ACN 008 982 474

METALS AUSTRALIA LTD

1st Floor, 8 Parliament Place West Perth WA 6005
PO Box 1618 West Perth WA 6872
Tel: (08) 9481-7833
Fax: (08) 9481-7835
Email: mls@metalsaustralia.com.au
Website: www.metalsaustralia.com.au

31 October 2007

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

QUARTERLY REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2007

HIGHLIGHTS

MILE 72 NAMIBIA

- **The first phase of geochemical and geophysical surveying has now been completed at Mile 72.**
- **Trial pit sampling at the Kudu prospect at Mile 72 has resulted a number of outstanding assays including:**

M72 KDUP 001	**5, 329 ppm (0.53%) Uranium Oxide**
M72 KDUP 002	**23,113 ppm (2.31%) Uranium Oxide**
M72 KDUP 004	**9,639 ppm (0.96%) Uranium Oxide**

- **Trenching has now commenced at Mile 72, testing the Kudu and Impala prospect areas.**

MANINDI ZINC PROJECT

- **Geological modelling of the Zone A and B ore bodies shows a 'multi-lode' envelope with strong potential for additional resource tonnage in parallel positions to the main lode.**
- **The second phase of diamond drilling at Zone A delineates significant near surface zinc mineralisation including:**

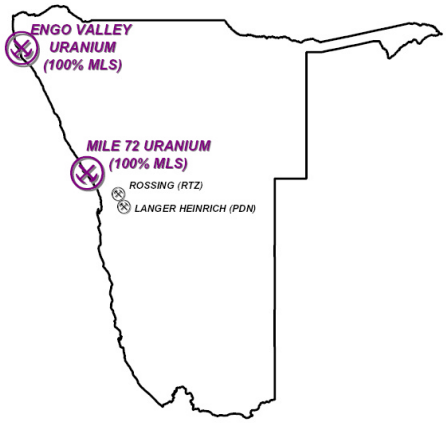
MND 049 **16.90 m @ 11.82% Zinc, 0.61% Copper and 9.69 gpt Silver from 24.00 metres.**

- **Modelling has identified the poorly explored Bandicoot prospect, to the south of Zone A, as a priority drill target.**

1. NAMIBIAN URANIUM PROJECTS

The Mile 72 & Engo Valley project areas have 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 Australia Ltd is now systematically exploring the Mile 72 uranium project.

Exploration is now progress on the Mile 72 project area, while the company is still awaiting the appropriate approvals to explore the Engo Valley area.



A. MILE 72 (EXCLUSIVE PROSPECTING LICENSE 3308)

The Mile 72 project is located on the central coast of Namibia, within the Erongo province, approximately 115 kilometres to the northwest of RTZ's Rossing Uranium Mining Operations and 30 kilometres to the north of the coastal town of Henties Bay. The project has the potential to host both near surface, pedogenic uranium deposits and primary 'alaskite' style mineralisation.

The first phase of a systematic exploration programme of geophysical and geochemical sampling was completed during the quarter at Mile 72 (100% MLS). Recent pit sampling has returning assays of up to 23,000 ppm (2.31%) uranium oxide. The project shows strong potential to host substantial near-surface pedogenic uranium deposits, as well as deeper alaskite hosted primary mineralisation.

The Mile 72 uranium project lies within a small depression on the central Namibian coast and is largely covered by surficial aeolian sand and alluvial gravels of varying thickness. These sands and gravels mask the radiometric and geochemical signature of the subsurface uranium mineralisation.

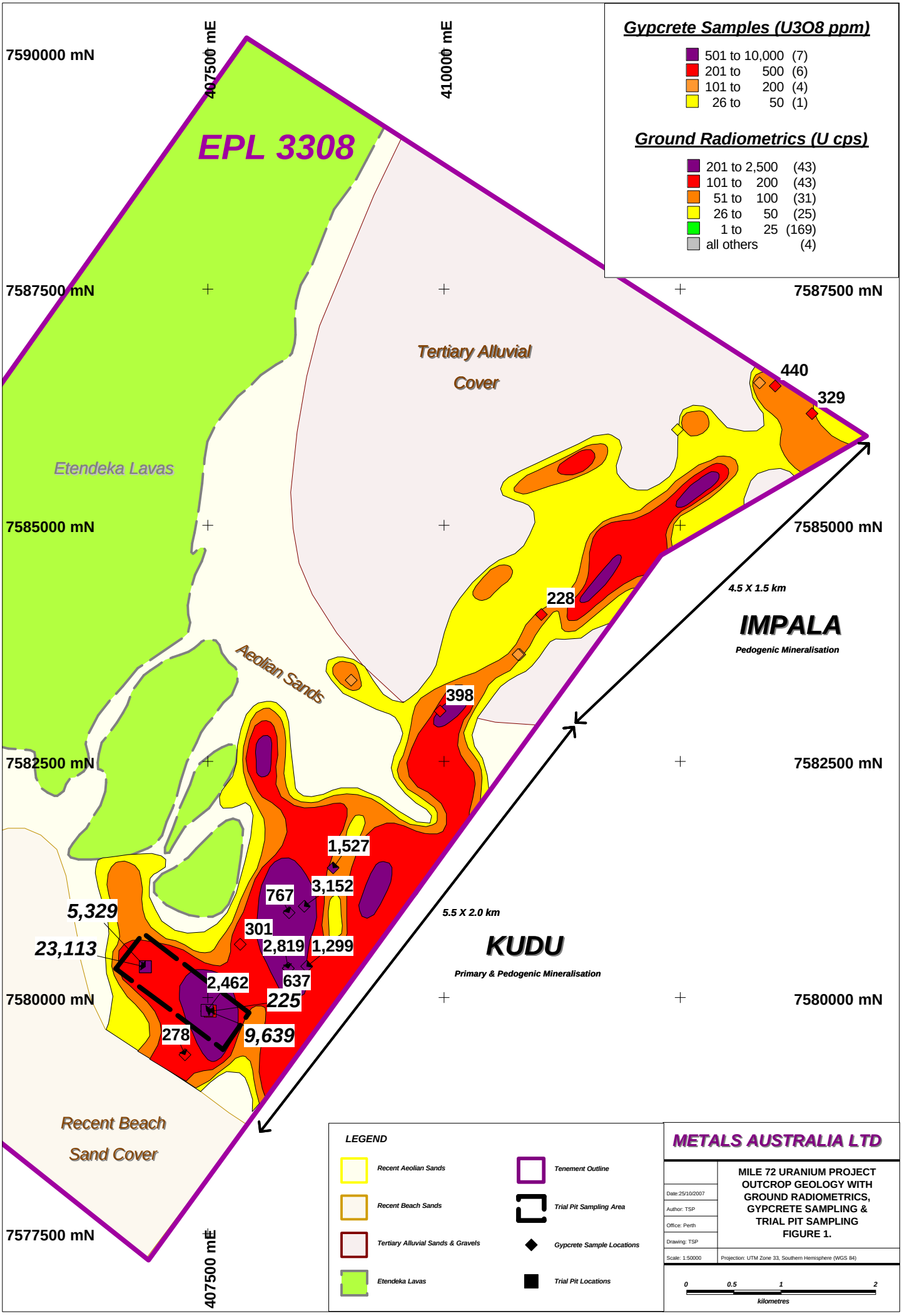
(i) GEOCHEMICAL SAMPLING

The first phase of systematic exploration at Mile 72 consisted of regional line traverses across the interpreted area of the Mile 72 palaeochannel, which covers an area of more than 42 square kilometres. Surface geochemical sampling continues to return 'ore-grade' uranium mineralisation throughout both the Kudu and Impala prospect areas (see Figure 1).

KUDU

The Kudu anomaly extends over 11 square kilometres (11,000,000 square metres) covering a strike length of approximately 5.5 kilometres and a width of over 2 kilometres. The anomaly shows peak radiometric values of over 5,000 uranium counts per second.

The initial sampling over the Kudu anomaly returned a significant number of 'high-grade' assays. These samples were often in excess of 1,000 ppm (0.1%) U3O8, with the highest assayed sample (from the first phase of gypcrete sampling) returning a result of **3,152 ppm U3O8**.


Gypcrete Samples (U3O8 ppm)
501 to 10,000 (7)
201 to 500 (6)
101 to 200 (4)
26 to 50 (1)
Ground Radiometrics (U cps)
201 to 2,500 (43)
101 to 200 (43)
51 to 100 (31)
26 to 50 (25)
1 to 25 (169)
all others (4)
EPL 3308
7590000 mN
407500 mE
410000 mE
7587500 mN
7585000 mN
7582500 mN
7580000 mN
7577500 mN
Tertiary Alluvial Cover
Etendeka Lavas
Aeolian Sands
Recent Beach Sand Cover
440
329
228
398
1,527
3,152
767
5,329
23,113
301
2,819
1,299
637
2,462
225
278
9,639
4.5 X 1.5 km
IMPALA
Pedogenic Mineralisation
5.5 X 2.0 km
KUDU
Primary & Pedogenic Mineralisation
LEGEND
Recent Aeolian Sands
Recent Beach Sands
Tertiary Alluvial Sands & Gravels
Etendeka Lavas
Tenement Outline
Trial Pit Sampling Area
Gypcrete Sample Locations
Trial Pit Locations
METALS AUSTRALIA LTD
MILE 72 URANIUM PROJECT
OUTCROP GEOLOGY WITH GROUND RADIOMETRICS, GYPCRETE SAMPLING & TRIAL PIT SAMPLING
FIGURE 1.
Date:25/10/2007
Author: TSP
Office: Perth
Drawing: TSP
Scale: 1:50000
Projection: UTM Zone 33, Southern Hemisphere (WGS 84)
0 0.5 1 2
kilometres

Sample No	U3O8 ppm	U3O8 %
M72 KDU 001	398	0.040
M72 KDU 002	359	0.036
M72 KDU 003	**1,527**	**0.153**
M72 KDU 004	**2,632**	**0.263**
M72 KDU 005	**3,152**	**0.315**
M72 KDU 006	**1,299**	**0.130**
M72 KDU 007	**2,462**	**0.246**
M72 KDU 008	278	0.028

*Samples were analysed via XRF by Genalysis Perth.

A detailed geological assessment of the prospect revealed that a thin veneer of wind-blown sand and gravel covers the Kudu prospect. This cover was cleared at each sample site to allow radiometric and geochemical sampling. The underlying regolith is a layer of gypcrete, overlying a fractured basement of schist, granite and alaskite.

The presence of alaskites is highly significant in that it demonstrates a **'primary source'** for the uranium mineralisation at Mile 72. Alaskites are a form of granitic intrusion and host the economic uranium mineralisation at both RTZ's Rossing mine, and Bannerman's Goanikontes project, located to the southeast of the Mile 72 project in Namibia.

IMPALA

The Impala anomaly extends over 6.75 square kilometres (6,750,000 square metres) covering a strike length of approximately 4.5 kilometres and a width of over 1.5 kilometres. The anomaly shows peak radiometric values of over 1,000 uranium counts per second. Reconnaissance sampling through this prospect area had previously generated samples of up to 440 ppm U3O8.

The initial sampling over the Impala prospect returned a number of assays in excess of 150 ppm (0.015%) U3O8, which is regarded as being 'ore-grade'. The highest assay returned to date is **455 ppm U3O8.**

Sample No	U3O8 ppm	U3O8 %
M72 IMP 001	455	0.046
M72 IMP 002	228	0.023
M72 IMP 003	156	0.016
M72 IMP 004	120	0.012
M72 IMP 005	153	0.015

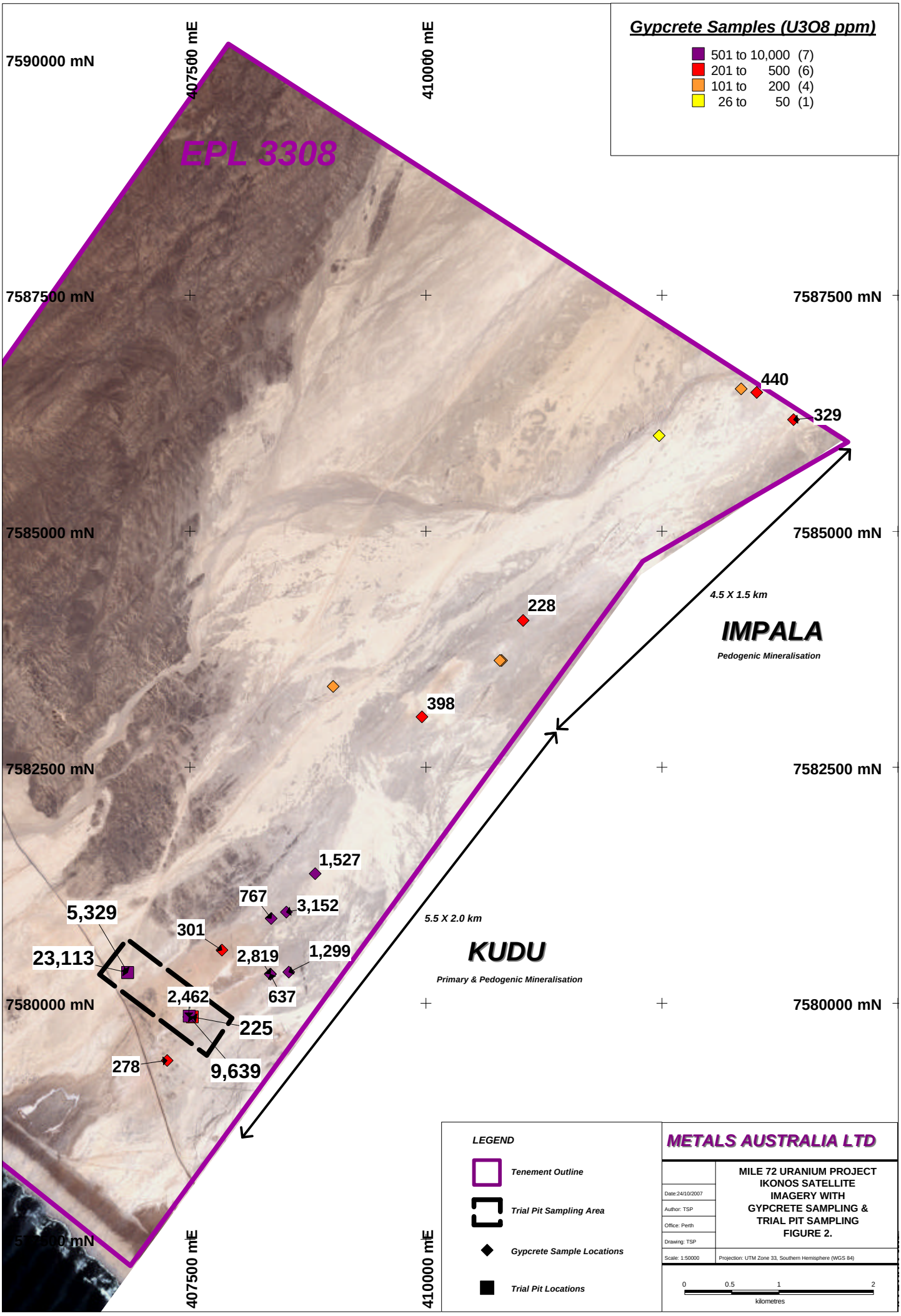
*Samples were analysed via XRF by Genalysis Perth.

The Impala prospect is largely covered by deep eluvial-alluvial sand and gravel terraces, which partially mask the surface expression of the anomaly. However the surface sampling continues to highlight the mineralised trend through this prospect, which appears to be similar in size to the Kudu prospect in the south.

Both sampling and radiometric testing continue to highlight the Kudu and Impala prospects as targets for trenching and drilling.

(ii) PITTING AND TRENCH SAMPLING

In preparation for the programme of mechanical trenching, currently underway, a number of trial pits were 'hand dug' to test a high priority target in the southern Kudu area (see Figures 1-3). This pitting was undertaken to assess whether trenching would be effective in testing the near surface mineralisation hosted by the gypcrete layer as well as uncovering the underlying source of mineralisation at depth.


Gypcrete Samples (U3O8 ppm)
501 to 10,000 (7)
201 to 500 (6)
101 to 200 (4)
26 to 50 (1)
EPL 3308
7590000 mN
7587500 mN
7585000 mN
7582500 mN
7580000 mN
407500 mE
410000 mE
440
329
228
398
1,527
767
3,152
5,329
301
2,819
1,299
23,113
637
2,462
225
278
9,639
4.5 X 1.5 km
IMPALA
Pedogenic Mineralisation
5.5 X 2.0 km
KUDU
Primary & Pedogenic Mineralisation
LEGEND
Tenement Outline
Trial Pit Sampling Area
Gypcrete Sample Locations
Trial Pit Locations
METALS AUSTRALIA LTD
MILE 72 URANIUM PROJECT
IKONOS SATELLITE IMAGERY WITH GYPCRETE SAMPLING & TRIAL PIT SAMPLING
FIGURE 2.
Date:24/10/2007
Author: TSP
Office: Perth
Drawing: TSP
Scale: 1:50000
Projection: UTM Zone 33, Southern Hemisphere (WGS 84)
0 0.5 1 2
kilometres

MLS geologists trial pit sampling at Kudu.

Weathered uraniferous alaskite at Kudu.

The trial pits showed an increase in the grade of the uranium mineralisation at depth within the gypcrete layer and have returned **a number of outstanding high-grade assays**. A number of samples were in excess of 5,000 ppm (0.5%) Uranium Oxide, with the highest assayed sample returning a result of **23,113 ppm (2.31%) Uranium Oxide.**

Sample No	U3O8 ppm	U3O8 %	Geology
M72 KDUP 001	5,329	**0.53**	Gypcrete
M72 KDUP 002	23,113	**2.31**	Gypcrete
M72 KDUP 003	225	**0.02**	Basement Schist
M72 KDUP 004	9,639	**0.96**	Gypcrete/ Schist

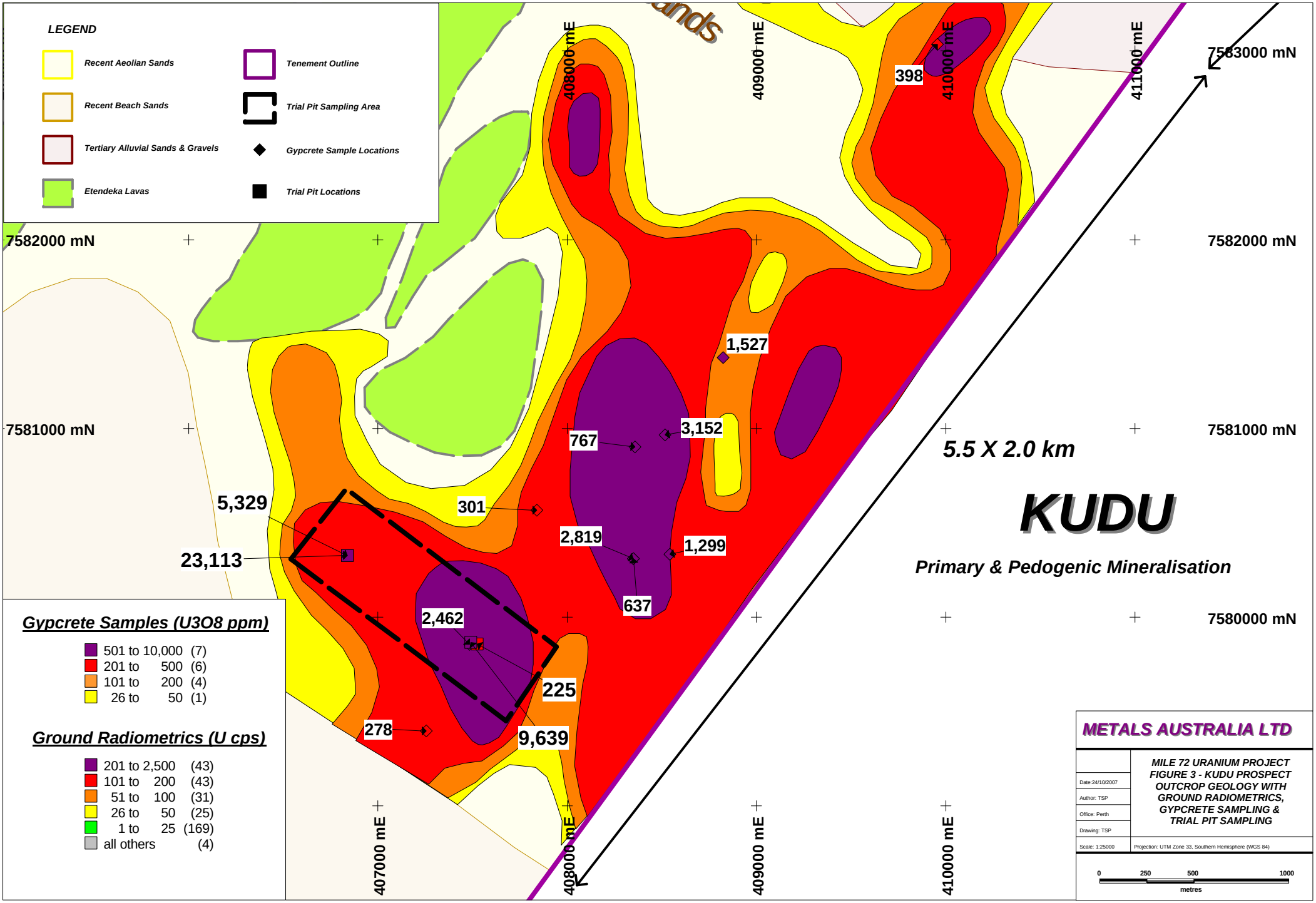
**Samples were analysed via XRF by Genalysis Perth.*

The samples were taken as follows:

KDUP 001 and 002 were taken from the same pit, which assayed **at 0.53% Uranium Oxide** in the top 0.5 metre of the pit, **and 2.31% Uranium Oxide** below that depth (see photo below).

KDUP 003 was a sample of basement schist taken from a shallow pit approximately 800 metres to the southeast of KDUP1 & 2, and was also well mineralised.

KDUP 004 was a sample taken from a 0.5 metre deep pit near KDUP 003, testing surface gypcrete mineralisation over weathered schist.


LEGEND
Recent Aeolian Sands
Recent Beach Sands
Tertiary Alluvial Sands & Gravels
Etendeka Lavas
Tenement Outline
Trial Pit Sampling Area
Gypcrete Sample Locations
Trial Pit Locations
408000 mE
409000 mE
410000 mE
411000 mE
7583000 mN
7582000 mN
7581000 mN
7580000 mN
407000 mE
398
1,527
767
3,152
5,329
301
2,819
1,299
23,113
637
2,462
225
278
9,639
5.5 X 2.0 km
KUDU
Primary & Pedogenic Mineralisation
Gypcrete Samples (U3O8 ppm)
501 to 10,000 (7)
201 to 500 (6)
101 to 200 (4)
26 to 50 (1)
Ground Radiometrics (U cps)
201 to 2,500 (43)
101 to 200 (43)
51 to 100 (31)
26 to 50 (25)
1 to 25 (169)
all others (4)
METALS AUSTRALIA LTD
MILE 72 URANIUM PROJECT
FIGURE 3 - KUDU PROSPECT
OUTCROP GEOLOGY WITH
GROUND RADIOMETRICS,
GYPCRETE SAMPLING &
TRIAL PIT SAMPLING
Date:24/10/2007
Author: TSP
Office: Perth
Drawing: TSP
Scale: 1:25000
Projection: UTM Zone 33, Southern Hemisphere (WGS 84)
0 250 500 1000
metres

Trial pit at Kudu South yielding 0.53% U3O8 in the top 50 cm and 2.31% U3O8 at depth.

Mechanical pitting and trenching commenced through the Kudu prospect area in October, 2007. Pits and trenches are being dug down to between one and two metres depth, or to basement rock if less. This pitting and trenching is being undertaken utilising a conventional backhoe, and is being supervised by MLS geologists and field crew.

(iii) GEOPHYSICAL SURVEY

A detailed programme of airborne radiometrics and magnetics was completed at Mile 72 during the quarter. Initially a programme of detailed ground-based radiometric and magnetic sampling was to have been completed at 100 x 25 metre spacing to follow up on the first phase of ground geophysics undertaken at 500 x 500 metre spacing.

Approximately one third of the detailed ground survey was satisfactorily completed in the north of the project area before the equipment being utilised suffered complete failure. Unfortunately the equipment had to be returned to Canada for repair, but with no timeframe for the repair, and no replacement equipment available in Namibia, it was decided to obtain an airborne survey of the area.

A detailed airborne radiometric and magnetic survey was acquired over the project area (see Figure 2). This programme was flown with a fixed wing aircraft, at 200 metre line spacing, 80 metre sensor height with radiometric readings taken every second. The sand and gravel covering much of the tenement has resulted in a subdued airborne radiometric signature in some target areas, while leaving the magnetic data unaffected.

In order to allow better interpretation of the airborne data, reconnaissance mapping has been undertaken and detailed geological mapping has also now commenced. The 'first-pass' interpretation of the data confirms the previously defined uranium mineralisation at both Kudu and Impala.

(iv) DETAILED MAPPING AT MILE 72

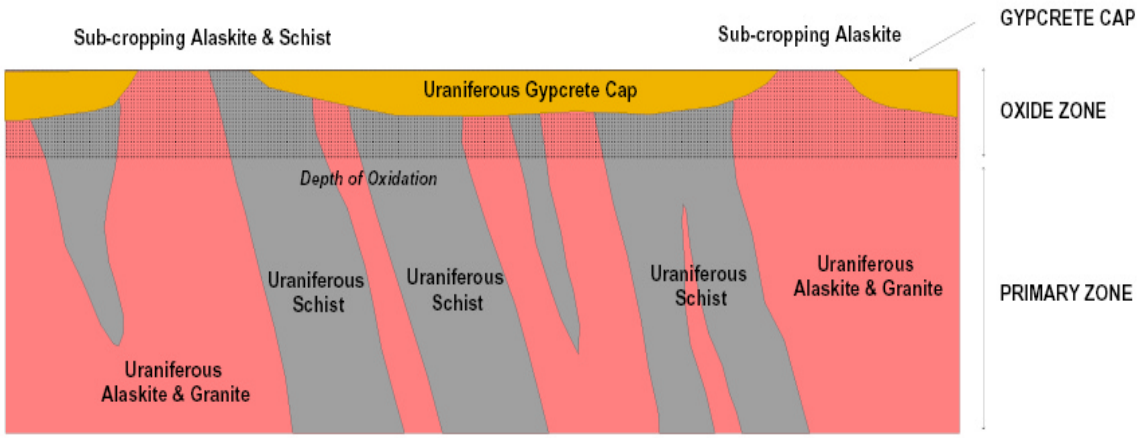
In addition to the mechanical trenching programme, detailed geological mapping of the project has commenced. The sand and gravel cover over much of the project area does not allow detailed outcrop mapping to be easily carried out. The pitting and trenching through the project

area will expose the underlying basement geology and assist in mapping by supplementing the limited outcrop available.

(v) GEOLOGICAL & MINERALISATION MODEL

A thin veneer of aeolian sand and alluvial gravels largely covers the Mile 72 project area. This cover masks the radiometric and geochemical signature of the underlying geology. The reconnaissance mapping, sampling, prospecting and limited trenching undertaken at the Kudu prospect, Mile 72, indicates that the uranium mineralisation is found in three zones.

The conceptual cross-sectional model of the Kudu prospect geology and uranium mineralisation is illustrated below:



The three potential zones of mineralisation at Mile 72 are as follows:

1. Gypcrete Cap

Gypcrete hosted uranium mineralisation is widespread throughout the Mile 72 project area. The gypcrete forms a 'cap' over the bedrock lithologies and varies in thickness. Sampling has returned grades of greater than 2% Uranium Oxide from this material.

This zone has the potential to host **a significant shallow high-grade uranium oxide deposit**. The gypcrete cap extends through much of the Kudu prospect (11,000,000 square metres in area) but remains largely untested in the Impala prospect area (6,750,000 square metres in area).

2. Oxide Zone

The oxidised mineralisation usually consists of either, fractured and partially weathered schist or weathered/ 'rotten' granite or alaskite. This material lies either below the gypcrete or can occur in outcrop. It has a coarse sandy texture but shows increasingly recognisable rock with depth. Recent trenching within this oxidised material has encountered carnotite (uranium hydroxide) associated with both alaskitic and granitic intrusives.

3. Primary Zone

The limited pitting and trenching, undertaken to date, indicates that the uranium mineralisation comes from a primary, or bedrock, source. The primary source is most probably from a granite-alaskite complex that has intruded the country rocks within the project area, namely Damaran schist. The alaskites in the project area have returned ore grade assays of up to 2000 ppm uranium oxide. Limited sampling of the country rock, Damaran schist, shows this material to also be mineralised, with results including 225 ppm uranium oxide.

Alaskites host the economic uranium mineralisation at both RTZ's Rossing mine, and Bannerman's Goanikontes project, located to the southeast of the Mile 72 project in Namibia.

Trenching is currently in progress and will provide further information on the nature and extent of the uranium mineralisation at Mile 72.

B. ENGO VALLEY (EXCLUSIVE PROSPECTING LICENSE 3306)

The Engo Valley project is located on the northwest coast of Namibia, in the Skeleton Coast Park. and forms a broad erosion channel draining the northeastern interior of Namibia.

The project is accessed via the road to the defunct Cape Fria Radio Station and covers an area of over 19,400 hectares. The tenement lies along the southern strike extent of the Engo Valley uranium occurrences.

Gencor discovered the Engo Valley uranium deposits in the early 1970's during a regional airborne radiometric survey, which delineated anomalous mineralisation along more than 30 kilometres of the Engo Valley.

Ground radiometric surveys, mapping and sampling subsequently defined four deposits on the eastern flank of the Engo Valley, which are hosted by sediments of the Karoo sequence. The Karoo sediments host a number of uranium deposits throughout southern Africa including those in Tanzania, South Africa, and, most recently, A-Cap Resources Ltd's discovery at Mokobaesi in neighbouring Botswana.

Gencor explored the Engo Valley between 1973 and 1980, but focused their work on the main Engo Valley occurrence and its immediate surrounds, identifying a number of shallow, sediment hosted deposits, including the MUO & D1 occurrences. These two occurrences are listed in the Namibian Ministry of Mines & Energy publication, 'Mineral Resources of Namibia' as having a pre-JORC deposit. Regional mapping of the Engo Valley palaeochannel indicates that Karoo sediments underlie thin sand cover over more than 30 kilometres of strike, which includes the Metals project area.

The stratigraphy in the Engo Valley consists of basement Damara sediments, composed of schists, gneisses and calc-silicate rocks. Numerous small irregular granite bodies, and a large granitic body on the western flank of the Engo Valley have also intruded the basement sequence. These granites are thought to be the source of the uranium mineralisation.

The Damara basement is unconformably overlain by Karoo sediments, which consist of tillite, shales, conglomerate, marl, mudstone and sandstone. Uranium mineralisation is found in two distinct styles within the stratigraphy:

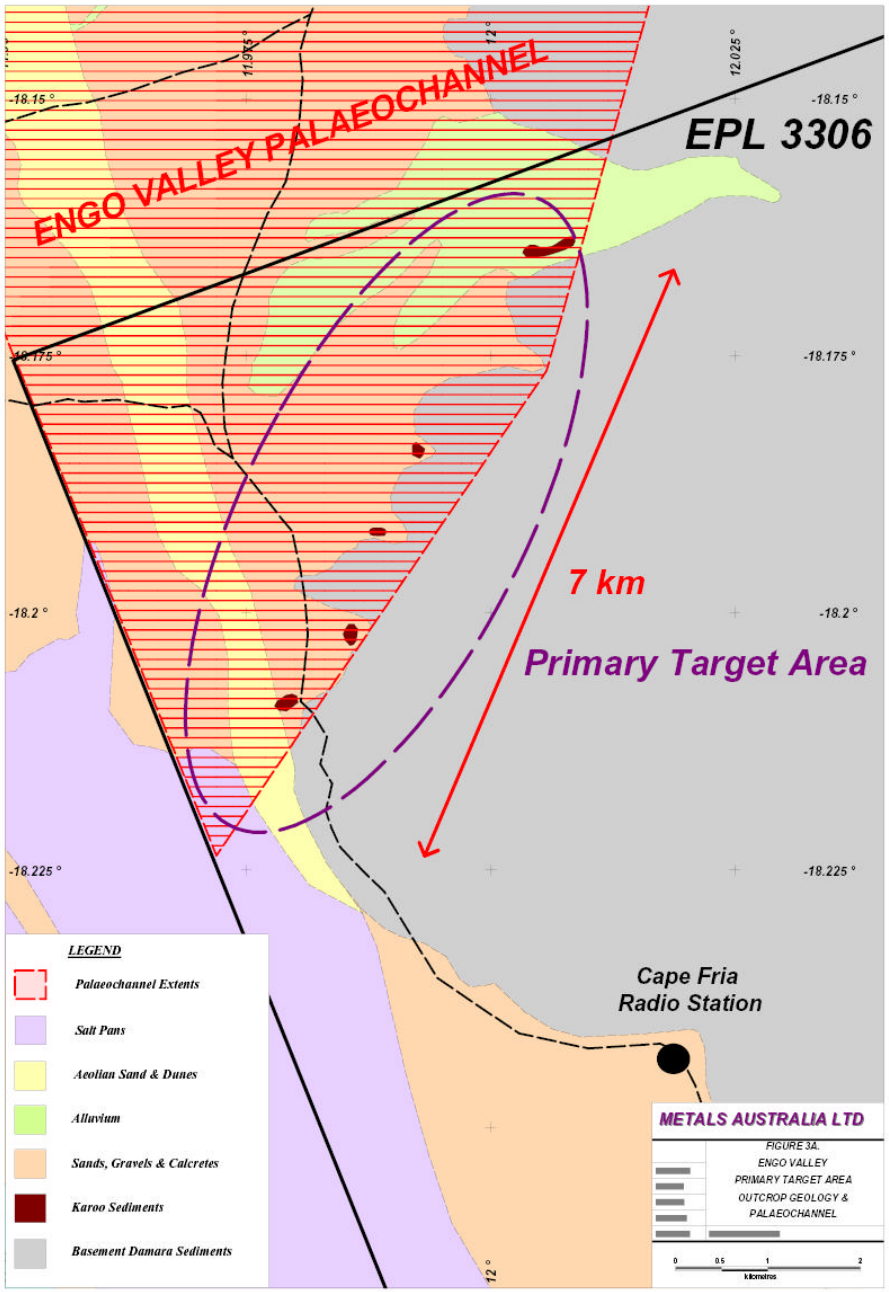
1. Disconformity – this mineralisation is found associated with alluvial fan deposits within the basal units of the Karoo sediments. The mineralisation is typically found as carnotite and is associated with coarse clastic units within the stratigraphy.

2. Shale Hosted – the shale units within the Karoo sediments may be mineralised, showing fine-grained uraninite associated with pyrite and chalcopyrite within the shale units.

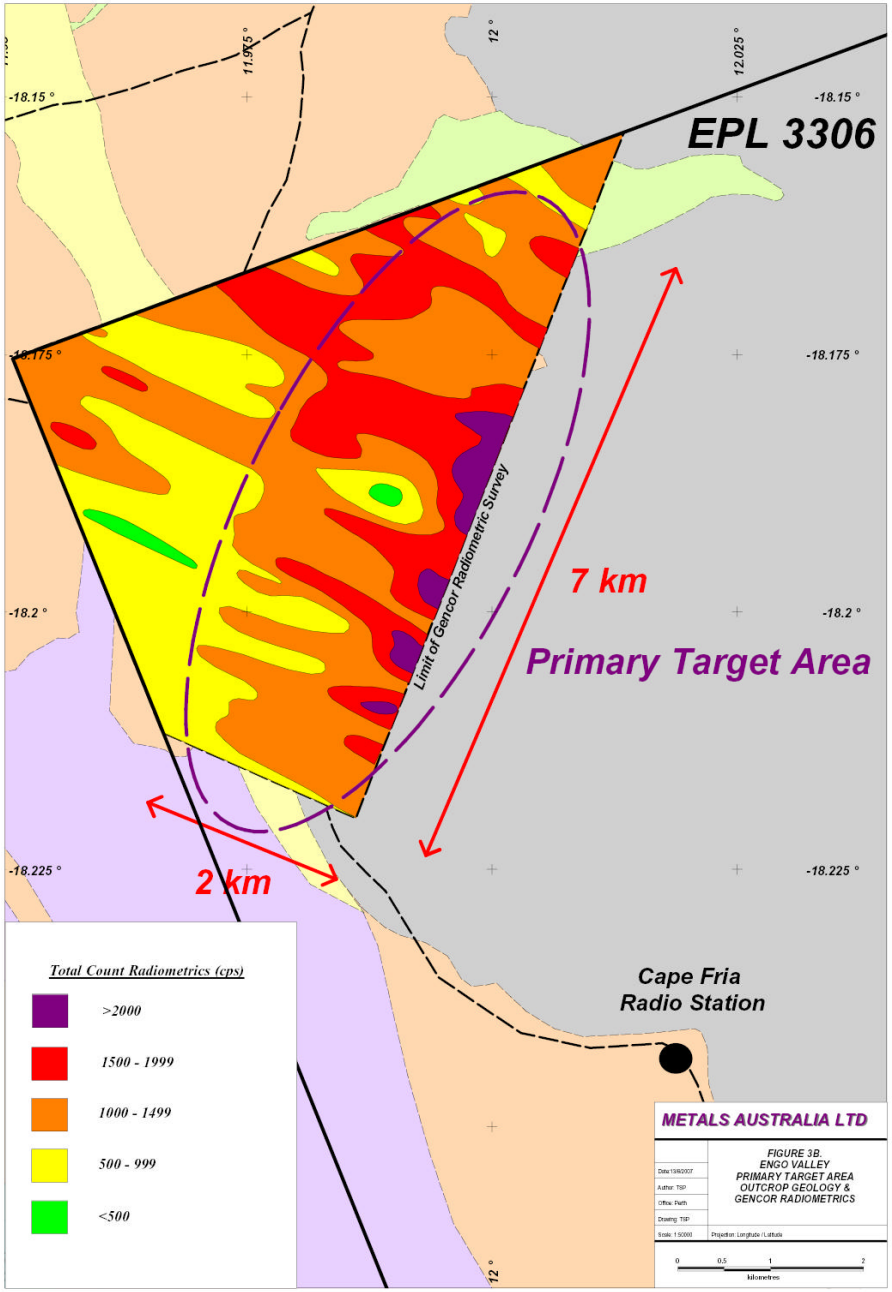
EXPLORATION & TARGETS

A recent review, and subsequent interpretation, of the Gencor radiometric data by Metals has delineated an extensive anomaly over the northwestern corner of EPL 3308.

The radiometric anomaly covers more than 14 square kilometres of the southern Engo Valley palaeochannel. The anomaly has a strike length of over 7 kilometres and is more than 2 kilometres wide within the tenement area (see attached figure).



Outcrop Geology, Palaeochannel Extents & Primary Target Area



Outcrop Geology & Gencor Radiometrics

FIGURE 3.

River sands and gravels cover much of the target area, which partially mask the radiometric signature of the underlying sediments. Despite this cover an extensive radiometric anomaly, with 'total count'* values from 1,000 to over 2,000 counts per second, covers the target area and is coincident with mapped sub to outcropping Karoo sediments.

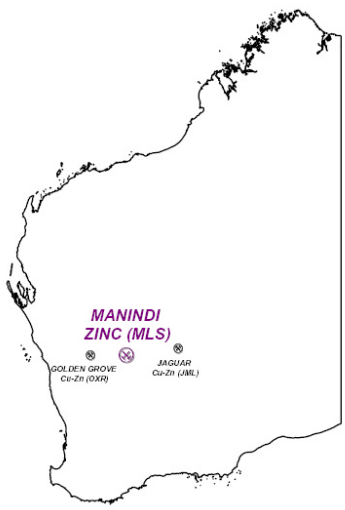
The primary target area will initially be explored utilising surface sampling to test for uranium mineralisation. Sampling will concentrate on sampling the Karoo sediments that lie on the margin on the Engo Valley palaeochannel.

The project is located along strike from the known uranium occurrences at Engo Valley and contains the southern strike extensions of the uraniferous Karoo sedimentary stratigraphy. Metals are currently obtaining the appropriate work orders and permits from the Namibian Ministry of Mines and Energy prior to commencing sampling within the project area.

*'Total count' is a measure of the total radioactivity given off by all of the radioactive elements in the source rock or sediments. These include both uranium and thorium.

2. MANINDI ZINC PROJECT, WESTERN AUSTRALIA.

The Manindi Zinc Project is located in the East 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 Australia Ltd ('Metals') has continued its development programme at Manindi during this quarter. Following the completion of the diamond drilling, Metals began a detailed development study of the Manindi project, with a view to bringing the project into production. This study includes geological modelling, resource modelling, metallurgical testing, flow circuit design and mine planning.

The initial geological modelling of both the Zones A & B ore bodies has now been completed, with modelling of the Zone D ore bodies nearing completion. This modelling is required in order to provide a framework for the recalculation of the JORC resource.

In addition, a second phase of drilling at Zones A & B has been also been completed, with drilling continuing to intersect significant near surface zinc mineralisation

RESULTS FROM THE SECOND PHASE OF DIAMOND DRILLING

A second phase of diamond drilling has been completed on the Zone A & B resource areas. This drilling intersected further ore grade mineralisation.

ZONE A

A second phase of four drill holes was completed at Zone A to further test the shallow mineralisation encountered during earlier diamond drilling. Drilling tested the ore body along both its northern and southern strike extents, with continued success, including:

MND 047 **3.78 m @ 6.79% Zinc from 48.00 metres**

MND 048 **5.89m @ 5.78% Zinc, 0.31% Copper & 7.57 gpt Silver from 23.91 metres**

663000 mE
664000 mE
665000 mE
6819000 mN
6818000 mN
6817000 mN
6816000 mN

KULTARR (Zone D Nth)
JORC recalculation in progress

KOWARI (Zone D Sth)
JORC recalculation in progress

MULGARA (Zone B)
JORC recalculation in progress

WARABI (Zone A)
JORC recalculation in progress

P 57/934

M 57/240

NUMBAT
Massive Sulphide Intersected at depth

QUOLL
Parallel lode to Zone A?
MNRC 005 15-18m 3m @ 0.62% Zn

NINGAUI
Interpreted continuation of the Zone D stratigraphy

BANDICOOT
Continuation of Zone A?
MNRC 002 82-86m 4m @ 1.58% Zn

M 57/227

METALS AUSTRALIA LTD

	MANINDI ZINC PROJECT
Date:15/10/2007	CONTOURED GEOCHEM &
Author: TSP	DRILL HOLES WITH
Office: Perth	PROSPECT LOCATIONS
Drawing: TSP	FIGURE 1.
Scale: 1:10000	Projection: MGA Zone 50 (GDA 94)

0 100 200 400
metres

Manindi Geochem (Zn ppm)

5,000 to	10,000	(4)
1,000 to	5,000	(61)
500 to	1,000	(94)
250 to	500	(132)
100 to	250	(230)
50 to	100	(325)
25 to	50	(587)
1 to	25	(262)

And **11.60 m @ 3.16% Zinc, 0.28% Copper & 3.37 gpt Silver from 48.65 metres**

MND 049 **16.90 m @ 11.82% Zinc, 0.61% Copper & 9.69 gpt Silver from 24.00 metres.**

The resource continues to show economic grade and width within the main lode. In addition, parallel lodes become more significant along strike to the south, and lead into the Bandicoot prospect area.

ZONE B

A second phase of three drill holes was completed at Zone B to further test the ore body along its northern strike extents. Drilling continued to intersect ore grade mineralisation, including:

MND 050 **0.50m @ 16.70% Zinc from 47.60 metres**

MND 052 **4.12m @ 5.06% Zinc from 24.00 metres**

The Zone B ore body has **two dominant ore lenses**, the main and footwall lodes, that host the resource. The footwall lode was discovered as part of the recent drilling programme and adds to the existing resource position.

ORE BODY MODELLING

Metals Australia began an in depth geological evaluation of the Manindi ore system following the completion of the recent diamond drilling. Metals have completed over 7,500 metres of drilling in the last 18 months, which has greatly enhanced the geological and geochemical understanding of the ore system.

Metals has engaged **Coffey Mining Pty Ltd** (formerly RSG Global Pty Ltd) to undertake a detailed geological study of the ore bodies and the regional project area.

ZONE A & B GEOLOGICAL MODELLING

The initial phase of modelling for both the Zone A & B ore bodies has involved both geological and grade modelling. This modelling shows that these two ore bodies were originally one ore system. Faulting and metamorphism has distorted and partially remobilised the ore bodies, as well as dislocating the Zone A ore body some 100 metres to the east of the Zone B ore body (see Figure 1).

(A) GEOLOGICAL MODELLING

Coffey Mining is currently undertaking a detailed review of the Manindi project area in order to create a geological and mineralisation framework for the recalculation of the current JORC resources. This modelling has involved a period of fieldwork, including reconnaissance, surface mapping and some relogging of the older drill core to ensure consistency through the model. A comprehensive 'desk-top' study, including an interpretation of the electromagnetic and airborne magnetic data, has also been completed.

The modelling of the Zone A & B mineralisation and geology has demonstrated the following (see Figures 1, 2 & 3):

- The **Zone A & B ore bodies appear to be the same ore system**, which has been displaced by an east-west fault, offsetting Zone B approximately 100 metres to the west of Zone A.

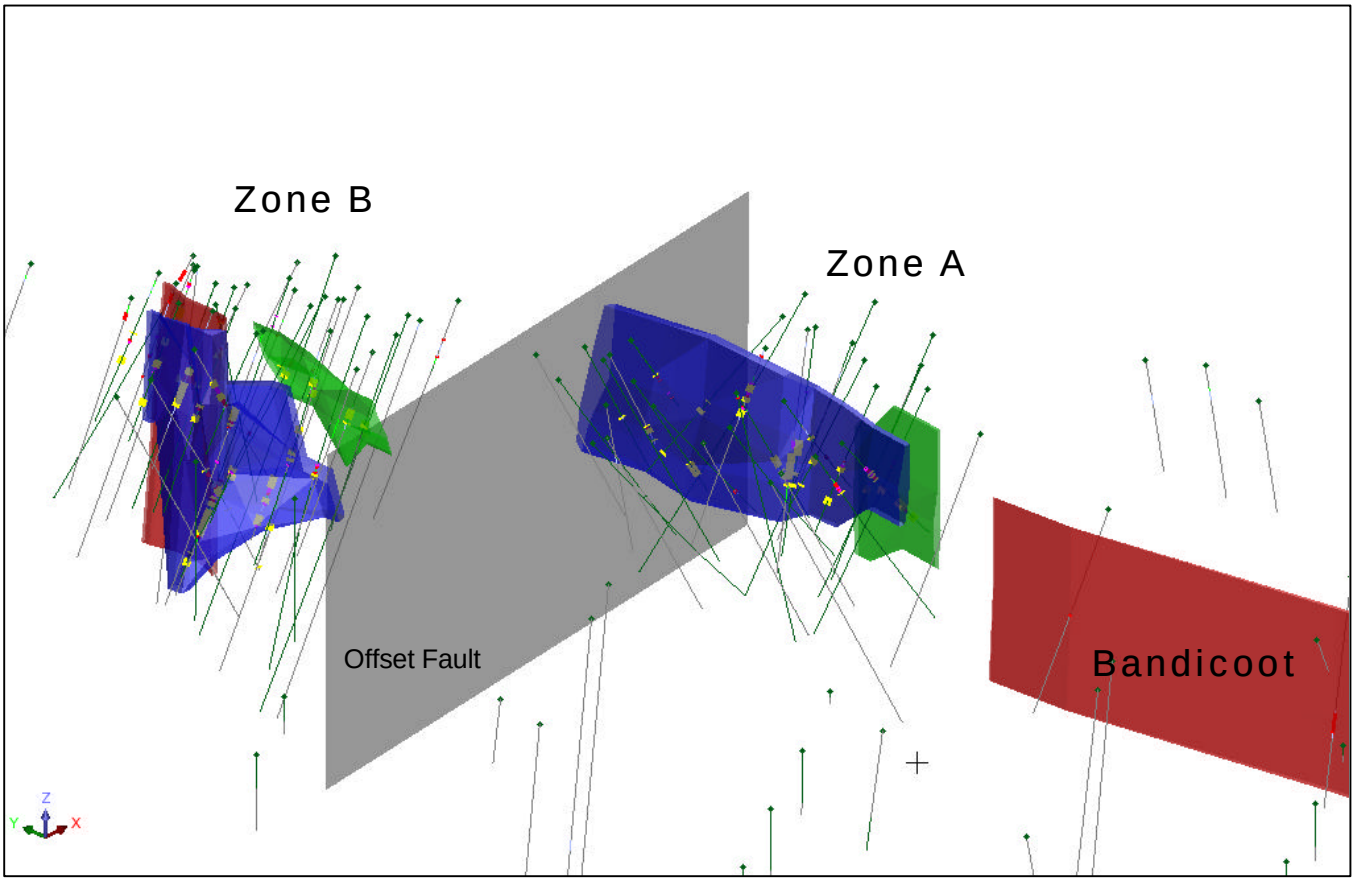


Figure 2 – A view of the Zone A & B mineralisation from the southwest. This image shows the drill hole traces, the offset fault in grey between the two resources and the main zinc lodes in blue. In addition the recently discovered footwall lodes are shown in green & red, with the Bandicoot prospect to the south.

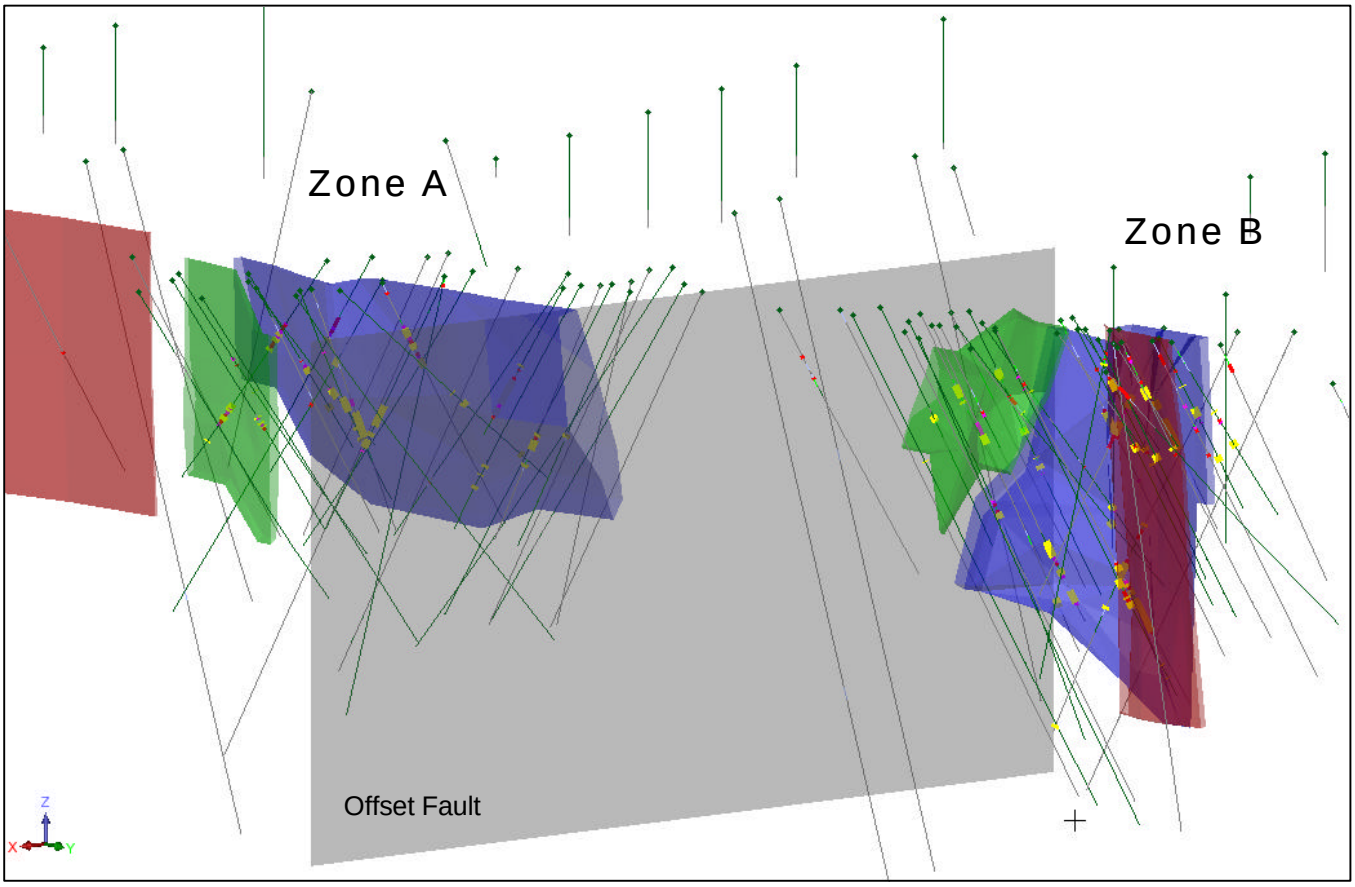


Figure 3 – A view of the Zone A & B mineralisation from the northeast. This image shows the drill hole traces, the offset fault in grey between the two resources and the main zinc lode in blue. In addition the recently discovered footwall lodes are shown in green & red, with the Bandicoot prospect to the south.

- The zinc mineralisation occurs within a **multi-lode envelope** that is both lithologically and structurally controlled.

- Previous drilling had identified the main lode positions in both resource areas but had not recognized the significance of a number of **parallel lodes** both at depth and along strike.

- The Bandicoot prospect, to the south of Zone A, appears to be a **continuation of the Zone A mineralisation**. This prospect was previously recognised in the surface geochemistry undertaken by Metals but has yet to be systematically drill tested.

The modelling of the Zone D ore system is well advanced and the results will be released when completed.

(B) LONG SECTIONAL ANALYSIS

Metals have undertaken a detailed analysis of the ore bodies by utilising the geological modelling to help create revised long sections for the two resource positions (see Figure 4*). These long sections model the distribution of zinc mineralisation within the ore bodies and will help to guide the resource modelling and future drilling programmes.

The long section also shows an outline of the area of the mineralisation used in the calculation of the year 2000 JORC resource, which has previously been released.

Figure 4 shows that the drilling undertaken by Metals has increased the physical dimensions of both the Zone A and Zone B mineralisation beyond the resource outline used to calculate the JORC figure in 2000.

*Please note that only the main lode has been modelled at Zone A, while both the main lode and footwall lodes have been modelled at Zone B.

The long sectional analysis demonstrates the following:

ZONE A

- A significant zone of **high-grade zinc** mineralisation has been delineated at the northern end of the ore body. This mineralisation is near surface and often has a true width of more than 10 metres grading over 10% zinc.

- A new lode has been identified at the southern end of Zone A and appears to lead into the Bandicoot prospect, which has also been identified by the recent geological modelling as a priority drilling target.

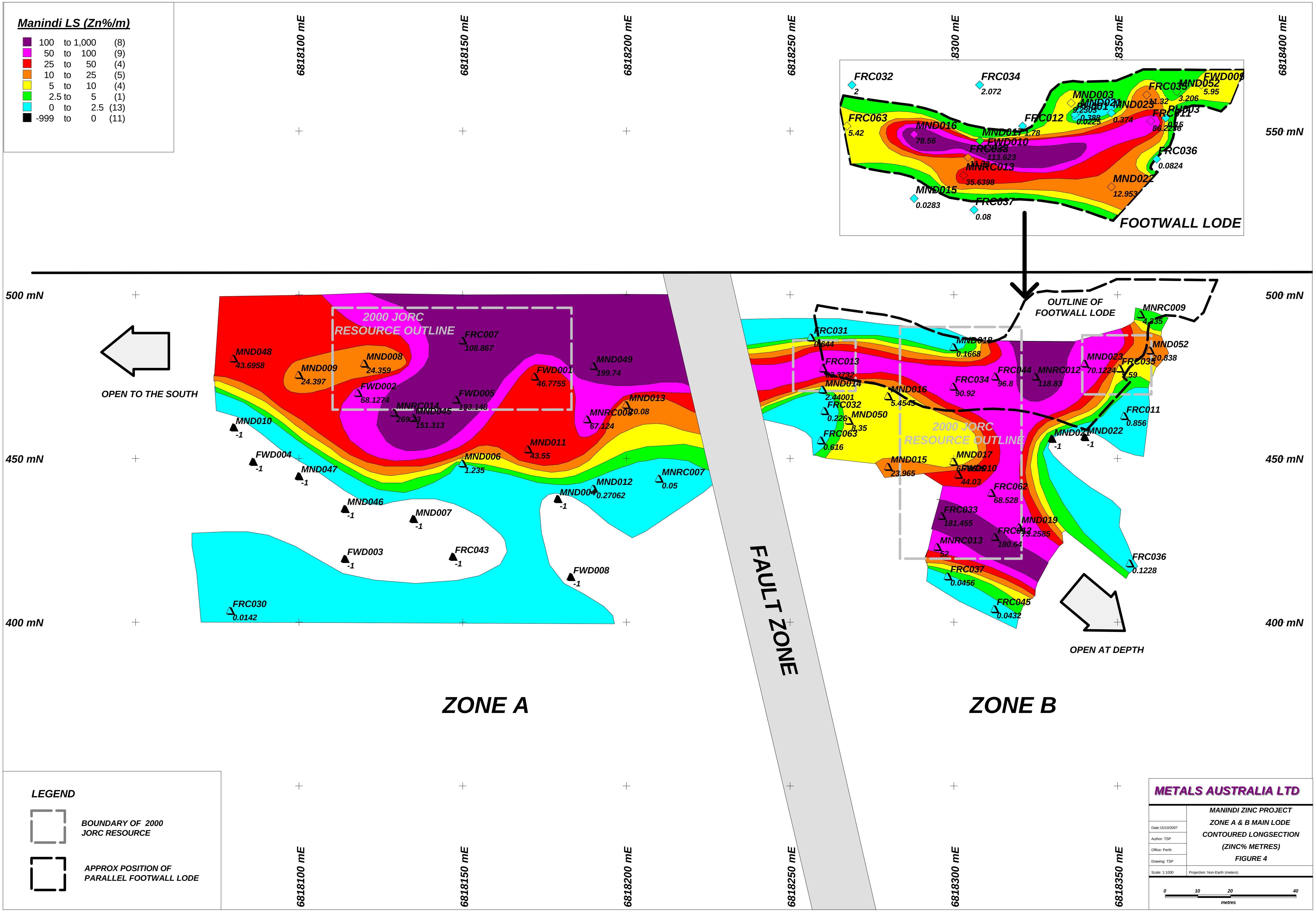
- The ore body has only been drilled to around 75 metres below surface, with potential for **repetitions of the lodes at depth**.

- The previous year 2000 JORC resource calculations covered only a portion of the currently defined mineralisation at Zone A (see Figure 4).

ZONE B

- **Three zones of high-grade zinc mineralisation** have been identified at Zone B. There are two parallel mineralised zones, both approximately 25 metres below surface, being the main and footwall lodes. There is also a repetition in the main lode at depth.

- The footwall lode was identified by recent Metals drilling, and also carries significant copper credits (over 3% copper).



Manindi LS (Zn%/m)
100 to 1,000 (8)
50 to 100 (9)
25 to 50 (4)
10 to 25 (5)
5 to 10 (4)
2.5 to 5 (1)
0 to 2.5 (13)
-999 to 0 (11)
6818100 mE
6818150 mE
6818200 mE
6818250 mE
6818300 mE
6818350 mE
6818400 mE
550 mN
500 mN
450 mN
400 mN
FOOTWALL LODE
OUTLINE OF FOOTWALL LODE
2000 JORC RESOURCE OUTLINE
OPEN TO THE SOUTH
OPEN AT DEPTH
FAULT ZONE
ZONE A
ZONE B
LEGEND
BOUNDARY OF 2000 JORC RESOURCE
APPROX POSITION OF PARALLEL FOOTWALL LODE
METALS AUSTRALIA LTD
MANINDI ZINC PROJECT
ZONE A & B MAIN LODE
CONTOURED LONGSECTION
(ZINC% METRES)
FIGURE 4
Date:15/10/2007
Author: TSP
Office: Perth
Drawing: TSP
Scale: 1:1000
Projection: Non-Earth (meters)
0 10 20 40
metres

- The Zone B ore body has only been drilled to around 100 metres below surface and requires further drill testing both along strike and shows possible continuity at depth.

The long sectional analysis of Zone D is now underway and will be released when completed.

RESOURCE MODELLING

The updated JORC resource modelling is reliant upon the recently completed geological modelling, as well as the validation and review of the Manindi drill hole database. In addition surveying of the drill locations and infill sampling have been undertaken, as is detailed below:

DRILL HOLE SURVEYING

The drill holes at Manindi have been drilled over a considerable time period, with a number of the older diamond drill holes dating back to 1975. These holes were drilled on 'local grids', which were at times emplaced by crude and unreliable methods.

Metals have completed a detailed survey of the resource areas. Utilising a Differential Global Positioning System (DGPS), with an accuracy of better than 10cm, Metals has surveyed the precise locations of the drill holes to be utilised in the resource calculations. A large number of the historic drill holes were located and captured. Additionally drill hole collars were checked for their azimuth and dip to assist with the validation of the existing digital database.

This exercise was undertaken to assist in the resource modelling by capturing the exact position of the drill hole in space, thereby allowing accurate estimation of ore block dimensions.

INFILL SAMPLING

The geological and grade modelling of the Manindi ore bodies identified a number of drill holes from previous exploration where the ore lenses should have extended further at depth, along strike or where sampling appeared to only test the high-grade portions of the mineralisation.

A programme of infill sampling was recently completed to test these projected and known zones of mineralisation, with the samples currently being assayed by SGS Australia in Perth. The resource modelling can begin once the results from this infill sampling are received.

BULK DENSITY DETERMINATION

In addition to the infill sampling described above, the company has taken a large number of bulk density measurements through all of the ore bodies, testing a range of rock types from massive sulphide ore to gabbro wall rock.

The bulk density ('BD') is the measurement of the grams of material in a cubic centimetre. It is needed to accurately calculate the new resource tonnage. The BD is utilised to calculate the overall weight of the ore blocks within the resource, and varies depending upon the style of ore and host rock.

A total of 180 bulk density measurements were taken throughout the resource areas, and range in value from 2.6 for the intrusive pegmatites through to 4.6 for the massive sulphide ores.

Metals is continuing with its work programme on the Manindi Zinc project. Resource modelling will begin as soon as the geological modelling on Zone D is complete, and the assay results of the infill sampling are received.

3. SHERLOCK BAY EXTENDED NICKEL- COPPER PROJECT, PILBARA, WA

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 km^2 and surround the main Sherlock Bay nickel deposit, which is wholly owned by Australasian Resources Ltd (ARH).

The project is a joint venture between Australasian Resources Ltd (70% interest) and Metals Australia Ltd (30% interest). Australasian Resources 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.

Exploration by Australasian Resources during the quarter included exploration at both the Malagine and Doughboy prospects.

A. MALAGINE

The Malagine prospect is named after a nearby well (in the north east of the E47/1227 tenement). Exploration this quarter focused on a polymetallic quartz vein system discovered within the project area. These subcropping quartz veins, together with a distinctive alteration within the granite host, have been mapped over a 2.5km strike.

Rock chip samples were taken from these quartz veins returned assays of up to 235g/t silver and 0.8g gold as well as anomalous copper and lead.

In order to follow up the rock chip sampling, two diamond holes in August, 2007. The holes were spaced 40 m apart and drilled to a depth of approximately 33 metres, dipping 60 degrees to NW. These holes determined that the quartz vein had a true width of around 6 metres and dips 65-75 degrees to the SE. There were no visible sulphides recorded, however copper sulphate was observed in fractures over a 10cm length at one margin of the vein.

The assays of the core from the diamond drill programme confirmed the anomalous metal concentrations, previously identified from rock chip samples, in the outcropping quartz vein and adjacent altered granite.

The following down hole intervals highlight the low level metal anomalies:

MD01	**13.79 metres @ 0.86 ppm silver from 0.8 metres**
	(based on 0.5 ppm silver cut-off and includes 1.30 m of lost core).
MD02	**5.60 metres @ 1.24 ppm silver, 0.10% copper from 5.4m**
Including	**0.23 metres @ 18 ppm silver, 2.01% copper & 0.3 ppm gold.**

Preliminary investigations suggest that the silver is not associated with galena or a mercury product implying that it occurs in its native state. The polymetallic quartz vein confirms that the recently discovered alteration zone is **a mineralised system of 'yet to be determined potential'**. This zone is 2.5km long and characterised by silica and epidote alteration of the host granite. The alteration zone intersects a local BIF and crystallised magnetite is present in this area, suggesting potential for fluid chemistry interaction between the BIF and the mineralised system, which is capable of localising the metals.

The occurrence of a sedimentary rock (BIF) and a quartz vein bearing metals such as silver, copper and lead suggest that the source of these metals may be a nearby **Volcanogenic Massive Sulphide** system, similar to Whim Creek and Salt Creek deposits. Further exploration will investigate these targets in the coming months.

B. DOUGHBOY

The Doughboy BIF prospect is located one kilometre to the north of the Malagine Project and is charaterised by out to subcropping magnetite rich, siliceous rock. It is appears that there are two distinct lithologies present.

The most abundant is an amorphous, siliceous rock with crystalline magnetite. There is also a more classic banded iron formation (BIF) present, which appears to have an oxidised cap. These lithologies are surrounded by granites, however it is presumed that these rocks represent goethitic/ ferruginous caprock.

The footprint of this BIF/ferruginous rock is approximately 8.7 Ha. These lithologies are also mapped elsewhere within the project area and are often coincident with targets delineated from the aeromagnetic survey. There are numerous other anomalies, buried by recent cover, that may be explained as an extension of this BIF and require further investigation.

Australasian Resources continue to evaluate the project area, with an emphasis on further delineation of target areas for drilling.

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 Alex Clemen of Clemen & Associates Pty Ltd who is a member of the Australian Institute of Mining & Metallurgy. Mr. Putt and Mr Clemen have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that they are 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 and Alex Clemen consent to the inclusion in the report of the matters based on their information in the form and context in which it appears.

For further information please contact:
David Zukerman, Director or Tim Putt, Exploration Manager Phone (08) 9481 7833

Or consult our website: www.metalsaustralia.com.au