
ASX Announcement | 11 December 2019 Rafaella Resources Limited (ASX:RFR)

Rafaella Resources Limited: Response to ASX Request for Further Information regarding Corporate Advisory Arrangements

Announcement Summary

- Rafaella entered into a mandate with EverBlu Capital Pty Ltd on 1 January 2018 to provide corporate advisory services which led to the successful IPO of the Company on 24 July 2018.
- The mandate was amended on 1 March 2019, extending the term, increasing the monthly fee and incorporating an equity based fee for introducing a transaction, reflecting the increased complexity of a proposed acquisition of a brownfield tungsten mine.
- EverBlu advised RFR on the acquisition of Galicia Tin & Tungsten SL ("**GTT Acquisition**"), concluded on 27 August, 2019¹.
- The Company and EverBlu have, subject to shareholder approval, agreed to capitalise both their capital raising fees and (up-front) half of the ongoing retainer fees thereby completing the capital raise announced on 12 August 2019².

Rafaella Resources Limited (ASX: RFR) ("Rafaella" or "the Company") is pleased to provide the following information regarding the nature and terms of its current engagement with its corporate advisor, EverBlu Capital Pty Ltd ("**EverBlu**"). The information set out below is provided at the request of ASX.

AMENDMENT TO CORPORATE ADVISORY MANDATE WITH EVERBLU CAPITAL

As disclosed in the Company's second replacement prospectus dated 1 June 2018 ("**Prospectus**"), the Company entered into a corporate advisory mandate with EverBlu Capital Pty Ltd ("**EverBlu**") on 1 January 2018 pursuant to which EverBlu were engaged to provide certain corporate advisory services to the Company, primarily in relation to the Company's proposed admission to the official list of Australian Securities Exchange ("**ASX**") ("**Original Mandate**"). The terms of the Original Mandate are set out in the table below.

Following the Company's successful IPO in July 2018 and up until March 2019, the Company continued to engage with EverBlu for the purpose of sourcing a value-adding acquisition opportunity for the Company ("**Introduced Transaction**") that was similar in nature to the Company's then current exploration portfolio. At this time, the Original Mandate remained in full force and effect. On 1 March 2019 the parties executed a revised mandate to contemplate the fact that EverBlu would be engaged to provide services in addition to those contemplated by the Original Mandate, largely in connection with the finalisation and completion of an Introduced Transaction ("**New Mandate**"). While the Original Mandate did contemplate EverBlu undertaking future capital raising services and acquisition activities for Rafaella post-IPO, the GTT Acquisition represented a materially more complex transaction than originally contemplated. The Company engaged the services of several professional advisors, managed by EverBlu. The GTT Acquisition contemplated a brownfield mining project with existing mining licences, infrastructure, a JORC Resource and an operating aggregates quarry abutting the project. The mine had last operated in 1985 and had had new processing plant installed in 2012 that was subsequently mothballed. The principal commodity is tungsten, a product not well known to the investment community, and the project is located in Spain, a jurisdiction that the Board was not familiar with. Although the Original Mandate provided for such services, the complex nature and the ongoing support for the GTT Acquisition were never contemplated in the scope, as the Company's portfolio was early stage exploration of well understood and investment-friendly minerals. EverBlu presented the case for an amendment to the terms of

the Original Mandate and the Board concluded that given the transformative nature of the GTT Acquisition, the complexity of the transaction and the opportunity to realise substantial shareholder gains, an amendment to the terms of the Original Mandate was commercially justified. The material differences between the Original Mandate as disclosed in the Prospectus and the New Mandate are set out in the table below:

	Original Mandate	New Mandate
Date	1 January 2018 (“ Commencement Date ”)	1 March 2019 (“ New Commencement Date ”)
Term	18 months from the Commencement Date, with an automatic extension for a further 12 months unless either party provides notice within 15 months from the Commencement Date that they do not wish to extend.	18 months from the New Commencement Date, with an automatic extension for a further 18 months, if prior to the expiry of the New Mandate, the Company pays or receives consideration pursuant to an Introduced Transaction.
Fees	The Company agreed to pay EverBlu the following fees: (a) management fee of 2.0% of total funds raised under the Prospectus plus GST; (b) capital raising fee of 4% of funds raised under the Prospectus; (c) corporate advisory fee of \$5,000 per month from 1 January 2018 until it was admitted to the Official List on 24 July 2018; (d) post-IPO advisory fee of \$10,000 per month from 24 July 2018 until the expiry or termination of the Original Mandate); and (e) all reasonable disbursements and out of pocket expenses incurred by EverBlu.	The Company has agreed to pay EverBlu the following fees under the New Mandate: (a) for corporate advisory services from 24 July 2018 until the end of the New Mandate: (i) \$10,000 per month; and (ii) an extra \$5,000 per month commencing from when the Company first pays or receives any consideration pursuant to an Introduced Transaction (the Company has been paying the additional \$5,000 since September 2019), (“ Monthly Retainer ”); (b) subject to the prior approval of Company shareholders if required, a Transaction Success Fee (defined below) for each acquisition or disposal by the Company of one or more assets, companies and/or businesses, which is introduced to the Company by EverBlu (each an “ Introduced Transaction ”); (c) 6% of the value of the consideration payable for an Introduced Transaction (“ Transaction Value ”) (“ Alternate Transaction Success Fee ”) for which any Company shareholders’ approval under (b) above is either rejected or otherwise not obtained by the Company within 3 months after the consideration for that Introduced Transaction is actually paid by or to the Company, in which case the

		<p>Transaction Success Fee is not owed for that Introduced Transaction;</p> <p>(d) 2% of the amount raised under a corporate advisory activity or capital raising (“Proposed Transaction”) (“Management Fee”);</p> <p>(f) 4% of the amount raised under a Proposed Transaction (“Capital Raising Fee”).</p> <p>EverBlu may, in its sole discretion, determine that part or all of a Monthly Retainer, Alternate Transaction Success Fee, Management Fee and Capital Raising Fee will be paid out of the proceeds received by EverBlu under the New Mandate.</p> <p>“Transaction Success Fee” means the issue to EverBlu of that number of shares in the Company calculated by dividing 6% of the Transaction Value of the Introduced Transaction by either:</p> <p>(a) the issue price of shares issued in conjunction with a capital raising undertaken in relation to the Introduced Transaction; or</p> <p>(b) the 20 day VWAP of shares on the ASX immediately prior to the Introduced Transaction being completed.</p>
<p>Non-cash remuneration</p>	<p>The Company agreed to issue 2.5 million options exercisable at \$0.20 each on or before 19 July 2022 (Broker Options).</p>	<p>None. The Company has already issued the Broker Options.</p>
<p>Right of Refusal</p>	<p>The Company granted EverBlu a right of first refusal in respect of any transactions undertaken by the Company for a period of 6 months from the end of the Original Mandate (“First Refusal End Date”).</p>	<p>The Company agreed that it would not pursue a Proposed Transaction or obtain services from another firm that are the same or similar to the services provided by EverBlu, for a period of 6 months from the New Commencement Date.</p>
<p>Non-Circumvention</p>	<p>The Company would be liable to pay EverBlu the fees and expenses set out above in respect of any transaction or capital raising entered into either:</p> <p>(a) by the Company prior to the First Refusal End Date; or</p> <p>(b) with a counterparty introduced to the Company by EverBlu, provided that a counterparty shall be deemed to have been introduced to the Company by EverBlu if the fact that the Company was looking for additional capital or similar</p>	<p>This term is unchanged by the New Mandate.</p>

	services is made known to that party by EverBlu.	
Termination Rights	EverBlu may terminate the Original Mandate with or without cause by written notice. The Company has no termination rights.	This term is unchanged by the New Mandate other than to say that the New Mandate was automatically extended until December 2020 by virtue of EverBlu introducing the GTT Transaction

On 12 August 2019 the Company announced that the GTT Acquisition had been approved by shareholders and the completion of a \$2.6 million capital raise in support of the GTT Transaction (**Capital Raising**). For the purposes of the New Mandate, the GTT Acquisition was deemed to be an “Introduced Transaction” and accordingly, EverBlu, following shareholder approval being obtained at the meeting on 9 August 2019 (**General Meeting**), were issued the Transaction Success Fee and triggered the extra \$5,000 increase pursuant to section (a)(ii) as set out in the table above.

The Company had not previously announced the terms of the New Mandate because the changes, in the view of the Company, were not material to shareholders and investors and would have no effect on its market price or value of shares. Furthermore, the New Mandate was not disclosed in the notice of meeting for the General Meeting because, while the Company did not specifically disclose that the Original Mandate had been amended to include this concept of an “Introduced Transaction”, in the view of the Company at that time, the fact that the Company disclosed that EverBlu were entitled to a fee for introducing the GTT Transaction, together with an explanation of what the quantum of that fee was, was sufficient for the purposes of shareholders making an informed view of how to vote on resolutions which concerned issues of securities to EverBlu in consideration for services provided under the New Mandate. The Company did, however, disclose that EverBlu were entitled to a fee equal to 6% of the value of the GTT Transaction (i.e. the Introduced Transaction Fee) and obtained shareholder approval for each issue of securities issued pursuant to the New Mandate, including as it relates to the GTT Transaction.

The total amounts paid by the Company to EverBlu under the Original Mandate and the New Mandate are set out in the table below:

	Period	Amount paid (excl. GST)	Securities Issued
Original Mandate			
Monthly retainer	January 2018 – February 2019	\$105,000	-
Capital Raising Fees	Pre-IPO	\$35,250	2,325,000 Unquoted Options (\$0.30, 6 February 2020) ¹
Capital Raising Fees	IPO (July 2018)	\$300,000	2,500,000 Unquoted Options (\$0.20, 19 July 2022)
Capital Raising Fees	Entitlement Issue (November 2018)	\$20,000	4,500,000 RFRO Quoted Options (\$0.30, 31 October 2021)
New Mandate			
Monthly Retainer ³	March – September 2019	\$75,000	-
Success Fee ⁴	August 2019	-	2,850,000 Shares
Success Fee ⁴	August 2019	-	1,425,000 Unquoted Options (\$0.20, 27 August 2022)
Monthly Retainer ³	October 2019	\$15,000 ²	-

Advisory Fees ⁵	August 2019	-	10,000,000 RFRO Quoted Options (\$0.30, 31 October 2021)
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Notes:

1. These Options were issued to persons associated with EverBlu Capital, who were seed investors in the Company's pre-IPO capital raising.
2. Subject to shareholder approval, this cash amount is proposed to be capitalised into fully paid ordinary shares in the Company at a conversion price of \$0.20 each as agreed between the Company and EverBlu under the Deed of Acknowledgement.
3. Payable in accordance with the terms of the New Mandate for the provision of ongoing corporate advisory services, including capital raising services and marketing assistance, under the New Mandate.
4. Payable in accordance with the terms of the New Mandate for the finding of an Introduced Transaction (refer to resolutions 10 and 11 of the notice of general meeting dated 9 July 2019 for further details around the shareholder approval obtained for the issue of these securities).
5. Issued in consideration for corporate advisory services provided by EverBlu Capital as approved by shareholders at the general meeting held 9 August 2019.

PROPOSED CAPITALISATION OF CASH FEES OWING AND TO BECOME OWING TO EVERBLU CAPITAL

Pursuant to a deed of acknowledgement dated 11 November 2019 ("**Deed of Acknowledgement**"), the Company has agreed, subject to obtaining shareholder approval, that the outstanding Monthly Retainer fee owing to EverBlu as set out in the table above, together with half of the Monthly Retainer fee for the next 14 months, being \$105,000 (representing the period until the end of the New Mandate), will be converted into fully paid ordinary shares in the capital of the Company at a deemed issue price per share of \$0.20 (representing a substantial premium to the current share price of \$0.08 and having a significantly less dilutive effect on the capital structure).

The rationale for this upfront capitalisation of fees is that the capitalisation represents a commercially attractive means of satisfying the ongoing monthly fees under the New Mandate whilst preserving the Company's cash position. Capitalising half of the Monthly Retainer Fee that will become owing for the next 14 months is intended to minimise the amount of cash that would otherwise be payable to EverBlu under the New Mandate, thereby preserving the Company's cash position. The agreement by EverBlu to take a portion of their fees as shares at the share placement price of \$0.20/share represents a reduction in value to EverBlu given the current share price and allows a greater allocation of the Rafaela's cash balance to the Company's operations, thereby delivering greater value to all shareholders. The alternative would be to accept a lower total raise (being the cash element only) and using this reduced balance to meet the ongoing committed EverBlu monthly fees under the New Mandate. The Board is strongly of the view that the agreement reached with EverBlu represents a materially better proposition for the Company and all shareholders. The Deed of Acknowledgement also provides that in the event that the Original Mandate is terminated prior the expiry of the term, the Company shall be permitted to undertake all things and acts necessary to unwind the issue or cancel that portion of the Shares which have been issued to EverBlu in lieu of future amounts owing, but for which no services under the Original Mandate have been provided.

Subject to shareholder approval, EverBlu has agreed to contribute \$104,000 in cash to the Capital Raising at an issue price of \$0.20 per Share, thereby taking the total amount received under the Capital Raising to \$2.6 million.

The composition of the Capital Raising is set out in the following table.

Capital Raising	A\$	Shares Issued at \$0.20/share
Funds received from sophisticated and institutional investors	\$2,220,000	11,100,000
EverBlu cash contribution	\$104,000	520,000
EverBlu capitalisation of 6% capital raise fee on \$2.6 million	\$156,000	780,000
EverBlu capitalization of one month accrued advisory fees and	\$120,000	600,000

50% of 14 months remaining monthly corporate advisory fees		
Total	\$2,600,000	13,000,000

Given that the Company's share price is currently trading at or around \$0.08 per share, the value of this arrangement is seen as positive to RFR shareholders and justifies the prepayment of the corporate advisory monthly retainer.

The capitalisation of fees and EverBlu's participation of the Capital Raising remains subject to shareholder approval. Details of a shareholder vote to approve the terms will be issued shortly and will be the subject of a separate Company announcement.

RFR SECURITIES CURRENT HELD BY THE EVERBLU & BLUMENTHAL PARTIES AND

At the request of ASX, the Company wishes to advise that the EverBlu and the Blumenthal Parties have the following interests in the securities of the Company (as at 21 November 2019):

	Shares	Voting power (%)	Options ²
EverBlu and associates¹			
Australian Share Nominees Pty Ltd	690,675 ^(a)	0.98%	189,584 ^(a)
Anglo Australasia Holdings Pty Ltd	2,825,000 ^(b)	4.01%	1,591,667 ^(b)
Anglo Menda Pty Ltd	3,642,000 ^(c)	5.17%	1,008,335 ^(c)
Atlantic Capital Holdings Pty Ltd	2,150,000 ^(d)	3.05%	15,142,309 ^(d)
Phillip Street Holdings Pty Ltd	-	-%	-
EverBlu Holdings Pty Ltd	-	-%	-
EverBlu Capital Pty Ltd	750,000 ^(e)	1.06%	2,500,000 ^(e)
Pacific Continental Holdings Pty Ltd	380,812 ^(f)	0.54%	25,000 ^(f)
Adam Blumenthal	-	-%	-
Annabelle Shamir	222,000 ^(g)	0.32%	174,000 ^(g)
Other parties³			
Darrin Blumenthal (brother of Adam Blumenthal)	-	-%	-
Horatio Street Pty Ltd (controlled by Darrin Blumenthal)	1,175,000 ^(h)	1.67%	591,667 ^(h)
Suburban Holdings Pty Ltd <The Suburban Super Fund A/C> (controlled by Alvin and Debra Blumenthal, father and mother of Adam and Darrin Blumenthal)	4,976,698 ⁽ⁱ⁾	7.07%	333,334 ⁽ⁱ⁾

Notes:

1. Refer to Form 604 lodged pursuant to section 671B of the *Corporations Act* on 9 October 2019.
2. Terms of Options comprise: unlisted options exercisable at \$0.30 expiring 6 February 2020; unlisted options exercisable at \$0.20 expiring 19 July 2022; listed options exercisable at \$0.30 expiring 31 October 2021; unlisted options exercisable at \$0.20 expiring 27 August 2022.
3. These parties have not been deemed to be associates of EverBlu and accordingly are not included in the above Form 604.

^(a) 125,000 shares acquired pre-IPO on 28 February 2018; 565,675 shares net on market purchases at various dates. 150,000 unlisted options exercisable at \$0.30 expiring 6 February 2020 acquired pre-IPO on 6 February 2018 as part of the Original Mandate Capital Raising Fee Options (as detailed above); 256,893 listed options exercisable at \$0.30 expiring 31 October 2021 acquired on 7 November 2018 as part of entitlements issue; 4,500,000 listed options exercisable at \$0.30 expiring 31 October 2021 acquired on 16 November 2018 as part of the Original Mandate Capital Raising Fee Options (as detailed above); 4,717,309 listed options exercisable at \$0.30 expiring 31 October 2021 net on market sales at various dates.

^(b) 2,025,000 shares acquired pre-IPO on 6 February 2018 & 28 February 2018; 800,000 shares acquired at IPO at 18 July 2018. 650,000 unlisted options exercisable at \$0.30 expiring 6 February 2020 acquired pre-IPO on 6 February 2018 as part of the Original Mandate Capital Raising Fee Options (as detailed above); 941,667 listed options exercisable at \$0.30 expiring 31 October 2021 acquired on 7 November 2018 as part of entitlements issue.

^(c) 280,000 shares acquired at IPO at 18 July 2018; 3,362,000 shares net on market purchases at various dates. 1,008,335 listed options exercisable at \$0.30 expiring 31 October 2021 acquired on 7 November 2018 as part of entitlements issue.

^(d) 2,150,000 shares acquired as part of the New Mandate Success Fee Shares on 27 August 2019 (as detailed above). 425,000 unlisted options exercisable at \$0.20 expiring 27 August 2022 acquired as part of the New Mandate Success Fee Options on 27 August 2019 (as detailed above); 10,000,000 listed options exercisable at \$0.30 expiring 31 October 2021 acquired as part of the Advisory Fee Options on 27 August 2019 (as detailed above); 4,717,309 listed options exercisable at \$0.30 expiring 31 October 2021 net on market purchases at various dates.

^(e) 750,000 shares net on market purchases at various dates. 2,500,000 unlisted options exercisable at \$0.20 expiring 19 July 2022 acquired at IPO on 18 July 2018 as part of the Original Mandate Capital Raising Fee Options (as detailed above).

^(f) 125,000 shares acquired pre-IPO on 28 February 2018; 255,812 shares net on market purchases at various dates. 25,000 listed options exercisable at \$0.30 expiring 31 October 2021 acquired on 7 November 2018 as part of entitlements issue.

^(g) 200,000 shares acquired at IPO at 18 July 2018; 22,000 shares net on market purchases at various dates. 174,000 listed options exercisable at \$0.30 expiring 31 October 2021 acquired on 7 November 2018 as part of entitlements issue.

^(h) 900,000 shares acquired pre-IPO on 6 February 2018 & 28 February 2018; 275,000 shares acquired at IPO at 18 July 2018. 391,667 listed options exercisable at \$0.30 expiring 31 October 2021 acquired on 7 November 2018 as part of entitlements issue; 200,000 unlisted options exercisable at \$0.30 expiring 6 February 2020 acquired pre-IPO on 6 February 2018 as part of the Original Mandate Capital Raising Fee Options (as detailed above).

⁽ⁱ⁾ 4,976,698 shares net on market purchases at various dates. 333,334 listed options exercisable at \$0.30 expiring 31 October 2021 acquired on 7 November 2018 as part of entitlements issue.

In the event the capitalisation of the Monthly Retainer is approved by shareholders and proceeds as contemplated by the Deed of Acknowledgement, 600,000 fully paid ordinary shares will be issued to EverBlu. Together with EverBlu's subscription under the capital raising (520,000 shares) and the issuance of the corporate advisory fee shares (780,000) (each of which are subject to shareholder approval) as set out in the table above, EverBlu and its associates will increase their voting power in the Company from **16.64%** to a maximum of **17.37%**, assuming no other options are exercised, at which time EverBlu and its associates will lodge a revised Form 604 pursuant to section 671B of the Corporations Act.

Rafaella's Non-executive Chairman Peter Hatfull said: "The Company appreciates the ongoing support of EverBlu and its commitment to ensuring the Company's success. Capitalising fees at the placement price of \$0.20 per share at a time when the Company shares are trading at a significant discount to the placement price, demonstrates EverBlu's belief in the underlying value of the Company and its ability to deliver substantial shareholder returns over the longer term."

¹ Refer to ASX announcement released 27/08/19 "Rafaella Resources completes transformational acquisition of the Santa Comba Tungsten Project".

² Refer to ASX announcement released 12/08/19 "Rafaella shareholders approve acquisition of Spanish tin and tungsten project".

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For further information, please contact:

Rafaella Resources

Steven Turner, Managing Director

Ph: +61 (08) 9481 0389

E: info@rafaellaresources.com.au

Media & Investor Enquiries

Julia Maguire, The Capital Network

Ph: +61 419 815 386

E: julia@thecapitalnetwork.com.au

About Rafaella Resources

Rafaella Resources Limited (ASX:RFR) is an explorer and developer of world-class mineral deposits worldwide. Rafaella owns the Santa Comba tin and tungsten project in Spain, the McCleery cobalt and copper project in Canada, and the Sandstone gold project in Australia. The Santa Comba project is located in a productive tin and tungsten province adjacent to critical infrastructure and the McCleery and Sandstone projects were previously under-explored and hold significant potential.

To learn more please visit: www.rafaellaresources.com.au

Forward Looking Statements Disclaimer

This announcement contains forward-looking statements that involve a number of risks and uncertainties. These forward-looking statements are expressed in good faith and believed to have a reasonable basis. These statements reflect current expectations, intentions or strategies regarding the future and assumptions based on currently available information. Should one or more of the risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary from the expectations, intentions and strategies described in this announcement. No obligation is assumed to update forward looking statements if these beliefs, opinions and estimates should change or to reflect other future developments.