

**SOUTHSTONE SIGNS AGREEMENT TO ACQUIRE  
FARM PANFONTEIN 58 HO DIAMOND PROPERTY, SOUTH AFRICA**

**VANCOUVER, BRITISH COLUMBIA — 17 August 2020 — Southstone Minerals Limited (“Southstone” or the “Company”)** (TSX.V – SML) is pleased to announce it has entered in an Acquisition Agreement to acquire the 1607.7 hectare Prospecting Right (“PR”) covering the Farm Panfontein 58 HO alluvial diamond property (the “Property”) situated approximately 8 kilometers (“km”) east of the town of Schweizer Reneke in the Northwest Province of the Republic of South Africa (“RSA”).

The Property has a historical alluvial diamond resource estimate, as discussed below, and lies at the approximate northern end of the well-known ‘London Run’ which has been a highly productive alluvial diamond producer. Diamonds were discovered in 1912 in the area and since then the area produced more than 5 million carats by, primarily, small-scale operators. The area around the Property is renowned for high quality gem diamonds (85%), as well as colored diamonds (pink, blue and orange). It is expected that the Property could produce diamonds from both “Rooikoppie Gravels” and “Regolith Gravels”.

The Company is currently preparing to commence a bulk sampling program with the support of a well-established mining contractor. Further details of the bulk sampling program will be announced when plans are finalized, and the commencement of work on the Property is currently scheduled for September.

The PR allows for the processing, recovery and sale of diamonds. Both water and surface land access has been reviewed and are available and the PR has a fully funded a ZAR 267,146 environmental bond which is included in the acquisition.

**Farm Panfontein 58 HO Historical Resource Estimate**

During 2007 and 2008 Namakwa Diamonds Limited (“Namakwa”) conducted an extensive exploration program over the Property that resulted in the calculation of an alluvial diamond resource estimate that was first issued in August 2009 and then updated on 28 February 2010 by Venmyn Rand (Pty) Ltd (“Venmyn”).

**Historical Summary Table:**

<b>Date</b>	<b>Mineral Resource Category</b>	<b>Volume cubic meters (m<sup>3</sup>)</b>	<b>Recovered Grade (carat/100 m<sup>3</sup>)</b>	<b>Recovered Grade - carats per hundred tonnes  (“cpht”)</b>	<b>Total Carats</b>
August 2009	Inferred	16,400,000	2.40	1.20	<b>393,600</b>
28 February 2010	Inferred	8,160,000	1.01*	0.48*	<b>126,300*</b>

\*The resource carats decreased from August 2009 to February 2010 due to the inclusion of dilution which decreased the grades. **A qualified person has not done sufficient work to classify the historical estimate as current mineral resource and the Company is not treating the historical estimate as a current mineral resource.**

The Inferred Resource was calculated based on the following information:

- (a) Exploration pits in which gravel was found in 359 holes of the 424 holes completed (85%). The gravel has an average thickness of 0.56 meters (“m”) and was spread over an area 1`332m by 10`000m.

- (b) Bulk sampling consisting of three trenches, each 80m long and 10m wide, in which the gravel was treated and 2240 tonnes ("t") produced 23.46 carats, including a single stone of 10.42 carats.
- (c) Mining with a total of 7,749 t was extracted with an average grade of 0.40 cpht.

#### **Disclosure of Historical Resource Estimate**

(referring to Chapter 5 section 2.4 a – g of NI43-101 Standards of Disclosure for Mineral Projects)

- 2.4 (a and b) - The Company considers the resource estimate prepared by Venmyn Rand (Pty) Ltd for the Property, which is disclosed in this news release to be relevant and reliable but notes that it is a "historical estimate" as defined in NI 43-101 of the Canadian Securities Administrators. The source and date for the historical resource is: "Independent Competent Persons Report on the Mineral Assets of Namakwa Diamonds Limited (Namakwa) by Venmyn Rand (Pty) Ltd dated 28 February 2010. The historical resource estimate was prepared in 2010 and the most recent site visit by the author of the technical report described in this news release was in 2009, and therefore the estimates it contains are not current.
- 2.4 (c) The resource statement is based upon the pitting, mapping and the results of bulk sampling. All resources were classified as Inferred due to the paucity of diamond sales information. The volume of gravel was calculated from the areal extent of the gravels measured from pitting and mapping, multiplied by the average gravel thickness from the pitting and bulk sampling results. The densities used for the Rooikoppie gravels was the industry standard of 2.1. Grades were estimated taking cognizance of the bulk sampling and mining grades. Expected dilutions were added in order to calculate the recovered mining grades. No diamonds were sold from Panfontein.
- 2.4 (d) The historical resource estimate was classified according to The South African Code for the Reporting of Exploration Results, Mineral Resources and Mineral Reserves (the SAMREC Code, 2007) in place at the time it was produced. This code has been superseded by SAMREC (2016) and the SAMREC Guideline Document for the Reporting of Diamond Exploration Results, Diamond Resources and Diamond Reserves (2016) (SAMREC Diamond Guidelines). These categories reported in the later codes are equivalent to those set out in the CIM Standards. The reader should note that the recently published resource reporting codes are more rigorous in their estimation and classification protocols than the previous codes and therefore this historical diamond resource estimate should be re-evaluated in terms of these later codes and there is no reliability of these historical resource estimate.
- 2.4 (e) There are no more recent estimates or data available to the Companies knowledge.
- 2.4 (f) For the estimate to be reported as a current resource estimate, a site visit by a Qualified Person would need to be undertaken and to update the diamond resource, a sufficiently large and representative parcel of diamonds would need to be recovered from the Property and valued in today's market and other exploration work would need to be undertaken to confirm that the mineralization still has reasonable prospects to be mined. The economics of exploiting the resource will have changed since the historical resource estimate was prepared.
- 2.4 (g) No Qualified Person (as defined in NI 43-101) has done sufficient work to classify this as a "current mineral resource" and Southstone is not treating the historical mineral resource estimate as a current mineral resource estimate.

The technical disclosure in this news release has been approved by Terry L. Tucker, P.Geo., Executive Chairman of the Company and a Qualified Person as defined by National Instrument 43-101 of the Canadian Securities Administrators.

#### **Acquisition Agreement**

The Company can acquire a 100% interest in the issued and outstanding membership of Tinique 0027 CC, which is to be converted to a private incorporated company ("**Tinique Pty**") and subsequently 100% of the issued and outstanding common shares of Tinique Pty (collectively the "**Tendered Shares**"). Tinique 0027 CC holds good and marketable title to a 100% of Prospecting Right Reference Number: 30/5/1/1/2/11202PR (the "**PR**") covering approximately 1607.7 ha of Farm Panfontein 58 HO. An application has been properly submitted for renewal of the PR which expired on the 12 July 2020.

As consideration for the Tendered Shares, the Company will pay ZAR2,500,000 (the "**Purchase Price**"), payable as follows:

1. ZAR 834,000 will be deposited (the "**Deposit**") to an escrow account for a period of up to six months (the "**Option Period**").
  - (a) During the Option Period the Company is allowed full access to the Property to explore, prospect, bulk sample and the recovery and sale of diamonds.
  - (b) Any proceeds from diamond sales to be split, 75% to the Company and 25% to the Vendor after payment of all royalties and taxes due, including VAT during the Option Period.
  - (c) On or before the end of the Option Period, at the Company's sole discretion, the Company can proceed with the purchase of the Property or terminate the acquisition.
  - (d) Should the Acquisition Agreement be terminated prior to the end of the Option Period, the Deposit will be fully refunded to the Company.
  - (e) The Company has agreed to complete all required reclamation requirements, although should any reclamation remain outstanding, any rehabilitation costs required by applicable RSA laws may be deducted from the Deposit.
2. ZAR 833,000 upon confirmation of renewal of the new PR ("**Payment 2**"). Should this occur during the Option Period, Payment 2 will be deferred until Southstone either proceeds or terminates the Option.
3. ZAR 833,000 upon approval of transfer of Tinique in accordance with Section 11 of the Mineral and Petroleum Resources Development Act 28 of 2002 ("**MPRDA**"), (the "**Balance**").
4. A 3% finder's fee is payable in respect of this transaction subject to each condition of the Acquisition Agreement being met.

The Acquisition Agreement is subject to a number of terms and conditions including, but not limited to, the successful negotiation of the Deposit escrow terms and conditions, the successful negotiation and agreement for water supply and value of compensation for surface disturbance of land with local landowners.

#### **ON BEHALF OF THE BOARD OF DIRECTORS OF SOUTHSTONE MINERALS LIMITED**

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Neither TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

#### **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; COVID-19; 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.