



ASX Announcement

13<sup>th</sup> April 2018

Period Ending

31<sup>st</sup> March 2018

# Quarterly Activities Report

## Highlights

### Corporate

- ▶ A\$ 16.3 million cash reserves remaining as at 31<sup>st</sup> March 2018 with no debt

### Ardmore Phosphate Rock Project, Queensland

- ▶ Scoping Study released in January showing strong project returns
- ▶ Pilot plant trials have demonstrated ability to produce a premium 35% P<sub>2</sub>O<sub>5</sub> grade phosphate rock concentrate with ultra-low cadmium
- ▶ Concentrate product samples sent to customers for fertiliser conversion test work
- ▶ Successful vendor pilot crusher trials have shown the ability to meet top product size specifications with a single stage hammer mill, compared to the original 3-stage rolls crusher design in the Scoping Study
- ▶ Successful free-dig dozer stripping trials of overburden
- ▶ Feasibility Study infill drilling program completed in March with a Mineral Resource estimate update due in May
- ▶ Additional tenement pegged over prospective phosphate geology

### Oxley Potassium Nitrate Project, Western Australia

- ▶ Samples sent to China for electric arc furnace, off-gas characterisation, and continuous cooling test work
- ▶ Results of test work due in the coming months

### Iron Ore Portfolio, South Australia

- ▶ The Wilgerup iron ore project and Kimba Gap iron ore project located were sold to SIMEC Mining for a \$10 million royalty stream, indexed to inflation

# REPORT

## 1. CORPORATE

The Company continues to maintain a healthy balance sheet with A\$ 16.3 million in cash reserves remaining as at 31<sup>st</sup> March 2018, with no debt outside of current trade payables.

## 2. ARDMORE PHOSPHATE ROCK PROJECT, QLD

The Company was excited to announce the results of the project scoping study at the beginning of the quarter which indicated the potential for strong economic returns. The announcement was made on 15<sup>th</sup> January 2018 and can be found at:

<https://www.asx.com.au/asxpdf/20180115/pdf/43qtg9nqt9y78w.pdf>

The results were reported under JORC 2012 and Centrex is not aware of any new information or data that materially affects the information contained within the release. All material assumptions and technical parameters underpinning the estimates in the announcement continue to apply and have not materially changed.

Key project parameters include:

- Open pit mining operation, with ore being crushed and deslimed to produce approximately 776,000 dry tonnes of premium 35% P<sub>2</sub>O<sub>5</sub> grade concentrate with ultra-low cadmium
- Mine life of approximately 10 years based on an 11.1 million tonne conceptual pit inventory (11% Measured, 88% Indicated and 1% Inferred Resources) with life of mine strip ratio of 4.6:1 (1.9:1 in initial Southern Zone), and ability to free-dig the very weak ore and overburden
- Product trucked by triple road trains on existing roads to Duchess, and railed to the Port of Townsville for shipping
- Product to be shipped around Australia, as well as to New Zealand and Asia, with Ardmore having a significant freight advantage over current suppliers to most customers
- Capital cost range of approximately \$A 55-61 million (\$US 42-46 million)
- Pre-tax net cash flow of approximately \$A 278-283 million based on assumed 0.75 AUD exchange rate
- Pre-tax NPV<sub>10</sub> of approximately \$A 124-129 million and IRR of 39-42% with a 3 year payback period

Continuous beneficiation pilot plant trials completed during the quarter confirmed the ability to produce a premium quality 35% P<sub>2</sub>O<sub>5</sub> concentrate with ultra-low cadmium levels. Samples of the concentrate have been sent to numerous customers both domestic and throughout the region at their request for their own fertiliser conversion test work. Centrex will undertake independent conversion test work at KemWorks in the US.

Pilot scale crushing test work in the US showed the ability to reduce the original Scoping Study three-stage crushing circuit design to a single hammer mill given the weak nature of the material.



**CAPTION:** Pilot hammer mill at Williams Patent Crusher & Pulverizer Co. Inc. in the US.

Bulk samples for recent pilot work were obtained from several excavations in the deposit demonstrating the ability to mine the ore without the need for blasting.



**CAPTION:** 23 tonne excavator mining shallow ore at Ardmore.



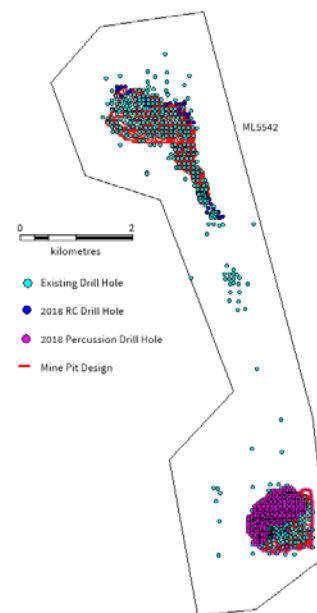
**CAPTION:** D9 dozer undertaking trial stripping of shale overburden at Ardmore.

Successful dozer stripping trials of the overburden were completed in February 2018. The trials were overseen by dozer stripping experts from MEC Mining with the purpose of providing accurate productivity factors to feed into the Feasibility Study. Not only were productive dozer pushing rates achieved during the trials without the need for blasting, there was also no need for any ripping of the weak shale overburden by the dozer.

All trials to date further indicate Ardmore to be a low-cost deposit to mine.

A significant drilling program was undertaken during February and March. A total of 299 rotary percussion and 45 reverse circulation (“RC”) drill holes were completed to upgrade the existing Mineral Resource to Measured category for the first years of mining in the Southern Zone, and to infill areas in the Northern Zone. The drilling ultimately aims to support the establishment of Ore Reserves sufficient to underpin the Feasibility Study, which is due for completion in mid-2018.

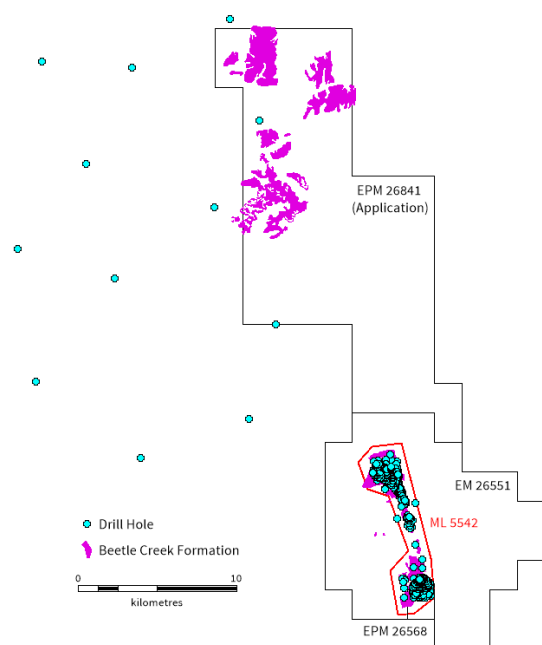
Once assay results from the drilling program are received an updated resource estimate will commence, the results of which are expected in late May.



**FIGURE:** Plan view of previous and new drill hole locations over current mine pit designs.

Centrex has made an application for a further exploration license north of Ardmore during the quarter. The tenement contains a number of mapped locations with outcropping Beetle Creek Formation, the same host geology to the Ardmore deposit. Wide spaced (circa 5km) drilling in the late 1960s and early 1970s identified intersections of phosphorite in the

area at varying depths. Centrex will explore for shallow fault block uplifts between the wide spaced historical drilling where phosphorite may be near surface, similar to the fault blocks seen at Ardmore.



**FIGURE:** Location of Centrex's Queensland tenements with mapped Beetle Creek Formation prospective for phosphorite.

### 3. OXLEY POTASSIUM NITRATE PROJECT, WA

At the end of the quarter samples of Oxley ore were sent to China for further roasting test work. An electric arc furnace ("EAF") will be trialed for the molten salt roast that converts the potassium feldspar within the rock to soluble potassium chloride. The roasting reaction has been demonstrated previously by Centrex using various roasting equipment. The current trial will test if an EAF may be used for the roasting duty as it presents a potentially relatively low capital cost approach to the roasting with the ability to pre-heat and undertake the reaction in a single vessel. Off-gas analysis will also be undertaken during the EAF trial to allow refinement of the gas scrubbing design of the proposed plant.

In addition to the EAF trial a continuous cooling trial of the molten slurry will be undertaken to provide data in order to finalise equipment selection for the cooling circuit.

### 4. GOULBURN ZINC PROJECT, NSW

No exploration activities were undertaken during the quarter at the Goulburn Zinc Project.

### 5. IRON ORE PORTFOLIO, SA

The Wilgerup iron ore project and Kimba Gap iron ore project located in South Australia were sold to SIMEC Mining (formerly Arrium Mining) which is a business of OneSteel Manufacturing Pty Ltd ("OMPL").

OMPL will pay royalty streams to Centrex for each project upon commencement of mining at each project. The royalties will be capped to a value of A\$ 5 million in current terms for each project. Both per tonne royalty rates and the royalty caps will be indexed annually to CPI. If OMPL has not committed to mining either of the projects within the next 10 years the relevant project will be returned at Centrex's election.

Completion of the deal is subject to certain conditions, including ministerial approval.

### 6. TENEMENTS

The Company and its wholly owned subsidiaries hold the following tenements and leases;

#### Queensland

Ardmore Phosphate Rock Project ML 5542  
Ardmore EPM 26551  
Ardmore EPM 26568  
Ardmore EPM 26841 (application pending)

#### Western Australia

Oxley A E70/3777 Oxley B E70/4004  
Oxley C E70/4318 Oxley D E70/4319  
Oxley E E70/4320 Oxley F E70/4378

Oxley G E70/4729

**New South Wales**

Goulburn EL 7388

Archer EL 7503

**South Australia**

Mount Hill EL 6024

Vanilla EL 5559

Carrow EL 5971

Greenpatch EL 5852

*Retention Lease (South Australia)*

Kimba Gap RL 129 [now subject to sale]

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*Mining Lease (South Australia)*

Wilgerup ML 6344 [now subject to sale]

Attached is the Appendix 5B Statement of Cash flows for the period from 1<sup>st</sup> January 2018 to 31<sup>st</sup> March 2018.

For further information please contact:

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Gavin Bosch  
Chief Financial Officer & Company Secretary  
Centrex Metals Limited  
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## Appendix 5B

## Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

## Name of entity

Centrex Metals Limited

## ABN

97 096 298 752

## Quarter ended ("current quarter")

31<sup>st</sup> March 2018

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers		-	-
1.2 Payments for			
(a) exploration & evaluation		(1,055)	(3,653)
(b) development		-	-
(c) production		-	-
(d) staff costs		(330)	(1,027)
(e) administration and corporate costs		159	538
1.3 Dividends received (see note 3)		-	-
1.4 Interest received		113	384
1.5 Interest and other costs of finance paid		-	-
1.6 Income taxes (paid) / refunded		-	-
1.7 Research and development refunds		-	-
1.8 Other		-	-
<b>1.9 Net cash from / (used in) operating activities</b>		<b>(1,113)</b>	<b>(3,758)</b>
<b>2. Cash flows from investing activities</b>			
2.1 Payments to acquire:			
(a) property, plant and equipment		(19)	(24)
(b) tenements (see item 10)		-	-
(c) investments		-	-
(d) other non-current assets		-	-
2.2 Proceeds from the disposal of:			
(a) property, plant and equipment		-	96
(b) tenements (see item 10)		-	-
(c) investments		-	-
(d) other non-current assets		-	-
2.3 Cash flows from loans to other entities		-	-
2.4 Dividends received (see note 3)		-	-



Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(19)	72

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	17,455	20,009
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,113)	(3,758)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(19)	72
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	16,323	16,323

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	2,689	3,844
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other – term deposits with maturity > 90 days	13,306	13,306
5.4	Other – restricted cash held in JV company	328	305
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	16,323	17,455

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	84
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

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7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	-
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

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8.	Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1	Loan facilities	-	-
8.2	Credit standby arrangements	-	-
8.3	Other (please specify)	-	-
8.4	Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation	(3,282)
9.2	Development	-
9.3	Production	-
9.4	Staff costs	(193)
9.5	Administration and corporate costs	(198)
9.6	Other (provide details if material)	-
9.7	Total estimated cash outflows	(3,673)



10.	Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1	Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2	Interests in mining tenements and petroleum tenements acquired or increased	EPM 26568, Mount Isa, QLD	Tenement granted on application to DNRM	0%	100%

## Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.



Sign here:

Date: 13<sup>th</sup> April 2018

Company secretary

Print name:

Mr Gavin Bosch

### Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.