

## Stock Commentary

### **Subject Company: Austral Resources Australia Limited**

### **Offtake & AUD 21 million Pre-Payment Agreement Signed with Glencore** **to Supply 40,000t Copper Cathode**

#### **Background**

Austral Resources Australia Limited (ASX:AR1) announced on 3<sup>rd</sup> February 2022 that it has signed a binding offtake agreement with Glencore which will see AR1 supply 40,000 tonnes of copper cathode to Glencore from AR1's wholly owned Anthill-Mt Kelly operations located 100km north of Mt Isa, Queensland.

The agreement also provides for a AUD 21 million (USD 15 million) prepayment facility to AR1.

#### **Key Takeaways from This Announcement**

1. We are delighted with the outcome of the offtake negotiations and the announcement that Glencore (AR1's neighbour) has been chosen as the Company's offtake partner. We understand there was substantial competition from other Tier 1 global offtake groups vying for supply.
2. The agreement to supply of 40,000t of copper cathode effectively signals Glencore is taking all of the "official" scheduled production from Anthill over a 4-year period. However, we strongly envisage Anthill to continue copper production well beyond the first 40,000 tonnes locked into this agreement.
3. Importantly for the Company and investors, the prepayment facility component significantly de-risks the project start-up phase which is now well underway. Should there be a remote chance of any cost overruns on mining and or plant re-commissioning AR1 is now in an exceptionally strong position to deal with it.
4. Finally, the signing of this binding agreement with Glencore, a Tier 1 Offtake partner strongly highlights to us the recognition of the regional significance AR1s copper operations and the outstanding quality of the LME A Grade cathode the company produces. We remind ourselves, getting hold of a steady supply of copper cathode of such high quality, even on a global stage is now not easy.

**The reader of this Stock Commentary is strongly encouraged to obtain a copy of Peloton Capital's Initiating Coverage Research report on AR1 dated 2<sup>nd</sup> December 2021 which provides more detail on the Company and its projects in addition to our views and recommendations.**

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