Our ref: 72-13461

MR ROBERT COLE
CHAIR
SOUTHERN PORTS AUTHORITY

MINISTERIAL DIRECTION TO SOUTHERN PORTS AUTHORITY – CLIFFS ASIA PACIFIC IRON ORE PTY LTD/MINERAL RESOURCES LIMITED ESPERANCE PORT AGREEMENTS

Pursuant to section 72 of the Port Authorities Act 1999, I direct the Southern Ports Authority (SPA) to:

1. subject to arrangements acceptable to SPA for settlement of disputed invoices issued to date, release Cliffs Asia Pacific Iron Ore Pty Ltd (Cliffs) from its contracted termination payment obligations and not seek to exercise the various asset purchase options or any other rights of SPA under the:
   (a) Operating Agreement (as varied by the Variation of Operating Agreement dated 3 November 2016);
   (b) Lease Agreement (Shed 2 and Shed 4); and
   (c) Lease Agreement (Office Building);
   each dated 30 May 2014 and entered into between Cliffs and Esperance Port Authority (now SPA);

2. allow the transfer of ownership of Sheds 2 and 4 and the rail car dumper at the port of Esperance (together, the Assets) to Mineral Resources Limited (MRL) and the provision of associated land tenure or access rights to MRL, subject to SPA entering into arrangements with MRL that provide for:
   (a) the surrender of ownership of the Assets (at no cost to SPA) upon the expiry or termination of the land tenure and access rights;
   (b) subject to paragraphs (c) and (d), the land tenure and access rights to commence on the date on which MRL first brings iron ore from tenements transferred or to be transferred from Cliffs to MRL (Cliffs tenements) into the port or 31 December 2018, whichever is the earlier (commencement date), and to continue until the earlier of:
      (i) the date five years after the commencement date;
      (ii) the date when MRL exports 30 million tonnes of iron ore from the Cliffs tenements; or
      (iii) such other date as mutually agreed between SPA and MRL, such earlier date being the expiry date;
(c) SPA having the right to terminate the land tenure and access rights for the Assets if MRL ceases to export iron ore from the Cliffs tenements for a period of 6 months;

(d) whether by the exercise of an option or a right to negotiate, SPA allowing MRL to retain ownership of any of the Assets beyond the expiry date and for the associated land tenure and access rights to be extended beyond the expiry date provided such retention and extension are on commercial terms and MRL demonstrates to the satisfaction of SPA that it requires those Assets for continuing uninterrupted iron ore or other exports from tenements then held by MRL; and

(e) third party access to spare capacity relating to use of the Assets (other than in relation to any of the Assets leased [or licensed] to SPA) and any other assets leased or licensed to MRL;

3. subject to clause 4, charge MRL (whether by use of a rebate or otherwise) the following discounted rates for iron ore exported from the Cliffs tenements:

   (a) $3.05 + GST per tonne for up to 10 million tonnes;
   (b) $3.50 + GST per tonne from 10 million to 25 million tonnes;
   (c) $4.40 + GST per tonne from 25 million up to a maximum of 30 million tonnes;

   on the basis that:

   (d) MRL shall not be required to export any minimum quantity of iron ore for the above rates to apply;
   (e) the above rates are inclusive of rent and licence fees for the land tenure and access rights relating to the Assets and any other assets leased or licensed to MRL, iron ore handling, wharfage/stevedoring and non-major maintenance costs for all iron ore circuit assets, principally being the Assets and sheds 1 and 3;
   (f) subject to paragraph (g), SPA shall be responsible for any major maintenance of the iron ore circuit assets (being maintenance costing over $100,000 for the relevant maintenance event in respect of the relevant asset);
   (g) MRL shall be responsible for any major maintenance in relation to the Assets (being maintenance costing over $100,000 for the relevant maintenance event in respect of the relevant asset) that may be required to restore the Assets to the condition they were in as at the commencement date (taking into account any maintenance identified by SPA that ought to be performed prior to that date) with such initial condition to be verified by an independent third party assessment at the cost of MRL;

4. charge MRL full commercial rates in respect of any export above 30 million tonnes of iron ore from the Cliffs tenements or after five years from the commencement date, whichever is earlier;

5. continue to employ, for an initial period of up to six months from the date of this direction (transition period), and for any other period of suspension of iron ore exports by MRL [during the period the rates specified in clause 3 of this direction apply], sufficient stevedoring and other employees to service the expected MRL iron ore export business upon commencement or re-commencement (as the case may be) of iron ore exports through the port by MRL; and
6. report to me quarterly during the transition period and for the subsequent 12-month period with half-yearly reports thereafter until the date the rates specified in clause 3 of this direction cease to apply, detailing:

(a) the volume of MRL’s iron ore exports;
(b) the costs incurred in maintaining employment during the transition period;
(c) the amount of port charges discounts provided to MRL; and
(d) any major maintenance costs incurred on the Assets by MRL and SPA and by SPA on the iron ore circuit.

HON RITA SAFFIOTI MLA
MINISTER FOR TRANSPORT

20 AUG 2018