

ASX ANNOUNCEMENT



23 December 2022

Austral hits steady state production and fast tracks Lady Colleen scoping study supported by two funding initiatives

Key highlights:

- Austral Resources Australia Ltd has secured funding as it hits steady state production at the Mt Kelly plant and continues to fast track the Company's Lady Colleen Scoping study.
- The first initiative is a strategic alliance and payment restructuring agreement with Thiess, the global mining services provider working at the Company's Anthill Mine as detailed:
 - Austral will pay Thiess A\$10m of outstanding amounts owed in December 2022, with further deferred payments to be progressively met
 - Thiess will receive A\$5 million in Austral shares at A\$0.20 each
 - Thiess currently remains 2 million tonnes ahead of the mining schedule, safeguarding production during the wet season
 - Austral's production profile is moving to 1,000 tonne per month at approximately A\$12,000 per tonne (spot price of US\$3.78/lb on 20 December 2022) generating cashflow of approximately A\$12 million per month.
- The second initiative is a A\$12.8 million finance facility provided by Secover, a private company controlled by the Harvey Family Office, who holds approximately 2.9% equity stake in Austral.
- The Secover facility is secured by two major Austral shareholders, including founder Dan Jauncey, who have provided security for the facility.

Copper producer **Austral Resources Australia Ltd (ASX:ARI)** ("Austral" or the "Company") is pleased to announce two initiatives that together provide the Company with the financial firepower as the Company hits steady state production at the Mt Kelly copper oxide heap leach and solvent extraction electrowinning plant and continues to fast track the Lady Colleen copper sulphides scoping study.

The first initiative is an agreement whereby Thiess Proprietary Limited (Thiess), the global mining services provider working at the Company's Anthill Mine, has agreed to restructure payments owed to it by Austral. Under a second initiative, Secover Pty Limited (Secover), a

ASX ANNOUNCEMENT



private company controlled by the Harvey Family Office, has been selected to provide the Company with a debt finance facility of A\$12.77m.

Thiess' production progress ahead of schedule in preparation for the wet season, and delays at Austral's Mt Kelly crushing/processing facility has led to a delay in revenue streams while the Company incurred ongoing mining expenditure.

Austral's deferred payments to Thiess have been restructured

In light of these temporary delays to Austral's production profile, Thiess has agreed to align its outstanding arrears with the Company based on the following restructuring components:

- Austral will pay Thiess A\$10m in December 2022. Further deferred payments will then be met progressively over subsequent quarters.
- Thiess will receive A\$5 million in new Austral Resources Australia Ltd ordinary shares (25 million shares, priced at A\$0.20 each). This placement will be made under the Company's 15% placement capacity under listing rule 7.1.

Austral receives additional financing from Secover

In a second financing initiative, Secover, will provide the Company with an A\$12.77 million debt facility.

Austral intends to draw down the Debt Financing after satisfying a number of Conditions Precedent. No existing covenants previously in place are impacted by this Debt Financing.

Key details of the Debt Financing provided by Secover are detailed in the following table:

Term:	12 months from initial drawdown
Facility limit:	A\$12.77m
Actual cash lend:	A\$11.0m (single drawdown)
Interest rate:	15.0% on all drawn amounts, capitalised in arrears
Security:	Shares in the Company (that are not subject to any ASX imposed restriction) held by Dan Jauncey and John Kamara's respective related interests. Third ranking general security agreement to be granted by Austral Resources Australia Ltd.
Line & Establishment Fees:	Nil

ASX ANNOUNCEMENT



As part of entering into the new Debt Financing, the Company's existing lenders, Win Finance and Glencore, have escalated their facilities to mature in November 2023.

Prioritising the completion of Lady Colleen scoping study

Austral's Mt Kelly plant has hit steady state production, despite the abovementioned unexpected challenges that have temporarily delayed the Company's previously stated production projections.

The additional funding initiatives announced today ensure Austral has sufficient financial resources in place to:

- Meet the one-off expenses associated with the longer-than-expected ramp up phase at the Mt Kelly facility, and
- Fast-track the Lady Colleen scoping study, which clearly demonstrates Austral's commitment to its wide-ranging exploration program that is already well on the way to proving up further significant ore resources that can be fed into the Mt Kelly facility.

Austral Resources' Managing Director and CEO, Dan Jauncey said:

"Our team has successfully overcome the challenges faced in bringing the crushing circuit online after sitting dormant for seven years, as well as some external one-offs such as severe wet weather events.

Since our August capital raise, we have pulled a number of levers that have, as a group, offset soft copper prices and higher diesel prices and delivered a cautious catch up in production. The first one of these levers was to slow mining, as Thiess were 12% ahead of schedule. Thiess' efficiency of mine operation has certainly proven to us why they are Australia's leading mining services provider. Orica's schedule of blasting was also slowed, as they too were ahead of schedule, for which we give Orica due acknowledgment.

Our finance team has also been busy. Their hard work has ensured we have funding and financing arrangements in place to effectively deal with the temporary shortfall in Mt Kelly's copper cathode plant-derived cash flows and keep our exciting exploration program ticking along.

It was particularly pleasing that these initiatives involve persons and groups who clearly appreciate both the earnings upside inherent in our Mt Kelly facility and the significant prospectivity attached to our still massively under-explored project book. The debt raising

ASX ANNOUNCEMENT



was provided by one of our top-5 shareholders and secured by two other significant shareholders. In

The second financing initiative we have announced today has our mining services provider, Thiess, approving a restructure of the payments owed to them. It clearly shows that Thiess appreciates the 'blue sky' attached to our copper production and exploration assets, having approached this in a true partnership manner.

Importantly, our focus on resolving these production-related issues has not in any way distracted us from progressing Austral's exciting exploration program, including the current Lady Colleen scoping study.

With funding and production challenges now effectively managed, we are intent on realising our potential."

Thiess Chief Financial Officer Craig Morton said:

"Thiess' decision to support Austral by agreeing to this restructure of payments and taking an equity position in Austral, benefits both companies, and demonstrates the true partnership approach that Thiess brings to our client relationships. Austral can now better align the making of these payments with the delivery of steadily increasing revenues from the Mt Kelly copper cathode plant. And Thiess gets a stake in a resource company that is an upscaling producer with ample valuation upside, thanks to its highly prospective project book."

This announcement is authorised for market release by Managing Director and CEO, Dan Jauncey.

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ASX ANNOUNCEMENT



About Austral Resources

Austral Resources Australia Ltd (ASX:ARI) is a copper cathode producer operating in the Mt Isa region, Queensland, Australia. Its Mt Kelly copper oxide heap leach and solvent extraction electrowinning (SX-EW) plant has a nameplate capacity of 30,000tpa of copper cathode. Austral has developed its Anthill oxide copper mine which has an Ore Reserve of 5.06Mt at 0.94% Cu. The Company expects to produce 40,000t of copper cathode over a four-year period from mid-2022.

Austral also owns a significant copper inventory with a JORC compliant Mineral Resource Estimate of 60Mt@ 0.7% Cu (420,000t of contained copper) and 2,100km² of highly prospective exploration tenure in the heart of the Mt Isa district, a world class copper and base metals province. The Company is implementing an intensive exploration and development program designed to extend the life of mine, increase its resource base and then review options to commercialise its copper resources.

To learn more, please visit: www.australres.com

Detailed information that relates to Ore Reserves and Mineral Resource Estimates is provided in Austral Resources Prospectus, Section 7, Independent Technical Assessment Report. This document is available on Austral's website: www.australres.com and on the ASX released as "Prospectus" on 1 November 2021. The Company confirms that it is not aware of any new information or data that materially affects the exploration results and estimates of Mineral Resources and Ore Reserves as cross referenced in this release and that all material assumptions and technical parameters underpinning the estimates continue to apply and have not changed.