ELECTRONIC TRANSMISSION DISCLAIMER
IMPORTANT NOTICE

You must read the following disclaimer before continuing. The following applies to the attached document relating to Elementis plc (the "**Company**") dated 11 September 2018 (the "**document**" or "**Prospectus**") and you are therefore required to read this disclaimer carefully before reading, accessing or making any other use of the attached document. In accessing the attached document, you agree to be bound by the following terms and conditions, including any modifications to them, any time you receive any information from us as a result of such access. You acknowledge that the delivery of this electronic transmission and the attached document is confidential and intended for you only and you agree that you may not, nor are you authorised to, copy, refer to or reproduce the document in whole or in part in any manner whatsoever or deliver, distribute or forward the document or disclose any of its contents to any other person. Failure to comply with this directive may result in a violation of the US Securities Act of 1933, as amended (the "**US Securities Act**") or the applicable laws of other jurisdictions. If you are not the intended recipient of this document, you are hereby notified that any dissemination, distribution or copying of this document is strictly prohibited.

This electronic transmission and the attached document have been prepared in connection with, amongst other things: (i) the proposed rights issue by the Company of new ordinary shares (the "**New Ordinary Shares**") to existing shareholders (the "**Rights Issue**") and (ii) the proposed applications to the UK Listing Authority and the London Stock Exchange for admission of the New Shares to the premium segment of the Official List of the UK Financial Conduct Authority (the "**FCA**"), to trading on the London Stock Exchange plc's main market for listed securities (together, "**Admission**"). The Prospectus has been published in connection with the Rights Issue and Admission, and is available from the Company's registered office and on the Company's website at www.elementisplc.com. Prospective investors are advised to read the enclosed document prior to making an investment decision.

NOTHING IN THIS ELECTRONIC TRANSMISSION OR THE ATTACHED DOCUMENT CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO, AND IN PARTICULAR, IS NOT FOR DISTRIBUTION IN THE UNITED STATES, AUSTRALIA, CANADA, NEW ZEALAND, JAPAN, OR SOUTH AFRICA, OR ANY OTHER JURISDICTION WHERE TO DO SO WOULD CONSTITUTE A VIOLATION OF THE RELEVANT LAWS OF SUCH JURISDICTION (THE "**EXCLUDED TERRITORIES**"). THE SECURITIES DESCRIBED HEREIN HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE US SECURITIES ACT, OR UNDER THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES, AND MAY NOT BE OFFERED OR SOLD EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE US SECURITIES ACT AND IN COMPLIANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES. THERE WILL BE NO PUBLIC OFFERING OF THE SECURITIES DESCRIBED HEREIN IN THE UNITED STATES. THE SECURITIES DESCRIBED HEREIN HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES LAWS OF ANY OF THE EXCLUDED TERRITORIES AND MAY NOT BE OFFERED OR SOLD WITHIN ANY EXCLUDED TERRITORY EXCEPT PURSUANT TO AN APPLICABLE EXEMPTION FROM ANY APPLICABLE SECURITIES LAWS. THE NEW SHARES HAVE NOT BEEN APPROVED OR DISAPPROVED BY THE US SECURITIES AND EXCHANGE COMMISSION, ANY STATE SECURITIES COMMISSION IN THE UNITED STATES OR ANY OTHER US REGULATORY AUTHORITY, NOR HAVE ANY OF THE FOREGOING AUTHORITIES PASSED UPON OR ENDORSED THE MERITS OF THE OFFERING OF THE NEW SHARES OR THE ACCURACY OR ADEQUACY OF THE ATTACHED DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

Confirmation of your representation: You have been sent this electronic transmission and the attached document on the basis that you are deemed to have represented to the Company, and each of UBS Limited and HSBC Bank plc (together, the "**Banks**"), that: (i) you are located outside the United States and you are either: (1) a person in the United Kingdom or the European Economic Area ("**EEA**"), or (2) a person outside the EEA into whose possession this document may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located; and (ii) you consent to delivery by electronic transmission.

You may not, nor are you authorised to, forward or deliver this electronic transmission or the attached document, electronically or otherwise, to any other person or reproduce the attached document in whole or in part in any manner whatsoever. Failure to comply with this directive may result in a violation of the US Securities Act or the applicable laws of other jurisdictions.

The attached document has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission. Your receipt of the attached document via electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

None of the Company, any of its directors, officers, employees or agents, or any affiliate of such person accepts any liability or responsibility whatsoever in respect of any difference between the document distributed to you in electronic format and any hard copy that may be provided to you at a later date. A hard copy of the attached document will be made available to you only upon request.

None of the Banks or any of their respective affiliates accepts any responsibility whatsoever for the contents of this electronic transmission or the attached document or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company or the New Shares or the Rights Issue. Each of the Banks and each of their respective affiliates accordingly disclaims all and any liability whether arising in tort, contract or otherwise which they might otherwise have in respect of such electronic transmission, attached document or any such statement. No representation or warranty, express or implied, is made by any of the Banks or any of their respective affiliates as to the accuracy, completeness or sufficiency of the information set out in this electronic transmission or the attached document.

THIS DOCUMENT AND ANY ACCOMPANYING DOCUMENTS ARE IMPORTANT AND REQUIRE YOUR IMMEDIATE ATTENTION. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000, as amended ("FSMA"), if you are resident in the United Kingdom, or, if not, from another appropriately authorised independent financial adviser.

A copy of this document, which comprises a prospectus (the "**Prospectus**") relating to Elementis plc (the "**Company**" or "**Elementis**" and, together with its subsidiary undertakings, the "**Elementis Group**"), prepared in accordance with the Prospectus Rules of the FCA made pursuant to section 73A of FSMA, has been filed with the FCA and made available to the public in accordance with Rule 3.2 of the Prospectus Rules. This document has been approved as a prospectus by the FCA under section 87A of the FSMA.

Subject to the restrictions below, if you sell or transfer or have sold or have otherwise transferred all of your Existing Ordinary Shares (other than ex-Rights) held in certificated form before 8.00 a.m. on 4 October 2018 (the "**Ex-Rights Date**"), please send this document and any Provisional Allotment Letter (duly renounced), if and when received, at once to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee except that such documents should not be sent in or into any jurisdiction where to do so might constitute a violation of local securities laws or regulations, including, but not limited to, the United States or any of the Excluded Territories. If you sell or transfer or have sold or have otherwise transferred only part of your Existing Ordinary Shares (other than ex-Rights) held in certificated form before the relevant Ex-Rights Date, you should immediately consult the bank, stockbroker or other agent through whom the sale or transfer was effected and refer to the instructions regarding split applications in paragraph 3.6 of Part X (*Terms and Conditions of the Rights Issue*) of this document and in the Provisional Allotment Letter. If you are a Shareholder who holds Ordinary Shares in uncertificated form and you sell or transfer or have sold or have otherwise transferred all or some of your Existing Ordinary Shares (other than ex-Rights) held in uncertificated form before the relevant Ex-Rights Date, a claim transaction will automatically be generated by Euroclear which, on settlement, will transfer the appropriate number of Nil Paid Rights to the purchaser or transferee.

The distribution of this document or the Provisional Allotment Letter (or both) and the transfer of Nil Paid Rights, Fully Paid Rights or New Ordinary Shares (or any of them) into jurisdictions other than the United Kingdom may be restricted by law and, therefore, persons into whose possession this document (and any accompanying documents) comes should inform themselves about and observe any such restrictions. The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares are not transferable except in accordance with the restrictions set out in paragraph 7 of Part X (*Terms and Conditions of the Rights Issue*) of this document. Any failure to comply with any such restrictions may constitute a violation of the securities laws or regulations of such jurisdictions. In particular, subject to certain exceptions, this document and the Provisional Allotment Letter and any other related documents should not be distributed, forwarded to or transmitted in or into the United States or any of the Excluded Territories.

The Existing Ordinary Shares are admitted to the premium listing segment of the Official List of the FCA (the "**Official List**") and to trading on the London Stock Exchange's main market for listed securities. Applications will be made to the UK Listing Authority for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities (together, "**Admission**"). It is expected that Admission will become effective and that dealings in the New Ordinary Shares (nil paid) will commence by 8.00 a.m. on 4 October 2018 and in the New Ordinary Shares (fully paid) by 8.00 a.m. on 19 October 2018.

ELEMENTIS

ELEMENTIS PLC

(Incorporated and registered in England and Wales with registered number 03299608)

Proposed Acquisition of Mondo Minerals Holding B.V.
and
1 for 4 Rights Issue of 116,044,829 New Ordinary Shares at 152.0 pence per New Ordinary Share

Financial Adviser

Evercore

Joint Global Coordinator, Joint Bookrunner and Sole Sponsor

UBS

Joint Global Coordinator and Joint Bookrunner

HSBC

Shareholders should read the whole of this document, and the information incorporated by reference into this document in full. Your attention is drawn to the letter from the Chairman of Elementis which is set out in Part I of the accompanying Circular (*Chairman's Letter*) and which contains a recommendation from your Board that you vote in favour of the Resolution to be proposed at the General Meeting. Your attention is also drawn to Part II (*Risk Factors*) for a discussion of certain risks and other factors that should be considered in connection with the matters referred to in this document.

A notice convening the General Meeting to be held at the Montcalm Royal London House, 22-25 Finsbury Square, London EC2A 1DX on 3 October at 10.00 a.m. is set out in Part VIII of the Circular. A Form of Proxy for use in connection with the General Meeting is enclosed with this document. Whether or not you intend to attend the General Meeting in person, to be valid, the Form of Proxy should be completed, signed and returned in accordance with the instructions printed on it so as to be received by Equiniti, as soon as possible, and in any event, by no later than 10.00 a.m. on 1 October 2018 (or, in the case of an adjournment, not later than 48 hours before the time fixed for the holding of the adjourned meeting). You may also submit your proxy electronically at www.sharevote.co.uk using the Voting ID, Task ID and Shareholder Reference Number (**"SRN"**) on the Form of Proxy. Alternatively, if you have already registered with Equiniti's online portfolio service, Shareview, you can submit your Form of Proxy at www.shareview.co.uk. Full instructions are given on both websites. If you hold Existing Ordinary Shares in CREST, you may appoint a proxy by completing and transmitting a CREST Proxy Instruction in accordance with the procedures set out in the CREST Manual (CREST participant ID RA19) so that it is received by no later than 10.00 a.m. on 1 October 2018. The completion and return of a Form of Proxy (or the electronic appointment of a proxy) will not preclude you from attending and voting in person at the General Meeting or any adjournment thereof, if you wish to do so and are so entitled.

The latest time and date for acceptance and payment in full for the New Ordinary Shares by holders of the Nil Paid Rights is expected to be 11.00 a.m. on 18 October 2018, unless otherwise announced by the Company. The procedures for delivery of the Nil Paid Rights, acceptance and payment are set out in Part IX (*Some Questions and Answers about the Rights Issue*) of this document and, for Qualifying Non-CREST Shareholders other than, subject to certain exceptions, those with registered addresses in the United States or the Excluded Territories only, also in the Provisional Allotment Letter. Qualifying CREST Shareholders other than, subject to certain exceptions, those with registered addresses in the United States or the Excluded Territories should refer to paragraph 4 of Part X (*Terms and Conditions of the Rights Issue*) of this document.

No action has been or will be taken by the Company or any other person that would permit possession or distribution of this document or any other material relating to the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters or the New Ordinary Shares in any country or jurisdiction where action for that purpose is required, other than in the United Kingdom. This document does not constitute an offer of, or the solicitation of an offer to buy or subscribe for, Nil Paid Rights, Fully Paid Rights, Provisional Allotment Letters or New Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful and, in particular, is not for distribution in or into the United States or any of the Excluded Territories.

The New Ordinary Shares will, upon Admission, rank *pari passu* in all respects with each other and with the Existing Ordinary Shares, and will rank in full for all dividends and other distributions declared, made or paid in respect of the Existing Ordinary Shares following Admission.

Subject to the passing of the Resolution at the General Meeting, it is expected that Qualifying Non-CREST Shareholders other than, subject to certain exceptions, those with registered addresses in the United States or any of the Excluded Territories, will be sent a Provisional Allotment Letter on 3 October 2018 immediately after General Meeting approval, and that Qualifying Shareholders who hold their Ordinary Shares in uncertificated form other than, subject to certain exceptions, those with registered addresses in the United States or any of the Excluded Territories, will receive a credit to their appropriate stock accounts in CREST in respect of the Nil Paid Rights to which they are entitled on 4 October 2018.

Qualifying Non-CREST Shareholders should retain this document for reference pending receipt of a Provisional Allotment Letter. Qualifying CREST Shareholders should note that they will receive no further written communication from the Company in respect of the Rights Issue. They should accordingly retain this document for, among other things, details of the action they should take in respect of the Rights Issue. Qualifying CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with this document and the Rights Issue.

UBS Limited ("**UBS**") and HSBC Bank plc ("**HSBC**" and, together with UBS the "**Banks**"), each of which is authorised by the Prudential Regulatory Authority (the "**PRA**") and regulated in the United Kingdom by the PRA and the FCA, are each acting exclusively for the Company and no one else in connection with the arrangements described in this document and will not regard any other person (whether or not a recipient of this document as a client in relation to the arrangements described in this document and will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients or for providing advice in relation to the arrangements referred to in this document.

Apart from the responsibilities and liabilities, if any, which may be imposed on UBS and HSBC by the FSMA or the regulatory regime established thereunder, or under the regulatory regime of any jurisdiction where the exclusion of liability under the relevant regulatory regime would be illegal, void or unenforceable, UBS and HSBC accept no responsibility whatsoever for, or makes any representation or warranty, express or implied, as to the contents of this document, including its accuracy, completeness, fairness or ratification or regarding the legality of any investment in the Nil Paid Rights, the fully Paid Rights or the New Ordinary Shares by any person under the laws applicable to such person or for any other statement made or purported to be made by it, or on its behalf, in connection with the Company, the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares, the Rights Issue or the Acquisition. To the fullest extent permissible, UBS and HSBC and their respective subsidiaries, branches and affiliates accordingly disclaim all and any duty, liability and responsibility whether arising in tort, contract or otherwise (save as referred to above) in respect of this document or any such statement or otherwise.

Persons into whose possession this document comes should inform themselves about, and observe, any applicable restrictions and legal, exchange control or regulatory requirements in relation to the distribution of this document and the Acquisition and Admission. Any failure to comply with such restrictions or requirements may constitute a violation of the securities laws of any such jurisdiction.

Investors should only rely on the information contained in this document and the documents incorporated by reference. No person has been authorised to give any information or make any representations other than those contained in this document and the documents incorporated by reference and, if given or made, such information or representation must not be relied upon as having been so authorised by the Company, the Directors, UBS or HSBC. In particular, the websites of Elementis and Mondo Minerals Holding B.V. ("**Mondo**" and, together with its subsidiary undertakings, the "**Mondo Group**") do not form part of this document and investors should not rely on them.

Without prejudice to any legal or regulatory obligation on the Company to publish a supplementary prospectus pursuant to section 87G of the FSMA and Rule 3.4 of the Prospectus Rules, neither the delivery of this document nor Admission shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company, the Elementis Group, the Mondo Group or the Enlarged Group since the date of this document or that the information in it is correct as at any time after the date of this document.

The contents of this document are not to be construed as legal, financial or tax advice. Each prospective investor should consult his, her or its own solicitor, independent financial adviser or tax adviser for legal, financial or tax advice.

This document does not constitute or form part of any offer or invitation to sell or issue, or any solicitation of any offer to purchase or subscribe for, any securities to any person in any jurisdiction other than the securities to which it relates, and is not for distribution in or into or from any jurisdiction where to do so would constitute a violation of the relevant laws or regulations of such jurisdiction.

In connection with the Rights Issue, each of the Banks, and any of their respective affiliates may, in accordance with applicable legal and regulatory provisions, take up a portion of the New Ordinary Shares as a principal position and in that capacity may retain, purchase or sell for its own account such securities and any related or other securities and may engage in transactions in relation to the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares and/or related instruments for their own account otherwise than in connection with the Rights Issue. Accordingly, references in this document to Nil Paid Rights, Fully Paid Rights and New Ordinary Shares being offered or placed should be read as including any offering or placement of Nil Paid Rights, Fully Paid Rights and New Ordinary Shares to any of the Banks or any of their respective affiliates acting in such capacity. In addition, certain of the Banks or their affiliates may enter into financing arrangements with investors in connection with which such Banks (or their affiliates) may from time to time acquire, hold or dispose of Nil Paid Rights, Fully Paid Rights and New Ordinary Shares. Except as required by applicable law or regulation, the Banks do not propose to make any public disclosure in relation to such transactions.

Notice to Overseas Shareholders

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares have not been and will not be registered under the securities laws of any Excluded Territory and may not be offered, sold, taken up, exercised, resold, pledged, renounced, transferred or delivered, directly or indirectly, within such jurisdictions except pursuant to an applicable exemption, from and in compliance with (or in a transaction not subject to), any applicable securities laws. There will be no public offer of the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares or the Provisional Allotment Letters in any of the Excluded Territories.

All Overseas Shareholders and any person (including, without limitation, a nominee or trustee) who has a contractual or legal obligation to forward this document, or any Provisional Allotment Letter if and when received, or any other document relevant to the Rights Issue, to a jurisdiction outside the United Kingdom should read the information set out in paragraph 7 of Part X (*Terms and Conditions of the Rights Issue*) of this document.

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares have not been and will not be registered under the US Securities Act of 1933 (the "**US Securities Act**"), or with any securities regulatory authority or under the relevant laws of any state or other jurisdiction of the United States, and may not be offered, sold, taken up, exercised, resold, pledged, renounced, transferred or delivered, directly or indirectly, into or within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. The New Ordinary Shares are being offered and sold (i) outside the United States in reliance on Regulation S under the US Securities Act ("**Regulation S**"); and (ii) in the United States, subject to certain limited exceptions, to persons reasonably believed to be "qualified institutional buyers" ("**QIBs**") as defined in Rule 144A under the US Securities Act ("**Rule 144A**") in reliance on Rule 144A or another exemption from the registration requirements of the US Securities Act. Prospective investors are hereby notified that the sellers of the Ordinary Shares may be relying upon the exemption from the provisions of Section 5 of the US Securities Act provided by Rule 144A.

Neither the US Securities and Exchange Commission ("**SEC**"), nor any securities regulatory authority of any state of the United States, has approved the Nil Paid Rights, Fully Paid Rights, the Provisional Allotment Letters, New Ordinary Shares or passed upon the adequacy or accuracy of this document. Any representation to the contrary is a criminal offence in the United States.

In addition, until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters or the New Ordinary Shares within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the US Securities Act.

Notice to all investors

Any reproduction or distribution of this document, in whole or in part, and any disclosure of its contents or use of any information contained in or incorporated by reference into this document for any purpose other than in considering an investment in the Nil Paid Rights, the Fully Paid Rights, the Letters of Allocation and the New Ordinary Shares (or any of them) is prohibited. By accepting delivery of this document, each recipient agrees to the foregoing.

MiFID II Product Governance and Information to Distributors

Solely for the purposes of the product governance requirements contained within: (i) EU Directive 2014/65/EU on markets in financial instruments, as amended ("**MiFID II**"); (ii) Articles 9 and 10 of Commission Delegated Directive (EU) 2017/593 supplementing MiFID II; and (iii) local implementing measures (together, the "**MiFID II Product Governance Requirements**"), and disclaiming all and any liability, whether arising in tort, contract or otherwise, which any "manufacturer" (for the purposes of the MiFID II Product Governance Requirements) may otherwise have with respect thereto, the Nil Paid Rights, the Fully Paid Rights and the New Shares have been subject to a product approval process, which has determined that they each are: (a) compatible with an end target market of retail investors and investors who meet the criteria of professional clients and eligible counterparties, each as defined in MiFID II; and (b) eligible for distribution through all distribution channels as are permitted by MiFID II (the "**Target Market Assessment**"). Notwithstanding the Target Market Assessment, distributors (as defined in MiFID II) should note that: (i) the price of the Nil Paid Rights, the Fully Paid Rights and/or the New Shares may decline and investors could lose all or part of their investment; (ii) the Nil Paid Rights, the Fully Paid Rights and/or the New Shares offer no guaranteed income and no capital protection; and (iii) an investment in the Nil Paid Rights, the Fully Paid Rights and/or the New Shares is compatible only with investors who do not need a guaranteed income or capital protection, who (either alone or in conjunction with an appropriate financial or other adviser) are capable of evaluating the merits and risks of such an investment and who have sufficient resources to be able to bear any losses that may result therefrom. The Target Market Assessment is without prejudice to the requirements of any contractual, legal or regulatory selling restrictions in relation to the Rights Issue. Furthermore, it is noted that, notwithstanding the Target Market Assessment, the Banks will only procure investors who meet the criteria of professional clients and eligible counterparties.

For the avoidance of doubt, the Target Market Assessment does not constitute: (i) an assessment of suitability or appropriateness for the purposes of MiFID II; or (ii) a recommendation to any investor or group of investors to invest in, or purchase, or take any other action whatsoever with respect to the Nil Paid Rights, the Fully Paid Rights and/or the New Shares.

Each distributor is responsible for undertaking its own target market assessment in respect of the Nil Paid Rights, the Fully Paid Rights and/or the New Shares and determining appropriate distribution channels.

This document is dated 11 September 2018.

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PART I

SUMMARY

Summaries are made up of disclosure requirements known as "Elements". The Elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer (defined below). Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of "not applicable".

Section A – Introduction and Warnings	
A.1	**Introduction** This summary should be read as an introduction to this document. Any decision to invest in the securities should be based on consideration of the document as a whole by the prospective investor. Where a claim relating to the information contained in the document is brought before a court, the plaintiff investor might, under the national legislation of the EU Member States, have to bear the costs of translating the document before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the document or it does not provide, when read together with the other parts of the document, key information in order to aid investors when considering whether to invest in such securities.
A.2	**Consent for Intermediaries** Not applicable. No consent has been given by (1) the Company or (2) any person responsible for drawing up this document to use this document for the subsequent sale or placement of securities by financial intermediaries.
Section B – Issuer	
B.1	**Legal and commercial name** The Company's legal and commercial name is Elementis plc ("**Elementis**" or the "**Company**").
B.2	**Domicile and legal form, applicable legislation and country of incorporation** The Company is a public company limited by shares, incorporated in England and Wales with registered number 03299608 and its registered office is in England. The Company operates under the Companies Act 2006.
B.3	**Current operations and principal activities** **The Elementis Group** The Elementis Group is a global specialty chemicals company serving customers in North America, South America, Europe and Asia in a wide range of markets and sectors. The Elementis Group supplies its customers with innovative and high performance specialty chemical additives that enable its customers to enhance the performance of and efficiently produce their own products. Following the sale of its Surfactants segment, the Elementis Group operated in two core business segments: Specialty Products and Chromium. The Specialty Products segment provides high value functional additives to customers in the personal care, coatings and energy end markets. These additives improve the stability and flow characteristics and performance of customers' products and production processes. As part of its Specialty Products value chain, the Elementis Group owns and operates a mine in California that is the world's largest known source of high quality rheology-grade hectorite clay. This raw material, combined with a global production footprint and innovative leadership, allows the

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Elementis Group to add value to its customers across the Personal Care, Coatings and Energy end markets. The Chromium segment produces a range of chromium chemicals, including sodium dichromate, chrome oxide, chromic acid and chrome sulphate, which are used by customers across a wide range of industrial applications, such as pigments, metal finishing, timber treatment and leather tanning.
For the six months ended 30 June 2018, the Elementis Group had revenue of $421.4 million and profit after tax of $30.8 million. For the year ended 31 December 2017, the Elementis Group had revenue of $782.7 million and profit after tax of $117.6 million. As at 31 December 2017, the Elementis Group employed approximately 1,600 individuals at more than 30 locations worldwide.
The Mondo Group
The Mondo Group is a leading mine-to-market producer of talc and other mineral products with a strong presence in Northern and Central Europe and a growing customer base in Eastern Europe, Southern Europe, South America and Asia. The Mondo Group supplies talc to customers operating in a wide range of end markets, including industrial sectors (e.g., plastics, paints & coatings, technical ceramics, life sciences) and paper sectors (e.g., paper filler, paper coatings). The Mondo Group uses proprietary flotation process know how and formulation expertise to deliver superior product quality and consistency to its customers. The Mondo Group employs approximately 226 full-time employees (as at 30 June 2018), and owns and operates four talc mines in Finland with total resources of over 90 years at anticipated levels of production and has four production facilities in Finland and the Netherlands.
In recent years the Mondo Group has focused on higher value industrial talc, which has higher contribution margins per tonne than paper talc, and expanding in international markets. For the six months ended 30 June 2018, revenue from industrial talc represented 79.5% of the Mondo Group’s revenue from all talc (compared to 73.8% for the year ended 31 December 2015). Customers in Europe represented 83.6% of the Mondo Group’s revenue by geography for the year ended 31 December 2017.
For the six months ended 30 June 2018, the Mondo Group had revenue of €71.2 million and an operating profit of €9.7 million. For the year ended 31 December 2017, the Mondo Group had revenue of €122.0 million and an operating profit of €15.4 million.
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Significant recent trends
The Elementis Group
The Elementis Group supplies specialty chemicals to customers operating in a wide range of end markets. The performance of the Elementis Group is impacted by the volume of purchases and prices paid by its customers, which in turn are impacted by the economic conditions in the industries and geographic regions in which such customers operate. In particular, demand for the Elementis Group’s Personal Care and Coatings products is influenced by factors such as disposable income levels, product innovation, consumer trends, housing transaction and construction activity levels and conditions in the marine and automotive industries. Demand for the Elementis Group’s Energy products is influenced by oil prices and levels of drilling activity, including lateral drilling and deep water drilling. Demand for the Elementis Group Chromium products is influenced by factors such as construction activity levels, demand for aircraft engines and infrastructure and the quantities of hides available for leather tanning.
The Mondo Group
The Mondo Group supplies talc to customers operating in a wide range of end markets, including industrial sectors (e.g., plastics, paints & coatings, technical ceramics, life sciences) and paper sectors (e.g., paper filler, paper coatings). The performance of the Mondo Group is impacted by the volume of purchases and prices paid by its customers, which in turn are impacted by the economic conditions in the industries and geographic regions in which such customers operate. In particular, demand for industrial talc is influenced by factors such as levels of demand for new automobiles and for the repair of used automobiles, levels of demand for electronic equipment (e.g., household appliances),
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</table>

	construction activity levels, the stringency of environmental regulation regarding automotive emissions, levels of demand for new marine vessels, train wagons, containers and aircraft and levels of demand for pharmaceuticals, cosmetics and chewing gum. Demand for paper talc is influenced by factors such as levels of demand for paper in communications and advertising, which generally has decreased in recent periods as a result of the increasing use of electronic media. During the periods under review, a significant portion of the Mondo Group's revenue was generated in Europe and, in particular, in Finland (where substantially all of the Mondo Group's customers for paper talc are located) and Germany (where a significant number of the Mondo Group's customers for plastics and paint end-uses are located). However, the majority of the Mondo Group's revenue growth in recent periods has come from customers located in the Americas and Asia.
B.5	**Description of the Elementis Group and the Enlarged Group** The Company is currently the ultimate holding company of the Elementis Group. If the Acquisition completes, the Company will become the ultimate holding company of the Enlarged Group.
B.6	**Major Shareholders** As at 7 September 2018 (the "**Latest Practicable Date**"), the following persons had notified the Company of an interest which represents 3% or more of the voting share capital of the Company:

Shareholder	Number of Ordinary Shares	Percentage of issued Ordinary Shares
Ameriprise Financial, Inc. and its group	46,386,643	9.997
AXA Investment Managers S.A.	46,255,532	9.98
FMR LLC	36,765,204	7.92
BlackRock, Inc.	34,916,857	7.52
APG Asset Management N.V.	32,521,613	7.01
Aberdeen Asset Managers Limited	23,056,448	4.97
Schroders plc	22,517,387	4.91

Save as disclosed in this section, the Company is not aware of any person who, as at the Latest Practicable Date, directly or indirectly, has a holding which is notifiable under English law or who directly or indirectly, jointly or severally, exercises or could exercise control over the Company. There are no differences between the voting rights enjoyed by the Shareholders described above and those enjoyed by any other holder of Ordinary Shares.

B.7

Selected historical financial information

The Elementis Group

The selected financial information for the Elementis Group set out below has been extracted without material adjustment from the consolidated financial statements of the Elementis Group incorporated by reference into this document.

Selected consolidated income statement information

$ millions	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015(1)
	unaudited	*unaudited*		*unaudited*	*unaudited*
Revenue	**421.4**	**383.5**	**782.7**	**616.6**	**677.2**
Cost of sales	(265.9)	(241.5)	(487.6)	(384.6)	(418.2)
Gross profit	**155.5**	**142.0**	**295.1**	**232.0**	**259.0**
Distribution costs	(56.3)	(47.1)	(98.1)	(72.2)	(85.8)
Administrative expenses	(43.0)	(43.7)	(105.6)	(74.7)	(63.1)
Profit on property disposal	—	—	—	—	17.0
Operating profit	**56.2**	**51.2**	**91.4**	**85.1**	**127.1**
Other expenses	(1.3)	(1.4)	(1.2)	(1.4)	(2.1)
Finance income	0.3	0.1	0.2	0.1	0.2
Finance costs	(8.4)	(5.0)	(11.9)	(7.7)	(4.4)
Profit before income tax	**46.8**	**44.9**	**78.5**	**76.1**	**120.8**
Tax	(15.9)	(8.4)	34.2	(7.2)	(26.2)
Profit from continuing operations	**30.9**	**36.5**	**112.7**	**68.9**	**94.6**
Profit/(loss) from discontinued operations(2)	(0.1)	6.7	4.9	(0.8)	—
Profit for the period	**30.8**	**43.2**	**117.6**	**68.1**	**94.6**

(1) Includes the results of the Surfactants segment (disposed of on 28 February 2018), which for the year ended 31 December 2015 contributed $53.8 million to revenue and $3.6 million to operating profit (before head office allocations). As a result, the income statement information of the Elementis Group included herein for the year ended 31 December 2015 (which reflects the Surfactants segment as a continuing operation) is not presented on a directly comparable basis to the income statement information for the Elementis Group for the six months ended 30 June 2018 and 2017 and for the years ended 31 December 2017 and 2016 (which reflect the Surfactants segment as a discontinued operation).

(2) Profit/loss from discontinued operations includes profits/loss from the Surfactants segment (disposed of on 28 February 2018) for the six months ended 2018 and 2017 and for the years ended 31 December 2017 and 2016.

Selected consolidated balance sheet information

$ millions	As at 30 June	As at 31 December		
	2018	2017	2016	2015
	unaudited		*unaudited*	*unaudited*
Total non-current assets	**944.1**	**953.1**	**616.3**	**621.9**
Of which: Goodwill and other intangible assets	707.8	717.2	359.9	362.5
Of which: Property, plant and equipment	223.2	219.5	217.3	211.2
Total current assets	**354.9**	**328.4**	**299.9**	**297.8**
Of which: Inventories	151.8	143.6	121.3	126.7
Of which: Trade and other receivables	139.1	124.6	96.0	92.0
Of which: Cash and cash equivalents	57.4	55.0	82.6	79.1
Assets classified as held for sale	—	58.2	—	—
Total assets	**1,299.0**	**1,339.7**	**916.2**	**919.7**
Current liabilities	**(154.2)**	**(145.3)**	**(120.5)**	**(95.0)**
Of which: Trade and other payables	(114.2)	(117.7)	(98.9)	(79.9)
Total non-current liabilities	**(436.8)**	**(469.2)**	**(168.6)**	**(170.9)**
Of which: Loans and borrowings	(312.3)	(343.4)	(0.1)	—
Of which: Deferred tax liabilities	(92.9)	(93.4)	(108.7)	(113.0)
Liabilities classified as held for sale	—	(22.9)	—	—
Total liabilities	**(591.0)**	**(637.4)**	**(289.1)**	**(265.9)**
Net assets	**708.0**	**702.3**	**627.1**	**653.8**
Total equity	**708.0**	**702.3**	**627.1**	**653.8**

Selected consolidated cash flow statement information

$ millions	Six months ended 30 June		Year ended 31 December		
	2018	**2017**	**2017**	**2016**	**2015**
	unaudited	*unaudited*		*unaudited*	*unaudited*
Net cash flow from operating activities	37.1	53.0	114.7	117.9	111.6
Net cash flow from investing activities	22.7	(376.0)	(403.3)	(35.2)	(29.6)
Net cash flow used in financing activities	(56.0)	312.6	256.8	(76.4)	(74.2)
Net increase/(decrease) in cash and cash equivalents	**3.8**	**(10.4)**	**(31.8)**	**6.3**	**7.8**
Cash and cash equivalents at start of period	55.0	82.6	82.6	79.1	73.7
Foreign exchange on cash and cash equivalents	(1.4)	2.3	4.2	(2.8)	(2.4)
Cash and cash equivalents at end of period	**57.4**	**74.5**	**55.0**	**82.6**	**79.1**

As described below, certain significant changes to the Elementis Group's financial conditional and operating results occurred during the six months ended 30 June 2018 and the years ended 31 December 2017, 2016 and 2015.

- *Implementation of "Reignite Growth" strategy*: In 2016 the Elementis Group launched its "Reignite Growth" strategy that focuses on re-examining every aspect of the Elementis Group's business and improving performance. The strategy is composed of four key elements: (i) pursue the best growth opportunities; (ii) pursue supply chain transformation; (iii) innovate for distinctiveness and high margins; and (iv) create a culture of high performance. In connection with its "Reignite Growth" strategy, the Elementis Group implemented a number of initiatives during recent periods, including the disposal of its lower margin and non-core Surfactants segment and the acquisition of SummitReheis, a global leader in the antiperspirant actives sector. The Elementis Group's financial performance rebounded in the year ended 31 December 2017, with revenue and profit increasing by 26.9% and 72.7%, respectively, as compared to the year ended 31 December 2016, which the Directors believe was driven primarily by the adoption and successful implementation of the "Reignite Growth" strategy during 2017, underpinned by the acquisition of SummitReheis and an improvement in market conditions.

- *Material disposals and acquisitions*: In December 2017, the Elementis Group entered into a sale agreement to dispose of Elementis Specialties Netherlands BV, which carried out all of the Elementis Group's Surfactants operations. The Directors believed that disposing of the Surfactants operations would generate cash, simplify the Elementis Group's supply chain and allow the Elementis Group to reallocate capital to higher margin growth opportunities. The disposal completed on 28 February 2018, with the Elementis Group receiving cash proceeds of €39 million.

  On 24 March 2017, the Elementis Group acquired SummitReheis, a global leader in the antiperspirant actives sector, for an initial gross cash consideration of $370.3 million ($370.9 million after closing working capital adjustments). The integration of SummitReheis was completed in December 2017 and the Directors believe the acquisition has resulted in the Elementis Group having a Personal Care business of scale with attractive growth opportunities. The SummitReheis acquisition was financed with debt financing and as a result the Elementis Group's non-current loans and borrowings increased to $343.4 million as at 31 December 2017 from $0.1 million as at 31 December 2016. In addition, the Elementis Group recognised a significant amount of intangible assets in connection with the SummitReheis acquisition and goodwill and other intangible assets increased to $717.2 million as at 31 December 2017 from $359.9 million as at 31 December 2016.

There has been no significant change in the financial condition or operating results of the Elementis Group since 30 June 2018.

The Mondo Group

The selected financial information for the Mondo Group set out below has been extracted without material adjustment from the consolidated financial statements of the Mondo Group included elsewhere in this document.

Selected consolidated income statement information

€ thousands	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015
	unaudited	*unaudited*			
Revenue	**71,230**	**60,560**	**121,960**	**119,266**	**114,995**
Cost of sales	(44,915)	(38,815)	(73,915)	(73,795)	(78,003)
Gross profit	**26,315**	**21,745**	**48,045**	**45,471**	**36,992**
Distribution costs	(9,889)	(9,071)	(21,097)	(20,497)	(19,664)
Administration expenses	(6,775)	(5,615)	(11,826)	(11,233)	(10,361)
Other operating income	87	103	242	543	590
Operating profit	**9,738**	**7,162**	**15,364**	**14,284**	**7,557**
Finance income	299	175	345	3,446	2,897
Finance expenses	(14,815)	(18,145)	(33,165)	(31,355)	(27,977)
Net finance income and expenses	**(14,516)**	**(17,970)**	**(32,820)**	**(27,909)**	**(25,080)**
Profit/(loss) before income tax	**(4,778)**	**(10,808)**	**(17,456)**	**(13,625)**	**(17,523)**
Income tax (expense)/benefit	975	(338)	1,169	2,613	3,895
Loss for the period	**(3,803)**	**(11,146)**	**(16,287)**	**(11,012)**	**(13,628)**

Selected consolidated balance sheet information

€ thousands	As at 30 June	As at 31 December		
	2018	2017	2016	2015
	unaudited			
Total non-current assets	**271,411**	**273,775**	**297,601**	**295,132**
Of which: Property, plant and equipment	194,333	195,917	196,893	193,134
Of which: Goodwill	59,775	59,775	59,775	59,775
Total current assets	**74,609**	**67,581**	**49,016**	**45,411**
Of which: Cash and cash equivalents	33,010	27,669	15,117	15,230
Total assets	**346,020**	**341,356**	**346,617**	**340,543**
Total equity	**(7,818)**	**(4,015)**	**12,272**	**23,284**
Total non-current liabilities	**335,668**	**328,721**	**315,710**	**304,171**
Of which: Interest-bearing liabilities	299,278	291,146	276,900	259,602
Total current liabilities	**18,170**	**16,650**	**18,635**	**13,088**
Total equity and liabilities	**346,020**	**341,356**	**346,617**	**340,543**

Selected consolidated cash flow statement information

€ thousands	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015
	unaudited	*unaudited*			
Net cash flow from operating activities	17,883	8,253	43,082	29,580	29,405
Net cash flow from investing activities	(6,059)	(7,864)	(13,517)	(16,849)	(26,098)
Net cash flow from financing activities	(6,483)	(10,678)	(17,013)	(12,844)	(14,220)
Net increase/(decrease) in cash and cash equivalents	**5,341**	**(10,289)**	**12,552**	**(113)**	**(10,913)**
Cash and cash equivalents at start of period	27,669	15,117	15,117	15,230	26,143
Cash and cash equivalents at end of period	**33,010**	**4,828**	**27,669**	**15,117**	**15,230**

As described below, certain significant changes to the Mondo Group's financial condition and operating results occurred during the six months ended 30 June 2018 and the years ended 31 December 2017, 2016 and 2015.

- Product mix: In the global talc market, talc usage can generally be divided between specialty and non-specialty applications. Specialty applications are characterised by higher quality, purity and consistency standards, a focus on technical specifications and higher price points, whereas non-specialty applications are characterised by less stringent quality, purity and consistency standards, a focus on volume and lower price points. Substantially all of the Mondo Group's industrial talc products (including for use in plastics, paints & coatings, technical ceramics and life sciences) and its paper coating products are specialty applications, whereas the Mondo Group's paper filler products are non-specialty applications.

During the periods under review, the Mondo Group's sales of paper talc were generally made to a small number of large paper producers in Finland in close proximity to the Mondo Group's talc mines, whereas the Mondo Group's sales of industrial talc were generally made to a broader and more international customer base. In particular, and following years of consolidation and restructuring in the paper industry, a single customer in Finland (which the Mondo Group has been serving as a customer for more than 40 years) accounted for 83% of the Mondo Group's revenue from paper talc for the year ended 31 December 2017, whereas no single customer accounted for more than 7% of the Mondo Group's revenue from industrial talc for the year ended 31 December 2017.

Since 2009, the mix of the Mondo Group's product offering has gradually shifted toward industrial talc and away from paper talc. Revenue from paper talc has gradually decreased while revenue from industrial talc have gradually increased, with the latter being driven in particular by growth in applications of industrial talc in plastics. Revenue from paper talc represented 18.5%, 19.3%, 20.2%, 23.9% and 25.9% of the Mondo Group's revenue for the six months ended 30 June 2018 and 2017 and for the years ended 31 December 2017, 2016 and 2015, respectively. This shift toward industrial talc, which has higher contribution margins per tonne than paper talc, led to increases in the Mondo Group's adjusted EBITDA during the periods under review. The Mondo Group had adjusted EBITDA of €19.1 million, €14.7 million, €31.1 million, €28.7 million and €22.9 million for the six months ended 30 June 2018 and 2017 and for the years ended 31 December 2017, 2016 and 2015, respectively.

- *Accreditation as a supplier of specialty talc to major international customers*: The specialty talc market is generally characterised by high barriers to entry as a new supplier due to, among other factors, the long and complicated accreditation processes generally required for a supplier to be accepted by a customer and for the customer to optimise its production processes to match the technical specifications of the industrial talc provided by the supplier. As a result, it can be difficult and time consuming for a supplier of industrial talc to acquire new customers; however, once acquired, such customers are generally faced with high switching costs and as a result may be reluctant to switch suppliers. For example, for the year ended 31 December 2017, approximately 75% of the Mondo Group's revenue from industrial talc was made to recurring customers. Distribution costs also act as a barrier to entry in the paper talc market given the costs of transporting large volumes of talc. Suppliers of paper talc thus tend to benefit from a competitive advantage with respect to customers in closer proximity to their mines and a competitive disadvantage with respect to customers who are located relatively far from their mines.

  Historically, a substantial portion of the Mondo Group's business was providing non-specialty talc as a primary supplier to paper producers in Finland, although the number of such customers and the amount of such sales have diminished in recent periods as a result of industry conditions and consolidation. In recent periods, the Mondo Group has also become accredited as a second supplier of industrial talc to a significant number of major international producers of a wide range of products across a variety of geographies (including Europe, North America, the Middle East and Africa). For example, for the year ended 31 December 2017, approximately 25% of the Mondo Group's revenue from industrial talc was made to new customers. This has resulted both in an increase in the geographical diversification of the Mondo Group's business as well as growth in the overall revenue during the periods under review, as growth in revenue from industrial talc has generally more than offset decreases in revenue from paper talc.

There has been no significant change in the financial condition or operating results of the Mondo Group since 30 June 2018.

B.8 **Selected unaudited pro forma financial information**

The unaudited pro forma financial information set out below has been prepared to illustrate the effect of the Rights Issue, New Debt Facilities and Acquisition (the "**Transactions**") on the net assets of the Elementis Group as at 30 June 2018 as if the Transactions had taken place on 30 June 2018 and on the consolidated statements of profit or loss of the Elementis Group for the year ended 31 December 2017 and the six months ended 30 June 2018 as if the Transactions had taken place on 1 January 2017 and 1 January 2018, respectively (together the "**Unaudited Pro Forma Financial Information**"). Because of its nature, the Unaudited Pro Forma Financial Information addresses a hypothetical situation and, therefore, does not represent the Enlarged Group's actual financial position or results. It may not, therefore, give a true picture of the Enlarged Group's financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future.

Unaudited Pro Forma Consolidated Statement of Net Assets of the Enlarged Group as at 30 June 2018

				Adjustments					
	Elementis	**Mondo**	**Mondo**	**Acquisition of Mondo**	**Equity raised by Rights Issue**	**Repayment of Mondo debt**	**Replacement of Elementis debt**	**Transaction Costs**	**Pro Forma**
	Note 1 $m	Note 2 €m	Note 3 $m	Note 4 $m	Note 5 $m	Note 6 $m	Note 7 $m	Note 8 $m	$m
Non-current assets									
Goodwill and other intangible assets	707.8	77.0	89.9	174.0	—	—	—	—	971.7
Property, plant and equipment	223.2	194.4	227.1	—	—	—	—	—	450.3
ACT recoverable	12.6	—	—	—	—	—	—	—	12.6
Deferred tax assets	0.5	—	—	—	—	—	—	—	0.5
Total non-current assets	**944.1**	**271.4**	**317.0**	**174.0**	**—**	**—**	**—**	**—**	**1,435.1**
Current assets									
Inventories	151.8	19.6	22.9	—	—	—	—	—	174.7
Trade and other receivables	139.1	22.0	25.6	6.5	—	—	(4.5)	—	166.7
Derivatives	2.1	—	—	—	—	—	—	—	2.1
Current tax asset	4.5	0.0	—	—	—	—	—	—	4.5
Cash and cash equivalents	57.4	33.0	38.5	(307.2)	230.0	(213.6)	281.3	(18.5)	67.9
Total current assets	**354.9**	**74.6**	**87.0**	**(300.7)**	**230.0**	**(213.6)**	**276.8**	**(18.5)**	**415.9**
Assets classified as held for sale	—	—	—	—	—	—	—	—	0
Total assets	**1,299.0**	**346.0**	**404.0**	**(126.7)**	**230.0**	**(213.6)**	**276.8**	**(18.5)**	**1,851.0**
Current liabilities									
Bank overdrafts and loans	(4.7)	—	—	—	—	—	—	—	(4.7)
Trade and other payables	(114.2)	(17.9)	(20.9)	—	—	—	—	1.2	(133.9)
Derivatives	—	—	—	—	—	—	—	—	—
Current tax liabilities	(26.3)	22.5	(26.3)	—	—	—	—	—	(52.6)
Provisions	(9.0)	—	—	—	—	—	—	—	(9.0)
Total current liabilities	**(154.2)**	**(40.4)**	**(47.2)**	**—**	**—**	**—**	**—**	**1.2**	**(200.2)**
Non-current liabilities									
Loans and borrowings	(312.3)	(299.3)	(349.4)	135.8	—	213.6	(281.3)	—	(593.6)
Employee retirement benefits	(10.1)	—	—	—	—	—	—	—	(10.1)
Deferred tax liabilities	(92.9)	(11.7)	(13.7)	—	—	—	—	—	(106.6)
Provisions	(21.5)	(2.4)	(2.8)	—	—	—	—	—	(24.3)
Total non-current liabilities	**(436.8)**	**(313.4)**	**(365.9)**	**135.8**	**—**	**213.6**	**(281.3)**	**—**	**(734.6)**
Liabilities classified held for sale	—	—	—	—	—	—	—	—	—
Total liabilities	**(591.0)**	**(353.8)**	**(413.1)**	**135.8**	**—**	**213.6**	**(281.3)**	**1.2**	**(934.8)**
Net assets	**708.0**	**(7.8)**	**(9.1)**	**9.1**	**230.0**	**—**	**(4.5)**	**(17.3)**	**916.2**

(1) The net assets information of the Elementis Group as at 30 June 2018 has been extracted without material adjustment from the unaudited interim condensed consolidated financial statements of the Elementis Group as at and for the six months ended 30 June 2018, which is incorporated into this document by reference as explained in Part XVIII (*Historical Financial Information Relating to the Elementis Group*).

(2) The net assets information of the Mondo Group as at 30 June 2018 has been extracted without material adjustment from the consolidated financial statements of the Mondo Group for the six months ended 30 June 2018 which are included in Part XIX (*Historical Financial Information Relating to the Mondo Group*).This information has been adjusted to conform to the presentation adopted by the Elementis Group. The following presentational adjustments were made:

a) Other finance assets of €57,000 have been reclassified as goodwill and other intangible assets;

b) Other non-current assets of €69,000 have been reclassified as property, plant and equipment as they relate to leased assets;

c) Other current assets of €6.69 million have been reclassified as trade and other receivables;

d) Other current liabilities of €5.05 million have been reclassified as trade and other payables; and

e) Other non-current liabilities of €22.246 million have been reclassified as current tax liabilities as they relate to a tax refund received that is currently being appealed by the Finnish tax authorities but may fall due for payment within 12 months.

(3) The individual assets and liabilities of the Mondo Group as at 30 June 2018 have been translated into US dollars using a euro exchange rate of $1.1675 per euro which represents the Bank of England closing rate as at 30 June 2018.

(4) The adjustment in Note 4 reflects the acquisition of the Mondo Group by Elementis. The net consideration payable will consist of a cash payment of $307.2 million, representing $171.4 million in net cash paid for the Acquisition plus the settlement of the shareholder loan of €116.3 million ($135.8 million, translated at an exchange rate of 1.1675 at 30 June 2018, the Bank of England closing rate as at 30 June 2018). In the event settlement of the tax dispute (Note 2e) is in excess of the amount currently held in a segregated bank account, the amount of any such excess shall be released back to Elementis from the escrow account paid into by the Seller. As such, an indemnification asset of €5.6 million ($6.5 million) limiting Elementis' exposure to the reported €22.2 million tax liability has been recognised. The estimated fair value of the contingent consideration, the payment of which is contingent on the future performance of Mondo BV, is immaterial and therefore no amount has been reflected in the net consideration payable. The range of contingent consideration as set out in Part VIII (*Principal Terms of the Acquisition*) of this document is $0.0 million to $53.0 million. Any change in the estimated fair value of the contingent consideration at the acquisition date would increase the pro forma goodwill adjustment calculated below.

The adjustment to goodwill has been calculated as follows:

All figures $m	
Acquisition of net cash paid	171.4
Plus book value of liabilities acquired	9.1
Less value of indemnification asset	(6.5)
Pro forma goodwill adjustment	**174.0**

Elementis has not completed a purchase price allocation for the Acquisition in accordance with IFRS 3 (*Business Combinations*). Therefore, none of the purchase price has been allocated to intangible assets in the pro forma financial information. Instead, all of the difference between the purchase price and net assets/liabilities has been allocated to goodwill.

(5) The adjustment in Note 5 reflects the receipt of the proceeds of the Rights Issue of 116,044,029 shares at 152.0 pence per share. The proceeds receivable by the Company are £176.4 million which equates to approximately $230 million at an exchange rate of $1.3025 per pound sterling as at 10 September 2018, the most recent practical date. Elementis intends to use the proceeds of the Rights Issue towards the funding of the Acquisition. Elementis intends to enter a forward sale of these sterling proceeds to US dollars to limit the foreign exchange risk arising from the Rights Issue and therefore the actual proceeds may differ from that assumed in the pro forma.

(6) The adjustment in Note 6 reflects the settlement of the existing Mondo Group external debt of €182.9 million ($213.6 million translated at an exchange rate of $1.1675 per euro, the Bank of England closing rate as at 30 June 2018) present in the 30 June 2018 balance sheet.

(7) The adjustment in Note 7 reflects the drawdown of $600.0 million from the new $775.0 million facility and settlement of the existing Elementis debt of $312.3 million. Associated costs of $6.4 million incurred in the set-up of the new facility will be paid from existing cash balances and $4.5 million unamortised issue costs for the current Elementis facility will be written off. The drawdown is expected to occur in the following currencies: $400.0 million in US dollar and $200.0 million in euro, converted at the following 30 June 2018 exchange rate: $1.1675 per euro. The currency allocations and exchange rates in place are likely to differ from those stated when the facility is actually drawn down.

(8) The adjustment in Note 8 reflects administrative transaction costs relating to the Rights Issue and external advisers, lawyers and professional fees of $18.5 million incurred as part of the Acquisition, less $1.2 million already incurred but not paid. Of these costs, $5.0 million relate solely to the cost of the Rights Issue and have therefore been presented in equity in accordance with IFRS 3 (*Business Combinations*).

Unaudited Pro Forma Consolidated Statement of Profit or Loss of the Enlarged Group for the year ended 31 December 2017

				Adjustments			
	Elementis	Mondo	Mondo	Replacement of Mondo debt	Repayment of Elementis debt	Transaction Costs	Pro Forma
	Note 1 $m	Note 2 €m	Note 3 $m	Note 4 $m	Note 5 $m	Note 6 $m	$m
Revenue	**782.7**	**122.0**	**137.0**	**—**	**—**	**—**	**919.7**
Costs of sales	(487.6)	(73.9)	(83.0)	—	—	—	(570.6)
Gross Profit	**295.1**	**48.0**	**54.0**	**—**	**—**	**—**	**349.1**
Distribution costs	(98.1)	(21.1)	(23.7)	—	—	—	(121.8)
Administrative expenses	(105.6)	(11.6)	(13.0)	—	—	(13.5)	(132.1)
Operating profit/(loss)	**91.4**	**15.4**	**17.3**	**—**	**—**	**(13.5)**	**95.2**
Other expenses	(1.2)	—	—	—	—	—	(1.2)
Finance Income	0.2	0.3	0.4	—	—	—	0.6
Finance costs	(11.9)	(33.2)	(37.3)	31.2	(17.1)	—	(35.1)
Profit/(loss) before income tax	**78.5**	**(17.5)**	**(19.6)**	**31.2**	**(17.1)**	**(13.5)**	**59.5**
Tax	34.2	1.2	1.3	(6.2)	3.3	—	(32.5)
Profit from continuing operations	**112.7**	**(16.3)**	**(18.3)**	**25.0**	**(13.8)**	**(13.5)**	**92.1**
Profit from discontinued operations	4.9	—	—	—	—	—	4.9
Profit/(loss) for the period	**117.6**	**(16.3)**	**(18.3)**	**25.0**	**(13.8)**	**(13.5)**	**97.0**

(1) The income statement information of the Elementis Group has been extracted without material adjustment from the audited consolidated financial statements of the Elementis Group for the year ended 31 December 2017, which are incorporated into this document by reference as explained in Part XVIII (*Historical Financial Information Relating to the Elementis Group*).

(2) The income statement information of the Mondo Group has been extracted without material adjustment from the audited consolidated financial statements of the Mondo Group for the year ended 31 December 2017 which are included in Part XIX (*Historical Financial Information Relating to the Mondo Group*). This information has been adjusted to conform to the presentation adopted by the Elementis Group. The following presentational adjustments were made:

a) Other operating income of €242,000 has been reclassified as administrative expenses.

(3) The income statement for the Mondo Group has been translated into US dollars using a euro exchange rate of $1.1237 per euro, which represents the average rate for the year ended 31 December 2017.

(4) The adjustment in Note 4 reflects the removal of the Mondo interest costs associated with the existing debt arrangements for the year ended 31 December 2017. As this debt sits primarily within Finland where it has benefitted from a tax deduction at 20.0%, removal of this interest cost increases the tax charge by $6.2 million.

(5) The adjustment in Note 5 reflects the write-off of Elementis' previously capitalised debt facility fees of $6.1 million at 1 January 2017 and associated amortisation during the year of $1.0 million. Fees of $6.4 million associated with the new debt facility have been capitalised; however, a charge of $1.3 million for amortisation of these fees has been included based on an assumed expected term of 5 years. There has also been removal of the Elementis interest costs of $9.7 million associated with the existing debt arrangements for the year ended 31 December 2017, and replacement with pro forma annual interest costs of $20.4 million for the Enlarged Group had the debt arrangements post-Acquisition been in place from 1 January 2017. This interest charge has been calculated on the basis of the drawdown occurring in the following currencies at the following interest rates (including margin): $400.0 million in US dollars at 3.73%, and $200.0 million in euro at 2.5%. An increase of 0.125% in interest rates would result in an increased charge for the period of $0.5 million. The currency allocations, interest rates and exchange rates in place are likely to differ from those stated when the facility is actually drawn down. All incurred charges are deductible for UK tax at an effective rate of 19.25% for the 2017 calendar year.

(6) Administrative expenses include external advisers, lawyers and professional fees incurred in the Acquisition. Fees associated with the New Debt Facilities have been capitalised and fees associated with the issuance of equity have been charged to equity. This adjustment does not have a continuing impact.

(7) No adjustment has been made to reflect the trading periods of Elementis plc or Mondo since 31 December 2017.

(8) Unless otherwise indicated, all of the above adjustments have a continuing impact.

	Unaudited Pro Forma Consolidated Statement of Profit or Loss of the Enlarged Group for the six months ended 30 June 2018

	Elementis	Mondo	Mondo	Adjustments: Replacement of Mondo debt	Adjustments: Repayment of Elementis debt	Adjustments: Transaction Costs	Pro Forma
	Note 1 $m	Note 2 €m	Note 3 $m	Note 4 $m	Note 5 $m	Note 6 $m	
Revenue	**421.4**	**71.2**	**87.1**	**—**	**—**	**—**	**508.5**
Costs of sales	(265.9)	(44.9)	(54.8)	—	—	—	(320.7)
Gross Profit	**155.5**	**26.3**	**32.3**	**—**	**—**	**—**	**187.8**
Distribution costs	(56.3)	(9.9)	(12.1)	—	—	—	(68.4)
Administrative expenses	(43.0)	(6.7)	(8.2)	—	—	(12.3)	(63.4)
Operating profit/(loss)	**56.2**	**9.7**	**12.0**	**—**	**—**	**(12.3)**	**56.0**
Other expenses	(1.3)	—	—	—	—	—	(1.3)
Finance Income	0.3	0.3	0.4	—	—	—	0.7
Finance costs	(8.4)	(14.8)	(18.1)	17.4	(9.4)	—	(18.5)
Profit/(loss) before income tax	**46.8**	**(4.8)**	**(5.7)**	**17.4**	**(9.4)**	**(12.3)**	**36.8**
Tax	(15.9)	1.0	1.2	(3.5)	1.8	—	(16.4)
Profit from continuing operations	**30.9**	**(3.8)**	**(4.5)**	**13.9**	**(7.5)**	**(12.3)**	**20.4**
Profit from discontinued operations	(0.1)	—	—	—	—	—	(0.1)
Profit/(loss) for the period	**30.8**	**(3.8)**	**(4.5)**	**13.9**	**(7.6)**	**(12.3)**	**20.3**

(1) The income statement information of the Elementis Group has been extracted without material adjustment from the unaudited interim condensed consolidated financial statements of the Elementis Group for the six months ended 30 June 2018, which are incorporated into this document by reference as explained in Part XVIII (*Historical Financial Information Relating to the Elementis Group*).

(2) The income statement information of the Mondo Group has been extracted without material adjustment from the unaudited interim condensed consolidated financial statements of the Mondo Group for the six months ended 30 June 2018 which are included in Part XIX (*Historical Financial Information Relating to the Mondo Group*). This information has been adjusted to conform to the presentation adopted by the Elementis Group. The following presentational adjustments were made:

a) Other operating income of €87,000 has been reclassified as administrative expenses.

(3) The income statement for the Mondo Group has been translated into US dollars using a euro exchange rate of $1.2223 per euro, which represents the average rate for the six months ended 30 June 2018.

(4) The adjustment in Note 4 reflects the removal of the Mondo interest costs associated with the existing debt arrangements for the six months ended 30 June 2018.

(5) The adjustment in Note 5 reflects the write-off of Elementis' previously capitalised debt facility fees of $5.1 million at 1 January 2018 and associated amortisation during the six months ended 30 June 2018 of $0.6 million. Fees of $6.4 million associated with the new debt facility have been capitalised; however, a charge of $0.7 million for amortisation of these fees has been included based on an assumed expected term of 5 years. There has also been removal of the Elementis interest costs of $7.7 million associated with the existing debt arrangements for the six months ended 30 June 2018, and replacement with pro forma interest costs of $11.9 million for the Enlarged Group had the debt arrangements post-Acquisition been in place from 1 January 2018. This interest charge has been calculated on the basis of the drawdown occurring in the following currencies at the following interest rates (including margin): $400.0 million in US dollars at 4.59%, and $200.0 million in euro at 2.5% converted at the following exchange rate $1.2223 per euro (based on the 2018 average exchange rates) applicable for the six months ended 30 June 2018. Normal;An increase of 0.125% in interest rates would result in an increased charge for the period of $0.3 million. The currency allocations, interest rates and exchange rates in place are likely to differ from those stated when the facility is actually drawn down. All incurred charges are deductible for UK tax at an effective rate of 19% for the six-month period.

(6) Administrative expenses include external advisers, lawyers and professional fees incurred in the Acquisition. Fees associated with the New Debt Facilities have been capitalised and fees associated with the issuance of equity have been charged to equity. In the six months ended 30 June 2018, $1.2 million of administrative expenses associated with the Acquisition were already incurred. This adjustment does not have a continuing impact.

(7) No adjustment has been made to reflect the trading periods of Elementis plc or Mondo since 30 June 2018.

(8) Unless otherwise indicated, all of the above adjustments have a continuing impact.

B.9	**Profit forecast or estimate** Not applicable. There is no profit forecast or estimate included in this document.
B.10	**Qualifications in audit report on the Historical Financial Information** Not applicable. No qualifications are included in any audit report on the historical financial information included in this document.

B.11	**Insufficient working capital** Not applicable. The Company is of the opinion that, taking into account the facilities available to the Elementis Group, the Elementis Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of publication of this document.
Section C – Securities	
C.1	**Type and class of the securities being offered and admitted to trading** 116,044,829 New Ordinary Shares of 5 pence. The ISIN code for the New Ordinary Shares will be the same as that of the Existing Ordinary Shares, being GB0002418548.
C.2	**Currency** The New Ordinary Shares will be denominated in pounds sterling.
C.3	**Number of shares in issue and par value** As at the Latest Practicable Date, the Company has in issue 464,179,318 fully paid ordinary shares of 5 pence.
C.4	**Rights attached to the securities** The New Ordinary Shares will, when issued and fully paid, rank equally in all respects with the Existing Shares, including the right to receive all dividends and other distributions made, paid or declared after the date of issue of the New Shares.
C.5	**Restrictions on free transferability of the securities** There are no restrictions on the free transferability of the Ordinary Shares set out in the constitutional documents of the Company.
C.6	**Admission to trading on a regulated market** Ordinary Shares are currently listed on the premium listing segment of the Official List of the FCA and traded on the London Stock Exchange's main market for listed securities. Applications will be made to the FCA for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission (nil paid) will become effective on 4 October 2018 and that dealings on the London Stock Exchange in the New Ordinary Shares will commence, nil paid, as soon practicable after 8.00 a.m. on 19 October 2018.
C.7	**Dividend policy** The Company introduced a new progressive dividend policy following the acquisition of SummitReheis in 2017 to reflect the Company's movement from a net cash to a net debt position. In respect of the year ended 31 December 2017, the Company's dividend per Ordinary Share was 8.80 cents (2016: 8.45 cents). The Directors understand the importance of dividend payments to Shareholders and, reflecting the confidence that the Directors have in the benefits of the Acquisition, it is intended that, following completion of the Acquisition, the Elementis Group will maintain its existing dividend policy (after rebasing for the bonus element of the Rights Issue), underpinned by the strong cash generation and future prospects of the Enlarged Group. The New Ordinary Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive dividends. The New Ordinary Shares will not be eligible for the interim dividend of 2.95 cents per share announced by the Company on 31 July 2018. The Directors remain, therefore, committed to the dividend policy outlined at the 2017 annual results, namely a progressive ordinary dividend, normally with dividend cover of at least two times adjusted earnings and to seek to make additional returns when leverage falls below one times EBITDA. Since the SummitReheis acquisition, Elementis has reduced its leverage

	ratio while also continuing to invest and grow its annual ordinary dividend. Consequently, the Directors are confident in the Enlarged Group's ability to grow ordinary dividends and reduce leverage.
Section D – Risks	
D.1	**Key risks related to the Acquisition** • The Acquisition is conditional upon approval of the Acquisition by Shareholders. There can be no assurance this condition will be satisfied. If the Acquisition does not complete, Elementis would nonetheless have incurred significant fees and other costs. If completion of the Acquisition fails to occur as a result of Shareholders not approving the Resolution at the General Meeting, Elementis would be required to pay a break fee of $17.1 million. • The Enlarged Group may not realise the anticipated benefits and revenue and cost synergies expected to arise as a result of the Acquisition or may encounter difficulties, higher costs or delays in achieving those anticipated benefits and synergies. Due diligence investigations may not have identified material liabilities or risks or may not have been sufficient to adequately assess the value of the Mondo Group. • The Enlarged Group may encounter integration challenges in connection with the Acquisition, including challenges which are not currently foreseeable. The Elementis Group expects to incur costs in relation to the Acquisition and modest post-closing costs in order to successfully integrate the operations of the Mondo Group. The Enlarged Group's management and resources may be diverted from core business activities and the integration process could potentially lead to the interruption of operations or a loss of customers or key personnel. • In connection with the Acquisition, Elementis has entered into a $775.0 million term and revolving credit facilities agreement and approximately $600.0 million will be drawn under the Facilities Agreement at Completion. As a result, the Acquisition will significantly increase the overall indebtedness of the Enlarged Group, which will result in increased repayment commitments and borrowing costs and could result in reduced funds being available for the Enlarged Group's expansion, dividend payments and other general corporate purposes. **Key risks related to the Enlarged Group and its industry** • The performance of specialty chemicals markets is affected by general economic conditions and the performance of the specific end-user markets in which customers for specialty chemicals operate. Adverse developments that may result in a downturn in such conditions and markets include rising levels of protectionism and political uncertainty, the risk of retaliatory tariffs or other disputes between trading partners, the potential impact of the withdrawal of the United Kingdom from the European Union, sovereign debt crises and the potential impact of the imposition or expansion of economic sanctions. • The markets of the Elementis Group and the Mondo Group are highly competitive and the Enlarged Group may lose market share to other suppliers. It is generally difficult to acquire customers from competitors as switching to a new supplier can be costly and time consuming for the customer and, as a result, the Enlarged Group may be unable to acquire new customers or reacquire customers it may lose. Customers are also increasingly moving away from a single supplier model to avoid relying too heavily on a sole supplier and, as a result, the Enlarged Group may face increased competition with respect to its existing customers for whom it acts as the sole supplier. • If the Enlarged Group is not able to meet the changing needs of its customers and keep pace with technological innovations, or to mitigate the threat posed by new or substitute products and technologies developed by competitors, its customers may turn to other suppliers to meet their requirements. Although historically the Elementis Group has benefitted from owning the only commercial grade hectorite

mine in the world, no assurance can be given that a competitor will not discover and develop another source of commercial grade hectorite or develop substitute products with similar (or better) qualities. Similarly, the Enlarged Group may lose market share to competitors that supply products (such as clay or mica) that can be substituted for the talc products supplied by the Mondo Group.

- The Enlarged Group may be subject to material litigation and claims for damages. In particular, certain materials used in the products of the Elementis Group and the Mondo Group have come under scrutiny due to potentially significant or perceived health impacts and safety concerns. For example, certain Elementis Group products contain hexavalent chromium, a substance suspected to have carcinogenic properties. Moreover, there have recently been a number of large jury awards in cases primarily brought in the United States by consumers against makers of common consumer products containing talc with plaintiffs alleging serious health complications, including ovarian cancer, associated with exposure to both asbestos-contaminated talc and non-asbestos-contaminated talc. Any failure by the Mondo Group or the Enlarged Group to accurately detect the presence of asbestos in its talc, whether produced or imported, or to keep adequate records of the safety testing of its talc could result in regulatory actions or civil lawsuits.

- The Elementis Group and the Mondo Group are subject to hazards associated with chemical production, storage and transportation. The processes employed by the Elementis Group and the Mondo Group to produce their respective products carry the risk of exposing staff members to potentially dangerous substances, including chromic acid and its derivatives (including hexavalent chromium) and asbestos dust. Any such incidents or exposure could lead to an interruption or suspension of operations and have an adverse effect on the productivity and profitability of a particular production facility or on the businesses as a whole and could lead to reputational damage.

- The Enlarged Group's ability to manage its operations successfully and to achieve operational performance in line with its strategy, business plans and budgets depends on the efficient and uninterrupted operation of its planning processes, operational delivery capabilities and internal control environment. In 2015, the Mondo Group discovered that it had made excessive use of imported talc in the production of several products. While the Mondo Group has since corrected the product recipes in its plants and reporting systems, there can be no assurance that operational errors or difficulties will not occur again in the future.

- The Elementis Group and the Mondo Group are subject to extensive and evolving environmental, occupational safety laws, product safety laws and other standards and may be subject to material fines and claims for damages. In addition, the products of the Elementis Group and the Mondo Group are used in a variety of end-uses that have specific regulatory requirements such as those relating to products that have contact with energy, personal care or consumable end-uses. Moreover, the Elementis Group and the Mondo Group operate (and have previously operated) on production sites used for industrial and manufacturing purposes and have known chemical contamination to the soil and groundwater. Certain environmental regulations hold a current landowner responsible for remediation of land contaminated by a prior owner and could impose on the Enlarged Group the entire cost of clean-up of contamination present at a facility even if neither the Elementis Group nor the Mondo Group caused the contamination.

- Cyber and data security breaches or loss of network connectivity and integrity could compromise sensitive information related to the businesses of the Elementis Group and the Mondo Group, affect the communications and operations of the Elementis Group and the Mondo Group and cause disruptions to key business operations and result in increased operating costs. Further, the General Data Protection Regulation (Regulation (EU) 2016/679), which came into effect in Europe in May 2018, has created a range of new compliance obligations and significantly increased financial penalties for non-compliance.

- Production facilities for specialty chemicals are subject to planned and unplanned production shutdowns, turnarounds and outages. The Enlarged Group may experience disruptions of operations due to a natural disaster, pandemic, services interruption, fire, human error, labour dispute, health and safety incident, IT system failure or other factors. Alternative facilities with sufficient capacity may not be available, may cost substantially more to utilise or may take a significant time to increase production or to qualify with customers.

- Disruption in the supply of raw materials utilised for the Enlarged Group's products, including clays, chrome ore, aluminium and talc, or increases in the costs of raw materials may have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group. Aluminium is one of the Elementis Group's most important raw materials, and global aluminium market prices have been highly volatile and increased sharply since 2017. Although the Elementis Group attempts to maintain inventories of raw materials, in the event of a long-term supply disruption, and provided the Enlarged Group were otherwise unable to secure sufficient supplies of raw materials from alternative sources, it may not be able to obtain such materials on a timely basis or in sufficient quantities or qualities, or at all. In addition, the Elementis Group sources substantially all of its chrome ore from suppliers in South Africa. As a result, political and other developments in the region and volatility in foreign exchange rates for the South African rand can result in significant changes in the prices paid by the Elementis Group for chrome ore.

- Significant fluctuations in the prices of certain commodities may have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group. The Mondo Group derives a portion of its revenues from the sale of certain co-products of talc production, including nickel, cobalt and magnesite. Historically, nickel and cobalt prices have been subject to wide fluctuations and are affected by numerous factors beyond the Mondo Group's control, and protracted periods of low market prices or any decline in the price of these co-products may result in lower operating profits and cash flows for the Enlarged Group.

- The businesses of the Elementis Group and the Mondo Group rely on intellectual property and other proprietary know-how and any failure to adequately protect or effectively to enforce their proprietary rights could harm their competitive positions. In particular, the Mondo Group relies on its proprietary flotation process know-how and formulation expertise which does not benefit from patent or other similar legal protections. Further, the Enlarged Group may infringe the intellectual property rights of others, which may cause it to incur unexpected costs or prevent it from selling its products.

- The level of the Mondo Group's talc resources and reserves and their quality, production volumes and expected cash flows are inherently uncertain and may be lower than estimated or expected. The estimation of talc resources and talc reserves are subjective processes that depend on multiple variables and assumptions. If the assumptions upon which the estimates of the Mondo Group's talc resources and talc reserves prove to be incorrect, or if the actual resources and reserves available to the Mondo Group are otherwise less than current estimates or of a lesser quality than expected, the Enlarged Group may be unable to recover and produce the estimated levels or quality of talc set out in this Prospectus.

- The Enlarged Group's mining processes are subject to stringent regulation and certain hazards. Such risks and hazards include but are not limited to earthquakes and/or seismic activity, environmental hazards and industrial accidents. Moreover, the Enlarged Group's mines in Finland and California are subject to stringent health and safety standards. Compliance with mining and related laws and regulations generally increases the costs of operations.

D.3	**Key risks related to the Ordinary Shares** • The market price of the New Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the New Ordinary Shares. Sales of Ordinary Shares in anticipation of the Acquisition, and resales of Ordinary Shares following completion of the Acquisition, may adversely affect the market price of Ordinary Shares prior to the Acquisition, and the market price of Ordinary Shares following the Acquisition. The fluctuations could result from national and global economic and financial conditions, the market's response to the Rights Issue, market perceptions of the Elementis Group, the Mondo Group and/or the Acquisition. • Shareholders who do not acquire New Ordinary Shares in the Rights Issue will experience dilution in their ownership of the Company and may not receive compensation for this. Following completion of the Acquisition, future share issues by the Enlarged Group and/or sales of Ordinary Shares could lower the market price of Ordinary Shares and adversely affect the Enlarged Group's ability to raise capital in the future. Further share issues could also dilute the interests of holders of Ordinary Shares. Any consideration received may not be sufficient to compensate that Shareholder fully for the dilution of their percentage ownership of Elementis' and, subject to Completion, the Enlarged Group's, share capital that may be caused as a result of the Rights Issue.
Section E – Offer	
E.1	**Total net proceeds and estimated total expenses** The Company expects to receive net proceeds of approximately £172.5 million, after estimated total expenses of approximately £3.8 million (exclusive of VAT). No expenses will be charged to investors by the Company.
E.2a	**Reasons for the offer, use of proceeds and net amount of proceeds** It is intended that the proceeds of the Rights Issue will be used towards financing the Acquisition, subject to certain conditions being met. The Company proposes to finance the Acquisition through: • the Rights Issue of £176.4 million (approximately $230 million at an exchange rate of $1.3025 per pound sterling); and • the utilisation of up to $775.0 million from the New Debt Facilities. It is expected that approximately $600.0 million will be drawn under the New Debt Facilities at Completion to fund part of the cash consideration for the Acquisition and to refinance certain indebtedness of the Mondo Group and the Elementis Group. If Completion does not take place before midnight on 31 December 2018, the Directors would seek to return some or all of the net proceeds of the Rights Issue to investors in a timely and tax-efficient manner, use the net proceeds of the Rights Issue to repay existing indebtedness of the Elementis Group or for general corporate purposes, or a combination thereof.
E.3	**Terms and conditions of the Rights Issue** The Company proposes to raise approximately £172.5 million (net of expenses) by way of a rights issue of up to 116,044,829 New Ordinary Shares. The Rights Issue will be made on the basis of: 1 New Ordinary Share at 152.0 pence per New Ordinary Share for every 4 Existing Ordinary Shares. The Rights Issue is being fully underwritten by the Underwriters in accordance with the terms and subject to the conditions of the Underwriting Agreement. The Issue Price of 152.0 pence per New Ordinary Share represents: • a 39.9% discount to the closing price of an Existing Ordinary Share; and • a 34.7% discount to the theoretical ex-Rights price of an Existing Ordinary Share, in each case based on the closing middle-market price of 252.8 pence on the London Stock Exchange on the last business day prior to the date of announcement of the terms of the Rights Issue. Under the Rights Issue, the New Ordinary Shares will be offered for subscription to all Qualifying Shareholders of the Company. Subject to certain exceptions, Qualifying Shareholders resident or with registered addresses in the United States or any of the

	Excluded Territories will not be entitled to participate in the Rights Issue. Entitlements to New Ordinary Shares will be rounded down to the nearest whole number and fractional entitlements will not be allotted to Shareholders but will be aggregated and issued into the market for the benefit of the Company. The Rights Issue is conditional, *inter alia*, upon: • the passing of the Resolution without material amendment by the Shareholders at the General Meeting; • Admission becoming effective by not later than 8.00 a.m. on 4 October 2018 or such later time and date as the Company and the Underwriters may agree (but provided that the acceptance date is no later than 18 October 2018, in accordance with the Underwriting Agreement); and • the Underwriting Agreement otherwise having become unconditional in all respects (other than in regard to Admission) and not having been terminated in accordance with its terms prior to Admission. The New Ordinary Shares, when issued and fully paid, will rank pari passu in all respects with the Existing Ordinary Shares, including the right to receive dividends made, paid or declared after the date of this document. Applications will be made to the UKLA and to the London Stock Exchange for the New Ordinary Shares to be admitted to the Official List and to trading on the main market of the London Stock Exchange. It is expected that Admission will occur and that dealings in the New Ordinary Shares (nil paid) on the London Stock Exchange will commence at 8.00 a.m. on 4 October 2018.
E.4	**Material interests** Not applicable. There is no interest, including any conflicting interest, that is material to the Acquisition.
E.5	**Selling shareholder and lock-ups** Not applicable. There are no entities or persons offering to sell the Ordinary Shares, and there are no lock-up agreements in relation to the Acquisition or Admission.
E.6	**Dilution** Following the issue of the New Ordinary Shares to be allotted pursuant to the Rights Issue, Qualifying Shareholders who take up their full entitlement will not suffer a dilution of their interests in the Company. Qualifying Shareholders who do not take up any of their entitlements will suffer a dilution of up to 20.0% in their interests in the Company.
E.7	**Estimated expenses charged to the investor** Not applicable. No expenses will be charged to the investors by the Company in respect of the Acquisition or Admission.

PART II

RISK FACTORS

Any investment in the Company and its Ordinary Shares is subject to a number of risks. Accordingly, investors should consider and review this document carefully and in its entirety (together with the documents incorporated by reference into it) including the following risks prior to making any investment decision. A number of factors affect the business, financial condition, results of operations, cash flows and prospects of each of the Elementis Group, the Mondo Group and, following completion of the Acquisition, the Enlarged Group. This section describes the risk factors considered to be material in relation to the Elementis Group and the Mondo Group as discrete groups based on the information known as at the date of this document and each of these risks will continue to be relevant to the Enlarged Group following completion of the Acquisition. If any of these risks actually materialise, the Enlarged Group's business, financial condition, results of operations, cash flows or prospects could be materially adversely affected and the value of the Ordinary Shares could decline. The risks described below are not the only ones faced and should be used as guidance only. Additional risks not presently known to the Directors or that the Directors currently deem immaterial may also, whether individually or cumulatively, have a material adverse effect on the Elementis Group's business, financial condition, results of operations, cash flows or prospects or, following the Acquisition, those of the Enlarged Group, and could negatively affect the price of the Ordinary Shares. Investors could lose all or part of their investment.

Investors should note that the risks relating to the Elementis Group, the Mondo Group, their respective industries and the Ordinary Shares summarised in Part I (Summary) are the risks that the Directors believe to be the most essential to an assessment by a prospective investor of whether to invest in the New Ordinary Shares. However, as the risks which the Elementis Group and the Mondo Group face relate to events and depend on circumstances that may or may not occur in the future, prospective investors should consider not only the information on the key risks summarised in Part I (Summary) but also, among other things, the risks described below.

The information included herein is based on information available as at the date of this document and, except as requested by the FCA or required by the Listing Rules, the Disclosure Rules or any other applicable law, will not be updated. Any forward-looking statements are made subject to the reservations specified under the heading "Forward-looking statements" of Part III (Important Information).

1. Risks relating to the Acquisition

1.1 *The Acquisition is subject to conditions which may not be satisfied or waived, and any failure to complete the Acquisition may materially adversely affect the business, financial condition, results of operations, cash flows and prospects of the Elementis Group.*

The Acquisition is conditional upon the satisfaction or, if applicable, waiver of the approval of the Acquisition (as a Class 1 transaction under the Listing Rules) by Shareholders passing the Resolution. The parties to the Sale and Purchase Agreement, details of which are set out in Part VIII (*Principal Terms of the Acquisition*), also have certain termination rights.

There can be no assurance that the condition will be satisfied or, if applicable, waived or that, where relevant, the parties to the Sale and Purchase Agreement will not exercise any termination rights they may have. If the Acquisition does not complete, the Elementis Group would nonetheless have incurred significant fees and other costs (primarily due diligence, advisory and financing fees) in connection with the Acquisition. If completion of the Acquisition ("**Completion**") fails to occur as a result of Shareholders not approving the Resolution at the General Meeting, Elementis would be required to pay a break fee of $17.1 million to Advent Mondo (Luxembourg) S.à r.l. (the "**Seller**") which, absent fraud or fraudulent misrepresentation, shall be the sole remedy of the Seller in respect of termination of the Sale and Purchase Agreement. Any failure to complete the Acquisition may materially adversely affect the business, financial condition, results of operations, cash flows and prospects of the Elementis Group and could negatively affect the price of the Ordinary Shares.

In addition, it is possible that a condition of the Acquisition may not be satisfied, or a termination right under the Sale and Purchase Agreement may be exercised after completion of the Rights Issue but prior to completion of the Acquisition. In that situation the Acquisition would not proceed but the Elementis Group would be in receipt of the Rights Issue proceeds. In such circumstances, the

Directors would seek to return some or all of the net proceeds of the Rights Issue to investors in a timely and tax-efficient manner, use the net proceeds of the Rights Issue to repay existing indebtedness of the Elementis Group or for general corporate purposes, or a combination thereof.

1.2 *The Enlarged Group may fail to realise the expected benefits of the Acquisition.*

The Enlarged Group may not realise the anticipated benefits and revenue and cost synergies that the Directors expect will arise as a result of the Acquisition and which are disclosed in this Prospectus or may encounter difficulties, higher costs or delays in achieving those anticipated benefits and synergies. For example, due diligence investigations prior to the Acquisition may not have identified material liabilities or risks within the Mondo Group or may not have been sufficient to adequately assess the value of the Mondo Group. Additionally, the assumptions upon which the Board determined the consideration payable for the Acquisition may prove to be incorrect.

The Elementis Group may also encounter difficulties in achieving the anticipated benefits of the Acquisition with new and existing customers or growth from new products (including those with joint talc and hectorite applications) in accordance with anticipated timeframes, or such additional value, future growth and synergies may not materialise in part or at all. For example, the Elementis Group anticipates integration of its current customer base with that of the Mondo Group, creating opportunities for the cross-selling of products. There can be no assurance that these cross-selling efforts will be successful as existing customers of the Elementis Group may decide that they do not require the products offered by the Mondo Group or that they would prefer to purchase products from competitors. In addition, competitors may react defensively to these cross-selling efforts (e.g., by reducing their prices) and the Enlarged Group may also not have sufficient capacity within its account management teams to work effectively across a wide range of customers, end-markets and geographies. Customers may also delay decision-making while the Acquisition is pending, or in the event of delays in Completion.

Any failure to realise the anticipated benefits and revenue and cost synergies that the Elementis Group expects to arise as a result of the Acquisition could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations, cash flows and prospects.

1.3 *Acquisition-related costs may exceed the Elementis Group's expectations.*

The Elementis Group will incur legal, accounting and transaction fees and other costs relating to the Acquisition, some of which are payable whether or not the Acquisition completes. The actual fees and costs may exceed those estimated and there may be further additional and unforeseen expenses incurred in connection with the Acquisition. See also "*—The Enlarged Group may experience difficulties in integrating the Mondo Group into the Elementis Group*" below.

1.4 *The Enlarged Group may experience difficulties in integrating the Mondo Group into the Elementis Group.*

The Enlarged Group may encounter numerous integration challenges in connection with the Acquisition, including challenges which are not currently foreseeable. The process of integrating the Mondo Group into the Enlarged Group under a single corporate overhead structure may take longer than expected or other difficulties, of which the Board is not yet aware, may arise in connection with the integration. The Elementis Group expects to incur costs in relation to the Acquisition and modest post-closing costs in order to successfully integrate the operations of the Mondo Group into the Elementis Group.

The Enlarged Group's management and resources may be diverted away from core business activities due to personnel being required to assist in the integration process. The integration process could potentially lead to the interruption of operations of the Elementis Group or the Mondo Group, or a loss of customers or key personnel. Such challenges could also lead to reputational damage for the Enlarged Group.

Any delays or difficulties encountered in connection with the integration process could adversely affect the implementation of the Enlarged Group's plans, which could have an adverse effect on the business, results or operations or financial condition of the Enlarged Group.

1.5 *Following Completion, the indebtedness and financial leverage of the Enlarged Group will increase.*

In connection with the Acquisition, members of the Elementis Group have entered into a $775.0 million term and revolving credit facilities agreement on 11 September 2018 (the "**Facilities Agreement**"). See paragraph 18.1.5 in Part XXIV (*Additional Information*). It is expected that the approximately $600.0 million will be drawn under the New Debt Facilities at Completion to fund part of the cash consideration for the Acquisition and to refinance certain indebtedness of the Mondo Group and the Elementis Group. See Part XX (*Unaudited Pro Forma Financial Information Relating to the Enlarged Group*).

As a result, the Acquisition will significantly increase the overall indebtedness and financial leverage of the Enlarged Group, which will result in increased repayment commitments and borrowing costs. This could limit the Enlarged Group's commercial and financial flexibility, causing it to reprioritise the uses to which its capital is put to the potential detriment of its business. Therefore, depending on the level of the Enlarged Group's borrowings, prevailing interest rates and exchange rate fluctuations, this could result in reduced funds being available for the Enlarged Group's expansion, dividend payments and other general corporate purposes. Although the Directors anticipate the strong cash generation of the Enlarged Group to drive a material deleveraging profile after the Acquisition, there can be no assurance that the leverage of the Enlarged Group will reduce in line with expectations or at all.

2. Risks relating to the businesses and industries in which the Elementis Group and the Mondo Group operate, and following the Acquisition in which the Enlarged Group will operate

2.1 *Any downturn in general economic conditions or in the end markets in which customers of the Elementis Group and the Mondo Group operate may have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Elementis Group and, following the Acquisition, the Enlarged Group.*

The performance of specialty chemicals markets is affected by general economic conditions and the performance of the specific end-user markets in which customers for specialty chemicals operate. During an economic downturn, consumers tend to reduce spending by reducing the volume of their purchases or by shifting their purchasing pattern towards cheaper products, with these trends being particularly pronounced with respect to discretionary purchases. In particular, demand for the Elementis Group's Personal Care and Coatings products is influenced by factors such as disposable income levels, product innovation, consumer trends, housing transaction and construction activity levels and conditions in the marine and automotive industries. Demand for the Elementis Group's Energy products is influenced by oil prices and levels of drilling activity, including lateral drilling and deep water drilling. Demand for the Elementis Group's Chromium products is influenced by factors such as construction activity levels, demand for aircraft engines and infrastructure and the quantities of hides available for leather tanning. Demand for the Mondo Group's industrial talc is influenced by factors such as levels of demand for new automobiles and for the repair of used automobiles, levels of demand for electronic equipment (e.g., household appliances), construction activity levels, the stringency of environmental regulation regarding automotive emissions, levels of demand for new marine vessels, train wagons, containers and aircraft and levels of demand for pharmaceuticals, cosmetics and chewing gum. Demand for the Mondo Group's paper talc is influenced by factors such as levels of demand for paper in communications and advertising, which generally has decreased in recent periods as a result of the increasing use of electronic media.

Adverse developments that may result in a downturn in general economic conditions or in the industries in which customers of the Elementis Group and the Mondo Group operate also include rising levels of protectionism and political uncertainty, the risk of retaliatory tariffs or other disputes between trading partners (including any escalation in the imposition of tariffs between the United States and other countries), the potential impact of the withdrawal of the United Kingdom from the European Union, sovereign debt crises, the potential impact of the imposition or expansion of economic sanctions, the risk of the outbreak of war or worsening of instability in certain regions, refugee crises and acts of terrorism. Any downturn in general economic conditions or in the industries in which customers of the Elementis Group and Mondo Group operate, whether as a result of any such developments or as a result of other factors, may have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

In addition, the Elementis Group and Mondo Group are exposed to the volatile and cyclical nature of specialty chemicals markets. Depending on the individual market, and to some extent the geographic region, historically the Elementis Group's businesses have alternated between periods of market growth and periods of stagnation or market decline. For example, the Elementis Group's Coatings business has some gross domestic product ("**GDP**")-linked cyclicality, while its Energy business has some oil price-linked cyclicality. The transition from market growth to market decline can be very swift and any such decline may have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

2.2 *The markets of the Elementis Group and the Mondo Group are highly competitive and the Enlarged Group may lose market share to other suppliers of specialty chemical products.* The loss of a significant customer or multiple customers could adversely affect sales and profitability

The global specialty chemicals and talc markets in which the Elementis Group and the Mondo Group operate are highly competitive and feature competition from large international suppliers as well as from regional competitors (including low-cost suppliers in Asia) who may improve their competitive position in the core markets of the Elementis Group and the Mondo Group by successfully introducing new products, improving their production processes, expanding their capacity, distribution capabilities or production facilities or by competing on price. Competition among producers of specialty chemicals and talc can result in significant pressure on prices which may adversely affect the revenues, margins and market shares of the Enlarged Group. Although the Directors believe that the Mondo Group has a strong cost position and an advantage in terms of product attributes relative to its primary competitors, no assurance can be given that this position would be sustained by the Enlarged Group following the Acquisition.

Customer retention is generally high in the specialty chemical and talc markets, with most customers only purchasing from one or two suppliers with whom they have pre-existing relationships. See "*Significant factors affecting the Mondo Group's results of operations and financial condition—Accreditation as a supplier of industrial talc to major international customers and growth in the share of supply of such customers*" in Part XVII (*Operating and Financial Review of the Mondo Group*). It is generally difficult to acquire customers from competitors as switching to a new supplier can be costly and time consuming for the customer and, as a result, the Enlarged Group may be unable to acquire new customers or reacquire any customers that it may lose to a competitor. Customers are also increasingly moving away from a single supplier model to avoid relying too heavily on a sole supplier and, as a result, the Enlarged Group may face increased competition with respect to its existing customers for whom it acts as the sole supplier as competitors seek to establish themselves as second suppliers and to grow the share of supply that they provide to such customers.

Any of the factors mentioned above could, either individually or in the aggregate, have a material adverse effect on the reputation, business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

2.3 *If the Enlarged Group is not able to meet the changing needs of its customers and keep pace with technological innovations, or to mitigate the threat posed by new or substitute products and technologies developed by competitors, its customers may turn to other suppliers to meet their requirements.*

The ability of the Enlarged Group to compete is and will remain highly dependent on its ability to meet the changing needs of its customers and keep pace with technological innovations. In the future, alternative products and technologies could be developed, or existing products and technologies could be improved, which could be used in place of the products and technologies supplied by the Enlarged Group. If new types of products or technologies with favourable characteristics are developed or existing products or technologies are improved by other suppliers, or if technological developments or improvements in processes result in competitors being able to offer their products and technologies at lower prices, then there is a risk that customers could replace the products and technologies offered by the Enlarged Group with materials or technologies offered by competitors. If the Enlarged Group is not in a position to compete on the basis of quality and/or price, this could lead to substantial declines in sales and market share, which could have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

For example, although historically the Elementis Group has benefitted from owning the only commercial grade hectorite mine in the world, no assurance can be given that a competitor will not discover and develop another source of commercial grade hectorite or develop substitute products with similar (or better) qualities. Similarly, the Enlarged Group may lose market share to competitors that supply products (such as clay or mica) that can be substituted for the talc products supplied by the Mondo Group.

In addition, customers of the Enlarged Group may introduce new generations of their own products or require new technological and increased performance specifications that would require the Enlarged Group to develop customised products. Innovation or other changes in the product performance requirements of customers of the Enlarged Group may also adversely affect the demand for the existing products of the Enlarged Group. The future growth of the Enlarged Group will depend on its ability to gauge the direction of the commercial and technological progress in all key end-use markets, and upon its ability to successfully develop, manufacture and market products in such changing end-use markets. Such development, production and marketing efforts by the Enlarged Group may not be successful, and the Enlarged Group may incur material losses in connection therewith. For example, a small but growing number of customers in the automotive plastics market are requesting high aspect ratio ("**HAR**") talc with improved weight-to-stiffness ratios as compared to non-HAR talc. The Mondo Group has completed the initial stages of development and is moving towards the commercialisation of its HAR capabilities. If the Enlarged Group is unable to compete with other suppliers of HAR talc, this may have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

The Enlarged Group will need to continue to identify, develop and market innovative products on a timely basis to replace existing products in order to maintain its competitive position. If the Enlarged Group fails to keep pace with evolving technological innovations or fails to modify or develop products in response to customers' needs, then the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group could be materially adversely affected.

2.4 *The Enlarged Group may be subject to material litigation and claims for damages.*

The Elementis Group and the Mondo Group are involved in legal proceedings and claims in the ordinary course of their business, including legacy claims from businesses that have since been acquired by the Elementis Group or the Mondo Group. No assurance can be given that the disposition of any such proceedings or other matters which may arise in the future will be favourable to the Elementis Group or the Mondo Group. The Directors cannot predict the likelihood of any such proceedings occurring or their size, which may involve amounts in dispute, or other potential adverse outcomes, that significantly exceed those relating to previous proceedings or fall outside relevant insurance policies or coverage levels. Any adverse results in such proceedings could make the Elementis Group or the Mondo Group liable to pay substantial damages and court costs, and could also result in reputational and other non-monetary damages. Even where the Elementis Group or the Mondo Group prevails in a legal dispute, the dispute can divert financial and management resources that it would otherwise be able to use in its operations.

In particular, certain materials such as chromic acid, chrome sulphate, sodium dichromate, chrome oxide and certain active ingredients in antiperspirants, which are used in the products of the Elementis Group and the Mondo Group, have come under scrutiny due to potentially significant or perceived health impacts and safety concerns. In addition, certain Elementis Group products contain hexavalent chromium, a substance suspected to have carcinogenic properties. There is also a risk that one or more of the components of the Elementis Group's or the Mondo Group's products may be found to have currently unrecognised toxicological, health or other impacts on consumers, employees or the environment. Such impacts may cause personal injury and loss of life, damage to property and contamination of the environment, which could lead to business interruptions, fines and lawsuits by impacted persons or their estates and/or reputational damage. If any such actions are brought and determined adversely, the Enlarged Group may have inadequate insurance to cover any fines or damages which may be imposed.

Moreover, there have recently been a number of large jury awards in cases primarily brought in the United States by consumers against makers of common consumer products containing talc, such as body powder. The plaintiffs in these cases have alleged serious health complications, including ovarian cancer, associated with long-term exposure to or use of both asbestos-contaminated talc and non-asbestos-contaminated talc. Although no such lawsuits have been filed against the Mondo Group to date, and many of the lawsuits filed to date have been filed against manufacturers of consumer products containing talcum powder (rather than against the underlying suppliers of talc), there can be no assurance that the Mondo Group or the Enlarged Group will not become a party to material litigation in the future or become subject to material jury awards for damages. Additionally, while the Mondo Group has not detected any asbestos in the talc produced from its Finnish mines, it has in the past and may in the future reject batches of talc imported from Asia due to the presence of asbestos fibres. See also "*Safety, health and environment—Talc quality control*" in Part XII (*Information on the Mondo Group*). Any failure by the Mondo Group or the Enlarged Group to accurately detect the presence of asbestos in its talc, whether produced or imported, or to keep adequate records of the safety testing of its talc could result in regulatory actions or civil lawsuits. Moreover, jury awards have been made against defendants who have maintained that their products did not contain asbestos and who have kept testing records that indicated an absence of asbestos from their talc.

Any of the factors mentioned above could, either individually or in the aggregate, have a material adverse effect on the reputation, business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

2.5 *The Elementis Group and the Mondo Group are subject to hazards associated with chemical production, storage and transportation.*

Chemical production, storage and transportation are inherently hazardous. Due to the nature of their businesses, the Elementis Group and the Mondo Group are exposed to hazards and risks associated with the handling of raw materials, intermediates, products and wastes, including incidents involving loss of containment of harmful chemicals resulting in exposure to humans, adverse impact to the environment and community and damage to company assets. The processes employed by the Elementis Group and the Mondo Group to produce their respective products carry the risk of exposing staff members to potentially dangerous substances, including chromic acid and its derivatives (including hexavalent chromium) and asbestos dust. Any such incidents or exposure could lead to an interruption or suspension of operations and have an adverse effect on the productivity and profitability of a particular production facility or on the businesses as a whole and could lead to reputational damage resulting from litigation, regulatory enforcement actions or negative press coverage.

2.6 *Any significant operational difficulties affecting production may have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.*

The Enlarged Group's ability to manage its operations successfully and to achieve operational performance in line with its strategy, business plans and budgets depends on the efficient and uninterrupted operation of its planning processes, operational delivery capabilities and internal control environment. In 2015, the Mondo Group discovered that it had made excessive use of imported talc in the production of several products. While the Mondo Group has since corrected the product recipes in its plants and reporting systems, there can be no assurance that operational errors or difficulties will not occur again in the future.

The failure to address any operational difficulties across the production chain effectively, including those described above, could prevent the Enlarged Group from reaching its production and sales targets, reduce cash flows and increase unit costs, any of which could have a material adverse effect on the Company's business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

2.7 *The Elementis Group and the Mondo Group are subject to extensive and evolving environmental, occupational safety laws, product safety laws and other standards and may be subject to material fines and claims for damages.*

The Elementis Group and the Mondo Group are subject to extensive and evolving environmental, occupational safety laws, product safety laws, and standards at the international, national and local levels in multiple jurisdictions, including the US Toxic Substances Control Act, the US Food, Drug and Cosmetic Act, the US Mine Safety & Health Act, the EU Reach, Evaluation, Authorisation & Restriction of Chemicals Regulation, the EU Mining Waste Directive, the EU Environmental Impact Assessment Directive, the EU Directive on Carcinogens or Mutagens at Work and the People's Republic of China State Administration on Workplace Safety and workplace Safety Law.

Many of these laws and regulations have become more stringent over time and the costs of compliance with these requirements may continue to increase, including costs associated with any necessary capital investments. Compliance with environmental and health and safety laws generally increases the costs of purchasing, producing, transporting and storing raw materials and finished products, as well as the costs of handling and disposing of wastes. New regulations restricting the use or carriage of chemicals could lead to the loss of applications and sales, and any non-compliance or suspected non-compliance could lead to major regulatory investigations or enforcement actions, which could cause distraction of management resources, reputational damage, business interruptions, higher operating costs and material fines and claims for damages. See "*—The Elementis Group and the Mondo Group are subject to hazards associated with chemical production, storage and transportation.*"

In addition, the products of the Elementis Group and the Mondo Group are used in a variety of end-uses that have specific regulatory requirements such as those relating to products that have contact with energy, personal care or consumable end-uses. Changes in environmental, health and safety regulations of end products in these industries in jurisdictions where the Elementis Group and the Mondo Group produce and sell their respective products could lead to a decrease in demand for their respective products. In addition, health and safety concerns about any of the specialty chemicals and products that the Enlarged Group produces could increase the costs incurred by customers and otherwise limit the use of these end-products, which could lead to decreased demand for the Enlarged Group's products.

Moreover, the Elementis Group and the Mondo Group operate (and have previously operated) on production sites used for industrial and manufacturing purposes and have known chemical contamination to the soil and groundwater. Costs associated with existing and potential obligations to secure or remediate contaminated sites in accordance with environmental protection and health and safety regulations could have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group. For example, certain environmental regulations hold a current landowner responsible for remediation of land contaminated by a prior owner and could impose on the Enlarged Group the entire cost of clean-up of contamination present at a facility even if neither the Elementis Group nor Mondo caused the contamination. Such laws often identify the site owner as one of the parties that can be jointly and severally liable for on-site remediation, regardless of fault or whether the original activity was legal at the time it occurred.

Furthermore, although the Elementis Group has experience managing its hectorite mine in California, mining in Finland (where the Mondo Group's talc mines are located) is subject to different regulatory and cultural standards and the Enlarged Group may not effectively adjust to or manage within such standards. Moreover, it may prove difficult for the Elementis Group's managers to develop a level of trust and work effectively with works councils in Finland and the Netherlands.

Any of the factors mentioned above could, either individually or in the aggregate, have a material adverse effect on the reputation, business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

2.8 *Cyber and data security breaches or loss of network connectivity and integrity could compromise sensitive information related to the businesses of the Elementis Group and the Mondo Group.*

The Enlarged Group is expected to increasingly rely on information technology systems for its internal communications, controls, reporting and relations with customers and suppliers, and some of these systems are and will be managed by third-party service providers. A significant disruption due to computer viruses, cyber threats, malicious intrusions or phishing attacks, unintended or malicious behaviour by employees, contractors or service providers, a lack of infrastructure or application resilience, slow or insufficient disaster recovery service levels, or the installation of new systems could affect the communications and operations of the Elementis Group and the Mondo Group and cause disruptions to key business operations and result in increased operating costs. Any data, including confidential, personal or other sensitive information stored or transported by information technology systems, could be corrupted, lost or disclosed, causing reputational damage, disruptions to business operations and legal liability and result in significant remediation and other costs to the Enlarged Group. Restoring or recreating such information could be costly, difficult or impossible. Further, the General Data Protection Regulation (Regulation (EU) 2016/679), which came into effect in Europe in May 2018, has created a range of new compliance obligations and significantly increased financial penalties for non-compliance, including providing for fines of up to 4% of a company's annual global revenue.

Any of the factors mentioned above could, either individually or in the aggregate, have a material adverse effect on the reputation, business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

2.9 *The Enlarged Group may experience disruptions of operations due to a natural disaster, pandemic, services interruption, fire, human error, labour dispute, health and safety incident, IT system failure or other factors.*

Production facilities for specialty chemicals are subject to planned and unplanned production shutdowns, turnarounds and outages. Unplanned production disruptions may occur for external reasons including natural disasters (including hurricanes and earthquakes), weather (including floods, lightning and severe cold weather), rising sea levels caused by global warming, dam failures, pandemics or other outbreaks of disease, transportation interruption, disruptions in relationships with distributors, utilities interruption, government regulation, political unrest or terrorism, criminal misconduct by employees or third parties or internal reasons, such as fire, human error, labour disputes, health and safety incidents, IT system failures or outages, utility outages, unplanned maintenance or other manufacturing problems. *See "—The Elementis Group and the Mondo Group are subject to extensive and evolving environmental, health and safety laws and other regulations and may be subject to material fines and claims for damages"*. Alternative facilities with sufficient capacity may not be available, may cost substantially more to utilise or may take a significant time to increase production or to qualify with customers. Accordingly, any material disruptions of production operations are likely to have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group. Moreover, any material disruptions of production operations may cause customers to seek alternative supply which could further adversely affect the reputation and business of the Enlarged Group.

2.10 *Disruption in the supply of raw materials utilised for the Enlarged Group's products or increases in the costs of raw materials may have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.*

The Elementis Group and the Mondo Group are dependent on numerous raw materials from various sources. The most important raw materials for the Elementis Group are clays, a variety of specialty chemicals made from chemical building blocks including oil, ethylene and acrylates and metals such as chrome ore, aluminium and zirconium. The most important raw material for the Mondo Group is talc, which it sources both from its own talc mines and imports from third-party suppliers.

For the year ended 31 December 2017, the Elementis Group acquired approximately 25% of its raw materials from single suppliers. Although the Elementis Group attempts to maintain inventories of raw materials, in the event of a long-term supply disruption, and provided the Enlarged Group were otherwise unable to secure sufficient supplies of raw materials from alternative sources, it may not be able to obtain such materials on a timely basis or in sufficient quantities or qualities, or at all. In such a case, the Enlarged Group may need to enter into contractual relationships with third parties for commercial-scale production of some of its products, in whole or in part, and there can be no assurance that they would be able to do this on a timely basis, in sufficient quantities or on commercially reasonable terms. In addition, the lead time and effort needed to establish a relationship with a new supplier can be lengthy and could result in additional costs, diversion of resources and reduced production yields. Accordingly, any long-term disruption to the supply of raw materials (including, for the Enlarged Group, talc ore) could have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

The Elementis Group generally sources key raw materials (other than hectorite, which the Elementis Group produces from its own mine in California) from external, third-party suppliers. Accordingly, the costs of raw materials constitute a large proportion of the total production costs for the Elementis Group. The costs of raw materials constituted 63.4% of the cost of sales of the Elementis Group for the year ended 31 December 2017 (2016: 62.8%, 2015: 65.3%). Although the majority of the key raw materials are either procured on long-term supply agreements or sourced from mines owned by the Elementis Group, in some cases the Elementis Group procures raw materials on a spot basis without contracts. Consequently the Enlarged Group will be, to a certain extent, exposed to the volatility of raw material prices.

Aluminium is one of the Elementis Group's most important raw materials, and global aluminium market prices have been highly volatile and increased sharply since 2017. This increase has been driven by a number of factors, including global supply and demand conditions, increased Chinese environmental regulation, the imposition of tariffs on imports of aluminium to the United States and the extension of US economic sanctions to a major Russian aluminium producer. Although the Elementis Group engages in a variety of strategies to manage the cost of aluminium, including contracts, hedges and spot buying on market dips, such strategies may not be successful.

In addition, the Elementis Group sources substantially all of its chrome ore from suppliers in South Africa. As a result, political and other developments in the region and volatility in foreign exchange rates for the South African rand can result in significant changes in the prices paid by the Elementis Group for chrome ore. Although the Elementis Group aims to leverage its strategic relationships with producers and, when appropriate, pre-purchases stocks of chrome ore inventory, such strategies may not be successful.

Any disruption in the supply of raw materials or increases in the costs of raw materials could have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

2.11 *Significant fluctuations in the prices of certain commodities, particularly nickel and cobalt, may have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.*

The Mondo Group derives a portion of its revenues from the sale of certain co-products of talc production, including nickel, cobalt and magnesite. On 22 November 2017, the Mondo Group entered into an offtake contract (with a term of ten years from 1 January 2019) for sales of nickel contained in mixed nickel hydroxides at prices derived from certain average market prices for the period connected to the time at which the sale occurs. Accordingly, a portion of the Mondo Group's revenues are dependent on the prevailing market prices for these co-products, which are outside of its control.

Historically, nickel and cobalt prices have been subject to wide fluctuations and are affected by numerous factors beyond the Mondo Group's control, including international macro-economic conditions and outlook, levels of supply and demand, inventory levels maintained by users, actions of participants in the commodities markets and currency exchange rates. The market prices of nickel and cobalt have been, and may in the future be, subject to rapid short-term changes. For example, in 2013, the price of nickel dropped too low for processing of the co-product to be profitable, and as a result monetisation of nickel slowed down for several years. Protracted periods of low market prices or any decline in the price of these co-products, particularly nickel and cobalt, may result in lower operating profits and cash flows, and could materially adversely affect the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

2.12 *The businesses of the Elementis Group and the Mondo Group rely on intellectual property and other proprietary know-how and any failure to adequately protect or effectively to enforce their proprietary rights could harm their competitive positions. Further, the Enlarged Group may infringe the intellectual property rights of others, which may cause it to incur unexpected costs or prevent it from selling its products.*

The success of the Elementis Group and the Mondo Group depends on their ability to protect and preserve intellectual property and other proprietary know-how including processes, apparatuses, technology, trade secrets, trade names and proprietary production expertise, methods and compounds, and any failure to protect such intellectual property and know-how could harm the competitive position of the Enlarged Group. In particular, the Mondo Group relies on its proprietary flotation process know-how and formulation expertise which does not benefit from patent or other similar legal protections. The Mondo Group also relies on licensed technology for its bioleaching operations, which may have increasing strategic significance for the Enlarged Group in the future. Any failure to protect proprietary know-how or to maintain the right to use licensed intellectual property could have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

The Enlarged Group may be unable to prevent third parties from using its intellectual property and other proprietary know-how without authorisation, including as a result of industrial espionage or failures of workplace security which may lead to the disclosure of business secrets. Such incidents could disrupt key operations, increase operating costs, distract management attention and result in reputational damage. If the Enlarged Group decides to initiate litigation in respect of intellectual property and other proprietary know-how, any proceedings could be burdensome and costly and may be unsuccessful.

There is also a risk of third parties independently developing intellectual property and proprietary know-how that is similar to the intellectual property and proprietary know-how of the Elementis Group or the Mondo Group, particularly in jurisdictions where the laws do not afford comprehensive protection of proprietary rights. Any such developments may reduce or eliminate any competitive advantages that have been developed and cause the Enlarged Group to lose sales.

Many of the competitors of the Elementis Group and the Mondo Group also have a substantial amount of intellectual property and other proprietary know-how. There can be no assurance that the processes, products and other activities of the Enlarged Group do not and will not infringe upon issued patents (whether present or future) or other proprietary rights belonging to third parties or that the Enlarged Group will not be found liable for infringement of such third party patents and rights or required to take remedial or curative actions to continue their production and sales activities with respect to one or more products that are found to be infringing.

If the Enlarged Group were to discover that any of its processes, technologies or products infringed upon the valid intellectual property rights of others, they may need to obtain licences from the owners of such rights or to modify their processes or technologies or re-engineer their products in order to avoid infringement. The Enlarged Group may not be able to obtain the necessary licences on acceptable terms, or at all, or be able to modify its processes or technologies or re-engineer their products in a manner that is successful in avoiding infringement. Moreover, if the Enlarged Group is sued for infringement and loses, it could be required to pay substantial damages and/or be enjoined from using or selling the infringing products or technology. Intellectual property litigation often is expensive and time-consuming, regardless of the merits of any claim, and involvement in such litigation could also divert management's attention from operating the business.

2.13 *The level of the Mondo Group's talc resources and reserves and mineral processing capabilities and their quality, production volumes and expected cash flows are inherently uncertain and may be lower than estimated or expected.*

The resources and reserves information presented in this Prospectus are estimates only and are based on reports prepared by technical expert SRK Consulting (UK) Limited ("**SRK**"), and do not reflect events and activities subsequent to the relevant report dates. In general, estimates of resources and reserves and the future revenue therefrom are inherently uncertain, as they are based on a number of factors and assumptions made as of the date on which the resources and reserves estimates were determined, such as geological and engineering estimates (which have inherent uncertainties), historical production from the properties, the assumed effects of regulation by governmental agencies and estimates of future commodity prices and operating costs, all of which may vary considerably from actual results.

Notably, the estimation of talc resources and talc reserves are subjective processes that depend on multiple variables and assumptions, including:

- quantity and quality of data;
- interpretation of the available geological data;
- future talc prices;

- capital expenditure requirements;
- effectiveness of the applied technologies and equipment;
- future operating costs, tax, development costs and remedial costs;
- effects of regulations adopted by governmental agencies; and
- the judgment of the persons preparing the estimates.

As all reserve estimates are subjective, each of the following items may differ materially from those assumed in estimating reserves:

- the quantities and qualities that are ultimately recovered;
- the production and operating costs incurred; and
- future talc prices.

The resources and reserves information set out and referred to in this Prospectus may not reflect actual resources and reserves or be comparable to similar information reported by other companies. The cash flow model prepared by SRK to support the recent estimates given in its competent person's report is based on a conceptual life of mine plan because the Mondo Group has not forecasted beyond the next five years. In addition, the new mineral processing capabilities of the Mondo Group have only recently been improved, meaning that projected processing rates may prove to be higher than actual processing rates. If the assumptions upon which the estimates of the Mondo Group's talc resources, talc reserves and mineral processing capabilities prove to be incorrect, or if the actual resources and reserves available to the Mondo Group are otherwise less than current estimates or of a lesser quality than expected, the Enlarged Group may be unable to recover and produce the estimated levels or quality of talc set out in this Prospectus, which may have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

2.14 ***The Enlarged Group's mining processes are subject to stringent regulation and certain hazards.***

Mining processes are subject to stringent regulations and numerous risks and hazards. Such risks and hazards include, but are not limited to:

- earthquakes and/or seismic activity;
- environmental hazards, including the discharge of concentrates, pollutants or hazardous chemicals;
- industrial accidents, including in connection with the operation of mining equipment and conveyor systems, the preparation and ignition of blasting operations and the processing and transportation of chemicals and other materials;
- flooding of mining pits;
- unexpected geological formations or conditions;
- failure of mining pit slopes and tailings dam walls; and
- other natural phenomena, such as lightning, heavy rain or other inclement weather conditions.

The occurrence of one or more of these risks and hazards in connection with the Enlarged Group's mining operations may result in the death of, or personal injury to employees, other personnel or third parties, the loss of mining equipment, damage to or destruction of mineral properties or production facilities, monetary losses, deferral or unanticipated fluctuations in production, environmental damage and potential legal liabilities, any of which could have a material adverse effect on the reputation, business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

Moreover, the Enlarged Group's mines in Finland and California are subject to stringent health and safety standards on numerous aspects of mineral extraction and processing operations, including the training of personnel, operating procedures, operating equipment, chemical safety and other matters. Compliance with mining and related laws and regulations generally increases the costs of operations and any non-compliance or suspected non-compliance could lead to major regulatory investigations or enforcement actions, which could cause distraction of management, reputational damage, higher operating costs, business interruptions and material fines and claims for damages.

2.15 *The loss of key personnel, the failure of succession planning and the inability to attract and retain new qualified personnel may have a material adverse effect on the Enlarged Group.*

The success of the Enlarged Group in the highly competitive markets in which it operates depends to a significant extent on certain key, highly skilled personnel. In particular, the Enlarged Group will be dependent on the expertise of its executive directors, senior management, operations directors, supply chain directors and research and development directors. Loss of the services of any of such key, highly skilled personnel could disrupt critical business functions and growth plans and result in slower or unsuccessful delivery of strategic priorities.

The Elementis Group introduced a formal talent management programme with succession plans for key roles in 2017, and there is a risk that this programme will be unsuccessful at recruiting, retaining and replacing key personnel. Any failure to recruit, retain and replace key personnel could have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

2.16 *Fluctuations in currency exchange rates may significantly impact the results of operations of the Enlarged Group.*

The operations of the Enlarged Group will be conducted by subsidiaries in many countries. The results of the operations and the financial position of these subsidiaries are reported in the relevant foreign currencies and then translated into US dollars at the applicable exchange rates for inclusion in the consolidated financial statements at group level. Although a large part of the Elementis Group's business is transacted in US dollars, the Elementis Group also transacts in other currencies, in particular euros, pounds sterling and Chinese renminbi. The Acquisition will increase the portion of euro-denominated assets, liabilities and earnings of the Enlarged Group as a result of the significant business of the Mondo Group in Europe. As a result, the results of operations and financial condition of the Enlarged Group will be more sensitive to fluctuations in the exchange rate of the US dollar against the Euro and currency fluctuations may affect the comparability of the results of operations of the Enlarged Group between financial periods.

The Enlarged Group will be subject to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of the relevant subsidiary. Although the Elementis Group engages in certain hedging transactions (including through the use of forward exchange contracts) and by buying or selling foreign currency in an attempt to address imbalances, given the potential volatility of international exchange rates, there can be no assurance that the Enlarged Group will be able to effectively manage currency risks or that any volatility in currency exchange rates will not have a material adverse effect on the business, financial condition, results of operations, cash flows or prospects of the Enlarged Group.

2.17 *The Enlarged Group will be exposed to local business and political risks in countries in which it operates which may adversely affect its financial condition and results of operations.*

The Enlarged Group will have significant operations in foreign countries, including production facilities, research and development facilities, sales personnel and customer support operations. Currently, the Elementis Group operates, or others operate on its behalf, 19 production sites in 6 countries. After the Acquisition, the Enlarged Group is expected to operate, or have others operate on its behalf, 27 production sites in 8 countries. These operations are subject to risks inherent in doing business in foreign countries, including, but not necessarily limited to:

- new and different legal and regulatory requirements in local jurisdictions;
- uncertainties regarding interpretation and enforcement of laws and regulations;
- variation in political and economic policy of the local governments and social conditions;
- export duties or import quotas;
- domestic and foreign customs and tariffs or other trade barriers;
- potential staffing difficulties and labour disputes;

- managing and obtaining support and distribution for local operations;
- increased costs of transportation or shipping;
- credit risk and financial conditions of local customers and distributors;
- potential difficulties in protecting intellectual property;
- risk of nationalisation of private enterprises by governments;
- potential imposition of restrictions on investments;
- potentially adverse tax consequences, including imposition or increase of withholding and other taxes on remittances and other payments by subsidiaries;
- legal restrictions on doing business in or with certain nations, certain parties and/or certain products;
- foreign currency exchange restrictions and fluctuations; and
- local economic, political and social conditions, including the possibility of hyperinflationary conditions and political instability.

The Enlarged Group may not be successful in developing and implementing policies and strategies to address the foregoing factors in a timely and effective manner at each location where the Enlarged Group does business. Consequently, the occurrence of one or more of the foregoing factors could have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

Although staff members are periodically trained on these subjects, the Enlarged Group will depend on sufficient awareness and compliance by its staff of relevant laws and regulations for the execution of its policies, procedures and controls. Despite compliance programmes and internal control policies and procedures, a risk remains that the Enlarged Group's employees or agents may commit reckless or negligent acts, or that they might violate laws, regulations or policies and should any or all of these programmes, polices or procedures fail to operate as intended, this could affect the Enlarged Group's potential revenues and the accuracy of its books and records.

The Enlarged Group's operations in developing markets expose it to political, economic and regulatory risks that may be greater than those it faces in more established markets. The Enlarged Group's operations will be subject to anti-corruption laws and regulations. Any failure by the Enlarged Group to ensure that its employees and agents comply with applicable laws and regulations in foreign jurisdictions could result in substantial civil and criminal penalties, restrictions on the ability of the Enlarged Group to conduct business in certain foreign jurisdictions and reputational damage.

2.18 *There can be no assurance that the Enlarged Group will be able to renew all necessary licences, certificates, approvals and permits for operations.*

The operations of the Elementis Group and the Mondo Group are subject to various licences, certificates, approvals and permits in different jurisdictions. There is no assurance that the Enlarged Group will be able to renew its licences, certificates, approvals and permits upon their expiration. In addition, the Elementis Group and the Mondo Group may not always have been in full compliance with the terms of its licences and permits, and may not be able to secure new or amended licences and permits to allow, among other things, planned increases in mining quantities.

The eligibility criteria for such licences, certificates, approvals and permits may change from time to time and may become more stringent. In addition, new requirements for licences, certificates, approvals and permits may come into effect in the future. The introduction of any new and/or more stringent laws, regulation, licences, certificates, approvals or permit requirements relevant to the Enlarged Group's business operations may significantly escalate compliance and maintenance costs or may preclude the Enlarged Group from continuing with existing operations or may limit or prohibit the Enlarged Group from expanding its business. Any such outcomes could have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

2.19 *The Enlarged Group may engage in strategic acquisitions or dispositions of certain assets and/or businesses that could affect its business, financial condition, results of operations, cash flows and prospects.*

The Enlarged Group may pursue complementary acquisitions and joint ventures, each of which inherently involves a number of risks and presents financial, managerial and operational challenges, including:

- potential disruption of its ongoing business and distraction of management;
- difficulty with integration of personnel and financial and other systems;
- hiring additional management and other critical personnel; and
- increasing the scope, geographic diversity and complexity of its operations.

The Enlarged Group may encounter unforeseen obstacles or costs in the integration of any acquired businesses. Also, the presence of one or more material liabilities of an acquired business that are unknown to the Enlarged Group at the time of acquisition may have a material adverse effect on the business. Moreover, the Enlarged Group may not realise any anticipated benefits from any acquired businesses.

The Enlarged Group may also opportunistically pursue dispositions of certain non-core assets and/or businesses. No assurance can be given that any dispositions or attempted dispositions will not have a material adverse effect on the business, financial condition, results of operations, cash flows or prospects of the Enlarged Group.

2.20 *The Elementis Group has funding risks related to its defined benefit pension schemes and other post-retirement benefits and any deterioration of the value of assets in which the pension schemes have invested could have an adverse effect on the Enlarged Group.*

The Elementis Group has funding risks relating to its UK and US defined benefit pension schemes, US post-retirement medical plan and other pension arrangements in Germany and as acquired through the SummitReheis transaction. The pension fund liabilities are partially matched with a portfolio of assets but the nature of the defined benefit schemes means that they are subject to risks related to actuarial projections of longevity, mortality and inflation (each of which may impact the value of the scheme's liabilities for accounting purposes) and returns on assets (which impacts the aggregate amount of assets available to set off against the liabilities of the schemes).

If the pensions and other post-retirement benefits were to fall into deficit for any reason, or if the trustees decided to change investment strategy or otherwise to seek additional contributions following a future revaluation of the pension schemes (either in conjunction with the Acquisition or otherwise), there is a risk that the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group, may be materially adversely affected. In addition, actions by the pension regulators or the trustees of the Elementis Group's defined benefit pension scheme and/or any material revisions to existing pension legislation could result in significant additional cost and could therefore have a material adverse effect on the Enlarged Group's business, financial condition, results of operations, cash flows and prospects.

2.21 *Generally, the Enlarged Group will not have many long-term contracts with customers and the loss of a significant customer or multiple customers could adversely affect sales and profitability.*

A large proportion of the business of the Elementis Group is, and following the Acquisition a large proportion of the Enlarged Group will be, based primarily upon individual sales orders from large customers. Similarly, the Mondo Group typically agrees prices and product specifications with its customers over email or in person on a yearly rather than long-term basis. Large customers of the Enlarged Group generally will have strong negotiating power and could cease to buy products at any time and for any reason. The lack of long-term sales contracts increases the vulnerability of the Enlarged Group to adverse impacts on its results of operations and cash flows in the event that the long-term market competitiveness of the Enlarged Group deteriorates for any reason.

The Mondo Group's talc sales for use in the paper industry (which represented 20% of the Mondo Group's total revenue for the year ended 31 December 2017) are made primarily to a single customer. No assurance can be given that, following the Acquisition, this customer will continue to purchase paper talc products from the Enlarged Group. If this customer were to be acquired by another company, there can be no assurance that the acquirer would continue to contract with the Mondo Group. A decline in the volume or profitability of the Mondo Group's contracts with this customer could have a material adverse effect on the Enlarged Group's business, financial condition, results of operations, cash flows or prospects.

If multiple customers elected not to purchase products from the Enlarged Group and it was unable to replace revenue generated by such customers, or if a large customer of the Enlarged Group were to experience financial difficulties or enter administration or bankruptcy proceedings, the revenues, profitability, financial condition and results of operations of the Enlarged Group could be adversely affected.

2.22 ***The Enlarged group may be subject to uninsured losses.***

The Elementis Group maintains an insurance programme with coverage for Elementis Group directors' and officers' liability, public and product liability, employer liability, environmental impairment liability, property damage and business interruption, and other general insurance policies such as those covering crime, terrorism, personal accidents, business travel and cargo. In the future, the Enlarged Group may be unable to obtain insurance coverage at current levels or at all, or insurance premiums may increase significantly. If insurance coverage is inadequate, or if the Enlarged Group is unable to obtain coverage for certain risks on commercially reasonable terms, or at all, they may be forced to bear all or a significant portion of any losses that arise. Such losses could be substantial and could have a material adverse effect on the business, financial condition, results of operations, cash flows and prospects of the Enlarged Group.

3. Risks relating to the Rights Issue and the New Ordinary Shares

3.1 ***The value of an investment in New Ordinary Shares may go down as well as up and any fluctuations may be material and may not reflect the underlying asset value.***

The market price of the New Ordinary Shares could be subject to significant fluctuations due to a change in sentiment in the market regarding the New Ordinary Shares. The fluctuations could result from national and global economic and financial conditions, the market's response to the Rights Issue, market perceptions of the Elementis Group, the Mondo Group and/or the Acquisition and various other factors and events, including but not limited to regulatory changes affecting the Elementis Group's operations, variations in the Elementis Group's operating results, business developments of the Elementis Group or its competitors and the liquidity of the financial markets. Furthermore, the Elementis Group's operating results and prospects from time to time may be worse than the expectations of market analysts and investors. Any of these events could result in a decline in the market price of the New Ordinary Shares.

3.2 ***The market price for the New Ordinary Shares may decline below the Issue Price, and an active market in the Nil Paid Rights may not develop.***

There is no assurance that the public trading market price of the New Ordinary Shares will not decline below the Issue Price. Should that occur, relevant Shareholders will suffer an immediate, unrealised loss as a result. Moreover, there can be no assurance that, following Shareholders' acquisition of New Ordinary Shares, Shareholders will be able to sell their New Ordinary Shares at a price equal to or greater than the acquisition price for those shares. In addition, an active trading market on the London Stock Exchange in the Nil Paid Rights may not develop during the trading period and the Nil Paid Rights price may be volatile as it is subject to the same risks outlined above in relation to the trading price of the Ordinary Shares.

3.3 ***Shareholders who do not acquire New Ordinary Shares in the Rights Issue will experience dilution in their ownership of the Company and may not receive compensation for this.***

If Qualifying Shareholders do not participate in the Rights Issue to take up their entitlements under the Rights Issue or if Shareholders are not eligible to participate in the Rights Issue, such Shareholders' Nil

Paid Rights to subscribe for New Ordinary Shares will lapse. Their proportionate ownership and voting interests in the Company will be reduced and the percentage that their Ordinary Shares will represent of the total issued share capital of the Company will be reduced accordingly.

Elementis has made arrangements such that the Underwriters will use reasonable endeavours to find subscribers for those New Ordinary Shares not taken up. If, however, the Underwriters are unable to find subscribers for such New Ordinary Shares, or are unable to achieve a price at least equal to the Issue Price and the related expenses of procuring such subscribers, Shareholders will not receive any consideration for the Nil Paid Rights they have not taken up.

Furthermore, to the extent that Shareholders do not exercise their Nil Paid Rights to subscribe for New Ordinary Shares, their proportionate ownership and voting interest in the Elementis Group and, subject to Completion, the Enlarged Group, will be reduced and the percentage that the Ordinary Shares of that Shareholder would represent of the total share capital of Elementis and the Enlarged Group will also be reduced accordingly. Any consideration received may not be sufficient to compensate that Shareholder fully for the dilution of their percentage ownership of Elementis' and, subject to Completion, the Enlarged Group's, share capital that may be caused as a result of the Rights Issue.

3.4 *Shareholders in certain jurisdictions outside the United Kingdom may not be able to take up the New Ordinary Shares in the Rights Issue.*

While the Rights Issue is in general terms a pre-emptive offering, securities laws of certain jurisdictions may restrict the Company's ability to allow participation by certain Shareholders in such jurisdictions in the Rights Issue or any future issue of shares carried out by the Company. In particular, Shareholders who are located in the United States may not be able to exercise their pre-emption rights unless a registration statement under the US Securities Act is effective with respect to such rights or an exemption from the registration requirements is available thereunder. The Rights Issue will not be registered under the US Securities Act.

Qualifying Shareholders who have a registered address in or who are resident in countries other than the United Kingdom should consult their professional advisers as to whether they require any governmental or other consents, or need to observe any other formalities, to enable them to take up their Nil Paid Rights or to subscribe for New Ordinary Shares

3.5 *Future issues of Ordinary Shares may dilute the holdings of Shareholders.*

Other than the proposed Rights Issue, the Company has no current plans for a further offering of Ordinary Shares. It is possible, however, that the Company may decide to offer additional Ordinary Shares in the future, either to raise capital, in consideration for further acquisitions or for other purposes. Subject to any applicable statutory pre-emption rights, any future issues of Ordinary Shares may have a dilutive effect on the holdings of Shareholders and could have a material adverse effect on the market price of Ordinary Shares as a whole.

3.6 *An investment in New Ordinary Shares by an investor whose principal currency is not pounds sterling may be exposed to foreign exchange rate risk.*

The New Ordinary Shares are denominated in pounds sterling. Any dividends to be paid in respect of the New Ordinary Shares will be denominated in US dollars. An investment in Ordinary Shares by an investor whose principal currency is not sterling exposes the investor to foreign currency exchange rate risk. Any depreciation of the pound sterling or US dollar in relation to such foreign currency will reduce the value of the investment in the Ordinary Shares or any dividends in relation to such foreign currency.

3.7 *The rights, including the pre-emptive rights, of US and other non-UK holders of Ordinary Shares may be limited or not capable of exercise.*

In the case of certain increases in the Company's share capital, the existing holders of the Ordinary Shares generally would be entitled to pre-emption rights pursuant to the Companies Act unless such rights have been waived by a special resolution of the Shareholders at a general meeting. Should the Company undertake such a future offer, holders of Ordinary Shares outside the United Kingdom may not be able to exercise their pre-emption rights in respect of Ordinary Shares unless exemptions from any non-UK securities law requirements are available and the Company decides to comply with local law and regulations. In particular, US holders of the Ordinary Shares may not be able to exercise pre-emption rights unless the Ordinary Shares or other securities issued by the Company are registered under the US Securities Act or an exemption from the registration requirements is available. The Company cannot assure prospective investors that any such registration would be made or that any such exemption from non-UK securities law requirements would be available to enable US and other non-UK holders to exercise such pre-emption rights or, if available, that the Company would utilise any such exemption.

3.8 *Admission of the New Ordinary Shares may not occur when expected.*

The applications for Admission are subject to the approval (subject to satisfaction of any conditions to which such approval is expressed) of the UK Listing Authority and the London Stock Exchange; and Admission will become effective as soon as a dealing notice has been issued by the UK Listing Authority and the London Stock Exchange has acknowledged that the New Ordinary Shares will be admitted to trading. There can be no guarantee that any conditions to which Admission is subject will be met or that Admission will occur in the expected timeframe. See Part IV (*Expected Timetable of Principal Events*) for further information on the expected dates of these events.

3.9 *The ability of non-UK holders of Ordinary Shares to bring actions or enforce judgments against the Company or its directors or officers may be limited.*

The ability of non-UK holders of Ordinary Shares to bring an action against the Company may be limited under law. The Company is a public limited company incorporated in England and Wales. The rights of Shareholders are governed by English law and the Articles. These rights differ from the rights of shareholders in typical US corporations and some other non-UK corporations. A non-UK holder of Ordinary Shares may not be able to enforce a judgment against some or all of the Directors or executive officers. A significant number of the Directors and executive officers are residents of the United Kingdom. Consequently, it may not be possible for a non-UK holder of Ordinary Shares to effect service of process upon all of the Directors or the executive officers within the shareholder's country of residence or to enforce against the Directors or the executive officers judgments of courts of the shareholder's country of residence based on civil liabilities under that country's securities laws. Non-UK holders of Ordinary Shares may not be able to enforce any judgments in civil and commercial matters or any judgments under the securities laws of countries other than the United Kingdom against the Directors or the executive officers who are residents of the United Kingdom or countries other than those in which judgment is made. In addition, English or other courts may not impose civil liability on the Directors or the executive officers in any original action based solely on non-UK securities laws brought against the Company or the Directors or the executive officers in a court of competent jurisdiction in England or other countries.

PART III

IMPORTANT INFORMATION

1. Notice to investors

In connection with the Rights Issue, the Underwriters and any of their respective affiliates may engage in trading activity in connection with their roles under the Underwriting Agreement and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for their own account in securities of the Company and related or other securities and instruments (including Ordinary Shares, Nil Paid Rights and Full Paid Rights) for the purpose of hedging their underwriting exposure or otherwise. Accordingly, references in this document to Nil Paid Rights, Fully Paid Rights or New Ordinary Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, the Underwriters and any of their affiliates acting as investors for their own account. Except as required by applicable law or regulation, none of the Underwriters propose to make any public disclosure in relation to such transactions. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps or contract for differences) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Ordinary Shares.

Investors should rely solely on the information contained in this document and the information incorporated by reference into this document (and any supplementary prospectus produced to supplement the information contained in this document) when making a decision as to whether to purchase New Ordinary Shares. No person has been authorised to give any information or make any representation other than those contained in this document and, if given or made, such information or representation must not be relied upon as having been so authorised by the Company, the Directors, or the Underwriters. In particular, the content of the Company's website and Mondo's websites do not form part of this document and prospective investors should not rely on such content. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to section 87G(1) of FSMA and Rule 3.4 of the Prospectus Rules, neither the delivery of this document nor any issue or sale made under this document shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Company or of the Company and its subsidiaries taken as a whole since the date of this document or that the information contained herein is correct as at any time subsequent to its date.

No statement in this document or incorporated by reference into this document is intended as a profit forecast or profit estimate for any period and no statement in this document or incorporated by reference into this document should be interpreted to mean that the earnings or earnings per share will necessarily be greater or lesser than those for the relevant preceding financial reports for the Company.

Apart from the responsibilities and liabilities, if any, which may be imposed on UBS or HSBC by FSMA or the regulatory regime established thereunder, neither of UBS or HSBC accepts any responsibility whatsoever, or makes any representation or warranty, express or implied, in relation to the contents of this document, including its accuracy, completeness or for any other statement made or purported to be made by it or on behalf of it, the Company, the Directors or any other person, in connection with the Company, the Ordinary Shares, the Acquisition, the Rights Issue or Admission and nothing in this documents shall be relied upon as a promise or representation in this respect, whether as to the past or the future. Each of UBS and HSBC accordingly disclaims to the fullest extent permitted by law all and any responsibility or liability whatsoever, whether arising in tort, contract or otherwise (save as referred to above), which it might otherwise have in respect of this document or any such statement.

Investors in the Rights Issue shall be deemed to have made certain representations, warranties, undertakings, agreements and acknowledgements. See paragraphs 4.2.4 and 7.5 of Part X (*Terms and Conditions of the Rights Issue*) of this document.

The Company will, during any period in which it is neither subject to and in compliance with Section 13 or 15(d) of the US Exchange Act nor exempt from such reporting requirements pursuant to and in compliance with Rule 12g3-2(b) thereunder, provide to each holder or beneficial owner of the New Ordinary Shares and to each prospective purchaser (as designated by such holder) of New Ordinary Shares, upon the request of such holder or prospective purchaser, the information required to be provided under Rule 144A(d)(4) under the US Securities Act.

2. Forward-looking statements

This document includes forward-looking statements within the meaning of the securities laws of certain applicable jurisdictions. These forward-looking statements include, but are not limited to, statements other than statements of historical facts contained in this document, including, without limitation, those regarding the Elementis Group's and/or the Mondo Group's intentions, beliefs or current expectations concerning, among other things, their future financial condition, leverage and performance and results of operations (including revenue growth); their strategy, plans, objectives, prospects, growth, dividend growth, goals and targets; the anticipated benefits of cost and revenue synergies; cost reductions, efficiency improvements or savings; future developments in the industry and markets in which the Elementis Group and/or the Mondo Group participate or are seeking to participate; gains with new or existing customers; growth from new products or product innovation; and anticipated regulatory changes in the industry and markets in which the Elementis Group and the Mondo Group operate. In some cases, these forward-looking statements can be identified by the use of forward-looking terminology, including the terms "aim", "anticipate", "aspire", "believe", "continue", "could", "estimate", "expect", "forecast", "guidance", "intend", "may", "plan", "project", "should" or "will" or, in each case, their negative, or other variations or comparable terminology.

By their nature, forward-looking statements are subject to known and unknown risks, uncertainties and other factors because they relate to events and depend on circumstances that may or may not occur in the future. Shareholders are cautioned that forward-looking statements are not guarantees of future performance and that the Elementis Group's, the Mondo Group's and, following Completion, the Enlarged Group's actual financial condition, results of operations, cash flows and distributions to shareholders and the development of their financing strategies, and the development of the industry in which they operate, may differ materially from the impression created by the forward-looking statements contained in this document. In addition, even if their financial condition, results of operations, cash flows and distributions to shareholders and the development of their financing strategies, and the development of the industry in which they operate, are consistent with the forward-looking statements contained in this document, those results or developments may not be indicative of results or developments in subsequent periods.

Forward-looking statements should, therefore, be construed in light of the foregoing risk factors and the other factors identified in Part II (*Risk Factors*). Undue reliance should not be placed on these forward-looking statements. These forward-looking statements are made as at the date of this document and are not intended to give any assurance as to future results. The Elementis Group will update this document as required by applicable law, including the Listing Rules, Prospectus Rules, the Market Abuse Regulation (596/2014/EU) and the Disclosure Guidance and Transparency Rules, but otherwise expressly disclaims any obligation or undertaking to update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise. You are advised to read this document and the information incorporated by reference into this document in their entirety, and, in particular, Part I (*Summary*), Part II (*Risk Factors*), Part XI (*Information on the Elementis Group*), Part XII (*Information on the Mondo Group*), Part XIV (*Operating and Financial Review of the Elementis Group*) and Part XVII (*Operating and Financial Review of the Mondo Group*). In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document and/or the information incorporated by reference into this document may or may not occur. Investors should note that the contents of these paragraphs relating to forward-looking statements are not intended to qualify the statements made as to sufficiency of working capital.

3. Market and industry data

Certain information in this document has been sourced from third parties. Where information in this document has been sourced from third parties, the source of such information has been clearly stated adjacent to the reproduced information.

All information contained in this document which has been sourced from third parties has been accurately reproduced and, as far as the Company is aware and is able to ascertain from information published by the relevant third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

All references to market data, industry statistics and forecasts and other information in this document consist of estimates based on data and reports compiled by industry professionals, organisations, analysts, publicly available information or the Company's own knowledge of its sales and markets.

References to market share are the Elementis Group's estimates based on the latest available data from a number of internal and external sources.

Market data and statistics are inherently speculative and are not necessarily reflective of actual market conditions. Such statistics are based on market research, which itself is based on sampling and subjective judgements by both the researchers and the respondents, including judgements about what types of products and transactions should be included in the relevant market. In addition, the value of comparisons of statistics for different markets is limited by many factors, including that: the markets may be defined differently; the underlying information may be gathered by different methods; and different assumptions may be applied in compiling the data. Accordingly, the market statistics included in this document should be viewed with caution.

4. Sources and presentation of financial information

4.1 *Sources and presentation of Elementis Group financial information*

Unless otherwise indicated, the historical consolidated financial information relating to the Elementis Group as at 30 June 2018 and for the six months ended 30 June 2018 and 2017 and as at and for the years ended 31 December 2017, 2016 and 2015 included in this document has been extracted without material adjustment from the consolidated financial statements of the Elementis Group which are incorporated into this document by reference as explained in Part XVIII (*Historical Financial Information Relating to the Elementis Group*) (the "**Elementis Group Financial Statements**"). The 2016 figures included herein have been extracted from the unaudited comparative figures in the Elementis Group Financial Statements as at and for the year ended 31 December 2017 and the 2015 figures included herein have been extracted from the unaudited comparative figures in the Elementis Group Financial Statements as at and for the year ended 31 December 2016.

The Elementis Group Financial Statements and the historical consolidated financial information relating to the Elementis Group included in this document have been prepared in accordance with the International Financial Reporting Standards as adopted by the European Union ("**IFRS**").

This document also includes certain forward-looking statements relating to financial information which are based on management estimates and assumptions.

4.1.1 *Application of IFRS 9 and IFRS 15*

IFRS 9 (*Financial Instruments*) and IFRS 15 (*Revenue from Contracts with Customers*) have been implemented by the Elementis Group from 1 January 2018. The historical consolidated financial information as at and for the years ended 31 December 2017, 2016 and 2015 have not been restated to apply these standards retrospectively. There was no material impact on the Elementis Group's income statement, balance sheet or cash flow statement as a result of the application of these two new standards. See Note 2 to the interim financial statements of the Elementis Group for the six months ended 30 June 2018, which are incorporated into this document by reference as explained in Part XVIII (*Historical Financial Information Relating to the Elementis Group*).

4.1.2 *Discontinuation of Surfactant Segment*

As a result of the disposal of the Surfactants segment (completed on 28 February 2018), the Elementis Group's financial statements for the year ended 31 December 2017 classified the Surfactants segment as discontinued operations and the income statement for the year ended 31 December 2016 was restated on a comparable basis with the income statement for the year ended 31 December 2017. As a result, the income statement information of the Elementis Group included in this Prospectus for the year ended 31 December 2015 which reflects the Surfactants segment as a continuing operation is not presented on a directly comparable basis to the income statement information for the Elementis Group for the six months ended 30 June 2018 and 2017 and for the years ended 31 December 2017 and 2016. The composition of the Elementis Group's business segments also changed during the periods under review. See "*Significant factors affecting the Elementis Group's results of operations and financial condition—Material disposals and acquisitions*" in Part XIV (*Operating and Financial Review of the Elementis Group)*.

4.2 *Sources and presentation of Mondo Group financial information*

Unless otherwise indicated, the condensed unaudited historical consolidated financial information relating to the Mondo Group as at and for the six months ended 30 June 2018 and 2017 and the audited historical consolidated financial information as at and for the years ended 31 December 2017, 2016 and 2015 included in this document has been extracted without material adjustment from the consolidated financial statements of the Mondo Group which are included in Part XIX (*Historical Financial Information Relating to the Mondo Group*) (the "**Mondo Group Financial Statements**").

The condensed unaudited historical consolidated financial information relating to the Mondo Group as at and for the six months ended 30 June 2018 and 2017 has been prepared in accordance with IAS 34 (*Interim Financial Statements*). The audited historical consolidated financial information as at and for the years ended 31 December 2017, 2016 and 2015 has been prepared in accordance with IFRS.

The unaudited historical consolidated financial information relating to the Mondo Group as at and for the six months ended 30 June 2018 and 2017 has been prepared in a manner consistent with the accounting policies adopted by Elementis in preparing the financial information relating to the Elementis Group as at and for the six months ended 30 June 2018, and the audited historical consolidated financial information relating to the Mondo Group as at and for the years ended 31 December 2017, 2016 and 2015 has been prepared in a manner consistent with the accounting policies adopted by Elementis in preparing the financial information relating to the Elementis Group as at and for the year ended 31 December 2017.

This document also includes certain historical consolidated financial information relating to the Mondo Group as at dates prior to 1 January 2015 and for periods prior to the year ended 31 December 2015 which are based on unaudited management accounts of the Mondo Group.

4.3 *Enlarged Group financial information*

Following Completion, Mondo will be a subsidiary within the Elementis Group, and the accounting policies applied to the Mondo Group will be the same as those applied to the Elementis Group.

5. Pro forma financial Information

In this document, any reference to "pro forma" financial information is to information which has been extracted without material adjustment from the unaudited financial information contained in Part XX (*Unaudited Pro Forma Financial Information Relating to the Enlarged Group*) of this document.

The Unaudited Pro Forma Financial Information (as defined in Part XX (*Unaudited Pro Forma Financial Information*)) is for illustrative purposes only. Because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the actual financial position or results of the Elementis Group, the Mondo Group or the Enlarged Group.

Future results of operations may differ materially from those presented in the Unaudited Pro Forma Financial Information due to various factors.

6. Non-IFRS financial measures of the Elementis Group's and the Mondo Group's performance

This document contains certain non-IFRS financial measures of the Elementis Group's and the Mondo Group's financial performance that are not required by, or presented in accordance with, IFRS because they exclude amounts that are included in, or include amounts that are excluded from, the most directly comparable measures calculated and presented in accordance with IFRS, or are calculated using financial measures that are not calculated in accordance with IFRS. Such non-IFRS financial measures are included in this document because they are used by management to assess operating performance and liquidity and as a basis for strategic planning and forecasting, as well as monitoring certain aspects of operating cash flow and liquidity. The Directors also believe that these or similar measures are widely used by securities analysts, investors and other interested parties as supplemental measures of operating performance and liquidity.

The non-IFRS measures contained in this document have limitations as analytical tools and should not be considered in isolation from, or as a substitute for, measures presented in accordance with IFRS. In addition, the non-IFRS measure presented by the Elementis Group or the Mondo Group may not be comparable to similarly titled measures presented by other businesses, as such businesses may define and calculate such measures differently than the Elementis Group or the Mondo Group. Accordingly, undue reliance should not be placed on the non-IFRS measures contained in this document.

For definitions of the non-IFRS financial measures used by the Elementis Group and reconciliations to the nearest IFRS measure, see "*Financial Key Performance Indicators and Reconciliations to IFRS Measures*" in Part XIII (*Selected Financial and Other Information of the Elementis Group*). For definitions of the non-IFRS financial measures used by the Mondo Group and reconciliations to the nearest IFRS measure, see "*Financial Key Performance Indicators and Reconciliations to IFRS Measures*" in Part XVI (*Selected Financial and Other Information of the Mondo Group*). A discussion of the relevance and certain of the limitations of the non-IFRS financial measures used by the Elementis Group and the Mondo Group is also provided below.

6.1 *Non-IFRS financial measures of the Elementis Group*

6.1.1 *Adjusted operating profit and adjusted operating margin*

Adjusted operating profit represents operating profit excluding specific items that are considered by management to not be representative of the underlying performance of the Elementis Group and thus hinder comparison of the trading performance of the Elementis Group's businesses, either year-on-year or with other businesses within the group. Adjusted operating profit is the measure used by management to assess the trading performance of the Elementis Group's businesses and is therefore the measure of segment profit that the Elementis Group presents under IFRS. When presented on a consolidated basis, however, adjusted operating profit is a non-IFRS measure. Adjusted operating profit is presented on a consolidated basis because management believes it is important to provide the Elementis Group's consolidated profitability on a basis consistent with that of its operating segments to securities analysts, investors and other interested parties to assist them in their assessment of the trading performance of the Elementis Group's businesses.

During the periods under review, the items excluded from operating profit in arriving at adjusted operating profit included, inter alia:

- changes in environmental provisions related to non-operational sites because such amounts do not relate to the Elementis Group's continuing operations;
- costs related to the acquisition of business that are expensed as incurred and the effect of fair value adjustments to inventory when businesses are acquired because management believes they are not related to the Elementis Group's underlying trading performance;
- amortisation of intangibles arising on acquisition in order to facilitate comparison of existing businesses, which typically have recognised minimal intangible assets, with acquired businesses;
- gains or losses on the disposal of long-lived assets and costs associated with the restructuring of transformation of businesses, which reflect specific actions taken by management to improve the Elementis Group's future profitability; and
- certain other items that are not considered by management to be reflective of the Elementis Group's underlying trading performance.

Details of the adjusting items are provided in the footnotes to the reconciliation from operating profit to adjusted operating profit that is presented in Part XIII (Selected Financial and Other Information of the Elementis Group).

Adjusted operating margin is defined as adjusted operating profit divided by total revenue, expressed as a percentage. The Elementis Group presents adjusted operating margin because management considers it to be useful for comparing the Elementis Group's margins in respect of its profitability between periods without the impact of the adjustments made in determining adjusted operating profit.

Adjusted operating profit and adjusted operating margin have limitations as analytical tools, including the following:

- they do not reflect the Elementis Group's cost of organisational changes arising from acquisitions, disposals, restructurings and business transformations;
- they do not reflect changes in environmental provisions; and
- they may be subjective in nature as the adjustments made in calculating adjusted operating profit reflect those items that management consider are not representative of the underlying performance of the Elementis Group.

6.1.2 *Return on operating capital employed*

Return on operating capital employed is defined as adjusted operating profit divided by operating capital employed, expressed as a percentage. Operating capital employed comprises fixed assets (excluding goodwill), working capital and operating provisions (which include self-insurance and environmental provisions but exclude retirement benefit obligations). These assets are included in operating capital employed because they are considered by management to be related to revenue generating activity.

The Elementis Group presents return on operating capital employed because management believes it is widely used by securities analysts, investors and other interested parties to evaluate profitability of capital intensive sectors. Return on operating capital employed aims to eliminate differences in performance caused by variations in capital structure due to significant debt. Internally, return on operating capital employed is used by management as an indicator of performance and as a performance target.

Return on operating capital employed has limitations as an analytical tool, including that it may be subjective in nature as it does not reflect all items included in the Elementis Group's operating profit under IFRS.

6.1.3 *Contribution margin ratio*

The Elementis Group's contribution margin is defined as total revenue less all variable costs, divided by total revenue, expressed as a percentage. Management uses contribution margin ratio as an internal measure to understand the percentage of revenue generated to cover fixed costs which is a metric for capital intensive sectors.

Contribution margin ratio has limitations as an analytical tool, including:

- it may be subjective in nature as the classification between fixed and variable cost are specific to the Elementis Group.

6.1.4 *Average trade working capital to total revenue ratio*

The average trade working capital to total revenue ratio is defined as the 12-month average trade working capital divided by total revenue, expressed as a percentage. Trade working capital comprises inventories, trade receivables and trade payables. It specifically excludes prepayments, capital or interest-related receivables or payables, changes due to currency movements and items classified as other receivables and other payables.

The Elementis Group presents trade working capital to total revenue ratio because management believes it is widely used by securities analyst, investors and other interested parties to evaluate the relationship between the funds used to finance a company's operations and the revenues a company generates, and also to assist with comparisons between companies.

Average trade working capital to total revenue ratio has limitations as an analytical tool, including:

- it may be subjective in nature as it does not reflect all current assets and liabilities.

6.2 *Non-IFRS financial measures of the Mondo Group*

6.2.1 *EBIT and EBITDA*

EBIT is defined as profit for the period less interest income, interest expenses and income tax benefit. EBITDA is defined as profit for the period less interest income, interest expenses, income tax benefit, depreciation and amortisation. Management believes that EBITDA is widely used by securities analysts, investors and other parties to attempt to compare the performance of businesses without regard to interest, taxes, depreciation or amortisation, which can vary significantly depending upon accounting methods (particularly when acquisitions have occurred) or other non-operating factors (such as levels of indebtedness).

EBITDA has limitations as an analytical tool, including:

- it does not reflect the Mondo Group's cash expenditures or future requirements for capital expenditure under contractual commitments;
- it does not reflect changes in, or cash requirements for, the Mondo Group's working capital needs;
- it does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments in respect of borrowings;
- it does not reflect tax expense, or the cash requirements necessary to pay applicable taxes; and
- although depreciation and amortisation are non-cash charges, the assets being depreciated and amortised will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements.

6.2.2 *Adjusted EBITDA*

Adjusted EBITDA represents EBITDA adjusted for specific items that are considered by management to not be representative of the underlying performance of the Mondo Group. Adjusted EBITDA does not, however, reflect deductions, additions or other adjustments to historical items other than those stated, even if such items had a material effect on the Mondo Group's performance. Adjusted EBITDA is used by management to assess operating performance and as a basis for strategic planning and forecasting, as well as monitoring certain aspects of operating cash flow.

As an analytical tool, adjusted EBITDA is subject to all of the limitations applicable to EBITDA (see *"—EBITDA"* above). Furthermore, while the individual elements of excluded costs are not expected to recur in future periods, the Mondo Group may incur other costs that could have a significant impact on the Mondo Group's performance in future periods.

7. Rounding

Certain data in this document, including financial, statistical, and operating information, has been rounded. As a result of the rounding, the totals of data presented in this document may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded and accordingly may not add up to 100%.

In addition, certain percentages presented in the tables in this document reflect calculations based upon the underlying information prior to rounding, and, accordingly, may not confirm exactly to the percentages that would be derived if the relevant calculations were based upon the rounded numbers.

8. Currency

Unless otherwise indicated, all references in this document to "sterling", "pounds sterling", "GBP", "£", "pence" or "p" are to the lawful currency of the United Kingdom. The abbreviations "£m" or "£ million" represent millions of pounds sterling, and references to "pence" and "p" represent pence in pounds sterling. All references to "US dollars", "dollar", "$", "US$" and "cents" are to the lawful currency of the United States. All references to "€" or "euros" are to the lawful currency of the European Union.

9. No profit forecast or estimates

No statement in this document is intended as a profit forecast or estimate for any period and no statement in this document should be interpreted to mean that earnings for Elementis or Mondo, as appropriate, for the current or future financial years would necessarily match or exceed the historical published earnings for Elementis or Mondo, as appropriate.

10. Incorporation by reference

Certain information in relation to the Elementis Group is incorporated by reference in this document, as set out in Part XVIII (*Historical Financial Information Relating to the Elementis Group*).

The contents of websites of the Elementis Group and the Mondo Group and any hyperlinks accessible from those websites do not form part of this document and investors should not rely on them.

11. Definitions

Certain terms used in this document, including capitalised terms and certain technical and other terms, are defined and explained in Part XXV (*Definitions*).

Reference to any statute or statutory provision includes a reference to that statute or statutory provision as from time to time amended, extended or re-enacted.

PART IV

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

All references to time in this document are to the time in London, United Kingdom on the relevant date, unless otherwise stated. Each of the times and dates in the table below are indicative only and may be subject to change. Please read the notes for this timetable below.

	2018[1][2]
Announcement of the Acquisition	29 June
Publication and posting of this document, the Circular and Notice of General Meeting and the Form of Proxy	11 September
Record Date for entitlements under the Rights Issue	6.00 p.m. on 1 October
Latest time and date for receipt of Forms of Proxy	10.00 a.m on 1 October
General Meeting	**10.00 a.m. on 3 October**
Date of despatch of Provisional Allotment Letters (to Qualifying Non-CREST Shareholders only)[3]	3 October, to be received 4 October
Admission	4 October
Dealings in New Ordinary Shares, nil paid, commence on the London Stock Exchange	**8.00 a.m. on 4 October**
Existing Ordinary Shares marked ex-Rights	8.00 a.m. on 4 October
Nil Paid Rights credited to stock accounts in CREST (Qualifying CREST Shareholders only)	As soon as practicable after 8.00 a.m. on 4 October
Nil Paid Rights and Fully Paid Rights enabled in CREST	As soon as practicable after 8.00 a.m. on 4 October
Recommended latest time for requesting withdrawal of Nil Paid Rights or Fully Paid Rights from CREST (i.e. if your Nil Paid Rights or Fully Paid Rights are in CREST and you wish to convert them into certificated form)	4.30 p.m. on 12 October
Latest time and date for depositing renounced Provisional Allotment Letters, nil paid or fully paid, into CREST or for dematerialising Nil Paid Rights into a CREST stock account	3.00 p.m. on 15 October
Latest time and date for splitting Provisional Allotment Letters	3.00 p.m. on 16 October
Latest time and date for acceptance and payment in full and registration of renounced Provisional Allotment Letters	**11.00 a.m. on 18 October**
Expected date of announcement of results of the Rights Issue through a Regulatory Information Service	By 8.00 a.m. on 19 October
Dealings in New Ordinary Shares, fully paid, commence on the London Stock Exchange	**8.00 a.m. on 19 October**
New Ordinary Shares credited to CREST stock accounts (uncertificated holders only[3])	As soon as practicable after 8.00 a.m. on 19 October
Expected date of despatch of definitive share certificates for New Ordinary Shares in certificated form (to Qualifying Non-CREST Shareholders only[3])	by no later than 29 October
Expected date of Completion of the Acquisition	by no later than 23 October

(1) The times and dates set out in the expected timetable of principal events above and mentioned throughout this document, by announcement through a Regulatory Information Service, and in the Provisional Allotment Letter may be adjusted by the Company, in which event details of the new dates will be notified to the UKLA and to the London Stock Exchange and, where appropriate, to Shareholders.

(2) References to times in this document are to London time unless otherwise stated.

(3) Subject to certain restrictions relating to Overseas Shareholders. See paragraph 7 of Part X (*Terms and Conditions of the Rights Issue*).

PART V

RIGHTS ISSUE STATISTICS

Price per New Ordinary Share	152.0 pence
Basis of Rights Issue	1 New Ordinary Shares for every 4 Existing Ordinary Shares
Discount to the theoretical ex-Rights price based on the closing middle-market price of 252.8 pence per Ordinary Share on 10 September 2018	34.7%
Number of Existing Ordinary Shares in issue at the date of this document	464,179,318
Number of New Ordinary Shares to be issued by the Company	116,044,829
Number of Ordinary Shares in issue immediately following completion of the Rights Issue(1)	580,224,147
New Ordinary Shares as a percentage of enlarged issued share capital of the Company immediately following completion of the Rights Issue(1)	20.0%
Estimated net proceeds receivable by the Company after expenses	£172.5 million
Estimated expenses in connection with the Rights Issue	£3.8 million
Nil Paid Rights credited to stock accounts in CREST (Qualifying CREST Shareholders only)	As soon as practicable after 8.00 a.m. on 4 October
Nil Paid Rights and Fully Paid Rights enabled in CREST	As soon as practicable after 8.00 a.m. on 4 October

(1) Assuming that no Ordinary Shares are issued as a result of the exercise of any options between 7 September 2018, being the latest practicable date prior to the publication of this document, and the completion of the Rights Issue.

PART VI

DIRECTORS, COMPANY SECRETARY, REGISTERED OFFICE AND ADVISERS

Directors	Andrew Duff, Chairman Paul Waterman, CEO Ralph Hewins, CFO Nick Salmon, Senior Independent Director Sandra Boss, Non-Executive Director Dorothee Deuring, Non-Executive Director Steve Good, Non-Executive Director Anne Hyland, Non-Executive Director
Company Secretary	Laura Higgins
Registered office of the Company	Caroline House 55-57 High Holborn London WC1V 6DX United Kingdom
Financial adviser to the Company	Evercore Partners International LLP 15 Stanhope Gate London W1K 1LN United Kingdom
Joint Global Coordinator, Joint Bookrunner and Sole Sponsor	UBS Limited 5 Broadgate London EC2M 2QS United Kingdom
Joint Global Coordinator and Joint Bookrunner	HSBC Bank plc 8 Canada Square London E14 5HQ United Kingdom
Legal advisers to the Company as to English and US law	Herbert Smith Freehills LLP Exchange House Primrose Street London EC2A 2EG United Kingdom
Legal advisers to the Joint Global Coordinators, Joint Bookrunners and Sole Sponsor as to English and US law	Linklaters LLP 1 Silk Street London EC2Y 8HQ United Kingdom
Auditors and Reporting Accountants to the Company	Deloitte LLP 1 New Street Square London EC4A 3HQ United Kingdom
Reporting Accountants to Mondo	KPMG LLP 15 Canada Square London E14 5GL United Kingdom

Registrar and Receiving Agent	Equiniti Limited Aspect House Spencer Road Lancing BN99 6DA United Kingdom

PART VII

BACKGROUND TO AND REASONS FOR THE ACQUISITION

The Elementis Group is a global specialty chemicals company and when considering potential acquisition opportunities seeks businesses from which it can create long-term value and that have sustainable competitive advantages, good growth prospects and which leverage the Elementis Group's existing capabilities. The Elementis Group focuses on targets that represent high-value intermediates that are a low percentage of an end product's cost, but critically important to performance. In the case of the Mondo Group, the Directors believe that the Acquisition represents an exceptional opportunity to add a leading talc producer that is underpinned by sustainable competitive advantages and significant growth opportunities.

The terms of the Acquisition originally announced by Elementis on 29 June 2018 valued Mondo at $600 million on a cash free, debt free basis, which represented a multiple of 12.5 times adjusted EBITDA for the seven months ended 31 July 2018 (annualised), including the run rate of modest pre-tax cost synergies and based on an average exchange rate of $1.20 per euro. Elementis subsequently received feedback from shareholders that led the Directors to conclude there was insufficient support amongst shareholders for the Acquisition to be approved on the originally announced terms. Accordingly, Elementis entered into negotiations with the Seller with a view to revising the terms of the Acquisition. On 11 September 2018 Elementis announced revised terms for the Acquisition, which value Mondo at $500 million on a cash free, debt free basis, which represents a multiple of 10.4 times adjusted EBITDA for the seven months ended 31 July 2018 (annualised), including the run rate of modest pre-tax cost synergies and based on an average exchange rate of $1.20 per euro.

In addition, up to €45.7 million ($53.0 million) in earn-out payments will be payable following Completion, subject to the achievement of certain Earn-Out Adjusted EBITDA (as defined in the Sale and Purchase Agreement) thresholds over a three financial year period ending on 31 December 2020. The earn-out is subject to a reduction feature based on performance in the first and second financial year periods and a carry forward feature in the second and third financial year periods. If the performance targets are achieved in full, the terms of the Acquisition under the amended Sale and Purchase Agreement would value Mondo at $553 million on a cash free, debt free basis, which would represent a multiple of 8.8 times the Earn-Out Adjusted EBITDA that Mondo would be required to achieve for the year ending 31 December 2020 to trigger the final earn-out payment under the Sale and Purchase Agreement. See Part VIII (*Principal Terms of the Acquisition*) for more information.

The Earn-Out Adjusted EBITDA thresholds of the performance-based earn-out have been set to allow for value to be shared between Elementis and the Seller in a scenario where Mondo delivers strong continuing performance. For the maximum earn-out payments to be paid, Mondo would need to deliver Earn-Out Adjusted EBITDA growth relative to 2017 adjusted EBITDA of 38.4% in 2018, 55.0% in 2019 and 74.4% in 2020. No earn-out payments would be payable in the scenario where Mondo's Earn-Out Adjusted EBITDA growth relative to 2017 adjusted EBITDA is less than 30.1% in 2018, 41.2% in 2019 or 60.5% in 2020.

Elementis has received strong support for the Acquisition from its top shareholders including a non binding letter of intent from Threadneedle Asset Management Limited (part of Ameriprise Financial, Inc.'s group) and an irrevocable undertaking from APG Asset Management N.V. to vote in favour of the Acquisition. In addition the Company has received written confirmation of support from a further two of its top five shareholders.

The Directors believe that the strategic rationale for the Acquisition is compelling:

1.1 *Mondo is a premium supplier of talc with close customer relationships underpinned by structural advantages and a focus on quality and reliability*

The Mondo Group is a high quality business with a leading competitive position centred on multiple structural advantages. Through high quality, long duration talc resources located in Finland, the Mondo Group is a fully integrated operation addressing high end industrial applications. These high grade talc deposits, which have over 90 years of total resource life, are one of only two known deposits of scale in Europe. As a result of optimised upstream and downstream logistics from plants in Finland and the Netherlands, the Mondo Group has an industry leading cost structure from which to serve dynamic end markets around the world.

The Mondo Group aims to deliver superior product quality and consistency through its well invested assets, proprietary flotation process know how, precise control over performance properties and formulation expertise. This quality of output allows the Mondo Group to focus on high value talc applications, an area which commands premium margins and notable demand growth. There is a rigorous supplier qualification process that renders switching between talc suppliers a costly and time consuming process and which enables the Mondo Group to develop custom formulations for key accounts' specifications.

1.2 *Mondo serves resilient and high growth end markets*

Talc is the softest known mineral and its unique attributes provide mission critical properties at a relatively low cost to a diverse range of industrial applications including coatings and long life plastics. The Company believes that the market for targeted industrial talc applications has grown at approximately 5% CAGR over the last five years, and expects this to accelerate to approximately 7% per annum through to 2023, driven by the continued increase in talc penetration and trends towards higher value specialty talc. Favourable structural trends are expected to support this market growth and include the reduction in weight of vehicles and the increased use of talc in life sciences.

The Mondo Group's revenue from targeted industrial applications has grown at a 9% CAGR since 2009 and in 2017 represented approximately 79% of revenue, compared to approximately 64% in 2013. In 2017 the contribution margin per tonne of industrial talc represented approximately 60% more than the contribution margin of paper talc. Revenue growth at or above the market for industrial talc is expected to be supported by an encouraging innovation pipeline, expansion into new high growth verticals such as life sciences and anticipated favourable structural trends, including an increase in the percentage share of plastics in automobiles by 2025.

1.3 *A complementary combination with strong value creation opportunity and synergy potential*

Aligned with Elementis' hectorite based value chain, Mondo leverages access to a scarce, high quality natural resource to create products that serve diverse end markets. The Company believes that clear areas of complementarity exist, from mineral extraction to formulation expertise, application driven research and development, through to end markets and customers, notably coatings, which both Elementis and Mondo serve. The combination with Mondo is expected to improve Elementis' position as a higher quality, higher margin company with attractive growth potential, consistent with Elementis' Reignite Growth strategy.

The Directors believe Mondo is well positioned to grow at or above the positive trend in industrial talc applications by developing its position in high end talc markets. Opportunities are available based on Elementis' global knowledge, scale and relationships to unlock additional value and further growth.

The Directors expect that, as a result of the Acquisition, the Enlarged Group will be able to realise approximately $20-25 million of revenue synergies by the end of 2023. Following an initial integration period, a significant majority of the identified synergies would be achieved between the financial years ending 31 December 2020 and 2023.

The revenue synergies identified over the medium term comprise approximately $10-15 million in the Coatings business of the Enlarged Group and approximately $10 million in the Personal Care business of the Enlarged Group. The revenue synergies of approximately $10-15 million in the Enlarged Group's Coatings business are anticipated to arise primarily through geographic expansion utilising global sales and technical services relationships of the Elementis Group to increase market share of the Mondo Group's industrial coatings in North America and Latin America, and also through deepening strategic relationships with existing customers of the Elementis Group for the sale of talc and increasing share of wallet. The revenue synergies of approximately $10 million in the Enlarged Group's Personal Care business are anticipated to arise primarily through enhanced access for the Mondo Group to world leading personal care formulators and distributors and strengthening partnerships with the Elementis Group's top multi-national customers outside of Europe, as well as an expansion to new markets in Asia and the Americas utilising local sales, distribution and logistics networks and greater sales coverage within Europe. Revenue synergies in the Enlarged Group's Personal Care business are also expected to be achieved through an extension of the product portfolio of attractive cosmetic applications.

In addition to the $20-25 million of revenue synergies identified, the Directors expect the Acquisition to unlock new business opportunities for the Elementis Group through its expertise in surface chemistry modification and the utilisation of talc in formulations. The Directors expect that the Enlarged Group will also benefit from modest pre-tax cost synergies through a single corporate overhead structure, a "best of both" approach to non-product related procurement costs and certain consolidation opportunities.

The total quantified revenue synergies of $20-25 million are equivalent to 2.2-2.7% of the pro forma revenue of the Enlarged Group for the year ended 31 December 2017 of approximately $919.7 million.

The expected synergies identified reflect both the beneficial elements and relevant costs. No significant implementation costs are expected to be incurred in order to achieve the revenue synergies in the Coatings and Personal Care businesses of the Enlarged Group. The expected synergies would accrue as a direct result of the success of the Acquisition and could not be achieved independently by the Elementis Group.

2. Financial effects of the Rights Issue and the Acquisition

Mondo has an attractive financial profile with significant growth potential, adjusted EBITDA margins of 25.5% for the year ended 31 December 2017 and strong free cash flow generation. The Directors believe the Acquisition will be financially attractive for Elementis' shareholders taking into account the terms of the Acquisition and the outlook for the business. The highly attractive adjusted EBITDA margins that Mondo has delivered mean that the Acquisition is expected to be immediately accretive to Elementis' EBITDA margin.

Based on the closing Elementis share price on 10 September 2018 of 252.8 pence and an exchange rate of $1.16 per euro as at 7 September 2018, the Acquisition is expected by the Directors to be accretive to adjusted earnings per share in the first full year following Completion, excluding any benefit other than modest pre-tax cost synergies. The Directors also expect the Acquisition to generate a post-tax return on invested capital above the Elementis Group's weighted average cost of capital in the second full year following Completion (excluding the benefit of revenue synergies).

On Completion, and assuming the Rights Issue completes and bank facilities are drawn, it is estimated that the leverage for the Enlarged Group would be approximately 2.50 times EBITDA. The Directors anticipate the strong cash generation of the Enlarged Group to drive a material deleveraging profile thereafter with leverage reducing to a net debt to EBITDA ratio of less than 2.00 times by the end of 2019.

3. Financing the Acquisition

The Acquisition (and associated expenses) is proposed to be financed through (i) the Rights Issue of £176.4 million (approximately $230 million at an exchange rate of $1.3025 per pound sterling), which has been fully underwritten; and (ii) the utilisation of up to $775.0 million from the New Debt Facilities.

The initial aggregate cash consideration payable in connection with the Acquisition is approximately $307.2 million, subject to certain adjustments. It is expected that the cash consideration for the Acquisition will be satisfied primarily through the proceeds of $230.0 million from the Rights Issue. In addition, it is expected that approximately $600.0 million will be drawn under the New Debt Facilities at Completion to fund part of the cash consideration for the Acquisition and to refinance certain indebtedness of the Mondo Group and the Elementis Group. See Part XX (*Unaudited Pro Forma Financial Information Relating to the Enlarged Group*).

Given the scale and size of the proposed Acquisition, the Directors believe they have taken a prudent approach to structuring and financing of the Acquisition and associated expenses through a mixture of equity and debt. This structure allows Elementis to retain financial strength and flexibility in respect of potential future business developments.

The Board decided on the Rights Issue as a means of raising capital as this would ensure that Qualifying Shareholders (other than, subject to certain exceptions, Qualifying Shareholders resident or with registered addresses in the United States or any of the Excluded Territories) subscribe for all of the New Ordinary Shares to which they are entitled, their shareholdings would not be diluted as a result of the financing arrangements for the Acquisition.

The Directors intend to apply the proceeds of the Rights Issue to fund part of the consideration for the Acquisition, together with the associated transaction and Acquisition costs. The net proceeds of the Rights Issue will be placed on deposit pending Completion. If Completion does not take place before midnight on 31 December 2018, the Directors would seek to return some or all of the net proceeds of the Rights Issue to investors in a timely and tax-efficient manner, use the net proceeds of the Rights Issue to repay existing indebtedness of the Elementis Group or for general corporate purposes, or a combination thereof.

4. Dividend policy

The Company introduced a new progressive dividend policy following the acquisition of SummitReheis in 2017 to reflect the Company's movement from a net cash to a net debt position. In respect of the year ended 31 December 2017, the Company's dividend per Ordinary Share was 8.80 cents (2016: 8.45 cents).

The Directors understand the importance of dividend payments to Shareholders and, reflecting the confidence that the Directors have in the benefits of the Acquisition, it is intended that, following Completion of the Acquisition, the Elementis Group will maintain its existing dividend policy (after rebasing for the bonus element of the Rights Issue), underpinned by the strong cash generation and future prospects of the Enlarged Group. The New Ordinary Shares, when issued and fully paid, will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive dividends. The New Ordinary Shares will not be eligible for the interim dividend of 2.95 cents per Ordinary Share announced by the Company on 31 July 2018.

The Directors remain, therefore, committed to the dividend policy outlined at the 2017 annual results, namely a progressive ordinary dividend, normally with dividend cover of at least two times adjusted earnings and to seek to make additional returns when leverage falls below one times EBITDA. Since the SummitReheis acquisition, Elementis has reduced its leverage ratio while also continuing to invest and grow its annual ordinary dividend. Consequently, the Directors are confident in the Enlarged Group's ability to grow ordinary dividends and reduce leverage.

PART VIII

PRINCIPAL TERMS OF THE ACQUISITION

1. Overview

The Sale and Purchase Agreement was entered into on 13 August 2018 between Elementis, Elementis Holdings Limited (the "**Purchaser**", a wholly-owned subsidiary of Elementis) and Advent Mondo (Luxembourg) S.à r.l. (the "**Seller**"), pursuant to which the Purchaser will acquire the entire issued share capital of Mondo at Completion. On 11 September 2018, the Purchaser and the Seller amended the Sale and Purchase Agreement to reflect the revised terms of the Acquisition (the "**Amendment Agreement**"). For further details of the terms of the Sale and Purchase Agreement, see paragraph 18.1.2 of Part XXIV (*Additional Information*) of this document.

Furthermore, the CEO, the CFO and the COO of Mondo (the "**Warrantors**") entered into a warranty agreement with Elementis and the Purchaser on 13 August 2018 (the "**Warranty Agreement**") pursuant to which the Warrantors will give customary business warranties subject to specific limitations of liability. For further details of the terms of the Warranty Agreement, see paragraph 18.1.3 of Part XXIV (*Additional Information*) of this document.

The principal terms of the Acquisition are described below.

2. Consideration

Prior to entry into the Amendment Agreement, the initial aggregate cash consideration payable under the Sale and Purchase Agreement was $404.4 million.

Such cash consideration amount was amended pursuant to the terms of the Amendment Agreement to $307.2 million, such amount now representing the initial aggregate cash consideration payable under the Sale and Purchase Agreement.

The Amendment Agreement also added provisions to the Sale and Purchase Agreement pursuant to which earn-out payments will be payable to the Seller up to a maximum of €45.7 million ($53.0 million), subject to the achievement of certain specific performance targets for the financial year ending 31 December 2018 ("**Year 1**"), the financial year ending 31 December 2019 ("**Year 2**") and the financial year ending 31 December 2020 ("**Year 3**") (together, the "**Earn-Out Consideration**"). The Earn-Out Consideration is defined in euros and translated into US dollars using a euro exchange rate of $1.16 per euro.

Specifically, the terms of the Earn-Out Consideration state that if Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo and its subsidiaries for:

- Year 1 is greater than $47.0 million, then the Seller will be entitled to the amount by which Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo for Year 1 is greater than $47.0 million, provided that in no circumstances shall the Seller's maximum entitlement for Year 1 exceed $3.0 million;
- Year 2 is greater than $51.0 million, then the Seller will be entitled to "A", provided that in no circumstances shall the Seller's maximum entitlement for Year 2 exceed $25.0 million, where "A" is equal to ("B" x 5) and "B" is the amount by which Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo for Year 2 is greater than $51.0 million (subject to a reduction in the amount payable by the amount by which Earn-Out Adjusted EBITDA for Year 1 was less than $47.0 million (if applicable)); and
- Year 3 is equal to or greater than $58.0 million, then the Seller will be entitled to "C", provided that in no circumstances shall the Seller's maximum entitlement exceed $25.0 million, where "C" is equal to ("D" x 5) and "D" is the amount by which Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo for Year 3 is greater than $58.0 million (subject to a reduction in the amount payable by "E" where "E" is the amount by which Earn-Out Adjusted EBITDA for Year 2 was less than $51.0 million (if applicable)).

The following table shows the Earn-Out Consideration for 2018, 2019 and 2020 based on each year's EBITDA, together with the percentage growth relative to 2017 adjusted EBITDA (assuming that there has been no reduction in the Earn-Out Consideration payable for Year 2 or Year 3 as a result of the Earn-Out Adjusted EBITDA being less than $47.0 million for Year 1 and/or $51.0 million for Year 2).

	2018 Earn-Out Adjusted EBITDA ($m)			
	47.0	**48.0**	**49.0**	**50.0**
Earn-Out Consideration ($m)[1]	0.0	1.0	2.0	3.0
% increase vs. 2017 adjusted EBITDA	30%	33%	36%	38%

	2019 Earn-Out Adjusted EBITDA ($m)					
	51.0	**52.0**	**53.0**	**54.0**	**55.0**	**56.0**
Earn-Out Consideration ($m)[1]	0.0	5.0	10.0	15.0	20.0	25.0
% increase vs. 2017 adjusted EBITDA	41%	44%	47%	49%	52%	55%

	2020 Earn-Out Adjusted EBITDA ($m)					
	58.0	**59.0**	**60.0**	**61.0**	**62.0**	**63.0**
Earn-Out Consideration ($m)[1]	0.0	5.0	10.0	15.0	20.0	25.0
% increase vs. 2017 adjusted EBITDA	61%	63%	66%	69%	72%	74%

(1) Earn-Out Consideration defined in euros with potential maximum of €45.7m (translated into US dollars using a euro exchange rate of $1.16 per euro).

A payment of up to $10.0 million (as part of the overall maximum of $53.0 million) will also be payable as part of the Earn-Out Consideration where Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo for Year 2 is less than $56.0 million and Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo for Year 3 is greater than $63.0 million. Such amount payable will be the lesser of:

(i) "G" where "G" is equal to (("H"÷2) x 5) and "H" being the amount by which Earn-Out Adjusted EBITDA shown in the in the audited consolidated accounts for Mondo and its subsidiaries for Year 2 is less than $56.0 million; and

(ii) "I" where "I" is equal to ("J" x 5) and "J" is the amount by which Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo for Year 3 is greater than $63.0 million.

The consideration payable is also subject to locked box adjustments, which will lead to the reduction of the purchase price by the value of any leakage, and adjustments in connection with two disputes between Mondo's Finnish subsidiaries and the Finnish tax authorities.

The Elementis Group intends to satisfy the cash consideration out of the proceeds of the Rights Issue, utilisation of the New Debt Facilities and existing cash resources.

The Elementis Group will procure repayment of 100% of Mondo's financial indebtedness at Completion.

3. Conditions

Completion of the Acquisition is conditional upon:

- the approval of the Acquisition (as a Class 1 transaction under the Listing Rules) by Elementis shareholders passing an ordinary resolution at a general meeting; and
- the approval of the relevant anti-trust authorities in Brazil and Germany having been obtained

(together, the "**Conditions**").

The approval of the anti-trust authorities in Brazil and Germany was obtained on 8 August 2018 and 25 July 2018, respectively.

4. Works Council Consultation

The entry into the Sale and Purchase Agreement and the Warranty Agreement was subject to Mondo Minerals B.V. having completed the customary consultation procedures with its works council.

Elementis, the Purchaser, the Seller and the Warrantors therefore signed an agreement dated 29 June 2018 setting out the procedures for the works council process (the "**Signing Protocol**"). For further details of the terms of the Signing Protocol, see paragraph 18.1.1 of Part XXIV (*Additional Information*) of this document. The Company announced on 13 August 2018 that consultation procedures with Mondo Minerals B.V.'s works council in connection with the Acquisition had completed.

5. Warranties and Warranty and Indemnity insurance

The Seller will give fundamental title and capacity warranties in favour of the Purchaser under the Sale and Purchase Agreement. The Seller's liability in relation to such warranties is limited to the initial cash consideration paid to the Seller in respect of the Mondo shares plus the portion of the escrow amount actually released to the Seller. The time limit for claims under the Sale and Purchase Agreement will be eighteen months from Completion.

Under the Warranty Agreement, the Warrantors will give certain business warranties in favour of the Purchaser. Save in the event of fraud, the Warrantors' liability for all warranties is limited to $1. The time limit for claims (other than tax claims) under the Warranty Agreement will be eighteen months from Completion. The time limit for tax claims will be the expiry of the statute of limitations relating to the applicable category of tax.

The Elementis Group intends to obtain warranty and indemnity insurance in respect of the warranties contained in the Sale and Purchase Agreement and the Warranty Agreement, subject to certain specified limitations agreed with the insurer. The insurance will also cover certain tax liabilities arising in Mondo or its subsidiaries in relation to the period before Completion.

6. Conduct of the Mondo business prior to Completion

The Seller has agreed that prior to Completion, except as required by applicable law or consented to by the Purchaser, and subject to certain agreed exceptions, it will, within the limit of its authority as shareholder of Mondo, instruct and use all reasonable efforts to ensure that Mondo and its subsidiaries operate and conduct their activities in the ordinary course of business consistent with past practice. In addition, except as required by applicable law or consented to by the Purchaser, the Seller, within the limit of its authority as shareholder of Mondo, shall ensure that none of the Mondo Group companies will take specified actions, including the declaration or payment of dividends, making capital expenditures and incurring any indebtedness (subject to agreed exceptions).

The Seller has agreed to use its reasonable endeavours to ensure that Mondo and its subsidiaries will cooperate with the Purchaser in fulfilling any tasks regarding the repayment of Mondo's financial indebtedness and the release of any encumbrances pursuant to the existing facilities agreement and a loan from Advent Mondo (Luxembourg) Finance S.à r.l. (an affiliate of the Seller).

The Seller has authorised the Purchaser and its representatives to have reasonable access to Mondo's CEO, CFO and COO and, subject to the prior written consent of the CEO, the CFO or the COO and under their supervision, to the management and premises as is reasonably required to facilitate the ownership transition process, to the extent that such access complies with applicable law and does not unreasonably interfere with the operations of Mondo and its subsidiaries.

The Seller has agreed that, in the period between the date of the Sale and Purchase Agreement and Completion, it shall take all reasonable steps and provide all reasonable assistance as requested by the Purchaser to seek a waiver by the Amsterdam Harbour Authority (*Havenbedrijf Amsterdam*) of any applicable change of control provision contained in the conditions to the various leasehold interests of Mondo in Amsterdam in relation to the Transaction.

The Purchaser has agreed to use its best endeavours to obtain the satisfaction of the conditions and other actions which are required for the Rights Issue to be completed and for the sums due under the New Debt Facilities to be drawn, in order to pay the purchase price.

7. Termination

7.1 *Termination by the Seller or the Purchaser*

The Sale and Purchase Agreement may be terminated by either or both of the Seller and the Purchaser in the following situations:

(i) the Conditions have not been satisfied or deemed to be satisfied (or waived) at the latest by midnight on 31 December 2018 (the "**Longstop Date**");

(ii) the Resolution has not been passed by midnight on the Extended Shareholder Approval Longstop Date (as defined below); and

(iii) the Resolution is voted on but not duly passed at the General Meeting.

7.2 *Termination by the Seller*

The Sale and Purchase Agreement may be terminated by the Seller in the following circumstances:

(i) the Purchaser fails to make the required payments at Completion. Alternatively the Seller is entitled to effect Completion so far as practicable having regard to the defaults which have occurred, or set a new date for Completion; and

(ii) the General Meeting has not taken place by midnight on 11 October 2018 (the "**Shareholder Approval Longstop Date**"). Alternatively, the Seller may reset the Shareholder Approval Longstop Date at a date which is consistent with the required duration to pass the Resolution and is no later than eight weeks after the Shareholder Approval Longstop Date (the "**Extended Shareholder Approval Longstop Date**").

7.3 *Termination by the Purchaser*

The Sale and Purchase Agreement may be terminated by the Purchaser in circumstances where the Seller fails to comply with its obligation to deliver the original shareholders' register of Mondo at Completion. Alternatively, the Purchaser is entitled to effect Completion so far as practicable having regard to the defaults which have occurred or set a new date for Completion.

8. Break Fee

The Purchaser has agreed to pay a break fee to the Seller of $17.1 million in the event that the Sale and Purchase Agreement is terminated under the termination rights set out under paragraph 7.1(ii), 7.1(iii) or 7.2(ii) above.

PART IX

SOME QUESTIONS AND ANSWERS ABOUT THE RIGHTS ISSUE

The questions and answers set out in this Part IX are intended to be in general terms only and, as such, you should read Part IX (Some Questions and Answers about the Rights Issue) of this document for full details of what action you should take. If you are in any doubt as to what action you should take, you are recommended to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser, authorised under FSMA, as amended, if you are resident in the United Kingdom or, if not, from another appropriately authorised independent financial adviser.

This Part IX deals with general questions relating to the Rights Issue and more specific questions relating to Ordinary Shares held by persons resident in the United Kingdom who hold their Ordinary Shares in certificated form only. If you are an Overseas Shareholder, you should read paragraph 7 of Part X (Terms and Conditions of the Rights Issue) of this document and you should take professional advice as to whether you are eligible to take up your rights and if so, whether you need to observe any formalities to enable you to do so. If you hold your Ordinary Shares in uncertificated form (that is, through CREST) you should read Part IX (Some Questions and Answers about the Rights Issue) of this document for full details of what action you should take. If you are a CREST sponsored member, you should also consult your CREST sponsor. If you do not know whether your Ordinary Shares are in certificated or uncertificated form, please call the Shareholder Helpline on 0371 384 2785 (from within the United Kingdom) or on + 44 121 415 0815 (if calling from outside the United Kingdom). Lines are open from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday (except public holidays in England and Wales). Calls to the Shareholder Helpline from outside the United Kingdom will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the Shareholder Helpline operators cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

1. What is a Rights Issue?

A rights issue is a way for companies to raise money. Companies do this by giving their existing shareholders a right to buy further shares in proportion to their existing shareholdings.

If you hold Ordinary Shares on 1 October 2018 (the "**Record Date**"), other than those Shareholders with a registered address in the United States or the Excluded Territories, you will be entitled to buy New Ordinary Shares under the Rights Issue. If you hold your Existing Ordinary Shares in certificated form, your entitlement will be set out in your Provisional Allotment Letter.

New Ordinary Shares are being offered to Qualifying Shareholders in the Rights Issue at a discount to the price of Ordinary Shares on the last Dealing Day before the terms of the Rights Issue were announced on 10 September 2018. The Issue Price of 152.0 pence per New Ordinary Share represents:

- a 39.9% discount to the closing price of an Existing Ordinary Share; and
- a 34.7% discount to the theoretical ex-Rights price of an Existing Ordinary Share,

in each case based on the closing middle-market price of 252.8 pence on the London Stock Exchange on the last business day prior to the date of announcement of the terms of the Rights Issue. As a result of this discount, and while the market value of the Existing Ordinary Shares exceeds the Issue Price, the right to buy the New Ordinary Shares is potentially valuable.

The Rights Issue is on the basis of 1 New Ordinary Shares for every 4 Existing Ordinary Shares held by Qualifying Shareholders on the Record Date.

If you are a Qualifying Shareholder other than a Shareholder with a registered address, or who is resident, in the United States or one of the Excluded Territories and you do not want to buy the New Ordinary Shares to which you are entitled, you can instead sell or transfer your rights (called Nil Paid Rights) to those New Ordinary Shares and receive the net proceeds, if any, of the sale or transfer in cash. This is referred to as **"dealing nil paid"**.

2. What happens next?

The Company has called a General Meeting to be held at The Montcalm Royal London House, 22-25 Finsbury Square, London EC2A 1DX at 10.00 a.m. on 3 October 2018. Please see the notice of the General Meeting in Part VIII of the Circular. As you will see from the contents of the notice of the General Meeting, the Directors are seeking shareholder approval for the Acquisition and the Rights Issue.

If the Resolution is approved at the General Meeting, the Rights Issue will proceed (subject to certain conditions). The Provisional Allotment Letters are due to be despatched on 3 October 2018 to Qualifying Non-CREST Shareholders and the Nil Paid Rights are due to be credited to the CREST stock accounts of Qualifying CREST Shareholders as soon as practicable after 8.00 a.m. on 4 October 2018.

3. Can I sell some Rights and use the proceeds to take up my remaining Rights?

This is known as a cashless take-up or “tail-swallowing”. You should contact your stockbroker or financial adviser who may be able to help if you wish to do this. Please note that your ability to sell your rights is dependent on demand for such rights and that the price for Nil Paid Rights may fluctuate. Please ensure that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 18 October 2018.

4. Will my current shareholding in Elementis remain the same following the Rights Issue?

If you decide to take up all of your Rights to acquire the New Ordinary Shares to which you are entitled, the proportion of your holding in Elementis will, subject to fractional entitlements, remain the same as it was before the Rights Issue. If your entitlement to New Ordinary Shares is not a whole number, your entitlement will be rounded down.

If you decide to sell or not to take up some or all of your Rights, the proportion of your holding in Elementis will be smaller once the Rights Issue has been completed, as New Ordinary Shares are being issued. In these circumstances your interest in Elementis will be diluted, and the maximum dilution you may suffer (in the event you do not take up any of your Rights) will be 20.0%.

5. I hold my Existing Ordinary Shares in certificated form. How do I know if I am able to acquire New Ordinary Shares under the Rights Issue?

If you receive a Provisional Allotment Letter and are not a holder with a registered address in the United States or the Excluded Territories, then you should be eligible to acquire New Ordinary Shares under the Rights Issue (as long as you have not sold all of your Existing Ordinary Shares before 8.00 a.m. on 4 October 2018 (the time when the Existing Ordinary Shares are expected to be marked “ex-rights” by the London Stock Exchange) in which case you will need to follow the instructions on the front page of this document).

6. I hold my Existing Ordinary Shares in certificated form. How will I be informed of how many New Ordinary Shares I am entitled to buy?

Subject to Shareholders passing the Resolution at the General Meeting to be held on 3 October 2018, if you hold your Existing Ordinary Shares in certificated form and do not have a registered address in the United States or one of the Excluded Territories, you will be sent a Provisional Allotment Letter that shows:

- how many Existing Ordinary Shares you held at the close of business on 1 October 2018 (the Record Date for the Rights Issue);
- how many New Ordinary Shares you are entitled to buy; and
- how much you need to pay if you want to take up your right to buy all the New Ordinary Shares provisionally allotted to you in full.

If you have a registered address in the United States or one of the Excluded Territories, you will not receive a Provisional Allotment Letter.

7. I am a Qualifying Shareholder with a registered address in the United Kingdom and I hold my Existing Ordinary Shares in certificated form. What are my choices and what should I do with the Provisional Allotment Letter?

7.1 *If you want to take up all of your Rights*

If you want to take up all of your rights to acquire the New Ordinary Shares to which you are entitled, all you need to do is send the Provisional Allotment Letter, together with your cheque or banker's draft for the full amount, payable to "Equiniti Limited re Elementis plc Rights Issue" and crossed "A/C payee only", by post or by hand (during normal business hours) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Landing, West Sussex BN99 6DA, to arrive by no later than 11.00 a.m. on 18 October 2018. Within the United Kingdom only, you can use the reply-paid envelope which will be enclosed with the Provisional Allotment Letter. Full instructions are set out in Part IX (*Some Questions and Answers about the Rights Issue*) of this document and will be set out in the Provisional Allotment Letter.

Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted details of the name of the account holder and have either added the building society or bank branch stamp or have provided a supporting letter confirming the source of the funds. The name of the account holder should be the same as the name of the shareholder shown on page 1 or page 4 of the Provisional Allotment Letter.

A definitive share certificate will then be sent to you in respect of the New Ordinary Shares that you take up. Your definitive share certificate for New Ordinary Shares is expected to be despatched to you by no later than 29 October 2018. You will need your Provisional Allotment Letter to be returned to you if you want to deal in your Fully Paid Rights. Your Provisional Allotment Letter will not be returned to you unless you tick the appropriate box on the Provisional Allotment Letter.

7.2 *If you do not want to take up your Rights at all*

If you do not want to take up your rights, you do not need to do anything. If you do not return your Provisional Allotment Letter subscribing for the New Ordinary Shares to which you are entitled by 11.00 a.m. on 18 October 2018, the Company has made arrangements under which the Underwriters will try to find investors to take up your rights and the rights of others who have not taken up their rights. If the Underwriters do find investors who agree to pay a premium above the Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of value added tax), you will be sent a cheque for your share of the amount of that premium provided that this amount is £5.00 or more. Cheques are expected to be despatched by no later than 29 October 2018 and will be sent to your address appearing on the Company's register of members (or to the first-named holder if you hold your Existing Ordinary Shares jointly). If the Underwriters cannot find investors who agree to pay a premium over the Issue Price and related expenses so that your entitlement would be £5.00 or more, you will not receive any payment, and any amounts of less than £5.00 will be aggregated and ultimately paid to the Company. Alternatively, if you do not want to take up your rights, you can sell or transfer your Nil Paid Rights (see paragraph 7.4 below).

7.3 *If you want to take up some but not all of your Rights*

If you want to take up some but not all of your rights and wish to sell some or all of those you do not want to take up, you should first apply to have your Provisional Allotment Letter split by completing Form X on the Provisional Allotment Letter, and returning it by post or by hand (during normal business hours) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, to be received by 3.00 p.m. on 16 October 2018, together with a covering letter stating the number of split Provisional Allotment Letters required and the number of Nil Paid Rights to be comprised in each split Provisional Allotment Letter. You should then deliver the split Provisional Allotment Letter representing the New Ordinary Shares that you wish to accept together with your cheque or banker's draft to Equiniti Limited to be received by 11.00 a.m. on 18 October 2018.

Shareholders who wish to effect a cashless take-up of their Nil Paid Rights (which may be achieved through the sale of such portion of their Nil Paid Rights as will raise sufficient funds to allow the relevant Shareholder to take up their remaining Nil Paid Rights) should contact their broker, who may be able to assist with such arrangements. Please note that your ability to sell your rights is dependent on demand for such rights and that the price for Nil Paid Rights may fluctuate. Please ensure that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 18 October 2018.

Alternatively, if you want to take up some of your rights but not sell any of the rest, you should complete Form X on the Provisional Allotment Letter and return it with a cheque or banker's draft together with an accompanying letter indicating the number of Nil Paid Rights that you wish to take up, in accordance with the provisions set out in the Provisional Allotment Letter.

Further details are set out in Part IX (*Some Questions and Answers about the Rights Issue*) and will be set out in the Provisional Allotment Letter.

7.4 *If you want to sell all of your Rights*

If you want to sell all of your rights, you should complete and sign Form X on the Provisional Allotment Letter (if it is not already marked "Original Duly Renounced") and pass the entire letter to your stockbroker, bank manager or other appropriate financial adviser or to the transferee (provided they are not in the United States or any of the Excluded Territories).

Please ensure that you allow enough time so as to enable the person acquiring your rights to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 18 October 2018.

8. I acquired my Existing Ordinary Shares prior to the Record Date and hold my Existing Ordinary Shares in certificated form. What if I do not receive a Provisional Allotment Letter?

If Shareholders approve the Resolution at the General Meeting to be held on 3 October 2018, and you do not receive a Provisional Allotment Letter but hold your Existing Ordinary Shares in certificated form, this probably means that you are not able to take up New Ordinary Shares under the Rights Issue. Some Non-CREST Shareholders, however, will not receive a Provisional Allotment Letter but may still be eligible to acquire New Ordinary Shares under the Rights Issue, namely:

- Qualifying CREST Shareholders who held their Existing Ordinary Shares in uncertificated form 1 October 2018 and who have converted them to certificated form;
- Shareholders who bought Existing Ordinary Shares before 1 October 2018 and who hold such Ordinary Shares in certificated form but were not registered as the holders of those Ordinary Shares at the close of business on 1 October 2018; and
- certain Overseas Shareholders.

If you do not receive a Provisional Allotment Letter but think that you should have received one, please call the Shareholder Helpline on 0371 384 2785 (from within the United Kingdom) or on + 44 121 415 0815 (if calling from outside the United Kingdom). Lines are open from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday (except public holidays in England and Wales). Calls to the Shareholder Helpline from outside the United Kingdom will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the Shareholder Helpline operators cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

9. If I buy Ordinary Shares after the Record Date will I be eligible to participate in the Rights Issue?

If you bought Ordinary Shares after the Record Date but prior to 8.00 a.m. on 4 October 2018 (the time when the Existing Ordinary Shares are expected to start trading ex-Rights on the London Stock Exchange), you may be eligible to participate in the Rights Issue.

If you are in any doubt, please consult your stockbroker, bank or other appropriate financial adviser, or whoever arranged your share purchase, to ensure you claim your entitlement.

If you buy Ordinary Shares at or after 8.00 a.m. on 4 October 2018, you will not be eligible to participate in the Rights Issue in respect of those Ordinary Shares.

10. I hold my Existing Ordinary Shares in certificated form. If I take up my Rights, when will I receive the certificate representing my New Ordinary Shares?

If you take up your rights under the Rights Issue, share certificates for the New Ordinary Shares are expected to be posted by no later than 29 October 2018.

11. What if the number of New Ordinary Shares to which I am entitled is not a whole number? Am I entitled to fractions of New Ordinary Shares?

Your entitlement to New Ordinary Shares will be calculated at the Record Date (other than in the case of those who bought shares after the Record Date but prior to 8.00 a.m. on 4 October 2018 who are eligible to participate in the Rights Issue). If the result is not a whole number, you will not be provisionally allotted a New Ordinary Share in respect of the fraction of a New Ordinary Share and your entitlement will be rounded down to the nearest whole number. The New Ordinary Shares representing the aggregated fractions that would otherwise be allotted to Shareholders will be disregarded.

12. Will I be taxed if I take up or sell my Rights or if my Rights are sold on my behalf?

If you are resident in the United Kingdom for tax purposes, you should not have to pay UK tax when you take up your rights, although the Rights Issue will affect the amount of UK tax you may pay when you subsequently sell your Ordinary Shares.

However, assuming that you hold your Ordinary Shares as an investment, rather than for the purposes of a trade, you may (subject to any available exemption or relief) be subject to capital gains tax on any proceeds that you receive from the sale of your rights. Similarly, assuming that you hold your Ordinary Shares as an investment, if you allow, or are deemed to allow, your rights to lapse and receive a cash payment in respect of them you may (subject to any available exemption or relief) be subject to capital gains tax on any proceeds.

However if the proceeds are ‘small’ as compared to the value of the Existing Ordinary Shares in respect of which the rights arose (broadly, the proceeds do not exceed £3,000 or 5%, of the value of the Existing Ordinary Shares), a capital gains tax charge should not generally arise at that time. Rather, the proceeds will be deducted from the base cost of the holding of the Existing Ordinary Shares for the purposes of computing a chargeable gain or allowable loss on a subsequent disposal. This treatment will not apply if the proceeds are greater than the base cost of the holding of Existing Ordinary Shares.

Further information for Qualifying Shareholders who are resident in the United Kingdom for tax purposes is contained in Part XXII (*Taxation*) of this document. This information is intended as a general guide to the current tax position in the United Kingdom and Qualifying Shareholders should consult their own tax advisers regarding the tax treatment of the Rights Issue in light of their own circumstances. Qualifying Shareholders who are in any doubt as to their tax position, or who are subject to tax in any other jurisdiction, should consult an appropriate professional adviser as soon as possible. Please note that the Shareholder Helpline will not be able to assist you with taxation issues.

13. I understand that there is a period when there is trading in the Nil Paid Rights. What does this mean?

If you do not want to take up the New Ordinary Shares being offered to you under the Rights Issue, you can instead sell or transfer your rights (called **“Nil Paid Rights”**) to those New Ordinary Shares and receive the net proceeds of the sale or transfer in cash. This is referred to as **“dealing nil paid”**. This means that, during the Rights Issue offer period (being between 8.00 a.m. on 4 October and 11.00 a.m. on 18 October 2018) you can either purchase Ordinary Shares (which will not carry any entitlement to participate in the Rights Issue) or you can trade in the Nil Paid Rights.

14. I hold my Existing Ordinary Shares in certificated form. What if I want to sell the New Ordinary Shares for which I have paid?

Provided the New Ordinary Shares have been paid for and you have requested the return of the receipted Provisional Allotment Letter, you can transfer the Fully Paid Rights by completing Form X (the form of renunciation) on the receipted Provisional Allotment Letter in accordance with the instructions set out in the Provisional Allotment Letter until 3.00 p.m. on 15 October 2018. After that time, you will be able to sell your New Ordinary Shares in the normal way. The share certificate relating to your New Ordinary Shares is expected to be despatched to you by no later than 29 October 2018. Pending despatch of the share certificate, instruments of transfer will be certified by the Registrar against the register.

Further details are set out in Part IX (*Some Questions and Answers about the Rights Issue*) of this document.

15. Can I change my decision to take up my Rights?

Once you have returned your Provisional Allotment Letter to the relevant Receiving Agent, you cannot withdraw your application or change the number of New Ordinary Shares that you have applied for, save in accordance with paragraph 15 of this Part IX (*Some Questions and Answers about the Rights Issue*).

16. What should I do if I live outside the United Kingdom?

Whilst you have an entitlement to participate in the Rights Issue, your ability to take up or sell rights to New Ordinary Shares may be affected by the laws of the country in which you live and you should take professional advice as to whether you require any governmental or other consents or need to observe any other formalities to enable you to take up your rights. Shareholders with registered addresses in the United States or one of the Excluded Territories are, subject to certain exceptions, not able to acquire New Ordinary Shares under the Rights Issue. Your attention is drawn to the information in paragraph 7 of Part X (*Terms and Conditions of the Rights Issue*) of this document.

The Company has made arrangements under which the Underwriters will try to find investors to take up your rights and those of other Shareholders who have not taken up their rights. If the Underwriters do find investors who agree to pay a premium above the Issue Price and the related expenses of procuring those investors (including any applicable brokerage and commissions and amounts in respect of value added tax), you will be sent a cheque for your share of the amount of that premium provided that this is £5.00 or more. Cheques are expected to be despatched by no later than 29 October 2018 and will be sent to your address appearing on the Company's register of members (or to the first-named holder if you hold your Ordinary Shares jointly). If the Underwriters cannot find investors who agree to pay a premium over the Issue Price and related expenses so that your entitlement would be £5.00 or more, you will not receive any payment, and any amounts of less than £5.00 will be aggregated and ultimately paid to the Company.

17. Will the Rights Issue affect the future dividends the Company pays?

Following completion of the Rights Issue, future dividend payments will be adjusted for the Rights Issue. The adjustment will take account of the discount in the Issue Price to the share price at close of business on 10 September 2018, being the day prior to the announcement of the terms of the Rights Issue.

18. What if I hold options and awards under the PSP?

Participants in the performance share plan ("**PSP**") will be contacted separately with further information on how their options and awards granted under such plans may be affected by the Rights Issue.

19. How do I transfer my Rights into the CREST system?

If you are a Qualifying Non-CREST Shareholder, but are a CREST member and want your New Ordinary Shares to be in uncertificated form, you should complete Form X and the CREST Deposit Form (both on the Provisional Allotment Letter), and ensure they are delivered to CREST Courier and Sorting Service to be received by 3.00 p.m. on 12 October 2018 at the latest. CREST sponsored members should arrange for their CREST sponsors to do this.

If you have transferred your rights into the CREST system, you should refer to paragraph 4 of Part X (*Terms and Conditions of the Rights Issue*) for details on how to pay for the New Ordinary Shares.

20. What should I do if I think my holding of Ordinary Shares is incorrect?

If you have recently bought or sold Ordinary Shares, your transaction may not be entered on the register of members in time to appear on the register at the Record Date. If you are concerned about the figure in the Provisional Allotment Letter or otherwise concerned that your holding of Ordinary Shares is incorrect, please call the Shareholder Helpline on 0371 384 2785 (from within the United Kingdom) or on + 44 121 415 0815 (if calling from outside the United Kingdom). Lines are open from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday (except public holidays in England and Wales). Calls to the Shareholder Helpline from outside the United Kingdom will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the Shareholder Helpline operators cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

PART X

TERMS AND CONDITIONS OF THE RIGHTS ISSUE

1. Details of the Rights Issue

The Company proposes to raise approximately £172.5 million (net of expenses) by way of a rights issue of up to 116,044,829 New Ordinary Shares.

Subject to the satisfaction or waiver of the conditions of the Underwriting Agreement and the terms and conditions set out below, including passing of the Resolution by Shareholders, the New Ordinary Shares will be offered for subscription to Qualifying Shareholders at 152.0 pence per New Ordinary Share payable in full on acceptance on the basis of:

1 New Ordinary Shares for every 4 Existing Ordinary Shares

held by and registered in the names of Qualifying Shareholders (other than, subject to certain exceptions, Qualifying Shareholders resident or with registered addresses in the United States or any of the Excluded Territories) on the Record Date (and so in proportion to any other number of Existing Ordinary Shares each Qualifying Shareholder then holds) and otherwise on the terms and conditions set out in this document and, in the case of Qualifying Non-CREST Shareholders holding certificated shares (other than, subject to certain exceptions, such Shareholders resident or with registered addresses in the United States or any of the Excluded Territories), the Provisional Allotment Letters.

Times and dates referred to in this Part IX have been included on the basis of the expected timetable for the Rights Issue set out in Part IV (*Expected Timetable of Principal Events*).

The Issue Price of 152.0 pence per New Ordinary Share represents:

- a 39.9% discount to the closing price of an Existing Ordinary Share; and
- a 34.7% discount to the theoretical ex-Rights price of an Existing Ordinary Share,

in each case based on the closing middle-market price of 252.8 pence on the London Stock Exchange on the last business day prior to the date of announcement of the terms of the Rights Issue.

Qualifying Shareholders who do not take up their entitlements to New Ordinary Shares will have their proportionate shareholdings in the Company diluted by approximately 20.0%. Those Qualifying Shareholders who take up their Rights in full will, following completion of the Rights Issue, as nearly as practicable, have the same proportional voting rights and entitlements to distributions as they had on the Record Date.

The Nil Paid Rights are entitlements to subscribe for New Ordinary Shares subject to payment of the Issue Price. The Fully Paid Rights are entitlements to receive the New Ordinary Shares, for which a subscription and payment has already been made.

Holdings of Existing Ordinary Shares in certificated form or uncertificated form will each be treated as separate holdings for the purpose of calculating entitlements under the Rights Issue. New Ordinary Shares representing fractional entitlements will not be allotted to Qualifying Shareholders and, where necessary, entitlements to New Ordinary Shares will be rounded down to the nearest whole number (or to zero in the case of shareholders holding less than 4 Existing Ordinary Shares at the Record Date). Such fractions will be disregarded.

The Rights Issue is being underwritten by the Underwriters in accordance with the terms and subject to the conditions of the Underwriting Agreement and is conditional upon:

- the passing of the Resolution without amendment by the Shareholders at the General Meeting;
- Admission becoming effective by not later than 8.00 a.m. on 4 October 2018 or such later time and date as the Company and the Underwriters may agree (but provided that the acceptance date is no later than 18 October 2018, in accordance with the Underwriting Agreement); and

- the Underwriting Agreement otherwise becoming unconditional in all respects (other than in regard to Admission) and not having been terminated in accordance with its terms prior to Admission.

The Underwriters may arrange sub-underwriting for some, all or none of the New Ordinary Shares. The Underwriting Agreement is conditional upon certain matters being satisfied or not occurring prior to Admission and may also be terminated by the Underwriters prior to Admission upon the occurrence of certain specified events, in which case the Rights Issue will not proceed. After Admission, however, the Underwriting Agreement will not be subject to any right of termination with respect to the Rights Issue. A summary of certain terms and conditions of the Underwriting Agreement is set out in paragraph 18.1.4 of Part XXIV (*Additional Information*) of this document.

The Underwriters and any of their respective affiliates may engage in trading activity in connection with their roles under the Underwriting Agreement and, in that capacity, may retain, purchase, sell, offer to sell or otherwise deal for their own account in securities of the Company and related or other securities and instruments (including Ordinary Shares, Nil Paid Rights and Fully Paid Rights) for the purpose of hedging their underwriting exposure or otherwise. Accordingly, references in this document to Nil Paid Rights, Fully Paid Rights or New Ordinary Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, placing or dealing by, the Underwriters and any of their affiliates acting as investors for their own account. Except as required by applicable law or regulation, none of the Underwriters propose to make any public disclosure in relation to such transactions. In addition, certain of the Underwriters or their affiliates may enter into financing arrangements (including swaps or contract for differences) with investors in connection with which such Underwriters (or their affiliates) may from time to time acquire, hold or dispose of Ordinary Shares.

Elementis can give notice that it wishes to terminate the Sale and Purchase Agreement prior to Completion of the Acquisition if certain conditions, as detailed within the Sale and Purchase Agreement and explained further in Part X (*Terms and Conditions of the Rights Issue*) of this document, are not satisfied. It is therefore possible that the Rights Issue could proceed but the Acquisition does not. In such circumstances, and to the extent possible in the circumstances, the Company intend to refund the net proceeds raised by the Right Issue to Shareholders in a tax efficient way.

Subject to, amongst other things, the aforementioned conditions to the Rights Issue being satisfied, and save as provided in this Part X, it is expected that:

(i) Provisional Allotment Letters in respect of Nil Paid Rights will be despatched to Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, such Qualifying Non-CREST Shareholders with a registered address in the United States or any of the Excluded Territories) at their own risk on 3 October 2018;

(ii) the Receiving Agent will instruct Euroclear to credit the appropriate stock accounts of Qualifying CREST Shareholders (other than, subject to certain exceptions, such Qualifying CREST Shareholders with a registered address in the United States or any of the Excluded Territories) with such Shareholders' entitlements to Nil Paid Rights, with effect from 8.00 a.m. on 4 October 2018;

(iii) the Nil Paid Rights and the Fully Paid Rights will be enabled for settlement by Euroclear on 4 October 2018, as soon as practicable after the Company has confirmed to Euroclear that all the conditions for admission of such Rights to CREST have been satisfied;

(iv) New Ordinary Shares will be credited to the appropriate stock accounts of relevant Qualifying CREST Shareholders (or their renouncees) who validly take up their Rights by no later than 11.00 a.m. (London time) on 18 October 2018; and

(v) share certificates for the New Ordinary Shares will be despatched to relevant Qualifying Non-CREST Shareholders (or their renouncees) who validly take up their Rights by no later than 11.00 a.m. (London time) on 18 October 2018, at their own risk.

The offer will be made to Qualifying Non-CREST Shareholders by way of the Provisional Allotment Letter (as described in (i) above) and to Qualifying CREST Shareholders by way of the enablement of the Nil Paid Rights and the Fully Paid Rights (as described in (iv) above) (such Shareholders' stock accounts having been credited as described in (iii) above), such offer being made on the terms and conditions set out in this document (and, in the case of Qualifying Non-CREST Shareholders any relevant Provisional Allotment Letter) and based on the information contained in this document.

The offer of New Ordinary Shares pursuant to the Rights Issue is not being, and will not be, made by means of this document into the United States or any of the Excluded Territories or any other jurisdiction outside the United Kingdom in which it would be illegal to make an offer.

It is intended that The New Ordinary Shares will be issued pursuant to the authorities granted at the Company's Annual General Meeting held on 26 April 2018. The New Ordinary Shares will, when issued and fully paid, be ordinary shares ranking *pari passu* in all respects with the Existing Ordinary Shares, including the right to all future dividends or other distributions made, paid or declared after the date of their issue. The rights attaching to the New Ordinary Shares are governed by the Articles, a summary of which is set out in paragraph 7 of Part XXIV (*Additional Information*).

The attention of Shareholders with a registered address in, or who are resident or located in countries other than the United Kingdom, or who are holding Ordinary Shares in the Company for the benefit of such a person, and any person (including, without limitation, custodians, nominees, agents and trustees) who has a contractual or other legal obligation to forward this document (or any Provisional Allotment Letter) into a jurisdiction other than the United Kingdom is drawn to paragraph 7 of this Part X. In particular, subject to the provisions of paragraph 7 of this Part X and certain exceptions, Qualifying Shareholders with a registered address in the United States or any of the Excluded Territories will not be sent Provisional Allotment Letters and will not have their CREST stock accounts credited with Nil Paid Rights.

Applications will be made to the UK Listing Authority for the New Ordinary Shares to be admitted to the premium listing segment of the Official List and to the London Stock Exchange for the New Ordinary Shares to be admitted to trading on the London Stock Exchange's main market for listed securities. It is expected that Admission will become effective and that dealings in the New Ordinary Shares (nil paid) will commence by 8.00 a.m. on 4 October 2018 and in the New Ordinary Shares (fully paid) by 8.00 a.m. on 19 October 2018.

The New Ordinary Shares and the Existing Ordinary Shares are in registered form and can be held in certificated form or uncertificated form via CREST. No further application to CREST is required for the New Ordinary Shares and all the Ordinary Shares when issued and fully paid may be held and transferred by means of CREST.

Applications will be made for the Nil Paid Rights and the Fully Paid Rights to be admitted to CREST. Euroclear requires the Company to confirm that certain conditions (imposed by the CREST manual) are satisfied before Euroclear will admit the Nil Paid Rights and the Fully Paid Rights to CREST. It is expected that these conditions will be satisfied on Admission. As soon as practicable after Admission, the Company will confirm this to Euroclear.

The ISIN code for the New Ordinary Shares will be the same as that of the Existing Ordinary Shares, being GB0002418548. The ISIN code for the Nil Paid Rights is GB00BD58P156 and for the Fully Paid Rights is GB00BD58P040.

All documents including Provisional Allotment Letters and cheques and definitive share certificates posted to, by or from Qualifying Shareholders and/or their transferees or renouncees (or their agents, as appropriate) will be posted at their own risk.

Any person who accepts and/or renounces a Provisional Allotment Letter or who requests registration of the New Ordinary Shares comprised therein, or who makes a valid acceptance in accordance with the procedures set out in this Part X will be deemed by doing so to make the representations and warranties to the Company and the Underwriters contained in paragraph 7.5 of this Part X. Shareholders taking up their Rights by sending an MTM instruction to Euroclear will also be deemed to have given the representations and warranties set out in paragraph 4.2.4 of this Part X, unless the requirement is waived by the Company and the Underwriters.

The attention of Overseas Shareholders is drawn to paragraph 7 of this Part X.

2. Action to be taken

Subject to the passing of the Resolution by the Company's Shareholders at the General Meeting, the action to be taken in respect of New Ordinary Shares depends on whether, at the relevant time, the Qualifying Shareholder holds his Ordinary Shares in certificated form or uncertificated form (that is, in CREST).

If you are a Qualifying Shareholder and you have any queries about the Rights Issue or the procedure for acceptance and payment, you should call the Shareholder Helpline on 0371 384 2785 (from within the United Kingdom) or on + 44 121 415 0815 (if calling from outside the United Kingdom). Lines are open from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday (except public holidays in England and Wales). Calls to the Shareholder Helpline from outside the United Kingdom will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the Shareholder Helpline operators cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

If you hold your Ordinary Shares in CREST and you have any questions regarding the CREST procedures, please telephone the CREST Service Desk on 0845 9645 648 (+ 44 845 9645 648, if you are calling from outside the United Kingdom). The CREST Service Desk is available from 5:00 a.m. to 8:00 p.m. (London time), Monday to Friday (excluding public holidays). Calls to the 0845 9645 648 number cost 8 pence per minute (excluding VAT) or 10 pence per minute (including VAT) in addition to any service provider charges. Calls to the UK CREST Service Desk from outside the United Kingdom will be charged at applicable international rates. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the CREST Service Desk operators cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

If you are a Qualifying Non-CREST Shareholder, have received a Provisional Allotment Letter, and, subject to certain exceptions, are not resident in and do not have a registered address in the United States or any of the Excluded Territories, please refer to paragraphs 3 and 7 of this Part X.

If you are a Qualifying CREST Shareholder, and, subject to certain exceptions, are not resident in and do not have a registered address in the United States or any of the Excluded Territories, please refer to paragraphs 4 and 7 inclusive of this this Part X and to the CREST manual for further information on the CREST procedures referred to below.

If you are Qualifying Shareholder resident in and/or with a registered address in the United States or any of the Excluded Territories, please refer to paragraph 7 of this Part X.

CREST sponsored members should refer to their CREST sponsors, as only their CREST sponsors will be able to take the necessary actions specified below to take up the entitlements or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST sponsored members.

3. Action to be taken by Qualifying Non-CREST Shareholders in relation to Nil Paid Rights represented by Provisional Allotment Letters

3.1 *General*

Subject to the Resolution being passed at the General Meeting, the Company intends that the Provisional Allotment Letters will be despatched to Qualifying Non-CREST Shareholders (other than, subject to certain exceptions, such Qualifying Non-CREST Shareholders with a registered address in the United States or any of the Excluded Territories) on 3 October 2018.

The personalised Provisional Allotment Letter, which constitutes a temporary document of title, will set out:

- the holding of Existing Ordinary Shares at the Record Date on which the Qualifying Non-CREST Shareholder's entitlement to New Ordinary Shares has been based;

- the aggregate number and cost of New Ordinary Shares in certificated form which have been provisionally allotted to such Qualifying Non-CREST Shareholder;
- the procedures to be followed if a Qualifying Non-CREST Shareholder wishes to dispose of all or part of his entitlement or to convert all or part of his entitlement into uncertificated form; and
- instructions regarding acceptance and payment, consolidation, splitting and registration of renunciation.

On the basis that Provisional Allotment Letters are posted on 3 October 2018 and that dealings commence on 4 October 2018, **the latest time and date for acceptance and payment in full will be 11.00 a.m. on 18 October 2018.**

If the Rights Issue is delayed so that Provisional Allotment Letters cannot be despatched on 3 October 2018, the expected timetable set out in Part IV (*Expected Timetable of Principal Events*) of this document may be adjusted accordingly and the revised dates will be set out in the Provisional Allotment Letters and announced through a Regulatory Information Service. References to dates and times in this document should be read as subject to any such adjustment.

3.2 *Procedure for acceptance and payment*

3.2.1 *Qualifying Non-CREST Shareholders who wish to accept in full*

Holders of Provisional Allotment Letters who wish to take up all of their Nil Paid Rights must complete and return the Provisional Allotment Letter, together with a cheque or bankers' draft in pounds sterling made payable to "Equiniti Limited re Elementis plc Rights Issue" and crossed "A/C payee only" for the full amount payable on acceptance, in accordance with the instructions printed on the Provisional Allotment Letter, by post or hand (during normal business hours only) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be received as soon as possible and in any event not later than 11.00 a.m. on 18 October 2018, being the last date and time for acceptances. A reply-paid envelope will be enclosed with the Provisional Allotment Letter for use within the United Kingdom only. If you post your Provisional Allotment Letter within the United Kingdom by first class post, it is recommended that you allow at least four days for delivery.

3.2.2 *Qualifying Non-CREST Shareholders who wish to accept in part*

Holders of Provisional Allotment Letters who wish to take up some but not all of their Nil Paid Rights should refer to paragraph 3.6 of this Part X.

3.2.3 *Company's discretion as to validity of acceptances*

If payment is not received in full by 11.00 a.m. on 18 October 2018, the provisional allotment will be deemed to have been declined and will lapse. The Company and the Underwriters may (in their absolute discretion) treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney (where required).

The Company and the Underwriters reserve the right to treat as invalid any acceptance or purported acceptance of the offer of New Ordinary Shares that appears to the Company and the Underwriters or their respective agents to have been executed in, despatched from, or that provides an address for the delivery of definitive share certificates for New Ordinary Shares in, the United States or an Excluded Territory.

The Company may elect, but shall not be obliged, to treat as a valid acceptance the receipt of appropriate remittance by 11.00 a.m. on 18 October 2018, from an authorised person (as defined in FSMA) specifying the number of New Ordinary Shares to be acquired and containing an undertaking by that person to lodge the relevant Provisional Allotment Letters, duly completed, in due course.

The Company may also (in its sole discretion) treat a Provisional Allotment Letter as valid and binding on the person(s) by whom or on whose behalf it is lodged even if it is not completed in accordance with the relevant instructions or is not accompanied by a valid power of attorney where required.

A Qualifying Non-CREST Shareholder who makes a valid acceptance and payment in accordance with this paragraph 3.2 is deemed to request that the Fully Paid Rights or New Ordinary Shares (or both) to which he will become entitled be issued to him on the terms set out in this document and subject to the Company's Memorandum of Association and Articles of Association.

3.2.4 *Payments*

All payments must be made in pounds sterling by (i) cheque or (ii) banker's draft drawn on an account at a branch in the United Kingdom of a bank or building society and bear a UK bank or building society sort code number in the top right hand corner.

Cheques, which must be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made payable to "Equiniti Limited re Elementis plc Rights Issue" and crossed "A/C payee only". Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted details of the name of the account holder and have either added the building society or bank branch stamp or have provided a supporting letter confirming the source of funds. The name of the account holder should be the same as the name of the shareholder shown on page 1 or page 4 of the Provisional Allotment Letter. Neither post-dated cheques nor payments via CHAPS, BACS or electronic transfer will be accepted. All documents, cheques and bankers' drafts sent through the post will be sent at the risk of the sender.

The Company reserves the right to have cheques and bankers' drafts presented for payment on receipt and to instruct Equiniti to seek special clearance of cheques to allow the Company to obtain value for remittances at the earliest opportunity. Interest will not be paid on payments made before they are due but will accrue for the benefit of the Company.

Return of the Provisional Allotment Letter with a remittance in the form of a cheque or banker's draft will constitute a warranty that the cheque or banker's draft will be honoured on first presentation. The Company may elect, in its absolute discretion, to treat as invalid any acceptances in respect of which cheques or bankers' drafts are notified to it or its agent as not having been so honoured. If New Ordinary Shares have already been allotted to Qualifying Non-CREST Shareholders prior to any payment not being so honoured and such acceptances being treated as invalid, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of such Qualifying Non-CREST Shareholders and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by such Qualifying Non-CREST Shareholders pursuant to the provisions of this Part X in respect of the subscription of such shares) on behalf of such Qualifying Non-CREST Shareholders. In these circumstances neither the Company nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by Qualifying Non-CREST Shareholders as a result.

3.2.5 *Further representations and warranties*

Holders of Provisional Allotment Letters who accept and/or renounce their Provisional Allotment Letter also make the representations and warranties set out in paragraph 7.5.1 of this Part X, except in the circumstances described in that paragraph.

3.3 *Money Laundering Regulations*

It is a term of the Rights Issue that, to ensure compliance with the Money Laundering Regulations, Equiniti may require, at its absolute discretion, verification of the identity of the person lodging the Provisional Allotment Letter and, where relevant, its beneficial owner or ultimate controller and/or of any person on whose behalf the Provisional Allotment Letter is lodged with payment and, where relevant, its beneficial owner or ultimate controller (which requirements are referred to below as the "verification of identity requirements"). If an application is made by a UK regulated broker or intermediary acting as agent and which is itself subject to the Money Laundering Regulations, any verification of identity requirements are the responsibility of such broker or intermediary and not of Equiniti. In such case, the lodging agent's stamp should be inserted on the Provisional Allotment Letter.

The person lodging the Provisional Allotment Letter with payment (the **"applicant"**), including any person who appears to Equiniti to be acting on behalf of some other person, shall thereby be deemed to agree to provide Equiniti with such information and other evidence as Equiniti may require to satisfy the verification of identity requirements and agree for Equiniti to make a search using a credit reference agency for the purposes of confirming such identity; where deemed necessary a record of the search will be retained. Return of the Provisional Allotment Letter with the appropriate remittance will constitute a warranty from the applicant that the Money Laundering Regulations will not be breached by acceptance of such remittance.

If Equiniti determines that the verification of identity requirements apply to any applicant or application, the relevant New Ordinary Shares (notwithstanding any other term of the Rights Issue) will not be issued to the relevant applicant unless and until the verification of identity requirements have been satisfied in respect of that applicant or application. Equiniti is entitled, in its absolute discretion, to determine whether the verification of identity requirements apply to any applicant or application and whether such requirements have been satisfied, and none of Equiniti, the Company or the Banks will be liable to any person for any loss or damage suffered or incurred (or alleged), directly or indirectly, as a result of the exercise of such discretion.

If the verification of identity requirements applies, failure to provide the necessary evidence of identity within a reasonable time may result in delays and potential rejection of an application. If, within a reasonable period of time following a request for verification of identity, Equiniti has not received evidence satisfactory to it as aforesaid, the Company may, in its absolute discretion, treat the relevant application as invalid, in which event the application money will be returned (at the applicant's risk) without interest to the account of the bank or building society on which the relevant cheque or bankers' draft was drawn.

The verification of identity requirements will not usually apply if:

- the applicant is a regulated UK broker or intermediary acting as agent and is itself subject to the Money Laundering Regulations;
- the applicant is an organisation required to comply with the EU Money Laundering Directive (2005/60/EC);
- the applicant is a Company whose securities are listed on a regulated market subject to specified disclosure obligations;
- the applicant (not being an applicant who delivers his application in person) makes payment through an account in the name of such applicant with a credit institution which is subject to the EU Money Laundering Directive (2005/60/EC) or with a credit institution situated in a non-EEA state which imposes requirements equivalent to those laid down in the EU Money Laundering Directive (2005/60/EC); or
- the aggregate subscription price for the relevant New Ordinary Shares is less than €15,000 (or its pounds sterling equivalent, approximately £12,000).

Where the verification of identity requirements apply, please note the following, as this will assist in satisfying the requirements. Satisfaction of these requirements may be facilitated in the following ways:

- payments must be made by cheque or bankers' draft in pounds sterling drawn on a branch in the United Kingdom of a bank or building society and bear a UK bank or building society sort code number in the top right hand corner. Cheques, which must be drawn on the personal account of the individual investor where they have sole or joint title to the funds, should be made payable to "Equiniti Limited re Elementis plc Rights Issue" and crossed "A/C payee only". Third party cheques may not be accepted with the exception of building society cheques or banker's drafts where the building society or bank has inserted details of the name of the account holder and have either added the building society or bank branch stamp or have provided a supporting letter confirming the source of funds. The name of the account holder should be the same as the name of the shareholder shown on page 1 or page 4 of the Provisional Allotment Letter;
- if the Provisional Allotment Letter is lodged with payment by an agent which is an organisation required to comply with the EU Money Laundering Directive (2005/06/EC) or which is subject

to anti-money laundering regulations in a country which is a member of the Financial Action Task Force (the non-EU members of which are Argentina, Australia, Brazil, Canada, members of the Gulf Co-operation Council (being Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates), Hong Kong, Iceland, Japan, Korea, Mexico, New Zealand, Norway, the Russian Federation, Singapore, South Africa, Switzerland, Turkey and the United States), the agent should provide written confirmation that it has that status with the Provisional Allotment Letter(s) and written assurances that it has obtained and recorded evidence of the identity of the person for whom it acts and that it will on demand make such evidence available to Equiniti and/or any relevant regulatory or investigatory authority; or

- if a Provisional Allotment Letter is lodged by hand by the applicant in person, he should ensure that he has with him evidence of identity bearing his photograph (for example, his passport) and evidence of his address.

In order to confirm the acceptability of any written assurance referred to above, or in any other case, the applicant should call the Shareholder Helpline on 0371 384 2785 (from within the United Kingdom) or on + 44 121 415 0815 (if calling from outside the United Kingdom). Lines are open from 8.30 a.m. to 5.30 p.m. (London time) Monday to Friday (except public holidays in England and Wales). Calls to the Shareholder Helpline from outside the United Kingdom will be charged at the applicable international rate. Different charges may apply to calls from mobile telephones and calls may be recorded and randomly monitored for security and training purposes. Please note that the Shareholder Helpline operators cannot provide advice on the merits of the Rights Issue nor give financial, tax, investment or legal advice.

3.4 *Dealings in Nil Paid Rights*

Subject to the Rights Issue otherwise becoming unconditional, dealings on the London Stock Exchange in the Nil Paid Rights are expected to commence at 8.00 a.m. on 4 October 2018. A transfer of Nil Paid Rights can be made by the renunciation of the Provisional Allotment Letter (including one or more split Provisional Allotment Letters) in accordance with the instructions printed on it and delivery of the renounced Provisional Allotment Letter to the transferee, up to the latest time for acceptance and payment in full stated in the Provisional Allotment Letter, which is 11.00 a.m. on 18 October 2018.

3.5 *Dealings in Fully Paid Rights*

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document and the Provisional Allotment Letter, the Fully Paid Rights may be transferred by renunciation of the relevant Provisional Allotment Letter and delivering it by hand (during normal business hours only) or by post to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA by not later than 3.00 p.m. on 15 October 2018. From 19 October 2018, the New Ordinary Shares will be registered and transferable by written instrument of transfer in the usual common form or, if they have been issued in or converted into uncertificated form, in electronic form under CREST.

Fully paid Provisional Allotment Letters will not be returned to Shareholders unless their return is requested by ticking the relevant box in the Provisional Allotment Letter.

3.6 *Renunciation and splitting of Provisional Allotment Letters*

The Provisional Allotment Letters are fully renounceable and may be split up to 3.00 p.m on 16 October 2018, nil paid and fully paid.

Qualifying Non-CREST Shareholders who wish to transfer all of their Nil Paid Rights or, after acceptance of the provisional allotment and payment in full, Fully Paid Rights comprised in a Provisional Allotment Letter may renounce such allotment by completing and signing Form X of the Provisional Allotment Letter (if it is not already marked "**Original Duly Renounced**") and passing the entire Provisional Allotment Letter to their stockbroker or bank or other appropriate financial adviser or to the transferee (provided they are not in the United States or any of the Excluded Territories). Once a Provisional Allotment Letter has been so renounced, it will become a negotiable instrument in bearer form and the Nil Paid Rights or Fully Paid Rights (as appropriate) comprised in such letter may be transferred by delivery of such letter to the transferee. The latest time and date for registration of renunciation of Provisional Allotment Letters is 3.00 p.m. on 15 October 2018 and after such date the New Ordinary Shares will be in registered form, transferable by written instrument of transfer in the usual common form or, if they have been issued in or converted into uncertificated form, in electronic form under CREST. Qualifying Non-CREST Shareholders should note that no fully paid Provisional Allotment Letter will be returned to them unless its return is requested, by completing the appropriate box on the Provisional Allotment Letter.

If a holder of a Provisional Allotment Letter wishes to have only some of the New Ordinary Shares registered in his name and to transfer the remainder, or wishes to transfer all the Nil Paid Rights, or (if appropriate) Fully Paid Rights, but to different persons, he may have the Provisional Allotment Letter split, for which purpose he must sign and date Form X of the Provisional Allotment Letter. The Provisional Allotment Letter must then be delivered by hand (during normal business hours only) or by post to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be received as soon as possible and in any event not later than 3.00 p.m. on 16 October 2018, to be cancelled and exchanged for the number of split Provisional Allotment Letters required. The number of split Provisional Allotment Letters required and the number of Nil Paid Rights or (as appropriate) Fully Paid Rights to be comprised in each split Provisional Allotment Letter should be stated in an accompanying letter. Form X of split Provisional Allotment Letters will be marked "**Original Duly Renounced**" before issue. The aggregate number of Nil Paid Rights or (as appropriate) Fully Paid Rights comprised in the split Provisional Allotment Letters must equal the number of New Ordinary Shares set out in the original Provision Allotment Letter (less the number of New Ordinary Shares representing rights that the holder wishes to take up if taking up his entitlement in part). The holder of the split Provisional Allotment Letters should then follow the instructions in paragraph 3.2.1 of this Part X in relation to the Nil Paid Rights he wishes to take up and the instructions in the preceding paragraphs in relation to transferring the Nil Paid Rights or Fully Paid Rights (as appropriate) comprised in each of the Provisional Allotment Letters.

The Company and the Underwriters reserve the right to refuse to register any renunciation in favour of any person in respect of which the Company and the Underwriters believe such renunciation may violate applicable legal or regulatory requirements including (without limitation) any renunciation in the name of any person with an address in the United States or any of the Excluded Territories.

Alternatively, Qualifying Non-CREST Shareholders who wish to take up some of their Nil Paid Rights, without transferring the remainder, should complete Form X of the Provisional Allotment Letter and return it, together with a covering letter confirming the number of Nil Paid Rights to be taken up and a cheque or bankers' draft in pounds sterling made payable to "Equiniti Limited re Elementis plc Rights Issue" for the amount payable in respect of the number of Nil Paid Rights to be taken up by hand (during normal business hours only) or by post to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA so as to be received as soon as possible and, in any event, not later than 11.00 a.m. on 18 October 2018, being the last date and time for acceptances.

3.7 *Registration in names of Qualifying Non-CREST Shareholders*

A Qualifying Non-CREST Shareholder who wishes to have all his entitlement to New Ordinary Shares registered in his name must accept and make payment for such New Ordinary Shares prior to the latest time for acceptance and payment in full, which is 11.00 a.m. on 18 October 2018, in accordance with the provisions set out in the Provisional Allotment Letter and this document, but need take no further action. A definitive share certificate shall be sent to such Qualifying Shareholder by post not later than 29 October 2018.

3.8 *Registration in names of persons other than Qualifying Non-CREST Shareholders originally entitled*

A renouncee who wishes to have the New Ordinary Shares comprised in a Provisional Allotment Letter registered in his name, or his agent's name, must complete Form Y of the Provisional Allotment Letter (unless the renouncee is a CREST member who wishes to hold such shares in uncertificated form, in which case, the CREST Deposit Form must be completed, as set out in paragraph 3.9 of this Part X) and must deliver the entire letter when fully paid by hand (during normal business hours only) or by post to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA by not later than the latest time for registration of renunciation which is 3.00 p.m. on 15 October 2018.

Registration cannot be effected unless and until the New Ordinary Shares comprised in a Provisional Allotment Letter are fully paid.

The New Ordinary Shares comprised in several renounced Provisional Allotment Letters (duly renounced where applicable) may be registered in the name of one holder (or joint holders) if Form Y on the Provisional Allotment Letter is completed on one Provisional Allotment Letter (the **"Principal Letter"**) and all Provisional Allotment Letters are lodged in one batch. Details of each Provisional Allotment Letter (including the Principal Letter) should be listed in an accompanying letter and the allotment number of the Principal Letter should be entered in the space provided on each of the other Provisional Allotment Letters.

3.9 *Deposit of Nil Paid Rights or Fully Paid Rights into CREST*

The Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter may be converted into uncertificated form, that is, deposited into CREST (whether such conversion arises as a result of a renunciation of those Rights or otherwise). Similarly, Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is, withdrawn from CREST. Subject as provided in the next paragraph or in the Provisional Allotment Letter, normal CREST procedures and timings apply in relation to any such conversion. You are recommended to refer to the CREST manual for details of such procedures.

The procedure for depositing the Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter into CREST, whether such Rights are to be converted into uncertificated form in the name(s) of the person(s) whose name(s) and address(es) appear on page 1 of the Provisional Allotment Letter or in the name of a person or persons to whom the Provisional Allotment Letter has been renounced, is as follows: Form X and the CREST Deposit Form (both set out in the Provisional Allotment Letter) will need to be completed and the Provisional Allotment Letter must be deposited with the CREST Courier and Sorting Service (**"CCSS"**). In addition, the normal CREST stock deposit procedures will need to be carried out, except that: (a) it will not be necessary to complete and lodge a separate CREST Transfer Form (prescribed under the Stock Transfer Act 1963) with the CCSS; and (b) only the whole of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter may be deposited into CREST. If you wish to deposit only some of the Nil Paid Rights or Fully Paid Rights represented by the Provisional Allotment Letter into CREST, you must first apply for split Provisional Allotment Letters. If the Rights represented by more than one Provisional Allotment Letter are to be deposited, the CREST Deposit Form on each Provisional Allotment Letter must be completed and deposited. A consolidation listing form (as defined in the CREST Regulations) must not be used.

A holder of the Nil Paid Rights or Fully Paid Rights represented by a Provisional Allotment Letter who is proposing to convert those Rights into uncertificated form (whether following a renunciation of such Rights or otherwise) is recommended to ensure that the conversion procedures are implemented in sufficient time to enable the person holding or acquiring the Nil Paid Rights or Fully Paid Rights in CREST following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 18 October 2018. **In particular, having regard to processing times in CREST and on the part of Equiniti, the latest recommended time for depositing a renounced Provisional Allotment Letter (with Form X and the CREST Deposit Form in the Provisional Allotment Letter duly completed) with the CCSS (in order to enable the person acquiring the Nil Paid Rights or Fully Paid Rights in CREST as a result of the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 18 October 2018 is 3.00 p.m. on 15 October 2018.**

When Form X and the CREST Deposit Form (both in the Provisional Allotment Letter) have been completed, title to the Nil Paid Rights or the Fully Paid Rights represented by the Provisional Allotment Letter will cease forthwith to be renounceable or transferable by delivery and for the avoidance of doubt any entries in Form Y of the Provisional Allotment Letter will not be recognised or acted upon by Equiniti. All renunciations or transfers of the Nil Paid Rights or Fully Paid Rights must be effected through the means of the CREST system once such Rights have been deposited into CREST.

CREST sponsored members should contact their CREST sponsor as only their CREST sponsor will be able to take the necessary action to take up the entitlement or otherwise to deal with the Nil Paid Rights or Fully Paid Rights of CREST sponsored members.

3.10 *Issue of New Ordinary Shares in definitive form*

Definitive share certificates in respect of the New Ordinary Shares to be held in certificated form are expected to be despatched by post by 29 October 2018 at the risk of the person(s) entitled to them, to accepting Qualifying Non-CREST Shareholders and renouncees or their agents or, in the case of joint holdings, to the first-named Shareholder at their registered address (unless a lodging agent's stamp or details appear in the relevant box of the Provisional Allotment Letter). After despatch of definitive share certificates, Provisional Allotment Letters will cease to be valid for any purpose whatsoever. Pending despatch of definitive share certificates, instruments of transfer of the New Ordinary Shares will be certified by Equiniti against the lodgement of fully paid Provisional Allotment Letters or, in the case of renunciations, against the Provisional Allotment Letters held by Equiniti.

4. Action to be taken in relation to Nil Paid Rights or Fully Paid Rights in CREST

4.1 *General*

Subject to the Resolution being passed at the General Meeting and subject as provided in paragraph 7 of this Part X in relation to certain Overseas Shareholders, each Qualifying CREST Shareholder is expected to receive a credit to his CREST stock account of his entitlement to Nil Paid Rights on 4 October 2018. The CREST stock account to be credited will be an account under the Participant ID and member account ID that apply to the Existing Ordinary Shares held on the Record Date by the Qualifying CREST Shareholder in respect of which the Nil Paid Rights are provisionally allotted. The maximum number of New Ordinary Shares that a Qualifying CREST Shareholder may take up is that which has been provisionally allotted to that Qualifying CREST Shareholder and for which he receives a credit of entitlement into his stock account in CREST. The minimum number of New Ordinary Shares a Qualifying CREST Shareholder may take up is one.

The Nil Paid Rights will constitute a separate security for the purposes of CREST and can accordingly be transferred, in whole or in part, by means of CREST in the same manner as any other security that is admitted to CREST.

If for any reason it is impracticable to credit the stock accounts of Qualifying CREST Shareholders or to enable the Nil Paid Rights by 8.00 a.m. on 4 October 2018, Provisional Allotment Letters shall, unless the Company and the Underwriters agree otherwise, be sent out in substitution for the Nil Paid Rights which have not been so credited or enabled and the expected timetable as set out in this document may be adjusted as appropriate. References to dates and times in this document should be read as subject to any such adjustment.

The Company will make an appropriate announcement to a Regulatory Information Service approved by the UKLA giving details of the revised dates but Qualifying CREST Shareholders may not receive any further written communication.

CREST Members who wish to take up all or part of, or otherwise to transfer, all or part of their Nil Paid Rights or Fully Paid Rights or both held by them in CREST should refer to the CREST Manual for further information on the CREST procedures referred to below. If you are a CREST sponsored member, you should consult your CREST Sponsor if you wish to take up your entitlement as only your CREST Sponsor will be able to take the necessary action to take up your entitlements or otherwise to deal with your Nil Paid Rights or Fully Paid Rights.

4.2 *Procedure for acceptance and payment*

4.2.1 *MTM instructions*

CREST members who wish to take up all or part of their entitlement in respect of Nil Paid Rights in CREST must send (or, if they are CREST sponsored members, procure that their CREST sponsor sends) an MTM instruction to Euroclear which, on its settlement, will have the following effect:

- the crediting of a stock account of Equiniti under the Participant ID and member account ID specified below, with the number of Nil Paid Rights to be taken up;

- the creation of a settlement bank payment obligation (as this term is defined in the CREST manual), in accordance with the CREST RTGS payment mechanism (as this term is defined in the CREST manual), in favour of the RTGS settlement bank (as this term is defined in the CREST manual) of Equiniti in pounds sterling, in respect of the full amount payable on acceptance in respect of the Nil Paid Rights referred to in paragraph 3.2.4 above; and
- the crediting of a stock account of the accepting CREST member (being an account under the same Participant ID and member account ID as the account from which the Nil Paid Rights are to be debited on settlement of the MTM instruction) of the corresponding number of Fully Paid Rights to which the CREST member is entitled on taking up his Nil Paid Rights referred to in paragraph 3.2.4 above.

4.2.2 ***Contents of MTM instructions***

The MTM instruction must be properly authenticated in accordance with Euroclear specifications and must contain, in addition to the other information that is required for settlement in CREST, the following details:

- the number of Nil Paid Rights to which the acceptance relates;
- the Participant ID of the accepting CREST member;
- the member account ID of the accepting CREST member from which the Nil Paid Rights are to be debited;
- the Participant ID of Equiniti, in its capacity as a CREST receiving agent. This is 2RA72;
- the member account ID of Equiniti, in its capacity as a CREST receiving agent. This is RA295301;
- the number of Fully Paid Rights that the CREST member is expecting to receive on settlement of the MTM instruction. This must be the same as the number of Nil Paid Rights to which the acceptance relates;
- the amount payable by means of the CREST assured payment arrangements on settlement of the MTM instruction. This must be the full amount payable on acceptance in respect of the number of Nil Paid Rights to which the acceptance relates;
- the intended settlement date (which must be on or before 11.00 a.m. on 18 October 2018);
- the Nil Paid Rights ISIN. This is GB00BD58P156;
- the Fully Paid Rights ISIN. This is GB00BD58P040;
- the Corporate Action Number (as this term is defined in the CREST manual) for the Rights Issue. This will be available by viewing the relevant corporate action details in CREST;
- a priority of at least 80; and
- the contact name and telephone numbers in the shared notes field.

4.2.3 ***Valid acceptance***

An MTM instruction complying with each of the requirements as to authentication and contents set out in paragraph 4.2.2 of this Part X will constitute a valid acceptance where either:

- the MTM instruction settles by not later than 11.00 a.m. on 18 October 2018; or
- at the discretion of the Company: (i) the MTM instruction is received by Euroclear by not later than 11.00 a.m. on 18 October 2018; and (ii) the number of Nil Paid Rights inserted in the MTM instruction is credited to the CREST stock member account of the accepting CREST member specified in the MTM instruction at 11.00 a.m. on 18 October 2018; and (iii) the relevant MTM instruction settles by 2.00 p.m. on 18 October 2018 (or such later time and date as the Company may determine). An MTM instruction will be treated as having been received by Euroclear for these purposes at the time at which the instruction is processed by the Network Provider's Communications Host (as this term is defined in the CREST manual) at Euroclear of the network provider used by the CREST Member (or by the CREST sponsored member's CREST sponsor). This will be conclusively determined by the input time stamp applied to the MTM instruction by the Network Provider's Communications Host.

4.2.4 *Representations, warranties and undertakings of CREST Members*

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with this paragraph 4.2 represents, warrants and undertakes to the Company and the Underwriters that he has taken (or procured to be taken), and will take (or will procure to be taken), whatever action is required to be taken by him or by his CREST sponsor (as appropriate) to ensure that the MTM instruction concerned is capable of settlement at 11.00 a.m. on 18 October 2018 and remains capable of settlement at all times after that until 2.00 p.m. on 18 October 2018 (or until such later time and date as the Company and the Underwriters may determine). In particular, the CREST member or CREST sponsored member represents, warrants and undertakes that at 11.00 a.m. on 18 October 2018 and at all times thereafter until 2.00 p.m. on 18 October 2018 (or until such later time and date as the Company and the Underwriters may determine) there will be sufficient Headroom within the Cap (as those terms are defined in the CREST manual) in respect of the cash memorandum account to be debited with the amount payable on acceptance to permit the MTM instruction to settle. CREST sponsored members should contact their CREST sponsor if they are in any doubt.

A CREST member or CREST sponsored member who makes a valid acceptance in accordance with this paragraph 4.2 also makes the representations and warranties set out in paragraph 7.5 of this Part X, except in the circumstances described in that paragraph.

If there is insufficient Headroom within the Cap (as those terms are defined in the CREST manual) in respect of the cash memorandum account of a CREST member or CREST sponsored member for such amount to be debited or the CREST member's or CREST sponsored member's acceptance is otherwise treated as invalid and New Ordinary Shares have already been allotted to such CREST Member or CREST sponsored member, the Company may (in its absolute discretion as to manner, timing and terms) make arrangements for the sale of such shares on behalf of that CREST member or CREST sponsored member and hold the proceeds of sale (net of the Company's reasonable estimate of any loss that it has suffered as a result of the acceptance being treated as invalid and of the expenses of sale including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by the CREST member or CREST sponsored member pursuant to the provisions of this Part X in respect of the subscription of such shares) on behalf of such CREST Member or CREST sponsored member. In these circumstances, neither the Company nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by such CREST member or CREST sponsored member as a result.

4.2.5 *CREST procedures and timings*

CREST Members and CREST Sponsors (on behalf of CREST sponsored members) should note that Euroclear does not make available special procedures in CREST for any particular corporate action.

Normal system timings and limitations will therefore apply in relation to the input of an MTM instruction and its settlement in connection with the Rights Issue. It is the responsibility of the CREST Member concerned to take (or, if the CREST Member is a CREST sponsored member, to procure that his CREST Sponsor takes) the action necessary to ensure that a valid acceptance is received as stated above by 11.00 a.m. on 18 October 2018. In connection with this, CREST Members and (where applicable) CREST Sponsors are referred in particular to those sections of the CREST Manual concerning practical limitations of the CREST system and timings.

4.2.6 *CREST Member's undertaking to pay*

A CREST Member or CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in this paragraph 4.2: (a) undertakes to pay to the Company or procure the payment to the Company of, the amount payable in pounds sterling on acceptance in accordance with the above procedures or in such other manner as the Company may require (it being acknowledged that, where payment is made by means of the RTGS payment mechanism, (as defined in the CREST Manual), the creation of a RTGS settlement bank (as defined in the CREST Manual) payment obligation in pounds sterling in favour of the relevant CREST Member's (or CREST Sponsored Member's) RTGS settlement bank (as defined in the CREST Manual), in accordance with the RTGS payment mechanism shall, to the extent of the obligation so created, discharge in full the obligation of the CREST Member (or CREST sponsored member) to pay to the Company the amount payable on acceptance); and (b) requests that the Fully Paid Rights or New Ordinary Shares or both, to which they will become entitled, be issued to them on the terms set out in this document and subject to the Memorandum of Association and Articles of Association.

If the payment obligations of the relevant CREST Member in relation to such New Ordinary Shares are not discharged in full and such New Ordinary Shares have already been issued to the CREST Member or CREST sponsored member, the Company may (in its absolute discretion as to the manner, timing and terms) make arrangements for the sale of such shares on behalf of that CREST Member or CREST sponsored member and hold the proceeds of sale (net of expenses including, without limitation, any stamp duty or SDRT payable on the transfer of such shares, and of all amounts payable by the CREST Member or CREST sponsored member pursuant to the provisions of this Part X in respect of the subscription of such shares) or an amount equal to the original payment of the CREST Member or CREST sponsored member (whichever is lower) on trust for such CREST Member or CREST sponsored member. In these circumstances, neither the Company nor any other person shall be responsible for, or have any liability for, any loss, expenses or damage suffered by any CREST Member or CREST sponsored member as a result.

4.2.7 *Discretion as to rejection and validity of acceptances*

The Company having consulted with the Underwriters may:

- reject any acceptance constituted by an MTM instruction, which is otherwise valid, in the event of breach of any of the representations, warranties and undertakings set out or referred to in this paragraph 4.2. Where an acceptance is made as described in this paragraph 4.2 which is otherwise valid, and the MTM instruction concerned fails to settle by 11.00 a.m. on 18 October 2018 (or by such later time and date as the Company and the Underwriters may determine), the Company shall be entitled to assume, for the purposes of its right to reject an acceptance as described in this paragraph 4.2, that there has been a breach of the representations, warranties and undertakings set out or referred to in this paragraph 4.2;
- treat as valid (and binding on the CREST Member or CREST sponsored member concerned) an acceptance which does not comply in all respects with the requirements as to validity set out or referred to in this paragraph 4.2;
- accept an alternative properly authenticated dematerialised instruction from a CREST Member or (where applicable) a CREST Sponsor as constituting a valid acceptance in substitution for, or in addition to, an MTM instruction and subject to such further terms and conditions as the Company and the Underwriters may determine;
- treat a properly authenticated dematerialised instruction (the **"first instruction"**) as not constituting a valid acceptance if, at the time at which Equiniti receives a properly authenticated dematerialised instruction giving details of the first instruction, either the Company or Equiniti has received actual notice from Euroclear of any of the matters specified in CREST Regulation 35(5)(a) in relation to the first instruction. These matters include notice that any information contained in the first instruction was incorrect or notice of lack of authority to send the first instruction; and
- accept an alternative instruction or notification from a CREST Member or (where applicable) a CREST Sponsor, or extend the time for acceptance and/or settlement of an MTM instruction or any alternative instruction or notification if, for reasons or due to circumstances outside the control of any CREST Member or CREST sponsored member or (where applicable) CREST Sponsor, the CREST Member or CREST sponsored member is unable validly to take up all or part of his Nil Paid Rights by means of the above procedures. In normal circumstances, this discretion is only likely to be exercised in the event of any interruption, failure or breakdown of CREST (or of any part of CREST) or on the part of facilities and/or systems operated by Equiniti in connection with CREST.

4.3 *Money Laundering Regulations*

If you hold your Nil Paid Rights in CREST and apply to take up all or part of your entitlement as agent for one or more persons and you are not a UK or EU regulated person or institution (e.g. a bank, a broker or another UK financial institution), then, irrespective of the value of the application, Equiniti is required to take reasonable measures to establish the identity of the beneficial owner or ultimate controller of the person or persons on whose behalf you are making the application. Such Qualifying CREST Shareholders must therefore contact Equiniti before sending any MTM instruction or other instruction so that appropriate measures may be taken.

Submission of an MTM instruction which constitutes, or which may on its settlement constitute, a valid acceptance as described above constitutes a warranty and undertaking by the applicant to provide promptly to Equiniti any information Equiniti may specify as being required for the purposes of the Money Laundering Regulations or FSMA. Pending the provision of evidence satisfactory to Equiniti as to identity, Equiniti, having consulted with the Company and the Underwriters, may take, or omit to take, such action as it may determine to prevent or delay settlement of the MTM instruction. If satisfactory evidence of identity has not been provided within a reasonable time, Equiniti will not permit the MTM instruction concerned to proceed to settlement without prejudice to the right of the Company and/or any one or more of the Underwriters to take proceedings to recover any loss suffered by it/them as a result of failure by the applicant to provide satisfactory evidence.

4.4 *Dealings in Nil Paid Rights*

Subject to the Resolution being passed at the General Meeting and the Rights Issue otherwise becoming unconditional, dealings in the Nil Paid Rights on the London Stock Exchange are expected to commence at 8.00 a.m. on 4 October 2018. A transfer (in whole or part) of Nil Paid Rights can be made by means of CREST in the same manner as any other security that is admitted to CREST. The Nil Paid Rights are expected to be disabled in CREST after the close of CREST business on 18 October 2018.

4.5 *Dealings in Fully Paid Rights*

After acceptance of the provisional allotment and payment in full in accordance with the provisions set out in this document and (where appropriate) the Provisional Allotment Letter, the Fully Paid Rights may be transferred (in whole or in part) by means of CREST in the same manner as any other security that is admitted to CREST. The last date for settlement of any transfer of Fully Paid Rights in CREST is expected to be 11.00 a.m. on 18 October 2018. The Fully Paid Rights are expected to be disabled in CREST after the close of CREST business on 18 October 2018. After 18 October 2018, the New Ordinary Shares will be registered in the name(s) of the person(s) entitled to them in the Company's register of members and will be transferable by means of CREST in the usual way.

4.6 *Withdrawal of Nil Paid Rights or Fully Paid Rights from CREST*

Nil Paid Rights or Fully Paid Rights held in CREST may be converted into certificated form, that is withdrawn from CREST. Normal CREST procedures (including timings) apply in relation to any such conversion.

The recommended latest time for receipt by Euroclear of a properly authenticated dematerialised instruction requesting withdrawal of Nil Paid Rights or, if appropriate, Fully Paid Rights from CREST is 4.30 p.m. on 12 October 2018, so as to enable the person acquiring or (as appropriate) holding the Nil Paid Rights or, if appropriate, the Fully Paid Rights following the conversion to take all necessary steps in connection with taking up the entitlement prior to 11.00 a.m. on 18 October 2018. You are recommended to refer to the CREST Manual for details of such procedures.

4.7 *Issue of New Ordinary Shares in CREST*

New Ordinary Shares will be issued in uncertificated form to those persons registered as holding Fully Paid Rights in CREST at the close of business on the date on which the Fully Paid Rights are disabled. Equiniti will instruct Euroclear to credit the appropriate stock accounts of those persons (under the same Participant ID and member account ID that applied to the Fully Paid Rights held by those persons) with their entitlements to New Ordinary Shares with effect from the next Dealing Day (expected to be 20 October 2018).

4.8 *Right to allot/issue in certificated form*

Despite any other provision of this document, the Company reserves the right to allot and to issue any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in certificated form. In normal circumstances, this right is only likely to be exercised in the event of an interruption, failure or breakdown of CREST (or of any part of CREST) or of a part of the facilities or systems operated by Equiniti in connection with CREST.

5. Procedure in respect of Rights not taken up and withdrawal Rights

5.1 *Procedure in respect of Rights not taken up*

If an entitlement to New Ordinary Shares (whether in whole or in part) is not validly taken up in accordance with the procedure laid down for acceptance and payment, then that provisional allotment (or that part of the provisional allotment not taken up, as the case may be) will be deemed to have been declined and will lapse. Subject to the terms and conditions of the Underwriting Agreement, the Underwriters shall, acting severally and not jointly (or jointly and severally) and as agents for the Company, use their respective reasonable endeavours to procure, by not later than 5.00 p.m. on the second Dealing Day after 19 October 2018, subscribers for all of those Underwritten Ordinary Shares not taken up at an aggregate price for all the relevant New Ordinary Shares which is at least equal to the total of the Issue Price and the expenses of procuring the relevant subscribers (including any applicable brokerage and other commissions and any amounts attributable to VAT).

Notwithstanding the above, the Underwriters may cease to endeavour to procure any such subscribers if, in the reasonable opinion of the Underwriters, it is unlikely that any such subscriber(s) can be so procured at such a price by such time.

Any premium obtained over the aggregate of the Issue Price and the expenses of procuring subscribers (including any applicable brokerage and other commissions and any amounts attributable to VAT) shall be paid (subject as provided in this paragraph 5):

- where the Nil Paid Rights were, at the time they lapsed, in certificated form on the UK Register, to the person whose name and address appeared on page 1 of the Provisional Allotment Letter relating to those Nil Paid Rights;
- where the Nil Paid Rights were, at the time they lapsed, in uncertificated form on the UK Register, to the person registered as the holder of those Nil Paid Rights at the time of their disablement in CREST; and
- to the extent not provided above, where an entitlement to New Ordinary Shares was not taken up by an Overseas Shareholder, to such Overseas Shareholder.

New Ordinary Shares for which subscribers are procured on this basis will be re-allotted to such subscribers and the aggregate of any premiums (being the amount paid by such subscribers after deducting the Issue Price and the expenses of procuring such subscribers including any applicable brokerage and other commissions and any amounts attributable to VAT), if any, will be paid (without interest) to those persons entitled (as referred to above) pro rata to the relevant lapsed provisional allotments, save that no payment will be made of amounts of less than £5.00, which amounts will be aggregated and ultimately paid to the Company. Cheques for the amounts due will be sent in pounds sterling, by post, at the risk of the entitled person(s)), to their registered address(es) (the registered address of the first named in the case of joint holders), provided that where any entitlement concerned was held in CREST, the amount due will, unless the Company (in its absolute discretion) otherwise determines, be satisfied by the Company procuring the creation of an assured payment obligation in favour of the relevant CREST Member's (or CREST sponsored member's) RTGS settlement bank (as defined in the CREST Manual) in respect of the cash amount concerned in accordance with the RTGS payment mechanism (as defined in the CREST Manual) or broker's account is credited with the cash amount concerned.

If and to the extent that subscribers cannot be procured on the basis outlined above, the relevant New Ordinary Shares will be subscribed for by the Underwriters, acting severally but not jointly (or jointly and severally), as principals pursuant to the Underwriting Agreement or by sub-underwriters or other subscribers (if any) procured by the Underwriters, in each case, at the Issue Price on the terms and subject to the conditions of the Underwriting Agreement.

Any transactions undertaken pursuant to this paragraph 5.1 shall be deemed to have been undertaken at the request of the persons entitled to the lapsed provisional allotments and none of the Company, the Underwriters nor any other person procuring subscribers shall be responsible for any loss or damage (whether actual or alleged) arising from the terms of or timing of any subscription, any decision not to endeavour to procure subscribers or the failure to procure subscribers on the basis described above. The Underwriters will be entitled to retain any brokerage fees, commissions, or other benefits received in connection with these arrangements.

5.2 *Withdrawal Rights*

Qualifying CREST Shareholders and Qualifying Non-CREST Shareholders or their renouncees who have the right to withdraw their acceptances under Section 87Q(4) of FSMA after a supplementary prospectus (if any) has been published and who wish to exercise such right of withdrawal must deposit a written notice of withdrawal (which shall not include a notice sent by any form of electronic communication other than facsimile), which must include the full name and address of the person wishing to exercise such right of withdrawal and, if such person is a CREST Member, the Participant ID and the member account ID of such CREST Member, by post or by hand (during normal business hours) to Equiniti Limited, Corporate Actions, Aspect House, Spencer Road, Lancing, West Sussex BN99 6DA, or, after calling the Shareholder helpline, arrange to send a fax, in each case so as to be received before the end of the period of two business days beginning with the first business day after the date on which the supplementary prospectus (if any) was published. Notice of withdrawal of acceptance given by any other means or which is deposited with, or received by, the Receiving Agent after the end of the period of two business days beginning with the first business day after the date on which the supplementary prospectus (if any) was published will be invalid.

If such right to withdraw would apply at any time after the last date for valid acceptance such date shall be postponed to a new date announced by the Company being not earlier than two business days following publication of any supplementary prospectus.

Furthermore, the exercise of withdrawal rights will not be permitted after payment by the relevant person of his subscription price in full and the allotment of the New Ordinary Shares to such person becoming unconditional, save as required by statute. In such circumstances, Shareholders are advised to consult their professional advisers. Provisional allotments of entitlements to New Ordinary Shares which are the subject of a valid withdrawal notice will be deemed to be declined and will therefore be subject to the provisions of this paragraph 5 as if the entitlement to New Ordinary Shares had not validly been taken up. In such circumstances, to the extent that Shareholders have paid monies to the Company in respect of an acceptance which they wish to withdraw, the Company will remit such monies to Shareholders, without interest, within 14 Business Days. Any interest earned on such monies will be retained for the benefit of the Company.

6. Taxation

Information on United Kingdom, and United States taxation with regard to the Rights Issue is set out in Part XXII (*Taxation*) of this document and is intended only as a general guide to the current tax position in the United Kingdom and the United States. If you are in any doubt as to your tax position, you should consult your own independent adviser immediately.

7. Overseas Shareholders

This document has been approved by the FCA, being the competent authority in the United Kingdom.

The making of the proposed offer of New Ordinary Shares to persons resident in or who have a registered address in countries other than the United Kingdom may be affected by the law or regulatory requirements of the relevant jurisdiction. Any Shareholder who is in any doubt as to his position should consult an appropriate professional adviser without delay.

7.1 *General*

The making or acceptance of the proposed offer of New Ordinary Shares to persons who have registered addresses outside the United Kingdom, or who are resident in countries other than the United Kingdom, may be affected by the laws of the relevant jurisdiction. Those persons should consult their professional advisers as to whether they require any governmental or other consents or need to observe any other formalities to enable them to take up their Rights.

It is also the responsibility of any person (including, without limitation, custodians, nominees and trustees) outside the United Kingdom wishing to take up Rights under the Rights Issue to satisfy himself as to the full observance of the laws of any relevant territory in connection therewith, including the obtaining of any governmental or other consents which may be required, the compliance with other necessary formalities and the payment of any issue, transfer or other taxes due in such territories. The comments set out in this paragraph 7 are intended as a general guide only and any Overseas Shareholder who is in doubt as to his position should consult his professional adviser without delay and take independent professional advice in relation thereto. Receipt of this document or a Provisional Allotment Letter or the crediting of Nil Paid Rights to a stock account in CREST will not constitute an offer in those jurisdictions in which it would be illegal to make or accept an offer and, in those circumstances, this document or the Provisional Allotment Letter or both must be treated as sent (or made available) for information only and should not be copied or redistributed.

No action has been or will be taken in any jurisdiction (other than the United Kingdom) that would permit a public offer or distribution of the New Ordinary Shares, the Nil Paid Rights or the Fully Paid Rights or the Provisional Allotment Letters or possession or distribution of this document or any other offering material in any country or jurisdiction where action for that purpose is required. Accordingly, the New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters, may not be distributed, offered or sold, directly or indirectly, and this document may not be distributed or published in or from any country or jurisdiction except under circumstances that will result in compliance with any and all applicable rules and regulations of any such country or jurisdiction. Persons into whose possession this document comes (or who otherwise access this document) should inform themselves about and observe any restrictions on the distribution of this document and the offer or distribution of the New Ordinary Shares, the Nil Paid Rights the Fully Paid Rights and the Provisional Allotment Letters contained in this document. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

This document does not constitute an offer to acquire any, or a distribution, of the New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters to any person in any jurisdiction to whom it is unlawful to make or accept such offer, distribution or solicitation in such jurisdiction.

New Ordinary Shares will be provisionally allotted (nil paid) to all Shareholders on the Register as at the Record Date (including, for the avoidance of doubt, any Overseas Shareholders). However, the Provisional Allotment Letters will not be sent to Qualifying Shareholders with registered addresses in the United States or any Excluded Territory and Nil Paid Rights will not be credited to CREST accounts of Shareholders with registered addresses in the United States or any Excluded Territory, except where the Company is satisfied that such action would not result in the contravention of any registration or other legal requirement in any jurisdiction.

No person in the United States or in any Excluded Territory receiving or being given access to a copy of this document or a Provisional Allotment Letter and/or receiving a credit of Nil Paid Rights to a stock account in CREST may treat the same as constituting an invitation or offer to him nor should he in any event use the Provisional Allotment Letter or deal with Nil Paid Rights or Fully Paid Rights in CREST unless such an invitation or offer could lawfully be made to and accepted by him or the Provisional Allotment Letter could lawfully be used or dealt with without contravention of any registration or other legal requirements. In such circumstances, this document and the Provisional Allotment Letter are to be treated as sent (or made available) for information only and should not be copied or redistributed.

Accordingly, persons (including, without limitation, custodians, nominees and trustees) receiving or being given access to a copy of this document or a Provisional Allotment Letter or both or whose stock account in CREST is credited with Nil Paid Rights should not, in connection with the Rights Issue, distribute or send the same or transfer Nil Paid Rights or Fully Paid Rights in or into any jurisdiction where to do so would or might contravene local securities laws or regulations including, but not limited to, those of the United States and the Excluded Territories. If a Provisional Allotment Letter or a credit of Nil Paid Rights or Fully Paid Rights is received by any person in any such territory, or by his agent or nominee, he must not seek to take up the Rights referred to in the Provisional Allotment Letter or in this document or renounce the Provisional Allotment Letter or transfer the Nil Paid Rights or Fully Paid Rights unless the Company and the Underwriters determine that such actions would not violate applicable legal or regulatory requirements. Any person (including, without limitation, custodians, nominees and trustees) who does forward this document or a Provisional Allotment Letter or transfer Nil Paid Rights or Fully Paid Rights into any such territories (whether pursuant to a contractual or legal obligation or otherwise) should draw the recipient's attention to the contents of this paragraph 7.

Any person (including, without limitation, agents, nominees and trustees) outside the United Kingdom wishing to take up his Rights under the Rights Issue must satisfy himself as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. The Company, in consultation with the Underwriters, reserves the right to treat as invalid and will not be bound to allot or issue any New Ordinary Shares in respect of any acceptance or purported acceptance of the offer of New Ordinary Shares which:

- appears to the Company or its agents to have been executed, effected or despatched from the United States or any of the Excluded Territories; or
- in the case of a Provisional Allotment Letter provides an address for delivery of the definitive share certificates in, or, in the case of a credit of New Ordinary Shares in CREST, to a CREST member or CREST sponsored member whose registered address is in the United States or any of the Excluded Territories or any other jurisdiction outside the United Kingdom in which it would be unlawful to deliver such definitive share certificates or make such a credit or which does not make the warranty set out in the Provisional Allotment Letter to the effect that the person accepting and/or renouncing and/or otherwise disposing of the provisional allotment does not have a registered address and is not otherwise resident in the United States or one of the Excluded Territories and is not acquiring the Nil Paid Rights, the Fully Paid Rights, Letters of Allocation or the New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in the United States or one of the Excluded Territories or where the Company believes acceptance of such Provisional Allotment Letter may infringe applicable legal or regulatory requirements.

Subject to paragraphs 7.2 to 7.4 of this Part X below, any person (including, without limitation, agents, nominees and trustees) outside the United Kingdom wishing to take up their Rights under the Rights Issue must satisfy himself as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories. The comments set out in this paragraph 7 are intended as a general guide only and any Overseas Shareholders who are in any doubt as to their position should consult their professional advisers without delay.

The attention of Overseas Shareholders resident or with registered addresses in the United States or in any of the Excluded Territories is drawn to paragraphs 7.2 to 7.4 of this Part X below. Entitlements to Nil Paid Rights to which Shareholders with registered addresses in the United States or in any of the Excluded Territories would otherwise be entitled will be aggregated with entitlements to Nil Paid Rights which have not been taken up by other Shareholders and, if possible, sold as described in paragraph 5 of this Part X above. The net proceeds of such sales (after deduction of expenses) will be paid to the relevant Shareholders pro-rated to their holdings of Existing Ordinary Shares at the Record Date as soon as practicable after receipt, except that (i) individual amounts of less than £5.00 per holding; and (ii) fractional entitlements will be disregarded. None of the Company, the Underwriters or any other person shall be responsible or have any liability whatsoever for any loss or damage (actual or alleged) arising from the terms or the timing of the acquisition or the procuring of it or any failure to procure subscribers.

Despite any other provision of this document or the Provisional Allotment Letter, the Company reserves the right to permit any Shareholder to take up his Rights if the Company, in consultation with the Underwriters, is satisfied that the transaction in question is exempt from or not subject to the legislation or regulations giving rise to the restrictions in question. These Shareholders who wish, and are permitted, to take up their entitlement should note that payments must be made as described in paragraphs 3 and 4 of this Part X above.

Overseas Shareholders who are Qualifying Non-CREST Shareholders or Qualifying CREST Shareholders should note that all subscription monies must be in pounds sterling by cheque or banker's draft and should be drawn on a bank in the United Kingdom. For more information regarding payment details see paragraphs 3 and 4 of this Part X.

7.2 *United States*

The Nil Paid Rights, the Fully Paid Rights, the Provisional Allotment Letters and the New Ordinary Shares have not been and will not be registered under the US Securities Act, or with any securities regulatory authority or under the relevant securities laws of any state or other jurisdiction of the United States, and may not be offered, sold, taken up, exercised, resold, pledged, renounced, transferred or delivered, directly or indirectly, into or within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable securities laws of any state or other jurisdiction of the United States. There will be no public offer of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares in the United States.

Notwithstanding the foregoing, the Company reserves the right to offer and deliver the Nil Paid Rights or Letters of Allocation to, and the Fully Paid Rights and the New Ordinary Shares may be offered to and acquired by, a limited number of Qualifying Shareholders in the United States that are determined by the Company to be eligible to participate in the Rights Issue, which may include persons reasonably believed to be QIBs, in offerings exempt from, or in transactions not subject to, the registration requirements under the US Securities Act. A QIB will be permitted to subscribe for the New Ordinary Shares or participate in any sales or purchases of the Nil Paid Rights, the Fully Paid Rights or the Letters of Allocation only if the QIB (i) returns a duly completed and executed investor letter to, and in accordance with the instructions of, its custodian or nominee; and (ii) sends copies of its duly completed and executed investor letter to the Company.

Accordingly, the Company is not extending the offer under the Rights Issue into the United States unless an exemption from the registration requirements of the US Securities Act is available and, subject to certain exceptions, neither this document or the Provisional Allotment Letter constitutes or will constitute an offer or an invitation to apply for, or an offer or an invitation to acquire, any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in the United States. Subject to certain exceptions, neither this document nor a Provisional Allotment Letter will be sent to any Qualifying Shareholder in, or with a registered address in, the United States. Subject to certain exceptions, Provisional Allotment Letters or renunciations thereof sent from or post-marked in the United States will be deemed to be invalid and all persons acquiring New Ordinary Shares and wishing to hold such Ordinary Shares in registered form must provide an address for registration of the New Ordinary Shares issued upon exercise thereof outside the United States.

Subject to certain exceptions, any person who acquires Nil Paid Rights, Fully Paid Rights or New Ordinary Shares will be deemed to have declared, warranted and agreed, by accepting delivery of this document and the Provisional Allotment Letter, and taking up their entitlement or accepting delivery of the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares that it is not, and that at the time of acquiring the Nil Paid Rights, the Fully Paid Rights, the Letters of Allocation or the New Ordinary Shares it is not and will not be, in the United States or acting on behalf of, or for the account or benefit of a person on a non-discretionary basis in the United States or any state of the United States.

The Company, in consultation with the Underwriters, reserves the right to treat as invalid any Provisional Allotment Letter (or renunciation thereof) that appears to the Company or its agents to have been executed in or dispatched from the United States, or that provides an address in the United States for the acceptance or renunciation of the Rights Issue, or which does not make the warranty set out in the Provisional Allotment Letter to the effect that the person accepting and/or renouncing the Provisional Allotment Letter or exercising the Nil Paid Rights does not have a registered address and is not otherwise located in the United States and is not acquiring the Nil Paid Rights, the Fully Paid Rights or the New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights or New Ordinary Shares in the United States or where the Company believes acceptance of such Provisional Allotment Letter may infringe applicable legal or regulatory requirements. The Company will not be bound to allot (on a non-provisional basis) or issue any New Ordinary Shares, Nil Paid Rights or Fully Paid Rights to any person with an address in, or who is otherwise located in, the United States in whose favour a Provisional Allotment Letter or any Nil Paid Rights, Fully Paid Rights or New Ordinary Shares may be transferred or renounced. In addition, the Company and the Underwriters reserve the right to reject any MTM instruction sent by or on behalf of any CREST member with a registered address in the United States in respect of the Nil Paid Rights.

In addition, until 40 days after the commencement of the Rights Issue, an offer, sale or transfer of the New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights or the Provisional Allotment Letters within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the US Securities Act.

None of the Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares, the Provisional Allotment Letters, this document or any other offering document relating to the Existing Ordinary Shares or to the New Ordinary Shares have been approved or disapproved by the US Securities and Exchange Commission, any securities regulatory authority of any state of the United States or any other US regulatory authority, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the Fully Paid Rights, the Nil Paid Rights, the New Ordinary Shares or the Rights Issue or passed upon the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence.

The provisions of paragraph 5 of this Part X will apply to any Rights not taken up. Accordingly, subject to certain exceptions, Qualifying Shareholders with registered addresses in the United States will be treated as holders who are not participating in the Rights Issue, and the Underwriters will endeavour to sell the Rights relating to such holders' entitlements on such holders' behalf.

7.3 *European Economic Area*

In relation to each EEA State which has implemented the Prospectus Directive (each, a **"relevant member state"**) (except for the United Kingdom), no New Ordinary Shares, Nil Paid Rights or Fully Paid Rights have been offered or will be offered pursuant to the Rights Issue to the public in that relevant member state prior to the publication of a prospectus in relation to the New Ordinary Shares, Nil Paid Rights and Fully Paid Rights which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in the relevant member state, all in accordance with the Prospectus Directive, except that, offers of New Ordinary Shares, Nil Paid Rights or Fully Paid Rights may be made to the public in that relevant member state:

- to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) in such relevant member state; or
- in any other circumstances falling within Article 3(2) of the Prospectus Directive, provided that no such offer of New Ordinary Shares, Nil Paid Rights or Fully Paid Rights shall result in a requirement for the publication by the Company or any Underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in that relevant member state.

7.4 *Excluded Territories*

Due to restrictions under the securities laws of the Excluded Territories, no Provisional Allotment Letters will be sent to, and no Nil Paid Rights or Fully Paid Rights will be credited to a stock account in CREST of, any Qualifying Shareholder with a registered address in any of the Excluded Territories (unless such Qualifying Shareholder can satisfy the Company and the Underwriters that receipt, and acceptance, of the offer in such jurisdiction will not breach applicable securities laws as described in this paragraph 7.4) and their entitlements to New Ordinary Shares will be sold in the market as if they were New Ordinary Shares not taken up, in accordance with paragraph 5 of this Part X. The Nil Paid Rights, the Fully Paid Rights, the New Ordinary Shares and the Provisional Allotment Letters also have not been and will not be registered under the securities laws of any Excluded Territory and may not be offered, sold, taken up, exercised, resold, pledged, renounced, transferred or delivered, directly or indirectly, within such jurisdictions except pursuant to an applicable exemption, from and in compliance with (or in a transaction not subject to), any applicable securities laws. There will be no public offer of the Nil Paid Rights, the Fully Paid Rights, or the New Ordinary Shares in any of the Excluded Territories and no offer of New Ordinary Shares is being made by virtue of this document or the Provisional Allotment Letters into the Excluded Territories.

No offer or sale of New Ordinary Shares, Nil Paid Rights or Fully Paid Rights will be made in Australia and no Provisional Allotment Letters will be sent to any Shareholder in or with a registered address in

Australia, nor will any Nil Paid Rights be credited to a stock account in CREST on behalf of any Shareholder with a registered address in Australia.

Neither the New Ordinary Shares, Nil Paid Rights nor the Fully Paid Rights have been or will be qualified by prospectus for offer or sale to the public in Canada under applicable Canadian securities laws and, accordingly, no offer or sale of New Ordinary Shares, Nil Paid Rights or Fully Paid Rights will be made in Canada and no Provisional Allotment Letters or Forms of Instructions will be sent to any Shareholder in or with a registered address in Canada, nor will any Nil Paid Rights be credited to a stock account in CREST on behalf of any Shareholder with a registered address in Canada.

No offer or sale of New Ordinary Shares, Nil Paid Rights or Fully Paid Rights will be made in New Zealand and no Provisional Allotment Letters will be sent to any Shareholder in or with a registered address in New Zealand, nor will any Nil Paid Rights be credited to a stock account in CREST on behalf of any Shareholder with a registered address in New Zealand.

The New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters have not been and will not be registered under the Financial Instruments and Exchange Law of Japan, as amended (the **"FIEL"**). The New Ordinary Shares, the Nil Paid Rights, the Fully Paid Rights and the Provisional Allotment Letters may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan or to others for reoffer or resale, directly or indirectly, in Japan or to, or for the benefit of, any resident in Japan, except pursuant to an exemption from the registration requirements under the FIEL and otherwise in compliance with such law and any other applicable laws, regulations and ministerial guidelines in Japan. Therefore, subject to certain exceptions, the Rights Issue will not be made within Japan and Provisional Allotment Letters will not be sent to any Shareholder in or with a registered address in Japan, nor will any Nil Paid Rights be credited to a stock account in CREST on behalf of any Shareholder with a registered address in Japan. As used in this paragraph, the term **"resident of Japan"** means any natural person having his place of domicile or residence in Japan, or any corporation or other entity organised under the laws of Japan or having its main office in Japan.

Notwithstanding the foregoing, if a Qualifying Shareholder with a registered address in any of the Excluded Territories can demonstrate to the satisfaction of the Company and the Underwriters that receipt, and acceptance, of the offer in such jurisdiction will not breach applicable securities laws then the Company in its absolute discretion (in consultation with the Underwriters) may either arrange for such Qualifying Shareholder to be sent a Provisional Allotment Letter if he is a Qualifying Non-CREST Shareholder holding his Ordinary Shares in certificated form (as the case may be) or, if he is a Qualifying CREST Shareholder who holds Ordinary Shares in uncertificated form, arrange for Nil Paid Rights to be credited to the relevant CREST stock account.

7.5 *Further representations and warranties*

7.5.1 *Qualifying Non-CREST Shareholders*

Any person accepting and/or renouncing a Provisional Allotment Letter makes the representations and warranties set out below to the Company and the Underwriters, except where proof has been provided to the Company's and the Underwriters' satisfaction that such person's use of the Provisional Allotment Letter will not result in the contravention of any applicable regulatory or legal requirement in any jurisdiction. Documentation for establishing such proof may be obtained from the Company or Equiniti. In the absence of such proof, the representations and warranties referred to above are that such person: (a) is not located or resident in, and is not accepting and/or renouncing the Provisional Allotment Letter, or requesting registration of the relevant New Ordinary Shares, from within the United States or any of the Excluded Territories; (b) is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire or subscribe for New Ordinary Shares or to use the Provisional Allotment Letter in any manner in which such person has used or will use it; (c) is not accepting, renouncing or requesting registration on a non-discretionary basis for a person located or resident in the United States or any of the Excluded Territories or any jurisdiction referred to in (b) above at the time the instruction to accept, renounce or request was given; and (d) is not acquiring New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such New Ordinary Shares into the United States or any of the Excluded Territories or any jurisdiction referred to in (b) above. The Company, in consultation with the Underwriters, may treat as invalid any acceptance or purported acceptance of the allotment of New Ordinary Shares comprised in, or renunciation or purported renunciation of, a Provisional Allotment Letter if it (a) appears to the Company to have been executed in or despatched from the United States or any of the Excluded Territories or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it believes the same may violate any applicable legal or regulatory requirement in any jurisdiction; (b) provides an address in the United States or any of the Excluded Territories for delivery of definitive share certificates for New Ordinary Shares (or any jurisdiction outside the United Kingdom in which it would be unlawful to deliver such certificates); or (c) purports to exclude any of the representations and warranties required by this paragraph 7.5.1.

7.5.2 ***Qualifying CREST Shareholders***

A CREST member or a CREST sponsored member who makes a valid acceptance in accordance with the procedures set out in paragraph 4 of this Part X makes the representations and warranties set out below to the Company and the Underwriters, except where proof has been provided to the Company's and the Underwriters' satisfaction that such person's acceptance will not result in the contravention of any applicable regulatory or legal requirement in any jurisdiction. Documentation for establishing such proof may be obtained from the Company or Equiniti. In the absence of such proof, the representations and warranties referred to above are that: such person (a) is not located within or resident in the United States or any of the Excluded Territories; (b) is not in any jurisdiction in which it is unlawful to make or accept an offer to acquire or subscribe for Nil Paid Rights, Fully Paid Rights or New Ordinary Shares; (c) is not accepting on a non-discretionary basis for a person located within or resident in the United States or any of the Excluded Territories or any jurisdiction referred to in (b) above at the time the instruction to accept was given; and (d) is not acquiring Nil Paid Rights, Fully Paid Rights or New Ordinary Shares with a view to the offer, sale, resale, transfer, delivery or distribution, directly or indirectly, of any such Nil Paid Rights, Fully Paid Rights, Letters of Allocation or New Ordinary Shares into the United States or any of the Excluded Territories or any jurisdiction referred to in (b) above. The Company, in consultation with the Underwriters, may treat as invalid any MTM instruction if it: (a) appears to the Company to have been despatched from the United States or any of the Excluded Territories or otherwise in a manner which may involve a breach of the laws of any jurisdiction or if it believes the same may violate any applicable legal or regulatory requirement in any jurisdiction; or (b) purports to exclude any of the representations and warranties required by this paragraph.

For the purposes of this paragraph 7.5, any natural person having his place of domicile or residence in Japan, or any corporation or other entity organised under the laws of Japan or having its main office in Japan, would be resident in Japan.

7.6 ***Times and dates***

The Company shall, at its discretion and after consultation with its financial and legal advisers, be entitled to amend the dates that Provisional Allotment Letters are despatched or dealings in Nil Paid Rights commence and amend or extend the latest date for acceptance under the Rights Issue and all related dates set out in this document and in such circumstances shall announce such amendment via a Regulatory Information Service and notify the UKLA and, if appropriate, Shareholders.

7.7 ***Waiver***

The provisions of paragraph 7 of this Part X and of any other terms of the Rights Issue relating to Qualifying Shareholders with registered addresses in, or who are located in, the United States or any of the Excluded Territories may be waived, varied or modified as regards specific Qualifying Shareholder(s) or on a general basis by the Company in consultation with the Underwriters. Subject to this, the provisions of this paragraph 7.7 which refer to Qualifying Shareholders shall include references to the person or persons executing a Provisional Allotment Letter and, in the event of more than one person executing a Provisional Allotment Letter, the provisions of this paragraph 7.7 shall apply jointly to each of them.

7.8 ***Governing law***

The terms and conditions of the Rights Issue as set out in this document and, where appropriate, the Provisional Allotment Letter, and any non-contractual obligation relating thereto shall be governed by, and construed in accordance with, English law. The New Ordinary Shares will be created pursuant to the Articles of Association and under the Companies Act.

7.9 *Jurisdiction*

The Courts of England and Wales are to have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Rights Issue, this document, and, where appropriate, the Provisional Allotment Letter (including, without limitation, disputes arising relating to any non-contractual obligations arising out of or in connection with the Rights Issue, this document or the Provisional Allotment Letter). By accepting rights under the Rights Issue in accordance with the instructions set out in this document and, in the case of Qualifying Non-CREST Shareholders (but no other Qualifying Shareholders), the Provisional Allotment Letter, Qualifying Shareholders irrevocably submit to the jurisdiction of the Courts of England and Wales and waive any objection to proceedings in any such court on the ground of venue or on the ground that proceedings have been brought in an inconvenient forum.

PART XI

INFORMATION ON THE ELEMENTIS GROUP

1. Overview

The Elementis Group is a global specialty chemicals company serving customers in North America, South America, Europe and Asia in a wide range of markets and sectors. The Elementis Group supplies its customers with innovative and high performance specialty chemical additives that enable its customers to enhance the performance of and efficiently produce their own products.

Following the sale of its Surfactants segment, the Elementis Group operated in two core business segments: Specialty Products and Chromium. For a discussion of how the business segments have changed during the period under review, and are expected to change in connection with the Acquisition, see "*Operating and Financial Review of the Elementis Group—Significant factors affecting the Elementis Group's results of operations and financial condition—Material disposals and acquisitions*".

The Specialty Products segment provides high value functional additives to customers in the Personal Care, Coatings and Energy end markets. These additives improve the stability and flow characteristics and performance of customers' products and production processes. As part of its Specialty Products value chain, the Elementis Group owns and operates a mine in California that is the world's largest known source of high quality rheology-grade hectorite clay. This raw material, combined with a global production footprint and innovative leadership, allows the Elementis Group to add value to its customers across the Personal Care, Coatings and Energy end markets.

The Chromium segment produces a range of chromium chemicals, including sodium dichromate, chrome oxide, chromic acid and chrome sulphate, which are used by customers across a wide range of industrial applications, such as pigments, metal finishing, timber treatment and leather tanning.

For the six months ended 30 June 2018, the Elementis Group's revenue from continuing operations was $421.4 million and profit after tax of $30.8 million. For the year ended 31 December 2017, the Elementis Group had revenue of $782.7 million and profit after tax of $117.6 million. As at 31 December 2017, the Elementis Group employed approximately 1,600 individuals at more than 30 locations worldwide.

2. History and development

The Elementis Group's origins can be traced back to 1844, when Harrisons and Crosfield was formed to trade in tea and coffee. The company (which later became Harrisons and Crosfield plc) developed into a global trading and tropical plantations company with estates producing tea, coffee, timber, palm oil and rubber.

Harrisons and Crosfield plc's first investment in a chemicals business occurred in 1947 through a joint venture with Durham Chemicals, UK to manufacture and market chemicals in Canada. From the 1970's the company grew through key acquisitions of chromium, pigments and specialty chemicals businesses, which expanded the company's chemical business further.

Elementis plc was launched in 1998 as part of a reorganisation, through which the Elementis Group honed its strategic focus on specialty chemicals. The Elementis Group divested itself of its specialty rubber business and global pigment business in 2005 and 2007 respectively. The Elementis Group grew through the acquisition of a number of key businesses from 1998 onwards, including key specialty additive manufacturer Rheox in 1998, OxyChem's chemical business in 2002 and surfactants business Sasol Servo B.V. in 2004.

The Elementis Group's Asia-Pacific coating business grew in 2008 through the acquisition of Deuchem Co. Ltd, a key supplier of additives and resins to the coatings and related industries in Asia Pacific, based in Taiwan and China, and of Yu Hong, an organoclay business in China. It expanded its personal care presence in North America by acquiring Fancor, one of the largest North American suppliers of natural, bio-functional and active ingredients used in the cosmetics and personal care market in 2009. This was followed in 2012 and 2013 by the acquisitions of Watercryl Quimica Ltd, a leading supplier of additives to the Brazilian coatings industry, with manufacturing and technical facilities based in Palmital, São Paulo and Hi-Mar Specialty Chemicals, LLC, a US coatings additives company.

On 24 March 2017 the Elementis Group acquired SRLH Holdings Inc (SummitReheis) for cash consideration of $370.3 million ($370.9 million after closing working capital adjustments). On 28 February 2018 the Elementis Group sold its Surfactants business located in Delden, the Netherlands to Kolb Distribution AG for cash consideration of €39.0 million.

3. Key strengths

- Unique value chain
- Global footprint
- Innovation leader in high value additives such as rheology modifiers
- Serves high-growth markets
- Cash generative business model
- Health and safety focused

4. Organisational structure

Elementis plc is the holding company for the Elementis Group. Its Board of Directors and CFO are based in London, United Kingdom while the CEO is based in East Windsor, New Jersey in the United States. A full list of Elementis' principal subsidiaries and associated undertakings, which are considered by Elementis to be likely to have a significant effect on the assessment of the assets, liabilities, financial position and the profits and losses of Elementis, is set out in paragraph 3.1 of Part XXIV (*Additional Information*) of this document. Following Completion, Mondo will be a wholly-owned subsidiary of Elementis.

5. Description of the business

5.1 *Overview*

Following the sale of its Surfactants segment, the Elementis Group operated in two business segments: Specialty Products and Chromium. For a discussion of how the business segments have changed during the period under review, and are expected to change in connection with the Acquisition, see "*Significant factors affecting the Elementis Group's results of operations and financial condition—Material disposals and acquisitions*" in Part XIV (Operating and Financial Review of the Elementis Group).

In its Specialty Products segment, the Elementis Group provides high value functional additives to the Personal Care, Coatings and Energy end markets that improve the flow characteristics and performance of its customers' products and production processes. The Chromium segment provides chemicals to its customers that make their products more durable in applications such as pigments, metal finishing, timber treatment and leather tanning.

5.2 *Specialty Products*

The Specialty Products business segment of the Elementis Group provides high value functional additives to the Coatings, Personal Care and Energy markets that improve the physical properties and performance of products or production processes. The business is the Elementis Group's largest and most profitable segment, representing 73.6% of revenue and 85.1% of adjusted operating profit in 2017 (2016: 69.8% and 84.1% respectively) and the Directors believe it has a strong growth platform with its balanced geographical exposure across mature and emerging economies, strong technology base and strategic market diversification. In 2017, Elementis Group revenue from Specialty Products was $611.0 million.

The Elementis Group has 14 manufacturing locations for its Specialty Products business across North America, South America, Europe and Asia, including a hectorite mine in California.

Within Specialty Products, the Elementis Group has three segment sectors: Personal Care, Coatings and Energy.

5.2.1 *Personal Care*

The Elementis Group is a leader in organoclay based rheology modifiers and antiperspirant ingredients. The Personal Care business supplies rheology modifiers based on organoclay, synthetic and natural ingredients to Personal Care manufacturers. Through the newly acquired SummitReheis operations, Elementis also supplies the active ingredients for the production of antiperspirant deodorants.

With its Personal Care business, management believes that the Elementis Group has a unique advantage by virtue of owning the only commercial grade hectorite mine in the world. Hectorite organoclay is all natural and pure white in colour, and is an important ingredient to give products the right viscosity. Personal Care is a core business for Elementis and the Elementis Group has increased its resources in this area to support new product development.

The Elementis Group Personal Care products can be divided into two categories: rheology modifiers and antiperspirant actives. Demand for Personal Care products is driven primarily by the disposable income levels of consumers, product innovation and consumer trends. In 2017, the new Bentone® Luxe gel, which provides a unique combination of emulsification and rheological control, realised its first sales.

On 24 March 2017, the Elementis Group acquired all the shares in SummitReheis, for cash consideration of $370.3 million ($370.9 million after closing working capital adjustments). SummitReheis produces a range of critical active ingredients and materials tailored for use in personal care, pharmaceutical and dental products. SummitReheis is a global leader in the manufacture and sale of active ingredients for antiperspirants (more than 60% of its sales) and has long standing relationships with key consumer product companies across the Americas, Europe and Asia.

In 2018, the Elementis Group will seek to build on the momentum it has created to grow its Personal Care business via continued geographic expansion and deepened product penetration.

The key raw materials for the Elementis Group's personal care products are quaternary amines, aluminium and zirconium. A key ingredient in Elementis' personal care products, hectorite, is sourced from the Company's hectorite mine in California. For other chemical components, the Elementis Group's long term strategic approach to supplier relationship management insulates it from spot price variability, and minimises the risk of supply disruptions.

5.2.2 *Coatings*

The Elementis Group's Coatings business is a leader among suppliers of rheology modifiers and additives to global manufacturers of both decorative and industrial coatings. The Elementis Group's additives are used by manufacturers of decorative coatings products and industrial coatings products.

Demand for decorative coatings is driven primarily by disposable income, maintenance spend, housing transactions and construction activity. Demand for industrial coatings is driven by general macroeconomic activity and sector specific factors, particularly in the automotive and marine sectors.

In Asia, the Elementis Group is expanding its Coatings presence and in 2017 separated its organisation in Asia into two regions: India, Taiwan and South East Asia (ITSEA) and China and North Asia (CANA). This will allow the Elementis Group to build on what the Directors believe to be a strong position in China whilst at the same time increasing its presence and focus on the burgeoning economies in ITSEA.

In Coatings, new products such as acrylic thickeners for decorative applications are delivering cost effective performance to customers in emerging markets, and Elementis' organic thixotropes in Europe and North America continue to generate momentum.

The key raw materials for the Elementis Group's coating operations are based on a variety of chemical building blocks including oil, ethylene, acrylates and quaternary amines. Elementis' long term strategic approach to supplier relationship management insulates the Elementis Group from spot price variability, and minimises the risk of supply disruptions.

5.2.3 *Energy*

The Elementis Group's Energy business supplies rheological modifiers and additives primarily for oil and gas drilling and stimulation activities. These products are formulated to lubricate the drill bit, control formation pressure and remove cuttings in drilling fluids.

Elementis' technical capability and supply chain footprint make it a leader in organoclay based rheology modifiers for energy applications. Key customers are global and large regional oilfield service companies who use the products in oil and gas producing regions around the world.

Demand for the Elementis Group's Energy products is primarily driven by the oil price (as the primary driver of drilling rig activity levels and the number of rigs drilled), though it is also impacted by wellhead breakeven cost, the number of wells per rig, length of lateral drilling and the drilled and uncompleted well count.

The key raw materials for the Elementis Group's energy business are quaternary amines and bentonite clay. Elementis' long term strategic approach to supplier relationship management insulates the Elementis Group from spot price variability, and minimises the risk of supply disruptions.

5.3 *Chromium*

The Elementis Group is a leading producer of chromium chemicals, with approximately a 10% share of the global chromium chemicals market. It provides chromium chemicals to customers that make their products more durable, and which are used in a range of sectors. Its products include chrome oxide, chromic acid and chrome sulphate. The Elementis Group is the only domestic producer of chromium chemicals in the United States. In 2017, Elementis Group revenue from Chromium was $186.7 million (2016: $168.8 million).

The Elementis Group operates two main processing sites for its Chromium segment and three smaller facilities, all based in the United States.

The key raw materials for the Elementis Group's chromium operations are chrome ore and soda ash. The Elementis Group sources the majority of its chrome ore from suppliers in South Africa. The Elementis Group's long term strategic approach to supplier relationship management insulates it from spot price variability, and minimises the risk of supply disruptions.

6. Research and development

The Elementis Group's technology organisation is structured around combined technical service and research and development functions and directed at relevant customer needs. The Elementis Group applies stage gate processes and pipeline management tools enable it to focus on the most attractive and material innovation opportunities available.

As of 31 December 2017, the Elementis Group, including the discontinued Surfactants segment, employed 90 scientists at five locations around the world providing global innovation and technical support to a global customer base. For the year ended 31 December 2017 Elementis spent $8.6 million on research and development activities, and launched several new products. For instance, in Personal Care, Bentone® Luxe gel, which provides a unique combination of emulsification and rheological control, realised its first sales.

The Elementis Group product pipeline is healthy with a range of active projects in late stage development, reflecting the variety of global customers' formulations and needs. The Elementis Group continues to focus on expanding its Personal Care applications, including skin care, and leveraging technological capabilities from Coatings.

7. Safety, health and environment

The Elementis Group believes its high safety, health and environmental standards are fundamental to its business and the long term success of the Elementis Group. The Elementis Group has well-established policies and procedures in place that underpin its processes and it is committed to continuous improvement. Of the 20 operating facilities in the Elementis Group, 5 have achieved ISO 14001 certification, 3 have achieved OHSAS 18001 certification and our other sites are managed to similarly high standards.

The Elementis Group uses the total recordable incident rate (“**TRIR**”) and lost time accidents (“**LTA**”) to measure safety performance. The table below provides a breakdown of the Elementis Group’s TRIR and LTA for the periods indicated:

	As at and for the six months ended 30 June		As at and for year ended 31 December		
	2018	**2017**	**2017**	**2016**	**2015**
Total recordable incident rate[(1)]					
Including SummitReheis	0	1.14	1.10	—	—
Excluding SummitReheis	0	1.10	0.88	1.03	0.77
Lost time accidents[(2)]	0	0	2	5	2

(1) TRIR is calculated according to the US Occupation Safety and Health Administration definition for recordable injuries and illnesses. TRIR is the total number of recordable incidents multiplied by 200,000, divided by the total hours worked by all employees during the year.
(2) LTA is measured as an injury or illness that requires greater than three days away from work not including the day of incident.

Excluding SummitReheis site statistics, the TRIR rate for the Elementis Group improved from 2016 to 2017. Following the acquisition, the Elementis Group developed an integration plan to align SummitReheis’ safety culture with Elementis Group policies.

In 2017 the Elementis Group launched a global web based training programme and introduced a corporate training programme to develop supervisors’ safety leadership skills. The Elementis Group also promoted “10 Life Saving Rules” to prevent serious injury to people working at Group facilities, and implemented a safety recognition programme for acknowledging production locations that achieve significant milestones in safety performance.

7.1 *FTSE4Good and EcoVadis*

Since September 2009 Elementis has been a member of the FTSE4Good Index, a leading responsible investment index. Created by the global index company FTSE Group, FTSE4Good is an equity index series that is designed to facilitate investment in companies that meet globally recognised corporate responsibility standards. Companies in the FTSE4Good Index Series have met stringent social and environmental criteria, and are positioned to capitalise on the benefits of responsible business practice. Membership of this Index requires an independent assessment of Elementis as against the FTSE4Good criteria.

In 2017 the Company received a “Silver” rating in the EcoVadis Sustainable Supplier assessment, with a score in the top 10% of all suppliers.

7.2 *Environment*

Elementis recognises its responsibility for sustaining the quality of the environment in the communities in which it operates and for protecting biodiversity. The Elementis Group emphasises the use of technology that reduces emissions, generates less waste, reduces consumption of natural resources, conserves energy, and takes advantage of opportunities where renewable energy sources are available. The Elementis Group continues to operate responsibly, with no releases impacting the environment and no environmental penalties in 2017.

Elementis monitors key environmental data for each of its production facilities, including air emissions, water quality and solid waste. The table below provides a breakdown of the Elementis Group's environmental impact for the periods indicated.

	As at and for the six months ended 30 June		As at and for year ended 31 December		
	2018	2017	2017	2016	2015
Environmental impact(1)					
Tier 2 incidents	0	0	0	0	0
Tier 3 incidents	0	0	0	0	0

(1) Environmental impact is measured on the basis of the number of Tier 3 and Tier 2 incidents. The tiers categorise the incidents based on the severity or actions taken by regulatory authorities. Tier 3 incidents are those that have a significant impact on the environment and require reporting to an external authority and where enforcement action is likely. Tier 2 incidents have a minor impact and require notification but are likely to result in minimal action by the authorities.

7.3 *Energy*

The energy strategy for the Elementis Group is to:

- Use energy sources that allow operating sites to comply with regulatory requirements;
- Improve overall energy efficiency and costs; and
- Reduce the impact to the environment.

Energy consumption for the Elementis Group increased 4.0% in 2017 on a legacy site basis, while including the SummitReheis sites, total net energy consumption for the Elementis Group increased by 11.0%. The majority of the increase in energy consumption over the past 5 years has been primarily attributable to acquisitions. Beyond acquisitions, Group energy consumption varies from year to year with production volumes and product mix.

7.4 *Water usage*

Total water consumption per tonne of production increased 16.3% for the Elementis Group in 2017. The recently acquired SummitReheis sites accounted for 15.3% of the absolute volume increase (on a legacy site basis total water consumption per tonne 1.5% in 2017), which is broadly in line with Group water usage trends and strategy.

7.5 *Waste disposal*

In 2017, there was a 0.7% reduction in the total waste generated by the Elementis Group on a legacy site basis and a 2.3% reduction on a per tonne basis, which is broadly consistent with Elementis Group trends. Including full year data from the SummitReheis sites, overall waste generation in 2017 increased by 5.6% and on a per tonne production basis reduced by 7.7%, due to an overall increase in production volume.

7.6 *Renewable energy*

Certain sites in the Elementis Group use energy from renewable sources. The Elementis Group's organoclay sites in China (Anji and Changxing) have both switched from using coal to using biofuel. The Elementis Group's mine site in California purchases electricity with 28.0% renewable energy content.

8. Insurance

The Elementis Group maintains insurance coverage for directors' and officers' liability, public and product liability, employer liability, property damage and business interruption, and other general insurance policies covering crime, terrorism, personal accidents, business travel and cargo. The Directors consider the level of insurance cover to be reasonable for its business and the risks it faces.

The Elementis Group does not have any material outstanding insurance claims.

9. Intellectual property

The Elementis Group has an intellectual property portfolio that includes proprietary know-how and trade secrets, trademarks, patents, patent applications and domain names. Key intellectual property of the Elementis Group includes patents, trademarks and know-how.

The Elementis Group has obtained many key patents or filed patent applications for rheology modifiers in major jurisdictions in which it operates. The Elementis Group owns a number of trademarks, including "Elementis", "Rheolate" and "Bentone", and domain names, including www.elementis.com, www.elementisplc.com and www.elementischromium.com. The Elementis Group also owns know-how relating to product formulations and methods for the transportation of certain chemicals.

The Elementis Group protects its intellectual property through a number of methods, including the use of confidentiality agreements with employees and third-party licensees. In addition to the protection of its intellectual property, the Elementis Group is also focused on ensuring that it does not infringe the intellectual property rights of others. Despite the Elementis Group's best efforts, there can be no assurance that third parties will not infringe or misappropriate the Elementis Group's intellectual property rights or that the Elementis Group will not infringe or misappropriate the intellectual property rights of others. See "*The businesses of the Elementis Group and the Mondo Group rely on intellectual property and other proprietary know-how and any failure to adequately protect or effectively to enforce their proprietary rights could harm their competitive positions. Further, the Enlarged Group may infringe the intellectual property rights of others, which may cause it to incur unexpected costs or prevent it from selling its products*" in Part II (*Risk Factors*).

10. Employees

As of 31 December 2017, the Elementis Group had approximately 1,600 employees. The number of employees grew by approximately 200 during 2017 primarily due to Elementis' acquisition of SummitReheis.

The following table presents a breakdown of the average number of full-time equivalent employees (including contractors) for the periods indicated:

	Year ended 31 December		
	2017	**2016**	**2015**
Specialty Products	1,147	980	999
Chromium	253	247	259
Central	17	15	14
Total from continuing operations	**1,417**	**1,242**	**1,272**
Discontinued operations (Surfactants)	204	153	149
Total including discontinued operations	**1,621**	**1,395**	**1,421**

PART XII

INFORMATION ON THE MONDO GROUP

1. Overview

The Mondo Group is a leading mine-to-market producer of talc and other mineral products with a strong presence in Northern and Central Europe and a growing customer base in Eastern Europe, Southern Europe, South America and Asia. The Mondo Group supplies talc to customers operating in a wide range of end markets, including industrial sectors (e.g., plastics, paints & coatings, technical ceramics, life sciences) and paper sectors (e.g., paper filler, paper coatings). The Mondo Group uses proprietary flotation process know how and formulation expertise to deliver superior product quality and consistency to its customers.

The Mondo Group employs approximately 226 full-time employees (as at 30 June 2018), and owns and operates four talc mines in Finland with total resources of over 90 years at current levels of production and has four production facilities in Finland and the Netherlands.

In recent years the Mondo Group has focused on higher value industrial talc, which has higher contribution margins per tonne than paper talc, and expanding in international markets. For the six months ended 30 June 2018, revenue from industrial talc represented 79.5% of the Mondo Group's revenue from all talc (compared to 73.8% for the year ended 31 December 2015). Customers in Europe represented 83.6% of the Mondo Group's revenue by geography for the year ended 31 December 2017.

For the six months ended 30 June 2018, the Mondo Group had revenue of €71.2 million and an operating profit of €9.7 million. For the year ended 31 December 2017, the Mondo Group had revenue of €122.0 million and an operating profit of €15.4 million.

2. History and development

The Mondo Group traces its history back to 1967, when the Finnish company Suomen Talkki Oy was established to operate the first Sotkamo talc mines by commercialising talc flotation. In 2007, following a series of business combinations where the company was controlled by various groups and joint ventures, Mondo was acquired by the private equity firm HgCapital. In 2011, Mondo was acquired by Advent International.

The Mondo Group was initially focused on supplying talc to local paper producers, but has diversified over the past decade as the paper industry has consolidated to become a European high-end talc manufacturer serving a wide range of industries. Since being acquired by Advent International, Mondo has expended significant capital to upgrade and adapt its infrastructure to meet growing high-end industrial talc demand, pivoting away from its historic paper focus.

3. Key strengths

- *A leading global supplier of premium talc-based products*
  - Amongst leading players globally to serve higher-end talc applications
- *Value-based pricing model based on tailored customer service and stringent qualification requirements*
  - Customised products tailored to specific client formulation with pricing differentiated by application
  - Rigorous supplier qualification process with customers resulting in long-term client relationships
- *Strong growth track-record with ~80% of sales in high-end industrial talc*
  - Mondo 2013-17 industrial talc sales compound annual growth rate ("**CAGR**") of 8% vs. 5% market
  - Favourable structural trends driving talc application growth above underlying end markets

- *Continuous focus on innovation fuelling growth with a solid pipeline of new projects*
  - Unlocking opportunities through new product launches in Coatings and Personal Care
  - Production and supply chain innovation to increase operational efficiency
- *Track record of stable adjusted EBITDA and cash generation through economic cycles*
  - The directors believe this shows resilient performance during the global financial crisis
  - Shift to industrial talc drives contribution margin expansion and absolute adjusted EBITDA growth
- *High quality resource base with long life of mine and strategic locations*
  - Over 90 years of owned resources with limited capex requirements
  - 90% of sales utilise flotation-purified talc from Mondo's own talc resources

4. Organisational structure

Mondo Minerals Holding BV is the holding company for the Mondo Group. Its Board of Directors is based in Amsterdam, The Netherlands, with significant operations and management based in Sotkamo, Finland. A full list of Mondo's principal subsidiaries and associated undertakings, which are considered by the Elementis Group to be likely to have a significant effect on the assessment of the assets, liabilities, financial position and the profits and losses of Mondo, is set out in paragraph 3.2 of Part XXIV (*Additional Information*) of this document. Following Completion, Mondo will be a wholly-owned subsidiary of Elementis.

5. Description of the business

5.1 *Overview*

The Mondo Group currently operates four talc mines in Finland. Mondo coordinates the extraction of talc from its mines, processes and ships finished talc products to customers. When added to other substances, talc can modify a number of physical properties, including elastic modulus, dimensional stability, oxygen barriers, heat conductivity, hydrophobicity, wet scrub resistance, sheen, opacity, and sintering points.

Mondo supplies talc to customers operating in a wide range of end markets, primarily falling into four main business segments, including (1) plastics, (2) paints, (3) diversified industrials (e.g. technical ceramics, life sciences) and (4) paper. The talc market generally can be divided between specialty and non-specialty applications, each with different customer profiles and specifications. Specialty applications are characterised by higher quality, purity and consistency standards, a focus on technical specifications and relatively higher price points, whereas non-specialty applications (which Mondo regards as legacy products) are characterised by less stringent quality, purity and consistency standards, a focus on volume and lower price points. Mondo's industrial talc offerings, constituting substantially all of its business, are used for specialty applications, providing critical performance characteristics. In the paper segment, its talc is largely used for coating of high quality magazine papers and catalogues.

During the talc purification process, Mondo also generates two key co-products: nickel-cobalt concentrate and magnesite sand. The magnesite sand contains magnesium, an important raw material for certain applications. Mondo sells both of these co-products in addition to its core talc products, and recently developed a nickel and cobalt bioleaching facility in Finland to help better monetise the nickel-cobalt concentrate.

5.2 *Plastics, Paints and Diversified Industrials*

The Mondo Group's industrial talc is used in a broad range of end-markets, including plastics, paints, technical ceramics and life sciences. In plastics, Mondo's talc can improve rigidity, allow reductions in wall thickness and lessen the weight of plastic parts, reduce the need for polymers and improve scratch resistance. In paints, the talc products improve paint coat strength, opacity and colour consistency. In other applications, the talc can provide barrier properties, improve acid resistance and reduce thermal expansion.

Customers for Mondo's industrial talc products are generally sophisticated multinational entities with high standards for the quality and consistency of their talc supply. Talc is embedded into the product formulae, meaning that minor changes in talc quality can have a major impact on the properties of the end-product. Industrial talc is thus priced based on quality using value-based pricing rather than cost-plus pricing. Customer retention is high in the industrial talc end-markets, with most customers only purchasing from one or two suppliers with whom they have pre-existing relationships. See "—*Customers*" below. Switching costs are very high as it can take years for the customer to test the supplier's product and negotiate commercial terms. Customers are increasingly moving away from a single supplier model to avoid relying too heavily on a sole supplier. Given its more recent entry in the Industrial market, the Mondo Group tends to be a second supplier (rather than primary supplier) for customers in the industrial talc space and sees opportunity to increase its market share.

Mondo has been targeting these higher-end industrial applications in recent years, with industrial applications now accounting for 79.5% of total talc revenues for the six months ended 30 June 2018 (2015: 73.8%). Demand for industrial talc is driven largely by demand evolution in its application markets. In the plastics segment it is driven by levels of demand for both new and replacement automobile parts. In addition, automotive components comprised of talc-polypropylene compounds are increasingly replacing components made of metal or more expensive plastics, resulting in a growing share of the automobile components market for talc-polypropylene compounds. Consumption of talc in the plastics segment is also driven by levels of demand for consumer electronics and household appliances. In the paint and coatings segment, it is driven by construction and renovation activity levels and the stringency of environmental regulation regarding emission of volatile organic compounds ("**VOCs**"). One means of reducing VOCs is to use high solids coatings, which reduce solvents and increase the mineral loading. The increased mineral loading used in high solids coatings leads to higher percentage of talc in coatings, particularly marine and protective coatings. Application of high solids coatings is driven by levels of demand for new marine vessels, containers, train wagons and aircraft. In the diversified industrials segment, demand is driven by regulation of fossil fuel emissions, levels of demand for pharmaceuticals, cosmetics and chewing gum.

In 2018 and beyond, Mondo will continue to focus on talc for high-end markets. Mondo has made significant investments to enter market segments that were previously single-sourced, such as life sciences, and has developed a full product portfolio for the food, cosmetics and pharmaceutical industries. In 2018, Mondo launched Mondana Scrub, as a natural eco friendly alternative to polypropylene beads used in personal care products. Products in this area have a higher prices and margins.

5.3 *Paper*

The Mondo Group is a leading talc supplier for the paper industry in Finland, providing talc powder suitable for paper coating and paper filling. Talc increases the printability of paper by preventing paper jams and improves the paper quality, including the whiteness and softness.

The price of talc for paper end-uses has been lower than for industrial end-uses, as industrial talc requires increased processing and adds higher value to end-products. In addition, the Mondo Group's paper customers tend to purchase in high volumes. The Mondo Group's sales for paper end-uses are made primarily to a single customer, allowing the Mondo Group to hold a strong position in the European paper coating market.

The Finnish paper market has consolidated in recent years as European demand for coated paper decreases. Sales for paper end-uses accounts for a decreasing portion of the Mondo Group's activities. Demand for talc for paper applications are influenced by factors such as levels of demand for coated paper in communications and advertising, which has decreased in recent periods as a result of the increasing use of electronic media.

5.4 *Co-products*

The Mondo Group's talc processing activities generate valuable co-products, such as nickel-cobalt concentrate and magnesite sand. Nickel and cobalt can be used for many different applications, with nickel primarily being used in industrial alloys and cobalt mostly being used in electric batteries. Magnesite is used across a large range of industrial applications, with the primary end-market being refractories for the metal industry. The Mondo Group has made investments aimed at improving the monetisation potential of these co-products since 2015, in particular investing in bioleaching technology to process nickel-cobalt concentrate. Bioleaching enables the nickel-cobalt concentrate to be transformed into a high-purity mixed hydroxide precipitate containing higher rates of nickel and cobalt.

Although sales of nickel and cobalt have been limited during the ramp-up phase of the bioleaching facility (which is expected to complete in the third quarter of 2018), co-products grew to €7.3 million in sales for the six months ended 30 June 2018 (accounting for 10.2% of revenue), as compared to €0.1 million in sales for the six months ended 30 June 2017. On 22 November 2017, the Mondo Group signed an offtake agreement (with a term of ten years from 1 January 2019) under which the customer must purchase all of the Mondo Group's nickel and cobalt production at relevant average market prices up to a certain volume limit which has been set at approximately 120% of the Mondo Group's current production capacity. The continued commercialisation of these naturally occurring co-products is a key development goal for the Mondo Group.

5.5 *Customers*

The talc industry sees high customer loyalty, and switches from one supplier to another are rare, due to the high technical specificity of talc products. The Mondo Group has built up a number of long-term customer relationships that it believes are maintained due to the quality of the talc supplied and the proximity of Mondo Group plants to client facilities. Approximately 75% of the Mondo Group's gross sales in 2017 stemmed from recurring long-term customer relationships. However, the Mondo Group generally does not enter into long-term agreements with its talc customers, but prefers to agree on yearly price conditions. It has entered into two customer agreements regarding the sale of nickel and magnesite, one of which is a material long-term offtake agreement.

Mondo has a diversified sales structure, and its customers are generally end users of talc products (92% in 2017, 93% in 2016). Customers in its four main categories of talc use—plastics, paints and coatings, paper and other diversified—each represent 20-30% of gross sales. Within each of these categories, the Mondo Group's business consists of between one and three significant customers, and a number of smaller accounts. In the plastics market in 2017, the Mondo Group obtained 20.3% of its gross sales from its largest client, and another 14.5% from its second largest client. The remaining 66.7% of sales comes from small accounts not exceeding €2 million in sales. In the paints market, the top three biggest clients make up approximately 24% of all sales, with the remainder consisting of small accounts. In paper and other diversified, 83% and 23% of gross sales, respectively, are to the largest client, with the remainder of sales to smaller accounts.

Over the period from 2012 to 2017, the Mondo Group developed its top customer portfolio and increased its share of supply from its top 10 recurring clients to achieve a 7.2% CAGR on the total industrial sales. It also had a minimal churn rate of 2.3% over the same period.

5.6 *Suppliers*

For the year ended 31 December 2017, the Mondo Group's largest supplier category was logistics companies for transporting talc to customers. The Mondo Group primarily relies on third party logistics providers for the shipment of product, as opposed to using its own fleet.

For the year ended 31 December 2017, the second largest supplier category for the Mondo Group was electricity suppliers. The Mondo Group's manufacturing chain relies on machines powered by electricity, including ore crushers, flotation cells, mills and packaging lines. Electricity costs are controlled at each plant by continuous analysis of product throughput at each stage of production, as well as analysis of the energy consumption and efficiency of individual machines. The Mondo Group also monitors the energy forward markets for the incoming three to four years to minimise exposure to price fluctuations.

For the year ended 31 December 2017, the third largest supplier category for the Mondo Group was talc suppliers, as the only significant raw material required for its operations is talc. The Mondo Group is able to in-source over 90% of its talc from its Finnish talc mines, so it has few supply contracts. The 9% of talc raw material that the Mondo Group sources externally is constituted of grades of talc that it cannot produce itself, the least of any major talc player. The larger suppliers of talc to the Mondo Group are based in Pakistan and India. The Mondo Group has a multi-year supply agreement with its largest raw material supplier and maintains sufficient reserves in Europe.

Finally, the Mondo Group outsources some mining and technology work to third party suppliers

The Mondo Group strives to have more than one supplier for important raw materials and services. For example, the supply of talc raw material is spread over four suppliers that each have additional volumes available for sourcing. Multiple transport companies are available for each of the Mondo Group's trade lanes and for all of its packaging needs, with at least two suppliers qualified and active.

Trade payables for the year ended 31 December 2017 amounted to €11.1 million (2016: €10.5 million).

6. Mines and Production Facilities

6.1 Report in respect of mining assets

SRK has produced the Competent Person's Report on the Mondo Group's Finnish resources and reserves. The resources encompass both operating and planned open pit mines while the reserves relate to the four operating open pit mines only. Both the mineral resources and the ore reserves are reported according to the 2017 Pan-European standard for Reporting of Exploration Results, Mineral Resources and Reserves. See sections 9.4 and 10.1 of Appendix 1 (*Competent Person's Report*) for additional information.

The table below sets forth a summary of the Mondo Group's resources and reserves as at 31 December 2017, according to data extracted from the Competent Person's Report:

Resources(1)	Tonnage (Kt)
Measured	**26,050**
Sotkamo	16,730
Vuonos	9,320
Indicated	**41,220**
Sotkamo	22,030
Vuonos	19,190
Inferred	**33,970**
Sotkamo	16,430
Vuonos	17,540

Reserves	Tonnage (Kt)
Talc ore reserves(2)	
Proved	**6,620**
Sotkamo	4,100
Vuonos	2,520
Probable	**4,700**
Sotkamo	2,460
Vuonos	2,240

Nickel ore reserves(3)	Tonnage (Kt)	Nickel grade (%)
Proved	**19,460**	**0.15**
Sotkamo	12,820	0.15
Vuonos	6,640	0.14
Probable	**13,290**	**0.15**
Sotkamo	7,370	0.15
Vuonos	5,920	0.14

(1) Mineral resources are reported in situ and inclusive of the ore reserves.
(2) Talc ore reserve is reported in terms of talc product.
(3) Nickel ore reserve is reported in terms of plant feed tonnes and grade.

See "*The level of the Mondo Group's talc resources and reserves and their quality, production volumes and expected cash flows are inherently uncertain and may be lower than estimated or expected*" in Part II (*Risk Factors*).

6.2 Summary of mining assets and production facilities

The Mondo Group's mining assets are comprised of four operating open pit mines and two processing plants, clustered in two locations in Finland (Sotkamo and Vuonos). There are also a number of formerly operating pits and greenfield exploration projects not currently in operation.

The Sotkamo mining cluster is centralised around the Sotkamo plant near the town of Sotkamo in the Kainuu region of Finland. There are two mines currently operating in the Sotkamo cluster, together with five exploration projects and the Sotkamo plant. The Vuonos mining cluster is centralised around the village of Horsmanaho, near the town of Polvijärvi in Eastern Finland. There are two mines currently operating in the Vuonos cluster, together with two exploration projects, four inactive mines and the Vuonos plants (near the town of Outokumpu).

Under the supervision of Mondo Group geologists and engineers, a sub-contractor extracts talc-magnesite ore from the mines using conventional drill and blast methods. The ore is hauled to stockpiles adjacent to each mine and categorised into four types based on geochemical and physical attributes. Different types of ore are stockpiled separately.

The ore is then processed in the plants using a combination of flotation and magnetic separation techniques to generate talc products and nickel-cobalt and magnesite co-products. The Mondo Group has instituted a plant management system covering safety, quality, productivity, cost and teamwork, which are tracked as KPIs.

Approximately two-thirds of the talc product is further processed and sold in Finland, while approximately one-third of the talc product is transported as filter cake to Amsterdam. Nickel concentrate is also produced at both plants, and a bioleaching circuit was recently installed at the Vuonos plant to produce a nickel hydroxide product.

7. Permits

The Mondo Group has all necessary mining rights and environmental and other permits needed to carry out its day-to-day business. Its current active mines are Pehmytkivi and Karnukka in the Vuonos area and Uutela and Punasuo in the Sotkamo area.

7.1 *Mining Permits*

The Mondo Group's mining operations in Finland are governed by the Finnish Mining Act (621/2011, as amended), which requires industrial scale mining operators to hold valid mining permits. Each mining permit is specific to the project or mine. If an operator holds a valid mining concession under relevant predecessor legislation, it does not need to apply for a mining permit under the Finnish Mining Act. A valid mining concession is valid without a pre-specified end date as long as mining operations are ongoing, provided that the operator has not breached material conditions set out in the concession/permit or any applicable law.

The mining permits held by the Mondo Group are listed in Section 4.2.3 of Appendix 1 (*Competent Person's Report*).

7.2 *Environmental Permits*

Industrial scale mining operators must also obtain environmental permits for their operations, as set out in the Finnish Environmental Protection Act (527/2014, as amended). Other permits may also be required on a case-by-case basis for mining and ancillary operations, including building permits, water permits, emissions trading permits, explosive storage permits, specific permits for relevant road connections and chemical safety permits.

The environmental permits held by the Mondo Group are listed in Table 15-1 of Appendix 1 (*Competent Person's Report*).

8. Research and development

Mondo is consistently investing in research and development of new talc applications to increase its share of customer wallet. In 2017, total research and development spend amounted to €2.3 million.

Currently, Mondo is working on three main projects to reach new fields of talc application. The most advanced is high aspect ratio ("**HAR**") talc, a "next-generation", highly stiffening talc which helps to reduce the weight of automotive plastics parts. Mondo has finalised the development process, and the only barrier to roll-out is investment in production capacity.

Mondo is also developing talc as an ingredient in plastic food packaging, and in barrier coating to replace the use of polyethylene in disposable cups and fast food packaging. These developments capitalise on trends towards lower cost, greener packaging.

9. Insurance

The Mondo Group maintains insurance coverage for areas including property damage and business interruption, crime liability, directors' and officers' liability, equipment, marine cargo and travel. The Mondo Group does not have any material outstanding insurance claims.

10. Intellectual property

The Mondo Group has an intellectual property portfolio that includes proprietary know-how and trade secrets, trademarks, patents, patent applications and domain names. Key intellectual property of the Mondo Group includes patents, trademarks and know-how, in particular its proprietary talc flotation know-how.

The Mondo Group has obtained many key patents or filed patent applications for talc slurries for use in the paint industry, talc delamination, talc beads for use in personal care products, talc for use in beverage filtration and other specialised applications in major jurisdictions in which it operates. The Mondo Group owns a number of trademarks, including "Mondo Minerals", Plustalc, Mondana and "We talk talc", and domain names, including www.mondominerals.com, www.mondominerals.de and www.mondominerals.cn.

The Mondo Group protects its intellectual property through a number of methods, including the use of confidentiality provisions in employment contracts. In addition to the protection of its intellectual property, the Mondo Group is also focused on ensuring that it does not infringe the intellectual property rights of others. Despite the Mondo Group's best efforts, there can be no assurance that third parties will not infringe or misappropriate the Mondo Group's intellectual property rights or that the Mondo Group will not infringe or misappropriate the intellectual property rights of others. See "*The businesses of the Elementis Group and the Mondo Group rely on intellectual property and other proprietary know-how and any failure to adequately protect or effectively to enforce their proprietary rights could harm their competitive positions. Further, the Enlarged Group may infringe the intellectual property rights of others, which may cause it to incur unexpected costs or prevent it from selling its products*" in Part II (*Risk Factors*).

11. Safety, health and environment

Mondo is committed to implement processes and to work on attitudes to ensure the safety and health of all employees, contractors, suppliers, customers and the communities associated with its operations. It seeks to ensure that its operations function in a sustainable way while the impact on the surroundings is as low as reasonably achievable, and to arrange its operations in a way that ensures that all employees can maintain an outstanding quality level on a cost-effective basis.

To achieve this, Mondo sets high standards of performance and ethical behaviours. Its Business Principles are based on core values including honesty, integrity and respect for people. The Mondo Group promotes trust, openness, teamwork and professionalism, as well as pride in what its employees do and how they conduct business. The Mondo Group is certified according to ISO14001 (Environmental management). The Finnish members of the Mondo Group are also certified according to OHSAS 18001 (Occupational Health and Safety).

All Mondo Group employees and contractors are expected to understand and continually behave in line with the company's business principles. Mondo also requires its suppliers to apply equivalent principles.

11.1 *Energy*

Mondo is working on energy reduction on an on-going basis, pursuant to its Energy Reduction Plan, part of its mid-term investment planning. The Mondo Group's Finland operations participate in the Energy Efficiency Agreement with Confederation of Finnish Industries EK and are committed to improve the Mondo Group's use of energy.

11.2 *Water usage*

Mondo manages its water use of recirculated water in the flotation processes in its Finland operations, and continually seeks to minimise the use of raw water.

11.3 *Waste disposal*

Mondo manages its waste disposal through authorised recycling organisations in Finland and the Netherlands. It also re-uses the main waste streams of talc production, through reworking talc waste into lower grade products.

11.4 *Renewable energy*

In Finland, Mondo draws its electricity from the Nordic Pool, which sources its electricity in part from hydroelectric power plants in Norway and wind farms in Denmark, together with nuclear power and traditional energy generation sources such as coal. In the Netherlands, Mondo sources its electricity from a mix of both traditional energy generation sources such as coal and gas, and from renewable energy sources such as wind.

11.5 *Talc quality control*

The Mondo Group has implemented strict testing procedures and standards regarding the potential for asbestos fibres to occur in talc, with the aim of both maintaining quality and purity for its customers and also ensuring safe working conditions for its employees.

The potential for asbestos fibres to occur in talc has become an area of investigation as asbestos and talc can naturally co-occur in some deposits. The Mondo Group has conducted regular tests of the talc produced from its mines in Finland since the 1970s and has not detected any asbestos fibres therein. The quality control process involves the collection of daily samples from the flotation feed and talc concentrate by automatic samplers, as well as daily composite samples of each product grade. Composite samples are also taken monthly and yearly, with a composite sample sent twice per year to an independent third-party laboratory for asbestos testing.

In addition, the Mondo Group also acquires a portion of the talc it sells to customers from talc suppliers in Asia (which, for the year ended 31 December 2017, represented approximately 10% of talc sold). Each batch of talc sourced from Asia is sampled in accordance with ISO 3081:1986 and analysed for detection of asbestos fibres within the meaning of Regulation (EC) 1907/2006-REACH. The Mondo Group will only purchase batches that have been confirmed free of asbestos fibres via this protocol. Negative purchase decisions typically occur a few times a year, and the test results are collected and fed into the Mondo Group's supplier risk assessment so that the Mondo Group can adjust its future procurement strategy if required.

There have recently been a number of large jury awards in cases primarily brought in the United States by consumers against makers of common consumer products containing talc, such as body powder. See also "*The Enlarged Group may be subject to material litigation and claims for damages*" in Part II (*Risk Factors*). No similar lawsuits have been filed or threatened against the Mondo Group to date. The Mondo Group stopped supplying talc to the US life sciences market in 2017.

12. Employees

As of 30 June 2018, the Mondo Group had a total of 226 full-time equivalent employees ("**FTEs**"). For the year ended 31 December 2017, the Mondo Group had an average of 228.6 FTEs excluding contractors. The majority of the contractors work for the mining operations.

The average number of FTEs increased from 2015 to 2017 primarily due to an increase in temporary and contractual staff linked to the ramp-up phase of the new bioleaching operations in Finland. Mondo management expects to discontinue the employment of some of these employees upon the completion of the ramp-up period.

The following table presents a breakdown of the average number of full-time equivalent employees (excluding contractors) for the periods indicated:

	Six months ended 30 June		Year ended 31 December		
	2018	**2017**	**2017**	**2016**	**2015**
The Netherlands	95.0	87.0	87.5	84.4	81.3
Other countries	131.0	134.0	141.1	140.3	133.9
Total from continuing operations	**226.0**	**221.0**	**228.6**	**224.7**	**215.2**

PART XIII

SELECTED FINANCIAL AND OTHER INFORMATION OF THE ELEMENTIS GROUP

The following is a summary of the Elementis Group's financial and other information as at the dates and for the periods indicated. The income statement, balance sheet and cash flow information has been extracted without material adjustment from the Elementis Group Financial Statements. The 2016 figures included herein have been extracted from the unaudited comparative figures in the Elementis Group Financial Statements as at and for the year ended 31 December 2017 and the 2015 figures included herein have been extracted from the unaudited comparative figures in the Elementis Group Financial Statements as at and for the year ended 31 December 2016.

As a result of the disposal of the Surfactants segment (completed on 28 February 2018), the Elementis Group's financial statements for the year ended 31 December 2017 classified the Surfactants segment as discontinued operations and the income statement for the year ended 31 December 2016 was restated on a comparable basis with the income statement for the year ended 31 December 2017. As a result, the income statement information of the Elementis Group included herein for the year ended 31 December 2015 (which reflects the Surfactants segment as a continuing operation) is not presented on a directly comparable basis to the income statement information for the Elementis Group for the six months ended 30 June 2018 and 2017 and for the years ended 31 December 2017 and 2016 (which reflect the Surfactants segment as a discontinued operation). The composition of the Elementis Group's business segments also changed during the periods under review. See "Significant factors affecting the Elementis Group's results of operations and financial condition—Material disposals and acquisitions" in Part XIV (Operating and Financial Review of the Elementis Group).

The following summary should be read in conjunction with Part XIV (Operating and Financial Review of the Elementis Group) and with the Elementis Group Financial Statements. Prospective investors are advised to read the whole of this Prospectus and not to rely on the information summarised in this Part XIII.

1. Selected Consolidated Income Statement Information

The following table sets out selected consolidated income statement information for the Elementis Group for the periods indicated.

$ millions	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015[(1)]
	unaudited	*unaudited*		*unaudited*	*unaudited*
Revenue	**421.4**	**383.5**	**782.7**	**616.6**	**677.2**
Cost of sales	(265.9)	(241.5)	(487.6)	(384.6)	(418.2)
Gross profit	**155.5**	**142.0**	**295.1**	**232.0**	**259.0**
Distribution costs	(56.3)	(47.1)	(98.1)	(72.2)	(85.8)
Administrative expenses	(43.0)	(43.7)	(105.6)	(74.7)	(63.1)
Profit on property disposal	—	—	—	—	17.0
Operating profit	**56.2**	**51.2**	**91.4**	**85.1**	**127.1**
Other expenses	(1.3)	(1.4)	(1.2)	(1.4)	(2.1)
Finance income	0.3	0.1	0.2	0.1	0.2
Finance costs	(8.4)	(5.0)	(11.9)	(7.7)	(4.4)
Profit before income tax	**46.8**	**44.9**	**78.5**	**76.1**	**120.8**
Tax	(15.9)	(8.4)	34.2	(7.2)	(26.2)
Profit from continuing operations	**30.9**	**36.5**	**112.7**	**68.9**	**94.6**
Profit/(loss) from discontinued operations[(2)]	(0.1)	6.7	4.9	(0.8)	—
Profit for the period	**30.8**	**43.2**	**117.6**	**68.1**	**94.6**
Earnings per share					
From continuing operations					
Basic (cents)	6.7	7.9	24.3	14.9	20.5
Diluted (cents)	6.6	7.8	24.0	14.8	20.3
From continuing and discontinued operations					
Basic (cents)	6.6	9.3	25.4	14.7	20.5
Diluted (cents)	6.6	9.2	25.0	14.6	20.3

(1) Includes the results of the Surfactants segment (disposed of on 28 February 2018), which for the year ended 31 December 2015 contributed $53.8 million to revenue and $3.6 million to operating profit (before head office allocations). As a result, the income statement information of the Elementis Group included herein for the year ended 31 December 2015 (which reflects the Surfactants segment as a continuing operation) is not presented on a directly comparable basis to the income statement information for the Elementis Group for the six months ended 30 June 2018 and 2017 and for the years ended 31 December 2017 and 2016 (which reflect the Surfactants segment as a discontinued operation). The composition of the Elementis Group's business segments also changed during the periods under review. See "*Significant factors affecting the Elementis Group's results of operations and financial condition—Material disposals and acquisitions*" in Part XIV (*Operating and Financial Review of the Elementis Group*).

(2) Profit/loss from discontinued operations includes profits/loss from the Surfactants segment (disposed of on 28 February 2018) for the six months ended 30 June 2018 and 2017 and for the years ended 31 December 2017 and 2016. See "*Significant factors affecting the Elementis Group's results of operations and financial condition—Material disposals and acquisitions*" in Part XIV (*Operating and Financial Review of the Elementis Group).*

2. Selected Consolidated Balance Sheet Information

The following table sets out selected consolidated balance sheet information for the Elementis Group as at the dates indicated.

$ millions	As at 30 June	As at 31 December		
	2018	2017	2016	2015
	unaudited		*unaudited*	*unaudited*
Non-current assets				
Goodwill and other intangible assets	707.8	717.2	359.9	362.5
Property, plant and equipment	223.2	219.5	217.3	211.2
ACT recoverable	12.6	16.2	23.0	34.0
Deferred tax assets	0.5	0.2	16.1	14.2
Total non-current assets	**944.1**	**953.1**	**616.3**	**621.9**
Current assets				
Inventories	151.8	143.6	121.3	126.7
Trade and other receivables	139.1	124.6	96.0	92.0
Derivatives	2.1	0.9	—	—
Current tax assets	4.5	4.3	—	—
Cash and cash equivalents	57.4	55.0	82.6	79.1
Total current assets	**354.9**	**328.4**	**299.9**	**297.8**
Assets classified as held for sale	—	58.2	—	—
Total assets	**1,299.0**	**1,339.7**	**916.2**	**919.7**
Current liabilities				
Bank overdrafts and loans	(4.7)	(2.7)	(5.0)	(5.1)
Trade and other payables	(114.2)	(117.7)	(98.9)	(79.9)
Derivatives	—	—	(0.4)	(0.3)
Current tax liabilities	(26.3)	(14.1)	(6.7)	(0.2)
Provisions	(9.0)	(10.8)	(9.5)	(9.5)
Total current liabilities	**(154.2)**	**(145.3)**	**(120.5)**	**(95.0)**
Non-current liabilities				
Loans and borrowings	(312.3)	(343.4)	(0.1)	—
Employee retirement benefits	(10.1)	(10.5)	(30.1)	(29.0)
Deferred tax liabilities	(92.9)	(93.4)	(108.7)	(113.0)
Provisions	(21.5)	(21.9)	(29.7)	(28.9)
Total non-current liabilities	**(436.8)**	**(469.2)**	**(168.6)**	**(170.9)**
Liabilities classified as held for sale	—	(22.9)	—	—
Total liabilities	**(591.0)**	**(637.4)**	**(289.1)**	**(265.9)**
Net assets	**708.0**	**702.3**	**627.1**	**653.8**
Equity				
Share capital	44.4	44.4	44.4	44.4
Share premium	22.1	21.9	20.9	20.2
Other reserves	101.2	99.0	75.2	93.0
Retained earnings	540.3	537.0	486.6	496.2
Total equity and reserves	**708.0**	**702.3**	**627.1**	**653.8**

3. Selected Consolidated Cash Flow Statement Information

The following table sets out selected consolidated cash flow statement information for the Elementis Group for the periods indicated.

$ millions	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015
	unaudited	*unaudited*		*unaudited*	*unaudited*
Net cash flow from operating activities	37.1	53.0	114.7	117.9	111.6
Net cash flow from investing activities	22.7	(376.0)	(403.3)	(35.2)	(29.6)
Net cash flow used in financing activities	(56.0)	312.6	256.8	(76.4)	(74.2)
Net increase/(decrease) in cash and cash equivalents	**3.8**	**(10.4)**	**(31.8)**	**6.3**	**7.8**
Cash and cash equivalents at beginning of period	55.0	82.6	82.6	79.1	73.7
Foreign exchange on cash and cash equivalents	(1.4)	2.3	4.2	(2.8)	(2.4)
Cash and cash equivalents at end of period	**57.4**	**74.5**	**55.0**	**82.6**	**79.1**

4. Non-Financial Key Performance Indicators

The following table sets out selected unaudited non-financial key performance indicators for the Elementis Group as at the dates and for the periods indicated.

	As at and for the six months ended 30 June		As at and for year ended 31 December		
	2018	2017	2017	2016	2015
Environmental impact(1)					
Tier 2 incidents	0	0	0	0	0
Tier 3 incidents	0	0	0	0	0
Total recordable incident rate(2)					
Including SummitReheis	0	1.14	1.10	—	—
Excluding SummitReheis	0	1.10	0.88	1.03	0.77
Lost time accidents(3)	0	0	2	5	2

(1) Environmental impact is measured on the basis of the number of Tier 3 and Tier 2 incidents. The tiers categorise the incidents based on the severity or actions taken by regulatory authorities. Tier 3 incidents are those that have a significant impact on the environment and require reporting to an external authority and where enforcement action is likely. Tier 2 incidents have a minor impact and require notification but are likely to result in minimal action by the authorities.

(2) Total recordable incident rate is calculated according to the US Occupation Safety and Health Administration definition for recordable injuries and illnesses. Total recordable incident rate is the total number of recordable incidents multiplied by 200,000, divided by the total hours worked by all employees during the year.

(3) Lost time accidents is measured as an injury or illness that requires greater than three days away from work not including the day of incident.

5. Financial Key Performance Indicators and Reconciliations to IFRS Measures

5.1 *Financial Key Performance Indicators*

The following table sets out selected unaudited financial key performance indicators for the Elementis Group as at the dates and for the periods indicated. These unaudited financial key performance indicators are non-IFRS financial measures, which should not be considered in isolation from, or as a substitute for, measures presented in accordance with IFRS. For more information about non-IFRS measures, see "*Non-IFRS financial measures of the Elementis Group's and the Mondo Group's performance*" in Part III (*Important Information*).

$ millions (except percentages)	As at and for the six months ended 30 June		As at and for year ended 31 December		
	2018	2017	2017	2016	2015
Adjusted operating profit(1)	67.2	67.6	128.1	97.0	121.5
Return on operating capital employed(2)	23%	21%	22%	29%	35%
Contribution margin(3)	47%	47%	47%	47%	46%
Average trade working capital to sales ratio(4)	19%	20%	19%	22%	25%
Adjusted operating margin(5)	15.8%	16.3%	15.4%	14.7%	17.9%

(1) Adjusted operating profit is the profit derived from the normal operations of the business after adjusting items. A reconciliation of adjusted operating profit to operating profit is set out in section 5.2.1 below.

(2) Return on operating capital employed is defined as operating profit after adjusting items divided by operating capital employed, expressed as a percentage. Operating capital employed comprises fixed assets (excluding goodwill), working capital and operating provisions. Operating provisions include self-insurance and environmental provisions but exclude employee retirement benefits. A reconciliation of the numerator of return on operating capital employed (adjusted operating profit) to profit before income tax is set out in section 5.2.1 below. A reconciliation of the denominator of return on operating capital employed (operating capital employed) to fixed assets, working capital and operating provisions is set out in section 5.2.2 below.

(3) The Elementis Group's contribution margin is defined as total revenue from both continued and discontinued operations less all variable costs, divided by total revenue from both continued and discontinued operations, and expressed as a percentage. A calculation of the numerator and denominator of contribution margin is set out in section 5.2.3 below.

(4) The trade working capital to total revenue ratio is defined as the average trade working capital for the last 12 months divided by total revenue from both continued and discontinued operations, expressed as a percentage. Trade working capital comprises inventories, trade receivables and trade payables. It specifically excludes prepayments, capital or interest-related receivables or payables, changes due to currency movements and items classified as other receivables and other payables. A calculation of the numerator and denominator of trade working capital to total revenue ratio is set out in section 5.2.4 below.

(5) Adjusted operating margin is the ratio of adjusted operating profit to total revenue (including discontinued operations). A calculation of the numerator and denominator of adjusted operating margin is set out in section 5.2.1 below.

5.2 *Reconciliations to IFRS Measures*

5.2.1 *Adjusted operating profit and adjusted operating margin*

The table below sets forth a reconciliation of adjusted operating profit and adjusted operating margin to operating profit for the periods indicated:

$ millions	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015
Operating profit	56.2	51.2	91.4	85.1	127.1
Adjusting items to operating profit					
Land sale(1)	—	—	—	—	(17.0)
Restructuring(2)	0.9	0.7	0.6	2.7	4.2
Business transformation(3)	—	0.9	3.4	2.4	—
Increase in environmental provisions due to newly identified remediation work(4)	—	—	2.1	3.5	—
SummitReheis acquisition costs(5)	—	6.0	9.7	0.8	—
Uplift due to fair value of SummitReheis inventory(6)	—	—	4.0	—	—
Sale of Colourants business and closure of Jersey City site(7)	—	(3.5)	(2.5)	—	—
Disposal costs(8)	0.5	—	2.2	—	—
Cost associated with other M&A activity(9)	2.8	—	—	—	—
Amortisation of intangibles arising on acquisition(10)	7.2	3.1	11.8	2.8	—
Provision relating to the cost of a right of first refusal that will not be exercised(11)	—	—	—	—	4.0
Provision relating to a regulatory case in Europe(12)	—	—	—	—	1.0
Other(13)	—	—	—	—	2.2
Operating profit attributable to discontinued operations	(0.4)	9.2	5.4	(0.3)	—
Adjusted operating profit	**67.2**	**67.6**	**128.1**	**97.0**	**121.5**
Revenue from continuing operations	421.4	383.5	782.7	616.6	677.2
Revenue from discontinued operations	4.8	31.3	47.6	42.9	—
Total revenue	426.2	414.8	830.3	659.5	677.2
Adjusted operating margin (Adjusted operating profit / Total revenue)	**15.8%**	**16.3%**	**15.4%**	**14.7%**	**17.9%**

(1) The land sale credit for the year ended 31 December 2015 represents the net profit on the disposal of a non-operating portion of its site at Corpus Christi.

(2) In 2016 this related to the appointment of a new CEO, CFO and costs associated with reorganising the management structure. In subsequent years, the cost relates to the IFRS 2 cost of buyouts associated with the new CEO and CFO.

(3) In 2016 a review to define the long term strategy and internal transformation necessary was performed by an external consultant. The costs incurred in 2017 relate to delivery of the global key account management and working capital improvement phases of the transformation, following this strategic review.

(4) Assessment at the end of both 2016 and 2017 has resulted in an increased provision required at a number of the Elementis Group's legacy sites. As these costs relate to non-operational facilities the costs associated are classed as adjusting items.

(5) These are one-off costs associated with the acquisition of SummitReheis, primarily the write off of the set-up costs of the previous financing syndicate, now replaced by a new facility, bank and lawyers' fees and retention bonuses for SummitReheis employees.

(6) In accordance with IFRS 3, inventory held within SummitReheis was revalued to fair value on acquisition, representing an uplift of $4 million over the book value. As all stock acquired with SummitReheis was sold by the year end, the additional expense recognised in cost of sales due to this fair value uplift has been classed as an adjusting item.

(7) In March 2017, the Elementis Group disposed of its US Colourants business and closed its Jersey City site. The profit on sale of the business and costs associated with the closure of the site are classed as adjusting item. On 21 August 2018, Elements sold the Jersey City site for $17.0 million.

(8) In 2017 the Elementis Group incurred a number of costs associated with the sale of the Delden facility and Surfactants business. As the profit on sale of the assets and business will be treated as an adjusting item in 2018 the one-off associated costs was classed similarly in 2017.

(9) Costs associated with other M&A activity include the costs incurred to date relating to the acquisition of the Mondo Group along with costs relating to other acquisition exercises during the period.
(10) Historically, the Elementis Group had not adjusted operating profit for the amortisation of intangibles arising on acquisition. Following the acquisition of SummitReheis, the Directors reviewed this policy and concluded that excluding such a charge from the adjusted operating profit would provide readers of the accounts with a better understanding of the Elementis Group's results on its operating activities and, as such, this charge was included within adjusting items.
(11) A provision was set up that related to a legacy right of first refusal with a third party. Under that agreement, a fixed fee is paid annually in return for the right to acquire certain land in North Carolina (United States) and also for the continuing use of certain disposal facilities. Based on the plans of the Elementis Group, it was determined that the right of first refusal was unlikely to be exercised and therefore a provision was set up for the remaining payments.
(12) The Elementis Group recorded a provision for the potential outcome of a regulatory case in Europe.
(13) Other items totalling $2.2 million relate to the impairment of certain software licenses, as well as due diligence and other costs associated with investment project that were not successful.

5.2.2 *Return on operating capital employed*

Return on operating capital employed is defined as operating profit after adjusting items divided by operating capital employed, expressed as a percentage. For a reconciliation of the numerator, operating profit after adjusting items, to operating profit, see section 5.2.1 above.

The table below sets forth a reconciliation of the denominator, operating capital employed, to fixed assets, working capital and operating provisions for the periods indicated:

$ millions	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015
Goodwill and other intangible assets	707.8	697.8	717.2	359.9	362.5
Less goodwill	(524.8)	(534)	(526.9)	(321.2)	(324.7)
Property, plant and equipment	223.2	241.3	219.5	217.3	211.2
Intangible assets attributable to discontinued operations	0	0	2.3	0	0
Property, plant and equipment attributable to discontinued operations	0	0	36.9	0	0
Total	**406.2**	**405.1**	**449**	**256**	**249**
Inventories	151.8	139.8	143.6	121.3	126.7
Trade and other receivables	139.1	150.2	124.6	96	92
Derivatives	2.1	0	0.9	0	
Trade and other payables	(114.2)	(128.4)	(117.7)	(98.9)	(79.9)
Derivatives	0	(0.3)	0	(0.4)	(0.3)
Inventories attributable to discontinued operations	0	0	6.8	0	0
Trade and other receivables attributable to discontinued operations	0	0	9.1	0	0
Trade and other payables attributable to discontinued operations	0	0	(18.2)	0	0
Plus provisions attributable to discontinued operations	0	0	4.7	0	0
Total working capital	**178.8**	**161.3**	**153.8**	**118**	**138.5**
Operating provisions	**(30.5)**	**(38.7)**	**(32.7)**	**(39.2)**	**(38.4)**
Operating capital employed	**554.5**	**527.7**	**570.1**	**334.8**	**349.1**
Adjusted operating profit for the period(1)	67.2	67.6	128.1	97	121.5
Adjusted operating profit for last twelve months(1)	**127.7**	**111**	**128.1**	**97**	**121.5**
Return on operating capital employed	**23%**	**21%**	**22%**	**29%**	**35%**

(1) A reconciliation of adjusted operating profit to operating profit is set out in section 5.2.1 above.

5.2.3 *Contribution margin*

The table below sets forth a calculation of the numerator and denominator of contribution margin for the periods indicated:

$ millions	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015
Revenue from continuing operations	421.4	383.5	782.7	616.6	677.2
Revenue from discontinued operations	4.8	31.3	47.6	42.9	0
Total revenue for the period	**426.2**	**414.8**	**830.3**	**659.5**	**677.2**
Total revenue for last twelve months	**841.7**	**740.2**	**830.3**	**659.5**	**677.2**
Contribution from continuing operations	195.8	178.0	368.5	294.2	310.6
Contribution from discontinued operations	1.7	18.1	24.4	16.9	0
Total contribution for the period	**197.5**	**196.1**	**392.9**	**311.1**	**310.6**
Total contribution for last twelve months	**394.3**	**347.8**	**392.9**	**311.1**	**310.6**
Contribution margin for last twelve months	**47%**	**47%**	**47%**	**47%**	**46%**

5.2.4 *Trade working capital to total revenue ratio*

The table below sets forth a calculation of the numerator and denominator of trade working capital to sales ratio for the periods indicated:

$ millions	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015
Revenue from continuing operations	421.4	383.5	782.7	616.6	677.2
Revenue from discontinued operations	4.8	31.3	47.6	42.9	0
Total revenue for the period	**426.2**	**414.8**	**830.3**	**659.5**	**677.2**
Total revenue for last twelve months	**841.7**	**740.2**	**830.3**	**659.5**	**677.2**
Average trade working capital of continuing operations	167.2	148.7	152.4	139.7	168.1
Average trade working capital of discontinued operations	0.5	5.5	3.9	6.3	0
Total average trade working capital for the period	**167.7**	**154.2**	**156.4**	**146.0**	**168.1**
Total average trade working capital for last twelve months	**163.1**	**148.0**	**156.4**	**146.0**	**168.1**
Total average trade working capital to total revenue ratio for last twelve months	**19%**	**20%**	**19%**	**22%**	**25%**

PART XIV

OPERATING AND FINANCIAL REVIEW OF THE ELEMENTIS GROUP

The following operating and financial review is intended to present management's perspective on the results of operations and financial condition of the Elementis Group as at and for the six months ended 30 June 2018 and 2017 and as at and for the years ended 31 December 2017, 2016 and 2015. This section should be read in conjunction with the Elementis Group Financial Statements.

Unless otherwise indicated, the selected financial information included in this Part XIV has been extracted without material adjustment from the Elementis Group Financial Statements. The 2016 figures included herein have been extracted from the unaudited comparative figures in the Elementis Group Financial Statements as at and for the year ended 31 December 2017 and the 2015 figures included herein have been extracted from the unaudited comparative figures in the Elementis Group Financial Statements as at and for the year ended 31 December 2016.

As a result of the disposal of the Surfactants segment (completed on 28 February 2018), the Elementis Group's financial statements for the year ended 31 December 2017 classified the Surfactants segment as discontinued operations and the income statement for the year ended 31 December 2016 was restated on a comparable basis with the income statement for the year ended 31 December 2017.

As a result, the income statement information of the Elementis Group included in this Prospectus for the year ended 31 December 2015 (which reflects the Surfactants segment as a continuing operation) is not presented on a directly comparable basis to the income statement information for the Elementis Group for the six months ended 30 June 2018 and 2017 and for the years ended 31 December 2017 and 2016 (which reflect the Surfactants segment as a discontinued operation). The composition of the Elementis Group's business segments also changed during the periods under review. See "—Significant factors affecting the Elementis Group's results of operations and financial condition—Material disposals and acquisitions" below.

This section includes forward-looking statements that are subject to known and unknown risks and uncertainties. Actual results and the timing of events could differ materially from those expressed or implied by such forward-looking statements as a result of various factors including those discussed in Part II (Risk Factors) and in "Forward-looking statements" in Part III (Important Information).

1. Introduction

The Elementis Group is a global specialty chemicals company serving customers in North America, South America, Europe and Asia in a wide range of markets and sectors. The Elementis Group's mission is to supply its customers with innovative and high performance specialty chemical additives that enable its customers to enhance the performance of and efficiently produce their own products.

For the six months ended 30 June 2018, the Elementis Group had revenue of $421.4 million and profit of $155.5 million. For the years ended 31 December 2017, 2016 and 2015, the Elementis Group had revenue of $782.7 million, $616.6 million and $677.2 million, and profit after tax of $117.6 million, $68.1 million and $94.6 million, respectively.

2. Significant factors affecting the Elementis Group's results of operations and financial condition

The Directors believe that the factors discussed below have materially affected the Elementis Group's results of operations and financial condition during the periods under review and that such factors may continue to affect the Elementis Group's results of operations and financial condition in future periods.

2.1 *Implementation of the "Reignite Growth" strategy*

In 2016 the Elementis Group launched its "Reignite Growth" strategy that focuses on re-examining every aspect of the Elementis Group's business and improving performance. The strategy is composed of four key elements: (i) pursue the best growth opportunities; (ii) pursue supply chain transformation;

(iii) innovate for distinctiveness and high margins; and (iv) create a culture of high performance. In connection with its "Reignite Growth" strategy, the Elementis Group implemented a number of initiatives during recent periods, including the disposal of its lower margin and non-core Surfactants segment and the acquisition of SummitReheis, a global leader in the antiperspirant actives sector. See "—*Material disposals and acquisitions*" below. The Elementis Group's financial performance rebounded in the year ended 31 December 2017, with revenue and profit increasing by 26.9% and 72.7%, respectively, as compared to the year ended 31 December 2016, which the Directors believe was driven primarily by the adoption and successful implementation of the "Reignite Growth" strategy during 2017, underpinned by the acquisition of SummitReheis and an improvement in market conditions.

The Directors believe that the Acquisition of the Mondo Group will allow the Elementis Group to make further progress in connection with its "Reignite Growth" strategy. For more information, see Part VII (*Background to and Reasons for the Acquisition*).

2.2 *Material disposals and acquisitions*

The Elementis Group completed a disposal and an acquisition during the periods under review which had a significant impact on the Elementis Group's results of operations and financial condition, the presentation of its financial statements and the composition of its business segments. In addition, the completion of the Acquisition of the Mondo Group is expected to have a significant impact on the Elementis Group in future periods.

2.2.1 *Disposal of Surfactants segment*

In December 2017, the Elementis Group entered into a sale agreement to dispose of Elementis Specialties Netherlands BV, which carried out all of the Elementis Group's Surfactants operations. The Directors believed that disposing of the Surfactants operations would generate cash, simplify the Elementis Group's supply chain and allow the Elementis Group to reallocate capital to higher margin growth opportunities. The disposal completed on 28 February 2018, with the Elementis Group receiving cash proceeds of €39 million.

2.2.2 *Acquisition of SummitReheis*

On 24 March 2017, the Elementis Group acquired SummitReheis, a global leader in the antiperspirant actives sector, for an initial gross cash consideration of $370.3 million ($370.9 million after closing working capital adjustments). The integration of SummitReheis was completed in December 2017 and the Directors believe the acquisition has resulted in the Elementis Group having a Personal Care business of scale with attractive growth opportunities. The SummitReheis acquisition was financed with debt financing and as a result the Elementis Group's non-current loans and borrowings increased to $343.4 million as at 31 December 2017 from $0.1 million as at 31 December 2016. In addition, the Elementis Group recognised a significant amount of intangible assets in connection with the SummitReheis acquisition and goodwill and other intangible assets increased to $717.2 million as at 31 December 2017 from $359.9 million as at 31 December 2016.

2.2.3 *Impact of Surfactants disposal and SummitReheis acquisition on the periods under review*

As a result of the above, the Elementis Group's financial statements for the six months ended 30 June 2018 and for the year ended 31 December 2017 classified the Surfactants segment as discontinued operations and the income statement for the year ended 31 December 2016 was restated on a comparable basis with the income statement for the year ended 31 December 2017 (including to reflect certain changes in accounting policies that were made in connection with the SummitReheis acquisition).

As a result, the income statement information of the Elementis Group included in this Prospectus for the year ended 31 December 2015 (which reflects the Surfactants segment as a continuing operation) is not presented on a directly comparable basis to the income statement information for the Elementis Group for the six months ended 30 June 2018 and 2017 and for the years ended 31 December 2017 and 2016 (which reflect the Surfactants segment as a discontinued operation). In particular, the Elementis Group income statements for the six months ended 30 June 2018 and 2017 and for the years ended 31 December 2017 and 2016 show the results of operations of the Surfactants segment in a single line item (i.e., profit/loss from discontinued operations), whereas the Elementis Group income statement for the year ended 31 December 2015 shows the results of operations of the Surfactants segment throughout the income statement. While the impacts of the Surfactants segment on key income statement line items for the year ended 31 December 2015 were relatively modest (e.g., the Surfactants segment comprised 7.9% of revenue and 2.8% of operating profit before head office allocations for the year ended 31 December 2015), in an effort to improve comparability across the periods under review, the Elementis Group has provided supplemental disclosure regarding how much the Surfactants segment contributed to certain key income statement line items for the year ended 31 December 2015 had the Surfactants segment been classified as discontinued operations at that time (see "*—Segmental Analysis of Key Income Statement Line Items*" below).

In addition, the composition of the Elementis Group's business segments changed during the periods under review. For the years ended 31 December 2017, 2016 and 2015, the Elementis Group had three business segments as follows: (i) Specialty Products (which was comprised of Personal Care, Coatings and Energy); (ii) Chromium; and (iii) Surfactants. Following the disposal of the Surfactants segment and acquisition of SummitReheis in 2017, the Elementis Group evaluated its business segments in accordance with IFRS 8 (*Operating Segments*) and determined that it should split Specialty Products into three business segments. Accordingly, for the six months ended 30 June 2018, the Elementis Group had four business segments as follows: (i) Personal Care; (ii) Coatings; (iii) Energy; and (iv) Chromium. In an effort to improve comparability across the periods under review, the Elementis Group has subtotalled Personal Care, Coatings and Energy into Specialty Products in its segmental analyses of key income statement line items for the six months ended 30 June 2018 as compared to the six months ended 30 June 2017 (see "*—Segmental Analysis of Key Income Statement Line Items*" below).

2.2.4 *Impact of the Acquisition of the Mondo Group on future periods*

The completion of the Acquisition of the Mondo Group is expected to have a significant impact on the Elementis Group in future periods. In particular, the Directors expect the Acquisition to be accretive to adjusted earnings per share in the first full year following completion of the Acquisition, excluding any benefit other than modest pre-tax cost synergies, and expect high single digit accretion in the second full year following Completion. The Acquisition is also expected to generate a post-tax return on invested capital above the Elementis Group's weighted average cost of capital in the second full year following completion of the Acquisition.

On completion of the Acquisition, and assuming the Rights Issue completes and $600.0 million is drawn under the Facilities Agreement, pro forma non-current loans and borrowings of the Enlarged Group would be $600.0 million as at 30 June 2018. See Part XX (*Unaudited Pro Forma Financial Information Relating to the Enlarged Group*). The Directors expect the Enlarged Group's net debt (defined as cash and cash equivalents, *minus* non-current loans and borrowings) as at 30 September 2018 to be approximately 2.50 times EBITDA for the nine months ended 30 September 2018. The Directors anticipate the strong cash generation of the Enlarged Group to drive a material deleveraging profile thereafter, with leverage reducing to a net debt to EBITDA ratio of less than 2.00 times by the end of 2019.

Following the Acquisition, the Directors expect that the Mondo Group will be treated at least initially as a separate operating segment and, accordingly, the Acquisition is expected to increase the number of business segments from four to five in future periods.

See also Part XX (*Unaudited Pro Forma Financial Information Relating to the Enlarged Group*).

2.3 ***Economic conditions in the end markets of the Elementis Group's customers***

The Elementis Group supplies specialty chemicals to customers operating in a wide range of end markets. The performance of the Elementis Group is impacted by the volume of purchases and prices paid by its customers, which in turn are impacted by the economic conditions in the industries and geographic regions in which such customers operate. In particular, demand for the Elementis Group's Personal Care and Coatings products is influenced by factors such as disposable income levels, product innovation, consumer trends, housing transaction and construction activity levels and conditions in the marine and automotive industries. Demand for the Elementis Group's Energy products is influenced by oil prices and levels of drilling activity, including lateral drilling and deep water drilling. Demand for the Elementis Group Chromium products is influenced by factors such as construction activity levels, demand for aircraft engines and infrastructure and the quantities of hides available for leather tanning.

The Elementis Group's revenue is diversified across a number of geographical regions. The following table presents a breakdown of the Elementis Group's revenue by geographical region for the periods indicated.

$ millions	Year ended 31 December		
	2017	2016(1)	2015(2)
North America	283.2	223.8	230.1
United Kingdom	22.7	20.5	31.3
Rest of Europe	165.9	167.8	161.3
Rest of World	310.9	247.4	254.5
Revenue from continuing operations	**782.7**	**659.5**	**677.2**
Discontinued operations (Surfactants)(3)	47.6	—	—
Revenue from all operations	**830.3**	**659.5**	**677.2**

(1) Includes the results of the Surfactants segment (disposed of on 28 February 2018), which for the year ended 31 December 2016 contributed $42.9 million to revenue.
(2) Includes the results of the Surfactants segment (disposed of on 28 February 2018), which for the year ended 31 December 2015 contributed $53.8 million to revenue.
(3) See "*—Significant factors affecting the Elementis Group's results of operations and financial condition—Material disposals and acquisitions*" above.

2.4 *Establishing and expanding customer relationships*

The specialty chemical additives market is generally characterised by high barriers to entry as a new supplier due to, among other factors, the long and complicated accreditation processes generally required for a supplier to be accepted by a customer and for the customer to optimise its production processes to match the technical specifications of the specialty chemical additives provided by the supplier. As a result, it can be difficult and time consuming for a supplier of specialty chemical additives to acquire new customers; however, once acquired, such customers are generally faced with high switching costs (e.g., time required to accredit a new supplier and potential need to reformulate their products to utilise an alternative supplier) and as a result may be reluctant to switch suppliers.

The Elementis Group implemented key account processes with its largest Personal Care, Coatings and Energy customers in 2017 in an effort to improve dialogue with key customers so as to better anticipate and respond to their needs. As a global specialty chemicals company serving customers across a wide range of markets and sectors, the Directors believe the Elementis Group's has benefited from cross-selling opportunities during the periods under review, including as a result of the SummitReheis acquisition.

The Directors believe that the Acquisition of the Mondo Group will further increase the cross-selling opportunities available to the Enlarged Group.

2.5 *Currency exchange rates*

The Elementis Group presents its financial statements in US dollars. Although a large part of the Elementis Group's business is transacted in US dollars, the Elementis Group also transacts in other currencies, in particular euros, pounds sterling and Chinese renminbi. As a result, the Elementis Group's results of operation and financial condition have a translational exposure to fluctuations in the value of the US dollar against such other currencies. For the six months ended 30 June 2018 as compared to the six months ended 30 June 2017, changes in currency exchange rates had the effect of increasing Coatings revenue by $10.7 million and Personal Care revenue by $5.9 million (with no significant impact on Energy, Chromium or inter-segment revenue). For the year ended 31 December 2017 as compared to the year ended 31 December 2016, changes in currency exchange rates had the effect of increasing Specialty Product revenue by $0.5 million and discontinued operations

(Surfactants) by $0.7 million (with no significant impact on Chromium revenue). For the year ended 31 December 2016 as compared to the year ended 31 December 2015, changes in currency exchange rates had the effect of decreasing Specialty Product revenue by $7.6 million and discontinued operations (Surfactants) by $0.7 million (with no significant impact on Chromium revenue).

The Elementis Group has transactional exposure to fluctuations in currency exchange rates to the extent that its revenue and costs in a particular currency are not matched. In an effort to mitigate such transactional exposure, the Elementis Group hedges up to 100% of current and forecast trade receivables and trade payables denominated in a foreign currency. In respect of certain monetary assets and liabilities denominated in foreign currencies, the Elementis Group also aims to ensure that its net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates when necessary to address short term imbalances.

The Acquisition of the Mondo Group will increase the portion of euro-denominated assets, liabilities and earnings of the Enlarged Group as a result of the significant business of the Mondo Group in Europe. As a result, the results of operations and financial condition of the Enlarged Group will be more sensitive to fluctuations in the exchange rate of the US dollar against the Euro.

2.6 *Price of raw materials*

The Elementis Group relies on a number of key raw materials to produce its specialty chemical additives, including chrome ore, aluminium, soda ash, bentonite, hectorite and ethylene derivatives. The costs of raw materials constitute a large proportion of the total production costs for the Elementis Group—raw materials constituted 63.9%, 63.4%, 62.8% and 65.3% of cost of sales for the six months ended 30 June 2018 and the years ended 31 December 2017, 2016 and 2015, respectively. Although the majority of the key raw materials are either procured on long-term supply agreements or the material is sourced from mines owned by the Elementis Group, in some cases the Elementis Group procures raw materials on a spot basis without contracts. Consequently the Elementis Group is to a certain extent exposed to the volatility of raw material prices.

During the periods under review, there were significant price increases in a number of key raw materials, which resulted in increases in the Elementis Group's cost of sales and (as the Elementis Group was able to pass on a significant portion of such price increases on to its customers) revenue. For example, global aluminium market prices have increased sharply since 2017 as a result of a number of factors, including global supply and demand conditions, increased Chinese environmental regulation, the imposition of tariffs on imports of aluminium to the United States and the extension of US economic sanctions to a major Russian aluminium producer.

In addition, the Elementis Group sources substantially all of its chrome ore from suppliers in South Africa. As a result, political and other developments in the region and volatility in foreign exchange rates for the South African rand can result in significant changes in the prices paid by the Elementis Group for chrome ore.

2.7 *Tax*

The Elementis Group's effective tax rates were 20.8%, 20.1%, 20.5%, 11.7% and 16.5% for the six months ended 30 June 2018 and 2017 and the years ended 31 December 2017, 2016 and 2015, respectively. See "*—Results of Operations—Tax*" below. The Elementis Group's effective tax rate is driven primarily by the variability in headline tax rates within the jurisdictions in which it operates (primarily the United Kingdom, United States, Germany, China and Taiwan) and levels of profitability of the Elementis Group's operations in such jurisdictions.

The Elementis Group has historically held technology status tax relief (HNTE status) in China, which has enabled a proportion of its profits to benefit from a lower corporate income tax rate of 15%. The Elementis Group's HNTE status expired on 18 August 2018 and the Elementis Group is currently assessing whether to reapply for HNTE status.

The Elementis Group has also benefitted from the reduction in the headline US tax rate from 35% to 21%, effective from 1 January 2018, and expects to continue to benefit from this lower headline rate in subsequent periods. However, the benefit of the reduction in the headline rate is partially offset by the introduction of new US interest restriction rules, also effective from 1 January 2018, which limit the deductions that can be taken with respect to debt interest payments. The Elementis Group is currently considering options to amend its US capital structure so as to reduce the impact of the new US interest restriction rules.

The Elementis Group has also benefitted from the UK Finance Company Exemption regime in the United Kingdom. See Note 29 to the financial statements in the Elementis Group's annual report and accounts for the year ended 31 December 2017, which is incorporated into this document by reference as explained in Part XVIII (*Historical Financial Information Relating to the Elementis Group*).

3. Recent developments, current trading and prospects

In the period since 30 June 2018, the Elementis Group has continued to trade in line with management expectations. As stated in the Elementis interim results announcement on 31 July 2018, the Directors see significant potential for Elementis. The management team is focused on the delivery of Elementis' Reignite Growth Strategy and are building financial and strategic momentum. Elementis is on track and confident of making further progress in 2018.

In connection with the Acquisition, members of the Elementis Group entered into the Facilities Agreement and a $230.0 million equity bridge facility agreement on 11 September 2018 (the "**Equity Bridge Agreement**"). See paragraph 18.1.6 in Part XXIV (*Additional Information*). It is expected that approximately $600.0 will be drawn under the Facilities Agreement at Completion to fund part of the cash consideration for the Acquisition and to refinance certain indebtedness of the Mondo Group and the Elementis Group. See Part XX (*Unaudited Pro Forma Financial Information Relating to the Enlarged Group*).

The Directors aspire for the Elementis Group following the Acquisition to return to 2017 levels of return on operating capital employed (defined as operating profit after adjusting items divided by operating capital employed, expressed as a percentage—see "*Financial Key Performance Indicators and Reconciliations to IFRS Measures*" in Part XIII (*Selected Financial and Other Information of the Elementis Group*)) by 2020.

See "*Forward-looking statements*" in Part III (*Important Information*).

4. Description of certain income statement line items

4.1 *Revenue*

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and rebates. Under IFRS 15 (*Revenue from Contracts with Customers*), revenue is recognised in the income statement when performance obligations within a customer contract are fulfilled rather than when risk, reward and control passes to a customer. See "*Sources and presentation of financial information—Sources and presentation of Elementis Group financial information—Application of IFRS 9 and IFRS 15*" in Part III (*Important Information*). This may occur, depending on the individual customer relationship, when the product has been transferred to a freight carrier, when the customer has received the product or, for consignment stock held at customers' premises, when usage reports for the relevant period have been compiled.

4.2 *Cost of sales*

Cost of sales includes raw material and bought-in product costs, variable production and maintenance costs (predominantly labour), energy costs and packaging.

4.3 *Distribution costs*

Distribution costs include logistics, selling and marketing costs.

4.4 *Administrative expenses*

Administrative expenses include those relating to administrative and central corporate activities such as finance, information technology, legal, human resources, the cost of research and development services and the Elementis Group's share based payments scheme.

5. Results of Operations

The following table sets out selected consolidated income statement information for the Elementis Group for the periods indicated.

$ millions	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015[1]
	unaudited	*unaudited*		*unaudited*	*unaudited*
Revenue	**421.4**	**383.5**	**782.7**	**616.6**	**677.2**
Cost of sales	(265.9)	(241.5)	(487.6)	(384.6)	(418.2)
Gross profit	**155.5**	**142.0**	**295.1**	**232.0**	**259.0**
Distribution costs	(56.3)	(47.1)	(98.1)	(72.2)	(85.8)
Administrative expenses	(43.0)	(43.7)	(105.6)	(74.7)	(63.1)
Profit on property disposal	—	—	—	—	17.0
Operating profit	**56.2**	**51.2**	**91.4**	**85.1**	**127.1**
Other expenses	(1.3)	(1.4)	(1.2)	(1.4)	(2.1)
Finance income	0.3	0.1	0.2	0.1	0.2
Finance costs	(8.4)	(5.0)	(11.9)	(7.7)	(4.4)
Profit before income tax	**46.8**	**44.9**	**78.5**	**76.1**	**120.8**
Tax	(15.9)	(8.4)	34.2	(7.2)	(26.2)
Profit from continuing operations	**30.9**	**36.5**	**112.7**	**68.9**	**94.6**
Profit/(loss) from discontinued operations[2]	(0.1)	6.7	4.9	(0.8)	—
Profit for the year	**30.8**	**43.2**	**117.6**	**68.1**	**94.6**

(1) Includes the results of the Surfactants segment (disposed of on 28 February 2018), which for the year ended 31 December 2015 contributed $53.8 million to revenue and $3.6 million to operating profit (before head office allocations).

(2) See "*—Significant factors affecting the Elementis Group's results of operations and financial condition—Material disposals and acquisitions*" above.

5.1 *Revenue*

5.1.1 *Six months ended 30 June 2018 and 2017*

Revenue increased by 9.9% to $421.4 million for the six months ended 30 June 2018 from $383.5 million for the six months ended 30 June 2017. The increase was due primarily to a full six months of contribution from the SummitReheis business (which was acquired on 24 March 2017 and thus only contributed for approximately 3 months during the six months ended 30 June 2017) and underlying growth in the Personal Care and Coatings business segments.

For a segmental analysis of revenue, see "*—Segmental Analysis of Key Income Statement Line Items—Revenue*" below.

5.1.2 *Years ended 31 December 2017, 2016 and 2015*

Revenue increased by 26.9% to $782.7 million for the year ended 31 December 2017 from $616.6 million for the year ended 31 December 2016, which in turn was a decrease of 8.9% from $677.2 million for the year ended 31 December 2015. The increase for the year ended 31 December 2017 was due primarily to the contribution from the SummitReheis business (which was acquired on 24 March 2017 and thus contributed for approximately nine months during the year ended 31 December 2017) and underlying growth across all three of the Elementis Group's historic business segments. The decrease for the year ended 31 December 2016 was due primarily to the impact of the stronger US dollar on Chromium sales outside the United States and lower sales in the now discontinued Surfactants segment due to weakened end markets in Asia and reduced volumes with specific customers.

For the year ended 31 December 2015, Surfactants (discontinued operations) accounted for $53.8 million (7.9%) of revenue.

For a segmental analysis of revenue, see "*—Segmental Analysis of Key Income Statement Line Items—Revenue*" below.

5.2 *Cost of sales*

5.2.1 *Six months ended 30 June 2018 and 2017*

Cost of sales increased by 10.1% to $265.9 million for the six months ended 30 June 2018 from $241.5 million for the six months ended 30 June 2017. The increase was due primarily to a full six months of contribution from the SummitReheis business (which was acquired on 24 March 2017 and thus only contributed for approximately three months during the six months ended 30 June 2017).

5.2.2 *Years ended 31 December 2017, 2016 and 2015*

Cost of sales increased by 26.8% to $487.6 million for the year ended 31 December 2017 from $384.6 million for the year ended 31 December 2016, which in turn was a decrease of 8.0% from $418.2 million for the year ended 31 December 2015. The increase for the year ended 31 December 2017 was due primarily to the acquisition of SummitReheis (which was acquired on 24 March 2017 and thus contributed for approximately nine months during the year ended 31 December 2017) and increases in costs of raw materials (primarily reflecting increases in prices and the volume purchased). The decrease for the year ended 31 December 2016 was due primarily to the reclassification of Surfactants as a discontinued operation, while other costs remained broadly stable.

5.3 *Distribution costs*

5.3.1 *Six months ended 30 June 2018 and 2017*

Distribution costs increased by 19.5% to $56.3 million for the six months ended 30 June 2018 from $47.1 million for the six months ended 30 June 2017. The increase was due primarily to a full six months of contribution from the SummitReheis business (which was acquired on 24 March 2017 and thus only contributed for approximately 3 months during the six months ended 30 June 2017), increases in the number of sales staff and the reclassification of certain staff under distribution costs which were previously accounted for under administrative expenses.

5.3.2 *Years ended 31 December 2017, 2016 and 2015*

Distribution costs increased by 35.9% to $98.1 million for the year ended 31 December 2017 from $72.2 million for the year ended 31 December 2016, which in turn was a decrease of 15.9% from $85.8 million for the year ended 31 December 2015. The increase for the year ended 31 December 2017 was due primarily to increased sales volumes and the acquisition of SummitReheis (which was acquired on 24 March 2017 and thus contributed for approximately 9 months during the year ended 31 December 2017). The decrease for the year ended 31 December 2016 was due primarily to the reclassification of Surfactants as a discontinued operation and an underlying reduction in sales volumes.

5.4 *Administrative expenses*

5.4.1 *Six months ended 30 June 2018 and 2017*

Administrative expenses decreased by 1.6% to $43.0 million for the six months ended 30 June 2018 from $43.7 million for the six months ended 30 June 2017. The decrease was due primarily to a lack of costs relating to the acquisition of SummitReheis in the six months ended 30 June 2018 as compared to the prior period and the reclassification of certain staff under distribution costs which were previously accounted for under administrative expenses, which were largely offset by a lack of proceeds from the sale of the US colourants business (disposed of in March 2017) as compared to the prior period and additional costs associated with running SummitReheis (acquired in March 2017) for a full six months during the six months ended 30 June 2018 (compared to approximately three months during the prior period).

5.4.2 *Years ended 31 December 2017, 2016 and 2015*

Administrative expenses increased by 41.4% to $105.6 million for the year ended 31 December 2017 from $74.7 million for the year ended 31 December 2016, which in turn was an increase of 18.4% from

$63.1 million for the year ended 31 December 2015. The increase for the year ended 31 December 2017 was due primarily to the additional costs associated with running SummitReheis (which was acquired on 24 March 2017 and thus contributed for approximately 9 months during the year ended 31 December 2017), costs relating to the acquisition of SummitReheis, amortisation of intangibles arising on the acquisition of SummitReheis and investment to support the Elementis Group's "Reignite Growth" strategy. The increase for the year ended 31 December 2016 was due primarily to an increase in currency hedging losses resulting from depreciation of the pound sterling against the Euro following the referendum vote in the United Kingdom to leave the European Union.

5.5 *Finance costs*

5.5.1 *Six months ended 30 June 2018 and 2017*

Finance costs increased by 68.0% to $8.4 million for the six months ended 30 June 2018 from $5.0 million for the six months ended 30 June 2017. The increase was due primarily to increased net borrowing costs reflecting the impact of holding the increased debt that was necessary to purchase SummitReheis for a full six months during the six months ended 30 June 2018 (as compared to approximately three months during the prior period).

5.5.2 *Years ended 31 December 2017, 2016 and 2015*

Finance costs increased by 54.5% to $11.9 million for the year ended 31 December 2017 from $7.7 million for the year ended 31 December 2016, which in turn was an increase of 75.0% from $4.4 million for the year ended 31 December 2015. The increase for the year ended 31 December 2017 was due primarily to increased net borrowing costs resulting from the assumption of debt necessary to purchase SummitReheis. The increase for the year ended 31 December 2016 was due primarily to a charge resulting from a change in the discount rate used to value environmental provisions, which was offset in part by lower net borrowing costs (primarily reflecting lower average borrowings during the year) and lower pension finance costs (primarily reflecting the movement of the UK pension scheme into surplus during the year, which resulted in a pension interest credit in 2016 for that scheme).

5.6 *Tax*

5.6.1 *Six months ended 30 June 2018 and 2017*

Tax expense increased by 89.3% to $15.9 million for the six months ended 30 June 2018 from $8.4 million for the six months ended 30 June 2017. The increase was due primarily to an exit tax charge in the Netherlands (which arose as a result of transferring certain intellectual property rights outside the Netherlands following the disposal of the Delden facility in the Netherlands in connection with the sale of the Surfactants business) and a higher profit before tax figure compared to the previous period.

The Elementis Group's effective tax rates were 20.8% and 20.1% for the six months ended 30 June 2018 and 2017, respectively.

5.6.2 *Years ended 31 December 2017, 2016 and 2015*

The Elementis Group recorded a tax credit of $34.2 million for the year ended 31 December 2017 compared to a tax expense of $7.2 million for the year ended 31 December 2016 and a tax expense of $26.2 million for the year ended 31 December 2015. The tax credit for the year ended 31 December 2017 was due primarily to a reduction in US headline tax rates (see "*—Significant factors affecting the Elementis Group's results of operations and financial condition—Tax*" above) as a result of which the Elementis Group recognised a $51.0 million tax adjusting item in 2017. The decrease in tax expense for the year ended 31 December 2016 was due primarily to a lower profit before tax figure compared to the previous year and a change in the geographical mix of profits such that more profits occurred in jurisdictions with lower headline tax rates.

The Elementis Group's effective tax rates were 20.5%, 11.7% and 16.5% for the years ended 31 December 2017, 2016 and 2015, respectively.

6. Segmental Analysis of Key Income Statement Line Items

The Elementis Group presents a segmental analysis of certain income statement line items, including revenue and operating profit as discussed below. See also "*Significant factors affecting the Elementis Group's results of operations and financial condition—Material disposals and acquisitions—Impact of Surfactants disposal and SummitReheis acquisition on the periods under review*" above.

6.1 *Revenue*

The following table presents a segmental analysis of revenue from external customers for the periods indicated.

$ millions	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015
Personal Care	111.8	77.1	179.3	—	—
Coatings	197.6	188.1	372.9	—	—
Energy	27.0	29.3	58.8	—	—
Specialty Products(1)	**336.4**	**294.5**	**611.0**	**460.4**	**453.1**
Chromium	**85.0**	**89.0**	**171.7**	**156.2**	**170.3**
Revenue from external customers from continuing operations	421.4	383.5	782.7	616.6	623.4
Discontinued operations (Surfactants)(1)	**4.8**	**31.3**	**47.6**	**42.9**	**53.8**
Revenue from external customers from all operations	**426.2**	**414.8**	**830.3**	**659.5**	**677.2**

(1) See "*—Significant factors affecting the Elementis Group's results of operations and financial condition—Material disposals and acquisitions*" above.

6.1.1 *Specialty Products revenue*

(A) *Six months ended 30 June 2018 and 2017*

Specialty Products revenue increased by 14.2% to $336.4 million for the six months ended 30 June 2018 from $294.5 million for the six months ended 30 June 2017. The increase was due primarily to increases in Personal Care revenue (primarily reflecting a full six months of contribution from the SummitReheis business during the six months ended 30 June 2018 and modest growth in hectorite-based cosmetic products and antiperspirant active products) and Coatings revenue (primarily reflecting strong performance in the Americas in both decorative and industrial applications due to continued adoption of New Martinsville technologies and good performance in China and North Asia in decorative and industrial applications which was offset in part by weaker demand in India and Southeast Asia).

(B) *Years ended 31 December 2017, 2016 and 2015*

Specialty Products revenue increased by 32.7% to $611.0 million for the year ended 31 December 2017 from $460.4 million for the year ended 31 December 2016, which in turn was an increase of 1.6% from $453.1 million for the year ended 31 December 2015. The increase for the year ended 31 December 2017 was due primarily to the contribution from the SummitReheis business (which was acquired on 24 March 2017 and thus contributed for approximately 9 months during the year ended 31 December 2017), as well as increases in Energy revenue (primarily reflecting recovery in oil and gas drilling and related activities following an increase in oil prices) and Personal Care revenue (primarily reflecting continued penetration of hectorite-based cosmetic products) and steady growth in Coatings revenue. The increase for the year ended 31 December 2016 was due primarily to increases in Coatings revenue (primarily reflecting strong performance in China following the impact of destocking in 2015) and Personal Care revenue (primarily reflecting strong performance across geographies and rollout of the Elementis Group's Rheoluxe® line of products and strong sales in aerosol antiperspirants and colour cosmetics). These increases were offset in part by a decrease in Energy revenue (primarily reflecting decreased oil and gas drilling and related activities following a decrease in oil prices).

6.1.2 *Chromium revenue*

(A) *Six months ended 30 June 2018 and 2017*

Chromium revenue decreased by 4.5% to $85.0 million for the six months ended 30 June 2018 from $89.0 million for the six months ended 30 June 2017. The decrease was due primarily to lower volumes (primarily reflecting a three week production outage in the first quarter due to extremely cold weather), which was offset in part by improved pricing.

(B) *Years ended 31 December 2017, 2016 and 2015*

Chromium revenue increased by 9.9% to $171.7 million for the year ended 31 December 2017 from $156.2 million for the year ended 31 December 2016, which in turn was a decrease of 8.3% from $170.3 million for the year ended 31 December 2015. The increase for the year ended 31 December 2017 was due primarily to strong global volume recovery (primarily reflecting increased volumes in North American refractory, North American pigments, Spanish tile and rest of world metal finishing and timber treatment) and improved pricing in response to raw material price inflation. The decrease for the year ended 31 December 2016 was due primarily to the stronger US dollar as compared to a basket of other currencies, which impacted Chromium sales outside the United States.

6.1.3 *Surfactants (discontinued operations) revenue*

(A) *Six months ended 30 June 2018 and 2017*

Surfactants (discontinued operations) revenue decreased by 84.7% to $4.8 million for the six months ended 30 June 2018 from $31.3 million for the six months ended 30 June 2017. The decrease was due primarily to the disposal of the Surfactants segment on 28 February 2018, which meant that Surfactants only contributed for approximately two months during the six months ended 30 June 2018 (compared to a full six months during the prior period).

(B) *Years ended 31 December 2017, 2016 and 2015*

Surfactants (discontinued operations) revenue increased by 11.0% to $47.6 million for the year ended 31 December 2017 from $42.9 million for the year ended 31 December 2016, which in turn was a decrease of 20.3% from $53.8 million for the year ended 31 December 2015. The increase for the year ended 31 December 2017 was due primarily to favourable pricing conditions achieved in the first six months of the year. The decrease for the year ended 31 December 2016 was due primarily to lower volumes as Chinese textile and leather market demand softened.

6.2 *Adjusted operating profit*

The following table presents a segmental analysis of adjusted operating profit for the periods indicated.

$ millions	Six months ended 30 June		Year ended 31 December		
	2018	**2017**	**2017**	**2016**	**2015**
Personal Care	29.9	20.3	44.6	—	—
Coatings	29.9	26.9	54.7	—	—
Energy	3.2	4.3	9.7	—	—
Specialty Products[(1)]	**63.0**	**51.5**	**109.0**	**81.6**	**79.9**
Chromium	**13.9**	**15.8**	**30.1**	**27.1**	**48.0**
Central costs	(9.3)	(8.9)	(16.4)	(11.1)	(10.9)
Adjusted operating profit from continuing operations	67.6	58.4	122.7	97.6	117.0
Discontinued operations (Surfactants)[(1)]	**(0.4)**	**9.2**	**5.4**	**(0.6)**	**4.5**
Adjusted operating profit from all operations	67.2	67.6	128.1	97.0	121.5
Adjusting items	**(11.4)**	**(7.2)**	**(30.9)**	**(12.5)**	**5.6**
Reported operating profit from all operations	55.8	60.4	97.2	84.5	127.1

(1) See "*—Significant factors affecting the Elementis Group's results of operations and financial condition—Material disposals and acquisitions*" above.

6.2.1 *Specialty Products operating profit*

(A) *Six months ended 30 June 2018 and 2017*

Specialty Products adjusted operating profit increased by 22.3% to $63.0 million for the six months ended 30 June 2018 from $51.5 million for the six months ended 30 June 2017. The increase was due primarily to an extra quarter's earnings from the acquired SummitReheis business and improved earnings in Personal Care and Coatings.

(B) *Years ended 31 December 2017, 2016 and 2015*

Specialty Products adjusted operating profit increased by 33.6% to $109.0 million for the year ended 31 December 2017 from $81.6 million for the year ended 31 December 2016, which was a marginal increase from $79.9 million for the year ended 31 December 2015. The increase for the year ended 31 December 2017 was due primarily to the acquisition of SummitReheis, sales growth in all other markets, and pricing actions taken to maintain the adjusted operation profit margin. The increase for the year ended 31 December 2016 was due primarily to the reclassification of amortisation of intangibles arising on acquisition as an adjusting item in 2016. Excepting this, profit increase due to additional sales from 2015 to 2016 were negated by the impact of exchange rates.

6.2.2 *Chromium operating profit*

(A) *Six months ended 30 June 2018 and 2017*

Chromium adjusted operating profit decreased by 12.0% to $13.9 million for the six months ended 30 June 2018 from $15.8 million for the six months ended 30 June 2017. The decrease was due primarily to lower sales as a result of extreme weather impacting production for three weeks.

(B) *Years ended 31 December 2017, 2016 and 2015*

Chromium adjusted operating profit increased by 11.1% to $30.1 million for the year ended 31 December 2017 from $27.1 million for the year ended 31 December 2016, which in turn was a decrease of 43.5% from $48.0 million for the year ended 31 December 2015. The increase for the year ended 31 December 2017 was due primarily to organic sales growth partially offset by higher variable and fixed costs. The decrease for the year ended 31 December 2016 was due primarily to a reduction in sales volumes and margins outside the United States (primarily reflecting the stronger US dollar as compared to a basket of other currencies).

6.2.3 *Surfactants (discontinued operations) operating profit*

(A) *Six months ended 30 June 2018 and 2017*

Surfactants (discontinued operations) adjusted operating profit decreased to a loss of $0.4 million for the six months ended 30 June 2018 from an adjusted operating profit of $9.2 million for the six months ended 30 June 2017. The decrease was due primarily to favourable pricing conditions in 2017 not being repeated in 2018 and the disposal of the segment in February 2018.

(B) *Years ended 31 December 2017, 2016 and 2015*

Surfactants (discontinued operations) had an adjusted operating profit of $5.4 million for the year ended 31 December 2017 compared to an adjusted operating loss of $0.6 million for the year ended 31 December 2016 and an adjusted operating profit of $4.5 million for the year ended 31 December 2015. The change to an adjusted operating profit for the year ended 31 December 2017 was due primarily to favourable pricing and margin conditions experienced in the first half of the year. The change to an adjusted operating loss for the year ended 31 December 2016 was due primarily to reduced sales volumes.

7. Liquidity and capital resources

The Elementis Group's primary uses of cash are capital expenditure, the reduction of its debt and the payment of dividends.

The Elementis Group's primary sources of liquidity are its debt facilities and net cash flows from operating activities.

8. Cash flow analysis

The following table sets out consolidated cash flow statement information for the Elementis Group for the periods indicated.

$ millions	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015
	unaudited	*unaudited*		*unaudited*	*unaudited*
Operating activities					
Profit for the period	30.8	43.2	117.6	68.1	94.6
Adjustments for:					
Other expenses	1.3	1.4	1.2	1.4	2.1
Finance income	(0.2)	(0.1)	(0.2)	(0.1)	(0.2)
Finance costs	8.4	4.9	11.9	7.7	4.4
Tax	15.6	10.8	(33.3)	7.4	26.2
Depreciation and amortisation	20.7	17.3	39.7	28.0	26.9
Increase/(decrease) in provisions	(5.1)	(2.4)	(8.5)	(3.5)	2.8
Pension payments net of current service cost	—	(6.5)	(6.3)	(4.7)	(22.8)
Share based payments	1.9	1.4	2.8	2.6	2.1
Loss on disposal of business	0.5	—	—	—	—
Operating cash flows before movement in working capital	**73.9**	**70.1**	**124.9**	**106.9**	**136.1**
(Increase)/decrease in inventories	(11.5)	2.1	(2.2)	1.7	14.2
Increase in trade and other receivables	(17.6)	(23.4)	(2.4)	(9.6)	14.2
Increase in trade and other payables	1.2	11.6	11.5	22.5	(38.9)
Cash generated by operations	**46.0**	**60.4**	**131.8**	**121.5**	**125.6**
Income taxes paid	(2.0)	(4.2)	(9.1)	(2.7)	(12.7)
Interest paid	(6.9)	(3.2)	(8.0)	(0.9)	(1.3)
Net cash flow from operating activities	**37.1**	**53.0**	**114.7**	**117.9**	**111.6**
Investing activities					
Interest received	0.3	0.1	0.1	0.1	0.2
Disposal of property, plant and equipment	—	0.2	3.3	0.3	1.6
Purchase of property, plant and equipment	(18.5)	(14.7)	(43.2)	(34.0)	(30.3)
Purchase of business net of cash acquired	—	(361.2)	(361.8)	—	—
Disposal of business	42.9	—	—	—	—
Acquisition of intangibles	(2.0)	(0.4)	(1.7)	(1.6)	(1.1)
Net cash flow from investing activities	**22.7**	**(376.0)**	**(403.3)**	**(35.2)**	**(29.6)**
Financing activities					
Issue of shares	0.2	0.3	1.0	0.7	1.4
Dividends paid	(28.2)	(65.3)	(77.8)	(76.2)	(71.1)
Purchase of shares by the Employee Share Ownership Trust[(1)]	—	(2.4)	(2.4)	(0.9)	(0.6)
(Decrease)/increase in borrowings	(28.0)	380.0	336.0	—	(3.9)
Net cash flow used in financing activities	**(56.0)**	**312.6**	**256.8**	**(76.4)**	**(74.2)**
Net increase/(decrease) in cash and cash equivalents	**3.8**	**(10.4)**	**(31.8)**	**6.3**	**7.8**
Cash and cash equivalents at start of period	55.0	82.6	82.6	79.1	73.7
Foreign exchange on cash and cash equivalents	(1.4)	2.3	4.2	(2.8)	(2.4)
Cash and cash equivalents at end of period	**57.4**	**74.5**	**55.0**	**82.6**	**79.1**

(1) The Employee Share Ownership Trust from time to time holds shares in the Company for the purposes of various share incentive plans and the rights attached to them are exercised by independent trustees, who may take into account any recommendation by the Company.

8.1 *Net cash flow from operating activities*

Net cash flow from operating activities decreased to a cash inflow of $37.1 million for the six months ended 30 June 2018 from a cash inflow of $53.0 million for the six months ended 30 June 2017. The decrease was due primarily to an increase in inventories (predominantly within Chromium as the business rebuilt its chrome ore supplies).

Net cash flow from operating activities decreased to a cash inflow of $114.7 million for the year ended 31 December 2017 from a cash inflow of $117.9 million for the year ended 31 December 2016. The decrease was due primarily to an increase in interest charges from the assumption of debt necessary to purchase SummitReheis and cash tax increases year on year, which was offset in part by an increase in operating profit following the acquisition of SummitReheis.

Net cash flow from operating activities increased to a cash inflow of $117.9 million for the year ended 31 December 2016 from a cash inflow of $111.6 million for the year ended 31 December 2015. The increase was due primarily to significantly reduced pension payments to the UK pension deficit and cash tax payments, which was offset in part by a reduction in operating profit.

8.2 *Net cash flow from investing activities*

Net cash flow from investing activities was a cash inflow of $22.7 million for the six months ended 30 June 2018 compared to a cash outflow of $376.0 million for the six months ended 30 June 2017. The change to a cash inflow was due primarily to completion of the disposal of the Surfactants business during the six months ended 30 June 2018 (with the Elementis Group receiving cash proceeds of €39 million) as compared to the impact of the acquisition of SummitReheis during the prior period (when the Elementis Group paid consideration of $361.8 million, net of cash).

Net cash flow from investing activities increased to a cash outflow of $403.3 million for the year ended 31 December 2017 from a cash outflow of $35.2 million for the year ended 31 December 2016. The increase was due primarily to the acquisition of SummitReheis for a consideration of $361.8 million, net of cash.

Net cash flow from investing activities increased to a cash outflow of $35.2 million for the year ended 31 December 2016 from a cash outflow of $29.6 million for the year ended 31 December 2015. The increase was due primarily to investment in the Elementis Group's facility in New Martinsville and continued investment in health, safety and environment compliance.

8.3 *Net cash flow used in financing activities*

Net cash flow used in financing activities was a cash outflow of $56.0 million for the six months ended 30 June 2018 compared to a cash inflow of $312.6 million for the six months ended 30 June 2017. The change to a cash outflow was due primarily to a decrease in borrowings (as compared to an increase in borrowings to fund the acquisition of SummitReheis during the prior period) and a decrease in dividends paid (primarily reflecting the lack of a special dividend during the six months ended 30 June 2018).

Net cash flow used in financing activities was a cash inflow of $256.8 million for the year ended 31 December 2017 compared to a cash outflow of $76.4 million for the year ended 31 December 2016. The change to a cash inflow primarily reflected increased borrowing to fund the acquisition of SummitReheis.

Net cash flow used in financing activities increased to a cash outflow of $76.4 million for the year ended 31 December 2016 from a cash outflow of $74.2 million for the year ended 31 December 2015. The increase was due primarily to an increase in dividends paid.

9. Capital expenditure

The Elementis Group made capital expenditures of $20.5 million and $15.1 million for the six months ended 30 June 2018 and 2017, respectively, and capital expenditures of $44.9 million, $35.6 million and $31.4 million for the years ended 31 December 2017, 2016 and 2015, respectively. During these periods, the Elementis Group's capital expenditures primarily related to investment in facilities and growth opportunities, including the Bentone® gel capacity expansion in Scotland, the building of the decorative additives facility in New Martinsville and continued investment in health, safety and environment compliance.

10. Cash and indebtedness

The Elementis Group had cash and cash equivalents of $57.4 million, $55.0 million, $82.6 million and $79.1 million as at 30 June 2018 and 31 December 2017, 2016 and 2015, respectively.

The Elementis Group had total borrowings (current and non-current) of $317.0 million, $346.1 million, $5.1 million and $5.1 million as at 30 June 2018 and 31 December 2017, 2016 and 2015, respectively. The Elementis Group's borrowings as at 30 June 2018 were comprised primarily of a $200 million term loan and revolving credit facility negotiated in 2017 upon the acquisition of SummitReheis.

In connection with the Acquisition, the Elementis Group entered into the Facilities Agreement on 11 September 2018. See paragraph 18.1.5 in Part XXIV (*Additional Information*). It is expected that approximately $600.0 million will be drawn under the Facilities Agreement at Completion to fund part of the cash consideration for the Acquisition and to refinance certain indebtedness of the Mondo Group and the Elementis Group. See Part XX (*Unaudited Pro Forma Financial Information Relating to the Enlarged Group*).

11. Off-balance sheet arrangements

Except as disclosed in Notes 22 and 29 to the financial statements in the Elementis Group's annual report and accounts for the year ended 31 December 2017 and Note 14 to the financial statements in the Elementis Group's interim report and accounts for the six months ended 30 June 2018, which are incorporated into this document by reference as explained in Part XVIII (Historical Financial Information Relating to the Elementis Group), the Elementis Group had no off-balance sheet arrangements as at 30 June 2018.

12. Critical accounting policies

When applying the Elementis Group's accounting policies, management must make a number of key judgements on the application of applicable accounting standards and estimates and assumptions concerning the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and judgements are based on factors considered to be relevant, including historical experience, which may differ significantly from the actual outcome. The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the amounts recognised in the financial statements are discussed in Note 2 to the interim financial statements of the Elementis Group for the six months ended 30 June 2018 and Note 1 to the financial statements in the Elementis Group's annual report and accounts for the year ended 31 December 2017, which are incorporated into this document by reference as explained in Part XVIII (*Historical Financial Information Relating to the Elementis Group*).

13. New accounting standards

As at the date of preparation of the Elementis Group Financial Statements, certain IFRSs had been issued but were not effective for the periods under review, but will be effective for later periods. The Directors have done an initial assessment of these standards and do not believe they will have a material impact on the operating profitability reported in the financial statements of the Elementis Group in future periods. See Note 2 to the interim financial statements of the Elementis Group for the six months ended 30 June 2018, and Note 1 to the financial statements in the Elementis Group's annual report and accounts for the year ended 31 December 2017, which are incorporated into this document by reference as explained in Part XVIII (*Historical Financial Information Relating to the Elementis Group*).

14. Quantitative and qualitative disclosure about market risk

The Elementis Group's operations and use of financial instruments expose it to a variety of risks including credit risk, liquidity risk and market risk. For a discussion of these financial risks, see Note 21 to the financial statements in the Elementis Group's annual report and accounts for the year ended 31 December 2017, which are incorporated into this document by reference as explained in Part XVIII (*Historical Financial Information Relating to the Elementis Group*).

PART XV

CAPITALISATION AND INDEBTEDNESS OF THE ELEMENTIS GROUP

The following tables set out the capitalisation and indebtedness of the Elementis Group as at 30 June 2018. The following tables should be read together with Part XIV (Operating and Financial Review of the Elementis Group) and Part XVIII (Historical Financial Information Relating to the Elementis Group). The following tables do not reflect the impact of the Rights Issue or the Acquisition. For an analysis of the impact of the Rights Issue and the Acquisition on the balance sheet and income statement of the Enlarged Group, see Part XX (Unaudited Pro Forma Financial Information Relating to the Enlarged Group).

1. Indebtedness

$ millions	As at 30 June 2018
Total current debt	**4.7**
Guaranteed	—
Secured	4.7
Unguaranteed/unsecured	—
Total non-current debt (excluding current portion of long-term debt)	**312.3**
Guaranteed	—
Secured	312.3
Unguaranteed/unsecured	—

2. Capitalisation

$ millions	As at 30 June 2018
Share capital	44.4
Share premium	22.1
Other reserves	101.2
Retained earnings	540.3
Total equity	**708.0**

There has been no material change in the Elementis Group's capitalisation since 30 June 2018.

3. Net Indebtedness

$ millions	As at 30 June 2018
A. Cash	57.4
B. Cash equivalent	—
C. Trading securities	—
D. Liquidity (A+B+C)	**57.4**
E. Current Financial Receivable	**—**
F. Current bank debt	4.7
G. Current portion of non-current debt	—
H. Other current financial debt	—
I. Current Financial Debt (F+G+H)	**4.7**
J. Net Current Financial Indebtedness (I-E-D)	(52.7)
K. Non-current bank loans	312.3
L. Bonds issued	—
M. Other non-current loans	—
N. Non-current Financial Indebtedness (K+L+M)	**312.3**
O. Net Financial Indebtedness (J+N)	**259.6**

PART XVI

SELECTED FINANCIAL AND OTHER INFORMATION OF THE MONDO GROUP

The following is a summary of the Mondo Group's financial and other information as at the dates and for the periods indicated. The income statement, balance sheet and cash flow information has been extracted without material adjustment from the Mondo Group Financial Statements. The following summary should be read in conjunction with Part XVII (Operating and Financial Review of the Mondo Group) and Part XIX (Historical Financial Information Relating to the Mondo Group). Prospective investors are advised to read the whole of this Prospectus and not to rely on the information summarised in this Part XVI.

1. Selected Consolidated Income Statement Information

The following table sets out selected consolidated income statement information for the Mondo Group for the periods indicated.

€ thousands	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015
	unaudited	*unaudited*			
Revenue	**71,230**	**60,560**	**121,960**	**119,266**	**114,995**
Cost of sales	(44,915)	(38,815)	(73,915)	(73,795)	(78,003)
Gross profit	**26,315**	**21,745**	**48,045**	**45,471**	**36,992**
Distribution costs	(9,889)	(9,071)	(21,097)	(20,497)	(19,664)
Administration expenses	(6,775)	(5,615)	(11,826)	(11,233)	(10,361)
Other operating income	87	103	242	543	590
Operating profit	**9,738**	**7,162**	**15,364**	**14,284**	**7,557**
Finance income	299	175	345	3,446	2,897
Finance expenses	(14,815)	(18,145)	(33,165)	(31,355)	(27,977)
Net finance income and expenses	**(14,516)**	**(17,970)**	**(32,820)**	**(27,909)**	**(25,080)**
Profit/(loss) before income tax	**(4,778)**	**(10,808)**	**(17,456)**	**(13,625)**	**(17,523)**
Income tax (expense)/benefit	975	(338)	1,169	2,613	3,895
Loss for the period	**(3,803)**	**(11,146)**	**(16,287)**	**(11,012)**	**(13,628)**

2. Selected Consolidated Balance Sheet Information

The following table sets out selected consolidated balance sheet information for the Mondo Group as at the dates indicated.

€ thousands	As at 30 June	As at 31 December		
	2018	2017	2016	2015
	unaudited			
Non-current assets				
Property, plant and equipment	194,333	195,917	196,893	193,134
Goodwill	59,775	59,775	59,775	59,775
Other intangible assets	17,177	17,822	19,112	20,402
Other financial assets	57	192	—	—
Other non-current assets	69	69	21,821	21,821
Total non-current assets	**271,411**	**273,775**	**297,601**	**295,132**
Current assets				
Inventories	19,625	20,901	17,383	14,306
Trade and other receivables	15,264	14,490	11,989	11,865
Other current assets	6,693	4,511	4,527	4,010
Current tax assets	17	10	—	—
Cash and cash equivalents	33,010	27,669	15,117	15,230
Total current assets	**74,609**	**67,581**	**49,016**	**45,411**
Total assets	**346,020**	**341,356**	**346,617**	**340,543**
Equity attributable to equity holders				
Share capital	18	18	18	18
Share premium	73,455	73,455	73,455	73,455
Retained earnings	(81,291)	(77,488)	(61,201)	(50,189)
Total equity	**(7,818)**	(4,015)	12,272	23,284
Non-current liabilities				
Interest-bearing liabilities	299,278	291,146	276,900	259,602
Derivative financial instruments	—	—	138	3,055
Provisions	2,399	2,448	2,555	2,740
Deferred tax liabilities	11,745	12,881	14,254	16,911
Other non-current liabilities	22,246	22,246	21,863	21,863
Total non-current liabilities	**335,668**	**328,721**	**315,710**	**304,171**
Current liabilities				
Interest-bearing liabilities	10	10	22	22
Current tax liabilities	299	160	—	—
Trade and other payables	12,811	11,077	10,538	6,826
Other current liabilities	5,050	5,403	8,075	6,240
Total current liabilities	**18,170**	**16,650**	**18,635**	**13,088**
Total equity and liabilities	**346,020**	**341,356**	**346,617**	**340,543**

3. Selected Consolidated Cash Flow Statement Information

The following table sets out selected consolidated cash flow statement information for the Mondo Group for the periods indicated.

€ thousands	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015
	unaudited	*unaudited*			
Net cash flow from operating activities	17,883	8,253	43,082	29,580	29,405
Net cash flow from investing activities	(6,059)	(7,864)	(13,517)	(16,849)	(26,098)
Net cash flow from financing activities	(6,483)	(10,678)	(17,013)	(12,844)	(14,220)
Net increase/(decrease) in cash and cash equivalents	**5,341**	**(10,289)**	**12,552**	**(113)**	**(10,913)**
Cash and cash equivalents at start of period	27,669	15,117	15,117	15,230	26,143
Cash and cash equivalents at end of period	**33,010**	**4,828**	**27,669**	**15,117**	**15,230**

4. Financial Key Performance Indicators and Reconciliations to IFRS Measures

4.1 *Financial Key Performance Indicators*

The following table sets out selected unaudited financial key performance indicators for the Mondo Group for the periods indicated. These unaudited financial key performance indicators are non-IFRS financial measures, which should not be considered in isolation from, or as a substitute for, measures presented in accordance with IFRS. For more information about non-IFRS measures, see "*Non-IFRS financial measures of the Elementis Group's and the Mondo Group's performance*" in Part III (*Important Information*).

€ thousands	For the six months ended 30 June		For year ended 31 December		
	2018	2017	2017	2016	2015
EBITDA(1)	17,710	10,746	26,103	26,058	20,425
Adjusted EBITDA(2)	19,147	14,713	31,148	28,664	22,889

(1) EBITDA is defined as earnings before interest, tax, depreciation and amortisation. A reconciliation of EBITDA to loss for the period is set out in "—*Reconciliations to IFRS Measures*" below.

(2) Adjusted EBITDA is defined as EBITDA adjusted for other finance income, other finance expenses and costs associated with the disposal of the business. A reconciliation of adjusted EBITDA to loss for the period is set out in "—*Reconciliations to IFRS Measures*" below.

4.2 *Reconciliations to IFRS Measures*

The table below sets forth a reconciliation of EBIT, EBITDA and adjusted EBITDA to loss for the period for the periods indicated:

€ thousands	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015
Loss for the period	(3,803)	(11,146)	(16,287)	(11,012)	(13,628)
Income tax expense/(benefit)	(975)	338	(1,169)	(2,613)	(3,895)
Interest income	(1)	0	(1)	0	(1)
Interest expense	14,200	14,003	27,776	25,303	22,617
EBIT	**9,421**	**3,195**	**10,319**	**11,678**	**5,093**
Depreciation and amortisation	8,289	7,551	15,784	14,380	15,332
EBITDA	**17,710**	**10,746**	**26,103**	**26,058**	**20,425**
Other finance income(1)	(298)	(175)	(344)	(3,446)	(2,896)
Other finance expenses(1)	615	4,142	5,389	6,052	5,360
Costs associated with disposal of the business(2)	1,120	—	—	—	—
Adjusted EBITDA	**19,147**	**14,713**	**31,148**	**28,664**	**22,889**

(1) Other finance income and other finance expenses costs not included in EBITDA. These are set forth in Note 7 to the financial statements of the Mondo Group for the years ended 31 December 2017, 2016 and 2015 and Note 8 to the interim financial statements of the Mondo Group for the six months ended 30 June 2018, each set out in Part XIX (*Historical Financial Information Relating to the Mondo Group*).

(2) Costs incurred by the Mondo Group directly related to the sale of the business, including professional fees and management bonuses.

PART XVII

OPERATING AND FINANCIAL REVIEW OF THE MONDO GROUP

The following operating and financial review is intended to present management's perspective on the results of operations and financial condition of the Mondo Group as at and for the six months ended 30 June 2018 and 2017 and as at and for the years ended 31 December 2017, 2016 and 2015. This section should be read in conjunction with the Mondo Group Financial Statements.

Unless otherwise indicated, the selected financial information included in this Part XVII has been extracted without material adjustment from the Mondo Group Financial Statements.

This section includes forward-looking statements that are subject to known and unknown risks and uncertainties. Actual results and the timing of events could differ materially from those expressed or implied by such forward-looking statements as a result of various factors including those discussed in Part II (Risk Factors) and in "Forward-looking statements" in Part III (Important Information).

1. Introduction

The Mondo Group is a leading mine-to-market producer of talc and other mineral products with a strong presence in Northern and Central Europe and a growing customer base in Eastern Europe, Southern Europe, South America and Asia. The Mondo Group supplies talc to customers operating in a wide range of end markets, including industrial sectors (e.g., plastics, paints & coatings, technical ceramics, life sciences) and paper sectors (e.g., paper filler, paper coatings). The Mondo Group uses proprietary flotation process know-how and formulation expertise to deliver superior product quality and consistency to its customers.

For the six months ended 30 June 2018, the Mondo Group had revenue of €71.2 million and an operating profit of €9.7 million. For the year ended 31 December 2017, the Mondo Group had revenue of €122.0 million and an operating profit of €15.4 million.

2. Significant factors affecting the Mondo Group's results of operations and financial condition

2.1 *Economic conditions in the end markets of the Mondo Group's customers*

The Mondo Group supplies talc to customers operating in a wide range of end markets, including industrial sectors (e.g., plastics, paints and coatings, technical ceramics, life sciences) and paper sectors (e.g., paper filler, paper coatings). The performance of the Mondo Group is impacted by the volume of purchases and prices paid by its customers, which in turn are impacted by the economic conditions in the industries and geographic regions in which such customers operate. In particular, demand for industrial talc is influenced by factors such as levels of demand for new automobiles and for the repair of used automobiles, levels of demand for electronic equipment (e.g., household appliances), construction activity levels, the stringency of environmental regulation regarding automotive emissions, levels of demand for new marine vessels, train wagons, containers and aircraft and levels of demand for pharmaceuticals, cosmetics and chewing gum. Demand for paper talc is influenced by factors such as levels of demand for paper in communications and advertising, which generally has decreased in recent periods as a result of the increasing use of electronic media.

During the periods under review, a significant portion of the Mondo Group's revenue was generated in Europe and, in particular, in Finland (where substantially all of the Mondo Group's customers for paper talc are located) and Germany (where a significant number of the Mondo Group's customers for plastics and paint end-uses are located). However, the majority of the Mondo Group's revenue growth in recent periods has come from customers located in the Americas and Asia.

The following table presents a breakdown of the Mondo Group's revenue by geographical region for the periods indicated.

€ millions	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015
Europe	54.0	52.1	102.0	101.4	102.0
Rest of World	17.2	8.5	20.0	17.9	13.0
Total revenue	**71.2**	**60.6**	**122.0**	**119.3**	**115.0**

In accordance with IFRS, the Mondo Group does not present its revenues by business segment.

2.2 *Product mix*

In the global talc market, talc usage can generally be divided between specialty and non-specialty applications. Specialty applications are characterised by higher quality, purity and consistency standards, a focus on technical specifications and higher price points, whereas non-specialty applications (which Mondo regards as legacy products) are characterised by less stringent quality, purity and consistency standards, a focus on volume and lower price points. Substantially all of the Mondo Group's industrial talc products (including for use in plastics, paints & coatings, technical ceramics and life sciences) and its paper coating products are specialty applications, whereas the Mondo Group's paper filler products are non-specialty applications.

During the periods under review, the Mondo Group's sales of paper talc were generally made to a small number of large paper producers in Finland in close proximity to the Mondo Group's talc mines, whereas the Mondo Group's sales of industrial talc were generally made to a broader and more international customer base. In particular, and following years of consolidation and restructuring in the paper industry, a single customer in Finland (which the Mondo Group has been serving as a customer for more than 40 years) accounted for 83% of the Mondo Group's revenue from paper talc for the year ended 31 December 2017, whereas no single customer accounted for more than 7% of the Mondo Group's revenue from industrial talc for the year ended 31 December 2017.

Since 2009, the mix of the Mondo Group's product offering has gradually shifted toward industrial talc and away from paper talc. Revenue from paper talc has gradually decreased while revenue from industrial talc have gradually increased, with the latter being driven in particular by growth in applications of industrial talc in plastics. Revenue from paper talc represented 18.5%, 19.3%, 20.2%, 23.9% and 25.9% of the Mondo Group's revenue for the six months ended 30 June 2018 and 2017 and for the years ended 31 December 2017, 2016 and 2015, respectively. This shift toward industrial talc, which has higher contribution margins per tonne than paper talc segments, led to increases in the Mondo Group's adjusted EBITDA during the periods under review. The Mondo Group had adjusted EBITDA of €19.1 million, €14.7 million, €31.1 million, €28.7 million and €22.9 million for the six months ended 30 June 2018 and 2017 and for the years ended 31 December 2017, 2016 and 2015, respectively. The Mondo Group's adjusted EBITDA margins also increased during the periods under review. The Mondo Group's adjusted EBITDA margin (defined as adjusted EBITDA divided by revenue) was 26.9%, 24.3%, 25.5%, 24.0% and 19.9% for the six months ended 30 June 2018 and 2017 and for the years ended 31 December 2017, 2016 and 2015, respectively.

2.3 *Accreditation as a supplier of specialty talc to major international customers and growth in the share of supply of such customers*

The specialty talc market is generally characterised by high barriers to entry as a new supplier due to, among other factors, the long and complicated accreditation processes generally required for a supplier to be accepted by a customer and for the customer to optimise its production processes to match the technical specifications of the industrial talc provided by the supplier. As a result, it can be difficult and time consuming for a supplier of industrial talc to acquire new customers; however, once acquired, such customers are generally faced with high switching costs and as a result may be reluctant to switch suppliers. For example, for the year ended 31 December 2017, approximately 75% of the Mondo Group's revenue from industrial talc was made to recurring customers.

Distribution costs also act as a barrier to entry in the paper talc market given the costs of transporting large volumes of talc. Suppliers of paper talc thus tend to benefit from a competitive advantage with respect to customers in closer proximity to their mines and a competitive disadvantage with respect to customers who are located relatively far from their mines.

Historically, a substantial portion of the Mondo Group's business was providing non-specialty talc as a primary supplier to paper producers in Finland, although the number of such customers and the amount of such sales have diminished in recent periods as a result of industry conditions and consolidation (see "*—Economic conditions in the end markets of the Mondo Group's customers*" and "*—Product mix*" above). In recent periods, the Mondo Group has also become accredited as a second supplier of industrial talc to a significant number of major international producers of a wide range of products across a variety of geographies (including Europe, North America, the Middle East and Africa). For example, for the year ended 31 December 2017, approximately 25% of the Mondo Group's revenue from industrial talc was made to new customers. This has resulted both in an increase in the geographical diversification of the Mondo Group's business as well as growth in the overall revenue during the periods under review, as growth in revenue from industrial talc has generally more than offset decreases in revenue from paper talc.

During the periods under review, the Mondo Group has in many cases provided only a small percentage of the supply of industrial talc to the major international producer customers it has acquired and, as a result, the Directors believe there is an opportunity to significantly grow the Mondo Group's revenue in subsequent periods by growing its share of supply of such customers. Distribution costs may not be a determinative factor for these customers since quality, consistency and supply security are the priorities for multinational companies.

2.4 *Opportunities to monetise other mineral co-products*

The Mondo Group produces a number of other mineral co-products in connection with its talc processing activities, including nickel-cobalt concentrate and magnesite sand. Nickel is primarily used in industrial alloys and cobalt is primarily used in electric batteries, while the primary end-market for magnesite is refractories for the metal industry. In recent periods the Mondo Group has made investments aimed at improving the monetisation potential of these co-products, in particular investing in bioleaching technology to process nickel-cobalt concentrate. Although sales of other mineral co-products were limited during the years ended 31 December 2017, 2016 and 2015, other mineral co-products have historically contributed positively to adjusted EBITDA and sales of other mineral co-products increased during the six months ended 30 June 2018, when revenue from other mineral co-products accounted for 10.2% of total revenue. On 22 November 2017, the Mondo Group signed an offtake agreement (with a term of ten years from 1 January 2019) under which the customer must purchase all of the Mondo Group's nickel and cobalt production at relevant average market prices up to a certain volume limit, which has been set at approximately 120% of the Mondo Group's current production capacity. The Directors believe there is a complementary opportunity for sales of other mineral co-products.

2.5 *Levels of indebtedness*

During the periods under review, the Mondo Group had significant levels of indebtedness, including a €116.3 million fixed-rate shareholder loan with Advent Mondo (Luxembourg) Finance S.à r.l. (an affiliate of the Seller), a €185 million facilities agreement with Hayfin DLF II Luxco 2 S.à r.l., a €7.5 million overdraft facility with BNP Paribas S.A. and a €5 million bank guarantee facility agreement with BNP Paribas S.A. The following table presents a breakdown of the Mondo Group's non-current interest-bearing liabilities as at the dates indicated.

€ thousands	As at 30 June	As at 31 December		
	2018	2017	2016	2015
Financial lease liabilities	—	—	9	31
Loans from financial institutions, financial liability at amortised cost	182,947	182,769	156,890	155,449
Loans from related parties, financial liability at amortised cost	116,331	108,377	120,001	104,122
Non-current interest-bearing liabilities	**299,278**	**291,146**	**276,900**	**259,602**

As a result of its significant levels of indebtedness, the Mondo Group had net finance expenses substantially in excess of its operating profit during each of the periods under review, resulting in losses in each period.

In connection with the Acquisition, the fixed-rate shareholder loan with Advent Mondo (Luxembourg) Finance S.à r.l. (an affiliate of the Seller), and the €185 million facilities agreement with Hayfin DLF II Luxco S.à r.l. and the €5 million bank guarantee facility agreement with BNP Paribas S.A. will be repaid in full and the €7.5 million overdraft facility with BNP Paribas S.A. will be terminated. See Part XX (*Unaudited Pro Forma Financial Information Relating to the Enlarged Group*).

3. Recent developments, current trading and prospects

In the period since 30 June 2018, the Mondo Group has continued to trade in line with management expectations.

The Directors expect the Mondo Group's revenue for the year ending 31 December 2018 to increase by approximately 15% as compared to the year ended 31 December 2017, driven primarily by gains with existing customers (including as a result of expanding to new geographies with existing customers and new product innovations such as low oil absorption and heat treated talc), gains with new customers (including as a result of first volumes with new plastics customers, new formulations for new coatings customers, and food, cosmetics and drug excipients for new life science customers) and growth from other mineral co-products (including as a result of nickel concentrate sales and improvement of floatation yields).

Over the medium term, the Directors expect the Mondo Group's revenue to increase by approximately 5-7% per annum, excluding the impact of expected synergies. The Directors expect the Mondo Group's adjusted EBITDA to be driven over the medium term by a number of factors, including continuation of the positive product mix shift toward industrial talc, fixed costs (excluding the impact of expected synergies) growing at a slower rate than revenue and the realisation of modest cost synergies. Over the medium term, the Directors expect the Mondo Group to have approximately €10-11 million of recurring capital expenditure per annum and an effective tax rate in the low 20s(%).

See "*Forward-looking statements*" in Part III (*Important Information*).

4. Description of certain income statement line items

4.1 *Revenue*

Revenue consists primarily of revenue arising from sales of talc and nickel. Revenue is recognised when the significant risks and rewards of ownership are transferred to the buyer and there is no continuing management involvement with the goods.

4.2 *Distribution expenses and commissions*

Distribution expenses and commissions consist primarily of logistics and selling costs.

4.3 *Employee benefit expenses*

Employee benefit expenses consist primarily of wages and salaries of employees and pension expenses.

4.4 *Other operating expenses*

Other operating expenses consist primarily of production consumables such as raw materials and packaging, electricity, chemicals and fuel, oil and gas. Other operating expenses also include external maintenance work (services and parts), marketing and administration services, and research and development services.

4.5 *Depreciation and amortisation*

Depreciation on property, plant and equipment is based on the cost of an asset less its residual value and is calculated on a straight-line basis over their estimated useful lives with the exception of mineral deposits. Mineral deposits are depreciated based on the units of production. Land areas are not depreciated.

Amortisation on other intangible assets, which mainly include customer lists and technology-based assets, is calculated on a straight-line basis over their estimated useful lives which range from 3-20 years. Goodwill is not amortised but is tested annually for impairment.

5. Results of Operations

The following table sets out selected consolidated income statement information for the Mondo Group for the periods indicated.

€ thousands	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015
	unaudited	*unaudited*			
Revenue	**71,230**	**60,560**	**121,960**	**119,266**	**114,995**
Cost of sales	(44,915)	(38,815)	(73,915)	(73,795)	(78,003)
Gross profit	**26,315**	**21,745**	**48,045**	**45,471**	**36,992**
Distribution costs	(9,889)	(9,071)	(21,097)	(20,497)	(19,664)
Administration expenses	(6,775)	(5,615)	(11,826)	(11,233)	(10,361)
Other operating income	87	103	242	543	590
Operating profit	**9,738**	**7,162**	**15,364**	**14,284**	**7,557**
Finance income	299	175	345	3,446	2,897
Finance expenses	(14,815)	(18,145)	(33,165)	(31,355)	(27,977)
Net finance income and expenses	**(14,516)**	**(17,970)**	**(32,820)**	**(27,909)**	**(25,080)**
Profit/(loss) before income tax	**(4,778)**	**(10,808)**	**(17,456)**	**(13,625)**	**(17,523)**
Income tax (expense)/benefit	975	(338)	1,169	2,613	3,895
Loss for the period	**(3,803)**	**(11,146)**	**(16,287)**	**(11,012)**	**(13,628)**

5.1 *Revenue*

Revenue increased by 17.6% to €71.2 million for the six months ended 30 June 2018 from €60.6 million for the six months ended 30 June 2017. The increase was due primarily to the sale of nickel and cobalt stocks accumulated over previous years, as well as continued momentum in industrial segments sales and continued consolidation of the paper industry in Finland.

Revenue increased by 2.3% to €122.0 million for the year ended 31 December 2017 from €119.3 million for the year ended 31 December 2016, which in turn was an increase of 3.7% from €115.0 million for the year ended 31 December 2015. The increase for the year ended 31 December 2017 was due primarily to an increased share of talc supply for certain key industrial customers which led to an increase in the volume of sales. The increase for the year ended 31 December 2016 was due primarily to a general increase in the demand for industrial talc, as well as further growth in share of supply for existing large customers and the gain of a few new customers, which led to an increase in the volumes sold.

5.2 *Cost of sales*

€ thousands	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015
Commission expenses	300	290	543	515	478
Electricity	4,855	4,968	9,442	9,880	10,707
Chemicals	1,772	1,522	3,284	3,679	3,625
Fuel, oil and gas	1,144	945	1,803	1,377	1,677
Maintenance	2,118	1,738	3,255	3,319	2,327
Change in inventories	2,462	(1,010)	(118)	(1,108)	1,162
External mining services	2,702	2,880	5,555	5,771	4,868
Other external services	1,730	1,622	2,717	2,577	3,888
Raw materials and packaging	11,253	10,521	16,096	19,397	18,964
Factory costs	2,643	2,464	4,708	4,377	4,170
Material management	1,104	1,010	2,165	1,920	2,205
SEQ and labs	1,196	1,101	2,279	1,989	2,020
Process development	334	263	583	509	611
Production wages	3,926	3,798	7,487	7,221	6,721
Depreciation, production	7,376	6,703	14,116	12,372	14,580
Cost of sales	**44,915**	**38,815**	**73,915**	**73,795**	**78,003**

Cost of sales increased by 15.7% to €44.9 million for the six months ended 30 June 2018 from €38.8 million for the six months ended 30 June 2017. The increase was due primarily to higher talc sales. In addition, there was an increased change in inventories costs as a result of the destocking of nickel inventory, and depreciation increased due to the utilisation of investments to increase talc production capacity.

Cost of sales increased by 0.2% to €73.9 million for the year ended 31 December 2017 from €73.8 million for the year ended 31 December 2016, which was in turn a decrease of 5.4% from €78.0 million for the year ended 31 December 2015. The increase in cost of sales for the year ended 31 December 2017 was due primarily to an increase in depreciation as a result of production from a different mix of mines and reduced benefit from change in inventories, which was largely offset by lower costs for raw materials and packaging as a result of more advantageous prices. The decrease in cost of sales for year ended 31 December 2016 was due primarily to a decrease in mineral resources depreciation as a result of production from various of the Mondo Group's mines, a benefit from change in inventories and a reclassification of amortisation in the amount of €1.3 million to administration expenses. In addition, the cost of sales for the year ended 31 December 2015 reflected relatively higher electricity prices, higher fuel, oil and gas costs and higher costs of other external services (mainly outsourced logistics costs).

5.3 *Distribution costs*

Distribution costs increased by 9.0% to €9.9 million for the six months ended 30 June 2018 from €9.1 million for the six months ended 30 June 2017. The increase was due primarily to an overall increase in shipped volumes, and a particular increase in sales to customers located farther away (e.g., North and South America).

Distribution expenses and commissions increased by 2.9% to €21.1 million for the year ended 31 December 2017 from €20.5 million for the year ended 31 December 2016, which in turn was an increase of 4.2% from €19.7 million for the year ended 31 December 2015. The increase for the years ended 31 December 2017 and 31 December 2016 was due primarily to an increase in sales, as shipping expenses increase in line with increased distribution obligations. New industrial talc customers have increasingly been outside of Finland and the Netherlands, creating higher shipping costs.

5.4 *Administration expenses*

€ thousands	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015
Exploration	1	34	121	36	62
Marketing and research and development	1,832	1,832	4,086	3,478	3,621
Administration	4,029	2,901	5,951	5,711	5,926
Depreciation, other	913	848	1,668	2,008	752
Administration expenses	**6,775**	**5,615**	**11,826**	**11,233**	**10,361**

Administration expenses increased by 20.7% to €6.8 million for the six months ended 30 June 2018 from €5.6 million for the six months ended 30 June 2017. The increase was due primarily to consulting and transaction costs related to the Acquisition.

Administration expenses increased by 5.3% to €11.8 million for the year ended 31 December 2017 from €11.2 million for the year ended 31 December 2016, which in turn was an increase of 8.4% from €10.4 million for the year ended 31 December 2015. The increase for the year ended 31 December 2017 was due primarily to an increase in marketing and administration costs to support the penetration of the cosmetics segment, business expansion in China and strategic development projects (including HAR talc and Mondana Scrub). The increase for the year ended 31 December 2016 was due primarily to a reclassification of amortisation between cost of sales and administration expenses.

5.5 *Finance income and expenses*

€ thousands	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015
Finance income					
Interest income	1	—	1	—	1
Fair value changes on financial assets and liabilities at fair value through profit and loss	—	138	138	2,916	2,147
Foreign exchange gains	298	37	206	530	749
Total	**299**	**175**	**345**	**3,446**	**2,897**
Finance expenses					
Foreign exchange losses	(144)	(313)	(748)	(477)	(622)
Amortisation of loan transaction costs	(178)	(3,367)	(3,545)	(1,722)	(1,536)
Discount Unwind—Rehabilitation Reserve	(19)	(19)	(37)	(39)	(29)
Realised losses from derivatives	—	(138)	(138)	(3,034)	(2,650)
Interest expenses on financial liabilities measured at amortised cost	(14,200)	(14,003)	(27,776)	(25,303)	(22,617)
Fair value changes on financial assets and liabilities at fair value through profit and loss	(135)	—	(178)	—	—
Agency fee, guarantee fees, other loan fees	(101)	(114)	(678)	(722)	(473)
Bank costs	(38)	(191)	(65)	(58)	(50)
Total	**(14,815)**	**(18,145)**	**(33,165)**	**(31,355)**	**(27,977)**
Net finance income/(expense)	**(14,516)**	**(17,970)**	**(32,820)**	**(27,909)**	**(25,080)**

Net finance expense decreased by 19.2% to €14.5 million for the six months ended 30 June 2018 from €18.0 million for the six months ended 30 June 2017. The decrease was due primarily to a decrease in amortisation of loan transaction costs, primarily reflecting a write-off of loan fees from previously repaid external loans.

Net finance expense increased by 17.6% to €32.8 million for the year ended 31 December 2017 from €27.9 million for the year ended 31 December 2016, which in turn was an increase of 11.3% from €25.1 million for the year ended 31 December 2015. The increase for the year ended 31 December 2017 was due primarily to an increase in the interest expenses on financial liabilities measured at amortised costs related to the Mondo Group's main credit facility. The increase for the year ended 31 December 2016 was due primarily to an increase in the interest expenses on financial liabilities measured at amortised costs related to the Mondo Group's main credit facility, primarily caused by loans from related parties.

5.6 *Income taxes*

€ thousands	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015
Current taxes	161	406	204	44	55
Deferred taxes	(1,136)	(68)	(1,373)	(2,657)	(3,950)
Total income tax expense/(benefit)	**(975)**	**338**	**(1,169)**	**(2,613)**	**(3,895)**

The income tax benefit was €1.0 million for the six months ended 30 June 2018 compared to an expense of €0.3 million for the six months ended 30 June 2017. The change was due primarily to the impact during the first half of 2017 of a final settlement with the Dutch tax authorities, pursuant to which the accrued tax gain on carry forward losses in the Netherlands was released.

The income tax benefit decreased by 55.3% to €1.2 million for the year ended 31 December 2017 from €2.6 million for the year ended 31 December 2016, which in turn was a decrease of 32.9% from €3.9 million for the year ended 31 December 2015. The decrease for the year ended 31 December 2017 was due primarily to the aforementioned final settlement with the Dutch tax authorities. The decrease for the year ended 31 December 2016 was due primarily to recognised carry forward tax losses and reversed temporary differences, both released from deferred tax assets.

The Mondo Group's effective tax rates were 20.4%, 6.7%, 19.2% and 22.2% for the six months ended 30 June 2018 and the years ended 31 December 2017, 2016 and 2015, respectively.

6. Liquidity and capital resources

The Mondo Group's primary uses of cash are working capital and capital expenditure. The Mondo Group's primary sources of liquidity are operating cash flow.

7. Cash flow analysis

The following table sets out consolidated cash flow statement information for the Mondo Group for the periods indicated.

€ thousands	Six months ended 30 June		Year ended 31 December		
	2018	2017	2017	2016	2015
	unaudited	*unaudited*			
Cash flow from operating activities					
Profit for the period	(3,803)	(11,146)	(16,287)	(11,012)	(13,628)
Adjustments for:					
Income tax expense/(benefit)	(975)	338	(1,169)	(2,613)	(3,895)
Depreciation, amortisation	8,289	7,551	15,784	14,380	15,332
(Profit)/loss on sale of property, plant and equipment	—	—	—	—	6
Net finance (income)/expense	14,748	17,444	31,656	27,224	24,891
Other adjustments; income and expenses	—	—	2	—	—
Change in working capital and provisions:					
De-/(in)crease in trade and other receivables	(774)	(1,447)	(2,501)	(124)	4,190
De-/(in)crease in inventories	1,276	(1,374)	(3,518)	(3,077)	4,861
De-/(in)crease in trade and other payables	1,734	850	539	3,712	(2,100)
De-/(in)crease in provisions	(49)	(35)	(107)	(185)	(70)
De-/(in)crease other current assets	(2,182)	(478)	16	(517)	1,195
De-/(in)crease other current liabilities	(353)	(3,429)	(2,672)	1,835	(1,321)
Other:					
Income tax received	—	—	21,393	—	—
Income tax paid	(28)	(21)	(54)	(43)	(56)
Net cash flow from operating activities	**17,883**	**8,253**	**43,082**	**29,580**	**29,405**
Cash flow from investing activities					
Acquisition of property, plant and equipment	(6,060)	(7,864)	(13,518)	(16,849)	(26,099)
Interest received	1	—	1	—	1
Net cash flow from investing activities	**(6,059)**	**(7,864)**	**(13,517)**	**(16,849)**	**(26,098)**
Cash flow before financing activities	**11,824**	**389**	**29,565**	**12,731**	**3,307**
Cash flow from financing activities					
Proceeds of long-term debt	—	27,109	27,109	—	—
Repayment of long-term debt	—	(29,544)	(29,544)	—	(2,783)
Payment of finance lease liabilities	—	(11)	(21)	(21)	(21)
Interest paid	(6,483)	(5,763)	(12,458)	(12,823)	(11,416)
Other financing cash flow	—	(2,469)	(2,099)	—	—
Net cash flow from financing activities	**(6,483)**	**(10,678)**	**(17,013)**	**(12,844)**	**(14,220)**
Net change in cash and cash equivalents	**5,341**	**(10,289)**	**12,552**	**(113)**	**(10,913)**
Cash and cash equivalents at start of period	27,669	15,117	15,117	15,230	26,143
Net change in cash and cash equivalents	5,341	(10,289)	12,552	(113)	(10,913)
Cash and cash equivalents at end of period	**33,010**	**4,828**	**27,669**	**15,117**	**15,230**

7.1 *Net cash flow from operating activities*

Net cash flow from operating activities increased to a cash inflow of €17.9 million for the six months ended 30 June 2018 from a cash inflow of €8.3 million for the six months ended 30 June 2017. The increase was due primarily to better operating results, lower levels of inventory as a result of higher nickel and cobalt sales, and an increase in trade payables and other current liabilities.

Net cash flow from operating activities increased to a cash inflow of €43.1 million for the year ended 31 December 2017 from a cash inflow of €29.6 million for the year ended 31 December 2016. The increase was due primarily to the repayment of disputed income tax by the Finnish tax authorities, partially offset by a build-up of nickel and cobalt-related trade working capital.

Net cash flow from operating activities increased to a cash inflow of €29.6 million for the year ended 31 December 2016 from a cash inflow of €29.4 million for the year ended 31 December 2015. The increase was due primarily to better operating results.

7.2 *Net cash flow from investing activities*

Net cash flow from investing activities decreased to a cash outflow of €6.1 million for the six months ended 30 June 2018 from a cash outflow of €7.9 million for the six months ended 30 June 2017. The decrease was due primarily to lower investing activities in capacity expansion.

Net cash flow from investing activities decreased to a cash outflow of €13.5 million for the year ended 31 December 2017 from a cash outflow of €16.8 million for the year ended 31 December 2016. The decrease was due primarily to lower investments in 2016 for the expansion of milling capacity in Amsterdam.

Net cash flow from investing activities decreased to a cash outflow of €16.8 million for the year ended 31 December 2016 from a cash outflow of €26.1 million for the year ended 31 December 2015. The decrease was due primarily to high investments in the nickel bioleaching plant in 2015.

7.3 *Net cash flow from financing activities*

Net cash flow from financing activities decreased to a cash outflow of €6.5 million for the six months ended 30 June 2018 from a cash outflow of €10.7 million for the six months ended 30 June 2017. The decrease was due primarily to lower repayment of long-term debt in association with the refinancing of the Mondo Group’s facilities, and lower other financing cash flow related to lower refinancing fees.

Net cash flow from financing activities increased to cash outflow of €17.0 million for the year ended 31 December 2017 from a cash outflow of €12.8 million for the year ended 31 December 2016. The increase was due primarily to higher repayment of long-term debt in association with the refinancing of the Mondo Group’s facilities, and higher other financing cash flow related to higher refinancing fees.

Net cash flow from financing activities decreased to a cash outflow of €12.8 million for the year ended 31 December 2016 from a cash outflow of €14.2 million for the year ended 31 December 2015. The decrease was due primarily to lower costs associated with the repayment of long-term debt.

8. Capital expenditure

The Mondo Group made capital expenditures of €6.1 million and €7.9 million for the six months ended 30 June 2018 and 2017, respectively, and capital expenditures of €13.5 million, €16.8 million and €26.1 million for the years ended 31 December 2017, 2016 and 2015, respectively. During these periods, the Mondo Group’s capital expenditures primarily related to non-recurring investments in Mondo’s new nickel and cobalt refining and bioleaching capabilities and projects required to transition Mondo towards industrial markets.

Over the medium term, the Directors expect the Mondo Group to have approximately €10-11 million of recurring capital expenditure per annum, with the majority relating to maintenance and mining capital expenditure and the remainder relating to industrial talc volume growth capital expenditure.

9. Cash and indebtedness

The Mondo Group had cash and cash equivalents of €33.0 million, €27.7 million, €15.1 million and €15.2 million as at 30 June 2018 and 31 December 2017, 2016 and 2015, respectively.

The Mondo Group had total interest-bearing liabilities (current and non-current) of €299.3 million, €291.2 million, €276.9 million and €259.6 million as at 30 June 2018 and 31 December 2017, 2016 and 2015, respectively. The Mondo Group's borrowings as at 30 June 2018 were comprised primarily of a €182.9 million loan from a third-party financial institution and a €116.3 million shareholder loan.

In connection with the Acquisition, the fixed-rate shareholder loan with Advent Mondo (Luxembourg) Finance S.à r.l. (an affiliate of the Seller), and the €185 million facilities agreement with Hayfin DLF II Luxco S.à r.l. and the €5 million bank guarantee facility agreement with BNP Paribas S.A. will be repaid in full and the €7.5 million overdraft facility with BNP Paribas S.A. will be terminated. See Part XX (*Unaudited Pro Forma Financial Information Relating to the Enlarged Group*).

10. Off-balance sheet arrangements

Except as disclosed in Note 24 to the financial statements of the Mondo Group for the years ended 31 December 2017, 2016 and 2015 and Note 17 to the interim financial statements of the Mondo Group for the six months ended 30 June 2018, each set out in Part XIX (Historical Financial Information Relating to the Mondo Group), the Mondo Group had no material off-balance sheet arrangements as at 30 June 2018.

11. Critical accounting policies

See Note 2 to the financial statements of the Mondo Group for the years ended 31 December 2017, 2016 and 2015 in Part XIX (*Historical Financial Information Relating to the Mondo Group*).

12. New accounting standards

See "*Adoption of new or amended IFRS standards and interpretations*" in Note 2 to the financial statements of the Mondo Group for the years ended 31 December 2017, 2016 and 2015 in Part XIX (*Historical Financial Information Relating to the Mondo Group*).

13. Quantitative and qualitative disclosure about market risk

See Note 22 to the financial statements of the Mondo Group for the years ended 31 December 2017, 2016 and 2015 in Part XIX (*Historical Financial Information Relating to the Mondo Group*).

PART XVIII

HISTORICAL FINANCIAL INFORMATION RELATING TO THE ELEMENTIS GROUP

1. Historical Financial Information

The following documents, which have been filed with the FCA and are available for inspection in accordance with paragraph 22 of Part XXIV (*Additional Information*) of this document, contain financial information which is relevant to the Acquisition:

- the Elementis Interim Results Announcement for 2018;
- the Elementis Annual Report 2017;
- the Elementis Annual Report 2016; and
- the Elementis Annual Report 2015.

2. Information incorporated by reference

The table below sets out the various sections of the documents referred to above which are incorporated by reference into, and form part of, this document so as to provide certain information required pursuant to the Prospectus Rules, and only the parts of the documents identified below are incorporated into, and form part of, this document. Any parts of the following documents which are not incorporated by reference into this document are either not relevant for the investor or covered elsewhere in this document. To the extent that any part of the information referred to below itself contains information which is incorporated by reference, such information shall not form part of this document.

Reference	Information incorporated by reference	Page number(s)
For the six months ended 30 June 2018		
Interim Results Announcement for 2018	Independent auditor's review report	14
Interim Results Announcement for 2018	Condensed consolidated income statement	15
Interim Results Announcement for 2018	Condensed consolidated statement of comprehensive income	15
Interim Results Announcement for 2018	Condensed consolidated balance sheet	16
Interim Results Announcement for 2018	Consolidated cash flow statement	17
Interim Results Announcement for 2018	Condensed consolidated statement of changes in equity	18
Interim Results Announcement for 2018	Notes to the consolidated financial statements	19
For the year ended 31 December 2017		
Elementis Annual Report 2017	Independent auditor's report	80
Elementis Annual Report 2017	Consolidated income statement	90
Elementis Annual Report 2017	Consolidated statement of comprehensive income	90
Elementis Annual Report 2017	Consolidated balance sheet	91
Elementis Annual Report 2017	Consolidated statement of changes in equity	92
Elementis Annual Report 2017	Consolidated cash flow statement	93
Elementis Annual Report 2017	Notes to the consolidated financial statements	94
Elementis Annual Report 2017	Parent company statutory accounts	130
Elementis Annual Report 2017	Notes to the parent company financial statements	132

Reference	Information incorporated by reference	Page number(s)
For the year ended 31 December 2016		
Elementis Annual Report 2016	Independent auditor's report	63
Elementis Annual Report 2016	Consolidated income statement	70
Elementis Annual Report 2016	Consolidated statement of comprehensive income	70
Elementis Annual Report 2016	Consolidated balance sheet	71
Elementis Annual Report 2016	Consolidated statement of changes in equity	72
Elementis Annual Report 2016	Consolidated cash flow statement	73
Elementis Annual Report 2016	Notes to the consolidated financial statements	74
Elementis Annual Report 2016	Parent company statutory accounts	109
Elementis Annual Report 2016	Notes to the parent company financial statements	111
For the year ended 31 December 2015		
Elementis Annual Report 2015	Independent auditor's report	55
Elementis Annual Report 2015	Consolidated income statement	58
Elementis Annual Report 2015	Consolidated statement of comprehensive income	58
Elementis Annual Report 2015	Consolidated balance sheet	59
Elementis Annual Report 2015	Consolidated statement of changes in equity	60
Elementis Annual Report 2015	Consolidated cash flow statement	61
Elementis Annual Report 2015	Notes to the consolidated financial statements	62
Elementis Annual Report 2015	Parent company statutory accounts	90
Elementis Annual Report 2015	Notes to the parent company financial statements	92

PART XIX

HISTORICAL FINANCIAL INFORMATION RELATING TO THE MONDO GROUP

Section A: Historical Financial Information Relating to the Mondo Group as at and for the six months ended 30 June 2018 and 2017

MONDO MINERALS HOLDING B.V.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Note	€ thousands	Six months ended 30 June	
		2018	2017
5.	**Revenue**	**71,230**	**60,560**
6.	Cost of sales	(44,915)	(38,815)
	Gross profit	**26,315**	**21,745**
	Distribution costs	(9,889)	(9,071)
7.	Administration expenses	(6,775)	(5,615)
	Other operating income	87	103
	Operating profit	**9,738**	**7,162**
8.	Finance income	299	175
8.	Finance expenses	(14,815)	(18,145)
	Net finance expense	**(14,516)**	**(17,970)**
	Loss before income tax	**(4,778)**	**(10,808)**
9.	Income tax (expense)/benefit	975	(338)
	Loss for the period	**(3,803)**	**(11,146)**
	Attributable to:		
	Shareholder of Mondo Minerals Holding B.V.	(3,803)	(11,146)
	Other Comprehensive Loss	—	—
	Items that will never be reclassified to profit and loss	—	—
	Items that are or may be reclassified to profit and loss	—	—
	Total Comprehensive Loss for the Period	**(3,803)**	**(11,146)**
	Attributable to Shareholder	**(3,803)**	**(11,146)**

The notes on pages 147 to 155 are an integral part of these Consolidated Interim Financial Statements.

MONDO MINERALS HOLDING B.V.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Note	€ thousands	Six months ended 30 June 2018	2017
	ASSETS		
	Non-Current Assets		
10.	Property, plant and equipment	194,333	195,917
11.	Goodwill	59,775	59,775
11.	Other intangible assets	17,177	17,822
	Other financial assets	57	192
	Other non-current assets	69	69
	Total non-current assets	**271,411**	**273,775**
	Current Assets		
12.	Inventories	19,625	20,901
	Trade and other receivables	15,264	14,490
	Other current assets	6,693	4,511
	Current tax assets	17	10
	Cash and cash equivalents	33,010	27,669
	Total current assets	**74,609**	**67,581**
	TOTAL ASSETS	**346,020**	**341,356**
	EQUITY AND LIABILITIES		
	Equity Attributable to Equity Holders of the Group		
13.	Share capital	18	18
	Share premium	73,455	73,455
	Retained earnings	(81,291)	(77,488)
	Total equity	**(7,818)**	**(4,015)**
	Non-Current Liabilities		
14.	Interest-bearing liabilities	299,278	291,146
	Provisions	2,399	2,448
9.	Deferred tax liabilities	11,745	12,881
16.	Other non-current liabilities	22,246	22,246
	Total non-current liabilities	**335,668**	**328,721**
	Current Liabilities		
14.	Interest-bearing liabilities	10	10
9.	Current tax liabilities	299	160
	Trade and other payables	12,811	11,077
	Other current liabilities	5,050	5,403
	Total current liabilities	**18,170**	**16,650**
	TOTAL EQUITY AND LIABILITIES	**346,020**	**341,356**

The notes on pages 147 to 155 are an integral part of these Consolidated Interim Financial Statements.

MONDO MINERALS HOLDING B.V.

CONSOLIDATED STATEMENT OF CASH FLOWS

Note	€ thousands	Six months ended 30 June 2018	Six months ended 30 June 2017
	Cash Flow from Operating Activities		
	Loss for the period	**(3,803)**	**(11,146)**
	Adjustments for:		
9.	Income tax expense/(benefit)	(975)	338
	Depreciation, amortization	8,289	7,551
	Net finance (income)/expense	14,748	17,444
	Change in Working Capital and Provisions:		
	De/(In)crease in trade and other receivables	(774)	(1,447)
12.	De/(In)crease in inventories	1,276	(1,374)
	(De)/Increase in trade and other payables	1,734	850
	(De)/Increase in provisions	(49)	(35)
	De/(In)crease other current assets	(2,182)	(478)
	(De)/Increase other current liabilities	(353)	(3,429)
	Other		
	Income tax paid	(28)	(21)
	Net Cash Flow from Operating Activities	**17,883**	**8,253**
	Cash Flow from Investing Activities		
	Acquisition of property, plant and equipment	(6,060)	(7,864)
	Interest received	1	—
	Net Cash Flow from Investing Activities	**(6,059)**	**(7,864)**
	Cash Flow from Financing Activities		
	Proceeds of long-term debt	—	27,109
	Repayment of long-term debt	—	(29,544)
	Payment of finance lease liabilities	—	(11)
	Interest paid	(6,483)	(5,763)
	Other financing cash flow	—	(2,469)
	Net Cash Flow from Financing Activities	**(6,483)**	**(10,678)**
	Net Change in Cash and Cash Equivalents for the period	**5,341**	**(10,289)**
	Cash and Cash Equivalents at start of the period	**27,669**	**15,117**
	Cash and Cash Equivalents at end of the period	**33,010**	**4,828**

The notes on pages 147 to 155 are an integral part of these Consolidated Interim Financial Statements.

MONDO MINERALS HOLDING B.V.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Attributable to shareholder of the company

€ thousands	**Share Capital**	**Share Premium**	**Retained Earnings**	**Total Equity**
Balance at 1 January 2018	**18**	**73,455**	**(77,488)**	**(4,015)**
Profit for the period	—	—	(3,803)	(3,803)
Other Comprehensive income	—	—	—	—
Total comprehensive income for the period	**—**	**—**	**(3,803)**	**(3,803)**
Issue of shares	—	—	—	—
Payment of share premium	—	—	—	—
Balance at 30 June 2018	**18**	**73,455**	**(81,291)**	**(7,818)**

Attributable to shareholder of the company

€ thousands	**Share Capital**	**Share Premium**	**Retained Earnings**	**Total Equity**
Balance at 1 January 2017	**18**	**73,455**	**(61,199)**	**12,274**
Profit for the period	—	—	(11,147)	(11,147)
Other Comprehensive income	—	—	—	—
Total comprehensive income for the period	**—**	**—**	**(11,147)**	**(11,147)**
Issue of shares	—	—	—	—
Payment of share premium	—	—	—	—
Balance at 30 June 2017	**18**	**73,455**	**(72,346)**	**1,127**

The notes on pages 147 to 155 are an integral part of these Consolidated Interim Financial Statements.

Notes to the Consolidated Interim Financial Statements

Basis of preparation

1. Reporting entity

Mondo Minerals Holding B.V. is a company domiciled in Amsterdam, the Netherlands. These condensed consolidated interim financial statements ("**interim financial statements**") as at and for the six months ended 30 June 2018 comprise the Company and its subsidiaries (together referred to as "**the Group**"). The Mondo Minerals Group mines, produces and sells talc, nickel-cobalt, and magnesite.

Mondo Minerals Holding B.V.is the Parent Company of the Group and consolidates all Group activities in its Consolidated Accounts. Its 100% shareholder is Advent Mondo Luxembourg S.à r.l, a company domiciled in the Grand Duchy of Luxembourg.

The parent company and subsidiaries of Mondo Minerals Group are as follows:

	Domicile Country	Ownership interest (%)	Voting rights (%)	Consolidation
Parent				
Mondo Minerals Holding B.V.	The Netherlands			
Subsidiaries				
Talc Holding Finance Oy	Finland	100	100	Direct method
Talc Holding Oy	Finland	100	100	Direct method
Mondo Minerals B.V.	The Netherlands	100	100	Direct method
Mondo Minerals International B.V.	The Netherlands	100	100	Direct method
Mondo Minerals Deutschland GmbH	Germany	100	100	Direct method
Mondo Minerals Nickel Oy	Finland	100	100	Direct method
Mondo Trading (Beijing) Co Ltd	China	100	100	Direct method

These interim financial statements were authorised for issue by the Company's board of directors on 3 August 2018.

2. Basis of accounting

These interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting, and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 December 2017 ("**last annual financial statements**"). They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

This is the first set of the Group's financial statements where IFRS 15 and IFRS 9 have been applied. Changes to significant accounting policies are described in Note 4.

3. Use of judgements and estimates

In preparing these interim financial statements, management has made judgements and estimates that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In addition, management's judgment is required in applying the accounting policies. Estimates are based on the management's experience on past events and development as well as on future strategies. Possible changes in estimates and assumptions are accounted for in the financial period, in which the estimate or the assumption is changed, as well as in all the subsequent financial periods.

In management's opinion the following accounting policies are such accounting policies in which the management's judgment and key sources of estimation uncertainty have the strongest effect on the amounts presented in the consolidated financial statements.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements, except for new significant judgements and key sources of estimation uncertainty related to the application of IFRS 15 and IFRS 9, which are described in Note 4.

4. Changes in significant accounting policies

Except as described below, the accounting policies applied in these interim financial statements are the same as those applied in the Group's consolidated financial statements as at and for the year ended 31 December 2017.

The changes in accounting policies are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2018.

The Group has initially adopted IFRS 15 *Revenue from Contracts with Customers* (see A) and IFRS 9 *Financial Instruments* (see B) from 1 January 2018. A number of other new standards are effective from 1 January 2018 but they do not have a material effect on the Group's financial statements.

There is no impact on the Group opening balances for the impact of these new standards.

A. IFRS 15 Revenue from Contracts with Customers

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaced IAS 18 *Revenue*, IAS 11 *Construction Contracts* and related interpretations.

The Group has adopted IFRS 15 using the cumulative effect method (without practical expedients), with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 January 2018). Accordingly, the information presented for 2017 has not been restated—i.e. it is presented, as previously reported, under IAS 18, IAS 11 and related interpretations.

Under IFRS 15, revenue is recognised when a customer obtains control of the goods or services. Determining the timing of the transfer of control—at a point in time or over time—requires judgement.

For the sale of talc and nickel (the majority of revenue) the customer obtains control at a set point in time (which can vary depending on the contractually agreed delivery terms) and revenue is recognised at that point. No discounts, loyalty points or returns are offered at this point. The nature of the business and the interpretation of the delivery terms remain consistent with the previous standards. Therefore, the transition to IFRS 15 has no impact, net of tax, on retained earnings and NCI at 1 January 2018.

B. IFRS 9 Financial Instruments

IFRS 9 sets out requirements for recognising and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. This standard replaces IAS 39 *Financial Instruments: Recognition and Measurement*.

Based on our assessment Mondo concludes that IFRS 9 has immaterial effects on its consolidated financial statements. Therefore, the transition to IFRS 9 has no impact, net of tax, on retained earnings and NCI at 1 January 2018.

5. Revenue

The revenue can be disaggregated by primary geographical market as follows:

€ millions	Six months ended 30 June	
	2018	**2017**
Europe	54.0	52.1
Rest of the World	17.2	8.5
Total	**71.2**	**60.6**

Contract Balances

€ millions	Six months ended 30 June 2018	Six months ended 30 June 2017
Receivables, which are included in "Trade and other receivables"	15.3	14.5
Contract assets/accrued income	1.2	—
Total	**16.5**	**14.5**

The accrued revenue primarily relates to the Group's rights to consideration for delivered nickel concentrate but not billed at the reporting date. The related contract assets are transferred to receivables when the final product specifications and the quotational period (QP) had ended. This usually occurs the first working day following the QP where the QP is the month following the month of shipment.

There is no significantly seasonality in the Group's trading.

6. Cost of sales

€ thousands	Six months ended 30 June 2018	Six months ended 30 June 2017
Commission expenses	300	290
Electricity	4,855	4,968
Chemicals	1,772	1,522
Fuel, oil and gas	1,144	945
Maintenance	2,118	1,738
Change in inventories	2,462	(1,010)
External mining services	2,702	2,880
Other external services	1,730	1,622
Raw materials and packaging	11,253	10,521
Factory costs	2,643	2,464
Material management	1,104	1,010
SEQ and labs	1,196	1,101
Process development	334	263
Production wages	3,926	3,798
Depreciation, production	7,376	6,703
Cost of sales	**44,915**	**38,815**

Change in inventories represents inventory movements of semi-finished and finished products.

7. Administration expenses

€ thousands	Six months ended 30 June 2018	Six months ended 30 June 2017
Exploration	1	34
Marketing and research and development	1,832	1,832
Administration	4,029	2,901
Depreciation, other	913	848
Administration expenses	**6,775**	**5,615**

8. Financial Income and Expenses

The financial income and expenses can be summarized as follows:

€ thousands	Six months ended 30 June	
	2018	2017
Finance income		
Interest income	1	—
Fair value changes on financial assets and liabilities at fair value through profit and loss	—	138
Foreign exchange gains	298	37
Total	**299**	**175**
Finance expenses		
Foreign exchange losses	144	313
Amortisation of loan transaction costs	178	3,367
Discount Unwind—Rehabilitation Reserve	19	19
Realised losses from derivatives	—	138
Interest expenses on financial liabilities measured at amortised cost	14,200	14,003
Fair value changes on financial assets and liabilities at fair value through profit and loss	135	—
Agency fee, guarantee fees, other loan fees	101	114
Bank costs	38	191
Total	**14,815**	**18,145**
Net finance income and expenses	**(14,516)**	**(17,970)**

9. Deferred and Income taxes

Income tax expense is recognised at an amount determined by multiplying the profit (loss) before tax for the interim reporting period by management's best estimate of the weighted-average annual income tax rate expected for the full financial year, adjusted for the tax effect of certain items recognised in full in the interim period. As such, the effective tax rate in the interim financial statements may differ from management's estimate of the effective tax rate for the annual financial statements.

The corporate income tax can be summarized as follows:

€ thousands	Six months ended 30 June	
	2018	2017
Current taxes	161	406
Deferred taxes	(1,136)	(68)
Income tax expense/(benefit)	**(975)**	**338**

The Group's consolidated effective tax rate in respect of continuing operations for the six months ended 30 June 2018 was 20% (six months ended 30 June 2017: -3%). The negative effective tax rate during the first half year of 2017 was caused mainly by the following factor.

In the Netherlands, the Group has reached a final settlement with the Dutch tax authorities concerning the tax years 2011-2016. We agreed "nil settlement" which resulted in a write-off in the Income Statement of €2.4 million losses carried forward in exchange for the confirmation that all tax years 2011-2016 are closed to further review.

The deferred taxes relate to temporary differences arise from losses, depreciation and revaluation of assets in business combinations. Deferred tax assets in Finland of €11.4 million per 30 June 2018 are recognized as it is probable that economic benefits can be expected in future periods (among others due to reversal of existing taxable temporary differences). Per 31 December 2017 these assets were €11.0 million.

In 2012, Mondo Minerals B.V. received a re-assessment of their tax relating to the Finnish Branch for the fiscal years 2007-2011 amounting to €26 million (including interest and penalty charges). The company is of the opinion that the residual tax charges imposed on the Finnish branch are unjustified and submitted an appeal for the adjustment of the re-assessment to the Finnish Assessment Adjustment Board. At the transfer of ownership of Mondo Minerals B.V. in 2011, an amount of €21.8 million had been guaranteed by the seller as an indemnification for this potential tax exposure. The Group drew down this amount from the escrow account in 2013 to pay a security deposit on this tentative tax claim to the Finnish tax authorities (recorded as an Other non-current assets). During 2017, Mondo won at the Appeal Board of the Finnish Tax Authorities that rejected the tax assessments imposed by the Finnish Tax Authorities and refunded over €22.2 million to Mondo Minerals, which is about €21.8 million plus €0.4 million interest. This has been recognised as another non-current liability on the balance sheet at 30 June 2018, of this about €16.6 million is due to the previous owner (the seller as per above). The remaining balance will be recognised as a gain in the income statement on conclusion of the case if Mondo Minerals are successful following any further appeals. The Finnish Tax Authorities have in 2017 again filed an appeal to the court against this decision. The timing of the final decision is unclear.

10. Property, plant and equipment

In the first six months of 2018, Mondo has invested €6.1 million on Property, plant and equipment (PPE) versus €7.9 million in the first six months of 2017. The group also disposed of two assets with a total book value of € 83,000 for three control boxes and a bulk filler. The loss of these transactions has been €65,000. In the same period last year there were no disposals.

Mortgages

The Property, Plant and Equipment owned by Mondo Minerals B.V. and situated in the Netherlands has been pledged as security by way of a mortgage deed to those banks participating in the bank loan financing of €185.0 million.

Contractual commitments

The Group has entered into contractual commitments for the acquisition of Property, Plant and Equipment.

11. Intangible assets and goodwill

Impairment testing of goodwill and intangibles

The goodwill is tested annually for impairment on 31 December 2017. Impairment testing is performed also when a trigger for impairment exists. As per 30 June 2018, no trigger for impairment is identified.

The Mondo Minerals group is treated as a single cash-generating unit. The valuation technique is fair value less cost of disposal as this reflects the current status and plans of the Group. This valuation method falls in level 3 with the fair value hierarchy as defined in IFRS 13.

12. Inventories

In the first half year of 2018 the write down of inventories to net realizable value amounted to nil (2017: nil).

13. Capital and reserves

The number of issued shares amounted to 18,000 at 30 June 2018 and 31 December 2017. All shares issued have been fully paid. Nominal value per share is €1.0. The unissued share capital amounts to €72,000 with a corresponding amount of 72,000 shares at a nominal value of €1.0 per share.

No dividends were declared and/or paid by the Company.

14. Loans and borrowings

€ thousands	Six months ended 30 June	
	2018	**2017**
Non-current		
Loans from financial institutions, financial liability at amortised cost	182,947	182,769
Loans from related parties, financial liability at amortised cost	116,331	108,377
Total	**299,278**	**291,146**
Current		
Financial lease liabilities	**10**	**10**

The Group's interest-bearing non-current liabilities from financial institutions consist of floating rate loans from banks. The Group's interest-bearing non-current liabilities from related parties consist of fixed rate loans.

A total of €185 million has been committed by the financial institutions and €105 million by related parties. These interest bearing liabilities also include accrued interest and capitalized loan fees. In addition, a €12.5 million revolving credit facility from financial institutions exists at 30 June 2018. From 31 December 2017, these liabilities excluding accrued interest and capitalized loan fees remained unchanged.

For the first six months of 2018, the average interest rate of the Group's loans was 6.81% on third party debt for and 15.0% on related party debt (which is not paid in cash but accumulated as part of loans payable). In 2017, the average interest rates were 7.12% and 15.0%, respectively.

Bank loan agreements with financial institutions have loan covenants. In the loan covenants certain financial tests have been defined as well as quarterly reporting of the covenant test results to the bank. The main tests cover:

- Leverage test, defined as total net debt to EBITDA (earnings before interest, tax, depreciation and amortisation);
- Minimum EBITDA.

The most relevant parameter for the financial covenants is the EBITDA. All financial covenants are met as per June 2018. EBITDA per the bank covenants is calculated as per the loan agreement and is not the same as EBITDA as per note 19.

The carrying amounts of the liabilities are measured at amortized cost using the effective interest rate method. Fair values of liabilities have been calculated by using a discounted cash flow method and the market interest rates at the balance sheet date. The fair value of the liabilities corresponds substantially to their carrying amounts. The average maturity of the liabilities is 6.0 years.

15. Provisions

Provisions consist mainly of closure & rehabilitation provisions for restoration of the quarry areas which, in the current set-up of the mines, will be utilized in the 2030-2035 timeframe, or beyond if licenses are extended which is ordinary practice.

The amount of estimated rehabilitation cost is discounted using a discount rate of 1.45%. The costs are estimated to be made during the years 2018—2038.

16. Financial instruments—Fair values and risk management

Credit and counterparty risk

Credit and counterparty risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, other current assets and cash and cash equivalents.

The main objective in credit risk management is to ensure that a counter party fulfills its payment obligations. The objective of credit risk management is to minimize, in a cost-effective manner, the losses incurred as a result of customers not fulfilling their payment obligations. The Group's risk management policy determines creditworthiness of customers. Mondo Minerals has no significant concentrations of credit risks because of the broad customer base that is extended globally. Realized bad debts have historically been very limited. Cash and cash equivalents are deposited at banks with high credit ratings whereby the credit risk is very limited.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

€ thousands	Carrying amount 30 June 2018	Carrying amount 31 December 2017
Trade and other receivables	15,264	14,490
Other current assets	6,693	4,511
Cash and cash equivalents	33,010	27,669
Total	**54,967**	46,670

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows:

€ thousands	30 June 2018		31 December 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	33,010	33,010	27,669	27,669
Loans and receivables:				
Trade and other receivables	15,264	15,264	14,490	14,490
Other current assets:	6,693	6,693	4,511	4,511
At fair value through income statement:				
Derivative financial instruments	57	57	192	192
Financial asset	**55,024**	**55,024**	**46,862**	**46,862**
Financial liabilities at amortised cost:				
Interest-bearing liabilities	(299,278)	(306,035)	(291,146)	(298,817)
Trade and other payables	(12,811)	(12,811)	(11,077)	(11,077)
Other (non-)current liabilities	(5,050)	(5,050)	(5,403)	(5,403)
At fair value through income statement:				
Derivative financial instrument	—	—	—	—
Financial liabilities	**(317,139)**	**(323,896)**	**(307,626)**	**(315,297)**
Net position	**(262,115)**	**(268,872)**	**(260,764)**	**(268,435)**

The carrying amount of financial instruments measured other than at fair value, approximated their fair values on the balance sheet date. Management is satisfied that the differences between carrying and fair value would not be material if the fair value had been calculated.

Determination of fair values

The most important methods and principles applied when estimating the fair value of financial instruments included in the summary are described below.

Derivatives

The fair value derivative contracts are based on their quoted market price if available. If no quoted market price is available the fair value is estimated by discounting the difference between the contracted and actual forward price for the remaining term based on a risk-free interest rate (based on government bonds).

Non-derivative financial liabilities

Fair value is calculated on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Trade and other receivables / trade and other payables

The nominal value of receivables and liabilities that fall due within one year is assumed to reflect the fair value. All other receivables and liabilities are made current to determine the fair value.

Fair value hierarchy

Financial instruments are recognized at fair value by valuation method. The various methods can be defined as follows:

Level 1: quoted market prices (not corrected) in active markets for identical assets or liabilities;

Level 2: input that is not a quoted market price as specified under level 1 and that is verifiable for the asset or liability either directly (in the form of a price) or indirectly (i.e. derived from a price);

Level 3: input related to the asset or liability that is not based on verifiable market data (non-verifiable input).

The derivatives have been valued using the level 2 methodology.

17. Contingencies

Mondo Minerals B.V. had in 2012 received a re-assessment of their tax relating to the Finnish Branch for the fiscal years 2007-2011 amounting to €26.0 million (including interest and penalty charges). At the transfer of ownership of Mondo Minerals BV, an amount of €21.8 million had been guaranteed via an escrow arrangement by the seller as an indemnification for this potential tax exposure. The company is of the opinion that the tax charges imposed on the Finnish branch are unjustified and submitted an appeal for the adjustment of the re-assessment to the Finnish Assessment Adjustment Board. The Group is convinced that they have a strong appeal case, as evidenced by the recent favourable ruling obtained by Mondo and the re-imbursement of €22.2 million to Mondo Minerals by the Finish Tax Authorities. The Group has therefore not recognized a liability for the remaining potential tax exposure. The remaining net amount at risk for the Group is € 4.2 million. The risk of additional exposure appears remote.

As at 31 December 2017 guarantees to an amount of approximately €5.5 million are outstanding, mainly related to the plants and mining concessions in Finland.

Several Liability and guarantees

Pursuant to article 403, Book 2 of the Netherlands Civil Code, the Parent has issued declarations of joint & several liability for debts arising from the actions of the consolidated participating interests.

The Parent is the signatory and co-principal debtor under the Group Loan Facilities Agreement with Hayfin acting through Hayfin Services LLP London, (Great Britain) originally dated 26 April 2017.

Fiscal Entity

The Parent constitutes a fiscal entity with Mondo Minerals B.V. for value added tax purposes. The standard conditions prescribe that all companies of the fiscal entity are liable for the value added tax payable.

18. Related Parties

Mondo Minerals Holding B.V. has related party relationship with:

- Advent Mondo Luxembourg S.à r.l. The Shareholder Company;
- Advent Mondo Luxembourg Finance S.à r.l. The Financing Company;

Related party transactions are conducted at arm’s length.

The related party transactions during the financial year can be summarized as follows:

€ thousands	2018 30 June	2017 31 December
Loans		
Advent Mondo Luxembourg Finance S.à r.l—Loans to Mondo Minerals Group	116,331	108,377

There are no transactions with Advent Mondo Luxembourg Sarl other than the ownership of the shares.

19. EBITDA

€ thousands	Six months ended 30 June	
	2018	2017
Loss for the period	(3,803)	(11,146)
Income tax expense/(benefit)	(975)	338
Interest income	(1)	—
Interest expense	14,200	14,003
EBIT	**9,421**	**3,195**
Depreciation and amortisation	8,289	7,551
EBITDA	**17,710**	**10,746**

EBITDA per this Note is not calculated in the same manner as the EBITDA per the bank covenants discussed in Note 14.

20. Subsequent events

Where events occurring after the balance sheet date provide evidence of conditions that existed at the end of the reporting period, the impact of these events is adjusted within the financial statements. No such events occurred since the end of the financial year.

21. Standards issued but not yet effective

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2018 and earlier application is permitted; however, the Group has not early adopted them in preparing these condensed consolidated interim financial statements.

The Group has the following updates to information provided in the last annual financial statements about the standards issued but not yet effective that may have a significant impact on the Group's consolidated financial statements.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

So far, the most significant impact identified is that the Group will recognise new assets and liabilities for the land lease of the Amsterdam plant and its operating leases. As at 31 December 2017, the Group's future minimum lease payments under non-cancellable operating leases amounted to €12.6 million, on an undiscounted basis.

In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The Group does not expect the adoption of IFRS 16 to impact its ability to comply with the bank covenant.

Section B: Historical Financial Information Relating to the Mondo Group as at and for the years ended 31 December 2017, 2016 and 2015

MONDO MINERALS HOLDING B.V.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Note	€ thousands	Year ended 31 December		
		2017	2016	2015
4.	**Revenue**	**121,960**	**119,266**	**114,995**
5.	Cost of sales	(73,915)	(73,795)	(78,003)
	Gross profit	**48,045**	**45,471**	**36,992**
	Distribution costs	(21,097)	(20,497)	(19,664)
6.	Administration expenses	(11,826)	(11,233)	(10,361)
	Other operating income	242	543	590
	Operating profit	**15,364**	**14,284**	**7,557**
7.	Finance income	345	3,446	2,897
7.	Finance expenses	(33,165)	(31,355)	(27,977)
	Net finance income and expenses	**(32,820)**	**(27,909)**	**(25,080)**
	Profit/(loss) before income tax	**(17,456)**	**(13,625)**	**(17,523)**
8.	Income tax (expense)/benefit	1,169	2,613	3,895
	Loss for the period	**(16,287)**	**(11,012)**	**(13,628)**
	Attributable to:			
	Shareholder of Mondo Minerals Holding B.V.	(16,287)	(11,012)	(13,628)
	Other Comprehensive Loss	—	—	—
	Items that will never be reclassified to profit and loss	—	—	—
	Items that are or may be reclassified to profit and loss	—	—	—
	Total Comprehensive Loss for the Period	(16,287)	(11,012)	(13,628)
	Attributable to Shareholder	(16,287)	(11,012)	(13,628)

The notes on Pages 160 to 187 are an integral part of these Consolidated Financial Statements.

MONDO MINERALS HOLDING B.V.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Note	€ thousands	Year ended 31 December		
		2017	2016	2015
	ASSETS			
	Non-Current Assets			
9.	Property, plant and equipment	195,917	196,893	193,134
10.	Goodwill	59,775	59,775	59,775
10.	Other intangible assets	17,822	19,112	20,402
20.	Other financial assets	192	—	—
11.	Other non-current assets	69	21,821	21,821
	Total non-current assets	**273,775**	**297,601**	**295,132**
	Current Assets			
13.	Inventories	20,901	17,383	14,306
14.	Trade and other receivables	14,490	11,989	11,865
14.	Other current assets	4,511	4,527	4,010
	Current tax assets	10	—	—
15.	Cash and cash equivalents	27,669	15,117	15,230
	Total current assets	**67,581**	**49,016**	**45,411**
	TOTAL ASSETS	**341,356**	**346,617**	**340,543**
	EQUITY AND LIABILITIES			
	Equity Attributable to Equity Holders of the Group			
16.	Share capital	18	18	18
	Share premium	73,455	73,455	73,455
	Retained earnings	(77,488)	(61,201)	(50,189)
	Total equity	**(4,015)**	**12,272**	**23,284**
	Non-Current Liabilities			
18.	Interest-bearing liabilities	291,146	276,900	259,602
20.	Derivative financial instruments	—	138	3,055
17.	Provisions	2,448	2,555	2,740
12.	Deferred tax liabilities	12,881	14,254	16,911
11.	Other non-current liabilities	22,246	21,863	21,863
	Total non-current liabilities	**328,721**	**315,710**	**304,171**
	Current Liabilities			
18.	Interest-bearing liabilities	10	22	22
	Current tax liabilities	160	—	—
19.	Trade and other payables	11,077	10,538	6,826
19.	Other current liabilities	5,403	8,075	6,240
	Total current liabilities	**16,650**	**18,635**	**13,088**
	TOTAL EQUITY AND LIABILITIES	**341,356**	**346,617**	**340,543**

The notes on Pages 160 to 187 are an integral part of these Consolidated Financial Statements.

MONDO MINERALS HOLDING B.V.

CONSOLIDATED STATEMENT OF CASH FLOWS

Note	€ thousands	Year ended 31 December		
		2017	2016	2015
	Cash Flow from Operating Activities			
	Loss for the period	(16,287)	(11,012)	(13,628)
	Adjustments for:			
8.	Income tax expense/(benefit)	(1,169)	(2,613)	(3,895)
	Depreciation, amortization	15,784	14,380	15,332
	(Profit)/loss on sale of property, plant and equipment	—	—	6
	Net finance (income)/expense	31,656	27,224	24,891
	Other adjustments; income and expenses	2	—	—
	Change in Working Capital and Provisions:			
14.	De/(In)crease in trade and other receivables	(2,501)	(124)	4,190
13.	De/(In)crease in inventories	(3,518)	(3,077)	4,861
19.	(De)/Increase in trade and other payables	539	3,712	(2,100)
17.	(De)/Increase in provisions	(107)	(185)	(70)
14.	De/(In)crease other current assets	16	(517)	1,195
19.	(De)/Increase other current liabilities	(2,672)	1,835	(1,321)
	Other			
11.	Income tax received	21,393	—	—
	Income tax paid	(54)	(43)	(56)
	Net Cash Flow from Operating Activities	**43,082**	**29,580**	**29,405**
	Cash Flow from Investing Activities			
	Acquisition of financial investments	—	—	—
	Acquisition of property, plant and equipment	(13,518)	(16,849)	(26,099)
	Interest received	1	—	1
	Net Cash Flow from Investing Activities	**(13,517)**	**(16,849)**	**(26,098)**
	Cash Flow Before Financing Activities	**29,565**	**12,731**	**3,307**
	Cash Flow from Financing Activities			
	Proceeds of long-term debt	27,109	—	—
	Repayment of long-term debt	(29,544)	—	(2,783)
	Payment of finance lease liabilities	(21)	(21)	(21)
	Interest paid	(12,458)	(12,823)	(11,416)
	Other financing cash flow	(2,099)	—	—
	Net Cash Flow from Financing Activities	**(17,013)**	**(12,844)**	**(14,220)**
	Net Change in Cash and Cash Equivalents for the period	12,552	(113)	(10,913)
	Change In Cash and Cash Equivalents	12,552	(113)	(10,913)
	Cash and Cash Equivalents at start of the period	15,117	15,230	26,143
	Net Change in Cash and Cash Equivalents	12,552	(113)	(10,913)
	Cash and Cash Equivalents at end of the period	**27,669**	**15,117**	**15,230**

The notes on Pages 160 to 187 are an integral part of these Consolidated Financial Statements.

MONDO MINERALS HOLDING B.V.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

€ thousands	Year ended 31 December 2017			
Attributable to shareholder of the company	Share Capital	Share Premium	Retained Earnings	Total Equity
At the beginning of the financial year	**18**	**73,455**	**(61,201)**	**12,272**
Profit for the period	—	—	(16,287)	(16,287)
Other Comprehensive income	—	—	—	—
Total comprehensive income for the period	**—**	**—**	**(16,287)**	**(16,287)**
At the end of the financial year	**18**	**73,455**	**(77,488)**	**(4,015)**

€ thousands	Year ended 31 December 2016			
Attributable to shareholder of the company	Share Capital	Share Premium	Retained Earnings	Total Equity
At the beginning of the financial year	**18**	**73,455**	**(50,189)**	**23,284**
Profit for the period	—	—	(11,012)	(11,012)
Other Comprehensive income	—	—	—	—
Total comprehensive income for the period	**—**	**—**	**(11,012)**	**(11,012)**
At the end of the financial year	**18**	**73,455**	**(61,201)**	**12,272**

€ thousands	Year ended 31 December 2015			
Attributable to shareholder of the company	Share Capital	Share Premium	Retained Earnings	Total Equity
At the beginning of the financial year	**18**	**73,455**	**(36,561)**	**36,912**
Profit for the period	—	—	(13,628)	(13,628)
Other Comprehensive income	—	—	—	—
Total comprehensive income for the period	—	—	**(13,628)**	**(13,628)**
At the end of the financial year	**18**	**73,455**	**(50,189)**	**23,284**

The notes on Pages 160 to 187 are an integral part of these Consolidated Financial Statements.

Notes to the Consolidated Financial Statements

1. Reporting entity

Mondo Minerals Holding B.V. is a company domiciled in Amsterdam, the Netherlands. The consolidated financial statements for the 2017 financial year include the accounts of Mondo Minerals Holding B.V. and its subsidiary companies (together referred to as the Mondo Minerals Group and / or the Group). The Mondo Minerals Group mines, produces and sells talc, nickel-cobalt, and magnesite. Copies of the consolidated financial statements of the Mondo Minerals Group are available at Mondo Minerals Holding B.V., Kajuitweg 8, 1041 AR Amsterdam, the Netherlands.

The consolidated financial statements of Mondo Minerals Holding B.V. for the year ended 31 December 2017 were authorized for issue by the Board of Directors on 26 April 2018.

Mondo Minerals Holding B.V. is the Parent Company of the Group and consolidates all Group activities in its Consolidated Accounts. Its 100% shareholder is Advent Mondo Luxembourg S.à r.l, a company domiciled in the Grand Duchy of Luxembourg.

2. Significant accounting policies

The consolidated financial statements of Mondo Minerals Holding B.V. are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU IFRS).

These accounts have been prepared for inclusion in the prospectus following the announcement by Elementis PLC of their planned purchase of the Group.

The consolidated financial statements have been prepared on the historical cost basis except for those financial instruments that are measured at their fair value.

The consolidated financial statements are presented in euros, which is also the Group's functional currency.

The consolidated financial statements are presented in thousands of Euros unless stated otherwise.

Alternative performance measures

In the analysis of the Group's operating results and cash flows, information is presented to provide readers with additional performance indicators that are prepared on a non-statutory basis. This presentation is regularly reviewed by management to identify items that are non-recurring and other items relevant to an understanding of the Group's performance and long term trends with reference to their materiality and nature.

This additional information is not uniformly defined by all companies and may not be comparable with similarly titled measures and disclosures by other organisations. The non-statutory disclosures should not be viewed in isolation or as an alternative to the equivalent statutory measure.

As per note 26, the Group has disclosed its earnings before interest and tax ("**EBIT**") and earnings before interest, tax, depreciation and amortisation ("**EBITDA**") and adjusted EBITDA measures. These are reconciled to loss for the period in the note. EBITDA per the bank covenants is calculated as per the loan agreement and is not the same as EBITDA as per note 26.

Going concern

The financial statements of Mondo Minerals Holding B.V. have been prepared on a going concern basis. Management's assessment of the going concern included consideration of the following factors. The cash flow forecast for 2018 does not give indications of any liquidity issues as the Group is predicating positive cash flows over the next years. External and related party loans at 31 December 2017 are not repayable within the next 12 months, but in 2024 and 2021 respectively. The interest on the related party loan is not paid annually but accumulated until maturity date. The loan covenants have been simplified upon refinancing of the external loan in April 2017: only EBITDA requirement of EUR 24 million (calculated per the loan agreements, as discussed in Note 18) and the leverage ratio of maximum 7.5:1 applied at 31 December 2017. The loan covenants were met in 2017 and are forecast to be met with significant headroom in the coming years. Management is not aware of events or conditions negatively impacting the ability of the company to continue as a going concern.

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred, except if related to the issue of debt or equity securities.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration is measured at fair value at the date of acquisition. If an obligation to pay contingent consideration that meets the definition of a financial instrument is classified as equity, then it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Subsidiaries

Subsidiaries are entities controlled by the Group. The group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which it ceases.

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Investments in equity accounted investees

The Group's interests in equity-accounted investees comprise interests in associates and a joint venture.

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Interests in associates and the joint venture are accounted for using the equity method. They are initially recognised at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and OCI of equity-accounted investees, until the date on which significant influence or joint control ceases.

Items denominated in foreign currencies

Foreign currency transactions are translated into the functional currency using the exchange rate at the transaction date. In practice, a rate at approximately the transaction date exchange rate is used in the translation. Receivables and liabilities denominated in foreign currencies are translated into the functional currency using the exchange rate at the balance sheet date. The foreign exchange gains and losses relating to operating activities are included in operating profit and those relating to financing activities are included in the finance income and expenses.

The income statements of those group companies, whose functional currency is other than euro, are translated into euro by using the average exchange rate for the period and the balance sheets are translated at the exchange rate prevailing at the balance sheet date. The translation difference arising from such translation is recognized as a separate component of equity.

Statement of cash flows

The cash flow statement has been prepared using the indirect method. Cash flows in foreign currencies have been translated at average exchange rates. Exchange rate differences affecting cash items are shown separately in the cash flow statements. Receipts and payments with respect to income tax are included in the cash flow from operating activities. The cost of acquisition of subsidiaries, associates, joint ventures and other investments, insofar as it was paid for in cash, is included in cash flows from investing activities. Acquisitions or divestments of subsidiaries are presented net of cash balances acquired or disposed of, respectively. Cash flows from derivatives are recognized in the statement of cash flows in the same category as those of the hedged item.

Property, plant and equipment

Items of property, plant and equipment are measured at acquisition cost less accumulated depreciation and accumulated impairment losses. Normal maintenance costs are expensed as incurred. Depreciation on property, plant and equipment is based on the cost of an asset less its residual value and is calculated on a straight-line basis over their estimated useful lives with the exception of mineral deposits. The mineral deposits are depreciated based on the units of production. Land areas are not depreciated. The estimated useful lives are as follows:

- Buildings 5-40 years
- Mineral assets units of production method
- Plant and equipment 3-20 years
- Other tangible assets 7-20 years

Mineral deposits

Mineral rights are the pre-production stripping costs for the mines which are capitalized and deferred as incurred and depreciated over the life time of the mines based on the units of production method.

Stripping costs incurred during production are capitalized where these costs give rise to future benefits. The main benefit of stripping during production is continued access to ore.

According to IFRIC 20, the stripping activity asset is recognized as component of the larger asset (mining assets) to which it relates, which will be an item of property, plant and equipment.

On initial recognition, the stripping activity is measured at cost in Property, Plant and equipment, which includes all directly attributable expenditure. Subsequent to initial recognition, the stripping activity asset is measured consistently with the asset of which it is a component, and is depreciated over the useful life of the component of the ore body to which access has been improved based on units of production.

The residual value and the useful life of the items of property, plant and equipment are reviewed at each balance sheet date and adjusted when necessary to reflect the changes in expected economic benefits.

Gains and losses on disposal of property, plant and equipment are included in either other operating income or other operating expenses.

Intangible assets

Goodwill

Goodwill represents the excess of the acquisition cost over the Group's share of the fair values of the identifiable assets, liabilities and contingent liabilities of the acquired business at the acquisition date. Goodwill is not amortized, but it is tested annually for impairment. Goodwill is carried at acquisition cost less accumulated impairment losses.

Other intangible assets

Other intangible assets which mainly include customer lists and technology based assets are recognized in the balance sheet at cost if they can be reliably measured and it is probable that the future economic benefits will flow to the Group. Other intangible assets are measured at cost less accumulated amortization and accumulated impairment losses. Other intangible assets are amortized on a straight-line basis over their useful lives which are 3-20 years.

Impairment—Non-financial assets (excluding inventory and deferred tax)

The Group's principle non-financial assets (excluding inventory and deferred tax) are property plant and equipment, goodwill and other intangibles associated with the mining and processing activities. For the purposes of assessing the recoverability of these amounts the impairment test has been done the Group CGU level.

Recoverable amount is the higher of fair value less cost to sell and value in use. At each financial reporting date the Group assess whether there are any indications of the need to impair any assets. If such an indication exists, the recoverable amount of the asset is estimate in order to determine the extent of any impairment (if any).

Goodwill and any intangible assets with an indefinite useful life are tested for impairment annually, regardless of whether there is an indication of impairment.

If the recoverable amount of the asset (or CGU) is less than the carrying amount of the asset, the carrying amount of the asset (or CGU) is reduced to the recoverable amount. Any impairment is immediately recognised as an expense.

Value in use

In assessing value in use, the estimated future cash flows, based on the most up to date business forecasts or studies for exploration and evaluation assets, are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risk specific to the asset for which the estimates of future cash flows have not been adjusted.

Management uses past experience and assessment of future conditions, together with external sources of information in order to assign values to the key assumptions.

Management projects cash flows over the life of the relevant mining operation which is significantly greater than five years. Projecting cash flows over a period longer than five years is in line with industry practice and is supported by the Group's history of the resources expected to be found proven to exist.

The key estimates are the discount rate used and terminal value rate included in the calculation.

Fair value less cost to sell

Fair value less cost to sell is determined by reference to the best information available to reflect the amount that the Group could receive for the CGU in an arm's length transaction.

When comparable market transactions or public valuations of similar assets exist these are used as a source of evidence. However, the Group believes that mining CGUs tend to be unique and have their value determined largely by the nature of the underlying ore body. The fair value therefore is typically determined by calculating the value of the CGU using an appropriate valuation methodology such as calculating the post-tax net present value using a discounted forecast (as described in value in use above).

Inventories

Inventories are measured at the lower of cost and net realizable value. Net realizable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and costs to sell. The cost is measured using the weighted average cost method. The cost of finished goods and work in progress consists of raw materials, direct labor and other direct costs as well as an appropriate share of production overheads.

Derivative financial assets and liabilities

Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit and loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value with changes therein recognized in profit and loss.

The Group has certain contracts to buy or sell non-financial items, such as purchase contracts for energy and sales contracts for nickel. These are entered into and continued to be held for receipt or delivery in accordance with the Group's expected usage or sales requirements and are therefore treated as executor contracts.

Non-derivative financial assets and liabilities

The financial assets and liabilities of the Group are classified in accordance with IAS 39 Financial Instruments: Recognition and Measurement in the following categories: financial assets at fair value through profit or loss, loans and receivables, financial assets and financial liabilities measured at amortized cost. The classification is made at initial recognition and it is determined by the nature of the item. The purchases and sales of financial assets and liabilities are accounted for at trade date. All financial assets and liabilities are included in the balance sheet as current assets or current liabilities when their maturities are under 12 months.

Financial assets at fair value through profit or loss

The category of financial assets through profit or loss includes financial assets that are acquired for trading purposes or are designated on initial recognition to be measured as one. Commodity derivatives are included in this category as hedge accounting is not applied in accordance with IAS 39 even though they are acquired for hedging purposes.

Loans and receivables

This category includes current trade and other receivables. They are not quoted on an active market and are not kept for trading purposes. Loans and receivables are recognized initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortized cost using the effective interest rate method, less any impairment losses.

For trade receivables the group assesses at each balance sheet date if there is any objective evidence that any trade receivable is impaired. If such evidence exists, the amount of the impairment loss is determined based on individual risks related to this trade receivable.

Financial liabilities measured at amortized cost

This category includes loans from financial institutions, trade payables and other financial liabilities. Financial liabilities are initially measured at fair value which is based on the consideration received. Transaction costs associated with financial liabilities are included in the initial measurement. Subsequent to initial recognition, financial liabilities are measured at amortized cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and at the bank and highly liquid investments with original maturities of three months or less at the date of acquisition. Bank overdrafts are included in other financial liabilities.

Provisions

A provision is recognized when, as a result of a past event, the Group has a present legal or constructive obligation, whose realization is probable and which can be measured reliably. The settlement of the obligation requires an outflow of economic benefits from the Group.

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Provisions consist mainly of closure & rehabilitation provisions for restoration of the quarry areas.

A provision for restructuring is recognized when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for.

Leases

Those leases, which transfer substantially all the risks and rewards incidental to ownership of an asset to the lessee, are classified as finance leases. Assets acquired under finance leases are capitalized at the lower of their fair value and present value of minimum lease payments at the beginning of the lease period. Lease payments are divided into reduction of the lease liability and the interest charge for the period so that a constant rate of interest is recognized on the outstanding balance of the lease liability. The lease liability is included in interest-bearing liabilities in the balance sheet.

Leases, which do not transfer the risks and rewards incidental to ownership of an asset to the lessee, are classified as operating leases. Rental payments made under operating leases are expensed as incurred.

At the balance sheet date the Group has leased items of equipment under operating lease and financial lease agreements.

Employee benefits

The Group's pension plans are classified as defined contribution plans. Under defined contribution plans, the Group pays fixed contributions to a separate entity and these payments are recognized as expense in the period to which they relate. In respect of defined contribution plans, the Group does not have any legal or constructive obligation to pay further contributions.

Borrowing costs

Borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of qualifying assets. Directly attributable borrowing costs are those costs that would have been avoided, if the expenditure on the qualifying asset had not been made. Otherwise borrowing costs are expensed as incurred. At the moment the Group does not have qualifying assets.

Research and development expenditure

Expenditure for research activities undertaken with the prospect of gaining new scientific or technical knowledge and understanding is recognized in profit or loss when the expense is incurred.

Expenditure for development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalized if the product or process is technically and commercially feasible and the Group has sufficient resources to complete development. The capitalized expenditure (included in the Other intangibles) comprises the costs of materials, direct labor and an appropriate portion of overhead. Other development expenditure is recognized in profit or loss when the expense is incurred.

Income taxes

Income tax expense consists of current and deferred taxes. Current taxes include taxes of the Group companies for the period in accordance with the local tax regulations. The taxes are adjusted by possible prior periods' taxes. The income tax expense is recognized in the income statement excluding the items that are recognized directly in other comprehensive income.

Deferred taxes are recognized in respect of temporary differences between the carrying amounts and the tax bases of assets and liabilities. The deferred tax asset is recognized to the extent that it is probable that future taxable profit will be available, against which the deductible temporary differences can be utilized. The deferred taxes have been calculated by using the enacted tax rates at the balance sheet date.

Revenue recognition principles

Most of the revenue arises from the sales of talc and nickel. The sale of goods is recognized when the significant risks and rewards of ownership are transferred to the buyer and there is no continuing management involvement with the goods.

Revenue consist of revenue from the sales of goods and commissions received, reduced by indirect taxes and discounts given.

Exploration and evaluation expenditure

Exploration and evaluation expenditure relating to extensions of mineral deposits which are already being mined or developed is capitalized according to IAS 16.

Exploration and evaluation costs, including costs of acquiring licenses, are capitalized according to IFRS 6. Costs incurred before the consolidated entity has obtained the legal right to explore an area are recognized in the income statement.

Exploration and evaluation assets are only recognized if the rights to the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
- activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

These costs are relating to the following: acquisition of exploration rights; conducting geological studies; exploratory drilling and sampling; and evaluating the technical feasibility and commercial viability of extracting a mineral resource.

The costs caused by closure and restoration of mines and of quarry areas are recognized as an asset and depreciated during the respective mine or quarry areas' economic life based on units of production.

Emission allowances

Mondo Minerals Group holds assigned emission allowances under the EU emission trading system. The carbon dioxide allowances have been received free of charge and the liability to return allowances based on the actual emissions are netted. Since the volume of actual emissions is lower than that of free of charge allowances no provision is recorded for the obligation to return the rights. The group has not bought allowances in the market and consequently the Group's balance sheet does not include any items related to carbon dioxide allowances. The information regarding the emissions rights at the balance sheet date and actual emissions are presented in the notes to the financial statements.

Estimates and judgements

When applying the Group's accounting policies, management must make a number of key judgements on the application of applicable accounting standards and estimates and assumptions concerning the carrying amounts of assets and liabilities that are not readily apparent from other sources. These estimates and judgements are based on factors considered to be relevant, including historical experience, which may differ significantly from the actual outcome. The key assumptions concerning the future and other key sources of estimation uncertainty that have a significant risk of causing a material adjustment to the amounts recognised in the financial statements are discussed below.

Critical accounting judgements

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment testing

During each financial period the Group's management assesses if there exists any indication of impairment of non-financial assets. Goodwill and indefinite-life intangible assets are tested for impairment annually even if no indication of impairment exists. An impairment loss is recognized when the carrying amount of an asset or cash generating unit (CGU) exceeds its recoverable amount.

Recognition of other non-current asset

The Directors utilised their judgment in assessing whether to recognise a liability in relation to their remaining tax exposure to the Finnish Tax authorities based on their assessment of whether they would successfully appeal the decision.

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting period that may have a significant risk of causing a material misstatement to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Impairment of non-financial assets

In determining the recoverable amount of intangible assets and property plant and equipment judgement is required in determining the key inputs into the valuation models. The key assumptions, and the Director's approach for determining these, are described in the impairment not of the accounting policies.

Significant changes

Other than the matters disclosed elsewhere in this report, no matters or circumstances have arisen since the end of the year that have significantly affected, or may significantly affect, the operations, the results of operations or state of affairs of the Group in subsequent accounting periods.

3. Adoption of new or amended IFRS standards and interpretations

Except for the effects of the newly applied standards (as described below), the accounting policies applied by the Group in the 2017 financial statements are those applied in previous year financial statements.

The Group has not opted for early adoption of the standards IFRS 15 Revenue from contracts with customers and IFRS 9 Financial Instruments. These standards are effective for annual reporting periods beginning on or after 1 January 2018. In January 2016, IASB issued IFRS 16 Leases which will become effective in January 2019. The Group will apply these new standards as from the period in which these become effective.

The Group is required to adopt IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers from 1 January 2018. The Group has assessed the estimated impact that the initial application of IFRS 9 and IFRS 15 will have on its consolidated financial statements. The estimated impact of the adoption of these standards on the Group's equity as at 1 January 2018 is based on assessments undertaken to date.

Based on our assessment, Mondo concludes that IFRS 9 has immaterial effects on its consolidated financial statements.

Based on our assessment Mondo concludes that IFRS 15 has no effects on its consolidated financial statements.

The Group has completed an initial assessment of the potential impact on its consolidated financial statements but has not yet completed its detailed assessment. The actual impact of applying IFRS 16 on the financial statements in the period of initial application will depend on future economic conditions, including the Group's borrowing rate at 1 January 2019, the composition of the Group's lease portfolio at that date, the Group's latest assessment of whether it will exercise any lease renewal options and the extent to which the Group chooses to use practical expedients and recognition exemptions.

So far, the most significant impact identified is that the Group will recognise new assets and liabilities for the land lease of the Amsterdam plant and its operating leases. As at 31 December 2017, the Group's future minimum lease payments under non-cancellable operating leases amounted to €12.6 million, on an undiscounted basis (see Note 24).

In addition, the nature of expenses related to those leases will now change as IFRS 16 replaces the straight-line operating lease expense with a depreciation charge for right-of-use assets and interest expense on lease liabilities.

The Group does not expect the adoption of IFRS 16 to impact its ability to comply with the bank covenant described in Note 18.

The other IFRS standards that can be early adopted (based on IFRS) are not relevant for the Group.

4. Revenue

The revenue can be summarized as follows:

€ millions	Year ended 31 December		
	2017	2016	2015
Europe	102.0	101.4	102.0
Rest of the world	20.0	17.9	13.0
Total	**122.0**	**119.3**	**115.0**

5. Cost of sales

The cost of sales can be summarized as follows:

€ thousands	Year ended 31 December		
	2017	2016	2015
Commission expenses	543	515	478
Electricity	9,442	9,880	10,707
Chemicals	3,284	3,679	3,625
Fuel, oil and gas	1,803	1,377	1,677
Maintenance	3,255	3,319	2,327
Change in inventories	(118)	(1,108)	1,162
External mining services	5,555	5,771	4,868
Other external services	2,717	2,577	3,888
Raw materials and packaging	16,096	19,397	18,964
Factory costs	4,708	4,377	4,170
Material management	2,165	1,920	2,205
SEQ and labs	2,279	1,989	2,020
Process development	583	509	611
Production wages	7,487	7,221	6,721
Depreciation, production	14,116	12,372	14,580
Cost of sales	**73,915**	**73,795**	**78,003**

Change in inventories represents inventory movements of semi-finished and finished products.

6. Administration expenses

The administration expenses can be summarized as follows:

€ thousands	Year ended 31 December		
	2017	2016	2015
Exploration	121	36	62
Marketing and research and development	4,086	3,478	3,621
Administration	5,951	5,711	5,926
Depreciation, other	1,668	2,008	752
Administration expenses	**11,826**	**11,233**	**10,361**

7. Financial Income and Expenses

The financial income and expenses can be summarized as follows:

€ thousands	Year ended 31 December		
	2017	2016	2015
Finance income			
Interest income	1	—	1
Fair value changes on financial assets and liabilities at fair value through profit and loss	138	2,916	2,147
Foreign exchange gains	206	530	749
Total	**345**	**3,446**	**2,897**
Finance expenses			
Foreign exchange losses	748	477	622
Amortisation of loan transaction costs	3,545	1,722	1,536
Discount Unwind—Rehabilitation Reserve	37	39	29
Realised losses from derivatives	138	3,034	2,650
Interest expenses on financial liabilities measured at amortised cost	27,776	25,303	22,617
Fair value changes on financial assets and	178	0	—
liabilities at fair value through profit and loss Agency fee, guarantee fees, other loan fees	678	722	473
Bank costs	65	58	50
Total	**33,165**	**31,355**	**27,977**
Net finance income and expenses	**(32,820)**	**(27,909)**	**(25,080)**

The €27.8 million interest expenses on financial liabilities measured at amortized cost include €15.5 million (2016: €15.9 million, 2015: €13.7 million) non-cash pay interest on shareholder loans.

In 2015 and 2016 the amortisation of loan transaction costs is the amortisation of the capitalised costs relating to the loans from other financial institutions. In 2017, the charge is the impairment costs following the refinancing that took place in 2017, see note 18 for further details.

8. Income Taxes

The corporate income tax can be summarized as follows:

€ thousands	Year ended 31 December		
	2017	2016	2015
Current taxes	204	44	55
Deferred taxes	(1,373)	(2,657)	(3,950)
Total	**(1,169)**	**(2,613)**	**(3,895)**

Reference is made to note 13 for the deferred tax income relating to the reversal of temporary differences and the recognized tax losses carried forward.

Reconciliation between income tax expense recognized in the income statement and the income tax expense calculated using the parent company's domestic tax rate:

€ thousands	Year ended 31 December					
	2017		2016		2015	
Profit (loss) before taxes		(17,456)		(13,625)		(17,523)
Income tax calculated using the parent company's domestic tax rate	25.0%	(4,367)	25.0%	(3,406)	25.0%	(4,380)
Tax effect of agreement with tax authorities	(13.6%)	2,369	0.0%	0	0.0%	0
Non-deductible expenses	(0.1%)	9	0.0%	3	0.0%	8
Effect of tax rates in foreign jurisdictions	(4.6%)	805	(4.8%)	652	(4.4%)	764
Under/ (Over) provided in prior years	(0.1%)	15	(1.0%)	138	1.6%	(287)
Total income tax expense (benefit)	**6.7%**	**(1,169)**	**19.2%**	**(2,613)**	**22.2%**	**(3,895)**

Reference is made to note 12 for the tax effect of the agreement with tax authorities.

Current year losses for which no deferred tax asset is recognized amount to nil (2016: nil, 2015: nil).

9. Property, Plant and Equipment

Property, plant and equipment can be summarized as follows:

€ thousands

2017	Land	Buildings	Mineral assets	Plant and equipment	Other tangible assets	Assets under construction	Total
Cost							
At the beginning of the financial year	3,804	45,614	88,711	95,480	5,335	26,401	265,345
Additions	—	643	73	4,342	476	7,984	13,518
Disposals	—	—	—	—	(254)	—	(254)
Transfers and other movements	—	263	2,035	7,243	—	(9,541)	—
At the end of the financial year	**3,804**	**46,520**	**90,819**	**107,065**	**5,557**	**24,844**	**278,609**
Accumulated depreciation	—						
At the beginning of the financial year	—	(13,581)	(13,516)	(37,821)	(3,534)	—	(68,452)
Charge for the year	—	(2,675)	(2,413)	(8,947)	(459)	—	(14,494)
Disposals	—	—	—	—	254	—	254
At the end of the financial year	**—**	**(16,256)**	**(15,929)**	**(46,768)**	**(3,739)**	**—**	**(82,692)**
Net book value at December 31, 2017	**3,804**	**30,264**	**74,890**	**60,297**	**1,818**	**24,844**	**195,917**

2016	Land	Buildings	Mineral assets	Plant and equipment	Other tangible assets	Assets under construction	Total
Cost							
At the beginning of the financial year	3,804	43,497	88,711	88,233	4,981	19,269	248,495
Additions	—	1,388	—	3,461	225	11,777	16,851
Disposals	—	—	—	(1)	—	—	(1)
Transfers and other movements	—	729	—	3,787	129	(4,645)	—
At the end of the financial year	**3,804**	**45,614**	**88,711**	**95,480**	**5,335**	**26,401**	**265,345**
Accumulated depreciation							
At the beginning of the financial year	—	(10,940)	(12,300)	(29,350)	(2,771)	—	(55,361)
Charge for the year	—	(2,641)	(1,216)	(8,470)	(763)	—	(13,090)
Disposals	—	—	—	(1)	—	—	(1)
At the end of the financial year	**—**	**(13,581)**	**(13,516)**	**(37,821)**	**(3,534)**	**—**	**(68,452)**
Net book value at December 31, 2016	**3,804**	**32,033**	**75,195**	**57,659**	**1,801**	**26,401**	**196,893**

2015	Land	Buildings	Mineral assets	Plant and equipment	Other tangible assets	Assets under construction	Total
Cost							
At the beginning of the financial year	3,804	40,646	87,166	80,548	3,738	5,954	221,856
Additions	—	2,735	951	6,006	1,076	16,063	26,831
Disposals	—	—	—	(147)	(45)	—	(192)
Transfers and other movements	—	116	594	1,826	212	(2,748)	—
At the end of the financial year	**3,804**	**43,497**	**88,711**	**88,233**	**4,981**	**19,269**	**248,495**
Accumulated depreciation							
At the beginning of the financial year	—	(8,437)	(9,605)	(21,385)	(2,061)	—	(41,488)
Charge for the year	—	(2,503)	(2,695)	(8,105)	(739)	—	(14,042)
Disposals	—	—	—	140	29	—	169
At the end of the financial year	**—**	**(10,940)**	**(12,300)**	**(29,350)**	**(2,771)**	**—**	**(55,361)**
Net book value at December 31, 2015	**3,804**	**32,557**	**76,411**	**58,883**	**2,210**	**19,269**	**193,134**

Other tangible assets:

The other tangible assets include amongst others hardware, software and office equipment.

Assets under construction

Mainly, the assets under construction are relating to the investment we made in the new Nickel-Cobalt bioleaching plant. The installation was at year end in the ramp-up phase.

Leased equipment:

The Group leases equipment and vehicles under a number of financial lease agreements. The leased equipment secures the lease obligations. At 31 December 2017 the net carrying amount of lease equipment was €10,000 (2016: €31,000, 2015: €53,000. The leased equipment is part of the Other tangible assets.

Mortgages:

The Property, Plant and Equipment owned by Mondo Minerals B.V. and situated in the Netherlands has been pledged as security by way of a mortgage deed to those banks participating in the bank loan financing of €185.0 million (2015 and 2016 €154.0 million). We refer to Note 19 of the consolidated financial statements.

Contractual commitments:

The Group has entered into contractual commitments for the acquisition of Property, Plant and Equipment. We refer to Note 25 of the consolidated financial statements.

10. Intangible Assets

The intangible assets can be summarized as follows:

€ thousands

2017	Goodwill	Other intangibles	Total
Cost			
At the beginning of the financial year	59,775	25,762	85,537
At the end of the financial year	**59,775**	**25,762**	**85,537**
Amortisation and impairments			
At the beginning of the financial year	—	(6,650)	(6,650)
Amortization charge for the year	—	(1,290)	(1,290)
At the end of the financial year	**—**	**(7,940)**	**(7,940)**
Net book value at December 31, 2017	**59,775**	**17,822**	**77,597**

€ thousands

2016	Goodwill	Other intangibles	Total
Cost			
At the beginning of the financial year	59,775	25,762	85,537
At the end of the financial year	**59,775**	**25,762**	**85,537**
Amortisation and impairments			
At the beginning of the financial year	—	(5,360)	(5,360)
Amortization charge for the year	—	(1,290)	(1,290)
At the end of the financial year	**—**	**(6,650)**	**(6,650)**
Net book value at December 31, 2016	**59,775**	**19,112**	**78,887**

€ thousands

2015	Goodwill	Other intangibles	Total
Cost			
At the beginning of the financial year	59,775	25,762	85,537
At the end of the financial year	**59,775**	**25,762**	**85,537**
Amortisation and impairments			
At the beginning of the financial year	—	(4,070)	(4,070)
Amortization charge for the year	—	(1,290)	(1,290)
At the end of the financial year	**—**	**(5,360)**	**(5,360)**
Net book value at December 31, 2015	**59,775**	**20,402**	**80,177**

Impairment testing of goodwill and intangibles

The goodwill is tested annually for impairment on 31 December. Impairment testing is performed also when a trigger for impairment exists. Mondo Minerals group is treated as a single cash-generating unit. The recoverable amounts of the cash- generating units are determined from value in use calculations. This valuation method falls in level 3 with the fair value hierarchy as defined in IFRS 13.

The most significant assumptions used in the fair value less cost of disposal calculations were the discounted cash flow forecast for the coming five years, the related investments and the discount rate. The discounted cash flow forecast was based on the Group's updated Business Plan 2018 – 2021 (2016: 2017 – 2020, 2015: 2016 – 2019). The discount rate (pre-tax) was determined to be 12.2% (2016: 12.9%, 2015: 10.6%) based on business risk analysis.

The goodwill balance is €59.8 million (2016: €59.8 million, 2015: €59.8 million) representing the difference between acquisition price of Mondo Minerals B.V. and subsidiaries, and revaluation of net assets at fair value at acquisition date.

Two main factors justify the goodwill value. First, Mondo management identified and implemented a number of improvement programs that already yield significant performance improvement. Improvement projects cover reduction of energy costs and investing in new processing technologies. Management also enhanced drastically the supply-chain operations which resulted in performance improvements. In addition, management deployed significant efforts and resources in new nickel processing technologies.

Secondly, the mineral resources of Mondo Minerals have been assessed at the end of the year based on measured and indicated categories as well as some additional mineral resources.

Key assumptions used in the financial projections

Based on the current business environment, management reviewed and approved the assumptions used in the business plan. Management updated all sales volume assumptions along with the impact of identified improvement projects for the period 2018–2021 (2016: 2017–2020, 2015: 2016–2019).

The discount rate of 10.3% (2016: 10.8%, 2015: 10.6%) after tax reflects the weighted average cost of capital of the Group taking into account the current market assessments of the time value of money and the risks specific to the Group.

The cash flow projections cover the years 2018-2021 (2016: 2017–2020, 2015: 2016–2019) taking into account the implementation of performance improvement projects as mentioned above. Residual value in the last year is considered to be last year's cash flow discounted at cost of capital. The terminal growth rate, 2.5% (2016: 2.5%, 2016: 2.5%), is based on expected inflation and management's estimate of the long-term growth rate in the markets and countries in which the Group operates.

Management calculations demonstrate that the actual recoverable amount exceeds the carrying amount of the assets of the CGU as of 31 December, 2017 (2016 and 2015: recoverable amounts also exceed the assets of the CGU).

Sensitivity:

An increase of the discount rate by 260 bps (2016: 60bps, 2015: 100bps) or reduction of cash flows by 25% (2016: 7%, 2015 12%) will result in a value below the carrying amount as of December 31st, 2017.

11. Other Non-Current Assets and Liabilities

In 2012, Mondo Minerals B.V. received a re-assessment of their tax relating to the Finnish Branch for the fiscal years 2007-2011 amounting to €26 million (including interest and penalty charges). The company is of the opinion that the residual tax charges imposed on the Finnish branch are unjustified and submitted an appeal for the adjustment of the re-assessment to the Finnish Assessment Adjustment Board. At the transfer of ownership of Mondo Minerals B.V. in 2011, an amount of €21.8 million had been guaranteed by the seller as an indemnification for this potential tax exposure. The Group drew down this amount from the escrow account in 2013 to pay a security deposit on this tentative tax claim to the Finnish tax authorities (recorded as an Other non-current assets). During 2017, Mondo won at the Appeal Board of the Finnish Tax Authorities that rejected the tax assessments imposed by the Finnish Tax Authorities and refunded over €22.2 million to Mondo Minerals, which is about €21.8 million plus €0.4m interest. This has been recognised as another non-current liability on the balance sheet at 30 June 2018, of this about €16.6 million is due to the previous owner (the seller as per above). The remaining balance will be recognised as a gain in the income statement on conclusion of the case if Mondo Minerals are successful following any further appeals. The Finnish Tax Authorities have in 2017 again filed an appeal to the court against this decision. The timing of the final decision is unclear.

12. Deferred Tax Assets and Liabilities

The changes in deferred tax assets and liabilities can be summarized as follows:

€ thousands 2017	Opening balance	Recognised in the Income Statement	Utilisation/ Recognition of carry-forward losses	Balance at Year ended 31 December 2017 Net	Deferred tax assets	Deferred tax liabilities
Deferred Tax Assets (liabilities)						
Interest rate hedge	4	(4)	—	—	—	—
Rehabilitation liability	289	3	—	292	292	—
Loss carried forward	10,862	99	—	10,961	10,961	—
Employee benefits	—	—	—	—	—	—
Inventories	314	(48)	—	266	266	—
Other	4	(1)	—	3	3	—
Depreciation difference-fixed assets	(3,637)	339	—	(3,298)	—	(3,298)
Inventories	—	—	—	—	—	—
Borrowing costs	(610)	192	—	(418)	—	(418)
Revaluation of intangibles	(3,811)	257	—	(3,554)	—	(3,554)
Revaluation of fixed assets	(17,669)	536	—	(17,133)	—	(17,133)
Deferred Tax assets (Liabilities)	**(14,254)**	**1,373**	**—**	**(12,881)**	**11,522**	**(24,403)**
Set-off of tax	—	—	—	—	(11,522)	11,522
Net tax assets (liabilities)	—	—	—	—	—	(12,881)

€ thousands 2016	Opening balance	Recognised in the Income Statement	Utilisation/ Recognition of carry-forward losses	Balance at December 31, 2016 Net	Deferred tax assets	Deferred tax liabilities
Deferred Tax Assets (liabilities)						
Interest rate hedge	67	(63)	—	4	4	—
Rehabilitation liability	297	(8)	—	289	289	—
Loss carried forward	9,299	1,563	—	10,862	10,862	—
Employee benefits	7	(7)	—	—	—	—
Inventories	529	(215)	—	314	314	—
Other	17	(13)	—	4	4	—
Depreciation difference-fixed assets	(3,987)	350	—	(3,637)	—	(3,637)
Inventories	—	—	—	—	—	—
Borrowing costs	(812)	202	—	(610)	—	(610)
Revaluation of intangibles	(4,068)	257	—	(3,811)	—	(3,811)
Revaluation of fixed assets	(18,260)	591	—	(17,669)	—	(17,669)
Deferred Tax assets (Liabilities)	**(16,911)**	**2,657**	**—**	**(14,254)**	**11,473**	**(25,727)**
Set-off of tax	—	—	—	—	(10,529)	10,529
Net tax assets (liabilities)	—	—	—	—	**944**	**(15,198)**

€ thousands 2015	Opening balance	Recognised in the Income Statement	Utilisation/ Recognition of carry-forward losses	Balance at Year ended 31 December 2015 Net	Deferred tax assets	Deferred tax liabilities
Deferred Tax Assets (liabilities)						
Interest rate hedge	113	(46)	—	67	67	—
Rehabilitation liability	303	(6)	—	297	297	—
Loss carried forward	6,802	2,745	(248)	9,299	9,299	—
Employee benefits	7	—	—	7	7	—
Inventories	612	(83)	—	529	529	—
Other	17	—	—	17	17	—
Total Deferred Tax Assets	**7,854**	**2,610**	**(248)**	**10,216**	**10,216**	**—**
Deferred Tax Liabilities						
Depreciation difference-fixed assets	(4,349)	362	—	(3,987)	—	(3,987)
Borrowing costs	(930)	118	—	(812)	—	(812)
Revaluation of intangibles	(4,325)	257	—	(4,068)	—	(4,068)
Revaluation of fixed assets	(19,111)	851	—	(18,260)	—	(18,260)
Total Deferred Tax Liabilities	**(28,715)**	**1,588**	**—**	**(27,127)**	**0**	**(27,127)**
Deferred Tax assets (Liabilities)	**(20,861)**	**4,198**	**(248)**	**(16,911)**	**10,216**	**(27,127)**
Set-off of tax	—	—	—	—	(9,429)	9,429
Net tax assets (liabilities)	—	—	—	—	**787**	**(17,698)**

The most significant temporary differences arise from losses, depreciation and revaluation of assets in business combinations. Deferred tax assets in Finland are recognized as it is probable that economic benefits can be expected in future periods (among others due to reversal of existing taxable temporary differences).

In the Netherlands, the Group has reached a final settlement with the Dutch tax authorities concerning the tax years 2011-2016. We agreed “nil settlement” which resulted in a write-off in the Income Statement of €2.4 million losses carried forward in exchange for the confirmation that all tax years 2011-2016 are closed to further review.

13. Inventories

Total inventories can be summarized as follows:

€ thousands	Year ended 31 December 2017	2016	2015
Raw materials and supplies	8,867	8,185	5,654
Semi-finished products	2,455	2,504	2,904
Finished goods	9,579	6,694	5,748
Total	**20,901**	**17,383**	**14,306**

In 2017 the write down of inventories to net realizable value amounted to nil (2016: nil, 2015: €120,000).

14. Trade and Other Receivables and Other Current Assets

The trade and other receivables can be summarized as follows:

€ thousands	Year ended 31 December		
	2017	2016	2015
Trade receivables (loans and receivables)	14,490	11,989	11,865
Prepaid expenses and accrued income	2,536	2,115	1,309
Other receivables (loans and receivables)	1,975	2,412	2,701
Total	**19,001**	**16,516**	**15,875**

The trade receivables can be summarized as follows:

€ thousands	Year ended 31 December		
	2017	2016	2015
Trade receivables (loans and receivables)	14,577	12,167	11,909
Allowance for impairment	(87)	(178)	(44)
Total	**14,490**	**11,989**	**11,865**

The analysis of the age of the trade receivables is as follows:

€ thousands	Year ended 31 December		
	2017	2016	2015
Not due	12,439	10,683	9,763
Past 0-30 days due	1,712	1,092	1,131
Past 31-60 days due	264	183	231
Past 61-90 days due	42	12	170
Past over 91 days due	33	19	570
Past over 121 days due	—	—	—
Total	**14,490**	**11,989**	**11,865**

In 2017, a total of €87,000 (2016: €178,000, 2015: €44,000) is recognized as bad debt provision. The movement during the period was a decrease of €91,000 (2016: increase of 134,000, 2015: decrease of €32,000). Due to short maturity, the carrying amounts of trade and other receivables are considered to correspond to their fair values. The receivables do not carry significant concentrations of credit risk.

The Trade and Other receivables are pledged as collateral for the Bank financing. We refer to Note 19 to the consolidated financial statements.

15. Cash and Cash Equivalents

The cash and cash equivalents balance can be summarized as follows:

€ thousands	Year ended 31 December		
	2017	2016	2015
Cash and bank accounts—free available	27,669	15,087	15,202
Short term and overnight deposits	—	30	28
Total	**27,669**	**15,117**	**15,230**

The carrying amounts equate the maximum credit risk and fair value.

The Cash and cash equivalents are pledged as collateral for the Bank financing. We refer to Note 19 to the consolidated financial statements.

16. Capital and Reserves

€ thousands

2017	Share Capital	Share Premium	Fair Value Reserve	Retained Earnings	Total
Balance at the beginning of the financial year	**18**	**73,455**	**—**	**(61,201)**	**12,272**
Income for the year	**—**	**—**	**—**	**(16,287)**	**(16,287)**
Balance at Year ended 31 December 2017	**18**	**73,455**	**—**	**(77,488)**	**(4,015)**

€ thousands

2016	Share Capital	Share Premium	Fair Value Reserve	Retained Earnings	Total
Balance at the beginning of the financial year	**18**	**73,455**	**—**	**(50,189)**	**23,284**
Income for the year	—	—	—	(11,012)	(11,012)
Balance at Year ended 31 December 2016	**18**	**73,455**	**—**	**(61,201)**	**12,272**

€ thousands

2015	Share Capital	Share Premium	Fair Value Reserve	Retained Earnings	Total
Balance at the beginning of the financial year	**18**	**73,455**	**—**	(36,561)	36,912
Income for the year	—	—	—	(13,628)	(13,628)
Balance at Year ended 31 December 2015	**18**	**73,455**	**—**	**(50,189)**	**23,284**

The number of issued shares amounted to 18,000 at 31 December 2017, 31 December 2016 and 31 December 2015. All shares issued have been fully paid. Nominal value per share is €1.0. The unissued share capital amounts to €72,000 with a corresponding amount of 72,000 shares at a nominal value of €1.0 per share.

Proposal for profit appropriation

The General Meeting of Shareholders will be asked to approve the following appropriation of 2017 loss after tax: an amount of €16,287 thousand to be deducted to retained earnings. The result after taxes for 2017 is included under Unappropriated result in equity.

17. Provisions

The provisions at year end can be summarized as follows:

€ thousands

2017	Closure and Rehabilitation	Other	Total
At the beginning of the financial year	**2,555**	**—**	**2,555**
Discount Unwind	37	—	37
Utilisation (used during the year)	(107)	—	(107)
Transfers	(37)	—	(37)
At the end of the financial year	**2,448**	**—**	**2,448**

2016	Closure and Rehabilitation	Other	Total
At the beginning of the financial year	**2,709**	**31**	**2,740**
Discount Unwind	39	—	39
Utilisation (used during the year)	(155)	(32)	(187)
Transfers	(38)	1	(37)
At the end of the financial year	**2,555**	**—**	**2,555**

2015	Closure and Rehabilitation	Other	Total
At the beginning of the financial year	**2,062**	**34**	**2,096**
Additions	714	—	714
Discount Unwind	29	—	29
Utilisation (used during the year)	(96)	(3)	(99)
At the end of the financial year	**2,709**	**31**	**2,740**

Provisions consist mainly of closure & rehabilitation provisions for restoration of the quarry areas which, in the current set-up of the mines, will be utilized in the 2030-2035 timeframe, or beyond if licenses are extended which is ordinary practice.

The amount of estimated rehabilitation cost is discounted using a discount rate of 1.45% (2016: 1.43%, 2015 1.42%). The costs are estimated to be made during the years 2018-2038.

18. Interest bearing liabilities

The current and non-current balance of interest bearing liabilities can be summarized as follows:

€ thousands	Year ended 31 December		
	2017	**2016**	**2015**
Non-current			
Financial lease liabilities	—	9	31
Loans from financial institutions, financial liability at amortised cost	182,769	156,890	155,449
Loans from related parties, financial liability at amortised cost	108,377	120,001	104,122
Total	291,146	276,900	259,602
Current			
Financial lease liabilities	10	22	22
Total	**10**	**22**	**22**

On 26 April 2017, the Group agreed new financing facilities with similar conditions as the previous financing facilities which safeguard the financing for the next seven years at attractive terms. At the refinancing, €27.1 million of the loans from related parties were repaid, to also refinance third party bank financing further up in the group.

The Group's interest-bearing non-current liabilities from financial institutions consist of floating rate loans from banks. The Group's interest-bearing non-current liabilities from related parties consist of fixed rate loans.

A total of €185 million (2016 and 2015: €160 million) has been committed by the financial institutions and €105 million (2016: €117 million, 2015: €101 million) by related parties. These interest bearing liabilities also include accrued interest and capitalized loan fees. In addition, a €12.5 million revolving credit facility from financial institutions exists at 31 December 2017.

The average interest rate of the Group's loans was 7.12% (2016: 7.90%, 2015: 7.05%) on third party debt and 15% (2016: 15%, 2015: 15%) on related party debt (which is not paid in cash but accumulated as part of loans payable).

Bank loan agreements with financial institutions have loan covenants. In the loan covenants certain financial tests have been defined as well as quarterly reporting of the covenant test results to the bank. The main tests cover:

- Leverage test, defined as total net debt to EBITDA;
- Minimum EBITDA.

The most relevant parameter for the financial covenants is the EBITDA. All financial covenants are met in 2017. EBITDA per the bank covenants is calculated as per the loan agreement and is not the same as EBITDA as per Note 26.

The carrying amounts of the liabilities are measured at amortized cost using the effective interest rate method. Fair values of liabilities have been calculated by using a discounted cash flow method and the market interest rates at the balance sheet date. The fair value of the liabilities correspond substantially to their carrying amounts. Reference is made to Note 21 Risk management and Financial instruments.

The average maturity of the liabilities is 6.5 years.

The Group companies have entered into pledge agreements with the financing bank as collateral for bank loan financing of a maximum of €197.5 million to Hayfin Services LLP.

In 2015 and 2016, the Group companies entered into pledge agreements with the financing banks as collateral for bank loan financing of a maximum of €154.0 million:

- BNP Paribas (acting through Fortis Bank N.V. / S.A., Brussels, Belgium);
- RBC Capital Markets;
- IKB Deutsche Industriebank AG.

The Group companies have entered into the following pledge agreements for the external loans to the financial institutions:

€ thousands	Year ended 31 December		
	2017	**2016**	**2015**
Bank accounts	27,382	15,117	15,230
Trade receivables	18,667	11,989	11,865
Movable assets	13,171	17,383	14,306
Notarised Deed of Mortgage	57,306	39,870	38,031

The share agreements of most of the entities within the Group are pledged under the loan agreement to the financial institutions.

The Property, Plant and Equipment owned by Mondo Minerals B.V. and situated in the Netherlands has been pledged as security by way of a mortgage deed to those banks participating in the bank loan financing of €185.0 million (2015 and 2016 €154.0 million).

The financial lease liabilities (principal and interest amount) can be summarized as follows:

€ thousands	Year ended 31 December		
	2017	**2016**	**2015**
Less than one year	10	22	22
Between one and five years	—	9	31
Total	**10**	**31**	**53**

The financial lease agreement is for equipment and vehicles and has an interest rate of 3.75%.

Reconciliation of movements of liabilities to cash flows arising from financing activities

€ thousands	Liabilities				Equity			
	Loans and borrowings	Financial lease liabilities	Other non-current liabilities	Derivatives (assets)/ liabilities	Share capital	Share premium	Retained earnings	Total
As at 31 December 2016	276,891	31	21,863	138	18	73,455	(61,201)	311,195
Changes from financing cash flows								
Proceeds from loans and borrowings	27,109	—	—	—	—	—	—	27,109
Repayment of borrowings	(29,544)	—	—	—	—	—	—	(29,544)
Transaction costs related to loans and borrowings	(2,099)	—	—	—	—	—	—	(2,099)
Payment of finance lease liabilities	—	(21)	—	—	—	—	—	(21)
Changes in fair value	—	—	—	(330)	—	—	—	(330)
Liability-related other changes								
Capitalised borrowing costs	3,471	—	—	—	—	—	—	3,471
Interest expense	27,776	—	—	—	—	—	—	27,776
Interest paid	(12,458)	—	—	—	—	—	—	(12,458)
Accrued interest	—	—	383	—	—	—	—	383
Equity-related other changes	—	—	—	—	—	—	(16,287)	(16,287)
As at 31 December 2017	**291,146**	**10**	**22,246**	**(192)**	**18**	**73,455**	**(77,488)**	**309,195**

19. Trade and Other Payables

The trade and other payables can be summarized as follows:

€ thousands	Year ended 31 December		
	2017	2016	2015
Trade payables	11,077	10,538	6,826
Other current liabilities			
Accrued wages, salaries and related cost	2,359	2,209	2,437
Accrued utilities, freight & storage	503	1,223	395
Electricity	788	1,327	814
VAT	215	1	277
Accrued interest on bank loan	721	753	649
Other liabilities	817	2,562	1,668
Total	**5,403**	**8,075**	**6,240**

20. Derivatives

Derivatives can be summarized as follows:

€ thousands	Year ended 31 December								
	2017			2016			2015		
	Positive Fair value	Negative Fair value	Net Fair value	Positive Fair value	Negative Fair value	Net Fair value	Positive Fair value	Negative Fair value	Net Fair value
Non-current									
Interest rate derivative	192	—	192	—	138	138	—	3,055	3,055
Net total	**192**	_	**192**	**—**	**138**	**138**	**—**	**3,055**	**3,055**

The interest rate swap contracts of 2016 reached maturity in 2017.

With effect from 7 August 2017, a notional loan balance of €150 million was hedged using an interest cap contract. The interest cap will end per 5 August 2020. No hedge accounting is applied. The cap for the variable portion of the rate is set to the Euribor rate of 0.35%.

The interest cap contract is measured using market rates. A loss of €178,000 has been recorded in the income statement.

21. Risk Management and Financial Instruments

Mondo Minerals Group is exposed to several financial risks in our business operations. The most important financial risk is the market risk.

The objective of financial risk management is to minimize the impact of the financial market's volatility on the income statement and cash flow of the Group. Especially changes in interest rates, as well as foreign exchange rates and nickel prices may have a significant impact on the Group's earnings, cash flow and balance sheet. The Group manages its financial risks with operative contracts and derivative contracts. The Group does not designate derivative contracts as hedging instruments under a hedge accounting model. The general principles of the financial risk management in the Group are approved by the Board of Directors, and the finance function in the parent company is responsible for the implementation of the policy.

Market risks

Foreign exchange risk

The Group operates internationally and is therefore exposed to foreign exchange risks. The objective of the foreign exchange risk management is to limit the effect of uncertainty caused by changes in foreign exchange rates on the cash flow and the income statement. The Group is subject to the risk of fluctuations in USD against the Euro. The monitoring and management of the foreign exchange risk position is divided into two parts, transaction risk (1) and translation risk (2).

Foreign exchange risks arise from commercial transactions and monetary items in the balance sheet. The Group's most significant foreign exchange cash flow risk arises from USD denominated sales of nickel. A major part of transaction exposure hedging is executed on an operational level e.g. by matching sales and costs in the same currency. The remaining open position in currencies other than the Euro is not material because of the limited number and value of transactions of that type. Hedge accounting in accordance with IAS 39 is not applied.

The Group's exposure to foreign currency risk was as follows:

€ thousands	31 December 2017			
	EUR	**USD**	**GBP**	**SEK**
Trade and other receivables	12,787	1,192	511	—
Other current assets	4,511	—	—	—
Cash and cash equivalents	26,980	477	—	212
Trade and other payables	(11,031)	(12)	(18)	(16)
Interest bearing liabilities	(291,146)	—	—	—
Derivative financial instruments	192	—	—	—
Gross Balance Sheet exposure	**(257,707)**	**1,657**	**493**	**196**

€ thousands	31 December 2016			
	EUR	USD	GBP	SEK
Trade and other receivables	10,566	787	625	11
Other current assets	4,527	—	—	—
Cash and cash equivalents	13,792	930	—	395
Trade and other payables	(9,889)	(604)	(32)	(13)
Interest bearing liabilities	(276,891)	—	—	—
Derivative financial instruments	(138)	—	—	—
Gross Balance Sheet exposure	**(258,033)**	**1,113**	**593**	**393**

€ thousands	31 December 2015			
	EUR	USD	GBP	SEK
Trade and other receivables	10,129	1,131	605	—
Other current assets	4,010	—	—	—
Cash and cash equivalents	13,334	1,698	—	197
Trade and other payables	(6,571)	(149)	(93)	(13)
Interest bearing liabilities	(259,571)	—	—	—
Derivative financial instruments	(3,055)	—	—	—
Gross Balance Sheet exposure	**(241,724)**	**2,680**	**512**	**184**

The following significant exchange rates applied during the year:

	Average Rate 2017	**Reporting date spot rate 2017**	**Average rate 2016**	**Reporting date spot rate 2017**	**Average rate 2015**	**Reporting date spot rate 2016**
USD / EUR	1.1370	1.1993	1.1032	1.0541	1.0887	1.1046
GBP / EUR	0.8757	0.8872	0.8227	0.8562	0.7340	0.7242
SEK / EUR	9.6464	9.8438	9.4713	9.5525	9.1895	9.3371

Interest rate risk

Interest rate risk is the risk that the Group's earnings and cash flow fluctuates due to changes in interest rates. The aim of interest rate risk management is to mitigate the effect of interest rate fluctuations on the income statement and cash flow. The main part of the Group's liabilities consists of floating-rate bank loans. During 2017 the Group used an interest cap for hedging against the rise of interest rates above a certain level. This interest cap matures in August 2020 while the loans need to be repaid later.

At the reporting date the interest rate profile of the Group's interest-bearing financial instruments was:

€ thousands	Carrying amount 31 December		
	2017	**2016**	**2015**
Fixed rate instruments			
Financial liabilities	108,377	120,001	104,122
Variable rate instruments			
Financial liabilities	182,779	156,921	155,502

Liquidity risk

Liquidity and refinancing risk is the risk that the Group's existing liquidity reserves become insufficient to meet the Group's needs or that costs in excess of market are incurred to arrange such funds. Management of liquidity risk means that sufficient reserves should be kept in order to meet the defined liquidity requirements. The liquidity risk is currently limited considering the refinancing of the company in April 2017 with long term bank debt, positive operational cash flow and sufficient covenant headroom. Mondo Minerals intends to continuously evaluate and monitor operational cash flows and profitability in order to optimize the liquidity in the Group. The liquidity of the Group is secured with long term committed credit limits. At the end of the financial year the Group had €7.5 million of unused committed credit lines, having used €5.0 million of the RCF for bonding & guarantee requirements.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

€ thousands		Carrying amount	Contractual cash flows	2018	2019	2020	2021	2022	Later
Non-derivatives financial liabilities									
Trade and other payables		11,077	(11,077)	(11,077)					
Other current liabilities		5,403	(5,403)	(5,403)					
Loans from financial institutions	Interest		(72,397)	(12,042)	(10,785)	(10,860)	(11,217)	(11,554)	(15,939)
	Repayment	182,769	(185,000)						(185,000)
Loans from related parties	Interest								
	Repayment	108,377	(185,887)				(185,887)		
Financial lease liabilities		10	(10)	(10)					
Other -non-current liabilities		22,246	(22,246)		(22,246)				
Total		**329,882**	**(462,077)**	**(33,532)**	**(42,448)**	**(29,393)**	**(224,072)**	**(40,309)**	**(92,323)**

The related party loan is repayable on change of control.

Credit and counterparty risk

Credit and counterparty risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers, other current assets and cash and cash equivalents.

The main objective in credit risk management is to ensure that a counter party fulfills its payment obligations. The objective of credit risk management is to minimize, in a cost-effective manner, the losses incurred as a result of customers not fulfilling their payment obligations. The Group's risk management policy determines creditworthiness of customers. Mondo Minerals has no significant concentrations of credit risks because of the broad customer base that is extended globally. Realized bad debts have historically been very limited. Cash and cash equivalents are deposited at banks with high credit ratings whereby the credit risk is very limited.

The carrying amount of financial assets represents the maximum credit exposure. The maximum exposure to credit risk at the reporting date was as follows:

€ thousands	Carrying amount 31 December		
	2017	**2016**	**2015**
Trade and other receivables	14,490	11,989	11,865
Other current assets	4,511	4,527	4,010
Cash and cash equivalents	27,669	15,117	15,230
Total	**46,670**	**31,633**	**31,105**

Price risk

The price risk in Mondo Minerals Group arises from nickel and energy price changes.

Nickel & Cobalt

The price of nickel and cobalt fluctuates according to the market situation, as the sales price of nickel products sold is linked to the LME nickel and cobalt price. The Group regularly assesses if it will enter into derivative contracts to reduce the risk of such fluctuations.

Energy

Energy, and particularly electricity, represents a portion of production cost for the Group. The price of electricity varies over time as of a result of market conditions and other factors beyond the Group's control. Electricity for the Finnish operations is purchased from the Nordpool market using forward products and physical block deliveries. In the Netherlands, electricity is purchased on the Dutch electricity market (ENDEX) through an intermediary (Nuon) using forward price fixing.

The company reduced its risk by covering its position in electricity prices both in Finland and in the Netherlands.

Fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet are as follows

€ thousands	Year ended 31 December					
	2017		2016		2015	
	Carrying amount	**Fair value**	Carrying amount	Fair value	Carrying amount	Fair value
Cash and cash equivalents	27,669	27,669	15,117	15,117	15,230	15,230
Loans and receivables:						
Trade and other receivables	14,490	14,490	11,989	11,989	11,865	11,865
Other current assets	4,511	4,511	4,527	4,527	4,010	4,010
At fair value through income statement:						
Derivative financial instruments	192	192	—	—	—	—
Financial assets	**46,862**	**46,862**	**31,633**	**31,633**	**31,105**	**31,105**
Financial liabilities at amortised cost:						
Interest-bearing liabilities	(291,146)	(298,817)	(276,900)	(291,660)	(259,602)	(261,160)
Trade and other payables	(11,077)	(11,077)	(10,538)	(10,538)	(6,826)	(6,826)
Other (non-)current liabilities	(5,403)	(5,403)	(8,075)	(8,075)	(6,240)	(6,240)
At fair value through income statement:						
Derivative financial instrument	—	—	(138)	(138)	(3,055)	(3,055)
Financial liabilities	**(307,626)**	**(315,297)**	**(295,651)**	**(310,411)**	**(275,723)**	**(277,281)**
Net position	**(260,764)**	**(268,435)**	**(264,018)**	**(278,778)**	**(244,618)**	**(246,176)**

The carrying amount of financial instruments measured other than at fair value, approximated their fair values on the balance sheet date. Management is satisfied that the differences between carrying and fair value would not be material if the fair value had been calculated.

Determination of fair values

The most important methods and principles applied when estimating the fair value of financial instruments included in the summary are described below.

Derivatives

The fair value derivative contracts are based on their quoted market price if available. If no quoted market price is available the fair value is estimated by discounting the difference between the contracted and actual forward price for the remaining term based on a risk-free interest rate (based on government bonds).

Non-derivative financial liabilities

Fair value is calculated on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

Trade and other receivables / trade and other payables

The nominal value of receivables and liabilities that fall due within one year is assumed to reflect the fair value. All other receivables and liabilities are made current to determine the fair value.

Fair value hierarchy

Financial instruments are recognized at fair value by valuation method. The various methods can be defined as follows:

Level 1: quoted market prices (not corrected) in active markets for identical assets or liabilities;

Level 2: input that is not a quoted market price as specified under level 1 and that is verifiable for the asset or liability either directly (in the form of a price) or indirectly (i.e. derived from a price);

Level 3: input related to the asset or liability that is not based on verifiable market data (non-verifiable input).

The derivatives have been valued using the level 2 methodology.

22. Capital Management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business, service debt and comply with bank covenant conditions. The group manages its capital structure and makes changes to it in light of economic conditions.

The Group monitors ratio's including leverage (debt/ EBITDA) and minimum EBITDA level (calculated per the loan agreements, as discussed in Note 18) against internal targets and bank covenant conditions.

The refinancing as of 26 April 2017 has entailed that covenant conditions are due to be measured and met as of 30 September 2017 for the first time under the new financing arrangements and each quarter afterwards. At the end of the financial year 2017, the Group met all bank covenants.

23. Related Parties

Mondo Minerals Holding B.V. has related party relationship with:

- Advent Mondo Luxembourg S.à r.l. The Shareholder Company;
- Advent Mondo Luxembourg Finance S.à r.l. The Financing Company;

Related party transactions are conducted at arm's length.

The related party transactions during the financial year can be summarized as follows:

	Year ended 31 December		
€ thousands	2017	2016	2015
Loans			
Advent Mondo Luxembourg Finance Sarl—Loans to Mondo Minerals Group	108,377	120,001	104,122

There are no transactions with Advent Mondo Luxembourg Sarl other than the ownership of the shares.

Remuneration of board of directors

The remuneration, including pension costs, as intended in Section 2:383 of the Netherlands Civil Code, which were charged in the financial year to the Company and group companies, amounted to €951,000 for directors and former directors (2016: €764,000, 2015: €1,026,000).

24. Commitments and Contingent Liabilities

The Group's non-cancellable operating lease agreements can be summarized as follows:

€ thousands	Year ended 31 December		
	2017	2016	2015
Less than one year	827	872	926
Between one and five years	2,528	2,538	2,336
More than five years	7,536	7,600	8,360
Total	**10,891**	**11,010**	**11,622**

The Group has leased part of its equipment and vehicles. The lease periods vary between 1 and 5 years and include an option to continue the lease agreement after the original date of expiration of the lease. In the financial year about €1.1 million was expensed for operating leases (2016: €0.8 million, 2015: €0.9 million)

Mondo Minerals B.V. had in 2012 received a re-assessment of their tax relating to the Finnish Branch for the fiscal years 2007-2011 amounting to €26 million (including interest and penalty charges). At the transfer of ownership of Mondo Minerals BV, an amount of €21.8 million had been guaranteed via an escrow arrangement by the seller as an indemnification for this potential tax exposure. The company is of the opinion that the tax charges imposed on the Finnish branch are unjustified and submitted an appeal for the adjustment of the re-assessment to the Finnish Assessment Adjustment Board. The Group is convinced that they have a strong appeal case, as evidenced by the recent favorable ruling obtained by Mondo and the re-imbursement of €22.2m to Mondo Minerals by the Finish Tax Authorities. The Group has therefore not recognized a liability for the remaining potential tax exposure. The remaining net amount at risk for the Group is €4.2 million. The risk of additional exposure appears remote.

As at 31 December 2017 the commitments of the Group for purchase of fixed assets, materials and services amount to €0.2 million (2016: €0.4 million, 2015: €2.1 million).

As at 31 December 2017 guarantees to an amount of €5.3 million (2016: €5.3 million, 2015: €4.3 million) are outstanding, mainly related to the plants and mining concessions in Finland.

25. Contingent Assets

Overview of CO2 emission rights all amounts in Tonnes	Year ended 31 December		
	2017	2016	2015
Emission rights at the beginning of the financial year	39,767	20,038	29,602
Emission rights received from authority of Finland	29,279	29,843	30,403
Pollutants emitted	(10,628)	(10,114)	(9,967)
Emission rights sold	(45,000)	—	(30,000)
Emission rights at the end of the financial year	**13,418**	**39,767**	**20,038**

The fair value of the emission rights at the balance sheet was €110,000 (2016: €262,000, 2015: €165,000). The emission allowances had been received as a grant and therefore are recognized initially at cost (nil).

The revenue relating to the emission rights sold are included in the revenue account in the consolidated statement of comprehensive income and is immaterial.

26. EBITDA

€ thousands	Year ended 31 December		
	2017	2016	2015
Loss for the period	(16,287)	(11,012)	(13,628)
Income tax expense/(benefit)	(1,169)	(2,613)	(3,895)
Interest income	(1)	—	(1)
Interest expense	27,776	25,303	22,617
EBIT	**10,319**	**11,678**	**5,093**
Depreciation and amortisation	15,784	14,380	15,332
EBITDA	**26,103**	**26,058**	**20,425**

27. Subsequent events

Where events occurring after the balance sheet date provide evidence of conditions that existed at the end of the reporting period, the impact of these events is adjusted within the financial statements. No such events occurred since the end of the financial year.

Section C: Accountant's report on the Historical Financial Information relating to the Mondo Group

The Board of Directors, Elementis plc
Caroline House
55-57 High Holborn
London
WC1V 6DX
United Kingdom

11 September 2018

Mondo Minerals Holding B.V.

We report on the financial information set out set out in section B of Part XIX of this document for the three years ended 31 December 2017. This financial information has been prepared for inclusion in this prospectus relating to the acquisition of Mondo Minerals Holding B.V. dated 11 September 2018 by Elementis plc on the basis of the accounting policies set out in note 2. This report is required by paragraph 20.1 of Annex I of the Prospectus Directive Regulation and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibilities

The Directors of Elementis plc are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information and in accordance with International Financial Reporting Standards as adopted by the European Union.

It is our responsibility to form an opinion on the financial information and to report our opinion to you. Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with paragraph 23.1 of Annex I of the Prospectus Directive Regulation, consenting to its inclusion in the prospectus.

Basis of Opinion

We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of the significant estimates and judgments made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the prospectus dated 11 September 2018, a true and fair view of the state of affairs of Mondo Minerals Holding B.V. as at 31 December 2015, 31 December 2016 and 31 December 2017 and of its losses for the periods, total comprehensive losses, cash flows and changes in equity for the years ended 31 December 2015, 31 December 2016 and 31 December 2017 in accordance with the basis of preparation set out in note 2 and in accordance with International Financial Reporting Standards as adopted by the European Union as described in note 2.

Declaration

For the purposes of Prospectus Rule 5.5.3R (2)(f) we are responsible for this report as part of the prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the prospectus in compliance with paragraph 1.2 of Annex I of the Prospectus Directive Regulation.

Yours faithfully

KPMG LLP

PART XX

UNAUDITED PRO FORMA FINANCIAL INFORMATION RELATING TO THE ENLARGED GROUP

Section A: Unaudited Pro Forma Financial Information for the Enlarged Group

Basis of preparation

The unaudited pro forma financial information set out below has been prepared to illustrate the effect of the Rights Issue, New Debt Facilities and Acquisition (together, the "**Transactions**") on the net assets of the Elementis Group as at 30 June 2018 as if the Transactions had taken place on 30 June 2018 and on the consolidated statements of profit or loss of the Elementis Group for the year ended 31 December 2017 and the six months ended 30 June 2018 as if the Transactions had taken place on 1 January 2017 and 1 January 2018, respectively (together the "**Unaudited Pro Forma Financial Information**"). The Unaudited Pro Forma Financial Information has been prepared on the basis of, and should be read in conjunction with, the notes set out below.

The unaudited pro forma statement of net assets of the Enlarged Group as at 30 June 2018 is based on the unaudited consolidated net assets of the Elementis Group as at 30 June 2018 and the unaudited consolidated net assets of the Mondo Group as at 30 June 2018 and has been prepared on the basis that the Transactions had taken place on 30 June 2018 and in a manner consistent with the accounting policies adopted by the Elementis Group in preparing the unaudited interim condensed consolidated financial statements of the Elementis Group for the six months ended 30 June 2018.

The unaudited pro forma statement of profit or loss of the Enlarged Group for the year ended 31 December 2018 is based on the consolidated income statement of the Elementis Group for the year ended 31 December 2017 and the consolidated income statement of the Mondo Group for the year ended 31 December 2017 prepared on the basis that the Transactions were effective at 1 January 2017 and in a manner consistent with the accounting policies adopted by the Elementis Group in preparing the audited financial statements of the Elementis Group for the year ended 31 December 2017.

The unaudited pro forma statement of profit or loss of the Enlarged Group for the six months ended 30 June 2018 is based on the unaudited interim condensed consolidated income statement of the Elementis Group for the six months ended 30 June 2018 and the unaudited interim condensed consolidated income statement of the Mondo Group for the six months ended 30 June 2018 and prepared on the basis that the Transactions were effective at 1 January 2018 and in a manner consistent with the accounting policies adopted by the Elementis Group in preparing the unaudited interim condensed consolidated financial statements of the Elementis Group for the six months ended 30 June 2018.

Because of its nature, the Unaudited Pro Forma Financial Information addresses a hypothetical situation and, therefore, does not represent the Enlarged Group's actual financial position or results. It may not, therefore, give a true picture of the Enlarged Group's financial position or results nor is it indicative of the results that may, or may not, be expected to be achieved in the future. The Unaudited Pro Forma Financial Information has been prepared for illustrative purposes only and in accordance with Annex II of the Prospectus Directive Regulation.

Unaudited Pro Forma Consolidated Statement of Net Assets of the Enlarged Group as at 30 June 2018

				Adjustments					
	Elementis	**Mondo**	**Mondo**	**Acquisition of Mondo**	**Equity raised by Rights Issue**	**Repayment of Mondo debt**	**Replacement of Elementis debt**	**Transaction Costs**	**Pro Forma**
	Note 1 $m	Note 2 €m	Note 3 $m	Note 4 $m	Note 5 $m	Note 6 $m	Note 7 $m	Note 8 $m	$m
Non-current assets									
Goodwill and other intangible assets	707.8	77.0	89.9	174.0	—	—	—	—	971.7
Property, plant and equipment	223.2	194.4	227.1	—	—	—	—	—	450.3
ACT recoverable	12.6	—	—	—	—	—	—	—	12.6
Deferred tax assets	0.5	—	—	—	—	—	—	—	0.5
Total non-current assets	**944.1**	**271.4**	**317.0**	**174.0**	**—**	**—**	**—**	**—**	**1,435.1**
Current assets									
Inventories	151.8	19.6	22.9	—	—	—	—	—	174.7
Trade and other receivables	139.1	22.0	25.6	6.5	—	—	(4.5)	—	166.7
Derivatives	2.1	—	—	—	—	—	—	—	2.1
Current tax asset	4.5	0.0	—	—	—	—	—	—	4.5
Cash and cash equivalents	57.4	33.0	38.5	(307.2)	230.0	(213.6)	281.3	(18.5)	67.9
Total current assets	**354.9**	**74.6**	**87.0**	**(300.7)**	**230.0**	**(213.6)**	**276.8**	**(18.5)**	**415.9**
Assets classified as held for sale	—	—	—	—	—	—	—	—	0
Total assets	**1,299.0**	**346.0**	**404.0**	**(126.7)**	**230.0**	**(213.6)**	**276.8**	**(18.5)**	**1,851.0**
Current liabilities									
Bank overdrafts and loans	(4.7)	—	—	—	—	—	—	—	(4.7)
Trade and other payables	(114.2)	(17.9)	(20.9)	—	—	—	—	1.2	(133.9)
Derivatives	—	—	—	—	—	—	—	—	—
Current tax liabilities	(26.3)	(22.5)	(26.3)	—	—	—	—	—	(52.6)
Provisions	(9.0)	—	—	—	—	—	—	—	(9.0)
Total current liabilities	**(154.2)**	**(40.4)**	**(47.2)**	**—**	**—**	**—**	**—**	**1.2**	**(200.2)**
Non-current liabilities									
Loans and borrowings	(312.3)	(299.3)	(349.4)	135.8	—	213.6	(281.3)	—	(593.6)
Employee retirement benefits	(10.1)	—	—	—	—	—	—	—	(10.1)
Deferred tax liabilities	(92.9)	(11.7)	(13.7)	—	—	—	—	—	(106.6)
Provisions	(21.5)	(2.4)	(2.8)	—	—	—	—	—	(24.3)
Total non-current liabilities	**(436.8)**	**(313.4)**	**(365.9)**	**135.8**	**—**	**213.6**	**(281.3)**	**—**	**(734.6)**
Liabilities classified held for sale	—	—	—	—	—	—	—	—	—
Total liabilities	**(591.0)**	**(353.8)**	**(413.1)**	**135.8**	**—**	**213.6**	**(281.3)**	**1.2**	**(934.8)**
Net assets	**708.0**	**(7.8)**	**(9.1)**	**9.1**	**230.0**	**—**	**(4.5)**	**(17.3)**	**916.2**

(1) The net assets information of the Elementis Group as at 30 June 2018 has been extracted without material adjustment from the unaudited interim condensed consolidated financial statements of the Elementis Group as at and for the six months ended 30 June 2018, which are incorporated into this document by reference as explained in Part XVIII (*Historical Financial Information Relating to the Elementis Group*).

(2) The net assets information of the Mondo Group as at 30 June 2018 has been extracted without material adjustment from the consolidated financial statements of the Mondo Group for the six months ended 30 June 2018 which are included in Part XIX (*Historical Financial Information Relating to the Mondo Group*).This information has been adjusted to conform to the presentation adopted by the Elementis Group. The following presentational adjustments were made:

a) Other finance assets of €57,000 have been reclassified as goodwill and other intangible assets;

b) Other non-current assets of €69,000 have been reclassified as property, plant and equipment as they relate to leased assets;

c) Other current assets of €6.69 million have been reclassified as trade and other receivables;

d) Other current liabilities of €5.05 million have been reclassified as trade and other payables; and

e) Other non-current liabilities of €22.246 million have been reclassified as current tax liabilities as they relate to a tax refund received that is currently being appealed by the Finnish tax authorities but may fall due for payment within 12 months.

(3) The individual assets and liabilities of the Mondo Group as at 30 June 2018 have been translated into US dollars using a euro exchange rate of $1.1675 per euro which represents the Bank of England closing rate as at 30 June 2018.

(4) The adjustment in Note 4 reflects the acquisition of the Mondo Group by Elementis. The net consideration payable will consist of a cash payment of $307.2 million, representing $171.4 million in net cash paid for the Acquisition plus the settlement of the shareholder loan of €116.3 million ($135.8 million translated at an exchange rate of 1.1675 at 30 June 2018, the Bank of England closing rate as at 30 June 2018). In the event settlement of the tax dispute (Note 2e) is in excess of the amount currently held in a segregated bank account, the amount of any such excess shall be released back to Elementis from the escrow account paid into by the Seller. As such, an indemnification asset of €5.6 million ($6.5 million) limiting Elementis' exposure to the reported €22.2 million tax liability has been recognised. The estimated fair value of the contingent consideration, the payment of which is contingent on the future performance of Mondo BV, is immaterial and therefore no amount has been reflected in the net consideration payable. The range of contingent consideration as set out in Part VIII (*Principal Terms of the Acquisition*) of this document is $0.0 million to $53.0 million. Any change in the estimated fair value of the contingent consideration at the acquisition date would increase the pro forma goodwill adjustment calculated below.

The adjustment to goodwill has been calculated as follows:

All figures $m	
Acquisition net cash paid	171.4
Plus book value of liabilities acquired	9.1
Less value of indemnification asset	(6.5)
Pro forma goodwill adjustment	**174.0**

Elementis has not completed a purchase price allocation for the Acquisition in accordance with IFRS 3 (*Business Combinations*). Therefore, none of the purchase price has been allocated to intangible assets in the pro forma financial information. Instead, all of the difference between the purchase price and net assets/liabilities has been allocated to goodwill.

(5) The adjustment in Note 5 reflects the receipt of the proceeds of the Rights Issue of 116,044,829 shares at 152.0 pence per share. The proceeds receivable by the Company are £176.4 million which equates to approximately $230 million at an exchange rate of $1.3025 per pound sterling as at 10 September 2018, the most recent practical date. Elementis intends to use the proceeds of the Rights Issue towards the funding of the Acquisition. Elementis intends to enter a forward sale of these sterling proceeds to US dollars to limit the foreign exchange risk arising from the Rights Issue and therefore the actual proceeds may differ from that assumed in the pro forma.

(6) The adjustment in Note 6 reflects the settlement of the existing Mondo Group external debt of €182.9 million ($213.6 million translated at an exchange rate of $1.1675 per euro, the Bank of England closing rate as at 30 June 2018) present in the 30 June 2018 balance sheet.

(7) The adjustment in Note 7 reflects the drawdown of $600.0 million from the new $775.0 million facility and settlement of the existing Elementis debt of $312.3 million. Associated costs of $6.4 million incurred in the set-up of the new facility will be paid from existing cash balances and $4.5 million unamortised issue costs for the current Elementis facility will be written off. The drawdown is expected to occur in the following currencies: $400.0 million in US dollar and $200.0 million in euro, converted at the following 30 June 2018 exchange rate: $1.1675 per euro. The currency allocations and exchange rates in place are likely to differ from those stated when the facility is actually drawn down.

(8) The adjustment in Note 8 reflects administrative transaction costs relating to the Rights Issue and external advisers, lawyers and professional fees of $18.5 million incurred as part of the Acquisition, less $1.2 million already incurred but not paid. Of these costs, $5.0 million relate solely to the cost of the Rights Issue and have therefore been presented in equity in accordance with IFRS 3 (*Business Combinations*).

Unaudited Pro Forma Consolidated Statement of Profit or Loss of the Enlarged Group for the year ended 31 December 2017

	Elementis	Mondo	Mondo	Adjustments: Replacement of Mondo debt	Adjustments: Repayment of Elementis debt	Adjustments: Transaction Costs	Pro Forma
	Note 1 $m	Note 2 €m	Note 3 $m	Note 4 $m	Note 5 $m	Note 6 $m	$m
Revenue	**782.7**	**122.0**	**137.0**	**—**	**—**	**—**	**919.7**
Costs of sales	(487.6)	(73.9)	(83.0)	—	—	—	(570.6)
Gross Profit	**295.1**	**48.0**	**54.0**	**—**	**—**	**—**	**349.1**
Distribution costs	(98.1)	(21.1)	(23.7)	—	—	—	(121.8)
Administrative expenses	(105.6)	(11.6)	(13.0)	—	—	(13.5)	(132.1)
Operating profit/(loss)	**91.4**	**15.4**	**17.3**	**—**	**—**	**(13.5)**	**95.2**
Other expenses	(1.2)	—	—	—	—	—	(1.2)
Finance Income	0.2	0.3	0.4	—	—	—	0.6
Finance costs	(11.9)	(33.2)	(37.3)	31.2	(17.1)	—	(35.1)
Profit/(loss) before income tax	**78.5**	**(17.5)**	**(19.6)**	**31.2**	**(17.1)**	**(13.5)**	**59.5**
Tax	34.2	1.2	1.3	(6.2)	3.3	—	32.5
Profit from continuing operations	**112.7**	**(16.3)**	**(18.3)**	**25.0**	**(13.8)**	**(13.5)**	**92.1**
Profit from discontinued operations	4.9	—	—	—	—	—	4.9
Profit/(loss) for the year	**117.6**	**(16.3)**	**(18.3)**	**25.0**	**(13.8)**	**(13.5)**	**97.0**

(1) The income statement information of the Elementis Group has been extracted without material adjustment from the audited consolidated financial statements of the Elementis Group for the year ended 31 December 2017, which are incorporated into this document by reference as explained in Part XVIII (*Historical Financial Information Relating to the Elementis Group*).

(2) The income statement information of the Mondo Group has been extracted without material adjustment from the audited consolidated financial statements of the Mondo Group for the year ended 31 December 2017 which are included in Part XIX (*Historical Financial Information Relating to the Mondo Group*). This information has been adjusted to conform to the presentation adopted by the Elementis Group. The following presentational adjustments were made:

a) Other operating income of €242,000 has been reclassified as administrative expenses.

(3) The income statement for the Mondo Group has been translated into US dollars using a euro exchange rate of $1.1237 per euro, which represents the average rate for the year ended 31 December 2017.

(4) The adjustment in Note 4 reflects the removal of the Mondo interest costs associated with the existing debt arrangements for the year ended 31 December 2017. As this debt sits primarily within Finland where it has benefitted from a tax deduction at 20.0%, removal of this interest cost increases the tax charge by $6.2 million.

(5) The adjustment in Note 5 reflects the write-off of Elementis' previously capitalised debt facility fees of $6.1 million at 1 January 2017 and associated amortisation during the year of $1.0 million. Fees of $6.4 million associated with the new debt facility have been capitalised; however, a charge of $1.3 million for amortisation of these fees has been included based on an assumed expected term of 5 years. There has also been removal of the Elementis interest costs of $9.7 million associated with the existing debt arrangements for the year ended 31 December 2017, and replacement with pro forma annual interest costs of $20.4 million for the Enlarged Group had the debt arrangements post-Acquisition been in place from 1 January 2017. This interest charge has been calculated on the basis of the drawdown occurring in the following currencies at the following interest rates (including margin): $400.0 million in US dollars at 3.73%, and $200.0 million in euro at 2.5%. An increase of

0.125% in interest rates would result in an increased charge for the period of $0.5 million. The currency allocations, interest rates and exchange rates in place are likely to differ from those stated when the facility is actually drawn down. All incurred charges are deductible for UK tax at an effective rate of 19.25% for the 2017 calendar year.

(6) Administrative expenses include external advisers, lawyers and professional fees incurred in the Acquisition. Fees associated with the New Debt Facilities have been capitalised and fees associated with the issuance of equity have been charged to equity. This adjustment does not have a continuing impact.

(7) No adjustment has been made to reflect the trading periods of Elementis plc or Mondo since 31 December 2017.

(8) Unless otherwise indicated, all of the above adjustments have a continuing impact.

Unaudited Pro Forma Consolidated Statement of Profit or Loss of the Enlarged Group for the six months ended 30 June 2018

				Adjustments			
	Elementis	Mondo	Mondo	Repayment of Mondo debt	Replacement of Elementis debt	Transaction Costs	Pro Forma
	Note 1 $m	Note 2 €m	Note 3 $m	Note 4 $m	Note 5 $m	Note 6 $m	
Revenue	**421.4**	**71.2**	**87.1**	**—**	**—**	**—**	**508.5**
Costs of sales	(265.9)	(44.9)	(54.8)	—	—	—	(320.7)
Gross Profit	**155.5**	**26.3**	**32.3**	**—**	**—**	**—**	**187.8**
Distribution costs	(56.3)	(9.9)	(12.1)	—	—	—	(68.4)
Administrative expenses	(43.0)	(6.7)	(8.2)	—	—	(12.3)	(63.4)
Operating profit/(loss)	**56.2**	**9.7**	**12.0**	**—**	**—**	**(12.3)**	**56.0**
Other expenses	(1.3)	—	—	—	—	—	(1.3)
Finance Income	0.3	0.3	0.4	—	—	—	0.7
Finance costs	(8.4)	(14.8)	(18.1)	17.4	(9.4)	—	(18.5)
Profit/(loss) before income tax	**46.8**	**(4.8)**	**(5.7)**	**17.4**	**(9.4)**	**(12.3)**	**36.8**
Tax	(15.9)	1.0	1.2	(3.5)	1.8	—	(16.4)
Profit from continuing operations	**30.9**	**(3.8)**	**(4.5)**	**13.9**	**(7.6)**	**(12.3)**	**20.4**
Profit from discontinued operations	(0.1)	—	—	—	—	—	(0.1)
Profit/(loss) for the period	**30.8**	**(3.8)**	**(4.5)**	**13.9**	**(7.6)**	**(12.3)**	**20.3**

(1) The income statement information of the Elementis Group has been extracted without material adjustment from the unaudited interim condensed consolidated financial statements of the Elementis Group for the six months ended 30 June 2018, which are incorporated into this document by reference as explained in Part XVIII (*Historical Financial Information Relating to the Elementis Group*).

(2) The income statement information of the Mondo Group has been extracted without material adjustment from the unaudited interim condensed consolidated financial statements of the Mondo Group for the six months ended 30 June 2018 which are included in Part XIX (*Historical Financial Information Relating to the Mondo Group*). This information has been adjusted to conform to the presentation adopted by the Elementis Group. The following presentational adjustments were made:

a) Other operating income of €87,000 has been reclassified as administrative expenses.

(3) The income statement for the Mondo Group has been translated into US dollars using a euro exchange rate of $1.2223 per euro, which represents the average rate for the six months ended 30 June 2018.

(4) The adjustment in Note 4 reflects the removal of the Mondo interest costs associated with the existing debt arrangements for the six months ended 30 June 2018.

(5) The adjustment in Note 5 reflects the write-off of Elementis' previously capitalised debt facility fees of $5.1 million at 1 January 2018 and associated amortisation during the six months ended 30 June 2018 of $0.6 million. Fees of $6.4 million associated with the new debt facility have been capitalised; however, a charge of $0.7 million for amortisation of these fees has been included based on an assumed expected term of 5 years. There has also been removal of the Elementis interest costs of $7.7 million associated with the existing debt arrangements for the six months ended 30 June 2018, and replacement with pro forma interest costs of $11.9 million for the Enlarged Group had the debt arrangements post-Acquisition been in place from 1 January 2018. This interest charge has been calculated on the basis of the drawdown occurring in the following currencies at the following interest rates (including margin): $400.0 million in US dollars at 4.59%, and $200.0 million in euro at 2.5% converted at the following exchange rate $1.2223 per euro (based on the 2018 average exchange rates) applicable for the six months ended 30 June 2018. An increase of 0.125% in interest rates would result in an increased charge for the period of $0.3 million. The currency allocations, interest rates and exchange rates in place are likely to differ from

those stated when the facility is actually drawn down. All incurred charges are deductible for UK tax at an effective rate of 19% for the six-month period.

(6) Administrative expenses include external advisers, lawyers and professional fees incurred in the Acquisition. Fees associated with the New Debt Facilities have been capitalised and fees associated with the issuance of equity have been charged to equity. In the six months ended 30 June 2018, $1.2 million of administrative expenses associated with the Acquisition were already incurred. This adjustment does not have a continuing impact.

(7) No adjustment has been made to reflect the trading periods of Elementis plc or Mondo since 30 June 2018.

(8) Unless otherwise indicated, all of the above adjustments have a continuing impact.

Section B: Accountant's report on Unaudited Pro Forma Financial Information

The Board of Directors
On behalf of Elementis plc
Caroline House
55-57 High Holborn
London
WC1V 6DX
United Kingdom

UBS Limited
5 Broadgate
London EC2M 2QS
United Kingdom

11 September 2018

Ladies and gentlemen:

Elementis plc (the "Company")

We report on the unaudited pro forma financial information (the "**Pro Forma Financial Information**") set out in section A of Part XX of this Prospectus dated 11 September 2018 (the "**Prospectus**") which has been prepared on the basis described in the notes to the Pro Forma Financial Information, for illustrative purposes only, to provide information about how the Rights Issue, New Debt Facilities and the Acquisition of Mondo Minerals Holding BV might have affected the financial information presented, on the basis of the accounting policies adopted by the Company in preparing the financial statements for the year ended 31 December 2017, for the six month period ended 30 June 2018 and as at 30 June 2018.

This report is required by the Commission Regulation (EC) No 809/2004 (the "**Prospectus Directive Regulation**") and is given for the purpose of complying with that requirement and for no other purpose.

Responsibilities

It is the responsibility of the directors of the Company (the "**Directors**") to prepare the Pro forma financial information in accordance with Annex II items 1 to 6 of the Prospectus Directive Regulation.

It is our responsibility to form an opinion, as to the proper compilation of the Pro Forma Financial Information and to report our opinion to you in accordance with item 7 of Annex II of the Prospectus Directive Regulation.

Save for any responsibility arising under Prospectus Rule 5.5.3R (2)(f) to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Annex I item 23.1 of the Prospectus Directive Regulation, consenting to its inclusion in the Prospectus.

In providing this opinion we are not updating or refreshing any reports or opinions previously made by us on any financial information used in the compilation of the Pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue.

Basis of Opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the adjustments and discussing the Pro forma financial information with the Directors.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

Our work has not been carried out in accordance with auditing or other standards and practices generally accepted in jurisdictions outside the United Kingdom, including the United States of America, and accordingly should not be relied upon as if it had been carried out in accordance with those standards or practices.

Opinion

In our opinion:

(a) the Pro forma financial information has been properly compiled on the basis stated; and

(b) such basis is consistent with the accounting policies of the Company.

Declaration

For the purposes of Prospectus Rule 5.5.3R(2)(f) we are responsible for this report as part of the Prospectus and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Prospectus in compliance with Annex I item 1.2 of the Prospectus Directive Regulation.

Yours faithfully

Deloitte LLP

*Deloitte LLP is a limited liability partnership registered in England and Wales with registered number OC303675 and its registered office at 1 New Street Square, London EC4A 3HQ, United Kingdom. Deloitte LLP is the United Kingdom affiliate of Deloitte NWE LLP, a member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("**DTTL**"). DTTL and each of its member firms are legally separate and independent entities. DTTL and Deloitte NWE LLP do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.*

PART XXI

TAXATION

The content of this Part XXI *(Taxation)* is not to be construed as tax advice in respect of the impact of the Acquisition or otherwise. Each prospective investor should consult his, her or its tax adviser for tax advice.

PART A: UNITED KINGDOM

1. Introduction

The following paragraphs are intended as a general guide only, are not exhaustive and are based on current law and HM Revenue and Customs practice (which may not be binding) as at the date of this document, both of which are subject to change, possibly with retrospective effect. They summarise the position of Shareholders who (unless the position of non-resident Shareholders is expressly referred to) are resident (and in the case of individual Shareholders, resident and domiciled) in (and only in) the United Kingdom for tax purposes, who are the absolute beneficial owners of their Ordinary Shares and any dividends paid on them and who hold their Ordinary Shares as an investment (other than under an Individual Savings Account). The discussion below does not address all possible tax consequences relating to an investment in shares. Certain Shareholders, such as (but not limited to) traders, brokers, dealers in securities, banks, financial institutions, investment companies, those that are exempt from taxation, employees and officers of the Company (or a connected company), insurance companies, persons holding Ordinary Shares as part of hedging or conversion transactions, Shareholders who are not domiciled or resident in the United Kingdom, collective investment vehicles, trusts and those who hold 5% or more of the Ordinary Shares may be taxed differently and are not considered.

If you are in any doubt as to your tax position or you are subject to tax in a jurisdiction outside the United Kingdom, you should consult an appropriate professional adviser before taking any actions.

2. Dividends

2.1 *Withholding taxes*

Under current law, no tax will be withheld by the Company when it pays a dividend.

2.2 *Individuals*

A UK resident individual Shareholder will not be liable to UK income tax on any dividend which they receive from the Company to the extent that (taking account of any other dividends received in the same tax year) such dividend falls within the first £2,000 of dividend income received by that Shareholder (the **"Nil Rate Amount"**). Dividends within the allowance will still count as taxable income when determining how much of the basic rate band or higher rate band has been used.

Subject to the availability of any personal allowance and taking account of any other dividends received by a UK resident individual Shareholder in the same tax year, such Shareholder will currently be subject to UK income tax on the amount (if any) of a dividend received from the Company in excess of the Nil Rate Amount:

- at the rate of 7.5%, to the extent that such amount falls below the threshold for the higher rate of UK income tax;
- at the rate of 32.5%, to the extent that such amount falls above the threshold for the higher rate of UK income tax but below the threshold for the additional rate of UK income tax; and
- at the rate of 38.1%, to the extent that such amount falls above the threshold for the additional rate of UK income tax.

In each case, in determining the applicable dividend rate, the dividend income is treated as the top slice of the Shareholder's income.

2.3 *Companies*

UK resident corporate Shareholders which are *"small companies"* (for the purposes of Chapter 2 of Part 9A of the Corporation Tax Act 2009) will not generally be subject to tax on dividends from the Company provided certain conditions are met (including an anti-avoidance condition).

Other UK resident corporate Shareholders will not generally be subject to tax on dividends received from the Company as long as the dividends fall within one of a number of statutory exemptions. Examples of dividends that fall within an exemption are dividends paid on shares that are not redeemable and do not carry any present or future preferential rights to dividends or to the company's assets on a winding up, and dividends paid to a person holding less than 10% of the issued share capital of the payer (or any class of that share capital, as long as those shares carry rights to less than 10% of the profits available for distribution and less than 10% of the assets on a winding up in the payer). The exemptions described above are not comprehensive and are subject to anti avoidance rules.

Where the conditions for the exemption are not met or cease to be satisfied, or such Shareholder elects for an otherwise exempt dividend to be taxable, the Shareholder will be subject to UK corporation tax on dividends received at the rate of corporation tax applicable to that Shareholder (currently 19% reducing to 17% from 1 April 2020).

2.4 *Non-residents*

Non UK resident Shareholders (other than those carrying on a trade, profession or vocation in the United Kingdom) will not generally be subject to UK tax on any dividends received from the Company. A non UK resident Shareholder may also be subject to foreign taxation on dividend income under their local law. Shareholders to whom this may apply should obtain their own tax advice concerning dividends received from the Company.

3. *Taxation of Chargeable Gains*

3.1 *Rights Issue—Issue of New Ordinary Shares*

For the purposes of UK taxation of chargeable gains, the issue of New Ordinary Shares to existing Shareholders who take up their Rights pursuant to the Rights Issue should be regarded as a reorganisation of the share capital of the Company.

Accordingly, Shareholders resident in the United Kingdom that take up their entitlement to New Ordinary Shares pursuant to the Rights Issue should not be treated as making a disposal of all or part of their Existing Ordinary Shares, such that no immediate liability to UK taxation on chargeable gains should arise. The New Ordinary Shares issued to such a Shareholder are instead treated as the same asset, and as if they were acquired at the same time as, that Shareholder's Existing Ordinary Shares. Such a Shareholder's Existing Ordinary Shares and New Ordinary Shares will then be treated as a single pool of shares, and the base cost of the Existing Ordinary Shares will then be spread pro rata between those shares and the New Ordinary Shares received. Any amounts paid for the New Ordinary Shares would be added to the base cost of the Existing Ordinary Shares when making this apportionment of cost across the total Shareholding but will not constitute allowable expenditure in respect of which indexation allowance can be claimed (where relevant).

3.2 *Rights Issue—disposal or lapse of Rights to subscribe for New Ordinary Shares*

If a Shareholder sells all or any of their Rights provisionally allotted to them, or if a Shareholder allows their Rights to lapse and receives a cash payment in respect of them, this will, subject to the following paragraph, constitute a disposal for the purposes of UK taxation of chargeable gains. Such a disposal may give rise to a liability to a tax.

If a Shareholder disposes of all or part of his Rights, or allows them to lapse and receives a cash payment, then if the proceeds resulting from such a lapse or sale of the Rights are "small" as compared with the market value (on the date of lapse or sale) of a Shareholder's Existing Ordinary Shares in respect of which the Rights arose, the Shareholder should not generally be treated as making a taxable disposal for the purposes of the UK taxation of capital gains. Instead the proceeds received will be deducted from the base cost of the Existing Ordinary Shares. HM Revenue and Customs' current practice is to regard a sum as "small" for these purposes where either (i) the proceeds of the sale or lapse of Rights do not exceed 5% of the market value (at the date of the sale or lapse) of the Existing Ordinary Shares in respect of which the Rights arose or (ii) the sum received is £3,000 or less, regardless of whether the 5% test is satisfied.

Any sum received by a Shareholder in respect of an entitlement to a fraction of a Share will normally be "small" for these purposes.

3.3 *Disposal of New Ordinary Shares—UK resident individual Shareholders*

For an individual Shareholder within the charge to UK capital gains tax, a disposal (or deemed disposal) of New Ordinary Shares may give rise to a chargeable gain or an allowable loss for the purposes of UK capital gains tax (depending on the Shareholder's personal circumstances including other capital gains or income for the relevant period and subject to certain reliefs and exemptions). The applicable rate of UK capital gains tax is generally 10% for basic rate taxpayers and 20% for higher and additional rate taxpayers (in each case for the 2018/2019 tax year), although an individual Shareholder is entitled to realise an exempt amount of gains (£11,700 for the 2018/2019 tax year) in each tax year without being liable to UK capital gains tax.

3.4 *Disposal of New Ordinary Shares—UK resident corporate Shareholders*

A disposal or deemed disposal of New Ordinary Shares by a Scheme Shareholder within the charge to United Kingdom corporation tax may give rise to a chargeable gain or allowable loss for the purposes of United Kingdom corporation tax, depending on the circumstances and subject to any available exemptions or reliefs. Corporation tax is charged on chargeable gains at the rate applicable to that Shareholder.

3.5 *Disposal of New Ordinary Shares—Non-Residents*

A Shareholder who is not a UK resident will not generally be subject to UK tax on any gain accruing to them as a result of a disposal or deemed disposal of the New Ordinary Shares unless (i) the Shareholder caries on a trade, profession or vocation in the United Kingdom through a branch, agency, or permanent establishment and, broadly holds their Ordinary Shares for the purposes of the trade, profession or vocation or (ii) the Shareholder falls within certain anti-avoidance rules applying to temporary non-residents.

4. Stamp Duty and Stamp Duty Reserve Tax

4.1 *General*

The following statements are intended as a general guide to the current UK stamp duty and/or stamp duty reserve tax (**"SDRT"**) position and apply regardless of whether or not the prospective holder of New Ordinary Shares is resident in the United Kingdom. Certain categories of person, including intermediaries, brokers, dealers and persons connected with depositary receipt systems and clearance services may not be liable to stamp duty or SDRT or may be liable at a higher rate or may, although not primarily liable for tax, be required to notify and account for it under applicable UK regulations.

4.2 *Issue of Rights*

No stamp duty or SDRT will generally be payable on the issue of Provisional Allotment Letters or split of Provisional Allotment Letters (provided that they are renounceable within six months of issue) in respect of the New Ordinary Shares, or on the crediting of Rights to accounts in CREST.

4.3 *Dealings in Rights*

A person who purchases Rights represented by Provisional Allotment Letters or split Provisional Allotment Letters (whether nil paid or fully paid but provided their life does not exceed six months) or Rights held in CREST on or before the latest time for registration or renunciation will not generally be liable to pay stamp duty. However, they will normally be liable for SDRT at the rate of 0.5% of the amount or value of the consideration.

Where such a purchase is effected through a stockbroker or other financial intermediary, that person will normally account to HMRC for the SDRT and should indicate that this has been done in any contract note issued to the purchaser of such Rights. In other cases, the purchaser is liable to pay the SDRT and must account for it to HMRC. In the case of transfers of Nil Paid Rights or Fully Paid Rights within CREST, the SDRT should be collected through CREST and accounted for to HMRC in accordance with the CREST rules.

4.4 *Lapse of Rights*

No stamp duty or SDRT should be payable on the lapse of Rights represented by a Provisional Allotment Letter or a split Provisional Allotment Letter or on the disablement of Nil Paid Rights or Fully Paid Rights in CREST.

4.5 *Issue of New Ordinary Shares*

Subject to the comments relating to depositary receipt systems and clearance services which are set out below, no stamp duty or SDRT should be payable on the issue of New Ordinary Shares in certificated form or on the issue of New Ordinary Shares in uncertificated form by way of credit to CREST accounts.

4.6 *Subsequent transfers of New Ordinary Shares*

Except in relation to depositary receipt systems and clearance services (to which the special rules outlined below apply), any subsequent dealings in New Ordinary Shares will ordinarily be subject to stamp duty or SDRT in the normal way. Subject to an exemption for certain low-value transfers, a purchaser of New Ordinary Shares held in certificated form will generally be liable to pay stamp duty on the transfer of such New Ordinary Shares at the rate of 0.5% of the amount or value of the consideration given for such transfer (rounded up to the nearest multiple of £5).

A charge to SDRT will also generally arise on an unconditional agreement to the transfer of New Ordinary Shares, or on a transfer effected in CREST, at the rate of 0.5% of the amount or value of the consideration payable. However, if within six years of the date of the agreement (or, if the agreement was conditional, the date on which the agreement became unconditional) an instrument of transfer is executed pursuant to the agreement and is duly stamped (unless it is exempt), the stamping of the transfer will normally cancel the SDRT liability and any SDRT already paid should be refunded.

Generally, it is the purchaser or transferee of the New Ordinary Shares who will be responsible for paying such stamp duty or SDRT.

4.7 *New Ordinary Shares held through CREST*

Paperless transfers of New Ordinary Shares within CREST should generally be liable to SDRT, rather than stamp duty, at the rate of 0.5% of the amount or value of the consideration payable. CREST is obliged to collect SDRT on relevant transactions settled within the CREST system.

Generally, no stamp duty or SDRT will arise on a deposit of New Ordinary Shares into the CREST system unless such a transfer is made for consideration in money or money’s worth.

4.8 *New Ordinary Shares held through depositary receipt systems and clearance services*

Subject to the comments that follow, where New Ordinary Shares are issued or transferred to a person whose business is or includes either the provision of clearance services or the issuing of depositary receipts (or such person’s agent or nominee), stamp duty or SDRT will generally be payable at the higher rate of 1.5% of the amount or value of the consideration payable or, in certain circumstances, the value of the New Ordinary Shares (rounded up to the next multiple of £5, in the case of stamp duty). Although this liability will strictly be for the account of the depositary or clearance service operator (or their nominee or agent) as the case may be, in practice it will generally be reimbursed by participants in the clearance service or depositary receipt arrangements. Transfers within the clearance service, and transfer of depositary receipts, may then generally be made free of SDRT or stamp duty. Alternatively, clearance services may opt, provided certain conditions are satisfied, for the normal rates of stamp duty or SDRT to apply to issues or transfers of New Ordinary Shares into, and to transactions within, such services.

Notwithstanding the above, HMRC has confirmed that it will not seek to apply the 1.5% SDRT charge on an issue of shares to a clearance system or depositary receipts arrangement on the basis that such a charge is not compliant with EU law. However, HMRC's view is that the 1.5% stamp duty or SDRT charge will continue to apply to transfers of shares into a clearance service or depositary receipts arrangement, unless such transfers are an integral part of an issue of share capital.

PART B: CERTAIN US FEDERAL INCOME TAX CONSIDERATIONS

1. Introduction

The following is a summary of certain US federal income tax consequences of the receipt, exercise and disposition of Nil Paid Rights or Fully Paid Rights (together, "**Rights**") pursuant to the Rights Issue, as well as the acquisition, ownership and disposition of New Ordinary Shares by a US Holder (as defined below). This summary deals only with US Holders that receive Rights in the Rights Issue and will hold the Rights and New Ordinary Shares as capital assets, within the meaning of Section 1221 of the US Internal Revenue Code of 1986, as amended (the **"Code"**). The discussion does not cover all aspects of US federal income taxation that may be relevant to, or the actual tax effect that any of the matters described herein will have on, the receipt, exercise and disposition of Rights or the acquisition, ownership or disposition of New Ordinary Shares by particular investors (including consequences under the alternative minimum tax or net investment tax), and does not address state, local, non-US or other tax laws. This summary also does not address tax considerations applicable to investors that own (directly or indirectly or by attribution) 10% or more of the stock of the Company (by vote or value), nor does this summary discuss all of the tax considerations that may be relevant to certain types of investors subject to special treatment under the US federal income tax laws (such as financial institutions, insurance companies, individual retirement accounts and other tax-deferred accounts, tax-exempt organisations, dealers in securities or currencies, investors that will hold the New Ordinary Shares as part of straddles, hedging transactions or conversion transactions for US federal income tax purposes or investors whose functional currency is not the US dollar).

As used herein, the term "**US Holder**" means a beneficial owner of Rights or New Ordinary Shares that is, for US federal income tax purposes, (i) an individual citizen or resident of the United States, (ii) a corporation (or other entity treated as a corporation for US federal income tax purposes) created or organised under the laws of the United States or any State thereof or the District of Columbia, (iii) an estate the income of which is subject to US federal income tax without regard to its source or (iv) a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more US persons have the authority to control all substantial decisions of the trust, or the trust has validly elected to be treated as a domestic trust for US federal income tax purposes.

The US federal income tax treatment of a partner or other owner of an entity or arrangement treated as a partnership or other pass-through entity for US federal income tax purposes that holds Rights or New Ordinary Shares will depend on the status of the partner (or other owner) and the activities of the entity. Prospective purchasers that are entities or arrangements treated as partnerships or other pass-through entities for US federal income tax purposes should consult their tax advisers concerning the US federal income tax consequences to them and to their partners (or other owners) of the acquisition, ownership, exercise and disposition of Rights or New Ordinary Shares by the entity.

The summary assumes that the Company is not a passive foreign investment company (a "**PFIC**") for US federal income tax purposes, which the Company believes to be the case. The Company's possible status as a PFIC must be determined annually and therefore may be subject to change. If the Company were to be a PFIC in any year, materially adverse consequences could result for US Holders. See "—*Passive Foreign Investment Company Considerations*" below.

This summary is based on the tax laws of the United States, including the Code, as amended, its legislative history, existing and proposed regulations thereunder, published rulings and court decisions, as well as on the income tax treaty between the United States and the United Kingdom (the "**Treaty**"), all as in effect of the date hereof and all subject to change at any time, possibly with retroactive effect.

THE SUMMARY OF US FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY AND IS NOT INTENDED TO BE, NOR SHOULD IT BE CONSTRUED TO BE, LEGAL OR TAX ADVICE TO ANY SHAREHOLDER OR PROSPECTIVE

SHAREHOLDER AND NO OPINION OR REPRESENTATION WITH RESPECT TO THE US FEDERAL INCOME TAX CONSEQUENCES TO ANY SUCH SHAREHOLDER OR PROSPECTIVE SHAREHOLDER IS MADE. ALL PROSPECTIVE PURCHASERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE RIGHTS AND NEW ORDINARY SHARES, INCLUDING THEIR ELIGIBILITY FOR THE BENEFIT OF THE TREATY, THE APPLICABILITY AND EFFECT OF FEDERAL, STATE, LOCAL, NON-US AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

2. Taxation in respect of Rights

2.1 *Nil Paid Rights*

2.1.1 *Receipt of Nil Paid Rights*

The tax consequences of the receipt of Nil Paid Rights by a US Holder are not free from doubt. In particular, it is not clear whether the sale of Rights by the Underwriters, and the remittance of the proceeds from that sale to certain holders whose Nil Paid Rights were sold, should be treated as a sale and distribution by the Company, or as a distribution of Nil Paid Rights by the Company and a subsequent sale of those Nil Paid Rights by the relevant holders. If the sale and distribution were considered to be made by the Company, then the receipt of Nil Paid Rights would be taxable to US Holders as a dividend to the extent of the Company's current or accumulated earnings and profits, as described below under "*Taxation in Respect of New Ordinary Shares—Dividends*". However, based on the particular facts relating to the Nil Paid Rights and the sale of Nil Paid Rights by the Underwriters, the Company believes it is proper to take the position that a US Holder is not required to include any amount in income for US federal income tax purposes as a result of the receipt of the Nil Paid Rights. It is possible that the US Internal Revenue Service (the "**IRS**") will take a contrary view and require a US Holder to include in income the fair market value of the Nil Paid Rights on the date of their distribution. The remainder of this discussion assumes that the receipt of the Nil Paid Rights will not be a taxable event for US federal income tax purposes.

If, on the date of distribution, the fair market value of Nil Paid Rights is less than 15% of the fair market value of the Existing Ordinary Shares with respect to which Nil Paid Rights are received, Nil Paid Rights will be allocated a zero tax basis unless the US Holder affirmatively elects to allocate its tax basis in the Existing Ordinary Shares with respect to which the Nil Paid Rights are received between those Existing Ordinary Shares and the Nil Paid Rights received in proportion to their relative fair market values determined on the date of distribution. This election must be made in the US Holder's timely filed US federal income tax return for the taxable year in which Nil Paid Rights are received, in respect of all Nil Paid Rights received by the US Holder, and is irrevocable.

If, on the date of distribution, the fair market value of Nil Paid Rights is 15% or more of the fair market value of the Existing Ordinary Shares with respect to which the rights are received, then, except as discussed below under *"Expiration of Nil Paid Rights*", the basis in the US Holder's Existing Ordinary Shares must be allocated between the Existing Ordinary Shares and Nil Paid Rights received in proportion to their fair market values determined on the date of distribution.

2.1.2 *Sale or other disposition of Nil Paid Rights*

Upon a sale or other disposition of Nil Paid Rights, including a sale of Nil Paid Rights by the Underwriters, a US Holder will generally recognise capital gain or loss equal to the difference, if any, between the US dollar value of the amount realised (as determined on the date of the sale or other disposition) and the US Holder's adjusted tax basis in the Nil Paid Rights. Any gain or loss will generally be US source, and will be long-term capital gain or loss if the US Holder's holding period in the Nil Paid Rights exceeds one year. A US Holder's holding period in the Nil Paid Rights will include the holding period in the Existing Ordinary Shares with respect to which the Nil Paid Rights were distributed.

2.1.3 *Expiration of Nil Paid Rights*

If a US Holder allows the Nil Paid Rights to expire without selling or exercising them and does not receive any proceeds, the holder will not recognise any loss upon the expiration of the Nil Paid Rights, and any basis previously allocated to the Nil Paid Rights will revert back to the Existing Ordinary Shares with respect to which those Nil Paid Rights were distributed.

2.1.4 *Exercise of Nil Paid Rights*

A US Holder will not recognise taxable income upon the receipt of Fully Paid Rights pursuant to the exercise of Nil Paid Rights. A US Holder's basis in the Fully Paid Rights will equal the sum of the US dollar value of the exercise price determined at the spot rate on the date of exercise and the US Holder's basis, if any, in the Nil Paid Rights exercised to obtain the Fully Paid Rights. A US Holder's holding period in each Fully Paid Right will begin with and include the date of exercise of the Nil Paid Right.

2.1.5 *Proceeds from sale by Underwriters*

The US federal income tax treatment of a US Holder that receives proceeds as a result of the sale by the Underwriters of Nil Paid Rights at a premium over the exercise price is not free from doubt. Generally, such a US Holder will be treated either as having sold the Nil Paid Rights (as described above) or as having exercised the Nil Paid Rights and sold the New Ordinary Shares. A US Holder that is treated as having sold the New Ordinary Shares will recognise a short-term capital gain or loss as described below under "*Taxation in Respect of New Ordinary Shares—Sale or Other Disposition*", regardless of the holding period of the Nil Paid Rights. US Holders that receive amounts in respect of lapsed Nil Paid Rights should consult their own tax advisers regarding the US federal income tax treatment of such amounts.

2.2 *Fully Paid Rights*

2.2.1 *Sale or Other Disposition of Fully Paid Rights*

Upon a sale or other disposition of Fully Paid Rights, a US Holder will recognise capital gain or loss equal to the difference, if any, between the US dollar value of the amount realised (as determined on the date of the sale or other disposition) and the US Holder's adjusted tax basis in the Fully Paid Rights. Any such capital gain or loss will generally be US source short-term capital gain or loss.

2.2.2 *Receipt of New Ordinary Shares*

A US Holder will not recognise taxable income upon the receipt of New Ordinary Shares acquired through Fully Paid Rights. A US Holder's basis in the New Ordinary Shares will equal the US Holder's basis in the Fully Paid Rights with respect to which the New Ordinary Shares were acquired. A US Holder's holding period in a New Share received will begin with and include the date of exercise of the underlying Nil Paid Right.

3. Taxation in respect of New Ordinary Shares

3.1 *Dividends*

3.1.1 *General*

Distributions paid by the Company out of current or accumulated earnings and profits (as determined for US federal income tax purposes) will generally be taxable to a US Holder as foreign source dividend income, and will not be eligible for the dividends received deduction allowed to corporations. Distributions in excess of current and accumulated earnings and profits will be treated as a non-taxable return of capital to the extent of the US Holder's basis in the New Ordinary Shares and thereafter as capital gain. However, the Company does not maintain calculations of its earnings and profits in accordance with US federal income tax accounting principles. US Holders should therefore assume that any distribution by the Company with respect to New Ordinary Shares will be reported as ordinary dividend income. US Holders should consult their own tax advisers with respect to the appropriate US federal income tax treatment of any distribution received from the Company.

Dividends paid by the Company will generally be taxable to a non-corporate US Holder at the special reduced rate normally applicable to long-term capital gains, provided the Company qualifies for the benefits of the Treaty, which the Company believes to be the case. A US Holder will be eligible for this reduced rate only if it has held the New Ordinary Shares for more than 60 days during the 121-day period beginning 60 days before the ex-dividend date. A US Holder will not be able to claim the reduced rate on dividends received from the Company if the Company is treated as a PFIC in the taxable year in which the dividends are received or in the preceding taxable year. See "*Passive Foreign Investment Company Considerations*" below.

Prospective purchasers should consult their tax advisers concerning the applicability of the foreign tax credit and source of income rules to dividends on the New Ordinary Shares.

3.1.2 *Foreign Currency Dividends*

Dividends paid in pounds sterling will be included in income in a US dollar amount calculated by reference to the exchange rate in effect on the day the dividends are received by the US Holder, regardless of whether the pounds sterling are converted into US dollars at that time. If dividends received in pounds sterling are converted into US dollars on the day they are received, the US Holder generally will not be required to recognise foreign currency gain or loss in respect of the dividend income.

3.2 *Sale or other disposition*

Upon a sale or other disposition of New Ordinary Shares, a US Holder generally will recognise US source capital gain or loss for US federal income tax purposes equal to the difference, if any, between the amount realised on the sale or other disposition and the US Holder's adjusted tax basis in the New Ordinary Shares. This capital gain or loss will be long-term capital gain or loss if the US Holder's holding period in the New Ordinary Shares exceeds one year. The deductibility of capital losses is subject to limitations, However, regardless of a US Holder's actual holding period, any loss may be long-term capital loss to the extent the US Holder receives a dividend that qualifies for the reduced rate described above under "*Dividends—General*", and exceeds 10% of the US Holder's basis in its New Ordinary Shares.

The amount realised on a sale or other taxable disposition of New Ordinary Shares for an amount in foreign currency will be the US dollar value of that amount on the settlement date of the sale or other taxable disposition in the case of a cash basis US Holder, or the trade date in the case of an accrual basis US Holder. On the settlement date, an accrual basis US Holder will recognise US source foreign currency gain or loss (taxable as ordinary income or loss) equal to any difference between the US dollar value of the amount received based on the exchange rates in effect on the trade date and the settlement date. However, in the case of New Ordinary Shares traded on an established securities market, accrual basis US Holders may elect to determine the US dollar value of the amount realised on the sale or other taxable disposition of the New Ordinary Shares based on the exchange rate in effect on the settlement date, and no exchange gain or loss will be recognised on that date.

3.3 *Disposition of Foreign Currency*

Foreign currency received on the sale or other disposition of a New Share will have a tax basis equal to its US dollar value on the settlement date. Any gain or loss recognised on a sale or other disposition of a foreign currency (including upon exchange for US dollars) will be US source ordinary income or loss.

3.4 *Passive Foreign Investment Company Considerations*

The Company does not believe that it is currently a PFIC for US federal income tax purposes, and it does not expect to become a PFIC in the foreseeable future. However, the Company's possible status as a PFIC must be determined annually and therefore may be subject to change. The Company has not undertaken to determine whether it was a PFIC in prior years. If the Company were to be treated as a PFIC for any year in which a US Holder of New Ordinary Shares held an equity interest in the Company, the US Holder could be required (i) to pay a special US addition to tax on certain distributions and gains on sale and (ii) to pay tax on any gain from the sale of New Ordinary Shares at ordinary income (rather than capital gains) rates in addition to paying the special addition to tax on this gain. Additionally, dividends paid by the Company would not be eligible for the special reduced rate of tax described above under "*Dividends—General*" if the Company were a PFIC in the year the dividend was paid or the immediately preceding year. Prospective purchasers should consult their tax advisers regarding the potential application of the PFIC regime.

3.5 *Backup Withholding and Information Reporting*

Payments of dividends and other proceeds with respect to New Ordinary Shares, by a US paying agent or other US intermediary will be reported to the IRS and to the US Holder as may be required under applicable regulations. Backup withholding may apply to these payments if the US Holder fails to provide an accurate taxpayer identification number or certification of exempt status or fails to report all interest and dividends required to be shown on its US federal income tax returns. Certain US Holders are not subject to backup withholding. US Holders should consult their tax advisers as to their qualification for exemption from backup withholding and the procedure for obtaining an exemption.

3.6 *Transfer Reporting Requirements*

If persons who take up the Nil Paid Rights or the Fully Paid Rights hold at least 80% of the Ordinary Shares immediately after the Rights Issue, a US Holder who exercises Nil Paid Rights or Fully Paid Rights may be required to file Form 926 (or similar form) with the IRS if the purchase, when aggregated with all transfers of cash or other property made by the US Holder (or any related person) to the Company within the preceding 12 month period, exceeds US$100,000 (or its equivalent). In certain circumstances, a US Holder that receives cash from the Underwriters may be deemed to have exercised its Rights and, thus, to have transferred cash to the Company. See "Taxation in Respect of Rights—Proceeds from the Sale by Underwriters". Accordingly, US Holders should consult their own tax advisors with respect to whether they should file Form 926. A US Holder who fails to file any such required form could be required to pay a penalty equal to 10% of the gross amount paid for the New Ordinary Shares (subject to a maximum penalty of US$100,000, except in cases of intentional disregard). US Holders should consult their tax advisers with respect to this or any other reporting requirement that may apply to an acquisition of the New Ordinary Shares.

3.7 *Foreign Financial Asset Reporting*

US Holders are subject to reporting requirements on the holding of certain foreign financial assets, including equity of foreign entities, if the aggregate value of all of these assets exceeds US$50,000 at the end of the taxable year or US$75,000 at any time during the taxable year. The thresholds are higher for individuals living outside of the United States and married couples filing jointly. The New Ordinary Shares are expected to constitute foreign financial assets subject to these requirements unless the New Ordinary Shares are held in an account at a financial institution (in which case the account may be reportable if maintained by a foreign financial institution). US Holders should consult their tax advisers regarding the application of this legislation.

PART XXII

DIRECTORS AND CORPORATE GOVERNANCE

1. Directors

The Directors of the Company as at the date of this document and their respective roles are set out below:

Name	Position
Andrew Duff	Chairman
Paul Waterman	CEO
Ralph Hewins	CFO
Nick Salmon	Senior Independent Director
Sandra Boss	Non-Executive Director
Dorothee Deuring	Non-Executive Director
Steve Good	Non-Executive Director
Anne Hyland	Non-Executive Director

A short biography for each Director is set out below. Further information on the Directors, including the companies of which each of the Directors has been a director at any time in the past five years, is set out in paragraph 8 of Part XXIV (*Additional Information*) of this document.

Andrew Duff, Chairman

Andrew Duff joined the Board as a Non-Executive Director and Deputy Chairman on 1 April 2014 and was appointed Non-executive Chairman and Chairman of the Nomination Committee on 24 April 2014.

Skills, competence and experience

Andrew has a demonstrable track record in delivering value to customers and shareholders through significant boardroom experience gained from large listed companies. This combined with experience in the manufacturing, energy and utilities sectors, enables Andrew to lead the Elementis Board. From 2003 until 2009, he was chief executive officer of Npower, the successor entity to Innogy plc which in 2000 was demerged from, restructured and then sold by National Power to RWE, the German electricity and gas company. He was also a member of the RWE's executive committee. Before this, he spent 16 years at BP in downstream international markets. Andrew was a non-executive director of Wolseley plc, the international plumbing and building materials company, between 2004 and December 2013, where he was also the senior independent director and chairman of the remuneration committee.

Andrew holds a BSc (Honours) degree in Mechanical Engineering and is a fellow of the Energy Institute.

Committee membership

- Chairman of the Nomination Committee

External appointments

- Non-executive chairman of Severn Trent plc (from July 2010) and a member of the corporate responsibility committee, nominations committee and remuneration committee
- Member of the CBI President's Committee
- Trustee of Macmillan Cancer Support
- Trustee of the Earth Trust

Paul Waterman, CEO

Paul Waterman was appointed Elementis Group CEO on 8 February 2016.

Skills, competence and experience

Paul has a proven track record in developing markets, products and opportunities for creating value, business optimisation and transformation. Prior to joining Elementis, he was global CEO of the BP lubricants business in 2013 after having overseen the BP Australia/New Zealand downstream business. In 2010, Paul was country president of BP Australia. Prior to this he was CEO of BP's global aviation, industrial, marine and energy lubricants businesses (2009 to 2010) and CEO of BP Lubricants Americas (2007 to 2009). He joined BP after it acquired Burmah-Castrol in 2000, having joined the latter in 1994 after roles at Reckitt Benckiser and Kraft Foods.

Paul holds a BSc degree in Packaging Engineering from Michigan State University and an MBA in Finance and International Business from New York University, Stern School of Business.

Ralph Hewins, CFO

Ralph Hewins was appointed CFO-Designate and an Executive Director on 12 September 2016 and became the Elementis Group CFO on 1 November 2016.

Skills, competence and experience

Ralph is an accomplished CFO who has a strong track record in finance, strategy development and implementation, and mergers and acquisitions. During his 30 year career with BP, Ralph held a number of significant leadership positions, including roles in financial management, sales and marketing, corporate development (M&A), strategy and planning. In 2010, Ralph was CFO of BP Lubricants and served on the board of Castrol India Limited from 2010 until 2016.

Ralph holds an MA degree in Modern History and Economics from the University of Oxford and an MBA from INSEAD.

Nick Salmon, Senior Independent Director

Nick Salmon was appointed a Non-Executive Director on 20 October 2014 and became Senior Independent Director on 16 December 2014.

Skills, competence and experience

Nick brings extensive experience both as a non-executive director and as an accomplished executive. He has been responsible for leading several major restructuring projects and negotiating complex acquisitions and disposals. He was chief executive of Cookson Group plc from July 2004 to December 2012 when Cookson demerged to create 2 new listed companies, Vesuvius plc and the specialty chemicals company, Alent plc. He was formerly executive vice-president of Alstom S.A. and chief executive of Babcock International Group plc. He held other senior management positions at GEC and GEC Alsthom and the China Light and Power Company. Nick served as a non-executive director of United Utilities plc from 2005 to 2014, where he was also senior independent director from 2007 onwards.

Nick holds a degree in Mechanical Engineering and is a fellow of the Royal Academy of Engineering.

Committee memberships

- Audit Committee
- Nomination Committee
- Remuneration Committee

External appointments

- Non-executive director of Interserve plc (from August 2014) and member of the audit committee, nomination committee and remuneration committee
- Independent chairman of South East Water Limited (from April 2015)

Sandra Boss, Non-Executive Director

Sandra Boss was appointed a Non-Executive Director on 1 February 2017.

Skills, competence and experience

Sandra brings strategic experience gained as a consultant to complex global companies on transformational change. She was a senior partner at McKinsey & Company from 2005 to 2014 (and a partner from 2000), where she specialised in investment banking and risk, and held several senior management positions in the United Kingdom and the United States. At McKinsey, Sandra acted as an adviser to global financial institutions, corporates and public sector bodies on a wide range of strategic, operational and policy issues. Sandra has held other non-executive and advisory appointments with the Institute of International Finance, the McKinsey Master Retirement Trust and the Edith Wharton Restoration.

Sandra has a BA degree in American Studies and Economics from Stanford University and an MBA degree from Harvard Business School.

Committee membership

- Audit Committee
- Nomination Committee
- Remuneration Committee

External appointments

- External member of the Bank of England's Prudential Regulation Committee (from September 2014) and an independent member of the executive committee of the Bank that oversees the real time gross settlement service and high value payment system (from November 2017)
- A non-executive director of Enstar Group Limited (from November 2015), chairman of the risk committee and a member of the compensation and nominating committees

Dorothee Deuring, Non-Executive Director

Dorothee Deuring was appointed a Non-Executive Director on 1 March 2017.

Skills, competence and experience

Dorothee's background is in corporate finance with experience in the broader chemicals sector. She manages her own corporate advisory consultancy serving a number of European clients in the pharma/biotech sector. She is active in various industry bodies. Her previous executive roles included managing director and head of Corporate Advisory Group (Europe) at UBS in Zurich, head of M&A chemicals and healthcare at a private investment bank in Germany and as a senior executive in the corporate finance department at the Roche Group.

Dorothee holds a master's degree in Chemistry from the Université Louis Pasteur, Strasbourg and an MBA from INSEAD.

Committee membership

- Audit Committee
- Nomination Committee
- Remuneration Committee

External appointments

- Non-executive director of supervisory board of Bilfinger SE (from May 2016) and member of audit committee

- Non-executive director of Röchling Group SE (from May 2016)
- Non-executive director of AXPO Holding AG (from March 2017)

Steve Good, Non-Executive Director

Steve Good was appointed a Non-Executive Director on 20 October 2014 and became Chairman of the Remuneration Committee on 25 April 2017.

Skills, competence and experience

Steve has international experience in specialty chemicals businesses, manufacturing and diverse industrial markets. Steve was chief executive of Low & Bonar plc between September 2009 and September 2014. Prior to that role, he was managing director of its technical textiles division between 2006 and 2009, director of new business between 2005 and 2006, and managing director of its plastics division between 2004 and 2005. Prior to joining Low & Bonar, he spent 10 years with BTP plc (now part of Clariant) in a variety of leadership positions managing international specialty chemicals businesses. He was also non-executive director and chairman of the remuneration committee of Cape plc from July 2015 to September 2017.

Steve holds a degree in Economics and Financial Management from Sheffield University. He is a chartered accountant.

Committee membership

- Nomination Committee
- Chairman of the Remuneration Committee

External appointments

- Non-executive chairman of Zotefoams plc (non-executive director from October 2014 and chairman from April 2016) and chairman of the nomination committee and member of the remuneration committee
- Non-executive director of Anglian Water Services (from April 2015) and member of the audit committee, nomination committee and remuneration committee
- Non-executive director of Dialight plc (from June 2018) and member of the nominations committee and remuneration committee
- Director of Low & Bonar Pension Trustee Ltd

Anne Hyland, Non-Executive Director

Anne Hyland was appointed a Non-Executive Director in June 2013 and became Chairman of the Audit Committee on 1 August 2013.

Skills, competence and experience

Anne brings substantial financial expertise to the Board. She is currently CFO of Kymab Group Ltd, a biopharmaceutical company funded by the Wellcome Trust and the Bill & Melinda Gates Foundation. Prior to her current executive role, she was CFO and company secretary of BBI Diagnostics Group Ltd and FTSE-listed Vectura Group plc. Previous senior finance positions held include director of corporate finance at Celltech Group plc, Medeva plc and KPMG.

Anne holds a degree in Business Studies from Trinity College, Dublin and is a chartered accountant (FCA) and a corporate tax adviser (CTA – AITI).

Committee membership

- Chairman of the Audit Committee
- Nomination Committee

External appointments

- Non-executive director of Clinigen Group plc (from January 2018) and chairman of the audit committee
- CFO of Kymab Group Ltd

2. Directors' interests

Details of the interests of each Director are set out in paragraph 8.2 of Part XXIV (*Additional Information*).

3. Corporate Governance

The Board is committed to the highest standards of corporate governance and complies in full with the UK Corporate Governance Code. The Board also takes account of institutional shareholder and governance rules and guidance on disclosure and shareholder authorisation. The Board is scheduled to meet eight times a year and additional meetings are arranged as necessary.

4. Board composition

The Elementis Group is controlled through the Board, which currently comprises eight Directors and is responsible to Elementis' Shareholders for proper management of the Company. The Board's main roles are to: set corporate objectives and the strategic direction of the Elementis Group; provide leadership and direction to management and monitor corporate and business performance; set high standards in business conduct and ethics, and in business, employee and community relations; set policy and provide oversight for governance, financial control and risk management, and health safety and environmental performance; and ensure adequate funding for the Elementis Group to invest in growth.

The UK Corporate Governance Code recommends that at least half the board of directors of a UK listed company, excluding its chairman, should comprise non-executive directors determined by the board to be independent. For the purposes of assessing compliance with the UK Corporate Governance Code, the Board considers that Nick Salmon, Steve Good, Anne Hyland, Dorothee Deuring and Sandra Boss are Non-Executive Directors who are independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgement. The Board also considers that the Chairman of the Company was independent on appointment.

The UK Corporate Governance Code further recommends that the board of directors of a company with a premium listing on the official list should appoint one of the non-executive directors to be the senior independent director to provide a sounding board for the chairman and to serve as an intermediary for the other directors when necessary. The Senior Independent Director of the Company is Nick Salmon and is available to shareholders if they have concerns where contact through the normal channels of the Chairman or the CEO has failed to resolve or where such contact is inappropriate.

5. Board Committees

As required by the UK Corporate Governance Code the Board has established an Audit Committee, a Remuneration Committee and a Nomination Committee, with formally delegated duties and responsibilities and with written terms of reference.

The members of each committee are as follows:

Name	Chairman	Members
Audit	Anne Hyland	Sandra Boss Dorothee Deuring Nick Salmon
Remuneration	Steve Good	Sandra Boss Dorothee Deuring Nick Salmon
Nomination	Andrew Duff	Sandra Boss Dorothee Deuring Steve Good Anne Hyland Nick Salmon

Audit Committee

The Audit Committee is appointed by the Board on the recommendation of the Nomination Committee and in consultation with the Committee Chairman. The Audit Committee comprises of at least three members, all of whom shall be independent Non-Executive Directors. The Board shall ensure that the Audit Committee as a whole has competence relevant to the sector in which the Elementis Group operates and that at least one member will have recent and relevant financial experience. The Audit Committee Chairman will be appointed from time to time by the Chairman of the Board in consultation with other Board members. The Audit Committee meets at least three times a year and the quorum for each meeting is two members.

The role of the Audit Committee is to ensure appropriate oversight and review of the presentation and integrity of the Elementis Group's financial reporting, internal controls and risk management, internal audit programmes, changes in regulatory requirements, and the independence and appointment of the external auditor.

The Audit Committee monitors the integrity of the Elementis Group's financial statements, financial reporting and related statements, as well as the clarity and completeness of and informing the Board as to whether the Annual report and accounts taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Company's performance, business model and strategy. The Audit Committee ensures the appropriateness of accounting policies, any changes to these, and any significant estimates and judgements made. The Audit Committee reviews the effectiveness of internal control, compliance and risk management systems (including whistleblowing arrangements). The Audit Committee is also responsible for overseeing all aspects of the relationship with internal and external auditors; approving the policy on non-audit services; making recommendations to the Board for their dismissal or changes; and supervising any tender process.

Remuneration Committee

The Remuneration Committee is appointed by the Board, on the recommendation of the Nomination Committee and in consultation with the Committee Chairman. The Remuneration Committee comprises at least three members, all of whom shall be independent Non-Executive Directors. The Chairman of the Remuneration Committee shall be appointed from time to time by the Chairman of the Board in consultation with other Board members. The Remuneration Committee meets at least four times a year and the quorum for each meeting is two members.

The Remuneration Committee is responsible for determining the levels of remuneration for the Chairman and Executive Directors, and keeping these under review. The Remuneration Committee is responsible for making awards under the annual bonus scheme and Long Term Incentive Plan ("**LTIP**"), including setting performance targets. The Remuneration Committee monitors and makes recommendations on the design, structure and level of remuneration for all senior executives, ensuring that these are appropriately linked to the Elementis Group's strategy and aligned with the Board's risk profile.

Nomination Committee

The Nomination Committee is appointed by the Board and consists of all the Non-Executive Directors of the Board. The Chairman of the Nomination Committee will be the Chairman of the Board (unless the Nomination Committee is dealing with the appointment of a successor to the chairmanship or reviewing the performance of the Chairman, in which case the Senior Independent Director will act as Chairman). The Nomination Committee meets at least twice a year and the quorum for each meeting is two members.

The Nomination Committee is responsible for reviewing the size and composition of the Board, together with the skills, knowledge, experience and diversity of its members and making recommendation for change as necessary. The Nomination Committee carries out an annual performance evaluation of the Board, its Committees and individual members, and is responsible for succession planning for the Board and the executive leadership team.

PART XXIII

ADDITIONAL INFORMATION

1. Responsibility

The Company and the Directors whose names appear in paragraph 1 of Part XXII (*Directors and Corporate Governance*) accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. Incorporation and registered office

The Company was incorporated and registered in England and Wales on 7 January 1997 as a public limited company limited by shares with the name Sweepaction plc and the registered number 03299608. On 24 April 1997, the shareholders of the Company resolved to change the name to Polmarket plc. This change of name was effective on 13 May 1997. On 11 December 1997, the shareholders of the Company resolved to change the name of the Company to Elementis (1998) plc. This change of name was effective from 17 December 1997. On 24 December 1997, the shareholders of the Company resolved to change the name of the Company to Elementis plc. This change of name was effective from 23 February 1998.

The principal legislation under which the Company operates, and pursuant to which the Elementis Shares have been, and the New Ordinary Shares will be, created is the Companies Act and the regulations made thereunder.

The Company is domiciled in the United Kingdom with its registered office and principal place of business at Caroline House, 55-57 High Holborn, London, WC1V 6DX. The telephone number of the Company's registered office is + 44 (0) 20 7067 2999.

3. Organisational Structure

The Company is the ultimate holding company of the Elementis Group. Following Completion, the Company will be the ultimate holding company of the Enlarged Group.

3.1 *Elementis Group*

Elementis' principal subsidiaries and associated undertakings (each of which are considered by Elementis to be likely to have a significant effect on the assessment of the assets and liabilities, the financial position or the profits and losses of the Elementis Group) are as follows:

Name of subsidiary undertaking	Country of incorporation	Proportion of voting rights held (%)
Elementis Chromium Inc	United States of America	100
Elementis Deuchem (Shanghai) Chemical Ltd	China	100
Elementis Global LLC	United States of America	100
Elementis Holdings Limited	United Kingdom	100
Elementis Specialties Inc	United States of America	100
Elementis SRL Inc	United States of America	100
Elementis UK Limited trading as: Elementis Specialties	United Kingdom	100

3.2 *Mondo Group*

Mondo's principal subsidiaries and associated undertakings (each of which is considered by the Company to be likely to have a significant effect on the assessment of the assets and liabilities, the financial position or the profits and losses of the Mondo Group) are as follows:

Name of subsidiary undertaking	Country of incorporation	Proportion of voting rights held (%)
Talc Holding Finance Oy	Finland	100
Talc Holding Oy	Finland	100
Mondo Minerals BV	The Netherlands	100
Mondo Minerals BV, Branch Finland	Finland	100
Mondo Minerals Nickel Oy	Finland	100

4. Share capital

4.1 *Issued share capital*

The issued fully paid up share capital of the Company, as at the Latest Practicable Date, is as follows:

Class	Number	Nominal value per share
Ordinary shares	464,179,318	£0.05

The issued fully paid up share capital of the Company is expected to be after the issue of the New Ordinary Shares and immediately following Admission (assuming that no other Ordinary Shares are issued between the Latest Practicable Date and Admission) as follows:

Class	Number	Nominal value per share
Ordinary shares	580,224,147	£0.05

The Ordinary Shares are in registered form and, subject to the provisions of the CREST Regulations, the Directors may permit the holding of Ordinary Shares in uncertificated form and title to the Ordinary Shares may be transferred by means of a relevant system (as defined in the CREST Regulations). Where the Ordinary Shares are held in certificated form, share certificates will be sent to the registered share owners by first class post. No temporary documents of title have been or will be issued in respect of the Ordinary Shares.

The Ordinary Shares are currently listed on the premium segment of the Official List and traded on the London Stock Exchange's main market for listed securities.

No application has been made or is currently intended to be made by Elementis for the Ordinary Shares to be admitted to listing or trading on any other exchange.

The New Ordinary Shares will be ordinary shares of 5 pence each, in registered form and denominated in sterling. The ISIN for Elementis Shares will be GB0002418548 and the SEDOL number of Ordinary Shares is 0241854.

There are no acquisition rights or obligations in relation to the issue of Ordinary Shares in the capital of the Company or an undertaking to increase the capital of the Company.

There are no convertible securities, exchangeable securities or securities with warrants in the Company.

Rights attaching to the New Ordinary Shares are summarised in paragraph 5 of this Part XXIV (*Additional Information*) below.

No commissions, discounts, brokerages or other special terms have been granted in respect of the issue of any share capital of the Company.

4.2 *History of Elementis' share capital*

As at 1 January 2015, being the first day covered by the audited financial statements incorporated by reference to this document, the issued share capital of Elementis was 461,636,790 of ordinary shares of 5 pence each. Save as disclosed below, during the last three financial years ending 31 December 2017, 31 December 2016 and 31 December 2015, there has been no issue of share capital of the Company fully or partly paid either for cash or other consideration and no share capital of any member of the Elementis Group is under option or agreed, conditionally or unconditionally, to be put under option.

Date and description	Number of ordinary shares (nominal value of 5 pence each)
As at 31 December 2015	**462,975,764**
Issued under employee share option schemes	1,338,974
As at 31 December 2016	**463,495,291**
Issued under employee share option schemes	519,527
As at 31 December 2017	**463,938,083**
Issued under employee share option schemes	442,792

4.3 *History of Elementis' dividends*

Year ended 31 December	Type	Amount	Payment date
2017	Final	6.10 cents	01/06/2018
	Interim	2.70 cents	29/09/2017
2016	Final	5.75 cents	26/05/2017
	Special	8.35 cents	26/05/2017
	Interim	2.70 cents	30/09/2016
2015	Final	5.75 cents	27/05/2016
	Special	8.00 cents	27/05/2016
	Interim	2.70 cents	02/10/2015

4.4 *Existing Elementis Shareholder authorities*

It was resolved by the existing Elementis Shareholders at the Company's AGM held on 26 April 2018 that:

- the Directors are authorised to allot shares that are equity securities (within the meaning of section 560(1) of the Companies Act 2006) up to an aggregate amount representing approximately one third of the issued share capital of Elementis;
- up to a further amount representing approximately a further third of the issued share capital of Elementis, provided they are offered by way of a rights issue to shareholders of ordinary shares; and
- the allotment authority shall expire on the earlier (i) the 2019 AGM of Elementis renewing this authority; or (ii) 26 July 2019.

4.5 *Shareholder authorities to be proposed at the Elementis General Meeting*

As set out in the Notice of General Meeting in Part VIII of the Circular, Elementis intends to ask its shareholders at the Elementis General Meeting to approve the Acquisition and authorise the Directors to take all steps and enter into all agreements and arrangements necessary or desirable to implement the Acquisition.

5. Rights attached to New Ordinary Shares

The rights attached to the New Ordinary Shares will be the same as those attached to the existing Ordinary Shares. See paragraph 7.2 of this Part XXIV (*Additional Information*) of this document.

6. Dilution

Following the issue of the New Ordinary Shares to be allotted pursuant to the Rights Issue, Qualifying Shareholders who take up their full entitlement will not suffer a dilution of their interests in the Company.

Qualifying Shareholders who do not take up any of their entitlements will suffer a dilution of up to 20.0% in their interests in the Company.

7. Memorandum and Articles of Association

The Memorandum of Association and Articles of Association are available for inspection as described in paragraph 25 of this Part XXIV (*Additional Information*) of this document, and are available for inspection at the Company's registered office.

The Articles of Association, which were adopted pursuant to a special resolution on 25 April 2013, contain (among others) provisions to the following effect:

7.1 *Share capital*

7.1.1 *Liability of members*

The liability of the members is limited to the amount, if any, unpaid on the shares held by them. (*Article 4.1*)

7.1.2 *Further issues and rights attaching to shares*

Except as required by law, no person shall be recognised by the Company as holding any share upon any trust, and (except only as by the Articles of Association or by law otherwise provided) the Company shall not be bound by or recognise any interest in any share except an absolute right to the entirety thereof in the registered holder. (*Article 10*)

Without prejudice to any rights or privileges attached to any existing shares or class of shares, any shares and any new shares may be issued with such rights or restrictions as the Company may by ordinary resolution determine or, if the Company has not so determined, as the directors may determine. (*Article 58*)

7.1.3 *Changes to the share capital*

The Company may by ordinary resolution:

- allot new shares; (*Article 56*)
- consolidate and divide the shares into shares of larger amounts; *(Article 59)*
- sub-divide any shares into shares of smaller amounts; *(Article 59)* and
- determine that, as between the shares resulting from such a sub-division, any of the shares may have any preference or advantage as compared with the others *(Article 59)*.

The Company may by special resolution:

- reduce its share capital, share redemption reserve and any share premium account *(Article 59)*.

The Company may by ordinary or special resolution:

- purchase its own shares including any redeemable shares. (*Article 59*)

The Board is generally and unconditionally authorised, for the purpose of Section 551 of the Companies Act, to exercise any power of the Company to allot shares, or grant rights to subscribe for or to convert any security into, up to an aggregate nominal amount equal to the Section 551 amount for each prescribed period which is any period for which the authority conferred by this Article 4.2 is given or renewed by ordinary or special resolution of the Company stating the Section 551 amount and/or the power conferred by Article 4.4 is given or renewed by special resolution of the Company stating the Section 561 amount. The Company may, before the expiry of a prescribed period, make any offer or agreement which would or might require shares to be allotted, or rights to subscribe for or to convert any security into shares to be granted, after such expiry and the Board may, notwithstanding such expiry, allot shares, or grant rights to subscribe for or to convert any security into shares, in pursuance of such offer or agreement as if the prescribed period during which such offer or agreement was made had not expired. (*Article 4.2*)

The Board may (subject to the provisions of the Statutes and as otherwise provided by the Articles of Association) allot, grant options over or otherwise deal with or dispose of shares in such numbers, to such persons, at such times and generally on such terms and conditions as it thinks proper. (*Article 4.3*)

The Board shall have power for each prescribed period to allot equity securities for cash pursuant to the authority conferred by Article 4.2 as if Section 561(1) of the Companies Act did not apply to any such allotment, provided that this power shall be limited to:

- any allotment of equity securities which are offered to (i) all holders (at a date selected by the Board) of issued ordinary shares (as nearly as practicable) in proportion to the number of ordinary shares respectively held by them and (ii) holders (at a date selected by the Board) of other equity securities to the extent expressly required or (if considered appropriate by the Board) permitted by the rights attached thereto but subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to fractional entitlements, directions from any shareholder to deal in some other manner with his entitlements, or any legal, regulatory or practical problems under the laws of any overseas territory or the requirements of any regulatory body or stock exchange in any territory;
- any allotment (otherwise than pursuant to sub-paragraphs above) of equity securities up to an aggregate nominal amount equal to the Section 561 amount. (*Article 4.4*)

The Company may, before the expiry of a prescribed period, make any offer or agreement which would or might require equity securities to be allotted after such expiry and the Board may, notwithstanding such expiry, allot equity securities in pursuance of such offer or agreement as if the prescribed period during which such offer or agreement was made had not expired. (*Article 4.5*)

Subject to the Companies Acts, the Company may, with respect to any fully paid shares, issue a warrant (a "**share warrant**") stating that the bearer of the warrant is entitled to the shares specified in it. The Company may provide (by coupons or otherwise) for the payment of future dividends on the shares included in a share warrant. The shares specified in the share warrant may be transferred by the delivery of the share warrant. The provisions of the Articles of Association as to transfer and transmission of shares shall not apply to share warrants. (*Article 6.1*)

The powers referred to in Article 6.1 may be exercised by the Board, which may determine and vary the terms on which a share warrant is to be issued, including (without limitation) terms on which:

- a new share warrant or coupon may be issued in the place of one damaged, defaced, worn out or lost (provided that no new share warrant shall be issued to replace one that has been lost unless the Board is satisfied beyond reasonable doubt that the original has been destroyed);
- the bearer of the share warrant may be entitled to receive notice of and to attend, vote and demand a poll at general meetings;
- dividends may be paid; and
- any share warrant may be surrendered and the name of the holder entered in the register in respect of the shares specified in it. (*Article 6.2*)

Subject to the terms on which a share warrant is issued and to the Articles of Association, the bearer of a share warrant shall be deemed to be a member for all purposes. The bearer of a share warrant shall be subject to the terms in force and applicable to such share warrant, whether made before or after its issue. (*Article 6.3*)

7.1.4 *Redemption of shares*

Any share may be issued on terms that it is, or at the option of the Company or the holder is to be liable, to be redeemed on such terms and manner as the Company may determine or, if the Company has not so determined, as the directors may determine. (*Article 58*)

7.2 *Rights attaching to the shares of the Company*

7.2.1 *Dividends*

The Company may by ordinary resolution declare dividends in accordance with the respective rights of the members but no dividends shall exceed the amount recommended by the Board. The directors may pay interim dividends or dividends payable at a fixed rate, if it appears to them that they are justified by the profits of the Company available for distribution. If the Board acts in good faith they shall not incur any liability to the holders of shares conferring preferred rights for any loss they may suffer by the lawful payment of an interim dividend on any shares having deferred or non-preferred rights. *(Articles 157, 158 and 159)*

Subject to the rights attached to shares, all dividends shall be declared and paid according to the amounts paid up on the shares on which the dividend is paid. If any share is issued on terms that it ranks for dividend as from a particular date, it shall rank for dividend accordingly. In any other case, dividends shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion(s) of the period in respect of which the dividend is paid. *(Article 159)*

A general meeting declaring a dividend may direct payment wholly or partly by the distribution of specific assets and paid up shares of debentures of any other company and the Board shall give effect by way of resolution. *(Article 166)*

The Board may, with the authority of an ordinary resolution of the Company, offer any holders of ordinary shares the right to elect to receive new ordinary shares, credited as fully paid, instead of cash in respect of the whole (or some part, to be determined by the Board) of any dividend as declared by the Company pursuant to the Articles of Association. *(Article 168)*

Notwithstanding any other provision of the Articles of Association, the Company or the Board may by resolution specify any date as the record date on which a receipt of any dividend, distribution, interest, allotment, issue, notice, information, document or circular is made, and that date may be before, or on or after the date on which the dividend, distribution, interest, allotment or issue is recommended, resolved, declared or announced. *(Article 191)*

No dividend shall bear interest against the Company. All dividends may be invested or otherwise made use of by the Board for the benefit of the Company until claimed. Any dividend unclaimed for at least 12 years after being payable to the Board may be forfeited. *(Article 162)*

The Board may pay dividends by cheque, warrant, through the post, by means of electronic transfer as the directors deem fit (subject to, in respect of uncertificated form, the facilities and requirements of the relevant system where payment is to be made by the relevant system) or to a person directed in writing by the holder. (*Article 164*)

In any case where the registered address of a member, or an address supplied for the purpose of dividend payments by a person (a "**transmittee**") entitled to a share upon the death or bankruptcy of a member or by operation of law, appears to the Board to be incorrect or out of date, such member or transmittee shall, if the Board so resolves, be treated for the purposes of the Articles of Association as if he had no registered address, or, as the case may be, had failed to supply an address for the purpose of dividend payments, provided that the Board shall not so resolve unless on at least two consecutive occasions dividend warrants sent to such member or transmittee through the post to his registered address or to the address supplied have been returned undelivered or have been left uncashed. A member or transmittee who has been treated as having no registered address or address supplied shall nevertheless be entitled (subject to the provisions of the Articles of Association) to reclaim the arrears of dividend and instruct the Company to recommence sending dividend warrants to him. (*Article 55*)

The Board may, before recommending any dividend, whether preferential or otherwise, carry to reserve out of the profits of the Company (including any premiums received upon the issue of debentures or other securities of the Company) such sums as it thinks proper as a reserve or reserves which shall, at the discretion of the Board, be applicable for any purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit. The Board may also without placing the same to reserve carry forward any profits which it may think prudent not to divide. (*Article 156*)

7.2.2 *Voting rights*

Subject to any rights or restrictions attached to any shares:

- on a show of hands every member who (being an individual) is present in person or by proxy or (being a corporation) is present by representative or proxy not being himself a member shall have one vote. Every proxy present, who has been appointed by more than one member, shall have as many votes as determined by the Statutes; and
- on a poll every member present in person (or, being a corporation, by representative) or by proxy or voting in advance shall have one vote. *(Article 86)*

In the case of joint holders of any share, any one joint holder may vote at any meeting, personally or by proxy, in respect of the share. If more than one joint holder is present at any meeting, personally or by proxy or, in respect of a poll, in advance, the vote of the joint holder whose name appears first on the register in respect of the share shall be entitled to vote. *(Article 88)*

No member shall, unless the Board otherwise determines, have the right to vote at any general meeting or meeting of the holders of any class of shares, either personally or by proxy or, in respect of a poll, in advance in respect of any share held by him unless all amounts presently payable by him in respect of that share have been paid. *(Article 90.1)*

7.2.3 *Transfer of the Shares*

Shares in certificated form may be transferred by an instrument of transfer which may be in any usual form or common form, or in any other form approved by the Board, executed by or on behalf of the transferor and, where the share is not fully paid, also executed by or on behalf of the transferee. A share in uncertificated form may be transferred in accordance with the Uncertificated Securities Regulations, the requirements of the relevant system concerned and any arrangements made by the Board. *(Articles 43.1 and 43.2)* In their absolute discretion and without giving any reason, the Board may refuse to register a transfer of any share which is not fully paid provided that, if the share is listed on the London Stock Exchange's main market, such discretion does not prevent dealings in the shares from taking place on an open and proper basis. The Board may also refuse to register any instrument of transfer of any share in certificated form unless:

- it is duly stamped, is deposited at the registered office of the Company or such other place as the directors may appoint and is accompanied by the certificate for the share to which it relates and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer; and
- is in respect of only one class of share.

The Board may also refuse to register a transfer of any share (whether in certificated form or not and whether fully paid or not):

- to any entity which is not a natural or legal person;
- to a minor; or
- to more than four persons to be held jointly by them. (*Articles 44.1, 44.2 and 44.3*)

The Board may refuse to register a transfer of shares in uncertificated form in such other circumstances as permitted by the Uncertificated Securities Regulations and the requirements of the relevant system. *(Article 44.4)*

If the Board refuses to register a transfer of a share, it shall within two months after the date on which the transfer was lodged with the Company, or in the case of an uncertified share, the date on which the appropriate instruction was received by or on behalf of the Company in accordance with the Uncertificated Securities Regulations, send to the transferee notice of refusal, together with its reasons for the refusal. *(Article 44.5)*

No fee shall be charged for the registration of any transfer, probate, letters of administration, certificate of marriage or death, power of attorney, stop notice, order of court or other document or instruction relating to or affecting the title to any share. *(Article 45)*

7.2.4 *Distribution of assets on a Winding-up*

If the Company is wound up, the liquidator may, with the sanction of a special resolution and any other sanction required by the Insolvency Act 1986, divide among the members in specie the whole or any part of the assets of the Company (whether they consist of property of the same kind or not) and may, for such purpose, set such value as he deems fair upon any property to be divided and may determine how such division shall be carried out as between the members or different classes of members.

The liquidator may, with the like sanction, vest the whole or any part of such assets in trustees upon such trusts for the benefit of the contributories as he, with the like sanction, shall see fit, but no member shall be compelled to accept any shares or other securities which there is a liability. *(Article 188)*

7.2.5 *Restrictions on rights: failure to respond to a section 793 notice*

If a member, or any other person appearing to be interested in shares held by that member, has been duly served with a notice under Part 22 of the Companies Act and is in default for the prescribed period in supplying to the Company the information required, in relation to his/her interest in shares (the "**default shares**") sanctions shall apply. The sanctions available are the suspension of the right to vote (whether in person or proxy, or in respect of a poll) at a general meeting or at a meeting of the holders of any class of shares; and where the default shares represent at least 0.25% of their class also the retaining of any dividend payable in respect of those shares and the restriction of the transfer of any shares (subject to certain exceptions). *(Article 90.2)*

7.2.6 *Untraced members*

The Company shall be entitled to sell, at the best price reasonably obtainable at the time of sale, any share held by a member, or any share to which a person is entitled by transmission, if:

- the share has been in issue throughout a period of twelve years and at least three cash dividends have become payable on such share during such period;
- no cash dividend payable on the share has at any time during the relevant period either been claimed by presentation to the paying bank of the relevant cheque or warrant or been satisfied by the transfer of funds to a bank account designated by the member or person entitled by transmission;
- the Company has on or after the expiry of the said period of twelve years given notice of its intention to sell such share by advertisement in both a national newspaper and in a newspaper circulating in the area in which the last known address of the member (or, if in the United Kingdom, his service address) is located;
- the Company has not at any time during the relevant period, which is the period beginning at the commencement of the above period of twelve years and ending on the expiry of a period of three months following the date of publication of the advertisements referred to in the paragraph above or of the later of the two advertisements to be published if they are published on different dates, received any communication from the member or person entitled by transmission; and
- the Company has given notice in writing to the London Stock Exchange of its intention to sell such share. *(Article 53)*

7.3 *Variation of rights*

Subject to the provisions of the Statutes, the rights attached to any class may be varied or abrogated, either while the Company is a going concern or during or in contemplation of a winding up, with the consent in writing of the holders of three-fourths of the nominal value of the issued shares of the class, or with the sanction of a special resolution passed at a separate meeting of the holders of the shares of the class.

To every such separate meeting the provisions of the Articles of Association relating to general meetings or the proceedings thereat shall mutatis mutandis apply, but so that the necessary quorum for any such meeting (other than an adjourned meeting) shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the class. At an adjourned meeting the quorum shall be, one person holding shares of the class in question or his proxy, and that every holder of shares of the class present in person or by proxy shall, on a poll, have one vote in respect of every share of the class held by him and shall be entitled to demand a poll. *(Article 23)*

Unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, those rights shall be deemed to be varied by the creation or issue of further shares ranking pari passu therewith or subsequent thereto or by the purchase or redemption by the Company of its own shares in accordance with the Companies Acts. *(Article 24)*

7.4 *Directors of the Company*

7.4.1 *Appointment*

Unless and until the Company determines otherwise by ordinary resolution, the number of directors (other than alternate directors) shall not be less than two or more than 14. *(Article 101)*

Subject to the provisions of the Articles of Association, the Company may from time to time by ordinary resolution appoint any person to be a director, either to fill a causal vacancy or as an addition to the Board. (Article 131)

The Board may at any time, and from time to time, appoint any person as a director, either to fill a causal vacancy or as an addition to the Board, provided that the total number of directors shall not at any time exceed the maximum number fixed by or in accordance with the Articles of Association. *(Article 132)*

Other than a director retiring at the meeting or a person recommended by the Board, no person shall be eligible for re-election or election as a director at any general meeting unless notice in writing of the intention to propose such person for re-election or election executed by a member (not being the member proposed) duly qualified to be present and vote at such meeting is delivered to the registered office of the Company not less than seven or more than 42 days before the day appointed for the meeting. *(Article 130)*

7.4.2 *Retirement*

Unless any corporate governance policy adopted from time to time by the Board provides otherwise, at every annual general meeting of the Company, each director shall retire from office and may offer himself for re-appointment by the members. (Article 126)

If:

- any resolution for the appointment or reappointment of directors is put to a general meeting and not passed, and
- at the end of that meeting the number of directors is fewer than any minimum number of directors required under Article 101,

such additional number of executive directors as is required to reach the minimum number of directors required under Article 101 (the "**Continuing Directors**") shall be deemed to have been reappointed as director and shall remain in office until the end of the meeting required to be convened under this Article, but the Continuing Directors may only:

- act for the purpose of filing vacancies and convening general meetings of the Company, and
- perform such duties as are appropriate to maintain the Company as a going concern and to comply with the Company's legal and regulatory obligations,

but not for any other purpose. The Continuing Directors, shall as soon as reasonably practicable following such general meeting, convene a general meeting for the purpose of voting on the appointment of new directors in place of the Continuing Directors who will retire from office at the meeting. Any Directors appointed by the Board in the interim shall be required to stand for reappointment. If at the end of any meeting convened under this Article the number of directors is fewer than any minimum number of directors required under Article 101, the provisions of this Article shall also apply to that meeting. (*Article 127*)

A director retiring at a general meeting retains office until the dissolution of that meeting except if a resolution is passed to elect another person instead of the retiring director or a resolution for his re-election is put to the meeting and lost. A retiring director who is re-elected or deemed to have been re-elected continues in office without break. (*Article 128*)

The Company at a general meeting may by ordinary resolution fill the vacancy caused by a director retiring in accordance with the Articles of Association by appointing the retiring director or (subject to the Statutes and the Articles of Association) another person. (*Article 129*)

7.4.3 *Removal*

The office of a director shall be vacated in any of the following events:

- if (not being an executive director holding office for a fixed term) he resigns his office by notice in writing delivered to the office or submitted to a meeting of the Board or (being an executive director holding office for a fixed term) his resignation in writing is accepted by the Board;
- if he is or may be suffering from a mental disorder;
- that person is absent without permission of the other directors from meetings of the Board for six consecutive months and the Board resolves that his office is vacated;
- a bankruptcy order is made against that person;
- a composition is made with that person's creditors generally in satisfaction of that person's debts;
- if he is prohibited by law from being a director;
- if without consent of the Board he becomes a director or takes an active part in the management of any other company or business; or
- if not less than three fourths of the other directors resolve that he be removed as a director; and
- if he is removed from office pursuant to these Articles. (Article 107)

7.4.4 *Powers of directors*

The business of the Company shall be managed by the Board (which is made up of the directors), who may exercise all powers of the Company and do on behalf of the Company all such acts as it is authorised to do by or on behalf of the Company and are not required (by the Statutes and the Articles of Association) to be exercised or done by the Company in a general meeting, subject nevertheless, to the provisions of the Statutes and to these Articles and to such directions (whether or not consistent with these Articles of Association) as may be prescribed by the Company by special resolution, but so that no such direction and no alteration to these Articles shall invalidate any prior act of the Board which would have been valid if that direction or alteration had not been given or made. (*Article 118*) The Board may from time to time appoint one or more of its number to be the holder of any executive office (including that of executive chairman or executive deputy chairman) on such terms and for such period as it thinks fit and, subject to the terms of any contract between him and the Company, may at any time revoke any such appointment, but so that no service contract or contract for services with a guaranteed term of two years or longer shall be granted by the Company or any subsidiary of the Company to any director or proposed Director otherwise than in accordance with the Statutes. (*Article 136*)

Any director may at any time appoint any other director or any other person approved by the Board to be his alternate, and may at any time remove any such alternate and (subject to such approval as aforesaid) appoint another in his place. He shall, be entitled (subject to his giving to the Company a service address within the United Kingdom) to receive notice of meetings of the Board and to attend and vote as a director at any meeting at which his appointor is not present, and generally at such meeting to exercise all the powers, rights, duties and authorities of his appointor. (*Article 103*)

The Board may change the name of the Company. (*Article 120*)

7.4.5 *Borrowing powers*

The Board shall restrict the borrowings of the Company and exercise all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any) so as to secure (insofar as they can) that the aggregate amount for the time being remaining undischarged of all moneys borrowed by the Elementis Group (which expression in this Article means the Company and its subsidiaries for the time being) and owing to persons outside the Elementis Group shall not at any time, save with the previous sanction of an ordinary resolution of the Company, exceed a sum equal to twice the aggregate of:

- the amount paid up, or credited as paid up, on the issued share capital of the Company; and
- the amounts standing to the credit of the capital and revenue reserves (including but not limited to share premium account, revaluation reserve, capital redemption reserve and profit and loss account), all as shown in the latest audited consolidated balance sheet of the Elementis Group, but:
  - adjusted as may be appropriate in respect of any variation in the paid up share capital or reserves since the date of such balance sheet and so that if any issue or proposed issue of shares in the Company for cash has been underwritten then such shares shall be deemed to have been issued and the amount (including any premium) of the subscription moneys payable in respect thereof (not being moneys payable later than six months after the date of allotment) shall to the extent so underwritten be deemed to have been paid up at the date when the underwriting became unconditional;
  - adjusted as may be appropriate in respect of any variation in interests in subsidiaries since the date of such balance sheet;
  - adding to it any amount deducted therefrom for goodwill arising on consolidation;
  - excluding any amount shown therein in respect of outside shareholders' interests in subsidiaries;
  - deducting therefrom any debit balance on profit and loss account and an amount equal to any distribution by the Company to its members or by any subsidiary otherwise than to the Company or to another subsidiary out of profits earned prior to the date of such balance sheet which may have been declared, recommended or made since that date except in so far as provided for therein;
  - excluding any amounts set aside for taxation (including any deferred taxation); and
  - after making such other adjustments (if any) as the auditors for the time being of the Company shall consider appropriate. (*Articles 124.2 and 124.4.*)

No person dealing with the Company or any of its subsidiaries shall by reason of the foregoing provisions of this Article be concerned to see or enquire whether the said limit is observed and no debt incurred or security given in excess of such limit shall be invalid or ineffectual unless the lender or recipient of the security had express notice at the time when the debt was incurred or security given that such limit had been or would thereby be exceeded. (*Article 124.3*)

The Board shall cause a proper register to be kept in accordance with the provisions of the Statutes of all charges specifically affecting property of the Company and of all floating charges on the undertaking or any property of the Company and shall duly comply with the requirements of the Statutes in regard to the registration of charges therein specified. (*Article 125*)

7.4.6 *Voting at board meetings*

No business shall be transacted at any meeting of the directors unless a quorum is present and the quorum may be fixed by the directors. (*Article 141*) If the quorum is not fixed by the directors, the quorum shall be two. A director shall not be counted in the quorum present in relation to a matter or resolution on which he is not entitled to vote (or when his vote cannot be counted) but shall be counted in the quorum present in relation to all other matters or resolutions considered or voted on at the meeting. (*Article 75)* An alternate director, who is not himself a director shall if his appointer is not present, be counted in the quorum. An alternate director who is himself a director shall only be counted once for the purpose of determining if a quorum is present. (*Article 141*)

Questions arising at a meeting shall be decided by a majority of votes. In case of an equality of votes, the chairman shall (unless he is not entitled to vote on the resolution in question) have a second or casting vote. (*Article 110*) A written resolution agreed to in writing by all the directors or members of a committee for the time being entitled to receive notice of a meeting of the Board or of a committee shall be as valid and effectual as a resolution passed at a meeting of the Board or (as the case may be) of a committee duly convened and held, and may consist of several documents in like form each signed or otherwise confirmed in writing by one or more directors or (as the case may be) one or more members of a committee. A resolution signed or so confirmed by an alternate need not also be signed by his appointor and, if it is signed by a director who has appointed an alternate, it need not be signed by the alternate in that capacity. (*Article 148*)

7.4.7 *Restrictions on voting*

Subject to the provisions of the Articles of Association, a director shall not vote at a meeting of the directors on any resolution concerning a matter in which he has, directly or indirectly, a material interest (other than an interest in shares, debentures or other securities of, or otherwise in or through, the Company) unless his interests arises only because the case falls within one or more of the following sub-paragraphs:

- the resolution relates to the giving to any security, guarantee or indemnity in respect of: (i) money lent or obligations incurred by him or by any other person for the benefit of the Company or any of its subsidiary undertakings; or (ii) a debt or obligation of the Company or any of its subsidiary undertakings for which the director himself has assumed responsibility in whole or in part and whether alone or jointly with others under a guarantee or indemnity or by the giving of security;
- where the Company or any of its subsidiary undertakings is offering securities in which offer the director is or may be entitled to participate as a holder of securities or in the underwriting or sub-underwriting of which the director is to or may participate;
- to any contract, transaction, arrangement or proposal affecting any other body corporate in which he is interested, directly or indirectly and whether as an officer, shareholder, creditor or otherwise howsoever, provided that he (together with persons connected with him within the meaning of Section 252 of the Companies Act or any statutory modification or re-enactment thereof) does not to his knowledge hold an interest in shares representing 1% or more of any class of the equity share capital of such body corporate (or of any third body corporate through which his interest is derived) or of the voting rights available to members of the relevant body corporate (any such interest being deemed for the purposes of this Article to be a material interest in all circumstances);
- to any act or thing done or to be done in respect of any arrangement for the benefit of the employees of the Company or any of its subsidiary undertakings under which he is not accorded as a director any privilege or advantage not generally accorded to the employees to whom such arrangement relates; or
- the resolution relates to the purchase or maintenance for any director or directors of insurance against any liability;

- to any proposal for the Company (i) to provide him with an indemnity permitted by the Statutes, (ii) to provide him with funds in circumstances permitted by the Statutes to meet his defence expenditure in respect of any civil or criminal proceedings or regulatory investigation or other regulatory action or in connection with any application for any category of relief referred to Part 10 of the Companies Act or (iii) to do anything to enable him to avoid incurring any such expenditure. (*Article 110*)

7.4.8 *Directors' interests*

A director shall not, as a director, vote in respect of any contract, transaction, arrangement or proposal in which he has an interest which is a material interest (otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through, the Company) and if he does, his vote shall not be counted nor in relation thereto shall he be counted in the quorum present at the meeting. (*Article 110*) There are exceptions to this rule, however, which are dealt with in 7.4.7 above.

A director may, however, vote (and be counted in the quorum) at a Board meeting in respect of any contract, transaction, arrangement or proposal in which he has an interest which is not a material interest, or of which he has no knowledge and of which it is unreasonable to expect him to have knowledge. (*Article 111*)

Subject to the provisions of the Statutes, a director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of director for such period and on such terms (as to remuneration and otherwise) as the Board may determine and no director or intending director shall be disqualified by his office from contracting with the Company either with regard to his tenure of any such other office or place of profit or as vendor, purchaser or otherwise, nor shall any such contract, or any transaction or contract or arrangement entered into by or on behalf of the Company in which any director is in any way interested, be liable to be avoided, nor shall any director so contracting or being so interested be liable to account to the Company for any profit or other benefit realised or received by such director as a result of any such transaction, contract or arrangement by reason of such director holding that office or of the fiduciary relationship thereby established. (*Article 114*)

The directors may authorise any situation or matter relating to a particular director where the company is a private company and nothing in the company's constitution invalidates such authorisation, by the matter being proposed to and authorised by the directors; or where the company is a public company and its constitution includes provision enabling the directors to authorise the matter, by the matter being proposed to and authorised by them in accordance with the constitution. (Section 175 of the Companies Act) This duty does not apply to a conflict of interest arising in relation to a transaction or arrangement with the company. The directors may terminate or withdraw any such authorisation at any time by giving notice to the director concerned. (*Article 116*)

The director concerned shall comply with any terms to which a conflict authorisation is made subject ("**Conflict Authorisation Terms**"), which may include, in each case at the directors' discretion that the director concerned:

- is not obliged to disclose to the Company confidential information obtained by him (other than in his capacity as its director or as its employee or agent or, if the directors so decide, in any other capacity that would otherwise oblige him to disclose it to the Company) in any situation to which the Conflict Authorisation applies, nor to use any such information directly or indirectly for the benefit of the Company, where to do so would amount to a breach of a duty of confidence, previously disclosed to the directors by the director concerned, to any third party; and
- may absent himself from any Board discussions, and be excused from reading any Board papers, relating to the conflict matter concerned,

and the Company will not treat anything done, or omitted to be done, by the director concerned in accordance with the Conflict Authorisation Terms as a breach of his duties to promote success of the Company, to exercise independent judgment and to exercise reasonable care, skill and diligence. (*Articles 116 (a) and (b)*)

A director seeking conflict authorisation must inform the directors in writing of both the nature and extent of his interest in a conflict matter as soon as practicable after his becoming aware of the conflict matter and must provide sufficient details of the conflict matter to allow the directors properly to evaluate the conflict matter, together with any additional information which the directors may request. (*Article 117*)

7.4.9 *Directors' remuneration and expenses*

Unless otherwise required by law, the directors (other than alternate directors) shall be paid remuneration by way of fees for their services at such rate not exceeding an aggregate sum (excluding amounts for executive directors or extra or special services) of £750,000 per annum as the Board shall determine from time to time which sum shall be divided between the directors as they shall agree and in default of agreement as the Board shall by resolution determine. The said maximum aggregate sum of £750,000 may at any time and from time to time be increased by the Company by ordinary resolution either permanently or for a year or other period. The directors' remuneration shall be deemed to accrue from day to day. (*Article 104*)

The directors and any alternate shall be entitled to be paid all expenses properly incurred by them in attending general meetings or meetings of the Board or committees of the Board or otherwise in or with a view to the performance of their duties. The Company may provide any director with funds in circumstances permitted by the Statutes to meet his defence expenditure in respect of any civil or criminal proceedings or regulatory investigation or other regulatory action or in connection with any application for any category of relief referred to in the Companies Act and, subject to the Statutes, may do anything to enable him to avoid incurring any such expenditure. (*Article 105*)

If any director and any alternate was called upon to render or perform extra or special services of any kind, including services on any committee of the Board, or travel or reside abroad for any business or purposes of the Company, he shall be entitled to receive such sum as the Board may think fit for expenses, and, in the case of directors only, also such remuneration as the Board may think fit, either as a fixed sum or as a percentage of profits or otherwise, and such remuneration may, as the Board shall determine, be either in addition to or in substitution for any other remuneration he may be entitled to receive. (*Article 106*)

7.4.10 *Directors' gratuities and benefits*

The Board on behalf of the Company may pay a gratuity or pension or allowance on retirement to any director or former director who has held any salaried office or place of profit with the Company or with any body corporate which is or has been a subsidiary of the Company or a predecessor in business of the Company or any such subsidiary or to any member of his family (including a spouse and a former spouse) or to any person who is or was dependent on him and may (as well before as alter he ceases to hold such office or place of profit) make contributions to any fund and pay premiums for the purchase or provision of any such gratuity, pension or allowance and may make payments for or towards the provision by means of insurance or otherwise of benefits for any such person. (*Article 119*)

7.4.11 *Indemnity*

Subject to and in so far as permitted by the Statutes, the Company may:

- indemnify any director of the Company or of any associated company against any liability pursuant to any qualifying third party indemnity provision or any qualifying pension scheme indemnity provision, or on any other basis as is then lawful, in each case on such terms as the Board may decide; and
- purchase and maintain insurance against any liability for any director of the Company or of any associated company. (*Article 190*)

7.5 *President*

The Company by ordinary resolution on the recommendation of the Board may from time to time appoint any person to the office of president as recognition of distinguished service to the Company and/or any of its subsidiaries from time to time. The president:

- may continue to hold office as a director or other officer of the Company in conjunction with the office of president;

- shall not as such be required to hold any share qualification nor be entitled to receive any remuneration from the Company;
- shall not be obliged to attend meetings of the board and shall not be counted in reckoning the minimum or maximum number of directors or a quorum of directors. (*Article 140*)

7.6 *General Meetings*

The Board may, whenever it thinks fit, convene a general meeting that is not an annual general meeting. (*Article 62*)

The period of notice prescribed by the Statutes shall be given to all the members (other than those who under the provisions of these Articles or the terms of issue of the shares held by them are not entitled to receive notices of general meetings of the Company) and to the auditors for the time being of the Company. The notice shall specify the place, the day and the time of the meeting, any statements required by the Statutes to be included in such notice and, in the case of special business, the general nature of that business. Every notice of an annual general meeting shall specify the meeting as such and every notice of a meeting convened for passing a special resolution shall state the intention to propose such resolution as a special resolution (*Article 63*).

A general meeting shall, notwithstanding that it is called by shorter notice than that specified above, be deemed to have been duly called if it is so agreed by such number of members entitled or having a right to attend and vote thereat, and in such manner, as prescribed in the Statutes. (*Article 64*) A notice of any general meeting may specify a time, being not more than forty eight hours before the time fixed for the meeting, by which a person must be entered on the register in order to have the right to attend or vote at the meeting. Changes made to entries on the register after the time so specified shall be disregarded in determining the rights of any person to attend or vote at the meeting. (*Article 66*)

A member whose registered address is not within the United Kingdom shall not be entitled to receive any notice, document or information from the Company unless he gives the Company an address (not being an electronic address) within the United Kingdom at which notices, documents or information may be sent or supplied to him. (*Article 181*)

Where, by reason of any suspension or curtailment of postal services within the United Kingdom, the Company is unable to give notice by post in hard copy form of a general meeting them such notice shall be deemed to have been given to all members entitled to receive such notice in hard copy form of a general meeting then such notice shall be deemed to have been given to all members entitled to receive such notice in hard copy form if it is advertised in at least one leading daily newspaper widely circulated within England, Wales and Scotland. Such notice shall be deemed to have been given on the day when the advertisement appears. (*Article 182*)

As mentioned above, no business shall be transacted at any meeting unless a quorum is present. Two qualifying persons together shall be a quorum, unless one of them is a proxy or corporate representative appointed by the other or if each of them is a proxy or corporate representative appointed by the same member as the other. (*Article 71*)

A member who is entitled to attend and vote at a general meeting is entitled to appoint another person, or two or more persons in respect of different shares held by him, as his proxy or proxies to exercise all or any of his rights to attend and to speak and vote at the meeting. A proxy need not be a member of the Company. (*Article 92*) An appointment of proxy shall be in writing in any usual form or in any other form which the directors may approve and shall be executed by or on behalf of the appointor which in the case of a corporation may be either under its common seal or under the hand of a duly authorised officer or other person duly authorised for that purpose. (*Article 93*)

Directors may attend and speak at general meetings and at any separate meeting of the holders of any class of shares, whether or not they are members. (*Article 102*)

The right for a member to participate in the business of any general meeting shall include, without limitation, the right to: speak; vote on any show of hands; demand a poll; vote on any poll; be represented by proxy; and have access at the meeting to all documents which are required by the Statutes and these regulations to be made available at the meeting. (*Article 78*)

Every substantive resolution submitted to a general meeting shall be determined by a poll. A procedural resolution submitted to a general meeting shall be determined in the first instance by a show of hands of the members present in person or by proxy. The Chairman can also demand a poll on any procedural resolution that is put to a general meeting at any time, whether before it has been put to the vote at the meeting on a show of hands or afterwards. Subject to the provisions of the Statutes, a poll may be demanded on a procedural resolution (before or upon the declaration of the result of the show of hands by the chairman or by:

- not less than two members having the right to vote on the resolution; or
- a member or members representing not less than one-tenth of the total voting rights of all the members having the right to vote on the resolution; or
- a member or members holding shares conferring a right to vote on the resolution, being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right. (*Article 80)*

Unless a poll is duly demanded in accordance with the foregoing provisions a declaration by the chairman that a resolution has been carried or lost or has or has not been carried by any particular majority, and an entry to that effect in the minutes of the proceedings of the Company, shall be conclusive evidence of the fact without proof of the number, proportion or validity of the votes recorded in favour of or against such resolution. (*Article 81*)

The directors or the chairman of the meeting may direct that any person wishing to attend any general meeting should submit to and comply with such searches or other security arrangements as they or he consider appropriate in the circumstances. The directors or the chairman of the meeting may in their or his absolute discretion refuse entry to, or eject from, any general meeting any person who refuses to submit to a search or otherwise comply with such security arrangements. (*Article 79*)

The Board may resolve to enable persons entitled to attend a general meeting to do so by simultaneous attendance and participation at a satellite meeting place anywhere in the world and the members present in person or by proxy at satellite meeting places shall be counted in the quorum for and entitled to vote at the general meeting in question, and that meeting shall be duly constituted and its proceedings valid provided that the Chairman is satisfied that adequate facilities are available throughout the general meeting to ensure that members attending at all the meeting places are able to:

- participate in the business for which the meeting has been convened;
- hear and see all persons who speak (whether by the use of microphones, loudspeakers, audio-visual communications equipment or otherwise) in the principal meeting place and any satellite meeting place; and
- be heard and seen by all other persons so present in the same way.

The chairman shall be present at, and the meeting shall be deemed to take place at, the principal meeting place. (*Article 75*)

8. Directors' interests

8.1 *Other directorships*

Save as set out below, none of the Directors have been a member of any partnerships, or held any directorships of any other company (other than subsidiaries of the Company), at any time in the last five years prior to the date of this document:

Director	Current directorships and partnerships	Previous directorships and partnerships held in the previous five years
Directors		
Andrew Duff	Severn Trent plc Macmillan Cancer Support Earth Trust Dee Valley Water plc Severn Trent Ltd Hafren Dyfrdwy Ltd Nomina 366 LLP	Dee Valley Group Ltd

Director	Current directorships and partnerships	Previous directorships and partnerships held in the previous five years
	The Duff Family Partnership	
	Timeless Releasing LLP	
	Timeless Releasing 2005 LLP	
Paul Waterman		Burmah Castrol plc
		Castrol Limited
		BP Eastern Mediterranean Limited
		Alexander Duckham & Co. Limited
Ralph Hewins	EGPS Trustees Ltd	Castrol India Limited
		Burmah Castrol plc
		Lubricants UK Limited
		BP Eastern Mediterranean Limited
		Alexander Duckham & Co. Limited
Sandra Boss	Enstar Group Limited	McKinsey & Company
		Prudential Regulation Authority Ltd
Dorothee Deuring	Bilfinger SE	
	Röchling Group SE	
	AXPO Holding AG	
Steve Good	Zotefoams plc	Cape plc
	Anglian Water Services Ltd	Low & Bonar plc
	Anglian Water Services UK Parent Co Ltd	Low & Bonar Dundee Ltd
	Anglian Water Services Financing plc	Gaskell Carpet Tiles Ltd
	Anglian Water Services Holdings Ltd	Nuway Manufacturing Co. Ltd
	Dialight plc	Rotaform Plastics Ltd
	Low & Bonar Pension Trustee Ltd	Bonar Plastics Ltd
		Platinum Prestige Ltd
		Lobo Nominees Ltd
		Waddington Cartons Ltd
		Bamber Carpets Ltd
		Bonar Pack Centre Ltd
		LCM Construction Products Ltd
		Modulus Flooring Systems Ltd
		R.H. Cole Investments Ltd
		Leisurewear Africa Ltd
		Low & Bonar UK Ltd
		Bonar Silver Ltd
		Cole Group plc
		Goldtide Ltd
		Bonar Nuway Ltd
		Placell Ltd
		Bonar Ventures Ltd
		Bonar Rotaform Ltd
		Bryanston 55 Ltd
		Bonar Systems Ltd
		Cupa Engineering Co Ltd
		Bonar International Holdings Ltd
		Low & Bonar Hull Ltd
Anne Hyland	Kymab EBT Ltd	Sustrans Ltd
	Clinigen Group plc	Hyland & Associates Limited
	Kymab Biotechnology Co. Ltd	BBI Diagnostics Group Limited
		BBI Detection Ltd
		BBI Solutions OEM Ltd
		BBI Healthcare Ltd

Director	Current directorships and partnerships	Previous directorships and partnerships held in the previous five years
		BBI Resources Ltd
		BBI Diagnostics Group 2 plc
		BBI Diagnostics UK 1 Ltd
		BBI Diagnostics UK 2 Ltd
		BBI Diagnostics UK 3 Ltd
		BBI Diagnostics UK 4 Ltd
		BBI Diagnostics UK 5 Ltd
		Alere UK Subco Ltd
Nick Salmon	South East Water Ltd Interserve plc	United Utilities Water Limited United Utilities Group plc Asia Resource Minerals plc Acal plc

8.2 *Interests of Directors in the share capital of Elementis*

Save as disclosed in this paragraph 8.2, none of the Directors, nor their immediate families or connected persons, have any interests (beneficial or non-beneficial) in the share capital of the Elementis Group or its subsidiaries.

Save as disclosed in this paragraph 8.2 and paragraph 11 of this Part XXIV (*Additional Information*) of this document, no other person involved in the Acquisition or Admission has an interest which is material to the Acquisition or the Admission.

8.2.1 *Share interests*

The Directors have the following interests in the Ordinary Shares (including beneficial interests or interests of a person connected with a Director as at the Latest Practicable Date, and expect to have the same interests immediately following Admission (based on the assumption that the holdings of such person in Elementis at the Latest Practicable Date do not change, 116,044,829 New Ordinary Shares are issued in connection with the Acquisition and that no other issues of Ordinary Shares occur between the Latest Practicable Date and Admission).

	Interests as at the Latest Practicable Date(1)		Interests immediately following Admission(1)(2)	
Director	No.	% of total issued share capital	No.	% of total issued share capital
Directors				
Andrew Duff	55,600	0.01	69,500	0.01
Paul Waterman	295,864	0.06	369,830	0.06
Ralph Hewins	—	0.00	—	0.00
Sandra Boss	12,500	0.00	15,625	0.00
Dorothee Deuring	13,000	0.00	16,250	0.00
Steve Good	10,000	0.00	12,500	0.00
Anne Hyland	17,723	0.00	22,153.75	0.00
Nick Salmon	10,000	0.00	12,500	0.00

(1) The Directors' interests in the Ordinary Shares set out above include the beneficial interests of the Directors and their immediate families.
(2) Assumes every Director takes up their rights in full.

Taken together, the combined percentage interest of the Directors in the voting rights in respect of the issued ordinary share capital of Elementis at the Latest Practicable Date was less than 0.09%.

Taken together, the combined percentage interest of the Directors in the voting rights in respect of the issued ordinary share capital of Elementis immediately following Admission is expected to be 0.09% (assuming every Director takes up their rights in full).

The Directors have no interest in the shares of Elementis' subsidiaries.

8.2.2 *Share awards*

The Directors had the following options and awards relating to the Ordinary Shares under Elementis' employee share schemes, as described in paragraph 11 of this Part XXIII (*Additional Information*) as at the Latest Practicable Date.

Long Term Incentive Plan ("LTIP") Awards Outstanding

LTIP awards are subject to performance conditions. The same earnings per share growth (annual growth of 3% to 10%) and relative total shareholder return ("**TSR**") performance conditions apply in respect of the awards made in 2016, 2017 and 2018. These awards ordinarily vest on the third anniversary of the grant date and would expire on the tenth anniversary.

Date of award	No. of shares under award	Option price (if any)	End of performance period over which conditions must be met
Paul Waterman			
4 April 2016	487,816	Nil	31 December 2018
3 April 2017	469,024	Nil	31 December 2019
30 April 2018	442,135	Nil	31 December 2020
Ralph Hewins			
3 April 2017	202,366	Nil	31 December 2019
30 April 2018	210,470	Nil	31 December 2020

Deferred Share Bonus Plan ("DSBP") Awards Outstanding

Conditional share awards under the DSBP:

Date of award	No. of shares under award	Option price (if any)	Vesting date
Paul Waterman			
7 March 2017	43,953	Nil	7 March 2019
5 March 2018	145,988	Nil	5 March 2020
Ralph Hewins			
7 March 2017	6,535	Nil	7 March 2019
5 March 2018	66,919	Nil	5 March 2020

Replacement Awards Outstanding

As reported in the 2016 and 2017 Elementis Annual Reports, replacement awards were agreed with Ralph Hewins in order to compensate him for forfeiting remuneration triggered when he decided to leave BP to join Elementis. These comprised of:

(i) An award of 240,693 ordinary shares in Elementis, which was equivalent in value to 154% of Ralph Hewins' starting salary. This award is subject to the same earnings per share and TSR performance conditions as those made in April 2016 to other participants of the Elementis LTIP and will ordinarily also vest in April 2019. This award was to replace Ralph Hewins' all remaining 2015 and 2016 equity and related awards that were not expected to vest for another two to three years.

(ii) An award of 84,434 nil cost options to buyout forfeited share based remuneration when he left his previous employer to join Elementis. These options have no performance conditions (reflecting the profile of the forfeited awards) but are subject to a 2 year holding period.

(iii) An amount of his bonus which would have been deferred for 3 years had he not left his former employer and these were bought out and matched through an award of 15,977 nil cost options which vest after 3 years (no performance conditions were attached to these reflecting the vesting profile of the forfeited remuneration).

Date of award	No. of shares under award	Option price (if any)	Vesting date
Ralph Hewins			
19 September 2016(1)	240,693	Nil	4 April 2019
7 March 2017(1)	84,434	Nil	7 March 2017
7 March 2017(2)	15,977	Nil	7 March 2020

(1) Replacement awards structured as nil cost options made under standalone arrangements that borrow terms from the LTIP as amended.
(2) Replacement awards structured as nil cost options made under standalone arrangements that borrow terms from the DSBP as amended.

UK Save As You Earn Scheme ("SAYE") Awards Outstanding

Options held under the UK SAYE scheme. This is a savings based share option scheme that is not subject to performance conditions.

Date of award	No. of shares under award	Option price (if any)	Exercisable from
Ralph Hewins			
5 September 2017	7,942	226.63	1 October 2020

8.3 *Confirmations and conflicts of interest*

8.3.1 *Confirmations*

Save as disclosed below, as at the date of this document, none of the Directors have during at least the previous five years to the date of this document:

- had any convictions in relation to fraudulent offences;
- been a member of the administrative, management, supervisory body or senior management of a company associated with any bankruptcies, receiverships or liquidations;
- been subject to any official public incrimination or sanctions by any statutory or regulatory authorities (including designated professional bodies) or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.

There are no family relationships between any of the Directors.

8.3.2 *Conflicts of interest*

Save as disclosed below, no Elementis Director has any actual or potential conflicts of interest between any duties they owe to Elementis and any private interests or other duties he or she may also have.

Ralph Hewins is in receipt of a conflict authorisation from the Company in respect of him acting as a trustee of the Elementis Group Pension Scheme.

8.3.3 *Transactions with Directors*

None of the Directors has, or has had, any interest in any transaction which is or was unusual in its nature or conditions or which is, or was, significant in relation to the business of the Elementis Group and which was effected by any member of the Elementis Group during the current or immediately preceding financial year, or during any earlier financial year, and remains in any respect outstanding or underperformed.

There are no outstanding loans granted by the Company or any Elementis Group company to any of the Directors nor has any guarantee been provided by the Company or any Elementis Group company for their benefit.

8.3.4 *Director appointment arrangements*

There are no arrangements or understandings with major Elementis capital Shareholders, customers, suppliers or others pursuant to which any Director was selected as a director.

9. Summary of remuneration and benefits

A summary of the amount of remuneration paid to the Directors (including any contingent or deferred compensation) and benefits in kind for the year ended 31 December 2017 is set out in the tables below. The Directors are categorised in their positions as at the 31 December 2017 for these purposes.

9.1 *Executive Directors*

Director	Salary £'000	Annual Bonus (AIP) £'000	Benefits £'000	LTIP £'000	Other £'000	Pension £'000	Total £'000
Paul Waterman[(1)(2)]	660	948	68	—	640	169	2,485
Ralph Hewins[(2)]	334	405	25	—	140	84	988
Total	**994**	**1353**	**93**	**—**	**780**	**253**	**3,473**

(1) The differences between "Other" payments for 2017 for Paul Waterman listed above and those disclosed in the Elementis plc 2017 Annual Report are due the fact that the table above uses the actual share price on date of vesting on 7 March 2018, while the 2017 Annual Report used the average share price for the 3 months ended 31 December 2017.

(2) Taxable benefits for Paul Waterman consist of a car or car allowance, private health care, dental, life assurance, accidental death and disablement cover, long term disability insurance. The increase in benefits shown over 2016 is largely due to a $30,000 contribution towards costs incurred in having to prepare and file tax returns in the United Kingdom for 2016/17 and 2017/18 as a result of him being required to spend greater time than envisaged on appointment in the United Kingdom as a consequence of the Reignite Growth strategy. Taxable benefits for Ralph Hewins consist of a car allowance, private health care and life assurance.

9.2 *Chairman and Non-Executive Directors*

Director	Fees (£) £'000	Committee/ SID fee £'000	Benefits (£) £'000	Total (£) £'000
Andrew Duff	180	—	—	180
Sandra Boss	43	—	—	43
Dorothee Deuring	39	—	—	39
Steve Good	47	6	—	53
Anne Hyland	47	8	—	56[(1)]
Nick Salmon	47	8	—	56[(1)]
Total	403	22	—	427

(1) Rounded total remuneration for Anne Hyland and Nick Salmon.

10. Directors' terms and conditions

10.1 *Executive Directors*

Details of the service contracts entered into are set out below:

	Date of appointment	Notice period by Company (months)	Notice period by Director (months)
Paul Waterman	8 February 2016	12 months	12 months
Ralph Hewins	12 September 2016	12 months	12 months

Executive Directors of the Company are appointed under service contracts, which contain a termination notice period of 12 months.

10.2 *Non-Executive Directors*

Details of the terms of the letters of appointment of the Non-Executive Directors are set out below:

	Date of appointment	Present expiry date	Notice period by Company (months)	Notice period by Director (months)
Andrew Duff	1 April 2014	1 April 2020	6 months	6 months
Sandra Boss	1 February 2017	1 February 2020	1 month	1 month
Dorothee Deuring	1 March 2017	1 March 2020	1 month	1 month
Steve Good	20 October 2014	20 October 2020	1 month	1 month
Anne Hyland	1 June 2013	1 June 2019	1 month	1 month
Nick Salmon	20 October 2014	20 October 2020	1 month	1 month

Non-Executive Directors of the Company are appointed by letters of appointment for a three-year term, subject to annual re-election by shareholders. For Non-Executive Directors who have served for nine years or more, they may be appointed for a further year at a time.

The letters of appointment of the Non-Executive Directors can be terminated on 30 days' notice by either party. The Chairman's letter of appointment has a six months' notice period. Non-Executive Directors are not eligible to participate in any pension, bonus or share incentive schemes.

10.3 *Directors' indemnities*

In addition to the indemnity granted by the Company to Directors in respect of their liabilities incurred as a result of their office, a Directors' and Officers' liability insurance policy is maintained throughout the year insuring the Company and the individual Directors. Neither the indemnity nor the insurance provides cover in the event that a Director has proven to have acted dishonestly or fraudulently.

11. Employee share schemes

Discretionary schemes

Elementis has several share incentive schemes for Executive Directors and employees of the Elementis Group.

- An LTIP was adopted in 2018 for selected senior executives including the Executive Directors. Awards are granted as both restricted stock units ("**RSUs**") (i.e. shares that vest based on time only) and as performance share units ("**PSUs**"). Executive Directors are only awarded PSUs. PSUs are subject to earnings per share and total shareholder return performance conditions. Awards vest after three years. Dividends accrue on vested LTIP awards.
- For the Executive Directors, 50% of any cash bonus payable must be awarded in shares and deferred for two years. These share awards are made under the Deferred Share Bonus Plan. Dividends accrue on deferred shares that vest.
- Prior to 2018, LTIP awards were typically made on an annual basis to the Executive Directors and executive leadership team as nil cost share options or conditional share awards. Awards vested after three years and were subject to earnings per share and TSR performance conditions over a three year period. Vested awards were then exercisable for up to seven years, subject to the rules of the plan. Dividends accrued on vested LTIP awards.
- Prior to 2018, unapproved and approved Executive Share Option Schemes ("**ESOS**") awards were made to senior employees below Board level. Options were granted annually to purchase shares in the Elementis at an exercise price per share based on the Elementis' average mid-market closing share price on the dealing day preceding the date of grant with no discount applied. The number of options granted was based on a percentage of the participant's basic salary. Options vested after three years and were subject to earnings per share and TSR performance conditions. Vested awards were then exercisable for up to seven years, subject to the rules of the Plan.

- Elementis operates shadow schemes for a number of employees, who are employed or based in China, these are structured the same in almost all respects as the ESOS and LTIPs.

UK all employee scheme

Elementis operates a SAYE scheme, under which UK employees can enter into contracts to save currently up to a maximum of £500 per month with a bank or building society for a period of three or five years and use the proceeds from their savings accounts to purchase shares in the Elementis on the exercise of their options. The option price is the average mid-market closing share price over the five working days preceding the invitation date, discounted by 20%. Options may be exercised typically within six months following the end of the savings period.

US all employee scheme

Elementis operates a scheme for its US employees who can enter into contracts to save up to a maximum of $2,000 per month with a bank or similarly approved institution, for a period of two years, and use the proceeds from their savings accounts to purchase shares in the Elementis on the exercise of their options. The option price is the average mid-market closing share price on the date of the grant, discounted by 15%. Options may be exercised typically within three months following the end of the savings period.

12. Pensions

The Elementis Group operates a number of retirement benefit arrangements for the benefit of officers and employees of the Elementis Group. These arrangements include:

- main schemes in the United Kingdom and United States which are of the defined benefit type, the benefit being based on number of years of service and either the employee's final remuneration or the employee's average remuneration during a period of years before retirement. The assets of these schemes are held in separate trustee administered funds or are unfunded but provided for on the Elementis Group balance sheet;
- an unfunded post retirement scheme ("**PRMB**") scheme in the United States. The entitlement to these benefits is usually based on the employee remaining in service until retirement age and completion of a minimum service period; and
- two unfunded pension schemes in Germany, three long term service award schemes in Germany and a special benefits programme for a small number of former employees of the Eaglescliff.

All Executive Directors are eligible to participate in the Company's pension plan and/or receive a cash supplement of up to 30% of their salary. New Executive Directors are eligible to the maximum level of pension benefits at 25% of salary (provided either as a contribution to a pension scheme or as cash in lieu of pension). Non-Executive Directors are not eligible to participate in any pension schemes.

13. Significant shareholders

As at the Latest Practicable Date, the following persons had notified the Company of an interest which represents 3% or more of the voting share capital of the Company who, directly or indirectly, is interested in 3% or more of the Ordinary Shares, and the amount of such person's interest, is as follows:

	Interest as at the Latest Practicable Date	
Shareholder	No.	% of total issued share capital
Ameriprise Financial, Inc. and its group	46,386,643	9.997
AXA Investment Managers S.A.	46,255,532	9.98
FMR LLC	36,765,204	7.92
BlackRock, Inc.	34,916,857	7.52
APG Asset Management N.V.	32,521,613	7.01
Aberdeen Asset Managers Limited	23,056,448	4.97
Schroders plc	22,517,387	4.91

Save as disclosed in this paragraph 13, the Directors are not aware of any interest which will represent an interest in the Company's share capital or voting rights which is notifiable under the Disclosure Rules and Transparency Rules following the Acquisition becoming effective and Admission occurring.

So far as the Company is aware, on Admission, no person or persons, directly or indirectly, jointly or severally, will exercise or could exercise control over the Company.

There are no differences between the voting rights enjoyed by the shareholders described in this paragraph 13 and those enjoyed by any other holder of the Company's Ordinary Shares.

14. Mandatory bids and compulsory acquisition

The City Code on Takeovers and Mergers (the "**Takeover Code**") is issued and administered by the Panel on Takeovers and Mergers (the "**Panel**"). The Company is subject to the Takeover Code and therefore Elementis Shareholders are entitled to the protection afforded by the Takeover Code.

14.1 *Mandatory bids*

Under Rule 9 of the Takeover Code (1) when a person acquires an interest in shares which (taken together with the shares in which he or she and persons acting in concert with him or her are interested) carry 30% or more of the voting rights of a company subject to the Takeover Code; or (2) where a person, together with persons acting in concert with him or her is interested in shares which in the aggregate carry not less than 30% of the voting rights of a company, but does not hold shares carrying more than 50% of the voting rights of the company subject to the Takeover Code, and such person, or any persons acting in concert with him or her, acquires an interest in any other shares which increases the percentage of the shares carrying voting rights in which he or she is interested, then in either case, that person together with the person acting in concert with him or her, is normally required to extend offers in cash, at the highest price paid by him or her (or any persons acting in concert with him or her) for shares in the company within the preceding 12 months, to the holders of any class of equity share capital of that company whether voting or non-voting and also to the holders of any other transferable securities carrying voting rights.

14.2 *Squeeze-out*

Under the Companies Act 2006, if a "takeover offer" (as defined in section 974 of the act) is made for a company's shares and the offeror were to acquire or unconditionally contract to acquire, not less than 90% in value of the shares to which the offer relates and not less than 90% of the voting rights attached to those shares, within three months of the last day on which its offer can be accepted, it could acquire compulsorily the remaining 10%. It would do so by sending a notice to outstanding shareholders telling them that it will acquire compulsorily their shares to which the offer relates and then, six weeks later, it would execute a transfer of the outstanding shares under the takeover offer in its favour and pay the consideration to the company, which would hold the consideration on trust for outstanding shareholders. The consideration offered to the shareholders whose shares are acquired compulsorily under the Companies Act 2006 must, in general, be the same as the consideration that was available under the takeover offer.

14.3 *Sell-out*

The Companies Act 2006 also gives minority shareholders a right to be bought out in certain circumstances by an offeror who has made a takeover offer. If a takeover offer related to all the shares and at any time before the end of the period within which the offer could be accepted the offeror held or had agreed to acquire not less than 90% of the shares to which the offer relates, any holder of shares to which the offer related who had not accepted the offer could by a written communication to the offeror require it to acquire those shares. The offeror is required to give any shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of the minority shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a shareholder exercises his or her rights, the offeror is bound to acquire those shares, on the terms of the offer or on such other terms as may be agreed.

15. Working capital

The Company is of the opinion that, taking into account the facilities available to the Elementis Group, the Elementis Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of publication of this document.

The Company is of the opinion that, taking into account the facilities available to the Enlarged Group, the Enlarged Group has sufficient working capital for its present requirements, that is, for at least the next 12 months from the date of publication of this document.

16. Significant change

There has been no significant change in the financial or trading position of the Elementis Group since 30 June 2018, being the date of the last interim financial information incorporated by reference in to this document.

There has been no significant change in the financial or trading position of the Mondo Group since 30 June 2018, being the date of the last interim financial information included in this document.

17. Related party transactions

Save as disclosed in the information incorporated by reference into this document referred to below, no member of the Elementis Group entered into any transactions with related parties during the six months ended 30 June 2018 or the years ended 31 December 2017, 2016 and 2015. For further information, see:

- Page 12 of the Elementis Interim Results Announcement for 2018;
- Note 25 of the notes to the audited consolidated financial statements for the Elementis Group for the year ended 31 December 2017 which can be found at page 126 of the Elementis Annual Report 2017;
- Note 25 of the notes to the audited consolidated financial statements for the Elementis Group for the year ended 31 December 2016 which can be found at page 107 of the Elementis Annual Report 2016; and
- Note 25 of the notes to the audited consolidated financial statements for Elementis for the year ended 31 December 2015 which can be found at page 89 of the Elementis Annual Report 2015.

For the period from and including 1 July 2018 and the Latest Practicable Date, there were no related party transactions entered into by any member of the Elementis Group, save as disclosed below.

Save as disclosed in Part XIX (*Historical Financial Information Relating to the Mondo Group*) of this document, Mondo entered into no transactions with related parties during the six months ended 30 June 2018 or the years ended 31 December 2017, 2016 and 2015. In particular, see:

- Note 18 of the notes to the unaudited consolidated financial statements for the Mondo Group for the six months ended 30 June 2018 which can be found in Part XIX (*Historical Financial Information Relating to the Mondo Group*); and
- Note 24 of the notes to the audited consolidated financial statements for the Mondo Group for the years ended 31 December 2017, 2016 and 2015 which can be found in Part XIX (*Historical Financial Information Relating to the Mondo Group*).

For the period from and including 1 July 2018 and the Latest Practicable Date, there were no related party transactions entered into by Mondo, save as disclosed below.

18. Material contracts

18.1 *Elementis material contracts*

The following is a summary of each material contract, other than contracts entered into in the ordinary course of business, to which the Company or any member of the Elementis Group is a party, for the two years immediately preceding the date of publication of this document and a summary of any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the Elementis Group which contains any provision under which any member of the Elementis Group has any obligation or entitlement which is material to the Elementis Group as at the date of this document:

18.1.1 *Signing Protocol*

On 29 June 2018, Elementis, the Purchaser, the Seller and the Warrantors entered into the Signing Protocol. The Signing Protocol governed the conduct of the parties in relation to the consultation process with the works council of Mondo Minerals B.V. The Signing Protocol was governed by Dutch law and the key terms are summarised below:

(a) *Execution of the Sale and Purchase Agreement*

Elementis, the Purchaser and the Warrantors irrevocably committed to execute the Sale and Purchase Agreement as soon as possible but in any event within five Business Days after the delivery by the Seller to the Purchaser of a notice confirming that the works council of Mondo has completed its consultation. On 13 August 2018, the Sale and Purchase Agreement was entered into between Elementis, the Purchaser and the Seller. See "—*Sale and Purchase Agreement*" below.

The Signing Protocol remained in force until 13 August 2018, the date on which the Sale and Purchase Agreement was executed.

In addition, Elementis, the Purchaser and the Warrantors irrevocably committed to execute the Warranty Agreement, subject to the receipt of the notice referred to above. On 13 August 2018, the Warrantors entered into the Warranty Agreement with Elementis and the Purchaser. See "—*Warranty Agreement*" below.

(b) *Commitment*

The validity and enforceability of the undertakings of the Company, the Purchaser and the Seller under the Sale and Purchase Agreement were not subject to the execution of the Sale and Purchase Agreement.

(c) *Consultation process*

Pursuant to the Signing Protocol, Elementis, the Purchaser and the Seller were required to take all necessary steps to ensure completion of the works council consultation without undue delay. In addition, the Signing Protocol contained a number of specific obligations on the parties in relation to the works council consultation process.

(d) Covenants

Pursuant to the Signing Protocol, the Seller provided an exclusivity undertaking and undertook to comply with the covenants in the Sale and Purchase Agreement.

Elementis unconditionally and irrevocably guaranteed to the Seller the due and punctual performance by the Purchaser of its obligations under the Signing Protocol.

18.1.2 *Sale and Purchase Agreement (as amended by the Amendment Agreement)*

On 13 August 2018, the Sale and Purchase Agreement was entered into between Elementis, the Purchaser and the Seller. On 11 September 2018, the Amendment Agreement was entered into between the parties to the Sale and Purchase Agreement amending certain of the provisions set out therein.

Pursuant to the Sale and Purchase Agreement, the Purchaser will acquire the entire issued share capital of Mondo at Completion. The Sale and Purchase Agreement is governed by Dutch law and the key terms are summarised below:

(a) *Consideration*

Cash consideration

The initial cash consideration of $307.2 million is subject to locked box adjustments.

Mondo's Finnish subsidiaries are involved in two disputes with the Finnish tax authorities.

In relation to the first such dispute, €28.0 million is split between an escrow account that the Purchaser will pay into at Completion and a segregated bank account. The escrow amount is included in the $307.2 million cash consideration.

In relation to the second such dispute, the Purchaser will be required to pay an additional €10,875,000 (being a proportion of the determined amount in the dispute) to the Seller in the event that a final determination is made in favour of the relevant subsidiaries of Mondo, with the Mondo Group retaining any amount in excess of such sum.

Elementis will procure repayment of 100% of Mondo's financial indebtedness at Completion. Elementis intends to satisfy the cash consideration out of the proceeds of the Rights Issue, utilisation of the New Debt Facilities and existing cash resources.

Earn-Out Consideration

The Sale and Purchase Agreement includes the Earn-Out Consideration, provisions pursuant to which earn-out payments will be payable to the Seller up to a maximum of €45.7 million ($53.0 million), subject to the achievement of certain specific performance targets for Year 1, Year 2 and Year 3.

The performance targets are set based on "**Earn-Out Adjusted EBITDA**", which means EBITDA adjusted by:

(i) adding back any losses on non-recurring or exceptional items (to the extent only that they have been deducted to arrive at EBITDA) and any loss realised on the disposal or revaluation of assets whether tangible or intangible (other than trading stock), but not so that any amount is excluded twice; and

(ii) deducting any gains on non-recurring or exceptional items (only to the extent that they have been added to arrive at EBITDA) and any gain realised on the disposal or revaluation of assets whether tangible or intangible (other than trading stock), but not so that any amount is excluded twice; and

(iii) deducting any profit arising out of any release of provisions for liabilities and charges (to the extent only it is included in EBITDA), other than in the normal course of business, but adding back any provisions taken in EBITDA for any future liabilities and charges; and

(iv) adding back any costs or liabilities incurred by the Mondo Group companies in respect of the Transaction (including the earn-out and the "**Earn-Out Statement**" (meaning the earn-out statement to be prepared in accordance with the Amendment Agreement, which shall include, for each relevant year, (a) the audited consolidated accounts (including a balance sheet, a profit and loss account, a cash flow statement and notes and directors' and auditors' reports thereto) for Mondo and its subsidiaries, (b) the detailed calculation of the Earn-Out Adjusted EBITDA including any adjustment made pursuant to the Amendment Agreement (if any) (the "**Earn-Out Accounts**"), (c) the detailed calculation of the Earn-Out Consideration (if any) in respect of that year and (d) all supporting evidence in connection with the foregoing) but excluding, however, the preparation of audited consolidated financial statements for the Mondo Group companies) and/or the preparation and implementation of the transition of the Mondo Group companies to the Elementis Group; and

(v) adding back any costs and liabilities incurred by the Mondo Group companies in connection with any reorganisation, rationalisation or restructuring of the Mondo Group companies; and

(vi) adding back any value extracted by the seller during the period between the date of the Purchase Price (as defined in the Amendment Agreement) in accordance with the Amendment Agreement; and

(vii) adding back any EBITDA loss generated by new projects or developments not considered in the current business plan (such as the launching of new geographies, products or segments); and

(viii) adding back the costs of any of certain defined actions undertaken by the Mondo Group as set out in the Sale and Purchase Agreement, primarily relating to transactions taken out of the ordinary course of business,

it being provided that all items necessary to compute EBITDA and the Earn-Out Adjusted EBITDA (to the extent the relevant information is available therein) shall be derived from the relevant Earn-out Accounts.

Specifically, the terms of the Earn-Out Consideration state that if Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo and its subsidiaries for:

- Year 1 is greater than €40.5 million, then the Seller will be entitled to the amount by which Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo for Year 1 is greater than €40.5 million, provided that in no circumstances shall the Seller's maximum entitlement for Year 1 exceed €2.6 million;
- Year 2 is greater than €44.0 million, then the Seller will be entitled to "A", provided that in no circumstances shall the Seller's maximum entitlement for Year 2 exceed €21.6 million, where "A" is equal to ("B" x 5) and "B" is the amount by which Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo for Year 2 is greater than €44.0 million (subject to a reduction in the amount payable by the amount by which Earn-Out Adjusted EBITDA for Year 1 was less than €40.5 million (if applicable)); and
- Year 3 is equal to or greater than €50.0 million, then the Seller will be entitled to "C", provided that in no circumstances shall the Seller's maximum entitlement exceed €21.6 million, where "C" is equal to ("D" x 5) and "D" is the amount by which Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo for Year 3 is greater than €50.0 million (subject to a reduction in the amount payable by "E" where "E" is the amount by which Earn-Out Adjusted EBITDA for Year 2 was less than €44.0 million (if applicable)).

A payment of up to $8.6 million (as part of the overall maximum of €45.7 million) will also be payable as part of the Earn-Out Consideration where Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo for Year 2 less than €48.3 million and Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo for Year 3 is greater than €54.3 million. Such amount payable will be the lesser of:

(i) "G" where "G" is equal to (("H"÷2)x5) and "H" being the amount by which Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo for Year 2 is less than €48.3 million; and

(ii) "I" where "I" is equal to ("J" x 5) and "J" is the amount by which Earn-Out Adjusted EBITDA shown in the audited consolidated accounts for Mondo for Year 3 is greater than €54.3 million.

The consideration payable is also subject to locked box adjustments, which will lead to the reduction of the purchase price by the value of any leakage, and adjustments in connection with two disputes between Mondo's Finnish subsidiaries and the Finnish tax authorities.

(b) *Conditions and termination*

Completion of the Acquisition is conditional upon:

- the approval of the Acquisition (as a Class 1 transaction under the Listing Rules) by Elementis Shareholders passing an ordinary resolution at a general meeting; and
- the approval of the relevant anti-trust authorities in Brazil and Germany having been obtained.

If the Conditions have not been satisfied or waived by 31 December 2018, the Sale and Purchase Agreement may be terminated by either the Seller or the Purchaser on written notice to the other. The approval of the anti-trust authorities in Brazil and Germany was obtained on 8 August 2018 and 25 July 2018, respectively.

In the event that the General Meeting has not taken place by midnight on 11 October 2018 (the "**Shareholder Approval Longstop Date**"), the Seller may unilaterally terminate the Sale and Purchase Agreement or reset the Shareholder Approval Longstop Date at a date (the "**Extended Shareholder Approval Longstop Date**") which is consistent with the required duration to pass the Resolution and is no later than eight weeks after the Shareholder Approval Longstop Date. If the Resolution has not been passed by midnight on the Extended Shareholder Approval Longstop Date, or if the Resolution has been voted on but not duly passed by Elementis Shareholders, then either of the Seller or the Purchaser shall be entitled to terminate the Sale and Purchase Agreement with immediate effect by written notice to the other. If the Sale and Purchase Agreement is terminated in any of the circumstances in this paragraph then the Purchaser shall pay to the Seller a termination fee of $17.1 million within two business days of termination of the Sale and Purchase Agreement.

(c) *Warranties, limitations on liability and indemnification*

The Purchaser and the Seller will each give fundamental title and capacity warranties.

The time limit for the notification of claims under the Sale and Purchase Agreement will be eighteen months from Completion. The aggregate liability of the Seller in respect of all claims under the Sale and Purchase Agreement shall not exceed the initial cash consideration paid to the Seller in respect of the Mondo shares plus the portion of the escrow amount actually released to the Seller.

The Seller has indemnified the Purchaser for an amount equal to the amount of damages suffered or incurred by the Purchaser or the Mondo Group as a direct consequence of any breach of the Seller's warranties, subject to certain limitations and an obligation on the Purchaser to take all reasonable steps to mitigate the Seller's liability.

(d) *Covenants until Completion*

The Seller has undertaken, within the limit of its authority as shareholder of Mondo, to instruct and use all reasonable efforts to ensure that the Mondo Group will be run in the ordinary course of business and consistent with past practice. The Seller has also undertaken to ensure that the Mondo Group will comply with a number of specific covenants which further limit the extent to which the Mondo Group can make or incur unusual or exceptional payments or obligations.

18.1.3 *Warranty Agreement*

On 13 August 2018, the Warrantors entered into the Warranty Agreement with Elementis and the Purchaser. Pursuant to the Warranty Agreement, the Warrantors give customary business warranties subject to specific limitations of liability. The Warranty Agreement is governed by Dutch law and the key terms are summarised below:

(a) *Warranties*

The Warrantors are engaged in the management of the operations of Mondo. Pursuant to the Warranty Agreement, the Warrantors individually and not jointly give certain business warranties to Elementis and the Purchaser, concerning the business, constitution and assets of Mondo and companies in the Mondo Group. All warranties given by the Warrantors are given only on the basis of the Warrantors' knowledge and awareness and after having made due enquiry of certain identified persons within the Mondo Group. The warranties are qualified by matters disclosed in a disclosure schedule and the virtual data room (including vendor due diligence reports).

(b) *Limitations on liability*

The warranties given pursuant to the Warranty Agreement are subject to limitations and exclusions. Save in the event of fraud, the maximum aggregate liability of the Warrantors for claims under the warranties will be limited to $1. The time limit for claims (other than tax claims) under the Warranty Agreement will be eighteen months from Completion. The time limit for tax claims will be the expiry of the statute of limitation relating to the applicable category of tax.

No claim can be pursued under the Warranty Agreement unless the amount of any individual claim exceeds $0.5 million and the aggregate of all such claims exceeds $5 million.

The Warranty Agreement contains conduct of claims provisions in respect of any fact, matter or circumstance that may give rise to a claim against the Warrantors thereunder. The Purchaser shall ensure that all reasonable steps are taken and all reasonable assistance is given to avoid or mitigate the Warrantors' liability.

(c) *Warranty and Indemnity Insurance*

The Elementis Group intends to obtain warranty and indemnity insurance in respect of the warranties contained in the Sale and Purchase Agreement and the Warranty Agreement, subject to certain specified limitations agreed with the relevant insurer. The insurance will also cover certain tax liabilities arising in Mondo or its subsidiaries in relation to the period before Completion.

18.1.4 *Underwriting Agreement*

On 11 September 2018, the Company entered into the Underwriting Agreement with UBS and HSBC (the "**Underwriters**") which sets out the terms on which the Company has appointed: (i) UBS as Joint Global Coordinator, Joint Bookrunner, Underwriter and sole sponsor in relation to the Rights Issue and the Acquisition; and (ii) HSBC as Joint Global Coordinator, Joint Bookrunner and Underwriter in relation to the Rights Issue.

Subject to the terms and conditions of the Underwriting Agreement, the Underwriters have severally agreed, subject to certain conditions, to use reasonable endeavours to procure subscribers, or failing which, the Underwriters will themselves severally subscribe for their proportionate share of New Ordinary Shares not taken up under the Rights Issue or will procure sub-underwriters to do so, in each case, at the Rights Issue Price.

In consideration of the services of the Underwriters under the Underwriting Agreement, and subject to their obligations under the Underwriting Agreement having become unconditional and the Underwriting Agreement not being terminated, the Company has agreed to pay a commission at such times and in such proportions as between the Underwriters as contained in the Underwriting Agreement. The Company shall pay the costs and expenses of, or in connection with, the Rights Issue on the basis contained in the Underwriting Agreement.

The Company has given certain customary representations and warranties to the Underwriters as to the accuracy of the information contained in this document and other relevant documents, and in relation to other matters relating to the Elementis Group, the Mondo Group and the Enlarged Group. In addition, the Company has given customary indemnities to the Underwriters and certain indemnified persons connected with each of them.

The obligations of the Underwriters under the Underwriting Agreement are subject to certain customary conditions being satisfied, including, amongst others:

- the fulfilment by the Company of certain of its obligations under the Underwriting Agreement by the times and dates specified in the Underwriting Agreement;

- the warranties, representations and undertakings given by the Company in the Underwriting Agreement being true, accurate and not misleading on and as of the date of the Underwriting Agreement, the date of this document, the date of any supplementary prospectus and the date of Admission; and
- Admission having occurred by not later than 8.00 a.m on 4 October 2018 (or such later time and/or date as the Company may agree with the Underwriters but being no later than 18 October 2018).

In certain circumstances, prior to the Admission of the Nil Paid Rights, including where any of the conditions are not satisfied (or, where capable of being waived, are waived by the Underwriters) or shall have become incapable of being satisfied by the required time and date, the Underwriters may terminate the Underwriting Agreement. The Underwriting Agreement is not capable of termination after Admission.

The Company has given certain undertakings including an undertaking that it will not, without the prior written consent of the Underwriters, undertake certain actions in relation to its share capital, including issuing further Ordinary Shares, for a period of 90 days from Completion, subject to certain exceptions, including the issue of the New Ordinary Shares.

18.1.5 *Facilities Agreement*

On 11 September 2018, Elementis Holdings Limited and Elementis US Holdings Inc. as original borrowers and original guarantors and Elementis, Elementis UK Limited, Elementis Chromium Inc., Elementis Specialties, Inc. and Elementis SRL, Inc. as original guarantors entered into the Facilities Agreement with Commerzbank Finance & Covered Bond S.A. as agent and HSBC as arranger, bookrunner and original lender. Under the Facilities Agreement, the Term Facility, consisting of a $400 million term loan facility (which is split into a $200 million US dollar denominated tranche and a €172 million euro denominated tranche) (the "**Term Facility**"), and a $375 million multi-currency revolving credit facility (the "**Revolving Facility**" and together with the Term Facility, the "**New Debt Facilities**"), are available for drawing by the original borrowers. HSBC will arrange for the New Debt Facilities to be syndicated to a number of financial institutions.

The New Debt Facilities are unsecured but are otherwise guaranteed by the guarantors listed above and other additional guarantors required to accede following Completion.

The Term Facility is to be applied for the following purposes: (i) financing the consideration payable for the Acquisition; (ii) financing fees, costs and expenses in connection with the Acquisition and the Facilities Agreement; (iii) refinancing certain existing indebtedness of the Elementis Group, Mondo and its subsidiaries. The Revolving Facility is to be applied towards the same purposes as the Term Facility but may also be drawn for general corporate and working capital purposes of the Elementis Group, including the financing of permitted acquisitions.

The New Debt Facilities mature on the date falling 60 months after the date of the Facilities Agreement, with the maturity date of the Revolving Facility subject to an extension of up to two years, which must be agreed with each lender. The New Debt Facilities are available for drawing in US dollars, euros, pounds sterling and other currencies (subject to certain conditions) from the date of the Facilities Agreement to: (i) in relation to the Term Facility, the last day of the "Certain Funds Period" (as defined in the Facilities Agreement); and (ii) in relation to the Revolving Facility, one month prior to its maturity date. The last day of the Certain Funds Period is the earlier of the date for completion of the Acquisition, the date the Sale and Purchase Agreement is terminated and 31 December 2018.

The New Debt Facilities have been provided on a certain funds basis. This means that provided that certain key conditions have been satisfied (including receipt of the subscription proceeds from the Rights Issue or evidence that the UKLA has admitted the nil paid rights pursuant to the Rights Issue), the lenders are obliged to participate in loans requested during the availability periods unless: (i) there is a "Certain Funds Default" (as defined in the Facilities Agreement relating to a Borrower, which includes non-payment, misrepresentation of a major representation, breach of negative pledge or disposals restrictions, insolvency of an obligor and certain other major defaults); (ii) a change of control of Elementis occurs; or (iii) it becomes unlawful for the lender to make the loan or for a borrower to comply with its obligations under the Facilities Agreement.

The Facilities Agreement contains customary representations, undertakings, covenants, indemnities and events of default with appropriate carve-outs and materiality thresholds, where relevant. The financial covenants comprise a leverage test and an interest cover test. Under the leverage test, the net borrowings of the Elementis Group must not exceed: (i) 3.75 times the EBITDA of the Elementis Group (or 4.75 times if the Equity Bridge (as defined in this Part XXIII) has been drawn in full and is outstanding) in respect of each measurement period falling on or before the date falling 12 months after Completion; and (ii) 3.25 times the EBITDA of the Elementis Group in respect of each measurement period thereafter. Under the interest cover test, the ratio of consolidated operating profits before net interest expense and tax of the Elementis Group to net interest expense of the Elementis Group must not be less than 3:1 at the end of each measurement period.

The New Debt Facilities may be prepaid without premium or penalty but subject to breakage costs (if applicable). The amount available under the New Debt Facilities is subject to reduction in accordance with the Facilities Agreement including, but not limited to, mandatory prepayment from the proceeds of any financing raised from the international or domestic debt capital markets.

The interest rate charged on loans made under the New Debt Facilities will be equal to the aggregate of an appropriate benchmark rate and the applicable margin. The initial margins are 2.50% per annum for the Term Facility and 2.25% per annum for the Revolving Facility, with the margin ratcheting between 3.00% and 1.25% per annum for the Term Facility and 2.75% and 1.00% per annum for the Revolving Facility, in accordance with the total leverage of the Elementis Group.

Certain fees are payable to the finance parties in connection with the New Debt Facilities, including upfront fees, syndication fees, a ticking fee, an ongoing commitment fee for the Term Facility, an ongoing utilisation fee for the Revolving Facility and an annual agency fee. The Facilities Agreement is governed by the laws of England and Wales.

18.1.6 *Equity Bridge Agreement*

On 11 September 2018, Elementis Holdings Limited as original borrower and original guarantor and Elementis, Elementis UK Limited, Elementis Chromium Inc., Elementis Specialties, Inc., Elementis US Holdings Inc. and Elementis SRL, Inc. as original guarantors entered into the Equity Bridge Agreement with HSBC, under which a term loan for $230 million (the "**Equity Bridge**") is available for drawing by the original borrower.

The Equity Bridge is being provided to bridge any funding gap between admission by the UKLA of the nil paid rights the subject of the Rights Issue and receipt of the subscription proceeds from the Rights Issue. It is available to be drawn in US dollars and euros for the same purposes as the Term Facility and for the period between the date of the Equity Bridge Agreement and the last day of the "Certain Funds Period" (as defined in the Equity Bridge Agreement). The maturity date is 6 months, subject to a 6-month extension at the discretion of the borrower.

The Equity Bridge is unsecured but is otherwise guaranteed by the guarantors listed above and other additional guarantors required to accede following Completion.

Like the New Debt Facilities, the Equity Bridge is also provided on a certain funds basis and is subject to the same representations, undertakings, covenants and events of default as the New Debt Facilities. One of the conditions to utilisation is that the New Debt Facilities have or will be utilised to fund the Acquisition.

The Equity Bridge may be prepaid without premium or penalty but subject to breakage costs (if applicable). The amount available under the Equity Bridge is subject to reduction in accordance with the Equity Bridge Facility including, but not limited to, mandatory prepayment from the subscription proceeds of the Rights Issue.

The interest rate charged under the Equity Bridge will be equal to the aggregate of London Inter-Bank Offer Rate and the applicable margin, with the margin initially at 1.25% per annum and increasing over time up to 3.75%.

Certain fees are payable to the finance parties in connection with the Equity Bridge, including an upfront fee, a closing fee and a ticking fee. The Equity Bridge Agreement is governed by the laws of England and Wales.

18.1.7 *Sale and Purchase Agreement in respect of the acquisition of SummitReheis*

On 9 February 2017 the Company entered into a sale and purchase agreement to acquire SRLH Holdings, Inc. ("**SummitReheis**") from SRLH Investor Holdings, LLC, an affiliate of One Rock Capital Partners, LLC. The key terms of the agreement are summarised below.

Structure and consideration

Pursuant to the sale and purchase agreement, the Company acquired SummitReheis on a cash free debt free basis for cash consideration of $360.0 million, subject to certain adjustments for indebtedness and working capital at completion paid under an escrow mechanism.

The sale and purchase agreement contained conduct of business provisions to govern arrangements between the parties for the period between signing and completion, including cooperation provisions in connection with the relevant governmental approvals and filings.

As part of the transaction certain key employees of SummitReheis entered into employee retention letters with the Company, and One Rock Capital Partners entered into a non-solicitation agreement in relation to employees of SummitReheis and its subsidiaries.

Conditions

Completion of the acquisition was conditional on the satisfaction of the requisite waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976 and execution of the Escrow Agreement. The acquisition completed on 24 March 2017.

Warranties, limitations on liability and indemnities

SummitReheis gave fundamental warranties in respect of organisation, capitalisation and authorisation, as well as certain business warranties. All claims in respect of pre-closing covenants, representations and warranties were subject to a 12-month limitation period from closing. SRLH Investor Holdings, LLC gave indemnities for breach of certain warranties that were capped at £1.5 million.

18.1.8 *Sale and Purchase Agreement in respect of the sale of the Elementis Group's surfactants business*

On 21 February 2018, Elementis B.V., a wholly-owned subsidiary of Elementis, entered into a sale and purchase agreement to sell its Surfactants business located in Delden, the Netherlands to KLK Chemicals Holding Netherlands B.V., a subsidiary of Kolb Distribution AG ("Kolb"). The key terms of the agreement are defined below.

Structure and consideration

The cash consideration payable was €39.0 million, subject to working capital adjustments at completion. Completion was conditional on completion of employee consultation processes, obtaining the requisite regulatory approvals and other customary closing conditions. Completion occurred on 28 February 2018 upon receipt of the necessary regulatory approvals.

Warranties, limitations on liability and indemnities

Elementis B.V. gave fundamental warranties in respect of due incorporation and title and capacity, as well as certain business and tax warranties.

Liability was capped at the purchase price for breaches of fundamental and tax warranties and 20% of the purchase price for the business warranties. The time limit for bringing claims was 10 years for fundamental warranties.

Elementis B.V. gave certain specific indemnities in connection with litigation proceedings that were on-going at the time of the sale.

18.2 *Mondo material contracts*

The following is a summary of each material contract, other than contracts entered into in the ordinary course of business, to which Mondo or any member of the Mondo Group is a party, for the two years immediately preceding the date of publication of this document and a summary of any other contract (not being a contract entered into in the ordinary course of business) entered into by any member of the Mondo Group which contains any provision under which any member of the Mondo Group has any obligation or entitlement which is material to the Mondo Group as at the date of this document.

18.2.1 *Senior Facilities Agreement*

On 26 April 2017, Mondo Minerals Holding B.V. as parent and guarantor entered into a facilities agreement (the "**Senior Facilities Agreement**") with, among others, Hayfin DLF II Luxco 2 S.à r.l. and BNP Paribas Fortis SA/NV as arrangers, Hayfin Services LLP as agent and security agent and certain subsidiaries of Mondo Minerals Holding B.V. as borrowers and guarantors. Under the Senior Facilities Agreement, a €185 million term loan facility (the "**Mondo Term Facility**") and a €12.5 million multicurrency revolving credit facility (the "**Mondo Revolving Facility**", and together with the Mondo Term Facility, the "**Mondo Debt Facilities**") were made available for drawing by the relevant borrowers.

The Mondo Term Facility is to be applied towards refinancing certain existing indebtedness of the Mondo Group. The Mondo Revolving Facility is to be applied towards the general corporate and working capital purposes of the Mondo Group arising in the ordinary course of business.

The Mondo Term Facility matures on the date falling seven years after the date of first utilisation of the Mondo Term Facility, and the Mondo Revolving Facility matures on the date falling six years after the date of first utilisation of the Mondo Term Facility. The Mondo Term Facility is available for drawing in euros and the Mondo Revolving Facility is available for drawing in euros, US dollars, pounds sterling and other currencies (subject to certain conditions) once the Mondo Term Facility has been, or simultaneously will be, utilised in full.

The Senior Facilities Agreement contains representations, undertakings, covenants, indemnities and events of default with certain permitted exceptions and materiality thresholds. The financial covenants comprise a leverage test and a minimum EBITDA test. Under the leverage test, the net borrowings of the Mondo Group must not exceed: (i) 7.50 times the Consolidated Pro Forma EBITDA (defined in the Senior Facilities Agreement as EBITDA plus the pro forma EBITDA generated by permitted acquisitions and permitted joint ventures during the relevant period, less the EBITDA generated by permitted disposals during the relevant period) of the Mondo Group in respect of each quarter in the 12-month measurement period ending 31 March 2018; (ii) 7.25 times the Consolidated Pro Forma EBITDA of the Mondo Group in respect of each quarter in the 12-month period ending 31 March 2019; (iii) 7.125 times the Consolidated Pro Forma EBITDA of the Mondo Group in respect of each quarter in the 12-month period ending 31 March 2020; and (iv) 7.0 times the Consolidated Pro Forma EBITDA of the Mondo Group in respect of each quarter thereafter. Under the minimum EBITDA test, the Consolidated Pro Forma EBITDA must not be less than €24 million in respect of each quarterly measurement period.

Following a non-call period of 12 months from the date of first utilisation during which a make-whole premium is payable on certain prepayments, the Mondo Debt Facilities may be prepaid without premium or penalty but subject to breakage costs (if applicable). The Mondo Debt Facilities are subject to mandatory prepayment in certain circumstances, including, among others, an initial public offering or a change of control.

The interest rate charged on loans under the Mondo Debt Facilities is the percentage rate per annum which is aggregate of the applicable margin and EURIBOR (or, in relation to any loan not in euros, LIBOR). The margin applicable to loans under the Mondo Term Facility will be 5.00% per annum plus an additional PIK (payment in kind) margin (ratcheting between 1.75% and 0.75% per annum in certain circumstances). The margin applicable to loans under the Mondo Revolving Facility is 4.00% per annum

Certain fees have been paid and/or are payable to the finance parties in connection with the Mondo Debt Facilities, including a commitment fee and an arrangement fee. The Senior Facilities Agreement is governed by the laws of England and Wales.

19. *Litigation*

19.1 *Elementis litigation*

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months prior to the date of this document which may have, or have had in the recent past, significant effects on the Company and/or the Elementis Group's financial position or profitability.

19.2 *Mondo litigation*

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Company is aware) during the 12 months prior to the date of this document which may have, or have had in the recent past, significant effects on Mondo and/or the Mondo Group's financial position or profitability.

20. *Property, plant and equipment*

20.1 *The Elementis Group*

Aside from the assets set out under paragraph 7 of Part XI (Information on the Elementis Group) and listed below, there is no existing or planned fixed asset which is material to the Elementis Group:

Name	Type
East Windsor, NJ (US)	US Management HQ
Caroline House, London (UK)	UK Corporate HQ
Livingston (UK)	Manufacturing site
Cologne (Germany)	Manufacturing site
Ludwigshafen (Germany)	Manufacturing site
Anji, Changxing, Sonjiang (China)	Manufacturing sites
Hsinchu (Taiwan)	Manufacturing site
Palmital (Brazil)	Manufacturing site
Amarillo, TX (US)	Manufacturing site
Castle Hayne, NC (US)	Manufacturing site
Corpus Christi, TX (US)	Manufacturing site
Dakota City, NE (US)	Manufacturing site
Milwaukee, WI (US)	Manufacturing sites
Huguenot, NY (US)	Manufacturing site
Middletown, NY (US)	Manufacturing site
St. Louis, MO (US)	Manufacturing site
Charleston, WV (US)	Manufacturing site
Newberry Springs, CA (US)	Mine and processing facility
New Martinsville, WV (US)	Manufacturing site

20.2 *The Mondo Group*

Aside from the assets set out set out under paragraph 6 of Part XII (Information on the Mondo Group) and below, there is no existing or planned fixed asset which is material to the Mondo Group.

The Mondo Group's mining assets in Finland currently comprise two production sites located in two separate clusters of talc deposits (the Sotkamo site and the Vuonos site) with four operating open pit mines (Punasuo, Uutela, Pehmytkivi and Karnukka). In addition to the four operating open pit mines, the Mondo Group owns exploration and mining licenses for a number of formerly operating pits and greenfield exploration projects, which are not currently in operation. The Mondo Group's mines extract talc-magnesite ore which feeds the plants to generate numerous talc products along with nickel-cobalt and magnesite co-products.

The Mondo Group also owns and operates production plants in Amsterdam and Katwijk in the Netherlands, which are used to refine the Finnish talc products and process externally-sourced talc material. Talc concentrate and intermediates from the plants in Finland are transported to the processing facilities in Amsterdam and Katwijk. Subsequent to processing at the Netherlands plants, the final products are transported to customers by third-party logistic vendors.

20.2.1 *Sotkamo site*

The Sotkamo site comprises the quarries, country rock piles, tailing areas, water treatment basins and an industrial production site. The land and buildings at the Sotkamo site are owned by the Mondo Group, with the total area constituting approximately 420 ha. The Sotkamo production site comprises a concentration plant, a microtalc plant, a slurry make down plant and a boiler plant, and occupies a total area of 13 ha. In addition to the production area, the site also includes tailing areas and related ponds with an area of approximately 80 ha and a country rock area of approximately 60 ha. Additional buildings and structures include a sanitary sewage treatment plant, a chemical storage and other storage buildings and areas, a workshop, hazardous waste storage, a laboratory, office premises, thickeners and crushers, oil tanks, vehicle scales, sacking facilities, a dispatching hall and a transformer station, a power plant and office buildings. Ore is currently transported to the production site from the Punasuo and Uutela quarry. The talc quarry concessions in this area are: Lahnaslampi (924 ha), Punasuo (62.8 ha), Uutela (48.4 ha), Mieslahti (80.7 ha), Tyynelä (79.9 ha), Maailmankorpi, Tyvisuo (41.9 ha) and Pihlajavaara (21.3 ha).

20.2.2 *Vuonos site*

The land and buildings at the Vuonos site are owned by Mondo Group. The production site occupies a total area of 12 ha. In addition to the production area, the site also includes tailing areas, intermediate basins and pumping basins comprising an area of approximately 160 ha. The plant area consists of a concentration plant, a microtalc plant, an elutriation plant (including a slurry make down process) and tailings areas. The Vuonos site also includes a recently developed nickel and cobalt bioleaching plant (including bioreactors) which is currently in the start-up phase (as at 31 December 2017, the total investment was €18.3 million). The input for this nickel plant will be the nickel-cobalt concentrate (approximately 8.0-10.0% nickel content) produced at the Sotkamo and Vuonos sites. In the bioleaching process, a nickel hydroxide product (approximately 48.0% nickel content) is produced, containing approximately 1,000t of pure nickel and approximately 40t pure cobalt per year. This product will be sold at least in part according to an offtake agreement (with a term of ten years from 1 January 2019). See "*Description of the business—Co-products*" in Part XII (*Information on the Mondo Group*). Ore is currently transported to the production site from the Pehmytkivi and Karnukka quarries. The talc quarry concessions in this area are: Karnukka (106.1 ha), Horsmanaho (and Pehmytkivi 147ha), Lipasvaara (98.3 ha), Vasara (179.7 ha) and Sola (40.3 ha).

Approximately 65.0% of the total talc floatation capacity was in use as at 31 December 2017. Approximately 60.0%—70.0% of the total milling capacity was in use as at 31 December 2017.

20.2.3 *Amsterdam site*

The buildings at the Amsterdam site are owned by the Mondo Group. The land is leased on a long-term basis from the city of Amsterdam. One building (a finished goods warehouse) on the northwestern part of the site is leased from Projectvennootschap Nieuwe Hemweg BV. The total property surface area is 51,015 square metres. Finished goods leave the site on trucks via the new finished goods warehouse located in the northwestern portion of the site. Site buildings and features include a berthing quay and coaster, warehouses and bunkers, production buildings, silos, office and laboratory buildings. As at 31 December 2017, approximately 83.3% of the total capacity of the plant was in use.

20.2.4 *Katwijk site*

The land and buildings at the Katwijk site are owned by the Mondo Group. The total property surface area is 25,000 square metres. The rectangular parcel of property is occupied by a principal building on site for the production of talc slurry, with associated structures. To the south of the property is a harbour and berth which connect to a major surface waterway, the Maas River, some 400 to 500 metres north of the property. Site buildings and features include a berthing quay, production buildings, bulk storage tanks, silos, control room and laboratory buildings.

20.2.5 *Systems*

Overall, the mining operations, processing plants and associated logistics systems are well established. Power and water is readily available, and the sites are easily accessible. The logistics systems rely on national transport infrastructure routes and are operated by third party logistics operators. While some capacity increase is proposed at the plants in Finland, the current infrastructure and logistics systems should be sufficient to support overall business.

20.2.6 ***Carrying amount***

As at 31 December 2017, the carrying amount of the Mondo Group's property, plant and equipment was €195.9 million, of which €3.8 million was attributable to land, €30.3 million to buildings, €74.9 million to mineral assets, €60.3 million to plant and equipment, €1.8 million to other tangible assets and €24.8 million to assets under construction.

21. ***Auditors***

Deloitte LLP is registered to carry on audit work in the United Kingdom and Ireland by the Institute of Chartered Accountants in England and Wales. Deloitte LLP is the Company's external auditor as at the date of this document and audited the accounts of the Company for the financial years ended 31 December 2017 and 2016.

KPMG LLP, a member firm of the Institute of Chartered Accountants in England and Wales was the Company's external auditor until 27 April 2016 and audited the accounts of the Company for the financial year ended 31 December 2015. KPMG LLP is a UK limited liability partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("**KPMG International**"), a Swiss entity. KPMG LLP is registered in England No OC301540, with its registered office at 15 Canada Square, London, E14 5GL. For full details of KPMG LLP's professional regulation please refer to "Regulatory Information" under "About/About KPMG" at www.kpmg.com/uk.

22. ***Consents***

Deloitte LLP has given and not withdrawn its written consent to the inclusion of its report on the Unaudited Pro Forma Financial Information in Section B of Part XX (*Unaudited Pro Forma Financial Information Relating to the Enlarged Group*) in this document in the form and context in which it appears and has authorised the contents of the part of this document which comprise its report for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules. A written consent under the Prospectus Rules is different from a consent filed with the SEC under section 7 of the Securities Act. As the New Ordinary Shares will not be registered under the Securities Act, Deloitte LLP has not filed a consent under section 7 of the Securities Act.

KPMG LLP has given and not withdrawn its written consent to the inclusion of its report on the Historical Financial Information relating to the Mondo Group in Section B of Part XIX (*Historical Financial Information Relating to the Mondo Group*) in this document in the form and context in which it appears and has authorised the contents of the part of this document which comprise its report for the purposes of Rule 5.5.3R(2)(f) of the Prospectus Rules.

SRK has given and not withdrawn its written consent to the incorporation by reference in this document of its report which is set out in Appendix 1 (*Competent Person's Report*) of this document and references to them in the form and context in which they appear and has authorised the contents of its report for the purposes of Rule 5.5.33R(2)(f) of the Prospectus Rules. The Company confirms that, between the date of publication of the Competent Person's Report and the date of this document, no material changes have occurred, the omission of which would make the Competent Person's Report misleading.

Evercore has given and not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

UBS has given and not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

HSBC has given and not withdrawn its written consent to the issue of this document with the inclusion herein of the references to its name in the form and context in which they appear.

23. ***Miscellaneous***

The total costs and expenses (exclusive of VAT) payable by the Elementis Group in connection with the Acquisition and the Rights Issue are estimated to be approximately £3.8 million. Given the inter-relationship between the Acquisition and the Admission of the New Ordinary Shares, it is not practicable to separate costs attributable solely to the Acquisition and the Admission of the New Ordinary Shares. There are no amounts payable to financial intermediaries.

24. *Information incorporated by reference*

The following documents, which have been filed with or notified to the FCA and are available for inspection in accordance with paragraph 26 of this Part XXIV (*Additional Information*) of this document, contain information about the Elementis Group which is relevant to this document:

- Elementis' Interim Results Announcement 2018, containing Elementis' consolidated financial statements for the 6 months ended 30 June 2018, together with a review report in respect of that period and a discussion of Elementis' financial performance;
- Elementis' Annual Report 2017, containing Elementis' audited consolidated financial statements for the year ended 31 December 2017, together with an audit report in respect of that period and a discussion of Elementis' financial performance;
- Elementis' Annual Report 2016, containing Elementis' audited consolidated financial statements for the year ended 31 December 2016, together with an audit report in respect of that period and a discussion of Elementis' financial performance; and
- Elementis' Annual Report 2015, containing Elementis' audited consolidated financial statements for the year ended 31 December 2015, together with an audit report in respect of that period and a discussion of Elementis' financial performance.

25. *Documents available for inspection*

Copies of the following documents will be available for inspection at the Company's registered office at Caroline House, 55-57 High Holborn, London, WC1V 6DX, United Kingdom during normal business hours on Monday to Friday each week (public holidays excepted) for a period of 12 months following Admission:

- the Signing Protocol;
- the Sale and Purchase Agreement;
- the Warranty Agreement;
- Memorandum of Association and the Articles of Association;
- the annual report and audited consolidated financial information for the Elementis Group in respect of the three financial years ended 31 December 2017, 2016 and 2015;
- the audited consolidated financial information for the Mondo Group in respect of the six months three financial years ended 31 December 2017, 2016 and 2015;
- the report of Deloitte LLP on the Unaudited Pro Forma Financial Information set out in Part V (*Rights Issue Statistics)*;
- the Competent Person's Report;
- copies of the letters of consent of Evercore, UBS and HSBC referred to in paragraph 22 of this Part XXIV; and
- the Circular.

This document is dated 11 September 2018.

PART XXIV

DEFINITIONS

The following definitions shall apply throughout this document unless the context requires otherwise:

"Acquisition"	the proposed acquisition of the entire issued share capital of Mondo by the Elementis Group
"Admission"	the admission of the New Ordinary Shares, nil paid, to the premium listing segment of the Official List and to trading on the London Stock Exchange's main market for listed securities
"AGM"	the annual general meeting of the Company as required under the Companies Act
"Amendment Agreement"	the amendment agreement dated 11 September 2018 between the Seller, the Purchaser and Elementis for the amendment to the terms of the Sale and Purchase Agreement
"Articles of Association" or **"Articles"**	the articles of association of the Company
"Audit Committee"	the audit committee of the Board
"Auditors"	Deloitte LLP
"Board"	the board of directors of the Company
"Business Day"	a day (other than a Saturday or Sunday) on which banks are open for general business in London
"CAGR"	compound annual growth rate
"Circular"	the circular published by Elementis on 11 September 2018, containing the Notice of General Meeting
"Companies Act"	UK Companies Act 2006, as amended
"Company" or **"Elementis"**	Elementis plc, a company registered in England and Wales with registered number 03299608
"Competent Person's Report"	the Competent Person's Report by SRK Consulting (UK) Limited set out in Appendix 1
"Completion"	completion of the Acquisition
"Conditions"	the conditions to the implementation of the Acquisition which are set out in this document
"**CREST**"	the system of paperless settlement of trades in securities and the holding of uncertificated securities operated by Euroclear in accordance with the Uncertificated Securities Regulations
"CREST Proxy Instruction"	has the meaning given to it in the Notice of General Meeting appended to this document
"CREST Regulations"	the Uncertificated Securities Regulations 2001 (SI 2001 No. 3755), as amended
"Dealing Day"	a day on which dealings in domestic equity market securities may take place on the London Stock Exchange
"dealing nil paid"	sale or transfer of Nil Paid Rights

"Directors"	the directors of the Company whose names appear in Part XXIII (*Directors and Corporate Governance*) of this document
"Disclosure Rules"	the disclosure rules of the FCA made pursuant to section 73A of FSMA, as amended from time to time
"Earn-Out Adjusted EBITDA"	the EBITDA thresholds for the Earn-Out Consideration, as defined in the Sale and Purchase Agreement
"Earn-Out Consideration"	the earn-out consideration payable to the Seller in accordance with the terms of the Sale and Purchase Agreement, subject to the achievement of certain performance targets as set out in the Sale and Purchase Agreement
"EBITDA"	earnings before interest, tax, depreciation and amortisation
"EEA State"	a state which is a contracting party to the agreement on the European Economic Area signed on 2 May 1992, as it has effect for the time being
"EEA"	the European Economic Area
"Elementis Annual Report 2015"	The annual report of the Elementis Group published in 2015
"Elementis Annual Report 2016"	The annual report of the Elementis Group published in 2016
"Elementis Annual Report 2017"	The annual report of the Elementis Group published in 2017
"Elementis Group"	Elementis plc and its subsidiary undertakings (as defined in the Companies Act)
"Enlarged Group"	the Elementis Group plus the Mondo Group, following Completion or, if the Acquisition does not complete, the Elementis Group (as the context requires)
"Equiniti"	Equiniti Limited
"Equity Bridge"	a term loan for $230.0 million made available to the Borrower pursuant to the Equity Bridge Agreement
"Equity Bridge Agreement"	an equity bridge facility agreement dated 11 September 2018 between Elementis Holdings Limited as original borrower and original guarantor and Elementis, Elementis UK Limited, Elementis Chromium Inc., Elementis Specialties, Inc., Elementis US Holdings Inc. and Elementis SRL, Inc. as original guarantors, and HSBC Bank plc, as described in paragraph 5.1.6 of Part VI (*Additional Information*) of this Circular
"EU"	the European Union
"Euroclear"	Euroclear UK & Ireland Limited, the operator of CREST
"Excluded Territories"	Australia, Canada, New Zealand, Japan, South Africa and any other jurisdiction where the extension or availability of the Rights Issue (and any other transaction contemplated thereby) would breach any applicable law or regulation
"Existing Ordinary Shares"	the Ordinary Shares in issue as at the date of this document

"Ex-Rights Date"	the date on which the New Ordinary Shares are expected to commence trading ex-Rights, being 8.00 a.m. on 3 October 2018
"Extended Shareholder Approval Longstop Date"	a date which the Seller may set as a new longstop date if the General Meeting has not taken place by midnight on the later of 11 October 2018 and the Shareholder Approval Longstop Date, which is consistent with the required duration to pass the Resolution and is no later than eight weeks after the Shareholder Approval Longstop Date
"Facilities Agreement"	a facilities agreement dated 11 September 2018 entered into between, amongst others, Elementis Holdings Limited and Elementis US Holdings Inc. as original borrowers and original guarantors, Elementis, Elementis UK Limited, Elementis Chromium Inc., Elementis Specialties, Inc. and Elementis SRL, Inc. as original guarantors, and Commerzbank Finance & Covered Bond S.A. as agent
"FCA"	the UK Financial Conduct Authority
"Form of Proxy"	the personalised form of proxy accompanying this document for use by the Shareholders in connection with the General Meeting
"FSMA"	the Financial Services and Markets Act 2000, as amended
"Fully Paid Rights"	rights to acquire the New Ordinary Shares, fully paid
"General Meeting"	the general meeting of the Company proposed to be held at the Montcalm Royal London House, 22-25 Finsbury Square, London EC2A 1DX at 10.00 a.m. on 3 October 2018 to approve the Resolution, or any adjournment thereof
"Historical Financial Information"	together the Historical Financial Information relating to the Elementis Group and the Historical Financial Information relating to the Mondo Group set out in Part XVIII Historical *Financial Information Relating to the Elementis Group*) and Part XIX (*Historical Financial Information Relating to the Mondo Group*) of this document
"HM Revenue and Customs" or **"HMRC"**	Her Majesty's Revenue and Customs
"HSBC"	HSBC Bank plc
"IFRS"	International Financial Reporting Standards as adopted by the European Commission for use in the European Union
"IRS"	the United States Internal Revenue Service
"ISIN"	International Security Identification Number
"Issue Price"	152.0 pence per New Ordinary Share
"Joint Bookrunners"	UBS and HSBC
"Joint Global Coordinators"	UBS and HSBC

"Legislation"	means the Companies Acts, the CREST Regulations and every other enactment for the time being in force concerning companies and affecting the Company
"Latest Practicable Date"	7 September 2018, being the latest practicable date prior to publication of this document
"Listing Rules"	the listing rules of the FCA made pursuant to section 73A of FSMA, as amended from time to time
"London Stock Exchange"	London Stock Exchange plc
"Longstop Date"	31 December 2018
"Memorandum of Association"	the memorandum of association of the Company
"Member States"	the Member States of the European Union from time to time
"Mondo"	Mondo Minerals Holding B.V.
"Mondo Group"	Mondo and its subsidiary undertakings (as defined in the Companies Act)
"Money Laundering Regulations"	the Money Laundering Regulations 2007, as amended from time to time
"New Debt Facilities"	the Term Facility and the Revolving Facility
"New Ordinary Shares"	the new Ordinary Shares to be issued by the Company pursuant to the Rights Issue
"Nil Paid Rights"	New Ordinary Shares in nil paid form provisionally allotted to Qualifying Shareholders pursuant to the Rights Issue
"Nominations Committee"	the nominations committee of the Board
"Notice of General Meeting"	the notice of a General Meeting of the Company contained in the Circular
"Official List"	the Official List of the FCA
"Ordinary Shares"	the ordinary shares with a nominal value of 5 pence each in the share capital of the Company
"Overseas Shareholders"	Shareholders who are resident in, ordinarily resident in, or citizens of, jurisdictions outside the United Kingdom
"PRA"	the Prudential Regulation Authority
"Pro Forma Financial Information"	unaudited pro forma statement of net assets and pro forma statement of profit and loss in relation to the Enlarged Group
"Prospectus Directive"	Directive 2003/71/EC (as amended from time to time, including by Directive 2010/73/EC to the extent implemented in the relevant EEA state) and includes any relevant implementing measures in each EEA state that has implemented Directive 2003/71/EC
"Prospectus Directive Regulation"	Regulation number 809/2004 of the European Commission

"Prospectus Rules"	the prospectus rules of the FCA made pursuant to section 73A of the FSMA, as amended from time to time
"Provisional Allotment Letter"	the provisional allotment letter to be issued to Qualifying Non-CREST Shareholders
"Purchaser"	Elementis Holdings Limited
"QIBs"	"qualified institutional buyers" as defined in Rule 144A
"Qualifying CREST Shareholders"	Qualifying Shareholders holding Ordinary Shares on the register of members of the Company on the Record Date which are in uncertified form
"Qualifying Non-CREST Shareholders"	Qualifying Shareholders holding Ordinary Shares on the register of members of the Company on the Record Date which are in certified form
"Qualifying Shareholders"	holders of Ordinary Shares who are on the Company's register of members at the Record Date
"Receiving Agent"	Equiniti Limited, or any other Receiving Agent appointed by the Company from time to time
"Record Date"	6.00 p.m. on 28 September 2018
"Register"	means the registers of members of the Company
"Registrar"	the UK Registrar
"Regulation S"	Regulation S under the US Securities Act
"Regulatory Information "Service"	a regulatory information service that is approved by the FCA and that is on the list of regulatory information services maintained by the FCA
"Remuneration Committee"	the remuneration committee of by the Board
"Resolution"	the resolution to be proposed at the General Meeting in connection with the Acquisition
"Revolving Facility"	a $375 million multi-currency revolving credit facility made available under the Facilities Agreement
"Rights"	the Nil Paid Rights or the Fully Paid Rights (or both) as the context may require
"Rights Issue"	the offer by way of rights to Qualifying Shareholders to acquire New Ordinary Shares on the terms and conditions set out in this document and, in the case of Qualifying Non-CREST Shareholders only, the Provisional Allotment Letter
"Rule 144A"	Rule 144A under the US Securities Act
"Sale and Purchase Agreement"	the sale and purchase agreement dated 13 August 2018 between the Seller, the Purchaser and Elementis and amended by the Amendment Agreement for the acquisition of the entire issued share capital of Mondo
"SDRT"	stamp duty reserve tax

"SEC"	the US Securities and Exchange Commission
"Secretary"	means the secretary of the Company and any person appointed by the Directors to perform any of the duties of the secretary including, but not limited to, a joint, assistant or deputy secretary
"Seller"	Advent Mondo (Luxembourg) S.à r.l.
"Shareholder Approval Longstop Date"	the later of (i) 11 October 2018 and (ii) 25 days from the execution of the Sale and Purchase Agreement in accordance with the Signing Protocol
"Shareholders"	holders of the Ordinary Shares from time to time
"Signing Protocol"	the signing protocol dated 29 June 2018 between the Seller, the Purchaser, Elementis and the Warrantors in connection with the proposed acquisition of Mondo
"SRK"	SRK Consulting (UK) Limited
"Statutes"	the Companies Acts and every other statute or regulation concerning companies and affecting the Company and any modification or re-enactment of it or them for the time being in force
"Takeover Code"	the City Code on Takeovers and Mergers issued from time to time by or on behalf of the Panel on Takeovers and Mergers
"Term Facility"	a $400 million term loan facility (which is split into a $200 million US dollar denominated tranche and a €172 million euro denominated tranche) made available under the Facilities Agreement
"Transactions"	together, the Rights Issue, New Debt Facilities and Acquisition
"Transparency Rules"	the transparency rules of the FCA made pursuant to section 73A of FSMA, as amended from time to time
"Treaty"	income tax treaty between the United States and the United Kingdom
"UBS"	UBS Limited
"UK Corporate Governance Code"	the UK Corporate Governance Code issued by the Financial Reporting Council in September 2012
"UK Listing Authority" or "UKLA"	the FCA when it is exercising its powers under Part 6 of FSMA
"Underwriters"	UBS and HSBC
"Underwriting Agreement"	the underwriting and sponsor agreement dated 11 September 2018 between the Company and the Underwriters
"Underwritten Ordinary Shares"	the New Ordinary Shares save in respect of those New Ordinary Shares which the Directors and the Employee Benefit Trust have undertaken to take up
"United Kingdom" or **"UK"**	the United Kingdom of Great Britain and Northern Ireland

"United States" or **"US"**	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
"US Securities Act"	the US Securities Act of 1933
"Warrantors"	the CEO, CFO and COO of Mondo
"Warranty Agreement"	the warranty agreement entered into on 13 August 2018 between the CEO, CFO and COO of Mondo
"Year 1"	the financial year of Mondo ending 31 December 2018
"Year 2"	the financial year of Mondo ending 31 December 2019
"Year 3"	the financial year of Mondo ending 31 December 2020

APPENDIX 1

COMPETENT PERSON'S REPORT

COMPETENT PERSONS REPORT ON THE MONDO MINERALS TALC OPERATIONS

Prepared For

Elementis plc

Report Prepared by

srk consulting

SRK Consulting (UK) Limited
UK30122

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Project Number:		UK30122
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EXECUTIVE SUMMARY
COMPETENT PERSONS REPORT ON THE MONDO MINERALS TALC OPERATIONS

1 INTRODUCTION

SRK Consulting (UK) Limited ("SRK") has been requested by Elementis plc ("Elementis" or the "Company"), a speciality chemicals company, to produce a Competent Persons' Report ("CPR") on the Mondo Minerals B.V. ("Mondo") mining and processing assets located in Finland and the Netherlands. SRK understands that the CPR is to be included in a prospectus for an international offering of securities of the Company, which has been produced in connection with Elementis' plan to acquire 100% of Mondo.

The Mineral Resource and Mineral Reserve statements included in this CPR are reported in accordance with the 2017 Pan-European Standard for Reporting of Exploration Results, Mineral Resources and Reserves (the "PERC Standard").

2 ASSET SUMMARY

Mondo's mining assets in Finland currently comprise four operating open pit mines and two processing plants located in two separate clusters of talc deposits. In addition to the four operating open pit mines, Mondo owns exploration and mining licences for a number of formerly operating pits and greenfield exploration projects, which are currently not in operation.

Mondo also owns and operates processing plants in Amsterdam and Katwijk in the Netherlands, which are used to refine the Finnish talc products along with process externally-sourced talc material.

The Mondo mines extract talc-magnesite ore which feeds the plants to generate numerous talc products along with nickel-cobalt and magnesite by-products.

3 GEOLOGY AND EXPLORATION

Geologically the talc-magnesite deposits occur within altered and metamorphosed ophiolite (ancient oceanic crust) sequences. The host rock generally comprises 50% talc, 40% carbonates (magnesite and dolomite), 10% chlorite and minor sulphide minerals.

Mondo's exploration is largely based on existing geophysics and drill data, acquired through the Finnish Geological Survey and asset purchases, which is kept on Mondo's GIS systems. This information is then supplemented by Mondo's own exploration programmes which are planned and managed by Mondo's geology team with core drilling carried out by a drilling contractor.

4 MINERAL RESOURCES AND MINERAL RESERVES

SRK has reviewed the Mineral Resource and Mineral Reserve estimation and reporting processes used by Mondo and has concluded that the reported statements have been developed according to the guidelines developed by Mondo and SRK in 2014 and reported in accordance with the PERC Standard. SRK has also made a number of minor recommendations to further improve the estimation and reporting processes and operational efficiency generally, which Mondo plans to address during the next reporting period.

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Group Offices: Africa
Asia
Australia
Europe
North America
South America

Geological models are generated for each deposit individually defining the talc-magnesite unit and estimating brightness, talc content and nickel grades, along with other quality indicators. The models are subsequently interrogated with pit optimisation software in order to report a Mineral Resource that has 'reasonable prospects for eventual economic extraction', as required by the PERC Standard. To generate the Mineral Reserve, modifying factors in the form of mining and processing recoveries are applied to the Mineral Resource material.

As of end-December 2017, Mondo reported a total Talc Mineral Resource (inclusive of Mineral Reserves) of some 101.2 Mt and a total Talc Mineral Reserve of 11.3 Mt. The difference between Mondo's Talc Mineral Resource and Mineral Reserve statements is due to:

- only Measured and Indicated Mineral Resources being converted to Mineral Reserves;
- mining and processing recoveries inherent in the mining and processing (flotation) methods employed;
- Mineral Resources being reported as in situ tonnes and Mineral Reserve being reported in terms of saleable talc product; and
- Mineral Reserves only being reported from the currently operating pits.

5 MINING

The open pits are mined using conventional mining techniques and are relatively small-scale mining operations. The ore is extracted using conventional drill and blast methods and hauled to stockpiles adjacent to each operation. Ore is categorised into five main ore types based on geochemical and physical attributes using grade control drilling and sampling on a bench-scale, with different ore types stockpiled separately. The plant specifies which material is required as feedstock on any given day depending on the product demands. Waste rock material (generally black schists and serpentenite) is hauled to waste dumps adjacent to the stockpiles.

While the existing waste dumps will require additional capacities to accommodate the waste in the next few years, permitting processes are already underway for these.

Mondo uses pit optimisation software to identify potentially economic pit limits but strategic planning for the operations is on a relatively low level and current planning horizon does not extend beyond five years. Given this, SRK has developed a relatively simple mining Life of Mine ("LoM") schedule for the purpose of this report and to facilitate the reporting of Mineral Reserves but has recommended that Mondo develops fully integrated LoM plans for each of its operations encompassing both ore mining and also the management of waste as part of its annual resource and reserve reporting process.

6 MINERAL PROCESSING

The two talc flotation plants in Finland are well organised and operated, and can be considered to represent benchmarks of their type. Recent improvements to the flowsheet (additional cleaning stages, including the flotation column) and an improved understanding of the flotation characteristics of the feed ores to the Sotkamo plant have allowed for the increased production of P60SL talc product (in addition to the P60 talc product).

The production plans in the business model call for an increase in throughput over the next five years which in SRK's opinion should be achievable given the work planned to be undertaken and capital costs allowed.

The projected mass yields for the Vuonos ore feeds are in line with recent historical figures, as are those for Uutela ore feeds at Sotkamo. The initial mass yield projected for Punasuo is in line with recent historical figures, however the projected mass yields then increase beyond what has been achieved in the recent past. Notwithstanding this, the capital allowed for plant improvements should provide the means to achieve these projected figures.

The recent introduction of the nickel bioleach circuit has represented a significant change in operational focus for the nickel-cobalt segment of the business, but no doubt a positive development in response to changed market conditions for the concentrate previously produced for sale to third parties. This aspect of the circuit is still ramping up and the financial model presented by SRK in this report incorporates some conservative adjustments to the assumptions currently being made by Mondo to give more time for this ramp up to be achieved.

7 TAILINGS MANAGEMENT

SRK's review has identified some areas of concern in relation to the design and operational management of the Tailings Storage Facilities ("TSF"). SRK has therefore recommended that a geotechnical inspection of the facilities is competed by an Independent Engineer to assess the current condition of the perimeter embankments and surface water management structures against the original design and also that groundwater modelling studies are completed to ensure that seepage from the base of the facilities is not contributing to poor groundwater quality. In addition, SRK has recommended that stability and seepage modelling is updated to reflect the as-built geometry of the current TSF landforms, to check that the minimum factor of safety against slope failure is above acceptable criterion in all cases. Mondo has accepted these recommendations.

8 PROJECT INFRASTRUCTURE

Overall, the mining operations, processing plants and associated logistics systems are well established. Power and water are readily available, and the sites are easily accessible. The logistics systems rely on national transport infrastructure routes and are operated by third party logistics operators. While some capacity increase is proposed at the plants in Finland, the current infrastructure and logistics systems should be sufficient to support this.

9 ENVIRONMENTAL AND SOCIAL MANAGEMENT AND PERMITTING

The Vuonos operations are located in the North Karelia region of central Finland, a sparsely populated area with undulating hilly terrain and thousands of lakes. There are no residential properties within the surface infrastructure areas of the Vuonos plant. Land use surrounding the Pehmytkivi and Karnukka open pits (currently used to supply the Vuonos plant) is predominantly agriculture and forestry. The nearest receptor is a cluster of buildings 80 m west of the Pehmytkivi open pit and 190 m east of the Karnukka pit.

The Sotkamo operations are located in the Kainuu region of central Finland, in a designated industrial area in the Sotkamo municipality. Land use surrounding the Sotkamo site is forestry, undeveloped land and industrial areas. Land use surrounding the Uutela pit (currently used to supply the Sotkamo plant) is dominated by forestry. The operational Talvivaara Nickel Mine is also located 2 km east of the Uutela pit. Houses (occupied by the mining contractor) are located 500 m north of the Sotkamo site and 450 m east of the site. The nearest residential receptors to Uutela are located between 120 and 200 m south of the open pit and consist of houses and farms.

The two Dutch processing sites (Amsterdam and Katwijk) are located in industrial areas.

Mondo maintains a permit register for the Finnish processing and mine sites indicating the operations are fully permitted to continue the current activities. A new environmental impact assessment ("EIA") and environmental permit for the Sotkamo Uutela mine is currently being prepared to address an increase in ore quantities mined from the open pit. The new EIA was required following a recent audit by Finnish Environmental Permit Authority (the Finnish abbreviation is "ELY") in 2018 and is currently being prepared by Mondo. No other deviations or breaches at Vuonos or the Dutch processing sites were recorded by the relevant authorities.

Mondo has environmental management systems in place for the Finnish and Dutch operations and these are certified against ISO 14001:2005. The Finnish sites also have certified quality management systems (ISO 9001) and certified occupational health and safety management systems (OHSAS 18001).

There is no formal grievance mechanism or formal stakeholder engagement plans for either Finnish or Dutch sites. However, in recent years only three complaints have been received relating to dust and noise issues at the Finnish sites. The recent Ramboll (2018) audit reports on the Dutch sites state that no complaints from neighbours or the community have been received.

Water management performance at the Finnish and Dutch sites has improved in recent years, more water recycled as part of processing and less water discharged to the environment. However, elevated nickel and sulphate concentrations are recorded in seepage waters around the Sotkamo tailings area, which was previously discharged into the Lahnasjoki River but is currently pumped into the Sotkamo Lahnaslampi pit. This pit will reach capacity in 3 to 4 years and water will be treated and discharged to ensure water complies with the permit limits. The Lahnaslampi water treatment plan is currently being designed.

Between 2014 and 2017 Mondo updated the nickel plant at Vuonos and the new waste areas were constructed within the confines of the existing tailings site. All waste from the nickel plant is redirected to these areas and all relevant permit limits have been met. The waste areas currently have a temporary permit until 2019 and both Mondo and the authorities are monitoring the waste to confirm the waste is stable.

While there are some inconsistencies in the closure costs cited in various documents and between the documentation, it is understood that the current financial bank guarantee required by ELY is EUR 3.8 M (excluding Karnukka pit as the guarantee for this had not been set at time of writing) and the total rehabilitation and closure costs cited by Mondo from EUR 4.16 M to EUR 6.34 M depending on the sources of information reviewed.

In summary, no material issues have been identified by SRK in relation to the environmental and social management of the mining and processing assets of Mondo. Notwithstanding this, the following recommendations have been made by SRK to improve environmental and social management:

- improve transparency with disclosure of Mondo environmental, health and safety policy and management plans and reports on the website, and available to project communities and wider stakeholders;
- develop stakeholder engagement plans and formalise a grievance mechanism for each site that is made known to project neighbours and communities;
- add temporary contractors into health and safety training and reporting statistics;
- consider an additional environmental, health and safety officer to assist with internal sample collection and monitoring; training, supervision and enforcement of required practice; stakeholder engagement, and reporting;
- improve understanding of site water balances (especially changes over the seasons) and surface water flow networks downstream of the Finnish project sites, and develop water management plans that include provisions for future emergency storm water;
- review waste rock and tailings management given continuing lowered pH seepage and runoff from WRDs and TSFs (ref: Tailings section 13.2.2 and 13.3.2); and;
- consolidate the numerous closure estimates and conflicting information sources into one comprehensive and regularly updated document.

10 FINANCIAL MODELLING

The LoM Plan developed by SRK for this report and to support the reporting of Mineral Reserves includes a certain amount of material which is not in the current Mineral Reserve statement as it has been classed as Inferred Mineral Resource. Given this, and given that it would not be practical to not mine this material, SRK has prepared two financial models one of which shows the economics of the Mineral Reserve only (the Mineral Reserve Model) and one of which reflects revenue from all of the mineralisation in the LoM Plan inclusive of the Inferred Mineral Resource (the LoM Plan Model).

Both financial models have been prepared in Microsoft Excel, in EUR, in real 2018 money terms. Whilst a variety of escalation rates have been used for different budget items, all prices and costs have been de-escalated at a flat 1.5% per annum as advised by Mondo. A discounted cash flow has been prepared, on a pre-tax, pre-finance basis. Mondo's budget forecast extends up to 2023 inclusive, and consists of nominal price forecasts, operating costs forecasts and capital expenditure, which have been de-escalated accordingly. From 2023 onwards, prices and costs have been held constant as driven by the LoM plan.

The various product prices have been supplied by Mondo and reflect actual prices currently being achieved and sales agreements currently in place.

Due to the commercially sensitive nature of Mondo's talc pricing structure, no revenue, Net Free Cash or Net Present Values are presented herein. A breakeven average talc price has been calculated for both the LoM Plan and Mineral Reserve models generated by SRK at which the NPV turns negative at a base discount rate of 8%. The breakeven prices calculated, of EUR 244/t and EUR 247/t for the LoM Plan and Mineral Reserve cases respectively, sit significantly below the range of prices achieved historically which ranged from EUR 300/t in 2015 to EUR 317/t in 2017.

11 RISKS AND OPPORTUNITIES

In SRK's opinion the two technical risks facing Mondo's mines in Finland are:

- Mondo currently only forecasts production for a five-year period which may mean that the mines are being operated in a sub-optimal manner and will not highlight any shortfalls in ore of the required quality in future years. We have recommended that Mondo introduces a longer-term life if mine planning process that is updated annually.
- Some areas of concern highlighted by SRK in relation to tailings management. SRK has recommended that a geotechnical inspection of the facilities is competed by an Independent Engineer to assess the current condition of the perimeter embankments and surface water management structures against the original design and also that groundwater modelling studies are completed to ensure that seepage from the base of the facilities is not contributing to poor groundwater quality. In addition, SRK has recommended that stability and seepage modelling is updated to reflect the as-built geometry of the current TSF landforms, to check that the minimum factor of safety against slope failure is above acceptable criterion in all cases. Mondo has accepted these recommendations.

The main opportunity open to Mondo in relation to its assets is the fact that only a portion of the reported Mineral Resource has been converted to a Mineral Reserve and that, given this, there is potential for additional Mineral Reserves to generated as ongoing technical work is completed and for the mines to continue for many years beyond that assumed by the financial model included in this report. Notably, the Mineral Reserve is limited to the currently operating pits and there are also resources remaining in several green field sites that have not yet been considered.

12 CONCLUDING REMARKS

In SRK's opinion, the Mondo Assets in Finland comprise relatively long life, if relatively small, mines and associated plants that have the potential to continue to produce talc and nickel products for many years to come.

In addition, the Mineral Resource and Mineral Reserve statements produced for these by Mondo, and as included herein, have been reported in compliance with the PERC Standard and are valid as of 31 December 2017.

Finally, the economic evaluation completed by SRK shows that these assets are economically viable based on the assumptions made regarding market demand and prices, and have the potential to continue to be so throughout the project mine lives.

The observations, comments and conclusions presented in this report represent SRK's opinion as of 1 August 2018 and are based on site visit findings, discussions with Mondo staff and a review of documentation provided by the Mondo.

SRK cannot accept any liability, either direct or consequential for the validity of information that has been accepted in good faith.

SRK requires to be able to approve any extract from this report which may be presented in any public domain literature or which is used for the purposes of financing or presentation to third parties.

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COMPETENT PERSONS REPORT ON THE MONDO MINERALS TALC OPERATIONS

1 INTRODUCTION

1.1 Background

SRK Consulting (UK) Limited ("SRK") has been requested by Elementis plc ("Elementis", or the "Company"), a speciality chemicals company, to produce a Competent Persons' Report ("CPR") on the Mondo Minerals B.V. ("Mondo") mining and processing assets located in Finland and the Netherlands (the "Mondo Assets", or the "Assets"). SRK understands that the CPR is to be included in a prospectus for an international offering of securities of the Company, which has been produced in connection with Elementis' plan to acquire 100% of Mondo.

This CPR has been structured on a technical discipline basis into sections on geology, Mineral Resources and Mineral Reserves, mining engineering/design, mineral handling and processing, infrastructure and environmental and social management. The report also contains sections commenting upon Mining Licences held by Mondo, the talc market in general and the historical development of the Project and also summarises the Technical-Economic Parameters ("TEP"s) upon which the reported Mineral Reserve is based.

The Mineral Resource and Mineral Reserve statements included in this CPR have been derived by Mondo and audited by SRK and are reported in accordance with the 2017 Pan-European Standard for Reporting of Exploration Results, Mineral Resources and Reserves (the PERC Standard). The PERC Standard is an accepted by the Committee for Mineral Reserves International Reporting Standards ("CRIRSCO") and is regarded by SRK as an appropriate code for reporting industrial mineral resources and reserves in Europe.

This CPR has been produced to reflect the recommended content for CPRs as set out in the European Securities and Markets Authority ("ESMA") Regulations in all aspects other than for part iv of this, *Valuation of Reserves*, which has been excluded at the request of the Company and with the agreement of the UKLA due to commercial sensitivity.

1.2 Verification, Validation and Reliance

This CPR is dependent upon technical, financial and legal input from the Company and Mondo. Notably, the technical information as provided to, and taken in good faith by, SRK, has not been independently verified by means of re-calculation. SRK has however:

- Conducted a review and assessment of all material technical issues likely to influence the future performance of the Assets, and therefore the stated Mineral Resource and Mineral Reserve, which included:
  - inspection visits to the mining and processing facilities in July 2018;
  - meetings and discussions with Mondo and Elementis management and staff; and;
  - a review of the operational and regulatory documents.
- Accepted macro-economic parameters and commodity prices provided by the Mondo and relied on these as inputs into the verification of the Mondo's Mineral Reserves.
- Satisfied itself that such information is both appropriate and valid as reported herein.

ISO 9001:2008 EQA European Quality Assurance Certification Number 521 UKAS Quality Management 047

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Group Offices: Africa, Asia, Australia, Europe, North America, South America

SRK considers that with respect to all material technical-economic matters, it has undertaken all necessary investigations to ensure compliance with the PERC Standard.

1.3 Previous Work Completed by SRK for Mondo and the Company

In 2014, SRK undertook a commission for Mondo in relation to the Assets. Specifically, SRK:

- Completed a general operational improvement review and risk assessment of the Assets covering geological, resource, geotechnical, mining and processing aspects;
- Developed Mineral Resource and Mineral Reserve reporting protocols; and;
- Audited the end-2014 Mineral Resource and Ore Reserve statements produced for the Assets.

More recently, in April 2018, SRK was requested to review the end-2017 Mineral Resource and Mineral Reserve statements produced by Mondo for the Assets specifically to confirm that these had been produced in accordance with the reporting protocols developed by SRK in 2014.

It should be noted that all of the above work was completed by way of independent review and SRK has not undertaken any technical work on the Assets or been directly involved in the production of its Mineral Resource and Mineral Reserve statements.

1.4 Limitations, Reliance on Information, Declarations, Consent and Copyright

1.4.1 Limitations

The Company has agreed that, to the extent permitted by law, it will indemnify SRK and its employees and officers in respect of any liability suffered or incurred as a result of or in connection with the preparation of this report albeit that this indemnity will not apply in respect of any material negligence, wilful misconduct or breach of law. The Company has also agreed to indemnify SRK and its employees and officers for time incurred and any costs in relation to any inquiry or proceeding initiated by any person except to the extent SRK or its employees and officers have been materially negligent or acted with wilful misconduct or in breach of law in which case SRK shall bear such costs.

The Company and Mondo have confirmed in writing to SRK that to their knowledge the information they have each provided to SRK was complete and not incorrect or misleading in any material aspect. SRK has no reason to believe that any material facts have been withheld and Mondo and the Company have confirmed to SRK that they believe they have provided all material information. The achievability of the budgets and forecasts presented here are neither warranted nor guaranteed by SRK. The forecasts as presented and discussed herein have been proposed by the Mondo's management and adjusted where appropriate by SRK to reflect its opinion but cannot be assured. Notably, for example, they are necessarily based on economic and market assumptions, many of which are beyond the control of Mondo, the Company and SRK.

1.4.2 Reliance on information

SRK's opinions given in this document are effective at 30 July 2018 and are based on information provided by the Company and Mondo throughout the course of SRK's investigations, which in turn reflects various technical-economic conditions prevailing at the date of this report and the Company's expectations regarding the commodity markets and exchange rates as at the date of this report. These and the underlying TEPs can change significantly over relatively short periods of time.

1.4.3 Declarations

SRK will receive a fee for the preparation of this CPR in accordance with normal professional consulting practice. This fee is not contingent on the outcome of any transaction and SRK will receive no other benefit for the preparation of this report. SRK does not have any pecuniary or other interests that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Mineral Resources and Mineral Reserves.

SRK does not have, at the date of this report, and has not ever had, any shareholding in or other relationship with the Company or Mondo and consequently considers itself to be independent of the Company and Mondo.

1.4.4 Consent and copyright

SRK consents to the issuing of this report in the form and context in which it is to be included in the preliminary and final prospectuses for an international offering of securities of the Company.

Neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of SRK regarding the form and context in which it appears.

Copyright of all text and other matters in this document, including the manner of presentation, is the exclusive property of SRK. It is a criminal offence to publish this document or any part of the document under a different cover, or to reproduce and/or use, without written consent, any technical procedure and/or technique contained in this document. The intellectual property reflected in the contents resides with SRK and shall not be used for any activity that does not involve SRK, without the written consent of SRK.

1.5 Statement of Qualification

SRK is part of an international group (the SRK Group), which comprises some 1,400 professional staff offering expertise in a wide range of resource and engineering disciplines. The SRK Group's independence is ensured by the fact that it holds no equity in any project. This permits the SRK Group to provide its clients with conflict-free and objective recommendations on crucial judgment issues. The SRK Group has a demonstrated track record in undertaking independent assessments of resources and reserves, project evaluations and audits, CPR and independent feasibility studies on behalf of exploration and mining companies and financial institutions worldwide. The SRK Group has also worked with a large number of major international mining companies and their projects, providing mining industry consultancy service inputs.

This CPR has been prepared by a team of consultants sourced from the SRK Group's office in the UK over a two-month period. These consultants are specialists in the fields of geology, resource and reserve estimation and reporting, underground mining, rock engineering, mineral processing, hydrogeology and hydrology, tailings management, infrastructure, environmental management and mineral economics.

The individuals listed in Table 1-1 have provided the material input to this CPR, have extensive experience in the mining industry and are members in good standing of appropriate professional institutions.

Table 1-1: SRK Project Team

Name	Position	Responsibility
Mike Armitage	Corporate Consultant	Project Director/Technical Review/ Resources & Reserves
Ben Lepley	Senior Consultant	Project Manager/ Geology & Resources
Inge Moors	Senior Consultant	Financial Modelling
Filip Orzechowski	Senior Consultant	Mining/Reserves
Michael Di Giovinazzo	Principal Consultant	Geotechnical Engineering
John Willis	Principal Consultant	Mineral Processing
Jamie Spiers	Senior Consultant	Tailings and Waste Management
Colin Chapman	Senior Consultant	Infrastructure
Sue Struthers	Principal Consultant	Environmental and Social Management and Planning
Alice Davies	Consultant	Environmental and Social Management and Planning

The Competent Person who has supervised the production of this CPR is Dr Mike Armitage, who is a mining geologist with over 30 years' experience in the mining industry and has been responsible for the reporting of Mineral Resources and Mineral Reserves on various properties internationally during the past 25 years.

1.6 Report Format

The following sections of this report cover each of the technical disciplines reviewed and, for each, summarise the key conclusions of SRK's review.

2 ASSET SUMMARY

Mondo's mining assets in Finland currently comprise four operating open pit mines and two processing plants located in two separate clusters of talc deposits named after the nearby towns of Sotkamo and Polvijärvi, respectively. In addition to the four operating open pit mines, Mondo owns exploration and mining licences for a number of formerly operating pits and greenfield exploration projects, which currently not in operation.

Mondo also owns and operates processing plants in Amsterdam and Katwijk in the Netherlands, which are used to refine the Finnish talc products along with process externally-sourced talc material.

The Mondo mines extract talc-magnesite ore which feeds the plants to generate numerous talc products along with nickel-cobalt and magnesite by-products. Geologically the talc-magnesite deposits occur within altered and metamorphosed ophiolite (ancient oceanic crust) sequences.

The Sotkamo mining cluster is focussed around the Mondo plant close to the town of Sotkamo. The plant was built for and adjacent to the now closed Lahnaslampi Talc Mine, which operated between 1968 and 2010. The two mines currently operating are the Punasuo Mine, located less than 1 km southeast of the plant, and the Uutela Mine, located approximately 28 km south of the plant. A summary of the mining operations is shown in Figure 2-1. The exploration projects in the area, Mieslahti, Tyynela, Maailmankorpi, Alanen Viinakorpi and Pihlajavaara are all relatively close by with Viinakorpi being the most likely to be opened next as it is very close to Uutela Mine (Mieslahti also contains a large Mineral Resource and Mineral Reserve but is situated some 40 km north of the plant).

Punasuo

- Mining started in 2010
- Current depth ~60 meters, final depth planned to be ~200 meters
- Estimated LOM (Life of Mine) ~30 years, based on current ore supply plan
- Large mineralization in the vicinity of Sotkamo plant (Mieslahti) could at least double the LOM

Uutela

- Mining started in 2006
- Distance from plant 28kms
- Current depth of ~30 meters, final depth planned to be ~100 meters
- Current estimated pit LOM ~10 years, based on current ore supply plan; further extension into South side of Uutela pit will extend LOM to ~20 years

Figure 2-1: Sotkamo cluster open pit mine summary

The Polvijärvi mining cluster is focussed around the village of Horsmanaho, close to the town of Polvijärvi. The mines here feed the Vuonos plant, located 15 km from Horsmanaho, which was built for and adjacent to a previously operating Outokumpu owned base metal mine, which was subsequently modified by previous owner Suomen Talkki Oy for talc production from the Horsmanaho, Lipasvaara, Sola and Vasara mines. The two mines currently operating are the Pehmytkivi mine, located less than 15 km by road northeast of the plant, and the Karnukka mine, located approximately 18 km by road northeast of the plant. A summary of the mining operations is shown in Figure 2-2. The exploration projects include Karnukka II (which is adjacent to Karnukka) and Alava (which is located between Pehmytkivi and Horsmanaho). Mineral Resources also remain at the currently inactive mines of Horsmanaho, Lipasvaara, Sola and Vasara. Of these projects, Karnukka II is likely to be the next operating mine due to the close proximity to the Karnukka mine.

The Vuonos plant and Polvijärvi cluster deposits are often collectively referred to as the Vuonos operations.

Pehmytkivi

- Mining started 1999
- Distance to the plant 14km
- Current depth of 95 meters, final depth planned to be 150 meters
- Estimated LOM about ~25 years based on current ore supply plan

Karnukka

- Production started in October 2015
- Current depth of 15m. Planned depth of 80m.
- Distance to the plant 18 km
- Estimated LOM about ~15 years with actual mine split; further extension into South East side of Karnukka pit will extend LOM to ~30 years

Figure 2-2: Polvijärvi cluster open pit mine summary

Mining and haulage activities at all of Mondo's operations are undertaken by sub-contractors E Hartikainen Oy under the supervision of Mondo geologists and mining engineers. The ore is extracted using conventional drill and blast methods (undertaken by sub-contractors Maxam Suomi Oy) and hauled to stockpiles adjacent to each operation. Ore is categorised into five main ore types based on geochemical and physical attributes using grade control drilling and sampling on a bench-scale, with different ore types stockpiled separately. The plant specifies which material is required as feedstock on any given day depending on the product demands. Waste rock material (generally black schists and serpentenite) is hauled to waste dumps adjacent to the stockpiles.

The plants themselves use a combination of flotation and magnetic separation to produce two primary talc products (P60 and P60SL), some two thirds of which is further processed in Finland to produce a number of products for sale within Finland and some one third of which is transported as filter cake to Amsterdam. Nickel concentrate is also produced at both plants, with a bioleaching circuit recently installed at the Vuonos plant to produce a nickel hydroxide product (including cobalt credits) which is currently being sold to an off-taker in Belgium.

A summary of the mining and processing procedures conducted by Mondo in Finland is provided in Figure 2-3.

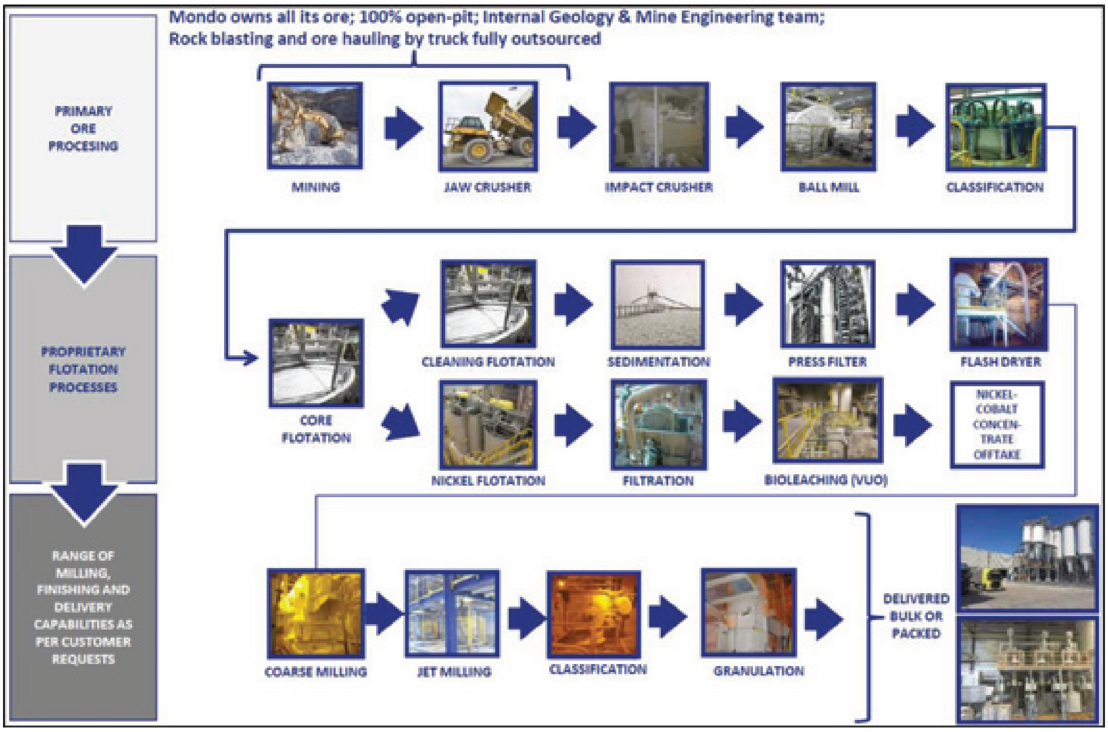

Figure 2-3: **Summary of mining and processing**

3 MINING ASSETS LOCATIONS

3.1 Introduction

As commented above, there are two separate mining clusters both located in eastern Finland, as shown on Figure 3-1 (Sotkamo) and Figure 3-2 (Polvijärvi).

The current Sotkamo mining cluster is located 15 km west of the town of Sotkamo within the Kainuu region, approximately 35 km southeast of the city and regional centre of Kajaani (population 37,300) and 580 km northeast of Helsinki.

The current Polvijärvi mining cluster is focussed 1 km from the village of Horsmanaho within the North Karelia region, approximately 40 km northwest of the city and regional centre of Joensuu (population 70,000) and 380 km northeast of Helsinki. The Vuonos plant is located in the village of Vuonos, which is 6 km to the northeast of the town of Outokumpu, and approximately 14 km from Horsmanaho.

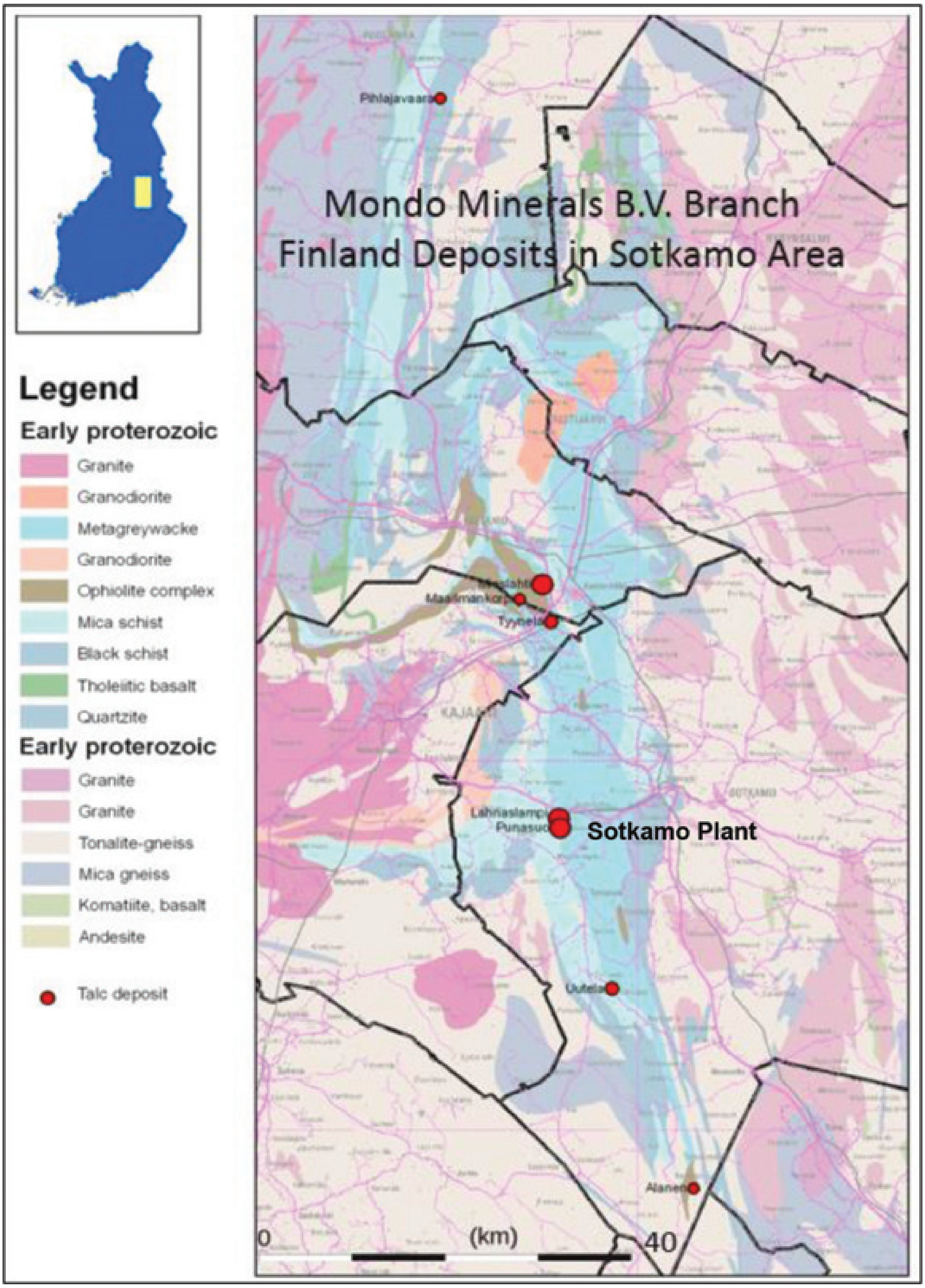

Figure 3-1: Location map of talc mines and projects in the Sotkamo area

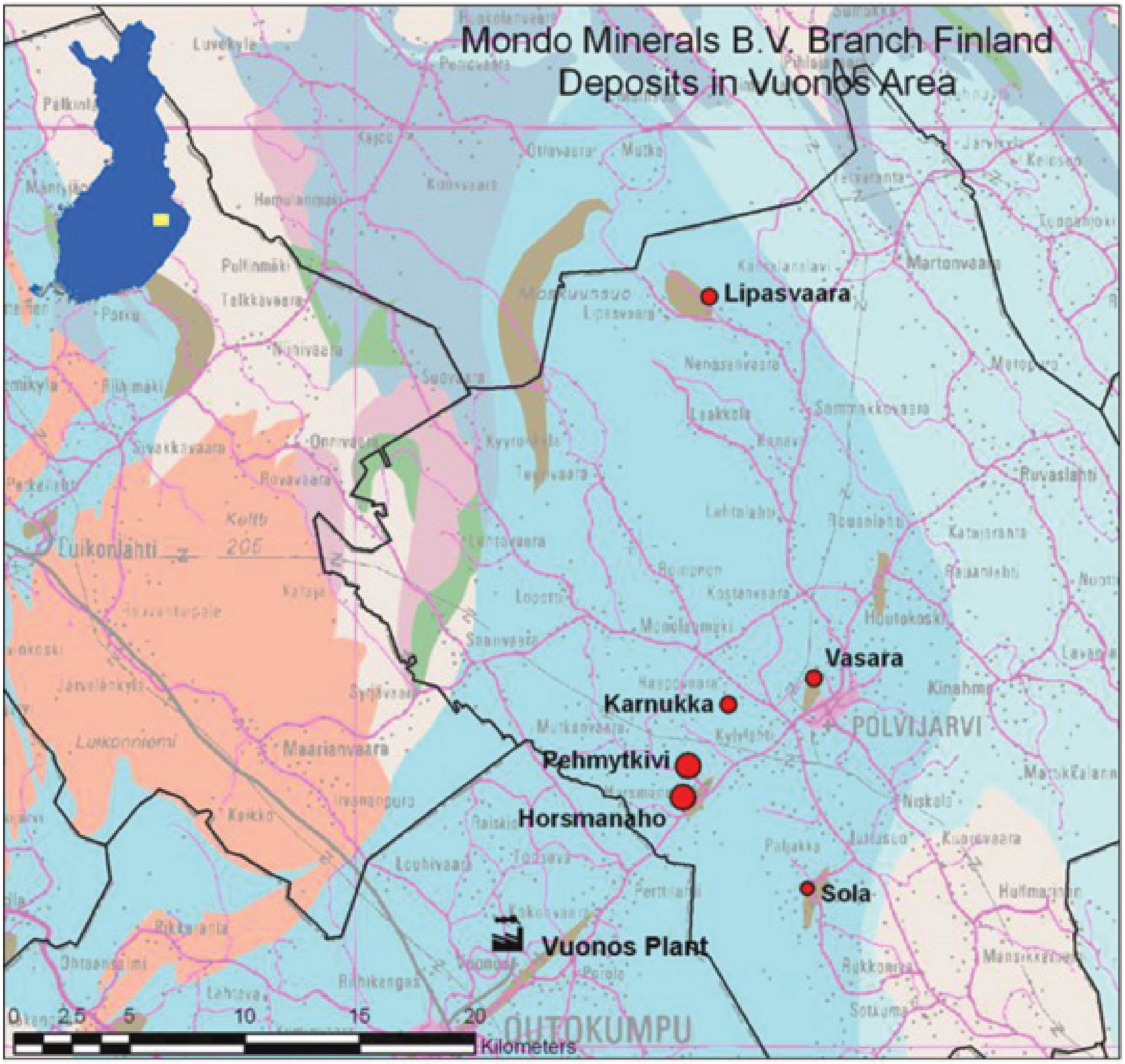

Figure 3-2: Location map of talc mines and projects in the Vuonos/Polvijärvi area

3.2 Accessibility

The two mining clusters are both easily accessible via existing roads and are connected to the national freight rail network. The nearest airports to the plants are in the nearest major populated places of Kajaani, some 35 km to the northwest of the Sotkamo plant, and Joensuu, some 35 km southeast of Horsmanaho. Location maps of the operations are shown in Figure 3-3 and Figure 3-4 for Sotkamo and Vuonos, respectively.

Figure 3-3: Sotkamo operations location map

Figure 3-4: Vuonos operations location map

3.3 Climate

The general climate of the two mining clusters is classified as sub-arctic. The average annual temperature in Outokumpu town is 2.5°C. The temperature varies from an average monthly low of -10°C in January and February to +21°C in July. The average annual precipitation is approximately 600 mm, which predominantly occurs between March and December. Snowfall may occur between October and May, with the most snowfall occurring in January (25 mm monthly average). Wind direction is predominantly from the south and occasionally the west.

The average annual temperature in Sotkamo is 1.3°C. The monthly average temperature ranges from between -7°C in January and 21°C in July. The average annual precipitation is 588 mm, comprised of rainfall between March and November and snowfall between November and March. The highest snowfall is in January with a monthly average of 20 mm. Wind direction is predominantly from the south and occasionally the west. The average annual precipitation is 560 mm at Uutela and there is permanent snow cover between November and April.

3.4 Physiography

The physiography of the mining regions in Finland is dominated by gently-rolling hills covered in swamps and mixed forests. The forest is classified as part of the Ostrobothnia and Kainuu middle-boreal zone, with mainly coniferous genera of pine, spruce, fir and larch, along with minor birch and deciduous genera.

4 MINING LICENCES

4.1 Background

SRK has not reviewed the rights of Mondo to mine from a legal perspective. Consequently, SRK has relied on advice by Mondo to the effect that it will be entitled to mine all material reported here and that all necessary statutory mining authorisations and permits are being put in place. SRK's review has rather been restricted to confirming that the stated Mineral Resources and Mineral Reserves in this document are within the currently valid licence boundaries.

The comments in this section of the report refer to the mining rights only. Details relating to relevant environmental permits are included in Section 12 of this report.

4.2 Finnish Mining and Exploration Licences

A new Mining Act was enacted in Finland in July 2011, replacing the previous Act which dates from 1965. As a result of the new Mining Act, the processing of mining licences was transferred from the 'Ministry of Employment and the Economy' to the 'Finnish Safety and Chemicals Agency' ("Tukes").

4.2.1 Exploration Licence/Permit

Before applying for an exploration licence/permit ('malminetsintälupa' in Finnish), previously called claims ('valtaus'), the applicant has the right to reserve for himself priority (i.e. first right) to claim any mineral deposit within a stated area. The only purpose of the reservation is to give the applicant a reasonable period of time to delimit the area of interest and to prepare his application for an exploration licence.

An exploration licence is required for conducting mineral exploration if exploration work results in material damage, harm or intrusion or cannot be carried out with the landowner's consent. An exploration licence is granted for a period of five years, which can be extended by three years at a time; albeit that the exploration period cannot exceed fifteen years.

An exploration licence entitles the holder (individual or company) to carry out exploration activities in the claim area with or without the consent of the landowner. The licence owner must, however, compensate the landowner in full for any permanent or temporary damage or inconvenience caused by the exploration activities inside or outside the licence area. The licence owner shall also act in compliance with environmental legislation and other laws and regulations.

An exploration licence gives the permit holder the right to:

- conduct exploration on the licence holder's own land and that owned by another landowner, or exploration area, in the area referred to in the licence;
- explore the structures and composition of geological formations;
- conduct other exploration in order to prepare for mining activity;
- conduct other exploration in order to locate a deposit and to investigate its quality, extent, and degree of exploitation, as provided for in more detail in the exploration permit; and;

- build, or transfer to the exploration area, temporary constructions and equipment necessary for exploration activity, as specified in more detail in the exploration licence.

If the claimant can show that minerals appear in the claim area in such abundance and in such form that the deposit can probably be exploited, they may apply for a mining licence (‘kaivospiiri’).

4.2.2 Mining Licence/Permit

A mining licence/permit entitles the holder to:

- exploit the mining minerals found in the mining area;
- exploit the organic and inorganic surface materials, excess rock, and tailings generated as a by-product of mining activities as well as other materials belonging to the bedrock and soil of the mining area to the extent that their use is necessary for the purposes of mining operations in the mining area; and
- perform mineral prospecting within the mining area.

Tukes normally issues mining licences to be valid until further notice, but the licence can also be granted for a fixed term.

The mining licence grants the applicant rights to a mining area and auxiliary area of a mine, if necessary. The borders of a mining area are delineated vertically.

The mining area rights granted prior to 2011 were termed ‘mining concessions’. As proof of mining rights and the entry of the mining area in the mining register, the holder of mining rights received a mining concession certificate. Almost all mines in Finland operate on mining concessions, but in such a manner that as a rule and at least essentially the provisions of the Mining Act of 2011 apply to these mines as well.

4.2.3 Mondo Licence Summary

A summary of Mondo’s mining and exploration licences is shown in Table 4-1 and Table 4-2, respectively. SRK has independently verified a number of these licences with the publicly-available online Tukes register along with copies of the original licence documents and has found no discrepancies. Mineral Resources and Mineral Reserves fall within these licence boundaries.

Table 4-1: Summary of mining licences

Name (Number)	Cluster (sub-area)	Expiry Date	Environmental Permit	Area (ha)	Mondo Land Ownership	Use
Lahnaslampi (1170/1-2 and 2607/1a-f)	Sotkamo	For time being (re-evaluation 01/06/2024)	Valid	643.5413	57%	Sotkamo plant and tailings
Punasuo (2607/2a)	Sotkamo	For time being (re-evaluation 01/06/2024)	Valid	62.8	90%	Mine (operational - Punasuo)
Uutela (2465/1a, b)	Sotkamo	For time being (re-evaluation 01/06/2024)	Valid	48.4304	5%	Mine (operational - Uutela)
Horsma 1 (2592/1a-C)	Polvijärvi	For time being (re-evaluation 01/06/2024)	Valid	148.1	92%	Mine (operational - Pehmytkivi)
Karnukka (K7953)	Polvijärvi	For time being (re-evaluation 01/06/2024)	Valid	101.01	0%	Mine (operational - Karnukka)
Vuonos (1852/1)	Polvijärvi	For time being (re-evaluation 01/06/2022)	Valid	420.02	37%	Vuonos plant and tailings
Mieslahti (3030/1a, b)	Sotkamo (Paltamo)	Expires 27/11/2018 (granted 28/11/2013)	Application 2010	80.72	0%	Mining (future operation)
Jormua 1 (806/1a)	Sotkamo (Paltamo)	Expires 15/10/2018 (granted 16/10/2013)	—	8.944	76%	Mine (inactive)
Tyynelä (5490/ 1a)	Sotkamo (Paltamo)	Expires 15/10/2018 (granted 16/10/2013)	—	79.852	0%	Mining (future operation)
Tyvisuo (6323/1)	Sotkamo	04/07/2018	Valid (water permit required)	41.9	0%	Mining (future operation)
Pihlajavaara (5523/1)	Sotkamo (Puolanka)	14/02/2023 (expansion pending)	Valid (water permit required)	21.3 (28.8 expansion)	0%	Mining (future operation). Low-iron talc deposit.
Lipasvaara (2746/1a, B)	Polvijärvi	For time being (re-evaluation 01/06/2020)	—	98.301	100%	Mine (inactive)
Vasara (2568/1a)	Polvijärvi	18/12/2025	—	179.735	0%	Mine (inactive)
Sola (2579/1a)	Polvijärvi	07/04/2019 (granted 08/04/2014)	—	40.285	45%	Mine (inactive)

Table 4-2: Summary of exploration licences

Name (Number)	Cluster (sub-area)	Expiry Date	Area (ha)	Mondo Land Ownership	Use
Maailmankorpi2 (6492/3)	Sotkamo (Poltamo)	25/08/2005 (MC applied)	69.1	0%	Mining concession applied for 2005
Heinisuo (8961)	Sotkamo (Poltamo)	04/03/2019 (granted 04/04/2014)	20.6	0%	Protection/buffer around Mieslahti mining licence (above table)
Viinakorpi 1-2 (ML20182:0149)	Sotkamo	23/04/2020 (granted 23/04/2017)	152.7	0%	Uutela southeast extension
Pohjavaara (ML2014:0082)	Sotkamo	09/07/2020 (granted 09/06/2016)	543.9	0%	Exploration target
Koivukorpi (ML2014:0083)	Sotkamo	09/07/2020 (granted 09/06/2016)	175.29	0%	Exploration target
Pihlajavaara (8805/1)	Sotkamo (Puolanka)	12/06/2017 (remains valid until the mining licence is granted)	41.2	0%	Protection until Pihlajavaara mining licence granted (above table)
Ruohosuo (ML2017:0043)	Polvijärvi	Expired 13/04/2017 (renewal application pending)	97.8	0%	Exploration target
Perälänsuo (ML2017:0044)	Polvijärvi	Expired 13/04/2017 (renewal application pending)	98.5	0%	Exploration target
Lempimäki 1-3 (8988/1-3)	Polvijärvi	12/02/2019 (granted 12/02/2014)	216.9	0%	Exploration target
Onnela (8988/4)	Polvijärvi	12/02/2019 (granted 12/02/2014)	78.56	0%	Exploration target
Uusi-Porttiaho (ML2016:0004)	Polvijärvi	Application pending (applied 17/02/2016)	56.9	0%	Exploration target
Mustalampi (ML2016:0019)	Polvijärvi	Application pending (applied 04/03/2016)	88.2	0%	Protection/buffer around Vuonos tailings area
Uutela 18 (ML2018:0019)	Polvijärvi	Application pending (applied 29/03/2018)	132.1	0%	Protection/buffer around Uutela mining licence (above table)

5 OVERVIEW OF THE TALC OCCURENCE AND MARKET

5.1 Talc Occurrence

There are two main types of talc deposits found globally:

1. Ultramafic-hosted talc-carbonate rocks (soapstones) with the general characteristics:
   a. Talc 50%, magnesite 40%, chlorite 7%, others 3%.
   b. Flotation to achieve required purity and properties => consistent quality (relatively).
   c. Specific deposits found in Finland, Norway, Sweden, Canada, Russia, Italy.
2. Dolomite-hosted talc and talc-chlorite rocks with the general characteristics:
   a. Talc 30-100%, chlorite/carbonates 0-70%.
   b. Sorting before micronising => difficulties in consistent quality.
   c. Most of the global production.

The deposits being worked by Mondo are talc-carbonate rocks.

5.2 Talc Properties

The generalised properties of talc are provided below:

- Pale green to white, rarely pinkish or dark green (examples shown in Figure 5-1).
- Greasy and pearly luster.
- Hydrous magnesium silicate, theoretically $Mg_3Si_4O_{10}(OH)_2$
  - 31.88% MgO %, 63.37% SiO_2 and 4.75% H_2O.
  - Fe, Al, Cr and Ni replacing Mg and Si in nature.
- Soft (hardness of 1 on Moh's scale of hardness) and platy.
- Chemically inert, organophilic and hydrophobic.

Figure 5-1: Examples of pure talc (Source: Mondo)

5.3 Talc Market

In the global talc market, talc usage can generally be divided between specialty and commodity applications. Specialty applications are characterised by higher quality, purity and consistency standards, a focus on technical specifications and higher price points, whereas commodity applications are characterised by less stringent quality, purity and consistency standards, a focus on volume and lower price points. Substantially all of the Mondo's industrial talc products (including for use in plastics, paints & coatings, technical ceramics and life sciences) and its paper coating products are specialty applications.

Mondo has been targeting higher-end industrial applications in recent years, with industrial applications now accounting for 79% of total talc revenues in 2017 (2016: 76%, 2015: 74%). Demand for industrial talc is driven largely by demand evolution in its application markets. In the plastics segment it is driven by levels of demand for both new and replacement automobile parts and levels of demand for consumer electronics and appliances (e.g., household appliances). In the paint and coatings segment, it is driven by construction and renovation activity levels, the stringency of environmental regulation regarding automotive emissions, levels of demand for new marine vessels, containers, train wagons and aircraft. In the diversified industrials segment, it is driven by regulation of fossil fuel emissions, levels of demand for pharmaceuticals, cosmetics and chewing gum.

In 2018 and beyond, Mondo plans to continue to focus on talc for high-end markets and has made significant investments to enter market segments that were previously single-sourced, such as life sciences, and has developed a full product portfolio for the food, cosmetics and pharmaceutical industries. The mining and processing schedules in this report and also the economic model reflect this intent.

6 GEOLOGY

6.1 Regional Geological Setting

Most talc deposits in Finland, including those being worked by Mondo, are located in the Early Proterozoic schist belt in Eastern Finland. These talc-carbonate deposits are almost all hydrothermally altered magnesium-rich ultramafic parent rocks, except for the Pihlajavaara deposit which formed from a dolomite parent rock. A regional-scale geological map is provided in Figure 6-1 showing the relative locations of the main deposits.

The deposits underwent multiphase deformation and amphibolite-facies metamorphism during the Svecokarelian orogeny about 1.9 to 1.8 Ga. Steatitisation (intense hydrothermal alteration forming high-grade talc) occurred in two phases: first prior to the metamorphic peak, when primary ultramafic units (and dolomitic sediments) were serpentenised and partly altered to talc by hydrothermal fluids. Metamorphic olivine, found in serpentine breccias, originates from dehydration of altered ultramafic units during peak metamorphism. The second steatitisation event occurred during pressure and temperature reduction by the influence of hydrothermal fluids. A suitable structural setting and magnitude created almost perfect talc-carbonate alteration and talc deposits of good quality.

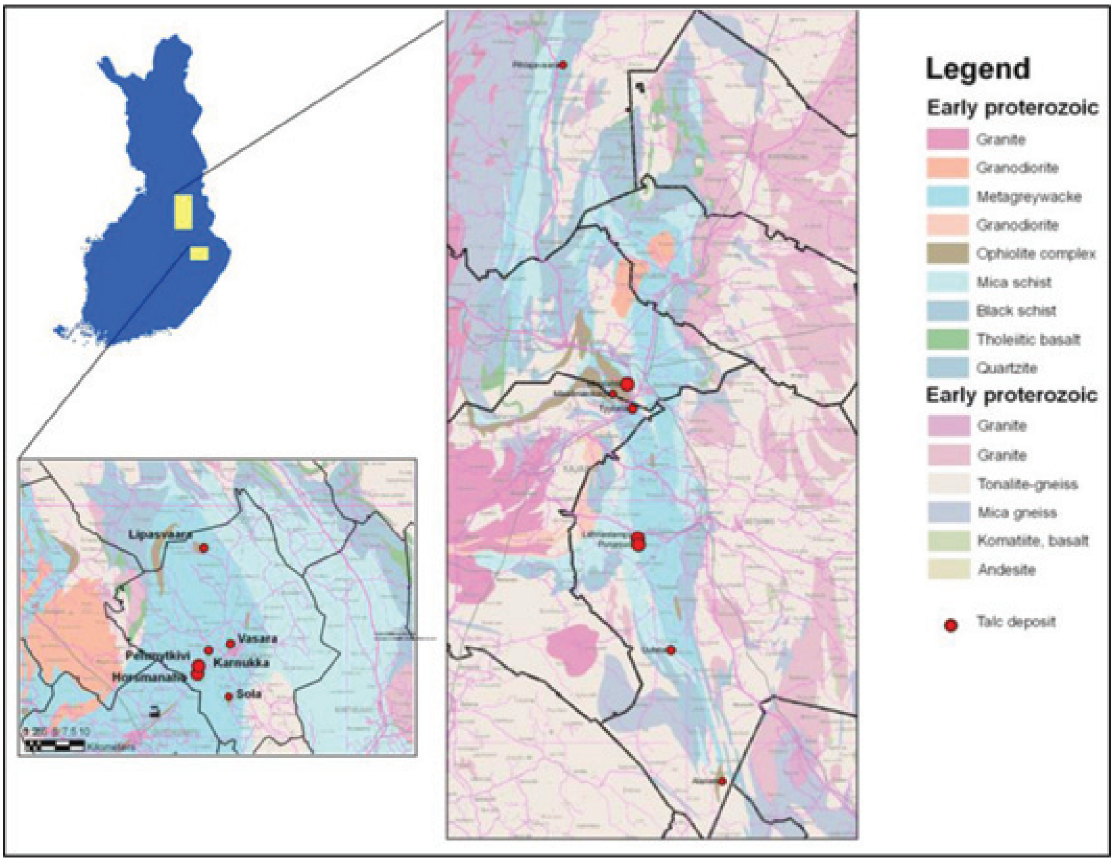

Figure 6-1: Regional geology map (Source: GTK, 2013)

6.2 Mineralogy

6.2.1 Talc-carbonate

The talc mineralisation at the Mondo deposits can be found in a variety of forms depending on the intensity of foliation and proximity to shear zones. Typically, the talc crystals are fine-grained (0.05 to 0.2 mm) and platy chlorite occurs in similar form, while carbonates are much coarser (up to several millimetres or centimetres in diameter). Some areas contain massive, relatively coarse-grained talc crystals (up to 1 mm). Coarse talc varieties also exist in shear zones where the rock is pure talc rock, i.e. steatite. The talc-carbonate rock is typically greyish occasionally with greenish or reddish colour but talc itself is typically greenish (inclusions iron hydroxide between the crystals) or pale white mineral. Magnesite tends to form porphyroblasts, which cause the common porphyritic texture of the rocks (Papunen, 2008). An example of the talc-magnesite mineralisation from the Viinakorpi deposit is shown in Figure 6-2.

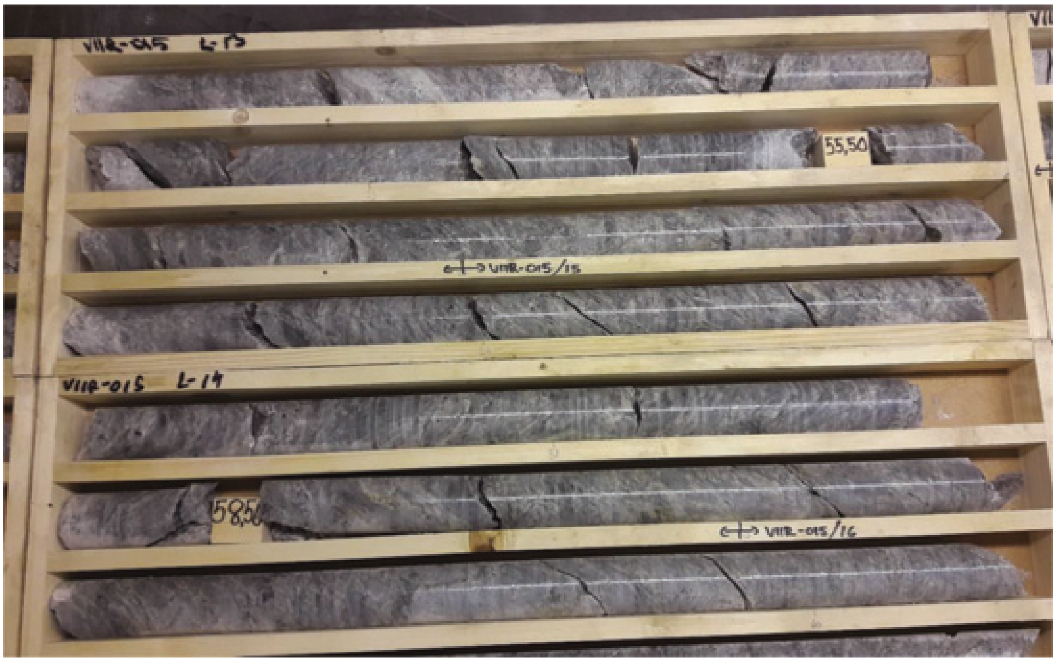

Figure 6-2: Example of talc-magnesite in drill core (Source: Mondo)

6.2.2 Sulphides

Typically, the sulphides at the deposits are fine-grained and disseminated throughout the deposit, but can be concentrated in shear zones and carbonate veins. The main sulphide minerals are pyrrhotite, pentlandite (which hosts the nickel and cobalt) and pyrite.

6.2.3 Fibrous minerals and quartz

While the presence of quartz and potentially fibrous minerals like anthophyllite, tremolite and chrysotile in the talc ore is checked for on a continuous basis according to set company procedures both by the internal and external laboratories, SRK understands that there have been no known observations of quartz or potentially fibrous minerals to date.

6.3 Local Geology

6.3.1 Punasuo

The Punasuo talc-magnesite deposit measures over 850 m long,180 m wide and extends for over 250 m at depth based on current exploration results. The deposit is north-south trending and dips 75° towards the east. The deposit is surrounded by black schist and mica schist host rocks, with amphibole-rich skarn and chlorite schist present at the contacts between mineralisation and host rock schist. At the centre of the deposit there is a massive serpentine breccia typical of metamorphic ultramafic complexes. The serpentine breccias comprise carbonate, talc and serpentine with minor chlorite, olivine and base-metal minerals. The current geological map of the pit surface as of 31 December 2017 is shown in Figure 6-3, and a cross-section showing talc-magnesite wireframes (high [red] and intermediate [pink] grade) generated by Mondo shown in Figure 6-4.

The mineralised unit is composed of talc (45 to 55%) and carbonates. Most of the carbonates are magnesite, with minor dolomite present at the contacts. The chlorite content varies between approximately 5 and 7% and the base-metal mineral content is generally up to 2%. Pyrrhotite, pentlandite, pyrite and chalcopyrite are the main sulphide minerals and ferrichromite and magnetite are the main oxide minerals.

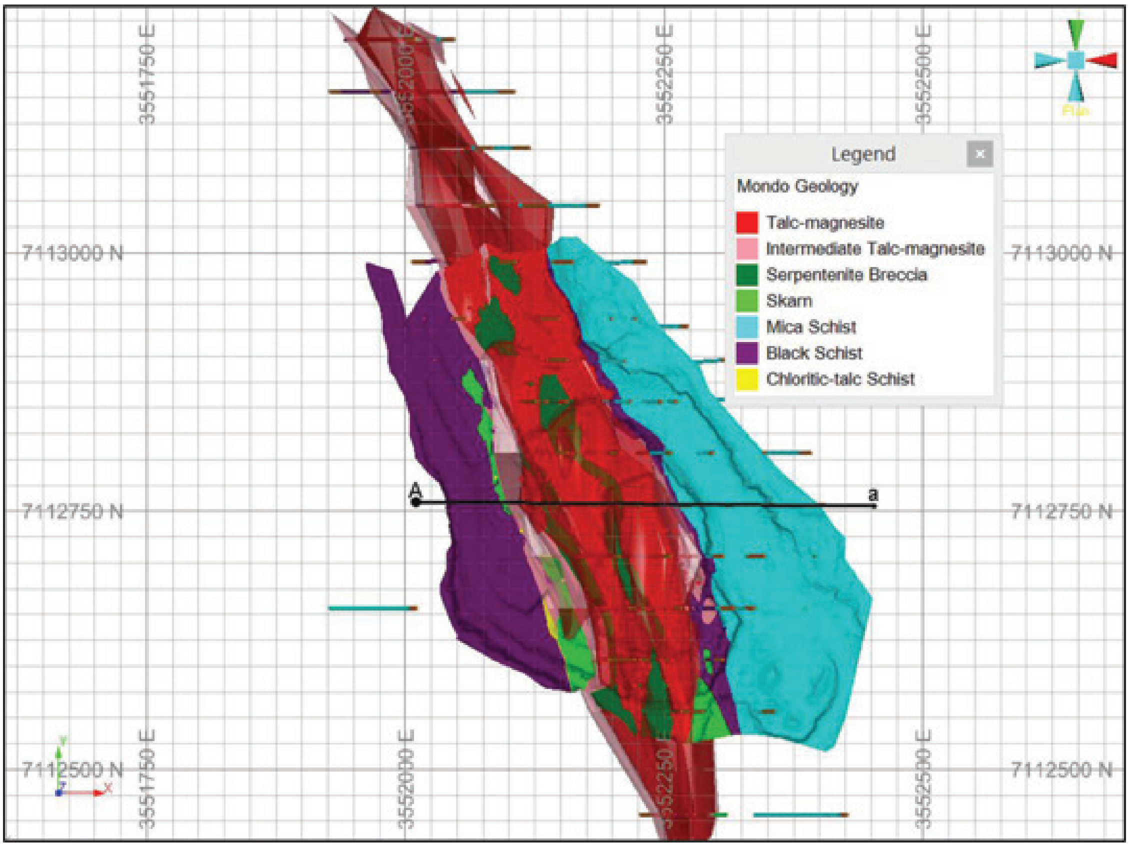

Figure 6-3: **Punasuo pit geological map (showing cross-section location)**

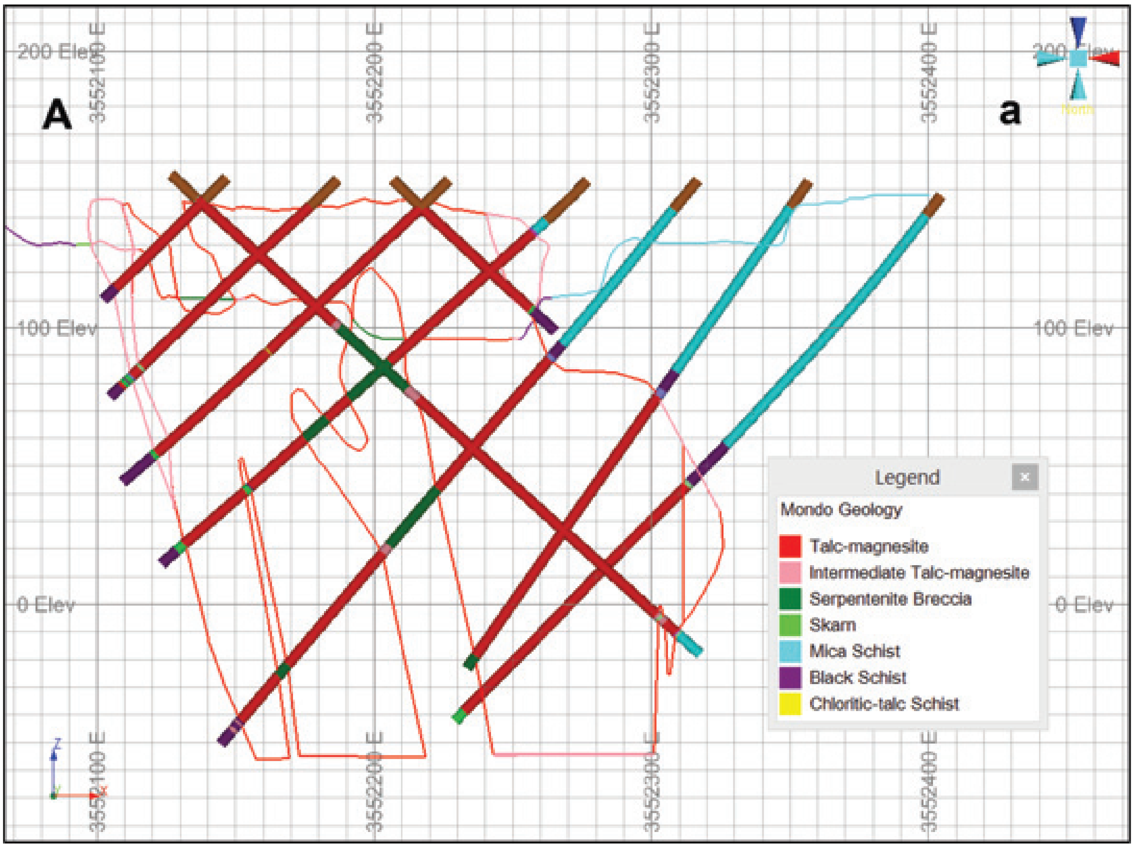

Figure 6-4: Punasuo pit geological cross-section showing drillholes and talc-magnesite wireframes (Dec 2017 surface coloured by geology)

6.3.2 Uutela

The Uutela deposit measures over 580 m long, 80 m wide and extends for 120 m at depth based on current exploration results. The deposit is northwest-southeast trending and dips 55° towards the northeast. Footwall host rocks comprise mica and black schists. Hangingwall host rocks comprises quartzite and black schist. Chlorite schist and skarn occurs at contacts with host rock, with occasional interstitial lenses of serpentine breccia.

The mineralised unit is composed of talc (45 to 60%) and carbonates. The majority of the carbonates are magnesite but dolomite is also present at the margins of the talc-magnesite unit. The chlorite content varies between approximately 4 and 6% with pyrrhotite, pentlandite, pyrite, copper-nickel-iron-arsenic sulphides and locally chromite occur as trace minerals.

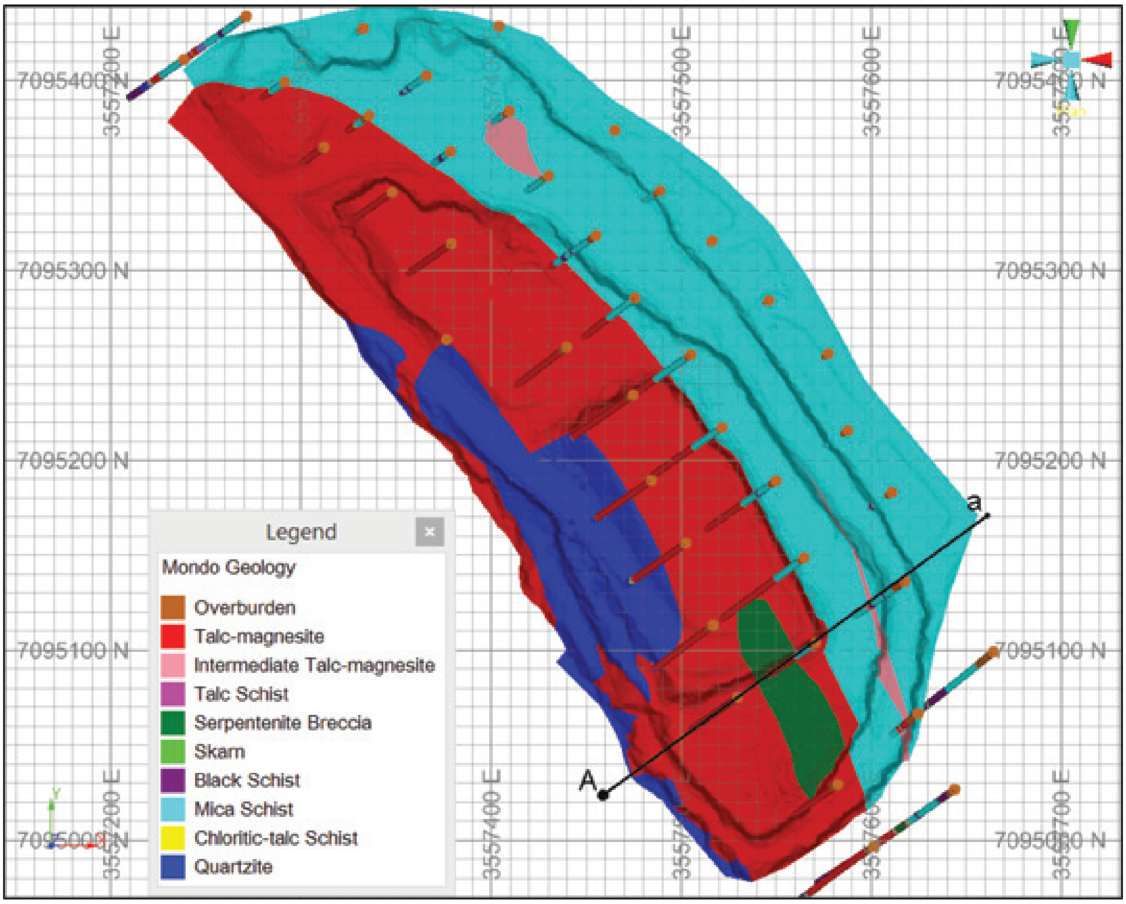

Figure 6-5: **Uutela pit geological map**

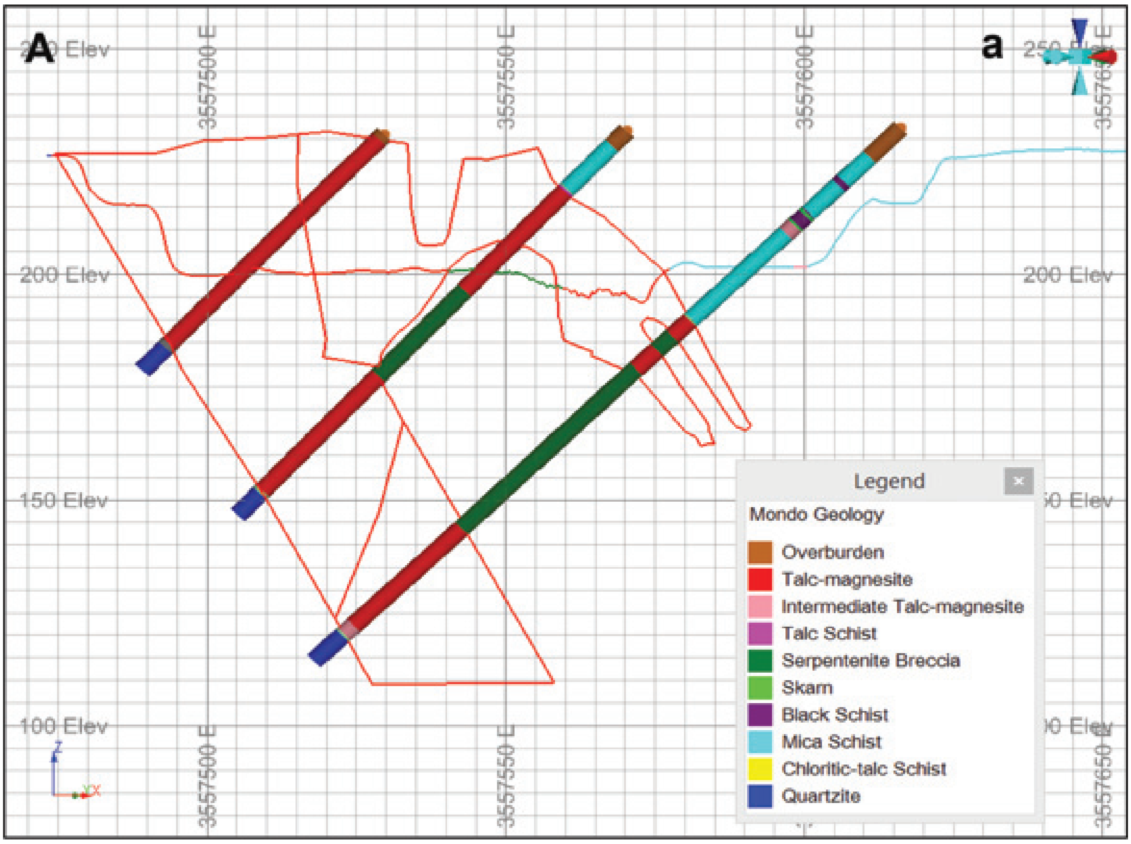

Figure 6-6: Uutela pit geological cross-section

6.3.3 Pehmytkivi

The Pehmytkivi deposit consists of a stack of tubular lenses gently plunging 15° towards the northwest with a northwesterly dip of approximately 30°. The talc-magnesite unit is surrounded by mica schist, grading to black schist towards the east and talc-poor/serpentinite-rich soapstone towards the west. The geological map of the Horsmanaho area is shown in Figure 6-7, and a cross-section through Pehmytkivi is shown in Figure 6-8.

The mineralised units, often presenting a serpentinite core, are separated by sheared chloritic and skarnified zones. The main talc-magnesite body is 300 m wide, 900 m long and extends to a depth of over 240 m (but is currently open towards the southwest). The talc contacts are sharp and clearly defined.

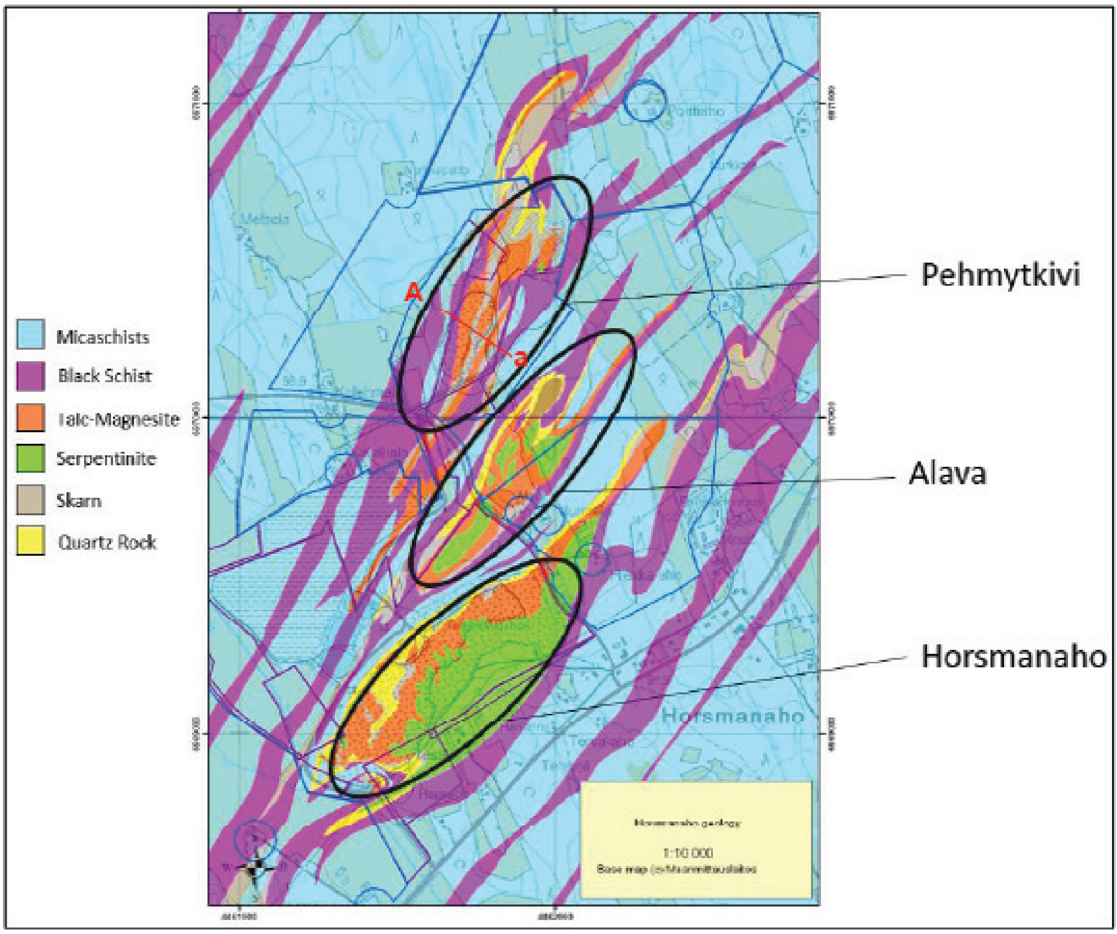

Figure 6-7: Horsmanaho area geological map showing cross-section location (Source: Talvitie, 2011)

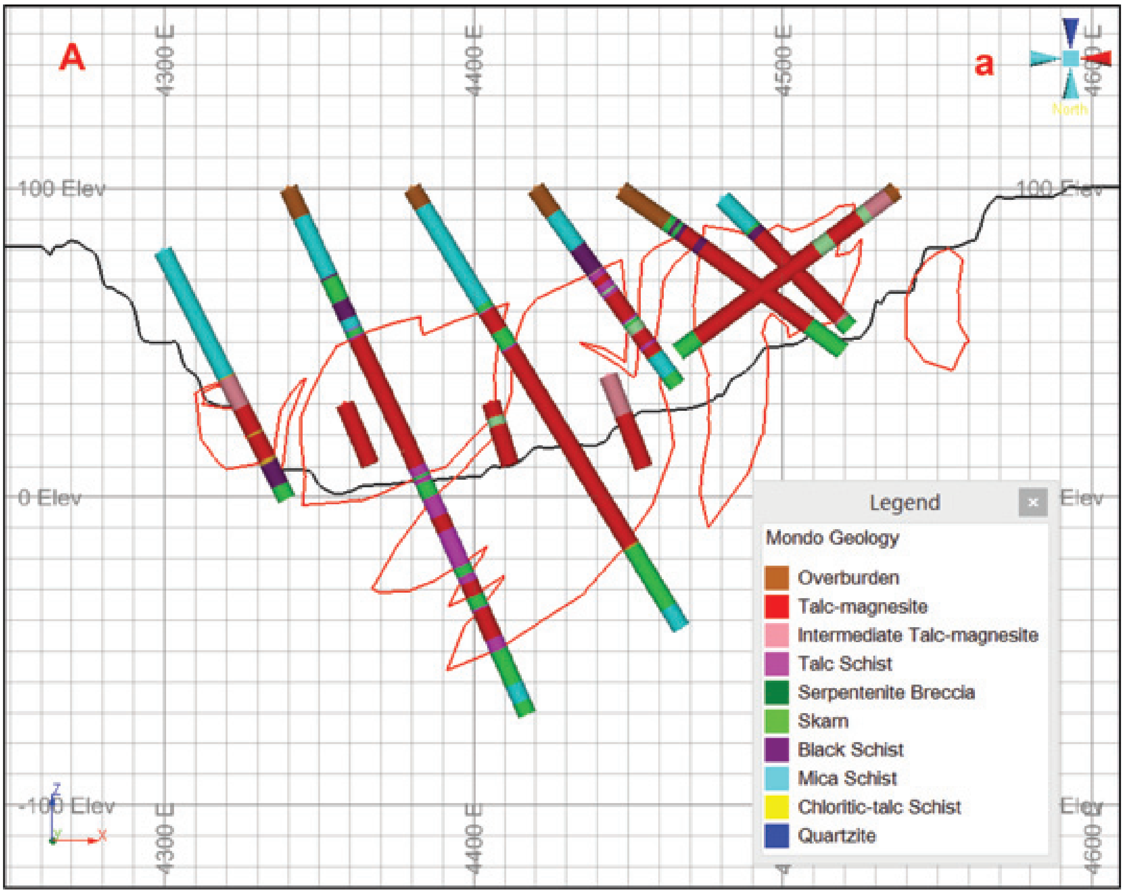

Figure 6-8: **Pehmytkivi pit geological cross-section showing drillholes and talc-magnesite wireframes (black line = Dec 2017 surface)**

6.3.4 Karnukka

The Karnukka deposit is associated with one main (and several smaller) semi-tubular ultramafic bodies dipping 30° towards the southeast and plunging 30° towards the southwest. The core of the main mineralised unit comprises relict serpentinite rock, with the margins steatitised. Host lithologies in immediate proximity to the talc include quartzite and black schist. The main mineralised unit is approximately 450 m in length, 60 m at its widest point and currently extends to over 200 m from surface (where it remains open). The geological map of the Karukka area is shown in Figure 6-9, and a cross-section through Karnukka shown in Figure 6-10.

The deposit consists essentially of magnesite pods and lenses within talc-magnesite rock, as well as talc-rich schistose soapstone. The adjacent serpentinite units are locally enriched in carbonate and talc, and conversely, the soapstone locally contains small relict lenses of serpentinite. The contact between the soapstone and serpentinite are generally gradational except between soapstone and quartzite and black schist where they are more clearly defined.

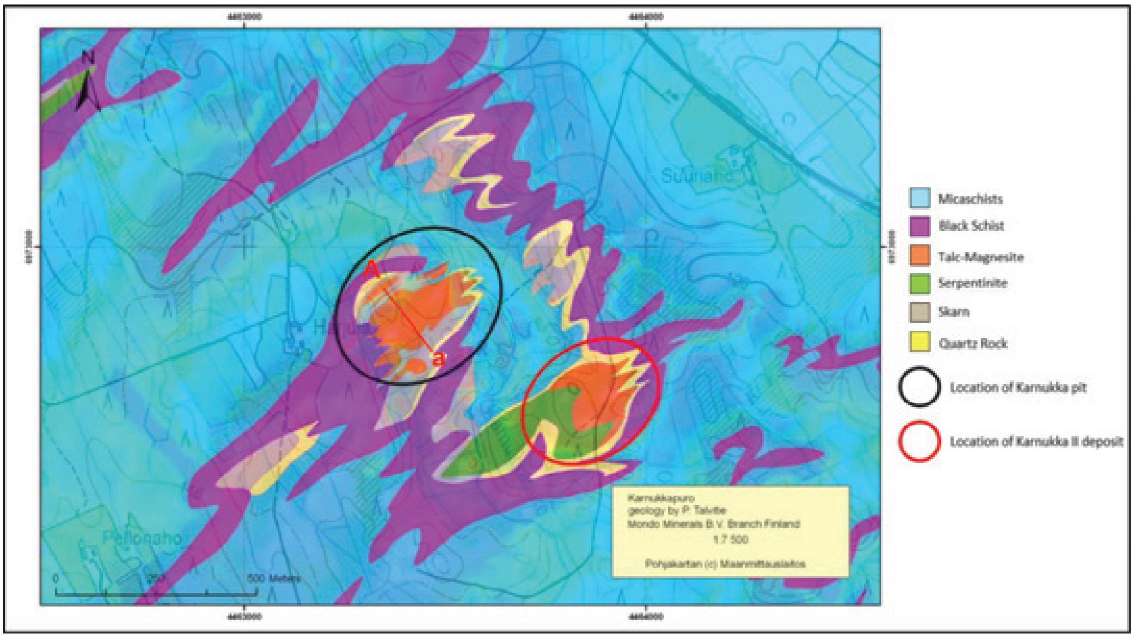

Figure 6-9: Geological map for Karnukka area showing cross-section location (Source: Talvitie, 2010)

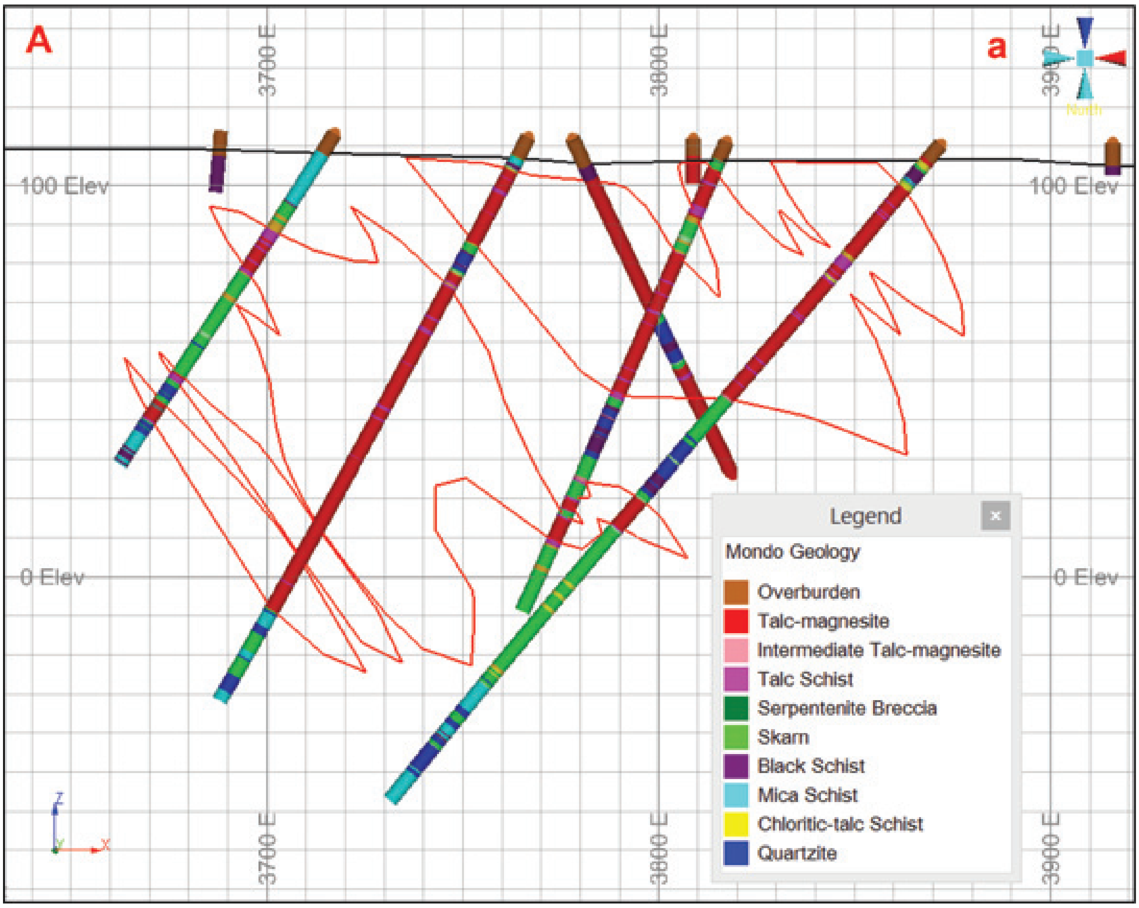

Figure 6-10: Karukka pit geological cross-section showing drillholes and talc-magnesite wireframes (black line = Dec 2017 surface)

7 HISTORY

Geological mapping, exploration and mining has been ongoing in the region for centuries. Due to the nearby large paper industry, the talc was highly sought-after; however, in order to produce the talc, a process of separating the talc from magnesite and other impurities first had to be developed. The company Suomen Talkki Oy was founded in 1967 to commercialise the invention of talc flotation specific to these deposits and production began at Sotkamo in 1969 with a capacity of 70 ktpa with the first deliveries of paper filler talc. A brief history of the ownership of Mondo's talc deposits is provided below:

- 1967: Suomen Talkki Oy founded.
- 1998: Suomen Talkki Oy renamed Mondo Minerals as a joint venture between Omya AG and Western Mining Ltd. The Mondo Minerals Group included Finnminerals Oy, Westmin B.V. Amsterdam and the talc business of Norwegian Talc A.S..
- 2001: Ownership of Mondo transferred to Omya A.G..
- 2007: Hg Capital acquires Mondo; Norwegian Talc A.S. remains part of the Omya A.G..
- 2011: Advent International acquires Mondo.

A brief summary of the mining activities undertaken by Mondo and previous operators is provided in Table 7-1.

Table 7-1: Mining history

Deposit	Years Operational	Total Ore Production to Dec 2017 (Kt)
Lahnaslampi	1968 – 2010	17,561
Vasara	1977 – 1982	1,055
Sola	1979 – 1991	716
Horsmanaho & Alava	1991 – 2014	8,136
Lipasvaara	1983 – 2000	1,872
Pehmytkivi	1999 – present	5,560
Uutela	2007 – present	2,417
Punasuo	2008 – present	2,034
Karnukka	2015 – present	501

8 EXPLORATION

8.1 Introduction

There has been continuous exploration in the Sotkamo and Polvijärvi areas since 1950s albeit that this has been mainly for base metals. Exploration completed to date has comprised geological mapping, exploration core drilling and grade control drilling.

The Finnish Geological Survey ("GTK") has completed geophysical surveys in the area, including magnetic, gravity and electrical conductivity; this data is freely available to the public.

8.2 Drilling

A summary of the core drilling undertaken to date at the Assets is provided in Table 8-1. In addition to this, a large quantity of blasthole grade control drilling has been completed at the currently and previously operating mines. Reverse circulation drilling was also trialled successfully in 2017 and will be used for future grade control drilling.

Table 8-1: Summary of core drilling completed per deposit (prior to Dec 2017)

Deposit	No. Post-2000 Core Holes	Post-2000 Core Holes Meterage	No. Pre-2000 Core Holes	Pre-2000 Core Holes Meterage
Punasuo	64	10,944	9	911
Uutela	29	2,922	11	919
Karnukka	62	6,853	6	102
Pehmytkivi	329	20,583	63	4,652
Mieslahti	—	—	79	6,959
Lipasvaara	17	1,214	102	6,780
Vasara	79	8,468	133	21,459
Maailmankorpi	8	912	4	423
Sola	—	—	110	13,723
Tyynelä	16	1,563	1	36
Pihlajavaara	5	398	6	337
Total	**609**	**53,859**	**524**	**56,300**

For most of the deposits, the exploration drilling has been undertaken on sections which are 25 m apart with drillholes 50 m apart along each section. The core diameter has varied from BQ (36.4 mm), prior to 2017, to NQ (47.6 mm) from 2017 onwards.

The current drilling is planned and supervised by a Mondo geologist, who logs the core at the rig into a field book for reference and as a basis for taking immediate action such as abandoning the hole and siting subsequent holes. The core is then transported by Mondo personnel to the respective Mondo core shed in Sotkamo or Vuonos, where it is logged. Logging is completed on paper and later transferred to digital format. Talc mineralised sections are marked for assaying. The geologist ensures that only the purest talc is being assayed by marking from a few centimetres inside the geological contact. The individual samples are between 6 m and 10 m long.

Subsequently the boxes are shipped to the GTK in Kuopio, where the core is photographed and the marked core is cut and sampled. The core boxes are then transported back to the core storage in Vuonos and core samples are sent by GTK to Labtium for crushing and pulverising prior to analysis.

As of 2017, reverse circulation ("RC") drillholes have also been drilled at the active mines. The aim of this was to provide unbiased grade control samples and indeed these do compare well to the core holes. These holes are drilled, inclined, on regular 12.5 x 12.5 m grids with pre-drill into the proceeding bench. As yet, the information from these holes has not been incorporated into the MREs, but this is planned for the next annual update. The information from these holes should improve the mining process and increase overall recovery.

For the operating mines, and in addition to the core holes, the data obtained from rotary air blast ("RAB") blastholes has also been used in the estimation process for the first time this year. These holes are drilled in regular gridded patterns spaced 2.5 x 3 m apart and extend to the depth of the bench (generally 10 to 15 m). The material is collected using a tube sampler inserted into the dust pile. The material is then analysed as below. It has been noted that a bias appears to exist between the core and blasthole data which was considered to be due to the loss of finely ground talc material to the dust collector and into the air. While an analysis was conducted to analyse the impact of including the dust collector material for each sample, this proved inconclusive, and so this bias remains unexplained. This close-spaced data assists with the understanding of the grade distribution on a local scale and if the bias can be quantified and corrected, this data would assist with more accurate short-term planning (production) block models going forward and mark another step in the continuous improvement efforts being made by the mining team.

8.3 Surveys

Collar locations are recorded using high-resolution tachymetry or high precision mapping RTK GPS. Topographic surveys are generated each month for active mining areas via drone surveys.

8.4 Sample Preparation and Analysis

The samples are prepared and analysed by ICP-OES (Labtium code: 511P). Sulphur and carbon are analysed by combustion method (Labtium code: 811). Coarse reject and pulps are shipped back to Vuonos, where the coarse reject is being stored and the pulps used for further analysis at the Vuonos site laboratory (brightness, talc, iron in talc). Remaining pulps are stored in the Vuonos core storage.

Each exploration project or operational pit has its own Microsoft Access database, which contains the logging information as well as the assaying information for brightness (%), talc (%), calcium oxide (CaO), iron oxide (FeO), nickel (Ni), arsenic (As), sulphur (S) and a number of other project relevant information. A Master Access drillhole database is maintained on the Server while sub-sets of this are often kept on the geologists' personal laptops, since they are used for the estimation process within Surpac models.

8.5 Quality Assurance and Quality Control (QA/QC)

No quality assurance/quality control ("QA/QC") standards, blanks, duplicates (quarter core, coarse reject, pulps) are inserted into the sample stream by Mondo. Labtium has a robust internal QC system, with regular samples inserted into the sample stream and analysed in-house. Duplicate readings of brightness are regularly taken by the Vuonos laboratory.

QA/QC testing has been done to determine how representative blast hole samples are of the ground in which it is drilled, how representative blast-hole samples are to the blast hole cutting pile and how representative the blast hole cuttings are to the ground in which it is drilled. No full comparison of different drilling types (core, RAB and RC) has been conducted to date.

9 MINERAL RESOURCES

9.1 Introduction

The most up to date Mineral Resource statements produced by Mondo are those derived using data up to 31 December 2017 and are valid as of that date. Not all estimates are updated for each deposit every year and typically they are updated only when additional data is available, or differences have been noted between the expected and actual geology.

In 2017, only two of the operating mines were re-modelled since the last update in 2016 (Punasuo and Uutela). The other two operations (Pehmytkivi and Karnukka) were updated with depletions and minor adjustments to the mine plans only. In addition, two additional deposits were modelled and reported for the first time in 2017, namely Viinakorpi and Karnukka II.

9.2 Quality Estimation Methodology

Mondo produces its geological models using Surpac software and the general workflow is reasonably standardised.

Geological interpretation is completed on sections and is based on the geology logs, geological mapping of pits, geochemistry and brightness data. The interpretation concentrates on delineation of talc-mineralised units, and does not differentiate between different product types during this stage.

To generate the geological model, sectional strings are digitised and linked up to form wireframe solids. Due to technical difficulties in joining strings across large numbers of sections, the approach is to link two sections and form sub-solids between two sections, which are easier to validate and manage than a single larger solid. This method is considered appropriate for this style of deposit.

Using the wireframe solids described above, the drillholes are composited into regular 5 m lengths (composites) and the key variables, brightness (%), talc (%), Fe in talc, CaO, FeO, Ni, As and S are then interpolated into the block model using an Inverse Distance Weighted squared ("IDW^2") algorithm and Ordinary Kriging ("OK") for the recently updated deposits. The parent block size varies between 5 x *5 x *5 m and 20 x 20 x 20 m.

9.3 Tonnage Estimations

Density determinations are routinely taken using pieces of drill core and average values of 2.9 g/cm^3, 2.8 g/cm^3 and 1.8 g/cm^3 are used to report tonnages of talc-magnesite, waste rock and overburden material, respectively.

9.4 Mineral Resource Classification

Mondo has reported its Mineral Resource estimates using the guidelines and terminology of the PERC Standard, classifying areas in each of the deposits into Measured, Indicated or Inferred categories. The classification is based on its confidence in the continuity of the mineralisation (based on drilling and pit mapping) and accuracy of the interpolated variables.

Material is only classified as Measured or Indicated where it is considered that these areas have been estimated to a sufficient level of confidence to generate a mine plan and to form the basis of a Mineral Reserve statement. In addition, material is only upgraded to Measured once the asset is in operation and close spaced data starts to become available.

9.5 Mineral Resource Reporting

Mondo has limited its reported Mineral Resources to that material that is constrained by open pit optimisation exercises and which therefore satisfies the requirement to have "reasonable prospects for eventual economic extraction'. The optimisations have been developed by Mondo using mining and economic inputs which reflect the geology of the deposits and estimated costs of production and sales revenues at the time of reporting. Examples of the classified block models and pit shells used for reporting are shown in Figure 9-1 and Figure 9-2 for Pehmytkivi and Karnukka, respectively.

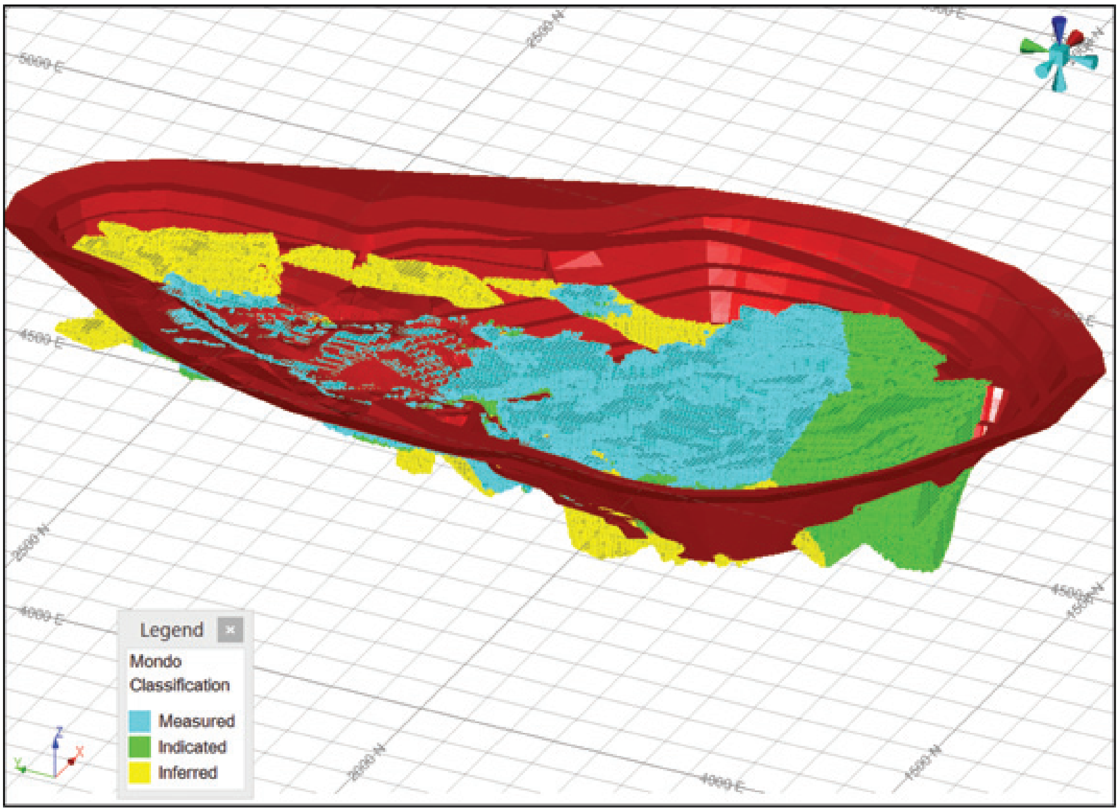

Figure 9-1: Pehmytkivi classified block model and pit shell

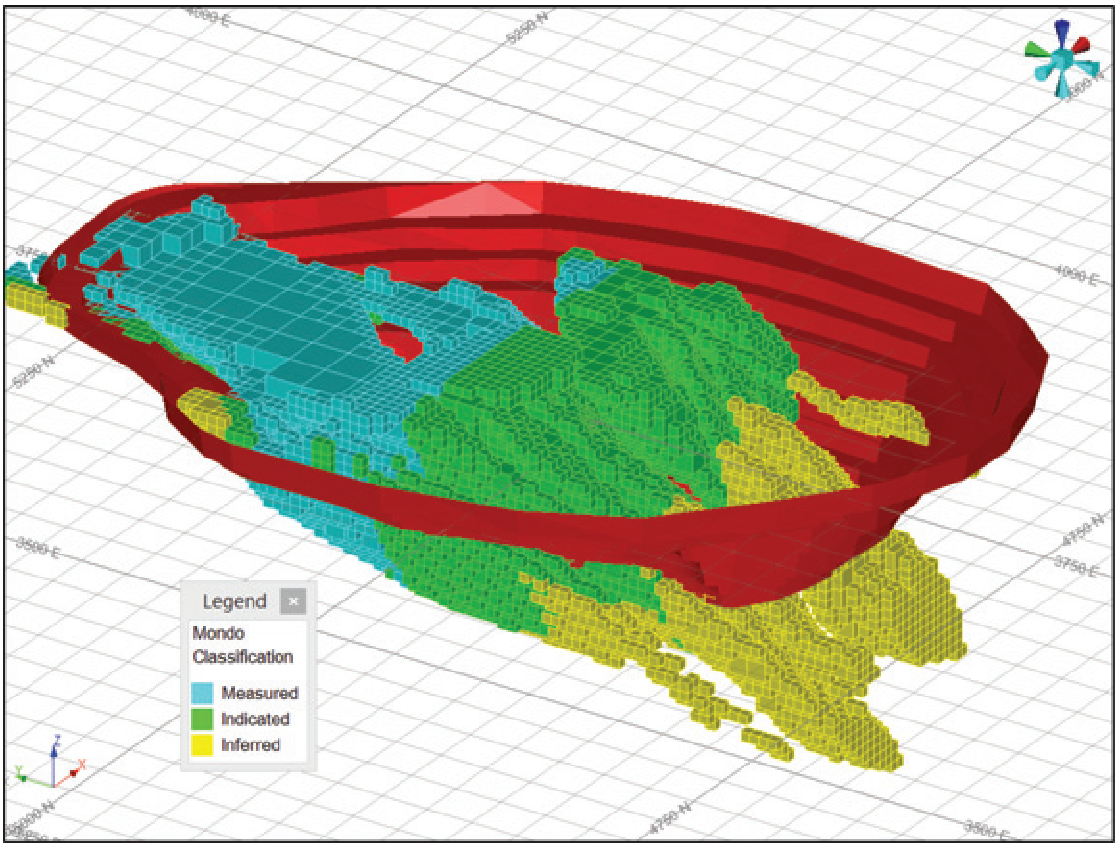

Figure 9-2: Karnukka classified block model and pit shell

9.6 Mineral Resource Statements

Table 9-1 summarises the Mineral Resource statements prepared by Mondo and audited by SRK to reflect the status of its assets as of 31 December 2017. Mineral Resources are reported inclusive of Mineral Reserves. Nickel grades have been presented but Talc quality indicators (such as brightness, talc content, iron in talc, CaO) have not been reported due to the commercial sensitivity of this information. This information is not considered material to the overall evaluation of the Mondo's assets due its demonstrated ability to produce talc products over several decades and the large Mineral Resource base available. Notwithstanding this, SRK notes that the brightness of the modelled talc-magnesite units generally ranges from between 60 to 70%.

Table 9-1: Mineral Resource Statement as of 31 December 2017

Cluster	Category	Tonnage (Kt)	Ni (%)
Sotkamo	Measured	16,730	0.15
	Indicated	22,030	0.16
	Inferred*	16,430	—
Polvijärvi	Measured	9,320	0.14
	Indicated	19,190	0.14
	Inferred*	17,540	—
Total	**Measured**	**26,050**	**0.15**
	Indicated	**41,220**	**0.15**
	Inferred*	**33,970**	**—**

* *Note: the Pihlajavaara, Karnukka II and Sola deposits currently lack nickel grade data and so average grades are not reported.*

9.7 Reconciliation

Mondo produces various talc grades from its portfolio of mines. This is made possible due to a combination of variable characteristics of the ore (talc content, brightness, calcium and sulphur, Ni, etc.) and the flotation process. Mondo has proven over years of production that adequate material of the correct product specifications can be provided to customers as and when required using the current methodology.

Reconciliation of predicted tonnages and grades from the block model to actual mined figures provides the most valuable form of validation of the model and can provide comfort in the reported confidence categories. In the case of Mondo's assets, this is complicated by the flotation process which helps generate different grades of talc from the generic talc-magnesite orebody, which is modelled. At present, the only form of reconciliation therefore available is the global tonnes of material mined. Notwithstanding this, SRK's checks on global extracted tonnage reconciles well to the reported tonnage.

9.8 SRK Comments

SRK has reviewed the estimation methodology used by Mondo to derive its Mineral Resource estimates and the geological assumptions made. While SRK has made certain recommendations to Mondo regarding the estimation methodology used which Mondo plans to investigate during the next reporting period, SRK considers the estimates to be reasonable given the information available. SRK has also undertaken various checks of databases, geological models and resource reporting criteria (including pit optimisations) and has in all cases found no material errors or omissions and the 2014 guidelines developed by SRK for reporting Mineral Resource have been adhered to.

Given the above, overall SRK considers the estimates reported by Mondo to be a reasonable reflection of the total quantity and quality of material demonstrated to be present at the assets and which has potential to be exploited as of December 2017.

10 MINERAL RESERVES

10.1 Introduction

As with its Mineral Resource statements, Mondo's Mineral Reserve statements have been reported using the terminology and guidelines proposed in the PERC Standard. Specifically, it comprises the tonnage of mineralisation reported above as either Measured or Indicated Mineral Resources which is planned to be mined and processed, as reported in the following sections of this CPR.

The definition of a Mineral Reserve as defined by the PERC Standard is "*the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined or extracted and is defined by studies at Pre-Feasibility or Feasibility level as appropriate that include application of Modifying Factors. Such studies demonstrate that, at the time of reporting, extraction could reasonably be justified*".

10.2 Modifying Factors

The Modifying Factors applicable to the derivation of Mineral Reserves comprise estimates for ore losses and planned and unplanned dilution associated with the separation of the ore and waste. This is normally a function of the orebody characteristics and mining methods selected.

In this case, the in situ talc-magnesite tonnes have been converted to saleable talc tonnes by applying both mine recovery and plant recovery factors, the total recovery (yield) being a combination of both. The specific factors used vary from deposit to deposit, are based on reconciliation figures and long-term experience and are presented in Table 10-1, below.

For nickel, the Mineral Reserve is reported as plant feed tonnes and these have therefore been derived by applying the mine recovery factors only.

It should be noted that Mondo has recently implemented several improvements at its operations which have optimised the mining and processing operations and which have impacted on these factors. Notably, this has included:

- creation of ore stockpiles containing 6 to 8 weeks of plant feed at both locations to enable greater flexibility in operations; and;
- on going flotation tests in the laboratories aimed at improving the ability predict and positively influence ore recoveries in the flotation process.

Table 10-1: Modifying Factors (combined per mining cluster)

Cluster	Mine Recovery (%)	Plant Recovery (%)	Total Recovery/Yield%
Sotkamo	75 -80	26 -35	21 -26
Polvijärvi	70 -75	37 -39	27 -29

10.3 Mineral Reserve Statements

Mondo's Mineral Reserve statement reported below encompass only those deposits that are currently being mined. Specifically, Mondo has classed that material reported in the tables above as a Measured Mineral Resource, and which occurs in mines that are currently operational, as a Proved Mineral Reserve; and that material reported in the tables above as an Indicated Mineral Resource, and which occurs in mines that are currently operational, as a Probable Mineral Reserve.

Table 10-2 presents Mondo's Talc Mineral Reserve and Table 10-3 Mondo's Nickel Mineral Reserve. Mondo reports its Talc Mineral Reserve estimates in terms of talc product and its Nickel Mineral Reserve estimates in terms of plant feed tonnes and grade. Talc quality indicators (such as brightness, talc content, iron in talc, CaO) have not been reported due to the commerical sensitivity of this information. This information is not considered material to the overall evaluation of the Mondo's assets due to the demonstrated ability to produce talc products over several decades and the large Mineral Reserve base available. Nickel grades have however been reported.

Table 10-2: Talc Mineral Reserve Statement as of 31 December 2017

Cluster	Category	Tonnage (Kt)
Sotkamo	Proved	4,100
	Probable	2,460
Polvijärvi	Proved	2,520
	Probable	2,240
Total	**Proved**	**6,620**
	Probable	**4,700**

Table 10-3: Nickel Mineral Reserve Statement as of 31 December 2017

Cluster	Category	Tonnage (Kt)	Nickel (%)
Sotkamo	Proved	12,820	0.15
	Probable	7,370	0.15
Polvijärvi	Proved	6,640	0.14
	Probable	5,920	0.14
Total	**Proved**	**19,460**	**0.15**
	Probable	**13,290**	**0.15**

10.4 SRK Comments

SRK can confirm that the Mineral Reserve statements have been derived from the resource blocks and incorporate appropriate estimates for mining and processing based on actual historical data and that no Inferred Mineral Resources have been converted to Mineral Reserves

SRK has run check pit optimisations on the four active mining areas to check that both the input parameters and the results are valid, with no material issues identified.

The difference between Mondo's talc Mineral Resource and Mineral Reserve statements is a function of the relatively low mining and processing recoveries inherent in the mining and processing methods employed and the fact that the Mineral Resources are reported as in situ tonnes and the Mineral Reserve in terms of talc product. In addition, only Measured and Indicated Mineral Resources have been converted to Mineral Reserves.

11 MINING

11.1 Mining Method

The pits are mined using conventional, shallow open-cast mining techniques and are small-scale mining operations. The entire mining operation is sub-contracted to E Hartikainen Oy and Mondo's main responsibilities are to oversee the Contractor and provide mine plans for execution.

Modern diesel hydraulic equipment is used for primary excavation and haulage to the crushing facilities, located at the both plants. This equipment generally comprises excavators in backhoe configuration, and rigid body trucks of Caterpillar and Komatsu manufacturers (contractor's fleet). All operations conduct drill and blast drilling generally over 10 to 15 m benches, with vertical holes on nominal 3.5 x 4 m configurations. The following methodologies are utilised:

- Drilling – 89 to 115 mm hole with tophammer hydraulic rigs (Sandvik DP).
- Blasting – emulsion explosives, non-electric detonators.
- Loading – 80 t excavators (CAT 385 or similar).
- Hauling – off-highway trucks, 65 t payload (CAT 775 or Komatsu 605).

While when under previous management, operational decisions were made which has led to narrow berms in certain areas, but not to a level making them completely inaccessible, the pits are now developed in an appropriate manner, allowing reasonable operating space and tending to maintain minimum mining widths. Notwithstanding that, the operations are typical quarry-type of pits being developed continuously, without pushbacks.

11.2 Pit Descriptions

11.2.1 Pehmytkivi

Pehmytkivi is the largest currently operating pit, with a large Mineral Resource of approximately 15 Mt of talc-magnesite material (run of mine, or "ROM"). The pit is currently 95 m deep with access via two ramps entering from northern and southern limits. Currently, there are some 8 benches developed in the pit, none of which being fully at final designed limits. At the time of review, the main mining activities were taking place in the bottom levels of the pit and some waste removal was occurring in the top elevations. Under the previous management, a large area of the pit (northeast) was backfilled with waste; however, SRK has been informed that currently, no backfilling activities occur into the active pits. This pit is planned to be deepened by further 95 m, with a ramp located around the pit. Figure 11-1 shows the pit in April 2018; on the left-hand side of the photo the old backfill waste material is visible.

Figure 11-1: Pehmytkivi Pit (looking north)

11.2.2 Uutela

Uutela is currently developed down to 3 benches at 40 m depth, with total width of the pit being less than 200 m and a length of 500 m. One ramp provides access, entering pit from its northwest corner and running down to the elevation of 185 m RL. The final designed pit depth will be extended by further 80 m from the current level. The Uutela ROM is characterised by the highest brightness ore of all the deposits, lowest calcium oxide and sulphur. At the time of site visit, SRK watched blasting activities in the pit, which is visible in Figure 11-2, below.

Figure 11-2: Uutela Pit (looking southeast)

11.2.3 Karnukka

The Karnukka pit is less developed when compared with Pehmytkivi, commencing production in 2015 and with only three benches being currently developed and one access ramp. The current depth is 35 m with another 100 m further extension planned. The Karnukka pit is characterised with the highest talc content of the currently operating mines.

11.2.4 Punasuo

Punasuo is another relatively young pit within the Mondo operations, commencing in 2010. The production rate is expected to raise to a level of nearly 300 ktpa (compared to 90 kt mined in 2017). Currently, there are three working levels developed and depth of the pit is around 55 m, with designed final pit bottom almost 150 m deeper. Punasuo holds the largest Mineral Resource of the four currently active pits, with some 19 Mt of talc-magnesite ROM, including material classified as Inferred.

11.3 Mining Geotechnics

11.3.1 Overall mining approach influence on mining geotechnics

The inherent nature of Mondo's talc mining is geared towards slower mining rates than traditional open pits with pit geometry configured more like a quarry and not governed by the same challenges that are present in traditional open pit mining of other commodities. The pits are planned to shallow depths (<200 m) in moderate strength rock masses, and the mining processes are selective and require repeat bench access.

Therefore, while instabilities occur, they are infrequent, are identified in advance and the operations have ample opportunity to manage these and adjust the mining plans accordingly.

11.3.2 Current slope stability performance

In general, the conditions of the pits are variable and slopes and benches are not uniform. However, none of the active pits have major stability issues that are apparent and SRK is of the opinion that the overall slope design is at relaxed angles and that the bench configuration is designed to fit this shallow angle (40 to 45° overall slope) due to requirement for re-accessing benches to mine particular ore types as needed. The Mondo team has a long-term understanding of the rock mass performance and the areas that are likely to pose slope related risks to the operation. SRK understands that in 2014 there was a multi bench failure in Pehmytkivi that affected the pit ramp and impacted ore production, but this failure was related to a large geological structure and has subsequently been remedied and there was no evidence of failure when SRK visited the site.

A general description and representative photograph of each active pit is provided in Table 11-1. Additionally, generalised comments are listed below:

- variation in bench height is based on the ore geometry and local access. The benches are blasted in 10 to 15 m flitches mostly, however there have been 5 m flitch heights mined as well.
- on a bench scale there are potential structural wedges and some blocky units that are prone to deterioration; however, the operations team appear to have a good handle where to expect rockfalls and manage the associated risks for the mining team.
- bench faces have an irregular profile related to blast over-break and easily excavated rock types. The catch benches are generally clean, however there were areas in all pits that had broken rock filling up to 80% of the catch bench width.
- monitoring is based on observations only with no instrumentation currently being applied to monitor slope stability. There is a limited record of pit performance such as rock fall records and slope construction records. Most of this is knowledge from the team's experience.

Table 11-1: Generalised photograph and condition of each active pit

	**Uutela Pit Condition.** Generally, the benches are clean and well scaled. There is a contact on the east wall with Ore and the black schist that rolls. The jointing persistence is up to 10 m long and averages 3 to 5 m. Minor wedges are apparent at bench scale. Crests are lost in blasting, but cleaned in scaling. No multibench instabilities are observed.
	**Punasuo Pit Condition.** Generally, the benches irregular with variable scaling. The jointing persistence is up to 50 m long and averages 10 m. planar failure and bench scale wedges are common. Various geotechnical domains are apparent
	**Karnukka Pit Condition.** The talc magnesite is uniform in condition with some jointing opened up by blasting. The waste rock is well jointed with large wedges forming and consistent daylighting planes. Various geotechnical domains are apparent based on irregular geology. Scaling is not uniform and bench faces are irregular. The instabilities are present but not impacting current access or seen as high risk.
	**Pehmytkivi Pit Condition.** The ore uniform with some jointing. The waste rock is well jointed with large wedges forming and consistent daylighting planes. Various geotechnical domains are apparent based on irregular geology. Scaling is not uniform and bench faces are irregular. Benches are full in upper parts. The lower mining has improved quality and control, reducing bench scale risk. Several bullnoses are creating multibench failure risk

11.3.3 Geotechnical and hydrogeological characterisation

Limited industry standard geotechnical characterisation is currently conducted. There are historical technical assessments up to 1999 which included rock characterisation to previously mined deposits. While the historical assessments are of high quality, they are based on the limited information available at that time. In development of the pits to now, there is an abundance of slope construction that has provided opportunity for rock quality information to be collected additional to the geological mapping but there is not a practice established to collect this information yet.

The long term working experience of the pit geological/mining team is the tool applied to understand the geotechnical aspects of stability. There is a good knowledge of the geological variation and this is well verified as the pit is developed. Major structures and contacts are mapped in the pits and extrapolated onto lower benches. While no structural model is produced, these are surveyed in and used to verify the geology model.

There is no auditable or consistent approach yet to map for rock strength changes or the role of discontinuities influencing pit slope stability. Mondo has been testing airborne laser mapping systems with photographic data that produces geo-referenced point clouds. This is very high quality data and will allow for major structures as well as bench scale jointing to be mapped in a rapid and safe manner within Surpac or other processing tools.

While drill core logging was historically limited to rock quality designation ("RQD") measurements and limited fracture measurements, SRK understands that the logging systems have recently been updated to collect the input parameters for 'Barton's Q rock quality characterisation system'. This provides a rock mass characterisation approach at the drilling stage and SRK consider this as suitable as a minimum.

The talc-magnesite units are contained in the slope 'toe' and exposed to the loading of the slopes above them. These lithologies are in the 'Moderate' strength category and the summary of the rock type strengths (obtained from discussions) have a range of 70 to 120 MPa. The available laboratory testing is limited to some historic uniaxial compressive strength ("UCS") samples for Lahnaslampi only. No routine strength assessments are currently planned. The slopes are planned at depths where this material may fail in compression. This likelihood not numerically modeled with robust strength testing data as material inputs.

The only available hydrogeological assessment is by Pöyry (2012a) and this covered the groundwater and surface drainage for the Sotkamo mines.

The surface and subsurface drainage into the pits and the subsequent dewatering was viewed during pit visits. There does not appear to be a significant continuous problem created by water in all of the pits. However, in Pehmytkivi the north wall has seepage for most of its height during the spring melt period. This is tracked using observational systems, however the water flow is not measured or pressure monitored with instruments within the slope.

11.3.4 Geotechnical analysis and slope design parameters

There is no systematic approach in place to characterise the rock mass in the current active pits as well as suitable kinematic and numerical analysis of stability. The current slope design parameters are not based on localised understanding of failure risk. The designs are applied from analysis utilised in the older deposits. The design parameters per pit are tabulated below in Table 11-2.

Table 11-2: Slope Design Parameters for each active pit

Slope Parameter	Punasuo	Uutela	Pehmytkivi	Karnukka
Bench Height (m)	15-20	15	10-15	10
Bench Face Angle (°)	80	80	80	80
Catch Bench width (m)	12-15	10	10-15	10
Ramp Width (m)	20	20	25	25
Overall slope angle (°)	45	44-47	43	45
Current Depth (m)	55	40	95	35
Planned Maximum Depth (m)	205	120	185	135

11.3.5 SRK Comments

The long term working experience of the pit geological/mining team and their close interaction with the mining operation is a benefit in understanding the expected performance of the bench scale slopes. Coupled with this, a relatively flat overall slope design angles (40 to 45^{o}) has allowed for wide catch benches (10 to 15 m width) for moderate slope heights (10 to 20 m). This has provided the freedom (and acceptance) for catch bench loss (average approximately 25%) due to blasting and excavating, while maintaining acceptable rockfall catch capacity. Overall the stability risks and recovery options are suitable and significant impact to the business is not currently present. Notwithstanding this, the current reactive approach has shortfalls and SRK has recommended that a proactive and structured approach is initiated and developed as part of the mining and mine planning process.

The geological makeup of most deposits is complex structurally which results in several localised (geotechnically-similar) stability domains. The contacts can be weak and these change in orientation even at bench scale which increases the complexity of geotechnical domaining. If the pit design approach was to be more aggressive and reduce the catch bench width, then a stricter geotechnical design and slope management approach would be required.

At this stage the bench and multi bench scale stability is not seen as a high risk. Notwithstanding this, there are weaker contacts and jointing features that pose wedge and planar failure risks that need to be mapped and modelled in 3D. This provides the minimum data as input into on-going stability analysis as the pits are developed and is sound practice for proactive risk management. An overview of a plan that we recommend that the Company/Mondo should now apply would include:

- within geotechnical domains that will be intersected by pit slopes it is suggested to log core for inputs to the RMR and Q systems. Use oriented core to identify the orientation, spacing and condition of fractures.
- 3D mapping is commenced using the photogrammetry and/or the routine airbourne surveys. These should be conducted as benches are developed to planned height so that the geometry and geological structure can be mapped systematically.

SRK has recommended that the Company/Mondo conducts a review of the planned designs for stability that is specific to each pit. This stability assessment is to assess the influence of the identified features to the ramp access and multi-bench failure risks. This could be easily completed on an annual basis as an input into the five-year planning process. As new or unexpected features are identified by mapping, the Company/Mondo can conduct stability analysis to verify the planned pit design.

A system of regular pit inspection and observation recordings is deemed essential and is recommended to establish a geotechnical history of pit performance as it is essential in the engineering loop: design, construct, monitor, and improve. This approach regularises the data in a clear system and supports the personnel experience and memory of the staff. The data can be entered into a digital system and utilised in the mine planning software. Simple systems suggested are within general templates that SRK can supply and these entail elements described below:

- bench face construction report form (at complete bench height) which includes: final face geometry, rock mass characterisation estimation such as GSI, RMR or Q. Condition of crest and toe after blasting, scaling conducted and final geometry, tension cracks, water seepage, discontinuity orientation and instability potential.
- weekly, or monthly observation of all constructed areas to identify: Wall condition, any changes to the crests or faces; development of tension cracks, bulging, block rotation etc, water seepage and areas of ice development, hazards identified from instabilities, loose rock or ice, etc.
- monthly pit hazard map: used to map out the identified hazards and risks to person, machine, or infrastructure; identified areas of high exposure based on short term mine plan, trigger and response plan (TARP) once trigger is met like water seepage rate, tension crack opening rate, etc.

- rock fall or bench scale failure reporting system which includes: Location, time, and distance to last blast, and any additional trigger evenets (such as rainfall, ice melt etc); geometry of failed material and released area along with spill distance.
- major failure report back analysis which could be bench or multi bench scale and include: Location, Geometry, geology and geotechnical conditions. Triggers and progression of failure; stability back analysis to replicate the failure and numerically derive the resistive forces overcome causing failure. This analysis provides the design inputs to review the potential for similar failures to occur.

Based on the conditions and severity of instability (or risk based on exposure) SRK encourage that ground monitoring systems are identified and planned for. These may be systems such as:

- simple-scale: crack meters with manual measurement, photogrammetry or scanning reconciliation instrumentts should be on hand or supplied to the operations as needed.
- moderate-scale: survey prism systems should be considered to establish long-term slope displacement. The prisms can be manually measured on a routine with survey equipment initially. Later surveying can be automated with equipment that can be combined with laser scanning and displacement analysis software.
- intense-scale: If necessary, high risk areas of instability that have high exposure risk or significant risk to infrastructure (such as ramp access) may be required in the future. This can be achieved using real-time radar monitoring systems and applied in specific areas or across up to 270° field of view.

11.4 Pit Limit Definitions

Mondo uses a pit optimisation process in Whittle software to define the ultimate pit limits, which subsequently serve to limit the reported Mineral Resources and Mineral Reserves (after applying Modifying Factors). This methodology is considered to be the industry standard and SRK believes this is an appropriate approach for Mondo.

SRK ran check pit optimisations on selected deposits (Pehmytkivi, Uutela, Mieslahti) to verify reported levels of Mineral Resources and Mineral Reserves. It was found that settings which Mondo is using are fairly conservative, with the results of SRK's pit optimisations for selected deposits either confirming values reported by Mondo or exceeding them.

11.5 Pit Designs

SRK has reviewed the pit designs for the four mines and notes that they follow the selected (optimised) pit shell well, with ramps included in the designs and SRK did not highlight any concerns. Notably, SRK re-reported tonnages and grades from the provided pit designs as a part of the review, with the results matching numbers provided by Mondo closely.

11.6 Waste Rock Dumps

SRK reviewed the waste rock dump ("WRD") designs at Uutela and Karnukka. The general design parameters were as observed:

- lift height – 10 to 20 m;
- berm width – 5 to 10 m; and;
- ramp width – 20 m.

The WRD designs each provide around 2.9 Mm^3 of space which is not enough for the remaining LoM requirements. SRK understands that Mondo is in process of obtaining permissions for additional dumping facilities in each case.

SRK understands that for the other active pits there are no waste dump designs and waste is being dumped as a part of backfilling process of the old pits. Waste from the Punasuo pit is deposited into the old Lahnaslampi pit and from Pehmytkivi into the Horsmanaho pit.

11.7 Mine Planning and Production Scheduling

11.7.1 Mine Scheduling

Mondo has developed a detailed mining schedule that encompasses the next five years but has no forecast that go beyond this. Table 11-3 below summarises this five-year plan for all four mining operations combined.

For the purpose of this report, and specifically to enable the derivation of a cash flow model and justify the reporting of Mineral Reserves, SRK has prepared a conceptual LoM plan ("LoMP"), based on the interrogated four pit designs described in Section 11.2, which reflects the Mineral Reserve reported by Mondo for the currently operating pits. The results are presented in Table 11-4.

It should be noted that this mining schedule is relatively simple, has been developed within excel and that there are some differences between this in terms of waste stripping than reported by the Mondo five-year Plan. SRK has recommended to Mondo that it develops fully integrated LoM production schedules for each of the pits it is currently mining and plans to mine so as to improve its mine planning and ensure these link to its five-year Plan. Once completed this may be different to that presented here.

Table 11-3: Mondo Five-Year Mine Plan (four operations combined)

Item	Unit	2018	2019	2020	2021	2022	2023
Mined Ore	(t)	1,158,850	1,193,507	1,218,480	1,246,268	1,289,532	1,337,887

Note: Planned plant recoveries range from 32 to 36%.

Table 11-4: SRK LoMP

Total	Total	Unit	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033-2045
Total mined material*	125,435	(kt)	4,097	4,133	4,203	4,243	4,447	4,652	4,584	4,638	4,670	4,730	5,036	5,330	5,234	5,150	5,047	55,242
Waste Mined*	90,300	(kt)	2,948	2,939	2,984	2,997	3,157	3,314	3,246	3,301	3,332	3,392	3,698	4,008	3,913	3,829	3,731	39,511
RoM Ore*	35,135	(kt)	1,149	1,194	1,218	1,246	1,290	1,338	1,338	1,338	1,338	1,338	1,338	1,322	1,322	1,320	1,317	15,731

Note: * RoM and Waste values are reported with inclusion of Mine Recovery as per the Table 10-1. Planned plant recoveries range from 32 to 36%

11.8 SRK Comments

As a part of mining review, the following comments were made regarding the Mondo operations and mine planning activities:

- four active operations are relatively small, shallow operations but the final pit designs indicate they will be largely extended in future;
- no backfilling is currently occurring into the active pits;
- mining method is conventional drill and blast with load and haul by backhoe excavators and mining trucks with rigid bodies. All mining activities are sub-contracted;
- Mondo is using pit optimisations to identify potentially economic pit limits which is considered to be a suitable approach;
- strategic planning for the operations is on a low level and current planning horizon does not extend beyond five years; and
- existing waste dumps will require additional capacities to accommodate the waste in the future LoMP but some permitting processes are already in place; and;
- SRK has recommended that Mondo develops LoM Plans for each of its operations encompassing both ore mining and also the management of waste.

12 MINERAL PROCESSING

12.1 Introduction

The Sotkamo and Vuonos talc-nickel processing operations concentrate talc by flotation as well as producing an intermediate nickel concentrate, also by flotation. Talc is further processed (by grinding and sizing only) both at these sites and at the blending facilities in Amsterdam and Katwijk in the Netherlands. The nickel concentrate from both plants is processed using bioleaching to produce mixed hydroxide precipitate ("MHP") at the Vuonos plant only.

12.2 Talc Production

Both plants operate a similar flowsheet for talc concentrate production. ROM ore is crushed using a jaw crusher followed by a cone crusher, both operating in open circuit before being ground using a ball mill operating in closed circuit with hydrocyclones. The flotation circuits consist of a rougher stage followed by four stages of closed cycle cleaning, with the final stage using a flotation column.

Concentrate is filtered using horizontal belt filters. Some product is shipped as filter cake, either in bulk or in big bags, and the remainder is fed into the microtalc plant at each site. Here it is dried and then subjected to various stages of fine grinding, using roller and jet mills, and size separation to produce the many grades of Finntalc product, some of which are bagged (25 kg or big bags) and some of which are shipped in bulk.

The Sotkamo plant has a nominal capacity of 880 ktpa of ore, and the Vuonos plant has a nominal capacity of 600 ktpa of ore.

The "base level" concentrate specification produced by the flotation circuits is P60, which has a brightness specification of +75%. The other key concentrate specification is the higher brightness P60SL (brightness +78%), a product that is the subject of growing demand from the market. Other concentrate specifications produced are P60PS, P60SLE and P60SLX. The final brightness specification for these products is determined after the flotation concentrate has been ground, and so the brightness specification ex flotation as given above is lower than the final figure (i.e. of the Finntalc product), as the brightness of the material improves with grinding.

The various ore sources are typically processed in campaigns based on the expected behaviour of the material from each pit. For example, Punasuo ore is currently used to make P60 product due to the elevated iron content of this ore; however, there are certain areas at Uutela with a higher intrinsic brightness that can generate P60SL, particularly following the incorporation of the final stage of cleaning using the flotation column into the flowsheet.

All cleaner concentrate at Vuonos is currently classified as P60 grade; however, there is a further magnetic separation stage at Vuonos, involving a high intensity magnetic separator, that can produce P60SL (and P60SLE) grade material by processing P60 concentrate and removing iron-containing discolouring particles.

It should be noted that while the financial analysis completed by SRK to support the reporting of Mineral Reserves reflects the estimated mass yields, there are several ongoing projects that Mondo expects will improve these. One such project is the Product Range Expansion project. The first phase of this multi-year project was executed last year and comprised improvements to the silo/piping infrastructure and more work is ongoing this year focused on automation and on the sensors and pumps aimed at improving the flexibility of the Sotkamo Plant and also overall recoveries.

12.3 Nickel Production

Tailings from the talc flotation circuit at each plant is subjected to further flotation for nickel (and cobalt) recovery. The feed to these circuits is first de-slimed, and each flotation circuit consist of rougher, scavenger and single cleaning circuits. The concentrate grades 8 to 12% Ni (typically 10%), 0.3 to 2% As and 0.4 to 0.6% Co.

Concentrate is filtered and bagged and, in the case of Sotkamo, trucked to the Vuonos site. The concentrate has historically been sold, although it has been difficult to find a market in recent years for the concentrate due to depressed Ni prices and the elevated arsenic content of the concentrate. This led to the development and establishment of the bioleach circuit at Vuonos.

The design capacity of the bioleach plant is 35 tpd, which represents the nominal production rate of the two concentrators. Concentrate from Vuonos can be fed directly into the plant as wet filter cake, and there is a bag unloading station for Sotkamo (or stockpiled) concentrate. There is a “feed preparation” (upgrading) circuit consisting of low intensity magnetic separation (“LIMS”) and further flotation to upgrade concentrate as required; the design intent of this circuit is to reject up to 50% of the feed mass. Following upgrading the concentrate is reground. The leaching circuit has a design capacity of 18 tpd (750 kg/hr) and consists of eight 100 m^3 tanks, with the first four configured in parallel and the remaining four in series. Air is added to promote the oxidation reaction and CO2 is added to promote the bacterial action. The temperature is controlled to 40 to 45 °C and following the 7-day retention time the extraction of both Ni and Co exceeds 90%.

The slurry exiting the leaching tanks is thickened, and the solution passed to purification and metal recovery. Iron and arsenic are removed first by adding limestone following which the solid residue is separated by thickening, then the pH is raised using MgO to precipitate the Ni and Co. The resulting MHP is separated by thickening and filtration, following which it is bagged for sale. Mondo has entered into a long term off-take agreement for the MHP, and so the MHP is shipped to the off-takers facility in Belgium.

The MHP typically assays 48% Ni and 2% Co. Nickel recoveries reported for 2017 were 63% for flotation at Sotkamo, 54% for flotation at Vuonos, and 76% for the bioleach circuit (which increased to 78% in Q2 2018 and the target is 91% by Q3 2018.).

12.4 SRK Comments

The two talc flotation plants are well organised and operated and can be considered to represent benchmarks of their type. Recent improvements to the flowsheet (additional cleaning stages, including the flotation column) and an improved understanding of the flotation characteristics of the feed ores to the Sotkamo plant have allowed for increased production of P60SL product.

The production plans in the business model call for an increase in throughput at both plants. In both cases, the maximum projected throughputs are still within the nominal capacity of the plants. The capital budget for each plant has line items relating to flotation circuit expansion and improvements (EUR 500 k for Sotkamo, mainly in 2020, with a further EUR 700 k in 2022, an average of EUR 125 kpa for 2018 to 2021 for Vuonos with a further EUR 2.5 M in 2022). These items refer to improvements within the flotation sections aimed at increasing the potential production of P60SL product.

The projected mass yields for the Vuonos ore feeds are in line with recent historical figures, as are those for Uutela ore feeds at Sotkamo. The initial mass yield projected for Punasuo is in line with recent historical figures, however the projected mass yields then increase beyond what has been achieved in the recent past. Notwithstanding this, the capital allowed for plant improvements should provide the means to achieve these projected figures.

The introduction of the nickel bioleach circuit has represented a significant change in operational focus for the nickel-cobalt segment of the business, but no doubt a positive development in response to changed market conditions for the concentrate previously produced for sale to third parties. The bioleach (and metal production) circuits appear to be

working well, although in the absence of actual production figures – apart from Ni recovery figures, which are below the design 90% – it is not clear whether the plant has achieved its design performance, although the lower than design recovery figures would suggest that it has not as yet done so.

The production plan in the business model calls for concentrate Feed-rates to the bioleach plant slightly above the design capacity of the front-end of the circuit (35 tpd, which after mass rejection in the feed preparation (magnetic separation and flotation) circuit reduces to the leaching circuit design feed-rate of 18 tpd). As reported during the SRK site visit, the feed preparation circuit has not been used extensively, principally because the concentrate has been of higher grade than the anticipated 9% Ni, and so there has been less of a driver to reject mass feeding into the leaching circuit itself. It is therefore not clear whether the feed preparation circuit can routinely achieve the mass rejection being asked of it in the business model.

SRK therefore believes that it may be prudent to reduce the projected feed-rates into the bioleach plant, perhaps at least initially by some 25%. In addition, given the 2017 actual recovery achieved of 76%, SRK considers it appropriate to incorporate a recovery ramp up period up to 89%. The SRK economic model generated by SRK to support the reporting of Mineral Reserves reflects these more conservative assumptions.

13 TAILINGS STORAGE FACILITIES

13.1 Introduction

The following report sections outline the outcomes of a desktop review of the waste management plans prepared for the Vuonos and Sotkamo tailings storage facilities ("TSF").

SRK has not conducted a geotechnical appraisal or conducted a site visit to inspect the current condition of the embankments, decants or return water dam structures at either TSF. All opinions expressed below are based upon review of documents provided alone.

13.2 Sotkamo

13.2.1 Background

The Sotkamo TSF consists of a paddock-style impoundment with one active cell. Tailings are discharged sub-aerially around the perimeter of the cell, with excess water being stored in a central pond, from which excess supernatant is returned to the plant for re-use (Figure 13-1).

To the north lies a disused TSF, which has been partially re-habilitated with a soil cover system. One of the cells (Soidinsuo) is currently used for recycling of process water in the plant (Ramboll, 2017).

Talc magnesite tailings are pumped to the TSF at a rate of 300 ktpa (dry). The existing facility has been raised to a maximum elevation of 171 m RL. Currently there is an environmental permit in place to raise the facility to 175 m RL maximum elevation (providing approximately 2.5 years of additional storage capacity). Following this period, tailings will be discharged into the Lahnaslampi open pit. As the open pit will be full to capacity with water at this time, Mondo plans to pump excess water continuously, to provide accommodation space for tailings slurry. Mondo has confirmed that a water balance study has been undertaken to assess the feasibility of this method and to size appropriate water treatment facilities. SRK understands that an Environmental Permit has been granted, which will allow deposition of magnesite tailings and waste rock in the open pit.

Basic technical studies have been completed to assess the feasibility of raising the Sotkamo TSF facility to a maximum elevation of 190 m RL. Storage of tailings would be required at this location following cessation of deposition in the Lahnaslampi open pit. Mondo has confirmed that an environmental permit application will be made to the relevant authorities within the coming years to modify the TSF design. Based on past experience, Mondo anticipate the permit applications will take approximately 1 year to process. SRK notes that there are no detailed designs which cover raising of the facility to 190m RL, additional engineering studies will be required prior to the permit application.

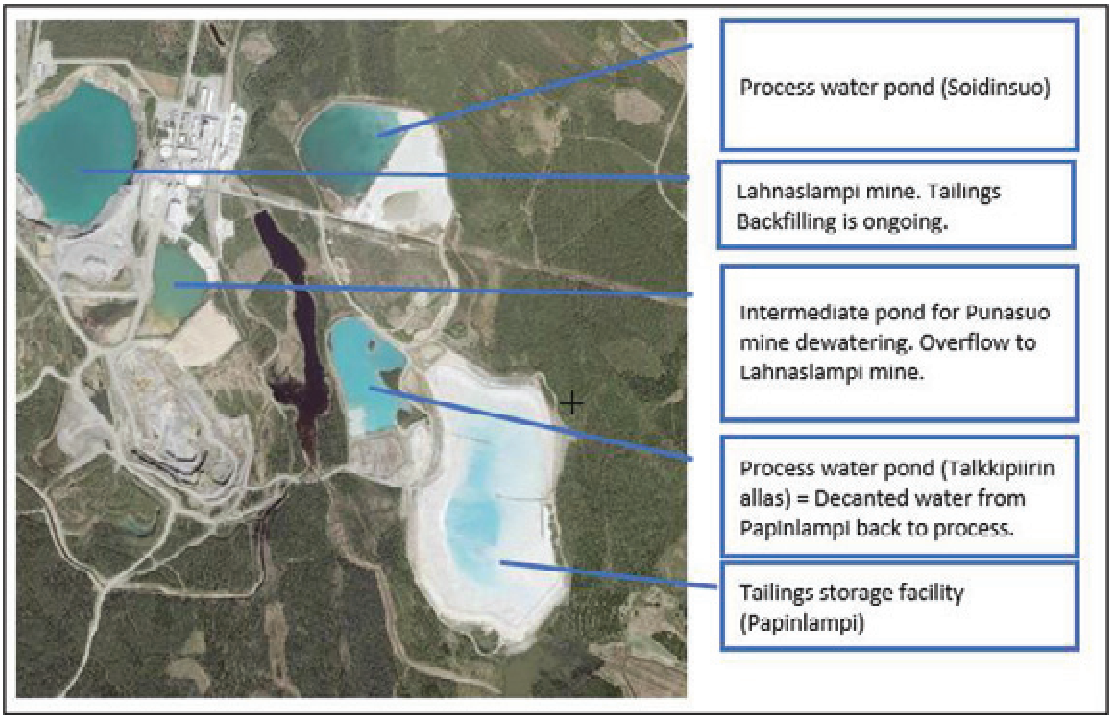

Figure 13-1: Sotkamo TSF General Arrangement (Source: Mondo)

13.2.2 SRK comments

SRK's review of the documents provided to date has identified some areas of concern related to the operation of the TSF. SRK has recommended that a geotechnical inspection is competed by an Independent Engineer to assess the current condition of the perimeter embankments and surface water management structures against the original design. In line with EU best available techniques (European Commission, 2012) an Independent Engineer should inspect the facility every two years. The last inspection of the Sotkamo TSF was in 2013. Mondo has confirmed that a representative from the Finnish Dam Association is due to visit the Sotkamo TSF by the end of August 2018. Based on the recommendations of the Representative, follow up technical actions will be taken if required.

In addition, SRK has recommended that stability and seepage modelling is updated to reflect the as-built geometry of the current TSF landform, to check that the minimum factor of safety against slope failure is above acceptable criterion in all cases. If this is not the case, buttressing of the external slopes (or regrading) may be required around selected sections of the TSF in the short term.

13.3 Vuonos Tailings Storage Facility

13.3.1 Background

The current TSF was constructed during 1971 by Outokumptu Oy and was used continuously for tailings storage until 1986. The TSF has since been re-commissioned by Mondo and is being raised to store tailings from the Vuonos Plant.

The facility consists of a paddock style impoundment with four cells (Figure 13-2). Tailings are discharged sub-aerially into the two northern cells, with excess water being allowed to drain through a rockfill wall into the first settling pond (known as the 'Intermediate Pond'), followed by a water return pond (known as the 'Pumping Pond') from which excess supernatant is returned to the plant for re-use or pumped to the Lahenjoki river for discharge to the environment.

The TSF has an environmental permit which allows raising of the perimeter embankments to a maximum elevation of 116 m RL. Mondo estimates that this will provide sufficient tailings storage for a period of approximately 18 years (until 2036). SRK notes that this was based upon volumetric modelling completed in 2011, which should be updated.

Two types of tailings are pumped to the TSF area, talc magnesite tailings (380 ktpa) and neutralised bio leach nickel tailings (20 ktpa). The latter material is arsenic bearing and is stored in two unlined cells with the northwest quadrant of the TSF. The so called 'Test Cells' have sufficient capacity until the end of 2019 (Mondo Estimate). After that time and new storage area will be required. SRK is not aware of any designs for additional storage facilities for nickel tailings.

Lime and iron sulphate are added to the tailings slurry (both magnesite and nickel tailings) to reduce nickel content and neutralise arsenic. The residual portion of process water that is not returned to the plant is pumped to a downstream discharge point in Lapalla Lake (some 5 km to the south of the TSF).

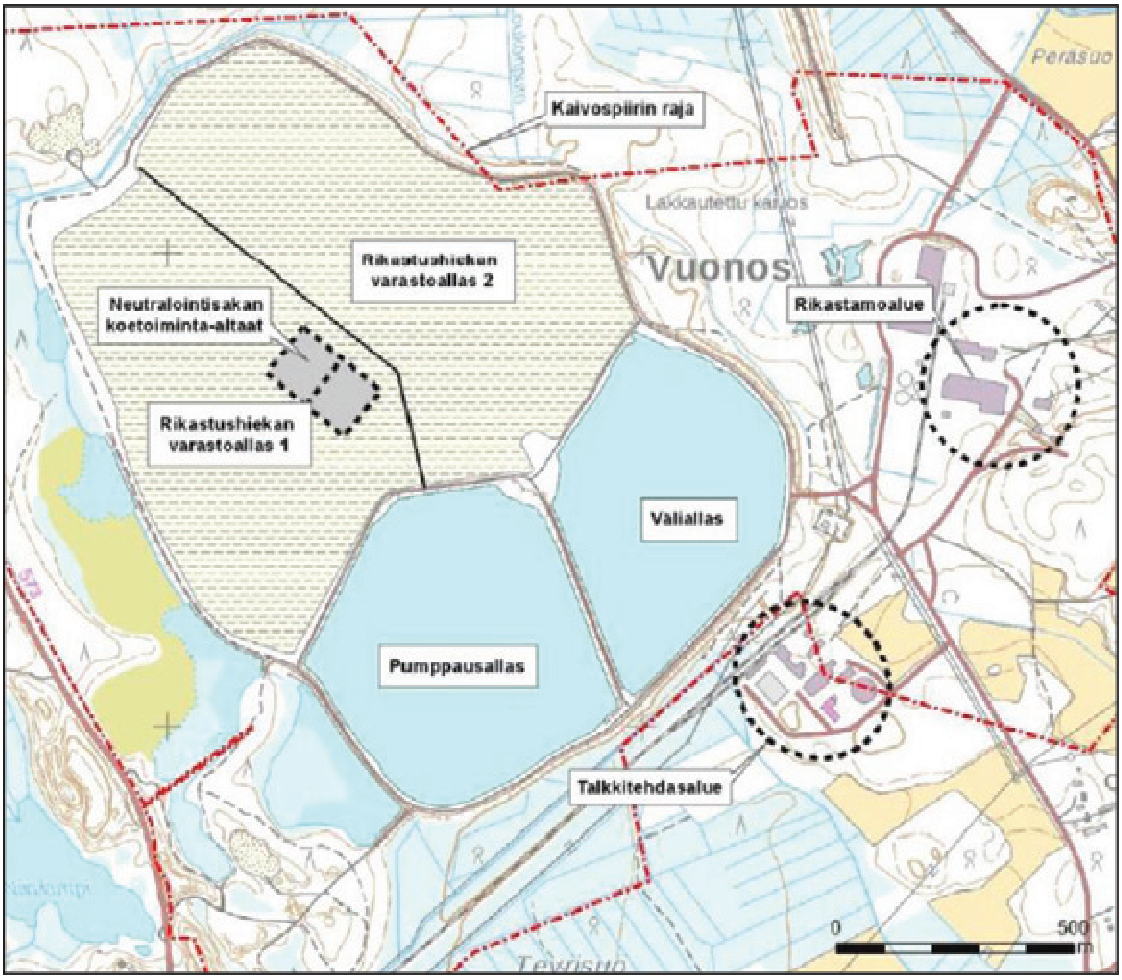

Figure 13-2: Vuonos TSF General Arrangement

13.3.2 SRK comments

In summary, and in line with SRK's comments above on the Sotkamo facilities, SRK's review to date has identified some areas of concern in relation to design and operational management of the TSF. SRK has recommended that a geotechnical inspection is competed by an Independent Engineer to assess the current condition of the perimeter embankments and surface water management structures against the original design and that a groundwater modelling study is completed to ensure that seepage from the base of the facility is not contributing to poor groundwater quality recorded in nearby monitoring holes.

14 PROJECT INFRASTRUCTURE

14.1 Introduction

This section describes the project infrastructure and services required to support the mining and processing operations and the essential logistics operations for transport of RoM and concentrates between mining and processing sites, and off-takers. Waste rock dumps, tailings storage facilities are covered in separate sections of the SRK report.

14.2 Locations and Access

Mondo operates two plants with direct access to road and rail infrastructure, one located at Sotkamo and the other at Vuonos, and four active mining open pit operations. Mondo also operates processing facilities in Amsterdam and Katwijk in the Netherlands.

Subsequent to processing at the above plants:

- Nickel concentrates from Sotkamo are transported to Vuonos;
- Talc concentrate is transported to the blending facilities in Amsterdam and Katwijk in the Netherlands; and;
- Products are transported to Customers, directly by road or rail.

Detailed layout maps of the Vuonos and Sotkamo plant areas are presented in Figure 14-1 and Figure 14-2, respectively.

14.3 Infrastructure & Buildings

14.3.1 Mining

The mining operations at each open pit are carried out by Mining Contractor, E Hartikainen Oy. ROM is stockpiled at the edge of pit and is then re-handled by front end wheeled loader to on-highway trucks for transport to the plant. Within the Mining Contractor's rates is a commitment to maintain and support the mining operations. The Mining Contractor operates a workshop and other required infrastructure.

14.3.2 Processing

The processing plants are well established. SRK understands that all support infrastructure facilities are in place and operational. These include:

- administration offices;
- workshops and warehousing;
- storage areas and laydown;
- site roads;
- security infrastructure (gates, fencing, security buildings);
- health and safety; and;
- communications.

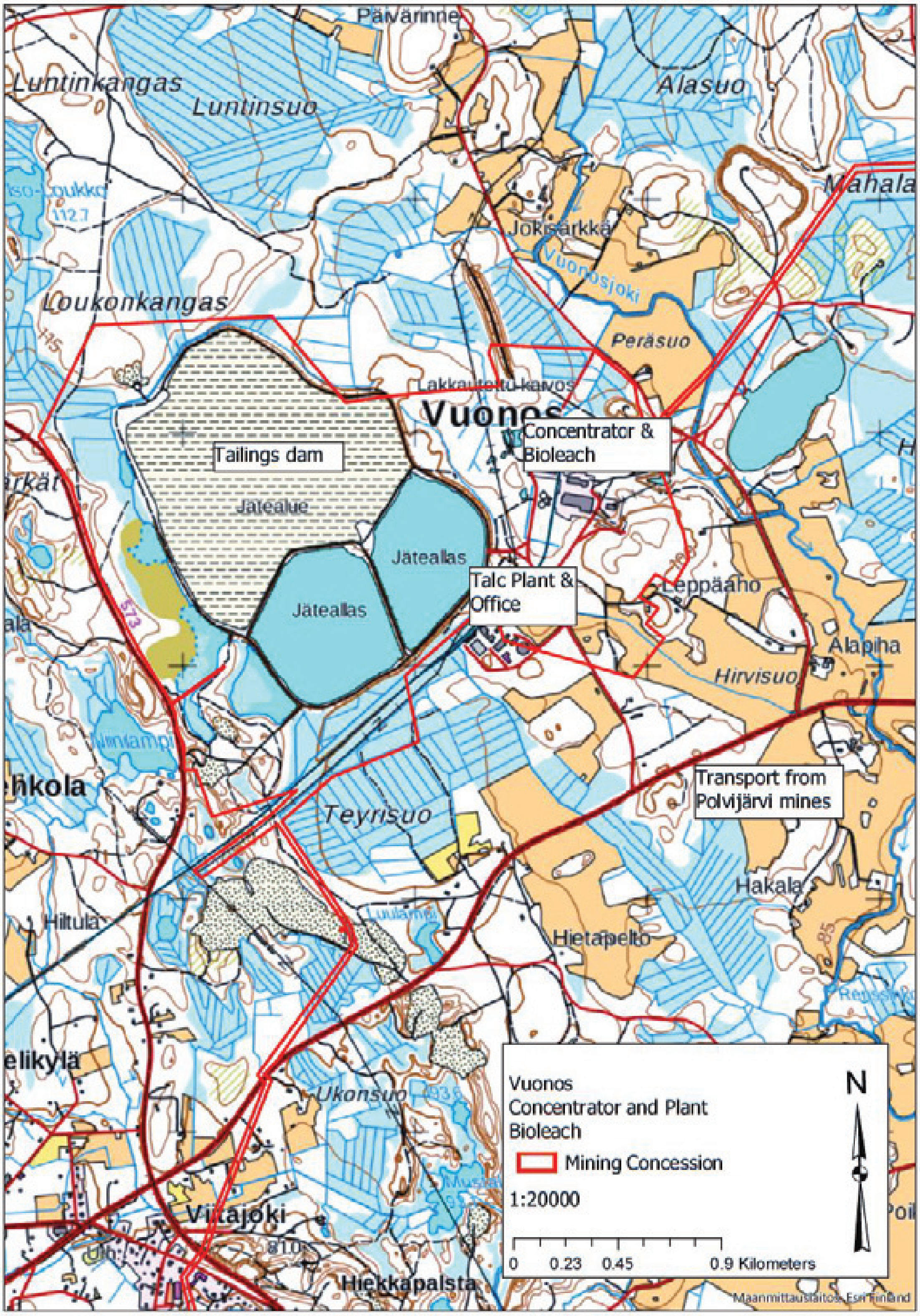

Figure 14-1: Vuonos industrial area layout (Source: Mondo, 2018)

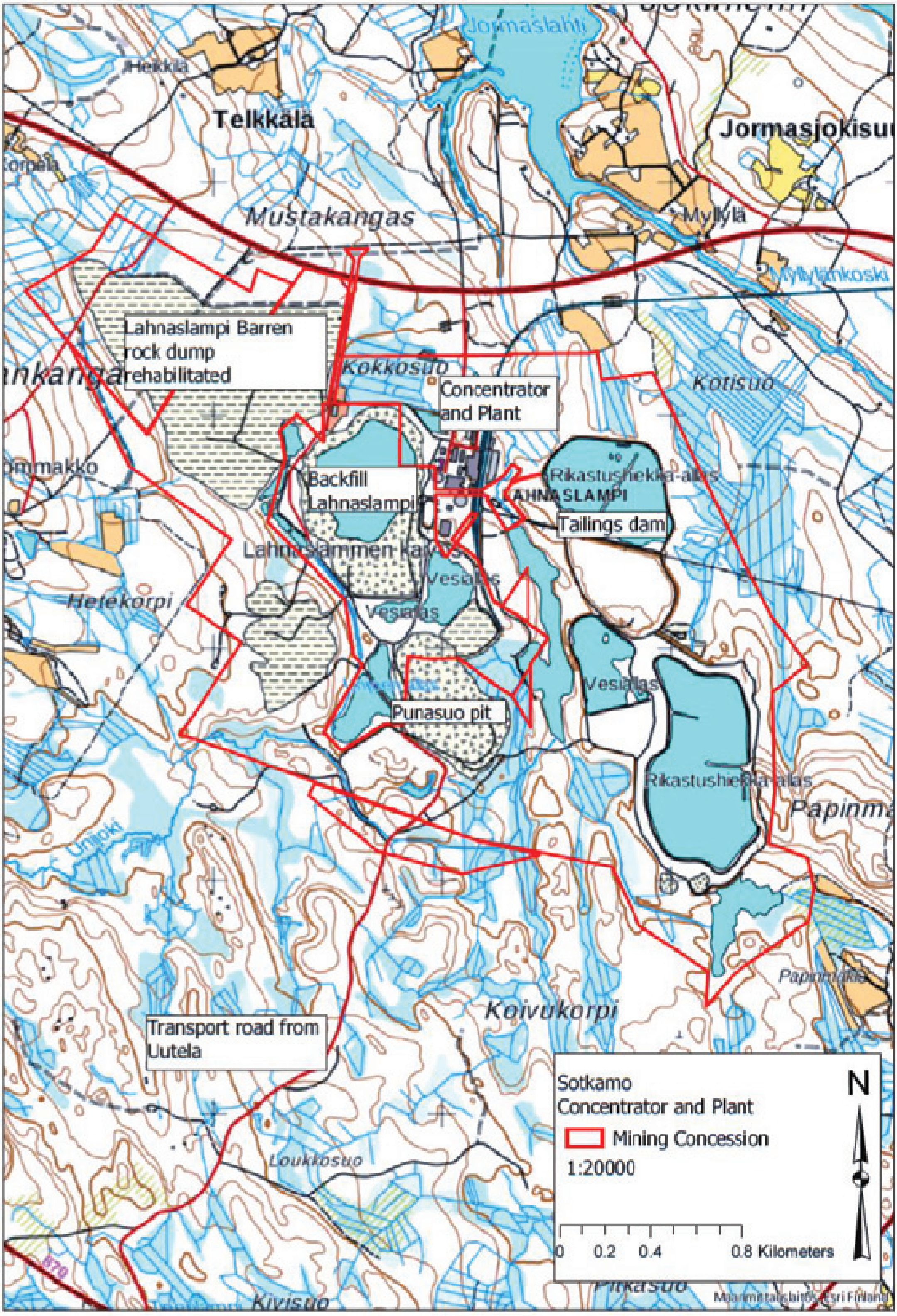

Figure 14-2: Sotkamo industrial area layout (Source: Mondo, 2018)

14.4 Power supply

The power generation and transmission system in Finland is extensive and the supply market is well developed. The power system in Finland is part of the inter-Nordic power system together with the systems in Sweden, Norway and Eastern Denmark. The Netherlands power generation and transmission system has equal robustness and capacity.

Power supply infrastructure was observed during the site visit to Finnish operations, and given the sites operational status, is judged to be adequate for current operations and is likely to be able to cope with the increased consumption.

14.5 RoM Haulage (Mine to Plant)

SRK understands that E Hartikainen Oy also operates the road haulage operation using its own fleet and sub-contractors. Details of the on-highway truck fleet, payloads and haulage protocols have not been received.

The road haulage operation mainly utilises existing national roads. The overall tonnages are fairly low with a range of 166,000 tonnes to 464,000 tonnes per year from any mining operation, which assuming an average payload of 30 tonnes, 10 hours per day and 300 working days per week which indicates around 20 to 50 truckloads per day (or between 4 and 10 passes per hour).

14.6 Logistics (Concentrates)

There are a number of concentrates and saleable products produced at Vuonos and Sotkamo and a range of customer locations and specifications; products generally occur as the following cargo types, which are dependent on the material and customer specifications:

- dry bulk;
- “big-bag”;
- slurry / liquid (tanker); and;
- bagged.

Specifically, nickel concentrate produced at Sotkamo is stored in large bags and trucked to Vounos, MHP is stored in large bags before being transported to Belgium / France via road and rail, and products transported to Oulu by rail are sold freight-on-board (“FOB”) Oulu. Material transported for further processing in the Netherlands are generally shipped from Joensuu port, 60 km from Vuonos and operated during summer months, and the Hamina port.

Both plants have road and railway connections to the Finnish national transport infrastructure for dry bulk and tankers; rail freight is preferred and costs are according to national freight tariffs with connection to Joensuu, Hamina and Oulu ports for onward shipping to Amsterdam.

14.7 Capital Investments

Although some future mining areas are being investigated, no new pits are included in the current schedule, only extensions to current open pits. Therefore, no new capital infrastructure is required to support the production assumed by the LoM Plan presented in this report and assumed for the propose of reporting Mineral Reserves.

14.8 SRK Comments

Overall, the mining operations, processing plants and associated logistics systems are well established. Power and water is readily available, and the sites are easily accessible. The logistics systems rely on national transport infrastructure routes and are operated by third party logistics operators. While some capacity increase is proposed at the plants in Finland, the current infrastructure and logistics systems should be sufficient to support this.

15 ENVIRONMENTAL AND SOCIAL MANAGEMENT AND PERMITTING

15.1 Environmental and Social Setting

The Vuonos operations currently comprise the Vuonos industrial area (processing plant and tailings) and the two operational open pits, Pehmytkivi and Karnukka. Historically, the plant was fed ore from the following pits: Horsmanaho (1982 to 2014), Vasara (1977 to 1982), Lipasvaara (1983 to 2000) and Sola (1979 to 1991).

The Sotkamo operations comprise the Sotkamo industrial area (processing plant and tailings), the Lahnaslampi and Punasuo open pits, located adjacent to the plant, and the Uutela pit, located 20 km south of the Sotkamo site. Punasuo and Uutela are operating mines and Lahnaslampi is only used for water and tailings storage (operating 1968 to 2010).

SRK visited the Vuonos and Sotkamo industrial areas and the Pehmytkivi, Karnukka, Punasuo, Uutela and Sola pits while on-site in July 2018.

15.1.1 Sotkamo Operations

Regional and administrative setting

The Sotkamo operations are located in the Kainuu region of central Finland (Figure 3-1), 580 km north of Helsinki, 20 km east of the regional capital Kajaani (population 37,300) in a designated industrial area in the Sotkamo municipality (population 10,500). The industrial area comprises a processing plant (13 ha), tailings ponds (80 ha) and additional facilities area (60 ha). Ore is currently transported by haulage trucks to the Sotkamo processing site from the Punasuo open pit, located within 1 km of the Sotkamo site and the Uutela open pit, located 20 km south. The aerial photo in Figure 15-1 shows the relative locations of the operations.

Figure 15-1: Aerial photo of Sotkamo industrial area (looking southeast)

Surrounding land use and receptors

The Sotkamo site is situated in a hilly forest and wetland area, with mica schist bedrock overlain by till and peat. Land use surrounding the Sotkamo site is undeveloped land and industrial areas. Land use surrounding Uutela is dominated by forestry. The operational Talvivaara Nickel Mine is also located 2 km east of Uutela.

Houses (occupied by the mining contractor) are located 500 m north of the Sotkamo site and 450 m east of the site. There area surrounding the Sotkamo plant site is generally sparsely populated, within a few kilometres radius of the Sotkamo site there are only around 18 permanently inhabited houses and about 30 holiday cottages.

The nearest residential receptors to Uutela are located between 120 and 200 m south of the open pit and consist of houses and farms. The receptors consist of five properties in total and are screened from the mine site and access road by 100 m or so of trees.

Climate, drainage and groundwater

The average annual temperature in Sotkamo is 1.3^{o}C. The monthly average temperature ranges from between -7 ^{o}C in January and 21 ^{o}C in July. The average annual precipitation is 588 mm, comprised of rainfall between March and November and snowfall between November and March. The highest snowfall is in January with a monthly average of 20 mm. Wind direction is predominantly from the south and occasionally the west. The average annual precipitation is 560 mm at Uutela and there is permanent snow cover between November and April.

The Sotkamo plant and Punasuo pit are located in the Lahnasjoki catchment (24 km^2) and the nearest surface water body is River Lahnasjoki. Water flows from south to north in Jormasjoki River to the east of the mine into the Jormaslahti River and into the Nuasjärvi Lake (1.5 km northeast).

The Sotkamo site is not located in an area important for groundwater supply, and the level of groundwater is generally close to ground level (varies between 0.8 and 1 mbgl). The site is not located in a water or nature protection zone and there are no nature or water protection zones within 2 km of the site. The site is not located on a classified groundwater aquifer. Drinking water is possibly abstracted from wells between 500 m and 1 km north of the site. These wells are no longer in use as water is provided by the water cooperative society but they are monitored regularly and part of a monitoring program.

Uutela is located in the Jormasjarvi River Basin, which includes the Jormasjoki, Jormasjarvi and Tuhkajoki catchments, drainage ditches divert surface water around the mine site. There is little available information on surface water drainage, flow direction or water quality around Uutela but in 2004 monitoring of the Mustinjoki river commenced which showed acidic waters (pH 4), high iron content (up to 3.3 mg/l) and high nutrient content (up to 69 µg/l phosphorus and 980 µg/l nitrogen). This reflects the swampy wetland landscape with acidic waters, high iron and humus content and dark red colour.

There are no classified groundwater areas in the Uutela area. The groundwater quality is degraded due to the schist bedrock in the area. The groundwater flow direction in the area is north / west in the western part of the region, north in the eastern part, and elsewhere in the north and east. There is one well used continuously for household use located immediately south of the mining area about 200 m from the quarry. In the summer of 2004, a groundwater sample was taken from the mine by GTK, which results in groundwater quality meeting drinking water quality with the exception of a slightly too low pH (5.7 to 6.3).

Ecological setting

There are no sites of biodiversity conservation importance (Natura 2000 areas) in proximity to the Sotkamo site. There are also no nature protection zones in the vicinity of the Uutela mine. However, 4 km south of the Uutela mine is the Korsunrinne Natura area (Natura 2000 Id: FI1200621, 51 ha), which is part of the old forest protection program.

15.1.2 Vuonos Operations

Regional and administrative setting

The Vuonos operations are located in the North Karelia region of eastern Finland (Figure 3-2). They are in the Finnish lake district, an interior lake plateau with undulating hilly terrain and thousands of lakes. A system of glacial moraine ridges in southern and south-eastern Finland, known as the Salpausselkä, maintain the lake district by hindering the flow from the interior to Gulf of Finland and Lake Lagoda.

The processing plant is 40 km northwest of the regional centre of Joensuu (population 70,000) and 6 km northeast of Outokumpu town (population 7,700). It occupies a 12 ha site in the industrial area of Vuonos and consists of a primary talc plant, a nickel concentrator and bioleach plant, a micro-talc plant. The tailings area comprises 160 ha of ponds, located 150 m north of the plants. The aerial photo in Figure 15-2 shows the relative locations of the operations.

The Pehmytkivi and Karnukka open pits are located 11 km and 14 km northeast of the Vuonos processing plant respectively and ore is hauled in trucks from the mines to the processing plant. Pehmytkivi is located 6 km southwest of Polvijärvi (population 4,429) or 200 m west of the town of Horsmanaho and the Karnukka open pit is located 5 km west of Polvijärvi. Both open pits are located in the municipality of Polvijärvi. The closed Horsmanaho, Vasara, Lipasvaara and Sola pits are also located in the municipality of Polvijärvi.

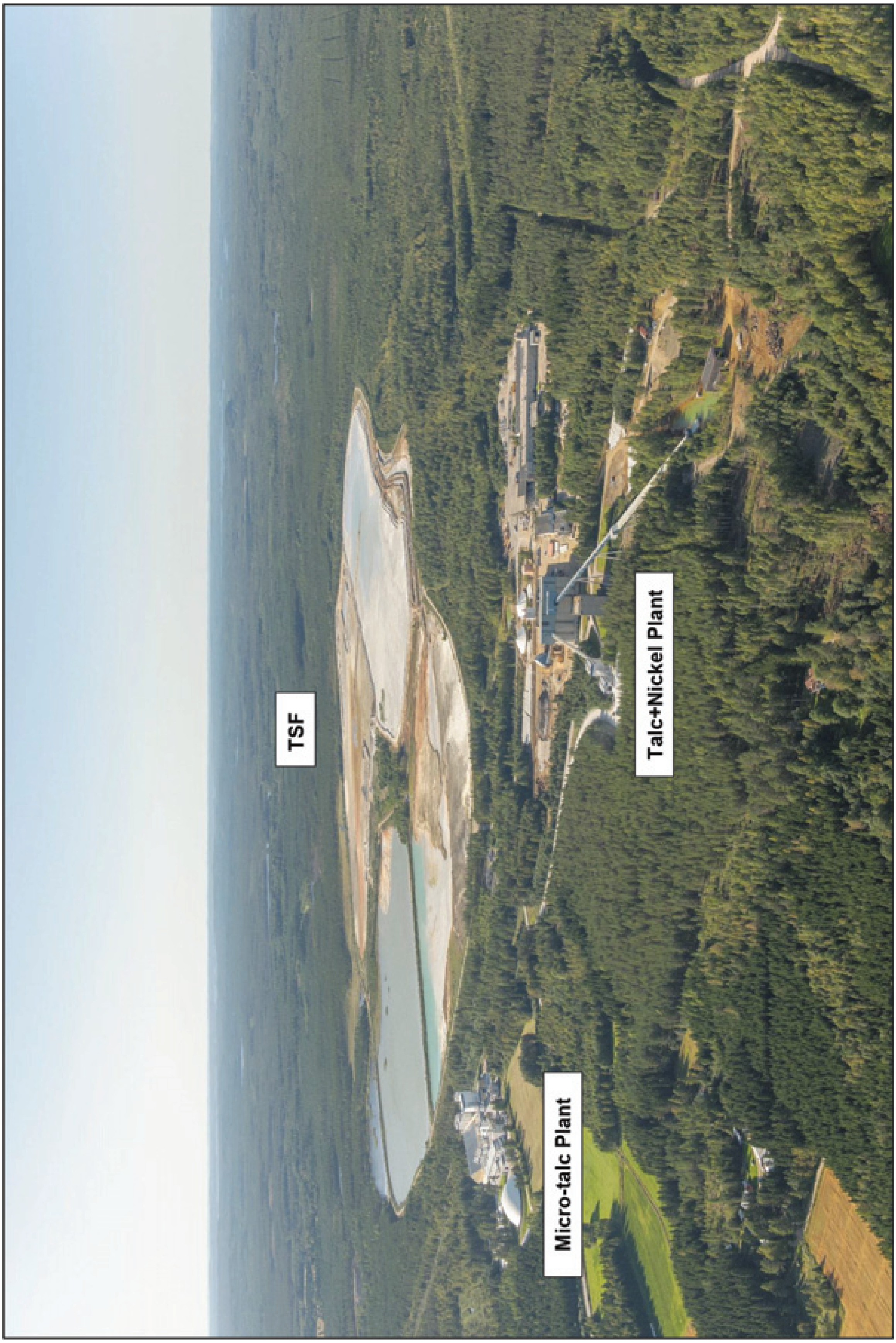

Figure 15-2: Aerial photo of Vuonos industrial area (looking west)

Surrounding land use and receptors

Land use surrounding the Vuonos plant site is predominantly commercial and residential areas with marshland to the south and the Onkilammensarkat esker to the west (classified as a groundwater protection zone). The tailings area is located on a former wetland and underlain by approximately 1 m thick layer of peat. There are no residential properties within the surface infrastructure areas, the closest being 500 m south or located along the access road of the Vuonos processing plant (more than 500 m distance).

Land use surrounding the Pehmytkivi and Karnukka open pits is predominantly for agriculture and forestry. To the southeast of the Pehmytkivi site is the Outokumpu-Polvijärvi road and to the northeast is the Mutkanvaarantie road. Both open pits have associated waste rock dumps ("WRD") that have been progressively rehabilitated. There are no residential properties within the mining or surface infrastructure areas of the Pehmytkivi open pit, the closest being 80 m west. The Pehmytkivi pit is located 214 m from Horsmanaho town (30+ houses along the Outokumpu-Polvijärvi road) and numerous houses are clustered within 250 m of the pit, including one cluster of three buildings 80 m west but screened behind trees and another cluster of two buildings 80 m west with a clear line of site to the open pit. There are also several buildings within 195 m northwest of the pit separated by scrubland rather than trees and a number of barns and farm buildings within 450 m of the waste rock piles and settling pond. SRK is unsure if the nearest buildings are inhabited permanently or not.

There are no residential properties within the mining or surface infrastructure areas of the Karnukka pit, with the nearest buildings 190 m east of the Karnukka pit. These buildings consist of a cluster of four or five houses separated from the pit by a forest patch. The next nearest receptors (houses and farms) are set 150 m either side of the access road and at least 700 m south of the pit.

The rehabilitated Sola pit is fenced along the high walls and has otherwise been contoured with flood water forming a natural lakeside. The perimeter has been successfully revegetated and the adjacent WRD is barely distinguishable from the surrounding forest.

Climate, drainage and groundwater

The average annual temperature in Outokumpu town is 2.5°C. The temperature varies from an average monthly low of -10°C in January and February to +21°C in July. The average annual precipitation is approximately 600 mm, which predominantly occurs between March and December. Snowfall may occur between October and May, with the most snowfall occurring in January (25 mm monthly average). Wind direction is predominantly from the south and occasionally the west.

The Vuonos industrial area is located in the Vuoksi river basin. Many surface water bodies flow within 300 m radius of the Vuonos plant site; these include the Teyripur Creek (south), Loukonpuro Creek (north), Mustanpuro Creek (west) and Vuonojoki River (east). Treated effluent from the Vuonos plant discharges to the River Lahdenjoki, which runs into Sysmäjärvi (or Sysmä) Lake, 6 km south of the site (Figure 15-3). The Sysmäjärvi Lake has an area of approximately 7 km^2, a mean depth of 1.5 m and a maximum depth of just under 5 m. From the Sysmäjärvi Lake, drainage is via the Sysmäjoki River to Heposelkä and Saimaa Lake, the largest lake in Finland and connected via the Vuoksi River to the Ladoga Lake in northwest Russia.

The Vuonos plant area is not located in a groundwater protection zone. However, a Class 2 aquifer (suitable for abstraction) is located adjacent to the west of the tailings area. The groundwater quality in the Vuonos plant area is poor due to historic mining activities and is unsuitable for domestic use. Recent monitoring from 2017 shows local groundwater to have an acidic pH (pH 4 to 7) and elevated concentrations of iron and manganese in excess of drinking water limits.

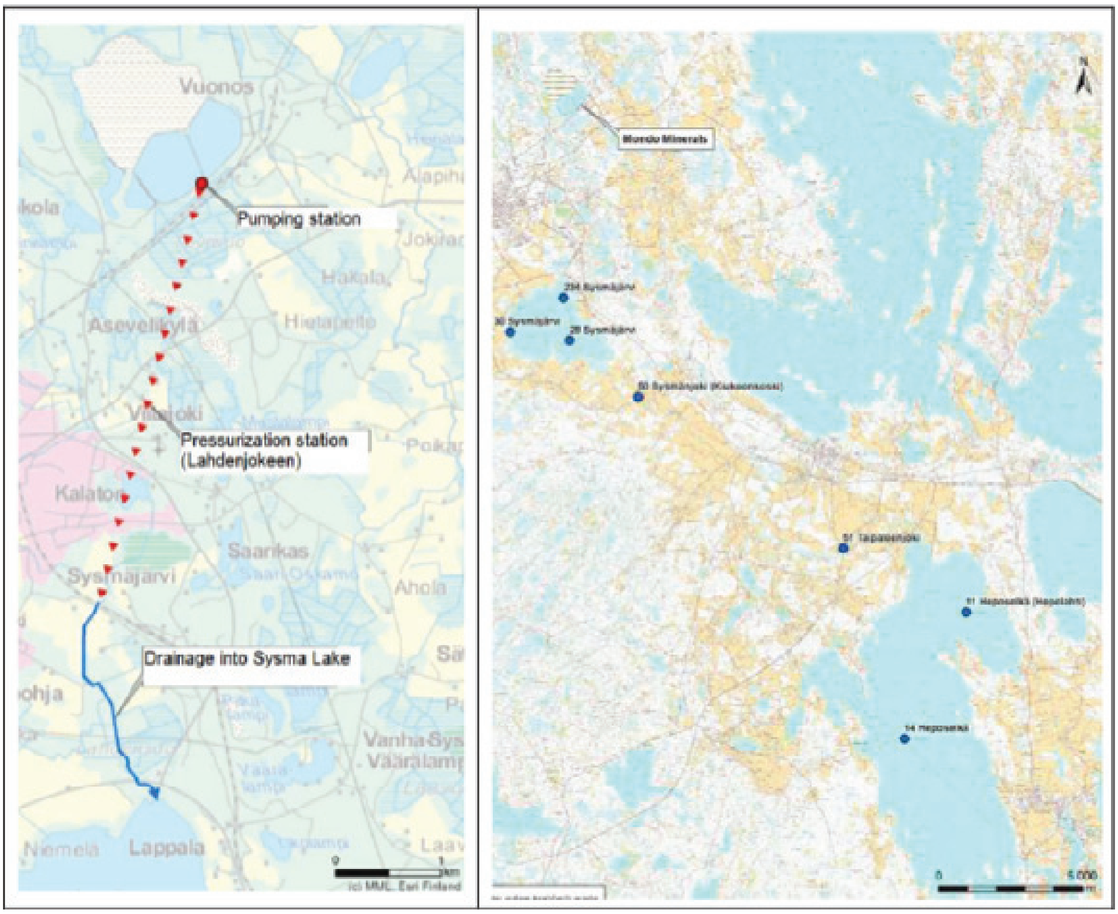

Figure 15-3: Vuonos plant water discharge route and surface water monitoring locations (Source: Vuonos mine waste management plan, 2017)

The Karnukka pit is located in the Vuoksen/Viinijoki water catchment area, with a surface area of 64.44 km^2. The Karnukkapuro Creek originally flowed south through the Karnukka site but has been diverted 40 m east of the pit (apparently into a tributary of the Viinijoki River). Monitoring of the Viinijoki River Basin has been undertaken since 1999 and includes chemical, biological, chlorophyll and phytoplankton assays as well as benthic animal studies (Puranen 2010). In 2009, the chemical quality of the waters around the Karnukka pit (Karnukkapuro Creek) was monitored at six surface-water, and one groundwater, locations. The quality of the water was slightly acidic, highly turbid and had elevated aluminium, typical of Finnish water quality in this area.

The Pehmytkivi pit is located in the Haapaoja River catchment area, the Haapaoja River flows north to south on the western edge of the Pehmytkivi open pit to the Veutaranlahti Lake. Pit sump water is discharged into the Haapaoja River following treatment. Water seepage from the WRD is directed to the flooded Horsmanaho pit, located in the same river catchment.

The groundwater flow direction at the Karnukka mine has been estimated as generally southeast and the mine is not located in the classified groundwater area. The nearest classified groundwater area is 4 km northeast, a Class I groundwater area called Räiskynkorpi -0760701 (Environmental Management, Oiva database, 22 June 2010). No wells used for commercial water are within the predicted groundwater drawdown area, approximately 1 km from the pit and groundwater movement is slow (Savo-Karjalan Ympäristötutkimus Oy, 2011). Groundwater quality studies around the Pehmytkivi mine area between 1998 and 2000 found the water was naturally elevated in nickel, iron, manganese, aluminium and sulphate due to the composition of the bedrock (Karnukka EIA report, 2011).

Ecological setting

Two areas of biodiversity conservation importance (Natura 2000 areas) are located 6 km downstream (south) of the Vounos plant site; the Sysmäjärvi Lake and Iso-Juurikan - Leveävaaran alue forest. The Sysmäjärvi Lake is a wetland of national importance, part of the

Natura 2000 and Ramsar networks. It has an area of approximately 7 km^2, a mean depth of 1.5 m and a maximum depth of just under 5 m. It is included in a national waterfowl habitat protection program and is an important migratory bird area and supports approximately 80 breeding and migrating wetland bird species. The lake is also used for fishing, mainly pike and bream, and the ecological status of the lake for fishing is currently considered good/ satisfactory. Historic degradation of shoreline habitats and eutrophication of the lake due to discharges from sewage plants, mining industries and agricultural land have previously contributed to deterioration of fish and migratory bird populations, although these are now recovering. The Iso-Juurikan-Leveävaaran alue is a 397 ha site of community importance (Habitats Directive) due to the presence of coniferous forest on glaciofluvial eskers.

There are no protected areas in the vicinity of the active or closed pits, the nearest Natura 2000 site to the open pits is 10 km east of Polvijärvi (Natura 2000 Id: FI0700050).

15.1.3 Katwijk and Amsterdam processing sites

A portion of the talc mined in Finland is transported via train and ship to the Netherlands for further processing at two facilities depending on the final product being produced.

The Katwijk facility is located in a designated industrial area within the city of Katwijk (Cuijk), which is 140 km south of Amsterdam, the Netherlands. The property directly borders an inlet harbour, which connects to the Maas River. The property is not situated in a groundwater protection zone or in a designated drinking water abstraction zone. The nearest residential housing is 650 m south. There are no protected areas in the immediate surroundings (within 7 km radius). The hydrogeological profile is characterised by a sequence of fluvial unconsolidated sediments and sands interspersed with clay layers. Due to the proximity of the River Maas, the groundwater flow direction has a strong northern flow component. The natural groundwater table is 2.8 mbgl (metres below ground level).

The Kajuitweg 8 site is located in an industrial area of Amsterdam. The Carel Reynierszhaven harbour borders the north of the site and raw materials are offloaded here for further processing and packaging. The south, east and west boundaries of the site are public roads. The property is not situated in a groundwater protection zone or in a designated drinking water abstraction zone. The nearest residential housing is 4 km northeast. There are no protected areas in the immediate surroundings. The hydrogeological profile is characterised by a sequence of unconsolidated sediments underlain by first regional aquifers and the regional groundwater flow is towards the west. However, at the site the influence of the harbour means groundwater flows towards the north (harbour). The natural groundwater table is 1.5 mbgl.

15.2 Environmental and Social Approvals

The key environmental legislation relevant to the operations in Finland includes:

- Environmental Protection Act 527/2014;
- Water Act 587/2011;
- Act on Environmental Impact Assessment Procedure 252/2017; and;
- Government Decree on Extractive Waste (379/2008).

The main environmental approvals required for the operations are the environmental and water permits. Permitting of mine waste facilities is included within the environmental permitting regime, with a mine waste management plan submitted as part of the environmental permit application documentation. A permit application under the Water Act and a permit application under the Environmental Protection Act referring to the same operation can be processed jointly and decided on by a single decision. The joint permitting authority is the Regional State Administrative Agency (Finnish abbreviation “AVI”), in this case Eastern Finland Environmental Permit Authority for Vuonos or Northern Finland Environmental Permit Authority for Sotkamo, and the enforcement authority is the Centre for Economic Development, Transport and the Environment (Finnish abbreviation “ELY”).

The main environmental approval required for the Dutch processing sites is the environmental permit, which includes information on noise, dust and other emissions. The environment agency (‘Omgevingsdienst Noordzeekanaalgebied’) is responsible for issuing the permits.

A summary of the primary permits issued to Mondo operations is provided in Table 15-1. SRK has received copies of the environmental and water permits for the Finnish sites. The remaining information in the table relating to the Dutch sites is taken from the Ramboll reports (Ramboll, 2018). SRK understands all permits listed are valid and have no expiry date. Re-application for permits is only required if there is a material change in the operations and an Amendment is then submitted to the relevant regulatory authority for approval.

A permit register (excel document with a tab for each operation and mine) was made available to view but there are no obligations registers for each operation detailing the conditions of the permits and commitments in management plans. SRK has not reviewed the secondary permits, such as emissions permits, radiation safety permits, chemical storage and handling, explosives store permit, as part of this review.

Table 15-1: Primary permits for the Finnish (Sotkamo and Vuonos) and Dutch operations

Area	Facility	Permit number and issue date			
		Environment	Water	Chemical	Mining
Vuonos	Vuonos plant and tailings (operational since 1971)	No. 15/2014/1 Dnro ISAVI/43/04.08/2011: 27.2.2014 No. 54/2016/1 VI/2511/2016: 18.11.2016 No 26/VAI/86: 05.02.1986			Industrial Control and Storage of Hazardous Chemicals: TUKES 2957/320/1979
	Karnukka open pit (Operational since 2015)	No. 13/2013/1 Dnro ISAVI/86/04.08/2011 8.2.2013		N/A	Valid mining concession K7953
	Pehmytkivi open pit (Operational since 1999)	Nro 141/07/2 Dnro ISY-2004-Y-250 14.12.2007 Amendment Nro 122/08/2 Dnro ISY-2008-Y-113 24.11.2008		N/A	Valid mining concession 2592/1a-c
	Horsmanaho open pit (closed in 2014)	N/A		N/A	Valid mining concession 2592/1a-c
Sotkamo	Uutela open pit (operational since 2010)	No. 24/06/2 Dnro Psy-2005-y-81 : 28.3.2006		N/A	Valid mining concession 2465/1a,b
		Amendment No. 14/07/2 Dnro Psy-2006-y-136 : 30.1.2007	Amendment No.106/08/2 Dnro Psy-2008-y-44: 15.9.2008		
	Sotkamo tailings and plant (operational since 1967) Punasuo open pit (operational since 2010)	Nro 9/08/2, Dnro Psy-2003-y-175 : 18.1.2008 Amendment: Nro 93/08/2, Dnro Psy-2008-y-78: 4.9.2008 Amendment : No 123/11/1 Dnro PSAVI/ 88/04.08/2011 : 12.12.2011		Industrial Control and Storage of Hazardous Chemicals: TUKES 21.8.1997, Dnro 4963/362/97	Valid mining concession for Punasuo 2607/2a
	Lahnaslampi open pit (closed in 2014, used for water and tailings storage)	KAIELY/38/07.00/2010 : 4.11.2010		N/A	Valid mining concession 1170/1-2 and 2607/1a-f
		Nro 128/2016/1, Dnro PSAVI/7/04.08/2011 : 22.9.2016 (mining stopped in 2014, has an environmental permit issued by AVI to receive tailings from the Sotkamo plant)			

Area	Facility	Permit number and issue date			
		Environment	Water	Chemical	Mining
Katwijk	Plant site (operational since 1993)	Environmental Permit granted by the Municipality of Cuijk 28 November 2006	Cooling water intake and discharge permit issued 25 May 1993. This was superseded by the General Regulations on Environmental Management regulations in 2011. No significant use of water (supplied from mains) so no requirement to obtain a water use permit.	Does not qualify as a Seveso site	N/A
Amsterdam	Plant site (operational since 1964)	Environmental Permit (Ref 2088654) issued 19 May 2017 includes waste water discharge requirements	No significant use of water (supplied from mains) so no requirement to obtain water permit	Does not qualify as a Seveso site (only oils, grease and gas stored)	N/A

15.3 Environmental, Social, Health and Safety Management Approach

15.3.1 Management systems

The Sotkamo and Vuonos operations have environmental management systems that were first certified according to ISO 14001 in December 2005 and the current certificates are valid until 20 November 2020. Both operations also have certified quality management systems (ISO 9001) and certified occupational health and safety management systems (OHSAS 18001). SRK was able to view the certificates on show in the site offices.

The environmental management system of Mondo Minerals BV Katwijk and Amsterdam was certified under ISO 14001:2005 for sales, production and deliveries of talc products and was re-certified by Inspecta Certification on 21 February 2018.

There are no policies or environmental, social, health and safety performance or monitoring reports on the Mondo website.

There are few formal environmental management plans for the operations. SRK only saw extractive waste management plans and framework closure reports. There are no detailed plans and no formal water management plans. Finnish environmental impact assessments do not have to include management plans, but impact management measures are usually incorporated into the environmental permit application and become permit conditions.

Evidence of induction and on-going environmental, health and safety training were seen, including for permanent contractors.

The Mondo workforce is small and, during the review, it appeared that capacity for supervision, training and compliance checking at the Finnish sites is stretched. Although operations and mining supervisors in both sites are responsible for daily operations including environmental and health and safety issues, there is only one quality, health, safety and environmental officer for both Vuonos and Sotkamo.

15.3.2 Environmental monitoring and auditing

Monitoring of surface water flow and quality, groundwater quality and depth, noise, air emissions and in some cases monitoring of biological components (such as peat and fish) is undertaken according to requirements of Annex 2 of the Environmental Permits in Finland. A summary of the approved monitoring plans for each of the Finnish assets is provided in Table 15-2.

Table 15-2: Monitoring plans

Area	Facility	Monitoring plan reference and approval date
Sotkamo . . .	Uutela	Uutela environmental monitoring plan 14 February 2007, approved by Kainuu Environmental Centre July 2007 (Dnro KAI-2007-Y-21)
	Sotkamo tailings and plant	Sotkamo mine and plant monitoring plan 30 May 2008, approved by Kainuu Environmental Centre October 2008 (Dnro 1295Y0028)
	Punasuo	KAI/ELY38.07.00/2010
	Lahnaslampi	KAI/ELY38.07.00/2010
Vuonos	Vuonos plant and tailings	Vuonos factory environmental monitoring plan, approved by North Karelian Environment Agency 9.12.1999 (Nro 0795Y0110-103)
	Karnukka	Karnukka monitoring plan (Mondo Minerals 2016)
	Pehmytkivi	Horsmanahon and Pehmytkiven load, surface water and groundwater monitoring program 27/08/08
	Horsmanaho	(supplemented 12/01/08)

At the Finnish operations, the monitoring is conducted either monthly or quarterly depending on the parameter and requirement in the environmental permit and annual summary reports are produced for Vuonos and Sotkamo operations. Mondo outsource the environmental monitoring and reporting of their Finnish operations to Pöyry Plc. Compliance checks are also undertaken by ELY on a random basis.

While groundwater and surface compliance monitoring is subcontracted, in-house sample collection is also made weekly from all the ponds and transfer points. Samples are provided from different streams in the plant and the mine geologists collect regular samples from the pits and ponds for analyses in the plant laboratories, with some going for external analysis.

At the Dutch operations, the Amsterdam site continuously monitors dust and conducts noise and odour studies when requested by the authorities (most recent study was in April 2017). Wastewater discharge quality (pH, temperature and sulphate) is also monitored. The Katwijk site is required to analyse wastewater discharge quality four times a year for suspended solids and submit the results to the regulatory authority within a month. They are also required to monitor noise and air quality (dust) although the frequency is unclear in the Ramboll reports.

15.3.3 Audits and reporting

At the Finnish operations, there are ten different audits per year, both from ELY, internal and external audits. The annual ELY audits were available for Sotkamo (including Punasuo and Uutela pits) during 2017 and February 2018, for Vuonos in November 2017 and for Karnukka in August 2016. No audit reports were provided for the Vuonos Pehmytkivi pit. Key findings of the available audits are summarised below:

- no deviations or follow up actions were required following the 2017 audit at the Vuonos site.
- one measure was required following the Karnukka 2016 audit, relating to condensing the metals suite analysed for discharged water.
- a breach was noted during the Sotkamo 2018 audit as the amount of ore material exceeded the 400 kt from the Uutela pit specified in the environmental permit. This was as a result of the Sotkamo plant requiring more ore from Uutela than the Punasuo pit. As such, an EIA and new environmental permit is required to increase the tonnages mined from the Uutela pit. This process is currently ongoing with additional environmental assessments being conducted for the EIA.
- monthly reports on Quality Health Safety and Environment monitoring results are compiled for required ELY reporting.

The environmental permits in place for the Dutch sites stipulate site specific requirements for monitoring and reporting. As a Type C facility (a facility with extensive environmental impacts), the Kajuitweg 8 site in Amsterdam is subject to submit annual updates on the expansion of production capacity and energy efficiency to the local authority. The last audit by the local authority was in February 2018 and no deficiencies were noted by the regulator (Ramboll, 2018). According to the Ramboll report on the Katwijk site (2018), there are regular inspections from the local authority and there are no open judicial or administrative proceeding, nor any notifications of the authorities regarding environmental aspects.

15.3.4 Health and safety

The health and safety statistics include lost time injury frequency rates (3.2 in 2017) and indicate an improvement in occupational safety performance, with the number of incidents and reported near misses decreasing. There were between 0 and 8 lost time incidents each year between 2010 and 2017 at the Finnish sites, with the majority being slips on ice during the winter months.

To ensure the full safety of its operations and products, Mondo already began performing asbestos tests in the early 1970s and these tests have been performed continuously since 1992, as part of regular QA/QC processes. All such Mondo's tests of Finntalc products have always confirmed the absence of asbestos. During the processing of Finntalc, the ore goes through a flotation process which further purifies the final product; the final product is approximately 97% talc. The safety data sheet ("SDS") for Finntalc states that "*This product does not contain detectable amounts of asbestos fibres as defined by the US Occupational Safety and Health Administration ("OSHA") and the European Directive 2009/148/EC, when analysed by conventional methods*." Mondo's QA/QC process involves the collection of daily samples of the floatation feed and talc concentrate by automatic samplers. Additionally, daily composite samples of each product grade are collected. A monthly composite of the daily samples is tested for amphiboles and chrysotile in the internal quality control laboratory by x-ray diffraction ("XRD"), which has a detection limit of approximately 0.1% (weight %). Twice per year a composite sample is sent to an independent third-party laboratory for asbestos testing by scanning electron microscopy ("SEM") with a detection limit of around 0.01% (weight %). As previously stated, asbestos has never been detected in any sample from the Finland mines or plants (Ramboll, 2018).

15.3.5 Stakeholder engagement

In Finland, stakeholder consultation is required during the permitting stage of project development, but the authorities do not require formal stakeholder engagement during operations. There are no formal stakeholder engagement plans or grievance mechanisms for the Finnish sites. However, all complaints are registered and addressed, with comments coming directly from the complainant or via ELY. The complaints register includes the date received, details of the issue and follow up actions required and undertaken by Mondo. The environment, health and safety ("EHS") officer also provides a summary of the complaints received (if any) in the monthly EHS report to senior management.

SRK was shown complaints received between 2017 and 2018. The complaints pertained to noise from a broken fan at the Vuonos plant (which was then replaced); failure to cover ore haul trucks; and perceived water quality impacts (nickel and total dissolved solids ("TDS")) caused by Karnukka operations. The latter were assessed by Mondo and the water quality measurements were found to be within permit limits.

While SRK was unable to determine the stakeholder engagement process or see a grievance mechanism for the Dutch sites, the recent Ramboll (2018) reports on the Dutch sites state that no complaints from neighbours or the community have been received.

15.3.6 Community development initiatives

Finnish mining operations do not generally undertake community development activities as these are the remit of the state. The Centres for Economic Development, Transport and the Environment (ELY Centres) are responsible for the regional implementation and development tasks of the central government based on Mondo taxes.

Mondo does provide one or two weeks work experience to school children interested in mining and conducts ad hoc school visits to present about their operations to promote mining. A local fishing association uses the Mondo offices for meetings when requested. Mondo also sponsors the Pesapallo club Sotkamon Jymy, the most successful Finnish baseball team over the last two decades and home team of the Mondo's Sotkamo site.

15.4 Technical Environmental or Social Matters

15.4.1 Water management

The following discussion focuses on the Finnish sites, but general improvements in water management at both Finnish and Dutch sites have occurred in recent years. No material issues at the Dutch sites were raised in the Ramboll 2018 reports.

The water management at both the Vuonos and Sotkamo operations is complicated, particularly at Sotkamo; water balances are very seasonal and there is limited storage capacity in ponds for taking contact water that requires treatment before discharge. Discharges must meet discharge criteria.

Water quality is well understood and frequent water monitoring provides continuous data on any changes. Some water from pit dewatering and seepage from some of the WRD has low pH and there is appropriate management of these acidic waters. Water treatment ponds are generally well constructed. The application of lime for raising the pH is dictated by results of constant automated flow rate measurement and pH monitoring.

Water management performance at both sites has improved in recent years, with significantly reduced discharge to the environment, greater recycling of water through the system and improved water quality through organised treatment and better containment.

The extent of pit dewatering required is weather/season dependent. There is little inflow from groundwater, most recharge is from precipitation. The pits fill rapidly during snow melt and early summer rainfall, which exceeds current pumping capacity. Mining operations are planned to take account of this, so that blasted ore is still available from higher benches during this period when the pit base is flooded. Pump capacity is quite sufficient for most of the year (10 months) and is often not needed during high and late summer/autumn. All pit water from each of the pits is pumped to surface mostly to dedicated ponds for settling and pH adjustment as necessary in various pond streams prior to discharge, usually through wetlands which provide further water cleaning.

The pipes for dewatering and water management across both sites generally remain open and flowing through the winter months, though there may be a few weeks of insufficient flow for sampling. Recycled water for dust suppression comes from the various dewatering or supply ponds.

Sotkamo

At the start of operations, pre-existing natural drainage was diverted around the site footprint to avoid pits, plant and infrastructure, and to capture non-contact water for directing to downstream river systems. All contact water within the site is collected in various water ponds for reuse or treatment prior to discharge to the Lahnaslampi pit.

Ambient water quality appears to be naturally acidic, in the range pH 6 to 6.9, probably from oxidation of sulphides and tannic acid from peat. Metal leaching associated with this acidic water results in elevated aluminium and other metals.

Punasuo pit water, at pH 6.4 - 6.9, is directed to a settling water storage/supply pond north of the pit, for reuse, dust suppression or discharge to the old Lahnaslampi pit. The Uutela pit water is pumped into an adjacent settling pond prior to treatment with soda ash (lye) and lime as necessary. Treated water then drains to a peat wetland area for further attenuation before release to the environment.

Water seepage and runoff from waste rock dumps at both active pits is collected for settling and treatment as necessary. Water from the old Lahnaslampi WRD is currently treated before going direct to the Lahnaslampi pit. Mondo has asked ELY for permission to stop this water treatment as the water is greatly diluted when it goes to the flooded pit. According to Mondo the authorities agree that the treatment is superfluous, but Mondo has not yet received permission to cease treatment. Decanted tailings water from the TSF is returned for reuse at the plant via a settling storage pond. Water seepage from the TSF dam walls is at pH 5 with elevated nickel and sulphate levels, but is pumped back to the TSF or reports to the Lahnaslampi pit.

The Sotkamo site is currently very dependent upon the Lahnaslampi pit for storage of excess project water, but this will reach capacity in 3 to 4 years. There is a suggestion that excess water may subsequently be directed to the old tailings storage facility, but this currently has little capacity available and may not be suitable for water storage. Otherwise, it is proposed that water will be treated to comply with permit limits and discharged to the environment, and a Lahnaslampi water treatment plant is currently being designed.

Vuonos

Water management around the Vuonos site is less complex than at Sotkamo as it is composed only of the 2 processing plant areas and the TSF. There is collection of site water for treatment prior to reuse or discharge, and maintenance sheds have sumps and oil separators. Water from the TSF is recycled to the processing plant, with minimal discharge to the environment via a natural wetland. SRK understands that less than 10% TSF water is discharged to the environment, via the River Lahenjoki to Lake Sysmäjärvi. There are three monitoring wells around the TSF which are sampled every two weeks, together with two sampling points in the discharge receiving river and downstream lake.

Both operating pits are remote from the plant area and water is managed separately. The Karnukka pit, started in 2015, has little water seepage into the pit, mostly from fractures and the intersection of overburden till and rock, and water accumulation is largely from direct preciptitaion. Water (pH 5) from the pit sump is pumped out in two stages and delivered to a series of four, well designed and constructed dewatering settling and treatment ponds. These are lined with compacted clay and geotextile 2 mm high density polyethylene ("HDPE") liner with some inner walls covered in riprap to prevent erosion. A solar powered automated flow meter and pH monitor determines liming quantity for pH adjustment. The water then discharges to a wetland for final polishing.

The Pehmytkivi pit is larger and has been in operation for nearly 20 years, with a current depth of around 95 m. Pit sump water (pH 5) is pumped out in two stages via a small holding pond to a series of four settling ponds with automated flow and pH monitoring and lime addition as needed.

Water seepage from the WRDs at both pits is directed to the water handling ponds.

15.4.2 Waste management

Waste rock management is generally good, with issues well understood and dumps designed and operated accordingly. The tailings storage facilities are of more concern, in terms of construction and operating practice, free board and seepage as commented upon earlier in this report.

There are mine waste management plans for each of the mining assets that vary in quality and level of detail. These are produced to meet the requirements of the EU Mine Waste Directive, as transposed into Finnish law. They provide information on waste rock quantities and production rates, water treatment required, geochemical and geotechnical characteristics of the waste, measures to prevent environmental impacts, locations of deposition sites, dump design with maximum heights and slope angles and closure and aftercare of the mine waste facility.

There has been waste rock and tailings geochemical characterisation using acid base accounting ("ABA"), but much of this testwork was undertaken some years ago and it is not clear how many samples were used in the studies and therefore how representative the results. At Sotkamo the black schist is clearly potentially acid generating and the impure talc ore is in the intermediate range, which may be acid producing (Table 15-3). There appears to be less of an acid rock drainage ("ARD") issue at Vuonos than Sotkamo. Even though the sulphur content is often over 1% S, there is apparently sufficient acid consumption from rock types with high neutralising potential to counter acid generation.

Table 15-3: Summary of waste rock geochemistry (Sotkamo waste management plan, 2015)

Rock type	Total S%	Sulphide S%	Acid producing potential (AP) k CaCO3/t	Neutralising Potential (NP) k CaCO3/t	NP/AP Neutralising Potential Ratio (NPR)
Black Schist	0.95%	0.81%	25.3	8.4	0.33
Impure Talc	0.58%	0.58%	17.8	30	1.66

Water monitoring confirms these ABA results with seepage and runoff water from WRDs largely composed of black schist with a pH 3 to 5. However, the risk from acid drainage and metal leaching is well-understood in the Mondo operations and waste rock management is designed accordingly. Potentially acid generating waste rock is identified in the pit by the geologist and subsequently directed to central locations within the WRDs, with a minimum 1 m basal layer of neutralising rock and progressive encapsulation with non-acid generating or neutralising material. The management plans also provide for the collection of all WRD seepage and runoff to be directed for water treatment with lime.

Sotkamo

There is relatively little waste rock for disposal at Sotkamo as much of the magnesite has value and is sold to Finnish customers and there are stockpiles of this material around both the pits. The more problematic mica schist waste rock from Punasuo pit is currently dumped into the closed Lahnaslampi pit.

Black (graphitic) schist and mica schist waste rock from the old Lahnaslampi pit, which was excavated for over 30 years until 2010, was deposited at the now closed WRD west of the pit and plant area. Although this material has a relatively low sulphide content, mainly as pyrrhotite with minor pyrite, it does generate acid, with seepage/runoff in the range of pH 4.3 to 4.7. This Lahnaslampi WRD occupies a significant footprint but is currently undergoing rehabilitation. The acidic seepage and runoff from the WRD is currently collected south and treated prior to discharge to the Lahnaslampi pit.

Tailings capacity at Sotkamo is limited and not much freeboard was observed during the site visit, according to site staff they are apparently already close to the permitted wall height. Mondo may apply for a permit to raise the TSF walls again, but has started (in June 2018) pumping tailings to the Lahnaslampi pit. This is apparently the preferred ELY option, but Mondo is reluctant to continue with this because of opportunities to sell the magnesite.

The current tailings at Sotkamo are non-acid producing and are pumped to the TSF from the plant at pH 8 to 8.5. The active TSF is composed of two paddocks with a main 0.5 m diameter ring distribution pipe and 25 mm spigots to spread tailings around the perimeter. Each paddock has a decant tower on built out piers. Dam maintenance and rehabilitation is undertaken by a contractor with specialist equipment for working in wetlands and soft conditions. Dam walls are raised by upstream construction using excavators to dig out beached tails and add to the wall crest. This creates a channel immediately adjacent to the wall. Some of the downstream slopes are clad with riprap but it is not clear if this is for erosion control, to plug leaks or part of progressive rehabilitation. There was evidence in several places of erosion and seepage through the TSF walls, and a pipe discharging water (at pH 5), all of which collects in a pond via wetland areas and is pumped back to the TSF.

The apparent discrepancy between high-pH tailings disposal to the TSF and tailings material with no acid generating potential; and the lower pH water seeping from the TSF dam walls and collected for return to the dam, may be the result of old material, both tailings and possible waste rock, deposited at the facility in the past from the Lahnaslampi pit. There does not appear to be much information on this, which makes management of the potential ARD source difficult.

The old Sotkamo TSF is located north of the current facility and east of the plant. The southern of two paddocks is dry and undergoing rehabilitation with significant revegetation with trees and shrubs. The northern paddock still has some supernatant water but little freeboard at the dam walls. It is understood that the Sotkamo operation intends to use this old TSF for pumping water from the Lahnaslampi pit as and when Mondo wish to recover the magnesite currently being backfilled in the flooded pit; or when the Lahnaslampi pit is full (in 3 to 4 years).

Vuonos

In the Vuonos operations, both active pits are remote from the plant and therefore waste rock is deposited close to the pits. There does not seem to be the same demand or reuse potential of waste rock at Vuonos compared to Sotkamo. Any potentially acid generating waste rock identified in the pits is similarly directed to be encapsulated with acid consuming waste on the WRDs.

The Vuonos TSF has been in operation since Outokumpu mining in the 1970s, but it is unclear whether the original copper tailings were also deposited at this facility. There are two paddocks for tailings discharge, a settling pond and a polishing pond from where TSF water is pumped back to the plant for reuse, and excess discharged to a wetland area. The TSF is operated in the same way as at Sotkamo, with tailings distribution via a perimeter ring pipe and rotating spigots, and upstream wall raising by excavation of the beached tailings placed on the crest. This method allows fresh tailings slurry to channel and flow against the wall, which has potential seepage and wall stability repercussions.

The Vuonos nickel bioleach tailings are currently deposited in specifically designed test ponds constructed within one of the talc tailings paddocks, under temporary permit. There are two such rectangular ponds on the paddock, both lined with N4 grade filter cloth geotextile protected with magnesite sand and riprap rock along the wall where the supernatant water collects. All waste from the nickel plant is redirected to these areas and all relevant permit limits have been met. The Ni waste areas currently have a temporary permit until 2019 and both Mondo and the authorities are monitoring the ponds to confirm the waste is stable.

15.4.3 Health and safety and community disturbance

Sotkamo

There is no perimeter fencing at the site or gated entry at Sotkamo. Visitors have to sign-in and wear passes. Visitor induction consists of a 'Safety Guide for the Sotkamo Plant' booklet and a short informal safety talk. The Sotkamo plant appeared to have good housekeeping and personal protective equipment was required for visitors. However, it was noted that operators in the packing area, which was the dustiest, were not wearing masks as required.

There are no residential receptors within 500 m of the Sotkamo processing plant and as such, noise, dust and vibration are not seen as significant issues at the nearest receptor properties (monitored parameters comply with the allowable noise and dust levels). There have not been any complaints from neighbours regarding noise or dust from Sotkamo or the associated pits.

The Uutela open pit has approximately six properties within 250 m of the pit. The Uutela environmental permit states the noise levels at the nearest receptors will not exceed the reference values as a result of mining or traffic movements.

Vuonos

The Vuonos processing site is not fenced or secure gated. Visitors sign-in and are tagged, but no safety briefing was given at Vuonos. A safety guide document was available at the sign-in area, but was not specifically handed-out. Personal protective equipment was required, with breathing masks needed at the bioleach reactors, but not elsewhere; and there were some housekeeping issues with piping laid out across walkways presenting trip hazards and more noticeable spills. There are multiple, specific waste collection bins around the site.

The various environmental permits for each operation classify the dust, noise and vibration impacts experienced by the nearest receptors as minor.

The Vuonos crushing plant is the largest source of dust in the processing plant area (80 tpa produced prior to 2000). However, in 2000 the crushing plant was refurbished and in recent years dust has reduced to 10 tpa (Vuonos environmental permit). Dust emissions are also reduced further using dust filters, which are routinely monitored and changed regularly. Roads are kept wet with water trucks, and although there have been some complaints about dust from uncovered haul trucks in the past, there is minimal impact on the nearest residential properties 500 m south. Noise measurements around the Vuonos processing plant were made in 2010, and noise levels outside of the plant area in the nearest populated properties were below reference values.

Blasting at Pehmytkivi and Karnukka open pits occurs two to three times a week and 72 vehicle movements per day are used to excavate and transport material. These are the main sources of noise, vibration and dust at the two pit sites where the nearest receptors are within 80 m of the Pehmytkivi open pit and 200 m east of the Karnukka pit. Dust emissions from the waste rock dumps do not pose a risk of soil pollution or air quality deterioration in the mine area and is facilitated by progressive rehabilitation of waste rock piles.

While there does not appear to be a noise survey for Pehmytkivi, noise monitoring at Horsmanaho open pit showed up to 69 dB were experienced within 150 m of the blast location, suggesting that the nearest receptor to the Pehmytkivi open pit may experience these noise levels. Dust from the Karnukka pit is reduced by screening vegetation and there are no receptors located downwind (north) of the pit. There may occasionally be dust visible and settling at the nearest residential properties after blasting events. However, blasting only occurs during working hours, noise barriers have been constructed and there is a pre-blast warning alarm. Noise will be attenuated as the pit gets deeper, and there have been no complaints from neighbours regarding noise or dust since 2014.

15.5 Closure Requirements and Costs

Each Finnish mine has a framework closure plan and cost estimate prepared by Mondo for the environmental permit application. These are very high-level plans (2 to 15 pages each), the exception being the Lahnaslampi pit, which has a full closure plan. Mining in the Lahnaslampi pit stopped in 2010 and the pit is now used to store waste rock from the Punasuo pit and more recently tailings from the Sotkamo plant. A more detailed closure plan is required one year before mine closure.

The framework closure reports include closure actions such as flooding of open pit excavations with contouring and pit rim security; contouring, covering and revegetation of WRDs; covering and revegetation of tailings ponds; dismantling of all plant and infrastructure; and removal of roads not needed by the local/regional transport system, including scarification and revegetation. Post closure environmental and biological monitoring is to be carried out for 2 to 5 years.

Costs estimates have been prepared for the identified closure activities but the closure plans have not been updated to cover new aspects of operations such as the nickel arsenic bioleach tailings ponds at Vuonos and do not include any social, workforce or economic preparation for closure in terms of training and livelihood restoration.

In terms of financial provisioning for closure, there are requirements to place closure bonds (or ‘collaterals’) in the Mining Act and in the Environmental Protection Act. The provisions required by the Environmental Protection Act specifically relate to closure and rehabilitation of mine waste management facilities. The magnitude of the closure bond due under the Mining Act is to be determined by Tukes (the authority responsible for mining) once a company is issued with a mining certificate. A summary of the financial provisions for closure made by Mondo is provided in Table 15-4.

The bond requirements stated in the environmental permits total EUR 3,800,000 for the active assets, of which EUR 2,495,000 remains with EUR 350,000 planned expenditure for 2018.

A bank guarantee for each site is part of the permit obligation set by ELY. Mondo then allocate a provision to rehabilitate the area, and track expenditure against the budget as progressive rehabilitation occurs. It should be noted that Lahnaslampi and Punasuo are combined into one provision fund as are Pehmytkivi and Horsmanaho due to their proximal locations. Mondo is responsible for the after-care and monitoring of the WRD sites as long as they can be expected to have an adverse effect on the environment. According to the permit conditions, after-care and observation must last at least 30 years.

While there are inconsistencies in the closure costs cited in various documents and no detailed closure cost estimate has been made available to SRK for review, SRK has the following information on closure costs:

- summary document for the various closure reports for the Finnish operations gives a total rehabilitation and closure cost of EUR 6,340,000 (permitted rehabilitation as defined in permits) and EUR 5,090,000 (Mondo preferred rehabilitation methods – relates to landscaping the Vuonos tailings in a different way).
- closure cost spreadsheet for the financial model for the Finnish assets gives the current ELY bank guarantee as EUR 3,800,000 (Table 15-4) and updated closure provision calculated by Mondo as EUR 4,160,000 as this includes the Karnukka closure costs, as the bank guarantee had not been set by ELY for Karnukka yet. The discrepancies between the Mondo calculation and bank guarantee reflect adjustments made by Mondo to their rehabilitation plans. No closure report was provided for the Karnukka pit.

SRK has seen the progressive rehabilitation of various disturbed sites around Vuonos and Sotkamo and the landscaping and revegetation appears to be effective. Mondo closure performance is demonstrated by the closed and rehabilitated Sola pit, where frogs and fish present in the lake indicate the effectiveness of remediation works; and successful revegetation of the old Lahnaslampi WRD and TSF paddock at Sotkamo.

No closure cost estimates for the Dutch operations has been seen. SRK expects that there is no legal requirement to make closure provisions for these processing sites.

Table 15-4: Closure cost provision (Mine site rehabilitation xls 22.3.2018)

Area	Facility	Rehabilitation completed by date	Bank guarantee (EUR)*	Total provision (EUR)**	Remaining budget following passive rehabilitation (EUR)***
Sotkamo . .	Uutela	2035	100,000	110,000	14,000
	Sotkamo tailings and plant	2035	2,500,000	972,000	551,000
	Punasuo Lahnaslampi	2034		560,000	133,000
Vuonos . . .	Vuonos plant and tailings	2035	950,000	1,100.000	1,093,000
	Karnukka	2035	150,000 (+50,000 per ha to be set)	650,000	650,000
	Pehmytkivi	2035	250,000	775,000	54,000
Total			**3,800,000***	**4,157,000**	**2,495,000**

* Legally required bank guarantee agreed with ELY. This excludes Karnukka as bank guarantee had not been set.)

** Mondo makes provision in their balance sheet to prepare for the future rehabilitation costs, up-dated provision sums are given in the Total Provision column

*** Mondo undertakes ongoing rehabilitation of disturbed areas and the money spent in the last three years (2015,2016, 2017) is subtracted from the total provision to result in the remaining budget

15.6 Conclusions and Recommendations

No material issues have been identified by SRK in relation to the environmental and social management of the mining and processing assets of Mondo. Notwithstanding this, the following recommendations have been made by SRK to improve environmental and social management:

- improve transparency with disclosure of Mondo environmental, health and safety policy and management plans and reports on the website, and available to project communities and wider stakeholders;
- develop stakeholder engagement plans and formalise a grievance mechanism for each site that is made known to project neighbours and communities;
- add temporary contractors into health and safety training and reporting statistics;
- consider an additional environmental, health and safety officer to assist with internal sample collection and monitoring; training, supervision and enforcement of required practice; stakeholder engagement, and reporting;
- improve understanding of site water balances (especially changes over the seasons) and surface water flow networks downstream of the Finnish project sites, and develop water management plans that include provisions for future emergency storm water;
- review waste rock and tailings management given continuing lowered pH seepage and runoff from WRDs and TSFs (ref: Tailings section 13.2.2 and 13.3.2); and;
- consolidate the numerous closure estimates and conflicting information sources into one comprehensive and regularly updated document.

16 FINANCIAL MODELLING

16.1 Introduction

The LoMP as presented in Table 11-3 includes a certain amount of material which is not in the current Mineral Reserve statement as it has been classed an Inferred Mineral Resource. Given this, and given that it would not be practical to not mine this material, SRK has prepared two financial models one of which shows the economics of the Mineral Reserve only (The Mineral Reserve Model) and one of which reflects revenue from all of the mineralisation in the LoM Plan inclusive of the Inferred Mineral Resource (the LoM Plan Model).

Both financial models have been prepared in Microsoft Excel, in EUR, in real 2018 money terms. Whilst a variety of escalation rates have been used for different budget items, all prices and costs have been de-escalated at a flat 1.5% per annum as advised by Mondo. A discounted cash flow has been prepared, on a pre-tax, pre-finance basis. Mondo's budget forecast extends up to 2023 inclusive, and consists of nominal price forecasts, operating costs forecasts and capital expenditure, which have been de-escalated accordingly. From 2023 onwards, prices and costs have been held constant as driven by the LoMP.

Reporting at the operations is in EUR and so for the few items costed in USD a constant exchange rate of 1.18 USD/EUR has been applied.

Due to the commercially sensitive nature of Mondo's talc pricing structure, no revenue, Net Free Cash or Net Present Value ("NPV") estimates are presented herein but a breakeven overall talc price, and historical pricing information is provided to give comfort in the economic viability of the reported Mineral Reserve.

16.2 Production

The mining production schedule which drives SRK's economic analysis is as presented in Table 11-3. SRK notes that the following amounts of Inferred material are included in the production figures: Punasuo: 0%; Uutela: 0%; Pehmytkivi: 20%; and Karnukka: 9%.

Plant recoveries applied are as presented in Table 10-1, in line with Mondo's budget.

Ni is recovered from the tailings via a Ni flotation and subsequent bioleaching process, and whilst it is noted that cobalt is also recovered into the bioleach plant product, the revenue for this has not been included as this is not reported in the Mineral Resource and Mineral Reserve statements. Ni recoveries into the Ni concentrates are kept as achieved during 2017, whilst the bioleach plant recovery is assumed to slowly ramp up to the budgeted 89% recovery.

16.3 Revenue Drivers

16.3.1 Sales Volumes

In line with forecast production, sales volumes are projected to ramp up during the initial five years (Table 16-1), after which a steady state production is achieved. A slight increase in overall product is experienced in the model, when the pit with the lower plant recovery (Uutela) is depleted, and the Sotkamo plant is fully supplied by the Punasuo operation.

A certain amount of talc is purchased externally and blended in at the Amsterdam site, to achieve the required product mix, this amount has been kept at similar rate going forwards. The sales split between the various products is kept constant from 2023 onwards.

Table 16-1: Historical and Forecast Production (LoMp, hence inclusive of Inferred Material), excluding externally purchased talc

Sales Product	Units	LoMp	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024-2028	2029-2033	2034-2038	2039-2043	2044-2048
Total plant feed	(kt)	35,135	945	1,057	1,017	1,149	1,194	1,218	1,246	1,290	1,338	6,689	6,583	6,448	6,448	1,533
Ni in MHP	(kt)	27,423	—	—	—	792	972	1,012	1,069	1,126	1,017	5,112	5,138	4,996	4,961	1,226

Note: actual and forecast plant recoveries for talc range from 32 to 36%.

16.3.2 Pricing

Historical product prices achieved are as noted in Table 16-2. Due to the commercially highly sensitive nature of Mondo's talc pricing structure; no projected sales prices going forward are presented herein. An average breakeven talc price will be provided in Section 16.6 to provide comfort in the economic viability of the assets.

A sales price of USD 13,500/t has been applied in the model for nickel sales.

Table 16-2: Mondo Historical Product Prices

Sales Prices	Units	2015	2016	2017
Talc(1)	(EUR/t)	300	306	317

Note: (1) Weighted average of a variety of plastics, paint, paper and specialised products

16.3.3 Sales Expenses

Sales expenses are covered by the Net Revenue received, to derive a Gross Revenue. Sales expenses consist of a sales commission/discount (on average approximately EUR 2/t of talc sales going forward) and distribution expenses (EUR 46/t ramping up to EUR 53/t by 2023).

A payability of 91% is applied to the Ni metal in the MHP product and a Ni refining charge of USD 2,860/t has been applied.

16.4 Capital Expenditure

Mining capital expenditures have solely been presented for capitalised waste stripping requirements. SRK has projected equal percentages of waste capitalised from 2023 going forward as presented for 2023. No expenditures for exploration have been presented. All major equipment overhaul is assumed to be covered under the contractor mining costs.

Expansion capital at the Vuonos and Sotkamo plants mainly relate to enhancements to the flotation capacity. Main items at Amsterdam related to downstream processing capability.

Total LoM Plan capital expenditure estimates are presented in Table 16-3.

Table 16-3: LoMp Capital Expenditure

Capital Expenditure	Units	LoMp	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024-2028	2029-2033	2034-2038	2039-2043	2044-2048
Mining (capitalised waste)	(EURm)	77	1.8	1.9	3.1	3.0	2.8	2.9	2.8	2.9	3.0	15.7	17.0	9.6	13.8	3.9
Plant Expansions	(EURm)	24	0.0	0.0	0.0	2.9	4.0	4.0	3.5	5.2	4.0	0.0	0.0	0.0	0.0	0.0
Plants Sustaining	(EURm)	123	n/a	n/a	n/a	4.7	4.3	4.0	4.0	4.9	4.7	23.5	23.5	23.5	23.5	2.3
Total	**(EURm)**	**224**	**1.8**	**1.9**	**3.1**	**10.6**	**11.0**	**10.9**	**10.3**	**13.0**	**11.7**	**39.2**	**40.5**	**33.1**	**37.3**	**6.2**

16.5 Operating Costs

16.5.1 Introduction

Operating costs are split by Mondo between:

- direct variable: presented split for Sotkamo, Vuonos, Amsterdam and Katwijk, broken down in packaging materials, raw materials (external plant feed), freight, mining, chemicals, fuel/oil/gas, and electricity;
- semi variable: including overall miscellaneous production materials, maintenance parts and service, and storage and logistic services;
- production costs: including overall management, heating and maintenance, lab, and wages; and;
- selling, general and administrative expenses ("SG&A").

For the purpose of the economic models, SRK has derived unit costs per appropriate tonnage for the first two categories while the latter two are treated as fixed cost per annum (as they are not directly related to production volume).

Haulage costs to the Sotkamo and Vuonos plants are captured within the mining costs for their respective mining operations. All mining is carried out by contractor.

16.5.2 Other Assumptions

SRK has been advised that no mineral royalties are payable in Finland.

Whilst rehabilitation costs are mentioned under the "Production" costs category no amounts

have been allocated in the budget presented. Hence, total closure costs have been included in the financial model for each of the six assets as noted in Section 15.5 as and when each asset is at the end of its life.

SRK notes again that no corporation tax for either Finland or the Netherlands have been modelled, and hence the technical value presented in pre-tax. No VAT or working capital movements have been considered.

16.5.3 Total Project Operating Costs

Total operating costs for the LoM Plan are presented in Table 16-4. It should be noted that historically, whilst some Ni concentrate has been produced, no costs have been provided to SRK for 2015 to 2017, and hence these are excluded from the below.

Table 16-4: Historical and Forecast LoM Plan Operating Costs

Operating Costs	Units	LoMp	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024-2028	2029-2033	2034-2038	2039-2043	2044-2048
Mining	(EURm)	185	5	6	6	6	7	7	7	7	7	37	34	29	34	9
Processing and SG&A	(EURm)	2,525	68	66	66	73	77	80	84	88	93	463	470	471	471	155
Closure	(EURm)	4	0	0	0	0	0	0	0	0	0	0	1	0	0	3
Total	**(EURm)**	**2,714**	**72**	**72**	**71**	**80**	**84**	**87**	**91**	**95**	**100**	**501**	**504**	**500**	**505**	**167**
Overall Unit Cost[1)]	**(EUR/t talc)**	**195**	**191**	**186**	**188**	**196**	**194**	**194**	**194**	**196**	**197**	**197**	**191**	**188**	**190**	**254**

1) Includes talc sold from externally purchased talc

16.6 Economic Evaluation

Table 16-5 presents the overall inputs and outputs of the financial in EUR for:

- LoM Plan Model; and;
- Mineral Reserve Model.

A breakeven average talc price has been calculated for both cases, at which the NPV turns negative at a base discount rate of 8%. The prices calculated sit comfortably below prices achieved historically which ranged from EUR 300/t in 2015 to EUR 317/t in 2017.

Table 16-5: Economic Parameters LoM Plan vs Mineral Reserve

Item	Unit	LoM Plan	Mineral Reserve
Economic Output			
Operating Costs	(EURm)	2,714	2,640
Capital Costs	(EURm)	224	203
NPV breakeven talc price (8% discount rate)	(EUR/t)	244	247
Mining Parameters			
Waste (Operational plus capitalised)	(Mt)	90.3	76.9
RoM ore	(Mt)	35.1	32.7
Sales Parameters			
Talc	(Mt)	13.9	13.0
Ni in MHP	(kt)	27.4	25.7
Operating Costs			
Mining	(EURm)	184.8	165.3
Processing	(EURm)	2,240.0	2,185.3
SG&A	(EURm)	285.2	285.2
Closure	(EURm)	4.2	4.2
Total	**(EURm)**	**2,714.2**	**2,640.0**
Capital Expenditure			
Mining (waste stripping only)	(EURm)	77.4	66.0
Plant Expansions	(EURm)	23.5	23.5
Plant Sustaining	(EURm)	122.9	113.2
Total	**(EURm)**	**223.8**	**202.6**

16.7 Summary

In summary, SRK's economic assessment presents a solid economic case, with a low risk of any production being cashflow negative. Breakeven average sales prices of EUR 244/t and EUR 247/t for the LoM Plan and Mineral Reserve cases respectively have been calculated, which compare favourably with historical prices achieved.

17 RISKS AND OPPORTUNITIES

17.1 Introduction

The aim of this section is to highlight some of the specific risks and opportunities unique to Mondo's assets as they stand today.

It is not the aim of this section of the report to highlight general risks and opportunities that apply to many, and in some cases, all, mining operations, notably risks of increased capital costs or opportunities for reducing costs, delays in obtaining planning permissions or in construction and increases or decreases in commodity demand or prices.

17.2 Risks

In SRK's opinion the two technical risks facing Mondo's mines in Finland are:

- Mondo currently only forecasts production for a five-year period which may mean that the mines are being operated in a sub-optimal manner and will not highlight any shortfalls in ore of the required quality in future years. We have recommended that Mondo introduces a longer-term life if mine planning process that is updated annually.

- Some areas of concern highlighted by SRK in relation to tailings management. SRK has recommended that a geotechnical inspection of the facilities is competed by an Independent Engineer to assess the current condition of the perimeter embankments and surface water management structures against the original design and also that groundwater modelling studies are completed to ensure that seepage from the base of the facilities is not contributing to poor groundwater quality. In addition, SRK has recommended that stability and seepage modelling is updated to reflect the as-built geometry of the current TSF landforms, to check that the minimum factor of safety against slope failure is above acceptable criterion in all cases. Mondo has agreed to act on these recommendations.

17.3 Opportunities

The main opportunity open to Mondo in relation to its assets is the fact that only a portion of the reported Mineral Resource has been converted to a Mineral Reserve and that there is potential for additional Mineral Reserves to be generated following ongoing technical work and, given this, there is potential for the mines to continue for many years beyond that assumed by the LoM Plan included in this report. Notably, the Mineral Reserve is limited to the currently operating pits and there are also resources remaining in several green field sites that have not yet been considered.

18 CONCLUDING REMARKS

In SRK's opinion, the Mondo Assets in Finland comprise relatively long life, if relatively small, mines and associated plants that have the potential to continue to produce talc and nickel products for many years to come.

In addition, the Mineral Resource and Mineral Reserve statements produced for these by Mondo and as included herein are have been reported in compliance with the PERC Standard and are valid as of 31 December 2017.

Finally, the economic evaluation completed by SRK shows that these assets are economically viable based on the assumptions made regarding market demand and prices, and they have the potential to continue to be so throughout the project mine lives.

The observations, comments and conclusions presented in this report represent SRK's opinion

as of 1 August 2018 and are based on site visit findings, discussions with Mondo staff and a review of documentation provided by the Mondo and the Company.

SRK cannot accept any liability, either direct or consequential for the validity of information that has been accepted in good faith.

SRK requires to be able to approve any extract from this report which may be presented in any public domain literature or which is used for the purposes of financing or presentation to third parties.

For and on behalf of SRK Consulting (UK) Limited

Mike Armitage
Corporate Consultant (Resource Geology)
SRK Consulting (UK) Limited

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ABBREVIATIONS, UNITS, GLOSSARY

Abbreviations

Al	Aluminium
CaO	Calcium oxide
Ca(OH)2	Calcium hydroxide (lime)
Cr	Chromium
Fe	Iron
FeO	Ferrous iron (II) oxide
Mg	Magnesium
MgO	Magnesium oxide
Ni	Nickel
S	Sulphur
Si	Silicon
SiO2	Silicon dioxide (silica)

Units

Mt	Million metric tonnes (based on a dry in situ bulk density unless specified)
Kt	Thousand metric tonnes (based on a dry in situ bulk density unless specified)
t	Metric tonnes (based on a dry in situ bulk density unless specified)
ktpa	Thousand metric tonnes per year/annum
tpa	Metric tonnes per year/annum
tpd	Metric tonnes per day
%	Percentage
km	Kilometres
km^2	Kilometres squared
m	Metres
cm	Centimetres
µm	Micrometres
mbgl	Metres below ground level
kg	Kilograms
g	Grams
µg/l	Micro-grams per litre
EUR	Euros (€)
dB	Decibels
Mpa	Mega pascals
GWh	Gigawatt hours
ha	Hectares

Glossary

Acid base accounting (ABA)	Assessment of the ability of a rock mass to produce acid rock drainage.
Acid rock drainage (ARD)	Outflow of acidic water from mine waste material. Also known as acid mine drainage (AMD).
Alteration	Chemical and/or physical changes to minerals and rocks post deposition/formation.
Amphibolite-facies	Moderate level (facies) of regional (large area) metamorphism where amphibole minerals dominate the rock.
Arsenic	Chemical element (metal) with symbol As and atomic number 33.
Asbestos	Group of six naturally occurring silicate minerals, which all have in common their asbestiform habit-long (roughly 1:20 aspect ratio), thin fibrous crystals, with each visible fiber composed of millions of microscopic “fibrils” that can be released by abrasion and other processes.
Assay	Analysis of minerals, rocks and mine products to determine and quantify their ingredients.
Backfill	Waste material placed back into the pits when the final pit limit has been reached.
Barton’s Q	Rock quality characterisation system to express the quality of the rock mass using a ‘*Q-value’*, on which are based design and support recommendations for slope stability.
Base metal	Common and inexpensive metal, such as copper, lead, zinc.
Bench	Levels within the open pit that form a single level of excavation above which material is mined from the bench face; generally, between 5 and 10 m apart in Mondo’s pits. Flitches are sub-divisions of benches used when mining of benches requires multiple passes. The highest point on a bench is the ‘crest’ and the lowest point is the ‘toe’.
Berm	Level space or shelf separating two areas of the pit used to ensure safety within the pit.
Bioleaching	Processing technique to extract metals using bacteria to increase the reaction speed.
Block model	Three-dimensional computerised model into which parameters are interpolated during the resource estimation process.
Breccia	Rock type formed of quickly transported sediments with angular clasts of rock.
Brightness	Numerical value of the reflectance factor of a sample, with respect to blue light of specific spectral and geometric characteristics. High brightness generally relates to talc content but can also be due to other bright minerals.
Capital expenditure (CAPEX)	Costs associated with buying, maintaining, or improving fixed assets, such as buildings, vehicles, equipment, or land. Expansion capital is specific to increasing capacity, either at the mine or plant.
Carbonate	Mineral containing the elements carbon and oxygen in the form $(CO_3)^{2-}$. Also refers to rocks containing $(CO_3)^{2-}$ and which are often rich in calcium and/or magnesium.
Centre for Economic Development, Transport and the Environment (ELY)	Department responsible for environmental permits in Finland. ELY is the Finnish abbreviation.

Chlorite	Phyllosilicate mineral with formula $(Mg,Fe)_3(Si,Al)_4O_{10}(OH)_2\cdot(Mg,Fe)_3(OH)_6$.
Closure bonds	Capital set aside to cover the cost of eventual pit closure. Also known as collateral.
Cobalt	Chemical element (metal) with symbol Co and atomic number 27.
Competent Persons Report (CPR)	Technical report providing a summary of the technical aspects of an exploration/mining project at a specific point in time. Usually used to support material changes in publicly listed companies' assets.
Concentrate	Processed material which has the required product concentrated to a higher level than the in situ material. In Mondo's case a nickel concentrate is a product, which is mixed sulphide and other minerals with an upgraded level of nickel (and cobalt).
Core	Solid, cylindrical sample of rock produced by diamond core drilling. At Mondo, core diameters BQ (36.4 mm) and NQ (47.6 mm) have been used.
Core logging	Recording geological, geotechnical and other information from drill core.
Cost Adjustment Factor (CAF)	Factor used for adjusting costs in association with a specific parameter, such as mining depth.
Cross-section	Diagram or drawing that shows features transected by a vertical plane drawn at right angles to the long axis of a geologic feature.
Daylighting	Geotechnical term for where planes are exposed at surface.
Deformation	Distorting of strata due to temperature and pressure changes post burial.
Deposit	Anomalous occurrence of a specific mineral or minerals within the earth's crust.
Diamond core drilling	Rotational drilling during which a length of core is recovered for sampling.
Dilution	Waste material extracted during the mining process which is intermixed and therefore hoisted and transported along with the ore to the materials handling facility or processing plant.
Discontinuities	Cracks, joints, faults and any continuous fracture surface within a rock mass.
Dolomite	Sedimentary rock composed primarily of the mineral dolomite, CaMg(CO3)2 and which is found in sedimentary basins.
Drill and blast	Mining technique whereby areas of the open pit identified for extraction are drilled and explosives inserted into the holes. The explosives break up the rock material to allow for excavators to scoop the ore/waste material into trucks to haul to the stockpiles/ waste dumps.
Environment, health and safety (EHA) officer	Staff member in charge of environmental policy and health and safety.
Environmental Protection Act (EPA)	System of integrated pollution control for the disposal of wastes to land, water and air.
Esker	Glacial deposit of stratified sand and gravel.
European Directive 2009/148/EC	European Union directive aims to protect workers health from risk of asbestos exposure, lays down limit values and specific requirements.

European Securities and Markets Authority (ESMA)	Independent EU Authority that contributes to safeguarding the stability of the European Union's financial system by enhancing the protection of investors and promoting stable and orderly financial markets.
Exploration	Exploratory sampling and data acquisition specific to identifying the location, size, geometry and grade of a mineral deposit. Can include drilling, trenching, pitting, geochemical sampling (water, sediment), geophysics.
Exploration licence	Type of licence which is granted for a period of five years, which can be extended by three years at a time; albeit that the exploration period cannot exceed fifteen years. It permits exploration activities to be undertaken only.
Fault	Fracture in a rock along which there has been displacement of the two sides relative to one another.
Feasibility Study (FS)	Detailed study of the economics of a project based on technical calculations and specific mine designs undertaken to a sufficiently high degree of confidence to justify a decision on construction.
Filter cake	Processed material retained on a filter (at a specific mesh size). This material can be transported as a product.
Flotation	Wet mineral extraction process by which certain mineral particles are induced to become attached to bubbles and float, and others to sink. Valuable minerals are thus concentrated and separated from valueless material (gangue).
Foliation	Repetitive layering of minerals in metamorphic rocks.
Footwall	Mass of rock underlying a fault, orebody or mine working.
Freeboard	Distance between normal water level and top of the dam structure (relating to TSF).
Freight-on-board (FOB)	Also referred to as Free on Board, is an international commercial law term published by the International Chamber of Commerce (ICC). It indicates the point at which the costs and risks of shipped goods shift from the seller to the buyer.
Geological strength index (GSI)	Geotechnical term used for the estimation of the rock mass strength and the rock mass deformation modulus.
Geostatistics	Statistical analysis of geological data that considers the relative spatial location of the data points.
Geographic information systems (GIS)	System designed to capture, store, manipulate, analyse, manage, and present spatial or geographic data.
Grade	Quantity and/or quality of ore or metal in a specified quantity of rock.
Granulated	Made into granules.
Graphite	Metamorphosed form of organic carbon.
Habitats directive	European Commission policy to provide conservation of natural habitats and of wild fauna and flora aims to promote the maintenance of biodiversity, taking account of economic, social, cultural and regional requirements.
Hangingwall	Overlying side of a fault, orebody or mine working.
High density polyethylene (HDPE)	High strength plastic.
Hydrogeology	Study of groundwater.
Hydrology	Study of surface water.

Hydrothermal	Relating to physical or chemical changes in a rock or mineral caused by heated water, particularly of magmatic origin.
Inverse Distance Weighted squared (IDW^2)	Form of interpolation of data into block models or a grid based on simple distance from sample points.
Life of Mine (LoM)	Time in which, through the employment of the available capital, the Mineral Reserves, or such reasonable extension of the Mineral Reserves as conservative geological analysis may justify, will be extracted. The life of mine plan (LoMp) is the mining plan designed to execute the extraction of ore over the LoM.
Lift height	Levels in waste rock dumps.
Low intensity magnetic separation (LIMS)	Processing technique to separate minerals which can be magnetised using high-strength magnets.
Magnesite	Carbonate mineral with formula MgCO3.
Metamorphism	Change of minerals or geological texture in pre-existing rocks (protoliths), without the protolith melting into liquid magma (a solid-state change) as a result of heat, pressure, and the introduction of chemically active fluids.
Mineral Resource	Concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such a form and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories.
Mineralisation	Concentration of metals and their chemical compounds within a body of rock. More generally, a term applied to accumulations of economic or related minerals in quantities ranging from weakly anomalous to economically recoverable.
Mineral rights	Property rights to exploit an area for its mineral content.
Mining licence/permit	Type of licence which is valid until further notice, usually dependent on 10 yearly reviews. It allows for exploitation of the minerals/metals specified in the licence.
Mining recovery	Quantity, expressed as a percentage, of in situ ore recovered during the mining operation and fed to the plant during a mining operation. The remainder of ore is either left behind due to pit design (to ensure no wall-rock dilution or to generate safe working conditions) or re-classified as waste
Mixed hydroxide product (MHP)	Upgraded Ni-Co product following bioleaching of nickel concentrate, with an average content of 48% Ni and 2% Co.
Moraine	Glacial deposit of rocks and sediment.
Natura 2000	Network of core breeding and resting sites for rare and threatened species, and some rare natural habitat types which are protected in their own right (European Union policy)
Net present value (NPV)	Measurement of profit calculated by subtracting the present values (PV) of cash outflows (including initial cost) from the present values of cash inflows over a period of time.
Nickel	Chemical element (metal) with symbol Ni and atomic number 28.
Nickel hydroxide	Inorganic compound of nickel and water with formula Ni(OH)2.
Olivine	Magnesium iron silicate mineral with the formula (Mg^{2}+, Fe^{2}+)2SiO4.

Operating expenditure (OPEX)	Costs associated with ongoing cost for running the mines and plants.
Ophiolite	Geological formation comprising ancient oceanic crust material tectonically place on to the land.
Ordinary kriging	Form of interpolation of data into block models or a grid in which the interpolation algorithm reflects the natural spatial variability of the data.
Ore	Accumulation of minerals containing a substance which can be economically recovered.
Orebody	Natural concentration of valuable material in the ground that can be extracted and sold at a profit.
Mineral Reserve	Economically mineable part of a Measured or Indicated Mineral Resource. It includes diluting materials and allowances for losses which may occur when the material is mined. Appropriate assessments, to at least a Pre-Feasibility Study level, have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Mineral Reserves are sub-divided in order of increasing confidence into Probable and Proved Mineral Reserves.
Occupational Safety and Health Administration (OSHA)	United States agency assuring safe and healthy working conditions for working men and women by setting and enforcing standards and by providing training, outreach, education and assistance.
Oxide mineral	Compound of oxygen with one other element.
Quartzite	Metamorphic rock type comprising predominantly quartz representing a metamorphosed sandstone.
Quality Assurance and Quality Control (QA/QC)	Procedures (assurance) and results (control) of quality measures in place during sampling campaigns to test the quality of the measurements. Assaying QA/QC includes insertion of standards, duplicates and blanks into the sample stream. QA/QC should also be in place for density measurements, surveys and any other quantitative measurements.
PERC Standard	Pan-European Standard for Reporting of Exploration Results, Mineral Resources and Reserves.
Pit optimisation	Economic assessment of the block model to provide approximate most optimal (highest revenue or largest resource depending on the CP's opinion) open pit mining scenario. Operating costs, product selling prices and current technical parameters (such as recoveries and pit slope angles) are used. Results in generation of a theoretical final pit base and is used to define the Mineral Resource and Mineral Reserve limits.
Porphyritic	Texture in an igneous rock with coarse-grained crystals (phenocrysts) in a fine-grained ground mass.
Porphyroblast	Coarse-grained crystal larger than the surrounding fine-grained ground mass in a metamorphic rock.
Pre-Feasibility Study (PFS)	Technical and economic study which demonstrates the technical and economic viability of a mining project, such that a decision for proceeding to the project development stage may be made without substantive revision to either scope or scale.

Processing plant	Processing site including facilities and equipment required to convert the in situ ore (ROM) mined in the pit into products. The Mondo processing plants include crushing, milling and flotation circuits which produce talc products (with magnesite sand by-product), along with nickel concentration and bioleaching circuits to produce nickel concentrate and hydroxide products.
Proterozoic	Period of geological time (an eon) which lasted from about 2500 to 541 million years ago (Ma)
Pushback	As mining progresses and the pit gets larger, pushbacks relate to the removal of material required to proceed from one nested open pit to the next, larger pit.
Reverse circulation (RC)	Type of percussion drilling where drill bit hammers the rock to form rock chips which are returned to surface inside the drilling rods.
Rockfall	Geotechnical slope failure where blocks of rock topple in the pit.
Rock mass rating (RMR)	Geotechnical term for a system of geomechanical classification for rocks.
Rock quality designation (RQD)	Measure of the degree of jointing or fracture in a rock mass, measured as a percentage of the drill core in lengths of 10 cm or more.
Rotary air blast (RAB)	Type of percussion drilling where drill bit hammers the rock to form rock chips which are returned to surface outside the drilling rods.
Royalties	Regular payments made by mining companies, usually based on the volume or price of minerals extracted, to governments or landowners as consideration for the right to exploit particular mineral resources.
Run of mine (ROM)	Typical raw ore fed into the plant (in Mondo's case this is a talc-magnesite ore).
Safety data sheet (SDS)	Widely used system for cataloging information on chemicals, chemical compounds, and chemical mixtures. SDS information may include instructions for the safe use and potential hazards associated with a particular material or product.
Scaling	Pit hygiene term for removing loose rock and debris to avoid rockfalls.
Scanning electron microscopy (SEM)	High-resolution type of electron microscopy that produces images of a sample by scanning the surface with a focused beam of electrons.
Schist	Metamorphosed shale rock with finely folded laminations (millimetre-scale); with different varieties based on dominant minerals, e.g. black (organic-rich) schist containing graphite, mica-schist.
Serpentenite	Metamorphosed and altered ultramafic rock containing serpentine minerals (common rock-forming hydrous magnesium iron phyllosilicate ($(Mg, Fe)_3Si_2O_5(OH)_4$) minerals).
Shear zones	Zones of intense structural deformation causing plastic (ductile) changes in the rock mass.
Skarn	Coarse-grained metamorphic rocks that form by a process called metasomatism (hydrothermal alteration). Skarns tend to be rich in calcium-magnesium-iron-manganese-aluminium silicate minerals.
Slope failure	Collapsing of slopes within the pit, causing rockfall and other landslides.
Slurry	Fluid mixture of a pulverized solid with a liquid (usually water), often used as a convenient way of handling solids in bulk.

Steatitisation	Intense hydrothermal alteration forming high-grade talc schist rock (steatite or soapstone) with few impurities.
Stockpile	Area designated for placing ore material after blasting and excavating. Stockpiles are temporary storage sites prior to feeding ore into the plant.
Stripping ratio (SR)	Also known as barren to ore ratio. Ratio of mined waste material to ore material, expressed as a single number, e.g. 2 tonnes of waste to 1 tonne of ore = SR of 2.
Structural wedge	Geotechnical term where two failure planes (surfaces) intersect to form a wedge shape, which can be prone to failure.
Sulphide	Compound of sulphur with a more electropositive element, such as pyrite, pyrrhotite and pentlandite (source of the nickel and cobalt).
Supernatant	Floating on the surface above a sediment or precipitate.
Svecokarelian orogeny	Tectonic (mountain-building) phase of activity during the Svecokarelian era (2,000 to 1,800 Ma).
Tachymetry	System of rapid digital surveying, by which the horizontal and vertical positions of points on the earth's surface relative to one another.
Tailings storage facilities (TSF)	Storage area for the waste material following processing (known as tailings). Usually in 'ponds' delineated by dams and retaining walls. In the case of Mondo, there are separate areas for talc processing and nickel processing waste material.
Talc	Hydrous magnesium silicate mineral, with formula $Mg_3Si_4O_{10}(OH)_2$.
Trigger and response plan (TARP)	Set of documented and known work place hazards that need to be continuously checked for.
Total dissolved solids (TDS)	Measure of the dissolved combined content of all inorganic and organic substances contained in a liquid in molecular, ionized or micro-granular (colloidal sol) suspended form.
Ultramafic	Igneous and meta-igneous rocks with a very low silica content (less than 45%), generally >18% MgO, high FeO, low potassium, and are composed of usually greater than 90% mafic minerals (dark colored, high magnesium and iron content). Also known as ultrabasic.
X-ray diffraction (XRD)	Technique used for determining the atomic and molecular structure of a mineral.
Waste rock dump (WRD)	Area designated for placing waste material after blasting and excavating. They are usually designed to be permanent structures and are often rehabilitated (i.e. soil and plant material)
Wireframe	Computerised three-dimensional volumetric model representing a geological unit (such as talc-magnesite orebody).

ELEMENTIS

1 for 4 Rights Issue of 116,044,829 New Ordinary Shares at 152.0 pence per New Ordinary Share