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ASX: MRC

Australian Securities Exchange
Company Announcements Office

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MRC ACQUIRES WORLD'S HIGHEST GRADE FLAKE GRAPHITE OPERATION

HIGHLIGHTS

- Share Purchase Agreement executed to purchase 100% of equity in Skaland Graphite AS.
- Skaland owns and operates the Trælen Mine and Skaland processing plant in Norway and currently produces around 10kt per annum of graphite concentrate with potential for expansion.
- Graphite feed grade from Trælen Mine averages 28% Carbon ("C") – the highest grade flake graphite operation in the world.
- Provides MRC with the potential to operate two of the highest grade graphite projects in the World in Tier 1 jurisdictions.
- Acquisition provides MRC with immediate graphite market presence that will also assist in marketing Munglinup concentrate and de-risk Munglinup development.
- Acquisition funded from existing cash reserves for the total consideration of US$9.2M*, comprising an initial cash consideration at settlement of US$4.8M, and a further US$4.4M to be paid over five years.

MRC has entered into the SPA for a total firm locked box consideration of NOK 79.4m (US$9.2M at the current USD/NOK 8.6). This is provided by way of an initial cash consideration of NOK41.4M (US$4.8M) and the repayment of Skaland Graphite AS' outstanding debt to the Seller of NOK38M (US$4.4M) over five years with interest applied at a rate of NIBOR [currently 1.28% per annum] +2% per annum, calculated quarterly.

The SPA pre-conditions required to be met for payment of the initial cash consideration is expected to be completed by no later than end September 2019.

Mineral Commodities Ltd (ASX: MRC) ("the Company" or "MRC") is pleased to announce that it has entered into a Share Purchase Agreement ("SPA") with Leonhard Nilsen & Sønner – Eiendom AS ("LNS") to purchase Skaland Graphite AS ("Skaland").

The Trælen Graphite Mine is located in northern Norway on the Island of Senja. The mine currently produces around 10,000 tonnes of graphite concentrate per annum from the Trælen mine and Skaland processing plant. The average feed grade from the mine is 28% C. The Mine has been in operation in its current form since 2007.

Executive Chairman Mark Caruso said, "*Skaland presents an excellent opportunity for MRC to gain near term graphite production capacity. When combined with the upcoming development of the Munglinup Graphite Project, MRC will, in a very short time, become a major global strategic graphite producer with two high-grade graphite producing assets in Tier 1 jurisdictions.*"

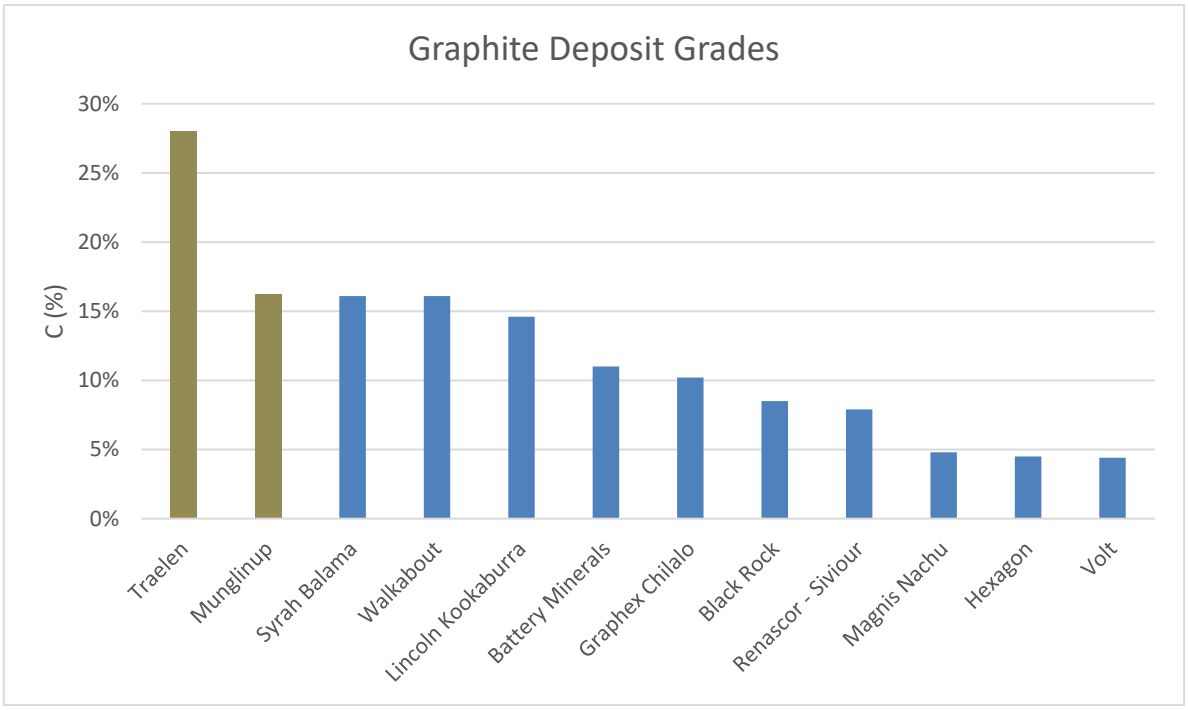
About Skaland Graphite AS

Skaland Graphite AS is part of Leonard Nielsen and Sønner-Eiendom AS ("LNS") – a Norwegian private liability company. Skaland Graphite AS is owned 66% by LNS and 34% by Rana Gruber, a majority indirectly owned (~75%) subsidiary of LNS.

Skaland Graphite AS is the owner and operator of the Trælen Graphite Mine and Skaland Processing Facility, Norway's only graphite operation which averages around 10kt of graphite concentrate per annum. Skaland accounts for around 2% of global annual natural flake graphite production.

The Skaland graphite operations are located in northern Norway on the Island of Senja. The closest major town is Tromsø with a population of around 65,000.

Skaland is the largest flake graphite producer in Europe and the fourth largest producer globally outside of China. Skaland is presently the world's highest-grade operating flake graphite mine with mill feed grade averaging around 28% C. Annual production is circa 10,000 tonnes of graphite concentrate per annum.



Graphite was first discovered in the area in 1870 and production commenced in 1917. After operating for 3 years the mine was closed for a short period and then reopened in 1932. The mine continued to operate until 1985 when a fire destroyed the original process plant. The plant was rebuilt, and production recommenced in 1989. The original Skaland deposit was exhausted in 2007 at which time mine production relocated to the Trælen mine, 12 kilometres to the northwest of the processing plant. The Trælen mine delivered approximately 37kt of ore to the processing plant in 2018.

No JORC compliant Mineral Resource or Ore Reserve currently exists for the Trælen Deposit. Significant drilling exists across the deposit and this has been reviewed by external consultants at various times since the deposit was originally defined in 1998 and updated in 2002 as containing just over 500kt of graphite.

Foreign Estimates – clarifying statements as required by ASX Listing Rule 5.12

The estimates of mineralisation for the Trælen deposit are foreign estimates under the ASX Listing Rules.

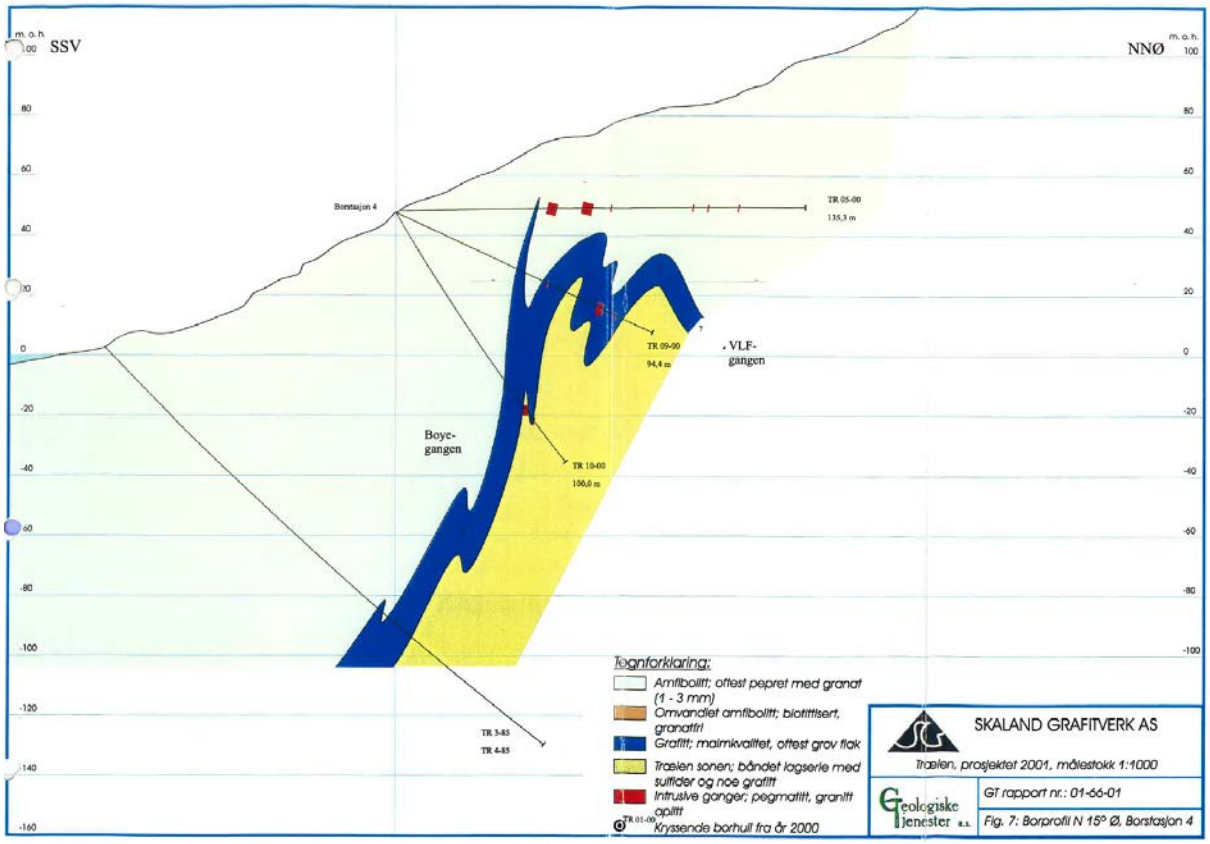
The original Pre-Feasibility Study of the Trælen deposit was conducted in 1998 and estimated geological resources of 1.25Mt at 22% C. In 2001 an additional drilling program was undertaken that comprised of 15 drill holes for a total length of 2103m. All holes intersected ore grade graphite in the Boye-vein and 5 holes also intersected ore grade graphite in the VLF-vein, which indicated a significant addition to the 1998 estimation.

After preliminary logging on site, the core was transported to Skaland, logged, sampled, split and assayed for carbon. A total of 156 samples for 217m of core were sent to the Skaland laboratory. Every fifth sample was subject to duplicate analysis at Skaland, and every tenth sample was sent to Lakefield Research in Canada for external check analysis. The internal control showed an average difference of 0.11% C between the two splits, which is regarded as satisfactory. The external control, which assayed for carbon in graphite, shows an average C value 1.4% lower than the values from the Skaland laboratory. The higher results at Skaland are probably due to the carbon in carbonate and some of the sulphur in the sulphides being lost during ignition and being incorporated into the simple single stage loss on ignition based carbon assay in the on-site laboratory.

In 2002, based on a total of 35 drill holes two ruler shaped ore bodies or veins were drill indicated with the following tonnage and grades:

The Boye-vein	1.54Mt @ 27.8% C
The VLF-vein	0.28Mt @ 26.6% C
Total	**1.83Mt @ 27.6% C**

Both deposits are still open in two and three directions respectively. Between 40 and 50 % of the deposits are situated above sea level.



Additional drilling has since been undertaken, and the original size of the deposit increased.

In 2015, the geologists from Rana Gruber (LNS's iron ore mine) updated the estimate and concluded a resource of 2.2Mt at ore grade. Of this 2.2Mt, 1.2Mt lies below the mine entry level of +25m RL, and 112kt above the current working level.

In 2017 the Norwegian University of Science and Technology reviewed the estimation and concluded that the pre-mining resource likely contained around 2 million tonnes of what could potentially be termed inferred, high grade graphite mineralisation and that drilling density and mapping in certain parts of the deposit was dense enough to define an indicated and possibly measured resource.

At that time, a total of 101 drill holes had been completed and comprised 40 "probe" holes for a total of 1,009m and 61 diamond holes for a total of 7,506m. There is limited rock density data and some uncertainty around the accuracy of the azimuth and dip at the collar of some of the drill holes.

No resource model has been developed for the deposit utilising modern cut-off grade analysis and estimation. Only geometric tonnages have been estimated historically and visual logging

used as the primary cut-off item. However, since mining commenced in 2007 the operation has delivered ore to the process plant in line with the current model.

MRC considers these estimates to be both material and relevant to MRC given that Trælen has the potential to be a material mining project to MRC.

Additional drilling will be required to further verify geological and mineralisation continuity, and there is no certainty that all of the current mineralisation will be converted to Measured and Indicated Resources. Quantity and grades are estimates and are rounded to reflect that the estimates are an approximation.

MRC has experience in managing similar operations to the Trælen operation. MRC's key technical and operational personnel conducted a site visit as part of the due diligence process. Skaland provided information on mineralisation and operational performance to date for MRC to review.

MRC believes that the information provided is the most recent available. Following completion of the transaction it is MRC's intention to conduct a work program, including appropriate re-modelling of the deposit utilising historical drill logs and assay data, additional exploration and resource definition drilling, resource optimisation for various underground mining scenarios and studies to define the high value optimum plan for conversion of the Mineral Resource to Ore Reserves. It is anticipated to be completed within two years and will be funded using internal cash reserves.

IMPORTANT INFORMATION

Summary of Transaction Terms

MRC has entered a SPA for total firm locked box consideration of NOK 79.4m (US$9.2M at the current USD/NOK 8.6) for 100% of Skaland, which includes the assets and property of Skaland Graphite AS, the Trælen Mine and its operations and associated property.

The total firm locked box consideration of NOK79.4M is provided by way of:

- An initial cash consideration of NOK41.4M (US$4.8M). This initial consideration is payable following completion of the SPA's conditions precedent to full acquisition ("Closing"), expected to be paid no later than end September 2019.

- The remaining NOK38M (US$4.4M) is for the balance of existing debt to the Seller, repayable over five years with interest applied at a rate of NIBOR [currently 1.28% per annum] +2% per annum calculated quarterly, with principal repayments a as follows:
    - NOK2.7M in each quarter of the first year following Closing; and
    - NOK1.7M in each quarter thereafter for years' two to five.

The acquisition is subject to customary conditions precedent, including all required regulatory approvals to increase production to a minimum of 14ktpa and the assignment or transfer of material permits and contracts. The acquisition is not subject to any shareholder approval. Closing is expected to occur in Q2 CY19 with an outside date for Closing by 30 September 2019.

- ENDS -

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About Mineral Commodities Ltd:

Mineral Commodities Ltd (ASX: MRC) is a global exploration and mining company with a primary focus on the development of high-grade mineral deposits within the industrial minerals, base metals, bulk commodities and precious metals sectors.

The Company is a leading producer of zircon, rutile, garnet and ilmenite concentrates through its Mineral Sands Operation at Tormin, located on the west coast of South Africa. The planned development of the Munglinup Graphite Project, located near Esperance in Western Australia, is consistent with the Company's strategy to capitalise on the fast growing sustainable renewable energy storage and electric vehicle revolution as well as downstream vertically integrated value-adding.

The Company has also secured first-mover advantage in Iran, considered the most prospective and underdeveloped mineral resource country in the world, and has entered into agreements and applied for tenements over a number of prospective areas in Western Australia targeting vanadium, lithium, channel iron ore and gold/copper.

Cautionary Statement

This report may contain 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 a number of factors could cause actual results or expectations to differ materially from the results expressed or implied in the forward-looking statements.

The estimates of mineralisation for the Trælen deposit are foreign estimates under the ASX Listing Rules and are not reported in accordance with the JORC Code. Competent persons have not done sufficient work to classify the foreign estimates as Mineral Resources in accordance with the JORC Code. It is uncertain, that following evaluation and further exploration, the foreign estimates will be able to be reported as Mineral Resources in accordance with the JORC code.

Competent Person Statement

In accordance with ASX listing rule 5.12.2 to 5.12.7, Mr. Daniel Hastings confirms the information in this market announcement that relates to the mineralisation for the Trælen deposit foreign estimate is an accurate representation of the available data and studies based on data provided to MRC by Skaland. Mr. Hastings is a consultant to MRC. He is a Member of The Australasian Institute of Mining and Metallurgy. Mr. Hastings has sufficient experience which is relevant to the styles of mineralisation and types of deposits under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the JORC Code 2012. Mr. Hastings consents to the inclusion of the material in this report in the form and context in which it appears.