



ASX/AIM RELEASE

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Celsius Resources signs Non-Binding Term Sheet with Silvercorp Metals Inc. for proposed acquisition of Celsius Resources and firm subscription by Silvercorp Metals to raise A\$5 million

Celsius Resources Limited (“**CLA**”, “**Celsius**” or the “**Company**”) (ASX:CLA, AIM:CLA) is pleased to announce it has entered into a non-binding term sheet (“**Term Sheet**”) and a binding subscription agreement (“**Subscription Agreement**”) with Silvercorp Metals Inc., (“**SVM**” or “**Silvercorp**”) (TSX:SVM, NYSE:SVM) a Canadian-based mining company engaged in the acquisition, exploration, development and mining of mineral properties.

Highlights

Celsius Resources Limited has entered into a non-binding term sheet with Silvercorp Metals Inc. with the following non-binding terms:

- Silvercorp proposes to acquire all of the outstanding shares of CLA at a fixed price of A\$0.03 per share in exchange for consideration comprising 90% Silvercorp shares + 10% cash.
- The consideration of A\$0.030 (GBP0.016)¹ per share represents a 76% premium to the 20-day volume weighted average price of Celsius shares as of the close of trading on the ASX on 11 May 2023 (86% premium by similar reference to the trading price on AIM). The implied value of the proposed acquisition (should it proceed) is approximately A\$56 million (GBP 30.2 million)¹. Using Silvercorp’s current share price of CA\$4.64 (A\$5.14²) as of the close of trading of Silvercorp shares on TSX on 12 May 2023, the proposed acquisition will result in Silvercorp issuing approximately 9.7 million Silvercorp shares and A\$5.6 million to the shareholders of Celsius.
- Concurrent to the proposed acquisition, should it proceed, it is anticipated that Celsius shareholders will, via an *in specie* distribution, receive shares in a new exploration company (the “**SpinCo**”) which will hold all of Celsius’ rights and interests with respect to the Sagay (Philippines) and Opuwo Cobalt (Namibia) projects via a demerger, subject to Celsius obtaining the necessary shareholder and

¹ Converted using an exchange rate of 1 AUD:0.54 GBP as at 11 May 2023

² Converted using an exchange rate of 1 AUD:1.11 CAD as at 12 May 2023

regulatory approvals. Should the demerger proceed, the SpinCo shares are anticipated to be distributed on a 10 Celsius shares for 1 SpinCo share basis to Celsius shareholders, who taking into account the proposed investment into Spinco referred to below, will hold approximately 87% of Spinco. SpinCo will seek listing on the Australian Securities Exchange (“ASX”) or on AIM, a market operated by the London Stock Exchange, via the demerger and concurrent initial public offering. Silvercorp has agreed, under the non-binding term sheet, to invest A\$4 million in SpinCo, valued at a post-financed market capitalisation of A\$30 million.

- Additionally, Celsius and Silvercorp have executed a binding subscription agreement for A\$5 million at a subscription price of A\$0.015 (GBP 0.008¹), to be primarily used as interim funding for its Maalinao-Caigutan-Biyog Copper-Gold Project (“**MCB Project**”) in the Philippines.
- Celsius and Silvercorp will now commence negotiations towards the execution of the necessary binding transaction documents and agreements which will implement the proposed acquisition.

About Silvercorp Metals, Inc.

Silvercorp Metals, Inc. is a Canadian mining company traded on the Toronto Stock Exchange (TSX: SVM) and the New York Stock Exchange (NYSE American: SVM). Silvercorp has been profitably mining underground silver, lead, zinc deposits in China for 17 years and engages in the acquisition, exploration and development of resource projects globally with a focus on the sustainable, profitable, and long-term production of precious and nonferrous metals such as silver, gold, lead, and zinc. Its long-term strategy is focused on expanding mineral reserves, streamlining mine production management, achieving sustainable development, and seeking mutually beneficial opportunities globally.

Through the years, it has successfully driven rapid growth and solid silver, lead and zinc production with a demonstrated and proven commitment to Environment, Social, and Governance standards while creating value for its stakeholders and shareholders. Silvercorp has a market capitalisation of US\$607million with a current share price as of 11 May 2023 on the TSX of CA\$4.64, and the NYSE of US\$3.44. As of 31 December 2022, Silvercorp’s balance sheet is at US\$210.3 million in cash and cash equivalents and short-term investments. Silvercorp holds further equity investment portfolio in associates and other companies with a total market value of US\$121.8 million. (See *Silvercorp Metals, Inc. website*, <http://silvercorpmetals.com>)

Management commentary

Julito Sarmiento, Executive Chairman of Celsius Resources commented:

“This a positive step and timely development for Celsius and its subsidiaries. We are happy to have received an offer from Silvercorp which shares Celsius’ corporate values and our vision to develop mining projects in a sustainable, inclusive and responsible manner. Together, we have the potential to demonstrate and realise our commitments to all our shareholders and stakeholders to see the development of Celsius’ mineral assets, particularly our flagship MCB Copper-Gold Project with the Balatoc Indigenous Community in Kalinga, Philippines, through fruition.

Indeed, this is a strong and favourable endorsement of the Philippines’ minerals industry under the Administration of President Ferdinand R. Marcos, Jr. in its unrelenting drive as spearheaded by the Department of Environment and Natural Resources under the stewardship of Secretary Ma. Antonia Yulo-Loyzaga, a globally-renowned climate change and disaster resilience expert, towards transformative mining that genuinely protects the environment and brings about shared prosperity for all stakeholders.”

Proposed Transaction

Pursuant to the non-binding Term Sheet, Silvercorp intends to acquire Celsius in a 90% scrip and 10% cash transaction that will be implemented by an Australian scheme of arrangement under the *Corporations Act 2001* (Cth) (“**Scheme**”). The parties have commenced negotiations towards the execution of a binding scheme implementation agreement to implement the Scheme (“**Definitive Agreement**”).

Simultaneous with the completion of the Scheme, should it proceed, Celsius intends to spin out its Sagay Project (100% Celsius) and Opuwo Cobalt Project (95% Celsius) (“**Spin-Out Projects**”) into a new ASX or AIM listed SpinCo via a demerger, subject to Celsius obtaining the necessary shareholder, ASX/AIM and regulatory approvals (“**Demerger**”). The Demerger of the Spin-Out Projects, will add significant value to shareholders and improve strategic focus on the development of Sagay and Opuwo.

Under the Scheme and Demerger (together, the “**Proposed Transaction**”), if implemented, it is anticipated that each Celsius share will be exchanged for such fractional Silvercorp shares equivalent to A\$0.027 plus A\$0.003 in cash, with such fractional Silvercorp share having a fair market value determined based on the volume weighted average trading price of the Silvercorp shares on the TSX/NYSE for the 20 business days ending on (and including) the scheme of record date (the “**SVM Exchange Ratio**”), and 1/10th of a SpinCo share (the “**SpinCo Exchange Ratio**”). Silvercorp has agreed, under the non-binding term sheet, to invest A\$4 million in SpinCo, valued at a post-financed market capitalisation of A\$30 million.

An application will be made to ASX on the effective date of the Scheme for the suspension of the Celsius shares from official quotation on ASX. An application will be made for removal from the official list of ASX following implementation of the Scheme. Similarly, an application will be made to the London Stock Exchange prior to the effective Proposed Transaction date, should it proceed, to cancel the admission of the Celsius shares to trading on AIM with effect from the effective date.

Implementation of the Proposed Transaction will be contingent on the completion of successful due diligence by each party (such as Silvercorp demonstrating its financial capacity to the satisfaction of Celsius and Silvercorp being satisfied with the legal titles of Celsius’ assets in the Philippines), other documentation and regulatory and shareholder approvals. The Celsius Board believes the Proposed Transaction, if implemented, could provide significant benefits to Celsius’ shareholders.

Anticipated Benefits to Celsius Shareholders

- Exposure to an immediate premium and participation as shareholders of Silvercorp in a larger entity with greater liquidity and access to funding;
- Ongoing exposure to future value creating milestones at MCB with reduced development risk given Silvercorp’s track record of operating underground mines over the last 17 years;
- Provides Celsius shareholders with ownership in new SpinCo, created to continue to advance the Sagay and Opuwo projects;
- Silvercorp’s balance sheet reduces the funding risk associated with the MCB Project, providing access to financing options available to a larger company during times of uncertain and volatile market conditions; and
- Provision of immediate interim financing to fund expenditures at the MCB Project pending closing of the Proposed Transaction.

SVM-CLA Term Sheet

The Term Sheet is non-binding in respect of the above elements of the Proposed Transaction. The parties intend to proceed with the formalisation of the Term Sheet in the form of a Definitive Agreement. The Celsius Board cautions that there is no certainty that the parties will be able to agree the formal Definitive Agreement. The Definitive Agreement will also be subject to conditions and there can be no certainty that these conditions will be satisfied, and that the Proposed Transaction will proceed.

The Term Sheet is binding in respect of the following provisions:

- **Exclusivity:** Celsius and Silvercorp have entered into a one-month exclusivity period which commenced on 2nd of May 2023.
- **Taxes and Costs:** All taxes (excluding Celsius shareholders' personal taxes) and costs relating to the Scheme will be borne by Silvercorp.
- **Termination:** The Term Sheet may be terminated:
 - by mutual written consent of Celsius and Silvercorp;
 - by either Celsius or Silvercorp:
 - if at any time, any regulatory or government authority or stock exchange (or in the case of AIM, the Company's Nominated Adviser) has notified such party of its determination to not permit the Scheme to proceed, in whole or in part, and the parties have used commercially reasonable efforts to address or resolve such determination;
 - if a Definitive Agreement has not been entered into on or before 1 July 2023 or such later date as may be agreed to by the parties in writing; or
 - upon written notice to the other in the event of a material breach of the Term Sheet by the other party; or
 - automatically, as a result of the signing of the Definitive Agreement.

Other standard provisions such as governing law (Western Australia), amendments, severability of provisions and confidentiality, are also binding.

Consideration

Should it proceed, the consideration to be paid to Celsius shareholders for all of the outstanding shares of Celsius shall be Silvercorp consideration and the *in-specie* distribution of SpinCo shares to Celsius shareholders. The deemed offer price of Silvercorp consideration, being A\$0.03 per Celsius share, represents a premium of:

- 50% over the closing price of Celsius shares on 11 May 2023 of A\$0.02 (64% premium by similar reference to the trading price on AIM);
- 67% over the 15-day VWAP of Celsius shares as of market close on 11 May 2023 of A\$0.02 (83% premium by similar reference to the trading price on AIM); and
- 76% over the 20-day VWAP of Celsius shares as of market close on 11 May 2023 of A\$0.02 (86% premium by similar reference to the trading price on AIM).

Further, Celsius currently has 362,304,915 options (of which 325,304,915 options are quoted), 4,400,000 performance rights and 36,000,000 warrants (together, the "**Celsius Convertible Securities**") on issue with various exercise prices, vesting conditions and expiry dates. The outstanding Celsius Convertible Securities not exercised by the holders prior to completion of the Scheme (should it proceed) are intended to be exchanged for warrants, performance rights or options to acquire Silvercorp shares in accordance with and subject to adjustment (as to number and exercise price) using the SVM Exchange Ratio and the rules and

policies of applicable stock exchanges, and shall otherwise continue to vest and/or be exercisable on the schedule and terms established at the time of grant or issuance. Celsius quoted options will be exchanged for options to acquire Silvercorp shares in accordance with and subject to adjustment (as to number and exercise price) using the SVM Exchange Ratio and the rules and policies of applicable stock exchanges, and shall otherwise continue to vest and/or be exercisable on the schedule and terms established at the time of grant or issuance, by a separate Australian scheme of arrangement under the *Corporations Act 2001* (Cth) (“**Corporations Act**”).

Details of the proposed Demerger

If the Demerger conditions are satisfied, Celsius shareholders are expected to receive a pro-rata allocation of fully paid ordinary shares in SpinCo via an *in specie* distribution on a record date to be determined by the Celsius Board, with further details to be provided in due course. In conjunction with the Demerger, SpinCo intends to undertake an initial public offering (“**IPO**”), and apply for admission to the official list of the ASX or AIM.

Pursuant to the terms of the Non-Binding Term Sheet, it is intended that SpinCo’s initial board of directors will comprise of five members, of which three members will be nominees of Celsius and two members will be nominees of Silvercorp, details of whom to be provided in due course.

Should the Demerger proceed by way of an ASX listing, Celsius is aware that it and SpinCo will require customary ASX in-principle approvals and potentially waivers of certain ASX Listing Rules in order to implement the transaction on its contemplated terms. SpinCo has not formally applied to the ASX for in-principle advice in relation to suitability for admission to the official list under ASX Listing Rules 1.1 condition 1 and 1.19 for SpinCo and there is a risk that SpinCo may have to make amendments to the structure of the proposed transaction or may receive unfavourable in-principle advice from ASX and therefore be unable to proceed with the Proposed Transaction. Should changes be required to the Proposed Transaction, this will be discussed between the parties as part of the Definitive Agreement.

Should the Demerger proceed by way of an AIM listing, then similar provisions to those above will apply.

Key steps and indicative timetable

Subject to and conditional on, amongst other things, each condition in respect of the Scheme and Demerger being satisfied and receipt of the required Court, regulatory and shareholder approvals, an indicative timetable outlining the key steps for the Proposed Transaction is provided below (assuming the Demerger proceeds by way of an ASX listing).

Event	Indicative timing
Execution and announcement of Definitive Agreement	late-June 2023
Scheme booklet (including notice of meeting seeking the necessary shareholder approvals for the Demerger) provided to ASIC and ASX in draft	late-July 2023
First Court hearing	mid-August 2023
Lodgement of scheme booklet (including notice of meeting) with ASX and ASIC and made available to Celsius shareholders	late-August 2023

Lodgement of SpinCo Prospectus with ASIC	late-August 2023
Lodgement of application for the admission of SpinCo to the official list of ASX (assuming the Demerger proceeds by way of an ASX listing)	late-August 2023
Opening date for offers under the SpinCo Prospectus (unless the exposure period for the SpinCo Prospectus is extended)	5 business days after the lodgement of the SpinCo Prospectus
Scheme meeting of Celsius shareholders ordered by the Court to be convened under subsection 411(1) of the Corporations Act to consider and vote on the Scheme Celsius general meeting, at which all requisite shareholder approvals for the Demerger are provided	late-September 2023
Closing date for offers under the SpinCo Prospectus	late-September 2023
Receipt of conditional approval from ASX for the admission of SpinCo to the official list of ASX (assuming the Demerger proceeds by way of an ASX listing)	early to mid-October 2023
Second Court date for approval of the Scheme	mid-October to early-November 2023
Effective date of the Scheme	mid-October to early-November 2023
Record date for determining entitlements to the Scheme consideration	late-October to early-November 2023
Implementation date for the issue of the Scheme consideration to Celsius shareholders	late-October to early-November 2023
In-specie distribution of SpinCo shares to eligible Celsius shareholders Issue of SpinCo IPO shares	late-October to early-November 2023
Termination of official quotation of Celsius shares on ASX and AIM SpinCo commences trading on ASX	late-October to early-November 2023

Celsius cautions that the dates shown above are indicative only and may be varied. There are a number of key items outside of the control of Celsius or SpinCo, including the receipt of ASX or other regulatory approvals, and third-party reports (including the independent expert's report for the Celsius shareholder meeting). Any material updates to the indicative timetable will be disclosed by way of ASX and AIM updates. As noted above, there is no certainty that the parties will be able to agree the formal Definitive Agreement. The Definitive Agreement will also be subject to conditions and there can be no certainty that these conditions will be satisfied, and that the Proposed Transaction will proceed in the manner indicated in the indicative timetable.

Subscription Agreement

Pursuant to the Subscription Agreement, Silvercorp has agreed to subscribe for 333,333,333 new Celsius shares (**Subscription Shares**) at a subscription price of A\$0.015 (GBP0.008¹) per Subscription Share to raise A\$5,000,000 (before costs).

The Subscription Shares will be issued under the Company's existing capacity under ASX Listing Rules 7.1 and 7.1A, with settlement expected to occur on the 16th of May 2023.

Application will also be made for the Subscription Shares, which rank *pari passu* with all existing ordinary shares in the Company, to be admitted to trading on AIM, with the date of admission to be on or around 19 May 2023.

Following settlement of the Subscription Shares and admission of the Subscription Shares to AIM, Silvercorp will have a relevant interest of approximately 15.1% of Celsius' issued share capital at that time.

Proceeds of the Interim Funding are intended to be applied towards:

- advance the development of MCB Project; and
- general working capital.

The issue price of A\$0.015 (GBP0.008¹) per Subscription Share represents a discount of 25% to the last closing price of A\$0.02 on 11 May 2023 and a 15% discount to the 15-day VWAP of Celsius shares as of ASX market close on 11 May 2023 of A\$0.02. (18% and 9% respectively by similar reference to the trading price on AIM)

The Subscription Shares will be issued under the Company's existing capacity under Listing Rules 7.1 and 7.1A in the following proportions:

- 269,036,320 Subscription Shares issued pursuant to Listing Rule 7.1; and
- 64,297,013 Subscription Shares issued pursuant to Listing Rule 7.1A.

Subject at all times to the ASX Listing Rules and any policy or guidance published or notified by ASX from time to time, on and from completion of the issue of the Subscription Shares and provided Silvercorp's relevant interest in Celsius does not fall below 10%, Celsius agrees that it will give Silvercorp a reasonable opportunity to participate in future equity offers (subject to certain excluded issue of equity securities, such as the issue of equity securities under the Company's employee securities incentive plan) on equivalent terms to other subscribers for a period of two years from the issue of the Subscription Shares.

Total Voting Rights

In conformity with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority (“FCA”), at settlement of the Subscription Shares and admission to trading on AIM, the total number of Ordinary Shares in the Company with voting rights will be 2,209,051,662.

Celsius will make a further announcement on the progress of the Proposed Transaction in due course and as required.

This announcement has been authorised by the Board of Directors of Celsius Resources Limited.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014 as it forms part of UK Domestic Law by virtue of the European Union (Withdrawal) Act 2018.

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Further information

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Beaumont Cornish Limited, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively for CLA as Nominated Adviser under the AIM Rules and for no-one else in connection with the matters described in this announcement and accordingly will not be responsible to anyone other than CLA for providing the protections afforded to clients of Beaumont Cornish Limited nor for providing advice in relation to the matters described in this announcement.

In accordance with section 734(5)(b) of the Corporations Act, it is noted that:

- SpinCo will be the offeror of fully paid ordinary shares under the IPO;
- a prospectus will be issued by SpinCo in accordance with Part 6.2 of the Corporations Act when the IPO shares are offered;
- the prospectus is anticipated to be issued in the coming months and will be made available on the website to be established by SpinCo and to eligible Celsius shareholders;
- a person should consider the prospectus in deciding whether to apply for IPO shares; and
- anyone who wants to apply for the IPO shares will need to complete an application form that will be in or will accompany the prospectus.