

ASX Announcement

7 October 2020

Lac Rainy Graphite Project Scoping Study and Exploration Activities Update

Highlights:

- DRA Global has been appointed and is progressing with completion of the Scoping Study at the Lac Rainy Graphite Project, located in Quebec, Canada
- **DRA is a diversified global engineering group with significant graphite experience in Quebec having completed the feasibility study for the nearby Lac Knife graphite project, which is located less than 10km from Lac Rainy**
- Lac Rainy hosts a JORC (2012) Mineral Resource of **13.3Mt at 11.5% TGC** in the category of Indicated and Inferred **for 1.529Mt of contained graphite**, using a 5% TGC cut-off
- In addition to the JORC (2012) Mineral Resource Lac Rainy has a JORC (2012) Exploration Target Estimate of **7.3Mt to 14.6Mt @ 7.5% to 12.5% Total Graphitic Carbon (TGC) for an additional 0.55Mt to 1.825Mt of contained graphite** using a 5% TGC cut-off

The potential quantity and grade of the defined Exploration Target is conceptual in nature, there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource

- **Lac Rainy ranks as one of the highest-grade global graphite deposits**
 - **Only the first 1.6km of strike of the 4 km of strike along the Main Carheil Graphitic Trend has been drill tested.** The SE and NW strike extensions and the recently discovered West Carheil Graphitic Trend are still to be drilled – **extensional drilling program has been designed**
 - **The Lac Rainy Deposit is open to the north and south along strike, as well as down-dip and plunge, indicating significant exploration upside and drill ready targets**
 - **Further potential resource growth upside exists in the recently discovered high grade West Carheil Graphitic Trend which has the ability to further increase the tonnage of Lac Rainy**
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Metals Australia Ltd (ASX: **MLS**) (**Metals Australia** or **Company**) is pleased to provide shareholders with an update on the progress of its Scoping Study and exploration activities at its 100% owned Lac Rainy Graphite Project located in Quebec, Canada.

As previously advised, the Company has been in discussions with leading industry experts and consultants to advance its Scoping Study at the Lac Rainy project. The Company has awarded the mandate for the **Scoping Study** to DRA Global (**DRA**). The Scoping Study will include all aspects including mine planning and design, processing, off-site and on-site infrastructure, graphite concentrate marketing and sales and detailed engineering.

DRA has extensive experience in graphite projects, and in particular, in operating mines and advanced projects within Quebec. In 2014, DRA was engaged to do the Feasibility Study for the nearby Lac Knife Project, owned by Focus Graphite Inc. (TSX.V: FMS), which is located less than 10km from the Lac

Rainy project. The Feasibility Study at the Lac Knife project encompassed all disciplines including geology, mining, process plant and infrastructure.

DRA will apply the experience gained whilst working on the Lac Knife project to add value to the Scoping Study for the Lac Rainy project. The key team members that will be responsible for delivering the Scoping Study at Lac Rainy possess extensive experience in graphite projects globally and in Quebec.

The Company believes that the combination of DRA's graphite specific skills and experience and the extensive knowledge of operating mines in Quebec will result in an optimum Scoping Study outcome and will enable the Company to confidently carry out the planned graphite marketing campaign.

The Company plans on delivering the Scoping Study before commencing a graphite marketing campaign. The Scoping Study will focus on the delivery of a high-purity and high-carbon (total) graphite concentrate.

Commenting on the scoping study and exploration activities update for the Lac Rainy Graphite Project, Director of Metals Australia, Mr Gino D'Anna stated:

"We have been working closely with leading consultants and experts in the field of graphite mining across the world and in Quebec as we look to deliver on a major project milestone for the Lac Rainy Graphite Project. The engagement of DRA provides the Company with a critical skill set not only in the graphite sector but also in operating mines within Quebec, having been recently involved in the Feasibility Study for the Lac Knife graphite project, which is located less than 10km away from Lac Rainy.

We believe that as the world starts to emerge from the current COVID-19 risk averse environment, economies will start to rebuild and strengthen, resulting in significant funds being invested back into alternative energy sources and electrification. This will help to stimulate demand for those critical battery-metals, of which graphite is a key ingredient. We see a lot of upside in the future demand for graphite and we are positioning the Company to be able to take advantage of the change in dynamics.

The Lac Rainy project offers significant flexibility, it has projected low strip ratios, can be readily accessed through open cut mining methods and has consistently delivered exceptionally high-grade results. The recently completed scoping study level metallurgical testwork program confirmed that the graphite mineralisation at Lac Rainy is able to deliver a graphite concentrate that not only exceeds the industry standard benchmarks, can produce a high-purity and high-carbon (total) graphite concentrate.

The Lac Rainy Graphite Project offers significant upside and we look forward to building on this great success."

The Lac Rainy project has the potential to deliver attractive economics due to its potentially significant size, high grades and extensive surface outcrop that offers low strip ratios. Metallurgical studies to date indicate a straightforward processing flowsheet.

The Company's ongoing focus is to develop this Mineral Resource into a low-cost mining operation. The Company believes that the Lac Rainy project offers considerable flexibility and exploration upside.

This can be unlocked not only through additional drilling and other exploration but also through refining the metallurgical flowsheet to determine the most appropriate graphite products that can be produced and marketed with the Lac Rainy graphite concentrate.

BACKGROUND: LAC RAINY – JORC (2012) MINERAL RESOURCE ESTIMATE

Lac Rainy hosts a **JORC (2012) Mineral Resource Estimate of 13.3Mt at 11.5% TGC in the category of Indicated and Inferred for 1.529Mt of contained graphite, using a 5% TGC cut-off.**

The global resource is made up of the high-grade South-East Carheil Graphite Deposit which is classified in the Indicated category and the North-West Carheil Graphite Deposit which is classified in the Inferred category, as shown in Table 1 (below).

Table 1 – JORC (2012) Mineral Resource Estimate

| Deposit | Classification | Tonnes | Total Graphitic Carbon (TGC) | Contained Graphite (Tonnes) | S % |
|-------------------------------------|--------------------------|-------------------|------------------------------|-----------------------------|------------|
| South-East Carheil Graphite Deposit | Indicated | 9,600,000 | 13.1% | 1,257,600 | 9.8 |
| North-West Carheil Graphite Deposit | Inferred | 3,700,000 | 7.3% | 270,000 | 7.3 |
| | Total¹ | 13,300,000 | 11.5% | 1,529,500 | 9.1 |

1. Mineral Resource estimated at a 5% TGC cut-off

Refer to ASX announcement dated 15 June 2020 and titled “High-Grade Maiden JORC Resource at Lac Rainy Graphite Project”.

The mineral resource at Lac Rainy offers significant flexibility for potential development into a long life, high-grade graphite mining operation. Lac Rainy has the potential to be mined using open cut mining methods with low strip ratios, with more than 90% of the current global resource defined within the first 100m.

Drilling completed to date has only tested the first 1.6km of the approximate 4km of strike along the Main Carheil Graphitic Trend with the SE and NW strike extensions and also the recently discovered West Carheil Graphitic Trend still to be drilled. The Company has designed an extensional drilling program to further grow the resource base and drill test some of the other high-priority targets which have been identified.

The deposit at Lac Rainy remains open to the north and south along strike, as well as down-dip and plunge, indicating significant exploration upside and drill ready targets.

BACKGROUND: JORC (2012) EXPLORATION TARGET ESTIMATE

The JORC (2012) **Exploration Target Estimate** for the high-grade Lac Rainy Graphite Project has been defined as **7.3Mt to 14.6Mt @ 7.5% to 12.5% Total Graphitic Carbon (TGC) for an additional 0.55Mt to 1.825Mt of contained graphite** using a 5% TGC cut-off.

The potential quantity and grade of the defined Exploration Target is conceptual in nature, there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

The Exploration Target is in addition to the JORC (2012) Mineral Resource Estimate at the Lac Rainy Graphite Project. The global Exploration Target is made up of the high-grade South-East Carheil Graphite Exploration Target and the recently discovered West Carheil Graphite Exploration Target, as shown in Table 1 (below).

Table 1 – JORC (2012) Exploration Target

| Deposit | Classification | Tonnes | | Total Graphitic Carbon (TGC) | | Contained Graphite (Tonnes) | |
|-----------------------------|--------------------------|------------------|-------------------|------------------------------|--------------|-----------------------------|------------------|
| | | lower limit | upper limit | lower limit | upper limit | lower limit | upper limit |
| South-East Carheil Graphite | Exploration Target | 3,080,000 | 6,160,000 | 8.0% | 13.0% | 248,000 | 806,000 |
| West Carheil Graphite | Exploration Target | 4,200,000 | 8,400,000 | 7.0% | 12.0% | 294,000 | 1,000,000 |
| | Total¹ | 7,280,000 | 14,560,000 | 7.5% | 12.5% | 542,000 | 1,806,000 |

2. Exploration Target estimated at a 5% TGC cut-off

Refer to ASX announcement dated 10 September 2020 and titled "High-Grade JORC Exploration Target at Lac Rainy Graphite".

The potential quantity and grade of the defined Exploration Target is conceptual in nature, there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration will result in the estimation of a Mineral Resource.

The Company looks forward to providing shareholders with further updates as we continue to achieve our milestones at Lac Rainy.

This announcement was authorised for release by the Board of Directors.

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For more information, please contact:

Gino D'Anna
Director
Metals Australia Ltd
Phone: +61 400 408 878

Martin Stein
Company Secretary
Metals Australia Ltd
Phone: +61 8 9481 7833

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 (35 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.

The information in this report that relates to Resource Estimation is based on information compiled by Simon Coxhell, Principal Consultant of CossRocks Pty Ltd. Mr Coxhell is a consultant to the Company. Mr Coxhell is a Member of the Australian Institute of Mining and Metallurgy. Mr Coxhell has sufficient experience relevant to the styles of mineralisation and types of deposits which are covered in this document and to the activity which he is undertaking 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" ("JORC Code"). Mr Coxhell consents to the inclusion in this report of the Matters based on this information in the form and context in which it appears. Mr Coxhell has not been to the Lac Rainy site but is familiar with graphite deposits around the world and has completed numerous resource estimates for this commodity.

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.

ASX Listing Rules Compliance

In preparing this announcement dated 7 October 2020, the Company has relied on the announcements previously made by the Company and specifically dated 15 June 2020 and 10 September 2020. The Company confirms that it is not aware of any new information or data that materially affects those announcements previously made, or that would materially affect the Company from relying on those announcements for the purpose of this announcement dated 7 October 2020.