

Contango Holdings Plc / Index: LSE / Epic: CGO / Sector: Natural Resources

3 July 2024

Contango Holdings PLC
("Contango" or the "Company")

Definitive Agreements Signed for Investment into and
Part Purchase of Muchesu Coal Project

- Binding Agreements entered into with Huo Investments (Pvt) Limited (the "Investor") to become the largest shareholder and operator of Muchesu
- The Investor will invest up to US\$20m in Muchesu and acquire a 51% equity ownership stake
- The Investor will invest US\$2m in Contango
- Contango to be granted a production royalty in relation to Muchesu

Contango Holdings Plc, a company focused on the development of the +2 billion tonne Muchesu coal project in Zimbabwe ("**Muchesu**") owned by its 74.75% subsidiary, Monaf Investments (Private) Limited ("**Monaf**") is pleased to confirm it has now entered into binding transaction agreements (the "**Definitive Agreements**") with Huo Investments (Pvt) Limited, the investment vehicle of Mr Wencai Huo, a Zimbabwe-based Chinese national with extensive mining and business investments in Zimbabwe and Southern Africa.

This milestone follows completion of the Investor's due diligence process, following on from the Term Sheet entered into with Mr Huo (the terms of which were announced via RNS on 17 June 2024).

Further details of the Definitive Agreements, completion of each of which is conditional upon completion of the others, are provided below.

Purchase of a 51% equity stake in Muchesu

The Investor has entered into an agreement under which new ordinary shares in Monaf will be issued to the Investor so that, following completion, the Investor shall own 51% of the enlarged share capital of Monaf. The Company's interest in Monaf will be diluted by these arrangements, but it is expected that the minority shareholders of Monaf will maintain their respective percentage holdings of the issued share capital of Monaf. This investment is subject standard regulatory approvals in Zimbabwe and following completion, Contango will have enshrined rights to maintain the appointment of two directors on the board of Monaf.

Subscription Agreement with Contango

The Investor has entered into a subscription agreement with the Company to subscribe for 142,000,000 new ordinary shares ("**Subscription Shares**") at a price of £0.0111 pence per share ("**Subscription Price**"). As a result the Company will receive £1,576,200 (US\$2,000,000) of new funding ("**Subscription**") which will be applied towards general working capital purposes. Following the Subscription, the Investor will hold 142,000,000 ordinary shares in the Company resulting in a holding of approximately 20% of the enlarged share capital following the Subscription. The Subscription is conditional on, amongst other matters:

- i) admission of the Subscription Shares to the Official List and the London Stock Exchange
- ii) completion of the other Definitive Agreements.
- iii) the issue by the Company of a Short Form Prospectus to provide headroom to issue the Subscription Shares (preparation of the Short Form Prospectus is well advanced and expected to be submitted for review to the regulator in the near term)

Mineral Royalty Agreement

Monaf and Contango have entered into a mineral royalty agreement (the "**Mineral Royalty Agreement**"), which will become effective immediately following the disposal of the Company's 51% interest in Monaf and the waiver/cancellation of the mineral royalty agreement entered into between Monaf and the Company in favour of Consolidated Growth Holdings Limited on 24 July

royalty agreement entered into between Monaf and the Company in favour of Consolidated Growth Holdings Limited on 24 July 2020. Royalties will be awarded on gross production at Muchesu, for the life of mine, as follows:

- i) US\$2 royalty per tonne in relation to thermal coal production
- ii) US\$4 royalty per tonne in relation to industrial coal production
- iii) US\$8 royalty per tonne in relation to coking coal production

(collectively the "**Production Royalties**"). Production Royalties are to be paid to the Company on a monthly basis in arrears. The Mineral Royalty Agreement also confirms the Company will be paid a minimum of US\$2 million per annum, irrespective of the level of production following an initial 6-month holiday.

Revolving Facility Agreement

The Investor has entered into a revolving facility agreement (the "**RFA**") with Monaf pursuant to which the Investor will provide revolving, unsecured debt finance of up to US\$20 million to Monaf for the purpose of funding the development of operations at Muchesu. Funds advanced under the RFA will rank pari passu with the loans already provided by the Company to Monaf (currently standing at approximately US\$20 million, the "**CGO Debt**") and after a grace period of 18 months the RFA will be repayable over 10 years. Any payments made by Monaf to the Investor pursuant to the RFA will require Monaf to make an equal payment to the Company, until such time as the Company has been repaid the CGO Debt in full.

Carl Esprey, Chief Executive Officer of Contango, commented:

"I am delighted to confirm the signing of the Definitive Agreements, which I believe will materially transform the Company for the better. We have secured a supportive and strategic shareholder in the plc and also attracted material investment into the Project. This significant investment in infrastructure, mining and processing capacity is expected to unlock the potential of the world class Muchesu Project.

"Having worked hard to establish the framework of a deal, which was encapsulated in the Term Sheet entered into last month, the speed at which we have now entered Definitive Agreements is highly encouraging and highlights the focus from both sides on getting things moving from an operational standpoint. With the Definitive Agreements now signed, our collective focus is on both the mobilisation of additional equipment to site and also the execution of offtake arrangements, leading to regular and material production and sales.

"I look forward to providing further updates as appropriate."

****ENDS****

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