



### Gold in Mozambique



#### Key Data

Listing:	Private
Asset Location:	Mozambique

#### Introduction

Fox-Davies Capital is initiating coverage of African Lion Gold (“ALG”), an early stage gold exploration company focused on the Chifunde area of Mozambique. ALG has secured a 189km<sup>2</sup> concession that has not previously been exploited

#### Potentially a very high grade deposit

It is a fact that the artisanal miners are mining very high grade ore with grades of up to 175g/t being recorded in grab samples from the artisanal miners bagged ore. Additionally, channel samples have recorded excellent grades, many over 30g/t.

#### And a large deposit

The potentially mineralised structures extend for a strike length of more than 2,500m and are open at depth, the deepest artisanal mining currently being ~120m below the surface. The exposed and currently exploited shear zones, alteration envelopes and associated ramp structures are approximately 60m wide within the main artisanal pit area.

#### Suggesting a potential multi-million ounce deposit.

Whilst it is well known that the artisanal miners are mining the high grade ore from the shear zones, it has been proven that there is a halo effect around these shear zones, with the gold grades reducing the further the distance from the shear. Any material that has to be mined to access the higher grade ores yet carries sufficient grade to cover the cost of milling will be deemed ore.

#### Catalysts for 2021

The key catalyst for 2021 will be the resumption of drilling at Chifunde. The plan is to drill a number of holes under the artisanal pits with the intention of hitting the high-grade ore below where the artisans are mining. Total planned drilling is budgeted for 14,200m to delineate an initial resource and investigate some blue-sky targets.

#### Valuation

As ALG is an exploration company, and so far has only developed targets for drilling, we have not attempted to value the company as there is nothing to value at the moment. However it is expected that the upcoming drilling will yield positive results and that value will start to accrue.

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## Investment Case

### **Significant Resource Potential**

Several structures are currently being exploited by the artisanal miners, which includes the major NW-SE shear zone, the E-W extensional fault zone and the low angle NE-SW striking, NW-verging thrusts. The major NW-SE geological feature potentially extends for more than 2,500m with intermittent artisanal hard rock workings along this strike length. This factor, combined with the known width of the alteration envelope of up to 60m (up to 30m either side of the structure), the fact that the artisanal workings extend to a depth of ~120m, the high grades that have been sampled to date (both by grab samples and channel samples - up to 175 g/t), suggests strongly that there is a significant resource potential for this area.

### **Large Land Package**

The Chifunde Gold Project in Mozambique covers an area of 189km<sup>2</sup> in prospective Pan African Rocks. This is concession 7113L/9664C. ALG has three further land packages, 6523L & 8825L, which are contiguous with the main 189km<sup>2</sup> concession and one, 9863L approximately 200km to the south. There is a right of first refusal on each of these leases. These leases are held 80%ALG/20% with a Mozambique partner.

### **Totally unexplored leases**

Exploration of the mineral potential of Mozambique has been greatly hindered by decades of political and social instability and the aftermath thereof. Although artisanal miners have exploited various commodities for centuries, formal modern day activities have been restricted by the prevalence of wars. Accompanying these was a distinct lack of priority to develop social and economic platforms, including development of coherent and attractive mineral laws. As such, past lawful exploration and mining activities are limited in number and history.

### **Phase 2 Exploration About to Start.**

The phase 2 exploration programme is an 18 month plan involving around 14,200m of drilling with 80% of this drilling focused on the Messengereze Target Zone, which is the main geological feature on concession 7113L/9664C. The budget for the phase 2 exploration work is £3M and is targeted at delineating an initial resource with the addition of some limited drilling on blue-sky targets.

### **Bulk sampling a possibility**

Due to the high-grade nature of the ore, it is believed that there is a “nugget” effect which could potentially result in major sampling problems. To overcome this problem, a bulk sampling plant could be built, yielding an average annual production of more than 25,000oz. This could occur within one to three years, and if designed with expansion in mind, could form the basis of a full scale processing plant after the feasibility study is completed. If the bulk sampling plant could produce 25,000 oz pa, given the probable grades, it should be very profitable, and generate sufficient cashflow to fund the feasibility study. One of the positive ramifications of this is that the cash generated could be used to fund exploration and the feasibility study rather than raising fresh capital.

### **Valuation**

As African Lion Gold is an exploration company, and so far has only developed targets for drilling, we have not attempted to value the company as there is nothing to value at the moment. However, progress is being made and it is expected that the upcoming diamond drilling will yield positive results and that value will start to accrue.

## Company History

The company was originally incorporated by Regius, a company founded by Cobus van Wyk, Felicio Zacarias and Graca Ferreira, and is focused on acquiring and developing highly prospective mineral and energy assets with an emphasis on mining and clean and renewable energy projects in Africa. In Mozambique, through experience accumulated since 2004, Regius has garnered strong local market knowledge and in-country relationships with local government and communities. Regius considers this to be one of its key competitive advantages.

Regius has experience in developing resource-based projects within Mozambique, such as Tantalite, Coal, Diamonds, Rubies, Graphite, Heavy Mineral Sands, Phosphates, and Gold. Three Heavy Mineral Sands concessions were sold to Savanna/Rio Tinto, a Coal project was sold to AfriMinerals, and a Graphite project was sold to Balama. Regius discovered the very first gem quality diamonds in Mozambique. This project has been placed on hold until Mozambique becomes a member of the Kimberley Process. The first diamonds are stored safely in a vault at BCI in Maputo. Regius has also been involved in developing successful Ruby mines, both for itself and as a contractor for Mustang Resources. The successfully operating ruby mines were sold to Gemrock (a subsidiary of the Indian group Diacolor International DMCC) and Fura Gems, respectively.

African Lion Gold plc, is a Regius subsidiary incorporated to hold its gold investments, and has significant exploration and mining interest in the north-eastern portion of the Tete Province, within the Chifunde Gold District in north-western Mozambique.

## Location

The Chifunde project is located in the Tete Province of north western Mozambique, approximately 220km north of the provincial capital of Tete (Exhibit 1). The country is bound by the south-eastern and western borders of neighbouring Zambia and Malawi, respectively. Administratively, the closest village is Muende located approximately 31km southwest of the project area.

**EXHIBIT 1: MOZAMBIQUE SHOWING PROJECT AREA**



Source: ALR

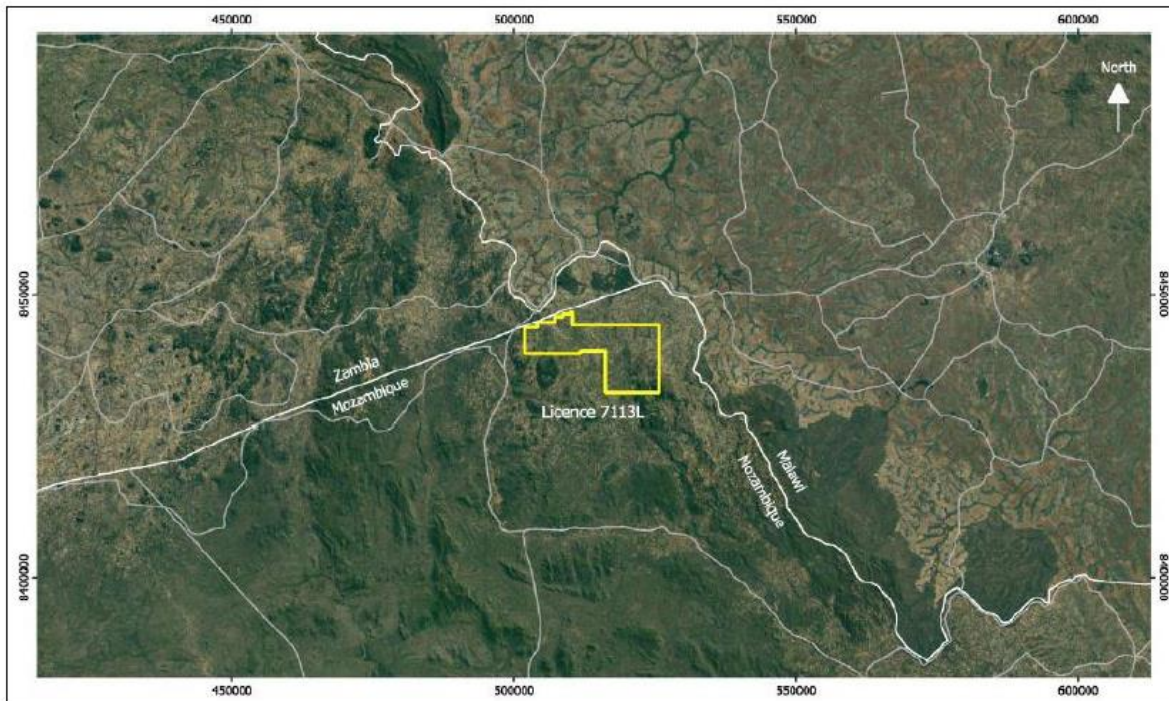
## Property Description and Ownership

The project area is covered by Prospecting Right Licence 7113L, covering an area of approximately 18,983 ha (189.83km<sup>2</sup>) (Exhibit 2). African Lion Resources is the 80% owner of this licence via a shareholder agreement with Ouro Mulamuli Lda., a Mozambican company. The right was granted on 3 April 2016 and is valid until 3 April 2021, where after it may be extended for up to three further years on application to the Minister of Mineral Resources.

An Application to convert the Prospecting Licence into a Mining Concession was submitted and the new concession number 9664C has been allocated. A mining concession gets issued with a 25 year term which may be extended for another 25 years.

As far as it has been disclosed, all permits have been acquired to conduct the work proposed for the property, and payments have been made to keep the Licenses in good standing. There is no known environmental liability to ALG. The QP has been informed by ALG representatives that there are no royalties, back-in rights, payments or other agreements and encumbrances to which any of the Licenses is subjected, except for legislated government royalties.

## EXHIBIT 2: LICENSE AREA 7113L



Source: ALG TRACS

## Mineralisation

Gold mineralisation within the Chifunde Project Area occurs in two different genetic settings i.e., in primary hard rock-hosted and in secondary alluvial soft rock-hosted deposits. Primary gold mineralisation occurs in the form of mesothermal shear-hosted Au (Ag-Cu)-quartz vein and disseminated wall rock deposits. To date, this type of gold mineralisation has been confirmed to occur within the regionally developed NW/SE, E/W-striking steeply inclined Pan-African shear zones and shallow E-dipping, W-verging Pan-African thrust zones.

The development of the Pan-African fault, shear and thrust zone system was accompanied by structurally controlled hydrothermal fluid flow, alteration and gold (silver-copper) mineralisation, resulting in the development of litho-structurally controlled mesothermal Au (Ag-Cu) deposits. The deformed and high-grade (granulite to amphibolite-facies grade) Mesoproterozoic lithologies within and immediately around these Pan-African structural zones underwent variably intense brittle-ductile shearing (mylonitisation) and hydrothermal alteration (silicification, epidotisation, chloritisation, Fe-depletion) under greenschist-facies retrograde metamorphic conditions.

The hydrothermal fluids are most likely of combined metamorphic and magmatic origin and related to regional greenschist-facies metamorphism and syn-tectonic Pan-African intracontinental felsic magmatism in the form of granites, adamellites

(quartz monzonite), syenites and monzonites intrusive into the deformed and high-grade metamorphosed Mesoproterozoic basement of the Tete Province at ~565-480 Ma.

These shear zones host quartz or quartz-feldspar veins, sulphides (pyrite, chalcopyrite, arsenopyrite) and intensely sheared and hydrothermally altered (epidotisation, sericitization, chloritisation, silicification) country rock. Alteration, veining and mineralisation related to fluid flow of hydrothermal, oxidising, metal-bearing ore fluids appear to be more intense in the mafic metavolcanics/volcanoclastics and metasediments (reducing environment) than in the granites and orthogneisses (oxidising environment). This suggests a combined litho-structural control on gold mineralisation - a phenomenon that requires further investigations as a predictive exploration tool. The further subdivision of the currently generalised "amphibolite" lithology, through mapping and combined radiometric/SWIR (short wave infrared data) interpretation is a priority as it may delineate areas with favourable host-rocks.

A pre-Pan-African Orogeny gold mineralisation event linked to the Mesoproterozoic Irumide Orogeny and structures has so far not been confirmed. The tectonised (sheared) intrusive contact zones between granitoids of the Desaranhama Granitoid Suite and volcano-sedimentary lithologies of the Mualádzi and Mchinji Groups could potentially be preferred sites of gold mineralisation related to structural reactivation either during the Irumide or Pan-African orogenic events, or both.

A number of primary shear zone-hosted gold deposits are currently exploited by artisanal miners in the southeastern sector of the project area within the Messengereze river valley, i.e. the Chifunde Pit 1-4 deposits (Exhibit 3).

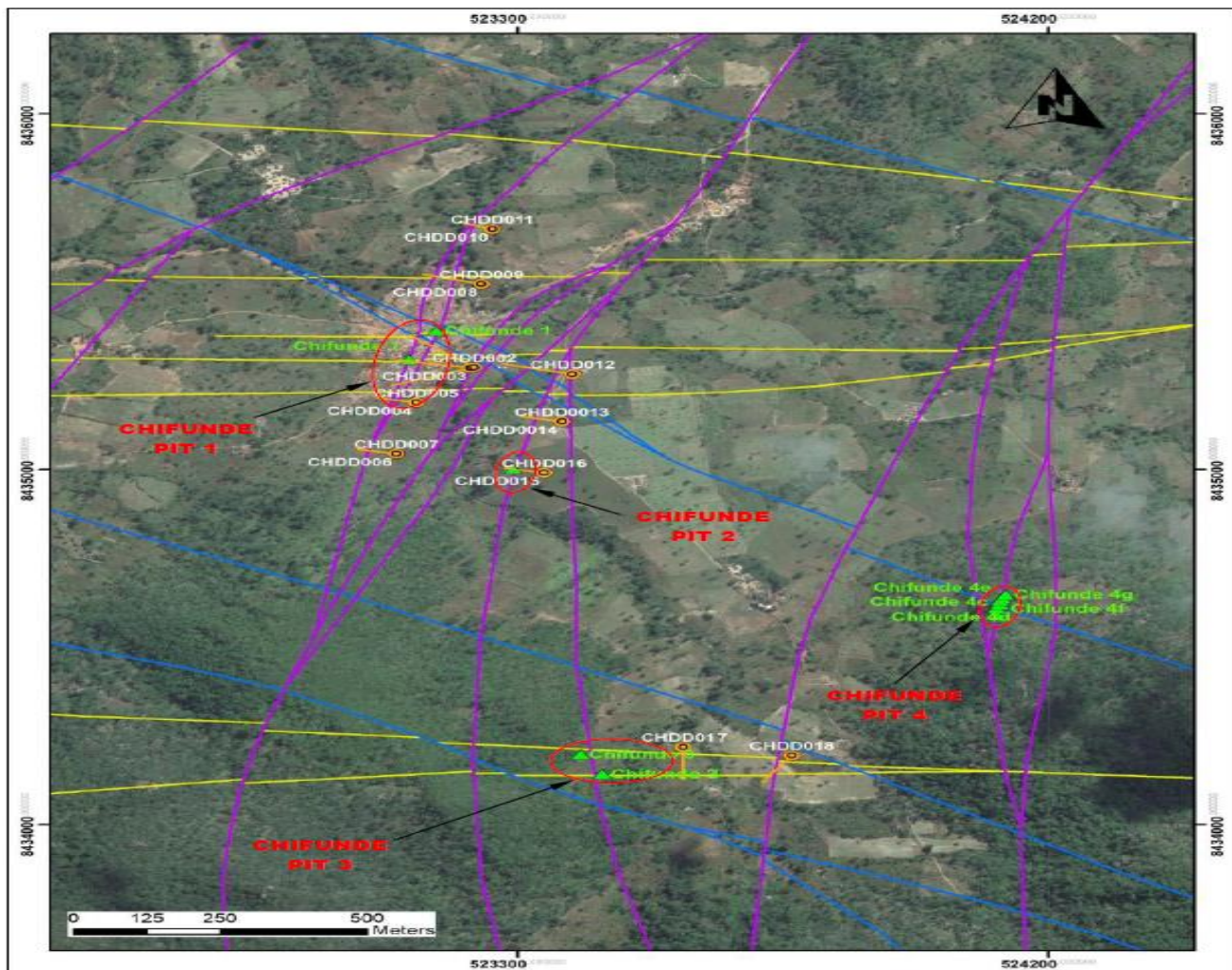
## The Chifunde Gold Project

The concession area of 7113L/9664C is a total of 189km<sup>2</sup> or 18,900 hectares, and is accompanied by the right of first refusal on three adjacent concessions. The licence is held through a joint venture company held 80% by ALG and 20% by the Mozambique partner. The concession holds a high-grade shear zone hosted gold lode in the southeast section of the licence where confirmed grades of up to 63g/t have been recorded. This is known as the primary Deposit.

It contains intermittent artisanal hardrock workings over a structural strike length in excess of 2,500m and with potential mineralisation that is open at depth. Artisanal miners are currently active in 3 large pits, producing an estimated 9,600 to 12,000 oz of gold per year. The artisanal miners were active in a fourth pit which has since been mined out and has been infilled. AFL explored the fact that the aplitic material found at Pit 4, possibly expands towards the granite contact to the south. ALG trenched in order to expose the N-S trending shear but were unsuccessful as the overburden/colluvium near the granite contact is more than 3m thick. Pit 4 has subsequently been downgraded as a target area for this phase of drilling and will be looked at again during future exploration programs.

The Chifunde Gold District and project area underwent high-grade (amphibolite-facies) metamorphism and deformation during the Mesoproterozoic Irumide orogenic event at ~1.05-0.95 Ga, and was subsequently exposed to low-grade (greenschist-facies) metamorphism, minor granitic magmatism, and intense structural deformation in response to three successive phases of the Neoproterozoic Pan-African orogenic event at ~650-480 Ma, forming a complex network of sub-vertically inclined shear zones and shallow-dipping thrust zones. The orogenic event was accompanied by the generation of Au (Ag and Cu)-bearing metamorphic and hydrothermal fluids that infiltrated the shear and thrust zone network and resulted in the formation of multiple litho-structurally controlled gold deposits.

## EXHIBIT 3: STRUCTURAL INTERPRETATIONS SHOWING CHIFUNDE PITS 1-4



Source: Terra Exploration Data

## Exploration Status

Initial exploration by ALG in their Chifunde project area commenced during 2018 and continued until the end of 2019 with ALG engaging the services of several consulting firms.

A.C.A. Howe International Ltd. and VG & Remote Exploration completed independently, a satellite imagery interpretation and lineament analysis of the project area using high-resolution (0.5m) imagery from the GeoEye-01 satellite sensor

Also in 2018, GeoActiv (Pty) Ltd. (South Africa) and Valls Geoconsultant (Canada) completed an Independent Competent Person's Report and an initial NI 43-101 compliant technical draft report for the Chifunde Gold Project respectively. These reports summarised the results of some regional work conducted by the Mozambican Government, the then current artisanal exploitation, the initial exploration work by Metamorfismo Lda, their own findings, and the current knowledge of the project area at the time.

In late 2018, ALG embarked on an more aggressive exploration drive, commencing with the commission of high-resolution, (50m line spacing), helicopter-borne XPlorer™ magnetic and radiometric surveys over concessions 7113L (Chifunde Project) and 6523L (located 4 km southeast of concession 7113L). The surveys were flown and the acquired data processed by New Resolution Geophysics (NRG), a South African-based geophysical consulting firm.



This was followed by an ASTER survey (Advanced Spaceborne Thermal Emission and Reflection Radiometer). This work produced various alteration mineral maps which were used to identify structurally controlled alteration and mineralisation zones across the project area.

In 2019, PhotoSat Information Ltd., a remote sensing company based in Vancouver, Canada, undertook mineral alteration mapping over the entire Chifunde project area using ASTER (Advanced Space-borne Thermal Emission and Reflection Radiometer) imagery and a newly in-house developed alteration mineral spectral matching technology (PhotoSat, 2019). The study applied geophysical data processing methods and geological judgement to produce various alteration mineral maps, including processed images depicting areas of silica, sericite, kaolinite, phyllic, ferric iron oxide and propylitic alteration. The mineral alteration mapping had the aim to identify structurally controlled alteration and mineralisation zones across the project area.

Exploration continued in 2019 by engaging the services of Applied Scientific Services and Technologies (Pty) Ltd (ASST) to reprocess the raw magnetic and radiometric data and to undertake a stand-alone geophysical interpretation, which was completed in late March 2019. At the same time, ALG engaged the services of Terra Explora Consulting to carry out a desktop-based, integrated geological (litho-structural) interpretation of the geophysical survey data, to conduct a field-based structural study to ground truth the desktop interpretation, and to undertake a target generation exercise. The study was completed in mid-April 2019 and culminated in the identification of 11 exploration target zones. As part and in support of this study, Mr Morris Makuza, geologist of ALG, undertook extensive geological field mapping over a period of 3 months (mid-January to mid-April 2019) across the eastern and central-eastern portions of Concession 7113L, covering nearly 50% of the entire project area.

#### **EXHIBIT 4: MESSENGEREZE SHEAR ZONE-ARTISANAL MINING**



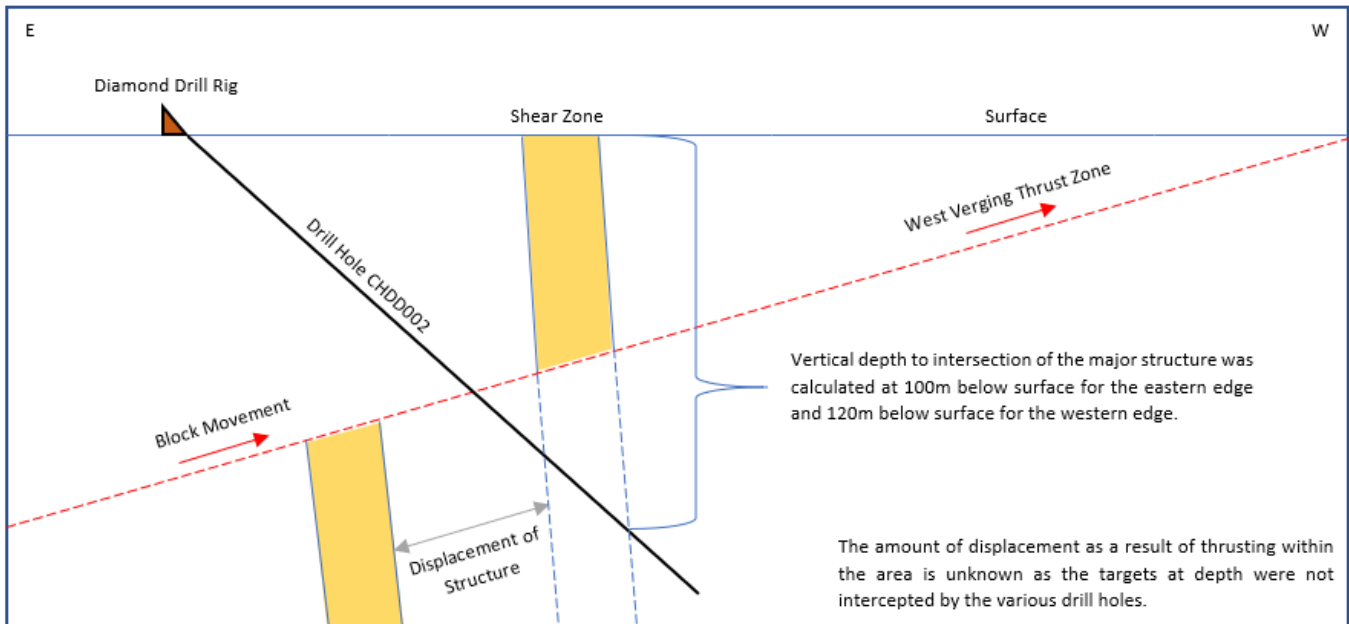
Source: ALG

The achievements of the phase 1 exploration included the integration of the field mapping with the soil, hard rock grab and channel sampling plus lineament analysis and satellite interpretation, a helicopter aeromagnetic and radiometric survey. All this was combined and integrated to define a set of targets. The geophysics indicated multiple shear zones with at least three

sets of structures having confirmed gold mineralisation to date. The top priority was defined as the ~2,500m long stretch of the Messengereze River Valley along which all the artisanal workings, currently three pits, are located. Local miners have extended pit 1 to a depth of ~120m with overall dimensions of 180m by 80m and are producing 25-30kg of gold per month.

Channel sampling and three orientated drill holes for 877m were completed in November 2020, but the drilling missed the target at depth due to the displacement. However, the drilling did return low grade results of between 0.02g/t and 1.78g/t from areas outside of the targeted areas, indicating potential for a mineralised alteration envelope.

#### EXHIBIT 5: MESSENGEREZE SHEAR ZONE-ARTISANAL MINING



Source: ALG

Phase 2 of the of the exploration programme will include 14,200m of drilling of which 80% will be focused on the primary target zone with the aim of delineating an initial resource for which a budget of £3M has been set for expenditure over 18 months. This programme is due to commence in the first quarter of 2021, dependent on favourable weather conditions.

#### EXHIBIT 6: PHASE 2 EXPLORATION BUDGET

Activity	UOM	Total Project
Geologists	GBP	359,367
Drilling – 14,226 m	GBP	1,801,237
Laboratory Analysis – 10,670	GBP	390,319
Corporate Overhead	GBP	252,816
Professional Fees	GBP	196,261
<b>Total</b>	<b>GBP</b>	<b>3,000,000</b>

Source: ALG

There was a field visit that included the new geological team in early October 2020. The purpose of the trip was to gain a better understanding of the NW-SE shear as earlier interpreted. A number of channel and grab samples were taken during this visit. The Channel sampling was conducted across several mining faces within the Chifunde Pit 1 artisanal mining area, reflecting true widths of mineralisation. Structures that were sampled include an E-W extensional fault, several thrust faults and a quartz vein. Significant intercepts include 33.1 g/t Au across a 3.55m wide E-W extensional fault, 45.4 g/t Au across a 1.18m wide thrust fault, 80.3 g/t across a 0.41m wide thrust fault Exhibit 8), 124.5 g/t Au across a 0.72m wide thrust fault and 0.35 g/t across a 0.46m wide translucent quartz vein at surface (Exhibit 7).

#### EXHIBIT 7: OBSERVATIONS IN PIT 1-ASSAY RESULTS

Pit 1 Channel Sample No.	1*	2	3	4	5
<b>Classification</b>	E-W Structure	Thrust Fault	Thrust Fault	Thrust Fault	Quartz Vein
<b>Average Grade (g/t)</b>	33.1	45.4	80.3	124.5	0.35
<b>Width of Structure (m)</b>	3.55	1.18	0.41	0.72	0.46
<b>Approximate Depth Below Surface (m)</b>	40	60	60	110	2

\*Channel sample 1 results obtained from SGS Randfontein.  
Assay results for Channel samples 2-4 obtained from ALS Laboratories.

Year	Sample ID	Au (g/t)	Description
2020	CHI-001	39,70	1,18 m wide channel sample taken from a thrust fault.
	CHI-002	51,10	
	CHI-003	80,30	0,41 m wide channel sample taken from a package of quartz veins with sulphide mineralisation.
	CHI-004	124,50	0,72 m wide channel sample taken from ~110 m below surface.
	CHI-005	175,00	Grab sample taken from stockpiled material in Pit 1 (blue sacks) – Large boulder of translucent quartz.
	CHI-016	0,35	0,46 m wide channel sample taken from quartz vein 2 m below surface – NW extension.
2019	CHS19-002	63,10	3,55 m wide channel sample taken from E-W trending artisanal mining face.
	CHS19-003	51,10	
	CHS19-004	0,58	
	CHS19-005	3,12	

Source: ALG

The new assay results confirm high-grade mineralisation within the planned target zones for the upcoming drill programme, set to commence in the first quarter of 2021, dependent on favourable weather conditions.

One of the interesting observations made during the site visit was that the artisanal miners mainly target the very high-grade ore first, and then return at a later stage to take out the lower grade material adjacent to the structures. However, they leave the gold halo around the structures.

Although the artisanals are mining at depths of up to 120m, this is well within the scope of modern open pit mining and since most of this halo material would presumably have to be mined to get to the higher grade core, any material than covered its cost of processing would be considered ore. Therefore, we believe that there is scope for substantial tonnages, albeit at more modest grades than the headline figures.

The key conclusion from this visit was that the NW-SE shear is the dominant occurrence around Pit 1, and it will be the primary drilling target. However, there is a second target running NNE-SSW to N-S with shallow dipping thrusts that are being mined. It was also determined that there was no indication that the E-W structures and steep N-S strike-slip shears are dominant mineralised structures.

The same conclusions were drawn at Pit 2, where the mineralised thrust strikes NE-SW and dips shallowly at 40° to the SE. This is parallel to the thrusts in Pit 1 and could be part of the same fold and thrust system. The artisanal miners clearly understand the geology and are currently using a 20t excavator and tipper truck to remove the overburden on the southern

side of the pit. Once their pit has bottomed out they plan to go underground, using the old “German” tunnels they have intercepted. It is thought these are the remains of early German exploration work around the end of the 1800’s and early 1900’s.

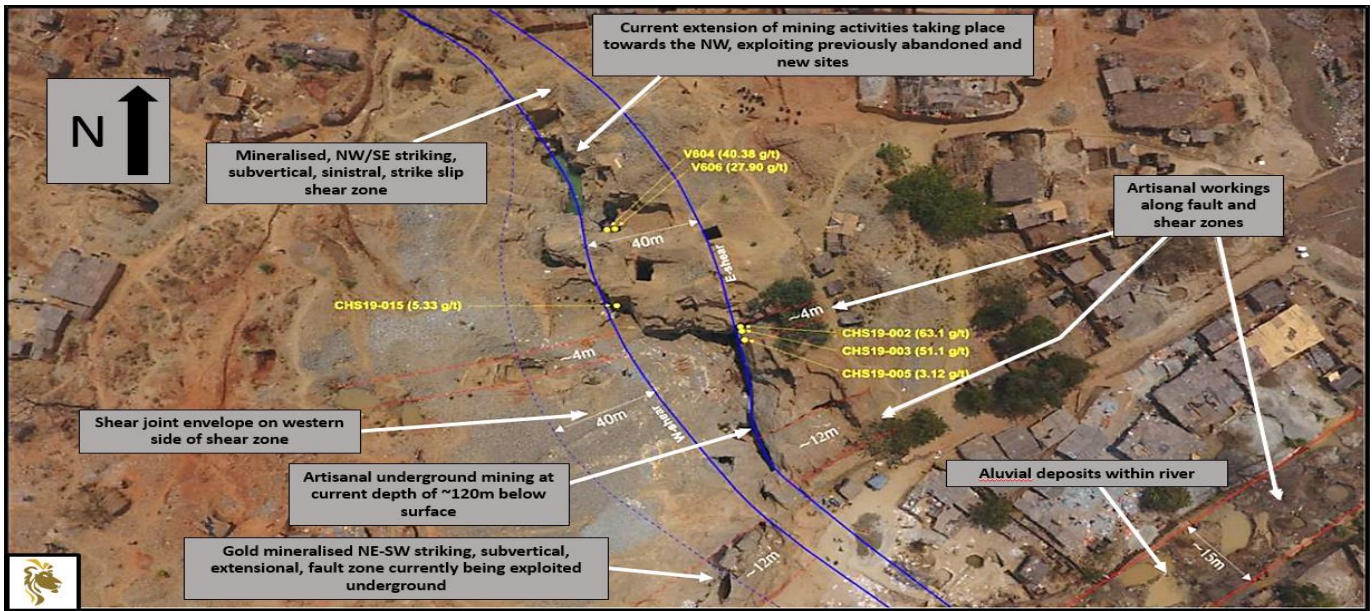
**EXHIBIT 8: AVERAGE GRADE OF 80.3G/T ACROSS 0.41M WIDE SHEETED TRANSLUCENT QUARTZ PACKAGE**



Source: ALG

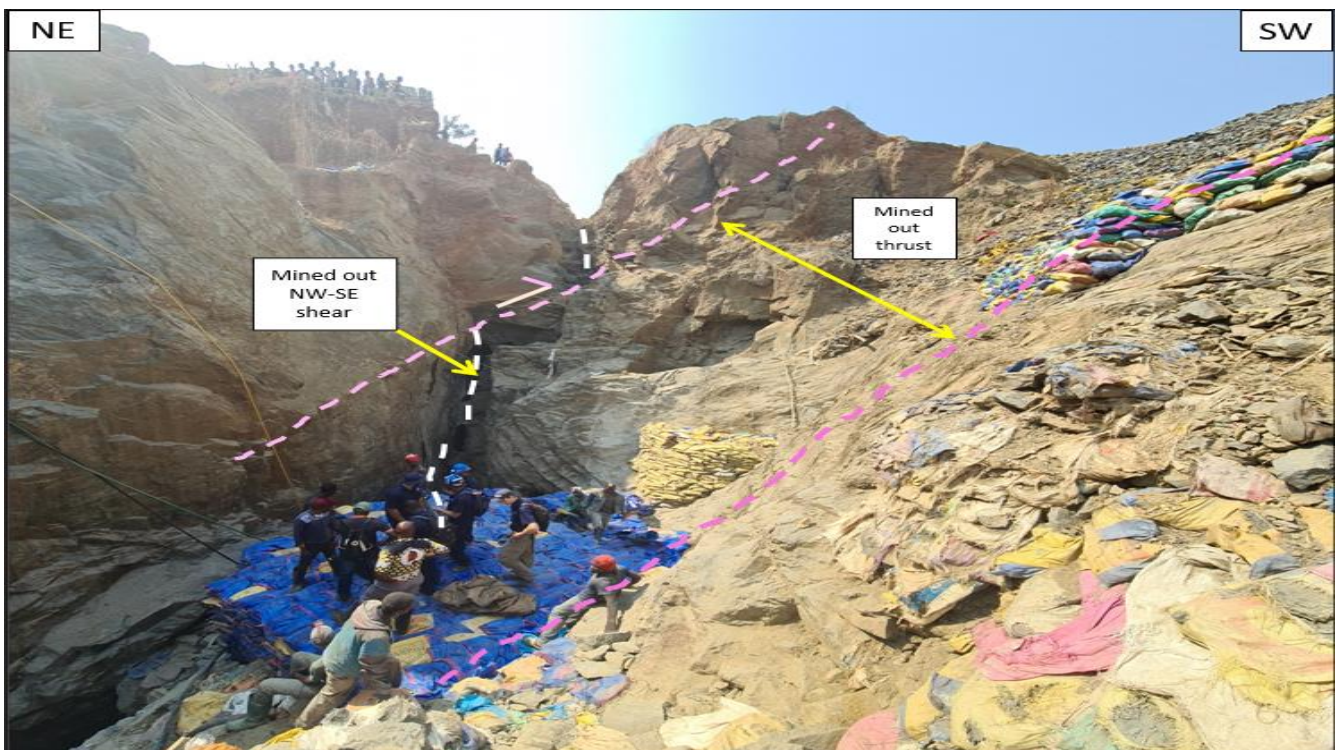
At the artisanal Chifunde 3 pit, the current mining is on a steep ( $63^{\circ}$  to  $73^{\circ}$ ) northerly dipping E-W striking ( $270^{\circ}$ ) structure. During the visit it was noticed that a number of steep, barren N-S structures were visible in the pit. The artisanal miners are conspicuously following the intersection line between the E-W and N-S shears and have block trenched the area around Pit 3 to test the strike extent of both structures. However, in spite of extensive trenching, mining has not followed the strike of the shears but rather the mineralisation down dip.

**EXHIBIT 9: AERIAL PHOTOGRAPH SHOWING THE TREND OF THE SHEAR ZONA, ARTISANAL WORKINGS AND SAMPLE LOCATIONS**



Source: ALG

**EXHIBIT 10: MINING AT INTERSECTION OF NW-SE SHEAR AND THRUST. (BLUE BAG SAMPLE MENTIONED IN EXHIBIT7)**



Source: ALG

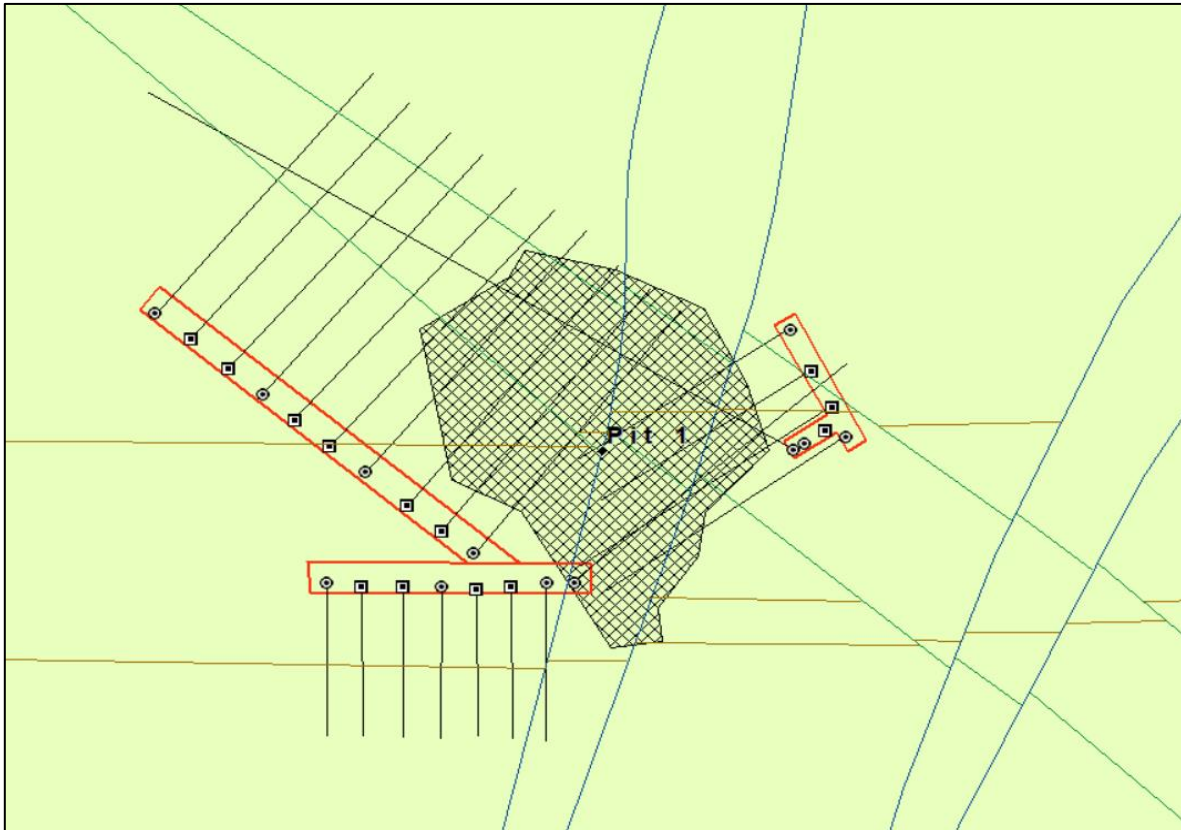
## Planned Exploration

African Lion Gold plc has approved a 14,200m drill programme comprised of an aggregate of Diamond Core and Reverse Circulation drill holes to establish the strike and depth extent of the low angle thrust faults, the NW/SE- and E/W-striking shear zones and extensional fault zones within two high-priority target zones. Over 14,200m will be drilled via the planned drill holes, which will target the major NW/SE-striking shear zones, the E/W-striking normal fault zones as well as the N-S

thrusts. Drilling will cover a total strike length of at least 1.5km and a depth of 70-250m. The exploration drill programme will provide a better understanding of the extent, geometry and grade of the deposit and the information will assist in determining a maiden gold resource.

Exhibit 11 shows the proposed drilling strategy below pit 1. The black lines indicate the direction of the drill holes. From the scale at the bottom of the exhibit, it appears that the diamond drill holes(circles) are approximately 40m apart, but this is artistic licence. The exact drill sites are yet to be decided.

#### EXHIBIT 11: PROPOSED DRILL STRATEGY BELOW PIT 1



Source: ALG

## Other Lease Areas

African Lion has acquired three other leases close to the Chifunde leases. These are the:

- Kaprika Concession (9705C)
- Changara Concession (9863L)
- Mogomo Concession (8825L)

The three leases were visited by the geological team in early October 2020.

## Kaprika

Four pre-selected locations across concession 9705C were visited during the field trip. Most of the concession is topographically elevated and consists of Desaranhama Granite with amphibolite and amphibolite gneiss making up the valleys and low-lying regions. The 4 areas visited can be seen in the Exhibit 12 below:

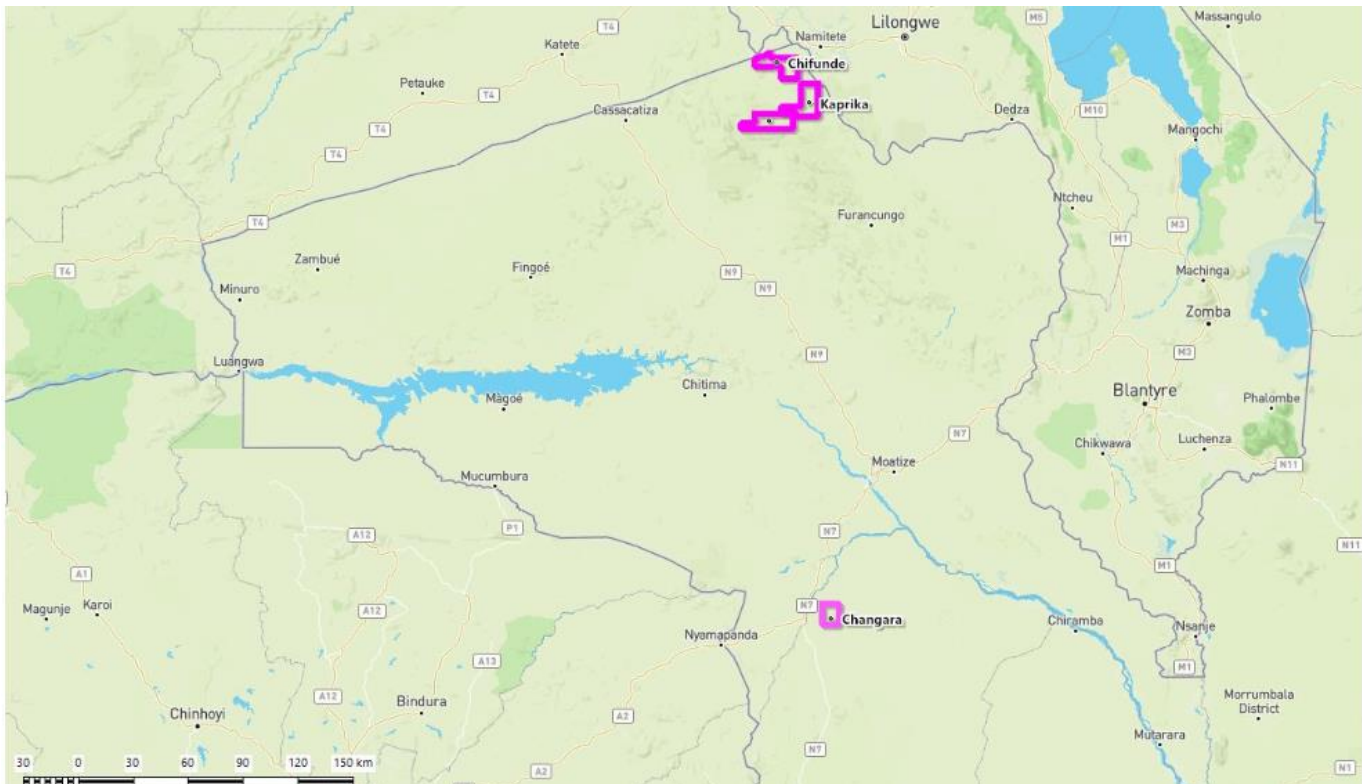
### EXHIBIT 12: PROPOSED DRILL

GPS Site	X_UTM	Y_UTM	Rock Type	Orientation	Structure
1	533263	8417166	Desaranhama Granite	NW-SE	Shear Zone
2	530731	8425247	Quartz-sericite-schist	NW-SE	Shear Zone
3	529296	8416126	Desaranhama Granite	N-S	Shear Zone
4	521270	8417779	Desaranhama Granite	E-W	Shear Zone

Source: ALG

During the recent site visit, the concession was entered from the extensive alluvial mining site just west of the western border of the concession, extending up to ~ km through an E-W river valley defining an alluvial fan deposit (Exhibit 14). A major shear zone just outside the concession, sampled during a previous site visit in 2019 which produced 10.41 g/t gold, was sampled again. Care was taken to collect a fresh sample to negate contamination by transported alluvial gold prevalent around the shear. The sample returned a grade of 2.35 g/t gold. The alluvial mining was traced up into the mountains and into the concession where a few (around 20) artisanal miners are now trenching and pitting down to saprolitic rock for mining of primary deposits.

### EXHIBIT 13: LOCATIONS OF THE THREE LEASES



Source: ALG

It is apparent that the alluvial gold currently being exploited in the river valley just outside the concession is sourced from the exposed shear zones in the mountainous areas consisting of the Desaranhama Granite lying within the Kaprika Concession. At one of the pits (Location 2 in table) artisanal miners have exposed a low angle thrust plane over a strike distance of some 20m in a shallow (~3m deep) pit. The thrust plane is defined by a thin (10 to 20cm) quartz vein which strikes NW-SE (149°) and dips at 41° to the NE. The exposed thrust may be part of a southwest verging thrust zone. A minor, E-W sub-vertical shear zone was identified within the same pit exposure as the thrust plane. The artisanal miners reported mineralisation in the quartz vein as well as within the contiguous wall rock.

Whilst the narrow quartz vein, on its own, defines low tonnage potential the confirmation of disseminated wall rock mineralisation by sampling will upgrade the resource potential of the area and therefore also its prospectivity. The site may be amenable to scout drilling with the truck mounted rig. Minor thrusts and ramp structures were identified across the various points.

#### **EXHIBIT 14: EAST-WEST TRENDING RIVER VALLEY WITH EXTENSIVE ALLUVIAL MINING ALONG THE BOUNDARY OF 9705C**



Source: ALG

In the northern portion of concession 9705C (Location 1 in table) a 6.3m wide, subvertical, northwest-southeast striking shear zone was visited. The shear zone was exposed in a secondary road cut against the side of a mountain comprised of Desaranhama Granite. The shear zone is comprised of a quartz-sericite-schist which is exposed in the oxidised zone, close to surface.

Visits to locations 3 and 4 (Exhibit 12) were motivated by the definitive interpretation (desktop of aeromagnetic and radiometric surveys as well as observations from the helicopter) of intersecting structures at these localities. The specific localities lacked outcrop with both areas being covered with alluvium in valleys.

Further field investigation is currently underway with surface mapping and stream sediment sampling in the vicinity. The aeromagnetic survey and helicopter reconnaissance flight indicated that the valleys in most instances are the location of shear zones. A total of 147 points were visited and mapped after the initial October 2020 site visit. Of all the points visited, 60 were either found to lie near or on, aeromagnetic interpreted structures. 30 points were mapped as stream sediment sampling points and most of the mapped structures consisted of sheared and altered granite/granitic gneiss.

During the field mapping an artisanal hard-rock mining area was discovered, where artisans are currently progressing underground. Construction of support infrastructure, an ore processing area, and housing the adit entrance are some of the activities taking place at this location. Three 1 m wide Channel samples were taken across various mining faces at this location and samples are currently being exported back to South Africa.



It was decided that given the large area covered by the concession and the poor exposure in the valleys, stream sediment sampling should be considered on a per valley basis to identify the prospective valleys. In addition, use of the truck mounted rig may be considered to drill scout holes through the alluvium at the prospective shear zone intersections as well as at the artisanal hard-rock mining areas.

## Changara

The main hard-rock artisanal mining area is situated in the centre of concession 9863L, taking place in a series of ENE-WSW aligned, shallow (4 to 6m) pits (Exhibit 15). Most of the exposed workings were abandoned apart from two artisanal miners who were processing some of the stock piles accumulated during the rainy season. Though pitting is intermittent it occurs over a significant strike length of ~220m. The hard-rock mining occurs within two closely-spaced thrust zones within a quartz-sericite-schist. The artisanal hard-rock mining is suspected of being within a larger SE-verging (126°) thrust system which is comprised of at least 2 main thrust zones of ~4m true width. The artisanal miners appear to preferentially mine the apex of the thrust-over anticlines with some success. The mineralised portion of the thrust being mined varies in thickness up to 1.5m, striking ENE (75°) and northerly at 42° to 70°. The quartz-sericite-schist hosts the mineralised pegmatite boudins. The individual boudins have 1 to 2.5m dip continuity and 15 to 20m strike continuity.

Underground mining is progressively shifting towards the ENE and is most likely following the NE-plunging thrust-over anticline, i.e. defining a “saddle” reef geometry.

The thrust-over anticlines contain a quartz-sericite-schist with boudinaged pegmatite veins. Prevalent red iron (most likely hematite) staining occurs along fractures and exposed surfaces. Progressively less hematite is seen and more kaolinite appears as mining depth increases and rocks get progressively fresher. All current mining is still in the oxidised zone and saprolite layer. A 7m channel sample was collected which produced an average grade of 1.00 g/t across 5m.

The artisanal miner’s progress is restricted by the lack of water and larger scale mining will only resume during the rainy season (November to March). The 2 locals currently in the mining area are exploiting the stock piles accumulated during the rainy season.

### EXHIBIT 15: ARTISANAL MINING AREA WITH AN ENTRANCE TO THE START OF UNDERGROUND MINING



Source: ALG

There is as yet no permanent settlement at the workings and it may be possible to remove the artisanal miners from this site with relative ease. The channel samples taken from the site visit suggests that further exploration is warranted across the mining area within the Changara Concession. The average grade is a positive sign for disseminated wall-rock mineralisation and furthers our interest to explore and develop this concession. Disseminated wall-rock mineralisation significantly improves the ore tonnage potential of the area across a significant strike length of ~220m. The site may be ideal for employing the truck mounted “scouting” drill rig to test vertical extension of the potential mineralisation.

**EXHIBIT 16: INDIVIDUAL ASSAY RESULTS FOR THE 7M WIDE CHANNEL SAMPLE CHANGARA**

Sample ID	Au (g/t)	Description
CHA-001	0,37	7 m wide channel sample taken in quartz-sericite-schist.
CHA-002	1,80	
CHA-003	0,20	
CHA-004	0,33	
CHA-005	0,86	
CHA-006	1,81	
CHA-007	0,57	

Source: ALG

## Mogomo

The contiguous lease to the south of Kaprika is Mogomo.

Two relatively new hard-rock artisanal workings at the southern boundary of License 8825L were visited on 7 October 2020. Around 200 artisanal miners are mining two quartz veins located about 1200m apart and occurring in amphibolite/granite gneiss. At the most southerly site the vein being mined outcrops around 50m to the south of the concession boundary. At the moment the artisanal workings are focusing on this outcrop just outside the concession where mining takes place from a series of shallow (<3m deep) pits occurring over a strike length of around ~280m. New pitting is progressively shifting westwards and eastwards along strike, therefore still extending the strike continuation of the mineralised vein. The vein being mined varies in thickness between 25cm and 1.5m, strikes East-West (between 260° and 290°) and dips north at 22° to 30° (Exhibit 16). This implies that the vein most likely extends northwards into the 8825 Concession at progressively greater depths.

Near vertical quartz vein splays, which rapidly thins away from the main vein are intermittently found. In addition, duplications and triplications of the quartz vein, showing “snakes head” geometries are present. These can be interpreted as thrust ramp structures defining vergence to the south. Minor steep N-S, E-W and NW-SE striking shears are also present.

Considering the fact that E-W thrusts have not previously been described in the region, an alternative interpretation may be that the shallow dipping quartz veins represent tension gashes formed during dip-slip on a major E-W normal fault. If the latter model is correct then the down-dip continuity of the veins may be limited. There are two further relatively new mining sites on two parallel striking veins at around 1.2km to the north.

Within the deeper pits there are already signs of underground down-dip tunnelling towards the Concession boundary. The potential remains for more sets of thrusts to occur within the area (~1.2km) between the current exposures.

**EXHIBIT 17: QUARTZ VEIN BEING MINED IN NEW ARTISANAL PIT NEAR SOUTHERN BOUNDARY OF CONCESSION 8825**

Source: ALG

The areas of 8825L where the above workings occur are considered as highly prospective for the following reasons:

- The strike extent of the workings (~280m) is already larger than any other workings visited during the Tete trip, and is still open-ended to the east and west as well as down-dip.
- There are at least three parallel gold bearing quartz veins, which due to their shallow dips are likely to be vertically stacked towards the north into the Mogomo Concession.
- The area between the veins is largely untested and may contain similar veins.
- The shallow dips of the quartz veins are favourable for the definition of significant shallow resources, which translates into lower stripping ratios (open-pit scenario) or higher ore tonnes per vertical shaft meter.
- Artisanal mining is early stage and still in the oxide zone. Provided the area can be secured the site has the potential to support early stage pilot mining.

The truck mounted drill rig may be ideal for exploring the northerly depth extensions of the auriferous quartz veins. Following some geological mapping of the area around the workings as well as more extensive channel sampling, an early scouting drill programme should be considered.

## Estimated Timeline

**EXHIBIT 18: TIMELINE FOR PHASE 2 EXPLORATION**

Activities	H1 2021	H2 2021	H1 2022	H2 2022	H1 2023	H2 2023	H1 2024
Phase 2 Drilling – 14,226 m							
Maiden Resource Statement		★					
Update Technical Report							
IPO & Listing			★				
Phase 3 Drilling – 30,000 m							
Update Resource Statement						★	
Scoping Study							
Procurement of Plant & Equipment							
Plant Construction & Commissioning							
Production from Bulk Sampling							
Gold Sales							

Source: ALG

## Transparent Mining Licensing System

Mozambique has a transparent Mining Licensing System known as the Cadastre System. Prospecting and Exploration Licenses are valid for up to 5 years and may be extended for a further 3 years. Mining concessions are valid for 25 years and may be extended for a further 25 years.

In 2003, the Mozambique Ministry of Mineral Resources and Energy was the launch customer for FlexiCadastre, now called Landfolio, which leverages the transition path for FlexiCadastre customers. Over the past 17 years, the Mozambique Ministry of Mineral Resources and Energy has benefited from ongoing software maintenance and proactive user support, with updates continually added to the system. Soon, miners and others, will be able to submit applications online as well as undertake all other statutory processes such as making payments, submitting reports and undertaking renewals. In addition to these productivity wins, the system will significantly enhance revenue collection. Mozambique first led the pack 17 years ago when, ironically, it latched on to a South African-developed technology that South Africa itself spurned. It has streaked even further ahead with a seamless advance from a traditional mining cadastre system into full online licence processing.

To do so, the Mozambique Ministry of Mineral Resources and Energy contracted the creator of the South Africa-linked FlexiCadastre – Spatial Dimension, now a Trimble company to embark on e-government initiatives and online mining cadastre systems, with Mozambique’s National Institute of Mines as the implementing agency.

Recently, Trimble announced that the Department of Environment, Land, Water and Planning in Victoria, Australia, had achieved a significant milestone with the launch of a new land information management system that will manage more than eight-million hectares of public land for a range of uses.

## Royalties & Taxation

The corporate income tax rate in Mozambique is 32%, with a 50% reduction allowed for mining companies in their first ten years of production. The Law n° 28/2014, of 23 September 2014, was published and came into force on 1 January 2015, establishing a new tax framework for the mining activity. In terms of the taxes applied to the mining activity, this statute establishes the following:

- i) Mining Production Tax (IPM);
- ii) Surface Tax (ISS);
- iii) Corporate Income Tax (IRPC); and
- iv) Resource Rent Tax (IRRM).

The following incentives are in place during 5 (five) fiscal years commencing from date of beginning of the mining exploration in accordance with Law n° 28/2014, of 23 September 2014:

- Customs duties when importing equipment's for prospecting and exploration operations
- All mining equipment, materials and subcontractor fees are exempted from import duties
- There is an exemption from sales tax and certain other duties and taxes on mineral exports

Mozambique has set royalties at 3% on all minerals except precious metals and gemstones (6%), sand and stone (1.5%) and diamonds (8%).

## Comparative Companies

Due to the early stage of the exploration at Chifunde, and the high potential grades, it is not easy to find other companies that are strictly comparative. Most of the high grade explorers we found were in Nevada and very few were one project companies, making it difficult to gauge where the value is being allocated. FDC believes that Huntsman Exploration, New Range Gold, Getchell Gold Corporation and NuLegacy Gold have strong similarities to ALG.

### Huntsman Exploration

Huntsman have a number of projects covering gold and nickel. This makes it difficult to be sure where investors are placing the value in the company. Another significant difference is that the Baxter Spring deposit is located in the Walker Lane trend in Nevada. Their Baxter Springs project in Nevada is in some ways similar to AFL Chifunde project. It contains widespread surface gold anomalies which are largely untested. Despite there being 124 holes drilled historically, the target has only been drill tested to shallow depths and there is good potential to find additional mineralisation at depth. Historic results include BS-22 which recorded 2.49g/t over 24.4m and hole BS-8 which recorded 60.4g/t over 12.2m including 240g/t over 3.1m. A third hole, BX-13 recorded 8.8g/t over 7.6m.

### New Range Gold

New Range Gold's Pamlico Project is also located in the Walker Lane tend in Nevada. It is a district scale property covering 2,548 hectares and is unique in that for Nevada, one of the prime gold exploration and producing areas of the world, it represents an almost unexplored opportunity, having been in private hands since 1896. There are multiple targets that have

yet to be tested. The high grade similarities include Box Canyon, where 98g/t has been recorded in an outcrop and in the Merritt decline there is a reported high grade interval of 13.8m at 17.25g/t. There are also some excellent drilling results of 9.1m grading 28g/t, 6.1m grading 98g/t and 4.6m grading 44g/t. There are also permits in place to take a 1,000t bulk sample for geotechnical assessment and large scale metallurgical testing.

## Getchell Gold Corporation

The Fondaway Canyon, one of two major exploration plays by Getchell in Nevada at it has some distinct parallels with ALG. Most of the gold is contained in east-west bearing shear zone which also has a wide and well mineralised NE-SW dilational zone. More recent drilling has produced only spasmodic high grades although the drift into the Half Moon shear zone by Tenneco Minerals in 1989 yielded some excellent high grade gold samples across the face of the drive. These included 12.4g/t across the full 4.3m of the most eastern drift face, and two others of 19.4g/t over 3.1m and 21.8g/t over 1.5m. The resource figures quoted in the table are considered historic and the area is an advanced exploration play.

## NuLegacy Gold

New Legacy owns the 108km<sup>2</sup> Red Hill Property at the southern end of the Cortez Trend in Nevada, where the grades of the orebodies tends to increase in a south eatory direction. High grade intercepts within the lease area on various targets, all located along the Rift Anticline or just to the east of it on the Cortez Trend. Phase 1 drilling in 2020 encountered grades of 10g/t in three holes, all over mineable widths. NuLegacy is attempting to find an orebody similar to Barrick's Goldrush which contains around 10M oz of gold at a grade of 10g/t, which is located in a similar stratigraphic formation.

## Investment Risks

### Exploration

Strictly speaking this is brownfields exploration since with the presence of successful artisanal miners there is gold present. However, there is currently a distinct lack of exploration. The planned drill programme should resolve this, but it will take much more than the current plan before a resource can be declared.

### Country

Unfortunately the Fraser Institute does not cover Mozambique, but the country does have a substantial history of successful mining. Mozambique is a poor country and urgently needs development. ALG's project is in a remote part of the country, where development will be well received especially as it will be far more environmentally friendly than artisanal mining. There are potential problems with ISIS incursions in the far north east of Mozambique, but this is a long way from ALG's leases. Another positive is the Cadastre System, a very transparent mining licencing system. Mining concessions are granted for a period of 25 years and may be extended for a further 25 years.

### Licenses and Permits

ALG has applied for its current prospecting license to be converted into a mining concession. While a new mining concession number has been allocated, and ALG expects to receive final approval, there is no guarantee that the application will be approved.

### Financial

Raising funding for small exploration companies is always difficult. However, the appetite for gold exploration, and mining in general is currently favorable. The enticing features for ALG are the fact that it is potentially high grade and it is in a region that has long been neglected by significant gold companies. If ALG pursues its plan of progressing through a small pilot plant that is subsequently expanded stepwise into a much larger plant, it should be relatively easy to fund. A significantly larger mine from the start, will be more difficult. That said, if a high grade multi-million ounce deposit is delineated, the problem may not be ALG's.

### Commodity

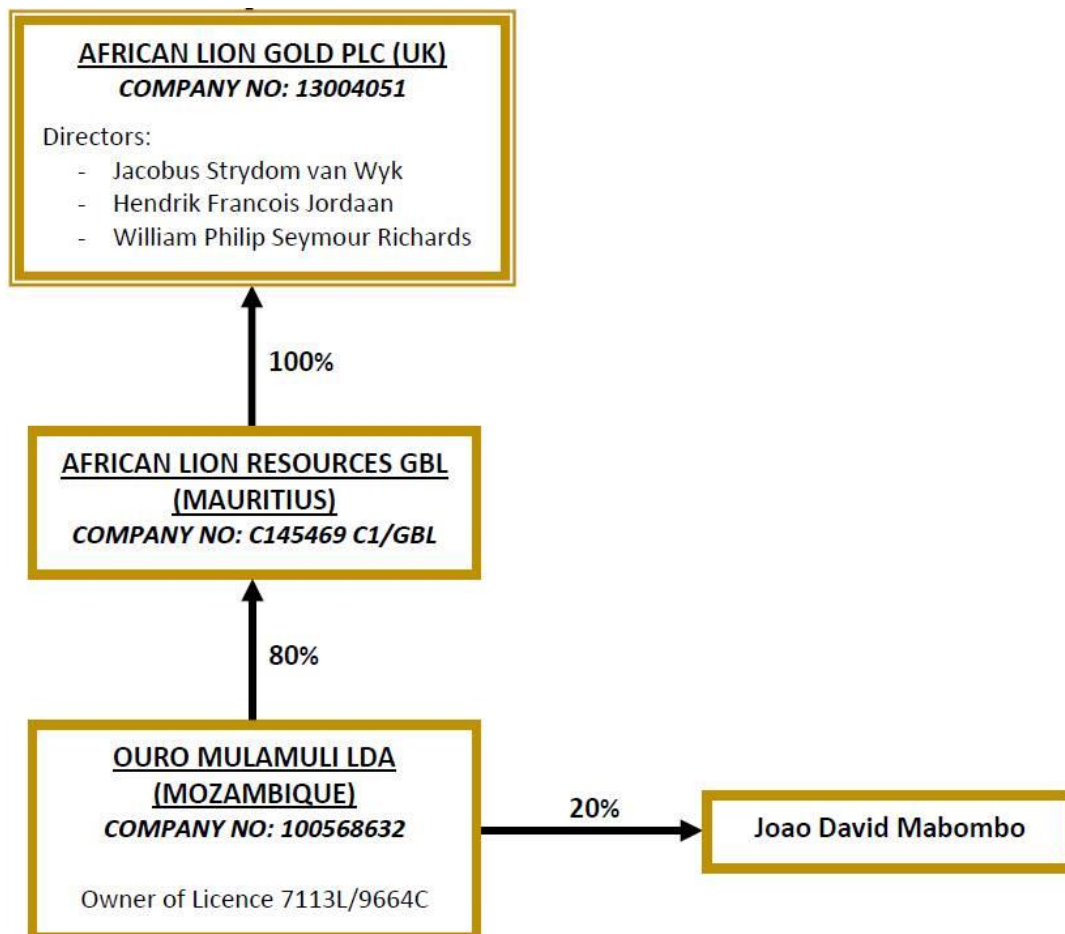
This is potentially a high grade gold mine, and whilst there is the possibility of the gold price retreating from its current price, the potential for a gold price increase is seen as the most likely outcome. This will be the result of excessive increases in the money supply inducing inflation in the western world and political uncertainty in sub-Saharan Africa and in the spat between China and the USA.

### Political

Mozambique does not have a particularly good political system, typical of a third world country. But, a mining company does come with moral, community and environmental obligations. Provided that ALG is able to meet these criteria, we see few problems. The government has agreed to move the artisanal miners when ALG want to start developing a mine. This could be a crucial period for ALG but could be facilitated if ALG chooses to employ the artisanals. Already, ALG has developed a strong relationship with the local community. This has been achieved by directly engaging with the local community and the local mining association, representing the interests of the artisanal miners. Discussions have included plans for the project, potential social or community requirements and mutually beneficial collaboration. The fact that any potential mine will be located very close to the borders of both Malawi and Zambia gives rise to opportunities for smuggling.

## Appendix A – Corporate Structure

### EXHIBIT 18: AFRICAN LION GOLD CORPORATE STRUCTURE



Source: ALG



## Appendix B – Directors & Senior Management

### Cobus Van Wyk– Executive Chairman

Mr. van Wyk is an extensively experienced exploration and mining entrepreneur active in Mozambique since 2004. He directly contributed to securing the current project's concessions via extensive contacts in the Mozambique government and business community. Mr. van Wyk has personally identified prospective areas and done due diligence on 1,800 concessions. His mining development experience in Mozambique includes Tantalite, Coal, Diamonds, Gold, Rubies, Graphite and Heavy Mineral Sands. Mr. van Wyk completed his MBA from the University Of Wales. He has over 20 years of experience in the financial markets and corporate finance and 20 years of experience as director of listed and unlisted companies.

### Franco Jordaan – CEO

Mr. Franco Jordaan is an expert in all aspects of financial accounting, management reporting, systems, corporate governance, treasury, marketing and projects. He has worked for major players including Impala Platinum, Eastplats, Trafigura and Vedanta, and has experience with multiple commodities (Platinum group metals, Iron ore, Chrome, Copper Zinc, Lead, Silver). He has been involved in mining, exploration processing and refining since 2001, and has first-hand experience of doing business in Mozambique, Angola, DRC, Namibia and South Africa. Mr. Jordaan completed his BCom hon. degree, CIMA advanced diploma, PMP and CCP.

### Philip Richards - Director

Philip Richards is Founder and President of RAB Capital which he jointly founded in 1999. He was Chief Executive Officer and Chief Investment Officer until 2008. As manager of the RAB Special Situations Fund he ran around \$2B in the mining and energy sector. Previous to founding RAB Capital he was a Managing Director in equity research and then investment banking at Merrill Lynch. He is a graduate of Oxford University.

### Kyle Lusted – Head of Geological Department

Mr Kyle Lusted is the in-house Geologist for Regius Resources and oversees all geological aspects of the projects run by Regius Resources Group. He obtained his Honours Degree in 2017 and Master's Degree in 2019 from the University of Pretoria, both within the field of geology. Mr Kyle Lusted has experience in various commodities including gold, graphite and heavy mineral sands. Mr Lusted handles all QA/QC procedures for all projects and is highly knowledgeable with regards to analytical techniques. Mr Lusted's main field of interest and research is igneous and metamorphic petrology with a special focus on the formation and alteration associated with supracrustal ore bodies.

### Dirk Muntingh – Independent Competent Person and Geologist

Mr Dirk Muntingh holds a Master's degree in the field of geology which he obtained from the University of Johannesburg. He previously worked at the Council for Geosciences, before joining AngloAmerican Corporation's gold division in 1987 and progressed to Country Manager for Ghana in 1997 before transferring to AngloGold in 1999 as the Country Manager for Australia. From 2006 he managed the exploration program of Witwatersrand Gold Resources until its takeover by Sibanye Gold in 2014. He has since then practised as an independent consulting geologist. He operates internationally and specialises in geological aspects of gold mining, exploration and project feasibility over the full range of deposit types.

### Kobus Badenhorst –Independent Geologist

Mr Kobus Badenhorst obtained his BSC (Geology) in 1992 and BSC (Hons)(Geology) in 1993, both from the University of the Free State, South Africa. He has more than 20 years' experience in the Exploration and Mining industry. Mr Badenhorst has been the Managing Director of GeoActiv (Pty) Ltd since 2007. He is involved in various projects for different commodities.

Greenstone Stella Platinum; various Bushveld PGM projects; heavy mineral sands projects in South Africa Westcoast, Sri Lanka and Bangladesh; Postmansburg Iron Ore Projects ;Zimbabwe Great Dyke PGM and Greenstone Gold; Zambian Cu; Mali Au etc.

### Gerhard Burger –Mine Manager

Mr Gerhard Burger is a highly experienced site manager. Practical, hands on experience on plant installation, knowledge and proficiency of all machinery on a processing plant and mining site. Hands on participation with the training of locals. General supervision and overseeing of the onsite team to ensure the staff adhere to strict controls and procedures to ensure the project runs smoothly.

### Paulo Cintra – Mining Engineer

Mr Paulo Cintra holds a degree in Mining Engineering with more than 25 years' experience in production with a diverse mixture of products and technologies, bringing valuable hands-on operations management. Experienced primarily in prospecting mineral processing and quarry exploration operations having worked in Portugal, Spain, Angola and Mozambique.

### Felicio Zacarias – Chairman of the Board in Mozambique

Mr Felicio Zacarias is the Chairman and Mozambican representative of the Regius Group. Mr. Zacarias holds a Bachelor Degree in Economics. Mr Zacarias is a highly respected and prominent figure in the Mozambican business arena. Mr Zacarias was a Governor of three different provinces with the highlight of his career being appointed as Minister of Public Works in Mozambique. Following his tenure as Minister, Mr Zacarias allocated all his time to the private sector. Mr Zacarias has more than 30 years' experience in doing business in Mozambique and is an invaluable asset to the Board of Directors of Regius.

### Graca Ferreira – Country Manager

Ms Ferreira completed a Diploma in Marketing Research, as well as a Diploma in Society for Human Resources Management, in 1974, at the EIC Freire de Anfrade in Beira, Mozambique. In 1969 she started working for an international company, Safrique PTY Lda, as the Public Relations Officer. In this position Ms Ferreira accumulated considerable knowledge on marketing and tourism. Later on, in 1974, she opened an Importing and Exporting company in South Africa, mainly dealing with Africa, Asia and the USA. In 1983 Ms Ferreira started working for a group in South Africa, called Metro Cash & Carry, as the Marketing Director of their International Division. In 2001 she decided to pursue a career as an Investment Advisor in Mozambique. In 2011 she joined Regius Resources Group as the Country Manager, where she is responsible for all the company's activity in Mozambique.

### Hélmer Manjate – Manager and Government Relations

Hélmer Manjate completed a Bachelor's degree in Diplomatic and International Relations, in 2003, at the Higher Institute of International Relations (ISRI) of Mozambique in Maputo. Mr Manjate is now starting with his Master's Degree in Oil & Gas Management at the Higher Institute of Sciences & Technology of Mozambique (ISCTEM). In 1999 he started working for a Private Company as a Service Provider, where he accumulated considerable knowledge about foreign investment in Mozambique. Inspired by the discovery of vast mineral resources in Mozambique, he decided to redirect his career to the Energy and Mining sectors which lead Mr Manjate to join Regius Resources Group in 2009. He is now responsible for managing all legal aspects pertaining to the mining sector, labor and environmental affairs, as well as government relations.

## Appendix C – Country Overview

Population	30.3M (2019)
Capital	Maputo
Currency	Ugandan shilling
Languages	Portuguese
Major religion	Christianity, Islam
Main exports	Aluminium, coal, bulk electricity, lumber, cotton, prawns, cashews,
GDP (2019)	US\$14.4 billion
GDP per capita	US\$539
GDP growth rate	2% (2019E)
Unemployment rate	3.2%
Major natural resources	Coffee, oil & gas, cashew nuts

The Republic of Mozambique is located in south-eastern Africa, stretching for 1,535 miles along the southeast coast. It is bordered by Indian Ocean to the east, Malawi, and Zambia to the northwest, Tanzania to the north, Zimbabwe to the west, and Swaziland and South Africa to the southwest. The capital is Maputo. It was formerly known as Lourenco Marques before Mozambique achieved independence from the Portuguese. It is located near the Estuario do Espirito Santo, on the west side of Maputo Bay. It is a port city on the Indian Ocean. Mozambique covers an area of 309,496 square miles and has an estimated population of 29.5M. Bantu speakers migrated to Mozambique in the first millennium, and Arab and Swahili traders settled in the region thereafter. It was explored by Vasco da Gama in 1498 and first colonized by Portugal in 1505. By 1510, the Portuguese had control of all of the former Arab sultanates on the east African coast. Portuguese colonial rule was repressive. Portuguese is the official language of Mozambique. It is spoken by 50.3% of the population. 10.7% of the population speaks it as their first language, while the remaining 39.7% speaks it as their second language. The country is also home to a number of indigenous languages, including dialects of Swahili, Makonde, and XiTswa.

The GDP of Mozambique was US\$15.2B, based on the official exchange rate in 2019. At purchasing power parity, this estimate rises to US\$40.6B while the per capita income was \$1,200. It is one of the poorest and most underdeveloped countries in the world. The economy of the country is largely based on agriculture and manufacturing industries. Services account for 45.4% of the GDP, followed by industries (29%), and agriculture (25.6%). The unemployment rate stands at 14%. Major industries include food, beverages, chemicals, petroleum products, textiles, cement, glass, and tobacco. Major trade flows are with Netherlands, South Africa, India, and China. It exports aluminium, prawns, cashews, cotton, sugar, citrus, and timber, while it imports machinery and equipment, vehicles, fuel, chemical, foodstuffs, and textiles.

Mozambique's GDP annual growth rate stood at 2 percent in Q4 2019, the slowest since Q3 2017, as the country rebuilds from the devastating cyclones of last year. Cyclone Idai, was one of the worst tropical cyclones on record to affect Africa when it made landfall near Beira on the 5<sup>th</sup> March 2019. A second and even stronger cyclone hit Mozambique in late April 2019, called Kenneth. However, GDP growth for 2020 is forecast to be 2.2% growing to 4.7% in 2021.

Vegetables represent the fastest grower among the top 10 export categories, up by 383.5% from 2018 to 2019. In second place for improving export sales were oil seeds via a 322.5% gain. Mozambique's shipments of wood posted the third-fastest gain in value up by 166.7%.

One of the mainstays of the economy has been the Cahora Bassa Dam, a substantial provider of hydroelectricity in Southern Africa. The government has plans to expand the Cahora Bassa Dam and build additional dams to increase its electricity exports

and fulfil the needs of its burgeoning domestic industries. The country has 13 major rivers which flow from the central African Highland, giving ample scope for increasing hydroelectric power generation. Mozambique's GDP grew at an average annual rate of 6%-8% in the decade up to 2012, one of Africa's strongest performances. Mozambique's ability to attract large investment projects in natural resources is expected to fuel continued high growth in coming years. Revenues from these vast resources, including natural gas, coal, titanium and hydroelectric capacity, could overtake donor assistance within five years. The Mozambique Ministry of Oil and Gas has stated that offshore reserves north of Maputo and east of Pemba total 104Tcf, mainly located in the Rovuma Basin. However, discoveries continue to be made.

Led by ExxonMobil, the Rovuma LNG Liquefaction Plant will utilize gas resources from the Mamba Complex in Area 4 and the Coral South project to produce 15.2M tons per year for both domestic use and export. Development includes two liquefaction trains with respective capacity of 7.6M tons per year, a multi-purpose dock and an LNG export jetty with two marine loading berths to accommodate LNG carriers.

Due to its large-scale and capital-intensive nature, the development of Rovuma LNG has faced delay due to COVID-19, and in April 2020, Exxon announced that it would postpone FID on the \$30M project. However, the decision is anticipated for next year and production is still expected to begin in 2024/25.

The Rovuma LNG project will produce and market gas from three reservoirs of the Mamba Complex in Area 4, which consists of the Mamba North, Mamba Northeast and Mamba South fields, discovered in October 2011. Initial exploration of the Mamba development will include 21 subsea wells fed to LNG trains via four flow lines and is expected to produce 100 million cubic feet per day.

The Coral South floating liquefied natural gas (FLNG) project is the second major offshore gas development located in the southern part of Area 4 of the Rovuma Basin, and will construct an FLNG vessel to service the Coral Gas field. The milestone project will represent the first FLNG project in Africa and the first ultra deep-water FLNG facility globally to operate at a depth of 2,000 meters.

The Coral South FLNG project comprises six subsea well tied-backs, with a capacity to produce and offload three million tons of LNG and 480,000 tons of gas condensate per year. The vessel will be comprised of a turret moored double-hull ship with gas receiving, processing, liquefaction and offloading facilities, along with LNG and condensate storage totalling over 230,000 and 50,000 cubic meters, respectively.

Italian multinational Eni is leading the ultra deep-water development. After securing \$4.67B in financing – including direct loans from the Korea Eximbank (KEXIM) and Export Credit Agency-covered loans from BPI, KEXIM, Ksure, Sace and Sinosure – financial close was announced in December 2017 and construction began in September 2018. As part of their joint development of the Block, Eni is leading the construction and operation of all upstream facilities, including the South Coral FLNG, while Exxonmobil is responsible for the construction and operation of all planned liquefaction trains and associated onshore facilities.

Discovered in May 2012, the Coral South gas field is estimated to hold 16 trillion cubic feet (tcf) of recoverable gas. Total gas reserves of Area 4 are estimated to be 85 tcf. To be permanently secured in the Coral South deep-water gas field, the FLNG unit is expected to produce 3.4 million tons of LNG per year, over an estimated life of 25 years, starting from mid-2022.

Unfortunately, the development of the oils and gas industry has caused resentment in those resettled to make way for the LNG plants and since 2017 men armed with guns and machetes have attacked communities across Cabo Delgado, killing some 700 people and injuring many. Beheadings, mass kidnappings and the razing of whole villages have sent some 100,000 people fleeing the province, according to the UN.

## Appendix D – Financial Structure

To date, ALG has been financed by a GBP1.8M interest free shareholder loan. The shareholders will convert GBP1.14M of this loan into equity concurrent with the current fundraising, and include this in the GBP3.798M pre-money valuation. The remaining GBP 0.7M will only be repaid following completion of the Phase 2 exploration program and a subsequent equity financing (no funds from the current financing will be used to repay any loan amounts).

The exact new capitalization structure will depend upon the final amount raised and in exhibit 19 below, the scenarios for both a £3M and a £4M are illustrated.

### EXHIBIT 19: CURRENT AND POST CAPITALIZATION SHARE-STRUCTURE

	Current	Post-GBP-3M-Placement*	Post-GBP-4M-Placement*
Shares-Outstanding	26,584,231	→ 56,584,231	66,584,231
Options-Warrants-Outstanding	-	-	-
Debt-Outstanding	£1,850,561	£711,237	£711,237
Debt-to-be-converted-at-Placing-Price	£1,139,324		
Pro-Forma-Debt	£711,237		
Shares-Issued-for-Debt-Conversion		11,393,241	→ 11,393,241
Shares-Outstanding-post-Debt-Conversion		67,977,472	→ 77,977,472
Post-Conversion-Valuation		£6,797,747	£7,797,747
Placing-Price-per-share		£0.10	£0.10

\*Excludes equity-based commission for current placing

## Research Disclosures

### Peter Rose

Peter has 34 years' experience in equities as a resources analyst; he has been at Brandon Hill Capital, formerly Fox-Davies Capital for 13 years before rejoining Fox-Davies Capital. Prior to that he spent 11 years with Deutsche Bank in Australia, 2 years with Prudential Bache and 6 years with James Capel. Peter's industry experience includes 16 years as a metallurgist, 3 years with De Beers in South Africa and 9 years in the uranium industry, 7 of which were spent at the Ranger Uranium mine. Peter holds a BSc degree in Applied Mineral Science from Leeds University UK and a Bachelor of Commerce from the University of South Africa. Peter is also a member of the Institute of Materials, Mining & Metallurgy and a chartered engineer.

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Company Name (the Relevant Issuer)	Disclosure
African Lion Gold Plc	1, 2, 3, 7

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