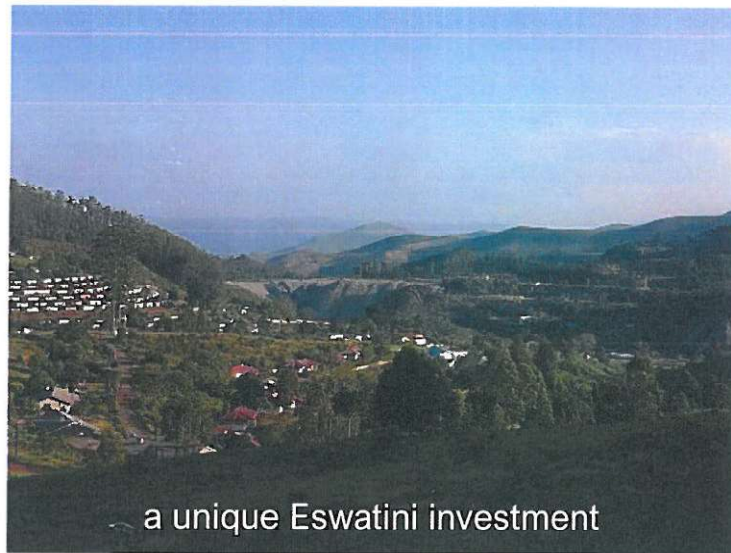


The  **KOBOLONDO** Project

Unlocking Resource Value for Eswatini



July 2020

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1. Project Snapshot

The Kobilondo Project is **primarily a rehabilitation project** that will see the retreatment of the Havelock chrysotile asbestos mine's tailings storage facility (TSF) at Bulembu (in the North-West of Eswatini), resolving a key environmental hazard for the Eswatini nation.



The TSF however contains a **world-class magnesium resource** which can be exploited to yield superior investment returns, over and above funding its rehabilitation, by offering significant opportunities to enter the global magnesium market as a low-cost producer within three years.

Kobilondo Mining (**KMS**), is an Eswatini-registered company jointly owned by Salamander Mining International (**SMI**), the Ingwenyama Trust for the nation (administered by His Majesty, King Mswati III) and the Government of Eswatini.

KMS, has been granted a Mining Lease to rehabilitate the TSF and extract, process and upgrade commercially viable minerals, primarily magnesium, nickel and iron, over the extended lease period of 20 years.

The residue from the historical mining operations, some 25 million tons, is situated on two large TSFs. In the process of extracting the magnesium, the chrysotile asbestos is destroyed, thereby achieving dual objectives - rehabilitation and low cost magnesium production.

KMS will initially produce magnesium sulphate and later magnesium oxide and even metal, as a possible future phase. The residue of inert silica (sand) will be used to landscape the dump site with no environmental or health hazards.

The proposed process flow requires the erection of a roaster plant that feeds sulphur dioxide gas (SO₂) to an acid plant which in turn produces the sulphuric acid (H₂SO₄) required to leach the base metals from the TSF material. SMI will supply the necessary sulphide ore to feed the roaster on a tolling basis (fully recovering the costs of operating the roaster).

The JORC compliant resource contained in the TSF is -

Mineral Resource Classification	Dry Tonnes (Mt)	Mg (%)	Mg Metal (Mt)
Indicated	23.244	23.28	5.410
Inferred	1.851	22.88	0.424
Total	25.095	23.25	5.834

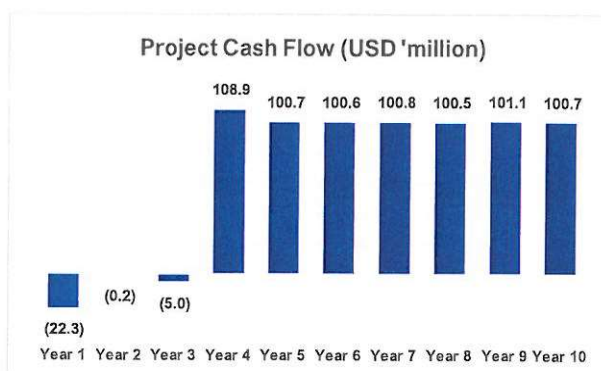
In addition to the magnesium set out above, the tailings contain 1.7 to 2.1 million tons of iron (Fe) at 3.88% and between 93 000 and 110 000 tons of nickel (Ni) at 0.21%.

The project status is –

▪ Scoping Phase	Completed
▪ Competent Persons Report	Completed
▪ Resource Evaluation	Completed
▪ Environmental Impact Assessment	Completed
▪ Environmental License	Pending (subject to orphanage relocation plan)

The project offers a high yielding investment opportunity with an investment of circa USD 100 million required for the first phase of the Project which will see roaster production at 20 000 tons per month. At this level, the project has a **net present value** (at a real discount rate of 8%) in the order of **USD 400 million**.

This investment also includes providing seed funding to restart the Eswatini gold mining industry, the value of which is exponentially incremental to the returns from the project.



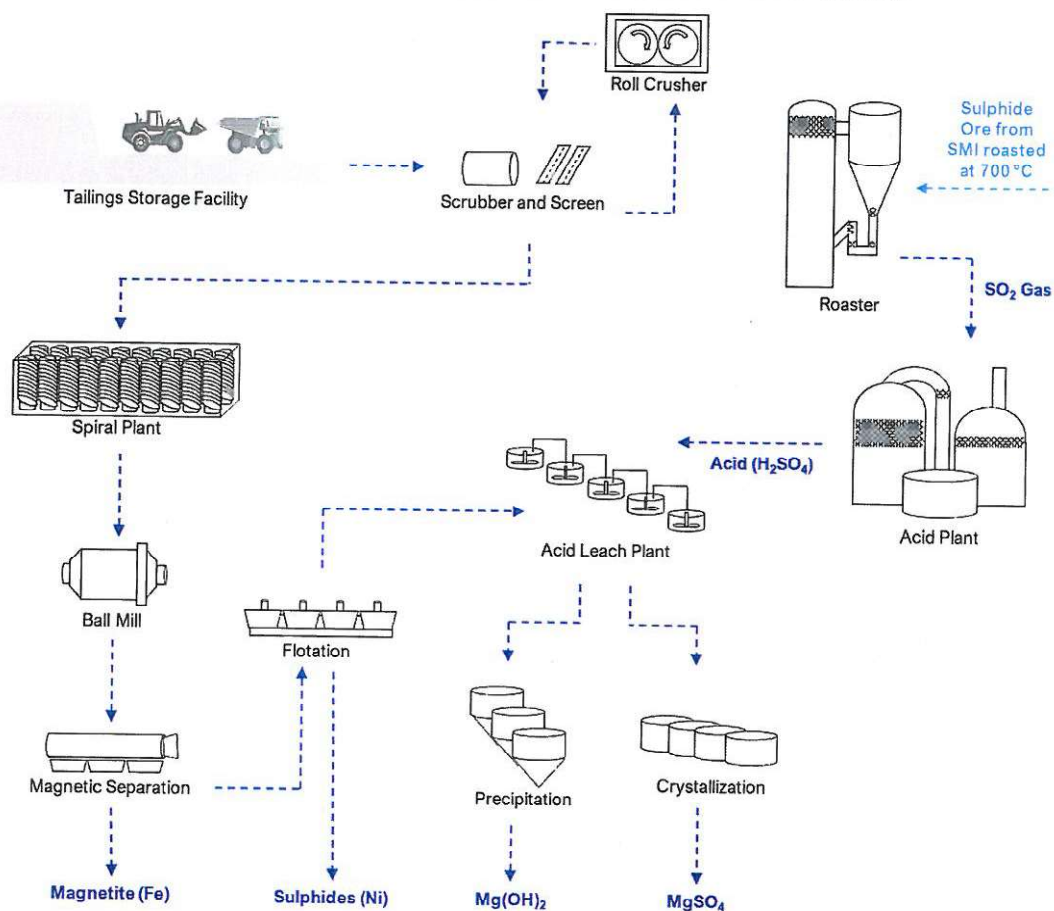
2. The Kobolondo Project

The closure, in 2001 and after some 60 years in operation, of the Havelock chrysotile asbestos mine at Bulembu in Eswatini, left behind approximately 25 million tons of exposed chrysotile tailings. His Majesty King Mswati III, Ingwenyama for the Kingdom of Eswatini, granted KMS a Mining Lease in October 2016 to complete the rehabilitation of the TSF – known as the Kobolondo Project.

The Mining License was granted in November 2016, notarised in 2017 and is valid for a period of ten years from the date the Environmental Compliance Certificate is issued and renewable for a further ten years.

In the process of extracting the magnesium, by leaching with sulphuric acid, the chemical structure of chrysotile asbestos is destroyed, thereby achieving dual objectives of rehabilitation and low cost magnesium production. The residue of inert silica (sand) will be used to landscape the dump site with no environmental or health hazards. The project is thus ultimately funded through extraction, processing and upgrading of commercially viable minerals from the dumps.

The process flow proposes the erection of a roaster plant that feeds sulphur dioxide gas to an acid plant which in turn produces the sulphuric acid required to leach the base metals from the TSF material.



Traditionally, the primary limitation of roasting as a method of oxidization of gold or other sulphide concentrates is fatal acid production. Historically, roasting would expel sulphur dioxide gas, often permeated with arsenic, into the atmosphere. This is no longer permissible, and this gas must be scrubbed, which results in the production of sulphuric acid.

However, this acid must be consumed in some industrial process to avoid stopping the roaster operation, hence the term fatal acid production. The secondary limitation is the necessity of a certain level of sulphur in the concentrate in order to achieve an exothermic reaction (where the concentrate combusts continuously with only the addition of oxygen as opposed to smelting, which requires significant energy).

SMI will procure the supply of sulphur rich gold concentrates from various mines in Southern Africa. This concentrate will be roasted at KMS, and the calcined residue returned to the gold miners for extraction. This

roasting will be done on a toll treatment basis, which will see the all in costs of roasting recovered from SMI.

The by-product of roasting, namely the sulphur dioxide gas will be discharged, at no cost, to KMS's acid plant, allowing for the production of sulphuric acid at low cost.

Drilling, assaying and evaluation exploration of the TSF within the Kobolondo Project has been completed. This resource contains –

Mineral Resource Classification	Dry Tonnes (Mt)	Mg (%)	Mg Metal (Mt)
Indicated	23.244	23.28	5.410
Inferred	1.851	22.88	0.424
Total	25.095	23.25	5.834

In addition to the magnesium set out above, the tailings contain 1.7 to 2.1 Mt of Iron (Fe) at 3.88% and 93 000 to 110 000 tons of Nickel (Ni) at 0.21%.

The town of Bulembu is situated in the far North-West of Eswatini, in close proximity to the South African border. Bulembu has access to Barberton in South Africa through the Josefsdal border post by tarred road. Bulembu is relatively isolated, as the road to the closest town in Eswatini, Pigg's Peak, is not tarred. However, a tender to upgrade the road has been awarded. The town hosts an orphanage, managed by the Bulembu Christian Ministry, which will be relocated upon commencement of the project.

KMS's vision is to sustainably unlock resource value in Eswatini for the benefit of the Swazi Nation, shareholders and the mining community. To achieve this, KMS will ensure mining and social licenses are retained and that a stable and safe environment for mining, processing and value-addition exists, whilst simultaneously driving sustainable socio-economic development within the Eswatini mining community.

3. Magnesium Markets

KMS's anticipated production of magnesium sulphates and oxides would be delivered into the following global markets -

- Alloys (magnesium is a lightweight metal, 33% lighter than aluminium, and attractive to the automotive, aerospace, rail and other transportation industries);
- Fertiliser (magnesium nitrate for agricultural sector);
- Animal feeds;
- Energy Storage (magnesium-ion batteries); and
- Construction (flame retardants, wall boards and cement).

Whilst KMS sees a potential future in magnesium alloys, particularly as global trends in fuel efficiency and low carbon production continue to grow, an initial focus will be in the sulphate, and potentially the oxide and compound sections of the magnesium market. Being a low-cost producer, KMS's magnesium sulphate product will have a relatively easy entry into the commodity market. The sector has been dominated by China for decades, and users are increasingly searching for alternative suppliers. In addition, Chinese production is aging and undergoing significant demands to comply with international environmental and health and safety standards.

4. Health and Safety

As the Kobolondo Project is centred around the rehabilitation of an old chrysotile asbestos dump, the debate and sensitivity linked to asbestos are well understood and have been adequately prepared for.

KMS and its contractors will comply with WHO standards of safety and will abide by Government Health and Safety standards (as informed by South Africa's Operational Safety Standards relating to asbestos) to ensure the safety of its employees and local residents when dealing with white chrysotile.



In addition, the relocation of the orphanage will be managed by the Bulembu Christian Ministry, to ensure the physical and social needs of the orphans and the staff are catered for.

5. Capital Expenditure, Finance and Production

The major capital cost items for the project are -

- Acquisition of Land and Resource (including relocation of orphanage and refurbishment of town);
- Civils and Infrastructure Development;
- Mining Equipment;
- Roaster plant;
- Acid plant (including Leaching and Distribution); and
- Working Capital

During the initial phase, KMS will produce 493 700 tons of magnesium sulphate per annum. This will generate steady state -

- revenue of USD 179.1 million (SZL 2 597.4 million) and
- EBITDA of USD 139.9 million (SZL 2 027.9 million)

The project has an NPV of USD 397.6 million (SZL 5 765.3 million) over an initial ten year period. The financial summary is attached as **Annexure A**.

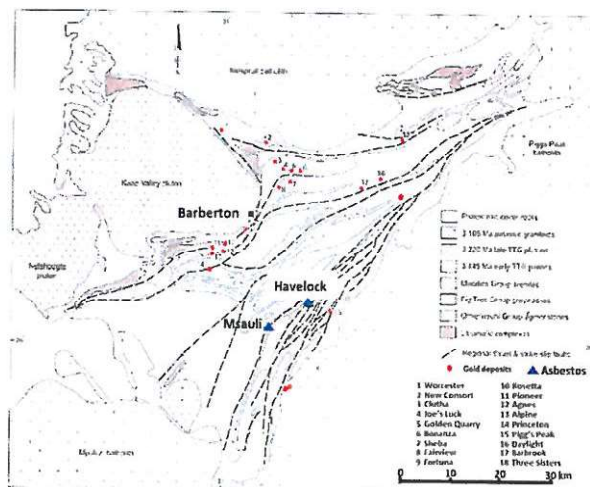
6. Project Timeline

Having secured the Mining Lease, KMS has achieved significant progress in establishing its business in Eswatini, extensive project planning and stakeholder engagements as well as the completion of its environmental assessments. Once funding is secured, the project can be commissioned within two years with production within the following year.

7. Rebuilding the Eswatini Gold Industry

The North West section Eswatini is situated within the Barberton Greenstone belt, a world renowned heavily mineralised zone, which is host to a myriad of mines, particularly gold mining. Barberton has a continuous mining history of more than a century, hosting famous mines such as Sheba, Consort, Fairview and Agnes.

The primary obstacle to gold mining in the Barberton Greenstone Belt has always been the metallurgy. The gold which lies close to the surface, and in riverbeds, is oxidised, and thus amenable to cyanidation. Gold situated deeper in the earth is however refractory, i.e. encased in an iron sulphide matrix called pyrite. It is not amenable to cyanidation and requires an oxidation process, such as roasting, or Biox®, to liberate the gold.



Distribution of gold and asbestos deposits in the Barberton greenstone belt

Without this metallurgical recovery the mines in Eswatini, having mined out the oxidised gold, all closed down but still have significant remaining refractory gold resources. The construction of a roaster plant at Bulembu provides a metallurgical process which oxidises and liberates gold from sulphide concentrates and allows for the redevelopment of multiple sulphide (refractory) gold mines in Eswatini. This development will have a massively beneficial economic impact on the economy, both in terms of financial returns and job creation, the mining of these ore-bodies being labour intensive.

Although the TSF rehabilitation and the production of base metals (magnesium, iron and nickel) are the primary focus of the Kobilondo Project, this project facilitates the Eswatini gold strategy. Mining will generate a sulphur rich gold bearing concentrate from sulphide-rich ore bodies, which will then be trucked to Bulembu for roasting, thus allowing for the extraction of gold. Therefore, KMS's roaster plant will enable the cost-effective re-opening of multiple mines in Eswatini. SMI and KMS will complete the blending of gold concentrates from several mines in order to achieve the optimal grade of sulphur for roasting at the central plant.

In order progress with this initiative, it is necessary to do embark on a comprehensive drilling program on

each target and to produce JORC compliant resource statements. SMI has identified the following exploration targets for drilling -

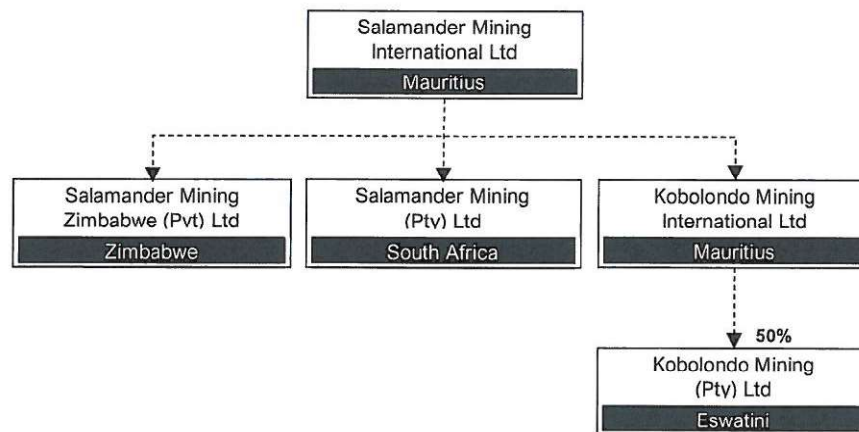
Section	Area	Mines
Southern	North of Ngwenya	Rajah, She, Waverley, Ivanhoe, Avalanche, Red Hill, Art Union, Albino, Forbes, Waterfall, Primrose
Central	Pigg's Peak	Emlembe, Tutusi, Pigg's Peak, Old England, Black Diamond, Gbolondlo
Western	Bulembu	Devils Reef, Nottingham Hill, Havelock, Emlembe
Northern	Kamhlabane	Daisy, Gordon, Wyldsedale, Lomati

Upon completion of the requisite competent person studies of regional mines that could potentially supply gold concentrate to the KMS, the reopening of these operations will be initiated off the back of KMS off-take agreements.

By having access to a roaster, previous impediments to Eswatini rebuilding a significant gold mining industry are removed.

8. Salamander Mining International

SMI is a Mauritian based company, with assets in Eswatini, South Africa and Zimbabwe. The corporate structure is as follows -



SMI is a specialist in the extraction of gold and sulphides from tailings and is in the process of securing sulphide ore production capacity in South Africa and Zimbabwe through a combination of owned production and joint ventures. This sulphur concentrate is intended for roasting at KMS.

9. The Team

The planning, processing, transportation and marketing of the multiple products that can be extracted from the TSF requires extensive skill and experience. However, the expertise within SMI uniquely positions it to oversee such a major project for Eswatini.

The co-founder and CEO, **Lloyd Birrell**, is a leading figure in the mining industry. Originally from the accounting and legal sector, he commenced consulting in the resource sector in 1998, focusing on mastering multidisciplinary skills such as process engineering, underground and surface mining, metallurgy and geology. Previously Chief Executive Officer of Agnes Mining, director of ASX listed Mintails Limited, Ergo Mining (Pty) Ltd, Skeat Gold Mining (Pty) Ltd and HVH Gold Mining (Pty) Ltd, Mr Birrell also founded Stonewall Resources and was the Chief Executive Officer between 2010 and 2015. His track record for successfully recommissioning gold assets and restoring them to profitability, includes -

- Ergo (the world's largest tailings operation)
- Agnes underground and tailings
- Transvaal Gold Mining Estates underground and tailings
- Bosveld Mines underground and tailings
- Barbrook Tailings Project

The other co-founder and CFO, **Deon Robbertze**, a Chartered Accountant with an MBA and more than 20 years' experience at senior financial management levels in the mining industry including as Financial and Commercial Manager at Kumba Base Metals (now part of Exxaro) and Chief Financial Officer at Xstrata South Africa (now part of Glencore). He has been extensively involved in mining projects in sub-Saharan Africa and as far afield as China and has held director positions on numerous boards globally. His experience includes corporate finance and structuring, project implementation, international tax and global financial reporting.

10. Contact Details

Chief Operating Officer	Lloyd Birrell lloyd@salamandermining.com +27 82 857 6725
Chief Financial Officer	Deon Robbertze deon@salamandermining.com +230 5932 0122

Operating and Financial Summary
20 000 tpm Roaster Feed Scenario

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10
Pricing Assumptions										
Exchange Rates	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50	14.50
Magnesium Sulphate	300	300	300	300	300	300	300	300	300	300
Nickel	8 000	8 000	8 000	8 000	8 000	8 000	8 000	8 000	8 000	8 000
Iron	100	100	100	100	100	100	100	100	100	100
	SZL / USD									
	USD / Ton									
	USD / Ton									
	USD / Ton									
Production										
Magnesium Sulphate	-	-	185.1	493.7	493.7	493.7	493.7	493.7	493.7	493.7
Nickel	-	0.8	2.1	2.1	2.1	2.1	2.1	2.1	2.1	1.0
Iron	-	14.4	38.4	38.4	38.4	38.4	38.4	38.4	38.4	19.2
	'000 tons									
	'000 tons									
	'000 tons									
Operating Results										
Revenue	-	-	67.8	179.1	179.1	179.1	179.1	179.1	179.1	179.1
Operating Costs	(0.1)	(0.2)	(17.9)	(39.3)	(39.3)	(39.3)	(39.3)	(39.3)	(39.3)	(39.3)
EBITDA	(0.1)	(0.2)	50.0	139.9	139.9	139.9	139.9	139.9	139.9	139.9
Taxation	-	-	(0.8)	(30.5)	(38.0)	(38.2)	(38.1)	(38.2)	(38.3)	(38.2)
Capital Expenditure	(22.2)	-	(54.2)	(0.4)	(1.1)	(1.0)	(0.9)	(1.1)	(0.5)	(0.9)
Project Cash Flow	(22.3)	(0.2)	(5.0)	108.9	100.7	100.6	100.8	100.5	101.1	100.7
Peak Funding (Month 25)	(50.5)									
NPV (Discount Rate 8% Real)	397.6									
Major Capital Items										
Land and Resource	22.2	-	54.2	0.4	1.1	1.0	0.9	1.1	0.5	0.9
Roaster Plant	12.0	-	-	-	-	-	-	-	-	-
Acid Plant	-	-	24.0	-	-	-	-	-	-	-
Mining and Screening Plant	-	-	26.8	-	-	-	-	-	-	-
Working Capital and Other	-	-	3.4	0.4	1.1	1.0	0.9	1.1	0.5	0.9
	10.2	-	-	-	-	-	-	-	-	-