

ADMIRAL BAY ZINC OFFTAKE WITH CHINA MINMETALS

- ▶ **MOU signed with Minmetals Nonferrous Metals Co., Ltd (“CMN”) for Zinc and Lead offtake.**
- ▶ **CMN is a subsidiary of China Minmetals Corp (“Minmetals”) which is China’s largest metals and minerals group, with zinc smelter capacity of 1Mtpa all based on the east coast of China.**
- ▶ **MCT and CMN to work together to form a schedule of work to define a long-term offtake partnership.**
- ▶ **Initial 10% future offtake allocated to CMN in exchange for metallurgical and beneficiation testwork.**
- ▶ **Testwork to be undertaken on ~50kg of existing core held by the company in a refrigerated container and will form part of the metallurgical testwork of the Pre-Feasibility Study (PFS) on Admiral Bay.**
- ▶ **The metallurgical and mineral processing test work carried out to date have delivered positive results including low deleterious metallurgical behaviour and high recoveries.**
- ▶ **Appointment of Beijing based Investment Bank to progress the MOU’s to binding investment agreements with China Non-ferrous Metals, China Minmetals and others.**

Metalicity Limited (**ASX:MCT**) (“**MCT**” or “**Company**”) is pleased to announce that it has signed a Memorandum of Understanding (“**MOU**”) regarding future zinc and lead off-take with China Minmetals Nonferrous Metals Co., Ltd (“**CMN**”), a subsidiary of China Minmetals Corp (“**Minmetals**”) which is China’s, and one of the world’s, leading mining and metals company’s.

Minmetals is one of China’s leading zinc smelting company’s with annual consumption capacity of 1Mtpa zinc concentrate and is currently completing a merger with China Metallurgical Corporation (MCC). The combined revenues of Minmetals and MCC are reported to amount to approximately twice that of the world’s largest publicly traded mining company, BHP.¹ China is the world’s largest consumer and processor of zinc concentrates into refined zinc.

The MOU contemplates the supply of an initial 10% of future offtake from an anticipated production of 174Kt zinc and 115Kt lead per annum from Admiral Bay in exchange for metallurgical and beneficiation testwork which establishes a pathway for investing in Metalicity and/or Admiral Bay at the company and/or project level. Both parties will work towards a binding agreement in the September Quarter.

CMN will undertake metallurgical and beneficiation testwork on approximately 50kg of existing core currently held by the company in a refrigerated container. CMN will prepare a report for Metalicity as part of the current PFS for the DSO and Concentrate Model, as well as for future financing and off-take.

The metallurgical and mineral processing test work carried out to date have delivered positive results including (1) The material does not currently demonstrate any deleterious metallurgical behaviour (2) It appears readily amenable to processing through a simple, conventional flotation plant to achieve high zinc, lead and silver recoveries (3) Preliminary metal recovery expectations are in the range of 90-95% across zinc, lead and silver (4) Concentrate product grades were good (Pb +60% and Zn +48%), although selectivity of zinc and lead was not ideal and there is scope for further optimisation (see ASX:MCT 27/7/16).

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Metalicity Managing Director, Matt Gauci, commented:

“Admiral Bay continues to attract some of the world’s major zinc industry participants. Metalicity is very pleased to have entered into this MOU with China’s leading zinc smelting companies and one of the largest metals and minerals companies in the world, China Minmetals, which we view as a strong endorsement of the potential for Admiral Bay.

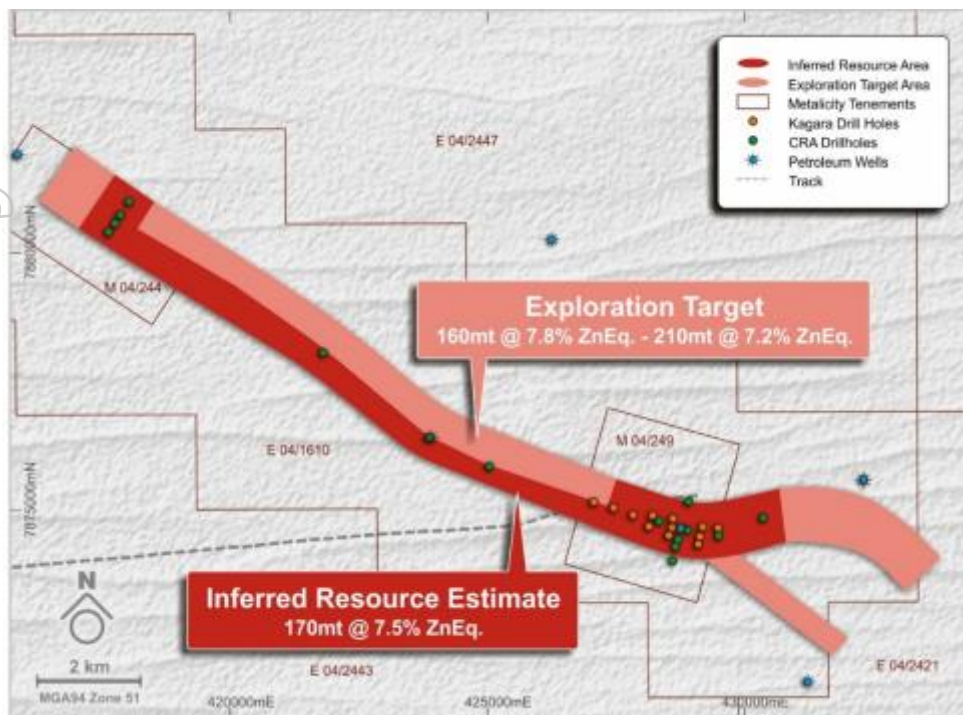
In conjunction with our MOU with China Nonferrous Metals (NFC) for the development and construction of Admiral Bay, the company is now well positioned to progress long term financing solutions for the project in partnership with some of the worlds largest and experienced zinc industry participants.

We look forward to progressing binding agreements in the near future and to that end the company has appointed a Beijing based Investment Bank as corporate advisors to progress the Company’s MOU’s with China Nonferrous Metals and China Minmetals into binding investment agreements.”

Key Terms of the Offtake MOU with CMN

1. MCT and CMN to work together to form a long-term offtake partnership for zinc and lead DSO and Concentrates from Admiral Bay Zinc Project.
2. MCT to allocate 10% of future offtake from an anticipated production of 174,000tpa Zinc, 115,000tpa Lead and 3.3M Ounces p.a. of Silver for an initial period of 10 years after the Project comes into production. In exchange CMN will provide metallurgical and beneficiation testwork program that will form part of the Company’s Pre-Feasibility Study.
3. The price of the Product shall be the price in the quotational period for the payable metals less the deductions for the respective treatment charges, which shall be the annual benchmark treatment charge agreed to by Teck and Korea Zinc for zinc concentrate and the annual Cannington benchmark treatment for Lead concentrate.
4. The quotational period for all payable metals in Product shall to be agreed by MCT and CMN.
5. The shipment schedule to be mutually agreed and approximately evenly spread through each calender year in lots of approximately 5,000 wet metric tonnes each.
6. Delivery is based on CIF (Incoterms 2010) China main ports.
7. Weighing, sampling, moisture determination and final assay shall be done at discharge port by CIQ/CCIC appointed by Buyer.
8. Payment shall be done under an irrevocable sight Letter of Credit in U.S. Dollars.
9. MCT to retain a break fee of A\$100,000 should a better offer eventuate up until 3 months after the completion of the PFS.
10. Quarterly meetings to be held for the planning, logistics, metallurgical and beneficiation test work and long-term offtake partnership for zinc and lead.
11. Up to 50kg of core to be tested via a metallurgical and beneficial testwork program with the resultant report to form part of the company’s Pre-Feasibility study in conjunction with independent metallurgical consultants.

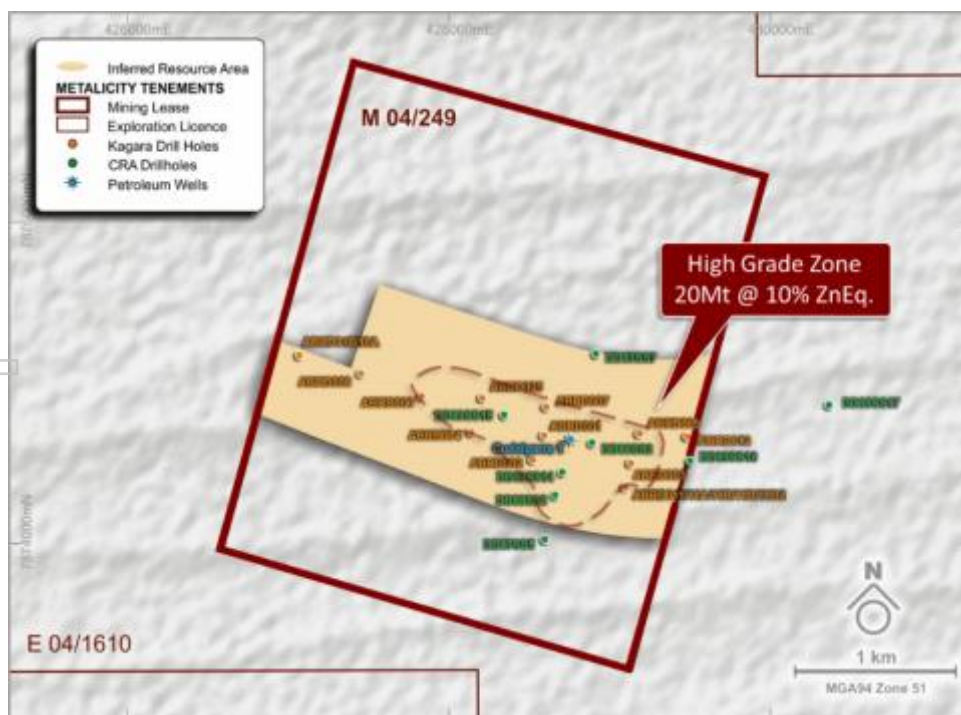
Figure 1: Admiral Bay Zinc Project: MRE and ETR in plan view



Source: Metalicity

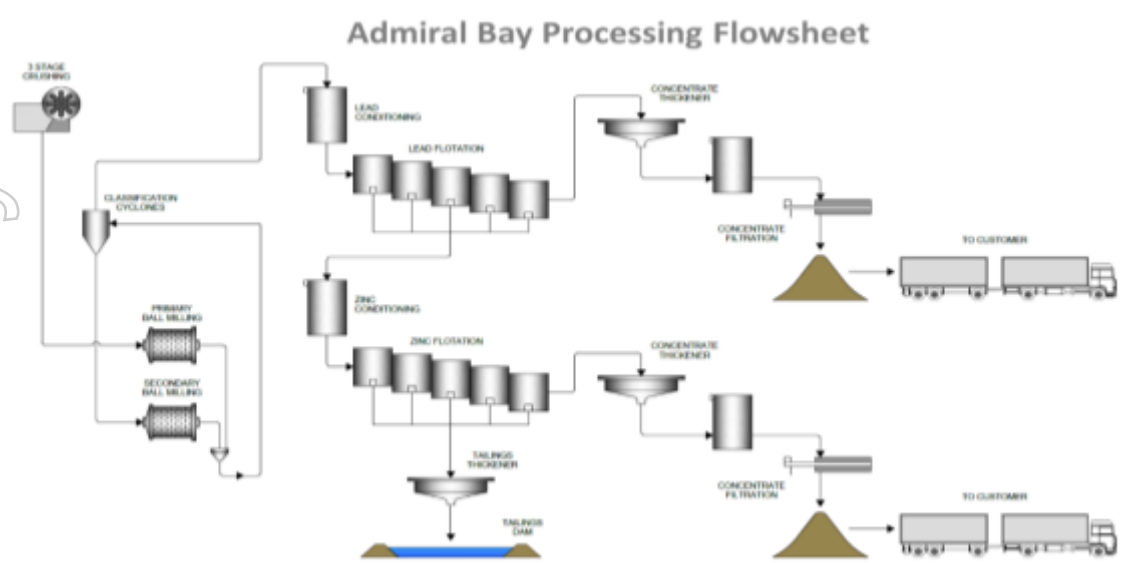
The Exploration Target Range (ETR) stated above is conceptual in nature and the potential quantities and grades are conceptual in nature. There has been insufficient exploration to estimate a Mineral Resources Estimate and it is uncertain whether further exploration will result in the estimation of Mineral Resources.

Figure 2: Admiral Bay Zinc Project: High Grade Zone



Source: Metalicity

Figure 3: Admiral Bay Zinc Project Preliminary Processing Flowsheet



Source: Metalicity

Figure 4: Admiral Bay Zinc Project Preliminary Metallurgical Testwork

Composite	Admiral Bay Concentrate Grade	Century Concentrate Grade	Lisheen Concentrate Grade	
Zinc	55%	57.00%	57%	
Composite	Admiral Bay	Century	Lisheen	Penalty
Fe	2.70%	1.50%	3.00%	\$1.5/ 1% > 8%
Mn	0.09%	0.02%	0.03%	\$1.5/ 0.1% > 0.5%
As	0.01%	-	0.13%	\$2/ 1% > 0.2%

Source: Metalicity

ENQUIRIES

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1. Bloomberg

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 where early stage exploration has commenced. The Company is supported by a management team with 300+ years collective experience in the resources sector and strong shareholder base of institutional and sophisticated investors.

About China Minmetals Corporation

China Minmetals Corporation (CMC), restructured from two Fortune Global 500 companies, namely China Minmetals and China Metallurgical Group, is China's largest and highly international metals and minerals corporate group, and also the largest and strongest in metallurgical construction and operation services globally. Headquartered in Beijing, CMC controls the total assets of RMB 1.6 trillion yuan, and it has the assets of RMB 813.9 billion yuan, of which financial business management assets of RMB 814.2 billion yuan. CMC's foreign institutions, resource projects and construction projects are operating in more than 60 countries and regions. In 2016, CMC achieved operating income of RMB 435.5 billion yuan.

More information on China Minmetals can be found at:

http://china.org.cn/business/2016-06/03/content_38595154.htm