

DECEMBER 2020 QUARTERLY ACTIVITIES REPORT

Anax Metals Limited is acquiring and developing advanced projects leveraged to the integration of ore-sorting technology

- ▲ **Anax Completed its 80% Earn-In at Whim Creek Project Post Quarter-End^{1, 3}**
- ▲ **Ore Sorting Test Work Upgrades Whim Creek – Key to Unlock Value²**
- ▲ **Gold Exploration Commences at Whim Creek Project⁴**
- ▲ **Drilling Intersects Massive Sulphides^{5, 8}**
- ▲ **Anax Reinstatement to Official Quotation⁷**

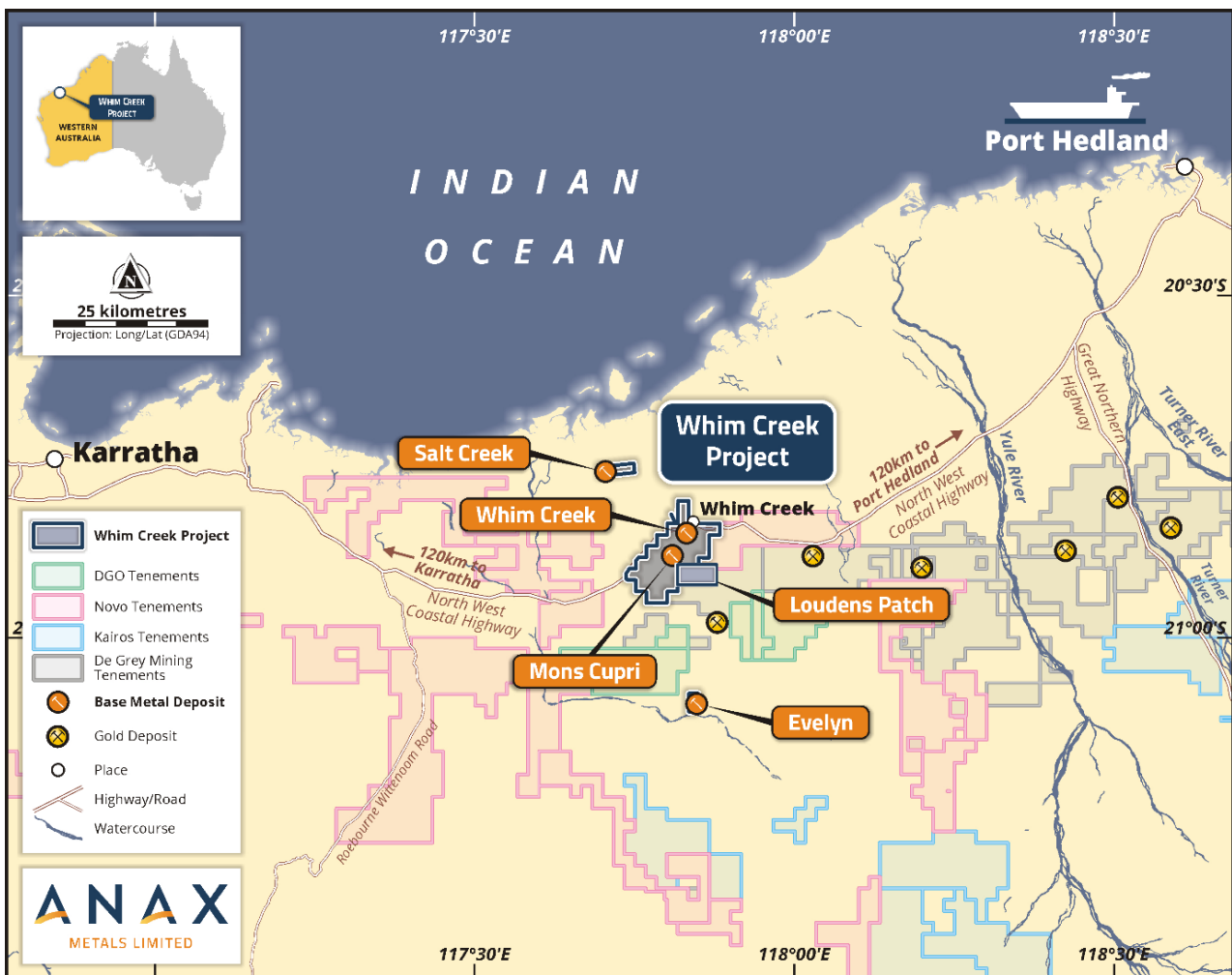


Figure 1: Whim Creek Project Location in the Pilbara region of Western Australia

Whim Creek Joint Venture – VXR 20%-ANX 80%

The last Quarter has seen the achievement of significant milestones for Anax Metals Limited (ASX: ANX) (**Anax** or **the Company**) in relation to the Whim Creek Project, Pilbara Region, Western Australia. Following the Company's reinstatement to official quotation on the ASX under the Anax Metals Limited banner on 5 November 2020⁷, the Company wasted no time in getting the Whim Creek Project feasibility work underway with diamond drill rods immediately turning at Mons Cupri and Whim Creek Prospects⁸.

Feasibility Study Progress

Metallurgical diamond drilling at Mons Cupri and Whim Creek Prospects intersected massive sulphides, as anticipated, confirming the ore zones defined by JORC (2012) Resource estimates.



Image 1: Diamond Drilling at Mons Cupri, Whim Creek Project, November 2020

Table 1: Summary of mineralised intercepts of 20AMCD003 at Mons Cupri⁵

<i>mFrom</i>	<i>mTo</i>	<i>Interval (m)</i>	<i>Description</i>
51	95	44	<i>Semi-massive to stringer sphalerite and galena followed by strongly mineralised chalcopyrite at depth.</i>
95	149	54	<i>Alternating zones of disseminated chalcopyrite and sphalerite</i>

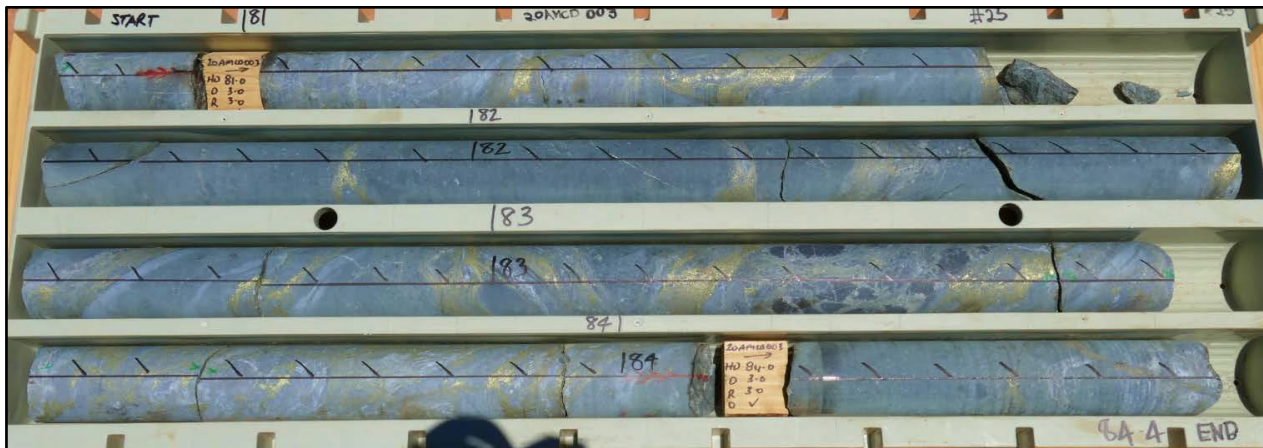


Image 2: Stringer and semi-massive chalcopyrite mineralisation in 20 AMCD003

The Mons Cupri drill core was composited into bulk samples representative of the respective ore zones, namely Cu_HG – high-grade copper ore, Zn_HG – high-grade zinc ore, CuZn_Sort – mixed copper-zinc ore and CuZn_LG – low-grade ore dominated by copper stringers. The Whim Creek mineralised drill core was composited into one bulk sample as it lacked high-grade ore zones and the zinc component. The samples were then crushed to 100% passing 25mm mesh. Bulk ore sorting test work is currently underway and geochemical analysis and interpretation will follow.

Ore sorting is an inexpensive alternative to conventional onsite processing, avoiding costly plant installation. The ore sorting process would generate three streams of material, namely “preconcentrates” for direct shipping, “middlings” and “barren aggregate”. “Middlings” would be diverted to the existing heap leach facility and “barren aggregate” would become valuable road base.

During the Quarter, **preliminary, proof of concept, ore sorting test work was completed** using historical quarter-core remnant from Venturex’s own drilling to quantify ore upgrade potential². X-ray transmission (XRT) sorting methods were trialled as being most suitable for distinguishing density contrasts between the sulphide mineralisation and the volcanic and metasedimentary host rocks. The results confirmed that the Whim Creek volcanogenic massive sulphide (VMS) mineralisation is highly amenable to ore sorting².

Pre-concentrates grading up to **4.8% Cu from a 1.7% Cu feed** and **22% Zn from 7.9% Zn feed** were generated, with recoveries of circa 93% and yields of up to 55%². These preliminary tests have determined the calibration settings for the bulk sample ore sorting test work currently underway².

Metallurgical test work including flotation, comminution, rheology and heap leaching will follow on from the bulk ore sorting test work. Engineering studies including mining, processing and infrastructure are also underway. Environmental studies, offtake and remote processing investigations will follow. This work is intended to culminate in the rapid development of the project to production.

Gold Exploration

Located adjacent to De Grey Mining Limited’s (ASX: DEG) (De Grey) Mallina Project in the West Pilbara, the Whim Creek Project secures 15,000Ha of the Archean aged Whim Creek Greenstone Belt (See Figure 1, above and figure 2, below). These rocks are considered to be laterally equivalent to the Archean De Grey Group metasediments of the Mallina Basin and, like most Archean greenstone belts, prospective for gold⁴.

Gold mineralisation in the region is largely structurally controlled, with the dominant, mineralised structures trending east-west to north-east. GSWA structural mapping has defined numerous, major, north-east trending structures, along the boundaries of the Whim Creek Greenstone Belt. Gold exploration is underway following geological and geophysical interpretation, the identification of historical gold-in-soil anomalies and gap analysis. Gold exploration targets have been prioritised according to accessibility during the current cyclone season and field work will commence in February 2021, with extensive soil sampling programmes⁴.

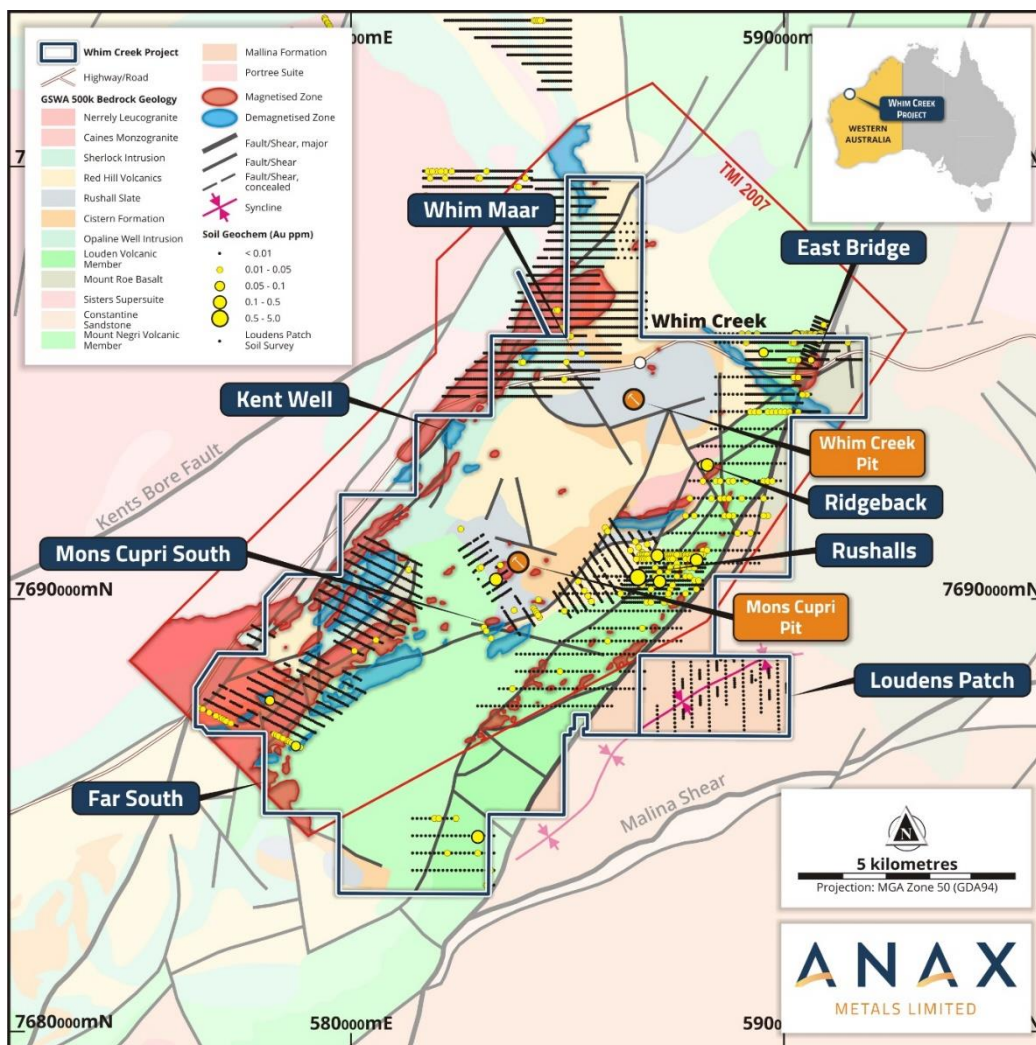


Figure 2: GSWA 2020 Geology, Major Structures, Aeromagnetic and Gold-in-Soil Anomalies at Whim Creek Project

Environmental Status

The Western Australian Government Department of Water and Environmental Regulation (DWER or the Department) issued an Environmental Protection Notice (EPN) in July 2019 in relation to the area of the heap leach facility, where localised groundwater contamination was suspected. The Department has approved EPN Management Plans which Anax continues to implement, with fortnightly reporting of progress¹⁰.

Groundwater monitoring is reported quarterly, and three new monitoring bores were installed and sampled during the Quarter to 31 December 2020. Vegetation monitoring was also carried out to meet biannual reporting requirements. Bunding inspection following the December rain event confirmed the efficacy of the new bunds in diverting stormwater away from heap leach infrastructure. Process water ponds continue to be cleaned and tested for impermeability. Infrastructure improvements are being designed around the existing infrastructure to meet current licencing requirements to enable a seamless licence application process in due course. Further details are set out in the Re-compliance Prospectus of 18 September 2020¹⁰.

Other Anax Exploration Tenure

Loudens Patch (E47/4281), located adjacent to the Whim Creek Project, was granted in August 2020. The ground secures Mallina Basin sediments, formerly held by De Grey, where gold geochemical soil sampling is planned following the 2021 cyclone season.

Work at **Mount Short** (E74/651), granted in December 2019, has included data compilation, interpretation and exploration planning. An Information Memorandum will now be prepared with the intention of finding a suitable JV partner to progress this work.

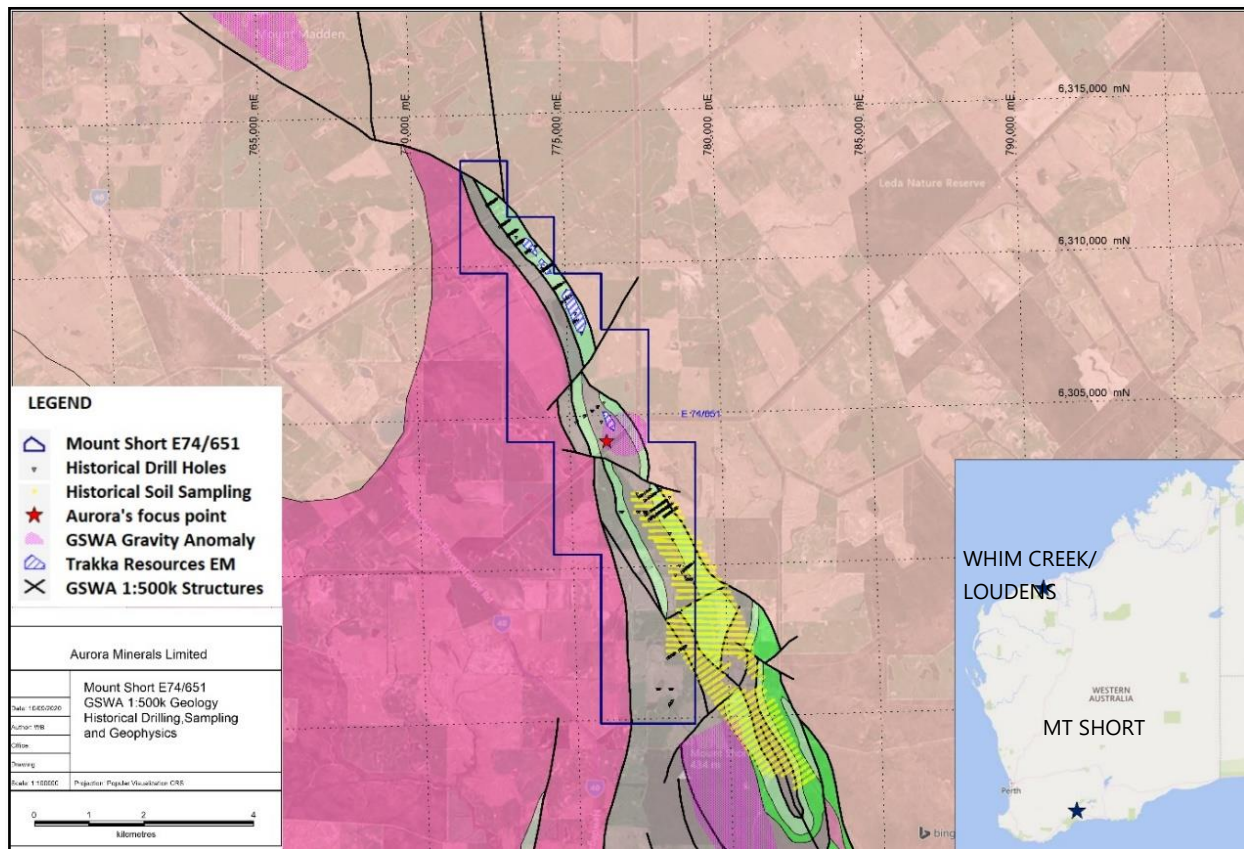


Figure 3: Mt Short (E74/651) historical exploration and GSWA Geology⁹

Advanced Project Procurement Plan

Anax continues to pursue advanced projects, suited to the application of ore sorting technology, for procurement and development.

Compliance

The Company completed its re-compliance and re-listed on the ASX on 5 November 2020. This was quickly followed by completion of the initial Earn-In at Whim Creek, announced on 7 December 2020 and the final 80% Earn-In was completed on 15 January 2021^{1,3}. Anax intends to continue the rapid development of the Whim Creek Project as described in the Prospectus of September 2020¹⁰.

For the purpose of Listing Rule 5.3.1, details of the Company's group exploration activities for the Quarter, including any material developments or material changes in those activities, and a summary of the expenditure incurred on those activities is detailed above and below.

For the purpose of Listing Rule 5.3.2, the Company confirms that there were no mining production and development activities during the quarter by the Company or its subsidiaries.

Pursuant to Listing Rule 5.3.4, the Company provides the following comparison of its actual group expenditure on the individual items in the “use of funds” statement in its Prospectus ¹⁰ since the date of its admission to ASX's official list against the estimated expenditure on those items in the “use of funds” statement in the prospectus and an explanation of any material variances.

Use of Funds	Estimate for the first year after ASX admission (as per Prospectus) ¹⁰	Actual Use December 2020 Quarter	Variance Under/(Over)
Feasibility studies	1,500,000	410,380	1,089,620
Environmental and site improvements	2,218,000	938,746	1,279,254
Exploration, heritage and tenure	548,000	126,808	421,192
Site management	955,000	345,834	609,166
Earnin and Joint Venture Agreement (deposit and stamp duty payments)	550,000	0	400,000*
Working capital	1,687,677	478,773	1,208,904
Estimated expenses of the Offers	290,879	139,905	150,974
TOTAL	7,749,556	2,440,446	5,159,110

*Note \$150,000 was paid in respect of this total due prior to the company's re-quotation and commencement of the quarter. The material variances above are as a result of the Company listing during the December 2020 Quarter and, at the end of that Quarter, being less than 3 months into the 12-month budget.

For the purpose of Listing Rule 5.3.5, the company confirms payments to related parties of the Company and their associates during the quarter totalled \$156,516. The Company advises that \$91,101 of this relates to Directors fees (inclusive of \$7,879 GST and \$1,068 statutory superannuation); \$52,156 (including \$5,216 GST) was paid to Nexus Bonum Pty Ltd (a related party of Mr Geoffrey Laing) for technical consulting; \$13,259 (including \$1,326 GST) was paid to Holihox Pty Ltd (a related party of Mr Phillip Jackson) for legal consulting. These amounts are included at Item 6 of the Appendix 5B.

Performance Rights

Tranche	No of Performance Rights	Vesting Condition to convert into one share in the Company per Performance Right	Expiry Date	Vested (Yes/No)	Comment
Class A	6,000,000	The 20-day VWAP of the Company's Shares reaching 150% of the Public Offer Price (being \$0.045) prior to the Expiry Date	2 years from grant date	Yes	The vesting condition was met during the quarter
Class B	4,800,000	The 20-day VWAP of the Company's Shares reaching 300% of the Public Offer Price (being \$0.090) prior to the Expiry Date	2 years from grant date	No	Nil
Class C	4,500,000	The 20-day VWAP of the Company's Shares reaching 450% of the Public Offer Price (being \$0.135) prior to the Expiry Date	2 years from grant date	No	Nil
TOTAL	15,300,000				

¹The Class A Performance Rights are now able to be converted into Anax shares at the holder's election, prior to their expiry, as per their terms.

Corporate

Anax's cash at bank at 31 December 2020 was AUD2.1million.

Anax's corporate investments and market valuations, as at 31 December 2020 (closing prices), are summarised below.

Anax Metals Group Investments as at 31 December 2020

Investment	Code	Type	Number	% Holding	Unit Value	Total Value
Predictive Discovery Ltd	PDI	Shares - Listed	27,217,125	2.7%	\$0.060	\$1,633,028
Xantippe Resources Ltd	XTC	Shares - Listed	171,295,270	4.3%	\$0.002	\$342,591
						\$1,975,618

This Quarterly Report is authorised for release by the Board of Directors.

For further details please contact:

info@anaxmetals.com.au

-ENDS-

Competent Persons Statement

The information in this report that relates to Exploration Results is based on and fairly represents information compiled by Ms Wendy Beets and Mr Andrew McDonald. Ms Beets and Mr McDonald are full-time employees and shareholders of Anax Metals Ltd and members of the Australian Institute of Geoscientists. Ms Beets and Mr McDonald have sufficient experience of relevance to the style of mineralisation and types of deposits under consideration, and to the activities undertaken to qualify as Competent Persons as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Ms Beets and Mr McDonald consent to the inclusion in this report of the matters based on information in the form and context in which they appear.

The information in this report that relates to geochemical ore sorting results is based on and fairly represents information compiled by Mr Geoff Laing. Mr Laing is a full-time employee and major shareholder of Anax Metals Ltd and a Member of the Australian Institute of Mining and Metallurgy. Mr Laing has sufficient experience of the sampling and analytical techniques under consideration to qualify as a Competent Person as defined in the 2012 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Laing consents to the inclusion in this report of the matters based on information in the form and context in which they appear.

References

The information provided in this report is extracted from the following Announcements:

1. 80% Earn-In at Whim Creek Project Complete, 15 January 2021
2. Ore Sorting Test Work Upgrades Whim Creek, 15 December 2020
3. Initial 40% Earn-In at Whim Creek Project Complete, 7 December 2020
4. Gold Exploration Commences at Whim Creek Project, 2 December 2020
5. Drilling Intersects Massive Sulphides, 25 November 2020
6. Company Presentation, 6 November 2020
7. Reinstatement to Official Quotation, 5 November 2020
8. Drilling Commences at Whim Creek Project, 2 November 2020
9. Quarterly Activities and Cashflow Report, 30 October 2020
10. Re-compliance Prospectus, 18 September 2020
11. Acquisition of up to 80% of Whim Creek Copper-Zinc Project, 21 July 2020

JORC (2012) Mineral Resource estimates for the Whim Creek Project referenced in this report are set out in the Company's Re-compliance Prospectus dated 18 September 2020¹⁰. The Company confirms that it is not aware of any new information or data that materially affects the information included in the Announcements. The Company confirms that the form and context in which the Competent Persons' findings are presented have not been materially modified from the Announcements.

Appendix

In accordance with Listing Rule 5.3.3. Anax provides the following information in relation to its mining tenements.

1. Tenements held at the end of the Quarter and their location:

Project	Tenement Number	Status	Location	Beneficial Percentage Interest
Mount Short	E74/651	Live	Phillips River Mineral Field	100%
Loudens Patch	E47/4281	Live	Pilbara	100%
Whim Creek	L47/0036	Live	Pilbara	40%
Whim Creek	M 47/236	Live	Pilbara	40%
Whim Creek	M 47/237	Live	Pilbara	40%
Whim Creek	M 47/238	Live	Pilbara	40%
Whim Creek	M 47/323	Live	Pilbara	40%
Whim Creek	M 47/324	Live	Pilbara	40%
Whim Creek	M 47/443	Live	Pilbara	40%
Whim Creek	E 47/3495	Live	Pilbara	40%
Liberty Indee	M 47/1455	Live	Pilbara	40%

2. Tenements acquired during the Quarter and their location:

Project	Tenement Number	Status	Location	Beneficial Percentage Interest
Whim Creek	L47/0036	Live	Pilbara	40%
Whim Creek	M 47/236	Live	Pilbara	40%
Whim Creek	M 47/237	Live	Pilbara	40%
Whim Creek	M 47/238	Live	Pilbara	40%
Whim Creek	M 47/323	Live	Pilbara	40%
Whim Creek	M 47/324	Live	Pilbara	40%
Whim Creek	M 47/443	Live	Pilbara	40%
Whim Creek	E 47/3495	Live	Pilbara	40%
Liberty Indee	M 47/1455	Live	Pilbara	40%

3. Tenements disposed of during the Quarter and their location: N/A

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

ANAX METALS LIMITED

ABN

46 106 304 787

Quarter ended ("current quarter")

31 Dec 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers		
1.2 Payments for		
(a) exploration & evaluation (if expensed)* ¹	(1,822)	(1,987)
(b) development		
(c) production		
(d) staff costs		
(e) administration and corporate costs*	(405)	(673)
1.3 Dividends received (see note 3)		
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Government grants and tax incentives		
1.8 Other (provide details if material)	10	(272)
1.9 Net cash from / (used in) operating activities	(2,217)	(2,932)
2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities		
(b) tenements		

* The company's accounting policy allocates staff costs to activities and are accordingly included in items 1.2 (a) and 1.2 (e). This represents expenditure on evaluation of potential project acquisitions.

1.8 consists of \$324k cost for the Whim Creek project acquisition (being \$159k Due Diligence and legal; \$165K deposit to Venturex) partially offset by \$41k BAS Refund and other small credits.

¹ Current quarter spend of \$1,822k included A\$1,115 reimbursed spend to Venturex Resources Limited as part of the Company's earn-in obligations to the Whim Creek project.

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(c) property, plant and equipment		
(d) exploration & evaluation (if capitalised)		
(e) investments	(5)	(5)
(f) other non-current assets (JV Earn In)		
2.2 Proceeds from the disposal of:		
(a) entities		
(b) tenements		
(c) property, plant and equipment		
(d) investments		
(e) other non-current assets		
2.3 Cash flows from loans to other entities		
2.4 Dividends received (see note 3)		
2.5 Other (provide details if material)		
2.6 Net cash from / (used in) investing activities	(5)	(5)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	2,083	2,083
3.2 Proceeds from issue of convertible debt securities		
3.3 Proceeds from exercise of options		
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(134)	(134)
3.5 Proceeds from borrowings		
3.6 Repayment of borrowings		
3.7 Transaction costs related to loans and borrowings		
3.8 Dividends paid		
3.9 Other (provide details if material)		
3.10 Net cash from / (used in) financing activities	1,949	1,949

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	2,412	3,127
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(2,217)	(2,932)

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(5)	(5)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	1,949	1,949
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	2,139	2,139

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	947	1,253
5.2 Call deposits	1,192	1,159
5.3 Bank overdrafts		
5.4 Other (provide details)		
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	2,139	2,412

**6. Payments to related parties of the entity and their
associates**

6.1	Aggregate amount of payments to related parties and their associates included in item 1	157
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

**Current quarter
\$A'000**

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

6.1 includes \$91k for in directors' remuneration (including \$8k GST and \$1k statutory superannuation); \$52k (inc \$5k GST) technical consultancy fees to Nexus Bonum Pty Ltd, a related party of Geoffrey Laing and \$13k (inc \$1k GST) legal consulting fees to Holiho Pty Ltd, a related party of Phillip Jackson.

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities		
7.2 Credit standby arrangements		
7.3 Other (please specify)		
7.4 Total financing facilities		
7.5 Unused financing facilities available at quarter end		
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (Item 1.9)	(2,217)
8.2 Capitalised exploration & evaluation (Item 2.1(d))	-
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	(2,217)
8.4 Cash and cash equivalents at quarter end (Item 4.6)	2,139
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	2,139
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	1

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: Yes.

- Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: Anax Metals Limited (the **Company**) is currently considering a range of funding options, which include debt, equity, or a combination of debt and equity. On 30 October 2020, the Company announced that it had successfully closed its offer to raise \$2,000,000 (before costs) as part of a re-compliance fundraising. Based on the demand for its most recent capital raising and the strength of its strategy, recent results and ongoing progress at the Whim Creek Project, the Company is confident that should it determine to proceed with a capital raising, it will be able to raise further funds as required to meet its ongoing funding requirements. In addition to the current cash balance, the company also has investments in ASX-listed entities which are currently valued at A\$2m, which it can liquidate to fund its ongoing exploration and development activities.

3. Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: Yes. The Company has the assets and the team in place to meet its objectives. The Company's strategy ensures it maintains the flexibility to adapt its exploration and development burn rate to ensure liquidity over the coming period while continuing to meet its objectives. The company has a solid history of performance and ability to raise funding from financial markets. The exploration sector continues to benefit in the current economic environment supporting management's view that raising capital from the capital markets during the coming period remains a suitable funding option.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

29 January 2021

Date:

By the Board

Authorised by:
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.