



METALS
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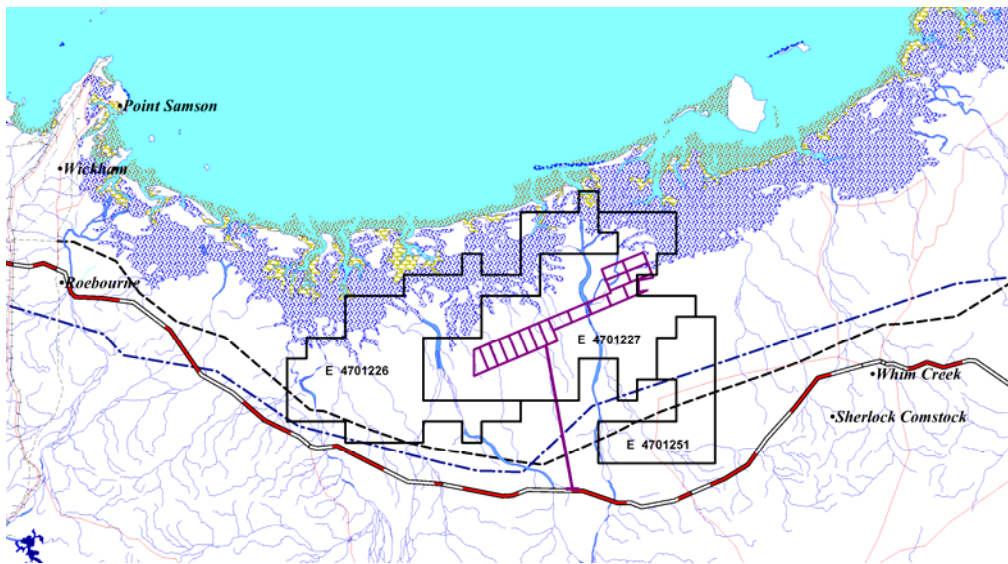
29 January 2007

The Manager - Companies
Australian Securities Exchange Office
Company Announcements
20 Bridge Street
SYDNEY NSW 2000

**METALS AUSTRALIA OBTAINS 30% FREE CARRIED INTEREST OVER THE
SHERLOCK BAY EXTENDED PROJECT.**

Metals Australia Ltd ('Metals') is pleased to announce that it has concluded an agreement with Fox Resources Ltd ('Fox') and Australasian Resources Ltd ('Australasian') to acquire a 30% 'free-carried' interest in the Sherlock Bay Nickel Extended Project, which surrounds Australasian's Sherlock Bay Nickel project in the Eastern Pilbara region of Western Australia.

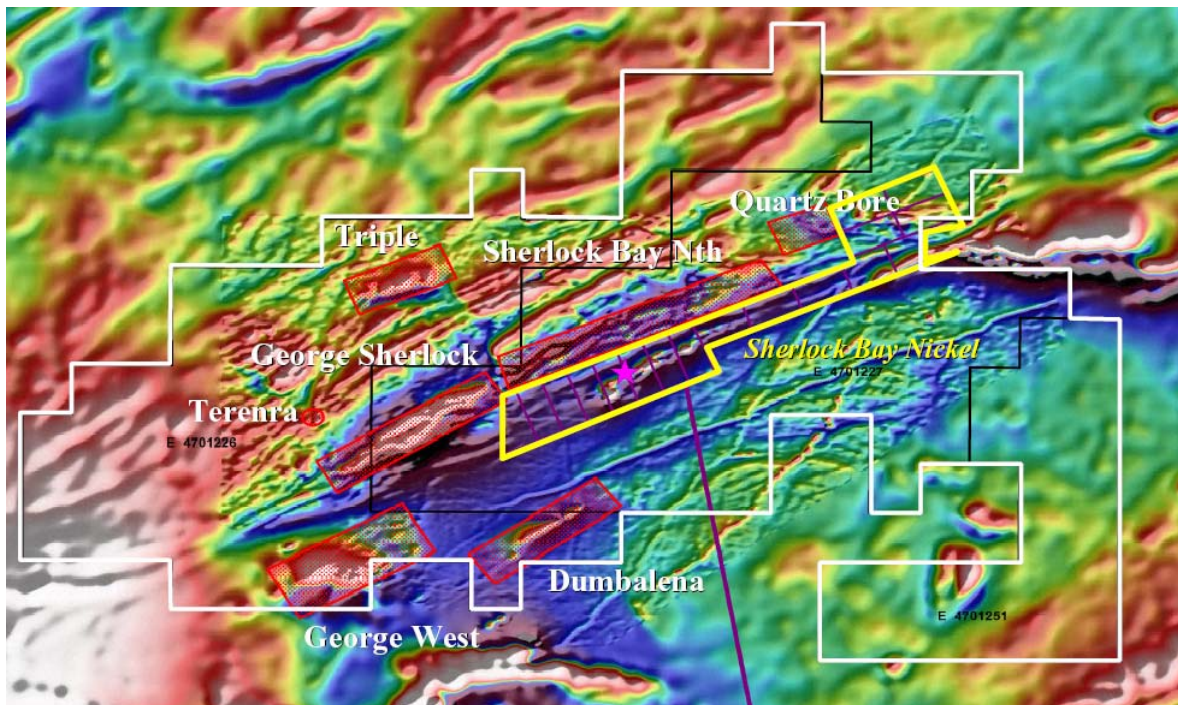
The Sherlock Bay Extended project consists of three exploration licences, E 47/1226, 1227 & 1251 that cover more than 470 km² and surround Australasian's Sherlock Bay Nickel project (shown below).



The Sherlock bay Nickel project has a current resource in excess of 100,000 tonnes of contained nickel metal, with an in-ground value of more than \$4 billion, at current nickel prices.

The Sherlock Bay Extended project is highly prospective for nickel, gold and other base metals, with a number of exploration targets having already been defined. Exploration throughout the project area has identified extensive Ni-Cu mineralisation as well as evidence of stratabound volcanogenic base-metal mineralisation, beneath the cover sequence.

The diagram below shows a number of the prospect areas identified through exploration conducted by Metals and previous workers. The prospects include George Sherlock, Triple, Dumbalena, Quartz bore & Sherlock Bay North.



Under the previous agreement, Metals was required to make a further cash payment of \$100,000 to Fox, and also to spend \$500,000 within a short timeframe in order to earn an interest in the tenements. Metals would then both manage and fund the on going exploration over the project area.

The restructured agreement results in Metals no longer having to make any payment to Fox, nor having to fund any exploration or other expenditure. Metals will be free carried through to the completion of a bankable feasibility study and decision to commence commercial mining.

A further advantage to Metals, of the new joint venture agreement is that Australasian will make available to the joint venture any treatment facility that it constructs to service its Sherlock Bay Nickel project, at standard industry treatment charges, and at no capital cost to Metals.

The transaction is an excellent outcome for Metals Australia. Australasian are committed to developing their Sherlock Bay Nickel project, and their interest in the project will accelerate the exploration programme and any potential production from the Sherlock Bay Extended tenements. The new joint venture terms also allows Metals to concentrate on bringing its Manindi Zinc project into production.

Yours faithfully

Metals Australia Limited

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. Timothy Putt 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 2004 Edition of the “Australasian Code for Reporting of Exploration Results, Mineral Resource and Ore Reserves”. Timothy Putt consents to the inclusion in the report of the matters based on his information in the form and context in which it appears”.