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24 December 2015

## **RELEASE OF INDEPENDENT EXPERT'S REPORT IN RELATION TO HQ MINING'S OFFER**

Golden Cross Resources Limited (**Company**) refers to its ASX announcement of 23 December 2015 noting that the Company has received an Independent Expert's Report commissioned by the Company in response to the takeover offer made by HQ Mining Resources Holding Pty Ltd (**HQ Mining**) for the Company at a price of 8.25 cents per share.

**The Independent Expert, BDO Corporate Finance (WA) Pty Ltd, concluded that HQ Mining's offer is neither fair nor reasonable to shareholders of the Company other than HQ Mining and its associates.**

Attached to this announcement is a copy of the complete Independent Expert's Report. Shareholders are encouraged to read this report in full and contact their legal, financial or other professional adviser if they have any queries.

**Mark Sykes**

Chairman

## **ANNEXURE**

### **INDEPENDENT EXPERT'S REPORT**



# **GOLDEN CROSS RESOURCES LIMITED** **Independent Expert's Report**

23 December 2015



## Financial Services Guide

23 December 2015

**BDO Corporate Finance (WA) Pty Ltd** ABN 27 124 031 045 ('we' or 'us' or 'ours' as appropriate) has been engaged by Golden Cross Resources Limited ('GCR') to provide an independent expert's report on the takeover offer by HQ Mining Resources Holding Pty Ltd ('HQ Mining') for all the ordinary shares in GCR that it does not already hold for \$0.0825 cash per GCR share. You will be provided with a copy of our report as a retail client because you are a shareholder of GCR.

### Financial Services Guide

In the above circumstances we are required to issue to you, as a retail client, a Financial Services Guide ('FSG'). This FSG is designed to help retail clients make a decision as to their use of the general financial product advice and to ensure that we comply with our obligations as financial services licensees.

This FSG includes information about:

- ◆ Who we are and how we can be contacted;
- ◆ The services we are authorised to provide under our Australian Financial Services Licence, Licence No. 316158;
- ◆ Remuneration that we and/or our staff and any associates receive in connection with the general financial product advice;
- ◆ Any relevant associations or relationships we have; and
- ◆ Our internal and external complaints handling procedures and how you may access them.

### Information about us

BDO Corporate Finance (WA) Pty Ltd is a member firm of the BDO network in Australia, a national association of separate entities (each of which has appointed BDO (Australia) Limited ACN 050 110 275 to represent it in BDO International). The financial product advice in our report is provided by BDO Corporate Finance (WA) Pty Ltd and not by BDO or its related entities. BDO and its related entities provide services primarily in the areas of audit, tax, consulting and financial advisory services.

We do not have any formal associations or relationships with any entities that are issuers of financial products. However, you should note that we and BDO (and its related entities) might from time to time provide professional services to financial product issuers in the ordinary course of business.

### Financial services we are licensed to provide

We hold an Australian Financial Services Licence that authorises us to provide general financial product advice for securities to retail and wholesale clients.

When we provide the authorised financial services we are engaged to provide expert reports in connection with the financial product of another person. Our reports indicate who has engaged us and the nature of the report we have been engaged to provide. When we provide the authorised services we are not acting for you.

### General Financial Product Advice

We only provide general financial product advice, not personal financial product advice. Our report does not take into account your personal objectives, financial situation or needs. You should consider the appropriateness of this general advice having regard to your own objectives, financial situation and needs before you act on the advice.

**Fees, commissions and other benefits that we may receive**

We charge fees for providing reports, including this report. These fees are negotiated and agreed with the person who engages us to provide the report. Fees are agreed on an hourly basis or as a fixed amount depending on the terms of the agreement. The fee payable to BDO Corporate Finance (WA) Pty Ltd for this engagement is approximately \$35,000.

Except for the fees referred to above, neither BDO, nor any of its directors, employees or related entities, receive any pecuniary benefit or other benefit, directly or indirectly, for or in connection with the provision of the report.

**Remuneration or other benefits received by our employees**

All our employees receive a salary. Our employees are eligible for bonuses based on overall productivity but not directly in connection with any engagement for the provision of a report. We have received a fee from GCR for our professional services in providing this report. That fee is not linked in any way with our opinion as expressed in this report.

**Referrals**

We do not pay commissions or provide any other benefits to any person for referring customers to us in connection with the reports that we are licensed to provide.

**Complaints resolution***Internal complaints resolution process*

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing addressed to The Complaints Officer, BDO Corporate Finance (WA) Pty Ltd, PO Box 700 West Perth WA 6872.

When we receive a written complaint we will record the complaint, acknowledge receipt of the complaint within 15 days and investigate the issues raised. As soon as practical, and not more than **45 days** after receiving the written complaint, we will advise the complainant in writing of our determination.

**Referral to External Dispute Resolution Scheme**

A complainant not satisfied with the outcome of the above process, or our determination, has the right to refer the matter to the Financial Ombudsman Service ('FOS'). FOS is an independent organisation that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial service industry. FOS will be able to advise you as to whether or not they can be of assistance in this matter. Our FOS Membership Number is 12561. Further details about FOS are available at the FOS website [www.fos.org.au](http://www.fos.org.au) or by contacting them directly via the details set out below.

Financial Ombudsman Service  
GPO Box 3  
Melbourne VIC 3001  
Toll free: 1300 78 08 08  
Facsimile: (03) 9613 6399  
Email: [info@fos.org.au](mailto:info@fos.org.au)

**Contact details**

You may contact us using the details set out on page 1 of the accompanying report.

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Appendix 1 - Glossary and copyright notice

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23 December 2015

The Independent Directors  
Golden Cross Resources Limited  
Suite 304/66 Berry Street  
North Sydney NSW 2060

Dear Independent Directors

## INDEPENDENT EXPERT'S REPORT

### 1. Introduction

On 18 November 2015, Golden Cross Resources Limited ('GCR' or 'the Company') received notification that HQ Mining Resources Holding Pty Ltd ('HQ Mining') intended to make an off-market all cash takeover bid for all of the issued shares in GCR that it does not already hold.

On 24 November 2015, HQ Mining released a Bidder's Statement detailing the terms of its offer. HQ Mining offered the shareholders of GCR \$0.07 cash per GCR share. On 16 December 2015, HQ Mining issued a Second Supplementary Bidder's Statement which detailed a conditional increase in the offer price to \$0.0825 per GCR share ('the Offer').

As at the date of the Offer, HQ Mining holds a relevant interest of 23.4% in GCR through its associated entities.

### 2. Summary and Opinion

#### 2.1 Purpose of the report

The directors of GCR have requested that BDO Corporate Finance (WA) Pty Ltd ('BDO') prepare an independent expert's report ('our Report') to express an opinion as to whether or not the Offer is fair and reasonable to non-associated shareholders of GCR ('Shareholders').

Our Report is prepared pursuant to section 640 of the Corporations Act ('the Act') and is to be included in the Target's Statement for GCR in order to assist the Shareholders in their decision whether or not to accept the Offer.

#### 2.2 Approach

Our Report has been prepared having regard to Australian Securities and Investments Commission ('ASIC') Regulatory Guide 111 'Content of Expert's Reports' ('RG 111') and Regulatory Guide 112 'Independence of Experts' ('RG 112').

In arriving at our opinion, we have assessed the terms of the Offer as outlined in the body of this report. We have considered:

- How the value of a GCR share on a control basis compares to the value of the consideration offered by HQ Mining for each GCR share;
- Whether any alternative offers are available for GCR Shareholders which may be superior;
- Other factors which we consider to be relevant to the Shareholders in their assessment of the Offer; and
- The position of Shareholders should the Offer not be successful.

## 2.3 Opinion

We have considered the terms of the Offer as outlined in the body of this report and have concluded that the Offer is neither fair nor reasonable to Shareholders.

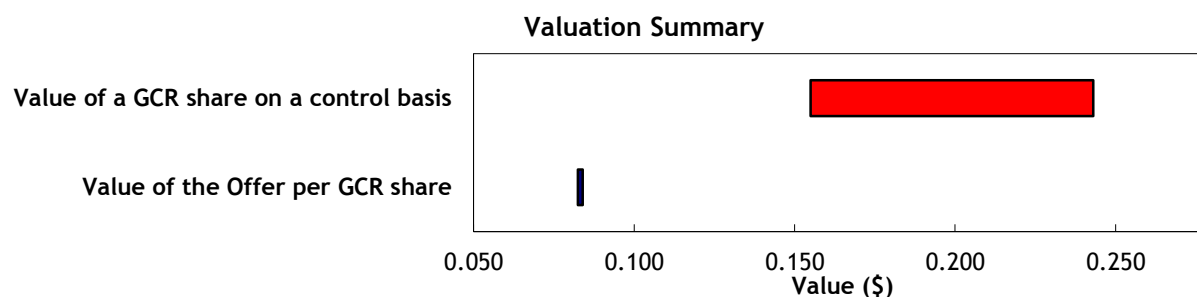
## 2.4 Fairness

In section 12 we determined how the Offer consideration per GCR share compares to the value of a GCR share, as detailed below.

|                                                | Ref  | Low<br>\$ | Preferred<br>\$ | High<br>\$ |
|------------------------------------------------|------|-----------|-----------------|------------|
| Value of a GCR share on a control basis        | 10.3 | 0.155     | 0.192           | 0.243      |
| Value of the Offer consideration per GCR share | 11   | 0.0825    | 0.0825          | 0.0825     |

Source: BDO analysis

The above valuation ranges are graphically presented below:



The above pricing indicates that, in the absence of any other relevant information, the Offer is not fair for Shareholders.

## 2.5 Reasonableness

We have considered the analysis in section 13 of this report, in terms of both

- advantages and disadvantages of accepting or rejecting the Offer; and
- other considerations, including the position of Shareholders if the Offer is not successful or is only partially successful.

In our opinion, the position of Shareholders if the Offer is accepted is less advantageous than the position if the Offer is not accepted. Accordingly, in the absence of any other relevant information, we believe that the Offer is not reasonable for Shareholders.

The respective advantages and disadvantages of accepting the Offer that we have considered are summarised below:

| ADVANTAGES AND DISADVANTAGES |                                                                                                                                   |         |                                                                                         |
|------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|---------|-----------------------------------------------------------------------------------------|
| Section                      | Advantages                                                                                                                        | Section | Disadvantages                                                                           |
| 13.5                         | The Offer provides cash certainty                                                                                                 | 13.6    | The Offer is not fair                                                                   |
| 13.5                         | Shareholders will no longer be exposed to risks associated with being GCR shareholders                                            | 13.6    | Shareholders will not benefit from the potential upside of GCR                          |
| 13.5                         | In the event that the Offer is successful, Shareholders will no longer exposed to the potential of becoming minority shareholders | 13.6    | Shareholders will no longer be able to benefit from an alternative offer                |
|                              |                                                                                                                                   | 13.6    | The opportunity to fund the PFS through an equity raising will be lost                  |
|                              |                                                                                                                                   | 13.6    | Opportunity for a distribution of the value in the Company to Shareholders will be lost |
|                              |                                                                                                                                   | 13.6    | Possible capital gains tax consequences                                                 |

Other key matters we have considered include:

| Section | Description                                 |
|---------|---------------------------------------------|
| 13.2    | Practical level of control                  |
| 13.3    | Impact of resolutions voted on at GCR's AGM |
| 13.4    | Consequences of not accepting the Offer     |
| 13.7.1  | Post-Announcement Share Price performance   |
| 13.7.2  | Compulsory acquisition                      |

### 3. Scope of the Report

#### 3.1 Purpose of the Report

HQ Mining has prepared a Bidder's Statement in accordance with section 636 of the Act. Under section 633 Item 10 of the Act GCR is required to prepare a Target Statement in response to the Bidder's Statement.

Section 640 of the Act requires the Target Statement to include an independent expert's report to shareholders if:

- The bidder's voting power in the target is 30% or more; or
- The bidder and the target have a common director or directors.

At the date of our Report, Mr Xiaoming Li is a director of both GCR and HQ Mining. Therefore, an independent expert's report is required for inclusion in the Target Statement. The directors of GCR have engaged BDO to satisfy this requirement.

#### 3.2 Regulatory guidance

Neither the Listing Rules nor the Corporations Act defines the meaning of 'fair and reasonable'. In determining whether the Offer is fair and reasonable, we have had regard to the views expressed by ASIC in RG 111. This regulatory guide provides guidance as to what matters an independent expert should consider to assist security holders to make informed decisions about transactions.

This regulatory guide suggests that where the transaction is a control transaction, the expert should focus on the substance of the control transaction rather than the legal mechanism to effect it. RG 111 suggests that where a transaction is a control transaction, it should be analysed on a basis consistent with a takeover bid.

In our opinion, the Offer is a control transaction as defined by RG 111 and we have therefore assessed the Offer as a control transaction to consider whether, in our opinion, it is fair and reasonable to Shareholders.

#### 3.3 Adopted basis of evaluation

RG 111 states that a transaction is fair if the value of the offer price or consideration is greater than the value of the securities subject to the offer. This comparison should be made assuming a knowledgeable and willing, but not anxious, buyer and a knowledgeable and willing, but not anxious, seller acting at arm's length. RG 111 states that when considering the value of the securities subject to the offer in a control transaction the expert should consider this value inclusive of a control premium. Further to this, RG 111 states that a transaction is reasonable if it is fair. It might also be reasonable if, despite being 'not fair', the expert believes that there are sufficient reasons for security holders to accept the offer in the absence of any higher bid.

Having regard to the above, BDO has completed this comparison in two parts:

- A comparison between the value of a GCR share on a control basis and the value of the consideration offered by HQ Mining per GCR share (fairness - see Section 12 'Is the Offer Fair?'); and

- An investigation into other significant factors to which Shareholders might give consideration, prior to accepting the Offer, after reference to the value derived above (reasonableness - see Section 13 'Is the Offer Reasonable?').

This assignment is a Valuation Engagement as defined by Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services' ('APES 225').

A Valuation Engagement is defined by APES 225 as follows:

*'an Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time.'*

This Valuation Engagement has been undertaken in accordance with the requirements set out in APES 225.

## 4. Outline of the Offer

On 18 November 2015, GCR received notification that HQ Mining intends to make an off-market all cash takeover bid for all of the issued capital in GCR that it does not already hold. On 24 November 2015, HQ Mining released a Bidder's Statement detailing the terms of its offer. On 16 December 2015, HQ Mining issued a Second Supplementary Bidder's Statement which detailed a conditional increase in the offer price to \$0.0825 per GCR share. The increased offer was conditional on none of the resolutions at the GCR Annual General Meeting (held on 16 December 2015 and as adjourned on 18 December 2015) relating to the issue of new securities being passed. The results of GCR's Annual General Meeting showed that none of the relevant resolutions were passed thus removing this condition.

HQ Mining is offering shareholders of GCR \$0.0825 cash per share as consideration to acquire each share in GCR that it does not already hold.

At the date of the announcement, HQ Mining had a relevant interest in GCR of 23.4%.

Under the conditions of the Offer there is a minimum acceptance condition ('MAC') of 50.1%. This means that HQ Mining may obtain anywhere from 50.1% to 100% of the GCR shares on issue if the Offer is successful, and as such obtain control of GCR. HQ Mining has the right to declare the Offer free from the MAC. As at the date of the Bidder's Statement, HQ Mining has not decided whether it will free the Offer from the MAC.

The Offer is also conditional on no regulatory action being taken or 'prescribed occurrences' occurring during the Offer Period, including GCR Shareholders not approving the PFS Funding Package at the AGM that was held on 16 December 2015. See section 4.1 for further detail.

Set out below is an overview of HQ Mining's intentions as set out in the Bidder's Statement:

### Less than 50.1% acceptance by Shareholders

In the event that HQ Mining does not become a controlled entity of GCR it will reconsider its ongoing stake in the Company and whether it will continue to fund the Company's operations.

### 50.1% but less than 90% acceptance by Shareholders

In the event that HQ Mining achieves control over GCR but not the entitlement to proceed to compulsory acquisition HQ Mining intends to :

- arrange for GCR to undertake a fully underwritten pro-rata rights issue to fund the Pre-Feasibility Study ('PFS') for the Copper Hill Project;
- maintain GCR's listing on the Australian Securities Exchange ('ASX');
- consider the composition of the Board; and
- exercise its' right under Part 6D.2 of the Corporations Act if entitled.

### 90% or more acceptances by Shareholders

In the event that HQ Mining acquires at least 90% of GCR's shares it will proceed with compulsory acquisition of the outstanding shares in accordance with Part 6A.1 of the Corporations Act. This will include any shares issued after the close of the Offer as a result of the exercise of Options. Following this HQ Mining will:

- arrange for GCR to be delisted from the ASX;

- replace existing Board members that are not HQ Mining nominees with nominees of HQ Mining; and
- conduct a general review of GCR's core business.

The core business activities of GCR are expected to continue. HQ Mining will continue to develop the Copper Hill Project providing satisfactory results of the PFS and appropriate funding can be obtained. There are no plans to materially reduce the number of GCR's current employees.

#### Option holders

There are no separate offers to option holders. If option holders exercise their option rights during the Offer Period, they will be issued with shares which then allow them to accept the Offer.

### 4.1 Prescribed occurrences

The Offer is subject to no prescribed occurrences, as set out in section 652C of the Corporations Act, between the Announcement Date (24 November 2015) and three business days after the end of the Offer Period (three days after 29 January 2016).

GCR held its Annual General Meeting ('AGM') on 16 December 2015 (and as adjourned to 18 December 2015) and considered the issue of the following shares:

- Up to 5,000,000 fully paid ordinary shares at \$0.07 per share to Simulus Group Pty Ltd in consideration for services (Resolution 4);
- Up to 10,000,000 fully paid ordinary shares at \$0.07 per share to Unrelated Persons in consideration for services and to meet other project costs for a PFS study for the Copper Hill Project (Resolution 5);
- Up to 20,000,000 fully paid ordinary shares at \$0.07 per share, with 1 free attaching option for every 2 shares issued, to Unrelated Investors (Resolution 6);
- 2,142,857 fully paid ordinary shares to Ian Buchhorn in consideration of a loan at a deemed issue price of \$0.07 per share (Resolution 10);
- Up to 1,071,429 fully paid ordinary shares in lieu of directors' fees for Ian Buchhorn, Neil Fearis and Mark Sykes) at a deemed issue price of \$0.07 per share (Resolutions 11 to 13);
- 543,734 fully paid ordinary shares to Ken Hellsten or his nominee at a deemed issue price of \$0.07 per share (Resolution 14).

The issue of shares to Simulus Group Pty Ltd, Unrelated Persons and Unrelated Investors (a, b and c above) are part of the proposed Pre-Feasibility Study ('PFS') funding package announced by the Company on 17 November 2015.

None of these resolutions relating to share issues were passed at GCR's AGM.

## 5. Profile of Golden Cross Resources Limited

### 5.1 History

GCR was incorporated in 1994 and listed on the ASX in 1996. GCR is a mineral exploration and development company with a focus on exploration for copper and gold. GCR's primary asset is the Copper Hill Project. The Company also has a diverse range of prospects held in Joint Ventures across New South Wales and Queensland.

The current board of directors are:

- Mark Sykes, Non-Executive Chairman;
- Ian Buchhorn, Non-Executive Director;
- Xiaoming Li, Non-Executive Director (HQ Mining nominee);
- Yuanheng Wang, Non-Executive Director (HQ Mining nominee);
- Neil Fearis, Non-Executive Director;
- Robert Thompson, Non-Executive Director; and
- Mark Sykes, Non-Executive Director and Chairman (appointed 22 December 2015).

### 5.2 Projects

#### Copper Hill Project

The Copper Hill Project ('**Copper Hill**') is located near Molong in central New South Wales. It is a typical porphyry copper-gold system containing several adjacent mineralised zones.

GCR made progress in FY15 towards confirming whether the project has the potential to become a profitable mine. A drilling program completed in the second half of 2014 and a scoping study have demonstrated the presence of a cohesive higher grade mineralised system which could support a 2-3 million tonnes per annum mining and processing operation.

GCR plans to undertake a Preliminary Feasibility Study ('**PFS**') to further define and extend the higher grade resources. The PFS is expected to take nine months and cost up to \$2.9 million. Details of a proposed funding package were announced on 17 November 2015, for which approval was sought but not received at the AGM held on 16 December 2015.

#### Cargo

The Cargo Gold Project ('**Cargo**') is located 15 kilometres ('**km**') west of the Cadia Valley gold-copper deposits being mined by Newcrest Limited, in the Molong Volcanic Belt. The area is host to copper and gold mineralisation.

Exploration at Cargo evaluated three of 19 lode systems that occur around a central porphyry that host low grade copper mineralisation.

Several areas remain untested by drilling and ongoing geophysical and geochemical surveys are planned to refine the peripheral targets.

Exploration programs totalling \$35,000 have been approved for Cargo to enable the establishment of a detailed geological model for the current mineralisation and targeting vectors for future exploration drilling.

#### South Australia Iron Ore Copper-Gold

GCR holds four granted tenements in the northern Gawler Craton of South Australia, covering an area of 1,767 km<sup>2</sup>. Advanced geophysical modelling identified magnetic and gravity anomalies and a first pass program of three holes were completed in 2013. Several magnetic and gravity targets have been identified and three have been prioritised for drilling after encouraging drill results in 2013.

Land access approvals are in place for drill sites and a follow up program of three further drill holes has qualified for a drilling subsidy from the South Australian Government of up to \$60,000.

GCR holds 100% interest in the tenements which are available for farm in. Management has also advised that consideration is being given to a spin-out of these assets.

#### GCR Panama Inc.

GCR Panama Inc. is a wholly owned subsidiary of GCR and has ceased active exploration in the country following the cancellation of five of six exploration licence applications within Panama's native title Comarca area.

GCR presented an opportunity to acquire a Panama based exploration company with a prospective exploration licence application and substantial geological, geochemical and geophysical data base covering a large area of Panama. However, due to the lack of interest and uncertainty of tenure GCR has commenced procedures to withdraw completely from Panama.

#### Other Projects and Joint Ventures

GCR holds interests in tenements in the Cobar Region and Southeast Lachlan in New South Wales, and Coober Pedy in South Australia. GCR also has joint venture agreements for the following projects;

- Mount Isa Phosphate with Paradise Phosphate Pty Ltd in Queensland;
- Broken Hill Base Metals and Platinum Group Metals with Silver City Minerals Limited and Impact Minerals Limited in New South Wales;
- West Wyalong Gold and Sunny Corner Base Metals with Argent Minerals Limited in New South Wales; and
- Wagga Tank Base Metals with MMG Australia Limited in New South Wales.

Refer to Geos Mining's report in Appendix 3 for further details on GCR's projects.

### 5.3 Historical Balance Sheet

| Statement of Financial Position        | Audited as at<br>30-Jun-15<br>\$'000 | Audited as at<br>30-Jun-14<br>\$'000 |
|----------------------------------------|--------------------------------------|--------------------------------------|
| <b>CURRENT ASSETS</b>                  |                                      |                                      |
| Cash and cash equivalents              | 438                                  | 2,442                                |
| Trade and other receivables            | 244                                  | 273                                  |
| Prepayments                            | 33                                   | 35                                   |
| AFS Investments held for sale          | -                                    | 27                                   |
| <b>TOTAL CURRENT ASSETS</b>            | <b>715</b>                           | <b>2,777</b>                         |
| <b>NON-CURRENT ASSETS</b>              |                                      |                                      |
| Property, plant and equipment          | 423                                  | 449                                  |
| Exploration and evaluation expenditure | 11,970                               | 14,801                               |
| Other receivables                      | 198                                  | 445                                  |
| <b>TOTAL NON-CURRENT ASSETS</b>        | <b>12,591</b>                        | <b>15,695</b>                        |
| <b>TOTAL ASSETS</b>                    | <b>13,306</b>                        | <b>18,472</b>                        |
| <b>CURRENT LIABILITIES</b>             |                                      |                                      |
| Trade and other payables               | 113                                  | 246                                  |
| Provisions                             | 72                                   | 166                                  |
| <b>TOTAL CURRENT LIABILITIES</b>       | <b>185</b>                           | <b>412</b>                           |
| <b>NON-CURRENT LIABILITIES</b>         |                                      |                                      |
| Provisions                             | 2                                    | 10                                   |
| <b>TOTAL NON-CURRENT LIABILITIES</b>   | <b>2</b>                             | <b>10</b>                            |
| <b>TOTAL LIABILITIES</b>               | <b>187</b>                           | <b>422</b>                           |
| <b>NET ASSETS</b>                      | <b>13,119</b>                        | <b>18,050</b>                        |
| <b>EQUITY</b>                          |                                      |                                      |
| Issued capital                         | 58,214                               | 57,812                               |
| Reserves                               | 921                                  | 911                                  |
| Accumulated losses                     | (46,016)                             | (40,673)                             |
| <b>TOTAL EQUITY</b>                    | <b>13,119</b>                        | <b>18,050</b>                        |

Source: Audited financial statements for the years ended 30 June 2015 and 30 June 2014.

We note the following in relation to GCR's Statement of Financial Position:

- Cash and cash equivalents decreased from \$2.44 million as at 30 June 2014 to \$438,000 as at 30 June 2015. The decrease is attributable to payments relating to exploration and evaluation of \$1.75 million during the year mitigated by proceeds from the issue of shares of \$348,000.
- The Company's Appendix 5B released on 2 November 2015 shows that cash and cash equivalents increased from \$438,000 as at 30 June 2015 to \$584,000 as at 30 September 2015.
- Trade and other receivables comprise security deposits and other debtors. Security deposits are required by government legislation as a prerequisite to exploration, that are made available when leases are relinquished or sold.

- AFS investments held for sale relate to shares in Alkane Resources Limited at fair value. The shares were sold for \$22,000 during the June 2015 quarter.
- Exploration and evaluation expenditure decreased from \$14.80 million as at 30 June 2014 to \$11.97 million as at 30 June 2015, attributable to an impairment charge of \$4.10 million in FY15. The impairment charge relates to projects and/or tenements that were no longer viewed as being economical recoverable and relinquished during FY15. The tenements relinquished include Shango South, Gupa Tank and Rosevale. The Mulga Tank Project was also relinquished during the period.
- Non-current other receivables relate to a deferred portion of consideration following the Kempfield sale agreement GCR entered into with Argent Minerals Limited ('Argent') on 2 May 2011 to sell its 30% interest in the Kempfield Silver Project. The deferred portion is \$1 million payable in Argent shares upon a decision to mine at Kempfield. In FY14 the Board of GCR estimated there was a 50% chance of deciding to mine within four years from the year end date. In FY15 the Board of GCR estimated a 25% chance. Using a discount rate of 6% at sale date, the present value of other receivables was \$198,000 as at 30 June 2015, a reduction from \$445,000 as at 30 June 2014.
- Total equity has decreased from \$18.05 million as at 30 June 2014 to \$13.12 million as at 30 June 2015 following a reduction in both cash and cash equivalents and exploration and evaluation expenditure.

#### 5.4 Historical Statement of Comprehensive Income

| Statement of Comprehensive Income            | Audited for the<br>year ended<br>30-Jun-15<br>\$'000 | Audited for the<br>year ended<br>30-Jun-14<br>\$'000 | Audited for the<br>year ended<br>30-Jun-13<br>\$'000 |
|----------------------------------------------|------------------------------------------------------|------------------------------------------------------|------------------------------------------------------|
| <b>Revenue</b>                               |                                                      |                                                      |                                                      |
| Other income                                 | 40                                                   | 116                                                  | 235                                                  |
| <b>Expenses</b>                              |                                                      |                                                      |                                                      |
| Exploration                                  | (4,102)                                              | (443)                                                | (11,485)                                             |
| General and administrative                   | (1,281)                                              | (1,133)                                              | (1,554)                                              |
| Unrealised gain/(loss) on investments        | -                                                    | (16)                                                 | 141                                                  |
| <b>Loss before income tax</b>                | <b>(5,343)</b>                                       | <b>(1,476)</b>                                       | <b>(12,663)</b>                                      |
| Income tax benefit                           | -                                                    | -                                                    | -                                                    |
| <b>Loss after income tax</b>                 | <b>(5,343)</b>                                       | <b>(1,476)</b>                                       | <b>(12,663)</b>                                      |
| Unrealised gain/(loss) on investments        | (2)                                                  | (4)                                                  | (1,413)                                              |
| <b>Total comprehensive loss for the year</b> | <b>(5,345)</b>                                       | <b>(1,480)</b>                                       | <b>(14,076)</b>                                      |

Source: Audited financial statements for the years ended 30 June 2015, 30 June 2014 and 30 June 2013, and management accounts for the period ended 31 October 2015.

We note the following in relation to GCR's Historical Statement of Comprehensive Income:

- Other income of \$40,000 for the year ended 30 June 2015 comprises interest income.
- Exploration expenses relate to impairment charges on tenements that are no longer viewed as economically recoverable. Expenses of \$11.49 million for the year ended 30 June 2013 is largely attributable to a \$7 million write down at Copper Hill. Expenses of \$4.10 million for the year

ended 30 June 2015 relates to an impairment charge of \$1.34 million on the Mulga Tank Project and a further \$2.54 million on other tenements during FY15.

## 5.5 Capital Structure

The share structure of GCR as at 14 October 2015 is outlined below:

|                                            | Number      |
|--------------------------------------------|-------------|
| Total ordinary shares on issue             | 101,078,493 |
| Top 20 shareholders                        | 66,030,110  |
| Top 20 shareholders - % of shares on issue | 65.33%      |

Source: Golden Cross Resources Limited Annual Report 2015

The range of shares held in GCR as at 14 October 2015 is as follows:

| Range of Shares Held | Number of Ordinary Shareholders | Number of Ordinary Shares | Percentage of Issued Shares (%) |
|----------------------|---------------------------------|---------------------------|---------------------------------|
| 1 - 1,000            | 765                             | 325,707                   | 0.32%                           |
| 1,001 - 5,000        | 870                             | 2,440,874                 | 2.41%                           |
| 5,001 - 10,000       | 309                             | 2,373,995                 | 2.35%                           |
| 10,001 - 100,000     | 459                             | 15,369,872                | 15.21%                          |
| 100,001 - and over   | 95                              | 80,568,045                | 79.71%                          |
| <b>TOTAL</b>         | <b>2,498</b>                    | <b>101,078,493</b>        | <b>100.00%</b>                  |

Source: Golden Cross Resources Limited Annual Report 2015

The ordinary shares held by the most significant shareholders as at 14 October 2015 are detailed below:

| Name                                  | Number of Ordinary Shares Held | Percentage of Issued Shares (%) |
|---------------------------------------|--------------------------------|---------------------------------|
| Heron Resources Limited               | 19,048,529                     | 18.85%                          |
| HQ Mining Resources Holding Pty Ltd   | 16,942,074                     | 16.76%                          |
| Yu Jin Investments Co Pte Ltd         | 6,044,959                      | 5.98%                           |
| Farjoy Pty Ltd                        | 4,653,820                      | 4.60%                           |
| Aspac Mining Limited                  | 4,277,778                      | 4.23%                           |
| Subtotal                              | 50,967,160                     | 50.42%                          |
| Others                                | 50,111,333                     | 49.58%                          |
| <b>Total ordinary shares on Issue</b> | <b>101,078,493</b>             | <b>100.00%</b>                  |

Source: Golden Cross Resources Limited Annual Report 2015

The most significant option holders of GCR as at 14 October 2015 are outlined below:

| Current Options on Issue                                                                            | # of options |
|-----------------------------------------------------------------------------------------------------|--------------|
| Employee Option Plan at exercise price of \$0.14 expiring on 28 November 2017, held by Ian Buchhorn | 250,000      |
| Employee Option Plan at exercise price of \$0.14 expiring on 28 November 2017, held by Jingmin Qian | 250,000      |

Source: Golden Cross Resources Limited Annual Report 2015

## 6. Profile of HQ Mining Resources Holding Pty Ltd

### 6.1 History

HQ Mining, based in Sydney, Australia, is a subsidiary of Hong Kong Longming Investment Group. HQ Mining is the Australian investment vehicle of Mr Xiaoming Li, incorporated on 24 October 2008. HQ Mining holds a relevant interest in GCR of 23.4% directly (16.76%) and through shares held by associates Yu Jin Investment Co Pte Ltd (5.98%) and Business Universe Limited (0.45%). The current board of directors are;

- Mr Xiaoming Li, Chairman;
- Mr Yan Li, Director; and
- Ms Xun Qiu, Director.

#### Xiaoming Li

Xiaoming Li has been a director and shareholder of HQ Mining since December 2008. Mr Li has been a director and beneficial shareholder of GCR since January 2009. Mr Li has over 20 years' experience in mining investment and operation, with investments in a number of significant iron, copper, zinc and lead mines in Mongolia, Cambodia and China.

#### Yan Li

Yan Li has been a director of HQ Mining since September 2009. Mr Li is also an alternate director of GCR for Xiaoming Li.

#### Ms Xun Qiu

Xun Qiu has been a director and shareholder of HQ Mining since October 2009. Ms Qiu was also a non-executive director of GCR from 2009 to 2014. Ms Qiu has a background in marketing and tour management and has introduced over 100 groups of Chinese delegates to various industries and councils across Australia.

## 7. Economic analysis

In this section we have addressed the economic factors impacting on GCR.

GCR operates in the mineral exploration sector with interests in tenements across Australia. The Company has a copper gold focus; with global demand for copper is closely linked to economic activity and gold is both a commodity and an international store of monetary value.

### 7.1 Global economy

The global economy is expanding at a reasonable pace, with some softening in conditions in the Asian region, continuing growth in the US and a recovery in Europe. Growth in global trade has slowed down as a result of softening conditions in the Asian region and lower growth of global industrial production.

In China, economic activity has eased over 2015 following weakness in construction that has contributed to lower growth in the industrial sector. The recovery of the Japanese economy has lost momentum, and economic activity in the rest of the Asian-Pacific region has slowed to below its ten year average.

The Federal Reserve is expected to start increasing its policy rate. However, with some other major central banks continuing to ease their policy, global financial conditions have remained very accommodative.

The major developments in the global financial markets over the recent months have been an unwinding of Chinese share prices, a depreciation of exchange rates of commodity-exporting nations and a correction on bond yields.

### 7.2 Australian economy

In the light of significant structural changes, the Australian economy has continued to grow over the past year, but at a rate somewhat below its longer-term average. Following strong growth in the September quarter, growth is expected to be between 2% and 3% over the year to June 2016, further increasing to 3.75% by June 2017. The rate of unemployment, though elevated, has had little change recently and is expected to remain around current levels. Overall, the economy is likely to be operating with a degree of spare capacity for some time yet. With very slow growth in labour costs, inflation is forecast to remain consistent with the Reserve Bank of Australia ('RBA') target over the next one to two years, despite a lower exchange rate.

At its most recent meeting, the RBA decided to leave the cash rate unchanged at 2.0%. However, the RBA expects to increase its policy rate in the coming periods.

#### Commodity prices

Commodity prices are much lower than a year ago, in part reflecting increased global supply, including increased supply from Australia. Commodity prices are now around 50% below their peak in 2011. These trends appear to reflect a combination of lower growth in demand and, more importantly, significant increases in supply. Prices for key Australian exports have also been falling and therefore Australia's terms of trade are continuing to decline.

#### Credit growth

Low interest rates in Australia are acting to support borrowing and spending. Credit is recording moderate growth overall, with stronger borrowing by businesses and growth in lending to the housing. Dwelling prices continue to rise strongly in Sydney, though trends have been more varied in a number of other

cities. The RBA is working with other regulators to assess and contain risks that may arise from the housing market. In other asset markets, prices for equities and commercial property have been supported by lower long-term interest rates.

### **Impact of currency movements**

The Australian dollar has declined noticeably against a rising US dollar over the past year, though less so against a basket of currencies. The Australian Dollar continues to adjust to the significant declines in key commodity prices. Since 2009, changes in the Australian dollar have reflected fluctuations in global sentiment and the decline in commodity prices alongside increased uncertainty about the outlook for China and the timing of the first rate increase by the US Federal Reserve.

Further depreciation seems both likely and necessary, particularly given the significant declines in key commodity prices. A lower exchange rate is likely to be needed to achieve balanced growth in the economy.

### **7.3 Impact on GCR**

The pick-up in economic activity globally will see an increase in demand for both copper and gold, the further depreciation of the Australian dollar will have a positive impact for GCR reducing the price for importing countries of copper and gold, and an environment of low interest and growth in lending will continue help to support future borrowing options for GCR.

## 8. Industry analysis

GCR is a mineral exploration company operation in Australia with a copper gold focus. The Company's main projects are the Copper Hill Project and Cargo Gold Project, both located in New South Wales. Set out below is an overview of both commodities.

### 8.1 Copper

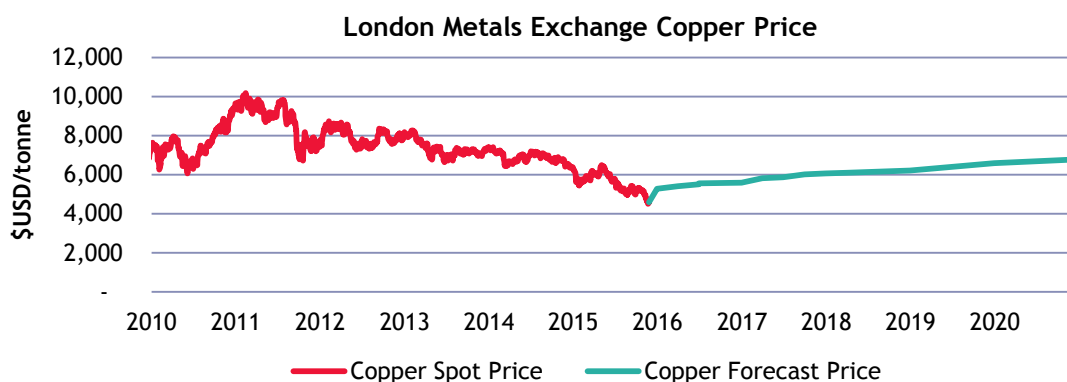
Copper is a soft, malleable, ductile metal used primarily for its excellent electrical and thermal conductive properties and its resistance to corrosion. As well as electrical and electronic applications, copper is utilised extensively as an alloy. Copper is produced from an oxide or sulphide ore from which it is converted to copper metal.

The majority of copper ore bodies can be classified as either porphyries (where copper occurs in igneous rock), strata bound ore bodies (sedimentary rock), and volcanic hosted massive sulphide deposits (volcanic rock along with other base metal sulphides). In these deposits, copper is mined in very low concentrations and consequently is a volume intensive process. For this reason, open pit mining is the preferred method of extraction, however underground mining and leach mining are also used in limited circumstances.

### 8.2 Copper Prices

Copper is a global commodity and, as such, prices are determined by global supply and demand factors. Due to this, copper prices have historically reflected global economic cycles and experienced major fluctuations reflecting equity market movements. At the beginning of 2008, supply concerns, falling inventories and increased demand from emerging economies provoked a significant and accelerated rise in copper prices. As with most commodities, prices fell during the global financial crisis. Prices have since overtaken the increases which occurred in 2008, occurring during the latter half of 2010 and throughout the beginning of 2011, reaching a peak of just over US\$10,000/t in February 2011. Since that peak, prices have shown a downward trend to around US\$8,000/t in 2012, US\$7,000/t in 2013, US\$6,800/t in 2014 and US\$4,600/t in 2015.

The average copper price from January 2015 through to November 2015 was US\$5,585/t, ranging from a low of US\$4,512/t on 23 November 2015 to a high of US\$6,482/t on 5 May 2015. Looking forward, the recovering global economy is expected to support copper prices through growth in world usage. The consensus view is for copper prices to increase in the short to medium term.

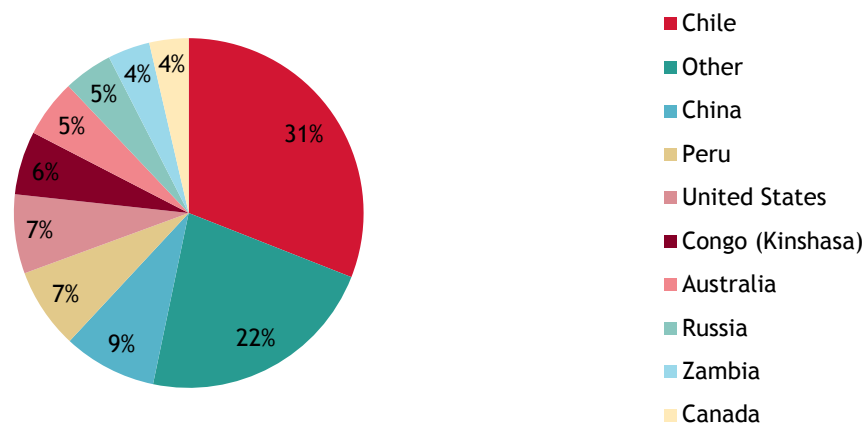


Source: Bloomberg and BDO analysis

### 8.3 Copper Production

Most of the world's copper comes from South and Central America, particularly Chile and Peru. In 2014, Chile, China and Peru accounted for around 50% of the world's copper production. Although Australia has substantive reserves of copper, as shown below, in terms of production, Australia only accounted for 5% in 2014. The graph below shows the split between the different country's estimated productions for the year 2014.

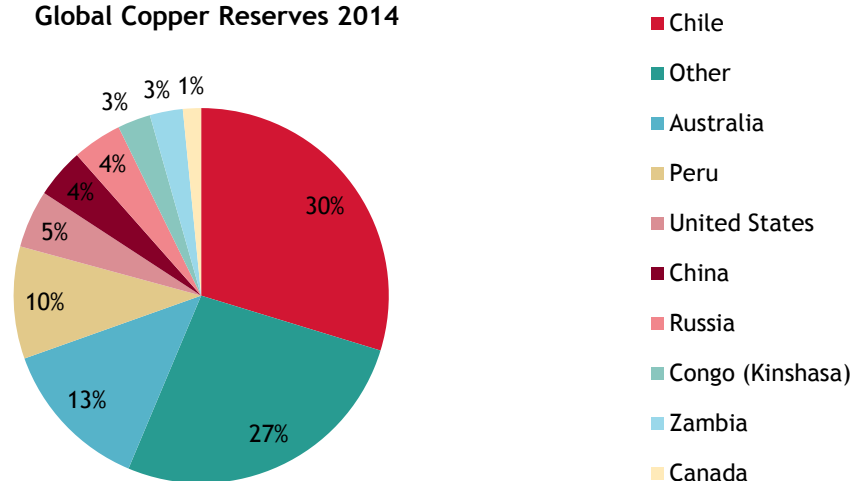
**Global Copper Production 2014**



Source: U.S. Geological Survey

As at 2014, Chile, Australia and Peru are collectively estimated to account for just over 50% of global reserves of copper. A figure illustrating a country breakdown of reserves for 2014 is shown below:

**Global Copper Reserves 2014**



Source: U.S. Geological Survey

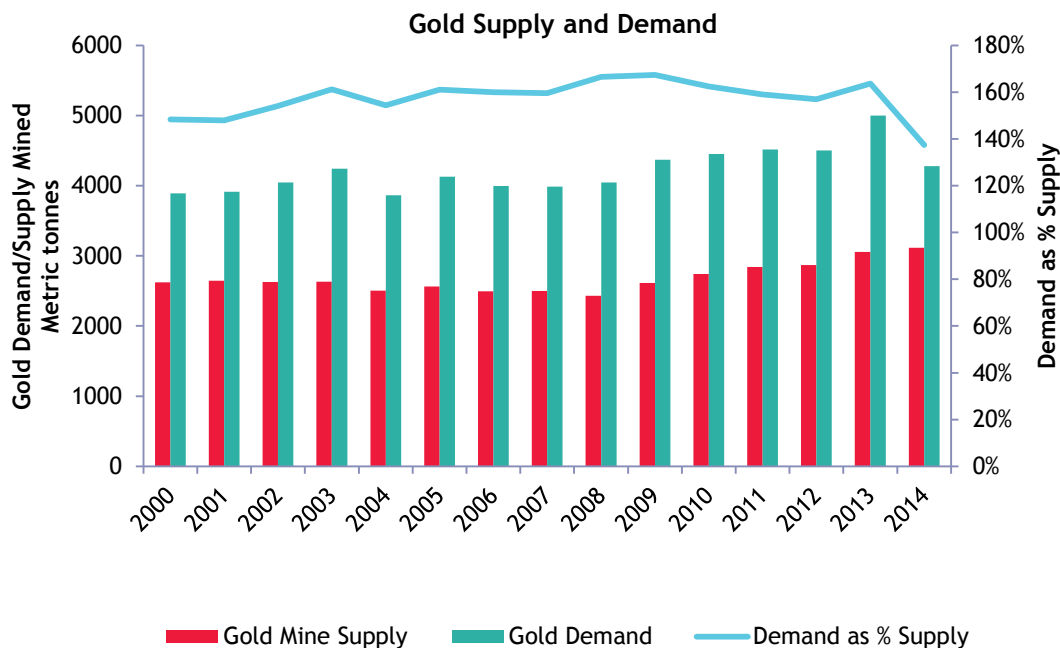
## 8.4 Copper Outlook

In Australia exports account for approximately 80% of industry revenue, with China, India, Japan and South Korea making up a large proportion of the sales. Production in Australia is driven by the world price of copper, the value of the US dollar to the Australian dollar as copper contracts are typically settled in US dollars, and the level of activity in manufacturing and construction industries. Global demand for copper is closely linked to economic activity and as a result investment levels, particularly in infrastructure, largely determine demand for the commodity. Moves by the Chinese Government to reinforce and expand electricity supply will provide a substantial boost to demand and demand from Japan is expected to grow as construction and manufacturing activity increases. Over the five years to 2020 output is forecast to increase through new firms entering the industry and existing firms ramping up production. The increase in output is expected to keep pace with rising demand. Prices are forecast to be around US\$6,700/t by 2020, with the expected further depreciation of the Australian dollar reducing the price of copper for importing countries.

## 8.5 Gold

Gold is both a commodity and an international store of monetary value. Once mined, gold continues to exist indefinitely, often melted down and recycled to produce alternative or replacement products. This characteristic means that gold demand is supported by both mine production and gold recycling.

As illustrated in the chart below, gold mine production was approximately 3,114t in 2014 and gold consumption was 4,278t. Demand for gold has consistently exceeded supply over the last 10 years, and the escalated level of economic and financial uncertainty during recent years has caused investors to move capital from risky assets to gold assets, which are perceived to be a good store of monetary value. As a result, total gold demand increased at a CAGR of 4% between 2008 and 2014, but then decreased by 14.6% in 2014. Over the same period, demand as a percentage of supply was on average greater than 150%.



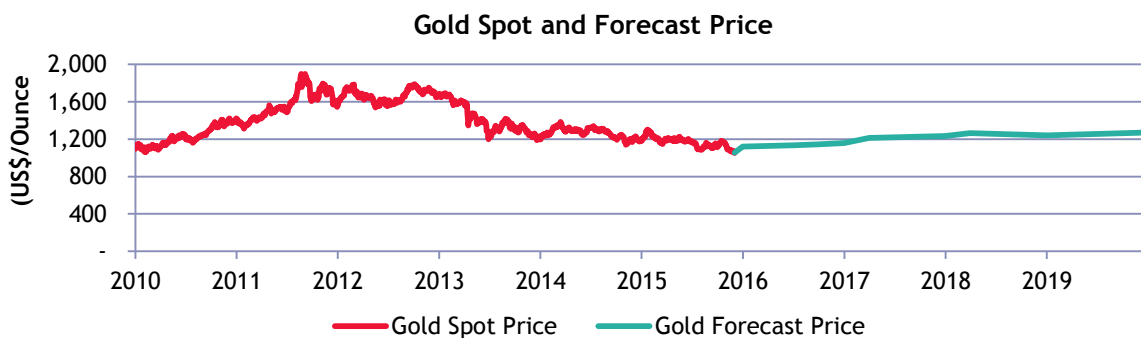
Source: Bloomberg and BDO analysis

Until the late 1980's, South Africa produced approximately half of the total gold produced. More recently however, gold production has become geographically segmented with production dominated by China, Australia and the United States

## 8.6 Gold Prices

The price of gold fluctuates on a daily basis depending on global demand and supply factors. The softening of gold prices over the last two years is reflective of the recovery of global economic conditions. The value of gold peaked at US\$1,900 per ounce on September 2011. This peak was largely caused by the debt market crisis in Europe, but it was also driven by the Standard and Poor's downgrade of the US credit rating. This sent global stock markets tumbling and a flood of investors towards safer havens such as gold.

Prices contracted in December 2011 reaching a low of US\$1,545 per ounce followed by a recovery in 2012, reaching US\$1,790 per ounce on 4 October 2012 before declining to US\$1,675 per ounce on 31 December 2012. Gold prices have modestly declined over 2013 and 2014. More recently, gold prices from January 2015 through to November 2015 have averaged US\$1,168 per ounce, ranging from a low of US\$1,085 per ounce on 5 August 2015 to a high of US\$1,302 per ounce on 22 January 2015.



Source: Bloomberg, Consensus Economics and BDO analysis

According to Consensus Economics, gold prices are forecast to stabilise in the short to medium term, followed by a moderate increase with a long term nominal price forecast of approximately US\$1,308 per ounce by 2020.

## 9. Valuation approach adopted

There are a number of methodologies which can be used to value a business or the shares in a company. The principal methodologies which can be used are as follows:

- Capitalisation of future maintainable earnings ('FME')
- Discounted cash flow ('DCF')
- Quoted market price basis ('QMP')
- Net asset value ('NAV')
- Market based assessment.

A summary of each of these methodologies is outlined in Appendix 2.

Different methodologies are appropriate in valuing particular companies, based on the individual circumstances of that company and available information. In our assessment of the value of GCR shares we have chosen to employ the following methodologies:

- NAV approach as our primary method; and
- QMP approach as our secondary method.

We have chosen these methodologies for the following reasons:

- GCR is an exploration company with its core value in the exploration assets that it holds. We have instructed Geos Mining to act as independent specialist and to provide an independent market valuation of the Company's material exploration assets in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports 2005 ('the Valmin Code'). Geos Mining's full report is attached in Appendix 3. We have considered this in the context of GCR's other assets and liabilities on a net asset basis;
- The QMP is a relevant methodology to consider as GCR's shares are listed on the ASX. This means there is a regulated and observable market where GCR's shares can be traded. However, in order for the QMP methodology to be considered appropriate, the Company's shares should be liquid and the market should be fully informed as to its activities. We have considered these factors in section 10.2 of our Report;
- GCR does not generate a regular trading income and therefore has no historic profits that could be used to represent future earnings. As a result the FME valuation approach is not appropriate; and
- A scoping study has been completed for the Copper Hill Project but a PFS has not yet been undertaken and the Company does not currently have access to the capital to fund the necessary capital expenditure. Accordingly we do not have sufficient reasonable grounds to use an income based valuation approach such as DCF.

## 10. Valuation of GCR

### 10.1 Net Asset Valuation of GCR

The value of GCR's assets on a going concern basis is reflected in our valuation below:

| NAV of GCR                             | Note | Audited as at       |                     | Preferred value<br>\$000s | High value<br>\$000s |
|----------------------------------------|------|---------------------|---------------------|---------------------------|----------------------|
|                                        |      | 30-Jun-15<br>\$000s | Low value<br>\$000s |                           |                      |
| CURRENT ASSETS                         |      |                     |                     |                           |                      |
| Cash and cash equivalents              | a    | 438                 | 734                 | 734                       | 734                  |
| Trade and other receivables            |      | 244                 | 244                 | 244                       | 244                  |
| Prepayments                            |      | 33                  | 33                  | 33                        | 33                   |
| TOTAL CURRENT ASSETS                   |      | 715                 | 1,011               | 1,011                     | 1,011                |
| NON-CURRENT ASSETS                     |      |                     |                     |                           |                      |
| Property, plant and equipment          | b    | 423                 | 423                 | 423                       | 423                  |
| Exploration and evaluation expenditure | c    | 11,970              | 14,800              | 18,300                    | 23,300               |
| Other receivables                      | d    | 198                 | -                   | 198                       | 396                  |
| TOTAL NON-CURRENT ASSETS               |      | 12,591              | 15,223              | 18,921                    | 24,119               |
| TOTAL ASSETS                           |      | 13,306              | 16,234              | 19,932                    | 25,130               |
| CURRENT LIABILITIES                    |      |                     |                     |                           |                      |
| Trade and other payables               |      | 113                 | 113                 | 113                       | 113                  |
| Loans                                  | a    | -                   | 300                 | 300                       | 300                  |
| Provisions                             |      | 72                  | 72                  | 72                        | 72                   |
| TOTAL CURRENT LIABILITIES              |      | 185                 | 485                 | 485                       | 485                  |
| NON-CURRENT LIABILITIES                |      |                     |                     |                           |                      |
| Provisions                             |      | 2                   | 2                   | 2                         | 2                    |
| TOTAL NON-CURRENT LIABILITIES          |      | 2                   | 74                  | 74                        | 74                   |
| TOTAL LIABILITIES                      |      | 187                 | 559                 | 559                       | 559                  |
| NET ASSETS                             |      | 13,119              | 15,675              | 19,373                    | 24,571               |
| Shares on issue (number)               |      | 101,078,493         | 101,078,493         | 101,078,493               | 101,078,493          |
| Value per share (\$)                   |      | 0.130               | 0.155               | 0.192                     | 0.243                |

Source: BDO analysis

We have been advised that there has not been a significant change in the net assets of GCR since 30 June 2015 other than as set out in the following adjustments.

The table above indicates the net asset value of a GCR share is between \$0.155 and \$0.243, with a preferred value of \$0.192.

The following adjustments were made to the net assets of GCR as at 30 June 2015 in arriving at our valuation.

**a) Cash and cash equivalents**

We have adjusted cash and cash equivalents to reflect the following cash movements up to 30 September 2015:

| Cash and cash equivalents                                                             | \$             |
|---------------------------------------------------------------------------------------|----------------|
| Research and development refund from Australian Tax Office received 23 September 2015 | 535,000        |
| Interest free loans from HQ Mining and from Mr Ian Buchhorn                           | 300,000        |
| Exploration and evaluation expenditure                                                | (180,000)      |
| Administration expenditure                                                            | (364,000)      |
| Interest received and other cash inflows                                              | 5,000          |
| <b>Net cash movement</b>                                                              | <b>296,000</b> |

GCR received a Research and Development refund from the Australian Tax Office relating to 2013 and 2015.

The Company also entered into loan agreements with HQ Mining and Mr Buchhorn for \$150,000 each. The loans are interest free and will be repaid at the earlier of the expiry of 12 months or GCR raising an aggregate amount of \$500,000 through the issue of fully paid ordinary shares. The first loan amount of \$150,000 was received in September 2015. The second loan amount was received in October 2015, subsequent to the release of GCR's Appendix 5B for the quarter to 30 September 2015.

The \$300,000 adjustment also applies to liabilities with a \$nil impact on net assets.

**b) Property, plant and equipment**

Property, plant and equipment is shown at cost less accumulated depreciation and as at 30 June 2015 had a carrying value of \$423,000. The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. In the absence of further information, we have no reason to consider that the book value of property, plant and equipment is materially different from its fair market value.

**c) Exploration and evaluation expenditure**

We instructed Geos Mining to provide an independent market valuation of the exploration assets held by GCR. Geos Mining considered a number of different valuation methods when valuing the exploration assets of GCR. Geos Mining applied the following methods when valuing Geos Mining's mineral assets:

- comparable transactions method;
- modified replacement value/ attributable exploration expenditure;
- Joint venture terms; and
- Future income method (as a cross check only).

Details of these methods are set out in the Geos Mining report attached as Appendix 3 to this report.

We consider these methods to be appropriate given the pre-feasibility stage of development for GCR's exploration assets.

The range of values for each of GCR's exploration assets as calculated by Geos Mining is set out below:

| Valuation by Geos Mining     | Low<br>\$m  | Preferred<br>\$m | High<br>\$m |
|------------------------------|-------------|------------------|-------------|
| Copper Hill                  | 10.0        | 13.2             | 14.5        |
| Central Lachlan Fold Belt    | 1.1         | 1.1              | 1.4         |
| South East Lachlan Fold Belt | 0.2         | 0.3              | 0.4         |
| Cobar Group                  | 1.8         | 2.0              | 5.0         |
| Broken Hill                  | 0           | 0                | 0           |
| Queensland                   | 0.7         | 0.7              | 0.8         |
| South Australia              | 1.0         | 1.0              | 1.2         |
| <b>Total</b>                 | <b>14.8</b> | <b>18.3</b>      | <b>23.3</b> |

Source: Geos Mining Mineral Consultants

The table above indicates a range of values between \$14.8 million and \$23.3 million, with a preferred value of \$18.3 million.

#### d) Other receivables

Other receivables is calculated based on GCR's estimate of Argent's chance to mine within four years. Given that this is calculated based on the probability of Argent's decision to mine, we have considered a range of probable outcomes. The range we have adopted is between 0% and 50%, with 0% being the worst case, 50% being the most optimistic and 25% being the most probable outcome.

## 10.2 Quoted Market Prices for GCR Securities

To provide a comparison to the valuation of GCR in Section 10.1, we have also assessed the quoted market price for a GCR share.

The quoted market value of a company's shares is reflective of a minority interest. A minority interest is an interest in a company that is not significant enough for the holder to have an individual influence in the operations and value of that company.

RG 111.11 suggests that when considering the value of a company's shares for the purposes of approval under Item 7 of s611 the expert should consider a premium for control. An acquirer could be expected to pay a premium for control due to the advantages they will receive should they obtain 100% control of another company. These advantages include the following:

- control over decision making and strategic direction;
- access to underlying cash flows;
- control over dividend policies; and
- access to potential tax losses.

HQ Mining may obtain anywhere from 50.1% to 100% of GCR if the Offer is successful, and RG 111 states that the expert should calculate the value of a target's shares as if 100% control were being obtained. RG

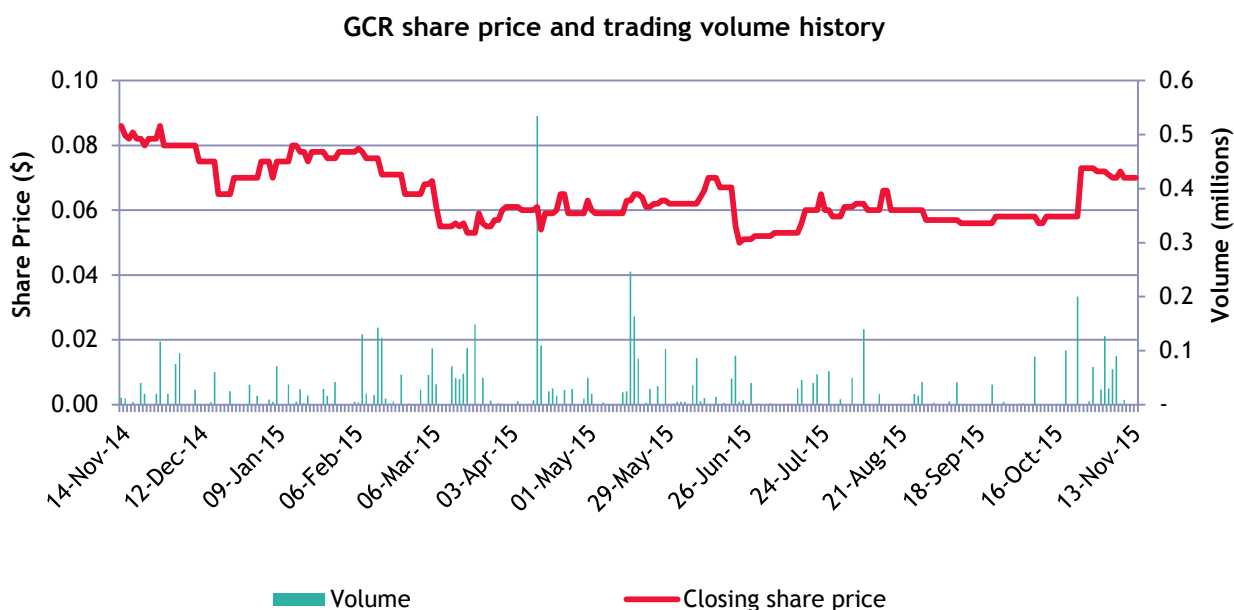
111.13 states that the expert can then consider an acquirer's practical level of control when considering reasonableness. Reasonableness has been considered in Section 13.

Therefore, our calculation of the quoted market price of a GCR share including a premium for control has been prepared in two parts. The first part is to calculate the quoted market price on a minority interest basis. The second part is to add a premium for control to the minority interest value to arrive at a quoted market price value that includes a premium for control.

### Minority interest value

Our analysis of the quoted market price of a GCR share is based on the pricing prior to the announcement of the Offer. This is because the value of a GCR share after the announcement may include the effects of any change in value as a result of the Offer. However, we have considered the value of a GCR share following the announcement when we have considered reasonableness in Section 13.

Information on the Offer was announced by GCR on 18 November 2015. Therefore, the following chart provides a summary of the share price movement over the 12 months to 13 November 2015 which was the last trading day prior to the announcement, as the GCR was placed in a Trading Halt on 16 November 2015.



Source: Bloomberg

The daily price of GCR's shares from 13 November 2014 to 13 November 2015 has ranged from a low of \$0.050 on 24 June 2015 to a high of \$0.086 on 27 November 2014. The highest single day of trading was on 14 April 2015 when 534,399 GCR shares were traded.

During this period a number of announcements were made by GCR. The key announcements are set out below:

| Date       | Announcement                                                   | Closing Share Price<br>Following<br>Announcement<br>\$ (movement) |   |        | Closing Share Price<br>Three Days After<br>Announcement<br>\$ (movement) |   |        |
|------------|----------------------------------------------------------------|-------------------------------------------------------------------|---|--------|--------------------------------------------------------------------------|---|--------|
| 17/11/2015 | Pre-Feasibility Study Funding Package                          | 0.070                                                             | ► | 0.0%   | 0.000                                                                    | ▼ | 100.0% |
| 16/11/2015 | Trading Halt                                                   | 0.070                                                             | ► | 0.0%   | 0.000                                                                    | ▼ | 100.0% |
| 02/11/2015 | Quarterly Activities and Cashflow Report                       | 0.072                                                             | ► | 0.0%   | 0.070                                                                    | ▼ | 2.8%   |
| 26/10/2015 | Letter received from HQ Mining                                 | 0.073                                                             | ▲ | 25.9%  | 0.073                                                                    | ► | 0.0%   |
| 23/10/2015 | Trading Halt                                                   | 0.058                                                             | ► | 0.0%   | 0.073                                                                    | ▲ | 25.9%  |
| 23/10/2015 | IPT: Extremely High Grade Drill Intercept at Broken Hill       | 0.058                                                             | ► | 0.0%   | 0.073                                                                    | ▲ | 25.9%  |
| 23/09/2015 | Reinstatement to Official Quotation                            | 0.056                                                             | ► | 0.0%   | 0.058                                                                    | ▲ | 3.6%   |
| 23/09/2015 | R & D refund received & Interim Funding Finalised              | 0.056                                                             | ► | 0.0%   | 0.058                                                                    | ▲ | 3.6%   |
| 16/09/2015 | Suspension from Official Quotation                             | 0.056                                                             | ► | 0.0%   | 0.056                                                                    | ► | 0.0%   |
| 14/09/2015 | Trading Halt                                                   | 0.056                                                             | ► | 0.0%   | 0.056                                                                    | ► | 0.0%   |
| 26/08/2015 | IPT: Drilling to Commence at Broken Hill Cu-Ni-PGM Project     | 0.060                                                             | ► | 0.0%   | 0.057                                                                    | ▼ | 5.0%   |
| 10/08/2015 | R & D Refund Approved                                          | 0.060                                                             | ▼ | 3.23%  | 0.060                                                                    | ► | 0.00%  |
| 31/07/2015 | Quarterly Activities and Cashflow Report                       | 0.061                                                             | ▲ | 5.17%  | 0.062                                                                    | ▲ | 1.64%  |
| 19/05/2015 | IPT: Widespread High Grade Rare PGM Confirmed at Broken Hill   | 0.065                                                             | ► | 0.00%  | 0.061                                                                    | ▼ | 6.15%  |
| 27/04/2015 | Golden Cross - Quarterly Activities and Cashflow Report        | 0.059                                                             | ► | 0.00%  | 0.063                                                                    | ▲ | 6.78%  |
| 17/04/2015 | SPP Forward Development Program                                | 0.059                                                             | ► | 0.00%  | 0.065                                                                    | ▲ | 10.17% |
| 15/04/2015 | Copper Hill Scoping Study                                      | 0.059                                                             | ▲ | 9.26%  | 0.060                                                                    | ▲ | 1.69%  |
| 01/04/2015 | IPT: New Drill Targets for High Grade Cu-Ni-PGM at Broken Hill | 0.061                                                             | ▲ | 1.67%  | 0.061                                                                    | ► | 0.00%  |
| 27/03/2015 | IPT: Impact Earns 87% Interest in High Grade Broken Hill       | 0.057                                                             | ▲ | 3.64%  | 0.061                                                                    | ▲ | 7.02%  |
| 24/03/2015 | Copper Hill Resource Estimate                                  | 0.056                                                             | ▼ | 5.08%  | 0.057                                                                    | ▲ | 1.79%  |
| 06/03/2015 | GCR Announces Share Purchase Plan                              | 0.061                                                             | ▼ | 11.59% | 0.055                                                                    | ▼ | 9.84%  |
| 05/03/2015 | Copper Hill Update                                             | 0.069                                                             | ▲ | 1.47%  | 0.055                                                                    | ▼ | 20.29% |
| 06/02/2015 | Sale of Mulga Tank Equity                                      | 0.079                                                             | ▲ | 1.28%  | 0.076                                                                    | ▼ | 3.80%  |
| 23/12/2014 | IPT: Impact Earns 80% Interest in Broken Hill JV Project       | 0.065                                                             | ► | 0.00%  | 0.070                                                                    | ▲ | 7.69%  |
| 17/12/2014 | Senior Management Changes                                      | 0.075                                                             | ► | 0.00%  | 0.065                                                                    | ▼ | 13.33% |
| 11/12/2014 | Copper Hill Drilling Update                                    | 0.075                                                             | ▼ | 6.25%  | 0.075                                                                    | ► | 0.00%  |
| 25/11/2014 | Copper Hill Drilling Update GCHD473 & GCHD474                  | 0.082                                                             | ► | 0.00%  | 0.080                                                                    | ▼ | 2.44%  |

On 17 December 2014, the Company announced that Mr Kim Stanton-Cook had stepped down as Managing Director and Mr Ken Hellsten had been appointed as interim CEO. On the day of the announcement, the Company's share price remained unchanged; however in the subsequent three days it decreased by 13.33% to \$0.065.

On 23 December 2014, the Company announced that Impact Minerals Limited had earned a 51% interest in the rights to the nickel-copper-PGE mineralisation at the Broken Hill Joint Venture Project in New South Wales. On the day of the announcement, the Company's share price remained unchanged; however in the subsequent three days it increased by 7.69% to \$0.070.

On 5 March 2015, the Company announced the completion of the geological review of Copper Hill and that the revised resource estimate and scoping study are progressing on schedule. On the day of the announcement, the Company's share price increased by 1.47% to \$0.069, however in the subsequent three days, it decreased by 20.29% to \$0.055.

On 6 March 2015, the Company announced a Share Purchase Plan to be offered to eligible shareholders to acquire up to \$15,000 worth of fully paid ordinary shares in GCR. On the day of the announcement, the Company's share price decreased by 11.59% to \$0.061, and in the subsequent three days it decreased by a further 9.84% to \$0.055.

On 27 March 2015, the Company announced that Impact Minerals Limited had earned an 87% interest at the Broken Hill Joint Venture in NSW. On the day of the announcement, the Company's share price increased by 3.64% to \$0.057, and in the subsequent three days it increased by a further 7.02% to \$0.061.

On 15 April 2015, the Company announced the completion of the scoping study at Copper Hill. On the day of the announcement, the Company's share price increased by 9.26% to \$0.059, and in the subsequent three days it increased by a further 1.69% to \$0.060.

On 17 April 2015, the Company announced that the Share Purchase Plan had closed, raising \$347,517 from the issue of 5,791,949 new shares. On the day of the announcement, the Company's share price remained unchanged, however in the subsequent three days it increased by 10.17% to \$0.065.

On 19 May 2015, the Company released new assay data from its' Broken Hill Joint Venture with Impact Minerals Limited. On the day of the announcement, the Company's share price remained unchanged, however in the subsequent three days it decreased by 6.15% to \$0.061.

To provide further analysis of the market prices for a GCR share, we have also considered the weighted average market price for 10, 30, 60 and 90 day periods to 13 November 2015.

| Share Price per unit                 | 13-Nov-15 | 10 Days | 30 Days | 60 Days | 90 Days |
|--------------------------------------|-----------|---------|---------|---------|---------|
| Closing price                        | \$0.070   |         |         |         |         |
| Volume weighted average price (VWAP) |           | \$0.071 | \$0.068 | \$0.066 | \$0.065 |

Source: Bloomberg, BDO analysis

The above weighted average prices are prior to the date of the announcement of the Offer, to avoid the influence of any increase in price of GCR shares that has occurred since the Offer was announced.

An analysis of the volume of trading in GCR shares for the twelve months to 13 November 2015 is set out below:

| Trading days | Share price low | Share price high | Cumulative volume traded | As a % of Issued capital |
|--------------|-----------------|------------------|--------------------------|--------------------------|
| 1 Day        | \$0.070         | \$0.070          | -                        | 0.00%                    |
| 10 Days      | \$0.063         | \$0.072          | 352,295                  | 0.35%                    |
| 30 Days      | \$0.056         | \$0.073          | 820,136                  | 0.81%                    |
| 60 Days      | \$0.055         | \$0.073          | 993,849                  | 0.98%                    |
| 90 Days      | \$0.053         | \$0.073          | 1,454,122                | 1.44%                    |
| 180 Days     | \$0.050         | \$0.073          | 3,992,555                | 3.95%                    |
| 1 Year       | \$0.050         | \$0.086          | 5,571,490                | 5.51%                    |

Source: Bloomberg, BDO analysis

This table indicates that GCR's shares display a low level of liquidity, with only 5.51% of the Company's current issued capital being traded in a twelve month period and only 1.44% in the 90 days pre-announcement. For the quoted market price methodology to be reliable there needs to be a 'deep' market in the shares. RG 111.69 indicates that a 'deep' market should reflect a liquid and active market. We consider the following characteristics to be representative of a deep market:

- Regular trading in a company's securities;
- Approximately 1% of a company's securities are traded on a weekly basis;
- The spread of a company's shares must not be so great that a single minority trade can significantly affect the market capitalisation of a company; and
- There are no significant but unexplained movements in share price.

A company's shares should meet all of the above criteria to be considered 'deep', however, failure of a company's securities to exhibit all of the above characteristics does not necessarily mean that the value of its shares cannot be considered relevant.

In the case of GCR, we do not consider there to be a deep market for GCR's shares given that only 5.51% of GCR's shares were traded over the twelve month period and only 1.44% in the 90 days pre-announcement.

Our assessment is that a range of values for GCR's shares based on market pricing, after disregarding post announcement pricing, is between \$0.060 and \$0.070.

## Control Premium

We have reviewed the control premiums paid by acquirers of mining companies listed on the ASX. We have summarised our findings below:

| Year   | Number of Transactions | Average Deal Value (AU\$m) | Average Control Premium (%) |
|--------|------------------------|----------------------------|-----------------------------|
| 2015   | 4                      | 336.38                     | 59.76                       |
| 2014   | 12                     | 128.96                     | 36.67                       |
| 2013   | 7                      | 35.38                      | 47.63                       |
| 2012   | 12                     | 35.44                      | 46.47                       |
| 2011   | 12                     | 223.04                     | 37.27                       |
| 2010   | 19                     | 880.42                     | 40.70                       |
| 2009   | 22                     | 102.62                     | 39.93                       |
| 2008   | 7                      | 487.96                     | 41.25                       |
| Median |                        | 176.00                     | 40.97                       |
| Mean   |                        | 278.77                     | 43.71                       |

Source: Bloomberg and BDO analysis

In arriving at an appropriate control premium to apply we note that observed control premiums can vary due to the:

- Nature and magnitude of non-operating assets;
- Nature and magnitude of discretionary expenses;
- Perceived quality of existing management;
- Nature and magnitude of business opportunities not currently being exploited;

- Ability to integrate the acquiree into the acquirer's business;
- Level of pre-announcement speculation of the transaction;
- Level of liquidity in the trade of the acquiree's securities.

The table above indicates that the long term average control premium paid for ASX-listed mining companies is approximately 40%. However, given that GCR has been historically loss making and the lack of liquidity for the Company's shares, an appropriate control premium is in the range of 30% to 40%.

### Quoted market price including control premium

Applying a control premium to GCR's quoted market share price results in the following quoted market price value including a premium for control:

|                                                                      | Low<br>\$    | Midpoint<br>\$ | High<br>\$   |
|----------------------------------------------------------------------|--------------|----------------|--------------|
| Quoted market price value                                            | 0.060        | 0.065          | 0.070        |
| Control premium                                                      | 30%          | 35%            | 40%          |
| <b>Quoted market price valuation including a premium for control</b> | <b>0.078</b> | <b>0.088</b>   | <b>0.098</b> |

Source: BDO analysis

Therefore, our valuation of a GCR share based on the quoted market price method and including a premium for control is between \$0.078 and \$0.098, with a midpoint value of \$0.088.

### 10.3 Assessment of GCR Value

The results of the valuations performed are summarised in the table below:

|                                  | Low<br>\$ | Preferred<br>\$ | High<br>\$ |
|----------------------------------|-----------|-----------------|------------|
| Net asset value (Section 10.1)   | 0.155     | 0.192           | 0.243      |
| ASX market prices (Section 10.2) | 0.078     | 0.088           | 0.098      |

Source: BDO analysis

We consider that the net asset value methodology is most appropriate for determining our range for the value of GCR for the following reasons:

- The net asset value allows for the inclusion of an independent technical assessment of the value of GCR's exploration assets which makes use of all the information on these assets currently available. This independent technical expert's valuation has been prepared in accordance with the VALMIN Code and considers the market value of the Company's projects. This reflects the value that would be received by the Company if it were to sell these projects. The cash that would be received could then be distributed to shareholders thus reflecting the value that shareholders could receive from holding those shares in GCR;
- The ASX market price is based on very thin trading with only 5.51% of GCR shares traded over the past year and 1.44% in the 90 days pre-announcement which reduces the reliability of the prices derived.

Based on the results above we consider the value of a GCR share to be between \$0.155 and \$0.243, with a preferred value of \$0.192.

## 11. Valuation of Consideration

HQ Mining is offering Shareholders \$0.0825 per GCR share in cash.

## 12. Is the Offer fair?

The value of a GCR share as compared with the value of the consideration offered per share is set out below:

|                                      | Ref  | Low<br>\$ | Preferred<br>\$ | High<br>\$ |
|--------------------------------------|------|-----------|-----------------|------------|
| Value of GCR share                   | 10.3 | 0.1550    | 0.1920          | 0.2430     |
| Value of consideration per GCR share | 11   | 0.0825    | 0.0825          | 0.0825     |

We note from the table above that the value of a GCR share on a control basis is higher than the value of the consideration under the Offer. Therefore, we consider that the Offer is not fair.

## 13. Is the Offer reasonable?

### 13.1 Alternative Proposal

We are unaware of any alternative proposal that might offer the Shareholders of GCR a premium over the value ascribed to, or resulting from, the Offer.

### 13.2 Practical Level of Control

Under the conditions of the Offer there is a minimum acceptance condition of 50.1%. This means that HQ Mining may obtain anywhere from 50.1% to 100% of the issued shares in GCR, and as such should the Offer be successful, will obtain control of GCR.

When shareholders are required to approve an issue that relates to a company there are two types of approval levels. These are general resolutions and special resolutions. A general resolution requires 50% of shares to be voted in favour to approve a matter and a special resolution requires 75% of shares on issue to be voted in favour to approve a matter.

If HQ Mining acquires more than 50.1% but less than 75% of GCR shares, HQ Mining will be able to singlehandedly block both general and special resolutions, and will also be able to pass general resolutions.

If HQ Mining acquires more than 75% but less than 90% of GCR shares, in addition to the above HQ Mining will also be able to pass special resolutions.

Among other things, as detailed in section 4 of our Report, HQ Mining's key intentions, if it acquires more than 50.1% but less than 90%, include seeking board representation commensurate with the shareholding it acquires following the Offer. As such, in the event that the Offer is successful, HQ Mining will also obtain board control.

HQ Mining's control of GCR, if the Offer is successful but it does not reach 90%, may be significant when compared to all other shareholders.

### 13.3 Impact of resolutions from GCR's AGM

It was a condition of the Offer that none of the resolutions relating to the issue of shares which were voted on at GCR's AGM were approved. The results of the AGM showed that all relevant resolutions were defeated. Several of these resolutions were related to GCR raising up to \$2.45 million to provide required funding for the PFS at its Copper Hill Project. The issue of shares to Simulus Group and other service providers was intended to put the Company under less cash flow strain as it moves towards completing the PFS, in order to progress the Copper Hill Project. As these resolutions were defeated the Company is now in a position of having to find alternative funding in order to progress the Copper Hill Project.

We understand that GCR's largest shareholder, Heron Resources Limited ('Heron'), voted against the resolutions relating to the issue of shares. We are not aware of Heron's intentions, however, had Heron voted in favour then HQ Mining's Offer conditions would not have been met.

## **13.4 Consequences of not Accepting the Offer**

### **13.4.1. Continuing Shareholders may be shareholders in a Company controlled by HQ Mining**

In the event that HQ Mining obtains a relevant interest in GCR of greater than 50.1% and the Offer becomes unconditional, HQ Mining will have control of GCR. As such, Shareholders who do not accept the Offer will collectively become minority shareholders in GCR.

The implications of HQ Mining obtaining control, and the consequences for Shareholders of becoming minority shareholders, include the following:

- As detailed in section 13.2 of our Report, HQ Mining will be able to singlehandedly pass and block general resolutions, as well as block special resolutions, at a shareholders meeting.
- HQ Mining's key intentions, if more than 50.1% and less than 90% is acquired, which we consider may be of significance to Shareholders, include:
  - HQ Mining will seek to consider the composition of the board;
  - HQ Mining will continue to fund and develop the Copper Hill Project
  - HQ Mining intends, if possible, for GCR to undertake a fully underwritten pro-rata rights issue to fund the PFS for the Copper Hill Project; and
  - HQ Mining will continue to maintain GCR's listing on the ASX.
- Given HQ Mining will hold a significant shareholding in GCR, Shareholders will be holding onto shares with a significantly reduced free float which is likely to result in a decrease in the liquidity of GCR's shares.

### **13.4.2. Reduced potential for an alternative offer**

If HQ Mining obtains a relevant interest in GCR of greater than 50.1%, following the Offer, HQ Mining will hold a controlling shareholding and a blocking stake in GCR.

We consider that the significant shareholding by HQ Mining is likely to have a deterrent effect on the potential for an alternative offer to emerge for Shareholders who do not accept the Offer.

More specifically, although the prospect of Shareholders who do not accept the Offer realising a control value for their parcel of shares in the future will be dependent on either HQ Mining or another party offering a further proposal in the future, in our view GCR will be less attractive as a potential takeover target. As a consequence, the likelihood of this happening will be significantly reduced.

### 13.5 Advantages of Accepting the Offer

We have considered the following advantages when assessing whether the Offer is reasonable.

| Advantage                                                                                                                                            | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Offer provides cash certainty                                                                                                                    | <p>If the Offer is accepted, Shareholders will receive a cash payment of \$0.0825 per GCR share they hold.</p> <p>As such the Offer provides Shareholders with cash certainty with respect to their investment returns which is an important consideration in instances where the securities the subject of the bid exhibit low levels of liquidity.</p> <p>In the case of GCR, as detailed in section 10.2, only 5.51% of GCR's shares were traded over the one year period to 13 November 2015. In our view, this does not represent sufficient cumulative trading over a one year period to conclude that GCR's shares exhibit a deep level of liquidity.</p> <p>This means that Shareholders may have greater difficulty realising a sale of their respective holdings on-market as opposed to accepting the Offer. This difficulty is further increased for those who hold large parcels of shares, and in the event they are able to sell, their respective trades may cause disruptive movements in the quoted price for GCR's shares.</p> <p>We note that although there is cash certainty, it is at below fair value which is a clear disadvantage.</p> |
| Shareholders will no longer be exposed to risks associated with being GCR shareholders                                                               | <p>The Offer removes the risks that Shareholders bear from continuing to hold GCR shares.</p> <p>For example, such risks may arise from uncertainty in relation to:</p> <ul style="list-style-type: none"> <li>• whether GCR will have access to sufficient funds from both debt and equity markets as and when required to sustain the funding requirements of the Copper Hill Project and on terms which are commercially acceptable;</li> <li>• GCR's need to raise further equity to fund the PFS and the development of Copper Hill which may result in a significant dilution in Shareholders' interests; and</li> <li>• more broadly the demand and supply markets for gold and copper, and the respective influences on the spot price of gold and copper.</li> </ul>                                                                                                                                                                                                                                                                                                                                                                                    |
| In the event the Offer is successful, Shareholders who accept the Offer will no longer be exposed to the potential of becoming minority shareholders | <p>In the event that all of the Offer's bid conditions are met, including HQ Mining's minimum acceptance condition of 50.1%, HQ Mining will have corporate control over GCR. Additionally, should HQ Mining acquire greater than 50.1% but less than 90% in GCR's shares, Shareholders will remain as minority shareholders in GCR.</p> <p>Specific implications of becoming minority shareholders are detailed in section 13.4.1 of Our Report, but effectively, Shareholders (even collectively) will have limited control over the future direction and operations of GCR if HQ</p>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |

| Advantage | Description                                                                                                                                                                                                                                                                               |
|-----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|           | <p>Mining becomes the majority shareholder with an interest of greater than 50.1% but less than 90%.</p> <p>The risks associated with becoming a minority shareholder in GCR with the significant influence of a controlling shareholder is removed if Shareholders accept the Offer.</p> |

### 13.6 Disadvantages of Accepting the Offer

If the Offer is accepted, in our opinion, the potential disadvantages to Shareholders include those listed in the table below:

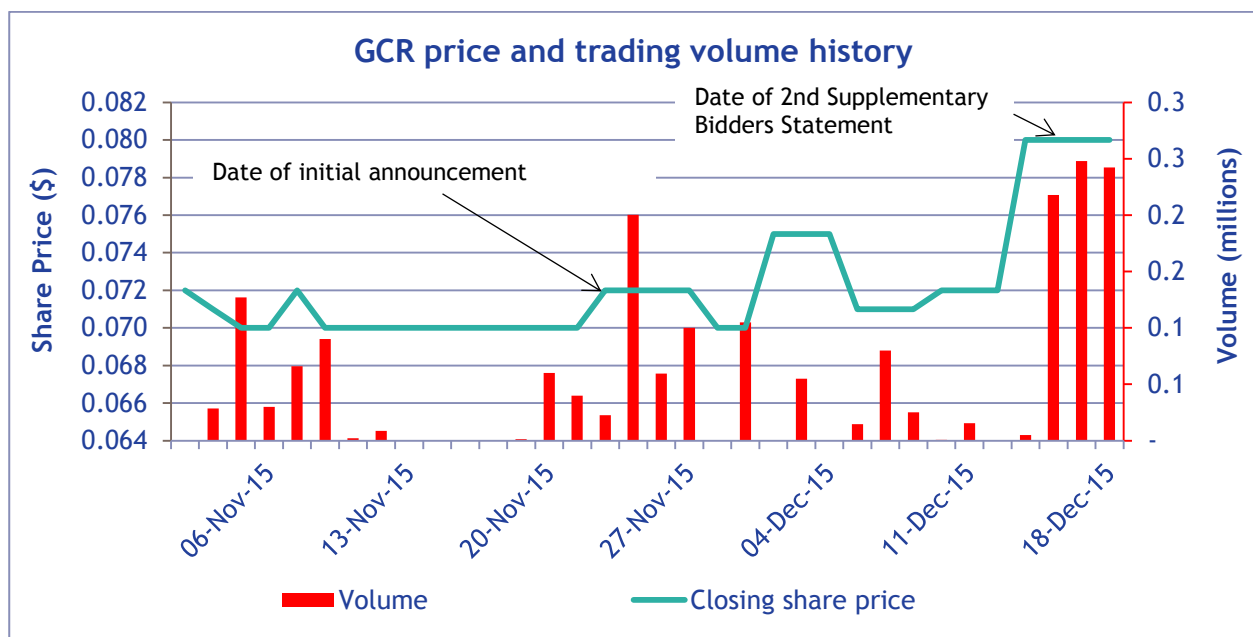
| Disadvantage                                                                            | Description                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |
|-----------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Offer is not fair                                                                   | <p>RG 111 states that an offer is reasonable if it is fair, however as set out in Section 12, in this case the Offer is not fair.</p> <p>This indicates that HQ Mining is not paying a premium to reflect that it will obtain control of GCR.</p> <p>When assessing reasonableness the expert must consider the magnitude of the shortfall of the consideration against the potential advantages. The Offer consideration represents approximately half of the low end of our valuation range. The magnitude of this shortfall is relevant and is a significant disadvantage to Shareholders.</p> |
| Shareholders will not benefit from the potential upside of GCR                          | <p>Shareholders who accept the Offer will forgo their participation in potential future profits and capital growth that GCR may be able to realise.</p> <p>If Shareholders accept the Offer, they will no longer hold a relevant interest in GCR and as such will no longer be able to participate in the potential upside of GCR.</p>                                                                                                                                                                                                                                                            |
| Shareholders will no longer be able to benefit from an alternative offer                | <p>If GCR's Offer becomes unconditional, Shareholders who accept the Offer will no longer have the opportunity to participate in an alternative offer. However we are not aware of the existence or the likelihood of another offer arising.</p> <p>However Shareholders will benefit from any increased consideration offered by HQ Mining.</p>                                                                                                                                                                                                                                                  |
| The opportunity to fund the PFS through an equity raising will be lost                  | <p>There is an opportunity for GCR to undertake an equity raising to fund the PFS at an issue price somewhere between the Offer price of \$0.0825 per share and our preferred fair value of \$0.192 per share.</p>                                                                                                                                                                                                                                                                                                                                                                                |
| Opportunity for a distribution of the value in the Company to Shareholders will be lost | <p>The independent technical expert's valuation has been prepared in accordance with the VALMIN Code and considers the market value of the Company's projects. This reflects the value that would be received by the Company if it were to sell these projects. The cash that would be received could then be distributed to shareholders</p>                                                                                                                                                                                                                                                     |

| Disadvantage                            | Description                                                                                                                                                                                                                                          |
|-----------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                         | thus reflecting the value that shareholders could receive from holding those shares in GCR. Alternatively this cash could be used to progress other projects to potentially generate further value.                                                  |
| Possible capital gains tax consequences | The taxation consequences for Shareholders will differ depending on their individual circumstances. Shareholders who are considered Australian residents may be liable to pay capital gains tax on the disposal of their GCR shares under the Offer. |

## 13.7 Other Considerations

### 13.7.1. Post announcement share price performance

We have analysed movements in GCR's share price since the Offer was announced. A graph of GCR's share price since the announcement is set out below.



Source: Bloomberg

As illustrated in the graph above, we note that since the announcement of the Offer, GCR's shares have traded on average close to the initial Offer consideration and then the revised Offer.

We consider the movement in GCR's share price following the announcement of the Offer, indicated that the market appears to have a favourable response in relation to the Offer, however with the share price trading above the initial Offer consideration price of \$0.07 per share that the market believed that an increased consideration price would arise. This occurred with the Offer increased to \$0.0825 per GCR share.

### **13.7.2. Compulsory acquisition**

Should HQ Mining acquire more than 90% of the issued shares in GCR, its intentions are to proceed with the compulsory acquisition of the outstanding GCR shares in accordance with Chapter 6A of the Corporations Act. In this situation any Shareholders who have not accepted the Offer will receive the same consideration that has been offered per share as Shareholders that accepted the Offer.

### **13.8 Reasonableness conclusion**

In determining whether the Offer is reasonable, we have considered the factors outlined above.

In our opinion, the position of Shareholders if the Offer is accepted is less advantageous than the position if the Offer is not accepted. Accordingly, in the absence of any other relevant information, we believe that the Offer is not reasonable for Shareholders.

## **14. Opinion**

We have considered the terms of the Offer as outlined in the body of this report and have concluded that, in the absence of other relevant information, the Offer is neither fair nor reasonable to the Shareholders of GCR.

## **15. Sources of information**

This report has been based on the following information:

- Draft Target Statement on or about the date of this report;
- Bidder's Statement and Supplementary Bidder's Statements prepared by HQ Mining;
- Audited financial statements of Golden Cross Resources Limited for the years ended 30 June 2015, 30 June 2014 and 30 June 2013;
- Unaudited management accounts of Golden Cross Resources Limited for the period ended 31 October 2015;
- Independent Valuation Report of Golden Cross Resources Limited's mineral assets dated 22 December 2015 performed by Geos Mining;
- Share registry information;
- Information in the public domain; and
- Discussions with Directors and Management of Golden Cross Resources Limited.

## **16. Independence**

BDO Corporate Finance (WA) Pty Ltd is entitled to receive a fee of approximately \$35,000 (excluding GST and reimbursement of out of pocket expenses). The fee is not contingent on the conclusion, content or future use of this Report. Except for this fee, BDO Corporate Finance (WA) Pty Ltd has not received and will not receive any pecuniary or other benefit whether direct or indirect in connection with the preparation of this report.

BDO Corporate Finance (WA) Pty Ltd has been indemnified by Golden Cross Resources Limited in respect of any claim arising from BDO Corporate Finance (WA) Pty Ltd.'s reliance on information provided by the Golden Cross Resources Limited, including the non-provision of material information, in relation to the preparation of this report.

Prior to accepting this engagement BDO Corporate Finance (WA) Pty Ltd has considered its independence with respect to Golden Cross Resources Limited and HQ Mining Holdings Limited and any of their respective associates with reference to ASIC Regulatory Guide 112 'Independence of Experts'. In BDO Corporate Finance (WA) Pty Ltd.'s opinion it is independent of Golden Cross Resources Limited and HQ Mining Holdings Limited and their respective associates.

A draft of this report was provided to Golden Cross Resources Limited and its advisors for confirmation of the factual accuracy of its contents. No significant changes were made to this report as a result of this review.

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## 17. Qualifications

BDO Corporate Finance (WA) Pty Ltd has extensive experience in the provision of corporate finance advice, particularly in respect of takeovers, mergers and acquisitions.

BDO Corporate Finance (WA) Pty Ltd holds an Australian Financial Services Licence issued by the Australian Securities and Investment Commission for giving expert reports pursuant to the Listing rules of the ASX and the Corporations Act.

The persons specifically involved in preparing and reviewing this report were Sherif Andrawes and Adam Myers of BDO Corporate Finance (WA) Pty Ltd. They have significant experience in the preparation of independent expert reports, valuations and mergers and acquisitions advice across a wide range of industries in Australia and were supported by other BDO staff.

Sherif Andrawes is a Fellow of the Institute of Chartered Accountants in England & Wales and a Member of the Institute of Chartered Accountants in Australia. He has over twenty five years' experience working in the audit and corporate finance fields with BDO and its predecessor firms in London and Perth. He has been responsible for over 250 public company independent expert's reports under the Corporations Act or ASX Listing Rules and is a CA BV Specialist. These experts' reports cover a wide range of industries in Australia with a focus on companies in the natural resources sector. Sherif Andrawes is the Chairman of BDO in Western Australia, Corporate Finance Practice Group Leader of BDO in Western Australia and the Natural Resources Leader for BDO in Australia.

Adam Myers is a member of the Australian Institute of Chartered Accountants. Adam's career spans 18 years in the Audit and Assurance and Corporate Finance areas. Adam has considerable experience in the preparation of independent expert reports and valuations in general for companies in a wide number of industry sectors.

## 18. Disclaimers and consents

This report has been prepared at the request of Golden Cross Resources Limited for inclusion in the Target Statement which will be sent to all Golden Cross Resources Limited Shareholders. Golden Cross Resources Limited engaged BDO Corporate Finance (WA) Pty Ltd to prepare an independent expert's report to consider whether the off-market all cash takeover bid for all of the issued shares in Golden Cross Resources Limited is fair and reasonable.

BDO Corporate Finance (WA) Pty Ltd hereby consents to this report accompanying the above Target Statement. Apart from such use, neither the whole nor any part of this report, nor any reference thereto may be included in or with, or attached to any document, circular resolution, statement or letter without the prior written consent of BDO Corporate Finance (WA) Pty Ltd.

BDO Corporate Finance (WA) Pty Ltd takes no responsibility for the contents of the Target's Statement other than this report.

We have no reason to believe that any of the information or explanations supplied to us are false or that material information has been withheld. It is not the role of BDO Corporate Finance (WA) Pty Ltd acting as an independent expert to perform any due diligence procedures on behalf of the Company. The Directors of the Company are responsible for conducting appropriate due diligence in relation to the Offer. BDO Corporate Finance (WA) Pty Ltd provides no warranty as to the adequacy, effectiveness or completeness of the due diligence process.

The opinion of BDO Corporate Finance (WA) Pty Ltd is based on the market, economic and other conditions prevailing at the date of this report. Such conditions can change significantly over short periods of time.

With respect to taxation implications it is recommended that individual Shareholders obtain their own taxation advice, in respect of the Offer, tailored to their own particular circumstances. Furthermore, the advice provided in this report does not constitute legal or taxation advice to the Shareholders of Golden Cross Resources Limited, or any other party.

BDO Corporate Finance (WA) Pty Ltd has also considered and relied upon independent valuations for mineral assets held by Golden Cross Resources Limited.

The valuer engaged for the mineral asset valuation, Geos Mining, possesses the appropriate qualifications and experience in the industry to make such assessments. The approaches adopted and the assumptions made in arriving at their valuation are appropriate for this Report. We have received consent from the valuer:

- for the use of their valuation report in the preparation of this Report; and
- to append a copy of their report to this Report.

The statements and opinions included in this Report are given in good faith and in the belief that they are not false, misleading or incomplete.



The terms of this engagement are such that BDO Corporate Finance (WA) Pty Ltd has no obligation to update this Report for events occurring subsequent to the date of this Report.

Yours faithfully

**BDO CORPORATE FINANCE (WA) PTY LTD**

A handwritten signature in black ink, appearing to read 'Sherif Andrawes', written in a cursive style.

**Sherif Andrawes**  
Director

A handwritten signature in blue ink, appearing to read 'Adam Myers', written in a cursive style.

**Adam Myers**  
Director

# Appendix 1 - Glossary of Terms

| Reference        | Definition                                                                                                                                                                                                                |
|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| The Act          | The Corporations Act 2001 (Cth)                                                                                                                                                                                           |
| APES 225         | Accounting Professional & Ethical Standards Board professional standard APES 225 'Valuation Services'                                                                                                                     |
| ASIC             | Australian Securities and Investments Commission                                                                                                                                                                          |
| ASX              | Australian Securities Exchange                                                                                                                                                                                            |
| BDO              | BDO Corporate Finance (WA) Pty Ltd                                                                                                                                                                                        |
| The Company      | Golden Cross Resources Limited                                                                                                                                                                                            |
| Corporations Act | The Corporations Act 2001 (Cth)                                                                                                                                                                                           |
| DCF              | Discounted Future Cash Flows                                                                                                                                                                                              |
| EBIT             | Earnings before interest and tax                                                                                                                                                                                          |
| EBITDA           | Earnings before interest, tax, depreciation and amortisation                                                                                                                                                              |
| FME              | Future Maintainable Earnings                                                                                                                                                                                              |
| Golden Cross     | Golden Cross Resources Limited                                                                                                                                                                                            |
| Heron            | Heron Resources Limited                                                                                                                                                                                                   |
| HQ Mining        | HQ Mining Resources Holding Pty Ltd                                                                                                                                                                                       |
| JORC Code        | Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves                                                                                                                                |
| MAC              | Minimum Acceptance Condition                                                                                                                                                                                              |
| NAV              | Net Asset Value                                                                                                                                                                                                           |
| The Offer        | Off-market all cash takeover bid by HQ Mining for all of the issued shares in GCR that it does not already hold for consideration of GCR \$0.0825 cash per GCR share, as per the Second Supplementary Bidder's Statement. |
| Our Report       | This Independent Expert's Report prepared by BDO                                                                                                                                                                          |
| QMP              | Quoted market price                                                                                                                                                                                                       |

| Reference            | Definition                                                                                                                                                                                                                                                                                                                                                                                   |
|----------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| RBA                  | Reserve Bank of Australia                                                                                                                                                                                                                                                                                                                                                                    |
| Regulations          | Corporations Act Regulations 2001 (Cth)                                                                                                                                                                                                                                                                                                                                                      |
| RG 111               | ASIC Regulatory Guide 'Content of Expert Reports' (March 2011)                                                                                                                                                                                                                                                                                                                               |
| RG 112               | ASIC Regulatory Guide 'Independence of Experts' (March 2011)                                                                                                                                                                                                                                                                                                                                 |
| Section 611          | Section 611 of the Corporations Act                                                                                                                                                                                                                                                                                                                                                          |
| Shareholders         | Shareholders of Golden Cross Resources Limited not associated with HQ Mining                                                                                                                                                                                                                                                                                                                 |
| Valmin Code          | The Code of Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports                                                                                                                                                                                                                                                                 |
| Valuation Engagement | An Engagement or Assignment to perform a Valuation and provide a Valuation Report where the Valuer is free to employ the Valuation Approaches, Valuation Methods, and Valuation Procedures that a reasonable and informed third party would perform taking into consideration all the specific facts and circumstances of the Engagement or Assignment available to the Valuer at that time. |
| VWAP                 | Volume Weighted Average Price                                                                                                                                                                                                                                                                                                                                                                |

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The Directors

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Australia

## Appendix 2 - Valuation Methodologies

---

Methodologies commonly used for valuing assets and businesses are as follows:

### 1 *Net asset value ('NAV')*

Asset based methods estimate the market value of an entity's securities based on the realisable value of its identifiable net assets. Asset based methods include:

- Orderly realisation of assets method
- Liquidation of assets method
- Net assets on a going concern method

The orderly realisation of assets method estimates fair market value by determining the amount that would be distributed to entity holders, after payment of all liabilities including realisation costs and taxation charges that arise, assuming the entity is wound up in an orderly manner.

The liquidation method is similar to the orderly realisation of assets method except the liquidation method assumes the assets are sold in a shorter time frame. Since wind up or liquidation of the entity may not be contemplated, these methods in their strictest form may not be appropriate. The net assets on a going concern method estimates the market values of the net assets of an entity but does not take into account any realisation costs.

Net assets on a going concern basis are usually appropriate where the majority of assets consist of cash, passive investments or projects with a limited life. All assets and liabilities of the entity are valued at market value under this alternative and this combined market value forms the basis for the entity's valuation.

Often the FME and DCF methodologies are used in valuing assets forming part of the overall Net assets on a going concern basis. This is particularly so for exploration and mining companies where investments are in finite life producing assets or prospective exploration areas.

These asset based methods ignore the possibility that the entity's value could exceed the realisable value of its assets as they do not recognise the value of intangible assets such as management, intellectual property and goodwill. Asset based methods are appropriate when an entity is not making an adequate return on its assets, a significant proportion of the entity's assets are liquid or for asset holding companies.

### 2 *Quoted Market Price Basis ('QMP')*

A valuation approach that can be used in conjunction with (or as a replacement for) other valuation methods is the quoted market price of listed securities. Where there is a ready market for securities such as the ASX, through which shares are traded, recent prices at which shares are bought and sold can be taken as the market value per share. Such market value includes all factors and influences that impact upon the ASX. The use of ASX pricing is more relevant where a security displays regular high volume trading, creating a 'deep' market in that security.

### 3 *Capitalisation of future maintainable earnings ('FME')*

This method places a value on the business by estimating the likely FME, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

The FME approach is the most commonly applied valuation technique and is particularly applicable to profitable businesses with relatively steady growth histories and forecasts, regular capital expenditure requirements and non-finite lives.

The FME used in the valuation can be based on net profit after tax or alternatives to this such as earnings before interest and tax ('EBIT') or earnings before interest, tax, depreciation and amortisation ('EBITDA'). The capitalisation rate or 'earnings multiple' is adjusted to reflect which base is being used for FME.

#### **4 Discounted future cash flows ('DCF')**

The DCF methodology is based on the generally accepted theory that the value of an asset or business depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often called the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

Considerable judgement is required to estimate the future cash flows which must be able to be reliably estimated for a sufficiently long period to make this valuation methodology appropriate.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

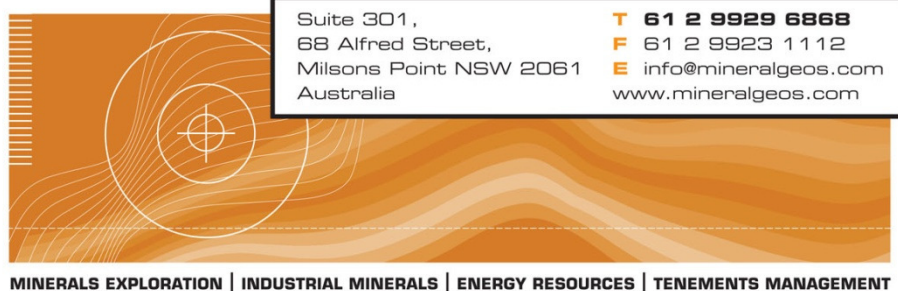
DCF valuations are particularly applicable to businesses with limited lives, experiencing growth, that are in a start up phase, or experience irregular cash flows.

#### **5 Market Based Assessment**

The market based approach seeks to arrive at a value for a business by reference to comparable transactions involving the sale of similar businesses. This is based on the premise that companies with similar characteristics, such as operating in similar industries, command similar values. In performing this analysis it is important to acknowledge the differences between the comparable companies being analysed and the company that is being valued and then to reflect these differences in the valuation.

## Appendix 3 - Independent Valuation Report by Geos Mining

---



# Valuation of Mineral Assets

## Australian Projects

### Golden Cross Resources Limited

Job No. 2158-03

Report Date: 23 December 2015

Prepared for:

**Directors**

**Golden Cross Resources Limited**

Prepared by:

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BA (Hons, Geology),  
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Principal Consultant

## Executive Summary

Geos Mining was commissioned by BDO Corporate Finance (WA) Pty Ltd (BDO) to prepare a VALMIN-compliant mineral project Valuation Report (VR) of the mineral assets of Golden Cross Resources Limited (GCR), which will be made public. The report is to form part of an Independent Expert Report being prepared by BDO as part of the documentation to assist GCR's Shareholders and Directors to assess a takeover offer for the shares of GCR.

The VR has been compiled in line with the principles of the VALMIN Code 2005.

Geos Mining used a combination of valuation methods, including Comparable Transactions, Attributable Exploration Expenditure, and Discounted Cash Flow analysis of future income, to arrive at fair values for the respective GCR projects. In keeping with the VALMIN Code recommendations, more than one valuation method was used for each project, if the available information warranted it.

The fair market value for the GCR projects as at the valuation date 30 November 2015 is summarised below.

| Project                | Style                             | Stage                     | GCR %           | Low Value<br>A\$M | High Value<br>A\$M | Preferred Value<br>A\$M |
|------------------------|-----------------------------------|---------------------------|-----------------|-------------------|--------------------|-------------------------|
| <b>Copper Hill</b>     | Porphyry Cu-Au                    | Pre-development           | 100             | 10.0              | 14.5               | 13.2                    |
| <b>Central LFB</b>     | Porphyry Cu-Au<br>Au, base metals | Advanced +<br>Exploration | 100 / 30        | 1.1               | 1.4                | 1.1                     |
| <b>SE LFB</b>          | VHMS                              | Exploration               | 100 &<br>21.1   | 0.2               | 0.4                | 0.3                     |
| <b>Cobar Group</b>     | Au, base metals                   | Exploration               | 100 and<br>20   | 1.8               | 5.0                | 2.0                     |
| <b>Broken Hill</b>     | PGE, base metals                  | Exploration               | Royalty<br>only | 0                 | 0                  | 0                       |
| <b>Queensland</b>      | Phosphate                         | Exploration               | 20              | 0.7               | 0.8                | 0.7                     |
| <b>South Australia</b> | IOCG                              | Exploration               | 100             | 1.0               | 1.2                | 1.0                     |
| <b>TOTAL</b>           |                                   |                           |                 |                   |                    | <b>18.3</b>             |

The range of valuations (equity accounted) is from a low of **\$14.8M** to a high of **\$23.3M**, with a preferred value of **\$18.3M**.

## Declarations

### PRINCIPLES

The VR has been prepared in accordance with the VALMIN Code 2005. While every effort has been made, within the time constraints of this assignment, to ensure the accuracy of this report, Geos Mining accepts no liability for any error or omission. Geos Mining can take no responsibility if the conclusions of this report are based on incomplete or misleading data, subject to applicable law and the VALMIN Code 2005.

### LIMITATIONS, INDEMNITIES & CONSENT

The opinions expressed herein are given in good faith and Geos Mining believes that any assumptions or interpretations are reasonable. The opinion expressed in the VR is based on information provided to Geos Mining by GCR throughout the course of the investigations that reflect the various technical and economic conditions as at the time of writing.

As far as can be determined, Geos Mining believes that the information provided by GCR is complete and not incorrect, misleading or irrelevant in any material aspect.

With respect to this report and its use by Golden Cross Resources Limited, Golden Cross Resources Limited agrees to indemnify and hold harmless Geos Mining, its shareholders, directors, officers and associates against any and all losses, claims, damages, liabilities or actions to which they or any of them may become subject under any securities act, statute or common law, except in respect to fraudulent conduct, negligence or wilful misconduct, and will reimburse them on a current basis for any legal or other expenses incurred by them in connection with investigating any claims or defending any actions, except where they or any of them are found liable for, or guilty of fraudulent conduct, negligence or wilful misconduct.

This report is provided to Golden Cross Resources Limited solely for the purpose of assisting its Directors, Shareholders and other interested parties in assessing the takeover offer made for GCR shares. This report does not constitute a full technical audit, but rather it seeks to provide an independent overview and technical appreciation of the GCR mineral assets. This report may be reproduced only in its entirety and then only with Geos Mining's prior written consent. Draft reports must not be released to the general public without the prior written consent of Geos Mining.

Geos Mining consents to the VR being included, in full, in the IER being written by BDO in the form and context in which the technical assessment is provided, and not for any other purpose. Geos Mining provides this consent on the basis that the technical assessments expressed in the Executive Summary and in the individual sections of the VR are considered with, and not independently of, the information set out in the complete Report.

## Statement of Competence

This report has been prepared by Geos Mining, a Sydney-based geological consultancy that has been operating since 1999, and has been compiled and edited by:

- Murray Hutton, BA (Hons, Geology), MAIG - Senior Consultant
- Llyle Sawyer, M.App.Sc., MAIG - Senior Consultant

- Jeff Randell, BSc (Hons), MAIG, RPGeo - Senior Consultant
- Sue Border, BSc (Hons) Gr Dip, FAusIMM, FAIG, MMICA - Principal Consultant

Each author has the requisite experience and expertise to be considered a Competent Specialist under the VALMIN Code 2005 for the respective sections that they have compiled.

Murray Hutton is a Specialist, as defined by the VALMIN Code, and is responsible for the preparation and contents of the sections in this report related to the Copper Hill, Cargo, Sunny Corner and West Wyalong projects. He also has responsibility for the overall report.

Murray Hutton:

- graduated from Macquarie University in 1976 with Bachelor of Arts Degree with Honours in Geology;
- has 38 years' experience in exploration, mining and evaluation of gold, base metals, tin, tungsten, coal, oil shale and lithium (brine), projects.
- has had at least five years of relevant and recent experience in the assessment and/or valuation of Mineral Assets;
- is a Member of Australian Institute of Geoscientists (AIG) (membership number 3732).

Llyle Sawyer is a Specialist, as defined by the VALMIN Code, and is responsible for the preparation and contents of the sections in this report related to the Queensland phosphate projects and the South Australian IOCG projects.

Llyle Sawyer:

- graduated from University of New South Wales in 1989 with Master of Applied Science Degree;
- has 23 years' experience in exploration, mining and evaluation of nickel, gold, copper, lead, zinc, uranium, kaolin, manganese, iron ore (magnetite), potash, lithium (brine), and limestone (cement).
- has had at least five years of relevant and recent experience in the assessment and/or valuation of Mineral Assets;
- is a Member of Australian Institute of Geoscientists (AIG) (membership number 3512).

Jeff Randell is a Specialist, as defined by the VALMIN Code, and is responsible for the preparation and contents of the sections in this report related to the Cobar, Broken Hill and SE Lachlan projects.

Jeff Randell:

- graduated from Flinders University in 1974 with Bachelor of Science Degree with Honours;
- has 41 years' experience in exploration, mining and evaluation of nickel, gold, copper, lead, zinc, and bauxite projects
- has had at least five years of relevant and recent experience in the assessment and/or valuation of Mineral Assets;
- is a Member of Australian Institute of Geoscientists (AIG) (membership number 3944) and is a Registered Professional Geoscientist.

Sue Border is a Specialist, as defined by the VALMIN Code, and is responsible for peer review of this report.

Sue Border:

- graduated from Royal School of Mines Imperial College in 1976 with Bachelor of Science with Honours Degree, and a Graduate Diploma in Industrial Minerals from the University of Technology Sydney in 1984;
- has 38 years' experience in exploration, mining and evaluation of gold, copper, lead, zinc, uranium, kaolin, iron ore (magnetite), potash, lithium (brine), limestone (cement), feldspar, garnet and other industrial minerals.
- has had at least five years of relevant and recent experience in the assessment and/or valuation of Mineral Assets;
- is a Fellow of Australian Institute of Geoscientists (AIG) (membership number 2911), a Fellow of the Australasian Institute of Mining and Metallurgy (AusIMM) (membership number 106310).

## Statement of Independence

Geos Mining, the authors and immediate families are independent of Golden Cross Resources Limited and have no financial interests in:

- Golden Cross Resources Limited,
- any associated companies,
- any joint venture partners involved in the mineral assets
- any of the mineral assets that are the subject of the valuation.

Geos Mining is being remunerated for this report on a standard fee for time basis, with no remuneration or provision of further work dependent on the outcome of the valuation or the success or failure of the transaction for which the Independent Expert Report was required.

Signature:



|                 |                         |           |                   |
|-----------------|-------------------------|-----------|-------------------|
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| Qualifications: | BA (Hons, Geology) MAIG | Date:     | 18 December 2015  |

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| Qualifications: | M.App.Sc., MAIG | Date:     | 18 December 2015  |

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|                 |                         |           |                   |
|-----------------|-------------------------|-----------|-------------------|
| Name:           | Jeff Randell            | Position: | Senior Consultant |
| Qualifications: | BSc (Hons), MAIG, RPGeo | Date:     | 18 December 2015  |

Signature:



|                 |                                  |           |                      |
|-----------------|----------------------------------|-----------|----------------------|
| Name:           | Sue Border                       | Position: | Principal Consultant |
| Qualifications: | BSc (Hons) Gr Dip, FAusIMM, FAIG | Date:     | 21 December 2015     |

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## Introduction

### SCOPE & PURPOSE OF REPORT

On 23 October 2015, GCR received a letter from HQ Mining Resources Holding Pty Ltd (HQ Mining) advising of its intention to make a conditional takeover bid for GCR. A formal notice advising HQ Mining's "Intention to Make Takeover Bid" was received by GCR on 18 November 2015.

On 26 November 2015, Geos Mining was commissioned by BDO to prepare a VALMIN-compliant Independent Valuation Report of GCR's mineral assets in Australia. This report forms part of an Independent Expert Report (IER) being prepared by BDO as part of the documentation to assist GCR Shareholders and Directors to assess HQ Mining's takeover offer for the shares of GCR.

### DATE OF VALUATION

The Valuation Date is 30 November 2015.

### GCR MINERAL ASSETS

GCR holds mineral tenements in New South Wales, Queensland and South Australia (Figure 1 and Table 1, Table 2). Some of these are subject to joint ventures with other companies. GCR holds a beneficial interest in two tenements that are held in the names of other companies.

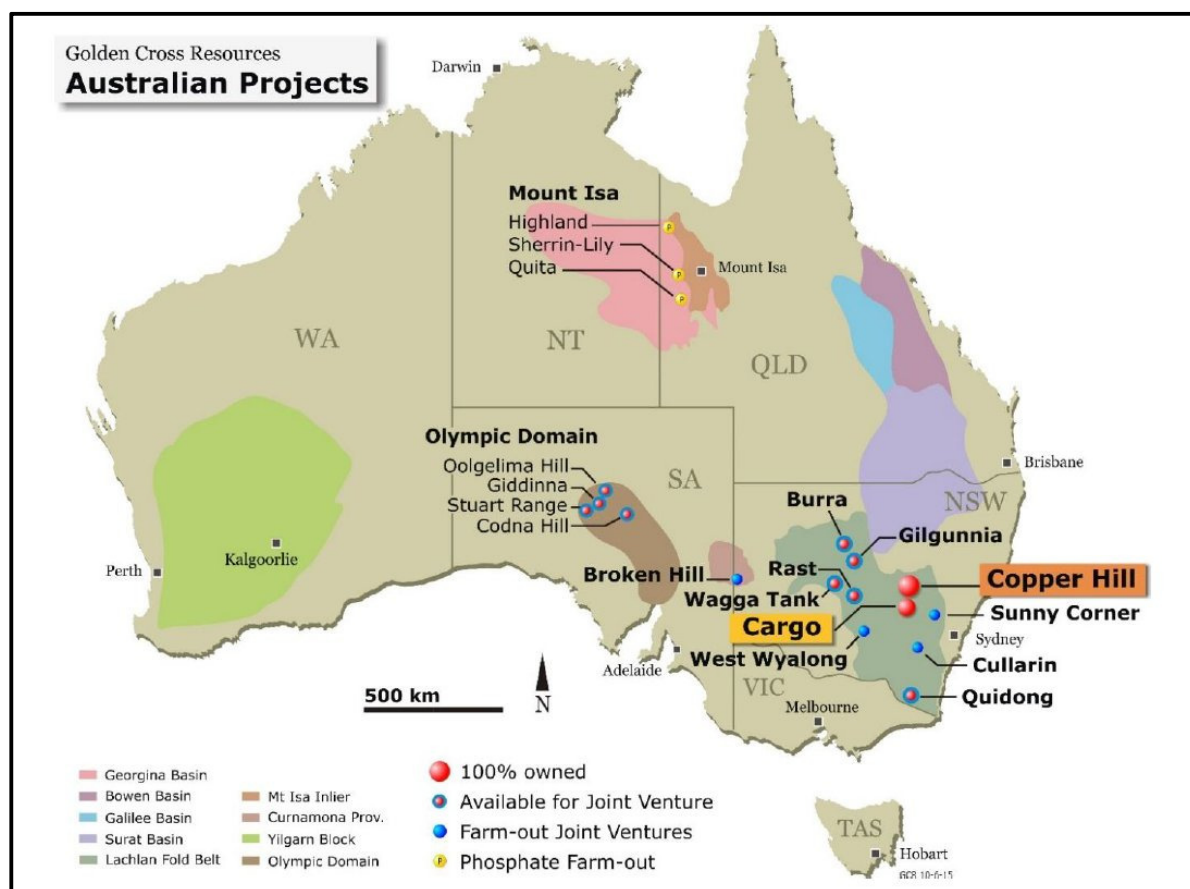


Figure 1 : Location of GCR's Australian Projects (extracted from GCR September 2015 Quarterly Report)

| LOCATION                 | PROJECT NAME         | TENEMENT (1) | km <sup>2</sup> | HOLDER (2) | % HOLDING | JOINT VENTURE /NOTES |
|--------------------------|----------------------|--------------|-----------------|------------|-----------|----------------------|
| <b>NEW SOUTH WALES</b>   |                      |              |                 |            |           |                      |
| Broken Hill              | Broken Hill JV1, JV2 | EL7390       | 69              | GCO        | 100 & 13  | SCI & IPT (3)        |
| <b>LACHLAN FOLD BELT</b> |                      |              |                 |            |           |                      |
| Molong                   | Copper Hill          | EL6391       | 95              | GCO        | 100       |                      |
| Cargo                    | Cargo                | EL5238       | 46              | GCO        | 100       |                      |
| Southeast Lachlan        | Cullarin JV          | EL7954       | 146             | TRO        | 21.1      | TRO (6)              |
|                          | Quidong              | EL7989       | 98              | GCO        | 100       |                      |
| Sunny Corner JV          | Sunny Corner         | EL5964       | 109             | GCO        | 30        | ARD (6)              |
| West Wyalong JV          | West Wyalong         | EL5915       | 43              | GCO        | 49        | ARD (7)              |
| <b>COBAR REGION</b>      |                      |              |                 |            |           |                      |
| Canbelego Group          | Burra                | EL7389       | 15              | GCO        | 100       |                      |
|                          | Fairview Tank        | EL7065       | 52              | GCO        | 100       |                      |
| Gilgunnia Group          | Emu Tank             | EL7320       | 46              | GCO        | 100       |                      |
|                          | Kelly's Tank         | EL7323       | 69              | GCO        | 100       |                      |
|                          | Kilparney Extended   | EL8270       | 152             | GCO        | 100       |                      |
|                          | Delaney's Tank       | EL7322       | 17              | GCO        | 100       |                      |
|                          | Burthong Creek       | EL7485       | 9               | GCO        | 100       |                      |
|                          | Four Mile South      | EL7970       | 3               | GCO        | 100       |                      |
| Wagga Tank JV            | Wagga Tank           | EL6695       | 54              | GCO        | 20        | MMG (4)              |
|                          | Wynwood              | EL7226       | 60              | MMG        | 20        | MMG (4)              |
|                          | Narragudgil JV       | EL8001       | 69              | GCO        | 49        | ARD (7)              |
| <b>QUEENSLAND</b>        |                      |              |                 |            |           |                      |
| Mount Isa JV             | Quita Creek          | EPM14905     | 276             | KER        | 20        | PPO (8)              |
|                          | Highland Plains      | EPM14906     | 300             | KER        | 20        | PPO (8)              |
|                          | Lily & Sherrin Creek | EPM14912     | 300             | KER        | 20        | PPO (8)              |
| <b>SOUTH AUSTRALIA</b>   |                      |              |                 |            |           |                      |
| Coober Pedy              | Oolgelima Hill       | EL4427       | 626             | GCR        | 100       | Now EL5594           |
|                          | Giddinna             | EL4695       | 284             | GCR        | 100       |                      |
|                          | Stuart Range         | EL4966       | 576             | GCR        | 100       |                      |
|                          | Codna Hill           | EL4431       | 281             | GCR        | 100       | Now EL5572           |

Table 1 : GCR Tenements (as at 30 November 2015)

| Notes |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|-------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| (1)   | EPM / EL / ELA = Exploration Permit/Licence/Application; EPM = Exploration Permit for Metals                                                                                                                                                                                                                                                                                                                                                                                              |
| (2)   | Full names for abbreviations are as follows:                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|       | ARD: Argent Minerals Limited (ASX: ARD)                                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|       | GCO: Golden Cross Operations Pty Ltd, a wholly owned subsidiary of GCR                                                                                                                                                                                                                                                                                                                                                                                                                    |
|       | GCRP: GCR Panama, Inc, a wholly owned subsidiary of GCR                                                                                                                                                                                                                                                                                                                                                                                                                                   |
|       | IPT: Impact Minerals Limited (ASX: IPT),                                                                                                                                                                                                                                                                                                                                                                                                                                                  |
|       | KER: King Eagle Resources Pty Limited, a wholly owned subsidiary of GCR                                                                                                                                                                                                                                                                                                                                                                                                                   |
|       | MMG: Minerals and Metals Group Australia, a wholly owned subsidiary of MMG Limited (listed on the Hong Kong Stock Exchange)                                                                                                                                                                                                                                                                                                                                                               |
|       | MTI: MapIntec Technologies Inc.                                                                                                                                                                                                                                                                                                                                                                                                                                                           |
|       | PPO: Paradise Phosphate Limited, a subsidiary of Legend International Holdings (OTC: LGDI)                                                                                                                                                                                                                                                                                                                                                                                                |
|       | SCI: Silver City Minerals Limited (ASX: SCI)                                                                                                                                                                                                                                                                                                                                                                                                                                              |
|       | TRO: TriAusMin Minerals Limited, a wholly-owned subsidiary of Heron Resources Limited (ASX: HRR)                                                                                                                                                                                                                                                                                                                                                                                          |
| (3)   | Silver City Minerals Ltd can earn a 51% interest in gold, silver and base metals, (but excluding nickel and platinum group metals) by spending \$600,000 by 8 October 2016. To earn 80%, SCI must spend another \$500,000 on exploration and development activities in the subsequent two years to 8 October 2017. Impact Minerals Ltd earned 80% interest in nickel and platinum group metals. Further expenditure by IPT increased its interest to 87% and diluted GCR interest to 13%. |
| (4)   | Minerals and Metals Group Australia spent \$550,000 by 6 February 2011 to earn 80% interest in the Wagga Tank Joint Venture over EL6695 and EL7226. GCO declined an offer to resume management.                                                                                                                                                                                                                                                                                           |
| (5)   | TriAusMin earned an initial 62.5% interest by spending \$200,000 to 13 September 2010. Further expenditure by TRO of \$170,000 to July 2014 increased TRO's interest to 78.9% and diluted GCO's interest to 21.1%.                                                                                                                                                                                                                                                                        |
| (6)   | Argent Minerals earned 51% in the Sunny Corner Joint Venture by spending \$500,000 by 1 June 2011 in Stage 1. It earned 70% by additional expenditure of \$186,000 (for a total expenditure of \$686,000) by July 2013.                                                                                                                                                                                                                                                                   |
| (7)   | Argent Minerals earned 51% in the West Wyalong Joint Venture by spending \$750,000 by 1 June 2011. ARD may earn a further 19% to total 70% by additional expenditure of \$550,000 (for a total expenditure of \$1,300,000) by January 2016. Royal Gold Inc. holds a 2.5% net smelter return.                                                                                                                                                                                              |
| (8)   | Paradise Phosphate Limited (as assignee from Legend International Holdings Inc.) earned its 80% interest (in phosphate minerals only) by spending \$3,000,000 by 7 December 2012, leaving KER with 20% interest. GCR has 100% rights to all other minerals and is free carried to a decision to mine for phosphate                                                                                                                                                                        |

Table 2 : Notes Relating to GCR Tenements (as at 30 November 2015)

## DUE DILIGENCE OF GCR'S MINERAL ASSETS

GCR is the parent company of two wholly-owned subsidiaries, Golden Cross Operations Pty Ltd (GCO) and King Eagle Resources Pty Ltd (KER).

Geos Mining has not undertaken a full legal due diligence of the GCR tenements or agreements pertaining to those tenements. However, we have conducted independent searches of GCR's tenements by accessing the various Government databases, joint venture party websites and ASX announcements. Tenement information has been derived from:

- NSW – MinView <http://minview.minerals.nsw.gov.au/mv2web/mv2?cmd=MainMap&topic=ttl> and <http://tasopen.minerals.nsw.gov.au/forms/frmservlet?config=TAS>
- Qld – Mines Online <https://minesonlinemaps.business.qld.gov.au/SilverlightViewer/Viewer.html?Viewer=momapspublic>
- SA – SARIG <https://sarig.pir.sa.gov.au/Map>

Geos Mining has also sighted each mineral licence document and the following joint venture agreements:

- Broken Hill Project Binding Term Sheet – EL7390
- Cullarin Project Joint venture Agreement – former EL6292 and ELA2849, now EL7954
- Isa Phosphate – EPM14905, 14906, 14912
- Sunny Corner Farmin and JV Agreement – EL5964
- Wagga Tank Project Heads of Agreement – EL6695
- West Wyalong Farmin and JV Agreement – EL5915

Several tenements were also subject to joint venture agreements that have now expired. These included:

- Fairview EL7065 – ‘strategic alliance’ with HQ Mining Resources Holding Pty Ltd from 22 December 2008
- Gilgunnia Range JV – with MMG Australia Ltd in respect of EL6879 (now expired), EL7320 and EL7323

We have not reviewed these documents but understand that there are no residual beneficial interests or royalties. Appendix 1 lists details of the tenements as at the Valuation Date.

## Data Sources

### SOURCES OF INFORMATION

This report has been based on data, reports and other information provided by GCR, supplemented by data obtained through publicly available sources. We have met and obtained data from a number of GCR staff, primarily Mr Bret Ferris, Exploration Manager, and greatly appreciate the assistance given to us.

GCR provided copies of technical Annual Reports for most of the tenements, as well as Joint Venture agreements, mining studies and compilations of exploration expenditure. For the Queensland phosphate projects, the only documents made available were the 2012 Prospectus and IGR for Paradise Phosphate Limited.

We have made extensive use of information in the SNL database and the ASX for market-related transactions.

### PRINCIPLES

The appropriate professional standards for the preparation of valuation and independent expert reports relating to mineral assets are encompassed in the provisions of the VALMIN Code<sup>1</sup>. This report<sup>2</sup> has been prepared in accordance with the principles and relevant sections of that Code. Mineral Resources quoted in this report are reported in accordance with the JORC Code<sup>3</sup>, 2012 version.

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<sup>1</sup> Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Mineral and Petroleum Securities for Independent Expert Reports, 2005 (the “VALMIN Code”) published by AusIMM (<http://www.ausimm.com/codes/valmin.asp>)

<sup>2</sup> For the purposes of the VALMIN Code, the present report is a Technical Report, which deals with the Technical Assessment of Mineral Assets

<sup>3</sup> Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 published by the Joint Ore reserves Committee

A draft of this report has been presented to GCR for comment and correction of any errors of fact.

Geos Mining's assessment of the projects and proposed exploration programs and budgets is based on technical reviews of relevant data, including data provided by the company. Geos Mining has no reason to believe that any technical information obtained or provided is misleading.

Geos Mining has conducted limited checks on the status of the various tenements concerned, but we have not undertaken a full legal due diligence of the tenements.

## PROJECT SITE INSPECTIONS

The 'VALMIN Code 2005' Clause 65 requires that site inspections be carried out where such inspection is likely to reveal information that is material to a report. For the purposes of this report, site inspections were carried out at the following projects on 1 December 2015:

- Copper Hill
- Cargo
- Sunny Corner

Site inspections were not carried out at the other projects for the following reasons:

- West Wyalong projects – one of the authors, Murray Hutton, has extensive experience in this region through work conducted on nearby projects for other companies. The West Wyalong projects are at an early stage of exploration and it was felt that no significant information or data could be gained by visiting the sites.
- Cobar Region – one of the authors, Jeff Randell, has extensive experience in this geological terrain and has inspected several of the projects previously. Most projects are at an early stage of exploration, despite considerable historical exploration having been completed. They are generally characterised by poor outcrop with large areas of alluvial flood plains, often heavily wooded. Prospects are often not exposed and defined by subsurface drilling or remote survey techniques. While some prospects are at an advanced stage of exploration, none have published mineral resources and are unlikely to be material to the overall valuation of the GCR minerals asset portfolio.
- Broken Hill - one of the authors, Jeff Randell, has extensive experience in this geological terrain and has inspected several of the projects previously. The project is at an early stage of exploration, despite considerable historical exploration having been completed. GCR's remaining interest in the project is a royalty only.
- Southeast Lachlan Fold Belt – these projects are at an early stage of exploration and, given time constraints, it was felt that no significant information or data that would materially affect our valuation of the asset package could be gained by visiting the sites.
- Mt. Isa JV, Qld – this project is operated by a joint venture partner, Paradise Phosphate Limited (PPL). Llyle Sawyer has sufficient experience in phosphate resources and the Mt. Isa region having worked on several other projects nearby. Due to the location and the terrain it was felt that no significant information or data that would materially affect our valuation of the asset package could be gained by visiting the sites.
- Coober Pedy, SA – this project is located in a remote area of South Australia. Llyle Sawyer has experience in the region from having worked on a number of other projects. The project is at an early stage of exploration and it was felt that due to the location and the terrain, no significant information

or data that would materially affect our valuation of the asset package could be gained by visiting the sites.

## GCR Projects

### COPPER HILL

#### TENEMENT

The Copper Hill project is situated within EL6391, is 100% held by GCR and covers an area of 33 graticular units (95 km<sup>2</sup>). The licence was initially granted on 10/03/2005 and is current until 10/03/2016. The tenement represents a consolidation of previous ELs held by GCO (EL2290, EL5722 & EL6279) (Torrey, 2006).

#### LOCATION, ACCESS & TOPOGRAPHY

The Copper Hill project (latitude 33°03' S / longitude 148°52' E) is located in Central West NSW, 4km north of the town of Molong and 235km northwest of Sydney (310km by road). Access is via the Mitchell Highway, which is located immediately to the west of Copper Hill. An unused spur line off the Sydney to Dubbo railway also passes beside Copper Hill. Topography of the region consists of rolling hills with livestock and wheat farmlands. Copper Hill itself is covered by open woodlands and rises to an altitude of approximately 607m (Photo 1).



Photo 1 : View of Copper Hill looking southeast

GCR owns the house and storage shed in the middle of the photo; Mitchell Highway adjacent to the house

#### SITE VISIT

A site visit was undertaken by Murray Hutton, accompanied by GCR's Exploration Manager Bret Ferris, on 1 December 2015. The visit included inspection of the surface of the Copper Hill project, recent drill core containing significant mineralisation intervals (GCHD470 and GCHD474) and general infrastructure in the vicinity of the project.

#### NATIVE TITLE

The Copper Hill project is located on freehold land where native title has been extinguished.

#### ENVIRONMENTAL CONSIDERATIONS

The planned Copper Hill processing plant may need to draw on bore water supplies, which may affect groundwater in surrounding areas. The Mitchell Highway is located on the western side of Copper Hill.

#### PROJECT HISTORY

The following information was taken from the EL6391 Annual Report for 2015 (Ferris, 2015a).

Copper Hill was probably the first copper mine in New South Wales with production commencing around 1845. From 1845 to 1851, a total of 3,300t of ore averaging 1.4% Cu was mined from the enriched supergene zone. Gold was first recorded in 1851 when 14t of ore was mined at an average grade of 6g/t Au.

Modern exploration of Copper Hill and surrounding areas commenced in 1966, when conceptual models of porphyry copper systems were being developed in the southwestern USA, and is summarised in Table 3. Early programs targeted only copper, but following the spike in the gold price from 1980, gold has also received attention. A major turning point in the exploration history of Copper Hill was the drilling of hole CHRC-058 by Cyprus Gold Australia Ltd in 1989. This vertical hole returned 256m (32-288 metres) averaging 0.67% Cu and 1.06 g/t Au. Meanwhile, the Cadia Valley development near Orange progressed in the early 1990s, supported by the higher grade Ridgeway discovery in 1996. These events gave further impetus to the copper-gold search at Copper Hill.

GCR became involved in the Copper Hill project during 1997, when it acquired a 31.33% interest in a joint venture operated by Newcrest under EL2290 (Table 4), and eventually acquired 100% of the project when Newcrest withdrew from the joint venture in 2000. More recent exploration is summarised in Table 5.

| Year | Company / Joint Venture                   | Tenement            | Exploration Activity                                                                                                                                                                                                                                        |
|------|-------------------------------------------|---------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1967 | Anaconda                                  | EL27                | 7 NQ core holes [CHD1-7], of which 3 used in 2015 Estimate [CHD3,5,7]<br>Anaconda inferred a subeconomic resource of 134 MT @ 0.17% Cu [non JORC]                                                                                                           |
| 1971 | Amax                                      | EL316               | 13 shallow OHP holes and 4 NQ core holes ACH1-4 drilled<br>[Not used in 2015 Estimate].                                                                                                                                                                     |
| 1976 | Le Nickel                                 | EL845               | 2 x 90m shallow OHP holes drilled at Little Copper Hill. [Not used in 2015 Estimate], confirming skarn character of LCH mineralisation                                                                                                                      |
| 1982 | BHP                                       | EL1828              | Surface exploration at Little Copper Hill, targeting Carlin-style and skarn mineralisation. . No drilling                                                                                                                                                   |
| 1982 | Metallic Resources PL                     | PL888               | Prospecting Licence 888 granted 17 Nov 1982                                                                                                                                                                                                                 |
| 1983 | Metallic Resources PL                     | PL962               | Prospecting Licence 962 granted 30 Nov 1983                                                                                                                                                                                                                 |
| 1984 | Metallic / Homestake                      | EL2290<br>PL888&962 | Homestake targeted porphyry-epithermal style gold mineralisation.                                                                                                                                                                                           |
| 1985 | Metallic / Homestake                      | EL2290<br>PL888&962 | Homestake drilled 16 OHP holes [CHP1-16] and 1 core hole [CHC-1]. Only the core hole was used in the 2015 Estimation.                                                                                                                                       |
| 1986 | Metallic / Homestake                      | EL2290<br>PL888&962 |                                                                                                                                                                                                                                                             |
| 1987 | Metallic / Homestake<br>Metallic / Cyprus | EL2290<br>PL888&962 | On 18 Dec 1987 PL888 & 962 were cancelled and the area included in EL2290.<br>EL2290 was transferred from Homestake to Metallic<br>Sep 1987 : Commencement of JV between Cyprus & Metallic<br>17 shallow OHP holes [CHAT1-17]. Not used in 2015 Estimation] |
| 1988 | Metallic / Cyprus                         | EL2290              | 14 RCP holes CHRC 1-14                                                                                                                                                                                                                                      |
| 1989 | Metallic / Cyprus                         | EL2290              | 50 RCP holes CHRC 15-64A and 3 core holes CH-NSW89-1-3                                                                                                                                                                                                      |
| 1992 | Metallic / Cyprus                         | EL2290              | 8 RCP holes CH9265-72                                                                                                                                                                                                                                       |
| 1993 | Metallic / Cyprus / MIM                   | EL2290              | 22 Jul 1993: MIM entered JV to earn half of Cyprus 60% equity, and option over Metallic 40% equity.<br>MIM drilled 2 x RCP and 17 core holes [CHM1-19]<br>In 1996, CHM1 lengthened as NCH007, and CHM15 lengthened as NCH005                                |
| 1994 | Metallic / Cyprus / MIM                   | EL2290              | MIM drilled 11 core holes [CHM20-30]                                                                                                                                                                                                                        |
| 1995 | Metallic / Cyprus / MIM                   | EL2290              | 28 Mar 1995: MIM withdrew from JV effective 30 Jun 1995<br>28 Aug 1995: Newcrest farmin to earn 60% from Cyprus.                                                                                                                                            |
| 1996 | Metallic / Cyprus / Newcrest              | EL2290              | Newcrest drilled 9 core holes [NCH001-009]                                                                                                                                                                                                                  |

Table 3 : Historic exploration on Copper Hill prior to Golden Cross

| Year | Company / Joint Venture                           | Tenement                       | Exploration Activity                                                                                                                                                                             |
|------|---------------------------------------------------|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1997 | Metallic / Cyprus / Newcrest<br>Golden Cross      | EL 2290                        | Golden Cross acquired 31.33% interest in Copper Hill from Newcrest, with Newcrest as JV operator                                                                                                 |
| 1998 | Metallic / Cyprus / Newcrest<br>Golden Cross      | EL 2290<br>EL 5471             | Newcrest drilled 17 deep RC holes (av. 300m), 2 core holes (max 661m) and 15 aircore holes; NCR019 intersected 157m @ 0.78g/t Au and 0.40% Cu from 129m; Golden Cross interest reduced to 27.2%  |
| 1999 | Metallic / Cyprus / Newcrest<br>Golden Cross      | EL 2290<br>EL 5471             | Newcrest drilled 3 core holes NCH010-012 and 17 deep RCP holes NCH013-029<br>Golden Cross purchased Metallic interest                                                                            |
| 2000 | Newcrest / Golden Cross<br>then Golden Cross 100% | EL 2290<br>EL 5722             | Newcrest drilled 5 RC holes NCR030-034 before withdrawing from JV in June 2000<br>Golden Cross acquired 100% interest in the Copper Hill Project<br>Golden Cross drilled 3 RCP holes GCHR035-037 |
| 2001 | Golden Cross                                      | EL 2290<br>EL 5722             | Surface geophysics and geochemistry                                                                                                                                                              |
| 2002 | Golden Cross / MIM                                | EL 2290<br>EL 5722             | In a 2nd JV MIM completed a MIMDAS geophysical survey and 2 core holes [MEXCHD01-02] before withdrawing from the JV                                                                              |
| 2003 | Golden Cross                                      | EL 2290<br>EL 5722             | Data review and care and maintenance                                                                                                                                                             |
| 2004 | Golden Cross                                      | EL 2290<br>EL 5722<br>ELA 2323 | Data review and care and maintenance                                                                                                                                                             |

Table 4 : Exploration by Golden Cross &amp; Joint Venture partners prior to EL6391

| Year        | Exploration Activity                                                                                                                                                                                                                                                                                                                                     |
|-------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>2005</b> | Consolidation of tenements into EL6391. Extensive drilling program at Copper Hill Central: 33 RC drillholes (GCHR038-070) and Shades Road area: 29 RC drillholes (SRRC001-029)                                                                                                                                                                           |
| <b>2006</b> | Drilling continued at Copper Hill Central: 210 RC drillholes (GCHR071-280), shallow RC drilling testing areas north & southeast of Copper Hill (CHN001-104) and deeper RC drilling at Shades Road area (SRRC30-33).<br>Resource estimations in February 2006 & August 2006 followed by preliminary mining studies<br>Low level airborne magnetics survey |
| <b>2007</b> | Scoping study by SRK, further RC and diamond core drilling (GCHR281-285), IP surveying<br>Metallurgical testwork and mine design studies                                                                                                                                                                                                                 |
| <b>2008</b> | Pre-feasibility studies<br>Regional exploration, including drilling on Power prospect (GCHR295-297)                                                                                                                                                                                                                                                      |
| <b>2009</b> | Pre-feasibility studies continued<br>Regional exploration including drilling on Power prospect, aircore drilling on Hub prospect<br>IP and geochemical programs at Molong South                                                                                                                                                                          |
| <b>2010</b> | RC & core drilling to test open intercepts at depth (GCHR298-320), soil & rock geochemistry studies<br>Feasibility studies commenced together with resource estimation study<br>Technical & economic study by Chinese consultancy NERIN                                                                                                                  |
| <b>2011</b> | Drilling continued: Resource infill, Metallurgical testwork, Oxide program, Geotech holes (GCHR321-468), resource estimation studies continued<br>Metallurgical testwork then scoping study by Calder Maloney                                                                                                                                            |
| <b>2012</b> | Copper Hill Scoping Study                                                                                                                                                                                                                                                                                                                                |
| <b>2013</b> | Economic assessment studies                                                                                                                                                                                                                                                                                                                              |
| <b>2014</b> | Infill drilling together with on-going rehabilitation activities<br>Evaluation of the Dash prospect, mapping, geochemical programs, IP survey<br>Geological & resource modelling                                                                                                                                                                         |
| <b>2015</b> | Geological studies, updated Scoping Study, metallurgical testwork                                                                                                                                                                                                                                                                                        |

Table 5 : Exploration on Copper Hill by GCR since granting of EL6391

#### GEOLOGICAL SETTING & MINERALISATION

Copper Hill is located near the northern end of the Molong Volcanic Belt (MVB), within the Lachlan Fold Belt. The Molong Volcanic Belt comprises a sequence of mafic to intermediate intrusives and cogenetic volcanics, with intercalated volcanoclastic and terrigenous sedimentary rocks. The core of the Molong Rise has been interpreted as an ancient island arc system that has been intruded by many small stock-like dioritic to dacitic bodies from Ordovician to Middle Devonian times, which are associated with many significant porphyry copper-gold occurrences, such as Cadia, Cadia East, Ridgeway, Cargo, Yeoval and Copper Hill, and intrusive-related skarn gold + copper deposits, such as Browns Creek and Junction Reefs (Figure 2).

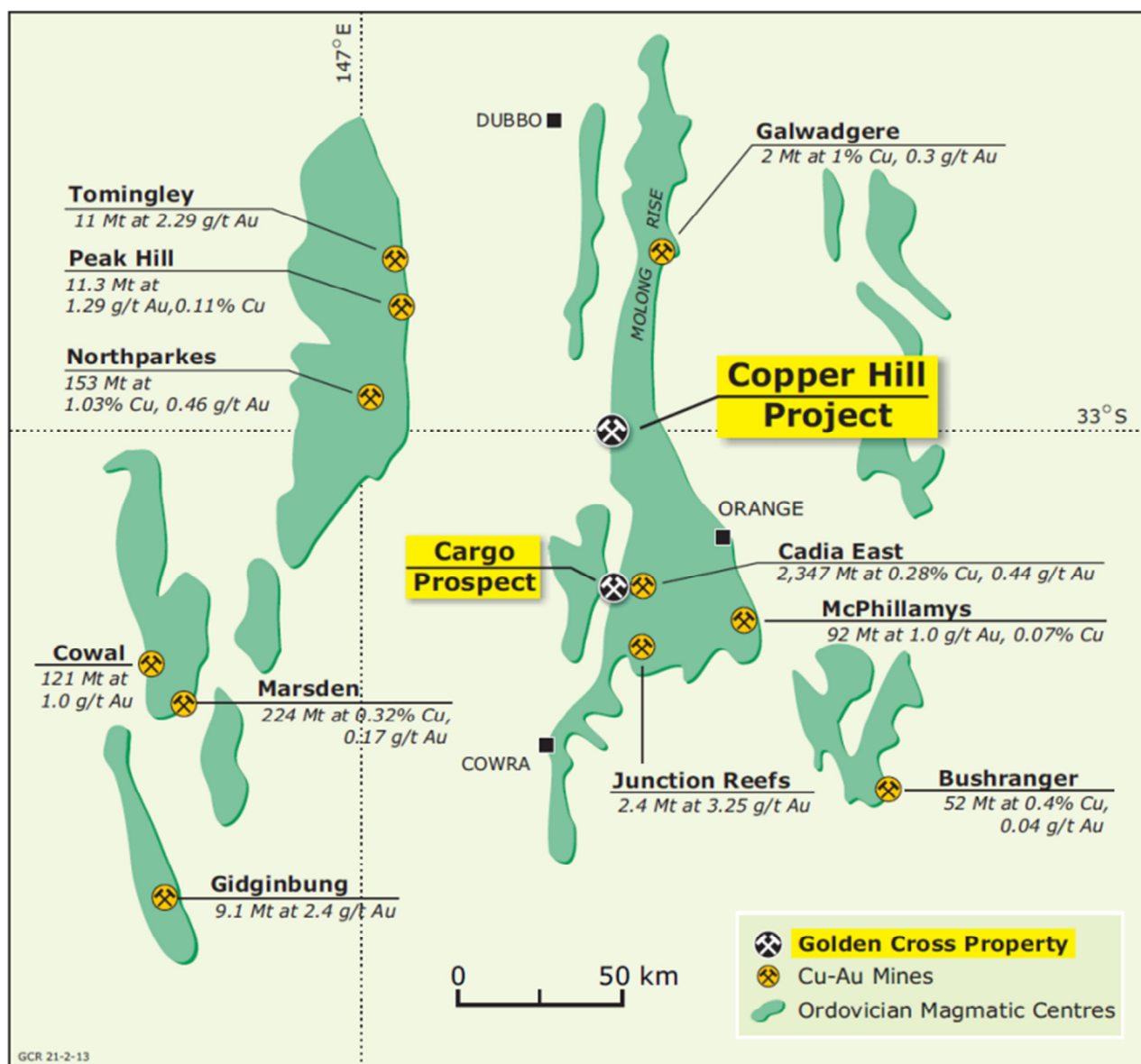


Figure 2 : Copper Hill project regional geology and mineral deposits

Mineralisation at Copper Hill occurs within Middle to Late Ordovician volcanics. The basal sequence at Copper Hill comprises a sequence of andesitic lavas and tuffs, but including intermediate to basic volcanics and volcanoclastic sediments. The Ordovician sequence has been intruded by an igneous complex consisting of subvolcanic intrusive dacites, tonalites and diorites. The tonalite porphyries carry much of the copper-gold mineralisation with disseminated and veined mineralisation extending into the andesitic country rock, notably east of Buckley's Hill.

High grade mineralisation (1.0% Cu and + 1.5g/t Au) is contained in stockworks and sheeted vein sets within, and around the margins of, multiphase tonalite porphyries exhibiting strong hydrothermal alteration (Figure 3, Figure 4), with local quartz-magnetite and carbonate veining. Lower grade mineralisation (average 0.3% Cu and 0.3g/t Au) occurs as thin veinlets and disseminations with variable alteration within tonalite porphyries and andesitic lavas and tuffs.

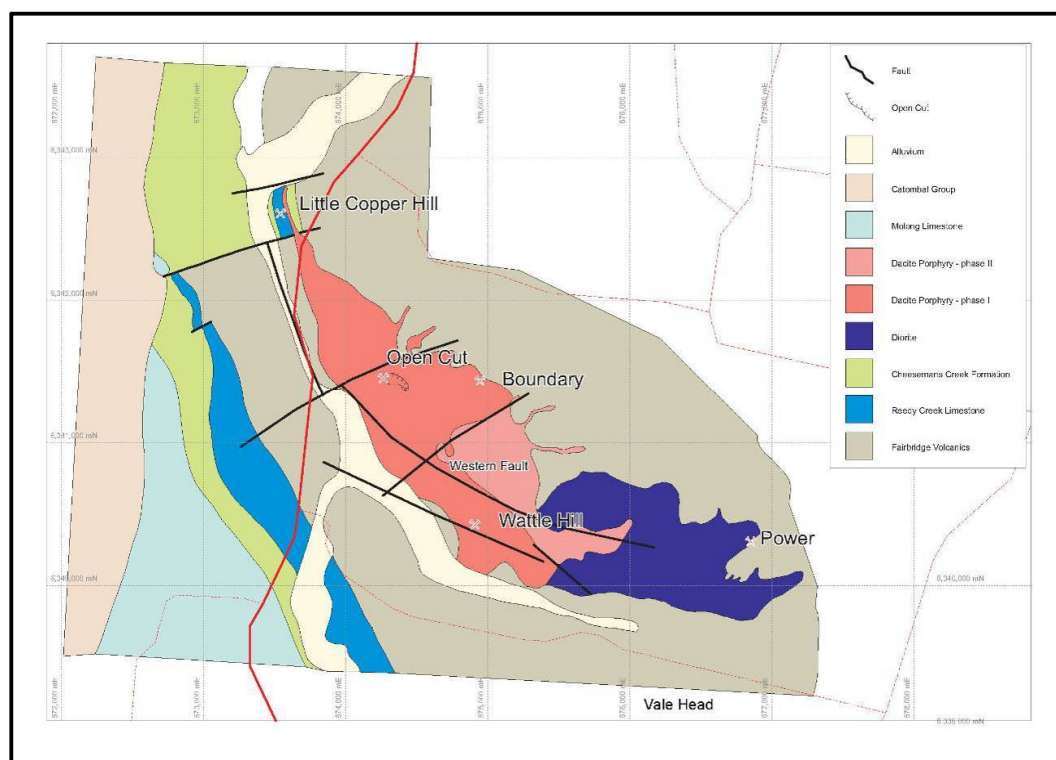


Figure 3 : Copper Hill Interpreted Geology

To varying degrees throughout the complex, the tonalite porphyries have undergone potassic alteration overprinted by pervasive propylitic alteration with replacement by sericite, carbonate, quartz, chlorite and clay associated with disseminated and veined pyrite, chalcopyrite, lesser (rare?) bornite and hematite.

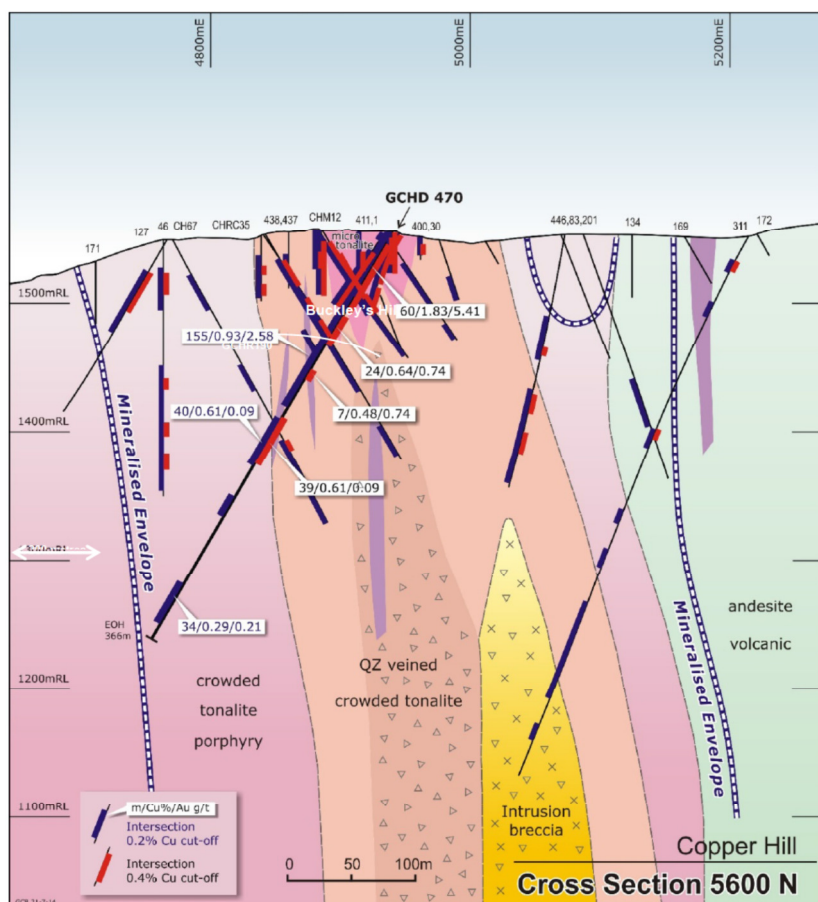


Figure 4 : Copper Hill drill section 5,600N

## MINERAL RESOURCES

During early 2015, a geological review was undertaken, reflecting a re-focus on the higher grade core parts of Copper Hill Central. Modelling utilising Leapfrog® software commenced ahead of a resource estimation update completed during March 2015 (Ridley, 2015).

The Ridley study used data from 753 RC and diamond core drillholes (total of 89,921m). Initial implicit grade shell modelling conducted by 360 Geoscience, using 0.1% Cu, 0.3% Cu and 0.6 g/t Au thresholds, and structural bias trends, based on mapping and vein orientations in core, were used as a guide to interpret and wireframe model mineralisation domains to constrain resource estimation.

Statistical analysis of the available in situ density data determined there are insufficient measurements to enable meaningful estimation of local density values in the resource model. Appropriate average density values based on the statistical analysis were therefore assigned to the resource model sub-divided by the oxidation domains.

Estimation of copper and gold grades in the block model was conducted by ordinary kriging using estimation parameters determined by kriging neighbour analysis and the variogram models derived from the grade continuity analysis. Detailed validation of the grade estimates and assessment of estimation statistics determined that the block model grade estimates are appropriate based on the input drilling data and estimation parameters.

Kriging slope of regression data for the copper estimates and constraint within a Whittle® optimised pit shell (Figure 5) based on optimised mining and processing costs, copper and gold recoveries and prices, respectively, formed the basis of the resource classification according to JORC 2012 guidelines with appropriate consideration of the reliability of all exploration data inputs.

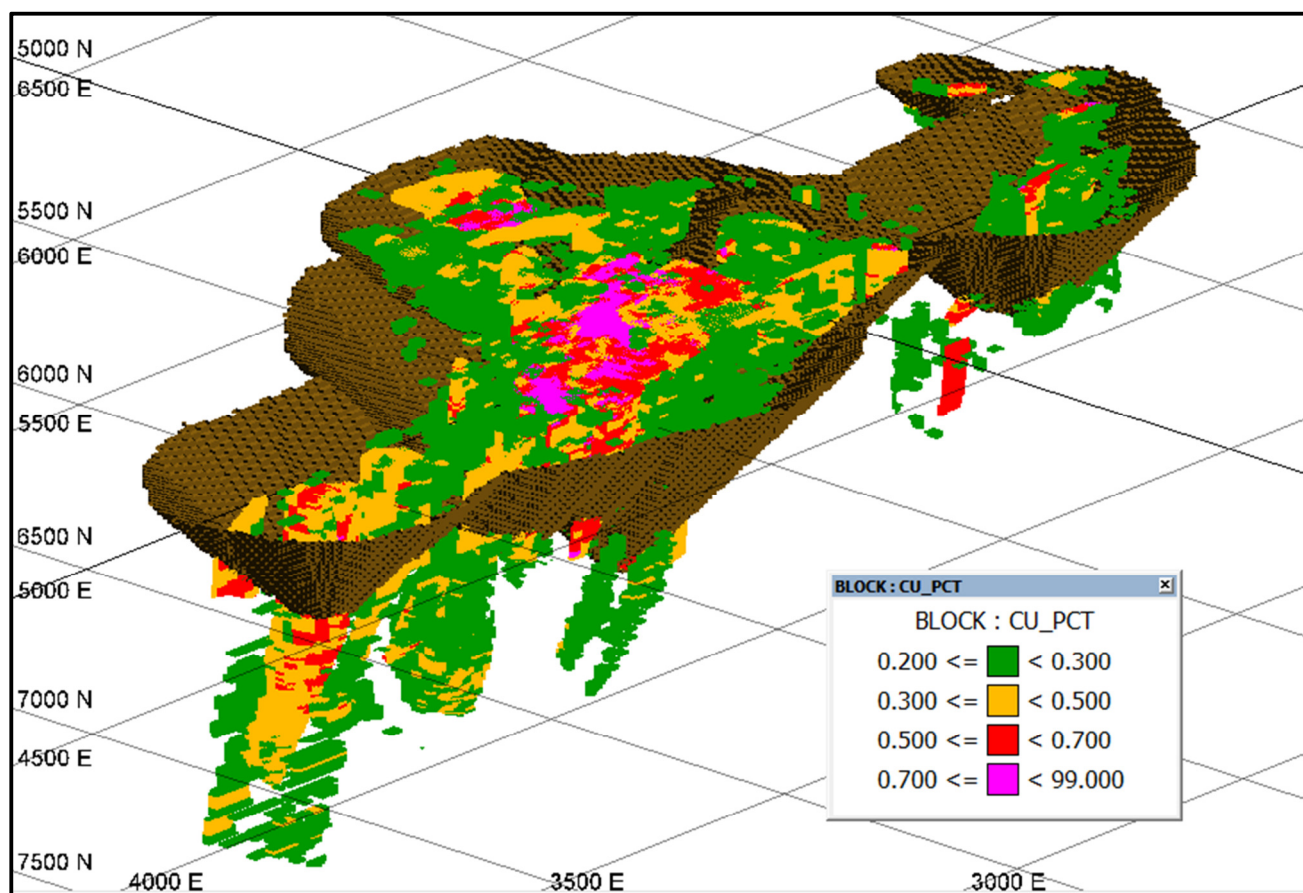


Figure 5 : Oblique view (looking southeast) of the 2015 resource model blocks (Ridley, 2015) showing optimised pit shell

Mineral resources at Copper Hill, based on the 2015 updated resource estimate, are presented in Table 6.

| Resource Category    | Cutoff (Cu%) | Volume (Mm3) | Tonnes (Mt) | Density (t/m3) | Grades |          | Metal   |         |
|----------------------|--------------|--------------|-------------|----------------|--------|----------|---------|---------|
|                      |              |              |             |                | Cu %   | Au (g/t) | Cu (t)  | Au (oz) |
| Indicated            | 0.20         | 18           | 47          | 2.6            | 0.40   | 0.39     | 190,000 | 590,000 |
|                      | 0.30         | 10           | 27          | 2.6            | 0.52   | 0.52     | 140,000 | 460,000 |
|                      | 0.40         | 7.2          | 19          | 2.6            | 0.59   | 0.62     | 110,000 | 380,000 |
|                      | 0.50         | 4.4          | 11          | 2.6            | 0.68   | 0.74     | 78,000  | 270,000 |
| Inferred             | 0.20         | 15           | 39          | 2.6            | 0.32   | 0.24     | 130,000 | 300,000 |
|                      | 0.30         | 6.1          | 16          | 2.6            | 0.44   | 0.30     | 71,000  | 150,000 |
|                      | 0.40         | 3.5          | 9.2         | 2.6            | 0.51   | 0.35     | 47,000  | 100,000 |
|                      | 0.50         | 1.5          | 4.0         | 2.6            | 0.59   | 0.37     | 24,000  | 48,000  |
| Indicated + Inferred | 0.20         | 33           | 87          | 2.6            | 0.36   | 0.32     | 310,000 | 890,000 |
|                      | 0.30         | 17           | 44          | 2.6            | 0.49   | 0.44     | 210,000 | 610,000 |
|                      | 0.40         | 11           | 28          | 2.6            | 0.56   | 0.53     | 160,000 | 480,000 |
|                      | 0.50         | 5.9          | 15          | 2.6            | 0.66   | 0.64     | 100,000 | 320,000 |

Table 6 : 2015 Copper Hill Mineral Resources (Ridley, 2015)

Additional unclassified block model estimates, which may be extractable by underground mining, are presented in Table 7. GCR geologists have also identified potential for additional resources within the Copper Hill prospect and nearby prospects.

| Cutoff<br>(Cu%) | Volume<br>(Mm3) | Tonnes<br>(Mt) | Density<br>(t/m3) | Grades |          | Metal  |         |
|-----------------|-----------------|----------------|-------------------|--------|----------|--------|---------|
|                 |                 |                |                   | Cu %   | Au (g/t) | Cu (t) | Au (oz) |
| 0.20            | 9.4             | 25             | 2.7               | 0.28   | 0.19     | 70,000 | 150,000 |
| 0.30            | 2.6             | 7              | 2.7               | 0.39   | 0.27     | 27,000 | 61,000  |
| 0.40            | 1.0             | 3              | 2.7               | 0.48   | 0.35     | 12,000 | 29,000  |
| 0.50            | 0.3             | 1              | 2.7               | 0.56   | 0.41     | 4,900  | 12,000  |

Table 7 : Unclassified block model estimates (Ridley, 2015)

## SCOPING STUDY 2015

GCR commissioned Calder Maloney to undertake a scoping study on the Copper Hill project, completed in February 2012. The study, based on a 30Mt pit (Figure 6) with an average head grade of 0.53% Cu and 0.46g/t Au, determined that the overall project cost was \$143M, of which the processing plant would cost \$92M.



Figure 6 : Conceptual mine plan layout from 2012 scoping study looking southeast

An updated scoping study, completed in April 2015, was based on updated geological interpretation and resource modelling and looked at options for 2Mtpa and 3Mtpa concentrator feed rates (Napier & Hellsten, 2015). The 2015 study involved:

- Updated mineral resource estimation by Ridley Mineral resource Consulting Pty Ltd;
- Mining optimisations and operating costs estimates by Auralia Mining Consultants ;
- Mine layout as per the 2012 Calder Maloney scoping study;

- Review of historical metallurgical testwork completed on Copper Hill material from 2006 to 2012;
- Preliminary geotechnical (UCS) testwork;
- Capital cost estimation by CPC Engineering (CPC Engineering, 2015);
- Baseline groundwater study by Aquaterra (van den Akker & David, 2011).

The scoping study for a 3Mtpa operation determined that the capital cost estimate was \$163.5M, to an accuracy of +/-35%.

## CENTRAL LACHLAN FOLD BELT

### TENEMENTS

Golden Cross holds four exploration licences in the Central Lachlan Fold Belt (Table 21, Figure 7).

- EL5238 – Cargo
- EL5964 – Sunny Corner
- EL5915 – West Wyalong
- EL8001 – Narragudgil

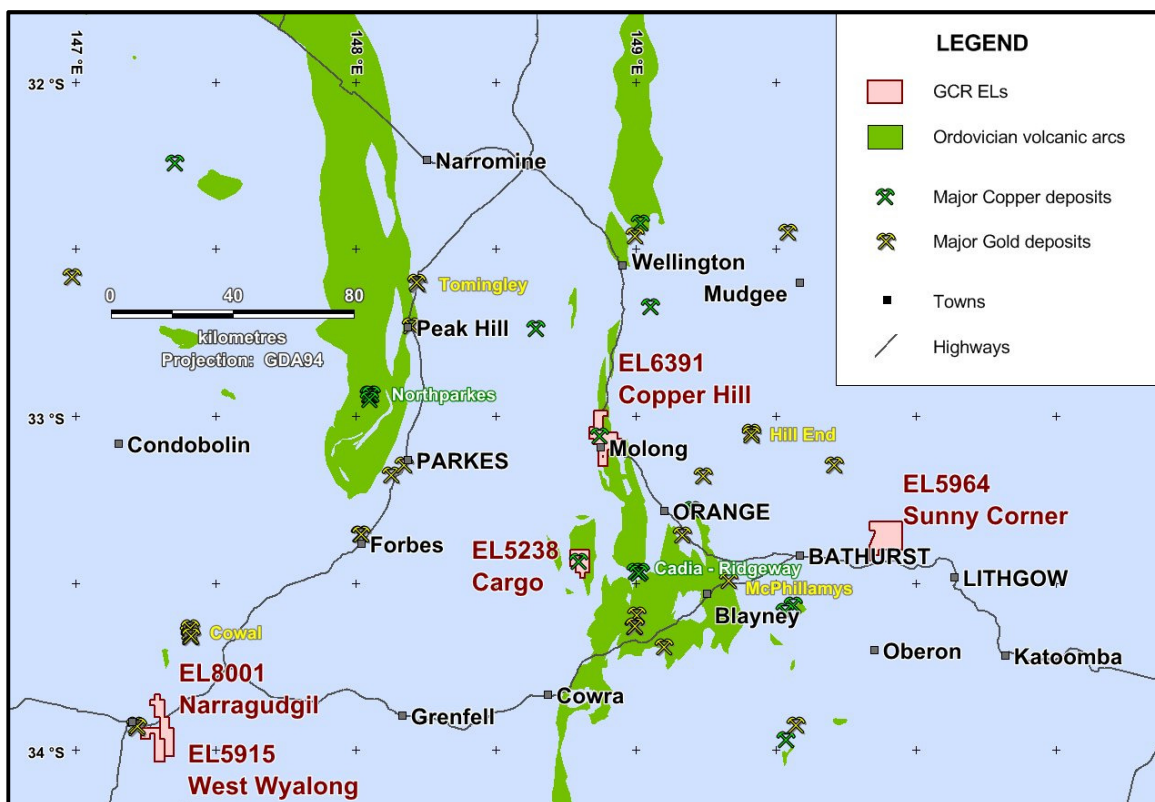


Figure 7 : GCR tenements in Central Lachlan Fold Belt

### LOCATION, ACCESS & TOPOGRAPHY

**EL5238** is situated around the mid-western village of Cargo, 30km southwest of Orange and 230km west of Sydney. The sealed Cargo Road cuts through the project area. Farm tracks provide access to work areas within the project. Topography is gently rolling hills that have been cleared for livestock grazing. EL5238 encloses two small Mining Leases: Long Gully Lease and Iron Clad Lease.

**EL5964** is situated around the village of Sunny Corner, 30km east of Bathurst and 130km northwest of Sydney. Access is via the Great Western Highway and the sealed Sunny Corner Road. Unsealed forestry tracks provide access to the project work areas at the abandoned historic Sunny Corner mine. Topography is rugged hills, mostly covered by pine forests.

**EL5915** is situated southeast of the mid-west town of West Wyalong, 130km north of Wagga Wagga and 375km west of Sydney. West Wyalong is at the junction of the Mid-Western and Newell Highways. Major sealed regional roads, sealed municipal roads and farm tracks provide access to work areas. Topography is flat to gently sloping hills that have been cleared for livestock grazing and crops.

**EL8001** is situated 10km east of West Wyalong and adjacent to EL5915. Evolution Mining's Cowal gold mine is located approximately 35km north of the West Wyalong tenements.

#### SITE INSPECTIONS

The Cargo and Sunny Corner projects were inspected by Murray Hutton, accompanied by GCR's Exploration Manager Bret Ferris, on 1 December 2015.

#### NATIVE TITLE

The Central LFB projects are located on either forestry reserves or freehold land and there are no Native Title Determinations within the project areas.

#### ENVIRONMENTAL CONSIDERATIONS

The western border of EL5964 – Sunny Corner is adjacent to the Winburndale Nature Reserve and a large proportion of the licence is covered by the Sunny Corner Forest Reserve. Historic mining activities at Sunny Corner have left a legacy of contamination from mine dumps.

EL5238 includes the township of Cargo.

#### PROJECT HISTORY

##### **EL5238 – Cargo**

EL5238 was granted jointly to Golden Cross Resources NL and Imperial Mining NL for a period of two years from 20 February 1997 over 21 graticular units. The licence was later transferred to GCO (the current holder) and renewed over 16 units for a three year term to 19 February 2016 (Ferris, 2015b).

GCR and a succession of joint venture partners have undertaken extensive on-going exploration programs at Cargo (Table 8).

| YEAR<br>(to 19 Feb) | COMPANY                             | EXPLORATION ACTIVITIES                                                                                                                                                                                                  |
|---------------------|-------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>1997</b>         | Golden Cross – Imperial Mining JV   | Geological mapping, geochemical surveys (soils and rocks) and RC drilling of various gold lodes.<br>Resource estimated as 3.7Mt @ 1.24g/t Au                                                                            |
| <b>1997-1998</b>    | GCR – Imperial Mining - RGC JV      | Drilled three core holes into central part of porphyry system                                                                                                                                                           |
| <b>1998</b>         | GCR – Imperial Mining - Newcrest JV | Several IP surveys and aircore drilling, followed by a core drilling program (~3,000m).                                                                                                                                 |
| <b>2000-2001</b>    | GCR                                 | Geological mapping, 3D IP interpretation, review of previous drilling, and auger drilling.                                                                                                                              |
| <b>2002-2005</b>    | GCR – Falcon Minerals JV            | Various geological mapping, geochemical sampling and ground geophysical surveys (IP), and 19 “deep” RC holes.                                                                                                           |
| <b>2005-2006</b>    | GCR                                 | Exploration reviews completed.                                                                                                                                                                                          |
| <b>2006-2009</b>    | GCR – Cybele / Calibre Resources JV | Geological mapping and geochemical surveys. Drilling programs included six RC holes (1,360m) and four core holes (1,570m).                                                                                              |
| <b>2010</b>         | GCR                                 | Three RC holes [331m] targeted gold potential of vein systems beneath Gum Flat alluvials.                                                                                                                               |
| <b>2011</b>         | GCR                                 | Review of all previous drilling recommended further drilling of the Spur-Dalcoath radial lodes and the gold-bearing eluvial deposits at Gum Flat.                                                                       |
| <b>2012</b>         | GCR                                 | Drilling to verify historical RC/ RAB intercepts at the Gum Flat and Spur-Dalcoath areas. Pit optimisation and mine planning at Spur-Dalcoath and extended to Gum Flat                                                  |
| <b>2013</b>         | GCR                                 | Drilling at Spur Dalcoath area and the Essex area. Resource estimation was undertaken. Extensive metallurgical testwork (gravity & flotation) was completed.<br>An in-fill gravity survey over the entire tenement area |
| <b>2014</b>         | GCR                                 | Informal financial modelling of the calculated resources was undertaken with negative indications.<br>In-fill gravity readings continued.                                                                               |
| <b>2015</b>         | GCR                                 | Ongoing evaluation of the 2012-13 resource drilling was Undertaken.                                                                                                                                                     |

Table 8 : Exploration history of EL5238 - Cargo

The Cargo project occurs within the Molong Belt of Ordovician andesitic volcanics, which also hosts the Cadia-Ridgeway copper-gold mines owned by Newcrest and GCR's Copper Hill deposit. The Middle Ordovician Fairbridge Volcanics are intruded by the Cargo Intrusive Complex.

Mineralised zones are structurally controlled, consisting of fracture-controlled porphyry Cu-Mo +/- Au mineralisation associated with intrusives, and quartz-sulphide Au +/- Cu veining hosted by peripheral andesitic country rocks. Quartz lodes are radial to the intrusive complex.

Mineralisation at Cargo is considered to represent the upper portion of a gold-copper system related to a large quartz monzonite intrusion at depth. The most favourable setting for significant gold-copper mineralisation is considered to be in sheeted quartz veins at the contact between host rocks and the buried quartz monzonite intrusion, which is probably capped by the central quartz monzonite breccia. Smaller

resources of high grade gold have been inferred by drilling of the radial lodes (e.g. Spur-Dalcoath) and also the semi-cemented eluvial/alluvial deposits located southwest of the gold lodes (e.g. Gum Flat). Recent exploration has evaluated only three of approximately 19 lode systems at Cargo: Gum Flat, Spur-Dalcoath and Essex.

Resource estimation studies on the Spur-Dalcoath area in 2012-13 determined an Inferred Resource of 10.4Mt @ 0.84 g/t Au, containing 283,000 ounces of gold (may not be compliant with JORC 2012 criteria of reasonable prospects for eventual economic extraction). However, there is scope at the other lodes to develop similar small resources, which may aggregate into a viable project. Further reviews are planned to identify priority targets, ahead of further drilling.

Exploration expenditure by GCO and its joint venture partners on the Cargo project totals approximately \$3.8M (excluding Administration). Most of this expenditure has been written off by GCR and the current book value for the project is \$0.45M.

### **EL5964 – Sunny Corner**

EL5964 was granted to GCO on 12 July 2002 over 38 units for a two year period. Argent Minerals Limited (ARD, formerly Kempfield Silver Pty Ltd) formed a joint venture with GCR during 2007, whereby ARD has earned a 70% interest through exploration expenditure of \$686,000 over six years (David, 2014). The exploration licence has been renewed in full and expires on 11 July 2018 (Figure 8).

Sunny Corner occurs within an interpreted Silurian-Devonian rift valley between two stable continental volcanic arcs. Known mineral deposits are hosted by Siluro-Devonian conglomerate, felsic volcanics, volcaniclastics and siltstones that were intruded by Carboniferous-Permian felsic porphyries.

The Sunny Corner mineral field contains the following mineralisation styles (David, 2011):

- Volcanic associated massive sulphides (Sunny Corner – Pb-Zn-Cu);
- Remobilised structural controlled shear hosted base metals (Nevada - Cu), and
- Quartz vein hosted gold deposits with a genetic link to the quartz-feldspar porphyry intrusions (Bobs Creek, Little Hill and Big Hill Prospects).

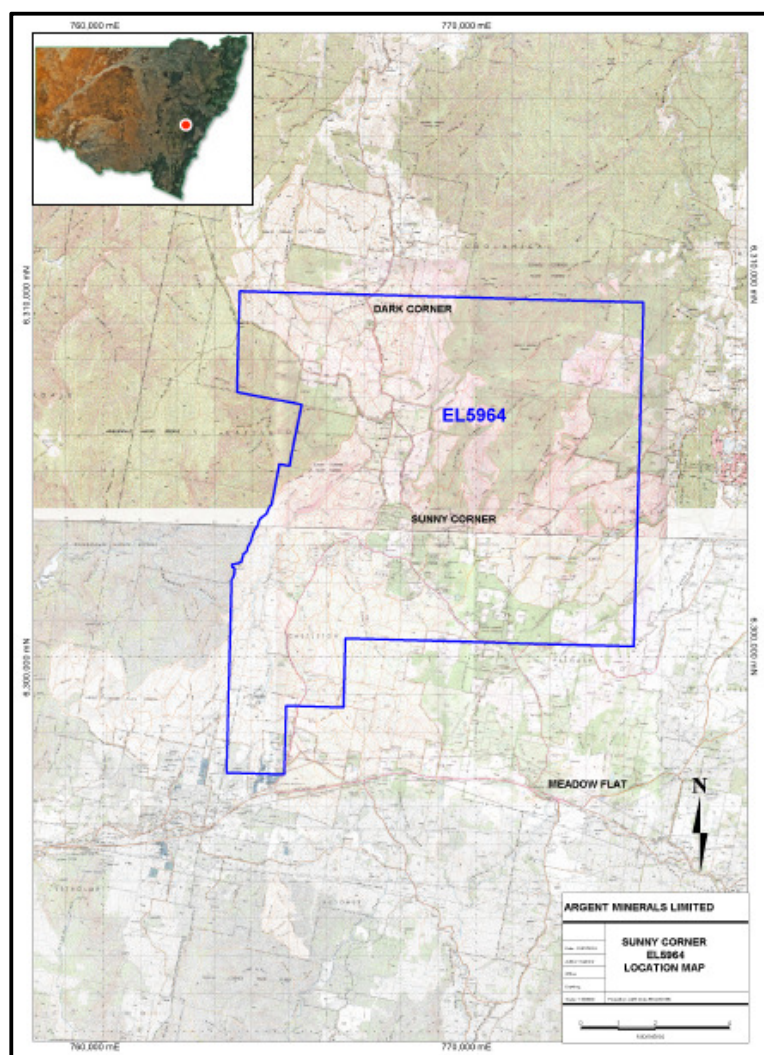


Figure 8 : Location of EL5964 – Sunny Corner

Silver, gold, zinc and antimony were mined at Sunny Corner from 1875 to 1922. During that time more than 100 tonnes of silver were produced and the mine was one of the most productive in the country. Unfortunately for today's residents, mine tailings were used as landfill for the village, resulting in local soil and water becoming contaminated with lead and arsenic that remained after the smelting of the ores (Bray, 2010).

Work conducted by GCO included literature research, review of historical mining data, geological mapping, RC drilling and downhole electromagnetic (DHEM) surveys, metallurgical studies and resource estimation.

ARD took over as operator in 2007 and completed versatile time-domain electromagnetic surveys (VTEM), diamond drilling and metallurgical testwork. Their exploration strategy has a primary focus of targeting the volcanogenic massive sulphide (VMS) mineralisation. A resource estimation completed by H&S Consultants in 2008 identified Inferred Resources (classified in accordance with the JORC code 2004) of around 1.5Mt @ 0.38% Cu, 2.13% Pb, 3.69% Zn 24 g/t Ag and 0.26 g/t Au, using a cut-off grade of 2.5% combined base metals. This mineralisation may not meet the current JORC 2012 criteria of reasonable prospects for eventual economic extraction to enable it to be defined as a Mineral Resource.

Exploration expenditure by GCO and ARD since the granting of EL5964 totals approximately \$1.66M (excluding administration costs).

## EL5915 - West Wyalong

EL5915 was granted to GCO on 10 January 2002 covering 82 units for an initial two year term (Figure 9). Mount Isa Mines Limited (MIM) formed a joint venture with GCO in June 2002, but terminated the JVA after only one year. ARD formed a joint venture with GCO in June 2007 and took over as operator of exploration programs.

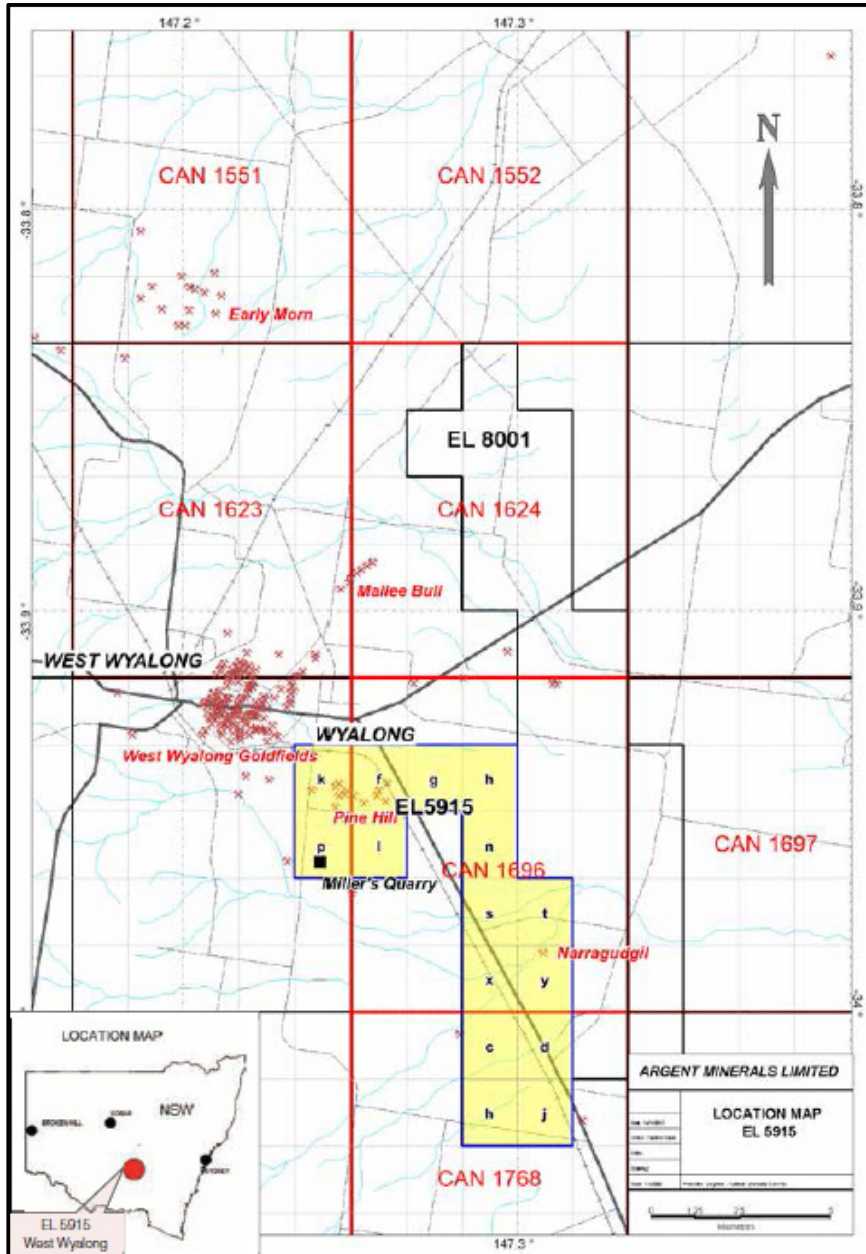


Figure 9 : Location of EL5915 – West Wyalong and EL8001 Narragudgil

The Wyalong Goldfield has historical gold production (1893-1920s) of 445,700 ounces from 340,000 tonnes of ore (average recovered grade of 40 g/t Au). Mineralisation consists of quartz veins and stockwork zones, averaging around 0.5m thick and up to 390m deep (Berkman, 2003). Intersections of the main mineralised structures (steeply E dipping and NNE striking) with subsidiary structures reportedly control ore shoots that typically dip steeply east and pitch south.

Exploration programs completed on EL5915 by GCO and its joint venture partners are summarised in Table 9. The exploration strategy of ARD is primarily focused on targeting porphyry style Cu-Au systems in

Ordovician volcanic arc rocks, as well as orogenic / structurally-controlled quartz vein hosted gold deposits (David, 2015).

| YEAR<br>(to 9 Jan) | COMPANY                  | EXPLORATION ACTIVITIES                                                                                                                             |
|--------------------|--------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------|
| 2003               | GCR – MIM JV             | Review of past exploration, inspection/ sampling historic drill core. Reconnaissance ground magnetics traverses and magnetotellurics / IP surveys. |
| 2003-2006          | GCR                      | Detailed review of geophysical data, particularly modelling of gravity and magnetics data                                                          |
| 2006               | GCR                      | Tenement reduced to 42 units                                                                                                                       |
| 2008               | GCR – Argent Minerals JV | Percussion drilling program, 11 holes totalling 913m.                                                                                              |
| 2010               | GCR – Argent Minerals JV | Tenement reduced to 30 units                                                                                                                       |
| 2014               | GCR – Argent Minerals JV | Tenement reduced to 15 units                                                                                                                       |
| 2015               | GCR – Argent Minerals JV | High resolution airborne magnetic / radiometric surveys in the southern portion of the tenement                                                    |

Table 9 : Summary of exploration on EL5915 – West Wyalong

#### EL8001 – Narragudgil

EL8001 is situated adjacent to EL5915 – West Wyalong (Figure 9). ARD signed a joint venture and farm-in agreement (JVA) with GCO over the West Wyalong project on 8 June 2007 and EL8001 was granted to GCO, under the JVA, on 30 October 2012 for an initial two year period covering 48 units.

The exploration strategy applied by ARD at EL8001 is primarily focused on the targeting of porphyry style Cu-Au systems hosted in Ordovician arc volcanics, as well as orogenic/structurally controlled quartz vein hosted gold deposits.

The most significant exploration was conducted at the Narragudgil Prospect and directed towards base metals (Cu) in the Gidginbung Volcanics. This prospect is located in EL5915, but is adjacent to EL8001 in its southern part, allowing exploration to continue into EL8001. A 300m wide zone of principally propylitic alteration was identified during the prospecting activities, extending in a northwesterly direction for around 900m through the licence area. Subsequent exploration included RAB drilling and 1,605 m of RC drilling. RC drillhole 81 of this program intersected 0.42% copper over 8m (87m-95m downhole), and the end-of-hole washed samples at 95m assayed 1.32% copper, 5.5g/t silver and 0.18g/t gold.

During the 2013 reporting period, ARD completed geological mapping, soil and rock chip sampling and a review of previous magnetics and IP surveys. Exploration during subsequent years have been subdued due to difficult market conditions, but included an IP survey over the Narragudgil North prospect.

Exploration expenditure by GCO and ARD on the two West Wyalong project licences totals approximately \$0.86M (excluding administration costs).

## COBAR REGION

### TENEMENTS

There are three groups of tenements in this region: Canbelego Group, Gilgunnia Group, and Wagga Tank JV (Figure 10 and Table 21). A search of titles from the NSW government website indicates that four of the exploration licences have renewal applications lodged but pending approval and eight of the licences are held 100% by GCO.

#### **Canbelego Group**

Two exploration licences (Burra EL7389 and Fairview Tank EL7065) comprise this group that has been explored by GCO as sole holder since 2008.

#### **Gilgunnia Group**

This project group includes six exploration licences (Emu Tank EL7320, Kelly's Tank EL7323, Kilparney Extended EL8270, Delaney's Tank EL7322, Burthong Creek EL7485, Four Mile South EL7970), all of which are held 100% by GCR.

#### **Wagga Tank JV**

Two of the exploration licences (EL6695 and EL7226) form the Wagga Tank Joint Venture in which GCR retains a 20% beneficial interest. On 15 September 2015 Peel Mining Ltd offered to purchase 100% of EL6695 and 7226 from GCR and MMG for \$1 and 2.5% Net Smelter Royalty. Geos Mining is unaware if this offer has been accepted and has not considered this in the valuation of the assets.

### LOCATION, ACCESS & TOPOGRAPHY

#### **Canbelego Group**

The project is located 48 km ESE of the mining town of Cobar, and 5 kilometres south of the village of Canbelego. Access is afforded by the sealed Barrier Highway, the unsealed but well-maintained Canbelego-Nymagee Road and a network of station tracks.

#### **Gilgunnia Group**

These tenements are spread over an area to the west and south-south-west of Nymagee and are transected by numerous formed roads and tracks both public and privately owned. The terrain generally consists of wooded flats and low hills.

#### **Wagga Tank JV**

The project is located 10-30 kilometres northwest of the town of Mount Hope. Access to the licences can be gained from several formed roads. The terrain generally consists of wooded flats and low hills with several steep hills occurring in portions of the licences.

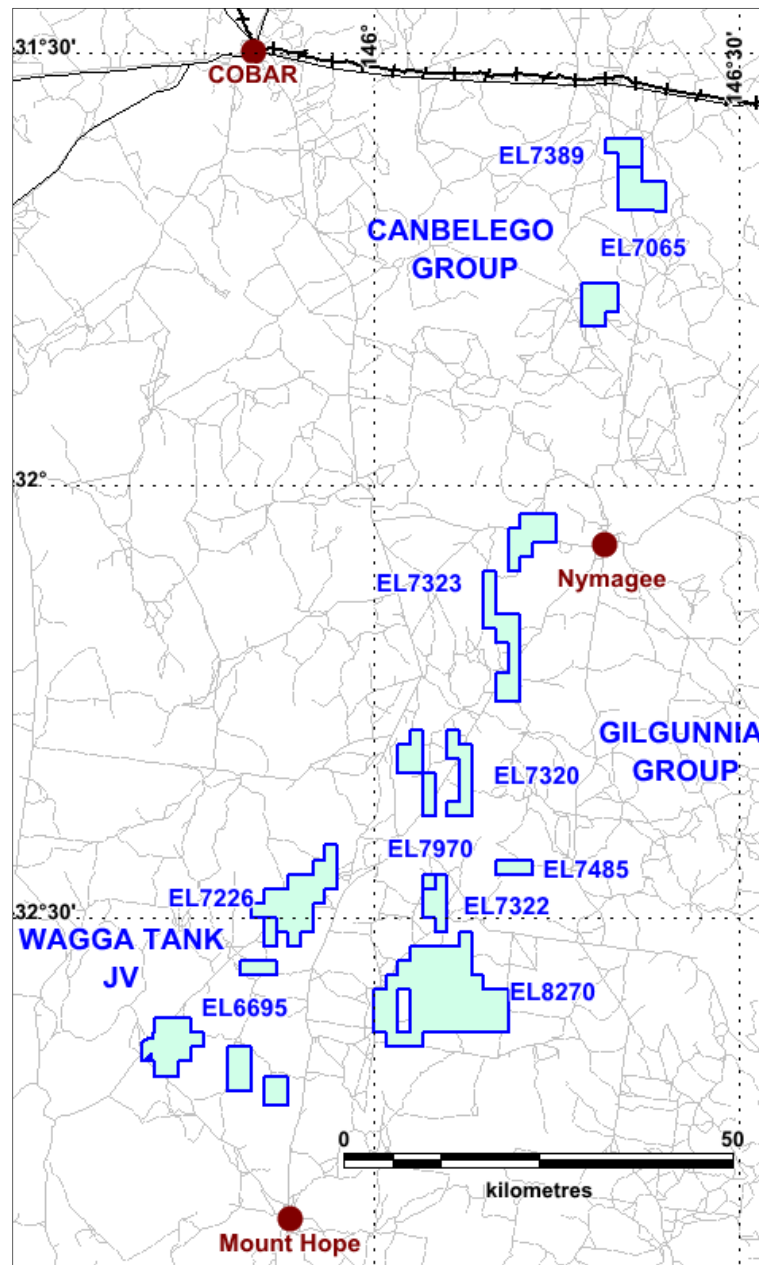


Figure 10 : Location of GCR's Cobar Group tenements

#### NATIVE TITLE

There are no Native Title Determinations within the project area although we note that there is one claim (NC 2001/001) lodged.

#### ENVIRONMENTAL CONSIDERATIONS

There are no National Parks or Reserves within the tenement areas although we note that the western edge of EL6695 (Wagga Tank JV) abuts the Yathong Nature Reserve.

#### PROJECT HISTORY

##### Canbelego Group

Despite intermittent activity since the early 1970s, Burra is still considered to be at an early exploration stage and exploration has been focused on the two main prospects at Burra and Block 51. At Burra, RC and

diamond drilling, MLEM, downhole EM, VTEM, aeromagnetism survey, soil geochemical sampling, gravity surveying have been carried out.

### **Gilgunnia Group**

While there has been consistent exploration carried out since the 1970s, the southern Cobar Basin is relatively under-explored in comparison with other areas in the Cobar district. Recent discoveries at Mallee Bull, Hera and May Day have encouraged more activity with considerable deep seeking geophysical surveys having been completed.

### **Wagga Tank JV**

Exploration at Wagga Tank commenced in the early 1970s and has generally focused on six main prospects; Wagga Tank, Fenceline, Blue Mountain, Siegals, BMW and the Mt Allen Gold Mine. Exploration has included RAB drilling, IP surveying, airborne and downhole EM surveying, RC and diamond drilling

### **GEOLOGICAL SETTING & MINERALISATION**

There are numerous mineralisation styles evident within the Cobar Basin, including VHMS deposits (Shuttleton, May Day), intrusion related deposits (Mt Allen Mine), epithermal gold deposits (McKinnon's Gold Mine), sediment and carbonate hosted (Endeavor, Wonawinta), skarn deposits (Kilparney), Cobar-style deposits (Peak, Nymagee, Hera, CSA, New Occidental, quartz vein hosted Au deposits (Gilgunnia Goldfields) (David, 2006).

### **Canbelego Group**

The project is located in the northern part of the Early Devonian Canbelego – Mineral Hill Rift Zone, surrounded by the flanking Kopyje Shelf (Figure 12). There are two historical base metal prospects (Burra and Block 51) that are situated on the Burra Fault (Figure 11) within EL7389. High grade copper mineralisation (eg GCB-072 drilled in 2004 intersected 2m @ 13.7 % Cu) in the Western Zone sulphide lode was tested by drilling at depth.

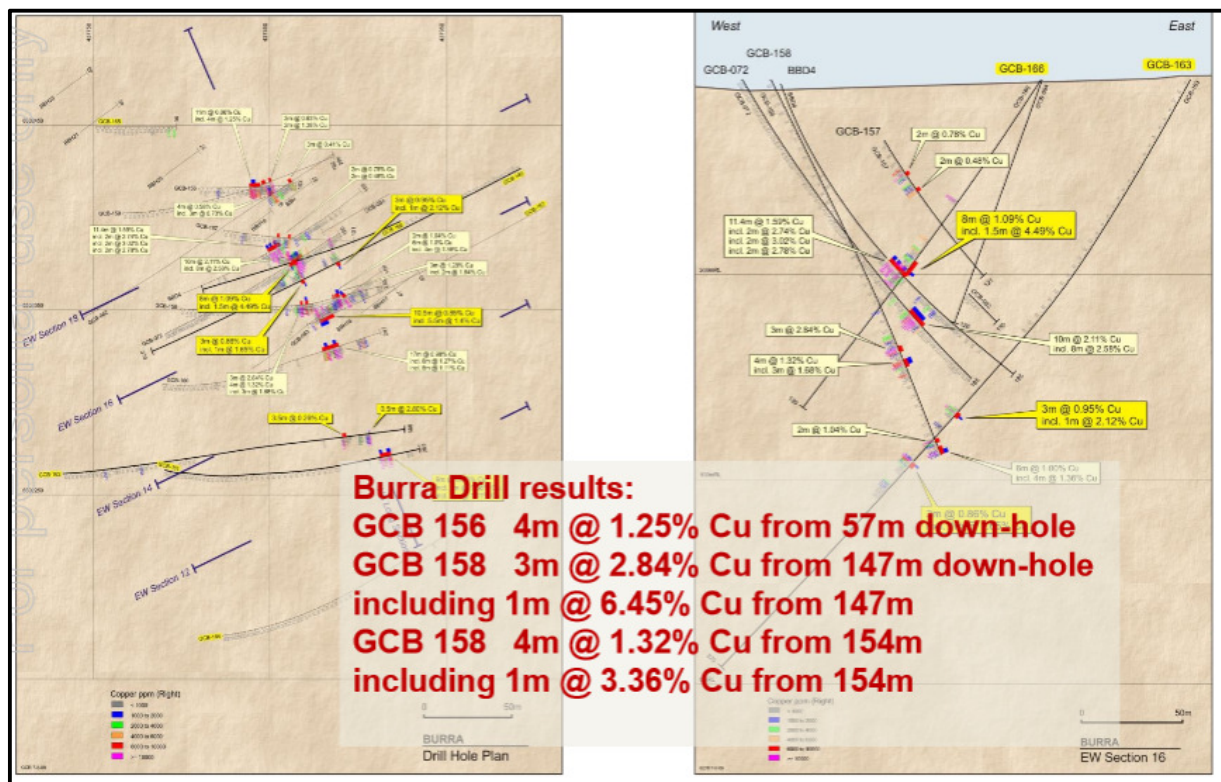


Figure 11 : Burra Prospect - Plan (LHS) and EW Sectional Views of Drilling

### Gilgunnia Group

The margins of the Mount Hope Trough, the Rast Trough, the Wagga Tank-Nymagee Structure and the associated Gilgunnia–Hathaway Zone are considered to be prospective for both magnetic (i.e. Peak, CSA, Elura) and non-magnetic (i.e. Hera) Cobar style deposits that may have developed in favourable structural-stratigraphic settings. The Gilgunnia Group tenements are located in this structural terrain.

### Wagga Tank JV

The Wagga Tank Project is located in the central part of the Mt Hope Trough in an area of intermixed volcanic and sedimentary rock intruded by later granites and porphyries. The project area hosts numerous polymetallic mineral occurrences, old prospects and an historical gold mine. The southern Cobar Basin is relatively under-explored in comparison to other areas in the Cobar district and is considered to be prospective for both magnetic (i.e. Peak, CSA, Elura style deposits) and non-magnetic (i.e. Hera style deposit) Cobar-style mineralisation that may have developed in favourable structural-stratigraphic settings. Deposits in the immediate area include the polymetallic (Au-Cu-Zn-Pb) Wagga Tank, May Day, Mt Hope deposits (Suppel & Gilligan, 1993). Recent success by Peel Mining at Mallee Bull and Triako/ YTC Resources at Hera (both located to the north of the Wagga Tank JV) suggests that the historic intersections recorded (several are listed below) are of considerable significance:

- 15.4m @ 133g/t silver, 4.5% lead, 12.5% zinc from 140.1m
- 7.5m @ 99g/t silver, 7.3% lead, 18.0% zinc from 215.6m
- 1m @ 10.7g/t gold, 1.8% copper from 79m

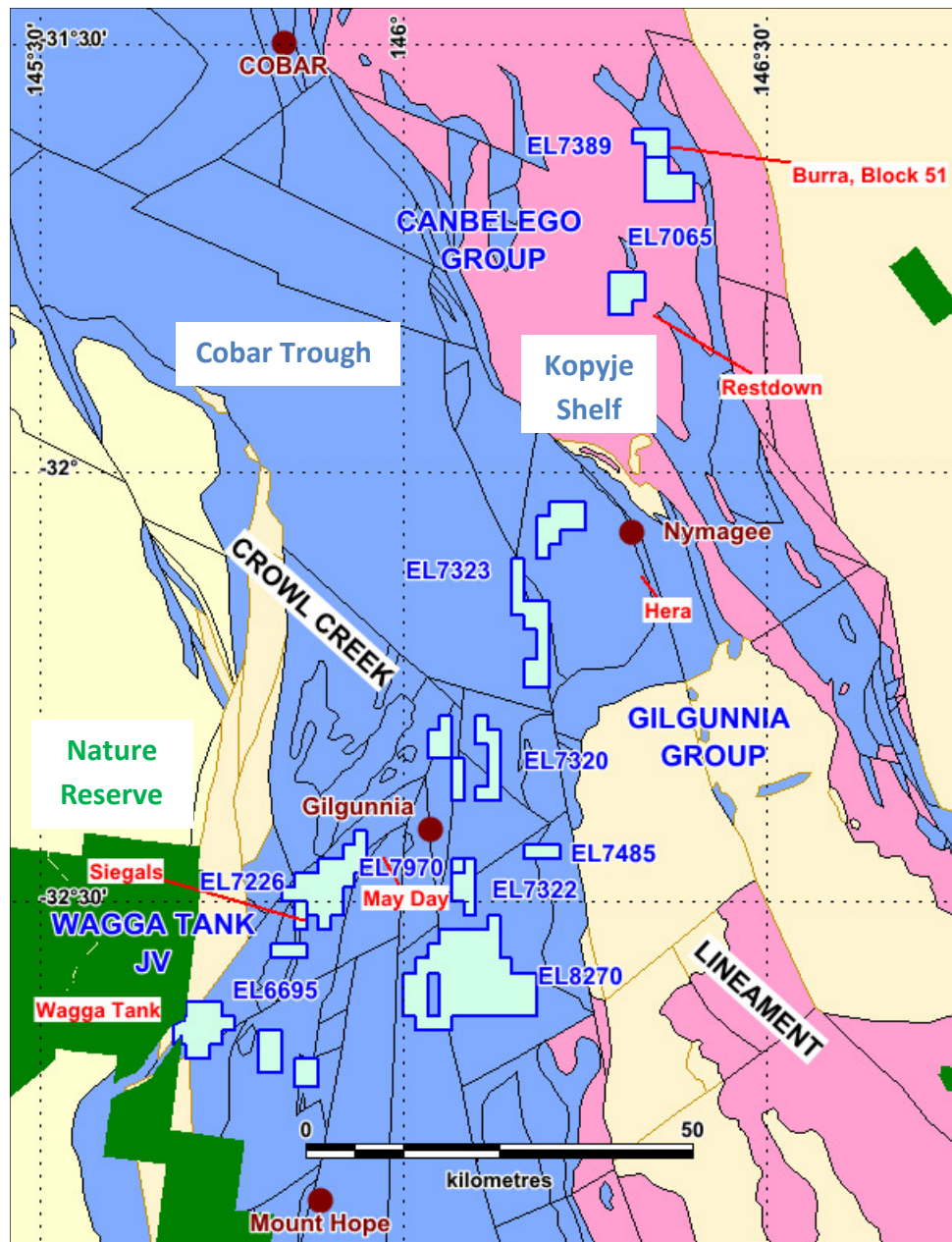


Figure 12 : Geological Setting and Mineralisation, Cobar Group Tenements

#### MINERAL RESOURCES

There are no mineral resources compliant with the JORC Code 2012 identified within the Cobar Region tenements of GCR. We note, however, that tonnage/grade estimates were published for the Wagga Tank Prospect within the Wagga Tank JV in the 1970s. We have not reproduced these here as they are not classified in accordance with the provisions of the JORC Code 2012.

We also note the comments by (Ferris, 2015c) in regard to the Burra tenement, in which he stated that “There may be sufficient intercepts to calculate an Inferred Resource, however the geometry of the lodes is complex and poorly understood, and follow-up drilling has taken place in several phases to clarify the structure and search for extensions down plunge.”

## BROKEN HILL

### TENEMENT

The mineral rights for EL7390 were split in the early 2000s into two different styles of mineralisation (Platinum Group Elements (PGEs) – copper – nickel mineralisation and zinc – lead – silver Broken Hill style mineralisation) that are subject to different joint ventures between the licence holder, GCR and Endeavour Minerals Pty Ltd and Silver City Minerals Limited (SCM), respectively. Impact Minerals Limited purchased Endeavour Minerals Pty Ltd in 2013.

On 23 October 2015 Impact publicly announced that it had acquired EL7390 from GCR for \$60,000 cash and a 1% gross production royalty to take Impact to 100% of the nickel-copper-PGE rights, previously in joint venture with GCR. At its election, Impact has the right to buy back the royalty for \$1.5 million cash at any time up to a Decision to Mine, or, leave the royalty uncapped during production. In addition, Impact will assume GCR's joint venture rights for lead-zinc-silver-other metals with SCM.

### LOCATION, ACCESS & TOPOGRAPHY

The project is located 15-20kms east of Broken Hill in three non-contiguous blocks (Figure 13).

### NATIVE TITLE

The project is located on Western Lands Lease in which Native Title has been extinguished.

### ENVIRONMENTAL CONSIDERATIONS

There are no environmental considerations that have been noted in searches completed.

### PROJECT HISTORY

Previous company exploration in the area of EL7390 identified small nickel-copper-PGE gossans that returned high PGE and gold values. A diamond drill hole drilled in the 1970s at the Mulga Springs prospect returned a 2-3m intercept of pyrrhotite-pentlandite-chalcopyrite mineralisation associated with the ultramafic rocks, however no systematic PGE assaying was completed.

GCR tested geochemically anomalous zones with shallow RCP drill holes and several high-grade PGE intercepts were obtained, mostly in the oxide zone, with one sulphide intersection also obtained. Other exploration comprised airborne gravity and magnetic surveys, ground EM and extensive RAB drilling. In 2006 JOGMEC of Japan farmed into the northern part of the licence and Inco Australia Limited into the southern portion. Both parties have subsequently withdrawn without any retained interest. Subsequently Impact Minerals Limited completed gossan analysis and drilling with results published in 2013:

- 120kg gossan sample returned 19.6g/t platinum, 0.6g/t gold, 0.7% copper, 0.3% nickel, 50g/t palladium, 3g/t rhodium, 3g/t osmium and 4.4g/t iridium
- 4m @ 17.9g/t platinum/palladium/gold, 2.3% nickel and 3.2% copper from 43m from drilling.

More recently (8 December and 21 December 2015) Impact announced high grade zinc-silver intersections from one of the prospects.

## GEOLOGICAL SETTING &amp; MINERALISATION

The project lies near the eastern margin of the Broken Hill Block. The rocks are highly metamorphosed sediments and minor intrusions of mafics and ultramafics. In the project area three intrusions (Mt Darling Creek, Mulga Springs and Red Hill) have evidence of nickel, copper and PGE mineralisation associated with ultramafic rocks.

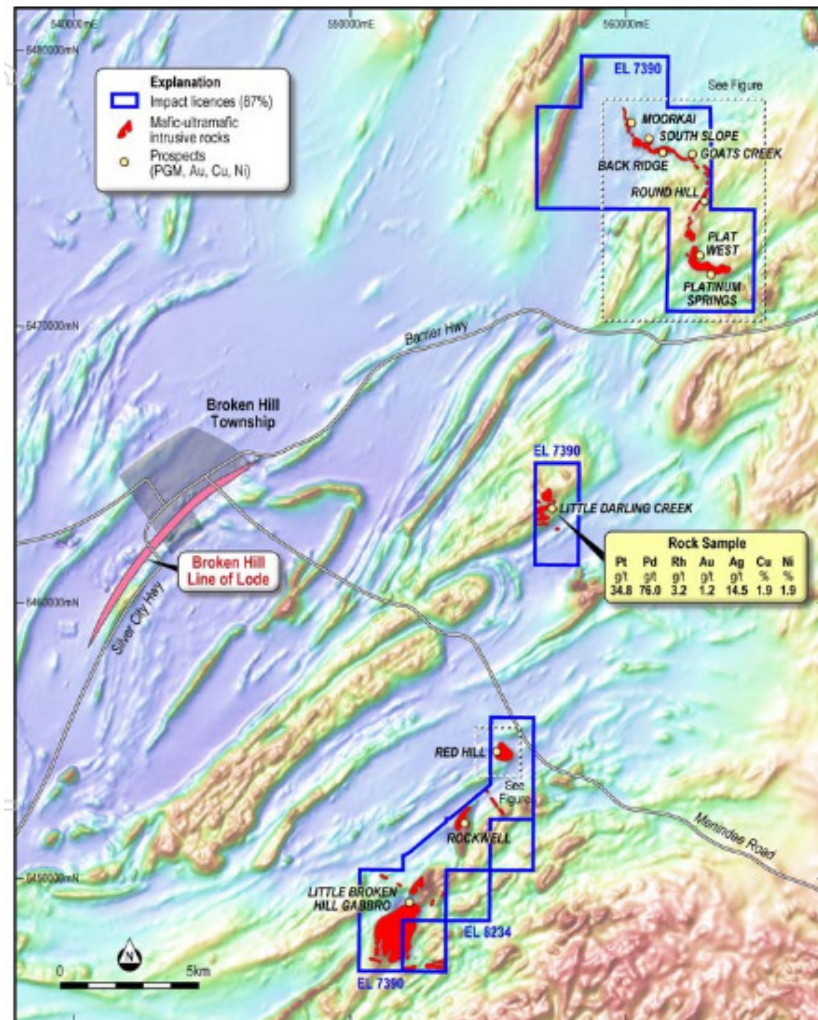


Figure 13 : Location of EL7390 and contained ultramafic rocks

## MINERAL RESOURCES

There are no mineral resources currently identified within EL7390.

## SOUTHEAST LACHLAN FOLD BELT

This project group includes Quidong EL7989 and Cullarin EL7954 projects (Figure 14).

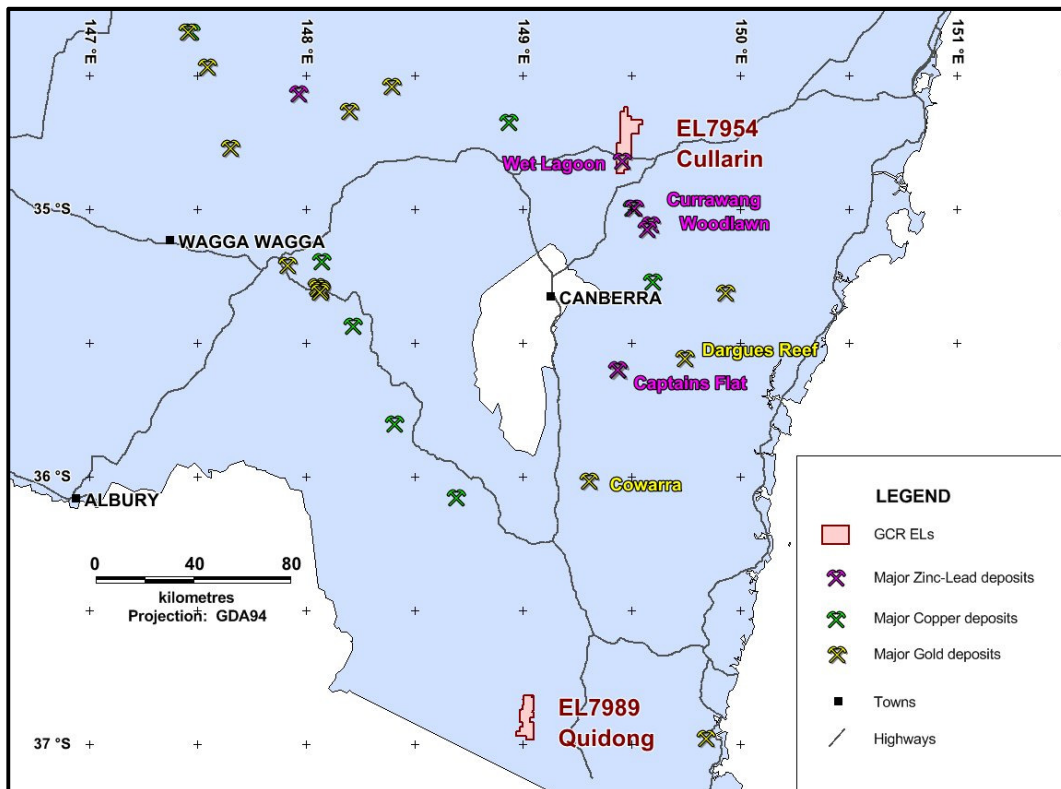


Figure 14 : Location of GCR's SE Lachlan projects

### TENEMENT

#### Quidong

EL7989 was granted on 23 October 2012 over 70 graticular units (~190 km<sup>2</sup>) for a period of two years; the licence has been renewed over 34 units until 23 October 2016. The tenement is held 100% by GCO.

#### Cullarin

EL7954 of 51 units is currently held by TriAusmin Minerals Limited (now Heron Resources (Heron)) and expires on 19 June 2016. The tenement is an amalgamation of two previous exploration licences held by GCO and current beneficial interests in EL7954 are Heron 78.9% and GCR 21.1%.

It is noted that EL8337 (Group 2 minerals) held by Ochre Resources overlies EL7954. It is understood that the holder is a related company to Heron but this tenement has not been formally offered to GCR to be included in the Cullarin Joint Venture. Geos Mining has not considered this tenement further in terms of the valuation.

### LOCATION ACCESS

#### Quidong

Exploration Licence 7989 is located approximately 20km west of Bombala in south-eastern New South Wales. Access is by a good quality unsealed road west off the Bonang Highway between Bombala and Delegate, and the licence area is well served by farm tracks. Topography is moderately rugged in the north

and west of the tenement. However, the Quidong Basin in the centre of the tenement comprises a central area of cleared, undulating topography traversed by the Delegate River.

### **Cullarin**

EL7954 is located 35 km north-northwest of the Woodlawn Mine and is centred 20 km due west of Goulburn. Access across the tenement is good and provided by numerous east-west and north-south sealed roads and several unsealed farm tracks. The tenement includes excellent infrastructure featuring the Moomba-Sydney natural gas pipeline, three high-voltage transmission lines, the current and old Hume Highways and the Sydney to Melbourne Rail Line.

#### **NATIVE TITLE**

### **Quidong**

There are no Native Title applications or determinations over the area of EL7989.

### **Cullarin**

Native Title application NC1997/007 lodged by the Gundungurra Tribal Council Aboriginal Corporation #6 has not been determined but transects the northern half of EL7954.

#### **ENVIRONMENTAL**

### **Quidong**

The Bombala River flows through the Quidong project and GCR's 2015 Annual Report noted "the current risks of undertaking a mining development near a significant watercourse" as evidenced by a competitor project. The tenement includes many small holdings with known hostility to exploration and mining and also abuts onto the Quidong National Park.

### **Cullarin**

There are several issues to be addressed at Cullarin, including a wind farm within the tenement, the Hume Highway transects the tenement, the Wet Lagoon Nature Reserve prevents access for exploration and some landowner hostility towards exploration.

#### **PROJECT HISTORY**

### **Quidong**

There has been extensive exploration carried out since the 1950s by numerous companies. This has included considerable drilling and geophysical surveys. Some very interesting intersections have been recorded, such as:

- 15.1 metres @ 4.0% Zn and 2.3% Pb from 173 metres at Clarke's Reef in a WMC diamond drill hole
- 2.5m @ 4.2% Zn with maximum values of 22.9% Zn, 4.6% Pb, 99ppm Ag in an Avon Resources diamond drill hole

### **Cullarin**

The main exploration work commenced in the early 1970s when several companies such as North Broken Hill, Pan Aust and CRA explored the region. A number of prospects were defined early on with the VMS

model pursued and verified by the intersection of massive sulphides. Considerable drilling and geochemical sampling has been carried out.

#### GEOLOGICAL SETTING AND MINERALISATION

##### **Quidong**

The Quidong Project is located within the eastern part of the Lachlan Fold Belt. VHMS deposits formed in basins and in particular, the Quidong Basin is a fault-bounded basin which unconformably overlies a basement comprising turbiditic sandstones.

Numerous historic shafts and workings are located around the margins of the Quidong Basin, the most significant being Clarke's Reef and the Central Copper Workings. Exploration models have incorporated structural features as the primary control over mineralisation with the stratabound mineralisation as a secondary feature.

##### **Cullarin**

EL7954 covers a fault bounded graben structure filled with a thick sequence of volcanics, volcanoclastics and carbonate bearing units interpreted to be the stratigraphic equivalent to the host sequence of the Woodlawn deposit to the south.

A wide range of mineralisation styles are present within Cullarin, reflecting the complex geological history of the area, including volcanic hosted massive sulphides (VHMS), intrusion-related porphyry copper and skarn/replacement styles, remobilised fluids and hydrothermal alteration associated mineralisation and shear-hosted, structurally controlled lode style mineralisation.

Mineralisation extends at depth to at least 670m and better examples from Wet Lagoon (Figure 15) include:

- 142m @ 0.9g/t gold (incl. 12m @ 4.44g/t gold) from 30 m;
- 148m @ 0.97g/t gold (incl. 14.6m @ 5.1g/t gold) from 16 m

Heron have inferred the target in the south as a low grade, larger tonnage type of copper – gold deposit while mineralisation in the north is typically low tonnage but high grade zinc – lead – silver - copper.

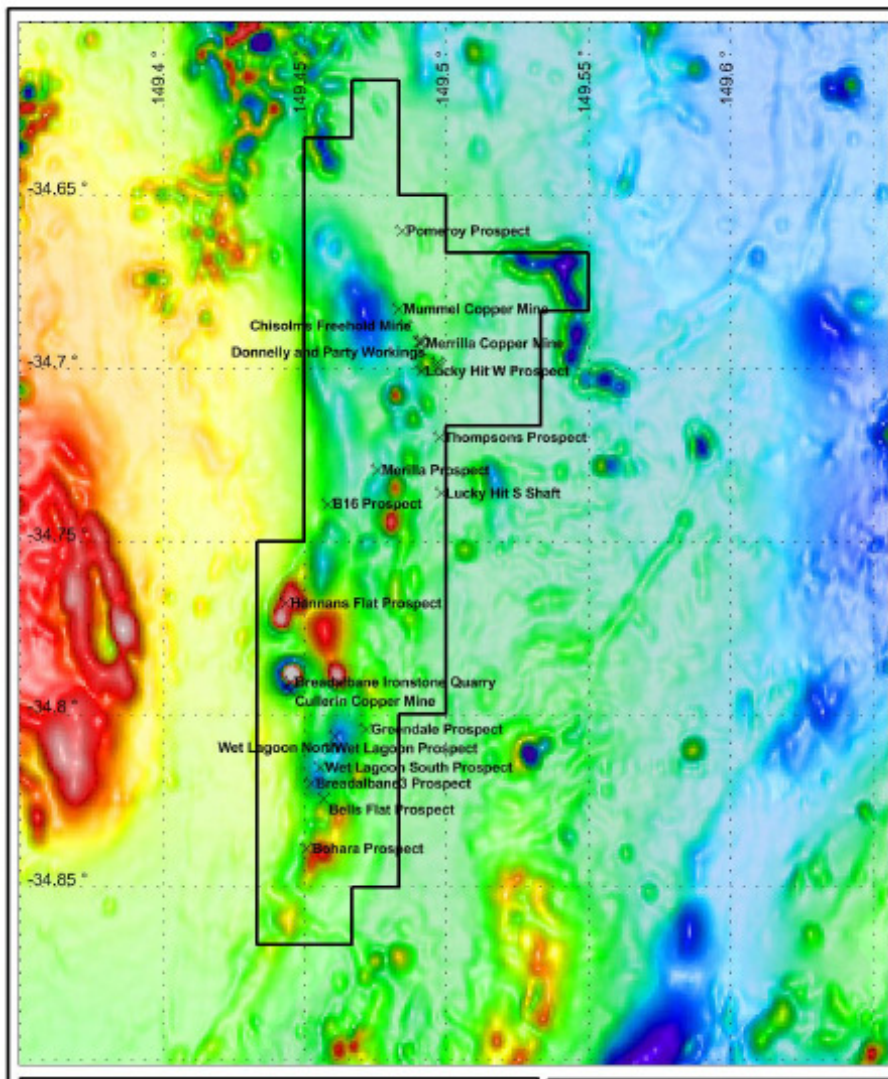


Figure 15 : Cullarín Project showing Prospect Location with aeromagnetics image

#### MINERAL RESOURCES

There are no reported mineral resources at either Quidong or Cullarín projects.

## MOUNT ISA JV QUEENSLAND

#### TENEMENT

GCR, through its subsidiary KER, holds EPM14905 (Quita Creek), 14906 (Highland Plains) and 14912 (Lily Creek & Sherrin Creek). These non-contiguous tenements cover a total of 876km<sup>2</sup> in the Mount Isa Region of Queensland (Figure 16).

GCR farmed out the phosphate mineral potential of all three tenements to Legend International Holdings Inc. (LIH) in December 2007, as the Mount Isa JV. The joint venture is operated by Paradise Phosphate Limited (PPL), a 100% owned subsidiary of LIH. LIH transferred its joint venture interest (Golden Cross Joint Venture Projects) to PPL in 2012. PPL earned an 80% interest in the Mount Isa JV tenements by spending \$3.06 million by December 2012. LIH/PPL was required by agreement to assay for uranium and supply the

results to GCR. GCR retains a 20% interest in the phosphate minerals and is free carried to a decision to mine for phosphate and retains 100% of the rights to all other minerals.

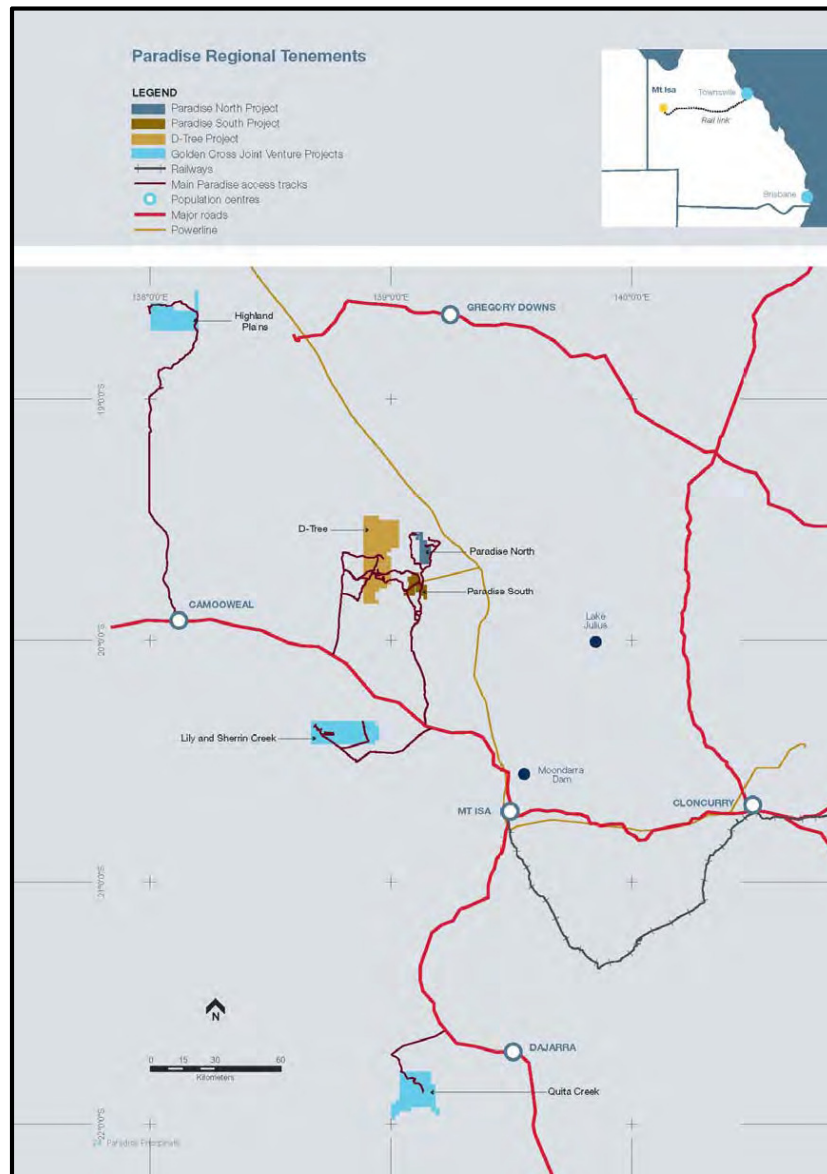


Figure 16 : GCR tenements in Mount Isa JV (Golden Cross Joint Venture Projects, after LIH, 2014)

#### LOCATION & ACCESS

EPM14905 (Quita Creek) lies 125km south-southwest of Mt Isa and is accessed via the Diamantina Development road. EPM14906 (Highland Plains) lies 280km northwest of Mt Isa and is accessed by roads from Camooweal to Herbertvale or Gallipoli Stations. Part of the known phosphate mineralisation in EPM14906 falls within a Wild Rivers High Protection Area. EPM14912 (Lily Creek & Sherrin Creek) is 80km northwest of Mount Isa and is accessed via the Barkley Highway.

#### NATIVE TITLE

Native title exists over the entire tenement area of EPM14905 (Bularnu Waluwarra & Wangkayujuru People) and EPM14906 (Waanyi Peoples). Native title exists in parts of EPM14912 (Indjalandji-Dhidhanu People).

## ENVIRONMENTAL CONSIDERATIONS

Part of the known phosphate mineralisation in EPM14906 falls within the Wild Rivers High Protection Area.

## PROJECT HISTORY

The tenements of the Mount Isa JV were first explored for phosphate in the 1960's, however until 2008 only limited minor work had occurred prior to the farm in agreement. Exploration by GCR and LIH consisted of compilation of historical data, development of a 3D model for the Highland Plains deposit on EPM 14906. Aeromagnetic and radiometric surveys were flown over all three tenements.

LIH commenced drilling programs at Lily and Sherrin Creek in 2008 with the latest program concluding in 2011. During this period 2,150 metres of drilling was completed. The programs successfully confirmed the presence of phosphate mineralisation. The first drilling program at Highland Plains and Quita Creek commenced in 2011 and where 1,248 metres and 597 metres, respectively, were drilled. Early results were disappointing at Highland Plains.

## GEOLOGICAL SETTING & MINERALISATION

The Mount Isa JV tenements cover parts of the Georgina Basin and the Mount Isa Inlier. The Georgina Basin sediments are unmetamorphosed but have been deformed to a variable degree by reactivated faulting.

Within the Georgina Basin sequence, the basal Middle Cambrian Beetle Creek and Border Waterfall Formations host Australia's largest phosphate deposits. Each of the Mount Isa JV tenements contains either, Beetle Creek Formation and/or its lateral equivalent, the Thornton Limestone, or the Border Waterfall Formation. All tenements contain some known phosphate deposits. While the historically reported volumes present are quite large, the average grades are less than the approximate 30%  $P_2O_5$  required for direct shipping phosphate ore (DSO). None of the deposits have resources estimated in accordance with the JORC Code and the figures below are only indicative of the tenor of the historically estimated mineralisation:

- EPM14905 - 1970's exploration outlined significant extent of phosphate bearing rock at both Quita Creek and Steamboat. Queensland Government record BR 5107, 1996, suggests 20-30 million tonnes with grade estimates ranging from 7.4%  $P_2O_5$  to 17.7%  $P_2O_5$ .
- EPM14906 - includes phosphatic siltstone averaging four metres thickness and up to eight metres. Department of Mines and Energy records (Company Report 15312, 1986) reported a historical non-JORC compliant estimate of 84 million tonnes at 13.4%  $P_2O_5$ .
- EPM14912 - includes prospective formation that varies from two to over thirty metres thick. Historical non JORC compliant estimates of phosphate deposits at Lily Creek 190 million tonnes at approximately 14.9%  $P_2O_5$  (Queensland Government record BR 5107 Published in 1996), and Sherrin Creek (BR 5107 Published in 1996) 170 million tonnes with a rough grade of 16.5%  $P_2O_5$ . Exploration Target expectations are in the order of 200 - 300 million tonnes for a grade of 13 to 17%  $P_2O_5$ .

In addition to the phosphate potential, the Mount Isa JV tenements were considered to have potential for uranium mineralisation to occur within the Georgina Basin units. GCR also considered sediment-hosted secondary uranium deposits in reducing environments and associated structural traps to be potential targets. The phosphate-rich units of the Georgina Basin may provide the appropriate reducing environment for the deposition of uranium mineralisation. No significant uranium mineralisation has been reported.

The basement Mount Isa Inlier units in the Mount Isa JV tenements are considered to have some potential to host copper-gold deposits and possibly uranium and base metal deposits. Aeromagnetic surveys indicated that ultramafic rocks may be present beneath the sediments in the basement on EPM 14905. This area was considered prospective for copper deposits and GCR drilled four RCP and DDH holes to test this target. No significant mineralisation was located.

#### MINERAL RESOURCES

No mineral resource estimates have been declared for the Mount Isa JV project. Exploration Target expectations in the order of 200 - 300 million tonnes for a grade of 13 to 17%  $P_2O_5$  on EPM 14912 are considered likely by Geos Mining, with good potential to be up-graded.

### COOBER PEDY, SOUTH AUSTRALIA

#### TENEMENT

GCO holds four exploration licences within the northern Gawler Craton region of South Australia proximal to Coober Pedy. These are non-contiguous tenements, covering an area of 1765 km<sup>2</sup>.

#### LOCATION, ACCESS & TOPOGRAPHY

The Coober Pedy IOCG project tenements are located approximately 750 km NNW of Adelaide, between Coober Pedy and Oodnadatta. Access to the area is provided by the Stuart Highway and the Oodnadatta Track. Tenement locations are shown on Figure 17.

EL4427/5594 (Oolgelima) consists of three non-contiguous parts centred approximately 35km northeast of Coober Pedy. The southeast portion lies partially within the Woomera Prohibited Area (WPA). EL4431/5572 (Codna) is centred approximately 115km east-southeast of Coober Pedy within the Woomera Prohibited Area. EL4695 (Giddina) consists of two non-contiguous parts centred approximately 25km northeast of Coober Pedy and adjoins the three parts of EL4427 (Oolgelima). The central and southern parts lie partially within the Woomera Prohibited Area. EL4966 (Stuart Range) is located southwest of Coober Pedy and adjoins the southern part of EL4695 (Giddina); its eastern extremities are partly within the Woomera Prohibited Area.

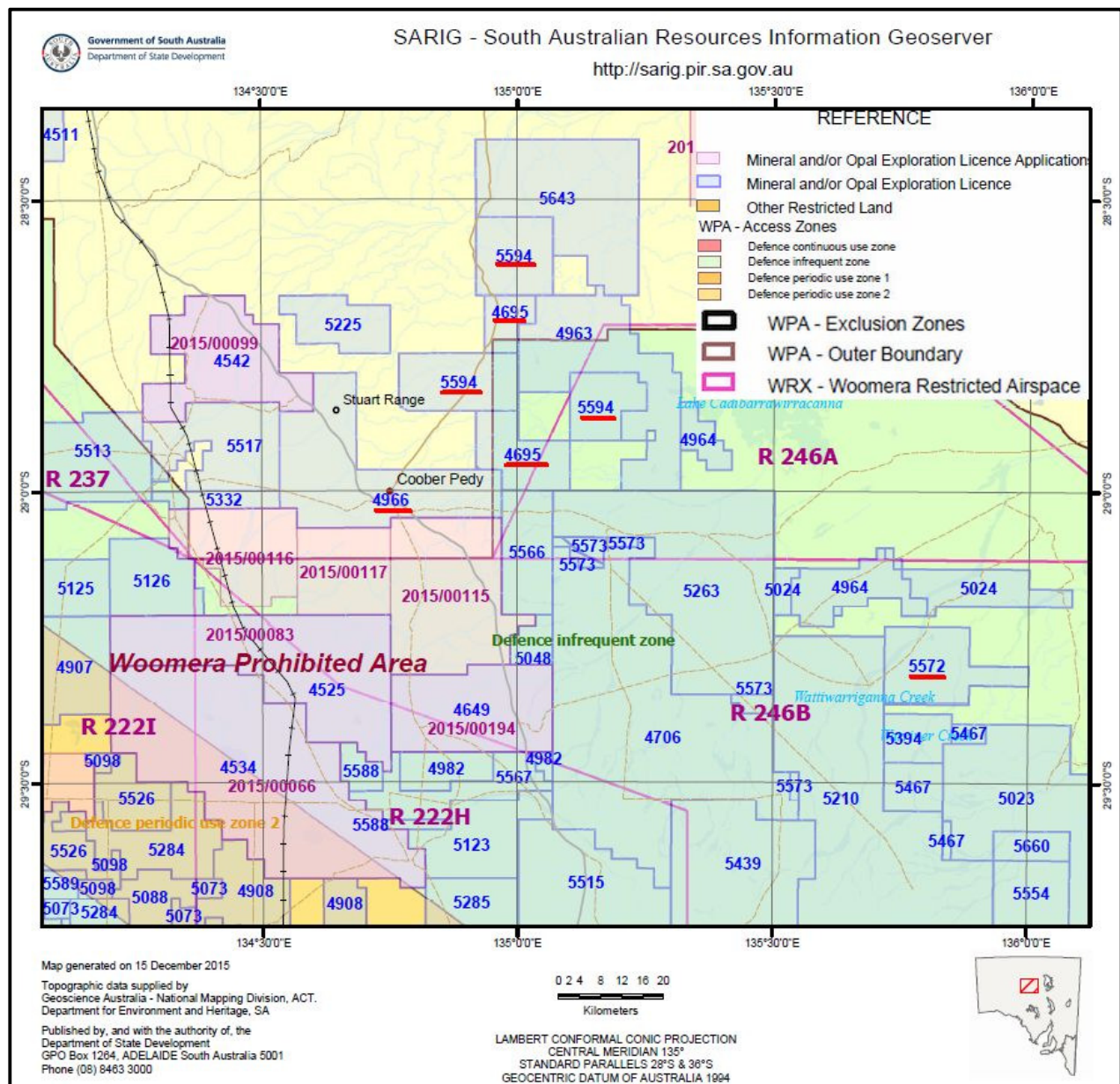


Figure 17 : GCR Coober Pedy tenements (red underline) location plan, showing WPA zones.

#### NATIVE TITLE

The southeast portion of EL5594 lies partially within the Woomera Prohibited Area and the area is subject to native title determinations for both Arabana and Antakarinja Matu Yakunytjatjara Lands. EL5572 lies within the Woomera Prohibited Area and is subject to land in the Arabana Native Title Determination. EL4695 central and southern portions are subject to land in the Antakarinja Matu Yakunytjatjara (AMY) Native Title Determination. EL4966 is within the Antakirinja Native Title Determination.

#### ENVIRONMENTAL & ACCESS CONSIDERATIONS

The tenements are subject to environmental best practice as required by the South Australia Department of State Development. On 7 June 2010, written consent was received from S. Kidman & Co. for planned exploration activities on ELs 4427 (5594) and EL4431 (5572). Parts of EL4427 (5594) and EL4695 are over land known as Coober Pedy Common. Access was originally approved in an email from the Ministry of Conservation dated 27 July 2010.

Three tenements lie within the Woomera Prohibited Area (WPA) and are subject to entry and activity restrictions as determined by the Department of Defence. A new access deed was required from February 2015. EL4966 covers most of the Coober Pedy Precious Stones Field.

#### PROJECT HISTORY

The following summary exploration work (Table 10 and Table 11) is based on the combined 2015 Annual Report by GCR (Ferris, 2015d).

#### EL4426 (Warriner Creek) and EL5572 (4431) (Codna Hill)

| YEAR | COMPANY                     | EXPLORATION ACTIVITIES                                                                                                                                                                                                         |
|------|-----------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1978 | Kennecott                   | Western portion of EL4426, target - Olympic Dam-style mineralisation. Geophysical interpretation based on one 500m deep drill hole. No further work undertaken.                                                                |
| 1979 | Newmont                     | Targeted Olympic Dam-style mineralisation. Grid-based ground gravity/ magnetics followed by diamond stratigraphic hole to 900m depth. No significant mineralisation was encountered.                                           |
| 1980 | Dampier Mining              | Nine widely-spaced percussion holes (1340m), target - early Permian coal seams. Only very thin seams were intersected.                                                                                                         |
| 1981 | Aquitane Australia Minerals | Target - buried IOCG's within a basement high. Core drilling of one hole to 155m depth. Test a 4mgal residual gravity anomaly. No further work was undertaken and the tenement was relinquished.                               |
| 1990 | Stockdale Prospecting       | A reconnaissance and follow-up aeromagnetic, radiometric and VLF-EM survey was undertaken, target diamonds. No source kimberlitic intrusions or related geophysical anomalies identified.                                      |
| 1991 | Cyprus Coal                 | Target - Permian coal in the Mount Toondina Formation. Undertook EM and reflection seismic surveys, regional and detailed rotary mud drilling ( 56 holes for 11,007m). The Weedina coal deposit was discovered and delineated. |
| 1995 | BHP Minerals                | Airborne magnetic/radiometric surveys, ground magnetics and EM surveys and 17 RC drill holes. Elevated gold, base metals and REE in seven of the holes                                                                         |
| 1996 | MIM                         | IOCG-style mineralisation, completed aeromagnetic surveys.                                                                                                                                                                     |
| 2001 | Goldstream Mining           | Exploration for IOCG targets. A discrete magnetic bulls-eye anomaly tested by ground magnetics and a single RC drill hole drilled to 316m. No significant mineralisation was located.                                          |
| 2009 | Barrick Gold                | Helicopter-borne ground gravity over EL4426 and EL5572. No prospective targets and relinquished the tenement                                                                                                                   |

Table 10: Summary of exploration on EL4426 and EL5572 (4431)

#### EL5594 (4427) (Oolgelima Hill)

| YEAR | COMPANY   | EXPLORATION ACTIVITIES                                                                                                                                                                                                                                                                                                                      |
|------|-----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1979 | Kennecott | Evaluated aeromagnetic and gravity data                                                                                                                                                                                                                                                                                                     |
| 1987 | CRA       | Helicopter magnetic surveys, soil sampling, auger drilling and costeaning during exploration for sulphates in the cover sequence.                                                                                                                                                                                                           |
| 1995 | BHP       | Aeromagnetic/radiometric survey, follow-up ground magnetics and drilling at eleven magnetic anomalies. At Cadi prospect drill hole intersected mineralised magnetite amphibole-pyroxene rock, with significant pyrite, pyrrhotite and disseminated chalcopyrite in massive magnetite from 138m and 194m. Two zones of elevated base metals. |

|             |                                |                                                                                                                                                                                                                                                                                |
|-------------|--------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>2001</b> | Goldstream                     | Cadi prospect confirmed IOCG-style mineralisation; intersection of “4m massive sulphide section assaying 1.12% copper at the base of hole WS003”. A limited program of drill testing similar features was undertaken in conjunction with a regional drilling program by PIRSA. |
| <b>2000</b> | PIRSA                          | In cooperation with Goldstream Mining, PIRSA completed 12 reconnaissance holes testing aeromagnetic anomalies.                                                                                                                                                                 |
| <b>2003</b> | Anglo American- Gold stream JV | Mt Woods project area - ground gravity survey over the Warriner North tenement, no IOCG targets located.                                                                                                                                                                       |
| <b>2005</b> | Alliance Craton Explorer       | Ground gravity survey no priority targets for further work.                                                                                                                                                                                                                    |

Table 11: Summary of exploration on EL5594 (4427)

Exploration and evaluation by GCR since the grant of the tenements has involved the acquisition, processing and interpretation of airborne magnetic data and regional and detailed gravity surveys, including follow-up infill gravity surveys to refine targets. A systematic evaluation of the selected coincident magnetic and gravity anomalies in prospective structural settings was followed by drilling three holes, one each at Algebullcullia, Mount Euee in the northern part of EL4427 (5594) and one at the SR11 in the southern part of EL4427.

#### GEOLOGICAL SETTING & MINERALISATION

EL4431 is located on the northern edge of the Mt Woods Inlier in which metasediments are characterised by an intense magnetic response reflecting a combination of magnetite-rich precursor sediments including BIFs, magnetite alteration and interpreted mafic intrusive bodies. The inlier is bounded by major shear zones, the most prominent of which is the Karari Fault Zone. Depths to basement vary from 60m to >400m.

The basement geology within tenements EL4427, EL4695, EL4966 comprises the Coober Pedy and Mabel Creek Ridges that include granites and mafic intrusions of the Gawler Range Volcanics.

Drilling results from BHP hole NC9202 intersected a 134m interval of strongly elevated Cu, Pb, Zn and La, Ce rare earths. A hole by Goldstream in 1999 encountered “4m of massive sulphide assaying 1.12%Cu”.

#### MINERAL RESOURCES

No mineral resources have been defined for the Coober Pedy IOCG project tenements.

## Valuation

### VALUATION METHODOLOGIES USED TO VALUE GCR'S MINERAL ASSETS

The valuation of the assets is as at 30 November 2015.

Descriptions of Valuation Methodologies are presented in Appendix 2 of this report.

Our final values are “fair market values” as defined in the Valmin Code (see below) which equate to “fair values” as defined in ASIC 13. We have assessed each project’s “technical value”, using the methods described below, in terms of each asset’s reasonable potential to generate income in its highest and best use, which is as a future operating mine in the case of the Copper Hill assets, and as mineral exploration projects for the remainder.

The VALMIN Code defines “Fair Market Value” as:

*“the amount of money (or the cash equivalent of some other consideration) determined by the Expert in accordance with the provisions of the VALMIN Code for which the Mineral or Petroleum Asset or Security should change hands on the Valuation Date in an open and unrestricted market between a willing buyer and a willing seller in an “arm’s length” transaction, with each party acting knowledgeably, prudently and without compulsion.”.*

Unless otherwise indicated all financial figures quoted in this report refer to Australian Dollars (“\$A”). Values in this report do **not** include any allowance for the costs of negotiating any sale.

In undertaking this valuation of the tenements, the following methods have been considered, in compliance with ASIC regulatory guide RG111.69:

- Income Approach - Future income method (discounted cash flow analysis)
- Cost Approach - Calculation of attributable exploration expenditure
- Market Approach - Comparable transactions on similar projects
- Market Approach – Joint Venture terms
- Market Approach – Market Capitalisation of similar companies

#### FUTURE INCOME METHOD (DCF ANALYSIS)

We have considered ASIC regulatory guide RG111.98 and RG111.99 and note that it is generally accepted by industry, for example see (Roscoe, 2001) that, for operating mines or where exploration has advanced to the stage where there is a defined project with quantified resources, the best approach to valuation is usually to estimate the ‘**present value of future income**’ - also known as the ‘discounted cash flow method’ (DCF).

For mineral projects that are not at the Feasibility study stage, i.e. they do not have Ore Reserves defined, the low confidence in the forward-looking information makes the DCF method unreliable for valuing mineral assets. Because of these restrictions, we have chosen not to use the DCF method as the primary valuation tool for any of the GCR properties. However, the future income assessed in the scoping study and financial analysis for the Copper Hill project, having discounted for the current status of the project, has been used as a check method for the alternative methods used for Copper Hill.

#### MODIFIED REPLACEMENT VALUE / ATTRIBUTABLE EXPLORATION EXPENDITURE

The Modified Replacement Value (MRV) method examines the cost that would be incurred by an explorer in acquiring and exploring a similarly prospective tenement up to the same stage of development as the subject tenement. Past Attributable Exploration Expenditure (AEE), or the amount spent on effective exploration on a tenement, is commonly used as a guide in determining the value of exploration tenements, and “deemed expenditure” is frequently the basis of joint venture agreements. On top of the past expenditure, an Acquisition Cost (AC) is added to reflect costs in acquiring the tenement. Two modifying factors, the Market Factor and Prospectivity Enhancement Multiple (PEM, see Appendix 2), are then applied to the past expenditure, taking into account the availability of prospective ground and the success or otherwise of the exploration programs.

The AEE method has been used to determine a value for the Cargo, Sunny Corner, West Wyalong, SE Lachlan, Cobar, Mt Isa phosphate and South Australia IOCG projects.

## COMPARABLE TRANSACTIONS

We have utilised Comparable Transactions for the Copper Hill and the Cobar Group projects. In determining the valuation applicable to the Copper Hill project from the Comparable Transactions, we have utilised a Transaction Metal Value Ratio (TMVR) derived from:

- Total metal content in resources and reserves held by the target company
- In-situ value of the contained metals as at the transaction date
- Total transaction amount reconciled to 100% equity of the target company
- Ratio of the transaction amount to the in-situ value of the contained metals
- The range of the TMVRs applied to the total resources of the GCR property

## JOINT VENTURE TERMS

For those projects subject to a Joint Venture Agreement with other companies, the terms of the JVA have been used as a basis for valuing the GCR component of the projects. This method has been used as a basis for assessing the value of the Sunny Corner and West Wyalong projects.

## MARKET CAPITALISATION METHOD

The Market Capitalisation Method can be used when there are companies with one main project similar in size, jurisdiction and stage of development as the target company/project. However, finding such similar companies can be difficult and the method is usually only used if other methods are not appropriate. This method has not been used for the GCR projects.

## COPPER HILL VALUATION

### COMPARABLE TRANSACTIONS

For the Copper Hill project, we have relied upon a Market Approach – Comparable Transactions, utilising a Transaction Metal Value Ratio (TMVR), as the primary valuation method. As a check for the primary method, the Income Approach – DCF analysis and the Cost Approach – Attributable Exploration Expenditure have been used as secondary methods.

We have searched the SNL database system, company websites and ASX announcements for publicly available data on transactions involving copper-gold properties in Australia between unrelated companies to determine likely market values for the Copper Hill project (see Appendix 1). A review of copper and gold prices in Australian dollars has shown reasonable stability over the past two to three years (Figure 18, Figure 19). Therefore, the selected transactions have been restricted to no earlier than 30 October 2012.

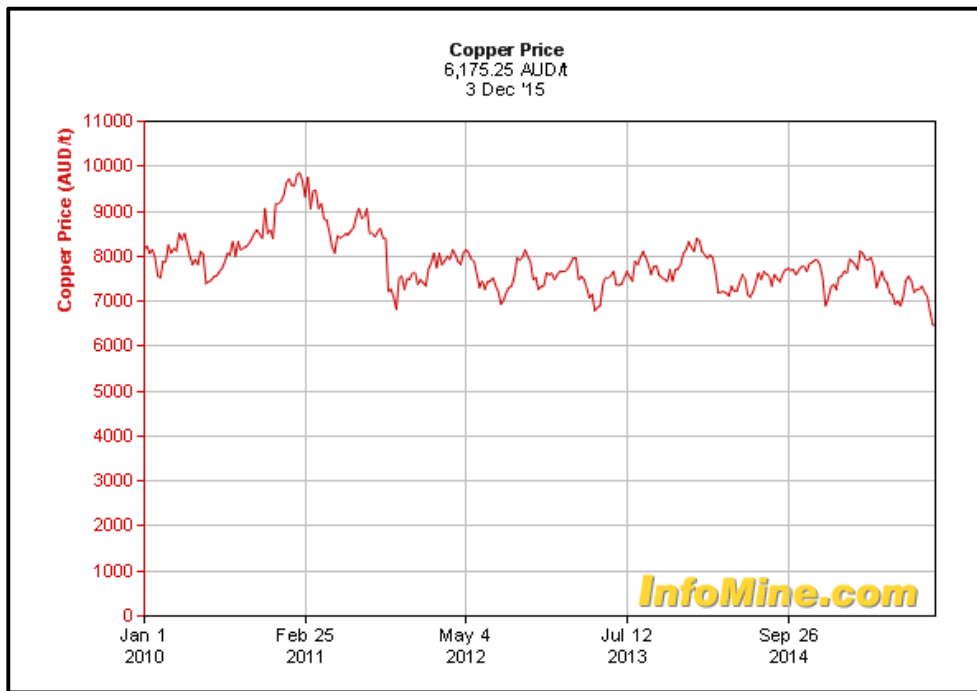


Figure 18 : Copper prices in A\$ / tonne since 1 January 2010

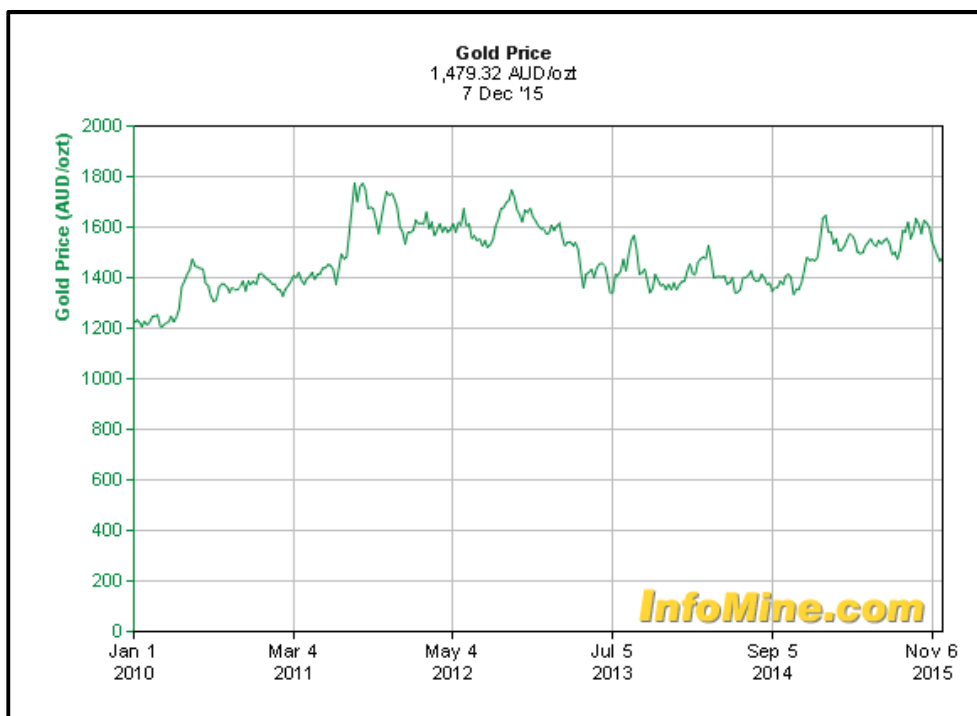


Figure 19 : Gold prices in A\$ / oz since 1 January 2010

The transactions ranged in value (@ 100% equity) from \$2.77M to \$274.45M and involved projects with total values of in-situ metal contents ranging between \$367M and \$19,635M. The TMVRs (the ratio of the transaction amount divided by the total of the contained metal in quoted resources multiplied by metal prices at the time) ranged from 0.001 to 0.022 and average 0.012. Applying these ratios to the in-situ value of the Copper Hill resources provides a range of values from \$2.45M to \$62.6M and average \$24.8M.

Such a wide range in TMVRs is indicative of the variability in market transactions over the past few years and selection of an appropriate ratio for valuing the target property can be highly subjective. In determining a preferred value for Copper Hill, we have plotted the transaction data at logarithmic scales and determined a trendline (Figure 20). Plotting the Copper Hill contained metal in resource value (\$2,100M as at 30/11/2015 metal prices) on the trendline gives a deal value for Copper Hill of \$14.5M.

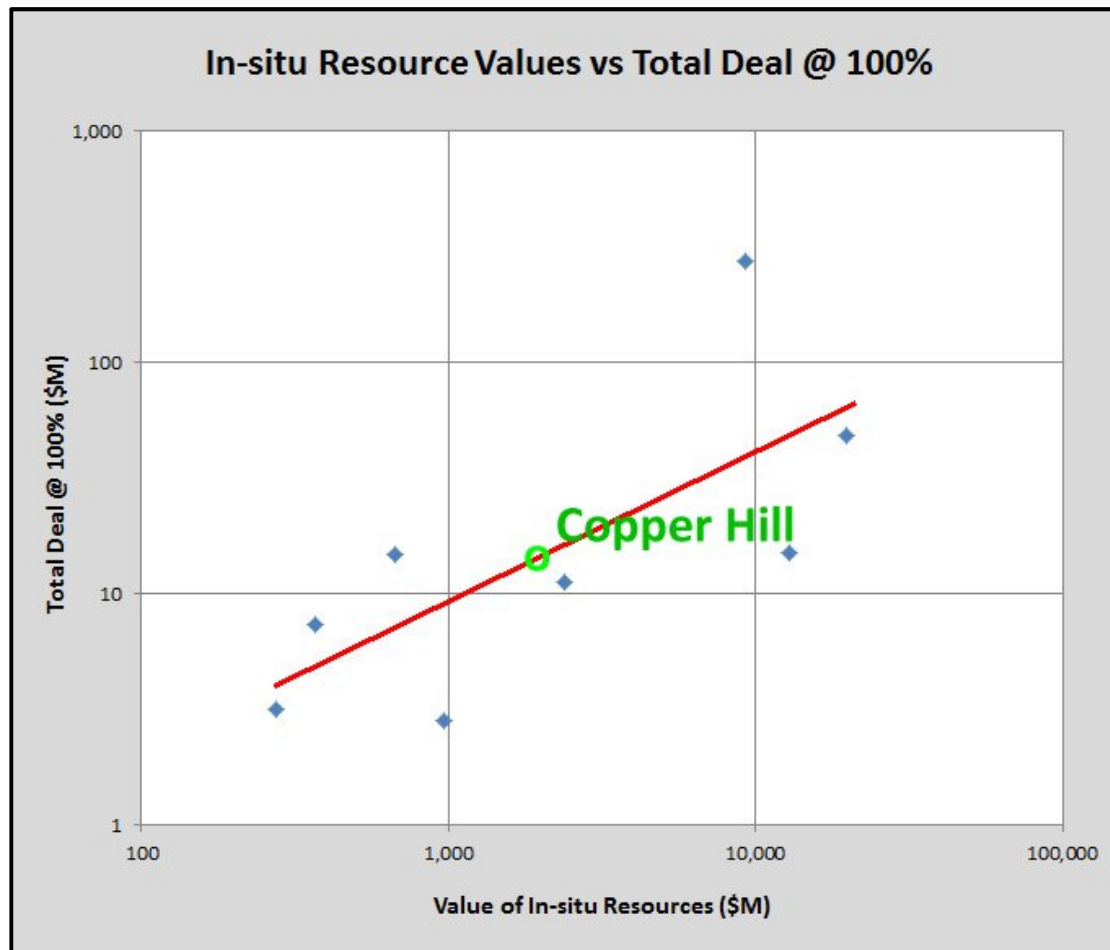


Figure 20 : Copper Hill comparable transactions

#### DISCOUNTED CASH FLOW ANALYSIS

As a check of the Comparable Transactions method, we have utilised a cashflow model based on the results of the 2015 Mineral Resources estimation and scoping study. On the basis of these studies, financial models were developed for two Base Case Scenarios, 2Mtpa and 3Mtpa.

We have reviewed the GCR financial models (the full details of which have not been publically announced) and have used the 2Mtpa option, which is considered more likely to be developed, as the basis for our value estimate. We have allowed for a delay of 4 to 5 years before project construction, and an estimated expenditure of \$5.4M during this time for infill drilling, metallurgical testwork and feasibility studies, permitting, and negotiation of funding, etc. We have used the latest Consensus forecasts for metal prices (lower than those assumed in the scoping study), and the most recent metallurgical testwork, which indicates improved metal recoveries. This has resulted in a NPV @ 10% discount rate of \$29.5M and IRR of 20.1%. Sensitivity analysis of possible scenarios resulted in a range in NPVs between \$20.5M and \$43.6M.

We have discounted these values by an assumed risk factor of 50%, on the basis that the values are based on Indicated Resources only and the likelihood that the project may not proceed because of the low grades.

This results in a range of the technical value between \$10.2M and \$21.8M. Our preferred market value is at the low end of this range due to the current depressed market conditions.

#### ATTRIBUTABLE EXPLORATION EXPENDITURE

As a further check of the Comparable Transactions method, we have utilised the total Attributable Exploration Expenditure reported for EL6391.

GCO and its joint venture partners have spent approximately \$15.2M on the Copper Hill project since 2005. (Expenditure details on the pre-cursor tenements are incomplete). Some of this expenditure has been written down in the GCR books and they have carried forward a capitalised amount of \$11.5M. A large proportion of this expenditure has been on drilling programs. These programs have resulted in the definition of Mineral Resources and a scoping study and a PEM value of 2.5 – 3.0 is appropriate. The range in the technical value by this method is, therefore, \$28.8M to \$34.5M.

However, we believe that these figures need to be heavily discounted because of the current depressed market, the risk that the project may not proceed because of low grades and because part of the exploration expenditure would have been on areas outside of the Copper Hill deposit that have yet to have identified mineral resources. Therefore, our revised value range by this method is \$10.0M to \$15.0M, with a preferred value at the low end.

#### SUMMARY OF COPPER HILL VALUATIONS

Table 12 summarises the various valuations for the Copper Hill project. The Copper Hill valuation completed by Goldner & Associates in 2009 (Goldner, 2009) is also included for comparison only and was not used in the current valuation.

| METHOD                               | LOW VALUE (A\$M) | HIGH VALUE (A\$M) | PREFERRED (A\$M) |
|--------------------------------------|------------------|-------------------|------------------|
| Comparable Transactions              | 2.5              | 62.6              | 14.5             |
| Discounted Cash Flow                 | 10.2             | 21.8              | 10.2             |
| Attributable Exploration Expenditure | 10.0             | 15.0              | 10.0             |
| 2009 Valuation                       | 11.4             | 17.0              | 12.0             |

Table 12 : Summary of Copper Hill valuations

As can be seen from Table 12, the various methods result in a wide range of values and no single method can be deemed to provide the complete picture. In determining the overall preferred value for the Copper Hill project, we have applied the following weighting factors:

- Comparable transactions 70%
- Discounted Cash Flow 20%
- Attributable Expenditure 10%

From this analysis, we conclude that the range in values for the Copper Hill project is **\$10.0M to \$14.5M** with a preferred value of **\$13.2M**.

## CENTRAL LACHLAN FOLD BELT

### EL5238 - CARGO

Although a mineral resource estimation was completed on the Cargo project during 2012 (10.4Mt @ 0.84 g/t Au), we believe that the resources do not meet the JORC 2012 criteria of “eventual economic extraction”. Therefore, we have used the Attributable Exploration Expenditure method to value the project.

A compilation of past expenditure by GCR and its joint venture partners on the Cargo project totals \$3.8M (excluding Administration). Most of this expenditure has been written off by GCR and the current book value for the project is \$0.45M.

The Cargo project has been explored for many years by many reputable mining companies (including Cyprus Metals, CRA, RGC, Newcrest and GCR). Although the project occurs within the same mineralised belt of rocks as for Newcrest’s nearby Cadia operations, its prospectivity for an economic porphyry gold-copper deposit appears to be diminished and the primary target is probably vein-hosted gold mineralisation. With that in mind, we have assigned a PEM of 1.5 to 1.9 to the book value.

The valuation of the Cargo project as at the Valuation Date ranges from **\$0.7M to \$0.9M** with a preferred value of **\$0.7M** reflecting the depressed state of the minerals industry at this time.

### EL5964 – SUNNY CORNER

Although a mineral resource estimation was completed on the Sunny Corner project during 2008 (1.5Mt @ 0.38% Cu, 2.13% Pb, 3.69% Zn 24 g/t Ag and 0.26 g/t Au, using a cut-off grade of 2.5% combined base metals), we believe that the resources do not meet the JORC 2012 criteria of “eventual economic extraction”. Therefore, we have used the Attributable Exploration Expenditure method to value the project.

Exploration expenditure on the Sunny Corner project by GCO and Argent totals approximately \$1.66M. Although the exploration programs have been successful in identifying significant mineralisation, and hence attracts a PEM of 1.5-1.9, we feel that this needs to be discounted by around 70% because of:

- the current depressed state of the minerals industry,
- the defined mineralisation is low grade and further exploration may not be successful in finding economically viable deposits,
- environmental concerns from acid-forming mine dumps that would need to be rehabilitated.

The valuation of the Sunny Corner project as at the Valuation Date ranges from **\$0.8M to \$1.0M** with a preferred value of **\$0.9M**. GCR’s 30% interest in the project is therefore valued at **\$0.3M**.

### EL5915 – WEST WYALONG & EL8001 – NARRAGUDGIL

Combined exploration expenditure by GCR and Argent on the two ELs that make up the West Wyalong project is approximately \$0.86M. The project is at an early stage of exploration and, although there are geophysics anomalies worthy of further follow-up exploration, no significant zones of mineralisation have been defined to date. We therefore assign a low PEM of 1.2 – 1.4 on the expenditure, which is then heavily discounted on the basis of current subdued market conditions.

The valuation of the combined West Wyalong project by the AEE method, as at the Valuation Date, ranges from **\$0.4M to \$0.8M** with a preferred value of **\$0.4M**. GCR's 30% interest in the project is therefore valued at **\$0.1M**.

The terms of the Joint Venture Agreement between GCR and ARD provides a secondary method for the West Wyalong valuation. Under the JVA dated 8 June 2007, Argent can earn a 70% interest in the project by spending \$1.3M. That values the full project at up to \$1.85M, which is significantly higher than the AEE valuation. We feel that this again reflects the current depressed state of the minerals industry.

## COBAR REGION

### ATTRIBUTABLE EXPLORATION EXPENDITURE

Expenditure has been calculated from expenditure statements in GCR's Annual Technical Reports since 2009<sup>3</sup>. The Effective Expenditure is based upon a subjective judgement of the success of the exploration programs in defining significant mineralisation and takes into account area reductions and exploration rationale. The PEM values used vary according to the presence or absence of both mineral resources and significant drill intersections. This work is summarised in Table 13.

In utilising this method, we have only included exploration expenditure incurred by GCR or their joint venture partners and we have pro-rated this according to GCR's current equity.

The areas in which GCR's tenements occur have all been subjected to extensive prior exploration by numerous companies over considerable periods of time. This work has generated considerable valuable data that are available to all parties at no cost through the NSW Government's DIGS online system. Consequently, we have not included any prior company expenditure when applying this methodology to the valuation of the tenements.

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<sup>3</sup> Geos Mining has not verified these expenditures as they have been compiled by Golden Cross Resources

| Tenement Name/<br>Number | GCR Expenditure (\$'000) | GCR Equity (%) | Effective Expenditure (\$'000) <sup>4</sup> | PEM Range    | PEM Preferred | Valuation Range, GCR Equity (\$'000) | Preferred Value, GCR Equity (\$'000) | Commentary                                                                                        |
|--------------------------|--------------------------|----------------|---------------------------------------------|--------------|---------------|--------------------------------------|--------------------------------------|---------------------------------------------------------------------------------------------------|
| Burra EL7389             | 921                      | 100            | 800                                         | 2.5-2.9      | 2.5           | 2,000-2,320                          | 2,000                                | This small tenement has had focussed exploration with considerable drilling completed             |
| Fairview EL7065          | 194                      | 100            | 100                                         | 1.5-1.9      | 1.5           | 150-190                              | 150                                  | JV and landholder delays, considerable area reductions, trial surveys, inconclusive results       |
| Emu Tank EL7320          | 175                      | 100            | 100                                         | 1.5-1.9      | 1.7           | 150-190                              | 170                                  | Prospective regional location, JV to MMG 2010-2013, regional geophysical surveys, little drilling |
| Delaney's Tank EL7322    | 193                      | 100            | 90                                          | 1.5-1.9      | 1.5           | 135-170                              | 135                                  | Airborne geophysical surveys, AC drilling, delays in programs                                     |
| Kelly's Tank EL7323      | 101                      | 100            | 70                                          | 1.5-1.9      | 1.7           | 105-130                              | 120                                  | Prospective regional location, JV to MMG 2010-2013, regional geophysical surveys, little drilling |
| Burthong Creek EL7485    | 62                       | 100            | 30                                          | 1.5-1.9      | 1.7           | 45-60                                | 50                                   | Prospective regional location, airborne/ ground EM, little follow up                              |
| Four Mile South EL7970   | 40                       | 100            | 20                                          | 1.0-1.4      | 1.0           | 20-28                                | 20                                   | Prospective regional location, airborne/ ground EM, little follow up, very small block            |
| Kilparney Extd EL8270    | 42                       | 100            | 20                                          | 1.0-1.4      | 1.0           | 20-28                                | 20                                   | Regional geophysical survey, extensive cover, little previous work                                |
| Wagga Tank EL6695        | 3,406                    | 20             | 2,660                                       | 2.5-2.9      | 2.5           | 1,330-1,543                          | 1,330                                | Extensive exploration, numerous targets, abundant intersections of interest but no resource       |
| Wynwood EL7226           | 820                      | 20             | 740                                         | 1.5-1.9      | 1.9           | 246-312                              | 312                                  | Considerable exploration                                                                          |
|                          |                          |                |                                             | <b>TOTAL</b> |               | <b>4,200-4,970</b>                   | <b>4,307</b>                         |                                                                                                   |

Table 13 : GCR's Cobar Region Attributable Exploration Expenditure and Valuation Range

<sup>4</sup> Administration costs have been excluded

## COMPARABLE TRANSACTIONS

We have searched the SNL database system, company websites and ASX announcements for publicly available data on transactions between unrelated companies to determine likely market values for the Cobar Region GCR projects. Table 14 shows a summary of data collected.

| Project, State                                 | Companies (Buyer / Vendor)                       | Date       | Transaction Value 100% basis (\$'000) | Comment                                                      |
|------------------------------------------------|--------------------------------------------------|------------|---------------------------------------|--------------------------------------------------------------|
| Albarta, NT                                    | Core Exploration Ltd / unknown                   | 03/10/2014 | 590                                   | 14 ELs, early stage Ag-Pb prospects                          |
| Erayinia, WA                                   | Black Raven PL / ABM Resources NL                | 29/01/2013 | 430                                   | Zn rich VHMS deposit, no published resource                  |
| Browns Reef, NSW                               | Kidman Resources Ltd / Comet Resources Ltd       | 31/03/2014 | 460                                   | Advanced Stage Pb-Zn-Cu-Ag-Au deposit, no published resource |
| Captains Flat, NSW                             | Ironbark Zinc-NSW BM PL / Rutila Resources Group | 24/06/2015 | 400                                   | Advanced Stage Pb-Zn-Cu-Ag-Au deposit, no published resource |
| Balla Balla, WA                                | Venturex Resources Ltd / Rutila Resources Ltd    | 01/07/2015 | 420                                   | Zn-Cu-Pb deposit, advanced stage                             |
| <b>Average Value of Advanced Stage Project</b> |                                                  |            | <b>430</b>                            |                                                              |

Table 14 : Recent Market Transactions applicable to the Cobar Region projects

We have specifically targeted transactions since 2013 and involving similar style Australian deposits to those of the Cobar Region, i.e. early to advanced stage polymetallic exploration projects in which a mineral resource has not been identified. Transactions involving projects that have mineral resources estimated have also been identified, but these typically have sale values an order of magnitude higher than those in Table 14. We do not consider that these are comparable with the GCR tenements in the Cobar Region and have not presented them here.

In order to use the transactions in Table 14 as a comparison, it has been necessary to make subjective judgments as to the stage of exploration applicable to each of the GCR Cobar Region tenements. We have then applied factors to these assessments such that:

- '5' equates to Advanced Stage with ascribed value equivalent to 100% of the average market transactions of Table 14.
- '4' equates to Advanced Stage with ascribed value equivalent to 80% of the average market transactions of Table 14.
- '3' equates to Mid Stage with ascribed value equivalent to 50% of the average market transactions of Table 14.
- '2' equates to Early Stage with ascribed value equivalent to 30% of the average market transactions of Table 14.
- '1' equates to Early Stage with ascribed value equivalent to 10% of the average market transactions of Table 14.

The results of this assessment are shown in Table 15.

| Tenement Name      | Tenement | GCR Equity (%) | Exploration Stage | GCR Value Range (\$'000) | GCR Value Ascribed <sup>5</sup> (\$'000) |
|--------------------|----------|----------------|-------------------|--------------------------|------------------------------------------|
| Burra              | EL7389   | 100            | 5                 | 400-460                  | 430                                      |
| Fairview Tank      | EL7065   | 100            | 3                 | 200-230                  | 215                                      |
| Emu Tank           | EL7320   | 100            | 3                 | 200-230                  | 215                                      |
| Kelly's Tank       | EL7323   | 100            | 3                 | 200-230                  | 215                                      |
| Kilparney Extended | EL8270   | 100            | 2                 | 120-140                  | 130                                      |
| Delaney's Tank     | EL7322   | 100            | 3                 | 200-230                  | 215                                      |
| Burthong Creek     | EL7485   | 100            | 3                 | 200-230                  | 215                                      |
| Four Mile South    | EL7970   | 100            | 2                 | 120-140                  | 130                                      |
| Wagga Tank         | EL6695   | 20             | 5                 | 80-90                    | 90                                       |
| Wynwood            | EL7226   | 20             | 3                 | 40-45                    | 40                                       |
|                    |          |                | <b>TOTAL</b>      | <b>1,760-2,025</b>       | <b>1,895</b>                             |

Table 15 : Comparable Transaction Values of GCR's Cobar Tenements

The valuation range derived from an assessment of exploration expenditure is more than double the range estimated by a consideration of comparable transactions. We attribute this difference to the current market conditions, in which early/ mid stage projects have generally been unsuccessful in attracting investor funding. We also note the significant influence of the Wagga Tank project in regard to the attributed exploration expenditure method; in our opinion the value derived does not represent market expectations as the project has been known since the 1960s and has never delivered the expected results, despite numerous companies exploration efforts.

In summary, Geos Mining considers that the comparable transaction method more realistically reflects the fair market value of the Cobar tenements and accordingly we have weighted our conclusions heavily towards the lower range of values derived by both methods, i.e. a range of values between **\$1.8M** and **\$5.0M** with a preferred value of **\$2.0M**.

## BROKEN HILL

On 23 October 2015 Impact Minerals acquired 100% of the nickel – copper – PGE rights in EL7390 and has previously assumed GCR's rights to the lead – zinc – silver – other metals. GCR now retains a 1% gross production royalty from nickel – copper – PGE.

We note the recent drill intersections reported by Impact Minerals (various announcements to ASX 2013-2015) and consider that any potential development project arising from further exploration would not be expected to come into production for at least five years to allow for resource/ reserve definition, permitting, mine planning and construction. We further consider that the 1% royalty from such production would not be material to the current valuation.

<sup>5</sup> This value represents Golden Cross Resources beneficial interest in the tenements, rounded to two significant figures

Geos Mining therefore has not quantified the value of the royalty arising from any potential mining operation.

## SOUTH EAST LACHLAN

Both Quidong and Cullarin projects have had considerable previous exploration carried out and both polymetallic mineralisation as their main target. However, whereas GCR's exploration at Quidong is early stage, there has been considerable exploration completed at Cullarin through the Cullarin Joint Venture.

We have utilised the Attributable Exploration Expenditure method to value these tenements (Table 16), although we consider some write down is justified based on current market expectations. We have valued the South East Lachlan tenements in the range **\$0.2M** to **\$0.4M** with a preferred value of **\$0.3M**.

| Tenement Name/ Number        | GCR Expenditure (\$'000) | GCR Equity (%) | Effective Expenditure (\$'000) <sup>6</sup> | PEM Range | PEM Preferred | Valuation Range, GCR Equity (\$'000) | Preferred Value, GCR Equity (\$'000) | Commentary                                                                                                    |
|------------------------------|--------------------------|----------------|---------------------------------------------|-----------|---------------|--------------------------------------|--------------------------------------|---------------------------------------------------------------------------------------------------------------|
| Quidong EL7989               | 139                      | 100            | 100                                         | 1.5-1.9   | 1.8           | 150-190                              | 180                                  | Considerable previous exploration, some high grade intersections                                              |
| Cullarin EL7954 <sup>7</sup> | 840                      | 21.1           | 730                                         | 2.0-2.4   | 2.3           | 310-370                              | 350                                  | Considerable previous exploration, some high grade intersections, other very wide but low grade intersections |

Table 16 : South East Lachlan Projects - Attributable Exploration Expenditure

## MT ISA JV, QUEENSLAND

### COMPARABLE TRANSACTIONS

We have searched the SNL database system, company websites and ASX announcements for publicly available data on transactions between unrelated companies to determine likely market values for the Mount Isa JV project. Table 17 shows a summary of data collected.

| Project, State | Companies (Buyer / Vendor)   | Date       | Transaction Value 100% basis (\$M) | Comment                                              |
|----------------|------------------------------|------------|------------------------------------|------------------------------------------------------|
| Ammaroo, NT    | Rum Jungle Resources Limited | 09/09/2015 | 790                                | 1,145 Mt @ 14% P <sub>2</sub> O <sub>5</sub>         |
| Wonarah, NT    | Minemakers Ltd.              | 01/06/2015 | 16.1 - 32.5                        | 550 – 840 Mt @ 10%-15% P <sub>2</sub> O <sub>5</sub> |

Table 17 : Recent Market Transactions applicable to the Mt Isa JV projects

We have specifically targeted transactions since 2012 and involving similar style Australian deposits at an early to advanced stage exploration stage in which a mineral resource has not been identified. Other transactions involving projects that have mineral resources estimated have also been identified, but these

<sup>6</sup> Administration costs have been excluded

<sup>7</sup> Previous ELs 6292 and ELA 2849 expenditures have not been included as data has not been made available

typically have sale values several orders of magnitude higher than exploration projects with no resource estimations. Therefore, we do not consider that these are comparable with the Mount Isa JV tenements.

A footnote to the comparable transaction is that Minemakers Ltd. project includes an Inferred Resource of 542Mt @ 18% P<sub>2</sub>O<sub>5</sub>; this is similar in tonnage to the combined historical upper range of 502Mt @ 14.9% P<sub>2</sub>O<sub>5</sub> for the Mount Isa JV, though at a higher grade. Based on a cut-off grade of 10% P<sub>2</sub>O<sub>5</sub> and using the upper and lower values of the valuation, gives a range of \$0.11 to \$0.16 per contained tonne of P<sub>2</sub>O<sub>5</sub> at Minemakers Ltd. project. Applying these to the upper range of the combined historical resource of the Mount Isa JV gives values in the order of \$1.6M to \$2.3M. This is considered to be an overestimate of the value of the Mount Isa JV tenements because the Minemakers deposit includes an Inferred Resource whereas the Mt Isa JV. deposits can only be justified as Exploration Targets.

#### ATTRIBUTABLE EXPLORATION EXPENDITURE

The valuation for the Mount Isa project can be divided into two parts:

- A valuation for GCR's equity in the phosphate potential based on the terms of the joint venture,
- A value of the remaining minerals based on GCR's exploration expenditure up to 2009.

PPL has spent \$3.06 million to earn an 80% interest in the phosphate deposits by December 2012, and have subsequently continued this expenditure to a total of \$3.96 million, as reported in the LIH 2014 Annual Report. This translates to an Attributable Exploration Expenditure value of \$0.76 million for GCR's (20%) interest in the phosphate project. A large proportion of this expenditure has been on drilling programs. These phosphate exploration programs have not resulted in the release of any Mineral Resource statements and PEM values ranging from 1.5 to 1.9 have been applied on the results of the exploration programs for each tenement. The range in the value by this method is, therefore, \$1.1M to \$1.4M, with a preferred value of \$1.2M. However, we note that, as in other projects estimated by this method the current market conditions necessitate a considerable mark down of ~60-65%. We therefore consider fair market value of this project to be **\$0.7M to \$0.8M**, with a preferred value of **\$0.7M**.

GCR has some additional benefit from the joint venture as LIH/PPL has been obliged to analyse for uranium during its program, but has no interest in the uranium potential and GCR retains all rights to any uranium deposit or other mineral deposit. However, it should be noted that in Queensland uranium mining is not currently permitted, although uranium exploration is still supported. In the current depressed market and the poor exploration results to-date, the value attributed from the uranium exploration is considered to be negligible.

## COOBER PEDY, SOUTH AUSTRALIA

#### COMPARABLE TRANSACTIONS

We have searched the SNL database system, company websites and ASX announcements for publicly available data on transactions between unrelated companies to determine likely market values for the Coober Pedy South Australia IOCG project tenements. There were no transactions considered suitable for analysis.

#### MARKET CAPITALISATION

The current market capitalisation of Tasman Resources Ltd. stands at \$5.9M, based on the number of shares held as stated in their 2015 Annual Report and the share value as at 11 December 2015. Applying

this figure to the full package of projects held by Tasman Resources Ltd. based on their interest in each project, as outlined in their 2015 Annual Report, gives a combined value of \$2.2M for both the Vulcan and Lucas Hill projects. This is considered to be an overestimate of the value of GCR's Coober Pedy South Australia IOCG tenements, which are at an early stage of exploration, albeit with some positive findings, but not to the same level as those at the Tasman Resources Ltd projects. Therefore, we do not consider that the Market Capitalisation method is appropriate for valuing the GCR projects.

#### ATTRIBUTABLE EXPLORATION EXPENDITURE

The valuation for the Coober Pedy South Australia IOCG project tenements has been derived from expenditure statements in GCR Annual Technical Reports since 2010 and statements of direct expenditure supplied by GCR. The Attributable Exploration Expenditure is based upon a subjective judgement of the success of the exploration programs in defining significant mineralisation and takes into account area reductions and exploration rationale. The PEM values used vary according to the presence or absence of alteration assemblages, notable structure, results from geophysics surveys and significant drill intersections. This work is summarised in Table 18.

| Tenement               | Direct Expenditure 2010-2015 (\$'000) | Exploration Outcome                                                                             | PEM Low | PEM High | Value Low (\$M) | Value High (\$M) |
|------------------------|---------------------------------------|-------------------------------------------------------------------------------------------------|---------|----------|-----------------|------------------|
| <b>EL4427 (EL5594)</b> | 817                                   | low Cu anomalism, recognised alteration assemblages in 2 DDH, defined gravity targets generated | 1.5     | 1.9      | 1.22            | 1.55             |
| <b>EL4431 (EL5572)</b> | 179                                   | Geophysical survey targets generated                                                            | 1.0     | 1.4      | 0.18            | 0.25             |
| <b>EL4966</b>          | 48                                    | -                                                                                               | 1.0     | 1.4      | 0.05            | 0.07             |
| <b>EL4695</b>          | 96                                    | -                                                                                               | 1.0     | 1.4      | 0.01            | 0.13             |
|                        |                                       | <b>Total values</b>                                                                             |         |          | <b>1.55</b>     | <b>2.00</b>      |

Table 18 : Coober Pedy IOCG Exploration Expenditure Determination

A large proportion of this expenditure has been on geophysical surveys and drilling programs. These programs have upgraded the geological and geophysical understanding of the tenement areas and resulted in the several low order mineralised intersections being encountered. The range in the technical value by this method is, therefore, \$1.6M to \$2.0M, with a preferred value of \$1.7M reflecting the perceived effectiveness of the exploration. However, we note that, as in other projects estimated by this method the current market conditions necessitate a considerable mark down of ~60-65%. We therefore consider fair market value of this project to be **\$1.0M to \$1.2M**, with a preferred value of **\$1.0M**.

#### ROYALTY PROJECTS

Golden Cross Resources have listed the mineral royalties held by the company in their 2015 annual report, as shown in Figure 21. None of these royalties are currently active although we note that the Mt Boppy and Wyoming One royalties may be exercised in 2016.

At Mt Boppy, Black Oak Minerals announced on 29 September 2015 that it had met the first monthly repayment of 1500 ounces gold and received proceeds from the sale of a further 400 ounces gold. However, on 30 November 2015 the company was placed in Receivership thereby placing any future value

of the Golden Cross Resources royalty in doubt. We have therefore not assigned any value to this potential royalty.

At Wyoming One, Alkane Resources Limited announced a maiden underground ore reserve for its Tomingley Operations, of which Wyoming One accounts for ~70%. Alkane further states that production would commence nine months after start of development and would continue for 33 months. The Golden Cross Resources royalty relates to only part of the Wyoming One underground resource and would not be expected to be enacted for at least twelve months. We have therefore not ascribed any value to this potential royalty, pending a decision by Alkane Resource to commence development and production.

The remaining royalty streams are not reasonably considered to be exercised in the short term (< 5 years) and we have not assigned any value to them.

| ROYALTIES                                                                                                                  |                      |                                |                 |        |           |                                              |
|----------------------------------------------------------------------------------------------------------------------------|----------------------|--------------------------------|-----------------|--------|-----------|----------------------------------------------|
| The Company holds the royalties listed below. It does not expect to receive any payments during the coming financial year. |                      |                                |                 |        |           |                                              |
| LOCATION                                                                                                                   | TENEMENT NAME        | TENEMENT                       | km <sup>2</sup> | HOLDER | % HOLDING | ROYALTY TYPE                                 |
| Adelong (NSW)                                                                                                              | Adelong Gold Project | ML 1435, EL 5728, & EL 6372    | 198             | CML    | Royalty   | 1% gross up to 2,500 oz                      |
| Mt Boppy (NSW)                                                                                                             | Canbelego            | Mt Boppy Gold Project          | 2.2             | PLY    | Royalty   | 3% gross                                     |
| Wyoming One (NSW)                                                                                                          | McPhails             | EL 5830                        | 10              | ALK    | Royalty   | Up to 5% NSR                                 |
| BrightStar Alpha (WA)                                                                                                      | Merolia              | Former E 38/970, incl M 38/968 | 25              | SHK    | Royalty   | 2% gross                                     |
| Mt Weld Area (WA)                                                                                                          | Mt Weld              | Former E 39/636                | 20              | SHK    | Royalty   | 2% gross                                     |
| Surat and Clarence-Moreton Basin (Qld)                                                                                     |                      | Various                        |                 |        | Royalty   | \$5/t to \$30m then \$1/t, 10% coal seam gas |

|     |                                                                                                       |
|-----|-------------------------------------------------------------------------------------------------------|
| ALK | Alkane Resources Limited (ASX: ALK)                                                                   |
| CML | Challenger Mines Pty Limited, as assignee from Tasman Goldfields NSW Pty Limited                      |
| GCO | Golden Cross Operations Pty Ltd, a wholly owned subsidiary of GCR                                     |
| PLY | Polymetals Mining Services Pty Ltd, a wholly owned subsidiary of Black Oak Minerals Limited (ASX:BOK) |
| SHK | Stone Resources Australia Limited (ASX: SHK), (formerly A1 Minerals Limited)                          |

**Adelong, NSW**  
The Company holds a 1% gold production royalty, capped at 2,500 oz, over the Adelong Gold Project in NSW. In 2007 the Company sold Challenger Mines Pty Limited, which held the project, to Tasman Goldfields Limited. In 2010 Tasman Goldfields sold Challenger Mines to Macquarie Gold Limited and the royalty vested in Challenger Mines Pty Limited.

**Mt Boppy, NSW**  
The Company holds a 3% gross royalty over gold production from the Mt Boppy Gold Mine at Canbelego, NSW, owned by Black Oak Minerals Limited. The Company received royalty payments totaling 750 ounces of gold during 2007, of which the Company's 95% share was sold on the spot market. The remaining 5% of the royalty was paid to former Mt Boppy tenement holders. Since then, the Company has bought the interests of the former Mt Boppy tenement holders and is now entitled to 100% of any future royalties. Mining at Mt Boppy recommenced in 2015, and restart of the royalty stream is expected in 2016, subject to production.

**Wyoming One, NSW**  
Golden Cross Operations Pty Ltd holds a royalty of \$0.75 per tonne for the first 0.5 Mt, then a 3% net smelter return (to 150,000 oz of gold production), of former EL 5830, held by Alkane Exploration Limited. EL 5830 contains the southern portion (mainly underground) of the Wyoming One gold resource, near the town of Tomingley, NSW. GCO's royalty interest is subject to a 10% free carried interest held by Metallic Resources Pty Ltd, so ten per cent of the royalty is payable to Metallic Resources Pty Ltd. Mining operations (pre-stripping) commenced at the Wyoming One open cut in 2015.

**BrightStar Alpha, WA**  
The Company holds a 2% gross royalty over former E38/970 near Laverton. The area contains the southeastern part of the 2 km long BrightStar Alpha Area under exploration by A1 Minerals Limited. The area of former E38/970 includes M 38/968.

**Mt Weld Area, WA**  
This 2% gross royalty relates to the former E39/636 near Laverton and was provided for in the same deed and on the same terms as the BrightStar Royalty.

**Surat and Clarence-Moreton Basin, Queensland**  
The Company holds a royalty of \$5.00 per tonne of saleable coal, up to a maximum of \$30 million and thereafter a royalty payment of \$1.00 per tonne of saleable coal produced from the following tenements for a period of twenty years: EPC 1655 Chinchilla South, EPC 1643 Warwick, EPC 1658 Dalby, EPC 1659 Chinchilla North, and EPC 2242 Boonah East, along with such of the applications initially made by the Company known as EPCA 2082 Boonah, EPCA 2068 Warwick North, EPCA 1656 Warwick Extended, EPCA 1639 Nebo, EPCA 1642 Pentland, EPCA 2252 Pentland East, EPCA 2258 Roadvale, and EPCA 2257 Boonah North as were or are ultimately granted. The Company also holds a royalty of 10% of wellhead value from coal seam gas production.

Figure 21 : Extract from Golden Cross Resources 2015 Annual Report, page 26

## Valuation and Risk

### VALUATION SUMMARY

The preferred values and valuation ranges derived for the Golden Cross Resources assets are summarised in Table 19.

| Project                | Style                             | Stage                     | GCR %           | Low Value<br>A\$M | High Value<br>A\$M | Preferred Value<br>A\$M |
|------------------------|-----------------------------------|---------------------------|-----------------|-------------------|--------------------|-------------------------|
| <b>Copper Hill</b>     | Porphyry Cu-Au                    | Pre-development           | 100             | 10.0              | 14.5               | 13.2                    |
| <b>Central LFB</b>     | Porphyry Cu-Au<br>Au, base metals | Advanced +<br>Exploration | 100 / 30        | 1.1               | 1.4                | 1.1                     |
| <b>SE LFB</b>          | VHMS                              | Exploration               | 100 &<br>21.1   | 0.2               | 0.4                | 0.3                     |
| <b>Cobar Group</b>     | Au, base metals                   | Exploration               | 100 and<br>20   | 1.8               | 5.0                | 2.0                     |
| <b>Broken Hill</b>     | PGE, base metals                  | Exploration               | Royalty<br>only | 0                 | 0                  | 0                       |
| <b>Queensland</b>      | Phosphate                         | Exploration               | 20              | 0.7               | 0.8                | 0.7                     |
| <b>South Australia</b> | IOCG                              | Exploration               | 100             | 1.0               | 1.2                | 1.0                     |
| <b>TOTAL</b>           |                                   |                           |                 |                   |                    | <b>18.3</b>             |

Table 19 : Summary of valuation of GCR mineral assets

### RISKS

Geos Mining has limited the scope of this risk assessment to major factors relevant to this valuation. There has been no consideration of political stability, or of the financial risk arising from any lack of liquidity. We make no guarantee that all material risks have been included in this assessment.

Risk is based on the product of two factors: probability and consequence. For the purposes of this risk assessment Geos Mining has adopted the matrix below as a measure of project risk (Table 20).

#### PERMITTING RISK

Permitting of development for the main projects at Copper Hill and Cargo are moderate to high risks for GCR to consider.

***High consequence, could happen – Medium to High risk***

| CONSEQUENCE | PROBABILITY |    |    |    |    |    | RISK        | Probability |                        | Consequence |                                                         |
|-------------|-------------|----|----|----|----|----|-------------|-------------|------------------------|-------------|---------------------------------------------------------|
|             |             | A  | B  | C  | D  | E  |             | A           | Common                 | 1           | Catastrophic loss, over 40% of project value            |
|             | 1           | 1  | 2  | 4  | 7  | 11 | HIGH 1-6    | B           | Has happened           | 2           | Major disruption/impediment, 10% - 40% of project value |
|             | 2           | 3  | 5  | 8  | 12 | 16 | MEDIUM 7-15 | C           | Could happen           | 3           | Moderate disruption/impediment, over \$5m value         |
|             | 3           | 6  | 9  | 13 | 17 | 20 | LOW 16-25   | D           | Not likely             | 4           | Minor disruption/impediment, less than \$5m             |
|             | 4           | 10 | 14 | 18 | 21 | 23 |             | E           | Practically impossible | 5           | No lasting effect                                       |
|             | 5           | 15 | 19 | 22 | 24 | 25 |             |             |                        |             |                                                         |
|             |             |    |    |    |    |    |             |             |                        |             |                                                         |

Table 20 : Risk rating table

## MARKET RISK

Having no operating mines, Golden Cross Resources is reliant on the share market for future funding of its share of exploration expenditure in order to maintain its equity position in the projects. Market sentiment can be highly volatile, particularly if commodity prices fall.

**Moderate consequence, likely to occur – High risk**

## SOCIAL IMPACT RISK

The GCR projects are located in rural areas with low population density. Ongoing exploration programs will involve minor disruption to the local communities and may even have a net beneficial effect resulting from casual employment and use of local contractors, especially earthmoving equipment contractors. However, we note that in agricultural areas of Australia (especially NSW and Qld) there is a growing concern amongst landowners generally about the impact of exploration on their way of life.

**Minor consequence, has happened – Medium risk**

## ENVIRONMENTAL RISK

We do not believe that environmental issues are significant, provided that proper management principles and legislated guidelines are adhered to during the exploration programs. We do note, however, that the environmental damage caused by historic mining activities can result in negative sentiment towards proposed new operations – the Sunny Corner project particularly comes to mind.

**Moderate consequence, unlikely to occur – Low risk**

## SOVEREIGN RISK

The current NSW state government claims that it is in favour of the expansion of the mining industry as it brings in much needed revenue for social infrastructure. However, anti-mining sentiment within the community, particularly in areas close to population centres, is becoming a major challenge facing the industry and could lead to a significant change in government policy.

**Moderate consequence, possible to occur – Medium risk**

## EXPLORATION RISK

Mineral exploration is a high risk endeavour with no guarantee of success. Poor results from exploration programs may lead to a project being assessed as having little or no value and the tenements being dropped.

***Major consequence, likely to occur – High risk***

## Conclusions

Our valuations of the GCR projects, as at the Valuation Date, have utilised a combination of Market Approach, Cost Approach and Income Approach valuation methods.

The range of valuations (equity accounted) is from a low of **\$14.8M** to a high of **\$23.3M**, with a preferred value of **\$18.3M**.

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## Appendix 1 – List of GCR Mineral Tenements

| State      | Tenement ID | Commodities | Holder            | Grant Date | Expiry Date                    | Area (units) | Expend Commit pa | Registered Agreement                                                                                                                                                                                    |
|------------|-------------|-------------|-------------------|------------|--------------------------------|--------------|------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>NSW</b> | EL5238      | Group 1     | GCO <sup>8</sup>  | 20/02/1997 | 19/02/2016                     | 16           | \$46,000         | 20/10/1998 Acacia/ Newcrest (may be terminated)<br>29/06/1999 Gum Flat Option Deed<br>11/10/1999 AngloGold/ GCO/ GCR/ Imperial/ Newcrest (may be terminated)                                            |
|            | EL5915      | Group 1     | GCO               | 10/01/2002 | 09/01/2016 (no renewal lodged) | 15           | \$45,000         | 25/09/2001 GCO/ Lac Minerals<br>18/03/2002 Royalty Deed<br>08/06/2007 GCO/ Kempfield Silver <sup>9</sup>                                                                                                |
|            | EL5964      | Group 1     | GCO               | 12/07/2002 | 11/07/2018                     | 19           | \$49,000         | 04/08/2004 Big Hill/ Bobs Creek – Sunny Corner State Forest<br>06/05/2005 Sunny Corner State Forest – Bobs Creek<br>08/06/2007 GCO/ Kempfield Silver<br>21/09/2007 Sunny Corner Farmin and JV Agreement |
|            | EL6391      | Group 1     | GCO               | 10/03/2005 | 10/03/2016                     | 33           | \$63,000         | 18/03/2014 SDN Copper Hill RC Drilling 10 DDH<br>17/07/2015 SDN Copper Hill Drilling 2 holes                                                                                                            |
|            | EL6695      | Group 1     | GCO               | 08/01/2007 | 07/01/2017                     | 29           | \$59,000         | 06/02/2007 GCO/ MMG Aust<br>09/12/2013 Heads of Agreement – Wagga Tank Project                                                                                                                          |
|            | EL7065      | Group 1     | GCO               | 04/02/2008 | 04/02/2016                     | 18           | \$48,000         |                                                                                                                                                                                                         |
|            | EL7226      | Group 1     | MMG <sup>10</sup> | 21/10/2008 | 21/10/2016                     | 21           | \$51,000         |                                                                                                                                                                                                         |
|            | EL7320      | Group 1     | GCO               | 06/03/2009 | 06/03/2015 (renewal pending)   | 16           | \$55,000         |                                                                                                                                                                                                         |
|            | EL7322      | Group 1     | GCO               | 16/03/2009 | 16/03/2015 (renewal pending)   | 6            | \$43,000         |                                                                                                                                                                                                         |

<sup>8</sup> Golden Cross Operations Pty Ltd

<sup>9</sup> Wholly owned subsidiary of Argent Minerals Limited

<sup>10</sup> Minerals and Metals Group Australia Pty Ltd

| State      | Tenement ID | Commodities     | Holder            | Grant Date | Expiry Date                  | Area (units) | Expend Commit pa       | Registered Agreement                                                                                                                                                                                                                                             |
|------------|-------------|-----------------|-------------------|------------|------------------------------|--------------|------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|            | EL7323      | Group 1         | GCO               | 16/03/2009 | 16/03/2015 (renewal pending) | 24           | \$79,000               |                                                                                                                                                                                                                                                                  |
|            | EL7389      | Group 1         | GCO               | 20/08/2009 | 20/08/2015 (renewal pending) | 5            | \$17,000               |                                                                                                                                                                                                                                                                  |
|            | EL7390      | Group 1         | GCO               | 20/08/2009 | 20/08/2017                   | 24           | \$54,000               | 19/11/2010 JV Agreement<br>03/04/2014 SDN Dora Prospect RC Drilling<br>15/09/2014 SDN Red Hill Prospect RC Drilling<br>25/11/2014 SDN Variation Red Hill Prospect RC Drilling<br>21/05/2015 SDN Red Hill Prospect RC/ DD Drilling<br>10/11/2015 Transfer pending |
|            | EL7485      | Group 1         | GCO               | 23/03/2010 | 23/03/2016                   | 3            | \$11,000               |                                                                                                                                                                                                                                                                  |
|            | EL7954      | Group 1         | TRO <sup>11</sup> | 19/06/2012 | 19/06/2016                   | 51           | \$81,000               |                                                                                                                                                                                                                                                                  |
|            | EL7970      | Group 1         | GCO               | 04/10/2012 | 04/10/2016                   | 1            | \$5,000                |                                                                                                                                                                                                                                                                  |
|            | EL7989      | Group 1         | GCO               | 23/10/2012 | 23/10/2016                   | 34           | \$64,000               |                                                                                                                                                                                                                                                                  |
|            | EL8001      | Group 1         | GCO               | 30/10/2012 | 30/10/2016                   | 24           | \$54,000               | 08/06/2007 Argent <sup>12</sup> / GCO<br>23/03/2015 West Wyalong Farmin and JV Agreement                                                                                                                                                                         |
|            | EL8270      | Group 1         | GCO               | 06/05/2014 | 06/05/2016                   | 53           | \$46,500               |                                                                                                                                                                                                                                                                  |
|            |             |                 |                   |            |                              |              |                        |                                                                                                                                                                                                                                                                  |
| <b>QLD</b> | EPM14905    | All except coal | KER <sup>13</sup> | 12/12/2006 | 11/12/2016                   | 47           | \$140,000 <sup>7</sup> | 21/05/2008 KER/ Legend <sup>14</sup>                                                                                                                                                                                                                             |
|            | EPM14906    | All except coal | KER               | 24/08/2007 | 23/08/2017                   | 44           | \$140,000 <sup>7</sup> | 21/05/2008 KER/ Legend                                                                                                                                                                                                                                           |
|            | EPM14912    | All except coal | KER               | 30/01/2007 | 29/01/2017                   | 60           | \$140,000 <sup>7</sup> | 21/05/2008 KER/ Legend                                                                                                                                                                                                                                           |

<sup>11</sup> TriAusmin Minerals Limited

<sup>12</sup> Argent Minerals Limited

<sup>13</sup> King Eagle Resources Pty Ltd

<sup>14</sup> Legend International Holdings Inc.

| State | Tenement ID       | Commodities        | Holder | Grant Date | Expiry Date | Area (units)       | Expend Commit pa      | Registered Agreement |
|-------|-------------------|--------------------|--------|------------|-------------|--------------------|-----------------------|----------------------|
| SA    | EL4427 (now 5594) | U, Au, REE, Cu     | GCO    | 27/01/2015 | 26/01/2017  | 626km <sup>2</sup> | \$90,000 <sup>†</sup> |                      |
|       | EL4431 (now 5572) | U, Au, REE, Cu     | GCO    | 02/02/2015 | 01/02/2017  | 281km <sup>2</sup> | \$65,000 <sup>†</sup> |                      |
|       | EL4695            | U, Au, REE, Cu     | GCO    | 28/02/2011 | 27/02/2016  | 282km <sup>2</sup> | \$60,000 <sup>†</sup> |                      |
|       | EL4966            | U, Fe, Au, REE, Cu | GCO    | 30/07/2012 | 29/07/2016  | 576km <sup>2</sup> | \$90,000 <sup>†</sup> |                      |

Table 21 : Tenements with GCR Beneficial Interest

<sup>†</sup> from GCR 2015 annual report

## Appendix 2 – Valuation Principles and Methodologies

### STANDARDS & PROCEDURES

This report has been prepared in keeping with the VALMIN Code 2005, the 2012 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the JORC Code 2012).

The VALMIN Code was developed by a joint committee of The Australasian Institute of Mining and Metallurgy (“AusIMM”), the Australian Institute of Geoscientists (“AIG”) and the Mineral Industry Consultants Association (“MICA”, now known as the Consultants Society of The AusIMM), in consultation with the Australian Securities and Investment Commission (“ASIC”), the Australian Stock Exchange Limited (“ASX”), the Minerals Council of Australia, the Petroleum Exploration Society of Australia, the Securities Association of Australia and representatives from the Australian finance sector. The Code is binding on all members of the AusIMM and AIG.

The JORC Code 2012 was developed by the Australasian Joint Ore Reserves Committee, formed from members of The AusIMM, the AIG and MICA, with representation from ASX and the Financial Services Institute of Australasia. It is a professional code of practice that sets minimum standards for Public Reporting of minerals Exploration Results, Mineral Resources and Ore Reserves. The JORC Code 2012 provides a mandatory system for the classification of minerals Exploration Results, Mineral Resources and Ore Reserves according to the levels of confidence in geological knowledge and technical and economic considerations in Public Reports.

The VALMIN Code and the JORC Code 2012 have been adopted by and included in the listing rules of the Australian Stock Exchange and are internationally regarded as best practice for the technical assessment and valuation of mineral assets. Where tonnage and grade estimates of mineralisation are referred to that either pre-date or, for other reasons in Geos Mining’s opinion, do not comply with the JORC Code 2012, this is clearly stated.

### VALUATION GENERAL PRINCIPLES

The Fair Market Value of a Mineral Asset, as stated in the VALMIN Code (Definition 43), is the amount of money (or cash equivalent of some other consideration) that an asset should change hands on the valuation date in an open and unrestricted market between a willing buyer and a willing seller in an arm’s length transaction, with each party acting knowledgeably, prudently and without compulsion.

According to the VALMIN Code (Clause 32), selection of an appropriate valuation method will depend on such factors as:

- the nature of the Valuation;
- the development status of the Mineral or Petroleum Assets, and
- the extent and reliability of available information.

## VALUATION METHODOLOGIES

### GENERAL PRINCIPLES

There is no single method of valuation that is appropriate for all situations. Rather, there are a variety of valuation methods, all of which have some merit and are more or less applicable depending on the circumstances.

- Market Approach
- Cost Approach
- Income Approach

Each of these approaches has its own strengths and weaknesses and the selection of the most appropriate method depends upon the stage of development of the project and the information available to the Valuer.

### MARKET APPROACH

This approach is also known as Comparison Approach. It can utilise two market-related methods: Comparable Transactions, being the price paid in recent transactions for similar projects under similar market and geo-political situations, and Market Capitalisation, being the number of shares in the company on offer multiplied by the share price as at the Valuation Date.

The difficulty in utilising the Comparable Transactions method is in determining to what extent the property or transaction is indeed comparable, unless the transactions involve the specific parties, projects or tenements under review. There can also be substantial change in value over time, depending especially upon market conditions and commodity prices.

If discussions have been held with other parties and offers have been made on the project or tenements under review, then these values are certainly relevant and worthy of consideration and can be used in establishing a value of the project. Similarly, joint venture terms, where one party pays to acquire an interest in a project and/or spends exploration funds in order to earn an interest, provide an indication of the project's value.

The Market Capitalisation method can be used in the case of a similar single project company or a company with one major asset; the market capitalisation of that company clearly gives some guide to the value that the market places on that asset at that point in time. Commonly, however, companies usually have several projects at various stages of development, together with a range of assets and liabilities, and in such cases it is difficult to define the value of individual projects in terms of the share price and market capitalisation.

### COST APPROACH

This approach is also known as the Modified Replacement Value ("MRV") method and examines the cost that would be incurred by an explorer in acquiring and exploring a similarly prospective tenement up to the same stage of development as the subject tenement. Although this method can be applied to projects at all stages of development, it is usually restricted to projects at the early stages of exploration that have not had costs of production identified.

The nominal replacement cost is modified by a Market Factor (MF) allowing for the ease or difficulty of acquiring a similar replacement tenement, and the Prospectivity Enhancement Multiplier (PEM), which quantifies the prospectivity shown by the exploration results to date. The assumption is that well directed exploration has added value to the property. This is not always the case as exploration can also downgrade a property and, therefore, the PEM, which commonly ranges from 0.5 to 3.0, is applied to the effective expenditure. The selection of the appropriate multiplier is a matter of experience and judgement but is obviously highly subjective.

The method is related to other cost approaches, such as appraised value or multiples of exploration expenditures (Lawrence, 2001), but avoids some potential pitfalls that arise in the application of those methods to Australian conditions.

The value derived using this method is:

$$\text{MRV} = (\text{AC} + \text{EE}) \times \text{MF} \times \text{PEM}$$

When using this method, Geos Mining recommends using the following parameters:

- Acquisition Cost (AC) - where similarly prospective vacant ground is available, this may be the cost of background research and application for tenure.
  - Where similar ground is limited, or there are significant difficulties in applying for new tenure, then this may be based on the actual acquisition cost, or the nominal purchase price of a similar greenfields exploration area, where necessary modified to allow for any change in the market since the acquisition.
  - Exploration expenditure (EE) – the actual expenditure that has usefully advanced the project.
  - Where necessary, discounting for any wasteful expenditure and discounting or ignoring any expenditure that has been directed towards a target that has since been downgraded or proved to be sub-economic.
- Market Factor (MF) – Geos' practice is usually to use a factor between 1 (where additional similar ground is readily available) and 2 (if such ground is scarce).
  - Although a higher Market Factor could be valid, this would be limited to special cases.
- Prospect Enhancement multiplier (PEM) - This factor would normally vary between 0.5 (where exploration results have been disappointing) and 3. To eliminate some of the subjectivity with respect to this method, Geos Mining commonly utilises the PEM ranges as detailed in [Table 22](#), although values outside this range may be justified in particular situations.

| Band | PF        | Applicability                                                                                                                                                       |
|------|-----------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1    | 0.5 – 0.9 | Previous exploration indicates the area has limited potential and its prospectivity may have been downgraded by the prior exploration.                              |
| 2    | 1.0 – 1.4 | The existing (historical and/or current) data consists of pre-drilling exploration and the results are sufficiently encouraging to warrant further exploration.     |
| 3    | 1.5 – 1.9 | The prospect contains one or more defined significant targets warranting additional exploration.                                                                    |
| 4    | 2.0 – 2.4 | The prospect has one or more targets with significant drillhole intersections; similarly prospective ground is not commonly available for application in this area. |
| 5    | 2.5 – 2.9 | Exploration is well advanced and infill drilling is required to define or up-grade a resource such that a reserve can be estimated.                                 |
| 6    | 3.0       | Resource has been defined but a pre-feasibility study has not been recently completed.                                                                              |

Table 22 : Prospect Enhancement Multipliers

#### INCOME APPROACH

This approach is also known as the Discounted Cash Flow (“DCF”) method. If a project is in operation, under development, or at an advanced feasibility study stage (which includes detailed pre-feasibility studies) and reserves, mining and processing recoveries, and capital and operating costs are well defined, it is generally accepted that the DCF is generally the most relevant and appropriate valuation tool.

If a project is at the scoping study or pre-feasibility study stage, additional weight has to be given to the risks, due to uncertainties in capital and operating costs, operational performance and potentially a lower degree of confidence in the reserves.

The DCF method approximates the technical value of the project. In order to determine the Fair Market Value, a premium or discount can be applied to the technical value in accordance with general market dynamics, strategic or other considerations at the time of the valuation.

#### RISKS & SPECIAL CIRCUMSTANCES

Special circumstances of relevance to mining projects or properties can have a significant impact (both positive and negative) on value and need to be taken into account to modify valuations that might otherwise apply. Examples could include:

- environmental risks that can result in a project being subject to extensive opposition, delays and possibly refusal of development approvals;
- indigenous peoples / land rights issues - projects in areas subject to claims from indigenous peoples can experience prolonged delays, extended negotiations or veto;
- country issues - the location of a project can significantly impact on the cost of development and operating costs and has a major impact on perceived risk and sovereign risk;
- technical issues peculiar to an area or deposit, such as geotechnical or hydrological conditions, or metallurgical difficulties could affect a project's economics.

## Appendix 3 – Copper Hill Comparable Transactions

| Property Name                     | Seller                                       | Buyer                                                               | Development Stage      | Total R&R (tonnes) | In-Situ Value (AU\$M) | Announce Date | Deal % Acquired | Deal Value (AU\$M) | Deal Value @100% | TMVR  |
|-----------------------------------|----------------------------------------------|---------------------------------------------------------------------|------------------------|--------------------|-----------------------|---------------|-----------------|--------------------|------------------|-------|
| <b>Halls Creek, WA</b>            | 3D Resources Limited                         | Cazaly Resources                                                    | Reserves Development   | 1,780,000          | 273.5                 | 30/10/2012    | 75              | 2.35               | 3.13             | 0.011 |
| <b>Burruga, NSW</b>               | Burruga Copper Limited                       | Elysium Resources Ltd                                               | Prefeasibility/Scoping | 4,354,000          | 367.2                 | 30/08/2013    | 100             | 7.35               | 7.35             | 0.020 |
| <b>Leichhardt, Qld</b>            | Cape Lambert Resources                       | Private Malaysian company                                           | Reserves Development   | 89,200             | 668.6                 | 19/04/2013    | 100             | 14.75              | 14.75            | 0.022 |
| <b>Stavelly, Vic</b>              | BCD Metals                                   | Northern Platinum Pty Limited                                       | Reserves Development   | 28,000,000         | 962.0                 | 26/03/2013    | 100             | 2.80               | 2.80             | 0.003 |
| <b>Thaduna / Green Dragon, WA</b> | Ventnor Resources                            | Sandfire Resources NL                                               | Prefeasibility/Scoping | 7,900,000          | 2,388.0               | 25/10/2013    | 80              | 9.00               | 11.25            | 0.005 |
| <b>Several</b>                    | Zhongjin Lingnan Mining (HK) Company Limited | Shenzhen Zhongjin Lingnan Nonfemet Company Limited/ Perilya Limited | Reserves Development   | 1,230,000          | 9,220.0               | 03/09/2013    | 47              | 127.98             | 274.45           | 0.030 |
| <b>Mount Gordon, Qld</b>          | Aditya Birla Minerals                        | Lighthouse Minerals Holdings                                        | Reserves Development   | 2,322,700          | 12,874.0              | 21/09/2015    | 100             | 15.00              | 15.00            | 0.001 |
| <b>Nifty, WA</b>                  | Aditya Birla Minerals                        | Metals X                                                            | Reserves Development   | 42,650,000         | 19,634.5              | 15/10/2015    | 100             | 48.54              | 48.54            | 0.002 |