

ASX Announcement

14 February 2019

Lac Rainy Graphite Project Fully Permitted for Maiden Diamond Drilling Program

Highlights:

- Metals Australia has been **awarded all permits required to complete its maiden diamond drilling program** at the Lac Rainy Graphite Project, located in Quebec, Canada
- Bridge and road infrastructure have been maintained and cleared of snow providing safe entry and access across the project
- Previous channel sampling completed by the Company identified the presence of **extensive wide zones of high-grade natural flake graphite mineralisation** with channel sampling results including (*refer to ASX announcements dated 21 November 2018 and 17 December 2018*):
 - **9.1m at an average grade of 6.57% Cg within Trench 1**
 - **20.4m at an average grade of 15.6% Cg within Trench 1A**
Incl. 4.5m at an average grade of 20.0% Cg
 - **22.0m at an average grade of 13.51% Cg within Trench 2**
Incl. 8.0m at an average grade of 21.42% Cg
 - **26.6m at average grade of 9.23% Cg of Trenches 3, 3A and 3B from continuous and lateral correlation samples (remains open)**
Incl. 5.0m at an average grade of 12.41% Cg (remains open)
 - **8.0m at an average grade of 9.55% Cg within Trench 4**
Incl. 3.0m at an average grade of 15.58% Cg
 - **19.5m at an average grade of 9.07% Cg within Trench 5**
Incl. 8.0m at an average grade of 5.76% Cg
 - **12.0m at an average grade of 10.95% Cg within Trench 6**
Incl. 7.0m at an average grade of 13.57% Cg
 - **8.7m at an average grade of 27.28% Cg within Trench 10 (remains open)**
 - **6.0m at an average grade of 12.35% Cg within Trench 11A**
 - **16.0m at an average grade of 19.8% Cg within Trench 11**
Incl. 10.9m at an average grade of 23.08% Cg
 - **29.3m at an average grade of 15.66% Cg within Trench 12 (remains open)**
Incl. 16.3m at an average grade of 20.35% Cg
 - **14.5m at an average grade of 18.53% Cg within Trench 13**
 - **16.0m at an average grade of 12.29% Cg within Trench 13**
 - **5.0m at an average grade of 14.10% Cg within Trench 13**

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ASX CODE **MLS**



- Identification of a Southeast and Northwest extension of the known high-grade Carheil Zone - **adding the new Northwest and Southeast extensions, including historic high-grade Cg occurrences, the Carheil Zone has a potential economic envelope of 3.2 km in length by 10 to 45 m in width**
 - Maiden diamond drill program of up to 2,800m will test the down dip / plunge extensions of the graphite mineralisation – **advanced metallurgical testwork to be undertaken on split drill-core samples**
 - Previous metallurgical testwork completed on Lac Rainy graphite demonstrated that a commercial-grade graphite concentrate can be produced, including:
 - Exceptional graphite **recovery up to 91.0%** using simple low-cost processing routes
 - Exceptional concentrate **grades of up to 96.2% Ct**
 - Total carbon grades **up to 98.8%** in large and jumbo flake size fractions
 - **Low levels** of potentially deleterious elements
 - Continued engagement with North American end-user / development partners for the high-grade Lac Rainy graphite concentrate – **North American groups can offer a simpler logistics pathway for Lac Rainy graphite concentrate**
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Graphite exploration and development company, Metals Australia Ltd (ASX: **MLS**) is pleased to announce that the Company has been awarded all permits required to complete its maiden diamond drilling program and has recently awarded the drilling contract to Magnor Exploration Inc. to complete the program at the Lac Rainy Graphite Project, located in Quebec, Canada.

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

"Our recently completed channel sampling campaign at Lac Rainy has successfully defined extensive wide zones of high-grade natural flake graphite mineralisation. In addition, trenching has successfully identified a Southeast and Northwest extension of the known high-grade Carheil Zone. Adding the new Northwest and Southeast extensions, including historic high-grade Cg occurrences, the Carheil Zone has a potential economic envelope of 3.2 km in length by 10 m to 45 m in width.

The planned drilling program will comprise of up to 2,800m and will be designed to test the down-dip / plunge extensions of the graphite mineralisation. Our current program will provide us a platform to delineate an initial resource and build on the potential scale of the Lac Rainy project.

Previous exploration undertaken has demonstrated that Lac Rainy has the necessary attributes to potentially make it a world-class graphite deposit, including exceptional metallurgical test results, proximity to key infrastructure and end-user groups on its door step. Grade and purity are key in the graphite market and Lac Rainy is delivering on both measures, exceeding our expectations.

We look forward to providing shareholders with further updates in what will be a busy 2019 for our Company."

Phase II Exploration Campaign – Maiden Diamond Drilling

The recently completed channel sampling campaign has identified that Lac Rainy is host to extensive wide zones of high-grade natural flake graphite mineralisation with the information obtained from that program providing the Company with significantly more detailed geological information regarding the width and continuity of high-grade graphite mineralisation. Based on the results of the channel sampling campaign, the Company is now moving into its Phase II exploration program of diamond drilling which will be designed to test the mineralisation down-dip and define an initial resource.

The Phase II work program will initially comprise up to twenty (20) diamond drill holes, for a total of up to 2,800 metres of drilling, which is an increase on the number of metres previously considered as a result of the recent success of the channel sampling program and which can be readily expanded. The location of the holes will be along the trend of the mineralisation at the Carheil Prospect, situated to test the best areas of graphite mineralisation.

The diagram below outlines the proposed drill hole location and direction, overlaid with the airborne EM geophysics:

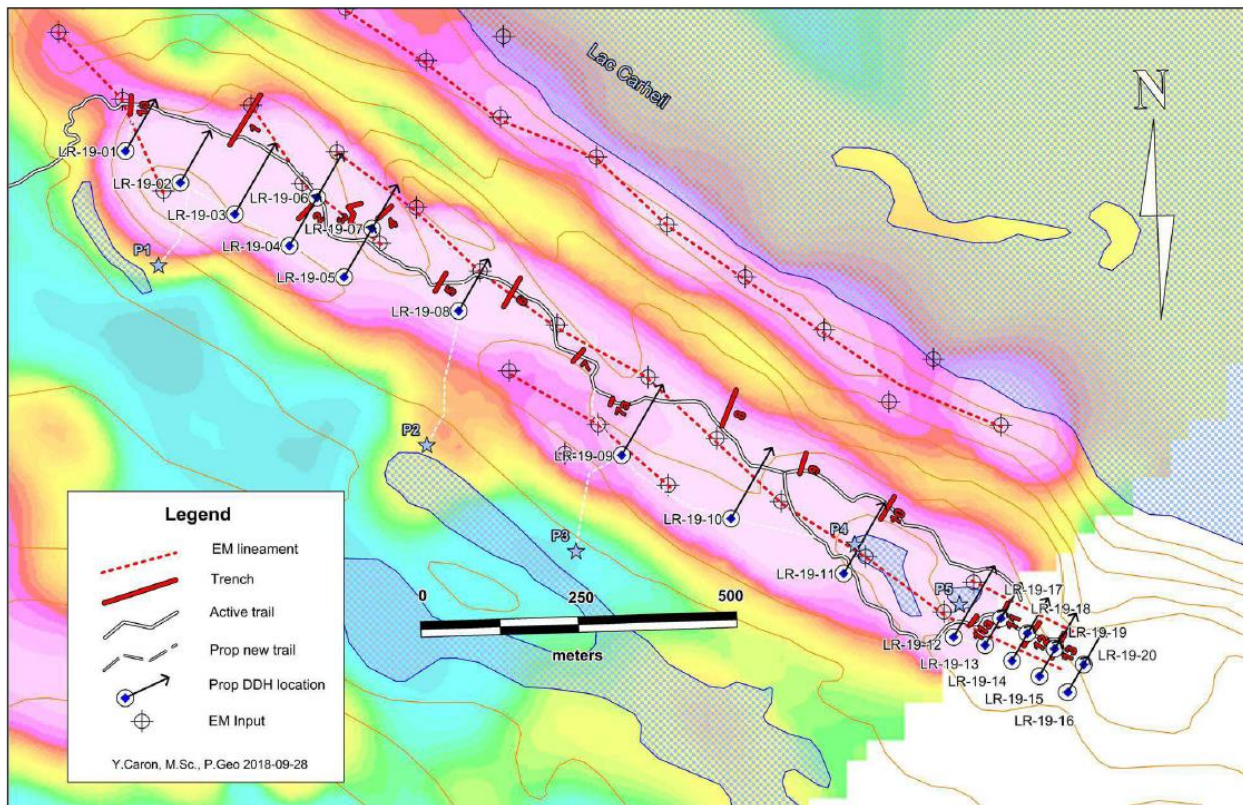


Figure 1: Proposed diamond drill hole location and airborne EM geophysics

The proposed diamond drill holes have been designed with an azimuth of 030°N and a dip of 50°N to ensure the intersections are at an optimal angle to the interpreted strike and dip of the graphite horizon.

It is expected that approximately 1,000 samples will be generated by the drilling, which will be assayed for graphite (total carbon and graphitic carbon), iron and sulphur. A selection of samples

will also be assayed for a multi-element suite for rock characterisation and to identify any potentially deleterious elements. Diamond core samples will be submitted for petrographic analysis to obtain further information about the graphite mineralisation and the graphite flake size distribution.

The drilling program will be completed with one drill rig with the entire program expected to take up to 8 weeks to complete. The program will include 1 week of site preparation works including access tracks, drill pads and equipment mobilisation followed by 4 weeks of drilling and 2 weeks of sample preparation, site rehabilitation and equipment demobilisation. An additional week is for any contingency related matters.

Depending on the outcome of this initial diamond drilling program, the Company plans to undertake an expanded drilling program of between 4,000 metres and 6,000 metres of diamond drilling during the summer field season in Quebec.

The maiden diamond drilling program, as well as subsequent programs, will be supported without helicopters, using the ground access installed during the Phase I campaign.

We look forward to providing shareholders with further updates on these exciting developments and near-term opportunities.

About the Lac Rainy Graphite Project

The Lac Rainy Graphite Project is located in one of the premier graphite geological regions of Quebec. It sits approximately 22 km south-west of the historic mining town of Fermont and 260 km north-northeast of the city of Sept-Îles. The Lac Rainy Graphite Project is approximately 15 km east of Route 389, a paved highway which travels north to Fermont. These road networks link the Lac Rainy Graphite Project with the major ports along the St Lawrence River in Quebec offering the Company a route to the seaborne market as well as the North American and South American markets.

The Lac Rainy Graphite Project covers an area of more than 4,600 hectares representing 88 mineral claims and is contiguous with Focus Graphite's Property to the southwest, which hosts the Lac Knife Graphite Deposit, containing a Measured and Indicated Resource of 9.576 Mt @ 14.77% Cg and an Inferred Resource of 3.102 Mt @ 13.25% Cg at a 3.0% Cg cut-off.

The global transition to renewable energy and adoption of lithium-ion batteries as a means of energy storage places significant focus on high-value raw materials, such as graphite, lithium, cobalt, nickel, copper and manganese. In the long term, Roskill (an independent research organization) highlights the continuing closure of processing plants in China will place upward pressure on graphite prices.

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