

21 March 2023

Up to US\$300m non-binding Drawdown Offtake Funding Facility Term Sheet to facilitate development of the 3m ounce Bau Gold Project

Highlights

- Up to US\$300m gold pre-purchase and offtake non-binding drawdown funding facility term sheet ('the Facility'), signed with major shareholder Quantum Metal Recovery Inc ('Quantum'), which Besra believes to be one of the largest deals of its kind signed by an ASX listed junior.
- Post-completion the Facility provides up to a US\$300m deposit, to be paid over 30 months against future production ounces, enabling Besra to fully fund production at Bau and the appraisal of other deposits within the Bau goldfield corridor.
- The Facility is expected to remove the need for dilutive equity financing and project/corporate debt encumbering Besra with hedging requirements and/or onerous covenants and is expected to be delivered at up to US\$10m/month.
- Subject to the receipt by Besra of the proposed US\$10m/month, the Facility is to be settled by way of delivery to Quantum of up to 3m ounces of gold according to an agreed percentage of production at an agreed floating gold reference price, but subject to a Floor Price.
- Subject to draw-down under the Facility, Besra will be funded to immediately commence an update of the previous feasibility studies¹ with initial results of this work due in the 2H CY23.
- Upon implementation of a pilot plant and further successful updates to the feasibility studies, Besra plans to utilise the funds raised to commence commercial-scale production within 12-18 months.
- Quantum is one of the largest gold distributors in Malaysia. In its capacity as a bullion dealer (like all other dealers and brokers), Quantum conducts its business by linking bullion buyers with bullion sellers via, inter alia, its long standing consignment agreements and bullion dealing networks. As such, Quantum's bullion acquisition obligations are matched by Quantum simultaneously putting in place back to back contracts or third party purchase agreements sufficient to offset Quantum's bullion purchasing obligations.
- Subject to satisfying all conditions precedent, Besra expects the transaction to be completed within the 2nd Quarter CY23.

¹ Refer Prospectus dated 8 July 2021 Attachment H Independent Technical Assessment Report at 15.4

Besra's Chairwoman, Jocelyn Bennett commented:

"This funding would completely alter Besra's trajectory and provides a clear pathway to gold production at the Bau Project.

At a time when access to capital for emerging gold producers is difficult and typically highly dilutive, the Board is very pleased to have removed this impediment to Besra's growth. We now have a clear line of sight on commencing production at Bau, with our issued capital intact, as well as recourse to little, if any, debt and the restrictive covenants typically required by lenders.

At completion, Besra will have immediate access to funding to advance the Bau Project. We plan to commence an update of the 2013 feasibility study and accelerate our plans to begin pilot production in calendar year 2023. On the exploration front, we will focus on upgrading the quality of our JORC resource by converting a portion of our Inferred ounces into the Measured & Indicated category.

With Quantum's position as a major shareholder, we have a strong alignment between the Company's funding partner and the interests of shareholders. The Facility clearly endorses the long-term viability of Besra's future in Sarawak, where Quantum already has a firm presence. Quantum continues to demonstrate a clear commitment to support our exploration and development strategies in Sarawak and at Bau."

Quantum's Executive Chairman Dato Lim Khong Soon commented:

"We are most pleased to have entered into the agreement with Besra and play a part in continuing the long tradition of gold mining in the Bau region which goes back just over 200 years. As a major shareholder in the Company, we are excited at the potential of the Bau Project which we anticipate this funding will unlock.

We are particularly attracted to the expertise of Besra's Board and executive team as well as the scale of the gold resource at Bau that they and their in country team of locals are working very hard to commercialise. We are very positive on the outlook for gold and this opportunity to secure a material long term supply of gold for our bullion trading business is very propitious."

Funding Agreement

Besra Gold Inc (ASX:BEZ) ("**Besra**" or the "**Company**") is very pleased to announce the execution of a non-binding term sheet for the provision of up to US\$300m gold pre-purchase drawdown and offtake funding agreement ("**Facility**") signed with our major shareholder Quantum Metal Recovery Inc ("**Quantum**"), which upon completion Besra believes to be one of the largest deals of its kind signed by an ASX listed junior. The Facility was negotiated on behalf of the Company by Besra shareholder and advisor, Noblemen Ventures Pty Ltd ("**Noblemen**")².

Key Facility Terms

- Up to 3m ounce gold offtake purchase facility for JORC-2012 gold mineral resources at the Reference Price, less 10%;
- The Reference Price is set at the time of each drawdown and is the 5-day average of the London Metal Market gold price in US\$ per troy ounce and is subject to a floor price of 115% of AISC³ at the time of delivery ("**Floor Price**");
- Up to US\$300m is to be made available to Besra by way of Quantum paying Besra a 5% deposit of the Reference Price on future gold production of up to 3m ounces;

² Noblemen Ventures Pty Ltd is to be paid a 5% commission payable on Besra's drawdown of funds from Quantum. The commission has been agreed by Quantum and will be included in the AISC calculation. Noblemen is a small shareholder (<1%) with no related party or associated party connections to major shareholders or Directors.

³ AISC means the all-in sustaining cost to produce an ounce of gold, including general and overhead administration, depreciation and amortisation of capital, the cost of exploration to replace mined ounces as more particularly described in the World Gold Council Guidance Note on Non-GAAP Metrics.

- Subject to drawdowns under the Facility occurring, funding will be available to Besra at the rate of up to US\$10m per month to be paid into a drawdown account ("**Drawdown Account**") controlled by Besra, with an initial US\$2m immediately available upon execution of the Term Sheet and another US\$3m upon execution of the Facility Agreement;
- Quantum will only secure rights to Besra's future gold production, only in relation to the specific amounts received in the Drawdown Account;
- A 'Delivery payment' to Besra of the remaining 85% of the Reference Price (being the discount of 10% and less the 5% prepaid deposit) at the time of delivery to Quantum of allocated ounces covered by the prior deposit payment;
- Deliveries to Quantum are to be made from all gold produced up to 25,000 ounces, 80% of all gold produced from 25,001 to 120,000 ounces and thereafter 65% of all gold produced (collectively "**Delivery Ounces**"), leaving 35% of gold production unassigned;
- Any funds raised under the Facility are to be used for construction, commissioning and operation of mine site plant and associated infrastructure, renewal of mining leases, feasibility studies, exploration and mining activities, M&A, gold treasury activities, Besra corporate and working capital purposes;
- Besra has agreed to grant in favour of Quantum a first ranking charge over the Drawdown Account and the Delivery Ounces (the "**Security**"); and
- No recourse to Besra should the Bau Project fail.

Upon execution of the Facility Documentation and the first drawdown under the Facility and subject to receiving shareholder approval in accordance with ASX Listing Rule 10.11 (if required), an offtake fee will be paid to Quantum of A\$1m through the issue to Quantum of 11.111m Besra CDIs at a deemed price of A\$0.09 per CDI.

Term

The Facility may be terminated with 3 months' written notice to Quantum ("**Termination Notice**"), in which case Quantum must be paid in cash or gold a US\$ amount equal to:

$$\begin{array}{ccc} \text{Offtake} & & \text{the Reference Price as at the date of the Termination Notice} \\ \text{Ounces yet to} & \text{multiplied} & \\ \text{be delivered} & \text{by} & \text{minus 15\%} \end{array}$$

The Facility may only be terminated (in the manner set out above) upon the earlier of:

- 24 months having passed;
- drawdown of at least US\$240,000,000 under the Facility;
- a 'change of control' with respect to Besra, being any one of the following:
 - acquisition by any person (or any person and their affiliates) as defined in the Canadian Business Corporations Act (**CBCA**) where, directly or indirectly, the common shares in Besra held by that person and their affiliates totals 75.1% or more of Besra's common shares then on issue for the first time; or
 - consummation of a sale of all, or substantially all, of Besra's assets (or the consummation of a reorganisation, merger or other transaction which has substantially the same effect); or
 - an insolvency event with respect to Besra.

The term of the Facility is otherwise until the earlier of delivery of the maximum 3m ounces, or early prepayment of the Facility in full.

Transaction Benefits

Upon completion the Company will have access to staged funding of up to US\$300m, at a rate of up to US\$10m/month, to be used for construction, commissioning and operation of the Bau mine site plant and associated

infrastructure, renewal of mining leases, feasibility studies, exploration and mining activities, M&A, gold treasury activities, Besra corporate and working capital purposes.

Besra will also be able to use the funding to immediately advance the Bau Project in terms of progressing studies, exploration and pilot production activities. These activities are currently being funded by the recently completed A\$5.1m entitlement offer, but with access to significantly more capital the tempo of these activities can materially accelerate.

The Facility is expected to remove the Company's need for dilutive equity financing for project development in particular and the perceived overhang this can cause which often negatively impacts the market's valuation of companies entering the project development stage. The quantum of the Facility also means the Company reasonably expects to commence production at Bau with little, if any, project/corporate debt, thus freeing Besra from the imposition of covenants often associated with debt funding, such as gold price hedging requirements and/or restrictions on dividend payments.

The transaction is structured such that it contains a Floor Price for gold sold to Quantum, ensuring that Besra will not be obliged to deliver ounces on uncommercial terms for the duration of the Facility.

Quantum Metal Recovery Inc.

Besra is pleased to acknowledge the ongoing support of Quantum, a wholly owned subsidiary of Quantum Metal Sdn Bhd. (QMSB). QMSB initially invested in Besra in August 2022 via its subsidiary Quantum Metal Exchange Inc, and has since increased its holding to 27.27% of Besra's issued capital. Post completion, QMSB's holding in the Company will increase to 29.70%.

QMSB is primarily engaged in the supply and trading of precious metal products and is a leading bullion provider specialising in gold. Founded in Malaysia in 2012, it recently acquired the Quantum Metal Exchange Inc. (OTC: QMEI), a company listed on the OTC Markets in the United States.

Quantum already has a firm presence in Sarawak, and the Facility agreement is expected to result in it playing a key role in growing the gold production from the region.

With Quantum as a major shareholder in the Company, Besra is in the enviable position of having a very strong alignment between its equity holders and the financier of its exploration and development activities.

Due diligence

Due diligence undertaken by Besra included being given access to Quantum's executive personnel who facilitated the access to the financial records of Quantum Metal Exchange Inc. and the financial statements and management accounts of Quantum Metal Sdn Bhd.

Besra was further able to review Quantum's established gold consignment agreements with government bodies, banks, financial institutions and merchants for the supply of gold bullion between local Malaysian banks and international bullion suppliers. As a result of these agreements, in calendar year 2022 QMG generated physical gold sales of in excess of A\$296m. In addition, in the same period QMG contracted to place physical gold to the tune of MYR 884,588,999, which equates to revenue of ~A\$1.45b.

Quantum has traded gold bullion for over 10 years and is one of the largest gold distributors in Malaysia. In its capacity as a bullion dealer (like all other dealers and brokers), Quantum conducts its business by linking bullion buyers with bullion sellers via, inter alia, its long standing consignment agreements and bullion dealing networks. As such, Quantum's bullion acquisition obligations are matched by Quantum simultaneously putting in place back to back contracts or third party purchase agreements sufficient to offset Quantum's bullion purchasing obligations.

In that regard, Besra advises that in calendar year 2022 QMG contracted to place bullion to the value of MYR 884,588,999 (~A\$295m) to the Malaysian market (including government bodies, banks, financial institutions and merchants), which equates to revenue of ~A1.45b. Besra notes that pursuant to the Facility, Quantum can deposit up to US\$120m for the first 12 months following completion, this sum equating to only 12.5% of QMG's 2022 revenue of ~A\$1.45b.

Based on Besra's due diligence and for the reasons discussed above, Besra is of the view that Quantum via its existing and prospective worldwide sales channels (particularly in Australia and Malaysia) will continue to increase the demand for additional gold supplies and reserves for it to on sell to its customers. As such, Besra believes that (whilst no guarantee can be provided) Quantum has the capacity to perform their obligations in accordance with the US\$300m Facility terms and conditions.

Feasibility Studies Update

One of Besra's primary objectives is to upgrade and build on previous studies undertaken by Besra, including its 2013 feasibility study (phase 1)⁴.

The work will focus on updating capital and operating cost estimates to reflect cost escalation in the intervening period since publication, as well as the gold price assumptions. Gold prices were <US\$1,300 per ounce at the time of the study's release in November 2013. The Company expects initial results from this work to be available in 2H CY23.

Pilot Plant

In the March 2022 quarter, the Company signed an agreement with Zhengzhou Zhongjia Heavy Industries Co. of China for offsite flotation test work, including crushing, grinding, conditioning and other elements for representative bulk samples from the Jugan Prospect, as well as design plans for a 200tpd pilot plant.

Initial plans for the design of the test plant are under review and together with the procurement schedule are due in the current quarter. Funding available under the Facility will enable the Company to aggressively pursue finalisation of these design plans and commence planning for pilot production. Besra is targeting to be in pilot production at Jugan by the end of CY23 and this is expected to yield useful insights into the metallurgy of Jugan ore, thus mitigating risks ahead of full-scale production.

The Environmental Impact Assessment ("EIA") report supporting pilot production at Jugan was submitted to the Natural Resources and Environment Board Sarawak in December 2022. A determination of the EIA is expected during Q2 2023. At the same time, an application for Early Commencement Works was lodged to undertake drilling activities prior to the determination of the EIA.

Exploration

The Facility envisages the production and sale to Quantum of up to 3m ounces. Besra's Resources currently stand at approximately 991k ounces @1.6 g/t Measured & Indicated and 1989k ounces @ 1.3 g/t Inferred. The delivery of 3m ounces envisaged by the Facility is expected to occur over an extended period of time. Nonetheless the Company is highly focussed on converting a percentage of Inferred ounces to the Measured and Indicated categories and ultimately into Proven and Probable Reserves, as well as pursuing the significant Exploration Potential¹ of the Bau Gold Field corridor.

At Bekajang, a new programme of six holes targeting bonanza, high grade intercepts within the Bau limestone has already been planned. A second phase of deeper reconnaissance, "proof of concept" holes is also envisaged. With the expected dramatic increase in funding, the scope of exploration activity will be reviewed with a broader programme envisaged. Planning for exploration budgets and programmes is expected to commence in the near term, encompassing step out drilling, resource upgrade drilling as well as attacking the Exploration Target ranging between

⁴ Refer Prospectus dated 8 July 2021 Attachment H Independent Technical Assessment Report at 15.4.

87mt-112.9mt @ 1.74g/t – 2.55 g/t for 4.89m ounces – 9.27m ounces⁵ Au (on a 100% basis). It should be noted that the potential quantity and grade of the Exploration Targets is conceptual in nature. There has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration work will result in the estimation of a Mineral Resource.

The JORC Resource at the Bau Project has not been upgraded since 2012. As such, another area of key focus in coming quarters will be an update of the Resource with the results of recent drilling at Jugan and Bekajang, where a total of 3,550m of drilling was completed in 2022. The Company expects to announce the resource upgrade in mid CY23.

Further updates on the activities detailed above will be provided to shareholders over the June quarter and beyond.

Conditions Precedent

The Facility is conditional upon the following conditions precedent being satisfied within 90 days (or such longer period as may reasonably be required):

- shareholder approvals in accordance with ASX Listing Rule 10.1 for both the Drawdown Facility and the Security (which will include engaging an independent expert to report on the transactions);
- ASX and CBCA regulatory compliance and/or approvals, and
- execution of the Facility documentation.

Timetable

Engagement with the ASX and the Canadian regulators will commence almost immediately with respect to ascertaining the requirement for a Shareholders' meeting to approve the transaction and the provision of an Independent Expert Report.

Once all approvals have been received, execution of Facility documentation will proceed quickly. Given that shareholder and other approvals are required, it is the Company's expectation that the transaction will be complete in all respects by the end of the 2nd quarter of 2023.

An indicative timetable is set out below:

- execution of binding agreements - 21 April 2023
- Notice of Meeting (NOM) sent to ASX for review - 28 April 2023
- despatch of NOM - 12 May 2023
- shareholder meeting date - 16 June 2023
- fully operational Facility (including date of first drawdown of US\$10m) - 30 June 2023

About Besra – www.besra.com

Besra is a gold mining and exploration company focused on the exploration and development of the 3m ounce (JORC) Bau Goldfield in East Malaysia. The Bau Project hosts a total gold JORC (2012) compliant Resource Inventory comprising Measured 3.4 mt @ 1.5 g/t for 166.9k ounces, Indicated 16.4 mt @ 1.6 g/t for 824.0k ounces and Inferred 47.9 mt @ 1.3 g/t for 1989.4k ounces⁶.

In addition to the JORC-2012 Mineral Resource, the project has a global **Exploration Target⁷** of between **4.89 and 9.27m ounces of gold @ 1.7–2.5 g/t Au**.

⁵ Refer Prospectus dated 8 July 2021 at 3.11

⁶ Refer Appendix 5B, ASX Release 30 January 2023.

⁷ The potential quantity and grade of the Exploration Targets is conceptual in nature; there has been insufficient exploration to estimate a Mineral Resource and it is uncertain if further exploration work will result in the estimation of a Mineral Resource.

About Quantum Metal Recovery Inc

Quantum Metal Recovery Inc is a wholly owned subsidiary of Quantum Metal Sdn Bhd. (**QMSB**). QMSB is primarily engaged in the supply and trading of precious metal products and is a leading bullion provider specialising in gold. Founded in Malaysia in 2012, it recently acquired the Quantum Metal Exchange Inc. (OTC: QMEI), a company listed on the OTC Markets in the United States.

This announcement was authorised for release by the Chairwoman of Besra Gold Inc.

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Competent Person's Statement

The information in this announcement that relates to Exploration Targets, Exploration Results or estimates of Mineral Resources is based on information compiled by Mr Kevin Wright, a Fellow of the Institute of Materials, Minerals and Mining, a Chartered Engineer, and a Chartered Environmentalist. Mr Wright is a consultant working for Wrightech Engineering, and has been engaged by Besra. Mr Wright has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person under the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'.

Mr Wright has given his consent as to the form and context in which all references to Exploration Targets, Exploration Results or estimates of Mineral Resources disclosed herein.

Disclaimer

This Announcement contains certain forward-looking statements and forecasts concerning future activities, including potential delineation of resources. Such statements are not a guarantee of future performance and involve unknown risks and uncertainties, as well as other factors which are beyond the control of Besra Gold Inc. Actual results and developments may differ materially from those expressed or implied by these forward-looking statements depending upon a variety of factors. Nothing in this Announcement should be construed as either an offer to sell or a solicitation of an offer to buy or sell securities.

Unless otherwise indicated, all mineral resource estimates and Exploration Targets included or incorporated by reference in this Announcement have been, and will be, prepared in accordance with the JORC classification system of the Australasian Institute of Mining and Metallurgy and Australian Institute of Geoscientists.

Disclosure

Prior information contained in this announcement is based on the following publicly available announcements previously lodged on the SEDAR platform:

- *Besra Gold Inc Bau Gold Project Sarawak Malaysia Exploration Target Inventory. Lodged SEDAR Platform Feb 26, 2021;*
- *Besra Bau Project – Mineral Resource and Ore Reserve Updated to JORC 2012 Compliance. Lodged SEDAR Platform Nov 22, 2018; and*
- *Appendix 5B Disclosure released to the ASX on 30 January 2023,*

which are available on <https://www.sedar.com/DisplayCompanyDocuments.do?lang=EN&issuerNo=00001815> or on Besra's website www.besra.com.