

13 October 2020

Macarthur Minerals Balance Sheet Materially Strengthened by Financing Package

Highlights

- Firm commitments received from a private placement to sophisticated and institutional investors raising approximately of AUD 6.25 million at an issue price of AUD 0.55 bolsters working capital.
- AUD 20 million standby equity finance facility secured under Controlled Placement Agreement improves Macarthur's balance sheet. Facility can be drawn down at the discretion of the Company.
- Bolstering of Macarthur's balance sheet (in combination with the release of all debt under the recently converted convertible notes) positions the Company well to move through the next critical phases of project delivery and target simultaneous completion of its main project financing strategy for the Lake Giles Iron Project with EAS Advisers.

Macarthur Minerals Limited (ASX: MIO) (TSX-V: MMS) (OTCQB: MMSDF) (the "Company" or "Macarthur") is pleased to announce the completion of a material financing package ("Financing Package") comprising:

- a private placement to be completed in two tranches (the "Offering" or "Private Placement") of AUD 6,249,446 million with institutional and sophisticated investors; and
- a standby equity commitment to provide up to AUD 20 million in equity financing ("Equity Finance Facility"), which can be drawn at the discretion of the Company.

Cameron McCall, President and Executive Chairman of Macarthur Minerals commented:

"We are delighted with the interest in the placement which is a strong endorsement from the investment community. With iron ore prices continuing to defy broader global impacts from the COVID-19 pandemic, investor demand in the placement demonstrates market confidence continues to build around Macarthur and its ability to deliver the Lake Giles Iron Project for shareholders."

That confidence is pleasing, but it is also matched by the determination of the Board and Management to ensure that every opportunity is maximised to deliver Macarthur's high-grade, low impurity magnetite product with the development of one of the first new-generation magnetite mines in Western Australia.

The completion of this Financing Package is material for the Company. Balance sheets "open doors", and as Macarthur approaches the next phase of key negotiations to deliver its Feasibility Study for the Lake Giles Iron Project, the flexibility that the package will provide to the Company is extremely important.

Bolstering the Company's balance sheet, (in combination with the release of all debt under the recently converted convertible notes) places the Company on a strong footing and positions Macarthur well as it moves through the next critical phases of project delivery and as its targets simultaneous completion of the main project financing strategy for the Lake Giles Iron Project with EAS Advisers."



Details of the Financing Package are set out below.

Overview of Financing Package

Private Placement

The Company has received firm commitments from sophisticated and institutional investors to subscribe for a total placement of 11,362,629 fully paid ordinary shares ("New Shares") at a price of AUD 0.55 per share for a total consideration of AUD 6,249,446.

Each placement unit ("Unit") is comprised of one New Share and one attaching whole option to acquire one fully paid ordinary share in the Company (each, an "Option"). Each attaching Option has an exercise price of AUD 0.90, with an expiry date that is 24 months from the date of issuance.

The placement price per New Share represents a 7.08% discount to the 30 day volume weighted average price ("VWAP") of the Company's Australian Stock Exchange (ASX) listed shares to 7 October, 2020. The New Shares will rank equally with the Company's existing ordinary shares. The placement will be closed in two tranches as soon as possible after and subject to receipt of all necessary regulatory approvals including ASX and TSXV approvals.

Subject to exchange approvals and acceptance:

- the first tranche of the Placement securities (being 11,362,629 New Shares and 5,137,371 Options) the securities will be issued within the Company's existing ASX Listing 7.1 capacity.
- the second tranche of the Private Placement (being the balance of 6,225,258 Options) will close on 2 November 2020. Tranche 2 will be subject to receipt of shareholder approval for the issue of the tranche 2 securities to be sought at the Company's upcoming Annual General Meeting on 30 October 2020.

The net proceeds from the Offering will be used for working capital purposes as the Company continues to make progress towards completion of its Feasibility Study for the Lake Giles Iron Project in the Yilgarn region of Western Australia ("Project"), and as it advances discussions on its main round of project financing for the Project.

Equity Finance Facility

In addition to the Private Placement, the Company has executed a Controlled Placement Agreement with L1 Capital Global Opportunities Master Fund ("L1"), which will provide flexibility to the Company in regard to supplementary access to additional equity, if required, and at the Company's election. The agreement entitles the Company to issue shares to L1 over 36 months under "Placement Notice(s)" at the Company's discretion, and to receive funds for the issue of those shares on the following key terms:

- **Term:** 36 months.
- **Purchase Price:** Placement Shares are priced at the greater of 90% of:
 - (i) the average daily VWAP over 30 Trading Days of the Company's Australian Securities Exchange (ASX) listed shares following delivery of a Placement Notice (**Pricing Period**); and
 - (ii) the Minimum Acceptable Price nominated by the Company (provided that the discounted Minimum Acceptable Price cannot be lower than any minimum price required under the ASX Listing Rules or the TSX Listing Rules, and in any event not less than AUD 0.20).
- **Placement Shares:** The maximum number of Shares that can be issued under a Placement Notice cannot exceed 10 times (or 1000%) of the average daily number of Shares traded on ASX and TSXV (in aggregate) during the 15 Trading Days prior to and excluding the applicable Placement Notice Date.
- **Completion:** Completion of each Placement will take place after the relevant Pricing Period, at which time L1 will pay the determined Purchase Price for the Placement Shares and the Company will issue the Placement Shares to L1 (or its nominee).



- **Share Lending:** In order to give a Placement Notice, the Company must have procured for a third party to loan the requested number of Placement Shares to the Investor. These loan shares are to be returned by the Investor to the lender on the Investor receiving tradeable Placement Shares. The lender will receive no consideration for providing the loan shares.
- **Fees:** Macarthur will pay L1's reasonable legal costs up to a maximum of USD 20,000. If Macarthur terminates the Controlled Placement Agreement early, then it will pay a USD 100,000 Termination Fee to L1. No other fees are payable by the Company to L1 under the Controlled Placement Agreement.

There is no immediate dilutionary impact from the Equity Finance Facility, which the Company will maintain and may draw upon as necessary, to support the Company's pre-delivery phase for its Lake Giles Iron Project and other value accretive endeavours for the benefit of the Company and its shareholders.

Any future issues of Shares under the Controlled Placement Agreement are expected to be issued under the Company's ASX Listing Rule 7.1 placement capacity (or other shareholder approved and available capacity from time to time) if and when the Company draws down under the Equity Finance Facility.

Advisory Fees

The advisory fees payable for the Private Placement and the Equity Finance Facility are summarised below.

Fees for Private Placement

EAS Advisors, LLC, through Odeon Capital Group LLC ("**Odeon**") acted as financial adviser for the Private Placement. Pursuant to a Consulting and Advisory Agreement between Odeon and the Company dated 9 October 2020, Odeon will receive an Equity Placement Financing Completion Fee equal to 6% (six percent) of the gross proceeds raised from investors in the equity capital raising and received by the Company in cleared funds. The total Equity Placement Financing Completion Fee payable to EAS for completion of the Offering following close will be AUD 374,966.76, resulting in the Company receiving net proceeds from the Offering of AUD 5,574,479.24.

Fees for Equity Finance Facility

EAS Advisors, LLC, through Odeon Capital Group LLC ("**Odeon**") and CST Capital Pty Ltd ("**CST**") acted as joint advisers for arranging the Controlled Placement Agreement. The advisory and arranger fees payable to each party for the Equity Finance Facility are summarised below.

Odeon

Pursuant to the Consulting and Advisory Agreement between Odeon and the Company dated 9 October 2020, subject to successful completion of establishment of the Equity Finance Facility under the Controlled Placement Agreement, Odeon will receive the following remuneration:

- a cash fee of AUD 200,000 with 50% to be paid by October 31, 2020 and 50% to be paid by November 30, 2020; and
- ASX listed ordinary shares of the Company to a value equal to USD 200,000 with 50% of the shares to be issued by October 31, 2020 and the balance 50% to be issued by November 30, 2020. The shares will be issued at a price equal to the thirty (30) day VWAP prior to the date of such issue and will be subject to a voluntary 4 month hold period from the relevant dates of issue.

CST Capital Pty Ltd

Pursuant to a Services Agreement between CST and the Company, dated 12 October 2020, subject to successful completion of establishment of the Equity Finance Facility and to receipt of any required exchange and shareholder approvals, CST will be paid a fee of USD 250,000 ("Fee").



In addition to the Fee, and subject to the Company obtaining shareholder approval to issue options to (among others) third parties for consulting and arranger fees at the Company's upcoming Annual General Meeting, CST will also receive 1.5 million unlisted Options for the issue of ordinary shares in the Company on ASX at an exercise price equal to 150% of the lowest daily VWAP in the thirty (30) Trading Days preceding the Company's Annual General Meeting. The Options will have an expiry date of 24 months from the issue date. If the Company does not obtain shareholder approval to the issue of the Options, the Company must instead pay CST A\$300,000 in lieu of the issue of the options.

On behalf of the Board of Directors, Mr Cameron McCall, Executive Chairman

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About L1 Capital Global Opportunities Master Fund

L1 Capital Global Opportunities Master Fund invests in structured investments, such as convertible bonds, along with primary market transactions to deliver strong positive returns to investors. The Fund has an absolute return approach with a strong focus on capital preservation and multi-layered risk management.

Company profile

Macarthur is an iron ore development, gold and lithium exploration company that is focused on bringing to production its Western Australia iron ore projects. The Lake Giles Iron Project mineral resources include the Ularring hematite resource (approved for development) comprising Indicated resources of 54.5 million tonnes at 47.2% Fe and Inferred resources of 26 million tonnes at 45.4% Fe; and the Lake Giles magnetite resource of 53.9 million tonnes (Measured), 218.7 million tonnes (Indicated) and 997 million tonnes (Inferred). Macarthur has prominent (~721 square kilometer tenement area) gold, lithium and copper exploration interests in Pilbara region of Western Australia. In addition, Macarthur has lithium brine Claims in the emerging Railroad Valley region in Nevada, USA.

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Caution Regarding Forward Looking Statements

Certain of the statements made and information contained in this press release may constitute forward-looking information and forward-looking statements (collectively, "forward-looking statements") within the meaning of applicable securities laws. All statements herein, other than statements of historical fact, that address activities, events or developments that the Company believes, expects or anticipates will or may occur in the future, including but not limited to statements regarding expected completion of the Feasibility Study; conversion of Mineral Resources to Mineral Reserves or the eventual mining of the Project, are forward-looking statements. The forward-looking statements in this press release reflect the current expectations, assumptions or beliefs of the Company based upon information currently available to the Company. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and no assurance can be given that these expectations will prove to be correct as actual results or developments may differ materially from those projected in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include but are not limited to: unforeseen technology changes that results in a reduction in iron or magnetite demand or substitution by other metals or materials; the discovery of new large low cost deposits of iron magnetite; the general level of global economic activity; failure to complete the FS; inability to demonstrate economic viability of Mineral Resources; and failure to obtain mining approvals. Readers are cautioned not to place undue reliance on forward-looking statements due to the inherent uncertainty thereof. Such statements relate to future events and expectations and, as such, involve known and unknown risks and uncertainties. The forward-looking statements contained in this press release are made as of the date of this press release and except as may otherwise be required pursuant to applicable laws, the Company does not assume any obligation to update or revise these forward-looking statements, whether as a result of new information, future events or otherwise.