

ASX Announcement

17th of February 2025

Cyclone Metals and Vale execute Development Agreement for the Iron Bear Project

SUMMARY

Cyclone Metals Limited (ASX: CLE) ("Cyclone" or "CLE") is pleased to announce that it has signed a binding commercial agreement with Vale S.A. ("Vale") regarding the joint development of its Iron Bear iron ore project, located in Canada. Under the terms of the agreement, Vale has the right to provide up to USD 138 million of funding to the Iron Bear Project in two Phases and earn 75% of the project. If Vale elects to proceed to Decision to Mine (DTM), Vale can elect to acquire the remaining 25% of the Iron Bear project at fair market value, or carry Cyclone to production with no dilution.

Paul Berend, CEO of Cyclone Metals Ltd, commented on the ratification of the development agreement:

"Project Iron Bear has now secured a clear pathway to get into production, and to become a world leader for the supply of low cost and ultra-low carbon iron ore products. Vale dominates the rapidly growing market for low carbon and direct reduction iron ore products and is an ideal partner and future operator for the Iron Bear project."

KEY TERMS OF THE COMMERCIAL AGREEMENT

The commercial agreement defines a two-phased investment pathway for Vale to earn a controlling interest in Iron Bear, as summarised below:

Phase 1: Pre-Feasibility Study and Environmental Studies

- Vale will contribute USD 18 million (Phase 1 contribution) to fund the Iron Bear Phase 1 work program, including a preliminary feasibility study, mineral resource drilling and environmental baseline studies
- Phase 1 will be deemed complete when the full Phase 1 contribution has been received by Cyclone, or when the Phase 1 work program has been substantially completed
- Once Phase 1 is complete, Vale can elect to trigger Phase 2. If Vale does not elect to trigger Phase 2, then Vale does not earn an interest in the Iron Bear Project

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Phase 2: Bankable Feasibility Study and Impact Benefit Agreements

- Once Phase 2 commences, Vale and CLE will form a Joint Venture to develop the Iron Bear Project. Vale will be granted a 30% equity interest in the Iron Bear JV
- Vale will fund the JV's development activities up to USD 120 million (Phase 2 contribution). These development activities will include a bankable feasibility study, environmental impact studies, establishing IBAs (Impact Benefit Agreements) with First Nations and generally de-risking the project
- Vale's interest in the Iron Bear JV will increase to 75%, when Vale's total Phase 2 contribution has been expended, or when Vale elects to progress the Iron Bear project to Decision to Mine
- During Phase 2, and until Vale earns 75% interest in the Iron Bear JV, Vale and Cyclone will each hold two of five board seats on the Iron Bear JV's governing board, with an independent Chairman. Once Vale earns 75% interest in the JV, Vale will nominate a majority of Directors on the JV's governing Board

Vale Buy Out Right or CLE Carry to Production

- Once DTM is achieved, Vale will have the right to acquire Cyclone's remaining 25% JV equity interest at a fair market value, subject to Cyclone's shareholders' approval if required under ASX listing rules
- Alternatively, Vale can elect to arrange production capex funding on a non-dilutionary basis for Cyclone. In this case Cyclone retains 25% of the Iron Bear JV with no dilution.
- In the event where Vale elects to buy out Cyclone's remaining 25% in the Iron Bear JV, but Cyclone's shareholders' approval is withheld, then Cyclone must provide its share of the production capex or be diluted

Right Of First Refusal and Tag Along and Drag Along Rights

- Vale will have a Right of First Refusal, granting Vale the opportunity to match any third Party offer to acquire part or all of Cyclone's interest in the Iron Bear JV
- If Vale intends to sell a controlling stake in the Iron Bear JV, Cyclone has the right to include its shares in the sale on the same terms. For sales of less than a controlling interest, Cyclone may sell a proportional part of its stake alongside Vale
- In the event where Vale wishes to sell its entire interest in the Iron Bear JV to a non-related third Party, Vale will have the right to compel Cyclone to sell its corresponding interest on the same terms and conditions

The Commercial Agreements have been executed by Vale S.A. and Cyclone on the 13th of February 2025.

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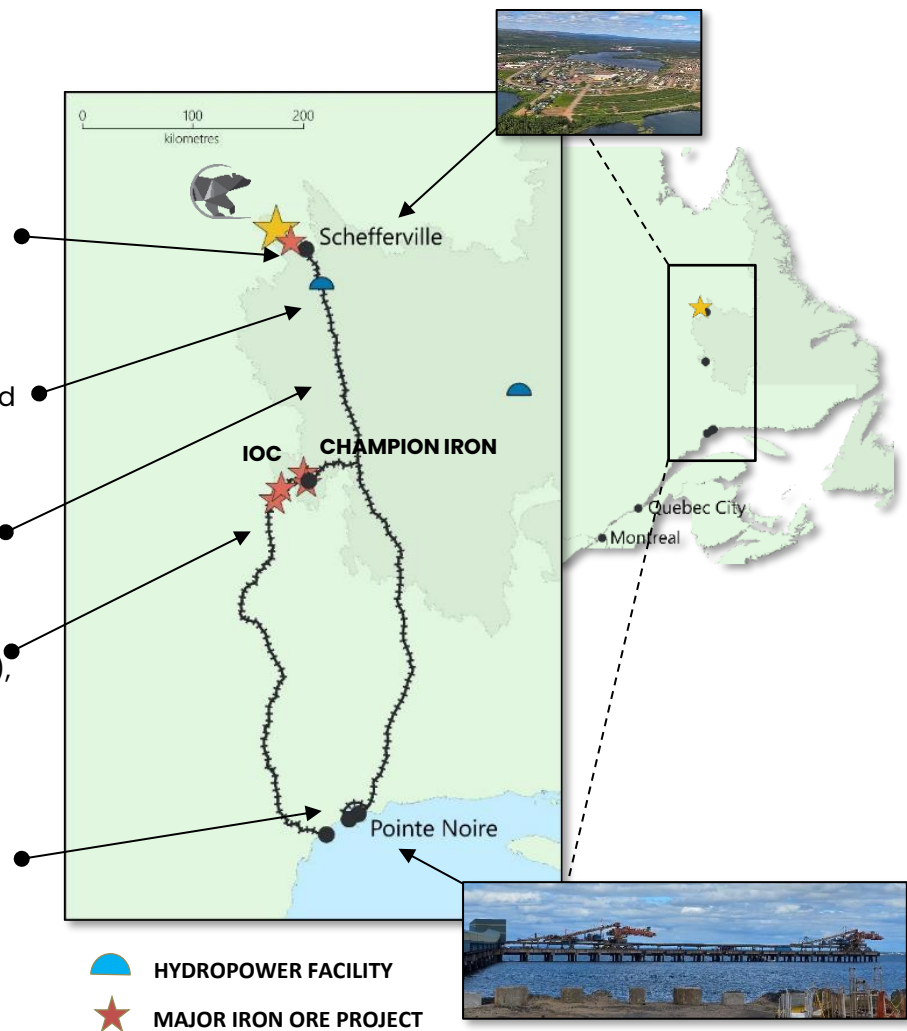
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IRON BEAR PROJECT HIGHLIGHTS

1. **Asset located in Canada**, less than 25km from an **open access heavy haul railway** connected to an **open access iron ore export port**
2. **World class 100% owned** Iron ore mineral resource of **16.6 billion tonnes @ 29.3 Fe%** (Inferred 14.51 billion tonnes and Indicated 2.15 billion tonnes JORC 2012 compliant) (refer ASX announcement 11th April 2024)
3. **Pilot Plant** production of **high quality Direct Reduction¹ ("DR") grade concentrate grading 71.3% Fe and 1.1% SiO₂** with high yields due to an ore body with exceptionally low impurity (refer ASX announcement 23rd April 2024)
4. **Production of strategic low carbon DR pellets** with excellent physical and metallisation properties and ultra-low deleterious elements (refer ASX announcement 12th October 2024)
5. Rapid project development plan with **bulk samples of DR and Blast Furnace ("BF") concentrates** available for steel mill clients in Q1 2025 and **DR and BF pellets** in Q2 2025

ACCESS AND INFRASTRUCTURE

- Schefferville is located 25km away from Iron Bear with good infrastructure including direct flights to Sept Iles and is connected by road to Iron Bear
- Menihék has the potential to provide low-cost hydropower and is 70km from Iron Bear
- Open access heavy haul rail is available 25km away and is directly connected to Sept-Iles and Pointe Noire
- Champion Iron Limited (ASX: CIA), Iron Ore Company of Canada (IOC), a wholly owned subsidiary of Rio Tinto Group, ArcelorMittal S.A. and Tata Steel Ltd are the major producers in the region
- Pointe Noire port is open access with extensive Iron Ore exports



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

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Compliance Statements

Forward-Looking Statements

This document may include forward-looking statements. Forward-looking statements include, but are not limited to, statements concerning the Company's planned exploration program and other statements that are not historical facts. When used in this document, the words such as "could," "plan," "expect," "intend," "may", "potential," "should," "further" and similar expressions are forward-looking statements. Although the Company believes that its expectations reflected in these forward-looking statements are reasonable, such statements involve risks and uncertainties, and no assurance can be given that further exploration will result in additional Mineral Resources.