Critical Metals Head of Terms Signed Rental and Proposed Acquisition of Processing Plant

written by Raj Shah | October 10, 2023

October 10, 2023 (Source) – Critical Metals plc, a mining investment company established to acquire mining opportunities in the critical and strategic metals sector, is pleased to announce that the Company has entered into a non-binding term sheet (the "Term Sheet") with inter alia Katanga Strategic Resources and Operations SARL ("Kastro SARL"), pursuant to which Critical Metals will (subject to entering definitive legal agreements) acquire 100% of the Kastro Plant assets (the "Kastro Plant"), a hydrometallurgical plant located in Lubumbashi in the Democratic Republic of the Congo ("DRC") for US$8 million (the "Proposed Acquisition").

Under the Term Sheet, Critical Metals, which owns a 70% interest in the Molulu copper/cobalt project in the DRC, has in principle agreed (subject to completing due diligence), to initially rent the Kastro Plant for a period of six months with the option to extend this lease if required. Under the lease arrangement it is anticipated that Critical Metals will operate the Kastro Plant and use it to process ore from the Molulu Project which is located only 98 kilometers from the Kastro Plant. This allows Critical Metals to increase its margins on the ore from the Molulu Project by being able to sell the higher value-add products that the Kastro Plant produces, as well as giving the Company a product with a wider global market.

The Directors understand that the Kastro Plant has a feed

capacity of 12,000 tonnes per month of copper oxide/cobalt ore. The finished goods production capacity of the Plant is 400 tonnes of LME-grade 99.99% copper cathode and 200 tonnes of LME-grade 30% cobalt hydroxide per month. After a recent visit to the Kastro Plant by experienced process and electrical consulting engineers from South Africa, Critical Metals has identified ways to potentially increase the monthly plant production.

For general sales pricing guidance, the LME copper price is about $8000 per tonne and the LME cobalt price is about $33,000 per tonne.

The Board of Critical Metals believe that the Proposed Acquisition of the Kastro Plant will be transformative for the Company, capable of creating significant shareholder value.

Commenting on the transaction, CEO Russell Fryer said:

"I am absolutely thrilled to have signed the heads of terms to acquire the assets within the Kastro Plant in the DRC. We believe that the best way to increase shareholder value is to be in control of our own destiny and I have signalled to the market several times that Critical Metals was on the cusp of a major plant transaction that is incredibly value accretive to our shareholders. The acquisition of the Kastro Plant would mean the Company gets full value for processing Molulu copper and cobalt ores, thereby ensuring superior margins. The Directors appreciate this is a transformational acquisition which is in line with the Company's aggressive growth strategy of acquiring high quality assets capable of optimising and adding value to the Company's current portfolio.

"The Company has access to funding via the recently announced US$3 million loan facility and, if the Proposed Acquisition proceeds, the Company will look to raise further

debt to finance the Kastro Plant transaction, limiting shareholder dilution. A number of international financial institutions have already expressed an interest in providing this funding although no definitive agreements have yet been reached.

"To further strengthen our balance sheet, we recently announced the copper ore sales agreement with a local buyer to purchase all the copper oxide ore that is ready for sale now, along with copper ore that will be mined between now and the restart of the Kastro plant."

Principal Terms include:

- Critical Metals (or one of its subsidiaries) will pay a total consideration to the Sellers that will equal the amount of US$7.5 million to be settled in cash or wire upon completion subject to the assumptions and conditions below (the "Purchase Price") and a hold back of US$500,000 for claims for 9 months.
- Critical Metals will rent the Kastro Plant for six months (6-months) from the date of lease ("Initial Period") at US$100,000 per month. This total rent amount of US$600,000 will be made available when needed to the owner of the Kastro Plant to meet the cost of refitting and restarting of the plant within 45 days of first drawdown. If the cost of refitting the Kastro Plant exceeds US$600,000, the excess cost will be for the account for the current owner.
- The underlying controller of the Kastro Plant has agreed to enter a 6-month consultancy agreement with the Buyer to assist with operating the Kastro Plant during the initial lease period.
- Critical Metals shall have an option to extend the lease of the Kastro Plant on a rolling monthly basis for up to 6

further months however, the rental for this period is increased to $115,000 per month.

Anticipated Funding and Conditions Precedent

To fund the Kastro Plant asset acquisition, Critical Metals intends to raise debt from a series of financial institutions that have already expressed interest in this transaction. Further to the Company's announcement of 18 September 2023, Critical Metals' management is highly sensitive about shareholder dilution and no equity placement is being contemplated.

There are several conditions precedent to the Proposed Transaction including completion of technical, legal, environmental, and financial due diligence, agreement on definitive legal documentation (including the lease and the asset purchase agreement), Director and regulatory approvals from the FCA in connection with the publication of a secondary prospectus if required.

Timetable

A binding Purchase Agreement for the proposed Acquisition is expected to be entered into on or before 31 December 2023 (the "**Closing Date**") or such later date agreed by the parties.

Although both parties will use reasonable endeavours to reach agreement on the terms of the Acquisition as soon as practicable, at this stage, there can be no guarantee that the Proposed Acquisition will complete, nor as to the final terms of the Proposed Acquisition.

The refitting of the Kastro Plant is forecast to take 45 days once the US$600,000 is made available to the owner of the Kastro Plant. The first copper cathode tonnage is expected to be

produced from the Kastro Plant within 30 days of the completion of the refurbishment.

Further announcements and updates will be made as appropriate in due course.

****ENDS****

For further information on the Company please visit www.criticalmetals.co.uk **or** contact:

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About Critical Metals

Critical Metals PLC has acquired a controlling 100% stake in Madini Occidental Limited, which holds an indirect 70% interest in the Molulu copper/cobalt project, a producing asset in the Katangan Copperbelt in the Democratic Republic of Congo.

The Company will continue to identify future assets that are in line with its stated acquisition objective of low CAPEX and OPEX brown-field projects with near-term production and cash-flow, whilst concentrating on minerals that have strategic importance to future economic growth thereby generating significant value for shareholders.