



ASX Announcement – 7 November 2019



## Company Update

- ▶ Funding solution for the Ardmore Trial Mine still being pursued but Start-up operation will be deferred
- ▶ Strong cash position of about \$4 million at end of September 2019 quarter
- ▶ Non-core projects being assessed including marketing to strategic partners or divestment opportunities
- ▶ Implementation of interim cost reduction measures:
  - Reduction in Board numbers and fees
  - Staff cost reductions
- ▶ Phosphate fertilizer market currently subdued but medium-term rock price forecast is broadly in line with Ardmore Definitive Feasibility Study (DFS) price assumptions
- ▶ Ardmore Start-Up processing plant completed prior to commencement of mining

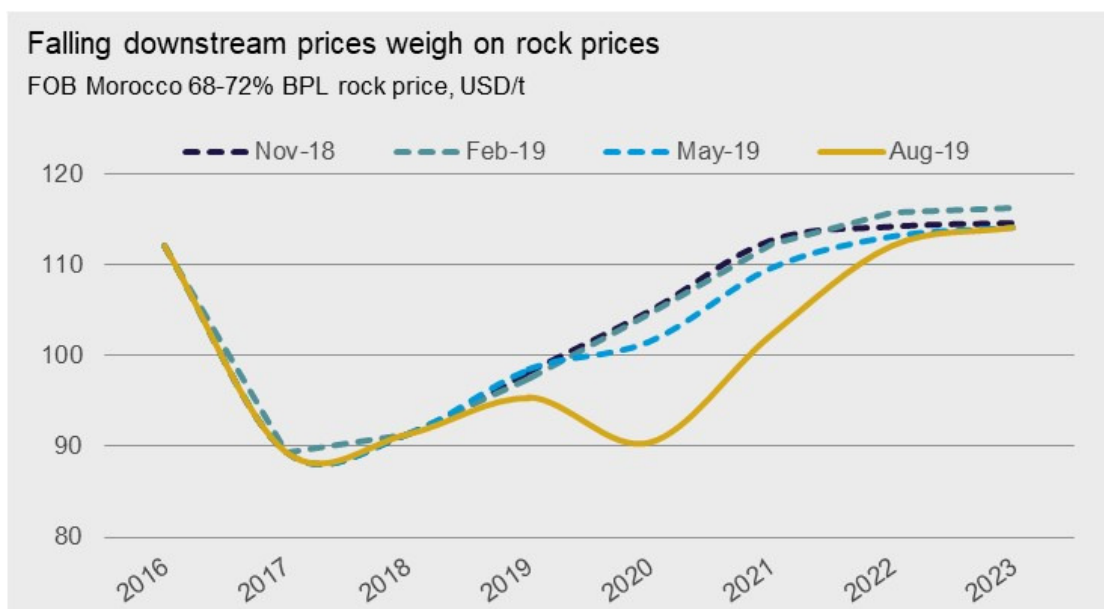
Centrex Metals Limited (ASX: CXM) (“**Centrex**” or the “**Company**”) recently reported that it had completed the on-site assembly of the 70 tonne per hour (tph) Start-Up Plant without incident. The 70tph modular Start-Up Plant has been designed as an oversized module able to be readily upgraded to a 140tph circuit so as to meet the proposed full-scale production of about 800,000 tonne per annum of concentrate proposed for the full Ardmore operation.



**CAPTION:** Processing Plant Installation Completed at Ardmore

While funding options for the completion of the Trial Mine are being pursued, the start of operations will be deferred and the Company is taking proactive measures to reduce costs. The Company has been progressing various potential funding solutions in order to supplement the cash position of about \$4 million (*as at 30<sup>th</sup> September - see ASX Release 17 October 2019*), including discussions with potential strategic offtake partners, phosphate marketing groups, targeted resource funds and institutional investors.

Whilst the near-term phosphate rock price has been negatively impacted due to increased stocks and a poor planting season in the price setting North American market, a supply overhang in Morocco and changing agricultural practices due to environmental restrictions in China, prices are expected to commence a recovery in 2020. A combination of supply constraints, as prevailing prices result in high cost producers being unable to sustain production and a return to normalized demand growth is expected to result in strong price gains through 2021-22, resulting in the medium-term price outlook remaining broadly in line with the Ardmore DFS (*see ASX Release 28 February 2019*) price assumptions. This position is supported by analysis undertaken by leading phosphate market research specialists CRU. The figure below illustrates the forecast steadying of prices in 2020 before a return to price growth.



**CAPTION:** CRU historical Phosphate Rock Price Forecasts

### Ardmore Project

With the on-site assembly of the Start-up Plant complete, the Company has secured the site and is currently progressing all other required activities to advance the Trial Mine following fund raising being concluded. These activities include targeted marketing of additional trial parcel concentrate sales, and progressing logistics and contracting in relation to mining and other operational activities.

## Other Projects

The Company is actively considering options for its other projects including seeking partners or divestment possibilities for its Oxley Potash/Potassium Nitrate project and the Goulburn Zinc project. In addition, the A\$10m contingent iron ore royalty stream receivable from GFG Alliance is considered non-core and may be marketed by the Company to potential interested parties.

## Corporate

In addition to the Project related initiatives, the Company is implementing a number of cost-cutting measures to reduce corporate overheads including a reduction in the size and fees of the Board in addition to several changes in staff levels and structure. The measures will reduce expenditure and corporate overheads pending the completion of the fund raising for Ardmore, whilst ensuring the Company retains core capabilities and continues to operate efficiently.

## Chief Executive Officer Comment

Centrex CEO Simon Slesarewich said: *“It is prudent that the Company now reviews its cost base so as to retain value and internal capability whilst funding discussions are progressed in the prevailing phosphate fertiliser market. We look forward to securing the required funding and advancing the Trial Mine as soon as possible to demonstrate the quality of the Ardmore product and further advance the Project to align with the expected rise in phosphate prices in the medium term.”*

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