



**Resolute**

# **ASX Announcement**

**31 July 2019**

## **RESOLUTE TO ACQUIRE TORO GOLD**

**Private Low-Cost Producing Gold Mine in Mining-Friendly Senegal**

**2018 Production of 157koz at AISC of US\$655/oz**

**Well Established, High-Margin 1Moz Open Pit Mine**

**7 Year Mine Life with Average Annual Production of 140koz**

**Extensive Exploration Potential in Senegal, Cote d'Ivoire and Guinea**

**Value Accretive Transaction Providing Immediate Strong Cashflow**

**Revised FY19 (31 December) Guidance of 400koz at AISC of US\$960/oz**

### **Highlights**

- Resolute to acquire Toro Gold for US\$274 million (US\$130 million cash and 142.5 million Resolute shares)
- All regulatory approvals required to complete the transaction have been secured
- 94% of Toro Gold shareholders have committed to accept the takeover offer which enables Resolute to take immediate control, effective 2 August 2019

Resolute Mining Limited (Resolute or the Company) (ASX/LSE: RSG) is pleased to announce that it has signed a binding agreement (Implementation Agreement) with Toro Gold Limited (Toro Gold) pursuant to which Resolute will acquire all of the shares of Toro Gold.

Toro Gold's flagship asset is the low-cost, high-margin Mako Gold Mine (Mako) located in Senegal. In 2018, Mako produced 156,926 ounces (oz) of gold at an All-In Sustaining Cost (AISC) of US\$655/oz. The addition of Mako expands Resolute's existing portfolio comprising the Syama Gold Mine in Mali (Syama), the Bibiani Gold Mine in Ghana (Bibiani), and the Ravenswood Gold Mine in Australia (Ravenswood). Mako will expand Resolute's production base, strengthen operational cashflow, increase revenues to which shareholder dividends are linked, and provides a strong platform for further growth.

Resolute has revised its FY19 (31 December) production and cost guidance to 400,000oz of gold at an AISC of US\$960/oz which includes production from Mako from acquisition.

Under the terms of the Implementation Agreement, Resolute will acquire all of the shares of Toro Gold by way of a takeover under the Companies (Guernsey) Law 2008 for US\$274 million comprising US\$130 million of cash and 142.5 million freely tradeable Resolute shares valued on Resolute's 30-day volume weighted average price (VWAP) of A\$1.45 per share equating to US\$144 million (Transaction). The cash component has been fully funded through a finance facility provided by Taurus Funds Management Pty Limited (Taurus). On completion of the Transaction, Toro Gold shareholders will own 15.8% of Resolute.

Resolute's largest shareholder, ICM Limited, is strongly supportive of the Transaction. 94% of Toro Gold shareholders have signed commitments to accept the takeover offer and all required regulatory approvals have been secured.



## Transaction Highlights – Value Accretive High Quality, Low-Cost Gold Production

- **Strategic Acquisition:** the acquisition of Toro Gold enhances Resolute's portfolio and delivers on Resolute's ambition to be a multi-mine, low-cost, African-focused gold producer.
- **Cash Flow and Value Accretive:** Mako is a high-quality asset and the acquisition of Toro Gold is cashflow and net asset value accretive for Resolute shareholders.
- **Production and Margin Growth:** Mako contributes immediate production of 160koz per annum and at an AISC of US\$800/oz (FY19 annualised) and strengthens Resolute's operating margins, with limited future capital expenditure requirements.
- **Revenue and Dividend Growth:** the addition of high-margin ounces from Mako will increase Resolute's revenue base to which shareholder dividends are linked; Resolute's Dividend Policy seeks to pay a minimum dividend equivalent to at least 2% of its annual gold sales.
- **Diversification of African Production Base:** high-margin production at Mako, complements long-life, large-scale production at Syama and expands Resolute's African footprint into Senegal, a stable, mining friendly jurisdiction.
- **Expansive Growth Platform:** strengthens Resolute's organic growth profile; three producing assets (Syama, Mako, and Ravenswood), near term development opportunities at the Ravenswood Expansion Project and Bibiani, and a highly prospective and expansive exploration portfolio including Toro Gold's substantial African exploration tenement package covering over 2,800km<sup>2</sup> across Senegal, Cote d'Ivoire and Guinea.
- **Value Additive Integration Opportunities:** the combination of Resolute's operations with Toro Gold's production and exploration assets provides the potential for synergies and cost savings in Africa.
- **Enhances Resolute's Investment Case:** Resolute is a unique and highly attractive investment proposition for investors seeking exposure to a dividend paying gold producer with multiple long-life, high-margin assets, and a strong platform for growth.



Figure 1: The Mako Gold Mine in Senegal





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Resolute Managing Director and CEO, Mr John Welborn, confirmed the acquisition of Toro Gold was consistent with the Company's ambition to create a multi-mine, low-cost, African-focused gold producer:

"The Mako Gold Mine is a high quality, strongly cashflow generative producing asset which complements our existing portfolio of large-scale, long-life mines. The Toro Gold team discovered the Mako orebody in 2010 and have successfully developed a high value gold mine. We are delighted to combine our businesses. Senegal is an attractive investment jurisdiction for mining, and we look forward to working closely with the Government of Senegal, our 10% partner at Mako, to maximise the value within Toro Gold's portfolio."

"Resolute has produced over eight million ounces of gold from nine mines over the last 30 years. The Mako Gold Mine will be our tenth operating mine and one which forms an important part of our next phase of growth. The acquisition also confirms our commitment to creating a leading African gold producer. Mako's additional low-cost gold production provides a solid growth foundation that will enable us to deliver compelling value for our shareholders."

Toro Gold Chief Executive Officer and Founder, Mr Martin Horgan, was pleased to be combining Toro Gold with Resolute:

"Resolute's acquisition of Toro Gold provides Toro Gold shareholders with the unique opportunity of realising immediate value for their Toro Gold shareholding in the form of partial cash consideration while becoming part of a premier African gold producer as shareholders of Resolute. The contribution of our world class Mako Gold Mine to Resolute's high quality portfolio of large scale, long life assets creates a compelling African gold investment proposition under the stewardship of an excellent and proven management team which will further maximise value for shareholders".



Figure 2: John Welborn, Managing Director & CEO of Resolute with Martin Horgan, Founder and CEO of Toro Gold at the Mako Gold Mine in July 2019



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### Overview of Toro Gold – High Margin Production in a Mining-Friendly Jurisdiction

Toro Gold is a private gold producer with its flagship asset, Mako, located in eastern Senegal. Toro Gold is backed by a sophisticated resource-focused investor base and has a skilled and experienced management team with a strong technical, project development and operational experience in Africa. This team oversaw the development of Mako from greenfields discovery in 2011, to first production in January 2018, and to commercial production in March 2018, importantly ahead of schedule and under budget.

Toro Gold has a 90% interest in Mako with the Government of Senegal holding a 10% free-carried interest.

#### Mining and Processing

Mako is a conventional truck and shovel open pit mining operation. Toro Gold has consistently delivered recoveries of c.95% with processing completed via a carbon in leach plant comprising a crushing circuit, an 8.5MW SAG Mill and a gold extraction circuit. Electricity is provided by a 14MW diesel fuelled IPP power station and water is extracted from the Gambia River. Current infrastructure (tailings impoundment, raw water dam and power station) has capacity to meet increases in Ore Reserves and an expansion of the milling rate to 2.3 million tonnes per annum without the need for additional capital expenditure.

#### Production

Average production from Mako over a seven year mine life is estimated to be 140,000oz per annum at an AISC of US\$780/oz. In 2018, Mako produced 156,926oz at an AISC of US\$655/oz. In 2019, target production is 160,000oz at an AISC of US\$800/oz. Subject to further review, Resolute's production guidance for Mako for the period from acquisition to 31 December 2019 is expected to be 70koz at an AISC of US\$850/oz.

#### Ore Reserves and Mineral Resources

Mako hosts a Mineral Resource of 1.224Moz (1.89g/t Au) as at 30 October 2018, and an Ore Reserve of 928koz (2.05g/t Au) as at 31 December 2018.

#### Exploration

Toro Gold's exploration at Mako is focused on both identified targets within the mine permit and on the potential to delineate regional satellite deposits that are within trucking distance of the mill. Toro Gold's exploration package covers over 2,800km<sup>2</sup> of the highly prospective Birimian terranes of Senegal, Cote d'Ivoire and Guinea.

#### Financials

For 2018, Toro Gold generated US\$180 million of revenue and US\$70 million of cash flow from operations. At 30 June 2019, Toro Gold had a net cash position of US\$14 million, comprising US\$94 million of cash and bullion and US\$80 million of debt.



Figure 3: Mako Gold Mine Processing Plant





## Transaction Summary – Resolute to Take Immediate Control of Toro Gold

### Overview

Resolute has entered into a binding Implementation Agreement with Toro Gold under which Resolute, through a wholly-owned subsidiary, will make an offer to acquire all of the shares of Toro Gold on a fully diluted basis by way of a takeover under the Companies (Guernsey) Law 2008 for US\$274 million (Offer). The acquisition consideration comprises US\$130 million of cash which has been financed through a bridge facility provided by Taurus and the issue of 142.5 million new Resolute shares. The share component of the acquisition consideration was valued in the Transaction at Resolute's 30-day VWAP to 30 July 2019 of A\$1.45 equating to A\$207 million (US\$144 million).

### Financing of Cash Consideration

Taurus has provided Resolute with a US\$130 million financing facility (Taurus Facility). The Taurus Facility has been secured on competitive terms and is for a maximum term of twelve months. The Taurus Facility is capable of repayment after three months without penalty. Resolute intends to refinance the Taurus Facility from operational cashflow and an expansion of the Company's flexible low-cost Syndicated Loan Facility (currently limited to US\$150 million).

### Commitments from 94% of Toro Gold Shareholders and Regulatory Approvals

Toro Gold shareholders representing 94% of Toro Gold's outstanding shares have committed to accepting the Offer. Resolute has received all required regulatory approvals and representatives of both Toro Gold and Resolute recently met with the Government of Senegal in Dakar.

### Offer Process and Completion

As stated above, commitments to accept the Offer have already been received from Toro Gold shareholders representing 94% of Toro Gold's outstanding shares, thereby giving Resolute immediate control of Toro Gold effective from 2 August 2019.

To complete the Transaction a three-stage completion mechanic will be followed:

*First Completion:* on 2 August 2019, Resolute will acquire 94% of Toro Gold's ordinary shares from those Toro Gold shareholders who have signed commitment agreements;

*Second Completion:* on 12 August 2019, Resolute will acquire Toro Gold shares from those Toro Gold shareholders who have not signed commitment agreements but have received the Offer documentation (which outlines the terms of the offer and the process for accepting Resolute's Offer) and accepted. The Offer will remain open for acceptances until 5pm London time on 9 August 2019; and

*Third Completion:* unless all Toro Gold shareholders have accepted into the offer by 9 August 2019, Resolute will proceed to compulsorily acquire the residual Toro Gold shares on 13 September 2019.

### Advisors

Resolute's legal advisors were DLA Piper (Australia) and Bryan Cave Leighton Paisner LLP (UK).

Toro Gold's exclusive financial advisor was Raymond James, and its legal advisors were Mayer Brown LLP (UK) and Maddocks (Australia).



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### Conference Call and Webcast

Resolute's John Welborn and Toro Gold's Martin Horgan will host a joint conference call to discuss the Transaction on Wednesday, 31 July 2019 at 9:00am London time, 4:00pm Perth time, 6:00pm Sydney time.

Conference call details are as follows:

- **Conference ID: 10001537**
- Australia toll free: 1800 870 643
- Australia: +61 2 9007 3187
- UK toll free: 0800 051 8245
- SA toll free: 0800 999 976

A live webcast of the teleconference and synchronised slide presentation will be available at <http://webcast.openbriefing.com/5440/> with a recording to be available at the same link following conclusion of the teleconference.

The acquisition presentation and associated transaction documents will be available via the ASX Company Announcements Platform (ASX: RSG), the Regulatory News Service Platform (LSE: RSG), as well as at Resolute's website ([www.rml.com.au/toroacquisition](http://www.rml.com.au/toroacquisition)) and Toro Gold's website at [www.torogold.com](http://www.torogold.com).

### Disclaimer

Not for publication, distribution or release in or into the United States or for the account or benefit of U.S. Persons (as defined in regulations under the U.S. Securities Act of 1933, as amended), or in or into Canada, South Africa or Japan or any jurisdiction in which offers or sales would be prohibited by applicable law.

The information contained within this announcement is deemed by the Company to constitute inside information as stipulated under the Market Abuse Regulation ("MAR"). Upon the publication of this announcement via Regulatory Information Service ("RIS"), this inside information is now considered to be in the public domain.

### Competent Persons Statement

For details of the Mineral Resources and Ore Reserves used in this announcement, please refer to ASX Announcement dated 13 February 2019 titled "Annual Ore Reserve and Mineral Resource Statement as at 31 December 2018", ASX Announcement dated 29 April 2019 titled "Tabakoroni Resource Update", ASX Announcement dated 22 July 2019 titled "Major Resource and Reserve Upgrade at Ravenswood" and ASX Announcement dated 31 July 2019 titled "Offer Document Acquisition of Toro Gold". The Company is not aware of any new information or data that materially affects the Mineral Resources and Ore Reserves as reported in these ASX Announcements and confirms that all material assumptions and technical parameters underpinning this plan continue to apply and have not materially changed. The form and context in which the Competent Persons' findings are presented have not been materially modified.

For further information, contact:

**John Welborn**  
Managing Director & CEO

**Jeremy Meynert**  
General Manager – Business Development & Investor Relations

#### ASX/LSE: RSG Capital Summary

Fully Paid Ordinary Shares: 758,094,588  
Current Share Price:  
A\$1.78 as at 30 July 2019  
Market Capitalisation: A\$1.35 Billion  
FY19 Guidance (to 31 December):  
400,000oz @ AISC US\$960/oz

#### Board of Directors

Mr Martin Botha *Non-Executive Chairman*  
Mr John Welborn *Managing Director & CEO*  
Ms Yasmin Broughton *Non-Executive Director*  
Mr Mark Potts *Non-Executive Director*  
Ms Sabina Shugg *Non-Executive Director*  
Mr Peter Sullivan *Non-Executive Director*

#### Contact

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### About Resolute

Resolute is a successful, dividend paying gold miner with more than 30 years of experience as an explorer, developer and operator of gold mines in Australia and Africa which have produced more than 8 million ounces of gold.

Resolute owns four gold mines. Its flagship asset is the world class Syama Gold Mine in Mali (Syama) which can produce more than 300,000 ounces of gold per annum from existing processing infrastructure. Resolute is currently commissioning the world's first fully automated underground mine at Syama which will deliver a low cost, large scale operation with a mine life beyond 2032. The Ravenswood Gold Mine in Australia and the Bibiani Gold Mine in Ghana are existing largescale assets which provide Resolute with significant production growth potential. Resolute has a pathway to annual gold production in excess of 500,000 ounces from a Global Mineral Resource base of more than 17 million ounces of gold.

Resolute trades on the Australian Securities Exchange (ASX) and the London Stock Exchange (LSE) under the ticker RSG.

### About Toro Gold

Toro Gold is a private gold producer with its flagship asset, Mako, located in eastern Senegal. The Toro Gold team oversaw the development of Mako from greenfields discovery in 2011, to first production in January 2018, and to commercial production in March 2018 ahead of schedule and under budget. Toro Gold has a 90% interest in Mako with the Government of Senegal holding a 10% free-carried interest.

### Contact Information

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