

26 October 2020

Empire Metals Limited ('Empire' or the 'Company')

Sale of Bolnisi Copper and Gold Project in Georgia for CAD 7 Million, Board and Management Changes

Empire Metals Limited, the AIM-listed mineral resource exploration and development company, is pleased to announce that it has concluded a definitive and binding Sale and Purchase Agreement (subject to certain conditions) for the sale of the Company's wholly-owned subsidiary GMC Investments Limited ('GMCIL'), to Candelaria Mining Corporation (TSXV: CAND) ('Candelaria', 'CAND' or the 'Buyer'), for an all-equity total consideration of 7 million Canadian dollars ("CAD"), with an initial payment of CAD 2 million (the 'Initial Consideration') plus additional payments subject to certain milestones being achieved in Georgia (altogether "the Sale"). GMCIL is the owner of a 50% interest in JSC Georgian Copper and Gold ('GCG'), which in turn holds the rights to copper-gold projects under a 30-year mining concession in Georgia.

Highlights

- Sale of Georgian assets to TSXV listed company with an excellent track record of developing projects in complex jurisdictions
- Initial consideration payment of CAD 2 million in shares of CAND
- Three further payments in shares of CAND of CAD 1 million, CAD 2 million and CAD 2 million totalling CAD 5 million on achieving certain milestones
- Mr. Mike Struthers to join CAND as CEO, but will remain as Non-Executive Director of Empire and act as a consultant to the Company
- Dr Neil O'Brien, Non-Executive Chairman, to join the board of CAND as a Non-Executive Director but will remain as Non-Executive Chairman of Empire
- Exposure to Candelaria's development projects in Mexico as well as continued exposure to growth in Georgia via an equity holding in CAND
- Sale subject to a right-of-first-refusal ("ROFR") in favour of Empire's Georgian partners, Caucasian Mining Group ("CMG"), and also subject to shareholder approval.

Mike Struthers, CEO, said: *"This is a great deal for Empire shareholders. Candelaria is a growth story with some excellent gold assets in Mexico, including the Pinos Gold Project which is about to start construction and is scheduled to commence production in 12-14 months. It has a strong technical and operations team on the ground in Mexico. Empire shareholders will benefit from the future production and growth of Candelaria, whilst retaining exposure to the assets in Georgia on which we will continue with our efforts to unlock value. Empire will continue to develop the Eclipse Gold Project in Australia (refer recent RNSs) and will add additional assets as new opportunities arise. The option to acquire a 75% stake in the Eclipse Gold Project marked an exciting new chapter in the Empire story. The Company's efforts to resolve all of the permitting issues in Georgia will continue, and I will personally continue to lead this effort through my new role with Candelaria. I look forward to joining their team, to help further develop the company into a successful junior producer in the precious metals space, for the benefit of both Candelaria and Empire shareholders. I'm also pleased to remain involved with Empire to continue to help build the developing strategy."*

The Transaction

The Initial Consideration of CAD 2 million is to be satisfied via the allotment and issue of 4,000,000 new common shares in Candelaria (based on a valuation of CAD 0.50 per share) (“Consideration Shares”). The Consideration Shares will be payable in full on completion. Further payments (“Additional Shares”) totalling CAD 5 million will be paid by Candelaria subject to the following milestones being achieved:

- On approval of a reserves report (prepared in accordance with local standards) on the Kvemo Bolnisi East project by the Interagency Committee on Mineral Reserves in Georgia (‘Milestone 1’), an additional payment of CAD 1 million to be satisfied via the allotment and issue of common shares in the Buyer (based on a 10-day average closing price as at the date of approval) (‘Milestone 1 Consideration’).
- On completion of a JORC or NI43-101 compliant Mineral Resource on the Dambludi project (‘Milestone 2’), or one other project other than Kvemo Bolnisi East, an additional payment of CAD 2 million to be satisfied via the allotment and issue of common shares in the Buyer (based on a 10-day average closing price as at the date of completion) (‘Milestone 2 Consideration’).
- On completion of a positive feasibility study and final investment decision on the gold oxides at Kvemo Bolnisi East (‘Milestone 3’), an additional payment of CAD 2 million to be satisfied via the allotment and issue of Common Shares in the Buyer (based on a previous 10-day average closing price as at the date of completion) (‘Milestone 3 Consideration’).

The sale is subject to a right-of-first-refusal (“ROFR”) in favour of Empire’s Georgian partners, CMG, which must be exercised within 20 business days from Empire submitting an offer. This offer has been submitted concurrent with this announcement.

The Consideration Shares and Additional Shares will be subject to a hold period of 12 months from the date of the agreement.

The Sale will be subject to final approval from shareholders at a General Meeting to be held on 11 November 2020. A Circular and Notice of Meeting has been mailed to shareholders today and will be available on the Company’s website at www.empiremetals.co.uk shortly. The Company has received irrevocable undertakings to vote in favour of the Resolution from the top 3 shareholders and the Board in respect of 77,891,842 Ordinary Shares, which represents 31 per cent. of the Ordinary Shares on issue.

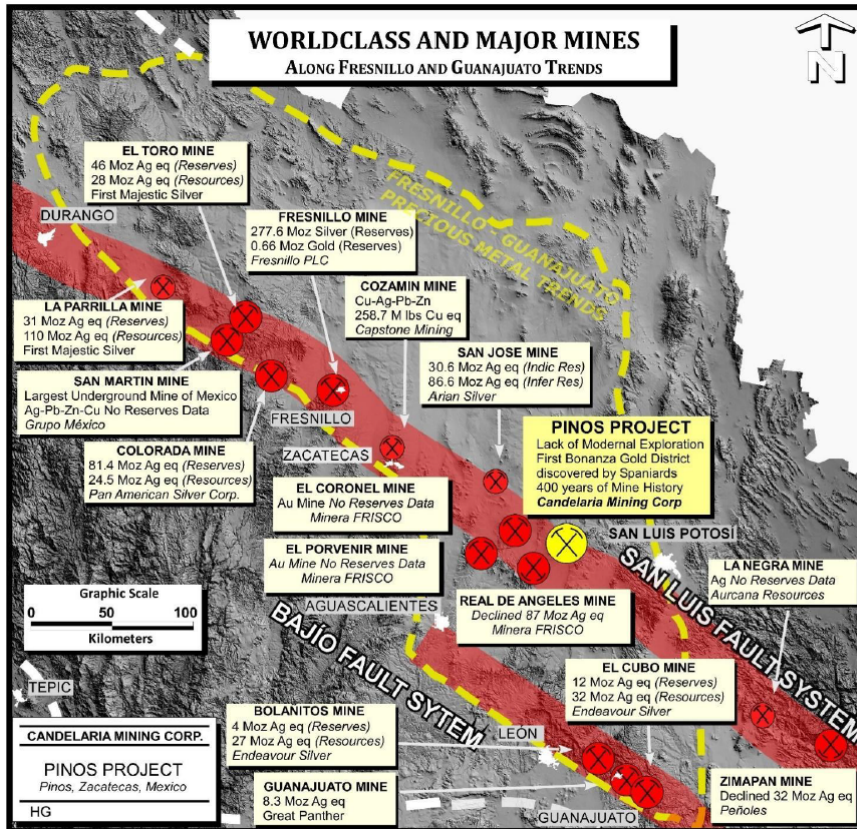
Subject to the ROFR and Empire shareholder’s approval, and TSX Venture Exchange approval, the transaction is expected to close and the Initial Consideration shares transferred to Empire on or before 7 December 2020.

Candelaria Mining Corporation

Candelaria is an exploration and mining company listed on TSX Venture Exchange (TSXV: CAND; market capitalisation as at 22 October 2020 of CAD 65.2 million), currently developing advanced gold projects in Mexico. Its two key assets are the Pinos Gold Project (NI43-101 Technical Report, 13 September 2018) and Caballo Branco (NI43-101 Technical Report, 20 April 2017). Pinos is a low-sulphidation epithermal Au-Ag deposit located in the highly prospective Zacatecas district (Figure 1). It is an underground development project (Figure 2) with combined Measured and Indicated Mineral Resources of 25,000 oz of gold and 497,000 oz of silver, about to commence a 12-month construction period for the mine that will generate approximately 13koz of gold per year over a 7-year mine life for an all-in sustaining cost of

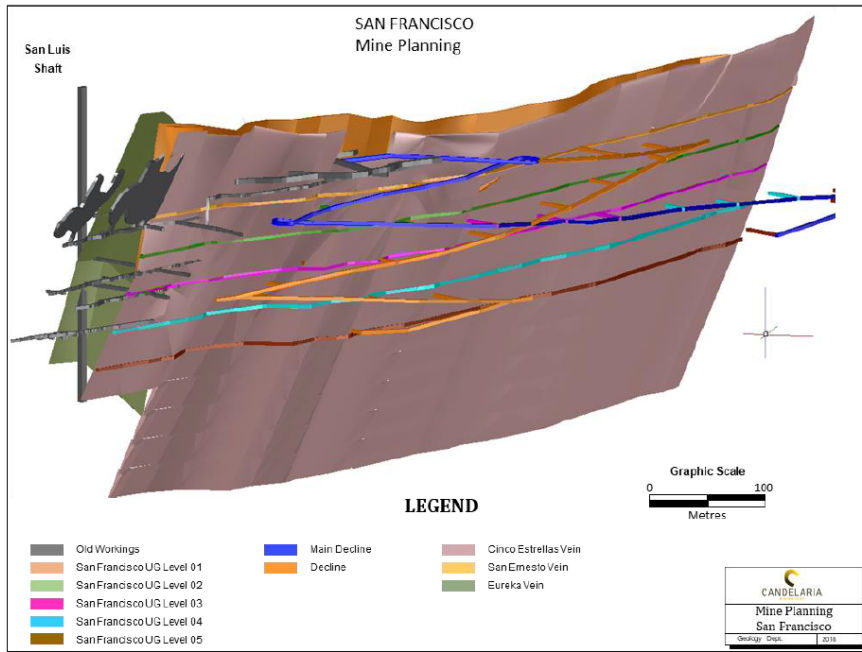
US\$ 835/oz (based on a 2018 PEA). Caballo Branco is an advanced exploration project with an initial Indicated Mineral Resource of 521,000 oz gold and 2.1M oz of silver, together with a series of other high-potential targets within the concession (Figure 3). Agnico Eagle (TSX: AEM) is a strategic partner in the Caballo Branco project with a holding of 9.95% in Candelaria. Initial studies indicate that Caballo Branco will be amenable to an open pit – heap leaching design, and it is open in three directions and at depth. It is also only 2km away from Azucar Minerals’ El Cobre porphyry project, in which Newcrest Mining holds a 19.99% interest.

Figure 1 – Location of Pinos Gold Project in the Zacatecas Mining Belt



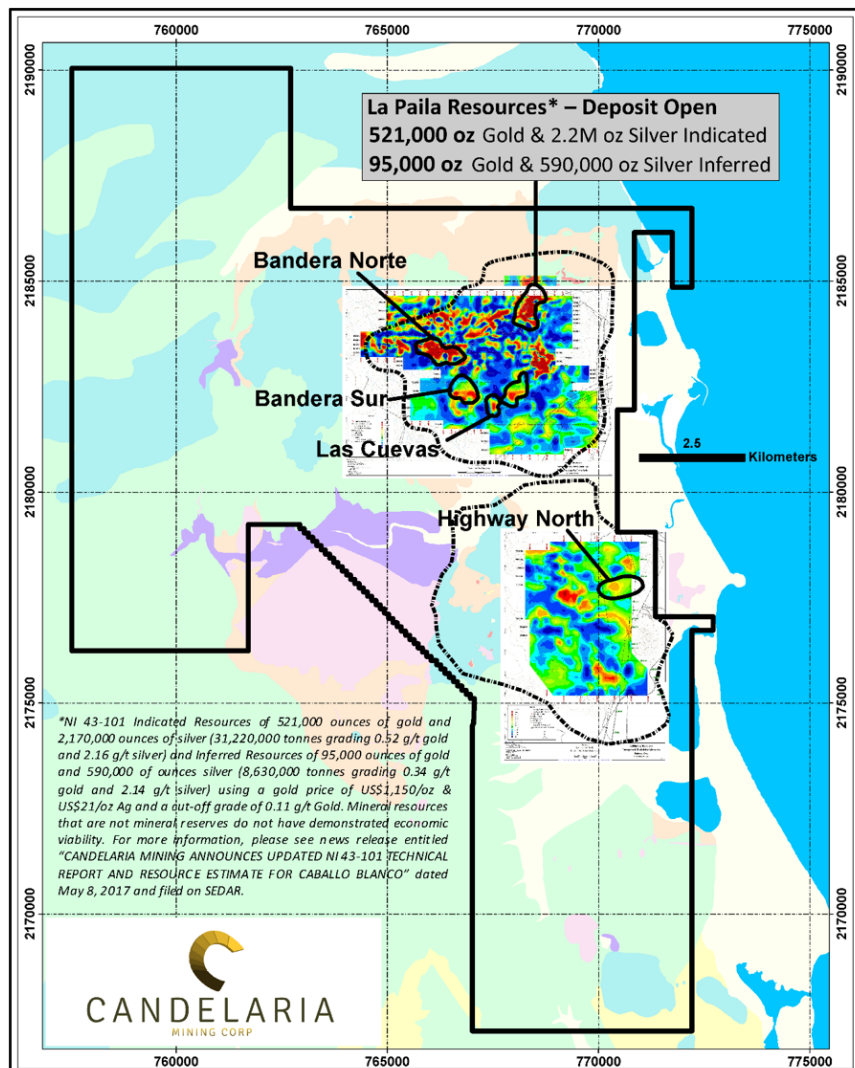
Source: Candelaria Mining Corp. (2018)

Figure 2 – Underground Mine Layout, San Francisco Vein, Pinos



Source: Candelaria Mining Corp. (2018)

Figure 3 – La Paila Resource at Caballo Branco, and Additional Targets



Board and Management Changes

Upon closing of the transaction Mike Struthers, Empire's CEO, will take up the position of Chief Executive Officer of Candelaria, and will join the board as an Executive Director, but will remain on the Empire board as Non-Executive Director. Mr Struthers will also enter into a consultancy agreement with the Company to provide technical advice. Dr Neil O'Brien, Non-Executive Chairman of Empire, will also join the board of Candelaria as a Non-Executive Director but will remain as Non-Executive Chairman of Empire.

Market Abuse Regulation (MAR) Disclosure

Certain information contained in this announcement would have been deemed inside information for the purposes of Article 7 of Regulation (EU) No 596/2014 until the release of this announcement.

****ENDS****

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About Empire Metals Limited

Empire Metals' primary focus is on the Eclipse Gold Project in Western Australia which produced 954 tonnes @ 24.6 g/t Au for 754.25 oz Au from the Eclipse shaft which operated up to 1910. In addition to the known mineralisation at and surrounding the Eclipse old workings, recent geophysics and geochemistry work has highlighted further potential mineralisation at two additional targets north-west of Eclipse, the Houdini and Easy prospects.

The Company also has a 50% joint venture in Georgia which covers an area of over 860 sq km and has a 30-year mining licence. The joint venture covers a variety of targets and projects ranging from greenfield exploration / target definition phase through intermediate target-testing phases to more advanced projects including Kverno Bolnisi East which is due to advance to Feasibility Study.

The Board continues to evaluate opportunities through which to realise the value of its wider portfolio and reviews further assets which meet the Company's investment criteria.