

19 January 2023

Mineral Resources Reiterates that Norwest Shareholders Should Accept its Offer

On 3 January 2023, Mineral Resources Limited (**ASX:MIN**) (**MinRes** or **Company**) despatched its Bidder's Statement to the shareholders of Norwest Energy NL (**ASX:NWE**) (**Norwest**) in relation to its takeover offer to acquire all of the fully paid ordinary shares (**Norwest Shares**) in Norwest that it does not already own (**the Offer**). The Offer is now open and Norwest shareholders can **ACCEPT** the MinRes Offer.

The Offer is the only one currently available and will close on 6 February 2023 (unless further extended).

MinRes has reviewed the Norwest Target's Statement released to the ASX on 10 January 2023 (**Target's Statement**) and draws Norwest shareholders' attention on the following points:

- 1. The Target's Statement contains no supportive information regarding the valuation of Norwest shares. MinRes' implied Offer valuation is fair and reasonable, providing Norwest shareholders with the opportunity to join the MinRes family via a scrip offer priced at a generous premium.**

Based on the last closing price of MinRes shares, the Offer implies a \$431 million equity value¹ for Norwest and represents a 43% premium to the undisturbed Norwest share price (as at 15 December 2022). The Offer implies a valuation of over \$2 billion for the Lockyer Gas Project, which is generous given only one exploration well has been drilled. The Norwest Directors have not provided an alternative valuation. Therefore, the Norwest Directors have provided shareholders with no basis to consider that the MinRes Offer is anything other than fair and reasonable.

- 2. There is inherent risk with future drilling. As Norwest's minority interest in the Lockyer Gas Project is its principal asset, any material adverse events arising from further exploration or development could mean Norwest shares are worth significantly less than MinRes' Offer implies.**

Success of the Lockyer drilling program and any follow-on exploration potential is subject to significant development and funding risks. Norwest shareholders are currently exposed to these risks.

MinRes' size, diversified portfolio and strong balance sheet means that Norwest shareholders' exposure to these risks will be significantly reduced if they accept the Offer. MinRes' expert management team and Board overseeing development in a simplified corporate structure would further de-risk the project if consolidated ownership is achieved.

- 3. Norwest currently does not have the funding necessary to meet its share of the development costs for the Lockyer Gas Project if exploration is successful and a decision is taken to develop.**

As noted in the Target's Statement², Norwest has \$20.5 million in cash as at 31 December 2022. This balance is barely enough to cover its share of budgeted exploration and drilling in FY23 and FY24 and corporate overheads during that time.

As Norwest's share of development costs is likely to be significant, it will need to raise additional funding. Based on standard industry metrics³, this share could be hundreds of millions of dollars. As the Target's Statement admits, significant funding will need to be secured, which may require Norwest shareholders to contribute further capital to avoid dilution.

¹ Based on 6,713,571,592 Norwest Shares on issue and MinRes closing share price on 18 January 2023 of \$87.69

² ASX: NWE 10 January 2023

³ Waitsia stage 2 capital cost estimate \$700-800 million for 250 TJpd plant

The Target's Statement also notes that the Norwest Directors have agreed to incur transaction costs which are currently "not expected to exceed \$10 million". It is unclear from the Target's Statement whether these costs will be incurred regardless of the outcome of the Offer. This creates considerable uncertainty and balance sheet risk for Norwest shareholders who do not accept the MinRes Offer.

4. The Lockyer Gas Project is already operated and majority owned by MinRes.

The Target's Statement asserts that MinRes is paying an insufficient premium for control of Norwest. MinRes is already the operator and majority owner of Norwest's principal asset, the Lockyer Gas Project. While Norwest does have contractual rights as a minority interest holder in the Lockyer exploration permits, it does not control and is not developing the Lockyer Gas Project. The MinRes' Offer implies a significant premium for what is a minority interest.

5. Prior to the announcement of the Offer, the Norwest share price traded at a substantial discount to the current implied value of the Offer.

MinRes first acquired Norwest shares on 18 December 2019, buying an 18.8% stake for \$4.6 million. The value of Norwest at that time was approximately \$24 million. By 29 April 2021, MinRes had increased its holding to 19.9% for an additional \$1.3 million. As operator, MinRes secured the drilling rig and operated the drilling programme in mid-2021 that led to the announcement of the Lockyer Deep discovery well in September 2021. The Norwest share price had not traded above 1 cent since 2015 until the announcement on 6 July 2021 that Lockyer Deep would be drilled.

6. MinRes has delivered strong returns for shareholders in its previous successful scrip-bids.

As detailed in the Bidder's Statement, MinRes' previous successful scrip-bids have delivered strong annual returns for accepting shareholders. For example, Mesa Minerals shareholders who accepted MinRes' offer in 2010 have benefitted with a total shareholder return of 1,642% (26% per annum)⁴.

7. Exposure to MinRes' world-class portfolio of diverse mining assets and highly prospective onshore Carnarvon basin energy exploration assets, provides an attractive value generation opportunity for Norwest shareholders.

MinRes has an enviable portfolio of iron ore and lithium assets, as well as a top-performing mining services business. In addition, MinRes is the largest acreage holder of onshore conventional gas exploration permits in the Carnarvon and Perth Basins and announced on 17 January 2023 a 19.17% interest in Warrego Energy Limited.

Far from being a negative, as suggested in the Target's Statement, this diversification provides Norwest shareholders with an attractive hedge against the inevitable risks involved with being a shareholder of a single-asset exploration company with one completed exploration well.

8. Norwest shareholders who accept the Offer will also benefit from MinRes' future dividends and franking credits.

Since listing on the ASX in 2006, MinRes has an enviable track record as the second best performing ASX 200 company for total shareholder returns. The Company has distributed \$9.56 in fully franked dividends which have grown at 20% per annum⁵. Accepting Norwest shareholders will share in MinRes' growth, with a diverse portfolio of commodities and long-term contracts that provide MinRes with the potential for long-term dividend growth and access to franking credits⁶.

⁴ Total Shareholder Returns calculated from 27 August 2010 to 18 January 2023. Past performance is not an indication of future performance. There is no guarantee that similar returns will be achieved in the Offer and these returns should not be seen as representing the actual or forecast premium implied by the Offer. This example has been included as an example from a prior transaction involving MinRes. Total Shareholder Return calculation assumes the Mesa Minerals shareholders acquired MinRes shares at the specified date (27 August 2010), retained those MinRes shares and reinvested all dividends received on those MinRes shares. See the risk disclosure in section 9.3(a) of the Bidder's Statement.

⁵ Dividends per share declared from July 2006 to 30 June 2022.

⁶ Franking credits available as at 30 June 2022 of \$809.7 million.

9. The potential for rollover relief is a significant tax benefit of the all-scrip Offer that could allow Norwest shareholders to defer paying any capital gains tax. The more shareholders who accept the Offer, the more likely that this significant tax benefit is made available.

If MinRes acquires at least 80% of Norwest under the Offer, Norwest shareholders may be eligible for rollover relief (subject to individual shareholder circumstances). This means they could gain a significant tax benefit by deferring the payment of capital gains tax on disposal of their Norwest shares. See Section 10 of the Bidder's Statement for further information on the potential taxation implications of the Offer for Norwest shareholders.

For these reasons, and those previously outlined in the Bidder's Statement, MinRes strongly believes that its Offer provides significant benefits to Norwest shareholders and is a superior proposal to Norwest's status quo business plan that is currently in place.

MinRes Managing Director Chris Ellison said:

"The MinRes offer is generous considering that only one well has been drilled and the inherent risks associated with additional drilling and resource definition.

"The Target's Statement itself acknowledges there's a risk in holding onto Norwest shares if the results of the drill campaign are below expectations.

"By rejecting our compelling offer without providing any alternative valuation, the Norwest Board is failing its shareholders.

"We've got the balance sheet and team to get this project done, and a portfolio of assets that will underpin strong growth for decades to come.

"By accepting our offer, Norwest shareholders will maintain exposure to Lockyer Deep, as well as MinRes' world-class portfolio of iron ore, lithium, mining services operations and our highly prospective energy position in the Carnarvon Basin.

"Accepting the offer will enable Norwest shareholders to capture value in a potentially tax-effective manner and be part of the next exciting chapter of MinRes' growth.

"Accepting the MinRes offer provides a unique and compelling opportunity to gain a share in one of Australia's fastest growing companies with a proven management team."

Additional information

An information line has been established for the purposes of the Offer. Shareholders can contact the Offer Information Line on 1300 916 995 (within Australia) or +61 3 9415 4653 (from outside of Australia), Monday to Friday between 8:30am to 5:00pm (AEST).

Advisers

MinRes is being advised by J.P. Morgan as financial adviser and Gilbert + Tobin as legal adviser.

ENDS

This announcement dated 19 January 2023 has been authorised for release to the ASX by Mark Wilson, Chief Financial Officer and Company Secretary.

For further information, please contact:

Chris Chong
Investor Relations Manager
T: +61 8 9315 0213
E: chris.chong@mrl.com.au

Peter Law
Media Manager
T: +61 428 925 422
E: peter.law@mrl.com.au

About Mineral Resources

Mineral Resources Limited (ASX: MIN) (MinRes) is a leading diversified resources company, with extensive operations in lithium, iron ore, energy and mining services across Western Australia. With a focus on people and innovation, MinRes has become one of the ASX's best-performing companies since listing in 2006. For more information, visit www.mineralresources.com.au.