

28 June 2016

**North River Resources plc**  
("North River" or the "Company")

**US\$5.6 million Fundraising, Share Capital Reorganisation & Notice of General Meeting**

North River Resources plc announces that a circular including a Notice of General Meeting has today been posted to Shareholders (the "Circular"). The General Meeting is to be held at the offices of Shakespeare Martineau LLP, 6th Floor, Allianz House, 60 Gracechurch Street, London, EC3V 0HR on 18 July 2016 at 2.00 p.m. (London time) . A copy of the circular and Notice of General Meeting will also be available to view on the Company's website [www.northriverresources.com](http://www.northriverresources.com).

*The definitions that apply throughout this announcement can be found at the end of this announcement.*

**PART 1: LETTER FROM THE INDEPENDENT NON-EXECUTIVE CHAIRMAN**

Dear Shareholders

**Share Capital Reorganisation**

**Financing Proposals for Open Offer and Placing of up to 12,317,359 Open Offer Shares and Placing Shares at 23.75 pence per share**

**Grant of conversion rights in respect of Loan Notes Waiver of Rule 9 of the Code**

**Authorisation to issue Equity Securities and**

**Notice of General Meeting**

**1. Introduction**

The Company announces today that it has raised conditionally \$5.6 million through the issue of new secured, conditionally convertible loan notes (the "**Loan Notes**") to Greenstone Resources LP, further details of which are set out in paragraph 5 of this Part I. The funds raised will be used, in conjunction with the Company's existing cash resources, to repay the 2015 Convertible Loan Notes issued to Greenstone in 2015 pursuant to the terms of the 2015 Convertible Loan Note Instrument and 2015 Investment Agreement and to provide working capital for, *inter alia*, the Company's short term Work Programme and ongoing planning for commencing outstanding pre-construction work streams.

The Company also announces today Financing Proposals to issue new shares in the Company to enable it to redeem the Loan Notes in full, subject to Shareholder approval. The Company proposes to redeem the Loan Notes as to 30 per cent. through conversion of such Loan Notes into New Greenstone Shares and as to 70 per cent. from the proceeds of an open offer to all Eligible Shareholders (other than Greenstone) (the "**Open Offer**") and a placing of Placing Shares with existing and new shareholders (the "**Placing**"). To the extent that the Open Offer and the Placing do not raise sufficient funds to repay 70 per cent. of the Loan Notes not already converted or repaid, it is proposed that the remaining Loan Notes will also be converted in to New Greenstone Shares at the Conversion Price.

On completion of these Financing Proposals, the Company will have net additional working capital of approximately US\$2.5 million (before expenses). The Board believes the Namib Project continues to be the best option to create value for all Shareholders. Subject to approval of all Resolutions, the Company will be substantially debt free and fully funded to meet its Phase One Funding Requirement as set out below.

On completion of the Financing Proposals, if approved by Shareholders, Greenstone will be interested in a minimum of 29.997 per cent. of the Enlarged Share Capital and a maximum of 76.67 per cent. of the Enlarged Share Capital. Ordinarily, the acquisition of an interest in 30 per cent. or more of the voting rights in the Company's shares would require Greenstone to make a mandatory bid under Rule 9 of the Code. Accordingly, the Board is seeking, *inter alia*, the approval of the Shareholders other than Greenstone (the "**Independent Shareholders**") of a waiver by the Panel of Rule 9 of the Code (the "**Waiver**") which the Panel has agreed with the Company to grant, subject to the passing of the ordinary resolution proposed as Resolution 4 (as set out in the attached notice of general meeting) (the "**Whitewash Resolution**") by the Independent Shareholders at a general meeting of the Company, of any obligation on the part of Greenstone, to make a general offer to Shareholders under Rule 9 of the Code which otherwise might arise upon any conversion of the Loan Notes.

Greenstone's subscription for \$5.6 million of Loan Notes provides the Company with certainty of funding from today, without which it would need to commence drastic measures to reduce spending and more than likely enter into an insolvency process, which would almost certainly lead to the loss of control over the Company's principal asset, being the Namib Project. The Loan Notes subscription and the Financing Proposals are the only terms on which Greenstone is willing to finance the Company at this stage and, whether or not the elements of the Financing Proposals which are subject to Shareholder approval (the subject of this document) are approved, the Loan Notes subscription and the Financing Proposals secure the Company's immediate financial position and provide a structure in which all Shareholders are able to participate and to retain an interest in the Company.

As the proposed Issue Price of the Open Offer and the Placing (being equivalent to 0.095 pence on a pre Share Capital Reorganisation basis) is below the nominal value of the Existing Ordinary Shares (being 0.2 pence per Existing Ordinary Share) which would not be permitted under the Companies Act, the Company intends, subject to Shareholder approval, to re-organise its share capital to enable the Financing Proposals to proceed. Shareholder approval is therefore also being sought for a sub-division, re-designation and consolidation of the Existing Ordinary Shares in order to permit the Company to raise capital through the issue of additional equity (the "**Share Capital Reorganisation**"). The Share Capital Reorganisation will also have the effect of reducing the number of ordinary shares in issue. The Directors believe that this will result in a market share price that will be at a more appropriate level for the Company as well as reducing the share price volatility.

The Company is therefore convening a general meeting, to be held at the offices of Shakespeare Martineau LLP, 6th Floor, Allianz House, 60 Gracechurch Street, London, EC3V 0HR at 2.00 p.m. on 18 July 2016, to approve the necessary resolutions to allow the Financing Proposals to proceed (the "**General Meeting**"). Further details of the General Meeting and Resolutions to be put forward thereat are set out in the Circular.

**Shareholders should note that, if any of the Resolutions set out in the notice of General Meeting of the Company dated 28 June 2016 are not passed, none of the Financing Proposals will proceed. In that event, absent any other fundraising by the Company, it is highly likely that the Company would be unable to repay the Loan Notes before the final Maturity Date and would therefore be in default of the terms of the Loan Notes.**

**In such circumstances, Greenstone would not be able to convert the Loan Notes into New Greenstone Shares but would have the right to enforce the Security over the Group's principal asset, NLZM, the operating subsidiary which owns and operates the Namib Project. Greenstone has indicated that, in the event of such a default, it would be its intention to exercise its rights in relation to the Security. This would leave the Group in a highly uncertain financial position and in all likelihood it would result in the Group companies ceasing to trade, insolvency and, ultimately, the liquidation of the Group resulting in Shareholders losing their investment in the Company.**

**The Independent Directors, having considered the likely alternative sources of capital, believe that it is highly unlikely that alternative funding could be secured either now or, in the event that Shareholders do not approve the Resolutions, before the final Maturity Date. The Company, having exhausted all other potential avenues for new financing, has, to date, not identified new sources of financing, in what continues to be a challenging market**

**environment for pre-construction mining projects such as the Namib Project. As such, it is critical that Shareholders vote in favour of the Resolutions at the General Meeting so that the Financing Proposals can proceed and the Group can continue trading.**

## **2. Current trading and prospects**

The Company submitted an application for a Mining Licence for the Namib Project in April 2014 while working through the final phase of the DFS, which was announced in November 2014. The results of the DFS, in combination with a detailed Board-level review, identified key additional studies on the mine development plan and mining process flow sheet that would be required ahead of the Company being in a position to take an investment decision on the Namib Project. The Company advanced these studies during the first half of 2015, announcing the results of the metallurgical test work programme on 22 July 2015.

Over the same period, the Company has also continued to focus on exploration drilling at the Namib Project following the last Mineral Resource Estimate of August 2014. A drilling programme totalling 4,828 metres and 66 holes was completed in the period to November 2015. Of these, 52 per cent. (34 holes) had significant intercepts. The programme focussed primarily on targeting both new extensions of known mineralised shoots, as well as infill drilling to potentially convert Inferred Mineral Resources into the Indicated Mineral Resource category, mainly in the top half of the North orebody, and also below the historic South mine where the majority of the current Inferred Mineral Resources lie.

Building on this, a follow-on 3,800 metre drill programme is currently underway to test extensions at depth below the current North orebody resource, together with further infill and extension drilling in the Southern resource. Early assay results, as announced on 12 February, 21 March and 26 April 2016, indicate the continuation of mineralisation 80 metres below the existing Northern part of the orebody, providing greater confidence that this drilling campaign could, in due course, result in an increased resource estimate supporting a longer mine life.

To access sufficient underground drilling locations, a 300 metre drive underneath the existing North resource has been developed (the “**5 Level Drive**”). The 5 Level Drive was successfully completed in March 2016. As the mine moves into an operational phase, the development drive will be incorporated into the mine plan as an access road.

Following receipt of funds from the issue of the Loan Notes (the “**Greenstone Placing**”), the Company expects to be in a position to continue in the first instance with the on-going drilling programme and conclude discussions with the Ministry of Mines and Energy in Namibia (the “**Ministry**”) on the terms and conditions for the final grant of the Mining Licence.

The Company is cognisant that the above constitutes a further revised timeline to project development of the Namib Project. The discussions with the Ministry on the award of the Mining Licence have further delayed the originally scheduled commencement of construction of the Namib Project.

As regards the Mining Licence, the Company received a Notice of Preparedness to Grant the Mining Licence from the Ministry on 29 January 2016, which the Company formally accepted on 26 February 2016.

The Notice of Preparedness to Grant the Mining Licence contained a number of supplementary terms and conditions (the “**Supplementary Terms & Conditions**”) relating to matters including, *inter alia*, the work programme, production, environment and Namibian participation in the Namib Project that will apply to the Mining Licence. In conjunction with assessing the Supplementary Terms & Conditions attaching to the Mining Licence, the Company also continues to examine the implications of the Government of Namibia’s proposed introduction of broad based empowerment legislation. A draft NEEEF Bill has been published for a period of public consultation and can be found on the website of the Office of the Prime Minister of Namibia ([www.opm.gov.na/web/opm/neeef-bill](http://www.opm.gov.na/web/opm/neeef-bill)). If enacted, the NEEEF Bill will set out obligations for companies, irrespective of sector, in respect of, *inter alia*, ownership and management participation by previously disadvantaged Namibians. Certain obligations under the draft NEEEF Bill are inconsistent with those laid down under the Supplementary Terms & Conditions to the Notice of Preparedness to Grant the Mining Licence. The extent to which the NEEEF Bill would place additional obligations on the Namib Project and the timeframe for finalising and enacting the

NEEEF Bill is not clear at this stage. It is an area on which the Company and Namibian mining industry as a whole will need further clarity in due course. Simultaneously with acceptance of the Supplementary Terms & Conditions, NLZM requested the Ministry to clarify a number of these matters. To date, no response has been received from the Ministry.

On 25 April 2016, the Company submitted a formal proposal to the Ministry on the Company's structure and composition to address the Government of Namibia's objectives of poverty eradication by: (i) providing an opportunity for local ownership of the Namib Project; (ii) participation by historically disadvantaged Namibians in the management of the Namib Project; and (iii) implementing a corporate social responsibility strategy ("**ML Proposal**"). The pending ML Proposal sets out a broad based local ownership structure that NLZM believes fully addresses the objectives sought under NEEEF and the Ministry's Supplementary Terms and Conditions. The Notice of Preparedness to Grant the Mining Licence makes provision for further engagement between the Ministry and the Company to seek agreement on the final Supplementary Term & Conditions to be attached to the issue of the Mining Licence.

On 2 June 2016, the Ministry informed NLZM that it is still reviewing the ML Proposal and that it shall respond to NLZM within 30 days, being on or before 2 July 2016. The Company looks forward to continuing to work with the Ministry on the Mining Licence application and remains confident that the application process will be concluded and the Mining Licence granted. The duration and outcome of these discussions, on the ML Proposal to be agreed under the Supplementary Terms & Conditions, however, remain uncertain and the final issue of the Mining Licence on commercially acceptable terms cannot be guaranteed.

In light of the above, the Company has devised a revised funding strategy for the Namib Project. Subject to timing of a project construction decision and completion of an updated definitive capital requirement estimate, the Company estimates a total funding requirement of approximately US\$30 million through to expected project commissioning of the Namib Project. It is the Company's intention that this financing will be structured in three phases:

- (a) a phase one funding requirement of US\$2.5 million of net new working capital (after repayment of the 2015 Convertible Loan Notes) to cover the short term Work Programme, including securing the Mining Licence and continuing with the resource expansion drilling programme (the "**Phase One Funding Requirement**");
- (b) a phase two funding requirement of an estimated US\$2.5 million, subject to formal grant and issue of the Mining Licence by the Namibian authorities, to complete the remaining pre-construction work streams, including front end engineering and design, final mine planning and early development, operational readiness, defining an updated capital requirement for the construction of the Namib Project and project financing, (the "**Phase Two Funding Requirement**"); and
- (c) a phase three funding requirement, being the capital requirement required for construction of the Namib Project, which will flow from, and be defined on completion of, the pre-construction work streams covered by the Phase Two Funding Requirement and which is indicatively estimated as being an amount of US\$25 million (which remains broadly in line with the DFS) (the "**Phase Three Funding Requirement**").

Prior to the issue of the Loan Notes, the Company's had cash resources of approximately US\$0.3 million (£0.21 million), and would have needed to consider reducing operational expenditure drastically in the short term had further funding not been secured. The Financing Proposals set out in the Circular enable the Company to continue to develop the Namib Project whilst the Mining Licence application process continues. Without further funding, the Company would have had to cease drilling and reduce operational costs to the barest minimum, and would have faced significant difficulties and/or delays therefore in completing the Mining Licence process and progressing towards production.

### **3. Background to and reasons for the Financing Proposals**

From September to October 2015, the Company carried out an open offer and placing to eligible Shareholders, and issued the 2015 Convertible Loan Notes to Greenstone raising, in aggregate, a total amount (before expenses) of US\$4 million. This was anticipated as being sufficient to provide working capital to enable ongoing development of the Namib Project through to the point at which a decision could be taken to commence construction of the mine (subject to the assumption that the

Mining Licence would be received by 31 October 2015).

The Mining Licence was not received by 31 October 2015 and, although considerable progress has been made, as at the date of the Circular, the Mining Licence has still not been granted given the new process and timetable provided for under the Supplementary Terms & Conditions. As announced on 1 February 2016, the Company received a Notice of Preparedness to Grant the Mining Licence, which the Company formally accepted on 26 February 2016, having raised certain queries with the Ministry regarding the Supplementary Terms & Conditions which will attach to the Mining Licence. On 25 April 2016, the Company's 100 per cent. held subsidiary, NLZM, submitted the ML Proposal following which the Ministry had 30 days to propose amendments, if any, to the ML Proposal which the Ministry believes would enable NLZM to support the Namibian Government's objectives for broad based empowerment and poverty eradication.

As at the date of the issue of this announcement, the Group still awaits a formal response from the Ministry on the ML Proposal of 25 April 2016 and to queries raised by the Company in February 2016 on the Supplemental Terms & Conditions. On 2 June 2016, the Ministry informed NLZM that it is still reviewing the ML Proposal and that it shall respond to NLZM within 30 days being on or before 2 July 2016.

Should NLZM be dissatisfied with the Ministry's counter-proposal to the ML Proposal it will have an additional 30 days within which to make written representations to the Ministry, upon consideration of which the Ministry shall notify NLZM of the final terms and conditions upon which the Ministry is prepared to grant the Mining Licence.

Although the funds raised in September 2015 were intended to fund the Company through the award of the Mining Licence, the time required to reach that stage has been much longer than anticipated. Accordingly, in addition to the operational focus outlined above, the Company has undertaken a process of reviewing and reducing costs both at an operational and a corporate level in order to make the best use of Shareholders' funds.

Immediately prior to the issue of the Loan Notes, Company required additional funding in order to cover the short term working capital required to continue, in the first instance, with the resource expansion drilling programme currently underway and support ongoing efforts to secure the Mining Licence. The Greenstone Placing will enable the Company to redeem in full the 2015 Convertible Loan Notes (which bear interest at the rate of 10 per cent. per annum) and will provide \$2.5 million of new working capital (before expenses).

The Financing Proposals have been structured to minimise dilution for existing Shareholders and to allow existing Shareholders, and potentially new investors, to participate in the equity of the Company. However, if the Financing Proposals are approved by Shareholders and there is no take up from existing or new investors, Greenstone will be, in effect, the sole source of funding of the \$2.5 million of new working capital. While the Company continues in its efforts to identify new investors in the Company, Greenstone remains a supportive cornerstone strategic investor for the Company and is willing to provide this level of additional financial support in return for certain undertakings, including the granting of security over the Group's principal assets and, subject to Shareholder approval, the right to convert the Loan Notes into equity. On completion of the Financing Proposals, Greenstone's interest in the Enlarged Share Capital could be as high as 76.67 per cent., but, in that scenario, the Company would be substantially debt free and fully funded to meet its Phase One Funding Requirement.

Accordingly, the Company and Greenstone have concluded the Subscription Agreement, the Loan Note Instrument and the Relationship Agreement, setting out, *inter alia*, an agreed Work Programme and use of proceeds and certain measures to protect the interests of minority shareholders, details of which are set out throughout this letter and specifically in sections Part III and paragraph 12 of this Part I (respectively) and in the Circular.

The Financing Proposals will also provide a degree of flexibility to re-commence planning and implementation of Project work streams for the Namib Project currently on hold pending further clarification on the timing and final conditions of the Mining Licence and the proposed introduction of empowerment legislation in Namibia. Further working capital funding will be required at a future date, following issue of the Mining Licence, to fully fund the various work streams required to take the Namib Project through to an investment decision.

The Directors believe that the Financing Proposals will allow the Company both to continue advancement of the Namib Project towards a construction decision and to meet immediate working capital requirements. The Board believes that the development of the Namib Project is the best strategy to unlock value for all Shareholders.

Greenstone currently holds 29.99 per cent. of the Issued Share Capital of the Company. Greenstone has committed to providing the required short-term funding in order to keep the Company as a going concern, by subscribing for the Loan Notes. However, without the Whitewash Resolution being approved, Greenstone would not be able to convert those Loan Notes (assuming conversion of the same is approved at the General Meeting) without triggering the requirement to make a Mandatory Offer. Greenstone does not wish to make a Mandatory Offer.

Assuming no Event of Default (as defined) has occurred, the Loan Notes bear interest at a rate of 10 per cent. per annum. Conversion of such Loan Notes into New Greenstone Shares would remove the interest charges and leave the Company substantially debt free. If the Resolutions are not approved, the interest rate attaching to the Loan Notes will increase from 10 per cent. per annum to 20 per cent. per annum and an Event of Default will be triggered if the Loan Notes are not repaid when due for repayment on or before 1 September 2016. Any failure to repay the Loan Notes on the relevant Maturity Date, unless extended pursuant to the Loan Note Instrument, will give rise to a right for Greenstone to enforce the Security and take ownership of the Namib Project through the Company's 100 per cent. Namibian subsidiary, NLZM.

**Shareholders should note that, if any of the Resolutions set out in the notice of General Meeting of the Company dated 28 June 2016 are not passed, none of the Financing Proposals will proceed. In that event, absent any other fundraising by the Company, it is highly likely that the Company would be unable to repay the Loan Notes before the final Maturity Date and would therefore be in default of the terms of the Loan Notes.**

**In such circumstances, Greenstone would not be able to convert the Loan Notes into New Greenstone Shares but would have the right to enforce the Security over the Group's principal asset, NLZM, the operating subsidiary which owns and operates the Namib Project. Greenstone has indicated that, in the event of such a default, it would be its intention to exercise its rights in relation to the Security. This would leave the Group in a highly uncertain financial position and in all likelihood it would result in the Group companies ceasing to trade, insolvency and, ultimately, the liquidation of the Group resulting in Shareholders losing their investment in the Company.**

**The Independent Directors, having considered the likely alternative sources of capital, believe that it is highly unlikely that alternative funding could be secured either now or, in the event that Shareholders do not approve the Resolutions, before the final Maturity Date. The Company, having exhausted all other potential avenues for new financing, has, to date, not identified new sources of financing, in what continues to be a challenging market environment for pre-construction mining projects such as the Namib Project. As such, it is critical that Shareholders vote in favour of the Resolutions at the General Meeting so that the Financing Proposals can proceed and the Group can continue trading.**

#### **4. Use of Proceeds**

As agreed between the Company and Greenstone pursuant to the Subscription Agreement, the proceeds of the Greenstone Placing will be used to:

- (a) to repay amounts owing by the Company to Greenstone in respect of the 2015 Convertible Loan Notes;
- (b) to meet the Phase One Funding Requirements under the Work Programme. This includes, *inter alia*, short term working capital requirements including (i) the resource expansion drilling currently underway, (ii) securing the Mining Licence and (iii) preparing to build the core project team for the Namib Project in order to commence with outstanding pre-construction work streams; and
- (c) cover general corporate overheads and costs associated with fundraising, including the costs related to the Financing Proposals and the Greenstone Placing.

The proceeds of the Open Offer and the Placing will be used to repay up to 70 per cent. of the Loan Notes as described in the introduction to this Part I.

The Board will only be able to take a decision to commence construction once the Mining Licence has been granted, appropriate financing to cover the costs of construction (by way of the Phase Three Funding Requirement) has been agreed and subject to an assessment of the economics of the Namib Project at the time.

While the Company believes that the balance of US\$2.5 million proposed to be raised pursuant to the Open Offer, the Placing and the Greenstone Placing (following repayment of the 2015 Convertible Loan Notes from the total amount of US\$5.6 million raised under the Greenstone Placing) will be sufficient to meet the Phase One Funding Requirement, additional funding will be required for the Phase Two Funding Requirement and Phase Three Funding Requirement. In addition, the Work Programme could be revised to adapt to circumstances as the ongoing ML Proposal discussions unfold, and it is likely that further working capital will be required if there are significant further delays in the issuance of the Mining Licence. The Company is therefore seeking, additional authority as part of and pursuant to Resolutions 3 and 6 to raise further equity of up to a further US\$2.5 million for working capital purposes free from statutory pre-emption rights.

During the past 6 months, the Company has continued to engage with multiple parties to potentially include a debt component into overall financing package for the Namib Project's Phase Three Funding Requirement at the point of an investment decision. It is clear that the availability of debt for the sector has become tougher to obtain due to generally weak commodity prices, even for commodities with positive fundamentals such as zinc and lead, and uncertainty regarding the potential statutory requirements of the proposed draft NEEEF Bill. The Company is conscious that there is no guarantee that debt finance will be available at the relevant time and as such is aware of the need to make the necessary provisions for this in its financing strategy.

## **5. Information on the Greenstone Placing and the Financing Proposals**

### ***Issue of Loan Notes***

Greenstone has agreed conditionally to subscribe for a total amount of US\$5.6 million Loan Notes, which shall carry interest at an initial rate of 10 per cent. per annum (rising to 20 per cent. per annum if the Resolutions are not approved) and shall be repayable on the relevant Maturity Date, on, and subject to, the terms of the Subscription Agreement and Loan Note Instrument. Approximately US\$3.1 million of the US\$5.6 million will be used to fully repay and cancel the 2015 Convertible Loan Notes. The remainder of the funding will, as detailed above, be used to continue advancement of the Namib Project towards a construction decision and to meet immediate working capital requirements.

Greenstone's subscription is binding and settlement is due no later than 15 July 2016, being prior to the General Meeting, subject only to there being no change in relation to any member of the Group which is, or could reasonably be expected to be, material and adverse to the business, operations, financial condition or assets and liabilities of any member of the Group (save for certain carve outs, including where such material adverse change results from changes to global mining industry wide conditions or financial market conditions). In the event that Greenstone's subscription does not complete as a result of such material adverse change, the Financing Proposals will not proceed. Further information regarding the Subscription Agreement and Loan Note Instrument are set out in Part III of the Circular.

The Loan Note Instrument contains a number of Events of Default, as more fully detailed in Part III of the Circular, and is secured by a pledge and cession in security over 100 per cent. of the issued share capital of NLZM, which owns the Namib Project and the Company's outstanding loan claims against NLZM (such pledge and cession in security is referred to as the "**Security**").

At the Maturity Date, the Company shall have the right to repay up to 70 per cent. of the Loan Notes, in which case (assuming all Resolutions are approved) the remaining 30 per cent. of the Loan Notes would be converted into New Greenstone Shares pursuant to the Conversion Requirement and Greenstone would hold approximately 29.997 per cent. of the Enlarged Share Capital.

As noted above, if there is no take up from existing or new investors under the Open Offer or

Placing, and assuming all Resolutions are approved, all of the Loan Notes would be converted into New Greenstone Shares pursuant to the Conversion Requirement, and Greenstone would hold approximately 76.67 per cent. of the Enlarged Share Capital.

As noted in paragraph 1, the Company and Greenstone are therefore seeking the Waiver and approval of the Whitewash Resolution, so as to enable Greenstone, on conversion of the Loan Notes (assuming that the Resolutions giving the directors the authority to allot the New Greenstone Shares on a non-pre-emptive basis are approved at the General Meeting) to increase its interest in the share capital of the Company to more than 30 per cent. of the voting rights of the New Ordinary Shares and any issued Open Offer Shares and Placing Shares without being required to make a Mandatory Offer for the Company.

### **Equity Fundraising**

The Company proposes to raise further capital by way of an issue of Open Offer Shares and Placing Shares, comprising the Open Offer and the Placing.

The Board is grateful for the continued support received from Shareholders and is now pleased to offer all Eligible Shareholders the opportunity, subject to approval of the Resolutions, to subscribe, at the Issue Price, for an aggregate of 8,683,254 Open Offer Shares, raising gross proceeds of up to £2.06 million (approximately US\$2.76 million), being the maximum amount, when aggregated with amounts raised under the 2015 Open Offer, issuable under an open offer without incurring the additional expenses of publishing a prospectus. The Issue Price represents a discount of 13.6 per cent. to the 20 day volume weighted average price EV compliant (“**VWAP**”) on 24 June 2016, being the last practicable Business Day before publication of this announcement.

Eligible Shareholders are being given the opportunity to subscribe for their Open Offer Entitlements at the Issue Price payable in full on application and free of all expenses, *pro rata* to their existing shareholdings on the basis of:

#### **1.41 Open Offer Shares for every 250 Existing Ordinary Shares held**

as calculated on the Open Offer Record Date. Open Offer Entitlements will be rounded down to the nearest whole number of New Ordinary Shares and fractional entitlements which would have otherwise arisen will not be issued. Note, in the event that the Share Capital Reorganisation was not taking place, this would equate to 352.5 new shares for every 250 Existing Ordinary Shares held.

As stated above, Greenstone has committed to advancing the full US\$5.6 million required to meet the Phase One Funding Requirement pursuant to the Greenstone Placing and issue of the Loan Notes. Assuming the Open Offer and the Placing proceed to raise the full US\$3.92 million, in aggregate, from Eligible Shareholders and investors (respectively) other than Greenstone:

- (a) 70 per cent. of the Loan Notes will be repaid (and cancelled) on the initial Maturity Date, attracting no further interest; and
- (b) assuming all Resolutions are approved, the remaining 30 per cent. of the Loan Notes will be converted fully at the Issue Price such that Greenstone will hold approximately 29.997 per cent. of the Enlarged Issued Share Capital following the Open Offer and the Placing, and no Loan Notes will be outstanding following such repayment and conversion.

In an aim to reduce the dilutive effects suffered by Eligible Shareholders as a consequence of the proposed 30 per cent. conversion by Greenstone of the Loan Notes following the close of the Open Offer and Placing, Greenstone has undertaken and agreed to be excluded from the Open Offer (and, in addition, has been deemed ineligible to participate in the Open Offer by virtue of the jurisdiction of its holding). Consequently, entitlements under the Open Offer are calculated excluding Greenstone’s shareholding in order to try and reduce the dilutive effects of the Greenstone Placing and Placing, should each Eligible Shareholder take up his/her *pro rata* entitlements under the Open Offer in full.

Furthermore, Eligible Shareholders have the opportunity to apply for additional Open Offer Shares under the Excess Applications Facility (further details of the Excess Applications Facility are set out in paragraph 6 of this Part I and Part II of the Circular).

The Company intends to place any Open Offer Shares not taken up in the Open Offer together with a further 3,634,105 Placing Shares with institutional or other suitably qualified investors at the Issue Price, such that the Company will be able to repay up to 70 per cent. of the Loan Notes in full by the Maturity Date. However, there is no guarantee that all of the available shares will be placed and, if the Open Offer and Placing do not raise the full US\$3.92 million, in aggregate, the Company would not be in a position to fully repay the full 70 per cent. of the Loan Notes and, assuming the Waiver is obtained and all Resolutions are approved in full, the remaining balance of Loan Notes not repaid will be converted in full on the Maturity Date.

The terms of the Open Offer are described in paragraph 6 of Part I and Part II of the Circular. The terms of the Greenstone Placing are described in Part II of this announcement and Part III of the Circular.

## **6. Principal terms of the Open Offer**

A total of approximately £2.06 million is being raised through the Open Offer pursuant to which up to 8,683,254 Open Offer Shares are being hereby offered at an issue price of 23.75 pence per share (on a post Share Capital Reorganisation basis) to Eligible Shareholders on the terms and conditions set out in the Circular and in the Application Form. The Issue Price represents a discount of approximately 5 per cent. to the closing mid-market price of 0.1 pence per Existing Ordinary Share on 24 June 2016, being the last practicable Business Day prior to the announcement of the Open Offer.

The Open Offer is only being made to Eligible Shareholders whose names appear on the register of members of the Company on the Open Offer Record Date as holders of Existing Ordinary Shares and who are resident in the United Kingdom, Australia, the Isle of Man, France, Switzerland or Portugal. Greenstone has undertaken not to participate in the Open Offer and will be excluded from the Open Offer. Each Eligible Shareholder's entitlement has been calculated on the basis of 1.41 Open Offer Shares for every 250 Existing Ordinary Shares, as calculated on the Open Offer Record Date. Note, in the event that the Share Capital Re-organisation was not taking place, this would equate to 352.5 new shares for every 250 Existing Ordinary Shares held.

Eligible Shareholders may apply for more or less Open Offer Shares than they are entitled to under the Open Offer and applications in excess of the Open Offer Entitlements will be dealt with under the Excess Application Facility. Once subscriptions under the Open Offer Entitlements have been satisfied, the Company shall, in its absolute discretion, determine whether to meet any excess applications in full or in part, and no assurance can be given that applications by Eligible Shareholders for Excess Shares under the Excess Application Facility will be met in full or in part or at all. To the extent that Excess Shares are not subscribed by existing Shareholders, Open Offer Entitlements will lapse.

Fractions of Open Offer Shares will not be allotted to Eligible Shareholders in the Open Offer and, where necessary, entitlements under the Open Offer will be rounded down to the nearest whole number of New Ordinary Shares.

**The Board considers that an offer to existing Shareholders by way of a rights or other pre-emptive issue is not currently feasible due to the significant costs and delays that would be incurred through the production and approval of a prospectus having regard to the Company's funding needs. The Open Offer allows Eligible Shareholders the opportunity to participate in the fundraising at the Issue Price and, subject to the terms of the Excess Application Facility, increase their participation by subscribing for Excess Shares. The total number of Open Offer Shares available to Eligible Shareholders under the Open Offer is 8,683,254, which represent 100 per cent. of the total number of Open Offer Shares and 49 per cent. of the total number of New Ordinary Shares to be issued pursuant to the Open Offer, Placing and Greenstone Placing together.**

**The Open Offer Shares have not been and are not intended to be registered or qualified for sale in any jurisdiction other than the United Kingdom, Australia, the Isle of Man, France, Switzerland or Portugal. Accordingly, unless otherwise determined by the Company and effected by the Company in a lawful manner, the Application Form will not be sent to Existing Shareholders with registered addresses in any jurisdiction other than the United Kingdom, Australia, the Isle of Man, France, Switzerland or Portugal, since to do so would require compliance with the relevant securities laws of that jurisdiction. Applications from**

**any such person will be deemed to be invalid. If an Application Form is received by any Shareholder whose registered address is elsewhere but who is in fact a resident or domiciled in a territory other than the United Kingdom, Australia, the Isle of Man, France, Switzerland or Portugal, he/she should not seek to take up his/her allocation.**

Part II of the Circular, together with the accompanying Application Form, contains further terms and conditions of the Open Offer.

## **7. City Code on Takeovers and Mergers**

The Greenstone Placing gives rise to certain considerations under the Code. Brief details of the Panel, the Code and the protections they afford are described below.

The Code is issued and administered by the Panel. The Code applies to all takeover and merger transactions, however effected, where the offeree company has its registered office in the United Kingdom, the Channel Islands or the Isle of Man and, *inter alia*, whose securities are admitted to trading on a multilateral trading facility in the United Kingdom (such as AIM). The Company is therefore subject to the Code.

Rule 9 of the Code requires that any person who acquires, whether by a series of transactions over a period of time or not, an interest (as defined in the Code) in shares which, taken together with shares in which persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company which is subject to the Code, will normally be required to make a general offer to all of the remaining shareholders to acquire their shares.

Similarly, when any person, together with any persons acting in concert with him, is interested in shares which, in aggregate, carry not less than 30 per cent. of the voting rights of such a company but not more than 50 per cent. of such voting rights, a general offer will normally be required if any further interests in shares are acquired by any such person, or any person acting in concert with him. An offer under Rule 9 of the Code must be made in cash and at the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares in the company during the 12 months prior to the announcement of the offer.

Rule 9 of the Code further provides, *inter alia*, that where any person who, together with persons acting in concert with him, holds over 50 per cent. of the voting rights of a company and acquires an interest in shares which carry additional voting rights, then they will not normally be required to make a general offer to the other shareholders to acquire their shares. However, the Panel may deem an obligation to make an offer to have arisen on the acquisition by a single member of a concert party of an interest in shares sufficient to increase his individual interest to 30 per cent. or more of a company's voting rights, or, if he already holds more than 30 per cent. but less than 50 per cent., an acquisition which increases his interest in shares carrying voting rights in that company.

Under the Code, a concert party arises where persons acting together pursuant to an agreement or understanding (whether formal or informal) co-operate to obtain or consolidate control of, or to frustrate the successful outcome of an offer for a company, subject to the Code. Control means an interest, or interests, in shares carrying, in aggregate, 30 per cent. or more of the voting rights of a company, irrespective of whether such interest or interests give de facto control.

In the event that the Resolutions are approved, and there is no take up by any Shareholders under the Open Offer and no Placing Shares are placed, Greenstone has the potential to increase its interest in shares carrying voting rights in the Company up to a maximum of 20,234,259 New Ordinary Shares representing 76.67 per cent. of the voting rights in the Enlarged Share Capital which, without a waiver of the obligations under Rule 9, would oblige Greenstone to make a general offer under Rule 9 in certain circumstances. However, if the Open Offer and the Placing raise sufficient funds to repay the full 70 per cent. of the Loan Notes, Greenstone will be limited to a 29.997 per cent. interest in the voting rights in the Enlarged Share Capital.

Under Note 1 on the Notes on the Dispensations from Rule 9 of the Code, the Panel will normally waive the requirement for a general offer to be made in accordance with Rule 9 of the Code if, *inter alia*, the shareholders of the company who are independent of the person who would otherwise be required to make an offer and any person acting in concert with him pass an ordinary resolution on

a poll at a general meeting approving such a waiver (a “Whitewash Resolution”).

The Panel has agreed, subject to the Whitewash Resolution being passed on a poll by the Independent Shareholders at the General Meeting, to waive the obligation on Greenstone to make a general offer to Shareholders under Rule 9 of the Code, which would otherwise arise on conversion of the Loan Notes (in full or in part).

Neither Greenstone nor any party acting in concert with it has purchased an interest in any Existing Ordinary Shares (other than the Existing Greenstone Shares) preceding the date of the Circular, nor has any interest other than the Existing Greenstone Shares. The Waiver, which the Panel has agreed to provide subject to the passing of the Whitewash Resolution, will be invalidated if any purchases of interests in Existing Ordinary Shares are made by Greenstone or any party acting in concert with it between the date of the Circular and the General Meeting. Greenstone has undertaken to the Company that it will not, and neither will any party acting in concert with it, during such period make any such purchases of interests in Existing Ordinary Shares.

Any increase in Greenstone’s aggregate interest in shares carrying voting rights to between 30 per cent. and up to 50 per cent. of the voting rights arising other than from conversion of the Loan Notes will be subject to the provisions of Rule 9 of the Code.

In the event that, following Conversion of any Loan Notes not repaid by the Maturity Date, the Greenstone Shares, which Greenstone would then be interested in together carry 30 per cent. or more of the voting rights in the Company but not more than 50 per cent. of the voting rights in the Company, neither Greenstone nor any party acting in concert with it could acquire an interest in any further shares carrying voting rights in the Company without being subject to the provisions of Rule 9 of the Code.

**In the event that, following Conversion of any Loan Notes not repaid by the Maturity Date, the Greenstone Shares which Greenstone would then be interested in carry 50 per cent. or more of the voting rights in the Company, it would be free (subject as set out below and in Note 4 to Rule 9.1 of the Code) to increase its aggregate interest in New Ordinary Shares carrying voting rights without any obligation to make a general offer for the Company under the provisions of Rule 9 of the Code.**

## **8. Independent advice**

Strand Hanson has provided advice to the Independent Directors in relation to the Waiver in accordance with the requirements of paragraph 4(a) of Appendix 1 to the Code. This advice was provided by Strand Hanson to only the Independent Directors and, in providing such advice, Strand Hanson has taken into account the Independent Directors’ commercial assessments as well as, but not limited to, the confirmations of the future intentions of Greenstone as described in paragraph 9 of this Part I.

## **9. Greenstone’s Intentions**

Greenstone has confirmed that it does not currently intend, irrespective of whether or not it obtains any increase in its interest in shares carrying voting rights as a result of the Financing Proposals, to seek any change in the general nature and strategy of the Company’s business, nor does it currently intend to take any action, other than as provided pursuant to its rights under the Relationship Agreement or as reasonably required in the ordinary course of the Company’s business, to alter the management of the Company or the continued employment of its employees (including any material change in conditions of employment), employer contributions into the Company’s pension schemes, the location of the Company’s places of business, the maintenance of the Company’s trading facilities of its shares or the deployment of the Company’s fixed assets.

## **10. Information regarding Greenstone**

Greenstone was established in Guernsey, Channel Islands on 16 July 2013 and was registered with the Guernsey Financial Services Commission (“GFSC”) as a closed ended investment fund on 8 August 2013. Greenstone was established with the purpose to pursue investments in post-exploration metals and mining projects (from pre-feasibility study through to production stages) in both developed and emerging markets. The size of the Greenstone fund is approximately US\$150 million and five (5) investments have been made to date. Greenstone’s manager and general

partner is Greenstone Management Limited (“GML”), a non-cellular Guernsey company limited by shares. GML’s directors are Michael Haworth, Mark Sawyer, Sadie Morrison and Joanna Duquemin Nicolle. GML is licensed by the GFSC to carry out the activities of promotion, subscription, registration, dealing, management, administration and advising with registration number 2103131. Investment decisions relating to Greenstone are taken by GML.

Further information in relation to Greenstone is provided in Part V of the Circular.

## 11. Related Party Transaction

Greenstone is a related party of the Company for the purposes of the AIM Rules by virtue of its shareholding in the Company and Mark Sawyer (who is Greenstone’s representative) being a non-executive director of the Company. In such circumstances, the Independent Directors are required by the AIM Rules, in consultation with Strand Hanson, the Company’s nominated adviser under the AIM Rules, to consider the Financing Proposals and reach an opinion as to whether the terms of the proposed issue of Loan Notes and connected agreements are fair and reasonable insofar as Shareholders are concerned.

The Independent Directors have considered other sources of funding before entering into negotiations and ultimately reaching agreement with Greenstone. In general terms, raising debt or equity finance for pre-production mining ventures has become more difficult over recent years, as both debt and equity investors have increasingly turned away from the sector and commodity prices have remained weak. The Independent Directors have considered other alternative sources of funding, including bank debt and alternative private equity, and have concluded that such alternatives would neither be prudent without any mining revenue streams nor available to the Company, within the required timeframe, on terms more beneficial than those offered by Greenstone.

The Company has been successful in the past in raising small tranches of equity funding from investors other than Greenstone of around US\$1.0 million or less from equity investors. However, the Independent Directors believe that the Company’s near term funding requirements are such that a larger raise is necessary to enable the repayment of the 2015 Convertible Loan Notes to render the Company substantially debt free and to provide ongoing working capital for the Namib Project’s further development.

The Greenstone Placing:

- leaves the Company substantially debt free (subject to the Waiver and approval of all Resolutions) at a time when the timeline through to commencement of cash generative activities to support the service and repayment of debt is not clear, and secures US\$2.5 million working capital after repayment of the 2015 Convertible Loan Notes;
- provides certainty of funding for the Phase One Funding Requirement whatever the outcome of the Open Offer and Placing; and
- demonstrates the confidence that the Independent Directors and Greenstone have in the Namib Project, which the Independent Directors hope will encourage other investors to take up the US\$3.92 million to be offered in the Open Offer and Placing.

Accordingly, the Independent Directors consider, having consulted with Strand Hanson, that the terms of the Greenstone Placing are fair and reasonable insofar as Shareholders are concerned.

## 12. Relationship Agreement

Greenstone has agreed to be bound by the terms of the Relationship Agreement, as summarised in paragraph 5 of Part II. The Relationship Agreement includes, *inter alia*, the following minority shareholder protections:

- (a) the Company shall carry on its business independently of Greenstone, Greenstone Management Limited and their respective Subsidiaries (the “**Significant Shareholder Group**”) having regard to the interests of the Company’s Shareholders as a whole, rather than for the benefit of any particular Shareholder or group of Shareholders;
- (b) the business and affairs of the Company shall, subject to the terms of the Relationship Agreement, be managed by the Board in accordance with the Articles and all applicable

laws;

- (c) the Company shall comply with the AIM Rules;
- (d) the provisions of the Relationship Agreements shall be observed;
- (e) Greenstone shall use its voting rights at each annual general meeting of the Company to vote in favour of resolutions seeking to confer authority on the Board to issue Equity Securities generally and free of statutory pre-emption rights, during each calendar year, up to 5 per cent. of the then Issued Share Capital of the Company (unless a higher figure is agreed between Greenstone and the Company for the relevant calendar year);
- (f) Greenstone shall exercise its voting rights in respect of the Company and procure that the other members of the Significant Shareholder Group vote in such manner as may be required to ensure (in so far as it is reasonably able to do so) that:
  - (i) the affairs of the Company are conducted consistently with the principles summarised in paragraphs (a) to (d) above (provided that, in the case of general principal (a), this undertaking shall not prevent Greenstone from exercising its voting rights in its own self interests);
  - (ii) save as contemplated by the Resolutions, no amendments shall be made to the Articles without the prior approval of the Board or that are inconsistent with the principal that:
    - (A) the majority of the Directors shall be independent directors (which, for the purposes of the Relationship Agreement and this paragraph 12 of Part I of the Circular, shall mean a director who: (i) has not been nominated by, nor employed by, nor been an officer or director of, nor otherwise the recipient of any ongoing or past financial compensation from, in each case directly or indirectly, any member of the Significant Shareholder Group or any Associate of the Significant Shareholder Group, and/or who (ii) is considered to be independent of the Significant Shareholder Group and Associate of the Significant Shareholder Group by the nominated adviser of the Company, acting reasonably taking into account applicable laws) and meetings of the Board shall not be quorate without a majority of independent directors (an “**Independent Quorum**”) being present, provided that any meeting of the Board postponed for lack of an Independent Quorum shall, when reconvened, be quorate provided any two Directors are present;
    - (B) committees of the Board shall be comprised of a majority of independent directors and shall be chaired by an independent director;
  - (iii) the majority of the Directors shall be independent directors;
- (g) no contracts or arrangements between the Group and Greenstone or any member of the Significant Shareholder Group shall be entered into without the approval of a majority of the independent directors, following consultation with the Company’s nominated adviser (similarly any amendment, variation, supplement, rescission, suspension, surrender or termination of any such contract or arrangement will also require the approval of a majority of independent directors and consultation with the Company’s nominated adviser); and
- (h) Greenstone shall not use its voting rights or, in the case of other members of the Significant Shareholder Group, shall procure that such other members do not use their voting rights in respect of the Company, to seek to procure or vote on any resolution to cancel the admission of the Company’s Shares to trading on AIM without the prior approval of a majority of the independent directors (unless it, or a member of the Significant Shareholder Group (or a concert party thereof) has made a general offer for the Company in accordance with the Code, or where not applicable, such regulatory requirements as then may be applicable to such an offer),

together, the “**Minority Shareholder Protections**”.

As the existing relationship agreement containing certain constitutional measures relating to the independence of the Board has been terminated with effect from today, Mark Sawyer has also entered into a letter with the Company dated 28 June 2016 agreeing to exercise his voting rights as Director so as to ensure (so far as he is reasonably able) that the principles set out in paragraph (f) above are complied with. The purpose of this letter is to ensure that the Company benefits from the constitutional measures set out in paragraph (f) above for the period from today until Resolution 5 (which deals with amendments to the Articles in order to, *inter alia*, reflect the Minority Shareholder Protections) is approved by Shareholders.

### 13. Proposed Share Capital Reorganisation

#### **Overview**

The Company presently has 2,199,091,843 Existing Ordinary Shares in issue, each of which has a nominal value of £0.002. The 20-day VWAP as at 24 June 2016 is £0.0011 and the Company is not permitted by law to issue shares at an issue price which is below their nominal value. In order to enable the Company to issue shares in the future at an issue price which exceeds their nominal value, and to reduce the number of shares in issue, shareholder approval is being sought to complete a share capital reorganisation ("**Share Capital Reorganisation**"). The Share Capital Reorganisation is subject to Shareholder approval and therefore the passing of Resolutions 1, 2 and 5.

As more fully explained below, the Share Capital Reorganisation is a standard, multi-phase process designed to alter the nominal value of the Company's ordinary share capital and create an appropriate buffer between the nominal value and market value of such shares.

As set out in the Circular, the Company needs to reduce its debt obligations and raise additional finance for working capital and in order to progress the development of the Namib Project. Under the Companies Act, the current nominal value restricts the Company's ability to raise capital through the issue of additional equity. The Company's ability to preserve cash by using its shares as consideration for various ongoing expenses (such as consultants' fees and a portion of Directors salaries) would, should it wish to do so, be similarly restricted.

A further consequence of having a very large number of shares in issue, with a very low market share price, is that small share trades can result in large percentage movements in the market share price which results in considerable volatility in the stock price. The Board also believes that the bid-offer spread on shares priced at low absolute levels can be disproportionate to the market share price, to the detriment of Shareholders. The Share Capital Reorganisation may therefore avoid large dealing spreads in the shares and may ensure that the share price volatility is reduced.

The Share Capital Reorganisation will enable the Company to issue shares at a value above their normal value and reducing the number of Existing Ordinary Shares in issue. The Directors believe that this will result in a market share price that will be at a more appropriate level for the Company as well as reducing the share price volatility.

#### **Details of the proposed Share Capital Reorganisation**

It is proposed that the 2,199,091,843 Existing Ordinary Shares will be subdivided, re-designated and consolidated on the basis of, and according to, the steps set out in Resolutions 1 and 2, as detailed below:

##### **Resolution 1 – Subdivision and re-designation of Existing Ordinary Shares**

It is proposed that each Existing Ordinary Share will be subdivided and re-designated as 1 ordinary share of 0.0008 pence (each, a "**Subdivided Share**") and 249 Deferred Shares of 0.0008 pence. Please refer to section 4 below for details of the Deferred Shares.

##### **Resolution 2 – Consolidation of Subdivided Shares**

It is then proposed that every 250 Subdivided Shares will be consolidated into 1 New Ordinary Share of 0.2 pence each. Unless a shareholding equals or exceeds 250 Existing Ordinary Shares (and therefore 250 Subdivided Shares), Shareholders will be left with a fractional entitlement to the New Ordinary Shares if the Resolutions are approved). No Shareholder will be entitled to a fraction of a New Ordinary Share and where, as a result of the consolidation of Existing Ordinary Shares described above, any Shareholder would otherwise be entitled to a fraction only of a New Ordinary Share in respect of their holding of Existing Ordinary Shares at the Share Capital Reorganisation Record Date (a "**Fractional Shareholder**"), such fractions shall be aggregated with the fractions of New Ordinary Shares to which other Fractional Shareholders of the Company may be entitled so as to form full New Ordinary Shares and sold in accordance with the relevant provisions of the Existing Articles. This means that any such Fractional Shareholder will not have a resultant proportionate shareholding of New Ordinary Shares exactly equal to their proportionate holding of Existing Ordinary Shares.

The Company will be authorised to sell New Ordinary Shares arising from fractional shareholdings on behalf of Fractional Shareholders as soon as reasonably practicable following the passing of the Share Capital Reorganisation Resolution for the best price then reasonably available for those shares.

In accordance with article 13.5 of the Company's Existing Articles, the Board has resolved that cash proceeds of less than £5.00 per Fractional Shareholder from the sale of the New Ordinary Shares arising from fractional shareholdings will not be distributed to Fractional Shareholders but shall belong absolutely to the Company.

Upon implementation of the Share Capital Reorganisation, Shareholders on the register of members of the Company at the close of business on the Share Capital Reorganisation Record Date, which is expected to be 18 July 2016, will exchange 250 Existing Ordinary Shares for 1 New Ordinary Share and so on, in proportion for any other number of Existing Ordinary Shares then held. The proportion of the issued ordinary share capital of the Company held by each Shareholder immediately following completion of the Share Capital Reorganisation (but prior to the issue of any Open Offer Share, Placing Shares or New Greenstone Shares) will, save for fractional entitlements, be unchanged.

Following the subdivision and re-designation of the Existing Ordinary Shares and subsequent consolidation of the Subdivided Shares, the nominal value of each New Ordinary Share will be 0.2 pence. Apart from the anticipated change in market value, the New Ordinary Shares arising on implementation of the Share Capital Reorganisation will have the same rights as the Existing Ordinary Shares, including the rights in respect of voting and the entitlement to receive dividends.

#### ***Deferred Share rights***

It is proposed that each Deferred Share will have very limited rights and will effectively be valueless. CREST accounts of Shareholders will not be credited in respect of any entitlement to Deferred Shares.

The Deferred Shares shall have the rights and restrictions as set out in the Amended Articles and shall not entitle the holder thereof to receive notice of, or attend and vote at, any general meeting of the Company or to receive a dividend or other distribution. A Deferred Share shall entitle the holder thereof to participate in any return of capital on a winding up of the Company but only after the liabilities of the Company have been paid and after the holders of New Ordinary Shares have received the sum of £10,000,000 for each New Ordinary Share held by them and the holder of a Deferred Share shall have no other right to participate in the assets of the Company. A Deferred Share is liable to be cancelled without payment of any consideration to the holder of the Deferred Share.

#### ***New Ordinary Share rights***

It is proposed that each New Ordinary Share will carry the same rights in all respects under the Amended Articles as each Existing Ordinary Share does at present under the Existing Articles, including the rights in respect of voting and the entitlement to receive dividends.

#### ***Amendment to the Existing Articles***

As part of the Share Capital Reorganisation, and in order to reflect certain terms of the Relationship Agreement, the Company proposes to make consequential amendments to the Existing Articles to include provisions in respect of the Deferred Shares and the Minority Shareholder Protections. Please refer to Resolution 5 set out in the Notice of the General Meeting at the end of the Circular for further details on such proposed amendments.

#### **14. Discounted online dealing facility**

The Company has put in place arrangements with its Registrar, Capital Asset Services, such that Eligible Shareholders holding New Ordinary Shares in certificated form will be able to take advantage of a discount to the online dealing service currently available to Shareholders. For a two month period following completion of the Share Capital Reorganisation, sale commission will be chargeable by Capita Asset Services at 1 per cent. of the trade value, subject to a minimum of £25. Purchase commission will be chargeable at 1 per cent. of the trade value, subject to a minimum of £25. To take advantage of this service, please login to [www.capitadeal.com](http://www.capitadeal.com). If you have any

questions regarding this facility, please telephone Capita Asset Services on 0371 664 0445 (Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom are charged at the applicable international rate. Lines are open between 8.00 am to 4.30 pm, Monday to Friday excluding public holidays in England and Wales). This is not a recommendation to buy or sell shares. The value of shares can go up as well as down. If you are in any doubt about the merits or risks involved when buying or selling shares, you should consult a suitably qualified professional advisor.

## **15. Admission to AIM, settlement and dealings**

Application will be made to the London Stock Exchange for the New Ordinary Shares following the Share Capital Reorganisation, including the Open Offer Shares, Placing Shares and New Greenstone Shares, to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in respect of the New Ordinary Shares will commence at 8.00 a.m. on 19 July 2016.

Further information in respect of settlement and dealings in the Open Offer Shares is set out in paragraph 9 of Part II of the Circular.

The Open Offer Shares, Placing Shares and New Greenstone Shares will represent, in aggregate, approximately 200 per cent. of the Company's existing Issued Share Capital and approximately 66.7 per cent. of the Enlarged Share Capital.

The Open Offer Shares, Placing Shares and New Greenstone Shares will, upon Admission, rank *pari passu* with the New Ordinary Shares, including the right to receive dividends and other distributions declared following Admission. The Open Offer Shares, Placing Shares and New Greenstone Shares are not being made available to the public and are not being offered or sold in any jurisdiction where it would be unlawful to do so.

If you hold a share certificate in respect of your Existing Ordinary Shares in the Company, your certificate will no longer be valid from the time that the proposed Share Capital Reorganisation becomes effective. If you hold 250 or more Existing Ordinary Shares on the Share Capital Reorganisation Record Date you will be sent a new share certificate evidencing the New Ordinary Shares to which you are entitled under the Share Capital Reorganisation. Such certificates are expected to be despatched no later than 26 July 2016 by first class post at the risk of the Shareholder. Upon receipt of the new certificate, you should destroy any old certificates. Pending the despatch of the new certificates, transfers of certificated New Ordinary Shares will be certified against the Company's share register.

If you hold your Existing Ordinary Shares in uncertificated form, you should expect to have your CREST account credited with the New Ordinary Shares to which you are entitled on implementation of the Share Capital Reorganisation on 19 July 2016 or as soon as practicable after the Share Capital Reorganisation becomes effective.

## **16. General Meeting**

A General Meeting of the Company, notice of which is set out at the end of the Circular, is to be held at 2.00 p.m. on 18 July 2016 at the offices of Shakespeare Martineau LLP, 6th Floor, Allianz House, 60 Gracechurch Street, London, EC3V 0HR at which the Resolutions will be proposed. Please note that the summary and explanation set out below is not the full text of the Resolutions and Shareholders should review the full text of the Resolutions before returning their Forms of Proxy.

The Resolutions can be summarised as follows:

### ***Resolution 1 – Subdivision and re-designation of Existing Ordinary Shares***

Resolution 1 will be proposed as an ordinary resolution of the Company, and is conditional on the passing of all other Resolutions. Resolution 1 approves the subdivision and re-designation of the 2,199,091,843 Existing Ordinary Shares of 0.2 pence each in the capital of the Company into: (i) 2,199,091,843 Subdivided Shares of 0.0008 pence each and (ii) 547,573,868,907 Deferred Shares of 0.0008 pence each in the capital of the Company.

### ***Resolution 2 – Consolidation of Subdivided Shares***

Resolution 2 will be proposed as an ordinary resolution of the Company and is conditional on the passing of all other Resolutions. Resolution 2 approves the consolidation of the 2,199,091,843 Subdivided Shares into 8,796,367 New Ordinary Shares of 0.2 pence in the capital of the Company.

### ***Resolution 3 – General Authority to allot Equity Securities***

Resolution 3 is included in order to give the Directors authority to issue and allot new Equity Securities (including pursuant to the Open Offer, the Placing and the Greenstone Placing) generally (and is conditional on all Resolutions being approved).

### ***Resolution 4 – Whitewash Resolution***

Resolution 4 will be put to the Independent Shareholders of the Company on a poll, and is conditional on all other Resolutions being approved. The reasons for, and consequences of, Resolution 4 are set out in paragraph 7 of this Part I. In accordance with the provisions of the Code, Greenstone will not vote on the Whitewash Resolution, and Greenstone has confirmed this to the Company.

### ***Resolution 5 – Amendments to Existing Articles***

Resolution 5 will be proposed as a special resolution to enable the Directors to make consequential amendments to the Existing Articles in order to include provisions in respect of the Deferred Shares and the subdivision and re-designation of the Existing Ordinary Shares and is conditional on the passing of all other Resolutions. As explained in paragraph 13 of this Part I, the Deferred Shares will have limited rights in respect of voting and the entitlement to receive dividends, and only very limited rights on a return of capital.

### ***Resolution 6 – Authority to allot Equity Securities free of pre-emption rights***

Resolution 6 is included in order to give the Directors authority to issue and allot new Equity Securities (including pursuant to the Open Offer, the Placing and the Greenstone Placing) free of statutory pre-emption rights, and is conditional on all other Resolutions being approved. The level of authority sought pursuant to Resolution 3 represents a total number of 41,913,590 New Ordinary Shares, and can be broken down as follows (and as rounded up):

- (a) up to 17,596,229 New Greenstone Shares;
- (b) 8,683,254 Open Offer Shares;
- (c) up to 3,634,105 Placing Shares; and
- (d) Equity Securities with a total nominal value of £24,000 which may be issued by the Directors prior to the Company's next annual general meeting (should the Company need to issue further equity during this time following the conclusion of the Greenstone Placing, the Open Offer and the Placing).

Pursuant to Resolution 6, the Directors will, assuming Resolution 6 is passed, have authority to allot the number of New Greenstone Shares, Open Offer Shares, Placing Shares and Equity Securities set out in (a) to (d) (inclusive) above, free of statutory pre-emption rights.

## **17. Taxation**

### ***In relation to the Share Capital Reorganisation***

The following statements are intended only as a general guide to the current tax position under UK taxation law and practice. They relate only to certain limited aspects of the UK tax position for individual Shareholders who are the beneficial owners of Existing Ordinary Shares and who are resident and domiciled in the UK for tax purposes and who hold their shares in the Company as an investment (and not as securities to be realised in the course of a trade). The following is not, and is not intended to be, an exhaustive summary of the tax consequences of acquiring, holding and disposing of Existing Ordinary Shares or New Ordinary Shares and it does not constitute advice. If you are in any doubt as to your tax position or are subject to tax in any jurisdiction other than the UK, you should consult, and rely upon the advice of, a duly authorised professional adviser.

The proposed Share Capital Reorganisation should constitute a reorganisation of the Company's share capital for the purposes of section 126 of the Taxation of Chargeable Gains Act 1992. For the purposes of UK taxation of chargeable gains, to the extent that you receive New Ordinary Shares

under the proposed Share Capital Reorganisation, you should not be treated as making a disposal of any of your Existing Ordinary Shares or an acquisition of New Ordinary Shares. The New Ordinary Shares will be treated as the same asset as, and as having been acquired at the same time and for the same aggregate cost as, the holding of Existing Ordinary Shares from which they derive.

Any entitlements to fractions of New Ordinary Shares arising as a result of the Share Capital Reorganisation will be consolidated and sold on behalf of the Shareholders entitled to the same.

If you hold fewer than 250 Existing Ordinary Shares at the time the proposed Share Capital Reorganisation takes effect and accordingly you only receive cash under the proposed Share Capital Reorganisation, as a result of this sale, you will be treated as having disposed of such Existing Ordinary Shares. As a result, you may, depending on your individual circumstances, realise a chargeable gain or an allowable loss for tax purposes.

If, and to the extent that, you receive cash and New Ordinary Shares under the proposed Share Capital Reorganisation as a result of the sale of fractional entitlements, you may, under the current practice of HM Revenue and Customs, treat the cash received as a deduction from any base cost you may have in your Existing Ordinary Shares (and, accordingly, the New Ordinary Shares held after the proposed Share Capital Reorganisation) rather than as consideration for a disposal of the Existing Ordinary Shares held representing such fractional entitlement.

Shareholders due to receive cash proceeds of less than £5.00 will not receive any payment from the Company for their fractional entitlement. Such Shareholders should be treated as having disposed of their fractional entitlement for £0 and, accordingly, do not need to deduct any amount from the base cost on their Existing Ordinary Shares.

No liability to stamp duty or stamp duty reserve tax should be incurred by a holder of Existing Ordinary Shares as a result of the proposed Share Capital Reorganisation.

### ***In connection with the Open Offer***

Information regarding taxation in the United Kingdom in connection with the Open Offer is set out in paragraph 8 of Part V of the Circular. Shareholders who are in any doubt as to their tax position, or who are subject to tax in any other jurisdiction, should consult their professional adviser as soon as possible.

## **18. Action to be taken**

### ***General Meeting***

A Form of Proxy is enclosed for use by Shareholders at the General Meeting. If you are a Shareholder, you are requested to complete, sign and return the Form of Proxy, whether or not you intend to be present at the meeting, and return it to the Company's Registrars, by hand, or send by post to Capita Asset Services, PXS, The Registry, 34 Beckenham Road, Beckenham, BR3 4TU. The completion and return of a Form of Proxy will not prevent you from attending the General Meeting and voting in person should you subsequently wish to do so.

### ***Open Offer***

**If an Eligible Shareholder does not wish to apply for Open Offer Shares he should not complete or return the Application Form nor send a USE message through CREST.**

- (i) *Eligible Non-CREST Shareholders (i.e. Eligible Shareholders who hold their shares in certificated form)*

If you are an Eligible Non-CREST Shareholder and wish to participate in the Open Offer, you should carefully read the Application Form accompanying the Circular and send the Application Form along with the appropriate remittance to Capita Asset Services, Corporate Actions, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by no later than 11.00 a.m. on 15 July 2016 and in accordance with the procedure set out at paragraph 4 of Part II of the Circular.

- (ii) *Eligible CREST Shareholders (i.e. Eligible Shareholders who hold their shares in uncertificated form through CREST)*

If you are an Eligible CREST Shareholder, no Application Form is enclosed. You will instead

receive a credit to your account in CREST in respect of your Entitlement. You should refer to the procedure for application set out in paragraph 4 of Part II of the Circular.

Eligible CREST Shareholders who are CREST sponsored members should refer to their CREST sponsors regarding the action to be taken in connection with the Circular and the Open Offer. Eligible Shareholders with holdings of Existing Ordinary Shares in both certificated and uncertificated form will be treated as having separate holdings for the purpose of their applications. If you are not an Eligible Shareholder and a person who has a contractual or other legal obligation to forward the Circular or an Application Form into a jurisdiction outside the United Kingdom, Australia, the Isle of Man, France, Switzerland or Portugal and who has a registered address in, or who is resident or ordinarily resident in, or a citizen of, or which is a corporation, partnership or another entity created or organised under the law of a country other than the United Kingdom, Australia, the Isle of Man, France, Switzerland or Portugal, then your attention is drawn to the information in paragraph 7 of Part II of the Circular.

Eligible CREST Shareholders should note that, although Open Offer Entitlements will be admitted to CREST and be enabled for settlement, applications in respect of entitlements under the Open Offer may only be made by the Eligible Shareholder originally entitled or by a person entitled by virtue of a *bona fide* market claim raised by Euroclear's Claim Processing Unit. Eligible non-CREST Shareholders should note that their Application Form is not a negotiable entitlement and cannot be traded.

#### **19. Overseas Shareholders**

Information for Shareholders who have registered addresses outside the United Kingdom, Australia, the Isle of Man, France, Switzerland or Portugal appears in paragraph 7 of Part II of the Circular, which sets out the restrictions applicable to such persons. If you are an Overseas Shareholder, it is important that you read that part of the Circular.

#### **20. Consequences of a failure to approve the Resolutions**

**Greenstone's subscription for \$5.6 million of Loan Notes provides the Company with certainty of funding from today, without which it would need to commence drastic measures to reduce spending and more than likely enter into an insolvency process, which would almost certainly lead to the loss of control over the Company's principal asset, being the Namib Project. The Loan Notes subscription and the Financing Proposals are the only terms on which Greenstone is willing to finance the Company at this stage and, whether or not the elements of the Financing Proposals which are subject to Shareholder approval (the subject of this document) are approved, the Loan Notes subscription and the Financing Proposals secure the Company's immediate financial position and provide a structure in which all Shareholders are able to participate and to retain an interest in the Company.**

**If any of the Resolutions set out in the notice of General Meeting of the Company dated 28 June 2016 are not passed, none of the Financing Proposals will proceed. In that event, absent any other fundraising by the Company, it is highly likely that the Company would be unable to repay the Loan Notes before the later Maturity Date and would therefore be in default of the terms of the Loan Notes.**

**In such circumstances, Greenstone would be able to enforce the Security over the Group's principal asset, being the operating subsidiary which owns and operates the Namib Project. Greenstone has indicated that in the event of such a default it would be its intention to enforce the Security. This would leave the Group in a highly uncertain financial position and in all likelihood it would result in the Group ceasing to trade, insolvency and, ultimately, the liquidation of the Group resulting in shareholders losing their investment in the Company.**

**The Independent Directors, having considered the likely alternative sources capital available to the Company, believe that it is highly unlikely that alternative funding could be secured before the later Maturity Date. As such, it is critical that Shareholders vote in favour of the Resolutions at the General Meeting so that the Financing Proposals can proceed and the Group can continue trading.**

## 21. Irrevocable Undertakings

As at the date of the Circular, the Company has received:

- (a) irrevocable undertakings from each of James Beams, Mark Thompson and Kenneth Sangster to vote in favour of the Resolutions covering their entire combined shareholdings of 82,146,559 Existing Ordinary Shares, representing 3.74 per cent. of the Issued Share Capital; and
- (b) an irrevocable undertaking from Greenstone to vote in favour of the Resolutions covering its entire shareholding of 659,507,644 Existing Ordinary Shares, representing 29.99 per cent. of the Issued Share Capital, except for the Whitewash Resolution on which, in accordance with the City Code, Greenstone is not eligible to vote.

In an aim to reduce the dilutive effects suffered by Eligible Shareholders as a consequence of the proposed 30 per cent. conversion by Greenstone of the Loan Notes following the close of the Open Offer and Placing, Greenstone has undertaken and agreed to be excluded from the Open Offer (and, in addition, has been deemed ineligible to participate in the Open Offer by virtue of the jurisdiction of its holding). Consequently, entitlements under the Open Offer are calculated excluding Greenstone's shareholding in order to try and reduce the dilutive effects of the Greenstone Placing and Placing, should each Eligible Shareholder take up his/her *pro rata* entitlements under the Open Offer in full.

Consequently, the total number of Open Offer Shares available to Eligible Shareholders under the Open Offer is 8,683,254, which represent 100 per cent. of the total number of Open Offer Shares and 49 per cent. of the total number of New Ordinary Shares to be issued pursuant to the Open Offer, Placing and Greenstone Placing (on conversion of the Loan Notes) together.

## 22. Further Information

Your attention is drawn to the Risk Factors relating to the Group set out in Part III of this announcement and Part IV of the Circular, the additional information set out in Part V of the Circular and the terms and conditions of the Open Offer and the Greenstone Placing set out in Part II and Part III (respectively) of the Circular, as well as the Application Form.

## 23. Recommendation

**The Independent Directors, who have been so advised by the Company's financial adviser, Strand Hanson, consider the Financing Proposals to be fair and reasonable and in the best interests of Independent Shareholders and of the Company as a whole. Accordingly, the Independent Directors recommend that the Independent Shareholders vote in favour of the Whitewash Resolution (Resolution 4) at the General Meeting as they intend to do in respect of their entire holdings which amount to interests in 92,146,559 Existing Ordinary Shares, representing approximately 4.19 per cent. of the Existing Ordinary Shares.**

**The Directors consider that the Financing Proposals are in the best interests of the Company and Shareholders as a whole, and that the Namib Project continues to be the best option to create value for all Shareholders. Accordingly, the Directors recommend that Shareholders vote in favour of the Resolutions at the General Meeting as they intend to do in respect of their entire holdings which amount to interests in 92,146,559 Existing Ordinary Shares, representing approximately 4.19 per cent. of Existing Ordinary Shares.**

**Voting on the Whitewash Resolution will be by means of a poll at the General Meeting of Independent Shareholders.**

**Greenstone will not vote on the Whitewash Resolution at the General Meeting.**

Yours faithfully,

**Rodney Beddows**

*Independent Non-Executive Chairman*

## PART II: TERMS OF THE GREENSTONE PLACING

Pursuant to the terms of the Greenstone Placing, Greenstone has subscribed for US\$5.6 million Loan Notes on the terms of, and subject to, the Subscription Agreement and Loan Note Instrument and has been granted the Security.

The following summarise the key terms of the agreements comprising the Greenstone Placing and the Security (it being noted that these summaries do not purport to present comprehensive or complete descriptions of relevant documents):

### 1. Subscription Agreement

Pursuant to the Subscription Agreement, dated 28 June 2016:

- (a) Greenstone has agreed to conditionally subscribe for the Loan Notes within 12 Business Days from the date of the Subscription Agreement, being prior to the General Meeting, in three tranches for a total consideration of US\$5.6 million, save only for there being no change in relation to any member of the Group which is, or could reasonably be expected to be, material and adverse to the business, operations, financial condition or assets and liabilities of any member of the Group (save for certain carve outs, including where such material adverse change results from changes to global mining industry wide conditions or financial market conditions).
- (b) The Company agrees to apply the subscription monies for the Loan Notes, in part, in repayment of the outstanding 2015 Convertible Loan Notes (refer to the summary of the Side Letter to the Subscription Agreement in paragraph 2 of this Part III, below).
- (c) Greenstone is entitled to deduct its agreed professional and other costs, charges and expenses relating to its investigations into the Company and the negotiation, preparation, execution and termination of the documentation relating to the Greenstone Placing from any amounts payable by Greenstone to the Company under the Subscription Agreement. Greenstone shall pay the subscription monies in respect of each tranche (or net amount thereof, in accordance with the Side Letter to the Subscription Agreement), less such agreed costs and expenses, to the Company on satisfaction of the conditions relevant to each such tranche. In the event the conditions relating to each tranche are not satisfied within 12 Business Days following the date of the Subscription Agreement (or such other date as the parties may agree), Greenstone may give notice to the Company to terminate the Subscription Agreement.
- (d) The Company and Greenstone give certain warranties to each other regarding due incorporation and capacity. The Company gives additional warranties to Greenstone (including, but not limited to, warranties regarding the assets, business and financial position of the Company). The Company's liability under such additional warranties is subject to certain limitations. The Company agrees to indemnify Greenstone and all of its officers, directors, employees and agents for any loss or damage arising in relation to any breach by the Company of any representation, warranty or covenant set out in the Subscription Agreement.
- (e) The Company gives certain undertakings to Greenstone, including:
  - (i) that for so long as any Loan Notes remain outstanding, it will provide certain information in relation to the Company and its business to Greenstone, including copies of accounts and information distributed to Shareholders;
  - (ii) that it will, as soon as is reasonably practicable after having become aware of the same, notify Greenstone that an Event of Default (as defined in paragraph 3 of this Part III, below) has or is reasonably likely to occur and take such steps as may be reasonably open to it to mitigate any adverse effect on the Company or its assets;
  - (iii) that save pursuant to the Placing and Open Offer, and save for the issue of New Greenstone Shares on any conversion of the Loan Notes, it will not issue any ordinary shares in the capital of the Company to any person, provided that the Company will be permitted: (A) to issue ordinary shares in the capital of the Company pursuant to any exercise of existing options; and (B) where the Resolutions have not been approved by the initial Maturity Date (being 2 August 2016), to issue such number of ordinary shares of 0.2 pence each in capital of the Company at a price not lower than 0.095 pence per share (on a pre Share Capital Reorganisation basis) in order to repay any amounts then

- outstanding in respect of the Loan Notes (together with any accrued but unpaid interest thereon) (the “**Undertaking Not To Issue Shares**”);
- (iv) as to its compliance with applicable laws; and
  - (v) that it will not, without Greenstone’s prior written consent:
    - (A) grant, or allow any member of the Group to grant any encumbrance over any assets of the Group, save for the Security and any lien or retention of title arising automatically by the operation of law and in the ordinary course of business of the Group; or
    - (B) incur or permit to exist (or allow any member of the Group to incur or permit to exist) any indebtedness, save with respect to the 2015 Convertible Loan Notes, the Loan Notes or as arising automatically by the operation of law and in ordinary course of business of the Group, or as otherwise disclosed to Greenstone; or
    - (C) dispose, or allow any member of the Group to dispose, of all or a material part of its assets and undertakings.
  - (f) Greenstone undertakes to the Company that:
    - (i) until the earlier of: (A) the later Maturity Date; and (B) repayment in full of any amounts outstanding in respect of the 2015 Convertible Loan Notes, it will not exercise any of its rights of enforcement, or claim any event of default, under the 2015 Convertible Loan Notes, save for any rights arising on the occurrence of any insolvency event in relation to the Group or any concurrent enforcement action taken by Greenstone in relation to the Loan Notes; and
    - (ii) it will, in the event that the Resolutions are not approved by the initial Maturity Date, exercise its voting rights to vote in favour of any resolutions put to Shareholders at a general meeting in order to enable the Company to issue Existing Ordinary Shares or New Ordinary Shares (as the case may be), generally and free of statutory pre-emption rights, in order to refinance the Loan Notes but without prejudice of its rights under the Relationship Agreement.
  - (g) The 2015 Investment Agreement is terminated pursuant to the Subscription Agreement.

The Subscription Agreement is governed by English law, and the parties have irrevocably submitted to the non-exclusive jurisdiction of the courts of England and Wales.

## 2. Side Letter to the Subscription Agreement

Pursuant to a side letter to the Subscription Agreement dated the same date as the Subscription Agreement and entered into by each of Greenstone and the Company, the parties agree that Greenstone may set off its obligation to pay the subscription monies for the Loan Notes, in part, against the Company’s obligation to repay the 2015 Convertible Loan Notes in full, such that the net amount of cash received by the Company in respect of the Loan Notes and in accordance with the terms of the Subscription Agreement and the Side Letter to the Subscription Agreement is not less than approximately US\$2.5 million.

## 3. Loan Note Instrument

The Loan Note Instrument, dated 28 June 2016, constitutes up to US\$5.6 million of conditionally convertible Loan Notes.

- (a) Subject to approval of the Resolutions, the Loan Notes shall be convertible at a price equal to the lower of: (i) 23.75 pence per share (on a post Share Capital Reorganisation basis); and (ii) the Issue Price converted into US\$ applying the Exchange Rate (the “**Conversion Price**”).
- (b) Following approval of the Resolutions (but prior to any pending notice issued by Greenstone to the Company to convert any outstanding Loan Notes into New Greenstones Shares) the Company may, on or prior to the later Maturity Date, use the proceeds of the Open Offer and Placing to redeem the Loan Notes in an amount which shall be specified by the Company in a redemption notice served on Greenstone (the “**Redemption Notice**”), and which may be zero and which shall not exceed 70 per cent. of the principal amount of the Loan Notes (the “**Redemption Right**”).

- (c) Following approval of the Resolutions, the portion of Loan Notes outstanding following the exercise by the Company of its Redemption Right in respect of the amount of Loan Notes specified in the Redemption Notice shall automatically be converted into New Greenstone Shares (the “**Conversion Requirement**”).
- (d) The New Greenstone Shares to be issued on any conversion of any of the Loan Notes will rank *pari passu* with the fully paid New Ordinary Shares of the Company on issue at the date of allotment of such New Greenstone Shares.
- (e) The Loan Notes will be issued, pursuant to the terms of the Subscription Agreement, in denominations and integral multiples of US\$1.00 in nominal amount (or such other multiples as the Company may permit).
- (f) The Loan Notes shall not be listed on AIM or any other recognised investment exchange, whether in the United Kingdom or elsewhere, however if the Loan Notes are not fully converted pursuant to the Conversion Requirement in accordance with the terms of the Subscription Agreement by the later Maturity Date, the noteholders shall, at the request of the Company, cooperate with the Company to achieve a listing of the Loan Notes on the Channel Islands Stock Exchange.
- (g) Until the Loan Notes are repaid or, subject to approval of the Resolutions and approval by the Panel of the Waiver, converted into New Greenstone Shares, the Loan Notes shall bear interest at a compound rate of 10 per cent. per annum, provided that if the Resolutions are not approved by the initial Maturity Date, the Loan Notes shall bear interest at a compound rate of 20 per cent. per annum from such date. The Company shall pay all accrued but unpaid interest in cash in arrears at the applicable rate on each of the initial and the later Maturity Date. If the Company fails to pay any amount of interest or principal on any Loan Note when such amount is due then interest at the applicable rate, plus 2 per cent. per annum shall accrue on the unpaid amount from the due date until the date of payment.
- (h) The Loan Notes are repayable on the relevant Maturity Date. On the relevant Maturity Date, the Company will pay to the noteholder the principal amount of the Loan Notes to be repaid (less any amount due pursuant to Loan Notes that have been converted, repaid or redeemed) together with any accrued interest on such Loan Notes (less any tax which the Company is required by law to deduct or withhold from such payment but subject to any grossing up required pursuant to the terms of the Loan Note Instrument) up to and including the date of payment. Save pursuant to the Company’s Redemption Right, as set out in paragraph (b) above, the Company does not have the right to repay the Loan Notes early.
- (i) The Loan Notes are subject to certain events of default, the most salient details of which are summarised below (each being an “**Event of Default**”):
  - (i) save in the event of any failure in the banking system or where any loan noteholder (each, a “**Loan Noteholder**”) fails to comply with its payment obligations under the Subscription Agreement, the Loan Note Instrument, the Security, the Relationship Agreement or any loan note certificate issued to a Loan Noteholder pursuant to the Loan Note Instrument (together, the “**Loan Note Documents**”), the Company does not pay on, or within three Business Days of, the due date any amount payable pursuant to the relevant Loan Note Document;
  - (ii) save where any Loan Noteholder which holds Existing Ordinary Shares fails to exercise its voting rights attaching to such Existing Ordinary Shares (to the extent permitted by the Code and applicable laws) to vote in favour of the same, the Resolutions are not approved on or prior to the later Maturity Date;
  - (iii) the Company or NLZM does not comply with any material provision of the Loan Note Documents to which it is a party, including (without the prior written consent of a majority of the Loan Noteholders: (i) the application of the proceeds of the Greenstone Placing to any material extent other than as provided for in the Loan Note Instrument or the Subscription Agreement (where such failure continues for a period of ten Business Days after written notice has been given by the majority of Loan Noteholders to the Company requiring the Company to remedy such failure);
  - (iv) there is a material breach of any of the terms of the licences relating to the Namib Project or the same are terminated for whatever reason or any act or event occurs

which in the reasonable opinion of a majority of the Loan Noteholders may entitle the Government of Namibia to terminate such licences, in each case other than as a result of the grant of the Mining Licence;

- (v) the application for the Mining Licence is rejected or the Mining Licence is issued subject to conditions (other than those known, or which could reasonably be anticipated at the date of the Loan Note Instrument, including as referred to in the Circular) which in the reasonable opinion of a majority of the Loan Noteholders are commercially unacceptable or, having been issued, the Mining Licence is terminated for whatever reason or any act or event occurs which in the reasonable opinion of a majority of the Loan Noteholders may entitle the Government of Namibia to terminate the Mining Licence;
- (vi) there has been a change in relation to the Group which is, or could reasonably be expected to be, material and adverse to the business, operations, financial condition or assets and liabilities of the Group (save for certain carve outs, including where such material adverse change results from changes to global mining industry wide conditions or financial market conditions);
- (vii) the occurrence of certain insolvency events which are not cured within appropriate grace periods;
- (viii) any encumbrance on or over the assets of the Company or any member of the Group is enforced and any step (including the taking of possession or the appointment of a receiver or analogous event) is taken to enforce the encumbrance;
- (ix) in respect of the Company or NLZM:
  - (A) any financial indebtedness is not paid when due or, where applicable, nor within any originally applicable grace period.
  - (B) any financial indebtedness is declared to be or otherwise becomes due and payable prior to its specified maturity as a result of an event of default (however described).
  - (C) any commitment for any financial indebtedness is cancelled or suspended by a creditor as a result of an event of default (however described).
  - (D) any creditor becomes entitled to declare any financial indebtedness due and payable prior to its specified maturity as a result of an event of default (however described),

save where the aggregate amount of financial indebtedness or commitment for financial indebtedness is less than US\$100,000 or its equivalent in any other currency or currencies such event has been waived for the time being pursuant to the Subscription Agreement;

- (x) the Company declares or pays any dividends or return of capital in respect of its issued share capital or any part thereof;
- (xi) save with the prior written consent of a majority of the Loan Noteholders (not to be unreasonably withheld, delayed or conditioned), the Company or any of its Subsidiaries (including NLZM) stops (or threatens to stop) payment of its debts generally or ceases (or threatens to cease) to carry on its business or a substantial part of its business;
- (xii) quotation of the Company's shares on AIM is suspended for more than 5 consecutive Business Days or for more than 5 Business Days in any twelve month period;
- (xiii) there is a change of control in respect of the Company within the meaning of the Corporation Tax Act 2010 by any person or persons acting in concert (as defined in the Code), other than by any of the Loan Noteholders;
- (xiv) it is or becomes unlawful for either the Company or NLZM to perform any of its obligations under the Loan Note Documents, or any such obligation or obligations of the Company or NLZM under the Loan Note Documents to which it is party are not or cease to be legal, valid, binding or enforceable or any Loan Note Document ceases to be in full force and effect, save where the same arises as a result of:
  - (A) the fraud, recklessness, wilful default or negligence of any other party, other than the Company or NLZM; and/or
  - (B) the breach by any party other than the Company or NLZM of its obligations under that Loan Note Document or of any applicable laws, rules or regulations,

in each case except to the extent the same occurs with the prior written consent of a majority of the Loan Noteholders.

At any time after an Event of Default has occurred, noteholders, holding a majority of the notes may, by notice to the Company, declare that all outstanding Loan Notes, accrued interest and all other amounts accrued or outstanding the Loan Note Instrument shall be immediately due and payable.

- (j) The Company's obligations in respect of the Loan Notes are secured by the Security.
- (k) The Company has agreed to indemnify Greenstone in respect of:
  - (i) any failure to pay or delay in paying any stamp, registration and other taxes (other than (i) taxes on non-Namibian source profits of any Loan Noteholder or (ii) stamp taxes relating to the transfer of Loan Notes or (iii) taxes arising or increasing as a result of (a) any amendment to the tax structuring of, or any tax election made by, any Loan Noteholder in either case without prior agreement of the Company (other than as agreed in the Subscription Agreement) or (b) a transfer of Loan Notes to a person other than the original Loan Noteholder) to which any Loan Note Document or any judgment given in connection with such documents is or at any time may be; and
  - (ii) any cost, tax liability, claim or expense (including legal fees and expenses) incurred by any Loan Noteholder as a result of the occurrence of an Event of Default, including where the same is incurred in connection with the enforcement of or the preservation of any rights under any Loan Note Document and any proceedings instituted by or against Greenstone as a consequence of taking or holding the Security or enforcing those rights.
- (l) The Loan Note Instrument contains certain provisions, dealing with (*inter alia*) automatic conversion on a change of control (save where the same would trigger a Mandatory Offer), adjustment in the event of certain variations to the share capital of the Company by way of capitalisation, rights issue, consolidation, subdivision or reduction of capital, the procedure for conversion of the Loan Notes, the giving of notices and the procedure for noteholder meetings.
- (m) The Convertible Loan Note Instrument is governed by English law, and the parties have irrevocably submitted to the exclusive jurisdiction of the courts of England and Wales.

#### 4. Pledge and Cession in Security between the Company, Greenstone and NLZM

On 28 July 2016 the Company entered into a pledge and cession in security agreement with Greenstone and NLZM constituting the Security (the "**Pledge Agreement**").

Pursuant to the terms of the Pledge Agreement:

- (a) the Company, as security for its obligations to Greenstone under the terms of the Subscription Agreement, the Loan Note Instrument and in respect of the Loan Notes (the "**Secured Obligations**"), has agreed to pledge and cede its shares (and all related rights to proceeds and dividends pertaining to such shares) in NLZM and loan claims against NLZM to Greenstone;
- (b) the Company has pledged and ceded 1,500 ordinary par value shares of N\$1.00 (one Namibia Dollar) each in the capital of NLZM, issued at a premium for a total stated capital of N\$4,197,700 representing the entire issued share capital of NLZM (the "**NLZM Shares**"); and
- (c) the Company has also ceded its rights to any proceeds, title, interest and claims attached and in relation to the NLZM Shares and its shareholder claims against NLZM (the "**NLZM Rights and Interests**") and together with the NLZM Shares, the "**Secured Property**").

The Company has provided Greenstone with a number of representations and warranties, including that the NLZM Shares represent the entire issued share capital of NLZM and that the Company is the sole legal and beneficial owner of the Secured Property.

The Pledge Agreement contains a negative pledge whereby if any of the Secured Property is subject to any right, in breach of the representations and warranties granted by the Company, then the Company will also pledge and cede any reversionary or other interests in the Secured Property to Greenstone, and furthermore the Company will be obliged to deliver photocopies of any documents pertaining to the Secured Property to Greenstone, and as soon as the holder of the other right ceases to be entitled to possession or gives up possession, the Company shall deliver

the relevant original documents to Greenstone.

Upon the occurrence of an Event of Default, all rights, powers and privileges attaching to the Secured Property shall vest in Greenstone and the Secured Obligations shall become immediately due and enforceable.

The Pledge Agreement shall terminate upon the unconditional and irrevocable fulfilment of the Secured Obligations, or until lawfully terminated by agreement between the parties.

The Company shall not be entitled to grant any further pledges or cessions or in any other manner encumber or deal with the Secured Property without Greenstone's prior written consent.

The Pledge Agreement shall be governed in accordance with the laws of Namibia.

## **5. Relationship Agreement**

On 28 June 2016, pursuant to the Subscription Agreement, the Company and Greenstone agreed to enter into a relationship agreement in substitution for a relationship agreement entered into by them on 3 July 2014 (as amended) in order to govern the relationship between the parties.

Pursuant to the Relationship Agreement, inter alia:

- (a) Subject to certain qualifications, Greenstone has the following director appointment rights:
- (i) for so long as the Significant Shareholder Group holds a Significant Interest, but less than 40 per cent. of the voting rights in the Company, it will be entitled to nominate one (1) Director for appointment to the Board;
  - (ii) for so long as Significant Shareholder Group holds at least 40 per cent. of the voting rights in the Company, but less than 60 per cent. of the voting rights in the Company, it will be entitled to nominate a total of two (2) Directors for appointment to the Board; and
  - (iii) for so long as Significant Shareholder Group holds at least 60 per cent. of the voting rights in the Company, it will be entitled to nominate a total of three (3) Directors for appointment to the Board.

In addition to being able to remove its nominated directors from the Board, Greenstone shall also have the right, where: (a) its Applicable Interest in the Company is greater than 50 per cent; and (b) it is of the view that an Independent Director is no longer suitable for election to the Board; and (c) a majority of Directors, even if not a majority of the independent directors, agrees with Greenstone's view, to give a notice to the nominated advisor of the Company for the purpose of the AIM Rules (from time to time) that it wishes to exercise its shareholder voting rights to remove such Independent Director (the "Unpropitious Director"). Following the service of any such notice, the Company's nominations committee will notify Greenstone, within a period of 90 days, as to whether it has identified another person to replace the Unpropitious Director. Where the nominations committee advises Greenstone that it has identified a replacement for the Unpropitious Director, the Company will take such steps as are necessary to effect the appointment of the new director and removal of the Unpropitious Director, and Greenstone and any member of the Significant Shareholder Group will be entitled to exercise their respective voting rights in relation to the same. Where the nominations committee advises Greenstone that it has not identified a replacement for the Unpropitious Director within such period then, subject to certain conditions: (i) the Company will effect the removal of the Unpropitious Director; (ii) Greenstone and any member of the Significant Shareholder Group will be entitled to exercise its voting rights in relation to the same; and (iii) Greenstone will support the appointment of a replacement for the Unpropitious Director through the exercise of its voting rights (and the procurement of the exercise of any voting rights held by any of the other members of the Significant Shareholder Group) when notified to do so by the Company.

Greenstone has agreed that in no other circumstances shall it seek to exercise its voting rights, or procure that any other member of the Significant Shareholder Group exercise its voting rights, so as to cause an Independent Director to be removed from the Board.

The parties agree that the Company shall not be required to pay any director fees to any Director nominated by the Significant Shareholder Group who is a member of the Significant

Shareholder Group or of any Associate of the Significant Shareholder Group, but shall, if so requested, pay director fees to any other Director nominated by the Significant Shareholder Group in an amount commensurate with those for non-executive independent directors (in which case Greenstone shall be deemed to have consented thereto for the purposes of the Work Programme).

- (b) So long as the Significant Shareholder Group holds a Significant Interest. Greenstone has the right to maintain its Applicable Interest by participating in future equity issues;
- (c) Greenstone has the right to nominate potential customers to be afforded the opportunity to negotiate and purchase, on an arms-length basis, a proportion of the Company's mineral production, equal to the Significant Shareholder Group's Applicable Interest in the Company on arms' length terms no less favourable to the Company than those afforded to third parties of a similar credit worthiness to the potential customer;
- (d) Pursuant to the Subscription Agreement (as more fully summarised in Part II), the Company has given the Undertaking Not To Issue Shares (as defined in Part II). Pursuant to the Relationship Agreement, Greenstone has agreed, in addition to the obligation summarised in item (f) of paragraph 12 of Part I, to exercise its voting rights to vote in favour of any resolutions put to Shareholders at a general meeting in order to enable the Company to issue shares (generally and free of statutory pre-emption rights) in order to refinance the Loan Notes; and
- (e) Greenstone has agreed to the Minority Shareholder Protections, as set out in paragraph 12 of Part I.

Greenstone has given certain confirmations to the Company regarding its understanding of the legal and practical requirements surrounding price sensitive information relating to the Company, and has given certain undertakings to the Company surrounding disclosure of confidential and price sensitive information.

The Relationship Agreement provides that, save where the exercise of Greenstone's voting rights would amount to a breach of the Relationship Agreement Greenstone shall not be prevented by the Relationship Agreement from exercising its voting rights in its discretion and how it sees fit.

The Relationship Agreement is governed by the laws of England and Wales, and each party irrevocably submits to the non-exclusive jurisdiction of the courts of England and Wales.

### **PART III RISK FACTORS**

**In addition to the other relevant information set out in the Circular, the following specific factors should be considered carefully when evaluating an investment in the Group. The investment offered in the Circular may not be suitable for all of its recipients. If you are in any doubt as to the action you should take, you should consult a person authorised under FSMA who specialises in advising on the acquisition of shares and other securities. A prospective investor should consider carefully whether an investment in the Group is suitable for him/her in the light of his/her personal circumstances and the financial resources available to him/her.**

**The exploration for, and development of, natural resources is a highly speculative activity which involves a high degree of risk. Accordingly, the New Ordinary Shares should be regarded as a highly speculative investment and any investment in the Company should only be made by those with the necessary expertise to evaluate the investment fully. The Directors consider that the risks and other factors described below are the most significant and should be considered carefully together with all the information contained in the Circular, prior to applying for Open Offer Shares. It should be noted that the risks described below are not the only risks faced by the Group; there may be additional risks that the Directors currently consider not to be material or of which they are currently unaware.**

**If any of the risks referred to in this Part IV crystallise, the Company's business, financial condition, results or future operations could be materially adversely affected. In such case, the price of its shares could decline and investors may lose all or part of their investment.**

## **SECTION A: TRANSACTION SPECIFIC RISK FACTORS RISKS ASSOCIATED WITH ANY OF THE RESOLUTIONS NOT BEING APPROVED**

Shareholders should note the following risk factors related to the Resolutions not being approved:

### ***Events of Default under the Loan Note Instrument***

The Loan Notes Instrument sets out a number of Events of Default, as more fully detailed in Part III of the Circular. Although, as at 27 June 2016, being the last practicable date prior to the date of the Circular, the Company is not aware of any Events of Default, if any of the Resolutions is not approved, an Event of Default will be triggered unless new equity is raised and repayment of the Loan Notes is made on or before 1 September 2016. Please see the risk factor immediately below regarding the effects of mandatory repayment of the Loan Notes on the Company.

### ***Impact on Group's financial resilience***

If any of the Resolutions is not approved, the Loan Notes will become repayable on 1 September 2016. The Group will have very little financial flexibility, particularly in the event of any significant deterioration in market conditions and will have to consider alternative funding options which may not be as favourable. The Company will not be permitted, by the terms of the Greenstone Placing, to raise alternative debt finance. In the event that any of the Resolutions is not approved, and the Loan Notes cannot be repaid on or before 1 September 2016, Greenstone would not be able to convert the Loan Notes into New Greenstone Shares but would have the right to enforce the Security over the Group's principal asset, NLZM, the operating subsidiary which owns and operates the Namib Project, leaving Shareholders with little or no value but for the Company's remaining portfolio of early stage exploration assets. Greenstone has indicated that, in the event of such a default, it would be its intention to exercise its rights in relation to the Security. This would leave the Group in a highly uncertain financial position and in all likelihood it would result in the Group companies ceasing to trade, insolvency and, ultimately, the liquidation of the Group resulting in Shareholders losing their investment in the Company.

### ***Interest Payable on the Loan Notes***

If any of the Resolutions is not approved, the rate of interest applicable to the Loan Notes will increase from 10 per cent. per annum to 20 per cent. per annum.

## **RISKS ASSOCIATED WITH THE RESOLUTIONS BEING APPROVED, BUT THE OPEN OFFER AND PLACING FAILING TO RAISE US\$3.92 MILLION**

If the Resolutions are approved, but the Open Offer and Placing do not proceed to raise US\$3.92 million, Shareholders should note the following risk factors. Shareholders should note that, due to regulatory restrictions, the size of the Open Offer cannot exceed €2,545,292.42 (approximately US\$2.83 million) and so, if the Placing does not raise approximately US\$1.09 million, the Company will not be in a position to repay 70 per cent. of the Loan Notes. As at the date of the Circular, the Company has not received any commitments in respect of the Placing, nor identified any potential Placings.

### ***Influence of significant Shareholder and Relationship Agreement***

If the Resolutions are approved, Greenstone's shareholding will increase to between 29.997 per cent. and 76.67 per cent. of the then Issued Share Capital, depending on the level of take up under the Open Offer and Placing. Take up of less than US\$2.24 million will mean Greenstone's interest exceeding 50 per cent. of the enlarged Issued Share Capital.

Depending on its resulting shareholding, Greenstone may be able to exercise significant influence over the Company and may be able to control substantially all matters requiring approval by Shareholders including the election of directors, sales of assets, share issues and amendments to the Articles. However, pursuant to the Relationship Agreement, certain obligations are placed on Greenstone, including (but not limited to) the Minority Shareholder Protections outlined in paragraph 12 of Part I of the Circular.

Shareholders should note that the Relationship Agreement provides that, save where the exercise of Greenstone's voting rights would amount to a breach of other provisions of the Relationship Agreement Greenstone shall not be prevented by the Relationship Agreement from exercising its voting rights in its own self interests in relation to the principles outlined in paragraphs (a) to (d) of paragraph 12 of Part I of the Circular..

Greenstone also enjoys certain benefits and protections pursuant to the Relationship Agreement, including (but not limited to) the right to appoint directors to the Board depending on its shareholding (as more fully set out in Part V of the Circular), a right to participate in any issue of equity carried out by the Company so as to maintain Greenstone's percentage shareholding, and certain marketing rights in relation to the products produced by the Company's projects (including, without limitation, the Namib Project).

#### ***Events of Default under the Loan Note Instrument***

Pursuant to the terms of the Loan Note Instrument, the Loan Notes shall become repayable in full on the occurrence of any of the Events of Default, as summarised in Part III of the Circular.

#### ***Potential dilution of current Shareholders***

Shareholders who do not (or, due to regulatory restrictions, are not given the opportunity to) participate in the Open Offer to the full extent of their *pro rata* entitlement will experience significant dilution in their ownership and voting interests in the Company on any conversion of the Loan Notes by Greenstone. In such circumstances, such Shareholders' proportionate ownership and voting rights in the Company will be reduced and the percentage that their New Ordinary Shares will represent of the then total Issued Share Capital will be reduced accordingly.

### **SECTION B: ECONOMIC RISK**

There may be a number of associated risks over which the Group will have no, or limited, control. These may include contract renegotiation, contract cancellation, economic, social, or political instability or change, hyperinflation, currency non-convertibility or instability and changes of laws affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration licensing and mineral export licensing and export duties as well as government control over domestic mineral pricing. While most of the Group's financial obligations are denominated in US\$, Namibian dollars or Pounds Sterling, foreign currency effects may arise from exchange rate movements.

### **SECTION C: RISKS RELATING TO THE COMPANY**

#### ***Requirement for Additional Funding***

The Proceeds of the Greenstone Placing, Open Offer and Placing are only anticipated to be sufficient to fund the Company's working capital needs for the remainder of 2016. Further funds will be required to meet the Phase Two Funding Requirement and to develop the Namib Project (the Phase Three Funding Requirement) and the Company may also include funds required for additional working capital. Failure to secure the Mining Licence and/or to obtain sufficient financing for the Namib Project and any future projects may result in a delay or indefinite postponement of exploration, development or production on the Group properties or even a loss of a property interest. Additional financing may not be available when needed or, if available, the terms of such financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

#### ***Nominal value of Existing Ordinary Shares***

The Existing Ordinary Shares have a nominal value of 0.2 pence each, and the New Ordinary Shares will continue to have a nominal value of 0.2 pence each following completion of the Share Capital Reorganisation. As a matter of English law, companies are not permitted to issue shares at below nominal value. Therefore, if at any time the Company wishes or needs to issue New Ordinary Shares at a lower value to their nominal value, the Company will need to propose resolutions to its Shareholders in order to effect a further Share Capital Reorganisation. As with the Share Capital Reorganisation, there can be no guarantee that such resolutions would, if proposed, achieve the required majority to enable them to be passed such as to enable the Company to issue shares at or above nominal value.

#### ***Ability to raise sufficient debt finance***

The Company has been engaging with multiple parties in order to prepare for the inclusion of a debt package into the Namib Project's Phase Three Funding Requirement financing package at the point of a construction decision. While conversations with debt providers continue, it is clear that the availability of debt for the sector has become tougher to obtain due to weak commodity prices,

even for commodities with positive fundamentals such as zinc and lead. The Company is conscious that there is no guarantee that debt finance will be available at the relevant time, or at all, and, as such, it may become necessary for the Company to seek the finance for the Phase Three Funding Requirement from alternative sources.

### ***Taxation Risk***

Any change in the Group's tax status, the tax applicable to holding New Ordinary Shares or in taxation legislation or its interpretation, could affect the value of the investments held by the Group, the Company's ability to provide returns to Shareholders and/or post-tax returns to Shareholders. Statements in the Circular concerning the taxation of the Company's investors are based upon current tax law and practice, which is subject to change.

### ***Exploration and Mining Licences***

All of the licences currently held by the Group are exploration licences. Prior to the commencement of mining and processing activities, mining licences and all other permits and regulatory consents will need to be obtained.

Although the Company believes that such licences, permits and regulatory consents should be obtained for the commencement of mining and production activities, there can be no assurance regarding these matters.

The exploration licences currently held by the Group and any mining or prospecting licences acquired by the Group in the future will be subject to licence requirements, which include, *inter alia*, certain financial commitments which, if not fulfilled, could result in the suspension or ultimate forfeiture of the relevant licences.

The Group has applied for the Mining Licence in relation to the Namib Project. If such application is successful, this will provide mining rights in relation to the Namib Project under Namibian mining law for a period of up to a maximum of 25 years. There is no guarantee that the Mining Licence will be granted for the duration of the life of mine for the Namib Project. Failure by the Group to obtain the Mining Licence or other necessary mining licences or government consents for its other projects either at all or within anticipated timeframes or on acceptable terms and conditions, or revocation of existing licences could materially jeopardize the viability of the Group's projects.

Failure by the Group to obtain the Mining Licence without any further significant delay or on commercially viable terms and conditions may adversely affect the Company's requirement for the Phase Two Funding Requirement and/or result in additional working capital being required. Please further refer to the risk factor titled "Supplementary Terms & Conditions and ML Proposal" below.

### ***Supplementary Terms & Conditions and ML Proposal***

As announced on 1 February 2016, the Company has received from the Namibian Government a Notice of Preparedness to Grant the Mining Licence, which the Company formally accepted on 26 February 2016, having raised certain queries with the Ministry regarding the Supplementary Terms & Conditions which will attach to the Mining Licence. On 25 April 2016, the Company's 100 per cent. held subsidiary, NLZM, submitted its ML Proposal, following which the Ministry had 30 days to propose amendments, if any, to the ML Proposal which the Ministry believes would enable NLZM to support the Namibian Government's objectives for broad based empowerment and poverty eradication. Should NLZM be dissatisfied with the Ministry's counter-proposal it shall have an additional 30 days within which to make written representations to the Ministry, upon consideration of which the Ministry shall notify NLZM of the final terms and conditions upon which the Ministry is prepared to grant the Mining Licence.

On 2 June 2016, the Ministry informed NLZM that it is still reviewing the ML Proposal and that it shall respond to NLZM within 30 days, being on or before 2 July 2016.

As at the date of the issue of the Circular, the Group still awaits a formal response from the Ministry on the ML Proposal of 25 April 2016 and to queries raised by the Company in February 2016 on the Supplemental Terms & Conditions.

Failure by the Group to reach agreement on the ML Proposal and/or obtain the Mining Licence on commercially viable Supplementary Terms & Conditions may, in turn, materially jeopardize the viability of the Namib Project and the Group's business.

### **Political and Other Potential Country Risks**

The Group's operations are based in Namibia. Whilst the Namibian government has been stable for many years, the Company could be subject to the political, economic and social factors affecting both Africa generally and Namibia in particular, including regional diplomatic developments and changes in laws, regulations and policies. Government actions, changes in government or ministry personnel or changes in political conditions (and the impact thereof on the domestic economy) in the future could have a significant effect on political or economic conditions in Namibia, which could adversely affect the Group's business and its financial results. Please refer to the risk factor titled "Draft NEEEF Bill" below.

In addition, the Group may be adversely affected by changes in judicial, administrative, taxation or other regulatory factors in the United Kingdom or elsewhere.

### **Draft NEEEF Bill**

The draft NEEEF Bill has been published which, if enacted, could set out obligations for companies, irrespective of sector, in respect of, *inter alia*, ownership and management participation by previously disadvantaged Namibians. Certain obligations under the proposed NEEEF Bill are inconsistent with those laid down under the Supplementary Terms & Conditions to the Notice of Preparedness to Grant the Mining Licence received by the Company and dated 28 January 2016. The extent to which the proposed NEEEF Bill would place obligations on the Namib Project and the timeframe for finalising and enacting the NEEEF Bill is not clear at this stage, but will undoubtedly be an area on which the Company will need further clarity in due course.

### **Labour Risk**

The Group needs to employ both skilled and unskilled labour force to undertake its exploration, evaluation and development programme. The labour risk identifies that a suitably skilled labour force may not be available. To mitigate the risk, the Group has undertaken to train employees in the skills required and will engage suitably skilled specialists as required.

### **Joint Ventures**

Members of the Group hold interests in joint ventures. Joint ventures involve special risks associated with the possibility that the joint venture partners may: (i) have economic or business interests or targets that are inconsistent with those of the Group; (ii) take action contrary to the Group's policies or objectives with respect to their investments, for instance by veto of proposals in respect of joint venture operations; (iii) be unable or unwilling to fulfil their obligations under the joint venture or other agreements; or (iv) experience financial or other difficulties. Any of the foregoing may have a material adverse effect on the results of operations or financial condition of the Group. In addition, the termination of certain of these joint venture agreements, if not replaced on similar terms, could have a material adverse effect on the results of operations or financial condition of the Group.

### **Competition**

A number of other mining companies operate mineral exploration and development assets in the regions in which the Company currently operates and may operate in the future, thereby providing competition to the Group. Larger companies, in particular, may have access to greater resources than the Group which may give them a competitive advantage.

### **Legal systems**

Jurisdictions in which the Group operates or might operate in the future may have less developed legal systems than more established economies, which could result in risks such as:

- effective legal redress in the courts of such jurisdictions, whether in respect of a breach of law or regulation, or in an ownership dispute, being more difficult to obtain;
- a higher degree of discretion on the part of governmental authorities;
- the lack of judicial or administrative guidance on interpreting applicable rules and regulations;
- inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; or
- relative inexperience of the judiciary and courts in such matters.

In certain jurisdictions, the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to the Group's licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness of and enforcement of such arrangements in these jurisdictions cannot be assured.

## **SECTION D: RESOURCE SECTOR RISKS**

### ***General Business Risk***

The activities of the Group are subject to the usual commercial risks and factors such as competition. In addition, economic conditions may generally affect the Group's ability to generate income or achieve its objectives.

### ***Environmental Risk***

The Group's operations are subject to existing and possible future environmental and health and safety legislation, regulations and actions which could impose significant costs and burdens on the Group (the extent of which cannot be predicted) both in terms of compliance and potential penalties, liabilities and remediation. Breach of any environmental obligations could result in penalties and civil liabilities and/or suspension of licences or operations, any of which could adversely affect the Group.

### ***Resources Risk***

The potential resources of the Group's projects have been independently reviewed and confirmed. However, the figures for potential resources are estimates and no assurance can be given that the anticipated tonnage and grades will be achieved. The exploration of mineral rights is speculative in nature and is frequently unsuccessful. Therefore, the Company may not define resources that can be economically exploited. The Directors are committed to complying with and reporting under the JORC Code and this reporting will be done by competent persons as defined by the JORC Code.

### ***Volatility of Mineral Prices***

The activities of the Group and the viability of its projects will be subject to fluctuations in demand and prices for minerals generally. A significant reduction in global demand for the minerals to be sold by the Group, leading to a fall in prices, could lead to a delay in exploration and production or even abandonment of one or more of the Group's projects should they prove uneconomical to develop.

There is also uncertainty as to the possibility of increases in world production both from existing mines and as a result of mines currently closed being reopened in the future if price increases make such projects economic. Consequently, price forecasting can be difficult to predict or imprecise. Any future income from mineral sales may be subject to exchange rate fluctuations and become subject to exchange control or similar restrictions.

The availability of a ready market for the minerals expected to be produced by the Group depends upon numerous factors beyond its control. These factors (the list of which is not exhaustive) include: general economic activity, world metal market prices, action taken by other producing nations, the availability and pricing of other substitute minerals, the extent of governmental regulation and taxation. The aggregate effect of these factors on the Group's activities is difficult to predict.

### ***Exploration Risk***

Whether or not income will result from the Group's projects depends on the successful establishment of mining operations. Factors including costs, actual mineralisation, consistency and reliability of ore grades and mineral prices affect successful project development, as does the design and construction of efficient processing facilities, competent operation and management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced consultants.

Mineral exploration is speculative in nature, involves many risks and frequently is unsuccessful. There can be no assurance that any discovered mineralisation will result in an increase in the reserves or resources of the Group. If reserves are developed, it can take a number of years from the initial phases of drilling and identification of mineralisation until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish reserves through drilling, to determine processes to extract minerals and, in the cases of new properties, to construct mining and processing facilities. Even if the Group recovers commercial quantities of minerals, there is a risk that it will not achieve a commercial return. For example, the Group may not be able to transport the minerals to commercially viable markets at a reasonable cost or may not be able to sell the minerals to customers at a price and quantity which would cover its operating and other costs.

Exploration and evaluation may be hampered by mining, heritage and environmental legislation, industrial disputes, cost overruns, land claims and compensation and other unforeseen contingencies. Adverse weather conditions over a prolonged period could also negatively affect exploration, mining and drilling operations and the timing of earning revenues.

As a result of these uncertainties, no assurance can be given that the exploration programmes undertaken by the Group will result in any new commercial mining operations being brought into operation.

### ***Mining risk***

The business of the development and exploitation of mineral deposits involves a high degree of risk. The operations of the Company may be disrupted by a variety of risks and hazards which are beyond the control of the Company, including geological, geotechnical and seismic factors, environmental hazards (including discharge of pollutants or hazardous chemicals), industrial and mechanical accidents, occupational and health hazards, unscheduled plant shutdowns or other processing problems, technical failures, labour disputes, unusual or unexpected rock formations, unanticipated ground or water conditions, flooding and extended interruptions due to inclement or hazardous weather conditions, explosions and other acts of God.

The occurrence of any of these hazards may delay or interrupt production, increase production costs and result in liability to the owner or operator of the mine. The Group may become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past mining activities for which it was not responsible.

### ***Development Projects***

Development projects have no operating history upon which to base estimates of future cash operating costs. For development projects, estimates of proven and probable reserves and cash operating costs are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of cash operating costs based upon anticipated recoveries to be mined and processed, the configuration of the mineral body, expected recovery rates, comparable facility and equipment operating costs, anticipated climatic conditions and other factors. As a result, it is possible that actual cash operating costs and economic returns may differ from those currently estimated.

### ***Production Estimates***

Actual production may vary from estimates of future production for a variety of reasons. It is likely that actual production will vary from estimates of production for properties not yet in production.

## **SECTION E: GENERAL RISKS**

### ***Possible volatility of the price of ordinary shares***

The market price of the Existing Ordinary Shares, and the future market price of the New Ordinary Shares, following completion of the Share Capital Reorganisation, may not reflect the underlying value of the Company's net assets and could be subject to significant fluctuations due to a change in sentiment in the market regarding the Company's shares (or securities similar to them) or in response to various factors and events, including any regulatory changes affecting the Group's operations, variations in the Group's operating results and business developments of the Group or its competitors. Stock markets have from time to time experienced significant price and volume

fluctuations which have affected the market prices for securities which may be unrelated to the Group's operating performance or prospects. Furthermore, the Group's operating results and prospects from time to time may be below 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. The trading prices of the New Ordinary Shares may go down as well as up and Shareholders may, therefore, not recover their original investment costs.

***Substantial sales of New Ordinary Shares could cause the price of New Ordinary Shares to decline***

There can be no assurance that the Directors or other shareholders will not elect to sell their New Ordinary Shares when they are legally entitled so to do. The market price of New Ordinary Shares could decline as a result of any sales of such New Ordinary Shares or as a result of the perception in the market which may occur as a result of such a sale. If these or any other sales were to occur, the Company may in the future have difficulty in offering or selling New Ordinary Shares at a time or at a price it deems appropriate.

***General Economic Conditions***

Market conditions, particularly those affecting resource companies, may affect the ultimate value of the Company's share price regardless of operating performance. The Company could be affected by unforeseen events outside its control, including natural disasters, terrorist attacks and political unrest and/or Government legislation or policy. Market perception of resource companies may change which could impact on the value of investors' holdings and impact on the ability of the Company to raise further funds by an issue of further shares in the Company. General economic conditions may affect exchange rates, interest rates and inflation rates. Movements in these rates will have an impact on the Company's cost of raising and maintaining debt financing.

***Insurance Risk***

The Company has in place indemnity insurance to protect the Group's assets. The insurance obtained also indemnifies the insurable interests of the Group. However, the insurance coverage may prove inadequate to satisfy potential claims and losses.

Further, the Group may become subject to liabilities that cannot be insured against or against which it may elect not to be insured fully or at all because of high premium costs.

***Litigation Risk***

Legal proceedings may arise from time to time in the course of the Company's business. The Company cannot preclude the possibility that litigation may be brought against it or other companies in the Group.

***Legal Risk***

There is a possibility that new legislation or regulations in any relevant jurisdiction may be adopted in the future that may materially adversely affect the Group's operations or its cost structure. New legislation or regulations, or different or more stringent interpretation or enforcement of existing laws and regulations, may also require the Group or its suppliers or customers to change operations significantly or incur increased costs which could have a material adverse effect on the financial results of the Group.

***Key Personnel and Management Risks***

There can be no assurance that the Group's current personnel, systems, procedures and controls will be adequate to support the Group's operations. Any failure of management to manage effectively the Group's growth and development could have a material adverse effect on the Group's business, financial condition and results of operations.

The Group's business is dependent on retaining the services of a small number of key personnel of the appropriate calibre as the business develops. The success of the Group is, and will continue to be to a significant extent, dependent on the expertise and experience of the Directors and senior management.

Whilst the Group has entered into contractual arrangements with the aim of securing the services of the existing management team, the retention of their services cannot be guaranteed.

Accordingly, the loss of one or more could have a material adverse effect on the Group.

### **Dividends**

The dividend policy of the Company is dependent upon its financial condition, cash requirements, future prospects, profits available for distribution and other factors deemed to be relevant at the time and on the continued health of the markets in which it operates. As a matter of English law, the Company can pay dividends only to the extent that it has distributable reserves available which, as the Company is a group holding company is dependent on the Company's ability to receive funds for such purposes, directly or indirectly, from operating subsidiaries in a manner which creates distributable reserves for the Company. The Company's ability to pay dividends to shareholders is therefore a function of existing Group distributable reserves, future Group profitability, the ability to distribute or dividend profits from subsidiaries up the Group structure to the Company and other factors that the Directors deem significant from time to time, such as capital requirements and general economic conditions. There can be no guarantee that the Company will pay dividends in the foreseeable future.

### **Forward looking statements**

The Circular contains "forward-looking statements" which includes all statements other than statements of historical fact including, without limitation those regarding the Company's financial position, business strategy, plans and objectives of management for future operations, or any statements preceded by, followed by or that include the words "targets", "believes", "expects", "aims", "intends", "will", "may", "might", "anticipates", "would", "could" or similar expressions or negatives thereof. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond the Company's control that could cause the actual results, performance or achievements of the Company to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Group will operate in the future. These forward- looking statements speak only as at the date of the Circular. The Company expressly disclaims any obligation or undertaking to disseminate any updates or revisions to forward-looking statements contained herein to reflect any change in the Company's expectations with regard thereto or any change in events, conditions or circumstances on which any such statements are based unless required to do so by applicable law.

**This list of risk factors should not be considered an exhaustive statement of all potential risk and uncertainties.**

## **DEFINITIONS**

The following definitions apply throughout this Announcement, except where the context requires otherwise:

<b>"5 Level Drive"</b>	has the meaning given to that term in paragraph 2 of Part I
<b>"2006 Act" or "Companies Act" or "Act"</b>	the Companies Act 2006 (as amended, modified, consolidated, re-enacted or replaced from time to time)
<b>"2015 Convertible Loan Notes"</b>	10 per cent. convertible loan notes 2018 issued to Greenstone in 2015
<b>"2015 Convertible Loan Note Instrument"</b>	the convertible loan note instrument dated 28 August 2015 and executed by the Company constituting the 2015 Convertible Loan Notes
<b>"2015 Greenstone Placing"</b>	the issue by the Company of the 2015 Convertible Loan Notes to Greenstone pursuant to the 2015 Investment Agreement
<b>"2015 Open Offer"</b>	the conditionally underwritten open offer carried out by the Company in 2015 of up to 900,677,910 Existing Ordinary Shares to eligible shareholders at a price of 0.2 pence per Existing Ordinary Share

<b>“2015 Placing”</b>	the placing of Existing Ordinary Shares not taken up under the 2015 Open Offer at a price of 0.2 pence per Existing Ordinary Share
<b>“2015 Investment Agreement”</b>	the subscription agreement entered into between the Company and Greenstone on 10 August 2015 relating to the 2015 Greenstone Placing
<b>“Admission”</b>	the admission of the New Ordinary Shares, the Open Offer Shares, the Placing Shares and/or the New Greenstone Shares (as the context may require) to trading on AIM becoming effective in accordance with Rule 6 of the AIM Rules
<b>“Affiliate”</b>	has the meaning provided in the Code (and <b>“Affiliated”</b> and <b>“Affiliates”</b> shall be construed accordingly)
<b>“AIM”</b>	the AIM market operated by the London Stock Exchange
<b>“AIM Rules”</b>	the rules for AIM companies as issued by the London Stock Exchange from time to time governing, <i>inter alia</i> , the admission of securities to AIM
<b>“Amended Articles”</b>	the articles of association of the Company as amended following the passing of Resolution 3 at the General Meeting, further details of which are set out in Part I, paragraph 13 of this announcement
<b>“Applicable Interest”</b>	the applicable percentage interest of the Significant Shareholder Group in Shares is calculated by taking the total number of all voting rights in the Company held by the Significant Shareholder Group (on a fully-diluted basis), including pursuant to Equity Securities, including the rights (whether or not conditional) to convert the Loan Notes into ordinary shares of £0.002 each in the capital of the Company, and dividing it by the total number of voting rights in the Company held by Shareholders (on a non-fully-diluted basis)
<b>“Applicable Securities Laws”</b>	has the meaning given to that term in paragraph 5 of Part II of the Circular
<b>“Application Form”</b>	the application form which accompanies this Circular on which Eligible non-CREST Shareholders may apply for Open Offer Shares under the Open Offer
<b>“Articles”</b>	the articles of association of the Company, in force from time to time
<b>“ASIC”</b>	Australian Securities and Investments Commission
<b>“Associate of the Significant Shareholder Group”</b>	means (i) the directors and officers of any member of the Significant Shareholder Group and (ii) any third party that has purchased shares in the Company at the direction of any member of the Significant Shareholder Group
<b>“Board” or “Directors”</b>	the board of directors of the Company
<b>“Business Day”</b>	any day (excluding Saturdays, Sundays and public holidays) on which banks are open in the City of London for the conduct of normal banking business
<b>“Capita Asset Services”</b>	a trading name of Capita Registrars Limited
<b>“certificated” or “certificated form”</b>	not in uncertificated form
<b>“Circular”</b>	this Circular including all attachments and enclosed papers
<b>“Code”</b>	the UK Takeover Code on Takeovers and Mergers

<b>“Company”</b>	North River Resources PLC, a company incorporated in England and Wales with registered number 5875525, whose registered office is, at the date of this Circular, at One America Square, Crosswall, London, EC3N 2SG
<b>“Conversion Price”</b>	has the meaning given to that term in paragraph 3(a) of Part III of the Circular
<b>“Conversion Requirement”</b>	has the meaning given to that term in paragraph 3(c) of Part III of the Circular
<b>“Corporations Act”</b>	Australian Corporations Act 2001 (Cth)
<b>“CREST”</b>	the relevant system for the paperless settlement of trades and the holding of uncertificated securities (as defined in the Regulations) in respect of which Euroclear UK & Ireland Limited is the operator (as defined in the Regulations)
<b>“DFS”</b>	means the definitive feasibility study carried out in relation to the Project
<b>“Deferred Shares”</b>	the new deferred shares of 0.0008 pence each in the Company arising from the Share Capital Reorganisation and having the rights set out in the Amended Articles
<b>“Eligible CREST Shareholders”</b>	Eligible Shareholders holding Existing Ordinary Shares in uncertificated form
<b>“Eligible non-CREST Shareholders”</b>	Eligible Shareholders holding Existing Ordinary Shares in certificated form
<b>“Eligible Shareholders”</b>	Shareholders (excluding Greenstone) whose names appear on the register of members of the Company on the Open Offer Record Date as holders of Existing Ordinary Shares, and who are eligible to be offered Open Offer Shares under the Open Offer in accordance with the terms and conditions set out in the Circular and, where relevant, in the Application Form
<b>“Enlarged Share Capital”</b>	the issued ordinary share capital of the Company comprising the New Ordinary Shares, the Open Offer Shares, the Placing Shares and the New Greenstone Shares
<b>“Equity Securities”</b>	has the meaning given to that term in the 2006 Act
<b>“Events of Default”</b>	has the meaning given to that term in Part III of the Circular
<b>“Ex date”</b>	8.00 a.m. on 29 June 2016 in respect of the entitlements of Eligible Shareholders under the Open Offer
<b>“Excess Application Facility”</b>	the arrangement pursuant to which Eligible Shareholders may apply for Open Offer Shares in excess of their Open Offer Entitlements
<b>“Excess CREST Open Offer Entitlements”</b>	in respect of each Eligible CREST Shareholder, the entitlement to apply for Open Offer Shares in addition to his Open Offer Entitlement credited to his stock account in CREST, pursuant to the Excess Application Facility which is conditional on him/her taking up his Open Offer Entitlement in full and which may be subject to scaling back in accordance with the provisions of the Circular
<b>“Excess Open Offer Entitlement”</b>	an entitlement for each Eligible Shareholder to apply to subscribe for Open Offer Shares in addition to his Open Offer Entitlement pursuant to the Excess Application Facility which is conditional on him/her taking up his Open Offer Entitlement in full and which may be subject to scaling back in accordance with the provisions of the Circular
<b>“Excess Shares”</b>	New Ordinary Shares in addition to the Open Offer Entitlement for which Eligible Shareholders may apply under the Excess Application Facility

<b>“Exchange Information”</b>	has the meaning given to that term in paragraph 5 of Part II of the Circular
<b>“Exchange Rate”</b>	means the rate of £1.00:US\$1.34 being the agreed upon exchange rate from £ to US\$
<b>“Existing Articles”</b>	the articles of association of the Company as at the date of the Circular
<b>“Existing Greenstone Shares”</b>	the 659,507,644 Existing Ordinary Shares held by Greenstone as at the date of this announcement
<b>“Existing Ordinary Shares”</b>	the 2,199,091,843 ordinary shares in issue at the date of this announcement, each with a nominal value of 0.2 pence each in the capital of the Company
<b>“FCA”</b>	the Financial Conduct Authority
<b>“Financing Proposals”</b>	the Open Offer, the Placing, the grant of conversion rights in respect of the Loan Notes, the Waiver, the Share Capital Reorganisation and the authority to issue Equity Securities, generally and free from statutory pre-emption rights pursuant to Resolutions 3 and 6
<b>“Form of Proxy”</b>	as included in the notice of General Meeting being Part VI of the Circular
<b>“Fractional Shareholders”</b>	has the meaning ascribed to that expression in Part I, paragraph 13 of the Circular
<b>“French Regulations”</b>	the rules and regulations ( <i>réglement general</i> ) of the Autorité des Marchés Financiers implementing Directive 2003/71/EC
<b>“FSMA”</b>	the Financial Services and Markets Act 2000 (as amended)
<b>“GFSC”</b>	Guernsey Financial Services Commission
<b>“General Meeting”</b>	has the meaning given to that term in paragraph 1 of Part I
<b>“GML”</b>	Greenstone Management Limited
<b>“General Meeting Record Date”</b>	the record date for the General Meeting, being 5.00 p.m. on 27 June 2016 (or such other time and date as the Directors may determine)
<b>“Greenstone”</b>	Greenstone Resources L.P. (No:1911) a limited partnership registered in Guernsey and whose registered office is at 1st Floor Royal Chambers, St Julian’s Avenue, St Peter Port, Guernsey, GY1 3JX, Channel Islands
<b>“Greenstone Placing”</b>	has the meaning given to that term in paragraph 2 of Part I of this announcement
<b>“Greenstone Shares”</b>	the Existing Greenstone Shares and the New Greenstone Shares
<b>“GRL”</b>	has the meaning given to that term in Part V of this the Circular
<b>“Group”</b>	the Company and its subsidiaries as at the date of this announcement
<b>“GRUK”</b>	has the meaning given to that term in Part V of this announcement
<b>“Independent Directors”</b>	James Beams, Rodney Beddows, Mark Thompson, Keith Marshall and Ken Sangster
<b>“Independent Shareholders”</b>	means Shareholders other than Greenstone

<b>“Indicated Mineral Resources”</b>	has the meaning given to that term in the 2012 Edition of the JORC Code prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia
<b>“Inferred Mineral Resources”</b>	has the meaning given to that term in the 2012 Edition of the JORC Code prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia
<b>“Issue Price”</b>	means 23.75 pence per Open Offer Share or Placing Share (as the case may be) (on a post Share Capital Reorganisation basis) (equivalent to 0.095 pence per Existing Ordinary Shares pre Share Capital Reorganisation)
<b>“Issued Share Capital”</b>	the issued share capital of the Company from time to time, being 2,199,091,843 Existing Ordinary Shares as at the date of this announcement
<b>“Loan Note Instrument”</b>	means the loan note instrument dated 28 June 2016 and executed by the Company constituting the Loan Notes
<b>“Loan Notes”</b>	has the meaning given to that term in paragraph 5 of Part I of this announcement
<b>“London Stock Exchange”</b>	London Stock Exchange Plc
<b>“Mandatory Offer”</b>	<p>means the requirement under Rule 9 of the Code which provides that where:</p> <ul style="list-style-type: none"> <li>(i) any person acquires an interest in shares (as defined in the Code) which, when taken together with shares in which he or persons acting in concert with him are interested, carry 30 per cent. or more of the voting rights of a company subject to the Code; or</li> <li>(ii) any person who, together with persons acting in concert with him, is interested in not less than 30 per cent. but does not hold shares carrying more than 50 per cent. of the voting rights of a company subject to the Code and such person, or persons acting in concert with him, acquires further interests in shares which increase his percentage of the voting rights,</li> </ul> <p>such persons are normally obliged to make a general offer to all the remaining shareholders to purchase, in cash, their shares at the highest price paid by him, or any person acting in concert with him, within the preceding 12 months</p>
<b>“Maturity Date”</b>	<p>means:</p> <ul style="list-style-type: none"> <li>(a) where the Resolutions are approved without amendment, 2 August 2016, being 15 days following the date of the General Meeting; or</li> <li>(b) where the Resolutions are not approved, 1 September 2016, being 45 days following the date of the General Meeting.</li> </ul>
<b>“Minerals Act”</b>	means the Namibian Minerals (Prospecting & Mining) Act No. 33 of 1992
<b>“Mining Licence”</b>	means NLZM’s pending mining licence no. 185 in relation to the Namib Project, for base, rare and precious metals and in respect of which the Ministry has issued, and NLZM has accepted, the Notice of Preparedness to Grant a Mining Licence
<b>“Ministry”</b>	the Namibian Ministry of Mines & Energy

<b>“Minority Shareholder Protections”</b>	has the meaning given to that term in paragraph 12 of Part I of this announcement
<b>“ML Proposal”</b>	has the meaning given to that term in paragraph 2 of Part I of this announcement
<b>“Namib Project”</b>	the Company’s Namib Lead & Zinc Project located in the Erongo Region, Namibia
<b>“NEEEF Bill”</b>	means the proposed draft National Equitable Economic Empowerment Bill, further details of which are set out in paragraph 2 of Part I
<b>“New Greenstone Shares”</b>	the New Ordinary Shares issuable to Greenstone on conversion in full of the Loan Notes pursuant to the Conversion Requirement
<b>“New Ordinary Shares”</b>	immediately following completion of the Share Capital Reorganisation, the new ordinary shares of 0.2 pence each in the capital of the Company arising on the subdivision, re-designation and consolidation of the Existing Ordinary Shares pursuant to the Share Capital Reorganisation
<b>“NLZM”</b>	the Company’s 100 per cent. held Namibian subsidiary, Namib Lead and Zinc (Pty) Ltd
<b>“Notice of Preparedness to Grant”</b>	means the formal notice of preparedness to grant the Mining Licence in terms of section 48(4) of the Minerals Act
<b>“Open Offer”</b>	the Open Offer of up to 8,683,254 Open Offer Shares at the Issue Price (equivalent to approximately 2,170,813,720 Existing Ordinary Shares pre Share Capital Reorganisation)
<b>“Open Offer Entitlements”</b>	an Eligible Shareholder’s pro-rata entitlement to Open Offer Shares
<b>“Open Offer Record Date”</b>	5.00 p.m. on 27 June 2016 in respect of the entitlements of Eligible Shareholders under the Open Offer
<b>“Open Offer Shares”</b>	the New Ordinary Shares to be issued pursuant to the Open Offer, including any Excess Shares (including, where relevant, reference to such New Ordinary Shares by reference to the equivalent number of Existing Ordinary Shares pre Share Capital Reorganisation)
<b>“Overseas Shareholder”</b>	a Shareholder who is resident in, or who is a citizen of, or who has a registered address in, a jurisdiction outside the United Kingdom, Australia, the Isle of Man, France, Switzerland or Portugal
<b>“Panel”</b>	the Panel on Takeovers and Mergers
<b>“Phase One Funding Requirement”</b>	has the meaning given to that term in paragraph 2 of Part I
<b>“Phase Three Funding Requirement”</b>	has the meaning given to that term in paragraph 2 of Part I
<b>“Phase Two Funding Requirement”</b>	has the meaning given to that term in paragraph 2 of Part I
<b>“Placees”</b>	means the placees under the Placing
<b>“Placing”</b>	has the meaning given to that term in paragraph 1 of Part I of this announcement
<b>“Placing Shares”</b>	the New Ordinary Shares to be issued in connection with the Placing

<b>“Registrar” or “Receiving Agent”</b>	Capita Asset Services acting in its capacity as registrar pursuant to the terms of the agreement for the provision of registry services entered into between the Company and Capita Asset Services
<b>“Regulations”</b>	the Uncertificated Securities Regulations 2001 (S1 2001 No. 3755) as amended
<b>“Relationship Agreement”</b>	means the relationship agreement entered into between the Company and Greenstone and dated 28 June 2016, details on which are set out in paragraph 12 of Part I and paragraph 5 of Part II
<b>“Resolutions”</b>	the resolutions to be tabled at the General Meeting as more fully set out in Part VI of this Circular
<b>“Restricted Jurisdictions”</b>	means any jurisdiction other than the United Kingdom (excluding the Channel Islands), Australia, the Isle of Man, France, Switzerland or Portugal
<b>“Rule 9”</b>	Rule 9 of the Code
<b>“Securities Act”</b>	US Securities Act of 1933, as amended
<b>“Security”</b>	has the meaning given to that term in paragraph 5 of Part I
<b>“Shareholders”</b>	the holders of shares in the capital of the Company from time to time
<b>“Share Capital Reorganisation”</b>	has the meaning ascribed to that expression in Part I, paragraph 1 of this announcement
<b>“Share Capital Reorganisation Record Date”</b>	5.00 p.m. on 18 July 2016 (or such other time and date as the Directors may determine)
<b>“Share Capital Reorganisation Resolution”</b>	means Resolution 2
<b>“Significant Interest”</b>	means an interest in voting rights representing 20 per cent. or more of the rights to vote at a general meeting of the Company attaching to New Ordinary Shares
<b>“Significant Shareholder Group”</b>	has the meaning given to that term in paragraph 12(a) of Part I of this announcement
<b>“Strand Hanson”</b>	Strand Hanson Ltd, the Company’s nominated adviser for the purpose of the AIM Rules
<b>“Subdivided Share”</b>	has the meaning ascribed to that expression in Part I, Paragraph A, section 3 of this Circular
<b>“Subscription Agreement”</b>	means the loan note subscription agreement dated 28 June 2016 between the Company and Greenstone
<b>“Subsidiary”</b>	any company (or other entity) controlled, controlling or jointly controlled by the same person, directly or indirectly, where “ <b>control</b> ” means the ability to appoint directors (or persons performing similar functions) through the exercise of a majority of the voting rights (or similar rights)
<b>“Supplementary Terms &amp; Conditions”</b>	has the meaning given to that term in paragraph 2 of Part I of this announcement
<b>“UK” or “United Kingdom”</b>	the United Kingdom of Great Britain and Northern Ireland
<b>“uncertificated” or “uncertificated form”</b>	held in uncertificated form in CREST

<b>“United States” or “US”</b>	the United States of America, its territories and possessions, any state of the United States of America and the district of Columbia and all other areas subject to its jurisdiction
<b>“VWAP”</b>	has the meaning given to that term in paragraph 5 Part I of this announcement
<b>“Waiver”</b>	has the meaning given to that term in paragraph 1 Part I of this announcement
<b>“Whitewash Resolution”</b>	has the meaning given to that term in paragraph 1 Part I of this announcement
<b>“Work Programme”</b>	the work programme agreed between the Company and Greenstone
<b>“£”</b>	pounds sterling, the lawful currency of the UK from time to time
<b>“US\$”</b>	US dollars, the lawful currency of the United States from time to time

### EXPECTED TIMETABLE OF PRINCIPAL EVENTS

General Meeting Record Date	5.00 p.m. on 27 June 2016
Open Offer Record Date (for entitlement under the Open Offer)	5.00 p.m. on 27 June 2016
Announcement of the Open Offer and Placing	28 June 2016
Existing Ordinary Shares marked 'ex' by London Stock Exchange	8.00 a.m. on 29 June 2016
Posting of this Circular and the Application Forms	28 June 2016
Existing Ordinary Shares marked 'ex' by London Stock Exchange	8.00 a.m. on 29 June 2016
Open Offer Entitlements and Excess CREST Open Offer Entitlements credited to stock accounts in CREST of Eligible CREST Shareholders	as soon as practicable on 29 June 2016
Recommended latest time for requesting withdrawal of Open Offer Entitlements and Excess CREST Open Offer Entitlements from CREST	4.30 p.m. on 11 July 2016
Latest time for depositing Open Offer Entitlements into CREST	3.00 p.m. on 12 July 2016
Latest time for splitting of Application Forms (to satisfy bona fide market claims only)	3.00 p.m. on 13 July 2016
Latest time and date for receipt of Forms of Proxy for the General Meeting	2.00 p.m. on 14 July 2016
<b>Latest time and date for receipt of Application Form and payment in full under the Open Offer and settlement of relevant CREST instructions</b>	11.00 a.m. on 15 July 2016
General Meeting	2.00 p.m. on 18 July 2016

Share Capital Reorganisation Record Date	5.00 p.m. on 18 July 2016
Announcement of the results of the General Meeting	18 July 2016
Expected date of announcement of results of the Open Offer through an RIS	18 July 2016
Expected time and date for Admission and commencement in dealings in the New Ordinary Shares following completion of the Share Capital Reorganisation, the Placing Shares, the Open Offer Shares and New Greenstone Shares on AIM	8 a.m. on 19 July 2016
Expected date for crediting of the New Ordinary Shares following completion of the Share Capital Reorganisation, the Placing Shares, the Open Offer Shares and New Greenstone Shares in uncertificated form to CREST accounts	19 July 2016
Expected date of despatch of definitive share certificates for the New Ordinary Shares, the Placing Shares, the Open Offer Shares and New Greenstone Shares	on or before 26 July 2016

*Notes:*

- (1) References to times in this announcement are to London, United Kingdom, time (unless otherwise stated).
- (2) The dates and timing of the events in the above timetable and in the rest of this Circular may be subject to change (with the agreement of the Nominated Adviser and the Broker). If any of the above times or dates should change, the details of the revised times and/or dates will be notified by an appropriate announcement via a regulatory information service, but Shareholders may not receive any further written communication.
- (3) In order to subscribe for Open Offer Shares under the Open Offer, Eligible Shareholders will need to follow the procedure set out in Part II of the Circular and, where relevant, complete the accompanying Application Form. If you have any questions relating to this Circular, and the completion and return of the Application Form, please telephone Capita Asset Services on 0371 664 0321. Calls are charged at the standard geographic rate and will vary by provider. Calls outside the United Kingdom will be charged at the applicable international rate. The helpline is open between 9.00 a.m. till 5.30 p.m., Monday to Friday excluding public holidays in England and Wales. Please note that Capita Asset Services cannot provide any financial, legal or tax advice and calls may be recorded and monitored for security and training purposes

**ILLUSTRATIVE STATISTICS RELATING TO THE OPEN OFFER, THE PLACING AND THE GREENSTONE PLACING**

Market price per Existing Ordinary Share <sup>1</sup>	0.1 pence
Anticipated market price per New Ordinary Share following completion of the Share Capital Reorganisation <sup>2</sup>	25.00 pence
Issue price per Open Offer Share and Placing Share (by reference to Existing Ordinary Shares pre the Share	0.095 pence

Capital Reorganisation)

Issue price per Open Offer Share and Placing Share (post the Share Capital Reorganisation) <sup>3</sup>	23.75 pence
Number of Existing Ordinary Shares in issue <sup>3</sup>	2,199,091,843
Equivalent number of New Ordinary Shares in issue (post the Share Capital Reorganisation)	8,796,367
Number of 2015 Convertible Loan Notes in issue at the date of this Circular <sup>4</sup>	US\$3,127,126.17
Number of Loan Notes in issue	US\$5.6 million
Number of Open Offer Shares available under the Open Offer <sup>5</sup>	8,683,254
Maximum number of Placing Shares	3,634,105
Number of New Ordinary Shares, Open Offer Shares, Placing Shares and New Greenstone Shares in issue on Admission <sup>6</sup>	26,392,596
Basis of Open Offer	1.41 Open Offer Shares for every 250 Existing Ordinary Shares held <sup>5</sup>
Approximate percentage of the Enlarged Share Capital represented by the Open Offer Shares and Placing Shares <sup>6</sup>	46.7 per cent.
Number of Greenstone Shares in issue following completion of the Open Offer and the Placing, should the full amount of US\$3.92 million be raised pursuant to the Open Offer and the Placing <sup>7</sup>	7,916,899
Number of Greenstone Shares in issue following completion of the Open Offer and the Placing, should the Loan Notes be converted in full <sup>7</sup>	20,234,259
Estimated net proceeds of the Open Offer, the Placing and the Greenstone Placing <sup>8</sup>	US\$5.4 million
Gross proceeds of the Open Offer, the Placing and the Greenstone Placing <sup>8</sup>	US\$5.6 million

*Notes:*

- (1) The mid-market closing price on 24 June 2016 derived from the London Stock Exchange, being the last practicable Business Day prior to the announcement of the Open Offer.
- (2) Based on the market price per Existing Ordinary Share and the Share Capital Reorganisation only and assuming no other market movements.
- (3) As at the close of business on 24 June 2016, being the last practicable Business Day prior to the publication of this Circular.
- (4) As more fully described in Part I of this Circular, the 2015 Convertible Loan Notes will, pursuant to the terms of the Subscription Agreement, be repaid (and cancelled) out of the proceeds of the Greenstone Placing.
- (5) In the event that the Share Capital Reorganisation was not taking place, this would equate to 352.5 new shares for every 250 Existing Ordinary Shares held. The actual number of Open Offer Shares to be issued will be subject to rounding down to eliminate fractional entitlements and effects of the Share Capital Reorganisation. Open Offer Entitlements will be calculated by

reference to the number of Existing Ordinary Shares held, as calculated on the Open Offer Record Date. Greenstone has undertaken not to participate in the Open Offer and will be excluded from the Open Offer so that Greenstone's holding of Existing Ordinary Shares will not be taken into account in calculating Open Offer entitlements.

- (6) This figure is post the Share Capital Reorganisation and assumes that the maximum number of 12,317,868 Open Offer Shares available under the Open Offer and the Placing are allotted pursuant to the Open Offer and the Placing (combined) and that US\$3.92 of the Loan Notes are repaid, with US\$1.68 of the Loan Notes being converted into 5,278,868 New Greenstone Shares in accordance with the Conversion Requirement (and assuming all Resolutions are approved without amendment).
- (7) If the Open Offer and the Placing proceed to raise US\$3.92 million from investors other than Greenstone, 70 per cent. of the Loan Notes will be repaid, and 30 per cent. of the Loan Notes will automatically be converted into New Greenstone Shares in accordance with the Conversion Requirement. If the Open Offer and Placing do not raise any proceeds, the Loan Notes will also automatically be converted into New Greenstone Shares. In each case, this assumes that all Resolutions are approved without amendment.
- (8) Pursuant to the terms of the Greenstone Placing, the Company has raised a total amount of US\$5.6 million through the issue of the Loan Notes, which (depending on the results of the Open Offer and Placing) may be repaid out of the proceeds of the Open Offer and the Placing up to 70 per cent. of the total value of the Loan Notes.
- (9) Share prices and premiums have been derived from the London Stock Exchange and represent the closing mid-market prices on the relevant date.

**For further information please visit [www.northriverresources.com](http://www.northriverresources.com) or contact:**

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