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ASX Announcements Platform
C/o Level 40, Central Park, 152-158 St Georges Terrace
Perth WA 6000

Chairman's Address 2017 AGM

When I look back over the last 12 months or so I see a period when all of the evaluation work being undertaken on our primary asset, the Admiral Bay Zinc Lead Silver Project, has finally come together.

We have also made a smaller, but exciting, additional acquisition in the zinc area. And we have moved forward with several positive developments with our lithium and cobalt exploration portfolio.

To start with Admiral Bay. When I spoke to you last year we had just announced the completion of the Scoping Study for the Project, led by the SRK Engineering Group. The results show that with the increased resource estimate the Project can be successfully developed, utilising a conventional mining plan, confirming that Admiral Bay is now the world's 4th largest zinc project.

Moving on towards undertaking a more detailed a Pre-Feasibility Study, we have continued discussions with a number of large overseas based organisations that had previously shown and continue to show strong interest in becoming involved with the Project and funding the further resource definition drilling that will be required to complete a PFS.

Notwithstanding, using our own resources we commenced work on what we termed Stage 1 of the PFS. This focussed on a more detailed review of the geotechnical and hydrological conditions at the proposed mine and also on the potential to utilise fully mechanised mining methods in the largely shallow dipping mineralised formation. The opportunity here is the potential to substantially cut the overall cost of mining the deposit whilst also increasing volumes mined.

In addition, work has also focussed on a core high grade mineralised zone in the central area of the deposit. With intersections from previous drilling recording as much as 14m at 17.7% ZnEq (including 6m at 24.3% ZnEq) it has been estimated that this limited area of the deposit could contain the

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order of 20mt at an average grade of approximately 14.5% ZnEq. This area then looks to have the potential to be the initial area of future project development and evaluation work is continuing.

At the same time, work being undertaken on the mineralogy of this higher grade area of the deposit also identified the potential to use ore sorting to upgrade the ore being mined, to a point where it would be possible to produce a Direct Shipping Ore product (DSO).

This possibility is a potential game changer. If feasible, then it could allow a smaller mine than was proposed in the Scoping Study to be developed initially. This would require substantially lower capital and would be far quicker to build and commission. To this end, in late June the international engineering group and world leaders in ore sorting, Outotec, were appointed to evaluate the potential of photometric ore sorting using the core samples we do have from that area of the deposit. Results from the evaluation of the core samples and from some limited testwork at the TOMRA laboratory in Sydney have confirmed that there is a strong case for further evaluation of a DSO project, either as a standalone starter mine or as part of a conventional concentrator project. Accordingly, evaluating this concept further has now been incorporated into the Stage 2 PFS program.

Of course proceeding with Stage 2 of the PFS depends on funding and we continue to talk with potential investors and partners regarding providing that funding.

As you will have seen from our various announcements throughout the year we now have two Memoranda of Understanding with Chinese groups with regard to possible financing and development of Admiral Bay; the first with the China Non Ferrous Metals signed group earlier in the year and the second with the China Minmetals Group signed in July.

As part of the MOU with China Minmetals they will have the right to market 10% of the Project's production subject to them ultimately becoming involved in the Project development. They have also been recently undertaking metallurgical testwork on some of our samples to confirm concentrate specifications.

In addition, I can also tell you that we are actively involved in detailed discussions with other large groups outside of China and those discussions have been progressing well.

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With the excellent progress Matt and his team have made with Stage 1 of the PFS and with a very strong outlook for zinc demand, we are very hopeful of concluding the funding we are seeking for Admiral Bay in the near future.

Notwithstanding, the progress on Admiral Bay, in late July this year we had the opportunity to acquire an option over two other high grade zinc assets located in the Lennard Shelf area of the Kimberly region of WA. The first, Napier Range, has a current Inferred Resource of 750kt at 13.6% ZnEq and the nearby Emanuel Range Exploration Project comprises very prospective ground nearby the large Pillara Zinc deposit. Together they provide an opportunity for Metalicity to develop a zinc project ahead of Admiral Bay.

Following a detailed due diligence we have now advised the vendors that we are seeking to exercise those options.

Turning now to our non-zinc assets, we have made good progress this year with our Lithium and Cobalt exploration.

Initially, at our both Lithium and Cobalt tenements time was needed to undertake detailed mapping and surface sampling to identify potential drilling targets.

This work progressed well and late last year we commenced a limited drilling program at both Wodgina South and Lake Cowan. More recently we have also conducted a small drilling program at Pilgangoora North. The results from this program, which covered only a fraction of the total tenements area, have been very encouraging. The majority of the area of these tenements remains to be tested and we are looking to continue drilling there.

More recently CSA Global has been engaged to review our current four lithium projects (now named Pilgangoora North, Pilgangoora South, Wodgina South and Greenbushes South) to develop a new prioritised strategy for their continued exploration.

For Cobalt, desktop and initial fieldwork on the Kyarra Project located in the Yerrida Basin in WA began in the March quarter of this year with more extensive surface sampling and on ground work commencing in May. This latter work provided several anomalous cobalt and base metals results that were used to establish targets for an initial 1800m RC drilling program that commenced in late September. Results from this program have been very encouraging and CSA Global are now using them to revise the strategy for future drilling at Kyarra.

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Recognising that lithium and cobalt both remain 'hot metals' in the current market, as the demands of an exploding battery market continue to rise, we are now looking at various options for the continued funding of our exploration portfolio.

So to conclude then. All of the Company's assets remain in good shape. Our flagship project, Admiral Bay is poised to commence Stage 2 of the PFS, subject only to funding. In that regard we are confident that we will have some news on that front in the not too distant future.

The Napier and Emanuel Ranges project in the Lennard Shelf region are an exciting new project for Metalicity and again we are currently looking at funding opportunities for that project. The prospect of being able to produce zinc in the relatively near term is extremely attractive to the tightening base metals market.

And last, for our battery metals exploration tenements, they have very good prospectivity and we are taking steps to be in a position to be able to accelerate drilling on all areas over the next 12 months.

Our core management team remains stable at Metalicity and I thank them for their efforts and continued enthusiasm for our projects. I would also like to thank my fellow directors for their support and efforts.

Last but certainly not least, I want also to thank our loyal shareholders. I certainly do not believe the current market capitalisation reflects anything like a fair valuation of the Company and I can assure you we are striving to change that situation as soon as possible.

Thank you

Andrew Daley
Independent Chairman

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