



# ASX RELEASE

## 14 DECEMBER 2022

# Celsius secures indicative proposal from local partner for the development of the MCB Project

### HIGHLIGHTS

- Celsius has signed a Non-Binding Term Sheet with Sodor, Inc. and the PMR Group outlining the terms upon which Celsius proposes to secure a local partner for the development of the MCB Project.
- This partnership undertaking satisfies the requirement for securing a Mineral Production Sharing Agreement (MPSA) with the Philippine Government in order to build and operate the MCB Project.
- Subject to the execution of a binding agreement, up to US\$43m to be received by Celsius which the parties agree to apply towards financing the MCB Project.

Celsius Resources Limited ("Celsius" or "the Company") is pleased to announce that its wholly owned Philippine subsidiaries, Makilala Mining Company, Inc. ("MMCI") and PDEP, Inc. ("PDEP"), have signed a Non-Binding Term Sheet with Sodor Inc. and PMR Holding Corp. to be the local partners for the development of the Company's Maalinao-Caigutan-Biyog Copper-Gold Project ("MCB" or "the Project").

The partnership will be formalised through the signing of a binding agreement. The Non-Binding Term Sheet outlines the parties' common goal of applying for a Mineral Production Sharing Agreement (MPSA) with the Philippine government. Under the Philippine Mining Act of 1995, companies applying for the exploration, development, and utilisation of natural resources under an MPSA must be at least 60% Filipino-owned. Refer to Company's announcement dated 15 November 2022 for further information disclosed on the MPSA. MMCI will be the owner and holder of the mining rights, interests, and licenses, particularly the MPSA as a 60:40 company with 40% ownership by CLA and 60% owned by Sodor, Inc.

Celsius Chairman and MMCI Chairman and President Atty. Julito R. Sarmiento said:

*"We are very pleased to engage Sodor Inc. and the PMR Holding Corp. (PMR) as our local partners for the development of the MCB Project. We are excited by the combined investment proposed by Sodor Inc. and PMR as both are strongly positioned to leverage*

*a proven successful track record of profitability, operational efficiency, developing a world-class workforce, and commitment to Environmental, Social and Governance (ESG) principles in the energy industry into the successful development of MCB Project and the renaissance of our country's mining industry."*

PMR Holding Corp. President Dr. Daniel E. Chalmers remarked:

*"While I was born in the United States, my Baptist missionary parents brought me to the Philippines as a young boy where I grew up in Masbate, one of its remote and poorest island provinces and went through its public schools for my basic education. Despite Masbate being described by geologists as a province sitting in a 'pot of gold' and hosting highly profitable mining companies for several decades, I had personally witnessed how the mining-affected communities have remained poor and neglected.*

*As a Pastor, I have visited the Balatoc tribe in Kalinga in 1997 and saw the same poverty and inequity despite its richness in copper-gold deposits. I love the Philippines and would wish to make the MCB Copper-Gold Project be in the hands of a Filipino corporation as a model of transformative mining to help give justice to the Balatoc tribe, uplift their socio-economic conditions, while respecting their indigenous culture and preserving the environment, and ensure that the mining business brings shared prosperity to both shareholders and stakeholders alike."*



*Ceremonial signing of Non-Binding Term Sheet (Left to right: Peter Hume, CLA Executive Director and MMCI Country Operations Director; Atty. Sarge Sarmiento, CLA Chairman and MMCI President; Ms. Erika Chalmers, Sodor, Inc. President; and Daniel Chalmers, PMR Holding Corp. President.)*

A summary of the terms proposed under the non-binding term sheet is as follows:

- Sodor Inc. shall: (i) purchase on account 30 Million MMCI shares from CLA out of the current 50 Million total outstanding shares of MMCI (the "MMCI Share Purchase"), resulting to Sodor Inc. owning 60% of the 50 Million total outstanding shares of MMCI after the MMCI Share Purchase.

- In consideration for the MMCI Share Purchase, US\$8.75 Million (or such Philippine Peso (“PHP”) amount equal to the PHP cost basis of the MMCI shares to be purchased by Sodor Inc.) (the “Purchase Amount”) payable in up to 3 tranches within a period to be mutually agreed by the Parties and within the terms and conditions of a formal binding agreement at the time such agreement is entered into
- When the MCB Project goes into operation MMCI will sub-contract to PDEP (the Company’s subsidiary), to operate the processing plant and other ancillary equipment and assets, the ownership of which is not subject to nationality restrictions. PMR shall subscribe pro rata in such appropriate percentage of PDEP equity, so that PMR and Sodor Inc. will have a 30% economic share in the combined MMCI and PDEP operations (the “PDEP Share Subscription”).
- In consideration for the PDEP Share Subscription, up to US\$34.25 Million (the “Subscription Amount”) (or such necessary amount so that the sum of the Purchase Amount and the Subscription Amount shall equal the estimated US\$43 Million total equity infusion by Sodor Inc. and PMR into the MCB Project) payable in tranches within a schedule to be mutually agreed by the Parties.
- Under the terms of the non-binding term sheet, the timing of all consideration payable under the Purchase Amount and Subscription Amount will be contingent on the sufficiency of cash proceeds from the sale of PMR assets. This will be considered by the Company as part of the binding agreement in relation to the funding requirements and the financial commitments that Sodor Inc and the PMR Group will make to the MCB Project. The Company has completed a formal due diligence process on Sodor Inc. and PMR Holding Corp., and is satisfied that these entities will be able to fulfil their financial commitments currently proposed at the time the Company enters into a binding agreement.
- Sodor Inc. and CLA are expected to ensure MMCI’s full compliance with the 60-40 nationality restrictions under its MPSA at all times; and, on a best efforts basis, where possible within the capacity and ability to add value of the respective companies, exert full and good faith efforts: (1) to render advice and help MMCI and PDEP raise financing, both from local and international funding sources, for the construction of the mine facilities and plant and its eventual operations, as may be necessary and appropriate; and (2) to earnestly assist, aid and abet only, on a best efforts basis, MMCI and PDEP in obtaining relevant permits and regulatory approvals.
- Subject to execution of a binding agreement, the consideration proposed to be paid by Sodor Inc. and PMR shall be used to finance the MCB Project, with an appropriate level of debt to be raised in a collaborative and concerted good faith effort by all Parties.
- To bring the MCB Project into full production, the PDEP Share Subscription will be required from PMR in addition to the MMCI Share Purchase from Sodor Inc. Equity in PDEP will be structured and subscribed to in such manner as to achieve the target of 30% economic share of Sodor Inc. and PMR in the combined MMCI and PDEP operations.
- The terms proposed are subject to the execution of a binding agreement(s) necessary to give effect to this transaction, which may be subject to any ASX or other third-party approvals required.

## **Background of proposed Local Partner**

Sodor Inc. is a Filipino corporation owned 60% by its President, Erika I. Chalmers, married to Bradley E. Chalmers (owns 39.97%), daughter-in-law and son, respectively of Dr. Daniel E. Chalmers (likewise minority shareholder in Sodor Inc.). Dr. Chalmers is the Founder, Chairman and CEO of PMR Holding Corp. The PMR Group started doing business in the Philippines in 1987 through its other entities. PMR is a Nauru corporation with a Philippine Branch established in 1996. Through three (3) decades in the development and operations of major power plant projects in the Philippines comprising 3,000MW, PMR has created over 10 billion dollars in enterprise value with a great team of developers and several equity partners, including the country's largest conglomerates.

Through the years, PMR through its partnerships has established and operated several power generation projects in the Philippines which have been recognised locally and internationally. This is in line with its mission to find the lowest cost of power for the Philippines.

GNPower Mariveles was the first power plant constructed after the enactment of the Electric Power Industry Reform Act or EPIRA in 2001. The Mariveles Project was able to obtain US\$ 1.1 billion in financing, without sovereign guarantees, from US-based equity investors and lending institutions in China as well as a consortium of local and international banks, enabling the construction of the plant to commence in 2010. It was the largest Philippine greenfield power project financing in over a decade and the first non-recourse overseas power project financing by Chinese financial institutions.

PMR was also the local developer of the Quezon Power (Philippines) Ltd. Co. project ("QPL Project") with a project cost of US\$ 830 million funded by the Export Import Bank of the United States, US equity investors, including GE Capital, and international bondholders and local banks. The QPL Project is recognized as the first Asian baseload Independent Power Producer to sell electricity to a non-government utility and required no sovereign guarantee.

Cognizant of the current global thrust towards an accelerated transition from fossils fuels PMR/Sodor Inc. will be shedding some of its investments and move to renewable energy along with green mining using power from the gradual shift to a green and zero-carbon economy. Sodor Inc. and PMR are pioneering a multi-pronged strategy to adapt to the rapidly changing times by investing in clean and green energy based on five (5) approaches, to wit: 1) replace coal with processed biomass; 2) establish lithium-based battery energy storage systems; 3) installation of rooftop solar photovoltaic systems; 4) continuing roll-out of ash offtake agreements; and 5) carbon sequestration through reforestation activities.

Through its investment in the MCB Copper-Gold Project, Sodor Inc. and PMR intend to apply such a multi-pronged clean and green strategy to MMCI's and PDEP's operations enabling it to brand its products as green copper, besides substantially reducing its electricity costs, one of its biggest operating expenses. In turn, Sodor Inc. and PMR will benefit from being able to diversify its investments not just in the energy industry but also into the mineral industry given the expected exponential growth in demand for copper products for electric vehicles, green technologies, and renewable energy systems in the green economy.

## MCB COPPER-GOLD PROJECT

The MCB Copper-Gold Project (MCB) is located in the Cordillera Administrative Region in the Philippines, approximately 320km north of Manila (Figure 3). It is the flagship project within the Makilala portfolio which also contains other key prospects in the pipeline for permit renewal/extension.

A maiden JORC compliant Mineral Resource Estimate was declared for the MCB Project in January 2021, comprising 313.8 million tonnes @ 0.48% copper and 0.15 g/t gold, for 1.5 million tonnes of contained copper and 1.47 million ounces of gold, of which 290.3 million tonnes @ 0.48% copper and 0.15 g/t gold is classified as Indicated and 23.5 million tonnes @ 0.48% copper and 0.10 g/t gold is classified as Inferred.

A Scoping Study for the MCB Project was announced by CLA on 1 December 2021, which identified the potential for the development of a copper-gold operation with a 25-year mine life. The Scoping Study was based on an underground mining operation and processing facility to produce a saleable copper-gold concentrate.

Highlights from the Scoping Study include a Post tax NPV <sup>(8%)</sup> of US\$464m and IRR of 31, assuming a copper price of US\$4.00/lb and gold price of US\$1,695/oz. Initial capital expenditure is estimated to be US\$253m with a payback period of approximately 2.7 years. The designed mine production is matched to a 2.28Mtpa processing plant which will treat ore with an estimated average grade of 1.14% copper and 0.54g/t gold for the first 10 years of planned production with a C1 cash costs at just US\$0.73/lb copper, net gold credits.



**Figure 3.** Location of the MCB Project in the province of Kalinga, Northern Luzon, Philippines.

### **Listing Rule 5.23**

*With respect to exploration results and estimates of mineral resources contained in this announcement, the Company refers to its announcement dated 12 of December 2022 and the Competent Persons Statement included in that announcement. The Company confirms that it is not aware of any new information or data that materially affects the information on exploration results and mineral resource estimates at the MCB Project included in the announcement dated 12 December 2022 and that all material assumptions and technical parameters underpinning the mineral resource estimate continue to apply and have not materially changed.*

This announcement has been authorised by the Board of Directors of Celsius Resources Limited.

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