

ASX Announcement

21 October 2019

Update on the Potential Sale of the Coolgardie Gold Project

Focus Minerals Ltd (ASX: FML) (**Focus** or the **Company**) is pleased to provide an update on the potential sale of the Coolgardie Gold Project (**Coolgardie**) to Horizon Minerals Ltd (ASX: HRZ) (**Horizon**) (**Proposed Transaction**).¹

On 9 October 2019, Focus announced that the Company was in the process of evaluating a number of unsolicited offers from third parties. The Board of Focus determined to pursue one of the unsolicited offers (**Competing Proposal**) on the basis that it was considered the most attractive and superior to the Horizon offer, which at the time had a total consideration of A\$55 million comprising a combination of A\$43 million in cash and A\$12 million worth of newly issued fully paid ordinary shares in Horizon, payable to Focus over 3.5 years.

In response, Horizon has elected to exercise its matching right under the Exclusivity Deed and submitted a revised non-binding indicative proposal to Focus (**Horizon Counter Proposal**).

Highlights of the Horizon Counter Proposal are as follows:

- A total consideration of A\$52 million, all cash, payable to Focus over a 12-month period;
- Extension of the exclusivity period for a further 60 days;
- Removal of the fiduciary carve-outs, giving Horizon full exclusivity during the extended exclusivity period;
- A break fee of A\$1.04 million payable to Horizon in the event that Focus enters into a written agreement with a third party other than Horizon to pursue a competing proposal during the extended exclusivity period;
- A break fee of A\$1 million payable to Focus in the event the funding condition under the binding transaction documents is not met or waived by Horizon; and
- Horizon is required to replace the environmental bonds by the Department of Mines, Industry Regulation and Safety (**DMIRS**) if required.

After obtaining input from the Company's advisers, Focus' Board has determined the Horizon Counter Proposal to be no less favourable to Focus shareholders than the Competing Proposals. As a result, the terms of the Exclusivity Deed have been updated to reflect the terms proposed in the Horizon Counter Proposal. Focus and Horizon will now continue to use their reasonable endeavours to agree formal binding documentation in respect of the Horizon Counter Proposal.

The Proposed Transaction, as contemplated by the Horizon Counter Proposal, remains subject to the negotiation of and entry into formal binding written documentation and the obtaining of necessary approvals. Accordingly, there is no assurance that the sale of the Coolgardie Gold Project, which includes the Three Mile Hill processing plant, will proceed.

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

¹ Announced on 11 February, 02 July, 06 and 25 September and 09 October 2019.

SCHEDULE 1 – KEY COMMERCIAL TERMS

Under the Exclusivity Deed, the terms of the formal documentation (if executed) are to be consistent with the following key terms:

- Structure:** The Proposed Transaction will be structured as an asset sale under which all of the Coolgardie Gold Project assets will be transferred from Focus and its wholly owned subsidiary, Focus Operations Pty Ltd, to CGP Assets Pty Ltd (as **Purchaser**) (a wholly owned subsidiary of Horizon) free from encumbrances save for certain permitted encumbrances (**Asset Sale Agreement**).
- Parties:** The parties to the Asset Sale Agreement will comprise Focus (as vendor), the Purchaser and Horizon (as guarantor of the Purchaser's obligations).
- Conditions Precedent:** Completion of the Proposed Transaction will be subject to agreed conditions precedent including:
 - necessary regulatory approvals and consents, including ministerial consent to the transfer of the Coolgardie Gold Project tenements (**Tenements**);
 - necessary third-party consents and waivers of pre-emptive rights in respect of the Tenements;
 - a condition for the benefit of Horizon that it obtains binding funding commitments (on terms and conditions satisfactory to it) for not less than A\$30 million (**Funding Condition**); and
 - other customary conditions precedent for transactions similar to the Proposed Transaction.
- Funding Condition Break Fee:** If the Funding Condition is not satisfied or waived by the agreed sunset date for the conditions precedent then Horizon will be required to pay Focus a break fee of A\$1,000,000.
- Purchase Price:** The purchase price will be A\$52 million in cash payable to Focus as set out in the table below.

Date of Payment	Cash Consideration
Completion Date: The date completion of the sale and purchase of the assets under the Asset Sale Agreement occurs (Completion Date).	A\$30.0 million.
Deferred Consideration Payment Date: The date that is 12 calendar months after the Completion Date (or the next Business Day).	A\$22.0 million.

- Security:** The obligations of the Purchaser (and Horizon, as guarantor) to pay the deferred component of the Purchase Price will be secured in favour of Focus by first-ranking security over the assets (subject to any agreed pre-existing security interests) and the shares in the Purchaser.
- Environmental Obligations:** From Completion the Purchaser will assume responsibility for all environmental obligations in respect of the Coolgardie Gold Project arising before, on or after Completion.
- Environmental Bonds:** Horizon will do all things reasonably necessary, or as DMIRS may require, to effect the retirement of the environmental bonds in respect of Tenements acquired by Horizon under the Proposed Transaction including providing replacement bonds as required by DMIRS.
- Warranty regime:** The assets will be sold on an 'as is where is' basis and subject to only limited warranties by Focus in favour of the Purchaser and Horizon.

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About Focus Minerals Limited (ASX: FML)

Focus is a Perth-based, ASX-listed gold exploration company with projects in Laverton and Coolgardie.

The company is focused on delivering shareholder value from its Laverton Gold Project, in Western Australia's north-eastern Goldfields. The Laverton project covers 507km² area of highly prospective ground that includes the historic Lancefield and Chatterbox Trend mines. Focus' priority target is to confirm the extent of gold mineralisation at deposits Beasley Creek and Lancefield Thrust and advance the Sickie, Ida-H and Karridale-Burtville deposits and targets.

Focus also owns the non-core Coolgardie Gold Project, also in the Goldfields, which includes a 1.2Mtpa processing plant at Three Mile Hill. The plant is on care and maintenance. Focus is pursuing a divestment strategy for its Coolgardie Project and continues to maintain them and add value while this process continues.