ASX Announcement

14 December 2016

Metals Australia to Accelerate Exploration Activities on Priority Resource Extension and Greenfields Targets at the Manindi Zinc Project

Highlights:

- **MLS has completed a technical review of Priority Resource Extension and Greenfields Exploration targets at the Manindi Zinc Project. (JORC 2012 resource estimate 1.076 Mt at 6.52% Zn; 0.26% Cn and 3:19glt Ag reported at 2% cut-off).**
- **Previous 3D modelling of existing geological and geophysical data identified nine high priority targets.**
- **MLS to commence drilling in the next two months to test at least three high priority Resource Extension and Greenfields targets.**
- **These high priority targets provide the potential to greatly increase the Manindi mineral resource and improve project economics.**
- **Zinc prices have risen to their highest level in more than eight years and are currently at approximately US$2,700/t. The price of the metal, used mainly to galvanise steel, has risen almost 90 per cent since a six-and-a-half-year low of US$1,444.50 in January 2016 on concerns of shortages due to mine closures and lack of new production.**

Diversified metals exploration company, Metals Australia Ltd (ASX: **MLS**) is pleased to announce that the Company has completed a technical review of the high priority exploration targets at the Company's Manindi Zinc Project.

The Manindi Project is located in the Murchison District of Western Australia, 20 km southwest of the historic Younami gold mine. The project is located on three granted mining licences and contains a high grade zinc deposit.

Manindi is considered to be a volcanogenic massive sulphide (VMS) 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 near Yalgoo to the west of Manindi, and Teutonic Bore-Jaguar in the Eastern Goldfields.

The current estimated mineral resources at the Manindi Zinc Project, in compliance with JORC (2012) are:

1.076Mt @ 6.52% Zn for 70,102 tonnes of contained zinc metal (at a cut-off grade of 2% Zn)

Exploration Targets

A detailed exploration targeting exercise was undertaken to complement the JORC 2012 mineral resource estimate at Manindi. The aim was to identify robust exploration targets with the potential to host significant tonnages of additional mineralisation and improve the economics of the project. Any increase in the mineral resource estimate will improve the project economics at Manindi.

The Company has previously flown a VTEM survey over the Manindi project. This survey confirmed existing anomalies from historic MLTEM, FLTEM and DHTEM surveys and the EM response of the existing deposits, as well as identifying several new untested anomalies. The mineralisation at Manindi consists of massive sulphides with very high pyrrhotite content. Pyrrhotite is highly conductive, making TEM a particularly effective targeting technique for Manindi-style mineralisation.

All EM data, historic and new, were reprocessed and modelled using modern 3D modelling software. The resultant 3D models were combined with existing aeromagnetic, geochemical and geological datasets to generate and rank exploration targets in order of priority.

3D inversion modelling of the aeromagnetic dataset was particularly useful in ranking the TEM conductors. The mineralisation at Manindi is located on the western side of a deep-rooted, strongly magnetic body. TEM conductors located in similar positions either along strike from Manindi, or associated with other similar magnetic bodies received higher rankings.

Drilling at the current Manindi mineral resource has identified four mineralised positions, all of which are open in at least one direction. Most importantly, drilling at the current mineral resource has only tested the mineralisation to a maximum depth of 300m below surface.

Recent EM modelling indicates that conductive bodies extend much deeper than this, particularly beneath Kowari, Numbat and Kultarr where the 2012 FLTEM models extend to over 500m below surface, and are open at depth. These are referred to as "**resource extension**" targets.

In addition to the resource extension targets a number of other exploration targets have been identified which have not yet been drill tested. These targets are referred to as '**greenfield targets**' rather than 'resource extension targets'. These greenfield targets have been ranked in order of priority and will be drill tested in order of priority. Should any of these greenfield targets contain mineralisation they would enhance the Manindi mineral resource estimate and could improve project economics.

Resource Extension Targets

As a result of the technical review of the geological database for the Manindi project, MLS has been able to identify three high priority and significant resource extension targets, being (i) Kultarr Deeps and Kultarr North and (ii) Kowari Deeps.

The discovery of mineralisation at the above targets would significantly increase the mineral resource at Manindi and could substantially improve project economics.

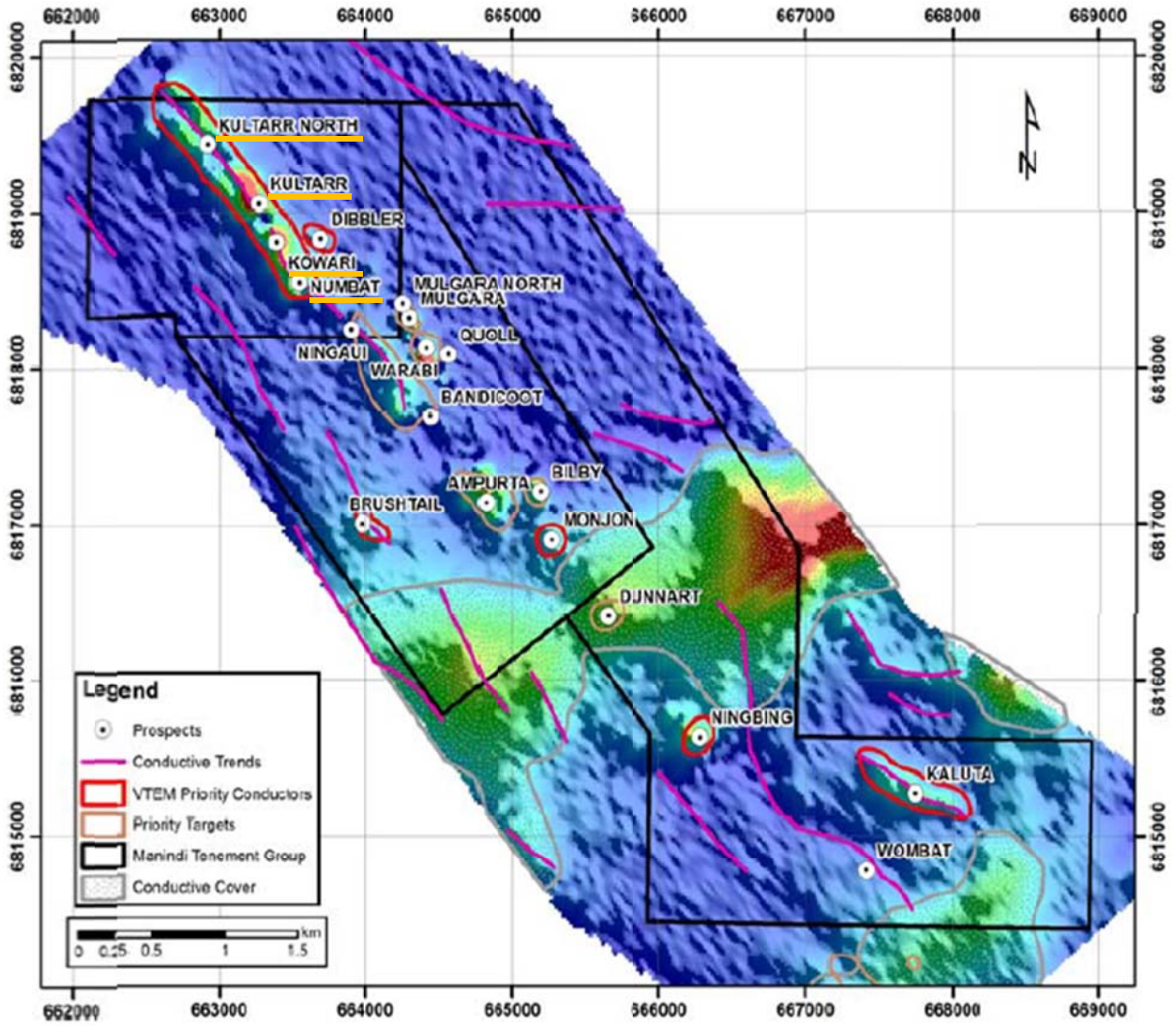

Figure 1 – Manindi VTEM imagery and target map showing highest priority targets in red polygons, other targets in beige polygons, conductive trends in pink lines and areas of conductive overburden in grey hatching

Kultarr Deeps and Kultarr North

Various phases of TEM surveying dating back as far as the 1970s have identified this highly conductive zone, which hosts the Kultarr mineralisation. The 2012 VTEM survey and follow-up FLTEM surveying showed that this zone extends to at least 1,000m vertically below surface. The deepest drilling only tests to a maximum of 300m vertical below surface.

Given its location directly below and along strike from the Kultarr mineralisation, which is also highly conductive, this is a very high priority drill target.

Follow-up will involve a program of deeper drilling followed by DHTEM surveying. The DHTEM surveying will be used to map out the sulphide mineralisation in detail and target future drilling. This target alone has the potential to greatly increase the Manindi mineral resource.

Kowari Deeps

This target is similar to Kultarr Deeps but ranks lower because the Kowari and Numbat mineralisation are both of a lower grade than Kultarr. However, given the generally high

segregated and zoned nature of VMS style mineralisation, **there is a good chance this conductor represents higher grade zinc and/or copper mineralisation. The highest grade copper intersected by drilling in the Manindi area, up to 1.27% Cu, occurs at the Kowari prospect**.

Follow-up will involve a program of drilling followed by DHTEM surveying. The DHTEM surveying will be used to map out the sulphide mineralisation in detail and target future drilling.

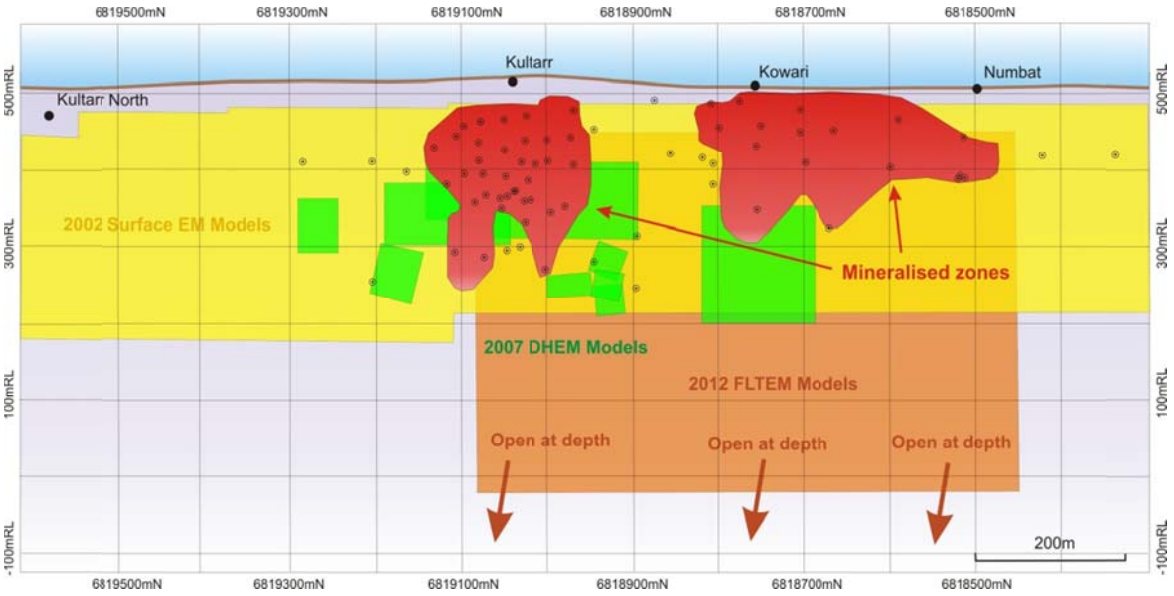

Figure 2 - Long Section of Kowari and Kultarr showing the high priority target areas. Newexco 2007 DHTEM models are in green, 2002 surface EM models are in yellow, 2012 FLTEM models are in light brown and drillhole pierce points are in black dots.

Greenfields Targets

In addition to the resource extension targets, a number of other high priority targets such as Kaluta, Dibbler and Brushtail have not yet been drill tested (Figure 1.). These are referred to as 'greenfields targets'. Should any of these high-quality targets contain mineralisation, they would substantially increase the Manindi mineral resource estimate and therefore improve project economics.

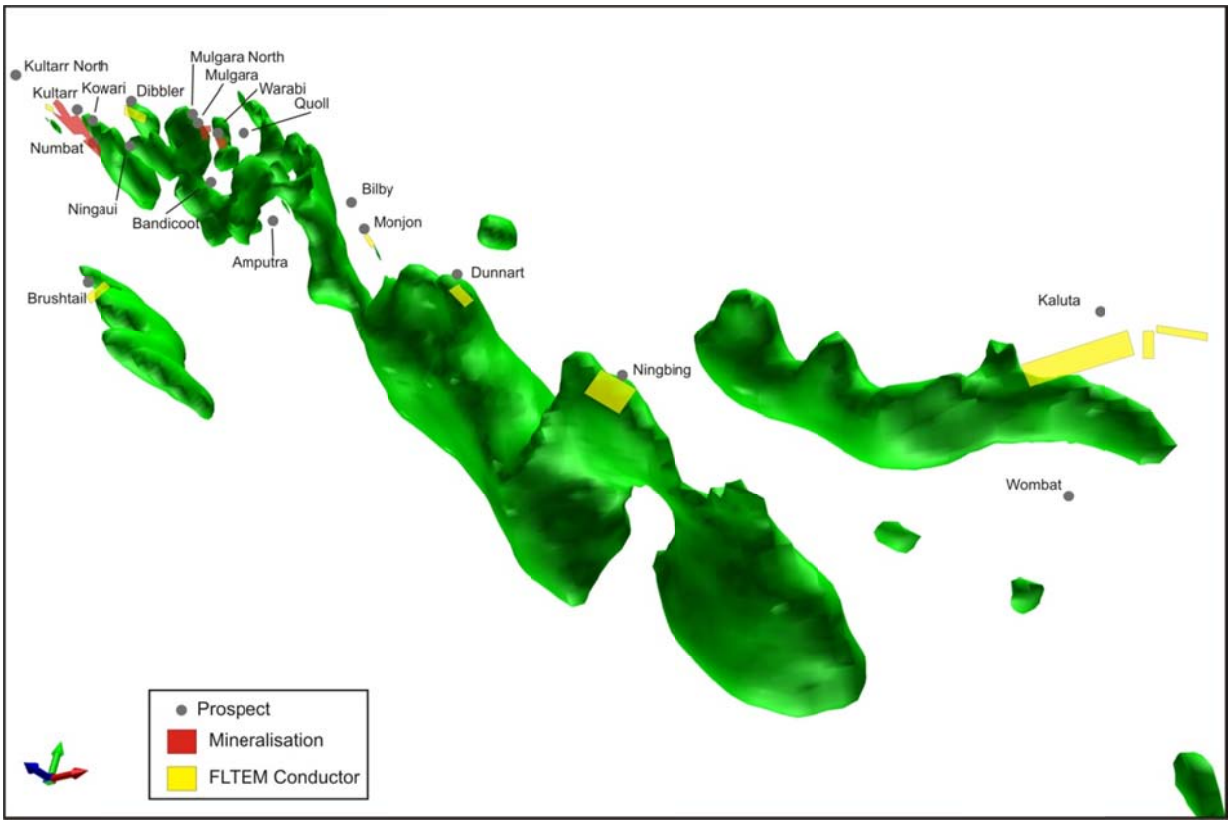

Figure 3 - 3D oblique view showing 3D magnetic inversion models in green with mineralisation wireframes in black and FLTEM conductor models in yellow. Note the favourable positions of the highest priority EM conductor models.

Descriptions and proposed follow-up programs for the highest priority **greenfields targets** in order of priority are as follows:

1. **Kaluta**

   This target was identified by the 2012 VTEM survey, and refined by flow-up FLTEM in the same year. Kaluta is a relatively large untested highly conductive body. The 3D model is at least 70m by 600m in surface area. Potential thickness is unknown at this stage, but the tonnage potential is significant. The target starts at just 30m below surface, where it resolves into several discrete bodies then plunges shallowly, at approximately 25 degrees at an azimuth of 290 degrees. It is located close to the Wombat Cu-Ni soil anomaly and is coincident with a deep-rooted magnetic body comparable to the setting of the Manindi mineralisation.

   The Kaluta EM anomaly was first identified by Western Mining Corporation (WMC) in 1974. Drill testing was attempted, but modern TEM surveying and 3D processing have confirmed that the conductor was not effectively drill tested at the time.

   Follow-up will involve diamond drill testing followed by DHTEM surveying. DHTEM surveying will be used to determine whether or not the conductor has been effectively intersected, to refine the 3D conductor models, and to provide a vector for future phases of drilling. Future phases of drilling would depend on the discovery of significant mineralisation.

   Kaluta is the highest ranked target because it is highly conductive, it is potentially large in size, it is coincident with a strongly magnetic body with a similar geological setting to the existing Manindi mineral resource, and it is completely untested by drilling.

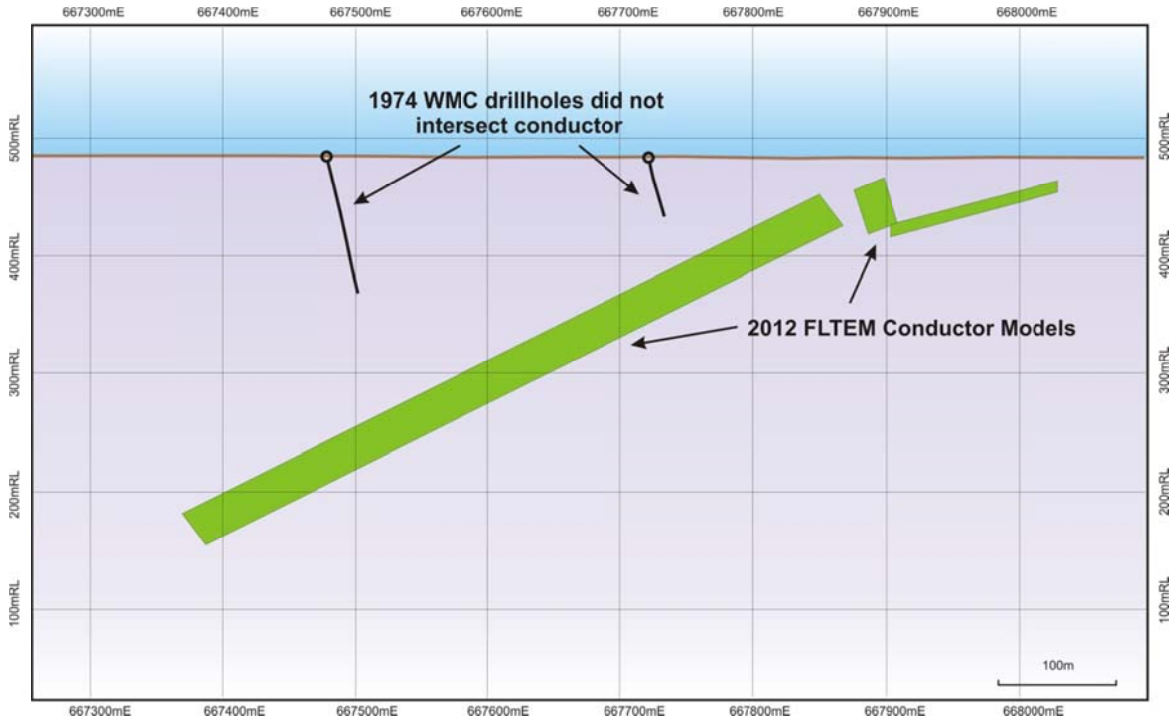

Figure 4 - Cross section of the Kaluta TEM conductor model showing the 1974 WMC holes which did not intersect the target

2. Dibbler

This TEM conductor is located 300m east of Kowari, coincident with a magnetic trend similar to, and parallel to the Manindi trend. It may represent a new mineralised horizon lower down in the volcanic sequence to the main Manindi position, or possibly mineralisation remobilised into the footwall gabbro. This would be expected in a typical VMS target model. Although this conductor is relatively small at its top, it may represent the top of something larger, which develops at depth.

Dibbler was identified by historic EM surveys. A shallow percussion hole was drilled by Esso Exploration and Production Australia INC (Esso) in 1984 over the conductor. Modern 3D modelling indicates that the hole failed to intersect the conductor. The hole was terminated at 39m in +300ppm copper. The Manindi deposits are typically surrounded by an alteration halo containing +250ppm copper, so this is a very positive sign for Dibbler.

Follow-up will involve drilling one hole to intersect the conductor followed by DHTEM surveying. If significant mineralisation is intersected, a second phase of drilling will be carried out.

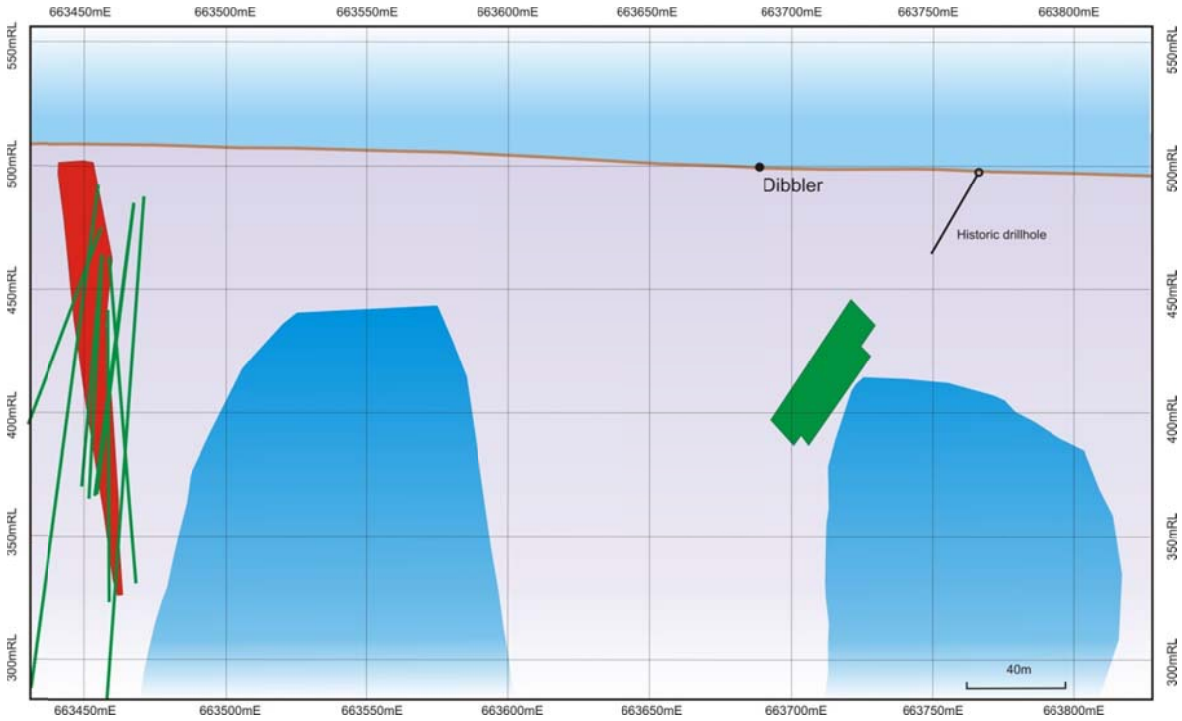

Figure 5 - Cross section of the Dibbler TEM 3D model, looking North West, showing the hole drilled by Esso in 1984, which failed to intersect the target, EM models in green, magnetic inversion models in blue and mineralisation in red. Note the Dibbler position on the 3D magnetic inversion models in comparison to the Kowari-Numbat mineralised position on the left

3. Brushtail

Identified by the 2012 VTEM survey and refined by follow-up FLTEM in the same year. This conductor is coincident with a strongly magnetic trend similar to the Manindi trend, the area is undercover and completely unexplored, and may represent a mineralised position higher up in the volcanic sequence to Manindi.

Although the conductor appears to be relatively small at its top, it could represent the top of something larger developing at depth, particularly given the coincidence with a magnetic body. Only drilling and DHTEM surveying can determine this.

The fact that this area has never been explored for Manindi style mineralisation makes Brushtail a very high priority target.

Follow-up will involve drilling of one or two diamond holes followed by DHTEM surveying. If mineralisation is encountered, further drilling and DHTEM surveying may be proposed.

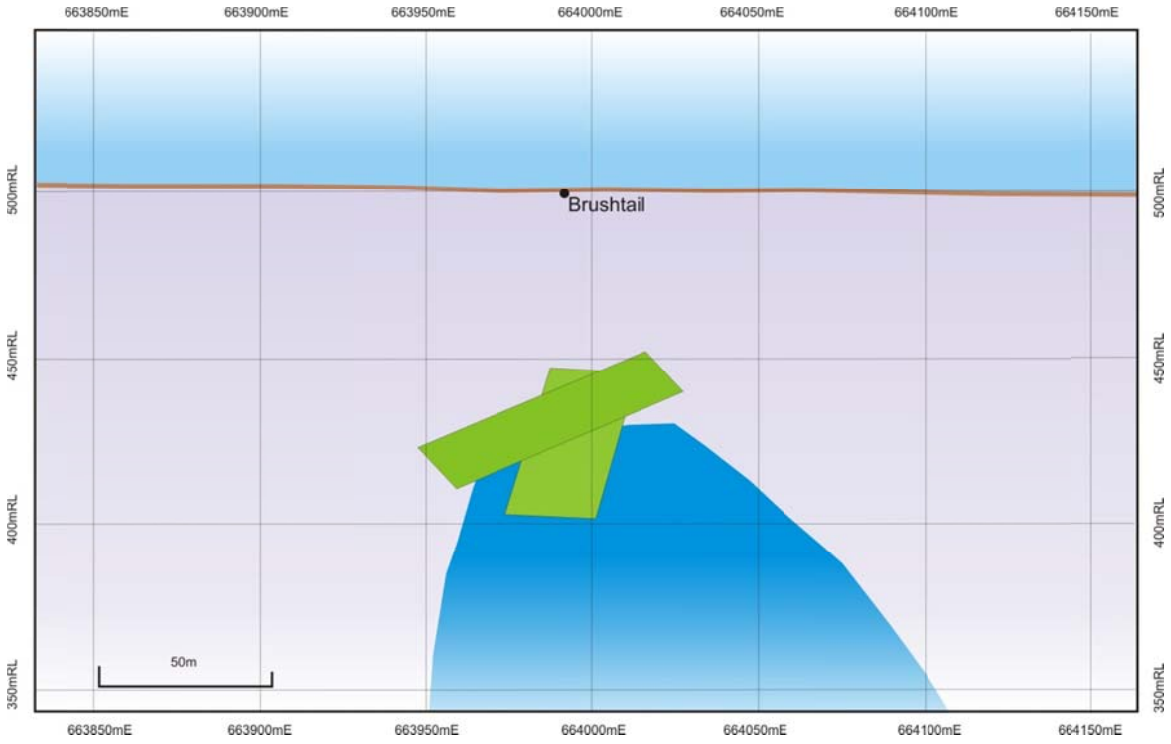

Figure 6 - Cross section of Brushtail showing the 2012 FLTEM 3D models in green and the 3D magnetic inversion model in blue

Drilling to Commence on Resource Extension and Greenfields Targets

The Company now proposes to undertake exploration activities at Manindi to define additional resource tonnage at the project. An increase in the resource tonnage at Manindi will improve the potential economics of the project and will assist the Company in better defining the next stage of development for this high-grade zinc deposit.

The first phase of exploration at these high priority resource extension and greenfields targets will consist of a small scale exploration drilling program, with each drill hole designed to either test for depth extensions of the main Manindi resource target or to test for new zinc and copper mineralised zones.

Following this first phase of drilling, and dependent on the successful outcome, the Company then plans to undertake a second stage of drilling to follow up previous drilling and to test other undrilled targets.

The first phase of exploration drilling is planned to commence in the next 2 months with the Company already in the advanced stages of awarding the exploration drilling contract.

Significant Historic Drilling Intersections

Drilling at Manindi to date has identified four zones of high grade zinc mineralisation. The four main zones from north to south are Kultarr, Kowari, Mulgara and Warabi.

A number of factors are believed to control the mineralisation at Manindi:

- The mineralisation occurs within multiple stratigraphic horizons, which extend discontinuously over a strike length of 4 km.

- The gabbro footwall does not appear to intrude and remove the mineralisation, but rather forms a 'marker' unit within the stratigraphy above which is potentially prospective for mineralisation.

Table 1 shows significant drill results from the four mineralised zones at Manindi. The high tenor and significant thickness of the zinc mineralisation are important attributes of Manindi. The presence of intersections such as **52m* at 5.96% Zn and 0.25% Cu in FWD0053 from 137.60m** and **10m* at 12.61% Zn and 0.42% Cu from 172.36m in MND005** in the northern Kultarr zone can be compared to intersections in the southern Warabi zone of **24m* at 11.41% Zn and 0.33% Cu from 43m in MNRC014** and **13.97m* at 11.61% Zn and 0.39% Cu from 38.70m in MND007**. These mineralised areas are separated by 1.7km of strike which is poorly tested by drilling.

**not indicative of true width due to holes being drilled at low angle to the mineralised structure*

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Competent Person Statement

The information in this announcement relating to geology, exploration results and the mineral resource estimate is based on information compiled by Dean Goodwin, who is a consultant to Metals Australia Ltd. Mr Goodwin is a member of The Australian Institute of Geoscientists, a Recognised Professional Organisation by the Australian 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. Mr Goodwin consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.

Table 1: Significant drill intersections in mineralised wireframes at Manindi using a 0.5% Zn cut-off. Internal intersections over 5% are shown within each hole. Intersections in Table 1 do not represent true widths of mineralisation.

Prospect	Hole No.	From (m)	To (m)	Length (m)	Zn %	Ag g/t	Cu %
Warabi	MNRC014	43.00	67.00	24.00	11.41	7.02	0.33
	MNRC008	44.00	54.00	10.00	6.80	6.00	0.40
	MND049	24.00	40.90	16.90	12.00	10.44	0.55
	MND048	20.50	29.80	9.30	4.70	6.90	0.29
	MND048	48.65	55.00	6.35	4.95	5.97	0.49
	MND047	48.00	52.78	4.78	5.66	1.17	0.08
	MND013	42.00	44.63	2.63	7.84	10.56	0.58
	MND011	56.00	63.50	7.50	11.13	2.73	0.15
	MND009	30.50	35.00	4.50	5.42	6.11	0.30
	MND008	19.33	28.00	8.67	3.75	1.40	0.15
	MND007	38.70	52.67	13.97	11.56	8.30	0.48
	FWD0005	44.29	63.61	19.32	12.01	4.29	0.54
	FWD0002	40.80	44.65	3.85	17.70	0.25	0.56
	FWD0001	42.37	48.07	5.70	12.11	11.60	0.61
	FRC0007	1.00	28.00	27.00	4.20	7.31	0.81
Mulgara North	FRC0011	1.00	20.00	19.00	5.00	2.66	0.14
Mulgara	MND052	24.18	28.30	4.12	8.06	2.18	0.05
	MND021	38.50	39.88	1.38	7.83	6.51	0.55
	MND020	14.25	20.17	5.92	17.67	10.56	0.73
	MND015	59.00	65.00	6.00	3.99	4.50	0.30
	MND023	38.70	40.50	1.80	14.36	8.61	0.54
	MNRC013	89.00	92.00	3.00	16.87	10.67	0.74
	MNRC012	22.00	39.00	17.00	7.04	6.53	0.33
	MND023	21.00	28.00	7.00	10.75	2.83	0.22
	MND020	38.60	44.80	6.20	3.94	3.03	0.21
	MND019	82.20	91.60	9.40	7.79	13.72	0.51
	MND017	68.90	70.50	1.60	4.24	3.16	0.08
	MND016	48.00	53.50	5.50	3.03	10.18	0.90
	FRC0044	20.00	36.00	16.00	6.05	2.53	0.17
	FRC0034	28.00	39.00	11.00	8.29	6.37	0.65
	FRC0033	71.00	92.00	21.00	8.64	11.50	0.76
	FRC0012	77.00	101.00	24.00	7.53	7.06	0.47
	MNRC013	32.00	39.00	7.00	5.09	1.36	0.07
	MND017	24.00	25.90	1.90	3.12	6.07	0.29
	MND016	19.00	23.00	4.00	19.76	6.38	0.24
	FRC0013	21.00	32.00	11.00	5.99	3.77	0.25
Kultarr	MND043	55.73	72.00	16.27	4.45	4.80	0.34
	FWD0050	129.00	141.70	12.70	5.98	4.11	0.20
	FWD0023	47.70	62.09	14.39	4.63	0.25	0.18
	MND042	180.50	184.80	4.30	7.54	1.00	0.07
	MND041	69.65	83.00	13.35	5.89	2.49	0.12
	MND038	155.00	168.40	13.40	13.04	2.13	0.24
	MND037	128.70	149.00	20.30	2.82	2.35	0.38
	MND036	64.00	164.40	100.40	2.15	2.93	0.17
	MND033	198.00	207.00	9.00	11.79	1.00	0.04
	MND032	122.00	181.70	59.70	3.54	1.15	0.15
	MND005	162.72	186.00	23.28	7.15	4.54	0.23
	FWD0053	137.60	190.40	49.02	5.96	2.59	0.25
	FWD0022	118.96	135.64	16.68	8.69	0.25	0.18
	FWD0020	149.87	183.46	33.59	6.95	0.25	0.24
	FWD0019	157.03	193.39	36.36	6.95	0.25	0.26
	FWD0017	92.90	106.65	13.75	5.79	0.25	0.06
	FWD0015	103.36	138.17	34.81	4.19	0.25	0.24
Kowari	FRC0004	44.00	54.00	10.00	7.81	2.50	0.16

JORC Code, 2012 Edition – Table 1