

## OPERATIONAL AND COMMERCIAL UPDATE FIRST GOLD POUR

### HIGHLIGHTS

- A new crusher has been mobilised to site and has recommenced crushing in order to rectify the fault encountered with the original crushing circuit in December.
- The Great Australian Mine (GAM) CIP plant has also recommenced operations, with processing culminating in the first successful gold pour on 12 February 2023.
- Output from the first gold pour has now been successfully refined by the Australian Bullion Company, with the majority delivered to Ilwella Pty Ltd under the \$500,000 pre-purchase arrangements previously announced.
- Processing at GAM continues, with the next gold pour on site currently scheduled for early March 2023.
- Gold prices have increased over the past months providing positive production pricing, however holding costs and overheads have continued to be incurred during the recent downtime period.
- Debt facility secured for \$4.25m to facilitate the recommencement of production, and to provide the Company with working capital.
- Final payment of \$3.5m for the Lorena CIL acquisition has been extended until 27 September 2023.

Tombola Gold Ltd (ASX:TBA) ("**Tombola**" or the "**Company**") wishes to provide an operational and commercial update regarding activities at its Cloncurry Gold Projects.

#### Update on Activities at its Cloncurry Gold Projects

A mobile crusher has been mobilised to site and has recommenced ore crushing, following a catastrophic failure of the original onsite crushing facility in December 2022. The Great Australian Mine CIP plant has now also recommenced operations to continue Tombola's gold production. The first gold pour occurred on 12 February 2023 (refer Images 1 and 2 below).

As outlined in the Company's previous ASX release of 20 January 2023, the Company's efforts to rectify the crusher breakdown were hampered by a number of convergent factors including the non-availability of spare parts, the shut-down of most businesses for the Christmas period, and the State Government moratorium on heavy vehicle movements on Queensland Roads over the holiday period.

The Company is pleased to have successfully restarted processing on site, the culmination of which resulted in the initial gold pour on site on 12 February 2023 (refer Images below). The Australian Bullion Company took delivery of the initial gold bar produced, and refined it for delivery of 200 Ounces of refined gold to Ilwella Pty Ltd as part of the \$500,000 pre-purchase arrangements outlined in the Company's ASX release of 28 November 2022. This represented the majority of the gold produced from the initial gold pour.

The Company's processing on site is continuing, and the next gold pour is currently scheduled for early March. Since December 2022, gold prices have continued to increase with gold now priced at approximately US\$1,900 per ounce providing a positive outlook.

**Tombola Gold Managing Director, Byron Miles, commented:**

*"We are pleased to announce that Tombola has overcome its recent operational setback, and has recommenced gold processing at the GAM plant. The first gold pour occurred on 12 February 2023, with the next gold pour scheduled to occur in early March.*

*Although we experienced a fault with the crusher that was beyond our control, we have since rectified this situation with a new crusher being mobilised to site, and processing recommenced.*

*Gold prices continue to gain momentum, and I would like to thank shareholders for their ongoing patience, support and commitment to the Company."*

Due to the downtime in processing, the Company's cashflows have been interrupted, and holding costs and overheads have continued to have been incurred. Tombola has negotiated a short-term secured debt facility of \$4.25 million to fund the recommencement of production and to provide the Company with working capital. The loan has a 90 day term and is repayable on 24 April 2023, together with interest of \$850,000. The Company will also issue the lenders with a total of 42.5m unlisted options exercisable for a 3-year period at 5 cents each.

The Company will commence the preparation of a Cleansing Prospectus to facilitate the issue of the options and any other securities. The loan contains a number of restrictive covenants which are typical for a facility of this nature, including that the Company maintain a minimum cash balance of \$500,000. A fuller summary of the terms of the loan transaction is contained in Appendix A.

Based on production modelling for the operation of the GAM plant, the Company intends to repay the debt facility through the sale of gold produced from the processing of ore stockpiled at the GAM plant. If the Company does not generate sufficient cashflow from its operations to repay the debt facility, the Company intends to refinance the facility through further debt or equity or alternative financing arrangements (refer Corporate Update below). If the Company defaults on its obligations under the debt facility, and is unable to secure alternate financing, the lender may enforce its security over the assets of the Company.



**Images 1 & 2 – Initial Gold Pour at GAM Plant on 12 February 2023**

## Amendments to Lorena CIL Plant Acquisition Agreement

Tombola has also entered an agreement to vary the terms of the acquisition agreement with Chinova Resources Pty Ltd (**Chinova**) approved by shareholders on 26 August 2022. The variation extends the timeframe for payment of \$4.5m (inclusive of GST) for the acquisition of the Lorena CIL Plant from 27 December 2022, with the final instalment of \$3.5m now not due until 27 September 2023.

A payment of \$400,000 was made on 27 January 2023, with a further instalment of \$600,000 payable on 27 March 2023. Tombola will pay 15% interest per annum on the remaining \$3.5 million commencing from 1 April 2023. Tombola has granted the seller a charge and mortgage over Mining Lease 7147, Mining Lease 90192, Mining Lease 90193, Mining Lease 90194, Mining Lease 90195, Mining Lease 90196 and Exploration Permit for Minerals 18189s to secure payment of the amounts owing. The Company intends to fund the \$600,000 payment from project cashflow or, if cashflow is not sufficient, from additional debt or equity. The terms of the Company's short-term loan prohibit the Company from borrowing additional debt, and the Company may have difficulties in securing the additional funds to make this payment. If the Company defaults on its obligations under to make the instalment, Chinova may enforce its security over the Lorena CIL Plant and mortgaged tenements.

The Directors do not consider the variation to be a material change to the transaction approved by shareholders on 26 August 2022, given:

1. the additional security provided is limited to the tenements on which the Lorena CIL Plant is located. If Chinova enforced their security against the CIL Plant, the tenements would have nominal value to the Company;
2. the variation to the payment schedule does not result in an increase to the total consideration payable to Chinova (excluding any interest that may be payable);
3. if the Company is unable to make the final \$3.5M payment prior to 1 April 2023, the interest payable to Chinova will not be material (maximum potential financial exposure of approximately \$258,000).

The Explanatory Memorandum for the shareholder meeting convened on 26 August 2022 included a statement of the Directors intention to satisfy the payment obligations to Chinova from cash reserves and cash flow. That statement represented the Company's intention at that point in time based on the expected operations of the Company. The proposed allocation of funds set out in the Explanatory Memorandum - noting those statements were not explicit as to how existing funds would be allocated or in what proportion - was not a term intrinsically tied to the transaction that was approved by shareholders.

Whilst the Company did make the initial payments to Chinova from the Company's cash reserves, the Company has not generated sufficient cash flows to meet the outstanding payments. Were it not for the critical failure of the GAM crushing plant as outlined above, the Company may have been in position to make the outstanding payments from cash flow, without requiring a further variation to the original terms of the transaction.

The Directors do not consider the deferred and restructured arrangement to be a material change of circumstances.

## Corporate Update

Despite the operational set back outlined above, the Directors of the Company consider that the projected cash flows from the restart of gold processing and production will enable it to meet its operational and corporate commitments, as well as fund the repayment of the short-term debt facility. Moreover, the demonstrable production of gold from the Company's current ore deposits may also provide it with additional financing opportunities and / or commercial offtake style arrangements.

The Company is currently able to meet its financial commitments as and when they fall due, however, should the performance of the GAM plant not meet expectations, in order to meet its financial commitments the Company will be required to secure alternative or additional financing arrangements, such as debt refinancing, offtake, project finance, farm-in and / or equity financing. Additionally, the Company continues to review its project portfolio and planned operational commitments as part of its overall strategy of managing capital and resources.

The Company has requested an extension to its voluntary suspension for a period of 3 weeks so that the Company may conduct a second gold pour and provide shareholders with a clearer picture of its financial position.

**This announcement was authorised by the Board of Directors.**

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### **About Tombola Gold Ltd**

Tombola Gold (ASX:TBA) is a new Australian gold producer progressing to first cash flow in 2023.

The Mt Freda Complex consists of several gold mines including the Mt Freda Gold Project (80% TBA) and Golden Mile Project (100% TBA), which are in close proximity to core infrastructure in the area including roads and power, with the Company already advanced in constructing its own gold processing plant on site.

The Company also holds the Burra Project located in South Australia, a world class copper, gold and REE target, with a strategic tenement holding in a world-class domain.



## APPENDIX A – LOAN TRANSACTION SUMMARY

Term	Description
<b>1. Transaction</b>	The Lender advanced to TBA \$4,250,000 ( <b>Principal Amount</b> ). TBA will issue to the Lender 42,500,000 unlisted options to acquire shares in TBA and provide security to the Lender as outlined below.
<b>2. Lender</b>	Vaspi 2 Pty Ltd ACN 163 836 977 and Kambea Grove Pty Ltd ACN 601 896 208 ATF Kambea Grove Investment Trust, a consortium of high net worth investors, unrelated to TBA.
<b>3. Term</b>	The term of the loan is for 90 days.
<b>4. Transaction Documents</b>	The parties have entered into the following Transaction Documents: (a) a Loan Agreement; (b) first ranking General Security Deed over TBA; (c) specific security deeds over subsidiaries; (d) an Option Agreement.
<b>5. Purpose</b>	TBA must use the funds solely to meet its contractual obligations in accordance with a budget set out in the Transaction Documents. The budget provides for the following: (a) a payment of \$400,000 to the vendor of the Lorena CIL Plant; (b) costs associated with the hire of the mobile crusher mobilised to site; and (c) general working capital and overheads.
<b>6. Establishment Fee</b>	TBA has paid an establishment fee to the Lender equal to 3% of the maximum Principal Amount ( <b>Establishment Fee</b> ).
<b>7. Other key undertakings</b>	The Loan Agreement contains certain restrictions on the conduct of TBA's business, including undertakings to (amongst other things): (a) maintain a minimum cash balance of \$500,000 during the Term; (b) TBA must not borrow any money from any third party and must not grant any security interest over any assets to any third party without the prior written consent of the Lender; (c) preserve and maintain the value its business and assets; or (d) ensure its insurances do not lapse.
<b>8. Interest</b>	TBA must pay the Lender \$850,000 in interest on or before 5:00 pm on the 90th day from the execution of the Transaction Documents.  Default interest is payable in the amount of \$25,000 per calendar month, on the basis that the amount owing is \$5,100,000, prorated for any reductions the outstanding sum.
<b>9. Options</b>	TBA must issue to the Lender (at no cost to the Lender) 42,500,000 unlisted Options to acquire Shares in TBA, exercisable at \$0.05 within 3 years of the date of issue. Each Option allows the Lender to subscribe for one ordinary share in TBA.
<b>10. Security</b>	The Lender is granted a registered first ranking general security over all the assets of TBA and second ranking general security over the Lorena Gold Processing Plant located at the Lorena mine site. TBA's subsidiaries guarantee performance of TBA under the Loan Agreement.

<b>11. Repayment</b>	TBA must repay the Principal Amount and Interest in full on or before the 90th day of the execution of the Transaction Documents.
<b>12. Representations and warranties</b>	The Loan Agreement includes representations and warranties given by TBA in favour of the Lender which are typical for agreements of this nature.
<b>13. Events of Default</b>	<p>The Loan Agreement includes Events of Default which are typical for agreements of this nature, such as a failure to pay amounts owing, failure to perform an obligation under the Loan Agreement where that failure cannot be remedied, or an insolvency event occurs.</p> <p>Additionally, it will be an Event of Default if:</p> <ul style="list-style-type: none"> <li>(a) the mobile crusher mobilised to site being: <ul style="list-style-type: none"> <li>(i) removed without the prior written consent of the lenders; or</li> <li>(ii) unable to operate at commercially reasonable capacity, which is not remedied within 14 days.</li> </ul> </li> <li>(b) Byron Miles ceases to be a director of TBA (other than by way of removal by resolution of shareholders), ceases to perform the functions currently performed by him, or materially reduces his involvement in the affairs of TBA;</li> <li>(c) TBA fails to company with or is at any time in breach of any material agreement to which it is a party. This includes the agreements under which TBA acquires the Lorena CIL Plant and the Great Australian Mine CIP plant;</li> <li>(d) the hire agreement for the Great Australian Mine CIP plant is terminated or brought to an end before repayment of the Loan; or</li> <li>(e) if TBA sells or refines any Gold, ore or materials other than in accordance with the terms of the Loan Agreement.</li> </ul>
<b>14. Other provisions</b>	The Loan Agreement includes other provisions which are typical in agreements of this nature such as restrictions on assignment, provisions relating to increased costs and illegality etc.