



TROY RESOURCES LIMITED

ASX ANNOUNCEMENT

16 May 2022

BRAZIL MINING RIGHTS - DEFINITIVE AGREEMENT SIGNED

Troy Resources Limited (**ASX: TRY**) (**Troy** or the **Company**) refers to the announcement on 22 April 2022 where it advised that it had signed a binding Letter of Intent for the proposed lease and assignment of certain mining rights held by the Company in Brazil – specifically, 802.913/1978 and 810.354/1976 – which are known to host iron ore minerals (**Mining Rights**).

Pursuant to the transaction, the counter party, PST Empreendimentos e Participacoes Ltda, a Brazilian company (**PST**), was to pay Reinarda Mineracao Ltda, a wholly owned subsidiary of Troy (**RML**), the amount of US\$4 million.

The announcement went on to state that Troy and PST had 30 days to complete a definitive agreement (**Definitive Agreement**).

Troy is pleased to advise that the Definitive Agreement has now been entered into.

The Definitive Agreement is largely on the same terms and conditions as the binding Letter of Intent, and includes the following proceeds amounting to an aggregate US\$3.5 million payable in six instalments to RML:

1. US\$200,000 payable within 5 working days after signing the Definitive Agreement, which amount has now been received by RML;
2. US\$500,000 payable within 90 working days from the date of signing the Definitive Agreement subject to the registration by the Brazilian Mining Agency (**ANM**) of the lease agreement of the Mining Rights and the Authorisations;
3. US\$300,000 payable within 90 working days from the date of signing the Definitive Agreement subject to the approval and issuance of the environmental licence, by Secretaria de Meio Ambiente e Sustentabilidade – SEMAS/PA for the exploitation of the Mining Rights and the Authorisations;
4. US\$500,000 payable within 180 working days from the date of signing the Definitive Agreement subject to the approval, issue and publication by the ANM of the Exceptional Authorisation to Exploit the iron ore for the Mining Rights;
5. US\$500,000 payable within 360 working days of the date of signing the Definitive Agreement subject to the first commercial sale of the iron ore resulting exclusively from the exploitation of the Mining Rights;



6. US\$1,500,000 payable twelve months after the first commercial sale of the iron ore resulting exclusively from the exploitation of the Mining Rights.

The 2nd and 3rd instalments above are also subject to the following (together, the **Authorisations**):

- (a) RML obtaining all environmental authorisations and licences necessary for the start of mining of iron ore; and
- (b) RML obtaining access to the buildings covered by the Mining Rights area to carry out field work.

The 2nd to 6th instalments (inclusive) are payable 30 days after satisfaction of the relevant milestones described above.

The 7th instalment of US\$500,000, as previously announced, has been converted to a purchase option, whereby PST can purchase the Mining Rights up to one year following the payment of the 6th instalment once RML confirms in writing that it has paid the liabilities owing of approximately US\$2.3 million.

It is noted that the quantum of some of the individual items that constitute the liabilities may be slightly less than anticipated, subject to the administrative process as it takes place. In addition to the US\$500,000 exercise price, if the purchase option is exercised, PST must also pay any of the 1st to 6th instalments which have not already been paid.

Accordingly, subject to satisfaction of the milestones to the instalments described above, Troy expects to receive aggregate proceeds of US\$2.0 million within 12 months of signing the Definitive Agreement and the remaining US\$2.0 million within 24 months. Where a milestone has not been met within the required timeframe, the instalments will be delayed until such milestone is met.

In addition to the aforementioned proceeds, Troy (through RML) is to receive from PST a 1.5% royalty in relation to all gold produced from the area the subject of the Mining Rights. RML has also granted PST an exclusive option to purchase the gold royalty for the price of US\$3.0 million.

It is currently anticipated that the net proceeds to be received by Troy will be used for working capital purposes, including exploration activities, if not, in the development of the Smarts Underground Project subject to the Troy Board deciding to proceed with the project.

PST is a limited company registered in Brazil, with operations across the states of Minas Gerais, Bahia and Pará. PST has a diversified portfolio including a 33.33% holding in an iron ore beneficiation operation located in Congonhas, Minas Gerais which has a current capacity of 2.8mtpa as well as a 40% interest in the Mina iron ore deposit, located in Itabirito, Minas Gerais, which is scheduled to commence production in the June quarter 2022. PST also holds the iron ore mining rights to the highly prospective Bonsucesso and Big Mac deposits located in the states of Minas Gerais and Pará respectively.

The Company has undertaken due diligence on PST and confirms that it has sufficient profit reserves and cash holdings to affect the payments.

Key terms of the agreement are included in Schedule 1.

This announcement has been authorised for release by the Board of Directors.

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SCHEDULE 1 SUMMARY OF AGREEMENT

Term	Detail
Mining Rights	Mining rights No. 802.913/1978 and 810.354/1976
Gold Mining Rights	Mining rights No. 802.913/1978 and 810.354/1976, whose final research reports submitted to the ANM identified only gold substance.
Term of the Lease	30 years
Pre-Closing Obligations RML	<ul style="list-style-type: none"> a) RML is required to grant a power of attorney to PST for two years to perform all acts of management of the mining rights; b) Within 30 days of signing the agreement, RML to inform ANM of the occurrence of iron ore on and that research activities will be carried out on the Mining Rights; c) RML to make best efforts to support PST in its negotiations with the owners of the properties that hold the Mining Rights; d) RML to allow PST authorised personnel access to the areas covered by the Mining Rights; e) RML is required to submit each research and recovery report to the ANM for approval within 30 days of receipt; f) RML to keep the Mining Rights in good condition and in its natural course with regard to its environmental licence; g) RML to inform PST of any chances to the Mining Rights; h) RML will not take any action with ANM that may adversely affect the validity of the Mining Rights, and take all appropriate steps to keep the Mining Rights valid, existing and free of any incumbrance; i) RML to only contact ANM in the presence of a representative of PST; j) RML will not trade, transfer, sell, burden or grant any stake or right to another person to acquire the Mining Rights.
Pre-Closing Obligations PST	<ul style="list-style-type: none"> a) PST will initiate field work in compliance with the rules and restrictions of the mineral legislation within 90 days of whichever happens last of the below: <ul style="list-style-type: none"> (i) communicate to the ANM regarding the beginning of field research on the iron ore substance; (ii) be in receipt of the issuance be SEMAS/PA of the environmental licences required for the activity of mineral research with experimental mining; (iii) conclude on an instrument that that guarantee PST access to the areas covered by the Mining Rights. b) Within a period to be defined by PST, after completion of research work, prepare the respective plans for economic exploitation.
Suspensive Conditions	<ul style="list-style-type: none"> a) RML being in compliance with all obligations under the agreement; b) During the period of 90 days from the signing of the agreement, PST will conduct a legal and technical audit (due diligence) on the Mining Rights; c) PST will initiate all necessary procedures for the carrying out of exploration work and evaluation of the feasibility of economic



exploitation, counted from the date of the last of the events described below:

- (i) ANM approved the exploration work;
- (ii) SEMAS grants an environmental licence to carry out the exploration work;
- (iii) Authorisations for access to the property that holds the Mining Rights.

PST may extend the period for another 90 days if required;

- d) Confirmation by RML that the statements and warranties are current as at Closing Date;
- e) Confirmation of the non-occurrence of any adverse material effect which is a significant change to RML's regular course of business or its assets, liabilities, projections, operating or economic results, financial situation or contracts;
- f) In relation to mining right 802.913/1978, the acceptance of the mining application and consequent granting of the mining concession by ANM in favour of PST;
- g) Obtaining all licenses and authorisations necessary for the regular execution of the complementary mineral research work, with experimental mining in the area of the Mining Rights, by the issue of SEMAS/PA environmental permit where appropriate;
- h) Completion of contracts enabling PST to freely execute the complementary research work, with experimental mining on the areas covered by the Mining Rights;
- i) Proof of the existence of iron ore reserves, in volume and content compatible with PST's intentions in the Mining Rights;
- j) The endorsement by ANM of the additions or iron ore mining rights into the margins of the Gold Mining Rights.

The Suspensive Conditions may be waived by PST in its sole discretion.

Closing Date	Within 10 days of RML's notice to PST that all Suspensive Conditions have been met.
Actions following Closing Date	<ul style="list-style-type: none"> a) The parties shall conclude a lease instrument for each of the Iron Mining Rights; b) The parties shall sign all necessary documents for the request before ANM, for the prior consent and registration of each of Mining Rights; c) RML will provide PST with documents proving the revocation of all powers granted by RML in connection with the Mining Rights.
Price and Payment of the Lease	<ul style="list-style-type: none"> a) US\$200,000 payable within 5 working days after signing the Definitive Agreement; b) US\$500,000 payable within 90 working days from the date of signing the Definitive Agreement subject to the registration by the ANM of the lease agreement of the Mining Rights and the Authorisations; c) US\$300,000 payable within 90 working days from the date of signing the Definitive Agreement subject to the approval and issuance of the environmental licence, by SEMAS/PA for the exploitation of the Mining Rights and the Authorisations; d) US\$500,000 payable within 180 working days from the date of signing the Definitive Agreement subject to the approval, issue and publication by the ANM of the Exceptional Authorisation to Exploit the iron ore for the Mining Rights; e) US\$500,000 payable within 360 working days of the date of signing the Definitive Agreement subject to the first commercial sale of the



- iron ore resulting exclusively from the exploitation of the Mining Rights;
- f) US\$1,500,000 payable twelve months after the first commercial sale of the iron ore resulting exclusively from the exploitation of the Mining Rights.

The instalments described in paragraph (b) to (f) above (inclusive) are payable 30 days after satisfaction of the relevant milestones described above.

Authorisations means:

- (a) RML obtaining all environmental authorisations and licences necessary for the start of mining of iron ore; and
- (b) RML obtaining access to the buildings covered by the Mining Rights area to carry out field work.

Purchase Option	RML has granted PST an irrevocable purchase option on each of the Mining Rights, and RML is obliged to sell each of these Mining Rights to PST at the time of the exercise of the purchase option
Term of Purchase Option	The purchase option expires 1 year after the payment of the 6 th instalment and the term is suspended until such confirmation is received from RML that all liabilities have been paid.
Purchase Option Exercise Price	US\$500,000. In addition to the US\$500,000 exercise price, if the purchase option has been exercised, PST must also pay any of the 1st to 6th instalments which have not already been paid to RML.
Gold Mining Rights Royalties	In the event that PST exercise the purchase option, and if PST chooses at its sole discretion, to obtain the Gold Mining Rights, PST will pay RML royalties in the amount corresponding to 1.5% of the net return obtained in the exploitation of gold.
Royalty Exclusive Purchase Option	At any time PST, may acquire from RML for the payment of US\$3,000,000 the right to receive the royalty of 1.5% for said gold exploitation.
Termination Rights	Until the Closing Date, the Agreement may be terminated in the following cases: <ul style="list-style-type: none"> a) Default on the relevant obligations established under the agreement that is not rectified within 15 calendar days, after receipt of a written notice made by the innocent party to the defaulting party, under penalty of a fine in the amount of US\$200,000 to be paid within 15 days of receipt of such notification, under penalty of a daily fine of 1% under the value of the contract, until payment deposited. b) In the event of bankruptcy, or application thereof, upon receipt of written notification made by the party which is not subject to proceedings to the party to which it is subject; c) By PST if compliance with any of the suspensive conditions becomes impossible and PST has not waived such condition, or the suspensive conditions have not been fully fulfilled with 24 months from the date of the agreement; d) By PST if it finds the existence of liabilities related to the Mining Rights which may compromise the continuity RML business the subject of this agreement.