



Quarterly Activities Report September 2021

29 October 2021

ASX Code: CXM

Issued Capital:

Shares	367M
Share Price	A\$0.10
Market Cap.	A\$36m
Cash (30 Sept)	A\$2.067M

Board of Directors:

Mr Peter Hunt
Non-Executive Chairman

Mr Graham Crisp
Non-Executive Director

Dr A John Parker
Non-Executive Director

Mr Robert Mencil
Managing Director

Level 6, 44 Waymouth St
Adelaide, SA, 5000
T +61 8 8213 3100
www.centrexmetals.com.au

HIGHLIGHTS

Corporate

- ▶ **A\$2.07 million cash reserves as of 30th September 2021**
- ▶ **Appointment of Managing Director, Robert Mencil**
- ▶ **Rejection of Extension Fee under Royalty Deed signed between Southern Cross Fertilisers Pty Ltd, Centrex Phosphate Pty Ltd and the Company**

Project Advancement

- ▶ **August 2021 Updated Definitive Feasibility Study (DFS) confirms Ardmore Phosphate Rock Project profitability and robustness.**
 - **Project Net Present Value (NPV) of A\$207m using a 7% discount factor**
 - **Pre-tax IRR of 52% and a payback period of less than 2 years.**
 - **Project gross revenue of A\$1.453 bn, total cost A\$965m and free cash of A\$429m.**
- ▶ **Ardmore Phosphate Rock Project Direct to farmer sales continued.**
- ▶ **Research and Development Contract signed to develop a new microbial phosphate product prototype.**
- ▶ **Oxley Potash – Test work ongoing**

QUARTERLY REPORT

1. CORPORATE

The Company ('Centrex') maintained a cash balance of A\$2.07 million as of 30th September 2021.

On 1 September 2021, the Company announced that the Company's CEO, Robert Mencil had successfully completed his probationary period, and following this, the Board decided to appoint him in the role of Managing Director.

Mr Mencil is an engineering and mining executive with more than 25 years' experience developing and operating a wide range of mining, mineral processing, and engineering operations.

On 20 September 2021, the Company announced that it had received and rejected a payment request for a A\$2M extension fee.

The Ardmore Phosphate Rock Project is subject to a Royalty Deed which was signed between Southern Cross Fertilisers Pty Ltd (**Royalty Holder**), Centrex Phosphate Pty Ltd (Centrex Phosphate) and the Company on 27 June 2017 and subsequently amended on 31 July 2017 and 30 April 2018 (**Royalty Deed**).

The Royalty Deed includes an extension fee clause. The clause requires Centrex Phosphate to pay a A\$2m extension fee (**Extension Fee**) to the Royalty Holder if it triggers an Extension Period under the clause. The Extension Fee is payable on the first day of the Extension Period and on each anniversary thereafter until the end of the Extension Period, with the Extension Fee being attributable to the next 12 months after the due date of payment.

The Extension Period means the period which:

(a) commences on the fourth anniversary of the registration of the transfer of the tenement

covering the Ardmore Project to the Grantor (**Tenement**); and

(b) ends on the date that "Mining" first commences.

The transfer of the Tenement to Centrex was registered on 27 June 2017. Accordingly, a potential Extension Period would have commenced on 27 June 2021. Importantly, however, should Mining commence before 27 June 2021, the Extension Period will not commence and any requirement to pay the Extension Fee will be of no further effect.

Within the Royalty Deed, "Mining" is defined as the commercial extraction of Minerals from the Royalty Area at a rate at which the total production quantum of the Minerals extracted will exceed 25,000 metric tonnes per annum.

On the evening of the 16 September 2021, the Company received an invoice from the Royalty Holder requesting payment of the Extension Fee.

The Board sought and obtained legal advice.

The Company believes that the mining of more than 27,000 tonnes of ore during February 2021 and the commercial sale of phosphate rock has met the Royalty Deed's definition of the commencement of Mining and can see no other possible interpretation. The Board therefore determined to reject the request for payment of the Extension Fee.

The Company notes that the Royalty Deed includes a dispute resolution clause. The clause includes a requirement for both parties to negotiate in good faith with a view to resolving any dispute within 21 days.

2. ARDMORE PHOSPHATE ROCK PROJECT, QLD

In August 2021, the Company announced an update to its Definitive Feasibility Study (DFS) for its main Ardmore Phosphate Rock Project (“Ardmore”) in Northwest Queensland. (Centrex is also marketing direct-mined phosphate rock within Australia as an additional project).

The original Centrex Ardmore DFS was completed in October 2018. In February 2019, the Company released the results of an Optimised DFS (ASX Release 28 February 2019). This Optimised DFS study has been used as the baseline for the August 2021 Update.

The August 2021 update confirms the main Ardmore Phosphate Project’s profitability and robustness. Key highlights include:

- Project Net Present Value (NPV) of A\$207m using a 7% discount factor
- Pre-tax IRR of 52% and a payback period of less than 2 years.
- Project gross revenue of A\$1.453 bn, total cost A\$965m and free cash of A\$429m.
- Capital Cost increased by 13.6% to reflect increased costs of construction material, labour rates, updated vendor quotations and recent project benchmarking.
- Operating costs increased by 10% to reflect recent increases in industry labour rates.

Assumptions include-

- ▶ Simple low risk sale assumption - Free on Board (FOB) Townsville.
- ▶ Conservative sale price USD\$135- - Average June/July 2021 North Africa FOB Benchmark Price, adjusted for grade.

GR Engineering Services Limited were engaged to update the capital cost estimate. Plant design, site layout, construction material quantities and erection/ installation hour estimate were all unchanged.

Total Capital Cost estimate increased by 13.6%. This increase reflects-

- Increased costs of construction materials and labour rates.
- Key mechanical and electrical equipment costs updated based upon re-validation of vendor quotations or recent project benchmarking.
- The A\$78m Total Capital Cost includes an 8% contingency as per the 2018 DFS.

Operating costs were updated by the Company. Mining, processing, and transport physical assumptions were all unchanged.

Total Operating costs were increased by approximately 10% to reflect demand for industry specific labour and subsequent increased labour rates. It’s noted for the period March 2018 to July 2021 the Consumer Price Index (CPI) price rise was 5.5%.

Unlike the 2018 Feasibility study, the point-of-sale assumption for the August 2021 update is Free on Board (FOB) Townsville, Australia, rather than an end customer Cost and Freight (CFR) price.

This change recognizes the fact that most of Centrex’s future customers will arrange their own shipping. By developing the project on a FOB basis, it simplifies the business and limits the Company’s exposure to freight fluctuations and foreign exchange rates.

The sell price assumption for the August 2021 DFS update is based upon the June/July 2021 average North African 70%BPL benchmark sale price, adjusted for grade. This is a conservative estimate, as it doesn’t include any sales premium for an Australian supplier when servicing domestic, New Zealand and North Asian customers.

A 0.74 A\$:US\$ exchange rate was used in the August 2021 update. Exchange rate assumptions

were based on the most recent forecasts from the four major Australian Banks.

Underlying mine designs and resulting Ore Reserves remained unchanged from the 10.1 million tonnes at 30.2% P₂O₅ reported DFS. This recognises their relative insensitivity to mining costs due to the orebody's low waste strip ratio and shallow dipping nature.

The update provides Centrex with confidence to commence project financing discussions and progress product sales.

In August 2021, the Company announced that an initial shipment of its phosphate rock had been transported to the East coast for use as a direct application fertilizer following a successful crushing trial.

Whilst the majority of the mine's future product is intended for the phosphatic fertiliser production market, an initial 27,000 tonne parcel has been made available to farmers for use as direct application phosphate rock.

Based on the success of the trial, the Company announced that it has increased advertising its Direct Application Phosphate Rock (DAPR) product for sale.

The Company intends to sell a range of products sizes ranging from Run of Mine (Typically -500mm) to a crushed and screened product down to -4mm. The product will be delivered in either one tonne bulk bags or subject to container availability, approximately 25 tonne lots via 20 ft lined sea containers. Alternatively, customers can collect their own product per truck load.

Taking advantage of the high number of empty trucks returning to the East Coast from North West Queensland, the Company has negotiated low freight rates to the East Coast with regional transport company Rod Pillion Transport. This

provides a cost-effective freight solution as far south as Naracoorte South Australia.

The direct application of phosphate rock provides an environmentally friendly long-term source of slow-release phosphorus. Ardmore's phosphate is being crushed to particles of approximately 1-4mm which is broken down naturally in acidic soils.

Due to significant customer interest, the Company intends to employ its first agronomist to manage sales and DAPR product promotion.

The Company has also signed a Research and Development contract with Microbiology Laboratories Australia Pty Ltd to develop a new microbial product prototype to further increase the value and effectiveness of its Ardmore Direct Application Phosphate Rock (DAPR) product.

Microbiology Laboratories Australia is a leading Australian provider of microbiology analyses and research to the agriculture, forestry, environmental management, and fertiliser industry. On behalf of Centrex, they will search and screen their library of numerous agricultural and environmental organisms to select a short list of microbes to meet Centrex's product design objectives.

Potential desirable microbes will be subject to in vitro screening for traits indicating:

- The ability to improve the release of phosphorus and potential other plant nutrients from Ardmore phosphate
- Plant growth benefits
- Soil health benefits.

A short-list of microbes that demonstrate the best performances of these traits will be selected for a Proof-of-Concept phase and eventual Standardised Product Evaluation. The Proof-of-Concept phase is expected to be complete by April 2022 and the Standard Product Evaluation by September 2022.

3. EXPENDITURE

The total expenditure on exploration and development activities by the Company during the Quarter was \$0.370M, relating to general care and maintenance of all tenements.

For the purposes of Item 6.1 of Appendix 5B, the aggregate payments during the Quarter to related parties (totalling \$61,000) were comprised of Consulting Fees, Directors fees plus statutory superannuation and an interest payment to Energy Exploration Pty Ltd (\$30,000) payable under the Convertible Security Agreement as referred to in previous ASX announcements.

4. OXLEY POTASSIUM FERTILIZER PROJECT, WA

Metallurgical sighter tests of Oxley ore continued during the quarter. The aim of the test work is to convert Oxley ore's structural potassium into a soluble plant-available potassium using a relatively simple low-cost alkali-hydrothermal treatment.

The final product needs to be sufficiently high in soluble potassium (K) to be cost effective .

Initial test work has focused on creating a K concentrate which can then undergo alkali-hydrothermal treatment.

Test work to date has focused on using flotation to create a concentrate. This work has had limited success.

Differential grinding followed by screening is a potential alternative method of concentration. Specialised grinding media has been ordered from overseas. Once received, it will be used to complete a series of grinding and screening tests.

Access to suitable alkali-hydrothermal treatment test facilities within Australia is proving difficult. If access cannot be secured in Australia, this component of the test work will need to be completed in a specialised laboratory overseas.

The test work is now expected to be completed by July 2022.

A significant price increase has continued for potash products over the last quarter.

5. GOULBURN GOLD-BASE METAL PROJECT, NSW

Centrex's has two exploration licences, EL 7388 Goulburn and EL 7503 Archer located in the east Lachlan Fold Belt.

During the quarter, introductory letters were sent to a number of landholders commencing the land access negotiations process.

6. SUBSEQUENT EVENTS

In relation to SCF's payment request of an Extension Fee, on the 14 October 2021 the Company announced that it had received a Dispute Notice under the Royalty Deed.

The Royalty Deed dispute resolution clause includes a requirement for both parties to negotiate in good faith with a view to resolving any dispute within 21 days after the receipt of a dispute notice.

On 11 October 2021, the Company announced the introduction of Agriflex Pty Ltd as the market-facing brand behind its highly anticipated Ardmore Phosphate Rock Project.

Centrex will also seek shareholder approval at its upcoming AGM for the publicly listed holding company to remove 'Metals' from its name and become Centrex Limited in support of its formal transition from a traditional exploration and mining to a modern resource company.

On the 14 October 2021, the Company announced that its 100% owned subsidiary Agriflex Pty Ltd (Agriflex) had executed a conditional Term Sheet (Term Sheet) with Samsung C&T Corporation (Samsung).

Samsung is one of the world's largest traders of fertilisers. It has representatives in 73 offices in 43 countries around the world.

The Term Sheet outlines Agriflex's appointment of Samsung as its sole and exclusive Marketing Representative for upgraded phosphate sales into Korea, Japan, Indonesia, India and Mexico.

The initial term of the Term Sheet is for the first 3 years of production from Agriflex's planned 800,000 tonnes per annum at the Ardmore Phosphate Project.

Samsung will provide Agriflex with marketing services for sales of an annual quantity equal to the lesser of 20% of the product from the Project or 160,000MT of the high-grade product. In addition, Samsung may also assist the Company with sales of any additional quantity of product not taken by other off takers.

The price to be paid by Samsung will be the market netback price (defined as the actual sales price minus direct costs and a marketing service fee).

The conditions precedent for the agreement are Agriflex's final board approval to complete the 800ktpa plant, Samsung's internal corporate approvals in its absolute discretion, Agriflex's financial close in relation to the financing arrangement for the Project and the commencement of production from the 800ktpa plant.

The conditions precedent (other than the start of commercial production at the Project (based on 800 ktpa)) must be satisfied within three (3) years after signing of the Term Sheet.

The parties intend to enter into a more detailed marketing services agreement which will replace and expand upon the terms and conditions set out in the Term Sheet.

On 28 October 2021, the Company announced that it had received binding commitments for a share placement to professional and sophisticated investors raising \$4m. The Lead Manager to the share placement was Taylor Collison Limited.

7. TENEMENTS

The Company and its wholly owned subsidiaries hold the following tenements and leases as at 30th June 2021:

Queensland (Phosphate)

Ardmore	ML 5542
Ardmore	EPM 26551
Ardmore	EPM 26568
Ardmore	EPM 26841

New South Wales (Zinc)

Goulburn	EL 7388
Archer	EL 7503

Western Australia (Potash)

Oxley	E70/4318
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Northern Territory (Phosphate)

ELA	32048
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Attached is the Appendix 5B Statement of Cash flows for the period from 1st July 2021 to 30th September 2021.

This Quarterly Activities Report and Appendix 5B have been approved for release to the ASX by the Board of Centrex.

For further information please contact:

Mr Robert Mencil
Chief Executive Officer
Centrex Metals Limited
Ph (08) 8213 3100

Mr Jonathan Lindh
Company Secretary
Centrex Metals Limited
Ph (08) 8213 3100

About Centrex Metals

Centrex Metals is looking to secure Australasia's sustainable agriculture future through the exploration and development of its wholly-owned Ardmore Phosphate Project and Oxley Potash Project. The products from both of these projects are necessary ingredients for global food production and human nutrition. The Centrex Metals fertiliser projects are located near to established transport infrastructure that is necessary for access to established agricultural markets. The Company is also continuing its copper-gold-base metal exploration projects near Goulburn in the Lachlan Fold Belt in New South Wales.

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

Centrex Metals Limited

ABN

97 096 298 752

Quarter ended ("current quarter")

30th September 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (if expensed)	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(117)	(117)
(e) administration and corporate costs	(116)	(116)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	1
1.5 Interest and other costs of finance paid	(30)	(30)
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (Fuel Tax Credits/Cash Flow Boost)	-	-
1.9 Net cash from / (used in) operating activities	(262)	(262)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation (if capitalised)	(370)	(370)
(e) investments	-	-
(f) other non-current assets	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other	-	-
2.6	Net cash from / (used in) investing activities	(370)	(370)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible note	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
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 (Convertible note interest)	-	-
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	2,699	2,699
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(262)	(262)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(370)	(370)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,067	2,067

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	697	1,329
5.2	Call deposits	-	-
5.3	Bank overdrafts		
5.4	Other – term deposits (maturity within 90 days)	860	860
5.4	Secured term deposits*	510	510
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,067	2,699

* Term Deposits held in relation to secured bank guarantees

6. Payments to related parties of the entity and their associates

6.1	Aggregate amount of payments to related parties and their associates included in item 1 (Includes Directors Fees plus Superannuation)	61
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

**Current quarter
\$A'000**

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(262)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	(370)
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(632)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	2,067
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	2,067
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	3.27
8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	
1. Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
Answer: N/A	
2. Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
Answer: N/A	
3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	

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.

Date: 29 October 2021

Authorised by: By the Board
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow 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 cash flow 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.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.