



Full Option Exercise Underwriting

17 August 2022

Mount Ridley Mines Limited (ASX: MRD) (**Mount Ridley** or the **Company**) is pleased to announce that it has entered into an option exercise underwriting agreement (**Underwriting Agreement**) with Capital Investment Partners Pty Ltd (**Capital Investment Partners** or **Underwriter**) to fully underwrite the exercise of listed options (ASX: MRDOB) which are exercisable at \$0.003 on or before 5.00pm (WST) on 30 November 2022 (**Options**).

Capital Investment Partners is a corporate advisory firm that have assisted companies in completing deals to the value of in excess of \$3 billion in the past five years, specialising in supporting and partnering with growing companies across a number of sectors.

The Underwriter is not a related party of the Company. However, the Underwriter currently has a relevant interest in 403,500,000 fully paid ordinary shares in the capital of the Company and 270,000,000 Options, which represents a 6.88% voting power in the Company on an undiluted basis.

There are currently 1,920,854,428 Options on issue which remain unexercised, representing a maximum underwriting amount of \$5,762,563 (**Underwritten Amount**). As such, if no Options are exercised prior to expiry, a maximum of 1,920,854,428 shortfall shares will be issued under the Underwriting Agreement. Assuming the Underwriter does not acquire a relevant interest in any additional shares, this would result in the Underwriter holding a relevant interest in a maximum of 2,324,345,428 shares, representing a voting power of 29.86% in the Company (assuming no other shares are issued).

It is a term of the Underwriting Agreement that neither the Underwriter, nor any sub-underwriter, obtains a voting power in the Company in excess of 19.9%. To the extent that any issue of shortfall shares would result in the Underwriter's voting power increasing beyond 19.9%, the Underwritten Amount will be reduced such that the Underwriter's voting power following the issue of shortfall shares is 19.9%. However, the Underwriter has indicated to the Company that it intends to engage sub-underwriters to take up shortfall shares to ensure that its voting power does not exceed 19.9%. If no shares are issued prior to the issue of shortfall shares to the Underwriter and no sub-underwriters are engaged by the Underwriter, the maximum number of shortfall shares that could be issued to the Underwriter is 1,145,691,691 shortfall shares for an Underwritten Amount of \$3,437,075.

The Underwriter will receive a selling and management fee of 6% of the Underwritten Amount, excluding the shortfall shares issued on exercise of the Options in which the Underwriter holds a relevant interest, being a sum of \$297,154. However, if a lesser number of shortfall shares are issued



to ensure the underwriter does not acquire a voting power in excess of 19.9%, the fee payable to the Underwriter will be reduced proportionately.

Any shortfall shares to be issued on exercise of outstanding Options by the Underwriter pursuant to the Underwriting Agreement will be issued in accordance with ASX Listing Rule 7.2 (Exception 10) and not require shareholder approval and will not impact the Company's ASX Listing Rule 7.1 placement capacity.

The additional funds received by the Company from the Option Underwriting will be applied to advance the Company's exploration and evaluation programmes, predominantly at its 100%-held Mount Ridley Rare Earth Project.

Air core drilling undertaken from 2014 at the Mount Ridley Project in the search for magmatic nickel sulphides intersected clay hosted rare earth element (REE) mineralisation overlying Proterozoic basement rocks. Following the identification of this mineralisation in 2021, a total of 18,927m of aircore drilling has been completed with approximately 8,500 samples are in the process of being analysed at a commercial laboratory, the first batch of results were released to the ASX on 3 August 2022 containing around 30% of the 8,500 samples.

Following receipt of the remaining results and with the funds guaranteed by this Option Underwriting the Company intends to complete the following;

- i. A regional aircore drilling program targeting clay hosted REE including a number of anomalies that remain to be followed up from the 2021-2022 drilling program.
- ii. Infill and step out aircore drilling in known prospects.
- iii. Sonic drilling into areas of coherent mineralisation which will deliver cores of unconsolidated clay.
- iv. Extractive metallurgical testing which will lead, subject to results, to a process flowsheet to recover REE chemicals.

Ends

The Board of the Company has authorised this announcement to be released to the ASX.

For further information, please contact:

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ANNEXURE A

The Underwriting Agreement is subject to the following material terms:

1. The Underwriter has agreed to fully underwrite 1,920,854,428 Options (being the number of Options on issue and which remain unexercised as at the date of the Underwriting Agreement), representing an underwriting amount of \$5,762,563.
2. The Company will pay the Underwriter a 6% selling and management fee (plus GST) on the maximum underwriting amount paid by the Underwriter for the subscription of the shortfall shares issued on exercise, provided that:
 - a. the Underwriter will not receive a fee in respect of the Options held by the Underwriter or any of its associates; and
 - b. in the event the Underwriter is unable to subscribe for shortfall shares as a result of the application of paragraph 3 below, the fee payable to the Underwriter will be reduced proportionately.
3. In the event that an application for shortfall shares by the Underwriter would result in the Underwriter acquiring a relevant interest in more than 19.9% of the issued share capital in the Company on the date of issue, or would otherwise result in a breach of the prohibition in section 606 of the Corporations Act, the number of shortfall shares to be issued will be such number of shortfall shares as would result in the Underwriter having a voting power of 19.9%.
4. The Underwriter may procure such persons to sub-underwrite as the Underwriter at its sole and absolute discretion.
5. The obligation of the Underwriter to subscribe for shares on exercise of Options which remain unexercised as at 30 November 2022 (Expiry Date) at \$0.003 per Option is subject to and conditional upon a number of conditions precedent, including (but not limited to) the Company providing the Underwriter a shortfall notice outlining the number of outstanding Options as at the Expiry Date and ASX not indicating to the Company or the Underwriter on or before 10:00am (WST) on the settlement date that it will not grant permission for the official quotation of the shortfall shares, or that it will grant official quotation to the shortfall shares subject to terms or conditions which would, in the reasonable opinion of the Underwriter, have a material adverse effect on the business, assets, financial condition, financial position or financial prospects of the Company and its Related Bodies Corporate (as defined in the Corporations Act) taken as a whole (each, a **Material Adverse Effect**).
6. The Underwriter may, at any time after becoming aware of that contingency without cost or liability to itself, by notice in writing to the Company, terminate the Underwriting Agreement if any of the following termination events occur:



- a. **(Proceedings)**: ASIC or any other person proposes to conduct any enquiry, investigation or proceedings, or to take any regulatory action or to seek any remedy, in connection with the Offer, or publicly foreshadows that it may do so;
- b. **(Unable to issue shortfall shares)**: the Company is prevented from allotting and issuing the shortfall shares within the time required by the ASX timetable, ASX Listing Rules, applicable laws, an order of a court of competent jurisdiction or a governmental agency;
- c. **(No quotation approval)**: the Company fails to lodge an Appendix 2A in relation to the shortfall shares with ASX by the time required by the Corporations Act, the ASX Listing Rules or any other regulation;
- d. **(ASIC application)**: an order is made under Section 1324B or any other provision of the Corporations Act;
- e. **(Indictable offence)**: a director of the Company is charged with an indictable offence;
- f. **(Cleansing statement)**: the Company ceases to be capable of issuing, at the date of issue of any shortfall shares, a notice under section 708A(5)(e) of the Corporations Act to allow secondary trading of any shortfall shares; or
- g. **(Material events)**: any of the following events occur and would have or be likely to a material adverse effect:
 - i. **(Default)**: default or breach by the Company under the Underwriting Agreement of any terms, condition, covenant or undertaking;
 - ii. **(Incorrect or untrue representation)**: any representation, warranty or undertaking given by the Company in the Underwriting Agreement is or becomes untrue or incorrect in a material respect;
 - iii. **(Contravention of constitution or Act)**: a contravention by a the Company (or any of its Related Bodies Corporate) of any provision of its constitution, the Corporations Act, the ASX Listing Rules or any other applicable legislation or any policy or requirement of ASIC or ASX;
 - iv. **(Adverse change)**: an event occurs which gives rise to a Material Adverse Effect;
 - v. **(Misleading information)**: any information supplied at any time by the Company or any person on its behalf to the Underwriter in respect of any aspect of the Offer or the affairs of any Related Bodies Corporate is or becomes misleading or deceptive or likely to mislead or deceive;



- vi. **(Suspension of debt payments)**: the Company suspends payment of its debts generally;
- vii. **(Event of Insolvency)**: an event of insolvency occurs in respect of the Company or any of its Related Bodies Corporate;
- viii. **(Judgment against a Related Bodies Corporate)**: a judgment in an amount exceeding \$150,000.00 is obtained against the Company or a Related Bodies Corporate and is not set aside or satisfied within 5 Business Days;
- ix. **(Litigation)**: litigation, arbitration, administrative or industrial proceedings are after the date of this Agreement commenced against the Company or a Related Bodies Corporate;
- x. **(Board and senior management composition)**: there is a change in the composition of the Board or a change in the senior management of the Company before the date of issue of the shortfall shares without the prior written consent of the Underwriter (such consent not to be unreasonably withheld);
- xi. **(Certain resolutions passed)**: The Company or a Related Bodies Corporate passes or takes any steps to pass a resolution under section 254N, section 257A or section 260B of the Corporations Act or a resolution to amend its constitution without the prior written consent of the Underwriter;
- xii. **(Capital Structure)**: the Company or a Related Bodies Corporate alters its capital structure in any manner; or
- xiii. **(Licences)**: the revocation or forfeiture of any material licence, permit or approval relevant to the Company's exploration activities or interests in such activities, provided that nothing contained in the above will prejudice or nullify any claims for damages which the Underwriter may have against the Company for or arising out of any breach of covenant or failure by the Company to observe or perform the obligations on its part contained in the Underwriting Agreement.