



## FALCON GOLD ZIMBABWE LIMITED

(A public company incorporated in the Republic of Zimbabwe under company registration number 303/89)

### THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to the action you should take, please consult your stockbroker, bank manager, legal advisor, accountant or other professional advisor immediately.

**Action Required:**

1. If you have disposed of your ordinary shares in Falcon Gold Zimbabwe Limited ("Falcon Gold"), this Circular should be handed to the purchaser of such shares or the stockbroker, banker or other agent through whom the disposal was effected.
2. If you are unable to attend the Extraordinary General Meeting of Falcon Gold to be held at 1st Floor, KPMG Building, 133 Josiah Tongogara Avenue, Bulawayo, on Thursday, 29 October 2020 at 1000hrs, or at any adjournment thereof, and wish to be represented thereat, you should complete and return the attached Form of Proxy in accordance with the instructions therein to be received by Falcon Gold's Transfer Secretary, no later than forty eight (48) hours before the time of the Extraordinary General Meeting.
3. If a Form of Proxy for the Extraordinary General Meeting is not received by the Transfer Secretary by the appropriate time set above, it may be handed to the Chairman of the Extraordinary General Meeting, who may accept the proxy at their discretion not less than thirty (30) minutes before the commencement of the Extraordinary General Meeting.
4. The Document contains details of resolutions to be voted on at the Extraordinary General Meeting which, if passed with the requisite majority, will result in the termination of the listing of Falcon Gold shares on the official list of the Zimbabwe Stock Exchange ("ZSE").

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### CIRCULAR TO SHAREHOLDERS

#### CONTAINING EXPLANATORY STATEMENTS RELATING TO:

(I) **APPROVALS SOUGHT FOR THE TERMINATION OF THE ZIMBABWE STOCK EXCHANGE LISTING OF FALCON GOLD;**

(II) **A CASH OFFER MADE BY BOUNDARY INVESTMENTS (PRIVATE) LIMITED ("BOUNDARY"), A WHOLLY OWNED SUBSIDIARY OF NEW DAWN MINING CORP. ("NEW DAWN"), TO ACQUIRE THE ENTIRE SHAREHOLDING IN FALCON GOLD NOT ALREADY HELD INDIRECTLY BY NEW DAWN, IN TERMS OF SUB-PART H OF PART III OF THE COMPANIES AND OTHER BUSINESS ENTITIES ACT [CHAPTER 24:31];**

#### AND INCLUDES:

(III) **A FORM OF PROXY; AND**

(IV) **AN ACCEPTANCE AND SURRENDER FORM.**

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**Financial Advisors**

**IMARA**  
INVESTING  
IN AFRICA

Corporate Finance

**Imara Corporate Finance Zimbabwe  
(Private) Limited**

**Independent Financial Advisors**



**Finesse Advisory Services  
(Private) Limited**

**Sponsoring Broker**

**IMARA**  
INVESTING  
IN AFRICA

Securities

MEMBERS OF THE ZIMBABWE STOCK EXCHANGE

**Imara Edwards Securities  
(Private) Limited**

**Auditors and Independent  
Reporting Accountants**



**Ernst & Young Chartered Accountants  
(Zimbabwe)**

**Legal Advisors**

**GILL, GODLONTON & GERRANS**  
LEGAL PRACTITIONERS

**Gill, Godlonton & Gerrans**

**Transfer Secretary**



**ZB Transfer Secretaries Limited**

**07 OCTOBER 2020**



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## IMPORTANT NOTICE

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No information or statements in this Circular should be construed as advice or recommendation to shareholders to take any particular course of action in respect of the matters discussed herein. The opinion of the Directors on the merits of the Offer from Boundary, and the resolutions under consideration in the Extraordinary General Meeting noted in paragraphs 2.8 and 3.7 of the Chairman's Letter, report the personal opinions of the Directors based on the report of the Independent Advisor, their knowledge of the Company and its operations, and their business and general expertise.

Shareholders are strongly advised to seek professional advice with respect to this Circular and the options available hereunder, including the effect of the proposed Extraordinary General Meeting and Offer on a shareholder's investment portfolio, personal financial plan, income tax situation, as well as other issues and their related legal implications.

The Circular and accompanying Annexures contain forward looking statements. Readers should read the "Caution Regarding Forward Looking Statements" included as Annexure 5 to understand the effect of such forward looking statements.

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## CORPORATE INFORMATION AND ADVISORS

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**Directors:**

I.R. Saunders  
Q. Nkomo  
B.S.S. Nyabadza

Non- Executive Chairman  
Financial Director  
Non-Executive Director

**Business Address and Registered Office:**

Falcon Gold Zimbabwe Limited  
1<sup>st</sup> Floor, KPMG Building  
133 Josiah Tongogara Avenue  
Bulawayo  
Zimbabwe

(P.O. Box 4096, Bulawayo)

**Financial Advisers:**

Imara Corporate Finance Zimbabwe (Private) Limited  
Block Two, Tendeseka Office Park  
Samora Machel Avenue  
Harare  
Zimbabwe

(P.O. Box 1475, Harare)

**Sponsoring Brokers:**

Imara Edwards Securities (Private) Limited  
Block Two, Tendeseka Office Park  
Samora Machel Avenue  
Harare  
Zimbabwe

(P.O. Box 1475, Harare)

**Auditors and Independent Reporting Accountants:**

Ernst & Young Chartered Accountants (Zimbabwe)  
Derry House  
Corner Fife Street/Sixth Avenue  
Bulawayo  
Zimbabwe

(P.O. Box 6, Bulawayo)

**Transfer Secretary**

ZB Transfer Secretaries (Private) Limited  
21 Natal Road  
Avondale  
Harare  
Zimbabwe

(P.O. Box 2540, Harare)

**Legal Advisors in Zimbabwe:**

Gill, Godlonton & Gerrans  
7<sup>th</sup> Floor, Beverly Court  
100 Nelson Mandela Avenue  
Harare  
Zimbabwe

(P.O. Box 8, Harare)

**Independent Financial Advisor:**

Finesse Advisory Services (Private) Limited  
4<sup>th</sup> Floor, Beverley Court  
100 Nelson Mandela Avenue  
Harare  
Zimbabwe

**Company Secretary:**

Qubeka Nkomo  
Falcon Gold Zimbabwe Limited  
1<sup>st</sup> Floor, KPMG Building  
Josiah Tongogara Avenue  
Bulawayo  
Zimbabwe

(P.O. Box 4096, Bulawayo)

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## DEFINITIONS

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The following definitions apply throughout this Circular, unless otherwise stated or the context requires otherwise. In this Circular, unless otherwise indicated, the words or phrases in the left-hand column bear the meaning stipulated in the right-hand column. Words in the singular shall include the plural and vice versa, words importing natural persons shall include juristic persons (whether corporate or incorporate and vice versa) and words in the masculine shall import both the feminine and neuter.

|  |   |
|--|---|
| "Auditors" or "Independent Reporting Accountants" or "Ernst & Young" | Ernst & Young Chartered Accountants (Zimbabwe) Registered Public Accountants, the Independent Auditors of the Company and Independent Reporting Accountants;  |
| "Boundary"   | Boundary Investments (Private) Limited, a Zimbabwe domiciled company, and an indirectly 100% held subsidiary of New Dawn, which is a 27.57% shareholder of Falcon Gold, and is extending the Offer to the Minority Shareholders;  |
| "Business Day"   | Monday to Friday inclusive, but excluding any such day which is a public holiday in Zimbabwe;   |
| "Chairman's Letter"  | The Chairman's Letter to Falcon Gold shareholders;  |
| "Circular"   | This circular to Falcon Gold shareholders, containing all Annexures, including the Notice of Extraordinary General Meeting, the Form of Proxy, and the Form of Acceptance and Surrender;  |
| "Companies and Other Business Entities Act"                          | The Companies and Other Business Entities Act [Chapter 24:31] of Zimbabwe, which superseded the Companies Act with effect from February 2020;   |
| "Conditions Precedent"   | The Conditions precedent to the Offer, as detailed in paragraph 3.6 of the Chairman's Letter;   |
| "Directors"  | The members of the board of directors of Falcon Gold;   |
| "EPS"  | Earnings or loss per share;   |
| "Exchange Control Regulations"                                       | The regulations made under the Exchange Control Act [Chapter 22:05], including in particular, without limitation, the Exchange Control (General) Regulations, Statutory Instrument 109 of 1996, as amended;   |
| "EGM"  | The Extraordinary General Meeting of the shareholders of Falcon Gold, to be held at 1000hrs, Thursday, 29 October 2020 at 1st Floor, KPMG Building, 133 Josiah Tongogara Avenue, Bulawayo, at which the shareholders will consider and vote on the resolutions tabled at the Extraordinary General Meeting; |
| "Falcon Mines"   | Falcon Mines Society Anonyme, a wholly owned subsidiary of New Dawn, which holds a shareholding of 57.09% in Falcon Gold;   |
| "Falcon Gold" or the "Company"                                       | Falcon Gold Zimbabwe Limited, a public company incorporated in Zimbabwe and listed on the ZSE;  |
| "Finesse" or "Independent Financial Advisors"                        | Finesse Advisory Services (Private) Limited, the independent financial advisors to the non-executive directors of Falcon Gold;  |
| "GGG" or "Legal Advisors"  | Gill, Godlonton & Gerrans, the Legal Advisors to Falcon Gold;   |
| "IAS"  | International Accounting Standards;   |
| "IES" or "Sponsoring Brokers"  | Imara Edwards Securities (Private) Limited, a company incorporated in Zimbabwe, a licensed stockbroker in terms of the Zimbabwe Securities and Exchange Act (Chapter 24:25), and Sponsoring Brokers to Falcon Gold in regard to the Extraordinary General Meeting;  |
| "IFRS"   | International Financial Reporting Standards;  |
| "Imara" or "Financial Adviser"                                       | The advisers to the Company, Imara Corporate Finance Zimbabwe (Private) Limited, a company incorporated in Zimbabwe;  |
| "Last Practicable Date"  | The last practicable date for the purpose of finalisation of the Circular, being Friday, 04 September 2020;   |
| "Main Board"   | The main board category for listing shares on the ZSE;  |
| "Management"   | The management of the operating divisions of Falcon Gold;   |

|  |  |
|--|--|
| "Minority Shareholders"                      | The shareholders of Falcon Gold holding 17,049,961 ordinary shares (15.34%), which excludes those ordinary shares held by the indirect wholly-owned subsidiaries of New Dawn, consisting of Falcon Mines Society Anonyme and Boundary Investments (Pvt) Ltd, which own 63,470,000 ordinary shares (57.09%) and 30,645,695 ordinary shares (27.57%), respectively, of the 111,165,656 ordinary shares of Falcon Gold; |
| "Minority Shares"                            | The 17,049,961 ordinary shares held by the Minority Shareholders;  |
| "New Dawn"                                   | New Dawn Mining Corp., a closely-held holding company incorporated in the Cayman Islands, and the controlling shareholder of Falcon Gold through its wholly owned subsidiaries Falcon Mines and Boundary;  |
| "Non-resident Shareholder" or "Non-resident" | A Falcon Gold shareholder with non-resident status in terms of the Exchange Control Regulations;   |
| "Notice"                                     | The notice which was published in accordance with the Companies and Other Business Entities Act and the ZSE Listing Requirements on Wednesday, 07 October 2020, advising Falcon Gold shareholders of the Extraordinary General Meeting;  |
| "Offer"                                      | The offer in terms of the Companies and Other Business Entities Act by Boundary to acquire the entire shareholding in Falcon Gold not already held indirectly by New Dawn, in exchange for the Offer Consideration;  |
| "Offer Consideration"                        | ZWL\$ 0.13 per Falcon Gold share;  |
| "oz"   | Troy Ounce, a unit of measurement of mass;   |
| "PAAB"                                       | The Public Accountants and Auditors Board Zimbabwe, the regulatory body for the accountancy profession in Zimbabwe, in terms of the Public Accountants and Auditors Act (Chapter 27:12);   |
| "Proposed Transaction"                       | Collectively, the passing of the resolutions tabled before the Extraordinary General Meeting and the formal presentation of the Offer;   |
| "Proxy Form"                                 | The form of proxy accompanying this Circular;  |
| "RBZ"  | The Reserve Bank of Zimbabwe;  |
| "Record Date"                                | Tuesday, 27 October 2020, being the date on which a holder of Falcon Gold shares must be registered as such (by close of business) in order to participate in the Extraordinary General Meeting;   |
| "Registrar"                                  | The Registrar of Companies and Other Business Entities, holding office in terms of the Companies and Other Business Entities Act;  |
| "tpa"  | Tonnes per annum;  |
| "Transfer Secretary"                         | The transfer secretary of Falcon Gold, being ZB Transfer Secretaries (Private) Limited, address: 21 Natal Road, Avondale, Harare, Zimbabwe;  |
| "US\$"                                       | United States Dollar, the legal tender of the United States of America in which certain monetary amounts in this Circular are expressed;   |
| "Zimbabwe"                                   | The Republic of Zimbabwe;  |
| "ZSE Listing Requirements"                   | The Listings Requirements of the ZSE; embodied in SI 134 of 2019;  |
| "ZSE"  | The Zimbabwe Stock Exchange, registered in terms of the Securities and Exchange Act (Chapter 24:25); and,  |
| "ZWL\$"                                      | Zimbabwe Dollar, legal tender in Zimbabwe.   |

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## EXPECTED TRANSACTION TIMETABLE

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| Event   | Date                      |
|---|---------------------------|
| Last Practicable Date   | Friday, 04 September 2020 |
| Record Date for purposes of being entitled to vote in the Extraordinary General Meeting         | Tuesday, 27 October 2020  |
| Last Date for lodging forms or Proxy relating to the Extraordinary General Meeting (by 1000hrs) | Tuesday, 27 October 2020  |
| Extraordinary General Meeting of Falcon Gold shareholders (at 1000hrs)                          | Thursday, 29 October 2020 |
| Publication of the Results of the Extraordinary General Meeting                                 | Monday, 02 November 2020  |
| Expected date of de-listing of Falcon Gold shares from the ZSE                                  | Friday, 06 November 2020  |
| Expected date of the opening of the Offer from New Dawn   | Monday, 09 November 2020  |
| Expected date of the closing of the Offer from New Dawn   | Friday, 26 March 2021     |

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### NOTES:

The above dates are subject to change and any amendments will be published in the Zimbabwe press. All times indicated above and elsewhere in this Circular are Zimbabwe local times.

If you have any questions on any aspects of this Circular, please contact your stockbroker, accountant, banker, legal practitioner or other professional advisor, or Sean Gammon at Imara, Block Two, Tendeseka Office Park, Samora Machel Avenue, Harare, Zimbabwe; Telephone number +263 242 701320; Fax +263 242 701319; E-mail: sean.gammon@imaracapital.com.

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## SUMMARY

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**THIS SUMMARY SHOULD BE READ AS AN INTRODUCTION TO THIS CIRCULAR AND ANY DECISION WITH RESPECT TO THE EGM AND OFFER SHOULD BE BASED ON A CONSIDERATION OF THIS CIRCULAR AS A WHOLE.**

### **SALIENT DETAILS**

The salient details provide an outline of the proposal and should be read in conjunction with this Circular as a whole. The definitions on pages ii and iii of this Circular have, where applicable, been used in this summary.

This summary presents the salient information in relation to a proposed Extraordinary General Meeting to consider, and if deemed acceptable, approve resolutions that, if and when implemented, would result in termination of the listing of Falcon Gold on the Main Board of the ZSE. The summary also includes details of the Offer by Boundary to minority shareholders of Falcon Gold to acquire their shareholding in Falcon Gold for the Offer Consideration.

The Directors of Falcon Gold are supportive of the delisting and the Offer.

The coming into effect of the proposed delisting will be subject to certain conditions precedent as detailed in this Circular and the approval of the proposed delisting by a 75% vote of the votes of all shareholders present in person or represented by proxy, exclusive of those shares held by New Dawn's subsidiaries Falcon Mines and Boundary, at the Extraordinary General Meeting to be held at the date, time and place detailed in the notice of such meeting.

The Offer from Boundary to acquire the Minority Shares will be conducted in terms of Sub-Part H of Part III of the Companies and Other Business Entities Act. The Offer of ZWL\$0.13 per Falcon Gold share is deemed by the Board of Directors of Falcon Gold to be fair, supported by an independent fair and reasonable opinion from the Independent Financial Advisor. This opinion is included in this Circular as Annexure 2.

This Circular should accordingly be read in its entirety, together with the Falcon Gold 2019 Annual Report and the audited financial statements for the years ended 30 September 2018 and 2019, which includes the report from Ernst & Young.

### **RATIONALE FOR THE DELISTING**

As a public company that is exclusively traded on the ZSE and only in Zimbabwe, the listing has not recently provided benefit to Falcon Gold. In fact, the ZSE listing has become detrimental, given ongoing legal, compliance and audit costs, and the inability to raise capital through the sale of shares. In the face of ongoing viability problems the additional costs of being listed, with no compensating benefits, can no longer be borne by the Company. Accordingly, Falcon Gold has decided to propose to shareholders its delisting from the ZSE.

### **OPINIONS AND RECOMMENDATIONS**

Finesse, which has been appointed as the Independent Financial Advisor to Falcon Gold, has considered the terms and conditions of the offer to shareholders and is of the opinion that they are fair and reasonable to the holders of Falcon Gold shares. Finesse has advised the Directors of their view by way of a letter, a copy of which is set out in Annexure 2.

### **INSPECTION OF THE CIRCULAR**

The public may inspect this Circular during normal business hours from Wednesday, 07 October 2020 to Thursday, 29 October 2020, at the following offices:

#### **Sponsoring Brokers:**

Imara Edwards Securities (Private) Limited  
Block Two, Tendeseka Office Park  
Samora Machel Avenue  
Eastlea  
Harare  
Zimbabwe

(P.O. Box 1475, Harare)

#### **Transfer Secretary:**

ZB Transfer Secretaries (Private) Limited  
21 Natal Road  
Avondale  
Harare  
Zimbabwe

(P.O. Box 2540, Harare)

#### **Financial Advisers:**

Imara Corporate Finance Zimbabwe (Private) Limited  
Block Two, Tendeseka Office Park  
Samora Machel Avenue  
Eastlea  
Harare  
Zimbabwe

(P.O. Box 1475, Harare)



## PART 1: CHAIRMAN'S LETTER



**FALCON GOLD ZIMBABWE LIMITED**

**(A public company incorporated in the Republic of Zimbabwe under company registration number 303/89)**

**Directors: I. R. Saunders; Q. Nkomo\*; B.S.S. Nyabadza**

\*Executive

**Address:** 1<sup>st</sup> Floor, KPMG Building, 133 Josiah Tongogara Road, Bulawayo, Zimbabwe

Dear Falcon Gold Shareholder,

### **1. OVERVIEW OF FALCON GOLD**

#### **1.1 Background and Operations**

Falcon Gold began as part of Falcon Mining, which listed on the ZSE in 1950. The mining gold assets of Falcon Mining were separated into Falcon Gold in 1991 and the Company was listed on the ZSE in 1996. In 2007, the Company became a subsidiary of Central African Gold Plc ("CAG"). Effective 16 June 2010, New Dawn acquired control of CAG, and during the period to June 2011, New Dawn acquired the balance of the shares of CAG that it did not already own, thereby increasing its proportionate ownership interest in Falcon Gold to approximately 84.67%.

All of the Company's operations are located in Zimbabwe and consist of a portfolio of exploration claims and various mine properties, including the Golden Quarry Mine located in Shurugwi.

The Golden Quarry Mine is situated 5km to the north of Shurugwi and at an elevation of 1,450m above mean sea-level. The property is approximately 25km south-east of the city of Gweru and lies within Magakooskla Estate. The mine is contained within the Gweru greenstone belt, which is geologically similar to other Archean greenstone belts in Zimbabwe. These economic deposits are hydrothermal in origin and occupy structural breaks, usually along secondary splays of first order structures.

Subsequent to the acquisition of control of CAG by New Dawn in June 2010, and after the investment of additional capital, mining operations were resumed at the property in May 2011, with underground ore production commencing shortly thereafter. In December 2018, the mine suffered a catastrophic failure of its number two mill, reducing the processing capacity significantly and rendering the mining operation incapable of producing sufficient gold to remain profitable on a cash basis. Shortly thereafter, in January 2019, the power utility ZESA discontinued the power supply to the mine due to unpaid utility bills, causing all underground operations to cease. Falcon Gold has borrowed money to maintain the mine on a care and maintenance basis while numerous attempts to raise the funding necessary to settle the utility arrears and other trade creditors, and to repair or replace the failed mill, were ongoing, but has been unsuccessful to date. The Golden Quarry Mine is believed capable of producing gold at an annualised rate of approximately 11,500 ounces subsequent to repair of the mill, and the requisite working capital having been invested to restart operations.

Substantial further increases to production are considered feasible, but will require significant capital expenditure over an extended period of time to remove production bottlenecks, expand the ore processing plant, and develop the underground ore body. In addition, excellent exploration potential exists both underground and at surface, but the property remains very much underexplored, requiring significant further investment capital injected over an extended period of time to evaluate and, if determined economically feasible, to develop. That investment capital is not currently available under the current operating, economic and political environment in Zimbabwe and Falcon Gold cannot predict when such investment capital may be available, if at all.

#### **1.2 Recent Operating Performance**

Gold sales in fiscal 2019 and 2018 were realised from Falcon Gold's sole operating gold processing plant at Golden Quarry Mine near Shurugwi. Gold sales for the year ended 30 September 2019 decreased by 1,061 ounces or 42% to 1,447 ounces, as compared to 2,508 ounces for the year ended 30 September 2018. During the six months ended 31 March 2019, Falcon Gold reported that it had suffered a catastrophic break down of the Main Number 2 Operating Mill at Golden Quarry Mine, which resulted in a cessation of gold production. In addition, the power supply to the mine had also been terminated in January

2019 by the power utility ZESA due to non-payment of utility bills, causing all underground operations to cease. These developments resulted in the full impairment of the Golden Quarry cash generating unit as at 30 September 2018. Golden Quarry Mine has subsequently remained inactive through 30 September 2019 and thereafter.

The delay in producing audited financial statements in conformity with IFRS and IAS for the year ended 30 September 2019 meant that Falcon Gold was not able to publish accounts that could have been used to attempt to raise funds in the market, as the financial statements were not within the six month period prescribed by the ZSE Listing Requirements. Further, the requirement for the financial statements to be compliant with IAS 29 (Financial Reporting in Hyperinflationary Economies) resulted in further delays in the preparation and publication of Falcon Gold's financial statements, as the preparatory work has to be carried out by a third party auditing/accounting firm experienced in such matters before they can be audited by the Company's auditing firm.

Against a background of operations on care and maintenance, continuing overhead costs, accounting issues and ongoing losses, Falcon Gold requested a suspension of trading in February 2020 and its stock was suspended by the ZSE with effect from 27 February 2020.

### 1.3 Financial Performance

|  | <b>Reviewed<br/>31 March 2020<br/>Inflation adjusted<br/>ZWL</b> | <b>Unaudited*<br/>31 March 2019<br/>Inflation adjusted<br/>ZWL</b> |
|--|--|--|
| Revenue  | 6,692,573  | 25,436,185   |
| Net operating loss                               | <u>(21,203,649)</u>  | <u>(29,634,760)</u>  |
| Other income                                     | 468,768  | 2,776,600  |
| Net Finance costs and exchange losses            | (120,315,761)  | (155,357,596)  |
| Monetary gain (loss)                             | 336,932,830  | 94,483,522   |
| Total comprehensive profit/(loss) for the period | <u><u>195,882,188</u></u>  | <u><u>(87,732,234)</u></u>   |
| Profit/(Loss) for the period attributable to:    |  |  |
| Owners of the parent                             | 196,118,503  | (88,394,586)   |
| Non-controlling interests                        | (236,315)  | 662,352  |
|  | <u>195,882,188</u>   | <u>(87,732,234)</u>  |
| Basic and diluted profit/(loss) per share (ZWL)  | 1.75   | (0.80)   |

\*Comparatives are neither audited nor reviewed.

|                                     | <b>Reviewed<br/>31 March 2020<br/>Inflation adjusted<br/>ZWL</b> | <b>Audited<br/>30 Sept 2019<br/>Inflation adjusted<br/>ZWL</b> |
|-------------------------------------|--|--|
| <b>ASSETS</b>                       |  |  |
| Non-current assets                  | 6,812,963  | 5,932,134  |
| Current assets                      | 9,813,532  | 20,437,982   |
| <b>Total Assets</b>                 | <b>16,626,495</b>  | <b>26,370,116</b>  |
| <b>EQUITY AND LIABILITIES</b>       |  |  |
| <b>Equity</b>                       |  |  |
| Issued share capital                | 14,063,347   | 14,063,347   |
| Accumulated losses                  | (302,550,233)  | (498,668,736)  |
| Non-controlling interests           | 478,440  | 714,715  |
| <b>Total equity</b>                 | <b>(288,008,486)</b>   | <b>(483,890,674)</b>   |
| Non-current liabilities             | 1,320,971  | 3,952,576  |
| Current liabilities                 | 303,314,010  | 506,308,214  |
| <b>Total liabilities</b>            | <b>304,634,981</b>   | <b>510,260,790</b>   |
| <b>Total Equity And Liabilities</b> | <b>16,626,495</b>  | <b>26,370,116</b>  |

Further details of the financial records of Falcon Gold are incorporated into this Circular as Annexure 1.

#### 1.4 Interests of Directors

Direct and indirect interest of the Directors in Falcon Gold Shares

| <b>Director</b> | <b>Falcon Gold Shares Held</b> |
|-----------------|--------------------------------|
| I.R. Saunders   | Nil                            |
| Q. Nkomo        | Nil                            |
| B.S.S. Nyabadza | Nil                            |

#### 1.5 Share Capital

The authorised share capital of Falcon Gold is comprised of 115,000,000 ordinary shares of US\$0.01 each.

The total issued and fully paid shares of Falcon Gold at the Last Practicable Date was 111,165,656 ordinary shares of US\$0.01 each.

The unissued ordinary shares are under the indefinite, unrestricted control of the Directors, subject to conditions imposed by the Companies and Other Business Entities Act and the ZSE Listing Requirements.

All of the issued ordinary shares in the share capital of Falcon Gold are of one class, and rank *pari passu* in all respects.

## 1.6 Shareholding Structure

The Top 20 shareholders for Falcon Gold are shown below:

| Shareholder                                   | Number             | Percentage of total |
|---|--------------------|---------------------|
| 1 Falcon Mines Society Anonyme                | 63,470,000         | 57.09               |
| 2 Boundary Investments (Private) Limited      | 30,645,695         | 27.57               |
| 3 Estate Late Roy Turner                      | 2,327,100          | 2.09                |
| 4 Turnbull Angela Mrs                         | 2,190,287          | 1.97                |
| 5 Falcon Employee Dividend Trust              | 1,600,000          | 1.44                |
| 6 Falcon Gold Employee Trust                  | 950,000            | 0.85                |
| 7 National Social Security Authority          | 849,192            | 0.76                |
| 8 Wilhelm Henry Alfred Hans – Albert Kuhlmani | 730,736            | 0.66                |
| 9 National Social Security Authority - NPS    | 708,059            | 0.64                |
| 10 Lescant Investments (Private) Limited      | 610,706            | 0.55                |
| 11 Global Frontiers Select Equ LP             | 261,017            | 0.23                |
| 12 Riveridge (Private) Limited                | 244,800            | 0.22                |
| 13 Mid-Lothian Properties                     | 162,793            | 0.15                |
| 14 Muzawazi Gerald                            | 150,000            | 0.13                |
| 15 Omar Hussein                               | 150,000            | 0.13                |
| 16 Rorke Trevor J                             | 132,510            | 0.12                |
| 17 Mast Nominees (Private) Limited            | 127,629            | 0.11                |
| 18 Mzawazi Wilfred                            | 119,202            | 0.11                |
| 19 Mandiopera Takudzwa                        | 113,772            | 0.10                |
| 20 TFS Nominees (Private) Limited             | 109,256            | 0.10                |
| Other minorities                              | 5,512,902          | 4.96                |
| <b>Total</b>                                  | <b>111,165,656</b> | <b>100.0</b>        |

Falcon Mines Society Anonyme and Boundary Investments (Private) Limited are, respectively, directly and indirectly 100% held by New Dawn Mining. As such, they are precluded from voting on Resolution 1 in the EGM.

## Share Price History

| Month of         | Closing price<br>ZWL\$ | Volume<br>traded | Value of Shares<br>traded ZWL\$ |
|------------------|------------------------|------------------|---------------------------------|
| August 2019      | Suspended              | Suspended        | Suspended                       |
| September 2019   | 0.025                  | 9,300            | 232.50                          |
| October 2019     | 0.03                   | 13,200           | 396.00                          |
| November 2019    | 0.03                   | 0                | 0.00                            |
| December 2019    | 0.03                   | 0                | 0.00                            |
| January 2020     | 0.03                   | 0                | 0.00                            |
| Daily            | Closing price<br>ZWL\$ | Volume<br>traded | Value of Shares<br>traded ZWL\$ |
| 03 February 2020 | 0.03                   | 0                | 0.00                            |
| 04 February 2020 | 0.03                   | 0                | 0.00                            |
| 05 February 2020 | 0.03                   | 0                | 0.00                            |
| 06 February 2020 | 0.03                   | 0                | 0.00                            |
| 07 February 2020 | 0.03                   | 0                | 0.00                            |
| 10 February 2020 | 0.03                   | 0                | 0.00                            |
| 11 February 2020 | 0.03                   | 0                | 0.00                            |
| 12 February 2020 | 0.03                   | 0                | 0.00                            |
| 13 February 2020 | 0.03                   | 0                | 0.00                            |
| 14 February 2020 | 0.03                   | 0                | 0.00                            |
| 18 February 2020 | 0.03                   | 0                | 0.00                            |
| 19 February 2020 | 0.03                   | 0                | 0.00                            |
| 20 February 2020 | 0.03                   | 0                | 0.00                            |
| 24 February 2020 | 0.03                   | 0                | 0.00                            |
| 25 February 2020 | 0.03                   | 0                | 0.00                            |
| 26 February 2020 | 0.03                   | 0                | 0.00                            |
|                  | Suspended              | Suspended        | Suspended                       |

## **2. THE PROPOSED VOLUNTARY TERMINATION OF THE LISTING OF FALCON GOLD ON THE ZIMBABWE STOCK EXCHANGE**

### **2.1 Limited Liquidity**

Falcon Gold has a total of 111,165,656 issued shares, of which 17,049,961 shares (approximately 15.34% of issued and outstanding shares) are held by approximately 2,000 minority shareholders unrelated to the parent company, New Dawn. Only three of the minority shareholders own more than 1.0% of the issued and outstanding shares of Falcon Gold (aggregate 5.50%), and only 16 of the minority shareholders own 0.1% or more of the issued and outstanding shares of Falcon Gold (aggregate 10.11%).

Only 22,500 shares traded for a total value of ZWL\$628.50 in the six-month period prior to the suspension of trading on the ZSE. In the five-year period prior to the suspension of trading on the ZSE, a total of 821,651 shares, representing 0.74% of the Falcon Gold outstanding shares, traded, with only 58 days in that five-year period experiencing a trade.

### **2.2 Onerous Reporting Structures**

The Securities and Exchange Commission of Zimbabwe (the "SECZ") and the ZSE have recently implemented new reporting regulations that have increased the frequency of issuance of financial statements from semi-annual to quarterly, with an attendant increase in legal and accounting costs, as well as sustainability reporting, annual compliance certificate, letter of representation, reports to be reviewed by the independent auditors, electronic (website) publication of results, publication of results on the ZSE Data Portal, and other new requirements.

The PAAB has also mandated the application of IFRS accounting rules relating to highly inflationary business environments to the financial statements of companies that operate in Zimbabwe, which significantly increases the costs incurred by Falcon Gold with its independent audit firm, Ernst & Young, as well as requiring assistance by external advisors in applying IFRS accounting rules (at substantial incremental USD costs).

None of these developments are viewed as adding any value to the business of Falcon Gold based on the current operating, economic and political environment in Zimbabwe.

### **2.3 Inability to Attract New Capital**

While one of the often cited benefits of a stock exchange listing is the ability to raise new capital through the issuance of stock, this is clearly not the case for Falcon Gold. While Zimbabwe has been attempting to encourage foreign investment for its mining industry, economic and political considerations have essentially foreclosed that source of outside investment capital. Foreign investors previously active on the ZSE have seen significant real losses in the last eighteen (18) months following currency depreciation and, more importantly, an inability to remit proceeds on disinvestment. In addition, on 26 June 2020, the ZSE was shut-down for an indeterminate period of time. Trading on the ZSE was resumed on 3 August 2020. This unprecedented and continuing crisis is likely to remain an insurmountable obstacle to attracting new capital through the ZSE for the foreseeable future.

Raising capital on the ZSE is an expensive undertaking because of the need to produce circulars to shareholders to facilitate capital raising transactions. These circulars require input from professional advisors, the production of hyper-inflation and pro-forma accounts, and carry a substantial production and distribution cost. The ZSE also levies charges for inspection of such circulars. While the best practice stance of the ZSE is understood, it has been, and continues to be, a detriment to efficient and cost-effective capital raising for a small, illiquid company such as Falcon Gold situated in a difficult operating environment in an industry (mining) with long-term horizons.

### **2.4 Conclusion**

As a public company that is exclusively traded on the ZSE and only in Zimbabwe, such listing has not in recent years provided any benefit to Falcon Gold. In fact, the ZSE listing has been detrimental, given ongoing legal, compliance and audit costs, and the inability to raise capital through the sale of shares. In the face of ongoing viability problems the additional costs of being listed, with no compensating benefits, can no longer be borne by the Company. Accordingly, Falcon Gold has decided to seek shareholder approval not to maintain its position as a publicly-listed entity in Zimbabwe.

### **2.5 Instruction and Authorities**

It is proposed that the Directors be entitled and be granted the authority to sign, on behalf of Falcon Gold, all documents required to carry out termination of the listing of Falcon Gold on the ZSE.

### **2.6 Notice of Extraordinary General Meeting and Proxy Form**

The notice convening the Extraordinary General Meeting, which is to be held at 1st Floor, KPMG Building, 133 Josiah Tongogara Avenue, Bulawayo at 1000hrs on Thursday, 29 October 2020, is attached to and forms part of this Circular.

Shareholders who are unable to attend the Extraordinary General Meeting and wish to be represented thereat should complete the attached Proxy Form in accordance with the instructions contained therein.

Proxy Forms for the Extraordinary General Meeting must be lodged with or posted to the Transfer Secretary in accordance with the instructions contained therein, to be received by no later than 1000hrs on Tuesday, 27 October 2020. If a Proxy Form for the Extraordinary General Meeting is not received by the Transfer Secretary by the appropriate time set out above, it may be handed to the Chairman of the Extraordinary General Meeting at their discretion not less than thirty (30) minutes before the commencement of the Extraordinary General Meeting.

## **2.7 General**

The Directors may agree or consent before or at the Extraordinary General Meeting, to any amendment, variation or modification of the resolutions to be decided.

A certificate signed by any Director stating that all the conditions of the Extraordinary General Meeting have been fulfilled and that the resolutions have been passed shall be binding on Falcon Gold and its shareholders.

## **2.8 Opinions and Voting Recommendations of Directors**

The Directors are conscious of their obligations, both in terms of the common law and the provisions of the Companies & Other Business Entities Act and the ZSE Listing Rules, at all times to –

act fairly as between shareholders, or different classes of shareholders;

to ensure that the affairs of the company are not conducted in a manner which is oppressive towards, or unfairly prejudicial to, any shareholders or category of shareholders; and

generally to act in the best interests of the Company.

Furthermore, as an additional measure to protect the interests of minority shareholders, the ZSE Listing Requirements specifically provide that any “controlling shareholder/s” shall be precluded from voting on any resolution to delist a company from the ZSE. For that reason Falcon Mines Society Anonyme, Boundary Investments (Private) Limited, Falcon Employee Dividend Trust and Falgold Employee Trust will not be permitted to vote on Resolution No. 1 which will be tabled before the EGM.

The Directors consider the proposed termination of the listing of Falcon Gold on the ZSE to be in the best interests of all Falcon Gold shareholders and to be in the best interests of Falcon Gold itself. The Directors recommend Falcon Gold shareholders vote in favour of the EGM resolutions.

## **3. THE PROPOSED OFFER BY BOUNDARY TO SHAREHOLDERS OF FALCON GOLD**

Zimbabwe is, and has been for many years, a very difficult financial and business environment in which to operate, with the shift from the multi-currency regime to the Zimbabwe dollar in 2019 further exacerbating this situation. For the past year, the management of Falcon Gold has been exploring options to raise US\$2.5 million to US\$3.0 million of funding to enable the repair of the mill at the Golden Quarry Mine and the resumption of mining operations, but has been wholly unsuccessful in doing so. Zimbabwe’s position in the international capital markets is untenable, and there are practically no outside investors that are willing to invest in junior gold mining companies in Zimbabwe.

Due to the fact that the Board of Directors of Falcon Gold has been unsuccessful in arranging the required financing during the past year, in any form and/or at any cost, discussions have been ongoing between representatives of the respective Boards of Directors of Falcon Gold and New Dawn, with a view to New Dawn being the investor of last resort in Falcon Gold. This capital injection is critically needed to not only resume mining operations, but also to preserve the ownership of the Golden Quarry mining claims under Zimbabwe’s “Use it or Lose it” regulations, which the Government of Zimbabwe is enforcing with increasing urgency given the current financial condition of the country.

With regard to this matter, New Dawn completed a debt financing in September 2019 that it has advised would enable it to fund the resumption of mining operations at the Golden Quarry Mine, assuming that appropriate terms with Falcon Gold can be negotiated and implemented. A number of possible structures have been discussed to address Falcon Gold’s working capital issues (and the legal paths to implement such structures), but New Dawn has advised that the existence of the approximately 15% minority interest, combined with the continued listing of Falcon Gold’s shares on the ZSE, are the factors that are preventing New Dawn from being able to provide the critically needed capital injection into Falcon Gold. In essence, it is against New Dawn’s economic interest, and would furthermore be fiducially irresponsible, for New Dawn to provide funding to Falcon Gold with the minority interest still in place.

Accordingly, in view of these factors, New Dawn has formally confirmed that it is unwilling to provide further intercompany funding unless Falcon Gold is a wholly owned subsidiary. With the absence of this financing from New Dawn, Falcon Gold is unable to access the funds necessary to resume mining operations at Golden Quarry, and that the ownership of the related mining claims may become subject to government action. As a result, Falcon Gold has prepared and distributed this Circular, with the proposed actions presented herein, for the consideration and vote of shareholders.

In light of the above, New Dawn has advised Falcon Gold that it believes an offer to buy the minority shareholding of the public free float subsequent to approval from Falcon Gold shareholders to delist Falcon Gold from the ZSE is the most reasonable path forward. To this end, New Dawn has formally advised the Board of Directors of Falcon Gold that it is willing to extend, through its wholly owned Zimbabwe domiciled subsidiary, Boundary, a cash only offer to the minority shareholders of Falcon Gold, the details of which are set out below.

### **3.1 Offer Summary**

Boundary is prepared to make an Offer for all the Minority Shares, extended and executed in terms of Sub-Part H of Part III of the Companies and Other Business Entities Act. The Offer will be for cash only, at a price of ZWL\$0.13 per Falcon Gold share, which values the entirety of Falcon Gold equity at ZWL\$14.5 million. The Offer Consideration is based on the last trading price of Falcon Gold shares on the ZSE as of 26 February 2020, which was the last day of trading prior to suspension by the ZSE, adjusted for the uplift in the Mining Index of the ZSE since that date.

### **3.2 Details of the Offer**

The Offer Consideration is ZWL\$0.13 per Falcon Gold share, payable in cash gross of any taxes or other charges. The Offer Consideration values the entire share capital of Falcon Gold at approximately ZWL\$14.5 million based on 111,165,656 shares in issue. The Offer Consideration is based on the last trading price of Falcon Gold shares on the ZSE as of 26 February 2020, as adjusted for the uplift in values on the ZSE since that date. The shares only traded one day in the ninety (90) day period prior to the suspension date.

The Offer Consideration per Falcon Gold share will be decreased on a per share basis by an amount equal to the aggregate of any dividend declared and paid or distribution made prior to closure of the offer.

The Offer is subject to the fulfilment or waiver (in whole or in part) of the following Suspensive Conditions, which are stipulated for the benefit of Boundary, which it alone will be entitled to waive those suspensive conditions or extend the date by which any one or more of them is to be fulfilled:

Receipt of approvals, consents or waivers from all regulatory bodies, governmental or quasi-governmental entities necessary to implement the Offer, in each case either unconditionally or subject to conditions reasonably acceptable to the person on whom the conditions are imposed.

Approval by the shareholders of Falcon Gold at the EGM in favour of termination of the listing of Falcon Gold on the ZSE.

No change to the senior management of Falcon Gold and its subsidiaries until such time as the Offer becomes unconditional or lapses.

Receipt of an undertaking from the Directors that Falcon Gold will not make, or commit, to any asset or business disposals, acquisitions or investments in aggregate in excess of ZWL\$500,000; will not encumber any assets; will not make any dividend declarations or distributions; will not issue any new shares or options to acquire shares; and will not raise any additional debt.

### **3.3 Offer Timetable**

The Offer will open to Falcon Gold minority shareholders on Monday 09 November 2020 and initially be open for a period of 120 days, closing on Friday, 26 March 2021, unless during that period more than 90% of the Minority Shares are acquired by Boundary, at which point Boundary will promptly exercise its right to acquire all minority shareholding.

Section 238 of the Companies and Other Business Entities Act (Drag-along: right of offeror with 90% to squeeze out minority) states that *"If within one hundred and twenty days after the date of an offer made under section 237 ("Offer for remaining shares") the offer has been accepted by the holders of at least ninety per centum of the target shares, other than any such shares held before the offer by the offeror and its associate or associates—*

*(a) the offeror may within sixty days thereafter notify the holders of the remaining target shares that the offer has been accepted to that extent and the offeror wishes to acquire all remaining target shares; and*

*(b) after giving such notice the offeror shall be entitled and bound to acquire all such remaining shares on the same terms that applied to shares whose holders accepted the original offer."*

Boundary reserves the right to extend the Offer beyond the initial 120 days. Regular notices will be posted in the Zimbabwe press and on the Falcon Gold website of progress with the Offer and any alteration of dates pertaining to the Offer.

### **3.4 Settlement of the Offer Consideration**

The Offer Consideration will be settled by bank transfer to the Minority Shareholder's nominated bank account two days after receipt of the fully executed Form of Acceptance and Surrender, attached to this Circular as Annexure 4. The Offer Consideration will be settled net of any applicable statutory taxes and levies.

### **3.5 No Set-Off of Offer Consideration**

The settlement of the Offer Consideration will be implemented in full in accordance with the terms of the Offer without regard to any lien, right of set-off, counterclaim or other related right to which Falcon Gold may be entitled.

### **3.6 Conditions Precedent to the Offer**

The Offer shall become operative on the second business day after the fulfilment of the following conditions (the Operative Date):

The approval by the Board of Directors of Boundary of the acquisition by Boundary of the ordinary shares in the Company;

The approval by the shareholders of Falcon Gold at the EGM to terminate the listing of Falcon Gold on the ZSE;

The obtaining of exchange control approval from the RBZ for the Offer; and,

The obtaining of all such other necessary regulatory approvals as may be required.

### **3.7 Opinions of Directors**

Finesse, which was appointed to provide independent advice to the Directors of Falcon Gold, has considered the terms and conditions of the Offer and is of the opinion that the terms and conditions thereof are fair and reasonable in the circumstances and in the best interest of Falcon Gold and its shareholders.

The Directors consider the proposed transaction to be fair and reasonable in so far as Falcon Gold shareholders are concerned and to be in the best interests of Falcon Gold.

### **3.8 Exchange Control Regulations**

Ownership and transfer of Falcon Gold ordinary shares registered in the name of non-residents of Zimbabwe are subject to Exchange Control Regulations. As such, payment of cash as the Offer Consideration to all non-Zimbabwe resident Falcon Gold shareholders will be made in terms of the regulations and/or rulings of the Reserve Bank of Zimbabwe, to the authorised dealers nominated by each such shareholder for that purpose. Such payment will fully discharge the obligation to effect payment of the option of the Offer Consideration, for the Falcon Gold ordinary shares.

If no authorised dealer is so nominated, the Offer Consideration will be held by Falcon Gold on behalf of and at the risk of the shareholder until claimed. No interest will accrue or be paid on any Offer Consideration so held.

It will be incumbent upon the Falcon Gold shareholders concerned to instruct their nominated authorised dealer, or failing such nomination, Falcon Gold, as to the disposal of the relevant proceeds.

### **3.9 Tax Considerations**

The tax treatment of Minority Shareholders is dependent on their individual circumstances and on the tax jurisdiction applicable to such Minority Shareholders. Minority Shareholders are advised to consult their professional advisor or banker regarding their individual tax position in relation to their participation in the Offer. The Offer is made gross of tax, and where applicable Capital Gains Tax will be deducted at source prior to settlement of the Offer Consideration.

## **4. GENERAL CONSIDERATIONS**

### **4.1 Material Changes and Commissions**

Save as discussed in this Circular, between 31 March 2020 and the date of this Circular, there have been no material adverse changes in Falcon Gold's financial position, and no commissions, brokerages or other special terms have been granted by Falcon Gold in connection with the issue or sale of its share capital.



#### 4.2 Significant Contracts

Falcon Gold has not entered into any significant contracts, other than in the normal course of business since the last general meeting of members.

#### 4.3 Litigation

In September 2016 the Company entered into an agreement with RioGold (Private) Limited ("RioGold") for the disposal of its interest in the Dalny Mine complex. Payment was to be made by RioGold over a period, on agreed terms.

At a time when approximately US\$ 2.27 million of the purchase consideration was outstanding, a dispute arose between the Company and RioGold. The dispute was referred to arbitration, and in the interim the balance outstanding was held in escrow.

The arbitration was concluded in favour of the Company, but the arbitral award has been challenged by RioGold at the High Court. A judgment is currently awaited from the court. The directors are of the view that the Company's prospects of success are sound.

That said, the Company has received advice to the effect that the figure in question has, by operation of law, been converted to Zimbabwe Dollars at a rate of 1:1. This means that the real value of the amount in dispute is approximately US\$ 28,400 at the official rate of exchange at the Last Practicable Date. Accordingly the Directors are of the view that the outcome of the litigation will have no material impact, one way or the other, on the value of the Company's shares, or on whether the offer to minority shareholders is fair and reasonable.

#### 4.4 Costs

The costs of the listing termination will be borne by Falcon Gold, including fees payable to Finesse, in respect of their independent advice on the New Dawn Offer to the independent Directors of Falcon Gold. These costs are detailed below:

| <b>Item</b>                            | <b>Cost ZWL\$</b> |
|--|-------------------|
| Financial Advisor                      | 6,400,000         |
| Independent Financial Advisor          | 1,900,000         |
| Sponsoring Broker                      | 1,000,000         |
| Reporting Accountants                  | 328,000           |
| Legal Advisor                          | 575,000           |
| Transfer Secretaries                   | 50,000            |
| Printing, Publication and Distribution | 340,000           |
| ZSE costs                              | 190,000           |
| <b>TOTAL</b>                           | <b>10,783,000</b> |

#### 4.5 Consents

Imara, IES, ZB Transfer Secretaries, Ernst & Young, GGG, Finesse, Falcon Gold, Boundary and New Dawn have given, and have not withdrawn, their consents to the issue of this Circular with the inclusion of their names and reports in the forms and contexts in which they appear.

#### 4.6 Documents Available for Inspection

Copies of the following documents will be available for inspection at the registered office of Falcon Gold during normal business hours on any Business Day up to and including the date of the Extraordinary General Meeting.

the Memorandum and Articles of Association of Falcon Gold;

copy of the offer letter from New Dawn;

copies of this signed Circular;

the audited financial statements of Falcon Gold for the fiscal years ended 30 September 2018 and 2019;

the reviewed interim consolidated financial statements for Falcon Gold for the six months ended 31 March 2020;  
and

signed Letters of Consent from all experts and advisors.

#### **4.7 Responsibility Statement of Directors**

The Directors, whose names are set out in the Corporate Information on page ii of this Circular, collectively and individually, accept full responsibility for the accuracy of the information given and certify that to the best of their knowledge and belief there are no other facts, the omission of which would make any statement false or misleading, that they have made all reasonable enquiries to ascertain such facts (where applicable), and that this Circular contains all the information required by law.

Yours faithfully

**I. R. Saunders**

Non - Executive Chairman

For and on behalf of the Board of Directors of Falcon Gold

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## **PART 2: ANNEXURES**

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**TO THE MEMBERS OF FALCON GOLD ZIMBABWE LIMITED****Introduction**

We have reviewed the accompanying interim condensed consolidated statement of financial position of Falcon Gold Zimbabwe Limited as of 31 March 2020 and the related interim condensed consolidated statements of income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of this interim financial information in accordance with International Financial Reporting Standards (IFRS). Our responsibility is to express a conclusion on this interim financial information based on our review.

**Scope of Review**

We conducted our review in accordance with International Standard on Review Engagements 2410, *“Review of Interim Financial Information Performed by the Independent Auditor of the Entity.”* A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

**Basis for Adverse Conclusion****Functional currency**

As explained in Note 2.2 to the interim condensed consolidated financial statements, the functional currency applied by management is the Zimbabwe Dollar (ZWL) and the interim condensed consolidated financial statements are presented in ZWL on the basis that the official exchange rate from 1 October 2018 to 30 March 2019 between the RTGS Dollar (RTGSS)/ZWL and the United States Dollar (US\$) is 1:1 and the interbank rate from 31 March 2019.

Zimbabwe witnessed significant monetary and exchange control policy changes in 2016 and increasingly through to 2019. The Reserve Bank of Zimbabwe (RBZ) together with the Ministry of Finance and Economic Development promulgated a series of exchange control operational guidelines and compliance frameworks during this period. Specifically, there was a requirement for banks to separate out FCA RTGS Accounts from the FCA Nostro US\$ Accounts during October 2018. Although the rate was legally pegged at 1:1, multiple pricing practices and other transactions observed and reported publicly indicated exchange rates other than 1:1 between RTGS and the US\$ amounts. Finally, in February 2019 there was a Monetary Policy statement which introduced the RTGS Dollar (RTGSS) and the interbank foreign exchange market. Further in June 2019, Statutory Instrument 142 of 2019 was issued introducing the Zimbabwe Dollar (ZWL) as the exclusive legal tender for domestic transactions and also abolished the multi-currency regime.

These events triggered the need for reporting entities to assess whether there was a change in functional currency [from US\$ to RTGSS (later ZWL)] and the 1:1 RTGSS:US\$ exchange rate as at and prior to 21 February 2019 (when the RTGSS\$ and the interbank market were introduced).

Based on International Financial Reporting Standards IAS 21-The Effects of Changes in Foreign Exchange Rates (“IAS 21”) the functional currency of an entity is the currency of the primary economic environment in which the entity operates and reflects the underlying transactions, events and conditions that are relevant to it. In addition, paragraph 2.12 of the Conceptual Framework for Financial Reporting (the “Conceptual Framework”) prescribes that for financial information to be useful, it “must not only represent relevant phenomena, but it must also faithfully represent the substance of the phenomena that it purports to represent. In many circumstances, the substance of an economic phenomenon and its legal form are the same. If they are not the same, providing information only about the legal form would not faithfully represent the economic phenomenon.” In addition, International Financial Reporting Standards IAS10 - Events after the Reporting Period (“IAS 10”) also requires an entity to adjust the amounts recognised in its financial statements to reflect events after the reporting period that provide evidence of conditions that existed at the end of the reporting period.

We believe that events in the market and the promulgation of the RTGSS\$ (later ZWL) as a formal currency supports that there was a change in functional currency from US\$ to ZWL and that transactions in the market indicated a different rate between the two currencies despite the legal 1:1 RTGSS:US\$ exchange rate and this occurred during the period ended 31 March 2020.

This impacts the basis for measuring transactions that occurred between 01 October 2018 and 21 February 2019, and between 22 February 2019 and 31 March 2020, the valuation of assets and liabilities at period end as well as the accounting for foreign exchange differences. We believe that the interim condensed consolidated financial statements are required to be adjusted for these changes and that it is inappropriate to provide note disclosures as a proxy for adjusting the financial statements.

The financial statements of the Group include balances and transactions denominated in US\$ that were not converted to RTGSS\$/ZWL at an RTGSS\$/ZWL:US\$ exchange rate that reflects the economic substance of its value as required by International Financial Reporting Standards (“IFRS”). This is because;

- a) Between 1 October 2018 and 21 February 2019, management applied the legal rate of 1:1 as pronounced by Statutory Instrument 133 of 2016, Statutory Instrument 33 of 2019 and the Monetary Policy Statements of the 22nd of February 2018, 1st of October 2018 and 20th of February 2019.
- b) Between 22 February 2019 and 30 March 2019, management continued to apply a rate of 1:1 as they did not consider the starting interbank market rate of 2.5 to be determined by willing market participants and the volume of transactions on the market was insufficient for it to be considered observable and accessible. . The rate applied by management was not in compliance with IAS 21, and neither would the interbank market rate had management applied it.
- c) Between 31 March 2019 and 31 March 2020, management applied the interbank rate, which is not in compliance with IAS 21.

In terms of IAS 21, foreign currency monetary items shall be translated using the closing rate, non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction; and non-monetary items that are measured at fair value in a foreign currency shall be translated using the exchange rates at the date when the fair value was measured. Foreign currency transactions shall be recorded, on initial recognition in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and the foreign currency at the date of the transaction.

Therefore, had a different RTGSS/ZWL: USD\$ currency rate been determined and applied by management, virtually every account in, and the information provided by way of notes to, the accompanying interim condensed consolidated financial statements, would have been materially different. The effects of the departure from IFRS are pervasive to the interim condensed consolidated financial statements and have not been quantified.

#### **Adverse Conclusion**

Our review indicates that, because of the matters as described in the preceding paragraph, this interim financial information does not give a true and fair view of the interim condensed consolidated financial position of the Company as at 31 March 2020, and of its condensed consolidated financial performance and its condensed consolidated cash flows for the six-month period then ended in accordance with International Financial Reporting Standards.

#### **Material uncertainty related to Going concern**

The Group sustained operating losses attributable to the shareholders of the Group during the six months ended 31 March 2020 amounting to ZWL21 203 649 (2019: ZWL29 634 769). The Group had a net working capital deficit at 31 March 2020 of ZWL293 500 478 (30 September 2019: ZWL485 870 232) and negative equity of ZWL288 008 486 (30 September 2019: ZWL483 890 674). Forecasts for both FY20 and FY21 are still being prepared by management. However, the Group continues to incur operating losses post year end and is expected to incur operating losses for the remainder of the year ending 30 September 2020 and thereafter.

The Group generated limited revenues from three sources during the six months ended 31 March 2020: the hammer mills and the sands processing at the static leach tanks at the Golden Quarry Lulu project, as well as the Musical Scales Stamp mills. During the six months ended 31 March 2019, the Group had suffered a catastrophic break down of the Main Operating Mill at Golden Quarry Mine, which resulted in a cessation of gold production. In addition, the power supply to the mine had also been terminated in 2018 due to non-payment of utility bills. This resulted in the full impairment of the Golden Quarry Mine cash generating unit as at 30 September 2018. Therefore, Golden Quarry Mine has remained largely inactive from 2019 to date and to date power has not been reconnected. Currently, the small-scale activities at the mine are powered by diesel generators.

These conditions give rise to material uncertainties, which cast significant doubt about the Group's ability to continue as a going concern and, therefore, the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

Due to the serious liquidity problems, the continued absence of significant investor appetite for Zimbabwe, and the lack of operating profits, management of the Group is, of necessity, operating the Group with a determined focus on addressing short-term issues as they arise, but there can be no assurances that the Group will be able to continue to conduct operations should existing circumstances persist or deteriorate. The majority of factors affecting the Group's operations are external factors outside of its control. As such, there is significant pressure on the Group's efforts to survive. Accordingly, and as stated previously, should the Group be forced to consider shutting down its remaining mining operations, either temporarily or permanently, and/or liquidating its assets in a formal or informal arrangement, then the Group may be unable to continue realising value from its assets and discharging its liabilities in the normal course of business.

The Group has obtained a letter of support from the ultimate holding company and majority shareholder, New Dawn Mining Corp., which states that they will not demand repayment of their loans in the 12 months to the 30th of June 2021.

Management are exploring options for an additional US\$2.5m - US\$3.0m of funding to enable refurbishment or replacement of the mill and resumption of mining operations at the Golden Quarry Mine, but have not finalised the funding source or structure. The Group is continuing to engage with the majority shareholder in this regard.

The Coronavirus Disease (COVID- 19) continues to spread locally and globally. The Group has considered the future impact it might have on its ability to continue to operate as a going concern. Both global and domestic economic activities are expected to slow down as Governments adopt restrictive measures to curtail the spread of the virus. The Group's operations have not been significantly repressed as mining activities are classified as essential service. Despite the Coronavirus induced lockdowns globally, the global gold prices in 2020 have maintained the positive 2019 trends.

The consolidated financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

The engagement partner on the review resulting in this independent review conclusion is Mr Fungai Kuipa (PAAB Practicing Certificate Number 335).

**ERNST & YOUNG**

**CHARTERED ACCOUNTANTS (ZIMBABWE)  
REGISTERED PUBLIC AUDITORS**

**BULAWAYO**

**FALCON GOLD ZIMBABWE LIMITED**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF PROFIT (LOSS) AND OTHER COMPREHENSIVE INCOME  
for the six-month periods ended 31 March 2020 and 2019**

|  | <b>Reviewed<br/>31 March 2020<br/>Inflation adjusted<br/>ZWL</b> | <b>Unaudited*<br/>31 March 2019<br/>Inflation adjusted<br/>ZWL</b> |
|--|--|--|
| <b>Continuing operations</b>                             |  |  |
| Revenue  | 6 692 573  | 25 436 185   |
| Mineral production expenses                              | (17 763 358)   | (46 532 377)   |
| Gross loss   | (11 070 785)   | 21 096 192   |
| General and administrative expenses                      | (9 784 012)  | (7 845 801)  |
| Other operating expenses                                 | (348 852)  | (692 767)  |
| Net operating loss                                       | (21 203 649)   | (29 634 760)   |
| Other income   | 468 768  | 2 801 474  |
| Finance income   | 519 396  | 933 701  |
| Finance costs  | (2 340 224)  | (4 351 997)  |
| Net foreign exchange losses                              | (118 494 933)  | (151 939 300)  |
| Monetary gain  | 336 932 830  | 94 483 522   |
| Profit/(Loss) before taxation from continuing operations | 195 882 188  | (87 707 360)   |
| Taxation   | -  | (24 874)   |
| Profit/(Loss) for the period from continuing operations  | 195 882 188  | (87 732 234)   |
| <b>Other comprehensive income:</b>                       |  |  |
| Other comprehensive income for the period                | -  | -  |
| Total comprehensive profit/(loss) for the period         | 195 882 188  | (87 732 234)   |
| Profit/(Loss) for the period attributable to:            |  |  |
| Owners of the parent                                     | 196 118 503  | (88 394 586)   |
| Non-controlling interests                                | (236 315)  | 662 352  |
|  | 195 882 188  | (87 732 234)   |
| Basic and diluted profit/(loss) per share (ZWL)          | 1.75   | (0.80)   |

\*Comparatives are neither audited nor reviewed.

**FALCON GOLD ZIMBABWE LIMITED**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

as at

|                                     | <b>Reviewed<br/>31 March 2020<br/>Inflation adjusted<br/>ZWL</b> | <b>Audited<br/>30 September 2019<br/>Inflation adjusted<br/>ZWL</b> |
|-------------------------------------|--|---|
| <b>ASSETS</b>                       |  |   |
| <b>Non-current assets</b>           |  |   |
| Property, plant and equipment       | 6 812 963  | 5 932 134   |
|                                     | <hr/>  | <hr/>   |
|                                     | 6 812 963  | 5 932 134   |
| <b>Current assets</b>               |  |   |
| Inventories                         | 2 321 704  | 6 130 706   |
| Trade and other receivables         | 5 870 375  | 14 069 502  |
| Cash and cash equivalents           | 1 621 453  | 237 774   |
|                                     | <hr/>  | <hr/>   |
| <b>Total current assets</b>         | 9 813 532  | 20 437 982  |
|                                     | <hr/>  | <hr/>   |
| <b>TOTAL ASSETS</b>                 | 16 626 495   | 26 370 116  |
| <b>EQUITY AND LIABILITIES</b>       |  |   |
| <b>Equity</b>                       |  |   |
| Issued share capital                | 14 063 347   | 14 063 347  |
| Accumulated losses                  | (302 550 233)  | (498 668 736)   |
| Non-controlling interests           | 478 400  | 714 715   |
|                                     | <hr/>  | <hr/>   |
| <b>Total equity</b>                 | (288 008 486)  | (483 890 674)   |
| <b>Non-current liabilities</b>      |  |   |
| Rehabilitation provision            | 1 320 971  | 3 952 576   |
|                                     | <hr/>  | <hr/>   |
|                                     | 1 320 971  | 3 952 576   |
| <b>Current liabilities</b>          |  |   |
| Related party payables              | 20 778 665   | 26 208 043  |
| Shareholder's loans                 | 239 302 013  | 405 652 462   |
| Trade and other payables            | 43 233 332   | 73 945 419  |
| Income tax payable                  | -  | 502 290   |
|                                     | <hr/>  | <hr/>   |
| <b>Total current liabilities</b>    | 303 314 010  | 506 308 214   |
|                                     | <hr/>  | <hr/>   |
| <b>Total liabilities</b>            | 304 634 981  | 510 260 790   |
|                                     | <hr/>  | <hr/>   |
| <b>TOTAL EQUITY AND LIABILITIES</b> | 16 626 495   | 26 370 116  |



**FALCON GOLD ZIMBABWE LIMITED**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
for the six-month period ended 31 March 2020**

|  | Issued share<br>capital               | Accumulated<br>losses                 | Non<br>controlling<br>interests       | Total                                 | Total                                 |
|--|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|---------------------------------------|
|  | Inflation adjusted<br>Reviewed<br>ZWL | Inflation adjusted<br>Reviewed<br>ZWL | Inflation adjusted<br>Reviewed<br>ZWL | Inflation adjusted<br>Reviewed<br>ZWL | Inflation adjusted<br>Reviewed<br>ZWL |
| <b>Balance as at 01<br/>October 2019</b>               | 14 063 347                            | (498 668 736)                         | 714 715                               | (484 605 388)                         | (483 890 674)                         |
| (Loss)/profit for the<br>year                          | -                                     | 196 118 503                           | (236 315)                             | 196 118 503                           | 195 882 188                           |
| Other comprehensive<br>income                          | -                                     | -                                     | -                                     | -                                     | -                                     |
| Total comprehensive<br>(loss)/income for the<br>year   |                                       | 196 118 503                           | (236 315)                             | 196 118 503                           | 195 881 188                           |
| <b>Balance as at 31<br/>March 2020<br/>(Reviewed)*</b> | 14 063 347                            | (302 550 233)                         | 478 400                               | (288 486 886)                         | (288 008 486)                         |

\* The Group adopted IFRS 16 - Leases using the modified retrospective approach, with an initial application date of 1 October 2019. The adoption of IFRS on 1 October 2019 has not had a material impact on the interim condensed consolidated financial statements. Therefore, no adjustment has been made to opening accumulated losses.

**FALCON GOLD ZIMBABWE LIMITED**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY**  
for the six-month period ended 31 March 2019

|  | Issued share capital              |                                   | Accumulated losses                |                                   | Non controlling interests         |                                   | Total |
|--|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|-------|
|  | Inflation adjusted Unaudited* ZWL | Inflation adjusted Unaudited* ZWL | Inflation adjusted Unaudited* ZWL | Inflation adjusted Unaudited* ZWL | Inflation adjusted Unaudited* ZWL | Inflation adjusted Unaudited* ZWL |       |
| <b>Balance as at 01 October 2018</b>           | 14 063 347                        | (231 745 957)                     | (217 682 610)                     | 577 348                           | (217 105 262)                     |                                   |       |
| Loss for the period                            | -                                 | (88 394 586)                      | (88 394 586)                      | 662 352                           | (87 732 234)                      |                                   |       |
| Other comprehensive income                     | -                                 | -                                 | -                                 | -                                 | -                                 |                                   |       |
| Total comprehensive (loss)/income for the year |                                   | (88 394 586)                      | (88 394 586)                      | 662 352                           | (87 732 234)                      |                                   |       |
| <b>Balance as at 31 March 2019 **</b>          | 14 063 347                        | (320 140 543)                     | (306 077 196)                     | 1 239 700                         | (304 837 496)                     |                                   |       |

\*Comparatives are neither audited nor reviewed

\*\* The Group adopted IFRS 9 and 15 using the modified retrospective approach, with an initial application date of 1 October 2018. The adoption of IFRS 9 and 15 on 1 October 2018 has not had a material impact on the interim condensed consolidated financial statements. Therefore, no adjustment has been made to opening accumulated losses.

**FALCON GOLD ZIMBABWE LIMITED**

**INTERIM CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
for the six-months ended 31 March 2020

|   | <b>Reviewed<br/>2020<br/>Inflation<br/>adjusted<br/>ZWL</b> | <b>Unaudited*<br/>2019<br/>Inflation<br/>adjusted<br/>ZWL</b> |
|---|---|---|
| <b>OPERATING ACTIVITIES</b>   |   |   |
| Profit/(Loss) before taxation from continuing activities            | 195 882 188   | (87 707 360)  |
| <b>Adjusted for:</b>  |   |   |
| Depreciation and depletion  | 348 852   | 692 767   |
| Monetary (gain)/loss  | (336 932 830)   | (94 483 522)  |
| Profit on disposal of property, plant and equipment                 | -   | (1 374 071)   |
| Net foreign exchange losses   | 119 029 272   | 40 523 947  |
| Finance income from continuing operations                           | (519 396)   | (933 701)   |
| Finance costs   | 2 340 224   | 4 351 997   |
| Rehabilitation provision – change in estimate                       | (289 664)   | 17 958 014  |
| <b>Cash flows used in operations</b>                                | <b>(20 141 354)</b>   | <b>(120 971 929)</b>  |
| Decrease in inventories   | 3 809 002   | 6 135 685   |
| Decrease in trade and other receivables                             | 8 199 127   | (21 664 757)  |
| Decrease in related party payables                                  | (5 429 378)   | (8 234 955)   |
| Decrease in trade and other payables                                | (30 712 087)  | (13 882 506)  |
| <b>Cash flows generated from/(used in) operating activities</b>     | <b>(44 274 690)</b>   | <b>(158 618 463)</b>  |
| Tax paid  | (96 080)  | (24 874)  |
| Interest received/(paid)  | 1 212   | (2 674 469)   |
| <b>Net cash flows from/(used in) operating activities</b>           | <b>(44 369 558)</b>   | <b>(161 317 806)</b>  |
| <b>INVESTING ACTIVITIES</b>   |   |   |
| Acquisition of property, plant and equipment                        | (1 912 878)   | (476 535)   |
| Proceeds from sale of property, plant and equipment                 | -   | 1 374 071   |
| Interest received   | 519 395   | 336 827   |
| <b>Net cash flows (used in)/generated from investing activities</b> | <b>(1 393 483)</b>  | <b>1 234 363</b>  |
| <b>FINANCING ACTIVITIES</b>   |   |   |
| Shareholder's loan (repayment)/receipt                              | (96 082)  | 105 312 321   |
| <b>Net cash flows used in financing activities</b>                  | <b>(96 082)</b>   | <b>105 312 321</b>  |
| Net (decrease)/increase in cash and cash equivalents                | (45 859 123)  | (54 771 122)  |
| Exchange gains on foreign cash balances                             | 577 798   | 1 291 160   |
| Inflation effects on cash and cash equivalents                      | 46 665 004  | 53 898 874  |
| Cash and cash equivalents at the beginning of the period            | 237 774   | 1 033 770   |
| Cash and cash equivalents at the end of the period                  | 1 621 453   | 1 452 682   |

\*Comparatives are neither audited nor reviewed.



4<sup>th</sup> Floor North Wing, Beverley Court  
100 Nelson Mandela Avenue

**HARARE**

Tel: +263 864 407 0184

+263 864 405 1778

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4 September 2020

The Board of Directors  
Falcon Gold Zimbabwe Limited  
1<sup>st</sup> Floor KPMG Building  
133 Josiah Tongogara Avenue  
Bulawayo

Dear Directors

**Fair and Reasonable opinion on the proposed acquisition of 17,049,961 Falcon Gold Zimbabwe Limited shares from Falcon Gold Zimbabwe Limited minority shareholders by Boundary Investments (Private) Limited.**

**1. Introduction**

In an offer letter dated 1 June 2020, New Dawn Mining Incorporated ("New Dawn") the major shareholder of Falcon Gold Zimbabwe Limited ("Falcon Gold" or "the Company") made an offer to acquire all the outstanding shares currently own by Falcon Gold minority shareholders. The firm intention detailed that New Dawn was prepared, subject to terms and conditions precedent laid out, to acquire 17,049,961 shares representing approximately 15.34% of the entire issued share capital of Falcon Gold for a purchase consideration of ZWL\$0,13 cents per share on a gross basis ("Proposed Transaction").

As required by the ZSE Listing Requirements and Section 230 of the Companies and Other Business Entities Act [Chapter 24:31], Finesse Advisory Services (Private) Limited ("Finesse") has been appointed as independent financial advisors by the Board of Falcon Gold Zimbabwe Limited to provide the Board with an opinion as to whether the terms of the Proposed Transaction are fair and reasonable as far as the ordinary shareholders of Falcon Gold are concerned. The terms and conditions of the Proposed Transaction are detailed in the Circular to shareholders, of which this opinion is a part. In arriving at our opinion, we considered, *inter alia*, the background against which the Proposed Transaction is being made and the current macro-economic environment in which Falcon Gold operates.

Our engagement did not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements.

## **2. Summary of Proposed Transaction**

New Dawn has made an offer, through their wholly owned subsidiary Boundary, to acquire shares from the minority shareholders of Falcon Gold at a price of ZWL \$0.13 on a gross basis to be paid in cash. New Dawn has provided proof of funds to demonstrate its ability to meet the financial commitment of Proposed Transaction.

## **3. Scope**

In accordance with our mandate letter dated 02 June 2020, we performed the following:

- a review and analysis of all relevant information forwarded to us;
- a review of the terms and conditions of the Proposed Transaction;
- a review of Falcon Gold's historical share performance;
- a review of historical and projected income statements, balance sheets and cash flow statements for Falcon Gold;
- correspondence with Falcon Gold management;
- a review of analyst reports on the global and regional gold mining sector and company research on Falcon Gold and comparable companies in the Zimbabwean gold mining sector;
- an independent valuation of Falcon Gold to the extent possible, given the status of its mining operations and its finances; and
- a comparison of the estimated fair value of Falcon Gold's equity and the value proposed by the terms and conditions of the Offer from New Dawn.

## **4. Restrictions**

The scope of our work is limited to matters set out in the letter.

Business plans, the assumptions therein and forecasts relate to uncertain future events and are based on assumptions, which may not remain valid for the whole of the forecast period. Consequently, forecast financial information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely actual results will correspond to the business plan provided to us.

As the above procedures do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, we do not express any assurance on the Proposed Transaction.

Our report is solely for the purpose set forth in the first paragraph of this report and for your information and is not to be used for any other purpose or to be distributed to any other parties. This report relates only to the accounts and items specified above and does not extend to any financial statements of Falcon Gold.

## **5. Definition of fair and reasonable for our opinion**

A transaction will generally be considered fair and reasonable to a company's shareholders if the benefits received by the shareholders, as a result of the transaction, are equal to or greater than the value surrendered by the shareholders.

The assessment of fairness is primarily based on quantitative issues. In respect of the acquisition of offer price of ZWL \$0,13 per share, the Proposed Transaction would be

considered fair to the ordinary shareholders of Falcon Gold if the proposed purchase offered by Boundary is equal to or greater than the estimated fair value of Falcon Gold shares.

The assessment of reasonableness is generally based on qualitative considerations surrounding the transaction. Hence, even though the quantifiable benefits received by Falcon Gold shareholders may be less than the value that they surrender, the entire Proposed Transaction may still be reasonable in certain circumstances after considering other significant qualitative factors.

## **6. Sources of information**

In order for us to arrive at our opinion of fairness and reasonableness of the Proposed Transaction, we relied upon financial and other information, including prospective financial information, obtained from Falcon Gold management and from various public, financial, and industry sources. Our conclusion is dependent on such information being complete and accurate in all material respects.

The principal sources of information used in performing our valuation include:

- The Offer letter from New Dawn to the Falcon Gold Directors and minority shareholders;
- Falcon Gold audited consolidated financial statements for the last three financial years;
- Management accounts for the period ended 30 April 2020;
- Business plans, Life of Mines and current operational information for Falcon Gold's mines;
- The performance of the Company's shares on the ZSE over the last 365 days;
- The ZSE Listing Requirements;
- Communication with New Dawn regarding the shareholder loans and inter company loans provided to Falcon Gold; and
- Various communication between the ZSE and the Company regarding the publication of its financial information and a proposed equity capital raise transaction that was subsequently suspended.

Where practicable, we have corroborated the reasonableness of the information provided to us for the purpose of supporting our opinion.

Our procedures and enquiries did not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements. Accordingly, we do not express any assurance on the financial data or other information used in arriving at our opinion.

## **7. Procedures performed**

We performed the following procedures to arrive at our opinion:

### **Key quantitative considerations**

In seeking to determine a fair value for Falcon Gold's shares we performed an independent valuation of Falcon Gold. Given Falcon Gold's current financial position, we used the asset approach (net asset value) as our primary approach for the valuation. In addition, we considered the market approach (based on financial data for comparable publicly traded companies) as an alternative valuation approach to support the results of our asset approach. In searching for financial information for comparable publicly traded companies, we sort information on junior mining companies with a clear focus on gold production in Africa that are in exploration phase or are facing financial distress (that is they are technically insolvent or are running out of cash resources).

The key valuation assumptions considered in our asset approach included analyst forecasts pertaining to the outlook for the gold mining sector.

### **Key qualitative considerations**

We considered the rationale for the Proposed Transaction based on a review of Falcon Gold's current suspended operations and the reason for the suspension, the requirements to restart operations, the prospects for meeting the requirements to restart operations and the Company's recent financial performance. We also reviewed the information provided to us and held discussions with the Directors of Falcon Gold and their communication with New Dawn regarding an injection of further capital into the Company.

The main qualitative issues we considered are as follows:

- The status of the Zimbabwean capital markets and the ability to raise medium and/or long term funding for mining projects, which typically require United States Dollar funding;

- Falcon Gold's unsuccessful attempt to raise fresh equity funding from shareholders and its inability to raise bank funding to meet its ongoing maintenance capital expenditure and operating expenses;

- Written confirmation from New Dawn stating that it is unwilling to provide further intercompany funding in any form or amount to Falcon Gold in the absence of participation of minority shareholders;

- The impact of "Use it or Lose it" regulations on the Company's asset base (and potential impact on shareholder value) should the status quo continue;

- The ongoing financial and disclosure costs of maintaining the Falcon Gold listing on the ZSE at a time when the Company's recent historical financial performance shows sustained losses and deteriorating cashflow position; and

We also considered that based on financial and operational information presented to us, should Falcon Gold fail to raise new funding the Company maybe required to enter into judicial management and/or liquidation under the Insolvency Act [Chapter 6:04] a typically protracted undertaking that historically has resulted in little or no value being distributed to shareholders as the Company's liabilities currently out weight its assets. In additional, given the state of the local and international capital markets raising fresh equity capital whilst Falcon Gold is in judicial management through the introduction of a new investor is a process:

1. that has a low probability of success;
2. that maybe protracted; and
3. that may result in a fairly large dilution of current shareholders with no immediate value captured and delivered to them.

## **8. Opinion**

Based on the above considerations, along with the information made available to us by the Directors of Falcon Gold and New Dawn for which they are solely responsible, and after due consideration of the details of the Proposed Transaction, it is our opinion that the offer price of ZWL \$ 0,13 cents per shares is both fair and reasonable to the ordinary shareholders of Falcon Gold. Our opinion is based upon the market, regulatory financial and trading conditions as they currently exist and can only be evaluated as at the date of this letter. It should be understood that subsequent developments may affect our opinion, which we are under no obligation to update, revise or re-affirm.

## **9. Independence**

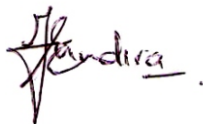
Finesse Advisory Services (Private) Limited has no interest, direct or indirect in Falcon Gold or New Dawn or any of their subsidiaries or associated companies, save for professional fees for services rendered in connection with the Fair and Reasonable Opinion. Furthermore, we confirm that our professional fees are fixed and are not contingent upon the successful conclusion of the Proposed Transaction.

## **10. Consent**

We hereby consent to our independent financial advisor report in any required regulatory announcement or documentation.

Yours faithfully

For and behalf of  
**Finesse Advisory Services (Private) Limited**



**Emma Fundira**  
**Managing Director**



**FALCON GOLD ZIMBABWE LIMITED**

**(A public company incorporated in the Republic of Zimbabwe under company registration number 303/89)**

**Directors: I. R. Saunders; Q. Nkomo\*; B.S.S. Nyabadza**

\*Executive

**Address:** 1<sup>st</sup> Floor, KPMG Building, 133 Josiah Tongogara Road, Bulawayo, Zimbabwe

Notice is hereby given that an Extraordinary General Meeting ("EGM") of the members of the Company will be held at 10:00 hours on Thursday, 29 October 2020, at the 1<sup>st</sup> Floor, KPMG Building, 133 Josiah Tongogara Avenue, Bulawayo to consider and, if thought fit, to adopt, with or without amendment, the following Resolutions:

**RESOLUTION 1 – SPECIAL RESOLUTION:**

To consider and, if thought fit, to pass, with or without amendment (s), the following as a Special Resolution:

THAT the Company's shares be removed from the Main Board of the Zimbabwe Stock Exchange through voluntary termination of the listing on the Zimbabwe Stock Exchange in terms of section 11 of the ZSE Rules.

**Note:** In terms of section 11 of the ZSE Rules:

To be effective, this Resolution 1 must be passed by not less than 75% of the votes of all shareholders present or represented by proxy at the EGM; and

A shareholder deemed to be a controlling shareholder is precluded from voting on Resolution 1. In the light of this, Falcon Mines Society Anonyme, Boundary Investments (Private) Limited, Falcon Employee Dividend Trust and Falgold Employee Trust will not vote on Resolution 1.

**RESOLUTION 2 - ORDINARY RESOLUTION:**

To consider and, if thought fit, to pass, with or without amendment (s), the following as an Ordinary Resolution:

THAT, the Directors of the Company (or any duly authorised committee thereof) be, and are, hereby authorised to do all such things that they may consider necessary or desirable to give effect to, or pursuant to, or in connection with, the implementation of Resolution 1.

This notice and an accompanying proxy form have been posted to Falcon Gold Limited Shareholders. The proxy form should be delivered to, and received by the transfer secretaries of ZB Transfer Secretaries (Private) Limited at 21 Natal Road, Avondale, Harare or the registered offices of the Company being, 1<sup>st</sup> Floor, KPMG Building, 133 Josiah Tongogara Road, Bulawayo so that it is received by the Share Transfer Secretaries no later than 16:00 hours on Tuesday, 27 October 2020.

Additional copies of the Circular and the Proxy Form are available for collection during normal business hours at Imara Corporate Finance Zimbabwe and Imara Edwards Securities, Block 2 Tendeseka Office Park, Samora Machel Avenue East, Harare.

Note: A proxy form is enclosed. To be valid it should be completed and returned so as to reach the registered office of the company not less than 48 hours before the time fixed for the meeting. Completion of a proxy form does not preclude a member from subsequently attending and voting in person.

**By order of the Board of Directors**

**Company Secretary  
Registered office**

Falcon Gold Limited  
1<sup>st</sup> Floor, KPMG Building, Josiah Tongogara  
Avenue, Bulawayo

**Share transfer Secretaries  
Registered office**

ZB Transfer Secretaries (Private) Limited  
21 Natal Road  
Avondale  
Harare, Zimbabwe  
(P.O. Box 2540, Harare)



**FALCON GOLD ZIMBABWE LIMITED**

**(A public company incorporated in the Republic of Zimbabwe under company registration number 303/89)**

**Directors: I. R. Saunders; Q. Nkomo\*; B.S.S. Nyabadza**

\*Executive

**Address:** 1<sup>st</sup> Floor, KPMG Building, 133 Josiah Tongogara Road, Bulawayo, Zimbabwe

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**FORM OF PROXY**

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For use by the Company's shareholders at the extraordinary general meeting of shareholders to be held at 10:00 hours on Thursday, 29 October 2020 at 1<sup>st</sup> Floor, KPMG Building, 133 Josiah Tongogara Avenue, Bulawayo .

Each member entitled to attend and vote at the EGM is entitled to appoint one person as his proxy, who need not be a member of the Company, to attend, speak and vote in his/her stead at the EGM.

I/We \_\_\_\_\_

(Name in block letters)

Of \_\_\_\_\_

Being the holder of \_\_\_\_\_ shares in the Company hereby appoint

1. \_\_\_\_\_ of \_\_\_\_\_ or failing him/her

2. \_\_\_\_\_ of \_\_\_\_\_ or failing him/her



3. An individual appointed by the Chairman who is not prohibited from acting as a proxy in terms of the Companies and Other Business Entities Act

As my/our proxy to act for me/us at the EGM for the purpose of considering and, if deemed fit, passing, with or without modification, the resolutions to be proposed thereat, and at each adjournment or postponement thereof, and to vote for and/or against the resolutions and/or abstain from voting in respect of the shares in the issued share capital of the Company registered in my/our name (see note 1) in accordance with the following instructions:

| RESOLUTIONS |   | Number of Votes |         |         |
|-------------|---|-----------------|---------|---------|
|             |   | For             | Against | Abstain |
| 1           | THAT, the Company's shares be removed from the Main Board of the Zimbabwe Stock Exchange through voluntary termination of the listing on the Zimbabwe Stock Exchange.   |                 |         |         |
| 2           | THAT, the Directors of the Company (or any duly authorised committee thereof) be, and are, hereby authorised to do all such things that they may consider necessary or desirable to give effect to, or pursuant to, or in connection with Resolution 1. |                 |         |         |

Every person present and entitled to vote at the EGM shall, on a show of hands, have one vote only, but in the event of a poll, every share shall have one vote.

Signed at \_\_\_\_\_ on \_\_\_\_\_ 2020

Signature(s) \_\_\_\_\_

Assisted by me \_\_\_\_\_

Full name(s) of signatory/ies if signing in a representative capacity (see note 1) (please use block letters).

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## NOTES TO THE FORM OF PROXY

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### INSTRUCTIONS FOR SIGNING AND LODGING THIS FORM OF PROXY

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholder's choice in the space provided, with or without deleting "the Chairman of the EGM", but any such deletion must be initialled by the shareholder. The person whose name appears first on the form of proxy will, unless his/her name has been deleted, be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's instructions to the proxy must be indicated by the insertion of the relevant number of votes exercisable by that shareholder in the appropriate space/s provided as well as by means of a cross whether the shareholder wishes to vote, for, against or abstain from the resolutions. Failure to comply with the above will be deemed to authorise the proxy to vote or abstain from voting at the EGM as he/she deems fit in respect of all the shareholder's votes exercisable thereat. A shareholder or his/her proxy is not obliged to use all the votes exercisable by the shareholder or by his/her proxy, or cast them in the same way.
3. A deletion of any printed matter and the completion of any blank spaces need not be signed or initialled. Any alteration or correction must be initialled by the signatory/ies.
4. The Chairman shall be entitled to decline to accept the authority of a person signing the proxy form:
  - i. under a power of attorney
  - ii. on behalf of a company

unless that person's power of attorney or authority is deposited at the offices of the Company's transfer secretaries, or the registered office of the Company, not less than 48 hours before the meeting.

5. If two or more proxies attend the meeting then that person attending the meeting whose name appears first on the proxy form and whose name is not deleted, shall be regarded as the validly appointed proxy.
6. When there are joint holders of shares, any one holder may sign the form of proxy. In the case of joint holders, the senior who tenders a vote will be accepted to the exclusion of other joint holders. Seniority will be determined by the order in which names stand in the register of members.
7. The completion and lodging of this form of proxy will not preclude the member who grants this proxy form from attending the EGM and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof should such member wish to do so.
8. In order to be effective, completed proxy forms must reach the Company's transfer secretaries or the registered office of the Company not less than 48 hours before the time appointed for the holding of the EGM.
9. Please ensure that name(s) of the member(s) on the form of proxy and the voting form are exactly the same as those on the share register.
10. Please be advised that the number of votes a member is entitled to be determined by the number of shares recorded on the share register 48 hours before the time appointed for the holding of the meeting.

(Incorporated in Zimbabwe on 04 October 1989)

Registration number: 303 /89

ZSE code: FALG.ZW ISIN: ZW0009011678

("Falcon Gold Zimbabwe Limited" or the "Company")

This document is important and applies to shareholders of Falcon Gold electing to accept the Offer.

If you are in any doubt about how to complete this form, please consult your professional advisor immediately.

### **FORM OF ACCEPTANCE, SURRENDER AND TRANSFER ("FORM")**

To the transfer secretaries:

#### **ZB Transfer Secretaries (Private) Limited**

21 Natal Road

Avondale

Harare

Zimbabwe

P.O Box 2540

#### **Important notice concerning this Form:**

Full details of the Offer are contained in the Circular to shareholders of Falcon Gold dated 07 October 2020 ("Circular"), to which this Form is attached and forms part. Accordingly, all definitions and terms used in this Form shall, unless the context otherwise requires, have the corresponding meaning and interpretation attributed to them in such Circular.

#### **Instructions**

1. A separate form is required for each shareholder.
2. Part A must be completed by all shareholders who wish to accept the Offer.
3. Part B must be completed by all shareholders who are non-residents and who wish to accept the Offer.
4. Shareholders on the Central Depository platform holding shares in dematerialised form are to enter their CSD number on the relevant portion of the form.
5. Shareholders who may have misplaced or lost their share certificates are to complete the form and submit it together with the "lost scrip indemnity form" provided in this Circular by the Transfer Secretaries, ZB Transfer Secretaries.

*No receipts will be issued for documents of title lodged unless specifically requested. Lodging stockbrokers and/or agents are requested to prepare special transactions receipts, if required.*

Dear Sir/Madam

**The Mandatory Offer**

I/We the undersigned, hereby irrevocably and unconditionally accept the Mandatory Offer of 1 Falcon Gold Zimbabwe Limited share for ZWL\$0.13 from Boundary, the details of which are included in the herein enclosed Circular. I/We also cede ownership and accept the transfer of ownership of the so said shares to Boundary.

**PART A - ALL FALCON GOLD ZIMBABWE LIMITED SHAREHOLDERS ACCEPTING THE MANDATORY OFFER MUST PLEASE COMPLETE THIS SECTION IN (BLOCK LETTERS)**

|                                     |  |
|-------------------------------------|--|
| Surname                             |  |
| Given Names (in full if applicable) |  |
| Title (Mr, Mrs, Miss, Ms, etc.)     |  |
| Address                             |  |
| Telephone                           |  |
| Mobile                              |  |

I/We hereby surrender the undermentioned shares/share certificates:

| Name of registered holder (separate form for each holder) | Certificate number/CSD number (in numerical order) (if applicable) | Number of Falcon Gold Zimbabwe Shares |
|---|--|---------------------------------------|
|   |  |                                       |
|   |  |                                       |
|   |  |                                       |

|  |              |  |
|--|--------------|--|
|  |              |  |
|  | <b>Total</b> |  |

|                                 |   |
|---------------------------------|---|
| Signature of Shareholder:       | Stamp and address of agent lodging this form (if any) |
| Assisted by me (if applicable): |   |
| State full name and capacity:   |   |
| Date                            |   |
| Telephone number (home):        |   |
| Telephone number (work):        |   |
| Mobile Number:                  |   |

|                          |  |
|--------------------------|--|
| <b>Bank Name:</b>        |  |
| <b>Account number:</b>   |  |
| <b>Branch name/code:</b> |  |
| <b>Swift code:</b>       |  |



**PART B – TO BE COMPLETED BY FOREIGN SHAREHOLDERS**

Document of Title will be endorsed and will be forwarded to the authorised dealer in Zimbabwe. Foreign Shareholders must give the following information

|  |  |
|--|--|
| <b>Name and address of the authorised dealer in the Republic</b> |  |
| <b>Bank Name:</b>  |  |
| <b>Account number:</b>   |  |
| <b>Branch name/code:</b>   |  |
| <b>Swift code:</b>   |  |

**Notes:**

1. No receipts will be issued for Documents of Title lodged unless specifically requested. Lodging agents who require special transaction receipts are requested to prepare such receipts and submit them for stamping together with the Documents of Title lodged. Additional copies of this Form of Acceptance, Surrender and Transfer are available upon request from the Transfer Secretaries.
2. Any alternation to this Form of Acceptance, Surrender and Transfer must be signed in full and not initialled. Any alteration may not be accepted by Boundary.
3. If this Form of Acceptance, Surrender and Transfer is signed under a power of attorney, then such power of attorney or a notorially certified copy hereof, must be sent with form for noting, unless it has already been noted by the Transfer Secretaries.
4. Where the Falcon Gold Zimbabwe Limited Shareholder is a company or a close corporation or other juristic person, a certified copy of all directors' or members' or other resolution authorizing the signing of this Form of Acceptance, Surrender and Transfer must be submitted together with this form.
5. Where the Falcon Gold Zimbabwe Limited share are jointly held, this Form of Acceptance, Surrender and Transfer must be signed by all joint holders; however Boundary shall be entitled to, in its absolute discretion, accept the signature of that holder whose name stands first in the register in respect of such Falcon Gold Zimbabwe Limited Shares.

To be completed by all shareholders who wish to accept the Offer.

I/We acknowledge that this acceptance of the Offer must be lodged, together with the relevant documents of title, prior to the closing date of the Offer.

Signature \_\_\_\_\_

Date \_\_\_\_\_ 2020 Telephone number: \_\_\_\_\_

**INDEMNITY FORM**



**LOST SCRIPT INDEMNITY FORM**

**Part A**

Particulars in respect of document(s) sought to be replaced

|  |  |
|--|--|
| Full names of registered holder as it appears on register                          |  |
| Quantity of shares in Figures  |  |
| Quantity of shares in Words  |  |
| Certificate(s) No(s)   |  |
| If security held jointly or by more holders, full names of each holder is required |  |
| Full address of shareholder as it appears on register                              |  |

**DOCUMENTS TO ACCOMPANY THE INDEMNITY FORM (according to the applicant)**

**Individual**

Copy of national ID or passport certified by a registered Notary

Completed indemnity form duly signed and stamped by a registered Notary

ZWL\$350 processing fee

**Corporates**

A Board resolution extracts requesting for a replacement and authorising any member of the company to sign and submit the paperwork with us.

Copy of national ID or passport for the Directors certified by a registered Notary

Completed indemnity form duly signed and stamped by a registered Notary

ZWL\$350 processing fee

**Deceased Estates**

A formal written request which is signed by the Executor

Copy of national ID or passport for the Executor certified by a registered Notary

A letter of Administration certified by a registered Notary

Duly certified copy of the Death Certificate

Completed indemnity form duly signed and stamped by a registered Notary

**Part B**

**Indemnity**

(To be read with Part A)

To be completed by person(s) applying for issue of a replacement document

Whereas the document has been mislaid, lost, destroyed or stolen, I, the undersigned

|  |  |
|--|--|
| Full name  |  |
| Full address   |  |
| If acting in representative capacity for applicant, indicate capacity, give full name and address of applicant and furnish evidence of appointment |  |
| Full name (hereinafter referred to as the "applicant") of  |  |
| Full address   |  |
| acting in my capacity  |  |
| on behalf of (name of shareholder)   |  |

hereby make application for the issue of a replacement for the document and in consideration of your issuing such a replacement, undertake and agree to deliver the document to you should it ever come into my possession and agree to hold the company, its directors, secretary, officers and employees and its transfer secretaries (hereinafter collectively referred to as "those indemnified") harmless and indemnified against any loss, liability, damages, claim, charge, expense or cost (including legal costs on an attorney and client basis) which may be incurred as sustained by those indemnified by reason of the issue of the aforementioned replacement or as a result of the securities evidenced by the document being inadvertently transferred to any other person at any time;

I Do solemnly and sincerely declare that:

- a.) the document has not been found despite all reasonable endeavours to do so;
- b.) the securities evidenced by the document have not been assigned, pledged or encumbered in any way and I am/the applicant is absolutely and beneficially entitled thereto free from all encumbrances.

\_\_\_\_\_

**Delete inapplicable**

Signature: \_\_\_\_\_ Date signed: DD/MM/YYYY

Signature: \_\_\_\_\_ Date signed: DD/MM/YYYY

Assisted by (where applicable) \_\_\_\_\_

*Full name and address of person assisting if applicant does not have full contractual capacity*

Full name: \_\_\_\_\_

**Part B (continued)**

Attestation by a Notary Public

I, \_\_\_\_\_

*(Full name of Commissioner of Oaths)*

Hereby certify that the deponent acknowledges that he/she knows and understands the contents of the above declaration, and that I have satisfied myself as to the identity of the signatory(ies) to part Page 2 by reference to Proof of Identity.

The above declaration was made and signed in my presence at \_\_\_\_\_ on this / / 202

DD/MM/YYYY

**Commissioner of Oaths in Zimbabwe**

Business address: \_\_\_\_\_

\_\_\_\_\_

Area: \_\_\_\_\_

\_\_\_\_\_

Capacity: \_\_\_\_\_

\_\_\_\_\_

**Commissioner of Oaths Stamp:**



This Circular contains "forward-looking information" which may include, but is not limited to, statements with respect to the future financial or operating performances of Falcon Gold, its mineral properties, the future supply, demand, inventory, production and price of gold and other precious minerals, the estimation of mineral reserves and resources, the realisation of mineral reserve estimates, the timing and amount of estimated future production, costs of production, capital, operating and exploration expenditures, development costs for the mineral properties, requirements for additional capital, government regulation of mining operations, environmental risks, political risk, indigenisation risk, reclamation and rehabilitation expenses, title disputes or claims, limitations of insurance coverage and the timing and possible outcome of litigation and regulatory matters. Often, but not always, forward-looking information statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "forecasts", "intends", "anticipates", or "believes", or variations (including negative variations) of such words and phrases, or state that certain actions, events or results "may", "could", "would", "might", or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of Falcon Gold to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such factors include, among others, those factors noted in this Annexure. Although Falcon Gold has attempted to identify important factors that could cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results to differ from those anticipated, estimated or intended. Forward-looking statements contained herein are made as of the date of this Circular based on the opinions and estimates of management, and Falcon Gold disclaims any obligation to update any forward-looking statements, whether as a result of new information, estimates or opinions, future events or results or otherwise, except as required by applicable securities legislation. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, shareholders should not place undue reliance on forward-looking statements.





