

29 April 2024

31 MARCH 2024 QUARTERLY ACTIVITIES & CASHFLOW REPORT

Polymetals Resources Ltd (ASX: **POL**) (**Polymetals** or the **Company**) provides its 31 March 2024 Quarterly update as the company advances its corporate strategy focussed on the recommencement of production at the Endeavor Silver, Zinc & Lead Mine.

HIGHLIGHTS

- **Strengthened metal prices have significantly improved the Endeavor Silver, Zinc and Lead Mine economics.**
- **Optimisation and restart planning well advanced.**
- **Phase 2 drilling at Carpark has advanced the prospect with results indicating a potentially deeper sulphide source.**
- **Phase 3 drilling planned to commence during the June quarter.**
- **Endeavor Mine acquisition completion imminent with solution to Environmental Rehabilitation Bond exchange.**

ENDEAVOR MINE

Following completion of the Endeavor Mine Restart Study (MRS) in October 2023, the company has continued with mine optimisation and planning work in preparation for the recommencement of operations. This work has identified several potential additional ore sources which will be included in an updated Mine Plan. The recent improvement in metal prices has also significantly strengthened project economics. Table 1 compares the MRS financial outcomes when calculated using current prices and exchange rates.

The Endeavor project planning and pre-development expenditure during the quarter was \$1,714,000.

Parameter	Mine Restart Assumption	Current*
Silver Price (US\$/oz)	\$23.00	\$27.23
Zinc Price (US\$/tonne)	\$2,750	\$2,844
Lead Price (US\$/tonne)	\$2,200	\$2,207
Exchange Rate AUD : USD	0.67	0.65
Before Tax NPV _{8%}	\$201M	\$278M
IRR	91%	131%
Before tax Free Cashflow	\$323M	\$436M

Table 1 Endeavor Mine Financial outcomes MRS versus Current

*Source - Market Index 29/04/2024

EXPLORATION

Near-mine exploration continued at the Carpark Prospect which lies in an undrilled zone extending over some 400m south from the Endeavor Mine Main Lode.

Early in the March quarter, the company received the reprocessed historical near mine geophysical data which has defined gravity, magnetic and IP anomalies over the Carpark Prospect. Phase 1 drilling results generated during the December quarter and the geophysical data provided significant justification to complete a Phase 2 drilling programme during the March quarter.

Significant anomalism was encountered in all the Phase 2 RC drill holes which presented an opportunity to expand the programme to include two diamond tails.

The March quarter Phase 2 programme saw a total of 1,198m of reverse circulation drilling, 318m of oriented HQ core and a 360m down hole electromagnetic survey (DHEM) completed. Geological observations in combination with semi-quantitative multi-element data collection using a portable pXRF analyser strongly indicates a buried sulphide source within the Carpark Prospect to the immediate south of the Endeavor Main Lode.

The significant zinc anomalism and DHEM survey results from the Phase 2 drilling has further strengthened the prospectivity of the Carpark Prospect and a Phase 3 drilling program has been planned and will be commenced during the June quarter.

Exploration & evaluation expenses were \$90,000 during the March quarter.

The Company did not acquire or dispose of any tenements in the quarter.

PROJECT FINANCING

Following completion of the Endeavor MRS, Polymetals initiated a process to arrange a suitable financing package for the company to execute the mine restart plan. A positive independent third party technical due diligence study was completed by Australian Mining Consultants (AMC) as part of this process. The company has engaged with selected international credit funds and financiers to evaluate potential debt facilities.

CORPORATE

During (and subsequent to the end of) the quarter, the Company and CBH Resources have been negotiating revised arrangements with respect to exchange of the current Endeavor Environmental Rehabilitation Bond, the last remaining condition before the Company is entitled to take full ownership of the Endeavor mine. These negotiations are continuing.

Excellent progress has been made and the Company is confident that it will be in a position to announce the material terms of these revised arrangements within the next 2 weeks¹. In the meantime, the existing arrangements between the Company and CBH will remain as is and the Company will continue with its development activities at (and in relation to) the Endeavor Project.

The revised Endeavor Project economics (optimised mine plan and updated Ore Reserve) and Project Financing details will also be released as each element is completed.

Continued operational funding (in the form of short-term, non-convertible and unsecured loan funding) for the Company has been provided by an entity related to the Chairman which will allow the Company to close on its various corporate initiatives and strategic partnering options. Based on these activities, the company anticipates finalisation of the Endeavor restart financing during the current quarter.

Payments in cash to related parties of the Company and their associates during the quarter was \$12,000 (GST exclusive).

Cash at bank as of 31st March 2024 was \$378,000.

SIGNIFICANT EVENTS POST QUARTER

The company received \$175,000 from the NSW Critical Minerals Activation Fund matched expenditure program. A further \$75,000 remains outstanding from a \$500,000 grant approved in November 2022.

ENDS>

¹ Please note that there can be no certainty that the Company will be able to enter into revised arrangements with CBH Resources. The Company will keep the market updated in accordance with its continuous disclosure obligations.

ASX Announcement

ASX: **POL**



This announcement was authorised for release by Polymetals Resources Board.

For further information, please contact:

Linden Sproule

Corporate Development

linden.sproule@polymetals.com

John Haley

Chief Financial Officer / Company Secretary

john.haley@polymetals.com



Figure 1: Endeavor Headframe and Grinding area

ABOUT POLYMETALS

Polymetals Resources Ltd (**ASX: POL**) is an Australian mining and exploration company with our cornerstone asset the Endeavor Silver Zinc Lead Mine, one of the three large mines in Cobar NSW Australia, Polymetals is seeking to become a long term, consistent and profitable base and precious metal producer. Polymetals holds a strong exploration portfolio for organic growth, are development driven and continually measure strategic acquisition opportunities. For more information visit www.polymetals.com

FORWARD LOOKING STATEMENT

Certain statements in this document are or maybe “forward-looking statements” and represent Polymetals’ intentions, projections, expectations or beliefs concerning among other things, future exploration activities. The projections, estimates and beliefs contained in such forward-looking statements necessarily involve known and unknown risks, uncertainties and other factors, many of which are beyond the control of Polymetals, and which may cause Polymetals’ actual performance in future periods to differ materially from any express or implied estimates or projections. Nothing in this document is a promise or representation as to the future. Statements or assumptions in this document as to future matters may prove to be incorrect and differences may be material. Polymetals does not make any representation or warranty as to the accuracy of such statements or assumptions.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Name of entity

POLYMETALS RESOURCES LTD

ABN

73 644 736 247

Quarter ended ("current quarter")

31 March 2024

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(198)	(697)
	(e) administration and corporate costs	(56)	(295)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	175	450
1.8	Other (provide details if material)	-	-
1.9	Net cash from / (used in) operating activities	(79)	(542)
2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	(90)	(129)

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
	(e) investments	-	-
	(f) project development-Endeavor	(1,714)	(5,342)
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 (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(1,804)	(5,471)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	1,150	2,110
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	488
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	750	1,250
3.6	Repayment of borrowings	-	(200)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other	-	-
3.10	Net cash from / (used in) financing activities	1,900	3,648

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	361	2,633
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(79)	(542)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,804)	(5,471)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,900	3,648
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	378	378

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	378	361
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	378	361
6.	Payments to related parties of the entity and their associates	Current quarter \$A'000	
6.1	Aggregate amount of payments to related parties and their associates included in item 1 (Director Fees)	12	
6.2	Aggregate amount of payments to related parties and their associates included in item 2	0	

Note : The above payments to directors reflect fees for services paid during the current quarter. More information concerning the breakdown of the relevant director payments can be found within the accompanying Quarterly Announcement.

7.	Financing facilities <i>Note: the term “facility” includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>	Total facility amount at current quarter end \$A’000	Amount drawn amount at previous quarter \$A’000
7.1	Loan facilities	1,805,000	1,150,000
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financing facilities	1,805,000	1,150,000
7.5	Unused financing facilities available at quarter end	Nil	
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.		
<p>This loan facility was provided by Meadowhead Investments Pty. Ltd, an entity associated with Mr. David Sproule, the Executive Chairman of the Company. The loan bears interest at the rate of 5% per annum, is unsecured, and is repayable at the lenders election on the earlier of the Company’s next capital raising or 30 September 2024 (being 18 months from the first drawdown on 30 March 2023).</p> <p>\$94,498 of the facility (of \$1,150,000) at the previous quarter end was converted to share capital on 8 January 2024 as part of the Company’s rights offer entitlement issue.</p> <p>No further loan facilities (or repayments) have been entered into (made) by the Company since the end of the quarter.</p> <p>Note: In addition to the loan facility above, Meadowhead Investments Pty. Ltd, an entity associated with Mr. David Sproule, the Executive Chairman of the Company, advanced \$500,000 to the Company as part of a commitment for subscription to the Company’s rights offer entitlement issue. This was converted to share capital on 8 January 2024 when all of the shares issued under the Rights Issue were allotted.</p>			

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(79)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(90)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(169)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	378
8.5	Unused finance facilities available at quarter end (Item 7.5)	Nil
8.6	Total available funding (Item 8.4 + Item 8.5)	378
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	2.2
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:

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:

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:

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 April 2024**

Authorised by: **Polymetals Resources Ltd Board of Directors**

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 – e.g. 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.