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Australian Securities Exchange
Company Announcements Office

**BINDING HOA EXECUTED TO AMEND EXISTING GMA GARNET CONCENTRATE OFFTAKE
AGREEMENT FOR DELIVERY OF A MINIMUM 210,000 TPA**

Highlights

- A Binding Heads of Agreement (“HOA”) has been executed with GMA Group (“GMA”) to amend the existing Life of Mine (“LOM”) Offtake Agreement for garnet concentrate.
- GMA has agreed to accept delivery of a minimum 210,000 tpa for the LOM.
- In addition, GMA has agreed to increase existing stockpile tonnages for 2017 to 240,000 tonnes, whilst maintaining the subsequent years LOM stockpiling commitment for 210,000 tpa.
- Minimum revenue of US\$60 million to be realised over the next five years, generated from final delivery of the existing stockpiles and 2017 forecast production.
- US\$5.2 million to be paid to Mineral Commodities Ltd (“MRC”) within 2 days of HOA execution, as pre-payment for initial garnet concentrate to be delivered to GMA during 2017.
- MRC to provide designated lease areas to stockpile GMA delivered garnet concentrate, and to provide for security for pre-payments on stockpiled garnet concentrate inventory.

MRC is pleased to advise that it has executed a Binding Heads of Agreement with its garnet offtake partner, GMA Group, to amend the existing Offtake Agreement previously entered into between the parties.

Under the existing Offtake Agreement, GMA had committed to take a minimum 210,000 tpa for the LOM and MRC had agreed to provide interim stockpile capacity of up to 300,000 tonnes at MRC’s Tormin Mine Site. GMA had also agreed to pay stockpiling costs for product stockpiled, but not delivered under the minimum offtake arrangement.

At the request of GMA, since early 2015 MRC had agreed to defer the delivery of the minimum annual contracted tonnage, and consequently increased its garnet concentrate stockpile and the stockpile capacity. MRC is currently holding circa 180,000 tonnes of stockpiled garnet concentrate, that is in addition to garnet concentrate sold to GMA under bill and hold arrangements.

Under the terms of the HOA now agreed between the parties, MRC will continue to produce and supply to GMA’s stockpile at a rate of 240,000 tonnes for 2017, reverting back to the original 210,000 tpa contracted for the balance of the LOM.

Furthermore, GMA has committed to take delivery of 210,000 tpa of stockpiled garnet concentrate from and including the calendar year 2017. MRC will deliver this contracted offtake tonnage from the current garnet concentrate stockpiled at the Tormin Mine Site and from forecast annual production (circa 200,000 to 250,000 tonnes for 2017).

Minimum revenue of US\$60 million will be generated from the final delivery over the next five years of the existing stockpile of garnet concentrate and forecast annual production for 2017.

This minimum revenue has been determined using a broad range of exchange rate and price assumptions stipulated in the Offtake Agreement and garnet characteristics including moisture and silica content. Specific information in respect to these assumptions is considered to be commercially sensitive.

The Binding HOA contemplates US\$5.2 million being paid by GMA to MRC within 2 days of HOA execution, as pre-payment for initial garnet concentrate to be delivered to GMA during 2017.

MRC will provide a segregated and dedicated leased area located on the Tormin Mine Site at which GMA can take delivery of garnet concentrate following payment.

Furthermore, GMA have agreed to pay for all historically incurred and future stockpile capital and maintenance costs relating to the increased stockpiling capacity required by GMA.

The original Loan Agreement with GMA provided for repayment and interest charges to commence on the continuous delivery of garnet concentrate in accordance with the Offtake Agreement. The parties have now agreed that the loan repayment and interest charges will commence 30 days following execution of the HOA.

Whilst the HOA is legally binding, the parties have agreed to:-

- (i) formally amend the Offtake Agreement (and enter into other documentation necessary to give effect to the matters in the HOA) within 1 month of execution of the HOA, and
- (ii) give physical effect to the stockpiling and security arrangements within 4 months of execution of the HOA.

If these milestones are not achieved and alternate arrangements are not agreed, the arrangements contemplated in the HOA may be unwound, provided always that MRC will retain the US\$5.2m prepayment and GMA will remain entitled to that volume of garnet concentrate as is represented by the US\$5.2m prepayment.

Executive Chairman Mr Mark Caruso stated:

"The significant value of the stockpiled garnet concentrate has now been realised under the HOA.

On completion of agreement amendments, the GMA Offtake Agreement will provide definitive commercial outcomes and a certainty in terms of sales tonnage into the future. The GMA Offtake commitment effectively underpins the financial viability of the Tormin Mine Site into the future and recognises the importance of the Tormin Project as a world class garnet producer.

The arrangements agreed in the HOA enhance the strong working relationship that has developed between GMA and MRC."

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For enquiries regarding this release please contact:

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