



Thursday, 19th March 2020

ASX Market Announcements
Via e-lodgment

RDG TO ACQUIRE 100% INTEREST IN MANGANESE TENEMENTS ANT HILL AND SUNDAY HILL FROM MINERAL RESOURCES LTD

Highlights

- **RDG to acquire a 100% interest in manganese tenements, Ant Hill and Sunday Hill**
- **Tenements are currently owned by ASX 200 company, Mineral Resources Limited through a wholly owned subsidiary**
- **Acquisition of tenements will occur by way of an Asset Sale Agreement with consideration being paid in Resource Development Group Limited ordinary shares**
- **Scrip consideration will be equivalent to 75% of RDG's total issued capital on a fully diluted basis, approximately \$30m at the current share price**
- **RDG to work closely with MRL to develop the mine and take into production**

The Board of Resource Development Group Limited (**RDG** or **Company**) is very pleased to announce that it has executed an asset sale agreement (subject to conditions) with Mineral Resources Limited (**MRL**) (ASX: MIN) and its wholly-owned subsidiary, Auvex Resources Pty Ltd (**Auvex**) to acquire a 100% interest in the Ant Hill and Sunday Hill manganese projects located in Western Australia comprising of mining leases M46/237, M46/238 and miscellaneous licence L46/67 (**Tenements**) (**Asset Sale Agreement**).

Tenements

The Ant Hill mining lease is a remnant basinal outlier of mid-Proterozoic sediments comprising the Manganese Group, the Pinjian Chert Breccia and the Hamersley Group. The sediments form a broad NW-plunging syncline and unconformably overlie the Fortescue Group, which is locally dominated by the volcanics of the Nymerina Basalt.

The manganese deposit occurs as a number of discrete podiform bodies of various sizes on the Ant Hill mesa. The mesa is a fault-bounded elongate feature, approximately 1.4km long and 400m wide, with a maximum topographic relief of 50m.

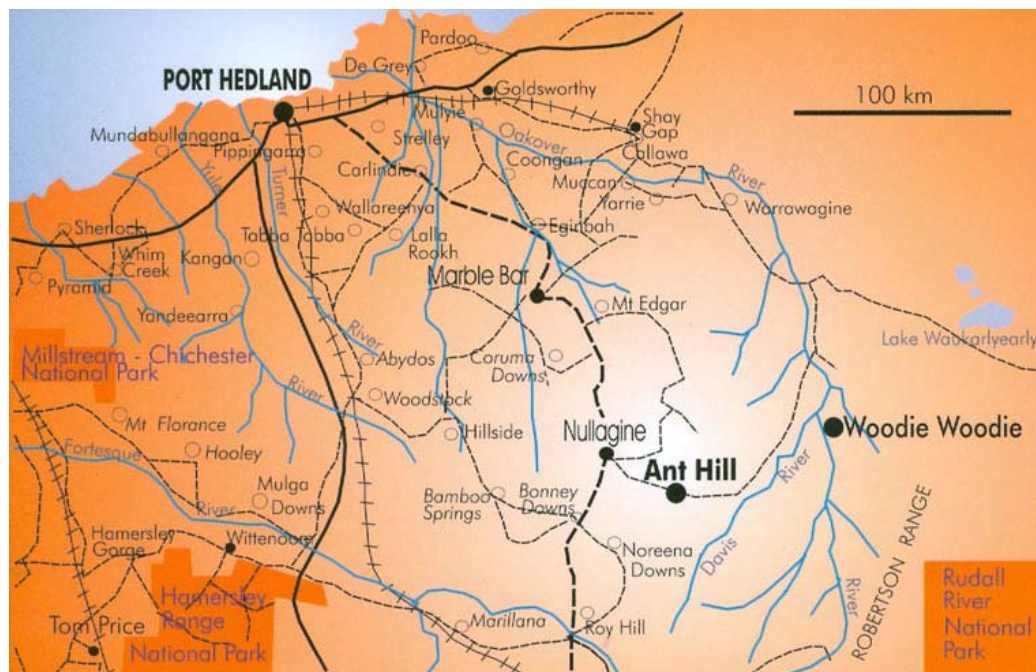
The Sunday Hill mining lease, which is located close to Ant Hill, is also a remnant mesa formation that rises 20 to 30 meters above the surrounding plain and has moderate to gentle slopes. The mesa is largely devoid of trees and generally covered by spinifex. The surface

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consists of skeletal soils to outcrop with some scree slopes and areas covered by colluvium. The geology of Sunday Hill is very similar to that of Ant Hill.

Sunday Hill is an outlier of late Precambrian Manganese and Hamersley Group sediments and covers an area of 5 x 5 square kilometres. The sediments form a broad NW plunging syncline and overlie Fortescue Group banded iron and shale units. The entire deposit is located 360 km by road from Port Hedland as depicted on the below map.



Commencement of Production

RDG will work closely with MRL to finalise a detailed project development plan with respect to taking the mine into production. The Company intends to construct a processing plant that will involve beneficiation, crushing & screening, as well establishing a mining fleet, onsite accommodation and non-process infrastructure to support the operating mine. The manganese ore will be transported using road transport from the mine through to Port Hedland. MRL have committed to provide their expertise and assistance to support RDG to ensure the mine commences production in the most efficient and cost-effective manner, using their proven experience and capabilities.

Forfeiture

The Tenements are currently subject to two separate applications for forfeiture by Black Range Mining Pty Ltd. Both applications are being defended by MRL. A date for the hearing of those applications has not yet been set. MRL will incur all costs and expenses associated with the applications for forfeiture.

The Acquisition will proceed notwithstanding the applications for forfeiture remain on foot.



Shareholder Approval

The acquisition is subject to shareholder approval in accordance with the Listing Rules and Section 611 item 7 of the Corporations Act and will be put to shareholders at a general meeting. Approval will be sought under Listing Rule 10.1 for the grant of the security for the Loan in favour of MRL (refer below).

Material Contracts

MRL will transfer the Tenements to RDG (via its nominee, Comcen Pty Ltd as the Buyer) including all other related documents, approvals, licenses, leases, records, test results, samples and intellectual property in return for a 75% shareholding in RDG. Based on the Company's current share price, MRL is to receive approximately 1,896,087,201 RDG shares. There is no cash payable.

The Asset Sale Agreement is conditional on the satisfaction or waiver (by the party with the benefit of the waiver) of the following conditions:

- (a) There being no material adverse change to the RDG business.
- (b) ASX providing written confirmation to RDG that ASX Listing Rule 11.1.3 does not apply.
- (c) RDG shareholders approving the acquisition of the Tenements pursuant to the Asset Sale Agreement (**Acquisition**).
- (d) The independent expert finding that the Acquisition is either "fair and reasonable" or "not fair but reasonable" to RDG shareholders.
- (e) All change in control consents to any material contracts for RDG being received.
- (f) The receipt of all necessary consents under the Mining Act.
- (g) RDG having a cash balance of greater than \$10,000,000 and holding assets with a net asset value greater than \$15,000,000 as at the completion date.

The Asset Sale Agreement is subject to standard warranties and representations given by both MRL (and its subsidiary) in respect of the Tenements and RDG and the Buyer in respect of the status of RDG and the Buyer.

The parties have also agreed to enter into the following agreements:

- (a) Services agreement: RDG has agreed to engage MRL to undertake resource drilling, design, supply & construct the processing and non-processing infrastructure, commission the plant and supply the mining equipment to commence mining on the Tenements.
- (b) Loan agreement: MRL has agreed to advance working capital funds to RDG via a secured loan of up to \$35 million (**Loan**). The Loan will have a 5 year term with an interest rate of 8.125% per annum and includes standard terms for a loan agreement including undertakings, covenants and default events.

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- (c) Security Agreements: The Loan will be secured by a mining mortgage between the Buyer and MRL and general security deeds for the benefit of MRL with RDG and the Buyer.

Board

The board of RDG shall consist of 5 directors, being 3 directors nominated by MRL, one new independent director and Andrew Ellison to remain as managing director.

RDG's Existing Services

RDG, through its wholly owned subsidiary Central Systems Pty Ltd and its interest in Mineral Solutions Australia Pty Ltd, will retain all existing contracts, continue to undertake those contracts as currently disclosed to the market and further grow the existing contracting businesses as the resources market continues to grow.

The proposed transaction with MRL is therefore a logical extension for RDG as it will result in providing construction and management expertise and likely access to other such future opportunities, which are in its traditional contracting space, and significantly also provides RDG with a direct equity interest in the manganese tenements which are aiming to be in production in the near term.

Notice of Meeting and Independent Expert's Report

Further details will be provided to shareholders in the Notice of Meeting scheduled to be distributed shortly.

The Company has engaged the services of BDO Australia (BDO) to complete the Independent Expert's Report as required and this report will be included in the Notice of Meeting for RDG shareholders to consider.

The Directors of RDG recommend that the RDG shareholders vote in favour of the transaction with MRL and confirm each of them will vote or procure that their appropriate entity votes any RDG Shares owned or controlled by that Director in favour of the transaction with MRL subject to BDO concluding that the transaction with MRL is at least "not fair but reasonable" to the RDG shareholders.

Under the Asset Sale Agreement, RDG will use its best endeavours to procure that the Directors of RDG will not collectively withdraw or modify their recommendation to vote in favour of the transaction with MRL other than where BDO concludes (in its report or any update, addendum or variation) that the transaction with MRL is not fair and not reasonable and the Directors of RDG have determined after receiving written legal advice from their legal advisors that the Directors of RDG by virtue of directors' statutory or fiduciary duties are required to change, withdraw or modify their recommendation.

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RDG's Chairman, Andrew Ellison said "The RDG Board are delighted to be working together with MRL on this very exciting project and believe that our combined resources will produce excellent value for all shareholders in the future".

END

This announcement is authorised by the directors of Resource Development Group Ltd

For further information, please contact Michael Kenyon on (08) 9443 2928 or at michael.kenyon@resdevgroup.com.au

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