

ASX ANNOUNCEMENT



20 June 2024

Austral's Restructure of Debt Strengthens Financial Position for Growth

Highlights:

- **Framework Agreement** – Austral, Glencore, Thiess and Secover (a subsidiary of Harvey Family Office) have entered into an agreement subject to conditions precedent to discharge all secured debt, by granting workout rights pursuant to the Anthill Project Agreement (APA)
- **Anthill Deposit Carved Out to Offset All Secured Debt** – the Company currently has \$78 million in total secured debt. The APA structure is designed to ensure that Austral is debt-free and risk-free with no operational exposure.
- **Austral will have a Stake in Free Cash Flow** – Austral retains the benefit of a portion of the free cash flow generated from Anthill once the secured debt has been repaid.
- **Senior Secured Debt Reduced by 100%** – decreasing from \$78 million to Zero.
- **Austral Capital Raise** – is seeking to raise equity of between \$27 million to \$35 million¹ to repay unsecured debt to Thiess, and fund working capital and accelerate its suite of expansion projects which at Scoping Study levels show the extended mine life.
- **Austral to Issue Thiess with a Redeemable Convertible Note** – Austral will issue Thiess a convertible note in discharge of the balance of the remaining unsecured debt. The face value of this note will be approximately \$31.25 million. On completion of the transactions under the Framework Agreement, Thiess has agreed to the termination of the existing Mining Service Agreement without penalty.
- **Equity to Fund Mine Life Expansion and Growth Opportunities** – with increased financial stability, Austral's focus will be to fast-track the recent Scoping Study into Definitive Feasibility Study (DFS) with projected timeline to start mining within the next 12 months.
- **Heap Leach Re-Mine** will provide another source of revenue for Austral on completion of mining Anthill. The heap leach pads have significant amounts of residual copper.

Copper producer **Austral Resources Australia Ltd (ASX:ARI)** (**Austral** or the "**Company**") is pleased to announce its agreement with Glencore International AG (**Glencore**), Secover Pty Ltd (**Secover**) and Thiess Pty Ltd (**Thiess**) for a significant restructure which will enhance the Company's financial position and provide it with a stable platform to extend its mining operations.

¹ Subject to board discretion and working capital requirements.

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On satisfaction of the transactions contemplated under the Framework Agreement, the Company will be in a position to utilise its capital for the development of Lady Annie, Lady Colleen, and Mt Clarke–Flying Horse which includes a maiden copper sulphide project. This strategic move and the development of these projects is expected to extend mine life at the Company's operations.

Dan Jauncey Managing Director and CEO commented:

This is the best position Austral has been in in relation to a debt solution. With secured debt exposure reduced to nil, shareholder dilution non-existent for this piece, and the capital structure simplified, the Company is now positioned to attract renewed interest from quality investors and trade on a normalised basis as part of this restructure. From an ARI shareholder perspective, the debt restructure agreement is a significant and value creative event. We will continue our focus on taking advantage of the favourable copper price environment and pursuing our growth strategy to create shareholder value through fast tracking our Scoping Study into a Definitive Feasibility Study over the coming nine months. By ring-fencing the Anthill Project, we can now focus on expansion projects that will extend the Company's extended mine life. This financial reset not only removes the weight of \$78 million of secured debt but also sets the stage for a capital raise aimed at accelerating a list of expansion projects in the pipeline.

Alongside this financial restructuring, we will be reconstituting our Board to bring in fresh perspectives and expertise that align with our new strategic direction. Consistent with the messaging over the last twelve months, once the transactions under the Framework Agreement and Austral are recapitalised, we will accelerate the search for a new CEO who will lead the Company through this exciting new phase.

This period of transformation is a new era for Austral, where we can leverage our strengthened financial position to extend mine life and unlock new opportunities. We look forward to updating the market as we continue to advance towards a financially sustainable future."

Framework Agreement

Austral has entered into a Framework Agreement with Glencore, Secover, and Thiess to discharge all secured debt and the amount owed to Thiess. Under this agreement, \$78 million in secured debts will be repaid from the proceeds of the Anthill Project. A manager will be appointed by Austral for Anthill's operations (under the APA) and Glencore and Secover will receive the project's proceeds to repay the debt. This decision allows Austral to restructure its financial obligations and de-risk the Company from future operational uncertainties. Austral will share in 10% of the production proceeds once the secured debt is repaid in full.

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Proposed Transactions Under the Framework Agreement

The Framework Agreement outlines several key transactions designed to restructure Austral's financial obligations and support its future growth:

- **Equity Raise:** \$11 million from the Equity Raise will reduce Thiess Unsecured Debt.
- **Redeemable Convertible Note:** Thiess will convert the remaining unsecured debt into a convertible note.
- **Management of Antill Project:** Appointment of a Manager by ARI (under the APA between Glencore and Secover) to manage the Anthill Project operations.
- **Project Ownership:** Austral will retain ownership of the Anthill Project, focusing on bringing expansion projects into development and mining operations. Austral will also provide operational and processing services on a cost-plus basis to be agreed in the formal transaction documentation.

Operational Details

The operational framework agreement ensures clear roles and responsibilities, enabling efficient management of the Anthill Project and alignment with strategic goals:

- **Authorisations:** Austral will continue to hold authorisations and manage land access agreements.
- **Project Management:** The Manager of the APA will manage mining, haulage, processing, and product delivery for the Anthill Project.
- **Safety and Rehabilitation:** Austral will remain responsible for mine safety and rehabilitation, with consultations with the APA Manager.
- **Interim Services:** Thiess will provide interim mining services for APA until a new Mining Services Agreement (MSA) is agreed upon.
- **Records and Reporting:** The APA Manager will maintain books, records, and provide regular reports on operational and financial performance.
- **Approvals and Rehabilitation Plans:** Austral will be responsible for maintaining necessary approvals and preparing rehabilitation plans.

Upon the completion of operations at Anthill, if the remainder of the secured debt owed to Glencore and Secover has not been satisfied, Austral will make a contribution to Glencore and Secover from the proceeds received from the heap leach oxide re-mine. The contribution will be equal to the lesser of the secured debt balance owing and \$13 million. On completion of the Anthill Project and re-mine, Austral's secured debt will be discharged in full, without any further payment or obligation required from Austral. This mutually beneficial arrangement ensures the financial stability of Austral and solidifies the partnership between all parties in the Anthill Project, paving the way for future collaboration and synergies.

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Key Points

The Framework Agreement is subject to several conditions that must be satisfied to proceed with the proposed transactions.

- **Standstill Agreement:** Each major creditor agrees to observe a standstill period and maintain their respective facilities during the formal documentation process and implementation of the Anthill Project Joint Venture.
- **Equity Raise Completion:** Austral must complete the equity raise as outlined in the agreement.
- **Formal Documents:** The parties will negotiate and enter into formal documentation to effect the transactions contemplated under the Framework Agreement.
- **Regulatory and Shareholder Approvals:** Necessary approvals must be obtained to execute and finalise the Anthill Project Joint Venture and other specified transactions within the Framework Agreement.

Austral is committed to formalising the Framework Agreement and completing the transactions under that document as soon as practicable and will continue to update the market with the status and progress in accordance with our material disclosure obligations.

Anthill Project Agreement

The APA structure ensures that costs associated with mining, haulage, and processing will be covered by the proceeds from copper cathode sales through Austral's existing Offtake Arrangement with Glencore. These proceeds will first cover production costs, then repay secured debt, with any surplus distributed among the parties.

The APA allows Austral to ring-fence the Anthill operations, ensuring secured debt repayment while focusing capital on its expansion projects for the purposes of accelerating development and mining production in the near term. Austral will provide exclusive access to infrastructure, including campsites and processing facilities (excluding the Mt Kelly processing facility), for the duration of the APA through a lease arrangement. The lease payment will be at an agreed fixed monthly sum plus outgoings, utilities any associated costs of maintenance and repair of plant and equipment (all at cost plus 5%).

Equity Raise and Financial Commitments

As part of the Company's restructuring, the Company has committed to raising additional equity for the purposes of:

- Accelerating the development of the expansion projects.
- Thiess debt repayment.

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- Trade creditor repayment and working capital requirements.

Austral will work together with strategic investors to determine the pricing and structure of the equity raise, aiming to use the capital to accelerate the development of four key expansion projects as part of the Company's growth strategy.

Further details of the equity raise will be released to the market upon confirmation of terms.

Thiess Debt

The Framework Agreement contemplates the full discharge of the Thiess debt of approximately \$56.67 million by:

- Secover in effect replacing Thiess as a secured debt holder (of \$11.7 million).
- Thiess to receive \$11 million from the proceeds of the equity raise.
- The balance in full through the issuance of a Convertible Note by Austral (**Convertible Note**).

The terms of the Convertible Note will be:

- **Face value:** \$31.25;
- **Interest component:** 10% per annum;
- **Maturity Date:** 2 years from the date of issue;
- **Redemption by Austral:** at any time before the Maturity Date, Austral is entitled to redeem any part of the Convertible Note at the face value as at redemption;
- **Conversion:** at any time after issuance and any required shareholder approval, Thiess is entitled to convert all or part of the Convertible Note at the Conversion Price;
- **Conversion Price:** 80% of the 30 day VWAP² of Austral shares for the 30 day period prior to the issue of the relevant conversion notice; and
- **Conversion on Maturity:** Austral is entitled to elect to convert any unconverted balance owing on the Convertible Note provided Austral (1) has the requisite shareholder approval in place to enable conversion; (2) remains listed on ASX and its shares are tradable on ASX; and (3) it is otherwise in compliance with the terms of the Convertible Note and related laws and ASX Listing Rules.

The issue and conversion of the Convertible Note is subject to the usual regulatory (including shareholder) approvals required under the ASX Listing Rules and the *Corporations Act*³.

² Volume weighted average trading price as defined under the ASX Listing Rules.

³ Where the conversion of the Convertible Note would result in Thiess as the holder of the Convertible Note holding a relevant interest in more than 20% of the issued share capital of Austral.

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On completion of the transactions contemplated under the Framework Agreement, the Thiess Mining Service Agreement (**MSA**) will be terminated by agreement and Austral will have no further obligation, debt or other liability.

Expansion Projects and Exploration

Austral remains in close collaboration with independent third-party consultants, ERM Australia Consultants (**ERM**), to advance the Company's four expansion projects including the existing Lady Annie, Mt Clarke, and Flying Horse pits (oxide re-optimisation projects) and progress the Lady Colleen Scoping Study to definitive-feasibility (**DFS**) level, Austral's maiden sulphide project. This process is being undertaken concurrently along with the planned restart of the oxide mining campaign within the existing pits.

Revenue generated from oxide re-optimisation projects will self-fund the Company into Austral's maiden sulphide opportunities.

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Anticipated Timeline of Events

Below is a proposed timetable for the transactions. Please note that these dates are indicative only, and Austral reserves the right to amend these dates in conjunction with the other parties to the Framework Agreement as necessary.

Event	Date
Announcement of Framework	20 June
Engagement with ASX on Regulatory Approvals	20 June
Shareholder approvals as required	29 July
Equity Raise Launch	1 August
Completion and trading of ARI shares on ASX	2 September

This announcement is authorised for market release by the Board of directors.

FURTHER INFORMATION, PLEASE CONTACT:

Austral Resources Australia Ltd

Dan Jauncey

Managing Director & CEO

Level 9, 60 Edward Street

Brisbane City Qld 4000

P: +61 7 3520 2500