Newsletter

12th November 2015

Dear Shareholders and Colleagues,

You will by now, I hope, have seen our preliminary results announcement for the year ended 30th June 2015.

We have tried to give some general overview, a brief guide to the figures as published and any significant changes, and some signposts showing where the business is going.

I am sure some people will have more questions, and we are very happy to give further explanation if you write, text, tweet or phone. Two points first.

1. Some highlights in our view were:

During the year:

- Sale of Colombian assets concluded
- Gold a safe haven as metal prices collapsed
- Parent company borrowings cut from £1.1m to nil; other payables down £0.4m
- Jupiter Mines generated profits as it ramped up manganese production
- Action taken to protect Red Rock's investment in Kenyan gold exploration

Since year-end:

- Continuing action to reduce group overhead costs
- Investment in Elephant Oil; option on Shoats Creek wells in Louisiana
- Strengthening turnround at associate Star Striker Ltd
- Policy to focus on revenue-producing opportunities

As pointed out, the sale of Colombia and restructuring were the necessary precursor of current actions, where we can hold out "**the transformative prospect of a significant flow of income within the current financial year**". So this was a year where we moved from one mode to another, and this has reflected itself in everything we do and our manner of doing it, from top to bottom of the organisation.

2. Cash flow is the key.

We have cut costs, and will do so further, and we speak of "early cash flow" generation as our priority, but some shareholders will read this as no more than a pious hope, and a formula recycled year after year by companies to keep their shareholders quiet.

We have three reasons for thinking this can be achieved and that we may move to a net inflow of recurrent income within our current financial year.

First, we believe Shoats Creek offers the prospect of direct revenues, significant in the context of the Company, and offering a rapid payback, beginning within that time frame. There will be a great deal more news on that, and it would not be appropriate to anticipate it here.

Secondly, the payment of the next instalment of the Colombia consideration is due early next year, and that investors have noted, but they have forgotten or discounted the 3% NSR royalty stream that will start to flow when the expanded mill is re-opened. That might have happened this Autumn, but we were rightly cautious, as they had much to do, and we waited on events rather than announcing anticipated events. The information flow is now better, as Para Resources Inc, a TSX-V listed company, has bought in to Colombia Milling and started to release some useful reports, including a NI 43-101 report. Though not directly relevant to us, since we are a shareholder neither in CMS nor Para, and no definitive forecasts on timing and production on which we could rely have been given, these give a picture of continuing progress towards reopening of the mill and treatment plant at an initial 200 tpd capacity. http://pararesourcesinc.com/news/

A presentation is also available on the Para site. http://pararesourcesinc.com/wp-content/uploads/2015/11/PARA-PPT-Nov-5-2015_Final.pdf

One does not have to believe that the plant will operate from the beginning of 2016, and produce 75,000 oz gold in 2016, to see that the prospect of a significant royalty stream throughout 2016 is a realistic one.

Thirdly, we expect to sub-let part of our space at a level which will generate small net inflows rather than outflows.

These three factors alone could, as you can see, result in a six figure monthly net inflow before the end of our financial year. We would rather take a cautious view, and under-promise, but it is with reasonable confidence that we can look forward to a significant flow of income to balance our reducing outflows, and describe this as transformational.

3. We can expect further asset sale proceeds

We have the next instalment due of the Colombia sale proceeds due early next year. We have the possible acceleration, under the terms of sale, of the $1m Note payment in the event a listed company controlling the El Limon mine has a financing (evidently a likely event). We have the increase in value and liquidity of our Star Striker holding which we have designated as 'non-core'. Of course, we would rather some of these things had happened a little quicker, as the process of change – and the rerating we could hope for – would be more advanced.

We are, we think, getting there.

Of course, there will be many other possible questions. As we receive and answer them, we will if it seems it might be useful summarise these Qs and As in our next newsletter. Do write, text, tweet, or call. We cannot respond to anonymous messages or respond to chat rooms, but all normal modes of communication are available.

Yours,

Andrew Bell