

ASX Announcement

23 August 2017

Drilling Commences at Manindi Zinc Project

Highlights:

- Metals Australia has mobilised its drilling and geological crew to the Manindi Zinc Project ahead of exploration drilling
 - The deep drilling program has been designed to target mineralisation at depth below the existing Kultarr resource and the down dip / plunge extensions of the C4 conductor and to drill test the recently discovered C2 conductor north of the Kultarr resource
 - Recent drilling into the C4 conductor provided high grade zinc results over wide intervals warranting further drilling and geological interpretation
 - MND065**
 - 16.07m @ 8.08% Zn from 140.93m (including 3.40m @ 12.20% Zn)
 - 3.15m @ 6.91% Zn from 126.15m
 - MND060**
 - 2.89m @ 9.26% Zn from 103.83m
 - The target at the C2 conductor has never been drill tested and represents a significant opportunity for the Company to demonstrate extensive mineralisation across a strike length of 1.6 km
 - Updated geological interpretation indicates that the resource at Kultarr and Kowari remains open at depth and along strike – this phase of drilling will test these new zones adding to the potential tonnage at Manindi
 - Assay results from the recently completed exploration program at the Lac Rainy Graphite Project is expected in the coming days
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Diversified metals exploration company, Metals Australia Ltd (ASX: **MLS**) is pleased to announce that the Company has commenced a further drilling program at the Manindi Zinc Project, located in Western Australia.

This current phase of drilling has been designed to target the mineralised depth extensions below the existing Kultarr resource and the down dip / plunge extensions of the C4 conductor target. In addition, the Company is planning to drill the C2 conductor target (Figure 1 and 3) which lies 350m north of the main Kultarr resource. This target has never been drilled by MLS and represents a significant opportunity for the Company to demonstrate extensive mineralisation across a strike length in excess of 1.6km.

The Company proposes to drill test the following targets during this and subsequent drill programs.

- **Kultarr Down Plunge Target**

The Kultarr ore body, which represents over two thirds of the Manindi JORC resource of 1,075,859 tonnes at 6.52% Zn and 0.26% Cu using a 2% Zn cut off, is dipping approximately 70% to the South West and is open at depth. The new interpretation of the Kultarr resource is shown in the long section (Figure 2), which shows that the high grade portion of the Kultarr resource remains open at depth.

This is important as it opens the possibility of a substantial increase to the tonnage of high grade Zinc mineralisation at Kultarr.

In the current drilling program it is intended to test the mineralisation at depth below the Kultarr resource and the down dip / down plunge extension of the C4 Conductor.

- **Kultarr Northern Strike Extensions**

The Strike extensions to the north of Kultarr remain largely untested by drilling. The target area extends to the northern tenement boundary approximately 800m north. A number of criteria highlight this target area for further exploration.

- Geophysics – surface and down hole geophysics (EM) indicate a conductive target along strike from Kultarr. The recent high powered EM carried out identified a large conductor “C2” to the north of Kultarr (Figure 1 and 3) as an important target.
- Stratigraphy – the target area lies directly along the northern strike extension of the Kultarr – Kowari mineralised stratigraphy.
- Geochemistry – geochemical anomalism shows mineralisation continuing to the North along strike from Kultarr, below increasing sand and gravel cover.

The Northern Strike extensions of the Kultarr resource are a high priority drilling target for Metals Australia as it has the potential to extend the resource a further 800m north. It is proposed to test the C2 Conductor in the current drilling program.

- **C1 Conductor Target**

The area to the South of Kultarr between Kultarr and Kowari has also been identified as a potential area of Zinc mineralisation. The Kowari mineralisation is open to the north towards Kultarr. Modelling shows that this area is part of a larger mineralised system. The two EM surveys carried out in 2017 have identified the “C1” Conductor (Figure 1) as sitting in the area between Kultarr and Kowari. The C1 Conductor remains untested and requires drilling as does the whole of the area between Kultarr and Kowari. There remains the potential for the Kowari mineralisation to link up with the Kultarr mineralisation.

- **Kultarr Near Surface Target**

The area shown on the long section (Figure 2) represents the up-dip extension of the Kultarr mineralisation. The 2017 EM surveys identified a conductor “C5” in this area (Figure 3). Three (3) drill holes targeting this conductor were drilled in the previous drill program. Interpretation of the results of the drilling shows that the Kultarr resource extends up dip all the way to the surface. Prior to the current remodelling it was considered that the resource started approximately 40m below surface, with a base of complete oxidation at around 15 – 20m below surface. Accordingly, it is now clear that this leaves a window of approximately

20 – 25m of up dip sulphides between the top of the resource and the base of complete oxidation that could be potentially added to the existing resource base.

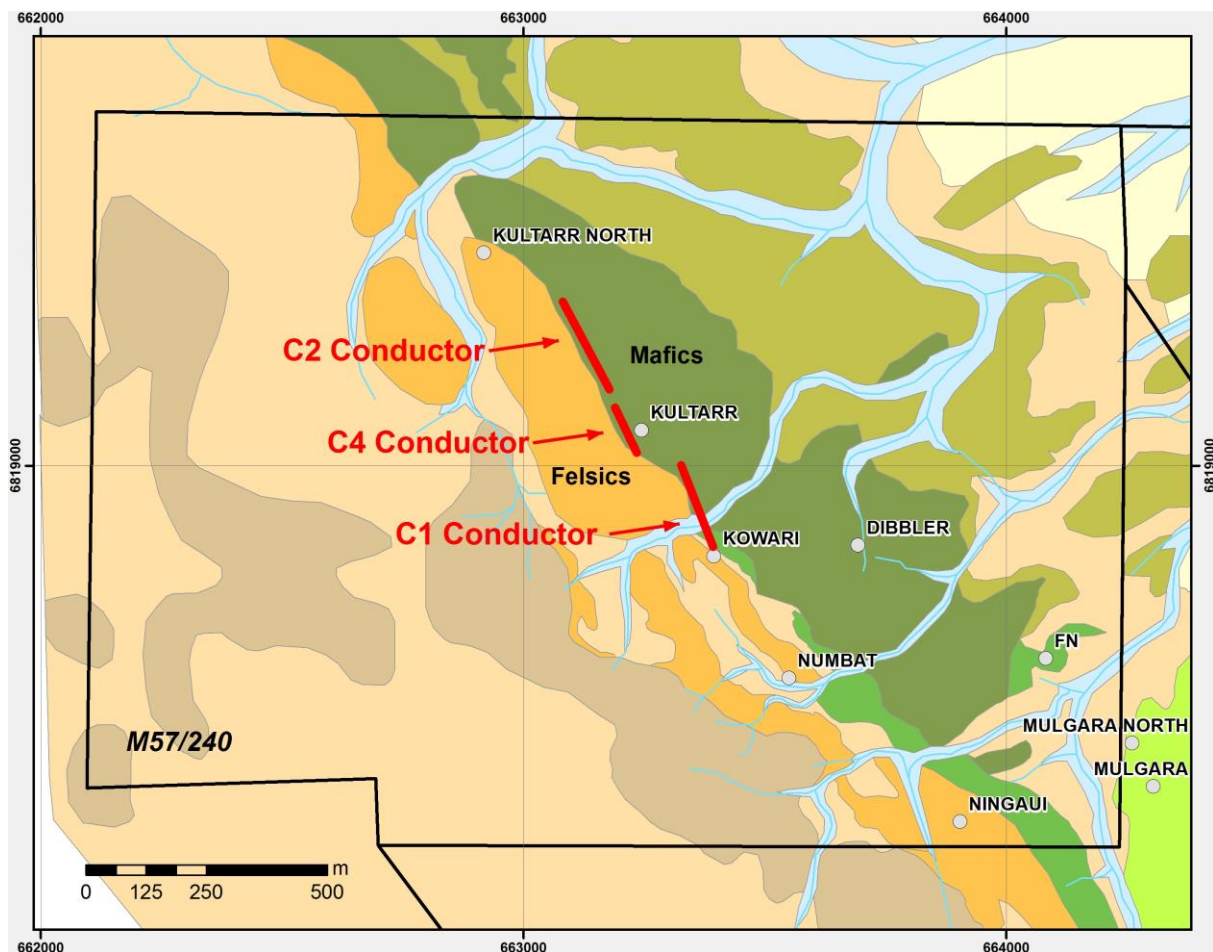


Figure 1: Plan view of the location for C1, C2 and C4 Conductor target at Manindi highlighting the potential extensive strike length of zinc mineralisation

The recently completed diamond core drilling program targeting mineralisation around the C4 conductor intersected high grade zinc results over wide intervals warranting further drilling.*

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|---------------|--|
| MND065 | <ul style="list-style-type: none"> • 16.07m @ 8.08% Zn from 140.93 (including 3.40m @ 12.20% Zn) • 3.15m @ 6.91% Zn from 126.15m |
| MND060 | <ul style="list-style-type: none"> • 2.89m @ 9.26% Zn from 103.83m |

**Refer to ASX release dated 25 July 2017 for the complete set of results*

The results from the recent drilling into the C4 conductor target demonstrated that significant potential exists to define further mineralisation and increase the potential tonnage of the Manindi resource.

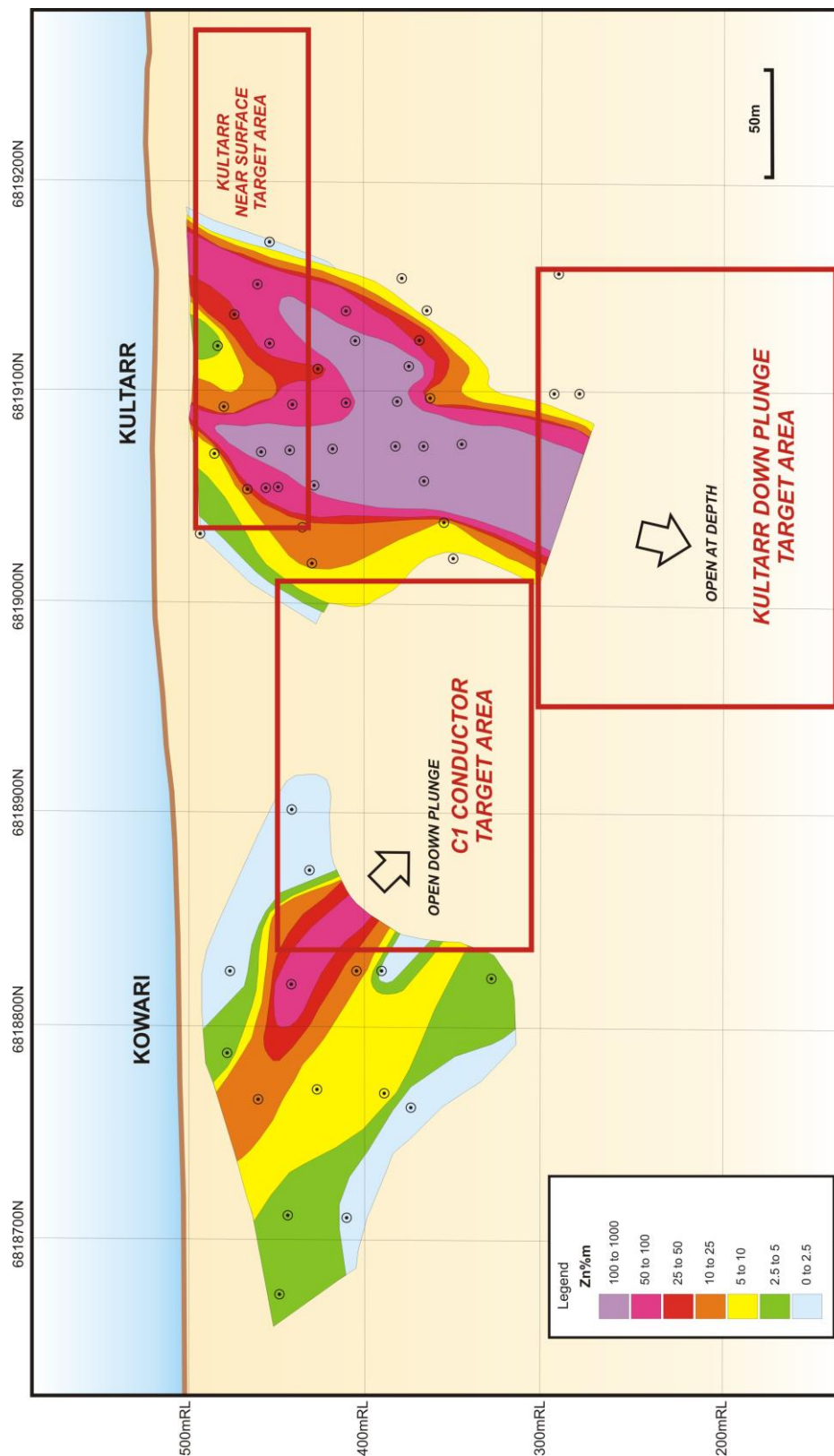


Figure 2: Model view long section of the Kultarr and Kowari deposits.

The results of the ground EM and down hole EM, in conjunction with the diamond drilling programs carried out in 2017 and detailed structural analysis, has enabled a reinterpretation of the Manindi

ore bodies. It is now clear that the Manindi ore body is not vertical as previously believed, but dips approximately 70 degrees to the south west.

The ore body is bimodal, in that the ore sits in both the felsic and mafic rocks, as opposed to being hosted solely in one or the other.

The reinterpretation shows that historic drilling was not deep enough to test a south west dipping system, leaving the main Kultarr resource open at depth. This can be seen on the long section (Figure 2).

The long section also shows the area between Kultarr and Kowari is open as is also the near surface area of Kultarr, being the recently discovered C5 conductor target.

The enhanced geological understanding and new approach to the geological and structural setting of the zinc mineralisation at Kultarr continues to be successful. The discovery of the new C4 zinc mineralised zone adjacent to the felsic-mafic contact plus the realisation of a south westerly dip to the main Kultarr resource has greatly increased the potential to discover additional zinc bearing massive sulphide zones down dip and along strike adding significant tonnage to the existing resource inventory.

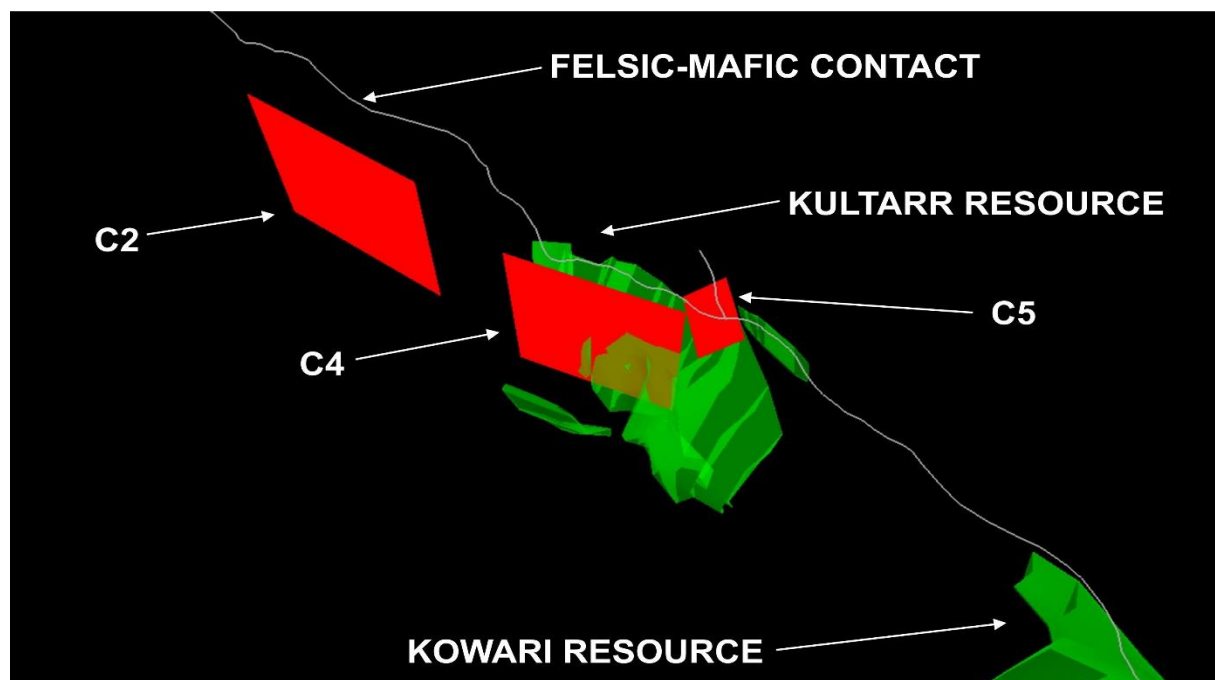


Figure 3: 3D model view of the C2, C4 and C5 Conductors. Also plotted is the resource at Kultarr, the resource at Kowari and the felsic-mafic contact.

The Company is also planning to drill test the C2 conductor target, which lies approximately 350m north of the main Kultarr resource. This represents a significant opportunity for the Company to demonstrate extensive mineralisation across a strike length in excess of 1.6km.

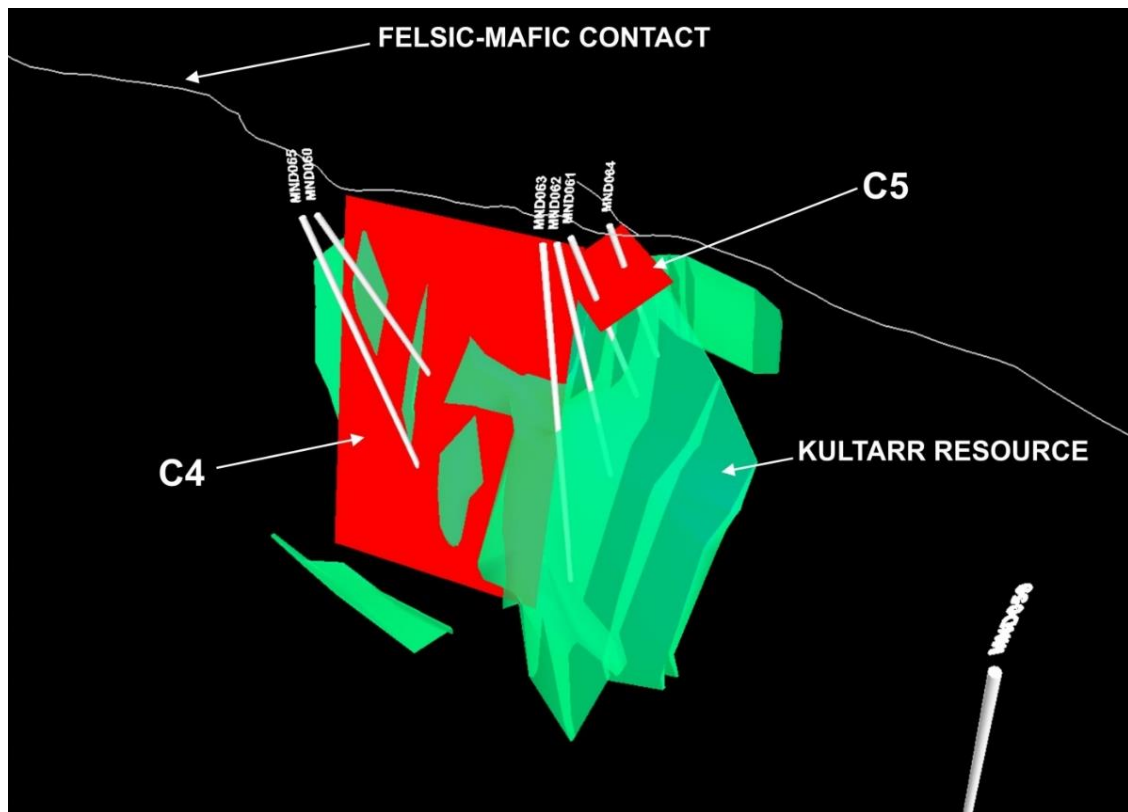


Figure 4: 3D model of Kultarr showing current resource outline in green and new conductor targets C4 and C5. Also shows location of previous diamond holes MND060 to MND065

Metals looks forward to continuing its drilling campaign at Manindi focused on substantially increasing the resource base in the near future.

ENDS

For more information, please contact:

Gino D'Anna
 Director
 Metals Australia Ltd
 Phone: +61 400 408 878

Competent Person Statement

The information in this announcement relating to geology, exploration results and the mineral resource estimate is based on information compiled by Mr Dean Goodwin, who is a consultant to Metals Australia Ltd. Mr Goodwin is a member of The Australian Institute of Geoscientists, a Recognised Professional Organisation by the Australian Joint Ore Reserves Committee, and has sufficient experience relevant to the style of mineralisation and types of deposits under consideration and to the activity which is being undertaken to qualify as a Competent Person as defined in the 2012 edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results. Mr Goodwin consents to the inclusion in this presentation of the matters based on his information in the form and context in which it appears.