

01 November 2021

Austral Resources Australia Ltd

Pre-quotation Disclosures

Austral Resources Australia Ltd (**Company, Austral or ARI**) (ASX:**ARI**) makes the following disclosures in accordance with ASX's Conditions of Admission to and Quotation to the Official List.

Capitalised terms not defined have the meaning given to them in the Company's prospectus dated 10 September 2021 (**Prospectus**) and supplementary prospectus dated 22 October 2021 (**Supplementary Prospectus**).

1. Completion of the Offer

The Company confirms that it has closed the Offer under the Prospectus and Supplementary Prospectus and completed the issue of:

- 150,000,000 shares at an issue price of \$0.20 per share (**Shares**) to raise \$30,000,000;
- 15,000,000 shares to in full and final payment of the third party debt arrangement;
- 6,875,000 shares to Kamara Group (and nominees); and
- 1,000,000 shares to Peloton Capital Pty Ltd (the **Lead Manager**).

2. Restricted securities

The Company confirms the following securities will be subject to restrictions pursuant to the ASX Listing Rules for the period outlined below:

Class	Number	Restriction period
Shares	197,137,428	24 months from the date of official quotation.
Shares	7,500,000	12 months from the date on which the restricted securities were issued, being until 5 August 2022.
Options	10,000,000	12 months from the date on which the restricted securities were issued, being until 5 August 2022.
Performance rights	25,475,450	24 months from the date of official quotation.

Additionally, Austral advises that 2,500,000 shares are subject to voluntary escrow for 6 months from the date of official quotation of the Shares.

3. Capital structure

The Company's capital structure at the date of admission is:

Security	Number
Shares - quoted	240,737,572
Shares - restricted	204,637,428
Fully paid ordinary shares - total	445,375,000
Unquoted options	10,000,000
Unquoted performance rights	44,537,500

4. Confirmation statements:

The Company's confirms the following:

1. The following securities have been issued:
 - a. 6,875,000 shares issued to the Kamara Group and nominees.
 - b. 1,000,000 shares issued to the Lead Manager.
 - c. 15,000,000 shares in full and final payment of the third party debt arrangement of which ARI is obliged to repay ('Third Party Debt').
 - d. 265,652,706 to Yellow Gear Pty Ltd (**Yellow Gear**), noting the share-buy back agreement described in paragraph 3 below has reduced the number of shares held by Yellow Gear.
 - e. 59,347,194 shares to Yellow Gear.
 - f. 44,537,500 performance rights to directors and key management personnel of ARI.
2. The deed of debt repayment and forgiveness dated 3 August 2021 between Yellow Gear, ARI and Austral Resources Operations Limited (**Repayment and Forgiveness Deed**), has been completed, including:
 - a. The repayment the Inter-Company Loan by:
 - i. ARI issuing 265,652,706 shares at an issue price per share of \$0.05 (constituting a repayment amount of \$13,282,635.30) to Yellow Gear (**Yellow Gear Repayment Shares**), noting the share-buy back agreement described in paragraph 3 below has reduced the number of shares held by Yellow Gear;
 - ii. ARI applying any insurance proceeds (up to a maximum of \$2 million) arising out of an insurance claim made by the ARI arising from fire damage in November 2020 (**Insurance Proceeds**);
 - iii. ARI agreeing to pay the Anthill Production Payment to Top Gallery Investment Limited;
 - iv. ARI repaying an amount equal to \$18,500,000 constituted by \$11,000,000 from the Offer proceeds and \$7,500,000 from the Wingate Facility Agreement – for the purposes of discharge and repayment of third party debt arrangement of which ARI is obliged to repay (**Third Party Debt**); and
 - v. ARI issuing 15,000,000 Shares at an issue price per Share of \$0.20 (constituting a repayment amount of \$3,000,000) – in full and final payment of the Third Party Debt (**Third Party Repayment Shares**).

- b. Yellow Gear has executed a release and discharge from any claims Yellow Gear has, or may have had, against AR1 in connection with the Inter-Company Loan, subject to and on completion of the Offer.
- c. The balance of the loan agreement between Yellow Gear (as lender) and AR1 (as borrower) ('Working Capital Loan') of \$5,967,359.70 has been repaid by AR1:
 - i. issuing 59,347,194 Shares at an issue price per Share of \$0.05 (constituting a repayment amount of \$2,967,359.70) to Yellow Gear (Tranche 2 - Yellow Gear Repayment Shares), noting the share-buy back agreement described in paragraph 3 below has reduced the number of shares held by Yellow Gear; and
 - ii. paying Yellow Gear the balance amount of \$3,000,000 out of the proceeds of the Offer.
- 3. The share buy-back agreement pursuant to which AR1 has agreed to buy-back 62,500,000 shares from Yellow Gear for \$1 has been completed.
- 4. There are no legal, regulatory, statutory or contractual impediments to AR1 entering the granted tenements and carrying out exploration activities such that AR1 will be able to spend its cash in accordance with its commitments.
- 5. The full terms of the performance rights are set out in Schedule 1 below.

5. Waivers granted

Based solely on the information provided, ASX Limited ('ASX') grants Austral Resources Australia Ltd (the 'Company') a waiver from listing rule 1.1 condition 12 to the extent necessary to permit the Company to have on issue 44,537,500 performance rights to be issued to Directors and Key Management Personnel ('Performance Rights') with a nil exercise price on condition that the material terms and condition that the material terms and conditions of the Performance Rights are clearly disclosed in the Company's initial public offering prospectus ('Prospectus').

ASX has considered Listing Rule 1.1 Condition 12 only and makes no statement as to the Company's compliance with other listing rules.

Basis for Decision

Listing Rule 1.1 Condition 12

If an entity seeking admission to the official list has options or performance rights on issue, the exercise price for each underlying security must be at least 20 cents in cash. This rule supports listing rule 2.1 condition 2 which requires the issue price or sale price of all securities for which an entity is seeking quotation (except options) upon admission to the official list to be at least 20 cents in cash. These requirements together support the integrity of the ASX market, as they demonstrate that the entity's ordinary securities have a minimum value suitable for a listed entity.

Facts and Reasons for granting the in-principle waiver

In the present case, the number of Performance Rights will represent 10% of the ordinary shares on issue at the time of the Company's admission on an undiluted basis. The Performance Rights are fixed in number and will be held by Directors and Key Management Personnel and are therefore unlikely to have any impact on the trading

price of the Company's shares. The Performance Rights will convert into ordinary shares in the Company on a one-for-one basis on the vesting date, being the achievement of milestones, subject to satisfaction of the relevant vesting conditions.

It is considered that the existence of Performance Rights will not undermine the existence of the 20 cent rule in the circumstances. The waiver is granted on the condition that the material terms and conditions of the Performance Rights are clearly disclosed in the Prospectus

Confirmation Decision

Listing Rule 6.1

Based solely on the information provided, ASX Limited ('ASX') confirms to Austral Resources Australia Ltd (the 'Company') that the terms of 44,537,500 performance rights ('Performance Securities') issued by the Company to Directors and Key Management Personnel are appropriate and equitable for the purposes of Listing Rule 6.1 subject to the following conditions:

- The Prospectus issued in connection with the Company's IPO contains the following details in respect of the Performance Securities:
 - o the party or parties to whom the Performance Securities are to be issued and the number of Performance Securities to be issued to them or each of them;
 - o any relationship the recipient of the Performance Securities or an associate of the recipient has with the entity;
 - o In respect of those Performance Securities proposed to be issued to the Directors and Key Management Personnel of the Company:
 - a statement that Performance Securities are being issued to remunerate or incentivise a director or employee and are not ordinary course of business remuneration securities;
 - details of the role (if any) the director or employee will play in meeting the respective performance milestones;
 - details of the existing total remuneration package of the director or employee;
 - if the director or employee or any of their associates hold securities in the entity, details of those securities and the consideration they paid or provided for those securities;
 - an explanation why it is considered necessary or appropriate to further remunerate or incentivise the director or employee to achieve the applicable performance milestone;
 - details of how the Company determined the number of Performance Securities to be issued to the director or employee and why it considers that number to be appropriate and equitable;
 - o The number of ordinary shares that the Performance Securities will convert into if the applicable performance milestone is met and the impact that will have on the entity's capital structure.
 - o The full terms of the Performance Securities, including:
 - The Performance Securities are not quoted.
 - The Performance Securities are not transferrable.
 - The Performance Securities do not confer any right to vote, except as otherwise required by law.
 - The Performance Securities do not permit the holder to participate in new issues of capital such as bonus issues and entitlement issues.

- The Performance Securities do not carry an entitlement to a dividend.
 - The Performance Securities do not permit the holder to participate in a return of capital, whether in a winding up, upon a reduction of capital or otherwise.
 - The Performance Securities do not carry an entitlement to participate in the surplus profit or asset of the Company upon winding up of the Company.
 - Each Performance Securities is converted into one fully paid ordinary share on achievement of the relevant milestone.
 - If the relevant class of Performance Securities is not converted into a share by the relevant expiry date then all the Performance Securities of that class lapse.
- The Company makes an announcement immediately upon the satisfaction of any milestones, the conversion of any of the Performance Securities and the expiry of any of the Performance Securities.
 - The terms and conditions of the Performance Securities, including without limitation the relevant milestones that have to be satisfied before each Performance Securities converted into an ordinary share, are not to be changed without the prior approval of ASX and the Company's shareholders.
 - Upon conversion of the Performance Securities into ordinary shares, the Company will apply to the ASX for quotation of the shares within the requisite time period.
 - The Company discloses the following in each annual report, annual audited financial accounts, half-yearly report and quarterly cash flow report issued by the Company in respect of any period during which any of the Performance Securities remain on issue or were converted or cancelled:
 - The number of Performance Securities on issue during the relevant period;
 - A summary of the terms and conditions of the Performance Securities, including without limitation the number of ordinary shares into which they are convertible and the relevant milestones;
 - Whether any of the Performance Securities were converted or cancelled during that period; and
 - Whether any milestones were met during the period.

ASX has considered Listing Rule 6.1 only and makes no statement as to the Company's compliance with other listing rules.

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

FOR FURTHER INFORMATION PLEASE CONTACT:

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SCHEDULE ONE – FULL TERMS OF PERFORMANCE RIGHTS

1 ENTITLEMENT

- 1.1 Upon the grant of Performance Rights, a certificate or an uncertified holding statement for the Performance Rights will be issued by the Company to the Participant.
- 1.2 Each Performance Right will entitle its holder to subscribe for and be issued, credited as fully paid, one Share (upon vesting and exercise of that Performance Right).
- 1.3 The Performance Conditions applicable to a Performance Right shall be as determined by the Board (in its discretion) on or before the date of grant of the Performance Right.
- 1.4 Subject to these Rules, the Company must allot and issue Shares on the exercise of Performance Rights which have vested to the Participant (or the Participant's nominee or personal representative, as the case may be) in accordance with the Listing Rules and in any event no later than 30 days after the date of exercise of the Performance Right and shall either issue a certificate, or cause a holding statement to be issued, for Shares so issued within 5 Business Days after the date the Shares are issued.
- 1.5 Shares issued on the exercise of Performance Rights will rank equally in all respects with the existing Shares in the capital of the Company from the date of issue of those Shares, subject to the restrictions on transfer set out in **clause 6.2** of this Schedule. They will not rank for any rights attaching to Shares by reference to a record date preceding the date of issue.
- 1.6 A participant is not entitled to participate in a return of capital, whether in a winding up of the Company, upon a reduction of capital or otherwise. Likewise, a participant is not entitled to participate in the surplus profits or assets of the Company upon a winding up of the Company.

2 VESTING OF PERFORMANCE RIGHTS

- 2.1 Subject to **clause 3** of this Schedule, a Performance Right granted under the Plan will vest upon satisfaction of the applicable Performance Conditions determined by the Board pursuant to the Plan (note the Performance Conditions are set out in the Supplementary Prospectus).
- 2.2 The Board will determine in its absolute discretion whether, and if so, to what extent each Performance Condition has been satisfied and must advise the Participant in writing of its determination.

3 LAPSE OF PERFORMANCE RIGHTS

- 3.1 An unvested Performance Right will immediately lapse upon the first to occur of:
 - (a) the Performance Conditions not being satisfied prior to its Expiry Date;
 - (b) the transfer or purported transfer of the Performance Right in breach of **clause 6.1** of this Schedule;

- (a) the day that is 3 months following the date the Participant (or, in the case of a Performance Right held by a nominee, the nominating Participant) ceases to be employed or engaged by the Company or an Associated Body Corporate by virtue of the Participant resigning voluntarily and the Participant has not recommenced employment with the Company or an Associated Body Corporate before the expiration of those 3 months;
- (b) subject to **clause 3.3(b)** of this Schedule, the day which is 3 months following the date the Participant (or, in the case of a Performance Right held by a nominee, the nominating Participant) ceases to be employed or engaged by the Company or an Associated Body Corporate by reason of his or her death, disability, bona fide redundancy, or other reason with the approval of the Board and the Participant has not recommenced employment with the Company or an Associated Body Corporate before the expiration of those 3 months;
- (c) termination of the Participant's (or, in the case of a Performance Right held by a nominee, the nominating Participant's) employment or engagement with the Company or an Associated Body Corporate on the basis that the Participant acted fraudulently, dishonestly, in breach of the Participant's obligations or otherwise for cause; and
- (d) the day which is 6 months after an event which gives rise to a vesting under **clauses 4.1 to 4.4** of this Schedule.

3.2 A Performance Right which has vested but has not been exercised will immediately lapse upon the first to occur of:

- (a) close of business on the last day of the Exercise Period, if the Performance Right is not exercised prior to that day;
- (b) the transfer or purported transfer of the Performance Right in breach of **clause 6.1** of this Schedule;
- (c) termination of the Participant's (or, in the case of a Performance Right held by a nominee, the nominating Participant's) employment or engagement with the Company or an Associated Body Corporate on the basis that the Participant acted fraudulently, dishonestly, in breach of the Participant's obligations or otherwise for cause; and
- (d) the day which is 6 months after an event which gives rise to a vesting under **clauses 4.1 to 4.4** of this Schedule.

3.3 Where a Participant (or, in the case of a Performance Right held by a nominee, the nominating Participant) ceases to be employed or engaged by the Company or an Associated Body Corporate by reason of his or her death, disability, bona fide redundancy, or other reason with the approval of the Board, then:

- (a) if any of the Participant's Performance Rights have vested but have not been exercised, they will remain exercisable by that Participant's estate or legal representative who has been recognised by the Company as the holder of the Participant's Performance Rights in accordance with **clause Error! Reference source not found.** of this Schedule until the Performance Rights lapse in accordance with **clause 3.2** of this Schedule;

- (b) if any of the Participant's Performance Rights have not vested, the Board will determine as soon as reasonably practicable after the date the Participant ceases to be employed or engaged, how many (if any) of those Participant's Performance Rights will be deemed to have vested and the Exercise Period applicable to those Performance Rights; and
- (c) to the extent to which, under **clause 3.3(b)** of this Schedule, the Participant's Performance Rights:
 - (i) are deemed to have vested, they will be exercisable by that Participant's estate or legal representative who has been recognised by the Company as the holder of the Participant's Performance Rights in accordance with **clause Error! Reference source not found.** of this Schedule until the Performance Rights lapse in accordance with **clause 3.2** of this Schedule; and
 - (ii) are not deemed to have vested, they will lapse immediately upon the Board making its determination.

3.4 Where a Performance Right lapses, the Company will repay to the Participant the price paid for the grant (if any) of the Performance Right, except in the case where the Participant acted fraudulently, dishonestly, in breach of the Participant's obligations or otherwise for cause.

4 CHANGE OF CONTROL AND RECONSTRUCTION

4.1 The Board may declare that all or a specified number of any unvested Performance Rights granted to a Participant which have not lapsed under **clause 3.1** of this Schedule immediately vest if, in the opinion of the Board:

- (a) a Change of Control has occurred, or is likely to occur; and
- (b) the Participant's pro-rata performance is in line with the Performance Conditions applicable to those Performance Rights during the period from the date of grant to the date the Change of Control event occurred or the date the Board becomes aware that a Change of Control Event is likely to occur.

4.2 The Board may declare that all or a specified number of any unvested Performance Rights granted to a Participant which have not lapsed under **clause 3.1** of this Schedule immediately vest if in the opinion of the Board:

- (a) any person or corporation has a Relevant Interest in more than 90% of the Shares; and
- (b) the Participant's pro-rata performance is in line with the Performance Conditions applicable to those Performance Rights during the period from the date of grant to the date when the person or corporation has a Relevant Interest in more than 90% of the Shares.

4.3 Subject to **clause 4.4** of this Schedule, the Board may in its absolute discretion declare the vesting of a Performance Right during such period as the Board determines where:

- (a) the Company passes a resolution for the voluntary winding up of the Company;

- (b) an order is made for the compulsory winding up of the Company; or
- (c) the Company passes a resolution in accordance with Listing Rule 11.2 to dispose of its main undertaking.

- 4.4** If there is any internal reconstruction, reorganisation or acquisition of the Company which does not involve a significant change in the identity of the ultimate shareholders of the Company, this clause applies to any Performance Right which has not vested by the day the reconstruction takes effect. The Board may declare in its sole discretion whether and to what extent Performance Rights will vest. The Board may amend (or waive) any Performance Condition as it considers appropriate, subject to all applicable laws.
- 4.5** The Company will notify the Participant in writing as soon as practicable after the Board declares a Performance Right to vest pursuant to **clauses 4.1 to 4.4** of this Schedule and the Company shall confirm in the notice to the Participant the extent to which the Performance Rights held by the Participant have vested or otherwise.
- 4.6** A condition or restriction as to the disposal of any Options will cease to apply where there is a takeover or restructure of the Company and as a result of the takeover or restructure the holder of the Options ceases to hold them and acquires securities in another company and these securities, because of section 83A-130 of the Tax Act, are treated, for the purposes of division 83A of the Tax Act, as if they were a continuation of the Options.

5 EXERCISE OF VESTED PERFORMANCE RIGHTS

- 5.1** The exercise of any vested Performance Right granted under the Plan will be effected in the form and manner determined by the Board and, if an amount is payable on the vesting of the Performance Right, will be accompanied by payment of the relevant amount advised to the Participant by the Board pursuant to the Plan.
- 5.2** If a Participant is liable to tax, duties or other amounts on the vesting of any Performance Rights and the Company is liable to make a payment to the appropriate authorities on account of that liability, the Board may (in its discretion) sell such number of Shares that would otherwise be issued to the Participant so that the net proceeds of the sale equal the payment which the Company is required to make to the appropriate authorities and account to the Company for the net proceeds of the sale.

6 TRANSFER

- 6.1** A Participant may not transfer a Performance Right granted under the Plan:
- 6.2** A Participant may not transfer any Shares issued under the Plan without the prior consent of the Board until the expiration of the period (if any) advised to the Participant under the Plan at the time of grant of the Performance Right.

7 QUOTATION OF PERFORMANCE RIGHTS AND SHARES

- 7.1 Performance Rights will not be listed for quotation on the ASX, however, the Company will apply for official quotation of the Shares issued upon the exercise of any vested Performance Rights to ASX and to each other stock exchange on which Shares are listed at that time.
- 7.2 Notwithstanding **clause 7.1** of this Schedule, the Shares issued on the exercise of vested Performance Rights will be subject to the transfer restrictions set out in **clause 6.2** of this Schedule and may not be traded on the ASX while those transfer restrictions apply.

8 FUTURE ISSUES OF SECURITIES

A Performance Right does not entitle the holder to participate in any new issues of securities to holders of Shares (for example, bonus issues and entitlement issues) unless before the record date for determining entitlements to securities under the new issue, that Performance Right has vested and been exercised, and a Share has been issued to the Participant in respect of that Performance Right. The Company will give notice of any new issues of securities to Participants who hold Performance Rights which have vested no less than 6 Business Days before the record date for determining entitlements to securities under the new issue.

9 RECONSTRUCTION OF CAPITAL

In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the vesting of any Performance Rights, the number of Shares to which each Participant is entitled upon exercise of the Performance Rights, or any amount payable on exercise of the Performance Rights, or both as appropriate, will be adjusted in the manner determined by the Board and which complies with the Listing Rules to ensure that no advantage or disadvantage accrues to the Participant as a result of such corporate actions.

10 NATURE OF RIGHTS

A Participant does not have a legal or beneficial interest in any Shares by virtue of acquiring or holding a Performance Right. A Participant's rights under the Performance Rights are purely contractual and personal. In particular, a Participant is not entitled to participate in or receive any dividend or other shareholder benefits until its Performance Rights have vested and been exercised and Shares have been allocated to the Participant as a result of the exercise of those Performance Rights.

11 RISK OF FORFEITURE

A Share issued to a Participant on the exercise of a Performance Right is issued to a Participant on the terms that it will be forfeited upon the Participant perpetrating fraud as against the Company or

an Associated Body Corporate, acting dishonestly or committing a breach of the Participant's obligations to Company or an Associated Body Corporate.

11.1 When risk of forfeiture ceases

The right of the Company to cause a Share held by a Participant to be forfeited extinguishes:

- a) upon the termination of employment of the Participant other than for fraud, dishonesty or a breach of the Participant's obligations to Company or an Associated Body Corporate;
- b) upon the sale or transfer of the Share by the Participant to a third party;
- c) on the day after a period of 7 years from the date of grant of the Performance Right upon the exercise of which the Share was granted.

Company to notify and record forfeiture

When a Share is forfeited, the Company must:

- a) notify the Participant that the Share is forfeited; and
- b) record the forfeiture and date of forfeiture in the register of shareholders.

A failure to do this does not invalidate the forfeiture.

11.2 Consequences of forfeiture

The forfeiture of a Share extinguishes:

- a) the Participant's interest in the Share; and
- b) all claims against the Company in respect of the Share, including (without limitation) all dividends presently payable by the Company on the Share.

11.3 Disposal of forfeited Share

Subject to the Listing Rules:

- a) the Participant grants to the Board an irrevocable power of attorney to sell, dispose, transfer or otherwise deal with a forfeited Share on any terms and in any way the Board may decide, with such power able to be exercised by the Board in the event that the Share is liable to be forfeited; and
- b) if the Board sells, disposes, transfers or otherwise deals with a forfeited Share, then the Participant acknowledges and agrees that they are not entitled to any proceeds in respect of such dealing, and the Board and the Company is not under any obligation to act in the interests of the Participant in respect of such dealing and the Company may retain all net proceeds (if any) of any such dealing.

11.4 Waiver by Board

The Board may:

- a) waive any of the rights of the Company under this clause; or

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- b) before any sale, disposal, transfer or other dealing of a forfeited Share, declare the forfeiture void on any terms the Board decides.