

## TERMS SHEET – STRICTLY PRIVATE AND CONFIDENTIAL

Metals Australia Limited (ASX: MLS) has engaged Sanlam Private Wealth Pty Ltd (“**Sanlam**”) to act as Lead Manager to facilitate a placement of up to A\$2,500,000 with the ability to take oversubscriptions at \$0.005 per share (the “**Placement**”). Sanlam is the Sole Book Runner in respect of the Placement.

This **Terms Sheet** specifies the **Timetable** and terms and conditions on which the Placement will proceed.

### Background

#### Manindi Zinc Project:

- MLS is an ASX-listed exploration company with a high grade zinc project located in Western Australia (the Manindi Zinc Deposit) as well as a high grade near surface graphite project located in Quebec, Canada
- The Manindi Zinc Deposit hosts a JORC Measured, Indicated and Inferred resource of 1.1Mt grading at 6.5% Zn. A number of other target zones remain to be tested adjacent and close to the existing ore body. Drilling to date has been limited to a depth of approximately 250m
- The Manindi project also has proven lithium mineralisation with recent results from the re-sampling of historical drill core providing results of 15m @ 1.20% Li<sub>2</sub>O from 34m including 5m @ 1.53% Li<sub>2</sub>O from 38m in MND018
- A limited rock sampling program at Manindi from outcrops occurring at surface has returned high grade lithium assays up to 2.84% Li<sub>2</sub>O and high grade tantalum assays up to 296 ppm Ta<sub>2</sub>O<sub>5</sub>

#### Lac Rainy Graphite Project:

- The Lac Rainy Graphite project represents a potentially significant high grade and near surface graphite deposit with close proximity to key infrastructure
- The following select high grade rock samples, collected from surface exposures of the graphite formation demonstrate the potential of the project to host a high-grade graphite deposit which starts at surface:
  - 53.7% Cg
  - 31.9% Cg
  - 27.1% Cg
  - 19.0% Cg
  - 18.4% Cg
  - 16.6% Cg
  - 16.2% Cg
- MLS has mapped a total strike extension at the Lac Rainy Graphite project in excess of 2.5 km of mineralised graphite zones, remaining open to the north-west – drilling is set to commence in the next 4 weeks with all permits received and logistics underway

- Phase I drill campaign at the Lac Rainy Graphite project will comprise of 20-22 diamond drill holes for a total of 2,000m of drilling
- MLS is in discussions with potential strategic partners including a graphite concentrate end user in China – a framework agreement is currently being drafted which will allow MLS to continue to define its graphite concentrate product for application to the lithium ion battery market and the graphene market as well as other markets such as graphite plates
- MLS has commenced its initial metallurgical testing program using surface material - results indicate that Lac Rainy graphite can produce a commercial graphite concentrate
  - High sample head grades of 36.5% and 22.0% Ct (total Carbon)
  - Exceptional Graphite recovery up to 91.0% using simple and low-cost processing routes
  - Exceptional Concentrate grades of up to 96.2% Ct – exceeding standard cut-off grades for commercial grade graphite concentrates
  - Total carbon grades up to 98.8% in large and jumbo flake size fractions
  - Low levels of potentially deleterious elements – outstanding result which will differentiate Lac Rainy graphite concentrate from its competitors
- Metallurgical testing will continue with the current phase of drilling – the continued program will seek to define the graphite concentrate product offering and to advance discussions with potential end users

**Other Projects:**

- In addition to Manindi and Lac Rainy, MLS also owns 100% of the following projects:
  - Lac La Corne and Lac La Motte Lithium Project – *initial field exploration has been completed at the Lac Corne Lithium Project highlighting the prospectivity of the area. Further field exploration is now planned*
  - Lacourciere-Darveau Lithium Project
  - Lac du Marcheur Cobalt Project – *an initial field program has identified the previous exploration shafts and trenches in the area, the field program focused on the Lac Pauze outcrop zone where initial assay results returned of 0.23% Co*
- MLS is currently completing technical and commercial due diligence on an additional cobalt project located in the Cobalt Mining Camp of Ontario, Canada
- MLS is a focused exploration company with exposure to the key battery minerals sector – MLS has a high grade zinc project in Western Australia and a near surface high grade graphite deposit in Quebec – the potential cobalt acquisition in Ontario will provide MLS exposure to the burgeoning cobalt market

<b>Key Investment Points</b>	<b>FOCUSED EXPLORATION AND DEVELOPMENT:</b>	<p>High grade zinc deposit in Western Australia and high grade near surface graphite project in Quebec, Canada - safe operating jurisdictions with close proximity to infrastructure</p>
	<b>HIGH GRADE ZINC DEPOSIT:</b>	<p>JORC Measured, Indicated and Inferred resource of 1.1Mt grading at 6.5% Zn</p>
	<b>PROVEN LITHIUM MINERALISATION AT MANINDI:</b>	<p>15m @ 1.20% Li<sub>2</sub>O from 34m including 5m @ 1.53% Li<sub>2</sub>O from 38m in MND018 - limited rock sampling from outcrops at surface has returned high grade lithium assays up to 2.84% Li<sub>2</sub>O</p>
	<b>2,000M DIAMOND DRILLING PROGRAM AT LAC RAINY GRAPHITE PROJECT:</b>	<p>Funds raised will be used to commence resource definition drilling at the high grade near surface Lac Rainy Graphite project</p>
	<b>OUTSTANDING METALLURGY:</b>	<p>Initial metallurgical testing has delivered an exceptional high carbon graphite concentrate (&gt;96.2% Ct) with high recoveries (up to 91.0%) and low levels of impurities – simple processing techniques – total carbon up to 98.8% Ct in large and jumbo flake size</p>
	<b>POTENTIAL COBALT ACQUISITION:</b>	<p>MLS is currently completing technical and commercial due diligence on an additional cobalt project located in the Cobalt Mining Camp of Ontario, Canada</p>
	<b>EXCEPTIONAL INFRASTRUCTURE:</b>	<p>Excellent project infrastructure and access to some of the lowest cost and cleanest hydro-power globally</p>
	<b>EXPERIENCED BOARD AND MANAGEMENT TEAM:</b>	<p>Highly vested management team with a track record in building world class projects</p>
	<b>STRONG NEWSFLOW PIPELINE:</b>	<ul style="list-style-type: none"> <li>• Commencement of drilling at Lac Rainy</li> <li>• Results from Phase I drill campaign at Lac Rainy</li> <li>• Continued metallurgical and mineralogical test work at Lac Rainy</li> <li>• Potential end-user strategic partnerships</li> <li>• Lithium exploration at Manindi</li> <li>• Zinc drilling and additional exploration at Manindi</li> <li>• Further exploration at the Lac du Marcheur Cobalt Project, Quebec</li> <li>• Maiden resource at Lac Rainy</li> <li>• Scoping study at Lac Rainy</li> <li>• Potential Ontario Cobalt Project acquisition</li> </ul>

<b>Issue</b>	<ul style="list-style-type: none"> <li>Placement of fully paid ordinary shares (ASX: MLS) ("<b>Shares</b>") with a free attaching listed option (ASX: MLSOA) on a 1-for-1 basis ("<b>Options</b>")</li> <li>MLSOA have an exercise price of 1 cent per share and expire on 31 May 2020</li> </ul>
<b>Placement Type and Size</b>	<ul style="list-style-type: none"> <li>Placement of up to <b>500,000,000 Shares</b> and <b>500,000,000 Options</b> via a s.708 tranche to raise up to A\$2,500,000 in gross proceeds, with the ability to take oversubscriptions</li> <li>Placement Shares will be listed on the ASX and will rank pari-passu with the existing fully paid ordinary shares</li> <li>Placement Options will be issued as part of the MLSOA series and will rank pari-passu with the existing listed options in the series</li> </ul>
<b>Fixed Offer Price</b>	<ul style="list-style-type: none"> <li><b>\$0.005</b> per Share ("<b>Offer Price</b>")</li> <li>Represents a <b>discount</b> of <b>20%</b> to the last traded closing price of \$0.006 per share</li> </ul>
<b>Use of Proceeds</b>	<ul style="list-style-type: none"> <li>It is anticipated that funds raised under the Placement will be used as follows (based on a \$2.5 million capital raise):             <ul style="list-style-type: none"> <li>Phase I drilling at Lac Rainy</li> <li>Manindi lithium exploration</li> <li>Manindi zinc exploration</li> <li>Exploration at Lac du Marcheur Cobalt Project</li> <li>Debt Repayment</li> <li>Working Capital</li> <li>Costs of the Offer (Brokerage)</li> </ul> </li> </ul>
<b>Disclosure</b>	<ul style="list-style-type: none"> <li>A prospectus will not be lodged in relation to the Placement</li> <li>The Placement is only available to 'exempt' investors or 'sophisticated' investors</li> <li>Investors must satisfy the requirements of either s708 (8), 708(10) or 708(11) of the Corporations Act</li> </ul>
<b>Fees</b>	<ul style="list-style-type: none"> <li>Sanlam will receive a fee of 6% (+GST) of funds raised under the Placement:             <ul style="list-style-type: none"> <li>2% (+GST) management fee; and</li> <li>4% (+GST) capital raising fee</li> </ul> </li> <li>The capital raising fee is payable by Sanlam to any third-party brokers that participate in the Placement</li> </ul>

<b>Current Capital Structure</b>	<b>ORDINARY SHARES:</b>  <b>LISTED OPTIONS:</b>  <b>MARKET CAPITALISATION:</b>	1,669,072,777  215,111,667 @ \$0.003 (expire Dec 2019) 181,950,000 @ \$0.01 (expire Mar 2020)  \$10.0 million (undiluted) @ \$0.006 per share
<b>Shares and Options to be Issued Under Placement</b>	<b>PLACEMENT SHARES:</b>  <b>PLACEMENT OPTIONS:</b> <hr/> <b>POST-PLACEMENT SHARES ON ISSUE:</b>  <b>POST-PLACEMENT OPTIONS ON ISSUE (MLSOA):</b>	500,000,000 (ASX: MLS)  500,000,000 (ASX: MLSOA) <hr/> 2,169,072,777 (ASX: MLS)  681,950,000 (ASX: MLSOA)
<b>Indicative Timing For Placement</b>	<b>TRADING HALT:</b>  <b>FIRM BIDS DUE:</b>  <b>ACCEPTANCE FORMS TO BE RETURNED:</b>  <b>DVP SETTLEMENT:</b>  <b>EXPECTED ALLOTMENT:</b>	Monday 12 February 2018  6pm EST, Monday 12 February 2018  4pm EST, Tuesday 13 February 2018  Tuesday 20 February 2018  Wednesday 21 February 2018
<b>Lead Manager Contact</b>	<b>Ben Faulkner</b> <b>+ 61 3 8640 5506</b> <b><a href="mailto:Ben.faulkner@privatewealth.sanlam.com.au">Ben.faulkner@privatewealth.sanlam.com.au</a></b>	

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