

ASX RELEASE: 20 DECEMBER 2016

AGREEMENT FOR LITHIUM ACQUISITION

- ▶ Acquisition of lithium exploration portfolio covering 579 km² in the Pilbara Region
- ▶ Includes highly prospective Lynas Find North Lithium Project adjoining the Pilgangoora deposits to the north
- ▶ Exploration has commenced to define drill targets within a 10km x 4km area of lithium bearing pegmatites
- ▶ Expands the Company's landholding in the world class Wodgina/Pilgangoora District to 790km²
- ▶ Deal includes cash, shares, and options with Fortescue to become a shareholder of Metalicity

Metalicity Limited (**ASX:MCT**) ("**MCT**" or "**Company**") is pleased to announce it has reached an Agreement to acquire a highly prospective lithium exploration portfolio ("**Portfolio**") in the Pilbara region of Western Australia from Fortescue Metals Group Ltd (**ASX:FMG**), including the highly prospective Lynas Find North Lithium Project ("**Project**").

The Project comprises three granted tenements (E45/4148, E45/4356, and E45/4227) covering 51km² over the northern extension of the highly prospective Pilgangoora Greenstone Belt. The Lynas Find North Lithium Project is located 8km along strike from Pilbara Minerals' Pilgangoora lithium deposit and also its Lynas Find Lithium project (7.3Mt at 1.25% Li₂O). Pilbara Minerals recently signed an off-take agreement for its Lynas Find Lithium project with Shandong Ruifu Lithium for the supply of 1.9Mt of Direct Shipping Ore (DSO) grading 1.5% Li₂O (lithia). The agreement contemplates the supply of 100,000t of DSO per month over 19 months and includes a US\$10M pre-payment.

Lithium bearing pegmatites have been identified within the Project, but no systematic exploration has been undertaken over what is considered a highly prospective continuation of the greenstone belt measuring 10km by 4km. High grade intercepts including 21m at 2.64% have been recorded 500m south of the newly acquired tenement (ASX: DKO 3 May 3016: 16LC008 21m @2.64% Li₂O).

The proximity and geological similarity of Pilbara Minerals high-grade Lynas Find spodumene deposit 500m south of the newly acquired tenement, is currently being reviewed with exploration underway to define drill targets, with drilling anticipated to commence during the March Quarter 2017. Drilling has been completed at the Stannum prospect adjacent to the Wodgina operations and is planned for the Turner River prospect, along strike to the south of Pilgangoora deposits.

Managing Director, Matt Gauci, commented:

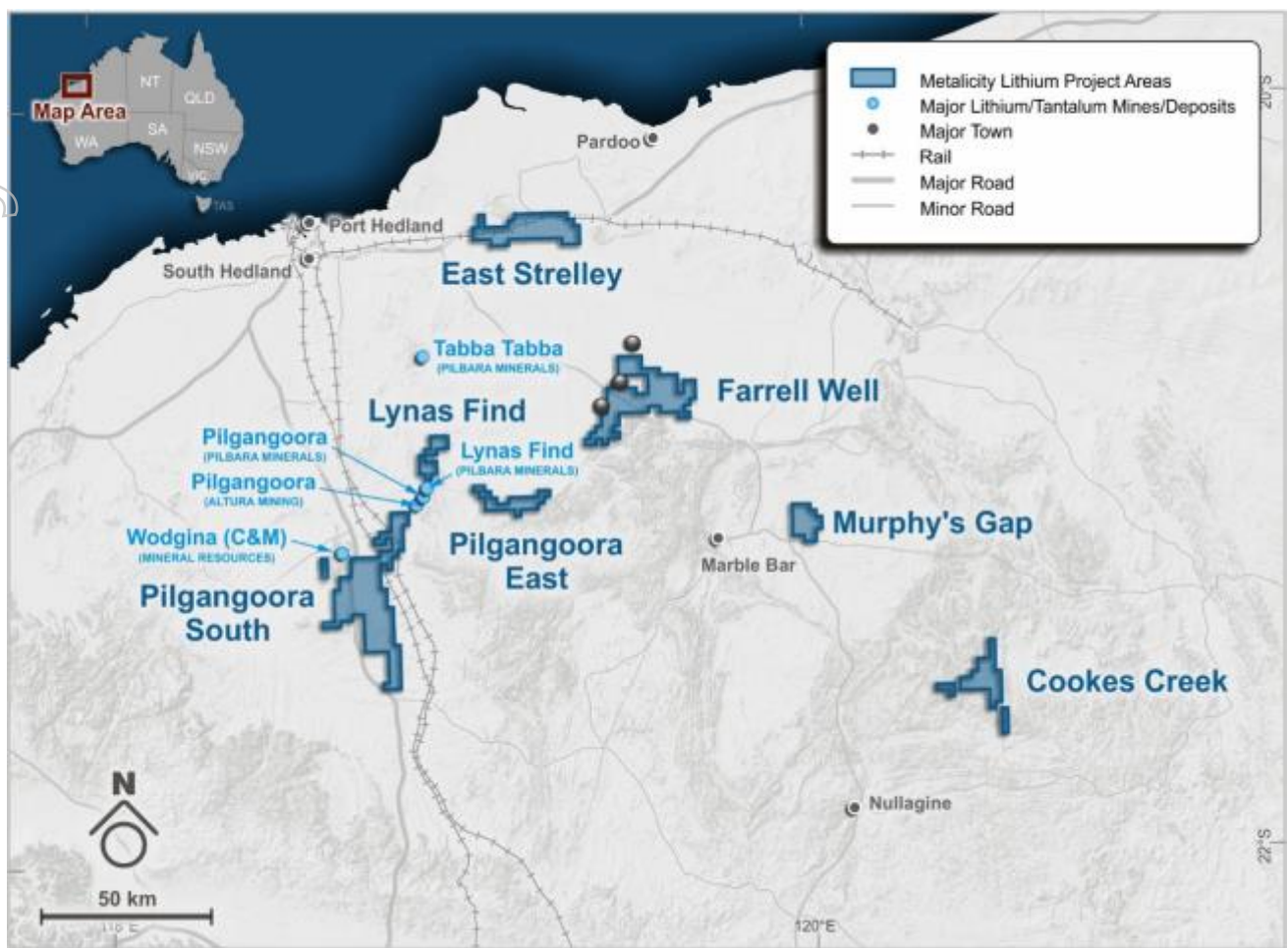
"The agreement provides the company with exciting new additional lithium targets in the world-class Wodgina/Pilgangoora district. Our exploration activities in the region are quickly gathering momentum with drilling completed at Stannum, drilling planned at Turner River and exploration teams immediately mobilised to commence an on-the-ground evaluation of Lynas Find North."

Figure 1: Metalicity Western Australian Lithium projects



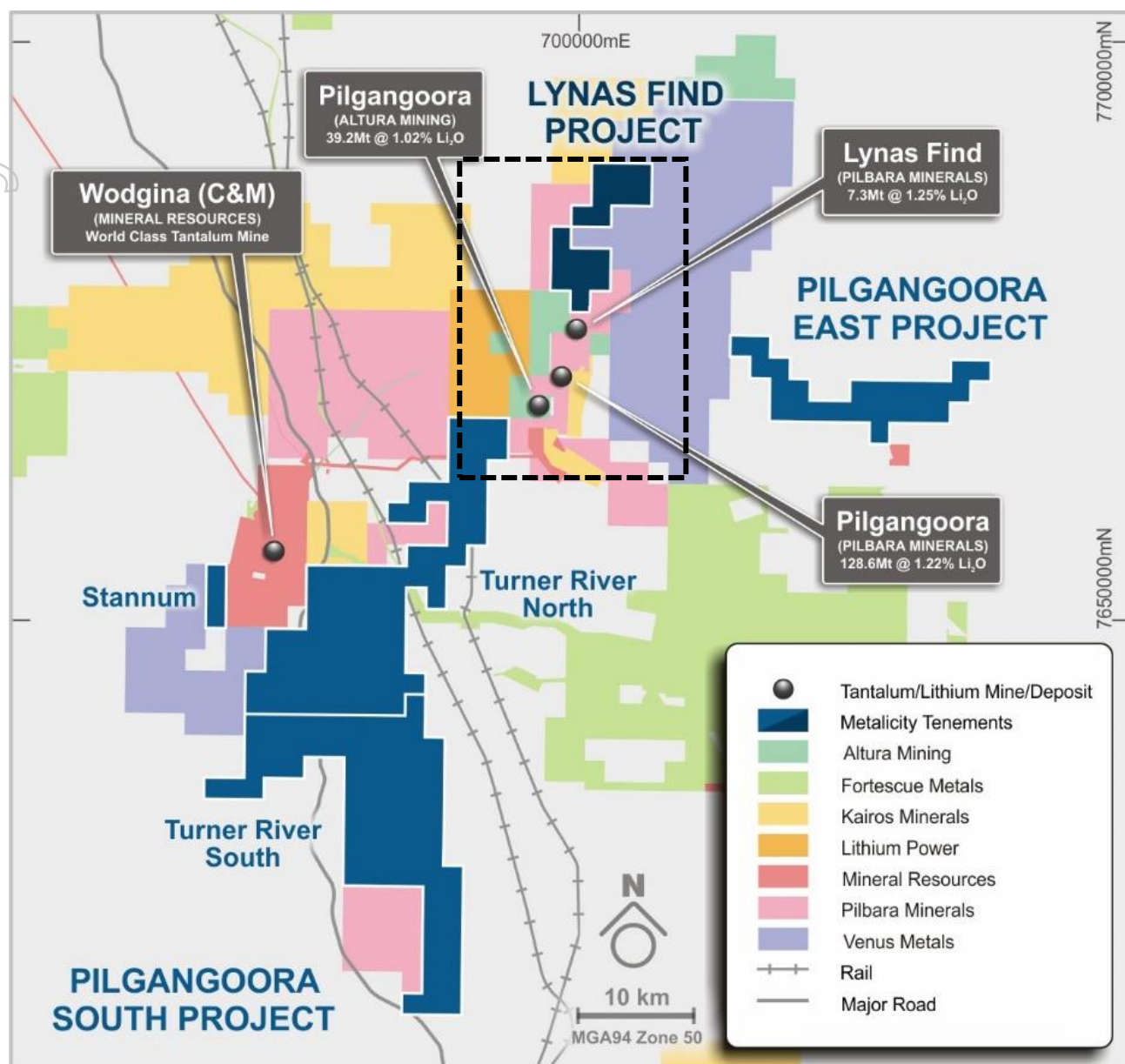
Source: Metalicity

Figure 2: Metalicity Pilbara Lithium projects



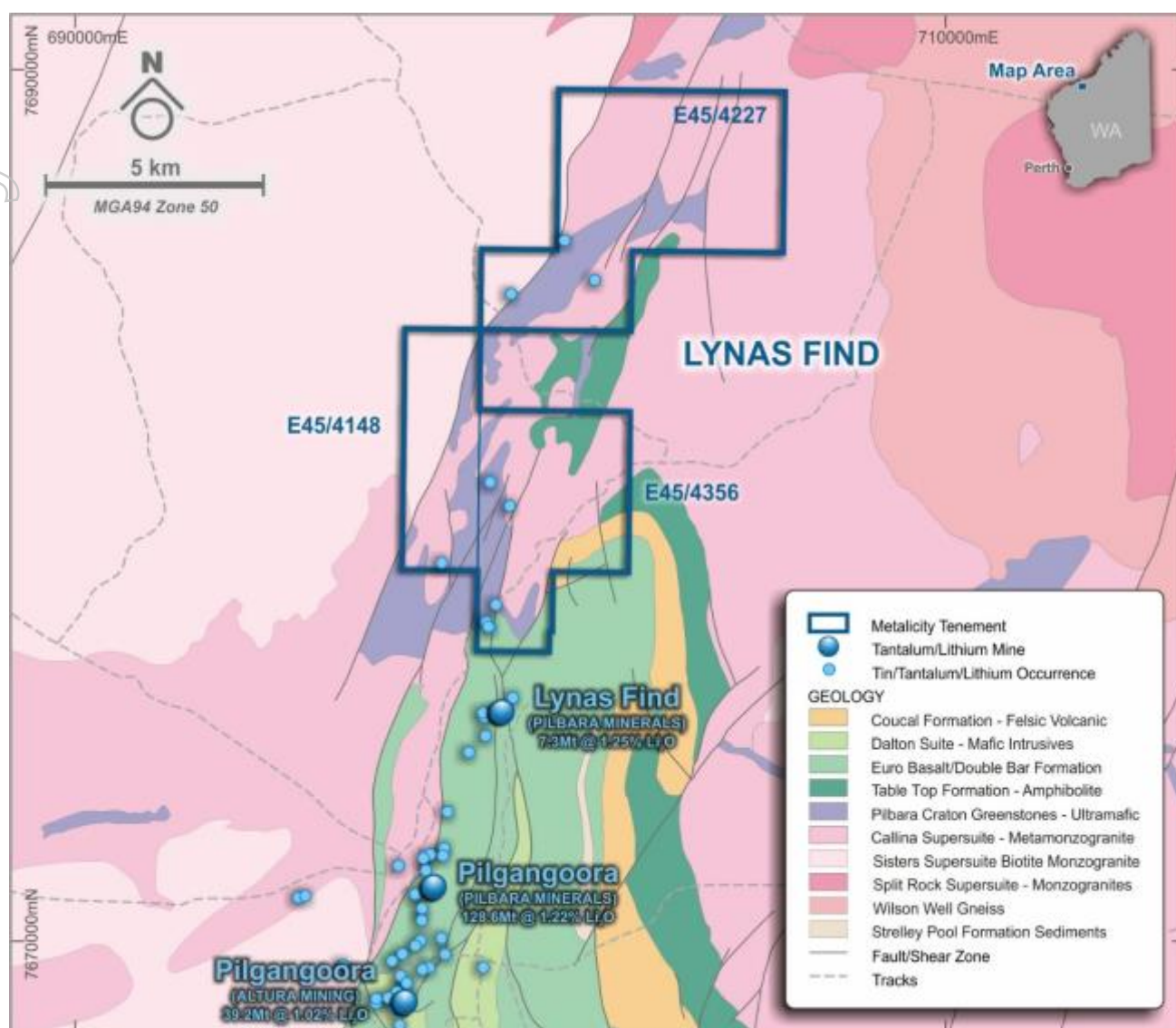
Source: Metalicity

Figure 3: Metalicity Wodgina/Pilgangoora Tenements (including Lynas Find Lithium Project)



Source: Metalicity

Figure 4: Lynas Find Lithium Project along strike from Pilgangoora deposits



Source: Fortescue Metals Group Ltd

Other Projects:

The Murphy's Gap project comprises three tenements, covering an area of 74km² over the highly prospective Mount Edgar Igneous Complex. It includes a number of lithium bearing pegmatites with grades up to 1,600 ppm Li₂O and 126 ppm Ta₂O₅.

The Cookes Creek project is located 5km from the Blue Bar lithium prospect within the Mount Elsie Greenstone Belt. The project comprises four tenements which cover an area of 131km² around the margins of tungsten bearing fractionated granites in the Pilbara Craton, often associated with lithium-bearing pegmatites.

The Farrell Well project comprises 10 tenements over an area of 323km² and covers 29km strike length of the highly prospective Lalla Rookh-West Shaw Structural Corridor (LWSC) within the Warralong Greenstone Belt. Regional structural corridors which intersect greenstone belts within the Pilbara Craton provide a fundamental control on lithium bearing pegmatites.

Terms of the Agreement:

- Settlement to Fortescue will be made via a combination of cash and Metalicity securities
- A\$250,000 cash payment upon settlement of a sale agreement.
- 5m Fully Paid Ordinary Shares in Metalicity Limited issued to Fortescue upon settlement of the sale agreement.
- 5m Unlisted Options exercisable at 8c in Metalicity Limited issued to Fortescue upon settlement of the sale agreement.
- 10m Fully Paid Ordinary Shares in Metalicity Limited issued to Fortescue upon the definition of a total JORC Inferred Mineral Resource Estimate of a minimum 20Mt @ 1% Li₂O across any of the tenements.

ENQUIRIES

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About Metalicity Limited

Metalicity Limited is an Australian mining exploration company with a primary focus on base metals sector and the development of the world class Admiral Bay Zinc Project, located in the north west of Australia. The company is currently undertaking a Pre-Feasibility Study on Admiral Bay. The Company's secondary focus is the rare metals sector with the addition of several Lithium projects where drilling has commenced. The Company is supported by an experienced management team as well as institutional, private equity and retail funds.