# *METALS AUSTRALIA LTD*
# *AND CONTROLLED ENTITIES*

**(ACN 008 982 474)**

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# *Interim Financial Report*
# *for the Six Month Period Ended*
# *31 December 2016*

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## CONTENTS

***DIRECTORS' REPORT***

Your Directors present their report on the consolidated group of Metals Australia Ltd and controlled entities (the “Group”) for the half year ended 31 December 2016.

### *1. DIRECTORS*

The names of Directors in office during the half year and up to the date of this report:

Hersh Solomon Majteles
Michael Scivolo
Robert Collins

### *2. REVIEW OF OPERATIONS*

## BASE METAL PROJECTS, WESTERN AUSTRALIA

Metals Australia holds an interest in two base metals projects in Western Australia (Figure 1).

The Manindi zinc-copper project is located around 500 km northeast of Perth, and is being explored by Metals with a view to expanding the existing resources and examining the project's potential.

The Sherlock Bay base metal joint venture project is located in the Pilbara region and is being managed and explored by Australasian Resources Ltd (ARH). The project surrounds ARH’s Sherlock Bay nickel deposit.


**Figure 1:** Location of the Western Australian base metals projects.

## MANINDI ZINC PROJECT

The Manindi Project is a significant unmined zinc deposit located in the Murchison District of Western Australia, 20 km southwest of the Youanmi gold mine. The project is located on three granted mining licences.

The Manindi base metal deposit is considered to be a volcanogenic massive sulphide (VMS) zinc deposit, comprising a series of lenses of zinc-dominated mineralisation that have been folded, sheared, faulted, and possibly intruded by later dolerite and gabbro. The style of mineralisation is similar to other base metal sulphide deposits in the Yilgarn Craton, particularly Golden Grove at Yalgoo to the west of Manindi, and Teutonic Bore-Jaguar in the Eastern Goldfields.

### *WORK COMPLETED*

Previous ground and downhole EM surveys conducted in 2012 were re-assessed by Southern Geoscience Consultants late in the half. This review confirmed existing data to be of excellent quality. Previous FLEM modelling also carried out in 2012 were show to be of very good quality and sufficient for immediate drill targeting.

Geological assessment of the project conducted late in the half has reconfirmed several high priority drill targets which have the potential to contain significant zinc and copper mineralisation. These targets include Kaluta, Ningbing and Kultarr deeps (See figures 2 and 3). Both Kaluta and Ningbing have no know previous drilling while Kultarr deeps comprises several significant off-hole conductors which remain untested. These targets were all deemed high priority based on their stratigraphic location (Felsic-mafic contact), presence of existing ground and downhole EM conductors and magnetic characteristics.

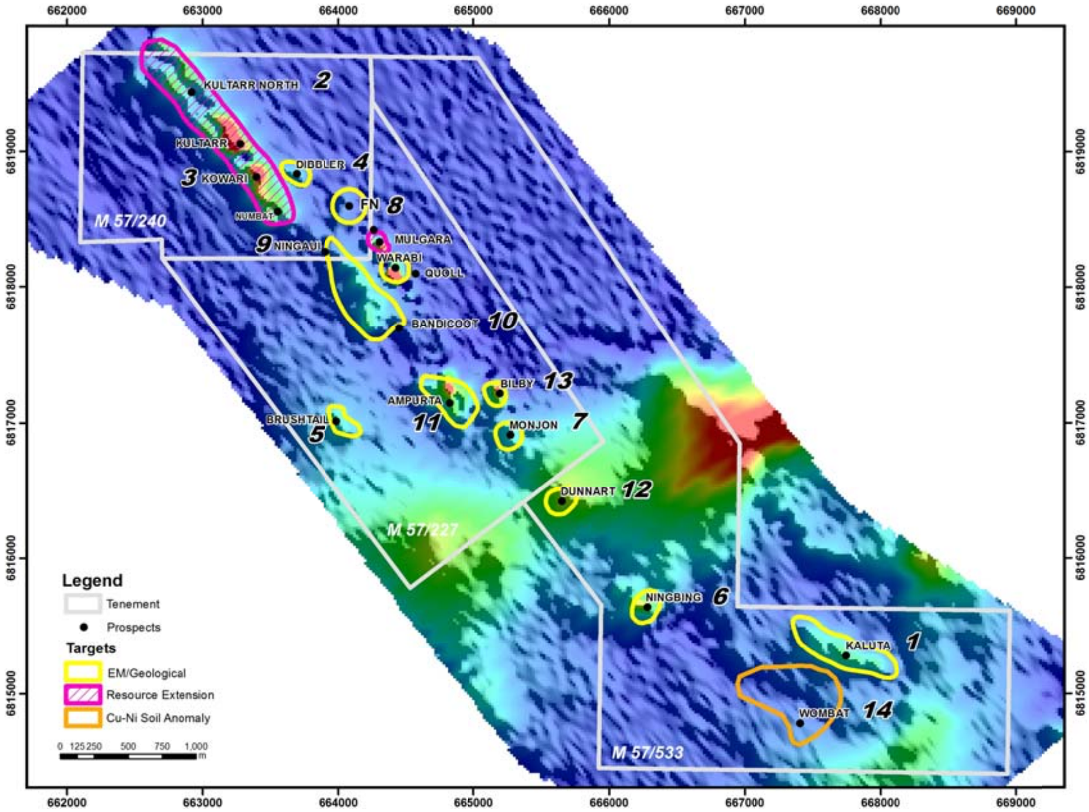


**Figure 2:** Manindi VTEM imagery and target map showing priority targets.

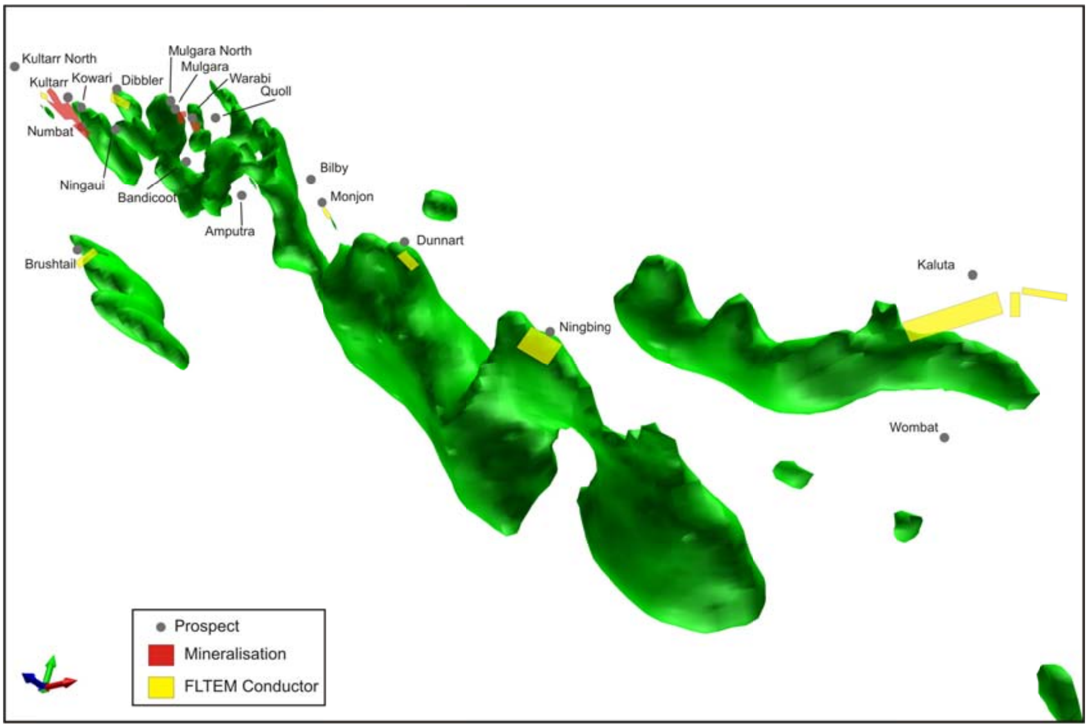


**Figure 3:** 3D oblique view showing 3D magnetic inversion models in green with mineralisation wireframes in black and FLTEM conductor models in yellow. Note the favourable positions of the highest priority EM conductor models.

Geological and economic assessment of the Manindi project continued during the half year and a drilling program was carried out in January 2017, with the results announced in February.

The Company also actively continues to search for new project opportunities.

## SHERLOCK BAY EXTENDED BASE METAL PROJECT

The Sherlock Bay Extended project is composed of two Exploration Licences (E47/1769 and E47/1770), which surround the main Sherlock Bay nickel deposit (wholly owned by Australasian Resources Ltd - 'ARH'). The project is prospective for nickel, copper, silver and gold mineralisation

The Sherlock Extended Project is a joint venture between Australasian and Metals Australia Ltd (30% interest). Australasian is the managers of the project, with Metals Australia being 'free-carried' through to the completion of a bankable feasibility study and the decision to commence commercial mining.

No onsite activity took place on the Sherlock Bay Nickel or Sherlock Extended projects during the half year.

## URANIUM EXPLORATION NAMIBIA

Metals owns 100% of the Mile 72 uranium project, located near Henties Bay on the west coast of Namibia. The project is considered prospective for calcrete and gypcrete hosted uranium as well as alaskite hosted uranium.

Geological and economic assessment of the project continued during the half year.

Empowerment Framework (NEEEF) discussion paper seeking to give Namibian citizens greater opportunities to participate in the economic development of their country. This paper was open for public comment until 29 April 2016, after which time any comments received will be analysed and may be included in any legislation subsequently presented to parliament.

It is not clear at this stage what the final form of the legislation, if enacted, may take and it may have implications for our future activities in Namibia.

It is further noted that the Department of Mines and Minerals have indicated that a condition for the renewal of licences include at least 5% ownership by a Namibian person or a company wholly owned by Namibians and a minimum 20% representation of historically disadvantaged Namibians. Management have indicated that the abovementioned conditions will be complied with in order to obtain relevant renewals.

The Directors have obtained a legal opinion from well-reputed and experienced Namibian legal firm as well as liaising with the Company's local auditors, and are confident that the licences will be renewed.

# LAC RAINY NORD GRAPHITE PROJECT

The Lac Rainy Nord graphite project is located in the most dominant graphite geological regions of Quebec, approximately 22km southwest of the historic mining town of Fermont and 260km north-north-east of city of Sept-Iles. The Lac Rainy Nord graphite project is located approximately 15km east of Route 389, a paved highway which travels north to Fermont.

Access to the Lac Rainy Nord Graphite Project is facilitated by a system of small off-road tracks which connect to Route 389.

The Lac Rainy Nord Graphite Project consists of a contiguous landholding of 32 mineral claims covering an area of approximately 16.74 km2.

Figure 4 illustrates the location of the Lac Rainy Nord graphite project and its location relative to other developed graphite occurrences and deposits in the region.

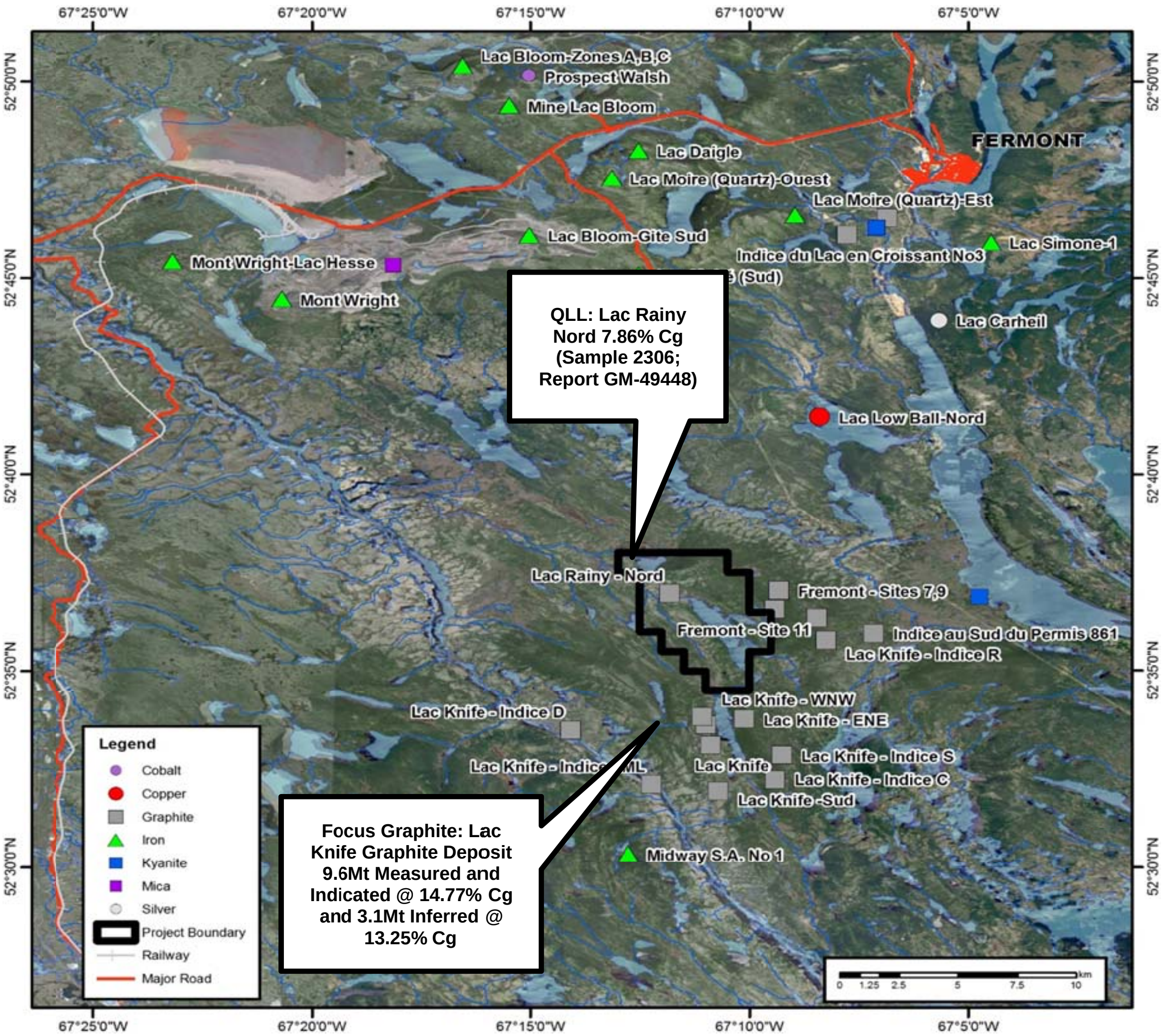


**Figure 4:** Location of the Lac Rainy Nord graphite project

The Lac Rainy Nord Graphite Project, including surrounding lands, was previously owned by Soc. Expl. Min. Mazarin Inc. (Mazarin Inc.).

Historical exploration conducted by Mazarin Inc. at the Lac Rainy Nord graphite project and surrounding lands was comprised of geophysics (MAG - VLF EM), ground and helicopter prospecting, stripping, trenching, geological surveys and sampling. This exploration has identified several primary mineralised targets.

The Lac Rainy Nord graphite project is located in a well understood geological setting which is host to numerous graphite occurrences and deposits owned by major operators. The favourable location and access to the project facilitates exploration and development in a low cost environment.

The Lac Rainy Nord graphite project is located within 5 km of the following known and explored graphite projects:

Fermont – Site 7 and 9: 15.06% Cg over 1.5 m (sample RX- 5324; Site 7); 11.83% Cg over 1.5 m (sample spline RX- 5328; Site 9); 9.96% Cg over 2.0 m (sample RX- 5332; Site 9); 25.37% Cg (grab samples RX- 5351; Site 9) and 24.69% Cg (grab samples RX- 5353; Site 9).

Fermont – Site 11: 21.58% Cg over 1.5 m (RX- 5339); 11.39% Cg over 1.5 m (sample RX- 5341); 5.57% Cg over 1.5 m (sample RX- 5338); 13.90% Cg (sample RX- 5352). The size of graphite flakes is from 1 to 5 mm.

Fermont – Site 3, 5 and 6: 16.87% Cg (sample RX- 5347); 6.78% Cg (sample RX- 5349 - Site 5); 6.25% Cg (sample RX- 5317 - Site 3); 5.49% Cg to 1.5 m (sample RX – 5323 - Site 6). The size of graphite flakes is from 2 to 8 mm.

Permit 861: 22.27% Cg and 16.68% Cg (sample 2215 and 2214). In this stratigraphic horizon, the content ranges from 5% to 20% graphitic carbon and fine flake.

Lac Knife: 13.19% Cg (sample RX4560); 9.55% Cg over 2.5 m (sample RX4559). Graphite is very coarse flakes.

The Lac Rainy Nord graphite project was first discovered in 1989 and has been subject to some exploration over that time, however previous exploration was not conducted in a systematic manner and was focused more on the iron potential of the region which has meant that the true mineralisation and potential of the Lac Rainy Nord graphite project has not been fully established.

**The Lac Rainy Nord graphite project is contiguous with the Lac Knife Graphite Deposit which is owned by Focus Graphite.**

**The Lac Knife Graphite Deposit hosts a reported Measured and Indicated resource totalling 9,576,000 million tonnes grading 14.77% graphitic carbon together with Inferred resources of 3,102,000 tonnes grading 13.25% graphitic carbon.**

**(**Note: Inferred Resources are considered too geologically speculative to have mining and economic considerations applied to them and to be categorized as Mineral Reserves)

**The Feasibility Study completed by Met-Chem Canada Inc. (released on 8 August 2014) on the Lac Knife Graphite Deposit indicates that the Lac Knife Graphite Deposit has the potential to become one of the lowest-cost, highest-margin producers of graphite in the world.**

Refer to http://www.focusgraphite.com/wp-content/uploads/largeReport/Lac-Knife-Feasibility-Study-Technical-Report-August-2014.pdf for further information in relation to the Feasibility Study at the Lac Knife graphite project.

Graphite mineralization is set in migmatized biotite-bearing quartz-feldspar gneiss belonging to the Nault Formation of the lower Proterozoic Gagnon Group.

According to the Québec Ministry of Natural Resources, where this gneissic unit is sheared, brecciated and silicified, coarse graphite flakes and associated sulphide minerals make up 5% to 10% of the rock, with up to 20% or more in the more brecciated zones.

Fuchsite and other iron-rich micas accompany the graphite and sulphide mineralization in the more silicified horizons.

Figure 5 below illustrates the geological setting relevant to the Lac Rainy Nord graphite project.

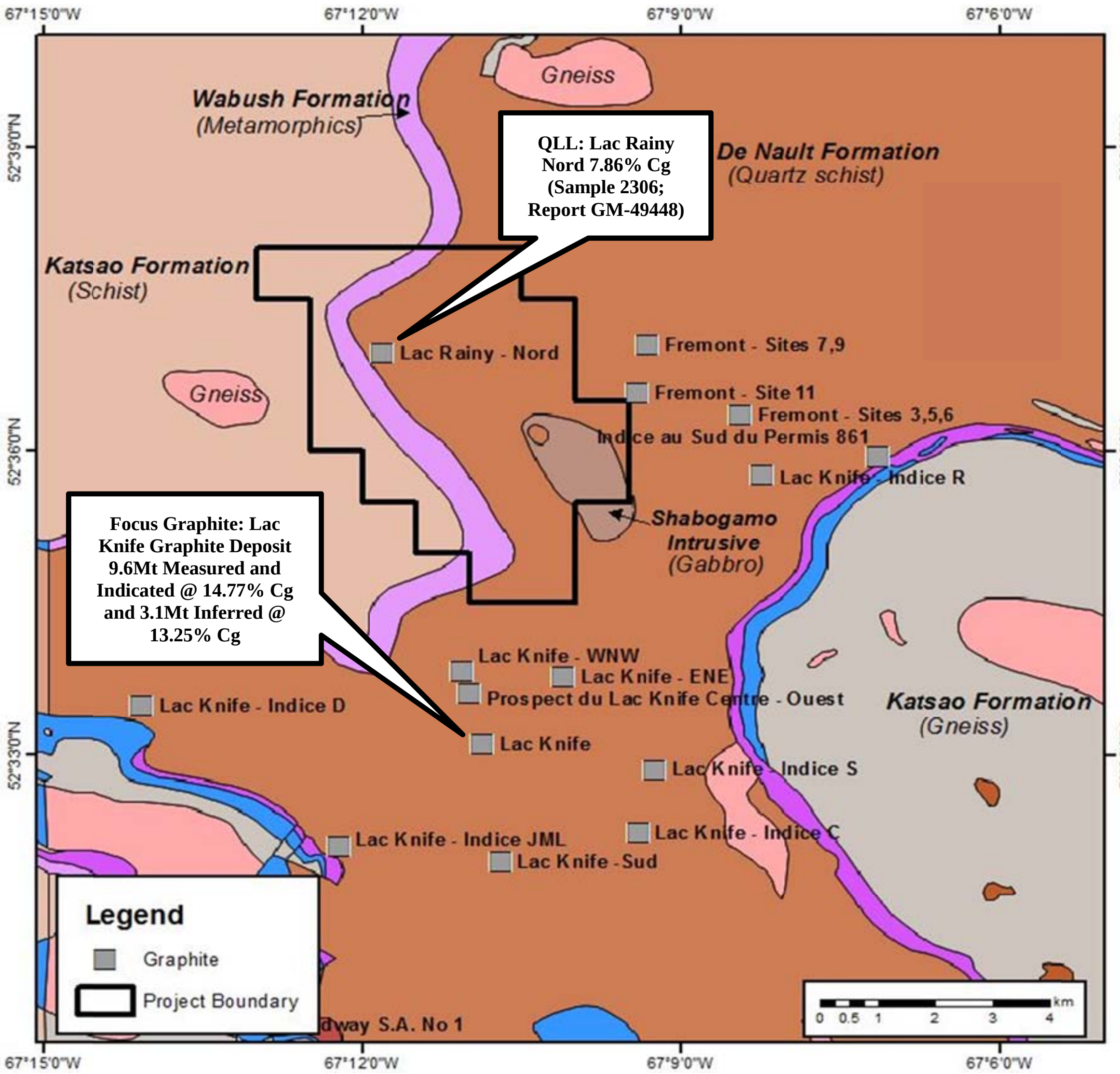


**Figure 5**: Geology of the Lac Rainy Nord graphite project

### *High Grade 7.86% Graphitic Carbon ('Cg') In Composite Sample From 10m x 10m Outcrop at Lac Rainy Nord Graphite Project*

**Highlights:**

- A detailed review of a 1989 sampling program at the Lac Rainy Nord Graphite project has shown the 7.86% Cg result in sample 2306 was not a rock chip sample as previously believed but a composite sample taken from "all four corners" of a 10m x 10m outcrop of graphitic carbon
- The 1989 outcrop sampling program was significantly larger than previously understood and highlights the potential for the Lac Rainy Nord graphite project to be the source of mass high grade graphite mineralisation

- The 10m x 10m graphite rock outcrop from which the sample was taken is towards the northern end of the Lac Rainy Nord Graphite Project within a north-south trending geological lineament
- The geological lineament extends approximately 5km to the southern boundary of the tenement where it continues into the northern boundary of Focus Graphite's Lac Knife Graphite property and is approximately on strike to the Lac Knife Graphite Deposit located approximately 7 km to the south of Lac Rainy Nord
- Focus Graphite's Lac Knife Graphite Deposit is one of the highest-grade flake graphite deposits in the world. It contains an NI 43-101 Measured and Indicated reserve of 9,576,000 million tonnes grading 14.27% Cg, and an Inferred resource of 3,102,000 tonnes grading 13.25% Cg
- The Lac Knife Graphite Deposit appears to sit on strike on the same geological lineament as the 10m x 10m graphitic outcrop from which composite sample 2306 was taken
- Significant potential exists to identify additional graphite mineralisation under the shallow unconsolidated overburden over the entire 5km distance between the graphite rich outcrop and Focus Graphite's Lac Knife property

### *PLANNED WORK FOR 2017*

The Company plans on completing an airborne Electromagnetic Survey across the entire strike length of the Lac Rainy Nord graphite project which is contiguous with the Lac Knife graphite project owned by Focus Graphite. Contained at the NE zone of the project area is a significant outcrop of high grade graphitic carbon which is along trend of the Lac Knife Project. The aim of the airborne EM survey will be to better define the geological structures present prior to undertaking a drilling program during Q2 of 2017.

## QUEBEC LITHIUM PROJECTS

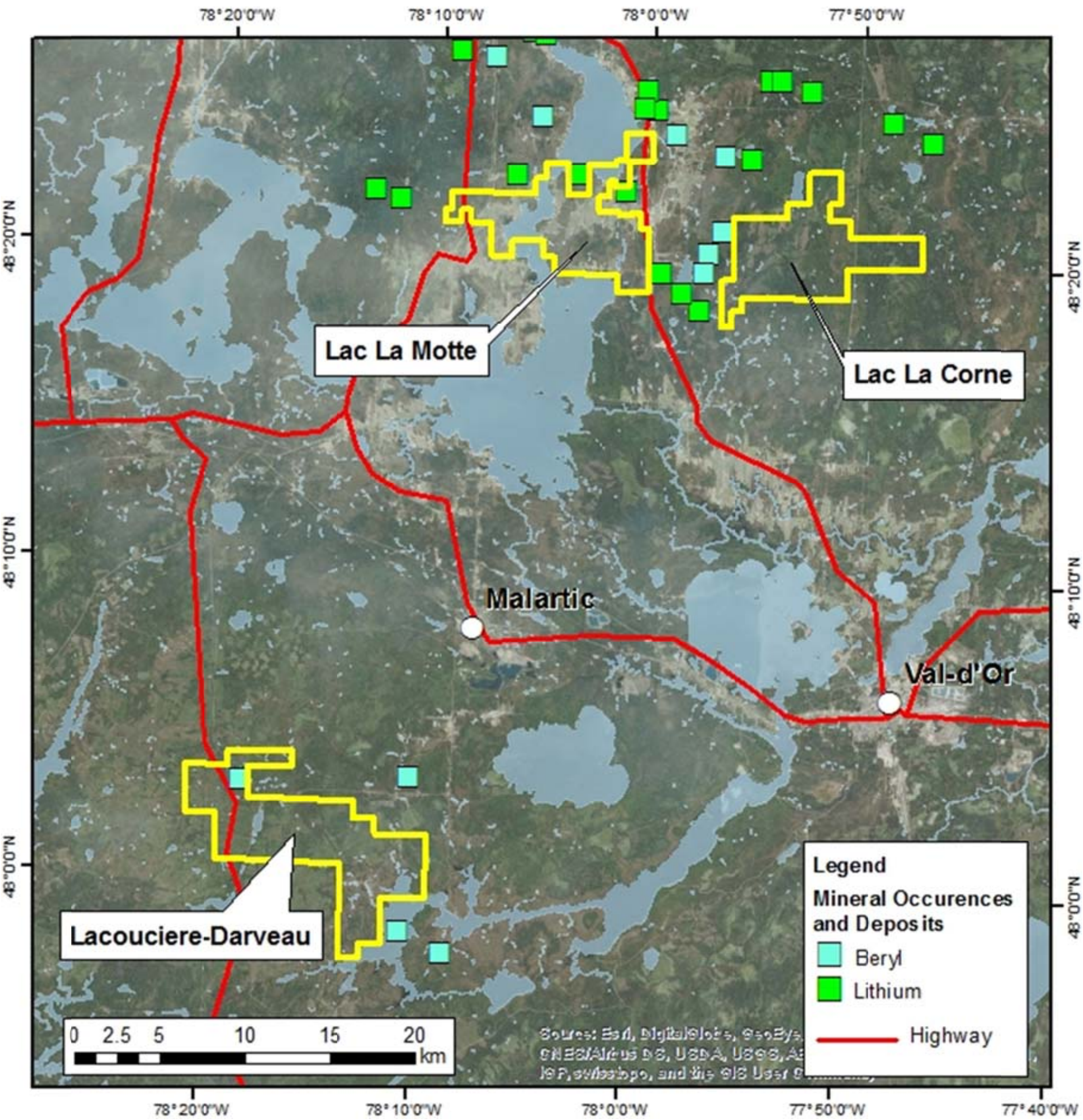


**Figure 6**: Key infrastructure and lithium occurrences

## LAC LA MOTTE LITHIUM PROJECT

The Lac La Motte lithium project is located in the Abitibi Greenstone Belt of Quebec approximately 25 kilometres northwest of the historic mining town of Val d'Or and 400 km northwest of Montreal.

The Lac La Motte project consists of a contiguous landholding of 64 mineral claims and 25 mineral claim applications covering an area of approximately 49.4 km2.

Access to the Lac La Motte project from Val d'Or is easily gained via paved Highway 111 and a number of all-weather gravel roads.

Figure 7 shows the location of the Lac La Motte project, the key infrastructure, and the known lithium occurrences surrounding the project.

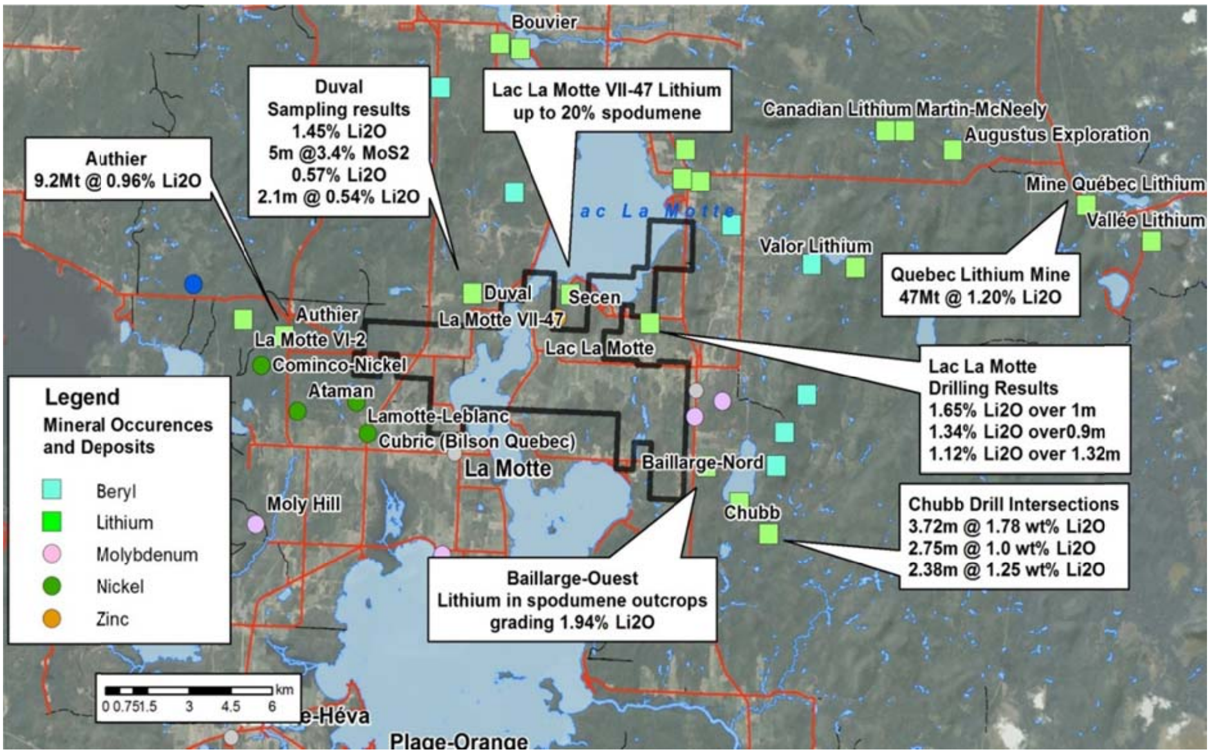


**Figure 7:** Lac La Motte Project Location. Green squares represent lithium deposits. See also figure 11 which shows pegmatite trends and magnetic imagery

**Regional Mineralisation**

The Lac La Motte lithium project represents a significant landholding surrounded by known lithium deposits and occurrences, as well as known beryl occurrences. The lithium mineralisation at the Lac La Motte project is contained in north-east and east-west trends. The Lac La Motte project is targeting spodumene-bearing rare metal LCT pegmatite dyke complexes.

Previous exploration in the region has concentrated on gold and base metal potential of the area, with little focus on lithium until recently, despite the prevalence of lithium deposits and occurrences recorded in the vicinity of the Lac La Motte project.

This presents a unique opportunity for MLS to commence an immediate exploration program focused on the detailed structural geological features that exist at the project. A comprehensive mapping and sampling program has already been designed, with a maiden drill campaign to commence as soon as the results from the phase 1 program are known.

Within the Lac La Motte project, numerous LCT pegmatites hosting spodumene varying from 1.6m to 6m in width exist which intrude diorites, monzonites and metasediments of the Caste Group that are in contact with the basalts of the Lower Malartic Group. The lithium mineralisation occurs mainly in medium to large spodumene crystals.

The La Motte lithium occurrence, which is located within metres of the Lac La Motte project licence boundaries, has exhibited strong lithium mineralisation where previous drill hole intercepts highlighted high grade lithium mineralisation of 1.65% Li2O over 1.0 m (drill hole No. 16, Quebec Government file report GM 03089), 1.34% Li2O over 0.9 m (drill hole No. 15) and 1.12% Li2O over 1.32 m (drill hole No. 14).

**Existing Lithium Deposits in Close Proximity**

The Jilin owned Quebec Lithium Mine which is located in the northeast part of the region less than 7 km northeast of the Lac La Motte project, contains a measured and indicated mineral resource of 33.24 Mt at 1.19% $Li_2O$ and an inferred mineral resource of 13.76 Mt at 1.21% $Li_2O$ (NI 43-101 compliant), according to a technical report filed by Canada Lithium Corp. on 12 October 2012.

For further information, refer to the following:

www.rb-e.com/i/pdf/Quebec_Lithium_Mineral_Resources_and_Reserves_Estimates.pdf

The Lac La Motte project is located less than 1 km east of the Authier lithium deposit which has a reported JORC Measured, Indicated and Inferred resource of 13.74Mt @ 1.07% $Li_2O$.

For further information, refer to the following:

http://www.sayonamining.com.au/PDF/ASX23Nov16_Authier%20Expanded%20JORC.pdf

The Duval Lithium deposit is located less than 1.5km north-northwest of the Lac La Motte licence boundaries. Trenching and bulk sampling at the Duval lithium deposit resulted in high grade lithium being exhibited:

1.45% $Li_2O$ (dyke 1 average of 15 bulk samples of 22 kg each);

3.4% $MoS_2$ over 0.5 m (dyke 1 poll 10);

0.57% $Li_2O$ (dyke 2 from 4 bulk samples of 22 kg each); and

0.54% $Li_2O$ over 2.1 m (sample L-19).

The Baillarge-Ouest lithium-tantalum deposit is located less than 500 metres east of the Lac La Motte licence boundaries and contains spodumene-hosted lithium in pegmatite outcrop grading 1.94% $Li_2O$.

**Lithium Deposits and Occurrences on the Lac La Motte Project**

The Lac La Motte VII-47 lithium occurrence is located within metres from the claims comprising the Lac La Motte lithium project. This LCT pegmatite dyke intersects metasediments of the Caste Group that are in contact with the basalts of the Lower Malartic Group. Spodumene and beryl are observed in fracture fillings in LCT pegmatite dykes.

This prospect has been identified as a potentially significant lithium lode, which is oriented in an east-west direction. It has been interpreted that this lithium bearing mineralized zone continues into the Lac La Motte licence boundaries and could represent an important source for mineralisation at the project.

The nearby Lac La Motte lithium occurrence is located in close proximity to licence boundaries of the Lac La Motte lithium project. The host LCT pegmatite dykes contain spodumene in high concentrations with associated beryl and occur in multiple locations across the Lac La Motte project.

There are at least 6 known parallel LCT pegmatite dykes containing spodumene. The irregular distribution of the lithium-bearing pegmatite dykes in fractures in the granites suggests that this system of dykes could also be present on the Lac La Motte project.

**Historic Exploration at Lac La Motte Project**

Exploration and historical drilling on the Lac La Motte project took place on the edges of the volcanics and ultramafics and focussed on the gold, zinc, nickel and copper potential, with little exploration directed at lithium. Extensive mapped outcrops of LCT pegmatite hosting beryl exist on the Lac La Motte project.

The Lac La Motte project contains numerous Li (spodumene) ±Ta (tantalite) ±Be (beryllium) mineralised occurrences which have been investigated only sporadically by junior mining companies with various geophysical, geochemical and geological tools from the early 1950s until the present day.

### *Summary of historic exploration drill holes at the Lac La Motte Lithium Project:*

- MLS has identified three historic (circa 1954) widely spaced shallow exploration drill holes at the newly acquired Lac La Motte lithium project, located in Quebec (Canada)
- Two of these drill holes, which were targeting uranium, included the following results for lithium:
- Hole 11 which was drilled to a total depth of 58m intersected 0.64m @ 0.67% $Li_2O$ (from 17.98m to 18.62m)
- Hole 13 which was drilled to a total depth of 45m intersected 0.49m @ 1.05% $Li_2O$
- The third drill hole (Hole 12) located on the Lac La Motte lithium project, also targeting uranium, logged pegmatite in two intervals however, the samples were not assayed
- These shallow drill holes confirm the continuity of lithium mineralisation onto the licence boundaries of the Lac La Motte lithium project
- This is very significant as it confirms that additional mineralised lithium zones have been identified on the Lac La Motte lithium project. It also provides clear guidance for a follow-up exploration program
- The drill holes mentioned above were drilled into spodumene bearing dykes along strike of the Lac La Motte and Lacorne lithium deposits
- MLS intends to undertake more detailed geological mapping and geophysical surveys to outline further mineralised zones, then follow this with a drilling campaign on the more prospective targets.
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### *Three Broad Lithium Mineralised Zones Confirmed at Lac La Motte*

### *Highlights:*

- Historic Quebec government stream sediment sampling has confirmed three broad zones of lithium mineralisation in three separate areas
- An ongoing technical review of historic exploration data at MLS's Lac La Motte Lithium Project has uncovered a stream sediment sampling survey carried out by the Quebec Government in 1980. The survey highlighted three major zones of lithium mineralisation in three separate locations
- The stream sediment highs are associated with areas of low cover and coincide with pegmatite surface exposures which are indicative of LCT (Lithium-Caesium-Tantalum) pegmatite mineralisation
- Mineralised pegmatites at the Lac La Motte Lithium Project are oriented in a NW-SE direction and appear to be along strike of the Lac La Motte lithium occurrence and the Duval lithium deposit
- MLS will undertake more detailed mapping and geophysical surveys to unveil further mineralised zones followed by a drilling campaign on the more prospective targets
- The Lac La Motte Lithium Project is situated within the Abitibi Greenstone Belt, and is located less than 1 km from the Duval Lithium Deposit which contains an historic resource estimate of 75,000t @ 1.45 wt. % $Li_2O$ (source: RG160; MERN) and less than 1 kilometre from the Lac La Motte Lithium occurrence
- Global lithium markets remain buoyant with Morgan Stanley Research providing encouraging pricing forecasts citing that EV battery-driven supply tightness combined with elevated China spot pricing is set to boost contract pricing through 2018 to approximately US$8,500/t for battery-grade lithium carbonate

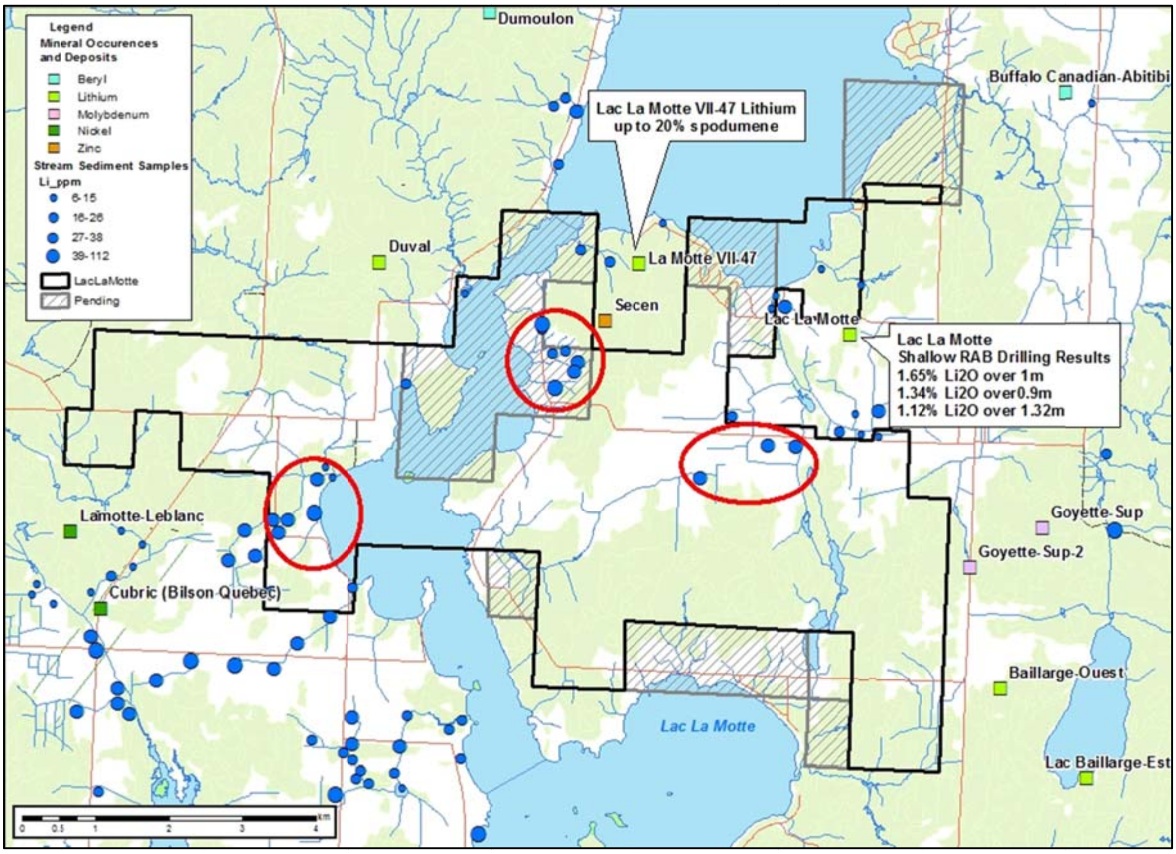


**Figure 8:** Lac La Motte lithium targets derived from 1980 Government stream sediment sampling

## *PLANNED WORK FOR 2017*

The Company plans on completing an airborne Electromagnetic Survey over the high priority zones identified at the Lac La Motte lithium project which is surrounded by several high-grade lithium deposits and occurrences such as the Authier Lithium Deposit, the Duval Lithium Deposit and the Lac La Motte lithium occurrence. The aim of the airborne EM survey will be to better define the geological structures present prior to undertaking a field mapping program and drilling program which will start in Q2 of 2017 and continue into Q3 of 2017.

# LAC LA CORNE LITHIUM PROJECT

The Lac La Corne lithium project is located in approximately 20 kilometres north of the historic mining town of Val d'Or and 400 km northwest of Montreal and represents a contiguous landholding of 87 mineral claims totalling approximately 49.8 km2. Access from Val d'Or is gained via paved Highway 111 and a number of all-weather gravel roads

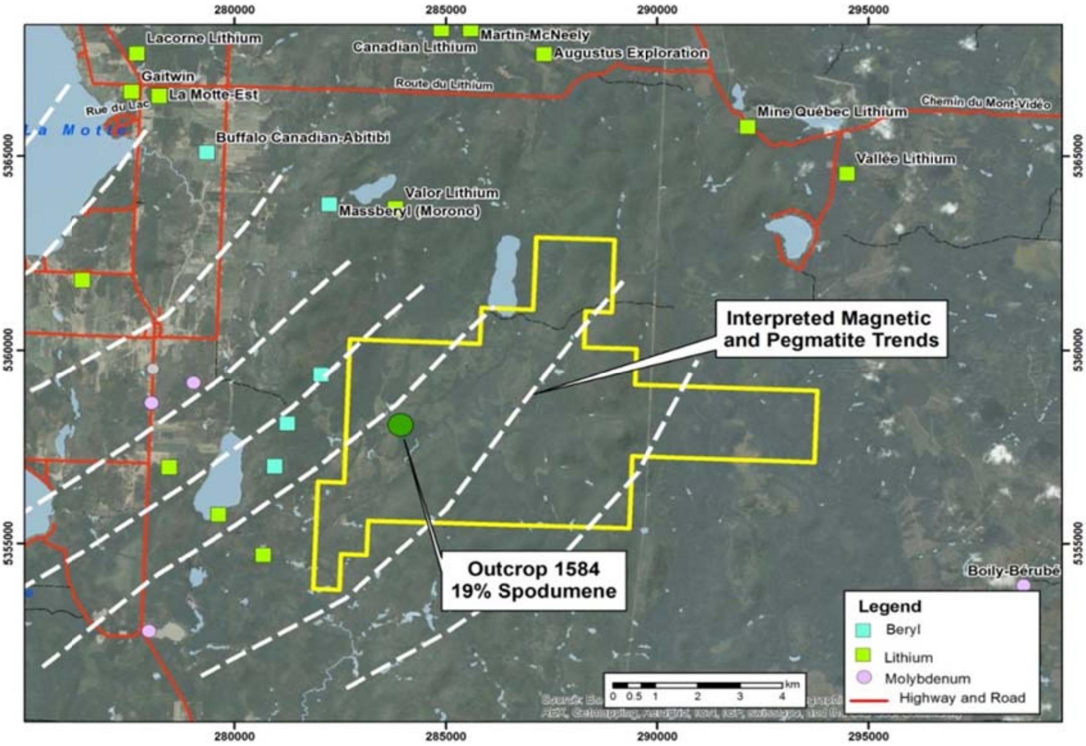


**Figure 9:** Lac La Corne Project. Green squares represent lithium deposits

Figure 9 above shows the location of the Lac La Corne project and associated key infrastructure. It also shows the pegmatite trends though the project interpreted from the regional magnetic imagery and which correspond to the location of Outcrop 1548 and known lithium deposits to the west, south west and north east.

**<u>Regional Mineralisation</u>**

The Lac La Corne lithium project represents a significant landholding surrounded by known lithium deposits and occurrences as well as beryl occurrences. The lithium mineralisation at the Lac La Corne project is contained in tight north-north-east trending zones.

The Lac La Corne project is targeting spodumene and rare metal-bearing LCT pegmatite dyke complexes.

The region is dominated by quartz monzodiorite and metasomatized quartz diorite (tonalite) of the La Corne plutonic complex. A swarm of spodumene-rich granitic pegmatite dykes intrude fractures and small faults within the plutonic rocks.
The LCT pegmatite dykes are as much as 6m thick and are generally crudely zoned, some having quartz cores and border zones of aplite. The granitic LCT pegmatites are composed of quartz, albite and/or cleavelandite, K-feldspar, muscovite, with spodumene in high concentration.

**Existing Lithium Deposits in Close Proximity**

Located less than 1km west of the Lac La Corne project is the Chubb Lithium deposit which is currently owned by Globex Mining Enterprises, and was optioned to Great Thunder Gold Corporation in May 2016.

Drilling intersections obtained in 1994 by Abitibi Lithium Corp. at the Chubb Lithium deposit, produced intervals of 3.72 m @ 1.78 wt. % Li2O, 2.75 m @ 1.00 wt. % Li2O and 2.38 m @ 1.25 wt. % Li2O.

Source: "Technical Report and Recommendations for Three Li-Mo Properties Associated With the Preissac-Lacorne Batholith in the Abitibi Subprovince, Quebec, Canada: The Chubb, International and Athona Properties."

**Lithium Deposits / Occurrences on the Lac La Corne Project**

The Quebec Geological Survey Department in July 2014 recorded outcrop 1584 as having high spodumene and molybdenum potential. This outcrop is located in the south-west portion of the Lac La Corne project.

To date no drilling or follow up exploration has been undertaken, despite strong recommendations from the Geological Survey Department geologist at the time. Outcrop 1584 is contained in a NNE-trending structure that continues along strike into the Lac La Corne project.

The Company has made contact with the Geological Survey Department geologist who was responsible for conducting this survey and subsequently identified the outcrop. Follow-up exploration is planned immediately for this high priority target.

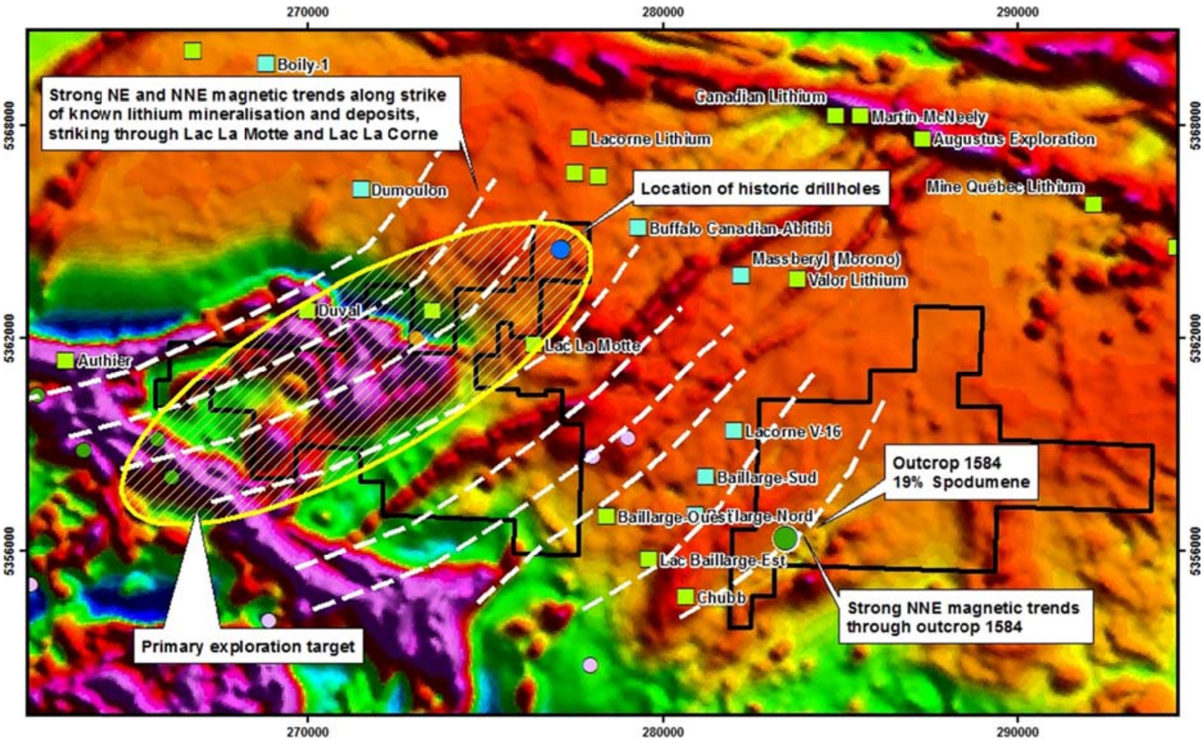


**Figure 10:** Primary exploration target with regional geophysics, magnetic trends & location of historic drillholes

Figure 10 shows the location of the Lac La Motte and Lac La Corne lithium projects over regional magnetic imagery which highlights the interpreted LCT pegmatite trends though the projects and which correspond to the location of Outcrop 1548 and other known lithium deposits in the area.

The strong magnetic trends identified in figure 12 follow a NE and NNE direction along strike of the known lithium mineralisation and lithium deposits / occurrences, striking through the Lac La Motte and Lac La Corne lithium projects.

These magnetic trends highlight the anticipated mineralised zones across the two projects and provide the Company with a focused area where future exploration programs will be conducted.

## LACOURCIERE-DARVEAU LITHIUM PROJECT

The Lacourciere-Darveau lithium project consists of 153 mineral claims and 28 mineral claim applications totalling approximately 104.25 km2 located approximately 15 kilometres west of the community of Malarctic.

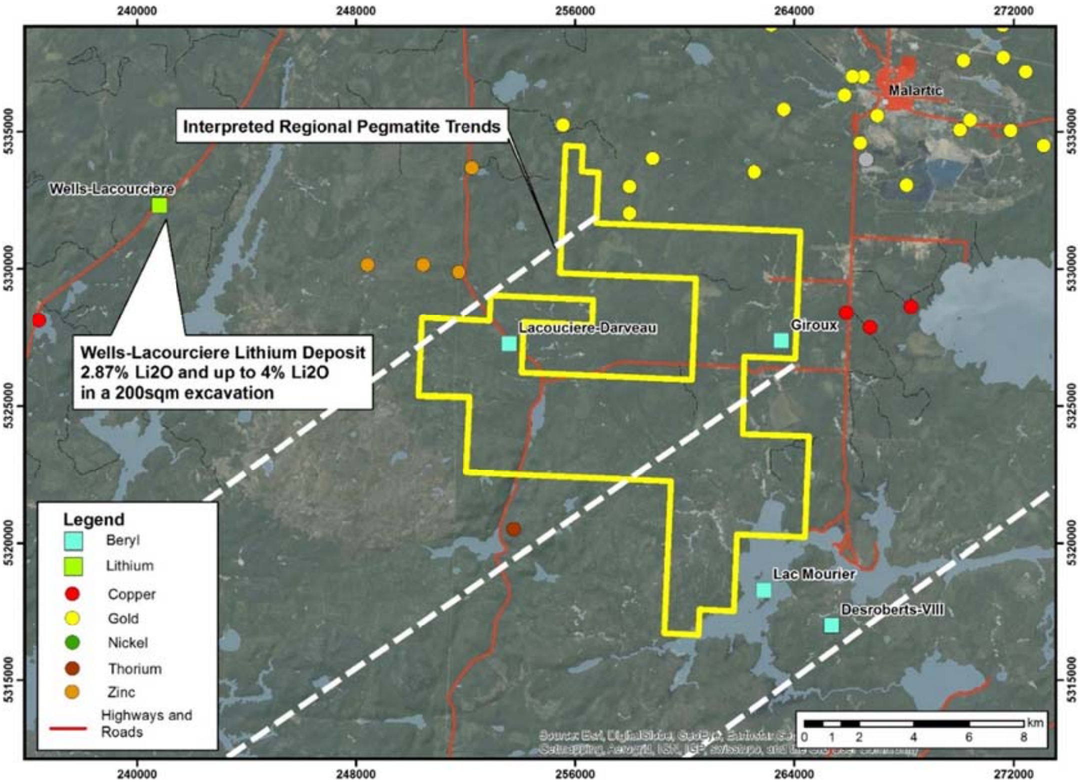


**Figure 11:** Lacourciere-Darveau Project Location.

**<u>Regional Mineralisation and Existing Lithium Deposits in Close Proximity</u>**

The Lacourciere-Darveau project is located approximately 8 km east of a 200m$^2$ excavation where a sample taken from the enrichment zone between trench 2 and trench 3 yielded 2.87% $Li_2O$. The 5 veins sampled contained between 3.0% $Li_2O$ and 4.0% $Li_2O$.

Other lithium occurrences in the vicinity of the project include Ile du Refuge and Lac Simard which are located along trend about 50km to the SSW and host known lithium deposits with average grades of 2.1% $Li_2O$ and 1% $Li_2O$ respectively.

Though there are several lithium occurrences in the vicinity, the property itself has seen limited exploration. Geological mapping and outcrop mapping were conducted in 1956 and 1957, with the geological mapping being reinterpreted in 2009.

This new geology map revealed the presence of multiple zones of LCT pegmatites and granites. The work on the property in the 1950s identified three beryl occurrences in LCT pegmatite veins, which is considered to be significant as these LCT pegmatites may also host lithium mineralisation. No drill testing has been recorded on the Lacourciere-Darveau project.

The presence of beryl and spodumene-rich occurrences within complex LCT pegmatites in the vicinity indicates high potential for the discovery of lithium mineralisation within the project area.

**Lithium Deposits/Occurrences on the Lacourciere-Darveau Project**

Strong NNE-trending structures control the distribution of the beryl and lithium deposits in the project region. Beryl and lithium occur on the edges of the pegmatitic pluton.

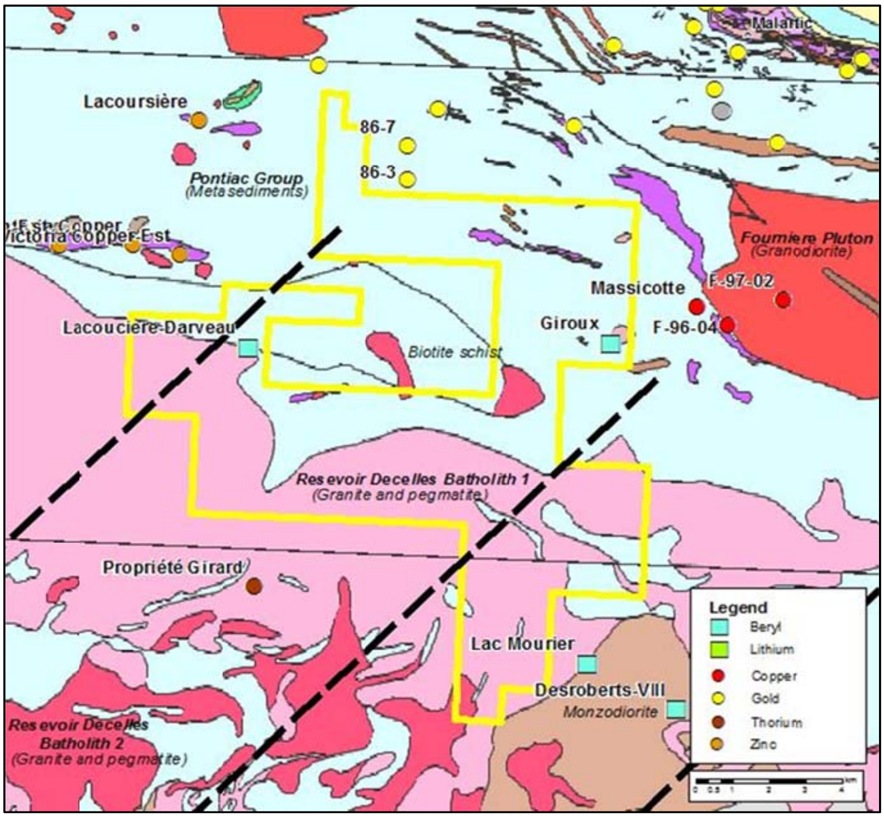


**Figure 12:.** Lacourciere-Darveau Project Geology

The distribution of the beryl and lithium deposits indicates mineralisation is the result of intrusive LCT pegmatite dykes, where spodumene crystals can reach up to 30cm in length and up to 15cm in diameter.

Economic analysis of the lithium and beryllium potential has not yet been undertaken, despite the fact that the Ile du Refuge, Lac Simard and Wells-Lacourciere high-grade lithium deposits are located nearby.

The lithium potential of this beryl occurrence and the associated LCT pegmatite outcrop is yet to be determined. The pegmatite has been mapped in a NNE trend and remains open along strike. Tantalum and niobium have been identified in the LCT pegmatite outcrop.

# MINERAL AND EXPLORATION LICENCES/APPLICATIONS

| Country | State/ Region | Project | Tenement ID | Area $km^2$ | Grant Date | Expiry Date | Interest % | Company |
|---|---|---|---|---|---|---|---|---|
| Namibia | | Mile 72 | EPL 3308 | 73 | 19/05/2005 | 17/5/2015 | 100 | Metals Namibia (Pty) Ltd |
| Australia | WA | Manindi | M57/227 | 4.64 | 3/09/1992 | 2/09/2034 | 80 | Karrilea Holdings Pty Ltd |
| | | | M57/240 | 3.15 | 10/11/1993 | 9/11/2035 | 80 | |
| | | | M57/533 | 8.01 | 17/01/2008 | 16/01/2029 | 80 | |
| Australia | WA | Sherlock Bay | E47/1769 | 76.7 | 7/09/2009 | Pending | 30 | Metals Australia Ltd |
| | | | E47/1770 | 223 | 7/09/2009 | Pending | 30 | |

## Lac Rainy Nord Graphite Project (Quebec)

| | Licenses application number | Claim number (CDC series) | Area (ha.) | Claims license expiry date |
|---|---|---|---|---|
| 1 | 1578708 | CDC 2462752 | 52.34 | 18-Sep-18 |
| 2 | 1578708 | CDC 2462753 | 52.32 | 18-Sep-18 |
| 3 | 1578708 | CDC 2462754 | 52.32 | 18-Sep-18 |
| 4 | 1578708 | CDC 2462755 | 52.32 | 18-Sep-18 |
| 5 | 1578708 | CDC 2462756 | 52.31 | 18-Sep-18 |
| 6 | 1578708 | CDC 2462757 | 52.30 | 18-Sep-18 |
| 7 | 1578708 | CDC 2462758 | 52.34 | 18-Sep-18 |
| 8 | 1578708 | CDC 2462759 | 52.34 | 18-Sep-18 |
| 9 | 1578708 | CDC 2462760 | 52.32 | 18-Sep-18 |
| 10 | 1578708 | CDC 2462761 | 52.32 | 18-Sep-18 |
| 11 | 1578708 | CDC 2462762 | 52.30 | 18-Sep-18 |
| 12 | 1578708 | CDC 2462763 | 52.33 | 18-Sep-18 |
| 13 | 1578708 | CDC 2462764 | 52.31 | 18-Sep-18 |
| 14 | 1578708 | CDC 2462765 | 52.31 | 18-Sep-18 |
| 15 | 1578708 | CDC 2462766 | 52.30 | 18-Sep-18 |
| 16 | 1578708 | CDC 2462767 | 52.36 | 18-Sep-18 |
| 17 | 1578708 | CDC 2462768 | 52.33 | 18-Sep-18 |
| 18 | 1578708 | CDC 2462769 | 52.33 | 18-Sep-18 |
| 19 | 1578708 | CDC 2462770 | 52.31 | 18-Sep-18 |
| 20 | 1578708 | CDC 2462771 | 52.31 | 18-Sep-18 |
| 21 | 1578708 | CDC 2462772 | 52.35 | 18-Sep-18 |
| 22 | 1578708 | CDC 2462773 | 52.35 | 18-Sep-18 |
| 23 | 1578708 | CDC 2462774 | 52.31 | 18-Sep-18 |
| 24 | 1578708 | CDC 2462775 | 52.30 | 18-Sep-18 |
| 25 | 1578708 | CDC 2462776 | 52.30 | 18-Sep-18 |
| 26 | 1578708 | CDC 2462777 | 52.36 | 18-Sep-18 |
| 27 | 1578708 | CDC 2462778 | 52.35 | 18-Sep-18 |
| 28 | 1578708 | CDC 2462779 | 52.34 | 18-Sep-18 |
| 29 | 1578708 | CDC 2462780 | 52.33 | 18-Sep-18 |
| 30 | 1578708 | CDC 2462781 | 52.33 | 18-Sep-18 |
| 31 | 1578708 | CDC 2462782 | 52.33 | 18-Sep-18 |
| 32 | 1578708 | CDC 2462783 | 52.34 | 18-Sep-18 |

## Lac La Motte Lithium Project (Quebec)

| | License application number | Claim number (CDC series) | Area (ha.) | Claim license expiry date |
|---|---|---|---|---|
| 1 | 1571638 | **Villegiature** | 57.29 | **pending-1** |
| 2 | 1570688 | CDC 2455462 | 57.29 | 27-Jul-18 |
| 3 | 1570688 | CDC 2455463 | 57.29 | 27-Jul-18 |
| 4 | 1571638 | CDC 2455487 | 57.28 | 27-Jul-18 |
| 5 | 1571638 | CDC 2455488 | 57.28 | 27-Jul-18 |
| 6 | 1570688 | **Villegiature** | 57.28 | **pending-2** |
| 7 | 1570688 | **Villegiature** | 57.28 | **pending-3** |
| 8 | 1570688 | **Villegiature** | 57.28 | **pending-4** |
| 9 | 1570688 | **Villegiature** | 57.28 | **pending-5** |
| 10 | 1570688 | CDC 2455464 | 57.28 | 27-Jul-18 |
| 11 | 1570688 | CDC 2455465 | 57.28 | 27-Jul-18 |
| 12 | 1570688 | CDC 2455466 | 57.27 | 27-Jul-18 |
| 13 | 1570688 | CDC 2455467 | 57.27 | 27-Jul-18 |
| 14 | 1571638 | **Villegiature** | 57.27 | **pending-6** |
| 15 | 1571638 | CDC 2455489 | 57.27 | 27-Jul-18 |
| 16 | 1571638 | CDC 2455490 | 57.27 | 27-Jul-18 |
| 17 | 1571638 | CDC 2455491 | 57.27 | 27-Jul-18 |
| 18 | 1571638 | CDC 2455492 | 57.27 | 27-Jul-18 |
| 19 | 1571638 | CDC 2455493 | 57.27 | 27-Jul-18 |
| 20 | 1570688 | CDC 2455468 | 57.27 | 27-Jul-18 |
| 21 | 1570688 | CDC 2455469 | 57.27 | 27-Jul-18 |
| 22 | 1570688 | CDC 2455470 | 57.27 | 27-Jul-18 |
| 23 | 1570688 | CDC 2455471 | 57.27 | 27-Jul-18 |
| 24 | 1570688 | CDC 2455472 | 57.26 | 27-Jul-18 |
| 25 | 1570688 | CDC 2455473 | 57.26 | 27-Jul-18 |
| 26 | 1570688 | CDC 2455474 | 57.26 | 27-Jul-18 |
| 27 | 1570688 | CDC 2455475 | 57.26 | 27-Jul-18 |
| 28 | 1570688 | CDC 2455476 | 57.26 | 27-Jul-18 |
| 29 | 1570688 | CDC 2455477 | 57.26 | 27-Jul-18 |
| 30 | 1570688 | CDC 2455478 | 57.26 | 27-Jul-18 |
| 31 | 1570688 | CDC 2455479 | 57.26 | 27-Jul-18 |
| 32 | 1570688 | CDC 2455480 | 57.26 | 27-Jul-18 |
| 33 | 1570688 | CDC 2455481 | 57.26 | 27-Jul-18 |
| 34 | 1570688 | CDC 2455482 | 57.26 | 27-Jul-18 |
| 35 | 1570688 | CDC 2455483 | 57.26 | 27-Jul-18 |
| 36 | 1570688 | CDC 2455484 | 57.26 | 27-Jul-18 |
| 37 | 1570688 | CDC 2455485 | 57.26 | 27-Jul-18 |
| 38 | 1570688 | CDC 2455486 | 57.26 | 27-Jul-18 |
| 39 | 1568029 | CDC 2455432 | 29.94 | 27-Jul-18 |

| | | | | |
|---|---|---|---|---|
| 40 | 1568029 | CDC 2455433 | 54.02 | 27-Jul-18 |
| 41 | 1568029 | **Villegiature** | 57.25 | **pending-7** |
| 42 | 1568029 | CDC 2455434 | 57.25 | 27-Jul-18 |
| 43 | 1568029 | CDC 2455435 | 57.25 | 27-Jul-18 |
| 44 | 1568029 | CDC 2455436 | 57.25 | 27-Jul-18 |
| 45 | 1568029 | CDC 2455437 | 57.25 | 27-Jul-18 |
| 46 | 1569550 | **Villegiature** | 57.25 | **pending-8** |
| 47 | 1569550 | **Villegiature** | 57.25 | **pending-9** |
| 48 | 1569550 | CDC 2455445 | 57.25 | 27-Jul-18 |
| 49 | 1569550 | CDC 2455446 | 57.25 | 27-Jul-18 |
| 50 | 1569550 | CDC 2455447 | 57.25 | 27-Jul-18 |
| 51 | 1569550 | CDC 2455448 | 57.25 | 27-Jul-18 |
| 52 | 1569550 | CDC 2455449 | 57.25 | 27-Jul-18 |
| 53 | 1569550 | CDC 2455450 | 57.25 | 27-Jul-18 |
| 54 | 1569550 | CDC 2455451 | 57.25 | 27-Jul-18 |
| 55 | 1569550 | CDC 2455452 | 47.63 | 27-Jul-18 |
| 56 | 1569550 | CDC 2455453 | 57.25 | 27-Jul-18 |
| 57 | 1569550 | **Villegiature** | 57.25 | **pending-10** |
| 58 | 1568029 | CDC 2455438 | 39.10 | 27-Jul-18 |
| 59 | 1568029 | CDC 2455439 | 57.24 | 27-Jul-18 |
| 60 | 1568029 | CDC 2455440 | 57.24 | 27-Jul-18 |
| 61 | 1568029 | CDC 2455441 | 57.24 | 27-Jul-18 |
| 62 | 1568029 | CDC 2455442 | 57.24 | 27-Jul-18 |
| 63 | 1568029 | CDC 2455443 | 57.24 | 27-Jul-18 |
| 64 | 1568029 | CDC 2455444 | 57.24 | 27-Jul-18 |
| 65 | 1569550 | **Villegiature** | 57.24 | **pending-11** |
| 66 | 1569550 | **Villegiature** | 57.24 | **pending-12** |
| 67 | 1569550 | **Villegiature** | 57.24 | **pending-13** |
| 68 | 1569550 | **Villegiature** | 57.24 | **pending-14** |
| 69 | 1569550 | CDC 2455454 | 57.24 | 27-Jul-18 |
| 70 | 1569550 | CDC 2455455 | 57.24 | 27-Jul-18 |
| 71 | 1569550 | CDC 2455456 | 57.24 | 27-Jul-18 |
| 72 | 1569550 | **Villegiature** | 57.23 | **pending-15** |
| 73 | 1569550 | **Villegiature** | 57.23 | **pending-16** |
| 74 | 1569550 | CDC 2455457 | 57.23 | 27-Jul-18 |
| 75 | 1569550 | CDC 2455458 | 57.23 | 27-Jul-18 |
| 76 | 1569550 | **Villegiature** | 57.23 | **pending-17** |
| 77 | 1569550 | **Villegiature** | 57.22 | **pending-18** |
| 78 | 1569550 | **Villegiature** | 57.22 | **pending-19** |
| 79 | 1569550 | **Villegiature** | 57.22 | **pending-20** |
| 80 | 1569550 | **Villegiature** | 57.22 | **pending-21** |
| 81 | 1569550 | CDC 2455459 | 33.56 | 27-Jul-18 |
| 82 | 1569550 | CDC 2455460 | 41.19 | 27-Jul-18 |
| 83 | 1529267 | CDC 2438019 | 42.48 | 13-Mar-18 |
| 84 | 1529267 | CDC 2438020 | 45.81 | 13-Mar-18 |
| 85 | 1569550 | **Villegiature** | 46.08 | **pending-22** |
| 86 | 1569550 | CDC 2455461 | 22.73 | 27-Jul-18 |
| 87 | 1569550 | **Villegiature** | 63.15 | **pending-23** |
| 88 | 1569550 | **Villegiature** | 83.89 | **pending-24** |
| 89 | 1569550 | **Villegiature** | 41.50 | **pending-25** |

## Lac La Corne Lithium Project (Quebec)

| | License application number | Claim number (CDC series) | Area (ha.) | Claim license expiry date |
|---|---|---|---|---|
| 1 | 1567089 | CDC 2455213 | 57.31 | 27-Jul-18 |
| 2 | 1567089 | CDC 2455214 | 57.30 | 27-Jul-18 |
| 3 | 1567089 | CDC 2455215 | 57.30 | 27-Jul-18 |
| 4 | 1567089 | CDC 2455216 | 57.29 | 27-Jul-18 |
| 5 | 1567089 | CDC 2455217 | 57.29 | 27-Jul-18 |
| 6 | 1567089 | CDC 2455218 | 57.29 | 27-Jul-18 |
| 7 | 1568007 | CDC 2455240 | 57.29 | 27-Jul-18 |
| 8 | 1568007 | CDC 2455241 | 57.29 | 27-Jul-18 |
| 9 | 1568007 | CDC 2455242 | 57.29 | 27-Jul-18 |
| 10 | 1568007 | CDC 2455243 | 57.29 | 27-Jul-18 |
| 11 | 1568007 | CDC 2455244 | 57.29 | 27-Jul-18 |
| 12 | 1568007 | CDC 2455245 | 57.29 | 27-Jul-18 |
| 13 | 1568007 | CDC 2455246 | 57.28 | 27-Jul-18 |
| 14 | 1568007 | CDC 2455247 | 57.28 | 27-Jul-18 |
| 15 | 1568007 | CDC 2455248 | 57.29 | 27-Jul-18 |
| 16 | 1563137 | CDC 2450086 | 57.29 | 19-Jun-18 |
| 17 | 1563137 | CDC 2450087 | 57.29 | 19-Jun-18 |
| 18 | 1565954 | CDC 2454427 | 57.29 | 27-Jul-18 |
| 19 | 1565954 | CDC 2454428 | 57.29 | 27-Jul-18 |
| 20 | 1567128 | CDC 2455233 | 57.29 | 27-Jul-18 |
| 21 | 1567128 | CDC 2455234 | 57.29 | 27-Jul-18 |
| 22 | 1568007 | CDC 2455249 | 57.29 | 27-Jul-18 |
| 23 | 1568007 | CDC 2455250 | 57.29 | 27-Jul-18 |
| 24 | 1568007 | CDC 2455251 | 57.28 | 27-Jul-18 |
| 25 | 1568007 | CDC 2455252 | 57.28 | 27-Jul-18 |
| 26 | 1568007 | CDC 2455253 | 57.27 | 27-Jul-18 |
| 27 | 1563137 | CDC 2450088 | 57.27 | 19-Jun-18 |
| 28 | 1552358 | CDC 2444218 | 57.27 | 4-May-18 |
| 29 | 1552358 | CDC 2444219 | 57.27 | 4-May-18 |
| 30 | 1565954 | CDC 2454429 | 57.27 | 27-Jul-18 |
| 31 | 1565954 | CDC 2455219 | 57.27 | 27-Jul-18 |
| 32 | 1567128 | CDC 2455235 | 57.27 | 27-Jul-18 |
| 33 | 1568007 | CDC 2455254 | 57.27 | 27-Jul-18 |
| 34 | 1568007 | CDC 2455255 | 57.27 | 27-Jul-18 |
| 35 | 1568007 | CDC 2455256 | 57.27 | 27-Jul-18 |
| 36 | 1568007 | CDC 2455257 | 57.27 | 27-Jul-18 |
| 37 | 1568007 | CDC 2455258 | 57.27 | 27-Jul-18 |
| 38 | 1568007 | CDC 2455259 | 57.27 | 27-Jul-18 |
| 39 | 1568007 | CDC 2455260 | 57.26 | 27-Jul-18 |
| 40 | 1568007 | CDC 2455261 | 57.26 | 27-Jul-18 |
| 41 | 1568007 | CDC 2455262 | 57.26 | 27-Jul-18 |
| 42 | 1568007 | CDC 2455263 | 57.26 | 27-Jul-18 |
| 43 | 1568007 | CDC 2455264 | 57.26 | 27-Jul-18 |
| 44 | 1568007 | CDC 2455265 | 57.26 | 27-Jul-18 |
| 45 | 1565954 | CDC 2454430 | 57.26 | 27-Jul-18 |
| 46 | 1563137 | CDC 2450089 | 57.26 | 19-Jun-18 |
| 47 | 1563137 | CDC 2450090 | 57.26 | 19-Jun-18 |
| 48 | 1565954 | CDC 2454431 | 57.26 | 27-Jul-18 |
| 49 | 1567089 | CDC 2455220 | 57.26 | 27-Jul-18 |

| | | | | |
|---|---|---|---|---|
| 50 | 1567089 | CDC 2455221 | 57.26 | 27-Jul-18 |
| 51 | 1567089 | CDC 2455222 | 57.26 | 27-Jul-18 |
| 52 | 1568007 | CDC 2455266 | 57.26 | 27-Jul-18 |
| 53 | 1568007 | CDC 2455267 | 57.26 | 27-Jul-18 |
| 54 | 1568007 | CDC 2455268 | 57.26 | 27-Jul-18 |
| 55 | 1568007 | CDC 2455269 | 57.26 | 27-Jul-18 |
| 56 | 1568007 | CDC 2455270 | 57.26 | 27-Jul-18 |
| 57 | 1568007 | CDC 2455271 | 57.26 | 27-Jul-18 |
| 58 | 1568007 | CDC 2455272 | 57.26 | 27-Jul-18 |
| 59 | 1568007 | CDC 2455273 | 57.25 | 27-Jul-18 |
| 60 | 1568007 | CDC 2455274 | 57.25 | 27-Jul-18 |
| 61 | 1568007 | CDC 2455275 | 57.25 | 27-Jul-18 |
| 62 | 1568007 | CDC 2455276 | 57.25 | 27-Jul-18 |
| 63 | 1565954 | CDC 2454432 | 57.25 | 24-Jul-18 |
| 64 | 1565954 | CDC 2454433 | 57.25 | 24-Jul-18 |
| 65 | 1565954 | CDC 2454434 | 57.25 | 24-Jul-18 |
| 66 | 1565954 | CDC 2454435 | 57.25 | 24-Jul-18 |
| 67 | 1567128 | CDC 2455236 | 57.25 | 27-Jul-18 |
| 68 | 1567089 | CDC 2455223 | 57.25 | 27-Jul-18 |
| 69 | 1567089 | CDC 2455224 | 57.25 | 27-Jul-18 |
| 70 | 1567089 | CDC 2455225 | 57.25 | 27-Jul-18 |
| 71 | 1568007 | CDC 2455277 | 57.25 | 27-Jul-18 |
| 72 | 1568007 | CDC 2455278 | 57.25 | 27-Jul-18 |
| 73 | 1568007 | CDC 2455279 | 57.25 | 27-Jul-18 |
| 74 | 1567089 | CDC 2455226 | 57.24 | 27-Jul-18 |
| 75 | 1567089 | CDC 2455227 | 57.24 | 27-Jul-18 |
| 76 | 1567089 | CDC 2455228 | 57.24 | 27-Jul-18 |
| 77 | 1567089 | CDC 2455229 | 57.24 | 27-Jul-18 |
| 78 | 1567089 | CDC 2455230 | 57.23 | 27-Jul-18 |
| 79 | 1567089 | CDC 2455231 | 57.23 | 27-Jul-18 |
| 80 | 1567089 | CDC 2455232 | 57.23 | 27-Jul-18 |
| 81 | 1569244 | CDC 2455280 | 57.23 | 27-Jul-18 |
| 82 | 1569244 | CDC 2455281 | 57.23 | 27-Jul-18 |
| 83 | 1569244 | CDC 2455282 | 57.23 | 27-Jul-18 |
| 84 | 1569244 | CDC 2455283 | 57.23 | 27-Jul-18 |
| 85 | 1567128 | CDC 2455237 | 57.21 | 27-Jul-18 |
| 86 | 1567128 | CDC 2455238 | 57.21 | 27-Jul-18 |
| 87 | 1567128 | CDC 2455239 | 57.20 | 27-Jul-18 |

**Manindi Zinc Project**

The information in this report that relates to Exploration Targets, Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Mr Dean Goodwin, a consultant to Metals Australia Ltd, and a member of The Australasian Institute of Geoscientists. Mr Goodwin 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 Goodwin consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

**Quebec Lithium Limited**

Mr Glenn S Griesbach, PGeo, 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 Griesbach, PGeo, 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 Quebec Lithium Limited.

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 and consents to the inclusion in this 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.

**Forward-Looking Statements**

This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning Metals Australia Ltd’s planned exploration program and other statements that are not historical facts. When used in this document, the words such as "could," "plan," "estimate," "expect," "intend," "may”, "potential," "should," and similar expressions are forward-looking statements. Although Metals Australia Ltd believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties and no assurance can be given that actual results will be consistent with these forward-looking statements.

**For further information please contact:**

**Gino D'Anna** **+61 400 408 878**

**Or consult our website:** [www.metalsaustralia.com.au](http://www.metalsaustralia.com.au)

## *3. FINANCIAL RESULT*

The Group incurred a loss after income tax of $159,709 for the half year period (2015: $163,388). As at 31 December 2016 the Group had cash funds of $499,408 (30 June 2016: $55,765).

## *4. AUDITOR'S INDEPENDENCE DECLARATION*

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 23.

**This report is made in accordance with a resolution of the Board of Directors.**

**Michael Scivolo**
**Director** **Perth, 16 March 2017**

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10 Kings Park Road
West Perth WA 6005

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**F** +61 8 9322 7787
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**W** www.grantthornton.com.au

## Auditor's Independence Declaration
## To The Directors of Metals Australia Limited

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Metals Australia Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P. Warr.

P W Warr
Partner - Audit & Assurance

Perth, 16 March 2017

## *CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE HALF YEAR ENDED 31 DECEMBER 2016*

| | Consolidated | |
|---|---|---|
| | **Half year 2016 $** | **Half year 2015 $** |
| **Revenue** | | |
| Interest earned | 388 | 107 |
| Change in fair value of investments | 9,447 | - |
| | 9,835 | 107 |
| **Expenditure** | | |
| Change in fair value of investments | - | 19,666 |
| Depreciation | 165 | 55 |
| Exploration expenditure | 416 | 15,130 |
| Key management personnel remuneration | 28,995 | 32,217 |
| Other expenses | 139,968 | 96,377 |
| | 169,544 | 163,445 |
| **(Loss) before income tax** | **(159,709)** | **(163,338)** |
| Income tax benefit | - | - |
| **(Loss) for the half year** | **(159,709)** | **(163,338)** |
| **Other Comprehensive Income, net of tax** | | |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translating foreign controlled entities | 133,182 | (233,766) |
| **Total comprehensive income/(loss) for the half year** | **(26,527)** | **(397,104)** |
| | **Cents** | |
| Basic and diluted profit/(loss) per share | (0.02) | (0.02) |

*The accompanying notes form part of these financial statements*

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

| | Note | Consolidated 31 December 2016 $ | Consolidated 30 June 2016 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | | 499,408 | 55,765 |
| Trade and other receivables | | 63,196 | 91,210 |
| Financial assets | 5 | 64,115 | 54,669 |
| **TOTAL CURRENT ASSETS** | | **626,719** | **201,644** |
| **NON CURRENT ASSETS** | | | |
| Plant and equipment | | - | 152 |
| Exploration and evaluation expenditure | 6 | 7,553,508 | 5,828,270 |
| **TOTAL NON-CURRENT ASSETS** | | **7,553,508** | **5,828,422** |
| **TOTAL ASSETS** | | **8,180,227** | **6,030,066** |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | | 110,053 | 44,896 |
| **TOTAL CURRENT LIABILITIES** | | **110,053** | **44,896** |
| **NON CURRENT LIABILITIES** | | | |
| Trade and other payables | | 389,302 | 439,312 |
| Loan | | - | 155,000 |
| **TOTAL NON CURRENT LIABILITIES** | | **389,302** | **594,312** |
| **TOTAL LIABILITIES** | | **499,355** | **639,210** |
| **NET ASSETS** | | **7,680,872** | **5,390,858** |
| **EQUITY** | | | |
| Issued capital | | 26,787,636 | 25,187,316 |
| Share option reserve | | 716,221 | 612,000 |
| Foreign currency translation reserve | | 87,067 | (46,115) |
| Accumulated losses | | (19,910,052) | (20,362,343) |
| **TOTAL EQUITY** | | **7,680,872** | **5,390,858** |

*The accompanying notes form part of these financial statements.*

## *CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE HALF YEAR ENDED 31 DECEMBER 2016*

| | Issued Capital | Share Option Reserve | Foreign Currency Translation Reserve | (Accumulated Losses) | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **BALANCE AT 1 JULY 2015** | **25,187,316** | **612,000** | **162,889** | **(20,193,194)** | **5,769,011** |
| (Loss) attributable to the members of the parent entity | - | - | - | (163,338) | (163,338) |
| Total other comprehensive income/(loss) for the period | - | - | (219,969) | - | (219,969) |
| **BALANCE AT 31 DECEMBER 2015** | **25,187,316** | **612,000** | **(57,080)** | **(20,356,532)** | **5,385,704** |

| | Issued Capital | Share Option Reserve | Foreign Currency Translation Reserve | (Accumulated Losses) | Total |
|---|---|---|---|---|---|
| | $ | $ | $ | $ | $ |
| **BALANCE AT 1 JULY 2016** | **25,187,316** | **612,000** | **(46,115)** | **(20,362,343)** | **5,390,858** |
| (Loss) attributable to the members of the parent entity | - | - | - | (159,709) | (159,709) |
| Total other comprehensive income/(loss) for the period | - | - | 133,182 | - | 133,182 |
| Options expired | - | (612,000) | - | 612,000 | - |
| Capital raised | 475,000 | - | - | - | 475,000 |
| Capital raised | 475,000 | - | - | - | 475,000 |
| Capital raised | 750,000 | - | - | - | 750,000 |
| Options granted | - | 716,221 | - | - | 716,221 |
| Costs of capital raising | (99,680) | - | - | - | (99,680) |
| **BALANCE AT 31 DECEMBER 2016** | **26,787,636** | **716,221** | **87,067** | **(19,910,052)** | **7,680,872** |

*The accompanying notes form part of these financial statements.*

## CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF YEAR ENDED 31 DECEMBER 2016

| | Consolidated Half year 2016 $ | Consolidated Half year 2015 $ |
|---|---|---|
| **Cash Flows from Operating Activities** | | |
| Payments to suppliers and employees | (119,835) | (59,990) |
| Interest received | 388 | 107 |
| *Net cash (used in) operating activities* | (119,447) | (59,883) |
| **Cash Flows From Investing Activities** | | |
| Payment for exploration expenditure and acquisitions (refer to Note 11) | (175,328) | (66,178) |
| *Net cash (used in) investing activities* | (175,328) | (66,178) |
| **Cash Flows from Financing Activities** | | |
| Shares issued | 893,000 | - |
| Proceeds / Repayment of loans | (155,000) | 100,000 |
| *Net cash provided by financing activities* | 738,000 | 100, 000 |
| **Net (decrease) in Cash and Cash Equivalents** | 443,225 | (26,061) |
| **Cash and Cash Equivalents at the Beginning of the Half Year** | 55,765 | 78,724 |
| Effect of exchange rates on cash holdings in foreign currencies | 418 | (2,541) |
| **Cash and Cash Equivalents at the End of Half Year** | **499,408** | **50,122** |

*The accompanying notes form part of these financial statements.*

***NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED 31 DECEMBER 2016***

## 1. BASIS OF PREPARATION OF HALF YEAR REPORT

Metals Australia Ltd is a company domiciled in Australia.

This general purpose financial report for the interim half year reporting period ended 31 December 2016 has been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standards including AASB 134 *Interim Financial Reporting*. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Metals Australia Limited and its controlled entities (the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group for the year ended 30 June 2016 together with any public announcements made during the half year.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for the adoption of the following new and revised Accounting Standards.

The interim financial statements have been approved and authorised for issue by the Board of Directors.

**Adoption of new and revised accounting standards**

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australia Accounting Standards Board (AASB) that are relevant to its operations and effective for the current half year reporting period. These include:

- Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments (Part C: Financial Instruments)
- AASB 2014-1 Amendments to Australian Accounting Standards (Part E: Financial Instruments)
- AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010)
- AASB 2015-3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality
- AASB 2015-4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent

The adoption of all of the new and revised Standards and Interpretations has not resulted in any changes to the Group’s accounting policies and has had no effect on the amounts reporting for the current or prior periods.

**Going concern**

The financial report has been prepared on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. During the period, the Group has reported a net loss of $159,709 (2015: $163,338) and a net cash outflow from operating activities of $119,447 (2015: $59,883).

The Directors will continue to monitor the capital requirements of the Group and this includes additional capital raisings in future periods as required.

In addition to planned capital raisings, the following initiatives are in place:

- A shareholder of the Company has agreed to provide cash advances to the Company, if required, until a capital raising has been completed.
- The Company's largest creditor has deferred settlement of all outstanding invoices at balance date for a period of 12 months, and has agreed to defer settlement of all current invoices until the company has sufficient available cash resources.
- The management fee payable to Kalgoorlie Mine Management Pty Ltd has been waived for the period 1 July 2016 to 31 December 2016

The Directors recognise that the above represents a material uncertainty as to the Group's ability to continue as a going concern, however, they are confident that the Group will be able to continue its operations into the foreseeable future.

Should the Group be unable to obtain the funding as described above, there is a materiality uncertainty as to whether the Group will be able to continue was a going concern, and therefore, whether it will be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report. The financial report does not include any adjustment relating to the recoverability and classification of recorded asset amounts nor to the amounts and classification of liabilities that may be necessary should the Group be unable to continue as a going concern.

## 2. DIVIDENDS

No dividends have been paid or proposed during the six month period ended 31 December 2016.

## 3. EVENTS SUBSEQUENT TO REPORTING DATE

No matters or circumstances have arisen since the end of the half year which significantly affected or may significantly affect the operations of the Company, the results of those operations, or the state of affairs of the Company, except for the following:

The Namibian government released for comment a draft New Equitable Economic Empowerment Framework (NEEEF) discussion paper seeking to give Namibian citizens greater opportunities to participate in the economic development of their country. This paper was open for public comment until 29 April 2016, after which time any comments received will be analysed and may be included in any legislation subsequently presented to parliament.

It is not clear at this stage what the final form of the legislation, if enacted, may take and it may have implications for our future activities in Namibia.

It is further noted that the Department of Mines and Minerals have indicated that a condition for the renewal of licences include at least 5% ownership by a Namibian person or a company wholly owned by Namibians and a minimum 20% representation of historically disadvantaged

Namibians. Management have indicated that the abovementioned conditions will be complied with in order to obtain relevant renewals.

The Directors have obtained a legal opinion from well-reputed and experienced Namibian legal firm as well as liaising with the Company's local auditors, and are confident that the licences will be renewed.

## 4. CAPITAL AND LEASING COMMITMENTS AND CONTINGENCIES

There has been no material change in contingent liabilities and commitments since the end of the last annual reporting period.

## 5. FINANCIAL ASSETS

| | December 2016 | June 2016 |
|---|---|---|
| Investment in listed shares | $64,115 | $54,669 |

These shares are classified as financial assets at fair value through profit and loss. Changes in fair value are included in the Statement of Profit or Loss and Other Comprehensive Income.

## 6. EXPLORATION AND EVALUATION EXPENDITURE

| | December 2016 | June 2016 |
|---|---|---|
| Opening balance | $5,828,270 | $5,951,296 |
| Additions and acquisitions (Refer to note 11) | $1,598,460 | $74,632 |
| Foreign exchange | $126,778 | ($197,658) |
| **Closing balance** | $7,553,508 | $5,828,270 |

## 7 OPERATING SEGMENTS

**Segment Information**

**Identification of reportable segments**

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board of Directors (Chief Operating decision makers) in assessing performance and determining the allocation of resources. As the Group is focused on mineral exploration, the Board monitors the Group based on actual versus budgeted exploration expenditure incurred by area of interest. The internal reporting framework is the most relevant to assist the Board with making decisions regarding the Group and its ongoing exploration activities, while also taking into consideration the results of exploration work that has been performed to date.

The Company is managed on the basis of area of interest. Operating segments are therefore determined on the same basis.

**Segments**

The two reportable segments are as follows:

- (i) Western Australian Projects
- (ii) Namibian Projects
- (iii) Quebec Projects

**Basis of Accounting for purposes of reporting by operating segments**

*Accounting Policies Adopted*
All amounts reported to the Board of Directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in the annual financial statements of the Group.

There are no inter-segment transactions. Segment assets are clearly identifiable on the basis of their nature. Segment liabilities include trade and other.

*Unallocated items*
Corporate costs are not considered core operations of any segment.

| **Segment Performance - December 2016** | **Western Australian Base Metal Projects** | **Namibian Uranium Projects** | **Quebec Lithium/ Graphite Projects** | **Total** |
|---|---|---|---|---|
| | **$** | **$** | | **$** |
| **Revenue from external sources** | | | | |
| Unallocated – interest revenue | - | - | - | 388 |
| Change in fair value of investments | | - | - | 9,447 |
| Total Group revenue | - | - | - | 9,835 |
| | | | | |
| **Segment profit/(loss)** | - | (21,736) | - | (21,736) |
| Unallocated items - corporate charges & write backs | | | | (137,973) |
| Total Group profit/(loss) | | | | (159,709) |
| | | | | |
| **Segment assets** | 4,870,003 | 1,155,587 | 1,527,918 | 7,553,508 |
| Unallocated - cash, receivables, plant & equipment | | | | 626,719 |
| Total Group assets | | | | 8,180,227 |
| | | | | |
| **Segment liabilities** | - | - | (3,940) | (3,940) |
| Unallocated – corporate trade payables | | | | (495,415) |
| Total Group liabilities | | | | (499,355) |

| **Segment Performance - December 2015** | **Western Australian Base Metal Projects** | **Namibian Uranium Projects** | **Quebec Lithium/ Graphite Projects** | **Total** |
|---|---|---|---|---|
| | **$** | **$** | | **$** |
| **Revenue from external sources** | - | - | - | - |
| Unallocated – interest revenue | | - | - | 107 |
| Gain on sale of assets | | - | | - |
| Total Group revenue | | - | - | 107 |
| | | | | |
| **Segment profit/(loss)** | - | (25,412) | - | (25,412) |
| Unallocated items - corporate charges & write backs | | | | (137,926) |
| Total Group profit/(loss) | | | | (163,338) |
| | | | | |
| **Segment assets** | 3,178,263 | 2,617,766 | - | 5,796,029 |
| Unallocated - cash, receivables, plant & equipment | | | | 149,813 |
| Total Group assets | | | | 5,945,842 |
| | | | | |
| **Segment liabilities** | | | | |
| Unallocated – corporate trade payables | - | - | - | - |
| Total Group liabilities | | | | (545,139) |
| | | | | (545,139) |

## 8. ISSUED CAPITAL

| Date | Details | Number of Shares | Amount |
|---|---|---|---|
| | | | $ |
| **1 July 2016** | **Balance** | **819,951,110** | **25,187,316** |
| 26 October 2016 | Shares issued | 158,333,334 | 475,000 |
| 15 December 2016 | Shares issued | 158,333,333 | 475,000 |
| October & December | Capital raising costs | - | (99,680) |
| 22 December 2016 | Shares issued to purchase tenements | 150,000,000 | 750,000 |
| **31 December 2016** | **Balance** | **1,286,617,777** | **26,787,636** |

The Company's capital consists of Ordinary Shares. The Company does not have a limited amount of authorised share capital. The Shares have no par value and are entitled to participate in dividends and the proceeds on any winding up of the Company in proportion to the number of Shares held.

At shareholders' meetings each fully paid ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

## 9. SHARE OPTION RESERVE

| Date | Details | Number of Options | Amount |
|---|---|---|---|
| | | | $ |
| **1 July 2016** | **Balance** | **50,000,000** | **612,000** |
| 31 August 2016 | Options expired | (50,000,000) | (612,000) |
| 26 October 2016 | Options granted | 39,583,334 | - |
| 15 December 2016 | Options granted | 39,583,333 | - |
| 15 December 2016 | Options granted | 9,000,000 | 34,920 |
| 22 December 2016 | Options granted to purchase tenements | 150,000,000 | 673,541 |
| 22 December 2016 | Options granted for PR services | 2,000,000 | 7,760 |
| **31 December 2016** | **Balance** | **240,166,667** | **716,221** |

The weighted average remaining contractual life of options outstanding at year end was 2.92 years.

The exercise price of all outstanding options at the end of the reporting period was $0.003.

## 10. RELATED PARTY TRANSACTIONS

The Group's related parties include its subsidiaries, key management personnel and others as described below. Unless otherwise stated, none of the transactions incorporate special terms and conditions, and no guarantees were received or given.

| Related Party | Relationship | Nature of Transaction | Half Year Ended 31 December 2016 $ | Half Year Ended 31 December 2015 $ |
|---|---|---|---|---|
| Karrilea Holdings Pty Ltd | Subsidiary | Exploration assets | 67,596 | 51,178 |
| Metals Namibia (Pty) Ltd | Subsidiary | Exploration assets | 26,000 | 15,000 |
| Quebec Lithium Limited | Subsidiary | Exploration assets | 70,000 | - |
| Karrilea Holdings Pty Ltd | Subsidiary | Loan provision | (67,596) | (51,178) |
| Metals Namibia (Pty) Ltd | Subsidiary | Loan provision | (26,000) | (15,000) |
| Quebec Lithium Limited | Subsidiary | Loan provision | (70,000) | - |
| Sabre Resources Namibia Pty Ltd | Related Party | Recovery Income | 6,259 | - |
| Sabre Resources Namibia Pty Ltd | Related Party | Trade Receivables | 1,262 | - |

## 11. ACQUISITION OF QUEBEC LITIHUIM LIMITED

On the 14th December 2016, the Company acquired 100% of the equity instruments of Quebec Lithium Limited, an Australian based company holdings tenements in Quebec. (Refer to Note 6). The details of the acquisition are as follows**:**

| | $ |
|---|---|
| Cash | $70,000 |
| Share and options | $1,423,541 |
| Other capitalised costs | $34,377 |
| **Total acquisition costs** | $1,527,918 |

## *DIRECTORS' DECLARATION*

In the opinion of the Directors of Metals Australia Ltd:

(a) the consolidated financial statements and notes are in accordance with the Corporations Act 2001, including:

  (i) complying with Australian Accounting Standard, AASB 134: Interim Financial Reporting; and

  (ii) giving a true and fair view of its financial position as at 31 December 2016 and of its performance for the half year ended on that date; and

(b) kthere are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Board of Directors.

**Michael Scivolo**
**Director**

***Perth, dated this 16th day of March 2017***

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## INDEPENDENT AUDITOR'S REVIEW REPORT
## TO THE MEMBERS OF METALS AUSTRALIA LIMITED

We have reviewed the accompanying half-year financial report of Metals Australia Limited (the Company), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

### Directors' Responsibility for the Half-year Financial Report

The Directors of Metals Australia Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Metals Australia Limited consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Metals Australia Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Independence**

In conducting our review, we complied with the independence requirements of the *Corporations Act 2001*.

**Conclusion**

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Metals Australia Limited is not in accordance with the *Corporations Act 2001*, including:

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

**Material Uncertainty related to Going Concern**

We draw attention to Note 1 to the financial report, which indicates that the consolidated entity incurred a net loss of $159,709 and net cash outflows from operating activities of $119,447 during the half year ended 31 December 2016. These conditions, along with other matters as set forth in Note 1, indicate the existence of material uncertainty which may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business, and at the amounts stated in the financial report. Our opinion is not modified in relation to this matter.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

P. Warr.

P W Warr
Partner - Audit & Assurance

Perth, 16 March 2017