

ASX: **POL**

ASX Announcement



2 July 2024

## 30 JUNE 2024 QUARTERLY ACTIVITIES & CASHFLOW REPORT

Polymetals Resources Ltd (ASX: **POL**) (**Polymetals** or the **Company**) provides its 30 June 2024 Quarterly update as the company advances its strategy to recommence production at the Endeavor Silver, Zinc & Lead Mine.

### HIGHLIGHTS

- **Two-year deferral of the Endeavor Mine Rehabilitation Bond.**
- **Strategic \$5.0M investment by Metals Acquisition Limited.**
- **Successful \$6.2M equity raise.**
- **Mine optimisation drilling commenced.**
- **Project funding well advanced.**
- **Notice of Meeting documents released.**

### Polymetals Executive Chairman Dave Sproule said:

*"The Board is very pleased with the significant achievements completed by the Team over the quarter. Restructuring of the Endeavor Project acquisition, accompanying deferral of the Bond replacement and the recent successful equity raising has the Company well placed to now finalise the modest debt facility required to bring the Endeavor silver zinc lead mine back to production.*

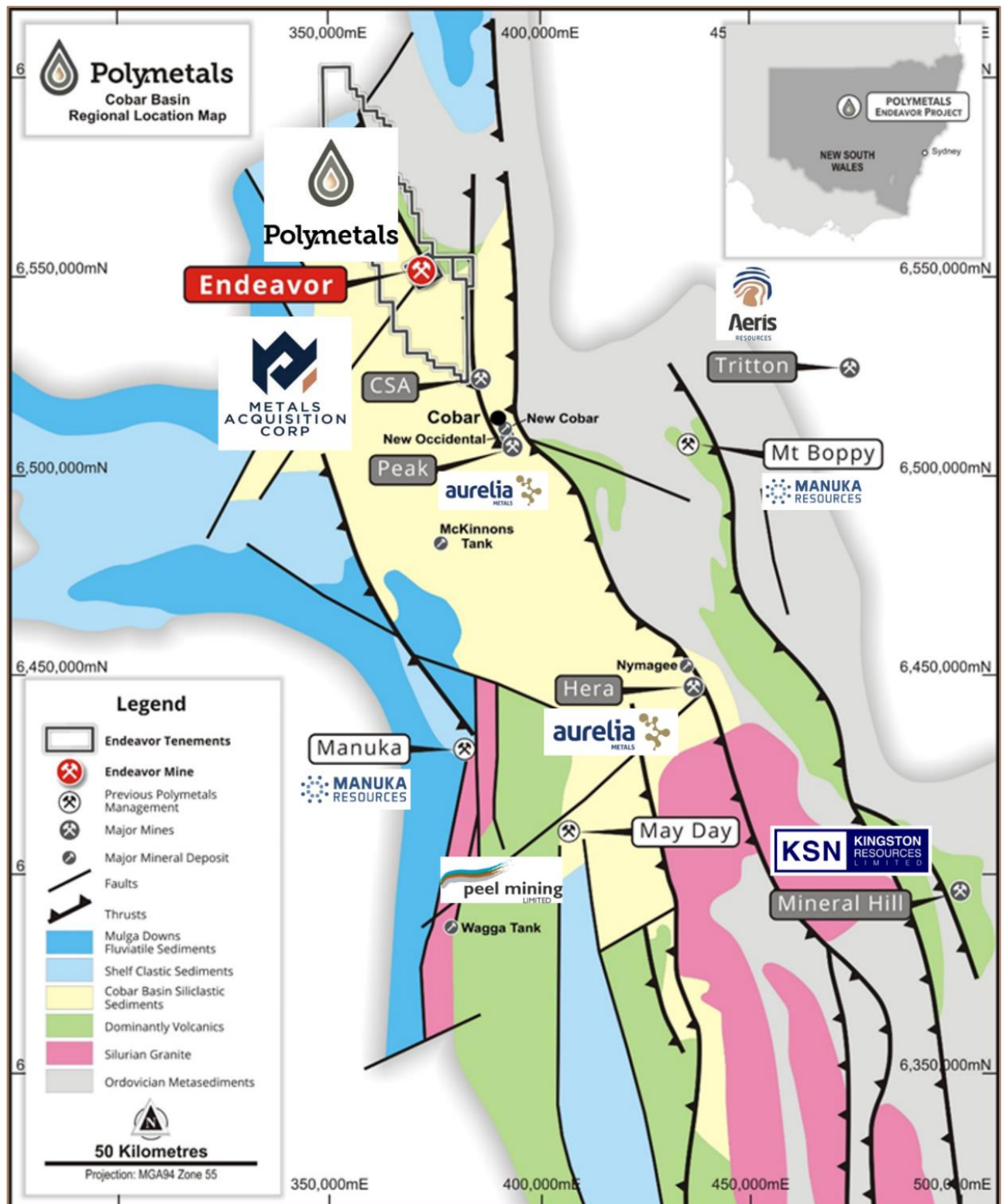
*With the assistance of the vendor, CBH Resources, handover of the Endeavor mine site to Polymetals senior staff is also well advanced which should be completed by the end of July, allowing further senior management to be appointed and the refurbishment works commenced in earnest."*

### ENDEAVOR MINE REHABILITATION BOND

On the 14<sup>th</sup> May 2024, Polymetals, through its wholly owned subsidiary, Cobar Metals Pty Ltd (Cobar Metals), entered into revised arrangements with CBH Resources Ltd (CBH), for the purchase of the Endeavor Silver, Zinc and Lead Mine near Cobar, NSW<sup>1</sup> (**Figure 1**). In addition to delivering Polymetals with 100% ownership of the Endeavor Mine and 1,100km<sup>2</sup> of exploration tenements in the Cobar Basin, the revised arrangements provide Polymetals with an additional 2 years to replace the \$27.96

<sup>1</sup> Refer ASX announcement, "Endeavor Silver Zinc mine acquisition accelerated" dated 14<sup>th</sup> May 2024.

million Endeavor Mine Rehabilitation Bond (Bond). Completion of the Endeavor Mine acquisition is subject to Polymetals shareholder approval of the grant of security associated with the new arrangements. A Shareholder Meeting will be held on 16<sup>th</sup> July 2024 to consider the required approval.



**Figure 1: Cobar Basin Mines and Operating Companies**

## **STRATEGIC INVESTMENT BY METALS ACQUISITION LIMITED**

Polymetals has formed a non-exclusive strategic alliance with Metals Acquisition Limited (ASX: **MAC**)<sup>2</sup> with MAC committing to a \$5.0 million investment in POL. MAC owns and operates the high-grade CSA Copper Mine located 5 km to the north of Cobar NSW with the Endeavor Silver Zinc mine located some 30km to the north of CSA (**Figure 1**).

The alliance between MAC and POL will allow each company to exploit synergies between their neighbouring mines, seeking to enhance operational and financial outcomes through knowledge sharing, purchasing leverage and by increasing mine production at both projects.

The \$5.0 million MAC investment is via two \$2.5 million tranches:

**Tranche 1** - an initial A\$2.5 million was received on 27<sup>th</sup> May 2024 when the Company issued 7,142,857 fully paid ordinary shares to MAC at a price of A\$0.35/share for an initial 4.31% interest in POL. The placement shares were from the Company's available Listing Rule 7.1 placement capacity.

**Tranche 2** - MAC will invest an additional A\$2.5 million at a share price of A\$0.35/share, subject to satisfaction of certain conditions precedent including:

- POL and MAC entering into a tolling agreement to treat zinc ore delivered by MAC to POL (with a treatment charge of costs + 35%);
- POL securing sufficient funding to restart the Endeavor mine and processing plant;
- POL and MAC entering into a Water Offtake agreement whereby POL will allow MAC to draw up to 150ML of POL surplus water annually from the Endeavor mine pipeline for a term of 4.5 years. MAC will have an option to extend beyond the initial 4.5 years on terms to be agreed in good faith between the parties, and;
- MAC securing any necessary third-party consents (including from its secured lenders and Glencore Plc) to undertake the transactions contemplated.

MAC retains the right to appoint one director to the board once it holds 7% of POL issued shares.

## **\$6.2 MILLION PLACEMENT<sup>3</sup>**

The June 2024 Placement was strongly supported by existing and new domestic and offshore sophisticated, professional and institutional investors.

The Company issued 22 million New Shares at an issue price of \$0.28 per New Share to raise \$6,160,000 (before issue costs). Existing Polymetals shareholder, Sparta AG, committed to subscribe for an additional 2 million POL shares at \$0.28 per share to be issued as a conditional placement, subject to Polymetals shareholder approval<sup>4</sup>. MAC also contributed its pro-rata share to maintain a 4.31% shareholding in POL.

<sup>2</sup> Refer ASX announcement, "Metals Acquisition & Polymetals Alliance" dated 27<sup>th</sup> May 2024.

<sup>3</sup> Refer ASX announcement, "\$6.2 million Equity Raise" dated 4<sup>th</sup> June 2024.

<sup>4</sup> Refer ASX announcement, "Notice of Extraordinary General Meeting Proxy Form" dated 14<sup>th</sup> June 2024.



In addition to the Placement, \$1.4 million of unsecured loan facility provided by Executive Chairman, Mr David Sproule, will (subject to shareholder approval) separately be converted into equity at the Offer Price of \$0.28 per New Share.

## **MINE PLAN OPTIMISATION**

### **Geotechnical Drilling**

Planned geotechnical core drilling of the near surface high-grade Upper North Lode<sup>5</sup> (UNL) resources was 90% complete by quarter end. The drilling programme was designed to intersect UNL mineralisation and surrounding strata to enable geotechnical logging to be completed (**Figure 2**). Geotechnical investigations of the core generated from the drilling programme is aimed at determining if the UNL Ore Resources and Ore Reserve can be enhanced via a change to mining techniques. Should this work prove positive, the Company anticipates that project economics will be significantly enhanced via increased available high grade silver zinc UNL ore, reduced mining costs and faster mining rates.



**Figure 2: Upper North Lode - geotechnical drilling**

<sup>5</sup> Refer ASX announcement, "Endeavor Silver Zinc Mine Plan Optimisation" dated 29th May 2024.

### **Main Orebody**

Continuing Mine Plan optimisation within the Main Orebody has identified additional mineralisation which was identified after release of the October 2023 MRS. This mineralisation may also materially increase Ore Reserves with study results of this continuing Main Orebody work and the UNL optimisation to be released upon completion. The expectation is a potential uplift in ore tonnage which would extend the Endeavor Mine life and projected financial returns.

### **Sector 1 Tailings**

The October 2023 MRS assumed that the high-grade Sector 1 tailings will be treated following mining and milling of the Endeavor Mine hard rock Ore Reserves. A Sector 1 tailings “Push Drilling” programme was completed during the quarter to generate metallurgical sample for testwork and to better define the high grade tailing resource.

### **NEAR MINE EXPLORATION**

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

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 completed during the March quarter has further strengthened the prospectivity of the Carpark Prospect. Phase 3 drilling of the Carpark Prospect will commence immediately following completion of the UNL geotechnical drilling programme. The planned Carpark drilling programme includes three 500m combination RC / DD holes.

Exploration & evaluation expenses were \$91,000 during the June quarter.

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

### **PROJECT FINANCING**

The Company is now well-advanced with debt providers following the key milestone events including the Bond Deferral, the MAC Strategic Alliance, the Equity Raise and the pending completion of the Mine Plan Optimisation; all adding to the likely close of project funding during the current quarter. Silver, zinc and lead prices have also enhanced the Mine Restart (**MRS**) modelled returns, and the Company is confident the completion of the Mine Plan Optimisation Study (updating the October 2023 MRS) may enhance project returns and operational life.

## **CORPORATE**

The Endeavor project planning and pre-development expenditure during the quarter was \$993,000.

Payments in cash to related parties of the Company and their associates during the quarter was \$18,000 (GST exclusive).

The Company's cash balance on 30<sup>th</sup> June was \$7.84 million.

**<ENDS>**

**This announcement was authorised for release by Polymetals Resources Ltd Board.**

*For further information, please contact:*

**Linden Sproule**

Corporate Development

[linden.sproule@polymetals.com](mailto:linden.sproule@polymetals.com)

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## **ABOUT POLYMETALS**

Polymetals Resources Ltd (ASX: POL) is a mining company developing the high-grade Endeavor silver zinc lead mine located within Australia's premier polymetallic mineral province the Cobar Basin, New South Wales, Australia. Polymetals is on track to become a long term, profitable base and precious metal producer. Polymetals holds a strong exploration portfolio for organic growth with excellent potential for discovery of copper, gold, silver and zinc orebodies. For more information visit [www.polymetals.com](http://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.

## 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")

30 June 2024

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(315)	(1,012)
	(e) administration and corporate costs	(108)	(403)
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	-	450
1.8	Other (provide details if material)	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(423)</b>	<b>(965)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	(91)	(220)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
	(e) investments	-	-
	(f) project development-Endeavor	(993)	(6,335)
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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1,084)</b>	<b>(6,555)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	8,275	10,385
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	700	1,950
3.6	Repayment of borrowings	-	(200)
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>8,975</b>	<b>12,623</b>



<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	378	2,633
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(423)	(965)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,084)	(6,555)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	8,975	12,623
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>7,846</b>	<b>7,846</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	346	378
5.2	Call deposits	7,500	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>7,846</b>	<b>378</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1 (Director Fees)	18
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.	<b>Financing facilities</b> <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>	<b>Total facility amount at current quarter end \$A’000</b>	<b>Amount drawn amount at previous quarter \$A’000</b>
7.1	Loan facilities	2,580,000	1,805,000
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	2,580,000	1,805,000
<p>This loan facility was provided by Meadowhead Investments Pty. Ltd, an entity associated with Mr. David Sproule, the Executive Chairman of the Company, and Deering Nominees Pty. Ltd, an entity associated with the Spouse of Mr David Sproule. 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>No further loan facilities (or repayments) have been entered into (made) by the Company since the end of the quarter.</p> <p>Note: Meadowhead Investments Pty. Ltd, an entity associated with Mr. David Sproule, the Executive Chairman of the Company, has agreed to convert \$1.4 m of the Loan Facility to share capital (at 28c per share). This is subject to Shareholder Approval being obtained at an EGM of the Company on 16 July 2024.</p>			
7.5	<b>Unused financing facilities available at quarter end</b>	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.		
Not applicable.			

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (Item 1.9)	(423)
8.2	(Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	(91)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(514)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	7,914
8.5	Unused finance facilities available at quarter end (Item 7.5)	Nil
8.6	Total available funding (Item 8.4 + Item 8.5)	7,914
8.7	<b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	15

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: 2nd July 2024

Authorised by: By the Polymetals Resources Ltd Board

## 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.

ASX Listing Rules Appendix 5B (17/07/20)

+ See chapter 19 of the ASX Listing Rules for defined terms.

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.