



QUARTERLY ACTIVITIES REPORT

for the period ended 31 December 2011

HIGHLIGHTS

- Continuing Uranium Exploration at Mile 72 (EPL3308) and Engo Valley (EPL3306) in Namibia, southern Africa.
- Further excellent analytical results from Mile 72, including:
 - Confirmation that uranium mineralisation extends for 6 km.
 - Spot values as high as 4,445 ppm U_3O_8 .
 - Mineralised intervals as high as 12 m @ 1,075 ppm U_3O_8 .
- Completion of a broad radon cup survey at Mile 72, resulting in the discovery of new uranium targets:
 - New targets to the northwest and northeast of Kudu-Impala prospect.
 - Anomalism covers more than 16 km².
- Completion of an initial visit to the Engo Valley Project and submission of an Environmental Overview and Environmental Management Plan for exploration in the project area.



View over the Engo Valley project area

URANIUM PROJECTS, NAMIBIA

During the December 2011 quarter, Metals Australia Ltd (“Metals” - ASX: MLS) conducted exploration for uranium mineralisation at its Mile 72 (EPL3308) and Engo Valley (EPL3306) Projects in Namibia, southern Africa (Figure 1). Very positive exploration results were returned from further trench channel sampling and radon cup and geophysical survey work at the Mile 72 Project. At Engo Valley field reconnaissance work recognised the presence of Karoo Sequence rocks equivalent to those that host uranium mineralisation at Paladin’s Kayelekera mine in Malawi and A-Cap’s Lethakane Project in Botswana.

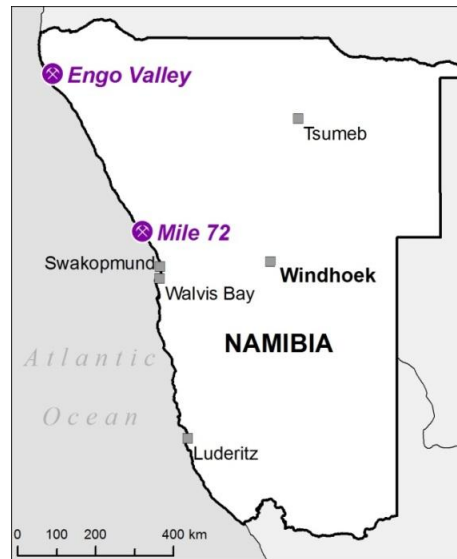


Figure 1 – Locations of the Mile 72 and Engo Valley uranium projects.

THE MILE 72 URANIUM PROJECT

Geochemical sampling

In November, Metals announced the results of further trench channel sampling at the Mile 72 licence (EPL3308). Extensive U_3O_8 mineralisation has been confirmed at Mile 72 by sampling of trenches. Shallow or outcropping gypcrete-hosted **uranium mineralisation is now known to extend for over 6 km**, from the Kudu prospect in the south through to the Impala prospect in the north (Figure 2).

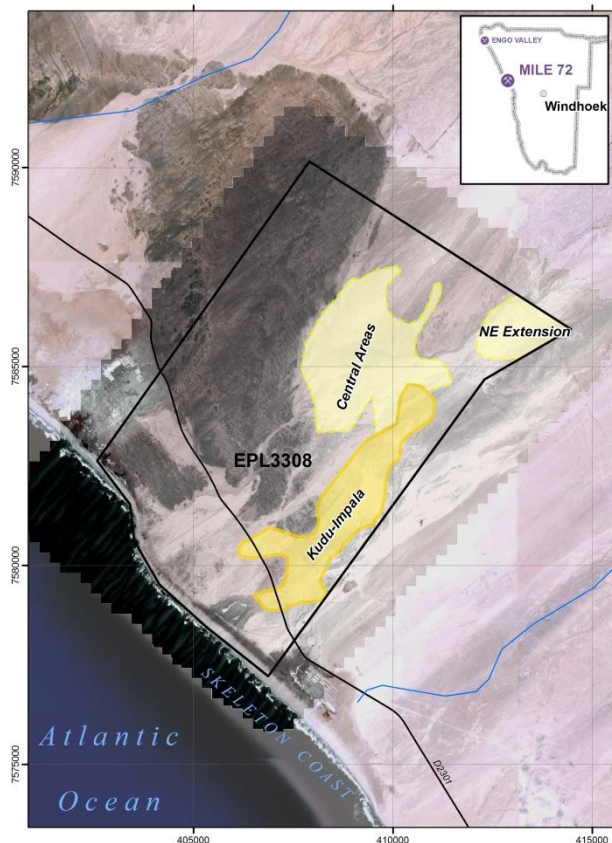


Figure 2 –The Mile 72 project area (EPL3308).

A total of 387 samples (comprising spot and channel samples) were collected from trenches in the north of the Kudu prospect through to the Impala prospect (Figure 3). These samples supplement around 750 samples collected previously. A total of 237 channel samples were taken from the trenches. These provided some exceptional results, including 12 m @ 1075 ppm U_3O_8 in trench 6. The remaining 150 samples were spot samples with values up to 4445 ppm U_3O_8 .

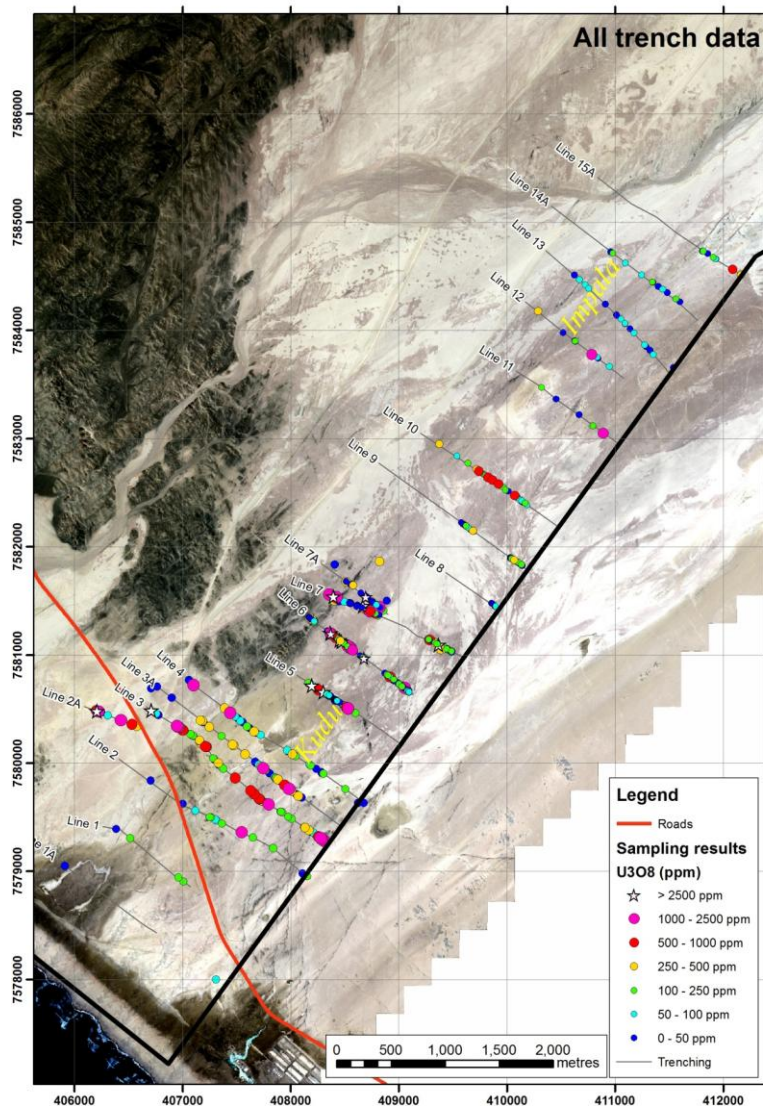


Figure 3 –Trench geochemical data, illustrating the distribution of all sampling throughout the Kudu-Impala area. Sampling to date has been in areas of little sediment cover (mid-grey to buff colouring). Note that higher-grade samples towards the northwest of many lines lie adjacent to overlying thicker sediments (generally light grey to white colouring) or overlying Etendeka Volcanics (black wedge of outcropping rocks).

Contouring of the new data combined with the previously collected data shows continuity of mineralisation throughout the sampled area (Figure 4), with outcropping mineralisation extending for over 6 km of the 8 km between line 1A and line 15A. This blurs the distinction between the Kudu and Impala prospects. Kudu-Impala is, in reality, one continuous mineralised zone.

Mineralisation remains open in several directions. Strike extensions to the south and north are open, but **almost the entire 6 km strike length of mineralisation is open toward the northwest.**

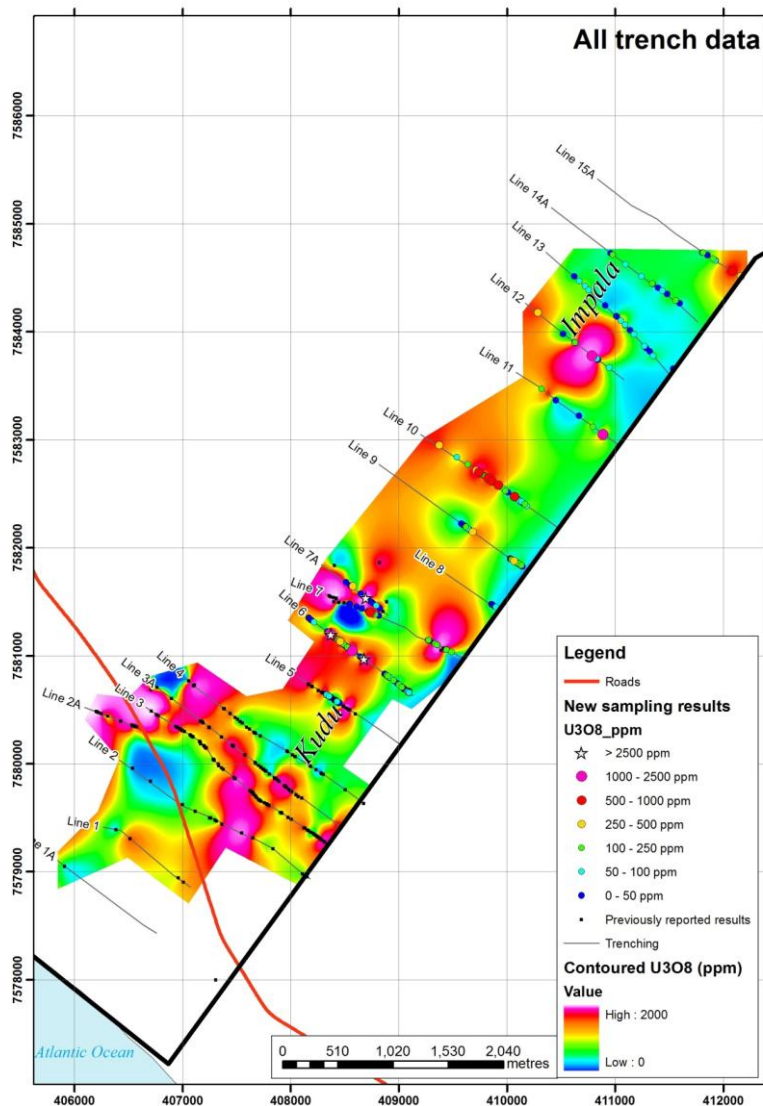


Figure 4 – Data points and contoured U_3O_8 values for the Kudu-Impala area at Mile 72. Only new sample points are shown as coloured dots. Previously sampled localities are shown as black squares. The contoured data is for the entire dataset.

Radon cup survey

In November, the results of the recent radon cup survey at Mile 72 were reported. These results highlight the enormous uranium potential of Mile 72.

Radon cup surveys are widely considered to be an effective method for identifying uranium mineralisation in the subsurface, to a depth of up to 100 m beneath cover. They have not previously been used at Mile 72. The particular technique used at Mile 72, RadonX™, has been used to **successfully delineate buried mineralisation previously at the Husab (Rossing South) and Etango deposits** in the Namibian Damaran Uranium Province, where Mile 72 is located.

Numerous strong anomalies were detected throughout the survey area. Anomalism at Kudu-Impala extends further to the northwest for several kilometres, suggesting the **continuity of mineralisation beneath shallow sand and gravel cover**.

Additionally, strong anomalism is present in the previously unexplored north-eastern corner of the licence, northeast of Kudu-Impala. The highest values recorded in the survey are from this area, which may be a strike extension of the high-grade mineralisation identified previously at Mile 72.

Many of the detected anomalies are **stronger in intensity than the radon anomalies over the outcropping mineralisation at Kudu-Impala** (Figure 5). The “central areas” anomalism is a northwestern extension of part of the Kudu-Impala anomalism under sand and gravel cover and measures more than 4,700 x 2,800 metres at its broadest. The “northeast extension” area is located along strike from the Kudu-Impala area and has the most extensive, consistently high anomalism recorded. The area measures approximately 2,200 x 1,600 metres at its broadest.

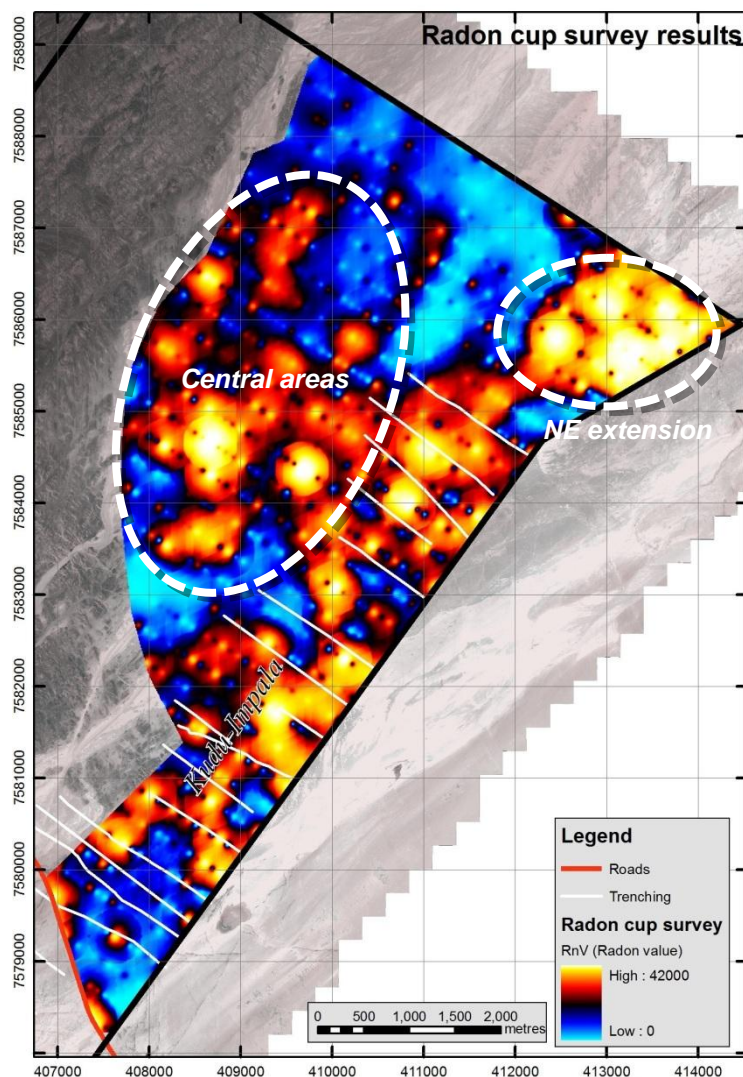


Figure 5 – Results of the radon cup survey at Mile 72. Higher values are represented by warmer colours. Anomalism covers over 16 km² of the 31.5 km² surveyed.

EM survey

An electromagnetic (EM) conductivity survey was designed to define subsurface palaeochannels (ancient channel deposits) that may either host uranium mineralisation or may obscure uranium mineralisation located below them.

The survey identified numerous areas of high conductivity that may correspond to palaeochannel deposits in the subsurface. Most of these do not correspond to modern drainage patterns.

Identification of these palaeochannel deposits is important as they may be hosts to calcrete-hosted uranium mineralisation, as at Langer Heinrich in Namibia and Yeelirrie in Western Australia. Another possibility is that clay deposits in the palaeochannels may preclude radon migration to surface, thereby masking underlying uranium mineralisation.

Integration of the EM and radon cup results effectively provides a map of the subsurface at Mile 72 and has provided the company with a series of targets throughout the survey area.

Uranium potential at Mile 72

The radon cup and EM surveys have revealed the distinct possibility of extensive uranium mineralisation in the subsurface at Mile 72, well beyond the previously known extent of outcropping mineralisation at Kudu-Impala.

Trenching at Kudu-Impala has previously yielded extremely high uranium values. Similar radon cup results to those recorded in the Kudu-Impala area are found throughout the survey area (Figure 5). This indicates that similarly strong uranium mineralisation may be located at numerous localities throughout the 16 km² area of strong anomalism detected by these surveys.

Exploration programme for Mile 72

An active and aggressive exploration programme at Mile 72 is continuing and will comprise a variety of techniques. These will include:

- Further trenching and channel sampling in the new radon anomalous areas.
- Geological mapping and scout geophysics in the most anomalous areas to further delineate the potential for mineralisation.
- Definition of a series of targets for drilling.

This staged approach to the exploration of Mile 72 is considered necessary because the area being explored is extensive and there is very widespread alluvial cover with very little outcrop of the basement sequence in most of the licence area. Further systematic channel sampling will assist with definition of the near-surface expression of uranium mineralisation. The recent radon cup results have further added to the size of the anomalous area requiring testing.

THE ENGO VALLEY URANIUM PROJECT

The Engo Valley project (Figure 6) comprises a series of uranium anomalies exposed in and adjacent to Karoo sedimentary rocks. The project is located around 600 km north of Swakopmund, on the Skeleton Coast of northern Namibia. The licence falls in the Skeleton Coast National Park and the first phases of exploration involve submitting an Environmental Overview report and Environmental Management Plan (EO/EMP) to obtain clearance from the Namibia Ministry of Environment and Tourism (MET) to commence exploration activities.

In November, a reconnaissance visit was made to the Engo Valley Project in the presence of three Namibian MET staff in order to establish access to the area, prepare camping sites and assess the environmental and geological conditions at the project area.

The project area is extremely remote. The journey from Swakopmund to Engo Valley is on 600 km of unsealed roads and minor tracks and includes some 4WD sections over large sand dunes and along beaches. This remoteness has prevented exploration in this area for over 30 years, since the initial discoveries of uranium mineralisation in the 1970's, and this now creates an excellent potential for a virgin discovery in this under-explored project area.

At Engo Valley the field reconnaissance work indicated that outcrop is largely obscured by wind-blown sand (Figure 7 & frontispiece) but recognised the presence of Karoo Sequence rocks (Figure 8). These are equivalent to those that host uranium mineralisation at Paladin's Kayelekera mine in Malawi and at A-Cap's Letlhakane Project in Botswana. Radiometric anomalism was detected in Damaran granites and in Karoo Group sandstones.

The information gathered on the trip has been written into an EO/EMP document. The completed document was submitted to the MET in mid-January. Metals is now awaiting formal approval from the Namibian MET to complete more detailed sample collection, trenching, radon surveys and ultimately drilling on the Engo Valley project.

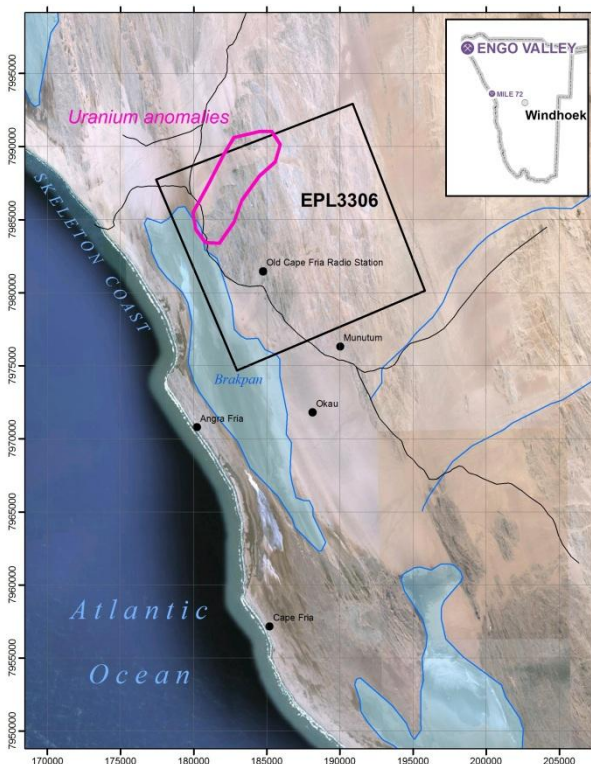


Figure 6 – The Engo Valley licence area (EPL3306) and surrounds.



Figure 7 – Typical view of the Engo Valley (EPL3306) Project area.



Figure 8 – Outcrop of the uranium-bearing Karoo Sandstone.

BASE METAL PROJECTS, WESTERN AUSTRALIA

Metals currently holds an interest in two base metals projects in Western Australia (Figure 9).

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.

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

As a result of recent reviews, Metals is of the opinion that only a small portion of the deposit has been recognised to date. Drilling has been relatively shallow, and a number of geological indicators suggest that the known mineralisation may be part of a much larger zoned copper-lead-zinc(-silver-gold) system. With this outlook, the Company is investigating the potential for extensions or outliers of mineralisation that will significantly increase the resource at Manindi.

A site visit during the quarter aimed to identify exposure and access in the outlying portions of the licence areas that must be examined by geophysical survey. Although exposure was poor, several unusual mineralised rocks were found as float and in the subsurface, providing encouragement for the interpretation of further mineralisation in the overlying felsic volcanic sequence of rocks.



Figure 9 – Location of the Western Australian base metals projects.

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.

Extensive geomorphological studies are underway to better understand the results of a biogeochemical survey of the region. Interpretation of the biogeochemical sample results requires an understanding of local topography and drainage in order to identify areas of potential dislocated or smeared anomalism (for example, where an anomaly is recognised along a drainage system but relates to mineralisation at a certain point within that drainage). Work is continuing on these studies.

GOLD PROJECTS, VICTORIA

Metals holds four low impact exploration licences in western Victoria (Figure 10). The South Arnaud (EL5242), Wedderburn (EL5243), Scarsdale (EL5244) and Moyston (EL5245) projects each contain significant historic workings that have received little modern and systematic exploration.

Wedderburn and South Arnaud have been the focus of ongoing fieldwork and research aimed at

assessing their respective gold prospectivities. On both projects, it is clear that there is considerable potential for gold mineralisation both as an extension to historic workings and beneath the broad areas of soil cover on each licence. Quotes for high-resolution geophysics have been obtained. These are likely to be flown in the coming quarter.

The Wedderburn and South Arnaud licences have undergone the requisite 25% drop-offs. Extensive on-ground and historical assessment of Moyston and Scarsdale indicates that they will not meet the Company's criteria for exploration potential, and will be surrendered.

The western Victorian gold fields were discovered in the gold rushes of the mid-1800s, with all significant gold mining activity ceasing in these areas by 1930. Government records show that over 450 gold prospects, mines and occurrences are documented within the four licence areas. Combined production from predominantly shallow working within reef and vein gold deposits was over 59,000 ounces, at average grades in excess of 16 g/t gold. A similar amount of gold was also recovered from alluvial deposits in the licence areas.

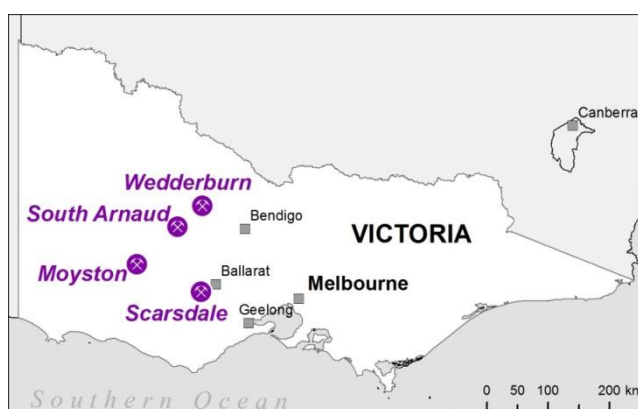


Figure 10 – Location of the Victorian gold projects.

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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 Mr Kieron Munro, Exploration Manager for Metals Australia and a full time consultant to Metals Australia. Mr Munro 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". Mr Munro consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources or Ore Reserves is based on information compiled by Alexander Clemen of Clemen and Associates consultants, who is a member of The Australasian Institute of Geoscientists and the Society of Economic Geologists. Mr Clemen 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". Alexander Clemen 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.