

Dear Shareholders and Colleagues,

Sale of Colombia

Finally we announced today the signature of a definitive sale agreement for our assets in Colombia. This has been a goblin on our back for some time, in that having announced two years ago we had made a strategic decision to sell, it has taken a long time to finalise a sale. First we had one buyer who spent a lot of time looking at the project but was not in the end able to complete. We appeared to many to be repeating the experience with the second buyer.

However there were differences, which is why the outcomes were different. The first buyer was trying to justify the investment to shareholders and partners at a time when the gold price was falling sharply and moving the target month by month: this created complications for it which we understood but could do nothing about. In the end they were unable to find a structure that would protect the interest of shareholders in their exploration assets, which had declined hugely in value, while giving us a reasonable price for our production asset. The second buyer was quite different. We knew that ultimately they had the money available from their own resources, even if they preferred not to spend all their own money, and we also knew that they were capable of doing the transaction privately and so were not reliant on the public markets. Thirdly the economics were not changing all the time as they did due diligence; the gold price was relatively stable over the period. Fourthly and critically they had run and successfully produced from EL Limón in the 90's and had made investment in plant and mine development that form the backbone of what exists today. We knew that they had carried out a similar development of a narrow vein gold mine in Nicaragua with a similar business plan involving milling neighbouring properties' ore, and sold successfully after increasing value. We knew that visitors to that mine had described it as one the best run they had seen. We also knew that the same business model was being applied by them in current projects in other Central American countries and our only fear was that these simultaneous developments would create a distraction and reduce their capacity for dealing with us.

The nature of the buyer was that it was more an operator than a corporate market player. This had many advantages but possibly the lengthy due diligence and documentation process were partly due to this, given that the principals had their own businesses to run and were often moving between countries, and given that a number of parties were involved on each side and these parties and interests were distributed over a wide geographical area: three continents, two languages, seven law firms and six countries being involved.

There will be some questions about the transaction; some people will ask why we couldn't get an all cash deal? The answer is we would have preferred an all cash deal but if we had insisted on that any of the buyers available would have been asking for a very discounted price reflecting the perceived risk and the conditions of the market. Colombia and this area of Colombia are not so widely known and understood that the universe of confident buyers

is large. We therefore accepted after a number of discussions with a number of interested parties that any transaction was likely to be back-end loaded as a buyer would be willing to share the proceeds of growth, but only so long as he did not assume all the initial risk. Once the decision was made that we were open to such transactions with part of the consideration delayed, it then became important for us - and over time assumed increasing importance in our thinking - that we transact with the most competent operator possible. We could not deal with a buyer that was over-optimistic or underfunded or lacked knowledge of Colombia or of the type of mining or even of the district. The risk that they would run back to port at the first storm was too great. We have been careful in our analysis of the strengths and weaknesses of all potential parties, and once that analysis showed that the Nicaragua Milling Limited/Colombia Milling Limited group had the strongest combination of technical ability, relevant experience and local knowledge we would not deviate from the decision to stick with them in an exclusive negotiation, so that together we would find our way through to a resolution.

In our belief the most important and immediate requirement is that new investment should be put into the mine and plant to improve operating performance. Colombia Milling Limited is committed to that and hopes to be operational with new investment completed within nine months of closing of the agreement; this closing is scheduled for end of April. The payment structure of the transaction recognises the funding realities in the market and ensures that the initial monies go into the ground, prioritising the work necessary on the plant and mine. In this way we believe that the best outcome can be achieved, which is a sustainable mining operation treating El Limon ore as well as ore from surrounding areas and operations. The most important thing about the Colombia sale is not that we got a certain price, nor even that given the fall in gold price and in the mining market the loss of investment value could have been very substantially greater. The most important thing is that we have completed the sale and cleared our books, got rid of a distraction, eliminated the risk of an underperforming asset we were not well placed to manage, and re-focused the company in a way that will enable management and investors to concentrate on the most promising and profitable opportunities that we can identify.

2015 – moving ahead

We are reviewing a number of options for 2015, as well as advancing exploration in the Ivory Coast. Potential transformative transactions for the company are possible. We will continue to review possibilities in an open-minded way with our great objective being to see continuous share price progress between now and end of year.

We will be taking part in the UK Investor Show on Saturday the 18th of April and welcome shareholders and any questions on the day.

Yours,

Andrew Bell