

ASX Announcement

10 October 2018

Channel Sampling Program successfully completed at Lac Rainy Graphite Project

Highlights:

- Successful completion of the Phase 1 Channel Sampling campaign
 - Structural interpretation completed, and preliminary drill hole collar locations selected – to be finalised upon receipt of assay results from Channel Samples
 - Samples have been delivered to ALS Laboratory for analysis of Graphitic Carbon (Cg) content
 - Samples collected around the Lac Carheil Prospect prioritised with the laboratory – maiden diamond drilling campaign will focus on this high-grade target zone
 - Upon receipt of assay results, the Company will update shareholders on the commencement of the maiden diamond drilling program – drilling contractor already appointed
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Diversified metals exploration company, Metals Australia Ltd (ASX: **MLS**, the Company) is pleased to provide shareholders with an update on the completion of the field exploration program for the planned Phase I exploration campaign at the 100%-owned Lac Rainy Graphite Project, located in Quebec, Canada.

Magnor Exploration has successfully completed 16 exploration lines (mechanically excavated trenches) representing a total of 677 lineal metres of trenching as part of the Phase I channel sampling campaign. A total of 453 lineal metres of channel sampling were completed which generated 459 samples including blank, standard and duplicate samples. A further 89 samples were collected from the project-wide prospecting and mapping campaign which was designed to follow up on the airborne geophysical targets identified by the Company during its EM program in mid-2017.

The samples generated from the channel sampling campaign have been sent to ALS Laboratory in Val d'Or (Quebec) with samples collected from the high-grade Lac Carheil Prospect prioritised for expedited analysis. The maiden diamond drilling campaign will focus on this high-priority target zone, and the assay results are expected to provide valuable data for finalisation of the proposed drill plan.

The Company expects to receive the initial batch of channel sampling assay results shortly and will be released to shareholders when interpreted. Further batches are expected to be received through-out late October / early November.

The channel sampling programme has also allowed the Company to complete extensive structural mapping and interpretation to further assist with drill targeting. Specific geological trends and controls were identified, and this information is currently being reviewed by structural

geologists with the aim of building and constantly updating a project-wide GIS database, which will be continually updated as results are received.

This work will build on the project-wide mapping and prospecting completed by the field geologists during this current campaign which yielded very encouraging outcomes. A number of new outcrops and zones have been identified and sampled, focused on those areas designed to extend the existing mapped strike, which is currently defined over a length of 2.5 km.

Once the assay results are received and structural mapping is completed, Magnor Exploration will finalise the drill collar locations and targets for the maiden drilling program.

Discussion of Channel Sampling Program to Date

Overall, the Company has been highly encouraged by the channel sampling. The Company previously announced that the channel sampling campaign had been successful in defining significant widths of graphite mineralised horizons at Lac Rainy (*refer to ASX Announcement dated 25 September 2018*). Channel sampling has been focused on those graphite mineralised zones within and along strike of the high-grade Lac Carheil Prospect located within the Lac Rainy project.

The width and continuity of the graphite mineralised horizons identified at Lac Rainy is highly encouraging providing the Company with confidence to progress with the final planning and collar locations for the maiden diamond drilling campaign as part of the Phase II exploration program.

Several of the channel sampling zones remain open demonstrating that the width of the mineralised zones extends further than current trenching has defined. This provides further exploration upside at Lac Rainy and the Company plans to follow up these additional extensions in subsequent programs.

We look forward to providing shareholders with further updates on the progress of the Phase I exploration campaign at the Lac Rainy project.

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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 Results is based on information compiled by Mr. Yves Caron, M.Sc., P. Geo. Mr Caron is Chief Geologist with Magnor Exploration Inc. and a consultant to Metals Australia Limited. Mr Caron and is a member of the Ordre des géologues du Québec (OGQ) with member number OGQ#548. Mr. Caron 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. Caron consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. 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.