

AGG: TSX-V \$0.26  
Recommendation: **Speculative BUY**  
Target Price: **\$0.84**  
Risk Rating: Speculative

## AFRICAN GOLD GROUP INC.

Price (10/31/2012) \$0.26  
Basic S/O (M) 115.5  
FD S/O (M) 131.7  
Mkt Cap (M) \$30.0  
Cash (M) as at May 1, 2012 \$1.3  
Net Debt Nil  
Enterprise Value (M) \$28.7

**Company Profile:** African Gold Group is developing the Kobada gold project in Mali, West Africa. Within the Kobada Project, "Zone 1" has a NI 43-101 Inferred Resource of 1.093M oz Au. Within several kilometers of Zone 1, AGG has a number of other drill-proven targets: Termite Zone, Gossokorodji, and Fokoro North.

### Management and Directors:

Michael A.J. Nikiforuk— President, Founder & Director  
Marco J. Durante— Vice President, Founder & Director  
Pierre Lalande— Director  
Jean-Jacques Lefebvre— Director  
David S. Brown, LL.B.— Director  
W. Durand (Randy) Eppler, M.Sc— Advisory Board Member

## INITIATING COVERAGE

### African Gold Group: Over One Million Ounces in 100% Oxide Resource

We are initiating coverage on African Gold Group Inc. (AGG:TSX-V) ("African Gold" or "AGG"), with a **Speculative BUY** recommendation and a target price of **\$0.84/share**.

#### Reasons to Own this Stock

African Gold is developing the Kobada property which has a 218.5 km concession in the prolific gold producing area of south-west Mali. We recommend African Gold based on the following:

- ⇒ **Near Term Producer**—AGG has the potential to begin production in 2015, and to ramp up production to 126,000 oz Au annually by 2017.
- ⇒ **Significant Increase In Oxide Resource Expected**—Based on pre-2011 drilling, the Resource at Kobada is over 1 M oz Au of which more than 95% is in highly oxidized rock. In Q4/12, the Company plans a Resource update which will include 49,000 m of drilling completed since 2010. We believe this drilling will increase the Resource at Kobada by 65%. Longer term, there is potential to find significantly more gold at Kobada and in the surrounding area, providing the drilling is undertaken.
- ⇒ **Gold Grade Upside**—The gold at the Kobada deposit is coarse and nuggety, which means the contained gold content is often under estimated. The development of Kobada is based on processing the oxide gold ores in a Gravity Processing Plant ("GPP") similar to the one which was recently put in operation at Wassoul'Or's Kodieran Mine also in Mali. Reports from Kodieran indicate that gold grade in ore processed is higher than estimated.
- ⇒ **Potential Sulphide Resource**—Kobada has potential for a large gold sulphide Resource below the oxide layer. The Company has intersected gold in sulphides below the oxide Resource in many areas, but the drill density has not been sufficient to define a Resource.
- ⇒ **Exploration Upside**—Besides Kobada, African Gold has a number of exploration targets (Gossokorodji, Diaban, Foroko North). Ultimately, we expect the total gold Resource, including Kobada, to exceed 5 M oz Au.
- ⇒ **Good Team**—The Company has worked in Mali for many years and has personnel with experience in the development of other gold mines in Mali. The Company's management has a proven track record in the capital markets and in mining in West Africa.
- ⇒ **Good Jurisdiction**—Mali is a good jurisdiction in which to develop new mines. The geology is excellent and the domestic workforce is inexpensive. The oxide deposits are near surface with good metallurgy and can be mined for the most part at a low strip ratio. In addition, the country allows permitting prior to the completion of a Feasibility Study.

#### Valuation and Recommendation

Our target represents a 223% upside to the current price of \$0.26/share. We suggest that as African Gold proceeds to production, defines more resources and makes plans to recover gold from sulphide, we will see further upside to the stock. We therefore recommend purchase of AGG.



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## INVESTMENT RATIONALE

We believe that African Gold Group Inc. (AGG: TSX-V) is an attractive gold investment opportunity, with positive economics and potential for higher production if oxide exploration upside is realized. Based on observations from our recent site visit, our model estimates the potential for Resources at Kobada to surpass 5.0 M oz Au.

West Africa is the fastest growing gold producing region in the world, and Mali has become the third largest producer of gold in Africa. Mali is one of several countries, from Niger to Senegal, that host Birimian greenstone belts, a distinct geological trend where much of the country's mining and exploration takes place. The portion of the belt that runs through Mali is relatively underexplored. Mali is a pro-mining country with a streamlined permitting process, which typically takes 12-24 months.

The July 2011 PEA for AGG's Kobada Gold Project evaluated the potential of an open pit, bulk mining model, utilizing a gravity recovery process plant. We have visited Kobada and reviewed the PEA. The PEA provides the basic data for our study of the project and with the review we provide the following observations. The metallurgy in the oxide zone is simple and high gold recoveries (88%) can be obtained with a fairly simple circuit. The strip ratio (1.67) for the Kobada deposit is low as bulk mining will remove all material within the pit, with the use of a low cut-off grade to determine the ore feed. The potential for defining more oxide and sulphide resources is significant. We believe that the drilling already completed could increase the inferred oxide numbers by more than 65%.

AGG has had excellent recoveries (90%) at Kobada from oxide (sapolite) hosted gold mineralisation, which averages 50-100 m in thickness. Although currently focusing on the oxide layer which is easier and less costly to mine, the Company will later focus on the sulphide. The sulphide resource is an untapped potential, beneath and along strike of the oxide; some drill intercepts averaged 8-15 g/t Au. The sulphide mineralization could not only build gold ounces, but also provide a base for an increase in gold production in the longer-term.

AGG has a strong management team and Board of Directors that will help drive the project to production. Pierre Lalande, Director, has a proven track record of building mines in West Africa. Mr. Lalande helped develop AngloGold's (AU: NYSE) Sadiola mine and IAMGOLD's (IMG: TSX) Yatela mine in Mali, as well as IMG's Essakane project and Avocet Mining's (AVM: LSE) Inata project in Burkina Faso.

There is strong exploration upside: 16 km of strike length left to explore with drill tested targets (Foroko North) outside the resource envelope, which have not been included in the mineral inventory. There are also numerous geo-chemical targets that are on-strike but have not been drill-tested.

Pilot plant testing is underway and could have a significant impact on improving the overall grade of the resource; by testing 1 t samples, there is a potential to increase grades by >50%.

AGG is a compelling gold investment story with strong economics. The project has upside for more gold in oxide and sulphide resources. There is also a reasonable chance that the gold grades may be understated due to the difficulties in assaying nuggety gold in small sample sizes.

More gold to come.

### **Project Timeline:**

**Q4/12:** Updated Resource estimate for Kobada

**H1/13:** Feasibility Study for Kobada

**H1/13:** Pilot plant at Kobada

**Q2/13-Q3/13:** Permitting for production

**Q4/13-Q4/14:** Construction of infrastructure and First Gravity Processing Unit ("GPU")

**Q1/15:** Production to commence with first GPU

**2015:** Construction of second GPU

**2016:** Commissioning of second GPU and construction of third and fourth GPUs.

**CAPITAL STRUCTURE**

Capital Structure	M	Expiry	Price
Shares Outstanding	115.50		
Options	6.80		
Warrants	9.40	Dec 17/12	\$1.00
Shares to be Issued	0.00		
<b>Pro Forma Fully Diluted Shares</b>	<b>131.70</b>		

**RECENT NEWS**

**October 10, 2012**— AGG announced that the Company has entered into an agreement to sell 100% of its Mankranho, Ghana concession to Newmont Ghana Gold Limited (“NGGL”). Under the terms of the sale, NGGL will purchase AGG’s Mankranho concession for total consideration of US\$4,000,000. The 108 km<sup>2</sup> Mankranho concession is located in the Brong Ahafo region of Ghana.

**March 29, 2012**— AGG announced that work continued, unabated, at the Company’s Kobada gold project in Mali. No disruption in work programs or staffing was experienced as a result of recent events in Bamako, Mali. Kobada camp supplies and physical equipment arrived in camp, on schedule, from Bamako and drill samples were picked up by ALS Chemex Laboratory for return shipment to Bamako for sample preparation and analysis.

**March 20, 2012**— AGG reported the analytical results for eight, near surface (oxide), reverse circulation (RC), step-out drill holes from the Company’s Kobada, Mali gold project. All eight holes represent northern step out holes that were collared up to 200 meters north of AGG’s current, 43-101, Zone 1, inferred resource. Near Surface (Oxide) Drill Highlights From Northern Step-Out Holes Include:

- KBRC12-006: 70 m @ 1.83 g/t Au & 45 m @ 1.79 g/t Au, ended in mineralization
- KBRC12-003: 27 m @ 0.47 g/t Au & 84 m @ 1.26 g/t Au, ended in mineralization
- KBRC12-004: 21 m @ 1.07 g/t & 9 m @ 1.80 g/t Au
- KBRC12-005: 21 m @ 1.15 g/t Au

*Source: Company filings*

**KEY SHAREHOLDERS**

Pinetree Capital	~13.98%
Sentry Select	~6.59%
Sprott Asset Management	~5.88%
RBC Asset Management	~2.96%
TD Asset Management	~2.55%
Board & Management	~15.00%

*Source: Thomson ONE and Bloomberg*

## GOLD IN WEST AFRICA

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Gold deposits in West Africa are typically associated with Archean and Lower Proterozoic-age Birimian Greenstone Belts. Volcanic (mafic to felsic) and sedimentary sequences are by far the dominant lithologies within the Birimian Greenstone Belts. Late stage intrusions (most commonly felsic in composition) are frequently found in spatial proximity to gold mineralization. Metamorphic aureoles are typically present proximal to intrusives, with greenschist as one of the most prevalent metamorphic grades. As a result of a prolonged tectonic history, regional (>100 km) and subordinate structures are present throughout West Africa. Regardless of scale, development of these structures promotes deformation which provides a migratory pathway for gold bearing fluids. Gold mineralization can be present in the near-surface oxide (laterite and saprolite), intermediate (transitional) and deeper (sulphide) zones. Distribution of gold grade within these various zones is highly variable but is frequently constrained by geology.

While there are no absolutes with gold deposits in West Africa, a number of common factors are present at most deposits which allows for definition.

***See Appendix I for more information on gold in West Africa.***

## MALI OVERVIEW

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Mali is the largest country in West Africa, bordering Algeria, Niger, Burkina Faso, Cote d'Ivoire, Guinea, Senegal, and Mauritania. Mali is similar to Ontario both in area (1.2 M km<sup>2</sup> vs. 1.1 M km<sup>2</sup>) and population (14.5 M vs. 12.8 M) respectively. Mali is also geographically similar to Ontario in that the northern 2/3 of the landmass is sparsely populated and distant from large centres of population. Mali's largest population centres (Bamako, Sikasso, Ségou) are located in southern Mali and proximal to the Niger River. The majority of Mali's arable land is in immediate proximity to the Niger River, its tributaries, or similar large river systems (Bafing, Bagoé).

Mali has long been considered a model of democracy and political stability in Africa, with democratic rule in effect since the early 1990s. In late March 2012, a small number of soldiers seized control of the Presidential palace and unilaterally declared dissolution of the government and suspension of the constitution. However, reports of violence were isolated to Northern Mali's regions of Timbuktu, Kidal and Gao. Political stability was restored in late August 2012 when an interim government was appointed with international and ECOWAS support.

***See Appendix II for more information on Mali.***

## GOLD

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In our analysis of gold projects, we are using \$1,600/oz Au as our base case price. This is more aggressive than forecasts used by many Analysts and Feasibility Studies which use 3-year trailing averages (currently \$1,419/oz Au). The average gold price this year has been \$1,661/oz Au YTD.

We believe the higher long-term gold price is justified by:

- Limited supply growth caused by impediments to new production and declining grades in old production;
- Increased financial investment;
- Central Banks, especially China's, increasing rather than divesting their gold holdings.

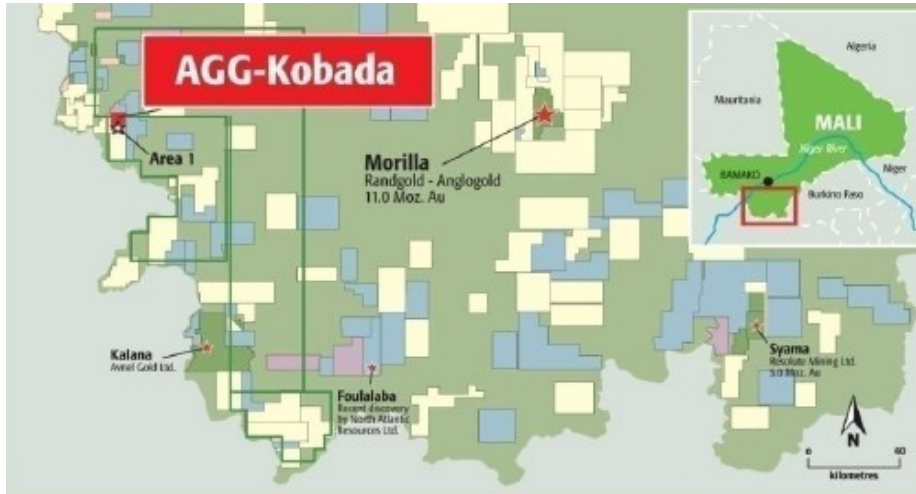
***See Appendix III for more information on gold prices.***

**KOBADA PROJECT****Kobada Overview**

The flagship Kobada project is located in the Kangaba region of southwestern Mali, ~3.5 hours drive from the capital city of Bamako. The Kobada project concession comprises an area of 218.5 km<sup>2</sup>. Kobada is accessed by paved road from Bamako to Sélingué and then an all-weather laterite road leads to Kobada. Access requires some upgrading and one bridge needs construction over the Fie River due to a 2-3 month period of flooding.

**Exhibit 1: The Kobada project is located in south-western Mali.**

*Source: Company Report*



**Exhibit 2: Sélingué Hydroelectric Dam is located 45 km from Kobada and has generation capacity of 44 MW. Sélingué started generating power in 1980 and has been upgraded between 1996 and 2001. Sélingué Lake to left, generation station in centre, spillway and transformer station below right.**

*Source: Pope & Company Limited*

**Kobada Geology**

The sedimentary package (greywackes, siltstone, turbidites, minor graphite) present at Kobada is quite typical of other sequences within Birimian basins. Gold mineralization is hosted within discreetly occurring quartz-carbonate vein swarms along the Kobada shear zone which trends N20E. Two episodes of gold mineralization (coarse and disseminated) have been identified at Kobada.

Three distinct ages of quartz veining have been recognized at Kobada. The earliest are weakly mineralized, bullish quartz veins developed parallel to the Kobada shear. A second set of gold bearing, east-west oriented quartz veins was developed from progressive shearing and extensional fracturing. The last stage of quartz veining is sub-horizontal and typically barren of mineralization.



**Exhibit 3: Rock outcrops are very scarce at Kobada given the extensive oxide cover. The photograph shows multiple quartz veins and varying orientations. Gold mineralization is associated with specific quartz vein sets, so an understanding of their distribution is critical for exploration drilling at Zone 1 and elsewhere on the Kobada Project.**



*Source: Pope & Company Limited*

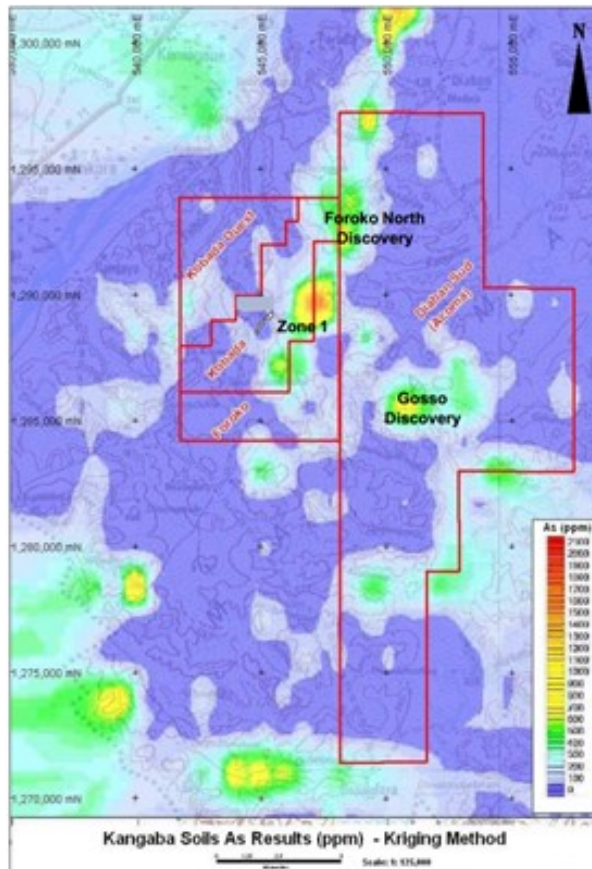
Quartz vein swarms are known to have a regular periodicity which assists in guiding drilling. Several generations of drilling have resulted in varying orientation of holes as a result of pursuing east-west trending extensional veins. Up to 2010, drilling was typically done at 290 since the Kobada trend is N20E. The turn of events came when it was discovered that orpailleurs were mining east-west trending veins. Trenching proved up the association of grade with east-west trending veins and subsequent drilling followed a 200 orientation with -55 dip in order to hit the east-west trending veins.

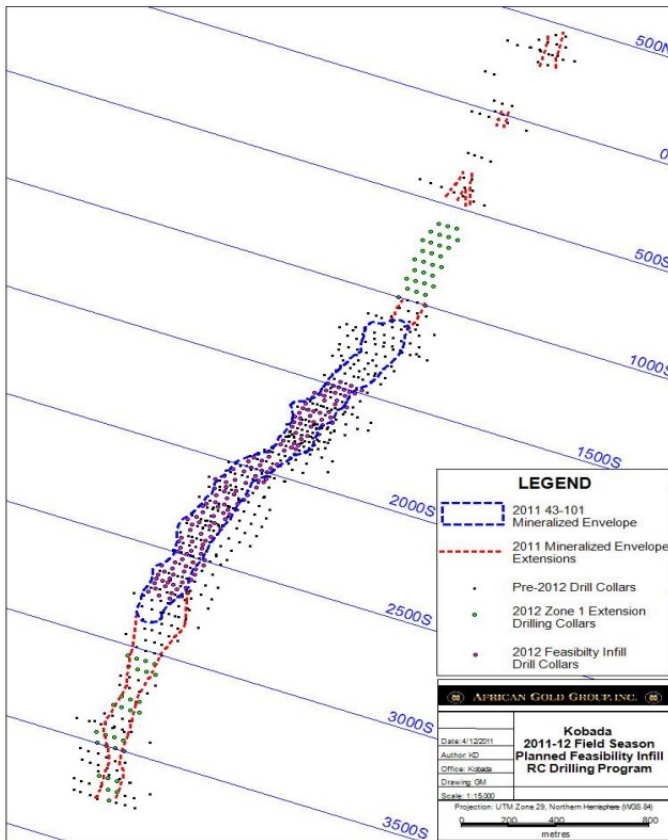
**Kobada Project - Zone 1 Resource Upside and Exploration Potential**

Kobada’s discovery resulted from a regional geochemical survey carried out by BRGM (Bureau de Recherches Géologiques et Minières). The survey identified a 10 km+ long arsenic and gold soil anomaly that is coherent with the regional structural setting as seen in Exhibit 4.

**Exhibit 4: Regional geochemical survey identifies Zone 1 and other targets (Gossokorodji, Diaban, Foroko North).**

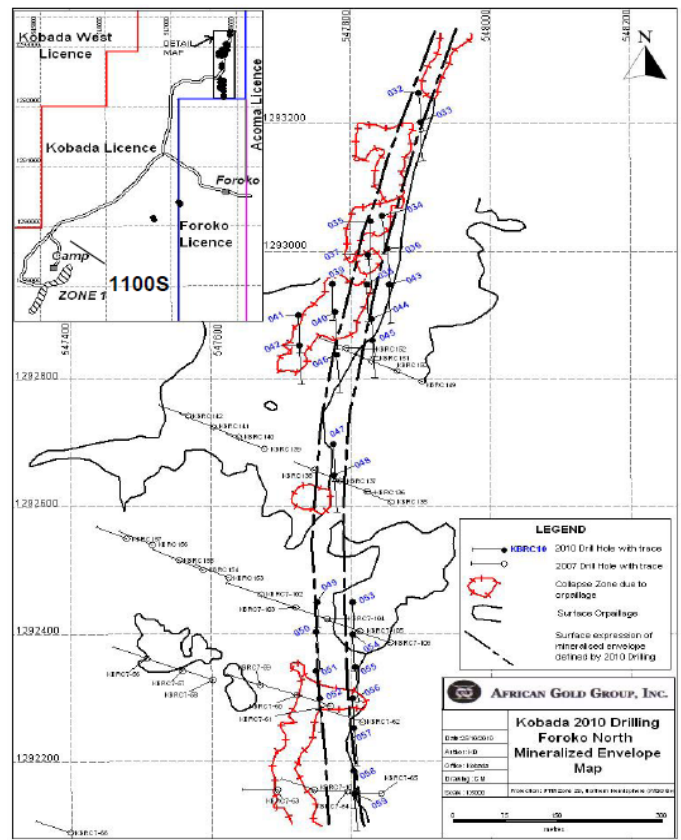
*Source: Company Report*





**Exhibit 5: Zone 1 has a well-defined footprint of 1,750 m strike length.**

*Source: Company Report*



**Exhibit 6: The Foroko North zone was discovered by drilling an airborne geophysical anomaly. We note that the flexure at Foroko North mirrors that seen within Zone 1.**

*Source: Company Report*

Based on local grid coordinates, the 2011 Zone 1 resource has a strike length of 1,750 m (1,100S to 2,850S). Subsequent to the resource estimate, successive drilling campaigns have identified mineralization over a continuous strike length of 3,200 m (600S to 3,800S) – see Exhibit 5. Drilling in 2011 gave a clear demonstration of Kobada’s on-strike potential. Mineralization is open to depth and on-strike further to the south and north. While the dominant trend of mineralization at Kobada is N20E, intersecting structures and areas of weakness are associated with thick intervals of higher grade mineralization.

Since 2010, approximately 49,000 m of drilling has been completed, none of which has been included in the current Zone 1 resource estimate. An updated resource estimate is expected in Q4/12 and we conservatively estimate that the Zone 1 resource will be in a range between 1.85 and 2.10 M oz. Outside of Zone 1, we have modelled that Foroko North will add a minimum number of 450,000 oz.



**High Nugget Effect**

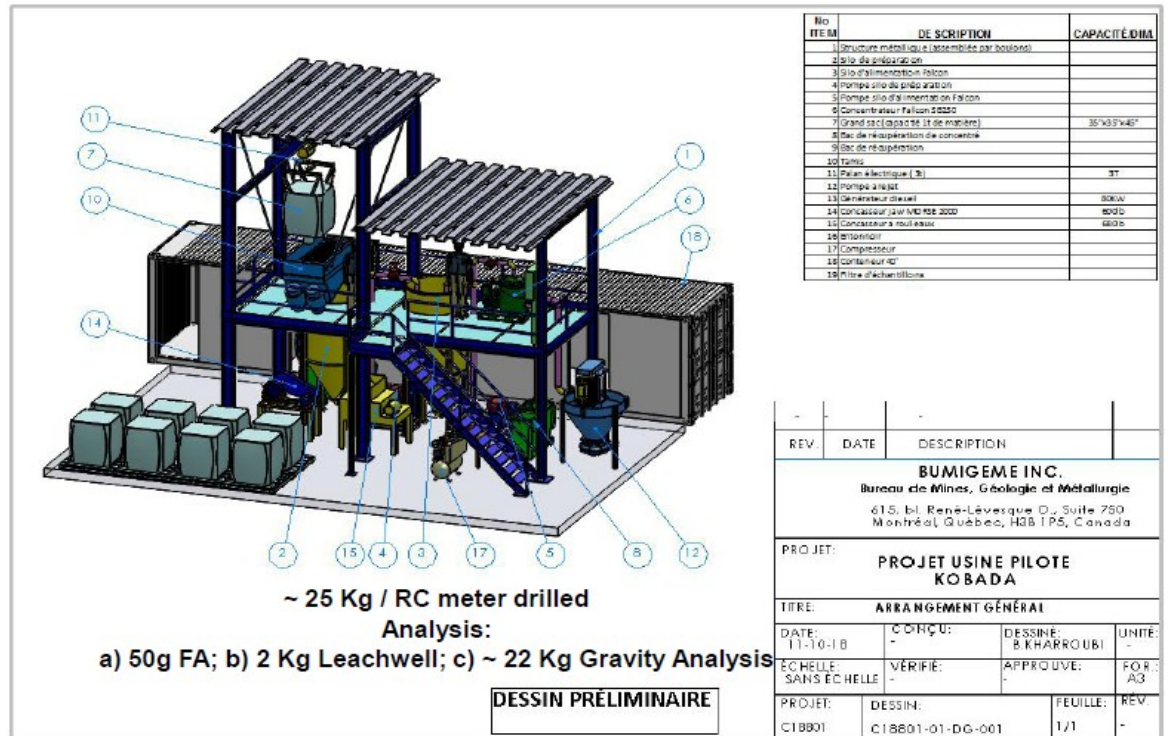
Certain portions of the Kobada gold deposit are known to have a pronounced nugget effect. The appropriately named “nugget effect” stems from the fact that coarse gold particles can result in a low estimate of gold grade during assaying if proper protocols are not observed. Particles of coarse gold that are not sampled and do not get assayed can result in a low bias. Proper sample representation is a critical step to ensure results accurately reflect gold content. In essence, larger sample sizes provide better representation. Gold content can be grossly underestimated by taking too small an aliquot during assaying. AGG has carried out comparisons of analyses and results using different sample aliquots and analyses. Gold values were determined using standard fire assay using a 50 g aliquot and LeachWell using a 2,000 g aliquot. Gold values were higher using the larger sample size, which reflects the importance of sample representivity.

AGG has taken an innovative approach to address the nugget effect at Kobada. Pierre Lalande is one of AGG’s directors and has extensive first hand experience with the nugget effect in West Africa. Under Mr. Lalande’s direction, AGG directed Bumigeme to commission a pilot plant to process several hundred tonnes of Kobada mineralization. There are several intended purposes for the pilot plant; (1) to characterize different styles of Kobada mineralization; (2) to emulate on a small-scale, how Kobada mineralization behaves during processing, and (3) determine the efficacy and parameters of a commercial scale gravity processing facility.

In theory, processing tonnes rather than grams of Kobada mineralization should provide as close to ‘real-world’ conditions as an actual operating facility. The pilot plant has been delayed due to travel restrictions that were imposed subsequent to the uprising earlier in 2012.

**Exhibit 7: African Gold Group’s Pilot Plant – Schematic Drawing**

Source: Company Report



**Exhibit 8: African Gold Group's Pilot Plant at the Kobada Project.**

**Source: African Gold Group**



In West Africa, processing oxide mineralization is generally accomplished with Carbon-in-Leach (CIL), heap leaching (HL) or a combination of techniques. While gravity plays a minor but routine role at a number of mines in West Africa, the concept of a gravity dominant approach to processing is nearly unique. The Kodieran mine is one of the only known examples in West Africa that employs a gravity dominant approach to processing. While there are anecdotal examples of mines experiencing higher than expected grades due to the nugget effect, a recent announcement regarding Kodieran's production seems to give the anecdotal evidence some apparent validity.

**Case Study: Kodieran Mine (successful pilot plant testing to production)**

The Kodieran gold mine is located 300 km from the capital city of Bamako and is owned by Pearl Gold AG (O2P: F) and Wassoul'Or (private Malian company). Kodieran's inauguration in February 2012 made it the newest gold mine in Mali.

Pearl Gold AG references that Wassoul'Or set up a pilot plant with a capacity of 1,000 tpd that operated for 12 months to test the gravity extraction process. The testing was successful and as a result, processing was optimized and a Gravity Processing Plant (GPP) with a 20,000 tpd capacity was designed and approved for construction. The GPP consist of 4 5,000 tpd units (GPU) and the first unit commissioned in Q1/12 and the second unit was commissioned in Q3/12. The remaining two units will be built and commissioned over the next couple of years.

Pearl Gold AG announced in August 2012 that the second line had entered production and that Kodieran was processing 11,000 tpd. The reported average ore grade of ~5 g/t far exceeded quoted resource grade (non NI 43-101 compliant).

**Exhibit 9: Photograph of Kodieran Gold Mine processing plant.**

**Source: Pearl Gold AG Prospectus**

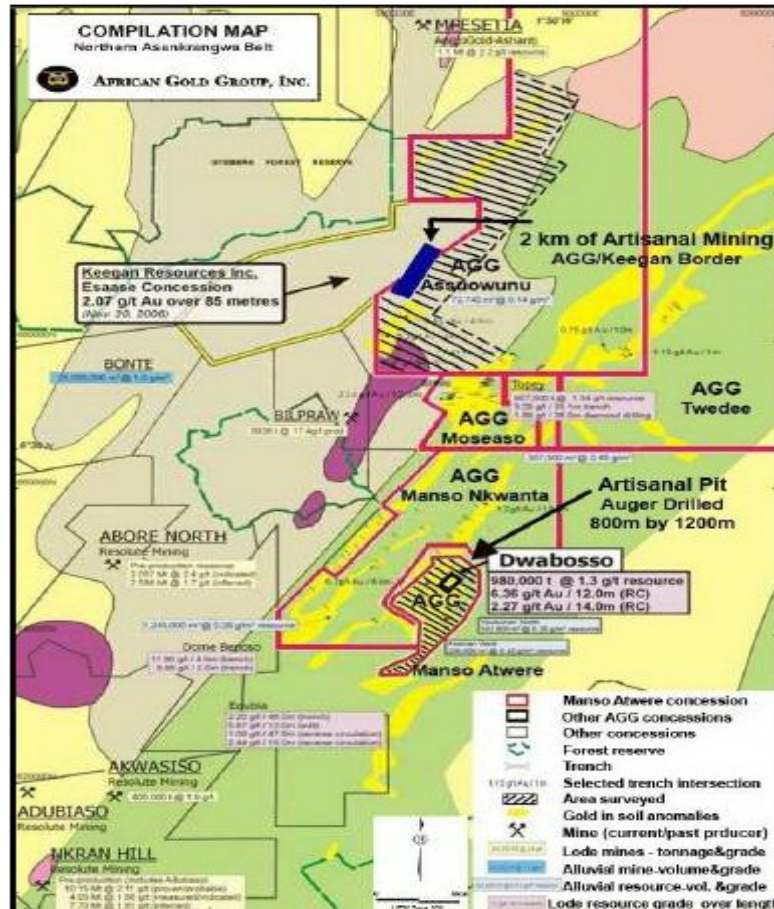


**GHANA ASSETS**

The Asankrangwa property in Ghana covers 456.2 km<sup>2</sup> and is comprised of five contiguous gold concessions: Twedee, Moseaso, Manso Nkwanta, Manso Atwere and Assuowunu. The concessions contain a 24 km gold in soil anomaly, and extensive artisanal workings. The property is located in the northern segment of the Asankrangwa gold belt, which is situated midway between the Ashanti and Sefwi gold belts in Ghana. This region has a significant history of gold exploration and mining. Asankrangwa is on strike with PMI Gold's (PMV:TSX.V) Obotan project (2.26 m oz Au of P&P reserve, 3.22 m oz Au of M&I resource and 1.29 m oz Au of Inferred resource) and contiguous with Keegan Resources (KGN:TSX) Esaase Project (3.23 m oz of Indicated and 1.68 m oz Au of Inferred resource).

**Exhibit 10: Ghana Asset Map**

Source: Company Report





## **JULY 2011 PRELIMINARY ECONOMIC ASSESSMENT (PEA)**

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The 2011 PEA evaluated the potential of an open pit, bulk mining model, utilizing a gravity recovery process plant, at the Company's Kobada (Mali) gold project. The consulting group Bumigeme Inc., located in Montreal, Quebec, was commissioned by AGG to complete the study. The plant design is based on gravimetric testing performed by SGS Lakefield in 2009 and 2010 for an arm's length mining company.

### **Mine Process (as from the Company's press release of the PEA)**

*The preferred process option is gravity concentration and intensive leach reactor treatment of concentrate. Nominal feed grade to the mill will be 0.64 g/mt Au (after dilution), although this is expected to vary over the course of operations due to the nature of the ore body. Two concentrates would be produced, high grade shaking tables concentrate and a leach precipitate. Both concentrates would be smelted to produce doré bullion on site.*

*The process flowsheet developed has many advantages compared to other options; the CAPEX and OPEX needed are relatively lower and the environmental risk is reduced.*

*The process plant consists of four identical parallel circuits collectively capable of treating ~20,000 t of ore per day. This quad-stream design not only allows for a degree of flexibility in plant operations but also facilitates the maintenance of a reasonable level of production in the event that a significant item of equipment fails. As such a failure would usually only affect one circuit; this latter consideration is important in a country, such as Mali, where local infrastructure support is virtually non-existent.*

*Each circuit will consist of the following sections: Ore transportation, Scrubbing, Screening and classification, Desliming, Crushing, Gravity recovery and concentrating tables, Intensive Leach Cyanidation (ILR) and electro-winning, Cyanide destruction, Smelting, Process utilities will include water supply, tailings pond and reagents*

### **Comments on the PEA**

The Study incorporates and includes drill data up to the end of December 2010. There is no drill data from the 2011 campaign included in the Study. In 2011, ~228 holes were drilled for an additional 23,945 m of drilling. Over 150 holes (~25,000 m) were completed in 2012 that have yet to be reported.

Specifically, the Study does not incorporate drill data for the northern extension holes that extend Zone 1 up to 2 km north of the Zone 1 deposit. It also does not incorporate the 2011 southern holes or the newly discovered Foroko North deposit, which is separate and distinct from Zone 1.

The Resources estimate reported in this Study is calculated from surface to a vertical depth of 160 m as compared to AGG's 2008 initial resources estimate that was calculated to a vertical depth of 260 m. This amendment reflects AGG's primary focus on the oxidized horizon of the deposit. Therefore, most of the volume of the sulphide resource that was included in the May, 2008 Initial Resources Estimate is not included in this Study. The Resource in the PEA is an Inferred Resource of 1.1 M oz Au, mainly oxide.

### **According to The PEA - Base Case**

The Kobada project base case is for processing 20,000 tpd for a total of 7,000,000 tpa in a gravity process plant that is projected to recover 87.9% of the gold contained in 41,750,000 tonnes of lateritic material assaying 0.64 g/t Au, for an average annual production of 126,600 oz Au for the first five years of operation.

The average annual operating cost is calculated to be US\$8.27/t for the first five years of operation with a CAPEX of US\$122,500,000.

The Kobada project is projected to produce gold at the direct cost of US\$470.90/oz.

During years 4 and 5 of operations the CAPEX will be increased by US\$2.9 M due to the addition of a ball mill that will be required to process the sulphide resource.

The average operating cost at year 6 will increase to US\$8.73/t. Gold recovery and production in year 6 is projected to be 80.80% and 112,200 oz Au, respectively.

### **Key Highlights from the Study**

The Study demonstrates that the Kobada gold project is economically optimized by adopting bulk mining versus selective mining. The direct implications of bulk mining are demonstrated in a substantial increase in tonnage and recoverable gold but with an associated decrease in the average gold grade. 100% of all material excavated between the hanging wall and footwall of the mineralized zone be processed in the gravimetric plant as lateritic deposits containing coarse free gold result in a strong “nugget effect”.

### **PEA Base Case Economics**

<b>PEA Base Case Economics- US\$1,100 oz Au @ 5%</b>			
<b>Equity Funding</b>	<b>IRR</b>	<b>Pay Back Period</b>	<b>Net Present Value \$(M)</b>
50%	90.60%	14 months	\$216.90

<b>Capital Costs (CAPEX) Summary</b>	<b>C\$</b>	<b>Operating Costs (OPEX) Summary</b>	<b>C\$/Year</b>
Mining	34,404,000	Mining	15,122,267
Concentrators	30,554,760	Concentrators	31,411,184
Infrastructures & Services	29,016,650	Administration & Services	2,591,319
Personnel Accommodations	2,100,000	Personnel Accommodations	1,236,000
<b>Subtotal</b>	<b>96,075,410</b>	<b>Subtotal</b>	<b>50,360,770</b>
EPCM (12.5%)	12,009,426	Miscellaneous (15%)	7,554,116
Miscellaneous (15%)	14,411,312	<b>Total OPEX</b>	<b>57,914,886</b>
<b>Subtotal</b>	<b>26,420,738</b>		
<b>Total CAPEX</b>	<b>122,496,148</b>	<b>Operating Cost/t</b>	<b>8.27</b>

### **Our View on the PEA**

- The metallurgy in the oxide zone is simple and high gold recoveries (88%) can be had with a fairly simple circuit.
- The strip ratio (1.67) for the Kobada deposit is low as bulk mining will remove all material within the pit, with the use of a low cut-off grade to determine the ore feed
- The potential for defining more oxide and sulphide resource is significant. The company has almost 49,000 m of shallow drilling completed since the last resource calculation which was based on 55,000 m of previous drilling. We believe that the drilling already completed could increase the inferred oxide by more than 65%.
- We believe that the PEA has underestimated both the capital and operating cost. We have assumed that the GPP works but the company will take time to optimize production. To this end, we have phased in the building and the production of the gravity plants. As a result one GPU is in operation in year one, then two GPU plants in year two and finally full production in year three (with four GPUs). As a result the gold production is spread over 7 years, rather than 6 years as assumed in the PEA.
- We note that the total cost for the GPP operation at the Kodieran Mine is estimated at \$177 M for the 21,000 tpd operation. These capital costs appear to include all capital costs from the inception of the project to full operation of the plant. We note that over \$20 M has been spent exploring and developing Kobada. As a result, we have increased the total capital costs for the Kobada to \$160 M from \$126 M. In addition, we have added \$10 M for exploration and development in 2013.
- For our valuations we have increased the operating cost per tonne milled by 46% to \$12.19/t. This reflects a mining cost for ore moved of \$1.80/t rather than the implied rate of \$0.75/t. It also includes higher operating costs for a ramp-up period.



## VALUATION

We are initiating coverage on African Gold Resources Ltd. with a Speculative BUY recommendation and a \$0.84/share target price. For our valuation, we have set up 3 cases which assume \$1,600/oz Au, a total ISCP, and Royalty of 6% and a tax free period of 5 years. In addition, the government will have a 10% Free Carried interest in the JV Company which holds the asset (See Appendix II).

**GPP-PEA** – Equal production and cost profile as the PEA study except for our changes noted above. Gold production is estimated at 126,751 oz/y for 6 years and total gold production is 755,997 oz LOM.

**GPP-7 Years** – Similar to Case 1 except production costs are increased to an average of \$12.16/t milled with initial operating costs a little higher to lower production. Total capital costs are \$170 M. During the phased period of production when operating cost are a little higher, we assume that the Company will deliver higher grade ore to the mill. Once the operation is at full production, the gold production is similar to GPP-PEA.

**GPP-10 Years** – Similar to GPP-7, except we have assumed that the property can deliver 10 years of gold ore at the targeted rates. This bump in production life reflects our view of the immediate potential for more oxide resource at Kobada in the upcoming resource update. The total capital costs are estimated to be \$17.4 M over the GPP- 7 Year Case. Operating costs for LOM decrease slightly to \$12.08/t.

Valuation Model - Gold Price Sensitivity (+/- 25%)				
After-Tax		\$000		
NPV@8%	Oz Sold	\$1,200	\$1,600	\$2,000
GPP - PEA	755,997	\$212,531	\$391,812	\$571,093
GPP - 7 Years	755,038	\$70,481	\$225,800	\$381,119
GPP - 10 Years	1,235,822	\$131,403	\$335,683	\$539,963

Valuation Model - Operating Cost Sensitivity (+/- 10%)				
After-Tax		\$000		
NPV@8%	Oz Sold	90%	100%	110%
GPP - PEA	755,997	\$413,698	\$391,812	\$369,926
GPP - 7 Years	755,038	\$252,417	\$225,800	\$199,183
GPP - 10 Years	1,235,822	\$370,712	\$335,683	\$300,654

Valuation Model - CAPEX Cost Sensitivity (+/- 10%)				
After-Tax		\$000		
NPV@8%	Oz Sold	90%	100%	110%
GPP - PEA	755,997	\$402,141	\$391,812	\$381,483
GPP - 7 Years	755,038	\$238,456	\$225,800	\$213,143
GPP - 10 Years	1,235,822	\$348,437	\$335,683	\$322,929

In our valuation, we discarded the GPP- PEA Case because we felt the capital and operating costs were unrealistic. Production would most likely be phased in over a number of years, not only to optimize the new plant's operations and relatively new technology, but also to avoid excessive share dilution in funding the project.

We have valued the Kobada Oxide Project for 2 scenarios, GPP- 7 Years and GPP – 10 Years. We believe the GPP-10 Year case will reflect the near term updated gold Resource expected before the end of the years and will be mined in a 10 year period. We have calculated the difference in the NPV to determine the incremental value of the additional gold production. The resulting unlevered after-tax cashflows are discounted using an 8% rate. In the table below, the NPV@8% of the Project is reduced to 90% to reflect the government's 10% ownership in the project. We have assumed the Canadian and US dollars are at parity. Our models indicate a NAV per share value of between \$1.20 and \$1.65 depending on the size of the gold oxide Resource. We believe the Q4/12 Resource update will support the GPP-10 Year Case.

African Gold Group Valuation		
\$000	GPP - 7 Years	GPP - 10 Years
Kabada Oxide Resource	203,220	203,220
Additional Kabada Oxide	0	98,895
Sulfide Resources	0	0
Satellite Properties	0	0
Ghana Properties	5,000	5,000
Corporate G&A	-20,628	-26,329
Cash & Equity Raises	62,053	62,053
<b>Total</b>	<b>249,645</b>	<b>342,839</b>
Number of Shares	207,360	207,360
Value/Share	1.20	1.65

**Kobada Oxide Project:** The 2011 Resource incorporated in the 2011 PEA was based on 55,000 m of drilling completed before 2011 and for the most part is highly oxidized and contains nuggety gold. The Company has chosen a Gravity Processing Plant ("GPP") to develop the Kobada project with four Gravity Processing Units ("GPU") similar to the plant installed at the Kodieran Mine, to recover gold from the oxide ore. The plant will have the capacity to process 20,000 tpd of ore starting in its 3<sup>rd</sup> year of production. The mine life is 7 years and total gold production is estimated at 755,038 oz Au.

**Additional Kobada Increased Oxide Resource:** Since the last Resource update, the Company has completed a little under 49,000 m of shallow drilling; this drilling has significantly increased the strike length of the mineralization by 1,450 m or 83%. We expect the Resource update, which is to be completed in Q4/12, will result in the gold Resource increasing by at least 65%. We expect the total Resource to be between 1.85 and 2.1 M oz Au. We have assumed the increased Resource will be in the oxidized zone, contain a similar grade to current Resource, and would be mined out in ten years. The incremental gold production from the new resource would be 480,784 oz Au.

**Kobada Sulphide Project:** Although many sections of gold in sulphides have been intersected below the oxide gold zones, the Company has not drilled enough to provide continuity to calculate a Resource. The Company felt that drilling and enlarging the oxide Resource was more important. Once the oxide mine is in production, we believe that the company will be able to define a large sulphide gold Resource as others have done in the Birimian greenstones. While we believe that gold in the sulphides will provide long term value to the Company, we gave no value to the potential Resource.

**Satellite Properties:** A regional geochemical survey has identified other targets (Gossokorodji, Diaban, Foroko North). Outside the main Kobada deposit, we have modelled that Foroko North will add a minimum number of 450,000 oz Au. If Foroko North proves to be economic, the ore would be trucked to the mill at the main deposit. We have given no value to this mineralization.

**Ghana Properties:** Recently, African Gold sold one of its Ghana properties for \$4 M. The Company has two remaining properties for sale and we put a value of \$5 M on these properties.

**Corporate G&A:** We have assumed once production starts in 2014, annual corporate G&A will be \$4 M annually. We have discounted the G&A using an 8% discount rate.

**Cash & Equity:** African Gold has roughly \$5.3 M in cash which includes \$1.3 M in cash and \$4 M in receivables due at the end of November for the recent sale of one of its Ghana Properties. We assume a raise of \$10 M in the next few months and on commencement of the project, African Gold will finance 40% of the initial capital cost with equity.

Cash & Equity		
\$000	GPP - 7 Years	GPP - 10 Years
Cash & Equity Issues	62,053	62,053
Initial Cash	5,300	5,300
Option Exercise	3,468	3,468
Raise 1	10,000	10,000
Raise 2	43,285	43,285

**Number of shares:** There are currently 115.5 M shares outstanding and 6.8 M options priced at an average price of \$0.51/share. There are 9.4 M warrants outstanding and out of the money, which will expire by the end of 2012. We are estimating that in Raise 1, African Gold will issue 26.9 M shares at \$0.40 and for Raise 2, the shares will be issued at \$0.80/share. We have factored in a 7% broker fee on equity issues.

Number of Shares		
000 of Shares	GPP - 7 Years	GPP - 10 Years
Shares Total	207,360	207,360
Initial Outstanding	115,500	115,500
Options	6,800	6,800
Raise 1 @\$0.40/share	26,882	26,882
Raise 2 @\$0.80/share	58,178	58,178

Our models indicate a NAV per share value of between \$1.20 and \$1.65 depending on the gold oxide Resource size. We believe the Q4/12 Resource update will support the GPP-10 Year Case.

## COMPARABLES

To gain a better understanding of how African Gold trades against its peers, we created a comparison table for companies which have plans to produce gold in 2015 and once ramped up to full production, will produce ~100,000 Au. African Gold plans to use a gravity process to recover the nuggety gold, a process that works well for this kind of gold. The comparable mines are using a heap leach process since gravity recovery would not be as effective on their properties. Due to the lack of companies using the gravity process, we have compared the Kobada GPP project with 4 heap leach projects. We note that 25% of the Kodieran Mine is owned by Pearl Gold and Pearl Gold has a market capitalization of around \$300 M.

Comparison of Projects- As at October 26, 2012			Target	Initial	Sustaining	Total	Production	LOM	Operating Cost	Total Cap	Total Cost
Company	Symbol	Study	Start Date	Cap. (\$k)	Cap. (\$k)	Cap. (\$k)	AuEq/y	Au (oz)	\$/oz AuEq	\$/oz	\$/oz
Golden Queen Mining	GQM: TSX	FS	2014	107,900	30,200	138,100	92,200	1,198,600	480.13	115.22	595.35
Lydian International Limited	LYD: TSX	FS	2015	269,600	146,500	416,100	169,000	2,028,000	468.50	205.18	673.68
Midway Gold Corp.	MDW: TSX-V	FS	2014	99,000	20,000	119,000	81,000	729,000	537.00	163.24	700.24
Sulliden Gold Corporation Ltd.	SUE: TSX	FS	2014	131,800	47,800	179,600	84,500	909,500	552.00	197.47	749.47
<b>Average</b>				152,075	61,125	213,200	106,675	1,216,275	497.24	175.29	672.53
African Gold Group – 7 Years	AGG: TSX-V	PEA	2015	155,742	15,000	170,742	107,863	755,038	666.33	226.14	892.46
African Gold Group - 10 Years			2015	155,742	32,400	188,142	123,582	1,235,822	652.68	152.24	804.92

We compared the global gold Resource for the five companies in the table below. From this table it appears that African Gold's gold is valued at \$33.34/oz or 60% of the average gold price for the group. However, when only produced gold is considered, African Gold ounces are trading at 21% of the group average for the 7 year case, and at 13% for the 10 year case.

Gold Resource - \$/oz - As at October 26, 2012		LOM	Resource	Average			Company	Recovered		Discount	
Company	Symbol	Years	M&I&I (oz)	g/t AuEq	g/t Au	g/t Ag	EV \$M	\$/oz Au	Au (oz)	\$/oz Au to Average	
Golden Queen Mining	GQM: TSX	13.0	3,493,079	0.68	0.50	9.21	237.80	68.08	1,198,600	198.40	
Lydian International Limited	LYD: TSX	12.0	3,478,746	1.04	0.96	3.89	242.60	69.73	2,028,000	119.61	
Midway Gold Corp.	MDW: TSX-V	9.0	3,053,941	0.50	0.50		210.10	68.81	729,000	288.26	
Sulliden Gold Corporation Ltd.	SUE: TSX	10.8	5,687,373	0.81	0.58	11.43	189.70	33.35	909,500	208.53	
<b>Average</b>			3,928,285				220.05	56.02	1,216,275	180.92	100%
African Gold Group – 7 Years	AGG: TSX-V	7.0	859,471	0.65	0.65		28.70	33.34	755,038	37.95	21%
African Gold Group - 10 Years		10.0	1,404,344	0.65	0.65		28.70	20.40	1,235,822	23.19	13%

The following table compares the cost (EV plus capital) to produce an ounce of gold per year. We note the average cost for the peer group is \$3,600/oz and African Gold 10-year Case has a value of \$1,492/oz. For African Gold to increase to parity with the peer group, African Gold shares would have to trade at \$1.89/share for the 7 year case, and at \$2.23/share for the 10 year case.

African Gold Parity Calculation- As at October 26, 2012			Outstanding		Market			Cap	Production	Cap/Annual Oz
Company	Symbol	Country	Shares (M)	\$/share	Cap \$M	Cash \$M	EV \$M	EV+ In. \$M	AuEq/y	\$/oz
Golden Queen Mining	GQM: TSX	USA	98	2.49	243.97	6.16	237.81	345.71	92,200.00	3,749.54
Lydian International Limited	LYD: TSX	Armenia	124	2.29	283.71	46.46	242.58	512.18	169,000.00	3,030.63
Midway Gold Corp	MDW: TSX-V	USA	128	1.67	213.81	3.67	210.14	309.14	81,000.00	3,816.54
Sulliden Gold Corporation Ltd	SUE: TSX	Peru	243	0.94	228.60	38.94	189.66	321.46	84,500.00	3,804.26
<b>Average</b>							220.05	372.12	106,675.00	3,600.50
African Gold Group – 7 Years	AGG: TSX-V	Mali	116	0.27	30.05	1.39	28.65	160.45	107,862.57	1,487.58
AGG Parity With Peers	AGG: TSX-V	Mali	116	1.89	218.98	1.39	217.59	388.33	107,862.57	3,600.24
African Gold Group - 10 Years	AGG: TSX-V	Mali	116	0.27	30.05	1.39	28.65	184.40	123,582.23	1,492.09
AGG Parity With Peers	AGG: TSX-V	Mali	116	2.23	258.18	1.39	256.78	444.93	123,582.23	3,600.24

The above comparisons are an attempt to compare similar yet different projects. From the comparison, we have established that African Gold is undervalued compared to its peers and its gold Resource is trading at a discount. The comparisons do not account for differences in taxation, permitting risk, the likelihood of developing the global gold resource, or the upside exploration potential of the property being developed. In the case of African Gold, we believe that the Kobada property will ultimately have a global Resource of over 5 M oz Au and a significant portion of the increase in the resource will come from the oxide, and will be processed in the heap leach complex.

**West Africa Comparables**

Company	Symbol	Mkt Cap	EV	2011 Production	2012 H1 Production	Forecast 2012	EV/oz Prod. 2012	Cash Cost 2011	Cash Cost 2012	M&I + Inf	EV/Oz(M&I +Inf)
Friday, October 26, 2012		USDS M	USDS M	000's oz	000's oz	000's oz	USDS /oz	USDS /oz	USDS /oz	Moz	USDS /oz
<b>Producers (11 Companies)</b>											
RANDGOLD RESOURCES LTD	GOLD: US	\$10,770.52	\$10,453.11	845.20	375.98	845.00	\$12,370.54	\$716.00	\$683.00	28.13	\$371.59
RESOLUTE FPO	RSG: AU	\$1,144.05	\$1,028.32	330.86	213.40	400.00	\$2,570.81	\$908.00	\$830.00	5.02	\$204.80
TERANGA GOLD CORPORATION	TGZ: TSX	\$545.27	\$578.35	131.46	87.40	217.50	\$2,659.08	\$900.00	\$659.00	3.49	\$165.72
SEMAFO INC	SMF: TSX	\$1,076.48	\$948.01	180.00	121.40	247.50	\$3,830.32	\$677.00	\$738.00	6.66	\$142.40
ENDEAVOUR MINING CORP	EDV: TSX	\$1,009.72	\$996.33	368.00	102.69	253.85	\$3,924.88	\$690.00	\$792.00	7.86	\$126.83
HIGH RIVER GOLD MIN	HRG: TSX	\$1,176.31	\$1,152.06	250.10	121.40	390.00	\$2,954.00	\$650.00	\$808.00	7.52	\$153.26
GOLDEN STAR RES LTD	GSC: TSX	\$522.96	\$562.22	301.12	146.17	315.00	\$1,784.81	\$1,133.00	\$1,020.00	5.15	\$109.17
LA MANCHA RESOURCES INC	LMA: TSX	\$498.08	\$371.22	121.45	55.92	120.00	\$3,093.53	\$688.00	\$769.00	6.79	\$54.67
AMARA MINING PLC	CFG: TSX	\$185.71	\$165.90	77.97	27.70	65.00	\$2,552.35	\$902.00	\$1,016.00	3.44	\$48.21
NOBLEMIN FPO	NMG: AU	\$91.77	\$122.21		8.86	18.00	\$6,789.59		\$625.00	2.79	\$43.79
AVNEL GOLD MINING LTD	AVK: TSX	\$57.52	\$40.09	10.94	4.26	7.44	\$5,387.87	\$933.00		1.14	35.32
<b>Averages/Total</b>		<b>\$1,552.58</b>	<b>\$1,492.53</b>	<b>2,617.10</b>	<b>1,265.18</b>	<b>2,879.30</b>	<b>\$4,356.16</b>	<b>\$820.00</b>	<b>\$794.00</b>	<b>7.09</b>	<b>132.34</b>

<b>Developers (20 Companies)</b>											
GOLDEN RIM FPO	GMR: AU	\$52.75	\$50.01							0.18	\$276.29
PAPILLON FPO	PIR: AU	\$458.17	\$448.85							3.14	\$142.94
OKLO RES FPO	OKU: AU	\$1.99	\$1.26							0.02	\$52.99
GRYPHON FPO	GRY: AU	\$276.87	\$230.46							4.55	\$50.65
PMI GOLD CORP	PMV: TSX-V	\$234.18	\$193.46							4.51	\$42.90
AMPELLA FPO	AMX: AU	\$148.08	\$105.61							3.07	\$34.42
AFRICAN GOLD GROUP INC	AGG: TSX-V	\$30.05	\$28.65							0.86	\$33.34
GOLDPLAT	GDP: UK	\$24.20	\$20.52							0.90	\$22.82
RIVERSTONE RESOURCES INC	RVS: TSX-V	\$89.44	\$83.55							3.37	\$24.81
OREZONE GOLD CORPORATION	ORE: TSX	\$152.41	\$125.06							5.60	\$22.35
LEGEND GOLD CORP	LGN: TSX-V	\$4.83	\$4.83							0.28	\$17.26
KEEGAN RESOURCES INC	KGN: TSX	\$276.53	\$84.97							5.38	\$15.79
OROMIN EXPLORATIONS LTD	OLE: TSX	\$99.69	\$98.24							9.49	\$10.35
EDGEWATER EXPLORATION LTD	EDW: TSX-V	\$29.15	\$25.50							2.50	\$10.20
VOLTA RESOURCES INC	VTR: TSX	\$87.01	\$55.05							5.26	\$10.46
MERREX GOLD INC	MXI: TSX-V	\$12.48	\$5.10							0.61	\$8.43
ROBEX INC	RBX: TSX-V	\$25.21	\$22.40							3.98	\$5.63
CHANNEL RESOURCES LTD	CHU: TSX-V	\$8.35	\$6.06							1.15	\$5.25
GOLDRUSH RESOURCES LTD	GOD: TSX-V	\$6.97	\$6.86							2.61	\$2.63
MIDLANDS MINERAL CORP	MEX: TSX-V	\$2.91	\$0.77							1.53	\$0.50
<b>Totals/Averages</b>		<b>\$101.06</b>	<b>\$82.98</b>							<b>2.95</b>	<b>\$39.50</b>

**RECOMMENDATIONS**

Our net asset valuation for African Gold is \$1.20/share based on the current Resource as defined in the 2011 PEA. We recognize that the micro-cap gold companies trade generally at a discount to their NAV. As a result, we have set our one year target price at 70% of NAV which is \$0.84/share. If the Resource update results in an increase in gold oxide Resource as we expect, then the NAV would increase by \$0.45/share to \$1.65/share and the target price would be \$1.16/share.

African Gold appears to have a lot of upside in exploration, additional gold in the defined areas, a gold sulphide resource and the potential to have a higher gold value in the Resource due to sampling problems in nuggety gold deposits.

At a current share price of \$0.26/share, our one year target of \$0.84/share represents a 223% increase in the stock value. We therefore recommend purchase of the stock.



## RISKS

We have a 'Speculative' risk rating for African Gold Group.

**Start-up and operating risk:** There is a significant risk that the exploration, development and completion of the Kobada Project could be delayed due to circumstances beyond AGG's control. Setbacks could include delays in securing financing or in construction or commissioning.

**Liquidity and financing:** Development of the Kobada Project will require significant capital and there is no assurance that AGG will be able to obtain sufficient financing at favourable rates. AGG may be unable to invest capital for its development and exploration programs, take advantage of business opportunities or respond to competitive pressures.

**Gold Prices:** The Company's future profitability is directly related to the number of ounces of gold sold and the price of gold. Gold prices have historically been volatile and are primarily affected by global monetary stability as well as supply and demand.

**Foreign exchange:** Once in production, AGG will be subject to foreign exchange risks because revenues will be received in US dollars while operating costs will be in part local currency. Fluctuations in exchange rates can significantly impact earnings and cash flows.

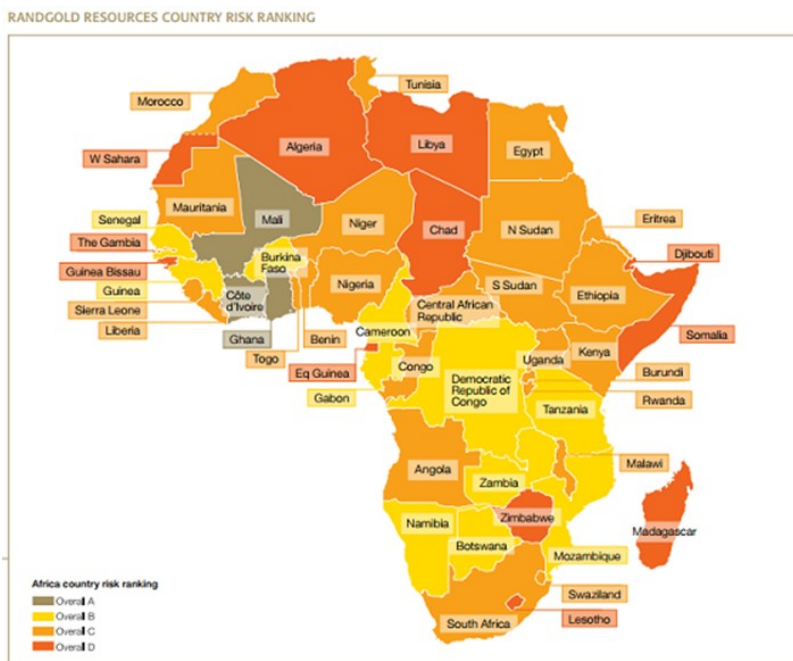
**Licences and permits.** Development of the mine requires permits. Permitting is always a risk regardless of jurisdiction.

**Country Risk.** We have based our analysis on the current fiscal environment and historical country risk. In the world of change, economic nationalism and change in political system is a risk.

We believe that risk for West Africa is largely misunderstood due to lack of familiarity with the region. Compared to other well-known mining jurisdictions such as South America, we believe the profile of West Africa is comparable or lower in risk. In recent months, the global mining industry has seen political and civil unrest, resource nationalization, and rampant tax increases. Certain areas of the African continent have hosted mining for decades and other areas are relatively new to mining. We believe that Randgold (GOLD: NYSE) has successfully managed and mitigated risk and translated this into company growth. Randgold's growth in the last 10 years has outpaced many other mining companies. As part of their risk management, Randgold has developed a system of measuring several parameters and assigning a country a rank, or 'grade'. Randgold's key factors are geological opportunity, economic and fiscal regime, political stability, and infrastructure. Each of these factors is divided into several criteria so that an overall rank or grade is based on 25+ factors. We note that within the African context, West Africa, particularly Mali, Ivory Coast, Ghana and Burkina Faso are given the best ranks of "A" or "B". This favours comparably to other well known mining jurisdictions within Africa that scored lower due to higher risk.

### Exhibit 11: Randgold Resources African country risk ranking

Source: Randgold 2011 Annual Report



**MANAGEMENT & DIRECTORS**

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**Michael A.J. Nikiforuk - President, Founder & Director**

Mr. Nikiforuk (B.A. Econ.) is the former Vice President, Corporate Development and a former Director of Banro Resource Corporation. Mr. Nikiforuk represented Banro in three rounds of equity financing totaling ~\$30,000,000.

**Marco J. Durante - Vice-President, Founder & Director**

Mr. Durante (B.A. Econ.) focuses on providing venture capital and Investor Relations strategies and financing initiatives on an ongoing basis to growth oriented companies. Mr. Durante has substantial past experience with mining companies, including Banro Resource Corporation and Lyndex Explorations.

**Pierre Lalande - Director**

Mr. Lalande is a career geologist with ~40 years of field experience of which the vast extent of this experience has been spent and is currently being spent in West Africa. From 1970 - 1994 Pierre was a Senior Geologist with Watts, Griffis and McOuat Ltd. From 1994 - 2001 Pierre served as Chief Geologist for IAMGOLD Corp., and from 2001 - 2005 as Technical Advisor to Orezone Resources Inc. The West African projects that Pierre contributed in adding value to include: Sadiola (Mali), Yatela (Mali), Siguri (Guinea), Kiniero (Guinea) and Samira-Libiri (Niger), Essakane and Inata (Burkina Faso).

**Jean-Jacques Lefebvre - Director**

Mr. Lefebvre has extensive geological and management experience with African mining companies. Mr. Lefebvre was the Chief Geologist of Union Miniere in Central Africa. He was also the Chief Geologist with PBK Engineering Ltd. and directed the Sodemiza project in Congo. He negotiated the acquisition of the Kobada gold concession from Cominor SA for African Gold Group. Mr. Lefebvre has a Masters of Sciences (Belgium) and also has his P. Eng. (France).

**David S. Brown, LL.B. - Director**

A partner in the Corporate Department of Toronto based Weir Foulds LLP, Mr. Brown is a founder and past Chairman and presently serves as a Director of the Toronto Venture Group, President of the Limited Market Dealers Association of Canada and a member of the Executive Committee of the Toronto Angel Group

**W. Durand (Randy) Eppler, M. Sc - Member of the Advisory Board**

Mr. Eppler has over 30 years experience in the natural resources industry. He has served as Chief Executive Officer of Sierra Partners, LLC, a private investment and advisory firm since he founded it in 2004. From 1995 to 2004, Mr. Eppler held various positions with Newmont Mining Corporation, including Vice President of Newmont Capital, Ltd. (2002 to August 2004), Vice President, Corporate Development of Newmont Mining Corporation (2001 to 2002), President of Newmont Indonesia (1998 to 2001), and Vice President, Corporate Planning of Newmont Mining Corporation (1995 to 1998). He currently serves on the boards of directors of Vista Gold Company, Augusta Resource Corp., and Allied Nevada Gold Corp. and is the Chairman of the board of directors of Northern Energy & Mining Inc.

## APPENDIX I: A Primer on Gold Deposits in West Africa

Gold deposits in West Africa are generally comprised of an upper oxidized (or **oxide**) cap where a laterite (or **duricrust**) layer may be present, a **transitional** layer and a lower **sulphide** zone. **Gold** mineralization can occur in any or all of these layers. The amount of gold introduced to an area is essentially dependent on the mineralizing event and geological setting.

**Laterite or Duricrust** is a layer of chemical precipitation (induration) that is on or near the surface. While not always present, these layers can range from centimeters to meters in thickness. Laterite or duricrust is not as widespread as oxide layers, but is important for mining as it has a much higher specific gravity and frequently hosts gold mineralization.

**Saprolitic** layers are formed in situ through prolonged periods of surficial bedrock weathering. In order to develop thick saprolitic layers, there must be low topographic relief to limit erosion, prolonged periods of quiet tectonism and suitable climatic conditions. Oxide layers are widespread throughout West Africa and have variable depths (0-200) metres, but are typically 60-100 metres deep. The depth of oxide layers is largely determined by underlying geology and topography.

Rocks that have undergone periods of intense deformation or have higher porosities create conditions that allow for a deeper weathering profile. Most minerals are destroyed during the weathering process and only resistant phases remain behind. Lateral dispersion of gold mineralization within the oxide layer frequently occurs, depending on the amount of water table fluctuation or groundwater migration.

**Exhibit A: Oxide mineralization is frequently variable in colour which reflects the primary lithology. Note the plastic behaviour displayed within drill core. The soft nature of oxides means a lower work index and power consumption in relation to harder fresh rock.**

*Source: Pope & Company Limited*



The unique physical and chemical properties of oxide layers are amenable to low-cost mining. Oxides are much softer than fresh bedrock, resulting in a lower work index and reduced power consumption during processing. Depending on the nature of the gold mineralization, oxides are amenable to heap leaching and/or cyanide leaching. Many mines in West Africa are mining oxides, which respond predictably to standard processing procedures and are associated with very high metallurgical recoveries. It is common practice in West Africa to calculate resources/reserves using very low cut-off grades (~0.3 to 0.5 g/t).

**Exhibit B: An excavated trench shows the transition from duricrust into deeper saprolite. Note the preservation of relict primary features within the saprolite. Metallurgical recoveries are typically quite good, given that weathering destroys nearly all gangue minerals.**

*Source: Pope & Company Limited*



**Transitional** layers are commonly confined to a range of 0-20 metres in thickness. The transitional layer defines the boundary between the lower limits of the weathering profile and the unweathered or 'fresh' bedrock. The transitional layer is marked by a gradation from the oxide layer into fresh bedrock, often accompanied by fragments of partially oxidized fragments of bedrock.

**Sulphide** zones are generally hosted within unweathered bedrock. Zones of sulphide mineralization can extend to several hundred metres depth and remain open. Numerous deposits in West Africa have sizeable gold resources/reserves hosted in sulphides. Deeper sulphide zones are generally mined underground and often after oxide production has been exhausted. There are numerous sulphide species associated with gold mineralization, but

typically dominated by pyrite, pyrrhotite and arsenopyrite.

Unweathered bedrock hosted sulphide zones are generally much harder than either transitional or oxide layers, as their constituent minerals have not been destroyed by weathering. As a result, a higher work index and increased power consumption are seen during processing. Sulphide plants are common at mines throughout West Africa when production shifts from oxide to sulphide zones.

**Gold** deposition within West Africa is controlled by a number of physical and chemical parameters. Mineralizing events have a number of components related to chemistry (pH, time, temperature, etc) that control gold deposition. The geological setting also plays a role in controlling gold deposition. Deposits associated with shear zones are subject to a number of elements (deformation, favourable lithologies, presence of deep seated faults, etc)



**Exhibit C: Drill holes from a site visit in West Africa display the change from oxide into transitional and deeper sulphide zone. Oxide-transitional-sulphide boundaries are frequently gradational and variable in thickness.**

**Source: Pope & Company Limited**



which provide the physical setting and controls for a mineralizing event to take place. Gold deposits within West Africa are spatially associated with large (crustal-scale) and subordinate (splays, etc) structures.

#### **Generalized Geological Overview**

West Africa hosts a number of Birimian greenstone belts which share geological similarities (i.e. volcanic-sedimentary sequences) with other Archean greenstone belts (Canada, Australia, etc) around the world. The majority of multi-million ounce gold deposits in West Africa are shear-hosted vein deposits within Birimian greenstone belts.

Mali has two distinct areas of Archean gneisses and granitoid plutons surrounded by Proterozoic metasedimentary, metavolcanic, and plutonic rocks. The Proterozoic rocks are exposed in three areas, referred to as inliers. The Kayes and Kéniéba inliers are in western Mali and the Bougouni inlier is in south central Mali. These inliers are the focus of most exploration companies and host all operating gold mines.

The generalised geology of the Kayes and Kéniéba inliers consists of a minor volcanic (basalt to andesite) and sedimentary package (limestone, sandstone, greywacke, etc). Geology of the Bougouni inlier is dominated by granites and gneisses, with three distinct north-northeast trending crustal-scale shear zones.

**Exhibit D: A typical soil sample is taken following survey protocols to ensure proper quality control. The survey design will dictate sampling depth, density, size, etc. Soil surveys provide a low-cost method of screening large areas in advance of more expensive drilling.**

**Source: Pope & Company Limited**



#### **Exploration in West Africa**

Due to the extensive oxide layer throughout much of West Africa, outcrop exposure is generally poor. Geophysical and geochemical surveys are widely used in order to see buried geology and zones of mineralization. Geophysical surveys are used to measure differences in gravity, magnetic fields, etc., in order to define lithological changes, presence of certain sulphides, etc.

In a general sense, geochemical surveys are used to quantify changes in bedrock geology. Most soil surveys analyse for gold in tandem with other known pathfinder elements such as arsenic, antimony, etc. Coinciding patterns are typically indicative of a buried feature and can be used to filter out spurious anomalies. Consideration must be given to any geochemical surveys, given that transported material may give rise to false anomalies.

**Exhibit E: Large “cathedral” or smaller “mushroom” type termite mounds are often sampled as a proxy for deeper sampling. Combining soil and termite sampling can be done in areas of *in situ* and transported media.**

**Source: Pope & Company Limited**

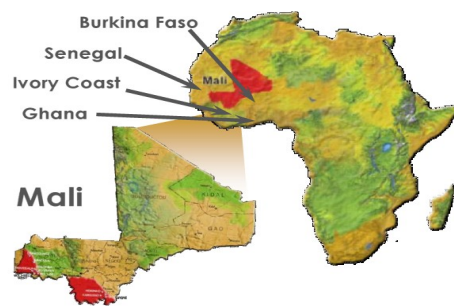


## APPENDIX II: Mali

## General Information

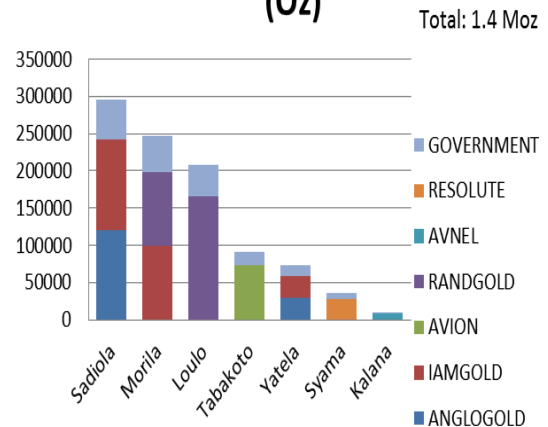
- Mali covers an area of ~1,241,000 km<sup>2</sup> in western Africa, southwest of Algeria. The country has a population of ~14.5 M and is growing at an annual rate of 2.8%. Bamako is the capital with a population of ~935,400.
- Mali is one of the poorest countries in the world with a GDP of \$1,330 per capita or \$18.26 B (2011 est.) In 2007, the size of the labour force was 3.241 M (2007 est.) and by occupation was agriculture 38.8%, industry 21.9%, services 39.3% (2011 est.)
- Mali gained its independence from France on September 22, 1960, and has a republic form of government. The Executive branch consists of the President elected by popular vote for a five-year term, the Prime Minister appointed by the President and the Cabinet appointed by the Prime Minister. The President was Amadou Toumani Touré who was elected in May, 2002 and re-elected in May 2007. The Legislative branch is formed of a National Assembly of 147 members elected by popular vote for a five-year term. Acts of the National Assembly are subject to review by the Constitutional Court, formally established on March 9, 1994. Mali's legal system is based on the French civil law system and customary law. Recently the legally elected government was displaced and the country has gone temporarily under military rule. There is every indication the country will hold elections and return to elected rule in the coming months.
- Economic activity is largely confined to an area irrigated by the Niger River and some 80% of the labour force is engaged in farming and fishing. Industrial activity has traditionally been concentrated on processing farm commodities, primarily cotton, more recently gold mining has become an important activity.
- Since 1996, foreign mining companies have increased gold mining operations in the country following the discoveries of large gold deposits such as Sadiola Hill, Yatela, and Morila. Mali has become a major Sub-Saharan gold exporter with production of 1.4 M oz worth ~\$2.2 B in 2011. Mali is the third largest gold producing country in Africa, behind South Africa and Ghana. Deposits of copper, tin, bauxite, iron ore, manganese, uranium and diamonds can be found in the country but only gold and phosphate are actually mined.

Source: Company Report



**Africa's 3<sup>rd</sup> largest  
gold producer**

### 2011 Gold Production in Mali (Oz)



- Mali has an internationally competitive mining code as well as a favourable fiscal regime for miners. Highlights include:
  - No corporate tax for the first 5 years of production
  - A 3 year moratorium on import duties for mining equipment
  - A 3 to 5% ISCP Tax on gold ingots, depending on the date of the Licence granting
  - A 3% ad valorem tax on revenue
  - A 10% government participation at decision to mine and the option to acquire another 10% at market value
  - Income Tax Rate —35%
  - With Holding Tax —10% on dividends
  - No restrictions on capital flows in and out of Mali



Furthermore, infrastructure in the country is passable and there is potential for hydro based power as the national grid expands. The presence of large mid-tier producers, Randgold (GOLD: Q), IAMGOLD (IMG: TSX), and AngloGold Ashanti (AU: N) confirm the favorability of the environment. In addition, there are smaller producers such as Resolute (RSG: AU), Endeavour Mining (EDV: TSX) and Avnel Gold (AVK: TSX-V) also operating in the country.

### Mineral Rights

- In Mali, the State owns the title to all mineral rights. The Mining Code provides for six types of authorizations and permits:
  - An exploration authorization valid for three months and renewable once for three months;
  - A prospecting authorization valid for three years renewable once for three years;
  - An exploration permit valid for three years renewable twice for three years each time;
  - An exploitation permit valid for thirty years renewable indefinitely for ten years each time;
  - A small scale mining authorization valid for four years renewable indefinitely for four years each time; and
  - An artisanal exploitation authorization valid for one year and renewable.
- The Mining Code provides that prior to the issuance of mineral rights, except for the artisanal exploitation authorization, a mining agreement (“Mining Convention”) must be signed by the State of Mali and the future holder of the mineral right. The Mining Convention governs the relationship of the mineral right holder and the State during the exploration and the exploitation phases. Amongst other things, the Mining Convention provides for the minimum exploration expenses to be incurred and the size of the interest of Mali in the project if the property is brought into production, which is typically 10% free carried interest and 10% paying interest. In the case of SOMIKA, the Malian government has a 20% free carried interest and 20% paying interest.

### Infrastructure

- Mali has only one railroad, including 729 km in Mali, which runs from the port of Koulikoro via Bamako to the border with Senegal and continues on to Dakar. The Bamako-Dakar line, which has been described as dilapidated. In 2003 the two countries, Mali and Senegal sold a 25-year concession to run the rail line to a Canadian company, which has pledged to upgrade equipment and infrastructure. The Malian portion of the railroad carried an estimated 536,000 tons of freight and 778,000 passengers in 1999, but the track is in poor condition and the line is closed frequently during the rainy season. The line is potentially significant because it links landlocked Mali to the port of Dakar. In the early 2000s, there also were plans to construct a new rail line between Bamako and Kouroussa and Kankan in Guinea .
- Electricity production is roughly 490 M kWh (2008 est.) and electricity consumption was 455.7 M kWh (2008 est.) Power generation is mainly from hydroelectric generation and diesel thermal generation. A 2008 evaluation of the dam conducted by three financiers (EIB, German KfW and French AFD) concluded that the main benefit of the dam is the generation of hydropower, where the production of 740 GWh per year exceeded expectations of 540 GWh. About 55% of the electricity is used in Mali, 30% in Senegal and 15% in Mauritania. In 2006 in Mali more than 90% of all electricity generated came from Manantali, in Mauritania 34% and in Senegal 13%.
- Mali had a road network totaling about 18,563 km in 2000, including about 4,450 km of paved roads. Mali’s main economic link to the coast is a paved road between Bamako and Abidjan in Côte d’Ivoire. The European Development Fund is financing construction of a road linking Bamako and Dakar, Senegal. The African Development Bank is funding the construction of a road linking Bamako and Kankan in Guinea. There are also plans for a trans-Saharan road linking Mali with Algeria. In general, road conditions outside of urban areas are hazardous, especially at night.
- In 2007 Mali reportedly had 29 airports, 8 of which had paved runways. The main airport is Senou International Airport in Bamako, which offers flights to neighbouring countries and to Europe. As part of infrastructure improvements in 2002, the runway at Bamako was extended, and new airstrips were built in previously isolated areas of the west—Kayes, Mopti, and Sikasso.

**Corporate Taxes and Fees**

- Corporations holding authorizations and permits in Mali are subject to certain taxes and fees, which include the following:
  - A Special Tax on Certain Goods (royalty), including gold sales, at a rate of 3% of the turnover before tax.
  - A business profits income tax at the rate of 35%. Tax losses are deducted from the tax on corporate profits and may be carried forward for 3 years. The carry back of losses is not permitted.
  - The Investment Code is intended to encourage and stimulate productive investment in Mali. It provides certain general guarantees and incentives. The most significant incentives are an 8-year corporate tax and property tax exemption under some conditions. There also are specific incentives for, e.g. investments by region, investments promoting tourism, agriculture and the mining and oil industry.
  - Withholding tax of 10% on interest and dividends (paid on remittance).
  - Value added tax ("VAT") of 18% on operations. Exploration and research activities are exempt from VAT and customs duties. Customs duties are exempted for the construction period and for three years after commencement of commercial production for any one or more mines.
  - Payroll tax of 8.5% of gross salary of an employee. Social security tax funds both pensions and health care. The employer pays 22% of the employee's gross salary and the employee pays 3.6% of his/her pretax salary.

## APPENDIX III: Gold

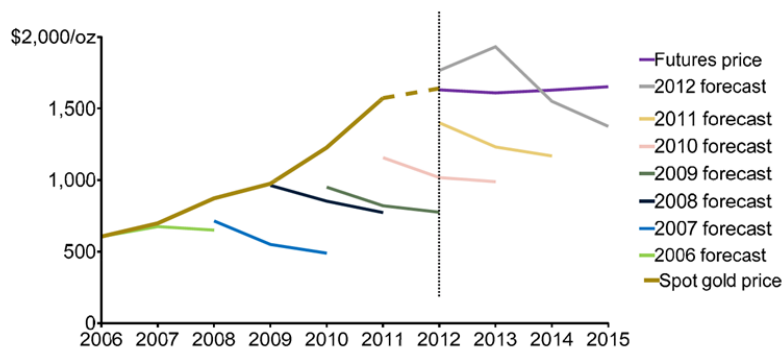
## Gold Price Forecast

- In our analysis of gold properties we are using \$1,600/oz Au as our base case price. This is more aggressive than forecasts used by many of the big banks and Feasibility Studies which use 3-year trailing averages (currently - \$1,419/oz Au). The average gold price this year to date has been \$1,661/oz Au.
- We believe the higher long term gold price is justified by:
  - Limited supply growth due to impediments to new production and declining grades of old production;
  - Increased financial investment;
  - Central Banks, especially China, increasing rather than divesting their gold holdings.

## Exhibit F: Gold price – spot vs. expectation

Source: Bloomberg

Gold price (spot vs analyst/market forecasts)



Note: Consensus forecast is median forecast of all contributing analysts to Bloomberg. Forecast as of 10<sup>th</sup> May in each year, except 2006 which is from 30<sup>th</sup> June; Futures price curve based on contracts prices on 20<sup>th</sup> Jul 2012 for settlement at year-end in 2012, 2013, 2014 and 2015  
Source: Bloomberg

## Gold Fields Commentary on Gold Mine Supply

- A recent presentation by Gold Fields (GFI: NYSE) made some interesting points on mine supply. Firstly the major gold producers have had difficulties increasing their production. Between 2006-2011, gold production declined despite higher gold prices.
- Operating unit costs of gold production are increasing while gold grades are decreasing. The all-in costs for gold production are significantly higher than the headline cash costs of production especially for greenfields operations.
- We believe that while global financial instability has resulted in increased gold investment by central banks, in ETFs and gold hoarding, we believe that the changing role of China in gold consumption, fabrication, and Central Bank purchases are of greatest significance. We believe that China plans to promote the Yuan to becoming an international currency and possibly a Reserve Currency.

## Exhibit G: Gold Supply and Demand by Year

Source: Gold Fields Annual Report, 2012

Gold Supply & Demand (T)	2008	2009	2010	2011	2012F	2013F
Mine Production:	2,429	2,611	2,740	2,818	2,900	2,960
Old Scrap:	1,350	1,735	1,719	1,661	1,750	1,600
Net Official Sales:	235	34	-77	-455	-400	-300
Fabrication Total:	3,027	2,517	2,784	2,760	2,585	2,720
Carat Jewelry	2,304	1,814	2,017	1,973	1,850	1,950
Official Coins	192	234	213	246	185	200
Other	531	469	554	541	550	570
Bar Hoarding:	621	498	882	1,209	1,250	1,000
Physical Surplus:	366	1,365	716	56	415	540
Net hedging:	357	234	108	-6	0	0
Investment in ETFs:	321	617	368	162		
Implied Other (Di)vestment:	-312	514	240	-100	415	540
Price- pm fix, \$/oz	872	972	1,225	1,585	1,650	1,600

**Gold Supply**

- Mine Supply
  - Despite the spectacular rise in the price of gold since 2002, mine supply has not increased as rapidly as one expected. Barriers to production such as permitting, lack of infrastructure, and constraints on manpower, along with economic nationalism, have tempered new investment.
  - Cost of production has been increasing due to higher capital costs, lower ore grades and increased operating costs, particularly with regards to energy and power costs.
- Old Scrap
  - High prices resulted initially in an influx of old scrap, however it appears scrap additions to the market have levelled off.
- Net Official Sales
  - Between March 2000 and December 2011, Central Banks divested 2,232.9 M t Au, becoming major suppliers of gold to the market. Since 2007 however, Central Banks have shifted from being net sellers to net buyers of gold. This is a net change of 690 t of gold, from official sales of 235 t in 2008 to buying of 455 t in 2011. China's Central Bank was the biggest sovereign buyer of gold. If China is to become a reserve currency, we expect that China will increase its gold reserves significantly from current levels.
- Since 2004, ETFs have inventoried nearly 2,500 t Au.

**Exhibit H: World Official Gold Holdings**

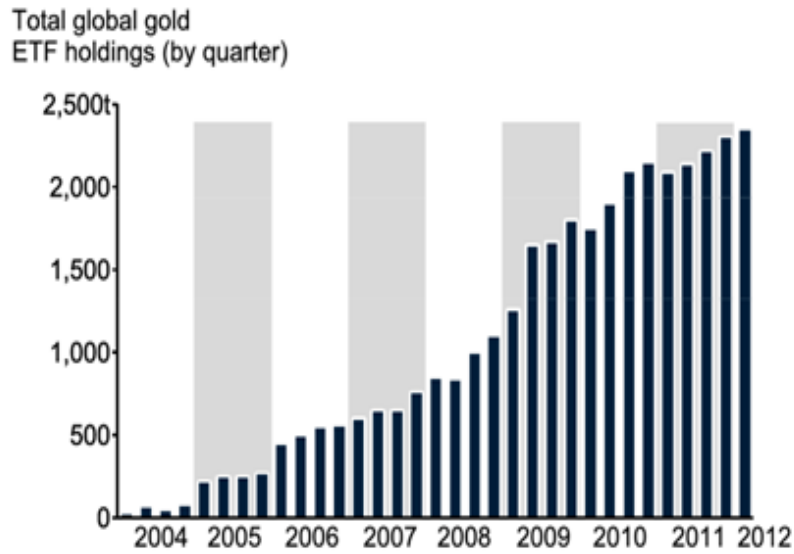
Source: World Gold Council from IMF Figures

<b>World Official Gold Holdings</b>			
<i>International Financial Statistics, August 2012</i>			
<b>Rank</b>	<b>Country/Entity</b>	<b>Tonnes</b>	<b>% of Reserves</b>
1	United States	8,133.5	75.1
2	Germany	3,395.5	71.9
3	IMF	2,814.0	
4	Italy	2,451.8	71.3
5	France	2,435.4	71.6
6	China	1,054.1	1.6
7	Switzerland	1,040.1	14.2
8	Russia	918.0	9.2
9	Japan	765.2	3.1
10	Netherlands	612.5	60.2
11	India	557.7	9.8
12	ECB	502.1	32
13	Taiwan	422.7	5.6
14	Portugal	382.5	89.9
15	Venezuela	365.8	74.8
16	Saudi Arabia	322.9	2.7
17	United Kingdom	310.3	15.9
18	Lebanon	286.8	30
19	Spain	281.6	27.6
20	Austria	280.0	55.6
<b>Total</b>		<b>27,332.5</b>	

\* Source: World Gold Council from IMF figures

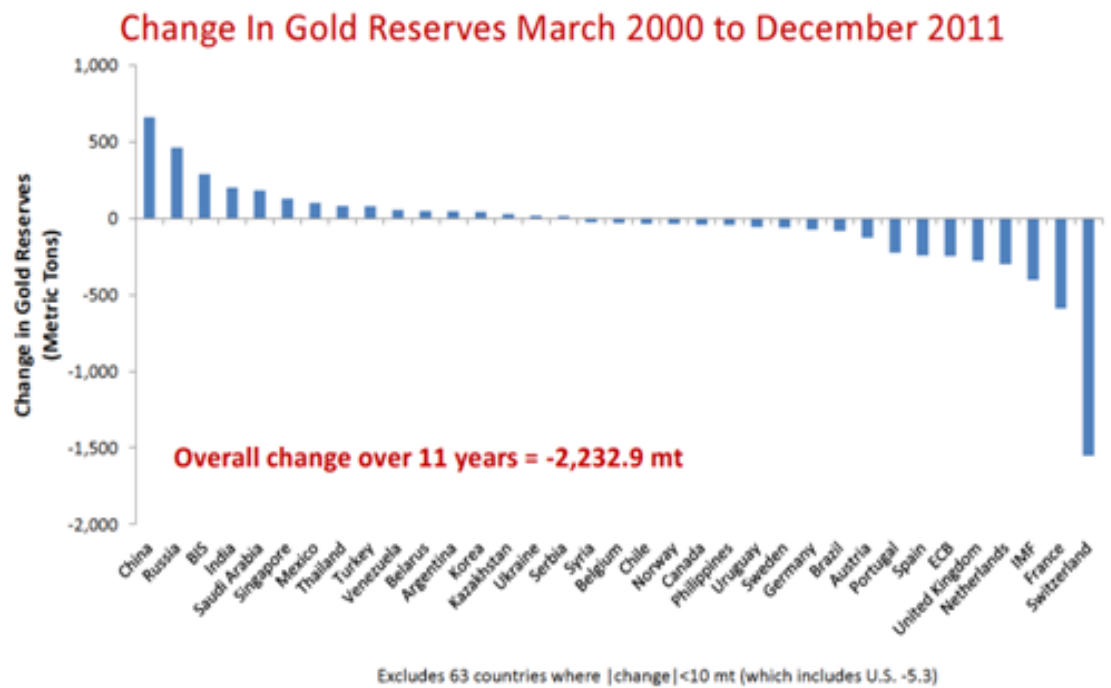
**Exhibit I: Total Global Gold ETF Holdings (ETFs and similar products, including closed-end gold funds) by Quarter.**

Source: World Gold Council



**Exhibit J: Change in Gold Reserves, March 2000 to December 2011**

Source: World Gold Council (Quarterly Gold and FX Reserves Q4 2011); *Erb & Harvey, Gold 2012*





## APPENDIX IV: Valuation Tables

GPP - PEA															
Description		Total/Average	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Gold Price	\$/oz	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Ore Processed	t	41,751,000	-	-	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	6,751,000	-	-	-	-	-
Grade	g/t	0.64	-	-	0.64	0.64	0.64	0.64	0.64	0.64	-	-	-	-	-
Gold Contained	000 oz	859,088	-	-	144,035	144,035	144,035	144,035	144,035	138,912	-	-	-	-	-
Recovery	%	0.88	-	-	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88
Au Produced	000 oz	755,997	-	-	126,751	126,751	126,751	126,751	126,751	122,242	-	-	-	-	-
Production Cost	US\$/t	8.35	-	-	8.27	8.27	8.27	8.27	8.27	8.73	-	-	-	-	-
Cash Cost	US\$/oz	461	-	-	457	457	457	457	457	482	-	-	-	-	-
	\$000														
Revenue		1,209,596	-	-	202,802	202,802	202,802	202,802	202,802	195,588	-	-	-	-	-
Sales Cost		5,328	-	-	893	893	893	893	893	862	-	-	-	-	-
Operating Cost		348,386	-	-	57,890	57,890	57,890	57,890	57,890	58,936	-	-	-	-	-
Royalties		72,256	-	-	12,115	12,115	12,115	12,115	12,115	11,684	-	-	-	-	-
Operating Profit		783,626	-	-	131,904	131,904	131,904	131,904	131,904	124,106	-	-	-	-	-
CAPEX		125,996	-	122,496	-	-	-	1,750	1,750	-	-	-	-	-	-
Interest	10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax	35.00%	36,307	-	-	-	-	-	-	-	36,307	-	-	-	-	-
Financing		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cashflow		621,323	-	-122,496	131,904	131,904	131,904	130,154	130,154	87,800	-	-	-	-	-
NPV@	8%	391,812	-	-105,021	311	96,642	186,414	268,433	344,376	391,812	391,812	391,812	391,812	391,812	391,812

GPP - 7 Years															
Description		Total/Average	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Gold Price	\$/oz	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Ore Processed	t	41,751,000	-	-	1,750,000	3,500,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	1,501,000	-	-	-
Grade	g/t	0.65	-	-	0.77	0.77	0.64	0.64	0.64	0.64	0.57	0.55	0.64	0.64	-
Gold Contained	000 oz	859,471	-	-	43,211	86,421	144,035	144,035	144,035	144,035	127,156	26,542	-	-	-
Recovery	%	0.88	-	-	0.85	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88
Au Produced	000 oz	755,038	-	-	36,729	76,051	126,751	126,751	126,751	126,751	111,897	23,357	-	-	-
Production Cost	US\$/t	12.16	-	-	14.34	13.34	11.34	11.34	11.34	11.87	11.87	11.87	-	-	-
Cash Cost	US\$/oz	667	-	-	683	614	626	626	626	656	743	763	-	-	-
	\$000														
Revenue		1,208,061	-	-	58,766	121,681	202,802	202,802	202,802	202,802	179,036	37,371	-	-	-
Sales Cost		5,336	-	-	260	538	895	895	895	896	791	165	-	-	-
Operating Cost		493,922	-	-	25,095	46,690	79,380	79,380	79,380	83,090	83,090	17,817	-	-	-
Royalties		72,163	-	-	3,510	7,269	12,114	12,114	12,114	12,114	10,695	2,232	-	-	-
Operating Profit		636,639	-	-	29,901	67,184	110,412	110,412	110,412	106,701	84,460	17,157	-	-	-
CAPEX		170,742	13,500	71,868	47,844	22,530	2,000	3,500	3,500	2,000	2,000	2,000	-	-	-
Interest	10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax	35.00%	52,174	-	-	-	-	-	-	-	27,313	20,705	4,156	-	-	-
Financing		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cashflow		413,723	-13,500	-71,868	-17,943	44,654	108,412	106,912	106,912	77,388	61,756	11,001	-	-	-
NPV@	8%	225,800	-12,500	-74,115	-88,359	55,537	18,246	85,619	148,001	189,811	220,705	225,800	225,800	225,800	225,800

GPP - 10 Years															
Description		Total/Average	2013E	2014E	2015E	2016E	2017E	2018E	2019E	2020E	2021E	2022E	2023E	2024E	2025E
Gold Price	\$/oz	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600	1,600
Ore Processed	t	68,250,000	-	-	1,750,000	3,500,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000	7,000,000
Grade	g/t	0.65	-	-	0.77	0.77	0.64	0.64	0.64	0.64	0.64	0.62	0.62	0.62	0.62
Gold Contained	000 oz	1,404,344	-	-	43,211	86,421	144,035	144,035	144,035	144,035	144,035	138,634	138,634	138,634	138,634
Recovery	%	0.88	-	-	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88	0.88
Au Produced	000 oz	1,235,822	-	-	38,025	76,051	126,751	126,751	126,751	126,751	126,751	121,998	121,998	121,998	121,998
Production Cost	US\$/t	12.08	-	-	14.34	13.34	11.34	11.34	11.34	11.87	11.87	11.87	11.87	11.87	11.87
Cash Cost	US\$/oz	653	-	-	660	614	626	626	626	656	656	681	681	681	681
	\$000														
Revenue		1,977,316	-	-	60,840	121,681	202,802	202,802	202,802	202,802	202,802	195,197	195,197	195,197	195,197
Sales Cost		8,734	-	-	269	538	895	895	895	896	896	862	862	862	862
Operating Cost		808,465	-	-	25,095	46,690	79,380	79,380	79,380	83,090	83,090	83,090	83,090	83,090	83,090
Royalties		118,115	-	-	3,634	7,269	12,114	12,114	12,114	12,114	11,660	11,660	11,660	11,660	11,660
Operating Profit		1,042,002	-	-	31,842	67,184	110,412	110,412	110,412	106,701	106,701	99,584	99,584	99,584	99,584
CAPEX		188,142	13,500	71,868	47,844	22,530	2,200	3,500	3,500	2,200	2,200	2,200	2,200	2,200	2,200
Interest	10%	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Tax	35.00%	174,599	-	-	-	-	-	-	-	30,592	30,592	28,354	28,354	28,354	28,354
Financing		-	-	-	-	-	-	-	-	-	-	-	-	-	-
Cashflow		679,261	-13,500	-71,868	-16,002	44,654	108,212	106,912	106,912	73,910	63,910	69,030	69,030	69,030	69,030
NPV@	8%	335,683	-12,500	-74,115	-86,818	53,996	19,651	87,024	149,406	189,337	221,308	253,282	282,888	310,301	335,683

**GLOSSARY OF ABBREVIATIONS**

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<b>~</b>	Approximately
<b>B</b>	Billion
<b>km</b>	Kilometers
<b>m</b>	Meters
<b>M</b>	Million
<b>oz</b>	Ounces
<b>t</b>	Tonnes
<b>tpa</b>	Tonnes per year
<b>tpd</b>	Tonnes per day

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