



ASX Announcement

GWR TAKES CORNERSTONE POSITION IN EXCELSIOR GOLD

Highlights

- **Strategic investment provides leverage to gold production upside and extensive exploration potential**
- **Staged investment of up to \$6.875 million**
- **GWR to provide Board experience going forward**
- **Funding provides certainty to Excelsior Gold to advance mining and exploration activities at the Kalgoorlie North Gold Project**

GWR Group Limited (ASX: GWR) ("**GWR**" or "**the Company**") is pleased to announce that it has executed a cornerstone funding agreement with Excelsior Gold Limited ("**Excelsior Gold**") (ASX: EXG) with the potential for GWR to emerge as Excelsior's largest shareholder.

Excelsior Gold is a gold production company focussed on the mining and development of the Kalgoorlie North Gold Project. Mining commenced in November 2015, with ore processed through the nearby Paddington processing plant operated by Zijin subsidiary, Norton Gold Fields. Excelsior Gold has defined 22 resource areas with total current Measured, Indicated and Inferred Mineral Resources of 24.53 million tonnes @ 1.76g/t Au for 1,385,100 ounces of gold (see EXG ASX announcement dated 2 May 2016).

Excelsior Gold has announced today that it has entered into binding funding agreements with GWR and an existing shareholder, Farrah Property Securities Pty Ltd ("**Farrah**") to provide substantial financing to advance mining and exploration activities at the Kalgoorlie North Gold Operations.

The full funding package of up to \$11.35 million provides Excelsior Gold immediate working capital to progress mine development at Zoroastrian and to advance exploration drilling on the Zoroastrian mineral system and in new resource areas. The Central Pit at Zoroastrian is reaching steady state ore production with a planned delivery increase to the Paddington mill of up to 750,000 tonnes per annum.

The binding agreements provide immediate funds to Excelsior Gold of \$2.75 million, to be followed by a partially underwritten non-renounceable 1 for 6 rights issue ("**Rights Issue**") to raise up to an additional \$5.1 million.

The binding agreements provide Excelsior Gold with a guaranteed financing solution of approximately \$5 million and can potentially raise up to a total of \$11.35 million of new funds priced at an average issue price of \$0.05 per fully paid ordinary share in the capital of Excelsior Gold ("**Share**").

GWR Financing Package

Under the A\$6.875 million cornerstone funding agreement, GWR will initially subscribe for approximately 17.2 million convertible notes ("**Convertible Notes**") at an issue price of \$0.0387 per Convertible Note and lend the Company a further \$1.59 million ("**Loan**"), to provide \$2.25 million in new funds with completion expected on 20 June 2016. The Convertible Notes will be issued using Excelsior Gold's available 15% capacity and accordingly will not require prior shareholder approval.

On issue of the Convertible Notes and draw down under the Loan, GWR has the right to nominate a director to the board of Excelsior Gold.

Subject to the satisfactory due diligence by GWR (to be completed by 1 July 2016), GWR may elect to subscribe for approximately 27.8 million Shares ("**Placement Option**") at an issue price of \$0.057 per share in full satisfaction of Excelsior Gold's liability pursuant to the Loan. Shares issued under the Placement Option will be issued using Excelsior Gold's available 10% placement capacity and also do not require prior shareholder approval. Exercise of the Placement Option by GWR will also trigger conversion of the Convertible Notes to Shares.

On exercise of the Placement Option, GWR has agreed to take up its full entitlement under the Rights Issue (\$375,000) and underwrite the subscription of a minimum of 25 million Shares (or \$1.25 million) offered under the Rights Issue.

Subject to Excelsior Gold shareholder approval, GWR will also have the right to subscribe for a further 15 million Shares each at an issue price of \$0.05 ("**Additional Placement**") and be issued one attaching option for each Share issued upon conversion of the Convertible Note and under the Placement Option. The 45 million options to be granted subject to approval by Excelsior Gold's shareholders will have an exercise price of \$0.05 each and an expiry date of 12 months from issue.

Terms of the Convertible Notes

The key terms of the Convertible Notes are:

- Approximately 17.2 million convertible notes convertible on a 1:1 basis into 17.2 million Shares at \$0.0387 per Share, subject to due diligence at GWR's sole discretion
- 12 months term
- Coupon rate of 12% per annum payable quarterly in either cash or (subject to shareholder approval) Shares at GWR's election. If GWR elects for payment to be made by way of Shares, the issue price is 90% of the 20 traded day volume weighted average price (VWAP) prior to the due payment date

Terms of the Loan

The key terms of the Loan are:

- A principal amount of approximately \$1.59 million
- 12 months term, unless GWR elects by 1 July 2016 to subscribe for approximately 27.8 million Shares at \$0.057 per share, which will repay the Loan in full. The subscription for these Shares is subject to due diligence in GWR's sole discretion
- Coupon rate of 12% per annum payable quarterly in either cash or, subject to shareholder approval, Shares at GWR's election. If GWR elects for payment to be made by way of Shares, Shares to be issued at a price calculated as 90% of the 20 traded day volume weighted average price (VWAP) prior to the due payment date

Partial Underwriting Commitment pursuant to 1:6 Rights Issue

Subject to due diligence and exercising the Placement Option, GWR has committed to take up its full entitlement pursuant to the Rights Issue (approximately \$375,000) and to underwrite a further 25 million Shares (or \$1.25 million) to be offered under the Rights Issue.

Other Funding

Excelsior Gold has also entered into a binding agreement with Farrah, with Farrah to provide additional immediate funding by way of a \$0.5 million loan, convertible to Shares at a conversion price of \$0.05 per Share subject to shareholder approval. Farrah has also committed to taking up its full entitlement (approximately \$200,000) and underwriting 40 million Shares (or \$2 million) under the Rights Issue

Timing

As outlined above, the GWR Convertible Note and Loan amounting to an aggregate of \$2.25 million is to be made immediately available to Excelsior Gold. The last day for completion of due diligence and exercise of the Placement Option is 1 July 2016. Documentation for the shareholders meeting and Rights Issue will be issued by Excelsior Gold before mid July 2016, with completion of the transaction scheduled to occur before the end of August 2016.

GWR's Chief Executive Officer, Craig Ferrier, said *"This cornerstone funding agreement with Excelsior allows GWR to leverage exposure to the gold sector via taking a meaningful position in an emerging gold producer. This funding package provides Excelsior increased financial capacity to develop the Kalgoorlie North deposits in a timely and efficient manner."*

"During our discussions and deliberations with the Excelsior Board, we were impressed with the potential offered by Kalgoorlie North. The processing agreement with Paddington provides a low capital cost solution and scale opportunities to grow the business."

KPMG's Corporate Finance's Resources M&A team provided investment banking services to the proposed financing arrangements.

-ENDS-

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For further information:

Craig Ferrier
Chief Executive Officer
Ph: +61 8 9322 6666
E: craigf@gwrgroup.com.au

For Broker and Media Enquiries:

Andrew Rowell
Cannings Purple
Ph: +61 400 466 226
E: arowell@canningspurple.com.au

About GWR Group Limited

GWR Group Limited ("GWR") is an independent, Australian resource house focused on creating shareholder wealth through the development of high quality mineral exploration and development projects.

The Company has a portfolio of mineral commodity projects that includes projects held in its own right, in joint venture and indirectly through investment in other listed entities. We aim to create value through operational excellence and innovation in exploration and project development. We will collaborate with our stakeholders to build a sustainable mining business and the respect of our peers.

GWR has expanded its portfolio through strategic investments where GWR can leverage its balance sheet and experience to unlock value within companies with limited funding but excellent exploration or production upside.

About Excelsior Gold Limited

Excelsior Gold Limited is a gold mining company focussed on the development of the Kalgoorlie North Gold Project located 30 to 55kms north of Kalgoorlie in Western Australia.

The Project comprises of 100% interest in 110km² of contiguous, granted tenements covering 22km of strike of the Bardoc Tectonic Zone greenstone sequence.

The Project hosts extensive gold mineralisation in the current open pit and underground mine plan and in advanced exploration and mining development targets located close to existing infrastructure required for low cost mine development.

Mineral resources delineated to date total **24.53 million tonnes at 1.76g/t Au for 1,385,100 ounces** of contained gold (*at 0.6g/t and 3.0g/t Au cut-off grades*) and include Probable Ore Reserves of **3.21 million tonnes @ 2.72g/t Au for 281,800 ounces** of gold. (refer to EXG March Quarterly Report released to ASX on 2 May 2016.)

A long term processing agreement with Norton Gold Fields Limited provides a minimum 500,000 tonnes per annum ore treatment allocation at the 3.5 million tonnes per annum Paddington Mill.

Mining commenced in November 2015 and processing of first ore occurred in December 2015. The initial Base Case mining program provides a potential 7.3 year mine life from Ore Reserves of 3.21 million tonnes @ 2.72g/t Au for 281,800 ounces of gold.

For further information refer to www.excelsiorgold.com.au