

Corcel plc Q&A

Tuesday 15 December 2020

Scott Kaintz (Chief Executive Officer)

Thank you for joining our live Q and A today and I hope that everyone is keeping safe. We have a busy 2021 ahead of us with a focus on the Burwell Energy storage and solar project reaching “Shovel Ready” status and then “Financial Close” (having recently completed a very encouraging economic assessment). Meanwhile, we anticipate closing of the RMI/WoWo Gap transaction, resulting in our acquisition of a second sizeable nickel-cobalt asset in PNG, as well as continued progress towards a key mining lease at the Company’s existing Mambare project. We look forward to your questions.

Question from rupesh

Where do you see Corcel Plc in the next 1-2 years?

Scott Kaintz (Chief Executive Officer)

Corcel has been working to build a portfolio of battery metals projects, acquiring assets inexpensively before they are more widely recognised in the markets, and adding to them energy storage and production projects here in the UK. So in 1-2 years we would expect to have filled out our exposure to battery metals and have begun to bring projects into production or have exited them as ultimately deemed appropriate for each asset. On the energy storage and production side, we would expect to have developed a portfolio of battery storage and renewable energy assets held through SPVs, with Corcel owning a residual percentage of each, potentially with a free carry and development fees, with an ongoing project pipeline providing further development opportunities. The revenue generated from the energy portfolio will fund the Plc and create a reserve of capital to further develop the high-upside metals projects. Certainly, some expectation of bolt-on investments and projects should be anticipated over the period, with the introduction of cornerstone investors outside of the capital markets when appropriate. The Board of Corcel feels strongly that the work accomplished during 2020 has laid the groundwork for this vision to be realised, that its strategy is on-trend and in line with expected UK green expenditures and the move toward a battery centric post fossil fuel economy across the world, and fully expects that this work will be more fully recognised by the wider markets in the near term.

12:08 PM

Question from Oilplayer

Can you clearly explain why Corcel purchased the debt of RMI and what purpose it serves, this deal has quite a bit of complexity to it?

Scott Kaintz (Chief Executive Officer)

The investment in RMI’s debt fits Corcel’s strategy to acquire battery metals assets inexpensively (~£950k of cash and shares), and before they are more widely recognised as being key to the energy revolution taking place. Through buying RMI’s debt, Corcel is now the majority debtholder of the business, and has now initiated discussions with RMI to effectively retire this debt in some form, in exchange for control of the Wo Wo Gap nickel-cobalt asset. While this investment has had several stages and has no doubt been delayed by COVID-19 and the inability to travel, the reality is that Corcel is very close to effectively doubling its nickel-cobalt resources, and all for a small fraction of the cost of development that has gone into WoWo Gap historically; some £8m over the years. So while this has clearly been a sizeable investment for Corcel at this stage, it also creates a foundation of battery metals exposure, one with a significant presence in PNG (bringing clear operating synergies and efficiencies between the WoWo project and the existing Mambare project) and setting up Corcel’s market valuation to potentially move in a very dramatic way once this reality is reflected in the share price. While the 2020 COVID pandemic and temporary focus on gold companies may have delayed this somewhat, the Board feels very comfortable that Corcel is well positioned as the markets turn back to growth and the ongoing battery led energy revolution.

12:11 PM

Question from Oilplayer

Andy Zhang has financed RMI for some time do you see Mr Zhang (or his Sinom Group vehicle) as a potential funding partner to Corcel in the future?

Scott Kaintz (Chief Executive Officer)

The clear and obvious overlap of interests with Sinom was one of the major drivers of this transaction. Sinom being a long-time supporter and funder of RMI and its WoWo Gap nickel project, clearly believes that development of these assets will pay off in a major way in the future, and that this payoff was likely to be even larger by combining the WoWo project with Corcel's own Mambare project, building a sizeable regional nickel player, with the influence and scale required to bring such projects into production. If you look at the structure of the transaction, Sinom has become a major shareholder of Corcel, and a large part of Sinom's consideration is built into these locked-up shares in Corcel, meaning not only are our interests very aligned, but Sinom clearly believes that once the transaction completes, his shares in Corcel will more than make up for the sizeable discounts (~AUD1.7m paid for AUD4.7m of debt) applied to the debt at the time of the transaction. Almost 60% of Sinom's consideration is in Corcel equity, so their returns require Corcel's share to perform, as they believe it will. As the projects are progressed, Sinom is further expected to be involved in both acquiring offtake partners in China and in funding development of these projects to the point of exit or production as ultimately desired.

12:15 PM

Question from Oilplayer

As Corcel holds all the debt of RMI does RMI equity have any value ?

Scott Kaintz (Chief Executive Officer)

Certainly it is not for Corcel to comment on the current or expected value of RMI's equity.

12:20 PM

Question from Oilplayer

You suggest that by acquiring the debt of RMI Corcel has effective control of Wo Wo Gap but does this mean that RMI equity is worthless, I do not understand how acquiring the debt gives Corcel rights over the project - what about their equity - is this worthless ?

Scott Kaintz (Chief Executive Officer)

Please refer to previous response Question #47

12:26 PM

Question from kennyruss

What is the roadmap looking for Mambare & WoWo Gap in 2021 giving the excitement in the Battery Metals space?

Scott Kaintz (Chief Executive Officer)

The focus at Mambare for 2021 is on advancing the mining lease, ultimately allowing for a DSO operation and/or a potential transaction to be considered. Once Corcel has completed formal acquisition of the Wo Wo Gap project, we would look to streamline both projects, integrating their teams and managements as much as possible, which should offer significant cost and logistical savings across the Group. As part of any potential transaction or development plan, these assets could then be considered a package, offering significantly greater upside and development options than if each were pursued individually. Both of these projects together constitute a very significant global concentration of nickel-cobalt resources, ideally suited to fill gaps in the supply of both as demand for these metals rises due to increasing dominance of batteries across the global economy.

12:34 PM

Question from Oilplayer

Management has suggested the Burwell project could be sold, what price could realistically be attained given the company has just bought the remaining 50% for only £90k, if this project is so value enhancing why did Mr Dobson and Mr Yates agree to sell for such a modest sum ?

Scott Kaintz (Chief Executive Officer)

Connection/Planning/Lease in place, one might expect £20-50k per MW on the battery storage side, and a bit higher for solar projects. Obviously, these valuations can vary quite a bit depending on location, type of grid connection, and a host of logistical factors. A project advanced beyond "shovel ready" to financial close would be valued through a financial model on an NPV basis using

an agreed discount rate. A typical battery project might be modelled with a 25 year life, with a battery refresh at around the operational midpoint. Annual revenues for the battery project might be in the £3-4m range as an example. While the Company cannot specifically comment on Mr. Yates' and Mr. Dobson's decision making processes, it might be made clear that as equity investors in the dev co, anyone who stayed invested in the dev co would be responsible for their percentage of ongoing development costs including grid connection deposits, planning consultants, lease payments and any number of costs that might only later be reimbursed at financial close of the project. Presumably swapping illiquid shares that would be repeatedly cash-called in the dev co for ultimate public equity in Corcel, solved multiple problems and further exposed them to the balance of Corcel's wider metals portfolio; and so should be seen as a vote of confidence in the overarching strategy.

12:38 PM

Question from Malik

4.Zenobe, owner and operator of battery storage in the UK recently obtained £150m funding for M&G which should enable it to serve clients with 500MWh of grid connected batteries. What MWh capacity do you envisage for your UK storage project?

Scott Kaintz (Chief Executive Officer)

The Burwell project currently has a 100MW grid connection offer, 50MWs of import/export and 50MWs of export only. The ultimate level of battery storage and solar that is installed and routed through this connection could end up being significantly higher, say a 50MW Battery + 80MW solar as one possibility, due to the interplay between the storage and production assets and the ability to trade the power generated and stored as deemed appropriate.

12:42 PM

Question from KAI2020

Vanadium results were due in September. We are now in December - are they due soon?

Scott Kaintz (Chief Executive Officer)

The Company unfortunately still awaits results from its August 2020 exploration activities in the Yukon, Canada. We have received guidance from our partners in Canada that COVID-19 delays and furloughs of lab technicians, have led to a 12-20 week backlog in lab processing, a fact we subsequently verified through other parties in the country. As such, we can't comment on exact timings for these results, but we do hope to receive them shortly and to be able to put out a summary of both the 2020 program and future development plans, including potential drilling at the project in the near term.

12:51 PM

Question from Mmccar14

When will the vanadium results likely be revealed?

Scott Kaintz (Chief Executive Officer)

Hi - please see this response Question #68

12:51 PM

Question from Oilplayer

2020 has been a disappointing year for shareholders by way of share price performance, when does the Board expect to see a inflection point and value from a very low base returned?

Scott Kaintz (Chief Executive Officer)

The Board is very bullish on the Company's prospects and believes that despite the markets being in love with "flavour of the month" gold projects during the pandemic, execution on building a sizeable battery metals portfolio alongside the energy projects will be more fully recognised in 2021. We believe we offer a truly unique proposition positioned at the intersection of battery metals in the ground and the forces driving the decarbonisation of the global economy.

12:54 PM

Question from arkwright288

You recently received an incredibly high salary increase, particularly given the MCAP, why?

Scott Kaintz (Chief Executive Officer)

Directors remuneration over the last 12 months has increased, largely due to both an increase in the size of the board (3 in early 2019 to 4 in early 2020) and due to exit payments associated with the board transition of 2019, which created a situation where the Board was even larger for a period of overlapping commitments. Director remuneration is set by the remuneration committee and is assessed on an annual basis. While share price performance is of course one important metric of remuneration, the committee also looks at execution of the Board's defined strategy with both a short and mid-term view to success, as this ultimately drives the share price, and so will set compensation to attract and retain the individuals it believes will most likely execute and achieve the desired results. Regarding Director investment, the reality is that the Directors are restricted from investing either directly in the markets or as part of placings during a large percentage of the year due to events such as accounts production or being inside on a potential new transaction, among other reasons. Current AIM rules create a limited windows in which Directors can actually invest, but it should be made clear that the Directors do intend to continue to support the Company through direct investment whenever possible.

12:58 PM

Question from Oilplayer

Directors remuneration has increased over the last 12 months and the board only hold 3.5% of the issued capital in stock, can you comment on this?

Scott Kaintz (Chief Executive Officer)

Directors remuneration over the last 12 months has increased, largely due to both an increase in the size of the board (3 in early 2019 to 4 in early 2020) and due to exit payments associated with the board transition of 2019, which created a situation where the Board was even larger for a period of overlapping commitments. Director remuneration is set by the remuneration committee and is assessed on an annual basis. While share price performance is of course one important metric of remuneration, the committee also looks at execution of the Board's defined strategy with both a short and mid-term view to success, as this ultimately drives the share price, and so will set compensation to attract and retain the individuals it believes will most likely execute and achieve the desired results. Regarding Director investment, the reality is that the Directors are restricted from investing either directly in the markets or as part of placings during a large percentage of the year due to events such as accounts production or being inside on a potential new transaction, among other reasons. Current AIM rules create a limited windows in which Directors can actually invest, but it should be made clear that the Directors do intend to continue to support the Company through direct investment whenever possible.

1:01 PM

Question from Gregs22

Are the vanadium drill results on track?

Scott Kaintz (Chief Executive Officer)

Hi Gregs22, please see earlier response Question #68

1:02 PM

Question from Harry

Hello , the company suggested in the last RNS that you would be looking to expand the battery metals portfolio... Which commodity interests you most?

Scott Kaintz (Chief Executive Officer)

Well, in stepping back and looking at what the Company offers exposure to today and what might be added, I think Lithium would be the obvious missing piece of the battery metals pie. With Lithium having been out of favour for some time now and sentiment likely set to improve over the coming year or so, this could be a good opportunity to expand in that direction. That said, any transaction we consider has to stack up and offer investors exposure to the commodity at the right stage of development and for the right price. Our outlined strategy has been to acquire assets that are undervalued, and so we will act accordingly once an opportunity has completed due diligence and we feel both the fit and the price are right.

1:06 PM

Question from StephenPearce

Earlier you suggested Corcel would own a residual percentage of battery storage projects post funding/ production stage (if not already sold for £20k-£50k per MW) as a best guess, what constitutes a residual percentage?

Scott Kaintz (Chief Executive Officer)

Our residual ownership of Burwell or any such project in the pipeline is hard to predict as it will come down to how the SPV is financed, whether Corcel funds a stake in the SPV, or simply takes a development fee for putting everything together and a carry. A carry in this space might be 3-6% as an example, but ultimately will be negotiated with the investors brought into the SPV. Once the project is "Shovel Ready" numerous development options exist from bringing in partners to flipping the project in its entirety or to taking it through to construction and energization (more of a build and hold strategy), and so our focus remains on getting to this value inflection point as quickly as possible and then assessing these development routes as they become available in relation to the more general advancement of the Company.

1:18 PM

Question from CorcelAdministrator

Question from Email: I appreciate there have been project delays over the course of year which has been reflected in the lack of share price movement, so can you please comment on what has been achieved to date?

Scott Kaintz (Chief Executive Officer)

Perhaps best to comment project by project: Mambare: Project is in the process of applying for a mining license that is in the hands of the PNG government, which has been seriously disrupted by COVID-19. Project partners have been unable to travel to the site for the entirety of the year, and realistically cannot speed up or influence the process, as there are no mechanisms available to do so. However, the process has been meaningfully advanced during the course of the year, and is now much closer to award than when we started. Wo Wo Gap: The nature of the transaction is multi-stage, and as such Corcel now sits with only the final step remaining; acquisition of the actual nickel-cobalt asset. The Company certainly feels that good progress has been made to date, particularly given difficulties in meeting counterparties, and that we are quite close to dramatically increasing the size of our nickel-cobalt resources in the region. Burwell: The Burwell project morphed from a 30MW project that was likely to be energised within a year to a much larger 100MW project that will likely be developed in multiple phases. These changes occurred largely because the development company we invested in, received a much larger 100MW grid connection at 132kv, than had been expected originally, and as such the project had to be redesigned for the economics to work at that scale. While this has delayed the near-term development slightly, it also means that the ultimate prize is significantly larger than originally expected.

1:29 PM

Question from CorcelAdministrator

Question from Email: I have noticed that your recent presentation mentions a delay in the introduction of Cornerstone Investors, what can you comment on that?

Scott Kaintz (Chief Executive Officer)

The introduction of Cornerstone investors is very much contingent on the right type of project reaching the stage at which such an introduction makes sense. The Company believes that its network of high net worth and family offices will be an ideal source of funding, able to write checks at a scale that is larger than AIM retail usually can offer and perhaps smaller than is easily fundable by institutions and bank debt. This remains a key development plan of Corcel's but one tied to the opportunities themselves not particularly to the calendar.

1:33 PM

Question from Malik

5. Can you please describe the remuneration mechanics for storage. How do we work out revenues, EBITDA and EBIT from your 100MW storage capacity.

Scott Kaintz (Chief Executive Officer)

We are currently speaking to flexible energy aggregators, effectively businesses that will trade our battery power and solar production on our behalf. Using multi-year historical models looking backwards and as much market intelligence on future grid services and prices as is available, they take the size of your operation, the duration of the battery and the grid connection parameters and they project forward looking revenue models that we then integrate into our own economic assessments. At present, a good rule of thumb would be to use £58k-£60k per MW per annum increasing over time, where actual per MW returns over the past year for projects such as Burwell have often been much higher, pushing £70k-£90k per MW in some instances. Ultimately the Company has to take a view having considered these various inputs and incorporate this position into its internal modelling.

1:41 PM

Question from Malik

6. You say storage commends £20-50k/MW. You also say your project is 100MW. Does this mean your storage assets should be worth £2-5m, or equivalently up to 2x+ market cap?

Scott Kaintz (Chief Executive Officer)

These would be the basic back of the envelope calculations, however other factors such as whether it is appropriate to value the battery project and the solar project using the same metrics (today solar projects are generally valued higher than batteries - this may change going forward as batteries become more recognized as flexible grid assets), as well as the timelines associated with the solar part of the project, would of course need to be taken into consideration.

1:46 PM

Question from Oilplayer

Have you had any analysts look over the project valuations (both energy & nickel) which could be relayed to market - some find it hard to value the company

Sarah Dees (Investor Relations)

We released an analyst note earlier this year with Progressive which would probably benefit from being updated given the advancement of our various projects this year.

1:48 PM

Question from Oilplayer

As a shareholder it is extremely frustrating it is not possible to attend the AGM in person or meet the Board, there are many 'issues' to discuss, can you comment on this?

Scott Kaintz (Chief Executive Officer)

The Board took advice from its Nomad and Company Secretary on the best way to conduct its AGM given the realities of a Tier 3 pandemic lockdown. While we certainly recognise the frustrations of not being allowed more direct interaction, we do hope that forums such as this allow questions to be answered and the strategy to be more fully elucidated. We look forward to engaging face to face as soon as restrictions allow us to do so. We hope that through today's interactions though, current and potential investors can see the vision of where Corcel is heading clearly outlined and decide for themselves whether they agree that a Company offering exposure to key battery metals and the flexible grid production and storage key to the transition of the UK energy grid is likely to outperform in 2021 and beyond.

1:50 PM

Scott Kaintz (Chief Executive Officer)

That brings our session to a close, thank you for your questions today. We wish you a very happy holiday season and look forward to future sessions into 2021.