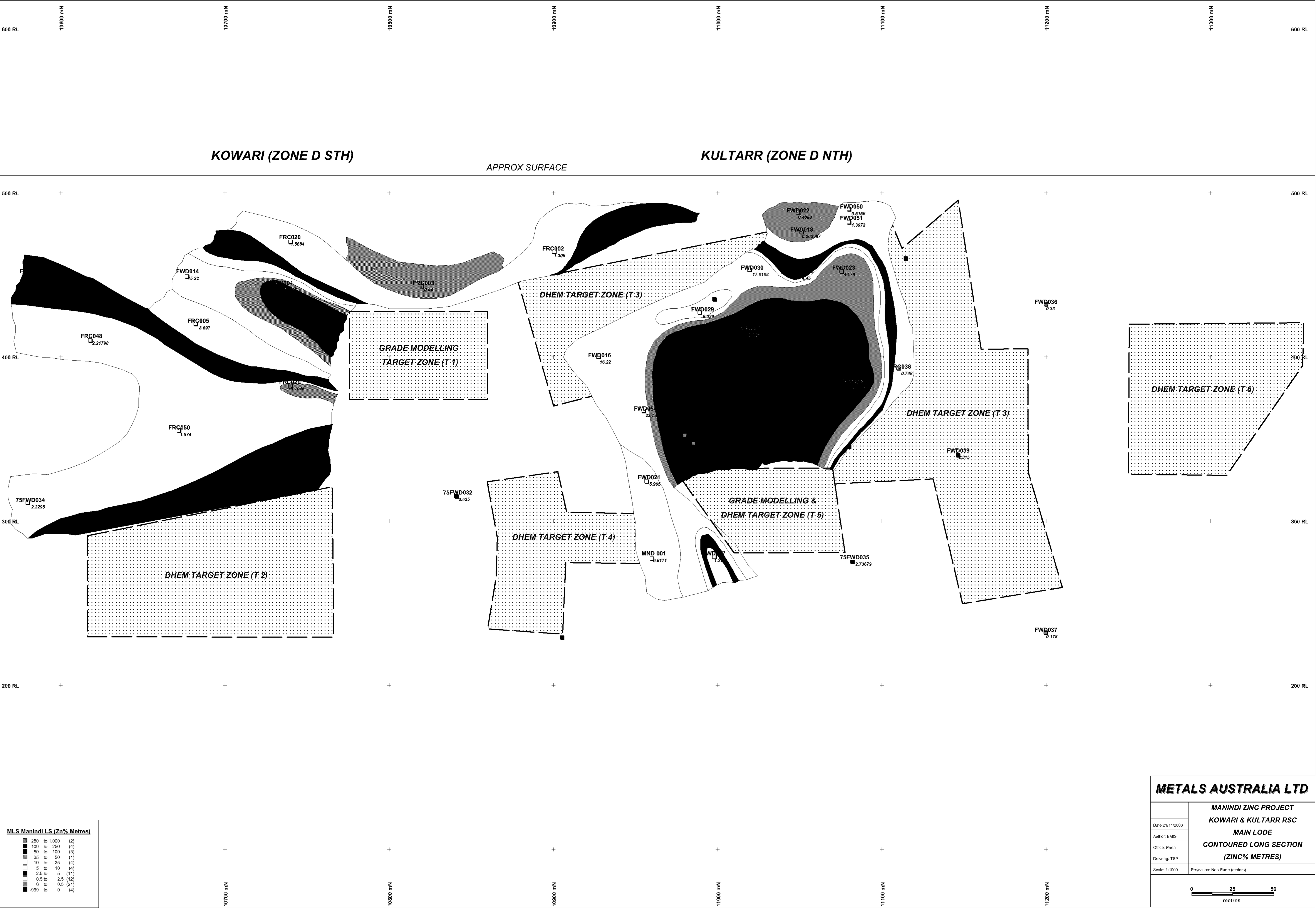
The current JORC compliant resource at Kowari, utilising a 1% Zinc cut-off grade, is:

111,930 t @ 6.43% Zinc

A number of historical drill holes were 'reamed out' and utilised to facilitate the DHEM survey through the Zone D area. This survey, combined with grade modelling, has successfully delineated a number of targets in the vicinity of the Kowari resource. These include:

Target 1 (T1)*

The DHEM survey has located a significant conductor below the current drilling at Kowari. This conductor is untested by current drilling.



METALS AUSTRALIA LTD

Date: 21/11/2006	MANINDI ZINC PROJECT KOWARI & KULTARR RSC MAIN LODE CONTOURED LONG SECTION (ZINC% METRES)
Author: EMIS	
Office: Perth	
Drawing: TSP	
Scale: 1:1000	Projection: Non-Earth (metres)

02550

metres

Target 2 (T2)*

A geological study of the ore system, which included long & cross sectional analysis, has delineated a target area to the north of the Kowari resource that requires drill testing and may significantly increase the known resource at this location.

Kowari has yet to be tested by the ongoing Metals Australia drilling programme.

B. Kultarr (Zone D Nth)

The current JORC compliant resource at Kultarr, utilising a 1% Zinc cut-off grade, is:

603,130 t @ 7.66% Zinc

Two drill holes were emplaced to the east and adjacent to the Kultarr main lode. These holes, as well as a number of 'reamed out' historical drill holes, were then used to facilitate the DHEM survey. This survey has successfully delineated a number of targets in the vicinity of the Kultarr resource. These include:

Target 3 (T3)*

This target zone has been delineated through DHEM and shows a broad conductive halo surrounding the main Kultarr lode, as well as extensions to the north, at depth.

Target 4 (T4)*

Located to the south of the main Kultarr lode and at depth this DHEM target probably represents a structural displacement of the main lode.

Target 5 (T5)*

Grade and DHEM modelling show the mineralisation from the main Kultarr lode continues, and appears to exhibit an increase in grade, at depth. Recent drilling by Metals Australia has confirmed the validity of this target zone. Results have included:

MND 005 172.36-182.58 m 10.22m @ 12.60% Zinc

These targets have yet to be effectively tested by drilling. In particular Target 5, is a priority for the upcoming diamond drilling programme.

C. Other Targets

In addition to the targets surrounding and adjacent to the existing resources, a further target (T6)* has been defined by both the surface and DHEM. This target zone is approximately 250 metres to the north of the Kultarr resource, and 150 metres below the surface. The target represents a significant conductor and lies in an offset position to the main lode and remains untested by drilling.

*See attached diagrams for target and drill hole locations.

A programme of diamond drilling has been planned to undertake testing of the delineated target zones as well as to infill the current drilling pattern at Warabi, Mulgara, Kowari & Kultarr; drilling is scheduled to commence in February 2007. The first stage of the programme consists of 39 diamond drill holes for over 5400 metres of drilling. A further programme of 13 diamond drill holes, for 1600 metres of drilling, will be undertaken dependant on the results of the first stage of the drilling programme.

Surveying of the drill sites has been completed and final ground clearance is being obtained from the Western Australian Department of Industry & Resources. Drilling will commence soon after these clearances are granted.

Namibian Uranium Projects

Metals Australia Ltd ('Metals') has previously announced that it had entered into a purchase agreement with a local Namibian title-holder to acquire two Exclusive Prospecting Licences (EPL) in Namibia, that are prospective for uranium mineralisation.

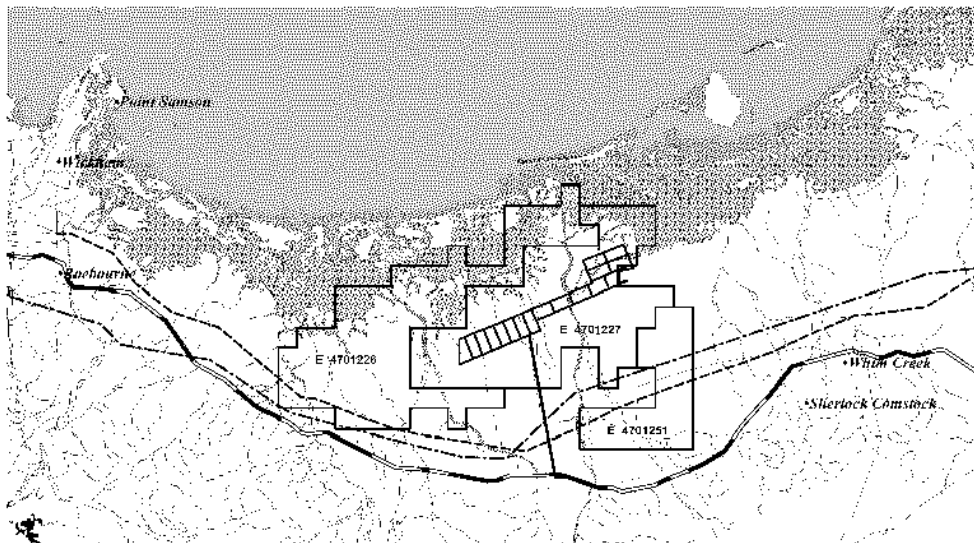
Metals carried out extensive geological and legal due diligence on the tenements prior to settlement taking place under the purchase agreement. As a result of this due diligence Metals required the vendors to satisfy them in relation to certain fundamental issues. The matter has been the subject of protracted negotiations, which now appear close to being resolved.

The company will make a detailed statement once an agreement has been finalised.

Sherlock Bay Extended Nickel- Copper Project, Pilbara, WA

Metals Australia Ltd ('Metals') has concluded an agreement with Fox Resources Ltd ('Fox') and Australasian Resources Ltd ('Australasian') to acquire a 30% 'free-carried' interest in the Sherlock Bay Nickel Extended Project, which surrounds Australasian's Sherlock Bay Nickel project in the Eastern Pilbara region of Western Australia.

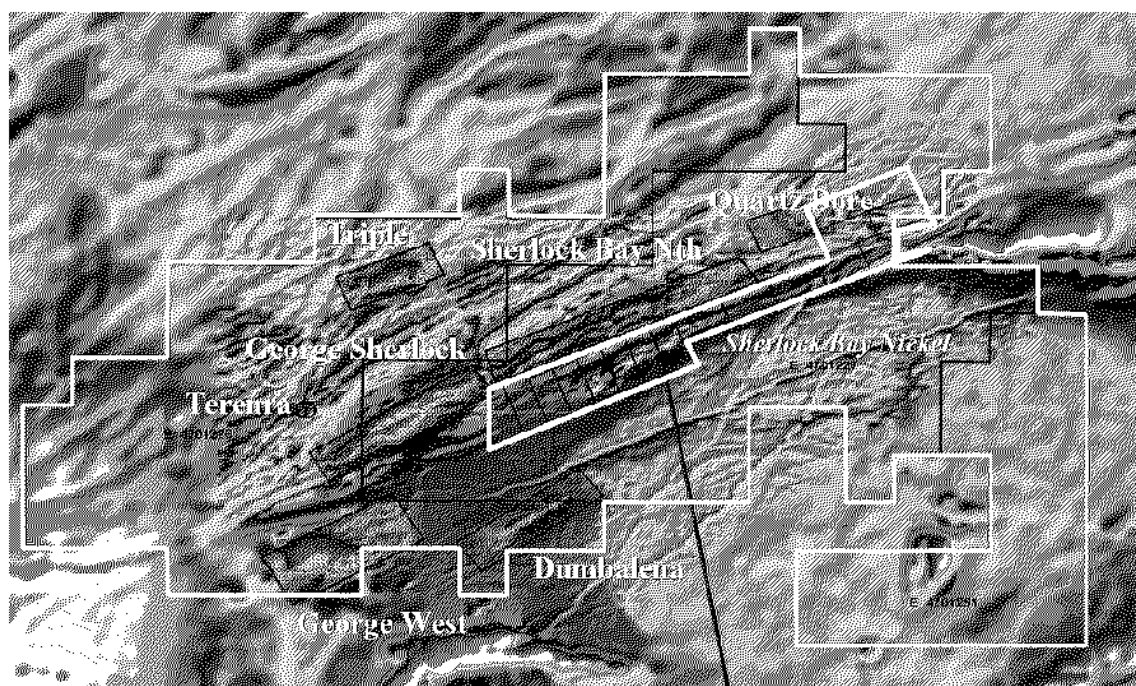
The Sherlock Bay Extended project consists of three exploration licences, E 47/1226, 1227 & 1251 that cover more than 470 km² and surround Australasian's Sherlock Bay Nickel project (shown below).



The Sherlock Bay Nickel project has a current resource in excess of 100,000 tonnes of contained nickel metal, with an in-ground value of more than \$4 billion, at current nickel prices.

The Sherlock Bay Extended project is highly prospective for nickel, gold and other base metals, with a number of exploration targets having already been defined. Exploration throughout the project area has identified extensive Ni-Cu mineralisation as well as evidence of stratabound volcanogenic base-metal mineralisation, beneath the cover sequence.

The diagram below shows a number of the prospect areas identified through exploration conducted by Metals and previous workers. The prospects include George Sherlock, Triple, Dumbalena, Quartz bore & Sherlock Bay North.



Under the previous agreement, Metals was required to make a further cash payment of \$100,000 to Fox, and also to spend \$500,000 within a short timeframe in order to earn an interest in the tenements. Metals would then both manage and fund the on going exploration over the project area.

The restructured agreement results in Metals no longer having to make any payment to Fox, nor having to fund any exploration or other expenditure. Metals will be free carried through to the completion of a bankable feasibility study and decision to commence commercial mining.

A further advantage to Metals, of the new joint venture agreement, is that Australasian will make available to the joint venture any treatment facility that it constructs to service its Sherlock Bay Nickel project, at standard industry treatment charges, and at no capital cost to Metals.

The transaction is an excellent outcome for Metals Australia. Australasian are committed to developing their Sherlock Bay Nickel project, and their interest in the project will accelerate the exploration programme and any potential production from the Sherlock Bay Extended tenements. The new joint venture terms also allows Metals to concentrate on bringing its Manindi Zinc project into production.

D N ZUKERMAN

Director

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. 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". 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.