



ASX ANNOUNCEMENT

25 January 2017

**JOINT VENTURE IN HIGHLY PROSPECTIVE GOLD PROJECT IN GHANA  
AND COMPLETION OF \$6.7M CAPITAL RAISING**

**AGREEMENT TO EARN 70% INTEREST IN HIGHLY PROSPECTIVE  
GOLD PROJECT IN GHANA, WEST AFRICA**

The Board of Gulf Industrials Limited ("**Gulf**" or the "**Company**") announces that:

- Gulf has entered into a binding term sheet for a **project earn-in and joint venture ("Joint Venture")** with Cassius Mining Limited ("**Cassius**") into Cassius' key gold exploration project in Bolgatanga, Ghana ("**Gbane Project**" or "**Project**"); and
- The Company has completed a **capital raising of \$6,700,000** allotting 837.5 Million fully paid ordinary shares at \$0.008 per share as a placement ("**Placement**").
- This **Joint Venture** and the **support demonstrated by major shareholders** in the capital raising represents an evolutionary watershed for the Company, placing Gulf in a strong position to:
  - ✓ Participate in an opportunity to **develop a potentially significant gold asset**; and
  - ✓ progressively **increase its strategic and operational footprint** in a highly-sought after Upper East Region of Ghana, West Africa.
- Following completion of the capital raising, the Company will:
  - ✓ conclude its due diligence on Cassius and the Project;
  - ✓ finalise long form agreements for the Joint Venture; and
  - ✓ satisfy other conditions to implement the Joint Venture, including obtaining the approval of shareholders of the Company.

**GBANE\* PROJECT (\*pronounced *Ba-nee*) and JOINT VENTURE HIGHLIGHTS:**

- The Gbane Project is part of a Large Scale Licence formally issued by the Government of the Republic of Ghana ("**Licence**")<sup>1</sup>.
- There is an Exploration Program in progress with plans to commence mining operations in near future, subject to the conversion of the Licence from a Prospecting Licence to a Mining Licence.

<sup>1</sup> The Large Scale Licence will be initially classified as a Prospecting Licence in accordance to the *Mining Act Ghana* and will, subject to the on-going compliance with the relevant Licence terms, be operative for a period of two years, expiring on 28 December 2018 with a right of extension or conversion to a Mining Lease (subject to feasibility). The co-ordinates of the Large Scale Licence Area are set out in Section 2 of the attached JORC Code Explanation.

- A drilling program is scheduled to begin by mid-2017 and circa 16,000 metres are planned to be drilled and completed by the later part of 2017.
- Significantly, the Gbane Project falls within the area of the first Large Scale Licence issued by the Ghana Minerals Commission and the Ministry of Land and Natural Resources in the recently de-blocked Datoko region. The issuing of a Large Scale Licence provides Gulf stakeholders with certainty of tenure in the Project.
- Gulf will have the right to earn an initial seventy percent (70%) interest in the Gbane Project, through a combination of vendor consideration and direct investment into the Project, with the additional right to then acquire up to one hundred percent (100%) interest<sup>2</sup>.
- Gulf will secure the initial 20% interest in the Gbane Project Joint Venture for Vendor consideration to be made up of:
  - \$1,000,000 in cash as partial re-imbursement of expenses;
  - 75 million shares issued as fully paid shares; and
  - 300 million options with an exercise price of \$0.015<sup>3</sup> exercisable within 24 months, where:
    - 150 million options are issued immediately with an exercise price of \$0.015 and exercisable within 24 months; and
    - 150 million options with an exercise price of \$0.015, are subject to a vesting condition of the Project having an inferred resource of 1 million ounces<sup>4</sup>
- The balance of Gulf's 70% interest will be earned proportionately in accordance with the earn in investment expenditure at a rate of 5.55% for each \$1 million spent.
- Gulf's direct investment contribution, subject to the assessment of progressive interim results, will be paid by way of an earn-in investment of AUD\$9 million (over the first 24 months), with those funds to be directed to the advancement of the Gbane Project.
- Given the involvement of 2 Gulf directors (Messrs Arkoudis and Karam) as directors and shareholders holding a combined interest of 40% in Cassius and the nature of the transaction, Gulf shareholder approval is a condition precedent to the Joint Venture. The requisite Notice of Meeting is being prepared.
- The Project sits in the enviable position of being both; directly adjacent to the large, established and producing Shaanxi Gold Mine ("*Shaanxi*"); and located along strike from Cardinal Resource Limited's Namdini Project.
- Preliminary exploration activities in the region and historical artisanal workings provide positive early indications towards a significant and economic graded multi-million-ounce resource.
- Four phases of a rock chip grab sampling program have been undertaken, sourcing material from mine shafts, mine tailings and artisanal digging piles within the Licence area.

<sup>2</sup> All interests referred to in the Gbane Project will be calculated after (net of) the Ghanaian Government's statutory free-carried interest (which is a condition of the Licence and may be up to 10%), has been accounted for.

<sup>3</sup> The option exercise price of \$0.015 has been calculated at 187.5% of the January 2017 Placement Price of \$0.008.

<sup>4</sup> The exercise period of the options with a vesting condition will not commence until the vesting condition is met.

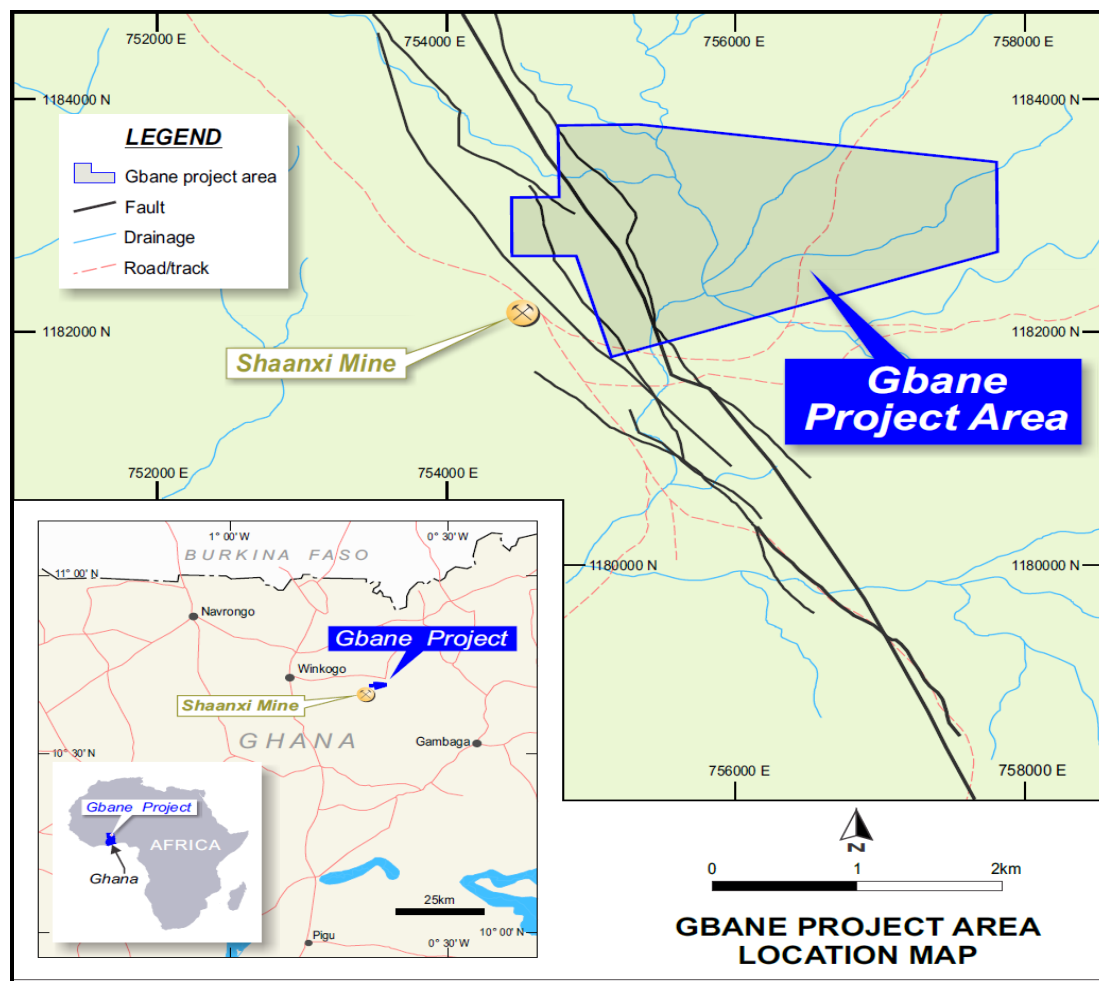
- These samples and the gold assaying from 2014-15 in the local artisanal region returned results of up to **175 g/t Au**, demonstrating the very high tenor of the gold mineralized system. Other significant results included **98.3 g/t**, **29.6 g/t** and **22.5 g/t Au**. The average sampled grade was **24 g/t Au**, with lower order results still in the **6-7g/t Au** and **1-2g/t Au** range.
- Additionally, from work conducted in 2015, also in the local artisanal region, 11 samples of mined quartz vein material were submitted to SGS Laboratory Services Limited and analyzed for gold and multi-elements. Best results were up to **40.3 g/t** and **131 g/t Au**, with most around the 7-9 g/t Au range.

### Gbane Project – Project Area and Licence

Cassius, Gulf's joint venture partner, is a Ghanaian registered entity that has been active in Ghana since 2013, working closely with the Ghanaian Minerals Commission, and the Ministry of Lands and Natural Resources, along with the Local Traditional Chiefs and Local Licence Holders.

Cassius has been issued a Large Scale Licence by the Ghanaian Minerals Commission, and the Ministry for Land and Natural Resources, over an area which includes the Gbane Project area (outlined in blue in **Diagram 1**).

**Diagram 1: The Gbane Project Area**



The Gbane Project area is approximately 3.5km<sup>2</sup> and located within this Palaeoproterozoic Nangodi Granite-Greenstone Belt in northeast Ghana, close to the border with Burkina Faso. The designated Gbane Project area represents circa 30% of the total Licence area.

The terms of the Licence include the grant of a Prospecting Licence for an initial period of two (2) years.

Prior to the expiration of the initial licence period, the licence-holder, subject to:

- compliance with the standard licence terms (including minimum expenditure and reporting); and
- exploration results

can apply to either have the Prospecting Licence extended for a further period of two (2) years, or alternatively the licence holder can apply for a Mining Lease.

The formal issuing of Licence was a condition precedent to the commencement of the Joint Venture between Gulf and Cassius, providing added security to Gulf.

### Capital Raising

The Gulf Board is pleased to announce that the Company has completed the placement of 837.5 million shares at \$0.008 each to raise approximately **\$6.70** million ("**Placement**" or "**January 2017 Placement**").

The Placement was supported by existing cornerstone shareholders and sophisticated investors.

The Company will issue 300,000,000 of the Placement Shares in accordance with the shareholder's resolution passed at the Company's AGM on 25 November 2016 (re: *Approval of Future Issue of Shares*).

The balance of the Placement Shares will be issued out of the Company's placement capacity pursuant to ASX Listing Rule 7.1 (410,241,967 shares) and Listing Rule 7.1A (127,258,033 from a possible available capacity of 273,494,645 shares).

The \$0.008 issue price of the Placement was calculated at 85% of the Company's 20-day Volume-Weighted Average Price ("VWAP") up to and including 20 January 2017, the trading day prior to the Company's shares being placed in a Trading Halt<sup>5</sup>.

The funds raised in the Placement will be used to implement the Company's acquisition of its interest in the Gbane Project through the project earn-in and development strategy, as well as for general working capital purposes (refer to *Proposed Use of Funds* at page 6 of this Announcement).

Gulf directors did not participate in the Placement.

### The Company's share structure following the capital raising:

Fully Paid Ordinary Shares prior to Placement	2,734,946,452
Shares issued in January 2017 Placement	837,500,000
Total Shares on issue after January 2017 Placement	3,572,446,452
Dilutionary effect of January 2017 Placement	23.45%

The Placement was not underwritten. There were no fees or other costs incurred, in connection, with the Placement other than legal fees of approximately \$20,000.

<sup>5</sup> The Company's 20-day Volume-Weighted Average Price ("VWAP") up to and including 20 January 2017 was \$0.0095.

## Structure of Transaction

Gulf has entered a binding term sheet with Cassius whereby, Gulf subject to its satisfactory due diligence and shareholder approval<sup>6</sup>, has a right to earn a 70% interest in the Gbane Project<sup>7</sup> on the following basis:

(a) **Initial 20% interest** by paying the following consideration to Cassius:

- (i) a capital payment of \$1,000,000 as partial reimbursement of expenses; and
- (ii) 75 million ordinary fully paid shares; and
- (iii) 300 million options exercisable at \$0.015 within 24 months, where:
  - A. 150 million options are issued immediately and exercisable within 24 months; and
  - B. 150 million options are subject to a vesting condition of an inferred resource of 1 million ounces, so that the exercise period of the options with a vesting condition will not commence until, such time as, the vesting condition is met.

(b) **up to a further 50%, taking the total interest to an aggregate of 70%**, with an additional 5.55% interest earned for every \$1 million contributed to the advancement of the Gbane Project up to a maximum of \$9 million over 24 months (Earn-in Stage)<sup>8</sup>.

Subject to satisfaction of the conditions referred to below, Gulf will immediately provide \$3 million to be spent on the Project. This will result in Gulf having a 36.65% interest in the Joint Venture, comprising the 20% from the payment of vendor consideration plus 16.65% from the injection of \$3 million into the Joint Venture.

The funds are to be applied towards, but not limited to, Licence acquisition payments, soil sampling, camp establishment, drilling program, and other Joint Venture related expenses.

Gulf will have the ability, to withdraw at certain milestones if, Gulf in its discretion, is not commercially satisfied with the development of, or results (or lack thereof) in relation to the Gbane Project.

Following the earn-in stage the project model reverts to a contributing joint venture. The Project will then be independently valued following the completion of the Stage One Work Program.

The parties will execute a project specific joint venture agreement securing respective interests for Gulf.

### **Acquisition Stage(s): Gulf's right to take its interest to 100%**

Within 12 months from the date which Gulf has completed its earn-in, or earlier if agreed by the Parties, Gulf will have the opportunity to have the Gbane Project independently valued.

Gulf (non-related directors) will make a decision on whether it should take up its option – either by way of cash, securities or as a further earn-in over time through an agreed acquisition program, to secure up to an additional 30% in the Project based on the valuation at the relevant time; taking Gulf's interest in the Gbane Project to 100%.

<sup>6</sup> The Company will seek approval from the Non-Associated Shareholders for the Proposed Transaction under ASX Listing Rule 10.1. The transaction will not proceed if shareholder approval is not forthcoming

<sup>7</sup> All interests referred to in the Gbane Project are those interests net of the Ghana Government's statutory interest.

<sup>8</sup> This amount assumes Gulf is satisfied with the incremental progress of the exploration program (in defined stages) and the feasibility of establishing a gold processing and producing mining operation. Gulf's respective increased interest(s) in the JVA will be adjusted quarterly in proportion to the payments made regarding the earn in amount referred to above. If Gulf gives a notice ceasing sole funding at any stage of the earn-in conditions, it shall be deemed to have earned the appropriate interest and the joint venture will be formed on the basis with retaining its interest by contributing to exploration expenditure on a pro rata basis or diluted under industry standard terms.

### Gbane Project Objectives:

The Joint Venture is recruiting a team of experienced expat mine staff to oversee the Project.

The senior project management team will oversee and complement the quality local expertise available in country.

Over the next twelve months the Gbane Project development objectives include:

- ▶ Completion of soils & geophysics within six months
- ▶ Results from the soil sampling and geophysics program are anticipated towards the middle of 2017.
- ▶ Planning of the Stage One Drilling Program will commence during the first 3 to 6 months of 2017, with implementation expected to commence just after mid-2017.
- ▶ We expect drill program plans to include drilling of 16,000 metres to be drilled and completed during the latter part of 2017.

Taking a helicopter view of the opportunity, the joint venture between Gulf and Cassius provides Gulf with a potential 100% interest in a robust and diverse gold exploration opportunity in a highly prospective area.

### Proposed use of funds from January 2017 Placement

	\$AUD
<b>Vendor payment (partial reimbursement of funds)</b>	<b>\$1,000,000</b>
<b>Works Programme to include but not limited to:</b> <ul style="list-style-type: none"><li>- Geochemistry (soils)</li><li>- Geophysics (magnetics)</li><li>- Metallurgy</li><li>- Air Core Drilling</li><li>- RC Drilling</li><li>- Diamond Coring</li></ul>	<b>\$3,000,000</b>
<b>Fixed Costs to include but not limited to:</b> <ul style="list-style-type: none"><li>- Personnel (including project management)</li><li>- Training</li><li>- Housing</li><li>- Vehicles</li></ul>	<b>\$1,000,000</b>
<b>Variable Costs which may include but not limited to:</b> <ul style="list-style-type: none"><li>- Travel (airfares and accommodation Accra/Bolgatanga)</li><li>- Consultants</li><li>- Mine site Preparation</li></ul>	<b>\$800,000</b>
<b>Working Capital</b>	<b>\$900,000</b>
<b>Total</b>	<b>\$6,700,000</b>

## Going Forward – Other Potential Projects

At this early stage, Gulf's preference is to secure areas where there has been preliminary works have been completed.

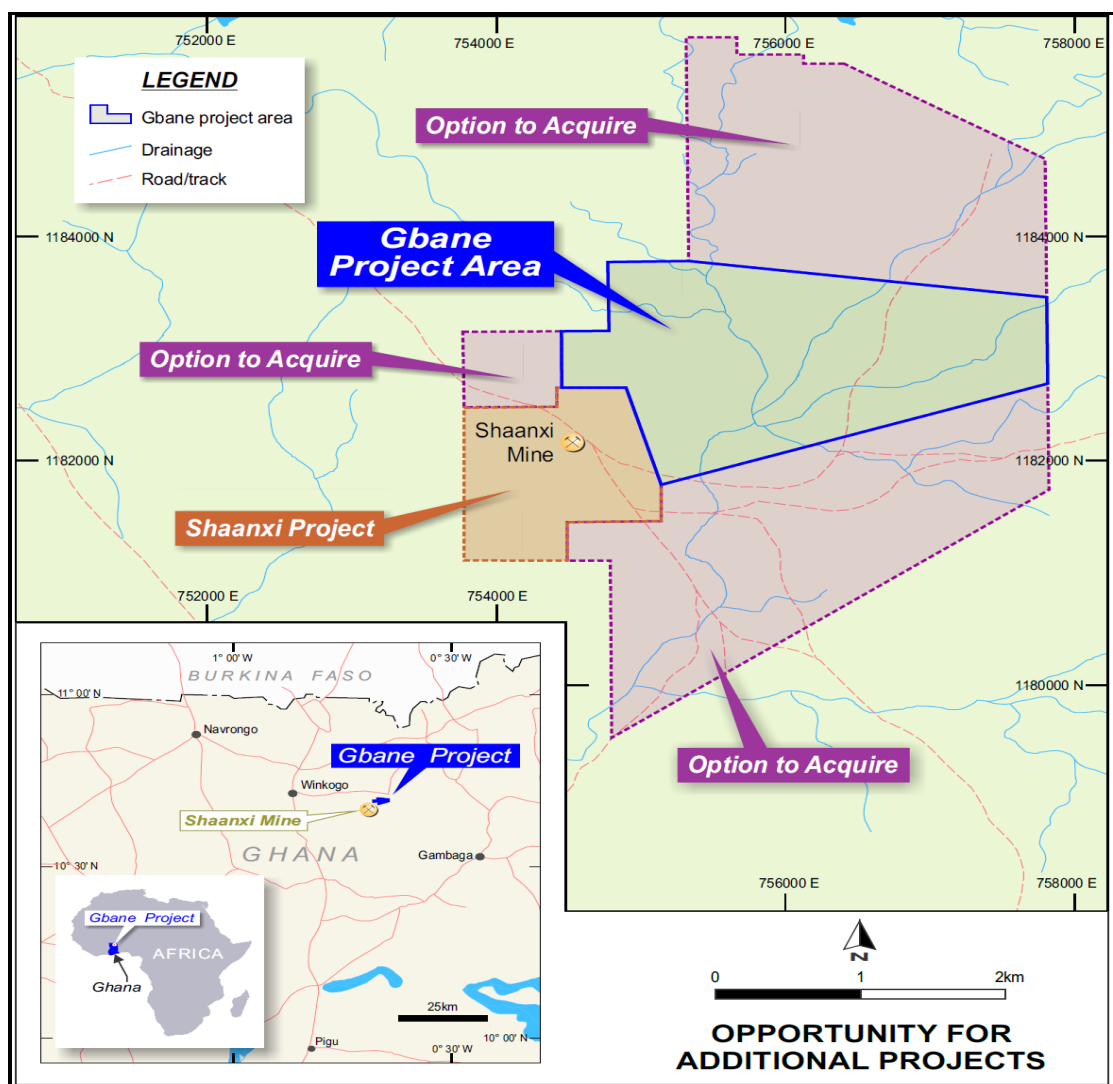
Going forward, Gulf intends to be involved in:

- the development of further projects within the de-blocked Datoko region; and
- land banking additional Licences and/or concessions in Ghana; and
- doing preliminary exploratory work on as many Licences as it can feasibly manage for the foreseeable future with the intention of applying for a mining Licence on each of those concessions.

As part of the commercial and strategic relationship between the parties, these opportunities in the de-blocked area will be presented by Cassius to Gulf on a first right of refusal basis.

The interest in Future Projects will be confirmed by the parties on a project by project basis. As such, Gulf will have the opportunity to assess a pipeline of projects in Ghana before committing to any participation and/or acquisition in a project.

**Diagram 2: Gulf's Option to Acquire Additional Ground**



## Related Party Disclosure<sup>9</sup>

Cassius and Gulf have common directors, namely Messrs. Arkoudis and Karam, who are related parties for the reasons set out below:

**(a) Anthony Karam (Karam):**

- Director of Cassius, 20% shareholder of Cassius
- Director of Gulf, shareholder and option holder of Gulf (through Jadison Pty Ltd)

**(b) James Arkoudis (Arkoudis):**

- Director of Cassius, 20% shareholder of Cassius
- Director of Gulf, shareholder and option holder of Gulf (through JSA & Assoc. Pty Ltd)

The Company notes that, ASX Listing Rule 10.1 prohibits the purchase of a substantial asset from a related party, unless shareholder approval is obtained; and ASX Listing Rule 10.12 prohibits an issue of equity securities, such as the shares and options comprising the Vendor consideration, unless shareholder approval is obtained.

The Company will engage an independent expert to assess the terms of the transaction and provide their conclusion as to whether in their opinion the transaction is fair and reasonable.

The Company will seek approval from the Non-Associated Shareholders for the Proposed Transaction under ASX Listing Rule(s) 10.1 and 10.12. The transaction will not proceed if shareholder approval is not forthcoming.

Both Messrs Karam and Arkoudis and associated parties will be excluded from any vote in respect to Gulf's participation in these Projects or issue of securities as Vendor consideration.

The requisite Notice of Meeting is being prepared for dispatch to shareholders.

## Conditions

The acquisition by Gulf of a Joint Venture interest in the Gbane Project and payment and issue of the vendor consideration are subject to a number of standard conditions for a transaction of this nature, including:

- (a) completion of due diligence by Gulf to its reasonable satisfaction on Cassius, and its assets including the Licence and Project;
- (b) Gulf shareholder approvals under the ASX Listing Rules;
- (c) where applicable, receipt of all necessary approvals and consents from third parties for the transaction;
- (d) the parties obtaining all necessary governmental consents and approvals, including the consent of the relevant governmental authorities under the applicable mining legislation to the Joint Venture and Project;
- (e) the preparation and execution of formal documentation for the Joint Venture and Project.

<sup>9</sup> Both Karam and Arkoudis will also participate in the Projects through their respective interests in Cassius. Accordingly, even in circumstances where there is no direct consideration from GLF to Karam and/or Arkoudis, or consideration from GLF direct to Cassius, both Karam and Arkoudis acknowledge that they will receive an indirect benefit through the development and commencement of the requisite Project(s).



## De-blocking Process – The opening of a new region for international investment

Over the course of the past 18 to 24 months, Cassius has been working with the local miners and Ghanaian government authorities to find a long-term solution that will allow the Gbane Project stakeholders to gain tenure and security over a mining Licence. To facilitate this level of increased certainty in tenure, the whole regional area needed to be de-blocked (rezoned), which involved the introduction of an expanded range of powers of the Ghanaian Minerals Commission, by broadening their ability to issue large scale licence(s) in an area previously exclusively reserved solely for local small scale mining licences.

This process involved a *Justification and Recommendation Report* being prepared by the Ghana Minerals Commission for the consideration of the Minister for Lands and Natural Resources; and that Report being reviewed and (subsequently) approved by the Minister for Lands and Natural Resources.

Cassius has been the driving force in lobbying the Ghanaian government authorities and traditional leaders in de-blocking the highly prospective area in the Upper East Region of Ghana (also known as the *Datoko Region*). Cassius received official written confirmation from the Chief Director (on behalf of the Minister) of the Ministry of Land and Natural Resources Ghana that the de-blocking process, including local community consultations, had been completed.

The de-blocking process has effectively resulted in a change in the zoning of the designated region from an area restricted to small-scale mining conducted only by local Ghanaian operators, to an unrestricted large scale mining zone open to both local Ghanaian and foreign owned miners.

In this respect, this highly sought after region in West Africa is now open to organizations like Gulf, essentially, for the first time.

Gulf, through its partner Cassius, has benefitted by being at the forefront of this process and successfully making claim to exciting exploration areas.

Gulf's commercial agreement with Cassius will include the opportunity for continued exploration and a joint ventured large scale mining operation in the de-blocked area.

One of the most significant benefits of having the area 'de-blocked', is that the area is now open for foreign owned entities to legally own, operate or participate in large scale mining in the region. This opportunity was not previously available. The advantage of having a project with a Large Scale Licence is that Gulf, as a joint venture partner, is protected under Ghanaian law as to its rights and tenure<sup>10</sup>.

The original small-scale mining enterprises have, through traditional means, identified and developed a series of artisanal mining operations that provide valuable geological markers, confirm and further delineate the continuing development of the project [Refer to Diagram 3].

The de-blocking allows the mining enterprises (including existing land owners) to also benefit from mechanization and infrastructure that will significantly increase capacity and recoverable grade. Importantly, the use of more sophisticated technology and machinery, allows gold exploration and extraction below the water table [~ 23 metres].

Cassius has also reached compensation agreements with indigenous artisanal miners and lengthy negotiations such that the Gbane Project area is free and unencumbered. Agreements with other contiguous parcels are also pending.

<sup>10</sup> Importantly, the steps taken by Cassius provide a far more secure, robust and valuable authorisation from the Ghanaian Government. Without the de-blocking process, foreign interests, by way of a Ghanaian incorporated company, are required to enter binding Heads of Agreement with local Ghanaian Mining Licence tenement blocks holders (through a private Ghanaian mining company or group), forming a joint venture via the provision of "Mining Support" services to "Explore and Develop" on existing mining leases. These agreements are subject to critical review by the Ghanaian Government and do not provide any form of long term certainty whatsoever.

## The Gbane Project - Exploration Potential

The Gbane Project is located within this Palaeoproterozoic Nangodi Granite-Greenstone Belt in northeast Ghana, close to the border with Burkina Faso.

There is significant gold production, from several gold mines in the wider region, as well as from numerous small artisanal gold workings. Identified gold deposits range in size from small-scale, high-grade shear-hosted veins that occur along lithological contacts, to larger tonnage lower-grade deposits associated with stock works in felsic to intermediate intrusions.

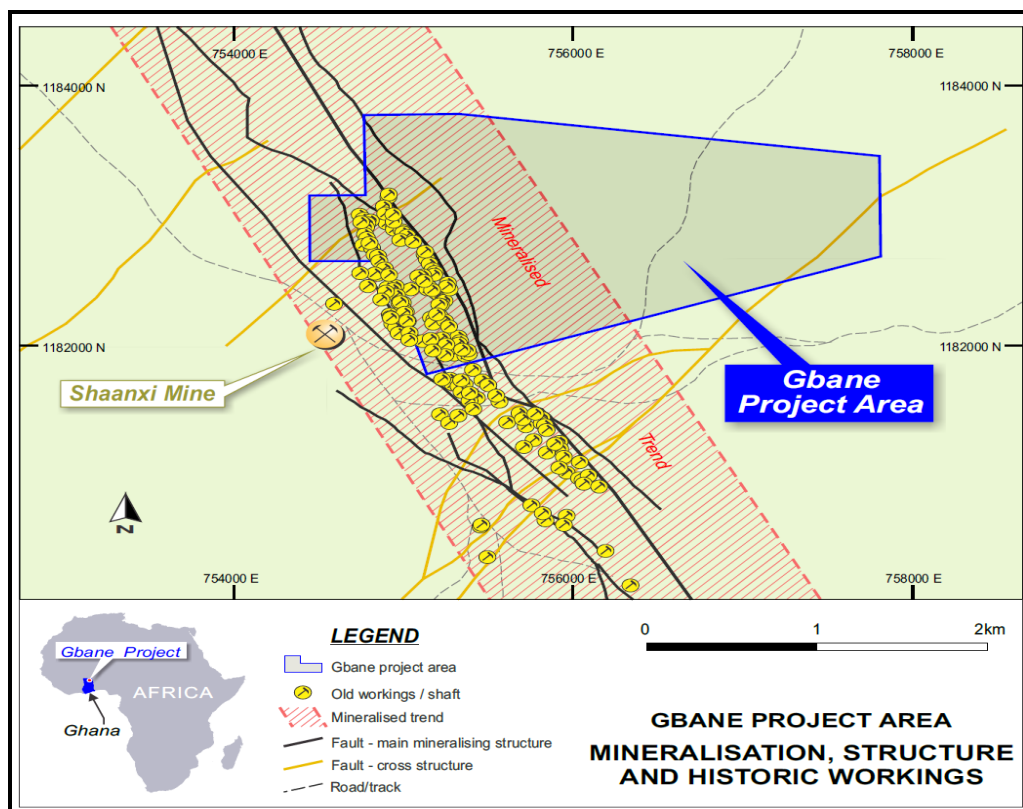
The Nangodi gold belt<sup>11</sup>, which remains relatively under-explored by modern techniques and technology, is host to proven gold potential, evidenced by the long history of regional small-scale gold mining, artisanal workings, in addition to more recent discoveries such as Endeavour Mining's (TSX Symbol: EDV) 1.56Moz Youga deposit.

The Gbane Project area is defined an abundance of extensive artisanal mining. Workings are mostly shafts, trenches and pits excavated along the strike of a series of quartz veins, and within alluvial material. There is significant potential for the discovery of both large-scale open pit and high-grade underground economically viable deposits.

The old workings and/or shafts (marked in Diagram 3) represent historical artisanal workings. Almost all those basic operations were limited due to two main factors; namely the lack of access to proper machinery and equipment; and the existence of the water table at a depth of approximately 23 metres.

The introduction of more sophisticated methods and machinery will allow Gulf to unlock the potential of this region as has been demonstrated by the well-established mining operation established by Shaanxi (refer to section under *Regional Mines and Mineral Deposits*).

**Diagram 3: Gbane Project – Mineralisation, Structure and Historical Workings**



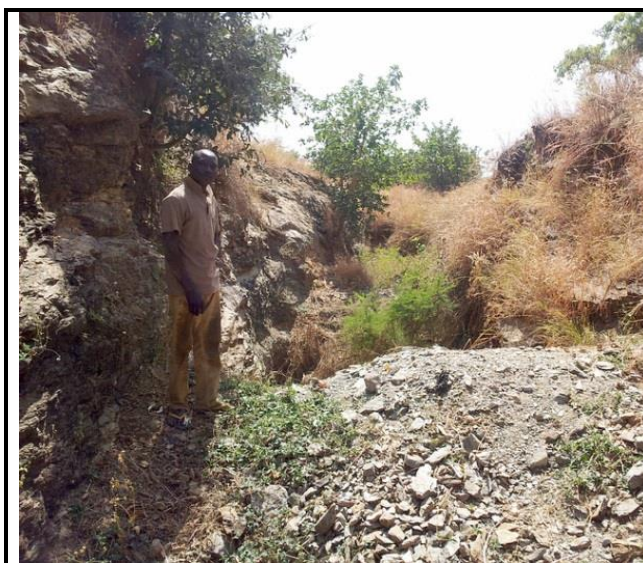
<sup>11</sup> Refer to commentary under Regional Geology at page 18.

## Gbane Project Exploration Potential (continued)

**Photo 1:**

Anecdotal evidence shows that gold was extracted from this site for the past 17 years by artisanal workers.

They were thwarted in accessing the lower mineralisation by the water table, that they did not have the equipment to work through.



As the project ground is highly prospective for further gold mineralisation, reconnaissance ground traversal for project orientation and site sampling was undertaken as part of the project due diligence exercise [refer below to **Table 1**].

The objective of the work done was to find gold resources amenable to immediate gold processing, and future open pit or underground mining.

From the grab sampling programme conducted in the local artisanal region, 11 samples of mined quartz vein material from Met 1, Met 2 and Met 3 mine shafts were submitted to the SGS Laboratory and analysed for gold and multi-elements.

Best results were up to **40.3 g/t** and **131 g/t Au**, with most around the **7-9 g/t Au** range.

**Table 1:**

SAMPLE_ID	Au_ppm	Au(R)_ppm	Au(S)_ppm	Shaft	Sampled_material
SFOS1	4.1	4.23		Met 3	Quartz vein
SFOS2	7.8	7.23		Met 3	Quartz vein
SFOS3	128	131		Met 3	Quartz vein
SFOS4	40.3	40.3		Met 3	Quartz vein
SFOE1	9.2	9.39	9.2	Met 1	Quartz vein
SFOE2	7.95	7.5		Met 1	Quartz vein
SFOE3	7.3	7.7		Met 1	Quartz vein
SFON1	1.39		1.4	Met 2	Quartz vein
SFON2	0.07	0.06		Met 2	Quartz vein
SFON3	0.25	0.2		Met 2	Quartz vein
SFON4	0.2	0.23		Met 2	Quartz vein

The vein material collected systematically from the dumps of the local miners represents veins seen in outcrop from 0.1m to 1.5m in width and are sub-vertical in nature. Individually these veins form in an echelon series and individual veins are traceable for up to 1.2km in length. Collectively these veins form a major North-West trending gold bearing belt that extends many kilometers and varies from 300-450m in surface width.



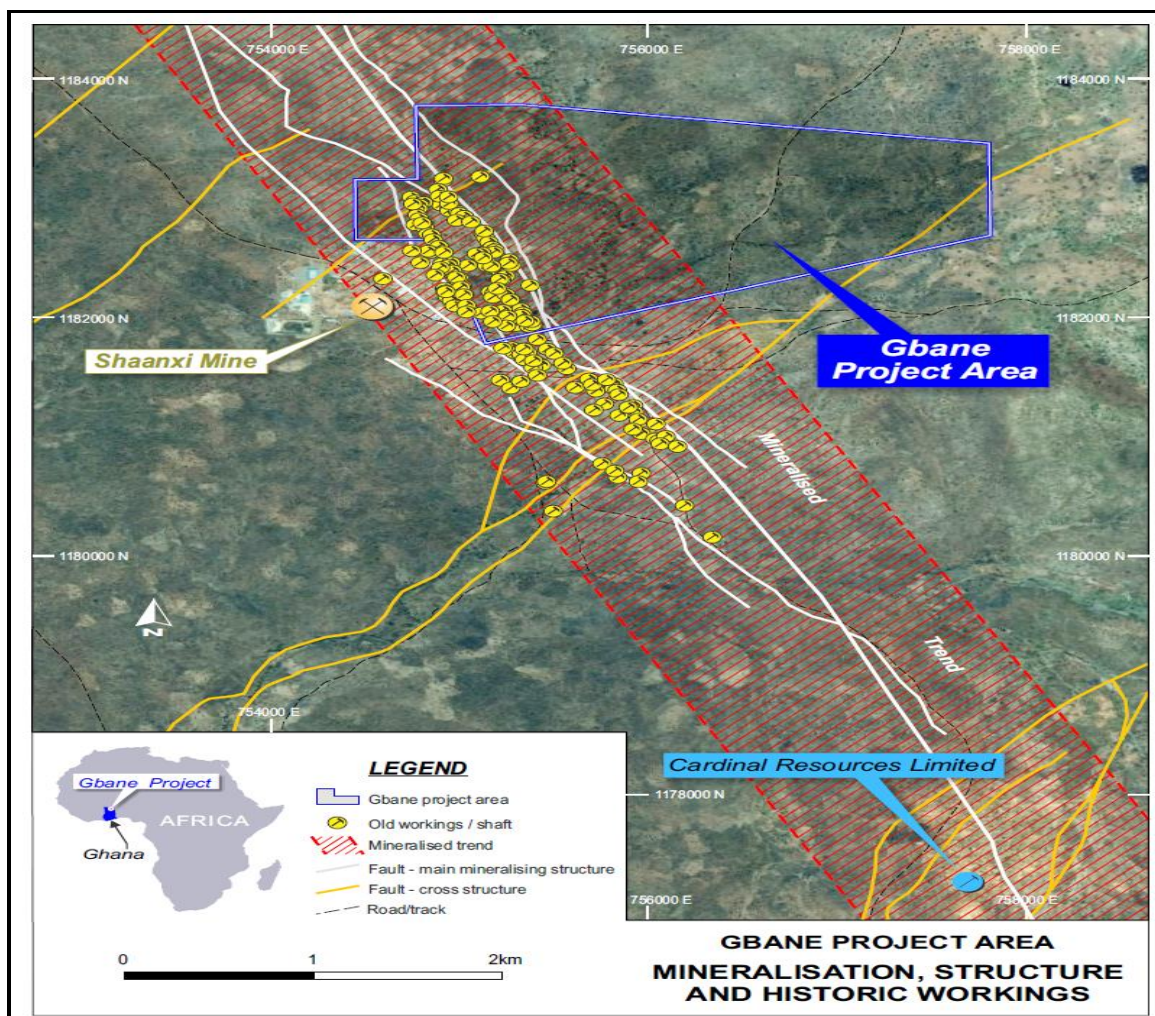
## REGIONAL MINES & MINERAL DEPOSITS

The two most interesting exploration and/or mining projects near the Gbane Project are the:

- immediately adjacent, producing Shaanxi Mining Company Limited Gold Mine ("Shaanxi")<sup>12</sup>; and
- Cardinal Resources Limited's Namdini Project which is currently in the exploration phase.

Each of these two operations, referred to briefly below, further support the conclusion that the Gbane Project sits in the midst, of a highly endowed and strike extensive gold mineralised system.

**Diagram 4: Gbane Project - proximity to Shaanxi and Cardinal**



### Shaanxi:

The Shaanxi mine is a significant operation including 5 head frames. The operation is targeting narrow high grade gold quartz vein and wall rock altered mineralisation along the sheared contact margin of the folded Nangodi Greenstone Belt

Drilling at Shaanxi is the only known drilling to have been conducted in the area, to depths exceeding 500m. The Shaanxi lodes are known to extend into the Gbane Project area. There is anecdotal evidence of very high grade pods/zones being recovered. Grab samples from the artisanal workings adjacent to the Shaanxi mine recorded gold grades of 4.5 g/t Au from sheared quartz vein material.

<sup>12</sup> Shaanxi Mining Company Limited ("Shaanxi") is a subsidiary of China Gold Resources Group Company Limited. Shaanxi is "providing technical support services" to the two companies Yenyeya Small Scale Mining Group and Porbotaaba Small Scale Mining Group via an MoU arrangement.



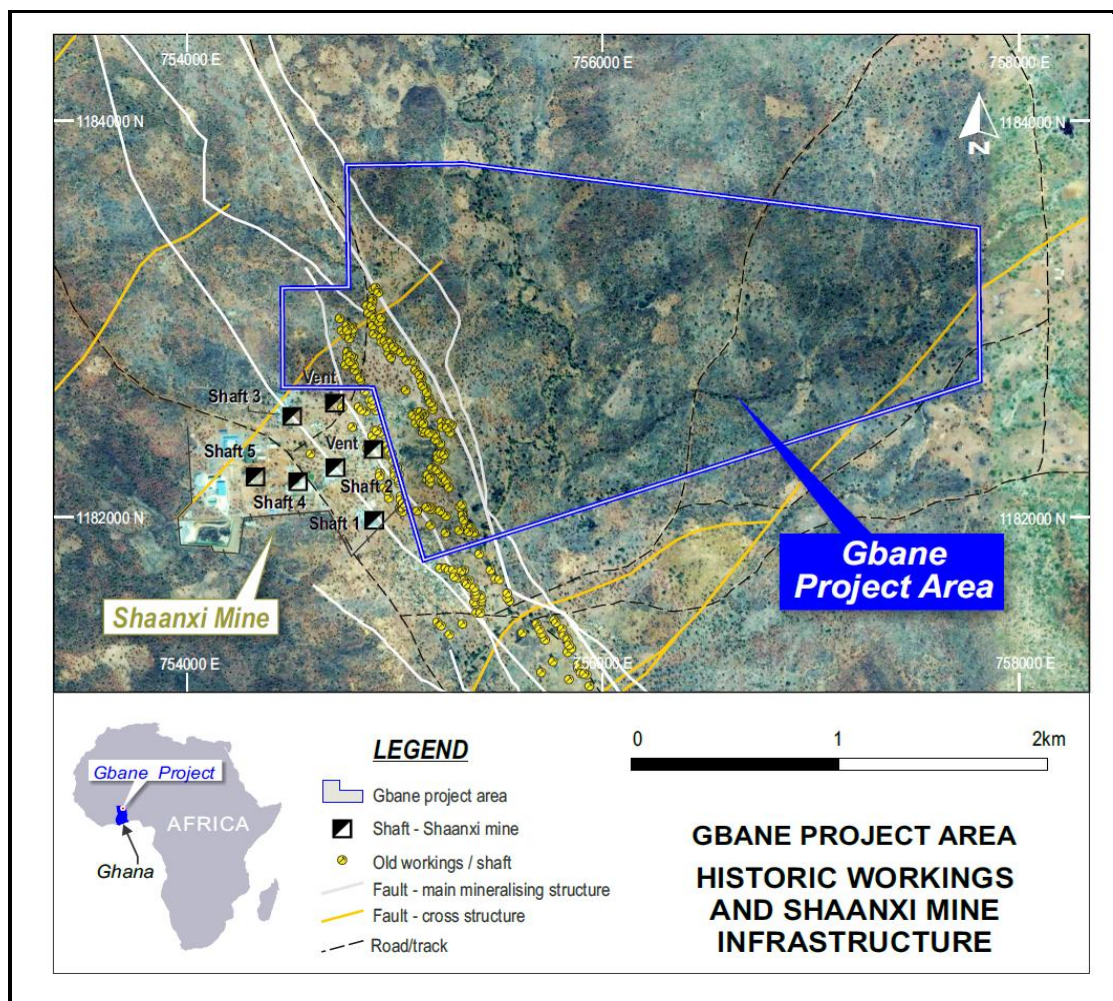
The adjacent underground and open pit Shaanxi Gold Mine reef lodes are known to extend into the Gbane Project area at depth. The thickness of these mineralised quartz veins and gold grades encountered are reported to increase with depth, increasing the exploration potential and favourable economics of open pit or underground mining scenarios

At Shaanxi, quartz veins are recorded as striking NE, from  $250^{\circ}$  to  $347^{\circ}$ . The reefs are steeply dipping from  $-60^{\circ}$  to vertical. At the lithological contact mined grades of 78 g/t Au are common, with pyritic waste material grades around 16 g/t Au.



**Photo 2:**  
Head frame at the Shaanxi underground gold mine (~ 100m from the Gbane Project boundary)

**Diagram 5: Shaanxi Gold Mine Infrastructure and historical artisanal workings**



## Cardinal Resources Limited

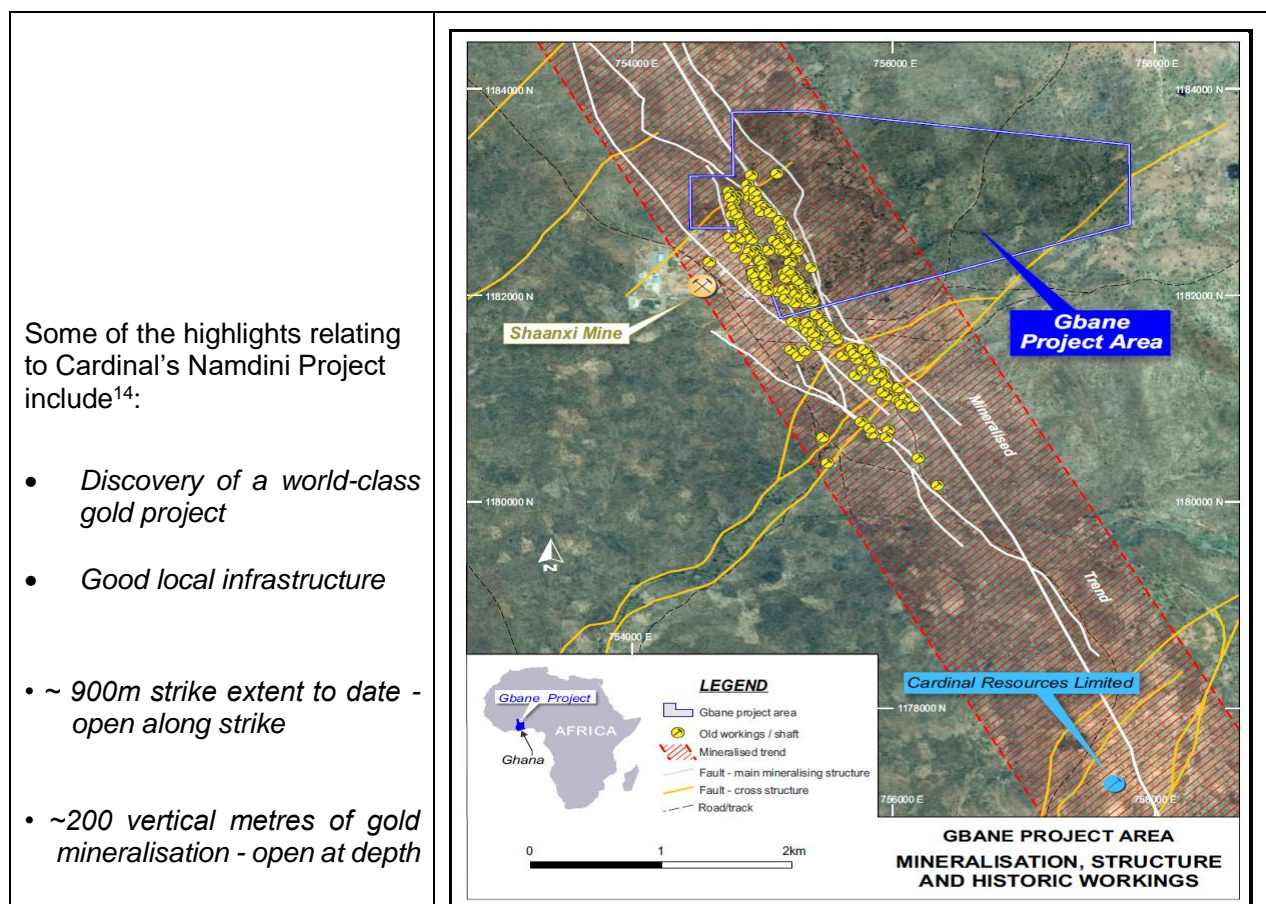
Cardinal Resources, in July 2016, raised over \$22M for their drilling program at the Namdini Project. Cardinal is currently moving ahead with resource delineation drilling and regional exploration on-going.

Cardinal is drilling sub parallel shear zones at its Namdini Project, located ~5km to the SE of the Gbane Project area, with encouraging economic gold grades and widths encountered in multiple sub parallel gold host zones.

*“The up-dip drill holes indicate that broad zones of mineralisation extend to the surface and that high-grade gold intersections begin from the surface in several parts of the Namdini deposit.*

*Highlights from December infill drilling include 27m at 7.57g/t gold from 162m, and 34m at 7.33g/t from surface.”<sup>13</sup>*

**Diagram 6: The Gbane Project is ~5km to the NW of Cardinal’s Namdini Project area**



- *Every hole drilled since discovery has intersected wide-zones of gold mineralisation:*
  - ❖ 67m @ 3.10 g/t from 3m (incl. 10m @ 9.10g/t)
  - ❖ 51m @ 3.58 g/t from 85m (incl. 12m @ 4.38g/t)
  - ❖ 45m @ 7.73 g/t from 168m (incl. 2m @ 137g/t)

<sup>13</sup> Refer to CDV’s ASX Announcement dated 19 December 2016.

<sup>14</sup> Extracted from Cardinal Resources Limited’s North American Roadshow Presentation 25 July, 2016 at page 4.



## Ghana Background

- ❖ Ghana ranks as the tenth largest gold producing country in the world in 2014.<sup>15</sup>
- ❖ The country produced 4.2Moz (119t) of gold in 2012, which was a 17% increase on 2011 production. The gold production accounts for more than 90% of the country's total mineral output.
- ❖ Ghana is the second largest African gold producing country. The country's largest gold mine, Tarkwa is operated by Gold Fields. The US Geological Survey estimated the country's gold reserves as of December 2012 at 1,600t, which accounts for 3.1% of the global gold reserve.
- ❖ Companies including AngloGold Ashanti Ltd (ASX: AGG), Cardinal Resources Limited (ASX: CDV); Newmont Mining Corp (NYSE: NEM) and Gold Fields Ltd (NYSE: GFI) operate in the West African nation.
- ❖ Further, Ghana is currently in the top 10 emerging economies worldwide.



### Pro-business Environment:

- A former British colony, Ghana received its independence in 1957 and currently runs a multi-party democratic system.
- With a legal system based on British common law, it is regarded as a politically stable environment and ranked as the fastest reforming nation on the continent.
- In 2011, Ghana was pronounced the world's fastest growing economy, with huge oil and gas deposits already in production; its growth and stability should continue for future years.

### Stable Government Policy and Support for Mining Investment:

- The Government enacted the 1986 Mining Law, a clear legal framework, to encourage gold mining and investment.
- Foreign direct investment into the mining sector in 2011 was \$780 million.
- The Ministry of Lands and Natural Resources grants exclusive mining rights to minerals which are owned by the state.

<sup>15</sup> <http://www.mineweb.com/regions/europe-and-middle-east/update-world-top-10-gold-producers-countries-miners/>

## GENERAL DESCRIPTION OF THE PROJECT

The project area is readily accessible from the major infrastructure hubs in the region, with easy access provided by road networks. The town of Biung is located in close proximity to the Project area, with residential buildings occurring within the wider Licence Area.

## GEOGRAPHICAL SETTING

**Relief:** The district is generally gently sloping and subdued with some isolated rocky outcrops. Much of the area is comprised of low rolling hills with occasional tors formed by the weathering of granite outcrops. The general elevation is around 400m, with the highest hills reaching 600m.

**Drainage:** The area is characterised by seasonal ephemeral streams, tributaries of the Kulubiliga River which flows south to the west of the project area into the White Volta.

**Climate:** NE Ghana has a semi-arid climate. There are two distinct seasons, the Wet and the Dry. Most of the rain falls in a distinct wet season between July to September. Average rainfall is about 800mm per annum. Temperatures, can be very hot, reaching up to 45°C in March and April, and mild winters with temperature minimums of 12°C in December. The average minimum temperature is 19°C, and maximum 33°C

## WORK DONE

### HISTORICAL EXPLORATION

#### GRAB SAMPLING

Cassius undertook four phases of a rock chip grab sampling programme in February, June, December 2014 and in April 2015, sourcing material from mine shafts, mine tailings and artisanal digging piles within the Prospecting Licence Area. The sampling procedure was to take 20kg of random material from the dumps using shovels from 10 random places (10 x 2kg) on the dump site. This material was then reduced at site by cone & quarter to a 5kg sample that was submitted to SGS Laboratory.

#### ANALYTICAL PROCEDURES

Samples were submitted to analytical laboratory SGS Laboratory Ltd (SGS) in Ghana, Africa. Sample preparation of the approx. 5kg sample included crushing to 6mm and pulverizing entire sample to P80 of <75µm. Riffle splitting of the sample down to a 200gm sub sample that was then used in the analysis.

The gold grab samples were analysed by Fire Assay (code FAA303) method on a 30g sample charge (Aqua Regia & AAS Finnish). A duplicate sample was taken for 33 multi-element analytical determination. Digestion of the sample for this analysis was aqua regia (code DIG12S), with analysis completed using an Inductively Coupled Plasma Optical Emission Spectroscopy (ICP-OES finish (code ICP12S).

#### QUALITY ASSURANCE AND QUALITY CONTROL (QAQC)

As the sampling, thus far is only of a reconnaissance nature, without the need for JORC compliance, Quality Assurance and Quality Control (QAQC) measures included standard laboratory internal replicate, standard (OREAS 091, 902) and blank analysis.



## GOLD ASSAY RESULTS

Gold and significant multi-element results are tabulated below:

SAMPLE_ID	UTM_E	UTM_N	Au1ppm <sup>^^</sup>	Au2ppm <sup>^^</sup>	Au3ppm <sup>^^</sup>	As_ppm <sup>^^</sup>
O01	755011	1182509	1.26			121
O02	755003	1182522	1.42			527
O03	755003	1182522	0.72	0.86	0.78	718
O04	754942	1182568	162	175		129
O05	754938	1182562	0.005			146
O06	754805	1182836	7.97	7.68		2446
O07	754805	1182836	22.5	23.3		10000
O08	754953	1182517	10.7			125
O09	754942	1182605	15.2		14.7	471
O10	755011	1182509	4.38	4.67		87
O11	754942	1182605	98.3	90	95	98
OB1	755017	1182520	12	13.5		
OB2	755017	1182520	18.1	19.2		
OB3	755004	1182524	1.59	1.67		
OB4	754969	1182535	29.6	28.3		
OB5	754964	1182530	7.96			
OB6	754964	1182530	6.11			
OB7	755164	1182662	38	38.5		
OB8	755164	1182662	0.45			
OB9	754808	1182853	1.48		1.55	
OBA1	754773	1182946	0.005	0.005		
OBA2	754773	1182946	1.52	1.62		
OBA3	754759	1182994	0.005	0.005		
MISC1	754325	1183066	1			
MISC2	754325	1183066	1.2			
4	755232	1182513	7.97	8.4	8.2	

<sup>^^</sup> Note: 1 ppm equivalent to 1 g/t

From the grab sampling programme conducted in April 2015, 11 samples of mined quartz vein material from Met 1, Met 2 and Met 3 mine shafts were submitted to SGS and analysed for gold and multi-elements. Best results were up to 40.3 g/t and 131 g/t Au, with most around the 7-9 g/t Au range.

## RESULTS, ANALYSIS AND INTERPRETATION

Gold assaying from previous grab sampling programmes in February and June 2014 returned spectacular results of up to 175 g/t Au, demonstrating the very high tenor of the gold mineralised system, and the low recovery rates exhibited in tailings from artisanal mining. Other significant results included 98.3 g/t, 29.6 g/t and 22.5 g/t Au. The average sampled grade was 24 g/t Au, with lower order results in the 6-7g/t and 1-2g/t Au range.

## DRILLING

Drilling programmes will be conducted to assist in mapping geology, oxidation, alteration, water table depth, controls on mineralisation, and the extent and grade continuity of already identified gold mineralisation, and for regional gold anomalism investigations.

### RC/DIAMOND DRILLING

Depending upon preliminary results of reconnaissance geochemical sampling and auger drilling, subsequent follow up work consisting of drilling programmes will be undertaken to potentially identify ore resources amenable to profitable mining.

## TECHNICAL INFORMATION

### GEOLOGY

#### REGIONAL GEOLOGY

The gold mineralisation is associated with Multiple shear zones that closely follows the contact between the metasediments and metavolcanics. The shear zone is broad and occurs over some 300 to 450 m wide, strikes NNE-SSW. It contains numerous laminated quartz veins 10 to 20 cm wide with occasional veins reaching 1.5m in width. The quartz veins show occasional coarse and finely disseminated sulphides (including pyrite and arsenopyrite). The sheared host wall rocks are highly altered and display a sericite-clay –chlorite +/- silica (SCC) assemblage with minor sulphides. Gold occurs in both the altered wall rock and in the laminated quartz veins. Broad zones of mineralization occur associated with a fine quartz stockworking and in zones of intense SCC alteration. Some of the higher grades in the quartz are where the quartz demonstrates a grey lamination due to fine sulphides and often visible gold is seen in these areas.

Artisanal workings are found continuously along the massive gold bearing structural corridor that is recognized for over 17 km of strike length. This same contact also hosts the Strong Reef to the north and Yale Reef to the south.

The Nangodi Shear Zone is interpreted to be a major NNW striking dextral, thrust that has focused several generations of intrusives to be emplaced from microdiorites to granites and lastly syenites. Evidence of strike-slip movement on this corridor is visible in the numerous vein jogs and open spaced infill silicification and alteration. Gold mineralisation is hosted within a transition mylonite zone of Birimian age that divides greenstone volcanic rocks to the west from sediments and volcanoclastics to the east.

A major NE set of structures intersect the main Nangodi structure and often this structural intersection is the focuses the widespread mineralization where alteration is more intense and large zones of stockwork quartz veining occurs.

The underground Shaanxi Gold Mine and associated artisanal workings are located on the eastern side of the Nangodi Fold Belt, to the south and along strike from the project area.

The Nangodi Greenstone Belt is understood to be structurally complex, with at least two phases of deformational folding. This added level of structural complexity is considered to be favourable in providing potential structural traps for gold deposition<sup>16</sup>.

Additionally, a number of intra-belt intrusions are likely to form favourable low-strain dilatational zones adjacent to them. It is possible that some of the major structures in the area such as the Bole-Bolgatanga Fault are likely to be a major deep-tapping thrust fault similar to those seen in southern Ghana, known to contain some of the most significant gold deposits in the country, such as Obuasi.

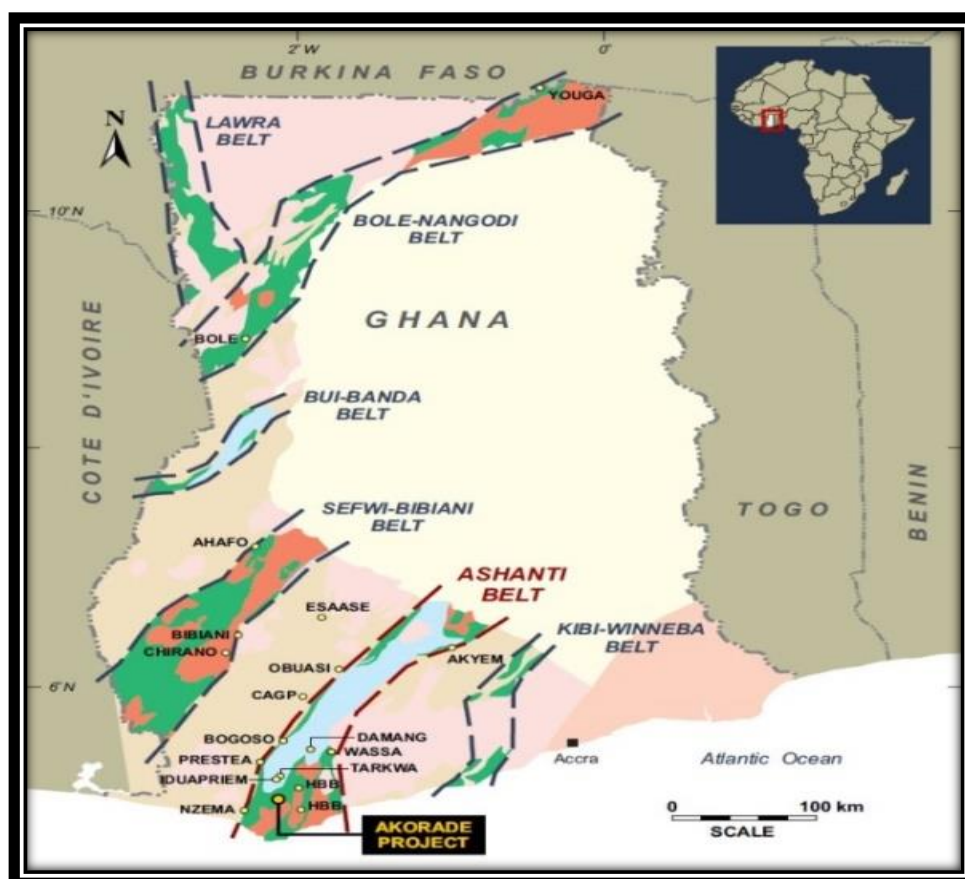
<sup>16</sup> Milesi, J. P., Ledru, P., Feybesse, J. L., Dommange, A., and Marcoux, E. (1992). Early proterozoic ore deposits and tectonics of the Birimian orogenic belt, West Africa. *Prec. Res.*, 58:305–344.

These deep-tapping structures provide important regional fluid pathways to focus mineralising fluids into trap positions in favourable host rocks in the greenstone belts.

The Nangodi Greenstone Belt within the West Africa Craton stabilised in the early Proterozoic, around 2 billion years ago, during the large tectonic crustal deformation event called the Eburnean Orogeny.

The Birimian aged stratigraphy is a supracrustal sequence of West Africa, which extends from Ghana westwards to Senegal and Mauritania and northwards into Burkina Faso. The Birimian geology consists of interlayered sedimentary and volcanic flow rocks metamorphosed to low greenschist facies of the Barrovian type.

**Figure 3: Ghana Greenstone Belts**



The most striking feature of the Paleoproterozoic geology of Ghana is the generally north-easterly trend, parallel disposition, similar belt widths and relatively even spacing between the folded and metamorphosed greenstone belts. These similarly oriented greenstone belts are, comparable to other regions in Ghana such as the Nangodi belt, are the Kibi, Ashanti, Sefwi and Bui belts.

All have known gold mineralisation that includes world-class deposits such as in the Obuasi Gold Mine (>75 Moz) in the Ashanti Belt and the Chirano mine (2.4 Moz) in the Sefwi Belt.

Similar Archaean greenstone belts in other locations around the world have been host to significant gold deposits (Superior Province of the Canadian Shield; Yilgarn, Western Australia; greenstone belts of Zimbabwe).

Though the greenstone belts are the main mineral exploration and mining priority, the adjacent sedimentary deposits of Paleoproterozoic age are also prospective for gold.

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## Competent Person Statement

The information in Report that relates to Exploration Results is based on information compiled by Anthony Bainbridge who is a Member of the Institute of Materials, Minerals and Mining, a 'Recognized Professional Organization' (RPO) including in the list promulgated by the ASX from time to time. Bainbridge is a consultant working for Asia Intercept Mining Limited and has been engaged by Gulf Industrials Ltd to prepare documentation for the Gbane Project. He has sufficient experience which is related to the style of mineralization and type of deposit under consideration and to the activity which has been undertaken, to qualify as Competent Person as defined by the 2012 edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves", Anthony Bainbridge consents to the report being issued in the form and context in which it appears.

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## SECTION 1 SAMPLING TECHNIQUES AND DATA

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
<i>Sampling techniques</i>	<ul style="list-style-type: none"> <li><i>Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</i></li> <li><i>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</i></li> <li><i>Aspects of the determination of mineralisation that are Material to the Public Report.</i></li> <li><i>In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.</i></li> </ul>	<ul style="list-style-type: none"> <li>Cassius undertook four phases of rock chip grab sampling sourcing material from mine shafts, mine tailings and artisanal digging piles within the projects mineral concessions.</li> <li>The samples were selective and therefore not wholly representative of the underlying geology</li> <li>Rock chip samples were submitted to laboratory SGS Ltd in NSW, Australia and Ghana, Africa for analysis.</li> <li>Standard sample preparation of the &lt;3kg samples included crushing to 6mm and pulverising to 75um. The pulps were then digested by an aqua regia acid solution and analysed by Fire Assay on a 30g charge. The accompanying 33 multi-element suite analytical determinations were achieved by digestion in a two acid aqua regia with an ICP-OES finish.</li> </ul>
<i>Drilling techniques</i>	<ul style="list-style-type: none"> <li><i>Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</i></li> </ul>	<ul style="list-style-type: none"> <li>Not Applicable – no drilling results reported.</li> </ul>
<i>Drill sample recovery</i>	<ul style="list-style-type: none"> <li><i>Method of recording and assessing core and chip sample recoveries and results assessed.</i></li> <li><i>Measures taken to maximise sample recovery and ensure representative nature of the samples.</i></li> <li><i>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</i></li> </ul>	<ul style="list-style-type: none"> <li>Not Applicable – no drilling results reported.</li> </ul>
<i>Logging</i>	<ul style="list-style-type: none"> <li><i>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource estimation, mining studies and metallurgical studies.</i></li> <li><i>Whether logging is qualitative or quantitative in nature. Core (or</i></li> </ul>	<ul style="list-style-type: none"> <li>Not Applicable – no drilling results reported.</li> </ul>



Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> <li>costean, channel, etc) photography.</li> <li>The total length and percentage of the relevant intersections logged.</li> </ul>	
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> <li>If core, whether cut or sawn and whether quarter, half or all core taken.</li> <li>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</li> <li>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</li> <li>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</li> <li>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</li> <li>Whether sample sizes are appropriate to the grain size of the material being sampled.</li> </ul>	<ul style="list-style-type: none"> <li>No sample preparation was performed in the field. All sample preparation was undertaken by SGS at their laboratories.</li> <li>Laboratory assay duplicates and standards were done as part of the laboratories standard internal QA/QC operating procedures.</li> <li>All results are within error of expected results</li> <li>The sample sizes are considered appropriate for reconnaissance sampling of gold bearing quartz reefs and altered wall rocks.</li> </ul>
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> <li>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</li> <li>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</li> <li>Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.</li> </ul>	<ul style="list-style-type: none"> <li>Rock chips were assayed in a commercial laboratory using standard methods for gold.</li> <li>Gold was determined by Fire Assay on a 30g charge. The accompanying 33 multi-element suite analytical determinations were determined by ICP-OES.</li> <li>Laboratory QA/QC measures included standard laboratory internal replicate, standard and blank analysis. All samples were within tolerance limits and the established precision and accuracy of the samples is acceptable.</li> </ul>
Verification of sampling and assaying	<ul style="list-style-type: none"> <li>The verification of significant intersections by either independent or alternative company personnel.</li> <li>The use of twinned holes.</li> <li>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</li> <li>Discuss any adjustment to assay data.</li> </ul>	<ul style="list-style-type: none"> <li>Not Applicable – no drilling results reported.</li> <li>Analogue data was transcribed into digital MS Excel spreadsheets</li> <li>No assay results were adjusted.</li> </ul>
Location of data points	<ul style="list-style-type: none"> <li>Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</li> <li>Specification of the grid system used.</li> <li>Quality and adequacy of topographic control.</li> </ul>	<ul style="list-style-type: none"> <li>Sample locations were recorded by hand held GPS (+/- 5m). Sample attributes were recorded on paper.</li> <li>Cartesian coordinate system: UTM Zone 30 Northern Hemisphere projection, WGS84 datum.</li> <li>Samples are of a reconnaissance nature</li> </ul>

Criteria	JORC Code explanation	Commentary
<i>Data spacing and distribution</i>	<ul style="list-style-type: none"> <li>• <i>Data spacing for reporting of Exploration Results.</i></li> <li>• <i>Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</i></li> <li>• <i>Whether sample compositing has been applied.</i></li> </ul>	<ul style="list-style-type: none"> <li>• The data is not appropriate for use in estimating a Mineral Resource and is not intended for such use. There has been insufficient exploration to define a Mineral Resource.</li> <li>• Sample compositing has not been applied</li> </ul>
<i>Orientation of data in relation to geological structure</i>	<ul style="list-style-type: none"> <li>• <i>Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</i></li> <li>• <i>If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</i></li> </ul>	<ul style="list-style-type: none"> <li>• Selective sampling was undertaken and it is undetermined if these results are biased or unbiased.</li> </ul>
<i>Sample security</i>	<ul style="list-style-type: none"> <li>• <i>The measures taken to ensure sample security.</i></li> </ul>	<ul style="list-style-type: none"> <li>• Samples were collected by a Cassius representative and delivered to SGS laboratories. All reasonable measures were taken to ensure sample security</li> </ul>
<i>Audits or reviews</i>	<ul style="list-style-type: none"> <li>• <i>The results of any audits or reviews of sampling techniques and data.</i></li> </ul>	<ul style="list-style-type: none"> <li>• No audits or reviews have been completed</li> </ul>

## SECTION 2 REPORTING OF EXPLORATION RESULTS

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
<i>Mineral tenement and land tenure status</i>	<ul style="list-style-type: none"> <li>• <i>Type, reference name/number, location and ownership including agreements or material issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</i></li> <li>• <i>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</i></li> </ul>	<ul style="list-style-type: none"> <li>• The Licence area comprises all that piece or parcel of land containing an approximate area of 13.791km<sup>2</sup> lying to the North of Latitude 10° 39' 42"N; and to the south of Latitudes 10° 43' 05"N; and 10° 43' 00"N; and to the East of Longitudes 0° 40' 48"W and 0° 40' 24"W; and to the West of Longitude 0° 38' 35"W; in the Talensi District of the Upper East Region of the Republic of Ghana (Licence Area).</li> <li>• The Gbane Project Area is within the Licence Area and comprises an approximate area of 3.5km<sup>2</sup> the area within the following co-ordinates</li> </ul>

Criteria	JORC Code explanation	Commentary																														
		<table><tr><td>Latitude</td><td>Longitude</td><td></td></tr><tr><td>10° 40' 55.57" N</td><td>0° 40' 3.37" W</td><td></td></tr><tr><td>10° 41' 23.72" N</td><td>0° 40' 10.89" W</td><td></td></tr><tr><td>10° 41' 23.72" N</td><td>0° 40' 25.96" W</td><td></td></tr><tr><td>10° 41' 40.00" N</td><td>0° 40' 25.96" W</td><td></td></tr><tr><td>10° 41' 40.00" N</td><td>0° 40' 14.84" W</td><td></td></tr><tr><td>10° 42' 0.24" N</td><td>0° 40' 14.85" W</td><td></td></tr><tr><td>10° 42' 0.24" N</td><td>0° 39' 56.51" W</td><td></td></tr><tr><td>10° 41' 49.8" N</td><td>0° 38' 35.16" W</td><td></td></tr><tr><td>10° 41' 24.46" N</td><td>0° 38' 35.16" W</td><td></td></tr></table> <ul style="list-style-type: none"><li>There is a contractual obligation to pay a 3% Net Smelter Royalty to two (2) former small scale licencees (Obuasi and Gbandanyire) restricted to, and conditional on gold production from their former respective areas which have a combined area of under 0.2km².</li></ul>	Latitude	Longitude		10° 40' 55.57" N	0° 40' 3.37" W		10° 41' 23.72" N	0° 40' 10.89" W		10° 41' 23.72" N	0° 40' 25.96" W		10° 41' 40.00" N	0° 40' 25.96" W		10° 41' 40.00" N	0° 40' 14.84" W		10° 42' 0.24" N	0° 40' 14.85" W		10° 42' 0.24" N	0° 39' 56.51" W		10° 41' 49.8" N	0° 38' 35.16" W		10° 41' 24.46" N	0° 38' 35.16" W	
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Exploration done by other parties	<ul style="list-style-type: none"><li>Acknowledgment and appraisal of exploration by other parties.</li></ul>	<ul style="list-style-type: none"><li>The area is subject to artisanal mining by native Ghanaians. No previous systematic exploration has been conducted.</li></ul>																														
Geology	<ul style="list-style-type: none"><li>Deposit type, geological setting and style of mineralisation.</li></ul>	<ul style="list-style-type: none"><li>The deposit type comprises gold mineralisation within sheared and altered rocks containing sulphides (pyrite and arsenopyrite). The geological setting is the early Palaeoproterozoic Nangodi Greenstone Belt where volcanoclastic metamorphosed pelitic argillaceous sediments, primarily phyllite, of the Birimian Supergroup, Lower Argillaceous Subseries have been subjected to regional Barrovian greenschist metamorphism due to plate tectonics. The host rocks are adjacent to the major regional geological structure, the north striking Nangodi Shear Zone ('NSZ'), associated with secondary sub-parallel shear structures close to the NSZ.</li><li>The style of mineralisation is mesothermal orogenic epigenetic gold lode bearing quartz veins and disseminations within hydrothermally altered deformed and metamorphosed sulphide bearing phyllites.</li></ul>																														



Criteria	JORC Code explanation	Commentary
<i>Drill hole Information</i>	<ul style="list-style-type: none"> <li>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> <li>easting and northing of the drill hole collar</li> <li>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</li> <li>dip and azimuth of the hole</li> <li>down hole length and interception depth</li> <li>hole length.</li> </ul> </li> <li>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</li> </ul>	<ul style="list-style-type: none"> <li>Not Applicable – no drilling results reported.</li> </ul>
<i>Data aggregation methods</i>	<ul style="list-style-type: none"> <li>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</li> <li>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</li> <li>The assumptions used for any reporting of metal equivalent values should be clearly stated.</li> </ul>	<ul style="list-style-type: none"> <li>Not Applicable – no drilling results reported.</li> </ul>
<i>Relationship between mineralisation widths and intercept lengths</i>	<ul style="list-style-type: none"> <li>These relationships are particularly important in the reporting of Exploration Results.</li> <li>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</li> <li>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').</li> </ul>	<ul style="list-style-type: none"> <li>Not Applicable – no drilling results reported.</li> </ul>
<i>Diagrams</i>	<ul style="list-style-type: none"> <li>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported. These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</li> </ul>	<ul style="list-style-type: none"> <li>Appropriate tabulations of rock chip results are included in this announcement.</li> </ul>
<i>Balanced reporting</i>	<ul style="list-style-type: none"> <li>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practiced to avoid misleading reporting of Exploration Results.</li> </ul>	<ul style="list-style-type: none"> <li>Representative rock chip sampling exploration results are included in this announcement.</li> </ul>

Criteria	JORC Code explanation	Commentary
<i>Other substantive exploration data</i>	<ul style="list-style-type: none"> <li><i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i></li> </ul>	<ul style="list-style-type: none"> <li>The preliminary metallurgical comminution test work on bulk samples returned some encouraging results. Test work results concluded the samples possessed: <ul style="list-style-type: none"> <li>relatively low anticipated crushing application costs</li> <li>a moderate to high resistance to grinding</li> <li>recovering Au using gravity separation was concluded to hold very little advantage</li> <li>Au recoveries using CIL ranged between 54.5 - 79.6 %.</li> <li>NAF test results indicated that the sample was potentially acid neutralizing (PAN)</li> <li>water testing for processing purposes demonstrated that it is of excellent quality</li> </ul> </li> </ul>
<i>Further work</i>	<ul style="list-style-type: none"> <li><i>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</i></li> <li><i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i></li> </ul>	<ul style="list-style-type: none"> <li>Planned further work includes a soil sampling program and geophysical surveys. A drilling program is scheduled to begin by mid-2017 and circa 16,000 metres are planned to be drilled and completed by the later part of 2017.</li> </ul>