

**Metals of Africa Limited
(ASX: MTA)**

31 October 2016

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MTA Capital Structure

Shares on Issue: **325m**
Market Cap. @ \$0.12 **\$39m**

MTA Board

David Flanagan
Non-Executive Chairman

Cherie Leeden
Managing Director

Gilbert George
Non-Executive Director

Brett Smith
Non-Executive Director

SEPTEMBER QUARTER HIGHLIGHTS

- Extensive bulk sampling program completed
- Metallurgical Results continue to favourably outperform expectations
- Spherical graphite plant in USA successfully commissioned
- Produced anode test material for Lithium ion batteries
- Montepuez Definitive Feasibility Study on track for delivery in December 2016
- Off take negotiations ongoing with key market leaders in multiple jurisdictions
- David Flanagan appointed Non-Executive Chairman
- Gabon Zinc Project Divestment ongoing

Background

Metals of Africa Limited (ASX: MTA) ("the Company") is focused on becoming a reliable supplier of high quality natural flake and spherical graphite, targeting the rechargeable lithium ion battery (LiB) market. The Company's projects are located in the Cabo Delgado region of Mozambique, which is the premier graphite province in the world. The region hosts the world's largest graphite deposits with typically favourable metallurgical properties. The combination of size, grade and quality is delivering excellent prospects for the Company's projects to have a cost profile amongst the best in the world. The characteristics of our deposits to date appear typical of the region, providing significant opportunity for the Company's shareholders.

Coincident with advancing a Definitive Feasibility Study (DFS), the Company has been engaging actively with high quality end users in multiple jurisdictions, and has demonstrated significant "value in use" applicable to our ores.

During the September quarter, the Company continued to progress work programs at its high quality Montepuez and Balama Central Graphite Projects. The Company's core focus remains on the DFS at the Montepuez Project, which is fully funded and rapidly advancing toward scheduled completion in December 2016.

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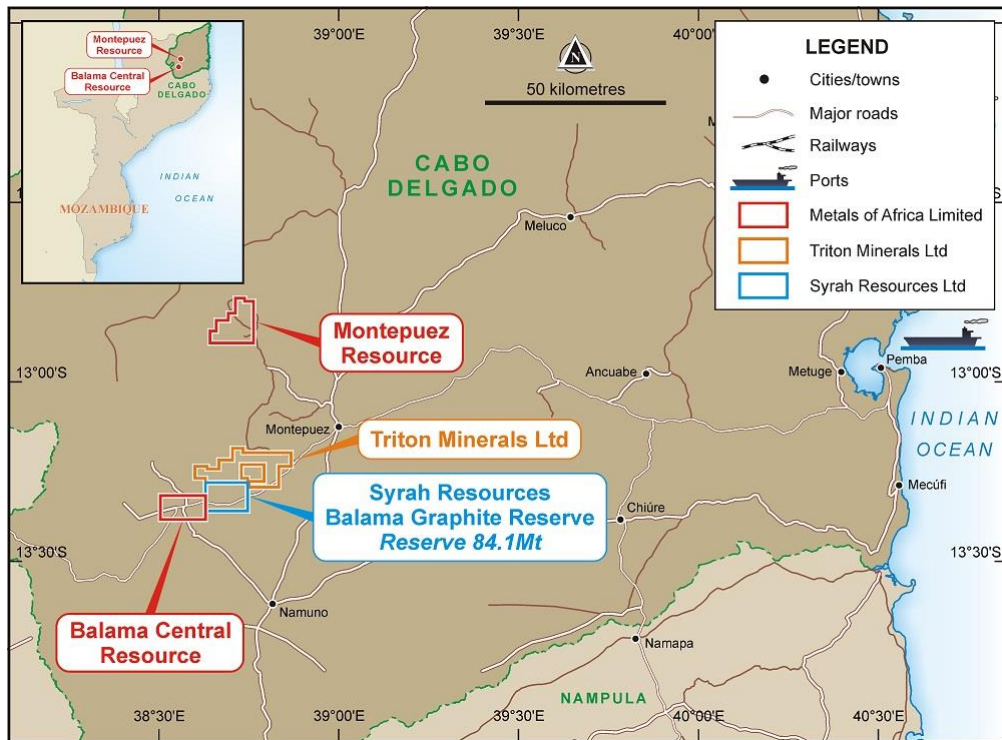


Figure 1: Project location in Mozambique, East Africa

The DFS is designed to build on the foundations of the Montepuez Project's underlying low OPEX and CAPEX metrics outlined in the Concept Study completed in February 2016, and to provide a detailed framework for the development of the Project next year.

Graphite is used as the anode in a lithium ion battery. Lithium ion battery demand is soaring due to the popularity of electric vehicles and home storage batteries. A key pillar of the Company's strategy is to produce and support the production of lithium ion batteries by supplying high quality environmentally sustainable spherical graphite. The Company intends to play a role in positively disrupting the current graphite market via the application of a cost competitive, non-acidic production technique that utilises an advanced thermal heat process instead.

Cautionary Statement


The Company advises that a proportion of the production target referred to in this announcement is based on an inferred mineral resource. There is a low level of geological confidence associated with inferred mineral resources and there is no certainty that further exploration work will result in the determination of indicated mineral resources or that the production target itself will be realised. Further detail around Concept Study included in ASX announcement dated 10 February 2016. The Company confirms that the material assumptions underpinning the production target in the Concept Study have not materially changed since first reported, pursuant to ASX listing rule 5.19.

Operations

Mozambique Montepuez Project - High Grade Graphite

Definitive Feasibility Study (DFS) – Overview

On completing a concept study to +/- 40% accuracy (refer ASX announcement 10 February 2016) on the Montepuez project, key metrics suggested the potential for a 100ktpa graphite concentrate project with very low operating costs of USD\$300p/t and capital costs of USD\$166M. While only at concept study level, the metrics of the Montepuez Project were considered highly favourable with significant commercial potential. Subsequently the Company elected to bypass a pre-feasibility study and rapidly advance directly to a DFS. During the quarter the Company completed reserve definition drilling, bulk sampling,



detailed metallurgical test work which delivered exceptional results, positive battery test work, environmental and hydrological investigations and a community development program.

The results of the DFS to date are favourable and support the main assumptions in the concept study.

Subsequent to quarter end the Company's joint-owned spherical graphite pilot plant in the USA was commissioned, which will enable the Company to produce battery anode test material (spherical graphite). This is a major milestone, as the production of high quality battery test-feed material will enable the Company to provide battery companies, graphite end-users and potential off-take partners with adequate samples for them to create and test their appliances using the Company's graphite. This high level testwork is required to be completed by the end-user during the detailed due diligence phase of any binding off-take negotiations.

Technical due diligence and negotiations with potential end-users remain ongoing. MTA executives travelled to China, Japan, Korea and USA in July and August to advance these discussions.

The Company is on track to report on the definitive feasibility study results in December 2016.

Assuming completion of a favourable DFS on schedule, receiving appropriate project finance and achievement of other key project milestones as required, the Company remains committed to an aggressive timeline to first production in 2018.

Balama Central – High Grade Graphite in Mozambique

The Company is maintaining its Balama Central project in good standing and is considering joint mine development of the Balama and Montepuez graphite projects, utilizing a central processing facility that would likely to be located at the Montepuez project, due primarily to the Montepuez Project boasting a larger defined JORC Resource and also being located away from communities/agriculture.

Detailed metallurgical test work and due diligence work is ongoing at the Balama Project and results continue to exceed expectations for a very high quality/purity graphite concentrate and battery material.

Other Projects

Kroussou – High grade lead-zinc in Gabon

Given the high quality of the Company's graphite assets in Mozambique, the Company remains focused on graphite and is in discussions to divest a majority interest in the Kroussou project via a joint venture.

During the quarter the Company maintained the Kroussou project in good standing via conducting additional reconnaissance work, which included the planning of drill hole collars via an on-ground work program.

Ruby JV in Mozambique (MTA diluting to 25%)

During the quarter the Company's joint venture partner, Mozambican Ruby Lda progressed the Montepuez East Ruby Project via conducting a 2000 metre auger drill program. The drill program went very well and identified numerous additional fertile (corundum/ruby bearing) gravel horizons and additional fertile amphibolite's (the host rock which is the source of the rubies) which were previously unknown. Approximately 500 samples were generated by the drill program and these samples require washing, sorting and then analysis.

A pilot plant unit has been constructed and will be mobilized to the project location during the December quarter for trial mining and processing to commence.

Detailed mapping and soil sampling within the license is ongoing. Based on a combination of drilling and costeaning, the Company has identified a number of corundum prospects which will be subject to follow up work targeting high quality gem discovery.



Corporate

Subsequent to the end of the quarter, the Company appointed Mr David Flanagan as Non-Executive Chairman with immediate effect (ASX announcement, 11 October 2016). Mr Flanagan's appointment illustrates the Company's transition from Exploration to Production focused skillset.

Mr Flanagan has forged a successful career in exploration and mining over a period of more than 25 years, in Australia, Africa and Asia, and is acknowledged as a resources industry leader. He was the founder of Atlas Iron (ASX: AGO) and during his 12 year tenure, steered the company from a junior explorer to an ASX top 100 listed iron ore exporter, which operated three iron mines in the Pilbara of Western Australia, producing 15Mtpa of iron ore.

As Chairman of Metals of Africa, he will play a key role in leading the Company through the development and construction and production phases while also maintaining a fit for purpose governance structure in place.

Financial

The Company continues manage its balance sheet in a responsible and prudent manner, and at the end of the quarter had approximately \$3.9million in cash reserves. In addition to the 325 million shares currently on issue there are 58 million listed options (ASX: MTAO) trading with an exercise price of 15 cents which expire on 7th January 2017.

During and subsequent to the quarter end, the Company has continued to enjoy significant market support with various investment groups. Farjoy Pty Ltd has continued to acquire shares in the Company and they now have a 12.8% shareholding.

Investor Relations

Management continue to engage with listed market participants through international institutional road shows, conferences and individual broker presentations. As represented by the research published by Morgans, further support for the Company's strategy is anticipated as we move closer to production.

The Morgans Financial Limited issued research coverage on the Company, is available at; <http://metalsofafrica.com.au/index.php/press/>.

-Ends-

For further information please contact:

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Managing Director

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Fast Facts

US Spherical Graphite Test Mill (MTA invited to participate in JV by battery industry players)	Recent major development with the Company's JV partners demonstrating the ability to produce test samples of spherical graphite anode material for end-users. The goal of the Mill is to develop next generation, high performance anode materials for LiBs at a significantly lower cost and with a greatly reduced environmental footprint using a thermal method, compared to existing acid processes.
Superior Metallurgy	Concentrate grade of >98% TGC achieved, and flotation test work achieves 99.2% TGC purity concentrate. Largest proportion of recoverable large flake graphite of all Mozambique graphite deposits.
High Grade Deposits	Both the deposits Montepuez - 61.6Mt at 10.3% TGC, 0.26% V2O5, Balama Central - 16.26Mt at 10.45% TGC, 0.21% V2O5, one of few deposits globally with a JORC Resource greater than 50Mt and a TGC grade above 10%.
Low OPEX*	Concept study (10 February 2016) indicates US\$300/tonne OPEX for large-jumbo flake graphite product, US\$3500/t OPEX for coated spherical graphite product. Opex estimates to date are anticipated to be in the lower quartile in current global graphite production and provide significant market pricing resilience.
Fast Growing Market	<p>Flake graphite and spherical graphite markets growing rapidly in line with increasing demand for electric vehicles and in the home battery storage market.</p> <p>Uncoated anode-grade spherical graphite supply in 2015 was virtually monopolised by China, with output totalling 80,000t.</p> <p>According to Benchmark Minerals Intelligence, between 150,000 t/y and 170,000 t/y of additional anode-grade spherical graphite supply is needed by 2020 to keep the market in balance. The opportunity for the Company is anticipated to arise due to its low OPEX and environmental traceability.</p>
Environmental Traceability	The Company is preparing to be market leader in demonstrating its unique environmental credentials from community engagement, mining ethics, low carbon footprint and ultra-low chemical consumption in processing.

*Refer cautionary statement on Page 2.

Tenement Summary – 30 September 2016

1. MINING TENEMENTS HELD				
Tenement Reference	Location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
5572	Mozambique	Granted, subject to earn in agreement	100%	100% ¹
6216	Mozambique	Granted	100%	100%
Kroussou	Gabon	Granted	90%	90%
4118	Mozambique	Acquisition completed subject to transfer of licence.	100% ²	100% ²

1. Subject to JV with Mozambican Ruby LDA, announced to ASX 20 October 2015. Should relevant expenditure commitments be met by Mozambican Ruby LDA then they will acquire 75% of license 5572.
2. License 4118 acquired as per ASX Announcement 22 August 2014. Final consideration being US\$200,000 in shares has not been made and is subject to transfer of License 4118 into the Company's name.

2. MINING TENEMENTS ACQUIRED/DISPOSED				
Tenement Reference	Location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
ACQUIRED Nil				
DISPOSED Nil				

3. BENEFICIAL PERCENTAGE INTERESTS HELD IN FARM-IN OR FARM-OUT AGREEMENTS				
Tenement Reference	Location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
5572	Mozambique	Granted, subject to earn in agreement	100%	100% ¹

Subject to earn-in agreement with Mozambican Ruby LDA, announced to ASX 20 October 2015. Should relevant expenditure commitments be met by Mozambican Ruby LDA then they will acquire 75% of license 5572.

4. BENEFICIAL PERCENTAGE INTERESTS HELD IN FARM-IN OR FARM-OUT AGREEMENTS ACQUIRED OR DISPOSED				
Tenement Reference	Location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
ACQUIRED Nil				
DISPOSED Nil				

About Metals of Africa Limited

Metals of Africa Limited (ASX: MTA) is a graphite focused exploration company, rapidly progressing towards development. MTA has successfully delineated two world class, high grade graphite resources in Mozambique, East Africa.

The 100% owned Montepuez Resource boasts 61.6Mt at 10.3% TGC, and the nearby Balama Central Resource contains 16.3 Mt at 10.4% TGC. The Balama Central Resource was defined in less than one month of drilling, less than 5% of the prospective geology has been tested and both resources remain open in all directions, signifying the potential scale of the projects. MTA is now seeking a partner to advance its zinc project located in Gabon.

Montepuez Graphite Project

November 2015 Mineral Resource Estimate (6% TGC Cut-off)

Class	Tonnes	TGC	V ₂ O ₅	Cont. Graphite	Cont. V ₂ O ₅
	Mt	%	%	Mt	Kt
Measured	-	-	-	-	-
Indicated	27.6	10.4	0.23	2.9	62
Inferred	34.1	10.2	0.30	3.5	101
Total	61.6	10.3	0.26	6.3	163

Balama Central Graphite Project

March 2016 Mineral Resource Estimate (6% TGC Cut-off)

Class	Tonnes	TGC	V ₂ O ₅	Cont. Graphite	Cont. V ₂ O ₅
	Mt	%	%	kt	kt
Measured	-	-	-	-	-
Indicated	8.9	9.3	0.16	836	14
Inferred	7.3	11.8	0.27	863	20
Total	16.3	10.4	0.21	1,699	34

The entity is not aware of any new information or data that materially affects the information included in the relevant market announcements and that all material assumptions and technical parameters underpinning the estimates in the previous market announcements continue to apply and have not materially changed.

MTA has uniquely positioned itself amongst its peers and is now poised to quickly transition into development with an extremely low cost operating profile. MTA prides itself on its environmental best practice policies, zero harm and ongoing positive community development programs.

Metals of Africa is conducting a series of research and development activities and trials in both Australia and Africa in establishing the best process methodology in mineral exploration, mining and processing. This activity is for the benefit of the company's holdings and in the licensing of intellectual property as a means of bringing these ideas to the market.

Competent Persons Statement

The information in this report that relates to Exploration Results is based on information compiled by Ms. Cherie Leeden, who is Managing Director and who holds shares and options in the Company. Ms. Leeden is a Member of the Australian Institute of Geoscientists and has sufficient experience of relevance to the styles of mineralisation and the types of deposits under consideration, and to the activities 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, Mineral Resources and Ore Reserves. Ms. Leeden consents to the inclusion in this report of the matters based on information in the form and context in which it appears.

The information in this report that relates to Exploration Targets and Mineral Resources is based on information compiled by Mr Robert Dennis who is a Member of Australian Institute of Geoscientists and a full time employee of RPM Limited. Mr Dennis has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration 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. Mr Dennis consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

Metals of Africa Limited

ABN

75 152 071 095

Quarter ended ("current quarter")

30 September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation	(895)	(1,964)
(b) development	-	-
(c) production	-	-
(d) staff costs	(174)	(444)
(e) administration and corporate costs	(246)	(589)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	9	17
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	(20)
1.9 Net cash from / (used in) operating activities	(1,306)	(3,000)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	1,073	5,618
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	(57)	(224)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	1,016	5,394

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	4,189	1,505
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,306)	(3,000)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,016	5,394
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	3,899	3,899

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	3,899	4,189
5.2 Call deposits	-	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	3,899	4,189

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

**Current quarter
\$A'000**

98

-

Director fees and consulting.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

**Current quarter
\$A'000**

-

-

n/a

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		
n/a		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	(1,640)
9.2 Development	-
9.3 Production	-
9.4 Staff costs	(175)
9.5 Administration and corporate costs	(250)
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	(2,065)

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	-	-	-	-
10.2 Interests in mining tenements and petroleum tenements acquired or increased	-	-	-	-

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here: Date: Company Secretary
(Director/Company secretary)

Print name: Steven Wood
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Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.