



ASX: MRC

12 April 2023

MRC TO INCREASE OWNERSHIP INTEREST IN TORMIN

- **MRC's interest in MSR and the Tormin mine to increase from 50% to 69%;**
- **Restructure of MSR ownership in line with recommendations of South Africa's 2018 Mining Charter;**
- **Ownership after completion of the transition:**
 - **69% MRC, via its subsidiary MRCR;**
 - **21% B-BBEE Shareholders;**
 - **5% employees (entity to be established); and**
 - **5% equivalent benefit to local community (entity to be established).**

Mineral Commodities Limited (**ASX:MRC** or **the Company**) and its empowerment partner, Blue Bantry Investments 255 (Pty) Ltd ("**Blue Bantry**"), are pleased to advise that they have entered into formal agreements ("**Restructure Agreements**") for the restructure of their holding in Mineral Sands Resources (Pty) Ltd ("**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**").

MSR owns 100% of the Tormin Mineral Sands Operation in the Western Cape, South Africa. To date MRC has developed and operated the project via its 50% shareholding in MSR (held by MRC's 100% owned subsidiary MRC Resources Pty Ltd ("**MRCR**"). The remaining 50% of MSR is owned by the Company's existing empowerment partner, Blue Bantry. Blue Bantry is owned by individuals who are South African Historically Disadvantaged Persons ("**HDPs**") as defined by the 2018 Mining Charter and in accordance with the Mineral and Petroleum Resources Development Act No. 28 of 2002 (the "**MPRDA**").

In terms of the 2018 Mining Charter, a minimum of 30% Broad-Based Black Economic Empowerment ("**B-BBEE**") shareholding or equity equivalent benefit is recommended. Importantly, the minimum B-BBEE shareholding should include:

- a minimum of 20% effective ownership in the form of shares to B-BBEE entrepreneurs, being HDPs or enterprises that are at least 51% owned by HDPs;
- a minimum 5% interest to qualifying employees who are HDPs; and
- a minimum of 5% interest or a minimum of 5% equity equivalent benefit to the host community.

The Company formed the view that dilution of the interests of its B-BBEE partner in MSR through existing historical Shareholder and Loan Agreements would be inconsistent with the relationship between the parties and the intent of the 2018 Mining Charter without some form of consideration.

The Company also recognises the need to accelerate distributions and the flow of regular dividends, or equity equivalent benefits, to the respective B-BBEE participants in line with the 2018 Mining Charter.

In light of this, MSR has agreed to adopt a Recoverable Interest methodology to determine amounts owing, given MRCR has been and is likely to remain the sole external funding source for MSR. Under this method MRCR can recover its contributed capital on behalf of other beneficiaries by withholding 80% of available dividends payable to these participants until this relevant capital contribution is repaid in full. There is also a minimum annual dividend set at US\$10,000 per 1% interest in MSR aimed at ensuring the flow of regular dividends, or equity equivalent benefits, to the respective B-BBEE participants.

In consideration for the reduction of Blue Bantry's interests in MSR from 50% to 21%, MRCR has agreed to forgive long term loans and other amounts owed to it by Blue Bantry, and the parties have agreed that Blue Bantry will be entitled to receive 11.3M fully paid ordinary shares in the capital of MRC ("Consideration Shares"), together being in consideration for amounts that would have been payable to Blue Bantry if the Recoverable Interest methodology had been applied since inception of the Tormin operation. Blue Bantry will have a carried interest of R33M still payable to MRCR as at 1 July 2022, being the effective date of the proposed transition.

Completion of the restructure of MSR by the transactions outlined above, including the issue of the Consideration Shares, is subject to the satisfaction of a number of 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. Shareholder approval for the issue of the Consideration Shares will be sought at the Company's Annual General Meeting, to be held in late May 2023.

Following completion of the restructure of MSR, MSR's ownership structure will change to being 69% owned by MRCR, 21% owned by Blue Bantry, 5% owned by employees and 5% owned by the community. The employee and community ownership interests will be effective from the date the relevant trusts and oversight mechanisms are approved and in place, and until such time MRC will hold those interests in MSR in its own name resulting in it holding 79% of the issued capital of MSR and Blue Bantry holding 21% until the 5% employee and 5% community interests are finalised.

The restructure has been formulated so that it delivers benefits to all stakeholders. On successful implementation of the restructure, MRCR, Blue Bantry and the Employee SPV will receive ordinary dividends from MSR and the Community Ownership Trust will receive dividend equity equivalent benefits. In addition, Blue Bantry will commence receiving the benefits of any MRC's dividend flows and potential capital growth given its shareholding in MRC.

MRC's Interim Chief Executive Officer, Mr Adam Bick said, *"The Company recognises the importance of its BEE Partners, Employees and Community. The Company has taken a proactive initiative to embrace the South African Mining Charter recommendations, with the current restructuring arrangements with its B-BBEE partner, employees and local community. It recognises and is committed to the entrenched principles of legislation relating to historically disadvantaged South Africans and the equitable fairness which must be applied to ensure real tangible redistribution of the financial benefits of mining at its Tormin operations. We look forward to welcoming our B-BBEE Partner Blue Bantry as a shareholder in MRC and our HDP employees as a shareholder of MSR, and to sharing the benefits of not only Tormin Operations but the Company's overall capital growth with our new stakeholders."*

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Authorised by the Board of Directors of Mineral Commodities Ltd.

For further information, please contact:

INVESTORS & MEDIA

Adam Bick

Interim CEO

T: +61 8 6373 8900

investor@mncom.com.au

CORPORATE

Katherine Garvey

Company Secretary

T: +61 8 6373 8900

investor@mncom.com.au

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 leading 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 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.

In April 2022, the Company released its Five-Year Strategic Plan 2022-2026¹ to delineate and implement its aspiration 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.

¹ Refer ASX Announcement entitled '[MRC Unveils Five Year Strategic Plan 2022-2026](#)', dated 29 April 2022.

Cautionary Statement

This announcement contains forward-looking statements. Any forward-looking statements reflect management's current beliefs based on information currently available to management and are based on what management believes to be reasonable assumptions. It should be noted that various factors may cause actual results or expectations to differ materially from the results expressed or implied in the forward-looking statements.

These forward-looking statements are not a guarantee of future performance and involve unknown risks and uncertainties, many of which are beyond MRC's control. This may cause actual results and developments to differ materially from those expressed or implied. These risks include but are not limited to, economic conditions, stock market fluctuations, commodity demand and price movements, access to infrastructure, timing of approvals, regulatory risks, operational risks, reliance on key personnel, Ore Reserve and Mineral Resource estimates, native title, foreign currency fluctuations, exploration risks, mining development, construction, and commissioning risk.

Forward-looking statements in this announcement apply only at the date of issue and are subject to any continuing obligations under applicable law or regulations, MRC does not undertake to publicly update or revise any of the forward-looking statements in this announcement or to advise of any change in events, conditions, or circumstances on which any such statement is based. Readers are cautioned not to place undue reliance on any forward-looking statements contained in this announcement.