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ASX Code: CII

A\$51.5M SALE OF PHOSPHATE RESOURCES' MALAYSIAN PALM OIL SUBSIDIARY

Highlights

- **Sale & Purchase Agreement signed for the sale of wholly-owned Phosphate Resources' Malaysian-based palm oil business, Cheekah-Kemayan Plantations Sdn Bhd, for RM\$155 million (A\$51.5 million) to Prosper Trading Sdn Bhd**
- **Funds from the sale to progress CI Resources' diversification strategy, strengthen the Group's fertiliser and logistics businesses and deliver a return to shareholders**
- **Sale anticipated to be completed by late November 2023 following the Annual General Meeting, subject to completion of conditions precedent including receipt of approvals from both CIRL and Prosper boards, CIRL shareholder approval and relevant regulatory approvals**

CI Resources Limited ACN 006 788 754 ("CIRL") (ASX Code: CII) is pleased to announce it has entered into a binding conditional Sale and Purchase Agreement (SPA) to sell Cheekah-Kemayan Plantations Sdn Bhd ("CKP"), a wholly-owned subsidiary of CIRL's 100%-owned subsidiary Phosphate Resources Ltd (PRL), for consideration of RM\$155 million (~A\$52 million).

The SPA has been entered into with Prosper Trading Sdn Bhd ("Prosper"), a privately-owned Malaysian-based company operating in the palm oil tree farming industry and a substantial shareholder of CIRL.

Acquired by PRL in 2011, the CKP subsidiary consists of a producing palm oil plantation estate of ~4,000 acres in Pahang in peninsular Malaysia, a mill and processing facility servicing the estate and surrounding estates for the sale of palm oil products. In 2022, the palm oil plantation assets achieved certification under Responsible Sustainable Palm Oil (RSPO) – the highest international standard for sustainability in the industry. In FY2023, revenue from palm oil sales was ~A\$44 million (FY2022: \$43.3 million).

The Company believes the sale of CKP unlocks substantial value and is also strongly aligned with its strategic objectives. Most notably, CI Resources has experienced considerable success in its fertiliser and logistics businesses, which are key elements of the Company's diversification efforts. The divestment of CKP is expected to direct greater capital towards growth areas via investment into opportunities where management holds an enhanced skillset to deliver higher margin operations.

Commenting on the transaction, CI Resources Chairman David Somerville said:

"The sale of Cheekah-Kemayan Plantations Sdn Bhd unlocks real value for the broader CI Resources group of businesses and, in turn, our shareholders.

"The transaction is highly value accretive to our shareholders and will provide non-dilutive funding for the Group to diversify our company into further investments and strengthen our existing fertiliser and logistics businesses with the objective of maximising value to our shareholders.

"The Board is in the process of planning the deployment of proceeds, which will include further investment into warehousing in Malaysia and a return to shareholders, and I look forward to updating shareholders on rollout of this strategy in due course."

The sale is conditional upon various matters including receipt of approval from both CIRL and Prosper boards, CIRL shareholder approval and relevant regulatory approvals.

Under the terms of the SPA, Prosper and PRL have agreed consideration for the CKP business of RM155 million, to be made in instalments and subject to working capital adjustments.

The sale is anticipated to be completed by late November 2023, subject to the satisfactory completion of conditions precedent. Please refer to Appendix 1 to this ASX announcement for further information relating to SPA key terms.

For further information on CIR, please visit www.ciresources.com.au, or please contact:

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APPENDIX 1 – SPA KEY TERMS

The Company has entered into a SPA with Prosper for the sale of 100% of the share capital of CKP. The key terms of the SPA are set out below.

Parties	<p>Prosper Trading Sdn Bhd (Reg. No. 144561-U) of No. 10, Jalan SS6/1, Glomac Business Centre, Selangor, 47301, Malaysia (Prosper);</p> <p>CI Resources Limited (ACN 006 788 754) of 6 Thorogood Street, Burswood 6100, Western Australia (CIRL);</p> <p>Phosphate Resources Limited (ACN 009 396 543) of 6 Thorogood Street, Burswood 6100, Western Australia (PRL); and</p> <p>Cheekah Kemayan Plantations Sdn Bhd (Reg. No. 50489-P) of Jalan Bayu Tinggi 2A KS6 Taipan 2 Batu Unjur Klang, 41200 Malaysia (CKP), (collectively the Parties).</p>
Consideration	<p>In consideration for the Acquisition Shares together with all its moveable and immovable assets but without 13,018,700 UMB shares (as defined below) and subject to the terms and conditions of this SPA, Prosper agrees to pay a cash consideration of RM155m less the Working Capital Adjustment Amount (as that term is defined below) (Total Cash Consideration) by way of electronic transfer to the PRL and calculated as follows:</p> <p>(a) RM 15,500,000 shall be due and payable on the execution of this SPA (Execution Date) as follows:</p> <ul style="list-style-type: none">(b) to PRL the sum of RM4.65m; and(c) to the Director General of Inland Revenue or Prosper' lawyer (whichever is applicable) the sum of RM10,850,000 being the retention sum of real property gain tax. <p>1.1.2 RM35,500,000 plus the Working Capital Adjustment Amount shall be due and payable on the Completion Date subject to the disposal of UMB Shares (Initial Payment):</p> <p>1.1.3 RM52,000,000 shall be due and payable on the date that is six (6) months from the Completion Date or on or before 31 July 2024 (whichever is later) (Second Payment); and</p> <p>1.1.4 RM52,000,000 shall be due and payable on the date that is twelve (12) months from the Completion Date or on or before 31 December 2024 (whichever is later) (Third Payment) .</p> <p>In any event, the Total Cash Consideration must be paid by Prosper (and/or its nominee) no later than on the date that is eighteen (18) months from the Completion Date.</p>
Proposed Transaction	<p>Prosper agrees to and will acquire and PRL agrees to sell and will sell all of the fully paid ordinary shares in the capital of CKP (Acquisition Shares) free from all claims, liens, pledges, charges, mortgages and other encumbrances and with all rights attaching to them on the terms and conditions set out in this SPA.</p>

Conditions Precedent

- (a) Prosper and CIRL receiving board approval for the Proposed Transaction and the execution of the SPA, pursuant to which the Directors of CIRL who are also directors of Prosper shall exclude themselves from all board meetings of CIRL where the Proposed Transaction is considered, discussed and resolved;
- (b) CIRL receiving shareholder approval for the purposes of section 208 of the Corporations Act 2001 (Cth), to permit the sale of its wholly-owned subsidiary to a related party vendor;
- (c) CKP discharging a related party debt to PRL, which is currently AUD\$3.6 million (**PRL Debt**) and CKP disposing UMB Shares to any entity as nominated by PRL;
- (d) Prosper and CKP ensure that CIRL and PRL are released from all obligations and liabilities in relation to CKP and ensure that no further obligations and liabilities shall arise from the parent company guarantee provided by PRL in relation to the CKP's outstanding bank term debt, which is approximately RM 21.09 million (**OCBC Loan**);
- (e) ASX not advising CIRL that Listing Rules 11.1.2 and 11.1.3 apply to the Proposed Transaction;
- (f) The Parties obtaining all necessary shareholder and regulatory approvals (including but without limitation Listing Rule 10.1) necessary to lawfully complete the matters set out in this SPA;
- (g) The Parties obtaining all third party approvals and consents necessary to lawfully complete the matters set out in this SPA,

(together, the **Conditions Precedent**).

If the Conditions Precedent are not satisfied (or waived by the Parties entitled to the benefit of such Condition Precedent, as the case may be) on or before 5:00pm (MYT) on 31 December 2023 (or such other date agreed by the Parties in writing), or become incapable of being satisfied and are not waived (**End Date**), any Party may terminate this SPA by notice in writing to the other Parties, in which case, the agreement constituted by this SPA will be at end and the Parties will be released from their obligations under this SPA (other than in respect of any breaches that occurred prior to termination).

The Parties will use their commercial best efforts to ensure that the Conditions Precedent are satisfied before the End Date.

Guarantee

In the event that the CKP Shares are acquired by Prosper's nominated entity, Prosper shall, at the Completion Date, provide a parent company guarantee to unconditionally secure and assume all present and future obligations, liabilities and commitments arising from or related to the Proposed Transaction (**Guarantee**). The Guarantee shall be delivered in writing on the Completion Date and shall remain in full force and effect until the obligations of the Acquiring Entity under this SPA are fulfilled, validly discharged, or lawfully released, as applicable, in accordance with the terms and conditions as set out in this SPA.

Completion and Completion Date

The Completion Date is 10 days after the completion of all Conditions Precedent.

On completion the following will occur (as a non-exhaustive list):

- (a) Prosper must pay the amount of the OCBC Loan to OCBC;
- (b) Ensure the completion of the disposal of 13,018,700 shares in United Malacca, Berhad, a company listed on the Main Board of the Bursa Malaysia (**UMB Shares**) by CKP to any entity as nominated by PRL;

1.1.5 RM35,500,000 plus the Working Capital Adjustment Amount shall be due and payable on the Completion Date subject to the disposal of UMB Shares (**Initial Payment**) minus the OCBC Loan payment; and

1.1.6 evidence that the PRL Debt has been discharged.

The Parties' obligations at Completion are interdependent and must take place simultaneously, as nearly as possible, unless otherwise agreed by the Parties.

Default Interest

If Prosper (and/or its nominee) fails to pay any amount payable under this SPA on the due date of payment, Prosper (and/or its nominee) must pay interest on the amount unpaid at:

- (a) 10% per annum

Security

Prosper (and/or its nominee entity) agree to provide security for the Total Cash Consideration less the Initial Payment in the form of an unconditional, registered security interest (such as caveat) (**Caveat**) over the following assets, pursuant to which CKP has a legal and beneficial assets in:

- (a) a 4,060 acre palm oil plantation located in the state of Pahang, Malaysia (**CKP Plantation**); and
- (b) the processing mill located in the state of Pahang, Malaysia (**CKP Mill**)

(together, **Assets**).

On the Completion Date, PRL shall, at its own costs and expenses, duly lodge and register the Caveat over the Assets with the relevant authorities in the state of Pahang, Malaysia in accordance with all applicable laws and regulations. The Caveat shall specifically and unequivocally state that it is in favour of PRL and shall cover all the Assets, serving as collateral to secure the payment of the remaining Total Cash Consideration. Prosper shall ensure that all necessary steps are taken to ensure the Caveat is appropriately lodged and is maintained in good standing until the Total Cash Consideration is fully paid and received by PRL.

Upon full and final payment of the Total Cash Consideration, Prosper shall promptly provide a written request for the discharge and removal of the Caveat over the Assets. The discharge and removal of the Caveat shall be carried out in accordance with the relevant laws and procedures governing the release of such security interests.

In the event of any default by Prosper (and/or its nominee) in making any payment towards the Total Cash Consideration under this SPA, PRL shall have the right to enforce the Security and at its discretion, exercise any legal remedies available to recover the outstanding amount.

The Parties agree that the establishment of the Security through the Caveat shall be binding upon the Parties and their respective successors.

Timetable

1. Completion	Expected early December 2023
2. Initial Payment	Expected early December 2023
3. Second Payment	On or before 31 July 2024
4. Third Payment	On or before 31 December 2024