

ASX Announcement

30 April 2018

Lac Rainy Graphite Project, Quebec (Canada) Exploration Update

Highlights:

- Road construction to key prospect areas to be completed to provide all weather access to Lac Rainy – permanent all-weather road access will become possible utilising existing public roads surrounding the project and the construction of all-weather roads
 - Road permits currently being prepared for lodgement with construction to commence in July 2018
 - An exploration program consisting of stripping and channel sampling across the width of the graphite mineralised zone will be completed during road construction in July / August 2018 – this will more accurately define the drill targets whilst confirming the width and grade of the graphitic horizon
 - Diamond drilling is expected to commence in August / September 2018 following completion of road construction
 - Drilling permits extended to allow Metals Australia to conduct exploration drilling throughout the upcoming autumn-spring field season
 - Previous grab and channel sampling program completed by the Company has confirmed extensive high grade natural flake graphite mineralisation
 - High-grade graphite (Cg) results from the channel and grab sampling program included:
 - ~2.5 m channel composite averaging 29.7% Cg (samples 129026-129028)
 - ~2 m channel composite averaging 21.8% Cg (samples 129030-129032)
 - 35.8% Cg in grab sample 129029
 - 28.1% Cg in grab sample 129045
 - 16.4% Cg in grab sample 129033
 - 13.3% Cg in grab sample 129039
 - 12.6% Cg in grab sample 129044
 - Exploration indicates very high-grade graphite mineralisation is present over a strike length of approximately 150m, within an overall zone exceeding 2km, and remains open along strike
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Diversified metals exploration company, Metals Australia Ltd (ASX: **MLS**) is pleased to advise shareholders on the current exploration activities at the Lac Rainy Graphite Project, located in Quebec, Canada.

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Metals Australia is planning to complete road construction to key prospect areas providing all weather access. This will substantially reduce the cost of all drilling programs. Access to the project is currently achieved by utilising the network of existing public roads surrounding the project and requires the use of helicopters to move personnel and equipment within the project area during winter. With the construction of all-weather roads to key prospect areas within the project, the Company will benefit from lower-cost access during exploration programs as well as being able to operate twelve (12) months of the year.

The Company is currently preparing its permits for road construction which will be submitted during May 2018 and anticipates receipt of the permits during June 2018. Construction of the roads is expected to commence during early July 2018 as soon as permits are granted.

Constructing ground access to key prospect areas will provide the Company with all-weather / all-year access up to and throughout the high priority targets at the project, removing the requirement to have a helicopter on site to facilitate movement of the drill rig and field crew.

Removing the need for helicopter support will significantly reduce the overall cost of drilling programs, allowing the Company to drill additional meterage with minimal additional cost to the overall budget. The Company will be able to increase the scope of drilling programs, both in hole depth and number of holes, as a result of the cost saving.

To allow for the road construction to be completed, the diamond drilling program has been deferred until later in the field season, with a proposed start date during August / September 2018. This will also provide extended daylight hours as well as easier access and navigation around the project area.

Prior to commencing the diamond drilling program in August / September 2018, the Company will be completing a stripping and channel sampling campaign across the width of the graphite mineralised zone. This is proposed to commence in July 2018 in parallel with the road construction program. The Company will be able to more accurately define its drilling targets, as well as ascertain the true width and the average grade across the graphite zone.

The objective of the drilling program at Lac Rainy is to delineate an initial JORC resource as well as delineate a significant exploration target. In addition, advanced metallurgical testing will be completed on representative samples of the drill core, providing additional information on the graphite concentrate that can be produced from the Lac Rainy mineralisation. The metallurgical testing program will be based on the results of the initial test work that was completed on outcrop samples in January 2018, with further improvements to the test work flowsheet.

Commenting on the exploration activities and planned program at Lac Rainy, Mr Gino D'Anna director of Metals Australia, stated:

"Our decision to defer the drilling program at Lac Rainy was made in consultation with our geologists in Quebec. It was based on our objective of reducing the overall cost of ongoing drilling programs and exploration as well as providing all-year / all-weather road access to the Lac Rainy project. No helicopter support will be needed for any drilling or exploration."

The construction of roads to key prospect areas will enable us to apply the cost savings achieved by not requiring helicopter support to increasing the size of the drilling programs, both in the number of holes and the depth of holes. The Company will also be undertaking a stripping and channel sampling campaign, which will focus on channel sampling across the width of the graphite mineralised zone. This will assist in more accurate definition of the planned drill holes as well as provide grade control across the width of the horizon."

Whilst the Company had originally decided to commence drilling at Lac Rainy in late March 2018, due to cost and adverse weather, that program would not have been efficient. We are confident that the decision to construct roads to key prospect areas at Lac Rainy will provide a much better result in both cost and outcome."

The Company is well funded for its exploration programs at both the Lac Rainy Graphite Project and the Manindi Project and its other projects. The Board believes that 2018 will be a transformative and Company building year. We look forward to providing shareholders with further updates on these exciting developments and near-term opportunities.

For more information, please contact:

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Caution Regarding Forward-Looking Information

This document contains forward-looking statements concerning Metals Australia. Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward-looking statements as a result of a variety of risks, uncertainties and other factors. Forward-looking statements are inherently subject to business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking information provided by the Company, or on behalf of, the Company. Such factors include, among other things, risks relating to additional funding requirements, metal prices, exploration, development and operating risks, competition, production risks, regulatory restrictions, including environmental regulation and liability and potential title disputes.

Forward looking statements in this document are based on the company's beliefs, opinions and estimates of Metals Australia as of the dates the forward-looking statements are made, and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

Competent Person Statement

The information in this announcement that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves, as applicable, is based on information compiled by Mr. Darren L. Smith, P. Geol., a Competent Person who is a Professional Geologist registered with L'Ordre des géologues du Québec, in Canada. Mr. Darren L. Smith, P.Geol, is an employee of Dahrouge Geological Consulting Ltd. (Dahrouge). Dahrouge Geological Consulting Ltd. and all competent persons are independent from the issuer of this statement, MetalsTech Limited. Mr. Darren L. Smith has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr. Darren L Smith consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

ASX Listing Rules Compliance Statement (ASX LR 5.23.2)

Lac Rainy Graphite Project

Pursuant to ASX Listing Rule 5.23.2, the Company confirms that it is not aware of any new information or data that materially affects the information included in this announcement, which is based on exploration results previously released pursuant to ASX announcement dated 12 October 2017. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.