



GOLDEN CROSS RESOURCES LTD

ABN 65 063 075 178

ASX Announcement

16 October 2015

22 Edgeworth David Ave
Hornsby NSW 2077
Phone (02) 9472 3500
Fax (02) 9482 8488

LETTER FROM SUBSTANTIAL SHAREHOLDER

Golden Cross Resources Ltd (ASX: GCR) (**Company**) has today received the **attached** letter from its substantial shareholder HQ Mining Resources Holding Pty Ltd (**HQ Mining**). The letter relates to the notice of an extraordinary general meeting called by Mr Ian Buchhorn (**EGM**) which was released to the ASX on 16 September 2015.

The Company considers the information contained in HQ Mining's letter to be material to the Company's shareholders and that the letter should be released to the market so that the market can trade on an informed basis.

Carl Hoyer

Company Secretary

For further information, contact Ken Hellsten on (02) 9472 3500

HQ Mining Resources Holding Pty Ltd

16 October 2015

Ms Jingmin Qian
Interim Chairman
Golden Cross Resources Limited
22 Edgeworth David Avenue, Hornsby NSW 2077, Australia

Dear Ms Qian,

Golden Cross Resources Limited (GCR or Company)

We, HQ Mining Resources Holding Pty Ltd (**HQ Mining**), refer to the notice of meeting released to the ASX on 16 September 2015 (**NoM**) on behalf of Mr Ian Buchhorn (**Mr Buchhorn**). As the largest shareholder in GCR, we would like to provide our fellow shareholders with the relevant background on current events at the Company and why the actions being taken by Mr. Buchhorn in requisitioning a shareholder meeting to appoint three of his own nominated directors are unwarranted and may destabilise the Company and make it more difficult for the Company to successfully progress its Copper Hill project. We would also like to respond to a number of misleading statements that Mr. Buchhorn has made as part of his hostile actions.

We request that the Company release this letter onto the ASX.

The facts are:

- GCR, not HQ Mining, had proposed a \$1.67 million rights issue in which all shareholders could participate, in conjunction with two placements totaling \$1.2 million to new investors to enable GCR to obtain the funding that it requires for it to undertake the Copper Hill Pre-Feasibility Study (**PFS**);
- HQ Mining, Heron Resources Limited (the next largest GCR shareholder after HQ Mining) and Mr Buchhorn were all invited to partially underwrite the rights issue;

- Only HQ Mining had agreed to partially underwrite and participate in the rights issue up to \$1 million in aggregate. HQ Mining moved \$1 million into GCR's trust account pending GCR undertaking the capital raising;
- HQ Mining also agreed to be capped at 30% of GCR's shares as a result of the capital raising;
- One new investor, which was the "well-known Australian project developer" referred to in the NoM, had indicated that it would invest in GCR only if the PFS was fully funded. HQ Mining's underwriting was a key part of that funding;
- The proposed capital raisings would have raised up to \$2.87 million and would have fully funded the PFS. An underwriting agreement had been executed by the Company (Mr Buchhorn was one of the Company's signatories) and other documents of the capital raising were nearly completed or pending execution;
- GCR had stated in the draft rights issue documents that it proposed to appoint additional independent directors after the capital raising was completed;
- Mr Buchhorn, opposed HQ Mining underwriting the rights issue, then called a shareholder meeting to appoint his own new directors as per the NoM (**EGM**) and has continued to take steps that have had the effect of delaying and preventing the rights issue and the placements from being progressed;
- Mr Buchhorn has not provided any information to shareholders around how he proposes to raise the necessary funds to complete the PFS; and
- HQ Mining supports the appointment of new independent directors but only through a proper process, i.e. the new directors must be determined by the entire Board collectively and recommended to all shareholders, instead of being unilaterally nominated by one director. Mr Buchhorn also refused to provide full CVs of his nominees to the Board and an opportunity for the Board to meet them in person.

HQ Mining will vote all of its shares against the appointment of the directors at the EGM because the proper nomination processes have not been followed.

HQ Mining believes that Mr Buchhorn is not acting in the best interests of all

shareholders by calling the EGM and by seeking to prevent the aforementioned \$2.87 million capital raising from being undertaken, especially in the face of the \$1.6 million that had already been received by GCR in its trust account from HQ Mining and one placee with the expectation of the completion of the capital raisings.

The three nominations made by Mr. Buchhorn appear to be nothing more than “board stacking” for Mr Buchhorn to be able to control board decisions.

The appointment of Mr. Buchhorn’s three nominees as directors of the Company will likely result in a dysfunctional board that will potentially destabilise the Company and consequently pose considerable investment risk to continuing shareholders in GCR.

We believe a third party assessment of potential director candidates, including Mr Buchhorn’s nominees, as well as other directors’ and shareholders’ nominees, and its recommendations to the Board is part of the proper process.

In reviewing the current nominees, we also have the following concerns which could have been considered if a proper nomination process had been followed in nominating the proposed directors:

- Mr Neil Fearis is already a director of Jacka Resources and the chairman of Tiger Resources Ltd. Does he have sufficient time and commitment to participate in board meetings and management oversight?
- Both Mr Robert Thompson and Mr Mark Sykes carry skillsets in mining engineering. However, does the Board of the Company need both of these individuals when there is no apparent distinguishing difference between the skills and experience that they may bring to the Board. The Board already has access to senior management who carry the appropriate skillsets in mining engineering.

Way forward for all GCR shareholders

The majority of the Board had considered that the best way forward for GCR was to undertake the proposed rights issue and placements, raise up to \$2.87 million and undertake the PFS. Given its dire financial position, GCR should focus on raising equity and conducting the PFS rather than getting bogged down by Mr Buchhorn's disruptive Board dispute.

In due course, HQ Mining will support the appointment of additional independent directors. However, the appointment of additional independent directors should be made through a proper process that is not unilaterally controlled by one director and to the effective exclusion of other shareholders. The majority of the Board resolved to engage Crown & Marks, an executive search firm, to perform independent assessments of the three director nominees offered by Mr Buchhorn, in addition to additional nominees from other board members and shareholders.

HQ Mining reminds shareholders that Mr Buchhorn has not provided any information to shareholders around how he proposes to raise the necessary funds to complete the PFS. HQ Mining considers that any substantial capital raising undertaken by GCR, should include a substantial rights issue so that all GCR shareholders could participate.

As the long term supportive major shareholder who has invested more money in GCR than Mr Buchhorn, HQ Mining naturally wants GCR to be successful. HQ Mining has been prepared to invest further alongside all other shareholders to enable GCR to progress its development of the Copper Hill project.

Shareholders should vote against the appointment of each of the nominated directors at the EGM called by Mr Buchhorn for the following 4 reasons:

1. Mr Buchhorn had not made equivalent commitments to fund and support the PFS to those made by HQ Mining;
2. Mr Buchhorn had no commitment from any investors to fund and support the PFS at the time the EGM was called;
3. The unilateral actions of Mr Buchhorn have resulted in a significant delay in the conduct of a capital raising, to the detriment of the Company and its shareholders; and
4. The appointment of new independent directors should only be conducted through a formal and collaborative board process, i.e. the new directors must be identified and nominated via a process that allows all Board members to participate and not a process in which only one Director is able to nominate candidates to the Board.

GCR must focus on establishing a solid financial position so it can move forward towards the completion of the PFS and to appoint additional independent directors through a proper process.

Yours truly,

For and on behalf of

HQ Mining Resources Holding Pty Ltd

A handwritten signature in black ink, appearing to be 'Yan Li', with a stylized, cursive script.

Yan Li

Director