

# ASX ANNOUNCEMENT



20 January 2023

## December 2022 Quarterly Activities Report

*“Austral doubles revenue whilst consistently reducing operational costs”*

### Highlights:

- *December 2022 Quarter sees Austral operationally cash positive.*
- *Total revenue increased by 103% compared to the previous quarter.*
  - *Copper sales of 2,393t and sales revenue of \$30.1m*
  - *Mining, processing, and maintenance costs - \$24.8m*
  - *Plant capital expenditure - \$1.2m*
  - *Exploration expenditure - \$1.1m*
- *Production for December quarter increased by 92% from last quarter, with production hitting a nameplate capacity of 33.3 tonnes per day in December. Production levels at Anthill through the remainder of CY23 are expected at or near 33.5 tonnes per day.*
- *Austral achieved consistent cost reduction throughout the quarter whilst mining rates continued to be 10% ahead of schedule.*
- *Lady Colleen grade increased by 200% which provided the Company with the confidence to accelerate and support its scoping study with results expected in Q1 2023.*
- *Austral secured a \$12.8M finance facility from Secover, a private company controlled by the Harvey Family Office, which provided the Company with the financial resources it needed to continue its growth and development.*

### 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 December 2022 (Quarter, or the Reporting Period).

The December Quarter saw Austral achieve close to name plate production from the Company's Anthill project, with 976t of copper cathode produced in December and 2,507t of cathode produced for the quarter.

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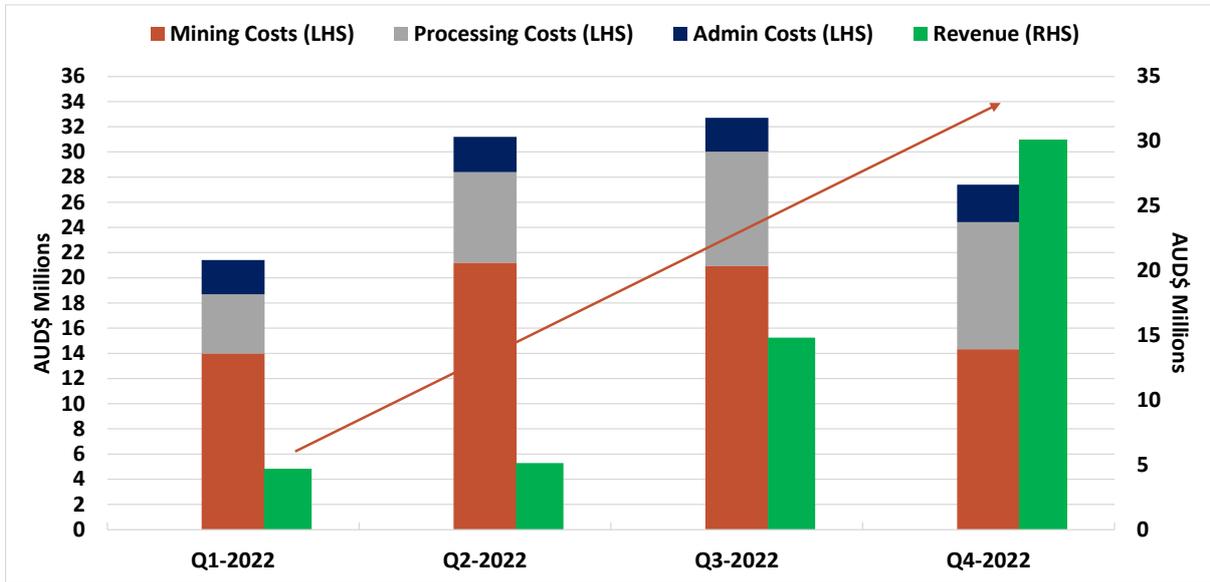


Figure 1 Austral Cashflow Performance for calendar 2022

The first and second quarters of 2022 for Austral saw elevated mining costs due to pre-strip. Once this was resolved, the third quarter saw production levels double as the Company rapidly moved to nameplate capacity. As Austral reached nameplate capacity in the fourth quarter of 2022, operating costs entered a period of decline while revenue doubled. The combination of revenue growth and declining expenses resulted in Austral achieving its first quarter of positive operational cash flow.

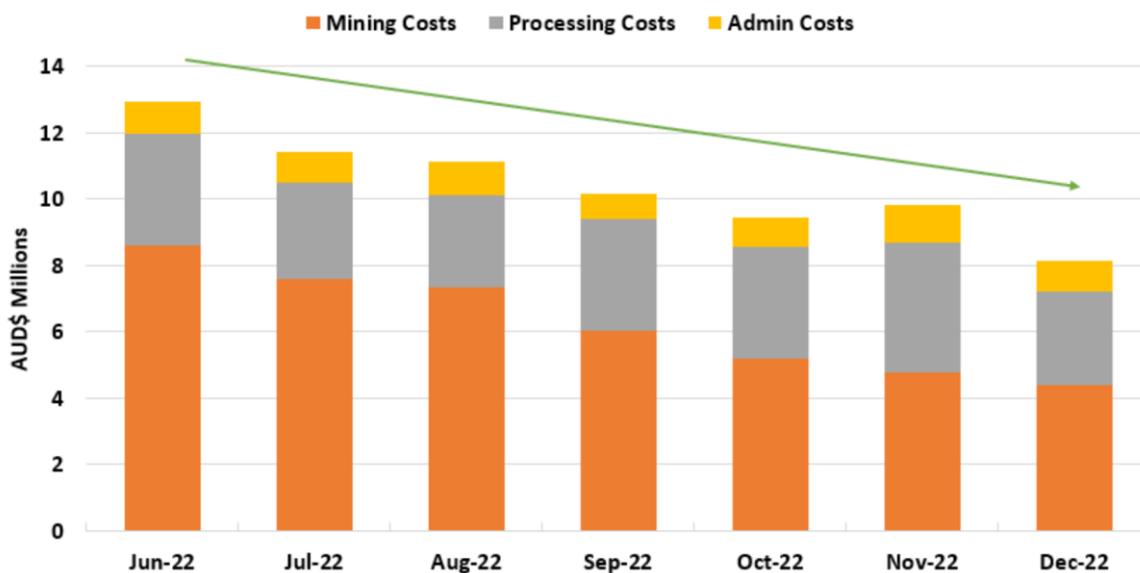


Figure 2 Austral breakdown of costs over H2 2022

During 2022's fourth quarter costs declined. Austral continued to be 10% ahead on its mining schedule over the quarter, while simultaneously delivering reduced costs. This achievement was possible due to the Company's ability to quickly and efficiently resolve unforeseen and uncontrollable issues like the rainfall experienced by the region where Austral's mining assets are located and the rise in the cost of diesel during 2022.

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## Corporate

Key December 2022 quarter financial metrics related to mining production, development and exploration activities are summarised below:

- Copper sales of 2,393 tonnes and sales revenue of \$30.1 million
- Total copper produced for quarter 2,507 tonnes
- Average copper price of US\$8,006 per tonne
- Mining, processing, and maintenance costs - \$24.8 million
- Plant capital expenditure - \$1.16 million
- Exploration expenditure - \$1.11 million.

Total costs decreased by 18% compared to the previous quarter. This was primarily due to cost-saving measures implemented throughout the Company, including reducing discretionary expenses, considerable decrease in mining costs due to the completion of overburden removal, earlier than anticipated reduction in the mining fleet as a result of Thiess' exceptional mining performance surpassing the planned schedule increasing operational efficiency.

Overall, the Company's financial performance during this quarter was strong, with a significant decline in costs and a substantial 103% increase in revenue. These positive results are a testament to the hard work, dedication and skill of all employees and contractors, enabling management to confidently forecast this trend will continue in the future.

## Thiess Payments Restructured

As part of ongoing efforts to improve financial stability and ensure the long-term operational success, Austral has entered into a strategic alliance and payment restructuring agreement with Austral's Anthill mining contractor, Thiess, a global mining services provider.

This agreement provides a mutually beneficial solution for both parties, as it allows Austral to address its financial obligations while also ensuring that production at the Anthill Mine remains on schedule. Thiess currently remains 10% ahead of the mining schedule, safeguarding production during the wet season.

Management believes this payment restructuring agreement is a positive step forward and will help to secure the long-term sustainability of the Company and its operations. Management also believes Thiess' willingness to facilitate the restructuring indicates the strength of its operations. Austral will continue to explore and implement additional strategies to improve financial performance and ensure the long-term sustainability of the business.

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## Secured Additional funding from Secover

Austral increased its funding base in the December 2022 quarter. The period saw the Company secure a finance facility from Secover, a private company controlled by the Harvey Family Office (“HFO”), who holds approximately a 2.9% equity stake in Austral. The Secover facility is secured by two major Austral shareholders, including founder and current Managing Director and CEO Dan Jauncey.

Under the terms of the agreement, Secover have provided the Company with an A\$12.77 million finance facility, which Austral has full access to. Importantly, no existing covenants previously in place are impacted by this debt financing.

## Anthill Mine

Thiess continued to perform above plan at the Anthill mine with total movement for the quarter of 1.35M BCM against a plan of 1.28M BCM. As a result of Thiess’ exceptional performance in previous quarters, which had them 10% ahead of plan, the mine schedule was reduced during the quarter whilst not impacting ore supply. At the end of the quarter total material moved was 9.0M BCM against a target of 8.93M BCM (101%).

Three mining fronts were maintained, being East Stage 1 pit, East Stage 2 pit and the West pit. This allowed some flexibility in the mining schedule, particularly with the onset of the wet season.

The majority of ore was sourced from the West pit, with adverse weather conditions slowing production from the Stage 1 East pit towards the end of the quarter. A total of 442,832t of ore grading 1.00% Cu containing 4,407t of copper metal was mined for the quarter (versus 444,367t @ 0.99% for 4,400t during the September quarter). Year to date mining has yielded 1,308,310t of ore grading 1.01% Cu. A total of 514,749t of ore was hauled for the quarter from the Anthill operation to the Mt Kelly processing facility (versus 418,804t in the September 2022 quarter).

ROM stocks at Anthill at the end of the quarter stood at 66,383t grading 0.94% Cu.

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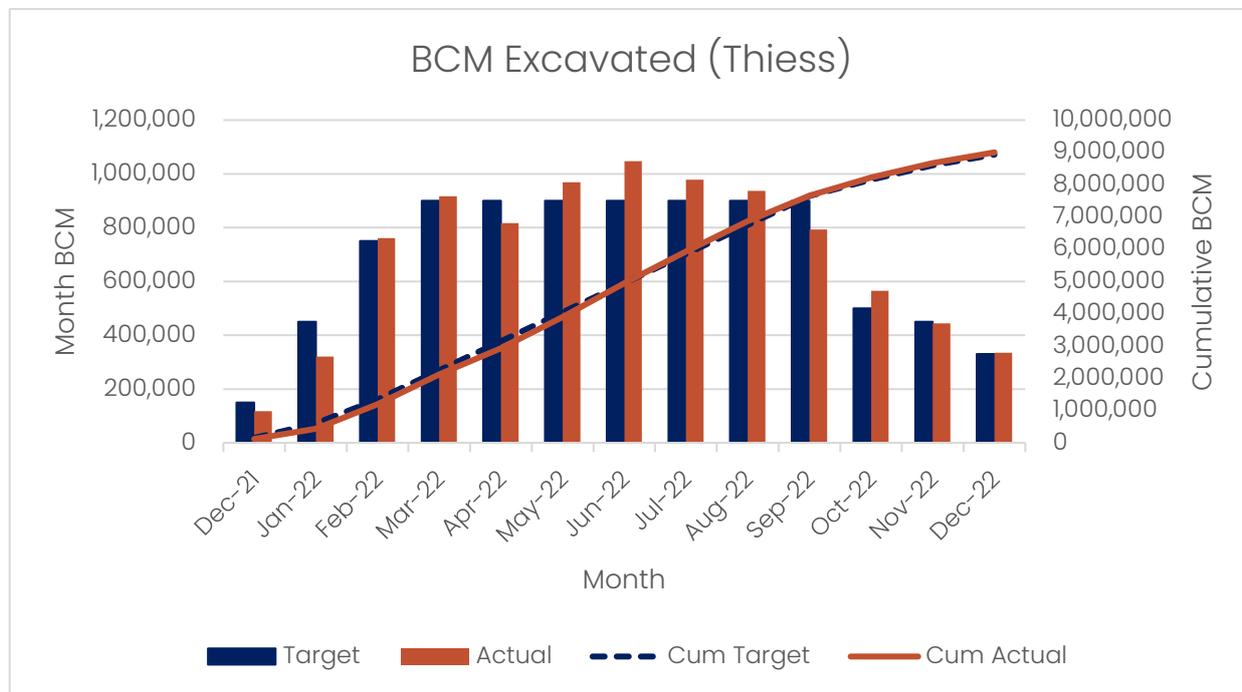


Figure 3 Total BCM (bank cubic metres) material movement from the Anthill mine



Figure 4 View of the Anthill mine with the ROM pad and waste dump in the foreground

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## Mt Kelly

The crushing and stacking circuit performed extremely well over the quarter. Availability and utilisation of the plant and infrastructure has increased consistently since refurbishment and commissioning was completed in the previous quarter. This has allowed the crushing and stacking circuit to perform at a rate greater than the mines requirements. The total ore stacked for the December 2022 quarter was slightly below plan at 456,672dmt against a plan of 491,000dmt (93%). Wet weather had a negative impact on production with the mine to ROM haulage being affected. A major shut down in November to inspect the secondary crusher casing and to replace the manganese lining was also completed quickly and efficiently. Although stacked tonnes were below forecast, higher than planned copper grades were achieved in the stacked material, resulting in 5,182t of Cu metal under irrigation against a plan of 5,349t (96.9%). The attached graphs indicate that the slight drop in copper metal stacked during the quarter influenced the total cathode produced. Importantly, this almost immediate cause-effect reaction will have a lessor impact in subsequent wet seasons as the volume of stacked ore under irrigation increases.

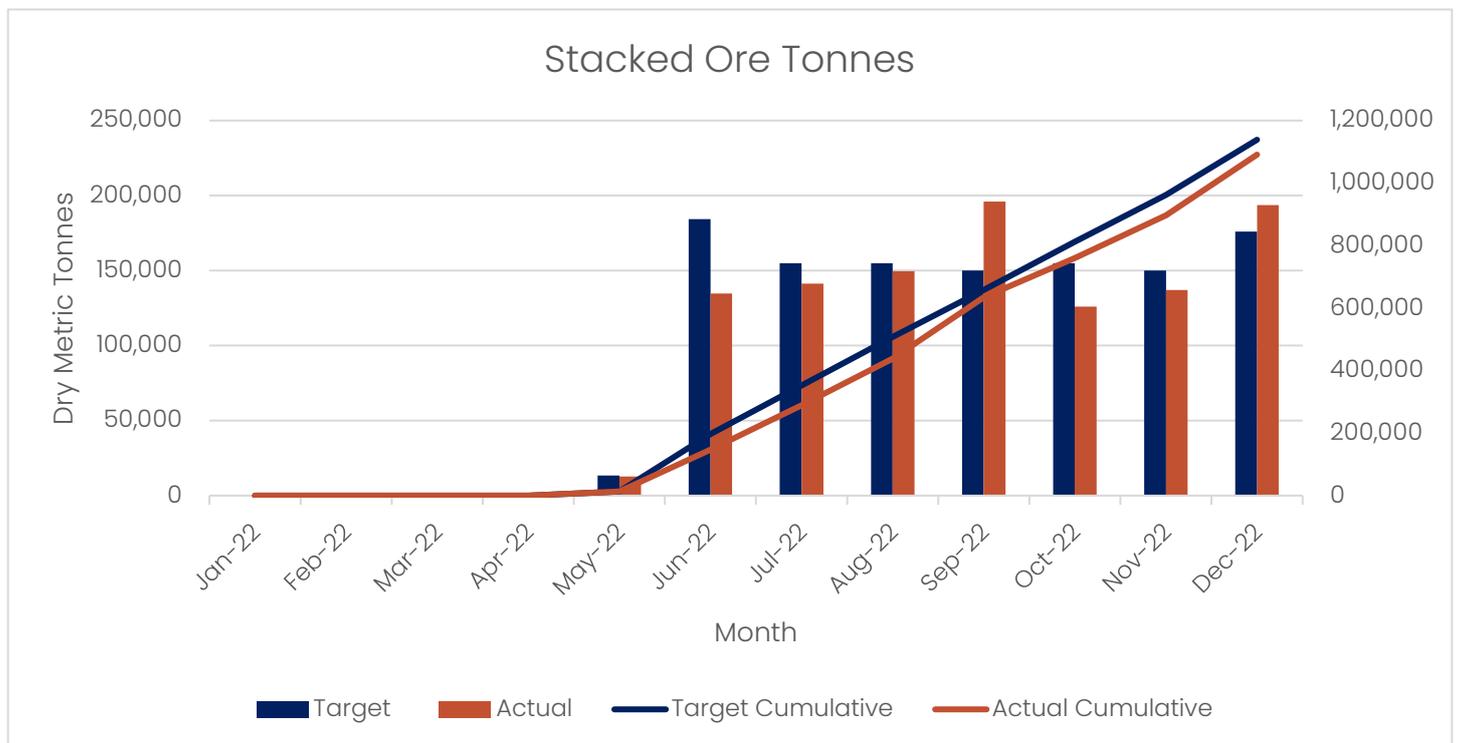


Figure 5 Total ore tonnes stacked on the Mt Kelly leach pad

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## Exploration

Exploration activity progressed during the December 2022 quarter, with a total of 3,412m of reverse circulation drilling was completed from 41 drillholes over the Anthill mining lease. The daily rate achieved of 63m per day is approximately two thirds of that achieved in the prior quarter because of inclement weather, poor ground condition and low rig availability experienced during the latest three-month period. Drilling was completed in early December, given the onset of the wet season.

## Lady Colleen

The December 2022 quarter saw Austral release final results from the 2022 drilling program at Lady Colleen (see ASX announcement dated 13 October 2022). Results confirmed the presence of a continuous high-grade core to mineralisation at Lady Colleen which remains open along strike and down plunge to the north-west. Drilling consistently intersected higher-grade zones within a broader envelope of lower-grade mineralisation. There was a focus on understanding the controls on high-grade mineralisation to target the next phase of drilling exploring the potential continuation along strike and down plunge<sup>(1)</sup>.

Following completion of the 2022 drilling program, the Company generated an updated Mineral Resource Estimate (MRE) for Lady Colleen<sup>2</sup>. Results reflected a very successful delivery of the exploration strategy, to explore for higher-grade lower-tonnage zones within the existing copper sulphide Mineral Resource.

- Combined Total (oxide & sulphide)
  - Measured Mineral Resource 0.6 Mt @ 1.6% Cu
  - Indicated Mineral Resource 1.9 Mt @ 2.0% Cu
  - Inferred Mineral Resource 0.3 Mt @ 1.6% Cu
  - Total Mineral Resource 2.8 Mt @ 1.9% Cu

Comparison between the 2013 sulphide estimate (5.6Mt @ 0.89% Cu with 0.3% cut-off) and 2022 sulphide estimate (2.6Mt @ 2% Cu with 0.7% cut-off) has resulted in;

- 224% increase in copper grade (0.89% to 2%)
- 46% decrease in tonnes (5.6Mt to 2.6Mt)
- 6.1% increase in contained metal (49,840t to 52,000t).

The updated MRE includes the 18 new drill holes completed in 2022 and the improved geological understanding of structure and stratigraphy. The Mineral Resource is restricted to an optimised pit shell to only report material which has potential for economic extraction. The Mineral Resource provides a basis for metallurgical sample selection and the planned scoping study.

<sup>1</sup> Appendix 1, ASX release 13 October 2022

<sup>2</sup> Appendix 1, ASX release 28 October 2022

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Austral has announced it is undertaking a Scoping Study to assess the potential of the Lady Colleen Mineral Resource to support an open cut mining project at Mt Kelly.

## Anthill

At Anthill, 41 reverse circulation holes were completed for a total of 3,412m over October and November 2022 (Figure 6). Results will be reported when all assays have been received and collated. Review of the 2022 drilling results defines a strong continuous trend of Cu-As anomalism (coincidental with fertile structures) forming an envelope with the potential to host economic mineralisation. Spacing and coverage of existing RC drilling indicates as-yet untested target zones within this envelope with the potential to host economic mineralisation of the appropriate target size. Geochemical review of the effectiveness of legacy RAB drilling indicates more than 30% of the Anthill Mining Lease (ML) has no effective sampling with large areas to the east untested or inadequately tested. Anomalous RAB results in the SE corner coincidental with fertile structural trends will be drill tested in 2023.



Figure 6 Tulla RC rig TD04 drilling Anthill 2.0 BURC00686, Anthill waste dumps in background

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## MIM JV

Routines were established with MIM Exploration staff to discuss and progress technical and logistical considerations across the JV, including establishing the required land-owner access agreements and cultural heritage clearances. Technical exploration data covering both Austral and MIM tenure were exchanged. The Austral exploration team visited the MIM Exploration core yard and viewed relevant drill core. Evaluation of the Russell Fault EPM data resulted in further mapping and surface geochemistry being proposed over six specific areas, with follow-up drilling contingent on positive results. Significant parts of the Russell Fault EPM have received little or no effective historic exploration for copper oxide and copper sulphide.

## Other JV's

During the Quarter the Company continued discussions with other mining and exploration companies to progress potential joint venture agreements for portions of the Company's extensive tenure holdings in the Mt Isa district. The Company is also evaluating the potential to joint venture into other companies' tenure holdings, where the opportunity aligns with the Company's exploration strategy.

## Tenure

During the quarter there were no changes to Austral's previously reported tenure holdings (Figure 8). The Company continues to hold 2,147km<sup>2</sup> of highly prospective exploration tenure comprised of 38 EPM's and 2 EPMA's. The Company also holds 15 Mining Leases covering 53km<sup>2</sup>. All tenure held by the Company is in good standing.

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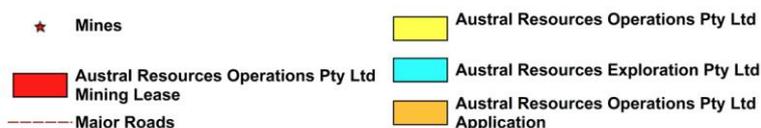
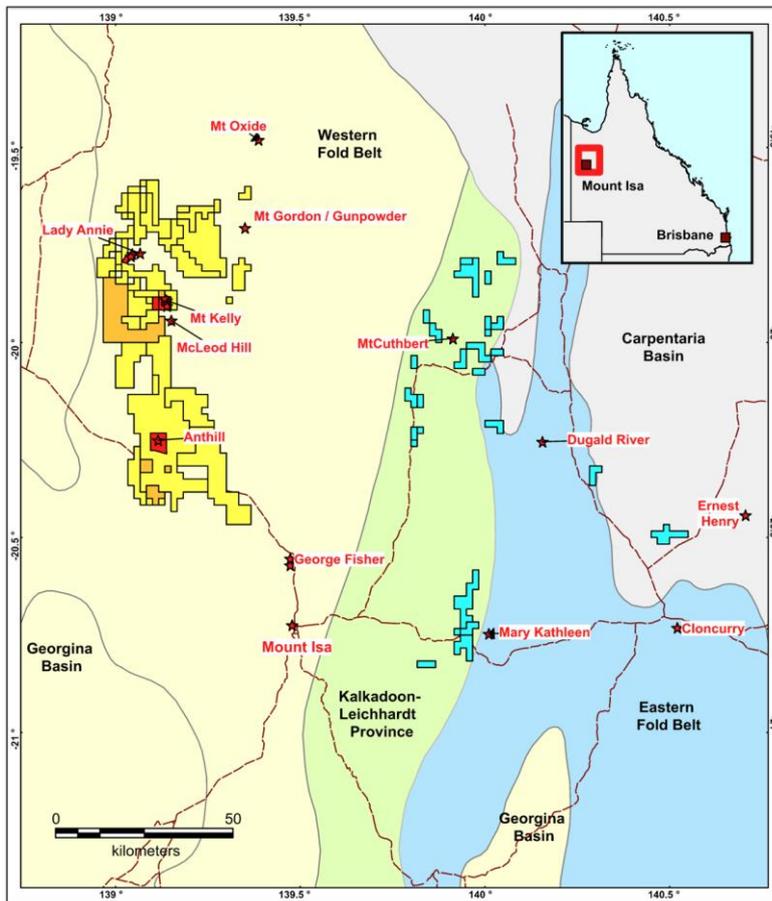


Figure 7 Plan of Austral tenure.

## Generative Work

Legacy drill results, geochemical data, structural interpretation and geophysics were reviewed across the Anthill, McLeod’s Hill and Lady Annie mining leases to generate exploration targets. Geologic knowledge gleaned from the recent drilling program and exposures in the current mining operation has been integrated into the exploration design for these brownfields exploration targets. Drilling programs have been designed to test these targets and all required clearances, permits and accesses are in place to enable drilling in 2023.

Austral has multiple copper oxide exploration targets in 2023 include the Drifter trend where recent surface rock chip samples assayed at 16.05% Cu (Figure 8), highly prospective known targets adjacent to the Anthill open pit mine and targets within the Glencore JV<sup>3</sup>.

<sup>3</sup> Appendix 1, ASX release 09 November 2022

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Copper Sulphide targets in 2023 include Lady Colleen where Austral continues to define a high-grade zone, Enterprise where Austral reported a Maiden Mineral Resource in 2022, Flying Horse, Lady Annie, Investigator and Neptune. Flying Horse and Lady Annie have existing Mineral Resource estimates. In 2023 Austral will explore for additional high-grade oxide and sulphide copper mineralisation, including lower-tonnage higher-grade zones within the sulphide mineralisation.

Austral continues leveraging off the material existing legacy datasets to accelerate the exploration to discovery pipeline.



*Figure 8 Busy Bee copper oxide mineralisation (16.05% Cu) looking south and Malachite infill in quartz fault breccia*

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## Post December Quarter events

Austral exploration activities post the December Quarter include:

- Compilation and review of legacy data over Mt Kelly mining leases has identified copper oxide exploration targets, for drilling during H1 2023.
- Lady Colleen Scoping Study released prior to end of Q1 2023.

## Austral's Managing Director and CEO, Dan Jauncey, commented:

*"The December 2022 quarter was transformational for our business, the Company hit commercial production for the month of December, and operationally cash positive for the quarter. We still have room to improve, with both October and November tonnes lower than we hoped, our goal is to be closer to 3,000 tonnes for plated copper for this quarter.*

*We are pleased to report Thiess continue to remain ahead of the mining schedule by 10% whilst we kept a tight rein on our operational expenses, and in fact reduced costs at the same time doubling revenue for the quarter. We have successfully reduced our cost of production, combined with us hitting commercial production, coinciding with an uplift in copper prices, has certainly put us back on the radar to investors.*

*I mentioned earlier this month how our team had worked really hard maintaining our costs, and this is now visible, you can see 12 months of production costs tapering off toward the end of the year, whilst Thiess remained ahead of the mining schedule. December Quarter sales average was US\$8,006 per tonne, we are very excited to see copper today at US\$9,300 per tonne, and our costs to remain in line with previous quarter, and more tonnes produced.*

*Whilst the operational team were focused on ensuring production hit steady state, the exploration team also progressed critical projects. Outcomes include the 2023 oxide exploration program with surface rock samples returning >16% Cu at Drifter, and the identification of oxide and sulphide exploration targets at Lady Annie ML through the re-evaluation of legacy exploration data. Continued focus on Anthill will include exploration targets integrating knowledge gained from the 2022 program. Austral will build on 2022 success at Lady Colleen with an updated Mineral Resource Estimate of 2.8Mt @ 1.9% Cu now underpinning a scoping study. The JV with Glencore has progressed, with data exchange and field visits including planning for drilling over the JV in 2023."*

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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 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 program 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 Ben Coutts, Competent Person who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Coutts is Exploration Manager of the Company. Mr Coutts is a geologist and has 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 Coutts consents to the inclusion in this announcement of the matters based on this information in the form and context in which it appears. The Company confirms that it is not aware of any new information or data that materially affects the exploration results cross referenced in the announcement.

## 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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This announcement is authorised for market release by the board.

**FOR FURTHER INFORMATION PLEASE CONTACT:**

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## Appendix 1. Key Austral ASX announcements

DATE	TITLE
<b>1 Nov 2021</b>	Austral Prospectus
<b>3 Nov 2021</b>	Austral lists on ASX
<b>9 Nov 2021</b>	Anthill and Mt Kelly development underway
<b>17 Nov 2021</b>	Anthill blasting commences
<b>7 Dec 2021</b>	Thiess signing
<b>14 Dec 2021</b>	Updated Company presentation
<b>11 Jan 2022</b>	Mining commences at Anthill
<b>3 Feb 2022</b>	Offtake and Prepayment Agreement secured with Glencore
<b>31 Mar 2022</b>	Austral's Anthill Mine Ore Shipments Commence
<b>26 Apr 2022</b>	Exploration update
<b>4 May 2022</b>	RIU Conference presentation
<b>6 Jun 2022</b>	Austral exploration update
<b>8 Jun 2022</b>	Glencore (MIM) JV
<b>8 Jun 2022</b>	Resources Rising Stars Presentation
<b>28 Jul 2022</b>	Lady Colleen Drilling Update
<b>2 Aug 2022</b>	Drilling at Flying Horse
<b>9 Aug 2022</b>	Maiden Mineral Resource at Enterprise
<b>11 Aug 2022</b>	Successful Placement
<b>26 Aug 2022</b>	Operational and Strategic Update
<b>5 Sep 2022</b>	New Drilling at Lady Colleen
<b>16 Sep 2022</b>	Austral Board Approves Scoping Study for Lady Colleen
<b>26 Sep 2022</b>	Austral and Glencore Finalise Agreements for \$8.3M Spend
<b>27 Sep 2022</b>	Lady Colleen Assays Confirm 5m @ 5.74% Cu
<b>13 Oct 2022</b>	Step-out Drilling Delivers 6m @ 2.95% Cu at Lady Colleen
<b>28 Oct 2022</b>	Lady Colleen Grade Increases by 200%
<b>9 Nov 2022</b>	Rock Chip Assays of 16.05% Cu Drive 2023 Drill Targets
<b>23 Dec 2022</b>	Production and Scoping Study Funding
<b>9 Jan 2023</b>	Commercial Production and Positive Operational Cashflow

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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 (Rights) disclosed in the Company's IPO Prospectus.

- Austral has 29,390,295 Performance Rights on issue as at 31 December 2022 (of those issued at IPO).
- During the Quarter, no Rights were converted into ordinary shares nor cancelled.
- Each Performance Right converts into one ARI share upon vesting and exercise.

The 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 <sup>3</sup>	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 (HSSEQ) and Indigenous Affairs – FY 2022	2,226,876	Cancelled	n/a
6	HSSEQ and Indigenous Affairs – FY 2023	2,226,876	Cancelled	n/a
7	Generate 20kt inferred resource	4,453,752	30 Jun 25	30 Jun 26
Total <sup>4</sup>		44,537,500		

<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 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 Rights will lapse no later than 3 months after the Vesting Date.

<sup>3</sup> Some of the vested rights have been exercised.

<sup>4</sup> Total Rights on issue at IPO requiring disclosure.

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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 programme 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 counterparty to any indigenous land use</li> </ol>

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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>3. the Company (or its relevant subsidiary) is not in material breach or in material dispute with any counterparty 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 Rights were issued are listed in the Company's IPO prospectus.