QUARTERLY ACTIVITIES REPORT

for the quarter ended 31 March 2014

HIGHLIGHTS

NAMIBIA URANIUM EXPLORATION

- **Primary mineralised zones identified under areas of sand cover corresponding to known radon cup anomalism and confirmed as drill targets for immediate testing at Mile 72.**
- **Exploration licence approved. Follow-up drill program due to commence in second quarter 2014 to define extent of uranium mineralisation.**

AUSTRALIAN EXPLORATION

- **Manindi Base Metal Project (WA) geological and resource review underway.**
- **New 3-D modelling identifies significant opportunities for expansion of mineralised zones.**

URANIUM PROJECTS, NAMIBIA

The Mile 72 Uranium Project is a large uranium prospect on the coast of Namibia, north of the city of Swakopmund (Figure 1). Some of the highest worldwide uranium grades seen in exploration in recent times have been recorded in outcrop and in shallow pits. Uranium mineralisation on surface at Mile 72 occurs as secondary carnotite within gypcrete, **and importantly, as carnotite in the alaskite units.**

Figure 1 – Location of the Mile 72 Uranium Project, Namibia.

In the December 2013 quarter the Company completed a program of 39 RC drillholes for 3,963m where Metals successfully identified primary Uranium mineralisation in alaskite rocks, recording geologically significant uranium in 19 holes of the 39 hole program. During the March quarter, Metals focused on the interpretation of the drilling results. The resulting information was used to design and plan the follow up drill program, which will commence in the 2nd Quarter of 2014 and focus on the potential for primary uranium mineralisation buried under radiometrically blanketing sand cover. Significant radon cup

anomalies exist under cover on the licence and have not yet been tested. The further exploration drilling will be undertaken as Metals continues to focus on its aim of identifying a large high-tonnage moderate grade primary deposit of a similar style to the Rössing and Husab mines to the south.

DRILLING RESULTS INTERPRETED

During the quarter Metals concentrated on interpreting the successfully completed round of reverse circulation (RC) drilling completed at its Mile 72 Project north of Swakopmund in Namibia (Figure 1). Results from that program support the alaskite-hosted uranium mineralisation model proposed for the Mile 72 area and the ongoing potential of the licence area.

The interpretation of the drilling results has allowed Metals to make significant advances in its geological understanding of Mile 72. The drilling identified multiple pegmatitic horizons containing anomalous mineralisation. These horizons are persistent over many hundreds of metres and are often buried under the relatively shallow cover of blanketing sands. Radon cup anomalies, which often correspond to the buried extensions of these trends, remain untested on large areas within the licence.

Overall, the drilling and results indicated relatively low levels of enrichment in the exposed pegmatite zones tested. The zones tested were, on average, thin (1-2m drilled width), but generally predictable and persistent along strike and dip. This feature of the anomalism is considered highly encouraging.

One of the drillholes in the previous program successfully tested an earlier drilling anomaly under 3-4m of blanketing sand cover, close to a high level radon cup anomaly. At drillhole MSRC0031, sampling returned 6m at 158ppm U3O8 from 9m, including 3m at 265ppm U3O8 from 12m. MSRC0031. The hole is located in a 1,800m corridor of persistent uranium anomalism.

The interpretation of the results indicates that targeting of the hidden radon cup anomalies, in areas of favourable geology, could host economically significant trap sites for uranium mineralisation. These traps could occur in association with pegmatites, and may contain secondary enrichment targets at the interface with the blanketing sand cover. This combination will explain the radon cup anomalism associated with the enrichment of pegmatite at MSRC0031, and presents multiple new untested targets of similar and greater magnitude.

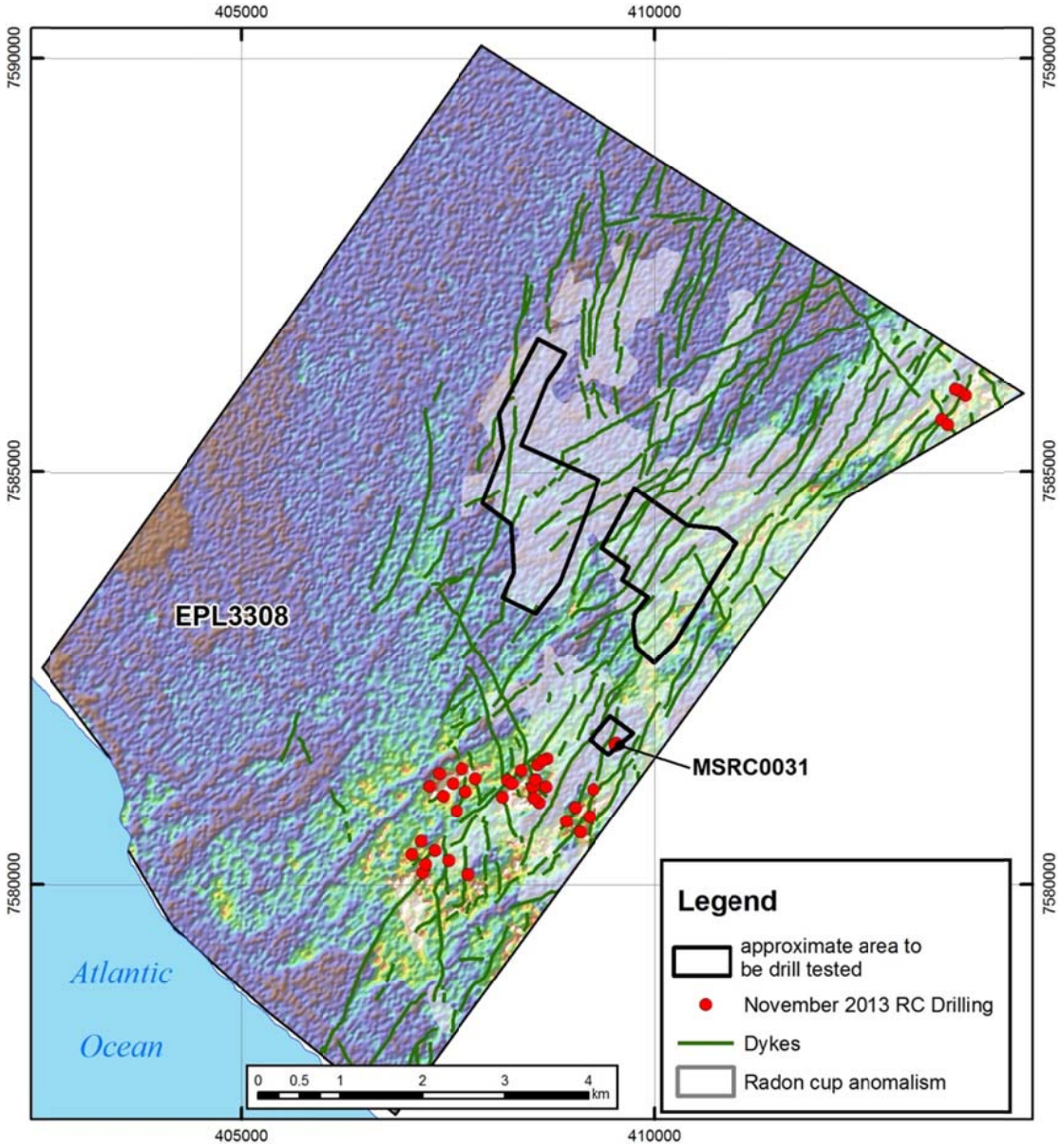

Figure 2 - Collar locations for recent drillholes at Mile 72 (Southern Area)

ADDITIONAL DRILLING PLANNED AT MILE 72

The Company has planned a new program of 4,000m of RC drilling in holes up to 50m in length. It is designed to test holes similar to MSRC0031 across the licence where similar or larger trap sites for uranium may exist. The locations have been selected based on the radon cup anomaly strength allowing for the presence of blanketing sand cover. Field verification of the hole collars was completed during the quarter, confirming the collars are located over blanketing sand cover.

Figure 2 shows the target areas and the boundary of elevated radon cup anomalism to be targeted in the coming program. Drilling will commence in the second quarter of 2014.

Exploration licence and environmental permit update

Following the end of the quarter, Metals received the endorsed renewal of the Mile 72 licence, EPL3308. The licence has been renewed, in accordance with the Ministry's standard practice, for two years retrospectively from 18 May 2013 to 17 May 2015.

During the quarter the Engo Valley Project EPL3306 was relinquished following an internal review. Reasons for the relinquishment of this tenement included its low prospectivity, its very remote location in far northern Namibia and its situation inside a national park area.

BASE METAL PROJECTS, WESTERN AUSTRALIA

Metals currently holds an interest in two base metals projects in Western Australia (Figure 3).

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.

Figure 3 - Location of the Western Australian base metals projects.

MANINDI ZINC PROJECT

The Manindi zinc project is a significant resource located in the Murchison District of Western Australia, 20 km southwest of the old Youanmi gold mine.

The Manindi base metal 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. The project is located on three granted mining licences.

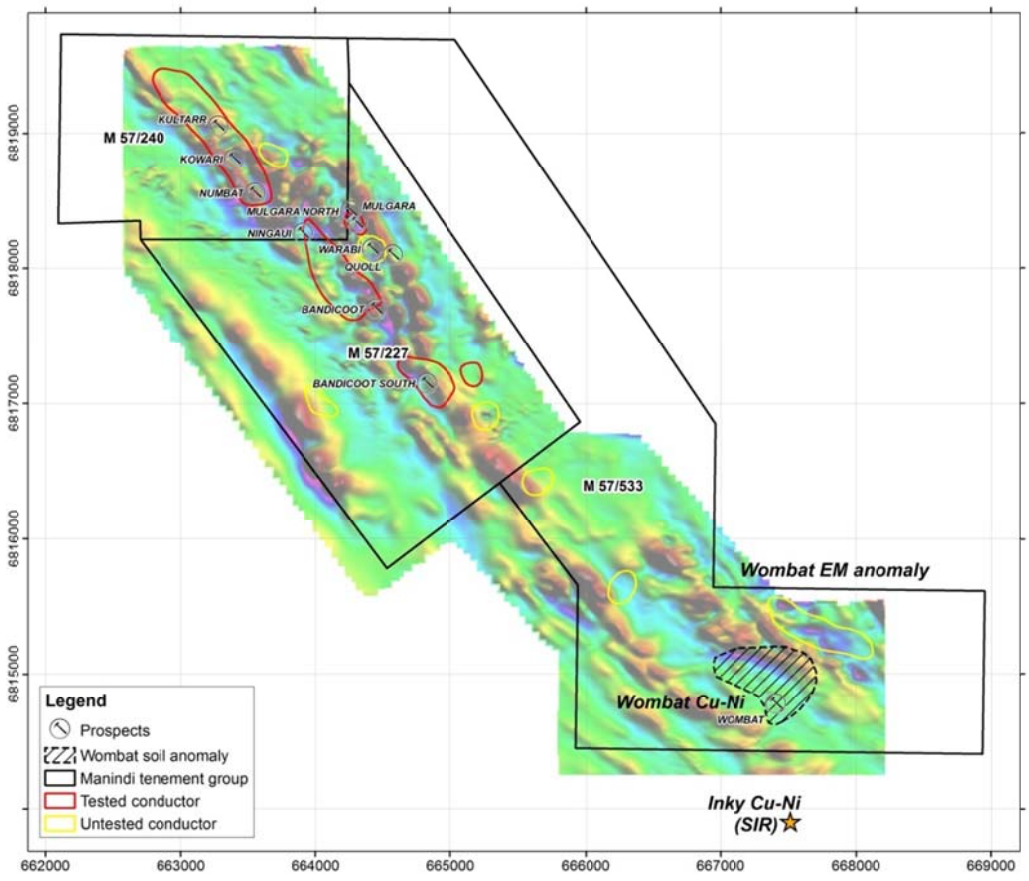

Figure 4 - EM and Geochemistry targets at Manindi showing location of Inky Prospect (Sirius Resources)

During the quarter, the Company continued its review of the resource models at Manindi. The objectives of the review are as follows:

- the re-interpretation of the historical drilling to determine the key controls on mineralisation
- the generation of a JORC 2012 compliant mineral resource estimate for Manindi
- identification of exploration targets, specifically those with the potential to add significantly to the resource inventory
- to revise pit optimisation and economic potential of the project.

The review is ongoing, and during the quarter the following activities were undertaken:

- a comparison between a new wireframe interpretation and the previous interpretation used to undertake the historical estimate
- a review of cut-off grades and mineralised envelope construction at a range of cut-off grades. Mineralisation appears to be hosted in multiple domains within the mineralised material. High grade zones exist within the mineralised bodies
- the continued investigation of the potential of the project to yield new copper and nickel mineralisation. This follows a series of positive announcements by Sirius Resources at its adjacent Inky Cu-Ni prospect (see Figure 4 and see Sirius's announcement of 2 April 2013). The Inky prospect is located 1km south of the licence

boundary of Metals' M57/533, 2km south of the Metals Wombat Cu-Ni soil and VTEM anomalies, and 6.25km SE of the Manindi Zn-Cu-Au-Ag Resource

- the identification of additional resource drilling targets adjacent to existing mineralisation. This follows from the new interpretation of the major zinc lodes and as well as the inclusion of the seven untested geophysical anomalies adjacent to the known mineralisation at Manindi which constitute attractive new drill targets for copper-zinc and copper-nickel mineralisation.

Copper-rich VMS deposit discoveries such as Sandfire's Doolgunna Project and Cu-Ni discoveries such as Sirius's Nova prospect have been found utilising similar geophysical techniques in WA in the recent past. Manindi is located within a known mineralised terrane with significant upside potential for further base metals discovery.

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 (Figure 5).

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.

The joint venture partner reported that no new work was carried out on the Sherlock Bay Extended Project during the current quarter.

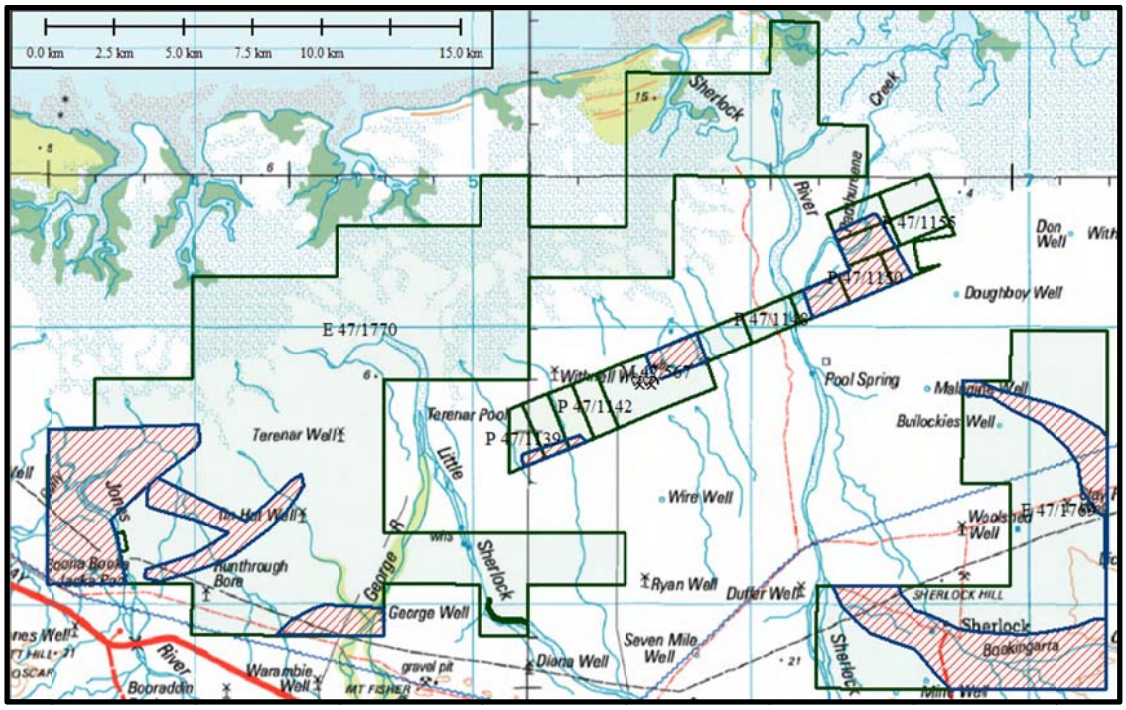

Figure 5 - Areas of exploratory interest set against 1:250,000 topography data

GOLD PROJECTS, VICTORIA

Metals holds two low impact exploration licences in western Victoria (Figure 6). The St Arnaud South (EL5242) and Wedderburn (EL5243) projects contain significant historic workings that have received little modern and systematic exploration.

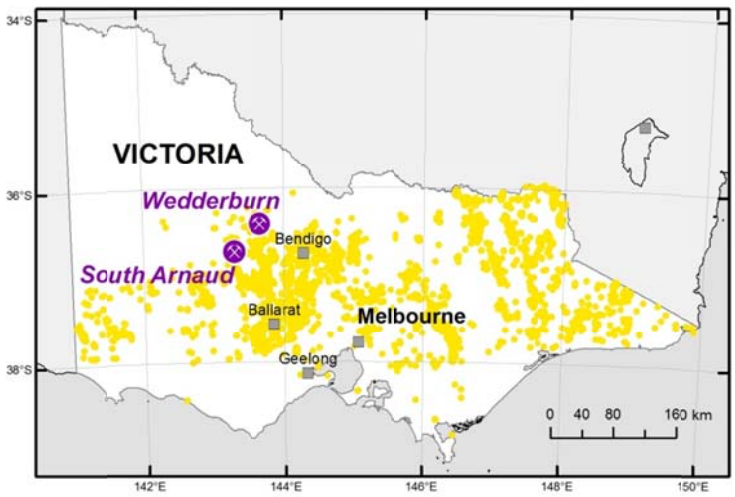

Figure 6 - Location of the Wedderburn and South Arnaud projects in western Victoria. Yellow dots represent gold deposits and prospects, and their distribution highlights the rich gold belts of Victoria.

The Victorian Goldfields were discovered in the gold rushes of the mid-1800s, with all significant gold mining activity ceasing by 1930. Government records show that numerous gold prospects, mines and occurrences are documented within the licence areas.

During the March quarter, no work was undertaken on the Victorian licences due to an intense focus of the Company's resources on drilling in Namibia. In addition, the Company is currently reviewing its interests in Victoria as it focuses its resources on its base metal and uranium assets.

MINERAL AND EXPLORATION LICENCES

Country	State/Region	Project	Tenement ID	Area km^2	Grant Date	Expiry Date	Interest %	Company
Namibia		Mile 72	EPL 3308	73	19/05/2005	17/5/2015	100	Metals Namibia (Pty) Ltd
Australia	Victoria	South Arnaud	EL 5242	90.1	18/09/2009	18/09/2014	100	Metals Australia Ltd
		Wedderburn	EL 5243	70.4	18/09/2009	18/09/2014	100	
Australia	WA	Manindi	M57/227	4.64	3/09/1992	2/09/2034	80	Karrilea Holdings Pty Ltd
			M57/240	3.15	10/11/1993	9/11/2014	80	
			M57/533	8.01	17/01/2008	16/01/2029	80	
Australia	WA	Sherlock Bay	E47/1769	76.7	7/09/2009	6/09/2014	30	Metals Australia Ltd
			E47/1770	223	7/09/2009	6/09/2014	30	

For further information please contact:

Vincent Algar

+61 8 9481 7833

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

Competent Person 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 Dr Matthew Painter, who is a consultant to Metals Australia. Dr Painter is a member of The Australian Institute of Geoscientists, a Recognised Professional Organisation by the Australasian Joint Ore Reserves Committee, and 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 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results. Dr Painter 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.