

ASX Market Update/Media release – Wednesday 2 November 2016

Metals of Africa enters into Agreement to advance the Kroussou Zinc-Lead Project

Highlights

- **Metals of Africa and Zambezi Resources have entered into an Option Agreement to advance the exploration of Metals of Africa's Kroussou Zinc-Lead Project in Gabon.**
- **Zambezi has the ability to earn up to a 70% interest in the Kroussou Project under the Agreement, as follows:**
 - **Zambezi to fund an initial drill program at the Project up to US\$250,000;**
 - **Should it elect to exercise its Option prior to 31 July 2017, it will pay MTA US\$240,000 in cash and/or shares as a reimbursement of costs and to secure the right to earn 30% of the Project via the expenditure of US\$1m within 12 months of exercise date;**
 - **Zambezi may earn a further 40% of the Project via the expenditure of a further US\$3m in the subsequent 24 months.**
 - **Upon Zambezi earning a 70% interest in the Project, MTA will be free carried to completion of a PFS and will have the option to contribute to a DFS, or dilute its interest.**
- **The Agreement facilitates the rapid advancement of the Project and allows MTA to focus wholly on its world class Montepuez and Balama Central Graphite Projects in Mozambique.**

Metals of Africa Limited (ASX: MTA) (the Company) is pleased to announce it has entered into an Option Agreement (Agreement) with Zambezi Resources Limited (ASX: ZRL) (Zambezi) for Zambezi to earn into the highly prospective Kroussou Zinc-Lead Project in Gabon.

Zambezi has the ability to earn up to a 70% interest in the Kroussou Project under the Agreement, which paves the way for the rapid advancement of the Project and the realisation of its significant potential value. Zambezi is an active exploration company with African exposure and a focus on base metals.

The Agreement will also allow Metals of Africa to focus wholly on the continued development of its world class Montepuez and Balama Central graphite projects in Mozambique. The Company is working towards becoming a reliable, long term supplier of high quality natural flake and spherical graphite.

Key Transaction Terms

- **Drill Option – Zambezi will fund an initial near term drilling program at the Kroussou Project up to US\$250,000;**
- **Should Zambezi elect to exercise its Option prior to 31 July 2017, it will pay Metals of Africa US\$240,000 in cash and/or shares as a reimbursement of costs and to secure the right to earn 30% of the Kroussou Project through the expenditure of US\$1 million within 12 months of the exercise date;**
- **Zambezi can then earn a further 40% of the Project (70% in total) through the expenditure of a further US\$3 million in the subsequent 24 months.**

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- Upon earning its 70% interest in the Project, Zambezi will free carry Metals of Africa through to the completion of a Pre-Feasibility Study (PFS), as defined in JORC 2012. At that point Metals of Africa will have the option to contribute to the delivery of a Definitive Feasibility Study (DFS), as defined in JORC 2012, or dilute via standard industry formulae to 5% whereby below that, its interest will convert to a 2.5% Net Smelter Royalty (NSR). ZRL will have the option to buy back 1% of this royalty through the payment of US\$1 million to MTA.

Kroussou Project Background

Metals of Africa acquired the Kroussou Project in 2014 (ASX announcement 1 April 2014) on the basis of the encouraging prospectivity of historical exploration conducted at the Project from 1962 to 1980. These early programs identified significant near surface base metal mineralisation, which included drilling over a small portion of the target areas - only 2 of 18 exposed channels were drill tested by historical explorers, Bureau de Recherches Géologiques et Minières (BRGM), and both drilled channels contained significant base metal mineralisation. The base metal occurrences are mapped along the length of the Kroussou Project License - 84km for ~1,500km² of tenure.

Metals of Africa conducted its first phase of field work at the project in 2014. The program was highly successful and delivered high grade rock chip samples at the Dikaki and Kroussou Prospects, with grades up to 9.7% zinc and 33.1% lead. Refer ASX announcements, 28 October 2014 and 7 April 2015 for further details on exploration programs and results.

Commenting on the transaction, Metals of Africa Managing Director Cherie Leeden said:

“We are excited by the opportunity to see the Kroussou Project rapidly advance through our agreement with Zambezi. We have always recognised the Kroussou Project’s potential and Zambezi shares this view. While our focus is on our high grade graphite projects in Mozambique, stakeholders will also benefit from a continuing interest in the Kroussou Project and the improving dynamics in the zinc sector.”

The Company looks forward to working with Zambezi to explore and develop the Kroussou Project. Further information on Zambezi is available via its company website; www.zambeziresources.com.

Ends.

For further information, please contact

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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.

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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 (see Table 1 below). 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.

Table 1: 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 |

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.

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