

ASX Code: MCT  
13 January 2016

## New High Grade Graphite Projects in the Munглиnup District, WA

- New EL & ELA of 146km<sup>2</sup> prospective for High Grade Graphite in the Munглиnup district, WA
- New projects adjacent to one of the world's highest grade graphite deposits at Munглиnup
- Geographic Information System (GIS) and geological database compilation underway
- Airborne EM (VTEM) data interpretation and modelling underway to refine drill targets
- Appointment of experienced personnel in the Graphite exploration industry

Metalicity Limited (ASX:MCT) ("MCT" or "Company") is pleased to report that, complementary to its well-funded base metals focus, the Company has entered into a Tenement Sale Letter Agreement to acquire one EL and one ELA covering 146km<sup>2</sup> which is considered highly prospective for high grade graphite mineralisation, located in the Munглиnup district of the Albany Fraser Belt, WA.

The Munглиnup North Project (E74/550 and ELA74/551) is located 20km north of the Munглиnup Graphite deposit (owned by Gold Terrace Pty Ltd), one of the world's highest grade graphite deposits. Previous limited assaying for graphite in shallow drilling on E74/550 intersected 12m at 7.4% carbon, including 4m @ 10.33% carbon, from 20m beneath the surface. The Project is situated across the boundary of the Yilgarn Craton and the Albany Fraser Belt.

Figure 1. Flake graphite from the Munглиnup Area



Figure 2. Graphite from the Munглиnup Area



Numerous untested electromagnetic anomalies are present on the project, which may represent graphite occurrences. Versatile Time Domain Electromagnetic (VTEM) data for the project has recently become available, and an early priority for MCT will be to commission interpretation and modelling of this data to assist in refining drill targets.

### Managing Director Matt Gauci Commented:

"While the main focus of the company is our well-funded base metals programs with approximately \$5m cash in the bank to advance the Admiral Bay Zinc Project, it is clear the graphite sector has a strong demand profile and we have secured highly prospective projects in one of the world's highest grade graphite districts and appointed experience personnel to the project. Desktop exploration works have commenced immediately and will soon be followed by field exploration work to define drilling targets".

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Figure 3. Munglinup North Project

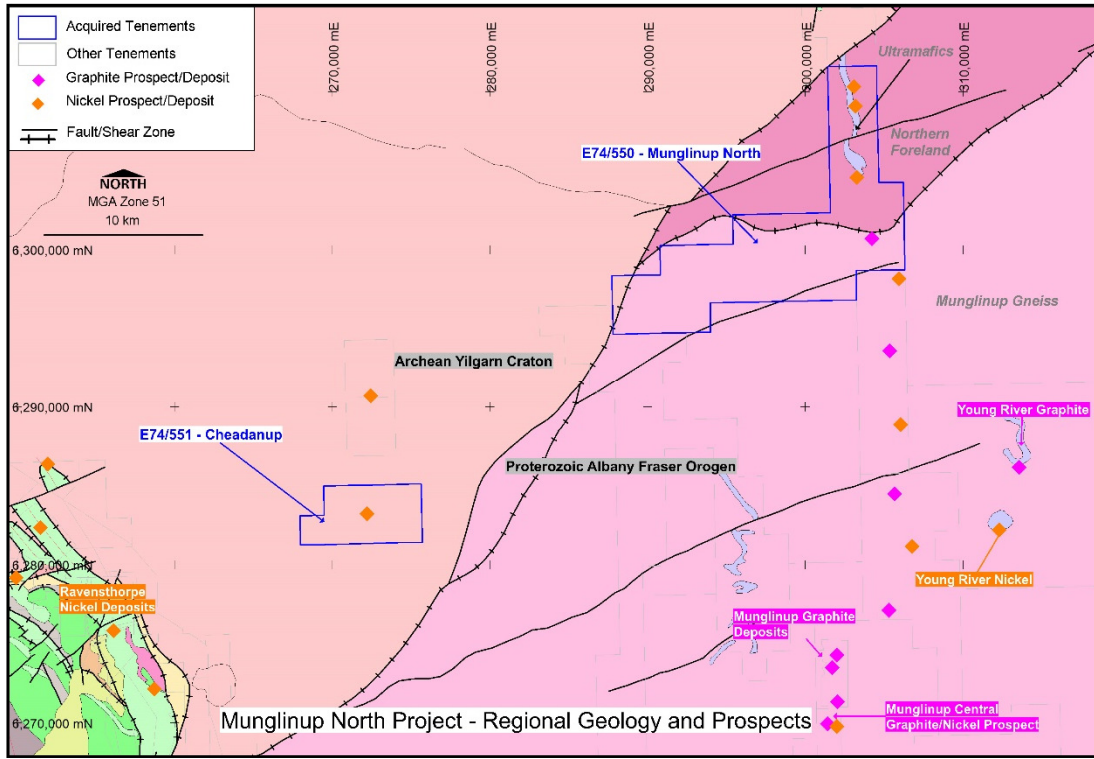
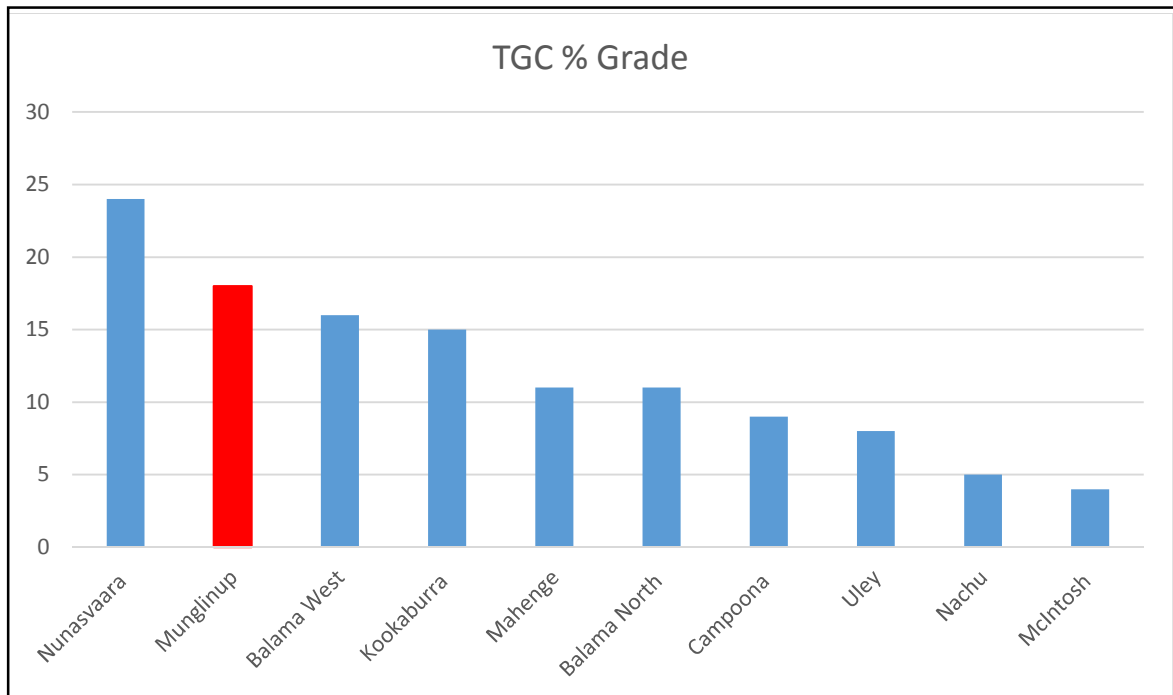


Figure 4. Global Graphite deposits by TGC % grade



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### Appointment of Graphite Exploration Consultants

The Company has appointed Brendan Borg as Exploration Consultant for the exploration and development of the prospects. Brendan is a Principal of Borg Geoscience and was previously Exploration Manager of Lithex Resources Limited and Magnis Resources Limited (previously Uranex Limited), and has more than 18 years' experience in the exploration, discovery and development of mineral resources, including significant experience in lithium and graphite projects.

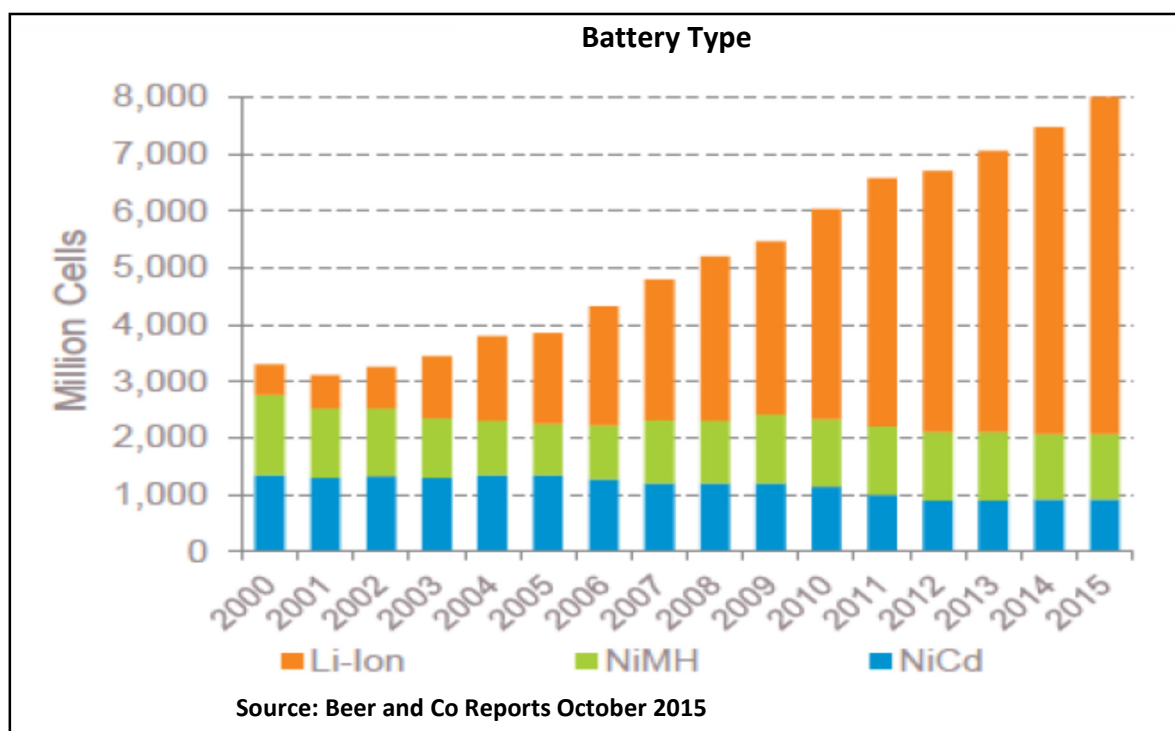
### Graphite Sector

Graphite is one of two naturally occurring allotropes of carbon (diamond is the other) that is used in a number of high end industrial applications. It is considered a good conductor of heat and electricity and has the highest natural strength and stiffness of any known material. The global graphite market is currently around 2.2Mtpa in size, split evenly between natural and synthetic graphite.

Graphite demand has grown at an annualised rate of around 5% over the past decade. Graphite use in lithium ion batteries is expected to drive the future growth in the graphite industry in the medium to longer term. Lithium-ion batteries are being used in hybrid electric vehicles (HEV), plug-in electric vehicles (PEV) and all electric vehicles (EV). Industry bodies estimate flake graphite demand to grow at an average rate of 20% per annum in the medium term, as more electric cars come onto the market.

Only high quality flake or synthetic graphite which can be upgraded to 99.9% purity can be used to make spherical graphite used as anodes in lithium-ion batteries. US electric vehicle manufacturer, Tesla Motors, is planning to construct a US\$5Bn production Gigafactory, due to be operational in 2016, which is expected to increase its EV production from 35,000 vehicles in 2014 to around 500,000 vehicles by 2020.

Figure 2. Growing Li-ion Battery Demand



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## Tenement Sale Agreement Letter

The Key Terms of the non-binding Tenement Sale Agreement Letter (Agreement) are:

1. Metalicity Limited (MCT) agrees to pay to Borg Geoscience Pty Ltd (BG) A\$50,000 in total for 100% unencumbered interest in the Munglinup North Tenements comprising ELA 74/550 and EL 74/551 (Project).
2. Payment will be made by way of a A\$25,000 non-refundable cash component upon signing the agreement and; a A\$25,000 share component at \$0.02 (2c) per share comprising 1,250,000 fully paid ordinary shares in the company as soon as practical.
3. MCT will grant BG a 1.5% Net Smelter Royalty (NSR) on production from the Project.
4. MCT will be responsible for any statutory payments owed to the Department of Mines and Petroleum WA (DMP), including rates and rents, until a formal Tenement Sale Agreement is completed.
5. BG covenants in favour of MCT to keep the tenements that form the Project in good standing until the acquisition is complete.
6. Completion of the agreement is subject to:
  - Finalisation of a formal Tenement Option and Sale Agreement with terms normally included in agreements of this nature
  - Issue of A\$25,000 share component at \$0.02 (2c) per share comprising 1,250,000 fully paid ordinary shares in the company to BG or nominee

\* BG is owned and operated by Brendan Borg who is a consultant to the company and competent person to this announcement.

**FOR MORE INFORMATION:**

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The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the 'JORC Code') sets out minimum standards, recommendations and guidelines for Public Reporting in Australasia of Exploration Results, Mineral Resources and Ore Reserves. The Information contained in this announcement has been presented in accordance with the JORC Code and references to "Measured, Indicated and Inferred Resources" are to those terms as defined in the JORC Code.

Information in this report relating to Exploration results is based on information compiled by Mr Brendan Borg who is a Member of the Australasian Institute of Mining and Metallurgy and a Principal Consultant with Borg Geoscience Pty Ltd. Mr Borg has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined by the 2012 Edition of the Australasian Code for reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Borg consents to the inclusion of the data in the form and context in which it appears.

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