

QUARTERLY ACTIVITIES REPORT

for the period ended 31 March 2012

HIGHLIGHTS

- Further excellent surface analytical results from Mile 72 uranium project, including:
 - Assay results received for 327 of the new surface samples.
 - Continuous strike length of over 10 km extended from previous length of around 6 km.
 - Two new high-grade U_3O_8 zones identified at surface.
 - Results up to 7,015 ppm (0.7%) U_3O_8 .
 - Visible carnotite mineralisation in many samples.
- First RC drilling programme ongoing:
 - drilling completed 231 drill holes for 1023m.
 - geological logging and assay sample collection underway.
- Detailed geophysical surveys at the Manindi base metal project and the Wedderburn and South Arnaud gold projects.



URANIUM PROJECTS, NAMIBIA

During the March 2012 quarter, Metals Australia Ltd ("Metals" – ASX: MLS) conducted exploration for uranium mineralisation at its Mile 72 (EPL3308) and Engo Valley (EPL3306) Projects in Namibia (Figure 1). Very positive results were returned from further trench sampling with a total of 686 samples collected from a length of 14.5km of hand-dug trenches. An initial RC drilling programme of 231 drillholes for 1023m was ongoing, with logging and assay work underway following completion of drilling at the end of the quarter.

For the Engo Valley project, an Environmental Overview and Environmental Management Plan was submitted to the Ministry of Environment and Tourism (MET) to apply for an Environmental Clearance for surface exploration work.

THE MILE 72 URANIUM PROJECT

Surface trenching

Surface sampling, utilising small pits in place of the previous large trenches, commenced at Mile 72 on 28 February and continued until 5 April 2012. The decision to utilise the smaller hand-dug pits was made to minimise environmental disturbance and to allow the coverage of a larger area in a shorter time. Over some six weeks a total length of 14.5km of hand dug trench lines were completed and some 686 samples were collected for analysis. The samples came from a total of 20 lines spaced throughout the NE Extension and Impala-Kudu Prospect areas, from the northeast to the southwest of the tenement area.

Results from these new shallow trenches in the NE Extension to the Kudu-Impala area indicate that uranium mineralisation continues through to the licence boundary. Kudu-Impala and the NE Extension now define a strike length in excess of 10 km.

Assay results from the NE Extension and the northern parts of Kudu-Impala record results as high as 7,015 ppm U_3O_8 . Of the 327 sample assays received to date, over 60 of them were in excess of 500 ppm U_3O_8 . These results confirm the effectiveness of the 2011 radon cup survey. They show that the results of the survey provide an accurate indicator of near-surface uranium mineralisation at Mile 72.

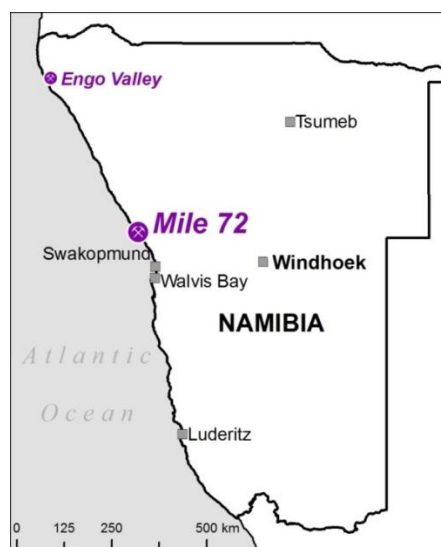


Figure 1 – Location of the Mile 72 uranium project, Namibia.



Figure 2 – Hand-dug sampling of subcropping weathered rocks in the NE Extension area, March 2012.

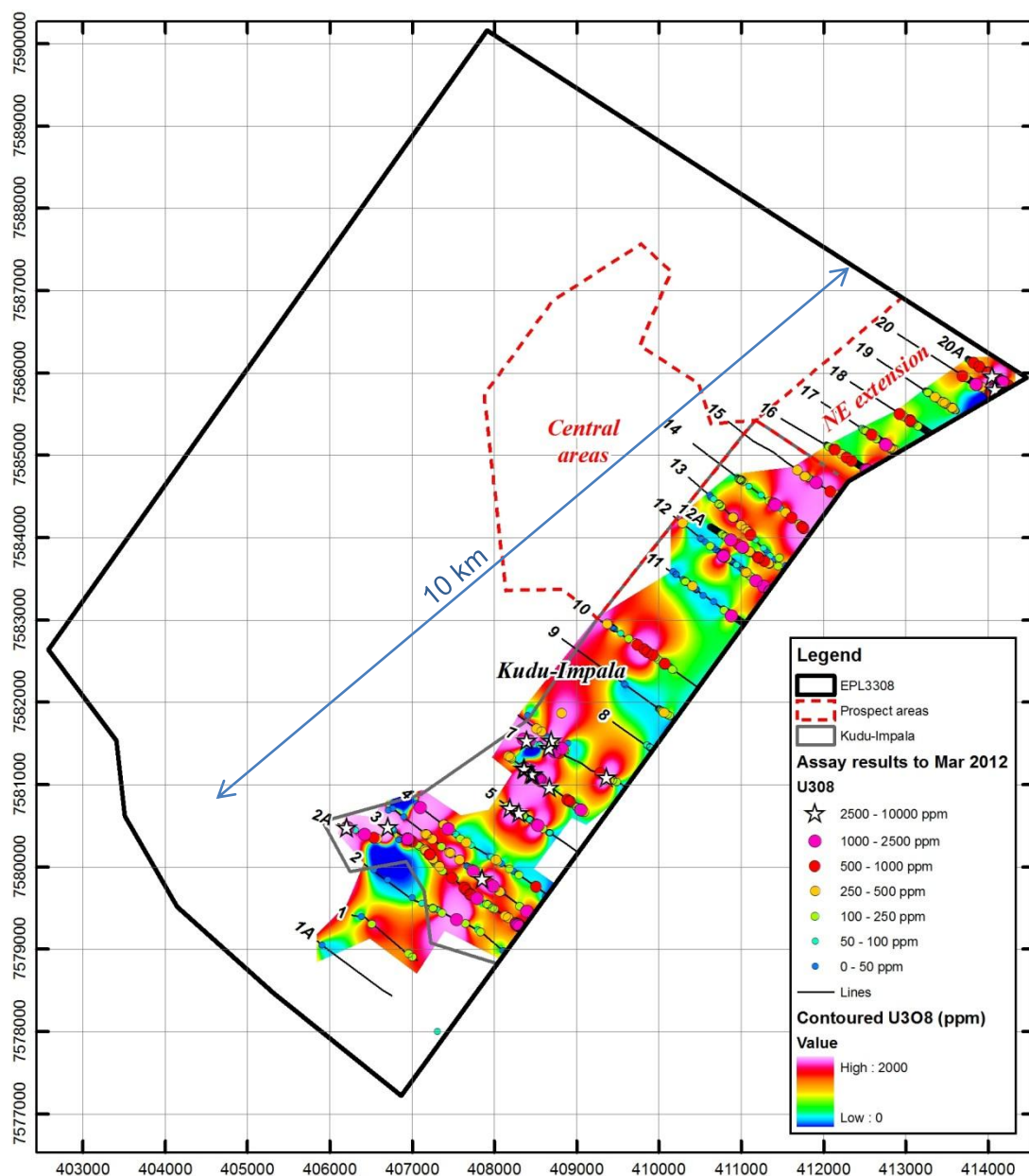


Figure 3 – Uranium (U_3O_8) distributions determined by Metals Australia throughout the Mile 72 licence area. Assay results are plotted over a contoured plot of U_3O_8 distributions. New work reported here incorporates sampling along lines 12 through to 20A (see Figure 4 for a close-up of this area). Total strike length of uranium mineralisation now exceeds 10 km.

Trenching assay results

Some exceptional results were recorded from the new sampling throughout the NE Extension and into the northern portion of Kudu-Impala. Those samples measuring in excess of 800 ppm U_3O_8 are summarised in Table 1.

Grades recorded by the present programme are similar to those recorded previously in the southern high-grade part of Kudu-Impala, to the southwest.

Two new high-grade zones have been identified (Figure 4). One is in the NE Extension, adjacent to the licence boundary. The other is at the northern end of Kudu-Impala. Previous

results hinted at some higher values in the area, but the extensive new sampling has defined a broad zone comparable to the extensive mineralisation in the southern part of Kudu-Impala.

Mineralisation detected in this first part of the 2012 exploration programme is open to the northwest. These areas are covered by gravel accumulations which correspond directly with strong radon anomalism, some of which are being investigated during the current shallow drilling programme.

RC drilling

The first stage of an extensive reverse circulation (RC) drilling programme was commenced during the quarter. Presently, logging and sampling is underway, with drilling recently completed. The programme comprised 231 short, vertical RC drill holes for a total of 1,023m of drilling, with a maximum drilling depth of 10m downhole. Up to 50 holes and 200m of drilling were completed every day.

The gravel areas targeted by the drilling are immediately adjacent to areas of known subcropping uranium anomalism and were selected on the basis of their anomalous radon levels in the 2011 Mile 72 radon cup survey (Figure 5). Shallow pattern drilling is deemed a necessary first stage, as the area of radon anomalism is several square kilometres in area and the current program aims to further define potential mineralisation at depth prior to detailed deeper drilling programs.

The enormous amount of data generated by the drilling is currently being processed with a dedicated team conducting drill hole logging for geology and mineralisation, interpretation and assay sample splitting. It is expected that the full analytical results from the drilling programme will be available during May 2012.

Exploration programme for Mile 72

An active exploration programme is continuing at Mile 72. Once the RC drilling results are received Metals plans to design a follow up programme that will include further surface sampling and drilling programmes. The initial focus will be on further drilling in areas with high surface anomalism and deeper drilling in areas which return encouraging assay results from the current drilling programme.

Table 1 – Highlights of recent trench sampling at Mile 72
(samples exceeding 800 ppm U_3O_8)

<i>Line No</i>	<i>Sample No</i>	<i>U_3O_8 (ppm)</i>	<i>Easting</i>	<i>Northing</i>
20A	X1031	868	413892	7586078
	X1018	7015	414051	7585973
	X1011	992	414129	7585924
	X1008	1969	414177	7585893
	X1007	1521	414180	7585894
	X1002	809	414248	7585851
20	X1054	1273	414081	7585820
	X1051	1391	414087	7585805
	X1055	1733	414088	7585809
	X1052	3077	414089	7585810
	X1084	2181	413859	7585864
	X1085	803	413862	7585853
	X1063	851	414048	7585749
18	X1061	927	414054	7585743
	X1166	880	412924	7585506
17	X1147	942	413061	7585419
	X1183	843	412743	7585147
16	X1180	1827	412762	7585131
	X1211	834	412137	7585067
	X1201	1332	412521	7584829
	X1200	1415	412524	7584827
15	X1198	1427	412535	7584819
	X1222	1203	411914	7584671
14	X1238	821	411395	7584417
	X1236	1092	411418	7584400
12A	X1303	1285	410880	7583973
	X1296	1615	411022	7583882
12	X1322	1415	411185	7583480
	X1316	1019	411274	7583411
	X1314	887	411278	7583406
	X1313	818	411333	7583364
	X1311	2205	411353	7583349
	X1310	1297	411355	7583348

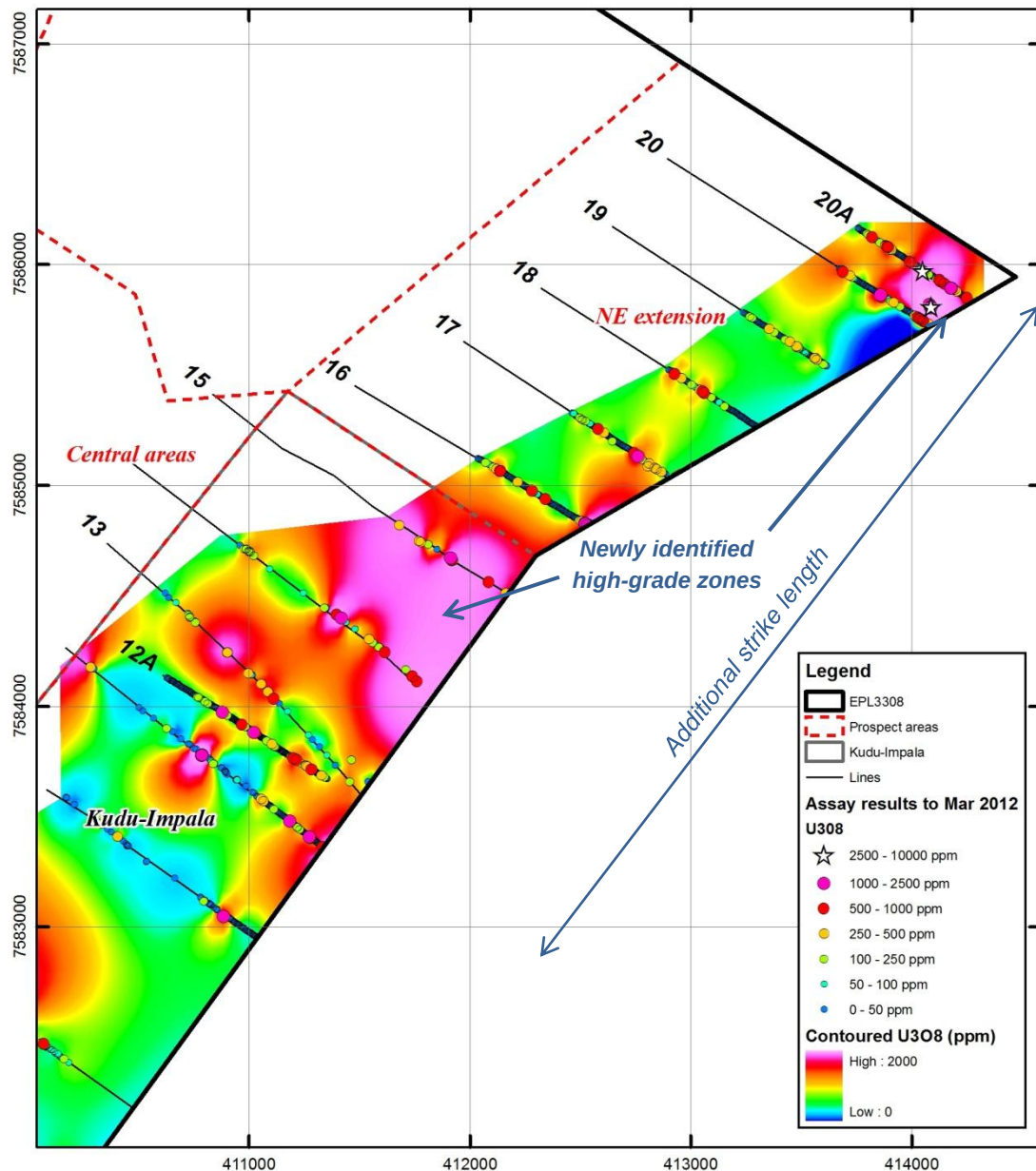


Figure 4 – Close-up of the newly sampled area in the eastern corner of EPL3308. The two new high-grade zones are identified. The southern anomaly shown here was previously sampled but only sparingly, and was not included as part of the previous 6 km strike length. New sampling has now fleshed out the anomaly, showing it to be significantly larger than previously thought.

There also remain many untested areas of anomalism within the Project area. For instance there are as yet no drillholes in the gravel covered Central Areas, including a number of areas with elevated radon anomalism (Figure 5). The next phase of work will aim to better define the distribution of uranium mineralisation throughout Kudu-Impala, the Central Areas and elsewhere in the Mile 72 Project area.

There is also considerable potential within the licence for calcrete hosted channel uranium deposits (analogous with the Langer Heinrich deposit). The electromagnetic (EM) survey run in conjunction with the radon cup survey shows large areas of high conductivity (white) which is thought to represent deeper channels which probably contain calcrete and gravels (Figure 5).

Surface uranium mineralisation is known over many square kilometres of the licence area and is likely within an additional large area of gravel cover. The current work aims to generate deeper drill targets in both of these domains by better delineating and defining the shallow near-surface uranium mineralisation.

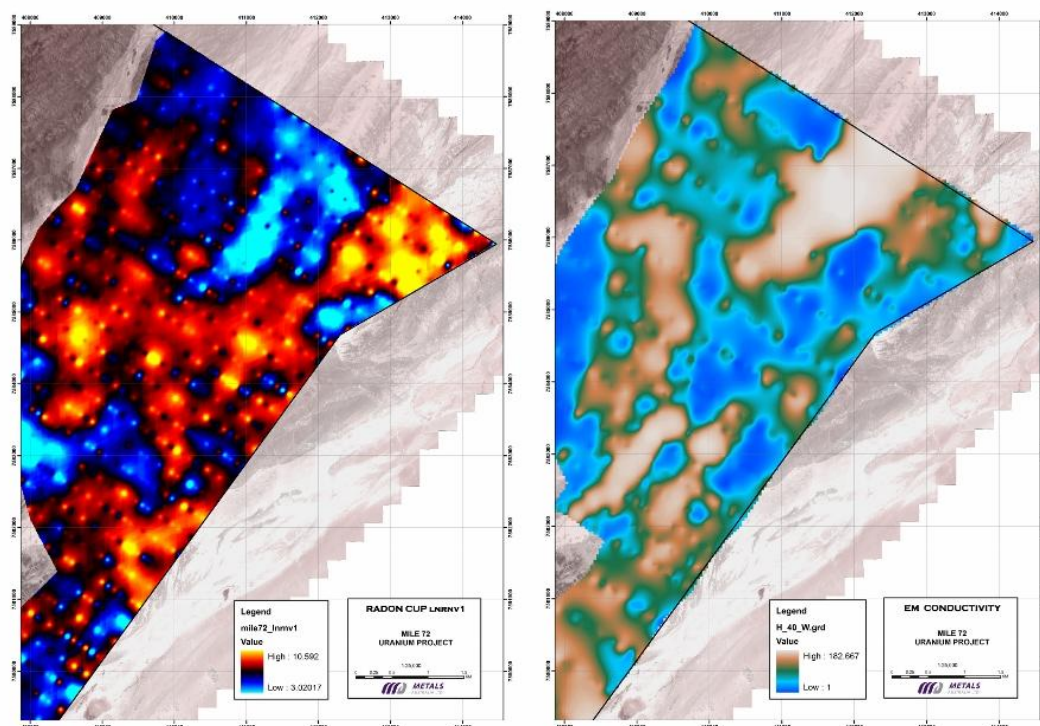


Figure 5 – Plots of the results of the 2011 radon cup and electromagnetic (EM) surveys over Mile 72. These plots demonstrate the large number of anomalous radon areas which lie in the Central Areas to the north and west of the current surface sampling and RC drilling programmes. The EM plot shows large areas of higher conductivity (white) which probably correspond with deeper channel structures, possibly bearing calcrete deposits analogous with the Langer Heinrich deposits.

THE ENGO VALLEY URANIUM PROJECT

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 for surface exploration work at Engo Valley. Data and environmental observations for this report were collected by Metals personnel during the November 2011 field trip to Engo Valley.

The Engo Valley project (EPL3306) is located in the remote northwest Kunene Region of Namibia. It lies in the mountainous and underpopulated Kaokoland area and also falls within the Skeleton Coast (National) Park. Access Permits are required to visit the Skeleton Coast Park and there are no roads and no habitable sites within the 16,000 square kilometre Park. The project area can be accessed by 4x4 wheel tracks from the South, either directly along the beach (160km) or through the dunes, a distance of some 180km from Mowe Bay. Mowe Bay is 430km north of Swakopmund and is accessible via a well-maintained unsealed road.

Metals is planning to conduct a reconnaissance sampling field trip to Engo Valley during the June quarter of 2012, subject to issuance of the Environmental Clearance document by the MET.

BASE METAL PROJECTS, WESTERN AUSTRALIA

Metals currently holds an interest in two base metals projects in Western Australia (Figure 6).

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

During the quarter, the Company undertook a Versatile Time-domain ElectroMagnetic (VTEM) geophysical survey over the entire group of tenements. This type of survey detects conductive material at depth, which can contain base metal mineralisation. In addition to the expected anomalism over defined mineralisation, an additional 3 substantial targets have been defined based on conductor strength, geological setting and coincidence with other geophysical datasets. These 3 areas will now be the focus of a series of Fixed-Loop Time-domain ElectroMagnetic (FLTEM) geophysical surveys which will provide greater resolution and ground penetration in order to fully define the extent and geometry of each of these anomalies, with a view to future drilling.

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**



Figure 6 – Location of the Western Australian base metals projects.

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

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.

ARH have advised that the review of the recent mapping and biogeochemical survey work is still being conducted.

GOLD PROJECTS, VICTORIA

Detailed aeromagnetic surveys were undertaken on the Wedderburn and South Arnaud licences during the quarter. Historic gold mines beneath the town of Wedderburn, are some of the most northerly in Victoria. Further north within the Wedderburn licence, the gold-bearing host rocks that are exposed in town are obscured by the overlying sands and clays of the Murray Basin. The new geophysical surveys have targeted these covered areas because they were not explored during the Victorian gold rush of the mid-1800s and hold the potential for a virgin gold discovery.

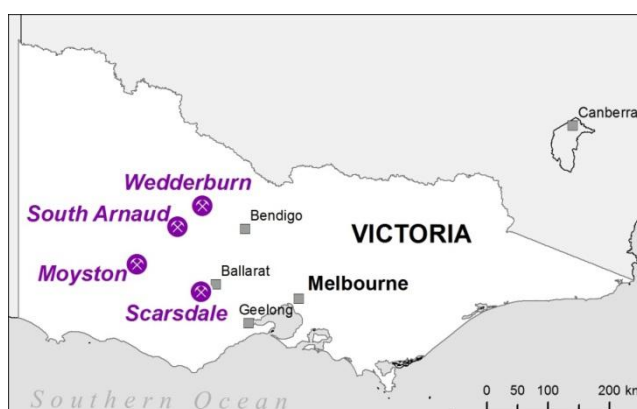


Figure 7 – Location of the Victorian gold projects.

Data generated by the surveys is presently being processed. The data will enable the Company to identify gold targets in these unexplored portions of the rich Victorian Goldfields.

Metals holds four low impact exploration licences in western Victoria (Figure 7). 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. Of these the latter two do not meet the Company's exploration criteria and will be surrendered.

The Victorian Goldfields were discovered in the gold rushes of the mid-1800s, with all significant gold mining activity ceased 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.

CAPITAL RAISING

During the quarter, 78,652,345 shares were issued to raise \$2,374,400 before costs. In addition, 63,770,767 options, exercisable at 5 cents each, on or before 1 December 2013 were granted to participants in the capital raising.

MLSO OPTIONS

Metals also announced that Metals options (MLSO) were trading as from the morning of the 26 March 2012.

Norman Grafton
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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.

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.