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Contango Holdings PLC
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Contango Holdings Plc

('Contango' or the 'Company')

Metallurgical Coal Product Offtake - Letter of Intent Signed

Contango Holdings Plc, the London listed natural resource development company, is pleased to announce that it has signed a Letter of Intent ('LOI') with CoalZim Marketing (Pvt) Limited ('CoalZim') relating to an offtake agreement for coal products produced at the Company's Lubu Coalfield Project in Zimbabwe ('Lubu').

Overview

- Second coal offtake LOI secured by Contango in August, demonstrating the strong demand for the high-quality coal products produced at Lubu
- The LOI establishes the framework for formal offtake documentation to be advanced between Monaf Investments (Private) Limited ('Monaf'), Contango's subsidiary company, and CoalZim, a coal sales and trading company based in Harare
- Subject to contract and appropriate standard and quality coal testing, CoalZim has in principle agreed to purchase an anticipated 2,000 metric tonnes of 28CV metallurgical coal per month from Monaf
- Pricing of the offtake remains subject to contract, negotiation and prevailing market conditions, however, this is a higher value product and it assumed a sales price (delivered to Harare) of between US\$100 and US\$120 per metric tonne of coal is achievable based on discussions
- Contango has previously cited expected combined contract mining and processing costs of US\$15 per tonne for Lubu coal
- Transport costs to Harare are expected to be circa US\$15 per tonne
- The Company intends to enter into formal offtake agreements with these two parties under LOI, along with additional customers currently under negotiation, ahead of the anticipated

commissioning of Lubu in Q4 2020

Carl Esprey, Executive Director of Contango Holdings, said: *"The delivery of another LOI, within 10 days of securing our first agreement with South Mining, further highlights the strong demand dynamics for our coal products within Zimbabwe. Furthermore, the anticipated pricing of this agreement, being between \$100 and \$120 per metric tonne of coal delivered to Harare against the forecast extraction and washing and transport cost of circa \$30 per metric tonne, provides further support for the potential value of this contract."*

"As previously reported, I am confident that commercial negotiations can be finalised with CoalZim and South Mining, as well as the additional coal offtake partners we are currently in discussions with, and this process is likely to move quickly once the COVID-19 related travel restrictions ease further in Zimbabwe.

"These formalised agreements will allow us to move forward with development at Lubu and, employing contract miners, we expect to be in a position to deliver first production and revenues within six months. Clearly this is set to be a highly active period in our transition to a cash generative mining company, and I look forward to providing further updates in due course."

For further information, please visit www.contango-holdings-plc.co.uk or contact:

Contango Holdings plc
Chief Executive Officer
Carl Esprey

E: info@contango-holdings-plc.co.uk

Brandon Hill Capital Limited
Financial Adviser & Broker
Jonathan Evans

T: +44 (0)20 3463 5000

St Brides Partners Ltd
Financial PR & Investor Relations
Susie Geliher / Cosima Akerman

T: +44 (0)20 7236 1177

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