

30 July 2021

MARKET UPDATE

Further to the announcement released on 15 June 2021, Cyclone Metals Limited (**Cyclone or the Company**) is pleased to provide the following update in relation to its projects and investments.

Lady Ethleen Project (ML 2771)

Overview

Lady Ethleen is located approximately 80 km (by road) southeast of Mt Isa in Queensland, in the Eastern Fold Belt of the Mt Isa inlier and is part of the Company's Wee MacGregor project. This area is prospective for a variety of deposit types, most notably structurally controlled epigenetic copper and gold deposits.

The tenement (ML 2771) has been retained by Mining International Pty Ltd (**Mining International**), a wholly owned subsidiary of the Company, and is currently being utilised for a trial mining and processing exercise using a newly developed green leach process known as GlyLeach™, (refer ASX announcement 4 December 2020).

During 2020, the Company initiated a project utilising its stranded Lady Ethleen project as a trial / demonstration deposit for an environmentally friendly alternative leaching technology to conventional acid leach. The Company had done sufficient prior exploration work (internally and via third parties) on the Lady Ethleen project to ascertain a deposit of sufficient size for trial mining and processing that would otherwise be too small for commercial development on its own.

Previous work on the project to ascertain potential project size and tenor had been either historic or conducted by a private third-party group which was not of a JORC compliant standard for resource reporting. The Company however is satisfied with the scale of the project for its use in the current trial works.

The test work underway utilises a process tilted GlyLeach™, which was developed and patented by Curtin University in Western Australia. The technology is currently under licence to Mining & Process Solutions Pty Ltd (**MPS**) for commercialisation and MPS hold the right to run test work, develop metallurgical solutions and on sell usage rights under licence to the greater industry. CLE will not derive any commercial value from any intellectual property resulting from these trials. Value could come from the sale of products from the venture if the test work is successful and a commercial proposition is available to the Company to exploit (such as the joint venture on the remaining Wee MacGregor tenements).

Test work was designed to test amenability of the Lady Ethleen mineralised material in different oxidation states to be satisfactorily leached under alkaline conditions in an agitated environment, a semi static environment and a heap leach environment to allow a decision to be made on the most effective processing methodology for high carbonate Corella Formation style ores.

Leaching test work began with the receipt of 3 samples from each oxidation zone each weighing approximately 110kg for a total of almost 1 tonne of drill cuttings. Samples were received by the lab during the 4th week of April 2021 representing the three states of oxidation and each weighing

approximately 330kg. The metallurgical test work program is currently underway and the Company will continue to provide progress updates to the market as results are received.

Pending successful results, the Company's objective is to develop or acquire a modular processing unit that can be economically relocated to process material from stranded deposits similar to and including Lady Ethleen of which there are many examples in the Mount Isa district.

A successful trial will mean a significant shift in future processing technology and will in turn facilitate development of the part owned nearby Wee Macgregor project (which the Company has a 20% interest) as well as many other potential small assets in the district, that may be economic with appropriate processing technology.

In the event the trial is successful and with the benefit of the proprietary knowledge this will create, together with the Company's relationships in the region, the Company believes it will have a competitive advantage to exploit the Lady Ethleen and surrounding projects together.

Update on Metallurgical Test Program

Further to the ASX announcement dated 22 April 2021, analysis of metallurgical drill samples was undertaken in the field using an Olympus Vanta PXRF.

Parameters used: samples were collected into rectangular plastic tubs on 1m intervals by placing the tub under the base of the mast, as well as with a bag under the chip discharge from the sample cyclone. Each sample collected in a tub was combined with the sample bag from the chip collector. The drill hole was blown out after each metre to keep contamination to a minimum.

Reading Times: a 30 second reading time was used and three recordings per sample were taken and averaged to give a representative result. Samples from each oxidation zone were composited into 20l plastic drums until approximately 110kg of sample was collected for each test and oxidation state. A total of 12 drums were collected for approximately one tonne of material and freighted to the lab in Perth.

Calibration factors: daily calibration of the PXRF was conducted using the factory provided calibration sample. Annual calibration details are as follows:

- Temp: 23 degrees Centigrade
- Humidity: 36%
- Procedure: OIX-610159 REV.C
- Result: Pass
- CRM Used: produced by National Institute of Standards and Technology, Geostats Pty Ltd and Ore Research Pty Ltd
- Tested by: Jack Zhu, Olympus Australia Pty Ltd
- Date: 1 February 2019.

No QA/QC was conducted in the field as in no duplicate samples or twin holes were taken or drilled. The samples are not intended for use in resource estimation and XRF results were only used to identify mineralised intersections from the various oxidation states for the purpose of appropriate sample collection for metallurgical test work. As of Friday 9 July 2021, MPS report that the first phase of the leaching tests are almost complete. The Company expects final assays for this testing phase to be returned prior to the end of July, and MPS will then be able to recommend whether Cyclone should proceed with advanced testing using the various processing methods.

The future activities of the program will be determined by the CLE board of directors (in consultation with MPS) and any material developments or outcomes from the trials will be announced to the market, in accordance with the Company's continuous disclosure obligations.

Yalardy Project (E 09/2441 and E 09/2442)

The Yalardy project comprises of two exploration licences (E 09/2441 and E 09/2442) which were granted on 17 May 2021 and cover a combined 297 graticular blocks or a total of 914.5 square kilometres starting approximately 33km east of the Overlander roadhouse near the turnoff to Shark Bay.

Allender Exploration Pty Ltd was engaged by the Company to undertake initial exploration on the tenements, where they conducted a review of open file geophysics in the target generation phase followed by attendance on site to conduct preliminary geochemical sampling (refer ASX announcement 11 September 2020). Results have indicated some anomalous rare earth element levels in soils, coincident with an interpreted diatreme structure suspected to be sourced from a possible carbonatite at depth similar to that found at Mt Weld in the eastern goldfields of WA.

The Yalardy tenements are covered entirely with recent aeolian sand. Sensitive geochemical techniques will be required to allow detection through the cover of possible blind mineralization.

The Company has provided the following work programs and proposed budget allocations for the first phase of exploration which is expected to take place during H2 2021:

- Soil geochemical survey:	\$40,000
- Detailed airborne / ground geophysics (magnetics, gravity, EM):	\$70,000
- Technical analysis of results:	\$15,000

This preliminary work program is intended to identify targets under cover that are expected to be drill tested in the second phase of exploration should successful results be returned.

Marampa Project (ML05/2014)

In October 2014, Marampa Iron Ore (SL) Limited (**Marampa SL**), a wholly owned subsidiary of the Company, was granted the mining and environmental licences for ML05/2014 (**Mining Licence**). The Company has spent approximately US\$62.7 million on exploration and development to date on the Marampa Project.

In order to protect its interest in the Project, by letter to the Sierra Leone Ministry of Mines (**MoM**) in September 2014, Marampa SL forewarned MoM that the ebola virus outbreak and subsequent loss of value in iron ore price might adversely affect Marampa SL's ability to meet its obligations under the Mining Licence. The letter was duly acknowledged and approved by MoM and it was agreed that the letter would constitute an addendum to and form part of the final terms of the Mining Licence to be granted.

In September 2018, Marampa SL received a letter from MoM cancelling the Mining Licence due to its failure to pay annual statutory licence fees for the Mining Licence.

The Company contends that the claimed default fell within the scope of the force majeure circumstances foreseen and outlined in its letter from September 2018. The Company understood that no fees would accrue or be payable whilst the force majeure events were subsisting.

In October 2018, Marampa SL commenced legal action in Sierra Leone to challenge MoM's decision to cancel the Mining Licence, however, the Board has since agreed to place legal action on hold while it continues to liaise with representatives of MoM with respect to the reinstatement of the Mining Licence.

The Company does not currently have tenure over ML05/2014. Whilst no formal application has been made to date, the Company has been engaged in ongoing dialogue with the relevant Sierra Leonean authorities in an attempt to have the Mining Licence reinstated or reissued by mutual agreement.

Dialogue has been restricted significantly during the past 12 months by the impacts of COVID-19 on travel and government operations. However, during the first quarter of 2021, management continued to be very active in discussions with relevant stakeholders at the Sierra Leone government to fast-track the process for reissuance of the mining license.

In January 2021, a meeting was held with Company and public officials from Sierra Leone at the Minister of Mines office in Freetown (the capital of Sierra Leone) to discuss and propose an investment case for the Marampa Project, supported by the attractive iron ore market price. It was agreed for the Company to lodge a detailed proposal in writing, which the Company submitted on 14 January 2021.

In February 2021, the Company launched an in-country nationwide media campaign to generate public awareness of the commitment by the Company to develop the Marampa Project.

Whilst there can be no guarantee that the MoM will agree to reinstate or reissue the Mining Licence, the Sierra Leone Government have shown a willingness to engage with the Company to resolve the tenure dispute. If Marampa SL were to successfully recover the Mining Licence, the Board is committed to working with the relevant parties to secure access to the necessary plant and equipment and infrastructure to enable the ramp up of the Marampa Project.

Until the Mining Licence is reinstated, the Company will continue to (as it has done since 2017) spend approximately \$72,000 per quarter in country on the Marampa Project. This is used primarily to secure the core and other samples generated during the life of the project, and progress the steps required to ensure that the Marampa Project can proceed without delay to production once tenure is resolved.

In addition, it is noted that EL46A/2011 (formally part of the Marampa Project) has expired and the Company holds no interest in this licence.

As the Company does not currently hold any legal tenure at the Marampa Project, the Board does not consider the Project to be material to its current prospects as at the date of this announcement.

Kukuna Project (EL22/2012)

The Company holds no current tenure in the Sierra Leone Kukuna project. No exploration is proposed in the area.

Kipushi Copper-Cobalt Project

The Kipushi Cobalt Copper Tailings Project located in the Democratic Republic of Congo consisted of a tailings dam located on PE 12347 and the Kipushi Processing Plant located adjacent mining licence PE481 (**Kipushi Project**).

On 14 August 2019, the Company announced that the joint venture agreement with its partner Paragon Mining SARL had been terminated and the Company no longer holds any interest in this Project.

Winance Finance Facility

On 31 July 2019, the Company announced that it had secured an A\$15m finance facility with Winance Investment LLC (**Winance**) for mining exploration and general working capital purposes.

The initial tranche of A\$1.2m (1,200 convertible notes) was drawn down on 8 August 2019 with the conversion of initial tranche A notes (\$480k or 480 convertible notes) unconditional and the conversion of initial tranche B notes (\$720k or 720 convertible notes) subject to prior approval by Cyclone Metals' shareholders (which was subsequently received on 11 February 2020). A further A\$13.8m is available in tranches of A\$500k each upon full conversion of the notes from the previous drawdown, subject to a cooling off period. Winance receives a commitment fee of 5% of the investment amount at the funding of each tranche payable in shares.

The face value of each convertible note is AU\$1,000 and are non-interest bearing. The notes are convertible to a variable number of ordinary shares at the option of the holder of the notes any time after issue. If not converted the notes mature and are repayable twenty-four months after the issue date. The conversion price for each convertible note is the lower of a 10% discount from the lowest VWAP over twelve (12) days prior to the conversion date, provided that the conversion price shall not in any case be lower than the floor price (being \$0.005 reduced to \$0.002 as approved by shareholders on 6 October 2020).

As at the date of this announcement, Winance had 10 convertible notes on issue with a combined face value of \$10,000. The full terms and conditions of the convertible notes are set out in Schedule F of the Company's announcement 'Statement of Confirmations' dated 16 July 2021.

As at the date of this announcement, the Company has no present intention to draw down further amounts under this facility but reserves the right to do so in the future in accordance with the terms and conditions of the facility.

Magna Finance Facility

On 17 December 2018, the Company announced that it has secured a A\$7.5m finance facility with MEF I, L.P. (**Magna**) to fund the development of the Kipushi Project. On 17 December 2018, the Company drew down funds of \$0.75m through the issue of 548,310 convertible notes. A further A\$6.75m was available in 4 tranches upon the Company meeting key milestones relating to the development of the Kipushi Project and prior to the date that was 360 days following the execution date of the facility agreement.

From the 548,310 convertible notes issued, Magna converted 340,698 notes, redeemed 43,119 notes and repaid in cash 164,493 notes. As at the date of this announcement, Magna had no convertible notes remaining. No further drawn downs are possible under this facility.

Investments in Listed and Unlisted Investments

As at 16 July 2021, the Company held the following material investments in listed and unlisted investments:

Company name	Commodity / Country	Shares	Price	Market value
Cauldron Energy ¹ Limited (ASX: CXU)	Uranium (Australia/Argentina)	32,812,217	0.034	\$1,115,615
European Lithium Limited (ASX: EUR)	Lithium (Austria)	65,058,244	0.055	\$3,578,203
FE Limited ¹ (ASX: FEL)	Iron ore, gold, lithium, base metals (NT and WA)	146,148,635	0.084	\$12,276,485
International Goldfields Limited (unlisted)	Gold (Australia, Cote d'Ivoire, Brazil)	392,307,692	N/A	N/A

Notes:

1. The Company has granted the Australian Taxation Office security over 100% of its shareholding in CXU and approximately 82.7% of its shareholding in FEL. The security shall remain in force until such time as the Company has repaid its outstanding tax liability owed to the Australian Taxation Office (scheduled for completion on 1 March 2023). Refer to the summary below for further details.
2. In addition to the above, as at the date of this announcement, the Company holds shares in 3 other publicly listed companies, with an aggregate value of approximately \$87,730.

ATO Debt

On 31 July 2018, the Company reached an out of court settlement with the Australian Taxation Office (**ATO**) regarding various taxation matters, covering the 2011 - 2015 income years. Under the terms of the settlement, the Company has, on a without admission of liability basis, agreed to make final settlement payments to the ATO totalling \$5,203,442 following the issue of amended assessments for each of the respective income tax years. The settlement is payable over 5 years until March 2023. Under the terms of the settlement, the Company retains all carry forward losses.

The Company's wholly owned subsidiary, Dempsey Resources Pty Ltd, agreed to provide the ATO with security over its shareholding of 120,848,635 shares in Fe Limited (ASX: FEL) and 52,470,036 Cauldron Energy Ltd (ASX: CXU) as collateral. In December 2020, the Company sought approval from the ATO, and approval was granted, to dispose of 17,000,000 shares in CXU. In January 2021, the Company disposed of these shares realising funds of \$510,000 which was paid to the ATO. In June 2021, the Company sought approval from the ATO to dispose of the remaining 35,470,036 CXU shares. The Company was granted this approval, and, as at the date of this announcement, the Company is in the process of selling these shares. Funds realised from the sale of these shares will be advanced in full to the ATO.

As at this date of this announcement, the Company has made payments of \$3,236,544 to the ATO. The balance of the outstanding debt currently totals \$1,966,898 excluding accrued interest charges potentially ranging between \$133,564 and \$878,726, which the Company is disputing.

This announcement has been approved by the Company's board of directors.

Yours faithfully
Cyclone Metals Limited

Terry Donnelly
Non-Executive Chairman

For further information please contact:

Investor Relations



+61 (0) 8 9380 9555



ir@cyclonemetals.com

Follow us



@cyclonemetals



cyclone-metals

COMPETENT PERSON

The information in this announcement that relates to Exploration Results is based on information compiled by Mr Olaf Frederickson. Mr Frederickson is a Member of The Australasian Institute of Mining and Metallurgy (AusIMM) and has sufficient experience relevant to the style of mineralisation and type of deposit under consideration and to the activity which they are undertaking to qualify as a Competent Person as defined in the 2012 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). Mr Frederickson is a consultant to CLE and consents to the inclusion in the report of the Exploration Results in the form and context in which they appear.