

**LETTER FROM THE CHAIRMAN OF THE COMPANY**  
Britannia's Gold Limited

**Registered Office**

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**Directors:**

Philip Reid	(Executive Chairman)
William Arnold Carrier	(Executive Director)
Neil Murray Ankers	(Executive Director)
Mauricio Garrido	(Non-Executive Director)
Nicholas Paul Henry	(Non-Executive Director)

15 October 2019

Dear Shareholder

## **RIGHTS ISSUE AND GENERAL UPDATE**

The Rights Issue that closed on September 15th raised £1,014,000 from existing shareholders. New investors applied for unsubscribed rights raising a further £147,000 making a total of £1,161,000. James Fisher is yet to finalise but were it to subscribe for its rights in full, BGL would have shareholder funds of £2,061,000. Whilst this is some way short of the maximum, it does mean dilution has been modest and no further investment is now being sought pending the results of the activity described below.

As explained in the Rights Issue documentation, the above combined with a like contribution from our Gibraltar based joint venture partner would be sufficient to fund the current target Phase 4 salvage programme which is shorter than the ideal; to that end it is imperative that the salvage programme be assured of good weather conditions which would not be the case were we to return to site at this time of year. Equally, we are having difficulty sourcing the requisite systems and many important tooling requirements are simply not available until early 2020. These factors have led BGL to undertake two courses of action.

As alluded to in the Rights Issue letter, BGL's expertise has led to a number of third-party enquiries for services. This has now resulted in the company being appointed project manager for a salvage project in the Pacific Ocean, starting next month with survey, and continuing in early January 2020 with the salvage programme which is expected to last two months which is not time limited. The targets are two World War 2 wrecks (not British) in relatively shallow waters where the research and all funding is being provided by our contracting party. BGL will be paid a 12.5% project management fee being calculated on all costs incurred in the survey and salvage programme. In addition, BGL will receive a bonus equal to 12% of the net value of any recovery; the research suggests the wrecks might have been carrying as much as 40 tons of gold so if successful, the bonus could be significant. There is no expenditure on BGL's part whatsoever and given success, any further fund raising by BGL may well be unnecessary.

This expedition has clear merit in that it keeps BGL fully employed over the Northern Hemisphere winter months and ideally will result in the company being able to return to its prime target early in

2020 in a strong financial position. Equally importantly, it allows the company time and opportunity to address the tooling issues mentioned above.

During the recent salvage programmes, BGL has discovered that specific items of equipment that would streamline the efficiency of salvage operations are either rarely available or when they are, daily rental rates are exorbitant. Equally importantly, these rates are not correlated with use.

As a result, for some time the BGL team have been planning to redesign or create certain items of salvage tooling in order to operate better, stronger and quicker in the subsea salvage environment. These tools will be company assets to be called upon as required, freeing BGL from any daily rate regime and which will now be refined over the winter months to be ready for use when we return to site in the Atlantic.

BGL is now developing a 'universal' high-power subsea hydraulic control module that provides interchangeable tooling which can be powered from the modules power source positioned subsea as against onboard the salvage vessel. BGL has also secured a crushing grab that will go into refurbishment over the winter months. This 50 ton grab is familiar to the salvage team having been used on previous projects. The grab is one of a kind and boasts a 200 ton closing force and 200 ton lift capacity and will be powered by the newly designed universal subsea control module. BGL has also designed a Mass Flow Excavation (MFE) system for use in removing silt and sediment. The cost of these bespoke tools, including all materials, design and fabrication, equate to just three days rental of an 'off the shelf' system supplied by a service company. The purchasing of the more standardised equipment such as containerised workshops, rigging loft and processing laboratory, and certain items of survey equipment is set to proceed over winter, all of which will be specifically designed and fabricated to BGL's needs and will not incur the daily rental charges currently being quoted.

The above is just an introduction to that which the salvage team is currently designing and implementing. BGL believes this long-term approach to its operations will not only be a significant cost saving measure but will also ensure the company has the optimum tooling for any job and is readily available direct from BGL storage facilities.

BGL appreciates that there will be disappointment that the company is not returning to the original site this year, but operational practicalities prevail. The opportunity to keep the entire team fully employed at a profit over the winter months is very attractive as clearly is the opportunity to participate in a potentially successful recovery.

Yours faithfully,



Philip Reid  
Executive Chairman  
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