

ASX Announcement

13 August 2018

Lac Rainy Graphite Project Fully Permitted for Phase I and Phase II Exploration Programs

Highlights:

- Metals Australia has received all permits required to complete its Phase I and II exploration programs at the Lac Rainy Graphite Project, located in Quebec, Canada
- Magnor Exploration Inc. (**Magnor**) have been appointed to oversee the Phase I and II exploration campaigns and will provide all levels of geological and technical assistance in the field over the duration of the programs
- A bridge has been constructed and is expected to be trucked to site and installed within 5 days providing safe entry and access across the project
- Phase I at the Carheil Prospect will comprise stripping and channel sampling to determine the width, grade and strike continuity of known graphite mineralisation (*refer to ASX Announcements dated 8 September 2017 and 12 October 2017*)
- Previous surface samples collected by the Company included (*refer to ASX Announcement dated 8 September 2017 and ASX Announcement dated 12 October 2017*):
 - 53.7% Cg in a rock sample (sample 123675); and
 - a channel sample of 29.7% Cg over 2.5m (sample 129026-129028)
- Phase II will comprise of a diamond drilling program to test priority areas of the graphite mineralisation and may be sufficient to enable the Company to estimate a maiden resource at Lac Rainy
- MLS previously announced that the Company has executed a Memorandum of Understanding with graphene and battery bipolar plates producer, Weihai Nanhai Carbon Ltd (the **Nanhai Group**), in relation to the Lac Rainy Graphite Project (*refer to ASX Announcement dated 20 June 2018*)
- Pursuant to the MoU, Metals Australia will provide the Nanhai Group with a preferred offtake position should production commence at the Lac Rainy Graphite Project (*refer to ASX Announcement dated 20 June 2018*)
- The Nanhai Group has already been provided an initial 40kg graphite concentrate sample from the Lac Rainy project to enable further evaluation of the product specifications and advise on downstream processing opportunities to the Company

Diversified metals exploration company, Metals Australia Ltd (ASX: **MLS**) is pleased to announce that the Company has received all permits required to complete its Phase I and II exploration

campaigns and has recently engaged Magnor Exploration Inc. (**Magnor**) to complete the planned field programs at the Lac Rainy Graphite Project, located in Quebec, Canada.

Commenting on the appointment of Magnor and receipt of the final Lac Rainy permits, Director of Metals Australia, Mr Gino D'Anna stated:

"Magnor have delivered significant operational, logistical and preparatory outcomes for the Company, including the management of our permitting requirements for the upcoming Phase I and II programs and liaison with local First Nations and other stakeholders. Magnor possess significant exploration, development and feasibility experience and have worked at many advanced-greenfield and brownfield projects across Quebec. The reputation of Magnor in Quebec is impeccable, and we look forward to working with them as we continue to develop our Lac Rainy project."

"Our decision to construct road across Lac Rainy to the Carheil Prospect was designed to maximise our success in the field through lower costs of exploration and greater flexibility. The staging of our exploration programs enables us to re-evaluate at each stage to better define our approach."

"We have already demonstrated significant success at Lac Rainy with previous exploration programs, and this current program can be viewed as an extension of our success. In addition, we have secured a significant partner, the Nanhai Group, which provides the Company with future direction on its feasibility studies beyond graphite concentrate production, as we look to maximise value and minimise market risk through the investigation of potential downstream processing opportunities with an experienced technical and financial cornerstone partner."

The exploration program will comprise of two distinct stages. The first phase will involve stripping and channel sampling at the high-grade Carheil Prospect to determine the width, grade and strike continuity of known graphite mineralisation. The second phase will be a program of diamond drilling to test the grade and down-dip continuity of the mineralisation in priority areas identified by the channel sampling.

The Lac Rainy Graphite Project is located approximately 22 km south-west of Fermont and approximately 15 km east of Highway 389, which is to undergo a C\$468 million upgrade. These road networks link the Lac Rainy Graphite Project with the major ports along the St Lawrence River in Quebec offering the Company a route to the seaborne market as well as the North American and South American markets.

Lac Rainy Graphite Project – Phase I Exploration Campaign

The Phase I work program will comprise approximately 17 ground traverses, with a cumulative total length of approximately 1.6 km (refer to Figure 1). Overburden and vegetation will be stripped along each traverse to allow inspection of the bedrock underneath. The area is known from previous rock sampling to contain steeply dipping to sub-vertical graphite-rich rock units that trend in a NW-SE direction.

Channel samples will be collected at 1m intervals along the traverse where geological mapping identifies graphite. It is anticipated that approximately 500 to 800 samples will be generated by the sampling, which will be assayed for graphite (total carbon and graphitic carbon), iron and sulphur.

The program of channel sampling is designed to evaluate the width, grade and strike continuity of the graphite unit within the bedrock.

All permits for the work have now been received from Ministère des Ressources Naturelles du Québec and mobilisation to site has commenced.

The bridge across the creek crossing has been constructed and is currently being transported to site and is expected to be installed within the next five (5) days.

The photograph below shows some parts of the constructed bridge at the yard of Magnor Exploration, from which it will be collected and transported to the Lac Rainy project where it will be constructed on site.



Photograph 1: Some parts of the constructed bridge at the yard of Magnor Exploration awaiting transport to site

Ground stripping and channel sampling will commence as soon as the bridge has been installed and field crews are mobilised to the site.



Photograph 2: Photograph of the Lac Rainy Project area showing the terrain where the exploration program will be completed

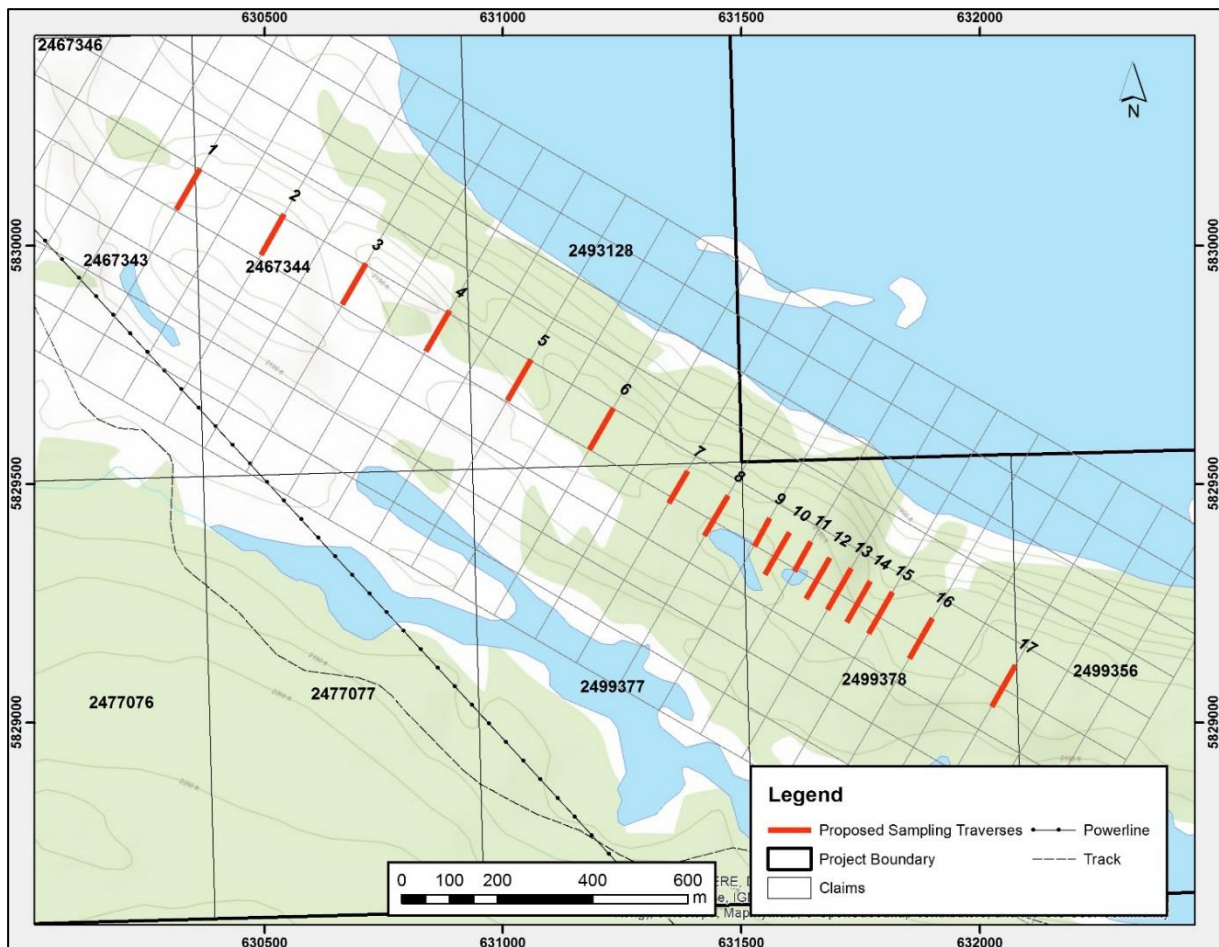


Figure 1: Location diagram of proposed stripping and channel sampling traverses, Carheil Prospect, Lac Rainy

Lac Rainy Graphite Project – Phase II Exploration Campaign

The outcomes of the channel sampling campaign will provide the Company with more detailed information regarding the width and continuity of high-grade graphite mineralisation. Based on these results, it is proposed that the Phase II program of diamond drilling will be undertaken to test the mineralisation down-dip.

The Phase II work program will initially comprise fifteen (15) diamond drill holes, for a total of 1,500 metres of drilling. The total drill holes can be readily expanded during the course of the drilling. The location of the holes will be along the trend of the mineralisation at the Carheil Prospect, situated to test the best areas of graphite mineralisation.

It is expected that approximately 500 samples will be generated by the drilling, which will be assayed for graphite (total carbon and graphitic carbon), iron and sulphur. A selection of samples will also be assayed for a multi-element suite for rock characterisation and to identify any potentially deleterious elements. Diamond core samples will be submitted for petrographic analysis to obtain further information about the graphite mineralisation and the graphite flake size distribution.

This information will also be used to further the discussions with the Nanhai Group.

Depending on the outcome of this initial diamond drilling program, the Company plans to undertake a significantly expanded drilling program of between 3,000 metres and 5,000 metres of diamond drilling.

The Phase II drilling as well as follow on expanded programs will be supported without helicopters, using the ground access installed during the Phase I campaign. This will result in significant cost savings.

Delivery of Initial Graphite Concentrate Samples to Nanhai Group

Metals Australia has delivered an initial 40kg shipment of graphite concentrate samples to the Nanhai Group for further evaluation. These samples were generated during the metallurgical program that was previously completed by the Company in January 2018. Nanhai Group is undertaking a program of better defining the purity of the graphite concentrate and evaluate the graphite concentrate for its suitability as a spherical graphite as well as other downstream graphite products.

These results, once available, will be shared with the Company and will form the basis of further discussions with the Nanhai Group.

The Company is well funded for its exploration programs at the Lac Rainy Graphite Project. We look forward to providing shareholders with further updates on these exciting developments and near-term opportunities.

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Caution Regarding Forward-Looking Information

This document contains forward-looking statements concerning Metals Australia. Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward-looking statements as a result of a variety of risks, uncertainties and other factors. Forward-looking statements are inherently subject to business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company's actual results to differ materially from those expressed or implied in any forward-looking information provided by the Company, or on behalf of, the Company. Such factors include, among other things, risks relating to additional funding requirements, metal prices, exploration, development and operating risks, competition, production risks, regulatory restrictions, including environmental regulation and liability and potential title disputes.

Forward looking statements in this document are based on the company's beliefs, opinions and estimates of Metals Australia as of the dates the forward-looking statements are made, and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

Competent Person Declaration

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr. Lachlan Reynolds, a consultant to Metals Australia Ltd, and a member of The Australasian Institute of Mining and Metallurgy. Mr. Reynolds has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity that 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 Resource 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.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.