

LETTER FROM THE CHAIRMAN

KERAS RESOURCES PLC

(Incorporated and registered in England and Wales under company number 07353748)

Directors

Brian Moritz (Non-executive Chairman)
Russell Lamming (Chief Executive Officer)
David (Dave) Reeves (Non-executive Director)

Registered Office

27/28 Eastcastle Street
London, W1W 8DH
United Kingdom

30 December 2020

To Shareholders and, for information only, holders of instruments capable of conversion into Ordinary Shares

Dear Shareholder,

Notice of General Meeting

1. Introduction

It was announced on 18 December 2020 that Keras Resources PLC (“Keras” or the “Company”) had raised £440,000 (before expenses) through the placing of 400,000,000 new ordinary shares of 0.1p each ('Ordinary Shares') at a price of 0.11p per Ordinary Share by the Company’s joint brokers, Shard Capital Partners LLP (the 'Placing Shares') (the 'Placing').

In addition, Brian Moritz and Dave Reeves, directors of the Company, have conditionally agreed to subscribe for 36,363,636 (£40,000) and 63,636,364 (£70,000) new Ordinary Shares respectively (the 'Director Subscription Shares'), (the 'Director Subscription') on the same terms subject to the passing of resolutions at a general meeting to be held by the Company.

It is intended that every 2 Placing Shares and Director Subscription Shares subscribed will receive a warrant to subscribe for 1 new Ordinary Share with an exercise price of 0.22p per new Ordinary Share and an expiry date of 31 December 2021 ('Warrants').

The primary reason for the fund raising is to enable the Company to advance the final part, approximately US\$300,000, of its agreed loan of \$2.5m to Falcon Isle Holdings LLC (“Falcon Isle”), the owner of the Diamond Creek phosphate mine (“Diamond Creek”).

It was announced on 30 July 2020 that Keras had entered into an agreement to acquire a 51% interest in Falcon Isle for nominal consideration, on the basis that Keras provided a US\$2.5m loan facility to Falcon Isle, payable in tranches. Approximately \$2.2m has already been advanced to Falcon Isle and the final advance, of approximately US\$300,000, will increase the Company's interest in Falcon Isle to the agreed 51%.

Diamond Creek is a fully permitted, high grade direct shipping ore, low capex organic phosphate mine. The mine achieved first commercial production in late July 2020 and the first beneficiated -10 mesh organic product, part of a 770-ton order, was dispatched in early September.

The 2020 mining campaign has now been completed with a total of 7,620 run-of-mine tons extracted from the Diamond Creek mine. As previously reported, the Company decided to increase Year 1 of the phased ROM production by 50% from 5,000 tons to 7,500 tons to ensure sufficient material over the winter while maintaining the Year 5 target of 48,000 tons of commercial production. The increase in planned production does not change the terms of the agreement announced on 30 July 2020.

Current beneficiation is being undertaken through a toll-treating agreement at a plant located in Fillmore, Utah approximately 150km south west of Spanish Fork. A new plant, to be owned and operated by Falcon Isle, which has the capacity to process the 5-year 48,000-ton production target, is now being shipped from Shanghai and is expected to be commissioned in Q1 2021. Once commissioned, the plant will increase both the available capacity and flexibility to produce different sized beneficiated material.

The Directors consider that Falcon Isle is proving to be an excellent, value enhancing project for Keras.

The Placing Shares have been issued under the Company's existing share authorities, following an undertaking by Russell Lamming and Dave Reeves not to exercise the subscription rights of the existing warrants owned by them until the authorities are renewed. Further authorities are also required to issue the Director Subscription Shares and the Warrants.

To regularise the position the Directors are proposing resolutions:

- to renew authorities to issue Ordinary Shares in satisfaction subscription rights of the Company's existing warrants. These rights expire on 31 August 2021 and are exercisable at 0.24p per share; and
- to authorise the issue of Ordinary Shares in satisfaction of the subscription rights of the Warrants.

If passed, these resolutions will have the effect of releasing authorities currently reserved for the existing warrants, which will permit the Director Subscription Shares to be issued.

The Directors are therefore convening a General Meeting to be held on 18 January 2021 to renew their authority to issue Ordinary Shares in full satisfaction of the rights to subscribe under the Warrants, and the notice convening the General Meeting and a form of proxy are included with this Letter.

2. The General Meeting

The Placing Shares have been issued under the Company's existing share authorities, following an undertaking by Russell Lamming and Dave Reeves not to exercise the subscription rights of the existing warrants owned by them until the authorities are renewed. Further authorities are also required to issue the Director Subscription Shares and the Warrants.

To permit the proposals to go ahead the Directors are proposing resolutions:

- to renew authorities to issue Ordinary Shares in satisfaction subscription rights of the Company's existing warrants. These warrants expire on 31 August 2021 and are exercisable at 0.24p per share; and
- to authorise the issue of Ordinary Shares in satisfaction of the subscription rights of the Warrants.

If passed, these resolutions will have the effect of releasing authorities currently reserved for the existing warrants, and so permit the Director Subscription Shares to be issued.

The General Meeting at which the resolutions are being proposed will be held on 18 January 2021. As a response to Covid-19 restrictions, and in accordance with the measures contained in Schedule 14 of Corporate Insolvency and Governance Act 2020, the meeting will not be held at any particular place, shareholders will not be permitted to attend the meeting, and the method of voting will be by proxy.

The Directors recommend Shareholders to vote in favour of the resolutions as they intend to do in respect of their personal holdings of Ordinary Shares, amounting to approximately 23.89% of the total Ordinary Shares in issue.

3. Action to be taken

A Form of Proxy for use in connection with the General Meeting is enclosed with this Letter. Because of the restrictions caused by Covid-19 no physical meeting will be held, so that you are requested to complete, sign and return the Form of Proxy in accordance with the instructions printed thereon to the Company at the Company's registrars (by post or by hand to Share Registrars Limited at The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR or by scan and email to voting@shareregistrars.uk.com) as soon as possible and, in any event, not later than 11.00 a.m. on 14 January 2021, being 48 hours (excluding non-business days) before the time of the General Meeting.

Shareholders are reminded that, if their Ordinary Shares are held in the name of a nominee, only that nominee or its duly appointed proxy can vote at the General Meeting.

Yours sincerely

Brian Moritz

(Non-Executive Chairman)

