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Company Announcements Office  
Australian Securities Exchange Limited  
Level 4, 20 Bridge Street  
Sydney NSW 2000

**ASX: RHI**

## SALE OF RED HILL IRON ORE JOINT VENTURE INTEREST

The Board of Red Hill Iron Limited (**RHI**) is pleased to announce that it has entered into a binding agreement (**Binding Agreement**) to sell its 40% interest in the Red Hill Iron Ore Joint Venture (**RHIOJV**) to a wholly owned subsidiary of Mineral Resources Limited (ASX: MIN) (**MinRes**) (**Transaction**). The Transaction is subject to the approval of RHI shareholders.

### Summary of Transaction terms

The material terms of the Transaction are as follows:

- The cash purchase price is \$400,000,000 to be paid in two instalments:
  - (i) \$200,000,000 on completion of the sale of the RHIOJV interest; and
  - (ii) \$200,000,000 when the first commercial shipment of iron ore extracted from the RHIOJV tenements departs port.
- In addition, MinRes will pay RHI a royalty of 0.75% of FOB revenue on all iron ore that is extracted and sold from the RHIOJV tenements and, if developed in association with the development of one or more of the RHIOJV tenements, over the Bungaroo South tenement owned by MinRes.
- The key terms and conditions of the Binding Agreement are set out in the Notice of Meeting, lodged with the ASX today.

The sale does not include the Other Mineral Rights over the RHIOJV tenements which are retained by RHI. The RHIOJV tenements contain a Mineral Resources of 820Mt grading 56.44% iron ore (JORC Code 2012 Edition) (refer RHI ASX announcement dated 30 January 2020).

A Shareholders Meeting will be held on 2<sup>nd</sup> September 2021 to enable shareholders to vote on this Transaction.

## **Board Recommendation**

Your board strongly recommends this Transaction to shareholders and your directors (and entities controlled by them) intend to vote in favour of it in the absence of a superior proposal. The sale agreement is the culmination of a long process of engagement by which your board has sought to encourage the expedient implementation of a mining operation at Red Hill. RHI first accelerated the exploration for iron ore at Red Hill in 2005 by entering into a joint venture for project funding with Australian Premium Iron Joint Venture owned by Aquila Resources Limited (50%) and AMCI (IO) (50%). AMCI (IO) is owned 51% by AMCI and 49% by POSCO. To date the RHIOJV parties have been unable to reach agreement on a way forward.

Your board believes that MinRes can provide the necessary impetus to get a mining operation underway and the terms of the proposed Sales Agreement reflect our confidence that MinRes has the capability to consummate the arrangements needed for a development decision and to ensure that a mining proposal can be funded and implemented. In order to provide MinRes with this opportunity RHI would, with this proposed Sale, exchange an ongoing ownership position for an upfront cash payment plus a conditional future payment while maintaining an onward involvement through a significant project royalty.

Your directors have formed the view that MinRes, with the development of the advanced Ashburton Hub Iron Ore Project, represents the most likely party to bring the RHIOJV ore deposits into production, in joint venture with the APIJV.

RHI will continue to have an exposure to the project through a royalty of 0.75% of FOB revenue.

The background for this transaction, terms of the transaction and the future strategy for RHI are outlined in the attached Notice of Meeting.

## **Advisers**

Sternship Advisers are acting as financial adviser to RHI in relation to the Transaction.

This announcement has been authorised for release by the RHI board.

Joshua Pitt

Chairman