

Sirius Minerals

Voting considerations.

This document is issued by ShareSoc and by the ShareSoc Sirius Shareholders Group (SSSG) to set out some of the main considerations for shareholders in relation to the proposed takeover of Sirius. It is based on our current understanding and does not constitute investment advice.

With only a few days left until shareholders will need to cast their votes on the Anglo American offer, it is worth reviewing the position dispassionately and objectively.

The Anglo Offer

The offer of 5.5p by Anglo is undoubtedly opportunistic and takes advantage of the distressed financial position of Sirius. The pricing is at a premium to the market price in the period preceding the offer but is at a significant discount to the intrinsic value of the mine *with financing in place*.

We have spoken with Anglo American and have requested concessions on pricing and / or on allowing existing shareholders to retain a continued economic interest in the project. They have very politely told us that the choice for shareholders is a simple yes or no.

Anglo does appear to have the option to make a conventional offer should the scheme of arrangement not be passed at the General Meeting, but there is currently no indication that they would do so.

Counter offers

Given the apparent gap between the Anglo offer price and the intrinsic value of the project *with financing in place*, it would have been reasonable to expect some competitive price tension from the other major natural resource companies.

The fact that a counteroffer has not been forthcoming, despite the media attention, suggests that those few companies with the combined geological, commercial and financial capacity to take on a project of this size and nature are applying a significant risk discount factor to their analysis.

Third Party Finance

In its RNS of 14th February, Sirius announced that the Alternative Proposal, which could have provided bridge finance to move the project to initial production, is now off the table due to the lack of an anchor institutional investor. This avenue is closed.

There have been reports that the Qatar Investment Authority has also considered providing bridge financing. We understand (but have not been able to verify) that the QIA owns a large proportion of the Sirius Convertible Bonds, and the intention of such a financing package was presumably to protect that bond holding (together with the QIA's equity holding) from an administration.

The QIA reportedly decided against pursuing a rescue package once Anglo made an offer in January. This is logical since the Anglo offer achieves the QIA's apparent purpose by preventing the company being placed into administration.

Government Funding

There has been speculation by some shareholders that the government might become involved. But the government's history in relation to the Woodsmith mine project suggests otherwise. The

Infrastructure and Projects Authority undermined the company's original financing initiative by dithering, and the government specifically refused to guarantee a bridge financing late last year.

A direct guarantee of Sirius bonds or loans is problematic from the perspective of EU competition and subsidies rules. There are also political implications associated with direct government intervention with the clear intention of thwarting a takeover by a UK listed PLC.

The government will certainly wish to see the mine built and the associated jobs benefit the local economy, but these aims are fulfilled by an Anglo takeover. They are also fulfilled by the government taking over the project following administration.

Shareholder Funding

A further capital raise was discounted by the Sirius board.

There has been some discussion about the possibility of raising fresh capital from existing shareholders. While undoubtedly some individual investors would be prepared to invest more money in order to retain their economic interest in the project, it is highly unlikely (given the demographics involved) that a large proportion would be able to do so at the necessary levels to make this viable. Furthermore, there has been no indication by institutional shareholders of a desire to become involved in such a capital raise.

Any such initiative would need to raise committed funds in the region of £600million in under 6 weeks (arguably in under two weeks), something the board and its advisers have signally failed to do. Any such initiative would still leave the project in need of substantial further funding to reach full production.

Administration

Sirius has largely depleted its cash reserves, and the board has made clear that, absent a committed actionable alternative, they will have no choice but to place the company into administration. It is quite possible that a pre-packaged administration has already been planned.

Shareholders should assume that they will receive no value for their shares in an administration.

To the extent there is any legal redress available to shareholders in relation to the actions of the company or its advisers, this avenue will become much more difficult to pursue in the event the company has been wound up.

Voting Choices

Shareholders are faced with a choice between the certainty of an unpalatable outcome at 5.5p per share by accepting the Anglo offer or the very high probability of a total loss by declining it.

A no vote is likely to lead to a rapid transition into administration. Yes, there is a remote possibility of a conventional offer by Anglo, and yes, there is a remote possibility of a rescue financing by the QIA or other interested party. But shareholders need to evaluate these outcomes against the very high probability that they will not arise.

Some shareholders have suggested that they will allow their emotions to dictate their vote, preferring to risk everything rather than to accept what they see as an unfair outcome. ShareSoc's clear view is that investment decisions should be made on objective, not emotional grounds.

Shareholders should review the situation, reach their own conclusion and vote accordingly.

Voting Process

Shareholders will vote at two separate meetings on 3rd March, the Court Meeting (held with the permission of the Court as part of the process of obtaining the sanction of the High Court) and then the General Meeting.

The vote at the Court Meeting (blue proxy form) is a simple FOR or AGAINST. Approval requires a FOR vote by at least 50% of voting shareholders representing at least 75% of the votes by share value.

Voting at the General Meeting (white proxy form) will consider two Special Resolutions, the first of which is the critical resolution giving effect to the Scheme. Shareholders can vote FOR, AGAINST or VOTE WITHHELD. Approval requires a FOR vote by at least 75% of the votes cast.

Registered shareholders are entitled to attend and vote at the Meetings or to appoint a proxy to exercise their rights. A proxy need not be a Sirius Shareholder.

Completion and return of a Form of Proxy, or the appointment of a proxy electronically using CREST will not prevent shareholders from attending, speaking and voting in person at either the Court Meeting or the General Meeting if entitled to do so.

The Scheme Document advises those investors who hold shares as a *beneficial holder* through a nominee, in order to ensure that they can attend and vote (in person or by proxy) at the Court Meeting and the General Meeting, to contact their nominee and ask to be entered on the Sirius register of members. *Note: this will work for general investment accounts, but not for ISAs or SIPPs.*

As an alternative, Sirius has confirmed that shareholders who obtain an properly prepared Letter of Representation from their nominees covering both meetings will be able to attend, speak and vote the *value* of their shares in both meetings BUT will not be counted as shareholders for the purpose of meeting the 50% of shareholders test at the Court Meeting. *This glaring discrimination exposes one of the most fundamental flaws in the UK's nominee system as currently operated.*

Helplines

If you have any questions about the Scheme Document, the Court Meeting or the General Meeting or how to complete the Forms of Proxy or to appoint a proxy online or electronically through the CREST electronic proxy appointment service, please call Link Asset Services on 0371 664 0321. Please note that Link Asset Services cannot provide any financial, legal or tax advice.

If you have any questions in relation to the Acquisition please contact Georgeson, a trading name of Computershare Investor Services PLC, on 00 800 3742. Please note that Georgeson will only be able to provide you with information contained in the Scheme Document and will be unable to give advice on the merits of the Acquisition or to provide legal, financial or taxation advice.

ShareSoc is not able to give financial, legal or tax advice. Nothing in this document should be considered as investment advice, and shareholders and beneficial holders are encouraged to seek professional advice where necessary.