

29 March 2023

Lithium Project Acquisition Update, grant of Listing Rule waivers

Variation to terms of Lithium Project acquisition

First Au Limited (ASX:FAU) (**FAU** or **the Company**) is pleased to announce that it has agreed with the owners (shareholders) of PG Exploration Pty Ltd (**PG Exploration**) to vary the terms upon which FAU proposes acquiring 100% of the issued capital of PG Exploration (**Transaction**), in particular the terms of the milestones for issue of shares and options by FAU as consideration under the Transaction.

The terms of the Transaction were initially announced to ASX on 13 February 2023, with the milestones for issue of shares and options under the Transaction set out in that announcement being subject to refinement required by ASX. FAU has consulted with ASX specifically on the milestones under the Transaction and the agreed variations are a result of input from the ASX on the terms of the milestones, including the circumstances and timeframe within which milestones may be satisfied.

The total number of shares and options that may be issued under the Transaction remains the same.

A summary of the material terms of the Transaction (as varied) is set out in Annexure A.

Grant of Listing Rule waivers

FAU is also pleased to announce that ASX has granted FAU a waiver of ASX Listing Rule 7.3.4 to allow the issue of shares and options as consideration under the Transaction more than three months after the date of shareholder approval and upon satisfaction of the relevant milestones and within the time required by the milestones, and in any event, no later than 5 years from the date of the general meeting where shareholder approval for issue of shares and options under the milestones is sought.

Details of the relevant shares and options and the milestones applicable to the issue of those respective securities are set out in Annexure A. The notice of meeting under which FAU proposes seeking shareholder approval for the issue of shares and options under the Transaction will contain full details of the waiver(s) granted by ASX and is expected to be issued in the coming days.

Released with the authority of the Board.

Enquiries in relation to this announcement please contact:

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

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Annexure A

Summary of material terms of the Transaction

Note: the below is a summary only and does not contain all the terms of the Term Sheet.

Transaction structure

FAU proposes acquiring 100% of the issued capital of PG Exploration Pty Ltd from the shareholders of PG Exploration (**PG Vendors**), each of whom is not a related party of FAU.

If neither E45/6066 or E45/6101 (**Condition Tenements**) are granted within 12 months of the execution of the Term Sheet (or such later date as agreed, acting reasonably and in good faith), either FAU or the PG Vendors may terminate the Term Sheet by written notice.

The PG Vendors grant FAU an irrevocable authority to act as FAU sees fit to seek grant of the Tenements and the PG Vendors agree to do all things, provide all consents and information and complete all matters necessary to seek grant of the Tenements.

FAU retains exclusivity in respect of the Tenements and the issued capital of PG Exploration Pty Ltd until either settlement or the termination of the Term Sheet in accordance with its terms.

Conditions precedent

Settlement of the Transaction is subject to satisfaction or waiver of the following conditions:

- FAU securing all necessary shareholder and regulatory approvals required to complete the Transaction including for issue of the securities forming consideration under the Transaction.
- Completion of legal, financial and technical due diligence by FAU on PG Exploration and its assets, financial position and operations including but not limited to the Tenements.
- For any Tenement(s) which is not granted, at settlement the application in respect of that Tenement having been completed in all material respects and there being no unresolved issues for the grant of the Tenement(s) raised by the department responsible for administering the regulatory framework set out in the applicable mining laws.
- Any granted Tenement(s) being, at settlement, in good standing and full force and effect and free from any encumbrances, third party interests or any liability to forfeiture or non-renewal under the relevant legislation and regulatory framework.
- FAU raising and/or receiving firm commitments to raise in aggregate not less than \$1.5 million before costs under the Placement.
- FAU being provided with evidence (to its reasonable satisfaction) that the Company at settlement will be cash free and debt free.

- There being no material adverse event prior to settlement which adversely affects the rights and interests proposed to be acquired under the Transaction.
- All representations, warranties and/or undertakings under the Term Sheet being true and accurate in all material respects (and not misleading in any way) upon execution of the Term Sheet and as at settlement of the Transaction.

Consideration

No consideration is payable by FAU until settlement occurs. The consideration noted below that is conditional (being all of the Consideration Shares and Consideration Options) are not to be issued until such time as the relevant milestone for the issue is achieved.

Noting the above, the Consideration payable by FAU to the PG Vendors comprises:

- Grant of a 1.5% net smelter royalty in respect of the Tenements (to be divided equally between the PG Vendors).
- 74,553,572 fully paid ordinary shares (**Consideration Shares**) and 37,276,786 options (each with an exercise price of \$0.012 (1.2 cents) and expiring 18 months from issue) (**Consideration Options**) upon grant of an exploration licence in respect of application E45 / 6066, provided such grant occurs on or before the date that is two years after receipt of shareholder approval.
- 74,553,372 Consideration Shares and 37,276,786 Consideration Options upon grant of an exploration licence in respect of application E45 / 6101, provided such grant occurs on or before the date that is two years after receipt of shareholder approval.
- 17,410,715 Consideration Shares and 8,705,358 Consideration Options upon of an exploration licence in respect of application E45 / 6093, provided such grant occurs on or before the date that is two years after receipt of shareholder approval.
- 17,410,715 Consideration Shares and 8,705,358 Consideration Options upon grant of an exploration licence in respect of application E47 / 4602, provided such grant occurs on or before the date that is two years after receipt of shareholder approval.

Assuming all Tenements currently held by PG Exploration are granted, 171,428,574 Consideration Shares and 85,714,288 Consideration Options would be issued to the PG Vendors.

FAU has also agreed to issue the PG Vendors further Consideration Shares and Consideration Options upon and subject to the satisfaction of the milestones noted below:

- 28,125,000 Consideration Shares and 14,062,500 Consideration Options in the event that, on or before the date that is two years from receipt of shareholder approval, PG Exploration is successful in its ballot application for, and being registered as holder of, application E45 / 6272.
- 28,125,000 Consideration Shares and 14,062,500 Consideration Options in the event that, on or before the date that is four years from receipt of shareholder approval, FAU completes an aggregate of 2,500 meters of drilling on any of the following tenements (including in combination, if applicable): E45/6066, E45/6101, E45/6093, E47/4602 and, if the ballot application is granted and PG Exploration Pty Ltd is registered as holder, E45/6272.

- 40,625,000 Consideration Shares and 20,312,500 Consideration Options in the event that, on or before the date that is five years from receipt of shareholder approval, an independent geological consultant declares a JORC Inferred Resource of not less than 0.5Mt at a grade of not less than 1% Li₂O on any of the following tenements (including in combination, if applicable): E45/6066, E45/6101, E45/6093, E47/4602 and, if the ballot application is granted and PG Exploration Pty Ltd is registered as holder, E45/6272.
- 40,625,000 Consideration Shares and 20,312,500 Consideration Options in the event that, on or before the date that is three years from receipt of shareholder approval, FAU receives and accepts a strategic offtake binding agreement for not less than 25,000 tonnes per annum of lithium concentrate from an unrelated lithium / cathode producer / offtake partner / strategic investor or similar (including a small group of associated investors) on any of the following tenements (including in combination, if applicable): E45/6066, E45/6101, E45/6093, E47/4602 and, if the ballot application is granted and PG Exploration Pty Ltd is registered as holder, E45/6272.

If all of the milestones noted above are satisfied then 150,000,000 Consideration Shares and 75,000,000 Consideration Options will be issued to the PG Vendors.

The aggregate maximum number of securities that may be issued under the Transaction by FAU is 321,428,574 Consideration Shares and 160,714,288 Consideration Options.

If a milestone is not satisfied by the date specified above then the milestone automatically lapses and no Consideration Shares and Consideration Options will be issued in respect of that milestone.

For the avoidance of doubt, all Consideration Options expire 18 months from their respective issue dates and accordingly will not have a common expiry date.

If after settlement and prior to expiry of one or more of the milestones above, FAU disposes of either 50% or more of the issued capital of PG Exploration or a 50% or a 50% or greater interest in the Tenements, FAU and the PG Vendors shall act in good faith to negotiate the lapse of the issue of Consideration Shares and Consideration Options on achievement of the then existing milestone(s). If such negotiations are not successful FAU and the PG Vendors shall refer the matter to mediation. This shall not apply for any milestone that is not achieved by its expiry date.

Other terms

- FAU agreed to pay a non-refundable deposit of \$50,000 and a non-refundable finder's fee of \$30,000, each within 5 business days of completing the first tranche of the Placement. These amounts have been paid by FAU in accordance with the terms of the Transaction.
- The Term Sheet contains mechanics of settlement including completing all matters required to put FAU in effective control of PG Exploration.
- The Term Sheet otherwise contains terms typical for arrangements of this kind, including extensive warranties from the PG Vendors, pre-settlement obligations on the PG Vendors including to keep the Tenements in good standing and provisions regarding confidentiality.