

Quarterly Activities and Cash Flow Report for the Quarter Ended 30 June 2021

CORPORATE

Strategy and Business Model

Cyclone Metals Limited (**ASX: CLE**) (**Cyclone Metals** or the **Company**) 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 has been in continual discussion with the ASX and on 15 June 2021 announced the pave-way to reinstatement of trading on the ASX. One condition specified by the ASX was for Cyclone to release a full form prospectus which was released on 14 July 2021. The Company has provided the ASX with all documents specified in order to meet with the reinstatement conditions specified by the ASX. Based on correspondence with the ASX, Cyclone Metals understands that, subject to final internal approval from ASX, the Company's shares have been earmarked for reinstatement to trading on the ASX on Tuesday 3 August 2021.

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. 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.

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 30 June 2021, Winance had 10 convertible notes remaining.

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 April 2021 to 30 June 2021.

During the quarter, Exploration and evaluation expenditure during the quarter was \$230k, associated predominantly with work undertaken on the Wee MacGregor tenements and tenement compliance costs. In addition, administration and corporate expenditure during the quarter was \$395k which included Director and consultant costs and legal fees associated with the ASX reinstatement.

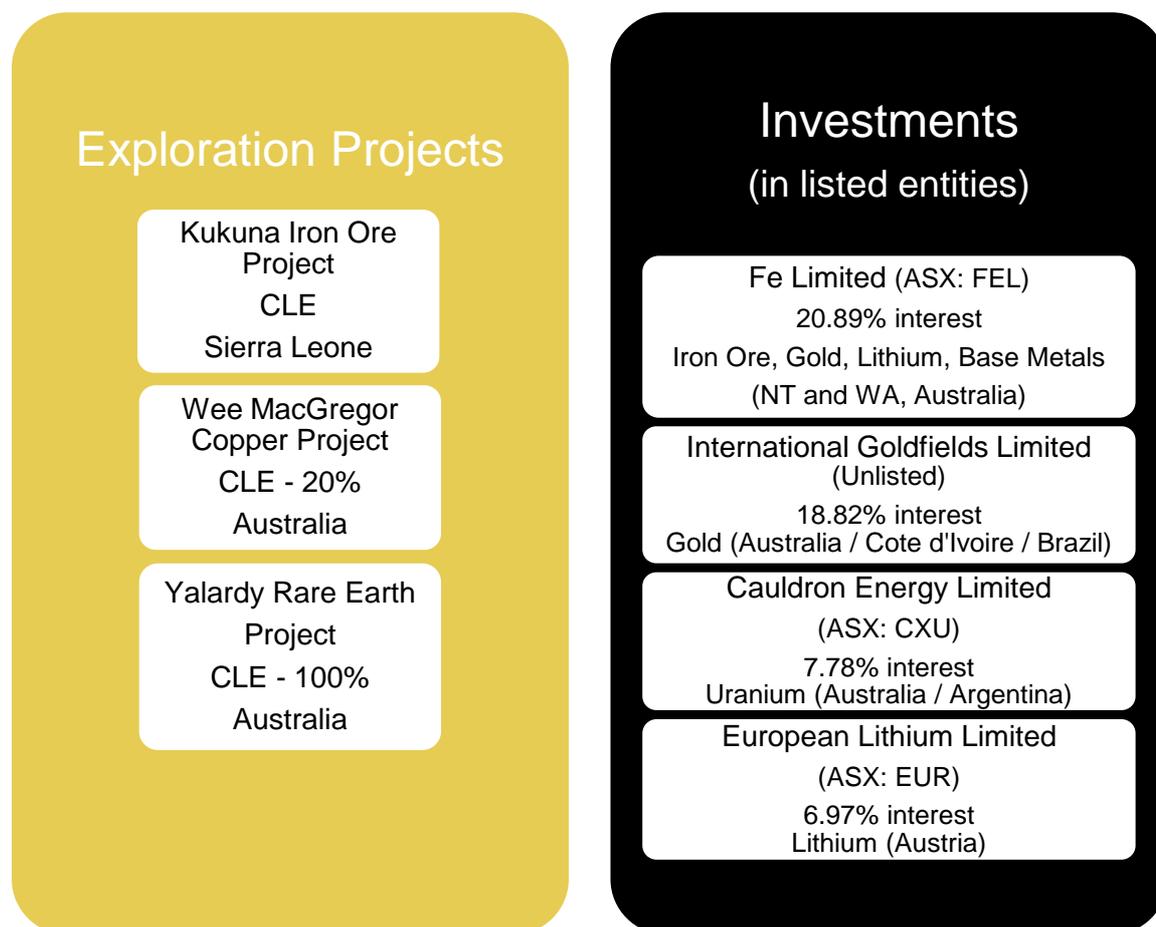
As at 30 June 2021, the Company had approximately A\$281k.

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 \$172k relating to the Executive Directors salary and Non-Executive Director fees (\$159k) and payments to Director related entity (\$13k). This amount is included at Item 6.1 of the Appendix 5B.

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, 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 Q1/2021, and will continue to be, engaged in dialogue with the relevant Sierra Leonean authorities to have the Mining Licence reinstated or reissued by mutual agreement. Although this dialogue has been restricted significantly during the period by the impacts of COVID-19 on travel and government operations.

However, during Q2/2021 management continued to actively engage with relevant stakeholders at the SL government to fast-track the process for reissuance of the Mining Licence. In January 2021 the Company met with high level company and public officials from Sierra Leone at the Minister of Mines office in Freetown to discuss and propose an investment case for the Marampa Project supported by the attractive iron ore market price and outlook. A formal response regarding the proposal lodged on 14 January 2021 is still pending. Some ongoing political turmoil makes it difficult to predict when the government will assign the licence, but they have shown commitment to reissue the Mining Licence to the Company.

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.

Wee MacGregor

Mining International Pty Ltd, a wholly owned subsidiary of Cyclone Metals, holds tenure to 4 mining leases located 40 km southeast of Mt Isa in Queensland (**Wee MacGregor Project**) (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**), through wholly owned subsidiary Cobalt X Pty Ltd, has earned an 80% interest in mining licences ML 2504, ML 2773 and ML 90098 under a Farm-in agreement with Cyclone Metals. The Company retains a 20% interest in the mining licences and a pre-emptive right over the remaining 80%.

The Lady Ethleen tenement (ML 2771) has been 100% retained by Cyclone Metals (**Lady Ethleen**).

The Lady Ethleen tenement 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 successful trial will mean a significant shift in future processing technology and will in turn facilitate possible development of the part owned, nearby Wee Macgregor Project as well as many other potential small assets in the district, that may be economic with access to appropriate processing technology.

The process to be used, known as tilted GlyLeach™, was originally developed and patented by Curtin University and is being commercialised globally by Perth based Mining and Process Solutions (**MPS**). The GlyLeach™ process involves the use of Glycine as a lixiviant under alkaline conditions. This process has a number of significant benefits over traditional acid leaching including its environmentally friendly state which is non-toxic to humans and wildlife, the ability to selectively leach valuable metals whilst leaving gangue minerals such as iron, manganese, silicates and carbonates in the leach residue, the ability to leach ores of different oxidation states (depending on process type, temperature, residence time, particle size, etc) and all the while being recyclable as the glycine is not chemically consumed in the overall process.

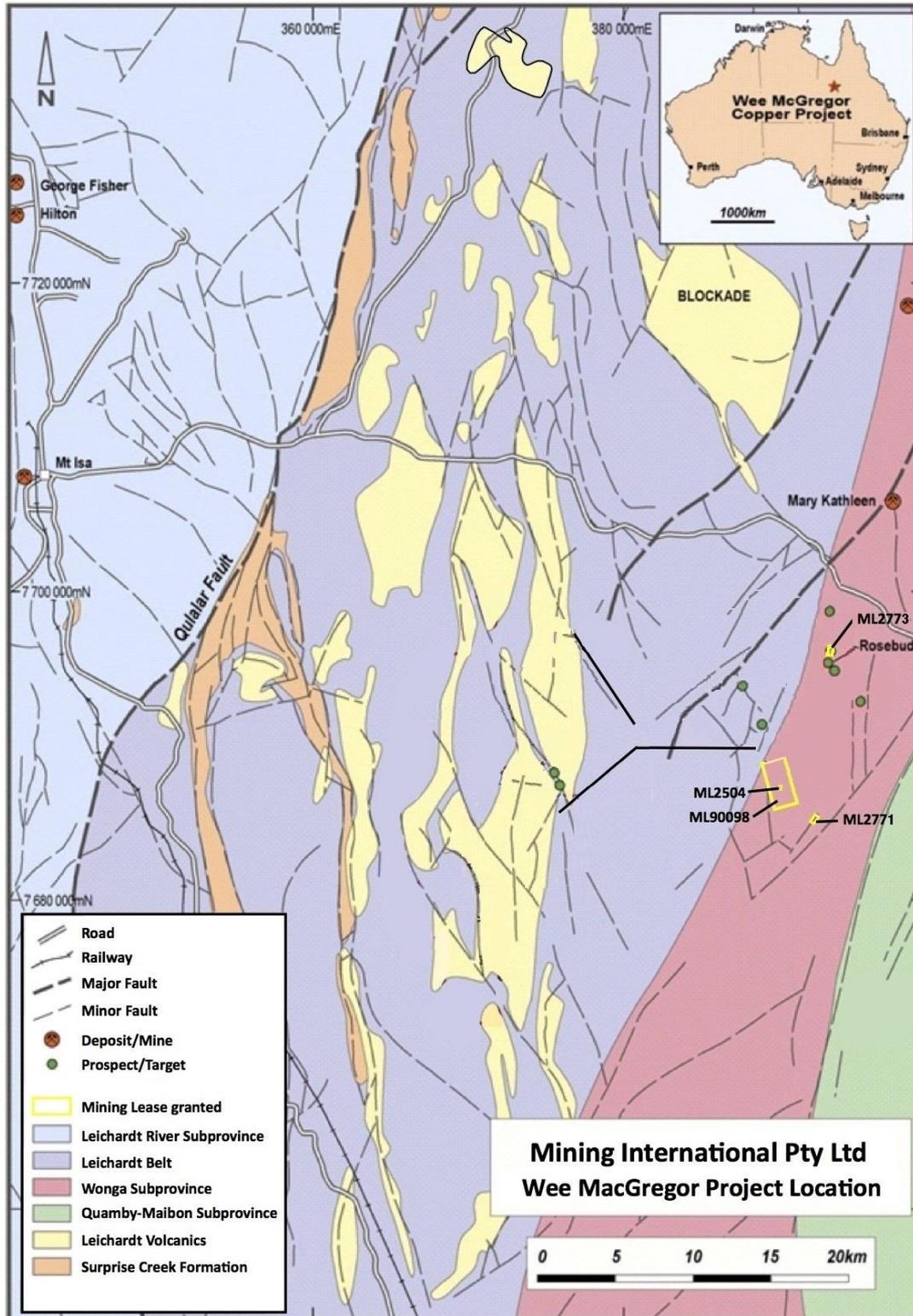
Results are expected to demonstrate the best process to use for material types found in the Mount Isa / Cloncurry district. A positive project outcome could unlock the possibility for development of Lady Ethleen and a centralised processing hub in the district.

Within a 10 km radius of Lady Ethleen, there are numerous stranded projects that may all be suitable candidates to supply feed to a future operation including Lady Jenny (1 km), Wee MacGregor (3 km), Rosebud (10 km) and Inkerman (7.5 km) as well as several more in the wider district.

During the quarter, drilling at the Lady Ethleen project was completed (Refer ASX announcement 6 April 2021). Approximately 330kg of material was collected from each of the three test zones to facilitate testing of oxide, transitional and sulphide material across the three leaching environments of static (heap leach simulation), semi static and active (continuous leach simulation) leaching. Metallurgical testwork has been underway at the lab in Perth and has reached a point of review. The Company plans

to meet with the MPS to review outcomes to date and agree on the next steps in the testwork. No formal results have been received to date.

Figure 2 – Wee McGregor Project Location

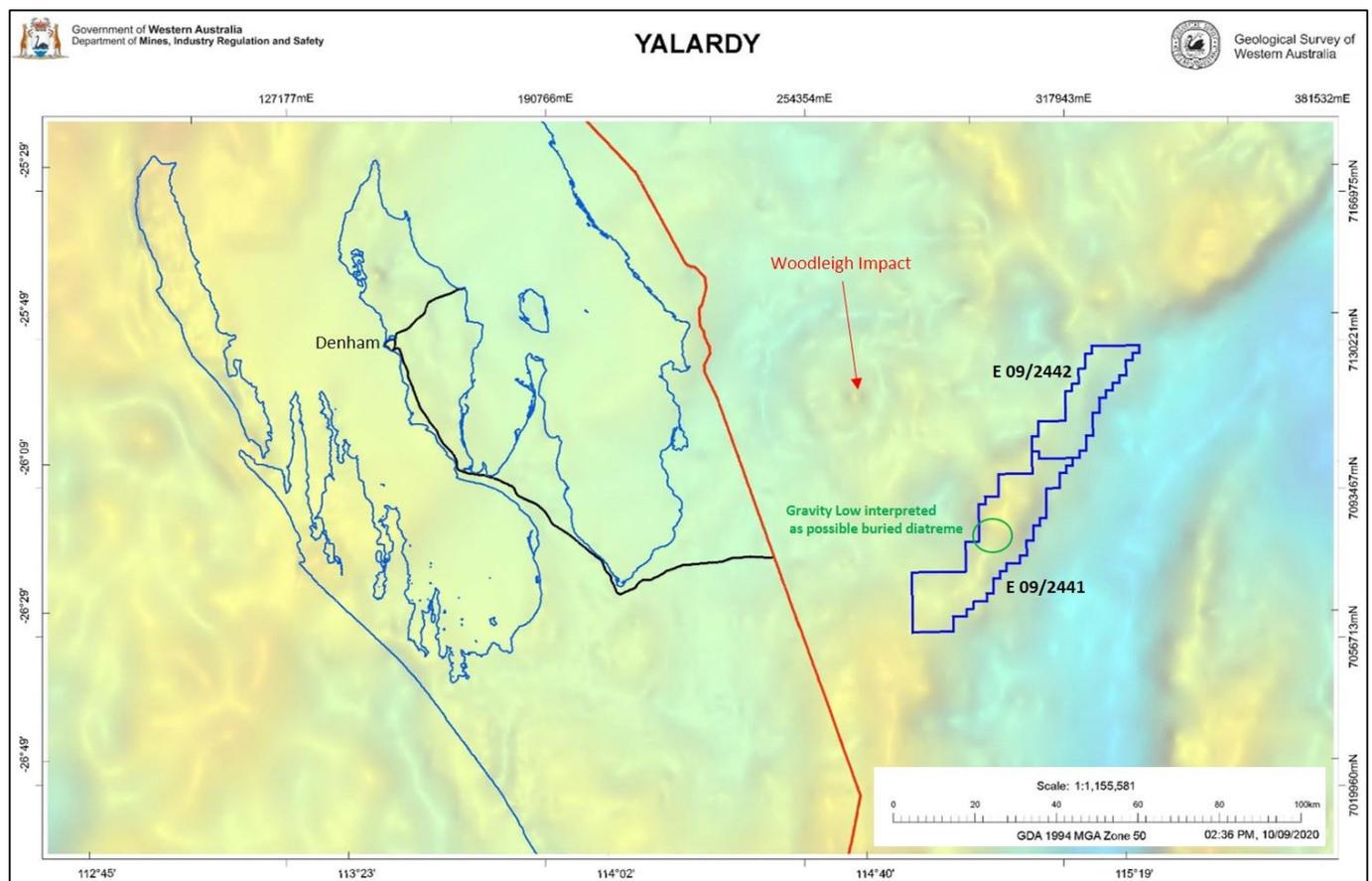


Yalardy

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.

Both applications were granted during the quarter. The Company is planning for initial fieldwork to progress exploration in the project.

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 | - | 80% | 20% |
| ML 2504 ¹ | Wee MacGregor - Queensland | - | 80% | 20% |
| ML 2771 | Wee MacGregor - Queensland | - | - | 100% |
| ML 2773 ¹ | Wee MacGregor - Queensland | - | 80% | 20% |
| E09/2441 ² | Yalardy – Western Australia | 100% | - | 100% |
| E09/2442 ² | Yalardy – Western Australia | 100% | - | 100% |

¹ Subject to the Cohiba (Cobalt X) Farm-in agreement, refer to ASX March 2017 Quarterly Report for details. On 31 March 2021 Cohiba announced that wholly owned subsidiary Cobalt X Pty Ltd had earned an 80% interest in the tenements.

² Applications granted 17 May 2021

Beneficial interests of 80% in tenements ML 90098, ML 2504 and ML 2773 were lost in farm-out agreements to Cobalt X Pty Ltd at the end of the quarter, see above for details.

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")

30 June 2021

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (12 months) \$A'000 |
|--|------------------------------------|---|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 11 | 22 |
| 1.2 Payments for | | |
| (a) exploration & evaluation | (230) | (585) |
| (b) development | - | - |
| (c) production | - | - |
| (d) staff costs | (17) | (51) |
| (e) administration and corporate costs | (395) | (1,607) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | - | - |
| 1.5 Interest and other costs of finance paid | - | 5 |
| 1.6 Income taxes paid | - | (1,041) |
| 1.7 Government grants and tax incentives | - | - |
| 1.8 Other (transfer funds from non-restricted to restricted) | - | (5) |
| 1.8 Other (settlement of debt) | - | (100) |
| 1.9 Net cash from / (used in) operating activities | (631) | (3,362) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire or for: | | |
| (a) entities | - | - |
| (b) tenements | 200 | (125) |
| (c) property, plant and equipment | - | (3) |
| (d) exploration & evaluation | - | - |
| (e) investments | - | (46) |
| (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 (12 months) \$A'000 |
|--------------------------------------|---|----------------------------|--|
| 2.2 | Proceeds from the disposal of: | | |
| | (a) entities | - | - |
| | (b) tenements | - | - |
| | (c) property, plant and equipment | - | - |
| | (d) investments | - | 522 |
| | (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 | 200 | 348 |

| | | | |
|-------------|---|----------|--------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | - | 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 | - | (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 | - | 3,057 |

| | | | |
|-----------|--|-------|---------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 712 | 238 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (631) | (3,362) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | 200 | 348 |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | - | 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 (12 months) \$A'000 |
|---|---|------------------------------------|---|
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 281 | 281 |

| 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 | 281 | 712 |
| 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) | 281 | 712 |

| 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 | 172 |
| 6.2 | Aggregate amount of payments to related parties and their associates included in item 2 | - |

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 Directors salary and Non-Executive Director fees (\$159k) and payments to Director related entity (\$13k)

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) | 15,000 | 1,200 |
| 7.4 Total financing facilities | 15,000 | 1,200 |
| 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. | |
| | <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 30 June 2021, 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) | (631) |
| 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) | (631) |
| 8.4 Cash and cash equivalents at quarter end (item 4.6) | 281 |
| 8.5 Unused finance facilities available at quarter end (item 7.5) | -* |
| 8.6 Total available funding (item 8.4 + item 8.5) | 281 |
| 8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3) | 0.44 |
| <i>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.</i> | |
| * Refer to section 7 for details on further drawdowns on the Winance facility. | |

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

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?

Yes.

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. The Company continues to seek funding options including the raising of additional funds and the realisation of certain of the Company's unencumbered financial assets through the sale of its listed shares (if required).

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
- Approval from the ATO to dispose of its shares in Cauldron Energy Limited (ASX: CXU) to fund instalment payments
- 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: 30 July 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.