ASX Announcement

4 January 2023

CYCLONE METALS ACQUIRES 100% OF THE LARGEST UNDEVELOPED MAGNETITE IRON ORE DEPOSIT IN THE WORLD

Highlights

- **Cyclone Metals Limited has successfully completed the acquisition of Labrador Iron Pty Ltd who owns 100% of the Block 103 Magnetite Iron Ore Project (Block 103, the Project).**
- **Block 103 is located within the heart of the Labrador Trough which is one of the largest iron ore belts in the world, and accounts for 99% of Canada's iron ore. The Project covers an area of 7,275 hectares, located 30km northwest of the mining town of Schefferville, Quebec, Canada.**
- **Block 103 is the largest undeveloped magnetite iron ore project in the world having a historical mineral resource of 7,200Mt @ 29.2% Fe, classified as Inferred in accordance with the provisions of the Canadian NI 43-101;**
    - **Historical mineral resource is based only on 4km of strike of the total 12km of geological strike;**
    - **Deposit is strategically located adjacent to Tata Steel's iron ore operations in the Labrador Trough, Canada;**
    - **Proximal to existing multi-user iron ore rail network, connecting to deep water shipping port which is ideal for large scale iron ore production;**
    - **Excess of $35 million expended on the project**
- **The shift towards clean energy and reductions in global carbon emissions uniquely position magnetite ores as more desirable than hematite ores, given that they will play a vital role in further reducing the steel industry's environmental footprint.**
- **Placement of approximately $1m at $0.0025c (a premium of 25% to yesterday's close)**

Cyclone Metals Limited (ASX: **CLE**) (**Cyclone** or **the Company**) is pleased to announce the acquisition of Labrador Iron Pty Ltd (**Labrador**), 100% owner of the Block 103 Magnetite Iron Ore Project (**Block 103**, or the **Project**), located 30km northwest of Schefferville, Quebec, Canada.

Cyclone Executive Director, Tony Sage, commented: "We are very pleased to announce the acquisition of such a high-potential magnetite iron ore project in close proximity to other major iron ore producers and developers in a world class mining province and a Tier 1 jurisdiction of Newfoundland and Labrador, Canada. The strategic geographical position of Block 103 with established infrastructure, services, and transport corridors, greatly supports the development potential of the asset. The presence of neighbouring mines run by Tier 1 producers including Tata Steel, likewise, offer many future operational opportunities for Cyclone.

Block 103 is the largest undeveloped magnetite deposit globally and comparable to other world-class producing assets and large developers. The acquisition positions Cyclone in comparison to other major iron ore players on the ASX and other exchanges.

The green transition and global targets towards net-zero carbon emission have made magnetite ore more desirable as it will be pivotal in emissions reduction for the iron ore and steel industries. We see tremendous potential for Block 103 to become a crucial piece of the iron ore supply worldwide whilst promoting the reduction of carbon emissions in the steel industry".

BLOCK 103 MAGNETITE IRON ORE PROJECT

Location

The Property is located in the Labrador Trough, Newfoundland and Labrador, approximately 30 km northwest from the mining Town of Schefferville, Quebec, Canada and 1,200km by air, northeast of Montréal, Quebec, Canada (see Figure 1 and 2).

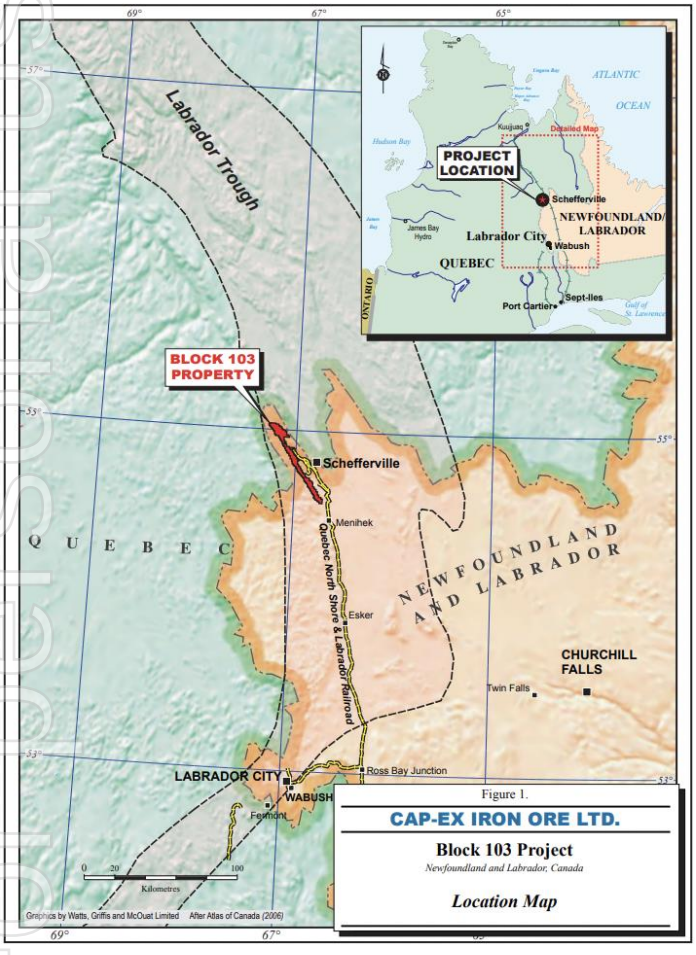

Figure 1: Block 103 Location Map[1]

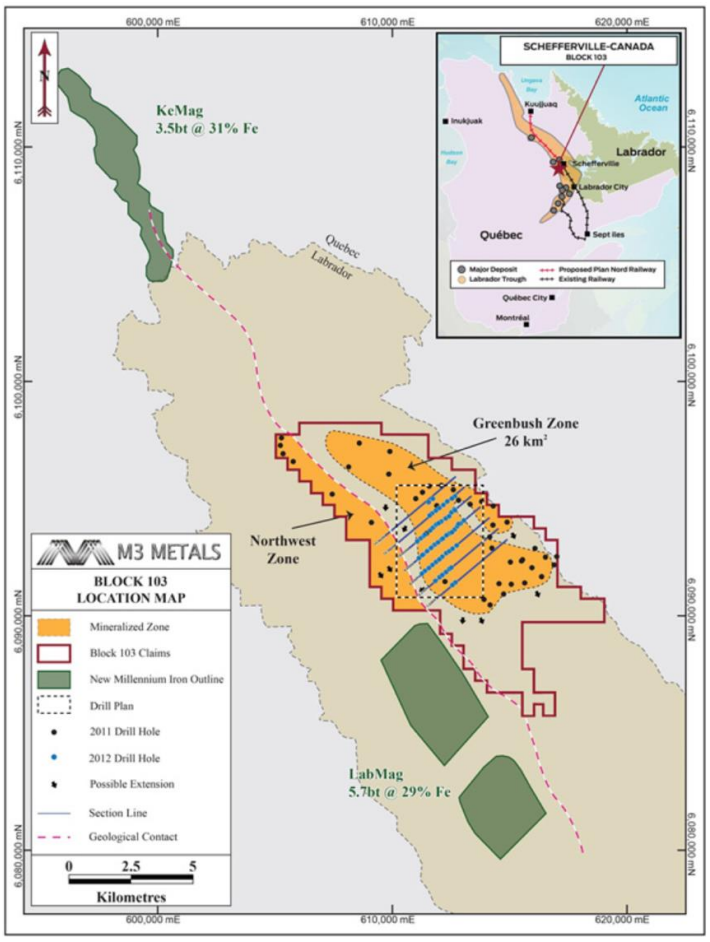

Figure 2: Location Map including nearby deposits[2]

[1] *Grandillo, A., Live, P., Kociumbas, M., & Risto, W. (2013). Preliminary Economic Assessment of the Block 103 Iron Ore Property Newfoundland and Labrador for Cap-Ex Iron Ore Ltd: NI 43-101 Technical Report. Cap-Ex Iron Ore Ltd.*

[2] *M3 Metals Corp, 2022*

Access

The Project is accessible from Schefferville, Québec, Canada (see Figures 5), approximately 30km northwest of the town and is traversed by gravel roads that access New Millennium Iron Corp (New Millennium) and Labrador Iron Mines Limited (**LIM**) properties (see Figure 3). There is daily scheduled air service between Schefferville and Wabush or Sept-Îles and from there to Québec City, Montréal and beyond. There is a weekly round-trip train service for passengers and freight between Schefferville and Sept-Îles, which also provides service to Labrador West.

Figure 3: Existing Gravel Roads[3]

Figure 4: Block 103 Helipad[3]

Figure 5: Schefferville township (30km from Project)[3]

Figure 6: Previous Trenching Work[3]

Local Resources and Infrastructure

The region is served by an airport with a 2km runway capable of handling jet aircraft. Scheduled air service is available to Montreal, Wabush and Sept-Îles, Québec, Canada. Rail service to Schefferville is provided by Tshiuetin Rail Transportation Inc. Twice weekly trains from Schefferville to Sept-Îles provide freight and passenger services. A skilled labour force is accessible from other parts of Canada, such as Newfoundland and Labrador, and Québec. Modern Canadian mining operations are very

[3] *M3 Metals Corp, 2022*

commuter friendly with labour travelling from all parts of Canada to satisfy labour needs is commonplace.

Historical Drilling

Total drilling now stands at 115 drillholes aggregating 28,021 m. Two zones of mineralization have been defined on the Property: namely the Northwest Zone and the Greenbush Zone. Most of the drilling, including all of the 2012 drilling program, has been done to explore and extend the Greenbush Zone.

The 2012 program focussed on the Greenbush Zone and comprised 72 drillholes aggregating 22,359 m. Drilling was completed along grid lines 500 m to 600 m apart. The distance between holes varied but the hole collars were often less than 200 m apart. The drilling covered an approximate NW-SE strike length of 4 km by 2.5 km and tested mineralization to a depth of approximately 450 m vertical. The Greenbush Zone is defined as a portion of the Sokoman sequence in the north part of the Property, adjacent to Greenbush Lake, and was the focus for most of the drilling program. As currently defined, the Greenbush Zone is approximately 10 km long NW-SE and 5 km wide SW-NE and encompasses the area of the 2013 Mineral Resource Estimate.

Figure 7: Block 103 Historic Drill Core

Historical Mineral Resource Estimate (NI 43-101)

The historical Mineral Resource estimate for the Block 103, Greenbush Zone, was completed using block sizes of 100m x 30m x 10m and is based on results from 81 diamond drillholes totalling 23,735m. These holes were fairly regularly dispersed in the iron mineralization along approximately 4,000m of strike length and a range of 2,000 to 2,500m of width for the north-central portion of the Project. The main objective of the 2012 drilling campaign was to identify potential mineralized horizons for the purpose of modelling and mineral resource estimation and to ensure that the drillholes penetrated the entire stratigraphic package.

Table 1: Inferred NI 43-101 Mineral Resource Estimate for Greenbush Zone (12.5% Fe Cut-Off Grade)[4]

Category	Zone	Tonnes (Billion)	TFe%	MagFe%
Inferred	Greenbush	7.2	29.2	18.9

[4] Grandillo, A., Live, P., Kociumbas, M., & Risto, W. (2013). *Preliminary Economic Assessment of the Block 103 Iron Ore Property Newfoundland and Labrador for Cap-Ex Iron Ore Ltd: NI 43-101 Technical Report*. Cap-Ex Iron Ore Ltd.

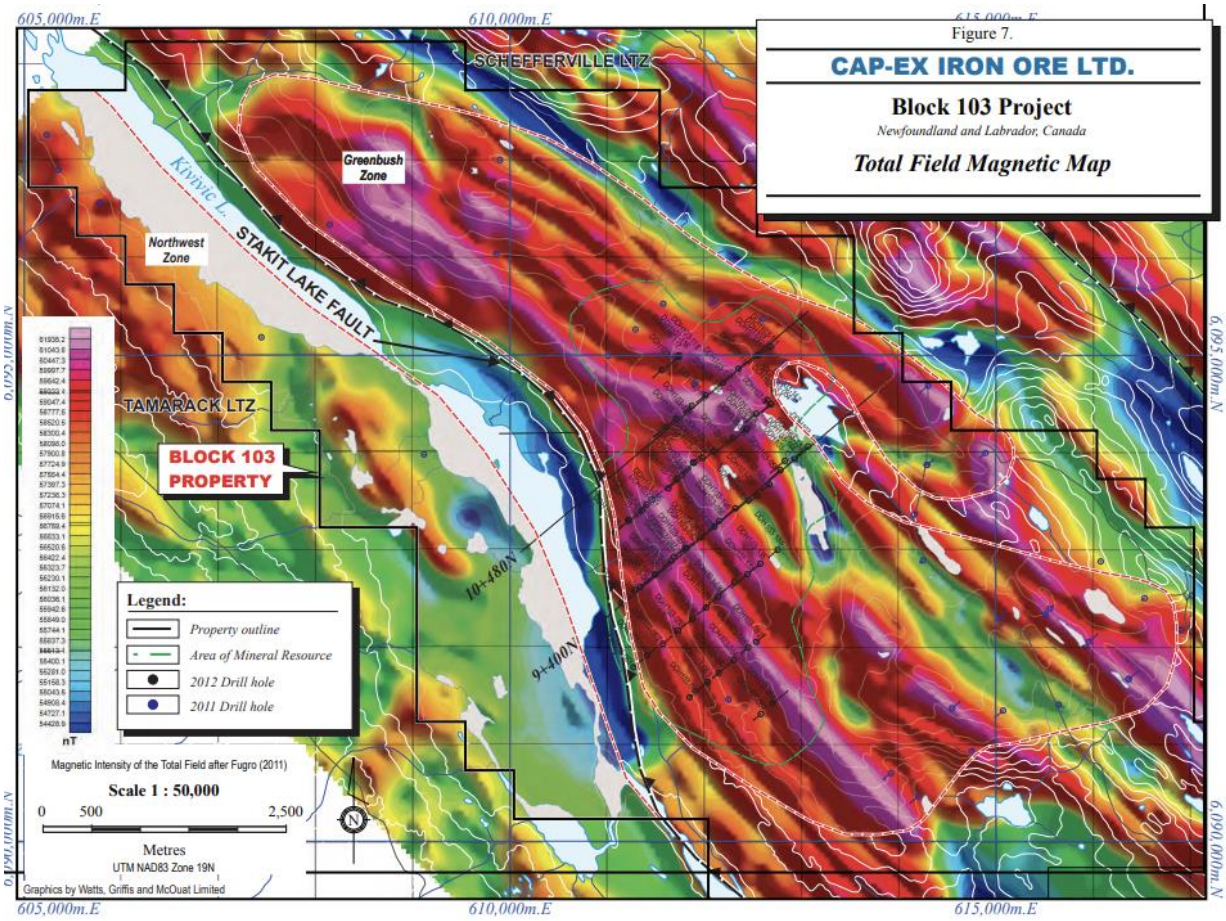

Figure 8: Magnetic Intensity of Minerals Resource Estimate[5]

[5] *Grandillo, A., Live, P., Kociumbas, M., & Risto, W. (2013). Preliminary Economic Assessment of the Block 103 Iron Ore Property Newfoundland and Labrador for Cap-Ex Iron Ore Ltd: NI 43-101 Technical Report. Cap-Ex Iron Ore Ltd.*

Global Magnetite Iron Ore Market

The global Magnetite Iron Ore market size was valued at US$23billion in 2021 and is expected to expand at a CAGR of 5.43% from 2022 to 2027, reaching US$31.6billion.[6]

Increases in global demand for steel have elicited a rise in CO2 emissions due to larger amounts of energy required for production. CO2 emission intensity needs to drop significantly to align with the Net Zero Scenario. 7 Magnetite iron ore is rapidly becoming favoured over hematite iron ore, not only for its higher iron content, but also due to its superior magnetic properties which help to speed up the concentration process required for the production of steel. Magnetite also tends to contain less impurities than hematite which allows for it to be sold at a premium to steel producers.

Additionally, magnetite ore may require more treatment than hematite, but end products made from magnetite ore are typically of higher quality than those made from hematite ore.[8] Pelletised iron is a higher quality product and thus, more valuable as it can be sold at a premium of roughly 20%, when compared with lump and sinter products. The costs of converting concentrates into pellet creates a natural floor for the premium these products command in the market.

The shift towards clean energy and reductions in global carbon emissions have uniquely positioned magnetite ores as more desirable than hematite ores, given that they will play a vital role in further reducing the steel industry's environmental footprint. Magnetite oxidation in pellet and sinter making is far less energy intensive than the process of hematite oxidation as lower heat, and subsequently smaller amounts of coking coal, are needed for processing.[9]

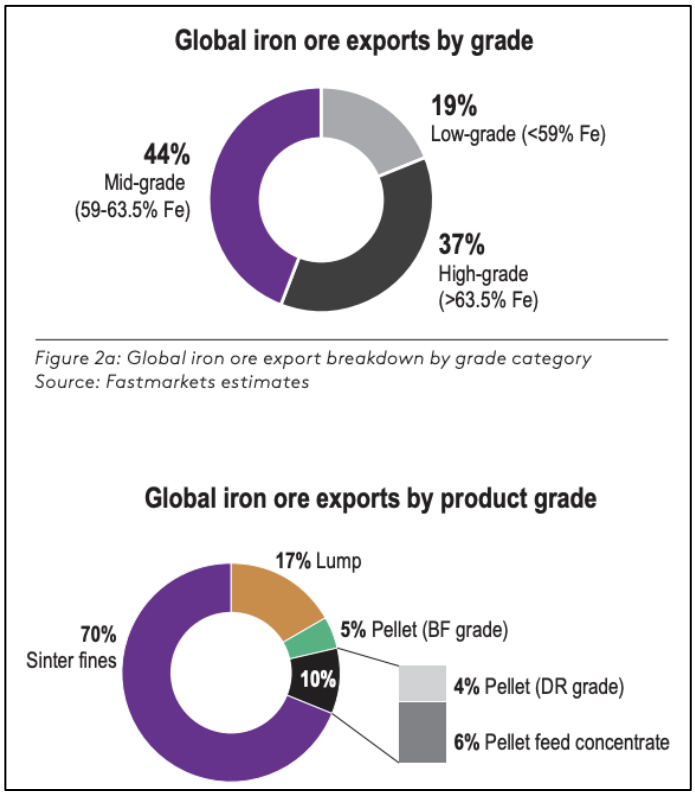

Figure 3: Global Iron Ore Export Breakdown by Product Category[10]

[6] *TheExpressWire. (2022). Global magnetite iron ore market insight: Pre & post covid-19 impact covered: Estimated to reach USD 31678.31 million (growing at a CAGR of 5.43%): During forecast period 2022-2027. Digital Journal.*
[7] *IEA. (2022). Iron and Steel. IEA, Paris.*
[8] *Shanghai Metals Market (SMM). (2013). Types of Iron Ore: Hematite vs. Magnetite. SMM | Shanghai Non-ferrous Metals.*
[9] *Magnetite Mines. (2022). Global Drivers for High Grade Iron Ore. Magnetite Mines*
[10] *Fastmarkets. (2021). Understanding the high-grade iron ore market: An introduction to market dynamics and pricing mechanisms in the high-grade iron ore segment.*

Transaction Summary

The Company has entered into a binding term sheet with Labrador Iron Pty Ltd (**Agreement**) pursuant to which the Sellers will agree for the Company to acquire 100% of the issued capital of Labrador. The material terms of the Agreement are as follows:

Consideration: The Company will issue the shareholders of Labrador (or their nominees) a total of 2,160,000,000 CLE shares at the deemed price of $0.0025 per share (**Consideration Shares**). A notice of meeting will be put to CLE shareholders to approve the issue of the Consideration Shares.

Conditions Precedent: Completion of the transaction is conditional upon the Company receiving all necessary regulatory approvals pursuant to the ASX Listing Rules, Corporations Act or any other law to lawfully complete the matters set out in the Agreement, CLE being satisfied that the issue of the Consideration Shares will also satisfy Labrador's outstanding payment obligations to M3 Metals Corp, the Company completing a capital raising of no less than $1,000,000 and up to $2,000,000 (refer below) and any other conditions customary for a transaction of this nature.

Board: There will be no changes to the Cyclone Metal's board or senior management. Chapter 10 of the Listing Rules does not apply to an acquisition between unrelated parties. The Sellers is not a related party, child entity or substantial shareholder of the Company or associates of any of those persons.

Placement

In addition to the above, prior to completion of the transaction, Cyclone also proposes to undertake a capital raising of no less than $1,000,000, with the potential for oversubscriptions up to $2,000,000 at an issue price of $0.0025 per share (**Placement Shares**) (**Placement**). The Placement Shares will be issued subject to shareholder approval. Funds raised from the Placement will be applied toward initial work on the Project, costs of the transaction and general working capital.

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

Yours faithfully
Cyclone Metals Limited

Tony Sage
Executive Director

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About Labrador Iron Pty Ltd
Labrador Iron Pty Ltd is an Australian private company incorporated in 2021 that holds 100% of the Block 103 Iron Ore Project following entering into a binding agreement with M3 Metals Corp. in May 2022 to acquire 100% of the project.

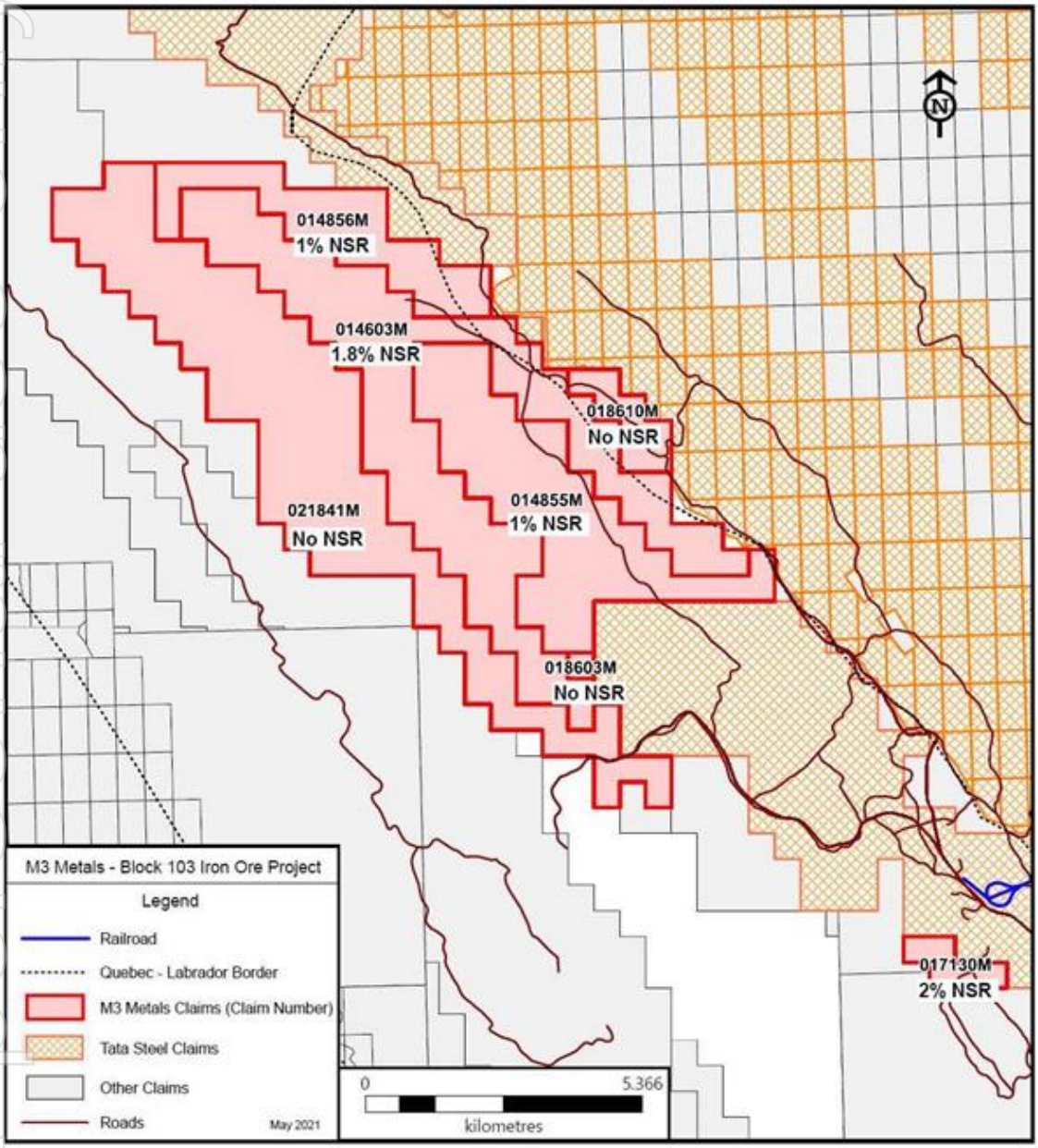
About Cyclone Metals Limited
Cyclone Metals Limited (ASX: CLE) is an Australian domiciled mineral development and investment company. Cyclone Metals has interests in several exploration and mining projects and companies, providing exposure to copper, gold, iron ore, lithium, rare earths, uranium and lead-silver-zinc assets in Australia, Europe, Africa and South America.

Competent Persons Statement
The information in this report that relates to non-JORC Foreign Estimates is based on information compiled by Mr Jeremy Peters, BSc, BEng, FAusIMM CP (Min, Geo), AWASM, a Fellow of the Australian Institute of Mining and Metallurgy and employee of Burnt Shirt Pty Ltd, an independent consultant to the Company. The information in this announcement provided under ASX Listing Rules 5.12.2 to 5.12.7 is an accurate representation of the available data for the Block 103 Project. Mr Peters consents to the inclusion in this report of the matters based on this information in the form and context in which it appears in this report.

APPENDIX I: BLOCK 103 MINING TENEMENTS

Licence Number	Original Owner	Claims	Area (km²)	NTS Area	Issuance Date
14603M	Mandu, Bedford & 743584 Ontario Inc.	94	23.50	23O03 23J14	19/02/08
14855M	Adriana	55	13.75	23J14	23/04/08
14856M	Adriana	27	6.75	23O03 23J14	23/04/08
17130M	Darrin Hicks	5	1.25	23J14	29/01/10
18602M	Cap-Ex	97	24.25	23O03 23J14	07/03/11
18603M	Cap-Ex	1	0.25	23J14	07/03/11
18610M	Cap-Ex	8	2.00	23J14	07/03/11
19448M	Cap-Ex	2	0.50	23J14	17/10/11
19449M	Cap-Ex	1	0.25	23O03	17/10/11
19450M	Cap-Ex	1	0.25	23J14	17/10/11

APPENDIX II: MAPPED STAKED CLAIMS (TENEMENT) MAP WITH EXISTING ROYALTY PERCENTAGES



APPENDIX III: ASX LISTING RULE DISCLOSURES

ASX Listing Rule	Reference to previous Announcement or compliance in current draft
5.10 - An entity reporting historical estimates or foreign estimates of mineralisation in relation to a material mining project to the public is not required to comply with rule 5.6 (The JORC Code) provided the entity complies with rules 5.12, 5.13 and 5.14	For the qualified non-JORC foreign estimates included in this market release, Cyclone is not required to comply with Listing Rule 5.6 (JORC Code) as all relevant and requested disclosures are stated in the report and tabulated below. The Company complies with 5.12, 5.13 and 5.14 requirements for statement of non-JORC foreign resource estimates, as tabled below.
5.11- An entity must not include historical estimates or foreign estimates (other than qualifying foreign estimates) of mineralisation in an economic analysis (including a scoping study, preliminary feasibility study, or a feasibility study) of the entity's mineral resources and ore reserves holdings	Cyclone is not applying any economic analysis or commentary to the foreign resource estimates in this market release.
5.12 - Subject to rule 5.13, an entity reporting historical estimates or foreign estimates of mineralisation in relation to a material mining project must include all of the following information in a market announcement and give it to ASX for release to the market	The same foreign resource estimates were previously reported to the TSX in June 2011.
5.12.1 - The source and date of the historical estimates or foreign estimates.	The NI 43-101 Summary Report was sourced from Sedar, March 21, 2013 Technical Report and Mineral Resource Estimate on the Greenbush Zone, Block 103 Property, Newfoundland and Technical Report and Mineral Resource Estimate on the Greenbush Zone, Block 103 Property, Newfoundland and Labrador for Cap-Ex Iron Ore Ltd
5.12.2- Whether the historical estimates or foreign estimates use categories of mineralisation other than those defined in Appendix 5A (JORC Code) and if so, an explanation of the differences.	Reference to the category of mineralisation at the time was defined as "Inferred" and comparable to the current JORC Code
5.12.3 - The relevance and materiality of the historical estimates or foreign estimates to the entity.	The foreign estimates for the iron ore deposits at Block 103, Labrador is relevant and material to Cyclone's planned acquisition, as it pertains to a project that could potentially be economically viable for the Company. The historical data is supported by extensive data reviews and assessments under Canadian rules.
5.12.4 - The reliability of the historical estimates or foreign estimates, including by reference to any of the criteria in Table 1 of Appendix 5A (JORC Code) which are relevant to understanding the reliability of the historical estimates or foreign estimates.	The Competent Person views the foreign estimates as providing reasonable indications of the potential size and grade of the deposits in the area based on the amount of drilling and technical work completed. At Block 103, 115 Diamond Core holes for 28,021m have been completed to inform the Mineral Resource estimate.

5.12.5 - To the extent known, a summary of the work programs on which the historical estimates or foreign estimates are based and a summary of the key assumptions, mining and processing parameters and methods used to prepare the historical estimates or foreign estimates.	The non-JORC foreign estimate is based on data from the 2013 Watts, Griffis and McOuat report, which records that The Property was originally part of the holdings of the Iron Ore Company of Canada ("IOCC"). The name, Block 103 is IOCC's designation for a portion of the Property. An adjacent part of the Property was IOCC's Block 19. The area was first explored and mapped in 1950 by IOCC. In the 1970s - early 1980s Labrador Mining and Exploration ("LM&E") conducted airborne geophysical surveys covering portions of the property. In 2008, Bedford acquired licence 014603M forming the core of the present Property. Bedford optioned it to Adriana, and Adriana acquired additional property, namely licences 014855M and 014856M contiguous with the original Bedford claims. Adriana contracted MPX Geophysics Ltd. ("MPX") to conduct an airborne magnetic survey. The survey delineated a northwest striking package of magnetite iron formation. Adriana made at least one site visit to the property to collect surface samples. In 2010 Adriana relinquished its option with Bedford and placed the license in 743589 Ontario Inc. On January 11, 2011, Cap-Ex contracted Paterson, Grant and Watson Limited ("PGW") to review the MPX survey data. PGW's report was issued in February 2011 and Cap-Ex completed the option of license 014603M from Mandu, Bedford and 743584 Ontario Inc. Adriana held an option on a portion of the Property from 2008 to 2010. As far as is known Adriana only performed an airborne magnetic survey and collected 2 samples, labelled A and B from outcrop for assay and Davis Tube test work. All recent exploration and drilling on the Property were completed by Cap-Ex. Cap-Ex's exploration programs started in 2011 and consisted largely of drilling to test the geophysical anomalies throughout the Property, but also included surface geological mapping and a geophysical survey. The 2011 drill program comprised 43 drillholes aggregating 5,662 m. The results of the 2011 program were viewed as positive. Cap-Ex's 2012 exploration program on the Property again, mostly consisted of diamond drilling. The 2012 program focussed on the Greenbush Zone and comprised 72 drillholes aggregating 22,359 m. Drilling was completed along grid lines 500 m to 600 m apart. The distance between holes varied but the hole collars were often less than 200 m apart. The drilling covered an approximate NW-SE strike length of 4 km by 2.5 km and tested mineralization to a depth of approximately 450 m vertical. DGI Geoscience Inc. ("DGI") in support of the 2012 drilling program completed borehole geophysics and gyro attitude surveying on a selection of the accessible drillholes. The geophysical surveying included in-situ physical properties including rock density and an optical televiewer to acquire rock/structure orientation information.
5.12.6 - Any more recent estimates or data relevant to the reported mineralisation available to the entity	There are no more recent estimates, and Cyclone is planning to convert the Watta, Griffits and McOuat foreign estimate to comply with the provisions of the 2012 JORC Code.
5.12.7 - The evaluation and/or exploration work that needs to be completed to verify the historical estimates or foreign estimates as mineral resources or ore	Further exploration field work is required including confirmatory location of historical drillholes and historical metallurgical test work

reserves in accordance with Appendix 5A (JORC Code)	
5.12.8 - The proposed timing of any evaluation and/or exploration work that the entity intends to undertake and a comment on how the entity intends to fund that work	Cyclone is currently consolidating data such that, based on successful execution of a final agreement, field work can be undertaken to support a JORC 2012 Mineral Resource Estimate. The Company is also looking to update existing technical studues. Cyclone is an ASX-listed Company and will fund exploration work in compliance with listing rules, its constitution, market conditions and appropriate shareholder approval.
5.12.9 - A cautionary statement proximate to, and with equal prominence as, the reported historical estimates or foreign estimates stating that: the estimates are historical estimates or foreign estimates and are not reported in accordance with the JORC Code; a competent person has not done sufficient work to classify the historical estimates or foreign estimates as mineral resources or ore reserves in accordance with the JORC Code; and it is uncertain that following evaluation and/or further exploration work that the historical estimates or foreign estimates will be able to be reported as mineral resources or ore reserves in accordance with the JORC Code	The following cautionary statement has been inserted in the report proximal to mention of foreign resources on pages 1, 2: “non-JORC foreign estimate March 21, 2013 Technical Report and Mineral Resource Estimate on the Greenbush Zone, Block 103 Property, Newfoundland and Technical Report and Mineral Resource Estimate on the Greenbush Zone, Block 103 Property, Newfoundland and Labrador for Cap-Ex Iron Ore Ltd. The foreign estimates are not reported in accordance with the JORC Code and a Competent Person has not done sufficient work to classify the foreign estimates as Mineral Resources in accordance with the provisions of the JORC Code. It is uncertain that following evaluation and further exploration work that the foreign estimates will be able to be reported as Mineral Resources in accordance with the provisions of the JORC Code”
5.12.10 - A statement by a named competent person or persons that the information in the market announcement provided under rules 5.12.2 to 5.12.7 is an accurate representation of the available data and studies for the material mining project. The statement must include the information referred to in rule 5.22(b) and (c).	Mr Jeremy Peters BSc, BEng, FAusIMM CP (Min, Geo), a Geologist and Mining Engineer and consultant to the Company, is acting as the Competent Person for this report - The following statement has been included in the Competent Person section: “The information in this report that relates to non-JORC Foreign Estimates is based on information compiled by Mr Jeremy Peters, BSc, BEng, FAusIMM CP (Min, Geo), a Fellow of the Australian Institute of Mining and Metallurgy and employee of Burnt Shirt Pty Ltd, an independent consultant to the Company. The information in this announcement provided under ASX Listing Rules 5.12.2 to 5.12.7 is an accurate representation of the available data for the Block 103 Project. Mr Peters consents to the inclusion in this report of the matters based on this information in the form and context in which it appears.