

# Mkango to Acquire 100% of Both the Songwe Hill Rare Earths Project and Maginito, and Raises £5.52m to Accelerate Its Integrated Mine, Refine, Recycle Strategy

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## Highlights

- Restructuring of Mkango and Talaxis' interests in both the Songwe Hill Rare Earths Project and Maginito simplifies and optimises the Company's ownership structure prior to delivery of the Songwe Hill Feasibility Study, and significantly enhances its growth potential:
  - Mkango to increase ownership of the Songwe Hill Rare Earths Project and of Maginito to 100% in a ?13m share transaction with Talaxis
  - Mkango retains all offtake rights relating to Songwe Hill, Maginito and the 100% owned Pulawy Separation Plant project in Poland
- Complementary ?5.52m fundraising at a 2.9% premium to its five-day VWAP, including a ?700,000 investment by Non-Executive Chairman Derek Linfield
- Mkango is fully funded to complete the Feasibility Study for the Songwe Hill Rare Earths Project, targeted for completion in Q1 2022
- Mkango now positioned to accelerate its integrated Mine, Refine, Recycle strategy with a simplified and vertically aligned ownership structure and enhanced financial flexibility
- Strong market backdrop with accelerating demand for rare earths permanent magnets and increased focus on security of supply and recycling of rare earths

LONDON and VANCOUVER, British Columbia, Aug. 05, 2021 -- [Mkango Resources Ltd.](#) (AIM/TSX-V: MKA) (the "Company" or "Mkango") is pleased to announce that Mkango and Talaxis Limited ("Talaxis"), a subsidiary of Noble Group, have entered into an agreement (the "Agreement") whereby Mkango will acquire Talaxis' 49% interest in Lancaster Exploration Limited ("Lancaster"), which owns the Songwe Hill Rare Earths Project in Malawi ("Songwe Hill"), and Talaxis' 24.5% interest in Maginito Limited ("Maginito"), which holds a 25% interest in rare earths magnet recycler HyProMag Limited ("HyProMag"), for 54,166,666 Mkango shares (the "Transaction"), equivalent to ?13m at the Placing Price (as defined below).

Complementary to the Transaction, Mkango has conditionally raised ?5.52m (?5.29m net of fees) (the "Placing") from new and existing shareholders at a price of ?0.24 (approx. C\$0.42) per share (the "Placing Price"), including a proposed ?700,000 investment by Non-Executive Chairman Derek Linfield.

Completion of the Placing and Transaction are subject to customary closing conditions and the approval of the TSX Venture Exchange ("TSX-V"). Completion of the Transaction and the investments proposed by Mr Linfield and Resource Early Stage Opportunities Company ("RESOC"), another related party proposing to participate in the Placing, are also subject to the approval of the independent shareholders of the Company. One additional investor has also made its participation in the Placing conditional on shareholder approval of the Transaction. Mkango has scheduled its Annual General and Special Meeting of Shareholders (the "Meeting") to approve, amongst other things, the Transaction and the investments by Mr Linfield and RESOC, on 6 October 2021. See "Related Party Transaction, Control Person Approvals and Other Regulatory Matters" below for further discussion.

On completion of the Transaction, Mkango will own 100% of Lancaster and Maginito, in addition to its existing wholly owned interests in Mkango Polska (which is developing a rare earth separation plant in Poland) and three other exploration licences in Malawi, which includes the exciting Mchinji exploration project.

The Transaction is expected to bring significant benefits to the Mkango group, including:

- Consolidation of assets and offtake under Mkango's control, increasing financial flexibility and underpinning the Company's future growth strategy
  - Simplification of ownership structure enhances optionality for Songwe Hill development funding, including the potential introduction of additional strategic investors and development partners
- Restoring 100% ownership over Songwe Hill brings Mkango's structure in line with peers, providing greater transparency for investors
- Increasing ownership of Maginito to 100% provides greater exposure to HyProMag and the rare earth recycling market, which the board expects to have substantial growth potential
- Greater integration between the mining, separation and recycling businesses, increasing synergies along the value chain

The new structure is expected to enable Talaxis to participate in any share price upside as Mkango advances its projects and gives Talaxis exposure to Mkango's other assets, which include the Pulawy Separation Plant (the "Separation Plant") currently undergoing feasibility studies in Poland and Mkango's other exploration licences in Malawi.

Derek Linfield, Non-Executive Chairman of Mkango, stated: "This transaction brings material benefits to both Mkango and Talaxis and strengthens Mkango's position as a future integrated supplier of rare earths.

Talaxis has strongly supported the advancement of Songwe Hill and Maginito since its initial investments in 2017, subsequent to which Mkango has grown downstream, adding investments in recycling (via HyProMag) and the Separation Plant in Poland. At the same time, market conditions for rare earths have improved markedly.

We believe this transaction delivers a better platform to create value and a structure more aligned with the strategies of both companies. We look forward to Talaxis' continued support as we progress towards development of Songwe Hill and our other projects."

Stephen Motteram, Head of Corporate Development for Noble Group, stated: "Talaxis is excited to support this reorganisation and simplification of Mkango's corporate structure. With the increasing electrification of the global economy, Talaxis sees significant growth in the permanent magnet market, especially from EVs and wind power. This corporate reorganisation allows Talaxis to better share in the upside from Mkango's integrated Mine, Refine, Recycle strategy, which includes the recently announced and highly attractive Pulawy Separation Plant project in Poland and Mkango's strategic interest in rare earths magnet recycler, HyProMag. It also increases Talaxis' exposure to Mkango's other assets, such as the highly prospective Mchinji rutile exploration project in Malawi. We look forward to working with management as the Feasibility Study for Songwe Hill and other work streams move towards completion."

## The Transaction

Under the terms of the Transaction, on completion, Mkango will issue to Talaxis 54,166,666 common shares in Mkango (the "Consideration Shares") at the Placing Price, comprising a total consideration of ?13m. The Transaction is subject to approval by Mkango shareholders, as discussed in more detail below under "Related Party Transaction, Control Person Approvals and Other Regulatory Matters". The Company has scheduled its Annual General and Special Meeting of Shareholders for 6 October 2021, to, amongst other things, seek such approval. In connection with and upon completion of the Transaction, existing agreements between Mkango and Talaxis will be terminated. On completion of the Transaction, amongst other things, Talaxis will no longer be required to finance the completion of a Feasibility Study for Mkango's Songwe Hill. Talaxis' funding obligations are currently suspended until the earlier of completion of the Transaction or the Transaction termination date of 29 October 2021.

Upon completion of the Transaction, Mkango will enter into a lock-in deed with Talaxis ("Lock-in Deed") which will provide, amongst other things, that for so long as the Noble Group owns 10% or more of Mkango's shares, Talaxis will be entitled to appoint a nominee to the board of the Company. Talaxis has indicated to the Company that it intends to nominate Stephen Motteram as a director to the Mkango board. Mr Motteram has 25 years' experience in financial institutions and trading houses, specialising in project development, commodities trading, M&A, and corporate restructuring with transaction experience in Australia, China, SE Asia, Africa, South America, Russia and the Middle East. He has worked for Noble since 2011 and is

currently Head of Corporate Development. Mr Motteram holds a B. Agricultural Science (Honours) from the University of Melbourne and an MBA from the Melbourne Business School and Ivey Business School. He is a Member of CPA Australia and a Graduate and Member of the Australian Institute of Company Directors. The appointment of Mr Motteram will be subject to the approval of the TSX-V and the normal due diligence exercise by the Company's nominated adviser.

Following completion of the Transaction and the Placing, Talaxis' shareholding in Mkango will have increased from 11.3% to 32.6%.

#### The Placing

Complementary to the Agreement, Mkango has conditionally raised ₡5.52m (₡5.29m net of fees) from existing shareholders, including Derek Linfield, the Non-Executive Chairman of Mkango and new institutional investors, through the subscription for 23.0m common shares ("New Shares") at ₡0.24per Mkango common share ("Share").

The issue price equates to premiums of 2.9% and 4.8% relative to the trailing five-day volume weighted average price ("VWAP") of Mkango's shares on the AIM and TSX-V, respectively.

The use of proceeds is intended to be used for the completion of the Feasibility Study for Songwe Hill and general corporate purposes, including for feasibility studies at Mkango Polska. Mkango's cash position after the Placing is expected to be approximately ₡5.23m, with an expected additional ₡1.03m of funds to be received following approval of the Transaction and the placing to related parties at the Meeting.

The Placing was unanimously approved by the directors of the Company (other than Mr Linfield who was required to abstain from the vote given his participation in the Placing). Other than with respect to subscriptions being made by related parties, being RESOC and Mr Linfield, as described in more detail below, and an additional investor, the Placing is expected to close on or around 16 August, 2021 and is subject to the receipt of all necessary approvals including the approval of the TSX-V. The placing to related parties will not close until disinterested shareholder approval of such participation is obtained at the Meeting. A subscription for 350,000 New Shares as part of the Placing by an investor who has made its investment conditional on the completion of the Transaction will also not close until after, and dependent on, the approval of the Transaction at the Meeting.

The New Shares will rank pari passu with the existing Shares and application has been made for the New Shares (other than 59.6m New Shares expected to be issued after the Meeting) to be admitted to trading on AIM ("Admission"). It is expected that Admission will become effective and dealings in the New Shares (other than New Shares expected to be issued after the Meeting) will commence at 8:00am on or around 17 August, 2021. The New Shares will be subject to a statutory hold period in Canada expiring on the date that is four (4) months and one day from issuance of the New Shares, and will also be listed for trading on the TSX-V, provided that approval of such listing from the TSX-V is obtained.

In accordance with the Disclosure Guidance and Transparency Rules (DTR 5.6.1R) the Company hereby notifies the market that immediately following Admission, its issued share capital will consist of 153.6m Shares (excluding any New Shares expected to be issued after the Meeting). The Company does not hold any Shares in treasury. Shareholders may use this figure as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in, the Company under the FCA's Disclosure and Transparency Rules.

In connection with the Transaction, Mkango has agreed to pay, at completion of the Transaction, commissions to Bacchus Capital Advisers Limited ("BCA") of 2% of the purchase price payable to Talaxis, equivalent to ₡260,000, of which half will be satisfied in Shares (issued at the Placing Price) and the other half in cash, subject to the approval of the TSX-V. In addition, Mkango has agreed to pay BCA a fee of ₡30,000 in connection with BCA's review of the Transaction and advice to the board. In connection with the Placing, Mkango has agreed to pay, at completion of the Placing, commissions of up to 5% in cash and 2% in non-transferable broker warrants, in each case with reference to cash raised by each of BCA, Shard Capital Partners LLP, Alternative Resource Capital, Merlin Partners LLP and Jub Capital Management LLP. In addition, Shard Capital and Alternative Resource Capital will be entitled to a shared corporate finance fee of ₡5,000. The broker warrants will have a term of 12 months from issue and an exercise price of ₡0.24. The

total number of broker warrants to be issued on completion of the Placing is 239,315. Payment of the commissions (and issuance of the warrants) to the brokers is subject to acceptance of the TSX-V. The Shares issuable pursuant to exercise of the broker warrants will be subject to a statutory hold period in Canada expiring on the date that is four (4) months and one day from issuance of the warrants. SP Angel Corporate Finance LLP, the Company's nominated advisor, will be paid a fee of \$7,500 for corporate finance advice to the Board in relation to the Transaction and the Placing.

#### Lock-In Deed

Under the Lock-In Deed, Talaxis will agree that for so long as it holds 10% or more of the Company's Shares, it will not, during the first 12 months following completion of the Transaction, sell or transfer any of its Shares, other than pursuant to certain limited exceptions. For the second 12 months following Completion, Talaxis will agree to an orderly market arrangement. Also, under the Lock-in Deed, Mkango will agree that for so long as Talaxis holds 10% or more of the Company's Shares, it will not issue, transfer or pledge any new Shares in Lancaster or Maginito to any party who is not an affiliate of the Company without the consent of Talaxis, provided that Mkango will be permitted to pledge the Shares held by it in Lancaster and/or Maginito where the Company, Lancaster, Maginito or any other subsidiary of the Company wishes to raise project or other forms of debt finance.

#### Related Party Transaction, Control Person Approvals and Other Regulatory Matters

Talaxis is currently the holder of approximately 11.3% of the issued and outstanding Shares of Mkango. As such, Talaxis is a Non-Arm's Length Party pursuant to applicable rules of the TSX-V, as well as a "related party" pursuant to Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("MI 61-101"). Pursuant to MI 61-101, the Transaction is subject to disinterested shareholder approval (i.e., approval by a majority of votes cast at the Meeting, excluding any Shares held by Talaxis, its affiliates and joint actors).

The Company is exempt from the formal valuation requirement of MI 61-101 in respect of the Transaction pursuant to section 5.5(b) of MI 61-101 - *Issuer not Listed on Specified Markets*, as no securities of the Company are listed or quoted on the Toronto Stock Exchange, the New York Stock Exchange, the American Stock Exchange, the NASDAQ Stock Market, or a stock exchange outside of Canada and the United States other than the AIM market of the London Stock Exchange.

Following the issuance to Talaxis of the Consideration Shares, Talaxis will own 69.5m Shares, representing an interest of approximately 32.6% of the issued and outstanding Shares of the Company. As a result of it owning 20% or more of Mkango's Shares, Talaxis will constitute a "Control Person" (as defined in the TSXV Corporate Finance Manual). The issuance of the Consideration Shares therefore requires disinterested shareholder approval (i.e., approval by a majority of votes cast at the Meeting, excluding any Shares held by Talaxis, its affiliates and joint actors), which will be sought at the Meeting.

The Placing is integral to the Transaction and therefore the Company intends to rely on the "part and parcel pricing exception" provided for in the policies of the TSX-V.

RESOC has agreed to subscribe for 1,666,666 Shares pursuant to the Placing ("RESOC Investment"). As of the date hereof, and prior to completion of the Placing, RESOC owns 14,333,081 Shares, representing approximately 10.6% of the issued and outstanding Shares. As a result of owning 10% or more of the Shares, RESOC constitutes a "related party" of Mkango (as defined in MI 61-101) and is a Non Arm's Length Party pursuant to applicable rules of the TSX-V. Pursuant to MI 61-101, the RESOC Investment is subject to disinterested shareholder approval (i.e., approval by a majority of votes cast at the Meeting, excluding any Shares held by RESOC, its affiliates and joint actors). This approval will be sought at the Meeting.

The Chairman of the Company, Derek Linfield, has agreed to subscribe for 2,916,666 Shares pursuant to the Placing. As of the date hereof, and prior to completion of the Placing, Mr Linfield owns 5,139,561 Shares, representing approximately 3.8% of the issued and outstanding Mkango shares. As a result of being a director of Mkango, Mr Linfield is a "related party" of Mkango (as defined in MI 61-101) and a Non-Arm's Length Party pursuant to applicable rules of the TSX-V (as defined in MI 61-101). Pursuant to MI 61-101, the investment by Mr Linfield is subject to disinterested shareholder approval (i.e., approval by a majority of votes cast at the Meeting, excluding any Shares held by Mr Linfield, his affiliates and joint actors). This

approval will be sought at the Meeting.

#### Related party transactions under the AIM Rules for Companies (the "AIM Rules")

Talaxis is a substantial shareholder in Mkango under the AIM Rules and is therefore regarded as a related party under the AIM Rules. As a result, the Transaction is a related party transaction for the purposes of Rule 13 of the AIM Rules. The directors of Mkango, consider, having consulted with SP Angel Corporate Finance LLP, the Company's nominated adviser, that the terms of the Transaction are fair and reasonable insofar as the Company's shareholders are concerned.

As Derek Linfield is a director of the Company, his participation in the Placing also constitutes a related party transaction pursuant to Rule 13 of the AIM Rules. The directors of Mkango, other than Derek Linfield, consider, having consulted with SP Angel Corporate Finance LLP, the Company's nominated adviser, that the terms of Mr Linfield's participation in the Placing are fair and reasonable insofar as the Company's shareholders are concerned.

RESOC is also a substantial shareholder in Mkango and therefore a related party under the AIM Rules and its participation in the Placing is a related party transaction under Rule 13 of the AIM Rules. The directors of Mkango, other than Derek Linfield who is participating in the Placing, consider, having consulted with SP Angel Corporate Finance LLP, the Company's nominated adviser, that the terms of RESOC's participation in the Placing are fair and reasonable insofar as the Company's shareholders are concerned.

#### About Mkango

Mkango's corporate strategy is to develop new sustainable primary and secondary sources of neodymium, praseodymium, dysprosium and terbium to supply accelerating demand from electric vehicles, wind turbines and other clean technologies. This integrated Mine, Refine, Recycle strategy differentiates Mkango from its peers, uniquely positioning the Company in the rare earths sector.

Mkango is developing Songwe Hill in Malawi with a Feasibility Study targeted for completion in Q1 2022. Malawi is known as "The Warm Heart of Africa", a stable democracy with existing road, rail and power infrastructure, and new infrastructure developments underway.

In parallel, Mkango recently announced that Mkango and Grupa Azoty PULAWY, Poland's leading chemical company and the second largest manufacturer of nitrogen and compound fertilizers in the European Union, have agreed to work together towards development of a rare earth Separation Plant at Pulawy in Poland. The Separation Plant will process the purified mixed rare earth carbonate produced at Songwe.

Through its ownership of Maginito ([www.maginito.com](http://www.maginito.com)), Mkango is also developing green technology opportunities in the rare earths supply chain, encompassing neodymium (NdFeB) magnet recycling as well as innovative rare earth alloy, magnet, and separation technologies. Maginito holds a 25% interest in UK rare earth (NdFeB) magnet recycler, HyProMag ([www.hypromag.com](http://www.hypromag.com)) with an option to increase its interest to 49%.

Mkango also has an extensive exploration portfolio in Malawi, including the Mchinji rutile discovery, for which assay results are pending, in addition to the Thambani uranium-tantalum-niobium-zircon project and Chimimbe nickel-cobalt project.

For more information, please visit [www.mkango.ca](http://www.mkango.ca).

#### Market Abuse Regulation (MAR) Disclosure

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 ('MAR') which has been incorporated into UK law by the European Union (Withdrawal) Act 2018. Upon the publication of this

announcement via Regulatory Information Service ('RIS'), this inside information is now considered to be in the public domain.

#### Cautionary Note Regarding Forward-Looking Statements

This news release contains forward-looking statements (within the meaning of that term under applicable securities laws) with respect to Mkango, its business, the Plant and Songwe. Generally, forward looking statements can be identified by the use of words such as "plans", "expects" or "is expected to", "scheduled", "estimates" "intends", "anticipates", "believes", or variations of such words and phrases, or statements that certain actions, events or results "can", "may", "could", "would", "should", "might" or "will", occur or be achieved, or the negative connotations thereof. Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the plans, intentions or expectations upon which they are based will occur. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other forward-looking statements will not occur, which may cause actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward-looking statements. Such factors and risks include, without limiting the foregoing, Shareholder approval of the Transaction and the investments by related parties, TSX-V approval of the Transaction and the Placing, settlement risk with respect to the Placing, governmental action relating to COVID-19, COVID-19 and other market effects on global demand and pricing for the metals and associated downstream products for which Mkango is exploring, researching and developing, factors relating the development of the Separation Plant, including the outcome and timing of the completion of the feasibility studies, cost overruns, complexities in building and operating the Separation Plant, changes in economics and government regulation, the positive results of a feasibility study on Songwe Hill and delays in obtaining financing or governmental approvals for, and the impact of environmental and other regulations relating to, Songwe Hill and the Separation Plant. The forward-looking statements contained in this news release are made as of the date of this news release. Except as required by law, the Company disclaims any intention and assumes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by applicable law. Additionally, the Company undertakes no obligation to comment on the expectations of, or statements made by, third parties in respect of the matters discussed above.

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