

ASX Release

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Graynic Announces Nickel Farm-in Agreement in Cuba and Guatemala

Key points

- Farm-in agreement with private Canadian company Nichromet Extractions Inc over Cuban and Guatemalan Nickel Projects
 - Graynic to spend US\$3m in 36 months to earn 50% interest and can then elect to spend further US\$6m in next 36 months to earn additional 25% - to bring ownership level to 75%
 - VALE spent US\$6m on the Nichromet Guatemalan projects in past 3 years and projects are located adjacent to BHP Billiton's Mayaniquel Sechol Nickel Project and HudBay Minerals Inc's Fenix Nickel Project
 - Cuba has roughly one-third of the world's nickel resources and is the world's 6th largest nickel producer
 - Graynic's farm-in agreement is a significant opportunity to take a regional strategic position in Central America
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Australian exploration company Graynic Metals Limited (ASX: GYN) (Graynic) is pleased to announce that the Company has entered into a farm-in agreement with private Canadian company, Nichromet Extractions Inc. (Nichromet) over nickel projects in Cuba and Guatemala.

Under the terms of the farm-in agreement Graynic will spend US\$3 million within 36 months to earn a 50% interest in Nichromet's projects in Cuba and Guatemala. Graynic can then elect to spend a further US\$6 million within an additional 36 month period to earn an additional 25% interest in Nichromet's Cuba and Guatemala projects, bringing Graynic's ownership level to 75%. It is envisaged that this stage would include the completion of a pre-feasibility study for one of the projects. Once Graynic achieves 75% ownership, Nichromet will be responsible for funding its respective ownership position of 25%. If Graynic elects not to move to a 75% ownership position then Nichromet and Graynic will remain joint 50% owners of the projects and each party will be responsible for funding their respective ownership positions.

Graynic will now move to a 30 day due diligence period that will confirm technical and tenure requirements to allow the joint venture agreement to be completed. The due diligence will also be dependent upon approvals from the Cuban Government for the farm in agreement arrangements.

Nichromet is a privately owned Canadian Entity that holds a joint venture agreement with the Government of Cuba for the Cajalbana Nickel project through its wholly owned subsidiary Nichromet Dominicana S.A. The Cajalbana Nickel project will continue to be managed by Nichromet Dominicana S.A. In Guatemala, Nichromet holds a number of projects in Central and Eastern Guatemala that have recently been the subject of a Joint Venture agreement with Vale, through its wholly owned subsidiary Nichromet Guatemala S.A. Graynic will assume operating control of Nichromet Guatemala S.A.



Graynic's farm in agreement with Nichromet covers all the assets contained within these companies, namely the Cajalbana Nickel Project in Cuba and the Rio Negro, Santa Anita and Baja Verapaz Nickel Projects in Guatemala. Collectively these projects represent a suite of major nickel assets that delivers to Graynic numerous potential development opportunities within districts of proven profitable nickel laterite production. **Further background information on each of the projects is contained in the background section of this release.**

In addition, Nichromet has granted a license for its Oxide Process Technology for the project areas subject to the agreement. The Nichromet Oxide Process Technology has been successfully applied to Nichromet's pilot plant in Canada, with testing of nickel laterite ores from Cuba, Dominican Republic, Guatemala, and the Philippines producing nickel and cobalt recoveries generally in excess of 90%. The next stage would be successful application at a demonstration plant level which is currently being assessed by Nichromet. **Further information on the Nichromet Oxide Process Technology can be found at www.nichromet.com**

The Directors of Graynic believe that the farm-in and joint venture agreement provides the Company with a significant strategic position in Central America and is pleased to have secured this opportunity in line with the Company's strategic plan and project generation activities to target tier 1 nickel laterite projects which are high grade, mid-size deposits at a mid-to-advanced stage of exploration in regions that have had historical barriers to entry.

The acquisition provides excellent opportunities in two highly prospective nickel laterite country locations that historically have not been easily accessible. The acquisition also provides the opportunity for Graynic to generate additional project opportunities in both country locations.



Map showing locations of Cajalbana (Cuba) and Baja Verapaz and Sierra de Santa Cruz (Guatemala)



Background Section

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Project Backgrounds

The Guatemalan projects consist of two main project areas; Baja Verapaz and Sierra de Santa Cruz. The Sierra de Santa Cruz tenements are adjoining those of HudBay Minerals Inc. and BHP Billiton's Mayaniquel which contain the Fenix (Mineral Resource of 228Mtn @ 1.38% Ni) and Sechol (Mineral Resource of 22.5Mtn @ 1.6% Ni) projects, respectively. Both tenement packages contain significant nickel mineralisation with excellent potential to define Mineral Resources.

The Rio Negro project in Baja Verapaz has sample pits at 200 to 300m spacing and the Santa Anita Prospect on the Izabal Plateau where Inco drilled holes on a 200m to 300m spacing in the mid-1960s.

Whilst there is currently insufficient information to define a reportable mineral resource, an exploration target of between 20 and 40mt at 1.2% and 1.4% Nickel (at a 0.8% Ni cut off) at Rio Negro and Santa Anita has been determined on the basis of the areal extent of known weathered ultramafic and the results of previous drilling. An approximate 4km² area of target weathered ultramafic has been mapped, whilst a total of 68 drill holes with an averaged mineralized thickness of greater than 5 metres at average grades of 1.2% to 1.4% Nickel is recorded. Many of these holes did not penetrate fully into the fresh rock and have ended in mineralisation. Currently the potential size and grade remains conceptual in nature and it is uncertain if further exploration will result in the determination of a mineral resource. It is possible that a number of other prospects within the projects have the potential for deposits of similar size and nature to Rio Negro or Santa Anita.

Prior to December 2008 Nichromet was in joint venture with Vale on these projects, where Vale spent US\$6.4M over 2.5 years mainly on field reconnaissance and hand auger testing of various prospects, including 500m spaced holes over the eastern side of the Izabal Plateau. Vale has now withdrawn from the project after failing to complete the required expenditure within the agreement timeframe. They have no residual ownership of these projects.

Baja Verapaz Project Area

Rio Negro Project

Two to three hundred metre spaced sample pits have defined a relatively thick mineralised zone at Rio Negro. The mineralisation is situated on a topographic high along moderately sloping ridges. There appears excellent potential to define a reportable Mineral Resource within the first 12-18 months of exploration. Extension of the lateritized terrain away from the main project area offers some opportunity for additional mineralisation, although only reconnaissance has been completed to date.



La Union Barrios

Sixty kilometers to the east of Rio Negro, lateritized ultramafics (nickel laterite host rocks) are coincident with a similar topographic high. This area holds moderate potential.

Sierra de Santa Cruz Project Area

Santa Anita

At the eastern end of the Izabal Plateau, Santa Anita is on a gentle to moderate slope off the plateau edge. Inco drilled the prospect in the 1960s with 200m to 300m spaced holes. Many of the holes drilled to date have not penetrated the entire mineralisation or have ended in mineralisation. Definition of an inferred Mineral Resource is planned for the short term.

Santa Cruz Regional

A number of other tenements hold potential within the Sierra de Santa Cruz area. Little work has been conducted on the Nichromet tenements in this area, but a couple of holes have intersected potentially significant mineralized thicknesses. Further review will take place during the due diligence.

Cajalbana Project, Cuba

Situated in the Western Cuban province of Pinar del Rio, Cajalbana is a nickel laterite project that has seen little work since the 1940s. The historic work identified substantial mineralisation within the lateritized ultramafic plateau. Recent work has included ground penetrating radar (GPR) and 500m spaced reconnaissance diamond drilling across the entire plateau. Although, assays have yet to be returned from the laboratory, logging has identified a prospective weathered horizon in most holes. Cajalbana is the only prospective area on the western side of Cuba with all the previous production occurring in the eastern provinces.

Nichromet Oxide Process Technology – Background

Nichromet has built a pilot plant located in Thetford Mines, Canada which has tested laterite ores from Cuba, Dominican Republic, Guatemala and the Philippines. Results of the pilot testing on these ores have been independently verified by engineering firms of Roche Associates and Genivar. Recoveries of nickel and cobalt generally exceed 90%. The Nichromet process produces fertilizers as a by-product of the nickel being extracted resulting in a high value by-product which significantly reduces the cost of production per pound of nickel. Under the terms of the Farm In Agreement with Graynic, Nichromet Extractions Inc. has granted a license for its metallurgical process to the Joint Venture for the existing project areas the subject of the agreement.

Cuba – Background

Cuba has about one-third of the world's nickel resources and is the world's sixth-largest producer of nickel. Cuba's Tier 1 nickel laterite deposits have supported nickel laterite plants that have successfully operated for a number of years. Nickel deposits and plants are located in eastern Cuba at Nicaro, Moa, and Punta Gorda, all in Holguín Province. In addition Cuba is highly prospective for other base and precious metal projects.



Punta Gorda is operated by the Cuban government, while the Moa Bay Operation is managed by the General Nickel Company S.A. a joint venture between the Cuban Government and Sherritt International Corporation, which has been involved in the project since 1990. These deposits are part of a larger province of nickel laterites in eastern Cuba that also includes Pinares de Mayari and Nicaro. The reserves at Punta Gorda are treated by an ammonia leach process whilst Moa Bay is a pressure acid leach operation.

Cuba has an experienced mining industry and people with significant existing skill base within the country. The Country is open to foreign investment, which combined with political changes underway in the US, it is possible that trade embargoes will be lifted by the new Obama administration, creating the opportunity for further international investment.

Guatemala - Background

Guatemala has a limited history of mining, but it does have significant nickel laterite deposits in the Lake Izabal region. In 2004, Skye Resources Inc. acquired Inco Ltd.'s (Canada) 70% share of Exmibal and renamed the property the Fenix nickel project. In 2005, Skye increased its share in Compañía Guatemalteca de Níquel S.A. (formerly Exmibal) to 90.9%. In June 2008 HudBay Minerals agreed to buy Skye to gain control of the smaller company's Fenix nickel project.

BHP Billiton, through Mayaniquel, currently holds the Sechol project. Reports of any exploration or development efforts on the Sechol project are not available after BHP Billiton completed the acquisition of the Sechol project through its acquisition of Jaguar Nickel Inc in January 2006. Historically reported information on the Sechol project indicated approximately 22.5 million tonnes @ 1.2% Ni. Both the Sechol and Fenix projects are located in the same region as the Nichromet Guatemala projects.

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The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves was compiled by Mr. Mark Fletcher, who is a member of the Australian Institute of Geoscientists. Mr. Fletcher has sufficient experience which is relevant to the style of mineralization and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Mark Fletcher, who is a full-time employee of Graynic Metals Ltd, consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.