



METALICITY LIMITED – MANAGEMENT Q&A

Metalicity Ltd (ASX: MCT) (“MCT” or “Company”) is pleased to provide a Management Q&A which seeks to answer questions relating to the TSX-V listing of Kimberley Mining, Seed Capital Raising, KML Foundation Warrants and Battery Metals exploration.

A copy of this Q&A is attached for your interest.

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Management Q & A

Kimberley Mining Spin Out

Q. What is the rationale for the spinout of all your base metal projects into Kimberley Mining and the listing on the Toronto Stock Exchange?

The spin out is viewed as the most value accretive option for our base metal assets and shareholders in the short, medium and long term. The Company received numerous inbound enquires from North American investors, following an institutional placement conducted in the region. As a result of the inquiries, management and advisors evaluated in detail either a dual listing of Metalicity on the TSX-V, a Joint Venture partnership, or a trade sale of the assets. In collaboration with high calibre Toronto based management and brokers, the evaluation identified a listing of the base metal assets on the TSX-V as the best option for our shareholders. With a potentially higher valuation on the TSX-V and funding to progress drilling and pre-feasibility studies, it is anticipated that greater value will be created via a listing on the TSX-V. MCT is completing the transaction which will see the company receive cash and equity over the short-medium and long term to maintain influence and upside in KML, which we believe will perform well on the TSX-V.

Q. Provide an update on timing of IPO and why it is now being delayed until October?

The IPO was initially scheduled for September and is now on track for October. Firstly, the additional four weeks was required to effectively structure the transaction in the best interest of both MCT and KML, in both Australian and Canadian jurisdictions, saving both companies (and shareholders) considerable costs. Secondly, the additional benefit of listing in October is the northern hemisphere markets are usually in full swing by that time after the summer break, maximising exposure of the IPO which will roadshow in September. Thirdly, most consensus analyst forecasts have zinc price remaining strong during this period. So, this new timing is actually more favourable for the planned IPO.

Q. What will MCT shareholders gain from the spin-out of all your zinc assets?

MCT will receive cash to re-invest in exploration of our battery metals projects and business development plans without significantly diluting shareholders. In addition, the Company retains 39% equity interest in KML and the upside from a potentially higher valuation on the TSX-V. KML is listing under a new capital structure, a new management team and in a market of generally higher valuations for base metals projects and companies. The 39% equity component MCT retains and has the potential of the 'boat rising with all tides' effect, enhancing MCT's valuation while we get on with exploration and business development in our battery metals projects.

Q. What happens if KML IPO doesn't eventuate? What will be the outcome for MCT shareholders? What options are on the table for MCT if listing doesn't eventuate?

It is the firm belief of the MCT board that it is likely the IPO of KML will eventuate, since KML has already been formed, seed capital is being raised and, subject to shareholder approval, sale and purchase agreement signed.

Q. What do you say to those shareholders who got onboard MCT because of its exposure to the favourable zinc market and increasing demand? We are losing control of the significant upside from these assets.

MCT will retain exposure to ~40% of KML, equating to ~68Mt at 7.5% ZnEq Mineral Resource (or ~5Mt of contained zinc equivalent metal), and hence STILL one of the largest exposures to zinc exploration on the ASX. MCT investors will STILL have this exposure via their holding in MCT, yet in a market of greater demand for major projects the size and scale of Admiral Bay and more bullish on zinc. We believe upside will be retained and in fact enhanced, for MCT shareholders via the IPO of KML on the TSX-V.

Q. When listing goes ahead and cash entitlements are received as planned, will you be looking to acquire other projects and if so what commodities and where?

In short, yes. MCT was a first mover in acquiring our battery metal projects in lithium, cobalt and graphite in early 2016 and is accelerating exploration on these projects. **Less than 5%** of targets generated to date have been systematically drill tested, due to our focus on developing and now transacting on Admiral Bay, so we look forward to systematic exploration on these projects. Additionally, we are actively reviewing new additional projects in the battery metals space, including copper and nickel, primarily located in world-class jurisdictions that have the potential of creating shareholder value. MCT already has strong binding and non-binding relationships with a range of end users in the battery metals space and we'll continue to leverage these relationships to systematically explore our current projects and generate new projects.

Seed Capital Raising

Q. Why has it taken so long to raise seed capital? Surely this doesn't bode well for interest in the KML IPO?

The Seed Capital was launched only 2 weeks ago with significant interest from North America. We recently opened it to European, Australian and Asian investors and resolved to accept over subscriptions. As far as seed capital raisings go, for a cross border transaction on a world-class asset like Admiral Bay, this is actually quite targeted, quick and well supported. The notion of the seed raising taking long is clearly, and unequivocally, incorrect.

Q. Why are you opening seed raising up to the in Europe, Asia and Australia markets? Was there not enough interest in North America?

MCT's initial announcement stated that it was open to **North American investors only**. The latest update is to inform and respond to enquiries from Europe, Australia, Asia, after that announcement –As it is a seed capital raising launched prior to a shareholder vote, and subject to a number of conditions, there are more risks associated with an investment of this type and hence seed capital raisings for unlisted companies ordinarily take longer than for a listed company. That said, as outlined, we are opening up the seed raising to other investors and accepting oversubscriptions so the process has been well received and relatively quick. The seed capital raising is closing on or about 27th July 2018.

KML Foundation Warrants

Q. Please explain the reasoning behind MCT management receiving KML foundation warrants?

The foundation warrants are primarily being allocated firstly to key shareholders of the KML IPO, strategic advisors to the IPO, brokers to the IPO and management of both KML and MCT who have structured, negotiated and transacted, to ultimately create value for MCT and KML shareholders. Performance Shares are very rarely issued on the TSX-V and hence the foundation warrants are a form of incentives for management, being a critical step in creating value for shareholders of both companies. The foundation warrants will only comprise circa 5% holding of the planned fully diluted shares on issue of KML, which is well below the average of foundations shares and/or warrants on the TSX-V and or ASX for junior mining companies.

Battery Metals

Q. MCT continues to generate lithium, cobalt and graphite targets, when will drill testing commence?

Targets continue to be defined from mapping, sampling, remote sensing surveys and reviews of previous work by MCT and others, with targeted drilling programs planned for the September and December quarter on all projects, pending regulatory approval. As the drilling is exploration drilling and not resource drilling, there is no guarantee of a discovery. However, our projects are located in proven jurisdictions with high priority targets having been generated from a more systematic program.

Q. Why the delay in assay results from Yerrida cobalt project? The company began drilling in April and said at start of June that assay results were due shortly.

Recent drilling and field exploration work at the Yerrida project continues to identify geological features confirming MCT's exploration model, which is based on the prolific central African Copperbelt where more than 60% of the world's cobalt is sourced, primarily from high risk jurisdictions. With continuing geological features being confirmed

from drilling and field exploration, and the project being located in a low risk jurisdiction, our feedback from numerous end users in the cobalt space is there is strong interest and support for early stage exploration of cobalt in low risk jurisdictions such as WA. MCT is continuing these discussions as we build on the geological model at Yerrida. Exploration and interpretation of the project data is continuing and will be released shortly.

Q. What is your view regarding battery metals market and future price catalysts? It feels like MCT, by the time drilling has begun and any potential production, will miss the boat.

MCT was a first mover in acquiring its battery metals project portfolio, which are all located in proven lithium, cobalt and graphite districts in a safe jurisdiction of Western Australia. The Company has continued to generate targets while primarily focussing on developing and transacting Admiral Bay. Now that the KML IPO is well under way we are re-focussing efforts and stepping up activity in the battery metals space.

All market consensus forecasts point to continued demand in electric vehicles (EVs), energy storage and the use of lithium-ion batteries. According to Roskill, lithium demand from automotive applications reached over 34,000t LCE in 2017 which is forecast to double by end of this decade and continue to grow through to 2027 as the market penetration of EVs increase and begin to compete with the traditional gasoline/diesel models on price. Meanwhile battery sector demand for cobalt could reach 240kt by 2027 which more than doubles the size of the whole market today, according to Roskill modelling.

However, supply-side concerns to meet the insatiable demand for battery metals means that over the coming decade dependence will steadily grow in the successful development of greenfield and brownfield projects as the mine life of existing producing projects comes to an end. Depending on future success from exploration, which cannot be guaranteed, MCT's portfolio of battery metal projects may in future assist in supplying the lithium-ion battery market.