

**FORM 51-102F3  
MATERIAL CHANGE REPORT**

**Item 1          Name and Address of Company**

Montauk Metals Inc.  
Suite 200, 82 Richmond Street East  
Toronto, ON M5C 1P1  
Canada

**Item 2          Date of Material Change**

October 5, 2023

**Item 3          News Release**

The press release attached as Schedule "A" was released on October 5, 2023 by a newswire company in Canada.

**Item 4          Summary of Material Change**

The material change is described in the press release attached as Schedule "A".

**Item 5          Full Description of Material Change**

The material change is described in the press release attached as Schedule "A".

**Item 6          Reliance of subsection 7.1(2) of National Instrument 51-102**

Not applicable.

**Item 7          Omitted Information**

Not applicable.

**Item 8          Executive Officer**

Mari Doren  
VP Administration  
1-800-761-2770  
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**Item 9**

October 6, 2023.

## Montauk Metals Provides Further Update on Arbitration Process and Announces Non-Brokered Private Placement

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(Toronto, Ontario, October 5, 2023) – Montauk Metals Inc. (TSX-V: MTK) (the “**Company**” or “**Montauk**”) wishes to announce further updates on the ongoing arbitration brought by the Company against the Republic of Colombia (the “**Arbitration**”) to enforce the Company’s rights to compensation under the Canada-Colombia Free Trade Agreement (the “**FTA**”), as previously described in its news releases of March 27, 2018, February 25, 2019, February 10, 2020, November 23, 2021, and September 1, 2023. Additionally, the Company would also like to announce the terms of a non-brokered private placement financing, open to all existing shareholders of the Company, which is expected to fund the Arbitration.

### Update on Arbitration

Montauk contends that Colombia breached its obligations owed to the Company, including specific obligations under the FTA. The claims include Colombia’s refusal or failure to compensate the Company for the losses incurred as a consequence of Colombia’s prohibition of mining in the páramos (high altitude eco-systems). On March 21, 2018, Galway Gold filed a Request for Arbitration against the Republic of Colombia before the International Centre for Settlement of Investment Disputes (“**ICSID**”).

The Arbitration is being conducted in two phases. Phase One will determine whether the FTA has jurisdiction over this case and whether Colombia has breached its obligations under the FTA and is liable for compensation to the Company. Assuming that Montauk is successful in Phase 1, Phase 2 will involve determining the quantum of damages awarded to Montauk to compensate it for losses incurred. The Company has suffered more than USD \$16 million in sunk costs and total loss of the value of up to USD \$180 million in the Reina de Oro project, as well as legal and arbitration fees. Typically, an arbitral award will include an award of costs payable by the unsuccessful party to the successful party to reimburse it for its legal and arbitration fees.

Certain costs of the proceedings, including legal and arbitration fees, have exceeded the original estimates and the Company has also had to pay Colombia’s 50% share of the arbitration fees. The Company must make an additional payment of US \$200,000 to ICSID before a ruling on Phase One is rendered. As of October 5, 2023 the Company had a cash balance of approximately CAD \$95,000 and a working capital of approximately CAD \$(500,000) (unaudited). If the Company fails to pay the required amount of US\$ 200,000 to obtain a ruling, the Arbitration will be dismissed on November 9, 2023.

The \$200,000 payment to the ICSID Tribunal (the “**Tribunal**”) could result in a favourable judgement. Assuming a successful Minimum Offering at approximately \$0.02 per share as described further below, the potential USD \$16.6M judgement for sunk costs alone can potentially equate to USD \$0.28 per share

as of today's date, and the total judgement may be up to USD \$3.04 per share (see further details on the Minimum Offering below).

Eco Oro Minerals Corp. ("**Eco Oro**") also has an arbitration ongoing against the Government of Colombia under the FTA pending before the Tribunal. In its arbitration, Eco Oro has alleged that Colombia breached its obligations under the FTA in failing to compensate Eco Oro for the losses incurred as a consequence of Colombia's prohibition of mining in the páramos. The prohibition on mining is based upon the same FTA and legislative changes and Colombian Court decisions that Montauk's arbitration claims against Colombia are based on. As such, Montauk management believes that Eco Oro's claims against Colombia may be sufficiently similar to Montauk's claims against Colombia. On September 9, 2021 the Tribunal in the Eco Oro arbitration issued its "Decision on Jurisdiction, Liability and Directions on Quantum" (the "**Decision**"). According to a procedural order issue by the Tribunal, the Tribunal ruled that it had jurisdiction over the claims raised by Eco Oro, and that Colombia acted in breach of Article 805 of the FTA, entitling Eco Oro to damages. The Procedural Order also ordered the parties to file additional submissions in response to certain questions regarding the quantum of Eco Oro's damages. Those questions were directed to be answered within 120 days, although depending on the parties' position, there was the possibility that deadline could be extended, including for an additional 120 days briefing period. After the matter is fully briefed, the Tribunal in the Eco Oro arbitration is expected to render a decision on the amount of damages. The Tribunal's website currently lists the decision on damages as "pending".

The Tribunal considers each case before it on its own facts. The Tribunal in Montauk's arbitration is not bound by any decision made by the Tribunal in Eco Oro's arbitration. Nonetheless, Montauk management believes that the recent Decision issued by the Tribunal in the Eco Oro arbitration finding jurisdiction and liability by Colombia (in an amount to be determined) provides useful guidance in Montauk's arbitration.

Montauk's management is pleased with how the Arbitration has proceeded to date, which has been consistent with Montauk's expectations. The Company cannot guarantee that it will be successful at the Arbitration, or that the estimated amounts will not be revised as the Arbitration proceeds. The Company also cannot guarantee that it will be able to recover all or part of its legal and arbitration costs from the Government of Colombia even if it is successful at the Arbitration. The Company continues to actively seek litigation financing, but cannot guarantee success in this regard, and has thus decided to proceed with a private placement financing to raise the necessary funds, the terms of which are outlined in the section below. Assuming the Company is able to raise the necessary funds for a ruling on Phase One, the ruling from the Arbitral Tribunal would be expected on or about the first quarter of 2024. Assuming success at Phase One, further funding will likely be required at Phase Two, and the Company will attempt to seek litigation funding for this purpose, but cannot guarantee success in this regard. The final outcome of the Phase One Arbitration, and the eventual outcome of the Phase Two Arbitration, cannot be predicted at this time. Management of the Company will continue to provide updates on material developments of the status of the Arbitration.

**RISK DISCLOSURE STATEMENT:** At the present time, the Company's payment obligations are substantially in excess of its cash balances and it has no other assets. The Company is not solvent and cannot continue as a going concern. Trading in shares of the Company and any investment in the Company is highly speculative. No trading in securities of the Company or investment should be made without being able to lose the entire amount of such funds. See below, "Cautionary Note Regarding Forward-Looking Statements". Investors are advised to seek professional advice before making any decision to trade in or invest in the securities of the Company.

**Non-Brokered Private Placement Financing**

The Company intends to complete a non-brokered private placement financing (the “**Offering**”) of between 17,500,000 (the “**Minimum Offering**”) and 37,500,000 (the “**Maximum Offering**”) common shares in the capital stock of the Company (the “**Common Shares**”) at a price of CAD\$0.02 per Common Share for aggregate gross proceeds of between CAD\$350,000 and CAD\$750,000 for the Minimum Offering and the Maximum Offering, respectively. As of October 5, 2023, the Company has 41,627,979 Common Shares issued and outstanding. In the event of a Minimum Offering, the Company is expected to have 59,127,979 Common Shares issued and outstanding, representing an increase of 42%. In the event of a Maximum Offering, the Company is expected to have 79,127,979 Common Shares issued and outstanding, representing an increase of 90%. The Company continues to actively seek litigation financing concurrently with the private placement.

The Offering is open to shareholders of the Company. The offering to shareholders is subject to the exemption for existing shareholders (the “**Existing Shareholder Exemption**” as described in Section 2.9 of Ontario Securities Commission Rule 45-501 - Distributions to Existing Security Holders). The Company will also offer securities under the ‘accredited investor’ exemption and other exemptions available to the Company. The Existing Shareholder Exemption is available to shareholders residing in all Canadian provinces. Subscriptions may be accepted from shareholders outside of Canada with evidence that there is a comparable or otherwise applicable exemption permitting the subscription in that jurisdiction.

Shareholders of the Company as at October 4, 2023 (the “**Record Date**”) are eligible to participate in the Offering under the Existing Shareholder Exemption. Any person who becomes a shareholder of the Company after the Record Date is not permitted to participate in the Offering using the Existing Shareholder Exemption, but may still participate under other exemptions available to them. Shareholders who became shareholders after the Record Date should consult their professional advisors when completing their subscription form to ensure that they use the correct exemption.

There are conditions and restrictions when relying upon the Existing Shareholder Exemption, namely, the subscriber must: a) be the Company’s shareholder on the Record Date, b) be purchasing the Common Shares as a principal and for their own account and not for any other party, and c) not subscribe for more than \$15,000 of securities from the Company in any twelve-month period. In the event that a subscriber wants to subscribe to more than the \$15,000 value of securities then they may do so provided they have first received 'suitability advice' from a registered investment dealer. In this case subscribers will be asked to confirm the registered investment dealer's identity and employer.

The Offering will remain open until 4:30 PM (Toronto time) on October 26, 2023, subject to earlier cut-off if the Offering is over-subscribed or in the event of a material change in the affairs of the Company. Subscriptions will be accepted by the Company on a 'first come, first served' basis. Therefore, if the Offering is over-subscribed, it is possible that a shareholder's subscription may not be accepted by the Company even though it is received within the Offering period. Additionally, in the event of an imbalance of large subscriptions compared to smaller subscriptions, management reserves the right in its discretion to reduce large subscriptions in favour of smaller shareholder subscriptions. A subscription will be deemed to be received by the Company when a completed subscription form, together with payment of the subscription price in prescribed form, has been received by the Company. The Offering may be closed in one or more tranches as subscriptions are received. Commissions and/or finder's fees may be paid in respect of this Offering. The securities issued pursuant to the Offering will be subject to a statutory hold period of four months and one day.

The Company intends to use the net proceeds from the Offering to fund the Arbitration, and for general working capital purposes. The net proceeds received from the Minimum Offering are expected to be used for the following corporate purposes:

1. to fund the ongoing Arbitration, in particular by paying to ICSID the arbitration fee advance requested by ICSID of USD \$200,000 (as of October 5, 2023, approximately CAD\$274,200) necessary to render a ruling on Phase One of the Arbitration, with a buffer of approximately \$6,000 to account for fluctuations in currency exchange rates between the closing of the Offering and the payment of the fees to Colombian authorities; and
2. for working capital purposes, including the general and administrative deficit of approximately \$500,000.

The net proceeds received from the Maximum Offering after payment of issue costs and finder's fees/commissions, if any, are expected to be used for the following corporate purposes:

1. to fund the ongoing Arbitration, in particular by paying to ICSID the arbitration fee advance requested by ICSID of USD \$200,000 (as of October 5, 2023, approximately CAD \$274,200) necessary to render a ruling on Phase One of the Arbitration, with a buffer of approximately \$6,000 to account for fluctuations in currency exchange rates between the closing of the Offering and the payment of the fees to Colombian authorities;
2. for working capital purposes, including the general and administrative deficit of approximately \$500,000; and
3. to fund Phase Two of the Arbitration, by paying future legal costs which cannot be determined at this time, and for general corporate and working capital purposes.

If the Offering is not fully subscribed then management of the Company will determine the allocation of net proceeds in excess of the Minimum Offering to be in the best interests of the Company.

### **How to Participate in the Private Placement**

To participate in this private placement shareholders and interested investors must complete a subscription form and return the completed subscription form plus payment in prescribed form for the total purchase price payable to Montauk Metals Inc. to the offices of its legal representatives Peterson McVicar LLP. Funds will be held in trust by Peterson McVicar LLP until the closing date and the issuance of securities to investors.

Subscription forms are available from Peterson McVicar LLP, Solicitors to the Company at 110 Yonge Street, Suite 1601, Toronto, ON M5C 1T4, by email request to [alunyov@petelaw.com](mailto:alunyov@petelaw.com) or directly by contacting the Company at 1-800-761-2770 or at [mdoren@galwayinc.com](mailto:mdoren@galwayinc.com).

The Offering is subject to certain conditions including, but not limited to, the receipt of all necessary approvals, including the approval of the TSX Venture Exchange ("TSXV") and applicable securities regulatory authorities. The Company intends to close the Offering on or around October 26, 2023.

This news release does not constitute an offer to sell or a solicitation of an offer to buy any of the securities in the United States. The securities have not been and will not be registered under the United States Securities Act of 1933, as amended, (the "U.S. Securities Act") or any state securities laws and may not

be offered or sold within the United States or to or for the account or benefit of a U.S. person (as defined in Regulation S under the U.S. Securities Act) unless registered under the U.S. Securities Act and applicable state securities laws or an exemption from such registration is available.

**Montauk Metals Inc.**

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**Cautionary Note Regarding Forward-Looking Statements:** *This News Release includes certain “forward-looking statements” which are not comprised of historical facts. Forward-looking statements include estimates and statements that describe Montauk’s future plans, objectives or goals, including words to the effect that Montauk or management expects a stated condition or result to occur. Forward-looking statements may be identified by such terms as “believes”, “anticipates”, “expects”, “estimates”, “may”, “could”, “would”, “will”, or “plan”. Since forward-looking statements are based on assumptions and address future events and conditions, by their very nature they involve inherent risks and uncertainties. Although these statements are based on information currently available to Montauk, Montauk provides no assurance that actual results will meet management’s expectations. Risks, uncertainties and other factors involved with forward-looking information could cause actual events, results, performance, prospects and opportunities to differ materially from those expressed or implied by such forward-looking information. Forward looking information in this news release includes, but is not limited to, the status of the Arbitration, the merits and the associated costs of continuing the Arbitration, the availability of funding for continuing the Arbitration, the expected timelines for Arbitration decisions and outcomes, the expected proceeds, timing and the use of proceeds from the Offering, and the Company’s ability to operate an active business assuming an unfavourable result from the Arbitration. Factors that could cause actual results to differ materially from such forward-looking information include, but are not limited to: the inability to reinstitute the Arbitration for any reason; costs of the Arbitration for amounts which are in excess of anticipated amounts; an inability to fund the Arbitration on terms which are economic or at all; an inability on the part of the Company to succeed on Phase One and Phase Two of the Arbitration and the resulting failure to recover damages in respect of the termination of the Reina de Oro project with a complete loss of all costs incurred in respect of the Arbitration; any change in the legal landscape which could render the Company’s pursuit of the Arbitration more or less promising; any change in the legislation, policy and/or jurisprudence of Colombia and/or Canada which could impact the ability of the Company to recover damages in respect of the termination of the Reina de Oro project; an inability to close the Offering on the terms announced, in a timely fashion or at all, including an inability to raise the amount under the Minimum Offering; failure to obtain regulatory approvals for the Offering, including the approval of the TSXV; fluctuations in currency exchange rates diminishing the ability to use of the proceeds of the Offering as described; political risks; uncertainties relating to the availability and costs of financing needed in the future; changes in equity markets; inflation; changes in exchange rates; fluctuations in commodity prices; assuming an unsuccessful result at the Arbitration, the Company may have no commercial operations and has no history of profit, while retaining significant liabilities in connection with the Arbitration; risks of a material adverse change to the Company’s ability to develop its properties or generate revenue due to an unfavourable result at the Arbitration; the ability to continue as a going concern assuming an unfavourable result at the Arbitration; and those risks set out in Montauk’s public documents filed on SEDAR+. Although*

*Montauk has attempted to identify important factors that could cause actual actions, events, or results to differ materially from those described in the forward-looking information, there may be other factors that cause actions, events, or results not to be as anticipated, estimated, or intended. There can be no assurance that forward-looking information will prove to be accurate. The forward-looking information contained herein is presented for the purposes of assisting investors in understanding Montauk's plans, objectives, and goals and may not be appropriate for other purposes. Accordingly, readers should not place undue reliance on forward-looking information. Montauk does not undertake to update any forward-looking information, except in accordance with applicable securities laws.*

*Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.*