

# BBY Limited

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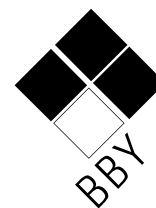
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## Metals Australia Limited

Excellent Zinc Discovery with Great Upside Potential

MLS

**\$0.08**  
**BUY**

25 January 2007

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We have commenced coverage of Metals Australia Ltd (MLS) with a BUY recommendation for its exposure to the Manindi Zinc Project which sits on a granted mining lease, located 500km NE of Perth in the East Murchison region of WA. The current resource base of 1.05Mt @ 7.64% Zn is forecast to increase based on a successful drilling programme. In addition new EM exploration targets within the project area have been identified for evaluation and drilling. Project development options are being investigated including bio-heap leaching and electrowinning Zn metal from solution. The trials achieved excellent results recovering 97% of contained zinc within solution after leaching for 73 days. We are of the view that MLS has significant potential to grow its resource base and develop a medium sized mining operation.

### Key Corporate & Financial Highlights

- ▶ **Company name** – changes its name to Metals Australia Ltd from Australian United Gold on 24 Sept.'06.
- ▶ **Cash** – \$6.6M as at 30 September 2006.
- ▶ **Value** – resource valued at A\$400M at current zinc prices.

### Key Project Highlights

- ▶ **Manindi** – located 500km NE of Perth and 20km SW of the closed Youanmi Gold Mine. Project area covers 1580Ha.
- ▶ **Resources** – 1.05Mt @ 7.64% Zn, hosted within four mineralised zones: (i) Warabi (Zone A); (ii) Mulgara (Zone B); (iii) Kowari (Zone D Sth); and (iv) Kultarr (Zone D Nth).
- ▶ **Deposits** – are shallow and amenable to open-pit mining methods.
- ▶ **Mineralisation** – Volcanogenic Massive Sulphides (VMS), similar to Golden Grove and Jaguar deposits owned by OXR and JML respectively.
- ▶ **Drill targets** – 9 EM targets to be tested close to existing deposits.
- ▶ **Drill results** – Warabi zone MNRC008 – 5m @ 11.80%Zn from 44m & MNRC014 – 18m @ 14.96% Zn from 43m. Mulgara zone MNRC012 – 5m @ 7.40% Zn and MNRC013 3m @ 16.90% Zn from 89m. Kultarr zone MND005 – 10.2m @ 12.6% Zn from 172m. These results are not part of the existing resource base. Upgrade in resources is forecast.
- ▶ **Ore treatment** – options include: (i) bio-heap leaching of crushed ore; (ii) conventional sulphide concentrate production; (iii) toll treatment; and (iv) selling ore to a third party for processing. Bio-heap trials recovered 97% of Zn metal within 73 days of leaching.
- ▶ **CAPEX** – project development cost forecast at A\$25-30M.

### Company Data

Number of shares	669.6M
Market capitalisation	\$50.9M
12 month high/low	\$0.10 / \$0.02
Average monthly turnover	\$14.8M
All Ordinaries Index	5626

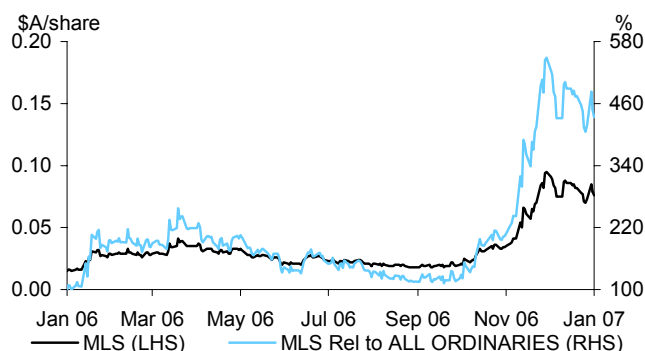
### Directors / Company Secretary

Chairman (Executive)	Mr Hersh Solomon Majteles
Director	Mr Alexander Clemen
Director	Mr David Nathan Zukerman
Company Secretary	Mr Norman Grafton

### Top 10 Shareholders (30 October 2006)

Shareholder	Shares	%
Pan Pacific Mining Pty Ltd	35,000,000	5.23
Icerig Nominees Pty Ltd	30,383,551	4.54
D & D Nominees Pty Ltd	25,000,000	3.73
Heaver Group Limited	19,750,000	2.95
Pio Services Limited	18,750,000	2.80
I-CAN Limited	17,000,000	2.54
L C Asia Limited	14,220,000	2.12
Corridor Nominees Pty Ltd	12,500,000	1.87
ANZ Nominees Limited	9,940,992	1.48
Anne-Maree Rice	9,880,323	1.48
<b>Total</b>	<b>192,424,866</b>	<b>29.0</b>

### MLS versus ALL ORDINARIES Index



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## Manindi zinc project (MLS 80% interest)

### Project geological setting is excellent for further discoveries

Old discovery with excellent resource upside

Manindi Zinc project is located 500km NE of Perth in the Murchison District of WA, 20km SE of the closed Youanmi gold mine. The project comprises a series of VMS deposits. Geological characteristics are similar to other deposits found in the Yilgarn Craton of WA including Golden Grove located to the SW of Manindi and Yalgoo and the Teutonic Bore / Jaguar deposits in the Eastern Goldfields. The Manindi deposit was previously discovered by CRA Exploration in the late 1970's and was named Freddie Well. The geological setting in the region bodes well for further discoveries.

### Current resource base is forecast to be expanded

Significant EM targets identified for drill evaluation

Recent drilling of EM targets has been very successful which is forecast to lead to an upgrade in the resource base which currently sits at 1.05Mt @ 7.64% Zn. Resources lie within 4 zones of mineralisation to a maximum depth of only 200 metres (Table 2). Considerable scope exists to find additional resources along strike and depth as confirmed by downhole EM studies which indicate the presence of further mineralisation at depth.

### Excellent results achieved from recent drilling

Excellent drilling results achieved around all known zones of mineralisation

Recent diamond drilling results highlight the potential to expand the resource base. Two drill holes facilitating the down hole EM programme at **Kultarr - Zone D North** intersected the ore body at depth (Table 2). At **Kultarr South Deeps** a hole drilled between the South and North lodes intersected previously unknown zone of mineralisation (Table 2). At **Warabi - Zone A**, a hole drilled to the north of the known resource to test a surface EM target extended the zone of mineralisation by 25 metres (Table 2). **Mulgara - Zone B** holes were drilled into the known orebody to test the presence of high grade mineralisation at shallow depths which was confirmed (Table 2). A diamond drilling programme is planned for January / February 2007. A long drill hole section for Warabi & Mulgara (Figure 1) & Kowari & Kultarr (Figure 2) is shown below.

**TABLE 1: MLS – MANINDI JORC RESOURCES**

Deposit - zone	Category	tonnes
Warabi	Measured	45,600 @ 8.91% Zn
	Indicated	52,390 @ 8.76% Zn
	Inferred	21,900t @ 6.58% Zn
	<b>Sub-total</b>	<b>119,350 @ 8.42% Zn</b>
Mulgara (Zone B)	Measured	116,570 @ 7.76% Zn
	Indicated	92,850 @ 7.65% Zn
	Inferred	8,820 @ 9.17% Zn
	<b>Sub-total</b>	<b>218,240 @ 7.77% Zn</b>
Kultarr (Zone D Nth)	Measured	155,710 @ 7.63% Zn
	Indicated	212,180 @ 7.69% Zn
	Inferred	235,820 @ 7.66% Zn
	<b>Sub-total</b>	<b>603,130 @ 7.66% Zn</b>
Kowari (Zone D Sth)	Measured	17,570 @ 5.45% Zn
	Indicated	37,340 @ 6.24% Zn
	Inferred	57,010 @ 6.86% Zn
	<b>Sub-total</b>	<b>111,930 @ 6.43% Zn</b>
<b>Total Measured</b>		<b>334,910 @ 7.73% Zn</b>
<b>Total Indicated</b>		<b>394,760 @ 7.68% Zn</b>
<b>Total Inferred</b>		<b>322,970 @ 7.49% Zn</b>
<b>Grand Total</b>		<b>1,052,640 @ 7.64% Zn</b>

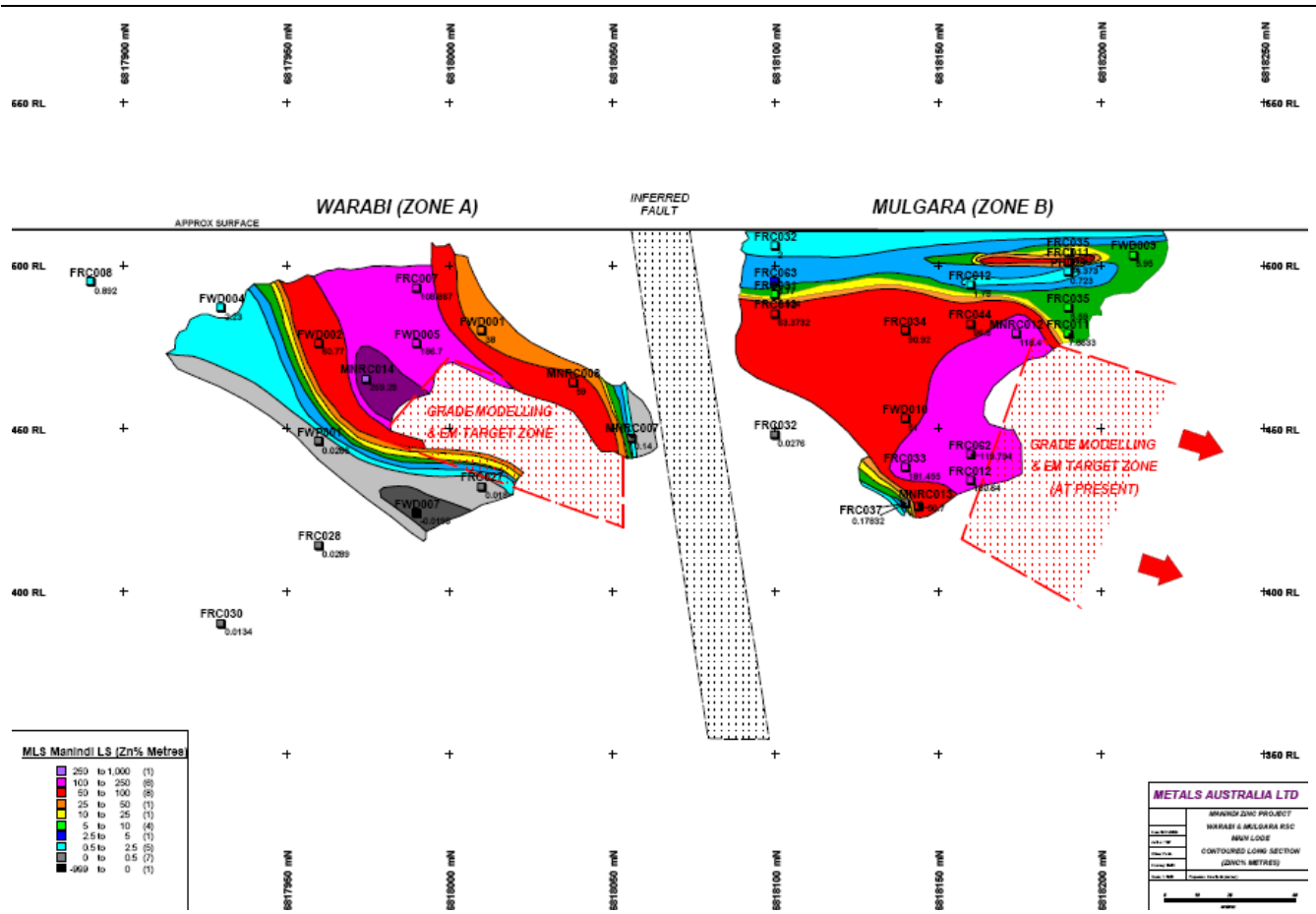
Source: MLS September quarterly report.

**TABLE 2: MLS – LATEST DRILL INTERSECTIONS**

Hole	Intersection	Comment
<b>Kultarr Deeps</b>		
MND005	2.4m @ 12.75% Zn from 163m	25m to the north and 25m below the current resource
MND005	10.2m @ 12.60% Zn from 172m	
<b>Kultarr South Deeps</b>		
MND001	1.6m @ 4.1% Zn from 254m	New mineralisation previously not drilled
<b>Warabi -Zone A</b>		
MND008	5m @ 13.3% Zn from 44m	Extends ore body by 25m along strike. Also contains 0.78% Cu
MND014	13m @ 19.82% Zn from 48m	
<b>Mulgara - Zone B</b>		
MNDRC012	16m @ 7.49% Zn from 23m	Confirms high grade mineralisation
MNDRC013	3m @ 15.13% Zn from 89m	Confirms mineralisation grade. Contains 0.58% Cu

Source: MLS September quarterly report.

**FIGURE 1: MLS – LONG SECTION AT WARABI & MULGARA SHOWING DRILL HOLE LOCATIONS**



Source: MLS Release November 2006





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Contact with MLS has been made during the preparation of this report for assistance with verification of facts.

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