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FENGRO PROVIDES UPDATE ON PROPOSED BUSINESS COMBINATION WITH ELEMENTAL ROYALTIES

May 21, 2020 - VANCOUVER, BRITISH COLUMBIA: Fengro Industries Corp. (TSX-V: FGR.H) (“Fengro” or “the Company”), further to its new releases of November 5, 2019 and April 30, 2020, the Company is pleased to provide an update to its proposed transaction with Elemental Royalties Limited (“Elemental”) to be completed pursuant to a business combination agreement dated April 27, 2020 (the “Agreement”) resulting in the reverse takeover of Fengro by Elemental (the “Transaction”). Following the completion of the Transaction, Fengro (the “Resulting Issuer”) will carry on the business of Elemental, being the acquisition of royalties over mining projects, under the name “Elemental Royalties”.

Business of Elemental

Elemental’s core business is the acquisition of royalties over mining projects. Elemental was formed in 2016 as a British Virgin Islands company and, since Elemental’s first acquisition in 2017, it has built a diversified portfolio of royalties providing exposure primarily to gold and silver producing assets.

Elemental’s objective is to become a leading, precious metals royalty company and to maximize returns for its shareholders by growing its portfolio of royalty and other similar rights, both through organic growth and through acquisitions of royalties and other rights that its management expects to be accretive.

Elemental currently has six royalty interests, five on producing mines, and one development asset at the pre-feasibility study stage.

Elemental’s principal royalty interests include:

- 1% NSR over Teranga Gold Corporation’s Wahgnion gold project in Burkina Faso;
- 2.25% NSR over Austral Gold Limited’s Amancaya gold project in Chile; and
- 1% NSR over Premier Gold Mines Limited’s Mercedes gold-silver mine in Mexico.

Elemental also holds royalty interests in:

- 0.25% GRR over Base Resources Ltd.’s Kwale mineral sands project in Kenya;
- AUS\$10/oz or 5% NPI over Zijin Mining Group’s Mt Pleasant Gold mine in Western Australia; and
- 0.5% NSR over Panoramic Resources Ltd.’s Panton Sill project (development stage) in Western Australia.

Selected Financial Information

The following table contains selected consolidated unaudited financial information in respect of Elemental for the years ended December 31, 2019, 2018 and 2017:

	Year Ended December 31, 2019 (unaudited)	Year Ended December 31, 2018 (unaudited)	Year Ended December 31, 2017 (unaudited)
Assets	US\$6,666,315	US\$6,057,916	US\$1,952,340
Liabilities	US\$293,424	US\$1,965,168	US\$41,172
Revenue	US\$2,415,359	US\$1,449,108	US\$508,081
Net Income (loss)	US\$(81,810)	US\$(247,969)	US\$45,953

Business Combination Agreement

Under the terms of the Agreement, the Transaction will be completed by way of a share exchange (the “**Share Exchange**”) between Fengro and each of the shareholders of Elemental (“**Elemental Shareholders**”) whereby each outstanding ordinary share of Elemental will be exchanged for 4.8114 common shares (the “**Exchange Ratio**”) in the capital of Fengro (each, a “**Fengro Share**”) as constituted following the completion of the consolidation of the outstanding Fengro Shares on the basis of one (1) post-consolidation Fengro Share (each, a “**Consolidated Fengro Share**”) for each 209 Fengro Shares held. Following such exchange, former Elemental Shareholders will hold approximately 96% of the issued and outstanding Consolidated Fengro Shares. All outstanding convertible securities of Elemental, which consists solely of a total of 497,798 performance rights, will be exchanged for equivalent rights to receive Consolidated Fengro Shares as adjusted for the Exchange Ratio. Pursuant to the terms of the Agreement, on May 1, 2020, Elemental completed a private placement of 257,904 ordinary shares for gross proceeds of US\$902,664 (the “**Interim Private Placement**”). Immediately prior to the completion of the Transaction it is anticipated that Elemental will have approximately 4,710,638 ordinary shares issued and outstanding resulting in approximately 22,664,845 Consolidated Fengro Shares being issued pursuant to the Share Exchange. Aggregate consideration for the acquisition of the ordinary shares of Elemental is approximately C\$23,684,763.

Prior to the completion of the Transaction, it is anticipated that Elemental, through a newly incorporated and wholly-owned British Columbia subsidiary (“**ERL Finco**”), will complete a brokered private placement of subscription receipts (described below). Following the satisfaction of the escrow release conditions and the conversion of the ERL Finco subscription receipts into common shares of ERL Finco (“**ERL Finco Shares**”), ERL Finco will amalgamate (the “**Amalgamation**”) with a newly incorporated and wholly-owned British Columbia subsidiary of Fengro (“**Acquireco**”), with each one (1) ERL Finco Share being exchanged for one (1) Consolidated Fengro Share. A portion of the subscription receipt financing may be completed through the sale of subscription receipts of Fengro on substantially the same terms and at the same conversion ratio as the subscription receipts of ERL Finco (described below).

The Agreement includes non-solicitation covenants (subject to the fiduciary obligations of the board of directors of each party) and contains a number of conditions, including but not limited to, closing conditions customary to transactions of the nature of the Transaction, approvals of all regulatory bodies having jurisdiction in connection with the transactions contemplated by the Agreement and approval of the TSX Venture Exchange (“**TSXV**”), including the satisfaction of its initial listing requirements, the completion of the Consolidation and change of name of Fengro, the completion of the Offering (as defined and described below), the reconstitution of the Fengro board with nominees of Elemental, and the distribution of Consolidated Fengro Shares pursuant to the Share Exchange in connection with the Amalgamation shall be exempt from prospectus and registration requirements and shall not be subject to resale restrictions under applicable Canadian securities laws.

A copy of the Agreement has been posted under the Company’s profile at www.sedar.com.

Board of Directors and Management

Subject to applicable TSXV approval, on completion of the Transaction the executive management team and the board of directors of the Resulting Issuer will be comprised of the following individuals:

Frederick Bell – Chief Executive Officer and Director

Frederick co-founded Elemental in 2016 following his role as Managing Director of a listed gold exploration company, Goldcrest Resources plc, where he assembled a portfolio of gold licences in northeast Ghana to take to the AIM. He has wide experience in the mining industry, including as General Manager of Resource Star Limited, ASX-listed uranium company. Frederick received the ‘Young Rising Star’ Award at Mines & Money 2018, obtained an Honours Master of History at the University of Edinburgh and is on the Committee of Young Mining Professionals in London.

Peter Williams – Director

Peter is a co-founder of Elemental and was the first Manager of WMC Geoscience Technology before he became a founding member of Independence Group Limited. He was a founding director of Ampella Mining Ltd, a vendor of Gryphon Minerals' Banfora Gold Project and involved in the project generation for Papillion's Mali projects. Peter co-founded the International Resource Sector Intelligence company, Intierra RMG Ptd Limited, and also co-founded the first hard rock mineral seismic company in the world, HiSeis Pty. He is a current board member of Boss Resources and Superior Lake Resources, and is the Managing Director of Alderan Resources. Peter is a member of the Australian Institute of Company Directors and the Australian Institute of Mining and Metallurgy. He holds a Bachelor of Science in Geology from UNISA and a Master of Science in Geophysical Engineering from the Colorado School of Mines.

Martin Turenne – Director

Martin is senior executive with over 15 years' experience in the commodities industry, including 10 years in the mining industry, Martin is currently CEO of FPX Nickel Corp. He was formerly CFO of First Point Minerals Corp. from 2012 to 2015 and previously with KPMG LLP and Methanex Corporation. He is a member of the Chartered Professional Accountants of Canada and serves on the board of directors of the Association for Mineral Exploration of British Columbia.

John Robins – Director

John is a professional geologist, prospector and entrepreneur with over 35 years of experience in the mining industry. In 2008 he was awarded the Spud Huestis award for his contributions to mineral exploration in British Columbia and Yukon. He has been involved in several notable discoveries including the 5 million oz Coffee Gold deposit in Yukon, Three Bluffs gold deposit in the Committee Bay greenstone belt and the Aviat/Churchill diamond districts of Nunavut. He has been involved in over a billion dollars in M&A activity and has generated over 500 million in direct and indirect mineral expenditures throughout Canada, Latin America and Australia. He has served as Executive Chair of Bluestone Resources since August 2017, and was previously its President and Chief Executive Officer beginning in December 2013.

Matt Anderson – Chief Financial Officer

Matt is a Chartered Professional Accountant who has served as CFO of public companies in the mining industry for over 10 years. He earned a Bachelor of Commerce degree from McGill University and earned his CPA while articling at a large accounting firm. He is currently a managing director at Malaspina Consultants Inc., a company providing consulting, accounting and administrative services to junior resource companies.

Greg Owen – Vice President, Operations

Greg has over 10 years' experience of both public and private companies in the mining and mine finance industries, most recently as VP Corporate Development with Altus Strategies Plc from 2011 until Q1 2018. He was part of the management team responsible for the AIM IPO in August 2017 and the acquisition of TSXV listed Legend Gold Corp in January 2018. Prior to that Greg was Business Development Manager for Metals Exploration Plc, an AIM-listed company developing the Runruno gold-molybdenum project in the Philippines. Greg studied Environmental Science at the University of Plymouth, is a member of the Association of Mining Analysts, and acted as Honorary Secretary of the Oxford Mining Club from 2012 – 2018.

Richard Evans – Senior Vice President, Technical

Richard is a co-founder of Elemental and has over 30 years of technical and commercial resource industry experience on five continents with a metals focus. He spent 18 years with Western Mining covering exploration, feasibility, underground mining, business development and audit. He previously served as Industry advisor for Southern Innovation Pty Ltd. Richard was formerly CEO of an ASX-listed uranium explorer that relisted in 2010 and was a founding shareholder and consultant to Mantra Resources, acquired by ARMZ for AUS\$1bn. He has been a member of the Australasian Institute of Mining and Metallurgy since 2001. Richard holds an Honours Bachelor of Science in Geology from the University of

Melbourne and a Graduate Diploma in Business from Curtin University of Technology in Perth, WA.

In addition to the above, joining the Resulting Issuer's management team will be *David Baker, Vice President, Business Development*. David brings over nine years of experience in the mining and mine finance industries. David started his career in Equity Research at BMO Capital Markets before joining Kulczyk Investments, a Polish family investment company. Whilst at KI, David was part of the establishment of QKR Corporation, a private mining investment company, and was seconded to the business development team which acquired the Navachab gold mine from AngloGold Ashanti. Prior to joining Elemental, David was Vice President at Tamesis Partners LLP, specialising in corporate advisory, research, and equity capital markets.

Brokered Offering

In connection with the Transaction, Elemental intends to complete a best efforts brokered private placement offering of subscription receipts (the "**Offering**") of ERL Finco for gross proceeds of approximately C\$15M at a price of \$1.30 per subscription receipt. The final size and price of the Offering will be determined in the context of the market. Each subscription receipt of ERL Finco will, upon satisfaction or waiver of the applicable escrow release conditions, automatically convert, without any action or further consideration of the subscription receipt holder, into one (1) ERL Finco Share and, immediately thereafter, ERL Finco and Acquireco will complete the Amalgamation and each one (1) ERL Finco Share will be exchanged for one (1) Consolidated Fengro Share (the Resulting Issuer).

Elemental has engaged Canaccord Genuity Corp. to act as lead agent and sole bookrunner, on behalf of a syndicate of agents, in respect of the Offering. As compensation for their services, the agents will receive a cash commission equal to 6% of the gross proceeds from the Offering, which amount shall be reduced in respect of certain president's list purchasers. The subscription receipts will be offered on a private placement basis in each of the provinces of Canada, in the United States pursuant to available exemptions from registration requirements of the *United States Securities Act of 1933*, and in jurisdictions outside of Canada and the United States in each case subject to exemption from applicable prospectus and or registration requirements. It is anticipated that the net proceeds from the Offering will be used for future royalty acquisitions, repayment of outstanding debts, and general corporate and working capital purposes.

Additional Information

Sponsorship of the Transaction may be required by the TSXV unless an exemption or waiver from this requirement can be obtained in accordance with the policies of the TSXV. Fengro intends to apply for a waiver of the sponsorship requirement. There is no assurance that a waiver from this requirement can or will be obtained.

The Transaction is not a "Non-Arm's Length Transaction" as defined under TSXV policies. Fengro does not anticipate that shareholder approval will be required for the Transaction under the policies of the TSXV as, (i) the Transaction is not a Related Party Transaction (as defined in the policies of the TSXV), (ii) Fengro is without active business operations as it completed the sale of its remaining assets being its historical Brazilian fertilizer business on January 24, 2020, (iii) the Fengro shares are not subject to a cease trade order or otherwise suspended from trading, and (iv) shareholder approval of the Transaction is not required under the Company's governing corporate statute.

The following Non-Arm's Length Parties (as defined in the policies of the TSXV) of Fengro, each of whom are controlling shareholders of Fengro, hold direct beneficial interests in Elemental: (1) Tembo Capital Mining GP Limited is a lender to Elemental in respect of a US\$2,000,000, loan accruing interest at 12% per annum, entered into January 9, 2020 and maturing August 6, 2020 (the "**Loan**"). The Loan is convertible into shares of the Resulting Issuer if the Transaction closes not less than 6 business days prior to August 6, 2020 and the required notice is provided; and (2) each of James Paterson and John Robins are also shareholders of Elemental having subscribed under the Interim Private Placement (which closed after the execution and announcement of the Agreement), each holding less than 2.9% of the outstanding ordinary shares of Elemental. Neither of the foregoing persons are Insiders (as defined in the policies of the TSXV) of Elemental.

Upon completion of the Transaction and the Offering, it is currently anticipated that no shareholder of the Resulting Issuer will hold 10% or more of the outstanding Resulting Issuer common shares.

The Company will be submitting a filing statement providing disclosure with respect to each of Fengro, Elemental and the Resulting Issuer in the form of Exchange Form 3D2, which will also be filed under the Company's profile at www.sedar.com.

Trading in Fengro's Shares is presently halted, and will remain halted until completion of the Transaction. Further updates and additional particulars of the Transaction will be provided as the Transaction progresses.

All information contained in this press release with respect to Elemental and Fengro was supplied by the parties respectively, for inclusion herein, and each party and its directors and officers have relied on the other party for any information concerning the other party.

About Elemental

Elemental is a precious metals royalty company based in the British Virgin Islands with a portfolio of producing and exploration assets spanning Burkina Faso, Chile, Mexico, Kenya and Western Australia.

On behalf of Fengro Industries Corp.

Duane Lo, Director

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Disclaimer

Completion of the Transaction is subject to a number of conditions, including but not limited to, TSXV acceptance and if applicable, disinterested shareholder approval. Where applicable, the Transaction cannot close until the required shareholder approval is obtained. There can be no assurance that the Transaction will be completed as proposed or at all.

Investors are cautioned that, except as disclosed in filing statement to be prepared in connection with the Transaction, any information released or received with respect to the Transaction may not be accurate or complete and should not be relied upon. Trading in the securities of Fengro should be considered highly speculative.

The TSXV has in no way passed upon the merits of the Transaction and has neither approved nor disapproved the contents of this news release.

This news release shall not constitute an offer to sell or the solicitation of an offer to buy any securities in any jurisdiction. Any securities referred to herein have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, and may not be offered or sold in the United States or to a U.S. Person absent registration or an applicable exemption from the registration requirements of the United States Securities Act of 1933, as amended, and applicable state securities laws.

Forward-Looking Statements

Certain information contained in this press release constitutes "forward-looking information", within the meaning of applicable Canadian securities legislation. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as "aims", "plans", "expects" or "does not expect", "is expected", "budget", "scheduled", "target", "estimates", "forecasts", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or statements that certain actions, events or results "may", "could", "would", "might" or "will be taken", "occur", "be achieved" or "has the potential to". Forward looking statements contained in this press release may include statements regarding the future operating or financial performance of Fengro, the anticipated completion of the Transaction including the Share Exchange and the Amalgamation, the completion the Offering, Consolidation, and the name change of Fengro. Actual results and outcomes may differ materially from what is expressed or forecasted in these forward-looking statements. Such statements are qualified in their entirety by the inherent risks and

uncertainties surrounding future expectations. Among those factors which could cause actual results to differ materially are the following: market conditions, failure to obtain TSXV approval of the transactions contemplated by the Agreement, and other risk factors listed from time to time in our reports filed with Canadian securities regulators on SEDAR at www.sedar.com. The forward-looking statements included in this press release are made as of the date of this press release and Fengro disclaims any intention or obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as expressly required by applicable securities legislation.

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