



Heaven Sent Gold South Africa (Pty) Ltd

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Reg. no. 2015/095863/07

Matters arising from the statements by Heaven Sent Gold SA suspended senior executives

22 October 2020

Heaven Sent Gold SA is currently undertaking several forensic investigations regarding irregularities at the company and its subsidiaries, during the tenure of the previous management. The disciplinary charges brought against Phillip Spencer and Stephanus De Koker are part of the investigation.

The company has also been made aware that two arrests of previous key management persons have taken place recently.

Heaven Sent Gold SA owns and manages two businesses in South Africa, two underground gold mining operations (Tau Lekoa and Kopanang gold mines) through the subsidiary of Village Main Reef, and a surface gold business through Nicolor and Buffelsfontein Gold Mining Company.

During 2016-2019, the businesses of HSG SA significantly underperformed, with vast financial losses and was relying on substantial shareholder loans to be kept afloat. At the end of 2019, the significant underperformance of the operations resulted in the suspension of the planned Hong Kong listing. At that time, the business was in a difficult position, with approximately 7000 jobs being at risk.

As a result, in February 2020, Mr. Jeff Dong was mandated by the shareholders to take over the management and fundamentally reform the business. After Mr. Jeff Dong became CEO in February 2020, he immediately made significant changes to the company's management structure. Mr Dong was previously a non-executive director of the company, representing the company's controlling shareholder, Heaven Sent Capital Group, headquartered in Beijing.

Mr Dong and the management team are committed to turning the business around. After a series of decisive actions, positive results have already been seen. The businesses have been saved and continue to operate, with renewed future prospects.

The implementation of new management principals and eliminating corporate inefficiencies has resulted in the significant reduction of senior corporate management positions.

Also, the new management implemented the immediate reduction of all unnecessary third-party expenses at the underground mining operations. These cost saving actions resulted in considerable, sustainable monthly saving.

Under the previous management, the surface business (Nicolor and Buffelsfontein Gold Mining Company) had not made any profit. With the new current management, the surface business, without any tolling materials, has achieved operational cash flow every month, under difficult circumstances such as the COVID-19 lockdown of 6 months and unlawful gatherings and protests.

Buffelsfontein Gold Mine, previously declared by the previous management as a 'zero value' business, has, under the current new management, proven to be a strategic valued business for HSG SA. Additionally, the exploration of surface resource has been very successful, creating the future potential of Buffelsfontein as an open-cast gold mining business.

In April 2020, Mining MX reported that the jobs of up to 6,309 employees were on the line. The free cash flow generated from surface operations has supported the significant care and maintenance cost of underground operations and resulted in saving approximately 3,700 jobs that were previously at risk. In addition, the new current management team have secure new jobs for approximately 400 employees who were retrenched, with suppliers and other mining partners.

Heaven Sent Gold SA has and continues to act in accordance with the mandate given by Heaven Sent Group, which mandates are compliant with the South African laws.

There is no substance to the allegations contained in the articles as published on 15 October 2020 and 22 October 2020, and the statements made by the suspended senior executives who are currently in a legal process with the company.

The company condemns the disruptive statements and actions of the suspended senior executives. The company will take the necessary legal actions in this regard.

As the leadership team of Heaven Sent Gold SA, we would like to reassure all stakeholders that the company has finalised its management reform and business restructuring, and is at a much better position to move to a new phase of sustainable development. The executive team of the company remains positive about the future of the business.

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