

Mr Cliff Weight
Share Soc
UK Individual Shareholders Society
Suite 34, 5 Liberty Square, Kings Hill
West Malling
ME19 4AU

01 February 2020

Dear Mr Weight,

Re: Your letter – Shareholder Request for Full Disclosure and Outline of Key Concerns, with Suggested Resolution

Thank you for your letter and for getting in touch with members of our team.

As a Company we have always adopted an approach of being as open and transparent as possible and we are happy to address your points as far as we are legally able to. As you will understand we need to ensure equality of information for all shareholders. We are therefore required to publish this letter on our website.

As stated in the 20 January 2020 announcement, we acknowledge that to many Shareholders the decision of the Board to recommend the offer from Anglo American plc (“Anglo”) will have come as a shock and the Board deeply regrets that it could not deliver the complete stage two financing in 2019 despite a very broad and thorough process.

We also recognise the returns that the Anglo offer would represent are not what either our shareholders or the Sirius Board had previously hoped for. We regret that we are not able to deliver on our long-term goal of Sirius being able to deliver the Project to production, although we assure all stakeholders that the Sirius Board and the management team have worked tirelessly and diligently over the last nine years to try and achieve that.

Below we have set out detailed responses to your queries.

SHARESOC QUESTIONS	SIRIUS MINERALS PLC RESPONSES
<i>(i) Details of all the options explored under the strategic review;</i>	<p>The strategic review was launched via RNS announcement on 17 September 2019, following the announcement that the Company did not believe it could deliver the stage two financing in its then envisaged form.</p> <p>The scope of the strategic review was to consider and incorporate optimisations to the Project development plan and to explore alternative funding solutions, including (i) looking for a strategic partner to acquire a minority interest in the Project in order to provide interim</p>

	<p>funding and to support the senior debt financing required to complete the Project and (ii) looking at other debt raising options. The Company was open to all options but identified these solutions as most likely to move the Project forward.</p>
<p><i>(ii) The identities of all interested parties, including potential strategic partners;</i></p>	<p>The Company and its advisers have undertaken an extensive global engagement in relation to both the strategic partner and debt raising processes covering:</p> <ul style="list-style-type: none"> • mining and fertilizer companies; • broader natural resource and industrial companies; • financial sponsors; • sovereign wealth funds and family offices; and • providers of structured finance and mezzanine investors. <p>As part of these processes the Company and its advisers facilitated access to project information, conducted site visits and management presentations, supported due diligence requirements and held discussions with interested parties.</p> <p>The search for a strategic partner was led and guided by JP Morgan. The nature and extent of discussions in this extensive process were both commercially sensitive and governed by confidentiality agreements and we therefore cannot name the parties. It is a normal part of business practice that these commercial conversations are and should remain confidential.</p> <p>The only proposal coming from this extensive strategic partner search process was that received from Anglo.</p>
<p><i>(iii) Details of the recently announced alternative consortium financial offer, which the board of directors have deemed does not fit SM's requirements, given the conditions that cannot be worked through in the short term.</i></p> <p><i>Our members wish to understand the contents of this proposal, including the conditions that the BoD say cannot be discharged before the end of March 2020, and specifically why the board considers them to be too onerous and / or not in the interest of SM and / or the shareholders.</i></p> <p><i>In order to enable this disclosure, a small number of our members are prepared to sign non-disclosure agreements or appoint an independent third party to review the proposal, with a view of confirming the BoD decision.</i></p> <p><i>We feel this is a reasonable and necessary step to ensure that the best interests of the shareholders and beneficial owners of SM have been met. We consider this to be the only way in which the shareholders can understand the board's analysis and decision, and satisfy</i></p>	<p>The discussions with a consortium of financial investors regarding a potential debt financing proposal are governed by a non-disclosure agreement. Again, as is normal market practice, it is not permissible to open such details to people outside of the Company and its advisers even subject to non-disclosure agreement. We note, however, that an indicative non-binding term sheet was received on 9 December 2019 and a revised indicative non-binding term sheet was received on 9 January 2020 (after the Anglo proposal was announced on 8 January 2020) (the "Alternative Debt Proposal").</p> <p>For clarity, the details of the indicative non-binding proposal received from the consortium of financial investors have not been (and were not required to be) 'announced'. The Board believed it was appropriate and important to include in the 20 January 2020 announcement an explanation to its shareholders of the nature of the only other proposal received by the Company (even a non-binding, conditional proposal) in the reasons for the recommendation of the Anglo proposal.</p> <p>The Alternative Debt Proposal was, and remains, indicative, non-binding and subject to various conditions and, as such, there was and is no transaction for the Company to put to its shareholders.</p> <p>The Board and its advisers carefully reviewed the proposed terms and conditions of the Alternative Debt Proposal, which included a requirement for:</p>

<p><i>themselves as to what is in the best interests for the company and the shareholder interest. We also ask for permission to corroborate the financial offer with the consortium who submitted it.</i></p>	<ul style="list-style-type: none"> (i) the Company to undertake a substantial new equity raising; (ii) concessions from some of the Company’s major creditors; and (iii) certain local authority approvals. <p>The Board formed the view, based on advice, that the consortium's conditions and the time it would take to meet such conditions were such that there was a very material risk that the overall funding package would not be implementable by the end of March 2020. Based on the backdrop of the search for a standalone funding solution that had been undertaken over the previous 4 months and the extensive discussions held during that timeframe, the Board concluded that, at that time, there was not likely to be an alternative to the Anglo offer other than administration or liquidation.</p> <p>It is against this backdrop that the approach from Anglo and the certainty it would give to shareholders and other stakeholders was recommended for approval. It should be noted, however, that nothing in the recommendation of the Anglo offer has prevented the Company from pursuing other options that are in the best interests of the Company. However, no other alternative proposals have been received by the Company at this time.</p>
<p><i>(iv) Full details of the alternative debt financing proposal, which was brought to the attention of SM on 8th December 2019, through a Non-Binding Term Sheet, and the reasons why this was not made known to the shareholders. The proposal of AA on the 8th January 2020 was publicised to the market, but not preceding funding offer. Why not? It is a concern of shareholders that the announcement at this point of the alternative funding offer, may have resulted in a positive impact on the market and protected the share price of SM, which may have assisted in further access to the debt markets. Shareholders fear that the non-disclosure of that market sensitive information was relevant, material and complicit in the 5.5p offer of AA and had a generally deleterious impact on the share price and thereby inhibited or prevented further approaches to the debt market to unlock other funding options and so by not doing so, has had the effect of damaging and diminishing shareholder value.</i></p>	<p>See response to (iii) above and (v) below.</p> <p>The Company announced that it was in discussions with Anglo regarding a possible offer for the Company by Anglo on 8 January 2020. Under the Takeover Code regime, that triggered a deadline of 28 days for Anglo to either announce a firm offer or confirm that it would not be making an offer. Anglo confirmed its firm offer on 20 January 2020 and that was recommended by the Board in the absence of any alternative, deliverable funding plan. Following the firm offer, the Takeover Code requires Anglo to formalise its offer to shareholders within 28 days.</p> <p>As described above, at the time of the possible and firm offer announcements (and at this time), the Company was not and is not in receipt of any alternative funding plan that the Board considers is deliverable in the requisite time period. The only other credible alternative received and considered is the non-binding and conditional Alternative Debt Proposal.</p>
<p><i>(v) The specific reasons as to why no announcement was made on the 8th December 2019 and again on the 9th January 2020, of this alternative funding proposal.</i></p>	<p>The Company was, and remains, subject to confidentiality restrictions which prevented it from disclosing details of the Alternative Debt Proposal on those dates and, in any event, such disclosure would have prejudiced negotiations and would not have been in the best interests of the Company.</p>

<p><i>Taking SM's statement in the Recommended Cash Acquisition, page 19 paragraph 5, The Sirius Board reviewed the proposed terms and conditions, together with its advisers, and concluded that the consortium's conditions and the time it would take to meet such conditions were such that there is a very material risk that the overall funding package would not be implementable by the end of March 2020.</i></p>	<p>As set out above, the Alternative Debt Proposal was non-binding and conditional and was not, therefore, in a form which could be tabled for consideration by the Company's shareholders. Disclosure of the proposal at that time, even if permitted by the confidentiality restrictions, would not have been in the best interests of the Company.</p>
<p><i>Given the stark outcome for private shareholders and substantial losses, the shareholders - at the very least - feel they should know the detail and the reasons / analysis of the BoD in rejecting that proposal. The shareholders should have the opportunity to decide whether they consider that proposal to be too onerous.</i></p> <p><i>The shareholders are concerned that expediting the pace of project is being pursued by the BoD of SM, at the cost of shareholder interests and value. We ask SM to provide a response and full explanation as to why the conditions cannot be worked through, given that, from the SM statement above, the conditions themselves have not been rejected outright.</i></p>	<p>The Board has unanimously recommended the Anglo offer as they believe that it is in the best interests of the Company's shareholders, as a whole, when considered against the alternatives.</p> <p>The Alternative Debt Proposal is not considered by the Board to be deliverable within the requisite time period. As set out above, it is subject to significant conditions. It is also conditional on further due diligence. The Board considered the prospects of a successful conclusion of the Alternative Debt Proposal to be low.</p>
<p><i>(vi) Details of any other offers that been made, that SM has not disclosed to the shareholders and the market.</i></p>	<p>Please refer to the announcement of 20 January 2020 which states clearly that there are no other offers to disclose to shareholders.</p>
<p><i>(vii) All details, records and minutes of meetings relating to the discussions that have taken place between SM and AA and the minutes of the BoD's analysis of that proposal. AA appear to have indicated that they have been interested in the SM project for the past two years and have had contact with SM over the past year.</i></p> <p><i>You will appreciate that unless clarity on these points is provided, there will always be a fog of suspicion as to the true intent of the meetings, especially given the erosion of the share price over this period and the lack of detail in the RNS statements, following subsequent financing failures. Shareholders wish to understand why the AA approach, if such was an approach, was not made public at a time when the share price was multiples of the current level.</i></p>	<ul style="list-style-type: none"> • On 6 September 2018 the Company announced its 'Procurement and capital estimate update' indicating that it expected the stage 2 funding requirement would increase by US\$400 - 600m. It indicated that this could be provided by "strategic partner financing to provide capital at either the asset or Project level", amongst other options. <p>At around this time, Anglo was approached and subsequently engaged in due diligence as part of that strategic investor process. It informed the Company during December 2018 that it would not be taking up the option to become a strategic partner. The details of all such commercial conversations remain confidential. Any announcement of such discussions would not have been in the best interests of the Company and in breach of the confidentiality agreement between the two parties.</p> <ul style="list-style-type: none"> • On 17 September 2019 the Company announced its 'Financing and development update' in which it detailed its inability to complete its envisaged stage 2 financing plan. As part of the Company's extensive global engagement process Anglo was re-engaged as a potential strategic partner and conducted further detailed due diligence.

	<ul style="list-style-type: none"> On 6 January 2020 – the Board received an approach from Anglo which was for a 100% control transaction and not to become a project partner – as was the basis of the process undertaken by the Company. On 8 January 2020 – the Company announced it was in advanced discussions with Anglo regarding a possible all cash offer of 5.5 pence per share for the Company’s entire issued, and to be issued, share capital. <p>The Board made its recommendation of the Anglo proposal based on the information available to it and the stark choice that, if the acquisition is not approved by the Company’s shareholders and does not complete, there is a high probability that the Company will be placed into administration or liquidation soon thereafter.</p>
<p><i>(viii) The specific reasons why the BoD indicated that it would recommend the offer, from the outset. This seems to be premature.</i></p>	<p>The background to and reasons for the recommendation are set out in the announcement of 20 January 2020.</p>
<p><i>(ix) There remain significant concerns that the “roadshows” to garner support for the project (before and after the planning stages) and its financing, made representations to small private investors in the locality of the work site, that led them to rely on the representations of the board of SM to their financial detriment.</i></p> <p><i>Time and again, the roadshows promoted the virtues and the significant capital returns. Given the nature and venues of those “roadshows” the BoD had a very clear picture of the nature and demographic of the investors being encouraged to buy shares in SM. These same investors are now being blamed for not taking professional advice when investing. The shareholders require an explanation.</i></p>	<p>Prior to the planning application submissions (in 2012 and 2014) the Company held pre-application public exhibitions. These were events designed to capture feedback from the local community on the planning applications and development proposals. They are a normal part of a planning process and focussed on the development proposals, the associated environmental impacts / community issues, and the potential economic benefits to the local, regional and national economies. The latter point (particularly the potentially nationally significant economic benefits of the project) were a fundamental consideration of the planning approval as noted by the North York Moors National Park Authority in their approval of the application in 2015.</p> <p>The Company is building very substantial infrastructure in a sensitive area and as a result has an extensive community outreach programme, which represents best practice for a development of this nature. It is wrong to characterise the community relations activities of the Company around securing planning permission and providing updates to parish councils or project presentations to local interest groups as investor “roadshows”.</p>
<p><i>(x) The AA offer of 5.5p per share is being recommended as a good deal for current shareholders and yet for those who bought the Open Offer shares at 15p, this does not seem to be the case, especially as the Convertible Bonds were placed in escrow and returned when the JP Morgan High Yield Bond offering failed to find a buyer. The shareholders share a united concern as to the openness of the BoD in this regard and promoting those further rights issues, in light of the current situation. The shareholders seek clarification from SM.</i></p>	<p>The Anglo offer is being recommended on the basis explained by the Chairman’s statement that we now face a stark choice. If the offer is not approved by the Company’s shareholders and does not complete there is a high probability that the Company will be placed into administration or liquidation soon thereafter. This outcome would most likely result in little or no recovery for the Company’s shareholders.</p> <p>The full details of the background to the Board’s recommendation are in the Company’s announcement of 20 January 2020. In addition, the Directors have been advised by JP Morgan and Lazard as to the financial terms of the Acquisition; they view the terms of the Acquisition are fair and reasonable, taking all relevant information into account including the commercial assessments of the members of the Board. As stated in the Chairman’s statement on 20 January 2020, we recognise the returns</p>

	<p>that the Anglo offer would represent are not what either our shareholders or the Board had previously hoped for.</p> <p>The Board is satisfied that risks relating to the open offer at 15p were adequately disclosed, in accordance with legal and regulatory requirements, in the Company's prospectus (https://siriusminerals.com/investors/stage-2-financing/equity-and-convertible-bond/protected-documents/) published at the time.</p>
<p><i>(xi) At the time of the Open offer at 15p, what stage had the discussions between SM and AA reached?</i></p>	<p>See above – response to question (vii).</p>
<p><i>(xii) The shareholders seek specific details of the negotiations that took place to reach agreement on the 5.5p AA offer, and whether SM requested an improved offer and what value SM put on the company, its TORPs and untapped assets. Shareholders believe the current offer undervalues the mine and is too low.</i></p> <p><i>This is seemingly corroborated by AA, who have commented in the press, identifying the project as a “tier-one asset”; that they are “buying near the bottom of the market” (Reuters) and stating an EBITDA margin potentially well in excess of 50% leaving the Project well positioned for strong through-the-cycle profitability, with an anticipated long asset life. Buying a tier-one asset with such credentials near the bottom of the market does not represent buying at a fair value. Would AA be open to paying 5.5p now and, for example cumulative sum(s) spread over the next five years, to align with the recent Open Offer price, when the mine is in production, or a similar royalty-type payment, as is in place with Hancock? This will certainly help quell the rancour that is currently being felt by the Private Investors and could promote a safe passage of the takeover.</i></p>	<p>The details of negotiations between the Company and Anglo are confidential. We would note, however, that the Board has recommended that the Company's shareholders vote in favour of the Anglo offer as they believe it is in the best interests of shareholders as a whole.</p>
<p><i>(xiii) An explanation from the BoD as to why consideration does not appear to have been given to exploring with shareholders, the alternative possibility of shareholder self funding the 600,000,000 USD to de-risk the project and opening up future avenues to further funding options and potential access to the debt markets?</i></p> <p><i>Something specifically referred to by the RNS at the time of the bond postponement. Shareholders are concerned by the lack of transparency as to why retail investors have</i></p>	<p>The Board, having consulted its financial advisers and brokers, has evaluated the ability of the equity market to support a US\$600 million equity raise by the Company. It is the view of the Board, supported by historical analysis, that there would be insufficient appetite to complete such a transaction. For example, retail demand in the equity financings of 2016 and 2019 was less than US\$100m on each occasion.</p>

<p><i>not been approached, given the huge losses they will crystallise by not being provided with the opportunity to participate in supporting the company through this difficult time.</i></p> <p><i>What our members are stating is that when there was nothing on the ground, other than bore holes and a plan, funding was raised from the retail sector, and yet when there is the likelihood of a wipe-out, our members, who helped to get SM to the present level, have been ignored and brushed aside. How do SM justify the position taken?</i></p> <p><i>In the 80's and 90's, British Gas and BT were sold by the government to retail investors, having undertaken ad campaigns in the media. These offers were oversubscribed, with many investors not receiving any allocations. British Gas was sold for 9 billion Pounds. Our members feel SM have failed to fully assess this avenue and wish to understand why it has been discounted. Our members also wish – working with SM – to be given the opportunity to raise the funds required, which are 352 million USD in the first year and the balance in year two, to reach the 600 million USD mark.</i></p>	
<p><i>(xiv) Have institutional investors been kept abreast of developments?</i></p>	<p>We are required to, and have, provided equal information to all our shareholders.</p>
<p><i>(xv) When was Lazard appointed? And what was their initial remit? We feel this is a question that SM can provide an answer to, as it cannot affect any ongoing negotiations.</i></p>	<p>Lazard was appointed by the Board from 24 September 2019 in order to provide the Board with a second independent source of financial advice.</p>
<p><i>(xvi) All details of the involvement of the British Government in seeking offers of support and specifically whether the Government made any invitations to SM to discuss offers of support and what came of those discussions, to include correspondence between the parties.</i></p>	<p>The Company sought but was not successful in procuring financial support from the UK Government.</p>
<p><i>The shareholders are currently concerned as to whether the BoD have failed in their fiduciary duties to the them, as beneficial owners of the company and the opaqueness of that decision making process.</i></p>	<p>The Company has been as transparent as possible with its shareholders in relation to the options available to it. The Board has recommended that shareholders vote in favour of the Anglo offer as it believes that it is in the best interests of the Company's shareholders as a whole.</p> <p>In the circumstances you will appreciate that in considering the alternatives the Board must also take into account the interests of the Company's other stakeholders including, in particular, the Company's creditors. The Board has taken appropriate advice at all stages of this process and has acted at all times in accordance with its fiduciary duties.</p>

We hope that you find the information above helpful in relation to the points you have raised in your letter.

The Board recognise that this has been a difficult time for the Company's shareholders and that the decision to recommend the Anglo offer will have come as a shock to many shareholders. We absolutely understand that the returns that the offer would represent are not what either our shareholders or the Board had previously hoped for.

However, we really do face a stark choice and it is our hope that all shareholders recognise that the Anglo offer is in the best interests of the Company's shareholders as a whole as, if the acquisition is not approved by the Company's shareholders and does not complete, there is a high probability that Company will be placed into administration or liquidation soon thereafter.

Yours sincerely



Russell Scrimshaw
Non-Executive Chairman



Chris Fraser
Managing Director & CEO