# Deep-South Resources Inc. PEA Update Returns Significantly Improved Economics

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Vancouver, Dec. 15, 2020 - Deep-South Resources Inc. ("Deep-South" or “the Company") (TSXV:DSM) today announced that it has received the results of the updated Preliminary Economic Assessment ("PEA") from METS Engineering Group (“METS”) on its Haib Copper Project in Namibia. Further to recent increases in the copper price to well over $3.00 per lb, Deep-South revised the Preliminary Economic Assessment ("PEA") on its 100% controlled Haib Copper Project in Namibia.

Pierre Leveille, President & CEO of Deep-South stated that: "We are extremely encouraged by the results of our updated PEA: its economics have improved dramatically. Our base case model using a price of US $ 3.00 per lb shows an after-tax NPV of US $957million and an after tax IRR of 29.7%. Moreover, at a copper price of $3.50 per lb our Haib Copper project shows an after-tax NPV of US $ 1.3 billion and an after tax IRR of 42.1%. Of note, our current market capitalization is only 0.8% of this NPV. We are highly encouraged by the solid copper market outlook and with the funds in-hand we are confident that our coming exploration and development program will bring strong added value in 2021 and onward.”

Our base model is as follows:

- --The deposit showed to be amenable to bio-heap leaching;
- --Throughput of 20 Mtpa;
- --Copper recovery of 80%;
- --Production of 35,332 tpa copper cathodes and 51,080 tpa copper sulfate;
- --Copper price US $ 3.00 per lb: after-tax NPV US $ 957 million and IRR: 29.7%;
- --Low Capex at US $341 million;
- --Low-strip ratio at 1.41:1;
- --After-tax payback: 4.23 years;
- --Life of mine : 24 years.

The updated report will be filed soon on SEDAR under Deep-South's profile and on the web site of the company. Our shareholders will be informed timely.

Highlights of the PEA

The recent leaching test-work was carried out by Mintek of South Africa. Mintek is a world leader in Bio-leaching technologies.

Amenability test work confirmed copper recoveries of up to 95% in bacterially assisted heap leaching of the Haib mineral. The tests were carried out in 1 meter columns and the recoveries in large leach pads on site can differ from the columns test work. However, recoveries of 80% and 82% were showed to be very achievable and sustainable for the project from the test-work to date and were chosen as base model recoveries.

Further work is required in order to refine and optimize process conditions to improve recoveries and operating costs.

Run-of-Mine mineral Bio heap leaching was determined to be the most viable process route for the Haib mineral. Six processing scenarios were established with the key variables being recoveries, final products (copper cathode and copper sulfate) and metal price. The base case chosen by Deep-South is the scenario (1) below, which is based on the production of copper cathodes and copper sulfate. All financial metrics are based on the recent 43-101 indicated resource estimation of 456.9 MT @ 0.31% Cu:

Table 1: Scenario 1 - project metrics

Note: The PEA is based only on the estimated indicated resource and the inferred resource are not part of this economic assessment

With further metallurgical work and testing, the company's goal is to attain higher recovery rates. The below scenario (2) illustrate the potential economic upside of higher recoveries:

Table 2: Scenario 2 - project metrics

Note: The PEA is based only on the estimated indicated resource and the inferred resource are not part of this economic assessment

Please note that: Mineral Resources that are not mineral reserves do not have demonstrated economic viability. Mineral resource estimates do not account for mineability, selectivity, mining loss and dilution. These mineral resource estimates ar based on Indicated Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. However, there is no certainty that these indicated mineral resources will be converted to measured categories through further drilling, or into mineral reserves, once economic considerations are applied. There is no certainty that the preliminary economic assessment will be realized.

Other scenarios

The other scenarios can be found in the NI 43-101 technical report for the Haib Copper project that is available on SEDAR under Deep-South's profile and on the web site of the company.

Geology & Mineralization

The Haib deposit is located within part of the Namaqua-Natal Province called the Richtersveld geological sub-province which is further subdivided into a volcano-sedimentary sequence (locally, the Haib Subgroup), the Orange River Group and the intrusive Vioolsdrift suite which are closely related in space and time.

The principal mineralized hosts at the Haib are a Quartz Feldspar Porphyry (QFP) and a Feldspar Porphyry (FP).

The Haib deposit is, in essence, a large volume of rock containing copper mineralization. The grade is variable from higher grade in the three core zones progressively dropping towards the margin of the deposit.

The principal sulfides within the Haib body are pyrite and chalcopyrite with minor molybdenite, bornite, digenite, chalcocite and covellite.

Mineral Resources

The mineral resources for the Haib Copper Project were estimated by Dean Richards of Obsidian Consulting Services, supervidsed by Peter Walker of P & E Walker Consultancy, both independent Qualified Persons as defined by NI 43-101 and were reported in a news release dated January 16, 2018 but are summarized below for convenience. Readers should review that news release for additional information or read the full report that can be viewed on our web site at: https://www.deepsouthresources.com/projects/technical-reports/ or on the SEDAR web site at: www.sedar.com.

Table 3: Classified Mineral Resources of the Haib Project at a 0.25% Cu Cut-Off Grade

---------- |Resource Class|xMil

Notes:

1- Dean Richards of Obsidian Consulting Services, a Member of the Geological Society of South Africa and Professional Natural Scientist (Pr. Sci. Nat) with the South African Council for Natural Scientific Professions (SACNASP), estimated the Mineral Resources under the supervision of Peter Walker of P & E Walker Consultancy, both of whom are the Qualified Persons for the Mineral Resource Estimates. The effective date of the estimate is January 15, 2018. Mineral Resources are estimated using the CIM Definition Standards for Mineral Resources and Reserves (2014).

2- Reported Mineral Resources contain no allowances for hanging wall or footwall contact boundary loss and dilution. No mining recovery has been applied.

Rounding as required by reporting guidelines may result in apparent differences between tonnes, grade and contained metal content.

Table 4: Haib Copper Indicated Mineral Resources, Sensitivity Cases

---------- |%Cu Cut-off|xMillion To

Table 5: Haib Copper Inferred Mineral Resources, Sensitivity Cases

---------- |%Cu Cut-off|xMillion To

Note: The PEA is based only on the estimated indicated resource and the inferred resource are not part of this economic assessment

This Haib Copper Mineral Resource has been defined by diamond core drilling covering a total surface area of some 2.6 square kilometres.

The mineral resource classification is closely related to data proximity. Topographic elevations within the mineral resource area vary from 320m to 640m above mean sea level and average 480m above mean sea level.

Indicated resources are constrained between the variable topographic surface and a horizontal level which is 75m above mean sea level and within which the majority of the drill and assay data are constrained. Inferred resources are laterally constrained by the last line of drill holes and extend vertically from the horizontal surfaces defined by the +75m and -350m above mean sea level (a block of 425m thickness) within which there is a lesser data set derived from drilling.

Mineralization is open near surface and at depth to at least 800 metres deep. The Mineral Resource estimate is based on the results from approximately 66,500 metres of drilling in 196 holes. The most recent drilling data comes from Teck Resources drilling programs totalling 14,500 metres (2010 & 2014) and from re-assaying a part of the 164 historical drill cores which are well preserved on site. Indicated Resources are defined by a drill grid of 150 metres by 150 metres, while Inferred Resources are defined by a drill grid of 300

metres by 150 metres.

The Haib Copper exploration licence provides significant potential for resource expansion, since there is known, but poorly drilled and assayed, mineralisation beyond the drill grid boundaries and below the main mineralized body (which covers some 2 square kilometres of surface area), where a few drillholes from 75m above mean sea level to -350m above mean sea level (i.e. a thickness of 425m) have shown that mineralisation is present. The deepest drillhole did not pass out of mineralized material. In addition, there are 5 satellite mineralized target areas surrounding the main Haib porphyry body which still require further evaluation.

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Mineralogy

The Haib Copper Deposit is a large sulfide mineral deposit. Copper is mainly present as a sulfide in the form of chalcopyrite. Copper is also present as oxides (chrysocolla, plancheite, malachite and azurite), occurring as intrusions in shear zones. Initial testwork results showed that the Haib mineralisation is a competent quartz feldspar porphyry rock.

It can be seen that the main mineral is copper with only an accessory amount of molybdenum present. The chalcopyrite also occurs as occasional coarse irregular grains from 0.1 mm to 0.35 mm.

Mining Methods

Considering the Haib copper deposit characteristics, the suitable mine design is based on an open pit method. As the deposit is basically composed of hard rock material, the mining operations will involve drill and blast of all excavated material, which will be segregated by cut-off grade.

The mining fleet considered for the Haib project would consist of appropriately sized hydraulic excavators and off highway dump trucks, depending, supported by standard open-cut drilling and auxiliary equipment.

Initial open pit mine design work undertaken indicates a strip ratio of 1.41:1 for 20 Mtpa. The low strip ratio has a significant effect on the low operating cost indication of the project.

Recovery Method

For the recovery of copper from the Haib deposit, heap leaching was considered for all options. The primary reasons for the selection of heap leaching are the low-grade nature of the deposit and the vast scale of the mineral body. Previous work conducted on the Haib Project suggested that a conventional crush-grind-float and sale of copper concentrate is not economically feasible under the current copper market conditions. The low costs associated with heap leaching compared to a whole mineral flotation circuit is believed to improve the viability of the project. Heap leaching is traditionally performed on oxide material, although there has been increasing development in the application to acid-insoluble sulfides.

Previous sighter amenability test-work, carried out by Mintek, METS and SGS South Africa, suggests that high amounts of copper can be extracted from the Haib material, up to 95.2% via a bacterial assisted leaching. However, additional test-work is required to determine the optimal operating parameters. The system design proposed will use 3 stage crushing and a mineral sorting system (either on the primary crushed product or the secondary crushed product depending on the technology selected) that will provide higher grade mineral to the heaps. The primary crusher will reduce the rock to 127 mm (gyratory crusher),

the secondary crusher to 32 mm (cone crusher) and the tertiary crusher to 5 mm (HPGR).

Haib Copper Flow Sheet diagram

(on the following page)

Click Image To View Full Size

Capital Costs

Table 6: Capital cost breakdown @ 80% Cu recovery at a price of US $ 3.00 per lb of copper

| | | | |
|---|---|---|---|
| ---------- | Direct Cost (US$M) | 20 | |

Operating Costs

Total operating costs, including capital leases as an operating expense, are estimated in the PEA and are broken down as follows:

Table 7: Total Operating Cost Breakdown – Scenario 1

| |
|---|
| ---------- 20 Mtpa @ 80% Cu Reco |

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Tailing Disposal

There will be no tailings. The spent heaps will be rehabilitated and left in place. Due to environmental reasons and water resources, the tailings from the pH adjustment process and the iron removal process will be disposed onto the spent heaps via the method of filtered dry stacked tailings.

Environmental considerations

In terms of environmental aspects, dry stack facilities offer a number of advantages to other surface tailings storage options – some of these include:

- --Reduced water requirements, principally achieved by recycling process water and near elimination of water losses through seepage and/or evaporation;
- --Groundwater contamination through seepage is virtually eliminated;
- --Significant safety improvement with the risk of catastrophic dam failure and tailings runout being eliminated;

- --Easier to close and rehabilitate.

Waste rock storage

It is suggested to consider stockpiling the low-grade mineral to process it at the end of mine life, in case the copper price increase considerably by the end of the mine life and/or a new mineral processing technology be created or developed.

Products

LME Copper (cathodes)

Copper is one of the most widely used metals on the planet. China, Europe and the USA are the main global consumers of copper. Copper will be produced on the cathode of the electrowinning cell as pure sheets, which will be a pure (99%) solid. Pure copper metal is used for a variety of purposes. The major use is electrical wiring due to the great electrical conductivity of copper. Additionally, copper is used in many metal alloys such as brass and bronze, which are stronger and more corrosion resistant than pure copper.

Copper Sulfate

Copper sulfate will be sold as a blue powder when the crystals are crushed and dried. Copper sulfate is used in multiple industries such as arts, mining, chemical, pharmaceutical, healthcare and agriculture. The biggest use is for farming as an herbicide or fungicide. Additionally, it inhibits the growth of E-Coli. In the healthcare sector, it is used in sterilizers and disinfectants and can be used to control proliferation of bacteria and viruses. Industrial usage could be in adhesives, building, chemical, textile industries, etc. where it is used to manufacture products like insecticides, wood preservatives and paints. High purity copper sulfate has a 25% premium price based on the copper content in the sulfate.

Sulphur Burning Plant

The design for each option as it stands involves the burning of sulphur to produce sulphuric acid. There are several possibilities for sulphuric acid sourcing, including purchasing from smelters within Namibia.

Buying in sulphuric acid at the start of the project life and building a sulphur burning plant once the project is cash flow positive may provide a better economic scenario.

This will allow for the sulphur burning plant capital to be deferred and the payback period to be shortened.

Recommendations

The results from the PEA have been promising and provides a fundamental support for Deep South Resources intention to move the project towards the Feasibility Study phase on the of the deposit.

Deep South Resources has set a target of achieving 85% copper recovery as a basis of design in the feasibility study. Some of the parameters to be evaluated in the study are:

1. 1.
   - - Recycled column leaching
     - Higher temperature leaching
     - Optimization of particle sizing for leaching
     - Different bacterial strains
     - Resting after 200 days for 30 days and then irrigation for another 30 days
     - Optimization of leach pH leach
     - Optimization of nutrient addition to the leach

Infill drilling in the high-grade area of the deposit, which can be included in the early part of the mine schedule is recommended. This will improve project economics in the financial model.

A drill program of 12,000 meters is recommended to infill a high grade section of the deposit. With a closer grid spacing, a high-grade part of the deposit could be included in the first years of mining to improve the economics and pay-back period.

Further to the Feasibility Study and the drilling of the mineral body as above, a small Pilot Plant is recommended on-site to validate and optimize the process under local conditions. The detailed engineering information and optimization would provide improved confidence in proceeding with a commercial operation.

The work conducted to date provides confidence to move forward, and there is every possibility of improving copper recovery and reducing the operating costs further.

The PEA technical report will be filed on SEDAR at www.sedar.com and on the Deep-South website at www.deepsouthresources.com shortly after the issuance of this news release.

Project Risks

Further information about the PEA and the resource estimate referenced in this news release, including information in respect of data verification, key assumptions, parameters, risks and other factors, can be found in the NI 43-101 technical report for the Haib Copper project that will be filed on SEDAR under Deep-South's profile.

Opportunities

- --Metallurgical advanced test work;
- --Infill drilling of the high-grade area in order to estimate a measured resource;
- --X-Ray ore sorting test work to define the potential economic enhancement
- --Solar Energy: Given the semi-arid climate of Namibia, a solar energy farm may be an option for reducing the unit cost of power. This will also have positive social impacts for the project, which is expected to have a long life.

Other opportunities are presented in the the NI 43-101 technical report for the Haib Copper project that will be filed on SEDAR under Deep-South's profile.

Project Expansion:

The resource tonnage allows for possible multiple expansion stages to be executed should the project proceed to once in production. A staged approach is recommended in order to de-risk the project by projecting that the project achieves positive cash flow prior to plant expansions.

Way Forward

The results from the updated PEA have been promising, Deep-South Resources intends to undertake a Feasibility Study for the deposit as the next phase of the project. The program will include but not limited to: drilling of the high-grade area in order to define the grade and estimate a measured resource, detailed mine design, measured resource definition, metallurgical and process technologies test work, engineering design and an environmental impact study.

Quality Control and Assurance and Data Verification

The independent qualified persons for the Haib Copper PEA are Mr. Damian Connelly of Mineral Engineering and Technical Services, Mr. Peter Walker of P & E Walker Consultancy and Mr. Dean Richards of Obsidian Consulting Services.

Obsidian Consulting Services conducted a review of the QA/QC programme implemented by Teck using the certificates of analysis received from Acme Labs and provided by Teck. This review compared the results of field duplicates, blanks as well as the various standards utilised with respect to Cu and Mo.

The design of Teck's drilling programme, quality assurance / quality control programme and the interpretation of results were under the control of Teck's geological staff. The QA/QC programme is consistent with industry best practices. Drill core is logged and cut onsite, with half-core samples prepared at Analytical Laboratory Services, Windhoek, Namibia. Prepared samples are shipped to Acme Analytical Laboratories, Vancouver, Canada for appropriate base metal assaying and gold fire assaying techniques. All analytical batches contain appropriate blind standards, duplicates and blanks inserted at regular intervals to independently assess analytical accuracy and precision.

Mr. Walker and Mr. Richards reviewed the sample chain-of-custody, quality-assurance and quality-control (QA/QC) procedures, and the accreditations of analytical laboratories used by Teck. The QPs are of the opinion that the procedures and QA/QC are acceptable to support Mineral Resource estimation.

Mr. Walker also audited the assay database, core logging and geological interpretations and found no material issues with the data as a result of these audits.

In the opinion of the QPs, the data verification programs undertaken on the geological and assay data collected from the Haib Copper support the geological interpretations and the analytical and database quality, and the data collected, can support Mineral Resource estimation.

Qualified Persons

Damian E.G. Connelly, BSc (Applied Science), FAusIMM, CP (Met), Principal Consulting Engineer of METS Engineering Group is the main author of the Preliinary Economic Assessment report and is responsible for the technical part of this press release and is the designated Qualified Person under the terms of National Instrument 43-101.

Peter Walker B.Sc. (Hons.) MBA Pr.Sci.Nat. of P & E Walker Consultancy is the main author of the 43-101 resource estimation report, and is a Qualified Person under the terms of National Instrument 43-101.

Mr. Dean Richards Pr.Sci.Nat. , MGSSA – BSc. (Hons.) Geology, of Obsidian Consulting Services is

the contributing author of the 43-101 resource estimation report and is a Qualified Person under the Terms of the National Instrument 43-101.

About METS Engineering

Established in 1988 by Damian Connelly, Mineral Engineering Technical Services (METS) has a reputation for providing quality service to the global mining industryBased in Perth Australia. They have served clients all around the world from large companies such as Rio Tinto to exploration and development companies such as Deep-South Resources. They provide a comprehensive range of services including: Mineral processing, Engineering design and hydro metallurgy testwork.

About Deep-South Resources Inc.

Deep-South Resources Inc. is a mineral exploration company largely held by Namibian shareholders and Management - Directors with 24% and Teck Resources Ltd. with 23% of Deep-South share capital.

Deep-South currently holds 100% of the Haib Copper project in Namibia, one of the largest copper porphyry deposits in Africa. Deep-South also holds an investment of 75% in the Kapili Tepe Copper exploration project in Turkey.

Deep-South’s growth strategy is to focus on the exploration and development of quality assets, in significant mineralized zones, close to infrastructure, in stable countries.

This press release contains certain "forward-looking statements," as identified in Deep- South’s periodic filings with Canadian Securities Regulators that involve a number of risks and uncertainties.

There can be no assurance that such statements will prove to be accurate and actual results and future events could differ materially from those anticipated in such statements.

Neither the 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.

More information is available by contacting Pierre Léveillé, President & CEO at

+1-819-340-0140 or at: info@deepsouthresources.com or

Paradox Public Relations at +1-514-341-0408.

Cautionary statement on forward-looking information

Mineral Resources that are not mineral reserves do not have demonstrated economic viability. Mineral resource estimates do not account for mineability, selectivity, mining loss and dilution. These mineral resource estimates are based on Indicated Mineral Resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. However, there is no certainty that these indicated mineral resources will be converted to measured categories through further drilling, or into mineral reserves, once economic considerations are applied. There is no certainty that the preliminary economic assessment will be realized.

Certain statements in this release constitute “forward-looking statements” or “forward-looking information” within the meaning of applicable securities laws.

Such statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the company, or industry results, to be materially different

from any future results, performance or achievements expressed or implied by such forward-looking statements or information. Such statements can be identified by the use of words such as “may”, “would”, “could”, “will”, “intend”, “expect”, “believe”, “plan”, “anticipate”, “estimate”, “scheduled”, “forecast”, “predict” and other similar terminology, or state that certain actions, events or results “may”, “could”, “would”, “might” or “will” be taken, occur or be achieved. These statements reflect the company’s current expectations regarding future events, performance and results and speak only as of the date of this release.

As well, all of the results of the 2018 Haib Copper preliminary economic assessment constitute forward-looking information, including estimates of internal rates of return, net present value, future production, estimates of cash cost, assumed long term price for copper of US$3.00 per pound, proposed mining plans and methods, mine life estimates, cash flow forecasts, metal recoveries, and estimates of capital and operating costs. Furthermore, with respect to this specific forward-looking information concerning the development of the Haib Copper Project, Deep-South Resources has based its assumptions and analysis on certain factors that are inherently uncertain. Uncertainties include among others: (i) the adequacy of infrastructure); (ii) unforeseen changes in geological characteristics; (iii) changes in the metallurgical characteristics of the mineralization; (iv) the ability to develop adequate processing capacity; (v) the price of copper; (vi) the availability of equipment and facilities necessary to complete development; (vii) the size of future processing plants and future mining rates, (viii) the cost of consumables and mining and processing equipment; (ix) unforeseen technological and engineering problems; (x) accidents or acts of sabotage or terrorism; (xi) currency fluctuations; (xii) changes in laws or regulations; (xiii) the availability and productivity of skilled labour; (xiv) the regulation of the mining industry by various governmental agencies; (xv) political factors, including political stability.

All such forward-looking information and statements are based on certain assumptions and analyses made by Deep-South’s management in light of their experience and perception of historical trends, current conditions and expected future developments, as well as other factors management believe are appropriate in the circumstances. These statements, however, are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking information or statements including, but not limited to, unexpected changes in laws, rules or regulations, or their enforcement by applicable authorities; the failure of parties to contracts to perform as agreed; social or labour unrest; changes in commodity prices, including the price of copper; unexpected failure or inadequacy of infrastructure, or delays in the development of infrastructure, the failure of exploration programs or other studies to deliver anticipated results or results that would justify and support continued studies, development or operations, and the results of economic studies and evaluations. Other important factors that could cause actual results to differ from these forward-looking statements also include those described under the heading “Risk Factors” in the company’s most recently filed MD&A filed by Deep-South. Readers are cautioned not to place undue reliance on forward-looking information or statements. The factors and assumptions used to develop the forward-looking information and statements, and the risks that could cause the actual results to differ materially are set forth in the “Risk Factors” section and elsewhere in the company’s most recent Management’s Discussion and Analysis report and Annual Information Form, available at www.sedar.com.

This news release also contains references to estimates of Mineral Resources. The estimation of Mineral Resources is inherently uncertain and involves subjective judgments about many relevant factors. Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability. The accuracy of any such estimates is a function of the quantity and quality of available data, and of the assumptions made and judgments used in engineering and geological interpretation, which may prove to be unreliable and depend, to a certain extent, upon the analysis of drilling results and statistical inferences that may ultimately prove to be inaccurate. Mineral Resource estimates may have to be re-estimated based on, among other things: (i) fluctuations in copper prices or other mineral prices; (ii) results of drilling; (iii) results of metallurgical testing and other studies; (iv) changes to proposed mining operations, including dilution; (v) the evaluation of mine plans subsequent to the date of any estimates; and (vi) the possible failure to receive required permits, approvals and licences, or changes to any such permits, approvals or licence. Although the forward-looking statements contained in this news release are based upon what management of the company believes are reasonable assumptions, the company cannot assure investors that actual results will be consistent with these forward-looking statements. These forward-looking statements are made as of the date of this news release and are expressly qualified in their entirety by this cautionary statement.

Subject to applicable securities laws, the company does not assume any obligation to update or revise the

forward-looking statements contained herein to reflect events or circumstances occurring after the date of this news release.