

29 July 2020

JUNE 2020 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

- **Binding agreement to acquire 100% of the issued capital of Jade Gas Pty Ltd (Jade)**
- **Jade is focused on the emerging coal seam gas (CSG) sector in Mongolia**
- **Globally recognised oil and gas mining executive appointed Non-Executive Director**
- **Activities continuing with respect to seeking partners to progress Austrian Projects**
- **AGM to be held on 30 July 2020**

High Grade Metals Ltd (ASX: HGM) (**HGM** or the **Company**) is pleased to report on its activities for the June 2020 Quarter.

Jade Gas Acquisition

On 7 July 2020, the Company announced that it had signed a binding agreement to acquire 100% of the issued capital of Jade Gas Pty Ltd (Transaction). Highlights are noted below:

- Binding agreement to acquire 100% of the issued capital of Jade Gas Pty Ltd (Jade);
- Jade is focused on the emerging coal seam gas (CSG) sector in Mongolia;
- The key asset of Jade is:
 - A 60% interest in a joint venture with state-owned enterprise, Erdenes Methane LLC (EM), which holds a Production Sharing Agreement (PSA) with the Mineral Resources and Petroleum Authority of Mongolia (MRPAM) to explore and leverage coal seam gas
- HGM to consolidate existing shares, performance shares and options on issue on a 1 for 5 basis, and then issue a prospectus to raise up to A\$6 million at 3c per share;
- HGM to issue the Jade shareholders, 826,166,667 fully paid ordinary shares and 68,000,000 options;
- Jade to appoint two additional directors to the Board of HGM; and
- The Transaction is subject to conditions, including completion of satisfactory due diligence, shareholder approval, ASX approval and the Company's re-compliance with Chapters 1 and 2 of the ASX Listing Rules. The Company's shares will remain voluntarily suspended until such time as the Transaction completes or is terminated.

Important Note:

- ***HGM must comply with ASX's admission and quotation requirements and therefore the Transaction may not proceed if those requirements are not met; and***
- ***ASX has absolute discretion in deciding whether to re-admit HGM and to quote its securities.***

Key acquisition terms are as follows:

Consideration	<p>Subject to the satisfaction of the relevant conditions, and on the assumption that the Company conducts and completes a consolidation on 5:1 basis (i.e. that every five existing shares are consolidated to one share), the Company intends to acquire 100% of the issued capital in Jade in consideration of the issue of the following to the shareholders of Jade:</p> <ul style="list-style-type: none"> - 826,166,667 fully paid Ordinary Shares at Completion; and - 68,000,000 Options with a term of four years from 30 June 2019 and a strike price of 4.5c.
Conditions	<p>The Transaction is subject to and conditional upon the satisfaction of certain conditions precedent, including:</p> <ul style="list-style-type: none"> - Both parties obtaining all regulatory and shareholder approvals; - Completion of the Capital Raising (described below); - Completion of detailed due diligence by the Company; - Execution of definitive legal documentation; - The Company obtaining confirmation from ASX that the Transaction and the post-completion structure and operations of the Company are suitable for listing, and thereafter the Company re-complying with Chapters 1 and 2 of the ASX Listing Rules; and - Various other conditions related to pre-completion actions of Jade including conditions relating to maximum net liabilities, the absence of material adverse events and the status and progression of the proposed projects discussed above. <p>The Terms Sheet provides that additional conditions may be included in the definitive documentation arising from the outcome of due diligence.</p>
Proposed Board and Management	<p>On completion of the Transaction, the Company proposes to appoint two Jade directors to the Board of HGM, being Mr Joseph Burke and Mr Daniel Eddington. Messrs Dennis Morton, Brad Drabsch and Anthony Hall will remain on the Board.</p> <p>Mr Burke has spent 30 years working in Asia and has lived in China, Korea, Japan and Thailand, and has been involved in Mongolian mining enterprises since 2009. He was instrumental in the 2011 US\$500m takeover by Thai energy focused conglomerate Banpu plc of ASX listed Hunnu Coal Limited (ASX:HUN). Mr Burke was a Director and founding Partner of Starboard Global, CEO of ASX listed Voyager Resources Limited (ASX:VOR), and a Director of ASX listed Avenue Resources Limited (ASX:AVY) (now Harvest Minerals Limited). He has also undertaken advisory roles with other ASX listed entities including American Pacific Borates Ltd (ASX:ABR), and Black Rock Mining Limited (ASX:BKT).</p> <p>Mr Burke holds an MBA from the Australian Graduate School of Management (AGSM).</p> <p>Mr Eddington has over 20 years' experience in financial markets with experience across multiple sectors including the resource, energy and industrial sectors. He specialises in equity capital markets and has been responsible for IPO's, placements, reverse takeovers, underwritings, corporate negotiations and corporate advisory for companies predominantly in the resource sector.</p>

	Mr Eddington has a Bachelor of Commerce Degree from The University of South Australia and a Graduate Diploma in Applied Finance & Investment from the Securities Institute of Australia.
Other Terms	The Terms Sheet otherwise contains terms which are typical for an agreement of a similar nature including warranties and representations, requirements on Jade to maintain (or procure the maintenance of) licences, pre-completion activities of the parties, confidentiality and dispute resolution.

Appointment of Dennis Morton as Non-Executive Director

On 7 July 2020, the Company announced the appointment of globally recognised oil and gas executive, Mr Dennis Morton, as a Non-Executive Director.

Mr Morton is a geologist with extensive experience in the management of oil and gas companies. He is currently the Managing Director of ASX listed company Gas2Grid Limited (2008-2020) with current and past assets in Australia, NZ, Philippines and France.

Immediately prior to becoming Managing Director of Gas2Grid, Mr Morton was a founder and CEO and Managing Director of ASX listed Eastern Star Gas Limited (2000-2007) listing with an initial \$10 million raising. The Company's assets included coal seam gas and conventional petroleum projects at Narrabri and elsewhere in NSW and also in Victoria. Eastern Star Gas was taken over by Santos Limited in late 2011 (valued the Company at around \$1 billion).

Prior to his role at Eastern Star Gas, Mr Morton worked for companies including Eastern Energy Australia Pty Ltd, Hartogen Group of Companies and Esso/Exxon where his roles traversed technical and management capacities across most Australian oil and gas basins as well as Indonesia, the Philippines and Papua New Guinea.

Mr Morton holds a Bachelor of Arts - Geology with first class honours from Macquarie University, Sydney.

Austrian Gold and Cobalt Projects

On 26 July 2019, the Company announced it had completed a strategic review into the Austrian projects and concluded:

1. The Projects remain prospective for gold and cobalt mineralisation with the Leogang Cobalt Project and Kreuzeck Gold Projects considered key to the suite of Projects whilst Schellgaden has been downgraded as a result of poor drilling results; and
2. The Board has determined that the best strategy for the advancement of the Projects is to introduce a partner. The current market conditions preclude HGM from raising sufficient funds to advance the Projects effectively.

Consistent with the above, the Company continues to seek a partner to progress the Project

Corporate

Related Party Payments

In line with its obligations under ASX Listing Rule 5.3.5, the Company confirms that the only payments to related parties of the Company, as advised in the Appendix 5B for the period ended 30 June 2020, pertain to payments to directors for fees, salary and superannuation.

Voluntary Suspension

The Company continues in voluntary suspension of its ordinary shares until the earlier of termination of the Jade Transaction or completion of the Transaction and re-compliance with Chapters 1 and 2 of the ASX Listing Rules.

Rights issue

On 23 July 2020, the Company announced a non renounceable rights issue to HGM shareholders with addresses in Australia and New Zealand on the register as at the record date of 29 July 2020, on the basis of one (1) new fully paid ordinary High Grade share for every one (4) existing fully paid ordinary High Grade share held at an issue price of A\$0.004 (0.4 cent) per share to raise up to \$566,000 before costs.

Annual General Meeting (AGM)

Due to the Victorian Government's Stage 3 'stay at home' restrictions, and the uncertain nature of Covid-19's effect on social movement generally, HGM will be unable to permit attendees 'in person' at its AGM scheduled for 11.00am, 30 July 2020 at Level 3, 480 Collins Street, Melbourne Victoria 3000.

Health and safety is the Company's highest priority, and shareholder participation is valued. Accordingly, while the Company will not be able to allow in person attendance at the AGM:

1. Shareholders will be able to watch and listen to the meeting on the ZOOM platform or alternatively will be provided dial-in details. To register your participation and to receive the details please email ej@highgrademetals.com.au
2. Shareholders are invited to submit questions via email (ej@highgrademetals.com.au) ahead of the AGM which the Company will endeavour to answer within the meeting where relevant to the business of the AGM. A representative of the Company's auditor will be available to answer questions relevant to the audit of the annual accounts.
3. Shareholders who have not cast their proxy vote are encouraged to vote before the close of proxy voting at 11.00am, 28 July 2020. Nevertheless, shareholders who have not voted by proxy at the cut-off time and wish to vote are invited to contact the Company Secretary via email (amwing@northernstargroup.com.au) to make arrangements to have their votes cast via poll during the AGM.

ENDS

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About High Grade Metals Ltd

High Grade Metals (ASX: **HGM**) is an ASX listed mineral exploration company with a portfolio of brownfields gold and cobalt projects located in Austria.

The assets comprise nine exploration areas that are considered prospective for gold and cobalt.

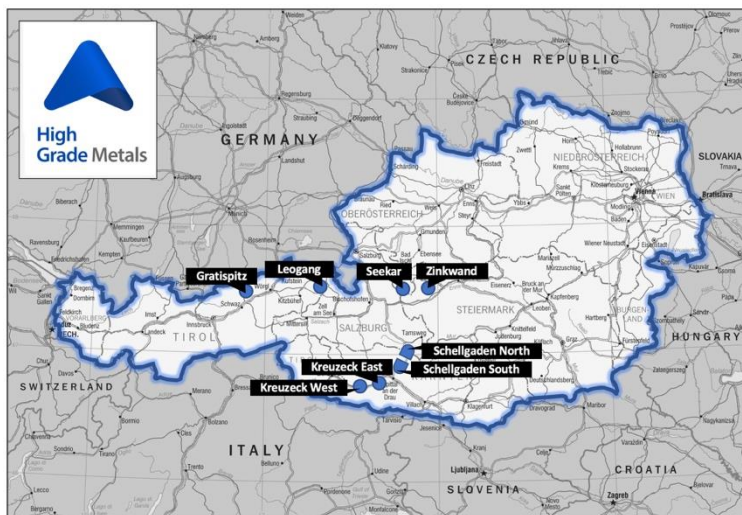


Figure 1: Location of High Grade Metals' Projects within Austria

The Company is currently completing a review of its nine projects to determine a holistic approach to exploration activities focused on prospectivity and scale.

On 7 July 2020, HGM announced it had entered into a binding agreement to acquire 100% of the issued capital of Jade Gas Pty Ltd (**Jade**). Jade is focused on the emerging coal seam gas (CSG) sector in Mongolia.

The Company is currently progressing a process to complete the acquisition which will include receiving shareholder approval and ASX approval. ***The Company notes the ASX has absolute discretion in deciding whether to re-admit HGM and to quote its securities.***

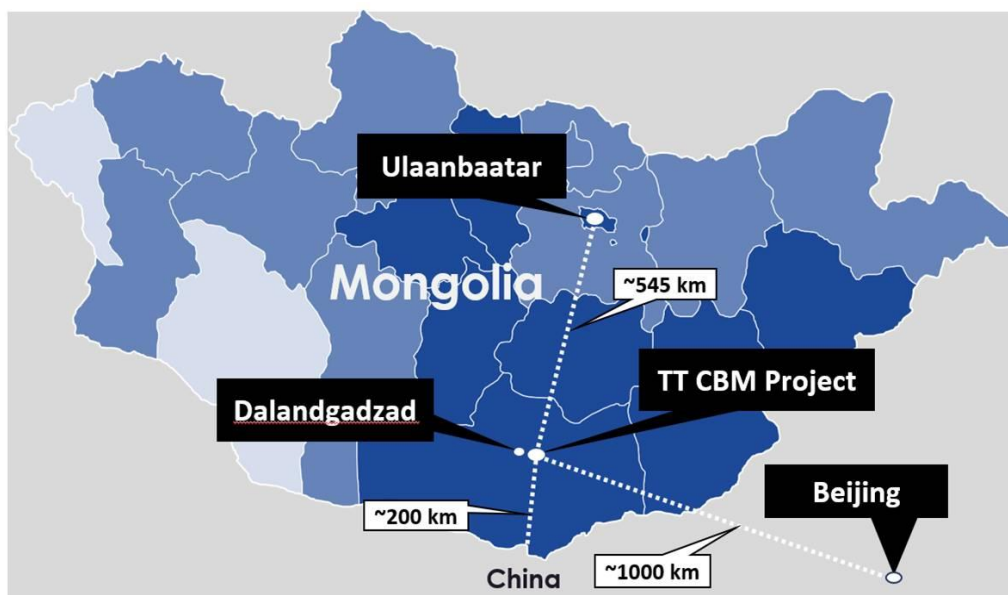


Figure 2: Location of Jade Gas' two Mongolian CSG Projects (TT CBM Project and Dalandgadad)

Appendix 1 | Schedule of Tenements

Project	Country	Tenement / Freischürfe	Last Quarter Interest	Current Quarter Interest
Schellgaden	Austria	01/18/SN – 54/18/SN 02/05/S – 37/05/S 15/05/K – 135/05/K	100%	100%
Schwarzleo	Austria	38/17/S – 67/17/S	100%	100%
Seekar	Austria	68/17/S – 76/17/S	100%	100%
Zinkwand	Austria	77/17/S – 78/17/S	100%	100%
Gratlspitz	Austria	01/GR/18 – 81/GR/18 01/17/T – 37/17/T	100% 100%	100% 100%
Leogang East	Austria	LE/01 – LE/33	100%	100%
Kreuzeck West / Carinthia	Austria	136/05/K – 179/05/K	100%	100%
Kreuzeck East / Carinthia	Austria	180/05/K – 221/05/K	100%	100%
Goldeck – Siflitz / Carinthia	Austria	222/05/K – 278/05/K	100%	100%

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

HIGH GRADE METALS LIMITED

ABN

55 062 879 583

Quarter ended ("current quarter")

30 MARCH 2020

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers		
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	(23)	(78)
	(b) development		
	(c) production		
	(d) staff costs		
	(e) administration and corporate costs	(135)	(230)
1.3	Dividends received (see note 3)		
1.4	Interest received		
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Government grants and tax incentives		
1.8	Other (provide details if material)		
1.9	Net cash from / (used in) operating activities	(158)	(308)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) exploration & evaluation (if capitalised)		
	(e) investments		
	(f) other non-current assets		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities		
	(b) tenements		
	(c) property, plant and equipment		
	(d) investments	199	199
	(e) other non-current assets		
2.3	Cash flows from loans to other entities		
2.4	Dividends received (see note 3)		
2.5	Other (provide details if material)		
2.6	Net cash from / (used in) investing activities	199	199

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)		
3.2	Proceeds from issue of convertible debt securities		
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities		
3.5	Proceeds from borrowings		
3.6	Repayment of borrowings		
3.7	Transaction costs related to loans and borrowings		
3.8	Dividends paid		
3.9	Other (provide details if material)		
3.10	Net cash from / (used in) financing activities		

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	80	230
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(158)	(308)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	199	199
4.4	Net cash from / (used in) financing activities (item 3.10 above)		

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held		
4.6	Cash and cash equivalents at end of period	121	121

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	121	80
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	121	80

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities		Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>			
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>			
7.1	Loan facilities		
7.2	Credit standby arrangements		
7.3	Other (please specify)		
7.4	Total financing facilities		
7.5	Unused financing facilities available at quarter end		
7.6	Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(158)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	-
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(158)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	121
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	121
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	(1)
8.8	If Item 8.7 is less than 2 quarters, please provide answers to the following questions:	
1.	Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?	
	Answer: Yes	
2.	Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?	
	Answer: In addition to the corporate activities stated in the announcement of 7 July 2020 regarding the Jade gas acquisition and the non renounceable rights issue (NRRI) announced on 24 July 2020 to raise up to \$566,000, the Company will rely on its existing cash resources and other liquid current assets and future capital raising (either debt and/or equity), including its ability to place securities under LR7.1 and LR7.1A to fund its current activities. The Company has a history of raising funds as required and believes further successful fundraising will be able to be completed.	
3.	Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	

Answer: In light of the above factors, the Company believes that it will have sufficient cash to fund its existing activities. The Company's Board and Management is focused on meeting its current objectives and confirm that it is in compliance with ASX Listing Rules, in particular, Listing Rule 3.1

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date:29 July 2020.....

By authority of the Board

Authorised by:
(Name of body or officer authorising release – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.