

Metals X Limited (**Metals X**, **MLX** or the **Company**) presents its activities report for the quarter ended 30 June 2020.

## SAFETY AND COVID-19 RESPONSE

- Bluestone Mines Tasmania JV Renison Tin Operation (**Renison**) reported two lost time injuries and two Serious Potential Incidents during the quarter. The 12-month rolling Total Recordable Injury Frequency Rate (**TRIFR**) for Renison was 15.6 at the end of the quarter (17.3 at the end of the prior quarter).
- There have been no cases of COVID-19 within the Metals X or Renison workforce and there has been no significant disruption to operations, critical supplies or product logistics and shipping.

## CORPORATE

- Closing cash and working capital of \$16.4 million including \$14.3 million cash (\$26.3 million and \$20.8 million respectively at the end of the previous quarter).
- Citibank N.A. (**Citi**) Loan facility balance as at 30 June 2020 of \$30.5 million.
- Subsequent to the end of the quarter, appointment of new Non-Executive Directors, Mr Peter Gunzberg (Non-Executive Chairman) and Mr Grahame White, and the resignation of Non-Executive Directors, Mr Brett Lambert and Mr Tony Polglase. Mr Brett Smith was appointed as Executive Director,

## TIN DIVISION

- Production of 1,733 tonnes of tin-in-concentrate during the quarter bringing the FY20 production to 7,181 tonnes of tin-in-concentrate, consistent with guidance.
- June 2020 Quarter EBITDA of \$4.15 million and net cash outflow of \$1.00 million (MLX 50% share).
- Updated Renison Mineral Resource and Ore Reserve estimations as at 31 March 2020 reporting 12% and 46% increases in contained tin (Sn) tonnes respectively compared to 31 March 2019.
- Maiden Area 5 Ore Reserve declared of 3.3 Mt at 1.87% Sn for 61,900 tonnes of contained tin.
- Completion of the Area 5 Mining Optimisation Study and updated Life of Mine Plan underpinning a 10-year mine life and increasing annual production to over 10,000 tonnes of tin per annum from FY25. Estimated production of approximately 98,000 tonnes of tin-in-concentrate over the ten-year plan.
- Production guidance for FY20/21 is 8,200 - 8,700 tonnes of tin-in-concentrate at an all-in sustaining cost (AISC) of \$19,000 - \$20,000/tonne Sn.

## COPPER DIVISION

- Nifty Copper Operations (**Nifty**) Open Pit Scoping Study completed highlighting a potential 10-year mine life producing 250,000 - 270,000 tonnes of copper-in-concentrate at an AISC of approximately A\$5,400 - A\$5,800 per tonne of copper produced and recommissioning the existing heap leach and SX/EW facility to produce an additional estimated 40,000 - 50,000 tonnes of copper cathode over eight years.
- Paterson Exploration Project (Paterson province) farmed-out to IGO Limited in an up-to \$32 million transaction.
- Subsequent to the end of the Quarter, decision taken to seek offers for the entire copper division including the Nifty Copper Operation, Maroochydore Copper Project and the Paterson Exploration Project.

## NICKEL DIVISION

- Strategic review of the Wingellina Project commenced to assist with finding a development partner.

*All currency is AUD unless stated otherwise.*

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## SAFETY AND COVID-19 RESPONSE

### SAFETY

Renison reported two lost time injuries, no restricted work injuries and two Serious Potential Incidents during the quarter. The 12-month rolling TRIFR for Renison was 15.6 at the end of the quarter (17.3 at the end of the prior quarter).

Implementation of certain specific elements of the Renison safety improvement plan has been delayed due to the focus on the COVID-19 response and the inability to complete specialised training with the ongoing travel bans. Leadership safety interactions and development of critical control standards and processes for all high-risk activities have continued as a priority.

There were no safety incidents or recordable injuries at Nifty or Wingellina during the quarter.

### COVID-19 RESPONSE

Metals X is committed to providing a safe and healthy workplace for staff, contractors, site visitors and their families, as well as operating in a manner to assist in the maintenance of health of the communities in which we operate.

During the quarter the Company has maintained the substantial measures implemented across its sites and corporate office to protect the safety and wellbeing of all employees, contractors, suppliers and the community from COVID-19.

There have been no cases of COVID-19 within the Metals X or Renison, workforce to date with the Company remaining vigilant and adapting to the situation as health directives continually adjust to the changing conditions.

There has been no significant disruption to date to operations, critical supplies or product logistics at Renison, nor to tin concentrate shipments. The Company has contingency plans focused on business continuity and resilience plans in place for any potential disruption to operations, including prudent financial measures.



## TIN DIVISION

### RENISON TIN OPERATION (MLX 50%)

Metals X owns a 50% equity interest in Renison through its 50% stake in the Bluestone Mines Tasmania Joint Venture (BMTJV). All data in this report is 100% of Renison unless stated as 'MLX 50% share'.

#### SUMMARY

A summary of the Renison production and costs for the June 2020 quarter is outlined below in Table 1.

**TABLE 1 - RENISON TIN OPERATION PRODUCTION AND COSTS – JUNE 2020 QUARTER**

|  |            | June 2020<br>Quarter | Previous<br>Quarter | Rolling<br>12-months |
|--|------------|----------------------|---------------------|----------------------|
| <b>Physical Summary</b>                |            |                      |                     |                      |
| Ore mined                              | t ore      | 214,295              | 203,962             | 848,906              |
| Grade of ore mined                     | % Sn       | 1.19                 | 1.08                | 1.18                 |
| Ore milled (after sorter upgrade)      | t ore      | 169,567              | 175,337             | 689,181              |
| Grade of ore processed                 | % Sn       | 1.40                 | 1.36                | 1.42                 |
| Recovery                               | % Sn       | 71.3                 | 71.7                | 71.7                 |
| Tin produced                           | t Sn       | 1,733                | 1,740               | 7,181                |
| Tin sold                               | t Sn       | 1,160                | 2,080               | 6,824                |
| Tin price                              | \$/t Sn    | 23,961               | 24,642              | 24,511               |
| Realised tin price (net of TC/RC)      | \$/t Sn    | 21,608               | 22,290              | 22,104               |
| <b>Revenue (net of TC/RC)</b>          | <b>\$M</b> | <b>37.45</b>         | <b>38.78</b>        | <b>158.74</b>        |
| <b>Cost Summary</b>                    |            |                      |                     |                      |
| Mining                                 | \$M        | 14.55                | 14.49               | 55.98                |
| Processing                             | \$M        | 11.31                | 11.53               | 46.44                |
| Administration                         | \$M        | 2.20                 | 2.57                | 9.68                 |
| Stockpile adjustments                  | \$M        | 0.02                 | 3.11                | 1.15                 |
| <b>C1 Cash Cost</b>                    | <b>\$M</b> | <b>28.08</b>         | <b>31.69</b>        | <b>113.24</b>        |
|  | \$/t Sn    | <b>16,204</b>        | <b>18,213</b>       | <b>15,769</b>        |
| Royalties                              | \$M        | 0.72                 | 0.90                | 3.04                 |
| Other marketing costs                  | \$M        | 0.26                 | 0.23                | 1.08                 |
| Sustaining capital                     | \$M        | 0.24                 | 3.26                | 13.08                |
| Reclamation & other adjustments        | \$M        | 0.01                 | 0.00                | 0.05                 |
| Corporate costs                        | \$M        | 0.09                 | 0.02                | 0.21                 |
| <b>All-in Sustaining Costs (AISC)</b>  | <b>\$M</b> | <b>29.40</b>         | <b>36.10</b>        | <b>130.70</b>        |
|  | \$/t Sn    | <b>16,962</b>        | <b>20,747</b>       | <b>18,200</b>        |
| Project costs                          | \$M        | 10.06                | 5.59                | 23.37                |
| Exploration costs                      | \$M        | 0.00                 | 0.03                | 0.25                 |
| <b>All-in Costs (AIC)</b>              | <b>\$M</b> | <b>39.45</b>         | <b>41.72</b>        | <b>154.32</b>        |
|  | \$/t Sn    | <b>22,766</b>        | <b>23,975</b>       | <b>21,488</b>        |
| <b>Depreciation &amp; amortisation</b> | <b>\$M</b> | <b>7.56</b>          | <b>6.78</b>         | <b>29.73</b>         |
|  | \$/t Sn    | <b>4,365</b>         | <b>3,895</b>        | <b>4,140</b>         |
| <b>Cashflow</b>                        | <b>\$M</b> | <b>(2.01)</b>        | <b>-2.93</b>        | <b>4.42</b>          |
| <b>EBITDA</b>                          | <b>\$M</b> | <b>8.30</b>          | <b>5.95</b>         | <b>41.16</b>         |
| <b>MLX 50% share</b>                   | <b>\$M</b> | <b>50%</b>           | <b>50%</b>          | <b>50%</b>           |
| <b>Cashflow</b>                        | <b>\$M</b> | <b>(1.00)</b>        | <b>(1.47)</b>       | <b>2.21</b>          |
| <b>EBITDA</b>                          | <b>\$M</b> | <b>4.15</b>          | <b>2.97</b>         | <b>20.58</b>         |

Note: C1, AISC and AIC are expressed per tonne of tin produced. Recovery is expressed as overall recovery, taking account of losses of tin through the ore sorter and the concentrator. Previous Quarterly reports stated tin recovery only as losses through the concentrator.

## PRODUCTION AND COSTS

Ore mined for the quarter was 5.1% higher than the previous quarter. Total tonnes treated through the crusher was on plan. Tonnes milled was lower than the previous quarter due to a planned mill shut and increased operation of the ore sorters which has helped to reduce the mass required to be milled and increased mill feed grade. Towards the end of the quarter, the mined grade increased resulting in reduced operation of the ore sorters which increased surface ROM stocks providing good production continuing into the next quarter. Grade of ore through the concentrator was slightly higher for the quarter at 1.40% (previous quarter 1.36%).

Tin production was 0.4% lower for the quarter at 1,733t Sn in concentrate (previous quarter 1,740t Sn), at a slightly lower realised tin price, delivering revenue of \$37.45M for the quarter, a decrease of \$1.3M over the previous quarter. Tin price for the quarter averaged \$23,961/t Sn (previous quarter \$24,642/t Sn).

EBITDA and cashflow (MLX 50%) for the quarter were improved at \$4.15M and (\$1.00M) respectively (prior quarter \$2.97M and (\$1.47M)). Net cashflow continued to be impacted by planned expenditure on the Metallurgy Improvement Program, equipment rebuilds and Area 5 Mining Optimisation Study.

Cashflow is expected to improve in the second half of calendar year 2020 as the grade of mined ore increases with a resultant lift in tin production.

There has been no significant disruption to operations, critical supplies or product logistics and shipping at Renison during the quarter. Importantly, MLX's tin concentrate smelters have continued to accept shipments. The Company has well-developed business continuity and resilience plans in place for any potential disruption, including prudent financial measures.

Production and cost guidance for FY2021 is 8,200 – 8,700 tonnes of tin-in-concentrate at AISC of \$19,000 - \$20,000 per tonne of tin produced.

## STRATEGY DELIVERY

The Renison strategy is focused on continuing to convert ongoing significant in-mine exploration success into a substantial long-life mining operation, to deliver higher cash margins through an increased mining rate, grade and recovery, whilst continuing to seek productivity improvements and reduce costs. MLX's tin exploration strategy is inclusive of investigation of near mine and regional targets.

The key focus areas in the quarter were finalising the annual Mineral Resource and Ore Reserve estimations, completion of the Area 5 Optimisation Study and Life of Mine plan and progressing the Metallurgical Improvement Program.

### 2020 Mineral Resource & Ore Reserve Estimations

During the quarter the Company announced the results (Tables 2 and 3) for the annual Mineral Resource and Ore Reserve estimations as at 31 March 2020<sup>1</sup>.

Highlights are as follows with metrics compared to 31 March 2019:

- 46% increase in Ore Reserves at the Renison underground tin mine, increasing from 82,360 tonnes of contained tin to 120,300 tonnes of contained tin.
  - Total Renison Proved & Probable Ore Reserve of 8.61 Mt at 1.40% Sn for 120,300 tonnes of contained tin.
  - Area 5 Ore Reserve of 3.3 Mt at 1.87% Sn for 61,900 tonnes of contained tin, including 2.2 Mt at 2.11% Sn for 46,400 tonnes of contained tin from a distinct high-grade portion of the Mineral Resource.
  - Mineral Resources above 955mRL are included in the Ore Reserve estimate, the deposit remains open below this level with drilling continuing.
- Measured and Indicated Resources increased by 12% (26,500 tonnes) and average tin grades increased by 6% (0.09% Sn) after mining depletion.
  - Total Renison Measured, Indicated and Inferred Resource of 18.55 Mt at 1.57% Sn for 291,600 tonnes of contained tin.

Grade control and resource definition drilling programs continued in the Leatherwood, Huon North and Area 5 regions, with a total of 140 holes for 9,027m being completed. Assay results from these drill programs continue to support and refine the resource models.

<sup>1</sup> Refer ASX Announcement: 17 June 2020, 2020 Renison Resource & Reserve Update.

**TABLE 2: RENISON TIN OPERATIONS MINERAL RESOURCE ESTIMATE AT 31 MARCH 2020**

(Note: MLX equity share is 50% of the Mineral Resource estimate shown.)

| Deposit                         | Mineral Resource Category <sup>A</sup> | '000 Tonnes <sup>B</sup> | Grade % Sn  | Tin tonnes <sup>2</sup> | Grade % Cu  | Copper tonnes <sup>B</sup> |
|---------------------------------|--|--------------------------|-------------|-------------------------|-------------|----------------------------|
| Renison Bell <sup>C</sup>       | Measured                               | 1,620                    | 1.77        | 28,700                  | 0.29        | 4,700                      |
|                                 | Indicated                              | 14,260                   | 1.59        | 226,600                 | 0.18        | 26,000                     |
|                                 | Inferred                               | 2,660                    | 1.36        | 36,300                  | 0.22        | 5,800                      |
|                                 | <b>Total</b>                           | <b>18,550</b>            | <b>1.57</b> | <b>291,600</b>          | <b>0.20</b> | <b>36,600</b>              |
| Rentails Project <sup>D,E</sup> | Measured                               | 23,890                   | 0.44        | 104,400                 | 0.22        | 52,700                     |
|                                 | Indicated                              | -                        | -           | -                       | -           | -                          |
|                                 | Inferred                               | -                        | -           | -                       | -           | -                          |
|                                 | <b>Total</b>                           | <b>23,890</b>            | <b>0.44</b> | <b>104,400</b>          | <b>0.22</b> | <b>52,700</b>              |
| <b>TOTAL</b>                    | Measured                               | 25,510                   | 0.52        | 133,100                 | 0.22        | 57,400                     |
|                                 | Indicated                              | 14,260                   | 1.59        | 226,600                 | 0.18        | 26,000                     |
|                                 | Inferred                               | 2,660                    | 1.36        | 36,300                  | 0.22        | 5,800                      |
|                                 | <b>Total</b>                           | <b>42,440</b>            | <b>0.93</b> | <b>396,000</b>          | <b>0.21</b> | <b>89,300</b>              |

- A. Mineral Resources are reported inclusive of Mineral Resources modified to produce the Ore Reserve.  
 B. Tonnes are reported as kilo tonnes ('000t) and rounded to the nearest 10,000; Sn and Cu tonnes are rounded to the nearest 100 tonnes; rounding may result in some slight apparent discrepancies in totals.  
 C. Cut-off grade of 0.7% Sn.  
 D. Cut-off Grade of 0.0% Sn.  
 E. The Rentails Mineral Resource is at 31 May 2018.  
 F. The 31 March 2019 Renison Tin Operation Mineral Resource estimate included a defined Mineral Resource for the Mt Bischoff deposit. During the year a decision was made to rehabilitate the Mt Bischoff open pit which, when complete, will have the effect of sterilising the defined Mineral Resource. On this basis, BMTJV has written-off the Mt Bischoff Mineral Resource for the 31 March 2020 estimation.

**TABLE 3: RENISON TIN OPERATIONS ORE RESERVE ESTIMATE AT 31 MARCH 2020**

(Note: MLX equity share is 50% of the Mineral Resource estimate shown.)

| Project                   | Ore Reserve Category | Ore Kt <sup>B</sup> | Grade % Sn  | Tin Tonnes <sup>B</sup> | Grade % Cu  | Copper tonnes <sup>B</sup> |
|---------------------------|----------------------|---------------------|-------------|-------------------------|-------------|----------------------------|
| Renison Bell <sup>A</sup> | Proved               | 1,200               | 1.52        | 18,200                  | 0.23        | 2,800                      |
|                           | Probable             | 7,410               | 1.38        | 102,100                 | 0.17        | 12,800                     |
|                           | <b>Total</b>         | <b>8,610</b>        | <b>1.40</b> | <b>120,300</b>          | <b>0.18</b> | <b>15,500</b>              |
| Rentails <sup>C</sup>     | Proved               | -                   | -           | -                       | -           | -                          |
|                           | Probable             | 22,310              | 0.44        | 98,900                  | 0.23        | 50,700                     |
|                           | <b>Total</b>         | <b>22,310</b>       | <b>0.44</b> | <b>98,900</b>           | <b>0.23</b> | <b>50,700</b>              |
| <b>TOTAL</b>              | Proved               | 1,200               | 1.52        | 18,200                  | 0.23        | 2,800                      |
|                           | Probable             | 29,720              | 0.68        | 201,000                 | 0.21        | 63,400                     |
|                           | <b>Total</b>         | <b>30,920</b>       | <b>0.71</b> | <b>219,200</b>          | <b>0.21</b> | <b>66,200</b>              |

- A. The Renison Bell Ore Reserve is based on the Mineral Resource estimate at 31 March 2020 with applied modifying factors, at a cut-off grade of 0.7% Sn.  
 B. Tonnes are reported as kilo tonnes ('000t) and rounded to the nearest 10,000; Sn and Cu tonnes are rounded to the nearest 100 tonnes; rounding may result in some slight apparent discrepancies in totals.  
 C. The Renison Tailings Retreatment Project (Rentails) Ore Reserve is unchanged from that reported as at 31 March 2017 (refer to ASX Announcement of 28 August 2017), at a cut-off grade of 0.0% Sn.

## Area 5 Optimisation Study and Life of Mine Plan

The Area 5 Optimisation Study, in conjunction with an updated Renison Life-of-Mine Plan, was completed and reported during June 2020<sup>2</sup>.

Highlights were as follows:

- Area 5 Ore Reserve declared of 3.30 Mt at 1.87% tin (Sn) for 61,900 tonnes of contained tin, with total Renison Ore Reserve increasing by 46% to 120,300 tonnes of contained tin.
- Mine life extended to 10 years:
  - Total of 9.27 million tonnes mined over 10 years at an average 1.38% Sn for 128,000 tonnes of contained tin.
  - Grade profile increasing from 1.25% - 1.30% Sn in initial years to 1.4% - 1.5% Sn from FY25 onwards.
  - Production from the high-grade Area 5 contributes approximately 40% of total contained tin mined over the 10-year mine life.
  - Production increasing from first two years of 8,500 - 9,000 tonnes of tin per annum to over 10,000 tonnes of tin per annum from FY25.
  - Estimated production of approximately 98,000 tonnes of tin in concentrate over the 10-year plan.
  - Additional existing Mineral Resources and exploration upside provide clear scope for extending mine life beyond 10 years.
- Two-year Area 5 project capital investment of \$50 - \$55 million into ventilation, backfill, electrical and pumping infrastructure, as well as additional mobile equipment together with additional asset integrity sustaining capital, is funded by operating cashflow based on modelled tin prices of A\$23,500 - A\$24,500 per tonne of tin.
- AISC, initially \$19,000 - \$20,000 per tonne of tin during ramp-up, reducing to \$16,500 - \$17,500 per tonne of tin from FY25 when steady state production of over 10,000 tonnes of tin per annum is achieved.
- Total cash flow of \$300 million, EBITDA of \$476 million and net present value (8% discount rate) of \$185 million (all Metals X's 50% share on a pre-tax, pre-debt basis) achieved at LOM average price of A\$24,800/t Sn (Spot price at 14 July 2020 was A\$24,715).

## Metallurgical Improvement Program

The objective of the Metallurgical Improvement Program is to increase mill throughput rate and metallurgical recovery. The program is being advanced through ongoing review and updating of control systems and online analytical infrastructure, and improved training and communication of standard operating parameters.

The program is broadly split into three major work streams, with multiple sub-projects within each work stream, and includes both operational and capital projects.

Key Metallurgical Improvement Program workstreams progressed during the quarter were:

- On-Stream Analysis Upgrade - commissioning in progress.
- Raw Water Upgrade - commissioning in progress.
- Upgrade of primary gravity spirals – construction commenced, and key equipment ordered.
- Circuit reconfiguration work completed across gravity, tin flotation and Ultra Fine (UF) Falcon circuits.

<sup>2</sup> Refer ASX Announcement: 17 June 2020, Renison Area 5 Underpins 10 Year Mine Life and Increased Tin Production.

## COPPER DIVISION

### NIFTY COPPER OPERATION (MLX 100%)

Metals X is 100% owner of substantial copper assets located in the East Pilbara region of Western Australia including Nifty, (underground mine, processing, power and camp infrastructure), the Maroochydore Copper Project (**Maroochydore**) and the surrounding Paterson Province exploration tenure (**Paterson Exploration Project** or **PEP**) (together MLX Copper Assets).

#### STRATEGIC REVIEW

The strategic review of the MLX Copper Assets<sup>3</sup> resulted in the announcement of a positive Scoping Study on a potential open pit and heap leach option at Nifty and a farm-in and joint venture agreement with IGO Limited over the Paterson Exploration Project.

#### Nifty Open Pit Scoping Study<sup>4</sup>

*This summary of the Nifty Open Pit Scoping Study must be read in the context of the Cautionary Statement on Page 4 of the ASX Announcement dated 11 June 2020, the footnotes that accompany the announcement, and the Scoping Study Summary Report attached to the announcement.*

The completed Scoping Study investigated the development of a major expansion to the historical oxide open pit at Nifty to access and extract the sulphide Mineral Resource.

The Study reported the following key results<sup>5</sup>:

- 10-year open pit life providing approximately 23 million tonnes of sulphide feed to the existing concentrator, at an estimated average grade of 1.24% copper, with a waste-to-ore<sup>6</sup> strip ratio of approximately 7.6:1<sup>7</sup>.
- Approximately 96% of identified concentrator feed has a Mineral Resource classification of Measured or Indicated.
- 250,000 - 270,000 tonnes of copper in concentrate at an average annual production rate of approximately 26,000 tonnes of copper in concentrate<sup>7</sup>.
- AISC<sup>8</sup> of approximately A\$5,400 - A\$5,800 per tonne of copper produced (US\$1.67 - US\$1.79/lb) from the open pit sulphide operation. Treatment and refining costs are approximately A\$960 per tonne of copper sold (US\$0.30/lb).
- Estimated pre-production capital for the open pit sulphide operation of \$40 - \$60 million including studies, pre-production drilling, concentrator and infrastructure refurbishment, open pit pre-strip, and commissioning.
- At the assumed long-term copper price of A\$8,500 per tonne<sup>9</sup> (US\$2.62/lb), total pre-tax net cash flow of \$405 - \$435 million, pre-tax net present value (10% discount rate) of \$170 - \$190 million and a pre-tax internal rate of return of 50% – 54% for the open pit sulphide operation. At 14 July 2020, the spot price for copper was A\$9,310 per tonne (US\$2.94/lb).
- EBITDA over life of mine of \$545 - \$575 million (at A\$8,500 per tonne<sup>9</sup> (US\$2.62/lb)).
- Opportunity to recommission the existing heap leach Solvent Extraction/Electrowinning (SX/EW) facility to treat oxide ore mined from the open pit as well as reprocessing of the existing leach pads, to produce an additional estimated total 40,000 – 50,000 tonnes of copper as cathode<sup>7</sup> over eight years.
- At the assumed long-term copper price of A\$8,500 per tonne<sup>9</sup> (US\$2.62/lb), the heap leach operation generates a total cashflow (pre-tax) estimated at \$95 – 115 million with upfront capital estimated at \$16 – 20 million.

<sup>3</sup> Refer to ASX Announcement: 11 June 2020, Copper Assets Strategic Review Update and 2 July 2020, Copper Assets Strategic Review Proposed Sale.

<sup>4</sup> Refer to ASX Announcement: 11 June, Nifty Scoping Study Identifies Long Life Open Pit with Positive Economics.

<sup>5</sup> All financials are in AUD unless stated otherwise. A\$/US\$ exchange rate of 0.68. Net Present Value is calculated at July 2020.

<sup>6</sup> Defined as all transitional and sulphide material delivered to the concentrator compared to waste and oxide material delivered to dumps for the open pit only option.

<sup>7</sup> Reference should be made to the Cautionary Statement on page 4 of the ASX announcement of 11 June 2020.

<sup>8</sup> AISC is calculated as C1 cost plus sales & marketing costs, royalties, TSF lifts and other sustaining capital. AISC excludes treatment and refining charges (TC/RC) for copper concentrate of approximately \$960 per tonne of copper, at the assumed exchange rate of 0.68, comprising US\$75 per tonne of concentrate and US\$7.50 cents per lb of copper and 96.3% payable copper.

<sup>9</sup> Assumed long term copper price US\$5,780 per tonne at 0.68 USD/AUD for A\$8,500 per tonne of copper.

## Paterson Exploration Project<sup>10</sup>

During the quarter the Company executed a binding \$32 million Farm-in and Joint Venture Term Sheet with IGO Limited (IGO) in relation to the Company's Paterson Exploration Project, which surrounds, but does not include Nifty or Maroochydore.

Key commercial terms include:

- IGO can sole fund \$32 million of exploration activities over 6.5 years to earn a 70% interest in the PEP, including a minimum expenditure before withdrawal of \$11 million over 3.5 years.
- Upon earning a 70% interest, the Joint Venture will form and IGO will free-carry Metals X to the completion of a Pre-feasibility Study (PFS) on a new mineral discovery.

## CARE & MAINTENANCE

Nifty remained in care & maintenance (C&M) during the quarter, having suspended operations in November 2019<sup>11</sup>.

During C&M, surface infrastructure including the power station, processing plant and camp are being maintained in a production-ready status.

During the quarter the Company incurred C&M expenditures of \$6.0M compared to previous guidance of \$5.0M, \$0.6M of the variance resulting from the acceleration of lease payments due to sale of light vehicles and a loader. The C&M cost was offset by inventory and equipment asset sales of \$0.63M (compared to planned \$1.88M) resulting in net C&M costs for the quarter of \$5.40M (previous guidance \$3.13M).

Based on C&M activities and costs to date, revised guidance for C&M costs for the September 2020 quarter are provided in Table 4.

**TABLE 4 – NIFTY COPPER OPERATION CARE AND MAINTENANCE COST - JUNE 2020 QUARTER COST AND GUIDANCE**

| <i>Costs are shown as positive values, revenues are shown as negative values.</i> |            | June 2020<br>Quarter | Previous<br>Quarter | Sept 2020<br>Quarter<br>(Guidance) |
|---|------------|----------------------|---------------------|------------------------------------|
| Placement into care & maintenance   | \$M        | 0.36                 | 3.16                | -                                  |
| Ongoing care & maintenance  | \$M        | 3.80                 | 3.76                | 2.80                               |
| Tenure holding costs  | \$M        | 0.36                 | 0.21                | 0.78                               |
| Insurance   | \$M        | 0.23                 | 0.21                | 0.24                               |
| Residual asset finance  | \$M        | 1.28                 | 0.70                | 0.38                               |
| <b>Total care &amp; maintenance costs</b>   | <b>\$M</b> | <b>6.03</b>          | <b>8.04</b>         | <b>4.20</b>                        |
| Final concentrate shipment  | \$M        | -                    | (0.30)              | -                                  |
| Inventory & equipment sales   | \$M        | (0.63)               | (1.46)              | -                                  |
| <b>Net care &amp; maintenance costs</b>   | <b>\$M</b> | <b>5.40</b>          | <b>6.29</b>         | <b>4.20</b>                        |

## PROPOSED SALE OF COPPER ASSETS

Subsequent to the end of the quarter the Company announced its intention to seek offers for the proposed sale of its entire copper asset portfolio, including the Nifty Copper Operation, Maroochydore Copper Project and the Paterson Exploration Project<sup>12,13</sup>.

<sup>10</sup> Refer ASX Announcement: 11 June 2020, \$32M Paterson Province Exploration Joint Venture with IGO Limited.

<sup>11</sup> Refer to ASX Announcement: 26 November 2019, Suspension of Operations at Nifty Copper Mine.

<sup>12</sup> Copper Assets Strategic Review Proposed Sale.

<sup>13</sup> Refer ASX Announcement: 10 July 2020, Company Update.



## NICKEL DIVISION

### WINGELLINA NICKEL - COBALT PROJECT (MLX 100%)

Wingellina Nickel – Cobalt Project is part of Metals X’s Central Musgrave Project which is the largest undeveloped nickel-cobalt deposit in Australia. The Central Musgrave Project has a Mineral Resource containing approximately 2.0Mt of nickel and 154,000t of cobalt within which Wingellina hosts an Ore Reserve of approximately 1.56Mt of nickel and 123,000t of cobalt (refer to the 2019 Annual Report).

During the quarter the Company commenced a strategic review of the options to advance the project and engaged a consulting group, CSA Global, to assist with the study. The scope of works included a business environment review of global lateritic nickel mines and development projects along with a gap analysis in relation to the completed 2008 Phase 1 Feasibility Study.

## CORPORATE

### RECEIPT OF SHAREHOLDER S249D NOTICE<sup>14,15</sup>

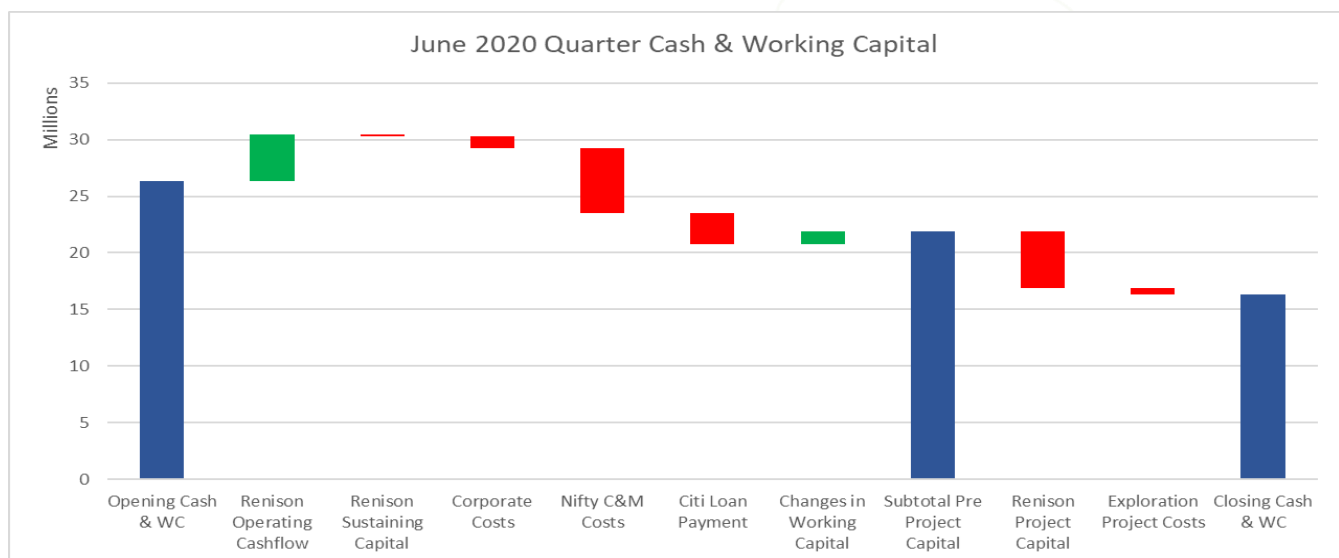
During late June 2020 the Company reported receipt of notices under sections S203D(2), S249D and S249P of the Corporations Act on behalf of shareholder APAC Resources Strategic Holdings (**APAC**) seeking the removal of three incumbent directors (Mr Patrick O’Connor, Mr Brett Lambert and Mr Tony Polglase) and the appointment of APAC nominees, Mr Grahame White and Mr Peter Gunzburg. The S249D Notice was subsequently withdrawn on 10 July 2020.

### BOARD CHANGES<sup>13</sup>

Following the end of the quarter, on 10 July 2020 the Company announced the resignation of Mr Brett Lambert and Mr Tony Polglase as Non-Executive Directors, and the appointment of Mr Peter Gunzburg and Mr Grahame White as Non-Executive Directors with immediate effect. Mr Gunzburg was nominated by the Board as Non-Executive Chairman. Mr Patrick O’Connor remains as a Non-Executive Director. Mr Brett Smith was appointed as Executive Director.

### CASH AND WORKING CAPITAL

Closing cash and working capital at 30 June 2020 (Figure 1) was \$16.4 million including \$14.3 million cash (\$26.3 million and \$20.8 million respectively at the end of the previous quarter).



<sup>14</sup> Refer ASX Announcement: 23 June 2020, Receipt of Shareholder Notice.

<sup>15</sup> Refer ASX Announcement: 25 June 2020, Receipt of Shareholder S249D Notice.

## FIGURE 1 – JUNE 2020 QUARTER CASH & WORKING CAPITAL MOVEMENTS

### CITI FINANCE FACILITY

The Company has a \$35 million secured term loan facility with Citibank N.A.<sup>16</sup> (**Citi**). During the quarter the Company made a scheduled repayment of \$2,538,462. The loan balance at 30 June 2020 was \$30.5 million.

Under the loan facility the Company is required to remain within certain financial covenants which are measured for compliance at the end of each calendar quarter. For the quarter ended 30 June 2020 the Company did not meet the forecast cash flow cover ratio (**Forecast CFCR**) nor the forward debt service cover ratio (**Forward DSCR**). The other two financial covenants under the loan facility, the Reserve Tail and the Minimum Liquidity Ratio were met as at 30 June 2020. The principal reason the Forecast CFCR and the Forward DSCR were not met was the decision to proceed with the Area 5 development at Renison with its capital expenditure of \$50 – 55 million (100% basis) over the next two years.

In compliance with the loan facility, the Company has notified Citi of its non-compliance with respect to the Forecast CFCR and the Forward DSCR<sup>13</sup>. Under the Facility Agreement the Company has until 20 July 2020 to present to Citibank a proposed strategy to cure the financial covenant breaches and to use reasonable commercial efforts to ensure the strategy is acceptable to Citibank.

### HEDGING

During the quarter the Company delivered into hedges of 660 tonnes of tin at an average price of A\$24,971/t Sn for a net hedge gain of \$0.7 million. At the end of the quarter the Company had outstanding hedges to June 2021 of 2,010 tonnes of tin with an average price of A\$24,911/t Sn.

**This quarterly report has been authorised by the board of directors of Metals X Limited**

#### ENQUIRIES

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<sup>16</sup> Refer to ASX Announcement: 29 August 2019, Execution of A\$35 Million Loan Facility Agreement.