



MRC COMPLETES SKALAND GRAPHITE ACQUISITION

- **Successful completion of the acquisition of Skaland Graphite AS.**
- **Skaland is the highest grade flake graphite operation in the world and largest producing mine in Europe.**
- **Acquisition provides MRC with immediate European graphite production of up to 10,000tpa with regulatory approval to increase to 16,000tpa.¹**
- **Optimisation work for concentrate upgrades at an advanced stage.**
- **Downstream value-adding studies commenced.**

Mineral Commodities Ltd (“MRC” or “the Company”) is pleased to announce that further to its announcement on 4 April 2019, the outstanding conditions precedent under the Share Purchase Agreement (“SPA”) were satisfied on Friday 4th October 2019. Accordingly, the Company has moved to complete the acquisition of 90% of the issued share capital in Skaland Graphite AS (“Skaland”) under the SPA.

MRC has subsequently paid the initial cash consideration of NOK41.4M (US\$4.5M). The remaining consideration of NOK38M (US\$4.2M) is payable over five years, with interest applied at a rate of NIBOR+2% per annum calculated quarterly, and principal repayments as follows:

- NOK2.7M in each quarter of the first year following completion; and
- NOK1.7M in each quarter thereafter for years two to five.

The acquisition was funded from existing cash reserves.

MRC Graphite (Norway) Pty Ltd, a wholly owned subsidiary of the Company acted as the sole contractual buyer of 100% of the issued capital of Skaland. The remaining 10% interest was transferred to the facilitator of the transaction, BSG Mining LLC, an unrelated party to the Company.

MRC took full control of Skaland and its operations as of last Friday’s settlement. MRC will also market all production from the Skaland mine in its own right.

1- This represents capacity only, specific quarter and annual production guidance will be provided in the Company’s Quarterly Activity Statements

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Commenting on completion of the transaction, Executive Chairman Mark Caruso said, "The acquisition of Skaland has fast tracked Mineral Commodities to be the largest graphite miner in Europe. Skaland offers excellent geostrategic positioning to capitalise on the fastest growing electric vehicle market globally. The Company has already evaluated several opportunities to optimise the current operation that will improve the concentrate quality before increasing production. It will move to implement these initiatives and thereafter increase production. The Company is progressing downstream processing, value adding initiatives and is intending to move to producing Battery Anode Material in the near term. Norway is at the forefront of electric vehicle adoption and with world class infrastructure, provides an excellent environment to build a vertically integrated carbon supply business."

About Skaland Graphite AS

Skaland Graphite AS is the owner and operator of the Trælen Graphite Mine and Skaland Processing Facility. Graphite was first discovered in the area in 1870 and production commenced in 1917. The plant was reconstructed in 1989 and the original Skaland deposit was exhausted in 2006, 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.

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.

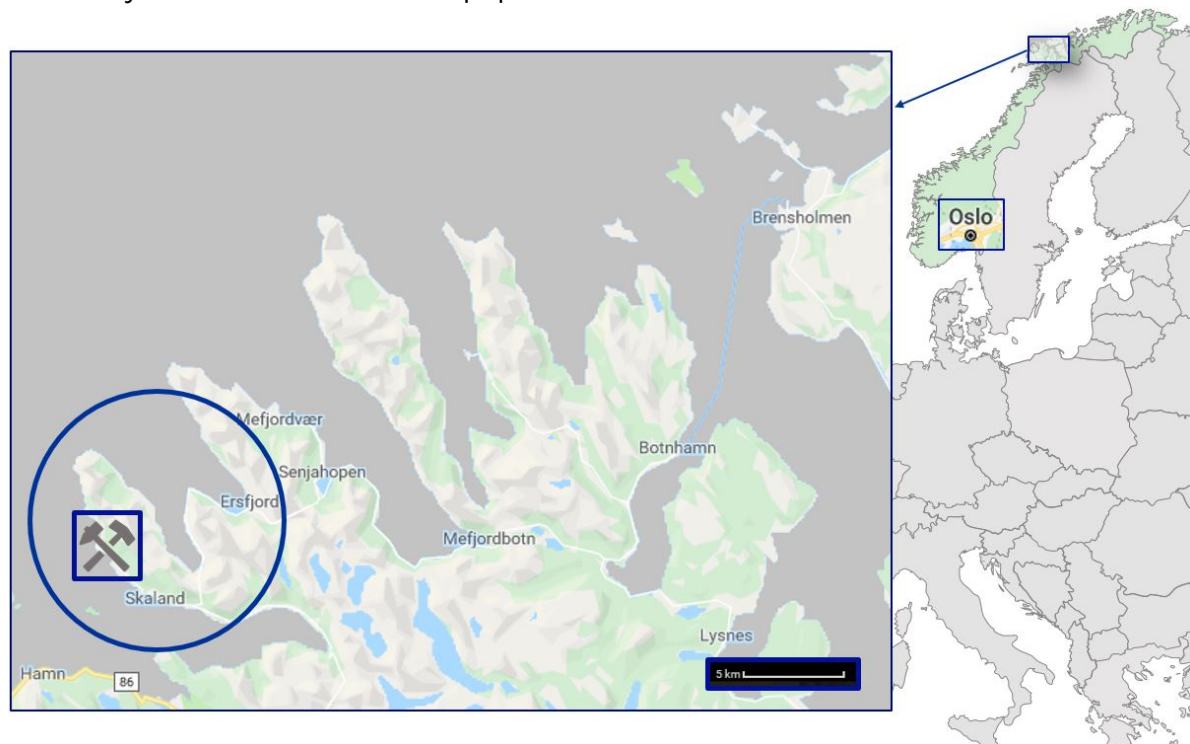


Figure 1- Skaland, Island of Senja, Norway

While no JORC compliant Mineral Resource or Ore Reserve currently exists for the Trælen deposit, significant and ongoing drilling has occurred across the deposit. Reviews by external consultants at various times since the deposit was originally defined in 1998 and updated in 2002 estimate the deposit to contain just over 500kt of graphite. The Company is confident there is additional resource potential in or around the existing Trælen deposit that is currently being mined.

Historical Sales and Production

Skaland is the largest crystalline graphite producer in Europe and the fourth largest producer globally outside of China and accounts for around 2% of global annual natural flake graphite production. Skaland is presently the world's highest-grade operating flake graphite mine with mill feed grade averaging around ~28% C. The Skaland Processing Facility processed ~37ktpa of ore in 2018 and produced a graphite flake concentrate of ~ 91%. Year to date recoveries to 30th September are 91.1%. The Company estimates that the Skaland Processing Facility is operating at about 60% of nameplate capacity.

Production and Sales



Figure 2- Skaland Production and Sales

**Year to Date – 1st January – 30th September 2019*

USD Revenue (M) /EBITDA

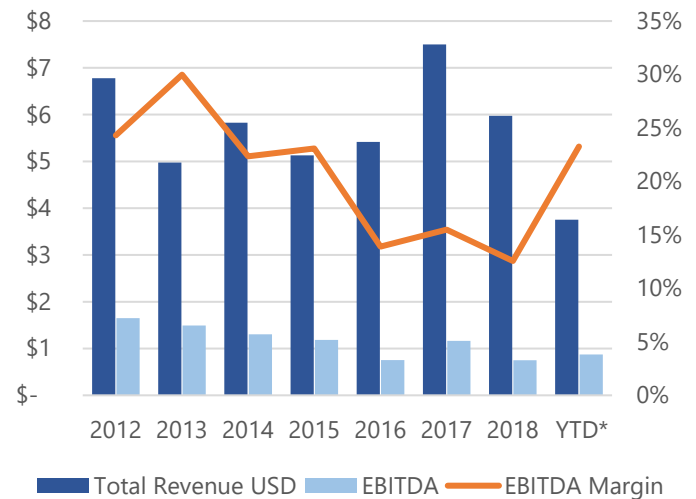


Figure 3 – Revenue, EBITDA, EBITDA Margin

Historical revenue has averaged ~US\$6.3M since 2016 and EBITDA margins have improved since 2018 due to improved coarse flake reporting (> 150µm) and a reduced powder (< 100µm) production. EBITDA as of 30th of September this year is already higher than calendar year 2018 and the EBITDA margin has improved to 23% from an EBITDA margin of 13% in 2018. Skaland previously operated under an exclusive marketing agreement with a non-related trading agent that did not provide pricing transparency for the final price received from the end user. The Company has since terminated this marketing agreement and is confident of improving the overall basket price of the Skaland concentrate in isolation of the planned optimisation strategies.

Average Ore Grades delivered to Plant (C-Carbon)		Concentrate Grade
2015	30.5%	90.5 %
2016	33.0%	90.4 %
2017	29.7%	90.3 %
2018	28.5%	89.3 %
YTD	25.5%	91.4 %

Figure 4- Annual ROM Ore grade and concentrate grade 2015-YTD

The product mix of graphite concentrate produced to September 2019 includes 36% of coarse (plus 150µm) material and 64% of fines (minus 150 µm).

PSD	Distribution %	+/- 150µm	Carbon
+315	6.6	36%	98.1%
+250	6.9		97.8%
+180	14		96.9%
+150	8.7		94.7%
+100	17.6	64%	91.5%
+75	11.6		87.5%
-75	34.7		86.1%

Figure 5 - Current flake distribution and final concentrate grade to September calendar year 2019

As part of its due diligence program, the Company has advanced initiatives to improve the quality of the fines fractions to at least a conventional 94% - 97% grade. It is also evaluating options to improve the concentrate split to the coarse fractions.

Optimisation/Increase Production

Pursuant to recently received regulatory approvals, the operation's current production limit can be increased to produce up to 16,000tpa.²

The Company has conducted laboratory scale testwork on optimising the grade of the fines (-150 micron) concentrate produced at Skaland. This program has now progressed to pilot scale testwork to determine equipment sizes required to produce high grade concentrate. Initial results are highly encouraging with grades of 96%-99% TGC. The Company is targeting plant upgrades in Q2 next year. The high grade fines concentrate will then form the feedstock for downstream value-adding including the production of Battery Anode Material.

2- This represents capacity only, specific quarter and annual production guidance will be provided in the Company's Quarterly Activity Statements

In addition, the Company has commenced pilot scale testwork to optimise the recovery of coarse graphite flakes from the front-end of the Skaland processing plant. The results of this program are expected this quarter.

The production of high grade fines concentrate (<150 µm) will position Skaland as a supplier of high quality fines products. Coupled with the expected increase in coarse graphite recovery, the Company expects to improve the existing basket price of Skaland graphite. The high grades at Skaland allow for the plant upgrades to be relatively low cost. On completion of the plant upgrades the Company will target increasing production towards the new permit limit of 16ktpa.

In parallel, the Company is investigating downstream value-adding options for Skaland concentrate including the production of Battery Anode Materials, complementing pre-existing studies by Skaland Graphite AS.

The Company will also move to report a fully JORC compliant resource to underpin long term mine planning where further assessment will be made in optimising the current mining method and development works.

The Company is confident that the strategy of optimising concentrate flake size distribution and improving concentrate grade will underpin a more focussed marketing strategy which the Company intends to undertake in its own right going forward.

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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, battery minerals and precious metals sectors.

The Company is a leading producer of zircon, rutile, garnet and ilmenite concentrates through its Mineral Sands Operation, located on the Western Cape of South Africa. In October 2019, the Company completed the acquisition of 90% of Skaland Graphite AS, which operates the Trælen Graphite Mine and Skaland Processing Facility in Norway. Skaland is the world's highest-grade operating flake graphite mine with mill feed grade averaging around 28%C. Skaland is the largest flake graphite producer in Europe and fourth largest producer globally outside of China.

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.

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 several factors could cause actual results or expectations to differ materially from the results expressed or implied in the forward-looking statements.