

## Quarterly Activities Report September 2019



### Capital Structure

Ordinary Shares

637,277,523

Unlisted Options

117,390,000 (range \$0.25 - \$1.99/sh,  
average price \$0.45/sh)

### Board

Rob McDonald

*Indept. Chairman*

Patrick Walta

*Managing Director*

Bryn Hardcastle

*Non Exec. Director*

Nick Cernotta

*Indept. Non Exec. Director*

Peter Watson

*Indept. Non Exec. Director*

Evan Cranston

*Non Exec. Director*

Oonagh Malone

*Company Secretary*

### Media Enquiries

Shane Goodwin

*Head of Corporate Affairs*

[sgoodwin@newcenturyresources.com](mailto:sgoodwin@newcenturyresources.com)

+61 434 039 106

## *September Quarter Executive Summary*

### *Record Performance Highlighted by Strong Exit Rate*

New Century continues to execute its ramp up to 12Mtpa capacity over FY20. Zinc production continues to rise, up a further 28% in the September quarter to 26,171t zinc metal.

The record production performance is also highlighted by a strong exit rate to the quarter, with the month of September delivering 10,013t of zinc metal, establishing Century in the top 15 zinc producing mines in the world.

C1 cash costs for the quarter were finalised at US\$0.99/lb payable zinc metal (19% improvement quarter-on-quarter), with the month of September dropping a further 10% to US\$0.90/lb.

The Company also became operationally cashflow positive in the month of September, with total operational costs of the business at US\$1.02/lb payable metal (including C1 costs plus all corporate, interest & royalty costs), against a 3 year low zinc price of US\$1.05/lb & including 10 year high TCs of ~US\$280/t.

New Century expects further improvements to metal production and cost reduction during the December quarter via the ramp up in mining rate and continued recovery optimisation within the recently upgraded scavenger and cleaner circuits.

New Century maintains its December 2019 quarter guidance of 27,000t to 33,000t zinc metal and C1 cash costs of US\$0.87/lb to US\$0.98/lb payable zinc metal.

### *Strong Increase in Recovery Rate*

Implementation and commissioning activities of the full cleaner circuit (online mid-August 2019) resulted in a significant improvement in recoveries throughout the quarter. The month of September achieved an average zinc recovery of 52%.

The stability of operations has also significantly improved, with the operations achieving consistent average weekly zinc recoveries of over 50% since the new cleaners have come online.

Further improvements to recoveries are anticipated over the December quarter through the continued optimisation of the cleaner circuit and commissioning of the recently announced scavenger circuit upgrade.

### ***Progressive Increase in Mining Rate & Feed Stability***

Improvements to recoveries were also accompanied by an increase in the overall mining rate from operations throughout the quarter, with the month of September producing an average of 8Mtpa, and further increases continuing into the December quarter (now approaching 9Mtpa).

The stability of mining operations has also significantly improved, with consistent steady state operations above 8Mtpa now being achieved.

### ***Cashflow Management***

Despite record zinc production, the 15% quarterly decline in the zinc price (average \$1.05/lb September quarter vs \$1.25/lb for the June quarter) impacted short term cashflows from Century operations. September quarter receipts from customers (i.e net revenue after all payability, treatment charges and impurity penalties) totalled A\$45M (down 10% from A\$50M in the June quarter), not including A\$8.1M in outstanding concentrate invoices. This was against direct production costs of A\$48M (see Table 1 for a breakdown of the full quarterly financials).

The zinc price decline also impacted the value of final invoices for shipments from the June quarter (again reducing quarterly cashflow), where the negative adjustment of the zinc price from provisional invoices (made as the ship leaves Karumba load port) to settlement invoices (made after the ship arrives at its discharge port) resulted in negligible revenue being received from the final ~10% of value within contracts closed out during the September quarter.

As a result, the quarter showed negative cash flow, albeit with expansion and sustaining capital and one-off interest payments representing 66% of the \$30M cash outflow and the Company also having A\$8.1M in outstanding concentrate shipment invoices at quarter end.

New Century closed the quarter with A\$53M in cash and receivables. Expansion and sustaining capital requirements remaining for FY20 are on budget at A\$27M, which once complete, will finalise tailings expansion capital expenditure.

From a debt perspective, the A\$60M Varde facility remains in place and fully drawn, with the parties in active discussion around the expansion of this secured facility under more favourable terms than the previous higher cost A\$40M unsecured facility.

Finally, despite the low zinc price and record high treatment charges, Century operations achieved their first positive operational cashflow month in September 2019. Given that ramp up expansion capital requirements are nearing finalisation, and the fact that ~70% of Century's total operating costs are fixed, there is a clear pathway to a significant increase in cash generation over FY20 and beyond.

The Company also notes the recent rebound in zinc prices (up 16% from a low of US\$1.00/lb in September to US\$1.16/lb currently) provides the opportunity for a positive reverse effect on final invoicing of recent shipments which have provisional invoices at substantially lower prices.

Treatment charges are also expected to fall in the medium term, with a recent clear increase in Chinese smelter production rates (up 6% quarter-on-quarter).

## September 2019 Quarter Highlights

### Overall Performance Guidance

- Achieved September 2019 quarterly production and cost guidance: 26,171t of zinc metal at C1 cash costs of US\$0.99/lb
- December 2019 quarter guidance maintained at 27,000t - 33,000t zinc metal & C1 Costs of US\$0.87/lb - US\$0.98/lb (payable metal inc. treatment charges)
- Century ramp up remains on track to double plant capacity over FY20 through refurbishment of the second train of flotation cells
- Plant capacity expansion to assist driving down C1 Costs to a LOM average target of US\$0.56/lb (tailings only operations)
- New Century is on track to become a top 10 zinc producer over the next 12 months through completion of plant refurbishment process

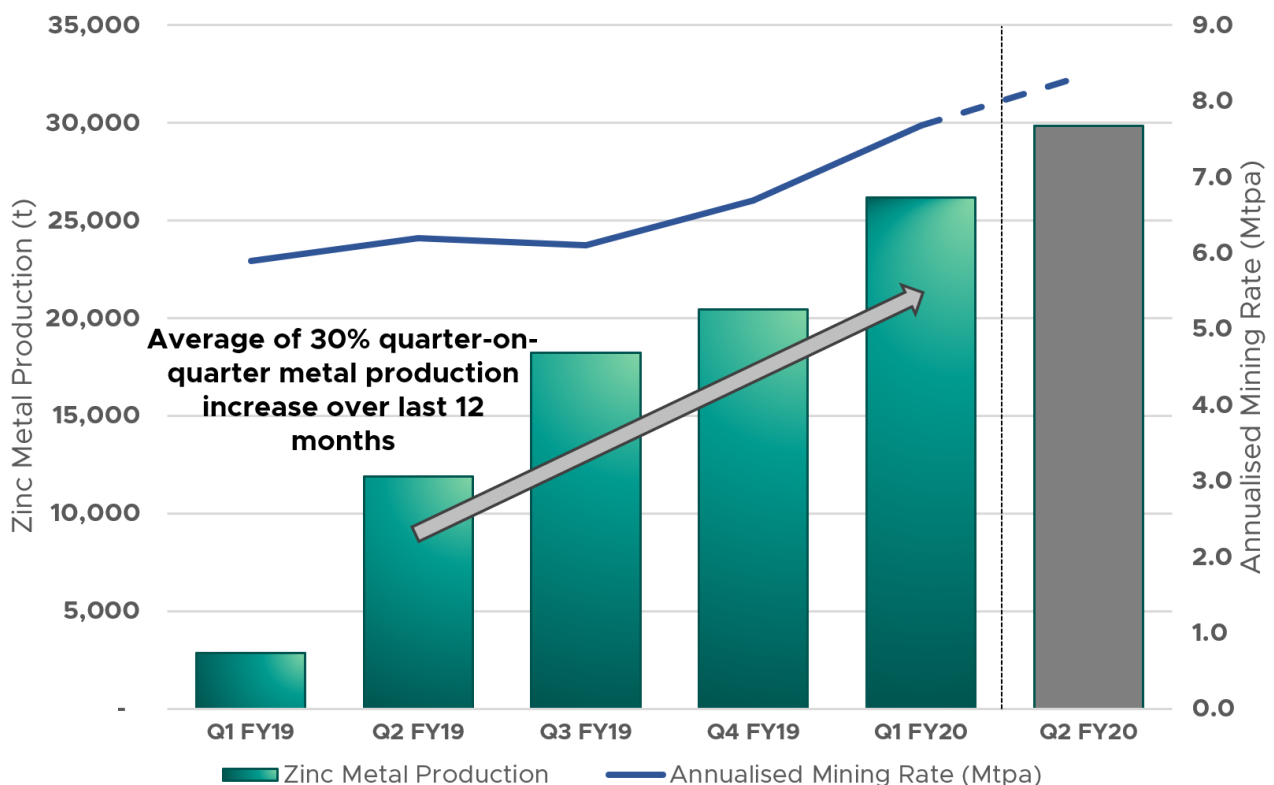
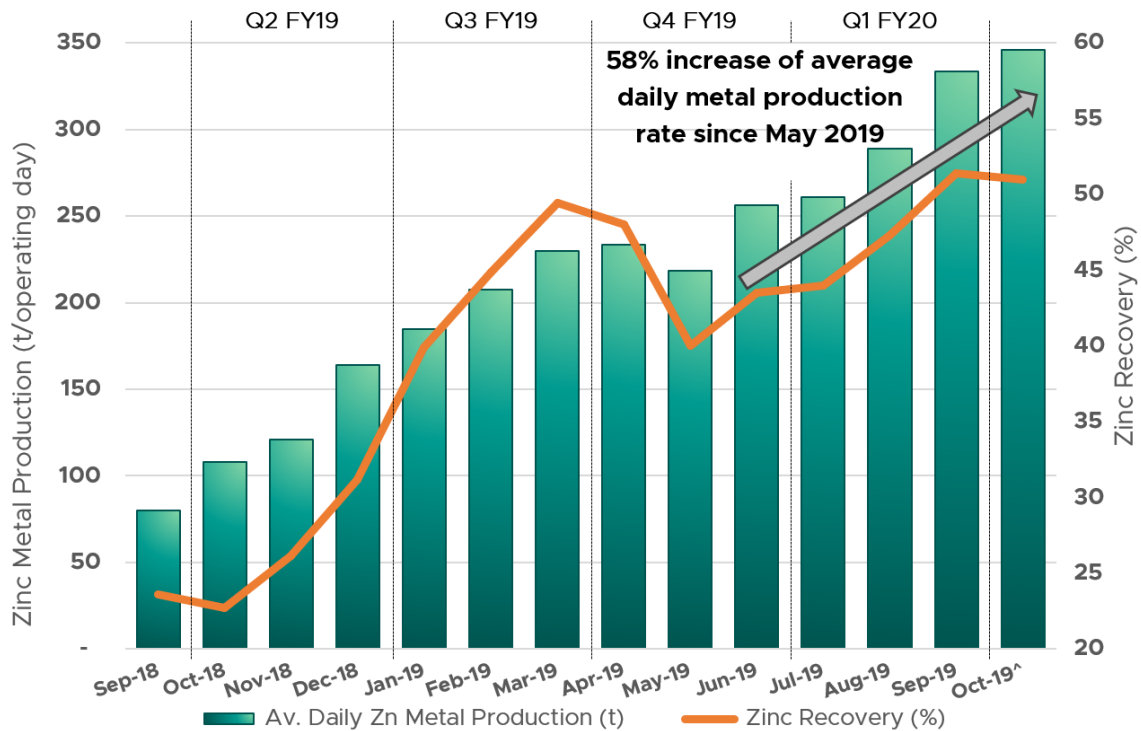
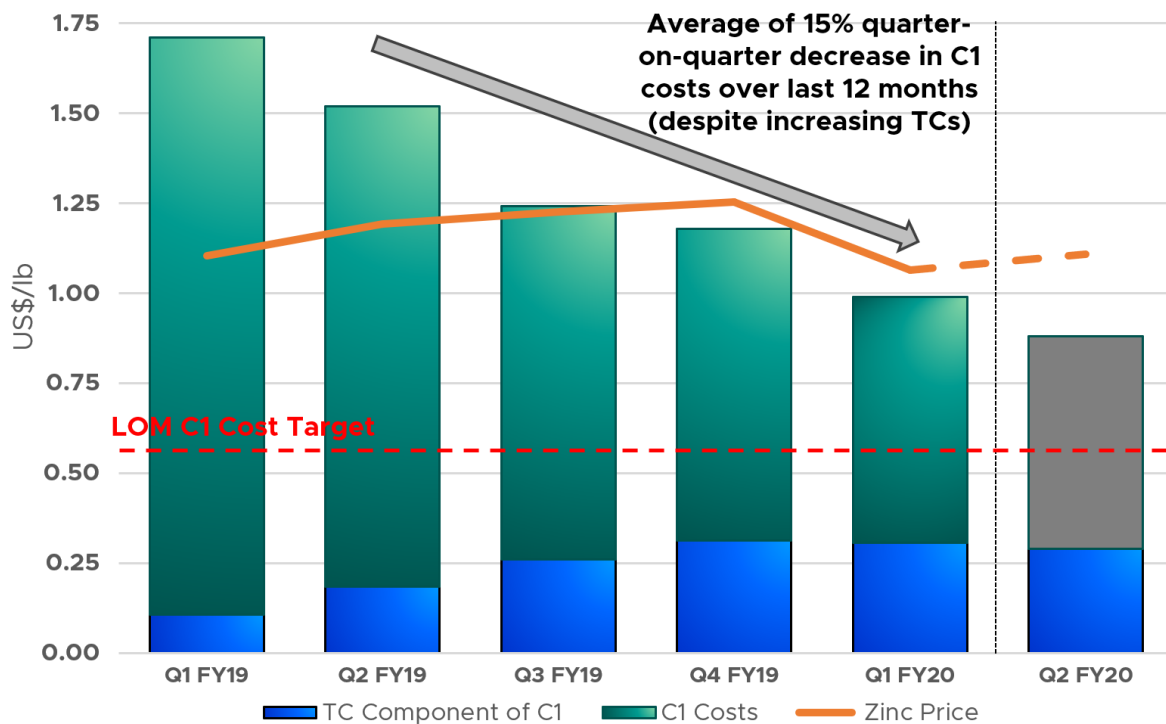


Figure 1: Century's quarterly metal production performance and annualised mining rate



**Figure 2: Century's average daily metal production ramp up & average monthly zinc recovery trend**  
[^October 2019 estimated to the end of month based on performance to date]



**Figure 3: Century's quarterly C1 cost trend (including TCs) against zinc price**

[Q2 FY20 forecast based on scheduled operational ramp up process. Consensus Economics data used for zinc price projection, which utilises the average of 28 investment bank projections]

### ***Quarterly Cashflow Performance***

- A\$45.3M in receipts from customers during the September quarter (vs A\$50.0M June quarter), below expectation due to a 15% decrease in zinc price over the period
- Quarterly direct production expenditure of A\$48.6M, in line with expectations
- Quarterly expenditure of one-off expansion & sustaining capital totalling A\$16.9M

### ***Processing Plant Performance***

- Record quarterly zinc metal production, with September 2019 quarter totalling 26,171t (vs 20,450t in June 2019 quarter - 28% increase quarter-on-quarter)
- Implementation of full cleaning circuit (cleaner 2B-4B online August 2019) has allowed a step change in recovery performance, with the month of September averaging 52%
- Recovery performance into the December quarter to date has been maintained while bringing on additional throughput, ramping up from 8Mtpa to 9Mtpa
- October 2019 operations on track for a new record daily production rate

### ***Quarterly Hydraulic Mining Performance***

- Third mining cannon online with current capacity to deliver a mining rate of 9Mtpa+
- Continued strong reconciliation of mining grade to the ore reserve model, with the ore grade mined during the September 2019 quarter averaging 2.96% Zn
- New Century is targeting ramp up to a 12Mtpa mining rate in FY20 in line with additional plant capacity and a 4<sup>th</sup> mining cannon

### ***Quarterly Shipping & Sales Performance***

- Continued loadout and delivery of concentrate shipments throughout the quarter
- Average impurity penalties and treatment charges continue to be maintained in line with standard market pricing and remain competitive with other miners
- Treatment charges expected to fall in the medium term, with a recent clear increase in Chinese smelter production rates (up 6% quarter-on-quarter), further improving profitability from concentrate production

### ***Corporate Activities***

- Completion of a fully underwritten capital raising and SPP, raising A\$43.3M
- Secured a landmark royalty deferral agreement with the Queensland government

## Operational Developments

### Quarterly Cashflow Performance

Table 1 provides an extract from the Company's Appendix 5B (Quarterly Financial Report) reported in conjunction with this Quarterly Activities Report. Further commentary on individual items within Table 1 is provided below.

*Table 1: Extract of the Quarterly Financial Report including applicable details of each expenditure*

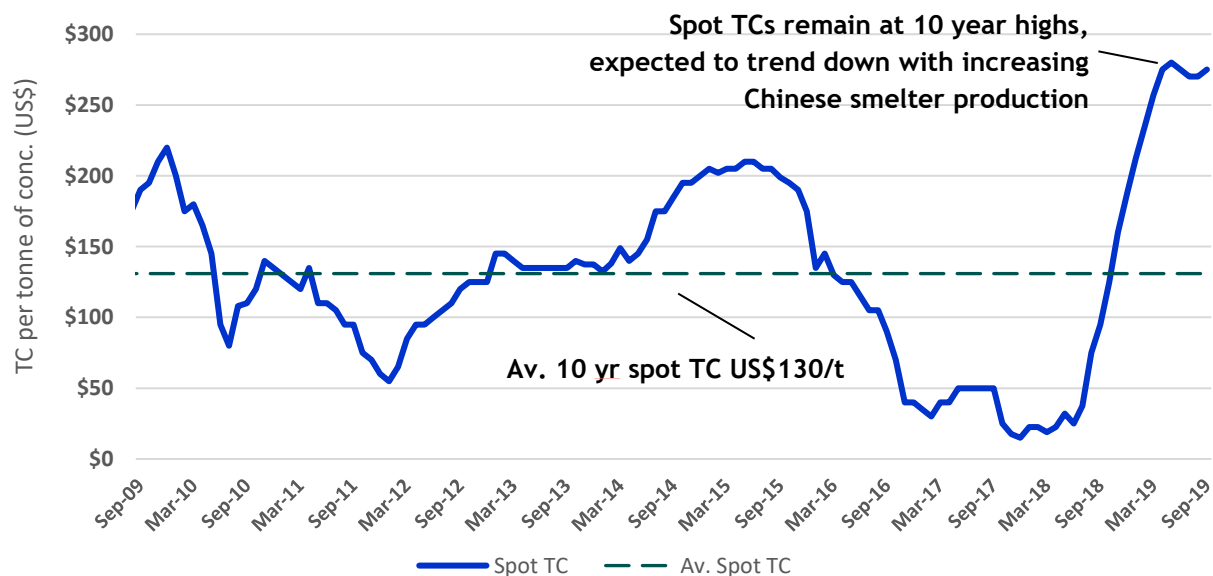
Consolidated statement of cash flows		Jun Q \$A'000	Details
<b>1.</b>	<b>Cash flows from op. activities</b>		
1.1	Receipts from customers <i>(revenue net of treatment charges, zinc payability factor and impurity penalties)</i>	45,357	Below expectations primarily due to quarterly zinc price decline (15%) and 10-year high concentrate treatment charges - See Figure 4  Excludes quarter end debtors for shipped concentrate and finished stocks of concentrate awaiting contracted shipment, totalling \$8.1 million.
1.2	Payments for		
	(a) exploration & evaluation	(888)	In line with expectations
	(b) development	(65,440)	<u>Quarterly Costs:</u> (48,580) Production costs (in line with expectations) <u>Annual Costs:</u> (2,020) Sustaining capex – dredging part payment <u>One Off Costs:</u> (11,430) Expansionary capex (3,410) Sust. Capex inc Wunma 5-yr survey costs
	(c) production	-	-
	(d) staff costs	(3,904)	In line with expectations
	(e) administration and corporate costs	(1,827)	In line with expectations
1.3	Dividends received	-	-
1.4	Interest received	114	In line with expectations
1.5	Interest and other costs of finance paid	(3,322)	Two quarters in Varde interest payments following completion of the interest accrual period
1.6	Income taxes paid	-	-
1.7	Research and development refunds	-	-
1.8	Other (MMG support fees)	(717)	In line with expectations
<b>1.9</b>	<b>Net cash from / (used in) op. activities</b>	<b>(30,627)</b>	Excludes quarter end debtors for shipped concentrate and finished stocks of concentrate awaiting contracted shipment, totalling \$8.1 million.

### Receipts from Customers & Treatment Charges

As detailed in Table 1, during the June quarter the operations generated total receipts from customers of A\$45.3M. Despite increasing metal production, receipts from customers were 10% lower than the June quarter due to an 15% fall in the zinc price.

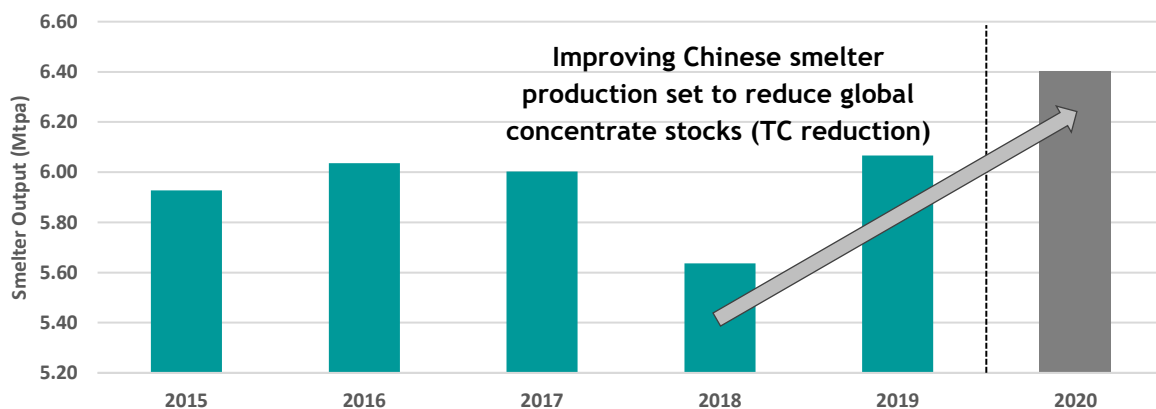
Not included in receipts from customers for the September quarter are debtors for shipped concentrate and finished stocks of concentrate awaiting contracted shipments, totalling A\$8.1M.

Receipts from customers were also adversely affected by the current 10-year high concentrate treatment charges in the zinc market. As shown in Figure 4, treatment charges have increased ~500% since the start of Century operations in September 2018.



**Figure 4: Spot concentrate treatment changes over the last 10 years**  
(source: Wood Mackenzie and internal company data October 2019)

While treatment charges remain stubbornly high at present, they are anticipated to track downwards in the medium term, through increased Chinese smelter production that has previously been unavailable due to environmental restrictions (now lifted).



**Figure 5: Chinese zinc smelter output** (source: Wood Mackenzie October 2019)



Figure 5 shows the annual movement in Chinese zinc smelter production. The significant decline in 2018 production was as a direct result of new domestic environmental regulations. These regulations forced the suspension or shutdown of many smelters in China until refurbishment or rebuilding activities were complete. With these smelters now completing this process and coming back online, Chinese smelter production has increased significantly over 2019. As a result, treatment charges are anticipated to retreat from their 10-year highs in the medium term, noting there are still substantial stockpiles of concentrate globally to be drawn down first.

A reduction of treatment charges going forward improves economic returns for Century operations via increased receipts from customers and reduced C1 costs (outside of progressive increase in quarterly metal production). By way of example, treatment charges reverting back to a 10 year average (~US\$130/t) reduces the C1 costs of Century operations by approximately US\$0.15/lb.

Receipts from customers were also affected by the zinc price decline impacting the value of final invoices for shipments from the June quarter, where the negative adjustment of the zinc price from provisional invoices (made as the ship leaves Karumba load port) to settlement invoices (made after the ship arrives at its discharge port) resulted in negligible revenue being received from the final ~10% of value within contracts closed out during the September quarter.

The Company notes the recent rebound in zinc prices (up 16% from US\$1.00/lb in September to US\$1.16/lb currently) provides the opportunity for a positive reverse effect on final invoicing of recent shipments which have provisional invoices currently at substantially lower prices.

#### Expansion & Sustaining Capital Expenditure

The Company continues to invest in the plant refurbishment and ramp up process, with one-off capital items totalling A\$14.8M during the September quarter. This included expansion capital items predominately associated with upgrading works to the cleaner and scavenger circuits as part of the ramp up to 12Mtpa. Also included were one-off sustaining capital items associated with part payment of the costs of the 5-yearly refurbishment (survey) of the Wunma.

One-off expansion capital items are expected to be completed over the course of FY20 in line with the completion of the 12Mtpa ramp up process. This will enable the growing EBITDA profile of the operations to flow through to free cash flow generation.

Over the quarter the Company also incurred annual sustaining capital items totalling A\$2.0M, primarily associated with part payment of dredging costs.

The Company is well progressed on its capital expenditure program for the planned the expansion to 12Mtpa (budget \$40M), which is now approximately 55% complete. \$18M in further expenditure is expected to be incurred throughout FY20. Importantly, expansion capital allocation remains on budget and schedule.

New Century also expects to incur a further ~\$9M in sustaining capital expenditure in FY20, predominately associated with the 5 yearly survey of the Wunma and the annual dredging of the Norman River. Sustaining capital allocation remains on budget and schedule.



## Quarterly Processing Plant Performance

- Production of 26,171t zinc-in-concentrate in the September Q (28% increase on June Q)
- Achievement of 52% recoveries for the month of September following cleaner circuit upgrade
- Continued plant refurbishment activities scheduled to double plant capacity through FY20
- October operations on track to be a record average daily metal production rate

Overall zinc metal output increased by 28% during the September quarter, with 26,171t of zinc metal produced in 53,500t of concentrate grading 49.0% zinc (compared to 20,450t zinc metal in 42,500t of concentrate at 48.1% zinc during the June quarter). Silver content of 150g/t in concentrate remained in line with previous quarter.

Focus for the quarter was on delivery of the upgraded cleaner circuit within the processing plant, removing bottlenecks for continued recovery improvement and increasing metal production. The upgrade was delivered on schedule and budget in mid-August, providing a step-change improvement in operational performance for the second half of the September quarter.

The improvements due to this upgrade are particularly evident in the performance during the month of September, which delivered 10,013t of zinc metal at an average recovery of 52% zinc (against an overall quarterly average recovery of 48% zinc). The improved recovery performance has been maintained into October, with recovery averaging 51% for the month to date while focusing on ramping up toward a 9Mtpa mining rate.

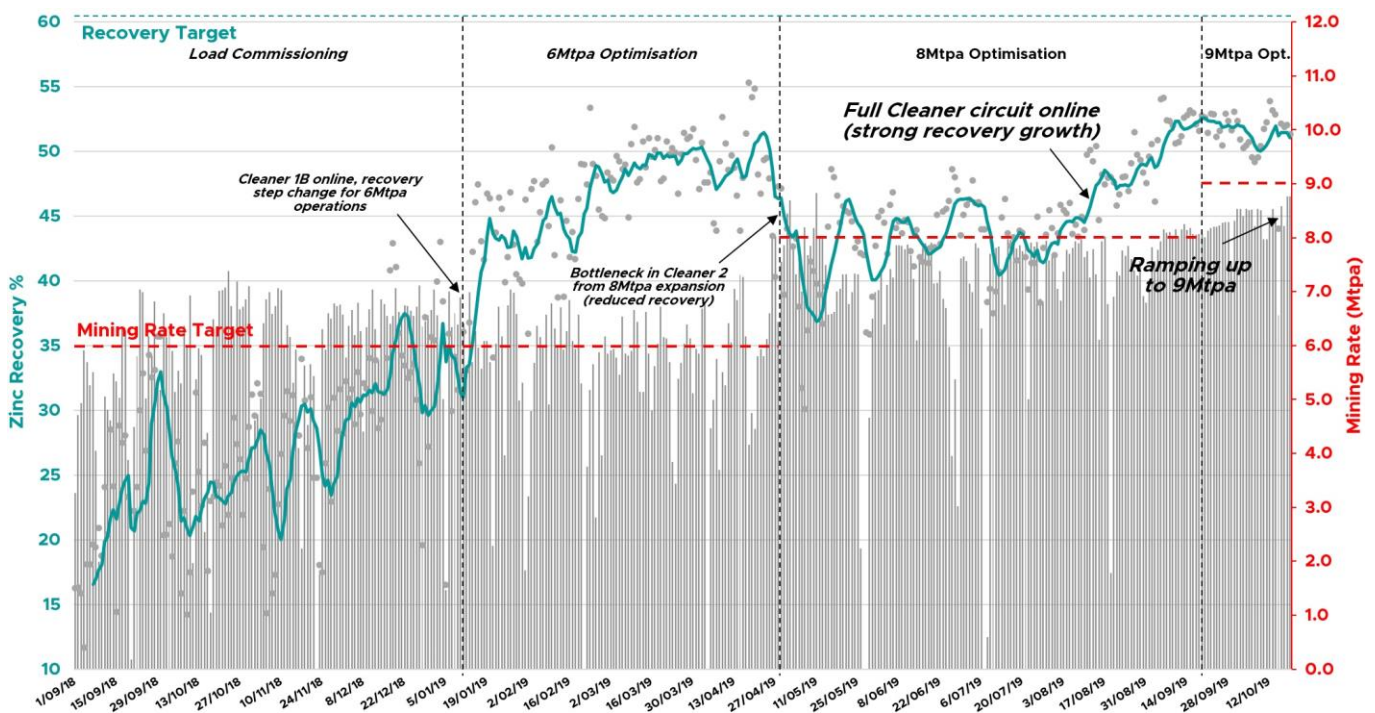


Figure 6: Century's operational ramp up of recovery and plant throughput

As shown in Figure 6, the consistency of operations has also significantly improved since the implementation of the cleaner circuit upgrade. Operations have achieved a reduction in variability since early September, with weekly average recoveries >50% zinc since completion of the cleaner

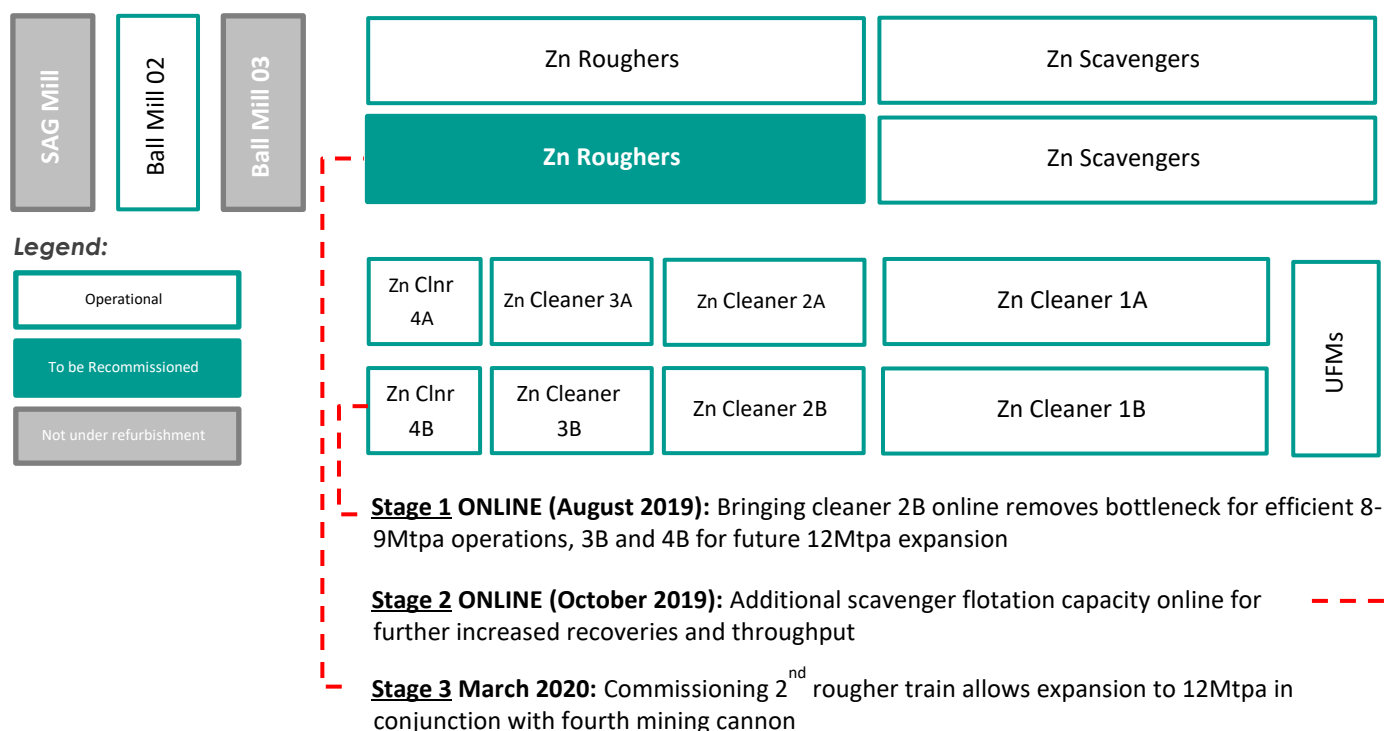
circuit upgrade. Stability is expected to continue as the ramp up progresses, allowing for the continued optimisation of all production parameters.

Concentrate quality also continues to improve, with zinc grade increasing to a quarterly average of 49.0% (vs June 2019 quarter average 48.1%), again largely due to the cleaner circuit upgrade. As per previous quarters, Century concentrate continues to receive relatively minor impurity penalties and treatment charges that are in-line with current market rates.

New Century anticipates further improvements to metallurgical recoveries and metal production rates during FY20, through the expansion to 12Mtpa plant capacity. Improvements during the December 2019 quarter are set to be achieved from the continued optimisation of the upgraded cleaner circuit and the commissioning of the recently announced scavenger circuit upgrade. See Figure 7 for further details.

*Table 2: Quarterly processing plant performance at Century*

	Processing Performance		
	Concentrate	Grade	Zinc Metal
Dec 18 Q	25,500t	47.0% Zn	12,080t
Mar 19 Q	37,500t	48.3% Zn	18,170t
Jun 19 Q	42,500t	48.1% Zn	20,450t
Sep 19 Q	53,500t	49.0% Zn	26,171t
<b>Q-on-Q Difference</b>	<b>+26%</b>	<b>-</b>	<b>+28%</b>



*Figure 7: Simplified plant plan view and scheduled refurbishment process for expansion to 12Mtpa*

### ***Quarterly Hydraulic Mining Performance***

- Hydraulic mining expansion to three cannon operations, now achieving >8Mtpa mining rate
- Mining grades reconciling strongly with ore reserve model, averaging 2.96% Zn
- Mining of 1.87Mt in the September 2019 quarter (vs 1.60Mt in the June 2019 quarter)

During the quarter the Company focused on operational stability with three hydraulic mining cannons. The overall average mining rate increased 17% quarter-on-quarter (1.87Mt September Q vs 1.60Mt June Q). As shown in Figure 6, stable operation has been achieved in hydraulic mining, at a rate above 8Mtpa during the month of September.

This stability has continued into October and the mining rate is now being progressively increased to 9Mtpa over the course of the December quarter.

The average mined grade during the quarter was 2.96% Zn, which continues to reconcile strongly with the Ore Reserve model and mine plan.

Approximately 8% of the overall tailings Ore Reserve has been mined to date.

*Table 3: Quarterly mining performance at Century*

	Mining Performance		
	Mining Rate	Mined Grade	Cannons in Use
Dec 18 Q	1.50Mt	2.95% Zn	2
Mar 19 Q	1.39Mt	2.92% Zn	2
Jun 19 Q	1.60Mt	2.92% Zn	2 (3 <sup>rd</sup> online May)
Sep 19 Q	1.87Mt	2.96% Zn	3
<b>Q-on-Q Difference</b>	<b>+17%</b>	-	-



*Figure 8: Hydraulic mining operations to date at the Century Zinc Mine*

### ***Quarterly Shipping & Sales Performance***

During the quarter the Company continued to maintain shipping rates in line with monthly production.

All production has been sold to date, with New Century having completed 17 shipments to 7 different smelters across China, Europe and Australia.

As with previous quarters, New Century's concentrate impurity penalty rate and treatment charges remain in line with standard market pricing and are also competitive with other global zinc miners.

## **Corporate Developments**

### ***Completion of Capital Raising & Share Purchase Plan***

During the quarter the Company successfully completed a fully underwritten institutional placement and share purchase plan, raising A\$43.3M before costs. The raising was completed by way of issuance of 131.5 million shares and an issue price of A\$0.33/share.

### ***Debt Facility Developments***

During the quarter the Company maintained the A\$60M Varde senior secured facility in place and fully drawn. The previous A\$40M unsecured facility (undrawn) has expired, with the parties in active discussion around the expansion of the secured facility under more favourable terms than the previous higher cost A\$40M unsecured facility.

### ***Royalty Deferrals***

During the quarter the Company announced it has secured the first ever royalty deferral agreement with the Queensland Government under the Government's Resources Regional Development Framework (RRDF).

The RRDF, announced by the Queensland Government in May 2017, was established with a view to unlocking development in the North West Minerals Province (in addition to the Galilee and Surat Basins), creating new jobs and new business opportunities to benefit the State.

New Century Resources has been engaging with the Queensland Government since inception of the program, with a view to securing an agreement under the Framework. Following an intensive period of due diligence and Government engagement, the Company is pleased to have secured the first and only royalty deferral agreement under the RRDF to date.

Under the Agreement, the Company can elect to defer royalties for a period of three years and repay those royalties over the following three-year period. The Agreement is subject to full documentation and execution of terms, which is expected to be completed over the coming months.

The securing of the landmark agreement with the Queensland Government in part recognises New Century's commitment to its innovative value proposition, which seeks to deliver tangible economic



mine rehabilitation benefits while also ensuring local stakeholders are partners in the process through employment, ongoing dividends and community support.

The Agreement also provides an incentivisation pathway for continued exploration and future development of the already identified in-situ resources at the Century Mine.

The Company also notes that during the quarter no royalty was paid as part of the existing private vendor royalty, which has been agreed to be deferred until further notice.

## **Other Projects: Kodiak Coal Project (NCZ 70%)**

The Kodiak Coal Project is currently on care and maintenance.

The Company continues to consider options with regard to the future of the Kodiak Coking Coal Project in Alabama, USA, including disposal of the asset.

## **Lawn Hill & Riversleigh Pastoral Holding Company (NCZ 49%)**

The Lawn Hill & Riversleigh Pastoral Holding Company is an active cattle operations located adjacent to the Company's mining leases.

The Company continues to assess operations in the relation to disposal of this asset.

To learn more, please visit: [www.newcenturyresources.com](http://www.newcenturyresources.com)

For further information, please contact:

### **New Century Resources**

Patrick Walta

Managing Director

P: +61 3 9070 3300

E: [info@newcenturyresources.com](mailto:info@newcenturyresources.com)

### **Media enquiries**

Shane Goodwin

Head of Corporate Affairs

P: +61 434 039 106

E: [sgoodwin@newcenturyresources.com](mailto:sgoodwin@newcenturyresources.com)

## Statement of JORC 2012 Compliant Resources & Reserves

Mineral Resources	Tonnes (Mt)	Zn (%)	Pb (%)	Ag (g/t)	Zn (t)	Pb (t)	Ag (Oz)
South Block (Indicated)	6.1	5.3	1.5	43	322,000	90,000	8,550,000
East Fault Block (Indicated)	0.6	9.8	1.1	42	63,000	7,300	872,000
Silver King (Inferred)	2.7	6.9	12.5	120	186,000	337,500	10,500,000
<b>TOTAL</b>	<b>9.4</b>	<b>6.1</b>	<b>4.6</b>	<b>65</b>	<b>571,000</b>	<b>434,800</b>	<b>19,922,000</b>
Ore Reserves	Tonnes (Mt)	ZnEq (%)	Zn (%)	Ag (g/t)	Zn (t)	Pb (t)	Ag (Oz)
Century Tails (Proved)	71.6	3.1	3.0	12	2,132,000	-	28,340,000

### *Zinc Equivalent Calculation*

ZnEq was calculated for each block of the Century Tailings Deposit from the estimated block grades. The ZnEq calculation takes into account, recoveries, payability (including transport and refining charges) and metal prices in generating a zinc equivalent value for each block grade for Ag and Zn.  $ZnEq = Zn\% + Ag \text{ troy oz/t} \times 0.002573$ . Metal prices used in the calculation are: Zn US\$3,000/t, and Ag US\$17.50/troy oz.

### *Competent Persons Statement*

#### *Mineral Resources*

The information in this announcement that relates to Inferred Mineral Resources on the Silver King Deposit was first reported by the Company in its prospectus released to ASX on 20 June 2017. The South Block Deposit was first reported by the Company to the ASX on 15 January 2018 and the East Fault Block Deposit was first reported by the Company to the ASX on 25 June 2019. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcements, and in the case of estimates of Mineral Resources, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

#### *Ore Reserves*

The information in this announcement that relates to the Ore Reserve at the Century Tailings Deposit was first reported by the Company in its ASX announcement titled "New Century Reports

Outstanding Feasibility Results that Confirm a Highly Profitable, Large Scale Production and Low Cost Operation for the Century Mine Restart" dated 28 November 2017. The Company confirms that it is not aware of any new information or data that materially affects the information included in the original market announcement, and in the case of estimates of Ore Reserves, that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed. The Company confirms that the form and context in which the Competent Person's findings are presented have not been materially modified from the original market announcement.

#### Appendix 1:

The following information is provided pursuant to Listing Rule 5.3.3 for the quarter ended 30 September 2019:

Project	Location	Status	Interest
<b>Century Zinc Mine</b>	<b>Queensland, Australia</b>		
ML 90058	Mt Isa	Granted	100%
ML 90045	Mt Isa	Granted	100%
EPM 10544	Mt Isa	Granted	100%
EPM 26722	Mt Isa	Granted	100%
EPM 26772	Mt Isa	Granted	100%
EPM 26812	Mt Isa	Granted	100%
EPM 26868	Mt Isa	Granted	100%
EPM 26874	Mt Isa	Granted	100%
<b>Kodiak Coking Coal Project</b>	<b>Alabama, USA</b>		
Coke Seam, Gurnee Property	Shelby & Bibb Counties	Lease	70%
Atkins Seam, Gurnee Property	Shelby & Bibb Counties	Lease	70%
Gholson Seam, Gurnee Property	Shelby & Bibb Counties	Lease	70%
Clark Seam, Gurnee Property	Shelby & Bibb Counties	Lease	70%