

SIGNATURE METALS LIMITED – OWERE MINES LIMITED – SEPARATION AGREEMENT

Signature Metals (**Signature** or **the Company**) has on 23 May 2016 entered into a separation agreement (**Separation Agreement**) with its joint venture partner Talos Ghana Limited (“Talos”) in respect of Owere Mines Limited (**OML**), which is currently 70% owned by Signature and is the Company’s sole asset. The effect of the Separation Agreement will be to dilute Signature’s interest in OML, from 70% to 0.01%.

Background

OML owns the Konongo Gold Project (**the Project**) in Ghana, with concessions over 16 known gold deposits within a 12 kilometre long trend in the Ashanti Gold Belt. Operations at the Konongo Gold Project has been on care and maintenance since November 2013 and drilling/exploration work has been suspended since mid-May 2014.

In order to develop the Project into production, significant funding would be required to build a treatment plant able to process the sulphide ore, continue with exploration and drilling work to complete the life of mine study and a scoping study, and to commence construction of the underground mine to access the sulphide orebodies. The Company has concluded that it will be unable to continue to solely fund advancement and development of the Project.

Since January 2015, the Company has had difficulties supporting the expenditure of OML, despite reducing operating costs to a minimum.

Separation Agreement - Terms

By January 2016, the Board determined that no further reasonable options were available to fund OML’s continuing operations. The situation at the Project had by then deteriorated and there were risks of social, security and environmental problems.

The Directors of Signature have determined that taking into account all matters, including the financial position of the Company, the ongoing costs associated with its current obligations in relation to the Project, and the funding required to develop the Project to production, it is in the best interests of the Company as a whole to enter into the Separation Agreement, the key terms of which are set out below. The Company will not receive any consideration under the Separation Agreement or from the proceeds of the Rights Issue.

Separation Agreement

The key terms of the Separation Agreement are:-

1. OML will conduct a rights issue to raise funds for its operations;
2. Signature will renounce its rights entitlements in favour of Talos, and Talos will subscribe for those rights entitlements;
3. Upon subscription by Talos to the rights entitlements, Signature’s interest in OML will be diluted from 70% to 0.01%;
4. Upon completion of the rights issue, Talos will hold approximately 90% interest in OML; and
5. The current Directors of OML appointed by Signature – Mr Tan Soo Khoo Raymond, Dr Denis Edmund Clarke and Mr Peter Chen Hing Woon will resign from the Board of OML with immediate effect.

Upon completion of this exercise, the Company will not have any material assets.