Agreement to acquire strategic shareholding in Neo Performance Materials and cornerstone investment in Hastings by Wyloo Metals

written by Raj Shah | August 26, 2022

August 26, 2022 (Source) – Highlights

- Hastings to acquire a 22.1% strategic shareholding in Neo Performance Materials Inc., a leading global rare earth processing and advanced permanent magnets producer listed on the TSX.
- The acquisition is intended to be funded by a A$150 million cornerstone investment in Hastings by Wyloo Metals, through the issuance of secured, redeemable, exchangeable notes.
- The proposed acquisition provides Hastings with a strategic stake in Neo and exposure to the global downstream processing of rare earth materials into magnets.
- The proposed investment by Wyloo Metals underscores the strategic logic of the acquisition and introduces a globally respected strategic investor to Hastings, aligned with the company's vision to create a leading mine-to-magnet enterprise.
- The acquisition of the Neo stake, and in particular the Wyloo investment, are subject to shareholder approval (50% voting threshold).
- The board of Hastings unanimously supports the transaction

and welcomes the support and strategic investment in Hastings by Wyloo Metals.
- The development of Yangibana remains the key priority for Hastings, with good progress being made on funding initiatives and other key milestones.

Transaction overview

Australia's next rare earths producer, Hastings Technology Metals Ltd (ASX: HAS) ("**Hastings**" or the "**Company**"), is pleased to announce that it has entered into a binding Share Purchase Agreement with an affiliate of Oaktree Capital Management, L.P. ("**Oaktree**") to acquire 8,974,127 common shares in Neo Performance Materials Inc. (TSX: NEO) ("**Neo**"), representing a 22.1% shareholding in Neo (the "**Acquisition**"). Neo is a global leader in the downstream processing of rare earth elements and the production of advanced materials, including permanent magnets.

Hastings is also pleased to welcome Wyloo Metals ("**Wyloo**") as a new strategic investor in the Company. Wyloo is a privately-owned metals company with a focus on investing in the critical mineral supply chain. Wyloo has committed to subscribe for A$150 million of secured, redeemable, exchangeable notes (the "**Notes**") to be issued by Hastings, with the proceeds used to fund the proposed Acquisition (the "**Wyloo Strategic Investment**").

The Acquisition has been agreed at a price of C$15.00 per Neo share, representing a total consideration of C$135m. This equates to a:

- 4.7% premium to Neo's closing share price of C$14.33 per share on Wednesday, 24 August 2022; and
- 2.8% premium to Neo's 10-day VWAP of C$14.60 per share up to and including Wednesday, 24 August 2022.

A summary of the key terms of the Acquisition and Wyloo

Strategic Investment is contained in the Appendix of this announcement.

Transaction rationale

Globally, the challenge of supply chain resilience in the face of ongoing geo-political, COVID-19 and other pressures has brought critical mineral policies to the forefront of governments around the world. Western governments are increasingly focused on securing supply of NdPr and NdFeB permanent magnets from sustainable and strategically aligned supply chains.

Neo is a market leading producer of NdFeB magnets and rare earth materials globally, uniquely positioned as the owner of the only operating commercial rare earth separation and rare metals facility in Europe. Neo is currently accelerating plans to expand its rare earths separation operations in Estonia and construct a new factory in Estonia to manufacture sintered NdFeB permanent magnets.

The proposed Acquisition will provide Hastings with a strategic stake in Neo and exposure to its magnetic materials business, as well as a platform to explore potential partnership arrangements utilising Hastings' Yangibana feedstock in Neo's downstream rare earth operations. Upon completion of the Acquisition, Oaktree's representatives on the Neo board have agreed to step down, and Hastings intends to seek representation which is commensurate with its shareholding. Hastings confirms it has no current intention to make a takeover offer for Neo nor to acquire any more shares in Neo.

Hastings views the Acquisition as the first step in its Hastings 2.0 strategy, to create a fully-integrated mine-to-magnet supply chain business. Wyloo is supportive of this vision and Hastings is pleased to have the support of Wyloo as a strategic partner. The Hastings Board and management team unanimously endorse this

important strategic initiative.

Commenting on the transaction, Hastings' Executive Chairman, Mr Charles Lew, said:

"The acquisition of the Neo stake represents an important strategic milestone for Hastings, providing the Company and its shareholders with a unique opportunity to take further steps towards realising the Hastings 2.0 strategy.

We are also thrilled to welcome the support of and strategic investment by Wyloo Metals. We see Wyloo's commitment to Hastings as an important validation of our strategy and objectives. Importantly for Hastings shareholders, in addition to these important strategic initiatives, we continue to remain focused on the development and funding of Yangibana, and the company continues to advance its plans in this regard."

Wyloo's CEO, Mr Luca Giacovazzi, said:

"Rare earths and the permanent magnets they produce are essential enablers of the energy transition. There is already a shortage of these products, and the upcoming increase in magnet demand will require continued investment. This transaction spans the value chain, from mining to magnet manufacturing, and fits well with our strategy of investing in the stable and secure supply of critical minerals."

Update on Yangibana

The development and financing of Yangibana remains the key priority for the Hastings Board and management team. Good progress has been made on site, as disclosed in Hastings' June Quarterly Report released to the ASX on 28 July 2022.

Hastings continues to progress a range of funding options for Yangibana, including its ongoing discussions with the Northern Australia Infrastructure Facility and other select capital

providers to secure the remaining funding for the project. The Company will update the market on the Yangibana funding plan in due course.

Overview of Neo

Neo is a TSX-listed (TSX: NEO) global leader in the downstream processing of rare earth elements and the manufacture of magnetic materials and advanced rare earth materials. The business is organised into three segments:

- **Magnequench:** NdFeB powders and magnets used in motors and sensors across multiple applications, including EVs;
- **Chemicals & Oxides:** specialty chemicals that enable key functionality and sustainability within applications including environmental catalysts, multi-layer ceramic capacitors, water purification and precursors for permanent magnet powders and magnets; and
- **Rare Metals:** rare metals and compounds used in superalloys, electronics, communications, light-emitting diode lighting and medical markets.

Neo is headquartered in Toronto, Ontario, Canada, with corporate offices in the U.S., Singapore and China. Neo operates globally with sales, research and development, and production across 10 countries,
being Japan, China, Thailand, Estonia, Singapore, Germany, Unite d Kingdom, Canada, United States, and South Korea. The company has approximately 1,860 employees.

Neo recently reported a record result for 2Q 2022 (3 months ended 30 June 2022):

- Revenue of US$168.2m, higher by 24.5% YoY;
- Adjusted EBITDA of US$26.5m, higher by 19.3% YoY;
- Cash balance of US$66.2m; and
- A quarterly dividend of C$0.10 per share was declared

on 11 August 2022.

Overview of Wyloo Metals

Wyloo Metals is a privately-owned metals company with a focus on investing in the critical mineral supply chain. Led by a multidisciplinary team of geologists, engineers and financial professionals, Wyloo Metals manages a diverse portfolio of exploration and development projects and cornerstone interests in a number of public companies. Wyloo has a long-term investment mandate and is focused on producing commodities that support the transition to a low-carbon future.

Overview of process to completion

The Acquisition and the Wyloo Strategic Investment are both conditional upon Hastings shareholder approval for the purposes of Listing Rule 7.1. A notice of meeting will be despatched in due course with a view to the meeting being held in early October.

The acquisition of the Neo stake is also subject to certain Canadian regulatory approvals or notifications which are customary for transactions of this nature.

Hastings currently anticipates completing the Wyloo Strategic Investment and the Acquisition within five business days after the Hastings shareholder meeting, subject to shareholder and required regulatory approvals being obtained.

Advisers

Hastings has been advised on the Acquisition by Barrenjoey as financial adviser and sole arranger of the Wyloo Strategic Investment, and King & Wood Mallesons and Cassels Brock & Blackwell LLP as legal advisers.

About Hastings Technology Metals Limited

Hastings Technology Metals Limited (ASX: HAS) is a rare earths company primed to become the world’s next producer of neodymium

and praseodymium concentrate ("**NdPr**"). NdPr are vital components used to manufacture permanent magnets used every day in advanced technology products ranging from electric vehicles to wind turbines, robotics, medical applications, digital devices, etc.

Hastings' flagship Yangibana Rare Earths project, in the Gascoyne region of Western Australia, contains one of the most highly valued NdPr deposits in the world, with a NdPr:TREO ratio of up to 52%. The site is permitted for long-life production, with offtake contracts signed and debt finance in an advanced stage. Construction is scheduled to take 27 months from Q3 2022.

Hastings also owns and operates the Brockman project, Australia's largest heavy rare earths deposit, near Halls Creek in the Kimberley.

Hastings' global head office is in Perth, Western Australia.

For further information on the company and its projects, visit www.hastingstechmetals.com

Important notices

This announcement contains forward-looking statements which are identified by words such as 'may', 'could', 'believes', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this announcement, are considered reasonable. Such forward-looking statements are not a guarantee of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the directors and management.

No representation or warranty, express or implied, is made by

the Company, or any of its directors, officers, employees, advisers or agents that any intentions, expectations or plans will be achieved either totally or partially and there can be no assurance that the transactions contemplated in this announcement will be completed. Investors are strongly cautioned not to place undue reliance on forward-looking statements. The directors have no intention to update or revise forward-looking statements, or to publish prospective financial information in the future, regardless of whether new information, future events or any other factors affect the information contained in this announcement, except where required by law or the ASX listing rules.

This announcement is also being issued in compliance with Part 3 of National Instrument 62-103: *The Early Warning System and Related Take-Over Bid and Insider Reporting Issues*.

An early warning report with additional information in respect of the foregoing matters will be filed and made available on the System for Electronic Document Analysis and Review (SEDAR) at www.sedar.com under Neo's issuer profile.

Reliance on third-party information

This announcement contains information that has been derived from publicly available sources that the Company believes to be reliable. While the Company believes that such information is reliable, the Company has not independently verified the information obtained from third party sources. Accordingly, no representation or warranty is made as to the accuracy, completeness or reliability of any third-party information and undue reliance should not be placed on any of the third-party information contained in this announcement.

Appendix

Key terms of the Acquisition

Under the binding Share Purchase Agreement, Hastings will

acquire 8,974,127 common shares in Neo (representing a 22.1% shareholding in Neo based on Neo's current issued and outstanding common shares) from OPPS NPM SARL, a fund affiliated with Oaktree Capital Management, L.P., for a total cash consideration of C$135 million, subject to the receipt of Hastings shareholder approval of the Wyloo Strategic Investment and other required regulatory approvals (see below).

If Hastings shareholder approval is not obtained by 17 October 2022 (or a later agreed date) and the Share Purchase Agreement is terminated, Hastings will be liable to pay Oaktree a termination fee of C$5 million. A reciprocal termination fee arrangement has also been agreed with Oaktree, payable in circumstances where a party materially breaches the Share Purchase Agreement.

The Share Purchase Agreement is on customary terms, including as to representations and warranties. Completion of the Acquisition is subject to standard conditions precedent, including Hastings shareholder approval and Canadian regulatory approvals.

Key terms of the Wyloo Strategic Investment

Hastings and Wyloo have entered into a binding subscription agreement in respect of the Wyloo Strategic Investment. Under this agreement, the Notes will be issued by a wholly-owned subsidiary of Hastings ("**Issuer**") on the following key terms:

Term	• 3 years
Face Value	• A$150 million
Coupon	• Annual coupons at a rate equal to BBSY plus 9% • Quarterly payments • Payable in kind though the issue of additional Notes, subject to cash election mechanics

Exchange Rights	• Exchangeable at the option of Wyloo at any time after 60 days from the issue date into fully paid ordinary shares in Hastings
Exchange Price	• Fixed price of A$5.50 per Hastings share (subject to customary anti-dilution adjustments) • 29.7% premium to Hastings' closing share price of A$4.24 per share on Wednesday, 24 August 2022
Redemption Rights	• Redeemable by the Issuer after 2 years in certain circumstances, including where the Hastings share price is greater than 130% of the Exchange Price
Security and Status	• Security over the Neo shareholding • Guaranteed by Hastings on a subordinated basis, ranking behind any current or future debt obligations related to the funding of the Yangibana project
Conditions	• Subject to executing long-form transaction documents and the satisfaction of key conditions precedent: - Hastings shareholder approval - Customary regulatory approvals from ASIC and ASX - Other customary matters including no events of default and no material adverse effect

The Company is subject to exclusivity arrangements precluding it from pursuing or facilitating alternate funding arrangements for the Acquisition, or a transaction which would require Hastings to abandon the Wyloo Strategic Investment, subject to customary fiduciary exceptions.

If Hastings terminates the Wyloo Strategic Investment in order to pursue a superior proposal, Hastings will be required to pay a A$1m reimbursement fee to Wyloo. A reciprocal C$5 million reimbursement fee arrangement has also been agreed with Wyloo, payable only in circumstances where a party materially breaches the Notes subscription agreement causing the Acquisition to be terminated or abandoned by the parties.

Following completion of the Notes issue, Wyloo will be entitled to nominate a director to the Board of Hastings, subject to Wyloo holding an equity interest in Hastings of greater than 12.5% (inclusive of the notional impact of exchanging all of its Notes).

SOURCE Hastings Technology Metals Limited

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