

ASX Announcement

5 June 2017

Multiple Significant Magnetic Graphite Conductors Identified at Lac Rainy Nord and Lac Rainy Est**Highlights:**

- **Metals Australia has identified multiple significant magnetic graphite conductors at the Lac Rainy Nord and Lac Rainy Est Graphite Projects, located in Quebec, Canada**
- **Significant graphite mineralised conductors on the northern portion of the Lac Rainy Nord Graphite Project support the view that extensive high grade graphite mineralisation exists along strike from the Lac Knife Graphite Deposit**
- **The discovery of extensive magnetic conductors at the Lac Rainy Nord Graphite Project have confirmed the presence of additional graphite mineralisation in an area where limited historic exploration has occurred – significant exploration upside exists at Lac Rainy Nord**
- **The dominant magnetic conductors present on the Nevado Resources Fermont Property are closely associated with the graphitic mineralisation located on the Lac Rainy Nord Graphite Project**
- **A dominant magnetic conductor has been identified on the western portion of the Lac Rainy Est Graphite Project – this area has been subject to limited historic exploration, suggesting that this is a new zone of mineralisation**
- **MAG and TDEM surveys have confirmed the western extension of the high grade Carheil Prospect along strike into the Lac Rainy Est Graphite Project where the highest grade graphite results are located – new targets have been highlighted which will be followed up as part of the Phase II exploration campaign**
- **Lac Rainy Nord and Lac Rainy Est are located adjacent to the Lac Knife Graphite Deposit owned by Focus Graphite, which is less than 4km south-west and hosts a Measured and Indicated Resource of 12.1Mt @ 14.64% Cg and an Inferred Resource of 2.3Mt @ 16.20% Cg**
- **Lac Rainy Est is less than 100 metres east of the Permit 861 graphite showing previously owned by Nevado Resources Corp, where samples have returned 22.27% Cg and 16.68% Cg (sample 2215 and 2214)**
- **High grade graphite samples collected from surface outcrops at Lac Rainy Est have been prioritised in the Phase II exploration campaign – results up to 28.1% Cg at surface have been identified**
- **The Phase II exploration campaign, to consist of mechanised trenching, sampling and drill target identification, is due to commence in late June 2017**

Diversified metals exploration company, Metals Australia Ltd (ASX: **MLS**) is pleased to announce that the Company has received the preliminary results of the Airborne Magnetic (**MAG**) and Time-Domain Electromagnetic (**TDEM**) surveys at the Lac Rainy Nord and Lac Rainy Est Graphite Projects, located in Quebec, Canada.

The preliminary results of the MAG and TDEM surveys have confirmed the presence of multiple thick zones of highly conductive graphite mineralisation on both projects. The final technical report from the Company's Canadian geophysical consultants has now been received, and the results are being analysed in conjunction with the Company's Canadian geological consultants. The Company expects that it will be able to update shareholders on the detailed results shortly.

The Company is very pleased with the initial results of the MAG and TDEM surveys and considers that both Lac Rainy Nord and Lac Rainy Est possess the potential to host significant thick zones of graphitic mineralisation.

The Lac Rainy Nord and Lac Rainy Est Graphite Projects cover an area of 3,714 hectares and are comprised of 71 mineral claims which are contiguous with a number of advanced and high grade natural flake graphite projects, including Focus Graphite's Lac Knife Graphite Deposit, the high grade Carheil Prospect previously owned by Mazarin, the high grade Permit 861 graphite prospect previously owned by Nevado Resources Corp and the Nevado Resources Corp Fermont Property.

Commenting on the preliminary results of the MAG and TDEM surveys, Mr Gino D'Anna, a Director of MLS stated:

"The exploration results at the Lac Rainy Nord and Lac Rainy Est Graphite Projects continue to exceed our expectations. To date, we have identified high grade natural flake vein-hosted graphite outcrops at surface at Lac Rainy Est which have yielded exceptionally high grade results up to 28.1% Cg. Our consolidated Lac Rainy projects are shaping up to be potentially world-class and we are very excited by what has been outlined in the MAG and TDEM surveys.

We are planning to commence our Phase II exploration campaign in the next couple of weeks and we have assembled a significant catalogue of follow up targets that will be rigorously investigated by our geologists in the field. We are aiming to be drill ready at our Lac Rainy projects by August 2017 as part of our Phase III exploration campaign. We will also be conducting a thorough metallurgical testing campaign, designed to demonstrate that our Lac Rainy graphite product has the ability to supply the growing Spherical Graphite market, a key component in the lithium-ion battery.

The recently completed MAG and TDEM survey identified several highly conductive thick graphitic horizons which will be followed up during our Phase II and Phase III exploration campaigns.

Multiple new zones of thick graphite mineralisation have been identified which, historically, have only ever been subject to limited exploration, and this supports our belief that significant tonnages of high grade vein-hosted natural flake graphite exists on our projects. This is a very exciting time for MLS."

The consolidated Lac Rainy projects are located adjacent to several high grade graphite deposits, including the Lac Knife Graphite Deposit owned by Focus Graphite, which hosts a Measured and Indicated Resource of 12.1Mt @ 14.64% Cg and an Inferred Resource of 2.3Mt @ 16.20% Cg.

Located less than 100 metres west of the Lac Rainy Est Graphite Project licence boundary, samples have returned 22.27% Cg and 16.68% Cg (sample 2215 and 2214) within the Permit 861 graphite occurrence.

In addition, the high grade Carheil Prospect, previously owned by Mazarin, which is located within 200 metres of Lac Rainy Est along strike. The Carheil Prospect has returned results of 35.49% Cg and 40.67% Cg.

On 30 May 2017, the Company reported the results of high grade outcrop samples at the Lac Rainy Est Graphite Project, confirming the presence of extensive and thick high grade natural flake graphite mineralised horizons on the property. The samples, which were taken along strike of the advanced and high grade Carheil Prospect, have been delineated over 1.6km strike length, and confirms that the Lac Rainy Est Project is highly prospective for high grade vein-hosted natural flake graphite mineralisation.

These rock samples, collected from surface exposures of the vein-hosted graphite demonstrate the potential of the project to host high grade graphite which starts at surface. High grade samples taken at the Lac Rainy Est Project include:

- **28.10% Cg in Sample 2413**
- **23.81% Cg in Sample 2407**
- **20.85% Cg in Sample 2410**
- **20.74% Cg in Sample 2406**
- **19.50% Cg in Sample 2411**
- **18.82% Cg in Sample 2408**

The presence of high grade graphite at surface combined with the close proximity of other high grade graphitic carbon results at nearby deposits and occurrences highlights the strong potential for further graphite mineralisation to be identified at the Lac Rainy Nord and Lac Rainy Est Graphite Projects.

Preliminary Results of MAG and TDEM Surveys

As announced on 13 April 2017, the Company completed an Airborne Magnetic (MAG) and Time-Domain Electromagnetic (TDEM) survey across both the Lac Rainy Nord and Lac Rainy Est Graphite Projects.

The MAG and TDEM surveys have confirmed the western extension of the high grade Carheil Prospect, which is located south-east and along strike of the Lac Rainy Est Graphite Project. The previously reported high grade graphite results from outcropping zones are located within this extensive conductive corridor. This is a dominant geological feature of the Lac Rainy Est Project, and is associated with these high grade graphite horizons. In addition to confirming the western extension across the project area, a number of new targets at Lac Rainy Est have also been highlighted through the MAG and TDEM surveys which will be followed up as part of the Phase II exploration campaign.

A number of significant graphite mineralised conductors on the northern portion of the Lac Rainy Nord Graphite Project have been identified, with good access to this area via the use of an all purpose trail. This will enable exploration to be undertaken in a cost effective manner. The identification of these mineralised conductors supports the view that extensive high grade graphite mineralisation exists along strike from the Lac Knife Graphite Deposit, considered to be an extensive strike length in excess of 6 km.

The extensive magnetic conductors at the Lac Rainy Nord Graphite Project has confirmed the presence of additional graphite mineralisation in an area where limited historic exploration has occurred. Therefore, significant exploration upside exists at Lac Rainy Nord across the entire strike zone, as supported by the MAG and TDEM survey results. The dominant magnetic conductors present on the adjacent Nevado Resources Fermont Property are closely associated with the graphitic mineralisation located on the Lac Rainy Nord Graphite Project, and appear to be part of

a large contiguous body of graphitic mineralisation. This area has never been coherently explored, and will be a priority focus for the Company during the Phase II exploration campaign.

A dominant magnetic conductor has also been identified on the western portion of the Lac Rainy Est Graphite Project. Similar to many areas of the consolidated Lac Rainy projects, this area has only ever been subject to limited historic exploration in a non-systematic manner, and suggests that this is a new zone of mineralisation.

Figure 1 below illustrates the results of the MAG and TDEM surveys. The prevalence of the conductive zones across both the Lac Rainy Nord and Lac Rainy Est projects is clearly visible.

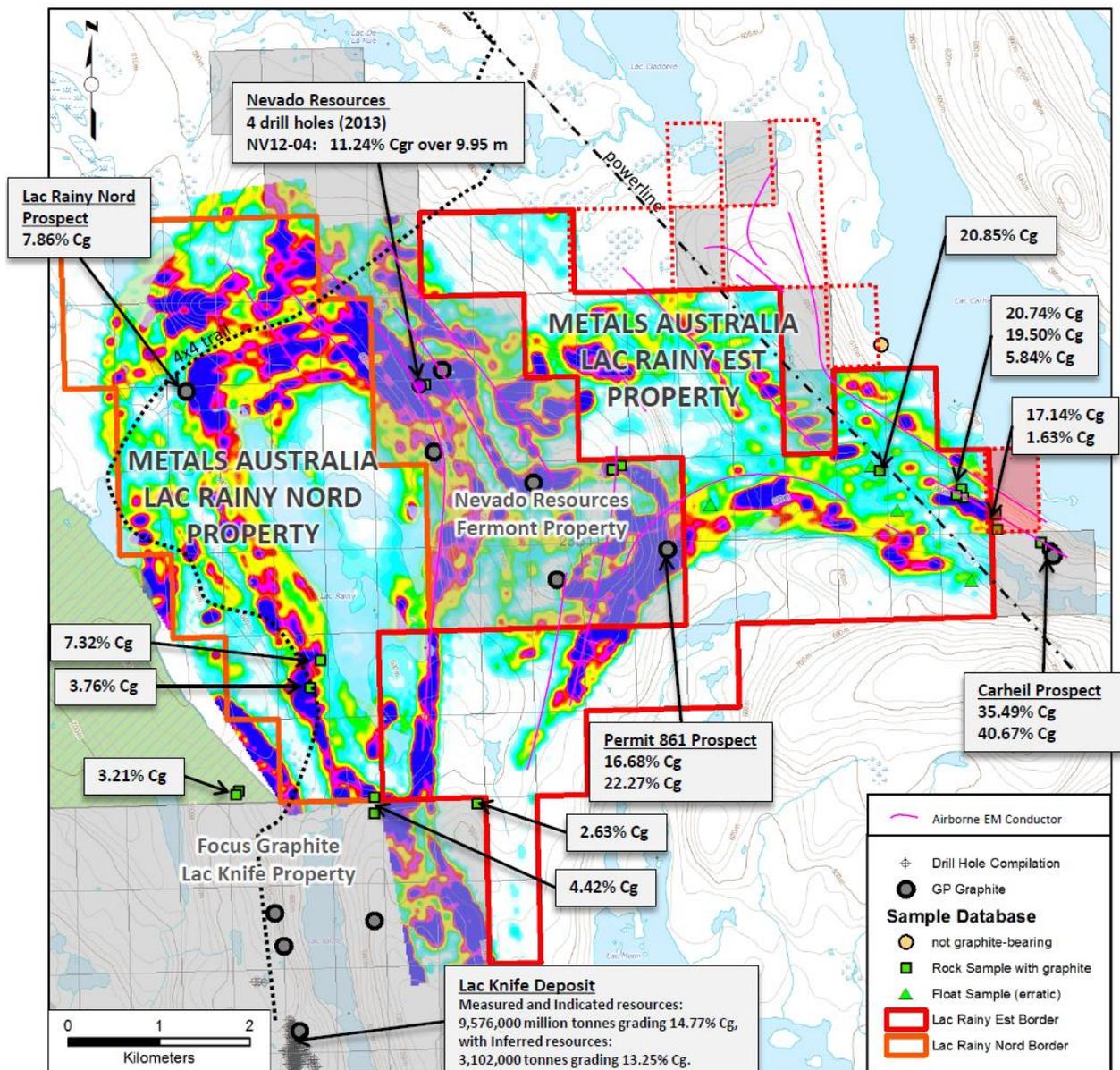


Figure 1: Results of the MAG and TDEM Surveys – Lac Rainy Nord and Lac Rainy Est Graphite Projects, Quebec, Canada

The Company is pleased with the results of the MAG and TDEM surveys. Multiple additional zones of high grade graphite mineralisation have been identified across both projects, and given their close proximity to numerous other high grade graphite deposits and occurrences, including the Lac

Knife Deposit with a grade of 14.64% Cg (Measured and Indicated) and the advanced Carheil Prospect with a grade of 35.49% Cg and 40.67% Cg, combined with the favourable infrastructure setting, the Company will be prioritising the exploration of the consolidated Lac Rainy projects.

As part of the interpretation of the MAG and TDEM surveys, the Company has prioritised certain targets that warrant immediate follow-up through a field based exploration campaign.

Upcoming Field Exploration Program

The Company is in the process of finalising its Phase II exploration field program to commence in the coming weeks. The second phase exploration campaign will consist of mechanised trenching, additional surface rock sampling, geological mapping and drill target identification.

As part of this second phase exploration campaign, the Company will seek to build on the historical exploration and will target additional extensions of the existing high grade graphite mineralisation present on both project areas. The additional targets which have been identified through the MAG and TDEM surveys will also be prioritised as part of this field exploration program.

It is anticipated that this second phase will take approximately 3 weeks to complete and depending on the outcome of the field exploration program, the Company will seek to commence a reconnaissance drilling program.

The global focus on renewable energy and the associated adoption of lithium-ion batteries as an energy storage medium has meant that the immediate inputs required for the manufacture of the lithium-ion battery are gaining significant attention with both investors and mining exploration companies. MLS is positioning itself to be at the forefront of this transformational technological revolution.

For more information, please contact:

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Competent Person Statement

Mr Glenn S Griesbach, P.Geol, a qualified person under NI 43-101, has reviewed and verified the technical information provided in this announcement. Any information in this announcement that relates to historical resources, resource estimates or exploration results, is based on information compiled by Mr Glenn S Griesbach, P.Geol, who is a Member of the Association of Professional Engineers and Geoscientists of Saskatchewan (a Recognised Overseas Professional Organisation ('ROPO') included in a list promulgated by the ASX from time to time). Mr Griesbach is a Consultant Geologist to and a shareholder of Metals Australia Ltd. Mr Griesbach 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 Griesbach consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.