

ASX Announcement

17 August 2022

ASX:MLS

Key Battery Metals & Gold Projects Acquired on Discounted Terms

- *Exploration of priority targets along strike from major deposits set to commence*

- Metals Australia has successfully re-negotiated the purchase of an 80% interest in Payne Gully Gold Pty Ltd on discounted terms, giving shareholders exposure to highly prospective battery metals and gold projects in established mining provinces of West Australia (WA) and the Northern Territory.
- Exploration programs are set to commence over priority target areas along strike from major deposits in un-explored areas of shallow cover.
- Payne Gully's key projects include:
 - Warrambie Ni-Cu-Co: A large tenement between the Andover nickel sulphide discovery (ASX:AZS¹) and the Sherlock Bay Nickel (sulphide) Project (ASX:SBR²) in the Pilbara region of WA. Highly prospective for nickel sulphide deposits detectable by immediately planned electromagnetic (EM) survey.
 - Tennant Creek Cu-Au: Includes tenements with the same geological setting as the Bluebird copper-gold discovery, where Tennant Minerals Ltd (ASX:TMS) has announced a bonanza intersection of 62m @ 2.1% copper and 4.6 g/t gold³. Tenements also directly east of the Warrego high-grade copper-gold deposit (production 6.75Mt @ 1.9% Cu, 6.6 g/t Au)⁴. Highly prospective for high-grade Cu-Au discoveries detectable by immediately planned gravity and magnetics surveys.
 - Murchison Au: Includes extensive tenement holdings directly along strike from the 3Moz Mt Gibson Gold Project⁵ and northeast along strike from the 5Moz Big Bell Gold Mine⁶. Shallow cover with extensions of key gold structures traceable through immediately planned detailed magnetics surveys in areas not previously tested.

Metals Australia Chairman Mike Scivolo said:

"The agreement we have re-negotiated to acquire Payne Gully reflects the feedback received from shareholders regarding our initial deal."

"Along with the consideration payable, we took on board the view from some shareholders that the strategy behind the original transaction could have been better articulated, including the prospectivity of the projects being acquired and the Company's plan to unlock their mineral potential."

"That feedback is reflected in the new agreement we have negotiated on discounted terms, and the exploration plans our geological team have put in place to prioritise targets near major deposits for immediate testing in all three mining provinces."

"The Payne Gully portfolio complements our more advanced Manindi battery minerals project and the Lac Rainy Graphite Project, giving shareholders highly-leveraged exposure to the discovery of resources in known mineral provinces which can be developed without sovereign risk concerns."

Metals Australia Ltd (“MLS” or “the Company”) is pleased to announce it has executed a revised agreement (“Revised Agreement”) to acquire an 80% interest in Payne Gully Gold Pty Ltd (“Payne Gully”), which has a suite of highly prospective battery and precious metals projects in key mineralised regions of Australia.

The Payne Gully tenement package, comprising the Warrambie, Tennant Creek and Murchison Projects, offers excellent potential to create shareholder value through exploration and discovery in areas of known mineral deposits where geophysical trends continue into the un-explored areas under shallow cover. The Company’s exploration team has a track record of discovery in these terranes.

The Revised Agreement includes a significantly lower consideration. In addition to the 40 million shares already issued, Metals Australia will issue the vendor a further 39 million shares, less than half the 84 million shares included in the original agreement. The cash consideration will be \$980k. This represents an overall reduction of \$2.47 million in the consideration payable (based on 7c per share). The 39 million shares will be issued from the Company’s existing capacity under ASX Listing Rule 7.1.

OUTSTANDING PORTFOLIO OF BATTERY METALS AND GOLD PROJECTS - EXPLORATION STRATEGY:

An 80% stake in the following key exploration assets have been acquired by Metals Australia through this deal:

- a) The **Warrambie Ni-Cu-Co Project in WA**, a large, granted exploration licence (EL) E47/4327 in the Pilbara region of Western Australia (see location, Figure 1), **located between the Sherlock Bay nickel sulphide project²** (Sabre Resources Ltd, ASX:SBR)² 15km to the east and the **Andover massive nickel sulphide discovery¹** 20km to the west (Azure Minerals, ASX:AZS)¹ (Figure 1).

Magnetics imagery (Figure 2) indicates that the Sherlock Intrusive that is associated with the Sherlock Bay Ni-Cu-Co deposit, continues into the Warrambie tenement. An identical intrusion is associated with the Andover massive Ni-Cu-Co sulphide deposit that was discovered using electromagnetics (EM).

The Company will immediately carry out what will be the first EM survey over the Warrambie tenement, to detect buried massive nickel sulphide targets for drill-testing.

- b) The **Tennant Creek Cu-Au Project** in the Northern Territory (NT), which includes granted E32725, directly **along strike to the east of the Warrego copper-gold deposit (production 6.75Mt @ 1.9% Cu, 6.6 g/t Au⁴)** and three EL applications both north and south of Tennant Creek along strike from high-grade Cu-Au deposits (Figure 4). These include **Tennant Minerals (ASX:TMS) recent Bluebird discovery where intersections such as 63m @ 2.1% Cu and 4.6 g/t Au incl. 27.55m @ 3.6% Cu and 10 g/t³** have been produced by drilling a coincident gravity and magnetic anomaly under shallow/leached cover.

The Company plans to carry out detailed gravity and magnetics surveys in the areas of shallow cover on the Tennant Creek tenements, commencing immediately over the area directly east of Warrego in E32725 (Figure 5). Drilling will test coincident gravity-magnetic targets in fresh rock, below the zone of weathering, targeting high-grade copper-gold discoveries similar to Bluebird and Warrego.

- c) The **Murchison Au Project** in WA, including granted E51/2058 and four large EL applications located **along strike from major gold deposits such as the >5Moz Big Bell deposit⁶ and the >3Moz Mt Gibson mine⁵**, in un-explored areas of shallow cover (see Figure 6).

Interpretation of magnetics has highlighted extensions of **gold bearing structures along strike to the south of Mt Gibson** that extend into Payne Gully’s tenements E70/5853 and E70/5854 and the **structural corridor that hosts the 5Moz Big Bell deposit⁶**, extending into E51/2058 and E51/2059.

The Company will carry out detailed magnetics and gravity surveys to detect buried greenstones intersected by these key gold bearing structures that will be drill tested, targeting significant gold deposits under shallow cover.

WARRAMBIE NICKEL-COPPER-COBALT PROJECT

The Warrambie Project (“Warrambie” or “the Project”) comprises a large (126km²) granted exploration licence, E47/4327, located approximately 40km east of Roebourne in the western Pilbara in northwest Western Australia (see location and regional geology, Figure 1).

The Warrambie tenement is highly prospective for mafic intrusion related nickel-copper-cobalt (Ni-Cu-Co) sulphide mineralisation, being **centrally located between the Sherlock Bay nickel (Cu-Co) sulphide deposit 15km to the northeast, and the Andover massive to disseminated nickel (Cu-Co) sulphide deposit 20km to the west** (Figure 1).

Sherlock Bay is owned by Sabre Resources Ltd (ASX:SBR) and has a current nickel sulphide resource containing almost 100,000t of nickel (24.6Mt @ 0.40% Ni, 0.09% Cu, 0.02% Co or 0.5% Ni Equ.²). The Andover nickel sulphide discovery of Azure Minerals Ltd (ASX: AZS) has a recently announced resource of **4.6Mt @ 1.11% Ni, 0.47% Cu, 0.05% Co or 1.4% Ni Equ.**¹ (Figure 1).

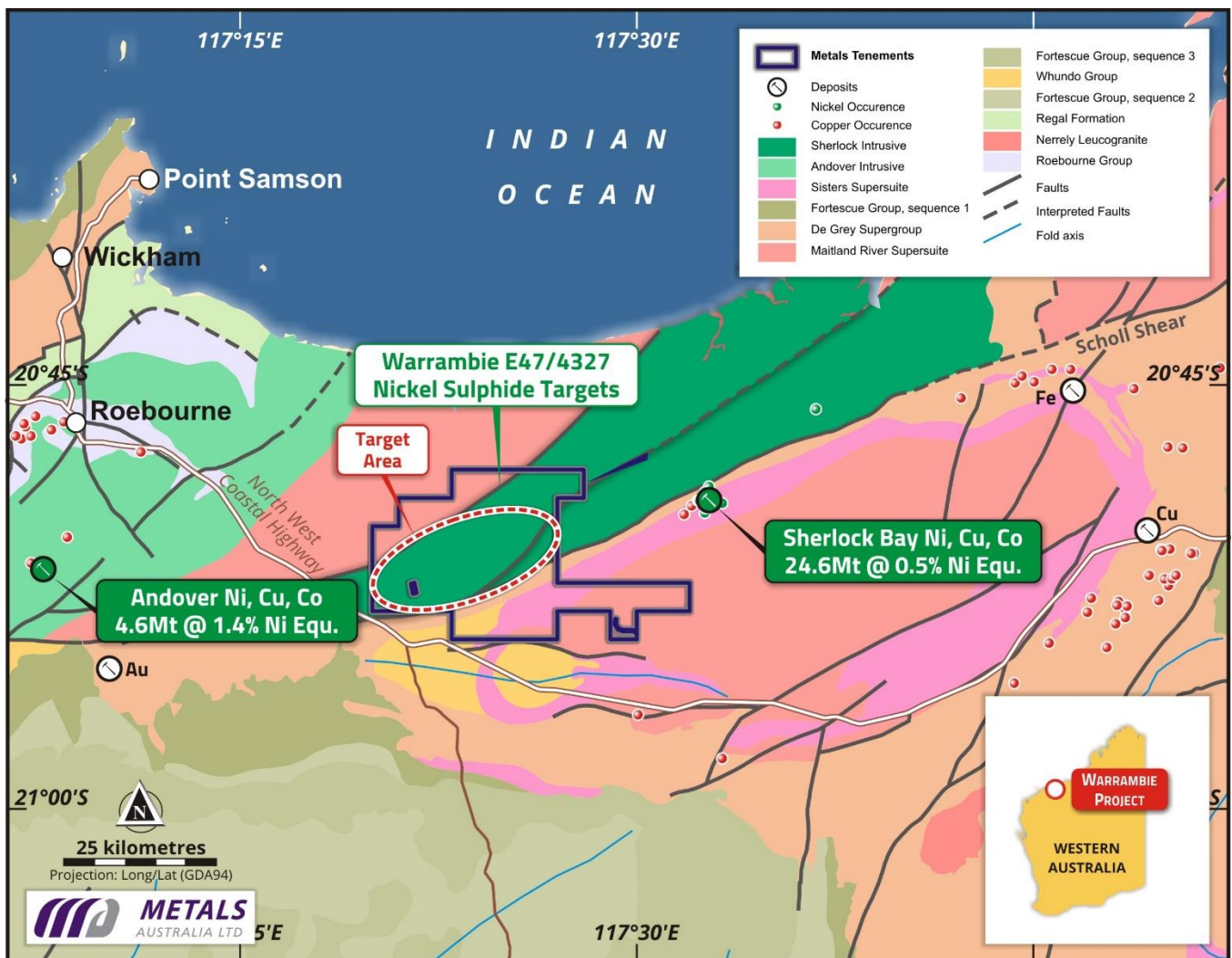


Figure 1: Warrambie EL47/4327 regional geology and key nickel resources and targets.

Sabre Resources recently reported a new model for the Sherlock Bay nickel sulphide deposit suggesting an association with the sulphur saturated Sherlock (mafic-ultramafic) Intrusion⁷. The base of the Sherlock Intrusion is interpreted to correlate with the regional scale Scholl Shear Zone, that extends southwest, continuing through the centre of the Warrambie tenement (Figure 2).

The Sherlock Intrusive is similar to the gabbroic intrusive that hosts the Andover nickel sulphide discovery of Azure Minerals Ltd (ASX:AZS)¹ and other intrusive related nickel sulphide deposits in WA such as the Nova-Bollinger deposit of IGO Ltd (ASX:IGO).

Magnetics imagery (Figure 2) indicates that the Sherlock Intrusive that is associated with the Sherlock Bay Ni-Cu-Co deposit, continues into the Warrambie tenement. This highlights the prospectivity of the Warrambie Project for the discovery major Ni-Cu-Co sulphide deposits.

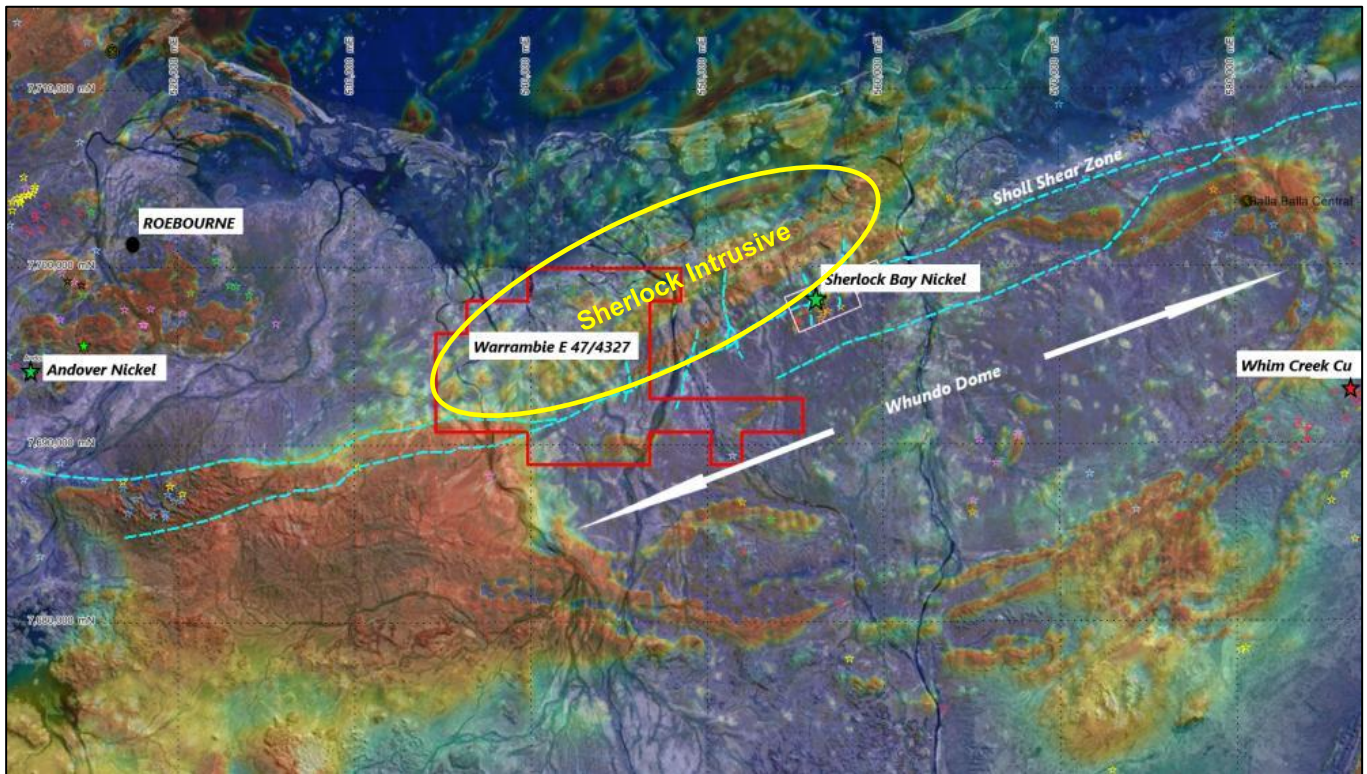


Figure 2: Warrambie EL47/4327 on regional TMI magnetics and key nickel projects and targets

Massive nickel sulphides at the Andover Ni-Cu-Co deposit¹ are invariably associated with electromagnetics (EM) anomalies detected from surface. **No EM surveying has been carried out over the Warrambie tenement and modelled magnetic features under shallow cover have not been tested by drilling.**

An immediate priority for MLS is to carry out a detailed EM survey over Warrambie to locate potential nickel-copper-cobalt bearing sulphide deposits associated with extensions of the Sherlock Intrusive and the discrete magnetic features at the base of the intrusion in the vicinity of the Scholl Shear Zone. In addition, detailed gravity is planned, to map the extensions of the highly prospective Sherlock Intrusion (Figures 1 and 2).

Targeted Reverse Circulation (RC) and/or diamond drilling will then be carried out to test key EM/magnetic/gravity targets associated with the Scholl Shear and/or the Sherlock Intrusion for nickel-copper-cobalt-PGE massive to disseminated sulphide deposits.

TENNANT CREEK COPPER-GOLD PROJECT

Payne Gully’s Tennant Creek Project includes granted E32725 and three ELAs, E32397, E32837 and E32410, located in the Tennant Creek Mineral Field (TCMF) (see Figure 3 below).

The Tennant Creek tenements surround the mining township of Tennant Creek (Figure 3) which was once the third largest gold producer in Australia and remains highly prospective. Over 5Moz (~160 tonnes) of gold and >500,000t copper has been produced from Tennant Creek since the 1930s⁴. The most notable mines were the Nobles Nob and Peko mines east of Tennant Creek and the Warrego mine to the northwest (Figure 3).

The gold and copper sulphide orebodies in the TCMF are predominantly hosted by the Proterozoic sedimentary rocks of the Warramunga Formation and closely associated with quartz-magnetite/hematite (ironstone) hosted lodes and pipes. The deposit style is categorised as Iron Oxide Copper Gold (IOCG). The targeted Warramunga Formation is obscured by shallow cover in most of the Payne Gully tenements. Regional magnetics indicates that the tenements are underlain by the Warramunga Formation however only limited exploration has been carried out.

The recent discovery of high-grade copper and gold at the Bluebird prospect of **Tennant Minerals Ltd (ASX:TMS)** includes a bonanza intersection of 62m @ 2.1% copper and 4.6 g/t gold including 27.55m @ 3.6% Cu and 10 g/t³. Bluebird is located in an area of shallow cover at the eastern end of the TCMF (see Figure 3 below).

The tenements acquired through the 80% acquisition of Payne Gully cover extensions of the corridor that hosts the Bluebird prospect and the techniques that led to the Bluebird discovery, namely detailed gravity and magnetics, will be applied to these tenements to define drilling targets.

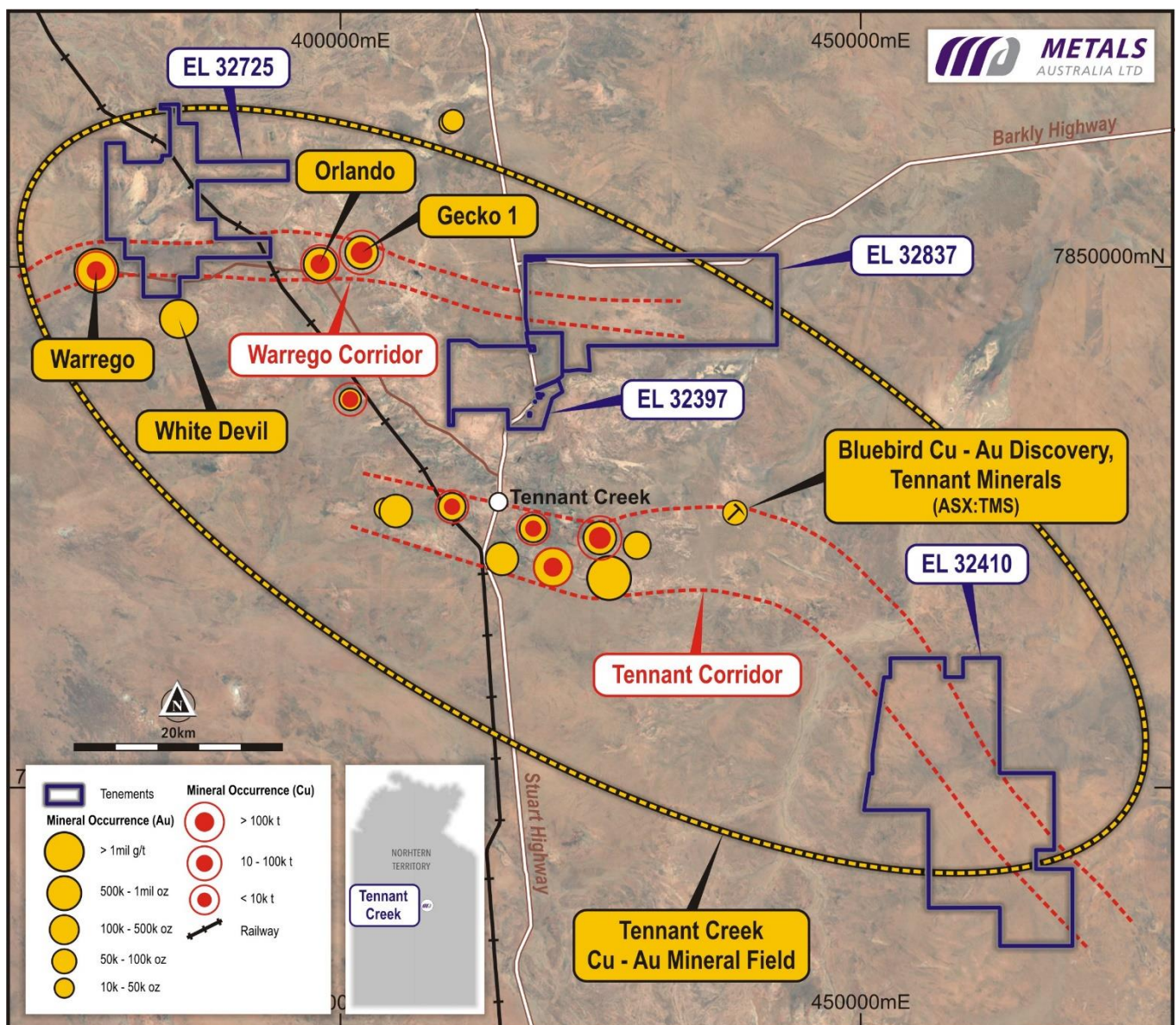


Figure 3: Location of the acquired Tennant Creek Project tenements and major Cu-Au deposits and targets.

The granted Warrego East tenement, E32725 (see Figure 4 below) covers a large area of interpreted Warramunga Formation, that hosts the majority of the IOCG copper-gold mineralisation in the Tennant Creek area. Immediately to the southwest of the tenement is the Warrego deposit, that historically produced 6.75Mt @ 1.9% Cu, 6.6 g/t Au⁴ and the Orlando, Gecko and Argo deposits occur immediately to the east of E32725 (Figure 3 and 4).

Preliminary interpretation of regional magnetics indicates an east-west structural corridor linking these deposits that passes through the southern end of E32725. Previous exploration has been limited to shallow RAB drilling in the northern parts of the tenement.

Magnetic targets within the corridor linking Warrego to Orlando/Gecko remain untested in an area of sediment cover and are analogous to the Warrego copper-gold deposit structural setting.

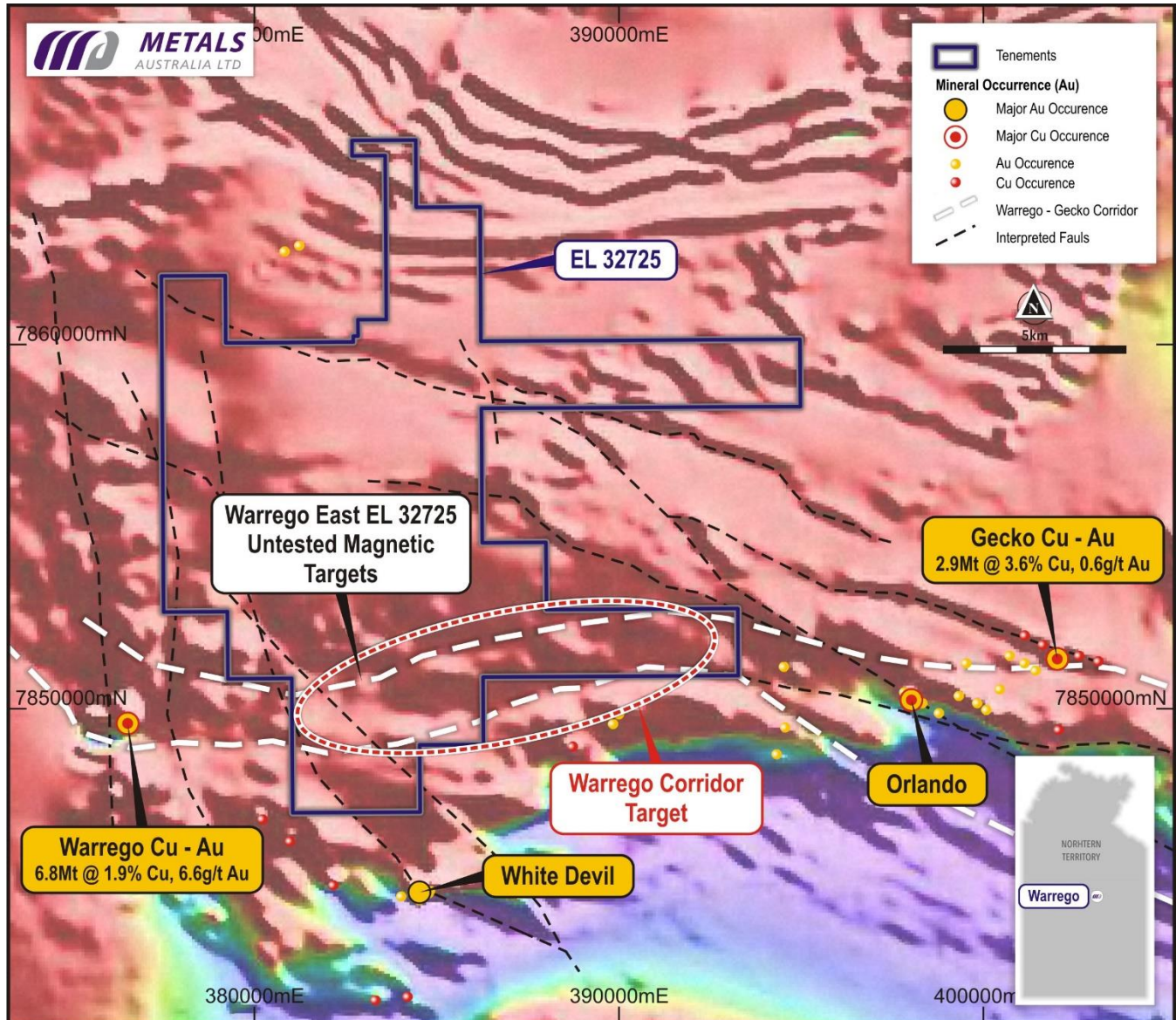


Figure 4: Tennant Creek regional geology with tenements and mineral deposits. Warramunga Formation in green.

The Company will immediately carry out detailed magnetics and gravity surveys over the key corridor of magnetic anomalies between the Warrego and Gecko/Orlando deposits that passes through E32725 at the southern end of the tenement in an area of cover.

Similar Warramunga Formation targets have been recognised in the other tenement applications, including E32397 and E32837 along strike to the east of the Orlando and Gecko deposits and E32410, along a structural corridor that extends SE from the Bluebird discovery³. Detailed magnetics and gravity surveys will also be carried out once tenements are granted to define buried IOCG targets associated with deformed and mineralised ironstones.

Following interpretation and modelling of the gravity and magnetics surveys, targeted RC and/or diamond drilling will test for high-grade, Tennant Creek style, copper-gold deposits within the buried Warramunga Formation units.

MURCHISON GOLD PROJECT

Payne Gully’s Murchison tenements include granted E51/2058 and four ELAs (E51/2059, E59/2956, E70/5853 and E70/5854) located in the Murchison Domain of the highly prospective Yilgarn Province of Western Australia (see Figure 5 below).

The Murchison tenements lie within the regional structural corridor that host major gold deposits, including the Meekatharra and Mt Magnet gold mining centres (Figure 5).

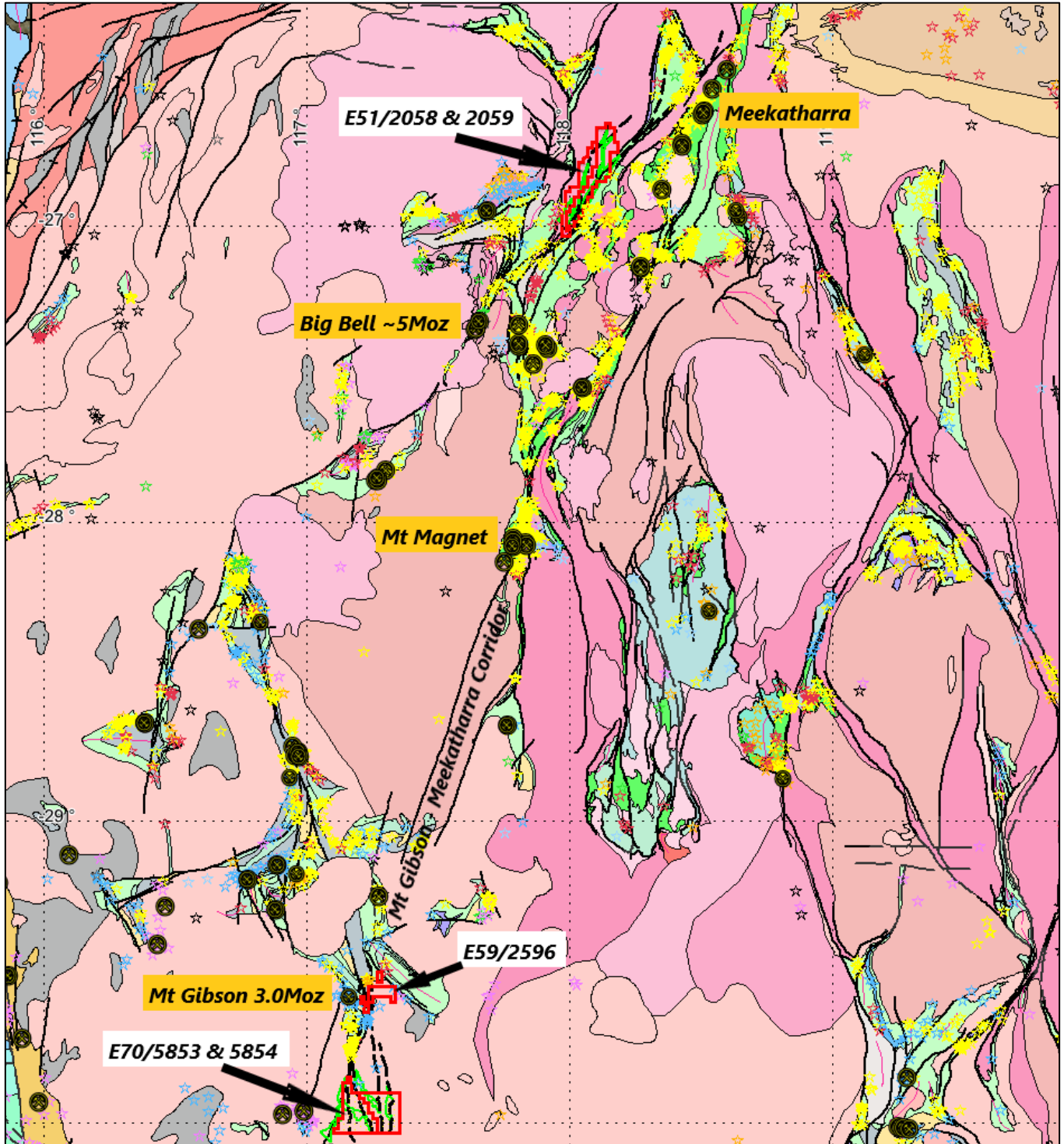


Figure 5: Payne Gully Gold’s Murchison tenement locations with mineral occurrences

The tenements were acquired by Payne Gully in areas where magnetics and gravity imagery indicates partially subsumed greenstone lithologies and structural settings associated with major gold deposits, either along strike or in adjacent belts.

The granted E51/2058 (White Well) and application E51/2059 (Star Well), are large ELs (123km² and 214km² respectively), located approximately 50km SW of Meekatharra and cover a 50km strike length of the regional scale Chunderloo Shear Zone. The **>5Moz Big Bell Gold deposit**⁶ is located 50km along strike to the SW within this corridor, highlighting the potential within these tenements for major gold deposits.

Very little previous exploration has been carried out in the White Well and Star Well tenement areas due to extensive soil cover and the lack of recognition of greenstone lithologies and **prospective splay structures that are interpreted from magnetics imagery to extend under sediment cover in untested areas and represent targets for the discovery of major gold deposits similar to Big Bell.**

The Mt Gibson South tenement applications, E70/5853 (Geranium Rock) and E70/5854 (Pedan Rocks), are located 20km south of the 3Moz Mt Gibson gold mine⁵ in an area of cover where interpreted greenstones and fault zones have not been tested. Mt Gibson North E59/2596 is located to the north of Mt Gibson on projected strike extensions of fault zones associated with this major gold deposit.

Mt Gibson has produced approximately 900,000oz and hosts a resource of 2.1Moz recently released by Capricorn Metals Ltd⁵, representing a **3Moz endowment for Mt Gibson gold deposit**. Capricorn has recently undertaken 100,000m of drilling, defining additional **mineralised zones on north-south structures that continue south (and north) into the Payne Gully tenement areas. The Company will target continuations of these structures where they intersect buried greenstone, to be defined with detailed magnetics and gravity prior to drill testing.**

An Appendix 3B follows this announcement to reflect the issue of the consideration securities under the Revised Agreement for Metals Australia to acquire an 80% interest in Payne Gully

This announcement was authorised for release by the Board of Directors.

*****ENDS*****

For further information, please refer to the Company's website or contact:

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ABOUT METALS AUSTRALIA

Metals Australia Ltd (“Metals Australia” or “the Company”) is an active exploration company listed on the Australian Securities Exchange (ASX:MLS) with a portfolio of battery minerals / metals and gold projects in the well-established mining provinces of Australia and Canada.

The Company’s flagship **Lac Rainy Graphite Project** is located in a major graphite province in Quebec, Canada. Lac Rainy hosts a JORC-2012 graphite mineral resource that is one of the highest grade in the region, with potential to grow substantially. Metallurgical testwork has generated high **flotation concentrate results of up to 97% Cg⁸**. A bulk concentrate sample has been despatched to Germany for downstream battery testwork to determine the quality of the Lac Rainy graphite for use in lithium-ion battery applications in the Electric Vehicle (EV) industry.

In Western Australia, Metals Australia holds an 80% interest in **Manindi Project**, located around 500km northeast of Perth, where the Company has been **drilling the project’s newly recognised lithium potential and extending the existing high-grade zinc with copper resources**. **The Company has also identified a new vanadium-titanium discovery with copper-nickel-cobalt sulphide potential**.

Metals Australia has also now purchased an 80% interest in Payne Gully Gold that includes the **Warrambie, Tennant Creek and Murchison Projects**. This gives the Company additional exposure to a suite of prospective battery metals and gold assets in Western Australia and the Northern Territory in known mineral provinces.

Leveraging off its extensive corporate and exploration experience, Metals Australia’s strategy is to create shareholder value through continued development of advanced projects and the discovery of new resources.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

This document contains forward-looking statements concerning Metals Australia Limited. Forward-looking statements are not statements of historical fact and actual events and results may differ materially from those described in the forward-looking statements as a result of a variety of risks, uncertainties and other factors. Forward-looking statements are inherently subject to business, economic, competitive, political and social uncertainties and contingencies. Many factors could cause the Company’s actual results to differ materially from those expressed or implied in any forward-looking information provided by the Company, or on behalf of, the Company. Such factors include, among other things, risks relating to additional funding requirements, metal prices, exploration, development and operating risks, competition, production risks, regulatory restrictions, including environmental regulation and liability and potential title disputes.

Forward looking statements in this document are based on the company’s beliefs, opinions and estimates of Metals Australia Limited as of the dates the forward-looking statements are made, and no obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.

COMPETENT PERSON STATEMENT

The information in this report that relates to exploration results has been reviewed, compiled and fairly represented by Mr Nick Burn. Mr Burn is the Exploration Manager of Metals Australia Limited and a member of the AIG. Mr Burn has sufficient experience relevant to the style of mineralisation and type of deposits under consideration to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (‘JORC’) Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves. Mr Burn consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

The information in this report that relates to Mineral Resources and Exploration Targets has been reviewed, compiled and fairly represented by Mr Jonathon Dugdale. Mr Dugdale is a Technical Advisor to Metals Australia Ltd and a Fellow of the Australian Institute of Mining and Metallurgy (‘FAusIMM’). Mr Dugdale has sufficient experience,

including over 34 years' experience in exploration, resource evaluation, mine geology and finance, relevant to the style of mineralisation and type of deposits under consideration to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee ('JORC') Australasian Code for Reporting of Exploration Results, Minerals Resources and Ore Reserves. Mr Dugdale consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.

The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcements.

REFERENCES

- ¹ Azure Minerals Limited (ASX:AZR), ASX release 30th March 2022. Azure Delivers Maiden Mineral Resource for Andover.
- ² Sabre Resources Ltd (ASX:SBR), 12th June 2018. Resource Estimate for the Sherlock Bay Nickel-Copper- Cobalt Deposit.
- ³ Tennant Minerals (ASX:TMS), 17th August 2022: "63m @ 2.1% Copper and 4.6 g/t Gold Intersected at Bluebird"
- ⁴ Portergeo.com.au/database/mineinfo.asp?mineid=mn040. Tennant Creek - Gecko, Warrego, White Devil, Nobles Nob, Juno, Peko, Argo, Orlando, TC8. Northern Territory, NT, Australia.
- ⁵ Capricorn Metals Ltd (ASX:CMM), 28th July 2021. Capricorn Acquires 2.1 Million Ounce Mt Gibson Gold Project.
- ⁶ Portergeo.com.au/database/mineinfo.asp?mineid=mn238. Big Bell, Western Australia. 31 December 2018.
- ⁷ Sabre Resources Ltd (ASX:SBR), 10th March 2022. Sabre to Drill High-Grade Nickel Targets at Sherlock Bay.
- ⁸ Metals Australia Ltd (ASX:MLS), 25 July 2022. "95% Graphite Concentrate Despatched to Germany for Battery-Testing"
- ⁹ Metals Australia Ltd (ASX:MLS), 16 June 2022. "Metals Australia to Acquire Key Battery Metals Projects"

APPENDIX 1: SIGNIFICANT TERMS OF THE REVISED PAYNE GULLY SALE AGREEMENT

1. The parties to the Payne Gully Sale Agreement are Metals Australia Ltd as Purchaser, James Del Piano and Coniston Pty Ltd as Vendors ("Vendors") and Payne Gully Gold Pty Ltd.
2. The issue on 20 June 2022 of 40 million MLS shares to the Vendors out of Metals Australia's current ASX Rule 7.1 placement capacity at a deemed issue price of \$0.07 (completed).
3. The issue of 39 million MLS shares to the Vendors out of Metals Australia's current ASX Rule 7.1 placement capacity at a deemed issue price of \$0.07.
4. Payment of a cash consideration to the Vendors of \$980,000.
5. In addition, at Settlement Metals Australia Ltd must advance \$200,000 to Payne Gully Gold Pty Ltd to provide funds for expenses and debt payments.
6. Apart from the reduced consideration, the Revised Agreement has the same terms as the original Payne Gully Sale Agreement⁹, full details of which were disclosed in the Notice of Meeting released to the ASX 6 July 2022.