ASX Announcement

27 February 2017

Strong EM Conductors Confirm New Geological Interpretation at Manindi

Highlights:

- **MND057 drilled above (up-dip) from the previously defined resource at Kultarr has returned 18.85m @ 5.08% Zinc from 59.60m (including 5.48m @ 8.05% Zinc) and 7.2M @1.31% Zinc from 119m**

- **Downhole EM surveying of holes MND057 and MND055 at Kultarr, together with reinterpretation of previously flown VTEM, have identified a large conductive body located on or adjacent to the newly interpreted Felsic- Mafic contact**

- **This newly identified conductor ("C1") is parallel to (but separate from) the existing Manindi resource and is approximately 350m long. It sits on the Felsic-Mafic contact approximately 20 – 30m away from the existing resource and has not previously been drilled. C1 is in a stratigraphically higher position than the current Manindi JORC resource, (1,075,859 tonne at 6.52% Zn at 2% Zn cutoff). It represents significant upside tonnage potential for the existing Manindi resource**

- **MND055 drilled near the base of the current Manindi resource model intersected 8.31 m at 4.47% Zinc from 143.85m downhole. This is significant as it shows the current Manindi resource continues to exist at depth**

- **Another EM Conductor, ("C2"), has also been identified at Kultarr North. This new conductor is approximately 150m long and also sits on the Felsic-Mafic contact. It is approximately 500m NW along strike from the Kultarr resource area**

- **C2 has not been drill tested Being along strike from the Kultarr resource, it provides a completely new untested zone of potential mineralisation with a high probability for further tonnage**

- **Zinc prices have jumped to their highest in more than eight years. The price of zinc has almost doubled from a six-and-a-half-year low of US$1,444.50 in January 2016**

- **The completed holes have also intersected a number of intervals of anomalous values of Cobalt including MND054 which intersected 1310ppm Co from 72.15m to 72.30m and MND057 which intersected 1030ppm Co from 66.24m to 67m**

- **The existence of Cobalt mineralisation within the drill holes will be investigated further by MLS geologists to ascertain the main source of the mineralisation. The current drill program was not designed to target Cobalt mineralisation, MLS will be investigating the potential sources of this mineralisation**

- **MLS is continuing to review additional project opportunities within Australia and internationally with a focus on Zinc, Graphite, Lithium and Cobalt**

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:

> *"The initial results from the drilling at Manindi have identified some additional zones of zinc mineralisation which appear to be closely related to the Felsic-Mafic contact units. We are currently planning our next drilling program at Manindi, targeting these primary zones of mineralisation.*
>
> *Our drilling has defined a new zone of mineralisation at Kultarr on the Felsic-Mafic contact. This contact has not been previously drilled. A 350m long EM conductor on the Felsic-Mafic contact has been identified and represents an outstanding target for zinc mineralisation.*
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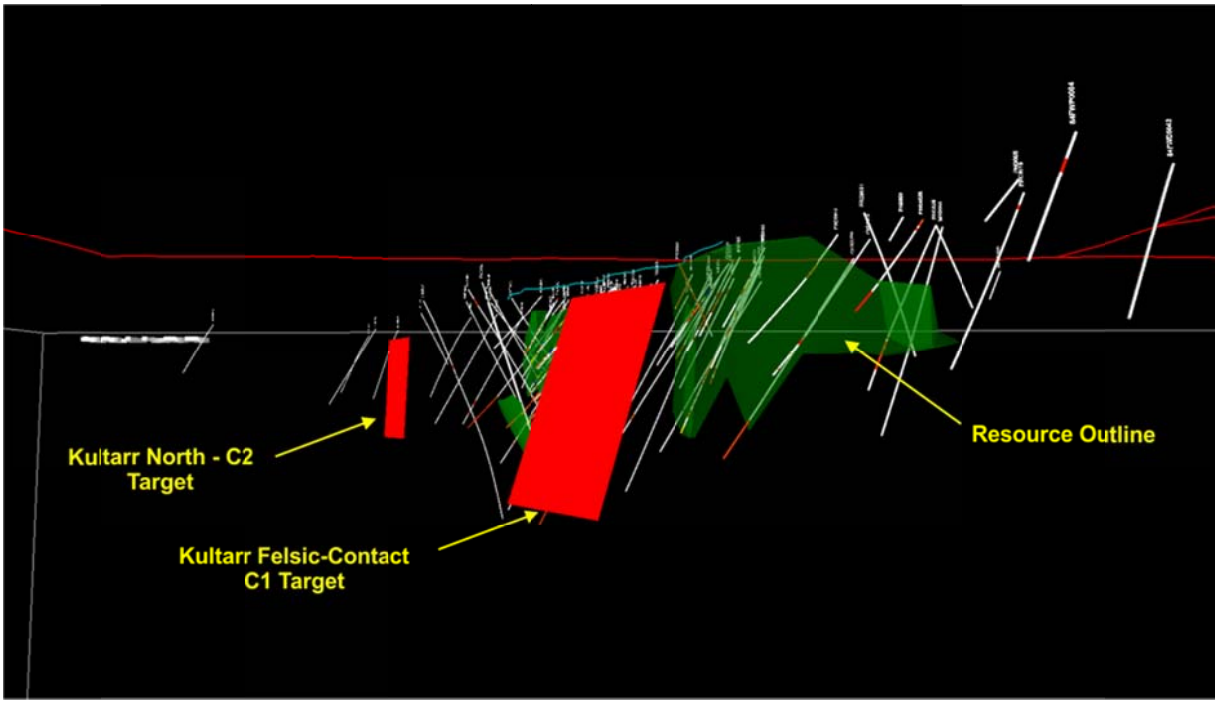
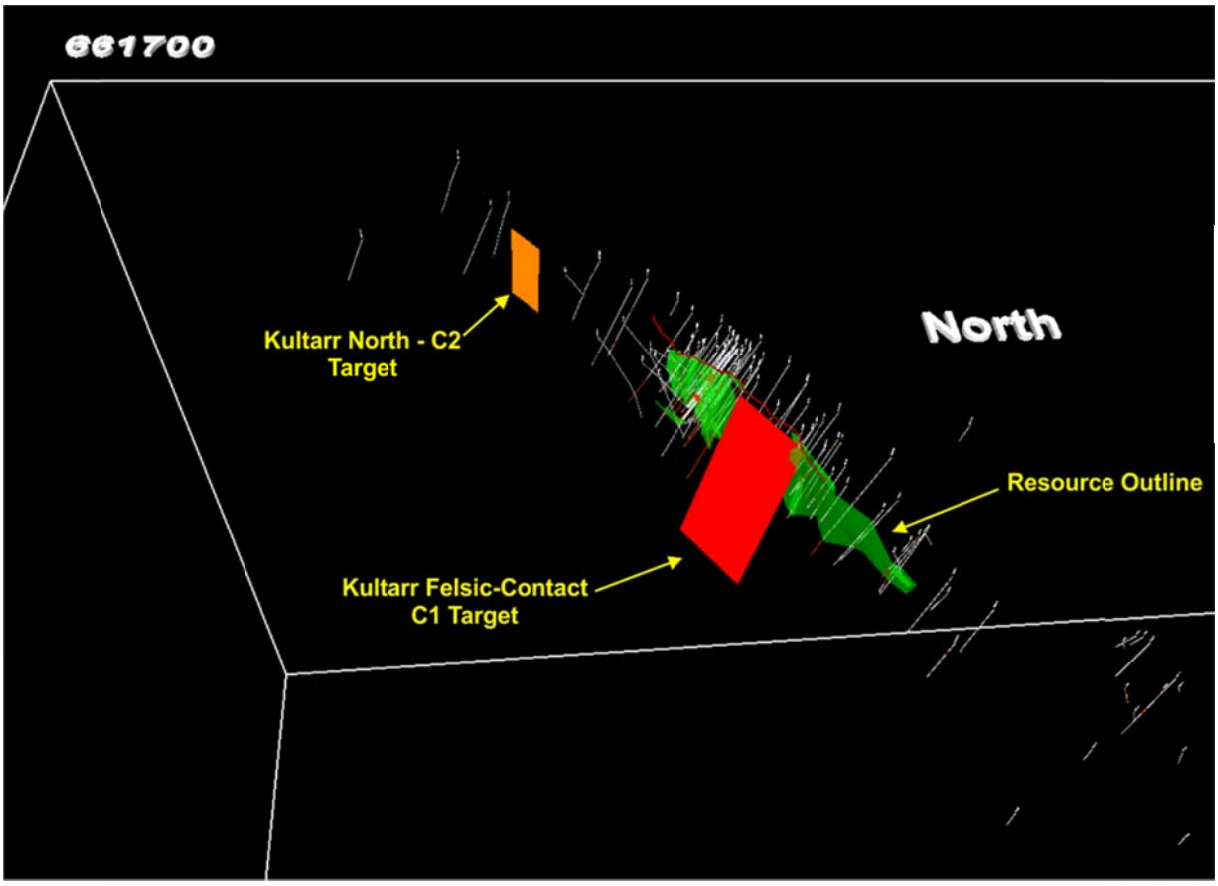
> *"Not only have we proven the mineralised structure extends at Kultarr, we have also identified a large EM conductor at Kultarr North which is along strike of the main ore body, and has not been adequately drill tested. Our geologists are busy reviewing the data and planning some drill holes into this target.*
>
> *Finally, our drilling has also intersected multiple intervals of anomalous Cobalt mineralisation, with values as high as 1310ppm Co within MND054. Although we didn't target Cobalt mineralisation as part of our drill campaign, the results have indicated that this warrants further investigation to identify the main source of the Cobalt mineralisation."*

350m long EM Conductor Discovered Parallel To The Existing Resource

Downhole EM surveying of diamond drill holes MND055 and MND057 in the region of the Kultarr resource area together with remodelling of previous VTEM data has identified a strong 350m long EM conductive body ("C1"), about 20m-30m away and parallel to the existing Manindi resource, sitting on the Felsic-Mafic contact (See Figures 1, 2 and 3).



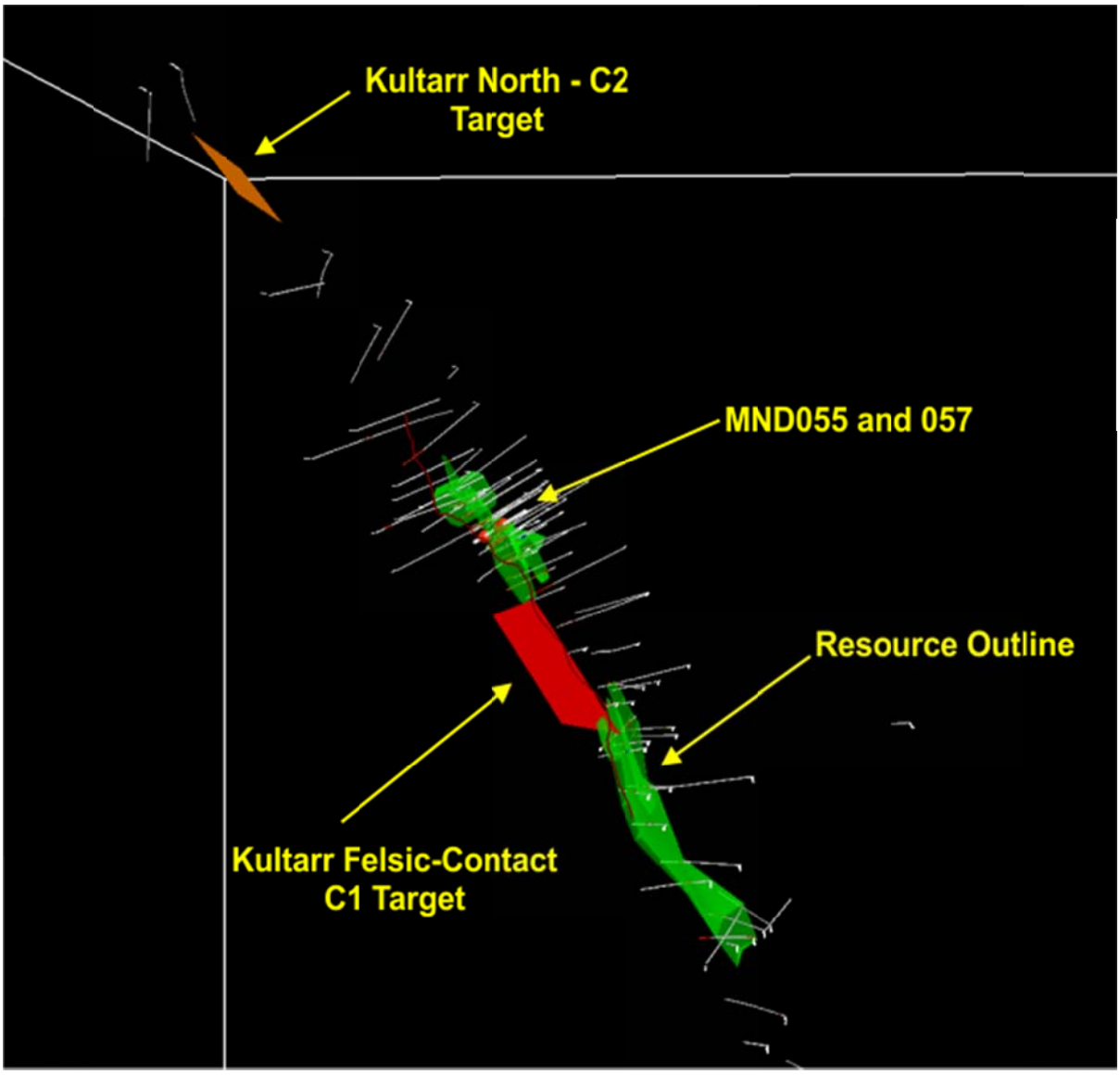
(**Figure 1** – 3D model of Kultarr showing historical drilling, current resource outline in green and new EM conductor target C1 in red on the felsic-mafic contact. Also shows location of the Kultarr North conductor target C2)



(**Figure 2** – 3D model of Kultarr North looking north showing historical drilling, current resource outline in green and new EM conductor target C2 in orange located 500m NW of Kultarr resource on the felsic-mafic contact.

C1 is approximately 350m long and is located SE along strike from the deeper zinc mineralised zone in MND057 (Figure 1). The deeper semi-massive zinc mineralised zone, in MND057 returned **7.2m @ 1.31% Zinc** from 119m. This hole did not intersect conductor C1. The zinc mineralised zone is hosted within a fragmental Felsic unit which is characteristically proximal to volcanogenic massive sulphide (VMS). The zone sits stratigraphically higher in the felsic rocks than the existing Manindi resource. This new zinc mineralisation sits in a similar stratigraphic position 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.

Conductor C1 runs SE for approximately 350m commencing SE along strike from the deeper mineralised zone in MND057. MND057 did not pass through Conductor C1 but sits to the north of C1 (Figure 3), which is now the highest priority drill target at Manindi. Further drilling is planned in the near future.



(**Figure 3** – 3D model of Kultarr and Kultarr North looking from above showing historical drilling, current resource outline in green and new EM conductor target C1 in red and new EM conductor C2 in orange located 500m NW of Kultarr resource on the felsic-mafic contact)

At Kultarr North previous VTEM data was re-modelled (Figures 2 and 3). The results show a strong steep SW dipping conductor 150m long located approximately 500m NW along strike from the Kultarr resource. As can be seen in Figure 2 previous drilling has completely missed this EM conductor and it remains totally untested. Kultarr North represents a high priority drill target as it sits right on the felsic-mafic contact and has a high probability of adding further tonnage to the Manindi resource base. Further drilling is planned for this target in the near future.

Better Geological Understanding

The Company drilled two holes, MND055 and MND057, in the region of the existing mineralised zone at Kultarr with the aim of gaining a better geological understanding of the setting of the zinc mineralisation and test for potential extensions of the current resource.

The drilling at Kultarr has historically been oriented in a NE-SW direction at an approximate 60-degree dip. This drilling was mainly focused on testing what now appear to be remobilised secondary zones of massive zinc sulphide mineralisation within the footwall mafic rocks. MND055 and MND057 have increased the understanding of the geological setting and structure at Kultarr. It is now understood that the interpreted main source of zinc mineralisation, from where the secondary remobilised sulphides were sourced from, sits potentially on or above the contact between the felsic and the mafic units, within the felsic rocks. This shows that the majority of historical drilling should have been oriented in a SW-NE direction. No historical drill holes in the vicinity of the EM conductor C1 have passed into the felsic sequence from the mafic.

Diamond hole MND055 was designed to test for zinc mineralisation near the base of the existing resource and pass through the interpreted felsic-mafic contact. The hole intersected semi massive sulphide mineralisation near the base of the current resource adjacent to the felsic-mafic contact returning **8.31m @ 4.47% Zinc** from 143.85m downhole. This is significant as it shows that the current Manindi resource continues to exist at depth.

Diamond hole MND057 was drilled to test for shallower up-dip extensions to the resource. It too was designed to pass through the felsic-mafic contact. The hole intersected two semi massive to massive sulphide zinc mineralised zones returning **18.85m @ 5.08% Zinc** from 59.60m, (**including 5.48m @ 8.05% Zinc** from 69.20m), and **7.20m @ 1.31% Zinc** from 119m.

This enhanced geological understanding and fresh approach to the geological setting of the zinc mineralisation at Kultarr has delivered early success in the discovery of the new zinc mineralised zone and the new strong EM Conductor C1 in the felsic rock units outside the existing resource base. This new work has greatly increased the potential to delineate additional tonnage, and suggests that there could be significant potential for further mineralised zones in the region of the current defined resource area.

Follow-up drill campaigns will be heavily focused on testing the felsic rock sequence for additional mineralised zones along strike and beneath the existing resource at Kultarr and along the newly discovered zone. Future drill holes will be oriented in a SW-NE direction at an approximate -60-degree dip, targeting what is interpreted to be the main source of zinc mineralisation within the felsic rocks.

The interpreted stacking of the mineralised zones within the felsics at Manindi is common to VMS style deposits, and is similar to other VMS deposits in the Yilgarn Craton such as Golden Grove.

The current JORC resource **(1,075,859 tonnes at 6.52% Zn at 2% Zn cutoff)** which has been defined at Kultarr, remains open both along strike and down dip.

Regional Exploration Drilling

Three wildcat diamond holes were drilled at Kaluta, Ningbing and a new target called Fold Nose, to test ground EM conductors, all well outside the current resource areas. One hole was drilled into each target.

MND053 was drilled at Kaluta to a depth of 186.4m. The hole intersected a thick sequence of gabbro containing a fractionated layer of Pyroxenite from 140m to 159m downhole. This layer contained a zone of disseminated and blebby sulphides from 148.75m to 154.43m. Only anomalous results of nickel and copper were returned from this sulphide zone with grades up to 1690ppm nickel and 1190ppm copper, but no zinc. Downhole EM survey results indicate MND053 had actually missed the conductor and that a strong off hole response was located 40m to the east. This target has potential for nickel and copper mineralisation. It sits below a large surface nickel and copper geochemical anomaly. A follow up hole has been designed to test this strong off hole conductor. This target will be drilled in the near future.

MND054 was drilled at Ningbing. The hole was drilled to a depth of 126.30m. The hole intersected gabbro containing a fractionated layer of pyroxenite from 60m to 84.20m downhole. The pyroxenite contained two zones of heavy disseminated to matrix sulphides from 65.18m and 75.40m – 81.82m. Both zones contained anomalous nickel and copper, but no zinc.

Down hole EM surveying of the hole showed an EM conductor off hole approximately 50 metres away down dip. Though the drilling did not intersect this conductor it is not intended to drill this target further at this time. A further hole may be drilled at a future time.

MND056 was drilled at Fold Nose. The hole contained a thick sequence of gabbro and dolerite with several layers of fractionated pyroxenite and was drilled to a depth of 150.50m. No significant sulphide was observed.

Cobalt Mineralisation Intersected

The completed holes have also intersected a number of intervals of anomalous values of Cobalt including MND054 which intersected 1310ppm Co from 72.15m to 72.30m and MND057 which intersected 1030ppm Co from 66.24m to 67m.

The existence of Cobalt mineralisation within the drill holes will be investigated further by MLS geologists to ascertain the main source of the mineralisation. The current drill program was not designed to target Cobalt mineralisation.

The following Cobalt results are currently being reviewed by MLS with a view to furthering our understanding of the geology and setting of the Cobalt mineralisation and its source:

- **MND053 intersected 765ppm Co from 119.4m to 119.6m**
- **MND054 intersected:**
    - **865ppm Co from 67m to 67.73m**
    - **650ppm Co from 68.08m to 68.6m**
    - **570ppm Co from 69.39m to 70m**
    - **1310ppm Co from 72.15m to 72.3m**
    - **510ppm Co from 75.4m to 75.66m**
- **MND056 intersected 520ppm Co from 81.43m to 81.65m**
- **MND057 intersected:**
    - **1030ppm Co from 66.24m to 67m**
    - **555ppm Co from 69.20m to 70m**
    - **610ppm Co from 94.2m to 94.7m**

Although the intersections of the Cobalt mineralisation are thin, the existence of the Cobalt mineralisation demonstrates that the Cobalt is present at Manindi. This current drill program did not target Cobalt mineralisation, as it had previously not been a focus.

Cobalt is a key input in the manufacture of Lithium-ion batteries with the price of Cobalt increasing sharply in response to global demand for more efficient energy storage solutions, via Lithium-ion batteries.

Summary

The Company is extremely pleased with the results of the drilling at Kultarr and the discovery of Conductors C1 and C2.

The Company believes that the existing resource base at Manindi **(being 1,075,859 tonnes at 6.52% Zinc grade at 2% Zn cut off)** should be able to be substantially increased in tonnage by further drilling.

Previous detailed metallurgical test work carried out by the Company has demonstrated that Manindi ore is easily treated by conventional crush/grind and flotation to achieve excellent recovery to produce a saleable concentrate.

Metals looks forward to continuing its drilling campaign at Manindi focused on substantially increasing the resource base in the near future.

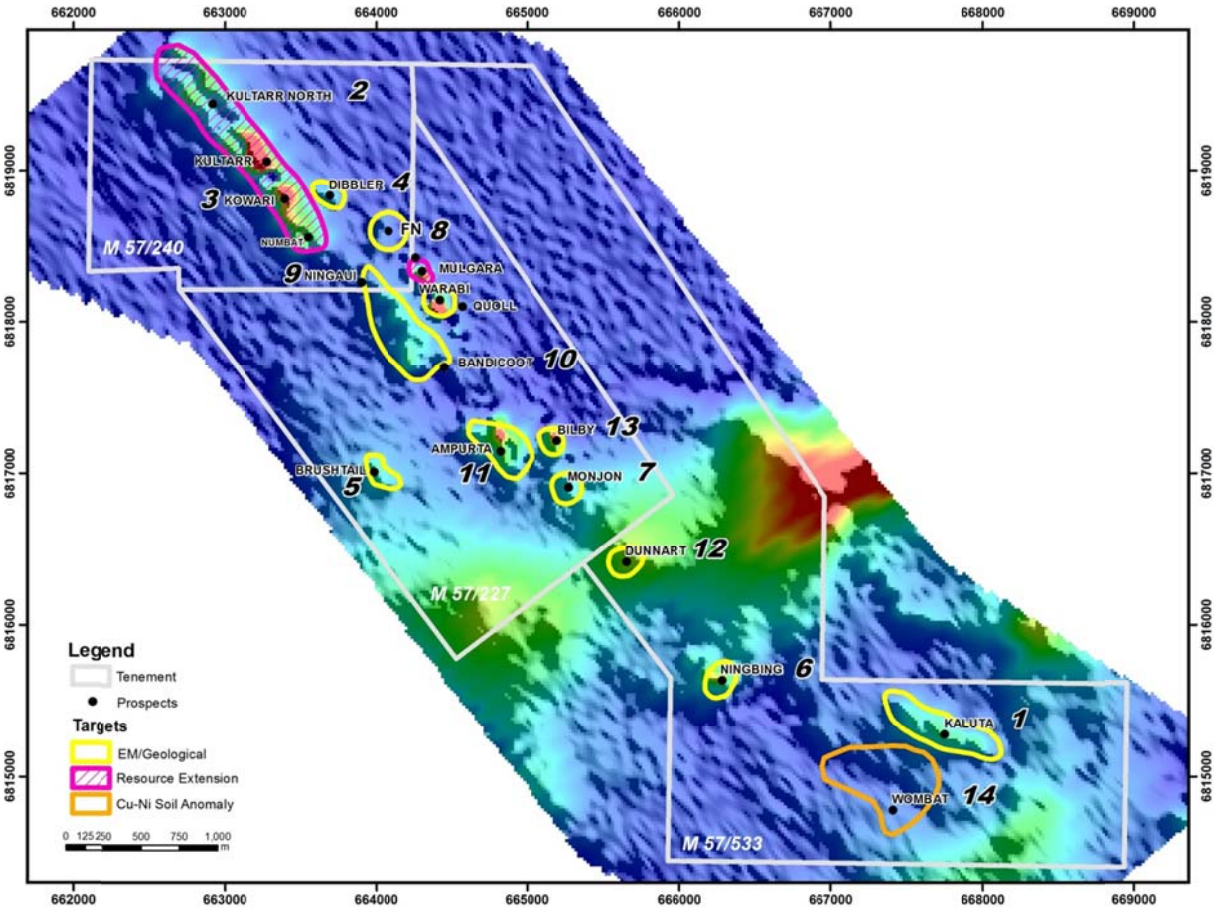


Figure 4: - Manindi VTEM imagery and target map showing highest priority targets

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.

JORC TABLE 1
Section 1 – Sample Techniques and Data

Criteria	*Explanation*
Sampling techniques	Sampling includes core Exploration results are based on industry best practices, including sampling, assay methods, and appropriate quality assurance quality control (QAQC) measures. Diamond core sampling was cut to ½ core with sampling breaks adjusted to geological boundaries. The assay method was 4 acid digest with ICPES. 33 standards were recorded in total. 14 lab Duplicates were recorded. An airborne Versatile Time-Domain Electromagnetic (VTEM) survey was complete over the Manindi Zinc Project in 2012 using 100m spaced survey lines. Downhole Time-domain Electromagnetic (DHTEM) surveys were conducted in drill-holes MND055 and MND057 in 2017 using 5 and 10m station spacing.
Drilling techniques	Diamond core size is HQ at the start of the holes and changed to NQ2 through the mineralised zone. All coordinates are quoted in GDA94 datum unless otherwise stated.
Drill sample recovery	The quality of analytical results was monitored by the use of internal laboratory procedures together with the use of certified standards, duplicates and blanks to ensure that results were representative and within acceptable ranges of accuracy and precision.
Logging	All logging was completed according to industry standard practice. Logging was completed using standard logging templates... The resulting data is uploaded to a Datashed database and validated. Once validated, the data is exported to modelling software for visual validation and interpretation.
Sub- sampling techniques and sample preparation	For all sample types, the nature, quality and appropriateness of the sample preparation technique is considered suitable as per industry best practice.
Quality of assay data and laboratory tests	The samples have been sorted, dried, crushed and pulverised. Primary preparation has been by crushing the whole sample. Laboratories inserted their own standards and blanks at random intervals and to confirm high grade results.
Verification of sampling and assaying	All significant intercepts are reviewed and confirmed by senior personnel before release to the market. All data is validated using the QAQCr reporter validation tool with Datashed. Visual validations are then carried out by senior staff members. All EM survey data are recorded digitally and sent in electronic format to Southern Geoscience Consultants for quality control and evaluation
Location of data points	Station positions were recorded with GPS system with expected accuracy of +/- 5m horizontal and +/ 10m vertical. Radar-altitude data are used to calculate mean terrain clearance of airborne survey platforms. Topographic control is based on GPS heights and radar-altimeter data from airborne magnetic and electromagnetic surveys. The Grid system used is GDA94 datum, MGA zone 50 projection Down hole surveys were done for all holes with Single Shot Reflex
Data spacing and distribution	Diamond drill hole samples were composited to a nominal 1.0 m down-hole intervals for resource modelling.
Orientation of data in relation to geological structure	Orientation of sampling is as unbiased as possible based on the dominating mineralised structures and interpretation of the deposit geometry. If structure and geometry is not well understood, sampling is orientated to be perpendicular to the general strike of stratigraphy and/or regional structure. If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this would be assessed and reported if considered material. Drilling is at an angle to surface and is drilled to maximise perpendicular intersection with the known interpretation of the strike of previously intersected mineralisation.
Sample security	All samples remain in the custody of company geologists, and are fully supervised from point of field collection to laboratory drop-off.
Audits and reviews	None yet undertaken for this dataset.

Section 2 – Reporting of Exploration Results

Criteria	*Explanation*
Mineral, tenement and land tenure status	The Company controls an 80% Interest in three granted Mining Licences in Western Australia covering the known mineralisation and surrounding area. The licences are M57/227, M57/240 and M57/533. The licence reports and expenditure are all in good standing at the time of reporting. There are no known impediments with respect to operate in the area.
Exploration done by other parties	The deposits were identified by WMC in the early 1970s and have been extensively explored using surface and geophysical techniques prior to drilling. Mapping and soil geochemistry preceded airborne and surface geophysical technique being applied to the project. The project has been drilled in 8 separate drill programs since 1971, with 389 holes having been completed. These include 109 diamond drillholes, 105 RC drillholes, 169 RAB drillholes and 8 percussion holes (. The deposits have never been mined.
Geology	The mineralisation at Manindi is hosted within an Archaean felsic and mafic volcanic sequence. The sequence has been extensively deformed by regional metamorphism and structural event related to the Youanmi Fault and emplacement of the Youanmi gabbro intrusion and other later granitic phases. The Manindi zinc-copper mineralisation is considered to be a volcanogenic massive sulphide (VMS) zinc deposit, comprising a series of lenses of zinc-dominated mineralisation that have been folded, sheared, faulted, and possibly intruded by later dolerite and gabbro.
Drillhole information	All relevant drillhole information is supplied in Appendix 2 and 3 of the announcement.
Data aggregation methods	All exploration results are reported by a length weighted average. This ensures that short lengths of high grade material receive less weighting than longer lengths of low grade material. A cut-off grade has been applied to the data. In the case of data contained in Appendix 3 and the construction of mineralised envelopes using 3-D modelling software, a 0.5% Zn cut-off was used. The cut-off was chosen as it reflects a distinction between mineralised and un-mineralised material.
Relationship between mineralisation widths and intercept lengths	The mineralisation at Manindi is complex in nature but confined to a series of approximately N-S striking zones located east of a gabbroic intrusion. The overall zone of lower grade mineralisation appears to be strata-bound following the complex N-S stratigraphy. Higher grade zones of zinc mineralisation are located within the lower grade envelope and these have more varying orientations. Overall the zone is steeply dipping to the west, A majority of the holes drilled to date dip steeply to the west and as such intersect the mineralisation at low angles. A smaller portion of the holes are drilled towards the east and intersect the mineralisation at high angles, resulting in close to true thickness intersections
Diagrams	A series of relevant diagrams are included in the body of the announcement.
Balanced reporting	Information relating to geophysical, geochemical and metallurgical test work is included in the announcement. Laboratory assay results are included for composite intersections above a 0.5% Zn cut-off which represents the outlines of mineralised vs unmineralised material at Manindi.
Other substantive exploration data	This announcement contains the results of airborne and downhole geophysical surveys as follows; Airborne Versatile Time-Domain Electromagnetic (VTEM) Survey (GEOTECH – March 2012) • 75m and 100m line spacing and 42m mean terrain clearance • 25 Hz Base Frequency • Peak dipole moment 392,887 NIA • Z and X component dBdt and B field datasets Down-hole Time-domain Electromagnetic (DHTEM) Survey (GEM Geophysics) • 5m and 10m station spacing • 200m x 200m TX Loop, 35A TX current • SmarTEM 24 Receiver • Zonge ZT-30 Transmitter • BH-43 Coil Sensor • A, U and V component readings at each station
Further work	Plans for further work are outlined in the body of the announcement

Appendix 1 – Manindi Drilling Collars

Hole_ID	Hole_Type	Depth	Dip	Azimuth	Grid_ID	East	North	RL
MND053	DD	186.4	-60	360	MGA94_51	667716	6815230	488
MND054	DD	126.3	-60	350	MGA94_51	666237	6815639	493
MND055	DD	206.2	-60	242	MGA94_51	663303	6819128	503
MND056	DD	150.5	-60	270	MGA94_51	664080	6818605	494
MND057	DD	158.4	-50	240	MGA94_51	663280	6819116	505

Appendix 2 - Manindi Drill Intersections

Zinc

Hole_ID	mFrom	mTo	Intercept	Zn
MND055	143.85	152.16	8.31m @	4.47%
MND057	59.6	78.45	18.85m @	5.08%
MND057	119	126.2	7.2m @	1.31%

Cobalt

Hole_ID	mFrom	mTo	Intercept	Co
MND053	119.4	119.6	0.2m @	756ppm
MND054	67	67.73	0.73m @	865ppm
MND054	68.08	68.6	0.52m @	650ppm
MND054	69.39	70	0.61m @	570ppm
MND054	72.15	72.3	0.15m @	1310ppm
MND054	75.4	75.66	0.26m @	510ppm
MND056	81.43	81.65	0.22m @	520ppm
MND057	66.24	67	0.76m @	1030ppm
MND057	69.20	70	0.8m @	555ppm
MND057	94.2	94.7	0.5m @	610ppm