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Company Release

17 April 2020

VMR Restructuring Plan

Considering the significant effect of the Covid-19 outbreak globally and locally, Tau Lekoa, Kopanang and VMR are experiencing significant economic stress. The Tau Lekoa Mine, the Kopanang Mine and the West Gold Plant were put into care and maintenance since the start of the lockdown.

Prior to the lockdown, the Kopanang and Tau Lekoa Mines have already been making significant losses during the past years. The operations were relying on shareholder funding for operational and capital expenditures.

On 9 April 2020, the extension of the lockdown period was announced by the President of the Republic of South Africa, along with the worsened situation of Covid-19 outbreak globally and in South Africa locally.

On 16 April 2020, the South African Government announced Regulations regarding mining operations, indicating that underground mining operations can resume only up to 50% of production capacity while continuing to follow strict control measures based on fighting the Covid-19 pandemic, including social distancing, isolation etc.

Both the Tau Lekoa and Kopanang Mines are already suffering significant financial losses, and operating at reduced production level, without a restructuring, will result in significant further losses for the two operations.

As a result, Tau Lekoa, Kopanang and VMR project that they will experience further financial difficulties in the months ahead, within the lockdown period as well as following the upliftment of the lockdown. It is also uncertain, at this time, as to what future effects, if any, Covid-19 may have on the South African economy and business environment as a whole.

In addition to the above, Tau Lekoa has been advised by a number of experts that there are substantial concerns regarding the health and safety associated with restarting normal operations at the Tau Lekoa Mine due to the increasing seismic activities at the mine. In addition, the amendments to the Regulations also require intensified assessment by the Council for GeoScience, clearly indicating that seismicity is a real concern to the mining industry as a whole.

Last but not least, due to the significant loss making position of Tau Lekoa and Kopanang Mines, since the date of acquisition of these operations but Heaven-Sent Gold Group Company Limited ("**the Shareholders**"), the Shareholders have requested a fundamental restructuring of the business and will only consider a continued funding of the operations after a revised operational plan is presented that can limit future operational losses and achieve an operational level at which mining is profitable.

As a result, alternative operational plans are being considered for the Tau Lekoa Mine and the Kopanang Mine and their operations generally, including potentially –

- keeping the care and maintenance of the Tau Lekoa Mine;
- restarting the Kopanang Mine with a reduced labour intensity; and
- re-starting the West Gold Plant with reduced utilisation rates.

Given the above, VMR have got to the point where they have decided to embark upon a restructuring process as contemplated in Section 189 of the Labour Relations Act ("**LRA**").

The Section 189 notice has been sent out to all potentially affected employees and Union representatives. The Company will be engaging with all employee and Union representatives for a proper consultation process, aiming to minimize the potential retrenchment, if any, and secure a sustainable future of VMR.

Village Main Reef Proprietary Limited