ASX Announcement

9 February 2017

Manindi Drilling Intercepts New Zinc Mineralised Zone

Highlights:

- **First phase drilling campaign at the Manindi Project has intersected broad zones of massive to semi massive sulphide zinc mineralisation**
- **Resource extension drilling within the existing defined resource area at Kultarr has intersected a new previously unknown massive to semi massive zinc mineralised zone over a width of 7.2 metres**
- **The previously unknown zone is in a stratigraphically higher position than the current resource, meaning mineralisation is closer to surface than previously understood**
- **Multi-element assay results are expected to be received over the next two weeks after which MLS plans to commence follow up drilling**
- **A significant EM Conductor at Kultarr North has been identified as a primary potential resource extension target that has not been adequately drill tested**
- **Zinc prices have jumped to their highest in more than eight years. The price of zinc has increased by more than 90 per cent since a six-and-a-half-year low of US$1,444.50 in January 2016**

Diversified metals exploration company, Metals Australia Ltd (ASX: **MLS**) is pleased to provide an update on the results of the first phase drilling program that has been completed at the Manindi Project.

Commenting on the initial results, Director of Metals Australia, Gino D'Anna stated:

> *"Our drilling at Manindi has highlighted some significant zones of additional massive to semi massive zinc mineralisation. The drilling has successfully intersected massive sulphide mineralisation similar to other VMS deposits. Our understanding of the Kultarr deposit has been significantly improved as a result of this drilling and we expect to be able to design a follow up drilling campaign that will effectively test for additional mineralisation both beneath the existing defined resource area and along the newly discovered zone closer to surface, potentially increasing the tonnage and grade of the overall deposit."*
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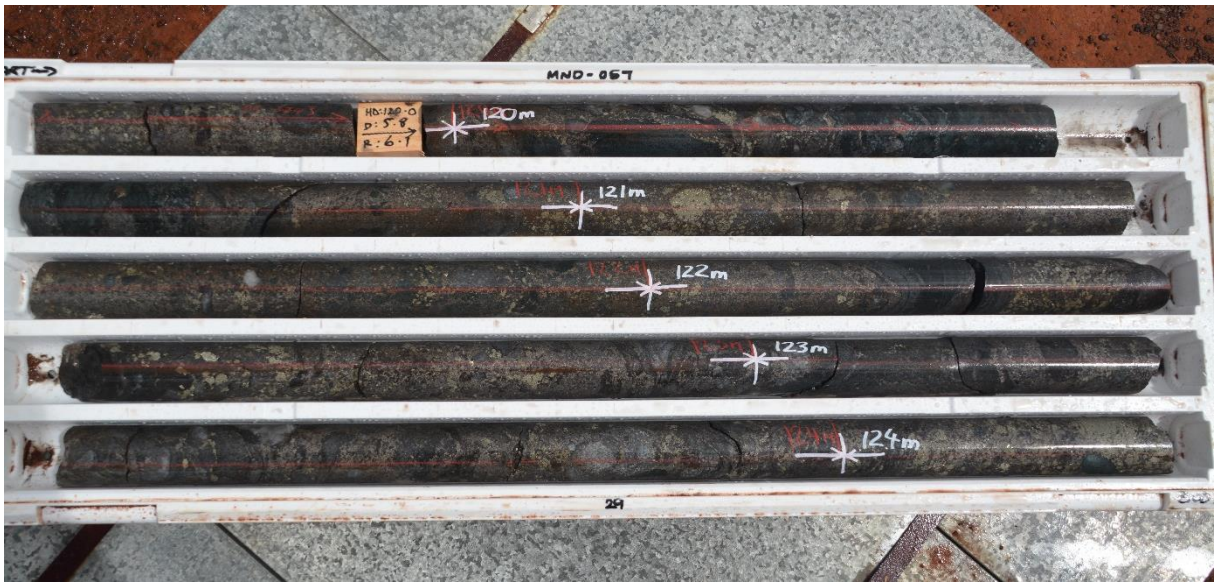
> *"The current drilling at Manindi has transformed the way that we are looking at this project. With zinc prices at record highs, we are rapidly progressing with the execution of a follow up drilling campaign at Manindi, focused on targeting the main source of zinc mineralisation within the felsic rock units. We are particularly excited about the next stage of development."*

Drilling at Manindi Intersects Broad Zones of Massive to Semi Massive Sulphide Mineralisation

The initial drilling campaign comprised five drill holes for 827 metres and was completed on 3 February 2017. The Company is currently awaiting the results of the multi-element assay results, following which MLS plans to undertake further drilling.

This first phase drilling campaign has intersected broad zones of massive to semi massive sulphide mineralisation, characteristic of a volcanogenic massive sulphide (VMS) deposit, 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 to the east of Manindi.

Additionally, the drilling has intersected a previously unknown zone of massive to semi massive zinc mineralisation closer to surface than existing mineralisation.



Photograph: Drill core of the newly discovered 7.2 metre intersection beneath the existing defined resource at Kultarr

New Targets Identified and Improved Geological Interpretation

The Company drilled two holes in the region of the existing mineralised zone at Kultarr, testing for potential extensions of the current resource.

The drilling at Kultarr intersected a previously unknown massive to semi massive zinc mineralised zone over a width of 7.2 metres. This has greatly increased the potential to delineate additional tonnage, and suggests that there are further mineralised zones in the region of the current defined resource area.

This newly discovered zinc mineralisation sits stratigrahically higher than previously recognised, suggesting mineralisation may be far more extensive and closer to surface than previously understood.

The Company is awaiting multi-element assay results and once received and analysed, a follow-up drill campaign will be completed which will test for additional mineralised zones beneath the existing resource at Kultarr and along the newly discovered zone. The interpreted stacking of the mineralised zones at Manindi is common to VMS style deposits, and is similar to other VMS deposits in the Yilgarn Craton.

In addition, several high priority targets have been identified through this initial phase of drilling, including a significant EM Conductor at Kultarr North, which is considered a primary potential resource extension target that has not been adequately drill tested.

The current JORC Measured, Indicated and Inferred resource which has been defined at Kultarr, remains open along strike and down dip.

The drilling at Kultarr has historically been oriented in a NE-SW direction and drilled at an approximate 60-degree dip. This drilling has been interpreted as targeting what now appear to be remobilised secondary zones of mineralisation. The results from this current drilling program have increased the understanding of the geology and structure at Kultarr.

It is now understood that the interpreted main source of zinc mineralisation sits near the contact rocks between the felsic and the mafic units, within the felsic rocks. This has been demonstrated by the discovery of the new 7.2m wide zone of mineralisation in the felsic unit.

As a result of this improved geological interpretation, the Company is planning a follow-up drilling campaign at Manindi, with a particular focus on the newly identified resource extension targets within the felsic rocks at Kultarr. This follow up drilling will be designed to effectively test the interpreted mineralised zones on or above the contact between the felsic and the mafic rock units.

To test the enhanced geological interpretation, the drill holes will also be oriented in a SW-NE direction and drilled at an approximate -60-degree dip, targeting what is interpreted to be the main source of zinc mineralisation within the felsic rocks.

If successful, the results of this second-stage drill campaign focused at Kultarr will have the potential to increase the tonnage and grade of the existing JORC Resource.

As part of the first phase drill campaign, the Company drilled a single wildcat hole into each of three greenfield exploration targets located at the southern extent of the project area, being Ningbing, Kaluta and a newly identified EM conductor target currently called ‘FN’ as it lies in a Fold Nose.

The Company is pleased with the results of these three wildcat holes and further detailed information on this drilling will be released when assays are received.

For more information, please contact:

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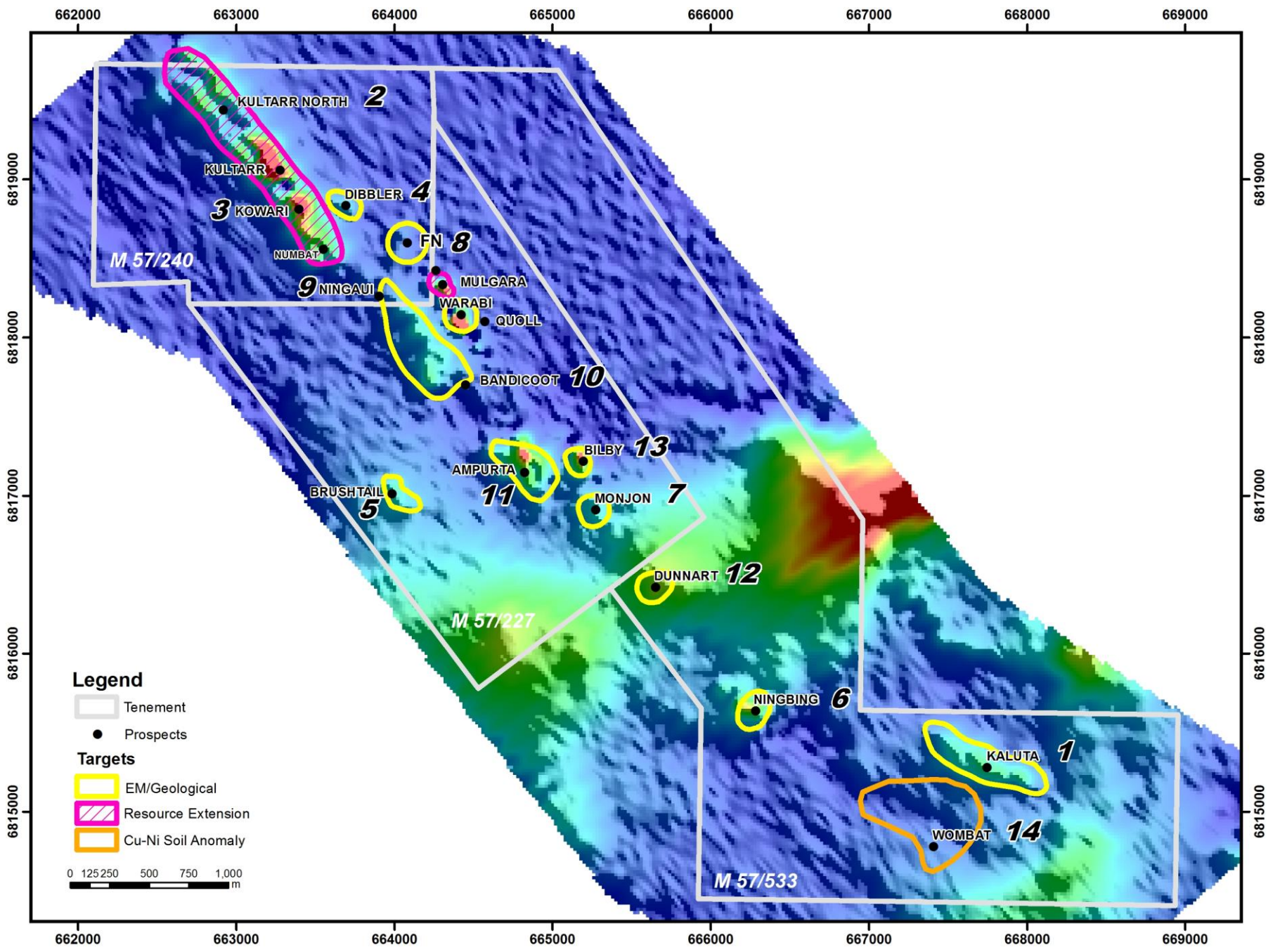
Competent Person Statement

The information in this announcement relating to geology, exploration results and the mineral resource estimate is based on information compiled by Mr 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.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