

PT SEA First Nickel Industry Enters Binding Farm In Agreement for 51% stake in Orokolo Bay Project & takes 9.9% strategic stake in Mayur Resources

23 January 2024

Mayur Resources Limited (ASX:MRL) (**Mayur** or **the Company**) is pleased to advise that it has finalised the funding structure with its partners on the Orokolo Bay Mineral Sands project in Gulf Province of PNG having executed a series of legally binding contractual agreements with PT SEA First Nickel Industry (**PTSFNI**). The executed contractual agreements cover the full funding of the Orokolo Bay project, entailing the construction and operation by PTSFNI of the Orokolo Bay Mineral Sands project. In return PTSFNI shall be provided a 51% equity stake in the project.

PTSFNI is a Nickel, Ferrous, Non-Ferrous and New Energy Materials Development Company with its activities primarily based in Indonesia. The shareholders of PTSFNI and its parent company are involved and responsible for the transformation of Indonesia's downstream processing smelting operations in ferro Nickel and Stainless Steel operations.

PTSFNI have agreed to fully fund the development of the Orokolo Bay project through to annual nameplate capacity output of 400,000 tonnes of Vanadium Titano Magnetite (**VTM**) concentrate, 100,000 tonnes of Dense Medium Separation material, 1,000,000 tonnes of construction sand and 10,000 tonnes of Zircon concentrate (these nameplate capacities having been contractually agreed).*

PTSFNI shall provide all required capital, construction, and operational works ensuring the project is fully funded through to first cashflows. In the event that the development of the Orokolo Bay project to nameplate capacity exceeds A\$25 million, PTSFNI will provide the additional funding to MIPP and receive a priority repayment of that additional amount above A\$25 million.

PTSFNI shall be provided Class B shares in the Company's 100% owned subsidiary Mayur Iron PNG Pte Ltd (**MIPP**), whilst it fulfils its contractual development and funding obligations. Upon satisfactory completion of such obligations and the project successfully achieving 2 successive shipments of VTM (circa 50,000 tonnes per shipment), such Class B Shares shall convert into Class A Shares in MIPP.

PTSFNI also has the exclusive right to earn a 51% equity ownership stake in the four other mineral sands projects that the Company currently possesses (Western, Gulf South, Malalaua and Amazon Bay), subject to further agreement at that time, with such terms intended to be broadly consistent with that adopted for the Orokolo Bay project. The exclusive right is a "right of first refusal" under which PTSFNI has the right but not the obligation to partner on Mayur's four other project areas, with such right to be exercised by PTSFNI not later than 12 months from the date of commercial production from the Orokolo Bay project.

Mayur has also agreed for PTSFNI to become a significant shareholder in the listed parent Company via an off-market placement (within placement capacity under ASX Listing Rules 7.1 and 7.1A), acquiring 9.9% of the Company at a 15% premium to the 30 day VWAP (being A\$0.1912971) prior to the announcement of this Transaction. The metrics of the placement are 33,274,018 shares issued at a price of approximately 22 cents per share (being a 15% premium) for a consideration of AU\$7,320,000. PTSFNI has agreed to make available such funds 30 days from this announcement and have also agreed to hold its Mayur Shareholding in voluntary escrow should funding from the placement proceeds be loaned to MIPP for working capital purposes and such loan remains outstanding.

KEY HIGHLIGHTS OF THE EXECUTED AGREEMENTS

- PTSFNI commits via legally binding Shareholder and Subscription Agreements (**Agreements**) to fully fund the development of the Orokolo Bay project for a 51% equity stake in MIPP. For development costs that exceed A\$25 million, PTSFNI will receive priority repayments for those surplus amounts out of the Project's cash flow.
- PTSFNI shall earn Class B shares in MIPP that shall transfer into Class A shares (Class A shares being issued and fully paid ordinary shares) in MIPP upon meeting predefined milestones, none of which are convertible into Shares in Mayur. The Class B shares are equivalent in all material respects to the Class A shares, other than that they rank in second priority to the Class A shares, and are not able to be converted into Class A shares until the predefined milestones are achieved. Mayur presently holds 100% of the Class A Shares on issue in MIPP.
- PTSFNI rights of being provided Class B and Class A shares for achieving milestones stated in the Agreements are secured by Security Deeds across the MIPP Portfolio (including its subsidiaries). The Security Deeds provide a general security over 51% of the assets and undertakings of each of MIPP and its subsidiary companies, Ortus Resources Ltd, and Mayur Iron PNG Ltd.
- PTSFNI shall be responsible for appointing an arms-length Engineering Procurement and Construction (**EPC**) contractor to build the mineral processing plant.
- PTSFNI shall give consideration to the engagement of a PNG based contract miner and construction subcontractor to complete mining and civil components of the capital construction requirements.
- MIPP may loan working capital from the Company subject to PTSFNI escrowing its shares until such borrowed funds are repaid in full. If funds are not repaid within a mutually agreed prescribed timeframe such escrowed shares may be cancelled. The cancellation of Mayur shares is subject to compliance with the *Companies Act* (in Singapore, being Mayur's domicile) including obtaining necessary shareholder and/or class approvals.
- Working capital expenditure for the provision of expertise by both the Company and PTSFNI shall be allocated via mutually agreed service level agreements.
- All produced Hi Titanium mineral sand material (not allocated in any annual production volumes or forecast economics to date) shall be exclusively provided to PTSFNI for sale or further down stream processing.
- PTSFNI shall provide all required capital, construction, operational works ensuring the project is fully funded through to cashflow sales without any dilution of Mayur Shareholders at the Holding Company level post this Transaction being completed. In the event that the development of the Orokolo Bay project to nameplate capacity exceeds A\$25 million, PTSFNI will provide the additional funding to MIPP and receive a priority repayment of that additional amount above A\$25 million.
- Both Mayur and PTSFNI are to be paid back pro rata their audited capital expenditure in the development of the project, with surplus proceeds being split 51% PTSFNI and 49% Mayur. Mayur otherwise retains 49% of all future profits while PTSFNI receives 51% of all profits.
- PTSFNI to be given opportunity to roll out this development model to the other mineral sands licences in the MIPP portfolio as well as other available projects in the Mayur portfolio i.e. clinker/cement and solar.
- Reflecting the collaborative approach and alignment of interests in the Orokolo Bay Project, both Mayur and the Investor will each appoint two Directors to the Board of MIPP, ensuring balanced representation. The Board of MIPP will consist of no more than four Directors, facilitating efficient decision-making and strategic oversight.
- The Agreements with PTSFNI are governed by the laws of Singapore, being MIPP and Mayur's place of incorporation.

Mayur Chairman, Mr Richard Pegum, commented:

"I am excited in realising the vision of Mayur's Management after a decade of hard work being the 1st of our 5 mineral sands licences we have been developing. The arrangement is such that landowners and local communities will receive material employment directly coupled with the establishment of additional support service businesses. While the agreement minimises the dilution of Mayur Shareholders, it provides PTSFNI with an aligned parent company strategic stake across all of Mayur's divisions being Minerals Sands, Limestone, Quicklime, Clinker/Cement, Power Generation, Renewable Energy, Special Economic Zone, Carbon Credits and Copper Gold.

"PTSFNI will also at the subsidiary level receive a 51% equity stake in the future economics of the Orokolo Bay project and the much larger portfolio of additional mineral sands projects the company has been developing over the last decade. PTSFN having a proven, large-scale track record in Indonesia, just next door to PNG (also in a total greenfield remote environment at an eye watering scale far bigger than the Orokolo Bay project), gave me immense comfort when recently visiting such facilities.

"PNG with the right proven and experienced development partners could also grow into a major downstream processing manufacturing hub. I wish to sincerely thank the local landowners and the PNG Government and Provincial administration for their ongoing support where we can now deliver the infrastructure and social projects we have committed to."

President PTSFNI James Chen PHD, said:

"We have been looking at PNG for several years and have waited to partner with a group that has a proven track record and an advanced but sustainable bulk commodity portfolio of projects. Mayur have demonstrated their capability to originate and bring greenfield projects through the development cycle to the construction ready stage where we can now get involved in a significant way. We feel Mayur and its key management are highly aligned and wish to put our name alongside them as partners and shareholders.

"Our objective is to commence with the Iron and mineral sands portfolio, where value add downstream processing of a comprehensive recovery of iron, titanium and vanadium is one of our strengths. We ultimately see access to domestic steel, a key ingredient for a developing nation such as PNG, as important as, committing to a project where the landscape lends itself to 'long term sustainable post mining industries'. Orokolo Bay has a unique landscape, where post mining land use such as corn plantation, rice plantation and fish farming as well as other agriculture opportunities are immense. These industries shall be established in partnership with landowners and respective local, provincial and state government agencies and shall set the economic foundation of the area, well after mining has ceased.

"Part of the rationale of PTSFNI taking a material position at the parent company of Mayur Resources is they have complementary advanced building material projects in Cement and Lime. In combination with our Iron/Mineral Sands investment the Company will have established essential and critical nation building ingredients of iron and cement that is needed to build and sustain any nation on planet earth, especially PNG as a developing country.

"Our attraction to be involved in PNG's downstream processing building blocks commodity drive, is to replicate the success Indonesia has achieved, transforming its nation with downstream processing and industrial parks. PNG now has the same opportunity with SEZ's, export & manufacture of its own products, replacing imports and generating jobs and wealth internally, rather than draining foreign currency reserves and still importing the most basic of building materials of cement and steel when all the raw materials reside in abundance within PNG.

“Knowing the Company’s Board had already made a Financial Investment Decision on the Orokolo Bay project and announced optimisation of a financing arrangement, we feel our mutual commitment to building high quality impactful projects in PNG can now be realised through this partnership. We look forward this year to being in the construction phase of the Orokolo Bay project with the endeavour of being ready to commission our first ore production.”

The Company notes that it is an issuer of CDIs and accordingly references to Shares in Mayur Resources Limited in this announcement refer to an issue of CDIs interchangeably.

Further information on PTSFNI

PTSFNI is an Indonesian company, registered in 2017 under the law of Indonesia. Mayur and PTSFNI have been in confidential discussions as to this transaction since October 2023 and both parties have undertaken extensive mutual due diligence as to the Orokolo Bay project which have included on-site meetings between Mayur senior executives and PTSFNI in both PNG and Indonesia over the last three months. Although PTSFNI is a private company incorporated in Indonesia, Mayur has confidentially assessed and validated PTSFNI’s financial, technical, and operational capability to complete its present and future obligations to Mayur and MIPP.

ENDS

This announcement was authorised by the Board of Directors of Mayur Resources Limited.

For more information:

Paul Mulder
Managing Director
p: +61 (0)7 3157 4400
e: info@mayurresources.com

Investors and Media
Reign Advisory
p: +61 (0)2 9174 5388
e: mrl@reignadvisory.com

ABOUT MAYUR RESOURCES

Mayur Resources Limited is focused on the development of natural resources and renewable energy in Papua New Guinea. Our diversified asset portfolio spans iron and industrial sands, lime and cement, nature based forestry carbon credits, battery minerals and renewable power generation (geothermal and solar). Mayur also holds a 43% interest in copper gold explorer/developer Adyton Resources, a company listed on the TSX-V (TSXV:ADY).

Mayur's strategy is to serve PNG and the wider Asia Pacific region's path to decarbonisation by developing mineral projects that deliver higher quality, lower cost, and "net zero" inputs for the mining and construction industries, as well as constructing a renewable energy portfolio of solar, wind, geothermal, nature based forestry carbon credit estates, and battery storage.

Mayur is committed to engaging with host communities throughout the lifecycle of its projects, as well as incorporating internationally recognised Environmental, Social and Governance (ESG) standards into its strategy and business practices.

ABOUT PT SEA FIRST NICKEL INDUSTRY

PT SEA FIRST NICKEL INDUSTRY is an Indonesian company, registered in 2017 under the law of Indonesia. The company is focused on new technology development and applications in Nickel, Iron, Vanadium and Titanium. The company has been working together with universities and research institutes to develop new approaches to the extraction and refining of the above metals and turn them into new energy materials. The shareholders of the company are widely engaged as owners and key players in the industrial park developments in Indonesia.

Notes

** The Company notes that the "nameplate capacity" referred to above is a contractually agreed requirement for PTSFNI to develop and commission a mining operation that is capable of achieving such state of performance. The Company notes that the nameplate capacities are derived from the DFS last updated in April 2022, a summary of which is also being released to market on 23 January 2024. All material assumptions underlying these production targets and forecasts continue to apply and have not materially changed.*