Early Warning System

DFC-2025-MKANGOLANCASTE

Mkango Lancaster REE PD

Quick Facts

Countries	Malawi
Specific Location	Songwe Hill, Phalombe
Financial Institutions	US International Development Finance Corporation (DFC)
Status	Approved
Bank Risk Rating	U
Borrower	Lancaster Exploration (Mkango Resources Ltd.)
Sectors	Mining, Technical Cooperation
Investment Type(s)	Loan
Investment Amount (USD)	$ 4.60 million
Loan Amount (USD)	$ 4.60 million
Project Cost (USD)	$ 11.00 million

Project Description

As stated in the project disclosure document, DFC will provide pre-investment project development financing of $4,600,000 to Lancaster Exploration to complete Recipient's Front-End Engineering Design (FEED) Study for the Songwe Hills Rare Earths Project in Malawi, in order to prepare the project for potential DFC debt financing.

Separating rare earth elements from mined ore requires multiple steps at the mining site before they can be transported for further processing. Following the initial separation, a high-value mixed rare earth carbonate (MREC) would be sent by rail to Mozambique's Nacala port and on to Poland for further processing.

Lancaster is working with the Polish company Grupa Azoty Pulawy S.A. to establish a rare earth separation plant in Pulawy, Poland, with construction to begin in 2026. The facility would be only the third rare earth separation plant outside of China and would represent a major breakthrough in diversifying supply chains.

The mine plan is being designed by Bara Consulting Ltd, based on a conventional open pit mining operation and assuming the use of a contract miner. The mine plan incorporates the use of stockpiles to manage the grade profile and maximise returns.

Feasibility environmental and social baseline studies are being conducted by Digby Wells Environmental in consultation with Malawian environmental specialists, based on the requirements of the Equator Principles, International Finance Corporation (IFC) Performance Standards as well as specific requirements and interpretations of Malawian Legislation as provided by their Department of Environmental Affairs (DEA). Base line studies continue at the exploration site, including water borehole monitoring and collection of monthly dust and climate data.

Songwe Hill is located in south-eastern Malawi, between Lake Chilwa and the Mulanje Massif, approximately 70km from the former capital Zomba and approximately 90km from the commercial centre of Blantyre, which has an international airport and a railhead. Paved roads run from the urban centres to within 12km of Songwe Hill. Secondary gravel and dirt roads provide vehicle access to the exploration camp, with recently upgraded bridges capable of taking 20-tonne trucks.

Investment Description

- US International Development Finance Corporation (DFC)

Private Actors Description

As stated on the company's website, Mkango Resources Ltd. (TSX-V/AIM: MKA) is a Canadian dual listed mineral exploration and development company on the UK and Canadian stock exchanges. Mkango Resources Ltd. is the parent company of Lancaster Exploration.

Mkango is listed on AIM and the TSX Venture Exchange. Mkango's corporate strategy is to become a market leader in the production of recycled rare earth magnets, alloys and oxides, through its interest in Maginito Limited ("Maginito"), which is owned 79.4 per cent by Mkango and 20.6 per cent by CoTec Holdings Corp ("CoTec"), and to develop new sustainable sources of neodymium, praseodymium, dysprosium and terbium to supply accelerating demand from electric vehicles, wind turbines and other clean energy technologies.

Maginito holds a 100 per cent interest in HyProMag Limited ("HyProMag") and a 90 per cent direct and indirect interest (assuming conversion of Maginito's convertible loan) in HyProMag GmbH, focused on short loop rare earth magnet recycling in the UK and Germany, respectively, and a 100 per cent interest in Mkango Rare Earths UK Ltd ("Mkango UK"), focused on long loop rare earth magnet recycling in the UK via a chemical route.

Mkango owns the Pulawy Rare Earth's separation project in Poland. Both the Songwe Hill and Pulawy projects have been selected as Strategic Projects under the European Union Critical Raw Materials Act.

Mkango has signed a Business Combination Agreement ("BCA") with Crown PropTech Acquisitions ("CPTK") to list the Songwe Hill and Pulawy rare earths projects on NASDAQ via a business combination (the "Proposed Business Combination"). Completion of the Proposed Business Combination is subject to satisfaction of the conditions set forth in the BCA.

Private Actor 1	Private Actor 1 Role	Private Actor 1 Sector	Relation	Private Actor 2	Private Actor 2 Role	Private Actor 2 Sector
-	-	-	-	Mkango Resources Ltd.	Parent Company	Mining
Grupa Azoty	Buyer	Industry and Trade	contracts with	Mkango Resources Ltd.	Client	Mining

Contact Information

Contact information not provided at the time of disclosure

ACCESS TO INFORMATION

Unlike many other development finance institutions, DFC does not currently have an access to information policy.

Under the United States Freedom of Information Act (FOIA), DFC is obliged to respond to reasonably formulated requests for Agency records. However, DFC may apply exemptions from release to certain types of information and may charge fees in responding to requests. DFC has a designated FOIA officer who is trained in how to respond to requests and implement the law. You can learn more about filing a FOIA request at: https://www.dfc.gov/foia

ACCOUNTABILITY MECHANISM OF THE UNITED STATES INTERNATIONAL DEVELOPMENT FINANCE CORPORATION (DFC)

The Office of Accountability is an independent office that addresses complaints about environmental or social issues related to DFC-supported projects. The office provides communities an opportunity to have concerns independently reviewed and addressed. If you submit a complaint to the Office of Accountability, it may assist you by either seeking to address your problems by facilitating a problem solving dialogue between you and those implementing the project and/or investigating whether the DFC complied with its policies to prevent environmental, social, human rights, and labor harms.

You can find more information about the Office of Accountability at: https://www.dfc.gov/who-we-are/office-accountability

Bank Documents

- Project Disclosure

Media

- DFC is supporting Lancaster Exploration as it develops the Songwe Hill rare... (DFC's LinkedIn post)
- U.S. International Development Finance Corporation Provides Project Development... (Company's PR)
- “Friendshoring” rare earths processing (DFC's PR)