

ASX Code: MCT
 25 November 2015

Scoping Study on Track at Admiral Bay

- **Scoping Study on track for completion by the March Quarter 2015.**
- **New Geological model building on existing Mineral Resource Estimate (MRE).**
- **Mining studies focussing on evaluating access and mining methods.**
- **Environmental studies progressing with surveys planned, permitting requirements outlined.**
- **Native Title discussions underway with updated Heritage Surveys being organised.**
- **Positive discussions held with smelters, trading houses, multinational mining companies.**

Metalicity Limited (**ASX:MCT**) ("**MCT**" or "**the Company**") is pleased to report an update on the company's Scoping Study being undertaken in conjunction with SRK Consulting Pty Ltd, on the 100% owned Admiral Bay Zinc Project, located in the North of Western Australia.

The Scoping Study is currently on track for completion by the March Quarter 2016 with preliminary studies identifying cost savings and efficiency gains in some areas in comparison to previous studies. The disciplines forming the study team include geology, development, mining, geotechnical, hydrogeological, processing, infrastructure, environmental and economics.

DISCIPLINE	DEC QUARTER 2015	MARCH QUARTER 2016
GEOLOGY	Interim report complete ✓	Final report due
DEVELOPMENT	Interim report complete ✓	Final report due
MINING	Interim report complete ✓	Final report due
GEOTECH/HYDRO	Interim report complete ✓	Final report due
PROCESSING	Interim report complete ✓	Final report due
INFRASTRUCTURE	Interim report complete ✓	Final report due
ENVIRONMENT	Interim report complete ✓	Ongoing
ECONOMICS	Ongoing ✓	Ongoing

Most recently, management held discussions in Asia with a wide range of zinc smelters, trading houses and multinational mining companies, with a significant interest shown in the development of Admiral Bay. Further discussions will now be held in Europe and North America, and the company will keep the market informed of any material event regarding these discussions.

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Exploration and Geological Model

The Geological model being compiled is an innovative and modern approach to assessing the Admiral Bay deposit, and consists of the acquisition, compilation and interpretation of data previously unavailable and evaluated for the first time by world experts. The process involves:

- Structural interpretation, re-logging drill core and integration of all historic oil & gas exploration data dating back to 1981
- Re-processing historic 2D seismic data to image alteration and mineralisation, and determine ore horizon continuity from drillhole to drillhole
- Re-assess the current resource estimate using all available data including seismic data
- Assess potential for 3D seismic to image structures, mineralisation and drill targets

This will result in the compilation of a maiden 3D Geological Model to enhance the understanding of the mineralisation, its continuity and generate discrete drill targets. This work has also identified significantly thick high grade zones of zinc and lead mineralisation within the existing Mineral Resource Estimate (MRE), which may enable a Mineral Resource Estimate update.

See ASX Announcement on 23/11/2015 for more information on thick high grade zinc intersections at Admiral Bay.

Figure 1. Drill Core Re-logging and Interpretation



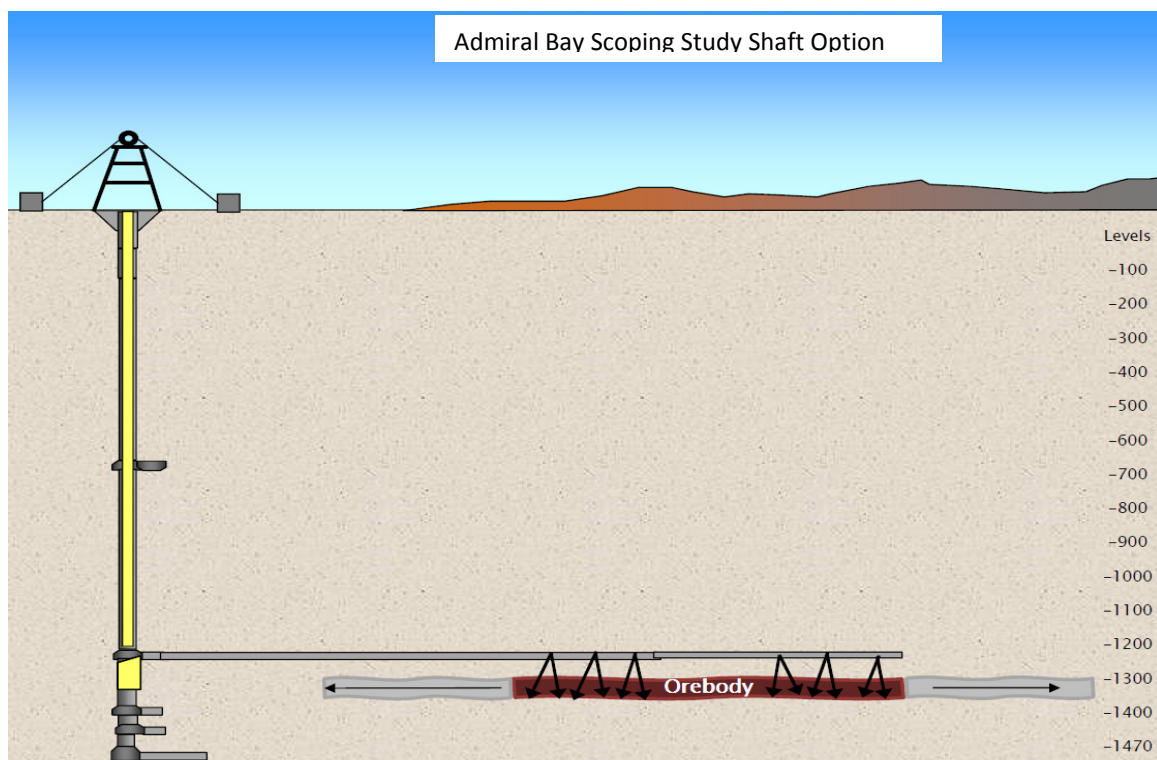
Figure 2. Very high-grade sphalerite (left) & high-grade sphalerite-galena (right) mineralisation



Exploration and Development Studies

As part of the Scoping Study SRK Consulting Pty Ltd is undertaking a study on options for mine access including conventional drill and blast decline development, Tunnel Boring Machine (TBM) decline development and blind shaft sinking. Due to the depth of the deposit, the requirement to penetrate multiple aquifers and the necessity for appropriate ventilation, preliminary development studies have identified the sinking of access shafts. One options would be to first develop an exploration shaft. This would allow a detailed analysis of the orebody including a drill out to support an ore reserve, and will enable the conversion of an exploration shaft to a production shaft, as well as providing appropriate ventilation during development work.

Figure 3. Shaft Option



Mining Studies

SRK are undertaking a study on mining method options. Studies are focusing on room and pillar and some form of open stoping (with fill) at this stage. This work is being done in conjunction with a geotechnical assessment, however significant geotechnical data is required and will be sourced through future resource drilling campaigns. Various production rates and schedules are being evaluated in line with the anticipated Mineral Resource Upgrade in the March Quarter 2016, as well as a range of capital and operating cost parameters.

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Metallurgy and Processing Studies

Preliminary metallurgical studies have identified a coarse grained high quality zinc and lead concentrate with high recoveries, where testwork has achieved indicative rates of 96% zinc recovery and 98% lead recovery. Testwork produced an indicative 55% zinc concentrate grade and 70% lead concentrate grade with very low impurities and comparable to zinc and lead concentrate to the Century deposit.

Table 1. Recoveries and Concentrate Grade

	Admiral Bay Recovery (Indicative)	Admiral Bay Concentrate Grade (Indicative)	Century Concentrate Grade	Lisheen Concentrate Grade
Zinc	96%	55%	57%	57%
Lead	98%	70%	-	-
Silver	96%	18g/t	-	-

Table 2. Potential major deleterious element comparisons in Zinc concentrate

Composite	Admiral Bay (Indicative)	Century	Lisheen	Penalty
Fe	2.7%	1.5%	3.0%	\$1.5/ 1% > 8%
Mn	0.09%	0.015%	0.03%	\$1.5/ 0.1% > 0.5%
As	0.007%	-	0.13%	\$2/ 1% > 0.2%
F	5170ppm	55ppm	200ppm	N/A

No fatal flaws have been identified in the preliminary review and the favorable metallurgical behaviour indicates a simple, conventional process flowsheet design involving crushing, 2 staged grinding, flotation and thickening to produce a zinc and lead concentrate.

While fluorine (F) is elevated within the selected concentrates, the metallurgical consultants are designing testwork to demonstrate removal of F to acceptable levels for maximum saleability and payability of the concentrates.

Metallurgical studies are planned including further metallurgical testwork on more representative samples of the orebody, assessment of a comprehensive suite of head assays, comminution testing, flotation optimisation, variability testing and removal of minor impurities. Processing studies will be focussing on plant size, typical engineering deliverables, 3D Models and layouts, and a project delivery schedule.

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Infrastructure

Infrastructure studies are being undertaken by Mintrex Pty Ltd. Preliminary studies have outlined excellent existing infrastructure within the project area with various opportunities to reduce costs and improve efficiency's related to power, transport and port costs, taking advantage of an industry reduction in capital and operating costs since 2009, when previous studies were undertaken.

Power requirements have identified Gas, LNG, Geothermal and Tidal Power as potentially viable supply options for the requirements at Admiral Bay at a load of less than 84MW, while assessment of Build Own Operate (BOO) power will also be undertaken. The BOO power option represents an opportunity to significantly reduce capital costs. Besides various power options the project should also benefit from the significant reduction in the oil price.

Port options being investigated include Port Hedland, Broome and Derby. Port Hedland represents a real option where product concentrates will be transported in sealed containers and/or "rotainers" by road on the all-weather Great Northern Highway to Port Hedland which is within 430km of Admiral Bay. "Rotainers" have the added advantage of minimizing warehousing and double handling, hence a reduction in handling costs, while Port Hedland is one of the largest bulk export terminals in the world and is equipped to handle such product movements.

Figure 4. Port Hedland Bulk Export Terminal



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Environmental

Bioscope Environmental Pty Ltd have been engaged to undertake an Environmental Baseline Study. A weather station has been acquired and is in the process of being installed while a wet season survey is being planned for February 2016 to support flora and fauna studies.

Environmental permitting requirements are currently being undertaken for exploration activities (seismic survey initially) and being assessed for mine access and eventual mining. Meetings with various regulators and stakeholders are being held to define appropriate pathways to development.

Figure 5. Typical flora and fauna at Admiral Bay



Hydrogeological

SRK have undertaken preliminary hydrogeology studies. The Admiral Bay deposit is hosted beneath three key regional groundwater systems, being the Broome, Wallal and Grant formations. Further characterisation of the groundwater systems and their impact on access development and mining is required, along with support for mine dewatering and project water supply.

Geotechnical

SRK have carried out preliminary geotechnical studies. While limited data is currently available, a review of existing data sets has provided an opportunity to inform potential mining option evaluations. A key aspect for future resource drilling campaigns will be gathering additional geotechnical data through all zones of waste (mine access) and ore in support of the mining method analysis.

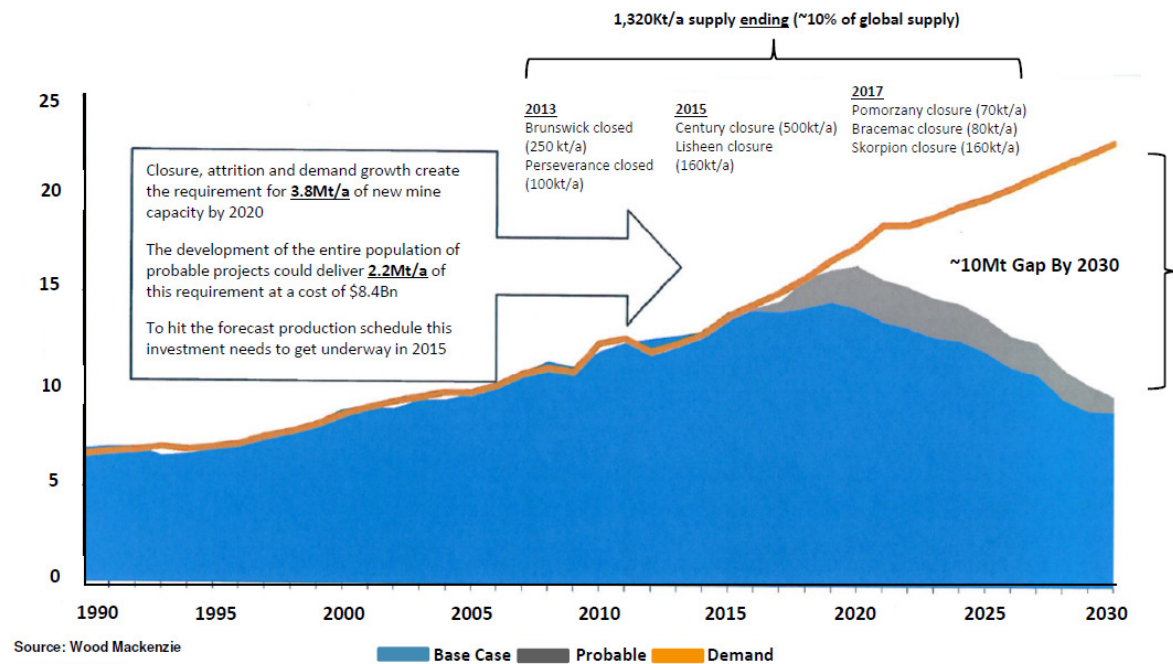
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Economics

A preliminary financial model has been developed by SRK with cost and infrastructure inputs from each discipline as well as from previous reports on Admiral Bay. The development plan being contemplated involves the construction of an exploration shaft to drill the resource out to reserves, a ventilation shaft to appropriately and safely ventilate the operation and a modified room and pillar mining method. Key infrastructure requirements include a conventional process flowsheet design involving crushing, 2 staged grinding, flotation and thickening to produce a zinc and lead concentrate, a Gas Power Station, road transport to Port Hedland for export. In general, the project is able to take advantage of the lower capital and operating costs in the Western Australian resource sector since 2009.

The forecast supply-demand disequilibrium and associated long term zinc price increase by various industry leading analysts over the next 3-10 years is being considered. Numerous mine closures and production cuts, as well as consistent demand forecast in the steel galvanising industry, provides medium to long term zinc price strength depicted by the diagram below.

Figure 6. Zinc Market



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Table 2. Key Discipline Risks and Opportunities Identified

DISCIPLINE	KEY RISKS	KEY OPPORTUNITIES
EXPLORATION AND GEOLOGY	<ul style="list-style-type: none"> • Resource Conversion • Reserve Conversion • Grade depletion 	<ul style="list-style-type: none"> • 3D Seismic surveys • 2nd order mineralisation • Mineral Resource Upgrade
DEVELOPMENT	<ul style="list-style-type: none"> • Development through aquifers • Ground conditions • Heat loads 	<ul style="list-style-type: none"> • Decline v shaft study • Large scale haulage study • 3D seismic survey
MINING	<ul style="list-style-type: none"> • Ground conditions and stability • Cost of mining beneath aquifers • Requirements for heat loading 	<ul style="list-style-type: none"> • New mining methods • Automated mining • Detailed backfill study
PROCESSING	<ul style="list-style-type: none"> • Testwork representivity • Impurity removal • Recovery assumptions 	<ul style="list-style-type: none"> • Reduced OPEX/CAPEX • Simplified plant design • Increased throughput •
INFRASTRUCTURE	<ul style="list-style-type: none"> • Broome Port capacity • Broome aquifer capacity • Gas prices 	<ul style="list-style-type: none"> • Reduced OPEX/CAPEX • BOO Power Options • Rationalise buildings
GEOTECHNICAL	<ul style="list-style-type: none"> • Insufficient data • High stress conditions • Rock mass 	<ul style="list-style-type: none"> • Orebody knowledge • Core photos • Downhole Acoustic
HYDROLOGICAL	<ul style="list-style-type: none"> • Control of rates, volumes and quality of water inflows required to be controlled 	<ul style="list-style-type: none"> • Geothermal energy
ENVIRONMENT	<ul style="list-style-type: none"> • Flora and vegetation • Fauna • Hydrological processes 	<ul style="list-style-type: none"> • Early works programs • Use of existing bores • Streamlining environmental assessment
ECONOMICS	<ul style="list-style-type: none"> • Commodity price volatility • Currency price volatility • Mineral resource Rent Taxes 	<ul style="list-style-type: none"> • Forecast zinc price increase • Forecast AUD decrease • Input capital costs/operating costs decrease

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About Metalicity Limited

Metalicity Limited is an Australian Base Metal Company with a focus on the development of the Admiral Bay Zinc Project, which has the potential to be long life, low cost and is located in a world class mining jurisdiction. The development of Admiral Bay comes at a time of significant zinc mine closures and anticipated zinc price strength. The Company is also exploring for Nova-type Nickel Copper Deposits and Tropicana-type Gold deposits in the Albany Fraser Belt.

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