

# ASX ANNOUNCEMENT



28 April 2022

## March 2022 Quarterly Activities Report

*“Austral is successfully transitioning its Anthill mine to full scale production and focussing on expanding its exploration campaign in the heart of one of Australia’s most prolific copper provinces, the Mt Isa Inlier”*

### Highlights:

- *Significant production milestone achieved with first copper ore deliveries from Anthill Mine in March*
- *Austral on track to produce 10,000tpa of copper cathodes from mid 2022*
- *Six drill ready copper oxide exploration targets prioritised from geophysics and field work*
- *348 tonnes of cathode sold for \$4.83m during the quarter with copper production significantly increasing from May onwards due to commencing Anthill ore processing*
- *Austral finalised a cash advance facility of US\$15M with Glencore to aggressively accelerate exploration and provide the company with a strong balance sheet*
- *Exploration team focussed on delivering drill ready targets with a clear objective to expand Austral’s current resource inventory (420,000t of contained copper). \$10m budgeted to drill 30,000m over the next 12 months*

### Corporate

- *Cash balance of \$23.6m strongly positioning the Company for 2022*
- *Exploration Joint Venture discussions underway with multiple parties for a portion of Austral’s 2,100km<sup>2</sup> of highly prospective exploration tenure*
- *Glencore offtake offers a premium to spot copper price for LME grade A cathode*

### Summary

Copper producer Austral Resources Australia Ltd (ASX:ARI) (Austral or the Company) is pleased to provide an overview of its activities for the quarterly period ending 31 March 2022.

During the Quarter, the Company’s Anthill Mine commenced production, paving the way to achieving >9,000t of copper cathode production in 2022 and >12,000t in 2023, as Austral continues to execute its growth strategy. Importantly, copper cathode production will increase significantly from May 2022 to a planned monthly output of 1,400t by October 2022, driving revenue growth throughout the remainder of the 2022 Calendar Year.

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Copper prices are at historic highs, approaching A\$14,000/t. This, coupled with a strongly increasing cathode production rate from May 2022, will see significant growth in sales revenues, considerably higher than originally forecast when Austral listed late last year. The US\$15m Glencore prepayment facility provides a safe cash buffer during production ramp-up and enables increased exploration expenditure on drilling during 2022, with the aim of increasing Austral's copper inventory through discovery.

With works completed to develop a strong cashflow from copper cathode production and sales, exploration activities are now being expanded in the heart of one of Australia's most prolific copper provinces to build upon the Company's significant resource endowment of 420,000 tonnes of contained copper.



*Figure 1. Anthill Mine east pit, 27 April. 5.7Mt of overburden moved between January and April 2022. Oxide copper ore appears in the right half of the main pit as dark coloured material. 100,000t of ore was mined in April 2022.*

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## Introduction

The Quarter was highly productive for Austral, with the Company establishing a clearly defined pathway to commencing full scale copper production in May 2022. All mine development and plant preparation activities remained on schedule despite a wet January and Covid-19 related personnel absenteeism.

Copper cathode production will increase significantly from May 2022 and continue increasing to a planned 1,400t/month from October 2022, with sales revenues expected to exceed A\$15m per month from August 2022, aided by current copper prices circa A\$14,000/t.

Austral plans to achieve an average 10,000 tonnes per annum of cathode sales for the next four years, generating over \$500m in sales revenues at current copper prices.

Exploration activities ramped up in March with six copper prospects prioritised for drilling from May 2022. A \$10m exploration budget has been approved for a proposed 30,000m of drilling over the next 12 months, weather permitting. The Company is starting a diamond drilling programme at Flying Horse pit to infill drill the sulphide resource and collect fresh core for metallurgical test work potentially utilising new processing technology.

In summary, Austral has delivered on its objectives to bring its new Anthill mine into production, thanks to the exemplary efforts of its team and contractors onsite. Overburden haulage exceeded projections, achieving 5.7Mt by the end of April 2022. This has exposed the top of the Anthill oxide orebody and we are now seeing ore production exceeding plan. Mine production is de-risked.



Figure 2. Road train being loaded with Anthill ore before travelling 43km to the Mt Kelly processing plant.

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## **Anthill Mine Development**

During the Quarter, the Anthill site commenced bulk overburden mining on 5 January 2022, achieving 4.2Mt of overburden moved to the end of the Reporting Period. The top of the Anthill east pit orebody was exposed on 26 January and ore mining commenced in February 2022. Ore haulage commenced 24 March and will ramp up to a planned 5,000tpd by early May 2022.

Total overburden mined by the end of April was 5.7Mt, exposing significant portions of the east pit orebody for bulk ore mining. This will allow pre-stripping activities to recommence at the west pit.

The flat lying to gently dipping geometry and consistent nature of the exposed ore means straight forward grade control and mining. Blasting is on 10m benches and mining on 2.5m flitches (blasted ore), with blastholes within and adjacent to ore assayed for grade control. To date, ore blocks correlate closely to the block model for tonnes - with copper grades significantly higher than forecast for the first 109,000t of mined ore.

Ore production for April of 100,000t was significantly ahead of a budgeted 53,000t, averaging 1.45% copper. Ore stockpiles at the end of April of 109kt contain 1,370t of recoverable copper. Stacking of ore to the heap leach commences in early May.

## **Glencore offtake and prepayment**

In February 2022, the Company entered an offtake and prepayment agreement with Glencore, one of the world's largest mining companies.

Under the Offtake Agreement, Glencore has the offtake rights for up to 40,000t of copper cathode production from Austral's Anthill Mine, with offtake scheduled to commence in May 2022.

Glencore also provided Austral with a US\$15m pre-payment facility, providing Austral a safe cash buffer as operations build to nameplate capacity. The prepayment also allows Austral to accelerate exploration and development activities throughout 2022, after which exploration will be internally funded from Anthill cashflow.

Austral will sell its Anthill cathode at the prevailing spot copper price plus a premium for LME Grade A quality.

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## Mt Kelly Processing Plant

The Mt Kelly processing plant consists of a heap leach pad and solvent extraction/electrowinning (SXEW) plant with a capacity to produce up to 30,000tpa of copper cathode. Mt Kelly is fully operational and produced 5tpd of LME Grade-A quality copper cathode during the Quarter.

The crushing, conveying, and stacking circuit was refurbished to resume production. Ore stacking commences in early May 2022.

Operation is straightforward: 5,000tpd of oxide ore is crushed, agglomerated, and stacked onto the heap leach pad for processing. This stacked ore is irrigated with dilute sulphuric acid, which leaches out the copper in the ore, with the leach solution being concentrated in the solvent extraction circuit before passing to the electrowinning circuit to produce copper cathode sheets. Approximately 2kW of power is required to produce 1kg of copper cathode.

Leaching performance of Anthill ore is excellent with rapid initial leach kinetics: metallurgical testing demonstrated 60 days for 60% of the contained copper to be leached out of the ore and 270 days to achieve a planned 85.2% overall copper recovery. Relatively fast leach characteristics means that copper production quickly increases shortly after ore is stacked.

	2022											
	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Mt Kelly Plant Refurbishment												
Anthill Creek Diversion												
Anthill Pre-stripping (kt)	665	1,400	1,750	1,502	1,294	1,393	1,407	1,394	1,389	1,421	1,382	1,323
Anthill Ore Mining (t)		3,000	5,000	100,000	177,500	172,500	169,500	187,000	164,500	158,000	179,000	237,000
Ore delivery to Mt Kelly (t)			5,000	51,000	155,000	150,000	155,000	155,000	150,000	155,000	150,000	155,000
Ore stacking Mt Kelly (t)					137,000	180,000	186,000	174,000	150,000	150,000	150,000	150,000
Cathode Production tonnes	175	125	125	115	193	688	1,021	1,265	1,337	1,453	1,434	1,450
Copper source	Remnant mining 2021				Anthill Copper Production							
Gross Sales Revenue A\$M*	\$2.5	\$1.8	\$1.8	\$1.6	\$ 2.7	\$ 9.6	\$ 14.3	\$ 17.7	\$ 18.7	\$ 20.3	\$ 20.1	\$ 20.3

Table 1. Projected production and sales revenues for 2022

Table 1 provides Austral's production schedule for the remainder of 2022. Cathode production is projected to build during May as Anthill ore is processed. Production by July is projected to exceed 1,000t/month of cathode.

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Figures 3, 4. Dozer preparing the next pad for ore; aerial photo of Mt Kelly plant with ponds in background and SXEW in centre; Images taken on 24 April.



Figures 5, 6. Inspecting 55t of copper cathode that was backloaded to Townsville Port on 24 March. Each wrapped bundle contains 2.5t of LME Grade-A cathode; robotic stripping of copper cathodes. Images taken on 24 April.

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## Exploration

Exploration activity advanced during the Quarter with the geological team concluding a review of regional structural data, geophysics, geochemistry and undertaking a regional targeting review. A \$10m budget was set to drill up to 30,000m over the next 12 months.

Austral inherited a massive historical exploration database which the exploration team is currently reviewing and updating. Consisting of multiple generations of exploration data, it includes 690km of drill data from 12,900 drill holes, 59,000 soil and rock chip samples, maps, interpretation, and geophysical data. This is a valuable knowledge dataset from which Austral will leverage its ongoing exploration programmes.

Existing exploration targets are being assessed and ranked with a focus on:

- Anthill Mining Lease near-pit potential and Anthill EPMs
- Mineralised lodes within and adjacent to Mt Kelly
- Oxide targets between Mt Kelly and Lady Loretta

Drill results, geochemical data, structural interpretation, and geophysics are being reviewed for each prospect area. Historic geochemical sampling within the 2,100km<sup>2</sup> exploration tenure package is being reviewed in detail. Some historic programmes were limited to basic elemental samples and many areas have low (and in some areas none) sampling density. A comparison study of surface versus shallow drilled geochemical maps is currently underway.

Austral is also reviewing several approaches by other mining and exploration companies to joint venture portions of the Company's extensive tenement holdings.



Figure 7. Sampling copper mineralised outcrop at McLeod.

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Figures 8, 9. Outcropping shear hosted copper mineralisation at Dividend prospect (LHS) and at Swagman (RHS)



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## Post quarter events

Austral completed the crushing, conveying, and stacking circuit refurbishment in late April 2022, enabling Anthill ore processing to begin in the first week of May 2022.

A diamond drilling programme is scheduled to commence at Flying Horse pit, Mt Kelly to collect fresh core samples for metallurgical test work in Canada. This is to determine if Mt Kelly sulphide ore is amenable to a newly developed sulphide heap leach process. This has transformational potential for Austral as the Mt Kelly processing plant is under-utilised and would require minimal capital expenditure to modify.

The exploration team is preparing to commence its maiden RC drill programme in May with six drill ready targets to start.

Austral is in discussions with several mining and exploration companies to progress potential joint venture agreements for portions of its extensive tenure holdings in the Mt Isa district.



Figure 10. Anthill Mine east pit 23 April. Both excavators are mining ore.

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## **Austral's Chief Executive Officer, Steve Tambanis, commented:**

*"Austral enjoyed an exciting and highly productive March quarter, paving the way to commence full scale production at Anthill during April and at Mt Kelly in early May. We are delighted to partner with Glencore for 40,000t of Anthill copper cathode offtake and look forward to a long-term commercial relationship with the World's largest metals trader.*

*Copper production will increase significantly from May, and to put this into perspective, production from January to April this year was 540t of cathode. Planned cathode production from May to December is a significant 9,000t and then increasing to 12,000t for 2023.*

*This production increase occurs together with a copper price at historic highs, nudging A\$14,000/t during 2022. This should see Austral generate gross revenues of \$130m in 2022 and \$170m in 2023 at current copper pricing. It's a good time to be a copper producer.*

*Exploration and development activities are underway on Austral's highly prospective tenure with the goal of fast-tracking discoveries. Our exploration team is stepping up fieldwork during the coming Quarter at the same time as we prepare the first drill programmes at prospects around Mt Kelly.*

*A \$10m budget for the next 12 months allows for up to 30,000m of drilling.*

*We are also preparing to collect diamond core samples at Flying Horse to provide fresh ore samples for a metallurgical test work programme. This will determine if our sulphide ore is amenable to a newly developed heap leach sulphide process. This has transformational potential for ARI if we can develop an option to treat sulphide copper ore at our existing Mt Kelly oxide plant.*

*On behalf of the Board, Austral would like to acknowledge the collective efforts of our staff and contractors to bring Anthill into production both safely and cost effectively. We will see a significant increase in copper production during May and by October the Company plans to be producing a significant 1,400t/m of copper cathode. We look forward to further updating shareholders as we boost copper production and ramp-up exploration and development activities."*

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## Corporate:

Key financial metrics related to mining production, development and exploration activities during the quarter are summarised below:

- Copper sales of 348t and sales revenue of \$4.8m
- Mining, processing, and maintenance costs - \$19.1 million
- Plant capital expenditure - \$1.7 million
- Exploration expenditure - \$0.3 million
- Cash at the end of the quarter - \$23.6 million

This announcement is authorised for market release by Steve Tambanis, Chief Executive Officer.

## **FOR FURTHER INFORMATION PLEASE CONTACT:**

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## About Austral Resources

Austral Resources Australia Ltd is an ASX listed copper cathode producer operating in the Mt Isa region, Queensland, Australia. Its Mt Kelly copper oxide heap leach and solvent extraction electrowinning (SXEW) plant has a nameplate capacity of 30,000tpa of copper cathode. Austral has developed its Anthill oxide copper mine which has an Ore Reserve of 5.06Mt at 0.94% Cu. The Company expects to produce 40,000t of copper cathode over a four-year period from mid-2022.

Austral also owns a significant copper inventory with a JORC compliant Mineral Resource Estimate of 60Mt@ 0.7% Cu (420,000t of contained copper) and 2,100km<sup>2</sup> of highly prospective exploration tenure in the heart of the Mt Isa district, a world class copper and base metals province. The Company is implementing an intensive exploration and development programme designed to extend the life of mine, increase its resource base, and then review options to commercialise its copper resources.

## Competent Persons' Statement

The information in this announcement that relates to Mineral Assets, Exploration Targets, Exploration Results, Mineral Resources and Ore Reserves is based on and fairly reflects information compiled and conclusions derived by Mr Andrew Beaton and Mr Steven Tambanis, Competent Persons who are Members of the Australasian Institute of Mining and Metallurgy. Mr Beaton is the Site General Manager at Austral and Mr Tambanis is Chief Executive Officer of the Company. Mr Tambanis and Mr Beaton are geologists and have sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity being undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results and Ore Reserves (2012 JORC Code)'. Mr Tambanis and Mr Beaton consent to the inclusion in this announcement of the matters based on this information in the form and context in which it appears.

## Ore Reserve and Mineral Resource Estimate Statements

Detailed information that relates to Ore Reserves and Mineral Resource Estimates is provided in Austral Resources Prospectus, Section 7, Independent Technical Assessment Report. This document is available on Austral's website: [www.australres.com](http://www.australres.com) and on the ASX released as "Prospectus" on 1 November 2021. The Company confirms that it is not aware of any new information or data that materially affects the estimates of Mineral Resources and Ore Reserves as cross referenced in this release and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not changed.

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## Appendix 1. Key Austral ASX announcements

DATE	TITLE
1 Nov 2021	Austral Prospectus
3 Nov 2021	Austral lists on ASX
9 Nov 2021	Anthill and Mt Kelly development underway
17 Nov 2021	Anthill blasting commences
7 Dec 2021	Thiess signing
14 Dec 2021	Updated Company presentation
11 Jan 2022	Mining commences at Anthill
3 Feb 2022	Offtake and Prepayment agreement secured with Glencore
31 Mar 2022	Austral's Anthill Mine ore shipments commence



Figure 11. 55t of Austral copper cathode bundles ready for back-loading to Townsville Port. 24 April 2022.

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## Appendix 2. Performance Right Information

Condition 11.5 of Austral's "Conditions of quotation" of the Company following its initial public offering (IPO) requires certain disclosures be made in relation to unquoted KPI based performance rights (Performance Rights) disclosed in the Company's IPO Prospectus.

- Austral has 44,537,500 Performance Rights on issue as at 31 March 2022.
- There were no performance rights converted or cancelled during the quarter.
- KPI 1 "First material ore production from Anthill deposit" vested on 31 March 2022 as announced to the ASX.
- Each Performance Right converts into one ARI share upon vesting and exercise.

The Performance Rights set out above will vest on satisfaction of the below mentioned performance hurdles:

#	Key Performance Indicator	Performance Right #	Vesting Date <sup>1</sup>	Expiry Date <sup>2</sup>
1	First material ore production from Anthill deposit	11,134,372	Vested	30 Jun 25
2	Production of 20kt of copper cathode from Anthill Project	4,453,752	30 Jun 24	30 Jun 26
3	Generate 20kt inferred resource	11,134,372	30 Jun 25	30 Jun 26
4	Share price target of \$0.50	8,907,500	30 Jun 25	30 Jun 26
5	Health Safety Security Environment and Quality ( <b>HSSEQ</b> ) and Indigenous Affairs – FY 2022	2,226,876	30 Jun 22	30 Jun 25
6	HSSEQ and Indigenous Affairs – FY 2023	2,226,876	30 Jun 23	30 Jun 26
7	Generate 20kt inferred resource	4,453,752	30 Jun 25	30 Jun 26
	<b>Total</b>	<b>44,537,500</b>		

<sup>1</sup> Unless otherwise specified, the Vesting Date represents the last possible date by which the relevant KPI must be met in order for the relevant Performance Rights to vest.

<sup>2</sup> Expiry date applies where the KPI has been met by the relevant Vesting Date. Where a KPI is not met, the Performance Rights will lapse no later than 3 months after the Vesting Date.

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The table below provides an overview of the Key Performance Indicators.

No.	KPI	Overview
1	5,000 tonnes of ore moved from the Anthill deposit within 6 months of commencement of overburden mining at the Anthill Project	This KPI will be considered satisfied on the movement of 5,000 tonnes of ROM ore from the Anthill pit to the crusher. This is defined as removing overburden and transporting ore from the Anthill pit within 6 months of commencement of overburden mining at the Anthill Project.
2	Production of at least 20,000 tonnes of copper cathode.	This KPI will be considered satisfied if the Company produces 20,000 tonnes of LME grade Copper cathode by the relevant Vesting Date.
3	Generate a JORC compliant Inferred Mineral Resource estimate of 20,000t of contained Cu through the exploration program within 70km of the Mt Kelly processing facility	This KPI represents an exploration target for the exploration team to either continue more detailed exploration work on the top 12 prospects or explore and drill a new Mineral Resource estimate so that collectively an Inferred Mineral Resource estimate of 20,000 tonnes of contained Cu at a cut-off grade of 0.2% is achieved. This represents approximately half the resource at Anthill and must be within 70km of the Mt Kelly facility.
4	Share price target of \$0.50	This KPI will be considered satisfied where the volume weighted price average of the Company's Shares trades at or above \$0.50 for 20 consecutive Trading Days (as that term is defined in the Listing Rules).
5	Health, Safety, Security, Environment, Quality ( <b>HSSEQ</b> ) and Indigenous Affairs – to 30 June 2022	<p>This KPI will be considered satisfied where both of the following criteria are met during the relevant period:</p> <ol style="list-style-type: none"> <li>1. the Company's published Lost Time Injury Frequency Rate (<b>LTIFR</b>) is no more than 10% higher than the twelve month rolling average LTIFR for surface minerals mines as reported in the Queensland Government 'Mines and Quarries Safety Performance and Health Reports' (adjusted on a pro-rata basis for any period prior to first production at the Anthill Project); and</li> <li>2. the Company (or its relevant subsidiary) is not in material breach or in material dispute with any</li> </ol>

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counter-party to any indigenous land use agreement (**ILUA**) (including for example the agreements set out in section 12.7 of the Prospectus).

- |   |  |  |
|---|--|--|
| 6 | HSSEQ and Indigenous Affairs – from 1 July 2022 to 30 June 2023  | This KPI will be considered satisfied where both of the following criteria are met during the relevant period: <ol style="list-style-type: none"><li>1. the Company's published LTIFR is no more than 10% higher than the twelve month rolling average LTIFR for surface minerals mines as reported in the Queensland Government 'Mines and Quarries Safety Performance and Health Reports'; and</li><li>2. the Company (or its relevant subsidiary) is not in material breach or in material dispute with any counter-party to any ILUA (including for example the agreements set out in section 12.7 of the Prospectus).</li></ol> |
| 7 | Generate a JORC compliant Inferred Mineral Resource estimate measuring 20,000 tonnes contained Cu in sulphide mineralisation | This KPI represents an exploration target for the exploration team to develop a more detailed exploration work on the sulphides (from existing pits, existing targets and drill a new Mineral Resource so that collectively an Inferred Mineral Resource estimate generating 20,000 tonnes of contained Cu in the sulphides at a cut-off grade of 0.2%.  |

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Terms of the employee incentive plan under which the Performance Rights were issued are listed in the Company's IPO prospectus.