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**ASX Announcement** 31<sup>st</sup> January 2017

**Period Ending** 31<sup>st</sup> December 2016

# Quarterly Activities Report

## Highlights

### Corporate

- ▶ A\$ 1.275 million received during quarter from legal dispute settlement
- ▶ A\$ 26.8 million cash reserves as at 31<sup>st</sup> December 2016 with no debt

### Oxley Potassium Project, WA

- ▶ Design reviews for Prefeasibility Study go-forward options well advanced
- ▶ Start-up high value potassium nitrate fertiliser operation being considered in Prefeasibility Study along with future expansion into bulk potassium fertilisers
- ▶ Preferred comminution circuit consisting of a two stage crushing circuit followed by a dry vertical roll mill to achieve a P80 of 150 µm grind size
- ▶ Hatch and Novopro completed reviews of the roasting and hydrometallurgical circuits respectively, and are now incorporating improvement suggestions into updated designs
- ▶ Hatch awarded an overall engineering design review to tie in all consultant area reviews and provide updated capital and operating costs to the original Scoping Study estimates
- ▶ Larger scale 2kg scale agitated roast test undertaken in Canada following successful smaller bench scale testwork programs
- ▶ On-site nitric acid and ammonia plant feasibility study completed by Casale
- ▶ Flora & fauna survey, and preliminary hydrology/hydrogeology study completed

# REPORT

## 1. CORPORATE

The Company continues to maintain a healthy balance sheet with A\$ 26.8 million (including A\$ 0.15 million contained in the Eyre Iron Magnetite Joint Venture) in cash reserves as at 31<sup>st</sup> December 2016 with no debt outside of current trade payables.

The cash position increased during the quarter. This was due to receipt of funds from the mutually agreed wind-up of the Port Spencer Joint Venture with Wugang Australian Resources Investment Pty Ltd ("WARI"). Additionally a Research & Development refund of A\$ 174,000 was received from work undertaken on the Oxley Potassium Project.

## 2. OXLEY POTASSIUM PROJECT, WA

Engineering reviews to determine the go-forward option for the Prefeasibility Study progressed during the quarter for Oxley. The Prefeasibility Study is based on a start-up high value potassium nitrate fertiliser operation with consideration of future expansion into other bulk potassium fertilisers.

Dry crushing and grinding utilising a 2-stage crushing and vertical roller mill ("VRM") circuit was selected as the preferred comminution option to achieve a grind size of P80 of 150µm.

Hatch completed a review of the Scoping Study roasting circuit design, suggesting a number of improvements. They are now incorporating these improvements into an updated process design. Hatch have also been awarded an engineering design review for the overall project to tie in all consultant area reviews and provide updated capital and operating costs to the original Scoping Study estimates. The updated estimate is targeted for completion in March 2017.

Based on previously successful bench scale roast testwork results, a further roast trial was completed on a larger scale at Kingston Process Metallurgy Inc.

("KPM") in Canada. A 2kg ore and salt flux composite was roasted in an agitated vertical vessel, with reaction performance measured over time. Chemical analysis results of this work are due in January.



**FIGURE:** 2kg agitated roast test setup in Canada.

Novopro completed a review of the hydrometallurgical circuit and are now working on an updated design based on their recommended improvements.

An on-site nitric acid and ammonia plant feasibility study from Casale has been received. Budgetary pricing has also been received for two alternative vendor process technologies. A preferred vendor will be selected to complete further studies during the Prefeasibility Study.

A flora and fauna study was completed by COOE Pty Ltd over the initial project area during the quarter and results are expected in January. A desktop hydrology and hydrogeological assessment was carried out by CDM Smith during the quarter for the local aquifer at the project site and the nearby brine source held by Centrex. Initial results aligned with

assumptions in the Scoping Study and a work plan to carry out on-ground analysis was provided to Centrex.

### 3. GOULBURN POLYMETALLIC PROJECT, NSW

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

### 4. IRON ORE PORTFOLIO, SA

The Retention Lease for the Kimba Gap Magnetite Project ("Kimba Gap") was approved by the South Australian Government during the quarter with the lease in place for five years, effective from 8<sup>th</sup> November 2016 to 7<sup>th</sup> November 2021. Centrex is marketing both Kimba Gap and its Wilgerup Hematite Project for potential divestment.

No exploration activities were undertaken during the quarter by the Eyre Iron Magnetite Joint Venture ("Eyre Iron"). The Joint Venture held cash of A\$ 0.4 million as at 31<sup>st</sup> December 2016.

Further negotiations were held during the quarter with Baotou Iron & Steel (Group) Co. ("Baotou") in relation to Centrex's exit from the Bungalow Magnetite Joint Venture ("Bungalow"). In exchange for the Company foregoing a A\$ 250,000 payment from Baotou to take entire ownership of the project; Baotou will be solely responsible for any project shut down costs and will store drill core from Centrex's other iron ore projects at the Bungalow facilities at no cost to Centrex. Drafting of legal agreements to affect Centrex's exit from the project is underway and it is anticipated that the process of withdrawal will take several months following their execution.

### 5. TENEMENTS

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

#### 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

Bungalow/Minbrie EL 5851 Wanilla EL 5559  
Wilgerup EL 5641 Greenpatch EL 5852  
Mount Hill EL 5065 Carrow EL 4998

#### *Retention Lease (South Australia)*

Kimba Gap RL 129

#### *Mining Lease (South Australia)*

Wilgerup ML 6344

Attached is the Appendix 5B Statement of Cash flows for the period from 1<sup>st</sup> October 2016 to 31<sup>st</sup> December 2016.

For further information please contact:

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Centrex Metals Limited  
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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> December 2016

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>1. Cash flows from operating activities</b>			
1.1 Receipts from customers	-	-	-
1.2 Payments for			
(a) exploration & evaluation	(610)	(1,206)	
(b) development	-	-	
(c) production	-	-	
(d) staff costs	(241)	(379)	
(e) administration and corporate costs	(286)	(574)	
1.3 Dividends received (see note 3)	-	-	
1.4 Interest received	242	445	
1.5 Interest and other costs of finance paid	-	-	
1.6 Income taxes (paid) / refunded	174	174	
1.7 Research and development refunds	-	-	
1.8 Other – settlement proceeds - Port Spencer legal matter	1,279	1,279	
<b>1.9 Net cash from / (used in) operating activities</b>	<b>558</b>	<b>(261)</b>	
<b>2. Cash flows from investing activities</b>			
2.1 Payments to acquire:			
(a) property, plant and equipment	(9)	(17)	
(b) tenements (see item 10)	-	-	
(c) investments	-	-	
(d) other non-current assets	-	-	
2.2 Proceeds from the disposal of:			
(a) property, plant and equipment	-	-	
(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 (6 months) \$A'000
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(9)	(17)

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	26,250	27,077
4.2	Net cash from / (used in) operating activities (item 1.9 above)	558	(261)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(9)	(17)
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	26,799	26,799

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	5,983	105
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other – term deposits with maturity > 90 days	20,658	25,017
5.4	Other – restricted cash held in JV company	158	1,128
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	26,799	26,250

<b>6.</b>	<b>Payments to directors of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to these parties included in item 1.2	71
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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<b>7.</b>	<b>Payments to related entities of the entity and their associates</b>	<b>Current quarter \$A'000</b>
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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<b>8.</b>	<b>Financing facilities available</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
	<i>Add notes as necessary for an understanding of the position</i>		
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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<b>9.</b>	<b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1	Exploration and evaluation	(810)
9.2	Development	-
9.3	Production	-
9.4	Staff costs	(214)
9.5	Administration and corporate costs	(222)
9.6	Other (provide details if material)	-
9.7	<b>Total estimated cash outflows</b>	<b>(1,246)</b>

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	EL 8215 Woolgarlo, NSW EL 5170 Kimba Gap, SA EL 5617 Stony Hill, SA	Exploration licences relinquished	100%	0%
10.2	Interests in mining tenements and petroleum tenements acquired or increased	RL 129 Kimba Gap, SA	Retention Lease granted	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:

Company secretary

Date: 31<sup>st</sup> January 2017

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.