

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

29 November 2024

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

**Operational, Financial and Corporate Update**

Contango Holdings Plc, a company focused on unlocking value from the +2 billion tonne Muchesu coal project in Zimbabwe ("Muchesu"), has the following update in relation to operational, financial and corporate matters.

**Definitive Agreement Updates with the Investor**

The Company noted on 3 July 2024 that it had entered into a number of binding transaction agreements ("Definitive Agreements") with Huo Investments (Pvt) Limited (the "Investor"). An update on the status and developments of these agreements are as follows:

1. The Investor signed a Subscription Agreement to subscribe for US 2,000,000 new ordinary shares in the Company ("Subscription"), conditional on the Company publishing a Short Form Prospectus ("SFP"), to allow it to issue more than 20% of its issued share capital in a 12-month period. Following the publication of annual financial statements and audit report for the year ending 31 May 2024 ("FY2024") on 22 November 2024, the Company will now be in a position to finalise the SFP and seek approval from the FCA for its publication and consequent closing of the Subscription. The Investor will be the largest shareholder of the Company following the Subscription, thus being aligned with existing shareholders. The Investor has already advanced 1,000,000 to the Company.
2. The Company and the Investor are finalising the change in ownership of Monaf Investments (Private) Limited ("Monaf"), the subsidiary that holds the Muchesu project. The Company will reduce its holding from 74.75% to 23.75% in Monaf with the investor taking a majority holding of 51%. In consideration of obtaining a controlling position in Monaf, the Investor will commit a minimum of US 20,000,000 through a Revolving Facility Agreement ("RFA") to invest and expand operations at Muchesu. Also, the Investor has entered into a Mineral Royalty Agreement ("MRA") with the Company so that Contango shall earn a royalty on coals produced. Both the RFA and MRA are nearing completion having sought the requisite approvals, as appropriate, in Zimbabwe. The Company previously announced that the Investor has already committed material investment at Muchesu to date under the RFA, whilst these documents are pending completion. This has brought forward the development of Muchesu and underlines the highly collaborative relationship between the Investor and the Company.

**Operational Update**

As announced on 31 October 2024, the Investor has made material investments at Muchesu, most notably through:

- i) the construction of a 3,000 tonne per day Dense Media Separation ("DMS") Plant; and
- ii) the significant expansion of the open pit to enable higher mining and processing capacity.

The DMS installation is now complete. Testing and calibration has been underway since mid-November and the Company expects production and processing to commence imminently. As previously reported the DMS plant has been calibrated to process readily available coking coal. Under the MRA, a royalty of US 8 per tonne is payable to Contango for washed coking coal on a monthly basis in arrears.

The Investor has also ordered a second DMS plant under the RFA, which is expected to be delivered to site during Q1 2025, ahead of subsequent assembly and testing. This will coincide with further capital investment to unlock additional revenue streams from Muchesu coal.

## Financial Update

The Company's working capital position will be improved following the receipt of funds from the Subscription (which is subject to the SFP), which the Company expects to close imminently and the receipt of an additional 1,000,000 in December 2024 under the terms of the minimum annual royalty payment in the MRA. The Company is proposing to use these funds to fund the Company's general working capital and repay loans outstanding.

Under the MRA, the Company will be paid a minimum of US 2,000,000 per annum, with additional amounts to be paid based on the amount of coal produced at Muchesu. The Investor has confirmed an inaugural royalty payment of US 1,000,000 will be made in December 2024, with a second minimum US 1,000,000 expected around the end of Q1 2025. Thereafter the additional royalty payments to the Company will be in line with operational productivity at Muchesu.

Contango previously funded the development of Muchesu through loans to Monaf. These loans equate to approximately US 20,000,000. It has been agreed with the investor and enshrined in the RFA that these loans from Contango will be repaid by Monaf on a 50-50 basis with the US 20,000,000 currently being lent to Monaf by the Investor for the development of Muchesu. For the avoidance of doubt, this debt repayment to Contango from Monaf is in addition to the royalty payments owed to Contango under the MRA.

## Corporate

As a result of the transaction with the Investor, Contango will transition into a cash generative royalty company with no direct exposure to the operating and capital expenditures at Muchesu. The Company has undertaken a significant cost rationalisation in recent months and aims to maintain a "lean" cost structure. The Board's total remuneration is £120,000 per annum, whilst other costs (including a nominal local workforce and public company corporate costs) are now budgeted to approximately £300,000 per annum going forward. The Company expects to generate cash flow from royalties under the MRA, as well as from repayment of the US 20,000,000 loan to Monaf and will look to implement a significant dividend policy once the Company's balance sheet is in a stable and healthy position.

### Carl Esprey, CEO of Contango, commented:

*"The Company is now looking forward to lifting the suspension and for the shares to resume trading. We are approaching a very busy period for the company with closing the Subscription and the Definitive Agreements. We are also hugely excited to see activity at Muchesu increase once again and we are confident that the mine will be in a position to deliver on its operational objectives moving forward."*

*"The recent period has been demanding of both the management and shareholders and we believe that better days are ahead and wish to thank all the supportive shareholders for their patience and support for the relaunch of Muchesu."*

**\*\*ENDS\*\***

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