

ASX Announcement

14 November 2023

Secured Notes Provide \$1.32m Cash to Fund Operations

Highlights

- \$1.32 million cash investment after expenses received via secured notes issued to CPS Capital Group Pty Ltd (Note Holder);
- The notes are expected to be non-dilutive for Cyclone shareholders as they leverage securities held by Cyclone in European Lithium Limited (ASX:EUR)
- 1.34 million secured notes issued with a face value of \$1.25, repayable in EUR shares at a 5% discount to the EUR VWAP share price¹.
- Cyclone owns 62.8m EUR shares valued at \$4.96 million as of 13/11/23. 55m EUR shares will be used as security.
- The timing of the note repayment is at the discretion of the Note Holder after a non-repayment period of 90 days, with a maturity of 12 months.

Cyclone Metals Limited (ASX: **CLE**) (**Cyclone** or **the Company**) is pleased to announce it has received an investment of \$1.32 million cash via the issue of secured notes brokered by CPS Capital Group Pty Ltd (**Convertible Note**) to fund its flagship Block 103 Iron Ore Project (**Block 103**) and the Company's general working capital requirements.

The notes carry a face value of \$1.25 and are repayable in EUR securities at the discretion of the Note Holder after a 90 days standstill period. With the exception of the options, the notes should be non-dilutive to Cyclone Shareholders².

Cyclone Executive Director and CEO, Paul Berend, said: "These notes provide us the oxygen to hit some major operational targets for project Block 103; whilst not diluting our Cyclone shareholders. They are a smart way to leverage our EUR shares; assuming that the merger between EUR and Sizzle Acquisition Corp and the subsequent NASDAQ listing is completed during the 3-month standstill period. If this happens, and if the future EUR share price reflects the current NASDAQ valuation, our Cyclone shareholders would benefit from a higher share price of EUR shares. This is a nice potential upside which explains the structure of the notes but is speculative. The most important takeaway is that we have secured the funding to achieve key operational milestones for Block 103, which could drive substantial value uplift for our shareholders."

¹ determined as the average of five daily VWAPs selected by the Note Holder in a period of twenty trading days.

² If EUR is delisted or suspended for more than 20 consecutive days, or the value of the security drops below the amount outstanding for the note, the Note Holder may require Cyclone to issue shares (as described on page 2). However, the Cyclone Board considers this to be unlikely given the current value and outlook for the EUR shares.

Secured Notes Agreement: Key Terms

Cash Received	\$1,320,000 (after expenses)
Notes Issued	1,340,000
Security	55,000,000 EUR Shares held by the Note Holder
Note Face Value	\$1.25
Standstill Period	90 days after receipt of the investment.
Repayment	Repayment is at the discretion of the Note Holder any time between the end of the Standstill Period and Maturity. EUR Shares held as security are used to repay the loan at a 5% discount to the VWAP share price ³ , with the number of security shares reduced accordingly.
Maturity	12 months after receipt of the investment.
Security Top-Up	If the value of the loan security falls below the amount outstanding under the loan, the Note Holder may require Cyclone to issue it with shares to the value of the difference, up to Cyclone's available placement capacity.
Options	60,000,000 options at an exercise price of \$0.002 will be issued to the Note Holder, subject to shareholder approval. These options expire 2 years after receipt of the investment.
No Shorting	The Note Holder may not short EUR shares or CLE shares or enter into financial instruments that establish a net short position on those shares.
No Dumping	The Note Holder may not sell EUR or CLE shares on any trading day in excess of the greater of 20% of that day's trading volume and \$2,010.
Use of Proceeds	Proceeds to be applied to Block 103 and working capital, and not to acquisitions, corporate loans, or dividends.
Early Repayment	Cyclone may at any time before Maturity redeem the secured notes by paying the amount outstanding under the loan in cash.
Delisting/Suspension of Security Shares	If EUR Shares are delisted, or suspended from trading for more than twenty consecutive days, the Note Holder may require Cyclone to issue it with Cyclone shares to the value of the amount outstanding under the loan, up to Cyclone's available placement capacity. If it does so, the Note Holder must transfer any EUR Shares still held as security back to Cyclone.

Announcement authorised for release by the board of Cyclone.

ENDS

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