

JUNIOR SECURING A POSITION IN THE GLOBAL ZINC INDUSTRY WITH ADMIRAL BAY

This company has acquired Australia's largest zinc resource and is making rapid, fully funded progress. **Ngairé McDiarmid** reports.

METALICITY HAS emerged undaunted by tough market conditions, with a fully funded scoping study underway for its large-scale Admiral Bay zinc project in the Canning Basin in Western Australia's northwest.

The project looks set to be a company-maker for Metalicity, which re-listed on the Australian Securities Exchange in October, after officially changing its focus to mining.

"To complete the acquisition and funding of Admiral Bay in such a volatile market for commodities has been an excellent achievement for the company. To do so, however, the company needed a very compelling value proposition," managing director Matt Gauci explains.

Admiral Bay is that unique value

proposition – the 100%-owned project has a 72 million tonne mineral resource estimate at 6.7% zinc equivalent (Zn Eq), including a higher grade zone of 20 million tonnes at 10% Zn Eq within just 2.1km of an 18km zinc mineralised corridor.

"The Admiral Bay mineralised corridor is one of the largest base metal systems in the world by any measure," Gauci said.

"It's clearly Australia's largest JORC compliant zinc resource and there's clearly additional resources in the area. It's not a case of there are further resources, it's a case of how much."

Metalicity has recently applied for additional exploration licences along strike from Admiral Bay to cover 55km of the fault zone and has set an exploration target of up to 250 million tonnes at 5.3-7.5% Zn Eq.

The scoping study has been fully funded through a net smelter royalty deal with Metalicity's largest shareholder, Resource Capital Funds, and Gauci is confident the company will still have a strong cash position when the study is released in March.

"The traditional way to raise capital is to issue equity in the company," he said.

"We own 5 million tonnes of contained zinc with an in ground metal value of around \$US10 billion, so that has provided other avenues to fund the scoping study with long-term investors.

"There was significant interest in net smelter royalties and there's also interest in commodity streaming and off-take deals, so we'll be working through those options in future."

Metalicity is also benefitting from up to \$60 million already spent on exploration at Admiral Bay by its previous owners, Kagara Zinc and Rio Tinto.

"We've inherited a database that has likely had \$50 million invested in it, with 41 drill holes and various feasibility studies," Gauci said.

"We've literally just got hold of the database of 30 odd boxes that are filling our dataroom and exploration manager Mike Hannington's crunching that data systematically."

RESOURCESTOCKS caught up with Gauci in the West Perth office in between his trip to China to meet potential investors and partners, and stakeholder meetings in Broome.

"This is a company-making time," he said.

"We relisted just a month ago, we commenced the scoping study immediately and we've appointed people with collectively more than 100 years of experience in the development of large-scale base metal projects."

Gauci said Metalicity's key point of difference was its status as a 100% independent junior with one of the largest undeveloped zinc deposits in the world, located in a safe political jurisdiction, with a highly skilled labour force, and excellent mining infrastructure.

"Juniors need one of two things to thrive – scale or grade, and we've certainly got scale," Gauci said.

"But we think the project also has grade and that's what we're out to investigate with our scoping study and beyond."

Twelve months ago, Metalicity was

Core tray analysis in Broome.





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MATT GAUCI
MANAGING DIRECTOR
METALICITY

drilling for nickel with limited cash at its Rocky Gully project in the Fraser Range, but it wasn’t technically in the mining sector under the ASX rules.

“We’ve completely transformed the value proposition with a fully funded scoping study, a world class asset, supportive investors, and one of the better teams working on the project, so it’s a company making period,” Gauci said.

Metalicity plans to have an updated resource model for Admiral Bay out by the end of the year and is primed to capitalise on an expected upturn in zinc prices.

“A lot of analysts tell same story – a supply shortage is unfolding, demand looks to be steady and projects of this scale to come on stream are few and far between,” Gauci said.

“Fortunately Admiral Bay is one of those few projects.”

The looming closure of Queensland’s Century and Ireland’s Lisheen zinc mines will put a sizeable dent in global zinc supplies, as will Glencore’s announced production cutbacks.

“There’s significant primary production cuts and mine closures, with medium to long term zinc supply shortages forecast, and as China continues to industrialise there’ll likely be upward pressure on prices,” Gauci added.

He said Metalicity had a lot of metal in the ground and the main challenges facing the company at Admiral Bay were designing the most sustainable development, mining, infrastructure environmental management plan, and secondly, attracting the right development partner and/or partners.

“I’ve just spent time in China meeting with a number of investment banks, state owned enterprises, end

users and traders in the zinc industry and there is strong interest in projects of this scale,” Gauci said.

“We look forward to developing those relationships over the next 12 months.”

Aside from Admiral Bay, Metalicity has another ace up its sleeve with its Rocky Gully project in WA’s south.

The company is progressing a pipeline of Nova-style nickel-copper, Tropicana-style gold, VMS copper-zinc and sedimentary graphite targets.

“Rocky Gully is an early stage project and it’s one of the largest landholdings in the Albany-Fraser belt,” Gauci said.

“That belt hosts the AngloGold Ashanti-Independence Group’s Tropicana gold joint venture, and the Nova discovery, which is now owned by Independence as well.

“So it’s home to two world-class mining projects but exploration in this belt, compared with other belts around WA, is very early stage.

“There’s an enormous amount of prospectivity.”

Gauci said the high priority nickel-copper targets were generated using extensive geological, geochemical and geophysical work developed by the company at Rocky Gully over the past 12 months.

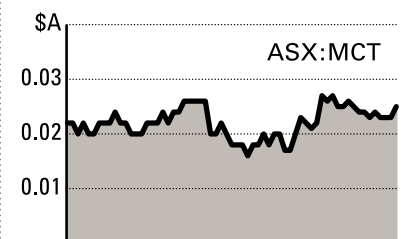
In the meantime, Metalicity is firmly focused on upgrading the resource at Admiral Bay and continuing to develop the project’s potential.

“We offer investors a unique point of difference, being a junior with 100% exposure to one of the world’s largest undeveloped zinc deposits,” Gauci said.

“Admiral Bay is a company-making project and its potential is enormous for Metalicity shareholders and all project stakeholders.” **RS**

Metalicity has the biggest JORC zinc resource in Australia.

METALICITY AT A GLANCE



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MARKET CAPITALISATION

\$9.2 million (at press time)

QUOTED SHARES ON ISSUE

367.5 million

MAJOR SHAREHOLDERS

Founders 22.5%
RCF Fund VI 9.9%
Associates 9%
Management 4%