

ASX Announcement

29th January 2018

Restructure of the Sherlock Bay Nickel-Copper-Cobalt and Gold Project, Pilbara, Western Australia

Highlights:

- Applications for forfeiture over Metals Australia's 30% interest in two Sherlock Bay Extended exploration licenses settled
- Metals Australia obtains an ongoing free carried interest in the two exploration licenses plus secures an ongoing free carried interest in a mining lease that contains a total mineral resource of 25.4 Mt @ 0.4% Ni for 100,000 tonnes of contained nickel metal
- The three tenements have been recognised as having untested potential for conglomerate-hosted gold mineralisation on strategically located ground surrounded by tenements held by Novo Resources Corp and adjacent to Artemis Resources Ltd
- Metals Australia to receive 1,800,000 shares in Sabre Resources Ltd (ASX:SBR) as well as an ongoing free carried interest in the two exploration licenses and the mining lease for entering into the settlement

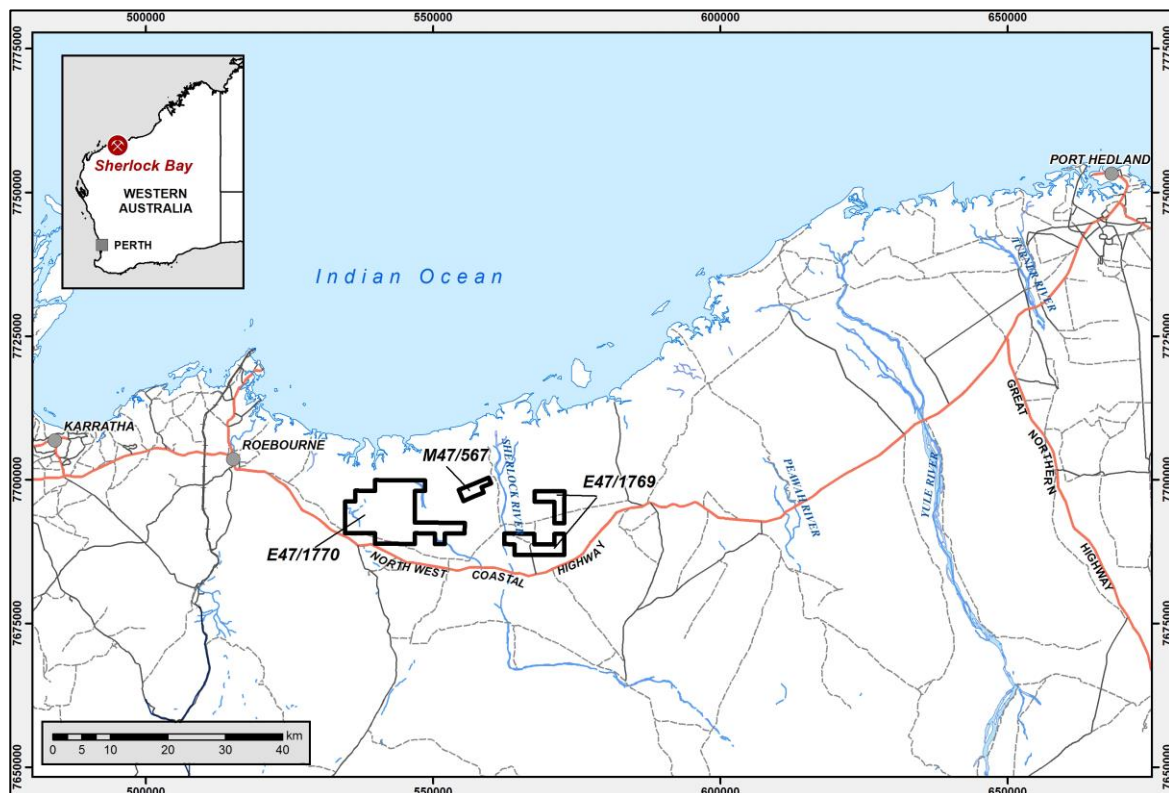


Figure 1: Location diagram of the Sherlock Bay tenements

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RESTRUCTURE OF SHERLOCK BAY EXTENDED BASE METAL PROJECT

The Sherlock Bay Extended Project was composed of two Exploration Licences (E47/1769 and E47/1770). These tenements surrounded the main Sherlock Bay nickel deposit (M47/567 wholly owned by Australasian Resources Ltd, ASX:ARH). The project area is prospective for gold, nickel, copper and cobalt mineralisation and its location is shown on Figure 1.

The Sherlock Bay Extended Project was a joint venture between ARH and Metals Australia Ltd (MLS: 30% interest). ARH was the manager of the project with Metals Australia being free carried.

As previously advised in the Metals Australia September 2017 quarterly report, applications for forfeiture by two separate parties had been lodged against the two exploration licenses. Applications for forfeiture were also lodged against mining lease M47/567, 100% held by ARH, an adjacent tenement, in which Metals Australia did not have an interest.

Under the joint venture agreement with Metals Australia, ARH was responsible for paying all outgoings and keeping the tenements in good standing. Metals Australia was concerned that it was at risk of losing its 30% share in the two exploration licenses.

Metals Australia formed the view that a commercial approach to settle the applications for forfeiture would result in a better outcome for its shareholders as opposed to the lengthy and expensive process of contesting the applications for forfeiture through the Wardens Court. To that end Metals Australia entered into discussions with ARH and the two separate parties that had lodged the applications for forfeiture and a settlement was negotiated. Binding Agreements have now been put in place to transfer the tenements, including M47/567 in which Metals Australia did not previously have an interest, into a separate company, with the various parties (including Metals Australia) retaining an interest.

Metals Australia was able to retain an ongoing free carried interest (albeit diluted) in the two exploration licenses and secured an ongoing free carried interest in the mining lease which contains the nickel resource (see Attachment A). Metals Australia and the other parties as a term of the overall settlement sold a 70% interest in E47/1769, E47/1770 and M47/567 to ASX listed Sabre Resources Ltd (ASX:SBR) in exchange for shares in SBR and an agreement by SBR to free-carry their remaining interest in the project.

The details of the restructure are as follows:

1. Metals Australia transferred its 30% interest in E47/1769 and E47/1770 (EL's which were subject to applications for forfeiture) into a holding company, Hammond Park Pty Ltd.
2. ARH transferred its 100% interest in M47/567, which was also subject to applications for forfeiture, and its 70% interests in the two EL's into the same holding company.
3. The effect of the above was that Hammond Park Pty Ltd now has the right to hold 100% of all three tenements.
4. Each of the two parties to the forfeiture applications entered into agreements with Metals Australia, ARH and the holding company.
5. Metals Australia obtained a 15% interest in two special purpose companies, Sherlock Operations Pty Ltd ("SBO") which holds 70% of the holding company and Sherlock Investors Pty Ltd ("SBI") which holds a 30% interest in the holding company. Metals Australia (along with all other parties) then onsold its shareholding in SBO to Sabre Resources Ltd (SBR). Metals Australia will receive 15% of the consideration payable by SBR, being 1,800,000 shares in SBR and in addition a contractual arrangement whereby its remaining interest is free carried.
6. Sabre Resources Ltd by purchasing all the shares in SBO from Metals Australia and the other parties now owns 100% of SBO which in turn owns 70% of Hammond Park Pty Ltd. A shareholder agreement was put in place whereby SBR (via ownership of SBO) will sole fund exploration on all the tenements.

The Board of Metals Australia Ltd (MLS) is very pleased with the outcome of the settlement and restructure and believes the outcome adds value for shareholders because the tenements were at risk of forfeiture. The end result is that MLS has obtained an ongoing free carried interest in three tenements including the M47/567 previously wholly owned by ARH. The mining lease contains an existing mineral resource of 25.4 Mt @ 0.4% Ni (at a 0.15% Ni cut-off grade), equivalent to approximately 100,000 tonnes of contained nickel metal (full details of the resource estimate are outlined in Attachment A). MLS will also receive payment of 1,800,000 shares in an ASX listed entity Sabre Resources Ltd (ASX:SBR).

Completion of the agreements will require transfer of the tenements and Ministerial approval is required for transfer of the Mining Lease.

GOLD EXPLORATION POTENTIAL

The Sherlock Bay Project covers ground that is in a highly sought after area with potential for conglomerate-hosted gold mineralisation. The project area is located in the western Pilbara, where the prospectivity for these gold deposits has recently been highlighted by companies including Novo Resources Corp (Novo), Artemis Resources Ltd (Artemis), De Grey Mining Ltd (De Grey) and others.

The Sherlock Bay Project tenements covers ground that is in an excellent geological location, within the conglomerate-hosted gold search area. **The project area is almost totally surrounded by tenements held by Novo on all sides and it is strategically located adjacent and to the east of ground held by Artemis and to the west of ground held by De Grey.** Research into the prior exploration on the Sherlock Bay tenements indicates that no significant or focused prior exploration for gold has been undertaken in the project area.

Accordingly, the potential for conglomerate-hosted gold mineralisation is untested on what is strategically located ground surrounded by tenements held by Novo Resources Corp and Artemis Resources Ltd.

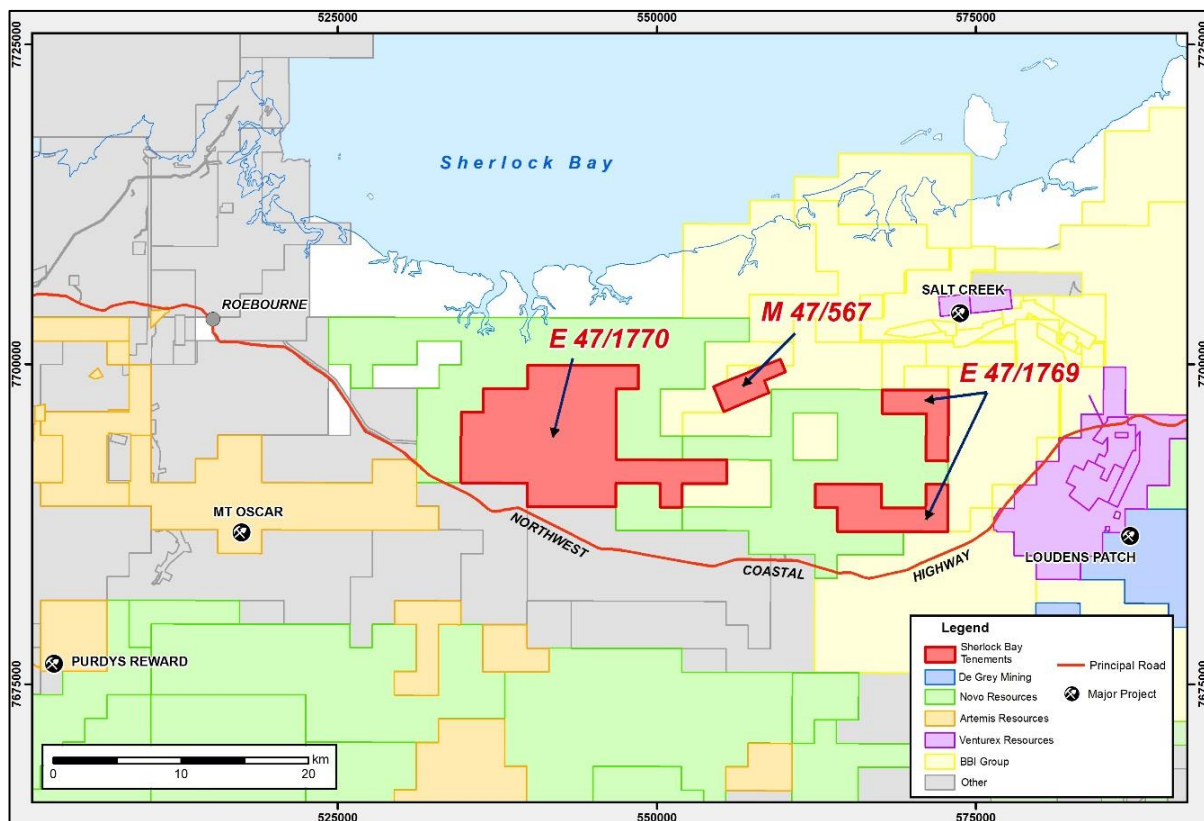


Figure 2: Current tenement status map for the Sherlock Bay Project and surrounding area, source: WA Department of Mines, Industry Regulation and Safety

ENDS

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Competent Person Statement

Mr Lachlan Reynolds, a consultant to Metals Australia and a member of the Australasian Institute of Mining and Metallurgy has reviewed the information provided in this announcement and considers that it is an accurate representation of the data and studies for the Sherlock Bay Project. Mr Reynolds has sufficient experience 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 Reynolds consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Attachment A

Sherlock Bay Project Mineral Resource Estimate

The total mineral resource for the Sherlock Bay nickel deposits above a cut-off grade of 0.15% Ni has been estimated as 25.4 Mt @ 0.4% Ni, equivalent to approximately 100,000 tonnes of contained nickel metal (Table 1). The mineral resource estimate for the interval above 4800 mRL (surface at 5000 mRL) is 11.3 Mt @ 0.38% Ni, equivalent to approximately 42,700 tonnes of nickel metal (Table 2). The deposits contain copper and cobalt but the content of these metals have not been formally reported.

Table 1: Sherlock Bay Mineral Resource Summary (Total Resource >0.15% Ni)

Deposit	Measured			Indicated			Inferred			Total		
	Tonnes '000 t	Ni %	Ni t	Tonnes '000 t	Ni %	Ni t	Tonnes '000 t	Ni %	Ni t	Tonnes '000 t	Ni %	Ni t
Discovery	4,054	0.33	13,500	6,498	0.38	24,700	2,379	0.42	9,900	12,931	0.37	48,100
Symonds	5,506	0.42	23,000	2,947	0.40	11,700	4,040	0.46	18,400	12,493	0.43	53,100
Total	9,560	0.38	36,500	9,445	0.39	36,500	6,419	0.44	28,300	25,424	0.40	101,300

Table 2: Sherlock Bay Mineral Resource Summary (above 4800mRL >0.15% Ni)

Deposit	Measured			Indicated			Inferred			Total		
	Tonnes '000 t	Ni %	Ni t	Tonnes '000 t	Ni %	Ni t	Tonnes '000 t	Ni %	Ni t	Tonnes t	Ni %	Ni t
Discovery	4,054	0.33	13,500	1,665	0.35	5,800	0	0.00	0	5,719	0.34	19,300
Symonds	5,506	0.42	23,000	118	0.37	400	0	0.00	0	5,624	0.42	23,400
Total	9,560	0.38	36,500	1,783	0.35	6,200	0	0.00	0	11,343	0.38	42,700

Note that the tables may contain rounding errors.

The resource estimate was prepared by Resource Evaluations Pty Ltd (ResEval) for the former owner of the project, Sherlock Bay Nickel Corporation Limited (SBNC, subsequently renamed Australasian Resources Limited) and not by Metals Australia Ltd. The resource estimate was first reported in the SBNC Quarterly Report for the Period Ending 30 September 2005, dated 31 October 2005, in accordance with the then current JORC Code 2004 requirements. The announcement is available both from the Australasian Resources Ltd website (see www.austresources.com.au) and from the ASX website.

Note that the estimates of mineral resources presented in Table 1 and Table 2 are not reported in accordance with the JORC Code 2012. A Competent Person has not done sufficient work to classify the estimates of mineral resources in accordance with the JORC Code 2012 and it is possible that following evaluation and/or further exploration work, the currently reported estimates may materially change and consequently will need to be reported again under and in accordance with the JORC Code 2012.

The SBNC resource estimate was reported under the JORC Code 2004 standards and may not conform to the requirements of the JORC Code 2012. Metals Australia considers the resource estimate to be reliable, given that it was prepared by an independent consultant and conforms to standard industry practice of the time. Nothing has come to the attention of Metals Australia that causes it to question the accuracy or reliability of the SBNC estimates, however Metals Australia has not yet independently validated the SBNC estimates and therefore is not to be regarded as reporting, adopting or endorsing those estimates. Feasibility-level studies based on the resource estimate reported by SBNC are considered to be out of date and Metals Australia will need to undertake the appropriate level of study to report an ore reserve under the JORC Code 2012.

Metals Australia has access to the ResEval reports that document the resource estimation process and the exploration data that forms the basis of the estimation reported by SBNC¹. A summary of the work programs on which the estimates were based and the key assumptions used to prepare the estimates are shown below:

- The Sherlock Bay resource extends over a strike length of approximately 1.7 km (from local grid 19,550 mE to 21,250 mE).
- The resource is defined by a total of 201 drill holes for 31,092 m of which 174 holes were drilled by SBNC.
- The typical drill hole spacing in the upper 200 m Measured Resource portion of the deposit is 20 m spaced holes on 60 m spaced cross sections. The spacing in the Indicated Resource is variable but generally less than 120 m by 120 m.
- Core was generally NQ2 (45 mm in core diameter). All core holes were ¼ core sampled with intervals defined by geological boundaries. RC holes were sampled using riffle splitter to obtain a 2-5 kg sample.
- Samples from drill holes were analysed by a variety of laboratories and techniques. Although records are incomplete SBNC drilling was assayed at Aminya Laboratories using the AAS method.
- Limited quality control data was available but supports the recent assay data.
- Wireframes were constructed by preparing cross sectional interpretations of the individual lodes based on a combination of geological boundaries and a 0.15% Ni cut-off grade.
- Additional wireframes were constructed at the Symonds deposit using a 0.4% cut-off grade based on the identification of a higher grade population from statistical analysis of the Ni data. These were used as hard boundaries in the grade interpolation.
- Samples within the wireframes were composited to even 2.0 m intervals. High-grade cuts were not applied.
- A Surpac software block model was used for the estimate with a block size of 5 m N-S x 30 m E-W x 10 m vertical with sub-cells of 2.5 m x 15.0 m x 5.0 m.
- Symonds deposit was sub-domained according to wireframe orientation for grade estimation.
- Ordinary kriging (OK) interpolation with an oriented ellipsoidal search was used for Ni and Cu grade estimation and inverse distance squared (ID2) interpolation with an isotropic search was used for Co grade estimation.
- A bulk density value of 3.05 t/m³ was used above 4500 mRL (500 m vertical depth). Below that depth, a value of 2.94 t/m³ was used.
- Resource classification was carried out on the basis of continuity of mineralisation and drill hole spacing.

To the extent that Metals Australia has reviewed the available data for the Sherlock Bay Project, no more recent resource estimates or data material to the reported mineral resources are available. Metals Australia is anticipating that a desktop review and validation of the available exploration data will be completed in order to update the resource estimate and report the mineral resources in accordance with the JORC Code 2012. Further exploration work is not anticipated to be required and the review process has commenced.

¹ Payne, P. 2005. Mineral Resource Estimate for the Sherlock Bay Nickel Deposit, Pilbara, WA. Resource Evaluations Pty Ltd, prepared for Sherlock Bay Nickel Corporation. Unpublished report dated September 2005.

