

Metalicity grows zinc project

Massive resource underpins company's potential

WITHIN A YEAR OF acquiring a zinc resource, Western Australia-based Metalicity (ASX: MCT) is in discussions with potential partners to progress the development of its huge 100%-owned zinc deposit in the north of the state.

Metalicity doubled the contained zinc equivalent resource at its Admiral Bay zinc project in July and increased the grade by 30%, making the project the largest undeveloped zinc/lead deposit in Australia and the fourth largest in the world.

And as managing director Matthew Gauci points out, the potential scale of Admiral Bay is even greater as the project lies within a largely untested 150km of strike.

"Our project is potentially the biggest in the world if we can convert our exploration target of up to 210 million tonnes at 7.2% zinc equivalent to a resource category," he said.

Metalicity has set that exploration target within the 18km of strike that surrounds the deposit, which lies inside the greater 130km of the mineralised Admiral Bay Fault Zone.

"This is a district wide opportunity that's comparable to the Mount Isa Inlier, which hosts the Mount Isa, Century and Cannington base metal mines, among others," he said.

Admiral Bay's updated resource of 170Mt at 7.5% zinc equivalent contains 7Mt of zinc, 4.6Mt of lead and 150M ounces of silver.

"We're on a scale to match some of the largest base metal developments in the world," Gauci said.

The scoping study by SRK Consulting released in July indicates a base throughput of 5 million tonnes per annum, using conventional flotation processing with expected high metallurgical recoveries, and a potential mine life of 20-plus years.

Compared with other global zinc development projects, Gauci says Admiral Bay holds a number of clear advantages, including its politically stable location and access to existing infrastructure including power, water, road and port options.

Similar grade and scale zinc development projects, Ozernoye and Mehdiabad, are located in Siberia and Iran respectively, while the smaller but higher grade Kipushi project is in the Democratic Republic of the Congo.

"We're in a politically stable, tier-one mining jurisdiction in Australia, particularly Western Australia," Gauci said.

"That's a key part of our story, particularly in terms of marketing our project to potential partners in the industry worldwide."

Metalicity has hit the ground running since acquiring the project from the liquidators of Kagara Ltd in September 2015.

Kagara's prefeasibility had established a 10-year mine life at an ore throughput of 2.5Mtpa from a 2.1km strike length of the deposit – but Metalicity immediately began a scoping study to look at the project with fresh eyes.

Gauci said Metalicity had approached the project differently to its previous owner, which signed a deed of release over Admiral Bay mid-year.

"There are four key differences we've brought to the project," he said.

"We've completely rebuilt the geological model, we've doubled the resource, rebuilt the mine model looking at automated mining, and we've acquired some 3,000sqkm around the deposit so we can expand it."

He said the flat-lying nature of the deposit made it amenable to low-cost automated mining and the rock properties were potentially favourable for longwall mining.

In parallel with work beginning on a prefeasibility study, the company has discussions underway with a number of potential joint-venture partners, who gained access to a project data room weeks ago.

"This project is going to require about A\$30 million for a prefeasibility study, so decisions won't be made quickly," Gauci said.

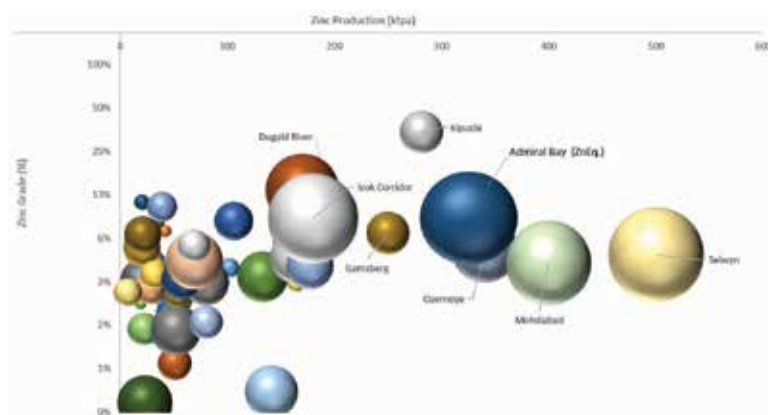
"But by the same token, the majority of industry participants have some idea of what Admiral Bay is and the value proposition it represents.

"It will be a multi-decade operation, there is no doubt about that."

Gauci said the company had invested \$3 million in the scoping study and now had a far greater understanding of Admiral Bay.

"Now we have the ability to engage potential partners with concrete data by independent global experts SRK to underpin discussions," he said.

"Zinc deposits aren't easy to find – particularly ones of this scale – projects like this have to get into development and production and there hasn't been a serious zinc discovery in 20 years.



Above, right: the graph shows Admiral Bay's expected production, grade and risk profile relative to other global zinc development projects

Project	Country	Area/country risk score	Location risk rank*
Admiral Bay	Australia	87	1
Selwyn	Canada	79	12
Dugald River	Australia	78	16
Izok Corridor	Canada	74	23
Ozernoe	Russian Federation	66	47
Kipushi	DRC	59	60
Gamsberg	South Africa	58	66
Mehdiabad	Iran	Sanctioned by EU, UN and USA	

*Rank is out of 109 locations marked



“We’re on a scale to match some of the largest base metal developments in the world”

– MATTHEW GAUCI
MANAGING DIRECTOR

“The zinc price has outperformed all base metals this year and both independent analysts and the World Bank are forecasting it will outperform all other base metals next year.

“A clarity is starting to kick in with respect to how short supply levels are and I do expect a further push in price.”

Metalicity prides itself on “playing the best players” and getting the best team together.

Gauci noted the credibility given to the project by input from global geological expert Dr David Leach, SRK’s Simon Hanrahan and Metalicity non-executive chairman Andrew Daley.

“Simon is one of the better underground mining engineers in the world,” Gauci said.

“And on our board, Andrew is a mining engineer and investment banker and has been involved in funding some very large-scale projects around the world.”

Metalicity engaged Dr Leach to conduct geological study work earlier this year around Admiral Bay, highlighting the potential for district-scale mineralisation and prompting Metalicity to expand its licence area.

“Dr Leach came to site and did a report saying it’s one of the largest zinc systems he’s ever seen,” Gauci said. “He’s 72 and he’s seen the top 50 systems worldwide.

“Admiral Bay has some technical challenges, so to get endorsement from someone with world experience outside Australia gives the project some international credibility.”

As for the challenges the project presents, Gauci says similar issues have been overcome by other existing mining operations.

“The risks for such a large-scale project are its depth, its geothermal gradient and the need to penetrate three aquifers to reach the deposit – but none of these are insurmountable,” he said.

“These issues have all been overcome before in Australia, at projects like Mount Isa, which has met these challenges and been mining for 50 years.”

Beyond the large-scale Admiral Bay project, Metalicity is also progressing its lithium, gold and cobalt projects.

It has a fully-funded drilling programme planned for the December quarter at its highly prospective Pilgangoora South lithium project and Gauci is looking forward to what the results may bring.

“Our project is based in clearly what is a world-class lithium district with Pilbara Minerals’ Pilgangoora deposit and Mineral Resources’ Wodgina project, and we hold all the tenements in between,” he said.

“That will be pretty exciting and I hope to find something up there as well.”

In October, Metalicity acquired the new Kyarra cobalt exploration project that lies in the Yerrida Basin 40km from Wiluna in the northern Goldfields.

“There are a number of historical intersections of copper-cobalt and we’re looking to define drill targets and start drilling those in the first quarter of 2017,” Gauci said.

The company is currently evaluating its gold portfolio and considering a potential spin-out to realise shareholder value.

But at the forefront of activity, Metalicity is forging ahead to progress the world-class potential of Admiral Bay zinc project.

“We’re focused on maximising value for our shareholders out of the development of Admiral Bay,” Gauci said.

“We believe it’s a world-class project with district-scale opportunity.

“We’re working really hard and, importantly, we’re making sure we get the right people for the right jobs to take it forward.”

Metalicity has doubled the zinc equivalent resource at Admiral Bay

METALICITY AT A GLANCE



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MARKET CAPITALISATION

A\$23.9 million (on October 3, 2016)

QUOTED SHARES ON ISSUE

450 million