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## ASX Announcement

13 December 2022

ASX Code: COY

### Agreement to Sell Papua New Guinea Projects

Coppermoly Limited (**ASX: COY** or the **Company**) advises that it has entered into a legally binding share purchase deed (**SPA**) for the sale of all of the shares in its wholly owned subsidiary, Copper Quest PNG Limited (**Sale Shares**) (**Copper Quest**), the holder of the Company's exploration licences in West New Britain in the Independent State of Papua New Guinea (**PNG**), to Ever Leap Services Limited (**Buyer**) (the Company's largest shareholder) (**Proposed Sale**).

The Proposed Sale follows the outbreak of COVID-19 and resulting restrictions on travel and disruption to exploration activities over the last few years and will enable the Company to focus on its highly prospective grounds for copper gold and critical minerals in the Eastern Successions of Mt Isa, Northwest Queensland where management can more effectively progress exploration activities.

The consideration for the Proposed Sale comprises the buy-back and cancellation by the Company of approximately 1,955,024,388 fully paid ordinary shares in the Company (**Shares**) held (or to be held) by the Buyer and certain other major Shareholders and directors (**Buyback**), together with a cash payment to the Company of \$500,000.

As such, the Proposed Sale will also help to address any perceived concentration of voting power in the Company, with the hope that this will facilitate greater interest and financial support of the Company from the Australian financial community, reducing financial reliance on a few key shareholders.

The Proposed Sale is subject to, among, other things, Shareholder approval and other usual regulatory approvals, further details of which are contained in the Key Term Summary contained in this announcement and will be further documented in a notice of meeting seeking Shareholder approval for the Proposed Sale, which is expected to be dispatched in late February/ early March.

The Company's Managing Director, Dr. Wanfu Huang, said

"Having considered all of the options of progressing projects in PNG and Australia, the Board is pleased to reach an agreement with the major shareholders. This agreement would encourage the major shareholders to continuously fund the Company's PNG projects, and allow the Company to focus on exploring our large tenement area in the prospective Eastern Succession of Mt Isa. Meanwhile it provides a significant opportunity for the Company to rebalance our share register to be more attractive to Australian investors".

## Background

The Company currently has an interest in the following mineral exploration licenses:

Project	Expiry Date	Area	Location
<b><u>Australia</u></b>			
EPM27835 Fox Creek	4 October 2026	320km <sup>2</sup>	Queensland, Australia
EPM27836 Mount Tracey	7 March 2027	294km <sup>2</sup>	Queensland, Australia
<b><u>Papua New Guinea</u></b>			
EL 1043 Mt Nakru <sup>1</sup>	7 December 2022 <sup>2</sup>	47km <sup>2</sup>	West New Britain
EL 2379 Simuku <sup>1</sup>	10 September 2021 <sup>2</sup>	122km <sup>2</sup>	West New Britain
EL 2514 Mak Mak	11 September 2021 <sup>2</sup>	61km <sup>2</sup>	West New Britain
EL 2578 Kori River	24 February 2023	396km <sup>2</sup>	West New Britain
EL 2638 Metelen River	17 May 2022 <sup>2</sup>	246km <sup>2</sup>	West New Britain

The Company's exploration territory in PNG is highly prospective for large, porphyry style and shallow felsic dome hosted, copper-molybdenum-gold deposits with substantial mineral resources already defined at Mt Nakru and Simuku, which are two of the Company's most advanced projects.

The Company's exploration tenements in Queensland cover substantial prospective ground for copper gold and critical minerals in the Eastern Succession, Mount Isa Inlier, northwest Queensland.

With the outbreak of the COVID-19 pandemic in early 2020 and the subsequent travel restrictions imposed by the governments of numerous countries, including Australia and PNG, the exploration and development of the PNG Tenements has been significantly disrupted.

As a result, the Company has been pursuing opportunities to diversify its project portfolio to include assets in jurisdictions where the Company's management can progress exploration activities with less exposure to travel and logistical disruption (and cost) and to mitigate the geo-political risk of having assets solely in PNG.

Given the above, the Company has made the decision to dispose of the PNG Tenements and, following consideration of alternative options, the Company entered into the SPA with the Buyer to implement the Proposed Sale.

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<sup>1</sup> As at the date of this Notice, Coppermoly has a 72% interest in EL 1043 Mt Nakru and EL 2379 Simuku, together known as the West New Britain Projects (**WNB Projects**), which were previously subject to a farm-in agreement with Barrick, and for which Barrick still holds a nominal 28% interest, which Coppermoly has a binding agreement to acquire, completion of which will be affected on the payment of a further \$4.5 million to Barrick within 6 months following the commencement of commercial production at the WNB Projects.

<sup>2</sup> As at the date of this Notice, Coppermoly has submitted renewal applications for these tenements in accordance with the regulatory processes prescribed by the PNG Mining Act.

## Future strategy and plans and Change in Directors

The Directors intend that, following Completion, the Company will continue to undertake exploration activities on its Australian projects and, in addition, pursue opportunities to diversify its project portfolio.

As at the date of this Notice of Meeting, the directors of the Company are as follows:

**Dr Wanfu Huang - Managing Director (appointed 11 March 2015)** – Dr Huang, PhD, MSc, BSc, has more than 20 years experience in the exploration industry. He has held numerous positions in the industry, covering base metals, gold, iron ore, coal and bauxite in Australia and overseas. Dr Huang is a member of the Australasian Institute of Mining and Metallurgy (AusIMM).

**Kevin Grice - Non Executive Director (appointed 15 July 2014)** – Mr Grice, BComm CPA, is a successful finance executive with significant experience with listed and unlisted exploration companies. He has held Chief Financial Officer and General Management positions.

**Jian Xuan - Non Executive Director (appointed 5 March 2015)** –

Mr Xuan, BSc, is a finance professional based in Shanghai China. He has held various senior executive roles in the private and listed Groups and is currently Director of Shanghai Fuyuan Investments Limited.

As the terms of the SPA provide that Mr Jian Xuan must resign as a director of the Company following Completion of the Proposed Sale (**Completion**), the Company will need to consider the appointment of an additional director to complement the existing skillset of Directors and ensure continued compliance with the minimum of three (3) directors following Completion.

## Key Terms of Proposed Sale

The SPA is between, among others, the Company, the Buyer and a number of the Company's major shareholders (**Major Shareholders**) and several directors of the Company (**Directors**), and contains the following terms:

(a) **Consideration:** The purchase price comprises:

- i. \$500,000 payable to the Company on Completion (**Cash Amount**);
- ii. the Buyer, the Major Shareholders and the Directors buying back and cancelling their Shares.

(b) **Conditions Precedent:** Completion is subject to various conditions precedent being satisfied before 30 April 2023 (or such later date as the parties agree in writing), including:

- i. the Company having obtained shareholder approval for:
  - A. the acquisition and cancellation of all of the Shares held by the Major Shareholders and the Directors (**Buy-back Shares**);
  - B. the transfer of the Sale Shares to the Buyer, including for the purpose of Listing Rule 10.1; and
  - C. the variation to the number of Shares to be issued to Jade Triumph International Limited (**Jade Triumph**) under the terms of the convertible note held by it **Jade Convertible Note Agreement**) (from 60,000,000 to 170,000,000) (the **Jade Triumph Conversion Shares**);
- ii. various regulatory approvals, including:
  - A. Copper Quest having obtained shareholder approval for the transaction under section 110 of the Companies Act (PNG);
  - B. the Deed and this transaction being approved by the Minister for Mining in PNG for the purposes of the Mining Act (PNG);
  - C. the Company being satisfied that ASIC and ASX have issued or provided consents or approvals, or have done other acts or things, which have not been withdrawn or revoked before Completion, that the Company considers necessary or desirable to give effect to this

transaction and the Deed;

D. such other consents and approvals from government agencies that the Company and Buyer agree are desirable; and

iii. the Company, the Buyer and Barrick (PNG Exploration) Limited (**Barrick**) entering into a deed of novation to novate the Company's obligations and interest in the re-acquisition deed between the Company, Copper Quest and Barrick, to the Buyer, pursuant to which the Company guaranteed Copper Quest's obligation to pay Barrick \$4,500,000 on the commencement of production.

(c) **Resignation:** As part of the Completion obligations, Mr Jian Xuan is expected to resign as a Director of the Company.

The SPA also contains various representations, warranties and negative covenants usual for a transaction of this sort. To facilitate implementation of the Proposed Sale, Jade Triumph has agreed to a six (6) month extension of the Jade Triumph Convertible Note, to facilitate the calling of the necessary meeting to convert the Jade Triumph Convertible Notes into Shares.

### Effect on Capital Structure

The number of Shares to be bought back include approximately 1,769,570,023 Shares on issue as at the date of this announcement, together with the 170,000,000 Jade Triumph Shares to be issued as part of the conversion of the Jade Triumph Convertible Note and any further Shares to be issued to the Directors (expected to be 5,151,455 in lieu of Directors fees per Director, subject to Shareholder approval) which are held as follows:

Shareholder Name	Buy-back Shares (Pre-Conversion)	% Pre Conversion	Buy-back Shares (Post-Conversion)	% Post Conversion
Ever Leap Services Limited	924,742,508	42.15%	924,742,508	38.86%
Shanghai Fuyuan Investments Limited	404,170,658	18.42%	404,170,658	16.99%
Shenzhen Beilite Jades Limited	364,444,444	16.61%	364,444,444	15.32%
Jade Triumph International Ltd	40,000,000	1.82%	210,000,000	8.83%
Mr Jincheng Yao	16,109,075	0.73%	21,260,530 <sup>3</sup>	0.89%
Mr Zule Lin	14,345,057	0.65%	19,496,512 <sup>3</sup>	0.82%
Mr Jian Xuan	5,758,281	0.26%	10,909,736 <sup>3</sup>	0.56%

The primary effect of the Proposed Sale is to reduce the number of Shares on issue and to increase the proportionate interest of Coppermoly's remaining Shareholders.

<sup>3</sup> Includes 5,151,455 Shares expected to be issued in lieu of Directors fees, subject to Shareholder approval.

The below table sets out the effect of the Proposed Sale on Coppermoly's capital structure if Completion of the Proposed Sale occurs, including the number and percentage of Shares on issue as at the date of this announcement and in the event that Completion occurs.

Description	As at 12 December 2022	Post Proposed Sale
Coppermoly Shares Total	2,193,956,929	424,386,906
Coppermoly Shares (excluding Buyback Shares)	424,386,906 (19.34%)	424,386,906 (100%)
Coppermoly Options	Nil.	Nil.
Coppermoly Convertible Notes	170,000,000 <sup>4</sup>	Nil.

### Substantial Shareholders of Coppermoly

As at the date of this Notice, the Major Shareholders hold the following fully paid ordinary shares in Coppermoly (Shares):

Major Shareholder	Coppermoly Shares Held	%
Ever Leap Services Limited	924,742,508	42.150%
Shanghai Fuyuan Investments Limited	404,170,658	18.422%
Shenzhen Beilite Jades Limited	364,444,444	16.611%
Jade Triumph <sup>5</sup>	40,000,000	1.823%
<b>Total securities held</b>	<b>1,733,357,610</b>	<b>79.006%</b>

As noted above, the consideration payable for the Proposed Sale is the cancellation of Shares held by the Buyer and certain other major shareholders and directors by the Company, and a payment to Company of the Cash Amount.

As a result, immediately following Completion, it is believed that the following Shareholders will have Voting Power in the Company of five percent (5%) or more in the Company:

Holder of Voting Power	Coppermoly Shares Held	%
Dr Wanfu Huang	108,580,702	25.59%
Barrick Australia Pty Ltd	73,201,447	17.25%
Mr Ma Piwu	52,737,609	12.43%
Mr Joseph Tullio	33,417,627	7.87%

### Other.

The ASX has previously advised the Company that, based solely on the information provided to it, and on the basis that Shareholder approval will be required pursuant to Listing Rule 10.1 and the relevant provisions of the Corporations Act, which, in turn, requires the preparation and provision of an Independent Expert's Report opining as to whether the Proposed Sale is fair and reasonable to the shareholders whose votes are not to be disregarded, Listing Rules 11.1.2, 11.1.3 and 11.2 do not apply to the Proposed Sale.

The ASX takes no responsibility for the contents of this announcement.

The Company is in compliance with its continuous disclosure obligations.

<sup>4</sup> The Jade Convertible Notes have a face value of \$1,200,000 and have accrued interest of approximately \$625,000 as at 30 June 2022, which convertible notes are proposed to be converted to 170,000,000 Shares (and bought-back) as a condition of the SPA.

<sup>5</sup> As per footnote 4 above.

This announcement has been authorised by the Board.

**For further information, please contact:**

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Managing Director  
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Competent Person Statement

*The information in this announcement that relates to Exploration Potentials is based on information compiled by Dr. Wanfu Huang, who is a Member of the Australian Institute of Mining and Metallurgy (AusIMM), Member Number 333030. Dr. Huang has sufficient experience which is relevant to the style of mineralisation under consideration and to the activities undertaken to qualify as a Competent Person as defined in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves'. Dr. Huang is a full-time employee to Coppermoly and consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*