

QUARTERLY ACTIVITIES REPORT

for the period ended 31 December 2011

Sabre's focus is the exploration and development of the Ongava Polymetallic Project. The project is located in the world-class metallogenic province of the Otavi Mountain Land in northern Namibia, historically a globally important source of copper, lead, zinc and vanadium. The province is presently undergoing a renaissance with the work of Sabre and others in the region.

Our Ongava Polymetallic Project contains more than 30 known copper, lead, zinc and vanadium occurrences, including the Kaskara copper-lead-zinc-vanadium discovery, unmined deposits such as the Border and Driehoek lead-zinc deposits, and historic mine sites such as Harasib Claims and Uitsab. Gallium, germanium, silver and gold, are also highly prospective.

The Zn-Pb-Ag deposits of Sabre's Pavian Trend form a series of similar deposits along 20 km of strike. Border is the first of the Pavian Trend deposits to have a JORC resource calculated by Sabre. The Company is aiming for a series of high-tonnage, moderate-grade Zn-Pb-Ag mines, from the Pavian Trend and from further afield, feeding a centrally located processing plant (Figure 1).

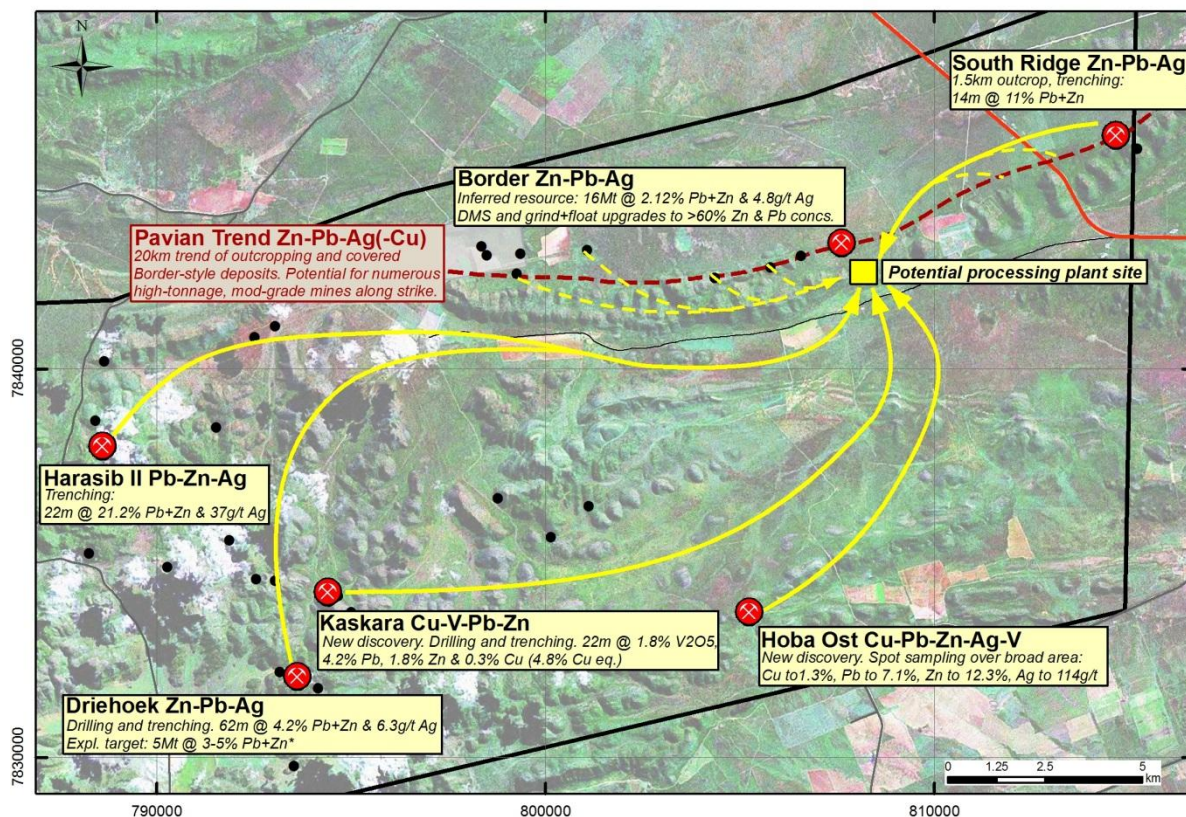


Figure 1 - Sabre's concept of a centrally-located plant using feed from an array of mines throughout the project area.

* At this stage, the potential quantity and grade of the Driehoek zinc-lead deposit is conceptual in nature, as Sabre has determined that insufficient work has been undertaken to define a mineral resource and it is uncertain if further exploration will result in the determination of a mineral resource. The "exploration target" size was based upon deposit calculations undertaken by Goldfields Namibia Ltd.

Concurrently, the copper potential will be realised through further exploration of Kaskara, Hoba Ost, and the surrounding areas. Kaskara represents an outstanding opportunity for Sabre, showing all of the hallmarks of a major Tsumeb-style deposit.

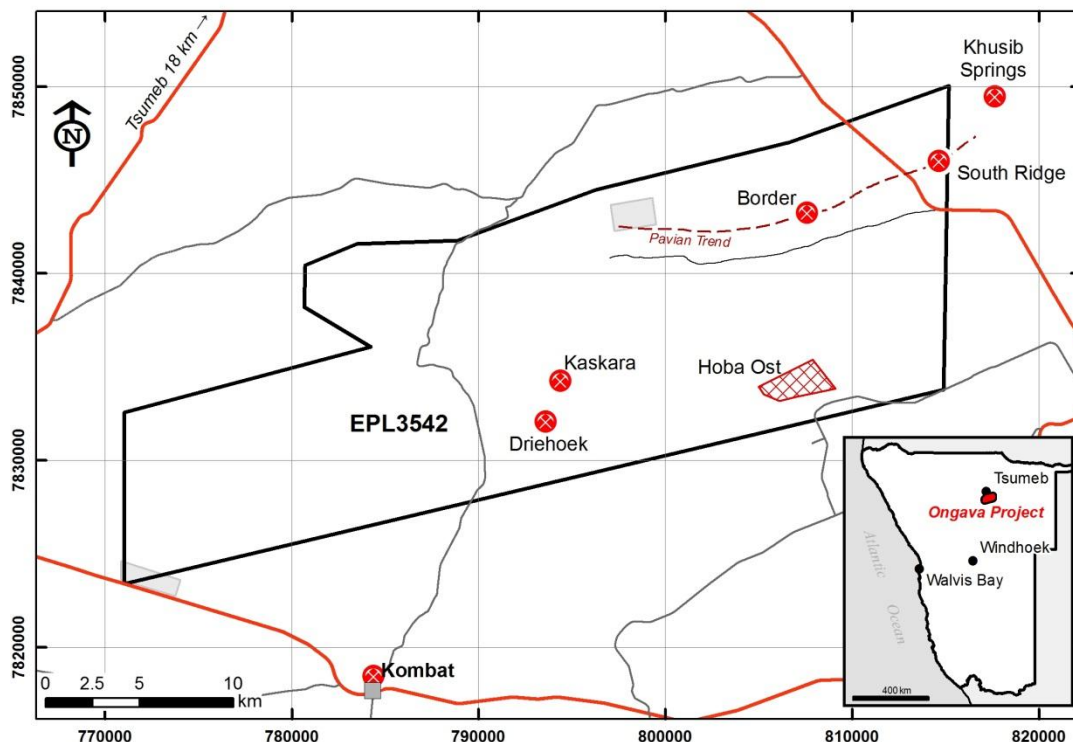


Figure 2 - The Ongava Poly-Metallic Project, showing the locations of the actively explored deposits and prospects within the licence, and selected mines outside the licence. Excisions from the project area are shown in light grey.

KASKARA COPPER-LEAD-ZINC-VANADIUM PROSPECT

Sabre Resources' staff discovered previously unknown and inaccessible workings within the underground mine workings at Kaskara during the quarter. Broad zones of massive V-Pb-Zn-Cu mineralisation were encountered in a network of underground tunnels. Some exceptionally high-grade results were returned from channel sampling of these tunnels, including:

1725 Level (30 m beneath surface)

- **KKUG0003** 13 m @ 2.31% V₂O₅, 5.59% Pb, 2.38% Zn and 0.32% Cu (**6.22% CuEQⁱ**)
including 2 m @ 8.49% V₂O₅, 19.85% Pb, 7.43% Zn and 0.91% Cu (**22.13% CuEQ**)
- **KKUG0013** 12 m @ 0.84% V₂O₅, 2.25% Pb, 1.30% Zn and 0.16% Cu (**2.47% CuEQ**)
including 2 m @ 1.95% V₂O₅, 5.19% Pb, 4.21% Zn and 0.34% Cu (**5.98% CuEQ**)
and 1 m @ 3.52% V₂O₅, 8.16% Pb, 2.44% Zn and 0.47% Cu (**9.08% CuEQ**)

ⁱ CuEQ = copper equivalent. The copper equivalent calculation represents the total metal value for each metal, multiplied by the conversion factor, summed and expressed in equivalent copper percentage. These results are exploration results only and no allowance is made for recovery losses that may occur should mining eventually result nor metallurgical flowsheet considerations. The copper equivalent calculation is intended as an indicative value only. Copper Equivalent Formula= Cu% + (Pb% x 0.253) + (Zn% x 0.241) + (V₂O₅% x 1.695). Price Assumptions- Cu (US\$8,192/t), Pb (US\$2,065/t), Zn (US\$1,979/t), V₂O₅ (US\$13,888/t).

- **KKUG0015** 5 m @ 0.13% V₂O₅, 0.98% Pb, 0.63% Zn and 0.70% Cu (**1.32% CuEQ**)
including 1 m @ 0.01% V₂O₅, 2.09% Pb, 0.99% Zn and **3.19% Cu (3.97% CuEQ)**

1710 Level (45 m beneath surface)

- **KKUG0019** 22 m @ 1.81% V₂O₅, 4.16% Pb, 1.77% Zn and 0.26% Cu (**4.80% CuEQ**)
including 5 m @ **5.44% V₂O₅, 12.25% Pb, 5.07% Zn and 0.62% Cu (14.16% CuEQ)**

The massive mineralisation occurs as a continuous sub-vertical shoot extending from surface (1755mRL) down past the 1710 level (Figures 4 & 5). With drilling results from nearby drillhole KKDD029, it is clear that the mineralised shoot continues downwards for at least another 22 m beyond the 1710 level to a depth of 67 m beneath surface. This new sampling shows that the body is thickening with, and is open at depth. It is expected that the shoot will continue downwards for at least another 100 m (probably more) to intersect sulphide mineralisation at depth (Figures 4 & 5).

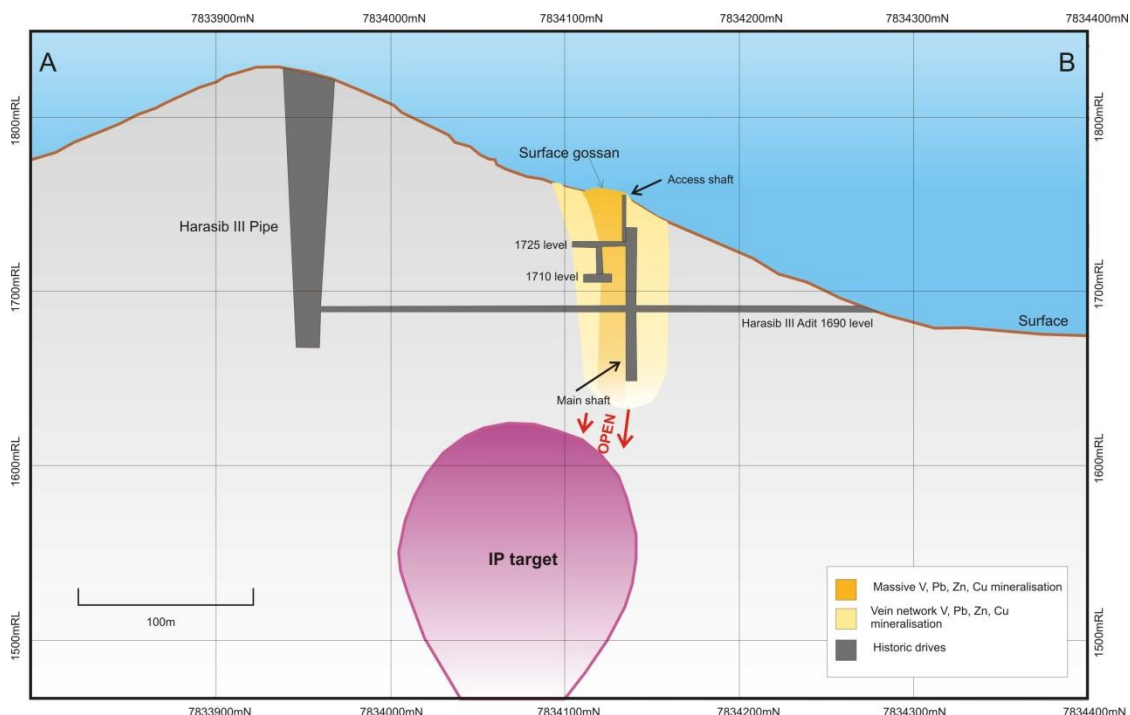


Figure 3 – Projected cross section of the Kaskara Mine. Note that the main adit and shaft are projected from up to 70 m off section, and the main mineralised zone is not intersected in the adit.

This particular mineralised shoot is only a small part of the mineralised system at Kaskara. Many massive polymetallic gossans and vein networks have been mapped at surface, and each of these are expected to correspond to a similar shoot of mineralisation. For example, drillhole KKDD0025 through one of the other gossans approximately 250 m northwest intercepted 2.7m @ 4.30% V₂O₅, 10.45% Pb, 3.40% Zn, and 0.69% Cu from surface.

Target at Kaskara

The target at Kaskara (Figure 4) is a copper-lead-zinc sulphide orebody at depth, overlain and supplemented by significant non-sulphide V-Pb-Zn-Cu orebodies at and near surface.

The massive V-Pb-Zn-Cu mineralisation encountered at surface, in drilling, and underground is deeply weathered secondary mineralisation. At other deposits in the region, this style of mineralisation occurs above fresh primary sulphide mineralisation at depth. The identification of IP anomalies below this

secondary mineralisation is regarded as the topmost portion of such sulphide mineralisation at Kaskara.

Kaskara shows a number of features characteristic of the major deposits of the region, such as Tsumeb, including the following:

- Outcropping, locally high-grade mineralisation;
- Outcropping disseminated sulphide mineralisation;
- A broad, strong soil geochemical anomaly;
- Location on a deviation in a major fault system;
- Geophysical anomalies at depth (Figure 3);
- Deep penetrative weathering in a region of otherwise shallow weathering (Figure 4); and
- Secondary copper-lead-zinc vanadate minerals indicative of primary copper-lead-zinc sulphide mineralisation at depth.

Kaskara represents an outstanding opportunity for Sabre, showing all of the hallmarks of a major deposit.

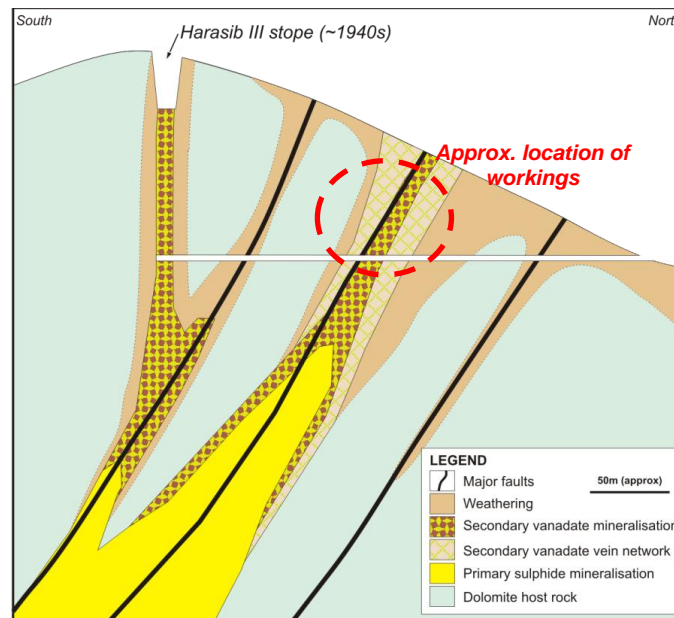


Figure 4 – Diagrammatic section showing the expected relationships between the secondary mineralisation (sampled here) and the expected primary mineralisation at depth.

THE BORDER ZINC-LEAD-SILVER DEPOSIT

The Border Zn-Pb-Ag Deposit (Figure 5) is one of a series of similar deposits scattered along Sabre's 20 km long Pavian Trend in northern Namibia (Figure 1 Figure 2). It is the first of what is expected to be a series of the Pavian Trend deposits to have a JORC resource calculated by Sabre, which was released during the quarter. The Company sees Border as a key part of a future series of high-tonnage, moderate-grade Zn-Pb-Ag mines feeding a centrally located processing plant.

Border mineral resource estimate

Sabre Resources' maiden inferred mineral resource estimate for the Border Deposit is:

16.2 Mt @ 2.12 % Pb+Zn (1.53 % Zn and 0.59 % Pb) and 4.76 g/t Ag,

when reported at a 1.25% Pb+Zn cut-off grade. The mineral resource estimate increases to **31.4 Mt @ 1.50 % Pb+Zn (1.10 % Zn and 0.40 % Pb) and 3.37 g/t Ag** when reported at 0.5 % Pb+Zn cut-off grade.

Table 1 – Border 2011 Mineral Resource Estimate

Category	Resources		Metal Grade			Contained Metal		
	Cut off (%)	Tonnage (Mt)	Zinc (%)	Lead (%)	Silver (g/t)	Zinc (t)	Lead (t)	Silver (Moz)
Inferred	0.5	31.4	1.10	0.40	3.37	346,000	127,000	3.4
Inferred	1.25	16.2	1.53	0.59	4.76	248,000	95,000	2.5

The inferred mineral resource estimate is based on a nominal 0.5% Pb+Zn wireframe cut-off with a maximum internal dilution of five metres. Grade was interpolated using an inverse distance weighting squared (IDW²) technique.

Border is a modified Mississippi Valley-Type (MVT) deposit that consists of galena (lead) and sphalerite (zinc) mineralisation within dolomitic host rocks. No pyrite or any other sulphides are present, and weathering is almost non-existent. The deposit dips at 60° to the north, stretches along strike for 2,430 m, extends for up to 390 m beneath surface (with the bulk of the tonnage and grade within 150 m of surface), and varies between 10 m and 85 m thick (25 m average thickness).

Exceedingly good results from metallurgical and beneficiation test work, and positive results from an initial, high-level scoping study meant that the Company could pursue a higher tonnage, lower grade resource than was initially envisaged and than would otherwise have been possible. The results of these studies are described below.

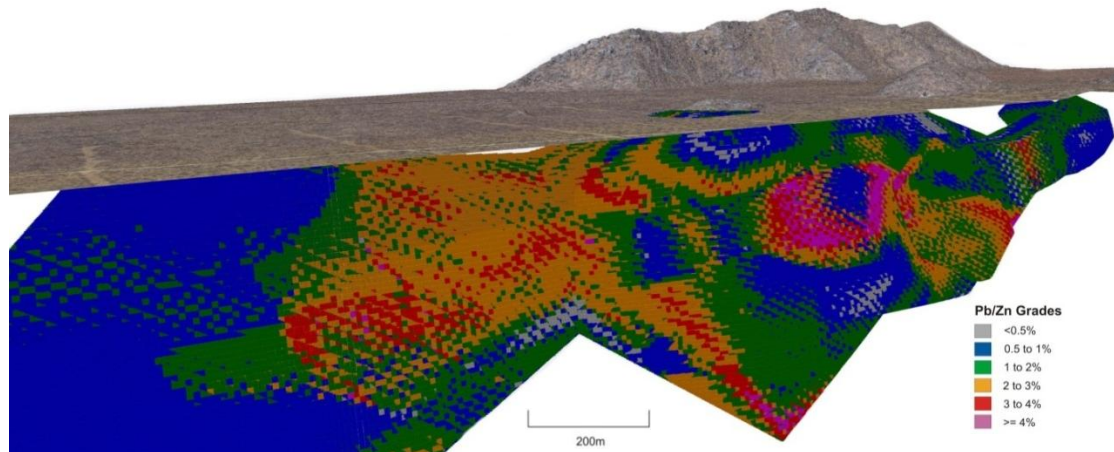


Figure 5 – Oblique view of the resource block model for the Border Zn-Pb-Ag deposit

Metallurgical test work

Sabre has completed detailed metallurgical test work on the Border deposit. The test work was undertaken based on the possibility that the mineralisation might respond well to upgrading by dense media separation (DMS), thereby greatly reducing mineral processing costs. The test work was a great success.

The beneficiation tests show exceptional upgrading of the ore, producing in excess of 80 times the original lead content, and around 37 times the original zinc content when DMS is followed by grinding and flotation. Final **concentrate grades are around 65 % lead and 61.5 % zinc** (from an ore grading 0.77 % Pb and 1.66 % Zn), with final recoveries of 86.9 % and 81.7 % respectively.

Table 2 – Summary of the results of beneficiation testing of Border ore

Process	Lead	Zinc
<i>1 - Original sample (head assay)</i>		
Grade (2.43% Pb+Zn):	0.77 %	1.66 %
<i>2 – Dense media separation (sinks and fines)</i>		
Product grade:	6.3 %	12.5 %
Enrichment factor (from 1):	8.2 times	7.5 times
Recovery (from 1):	92.5 %	86.0 %
<i>3 - Grind and float</i>		
Product grade:	63-69 %	61-62 %
Enrichment factor (from 2):	~10 times	~5 times
Recovery (from 2):	94-95 %	~95 %
<i>Process Summary</i>		
Overall enrichment (from original):	~82 times	~37 times
Overall recovery (from original):	86.9%	81.7 %

The optimised test results are as follows;

- At a coarse 12.5 mm crush size approximately 83 % of the mass can be rejected by DMS
- Within the remaining 17 % grades are 6.3 % Pb (for 92.5 % recovery) and 12.5 % Zn (for 86 % recovery).
- At a relatively coarse optimum grind size of 150 microns, good separation is achieved to produce lead and zinc cleaner concentrates
- A lead cleaner concentrate grade of 65 % Pb was achieved, recovering 94.5 % of the lead.
- A zinc cleaner concentrate grade of 61.5% Zn was achieved, recovering 95% of the zinc

In summary, after DMS and flotation 81.7 % of the total zinc and 87.8 % of the total lead and 89 % of the total silver can be expected to be recovered. Most importantly for the economics of the project, only 17 % of the mined ore would require milling and flotation at a relatively coarse grind size of 150 microns.

Scoping studies

Results of the mineral resource estimate, metallurgical testwork and industry research were used to commence a high level scoping study on the Border Deposit. Initial results of the scoping study are very positive. The findings indicate that the Border deposit is profitable in its own right. Sabre envisages that the Border deposit in conjunction with other deposits on the Pavian Trend (such as South Ridge), and the Driehoek deposit will be used to feed a centrally located plant built on the Pavian Trend to treat all ore.

Several open pit scenarios are being considered for mining at Border, ranging between 500,000 tonnes per annum (tpa) and 2 million tpa. For a 1 million tpa mine, key findings from the Border high level scoping study are as follows:

- The value of the potential ore is around \$US45/tⁱⁱ
- The average direct mining costs are estimated at around \$US10/t potential oreⁱⁱⁱ
- Mineral processing costs are estimated at around \$US6/t potential ore
- All metal royalties amount to 3%

Note that these figures are preliminary in nature and may vary by \pm 30%, as is the nature of such high-level scoping studies.

Similar deposits in southern Africa

The Pering Zn-Pb Mine in the Northern Cape Province of South Africa shows many similarities to Sabre's Border Deposit. Operated by Shell South Africa and BHP Billiton from 1988 to 2003, output over the life of mine was **20.4 Mt @ 0.58 % Pb and 2.58 % Zn**. The mining **cut-off was 1.1 % Pb+Zn**. Like Border, Pering is considered to be a Mississippi Valley-Type (MVT) deposit, hosted by dolomite sequences.

The example of the Pering Mine shows that moderate-grade, high-tonnage MVT deposits can be economically viable, profitable assets in southern Africa. Sabre believes that Border, with additional tonnages from Driehoek and other deposits to be defined along the Pavian Trend, will be a significant lead and zinc producer in the Otavi Mountain Land.

SOUTH RIDGE

This quarter, Sabre has discovered a broad zone of outcropping lead and zinc mineralisation, measuring around 1,500 x 50 m, during mapping of a geochemical anomaly at the South Ridge prospect to the east of the Border deposit (Figure 1 Figure 2). The mineralisation is vein network- and shear-hosted and similar in style and geometry to the Border deposit located 5.7 km to the west. The only important difference between the two deposits is the presence of significantly higher grades at surface at South Ridge.

The fresh galena and sphalerite mineralisation at South Ridge has been mapped continuously for over 1.5 km of strike length (Figure 6). It is over 50 m thick at the highest grade and thickest part and outcrops at the base of and on the northern slopes of a prominent hill. With a dip of approximately 80° towards the north, drilling should be relatively straightforward from the plain at the base of the hill. The South Ridge prospect is located just 900 m from the sealed Grootfontein-Tsumeb highway making access straightforward.

ⁱⁱ Prices used for calculation are at a 5% discount to metals prices listed on the London Metals Exchange on 18/1/2012. The actual values used in the calculation are Zn: US\$1870/t, Pb: US\$1960/t, Ag: US\$28/oz.

ⁱⁱⁱ Mining cost of ore is calculated from the general mining cost per tonne (~\$3.80 per tonne) and the strip ratio (here a nominal 1.65:1 based on the geometry of the deposit).

Channel sampling

A channel sampling programme is underway at South Ridge. It is designed to locate the strongest part of the mineralisation for the purposes of drill testing. The first three channels have returned very encouraging results:

SRCS0001 38 m @ 4.04% Pb+Zn (1.42% Zn + 2.62% Pb)
including 10 m @ 6.40% Pb+Zn (1.69% Zn + 4.71% Pb)

SRCS0002 23 m @ 7.61% Pb+Zn (1.09% Zn + 6.52% Pb)
including 14 m @ 10.96% Pb+Zn (1.16% Zn + 9.80% Pb)

SRCS0003 28 m @ 1.32 % Pb+Zn (0.83 % Zn + 0.49 % Pb)
including 2 m @ 4.77 % Pb+Zn (3.67 % Zn + 1.09 % Pb)

A full listing of the intercepts and trench details is found in the Appendix.

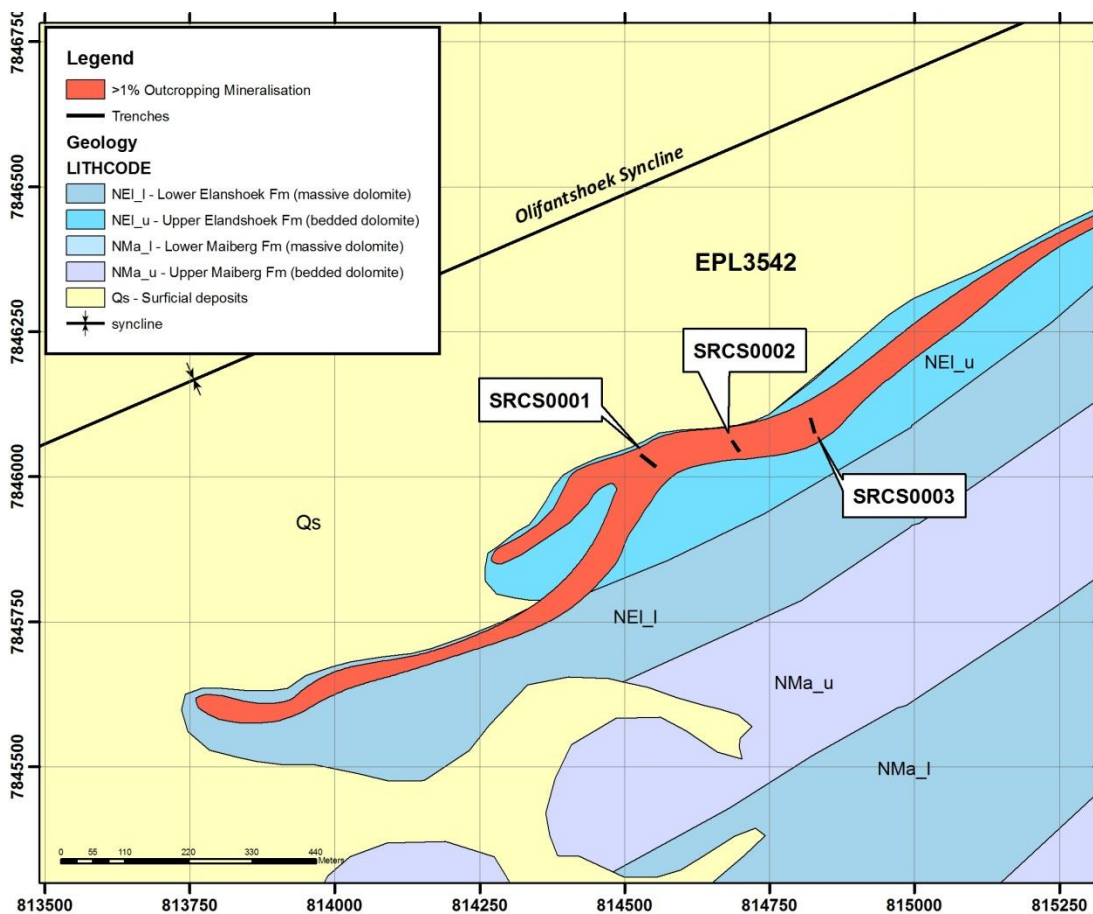


Figure 6 – Outcropping mineralisation and channel sampling at South Ridge.

Findings and forward plan

Channel sampling at South Ridge has now defined the outcropping mineralisation over a strike length of 350 m, but recent field mapping shows that the mineralisation is continuous for over 1.5 km. Moreover, the only constraints on the outcropping mineralisation are the tenement boundary to the east and the shallow soil cover of the Toggenburg Plains to the west.

It is envisaged that around eight more channels will be completed to define the thickest and highest grade part of the mineralisation and to assist with drill targeting. A short programme of reverse circulation drilling is planned to test the continuity of the highest grade part of the mineralisation at depth (Figure 7). With the anticipated success of the drilling programme, work will be accelerated at South Ridge and the project rapidly advanced towards a JORC-compliant mineral resource estimate.

Sabre believes that the Pavian Trend will yield a number of high tonnage base metal deposits that collectively will provide feed for a centrally located processing plant.

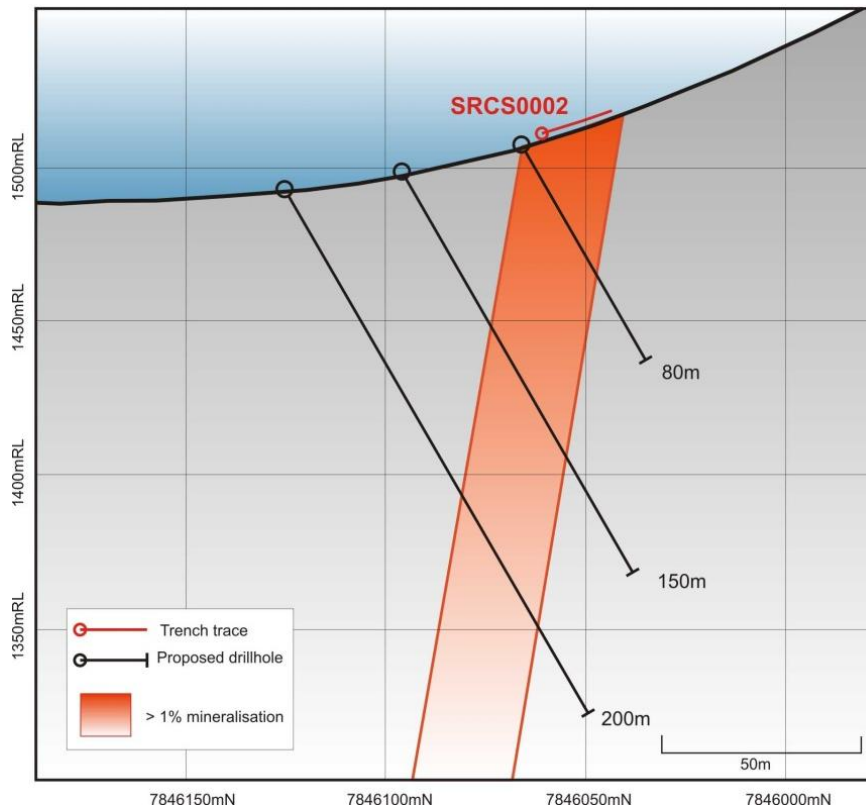


Figure 7 – An interpreted cross section showing a RC drilling proposal beneath the best channel sampled at South Ridge

UPCOMING WORK

Heavy daily rains are severely limiting access to most parts of the Ongava Project area. Trenching, soil sampling and regional reconnaissance are proceeding where and when conditions allow.

Drilling will recommence with the cessation of the wet season rains (expected to be around March or April), with programmes ready for Kaskara, South Ridge, Border, Driehoek, and the Toggenburg Plains.

Ongoing assessment of other projects in the vicinity of the Ongava Project continues. Projects within a nominal 100 km radius of the Ongava Project are being considered for exploration from our existing base. Several copper plays and historic mines are being investigated in detail, and negotiations are continuing on potential access to these projects.

For further information please contact:

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Or consult our website:

<http://www.sabresources.com/>

Competent Persons Declarations

The information in this report that relates to Exploration Results is based on information compiled by Dr Matthew Painter of Sabre Resources Ltd, who is a member of The Australian 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 2004 Edition of the "Australian 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 information in this report that relates to Mineral Resources or Ore Reserves is based on information compiled by Luke Marshall of Kalgoorlie Mine Management, who is a member of The Australian Institute of Geoscientists. Mr Marshall 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". Mr Marshall consents to the inclusion in the 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.