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SOUTHSTONE ANNOUNCES RELATED PARTY TRANSACTION DISPOSITION OF THE KWENA GROUP

VANCOUVER, BRITISH COLUMBIA — 23 March 2020 – Southstone Minerals Limited ("Southstone" or the "Company") (TSX.V – SML) announces that it is proposing to sell its 49% interest in the issued and outstanding Ordinary Shares and 74% interest in the issued and outstanding Preference Shares of each of Kwena Mining Projects (Pty) Ltd., Kwena Mining and Metallurgical Services (Pty) Ltd. and Kwena Springlake Projects (Pty) Ltd. (collectively the "**Kwena Group**").

The Company has entered into a disposition agreement dated 20 March 2020 (the "**Disposition Agreement**") with Kevin C. Gallagher ("**Gallagher**"), whereby Gallagher or his nominee(s) will acquire the Kwena Group (the "**Transaction**"). As consideration for the acquisition of the Company's interest in the Kwena Group, Gallagher has agreed to a total consideration of C$1,410,453* (using the 19 March 2020 ZAR/CAD exchange rate), payable as follows:

- Return for cancellation of an aggregate of 3,979,916 Common Shares (the "**Payment Shares**") at a deemed price of C$0.0520 per share, based on the 30 day volume weighted average price of the Company's shares, which Payment Shares are collectively held by the Kevin Gallagher and/or related parties, for aggregate value of C$206,955; and

- Forgiveness of outstanding indebtedness owed to the Kwena Group from Southstone and its subsidiaries in the aggregate sum of ZAR 14,490,121 (equivalent to C$1,203,498*).

**Note: note the CAD equivalent is calculated using 19 March 2020 exchange rate of 12.04 ZAR/CAD*

Gallagher is a director of the Company and non-arm's length party, and accordingly, the Transaction constitutes a "related party transaction" as such term is defined in Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions (MI 61-101).

The Company is relying on the exemption from the formal valuation requirement set out in subsection 5.5(b) of MI 61-101 as the Company is a TSX Venture Exchange ("**TSX.V**") listed issuer. Subject to Section 5.6 of MI 61-101, the Transaction is subject to minority shareholder approval ("**Minority Approval**"). The Company has scheduled an annual and special shareholders meeting for 15 May 2020, with a record date of 9 April 2020 in order to seek minority shareholder approval. The Disposition is also subject to approval of the TSX Venture Exchange.

Additional Background about the Proposed Disposition of Kwena Group

As a result of the continued financial and operational success Southstone has had with its diamond assets, in particular the Oena Diamond Mine, a proposed transaction with respect to the Kwena Group came to the forefront of management's attention as it became apparent that Southstone should focus on both its existing and new diamond assets. This change in corporate strategy resulted in a number of diamond transactions and the continued focus on increasing production at the Oena Diamond Mine that has been reported over the past year.

This change in corporate strategy, to focus on its diamond business, was done as it was, and continues to be, management's belief that this will provide the most material benefit to the Company's shareholders. Other factors considered in the change in corporate strategy over the past couple of years are as follows:

- Environmental concerns over the carbon emissions that come from burning fossil fuels like coal have sparked rounds of regulations and restrictions and, in the opinion of the Company's management, investors are far less likely to invest in companies involved in the coal business given the reluctance of banks or large investor groups to fund coal projects.

- Recognition that, given the recent changes in a number of South African BEE laws, there are inherent risks associated with the renewal of the three Kwena Group contracts that expire in June 2020.

- There is a high likelihood that no other buyers would be willing to buy the Kwena Group since the contracts are due for renewal in June 2020 and have a 30-day cancellation clause.

- The fact that a major global mining company announced in May 2019 that they will be moving out of coal completely in South Africa. The consensus is that, what remains of the coal industry in South Africa will be divided up between a few small players that can operate projects as private contracts. In the opinion of the Company's management, medium to large listed companies won't be able to operate these profitably anymore.

- The Kwena Group is not expected to make more than R2 Million (C$200,000) per annum before tax. If the contracts are renewed, the Company could expect approximately C$85,250 annually in revenue based on the Company's percentage of ownership.

- By comparison, the diamond business is expected to earn approximately R12 Million (C$1,200,000) in the upcoming year before tax, of which the Company has a 43% interest. Due to assessed losses, no income tax is payable in the near term. Southstone effectively therefore could expect to receive an annual income of R4.1 Million (C$412,800), after dividend tax, from the diamond mine. After the assessed losses have been fully utilized the expected income to the Company would be approximately R2.97m (C$297,000) per annum in revenue.

These factors continued to lead management to focus on pursuing opportunities for the Kwena Group. The nature of the transactions contemplated were both an outright disposition or a merger with a strategic partner. The Company's Board was supportive of management's plans to focus on the diamond assets and seek out a proposed disposition or strategic partner for the Kwena Group.

In April 2018, the Company's management entered into negotiations with an LSE listed company with respect to a proposed share-based transaction for the acquisition of the Kwena Group. In February 2019, all legal and financial due diligence was completed for the proposed transaction; however, the transaction never completed because the other party was not able to meet certain financial requirements due to a significant decline it its share price. The proposed consideration was the lower of £1,500,000 (approximately C$2.4 Million) or shares in the LSE listed company for the equivalent value or less. Additional consideration was payable, but such consideration was conditional upon the Kwena Group successfully being awarded a contract to construct a discard plant, which would have required the co-operation and assistance of the other company, and that the current coal processing contracts were renewed.

After the failed consummation of the proposed disposition with the third party, management continued looking at alternative transactions for the Kwena Group but was unable to find another party interested in acquiring an interest in the Kwena Group. At that point, management and the independent directors commenced confidential discussions about the proposed disposition of the Kwena Group to Kevin Gallagher, a director of Southstone.

In July 2019, the Company entered into an agreement with Gallagher to acquire the Kwena Group in consideration of the return for cancellation an aggregate of 39,988,160 pre-consolidated common shares of the Company collectively held by Gallagher and his related parties. In addition, outstanding indebtedness owed to the Kwena Group from the Company and its subsidiaries in the aggregate sum of C$723,021 was to be forgiven. After discussions with the Ontario Securities Commission upon their review of the proposed disposition, in particular with respect to the deemed price of $0.05 per share for the 39,988,160 pre-consolidated common shares to be cancelled, which was based on the minimum price per share under the TSX.V policies, it was determined after further consideration that as this price was significantly higher than the actual trading price of the Company's shares at that time, it would not have been a reasonable value for the cancelled shares, and thus reduced the purchase price by a material amount. Accordingly, the Company subsequently terminated the agreement with Gallagher in October 2019 in order to pursue a disposition with an unrelated third party and/or obtain a valuation of the transaction from an unrelated third party.

Since that time, the Company again reached out to various potential purchasers of the Kwena Group to solicit interest in the acquisition. As management was unable to find any potential purchasers, an independent third party, Merlin Partners LLP, based in London, United Kingdom ("**Merlin**"), was retained to assist the Company in seeking any interested parties in acquiring the Kwena Group and to provide an independent valuation on the Kwena Group. Merlin was unsuccessful in finding any parties interested in acquiring the Kwena Group.

Independent Valuation

Southstone has been provided with a valuation report from Merlin (the "**Valuation Report**"), which listed the following factors that were considered in determining the value of the Kwena Group:

- **Duration of the Contracts** - All three Kwena Group contracts will be terminated on 30 June 2020, with no guarantee of renewal.

- **Thermal Coal Markets in South Africa (export & local)** - Export market is very reliant on one country (India), which endeavors to reduce its use of thermal coal. India's importation of South African coal has reduced over the past four years and, due to high competition from other countries and a drive towards renewable energy, this trend is set to continue. Local market is determined by the public utility Eskom's demand, which has risen recently due to the government's concerns over supply. However, environmental requirements, rising costs, lower investment levels and inadequate water and rail infrastructure are set to hit margins.

- **South African Political Impacts -** There is currently a tense socio-economic context in South Africa. This is resulting in strikes and unrest in the coal industry. A failure to improve this situation is likely to cause further disruptions for employers in South Africa. Unfortunately, due to the current economic forecasts in South Africa, this does not seem to be rectified soon.

- **Prices -** These are difficult to forecast, but with the world transitioning away from coal, it is likely that we will see a reduction in demand, resulting in oversupply and price pressure.

- **Access to Thermal Coal Investment -** Financial institutions and mining companies are now actively abandoning the thermal coal industry at a significant and increasing rate. However, Exxaro has announced it will be restructuring to focus on clean power. The Kwena Group only had one interested external party, which could not only get approval from their nominated advisor, but also could not secure the funding required to close the transaction.

- **Kwena Financial Forecasts -** The contracts are expiring 20 June 2020. Therefore, the net present value ("**NPV**") must be discounted significantly due to the risk of renewal. As these contracts have been renewed before, a discount of 50% on the NPV to deduce a value was applied.

Based on these factors and other considerations, Merlin valued the Kwena Group at ZAR 5,185,227 (C$430,667*).

Board Process for Valuation of the Proposed Disposition

As the Company was unable to find an independent third party to acquire the Kwena Group, management approached Gallagher to provide an offer to purchase the Kwena Group for consideration by the Board. Gallagher submitted a formal proposal to the Company with the proposed terms for the acquisition (the "**Gallagher Offer**"). The four members of the Board excluding Gallagher had multiple conversations to discuss the proposed terms of the Gallagher offer and to discuss the Valuation Report that had been provided. A meeting of the independent directors, being Samer Khalaf, Terry L. Tucker, Neil Budd and Donna M. Moroney (the "**Independent Directors**") was held on 19 March 2020. The Independent Directors discussed the terms of the Gallagher Offer. Kevin Gallagher declared his interest in the transaction and was therefore excluded from the meeting.

In determining the fairness of the value for the Transaction, the Independent Directors relied heavily on the Valuation Report, which set a value of ZAR 5,185,227 (C$430,667*) for the Kwena Group, noting this was significantly less than the value in the Gallagher Offer.

The other factors considered by the Independent Directors in considering the Gallagher Offer and approving the terms of the Transaction, in order of priority, were as follows:

- The ongoing financial performance of the Kwena Group since its acquisition by the Company was considered by the Board in the course of its deliberations and, ultimately, its decision to dispose of the Company's interest in the Kwena Group.

- The Company has made a concerted effort to sell the Kwena Group for the last couple of years with no success.

- In mid-January 2020, the world's largest asset manager, BlackRock, pledged to divest its coal investments by mid-2020 and make sustainability "integral" to its investment portfolios. BlackRock chairman Larry Fink explained that the firm would be exiting investments that have "high sustainability-related risk," including companies in the thermal coal production business. The Company acknowledges this change in the global investment community and the fact that not just BlackRock but many investment firms, have put climate change at the centre of its investment strategy. Importantly, BlackRock will drop company directors who fail to act on the financial risks from climate change.

- The ongoing resources required by management in carrying out the business of the Kwena Group is not supported by the margins on the contracts, especially in comparison to the revenues that have been and can be generated from the diamond assets.

- The amount of profits generated from the Kwena Group were not considered sufficient to bring material value to the Company's shareholders as set forth in the following summary taken from the Company's audited financial statements:

1 September 2015 to 31 August 2016	Net income of C$32,949
1 September 2016 to 31 August 2017	Net loss of C$109,672
1 September 2017 to 31 August 2018	Net income of C$36,500
1 September 2018 to 31 August 2019 (1)	Net income of C$320,806

(1) Increased revenues in fiscal 2019 were the result of an inflationary increase, as well as higher fixed costs billed, as well as the full amortization of the service contracts and reduction in management fees.

In consideration of the financial performance of the Kwena Group over the past four years, in light of the political situation in South Africa and the fact that the contracts are subject to renewal in the near future, and there being no guarantee they will be renewed, the Independent Directors felt that this was the right business decision and was in the best interest of disinterested and minority shareholders.

The Board determined it was not necessary to strike a special committee to consider the Transaction, as only one director was an "interested party" (within the meaning of that term pursuant to MI 61-101) in the Transaction, and the remaining directors were eligible to participate in the Board's vote thereon. The interests of the minority shareholders in the Transaction were deemed to be adequately protected through the board's independent functioning.

The Independent Directors considered the fairness of the Transaction to shareholders and determined it to be fair. In their decision considerations, the Independent Directors noted that as a result of the Transaction, the Company would have a significantly reduced number of outstanding Common Shares and its current liabilities would be reduced by 25%, including the forgiveness of debt in the sum of $1,300,730. Given the current trading prices of the Common Shares on the TSX.V, raising further funds would be extremely dilutive to shareholders, without any certainty of economically beneficial results with respect to the Kwena Group. Instead, as a result of the Transaction, the public float is considerably reduced, and as a result of which smaller float and tighter capital structure the Company can better facilitate the pursuit of financing opportunities with a focus on diamond properties.

The Independent Directors considered a number of factors and alternatives in reaching its conclusion to approve the Transaction. Important among those factors was that with the continued operational success at the Oena Diamond Mine in South Africa, management wants to focus its attention on continuing to develop and expand its diamond properties, particularly since it was now generating revenues from the sale of diamond sales. Operations at the Kwena Group has been a significant drain on management's time which has hindered management's ability to adequately focus on the development of its diamond properties.

Additionally, the Independent Directors considered that completion of the Transaction resolves another area of uncertainty for the Company, being the renewal of the KMP Contracts, all of which expire in June 2020 and there is no certainty that the contracts will be renewed.

As a potential downside to the Transaction, the Independent Directors considered the possibility that the Contracts would be renewed in June 2020, allowing the Kwena Group to continue to generate revenues. But this presented uncertainty and risk, balanced by the relatively small amount of profits generated, which were not significant enough to justify the amount of time and energy required by management to maintain the Kwena Group operations while still allowing sufficient time to develop and expand the diamond property assets.

With the significant management time and costs freed up upon the completion of the Transaction, the Company will be in a much better position to focus its business and pursue other diamond properties in order to expand its portfolio.

For these reasons the Independent Directors determined that the disposal of its interest in the Kwena Group was a preferable outcome to retaining the Kwena Group.

The Company believes there are better mineral property acquisition and development opportunities to pursue. If the Transaction is completed, the Company believes that, without the required time and effort in maintaining the Kwena Group, it will be in position to transition into a focussed diamond exploration and development company to exploit opportunities and other potential acquisitions.

ON BEHALF OF THE BOARD OF DIRECTORS OF SOUTHSTONE MINERALS LIMITED

Mr. Samer Khalaf
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Forward-Looking Statement

Certain information set forth in this news release contains “forward-looking statements” and “forward-looking information” under applicable securities laws. Except for statements of historical fact, certain information contained herein constitutes forward-looking statements, which include management’s assessment of future plans and operations and are based on current internal expectations, estimates, projections, assumptions and beliefs, which may prove to be incorrect. Some of the forward-looking statements may be identified by words such as “forecasts”, estimates”, “expects” “anticipates”, “believes”, “projects”, “plans”, “outlook”, “capacity” and similar expressions. These statements are not guarantees of future performance and undue reliance should not be placed on them.

Such forward-looking statements necessarily involve known and unknown risks and uncertainties, which may cause the Company’s actual performance and financial results in future periods to differ materially from any projections of future performance or results expressed or implied by such forward-looking statements. These risks and uncertainties include, but are not limited to statements with respect to the estimation of mineral resources; the realization of mineral resource estimates; anticipated future production, capital and operating costs; cash flows and mine life; potential size of a mineralized zone; potential expansion of mineralization; potential types of mining operations; permitting timelines; government regulation of exploration and mining operations; risks that the presence of diamond deposits mentioned nearby the Company’s property are not indicative of the diamond mineralization on the Company’s property, the supply and demand for, deliveries of and the level and volatility of prices of rough diamonds, risks that the actual revenues will be less than projected; risks that the target production for the existing mining contracts will be less than projected or expected; risks that production will not commence as projected due to delay or inability to receive governmental approval of the Company’s acquisition or the timely completion of an NI43-101 report; technical problems; inability of management to secure sales or third party purchase contracts; currency and interest rate fluctuations; foreign exchange fluctuations and foreign operations; various events which could disrupt operations, including labor stoppages and severe weather conditions; and management's ability to anticipate and manage the foregoing factors and risks.

The forward-looking statements and information contained in this news release are based on certain assumptions regarding, among other things, future prices for coal and diamonds; future currency and exchange rates; the Company's ability to generate sufficient cash flow from operations and access capital markets to meet its future obligations; coal consumption levels; and the Company's ability to retain qualified staff and equipment in a cost-efficient manner to meet its demand. 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. The reader is cautioned not to place undue reliance on forward-looking statements. The Company does not undertake to update any of the forward-looking statements contained in this news release unless required by law. The statements as to the Company's capacity to achieve revenue are no assurance that it will achieve these levels of revenue.