

## DECEMBER 2018 QUARTERLY ACTIVITIES REPORT

### HIGHLIGHTS

- **Refocussed exploration strategy with top Western Australian nickel-copper prospects identified**
- **ELAs in the Paterson Province and Option and Sale Agreements in the Fraser Range secured**
- **Progress made on the sale of zinc assets via spinout to the TSX-V, with Kimberley Mining Limited (KML) transaction (Metalicity to retain ~40% of KML)**
- **Continued corporate activity with non-core asset sales delivering \$1.5M cash injection**
- **Evaluation of advanced stage assets for acquisition**

Metalicity Limited (ASX: MCT) (“MCT” or “Company”) is pleased to provide a quarterly activities report to shareholders for the period ending 31 December 2018.

The quarter has been an active period for the Company as it seeks to refocus its exploration activities in the Paterson Province and Fraser Range while progressing the sale of Company zinc assets.

**Commenting on the quarter, Metalicity Chief Executive Officer Mat Longworth said:**

“It is our firm view that Metalicity continues to represent strong value to shareholders with a host of coveted geology and a large-scale asset sale providing the resources for future exploration.

“We have worked diligently to refocus the exploration program, with the Paterson Province and Fraser Range representing two of the country’s most attractive destinations for base, battery and precious metals.

“Coupled with an active prospecting schedule, the Company is conducting a spin-out of its zinc assets into Kimberley Mining Limited, which is due to be listed on the TSX-V in the next few months. Post the listing, Metalicity will benefit from any upside with its ~40% holding in KML and cash injection from the sale.

“Following conclusion of the current quarter the Company also implemented a leadership succession plan as Metalicity transitions to a stronger exploration focus.

“As the recently appointed Chief Executive Officer I am excited to lead the next phase of development and oversee the evolution of the Company at this time.

“I would like to thank shareholders for their continued support of Metalicity and look forward to updating you on our exploration strategy in highly-prospective nickel-copper provinces in WA,”

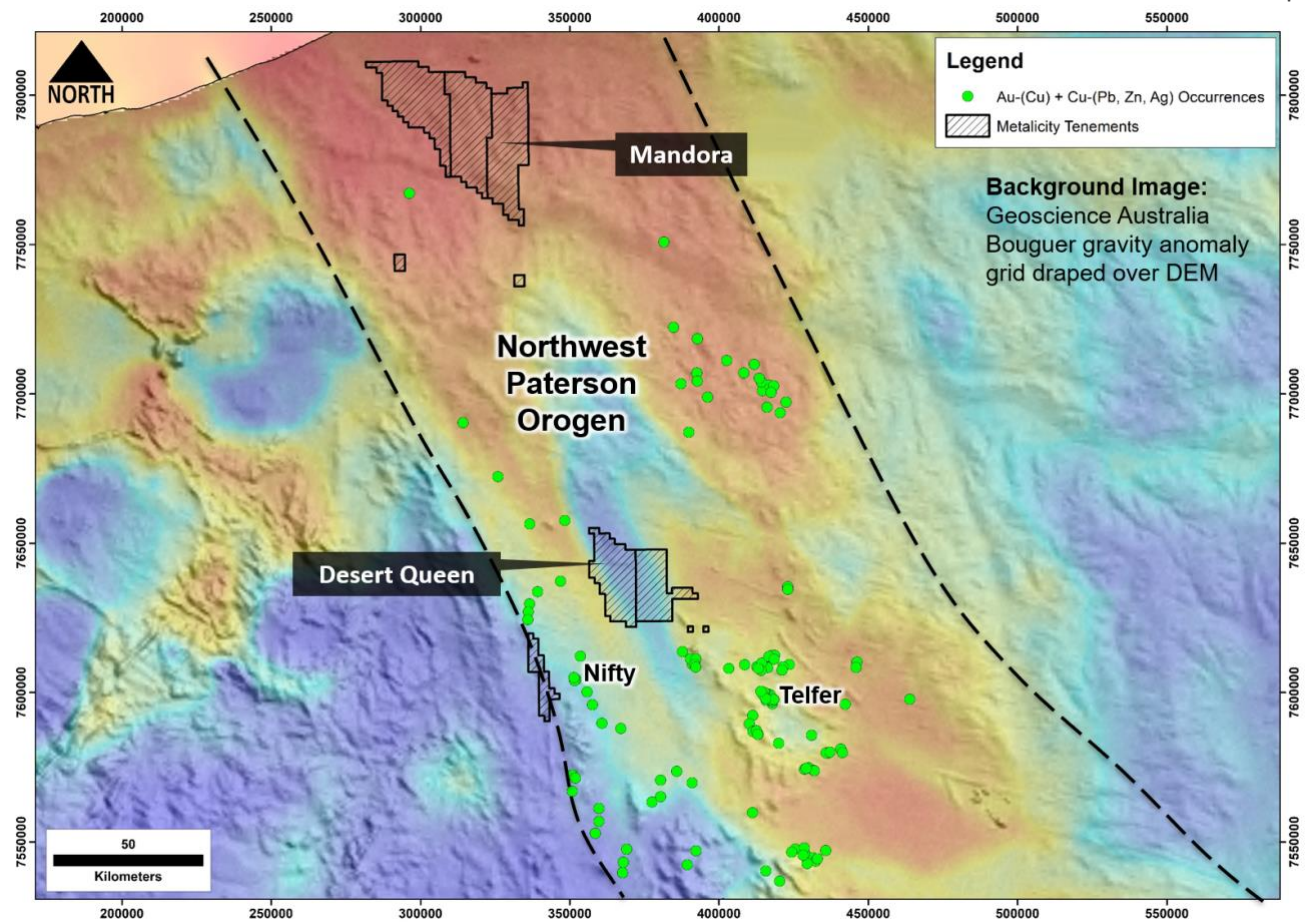
## PATERSON PROVINCE COPPER EXPLORATION

During the period, Metalicity generated 2,166 km<sup>2</sup> of Exploration License Applications (ELA's) prospective for copper in the Paterson Province, located within Western Australia's Pilbara region.

The ELAs lie within a prolific copper corridor which hosts major deposits, such as Newcrest's Telfer copper-gold mine, as well as new discoveries by Rio Tinto and Greatland Gold.

The Paterson Province ELAs consist of two projects, the Desert Queen project and the Mandora project.

Desert Queen covers a total area of 679km<sup>2</sup> located 20km along strike from exploration conducted by Rio Tinto, while Mandora covers a total area of 1,487km<sup>2</sup> and adjoins tenements held by Rio Tinto and Fortescue Metals Group.

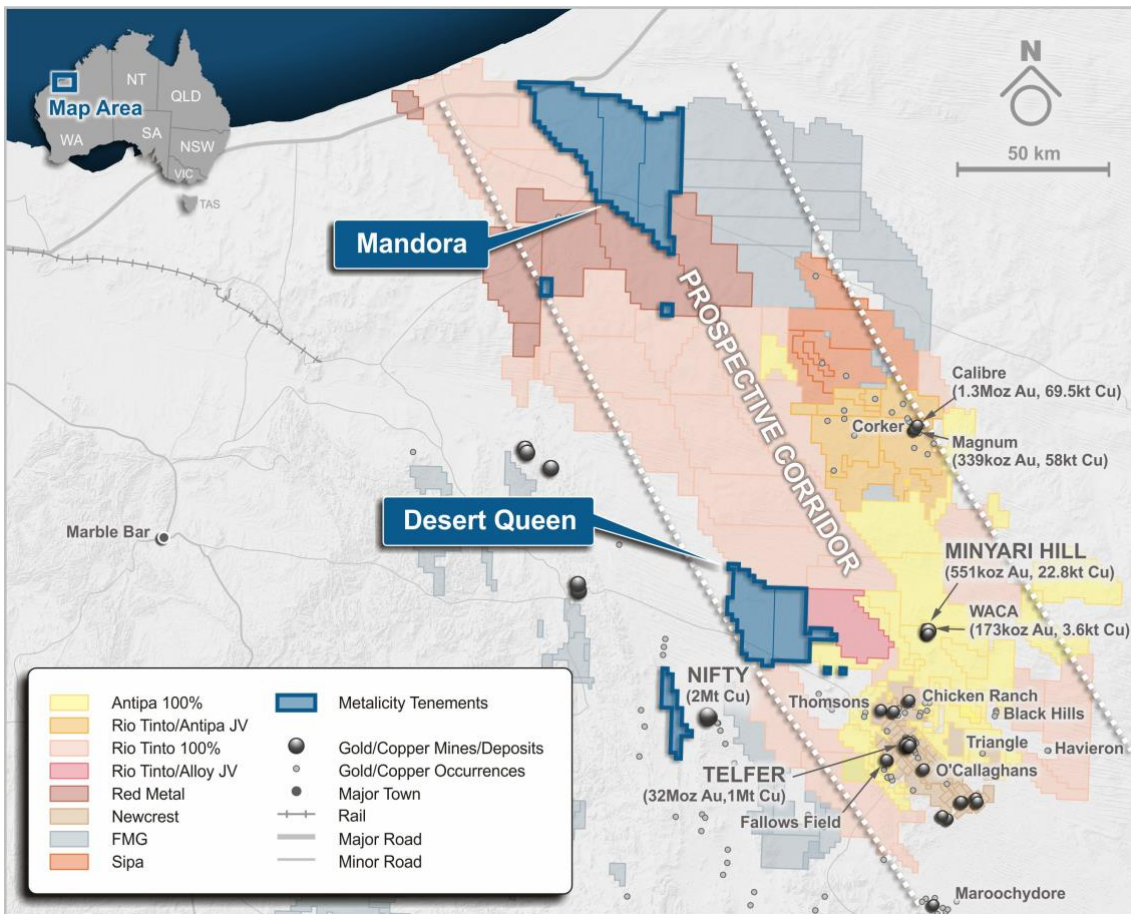


Metalicity has continued to increase its focus on the Paterson Province following the generation of ELAs, completing a first pass review to identify priority exploration targets.

The review was completed with the assistance of Corporate Geoscience Group (CGSC), which was brought in to undertake data compilation, project evaluation, mineral systems and targeting models.

CGSG is a highly-experienced geoscience group with deep understanding of copper, gold and uranium systems, particularly in the Paterson province.

As a result of the study, four target locations have been identified covering a total area of 908km<sup>2</sup> – 550km<sup>2</sup> from two targets at the Mandora project and 358km<sup>2</sup> from two targets at Desert Queen – which represent highly prospective locations for future exploration.



## FRASER RANGE EXPLORATION

During the quarter, Metalicity has signed two 3-month Option and Sale Agreements to acquire the Fraser Range and Biranup projects, located in the Albany-Fraser Belt situated in Western Australia's Goldfields-Esperance region.

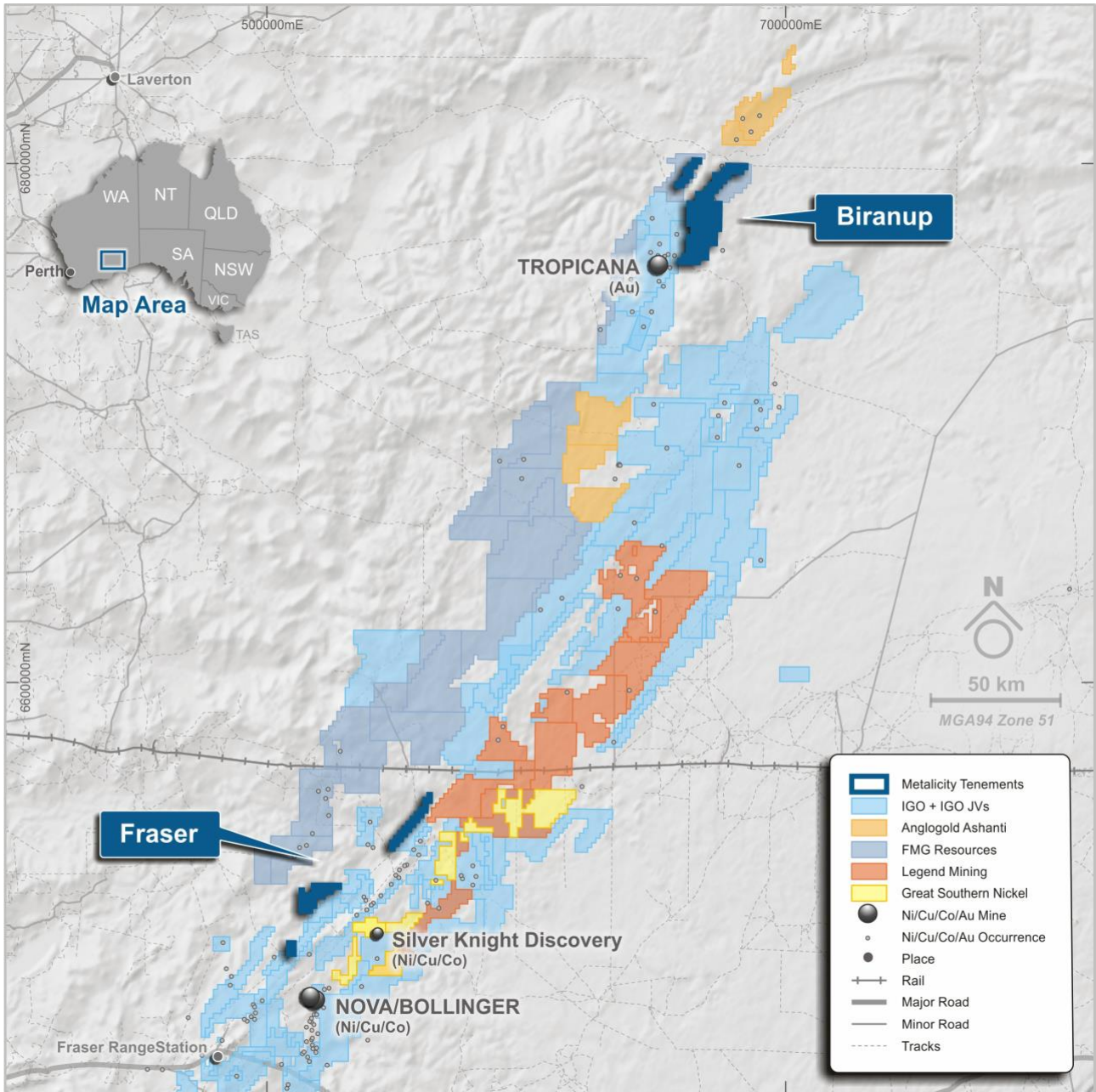
Combined, the two projects cover a total area of 636km<sup>2</sup> and are considered highly prospective for magmatic nickel-copper and copper-gold mineralisation.

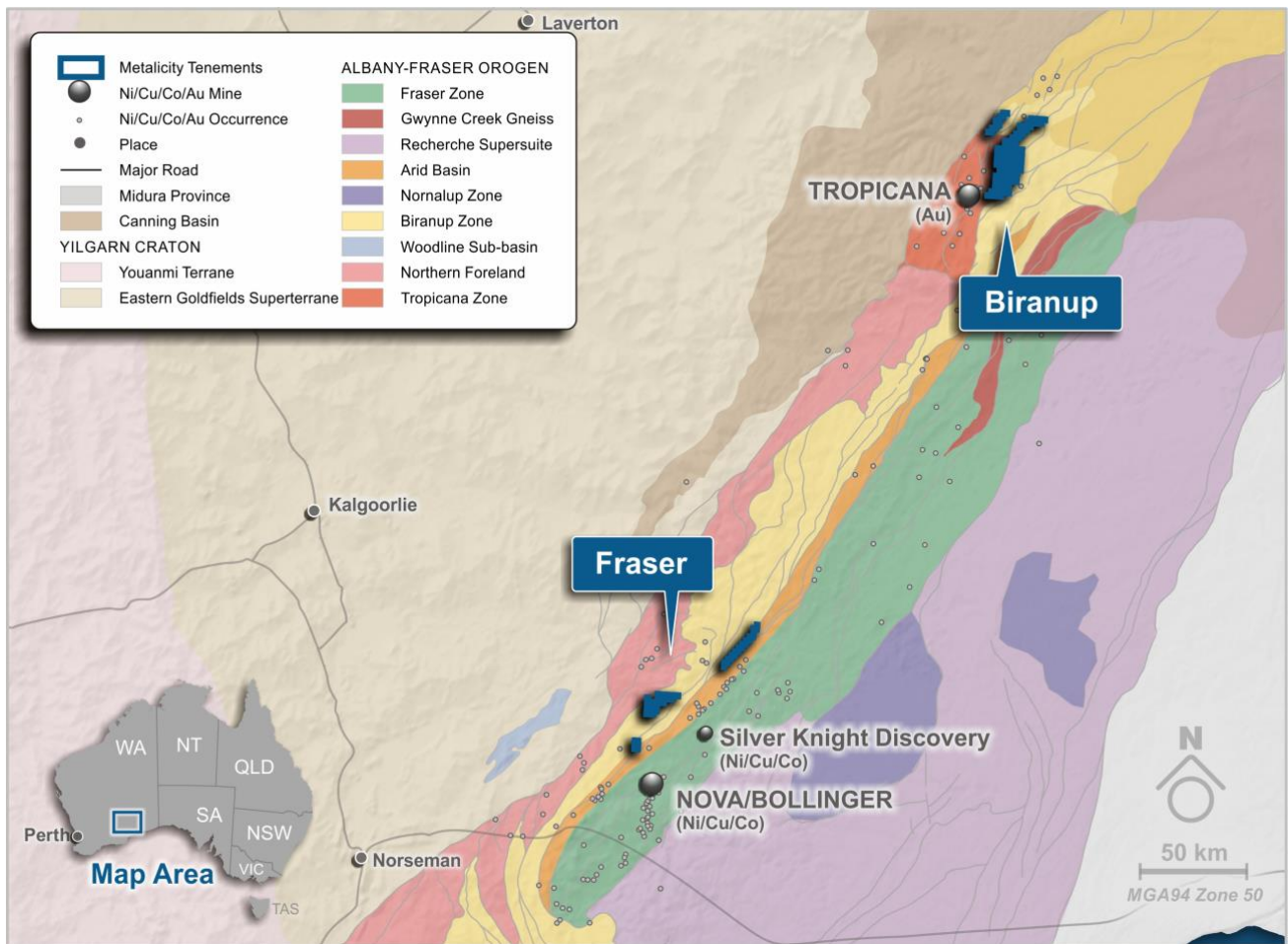
The Fraser Range project covers a total area of 243km<sup>2</sup> and is located within 20km of the large-scale Silver Knight deposit nickel-copper-cobalt and approximately 10km from the Nova-Bollinger nickel-copper mine.

The Biranup project covers a total area of 393km<sup>2</sup> and similar to the Fraser Range project is also closely located to major mining operations. The project is positioned within 20km of the Tropicana gold deposit.

A comprehensive program of data compilation and project evaluation from a significant database of geological, geochemical, geophysical and drillhole datasets is underway.







## CORPORATE ACTIVITIES

### Admiral Bay proposed TSXV listing

Metalicity continues to progress the spinout of its Admiral Bay project and other zinc assets, with the intention of listing these assets in Canada on the TSX-Venture Exchange under the company Kimberley Mining Limited (KML).

To date, Metalicity has completed the sale of the project to its Canadian subsidiary, Kimberley Mining Limited (KML) and received the first cash payment related to the transaction of C\$500,000.

KML has completed a C\$2M seed capital raising and appointed a syndicate of brokers to assist with the IPO.

This quarter, the Company has worked diligently to progress the divestment of its assets and determined that the proposed listing date be postponed to deliver maximum value for shareholders. The postponement reflects both a seasonally quiet period for Canadian investors and a softening across the global metal markets.

The revised listing is anticipated to open by the end of the current quarter.

The terms of the sale and purchase of the zinc assets with KML will deliver cash/shares to Metalicity maintaining exposure to the upside through the equity component and the cash contributing towards

ongoing exploration and evaluation. It is proposed that Metalicity will retain approximately 40% of the expanded capital of Kimberley Mining post listing.

Metalicity's holding in KML will mean the Company retains exposure to one of the largest undeveloped zinc projects of any active zinc exploration and development companies on the ASX.

## SALE OF LITHIUM/COBALT ASSETS

The Company's cash balance was also assisted during the quarter through offloading non-core projects, including the Pilbara lithium tenements and the Yerrida cobalt tenements for a combined sum of approximately \$1.5M cash/equity.

Metalicity has signed a binding agreement with Sociedad Quimica y Minera de Chile SA (SQM) for the 100% sale of its Pilbara lithium project, for a total sum of USD\$1M (A\$1.35M) and a Net Smelter Royalty (NSR) of 1% from all products produced.

The cash injection was coupled with another concurrent binding agreement with Great Western Exploration for the 100% sale of its Yerrida cobalt project. Under the agreement, Metalicity has received a total sum of \$50,000 in cash and \$120,000 in shares based on GTE Price of 0.6c on the day of the transaction (See ASX:GTE 13/12/18).

## FINANCIAL

Cash balance at the end of the quarter was approximately **\$1.81 Million** exclusive of Kimberley Mining Limited, assisted by the non-core asset sales. Cash inflows from its zinc assets are also anticipated, pending the successful IPO of Kimberley Mining on the TSX-V.

## Leadership Transition

After the end of the quarter the Company commenced implementing a leadership succession plan as it transitions to a stronger exploration focus with a portfolio of quality copper and nickel projects in the emerging Paterson Province and options in the Fraser Range Province.

Founding Managing Director Matt Gauci informed the Board of his desire to focus on other opportunities. With the sale of Admiral Bay to Kimberley Mining Limited and the move to refocus on new copper and nickel exploration projects, he saw this as a logical point to step down as Managing Director, effective 10 January 2019.

At this time Non-Executive Director Mr. Mathew (Mat) Longworth has assumed the role of Chief Executive Officer.

Mr Longworth is a very experienced geologist and mining executive having held Exploration Manager, COO and MD and CEO roles with Heron Resources, General Manager of a national Mining Consulting firm, Independent Mining Consultant, Expert Witness and Investment Analyst with a small fund's management firm. Prior to this Mr Longworth, was Kalgoorlie Exploration Manager for Aurion Gold and Goldfields.

Mr Longworth has a strong track record of discovery and project development. In addition to strong technical skills Mr Longworth brings over 20 years of board level experience, including current non-executive Chairman of unlisted Greenfields Exploration a Company focussed on exploring

With reference to Listing Rule 3.16.4 the terms of Mr Longworth's engagement as CEO are \$1,000 per day worked, in addition to existing non-executive director's fees, term of 6 months and one month's notice either way. Mr Longworth remains a Director of the Company.

Post the end of the quarter the Company announced the appointment of Mr. Jason Livingstone as General Manager Exploration. Mr. Livingstone is a well-credentialed, hands-on geologist and mining executive with 20 years' experience in Australia and internationally across a wide range of commodities.

Mr. Livingstone will work alongside Mr. Longworth as part of the transition to grow the Company through exploration and project acquisition.

Mr Livingstone commenced his career in Kalgoorlie. He is a graduate of the WA School of Mines Curtin with a BSc Mineral Exploration and Mining Geology, as well as the Curtin Graduate School of Business MBA. Mr Livingstone also completed an Australian Institute of Company Directors Course in 2016.

Mr Livingstone has worked in Australia, Africa, China and Panama. His commodity experience includes gold, copper, nickel, lead, zinc, iron ore and more recently graphite and vanadium.

### **Non-Executive Directors fees and Cancellation of Directors Options**

In line with the Company's refocus on exploration projects the Directors resolved, after the Quarter, to reduce the Non-Executive Directors fees approximately 15%, to \$75,000pa for Chairman and \$50,000pa for other Non-Executive Directors. The Directors also resolved to cancel existing directors' 8 cent, 10 cent and 12 cent options. This resulted in the cancellation of 18m options.

### **Competent Person Statement**

*The information in this report that relates to Exploration results is based on information compiled by Mathew Longworth, a Competent Person who is a member of the Australasian Institute of Mining and Metallurgy. Mr Longworth is a Director of the Company. Mr Longworth has sufficient experience that is relevant to the style of mineralisation and the type of deposit under consideration and to the type of activity being undertaken 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 Longworth consents to the inclusion in the report of the information in this announcement in the form and context in which it appears.*