

ASX Announcement | ASX: TNC

31 January 2024

TNC secures A\$42 million of funding with Nebari Natural Resources Fund

True North Copper Limited (ASX:TNC) (True North, TNC or the Company) is pleased to announce it has executed binding agreements and obtained Nebari Investment Committee clearance for a four year, USD28 million (A\$42 million¹ AUD equivalent) USD-denominated senior secured loan facility (**Loan Facility**) with Nebari Natural Resources Credit Fund II LP (**Nebari**).

TNC and Nebari have executed formal loan documentation for the Loan Facility to provide up to USD28 million in two tranches, with USD18 million to be drawn at closing (**Tranche 1**) and USD10 million available to be drawn (**Tranche 2**), subject to certain conditions precedent including (for Tranche 2) commencement of commercial production of sulphide ore at TNC's Cloncurry Copper Project (**CCP**).

HIGHLIGHTS

The key terms of the Loan Facility are as follows:

- Funded amount: up to USD28 million (in two tranches), net of the original issue discount (**OID**).
- Nebari has completed its due diligence and notified True North that the transaction has been approved by its Investment Committee.
- Tranche 1 and Tranche 2 closing remain subject to conditions precedent referred to in Appendix 1.
- Facility term: Four years.
- Coupon: three-month term Secured Overnight Financing Rate (**SOFR**) (subject to a minimum of 4%) + a margin of 6.9% p.a payable quarterly (for Tranche 1) and 6.6% p.a. payable quarterly (for Tranche 2).
- OID: 7.0% on both Tranches.
- Amortisation: 8% commencing on the fourth quarterly interest payment date, bullet repayment of the outstanding principal amount on maturity.
- Warrants: the Company has agreed to issue Nebari (or its nominee/s) warrants convertible into TNC shares as outlined below.
- Security: over the assets of TNC and its projects.

COMMENT

True North Copper Managing Director, Marty Costello said:

We are very pleased to have secured the support of Nebari Natural Resources Fund following a rigorous due diligence and funding process. Nebari Natural Resources Fund are a highly respected and experienced financier of mining projects globally. We are thrilled to announce we have secured this financing with Nebari and it marks a significant milestone for our company. These funds will be used to refinance the environmental bond, as the key next step in our mining restart at the Cloncurry Copper Project, as well as provide working and restart capital. TNC will soon announce the approved Cloncurry Copper Project mine plan. We're incredibly excited about restarting mining and bringing the Cloncurry Copper Project into production, at a time where the world's copper supply is really tightening up and the metal price is rising.

Nebari Managing Director, Juan Alvarez said:

We are excited to partner with True North Copper as it develops its Cloncurry Copper Project and Mt Oxide Project and we look forward to being a long term partner and supporting True North Copper in their future growth strategy.

The Loan Facility will be used:

- (a) to repay in full the short-term working capital loan advanced to the Company by Dyda Property Management Pty Ltd pursuant to a loan agreement dated 5 September 2023 (**Existing DPM Loan**) (A\$5,314,529.23 of principal and interest outstanding as at the date of this announcement);
- (b) to refinance the rehabilitation bond for the CCP, being A\$13,468,875.40 (**Cloncurry Rehabilitation Bond**), in full by way of cash collateral lodged with the scheme fund maintained under the *Mineral and Energy Resources (Financial Provisioning) Act 2018* (Qld); and
- (c) for working capital purposes in relation to the CCP in accordance with a mine plan for the CCP to be approved by the Company and Nebari.

The Loan Facility contains other terms and conditions that are customary for an agreement of this nature. Refer to Appendix 1 for a full summary of the material terms of the Loan Facility.

In connection with the Loan Facility, the Company has agreed to issue to Nebari (or its nominee/s):

- 46,383,038 warrants exercisable at A\$0.1177, to be issued on closing using TNC's available placement capacity under ASX Listing Rule 7.1 (**Tranche 1 Warrants**); and
- subject to TNC shareholder approval under Listing Rule 7.1, additional warrants to be issued on first drawdown for the Tranche 2 loan amount (**Tranche 2 Warrants**) (refer to Appendix 1 for details of how the number and exercise price for the Tranche 2 Warrants will be determined).

The Warrants will have a 48-month exercise period and, on exercise, will convert into TNC shares on a 1 for 1 basis.

ABOUT NEBARI

Nebari Partners, LLC (Nebari) is a United States-based investment manager, specialised in privately offered pooled investment vehicles, including Nebari Natural Resources Credit Fund II, which is funding this transaction. The growing Nebari team has deep experience with leading global mining companies and financial institutions. Nebari is known for partnering with motivated and capable management teams, focused on achieving clear goals, supported by technically strong assets.

ABOUT TRUE NORTH COPPER

TNC is a Queensland copper and critical minerals mining company. Its principal assets include the 100% owned, Tier 1 Jurisdiction located:

- **Cloncurry Copper Project** – high grade copper-gold mineralisation
- **Mt Oxide Project** - significantly sized, high-grade copper mineralisation.

CLONCURRY COPPER PROJECT SUMMARY:

- **Copper Metal Production:** TNC aims to commence copper metal production at the CCP with mine plans combining the Great Australia Mine Reserve and the Wallace North Resource into a single mining operation.²
- **Mine Plans:** Final CCP mine plans to be announced in early 2024, reflecting updated reserve data. CCP Reserve, including updated GAM Reserve and maiden Wallace North Reserve, reporting by MEC Mining Consultants expected in early 2024.
- **Reserve Estimates:** Initial JORC 2012 Reserve Statement for GAM includes estimated 4 million tonnes of ore with 0.74% copper and 0.08g/t gold (recent drilling results not yet incorporated).³
- **Wallace North Resource Update:** Significant increases in Indicated Resources and contained metals; includes a 300% increase in Indicated Resource ore tonnes and over 280% increase in Indicated contained copper metal.⁴
- **Maiden Wallace North Reserve** reporting by MEC Mining Consultants expected in early 2024.
- **Glencore partnership:** TNC has signed binding offtake and toll-milling agreements with one of the world's largest natural resource companies, Glencore International AG (Glencore) for TNC's CCP.⁵

MT OXIDE PROJECT - SIGNIFICANTLY SIZED, HIGH-GRADE COPPER MINERALISATION

- Mt Oxide is a globally significant and highly prospective, high-grade copper mineralised system that is open along-strike, in both directions, and to-depth.
- In 2023 TNC completed an initial 12-hole diamond drilling program (3,955m) at Mt Oxide designed to confirm historical high-grade intersections and test the depth and strike extensions to the existing Vero Resource (15.98Mt at 1.43% copper and 6.91g/t gold combined Measured, Indicated and Inferred Resource⁶). Results returned superb grades and showcased the expanding nature of the Vero high-grade ore body including (* indicates estimate true width):
 - **MOXD217** returned results that placed the drillhole in the top globally ranked copper drillholes of 2023 including 66.50m (48.00m*) @ 4.95% Cu, 32.7g/t Ag and 685ppm Co from 234.00m.⁷
 - **MOXD226A** returned three key zones of strong mineralisation including a broad interval of 69.95m and further intervals of up to 11.19% Cu. Highlights include:
 - ~ 69.95m (42.85m*) @ 1.91% Cu, 17.7g/t Ag and 675 ppm Co from 224.55m, and
 - ~ 16.75m (16.75m*) @ 5.30% Cu, 44.0g/t Ag and 120 ppm Co from 165.2m.⁸

REFERENCES

1. Funded facility amount in AUD based on an AUD/USD FX rate of 0.66
2. TNC ASX Announcement, 12 December 2023, *TNC green-lights Cloncurry mining restart plan*
3. TNC ASX Announcement, 4 July 2023, *Initial Ore Reserve for Great Australia Mine – Updated*
4. TNC ASX Announcement, 19 July 2023, *TNC increases Wallace North Resource*
5. TNC ASX Announcement, 23 January 2024, *TNC secures Glencore partnership of Cloncurry Copper Project*
6. TNC ASX Announcement, 28 February 2023, *Acquisition of the True North Copper Assets.*
7. TNC ASX Announcement, 10 August 2023, *TNC intersects 66.5m at 4.95% Cu, Vero first drill hole*
8. TNC ASX Announcement, 29 November 2023, *TNC 69.95m @ 1.91% Cu & 16.75m @ 5.3% Cu, Vero*

AUTHORISATION

This announcement has been approved for issue by Marty Costello, Managing Director and the True North Copper Limited Board.

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This release is not, and does not constitute, an offer to sell or the solicitation, invitation or recommendation to purchase any securities and neither this release nor anything contained in it forms the basis of any contract or commitment.

JORC AND PREVIOUS DISCLOSURE

The information in this release that relates to Mineral Resource and Ore Reserve Estimates for Great Australia, Orphan Shear, Taipan, Wallace North and Vero is based on information previously disclosed in the following Company ASX Announcements:

- 28 February 2023, Acquisition of the True North Copper Assets.
- 4 July 2023, Initial Ore Reserve for Great Australia Mine – Updated.
- 19 January 2024, TNC increases Wallace North Resource.

The information in this release that relates to exploration results for MOXD217 and MOXD226A is based on information previously disclosed in the following Company ASX Announcements:

- 10 August 2023, TNC intersects 66.5m at 4.95% Cu in first drillhole at Vero Resource, Mt Oxide.
- 29 November 2023, TNC 69.95m @ 1.91% Cu & 16.75m @ 5.3% Cu, Vero.

All these ASX Announcements are available on the Company’s website (www.truenorthcopper.com.au) and the ASX website (www.asx.com.au) under the Company’s ticker code “TNC”.

The Company confirms that it is not aware of any new information as at the date of this release that materially affects the information included in this release and that all material assumptions and technical parameters underpinning the estimates and results continue to apply and have not materially changed.

CAUTIONARY STATEMENT RE NEAR TERM PRODUCTION FEATURES OF THE CLONCURRY COPPER PROJECT

Moving to production at the Company’s Cloncurry Copper Project, including mining restart, is subject to the successful completion of mining restart studies to confirm the financial viability of the project. Final CCP mine plans are expected to be announced in early 2024, reflecting updated reserve data. CCP Reserve including updated GAM Reserve and maiden Wallace North Reserve reporting by MEC Mining Consultants expected in early 2024.

Until successful completion of mining restart studies, there is no guarantee that available funds, including funds available via the Loan Facility, will be sufficient to fully fund necessary CAPEX and OPEX requirements. The Company may need to obtain additional funding through a combination of debt and equity to be raised at a later date to meet CAPEX/OPEX requirements to move to production on the Cloncurry Copper Project, including restart of the Great Australia Mine.

There can be no guarantee that the technical studies will confirm financial viability of the project, or that necessary funding will be available to the Company at the relevant time.

CONTACT DETAILS

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APPENDIX 1

The material terms of the loan agreement and related documents are detailed below.

Parties	The Company (as borrower) and each of its subsidiaries (as obligors). Nebari Natural Resources Credit Fund II (as lender) (Nebari).
Funded amount	A total of USD28,000,000, in the following tranches: (a) USD18,000,000 (Tranche 1 Funded Amount); and (b) USD10,000,000 (Tranche 2 Funded Amount), The Funded Amounts are subject to an original issue discount rate of 7% (OID) to arrive at the Principal Amount of. (c) USD19,354,839 (Tranche 1 Principal Amount); and (d) USD10,752,688 (Tranche 2 Principal Amount).
Drawdown of Funds	The Tranche 1 Funded Amount will be drawn by way of a single drawing on closing, with A\$13,468,875.40 of that amount to be disbursed into a restricted account in connection with the Cloncurry Rehabilitation Bond. The Tranche 2 Funded Amount may be drawn in no more than two drawings, each in a minimum amount of USD5,000,000, and may not be drawn within 12 months of the Maturity Date (defined below).
Conditions Precedent to funding Tranche 1 Funded Amount	Funding of Tranche 1 Funded Amount is subject to certain Conditions Precedent including the execution and registration of acceptable security documents and other ancillary documents and agreements necessary to close the transaction. Nebari has completed its due diligence and notified True North that the transaction has been approved by its Investment Committee.
Conditions Precedent to funding Tranche 2 Funded Amount	Funding of the Tranche 2 Funded Amount is subject to the following conditions precedent, among other conditions precedent considered standard for an agreement of this nature: (a) (Cloncurry Production) TNC announcing that the CCP has commenced commercial production of fresh ore. (b) (Shareholder approval) TNC shareholders approving the issue of the Tranche 2 Warrants to Nebari (and/or a nominee) for the purposes of Listing Rule 7.1 and all other purposes under the Listing Rules. (c) (Nebari IC approval) Approval by the Nebari Investment Committee of the second draw.
Interest rate	The three-month term Secured Overnight Financing Rate (SOFR) (subject to a minimum of 4%) plus a margin of 6.9% per annum (for the Tranche 1 Principal Amount) or 6.6% per annum (for the Tranche 2 Principal Amount). If an event of default subsists, the applicable rate is increased by 7% per annum.
Repayment	8% each calendar quarter commencing on the fourth quarterly interest payment date. On the date (Maturity Date) that is 4 years after Nebari funds the Tranche 1 Funded Amount on closing, the Company must repay any outstanding principal amount, accrued and unpaid interest and any other amounts payable under the loan agreement and related documents in full.
Use of Funds	Net proceeds must be used: (a) to repay in full the Existing DPM Loan; (b) to refinance the rehabilitation bond for the CCP, being A\$13,468,875.40 as at the date of this announcement (Cloncurry Rehabilitation Bond), in full by way of cash collateral lodged with the scheme fund maintained under the <i>Mineral and Energy Resources (Financial Provisioning) Act 2018</i> (Qld); and

	<p>(c) for working capital purposes in relation to the CCP in accordance with a mine plan for the CCP to be approved by the Company and Nebari.</p>
Warrants	<p>The Company has agreed to issue Nebari (or its nominee/s):</p> <p>(a) the Tranche 1 Warrants on closing using available placement capacity under ASX Listing Rule 7.1; and</p> <p>(b) subject to TNC shareholder approval under ASX Listing Rule 7.1, the Tranche 2 Warrants on first drawdown for the Tranche 2 loan.</p> <p>The number of Tranche 2 Warrants to be issued will be equal to 20% of the Tranche 2 Funded Amount drawn on the first drawdown for the Tranche 2 loan, divided by the Tranche 2 Warrant Exercise Price.</p> <p>The Tranche 2 Warrant Exercise Price will be at a 20% premium to the share price that is the lower of:</p> <p>(a) the 20 day volume weighted average price for TNC shares as at the date of the first drawdown notice in respect of the Tranche 2 loan; and</p> <p>(b) the 20 day volume weighted average price for TNC shares as at the date on which the Company announced its intention to draw the Tranche 2 Funded Amount.</p> <p>The Warrants will have a 48 month exercise period and, on exercise, will convert into TNC shares on a 1 for 1 basis.</p>
Fees	<p>On closing, an amount equal to 2% of the Tranche 1 Funded Amount, which may be netted against the Tranche 1 Principal Amount (at the Company's election).</p> <p>On or before the drawdown date for the first drawing of the Tranche 2 Funded Amount, an amount equal to 2% of the Tranche 2 funded amount, which may be netted against the Tranche 2 Principal Amount (at the Company's election).</p>
Financial undertakings	<p>At the end of each calendar month, the Company shall ensure that it complies with minimum liquidity requirements (including a consolidated cash balance of at least A\$3 million) and aging accounts payable requirements.</p> <p>On and from the first anniversary of closing, the Company to maintain reserves at the CCP and the Mt Oxide Project (Projects) on an annual basis providing a production tail of not less than 12 months beyond the Maturity Date at a minimum of 75% of nameplate production capacity (on a cumulative basis for the Projects).</p>
Security	<p>The Company and each of its subsidiaries have granted security over their respective assets to secure the Company's obligations under the loan agreement and related documents, which may be enforced by Nebari in the event of a continuing and unresolved default.</p>

The loan agreement and related documents otherwise contain provisions considered standard for an agreement of this nature.