

# QUARTERLY REPORT

FOR THE QUARTER ENDING  
30 JUNE 2021



Metals X Limited (**Metals X** or the **Company**) presents its activities report for the quarter ended 30 June 2021.

## SAFETY, COVID-19 AND SUSTAINABILITY UPDATE

- Bluestone Mines Tasmania JV Renison Tin Operation (Renison) reported four Recordable Injuries during the quarter. The 12-month rolling Total Recordable Injury Frequency Rate (**TRIFR**) for Renison increased to 18.7 at the end of the quarter (16.8 at the end of the previous quarter). This was a disappointing result. A continued emphasis will be placed on quality safety interactions, and the identification, control, and management of hazards with particular attention on supervisors understanding and implementation of risk management.
- A number of engineering initiatives are underway at Renison to sustain environmental performance with a focus on managing discharge water including:
  - Design and construction of a new water treatment plant.
  - Installation of a new Sewage treatment Plant.
  - Design and construction of an upgraded Fuel Bay Spill Management system including the installation of a hydrocarbon separator.
- During the quarter, an updated Tailings Storage Governance Framework was implemented at Renison that conforms to the 2020 ICMM Global Industry Standard on Tailings Management.
- There have been no cases of COVID-19 within the Metals X or Renison workforce, nor any significant disruption to date to operations, or critical supplies.
- The lockdown imposed by the Malaysian government has impacted concentrate logistics and delayed payments from the Malaysia Smelting Corporation (**MSC**). The Company's contingency plans for business continuity, resilience plans and prudent financial measures have mitigated any significant business disruption.

## CORPORATE HIGHLIGHTS

- As a result of the lockdown imposed by the Malaysian government on 1 June 2021, the Malaysia Smelting Corporation (MSC) declared Force Majeure clause leading to suspension of all the contractual obligations under the smelting contracts including those with Metals X. During this time, the affected MSC shipments<sup>1</sup> are subject to extended payment terms which has impacted the timing on receipt of payment. The increase in tin receivables from the MSC are expected to reduce upon reinstatement of contractual obligations once the Malaysian government-imposed lockdown is lifted in due course.
- The Thailand Smelting and Refining Co. Ltd (**Thiasarco**) have agreed to take additional shipments and an agreement was executed for the sale of tin concentrate to Yunnan Tin China (**YTC**) for June and July 2021.
  - After the Company's contribution to the costs of capital projects at Renison, Metals X net cash flows from operations and other group activities were \$0.8 million for the quarter. Closing cash after repayment of 50% of the APAC loan decreased by \$16.4 million to \$13.4 million.
  - On 14 April 2021, the Company repaid \$15.5 million representing 50% of the outstanding principal amount owing on its unsecured \$31.0 million loan facility (**Loan Facility**) with Asia Cheer Trading Limited (**ACT**).
  - On 25 May 2021, the Company announced it had executed a binding terms sheet with NICO Resources Limited for the sale and spin out of its Nickel asset portfolio, including the Wingellina Nickel-Cobalt Project in Western Australia and the Clause Hills Project located in South Australia.
  - During the quarter, the Company received \$6.5 million from the return of its Copper Division environmental bonds.
  - On 8 July 2021, the Company received payment of \$11.0 million as settlement of the Conditional Copper Price Payment pursuant to the Mt Gordon Sale Agreement.

<sup>1</sup> Only shipments on the water were advanced and shipments to MSC have been indefinitely suspended.

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## RENISON TIN OPERATION (MLX 50%)

- Production of 2,136 tonnes of tin-in-concentrate, 44% above the previous quarter due to higher mine production, higher mined grade and increased recoveries.
  - Metallurgical Improvement Program has continued to deliver strong results with recovery increasing to 77.8% in line with the higher grade of ore processed and continued metallurgical improvements.
  - Area 5 mining advanced with reaming of the first underground ventilation raise completed subsequent to the quarter, engineering progressing on the paste fill plant and surface electrical substation upgrade.
- All-in-sustaining cost (AISC) of \$19,939/tonne of tin
- Imputed EBITDA of \$41.4 million (MLX 50% share - \$20.7 million) and imputed net cash flow of \$28.0 million (MLX 50% share - \$14.0 million).
- Production guidance for FY22 is 8,500 – 9,000 tonnes of tin-in-concentrate at an AISC cost of \$21,000 - \$25,000/tonne tin. Tin pricing remains strong and is expected to continue for the remainder of 2021.
- Thermal Upgrade Project Scoping Study was completed with a decision, as previously announced, to proceed with an update of the Rentals Definitive Feasibility Study (**Rentals DFS Update**), to enable a Final Investment Decision for development of the full Rentals Project to be made in CY2023.

## OPERATIONS REVIEW

### 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'.

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. The key focus during the quarter was to continue execution of the Area 5 Project and progression of the Metallurgical Improvement Program. A summary of the Renison production and costs for the June 2021 quarter is outlined below in Table 1.

TABLE 1 – RENISON TIN OPERATION PRODUCTION AND COSTS (100% BASIS) – JUNE 2021 QUARTER

		Jun 2021 Quarter	Mar 2021 Quarter	Rolling 12-months
<b>Physical and Revenue Summary</b>				
Ore mined	t ore	206,192	173,940	810,758
Grade of ore mined	% Sn	1.39	1.10	1.30
Ore milled (after sorter upgrade)	t ore	165,227	154,042	653,499
Grade of ore processed	% Sn	1.66	1.27	1.59
Recovery <sup>1</sup>	% Sn	77.9	75.7	76.5
Tin produced	t Sn	2,136	1,486	7,947
Tin sold	t Sn	1,530	1,277	7,315
Realised tin price (net of TC/RC)	\$/t Sn	36,530	31,384	27,011
C1 Cash Cost	\$/t Sn	\$15,404	\$19,921	\$15,338
All-in Sustaining Costs (AISC)	\$/t Sn	\$19,939	\$26,722	\$19,554
All-in Cost (AIC) <sup>2</sup>	\$/t Sn	\$23,425	\$30,946	\$22,373
<b>Imputed Revenue (net of TC/RC) <sup>3</sup></b>				
	\$M	<b>78.03</b>	<b>46.64</b>	<b>214.66</b>
<b>C1 Cash Cost</b>				
	\$M	<b>32.90</b>	<b>29.60</b>	<b>121.89</b>
<b>All-in Sustaining Costs (AISC) <sup>2</sup></b>				
	\$M	<b>42.59</b>	<b>39.71</b>	<b>155.40</b>
<b>All-in Cost (AIC) <sup>2</sup></b>				
	\$M	<b>50.04</b>	<b>45.99</b>	<b>177.80</b>
<b>Imputed Net Cashflow <sup>3</sup></b>				
	\$M	<b>27.99</b>	<b>0.65</b>	<b>36.86</b>
<b>EBITDA</b>				
	\$M	<b>41.43</b>	<b>15.14</b>	<b>82.43</b>

<sup>1</sup> Recovery is expressed as overall recovery, taking account of losses of tin through the ore sorter and the concentrator

<sup>2</sup> AIC includes AISC plus project and exploration costs

<sup>3</sup> Imputed Revenue assumes 100% of tin produced is sold. Imputed net cashflow assumes no change to receivables or inventory. Metals X share of imputed net cashflow is A\$14.0 million

## PRODUCTION AND COSTS

Production for the quarter was 2,137 tonnes of tin-in-concentrate (previous quarter 1,486 tonnes of tin-in-concentrate). The improved production performance was due to higher mined grades and production output from the mine in conjunction with improved overall processing recoveries. The mobilisation of onsite Cemented Rock Fill (CRF) supply has increased the ability to rapidly backfill stopes leading to reduced stope turnaround times and greater flexibility. A contract cable bolter is being mobilised to site which will lead to greater productivity and cost improvements and reduced time to establish stopes requiring cable bolts. Mine production was negatively impacted during the quarter with unplanned failure of the No. 4 Ventilation Fan restricting access to the higher-grade Area 5 orebodies, and the planned winder rope changeout. Processing recoveries increased to 77.9% in response to the higher ore processed grade and reflects continued metallurgical improvements.

AISC at \$19,939/tonne of tin was 25% lower than the previous quarter (\$26,722/tonne), driven by the higher tin production for the quarter.

EBITDA and cashflow (MLX 50%) for the quarter was \$20.7 million and \$14.0 million respectively (previous quarter \$7.5 million and \$0.3million).

Production and cost guidance for FY2022 is 8,500 – 9,000 tonnes of tin-in-concentrate at an AISC cost of \$21,000 - \$25,000/tonne tin. Project capital costs of \$60 million and capital development and resource development drilling \$10 million.

The market outlook for tin remains strong and is expected to continue for the remainder of 2021.

## AREA 5 PROJECT

Following completion of the Area 5 Optimisation Study, in conjunction with an updated Renison Life-of-Mine Plan, issued in June 2020, the execution phase of the Area 5 Project was initiated in July 2020. The objective of the Area 5 Project is to develop into and mine the high-grade Area 5 Ore Reserve, including construction of the requisite surface and underground infrastructure to support the development. Key Area 5 Project activities during the quarter were:

- Subsequent to the quarter, reaming on the first raise of the new ventilation system from 2075 to 1594 level was completed and mobilisation commenced to the second raise.
- Ongoing work on the detailed engineering for the paste-fill plant and external approvals advancing with full approval expected in the coming quarter. Drilling of the two planned paste fill holes commenced and was ongoing at the end of the quarter.
- Detailed electrical engineering work continued for the surface electrical infrastructure upgrade with and EPC contract negotiation in progress for award of the work with the preferred contractor.
- Mine planning improvements continue with opportunities gained via the improved CRF delivery allowing greater flexibility in the plan. Geotechnical review and iterative changes in stoping layouts have continued. Assessment and impacts of the newly identified “Hastings” ore zone have commenced.

## MINE RESOURCE DRILLING PROGRAM

During the quarter, 13,993 metres of underground and surface drilling was completed which included grade control in Area 5, Huon North and Heemskirk and Resource Development drilling in Area 5, Huon North, Leatherwood and South Basset areas.

As announced on 15 July 2021<sup>2</sup>, a new mineralised area, the Hastings Area, has been identified in a footwall area immediately adjacent to and below the currently identified Leatherwood mining area. The Hastings area currently has an extent of approximately 375m horizontally and 145m vertically. The Hastings area interpretation is currently based on 16 diamond drill holes; 13 of which contain significant tin intersections with the mineralised zone open to the north and at depth. Further follow-up infill drilling is planned to commence towards the end of CY 2021. Since the initial discovery hole in February 2021, ongoing follow-up drill testing of the Hastings area has now reported multiple high grade tin intersections of very significant widths, with the most significant reported below.

<sup>2</sup> Refer ASX Announcement: 15 July 2021, Significant Intersections at Recently Defined Renison Mine Hastings Area.

Hole	True Width (metres)	% Tin	Downhole (metres)
U8220	35.0	1.87	237
U8227	17.0	3.52	385
U8223	9.3	3.65	261
U8221	2.3	10.72	320
U8222	14.0	1.61	305
U8218	24.0	0.87	298
U8230	0.8	24.77	165
U8232	6.1	2.83	174

## METALLURGICAL IMPROVEMENT PROGRAM

The objective of the Metallurgical Improvement Program is to improve systems to ensure the increased processing throughput rates are sustained and to increase metallurgical recovery. To date the program has delivered significant benefits on these fronts; ROM throughput rates of 1 Mtpa have been demonstrated over at least four months, and recovery improvement of ~4% has been achieved, along with an improvement in concentrate grade. Additionally, risks associated with various aging assets have been reduced, whilst tin production capacity has been increased to ~880 t/month.

Key Metallurgical Improvement Program workstreams progressed during the quarter were:

- Fine Gravity Spirals replacement project: Installation and construction is nearing completion, with commissioning expected in early CYQ3.
- Final concentrate pumping upgrade: Detailed design and fabrication is nearing completion, with commissioning expected in CYQ3.
- Sulfide flotation feed pumping stability: engineering complete, with installation and commission planned for CYQ4.
- Talc management: Testwork and design of a talc depressant mixing and dosing system has been completed, and execution commenced. Orders for long lead items have been placed, with commissioning expected in early CY22Q1. Importantly, plant trials completed over the quarter have confirmed the effectiveness of the talc depression regime in mitigating elevated tin losses associated with high talc ores.

## THERMAL UPGRADE PROJECT AND RENTAILS PROJECT

The thermal Upgrade Project Scoping Study (TUPSS) has been completed.

The TUPSS examined the production of a low tin grade concentrate as feed for a tin fumer producing a high grade, ~68% Sn, tin fume product suitable for sale to conventional offtakes, and a separate high grade, ~70% Sn, gravity concentrate, with the aim of achieving a step change in recovery beyond that achieved by the Metallurgical Improvement Program. The TUPSS also considered the development of the full Rentails project to improve capital efficiency.

A decision, as announced on 26 July 2021<sup>3</sup>, has been made to proceed with an update of the Rentails Definitive Feasibility Study (**Rentails DFS Update**), to enable a Final Investment Decision for development of the full Rentails Project to be made in CY2023.

The aim is for the Rentails facility to be designed and operated to be Net Zero Emission through the selection of the technology and energy source for the thermal upgrade plant with consideration of the world's first use of green hydrogen in tin fuming.

## TENEMENT EXPLORATION PROGRAM

Tenement exploration activities will recommence in Q3 CY21 on the Renison tenements with a planned minimum spend of approximately \$1.5 million over 18 months. The focus remains on the identification of additional deposits to that currently being mined to expand tin production.

<sup>3</sup> Refer ASX Announcement: 26 July 2021, Renison Tailings Retreatment Project Feasibility Study to be Updated.

The program will continue exploration work undertaken in 2019 which involved surface geochemical sampling and downhole-electromagnetic (**DHEM**) testing that identified a number of targets (**EM Plates**).

During H2 CY21, further soil geochemical sampling and fixed loop EM programs will be undertaken, and a three-hole 1,800 m diamond drill program will be completed to test the previously identified EM Plates.

## CORPORATE

### TERMS SHEET EXECUTED FOR THE SPIN OUT OF NICKEL ASSETS

Metals X Limited (Metals X or the Company) is pleased to announce that it has signed a binding terms sheet with NICO Resources Limited (**NICO**) for the sale and spin out of its Nickel asset portfolio, including the Wingellina Nickel-Cobalt Project located in Western Australia and the Claude Hills Project located in South Australia (together the Nickel Assets) (the Terms Sheet).

The Terms Sheet provides for the sale of all of the shares in Metals Exploration Pty Ltd (**Metals Exploration**), currently a 100%-owned subsidiary of Metals X, to NICO with eligible Metals X shareholders to receive a direct holding in NICO shares so as to spin out the Nickel Assets from Metals X (the Transaction). Metals Exploration holds the Nickel Assets through Metex Nickel Pty Ltd (**Metex Nickel**). The registered holders of the tenements that comprise the Nickel Assets are two 100%-owned subsidiaries of Metex Nickel, being Hinckley Range Pty Ltd and Austral Nickel Pty Ltd.

In conjunction with the Transaction, NICO proposes to undertake an initial public offering of its shares (**IPO**) and apply for listing on the ASX. Under the Terms Sheet, NICO proposes to raise at least \$8 million by the issue of:

- a) approximately 20,000,000 fully paid ordinary shares at \$0.20 per share to Metals X (**MLX IPO Shares**); and
- b) at least 20,000,000 fully paid ordinary shares at \$0.20 per share under the IPO.

In addition to receiving the MLX IPO Shares, the consideration payable by NICO to Metals X for the purchase of the Nickel Assets will be \$5,000,000, to be satisfied by the issue to Metals X of:

- a) 25,000,000 shares in NICO at a deemed issue price of \$0.20 per share; and
- b) 25,000,000 options to subscribe for shares in NICO, exercisable at \$0.25 each, expiring 3 years after grant.

Immediately prior to, or simultaneously with, the IPO, Metals X proposes to conduct an in-specie distribution of 25,000,000 shares in NICO it receives as sale consideration to eligible Metals X shareholders, being approximately 35% of NICO's total issued share capital on a post-IPO undiluted basis, subject to the approval of Metals X shareholders (**Distribution**). Metals X will retain the remainder of the NICO shares it obtains under the Transaction (being the MLX IPO Shares and the options) and will directly hold approximately 29% of NICO's total issued share capital on a post-IPO undiluted basis.

The Transaction is subject to a number of conditions, including:

- a) completion of satisfactory due diligence by the parties;
- b) any necessary approval from the Foreign Investment Review Board;
- c) ASX notifying Metals X that ASX Listing Rule 11.4 does not apply, or alternatively, Metals X shareholders approving the Transaction in accordance with ASX Listing Rule 11.4.1(b);
- d) Metals X's shareholders approving the Distribution;
- e) NICO successfully conducting the IPO and listing on the official list of the ASX;
- f) ASX notifying Metals X or NICO that the ASX has determined on an "in principle" basis that the Consideration Shares will not be classified as restricted securities under the ASX listing rules if NICO is listed on the official list of the ASX;
- g) any other approvals required pursuant to the ASX Listing Rules and under the Corporations Act 2001 (Cth);
- h) Metals X obtaining any third-party consents or assumptions required for the sale of Metals Exploration's shares; and
- i) no material adverse change occurring with respect to the parties from the date of the Terms Sheet until completion of the Transaction, together, the Conditions Precedent.

Under the Terms Sheet, the Conditions Precedent must be satisfied by 21 September 2021, being 120 days after the date of the Terms Sheet, and completion of the Transaction will occur on the date 5 business days after satisfaction of the Conditions Precedent, or such other date as may be agreed between the parties.

The parties intend to formalise the agreement to the Transaction on terms substantially similar to those provided in the Terms Sheet in a share sale and purchase agreement which will supersede the Terms Sheet (**Formal Agreement**). Either party may terminate the Terms Sheet in the event the Formal Agreement is not executed after 90 days from the date of the Terms Sheet.

An existing 1.75% net smelter royalty on all metals produced from both the Wingellina Nickel-Cobalt Project and the Claude Hills Project, granted by the current tenement holders in favour of Metals X, will be maintained by Metals X after completion of the Transaction.

NICO is an unlisted public company with intentions to list on the ASX and progress the Nickel Assets as a standalone entity and is led by Mr Warren Hallam as Chairman and Mr Rod Corps as Managing Director. A nominee of Metals X, Mr Brett Smith, has also been appointed onto the board of NICO.

On 28 June 2021, the Company advised the condition requiring satisfactory due diligence by the parties had been completed.

Further updates and details of the intended timing for the progress of the spin out of the Nickel Assets will be provided in due course.

## MT GORDON COPPER PAYMENT UPDATE

On 8 July 2021, the Company received \$11.0 million from Capricorn Copper Holdings Pty Ltd comprising the first and second instalments of \$5.0 million each, plus the agreed extension fee of \$0.25 million and interest due.

## TIN CONCENTRATE SHIPMENT UPDATE

On 1 June 2021, because of a surge in COVID-19 infections, the Malaysian government instigated a nationwide lockdown of economic activities and later extended it. Therefore, the MSC declared Force Majeure on all concentrate contracts including those associated with the Company. The operations of the Kuala Lumpur Tin Market (**KLTM**) which sets tin pricing for the Company's tin concentrate to MSC has been impacted by the lockdown.

As a result of the impacts to MSC operations of the lockdown, the shipments already received by MSC are subject to extended payment terms due to lockdown impact of the operations of KLTM.

The Company contracts tin concentrate to both MSC and Thaisarco, who have agreed to take additional shipments as required on extended payment terms.

On 22 June 2021, Metals X executed an agreement for the sale of tin concentrate to Yunnan Tin China to mitigate the Company's risk related to any potential long-term disruptions of smelter operations in Malaysia.

## INVESTMENTS – CONVERTIBLE NOTES AND OPTIONS

The Company completed the sale of its copper asset portfolio to Cyprum Metals Limited (**CYM**) on 31 March 2021<sup>4</sup>.

In addition to receiving \$24.0 million in cash, a working capital adjustment, and reimbursement of certain holding costs, the Company also received \$36.0 million in aggregate in convertible notes (**Convertible Notes**) and 40.6 million options (**Options**) issued by CYM on the following terms:

- Convertible Notes Terms:
  - a four-year maturity from 30 March 2021;
  - convertible at maturity at the election of Metals X, or otherwise redeemable by CYM at maturity'
  - conversion price of \$0.355 per CYM share; and
  - annual coupon of 4% to be capitalised and paid annually on a default basis on each anniversary of 30 March 2021 until maturity (with annual interest to be paid in shares at the same conversion price at the election of Metals X).

<sup>4</sup> Refer ASX Announcement: 31 March 2021, Completion of Sale of Copper Assets.

- Options Terms:
  - 20.3 million Options exercisable at \$0.314 per Option with an expiry date of 30 March 2022; and
  - 20.3 million Options exercisable at \$0.355 per Option with an expiry date of 30 March 2023.

At the date of this announcement, Metals X continues to hold \$36.0 million in aggregate in Convertible Notes and 40.6 million Options in CYM.

## UNSECURED LOAN FACILITY WITH ACT

On 30 June 2021, the Company's principal amount outstanding on its Loan Facility was \$15.5 million.

On 13 July 2021, the Company made a further Loan Facility repayment of \$7.75 million. The Loan Facility principal amount owing to ACT subsequent to this payment is \$7.75 million<sup>5</sup>.

On 23 July 2021, the Company and ACT agreed in principle to sign a supplementary Loan Agreement to extend the ACT Loan Facility Termination Date from 31 July 2021 to 31 January 2022, all other terms and conditions will remain unchanged.

## CASH GENERATION

At the end of the quarter, Metals X had A\$13.4 million in the bank (Q3: A\$29.8 million), receivables of A\$9.2 million (Q3: A\$2.1 million), tin metal inventory of A\$14.4 million (Q3: A\$10.4 million) and payables of A\$2.0 million (Q3: A\$2.1 million).

Metals X share of imputed net revenue from Renison operations is A\$14.0 million for the quarter however the Company's cash balance decreased by A\$16.4 million during the quarter.

The following table reconciles opening cash plus imputed net cashflows to actual closing cash at quarter end.

Movement in cash balance	A\$(m)
Opening cash at bank	29.80
Add Metals X share of imputed net cashflows from Renison	14.00
<b>Unadjusted closing cash position</b>	<b>43.80</b>
<i>Less</i>	
Timing difference between imputed and actual revenue	(11.53)
Increase in tin metal receivables	(7.03)
Increase in tin metal inventory (shipped tin)	(4.05)
ACT loan repayment	(15.50)
<i>Add</i>	
Change payables and working capital	1.21
Return of bonds	6.50
<b>Closing cash at bank</b>	<b>13.40</b>

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

### ENQUIRIES

Mr Brett Smith - Executive Director  
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<sup>5</sup> Refer ASX Announcement: 13 July 2021, Part Repayment of Loan Facility.