

MRC enters into exclusivity agreement for potential sale of its interest in Tormin Mineral Sands - Plans to focus on graphite assets

Highlights

- Strategic decision to focus MRC's efforts on advancing and developing its high-quality graphite assets and downstream active anode material project
- These include Munglinup development project in Australia, the Skaland operating graphite mine in Norway, and the Active Anode Material Project
- Process Deed entered with GMA Group for negotiation of potential sale of Tormin Sands Operation
- GMA is the global leader in industrial garnet and has been MRC's long-term partner
- Agreement also includes standstill in respect of the GMA Group loan
- 3-month exclusivity period, during which period Tormin to continue production as normal

Mineral Commodities Ltd ("**MRC**" or "**the Company**") (**ASX:MRC**) has made the decision to divest its interest in Tormin to allow the Company to focus its efforts on its high-quality graphite assets and downstream active anode material projects, and is pleased to announce it has entered into a Process Deed ("**the Agreement**") with GMA Group ("**GMA**") that provides for negotiation of a potential sale and purchase agreement, that if successful, would result in GMA taking ownership of MRC's interest in the Tormin Mineral Sands Operation. The Agreement also includes a standstill in respect of the loan provided by GMA under a loan agreement executed in May 2023.

The key terms of the Agreement are:

- A three (3) month exclusivity period during which MRC will negotiate exclusively with GMA regarding a potential transaction for the sale of the Tormin mineral Sands Operation.
- A three (3) month loan standstill period.

Tormin will continue to operate as normal and generate revenue during this period.

Discussions are also currently underway with GMA regarding a recently identified shortfall in a stockpile of garnet concentrate that GMA purchased in 2021.

The Company's Chief Executive Officer, Mr Scott Lowe commented:

"MRC has had a long standing and very positive partnership with GMA and looks forward to good faith negotiations in parallel with GMA due diligence. The Company's priority going forward is to focus on advancing its graphite assets that include the Munglinup development project in Australia, the Skaland operating graphite mine in Norway and the Active Anode Material Project."

MRC's current interest in Tormin

The Company and its empowerment partner, Blue Bantry Investments 255 (Pty) Ltd ("**Blue Bantry**"), together currently hold 50% each in Mineral Sands Resources Proprietary Ltd ("**MSR**") which in turn owns the Tormin

Minerals Sands Operation in South Africa. MRC's interest is held indirectly via wholly owned subsidiaries in Australia and South Africa. However, on 23 April 2023, MRC announced formal agreements ("**Restructure Agreements**") for the restructure of their holding in MSR in order to align with the recommendations of the Broad-Based Socio-Economic Empowerment Charter for the Mining and Minerals Industry, 2018 (as amended) (the "2018 Mining Charter"). These agreements were structured to increase MRC ownership interest in Tormin from 50% to 69%¹.

Completion of the restructure of MSR is subject to the satisfaction of several conditions precedent including the receipt of all required regulatory approvals, and the receipt by MRC of shareholder approval for the issue of the Consideration Shares for the purposes of ASX Listing Rule 10.11, given Company director Mr Madiba Qunya is a 50% owner of Blue Bantry. Whilst shareholders approved the transaction at the Company's Annual General Meeting, held on 25 May 2023, the Company will be required to obtain a fresh approval from shareholders and intends to do so in H2 2024.

MRC expects regulatory approval by the end of H1 2024.

GMA's current business relationship with MSR

GMA is the global leader in industrial garnet, providing the highest quality garnet abrasive to the waterjet cutting and protective coating industries. It has been MRC's long-term partner and purchaser of garnet concentrates.

On 22 May 2023, MRC advised that formal agreements had been entered into with GMA ("**GMA Agreements**") for Offtake and Funding with Garnet International Resources Pty Ltd, a member of the GMA Group whereby:

- (a) MSR agreed to supply GMA Group with finished garnet product; and
- (b) GMA Group agreed to provide MSR with US\$10,000,000 in loan funding, repayable over 5 years from 1 January 2024, on commercial terms to fund the design and construction of a Mineral Separation Plant ("MSP") in the Western Cape Region of South Africa.

To date MRC has drawn down approximately US\$4.5M of the loan to fund improvements in secondary processing and water supply capacity and security, both of which are necessary for a successful MSP operation.

In recent announcements, MRC advised that the MSP project had been delayed and that the Company is working closely with GMA to address technical and timing issues.

GMA owned stockpile

GMA purchased a stockpile of garnet concentrate stored at Tormin in 2021. The amount of garnet concentrate calculated and paid for at the time was approximately 635kt and GMA has been progressively taking delivery of this material since the purchase. The stockpile is now approaching complete depletion and it has become apparent that there may be a shortfall of approximately 90kt. Possible technical reasons for a shortfall of this magnitude could be a difference in actual bulk density compared to the density originally assumed, along with higher than expected erosion over a three (3) year period.

GMA and MSR have been investigating this matter in detail and are currently in discussions regarding how to resolve the issue commercially. Existing contractual arrangements contemplate a shortfall being remedied by product deliveries.

¹ Refer ASX Announcement entitled 'MRC To Increase Ownership Interest in Tormin', dated 12 April 2023.

Process Deed key terms

The key terms of the Process Deed are as follows:

- A three (3) month exclusivity period for GMA to undertake due diligence and negotiate definitive sale documentation.
- A three (3) month standstill period in which, subject to certain exceptions, GMA cannot enforce repayment of the GMA loan facility or its associated security.
- MRC has agreed to a no shop, no talk and no due diligence provision as well as providing a matching right to GMA in the event of a competing offer.
- MRC will provide access to information regarding Tormin for GMA to undertake its due diligence.
- MRC, MSR and Tormin have also agreed to negotiate in good faith in relation to the Tormin stockpile matter as well as resolving a dispute regarding compliance with specifications of garnet deliveries which were delivered between October 2023 and February 2024 as well as negotiating in good faith regarding MSR yet to deliver 50kt of garnet to GMA in 2023.

MRC business strategy

The Company has reviewed its business strategy and made the important decision to focus its energy and resources on advancing and developing its high-quality graphite assets that include:

- Skaland graphite mine in Norway (100%);
- Munglinup graphite development project in Western Australia (presently 51% but the Company has advised that it intends to exercise its option to go to 90%); and
- Active Anode Material Project (100%)

The battery minerals industry is attracting significant attention from the global investment community. Also, many governments around the world are sponsoring initiatives to provide economic support and encouragement for investment in this critical resource space, and the Company continues to actively explore the availability of these incentives.

Next steps and timing

MRC will keep shareholders updated in relation to the progress of the potential transaction.

ENDS

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About Mineral Commodities Ltd

Mineral Commodities Ltd is a global mining and development company with a primary focus on the production of high-grade Mineral Sands and Natural Flake Graphite from operations in South Africa and Norway.

The Company is a producer of zircon, rutile, garnet, magnetite, and ilmenite concentrates through its Tormin Mineral Sands Operation, located on the Western Cape of South Africa.

The Company also owns and operates the Skaland Graphite Operation in Norway, the world's highest-grade operating flake graphite mine and is the only producer in Europe. The planned development of the Munglinup Graphite Project, located in Western Australia, builds on the Skaland acquisition and is a further step toward an integrated, downstream value-adding strategy which aims to capitalise on the fast-growing demand for sustainably manufactured lithium-ion batteries.

The Company's aspiration is to become a leading vertically integrated diversified producer of graphitic anode materials and value-added mineral products with a commitment to operate with a focus on the Environment, Sustainability and Governance.