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FAU Enters Option to Acquire up to 100% of Mt Turner Copper-Molybdenum Project in Queensland

Highlights

- **The Mt Turner Project has the potential to be a large scale (>6km diameter) polymetallic hydrothermal mineralised deposit, a size often seen with world-class porphyry's**
- **FAU will commence a 60-day due diligence period to examine the project in detail**
- **FAU can earn a 51% interest in the project through a farm-in arrangement by way of \$2,500,000 expenditure. FAU will have the option to acquire the remaining 49%**

First Au Limited (ASX: FAU) ("FAU" or "the Company") is pleased to announce that it has entered a binding terms sheet ("Terms Sheet") with Essex Minerals Inc, a British Columbia incorporated minerals explorer listed on the TSX Venture Exchange (TSXV:ESX) ("ESX") for the option to earn an initial 51% interest and acquire up to a 100% interest in the Exploration Permits 27170 and 27525 (collectively the "Mt Turner Project" or "the Tenements") located in Queensland by way of farm-in and a later potential acquisition of outstanding interests.

The Mt Turner project provides the opportunity for a strategic acquisition that would complement FAU's existing copper prospects of Dogwood, Victoria and Mabel Creek, South Australia. Copper is expected to play a critical role in the electrification of the global economy and the transition to green energy. Independent reports indicate the worldwide demand for copper for transitioning to green energy alone will increase from under 1Mt in 2020 to be approx. 5.4Mt by 2030 (16% of total global copper demand)¹.

The Mt Turner project presents FAU the opportunity to explore for a world-class porphyry copper-molybdenum deposit with significant scale (>6km diameter) that has the potential to deliver value for the Company.

A summary of the structure of the transaction is as follows:

1. After satisfactory completion by FAU of a 60-day period of due diligence investigation (and satisfaction of other conditions), ESX grants FAU an option which if exercised would commence the farm-in process. FAU will subject to the option proceeding pay ESX an option fee of an aggregate of 5,000,000 ordinary shares and 5,000,000 options each to acquire one ordinary share of FAU for an exercise price of 3 cents and expiring 2 years from issue. If issued, the shares and options forming the option fee will be issued under the placement capacity of FAU.
2. The option will have a term of 220-days. During the term of the option FAU will provide funding for an Induced Polarisation survey (IP survey) and associated exploration program for the purpose of identifying drill targets, the program is expected to cost \$500,000.

¹ Goldman Sachs Commodities Research, *Green Metals: Copper is the new oil*, 13 April 2021

3. If FAU elects the exercise the option, it will make a payment of 10,000,000 FAU ordinary shares to ESX under the placement capacity available to FAU at the time of issue. Once the option has been exercised, under the farm-in arrangement, FAU will be required to spend a minimum of \$2,000,000 within 2-years to earn a 51% interest in the Tenements.
4. Subject to earning the 51% interest, FAU will have the right (but not the obligation) to acquire the outstanding 49% interest in the Mt Turner project for consideration as described in Annexure A.

A comprehensive summary of the material provisions of the Terms Sheet is set out in Annexure A.

Project Summary

The Mt Turner Project consists of two granted Exploration Permits covering ~ 100 km² in area and located 380km SW of Cairns and 10km W of Georgetown, in northern Queensland (Figure 1 and 2). The area can be accessed from the all-weather Gulf Development Road. The project targets a large copper-molybdenum porphyry system at Mt Turner and epithermal gold-silver mineralisation along the Drummer Fault System, with a strike length of 14km.

Mt Turner was first identified through fieldwork by the Bureau of Mineral Resources (now Geoscience Australia) and Geological Survey of Queensland in 1975², as showing large scale (> 6km diameter) polymetallic hydrothermal mineralisation and associated alteration footprint, at a size often seen from world-class porphyry deposits. However, historic exploration since this government work has been limited, and minimal drilling has poorly tested the target area.

Historic mining has occurred along the Drummer Fault zone, with several open pits evident, providing good exposure of the oxidised mineralised vein system.

Geology

The Mt Turner Project is in the western portion of the Georgetown Inlier, which makes up most of the Etheridge Province. It consists of metamorphosed and deformed sedimentary and volcanic rocks of Palaeo- to Mesoproterozoic age, intruded by Mesoproterozoic granites. The Proterozoic rocks have been later intruded by Siluro-Devonian age granitic rocks during the Tabberabberan cycle of the Tasman Orogen (ca 430-380 Ma). The Georgetown Inlier subsequently experienced a period of felsic intrusion and accompanied sub-aerial volcanism during the Carboniferous to Permian period (ca 350-230 Ma), associated with extension and rifting that developed during the Hunter-Bowen cycle of the Tasman Orogeny. This magmatism consisting of widespread and voluminous extrusive and intrusive igneous rocks, producing several large volcanic subsidence structures. This magmatic event was responsible for the 5 million oz Kidson gold deposit, 70km SE of Mt Turner.

² Baker, E.M., and Horton, D.J., 1982, *Geological environment of copper-molybdenum mineralization at Mount Turner*, North Queensland: Geological Survey of Queensland Publication 379, p. 30-77.

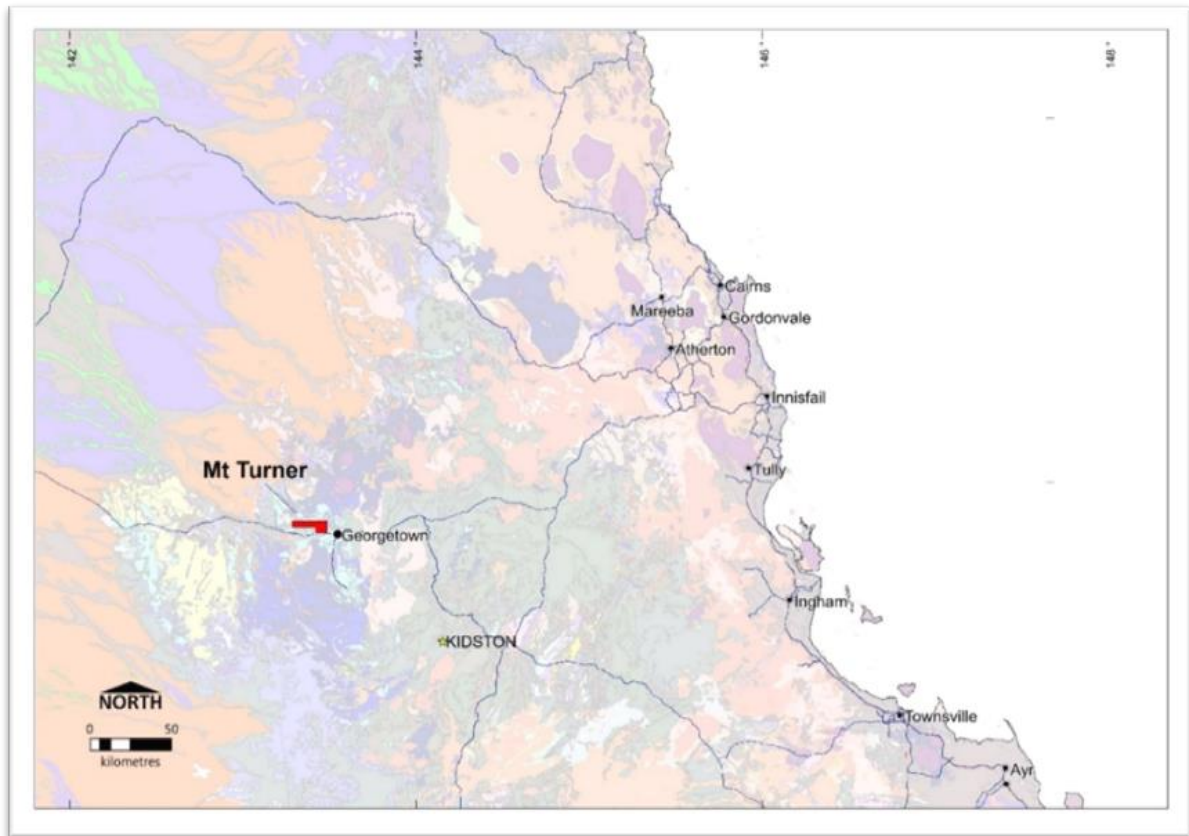


Figure 1. Location of Mt Turner Project, in Northern Queensland

The Permo-Carboniferous Mt Turner intrusive complex, which is centred within the property, consists of multiple phases of rhyolite to micro-granodiorite dykes, stocks and associated breccias, hosted by Meso-Proterozoic Mt Turner Granite and metasediments of the Palaeo-Proterozoic Lane Creek Formation. The overlying subaerial volcanics are postulated to have preserved the porphyry-style mineralisation.

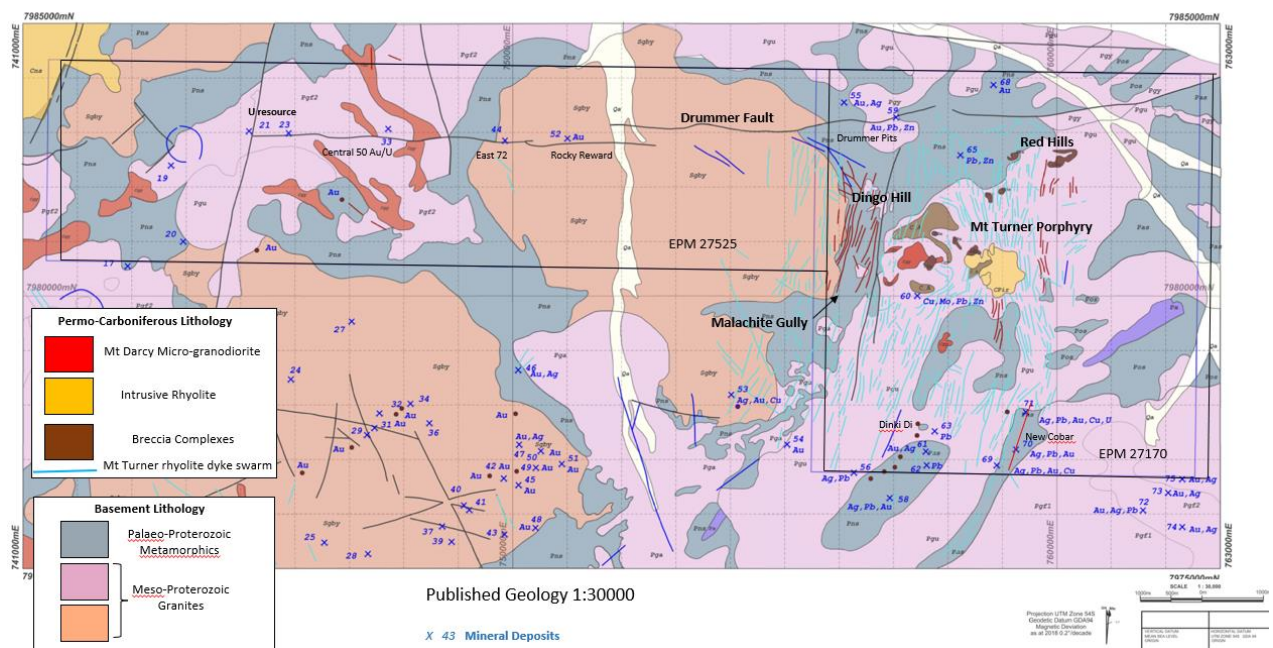


Figure 2. Tenement plan and geology of Mt Turner Project

In addition, a strongly developed, east west structure ~ 19 km long, known as the Drummer fault, cuts across the northern part of the project area. The structure is mineralized in gold and silver within quartz veins and silica flooded shears zones at the contact of a quartz mica schist and diorite intrusive. This structure postdates the Meso Proterozoic Brandy Hot Granodiorite and may have reflected the reactivation during the Carboniferous and Permian events. Mineralisation appears strongly influenced by the Mt Turner multiphase intrusive porphyry, which is only 1.4 km to the south.

The FAU geological team will now examine the Mt Turner project in more detail, as part of the due diligence period prior to entering into the option agreement.

Authorised by:



Bryan Frost

Executive Chairman, Managing Director

About First Au: First Au is an advanced gold and base metals exploration company listed on the Australian Securities Exchange (ASX: FAU) and is trading on the OTCQB market in the USA (OTCQB: FRSAF) and is pursuing a well-funded and aggressive exploration program at its 100% owned Gimlet Gold project near Kalgoorlie and Victorian Goldfields Project in East Gippsland.

Competent Person's Statement

The information in this announcement that relates to geological observations is based on information compiled by Dr Gavin England, a Competent Person who is a member of the Australian Institute of Mining and Metallurgy and the Australian Institute of Geosciences. Dr England is a consultant to First Au Limited ("FAU"). Dr England has also been appointed to the board of directors of FAU as Technical Director. Dr England has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2012 Edition of the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr England has consented to the inclusion in this Public Report of the matters based on his information in the form and context in which it appears.

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Annexure A – Summary of Terms Sheet

A Summary of the material provisions of the Terms Sheet are set out below.

Transaction structure

ISMINS Pty Ltd (“ISMINS”) is the holder of the right, title and interest in the Mt Turner Project tenements. ISMINS is a 100% owned subsidiary of KNX Resources Limited (“KNX”). ESX has entered into a Share Purchase Agreement (“SPA”) to acquire 100% of the issued capital of KNX.

FAU may assign and/or novate its rights and entitlements under the Terms Sheet to a wholly owned special purpose subsidiary incorporated by FAU (“NewCo”) for the purposes of acquiring the interests of FAU in respect of the Mt Turner Project pursuant to the Terms Sheet.

Conditions

The grant of the option pursuant to the Terms Sheet is conditional upon, and subject to satisfaction or waiver of, the following (each a Condition):

- a) FAU completing to its satisfaction (determined in its sole discretion) investigations into the Tenements, ESX, ISMINS, KNX and such other matters as are considered by it to be relevant to the transactions contemplated in this Terms Sheet by the date which is 60 days from the date of the Terms Sheet (“Due Diligence Date”). ESX will provide FAU with information and documents reasonably requested by it in order to facilitate conduct and completion of FAU’s reasonable due diligence enquiries.
- b) The execution by the parties of formal agreement by the Due Diligence Date or such later date as mutually agreed by the parties.
- c) There being no event, matter or circumstance occurring between the date of the Terms Sheet and the date on which the last of the Conditions (other than this Condition (c)) (“Effective Date”) are satisfied which would materially adversely affect the rights or interests to be acquired by FAU under the transactions contemplated by the Terms Sheet.
- d) ESX successfully completing the SPA so as to acquire all the issued capital of KNX which holds all the issued capital of ISMINS.
- e) Approval of the TSX Venture Exchange, if required.

The parties agree they will act in good faith to extend the date for satisfaction for the Conditions where reasonably requested by the other party.

Option Agreement

Subject to the satisfaction of the Conditions, ESX grants FAU an option which upon exercise entitles FAU to commence the farm-in process for acquisition of 51% of the Tenements (“Option”). The Option will be for a term of 220 days from the date of satisfaction of the Conditions (“Option Term”).

Subject to satisfaction of the Conditions, FAU will pay ESX the following Option fees:

- a) An allotment of 5,000,000 ordinary shares of FAU; and

- b) An allotment of 5,000,000 options each to acquire one ordinary share of FAU for an exercise price of 3 cents and expiring 2 years from issue.

The above securities forming the Option fee, if issued, will be issued using the placement capacity available to FAU under ASX Listing Rule 7.1.

During the Option Term, FAU shall provide funding for an induced polarisation ("IP Survey") geophysical survey and associated exploration program to be conducted over the Tenements for the purpose of identifying Cu-Au-Mo porphyry style mineralisation targets. The IP Survey will be conducted under the joint supervision of the parties and is estimated to cost approximately \$500,000. If costs for the IP Survey exceed \$500,000, or on reasonable grounds it is established will exceed \$500,000, ESX agrees that any funds expended on the IP Survey by FAU in excess of \$500,000 shall be credited against FAU's obligations under the farm-in arrangements following exercise of the Option.

FAU may exercise the Option at any time during the Option Term by FAU giving ESX and ISMINS a notice in writing which confirms the exercise of the Option and allotting to ESX 10,000,000 ordinary shares in FAU under the placement capacity available to FAU at the time of issue. By exercising the Option FAU will be thereafter obliged to complete payment of any outstanding funding necessary to complete the IP Survey as at the date of the exercise of the Option.

Farm-in Stage

Subject to FAU exercising the Option, ESX will grant FAU (or its nominee) the right, but not the obligation, to acquire a 51% undivided and unencumbered interest in the Tenements as a tenant in common ("Stage 1 Interest") by incurring aggregate Expenditure of not less than \$2,000,000 within 2 years of the Effective Date ("Stage 1 Period").

Upon FAU satisfying the requirements which may be by way of direct Expenditure (defined in the Terms Sheet) on the agreed exploration program or by payment in cash to a designated trust account for the purpose of funding the ongoing direct costs of holding or developing the Tenements of any shortfall below \$2,000,000, FAU shall acquire the Stage 1 Interest in the Tenements such that the respective interests of the parties in the Tenements will be:

- FAU – 51%; and
- ESX – 49%.

If FAU in its unfettered discretion elects not to proceed with the funding of the exploration program on the Tenements at any time during the Stage 1 Period and before the expenditure of \$2,000,000 then its entitlement to acquire an interest in the Tenements shall lapse.

The parties shall cooperate in good faith to agree on the form of an agreed exploration program for the Tenements at the commencement of the Stage 1 Period. If agreement cannot be reached within 30 days of the commencement of the Stage 1 Period then FAU shall have the power to implement the exploration program in accordance with its preferences.

Acquisition

Subject to FAU earning a 51% interest, ESX will grant FAU (or its nominee) the right, but not the obligation, to acquire the outstanding 49% undivided and unencumbered interest in the Tenements by procuring the issue to ESX of either shares in Newco equivalent to 49% of the enlarged capital of

Newco or at FAU's election such number of ordinary shares in FAU which equate to a valuation of a 49% interest of the Mt Turner Project based on an agreed amount between the parties or failing such agreement a value determined by an independent valuation of the project to be commissioned jointly by the parties (such valuation to be conducted in accordance with the Terms Sheet).

The FAU share value for the purposes of the valuation shall be the volume weighted average price for FAU shares for the period of 15 business days trade on ASX prior to FAU exercising its rights by notifying ESX and ISMINS. Such Newco shares or FAU shares as the case requires shall constitute the consideration for acquisition by Newco of the outstanding interest in the Tenements and thereby the Mt Turner Project ("Acquisition Shares"). Acquisition Shares issued by FAU (if any) will be issued using the placement capacity available to FAU under ASX Listing Rule 7.1.

Upon the allotment to ESX of the Acquisition Shares FAU shall through Newco subject to the net smelter royalty referred to below own a 100% unencumbered interest in the Tenements and all joint venture arrangements in respect to the Tenements shall be at an end.

FAU may exercise its right to acquire the remaining 49% interest in the Tenements by giving ESX notice in writing within 2 months from the end of the Stage 1 Period.

Upon and subject to FAU acquiring a 100% interest in the Tenements the parties shall negotiate in good faith and conclude a net smelter royalty agreement ("NSR") whereby ESX shall be granted a right to receive 1.5% of any future net earnings derived directly from the production of Cu, Au and/or Mo from the Tenements provided always that FAU shall have the right to terminate and cancel the NSR at any time through making payment to ESX of \$3,000,000.

If FAU does not make an election to acquire the outstanding 49% interest in the Tenements within the 2 months from the end of the Stage 1 Period, the parties will continue thereafter in joint venture in the percentages set out below and will each contribute to expenditure in those percentages (subject to the provisions of the formal agreements):

- FAU – 51%; and
- ESX and ISMINS collectively – 49%.

Other terms

The Terms Sheet otherwise contains terms typical for arrangements of this kind, including but not limited to FAU acting as manager with respect to the Tenements, the establishment of a joint venture in respect of the Tenements and provisions in respect of confidentiality and exclusivity.