

Metallum transitions to the renewable energy sector with an agreement to acquire an Australian Industrial Solar Company

written by Raj Shah | October 20, 2022

October 19, 2022 ([Source](#)) – Metallum Resources Inc. (TSXV:MZN; OTCQB:MTLLF) (“Metallum” or the “Company”) is pleased to announce that it has entered into a non-arm’s length letter agreement to acquire Waroona Energy Pty Ltd (“Waroona”) which owns 100% of an advanced solar energy project located in Western Australia.

HIGHLIGHTS

- Metallum has entered into an agreement to acquire 100% of Waroona which is developing a 241MW solar farm (the “Project”) located in Western Australia
- The Project is advanced, with development studies completed, an approved connection to the Western Australian power grid (SWIS) as well as all other key permits and approvals in place
- The Project is located in close proximity to other key infrastructure, including a gas pipeline, water pipeline and a skilled workforce which provides the Company with an option to consider green hydrogen as a development option in the future
- Waroona has entered into a collaboration agreement with Frontier Energy Limited (FHE.ASX, “Frontier”), which is

developing the Bristol Springs Renewable Energy Project on a site which borders the Project. This agreement is to share information and conduct certain activities on a combined project basis

- Frontier currently owns approximately 45.5% of Metallum
- Consideration for the acquisition will be 304,500,000 shares in Metallum
- As part of the transaction, the Company intends to raise CAD\$9 million through a Concurrent Financing

Metallum is pleased to announce that it has entered into a letter agreement, dated October 19, 2022 (the “**Letter Agreement**”) with Waroona, which sets out the principal terms upon which the Company will acquire all of the issued and outstanding securities of Waroona (the “**Transaction**”). Waroona owns, indirectly through a wholly owned subsidiary, the Project, which is a solar energy project located in Western Australia.

Waroona is a private limited company incorporated under the laws of Australia. It was established on May 27, 2022 for the purposes of acquiring: (i) a 100% interest in SE Waroona Development Pty Ltd (“**ProjectCo**”); and (ii) the land on which the Project will be developed (the “**Site**”). Waroona acquired all of the issued and outstanding shares of ProjectCo in exchange for a cash payment equal to AUD\$8,500,000, pursuant to a share sale and purchase agreement dated July 14, 2022.

Also on July 14, 2022, Waroona entered into a land purchase agreement, whereby Waroona will purchase the Site for a total purchase price of AUD\$4,033,920 from an arm’s length party to both the Company and Waroona. On execution of the land purchase agreement, Waroona paid a 5% deposit of AUD\$201,695 with the balance of the purchase price (being AUD\$3,832,225) payable on or before July 14, 2024. During this period, Waroona can access the Site to undertake certain preparatory works. The Site, which

comprises a land area of 304 hectares, is shown in the diagram below.



Image 1: Map of the Project and surrounding infrastructure

ProjectCo, which is also a private limited company incorporated under the laws of Australia, was established on November 20, 2018. ProjectCo holds rights to develop a solar energy project on the Site with a proposed capacity of approximately 241 megawatts. These rights are in the form of a development approval granted by the local planning authority, environmental approvals for preparation of the site and an access and connection agreement entered into with Western Power (the operator of the electricity transmission and distribution system in the South West of Western Australia, the South West Interconnected System known as the “SWIS”). Specifically:

- A connection application was made to Western Power in December 2019 under Western Power’s Applications and Queuing Policy, culminating in a formal access offer in August 2022 pursuant to which ProjectCo entered into an Interconnection Works Agreement and Electricity Transfer Access Agreement with Western Power on October 5, 2022. These agreements provide respectively for the carrying out

of the necessary work by Western Power to connect the Project to the grid (the SWIS) and then for the Project's ongoing connection to the grid for the power it generates.

- A Development Approval, the main planning approval, was granted by the Joint Development Assessment Panel of the relevant local governments on 15 November 2022.
- The Native Vegetation Clearing Permit needed for the Site was approved by the Department of Water and Environmental Regulation in September 2020.

ProjectCo's business is to develop the Project to generate electricity which can then be sold either through bilateral power purchase arrangements with users or through sales into the Wholesale Electricity Market operated by the Australian Energy Market Operator (AEMO), which operates on the SWIS.

Renewable Energy industry in WA

The SWIS is Western Australia's main electricity network. Power is supplied over the SWIS through the Wholesale Electricity Market (WEM), which is operated by AEMO.

The Government of Western Australia has announced, in June 2022, that the State's current coal fired power stations will be retired by 2030. AEMO forecasts renewable power generation to comprise at least 70% of the SWIS by 2040 or double the capacity we see today. Specifically, 2,800 MW of new solar capacity is forecast to enter the WEM by 2050.

In order to be able to sell power to WEM market participants, a generator needs to have a connection to the SWIS, which is operated by Western Power. A generator can then sell its power in the WEM through the balancing market on a spot price basis or can contract, on a bilateral basis, under a power purchase agreement (or PPA) to sell power to a user connected to the SWIS at an agreed tariff.

There is an increasing interest from a variety of blue-chip organisations to secure renewable energy from the WEM. A major power purchase agreement was recently finalised between Risen Energy's Merredin solar farm and BHP and more are expected.

Other forms of revenue are available to generators such as through the Essential System Service markets on the basis of its available capacity. The Project can sell energy into the spot market or secure offtake via power purchase agreements and as stated below enter into collaboration arrangements with other renewable providers.

The Project aligns well with the Western Australia Government's Renewable Energy Strategy, which is designed to remove barriers to investment and facilitate access to the WEM for new low-cost and cleaner generation technologies.

Collaboration with Frontier

Waroona has entered into a collaboration agreement with Frontier. Frontier, through a holding company, is currently the largest shareholder of Metallum, holding approximately 45.5% of the current issued and outstanding shares.

Frontier is developing the Bristol Springs Renewable Energy Project on a site which borders the Site. The collaboration agreement provides for Frontier and Waroona to share information and conduct certain activities on a combined project basis. There is no joint venture arrangement or shared ownership under the collaboration agreement and each party is to act in the interests of its own business. The collaboration agreement can be terminated by either party at any time on 30 days' notice.

Financial information

The following summarises key financial information for Waroona

and ProjectCo on a consolidated basis, based on unaudited management accounting information for the period ended 30 September 2022 and selected balance sheet data as of such date (and using an exchange rate of AUD\$1 = CAD\$0.87):

Assets	CAD\$11,188,280
Liabilities	CAD\$3,781,096
Revenue	Nil
Net losses	CAD\$970,917

Financing

The common shares of the Company ("**Metallum Shares**") are listed for trading on TSXV. Prior to or concurrent with completion of the Transaction ("**Closing**") the Company anticipates completing a concurrent financing for gross proceeds of up to CAD\$9,000,000 ("**Concurrent Financing**").

Additional details regarding the terms of the Concurrent Financing, including issue price, and the number of Metallum Shares to be issued, will be announced in a subsequent press release.

Transaction Summary

Under the terms of the Letter Agreement, the Company will acquire Waroona through the issuance of an aggregate of 304,500,000 Metallum Shares to current shareholders of Waroona. As noted, the Transaction is expected to constitute a RT0 and upon Closing it is anticipated that the former shareholders of Waroona will own approximately 51.8% of the shares of the Resulting Issuer (prior to the completion of the Concurrent Financing).

Following completion of the Transaction, the Resulting Issuer will carry on development of the Project conducted by Waroona and ProjectCo.

The terms and conditions outlined in the Letter Agreement are binding on the parties. The Letter Agreement will be superseded by a definitive agreement to be negotiated between the Company, Waroona and the shareholders of Waroona (the “**Definitive Agreement**”).

Change of Business and Reverse Takeovers

The Transaction is subject to the approval of the TSX Venture Exchange (the “TSXV”) and is intended to constitute a reverse takeover (an “**RT0**”) of the Company as defined in TSXV Policy 5.2 – Changes of Business and Reverse Takeovers.

Grant Davey, a director of the Company, is both a director and shareholder of Waroona (holding 11.2% of Waroona’s issued and outstanding shares). Adam Kiley, a director of the Company, is a shareholder of Waroona (holding 1.5% of Waroona’s issued and outstanding shares). Accordingly, the Transaction will not be considered an Arm’s Length Transaction, but rather, it will be considered a Related Party Transaction, as such terms are defined in the policies of the TSXV.

The combined company that will result from the completion of the Transaction (the “**Resulting Issuer**”) will, subject to the approval of the TSXV, have its common shares trade on the TSXV under a new name and new trading symbol to be determined by the parties.

It is anticipated that, on Closing, the Resulting Issuer will meet the TSXV’s initial listing requirements for a Tier 2 technology issuer.

Conditions to be satisfied

The Transaction is subject to a number of conditions typical for a transaction of this nature including:

- as mutual conditions to the obligations of both parties: the Definitive Agreement being entered into; the approval of the Transaction by disinterested shareholders of Metallum; entering into of all escrow arrangements required by TSXV; all necessary consents, approvals and other authorizations of any regulatory authorities or third parties being obtained, including the approval of TSXV for the Transaction and the Concurrent Financing;
- as conditions to the obligations of Metallum: Metallum being satisfied as to the results of its due diligence investigations; Waroona delivering:
 - (i) a current title opinion with respect to the Project; and
 - (ii) a corporate opinion with respect to Waroona and ProjectCo, both in form and substance satisfactory to Metallum, acting reasonably, no material adverse changes in relation to Waroona having occurred; and
- as conditions to the obligations of Waroona: Waroona being satisfied as to the results of its due diligence investigations; no material adverse changes in relation to Metallum having occurred.

Additionally, the Company will comply with the valuation and minority shareholder approval requirements of Multilateral Instrument 61-101 *Protection of Minority Security Holders in Special Transactions*, unless an applicable exemption is available to the Company.

Directors, Management and Insiders of the Resulting Issuer

It is expected that appointments to both the Board of Directors

and the management of the Resulting Issuer will be made in connection with the Closing of the Transaction. Further details of the proposed Board of Directors and the management team of the Resulting Issuer will be provided at a later date.

Sponsorship

Sponsorship of an RT0 is required by the TSXV unless exempt or waived in accordance with TSXV policies. The Company intends to apply for a waiver from the sponsorship requirements. There is no assurance that the Company will be able to obtain such a waiver.

Additional Information

All information contained in this news release with respect to the Company and Waroona was supplied, for inclusion herein, by each respective party and each party and its directors and officers have relied on the other party for any information concerning such other party.

Completion of the Transaction is subject to a number of conditions, including but not limited to, TSXV acceptance and if applicable, disinterested shareholder approval. Where applicable, the Transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the Transaction will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in the management information circular or filing statement to be prepared in connection with the Transaction, any information released or received with respect to the Transaction may not be accurate or complete and should not be relied upon. Trading in the securities of the Company should be considered highly speculative.

The TSX Venture Exchange Inc. has in no way passed upon the

merits of the proposed Transaction and has neither approved nor disapproved the contents of this news release.

About Metallum

Metallum Resources (TSXV:MZN) is developing its Superior Lake Zinc and Copper Project located in Ontario, Canada which has been advanced to the feasibility stage. For more information on the project please visit metallumzinc.com.

For further details about the Company and the Superior Project, please visit the Company's website at metallumzinc.com.

ON BEHALF OF THE BOARD

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Neither the TSX Venture Exchange nor the Investment Industry Regulatory Organization of Canada accepts responsibility for the adequacy or accuracy of this release.

Cautionary Note Regarding Forward-Looking Statements

Certain statements contained in this news release constitute forward-looking statements within the meaning of Canadian securities legislation. All statements included herein, other than statements of historical fact, are forward-looking statements and include, without limitation, statements about the use of the financing proceeds. Often, but not always, these forward looking statements can be identified by the use of words

such as “estimate”, “estimates”, “estimated”, “potential”, “open”, “future”, “assumed”, “projected”, “used”, “detailed”, “has been”, “gain”, “upgraded”, “offset”, “limited”, “contained”, “reflecting”, “containing”, “remaining”, “to be”, “periodically”, or statements that events, “could” or “should” occur or be achieved and similar expressions, including negative variations.

Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any results, performance or achievements expressed or implied by forward-looking statements. Such uncertainties and factors include, among others, whether the financing proceeds will be spent as planned; whether exploration and development of the Company’s properties will proceed as planned; changes in general economic conditions and financial markets; the Company or any joint venture partner not having the financial ability to meet its exploration and development goals; risks associated with the results of exploration and development activities, estimation of mineral resources and the geology, grade and continuity of mineral deposits; unanticipated costs and expenses; risks associated with COVID-19 including adverse impacts on the world economy, exploration efforts and the availability of personnel; and such other risks detailed from time to time in the Company’s quarterly and annual filings with securities regulators and available under the Company’s profile on SEDAR at www.sedar.com. Although the Company has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended.

Forward-looking statements contained herein are based on the

assumptions, beliefs, expectations and opinions of management, including but not limited to: that the financing proceeds will be spent as planned; that the Company's stated goals and planned exploration and development activities will be achieved; that there will be no material adverse change affecting the Company or its properties; and such other assumptions as set out herein. Forward-looking statements are made as of the date hereof and the Company disclaims any obligation to update any forward-looking statements, whether as a result of new information, future events or results or otherwise, except as required by law. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, investors should not place undue reliance on forward-looking statements.