

ASX Announcement

13 April 2017

Metals Commences Magnetic and Electromagnetic Survey

Highlights:

- **Metals has engaged Prospectair to complete an Airborne Magnetic (MAG) and Time-Domain Electromagnetic (TDEM) survey at the Lac Rainy Nord and Lac Rainy Est Graphite Projects (the “Projects”), located in Quebec**
- **Prospectair technicians have been mobilised to site and the flying of the MAG and TDEM surveys will commence in the next few days**
- **The Projects cover an area of 3,474 hectares and are contiguous with Focus Graphite’s Lac Knife Graphite Deposit which hosts a Measured and Indicated Resource of 12.1Mt @ 14.64% Cg and an Inferred Resource of 2.3Mt @ 16.20% Cg**
- **A total of 630 line-km will be flown over the Projects to further identify the highly conductive graphitic carbon mineralised zones**
- **The results of the MAG and TDEM survey will identify primary mineralised targets for mechanical trenching, sampling and drilling to occur during Q3 of 2017**
- **The Lac Rainy Nord and Lac Rainy Est Graphite Projects are located in highly prospective graphite mineralised geologies where previous exploration has identified high grade naturally-occurring flake graphite**
- **The escalation in demand for lithium-ion batteries across the globe has created a significant requirement for high grade natural flake graphite, which is capable of being upgraded to Coated Spherical Graphite (“CSPG”), a key component of these batteries**

Diversified metals exploration company, Metals Australia Ltd (ASX: **MLS**) is pleased to announce that the Company has engaged Prospectair to complete an Airborne Magnetic (**MAG**) and Time-Domain Electromagnetic (**TDEM**) survey at the Lac Rainy Nord and Lac Rainy Est Graphite Projects, located in Quebec.

Prospectair technicians have been mobilised to site and will commence the airborne surveys in the coming days with a total of 630 line-km to be flown as part of the MAG and TDEM surveys.

The flying is anticipated to be completed within 2 days, after which Metals will receive preliminary images from the MAG and TDEM surveys. A comprehensive report will be provided to Metals approximately 6 weeks after completion of the field surveys.



Commenting on the commencement of the MAG and TDEM surveys at the Projects, a Director of MLS, Mr Gino D'Anna stated:

"This is an exciting time for MLS as we commence the first phase of our exploration campaign on these highly prospective graphite projects. The completion of the MAG and TDEM surveys will identify the highest priority targets and support the expanded phase two program which will consist of mechanised trenching, field sampling, regional mapping and metallurgical testing. On the basis that the first two phases deliver positive results, we plan to undertake an initial diamond drilling campaign during the third quarter of 2017.

Our Company is funded, having recently completed a \$2.5 million capital raising which was well supported by professional and sophisticated investors. MLS is positioned to take advantage of the buoyant pricing environment and strong macro-fundamentals for the graphite market as a high purity input into the manufacture of lithium-ion batteries."

The Projects are located adjacent to several high grade graphite deposits, including the Lac Knife Graphite Deposit owned by Focus Graphite, which is located less than 4km south-west of the Lac Rainy Est project and less than 1km north of the Lac Rainy Nord project, and hosts a Measured and Indicated Resource of 12.1Mt @ 14.64% Cg and an Inferred Resource of 2.3Mt @ 16.20% Cg.

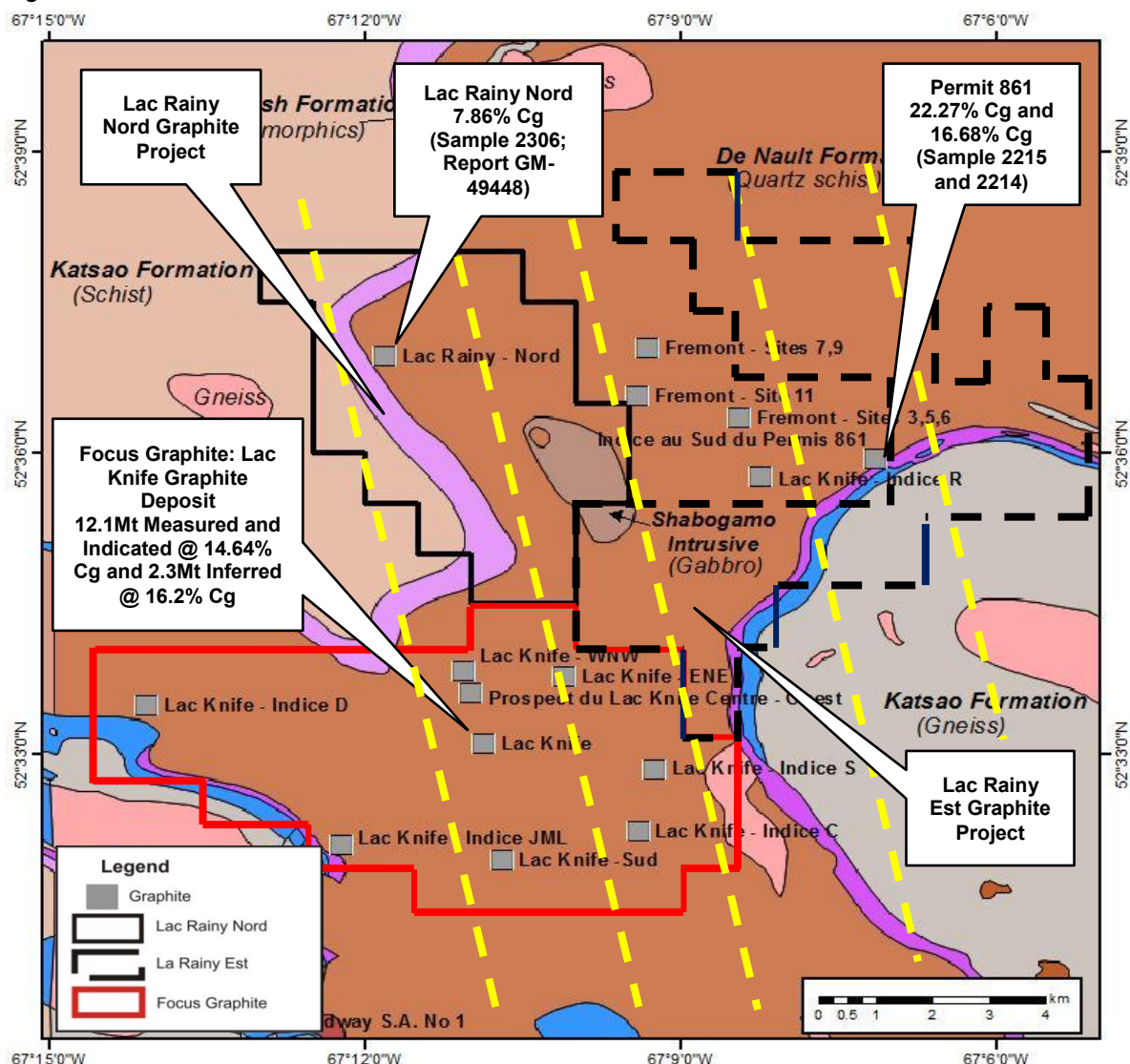


Figure 1: Geology and Location Map – Lac Rainy Nord and Lac Rainy Est Graphite Projects



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

In 1989 a single rock sample (sample #2306) taken from the Lac Rainy Nord graphitic occurrence graded 7.86% Cg. The historic report written in 1989 (MERN GM-49448) for a previous owner, Societe Exploration Miniere Mazarin, states that the size of the outcrop was approximately 10 metres by 10 metres and, more significantly, that the rock grab sample consisted of rock fragments collected from the four-corners points of the outcrop. This indicates that the mineralised zone is significantly wider than initially understood.

The Lac Rainy Nord and Lac Rainy Est Graphite Projects are located in highly prospective graphite mineralised geologies where previous exploration has identified high grade naturally-occurring flake graphite.

The close proximity of these high grade graphitic carbon results at nearby deposits and occurrences highlights the strong potential for further graphite mineralisation to be identified at the Projects.

Airborne Magnetic and Time-Domain Electromagnetic Survey

Prospectair has been engaged to complete an airborne Magnetic (MAG) and Time-Domain Electromagnetic (TDEM) survey over the Lac Rainy Nord and Lac Rainy Est Graphite Projects.

The surveys will be carried out with traverse lines oriented N080 in order to properly map the dominant geological strike, and with a 100 m line spacing. Control lines will be flown with a N170 azimuth, and spaced every 1,000 m. The total survey distance for the MAG and TDEM surveys is 630 line-km.

The planned survey grid is illustrated by Figure 2 below.

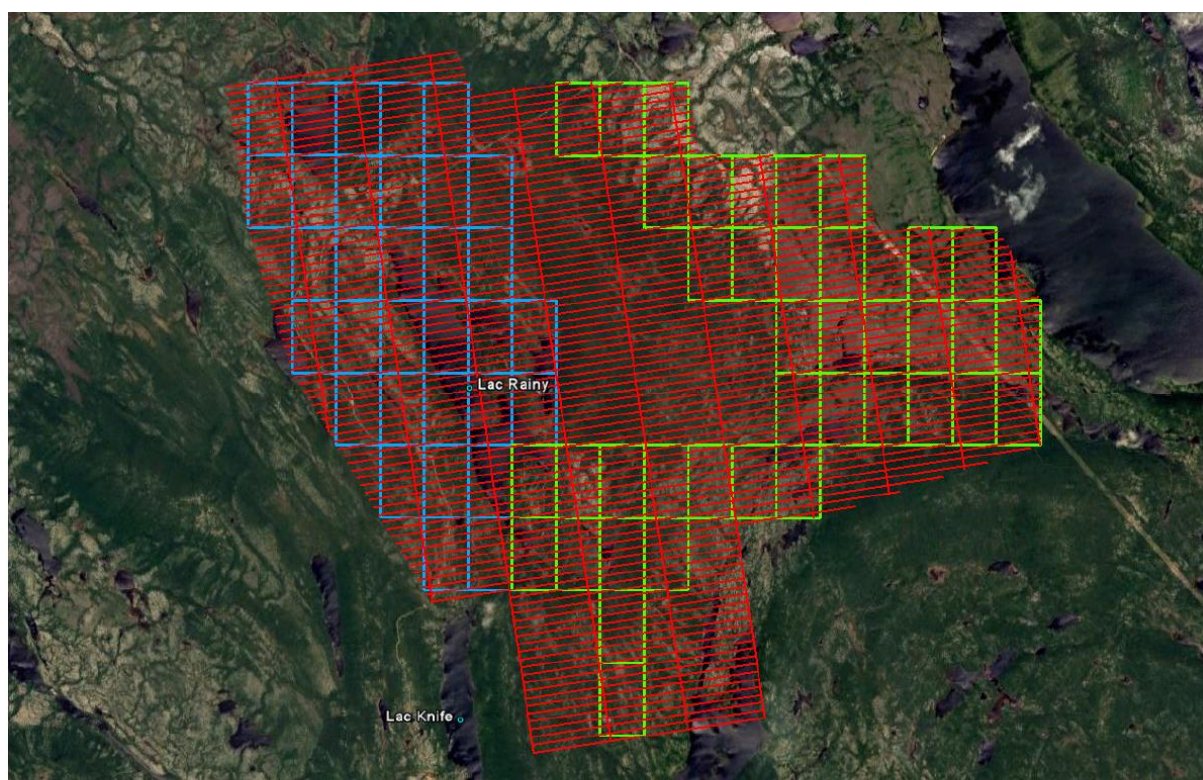


Figure 2: Survey Grid Lines – Lac Rainy Nord and Lac Rainy Est Graphite Projects



Both the ground and heliborne systems use a non-oriented (strap-down) optically-pumped Cesium split-beam sensor. These magnetometers have a sensitivity of 0.005 nT and a range of 15,000 to 100,000 nT with a sensor noise of less than 0.02 nT. The heliborne sensor is mounted in a bird made of non-magnetic material located 25 m below the helicopter when flying. Total magnetic field measurements are recorded at 10 Hz in the aircraft. The ground system is recording magnetic data at 1 sample every second.

Prospectair uses an OmniStar differential GPS navigation system to provide real-time guidance for the pilot and to position data to an absolute accuracy of better than 5 m. The Omnistar receiver provides real-time differential GPS for the Agis on-board navigation system. The differential data set is relayed to the helicopter via the Omnistar network of geosynchronous satellites for the survey location. The receiver optimises the corrections for the current location.

The Airborne Geophysical Information System (AGIS-XP) is an advanced, software driven instrument specifically designed for mobile aerial or ground geophysical survey work. The AGIS instrumentation package includes an advanced Satellite navigation (GPS), real-time flight path information that is displayed over a map image (BMP format) of the area, and reliable data acquisition software. With simple interfacing, the radar and barometric altimeters, the RSI spectrometer, the Geometrics magnetometer and the ProspectEM time-domain electromagnetic system data are easily integrated into the data acquisition system and digitally recorded. Automatic synchronisation to the GPS position and time provides very close correlation between data and geographical position. The AGIS is equipped with a software suite allowing easy maintenance, upgrades, data QC, and project and survey area layout planning.

The airborne survey will be conducted on a set up as illustrated by Figure 3 below.

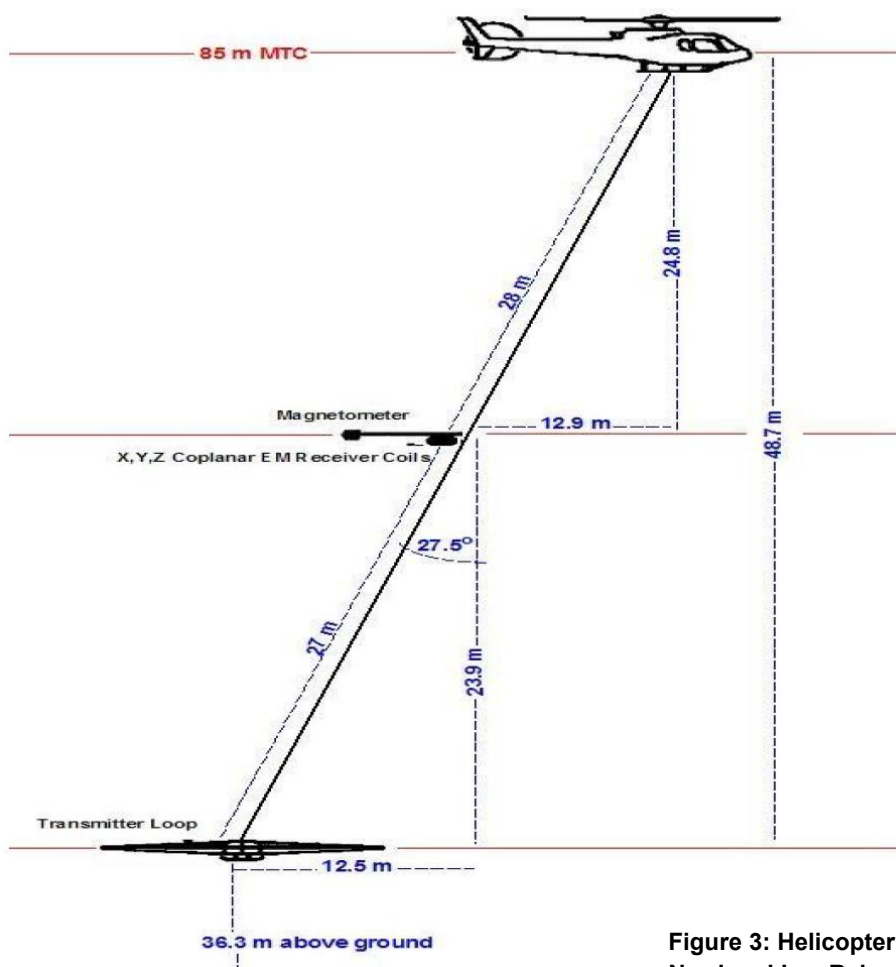


Figure 3: Helicopter Survey Setup – Lac Rainy Nord and Lac Rainy Est Graphite Projects



Summary

Metals is continuing to evaluate further exploration project opportunities in the complementary zinc, lithium, cobalt and graphite sectors.

The escalation in demand for lithium-ion batteries across the globe has created a significant requirement for high grade natural flake graphite, which is capable of being upgraded to Coated Spherical Graphite ("CSPG"). CSPG is a key component of these batteries.

ENDS

For more information, please contact:

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Competent Person Statement

Mr Glenn S Griesbach, P.Geo, a qualified person under NI 43-101, has reviewed and verified the technical information provided in this announcement. Any information in this announcement that relates to historical resources, resource estimates or exploration results, is based on information compiled by Mr Glenn S Griesbach, P.Geo, who is a Member of the Association of Professional Engineers and Geoscientists of Saskatchewan (a Recognised Overseas Professional Organisation ('ROPO') included in a list promulgated by the ASX from time to time). Mr Griesbach is a Consultant Geologist to and a shareholder of Metals Australia Ltd. Mr Griesbach has sufficient experience, which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking, to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Mr Griesbach consents to the inclusion in this report of the matters based on his information in the form and context in which it appears.