

Quarterly Activities and Cash Flow Report for the Quarter Ended 31 March 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 strenuously disputes the ASX interpretation.

Over the many years since the Company's initial listing (over 15 years) it has consistently communicated with ASX and shareholders its strategy that involves the acquisition and investment in undervalued and/or distressed mineral assets and companies. The Company currently manages 6 major assets, being investments in listed companies European Lithium Ltd (ASX: EUR), Fe Ltd (ASX: FEL), and Cauldron Energy Ltd (ASX: CXU), the Marampa iron ore asset in Sierra Leone, the Lady Ethleen copper asset in Queensland, and our rare earths project in Western Australia. The market value of these assets is well over \$20m and the Company has over \$0.7m cash at hand.

The Company has made several submissions to the ASX and are currently engaged in discussions with ASX with respect to its reinstatement.

We understand the frustration of shareholders but we cannot do more than communicate with the ASX.

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 March 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 January 2021 to 31 March 2021.

During the quarter, Exploration and evaluation expenditure during the quarter was \$129k, associated with associated with tenement compliance costs. In addition, administration and corporate expenditure during the quarter was \$311k. The Company also made three instalment payments to the ATO totalling \$781k reducing the current tax liability. In addition, the Company entered into a deed of discharge and payment of debt agreement with a creditor of the Company to settle debts of \$364k for a settlement amount of \$100k.

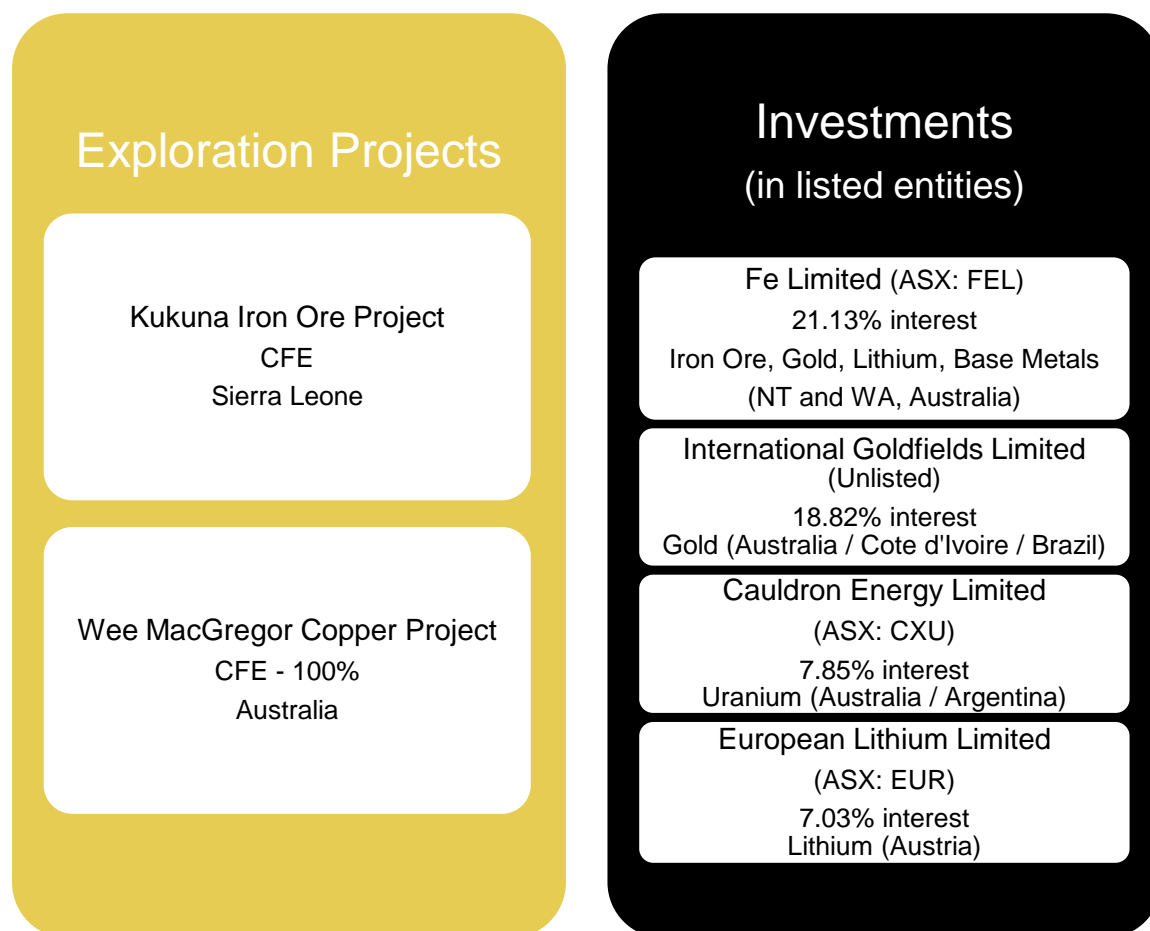
As at 31 March 2021, the Company had approximately A\$712k.

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 \$136k relating to the Executive Directors salary and Non-Executive Director fees. 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 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 Q1/2021, 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, during Q1/2021 management continued to be very active in discussions with relevant stakeholders at the SL government to fast-track the process for reissuance of the mining license. In January 2021 a meeting was held with high level company and public officials from SL 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. It was agreed to lodge a detailed proposal in writing, which was done on 14 January 2021. The Company launched in February 2021 an in-country nationwide media campaign to generate public awareness of the commitment by CLE to develop the Marampa Project. 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**) has a Farm-in agreement with Cyclone Metals of which the Company retains a 20% interest in and a pre-emptive right over the remaining 80% for mining licences ML 2504, ML 2773 and ML 90098.

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.

During the quarter, Cyclone was pleased to announce commencement of drilling at its Lady Ethleen project. The purpose of the drilling was to obtain samples for trial leaching. The drill program was designed to obtain sufficient sample from approximately ten (10) holes targeting enough suitable material from each oxidation zone (oxide, transitional and sulphide) to satisfy the testwork requirements. Three samples from each zone will be required to test the Glyleach technology in a static environment (simulating heap leach), a semi static environment (to simulate a periodically agitated vat leach), and an agitated environment (to simulate a continuous vat leach system or similar).

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,

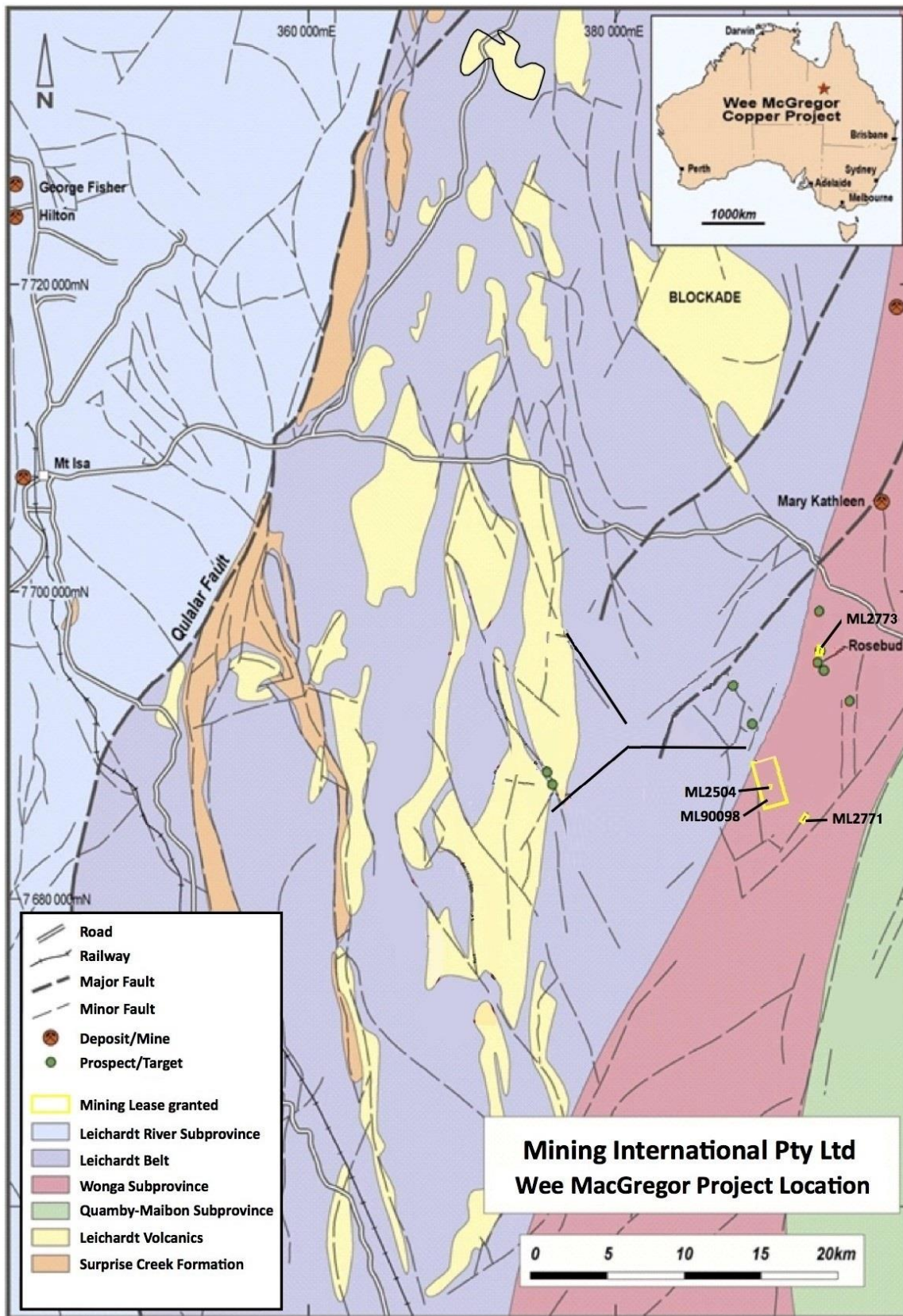
temperature, residence time, particle size, etc) and all the while being recyclable as the glycine is not chemically consumed in the overall process.

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.

Subsequent to the quarter end, the Company confirmed that drilling at the Lady Ethleen project had been 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. The samples have now received by the lab in Perth and the testwork has commenced. The Company will continue to provide progress updates as results are received.

Figure 2 – Wee McGregor Project Location

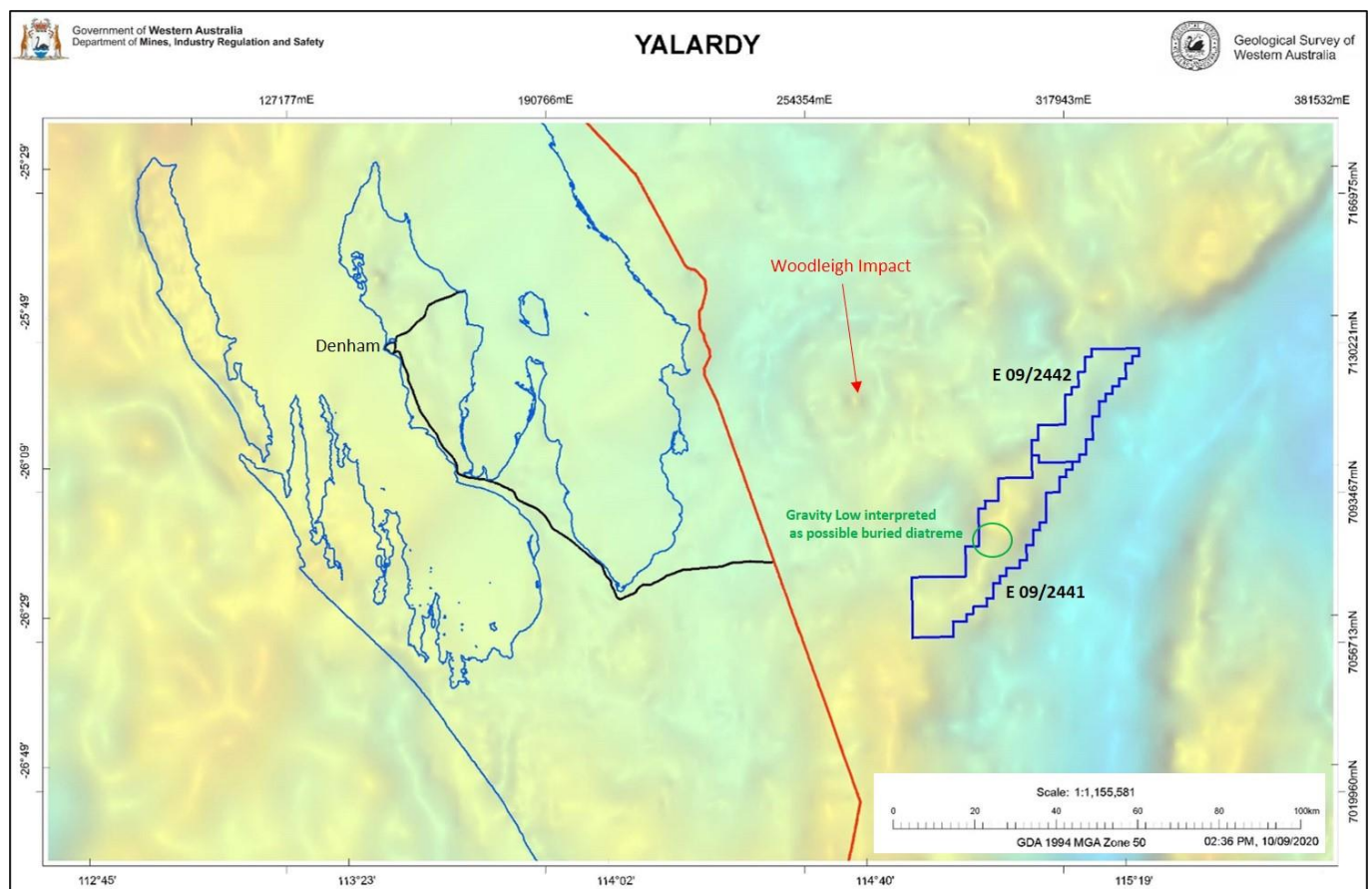


Yalardy

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. Formal grant of these tenements is expected shortly.

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 March 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	11
1.2 Payments for		
(a) exploration & evaluation	(129)	(355)
(b) development	-	-
(c) production	-	-
(d) staff costs	(14)	(34)
(e) administration and corporate costs	(311)	(1,211)*
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	1	4
1.6 Income taxes paid	(781)	(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)	(100)
1.9 Net cash from / (used in) operating activities	(1,334)	(2,731)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	(325)
(c) property, plant and equipment	(3)	(3)
(d) exploration & evaluation	-	-
(e) investments	(16)	(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 (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	510	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	491	148

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	1,555*	238
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,334)	(2,731)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	491	148
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 (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	712	712

* Includes prior period adjustment of \$3k to reconcile to the December 2020 audit review accounts

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	712	1,555
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)	712	1,555

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	136
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 Director salaries and Non-Executive Director fees

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	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 31 March 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)	(1,334)
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)	(1,334)
8.4 Cash and cash equivalents at quarter end (item 4.6)	712
8.5 Unused finance facilities available at quarter end (item 7.5)	-*
8.6 Total available funding (item 8.4 + item 8.5)	712
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	0.53
<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
- 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: 30 April 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.