

Dear Shareholders and Colleagues,

We [announced this morning](#) that our partners in Mid Migori have been notified of the termination of their special licence.

This is something we regret and believe to be unjustified. They will challenge it strongly and we believe that their position is strong enough that the matter could proceed to a full trial were things to take that course. From our point of view, the Ministry's position has some serious, and potentially embarrassing, defects.

However we are not relying on that alone. We are progressing our own applications for the licences and it may well be that the most convenient solution for all will eventually be to let those applications have due course.

We are taking actions in relation to this and it would have been logical to have waited until we could announce them too, to give people positive balanced view. But we cannot hold back even one day on announcing potentially negative developments: that is our obligation to our shareholders, as you will understand.

When we fight we fight extremely hard and having invested much money and time in doing very high quality exploration in Kenya, we will not allow an unjust outcome that affects our interest, to proceed unchallenged.

We have been relatively inactive in Kenya in the last two years as a result of the licence issues that have now come to a head. Those who buy, sell or talk about our stock in the main seem hardly to consider Kenya. It appears that many have tacitly written it off as of doubtful value, and we have considered it prudent to encourage that by talking little of it. If it were attached any significant value by shareholders, our share price would -we believe- have been much higher. Theoretically therefore there should be little if any downside. That will not, however, stop our followers and supporters feeling disappointed this morning, and that they have lost something.

On the other hand, when as we expect we are able to get some more positive news to announce from Kenya, people will perhaps begin to see this as all upside with no downside. There should start to be a perception of the potential value of this asset.

It is an unfortunate thing that in some countries when one creates value by exploration one creates at the same time envy and cupidity, and opportunity for the unscrupulous. The exploration business is not meant to be easy and one of the battles it constantly has to fight is this. Our hearts did not even miss a beat when we heard the news because we had war-gamed extensively every possible outcome, knew what to do, and like an efficient machine our team swung into action.

This is not the place for an update on Colombia, other than to repeat what has already been announced: that we executed the agreement, that the buyer is operating through a single lawyer and that there is a great deal of documentation from different countries to be assembled in Toronto. We have done what we need to do and the odds and ends still being assembled are not ours. Closing normally follows as a matter of course following execution and so it should be here. We remain confident that people will not have to wait much longer to hear that money is in our account.

Yours ever,

Andrew Bell