

QUARTERLY ACTIVITIES REPORT

for the quarter ended 31 December 2014

HIGHLIGHTS

A U S T R A L I A N E X P L O R A T I O N

- **Manindi Zinc-Copper Project (WA) geological review completed.**
- **Drilling review and initial 3-D intrinsic modelling completed on main ore zones, indicating significant potential for high-grade zinc zones.**
- **JORC 2012 compliant mineral resource under construction. Scoping study parameters will be reviewed on completion of resource estimate.**
- **Global zinc supply stagnant and expected to decline due to imminent key mine closures while demand is increasing.**
- **Zinc price expected to rise due to deeper deficits in future years. Zinc price is expected to outperform other base metals.**
- **Market and ongoing review work provide compelling case for increased exploration at Manindi.**

N A M I B I A N U R A N I U M E X P L O R A T I O N

- **Uranium spot price continues long term recovery as Japan initiates the re-start of multiple reactors in 2015.**
- **Metals continues to review both Mile 72 data and comparable deposits in Namibia and globally.**

BASE METAL PROJECTS, WESTERN AUSTRALIA

Metals Australia holds an interest in two base metals projects in Western Australia (Figure 1).

The Manindi zinc-copper 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 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 1 – Location of the Western Australian base metals projects.

MANINDI ZINC PROJECT

The Manindi Project is a significant unmined zinc deposit located in the Murchison District of Western Australia, 20 km southwest of the defunct Youanmi gold mine. The project is located on three granted mining licences.

The Manindi base metal deposit is considered to be a volcanogenic massive sulphide (VMS) zinc deposit, comprising a series of lenses of zinc-dominated mineralisation that have been folded, sheared, faulted, and possibly intruded by later dolerite and gabbro. The style of mineralisation is similar to other base metal sulphide deposits in the Yilgarn Craton, particularly Golden Grove at Yalgoo to the west of Manindi, and Teutonic Bore-Jaguar in the Eastern Goldfields.

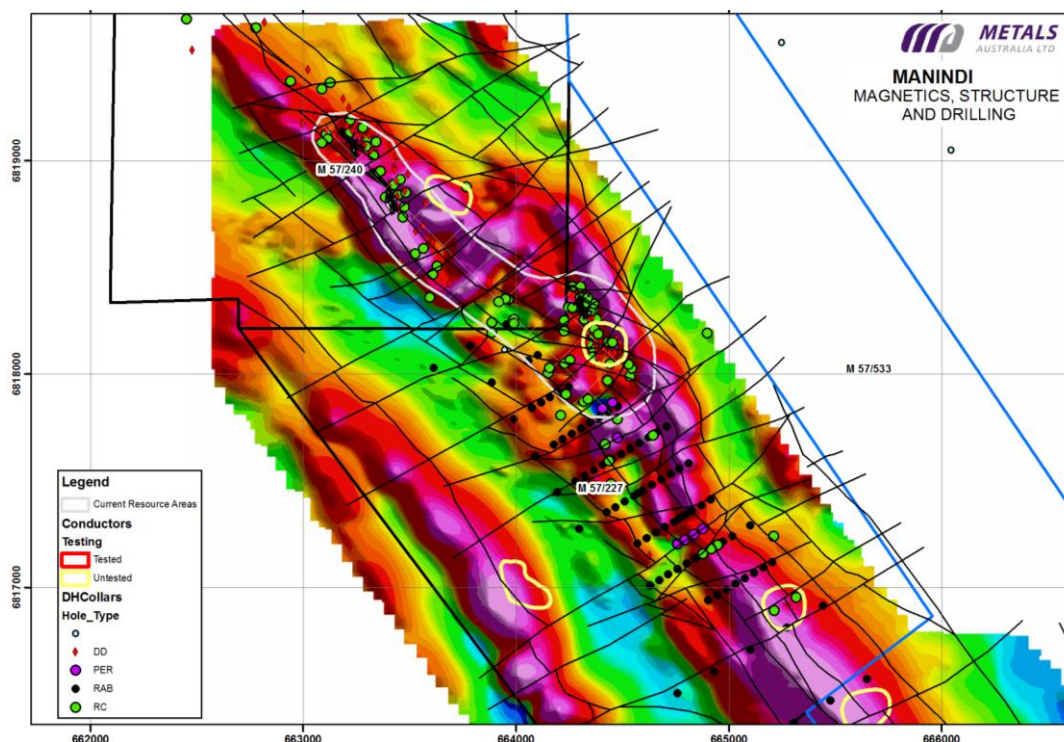


Figure 2 - Magnetic and structure, showing northern resource target area and untested VTEM targets, at Manindi, Western Australia

Since the deposits were discovered, a large body of work has been carried out, including geochemistry, geophysics, detailed geological mapping, extensive drilling, wireframe modelling, resource modelling and metallurgical test work.

Drilling programs intercepted broad zones of mineralisation which contained high grades in excess of 20% zinc. In some places grades up to 50% zinc have been intercepted in drilling. To date, 4 major ore zones over 2.5km of strike have been defined, with an additional 5km of strike largely untested by deeper drilling. A number of VTEM electromagnetic targets also remain untested (See Figure 2). These untested targets provide potential to substantially increase the size of the Manindi deposits.

During the quarter, Metals completed a review of the Manindi exploration with the intention of re-estimation of a mineral resource and new exploration at the project. Zinc has been an outperforming base metal in the past 12 months compared to other metals and is showing an improvement in supply and demand fundamentals. The ongoing and intensifying global zinc metal deficit should lead to an upward zinc price outlook.

The following objectives of the review have been completed:

- the re-interpretation of the historical drilling to determine the key controls on mineralisation;
- review of the drillhole database to allow JORC 2012 level reporting of data
- An assessment of exploration targets, specifically those with the potential to add significantly to the resource inventory;
- A review of metallurgical test results

The following tasks are currently underway and will be completed in the coming quarters:

- the generation of a JORC 2012 compliant mineral resource estimate for Manindi;
- A review of scoping study assumptions and revise pit optimisations as well as review any underground potential of the project.

Database and initial intrinsic modelling completed

During the quarter, the Company finalised the review of the drillhole database. The updated data is now at a suitable standard to support the estimation of a JORC 2012 compliant resource. The most accurate and comprehensive digital database is paramount to the subsequent steps of modelling and estimation as well as new target generation. The following work was completed on the Manindi data:

- Confirmation of the drilling completed and available for inclusion in the database, being 104 diamond drillholes, 105 RC drillholes, 169 RAB drillholes and 8 percussion holes.
- Metals' drilling and data re-verified since initial drilling of 69 holes in September 2006 (17RC holes and 52 diamond drillholes).
- The addition of 21 historical geological logs.
- The addition of important geotechnical and core recovery information for 24 holes.
- The validation of 408 Specific Gravity (SG) measurements.
- The raw assay data for all drilling was re-loaded into the Company's industry standard Database Management Software (Datashed) to minimise unmerged assays and accurately load missing QAQC samples.

The updated data was loaded into Micromine and Leapfrog software and reviewed with all other available data. Figures 3 and 4 show isometric images of 1% and 5% grade shells created by Leapfrog software for the Northern and Southern Zones at Manindi. The intrinsic modelling

creates shapes which contain equivalent grades or higher by mathematical interpolation of the raw drilling data.

Apparent from the work conducted to date is the following;

- The mineralisation forms coherent bodies at grades $>0.5\%$ Zinc up to 5% Zinc, after which the bodies become smaller and detached from each other.
- The drilling to date is strongly concentrated, with large spaces along strike which are underdrilled and often do not intersect the ore position.
- Significant opportunities exist for additional high grade zinc bodies along strike and down dip for at least two kilometres.

The Company has commenced the recalculation of the resources, which will result in a revised mineral resource statement. This will allow the refinement of exploration targets and a review of project economics.

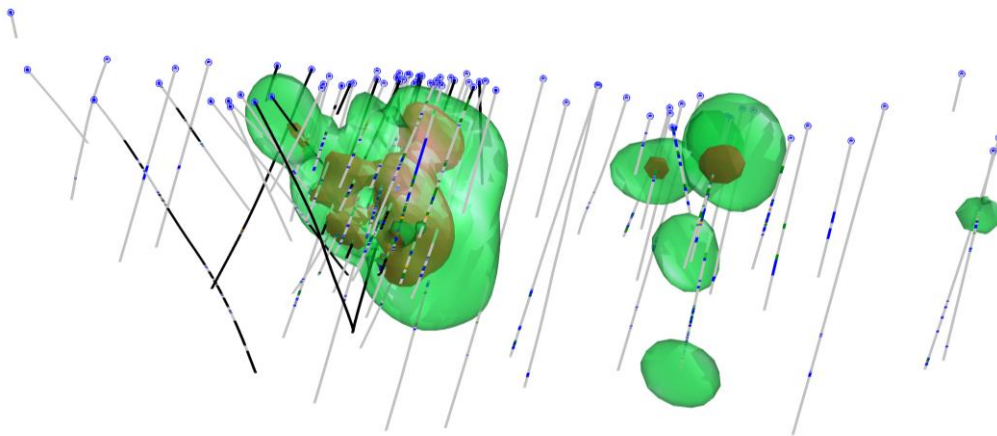


Figure 3 – Perspective view looking east of 1% Zn (green, outer) and 5% Zn (red, inner) grade shells and drilling in the northern mineralisation at Manindi. Image scale is 1.5km across and 500m vertically.

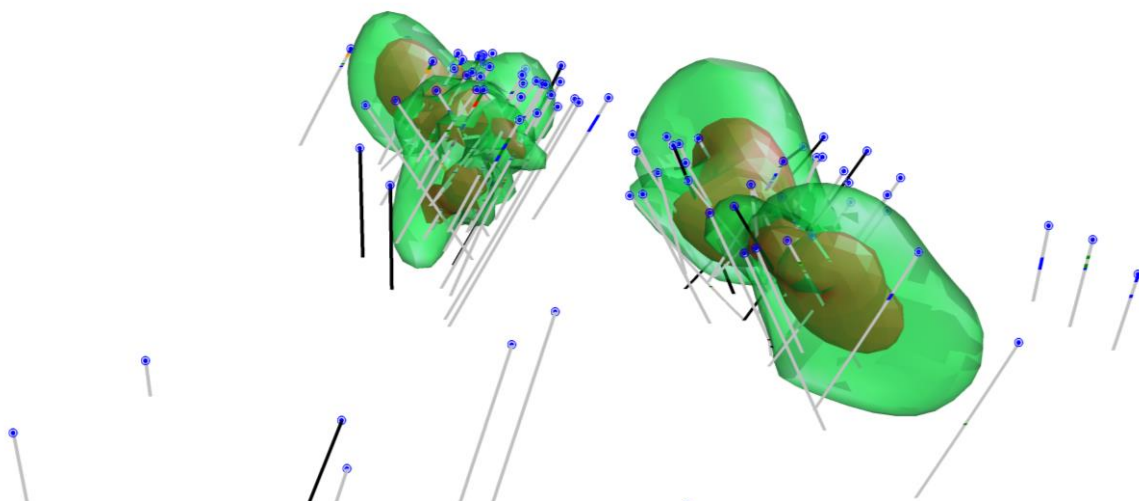


Figure 4 – Perspective view looking east of 1% Zn (green, outer) and 5% Zn (red, inner) grade shells and drilling in the southern mineralisation at Manindi. Image scale is 900m across and 300m vertically.

Planned activities and Further Exploration

During the coming quarter, the company plans to release an update and review of previous drilling results at Manindi. New results and interpretation which form part of the current review process, are being compiled to provide supporting information as required under the JORC Code (2012). These results will then form part of the JORC 2012 resource update and exploration plans for the project which will follow.

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 results of 2,129 samples collected in 2014 on E47/1769 targeting the Caines Well Granite 'margin zone' have been received by ARH during the quarter and are awaiting interpretation and analysis by the company.

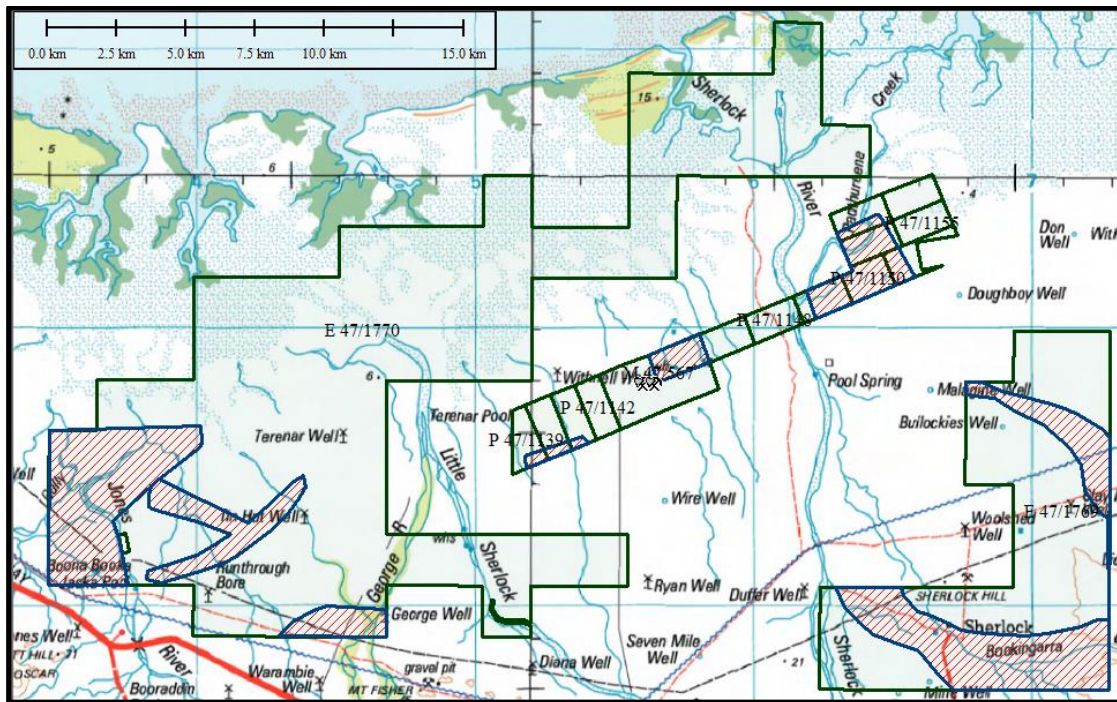


Figure 5: Areas of exploratory interest set against 1:250,000 topography data

URANIUM EXPLORATION NAMIBIA

During the September 2014 quarter, Metals conducted a review of all of its recent drilling and exploration at Mile 72 Project north of Swakopmund in Namibia (Figure 1). Results from the September 2013 and June 2014 drilling programs had confirmed the existence of alaskite-hosted uranium mineralisation at Mile 72.

The program identified zones of uranium-enriched schist-granite-alaskite rocks with significant strike extent in the upper 85m at Mile 72.

The strong continuity of the identified mineralised zones is highly encouraging, although the zones intersected thus far appear narrow and the grades variable. Scope remains for wider, duplicated zones to be identified, as well as for the existing zones to become wider in places. The identified zones provide a key starting point for future exploration programs.

The presence of multiple, strike consistent zones is considered highly plausible, as it would explain the significant amounts of uranium that have accumulated on the surface in gypcrete and calcretes at Mile 72. These gypcrete and calcrete deposits recorded some of the highest surface uranium grades of any project globally. Similar significant occurrences of carnotite in sheetwash and weathered bedrock are known in the region, such as at the Aussinanis deposit held by Deep Yellow Limited (ASX:DYL). Deep Yellow have conducted an extensive shallow, close spaced drilling program at Aussinanis and calculated a mineral resource. Processing options exist for the mineralisation, including new low cost upgrading technology such as the U-pgrade™ technology being developed by Marenica Energy (ASX:MEY). The resource and mode of occurrence at Aussinanis are comparable to Mile 72 and analogies are being investigated further by the Metals team.

During 2014, the depressed Uranium market began to turn positive. This was evidenced by an increase in the spot price of U3O8 and positive sentiment surrounding the re-start of reactors in Japan. Metals' holds a positive long term view on Uranium and continues to view its prospects at Mile 72 in perspective to the current low price, but improving, Uranium market.

FURTHER EXPLORATION IN THE SOUTHEAST TERRANE

Drilling in 2014 effectively sterilised a significant portion of the project area, but allows future exploration to focus on the most prospective areas and possible trap zones in the southeastern terrane. Following the existing defined mineralisation trends along strike forms part of the exploration strategy. Future programs will be designed and costed to test the area comprehensively to ensure any trap sites are located.

Comparisons with similar shallow occurrences of carnotite in sheetwash and weathered bedrock such as at the Aussinanis deposit will be expanded on by the team to determine the potential for a similar resource at Mile 72, as well as defining the exploration effort required to define it.



Figure 6 – Location of the Mile 72 Uranium Project, Namibia.

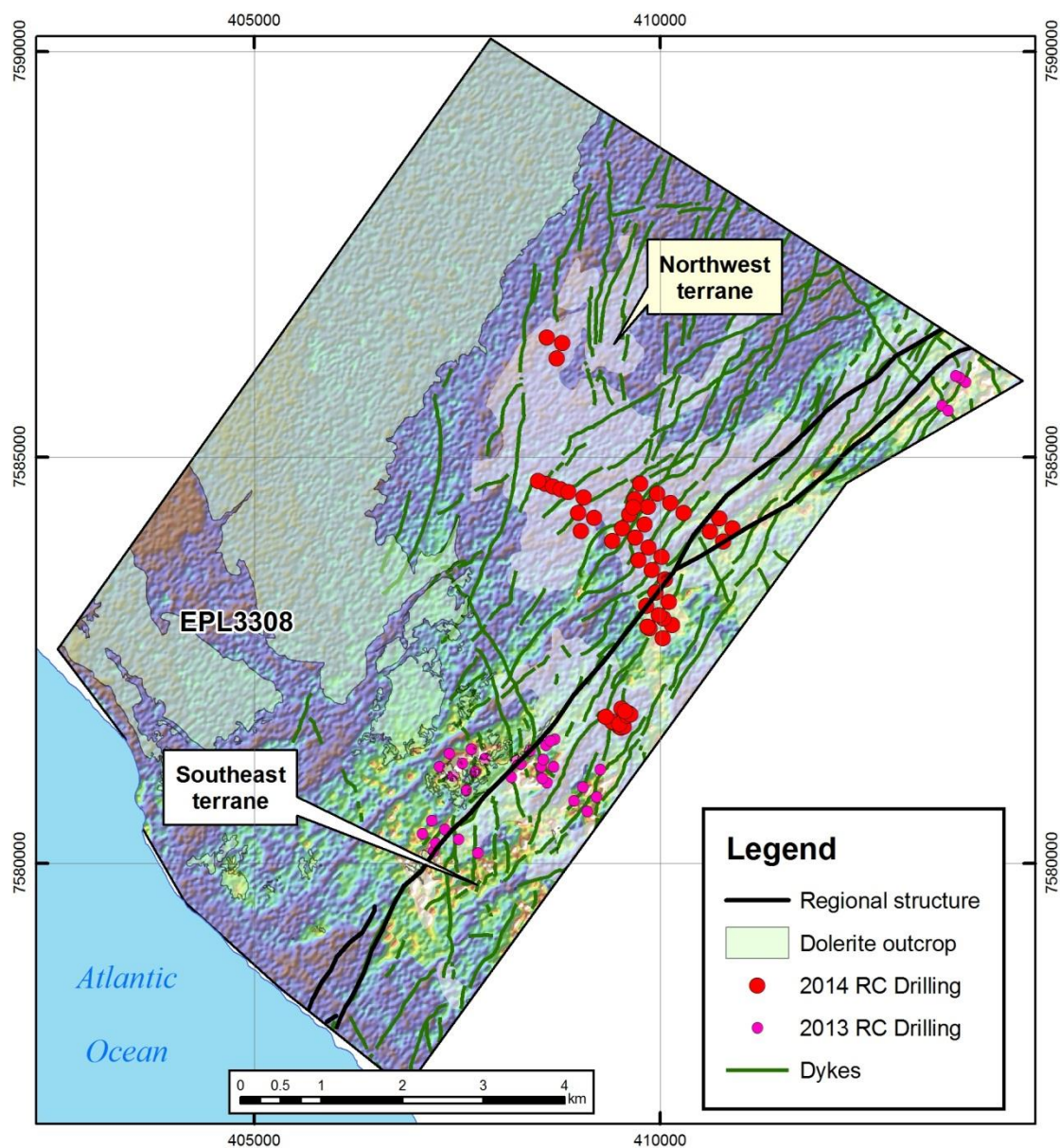


Figure 7 – Location of deeper RC drilling at Mile 72. Drilling has intercepted alaskite-hosted uranium mineralisation in several drillholes in the southeast terrane, defining a series of uranium trends up to 2km long. The drilling in the northwest terrane defined a large area underlain by schist

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	WA	Manindi	M57/227	4.64	3/09/1992	2/09/2034	80	Karrilea Holdings Pty Ltd
			M57/240	3.15	10/11/1993	9/11/2035	80	
			M57/533	8.01	17/01/2008	16/01/2029	80	
Australia	WA	Sherlock Bay	E47/1769	76.7	7/09/2009	Pending	30	Metals Australia Ltd
			E47/1770	223	7/09/2009	Pending	30	

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Competent Person Declaration

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Dr Matthew Painter, who is a full time employee of Sabre Resources Ltd and a consultant to Metals Australia Ltd and who is a member of The Australasian Institute of Geoscientists. Dr Painter 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 2012 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves". Dr Painter consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

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 program 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.