

METALS X LIMITED - QUARTERLY REPORT

FOR THE QUARTER ENDED 31 MARCH 2020



Metals X Limited (“**Metals X**” or the “**Company**”) presents its activities report for the quarter ended 31 March 2020.

COVID-19 RESPONSE

- ▶ Metals X implemented substantial measures to ensure the safety of employees, contractors, suppliers and the community in response to the COVID-19 pandemic.
- ▶ To date there have been no cases of COVID-19 within the Metals X or Bluestone Mines Tasmania JV (Renison) workforce, with the Company remaining vigilant.
- ▶ To date there has been no disruption to operations, critical supplies or product logistics and shipping at Renison. Business continuity and resilience plans are in place for any disruptions, which include prudent financial measures.

TIN DIVISION

- ▶ Production of 1,740t tin-in-concentrate, 5% higher than the previous quarter due to higher mined grade.
- ▶ EBITDA of \$3.0M and net cash outflow of \$1.5M (MLX 50% share). Cash outflow reflects a continued investment in the metallurgy improvement program, mobile equipment rebuilds, and the Area 5 Mining Optimisation Study.
- ▶ Production guidance for FY19/20 is 7,100 – 7,300t of tin-in-concentrate at an all-in sustaining cost of \$18,600 - \$19,100/t Sn.
- ▶ Updated Renison Mineral Resource of 18.54Mt at 1.54% Sn for 285,100t of contained tin representing a 22,100t (8%) increase in contained tin.
- ▶ Completion of the Area 5 Mining Optimisation Study and updated Life of Mine Plan on track for the June 2020 quarter with increased production from the high-grade Area 5 in the second half of CY2020.
- ▶ Metallurgical Improvement Program starting to deliver increasing mill throughput rates and recoveries including the new on-stream analysis system, which remains on track for commissioning in the June 2020 quarter.

COPPER DIVISION

- ▶ Strategic Review of Copper Division ongoing and is expected to be completed during the June 2020 quarter.
- ▶ Canaccord and Hartleys appointed during the quarter as Joint Advisors, to explore options including joint ventures and the partial or complete divestment of some or all of the copper assets.

NICKEL DIVISION

- ▶ Infill drilling at Wingellina delivered outstanding results for two further delineated high grade nickel-cobalt areas¹.

CORPORATE

- ▶ Closing cash and working capital of \$26.3M including \$20.8M cash (\$32.3M and \$40.5M respectively at the end of the previous quarter).
- ▶ Loan facility (Citibank) balance as at 31 March 2020 of \$33M.

All currency is AUD unless stated otherwise.

¹ Refer to ASX Announcement: 16 April 2020.



THIS QUARTERLY REPORT HAS BEEN AUTHORISED BY THE
BOARD OF DIRECTORS OF METALS X LIMITED

ENQUIRIES

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SAFETY AND COVID-19 RESPONSE

SAFETY

There were no safety incidents or recordable injuries at the Nifty Copper Mine and Wingellina Project during the quarter.

The Renison Tin Operations reported one lost time injury, two restricted work injuries and two Serious Potential Incidents. The 12-month rolling Total Recordable Injury Frequency Rate (**TRIFR**) for the Renison Tin Operations was 17.3 at the end of the quarter (13.9 at the end of the prior quarter).

Implementation of the safety improvement plan continued, focussing on leadership safety interactions, development and implementation of critical control standards and applicable critical management processes for all high-risk activities.

Leader Safety Interactions are heading towards the overall site target, with critical risk concepts and training rolled out to all personnel. A new Permit to Work system has been implemented in the process plant and Safety Interaction training completed for additional personnel.

COVID-19 RESPONSE

Metals X is committed to providing a safe and healthy workplace for staff, contractors, site visitors and their families, as well as operating in a manner to assist in the maintenance of health of the communities in which we operate.

In response to the coronavirus COVID-19 pandemic, the Company implemented substantial measures across its sites and corporate office to protect the safety and wellbeing of all employees, contractors, suppliers and the community.

There have been no cases of COVID-19 within the Metals X or Bluestone Mines Tasmania JV (Renison), workforce to date with the Company remaining vigilant and adapting to the situation as health directives continually adjust to the changing conditions.

There has been no disruption to date to operations, critical supplies or product logistics at Renison, nor to tin concentrate shipments. The Company has contingency plans focused on business continuity and resilience plans in place for any potential disruption to operations, including prudent financial measures.

Specific changes in activities and procedures implemented at sites include:

- Formation of a MLX Crisis and Business Continuity Management Team;
- Weekly reporting of COVID-19 response and impact to the MLX Board and other stakeholders;
- Elimination of non-essential interstate staff travel;
- Implementing working from home wherever practical;
- Change of rosters at Nifty and Wingellina to minimise travel with direct intra-state charter flights where possible;
- At Wingellina, separation of all project personnel and activities from contact with the local community;
- Segregation of staff in accommodation, dining and meeting places to ensure physical distancing;
- Daily temperature screening prior to entry at site or boarding of site aircraft charters;
- Personal declarations for all personnel entering site;
- Daily site meetings conducted specifically for the management of the COVID-19 plans;
- Modifications to site infrastructure to allow improved cleaning regimes;
- Enhanced cleaning regimes at offices and villages;
- Suspension of surface exploration activities; and
- Development of business continuity and resilience plans including holding increased inventories of consumables.

TIN DIVISION

RENISON TIN OPERATIONS (MLX 50%)

Metals X owns a 50% equity interest in the Renison Tin Operations in Tasmania (**Renison**) through its 50% stake in the Bluestone Mines Tasmania Joint Venture (**BMTJV**). All data in this report is 100% of Renison unless stated as 'MLX 50% share'.

SUMMARY

A summary of the Renison production and costs for the March 2020 quarter is outlined below in Table 1.

TABLE 1 - RENISON TIN OPERATIONS PRODUCTION AND COSTS – MARCH 2020 QUARTER

		March 2020 Quarter	Previous Quarter	Rolling 12-months
Physical Summary				
Ore mined	t ore	203,962	213,539	846,487
Grade of ore mined	% Sn	1.08%	1.06%	1.16%
Ore milled (after sorter upgrade)	t ore	175,337	166,278	702,547
Grade of ore processed	% Sn	1.36%	1.35%	1.37%
Recovery	% Sn	73.1%	73.7%	73.6%
Tin produced	t Sn	1,740	1,652	7,097
Tin sold	t Sn	2,080	1,826	7,595
Tin price	\$/t Sn	24,642	24,364	25,560
Realised tin price (net of TC/RC)	\$/t Sn	22,290	22,036	23,171
Revenue (net of TC/RC)	\$M	38.78	36.40	164.45
Cost Summary				
Mining	\$M	14.49	13.58	53.55
Processing	\$M	11.53	12.57	45.54
Administration	\$M	2.57	2.53	9.83
Stockpile adjustments	\$M	3.11	-1.54	2.35
C1 Cash Cost	\$M	31.69	27.15	111.27
	\$/t Sn	18,213	16,432	15,678
Royalties	\$M	0.90	0.83	3.81
Other marketing costs	\$M	0.23	0.22	0.94
Sustaining capital	\$M	3.26	5.29	16.30
Reclamation & other adjustments	\$M	0.00	0.03	0.06
Corporate costs	\$M	0.02	0.04	0.23
All-in Sustaining Costs (AISC)	\$M	36.10	33.57	132.60
	\$/t Sn	20,747	20,320	18,683
Project costs	\$M	5.59	5.62	16.25
Exploration costs	\$M	0.03	-0.03	0.37
All-in Costs (AIC)	\$M	41.72	39.15	149.21
	\$/t Sn	23,975	23,700	21,024
Depreciation & amortisation	\$M	6.78	6.88	29.39
	\$/t Sn	3,895	4,167	4,141
Cashflow	\$M	-2.93	-2.75	15.24
EBITDA	\$M	5.95	8.16	48.21
MLX 50% share	\$M	50%	50%	50%
Cashflow	\$M	-1.47	-1.37	7.62
EBITDA	\$M	2.97	4.08	24.10

Note: C1, AISC and AIC are expressed per tonne of tin produced.

PRODUCTION AND COSTS

Ore mined for the quarter was 4.5% lower due to lower development ore metres, and loader mechanical availability issues after the loss of a loader in a stope during December 2019. However, drawdown of ore stockpiles and optimisation of the ore sorting circuit provided increased ROM ore and grade for processing through the mill (175,337t vs previous quarter 166,278t) at a milled grade of 1.36% Sn (previous quarter 1.35% Sn).

There has been no disruption to operations, critical supplies or product logistics and shipping at Renison during the quarter. Importantly, MLX's tin concentrate smelters have continued to accept shipments.

The Company has well-developed business continuity and resilience plans in place for any potential disruption, including prudent financial measures.

Tin production was 5% higher for the quarter at 1,740t Sn in concentrate (previous quarter 1,652t Sn), at a slightly higher realised tin price, delivering revenue of \$38.8M for the quarter, an increase of \$2.4M over the previous quarter. Tin price for the quarter averaged \$24,642/t Sn (previous quarter \$24,364/t Sn).

The increased revenue for the March quarter was offset by an increase in C1 cash cost to \$20,747/t Sn from \$20,320/t Sn in the previous quarter. The increased C1 cost was primarily driven by increased maintenance costs associated with loader repairs, higher mining costs and the timing of expenditure for process plant repairs and upgrades.

EBITDA and cashflow (MLX - 50%) for the quarter were \$2.97M and (\$1.47M) respectively (prior quarter \$4.08 and (\$1.37M)). Net cashflow continued to be impacted by planned expenditure on the metallurgy improvement program, equipment rebuilds and Area 5 Mining Optimisation Study.

Cashflow is expected to improve in the second half of calendar year 2020 as the grade of mined ore increases.

Production and cost guidance for FY19/20 is 7,100 – 7,300t of tin-in-concentrate at an all-in sustaining cost of \$18,600 - \$19,100/t Sn.

STRATEGY DELIVERY

The Renison strategy is focused on continuing to convert ongoing significant in-mine exploration success into a substantial long-life mining operation, to deliver higher cash margins through an increased mining rate, grade and recovery, whilst continuing to seek productivity improvements and reduce costs. MLX's tin exploration strategy is inclusive of investigation of near mine and regional targets.

The two key focus areas in the quarter were the Area 5 Optimisation Study and the Metallurgical Improvement Program.

Area 5 Optimisation Study

The Area 5 Optimisation Study, in conjunction with an updated Renison Life-of-Mine Plan, remains on track for completion in the June 2020 quarter.

The following key technical workstreams were advanced during the quarter:

- Ventilation
 - Commencement of Scope of Works in preparation for tender for the construction of the new ventilation system (No. 14);
 - Mine development underway to the top of Leg 2 and the base of Leg 1 of the No.14 ventilation system;
 - Fan design and procurement scope of works;
 - Completion of geotechnical drilling for Leg 1 (of 3) of the proposed ventilation system.
- Mine design
 - Third party geotechnical evaluation of the Area 5 completed for the establishment of stope design parameters;
- Backfill
 - Options to provide engineered backfill have been further narrowed following completion of the Area 5 geotechnical review.

Metallurgical Improvement Program

The objective of the Metallurgical Improvement Program is to increase mill throughput rate and metallurgical recovery. The program is being advanced through ongoing review and updating of control systems and online analytical infrastructure, and improved training and communication of standard operating parameters.

Design and plant preparation were progressed for the replacement of the On-stream Analysis (OSA) System, which provides regular sample analysis on various streams in the processing plant to allow timely decision making and control of plant performance.

Other key Metallurgical Improvement Program workstream completed or commenced were:

- Increase in mill throughput rates achieved through ongoing optimisation of the ore sorting circuit;
- Completion of the process data historian project;
- Completion of the upgrade to process plant control software (Citect SCADA);
- Commenced commissioning of process stability control items.

MINERAL RESOURCE ESTIMATE UPDATE

During the quarter an updated Mineral Resource estimate (Table 2) was announced².

TABLE 2: RENISON TIN OPERATIONS MINERAL RESOURCE ESTIMATE AT 10 DECEMBER 2019

(Note: MLX equity share is 50% of the Mineral Resource estimate shown.)

Deposit	Mineral Resource Category ¹	Tin			Copper		
		'000 tonnes ²	Grade % Sn	Tin tonnes ²	'000 tonnes	Grade % Cu	Copper tonnes ²
Renison Bell ³	Measured	1,750	1.66	29,200	1,750	0.29	5,000
	Indicated	14,270	1.53	218,200	14,270	0.19	26,600
	Inferred	2,510	1.50	37,700	2,510	0.21	5,200
	Total	18,540	1.54	285,100	18,540	0.20	36,700
Mt Bischoff ^{4,5}	Measured	-	-	-	-	-	-
	Indicated	970	0.59	5,700	-	-	-
	Inferred	700	0.47	3,300	-	-	-
	Total	1,670	0.54	9,000	-	-	-
Rentails Project ^{6,7}	Measured	23,890	0.44	104,400	23,890	0.22	52,700
	Indicated	-	-	-	-	-	-
	Inferred	-	-	-	-	-	-
	Total	23,890	0.44	104,400	23,890	0.22	52,700
TOTAL	Measured	25,640	0.52	133,500	25,640	0.23	57,700
	Indicated	15,240	1.47	223,900	14,270	0.19	26,600
	Inferred	3,210	1.28	41,000	2,510	0.21	5,200
	Total	44,090	0.90	398,500	42,420	0.21	89,400

1. Mineral Resources are reported inclusive of Mineral Resources modified to produce the Ore Reserve.
2. Tonnes are reported as kilotonnes ('000t) and rounded to the nearest 10,000; Sn and Cu tonnes are rounded to the nearest 100 tonnes; rounding may result in some slight apparent discrepancies in totals.
3. Cut-off grade of 0.7% Sn.
4. Cut-off Grade of 0.5% Sn.
5. The Mt Bischoff Mineral Resource is at 20 November 2008.
6. Cut-off Grade of 0.0% Sn.
7. The Rentails Project Mineral Resource is at 31 May 2018.

Grade control and resource definition drilling programs continued in the Leatherwood, Huon North and Area 5 regions, with a total of 244 holes for 10,551m being completed. Assay results from these drill programs continue to support and refine the Area 5 resource model.

COPPER DIVISION

NIFTY COPPER OPERATIONS (MLX 100%)

Metals X is 100% owner of substantial copper assets located in the East Pilbara region of Western Australia including the Nifty Copper Mine (**Nifty**), (underground mine, processing, power and camp infrastructure), the Maroochydore Copper Project and the surrounding Paterson Province exploration tenure (**Copper Assets**).

STRATEGIC REVIEW

The strategic review of the Company's Copper Assets³ continued with Canaccord Genuity (Australia) Limited (**Canaccord**) and Hartleys Limited (**Hartleys**) appointed as Joint Advisors to the process.

As part of the strategic review, various options for the Copper Assets, including joint ventures and the partial or complete divestment of some or all of the copper assets, are being considered.

² Refer to ASX Announcement: 30 January 2020.

³ Refer to ASX Announcement: 22 January 2020.

The Company sees significant value in the existing resource at Nifty, production-ready infrastructure, the substantial leverage to an improving outlook for copper, and significant exploration potential through its large Paterson Province regional landholding.

The strategic review is expected to complete during the June 2020 quarter.

CARE & MAINTENANCE

Nifty remained in care & maintenance (**C&M**) during the quarter, having suspended operations in November 2019⁴.

During C&M, the underground mine is being kept dry and ventilated, and all infrastructure including the power station, processing plant and camp are being maintained in a production-ready status.

Personnel numbers reduced to 20 by the end of the quarter with ongoing C&M to be conducted with approximately 14 full time staff from May 2020.

In addition, in April 2020, the C&M team will revert to a two weeks on–two weeks off roster to assist with the containment of COVID-19.

During the quarter the Company incurred C&M expenditures of \$8.04M, offset by final settlement on the December concentrate shipment of \$0.30M and inventory and equipment asset sales of \$1.46M, resulting in net C&M costs for the quarter of \$6.29M which was in line with guidance.

Based on C&M activities and costs to date, revised guidance for C&M costs for the June 2020 quarter are provided in Table 3. Ongoing annual costs are expected to be materially impacted by the outcome of the strategic review to be completed in the June 2020 quarter.

TABLE 3 – NIFTY COPPER OPERATIONS CARE AND MAINTENANCE MARCH 2020 QUARTER COSTS AND COST GUIDANCE

<i>Costs are positive values, revenues are negative values.</i>		March 2020 Quarter (Actual)	June 2020 Quarter (Guidance)
Placement into care & maintenance	\$M	3.16	0.63
Ongoing care & maintenance	\$M	3.76	3.07
Tenure holding costs	\$M	0.21	0.29
Insurance	\$M	0.21	0.23
Residual asset finance	\$M	0.70	0.74
Total care & maintenance costs	\$M	8.04	4.96
Final concentrate shipment	\$M	(0.30)	0.05
Inventory & equipment sales	\$M	(1.46)	(1.88)
Net care & maintenance costs	\$M	6.29	3.13

MINERAL RESOURCE UPDATE

During the quarter the Company processed all remaining drilling data from resource definition programs completed at Nifty prior to the suspension of operations.

An updated Mineral Resource estimate was published during the quarter and is shown in Table 4⁵. The updated Mineral Resource represents a 10% increase (52,900 tonnes of copper) in contained sulphide copper (net of depletion) at the Nifty underground mine.

All drill results included in the updated Mineral Resource estimate were included in the December 2019 Quarterly Report.

The objective of upgrading the resource base is to support further studies to investigate opportunities for a revised operational strategy.

⁴ Refer to ASX Announcement: 26 November 2019.

⁵ Refer to ASX Announcement: 10 March 2020.

TABLE 4: NIFTY MINERAL RESOURCE ESTIMATE AT 31 DECEMBER 2019

Deposit	Mineral Resource Category ¹	Mt ²	Grade % Cu	Copper tonnes ²
Nifty Sulphides ³	Measured	25.09	1.70	426,700
	Indicated	7.46	1.32	98,400
	Inferred	7.10	1.03	73,400
	Total	39.66	1.51	598,500
Nifty Oxide ⁴	Measured	1.43	0.91	13,000
	Indicated	1.22	0.86	10,000
	Inferred	1.68	0.83	14,000
	Total	4.33	0.86	37,000
Nifty Heap Leach Oxides ⁵	Measured	-	-	-
	Indicated	2.85	0.75	20,000
	Inferred	0.46	0.66	3,000
	Total	3.31	0.74	23,000
TOTAL	Measured	26.52	1.66	439,700
	Indicated	11.53	1.11	128,400
	Inferred	9.24	0.98	90,400
	Total	47.29	1.39	658,500

1. Mineral Resources are reported inclusive of Mineral Resources modified to produce an Ore Reserve.
2. Tonnes are reported as million tonnes (Mt) and rounded to the nearest 10,000; Cu tonnes are rounded to the nearest 100 tonnes; rounding may result in some slight apparent discrepancies in totals.
3. Cut-off grade of 0.75% Cu.
4. Nifty Oxide Mineral Resource is at 31 March 2016 and reported using a cut-off grade of 0.40% Cu.
5. Nifty Heap Leach Resource is at 31 March 2015 and reported using a cut-off grade of 0.50% Cu.

NICKEL DIVISION

WINGELLINA NICKEL-COBALT PROJECT (MLX 100%)

The Wingellina Nickel-Cobalt Project is part of Metals X's Central Musgrave Project which is the largest undeveloped nickel-cobalt deposit in Australia. The Central Musgrave Project has a Mineral Resource containing approximately 2.0Mt of nickel and 154,000t of cobalt within which Wingellina hosts an Ore Reserve of approximately 1.56Mt of nickel and 123,000t of cobalt (refer to the 2019 Annual Report).

Fifteen potential high-grade nickel-cobalt open pits have been delineated, as potential starter pits, of which six were successfully infill-drilled during 2017-18. During the quarter a further drilling program was completed on two additional potential starter pits, successfully confirming the high-grade nickel-cobalt domains. These results were announced on 16 April 2020.

CORPORATE

RESIGNATION AND APPOINTMENT OF DIRECTOR AND CHIEF EXECUTIVE OFFICER

On 13 January 2020 Mr Yimin Zhang, Jinchuan's representative on the Board, resigned as a Non-Executive Director and Jinchuan nominee Mr Xingwang Bao was appointed as Non-Executive Director⁶.

On 3 March 2020 the Company announced the appointment of Mr Michael Spreadborough as Chief Executive Officer.

⁶ Refer to ASX Announcement: 13 January 2020.

CASH AND WORKING CAPITAL

Closing cash and working capital at 31 March 2020 (Figure 1) was \$26.3M including \$20.8M cash (\$32.3M and \$40.5M respectively at the end of the previous quarter ⁷).

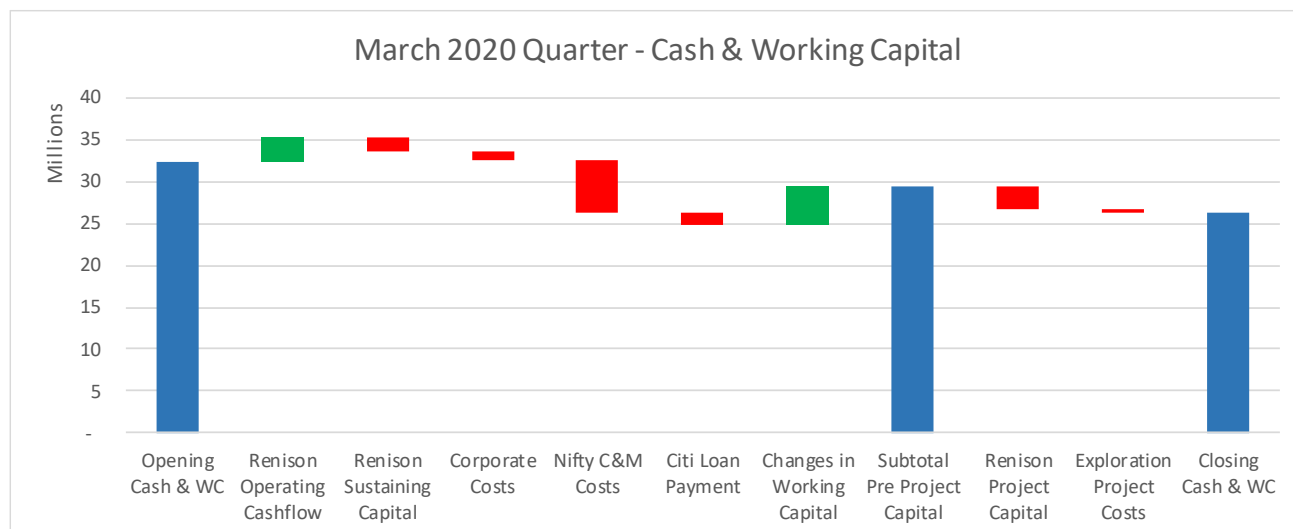


FIGURE 1 – MARCH 2020 QUARTER CASH & WORKING CAPITAL MOVEMENTS

CITI FINANCE FACILITY

The Company has a \$35M secured term loan facility with Citibank N.A.⁸. During the quarter the Company made its second \$1M repayment with the outstanding principal currently \$33M.

HEDGING

In conjunction with the \$35M Citibank loan facility the Company entered into a tin forward hedge programme. During the quarter the Company closed out hedges for 505t of tin at a net gain of \$0.2M.

At 31 March 2020 the Company had outstanding hedges to June 2021 of 2,670t with an average price of \$24,916 per tonne of tin.

⁷ In the December 2019 quarter cash was reported as \$43.7M, which included \$3.2M of Bluestone Mines Tasmania JV cash that will continue to be reported as working capital but not as cash. Working capital is reported in accordance with statutory periodic reporting.

⁸ Refer to ASX Announcement: 29 August 2019.