

ASX Announcement

17 May 2019

Maiden Diamond Drilling Program Completed at the Lac Rainy Graphite Project

Highlights:

- Metals Australia has successfully completed its maiden diamond drilling campaign at the Lac Rainy Graphite Project, located in Quebec, Canada
- The maiden drilling campaign consisted of 17 drill holes for a total of 2,318 metres and extended along strike for approximately 1.25 km along the northwest – **all drill holes intersected graphite flakes mineralisation measuring several dozens of meters (*in apparent width*) with a maximum of 75.2 metres (*in apparent width*) in hole DDH LR19-09**
- The graphite flake mineralisation identified in the trenches from the 2018 channel sampling program was intersected in all drill holes - **ten of the seventeen drill holes finished in mineralisation and remain open at depth**
- The Carheil Graphitic Zone was confirmed below surface and within the Eastern and Western extensions, known as the **East Carheil Graphitic Zone and the West Carheil Graphitic Zone**
- **A total of 860 half core samples** were selected on graphite flake mineralized intervals intersected and on the altered and barren wall-rock mineralisation
- **A total of 117 samples were used for Quality Assurance and Quality Control of geochemical analysis (QA-QC)** and included blank samples, three certified Cg standards samples (low, med and high grade of graphitic carbon Cg) and duplicate samples
- **All samples have been shipped to ALS Geochemistry Laboratory** of Val d'or, Quebec, Canada for assaying of mineral and organic Carbon, Sulphur and minor trace Elements

Metals Australia Ltd (ASX: **MLS**) is pleased to announce that the Company has completed its maiden diamond drilling program at the Company's 100%-owned Lac Rainy Graphite Project, located in Quebec, Canada.

The drilling program consisted of 17 drill holes for a total of 2,318 metres and extended along strike for approximately 1.25 kilometres along the northwest. The Company intersected graphite flakes mineralisation in all drill holes, with DDH LR19-09 intersecting the main Carheil Graphitic Zone over a significant width of 75.2 metres (*in apparent width*) at a depth from 9.5 metres to 84.7 metres (*assays pending*).

The trenching and channel sampling campaign completed during the 2018 field season demonstrated the surface extent of the high-grade graphite mineralisation at Lac Rainy. The drilling program, which was designed to test the depth potential of this high-grade surface mineralisation was highly successful, with each of the drill holes intersecting graphite flakes mineralisation at depth.

A total of ten (10) holes from the seventeen (17) drill hole program finished in mineralisation and remain open at depth.

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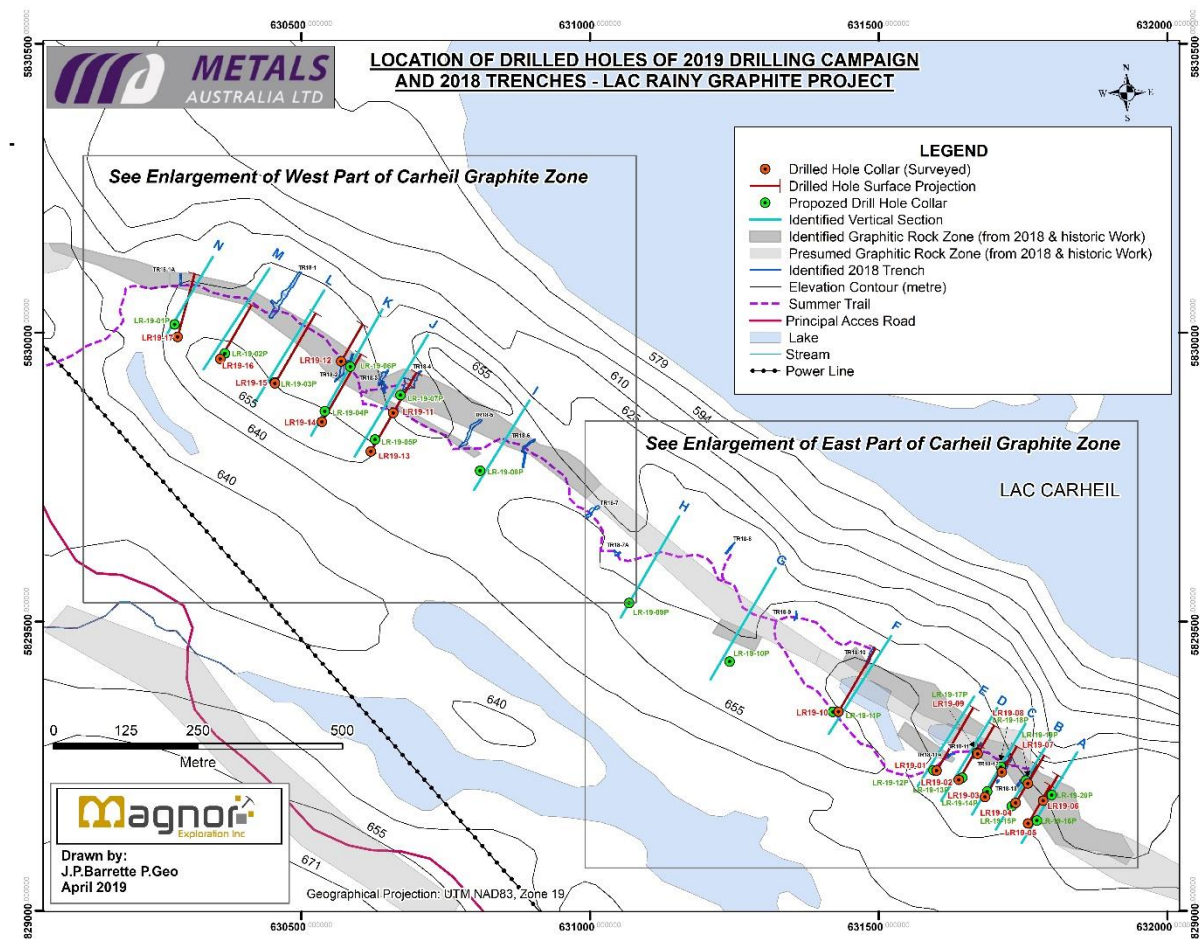
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The Carheil Graphitic Zone has been intersected in all drill holes and has confirmed the mineralisation below surface and within the Eastern and Western extensions, known as the East Carheil Graphitic Zone and the West Carheil Graphitic Zone.

The map below illustrates the drill hole locations from this Phase II exploration campaign at the Lac Rainy Graphite Project. The drill hole sites were selected based on the trenching and channel sampling program that was completed during 2018, which is also outlined on the map below.



The Company collected a total of 860 half core samples which were selected based on the graphite flake mineralised intervals intersected and on the altered and barren wall-rock mineralisation. A total of 117 samples were used for Quality Assurance and Quality Control of geochemical analysis (QA-QC) and included blank samples, three certified Cg standards samples (low, med and high grade of graphitic carbon Cg) and duplicate samples.

All samples have been shipped to ALS Geochemistry Laboratory of Val d'or, Quebec, Canada for assaying of mineral and organic Carbon, Sulphur and minor trace Elements.

The Company is currently awaiting receipt of the assay results. Following receipt of the assay results, the Company will undertake further metallurgical and mineralogical testing on the drill core, designed to improve the geological understanding of the potential resource at Lac Rainy. This information will assist the Company in advancing its discussions with potential key end-user groups as well as provide valuable information for the estimation of a maiden JORC resource.

A significant number of additional targets remain untested at Lac Rainy which will be followed-up in subsequent exploration campaigns.

Commenting on the continued success of the diamond drilling program, Director of Metals Australia, Mr Gino D'Anna stated:

“The Company has successfully completed its maiden diamond drilling program at the 100%-owned Lac Rainy Graphite Project with the drilling delineating graphite mineralisation over a strike length of 1.25 kilometres to the north-west of the high-grade near surface Lac Carheil Prospect.

The drilling intersected graphite flake mineralisation in each hole confirming that the mineralisation continues along strike and at depth. The results from this drilling program have exceeded the expectations of the Board and we are highly encouraged by what has been intersected during this maiden program. We are busy preparing our Phase III exploration campaign which will consist of further diamond drilling along strike within the Central Carheil Graphitic Zone as well as additional trenching and channel sampling as follow up work on the other mineralised targets identified during the 2018 field season.

The drilling program has affirmed our belief that Lac Rainy is host to a high-grade natural flake graphite deposit.

Following completion of the drilling program and receipt of the assay results, a detailed metallurgical study will be undertaken which will help us further advance our discussions with potential end-user groups. Given the strategic location of the Lac Rainy project, our focus is on defining potential end-user groups across North America.

2019 continues to be a busy year for our Company as we continue to hit milestones and drive shareholder value.”

The Company will update Shareholders once the assay results have been received and will provide further updates to its Shareholders as they become available.

About the Lac Rainy Graphite Project

The Lac Rainy Graphite Project is located in one of the premier graphite geological regions of Quebec. It sits approximately 22 km south-west of the historic mining town of Fermont and 260 km north-northeast of the city of Sept-Îles. The Lac Rainy Graphite Project is approximately 15 km east of Route 389, a paved highway which travels north to Fermont. These road networks link the Lac Rainy Graphite Project with the major ports along the St Lawrence River in Quebec offering the Company a route to the seaborne market as well as the North American and South American markets.

The Lac Rainy Graphite Project covers an area of more than 4,600 hectares representing 88 mineral claims and is contiguous with Focus Graphite's Property to the southwest, which hosts the Lac Knife Graphite Deposit, containing a Measured and Indicated Resource of 9.576 Mt @ 14.77% Cg and an Inferred Resource of 3.102 Mt @ 13.25% Cg at a 3.0% Cg cut-off.

The global transition to renewable energy and adoption of lithium-ion batteries as a means of energy storage places significant focus on high-value raw materials, such as graphite, lithium, cobalt, nickel, copper and manganese. In the long term, Roskill (an independent research organization) is of the opinion that the continuing closure of processing plants in China and increasing demand for high-quality graphite concentrates will place upward pressure on graphite prices.

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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 Declaration

The information in this announcement that relates to Exploration Results is based on information compiled by Mr. Jean-Paul Barrette P.Geo, B.Sc. Mr Barrette is Project Geologist with Magnor Exploration Inc. and a consultant to Metals Australia Limited. Mr Barrette and is a member of the Ordre des géologues du Québec (OGQ) with member number OGQ #619. Mr. Barrette has sufficient experience (34 years) 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. Barrette consents to the inclusion in the report of the matters based on their information in the form and context in which it appears.