

Quarterly Activities and Cash Flow Report for the Quarter Ended 31 December 2020

CORPORATE

Strategy and Business Model

Cyclone Metals Limited (**ASX: CLE**) (**Cyclone Metals** or the **Company**) (previously Cape Lambert Resources Limited) is an Australian domiciled mineral development and investment company. Cyclone Metals has interests in several exploration and mining companies, providing exposure to iron ore, copper, gold, uranium, cobalt, lithium and lead-silver-zinc assets in Australia, Europe, Africa and South America (refer Figure 1).

Cyclone Metals' strategy is to acquire and invest in undervalued and/or distressed mineral assets and companies (**Projects**) and:

- improve the value of these Projects, through a hands-on approach to management, exploration, evaluation and development; and
- retain long-term exposure to these Projects through a production royalty and/or equity interest.

Cyclone Metals aims to deliver Shareholder value by adding value to these undeveloped Projects. If Projects are converted into cash, the Company intends to follow a policy of distributing surplus cash to Shareholders.

Trading Suspension

On 16 October 2020, the Company's securities were suspended from official quotation on the basis that ASX had determined CLE's operations are not adequate to warrant the continued quotation of securities and compliance with LR 12.1. The Company is currently liaising with ASX regarding compliance with LR 12.1.

Shareholder Meetings

On 6 October 2020, the Company held an extraordinary general meeting (**EGM**) of shareholders. All resolutions were carried at the EGM.

On 30 November 2020, the Company held its annual general meeting (**AGM**) of shareholders. All resolutions were carried at the AGM.

Placement

During October 2020, the Company issued 1,176,470,588 shares at an issue price of \$0.0017 per share to raise proceeds of \$2,000,000 (before expenses) (**October Placement**). The October Placement shares were approved at the extraordinary general meeting (**EGM**) of shareholders held on 6 October 2020.

On 18 December 2020, the Company issued 208,000,000 shares at an issue price of \$0.005 per shares to raise proceeds of \$1,040,000 (before expenses) (**December Placement**). Participants of the December Placement were also issued one unlisted option for every two shares at an exercise price of \$0.005 expiring 18 December 2021 (**Placement Options**). The December Placement shares and Placement Options were issued using the Company's capacity under Listing Rule 7.1, and without shareholder approval.

Magna Financing Facility

As previously announced, the Company established an A\$7.5m finance facility with MEF I, L.P. (**Magna**) of which A\$750k (548,310 convertible notes) was drawn down on 19 December 2018.

During the quarter, Magna converted the remaining 108,612 notes which resulted in the issue of 35,951,450 fully paid ordinary shares in the Company. As at 31 December 2020, Magna had no convertible notes remaining.

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). Further tranches of 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.

Full terms and conditions of the convertible securities are included in the announcement released on 31 July 2019.

During the quarter, there were no conversions of notes. As at 31 December 2020, Winance had 10 convertible notes remaining.

Winance Loan

On 24 January 2020 the Company entered into a \$2.2m secured loan facility with Winance (**Winance Loan**). The parties agreed to vary the terms of the Winance Loan as announced on 30 June 2020.

On 17 September 2020, the Company advised that the parties have agreed that the principle amount of \$2.2m plus accrued interest and outstanding fees will be converted into Shares (subject to receipt of shareholder approval) (**Winance Debt Shares**) based on a share price of AUD \$0.004 on 30 November 2020 (**Extended Maturity Date**).

Prior to the issue of any Winance Debt Shares, the parties varied the agreement so that Shareholder approval was not required for the issue of 450,000,000 Winance Debt Shares (but with the Company's 15% capacity under Listing Rule 7.1) and any further issue of Winance Debt Shares will still be subject to Shareholder approval.

On 16 October 2020, the Company issued 146,518,667 Winance Debt Shares to satisfy interest payable under the Winance Loan following receipt of shareholder approval at the EGM.

On 22 October 2020, the Company issued 450,000,000 Winance Debt Shares at a price of \$0.004 per Share to Winance in part reduction (\$1,800,000) of the Winance Loan, using the Company's capacity under Listing Rule 7.1.

On 30 November 2020, the Company issued 318,094,100 Winance Debt Shares at a price of \$0.004 per Share to satisfy the balance of the Winance Loan following receipt of shareholder approval at the AGM.

At 31 December 2020, the Winance Loan had been repaid in full.

Conversion of Debt

On 15 October 2020, following receipt of shareholder approval at the AGM, the Company issued 125,631,533 fully paid ordinary shares to Bennett and Co to satisfy debts of \$188,447.

On 16 October 2020, following receipt of shareholder approval at the AGM, the Company issued 228,866,754 fully paid ordinary shares to Directors of the Company to satisfy debts of \$343,300.

On 18 December 2020, the Company issued 6,000,000 fully paid ordinary shares and 3,000,000 unlisted options with at an exercise price of \$0.005 expiring 18 December 2021 to satisfy broker fees of \$30,000 in relation to the December Placement (**Broker Securities**). The Broker Securities were issued using the Company's capacity under Listing Rule 7.1, and without shareholder approval.

Other Movements in Securities

On 16 October 2020, the Company issued 20,000,000 fully paid ordinary shares to Mr Terry Donnelly, the appointed Non-Executive Chairman of the Company. The shares were issued following receipt of shareholder approval at the EGM.

On 18 December 2020, the Company issued 5,000,000 unlisted options to Kapital Global, the broker that facilitated the Winance Loan, and negotiated on behalf of the Company with Winance on the conversion of the Winance Loan into Winance Debt Shares. The options were issued following receipt of shareholder approval at the AGM.

Appendix 5B Quarterly Report and Statement of Cash Flows

The ASX Appendix 5B quarterly report is attached to and lodged with this report. The Company's Appendix 5B Quarterly Report covers the 3-month period from 1 October 2020 to 31 December 2020. As at 31 December 2020, the Company had approximately A\$1,552k.

Subsequent to the quarter end, the Company has made two further instalment payments to the ATO totalling \$520k.

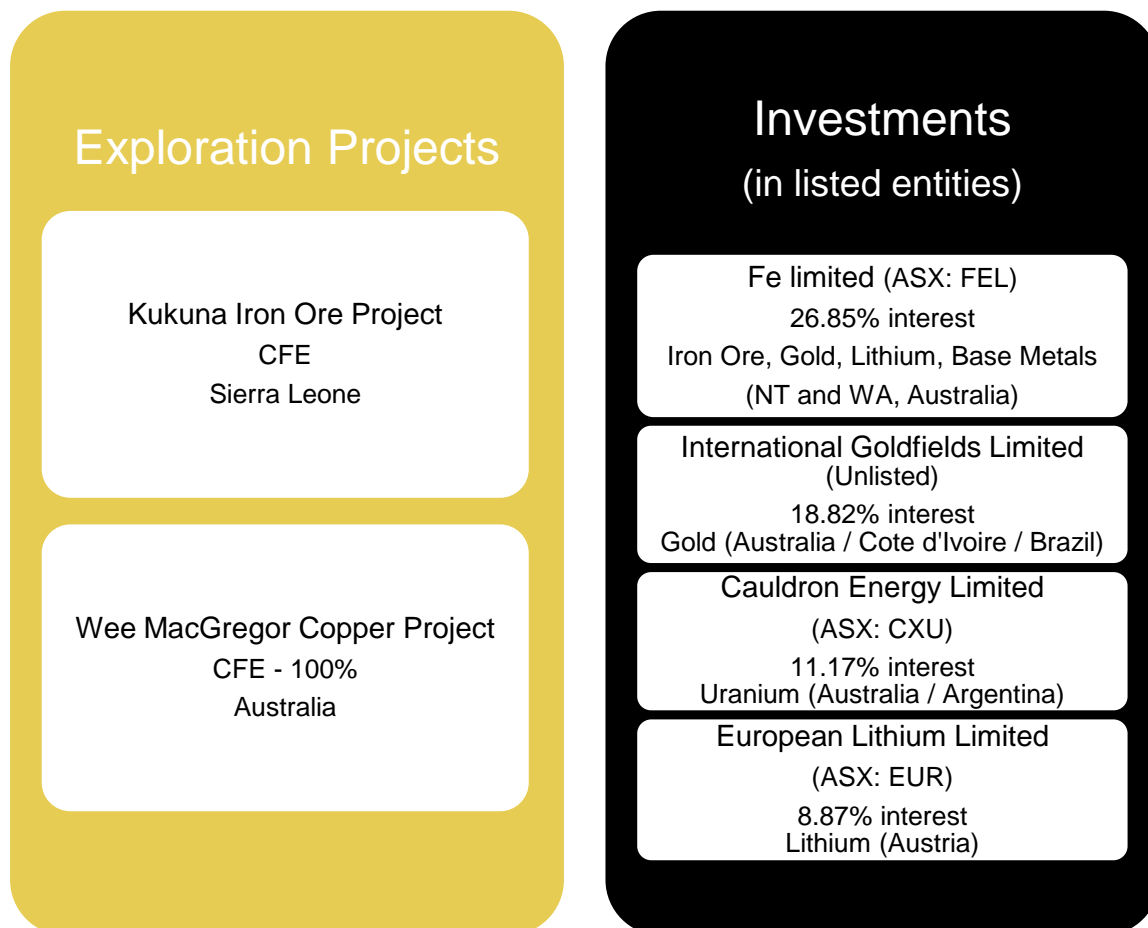
Payments to Related Parties and their Associates

In accordance with ASX Listing Rule 5.3.5, payments to related parties of the Company and their associates during the quarter totalled \$257k relating to the Executive Directors salary and Non-Executive Director fees. This amount is included at Item 6.1 of the Appendix 5B. In addition, there is

an amount of \$25k included in Item 3.4 of the Appendix 5B in relation to commission paid to Director related entities in respect to the October Placement and December Placement.

Refer to the Remuneration Report in the Annual Report for further details on director remuneration and related party transactions. These amounts are included at Item 6.1 of the Appendix 5B.

Figure 1: Group Structure



PROJECTS

Marampa

Marampa is an iron ore project at the development stage, and is located 90 km northeast of Freetown, Sierra Leone, West Africa (**Marampa** or **Marampa Project**). The Marampa Project comprised one mining licence (ML05/2014) comprising 97.40km² and one exploration licence (EL46A/2011) comprising 145.86km². The status of these tenements is as follows:

ML05/2014

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

In September 2018, Marampa SL received a letter from the Sierra Leone Ministry of Mines (**SLMOM**) cancelling the Mining Licence. In 2018, Marampa SL commenced legal action in Sierra Leone to challenge SLMOM's decision to cancel the Mining Licence ML05/2014, however, the Board has agreed to place legal action against the SLMOM on hold.

The Company reconfirms that it does not currently have tenure over ML05/2014. Whilst no formal application has been made to date, the Company has during Q4/2020, and will continue to be, engaged in 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 period by the impacts of COVID-19 on travel and government operations. However, the management has continued during Q4/2020 to be very active in discussions with relevant stakeholders at the SL government to fast-track the process getting the mining license issued again. Some ongoing political turmoil makes a prediction when the government would assign the licence uncertain to some extent, but commitment is shown to re-engage the mining license to Marampa Iron Ore LTD, the 100% owned subsidiary of CLE in Sierra Leone.

Whilst there can be no guarantee that the SLMOM will agree to reinstate or reissue a Mining Licence, 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 upon the reissuance of the Mining Licence for the benefit of our shareholders as well as, importantly, the Government and People of Sierra Leone.

EL46A/2011

In 2014, Marampa SL was granted exploration license EL46A/2011. In June 2014 the SLMOM extended EL46A/2011 for a further 2-year term from 31 July 2015 until 31 July 2017. Marampa SL has not paid renewal fees to the SLMOM in respect of EL46A/2011 since 31 July 2017. However, Marampa SL has not received any termination documentation or request for information from the SLMOM, therefore is of the view that EL46A/2011 remains a valid license. Marampa SL has contacted the SLMOM asking them to confirm the status of EL46A/2011 however no response has been received to date therefore tenure over EL46A/2011 remains uncertain. Marampa SL will continue to follow up with the SLMOM to determine the status of EL46A/2011. The management of Marampa SL has continued to be active in discussions with SLMOM to fast-track the process getting the EL46A/2011 to be issued again.

The Board confirms that given the inherent uncertainties relating to the future of the Marampa Project, the carrying value of the Marampa Project in Cyclone Metal's audited accounts was fully impaired as at 30 June 2016 and remains fully impaired.

The Company is currently committing minimum expenditure on the Marampa Project and no exploration activities are currently underway at the Marampa Project.

Kukuna

Dempsey Resources Bermuda Limited holds the Kukuna Iron Ore Project located in Sierra Leone (**Kukuna or Kukuna Project**).

The Kukuna Project is located 120 km northeast of Freetown in the northwest of Sierra Leone and consists of one exploration licence (EL22/2012) covering 68km². The licence comprises rocks known to host specular hematite mineralisation. Dempsey has not paid renewal fees to the SLMOM in respect of Kukuna. However Dempsey has not received any termination documentation or request for information from the SLMOM, therefore is of the view that Kukuna remains a valid license.

The Kukuna Project remains under care and maintenance.

Mining International Pty Ltd

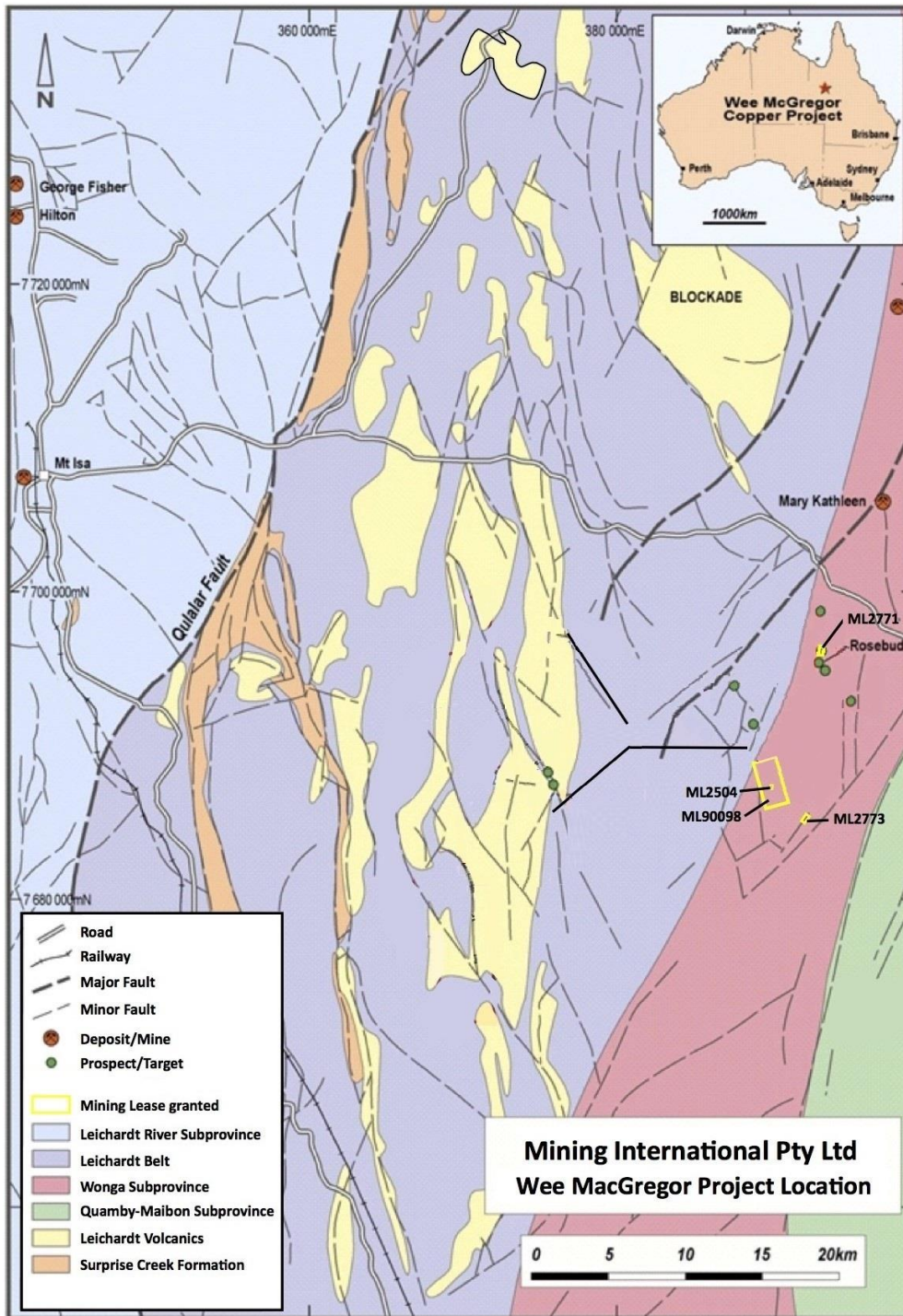
Mining International Pty Ltd (**Mining International**), is a wholly owned subsidiary of Cyclone Metals. The Company holds tenure to 4 mining leases at the Wee MacGregor Project located 40 km southeast of Mt Isa in Queensland (refer Figure 2).

The tenements are located within in the Eastern Fold Belt of the Mt Isa inlier. The tenements are located in the Mary Kathleen Zone/Wonga Subprovince. This area is prospective for a variety of deposit types, most notably structurally controlled epigenetic copper and gold deposits.

Cohiba Minerals Limited (**Cohiba**) has a Farm-in agreement with the Company for mining licences ML 2504, ML 2773 and ML 90098.

The Lady Ethleen tenement (ML 2771) has been retained by Cyclone and is currently being utilized for a trial mining and processing exercise using a newly developed green leach process known as GlyLeach™. (refer ASX announcement 4 October 2020). A proposal for lab test work has been agreed on with Mining and Processing Solutions (MPS) to commence during Q1 2021. A drill rig has been tentatively booked to begin on the 15th February 2021 to obtain sufficient sample of oxide, transitional and sulphide material for use in lab testwork. Subject to border restrictions between Queensland and WA, drilling will commence on schedule and is expected to be completed within the week. Sample will then be freighted as soon as possible to Perth for commencement of proposed lab work.

Figure 2 – Wee McGregor Project Location

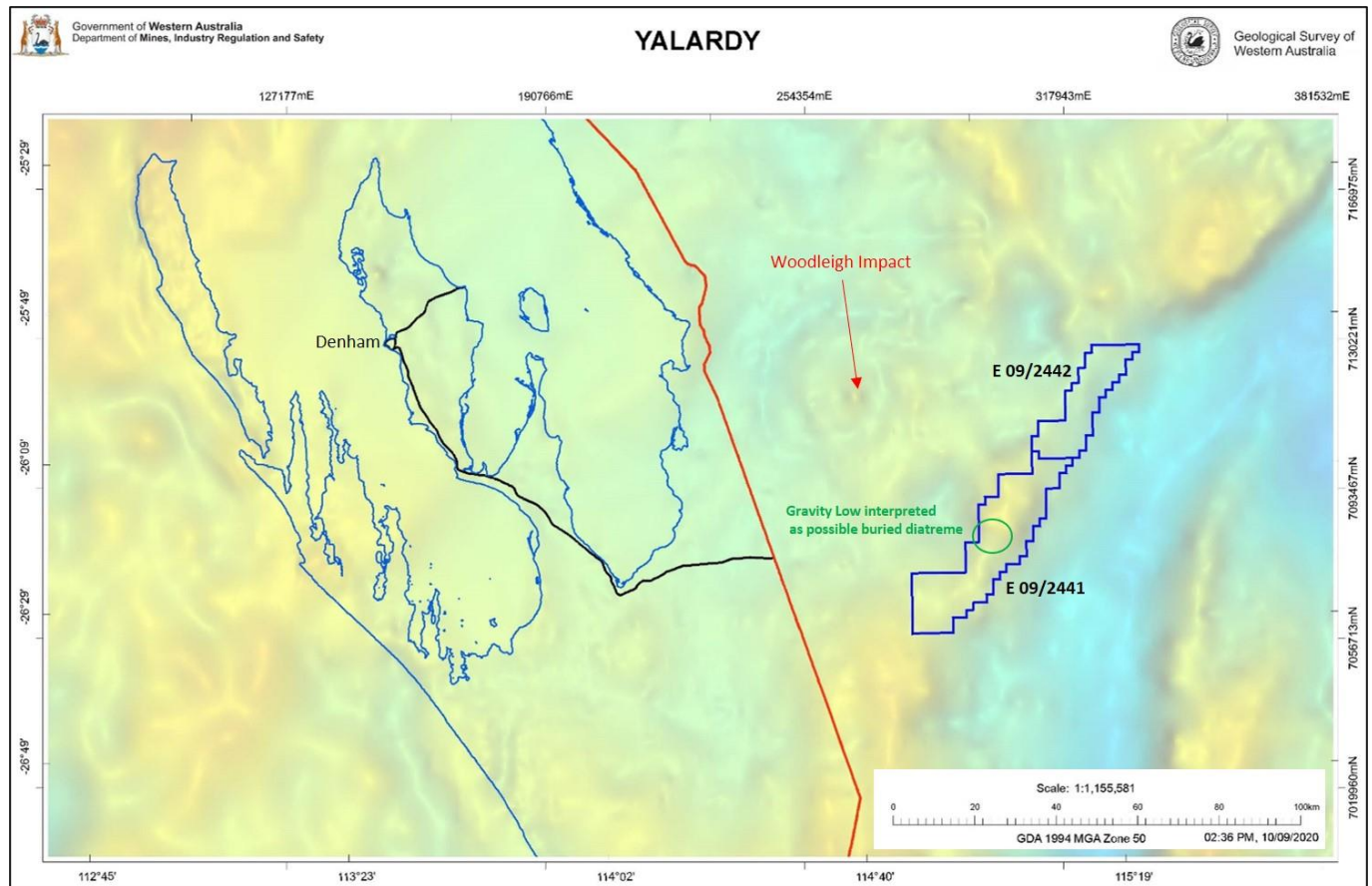


Yalardy

On 11 September 2020, the Company announced that it has lodged applications for two tenements in the Carnarvon basin of WA.

The tenement applications (E 09/2441 and E 09/2442) cover a combined 297 graticular blocks or a total of 914.5 square kilometers starting approximately 33km east of the Overlander roadhouse near the turnoff to Shark Bay (refer figure 3).

Figure 3 – Yalardy Project Location



Recent geochemical sampling over the areas known as “Dogger” and “Sebastian” have identified two rare earth element (REE) anomalies coincident with identified geophysical anomalies that indicate potential for the existence of a buried diatreme beneath the geologically recent sedimentary cover sequences (refer ASX announcement 11 September 2020).

The southern gravity anomaly (Sebastian) presents as a deep gravity low with a coincident void in the TMI magnetics. The density depression and coincident magnetic low can be interpreted as a possible buried diatreme structure with similar dimensions to the Mt Weld REE deposit in the north eastern goldfields of WA. This presents an opportunity for a new REE discovery as the structural environment and geophysical indications may suggest a potential carbonatite source similar to that found at Mt Weld.

The presence of a buried diatreme may also be a potential host to several different mineralisation possibilities.

These applications continue to progress through the DMIRS towards grant upon which reconnaissance exploration and project planning will commence.

Announcement authorised for release by the Board of Cyclone Metals.

APPENDIX 1 : TENEMENT STATUS

The mining tenements held at the end of each quarter, acquired and disposed of during the quarter and their location:

Tenement reference	Project & Location	Acquired interest during the quarter	Disposed interest during the quarter	Interest at the end of quarter
Kukuna Project - EL 22/2012	Kukuna – Sierra Leone	-	-	100%
ML 90098 ¹	Wee MacGregor - Queensland	-	-	100%
ML 2504 ¹	Wee MacGregor - Queensland	-	-	100%
ML 2771	Wee MacGregor - Queensland	-	-	100%
ML 2773 ¹	Wee MacGregor - Queensland	-	-	100%
E09/2441 ²	Yalardy – Western Australia	-	-	-
E09/2442 ²	Yalardy – Western Australia	-	-	-

¹ Subject to the Cohiba (Cobalt X) Farm-in agreement, refer to ASX March 2017 Quarterly Report for details.

² Applications pending

There were no mining tenements with beneficial interest earned/lost in farm-in/farm-out agreements at the end of the quarter.

For further information please contact:

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Appendix 5B

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

Name of entity

Cyclone Metals Limited

ABN

71 095 047 920

Quarter ended ("current quarter")

31 December 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	-	11
1.2	Payments for		
	(a) exploration & evaluation	(143)	(226)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(13)	(20)
	(e) administration and corporate costs	(707)	(903)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	-
1.5	Interest and other costs of finance paid	2	3
1.6	Income taxes paid	(260)	(260)
1.7	Government grants and tax incentives	-	-
1.8	Other (transfer funds from non-restricted to restricted)	(5)	(5)
1.9	Net cash from / (used in) operating activities	(1,126)	(1,400)
2.	Cash flows from investing activities		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	(280)	(325)
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	-	-
	(e) investments	(30)	(30)
	(f) other non-current assets	-	-

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

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	-	12
	(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	(310)	(343)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	3,040	3,166
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	60
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(161)	(169)
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	2,879	3,057

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	109	238
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,126)	(1,400)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(310)	(343)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	2,879	3,057

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

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	1,552	1,552

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	1,552	109
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)	1,552	109

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	257
6.2	Aggregate amount of payments to related parties and their associates included in item 2	25

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.

Payments included in item 6.1 relates to the payment Executive Director salaries and Non-Executive Director fees

Payments included in item 3.4 includes commission on the October Placement and December Placement paid to Director-related entities

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. 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)	15,000	1,200
7.4 Total financing facilities	15,000	1,200
7.5 Unused financing facilities available at quarter end		
7.6	<p>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.</p> <p>On 31 July 2019, the Company entered into a Convertible Note Agreement with Winance Investment LLC (Winance) of which A\$1.2m (1,200 convertible notes of which 720 were subject to shareholder approval, which was subsequently received on 11 February 2020) was drawn down on 8 August 2019.</p> <p>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 (24) months after the issue date. The conversion price for each convertible note is the lower of an 10% discount from the lowest VWAP over twelve (12) days prior to the conversion date rounded down to the nearest 100th, provided that the conversion price shall not in any case be lower than \$0.005 (floor price).</p> <p>Further drawdowns of drawdowns of A\$13.8m are at the Company's election available in tranches of A\$500k each upon full conversion of the notes from the previous drawdown, subject to a cooling off period calculated based on the value of the tranche and average trading volumes during the preceding 60-day period and prior approval by CFE's shareholders.</p> <p>Refer to ASX announcement dated 31 July 2019 for material terms and conditions.</p> <p>As at 31 December 2020, Winance had 10 convertible notes remaining.</p>	

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	(1,126)
8.2 (Payments for exploration & evaluation classified as investing activities) (item 2.1(d))	-
8.3 Total relevant outgoings (item 8.1 + item 8.2)	(1,126)
8.4 Cash and cash equivalents at quarter end (item 4.6)	1,543
8.5 Unused finance facilities available at quarter end (item 7.5)	-*
8.6 Total available funding (item 8.4 + item 8.5)	1,543

8.7 **Estimated quarters of funding available (item 8.6 divided by item 8.3)** 1.38

Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.

* Refer to section 7 for details on further drawdowns on the Winance facility.

8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:

8.8.1 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?

No. Expenditure in the current quarter reported under net cash used in operating activities is not representative of the Company's current level of net operating cash flows. This figure was higher in the current quarter as a result of the payment to creditors for debts incurred.

8.8.2 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?

Yes. Following the payment of instalment payments to the ATO, the Company has received approval from the ATO regarding the release of 17,000,000 shares in Cauldron Energy Ltd (ASX: CXU) which was previously secured against the ATO debt. The Company is seeking to sell these shares which will bring funding of approximately \$510k into the Company. In addition, the Company continues to seek funding options.

8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Yes. The Directors believe that it is reasonably foreseeable that the Company will continue as a going concern based on the following factors:

- Raising additional funds (as outlined above)
- Continued support from external creditors allowing for the deferred payment of certain liabilities
- Engagement with the ATO regarding the outstanding debt
- Realisation of certain of the Company's unencumbered financial assets through the sale of its listed shares (if required)

Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.

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 January 2021

Authorised by: Board of Directors
(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.