

MRL acquires minority interests to consolidate 100% ownership of its power and energy resources portfolio

HIGHLIGHTS:

- **Mayur acquires minority interest in its two power and energy subsidiaries for consideration of 5,720,646 new fully paid shares (Shares¹) in the Company**
- **Transaction consolidates the corporate structure and now takes MRLs ownership of its power and energy subsidiaries to 100%**
- **Power and energy subsidiaries include the Company's coal exploration Licence portfolio in Gulf Province and the Lae EEP power station project**

Mayur Resources Ltd (ASX: MRL) (MRL or the Company) is pleased to announce the acquisition of the remaining minority shareholdings of both Mayur Energy and Mayur Power Generation via a roll up share allocation taking MRL's interest to 100% ownership.

Background

As stated in Mayur Resources' IPO Prospectus (dated 21 July 2017), the Company owned an 89% stake in its two Singapore incorporated subsidiaries, namely MR Energy PNG Pte Ltd and MR Power Generation PNG Pte Ltd. The remaining minority 11% equity stake ('Minority Equity Stake') in these two respective entities was held by the original shareholders ('Original Waterford Shareholders') of Waterford Ltd, the PNG incorporated entity that was acquired by the Mayur group prior to IPO and that holds the Company's exploration licences for coal in Gulf province.

Prior to the IPO, the Company had an option to acquire Waterford Ltd for a consideration of US\$2.5million in cash. Subsequently, the Original Waterford shareholders elected to instead take a 11% ownership stake in the subsidiary companies (MR Energy PNG Pte Ltd and MR Power Generation PNG Pte Ltd), thus this valued the energy and power generation companies collectively in mid-2017 at circa US\$22.7m.

The Original Waterford Shareholders have continued to commit to funding their share of development costs in the energy and power generation subsidiaries, recently making a cash payment of A\$442,304 (this equating to the Minority Equity Stake pro rata share of expenses since the arrangement pre-IPO up until 30 June 2019). During this time the Energy and Power Generation businesses have continued to make demonstrable progress with the following achieved since IPO:

- Continuous dialogue with all government and industry stakeholders for the Lae EEP project
- Completed detailed air modelling studies demonstrating the proposed technology for Lae EEP will drastically improve the current air quality in Lae in terms of Nitrogen Oxide, Sulphur Dioxide and Particulate Matter emissions (versus the use of diesel / HFO)
- Signed a MOA with Morobe Provincial Government to support the development of the Lae EEP

¹ The Shares will be issued in the form of CDIs, which are a form of beneficial interest in the Shares held by CDN (a depositary nominee). The issue of CDIs is necessary to allow investors to trade the Shares on ASX and settle the transactions through CHESS. CDIs give a holder similar, but not identical, rights to a holder of Shares. The terms Shares and CDIs may be used interchangeably.

- Signed a MOA with Gulf Provincial Government to Support the development of the Gulf Coal resources to vertically integrate into the Lae EEP
- Provided PNG Power with formal variations to our PPA proposal relating to requested price tariff reduction initiatives
- Continued intensive stakeholder management and engagement for the Lae EEP Power Purchase Agreement (PPA)
- At PNG Power Limited's written request Mayur has proposed via a Power Purchase Agreement a solution that reduce energy prices by more than 50% of what PNG Power is paying for heavy fuel oil energy and is lower than all the other IPP's power tariffs being offered in the market on the Ramu Grid.
- Secured Environmental Permit for coal bulk sample at Depot Creek (EL1875) – the first in PNG²
- Completed successful regional coal mapping programme
- Completed further field mapping and surface coal outcrop sampling across the coal exploration portfolio in Gulf Province. Numerous coal intersections up to 8 metres in thickness encountered at surface³
- Signed non-binding Letter of Intent for coal offtake⁴
- Set up infill resource/reserve delineation drilling program for execution in 2019
- Received an official letter of support from PNG Ports Chairman for the revised site lease at Lae Tidal Basin following full board review, including a commitment to develop the Lae EEP project alongside Mayur with or without the involvement of PNG Power
- Signed PNG Energy Generation Solutions (PEGS) MOA with National Oil and Gas Company Kumul Petroleum to further expand Mayur's Enviro Energy Park with Gas (as well as other locations around PNG)⁵

Roll Up Consolidation

MRL's acquisition of the Minority Equity Stake in MR Energy PNG Pte Ltd and MR Power Generation PNG Pte Ltd was initially due to be via cash consideration. However, following extensive negotiations, MRL has agreed to roll up the Minority Equity Stake in the two subsidiaries into MRL at an agreed valuation and conversion into MRL Shares.

The agreed valuation for the rollup was firstly based upon reference to the average of the last 2 broker research papers published by Bell Potter (valuing MRL at an average of \$1.15 per share). The underlying value apportioned to MRL's energy and power generation assets in this research was 33.14%.

The above percentage was then applied to MRL's 14-day VWAP per share (being 50 cents per share), thus valuing the energy and power generation subsidiaries at 16.6 cents per share (i.e. 33.14% x 50 cents per share).

The Minority Equity Stake was then calculated by taking 11% of the above valuation allocation per share (i.e. 11% x 16.6) equating to 1.82 cents per share. Applying this figure to the agreed valuation per share (i.e. 1.82/50) then provided an implied value of 3.65% of MRL. This was then applied to the total issued share capital in MRL to arrive at a total consideration for the rollup of the Minority Equity Stake of 5,720,646 Shares in MRL.

² Refer to ASX release dated 18 June 2018 – Bulk Sample Permit Granted

³ Refer to ASX release dated 18 June 2018 – Successful Coal mapping completed

⁴ Refer to ASX release dated 16 October 2018

⁵ Refer to ASX release dated 10 May 2019

The Original Waterford Shareholders have additionally agreed to a voluntary 12-month escrow for 50% of their MRL allocation and a 24-month voluntary escrow for the remaining 50% to demonstrate a commitment to the Company's portfolio approach.

Mr Tim Crossley, CEO of Mayur Energy and Mayur Power Generation said "this non cash consideration transaction is a testament to the confidence others have in MRL, especially a willingness to convert into MRL stock when valuations have not been at all reflective of the progress that has been made across the Company's portfolio. In addition, the fact that a material long term voluntary escrow period was agreed to by these converting minority shareholders adds to the confidence and commitment they have in our vertically integrated nation building strategy. The major Original Waterford Shareholder, Duncan Hardie also has a wealth of experience in the oil and gas and copper gold sectors in PNG and we wish to also explore synergies where and if available, to further refine our focus as a company".

Mr Duncan Hardie, the largest of the Original Waterford Shareholders, said "we see the establishment of energy projects that drastically reduce energy costs across PNG being a major and vital focus for the coming decade and beyond enabling the achievement of GDP growth and improved standard of living and we remain totally committed to this path. PNG is fortunate to have access to coal, oil, gas, solar, biomass, hydro and other renewable resources all of which should be used to lower the power price in PNG and we want to be a part of this. We have continued to watch Mayur progress its linked nation building industrial minerals and energy portfolio strategy and see material unrealised inherent value in such first mover strategy (particularly where vertically integrated industrial mineral projects have access to a low-cost energy solution within PNG). Since our relationship with Mayur commenced, we have twice had the opportunity to divest ownership for a monetary consideration but have preferred a negotiated pathway to gain further exposure to the entire portfolio within the Mayur Resources group of companies.

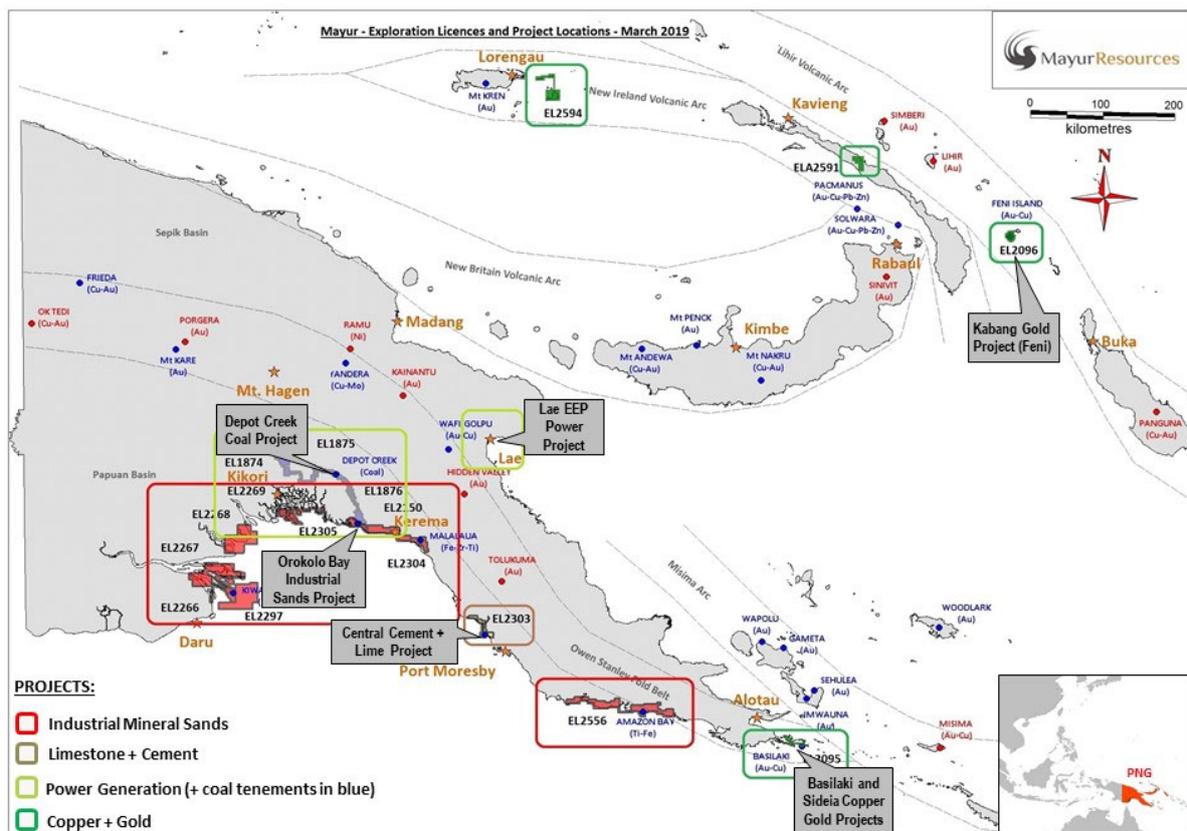
I also feel there is a significant and complimentary opportunity to give consideration to how our respective copper gold projects in PNG could create 'value added synergies' that may involve such combined copper gold asset base."

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About Mayur Resources

Mayur Resources is a diversified mineral exploration and energy development company operating in Papua New Guinea (PNG) across the following divisions:

- (a) **Industrial Mineral Sands (construction sands, magnetite sands, heavy mineral sands).** The Company is advancing the Orokolo Bay Industrial Sands Project along the southern coast of PNG. A pre-feasibility study has been completed which identified an opportunity to establish a project producing fine grain construction sands, titanomagnetite (iron sands) and a zircon-rich Valuable Heavy Mineral Concentrate by-product. The next steps include preparation of a Definitive Feasibility Study and, subject to the requisite regulatory approvals, the construction of a pilot scale demonstration plant.
- (b) **Cement & Quicklime.** The company has completed a DFS for the Central Cement and Lime Project which contemplates, subject to the requisite regulatory approvals, the quarrying of large-scale high-grade limestone deposits together with the development of a vertically integrated downstream processing quicklime and clinker / cement plant for domestic (import replacement) and export markets.
- (c) **Copper and Gold.** The Company holds exploration licences at the Feni Islands in New Ireland Province as well as Basilaki and Sideia Islands in Milne Bay Province.
- (d) **Power Generation.** The Company has proposed a vertically integrated domestic power project at PNG's second largest city of Lae. A detailed Power Purchase Agreement has been submitted to PNG Power, the state-owned power entity, for a 52.5MW (net) power facility (with future scalability to 200MW). A definitive feasibility study has been completed for the Lae project that contemplates the use of multi fuels (Enviro Energy Park) including renewables and potentially coal, subject to the requisite regulatory approvals, from the Company's Depot Creek project in Gulf Province.
- (e) **Coal Exploration.** The Company holds a portfolio of exploration licenses in Gulf Province that includes the Depot Creek Coal project.



Mayur's mineral exploration licence (EL) and project portfolio in PNG