

ASX RELEASE: 31 OCTOBER 2016

SEPTEMBER 2016 QUARTERLY ACTIVITIES REPORT

- ▶ Admiral Bay Scoping Study confirms potential to support a large, long life and low cost Zn/Pb/Ag operation
- ▶ Commenced Pre-Feasibility Study (PFS) and process to seek a joint venture partner for Admiral Bay where discussions are advancing with a wide range of industry participants
- ▶ Drilling is set to commence at the Pilgangoora South Lithium project
- ▶ New targets identified at Lake Cowan and Greenbushes Lithium projects
- ▶ Exploration underway at the Kyarra Cobalt Project in the emerging Yerrida Basin
- ▶ Cash balance of approximately \$5.0* million at 30 Sept 2016

ADMIRAL BAY ZINC-LEAD PROJECT (100% MCT)

Scoping Study completion with positive results and progression to PFS

Post the quarter, Metalicity advised that it had received positive results from the recently completed Scoping Study on its 100%-owned Admiral Bay Zinc Project in the Kimberley region of Western Australia (see Metalicity ASX announcement released 29 July 2016, *"Positive Admiral Bay Scoping Study Update"*).

The Scoping Study, completed by expert technical consultant SRK Consulting, confirmed the view of the Metalicity Board that the Admiral Bay deposit is capable of delivering a long life and low cost zinc/lead/silver operation of world class scale (see Figures 1 and 2).

Key outcomes of the completed Scoping Study include:

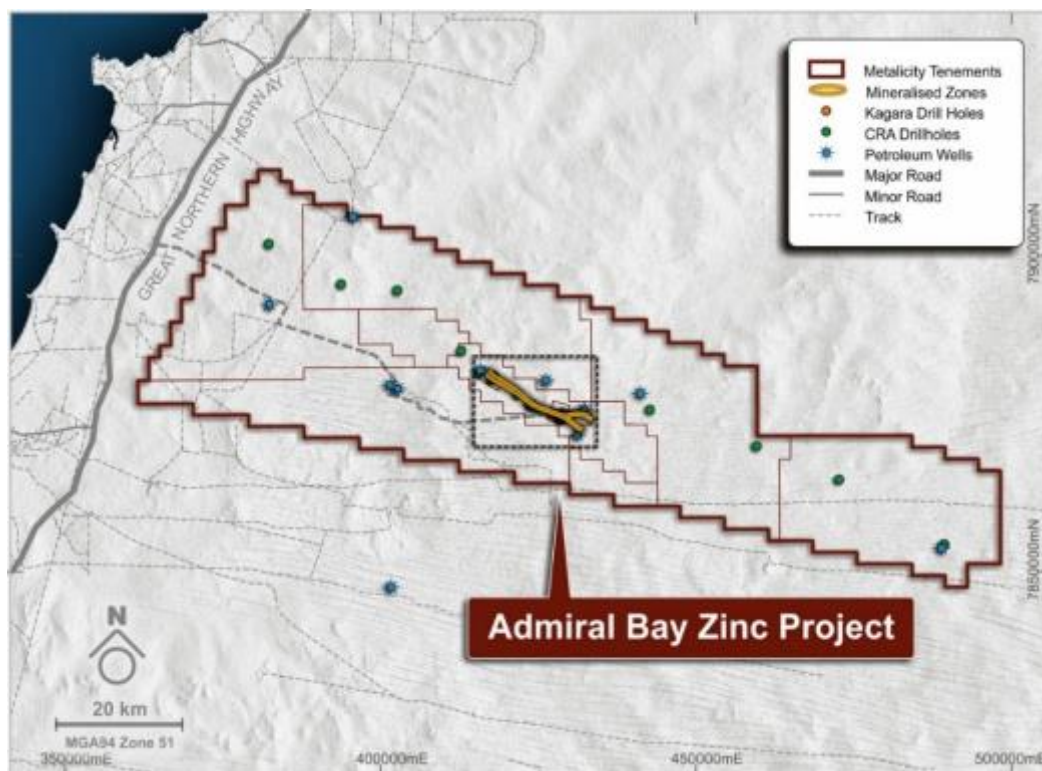
- A new geological model and Inferred Mineral Resource Estimate – approximate 30% increase in ZnEq grade and 100% increase in ZnEq contained metal (see Metalicity ASX announcement on 4 July 2016)
- Open stoping (with backfill) as the base case mining method with recommended feasibility evaluation of automated mining given rock properties, deposit geometry and further automation/cost benefits
- No deleterious metallurgical behaviour and high projected metal recoveries (90-95%) through a conventional flotation processing route
- Sealed container trucking and shipping through existing Port Hedland facilities the preferred export path

The Metalicity Board will now commence a Pre-Feasibility Study (PFS) on the Admiral Bay Zinc Project. The initial focus of the PFS work will be refinement of the preferred PFS pathway, including more detailed evaluation of specific development options and mining techniques.

In parallel, Metalicity will be undertaking a process to seek a joint venture partner to participate in the PFS process and allow acceleration of the targeted Admiral Bay development timeline.

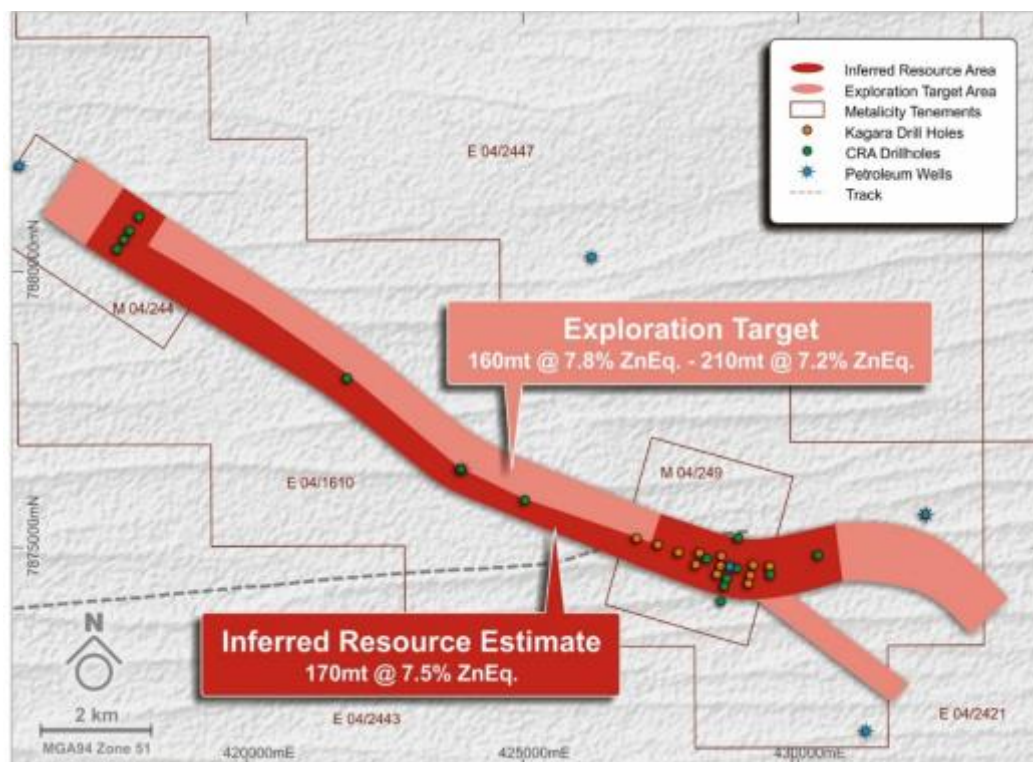
Discussions are advancing with a wide range of industry participants regarding a Joint Venture at Admiral Bay.

Figure 1: Admiral Bay Zinc Project: Mineralised zones and historic drilling



Source: Metalicity

Figure 2: Admiral Bay Zinc Project: MRE and ETR in plan view



Source: Metalicity

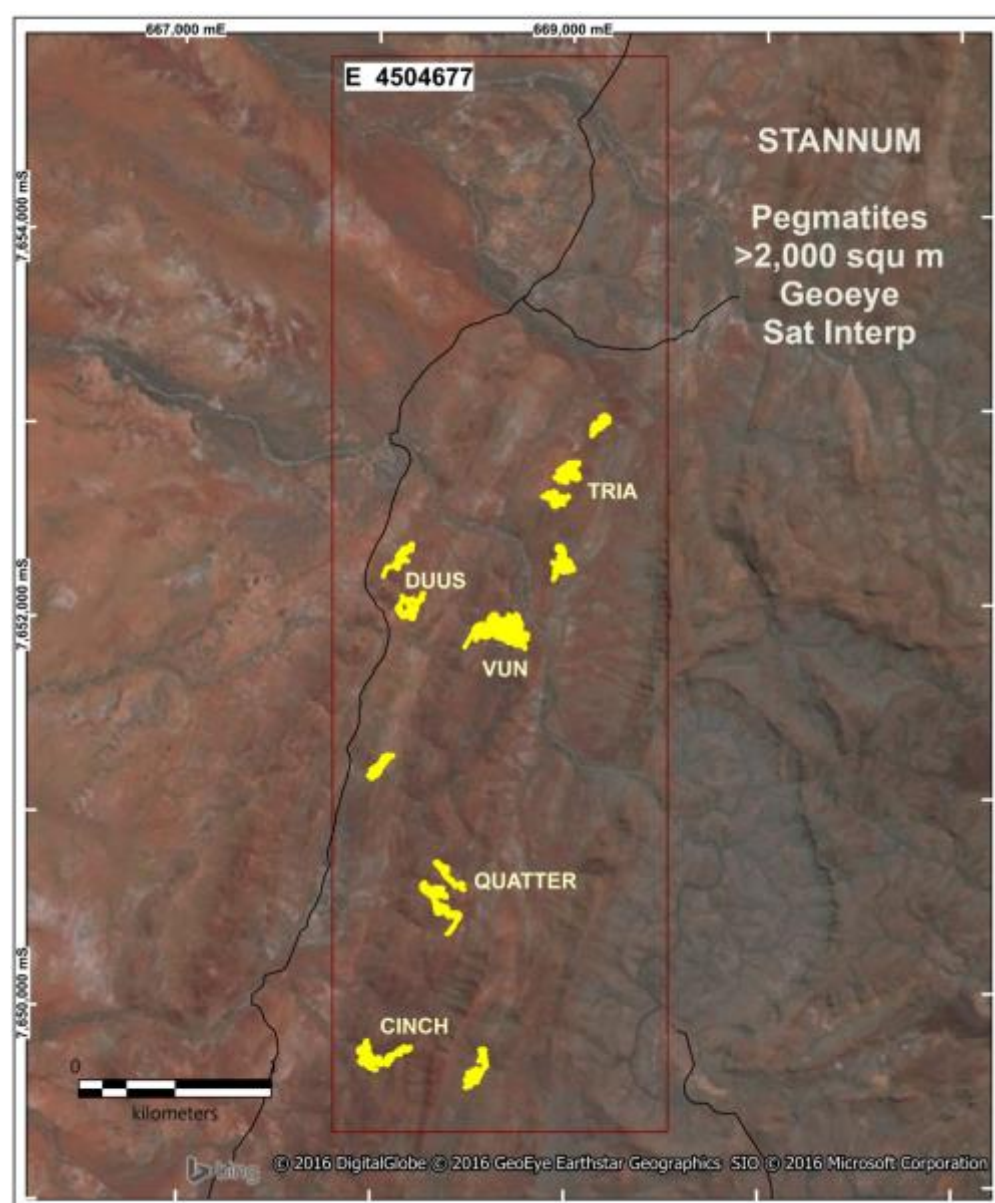
LITHIUM PROJECTS (100% MCT)

Drilling to commence at Pilgangoora South

Sampling and mapping in the previous quarter has allowed priority areas for drilling to be identified. Recent grant of the key Stannum tenement (E45/4677) subsequent to the end of the quarter has allowed planning to progress and an initial 1200-1500m Reverse Circulation drilling program will be undertaken as soon as the requisite approvals have been obtained.

The initial drill program at Stannum will build on first pass field work. It will seek to determine the potential for outcropping pegmatites to be connected under cover and whether these pegmatites form one continuous strike extent with portions partially buried under shallow cover, testing the extent and thickness of the largest northern pegmatites.

Figure 3: Major Outcropping Pegmatites at Stannum – proposed drilling will test Vun, Duus and Tria bodies.

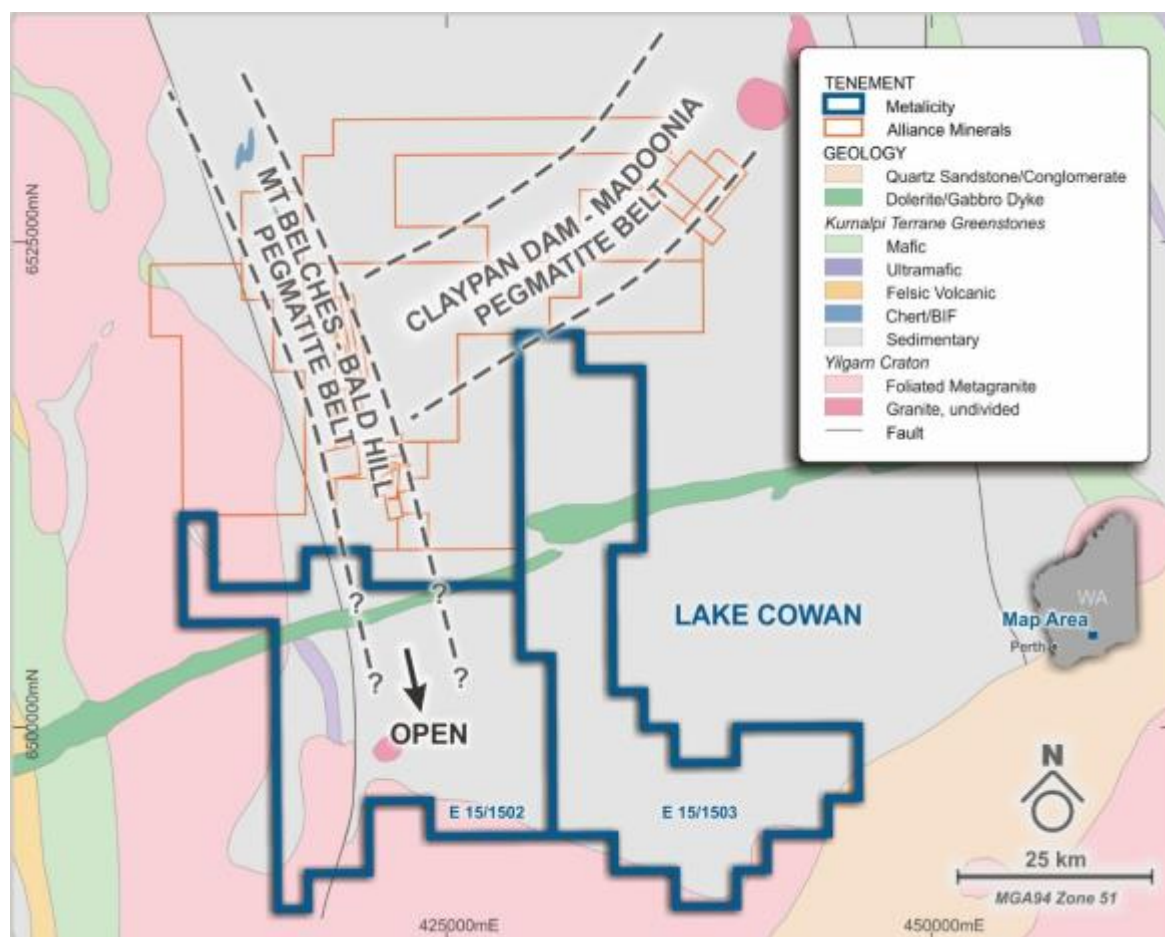


Source: Metalicity

New Targets Identified at Lake Cowan Lithium Project

Lithium and associated rare element anomalism was identified in historical work on the northern margin of the Lake Cowan Project. Geochemical sampling over this area of interest will be followed up upon grant of the tenure.

Figure 2: Lake Cowan Project area over Regional Geology, showing trend of Mt Belches-Bald Hill Pegmatite Belt extending onto Metalicity tenement E15/1502



Source: Metalicity

New Targets Identified at Greenbushes Regional Lithium Project

Surface sampling at the Greenbushes project identified areas of anomalism that will be followed up for drill targeting upon grant of the company's tenure. Additional historic data was identified and is being reviewed to refine these targeting efforts.

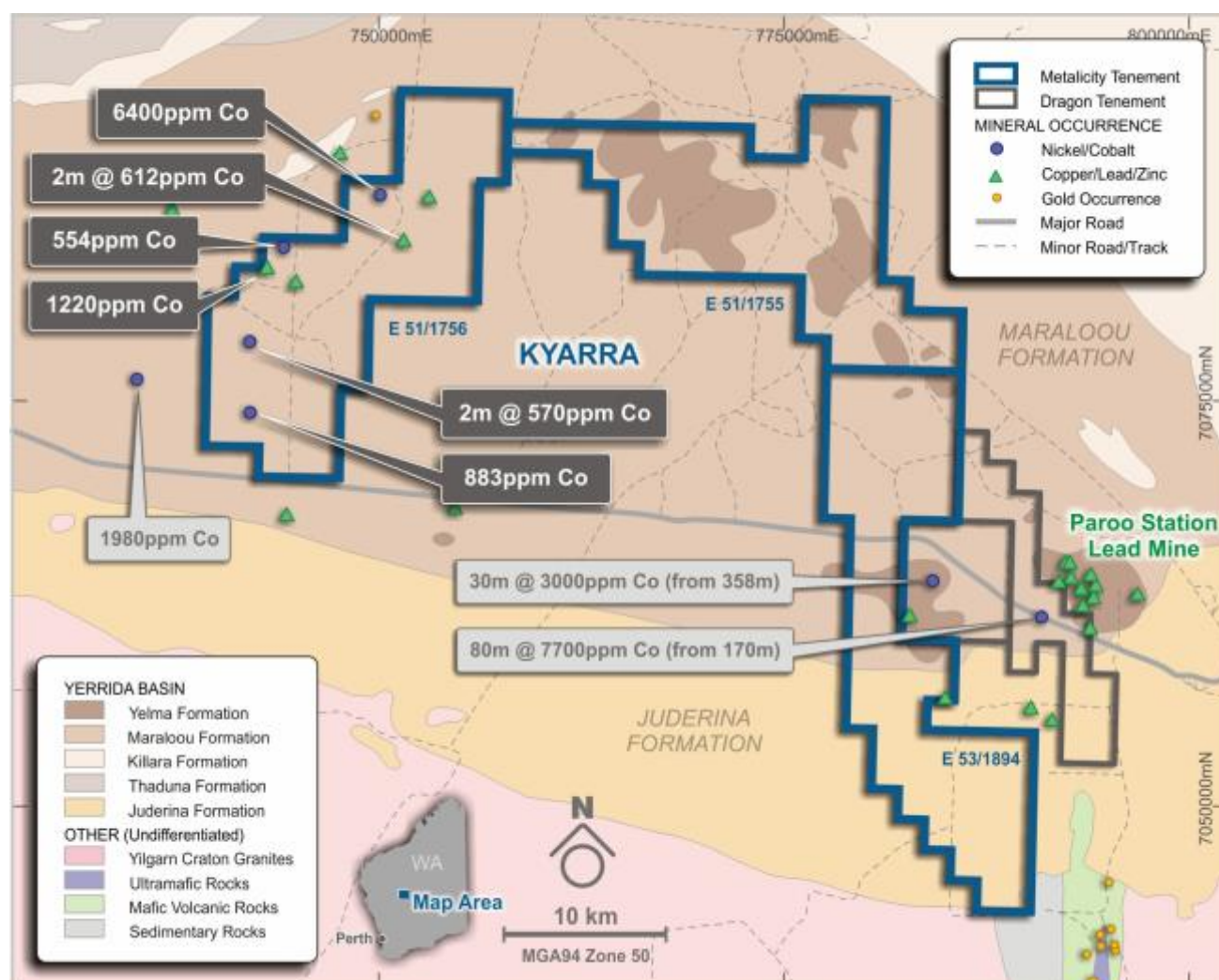
KYARRA COBALT PROJECT (100% MCT)

The Kyarra Cobalt Project (E51/1755, E51/1756 and E53/1894) lies within the Proterozoic Yerrida Basin on the northern margin of the Yilgarn Craton. The project adjoins the Tabac Cobalt-Gold project where significant intersections of cobalt have been reported including 80m at 0.77% Co and where the location and stratigraphic position of the observed cobalt anomalism is interpreted by others to have numerous similarities to the mineralisation model of the significant copper-cobalt deposits of the Zambian Copper Belt.

The project is well located in terms of access and infrastructure for exploration and mining. The project is located on the Goldfields Highway 40km west of Wiluna, 10km west of the Tabac Cobalt-Gold project and the Paroo Station Mine and Camp (Care and Maintenance) in the Northern Goldfields region of WA. The three ELA's give Metalicity a dominant land holding in this newly identified cobalt district in the Yerrida Basin.

Desktop and field exploration work is underway with review of historical exploration data, acquisition and re-processing of relevant geophysical data, as well as geochemical sampling and field surveys planned to identify priority areas for drilling once the tenements are granted, which is expected to be in the first half of 2017.

Figure 2: Kyarra Project Tenure over regional geology showing historic assay results from DMP database



Source: Metalicity

MUNGLINUP NORTH GRAPHITE PROJECT (100% MCT)

Data review was undertaken during the quarter in preparation for field work and drilling.

ROCKY GULLY PROJECT (100% MCT)

Data review and compilation was undertaken during the quarter in preparation for field work and drilling, while consideration is being given for potential corporate restructuring of the gold projects into a new listed vehicle.

CORPORATE AND FINANCIAL

Cash balance

The Company's cash balance at quarter end stood at approximately \$3.7 million.

The Company anticipates R&D Tax Rebate of \$480,000.

The Company anticipates a \$400,000 Office of State Revenue refund.

The Company currently has some \$2.5m of Options in the money, some of which are being exercised.

ENQUIRIES

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Competent Person Statement Regarding Admiral Bay

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC Code') sets out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves. The Information contained in this announcement has been presented in accordance with the JORC Code and references to "Measured, Indicated and Inferred Resources" are to those terms as defined in the JORC Code.

The information in this report that relates to Geology and Exploration Results is based, and fairly reflects, information compiled by Mr Michael Hannington, who is a Member of the Australian Institute of Geoscientists. Mr Hannington is a fulltime employee of Metalicity. Mr Hannington 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 Hannington consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relate to the Mineral Resource and Exploration Target estimates is based on, and fairly represents, information which has been compiled by Mr James Ridley. Mr Ridley is a Director and Principal Geologist at Ridley Mineral Resource Consulting Pty Ltd and a Member of the Australasian Institute of Mining and Metallurgy. Mr Ridley has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that is being undertaken to qualify as Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Ridley consents to the inclusion in this report of the matters based on his information in the form and context in which they appear.

All parties have consented to the inclusion of their work for the purposes of this announcement. The interpretations and conclusions reached in this report are based on current geological theory and the best evidence available to the authors at the time of writing. It is the nature of all scientific conclusions that they are founded on an assessment of probabilities and, however high these probabilities might be, they make no claim for absolute certainty. Any economic decisions which might be taken on the basis of interpretations or conclusions contained in this report will therefore carry an element of risks.