

ASX Announcement

25 September 2019

Response to Hanking's NBIO for the Coolgardie Gold Project

Focus Minerals Limited (ASX:FML) (**Focus**) notes the announcement by China Hanking Holdings Limited (**CHH**; 3788.HK) (**Hanking**) on the Stock Exchange of Hong Kong on 23 September 2019 relating to a non-binding indicative cash offer it has made to potentially acquire Focus' Coolgardie Gold Project (**Hanking NBIO**),¹ and recent media commentary in relation to it.

The purpose of this announcement is to respond to these developments, in the interests of a fully informed market.

Background

Original Horizon Proposal

On 11 February 2019, Focus announced that it had entered into an exclusivity deed (**Exclusivity Deed**) with Horizon Minerals Ltd (**Horizon**; ASX: HRZ) in relation to the sale of the Coolgardie Gold Project. The commercial terms of that proposal were enclosed in that announcement.² The terms of the Exclusivity Deed prevent Focus from engaging with parties making competing offers, subject to customary fiduciary carve-outs.

Improved Horizon Proposal

Following the receipt of an initial non-binding indicative proposal from Hanking and Horizon, in response, exercising its matching rights under the Exclusivity Deed, Focus announced on 6 September 2019 that the consideration payable under Horizon's non-binding proposal had increased to A\$55 million, comprising A\$12 million in fully paid ordinary shares (based on a 20-day VWAP) and A\$43 million in cash, which is payable in tranches.³ For completeness, those tranches are fully set out in the following table.

Date of Payment / Issue	Cash Consideration	Share Consideration
Completion Date: The date completion of the sale and purchase of the assets comprising the Coolgardie Gold Project under an asset sale agreement occurs (Completion Date).	A\$3 million.	A\$6 million worth of new Horizon Shares at a deemed issue price equal to the 20-day VWAP of Horizon Shares ending on (and including) the trading day immediately prior to the date of execution of the asset sale agreement.

¹ Document Title: *Inside Information Non-Binding Indicative Cash Offer to Acquire New Gold Project in Australia*. Time of the Announcement: 19:24.

² Entered on 11 February 2019 and extended on 02 July 2019; see ASX announcements for detail.

³ Please see the ASX announcement on 06 September 2019 for detail.

Date of Payment / Issue	Cash Consideration	Share Consideration
Tranche 1 Deferred Consideration Payment Date: The date that is 9 calendar months after the Completion Date (or the next Business Day).	A\$5 million.	Subject to the approval of Horizon shareholders, A\$6 million worth of new Horizon Shares at a deemed issue price equal to the 20-day VWAP of Horizon Shares ending on and including the trading day immediately prior to the Tranche 1 Deferred Consideration Payment Date.
Tranche 2 Deferred Consideration Payment Date: The date that is 18 calendar months after the Completion Date (or the next Business Day).	A\$9 million.	n/a
Tranche 3 Deferred Consideration Payment Date: The date that is the earlier of: <ul style="list-style-type: none"> the date that the first 50,000 ounces of gold dore are produced by the Three Mile Hill processing facility following the Completion Date; and 30 calendar months after the Completion Date (or the next Business Day). 	A\$13 million.	n/a
Tranche 4 Deferred Consideration Payment Date: <i>The date that is 42 calendar months after the Completion Date (or the next Business Day).</i>	A\$13 million.	n/a

Hanking NBIO

On 19 September 2019, Focus received the Hanking NBIO on an unsolicited basis.

The Hanking NBIO:

- is subject to the completion of due diligence by Hanking;
- is subject to the negotiation of binding transaction documents; and
- comprises the commercial terms as extracted below.

Payments	Cash Consideration
On Completion Upfront	\$12.0m
Tranche 1 Deferred <i>9 calendar months following Completion</i>	\$10.0m
Tranche 2 Deferred <i>18 calendar months following Completion</i>	\$10.0m*
Tranche 3 Deferred <i>30 calendar months following Completion</i>	\$12.0m
Tranche 4 Deferred <i>42 calendar months following Completion</i>	\$12.0m - \$21.0m**
Total Consideration	\$56.0m - \$65.0m

* This payment can be cash or a convertible bond which converts in Hanking shares at a fixed Hanking share price (at the absolute discretion of Focus).

*** Given Hanking has had no access to the Focus data room, a range is estimated, but a definite number will be determined within 3 weeks from the day of data room access, and the final binding offer will be within this valuation range.*

Determination of Focus board

After considering all relevant circumstances, and seeking input from its advisers, the Focus board has concluded that the Hanking NBIO, as currently presented, is not a superior proposal for the purposes of the Exclusivity Deed.

Focus informed Hanking of that decision late on 23 September 2019.⁴ Factors relevant to the Focus board's determination include that the Horizon proposal is substantially more advanced (including due diligence being completed) and currently has greater execution certainty.

In the absence of a superior proposal, Focus will continue to engage with Horizon in relation to its previously announced (improved) proposal to acquire the Coolgardie Gold Project.

Focus will continue to update the market as appropriate, consistent with its continuous disclosure obligations.

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⁴ By email, sent at 20:13.