



## Magnum Secures Funding Facility

### Highlights:

- **\$20 Million Facility by IRIS, an institutional investor based in Europe**
- **First Tranche investment of \$1,300,000 with subsequent tranches of up to \$1,000,000**
- **Funding to fast-track Magnum's Integrated Green Pig Iron Project in Nevada, USA, and the completion of the Bankable Feasibility Study**

**Magnum Mining and Exploration Limited** ("**Magnum**" or the "**Company**") (ASX: MGU) is pleased to announce it has entered into a funding agreement ("**Agreement**") with IRIS (Company Number 753 471 853) (the "**Investor**") for up to \$20,000,000 of funding (with an initial \$1,300,000 to be invested by the Investor). Proceeds are to help fast-track Magnum's Integrated Green Pig Iron project in Nevada, USA, and to complete a bankable feasibility study for the production of Green Pig Iron.

The investment structure provides for a single first tranche of \$1,300,000, with the Company having the option to draw down further funding, when required, over a 24-month term and subject to funding conditions. This staged funding solution minimizes the dilution to shareholders versus taking the entire funding amount at the same time.

The material terms of the Agreement are summarized below. The investment will comprise subscriptions by the Investor of convertible notes ("**Notes**"). A summary of the terms of the Notes that are proposed to be issued pursuant to the Agreement is summarised in Annexure A.

### **Certainty of access to funding.**

The Agreement provides the Company with certainty of access to funding. The investment will be made as follows:

- \$1.3 million invested shortly following the execution of the Agreement by way of issuance of unsecured Notes with a 24-month maturity ("**Tranche 1**").
- Further tranches of up to \$1 million each, with the Company controlling the timing of each tranche by providing the Investor notice subject to a minimum 22 trading day period between each tranche ("**Additional Tranche**").

### **Minimizing dilution.**

The conversion price of the Notes will be at 95% of the 5 lowest daily VWAPs of the Company's shares (**Shares**) of the 20 most recent trading days prior to the date of a conversion notice and rounded where necessary to the lowest three decimal places. This allows the Company to potentially issue new Shares at prices that are linked to the prices prevailing at the time of conversion (i.e. potentially at a premium to the then current share price) and minimize (comparatively) the dilution for its shareholders.

### **Additional safeguards for the Company.**

The Company has several additional safeguards, with a particular focus on safeguards against dilution including:

- The Company will receive funding in tranches, subject to the terms of the Agreement, while retaining substantial flexibility.
- The Investor is a passive financial investor with no board participation rights.
- The Agreement does not restrict the Company from raising additional funding via placements.
- The Company is restricted on the amount of funding in any given tranche (except Tranche 1) by the following:
  - (a) If the average daily traded value of Shares traded on the ASX over a period of 20 consecutive trading days, preceding the date that a tranche request is given by the Company to the Investor (as applicable), has fallen below A\$250,000, the Investor may notify the Company in writing (at any time) that any proposed Additional Tranche will be no more than \$500,000.
  - (b) If the average daily traded value of Shares traded on the ASX over a period of 20 consecutive trading days, preceding the date that a tranche request is given by the Company to the Investor (as applicable), has fallen below A\$100,000, the Investor may notify the Company in writing (at any time) that any proposed Additional Tranche will be up to 20% of the average daily traded value of Shares traded on the ASX over a period of 20 consecutive trading days.
- The Company is not subject to any financial covenants other than the Company issuing 24,096,386 Shares to the Investor ("**Collateral Shares**"). If at any time the price of the Company's Shares quoted on ASX falls such that the value of all Shares currently held by the Investor and issued as Collateral Shares falls below A\$500,000, the Investor may by notice in writing to the Company and subject to shareholder approval require the Company to issue additional Shares so that the minimum value of Collateral Shares held by the Investor is at least A\$1,000,000 ("**Additional Collateral Shares**"). The total number of Additional Collateral Shares must not exceed 50,000,000 Shares.
- No options or warrants were issued as part of this investment.

### **Other.**

The Investor will receive a structuring fee of \$300,000 in connection with its investment in the Company. Shape Capital Pty Ltd (or its nominees) will receive 8,433,735 Shares ("**Facilitation Shares**") for corporate advisory and facilitation fees in connection with this investment.

### **Conditions precedent.**

The obligations of the Investor under the Agreement are conditional unless and until:

- (a) no material adverse effect has occurred;

- (b) the Company has provided the Investor with evidence that the board has resolved that execution of the Agreement and the transactions contemplated by the Agreement would not cause the Company to contravene the ASX Listing Rules or section 260A and Chapter 2E of the *Corporations Act 2001 (Cth)*;
- (c) the Company has provided the Investor with evidence that the ASX has advised the Company that the ASX considers the terms of the Notes to be appropriate and equitable for the purposes of Listing Rule 6.1;
- (d) the Company has issued the Collateral Shares to the Investor;
- (e) the Company has issued the Facilitation Shares to Shape Capital (or its nominees);
- (f) the Company has paid A\$300,000 by way of structuring fee to the Investor; and
- (g) the Company has provided the Investor with evidence that all relevant regulatory approvals (if any) have been obtained to implement the transactions contemplated within the Convertible Note Agreement.

(collectively, the **Conditions**).

Magnum must use all reasonable endeavors to satisfy the Conditions within three months of signing the Convertible Note Agreement.

**Listing Rule capacity.**

It is currently anticipated that the issue of the Tranche 1 Notes, Collateral Shares and Facilitation Shares will be issued using the Company's existing Listing Rule 7.1 capacity.

Any Additional Tranches will be issued either subject to shareholder approval or utilising any additional capacity under Listing Rule 7.1 that the Company has at the time of issue of an Additional Tranche.

Any Additional Collateral Shares should they required to be issued will be issued subject to shareholder approval.

The release of this announcement has been authorised by the Company Secretary.

For further information, please contact:

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**Magnum Mining and Exploration Limited**  
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John Dinan  
Company Secretary  
May 2, 2022

## ANNEXURE A – SUMMARY TERMS OF NOTES

The following is a summary of the terms attaching to the Notes:

(a) **Face Value**

A\$2,500.00 per Note (**Face Value**).

(b) **Maturity Date**

The maturity date of the Notes is the date that is 24 months from the date of issue of the Note (**Maturity Date**).

(c) **Term**

The term of the Agreement means the period beginning at the date of the Agreement and ending on the date that is 24 months from the date of the Agreement, unless terminated earlier in accordance with the Agreement (**Term**).

(d) **Conversion of Notes**

The Investor may at any time between the issue date of the Notes and the Maturity Date, convert some or all of the Notes into Shares.

If the issue of any Shares would result in the Investor being in contravention of section 606 of the Corporations Act then the issue of the applicable Shares that would cause the contravention will be deferred until such time or times that the exercise would not result in a contravention of section 606 of the Corporations Act.

(e) **Conversion Price**

The conversion price of the Notes will be at a deemed issue price that equates to 95% of the 5 lowest daily volume weighted average prices (**VWAP**) of Shares of the 20 most recent trading days prior to the date of the conversion notice and rounded where necessary to the lowest three decimal places (**Conversion Price**), provided that the conversion shall be subject to rounding and adjusted as reasonably required by the Investor in the event of any split, consolidation, reduction of capital or any other reorganisation of capital of the Company.

(f) **Redemption of Notes**

The Investor may elect by notice in writing to the Company, Following the Maturity Date, to redeem some or all of the Notes (**Redemption**). On Redemption the Company must pay the Company the following redemption amount:

- (i) the total Face Value of the Convertible Note in respect of each Convertible Note being redeemed; and
- (ii) interest payable on the total Face Value of the Notes being redeemed at an interest rate of 5% per annum, which interest accrued daily and compounded monthly, from the date of issue of the Notes up to the date of payment,

**(Redemption Amount).**

The Investor may require the Company to redeem all of the Notes and pay the Redemption Amount at any time following the occurrence of any of the following:

- (i) a material adverse effect being an event, occurrence or change which individually or when aggregated with all such events, occurrences or changes has had or is reasonably likely to have a material adverse effect on the financial condition, assets, liabilities, results of operations, profitability or prospects of the Company or its business (**Material Adverse Effect**);
- (ii) a material adverse effect on the duties, obligations or liabilities of the Company or the Investor in connection with the Agreement or the Notes;
- (iii) a Default Event; or
- (iv) a change of control event.

The Company may at any time between the issue date of the Notes and the Maturity Date, redeem some or all of the Notes. On Redemption the Company must pay the Company the Redemption Amount.

(g) **Additional Collateral Shares**

If at any time the price of the Company's Shares quoted on ASX falls such that the value of all Shares currently held by the Investor and issued as Collateral Shares falls below A\$500,000, the Investor may by notice in writing to the Company and subject to shareholder approval require the Company to issue additional Shares up to A\$1,000,000 based on then current pricing, free of Encumbrances, to the Investor. The total number of Additional Collateral Shares must not exceed 50,000,000 Shares.

(h) **Default Event**

Each of the following constitutes a Default Event under the Agreement:

- (i) a breach by the Company of any obligations contained in, or related to, the Agreement that is not remedied within 5 Business Days' written notice to the Company or such other reasonable longer period of time (as determined by the Investor in its sole discretion and notified to the Company);
- (ii) a breach by the Company of any obligations contained in, or related to, conversion of the Notes or in relation to a request for Additional Collateral Shares;
- (iii) the Company is subject to an 'insolvency event' (as variously defined);
- (iv) any member of the Company is served with a statutory demand or a foreign equivalent that is not set aside within 1 month;
- (v) the de-listing of the Shares from the ASX or a suspension of trading of the Shares on the ASX (other than temporary suspensions of no more than 5 Trading Days);
- (vi) any representation or warranty of the Company proves to have been materially incorrect or misleading when made;
- (vii) the group ceases to hold all material authorisations required for the proper conduct of business as it is being conducted, in a way which is reasonably likely to result in a Material Adverse Effect;
- (viii) any member of the Group fails to comply in any material respect with any laws, regulations (including the Relevant Regulation) or Authorisations in a way which is reasonably likely to result in a Material Adverse Effect;
- (ix) the Company suspends or ceases to carry on (or threatens or takes any action to suspend or cease to carry on) all or a substantial part of its business; or
- (x) any act of fraud, dishonesty or improper conduct by any member of the Group, or its Directors, officers, employees or agents (other than the Investor, its representatives or its appointees (including any appointee Director nominated as the Investor's representative by the Investor, if any)),

(collectively, **Default Events**). Potential Default Events include events which, with notice of passage of time or both, would (i) constitute a Default Event, or (ii) have a material adverse effect on the duties, obligations or liabilities of the Company or the Investor in connection with this agreement or the Notes.

On the occurrence of a Default Event, interest will be payable on the total Face Value of the Notes at an interest rate of 10% per annum, which interest accrued daily and compounded monthly, from the date of occurrence of the Default Event until the Company discharges the total amount owing to the Investor in full or remedies the default to the reasonable satisfaction of the Investor.

(i) **Conduct of Business**

From the date of the Agreement and until the last Convertible Note held by the Investor is converted or redeemed, except with the prior written consent of the Investor, the Company must (inter alia):

- (i) conduct its business in the ordinary and usual course consistent with its usual business practices and must not make any significant change to the nature or scale of any activity comprised in its business;
- (ii) conduct their business in accordance with all applicable laws and regulations;
- (iii) remain admitted to the official list of ASX and maintain the quotation of its Shares on ASX;
- (iv) maintain and comply with the terms of all authorisations necessary to own and operate its assets and conduct its business;
- (v) keep and maintain proper records of all its dealings and transactions relating to its business;
- (vi) protect and maintain each of its assets and maintain appropriate and adequate insurance in respect of each asset which is insurable; and

(vii) pay all amounts owing by it to trade or other creditors of its business in accordance with applicable payment terms.

(j) **Unquoted**

The Company will not apply for the quotation of the Notes on ASX.

(k) **Quotation of Shares issued on Conversion**

Application will be made by the Company to ASX for quotation of the Shares issued upon issue of Shares as a result of that exercise occurring.

(l) **Transferability**

The Convertible Notes are transferrable between the Investor and its related entities.