Red River Secures Zinc and Lead Concentrate Offtake Agreements with Trafigura

Near-term zinc producer Red River Resources Limited (ASX: RVR) ("Red River" or the "Company") is pleased to announce it has finalised offtake agreements for the zinc and lead concentrates to be imminently produced from its Thalanga Zinc Project, Northern Queensland, between Red River's wholly owned subsidiary Cromarty Resources Pty Ltd ("Cromarty") and Trafigura Pte Ltd ("Trafigura") (the "Offtake Agreements").

- **The Offtake Agreements are fixed tonnage contracts, with tonnage anticipated to be produced during the first three year period from the commencement of commercial production;**
- **The Offtake Agreements are structured to help minimise Red River's working capital requirements;**
- **Cromarty has also entered into a facility agreement with Trafigura, pursuant to which Trafigura will make available up to US$10,000,000 to assist, if required, with the costs of production and general working capital expenses ("Facility Agreement"); and**
- **Terms and conditions have been competitively negotiated reflecting strong forward demand.**

The Offtake Agreements are in respect of 122,000 dry metric tons of zinc concentrate and 27,400 dry metric tons of lead concentrate, with pricing being determined by reference to applicable metal prices on the London Metal Exchange at the time of shipment, with tonnage expected to be shipped in the first 36 months following commencement of commercial production. Under the terms of the Offtake Agreements, zinc and lead concentrates will be trucked approximately 200km to the Port of Townsville, for onward delivery to customers.

Red River's Managing Director Mel Palancian commented: "The execution of zinc and lead concentrate offtake agreements with Trafigura is the culmination of a competitive process involving a number of leading trading and smelting companies.

"The highly competitive nature of the process has allowed us to obtain outstanding offtake terms for both zinc and lead concentrates which will contribute to the success of Thalanga.

"We look forward to building on our close working relationship with Trafigura as we complete the process of bringing the Thalanga Zinc Project back into production, which we are on budget and on schedule to achieve in 4Q CY2017."

Trafigura Group CEO Jeremy Weir commented: "We are pleased to have concluded these transactions with Red River Resources and look forward to working with them over the long term as they become a major player in the global zinc market."

A summary of the key terms of the Facility Agreement is contained in Annexure A.

About Trafigura

Founded in 1993, Trafigura is one of the largest physical commodities trading groups in the world. Trafigura sources, stores, transports and delivers a range of raw materials (including oil and refined products and metals and minerals) to clients around the world. The trading business is supported by industrial and financial assets, including 49.6 percent owned global oil products storage and distribution company Puma Energy; global terminals, warehousing and logistics operator Impala Terminals; Trafigura's Mining Group; 50 percent owned DT Group which specialises in logistics and trading; and Galena Asset Management. The Company is owned by around 600 of its 4,100 employees who work in 61 offices in 36 countries around the world. Trafigura has achieved substantial growth over recent years, growing revenue from USD12 billion in 2003 to USD98.1 billion in 2016. The Group has been connecting its customers to the global economy for more than two decades, growing prosperity by advancing trade.

Visit: www.trafigura.com

Thalanga Zinc Project Background

Red River released a Restart Study (the internal study prepared by Red River to assess the potential restart of the Thalanga Zinc Project) in November 2015, which demonstrated the highly attractive nature of the Project. The Project has a low operating cost, low pre-production capital cost ($17.2 million), and a short timeline to production (six months).

Annual average production is 21,400 tonnes of zinc, 3,600 tonnes of copper, 5,000 tonnes of lead, 2,000 ounces of gold and 370,000 ounces of silver in concentrate over an initial mine life of five years, and there is outstanding extension potential.

Please refer to ASX release dated 12 November 2015 for further details on the Thalanga Zinc Project Restart Study. Red River confirms that all material assumptions underpinning the production target in the ASX release dated 12 November 2015 continue to apply and have not materially changed.

The Thalanga Zinc Project Restart Study is based on production from three deposits – West 45, Far West and Waterloo. The Thalanga Zinc Project Restart Study is based on low level technical and economic assessments and there is insufficient data to support the estimation of Ore Reserves at Far West and Waterloo, provide assurance of an economic development case at this stage, or provide certainty that the results from the Thalanga Zinc Project Restart Study will be realised. Further, as the production target that forms the basis of the Thalanga Zinc Project Restart Study includes Mineral Resources that are in the Inferred Category and there is a low level of geological confidence associated with Inferred Mineral Resources, there is no certainty that further exploration work will result in the determination of Indicated Mineral Resources or that the production target itself will be realised.

On behalf of the Board,

Mel Palancian
Managing Director
Red River Resources Limited

For further information, please visit Red River's website or contact:

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Annexure A

A summary of the key terms of the Facility Agreement and ancillary arrangements is as follows:

a) (**Conditions Precedent**) – the Facility Agreement and the Off-Take Agreements are inter-conditional and are subject to certain usual conditions precedent for documents of this sort, including the delivery to Trafigura of certain documents, Trafigura obtaining usual legal opinions and the registration of a security interest over Cromarty's interest in certain assets, including concentrate to be produced from Cromarty's mine;

b) (**Availability**) – Cromarty may request one or more advances from Trafigura of amounts of at least US$1,000,000, or increments thereof (provided the facility limit of US$10,000,000 (**Facility Limit**) is not exceeded), on or before the date that is 35 months after the date that it is first advanced funds pursuant to the facility, subject to various conditions, including there being no Event of Default or Potential Event of Default under the facility (or would not result from the relevant advance).

c) (**Repayment and Interest**) - at the time of drawing Cromarty can select a repayment term of between 3 and 18 months and will be required to make equal repayments of the capital during the relevant term and will pay interest on outstanding advances at a rate of LIBOR plus a margin.

   Repayment will be by way of set-off against amounts payable for concentrate delivered to Trafigura in accordance with the Off-Take Agreements (unless otherwise settled in cash) and may be repaid early at Cromarty's option.

d) (**Representations and Warranties and Undertakings**) - the Facility Agreement includes various representations and warranties and imposes various other obligations on Cromarty that are usual in a transaction of this sort. This includes warranties regarding compliance with environmental law and the terms of its permits, the condition of its production facilities and undertakings not to dispose of certain assets or to change its business and to maintain certain financial ratios.

e) (**Events of Default and Potential Events of Default**) - failure to comply with certain undertakings or the breach of certain representations and warranties (in addition to usual insolvency related events), including failure to pay money when due, failure to maintain certain financial covenants, non-rectification of breaches of the Facility Agreement and the breach of warranties and representations, may give rise to Trafigura ceasing to be required to make any advances to Cromarty, Trafigura terminating the Facility Agreement and/ or the exercise of its rights under the parent guarantee provided by Red River or enforcing its security interests granted by Cromarty. This right includes, if one of the Off-Take Agreements is terminated, whether as a result of a force majeure event or otherwise.

f) (**Security and Parent Company Guarantee**) – to secure repayment of the amounts owing to Trafigura under the facility agreement and associated documents, Cromarty is required to grant security to Trafigura over among things, certain zinc and lead concentrate produce from the site and the balance of invoices outstanding from Trafigura to Cromarty under the Off-Take Agreements. Red River has also provided a parent guarantee, guaranteeing the performance of Cromarty's obligations under various ancillary documents and the repayment of certain amounts that may become owing to Trafigura;

g) (**indemnity**) - subject to certain limitations and exceptions, the Underwriter and Cromarty have agreed to indemnify Trafigura and certain other persons against certain costs or expenses it may incur or sustain in relation to the Facility Agreement and ancillary documents.