

MINING FLASHNOTE

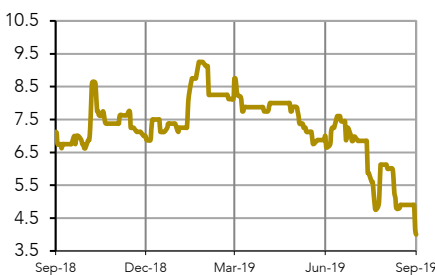
Fox Marble Holdings (FOX LN)

5 September 2019

Stock Data

| | |
|-----------------|-------|
| Share Price: | 4.00p |
| Market Cap (M): | £9.2 |
| EV (M): | £12.0 |

Price Chart



52 Week Range

| | | |
|-------|--|-------|
| 4.00p | | 4.00p |
| 9.25p | | |

Company Summary

Fox Marble Holdings plc is a natural stone extraction company operating in Kosovo and the Balkans region. The Company is currently extracting blocks from the Cervenilla, Malesheva, Prilep and Syrigane quarries and constructing a cutting and polishing plant in Kosovo.

MAIN SHAREHOLDERS HOLDING

| | |
|---------------------------|--------|
| Muir A H J | 10.11% |
| Gilbert Christopher | 8.44% |
| Kesari Tours Pvt | 8.24% |
| Albani Etrur | 7.56% |
| Hargreaves Lansdown Asset | 6.48% |
| Miton Group Plc | 5.82% |

Source: Fox Marble Holdings & Bloomberg

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Fox Marble Launches €195M International Arbitration Claim Against the Republic of Kosovo

The Event

Fox Marble yesterday launched United National Commission on International Trade Law international (UNCITRAL) arbitration proceedings, against the Republic of Kosovo for damages in excess of €195M, as a result of the failure of the State to protect Fox Marble's rights over the Malesheva quarry.

Comment

Firstly, and most importantly, the claim only relates to the Malesheva 3 quarry and Fox Marble's other operations in Kosovo and Northern Macedonia continue to be operational and are totally unaffected. Therefore, investors should not have too much to worry about here. The quarry has been closed since the 18th July 2019, and all the other operations are operating normally, with Fox Marble recently releasing 2 RNS's regarding increasing sales. Therefore the core business is expanding. The claim for €195M represents approximately 20X the current market capitalisation of Fox Marble. With a strong claim for which there is precedent, there is much upside and limited downside.

The claim relates to the fact that Green Power Sh.p.k ("Green Power"), the licence holding partner of Fox Marble's Malesheva quarry, and Scope Sh.p.k ("Scope") reneged on the agreement, announced on 4 April 2019, for Fox Marble to purchase these assets.

Under Kosovan law, the government and its agencies have a clear responsibility under Law 04/L-220 to protect foreign investors that promises even handedness in the treatment of foreign investors and local businesses.

Fox Marble has presented detailed evidence to the Independent Commission of Mines and Mineral ("ICMM") that it holds the relevant rights to grant develop, exploit and operate its Malesheva quarry to Fox Marble Kosova Sh.p.k ("FMK"), Fox Marble's local subsidiary, which has been the case since 2015. However, operations at the Malesheva quarry were suspended. Numerous procedural and legal channels open to it in Kosovo have failed to bring the matter to a satisfactory conclusion.

The sum of €195M in damages is based on the loss of future revenues associated with the site and future investment plans in Kosovo.

The company has also presented the ICMM with detailed evidence of its purchase of Green Power and Scope and shown that their owners had no basis to rescind the share purchase agreements. Despite the cumulative weight of evidence, Fox Marble was denied the right to appeal any decision relating to the Malesheva quarry in direct contravention of the provisions of the Kosovo foreign investment law, Law 04 /L-220 as well as its own rules and procedures.

Fox Marble has been advised by its legal advisers, Stephenson Harwood LLP, as well as its Kosovan lawyers that it has an extremely strong case under both Kosovan and international law, with the Kosovan Government being in clear breach of its responsibilities towards foreign investors. The company is therefore of the opinion that this action is in the best interests of its shareholders and employees and anticipates a fair and satisfactory resolution.

Whilst this may appear an extreme outcome, there is precedent. In identical actions last year, a group won a settlement of €36M against a claim of €54M and in 2014 another company won €12M against a claim of €12M.

Research Disclosures

Peter Rose

Peter has 33 years' experience in equities as a resources analyst; he has been at Brandon Hill Capital for 12 years, after having spent 11 years with Deutsche Bank in Australia. Prior to this he spent 2 years with Prudential Bache and 6 years with James Capel. Peter's industry experience includes 16 years as a metallurgist, 3 years with De Beers in South Africa and 9 years in the uranium industry, six of which were spent at the Ranger Uranium mine. Peter holds a BSc degree in Applied Mineral Science from Leeds University UK and a Bachelor of Commerce from the University of South Africa. Peter is also a member of the Institute of Materials, Mining & Metallurgy and a chartered engineer.

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Research disclosure as of 05 September 2019

| <u>Company Name</u> | <u>Disclosure</u> |
|------------------------------|-------------------|
| Fox Marble Holdings (FOX LN) | 1, 2, 3, 7, 8, 9 |

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