

# GOLDEN CROSS RESOURCES LTD

ABN 65 063 075 178

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

## NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN that there will be a general meeting of the members of Golden Cross Resources Ltd (the **Company**) at 4.00 pm on Thursday 8 October 2009 at History House, 133 Macquarie St, Sydney, NSW for the following business:

### Approval of Proposed Share Issue.

To consider and, if thought fit, pass as an Ordinary Resolution:

*“To approve, for the purposes of ASX Listing Rules 7.1, 10.11, and all other purposes, the issue and allotment of 97,560,976, ordinary fully paid shares in the Company at 2.05 cents per share to HQ Mining Resources Holding Pty Ltd in full and final satisfaction of the Company’s obligations to repay the loan of \$2,000,000 made to the Company on 17 June 2008 by HQ Mining Resources Holding Pty Ltd (including any interest thereon).”*

Further information about these motions is set out in the Explanatory Notes below and overleaf.

### VOTING EXCLUSION STATEMENT

The Company will disregard any votes cast on the motion by:

- (a) any person who is to receive securities in relation to the Company, namely HQ Mining Resources Holding Pty Ltd,
- (b) any person who may participate in the proposed issue,
- (c) any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the motion is passed, and
- (d) any associate of any such person,

but the Company will not disregard a vote if:

- (a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

### VOTING ENTITLEMENTS

In accordance with Regulation 7.11.37 of the Corporations Regulations, the Company has determined that for the purposes of the meeting, shares will be taken to be held by those persons recorded on the Company’s share register at 4.00 pm Sydney time on Tuesday 6 October 2009. This means that any person not the registered holder of a relevant share at that time will not be entitled to attend and vote at the meeting.

### PROXIES

A member entitled to attend and vote is entitled to appoint not more than two persons as his/her proxy to attend and vote instead of the member. A proxy need not be a member of the Company. If more than one proxy is appointed, the proxy form may specify the proportion or number of the member’s votes that each proxy may exercise, but if the proxy form does not specify a proportion or number of votes then each proxy may exercise half of the member’s votes. To be effective, proxy forms must be received by the Company at the above address or fax number at least 48 hours before the time for holding the meeting.

For personal use only

## EXPLANATORY NOTES

### Background

HQ Mining Resources Holding Pty Ltd (HQ) is the Australian investment vehicle of Beijing-based China United Mining Investment Co Ltd (CUMIC). The Company and HQ signed a Subscription Agreement dated 22 December 2008. There are no other agreements between the Company and HQ or CUMIC, although the Company has entered into an employment contract with Dr Hui (Steven) Xiao, a director of HQ.

The Subscription Agreement entitled HQ to nominate three directors to the Board of the Company, and HQ nominated Mr Xiaoming Li, Dr Hui (Steven) Xiao, and Ms Xun (Suzanne) Qiu. They became directors of the Company on 13 January 2009. Mr Li is a director and controlling shareholder of CUMIC. Dr Xiao and Ms Qiu are directors and shareholders of HQ. Pursuant to section 228 of the Corporations Act, HQ is a related party of the Company.

There are six directors in total of the Company. The Chairman, Mr Torrey, is not an HQ nominee.

### Initial HQ Funding

Pursuant to the Subscription Agreement, HQ provided the Company with initial funding of \$1.5 million on 30 December 2008. That amount included the payment of \$540,000 to subscribe for 45 million shares at \$0.012 per share, representing the maximum number of millions of shares the Company was able to issue at that time pursuant to ASX Listing Rule 7.4.

The balance of the \$1.5 million, namely \$960,000, was by way of loan. At a general meeting of the members on 19 February 2009, the members approved the issue by the Company of those 45 million shares along with the issue of a further 80 million shares at

\$0.012 per share to satisfy fully and finally the Company's obligations to repay that loan.

### Subsequent HQ Funding

The Subscription Agreement obliged HQ, upon the completion of certain conditions, to provide further funding of \$2 million to the Company between 1 January 2009 and 30 June 2009. On 21 May 2009, HQ notified the Company that it intended to lend the \$2 million before 30 June 2009. On 22 May 2009, the Company accepted that proposal. HQ duly lent the money on 17 June 2009.

Pursuant to section 4.2 of the Subscription Agreement, the Company must, subject to approval by the members, repay the loan by the issue of shares at ninety 90% of the Volume Weighted Average Price (VWAP) of the Company's shares during the five ASX trading days commencing the day after receipt by the Company of the loan, rounded to the nearest thousandth of a cent. The VWAP of the Company's shares during the five ASX trading days commencing on 18 June 2009, less 10%, was 2.050 cents (rounded to the nearest thousandth of a cent.) Dividing \$2 million by 2.050 cents amounts to 97,560,976 shares.

Any issue of shares to a related party of the Company would breach section 208 (financial benefit to a related party) of the Corporations Act unless an exemption applies. Section 210 allows the members of a company in general meeting to approve such an issue.

### HQ and its Associates' Shareholdings

The Company presently has 809,903,092 shares on issue. HQ presently holds 125 million shares in the Company. Ms Xun (Suzanne) Qiu holds a further 200,000 shares. Thus HQ and its associates hold 125.2 million shares, or 15.46% of the issued shares of the Company.

If the members approve the motion to issue a further 97,560,976 shares, then HQ and its

associates would hold 222,560,976 shares, or 24.53% of the issued shares of the Company. Such an issue would breach section 606 (takeovers) of the Corporations Act for taking HQ's interest above 20% of the issued shares of the Company unless an exemption applies. Section 611 item 7 allows the members of a company in general meeting to approve such an issue.

### **Independent Expert's Report**

Accompanying this notice is the independent expert's report prepared by Grant Thornton, as required by section 611 item 7 of the Corporations Act. That report states that, in the expert's opinion, the proposed issue is not fair but is reasonable having regard to the interests of members of the Company other than HQ and its associates. The report sets out the reasons for that opinion and whether the Company is receiving a premium for control.

### **Application of Funds**

The \$2 million will allow the Company to pursue new mineral exploration, development and production opportunities around Australia and overseas. Directors believe there are currently no better funding opportunities available to the Company than the issue of shares to HQ in accordance with the motion.

### **Consequences of Members Passing the Motion**

If the motion is passed, the Company would issue the 97,560,976 shares the business day immediately following the meeting. The shares would have the same terms as the Company's existing ordinary shares and be quoted on ASX. They would be exempt from the Company's 15% new issue capacity in accordance with ASX Listing Rule 7.1.

The Subscription Agreement and proposed issue of 97,560,976 shares are central to the strategic alliance between the Company and HQ announced on 22 December 2008. At that time, Dr Xiao, managing director of HQ (and

later also appointed business development director for the Company), expressed HQ's intention to develop the Company "into a significant player in the resources arena."

The Subscription Agreement would continue to bind the Company and HQ and there will be no changes to the board as a result of the share issue. Control of the Company shall remain with the board and management and half the directors and the chairman of the Company will continue to be independent of HQ and CUMIC. The future direction of the Company and employment of present employees will continue to be matters for the board, which contemplates there may be future capital injections into the Company.

### **Consequences of Members Not Passing the Motion**

If the motion to issue 97,560,976 more shares to HQ is not passed, the Company will immediately reduce its exploration programme to conserve cash. Pursuant to clause 4.2(d) of the Subscription Agreement, the Company will be obliged to repay the \$2 million (plus interest thereon at 10% per annum) on demand by HQ.

### **Directors' Recommendation**

Directors (other than HQ nominee directors) recommend unanimously that members approve the motion.

Dated 25 August 2009,  
by order of the Board.

**SIMON LENNON**

**Company Secretary**



# Golden Cross Resources Ltd

Independent Expert's Report and Financial Services Guide

19 August 2009

For personal use only

The Directors  
Golden Cross Resources Ltd  
22 Edgeworth David Avenue  
Hornsby  
NSW 2077

19 August 2009

Dear Sirs

## **Independent Expert's Report and Financial Services Guide**

### **Introduction**

On 17 June 2009, Golden Cross Resources Ltd ("GCR") announced that it had received \$2 million cash as loan from HQ Mining Resources Holding Pty Ltd ("HQ") pursuant to the subscription agreement entered into between GCR and HQ dated 22 December 2008 (the "Subscription Agreement")<sup>1</sup>.

Subject to the approval by the shareholders of GCR other than HQ and its associate (the "Non-Associated Shareholders"), the loan is to be repaid through the issue of 97,560,976 ordinary shares in GCR ("GCR Shares") to HQ at an issue price of 2.05 cents per share<sup>2</sup> (the "Proposed Transaction"). If the Non-Associated Shareholders do not approve the Proposed Transaction, GCR must repay HQ the loan amount of \$2 million plus interest at 10% per annum, when demanded by HQ.

HQ and its associate own a total of 125.2 million GCR Shares, representing approximately 15.46% of the total issued capital in GCR.

### **Purpose of the report**

If the Proposed Transaction is approved, HQ and its associate will increase their shareholdings in GCR from approximately 15.46% to approximately 24.53% of the enlarged share capital in GCR. The Directors of GCR have engaged Grant Thornton Corporate Finance to prepare an independent

**Grant Thornton Corporate Finance Pty Ltd**  
ABN 59 003 265 987  
AFSL 247140

Level 17, 383 Kent Street  
Sydney NSW 2000  
PO Locked Bag Q800  
QVB Post Office  
Sydney NSW 1230  
**T** + 61 2 8297 2400  
**F** + 61 2 9299 4445  
**E** info@gtnsw.com.au  
**W** www.grantthornton.com.au

<sup>1</sup> On 22 December 2008, GCR announced that it had entered into a strategic alliance with HQ by entering into the Subscription Agreement. Based on the terms of the Subscription Agreement, HQ have subscribed 125 million GCR Shares. The Proposed Transaction represents the final tranche of GCR Shares proposed to be issued to HQ under the Subscription Agreement.

<sup>2</sup> The issue price of 2.05 cents per GCR Share is calculated in accordance to the terms of the Subscription Agreement, whereby it is based on a 10% discount to the Volume Weighted Average Price ("VWAP") of GCR Shares during the five ASX trading days from 18 June 2009 to 24 June 2009 (both dates inclusive).

For personal use only

expert's report stating whether, in its opinion, the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders for the purpose of Item 7 of Section 611 of the Corporations Act.

### Summary of opinion

**Grant Thornton Corporate Finance has concluded that the Proposed Transaction is not fair but reasonable to the Non-Associated Shareholders.**

#### *Fairness*

For the purpose of assessing whether the Proposed Transaction is fair to the Non-Associated Shareholders, we have compared the value of GCR Shares, inclusive of a control premium as required by Regulatory Guide 111 "Contents of expert reports" issued by the Australian Securities and Investments Commission ("RG 111"), with the issue price of 2.05 cents per share under the Subscription Agreement.

The following table summarises our assessment:

| Assessment of fairness                               | Reference          | Low<br>cents | High<br>cents |
|--|--------------------|--------------|---------------|
| Issue price under the Proposed Transaction           | <i>Section 1.1</i> | 2.05         | 2.05          |
| Value of GCR Shares - inclusive of a control premium | <i>Section 6.7</i> | 2.77         | 2.88          |
| Discount   |                    | (0.72)       | (0.83)        |
| Discount %   |                    | (26%)        | (29%)         |

*Source: Calculations*

As the GCR Shares will be issued at a discount to the value of HQ Shares for the purpose of the Proposed Transaction, we have concluded that the Proposed Transaction is not fair to the Non-Associated Shareholders pursuant to RG 111.

However, Grant Thornton Corporate Finance notes the following factors:

- the terms of the Proposed Transaction are consistent with the terms of the Subscription Agreement dated 22 December 2008<sup>3</sup>;
- the implementation of the Proposed Transaction represents the third tranche of GCR Shares to be issued to HQ. The issue of the first two tranches of GCR Shares to HQ under the Subscription Agreement at an issue price of 1.2 cents per share was approved by the GCR Shareholders on 19 February 2009; and
- our assessment of the fairness of the Proposed Transaction is based on the guidance provided by RG 111 in which the value of GCR Shares must be assessed inclusive of a control premium.

<sup>3</sup> The Subscription Agreement has been provided to the GCR Shareholders as part of GCR's ASX announcement on 5 January 2009

For personal use only

Accordingly, it is our opinion that the Non-Associated Shareholders should place an equal and appropriate emphasis on our reasonableness assessment when assessing the merits of the Proposed Transaction.

### ***Reasonableness***

For the purpose of assessing whether the Proposed Transaction is reasonable to the Non-Associated Shareholders, we note that RG 111 states that if the investor does not increase its practical control over the company as a result of increasing its holding from below 20% to over 20% of the company, the transaction can be considered reasonable even if it is not fair under RG 111. In this regard, we note that HQ has appointed three representatives to the Board of GCR based on the terms of the Subscription Agreement. The implementation of the Proposed Transaction does not automatically allow HQ to appoint additional representatives to the Board. The control of the Board of GCR is not expected to change through the implementation of the Proposed Transaction.

We have further considered the relevant likely advantages and disadvantages associated with the Proposed Transaction in forming our opinion in relation to the reasonableness of the Proposed Transaction.

If the Proposed Transaction is implemented, the likely advantages include:

- whilst the issue price of 2.05 cents represents a discount of between 26% and 29% to our assessed value of GCR Shares (which is inclusive of a premium for control), management of GCR have advised that given the business and operations of GCR and the prevailing share market conditions, it may be difficult for GCR to raise funds from equity market without offering a discount much higher than the one being offered to HQ. We note that capital raisings completed on the ASX over the last six months by way of rights issue or private placement generally incorporated a discount on the share price prior to the announcement of the fund raising, and for certain capital raisings, the discount to prevailing share market prices were up to 25% to 30%;
- if the Proposed Transaction is approved, the loan provided by HQ will be extinguished and GCR can freely use the cash resources for business purposes. The net assets position of GCR will also improve, which may place GCR in a relatively better position in obtaining additional financing, even if it may not be its current strategy. Further GCR will not be required to pay interest on the amount received from HQ of \$2 million, which is currently being treated as a loan. Thus improving the cash flows and profitability of GCR; and
- the Proposed Transaction is consistent with GCR's strategy of forming an alliance with HQ. Management of HQ have advised that the alliance allows GCR to gain access to operational development and marketing assistance from HQ. It may also provide GCR the opportunity to obtain further financial support.

If the proposed Transaction is implemented, the likely disadvantages include:

- HQ's shareholding in GCR will increase from 15.46% to 24.53%. The shareholding of the Non-Associated Shareholders will be diluted;

For personal use only

- whilst HQ will not obtain further management control over GCR as a result of the Proposed Transaction (other than through its shareholding), HQ will become the single largest shareholder of GCR after the implementation of the Proposed Transaction. Consequently, HQ may be able to influence the outcome of major strategic decisions of GCR; and
- as the issue price of 2.05 cents per GCR Share is lower than the recent share market prices of GCR, we conclude that HQ will not pay a control premium in relation to the Proposed Transaction.

Other factors to be considered include:

- the Proposed Transaction, including the calculations of the issue price of 2.05 cents per GCR Share, is consistent with the terms of the Subscription Agreement (which has been made available to GCR Shareholders on 5 January 2009 as part of GCR's ASX announcement). We further note that GCR Shareholders approved the issue of a total of 125 million GCR Shares<sup>4</sup> at an issue price of 1.2 cents per share to HQ under ASX Listing Rule 7.1 and the 1 week Volume Weighted Average Price ("VWAP") as at 5 January 2009 of GCR was approximately 1.3 cents;
- if the Proposed Transaction is not approved, GCR will be required to pay interest on the loan amount of \$2 million at 10% per annum and repay the principal amount of \$2 million when demanded by HQ. Management of GCR have advised that GCR may be required to raise equity capital to repay the loan amount, which may attract a higher discount than the one being offered to HQ and may result in a greater dilutionary impact on the Non-Associated Shareholders; and
- in our opinion, the increase in HQ's interest in GCR from 15.46% to 24.53% pursuant to the Proposed Transaction does not materially alter the Non-Associated Shareholders' position in relation to GCR receiving future takeover offers.

Based on the above factors including the likely advantages and disadvantages, we conclude that the Proposed Transaction is reasonable to Non-Associated Shareholders.

#### **Other matters**

Grant Thornton Corporate Finance has prepared a Financial Services Guide in accordance with the Corporations Act. The Financial Services Guide is set out in the following section.

The decision of whether or not to approve the Proposed Transaction is a matter for each GCR Shareholder based on their own views of value of GCR and expectations about future market conditions, GCR performance, risk profile and investment strategy. If GCR Shareholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

---

<sup>4</sup> On 19 February 2009, the Non-Associated Shareholders approved the issue of a total of 125 million GCR Shares to HQ at an issue price of 1.2 cents per share. The purpose of the share issue was to raise funds of \$540,000 and to repay a loan provided by HQ of \$960,000.

For personal use only

Yours faithfully  
GRANT THORNTON CORPORATE FINANCE PTY LTD



SCOTT GRIFFIN  
Director



ANDREA DE CIAN  
Director

For personal use only

19 August 2009

## Financial Services Guide

### 1 Grant Thornton Corporate Finance Pty Ltd

Grant Thornton Corporate Finance Pty Ltd (“Grant Thornton Corporate Finance”) carries on a business, and has a registered office, at Level 17, 383 Kent Street, Sydney NSW 2000. Grant Thornton Corporate Finance holds Australian Financial Services Licence No 247140 authorising it to provide financial product advice in relation to securities and superannuation funds to wholesale and retail clients.

Grant Thornton Corporate Finance has been engaged by Golden Cross Resources Ltd (“GCR” or the “Company”) to provide general financial product advice in the form of an independent expert’s report in relation to the proposed issue of shares in GCR to HQ Mining Resources Holding Pty Ltd (“HQ”). This report is included in the Company’s Notice of Extraordinary General Meeting and Explanatory Notes.

### 2 Financial Services Guide

This Financial Services Guide (“FSG”) has been prepared in accordance with the Corporations Act, 2001 and provides important information to help retail clients make a decision as to their use of general financial product advice in a report, the services we offer, information about us, our dispute resolution process and how we are remunerated.

### 3 General financial product advice

In our report we provide general financial product advice. The advice in a report does not take into account your personal objectives, financial situation or needs.

Grant Thornton Corporate Finance does not accept instructions from retail clients. Grant Thornton Corporate Finance provides no financial services directly to retail clients and receives no remuneration from retail clients for financial services. Grant Thornton Corporate Finance does not provide any personal retail financial product advice directly to retail investors nor does it provide market-related advice directly to retail investors.

### 4 Remuneration

When providing the report, Grant Thornton Corporate Finance’s client is the Company. Grant Thornton Corporate Finance receives its remuneration from the Company. In respect of this report, Grant Thornton Corporate Finance will receive from the company a fee based on commercial rate plus reimbursement of out-of-pocket expenses for the preparation of the report. Our directors and employees providing financial services receive an annual salary, a performance bonus or profit share depending on their level of seniority.

Except for the fees referred to above, no related body corporate of Grant Thornton Corporate Finance, or any of the directors or employees of Grant Thornton Corporate Finance or any of those related bodies or any associate receives any other remuneration or other benefit attributable to the preparation of and provision of this report.

For personal use only

## 5 Independence

Grant Thornton Corporate Finance is required to be independent of GCR in order to provide this report. The guidelines for independence in the preparation of independent expert's report are set out in Regulatory Guide 112 *Independence of expert* issued by the Australian Securities and Investments Commission ("ASIC"). The following information in relation to the independence of Grant Thornton Corporate Finance is stated below.

*"Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with GCR (and associated entities) that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation the Propose Transaction.*

*Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the transaction, other than the preparation of this report.*

*Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the transaction. Grant Thornton Corporate Finance's out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.*

*Grant Thornton Corporate Finance considers itself to be independent in terms of Regulatory Guide 112 "Independence of expert" issued by the ASIC."*

## 6 Complaints process

Grant Thornton Corporate Finance has an internal complaint handling mechanism and is a member of the Financial Industry Complaints Services Complaints Handling Tribunal, No F-3986. All complaints must be in writing and addressed to the Chief Executive Officer at Grant Thornton Corporate Finance. We will endeavour to resolve all complaints within 30 days of receiving the complaint. If the complaint has not been satisfactorily dealt with, the complaint can be referred to the Financial Industry Complaints Service who can be contacted at:

PO Box 579 – Collins Street West  
Melbourne, VIC 8007  
Telephone: 1800 335 405

Grant Thornton Corporate Finance is only responsible for this report and FSG. Complaints or questions about the General Meeting should not be directed to Grant Thornton Corporate Finance. Grant Thornton Corporate Finance will not respond in any way that might involve any provision of financial product advice to any retail investor.

For personal use only

# Contents

| Page |  |
|------|--|
| 1    | Outline of the Proposed Transaction 4              |
| 2    | Scope of the report 6                              |
| 3    | Profile of the industry 9                          |
| 4    | Profile of GCR 13                                  |
| 5    | Valuation methodologies 21                         |
| 6    | Underlying value of GCR 23                         |
| 7    | Evaluation of the Proposed Transaction 28          |
| 8    | Sources of information, disclaimer and consents 31 |
|      | Appendix A – Valuation methodologies 33            |
|      | Appendix B – Glossary 35                           |
|      | Appendix C – GA report 36                          |

## 1 Outline of the Proposed Transaction

### 1.1 Background

On 17 June 2009, Golden Cross Resources Ltd (“GCR”) announced that it had received \$2 million cash from HQ Mining Resources Holding Pty Ltd (“HQ”) pursuant to the subscription agreement entered into between GCR and HQ dated 22 December 2008 (the “Subscription Agreement”) (refer Section 1.2 for the relevant terms of the Subscription Agreement).

GCR has treated the amount received from HQ of \$2 million as a loan. However, subject to the approval by the shareholders of GCR other than HQ (the “Non-Associated Shareholders”), the loan is to be repaid through the issue of 97,560,976 ordinary shares in GCR (“GCR Shares”) to HQ at an issue price of 2.05 cents per share<sup>5</sup> (the “Proposed Transaction”).

HQ owns 125 million GCR Shares and its associate owns a further 200,000 GCR Shares. HQ and its associate own a total of 125.2 million GCR Shares, representing approximately 15.46% of the total issued capital in GCR.

If the Proposed Transaction is approved:

- the loan due to GCR of \$2 million will be repaid by issuing 97,560,976 GCR Shares to HQ; and
- HQ and its associate will increase their shareholdings in GCR from approximately 15.46% to approximately 24.53% of the enlarged share capital in GCR.

The Proposed Transaction is subject to the approval by the Non-Associated Shareholders pursuant to Item 7 of Section 611 of the Corporations Act, 2001 (“Corporations Act”) (refer Section 2.1). If the Non-Associated Shareholders do not approve the Proposed Transaction, GCR must repay HQ the loan amount of \$2 million plus interest at 10% per annum, when demanded by HQ.

GCR is listed on the Australian Securities Exchange (“ASX”) and is mainly engaged in the exploration of copper and gold in Australia with a primary focus on the Copper Hill Project located in Orange, New South Wales. GCR also has exploration interests in Canada and Panama.

HQ is the Australian investment vehicle of China United Mining Investment Co., Ltd (“CUMIC”), a Beijing based investment holding company. CUMIC specialises in investment in mining assets and mining consultation.

### 1.2 The Subscription Agreement

On 22 December 2008, GCR announced that it had entered into a strategic alliance with HQ by entering into the Subscription Agreement.

Based on the terms of the Subscription Agreement, HQ can subscribe for GCR Shares in a number of tranches, subject to the approval of GCR Shareholders. In this regard, we note that GCR

---

<sup>5</sup> The issue price of 2.05 cents per GCR Share is calculated in accordance to the terms of the Subscription Agreement, whereby it is based on a 10% discount to the Volume Weighted Average Price (“VWAP”) of GCR Shares during the five ASX trading days from 18 June 2009 to 24 June 2009 (both dates inclusive).

For personal use only

Shareholders approved the issue of the following two tranches of GCR Shares to HQ in February 2009 under ASX Listing Rule 7.1:

- 45 million GCR Shares at an issue price of 1.2 cents per share to raise \$540,000; and
- 80 million GCR Shares at an issue price of 1.2 cents per share to repay a loan from HQ of \$960,000.

Based on the terms of the Subscription Agreement, HQ has provided a loan of \$2 million to GCR in June 2009, which is intended to be repaid by the implementation of the Proposed Transaction.

The Proposed Transaction represents the final tranche of GCR Shares proposed to be issued to HQ under the Subscription Agreement.

Based on the terms of the Subscription Agreement, HQ can appoint up to three representatives to the board of GCR immediately after the first tranche of subscription of GCR Shares<sup>6</sup>. There are no provisions in the Subscription Agreement to appoint representatives to board of GCR as a result of the Proposed Transaction.

---

<sup>6</sup> As at the date of this report, HQ has appointed three representatives to the board of GCR.

For personal use only

## 2 Scope of the report

### 2.1 Purpose

If the Proposed Transaction is approved, HQ and its associate will increase their shareholdings in GCR from approximately 15.46% to approximately 24.53% of the enlarged share capital in GCR.

Section 606 of the Corporations Act prohibits the acquisition of a relevant interest in issued voting shares of a company if the acquisition result in the person's voting power in the company increasing from either below 20% to more than 20%, or from a starting point between 20% and 90%, without making an offer to all shareholders of the company.

Item 7 of Section 611 of the Corporations Act allows the non-associated shareholders to waive this prohibition by passing a resolution at a general meeting. Regulatory Guide 74 "Acquisitions agreed to by shareholders" ("RG 74") and Regulatory Guide 111 "Content of expert reports" ("RG 111") issued by ASIC set out the view of ASIC on the operation of Item 7 of Section 611 of the Corporations Act.

RG 74 requires that shareholders approving a resolution pursuant to Section 623 of the Corporations Act (the predecessor to Section 611(7) of the Corporations Act) be provided with a comprehensive analysis of the proposal, including whether or not the proposal is fair and reasonable to the non-associated shareholders. The Independent Directors (directors not associated with the proposal) may satisfy their obligations to provide such an analysis by either:

- commissioning an independent expert's report; or
- undertaking a detailed examination of the proposal themselves and preparing a report for the non-associated shareholders.

Accordingly, the Directors of GCR have engaged Grant Thornton Corporate Finance to prepare an independent expert's report stating whether, in its opinion, the Proposed Transaction is fair and reasonable to the Non-Associated Shareholders for the purpose of Item 7 of Section 611 of the Corporations Act.

### 2.2 Basis of assessment

In preparing our report Grant Thornton Corporate Finance has had regard to the Regulatory Guides issued by ASIC, particularly RG 111 which states that an issue of shares requiring approval under Item 7 of Section 611 of the Corporations Act should be analysed as if it were a takeover bid. Accordingly, we have assessed the Proposed Transaction with reference to Section 640 of the Corporations Act. In this regard, RG 111 states that:

- an offer is considered fair if the value of the offer price or consideration is equal to or greater than the value of the securities that are the subject of the offer. The comparison should be made assuming 100% ownership of the target company and irrespective of whether the consideration offered is script or cash and without consideration of the percentage holding of the offeror or its associates in the target company;

For personal use only

- an offer is considered reasonable if it is fair. If the offer is not fair it may still be reasonable after considering other significant factors which justify the acceptance of the offer in the absence of a higher bid. ASIC has identified the following factors which an expert might consider when determining whether an offer is reasonable:
  - the offeror’s pre-existing entitlement, if any, in the shares of the target company;
  - other significant shareholding blocks in the target company;
  - the liquidity of the market in the target company’s securities;
  - taxation losses, cash flow or other benefits through achieving 100% ownership of the target company;
  - any special value of the target company to the offer, such as particular technology and the potential to write off outstanding loans from the target company;
  - the likely market price if the offer is unsuccessful; and
  - the value to an alternative offeror and likelihood of an alternative offer being made.

Based on the above, Grant Thornton Corporate Finance has determined whether the Proposed Transaction is fair to the Non-Associated Shareholders by comparing the fair market value range of GCR Shares, on a control basis, with the issue price of 2.05 cents per GCR Share.

In considering whether the Proposed Transaction is reasonable, we have considered a number of factors, including:

- whether the Proposed Transaction is fair;
- the terms of the Subscription Agreement;
- the implications of HQ holding 24.53% of the enlarged share capital in GCR;
- the implications of GCR and the Non-Associated Shareholders if the Proposed Transaction is not approved;
- prospect of compulsory acquisition of minority shareholding; and
- other likely advantages and disadvantages relevant to the Non-Associated Shareholders.

We have also considered the advantages and disadvantages associated with the Proposed Transaction as required by RG 111.

For the purpose of this report, an independent technical specialist, Goldner & Associates (“GA”), was engaged to review the technical information and to provide the fair market valuation of the mineral assets owned by GCR.

For personal use only

GA's report is included as Appendix C to this report.

### **2.3 Consent and other matters**

Our report is to be read in conjunction with the Notice of Extraordinary General Meeting and Explanatory Notes dated on or around 19 August 2009 in which this report is included, and is prepared for the exclusive purpose of assisting the Non-Associated Shareholders in their consideration of the Proposed Transaction.

This report should not be used for any other purpose.

Grant Thornton Corporate Finance consents to the issue of this report in its form and context and consents to its inclusion in the Notice of Extraordinary General Meeting and Explanatory Notes.

Grant Thornton Corporate Finance is independent of GCR and its Directors and all other relevant parties of the Proposed Transaction. Grant Thornton Corporate Finance has no involvement with, or interest in, the outcome of the approval of the Proposed Transaction other than that of independent expert. Grant Thornton Corporate Finance is entitled to receive a fee based on commercial rates and including reimbursement of out-of-pocket expenses for the preparation of this report. Except for this fee, Grant Thornton Corporate Finance will not be entitled to any other pecuniary or other benefit, whether direct or indirect, in connection with the issuing of this report. The payment of this fee is in no way contingent upon the success or failure of the Proposed Transaction.

This report constitutes general financial product advice only and in undertaking our assessment, we have considered the likely impact of the Proposed Transaction to the GCR Shareholders as a whole. We have not considered the potential impact of the Proposed Transaction on individual GCR Shareholders. Individual shareholders have different financial circumstances and it is neither practicable nor possible to consider the implications of the Proposed Transaction on individual shareholders.

The decision of whether or not to approve the Proposed Transaction is a matter for each Non-Associated Shareholder based on their own views of value of GCR and expectations about future market conditions, GCR's performance, risk profile and investment strategy. If the Non-Associated Shareholders are in doubt about the action they should take in relation to the Proposed Transaction, they should seek their own professional advice.

For personal use only

### 3 Profile of the industry

GCR is engaged in the exploration of base metals, precious metals and minerals including uranium and coal gas in Australia, Canada and Panama with a strong focus on gold and copper pre-development project in New South Wales (“NSW”), Australia.

#### 3.1 Key factors affecting metal exploration

The key factors affecting metal exploration activities include:

- demand for metals – the demand for metal exploration is typically derived from the demand of the metals, which in turn depends on the demand of end products. The demand for end products is typically driven by worldwide economic activities;
- metal prices – low metal prices tend to have a negative impact on the level of exploration activities and vice versa;
- exchange rates – as most base and precious metals are traded in US dollars, the exchange rate is an important driver of the demand of exploration activities;
- political and regulatory factors – the exploration tenements located in countries with well defined regulatory process and stable political environment tend to be more efficient; and
- funding requirements – metal exploration is considered a high risk undertaking as it involves a considerable amount of risks and uncertainties related to the commercial viability. In Australia, expenditure on exploration is typically provided by producing mines and by the public through listing in the equity markets.

#### 3.2 Copper

Copper is used in various applications including building and construction, electronics and communications, industrial equipments and consumer products.

The demand of copper is mainly dependent on the level of economic activity and infrastructure development in the world. The demand of copper over the last decade has increased continuously due to rising consumer demand and infrastructure development in developing nations, particularly in China. However, the world copper consumption declined by approximately 2% to 18.1 million tonnes in 2008 and is expected to further decline in 2009 to 17.2 million tonnes due to the continuing global financial crisis.

The world refined copper production is expected to decline from 18.5 million tonnes in 2008 to 18.1 million tonnes in 2009 due to reduced mining activities caused by low copper prices.

For personal use only

Set out below are the historical copper prices in nominal terms:



Source: ABARE

The copper price has increased between 2003 and 2006 due to increased demand for copper from the developing Asian nations (China in particular) to satisfy their infrastructure development needs. The copper production exceeded consumption in 2008 due to the global financial crisis, as a result, the average copper prices for 2008 decreased to US\$6,961 per tonne from US\$7,133 per tonne for 2007. The copper prices decreased sharply in the December 2008 quarter (reaching a low of approximately US\$2,800 per tonne in December 2008) and March 2009 quarter due to the fall in demand for copper caused by the global financial crisis. The recovery of copper prices in the June 2009 quarter is mainly attributable to the significant increase in China's demand for refined copper driven by the Chinese government's stimulus package and strategic stock building by the States Reserves Bureau of China.

Australia's economic demonstrated resources<sup>7</sup> ("EDR") of copper was approximately 59.4 million tonnes as at 31 December 2007<sup>8</sup>. In Australia, the majority of copper deposits are found in the following locations:

- Olympic Dam in South Australia, with approximately 43 million tonnes (72% of Australia's EDR);
- Mt. Isa, Mt Gordon, Osborne, Ernest Henry and Golden Grove in Queensland, with approximately 7.1 million tonnes (12% of Australia's EDR);
- Northparkes, Cadia Ridgeway and Tritton in New South Wales, with approximately 4.2 million tonnes (7% of Australia's EDR); and
- Golden Grove and Nifty in Western Australia, with approximately 3.6 million tonnes (6% of Australia's EDR).

<sup>7</sup> The sum of measured and/or indicated resources, which at the time of determination, profitable extraction or production under defined investment assumptions has been established, analytically demonstrated, or assumed with reasonable certainty.

<sup>8</sup> Australian Government, Geoscience Australia, Australia's Identified Mineral Resources 2008.

For personal use only

**3.3 Gold**

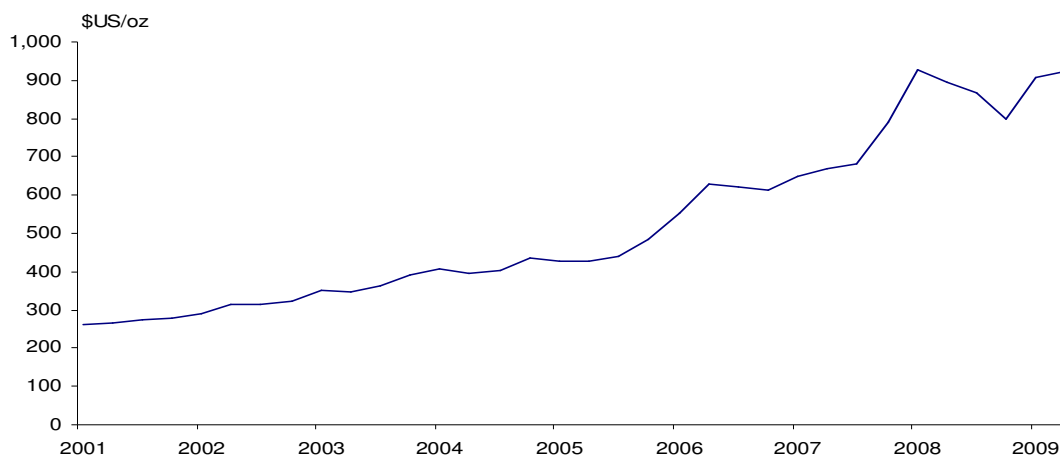
Demand for gold is largely driven by gold fabrication and decisions on hedging and investment. Gold fabrication mainly consists of gold manufactured for use in jewellery, coins and medals, dental and other industrial applications. The worldwide gold fabrication consumption for 2008 declined to 2,850 tonnes from approximately 3,070 tonnes for 2007<sup>9</sup> which is mainly due to decrease in demand for gold jewellery. The gold fabrication demand is expected to further reduce in 2009 to 2,403 tonnes due to expected decline in consumer demand for jewellery in response to weaker economic conditions and high gold prices.

The worldwide production of gold is expected to increase from 2,415 tonnes in 2008 to 2,456 tonnes in 2009<sup>9</sup> due to expected increases in gold production in Indonesia, China and Russia in response to higher gold prices and mining of higher grade ores.

Australia’s EDR of gold was approximately 5,839 tonnes as at 31 December 2007<sup>8</sup>. Gold is mined in the Northern Territory and all states in Australia. Western Australia had the highest EDR of approximately 2,850 tonnes (49% of the Australia’s EDR).

The Australian gold production is expected to decrease from 228 tonnes in 2008 to 219 tonnes in 2009 due to decrease in production attributable to temporary cessation of mining at Newcrest’s Cadia Valley operations and AngloGold Ashanti Limited.

Set out below are the historical gold prices in nominal terms:



Source: ABARE

The increase in gold prices over the years has been driven by an increase in investor’s interest in gold as an alternative asset under the increasing fear of inflation and persistent threat to the depreciation of US dollar against major currencies. Also contributing to the upward pressure on prices over the years was the increase in gold jewellery consumption, particularly due to rising disposable incomes in many parts of Asia. The average price of gold increased from US\$697 per ounce in 2007 to US\$873 per ounce in 2008. The strong appreciation in US dollar caused a

<sup>9</sup> ABARE

For personal use only

temporary drop in the price of gold towards the end of 2008. However, the price of gold increased in the first quarter of 2009 as fear of the global economic crisis peaked and the fact that gold is seen as a safe investment option by investors in times of economic turmoil.

For personal use only

## 4 Profile of GCR

### 4.1 Company overview

GCR is listed on the ASX and engaged in the exploration of base and precious metals.

GCR has interests in various exploration assets in Australia and abroad. Additionally, GCR holds a number of royalty arrangements associated with various mineral assets which have been sold to third parties.

We have summarised the key attributes of certain advanced projects in the following sections. Details of the GCR's mineral assets can be found in the GA's report (Appendix C).

#### 4.1.1 Copper Hill Project (100%)

The Copper Hill Project is located 5 kilometres north of Molong in the central NSW. The Copper Hill Project is the most advanced project with JORC<sup>10</sup> compliant resources of 133 million tonnes at 0.31% copper and 0.28 g/t gold which is equivalent to 421,000 tonnes of copper and 1.2 million ounces of gold<sup>11</sup>.

The Copper Hill Project has the following infrastructure characteristics:

- it is situated close to the Mitchell Highway and the former Orange to Dubbo railway line, which is suitable for transporting inbound construction materials; and
- a power sub-station is located on the eastern outskirts of Molong, approximately 4.5 km from the Copper Hill Project.

GCR has conducted detailed mapping, geochemical sampling and drill testing in this region. Recently, GCR has also undertaken scoping studies regarding the possible development of the project. Additionally, the feasibility of a fully integrated mill and plant for production of copper and gold is being evaluated.

#### 4.1.2 Kempfield Project (100% diluting)

Kempfield Project is located 29 km south of Blayney, NSW covering an area of 314 km<sup>2</sup>. The JORC compliant resources associated with the Kempfield Project are estimated to be 4.6 million tonnes comprising of 26.8% barite, 0.43% lead, 0.57% zinc, 0.04% silver and 92 g/t gold.

GCR has formed a joint venture with Argent Minerals Limited ("Argent"), whereby Argent can earn a 51% interest in the project by spending \$2 million prior to 1 June 2011. Argent may earn a further 19% interest by spending a further \$745,000 by 1 June 2013.

---

<sup>10</sup> The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves

<sup>11</sup> GCR Quarterly Report June 2009

For personal use only

Argent is planning to drill test the gold potential and also to undertake scoping studies. The total exploration expenditure incurred on the Kempfield Project is approximately \$4.2 million, with GCR and Argent contributing \$2.8 million and \$1.4 million respectively.

#### 4.1.3 Yellow Mountain Project (30%)

The Yellow Mountain Project is a copper-gold project located 60 km north of Condoblin in central NSW. GCR have a joint venture arrangement over the Yellow Mountain Project with Triako Resources Limited, a subsidiary of CBH Resources Limited. Triako Resources Limited has earned a 70% interest in the Yellow Mountain Project and GCR are maintaining its 30% interest by contributing its share of exploration expenses.

The total exploration expenditure incurred on the Yellow Mountain Project has been approximately \$1.9 million, out of which GCR has contributed approximately \$208,000 with the remainder contributed by Triako Resources Limited. Recently, GCR and Triako Resources Limited have conducted an air core drilling program which has confirmed significant gold and copper anomalies.

## 4.2 Royalty arrangements

GCR holds a number of royalty arrangements associated with various projects which have been sold to other parties.

The following table summarises the royalty arrangements held by GCR:

| Location          | Tenement Name        | Holder                            | Terms  | Estimated Potential Payment                              |
|-------------------|----------------------|-----------------------------------|--|--|
| Adelong           | Adelong Gold Project | Tasman Goldfields Limited         | GCR holds a 1% gold production royalty, capped at 2,500 oz.  | GCR could obtain 1,050oz                                 |
| Mt Boppy          | Canbelego            | Polymetals Mining Serices Pty Ltd | GCR holds a 3% gross royalty over mineral production .   | GCR could receive 1,500oz Au                             |
| Bright Star Alpha | Merolia              | A1 Minerals Limited               | GCR holds a 2% gross royalty, which contains the south eastern part of the 2km long BrightStar Alpha Area.       | GCR could receive 231oz Au                               |
| Wyoming One       | McPhails             | Alkane Resources Limited          | GCR holds a royalty of up to 5% net smelter return. 10% of the royalty is payable to Metallic Resources Pty Ltd. | GCR could receive \$225,000 for producing 300,000 tonnes |
| West Wyalong      | West Wyalong         | Barrick Limited                   | 2.5% royalty payable by GCR  | Payment of royalty obligation is unlikely                |

Source: GCR's financial report

For personal use only

### 4.3 Financial information

#### 4.3.1 Financial performance

Summarised below is the recent financial performance of GCR:

| <b>GCR</b>                            | <b>FY07</b>    | <b>FY08</b>    | <b>1H09</b>     | <b>FY09</b>      |
|---------------------------------------|----------------|----------------|-----------------|------------------|
| <b>Income Statement</b>               | <b>Audited</b> | <b>Audited</b> | <b>Reviewed</b> | <b>Unaudited</b> |
|                                       | <b>\$' 000</b> | <b>\$' 000</b> | <b>\$' 000</b>  | <b>\$' 000</b>   |
| Revenue from non-operating activities | 550            | 460            | 18              | 48               |
| Interest received                     | 305            | 510            | 104             | 163              |
| Exploration asset provision reversals | 4,756          | -              | -               | -                |
| Exploration expense                   | (2,314)        | (481)          | (5,176)         | (6,212)          |
| General and administration expenses   | (803)          | (1,640)        | (771)           | (1,917)          |
| Gain/ (loss) on sale of property      | (1,993)        | 445            | -               | -                |
| Depreciation                          | (52)           | (60)           | (30)            | (62)             |
| <b>Profit before tax</b>              | <b>449</b>     | <b>(766)</b>   | <b>(390)</b>    | <b>(7,980)</b>   |
| Income tax expense                    | -              | -              | -               | -                |
| <b>Profit after tax</b>               | <b>449</b>     | <b>(766)</b>   | <b>(390)</b>    | <b>(7,980)</b>   |

Source: GCR annual and mi-year reports

We note the following in regards to the financial performance of GCR:

- revenue from non-operating activities includes royalties received from Excellence in Mining & Exploration Conference of approximately \$19,000 to \$20,000. GCR has a right to receive a royalty of 3% of the gross revenue of the Excellence in Mining & Exploration Conference<sup>12</sup>;
- loss on sale of property in FY07 is related to the disposal of the Adelong Gold Project (an exploration project);
- exploration asset provision reversals for FY07 are in relation to the divestment/sale of various exploration properties including the Adelong Gold Project;
- exploration expenses are only capitalised if:
  - such costs are expected to be recouped through successful exploitation of the tenements or through its sale; or
  - it is not possible to assess the existence of recoverable reserves.

The exploration expense of \$6.1 million for FY09 represents the amount of exploration expenses which did not meet the capitalised criteria for the year; and

<sup>12</sup> The Excellence in Mining & Exploration Conference is a yearly conference designed to showcase and profile the mining, exploration and production industry to an investment audience.

For personal use only

- general and administrative expenses for FY09 include one-off unrealised loss on investments of \$0.85 million. Management have advised that the ongoing corporate overheads of GCR are approximately \$1.1 million per annum.

#### 4.3.2 Balance sheet

The following table summaries:

- the financial position of GCR as at 31 December 2008 and 30 June 2009; and
- the pro forma financial position of GCR as at 30 June 2009 as provided by the management of GCR assuming the Proposed Transaction is completed on 30 June 2009:

| GCR                                    | As at<br>31-Dec-08<br>Reviewed<br>\$'000 | As at<br>30-Jun-09<br>Unaudited<br>\$'000 | Pro-forma<br>adjustments | As at<br>30-Jun-09<br>Pro-forma<br>\$'000 |
|--|--|---|--------------------------|---|
| <b>Balance Sheet</b>                   |  |   |                          |   |
| <b>Current assets</b>                  |  |   |                          |   |
| Cash and cash equivalents              | 3,179                                    | 4,240                                     | (75)                     | 4,165                                     |
| Trade and other receivables            | 1,340                                    | 1,612                                     |                          | 1,612                                     |
| Prepayments                            | -  | 32  |                          | 32  |
| Investments held for trading           | 197                                      | 601                                       |                          | 601                                       |
|  | <b>4,716</b>                             | <b>6,485</b>                              |                          | <b>6,410</b>                              |
| <b>Non-current assets</b>              |  |   |                          |   |
| Receivables                            | 1,068                                    | -   |                          | -   |
| Property, plant and equipment          | 98                                       | 149                                       |                          | 149                                       |
| Exploration and evaluation expenditure | 22,681                                   | 22,380                                    |                          | 22,380                                    |
|  | <b>23,847</b>                            | <b>22,529</b>                             |                          | <b>22,529</b>                             |
| <b>Total assets</b>                    | <b>28,563</b>                            | <b>29,014</b>                             |                          | <b>28,939</b>                             |
| <b>Current liabilities</b>             |  |   |                          |   |
| Payables                               | 131                                      | 182                                       |                          | 182                                       |
| Provisions                             | 56                                       | 79  |                          | 79  |
| Loan                                   | 960                                      | 2,000                                     | (2,000)                  | -   |
|  | <b>1,147</b>                             | <b>2,261</b>                              |                          | <b>261</b>                                |
| <b>Non current liabilities</b>         |  |   |                          |   |
| Provisions                             | 35                                       | 43  |                          | 43  |
|  | <b>35</b>                                | <b>43</b>                                 |                          | <b>43</b>                                 |
| <b>Total liabilities</b>               | <b>1,182</b>                             | <b>2,304</b>                              |                          | <b>304</b>                                |
| <b>Net assets</b>                      | <b>27,381</b>                            | <b>26,710</b>                             |                          | <b>28,635</b>                             |
| <b>Equity</b>                          |  |   |                          |   |
| Issued capital                         | 44,223                                   | 45,183                                    | 2,000                    | 47,183                                    |
| Reserves                               | 725                                      | 725                                       |                          | 725                                       |
| Accumulated losses                     | (17,567)                                 | (19,198)                                  | (75)                     | (19,273)                                  |
|  | <b>27,381</b>                            | <b>26,710</b>                             |                          | <b>28,635</b>                             |

Source: GCR annual reports and management accounts

For personal use only

We note the following in relation to the financial position of GCR:

- trade and other receivables as at 30 June 2009 include outstanding consideration in relation to sale of the Adelong Gold Project of approximately \$1.20 million;
- investments held for trading at the market value as at 30 June 2009 consist of:
  - 100,000 shares in Alkane Resources Limited (“Alkane”), which represents approximately 0.04% of the total share capital of Alkane. Alkane is an ASX listed company engaged in mining and production of gold and exploration of other minerals;
  - 950,000 shares in Argent, which represents approximately 2.73% of the total share capital of Argent. Argent is an ASX listed company engaged in exploration of silver, lead, zinc, copper and gold;
  - 550,000 options in Argent. Each option has an exercise price of \$0.20 and expires on 30 June 2011;
  - 15 million shares in Tasman Goldfields Limited (“Tasman”), which represents approximately 25.68% of the total share capital of Tasman. Tasman is an ASX listed company engaged in generating gold exploration opportunities; and
- provisions primarily relate to employee entitlements.

Management of GCR have prepared the above pro forma balance sheet of GCR which assumes the Proposed Transaction has been completed as at 30 June 2009. The pro forma adjustment involves repayment of the loan of \$2 million, which GCR received in June 2009 from HQ, by issuing GCR Shares and costs associated with the Proposed Transaction of \$75,000 (being mid point of the total estimated costs of between \$70,000 and \$80,000).

#### **4.4 Capital structure**

As at 29 June 2009, GCR has on issue:

- 809,903,092 GCR Shares; and
- 18,025,000 employee options (“GCR Options”). The GCR Options were issued under the Golden Cross Resources Employee Option Plan in which all employees of GCR are eligible to participate.

#### 4.4.1 GCR Shares

The top 10 shareholders of GCR as at 30 June 2009, is set out below:

| Shareholder                                 | Number of shares   | % of issued shares |
|---|--------------------|--------------------|
| H Q Mining Resources                        | 125,000,000        | 15.4%              |
| Farjoy Pty Ltd                              | 33,200,000         | 4.1%               |
| Aspac Mining Limited                        | 27,000,000         | 3.3%               |
| Dr Leon Eugene Pretorius                    | 23,133,133         | 2.9%               |
| Blue Lake Resources Pty Ltd (Blue Lake A/C) | 20,500,000         | 2.5%               |
| National Nominees Limited                   | 18,306,830         | 2.3%               |
| Berenvy Pty Limited (Paul Joyce Super Fund) | 18,000,000         | 2.2%               |
| Berenvy Pty Limited (Paul Joyce Super Fund) | 9,500,000          | 1.2%               |
| Zero Nominees Pty Ltd                       | 9,000,000          | 1.1%               |
| Mr John Dennis Quirk (John Quirk S/F A/C)   | 8,853,333          | 1.1%               |
| <b>Total Top 10 Shareholders</b>            | <b>292,493,296</b> | <b>36.1%</b>       |
| Other shareholders                          | 517,409,796        | 63.9%              |
| <b>Total</b>                                | <b>809,903,092</b> | <b>100.0%</b>      |

Source: GCR financial reports

#### 4.4.2 GCR Options

A summary of the options outstanding as at 29 June 2009 is set out below:

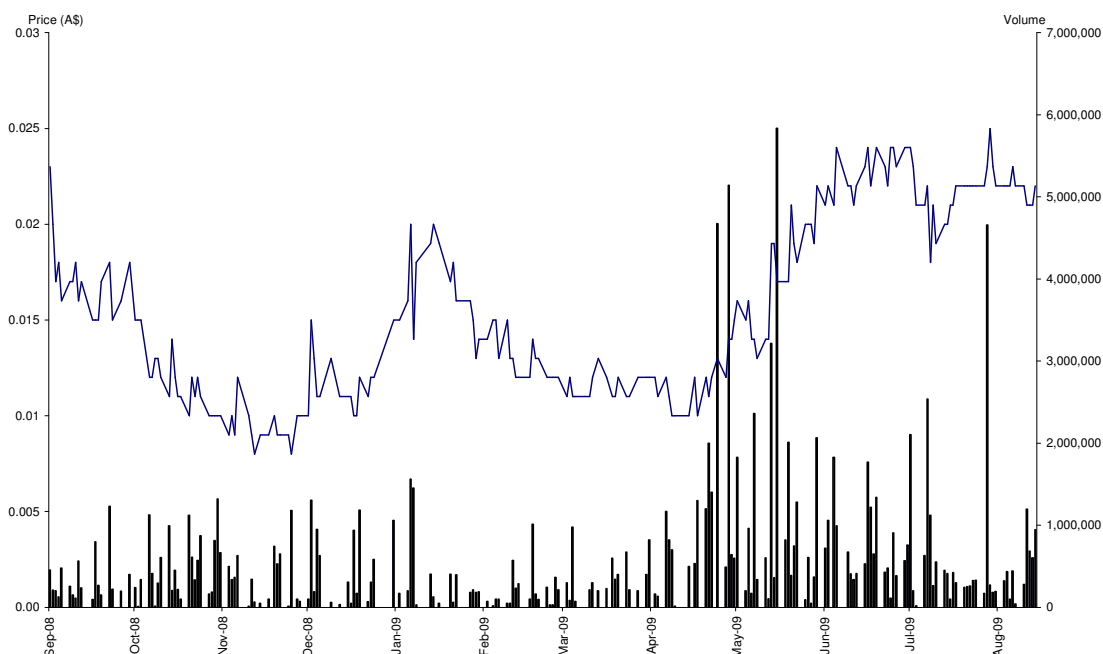
| Number of options | Exercise price | Expiry date |
|-------------------|----------------|-------------|
| 40,000            | \$0.10         | 17-Aug-09   |
| 245,000           | \$0.10         | 20-Jul-10   |
| 6,750,000         | \$0.10         | 31-Mar-11   |
| 540,000           | \$0.10         | 06-Oct-11   |
| 1,850,000         | \$0.10         | 10-Jul-12   |
| 3,600,000         | \$0.10         | 04-Jul-13   |
| 5,000,000         | \$0.08         | 31-Mar-11   |

Source: ASX announcements

For personal use only

#### 4.5 Share price performance

The daily share price movements in GCR's share price and volumes for the period from 1 September 2008 to 14 August 2009 is set out below:



Source: Reuters

We note the following with regard to share price history shown above:

| Date              | Comments  |
|-------------------|---|
| 15 May 2008       | GCR announced positive results from its diamond drilling program at the Los Hatillos property in Panama, following completion of two holes. Share price closed at \$0.042.  |
| 29 May 2008       | GCR announced it executed a formal farm in and joint venture agreement with Legend International Holdings Inc over GCR's 100% owned Mount Isa properties. Share price closed at \$0.041.                            |
| 16 June 2008      | Newport Exploration Ltd announced its withdrawal from an option agreement over the Mulga Tank Nickel properties, resulting in GCR effectively regaining control of these properties. Share price closed at \$0.036. |
| 29 July 2008      | GCR announced the completion of drilling at the Los Hatillos epithermal gold property in central Panama. Share price closed at \$0.023.   |
| 30 July 2008      | GCR released drilling results from Burra Copper prospect, with intersected significant sulphine mineralisation grading up to 6.45% copper. Share price closed at \$0.023.   |
| 11 September 2008 | GCR announced the decision to withdraw from the joint venture with Bellhaven Copper & Gold Inc with respect to Los Hatillos property in central Panama. Share price closed at \$0.016.                              |
| 10 October 2008   | GCR announced the commencement of metallurgical testing of the BJ zone at the Kempfield silver, lead, zinc and barite project. Share price closed at \$0.012.   |
| 29 October 2008   | GCR and Argent Minerals Limited released results from the drilling at the Kempfield BJ zone, which have produced high value silver values intersections. Share price closed at \$0.01.                              |

For personal use only

| Date             | Comments   |
|------------------|--|
| 22 December 2008 | GCR and HQ Mining Resources announced the creation of a strategic alliance, providing GCR with an immediate injection of \$1.5 million and a minimum further \$2 million funding in or before the second quarter of 2009. Share price closed at \$0.011. |
| 17 June 2009     | GCR announced that it received a further \$2 million funding from HQ. Share price closed at \$0.022.   |
| 13 July 2009     | GCR announced that Tasman entered into an option agreement for a \$25 million development joint venture with AusCan Gold Ltd. Share price closed at \$0.020.   |

Source: ASX announcements

Set out below is the share price performance of GCR since September 2008:

| GCR                | Share price |          |            | Average weekly volume |
|--------------------|-------------|----------|------------|-----------------------|
|                    | High (\$)   | Low (\$) | Close (\$) |                       |
| <b>Month ended</b> |             |          |            |                       |
| September 2008     | 0.023       | 0.013    | 0.018      | 1,709,536             |
| October 2008       | 0.017       | 0.009    | 0.010      | 2,536,091             |
| November 2008      | 0.012       | 0.008    | 0.010      | 1,778,386             |
| December 2008      | 0.015       | 0.009    | 0.015      | 2,480,438             |
| January 2009       | 0.020       | 0.013    | 0.014      | 1,873,727             |
| February 2009      | 0.015       | 0.011    | 0.012      | 1,039,401             |
| March 2009         | 0.013       | 0.011    | 0.012      | 1,883,517             |
| April 2009         | 0.015       | 0.010    | 0.015      | 6,317,908             |
| May 2009           | 0.023       | 0.013    | 0.022      | 5,810,888             |
| June 2009          | 0.025       | 0.020    | 0.024      | 3,891,699             |
| July 2009          | 0.027       | 0.018    | 0.022      | 3,477,018             |
| <b>Week ended</b>  |             |          |            |                       |
| 1-May-2009         | 0.016       | 0.012    | 0.016      | 8,700,387             |
| 8-May-2009         | 0.016       | 0.013    | 0.013      | 4,032,865             |
| 15-May-2009        | 0.023       | 0.014    | 0.017      | 10,117,346            |
| 22-May-2009        | 0.022       | 0.017    | 0.018      | 5,248,769             |
| 29-May-2009        | 0.022       | 0.018    | 0.022      | 3,176,688             |
| 5-Jun-2009         | 0.025       | 0.020    | 0.024      | 4,593,611             |
| 12-Jun-2009        | 0.024       | 0.021    | 0.022      | 1,832,771             |
| 19-Jun-2009        | 0.024       | 0.021    | 0.024      | 5,509,054             |
| 26-Jun-2009        | 0.024       | 0.021    | 0.023      | 2,304,143             |
| 3-Jul-2009         | 0.025       | 0.019    | 0.021      | 3,646,931             |
| 10-Jul-2009        | 0.023       | 0.018    | 0.019      | 5,103,107             |
| 17-Jul-2009        | 0.022       | 0.019    | 0.022      | 1,685,000             |
| 24-Jul-2009        | 0.023       | 0.022    | 0.022      | 1,411,000             |
| 31-Jul-2009        | 0.027       | 0.022    | 0.022      | 5,475,464             |
| 7-Aug-2009         | 0.023       | 0.022    | 0.022      | 1,337,850             |
| 14-Aug-2009        | 0.023       | 0.020    | 0.022      | 3,709,267             |

Source: Reuters and calculations

For personal use only

## 5 Valuation methodologies

### 5.1 Introduction

When assessing whether or not the Proposed Transaction is fair to the GCR Shareholders, Grant Thornton Corporate Finance has assessed the fair market value of GCR Shares.

Fair market value is commonly defined as:

*“the price that would be negotiated in an open and unrestricted market between a knowledgeable, willing but not anxious buyer and a knowledgeable, willing by not anxious seller acting at arm’s length.”*

RG 111 outlines the appropriate methodologies that a valuer should consider when valuing assets or securities for the purposes of, amongst other things, share buy-backs, selective capital reductions, schemes of arrangement, takeovers and prospectuses. These include:

- the discounted cash flow (“DCF”) method;
- the capitalisation of earnings method;
- orderly realisation of assets;
- the quoted price of listed securities; and
- amount a potential acquirer may be prepared to pay for the business.

We have outlined these methodologies in Appendix A to this report. Each of these methodologies is appropriate in certain circumstances. The decision as to which methodology to use generally depends on the methodology most commonly adopted in valuing the asset in question and the availability of appropriate information.

### 5.2 Methodology selected to value GCR Shares

In assessing the fair market value of GCR, Grant Thornton Corporate Finance has aggregated:

- the market value of its mineral assets;
- the value of other assets and liabilities owned by GCR;
- the value of royalty from Excellence in Mining & Exploration Conference; and
- deducted net interest bearing liabilities and the net present value of corporate overheads.

Based on Regulatory Guide 112 “Independence of experts” and market practice, valuation of mineral assets for independent expert’s report purposes are typically carried out in conjunction with an independent technical specialists with expertise in the relevant minerals. Valuations of exploration assets, which are highly judgemental, are typically carried out by independent technical specialists using methodologies which require a high degree of industry knowledge.

For personal use only

As a result, Grant Thornton Corporate Finance has engaged GA to assist in the valuation of GCR mineral assets in accordance with the VALMIN Code<sup>13</sup>.

When considering the value of GCR's mineral assets, we note that the Copper Hill Project is a reasonably advanced pre-development project with resource in accordance with the JORC code<sup>14</sup> and some scoping studies completed. In this regard, GA has reviewed the technical information provided by management of GCR and has indicated that a project with characteristics similar to the Copper Hill Project is typically valued using the DCF methodology.

However, GA has indicated that it appears that the Copper Hill Project may not be economically viable based on present metal prices. Additionally, sustained high metal prices would be required before the Copper Hill Project could be considered for development. As a result, it is the opinion of Grant Thornton Corporate Finance and GA that the DCF approach is not suitable for valuing the Copper Hill Project. Accordingly, the Copper Hill Project has been valued by GA as an advance exploration project using the past expenditure and comparable transaction methods.

With respect to other mineral assets owned by GCR, we note that these projects are at varying stages of investigation, ranging from early phase exploration to resource definition. Both Grant Thornton Corporate Finance and GA have concluded that the DCF approach is not suitable for valuing these assets. For the purpose of this report GA has valued these assets using primarily the past expenditure method, and in some cases, comparable transaction method.

GA has also considered the potential future royalty streams that may be received by GCR in relation to a number of projects (Section 4.2). Due to the uncertainties associated with the potential future royalty streams that may be received by GCR, GA has not ascribed a value to GCR's royalty arrangements

A copy of Goldner & Associates' report is included as Appendix C to this report.

Prior to reaching our valuation conclusion, we have considered the reasonableness of the valuation by comparing the results to the share market prices of GCR.

---

<sup>13</sup> The VALMIN Code is binding on members of the Australasian Institute of Mining and Metallurgy when preparing public independent expert reports required by the Corporations Act concerning mineral and petroleum assets and securities. The purpose of the VALMIN Code is to provide a set of fundamental principles and supporting recommendations regarding good professional practice to assist those involved in the preparation of independent expert reports that are public and required for the assessment and/or valuation of mineral and petroleum assets and securities so that the resulting reports will be reliable, thorough, understandable and include all the material information required by investors and their advisers when making investment decisions.

<sup>14</sup> The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves

For personal use only

## 6 Underlying value of GCR

### 6.1 Mineral assets

As discussed in Section 5.2, GA has assessed the fair market value of GCR's mineral assets.

Based on GA's assessment, the total value of GCR's mineral assets has been assessed in the range of \$19.5 million to \$32.0 million. Due to the uncertainties associated with the potential future royalty streams that may be received by GCR, GA has not ascribed a value to GCR's royalty arrangements. However, based on GA's subjective judgement of the prospectively of each mineral asset, GA has adopted \$20.6 million as its preferred value.

For the purpose of this report, we have considered the information included in GA's report (Appendix C) and other information and advice provided by GA and have adopted GA's preferred value of \$20.6 million as the total fair market value of GCR's mineral assets.

### 6.2 Other assets and liabilities

For the purpose of this report, the fair market value of the other assets and liabilities of GCR is primarily based on their net book value as at 30 June 2009, except for the investments held for trading which have been valued using the latest share market prices. The management of GCR have advised that there are no material movements in these items between 1 July 2009 and the date of this report.

The other assets and liabilities of GCR include the following:

| Other assets and liabilities                     | Low<br>\$'000 | High<br>\$'000 |
|--|---------------|----------------|
| Cash   | 4,240         | 4,240          |
| Investments held for trading <sup>(1)</sup>      | 803           | 803            |
| Loan form HQ <sup>(2)</sup>                      | (2,000)       | (2,000)        |
| Trade and other receivables                      | 1,612         | 1,612          |
| Prepayments                                      | 32            | 32             |
| Property, plant and equipment                    | 149           | 149            |
| Provisions                                       | (122)         | (122)          |
| Trade and other payables                         | (182)         | (182)          |
| Costs of the Proposed Transaction <sup>(3)</sup> | (80)          | (70)           |
| Other assets and liabilities                     | 4,452         | 4,462          |

Source: Calculations

Notes:

- (1) all investments held by GCR are listed securities. For the purpose of this report, we have considered the recent security prices and have used the 1 week Volume Weighted Average Price ("VWAP") for the period between 29 July 2009 and 4 August 2009 to value these

For personal use only

securities. Summarised below are the investments owned by GCR and the respective market value:

| Investments held for trading | Number of securities | Closing price<br>4-Aug-09 | VWAP*  |         | Market value<br>\$'000 |
|------------------------------|----------------------|---------------------------|--------|---------|------------------------|
|                              |                      |                           | 1 week | 1 month |                        |
| Alkane shares                | 100,000              | 0.290                     | 0.281  | 0.290   | 28                     |
| Argent shares                | 950,000              | 0.135                     | 0.131  | 0.124   | 124                    |
| Tasman shares                | 15,000,000           | 0.042                     | 0.043  | 0.052   | 640                    |
| Argent options               | 550,000              | 0.020                     | 0.020  | 0.022   | 11                     |
|                              |                      |                           |        |         | <b>803</b>             |

Source: Reuters and calculations

- (2) we have included the loan from HQ as part of the valuation since the valuation of GCR is prior to the implementation of the Proposed Transaction; and
- (3) we have deducted from the valuation costs associated with the Proposed Transaction, which we understand have not been provided as at 30 June 2009. Management of GCR have advised that the total cost of the Proposed Transaction is estimated to be in the range of \$70,000 to \$80,000.

### 6.3 Corporate overheads

GCR incurs normalised corporate costs of approximately \$1.1 million per annum. These costs include costs associated with maintaining office premises, the executive management teams, finance and corporate administration and costs associated with the listing status of GCR.

When considering the fair market value of GCR on a 100% basis, we have assumed GCR is a privately held entity. Accordingly, we have excluded those costs which could be potentially saved by a hypothetical purchaser of GCR by privatising the entity.

In this regard, management of GCR have advised that a total of approximately \$0.2 million per annum of corporate overheads is related to GCR being a publicly listed company.

For the purpose of the valuation, we have capitalised the corporate overheads, excluding costs associated with the listing status of GCR using the capitalisation of earnings methodology at a multiple range of 2 to 3 times.

The following table calculates the capitalised value of corporate overheads:

| Corporate overheads                                       | Low<br>\$'000 | High<br>\$'000 |
|---|---------------|----------------|
| Corporate overheads per annum (normalised)                | 1,100         | 1,100          |
| Administration costs related to the listing status of GCR | (200)         | (200)          |
| Ongoing corporate overheads                               | 900           | 900            |
| Capitalisation multiple                                   | 2             | 3              |
| <b>Capitalised value of corporate overheads</b>           | <b>1,800</b>  | <b>2,700</b>   |

Source: management and calculations

For personal use only

Based on the above, Grant Thornton Corporate Finance has assessed the capitalised value of corporate overheads in the range of \$1.8 million to \$2.7 million.

#### **6.4 Royalty arrangements associated with mineral assets**

GCR holds a number of royalty arrangements associated with various mineral assets which have been sold to third parties. Based on the information and advice provided by GA, we note the following in relation to these royalty arrangements:

- majority of the underlying mineral assets are not expected to commence production until 2011. Accordingly, GCR will not receive royalty payments, if any, until 2011;
- the underlying mineral assets of the royalty arrangements are either in care and maintenance or in the exploration phase. Whilst the production of these mineral assets is forecasted to commence in 2011, the actual commencement of production will be dependent on a wide range of factors, including commodity prices, exchange rates, political and regulatory factors and funding arrangements; and
- the development and operation of the underlying mineral assets are controlled by the operator and/or owner of these assets. GCR has little control or influence over the development or operation of these assets.

Based on the preliminary royalty streams provided by GA, we have considered the quantum of these royalty payments and their underlying risks. Based on the factors discussed above, Grant Thornton Corporate Finance has not attributed any value to these royalty arrangements for the purpose of this report.

#### **6.5 Royalty from Excellence in Mining & Exploration Conference**

GCR is entitled to 3% of the gross revenue derived from the Excellence in Mining & Exploration Conference. GCR has been receiving royalties from Excellence in Mining & Exploration Conference of approximately \$20,000 per annum over the past years.

For the purpose of the valuation, we have assessed the fair market value of the royalties from Excellence in Mining & Exploration Conference using the capitalisation of earnings methodology at a multiple range of 3 to 4 times. Accordingly, Grant Thornton Corporate Finance has assessed the capitalised value of royalties from Excellence in Mining & Exploration Conference in the range of \$60,000 to \$80,000.

#### **6.6 Tax losses**

GCR has approximately \$19 million in accumulated tax losses which could potentially be used to offset against future taxable income. However, the amount has not been recognised as an asset for financial reporting purposes as it does not satisfy the recognition criteria under the relevant accounting standards.

For personal use only

For valuation purposes, unutilised tax losses may have a value as the hypothetical purchaser of a company can use the tax losses to offset against future taxable income, subject to satisfying certain taxation rules.

With respect to the potential utilisation of tax losses by GCR, Grant Thornton Corporate Finance notes that:

- GCR does not currently generate any material earnings or positive cash flows; and
- GCR's mineral assets are either at the early stages of exploration or at pre-development stage. In this regard, we note that the Copper Hill Project, the most advanced mineral asset of GCR, is at the pre-development stage and is not considered economically viable based on current commodity prices.

Based on the above, it is impossible to predict whether or not GCR will be able to generate any material earnings in the future and therefore utilise the tax losses. Accordingly, we have not ascribed a value to GCR's unutilised tax losses.

## 6.7 Summary of valuation

The valuation of GCR is summarised in the table below:

| Market value of GCR  | Low<br>\$'000 | High<br>\$'000 |
|--|---------------|----------------|
| Market value of mineral assets                             | 20,600        | 20,600         |
| Other assets and liabilities                               | 4,452         | 4,462          |
| Royalty from Excellence in Mining & Exploration Conference | 60            | 80             |
| Corporate overheads  | (2,700)       | (1,800)        |
| Fair market value of GCR                                   | 22,412        | 23,342         |
| Total number of GCR on issue                               | 809,903,092   | 809,903,092    |
| <b>Value per GCR Share (cents)</b>                         | <b>2.77</b>   | <b>2.88</b>    |

*Source: Calculations*

Based on the above, we have assessed the value of the GCR Shares in the range of 2.77 cents to 2.88 cents per share.

We have not considered the potential impact of the exercise of the GCR Options as these options are materially 'out of the money' and unlikely to be exercised.

Grant Thornton Corporate Finance notes that our assessed value of GCR is on a 100% basis and inclusive of a control premium.

## 6.8 Valuation cross check

Prior to reaching our valuation conclusion we have considered the reasonableness of our valuation by comparing our results to the recent share market prices of GCR.

For personal use only

We have selected the share market prices of GCR prior to the announcement of the Proposed Transaction for reference as share market prices post the announcement may be affected by the terms of the Proposed Transaction and speculation of the Proposed Transaction.

Set out below is a summary of the share market prices at which GCR Shares have traded on the ASX for various periods prior to the announcement of the Proposed Transaction:

| <b>GCR market share prices prior to the announcement of the Proposed Transaction</b> | <b>Cents</b> |
|--|--------------|
| 17 July 2009 (last trading day before the announcement of Proposed Transaction)      | 2.20         |
| 1 week prior to 17 July 2009 (VWAP)  | 2.04         |
| 1 month prior to 17 July 2009 (VWAP)   | 2.16         |
| 2 months prior to 17 July 2009 (VWAP)  | 2.12         |
| 3 months prior to 17 July 2009 (VWAP)  | 1.79         |

*Source: Reuters*

We note that our assessed value of GCR Shares ranging from 2.77 cents to 2.88 cents per share is higher than the market share prices immediately before the announcement of the Proposed Transaction. In this regard, we note that our underlying value of GCR is on a 100% basis and is inclusive of a control premium. Based on empirical evidence, the control premium implied successful takeovers in Australia are typically in the range of 20% to 40%.

Based on the above, we consider our valuation assessment of GCR Shares is reasonable.

For personal use only

## 7 Evaluation of the Proposed Transaction

### 7.1 Fairness

For the purpose of assessing whether the Proposed Transaction is fair to the Non-Associated Shareholders, we have compared the value of GCR Shares, inclusive of a control premium as required by RG 111, with the issue price of 2.05 cents per share under the Subscription Agreement (Section 1.2).

The following table summarises our assessment:

| <b>Assessment of fairness</b>                        | <b>Reference</b>   | <b>Low cents</b> | <b>High cents</b> |
|--|--------------------|------------------|-------------------|
| Issue price under the Proposed Transaction           | <i>Section 1.1</i> | 2.05             | 2.05              |
| Value of GCR Shares - inclusive of a control premium | <i>Section 6.7</i> | 2.77             | 2.88              |
| Discount   |                    | (0.72)           | (0.83)            |
| Discount %   |                    | (26%)            | (29%)             |

*Source: Calculations*

Grant Thornton Corporate Finance notes that the value of GCR Shares (inclusive of a control premium) is higher than the issue price of 2.05 cents per GCR Share under the Subscription Agreement.

As the GCR Shares will be issued at a discount to HQ for the purpose of the Proposed Transaction, we have concluded that the Proposed Transaction is not fair to the Non-Associated Shareholders pursuant to RG 111.

### 7.2 Reasonableness

For the purpose of assessing whether the Proposed Transaction is reasonable to the Non-Associated Shareholders, we note that RG 111 states that if the investor does not increase its practical control over the company as a result of increasing its holding from below 20% to over 20% of the company, the transaction can be considered reasonable even if it is not fair under RG 111. In this regard, we note that HQ has appointed three representatives to the Board of GCR based on the terms of the Subscription Agreement. The implementation of the Proposed Transaction does not automatically allow HQ to appoint additional representatives to the Board. The control of the Board of GCR is not expected to change through the implementation of the Proposed Transaction.

Based on the above and the likely advantages and disadvantages associated with the Proposed Transaction, Grant Thornton Corporate Finance concludes that the Proposed Transaction is reasonable to the Non-Associated Shareholders.

For personal use only

### 7.2.1 Likely advantages associated with the Proposed Transaction

The likely advantages associated with the Proposed Transaction include:

- whilst the issue price of 2.05 cents represents a discount of between 26% and 29% to our assessed value of GCR Shares (which is inclusive of a premium for control), the management of GCR have advised that given the business and operations of GCR and the prevailing share market conditions, it may be difficult for GCR to raise funds from equity market without offering a discount much higher than the one being offered to HQ. We note that capital raisings completed on the ASX over the last six months by way of rights issue or private placement generally incorporated a discount on the share price prior to the announcement of the fund raising, and for certain capital raisings, the discount to prevailing share market prices were up to 25% to 30%;
- if the Proposed Transaction is approved, the loan provided by HQ will be extinguished and GCR can freely use the cash resources for business purposes. The net assets position of GCR will also improve, which may place GCR in a relatively better position in obtaining additional financing, even if it may not be its current strategy. Further GCR will not be required to pay interest on the amount received from HQ of \$2 million, which is currently being treated as a loan. Thus improving the cash flows and profitability of GCR; and
- the Proposed Transaction is consistent with GCR's strategy of forming an alliance with HQ. Management of HQ have advised that the alliance allows GCR to gain access to operational, development and marketing assistance from HQ. It may also provide GCR the opportunity to obtain further financial support.

### 7.2.2 Likely disadvantages associated with the Proposed Transaction

The likely disadvantages associated with the Proposed Transaction include:

- HQ's shareholding in GCR will increase from 15.46% to 24.53%. The shareholding of the Non-Associated Shareholders will be diluted;
- whilst HQ will not obtain further management control over GCR as a result of the Proposed Transaction (other than through its shareholding), HQ will become the single largest shareholder of GCR after the implementation of the Proposed Transaction. Consequently, HQ may be able to influence the outcome of major strategic decisions of GCR; and
- as the issue price of 2.05 cents per GCR Share is lower than the recent share market prices of GCR, we conclude that HQ will not pay a control premium in relation to the Proposed Transaction.

### 7.2.3 Other factors

In arriving at our conclusion of reasonableness, we have further considered the following factors:

- the Proposed Transaction, including the calculations of the issue price of 2.05 cents per GCR Share, is consistent with the terms of the Subscription Agreement (which has been made available to GCR Shareholders on 5 January 2009 as part of GCR's ASX announcement). We

For personal use only

further note that GCR Shareholders approved the issue of a total of 125 million GCR Shares<sup>15</sup> at an issue price of 1.2 cents per share to HQ under ASX Listing Rule 7.1 and the 1 week VWAP as at 5 January 2009 of GCR was approximately 1.3 cents;

- if the Proposed Transaction is not approved, GCR will be required to pay interest on the loan amount of \$2 million at 10% per annum and repay the principal amount of \$2 million when demanded by HQ. Management of GCR have advised that GCR may be required to raise equity capital to repay the loan amount, which may attract a higher discount than the one being offered to HQ and may result in a greater dilutionary impact on the Non-Associated Shareholders; and
- in our opinion, the increase in HQ's interest in GCR from 15.46% to 24.53% pursuant to the Proposed Transaction does not materially alter the Non-Associated Shareholders' position in relation to GCR receiving future takeover offers. This is due to fact that HQ already owns more than 10% of the total issued capital in GCR and can block any takeover offers proceeding.

Based on the above factors including the likely advantages and disadvantages, we conclude that the Proposed Transaction is reasonable to Non-Associated Shareholders.

### **7.3 Overall conclusion**

In our opinion, the Proposed Transaction is not fair but reasonable to the Non-Associated Shareholders.

However, Grant Thornton Corporate Finance notes the following factors:

- the terms of the Proposed Transaction are consistent with the terms of the Subscription Agreement dated 22 December 2008<sup>16</sup>;
- the implementation of the Proposed Transaction represents the third tranche of GCR Shares to be issued to HQ. The issue of the first two tranches of GCR Shares to HQ under the Subscription Agreement at an issue price of 1.2 cents per share was approved by the GCR Shareholders on 19 February 2009; and
- our assessment of the fairness of the Proposed Transaction is based on the guidance provided by RG 111 in which the value of GCR Shares must be assessed inclusive of a control premium.

Accordingly, it is our opinion that the Non-Associated Shareholders should place an equal and appropriate emphasis on our reasonableness assessment when assessing the merits of the Proposed Transaction.

---

<sup>15</sup> On 19 February 2009, the Non-Associated Shareholders approved the issue of a total of 125 million GCR Shares to HQ at an issue price of 1.2 cents per share. The purpose of the share issue was to raise funds of \$540,000 and to repay a loan provided by HQ of \$960,000.

<sup>16</sup> The Subscription Agreement has been provided to the GCR Shareholders as part of GCR's ASX announcement on 5 January 2009

For personal use only

## **8 Sources of information, disclaimer and consents**

### **8.1 Sources of information**

In preparing this report Grant Thornton Corporate Finance has used various sources of information, including:

- Subscription Agreement dated 22 December 2008;
- Releases and announcements by GCR on ASX;
- Annual Reports of GCR for FY07 and FY08;
- Interim report of GCR for half year ended on 31 December 2008 ;
- Management accounts for FY09 provided by GCR;
- Top 20 shareholders provided by GCR;
- The Australian Bureau of Agricultural and Resource Economics (“ABARE”);
- GCR’s website;
- IBISWorld Industry Report, ‘Mineral exploration in Australia’;
- Reuters;
- Onesource;
- Various broker reports; and
- Other publicly available information

### **8.2 Qualifications and independence**

Grant Thornton Corporate Finance holds Australian Financial Service Licence number 247140 under the Corporations Act and its authorised representatives are qualified to provide this report.

Grant Thornton Corporate Finance provides a full range of corporate finance services and has advised on numerous takeovers, corporate valuations, acquisitions, and restructures. Prior to accepting this engagement, Grant Thornton Corporate Finance considered its independence with respect to GCR and all other parties involved in the Proposed Transaction with reference to the ASIC Regulatory Guide 112 “Independence of expert” and APES 110 “Code of Ethics for Professional Accountants” issued by the Accounting Professional and Ethical Standard Board. We conclude that there are no conflicts of interest with respect to GCR, its shareholders and all other parties involved in the Proposed Transaction.

Grant Thornton Corporate Finance and its related entities do not have at the date of this report, and have not had within the previous two years, any shareholding in or other relationship with GCR or its associated entities that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposed Transaction.

Grant Thornton Corporate Finance has no involvement with, or interest in the outcome of the Proposed Transaction, other than the preparation of this report.

Grant Thornton Corporate Finance will receive a fee based on commercial rates for the preparation of this report. This fee is not contingent on the outcome of the Proposed Transaction. Grant Thornton Corporate Finance’s out of pocket expenses in relation to the preparation of the report will be reimbursed. Grant Thornton Corporate Finance will receive no other benefit for the preparation of this report.

For personal use only

### **8.3 Limitations and reliance on information**

This report and opinion is based on economic, market and other conditions prevailing at the date of this report. Such conditions can change significantly over relatively short periods of time.

Grant Thornton Corporate Finance has prepared this report on the basis of financial and other information provided by GCR and publicly available information. Grant Thornton Corporate Finance has considered and relied upon this information. Grant Thornton Corporate Finance has no reason to believe that any information supplied was false or that any material information has been withheld. Grant Thornton Corporate Finance has evaluated the information provided by GCR and other experts through inquiry, analysis and review, and nothing has come to our attention to indicate the information provided was materially misstated or would not afford reasonable grounds upon which to base our report. Nothing in this report should be taken to imply that Grant Thornton Corporate Finance has audited any information supplied to us, or has in any way carried out an audit on the books of accounts or other records of GCR.

This report has been prepared to assist the director of GCR in advising the GCR Shareholders in relation to the Proposed Transaction. This report should not be used for any other purpose. In particular, it is not intended that this report should be used for any purpose other than as an expression of Grant Thornton Corporate Finance's opinion as to whether the Proposed Transaction is fair and reasonable.

GCR has indemnified Grant Thornton Corporate Finance, its affiliated companies and their respective officers and employees, who may be involved in or in any way associated with the performance of services contemplated by our engagement letter, against any and all losses, claims, damages and liabilities arising out of or related to the performance of those services whether by reason of their negligence or otherwise, excepting gross negligence and wilful misconduct, and which arise from reliance on information provided by GCR, which GCR knew or should have known to be false and/or reliance on information, which was material information GCR had in its possession and which GCR knew or should have known to be material and which GCR did not provide to Grant Thornton Corporate Finance. GCR will reimburse any indemnified party for all expenses (including without limitation, legal expenses) on a full indemnity basis as they are incurred.

### **8.4 Consents**

Grant Thornton Corporate Finance consents to the issuing of this report in the form and context in which it is included in the Notice of Extraordinary General Meeting and Explanatory Notes to be sent to the shareholders of GCR. Neither the whole nor part of this report nor any reference thereto may be included in or with or attached to any other document, resolution, letter or statement without the prior written consent of Grant Thornton Corporate Finance as to the form and content in which it appears.

For personal use only

## **Appendix A – Valuation methodologies**

### **Capitalisation of future maintainable earnings**

The capitalisation of future maintainable earnings multiplied by appropriate earnings multiple is a suitable valuation method for businesses that are expected to trade profitably into the foreseeable future. Maintainable earnings are the assessed sustainable profits that can be derived by a company's business and excludes any abnormal or "one off" profits or losses.

This approach involves a review of the multiples at which shares in listed companies in the same industry sector trade on the share market. These multiples give an indication of the price payable by portfolio investors for the acquisition of a parcel shareholding in the company.

### **Discounting projected cash flows**

An analysis of the net present value of projected cash flows or DCF is a valuation technique based on the premise that the value of the business is the present value of its future cash flows. This technique is particularly suited to a business with a finite life. In applying this method, the expected level of future cash flows are discounted by an appropriate discount rate based on the weighted average cost of capital. The cost of equity capital, being a component of the WACC, is estimated using the Capital Asset Pricing Model.

Predicting future cash flows is a complex exercise requiring assumptions as to the future direction of the company, growth rates, operating and capital expenditure and numerous other factors. An application of this method generally requires cash flow forecasts for a minimum of five years.

### **Net asset backing / Orderly realisation of assets**

The amount that would be distributed to shareholders on an orderly realisation of assets is based on the assumption that a company is liquidated with the funds realised from the sale of its assets, after payment of all liabilities, including realisation costs and taxation charges that arise, being distributed to shareholders.

### **Market value of listed securities**

Market value is the price per issued share as quoted on the ASX or other recognised securities exchange. The share market price would, prima facie, constitute the market value of the shares of a publicly traded company, although such market price usually reflects the price paid for a minority holding or small parcel of shares, and does not reflect the market value offering control to the acquirer.

### **Comparable market transactions**

The comparable transactions method is the value of similar assets established through comparative transactions to which is added the realisable value of surplus assets. The comparable transactions method uses similar or comparative transactions to establish a value for the current transaction.

For personal use only

Comparable transactions methodology involves applying multiples extracted from the market transaction price of similar assets to the equivalent assets and earnings of the company.

The risk attached to this valuation methodology is that in many cases, the relevant transactions contain features that are unique to that transaction and it is often difficult to establish sufficient detail of all the material factors that contributed to the transaction price.

For personal use only

## Appendix B – Glossary

|                                     |   |
|-------------------------------------|---|
| ABARE                               | Australian Bureau of Agricultural and Resource Economics              |
| Alkane                              | Alkane Resources Limited  |
| APES                                | Australian Professional and Ethical Standard Board                    |
| Argent                              | Argent Resources Limited  |
| ASIC                                | Australian Securities and Investments Commission                      |
| ASX                                 | Australian Securities Exchange  |
| CAPM                                | Capital Asset Pricing Model   |
| Corporations Act                    | Corporations Act 2001   |
| CUMIC                               | China United Mining Investment Co., Ltd                               |
| DCF                                 | Discounted cash flow  |
| EDR                                 | Economic Demonstrated Resources                                       |
| FSG                                 | Financial Services Guide  |
| FY                                  | Financial year  |
| GA                                  | Goldner & Associates  |
| GCR                                 | Golden Cross Resources Limited  |
| GCR Options                         | Employee options issued by GCR  |
| GCR Shares                          | Ordinary shares in GCR  |
| Grant Thornton<br>Corporate Finance | Grant Thornton Corporate Finance Pty Ltd                              |
| HQ                                  | HQ Mining Resources Holding Pty Ltd                                   |
| Non-Associated<br>Shareholders      | Shareholders of GCR other than HQ                                     |
| RG 74                               | ASIC Regulatory Statement 74 “Acquisitions agreed to by shareholders” |
| RG 111                              | ASIC Regulatory Statement 111 “Content of expert reports”             |
| RG 112                              | ASIC Regulatory Statement 112 “Independence of Expert’s Report”       |
| Tasman                              | Tasman Goldfields Limited   |
| VWAP                                | Volume Weighted Average Price   |
| WACC                                | Weighted Average Cost of Capital                                      |

For personal use only

**Appendix C – GA report**

For personal use only



# GOLDNER & ASSOCIATES

ABN 56 667 865 953

Office:  
Level 9, 80 Mount Street  
North Sydney  
SYDNEY 2060  
Ph: +61 (0)2 8920 0946  
Mobil. +61 (0)403 198 415  
Fax +61 (0)2 9929 2549  
Email: [pgoldner@bigpond.net.au](mailto:pgoldner@bigpond.net.au)

3 August 2009

The Directors  
Golden Cross Resources Limited  
22 Edgeworth David Avenue  
HORNSBY NSW 2077

Attn. Mr Robert Kwok  
Associate Director Corporate Finance  
Grant Thornton  
Level 17, 383 Kent Street  
SYDNEY NSW 2000

Dear Sirs,

## INDEPENDENT TECHNICAL REVIEW AND VALUATION OF MINERAL EXPLORATION AND DEVELOPMENT ASSETS OF GOLDEN CROSS RESOURCES LIMITED

### 1.0 INTRODUCTION

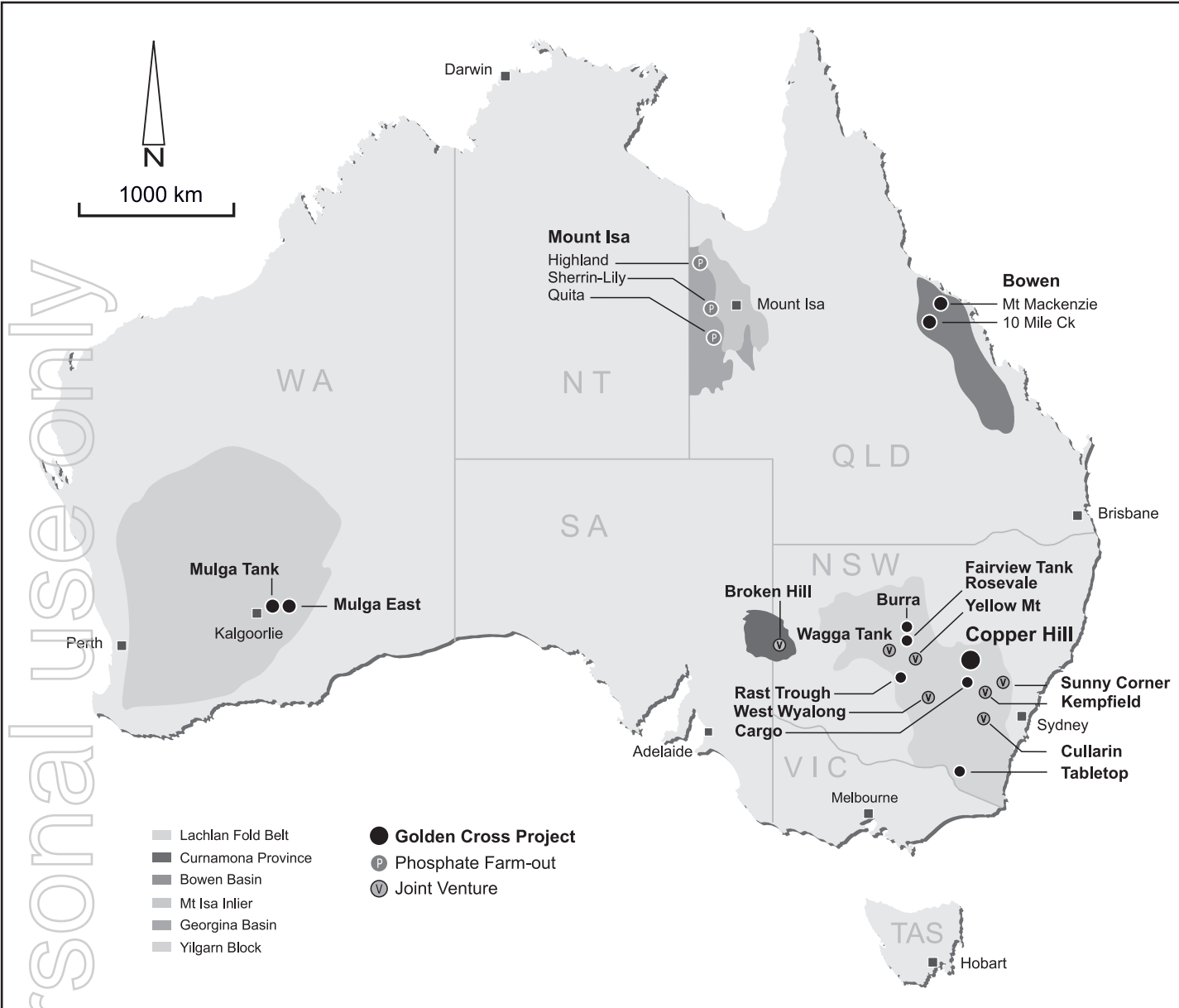
By email dated 26 June 2009 Mr Simon Lennon, Company Secretary of Golden Cross Resources Limited (“GCR” or “the Company”), requested Goldner and Associates (“GA”) to undertake an independent valuation of mineral exploration and development assets held by GCR or their wholly owned subsidiaries. The sole purpose of the valuation is to assist Grant Thornton in preparing an Independent Experts Report (“IER”) in respect to a proposed financial and share transaction between GCR and HQ Mining (“HQ”), the Australian investment vehicle of CUMIC. GA’s role is that of Independent Specialist and in this regard GA has provided valuation ranges for the various GCR exploration assets and the Copper Hill pre-development project. In Section 7 of this report GA has provided comments and technical inputs to Grant Thornton with respect to potential future royalty streams that may be received by GCR in respect to a number of projects. Grant Thornton will be opining on the value of the potential future royalties.

The current valuation by GA is specifically intended to establish a value of the-assets for the above purposes and for no other purpose.

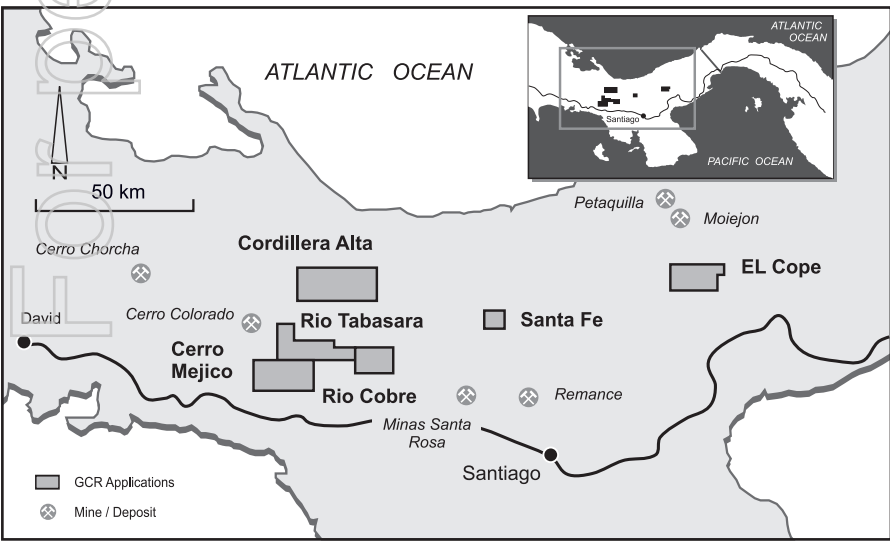
In summary GCR own or has interests in a diverse range of mineral assets in Australia and overseas (Figure 1) as follows:

- The major asset is the 100% owned pre-development Copper Hill Project in central New South Wales (“NSW”) consisting of a large low grade copper-gold porphyry deposit on which detailed drilling, resource estimates and scoping studies into potential development have been completed.
- A variety of 100% owned or joint venture interests in numerous exploration tenements held for base and/or precious metals in central, southern and western NSW.
- 100% interest in tenements held principally for precious metals near Bowen in eastern Queensland (“QLD”)
- Tenements in the Mt Isa district containing known phosphate occurrences and also with potential for uranium mineralisation. A farm-out arrangement has been negotiated in respect to the phosphate with GCR retaining 100% interest in any other commodities within the areas held.
- Interests in tenements in the Yilgarn district of WA with potential for nickel mineralisation.

For personal use only



Australia



Panama



Canada

Golden Cross Resources Limited  
Figure 1

Mineral Project Localities

- Joint venture interest tenements in Labrador Canada which are being explored for uranium.

GCR has lodged tenement applications over areas with potential for coal gas in central Qld, copper-gold-uranium in South Australia and porphyry copper-gold in Panama Central America.

The valuation and assessment of the GCR mineral interests has been conducted in accordance with the Code for the Technical Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports (“the VALMIN Code”) as issued in 1995 and updated in 2005. Peter Goldner and R N (Sam) Lees were both members of the committee responsible for the 2005 revision of the VALMIN code.

GA has not re-estimated the stated resources or reviewed the tenement status with respect to any legal or statutory issues. GCR has advised that all material tenements are in good standing. The projects are generally held under exploration licences which are renewable, usually following some size reduction, provided exploration and expenditure commitments are met.

GA is a Sydney based mineral industry consultancy whose principal, Peter Goldner, is a geologist experienced in the assessment and valuation of exploration projects. No site visits were made in connection with this valuation because of a lack of time. Both Mr Goldner and Mr Lees have worked extensively in NSW and are familiar with the project regions. Mr Lees has worked on the Sunny Corner and Cullarin projects while Managing Director of Michelago Limited.

This report provides an independent assessment and valuation of the subject mineral assets of GCR. The sole purpose of this GA report is to assist Grant Thornton in its role as Independent Expert in respect to the proposed transaction between GCR and HQ. Except as may be required by Grant Thornton in respect to its role as Independent Expert, neither the whole nor any part of this report nor any reference thereto may be included in or with or attached to any document or used for any other purpose, without GA’s written consent to the form and context in which it appears. A draft copy of the report has been provided to GCR and Grant Thornton for correction of any material errors or omissions.

## 2.0 SUMMARY AND CONCLUSIONS

GCR's Copper Hill pre-development project is reasonably advanced with resources in accordance with the JORC code and some detailed scoping studies completed. While a project of this nature would usually be valued by the discounted cash flow method, the studies to date indicate that, at present metal prices, it does not represent an economically viable project and sustained high metal prices would be required before the project could be considered for development. Consequently GA has been required to value this project as an advanced exploration project using the past expenditure and comparable transaction methods.

GCR also has varying interests in a large portfolio of diverse exploration projects in Australia and overseas. These projects are at varying stages of investigation ranging from early phase exploration to resource definition. While the exploration of a large number of the projects is managed by GCR, many are also being managed and funded by joint venture partners. GA has principally employed the past expenditure method to value these projects and where possible has also employed alternative methodologies such as the terms and comparable transaction methods to derive alternative valuations. Each of the methodologies available to value exploration projects requires the application of a number of subjective factors and also relies on the judgement of the valuation practitioner.

The basis of the various valuation methodologies are explained in Section 3 of this report.

A summary of GA's valuation of the selected GCR mineral assets is provided on Table 2.1 below. Given the current uncertain market conditions GA has elected to keep the Preferred Value near the lower end of the possible range of values.

Table 2.1  
Valuation Summary of GCR Mineral Assets

| PROJECT                             | GCR INTEREST (%) | VALUATION OF GCR INTEREST |            |                    |
|-------------------------------------|------------------|---------------------------|------------|--------------------|
|                                     |                  | LOW (K\$)                 | HIGH (K\$) | GA PREFERRED (K\$) |
| <b>NEW SOUTH WALES</b>              |                  |                           |            |                    |
| Copper Hill Pre-development Project | 100              | 11,400.0                  | 17,000.0   | 12,000             |
| Exploration Projects                |                  |                           |            |                    |
| Cobar District                      |                  |                           |            |                    |
| Burra                               | 100              | 608.6                     | 639.0      | 615                |
| Rosedale & Fairview Tank            | 100              | 28.2                      | 33.8       | 30                 |
| Rast Trough                         | 100              | 650.4                     | 709.6      | 660                |
| Yellow Mountain                     | 30               | 895.0                     | 954.7      | 900                |
| Wagga Tank                          | Diluting to 49   | 528.4                     | 891.6      | 700                |
| Broken Hill                         | 100              | 591.4                     | 698.9      | 600                |
| Central and Southern NSW            |                  |                           |            |                    |
| Cargo                               | 100              | 106.6                     | 1,500      | 600                |
| Tabletop                            | 100              | 37.1                      | 44.5       | 40                 |
| Kempfield                           | Diluting to 49   | 1,921.6                   | 5,370.0    | 2000               |
| Sunny Corner                        | Diluting to 49   | 480.4                     | 1,184.4    | 500                |
| West Wyalong                        | Diluting to 49   | 600.8                     | 746.8      | 650                |
| Cullarin                            | 37.5             | 191.9                     | 226.8      | 200                |
| Sub-Total New South Wales           |                  | 18,040.4                  | 30,000.1   | 19,495             |
| <b>QUEENSLAND</b>                   |                  |                           |            |                    |
| Exploration Projects                |                  |                           |            |                    |
| Mount Isa                           |                  |                           |            |                    |
| Phosphate Minerals                  | Diluting to 20   | 750                       | 750        | 750                |
| Other Minerals                      | 100              | 227.4                     | 249.1      | 230                |
| Bowen                               | 100              | 470.6                     | 509.6      | 475                |
| Sub-Total Queensland                |                  | 1,448.0                   | 1,508.7    | 1,455              |
| <b>WESTERN AUSTRALIA</b>            |                  |                           |            |                    |
| Mulga Tank                          | 75               | 338.7                     | 406.4      | 350                |
| Sub-Total Western Australia         |                  | 338.7                     | 406.4      | 350                |
| <b>LABRADOR, CANADA</b>             |                  |                           |            |                    |
| Notakwanon                          | Earning 50       | 60.2                      | 72.2       | 65                 |
| Sub-Total Canada                    |                  | 60.2                      | 72.2       | 65                 |
| <b>TOTAL VALUATION</b>              |                  | 19,548.6                  | 31,987.4   | 20,615             |

### 3.0 VALUATION PRINCIPLES AND METHODOLOGIES

#### 3.1 Effective Date of Valuation, Metal Prices and Foreign Exchange Rate

The date of this report is 1 July 2009. For valuation purposes the following metal prices and foreign exchange rates, as at 30 June 2009 have been utilized:

- Copper (“Cu”) = US\$5,100/tonne (“t”)
- Gold (Au) = US\$927/troy ounce (“oz”)
- FX (A\$/US\$) = 0.80

To convert gold into an equivalent amount of copper, using the metal prices above the following formula is used:

$$1 \text{ oz Au} = (927/5100) \times t \text{ CuEq} = 0.182 \text{ t CuEq}$$

#### 3.2 Standards and Procedures

This report has been prepared in keeping with the Code for the Assessment and Valuation of Mineral and Petroleum Assets and Securities for Independent Expert Reports - The VALMIN Code 2005 Edition, which has been adopted by the Australasian Institute of Mining and Metallurgy, The Australian Institute of Geoscientists and the Mineral Industry Consultants Association. As far as practical, resources and reserves quoted in this report conform to the 2004 edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (“the JORC Code”). Where resource figures are referred to that either pre-date or for other reasons in GA’s opinion, do not comply with the JORC code, this is clearly stated.

#### 3.3 Valuation - General Principles

The fair market value of a property as stated in the VALMIN Code (Definition 43) is the amount of money (or cash equivalent of some other consideration) that an asset should change hands on the valuation date in an open and unrestricted market between a willing buyer and a willing seller in an arms-length transaction, with each party acting knowledgeably, prudently and without compulsion.

#### 3.4 Valuation Methodologies

There is no single method of valuation which is appropriate for all situations. Rather, there are a variety of valuation methods, all of which have some merit and are more or less applicable depending on the circumstances. The Australian Securities and Investment Commission in its Practice Note 43 on Valuation Methodology list the following as appropriate items to be considered:

- Discounted cash flow.
- Amount an alternative acquirer might be willing to offer.
- The most recent quoted price of listed securities.
- The current market price of the asset, securities or company.

The *discounted cash flow* or net present value method is generally regarded as the most appropriate primary valuation tool for operating mines or mining projects close to development where the capital and operating costs are well defined and the likely revenue can be estimated with some degree of confidence.

Valuing properties at the exploration stage where ore reserves, mining and processing methods, and capital and operating costs, are yet to be fully defined, involves the application of alternative methods. The methods generally applied to exploration properties are the *related transaction* or real estate method, the value indicated by *alternative offers* or by *joint venture terms*, and the *past expenditure* method. *Rules of thumb* or *yardstick values* based on certain industry ratios can be used for both mining and exploration properties. Under appropriate circumstances values indicated by *stock market valuation* should be taken into account as should any *previous independent valuations* of the property or *comparable transactions*.

A significant degree of caution should be adopted when considering the resulting valuation of exploration projects as the valuations are frequently time and circumstance specific and the valuations can change (often significantly) as circumstances change. In addition each of the methods applicable to the valuation of exploration projects involves the input of a number of subjective factors and consequently different valuation practitioners can arrive at significantly different valuations.

The various valuation methods are described in more detail below.

#### 3.4.1 Net Present Value

If a project is in operation, under development, or at an advanced feasibility study stage (which includes detailed pre-feasibility studies, usually reserves, mining and processing recoveries, and capital and operating costs are well defined), it is generally accepted that the net present value of the project cash flows is a primary component of any valuation study, and is generally the most relevant and appropriate valuation tool.

If a project is at the feasibility or pre-feasibility study stage additional weight has to be given to the risks, due to uncertainties in capital and operating costs, operational performance, and potentially a lower degree of confidence in the reserves. In an ongoing operation many of these items are relatively well defined.

#### 3.4.2 Alternative Valuation Methods

##### a) *Related or Comparable Transactions*

Of relevance to the valuation of projects and tenements is the price paid in recent comparable transactions. The difficulty in utilising this method is in determining to what extent the property or transaction is indeed comparable, unless the transactions involve the specific parties, projects or tenements under review. There can also be substantial change in value with time. An underlying assumption when using the Comparable Transaction methodology is that the transaction terms were linked to the metal prices (and foreign exchange) at the time of the transaction. Therefore to compare any project transaction with GCRs' projects it is necessary to establish what the likely transaction value would have been at the metal prices being used with respect to the GCRs project. This is accomplished by applying a 'normalising factor' to the transaction parameters which in this case is derived by dividing the copper price used for the current valuation (i.e. US\$5,100) by the copper price at the date of the transaction being used:

$$\text{Normalising factor} = \text{US\$5,100} / \text{US\$ copper price at transaction date}$$

##### b) *Rules of Thumb or Yardsticks*

Certain industry ratios are commonly applied to derive an approximate indication of value. The most commonly used ratios are dollars per ounce of gold in resources, dollars per ounce of gold in reserves, and dollars per ounce of annual production. The ratios used commonly cover a substantial range which is generally attributed to the 'quality' of the ounces in question. Low cost ounces are clearly worth more than high cost ounces. Where a project has substantial future potential not yet reflected in the quoted resources or reserves a ratio towards the high end of the range may be justified. Such ratios can be used to provide an overall guide to value, but are subject to a significant degree of interpretation and are less precise than the NPV method. This method is far less commonly used for other commodities.

##### c) *Market Valuation*

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

##### d) *Past Expenditure*

Past expenditure, or the amount spent on exploration of a tenement is commonly used as a guide in determining the value of exploration tenements, and 'deemed expenditure' is frequently the basis of joint venture agreements. The assumption is that well directed exploration has added value to the property. This is not always the case and exploration can also downgrade a property and therefore a 'prospectivity enhancement multiplier' ("PEM"), which commonly ranges from 0.5-3.0, is applied to the effective expenditure. The selection of the appropriate multiplier is a matter of experience and judgement but is obviously highly subjective. This is the principal method GA has used to value the GCR exploration assets and to eliminate some of the subjectivity with respect to this method, except in exceptional circumstances, GA utilises the following PEM ranges to establish the projects value based on the prior exploration expenditure:

PEM 0.5 – 0.9      Previous exploration indicates the area has limited potential and its prospectivity may have

been downgraded by the prior exploration.

|               |   |
|---------------|---|
| PEM 1.0 – 1.4 | The existing (historical and/or current) data consists of pre-drilling exploration and the results are sufficiently encouraging to warrant further exploration. |
| PEM 1.5 – 1.9 | The prospect contains one or more defined significant targets warranting additional exploration.  |
| PEM 2.0 – 2.4 | The prospect has one or more targets with significant drill hole intersections.   |
| PEM 2.5 – 2.9 | Exploration is well advanced and infill drilling is required to define or up-grade a resource such that a reserve can be estimated.                             |
| PEM 3.0       | A resource has been defined but a pre-feasibility study has not been recently completed.  |

Some valuation practitioners also take into account the proposed exploration expenditure for the next phase of exploration in developing an overall project valuation using this method. In GA's view, there are a variety of potential outcomes from the next phase of exploration which are not known at the time of valuation. These include enhancing, diminishing or entirely negating further prospectivity of the project concerned. Consequently we do not believe it is appropriate to include the proposed next budget amount when undertaking valuations using this method.

*e) Alternative Offers and Joint Venture Terms*

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

### 3.4.3 Special Circumstances

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

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

### 3.5 Valuation Methodologies Utilised to Value GCR's Mineral Assets

GA has used a variety of methodologies to derive value ranges for the GCR mineral interests depending on the information available and the status of evaluation (advanced, early stage, etc). The GCR projects have predominantly been valued using one or more of the multiple of past expenditure, joint venture terms or related/comparable transaction methods. In utilising the Past Expenditure method GA has only considered exploration expenditure incurred by GCR, its subsidiaries and joint venture partners. The areas in which GCR's tenements occur have generally been subjected to extensive prior exploration by numerous companies over considerable periods of time. This work has generated valuable data which to varying degrees has been used by GCR to guide their initial tenement acquisitions and their subsequent early exploration. In general this prior company exploration data is freely available through departmental open file systems and consequently the cost of this work has not been considered when using the past expenditure method.

In May 2007 GCR purchased King Eagle Resources Pty Limited ("KER") which held the projects in the Mount Isa and Bowen regions in Queensland and the Mulga Tank Project in Western Australia. KER is now a wholly owned subsidiary of GCR. The purchase consideration was \$3.3million comprising \$300,000 cash and \$3 million worth of GCR shares at a minimum issue price of \$0.05/share. In GCR's accounts to 30 June 2009 GCR has apportioned this purchase consideration against the current projects. This apportioned consideration

does not necessarily reflect exploration undertaken by KER and several of the tenements acquired had only recently been granted or were still in the application stage. For the purposes of the current valuation only GCR's expenditure subsequent to acquiring KER has been considered when valuing the projects using the Past Expenditure method, given that the KER purchase consideration was predominantly as GCR shares,

In cases where significant reductions in the tenement size has progressively taken place during the period of GCR's exploration, we have subjectively adjusted (reduced) the total expenditure to reflect expenditure incurred on the portions of the areas that have been relinquished.

### 3.6 Previous Valuation

In December 2006 GA undertook a valuation of mineral project assets held by Triako Resources Limited ("Triako") in connection with the acquisition of Triako by CBH Resources Limited ("CBH"). This included the Yellow Mountain Project in which GCR has a 30% interest.

#### 4.0 INFORMATION SOURCES

The project descriptions and details of the prior exploration and expenditure incurred have been obtained from a variety of sources and to a large degree have relied on internal GCR reports by Company's technical staff, discussions with those staff and on reports provided by GCR's consultants. The expenditure data and joint venture details have been provided by GCR.

The principal information sources used are listed below.

|                         |                 |  |                |
|-------------------------|-----------------|--|----------------|
| Argent Minerals Limited | 26 May 2009     | ASX Announcement Kempfield's Silver Resources Increased from 11 to 13 Million Ounces, Scoping Study Underway |                |
| Argent Minerals Limited | 12 August 2008  | ASX Announcement Initial Resource at Sunny Corner  |                |
| Argent Minerals Limited | 4 January 2008  | Prospectus   |                |
| Border A                | July 2008       | Argent Minerals Limited Sunny Corner EL7135 and EL 5964  | Report GCO 502 |
| Burrell P               | September 2008  | Exploration Licence 6878 Rast First Annual Report  | Report GCO 549 |
| Burrell P               | December 2008   | Exploration Licence 6994 Shepherds Hill First Annual Report  | Report GCO 563 |
| Burrell P               | December 2008   | Exploration Licence 6995 Boothumble First Annual Report  | Report GCO 578 |
| Burrell P               | 5 March 2009    | Exploration Licence 7097 Rosevale First Annual Report  | Report GCO 569 |
| Burrell P               | 4 February 2009 | Exploration Licence 7065 Fairview tank First Annual Report   | Report GCO 567 |
| Burrell P & Schifano J  | 6 January 2009  | EL 5842 Canbelego and EL 6440 Buppe Joint Final Report   | Report GCO 547 |
| Coianiz G               | 2009            | EL 9391 (Copper Hill) Annual Report to 9 March 2009  | Report GCO580  |
| Coianiz G               | August 2008     | Exploration Licence 6852 Kilparney, First Annual Report  | Report GCO532  |
| Collett P & Hobby D     | 16 Sept 2008    | EL 6292 Cullarin Joint Venture Annual Report Tri Origin Minerals Limited                                     |                |
| David V                 | 7 January 2009  | Exploration Licence 6695 Wagga Tank Annual Report OZ Minerals Limited  |                |
| Edwards M et al         | 24 Sept 2008    | EPM 14906 Highland Plains Annual Report, Legend International Holdings Inc                                   |                |
| Golden Cross Resources  | 30 April 2009   | ASX Announcement Quarterly Report March 2009   |                |
| Golden Cross Resources  | 14/July 2009    | ASX Announcement Quarterly Report June 2009  |                |
| Harley R                | May 2008        | Information Memorandum –Rast Project   |                |
| Schifano J A            | February 2009   | Exploration Licence 5238 Cargo Annual Report   | Report GCO 579 |
| Schifano J A            | March 2009      | EL 6518 Broken Hill and MC159 Little Darling Creek Annual Report   | Report GCO 582 |
| Schifano J A            | 19 June 2008    | Exploration Licence 6811 Tabletop First Annual Report  | Report GCO 526 |
| Schifano J A            | February 2009   | E39/988 Mulga Tank & E39/1072 Mulga East , Combined Annual Report  | Report GCO 571 |
| Van der Heyden A        | 17 Aug 2007     | Copper Hill Deposit Resource Estimate Letter Report  |                |
| White B & Raza A        | January 2009    | EPM 14905 Quita Creek Annual Report Legend, International Holdings Inc                                       |                |
| White B & Raza A        | February 2009   | EPM 14912 Lily and Sherrin Creek, Annual Report, Legend International Holdings Inc                           |                |
| White P & Schifano JA   | 28 October 2008 | EPM 15668 Mt Mackenzie First Annual Report   | Report GCO 543 |
| White P & Schifano JA   | 16 January 2009 | EPM 15742 Ten Mile Creek Annual Report   | Report GCO 544 |

For personal use only

## 5 COPPER HILL PRE-DEVELOPMENT PROJECT

### *Location, Tenure and History*

The Copper Hill deposit, within EL 6391, is located 5km north of the village of Molong and approximately 40km north northwest of the Central New South Wales regional centre of Orange. The sealed Mitchell Highway passes through EL 6391 and the former Orange to Dubbo railway line now terminates on the western side of the Copper Hill deposit (Figure 2).

Early mining of oxide copper commenced in 1845 and modern exploration for porphyry copper deposits commenced in the late 1960s with a significant amount of the previous exploration being undertaken by Amoco Minerals which later became Cyprus Gold Australia Ltd (“Cyprus”). The Copper Hill project has been owned by GCR for some 10 years. In total some 580 drill holes totalling some 19,000 metres (“m”) of diamond drilling (“DDH”) and 50,000m of reverse circulation percussion (“RCP”) drilling have been completed on drill testing the Copper Hill deposits and adjacent geochemical and geophysical anomalies by a combination of GCR and previous explorers.

### *Geological Setting and Mineralisation*

Copper Hill area is underlain by Ordovician to Middle Devonian andesitic lavas and tuffs intruded by numerous stock-like Ordovician altered, magnetic and variably mineralised monzonite, diorite, tonalite and dacite bodies (the latter hosting most of the copper-gold mineralisation). The sequence is unconformably overlain by Siluro-Devonian limestones and sandstones which on-lap the Ordovician from the west (Figure 2). The Copper Hill Intrusive Complex consists of a northwest-trending cluster of dacite and lesser diorite intrusions. At Little Copper Hill, two kilometres north of Copper Hill, dacite porphyries coalesce to form a narrow body which broadens toward the southeast to a width of 500m at Copper Hill then tapers again southward where it encounters (or intrudes) a non-outcropping microgranodiorite body one kilometre south towards Wattle Hill. The intrusive complex has a distinctive magnetic pattern suggesting emplacement into a dilatational jog. Subsequent deformation includes possible tilting of the entire complex, the uplift of the central Copper Hill horst zone, and movement along both northeast trending vertical faults and shallow east-dipping faults. A major northwest trending fault on the western side of the deposit generally marks the western extent of mineralisation.

Several phases of mineralisation, each related to a specific alteration type, have been recognized with quartz-magnetite veining providing a brittle host to each phase. Vein density consequently is an important controlling feature with respect to grade with comparatively high-grade mineralisation (+1.0% Cu and + 1.5g/t Au) in stockworks and sheeted vein sets within, and forming carapaces to, strongly altered dacite porphyries exhibiting local quartz-magnetite and carbonate veining. Lower grade mineralisation (average 0.3% Cu and 0.3g/t Au) occurs as thin veinlets and disseminations with variable alteration within dacite porphyries and andesitic lavas and tuffs. The alteration and associated mineralization within the dacite porphyries include:

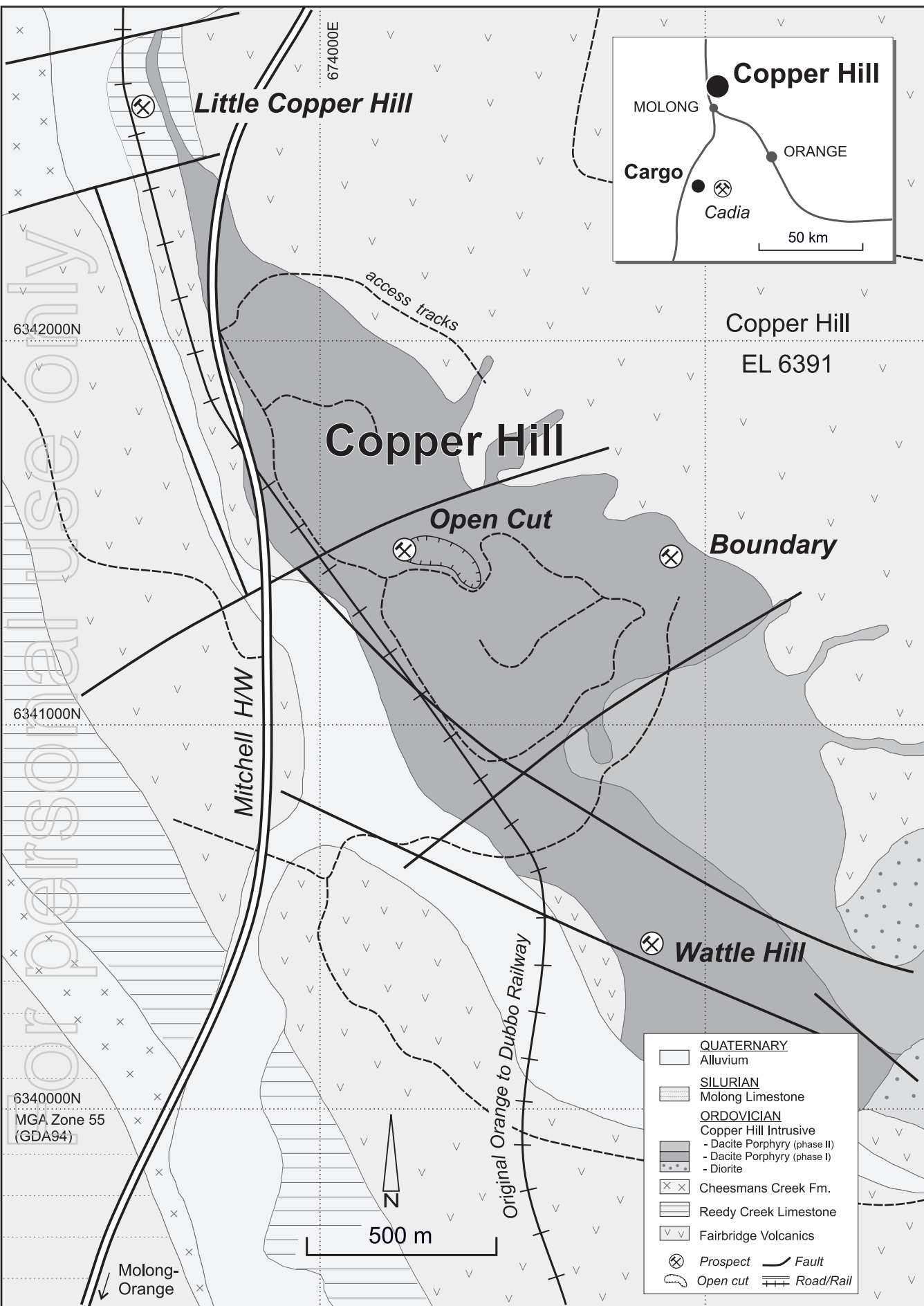
- Disseminated and vein pyrite, chalcopyrite, lesser bornite and hematite associated with potassic alteration overprinted by pervasive propylitic alteration.
- Moderate chalcocite mineralisation associated with intense argillic alteration, predominantly kaolinite, within the central west of the complex.
- Chalcocite, often with elevated gold values, in a thin (up to 5m) supergene blanket below a 20 – 40m leached cap and oxidised zone.

### *Exploration by GCR*

GCR’s exploration of the Copper Hill project has consisted of drill testing the Copper Hill deposit itself as well as a number of other geochemical and geophysical anomalies. Extensive detailed mapping, grid-based geochemical sampling as well as airborne and ground geophysical surveys have been undertaken over the entire area of EL 6391. In recent years GCR has concentrated on detailed logging of the available drill core to develop an understanding of the controls to mineralization and a number of resource estimates and scoping studies into a possible development have been undertaken. The overall details of the most recent scoping study are summarised below.

### *Resource Estimate*

Hellman and Schofield Pty Ltd (H&S) completed a series of resource estimations based on drill hole data up to August 2007 (481 holes totalling 64,544m). The deposit was divided into four domains for resource estimation purposes; oxide (including leached cap), supergene, primary, and barren dykes. The primary, or sulphide zone, was further subdivided, into argillic, carapace, ‘mineralised porphyry’ and low grade (+0.10% Cu) halo zones.



**Golden Cross Resources Limited**  
Figure 2

**Copper Hill Geology**

All drill hole intercepts were allocated into these zones and three dimensional (“3D”) ‘wire-frame block models created. Assays were composited to nominal 2 metre intervals. Bulk densities for each zone were; Primary – 2.65 t/m<sup>3</sup>, Supergene – 2.44 t/m<sup>3</sup>, Oxide – 2.24 t/m<sup>3</sup>, Barren Dykes – 2.61 t/m<sup>3</sup> and Argillic Zone – 2.53 t/m<sup>3</sup>. Ordinary kriging was used to interpolate grades into the blocks and the resource model was constrained above and below the base of oxidation and either side of the Western Fault, but was otherwise unconstrained. Resource categories, in accordance with the JORC code were allocated on the basis distance from data as shown on Table 5.1.

Table 5.1  
Resource Category Search and Data Parameters

|           | Oxide Zone        |                     | Primary           |                     |
|-----------|-------------------|---------------------|-------------------|---------------------|
|           | Search            | No of samples/block | Search            | No of samples/block |
| Measured  | 25m x 25m x 5m    | 8 min / 32 max      | 12m x 35m x 35m   | 8 min / 32 max      |
| Indicated | 50m x 50m x 10m   | 8 min / 32 max      | 24m x 70m x 70m   | 8 min / 32 max      |
| Inferred  | 100m x 100m x 20m | 6 min / 32 max      | 36m x 105m x 105m | 6 min / 32 max      |

The resources at a 0.2% Cu cut-off grade are shown on Table 5.2 below.

Table 5.2  
Copper Hill Mineral Resources as at August 2007 at 0.2% Cu Cut-off

| Category                       | Tonnage | Grade |        | Contained Metal |        |                      |
|--------------------------------|---------|-------|--------|-----------------|--------|----------------------|
|                                | Mt      | % Cu  | g/t Au | Cu Kt           | Moz Au | CuEq Kt <sup>1</sup> |
| Measured                       | 17      | 0.39  | 0.43   | 66              | 0.23   | 107.9                |
| Indicated                      | 67      | 0.33  | 0.29   | 217             | 0.62   | 329.8                |
| Sub-total Measured + Indicated | 84      | 0.34  | 0.32   | 283             | 0.85   | 437.7                |
| Inferred                       | 49      | 0.28  | 0.23   | 138             | 0.35   | 201.7                |
| Total Resource                 | 133     | 0.32  | 0.28   | 421             | 1.20   | 639.4                |

Note: 1. Copper Equivalent (CuEq) based on metal prices at 30 June 2009. CuEq t = Cu t + (0.182 x oz Au)

In terms of the various zones distinguished the resource, at 0.20% Cu cut-off grade, consists of 96% primary, 3% oxide and 1% supergene mineralisation.

GA notes that the resource tonnage and grade is very sensitive to the cut-off grade adopted; at a cut-off of 0.15% Cu, the total resource is increases to 211Mt at 0.26% Cu, 0.24g/t Au while at a cut-off of 0.25% Cu, the total resource decreases to 83Mt at 0.38% Cu and 0.33g/t Au.

#### Scoping Study

In 2006 GCR embarked on geological modelling, mine parameter assessment, metallurgical testwork and financial modelling of the Copper Hill copper-gold resource. SRK was commissioned to prepare a scoping study for a conventional open pit mining scenario with a copper-gold ore process plant at various throughput rates; the report was finalised in January 2007. Further studies progressed the project during 2007 with revised resources, pit optimisation and additional metallurgical testwork being completed. The study’s objective was to quantify the project’s cost parameters and to direct additional exploration and detailed engineering work to define the optimal scale of the operation for the next level of study. The scoping study considered three production rates; 5 million tonnes per annum (“Mtpa”), 7.5Mtpa and 10Mtpa. The various aspects of the scoping study are summarised in Table 5.3 below

For personal use only

Table 5.3  
Copper Hill 2007 Scoping Study

| Item  | Description/Results  |
|---|--|
| Geotechnical Review of expected lithologies within the open pit | <ul style="list-style-type: none"> <li>• Dacite intrusions and volcanic – moderately strong to strong except in weathered zone (top 20m)</li> <li>• Central rock mass (majority of pit) to 120m depth - well jointed with joints of variable orientation</li> <li>• Outside the central intrusive zone – less well jointed</li> <li>• Initial pit design recommended overall slope angles to be 45°.</li> </ul>  |
| Open pit Mine optimisation                                      | <ul style="list-style-type: none"> <li>• Undertaken by Australian Mine Design and Development Pty Ltd (“AMDAD”)</li> <li>• Diluted mining inventory (“MI”) of 136Mt at 0.33% Cu, 0.32g/t Au ( contains 41% of Inferred Resources)</li> <li>• The MI differs slightly from the resource in Table 5.2</li> <li>• 6% of the MI was oxide and transitional mineralisation, the remainder primary.<br/>The highest discounted pit shell contained 86.3Mt at 0.30% Cu and 0.31g/t Au with a strip ratio of 0.88.</li> <li>• Pit design assumed 20m bench heights, 65° face angles and 10% haul ramp gradient</li> <li>• Conventional mining fleet of 2 x 12m<sup>3</sup> excavators, 6 x 100t haul trucks (increasing to 10 trucks for the 10MTPA case) plus dozers, grader and mobile fleet.</li> <li>• 3 x drills for blast holes</li> </ul> |
| Metallurgy  | <ul style="list-style-type: none"> <li>• Preliminary testwork using 4 core with intercepts ranging from 0.6 – 2.2% Cu &amp; 1.2 – 6.8g/t Au</li> <li>• Primary grind of P80 of 150 microns and secondary grind P80 of 35-40 microns</li> <li>• Achieved 96% recovery for Cu and 88% for Au to concentrate assaying 28% Cu &amp; 67g/t Au. At primary.</li> <li>• 20% of the Au recovered by gravity ahead of flotation</li> <li>• About 400ppm fluorine (“F”) in the ore, reduced to 170ppm F in the concentrate (i.e. below usual penalty levels)</li> <li>• Copper recoveries used in the study were 70% for oxide and supergene, 88% for primary with a 27% concentrate grade. Gold recovery assumed at 50% for oxide and supergene; 85% for primary</li> </ul>   |
| Processing plant scenarios                                      | <ul style="list-style-type: none"> <li>• 5Mtpa, 7.5Mtpa and 10Mtpa conventional flotation plants</li> <li>• standard crushing and grinding to produce a concentrate for shipment.</li> <li>• Tailings pumped to a tailings storage facility near Copper Hill</li> </ul>  |
| Infrastructure  | <ul style="list-style-type: none"> <li>• Workforce and maintenance from the local towns; 5km to Molong (population 1,500); 40km NW of Orange (40,000); 60km S of Wellington (10,000)</li> <li>• Project is close to the sealed Mitchell Highway; 2km access road required to site</li> <li>• Estimated water requirement of 10,000 ML per year assumed to come from Burrendong Dam about 40km to NE of the site; other possible sources include water bores on site, local impoundments on Back Creek, pit dewatering and waste water from Molong and Wellington.</li> <li>• 132 kV power sub-station on outskirts of Molong, study assumes 133kV transmission line to site</li> <li>• Study assumes concentrate is railed from site, the old Orange to Dubbo railway line is adjacent to Copper Hill</li> </ul>                         |

#### Conclusions of scoping study

The study showed that the project has the scope to produce an average of 24 million pounds (“Mlbs”) of copper, 54,000ozs gold per annum at a 10Mtpa treatment rate for in excess of 8 years. The preliminary assessment of the economic viability of the project is based on the capital and operating cost established for the scoping study with an accuracy of ±35%. The results indicated the project was not economic. It was noted that given the accuracy of the study there were opportunities to improve the economics. The sensitivity analysis shows the rate of return is more sensitive to changes in grade and metal prices followed by changes to the operating costs and then changes to capital costs.

#### Subsequent Studies

Further studies have been completed as follows:

- The resources were updated in 2007 (see Table 5.2 above)
- Further work was undertaken by AMDAD on open pit optimisation analysis on the revised resources using internally generated mining costs and process costs provided by Cullen Mining Services Pty Ltd (“CMS”). The production rate scope was adjusted to 6 and 8Mtpa.
- Additional metallurgical test work using samples from 16 other core holes from throughout the deposit indicated copper recoveries of about 80% to 85%, but in order to create a +25% copper concentrate, gold-bearing pyrite is removed as tails thus reducing gold recoveries to about 50%. No deleterious elements were indicated. Further work is required to determine if gold recovery can be improved by the use of an additional regrind and CIL circuit. The Cu and Au recoveries were reduced from the scoping study to the ranges of 82% - 88% and 49% - 63% respectively; the recovery ranges reflected the range of head grades.

The studies to date indicate that the project remains uneconomic at current metal prices and GCR are currently assessing the opportunities to enhance the economics of Copper Hill by examining ways of improving the gold

recovery given the significant proportion of the gold occurring within pyrite. A roaster option is currently under consideration where a gold rich pyrite concentrate would be made and roasted to liberate the gold. To ensure viability this development proposal would require a market for acid which would be generated as part of the roasting process.

#### *Valuation*

While there are potential opportunities to develop the project no well defined financial model is considered available to undertake a discounted cash flow valuation of the project. Consequently GA has elected to value the Copper Hill project using two alternative methodologies; the Multiple of Past Expenditure and Comparable Transaction methods as detailed in Section 3.4.2. Because of the low grade of the deposit and the negative scoping study results GA believes there is a significant risk that the project may not proceed and consequently a risk factor has been applied to the base value ranges derived using the two methodologies to arrive at a current valuation range for Copper Hill.

#### *Multiple of Past Expenditure Valuation*

The Copper Hill Project has had a long history of exploration by numerous companies. GCR has held the project for over ten years and to date has spent approximately \$9.1 million on exploration (including extensive drilling), metallurgical testwork and scoping studies. The work to date has resulted in the estimation of resources in accordance with the JORC code the project remains sub-economic at current metal prices. GA's valuation of the Copper Hill project on the basis of the GCR's past expenditure (prior company expenditure has not been included) is provided in Table 5.4 below.

Table 5.4  
Valuation of the Copper Hill Project based on Past Expenditure

| Tenement | GCR Equity | GCR Expenditure (\$M) | Comment  | PEM Range | Base Value (\$M) | Risk Ranking | Valuation (\$M) |
|----------|------------|-----------------------|--|-----------|------------------|--------------|-----------------|
| EL 6391  | 100%       | 9.1                   | Drill testing has delineated JORC Resources and other targets are present within EL 6391 | 2.5 - 2.7 | 22.8 – 24.6      | 50%          | 11.4 – 12.3     |

#### *Comparable Transaction Valuation*

In the absence of a suitable transaction for a porphyry copper-gold project, GA has elected to utilise the copper-only project transactions even though the styles of mineralisation are substantially different to, and the average grades are considerably higher than, Copper Hill:

1. The Lady Annie project (north of Mt Isa) September 2004 purchase arrangement between Buka Minerals Ltd ("Buka") and Avon Limited, the precursor to CopperCo. The project included defined resources and reserves as well as associated exploration tenure. In GA's opinion it was inappropriate to use the 2009 purchase of Lady Annie from the Receiver of CopperCo given that the project had advanced to an ongoing production operation with a functioning Solvent Extraction Electrowinning ("SXEW") plant.
2. The 11 September 2008 announced purchase by Chalice Gold Mines Limited ("Chalice") of Perilya Limited's ("Perilya") Mount Oxide Project and an option on a 50% equity in the Tampang porphyry copper-gold project in Sabah. Due to the collapse of the global financial markets in late September 2008 this transaction did not proceed. However as the transaction terms had been accepted by both parties, in GA's opinion it is an appropriate transaction to use for the current valuation. The Tampang deposit in Malaysia, which was part of the Mount Oxide transaction, while consisting of a porphyry copper-gold project contained no defined resources and consequently represents a poor comparison with Copper Hill.

GA has also factored into the valuation the size of the associated exploration tenure at the projects and allowed for an exploration licence application (or similar tenure) to be apportioned 50% of the value of a granted licence. For valuation purposes the transactions have been adjusted by a 'normalising factor' as described in Section 3.4.2 (a) to establish a likely transaction at 1 July 2009. The same risk ranking as used for the past expenditure method has been applied to the comparable transaction results

## 1. Lady Annie Transaction

An independent valuation of the Lady Annie project by Snowden Consultants Pty Limited (“Snowden Consultants”), preceded the actual transaction and yielded a valuation range of between A\$7.24M and A\$17.78M with a preferred value of A\$10.95M for the in-ground Lady Annie resources; the additional exploration potential of the surrounding tenements were valued at between A\$1.08M and 2.89M with a preferred value of A\$1.98M. This suggests that the in-ground resources represented 85% of the total project value and the exploration potential 15% of the total value.

The subsequent actual acquisition transaction for Lady Annie was as follows:

- issue of 300 million Avon shares with a deemed value of A\$0.02/share, equivalent to A\$6.0M
- payment of A\$5.0 million in cash (in two tranches). A series of additional payments totalling \$2million have been disregarded as they were highly conditional.

This transaction implies a total price of A\$11.0M for the acquisition of 220,660/t of copper and 353.6km<sup>2</sup> of associated granted exploration tenure. Utilising the percentage attributed to the regional exploration potential by Snowden, in the prelude to the actual Lady Annie transaction, implies a value of A\$9.35M for the contained copper in the resource and A\$1.65M to the exploration tenure.

## 2 Mt Oxide Transaction

At the time of the intended transaction the Mount Oxide project consisted of 208,100 tonnes of contained copper in resources and 1,788.6km<sup>2</sup> of granted EPMs and a further 193.9km<sup>2</sup> of EPMAAs. The agreed price of A\$25M was to be paid entirely in Chalice shares and included an option on Perilya’s 50% interest in the Tampang copper/gold porphyry project in Malaysia which GA is aware was valued at A\$1.5M. Consequently the price attributed to the Mount Oxide project is A\$23.5M.

The project and transaction parameters are summarised in Table 5.5 below and when the normalising factors are applied to these figures, an adjusted Lady Annie and Mount Oxide Transaction price can be derived for the copper price at 1 July 2009 as shown. The same proportion of the price (as per the Lady Annie transaction) has been allocated against the contained copper (i.e. 85%) and the surrounding tenure (i.e. 15%).

Table 5.5  
Lady Annie and Mount Oxide Project and Transaction Parameters

| Project and Transaction Parameters | Adjusted for Cu Price<br>at 30/6/09<br>(A\$5,100.00) |                     | Adjusted for Cu Price<br>at 30/6/09<br>(A\$5,100.00) |          |
|------------------------------------|--|---------------------|--|----------|
|                                    | Lady Annie   |                     | Mount Oxide  |          |
| Tenure Area                        |  |                     |  |          |
|                                    | EPMs   | km <sup>2</sup>     | 353.40   | 1,778.60 |
|                                    | EPMAAs   | km <sup>2</sup>     | 0  | 193.90   |
| In-ground Resources (0.3% Cu c/o)  |  |                     |  |          |
|                                    | Tonnage  | Mt                  | 18.70  | 15.50    |
|                                    | Grade  | % Cu                | 1.18   | 1.30     |
| Contained Copper                   |  | t                   | 220,660  | 201,500  |
| Transaction Price (cash + shares)  |  | A\$M                | 11.00  | 23.50    |
| Contained Cu Proportion (85%)      |  | A\$M                | 9.35   | 19.98    |
| Tenure Proportion (15%)            |  | A\$M                | 1.65   | 3.53     |
| Transaction Cu Price               |  | US\$/t              | 1,984.00   | 7,275.00 |
| FX                                 |  | A\$=US\$            | 0.60   | 0.86     |
| Cu Price                           |  | A\$/t               | 3,306.67   | 8,459.30 |
| Normalising factor                 |  |                     | 1.54   | 0.60     |
| Adjusted Price                     |  |                     |  |          |
| In-ground copper                   |  | A\$M                | 14.42  | 12.04    |
| Surrounding Exploration Tenure     |  | A\$M                | 2.54   | 2.13     |
| Contained Cu                       |  | A\$/t               | 65.35  | 59.77    |
| EPM                                |  | A\$/km <sup>2</sup> | 7,201.07   | 1,133.09 |
| EPMA (nominal at 50% of EPM)       |  | A\$/km <sup>2</sup> | 3,600.54   | 566.55   |

GA has applied the above values (A\$/t and A/km<sup>2</sup>) to the Copper Hill project as shown on Table 5.6.

Table 5.6  
 Valuation of Copper Hill based on Lady Annie and Mount Oxide Transaction

| Copper Hill Project Parameters |                                |                                 | Copper Hill Valuation  |                      |              |                     |
|--------------------------------|--------------------------------|---------------------------------|------------------------|----------------------|--------------|---------------------|
| In-ground CuEq<br>(t)          | EPM Area<br>(km <sup>2</sup> ) | EPMA Area<br>(km <sup>2</sup> ) | Comparable Transaction | Base Value<br>(A\$M) | Risk Ranking | Valuation<br>(A\$M) |
| 639,400                        | 95                             | 0                               | Lady Annie             | 42.47                | 40%          | 17.0                |
| 639,400                        | 95                             | 0                               | Mount Oxide            | 38.32                | 40%          | 15.3                |

For personal use only

## 6 GCR EXPLORATION PROJECT INTERESTS

### 6.1 NEW SOUTH WALES PROJECTS

#### 6.1.1 Cobar District (Figure 1)

##### *General*

GCR has five projects in the Cobar region. GCR's Canbelego project was sold to PolyMetals Mining Services Pty Limited ("PolyMetals") in 2008 for \$500,000 but GCR retained the Burra prospect, which was excised from the PolyMetals transaction. GCR has lodged an ELA over Burra and its former Buppe EL and this forms the current Burra project. The other projects in the area are Rosevale & Fairview Tank, Rast Trough (a group of 12 ELs), Yellow Mountain and Wagga Tank

##### *Regional Geology*

The project areas cover parts of the Cobar Basin, which contains a number of significant copper-gold and zinc-lead-silver-copper and copper deposits. The GCR prospects are generally prospective for both magnetic (such as the Peak, CSA and Endeavor deposits) and non-magnetic Cobar-style deposits. Several of the projects have the potential to host shallow maghemite style channel iron deposits. The contact zones between Ordovician Girilambone Group basement and the Devonian shallow water sediments are considered favourable for Cobar type mineralisation. Regional fault zones and associated splay faults are of particular interest. Cobar type deposits typically have short strike lengths but extend considerable distances down dip and down plunge.

##### (a) Burra

##### *Location and Tenure*

The Burra Project consisting of ELA 3659, covering an area of 14.6km<sup>2</sup> and owned 100% by GCR, is located 40km east of Cobar, NSW and covers the Burra prospect (excised from the Canbelego Project which was sold by GCR to PolyMetals in 2008) and GCR's Buppe EL. Importantly, the project is located within 75km of operating mines and mills at Cobar and Tritton and therefore a number of development options, involving trucking to an existing operation, may be feasible if exploration defines significant resources.

##### *Geology and Mineralisation*

The project lies on the Kopyje Shelf in the eastern part of the Cobar Basin and covers a northwest trending contact between Ordovician Girilambone Beds and Devonian sediments and volcanics. The main target is the historic Burra Copper Mine that recorded minor production in the 1880s. The Burra prospect lies on a bullseye magnetic anomaly coincident with a copper soil anomaly and a similar target lies about a kilometre to the south east. The Burra prospect mineralisation, with a strike length of 150m, exhibits typical Cobar-style characteristics and future drilling will be directed towards testing the zone at depth. Minor lead-zinc mineralisation is also present.

##### *GCR Exploration*

GCR initially explored the area in 2004 with the work including soil sampling and a geophysical EM survey. RCP and DDH drilling into the Burra prospect yielded encouraging results of up to 11m at 3.1% Cu from 140m (including 2m at 13.7% Cu). Further drilling in 2008-2009 indicates the presence of high grade copper mineralisation within a broader lower grade mineralised zone.

##### *Attributable Exploration Expenditure and Valuation*

GCR has a 30 June 2009 book value of \$224,400 reflecting its current exploration program but not the work previously completed as part of the Canbelego project. The current tenement is still an application over part of the larger original Canbelego project licence. As shown on Table 6.1 for valuation purposes GA has subjectively increased the attributable expenditure by \$100,000 to reflect GCR's exploration within ELA 3659 when it formed part of the Canbelego Project. GA's valuation using the multiple of past expenditure method is shown on Table 6.1.

For personal use only

Table 6.1  
Valuation of the Burra Project

| Tenement | GCR Equity | GCR Expenditure (Append. 1) (\$) | GCR Past Expenditure Estimate (\$) | Attributable GCR Expenditure (\$) | Comment   | PEM Range | Valuation Range (\$,000) |
|----------|------------|----------------------------------|------------------------------------|-----------------------------------|---|-----------|--------------------------|
| ELA 3659 | 100%       | 204,300                          | 100,000                            | 304,300                           | There is potential for a small resource at Burra and for new discoveries in the project | 2.0-2.1   | 608.6-639.0              |

(b) Fairview Tank & Rosevale

*Location and Tenure*

GCR holds 100% of EL 7065 (Fairview Tank) and EL7097 (Rosevale), EL 7065 is split into three blocks totalling 291.6km<sup>2</sup> and is located immediately south of the Burra Project; EL 7097, totalling 276.6km<sup>2</sup>, is located immediately south of Fairview Tank.

*Geology and Mineralisation*

Both tenements are predominantly underlain by the Ordovician Girilambone Group sediment with small areas of the Devonian age Baledmund Formation siltstones. The Silurian Nymagee Igneous Complex (granite and granodiorite intrusions) is located in the southwest portion of EL 7097. Most of the ELs are covered with Quaternary alluvium or colluvium. Splay faults from the Coonara Fault are recorded in both tenements and splays of the Rookery Fault are also present in EL 7097.

There are no significant old mine workings in EL 7065. In EL 7097 several old workings and prospects are located either on or adjacent to the splay faults including McLaughlins Tank and Box Tank both copper lead workings as well as Prospect 19, a gold prospect.

*GCR Exploration*

Extensive previous company exploration has been undertaken in the areas covered by both ELs with GCR's exploration to date limited to initial field reconnaissance and a complete review and compilation of all the historical data is still to be undertaken. Soil sampling of the fault splays and contacts between the Girilambone group and Baledmund Formation will be considered together with the testing of known magnetic anomalies. Reprocessing of magnetic data may be undertaken to identify palaeo-drainage channels which may contain channel iron deposits.

*Attributed Exploration Expenditure and Valuation*

GCR's cumulative expenditure to 20 June 2009 on these tenements is approximately \$28,200 and this figure has been used to value the two ELs using the Past Expenditure method as shown in [Table 6.2](#).

Table 6.2  
Valuation of Fairview Tank and Rosevale

| Tenements       | GCR Equity | GCR Expenditure (Append. 1) (\$) | Comment   | PEM Range | Valuation Range (GCR) (\$,000) |
|-----------------|------------|----------------------------------|---|-----------|--------------------------------|
| ELs 7065 & 7097 | 100%       | 28,200                           | The project areas have been extensively explored by prior explorers. GCR are still undertaking preliminary exploration. | 1.0-1.2   | 28.2-33.8                      |

(c) Rast Trough

*Location and Tenure*

The Rast Trough Project (100% GCR) includes 12 largely contiguous ELs totalling about 2200km<sup>2</sup>. The tenements, which are located between the small towns Nymagee, Euabalong and Mount Hope, include EL6753 (Pine Ridge), EL6852 (Kilparney) EL6878 (Rast), EL6879 (Rast North), EL6994 (Shepherds Hill) EL6995 (Boothumble), EL7501 (GuapaTank), EL7112 (Tara), EL7320 (Emu Tank), EL7322 (Delaneys Tank), EL7323 (Kellys Tank) and EL7324 (Walters Tank)

For personal use only

### *Geology and Mineralisation*

The tenement package covers the eastern margin of the Rast Trough in the southern Cobar Basin which in general has had less prior mineral exploration than other parts of the Cobar district. The margins of the Rast Trough are considered to be prospective for both magnetic and non-magnetic Cobar-style gold and base metal deposits.

In the project area, the Ordovician Tallebung Group of metamorphosed sediments are intruded by Silurian granite plutons, including the Nymagee Igneous Complex, consisting of foliated and massive granites and granodiorites, and the Erimeran Granite. The Rast trough is a narrow trough developed to the west of the Erimeran Granite and contains shallow water Boothumble Formation sediments on its flanks and deep water sediments and submarine felsic volcanics of the Rast Group within the trough.

Known gold and base metal mineralisation is typically localised along shears and faults or in dilation zones at lithological boundaries. The mineralised zones are often vertical pipe-like zones or occur in multiple lenses with complex geometry. The mineralisation is often associated with multiple generations of quartz veining and/or in areas of quartz and chlorite alteration.

GCR regards the region prospective for Cobar-style deposits and for maghemite channel iron deposits.

### *GCR Exploration*

Extensive prior exploration, in some cases including limited drill testing of known prospects or anomalies, has been undertaken by numerous companies within the project tenements and GCR is yet to compile and evaluate all the historical data.

To date GCR has reviewed and modelled the available aeromagnetic data and identified a number of anomalies warranting follow-up investigation. In EL6753 (Pine Ridge) GCR drilled one hole into three adjacent aeromagnetic anomalies and intersected pyrrhotite mineralisation with minor base metal mineralisation associated with one anomaly (Anomaly C3). Additional soil sampling and geochemical RAB drilling has been undertaken with anomalous arsenic and iron values obtained at Anomaly C3 and antimony, bismuth, lead and zinc anomalies at Anomaly C2. On EL 6878 (Rast) one aeromagnetic anomaly was drilled and the anomaly was explained by magnetic volcanoclastic rocks.

GCR intends to assess the project area for shallow iron deposits in paleo-drainage channels. The project may be also an attractive joint venture for larger companies seeking to explore for gold and base metal mineralisation.

### *Attributable Exploration Expenditure and Valuation*

GCR's cumulative expenditure to 20 June 2009 on these tenements is approximately \$591,300 and this figure has been used to value tenement package using the Past Expenditure method as shown in Table 6.3.

Table 6.3  
Valuation of the Rast Trough Project

| Tenements  | GCR Equity | GCR Expenditure (Append. 1) (\$) | Comment   | PEM Range | Valuation Range (GCR) (\$,000) |
|--|------------|----------------------------------|---|-----------|--------------------------------|
| EL6753, EL6852, EL6878, EL6879, EL6994, EL6995, EL7501, EL7112, EL7320, EL7322, EL7323, EL7324 | 100%       | 591,300                          | Very large project area with exploration still in an early phase. Surface iron as well as base metal and gold potential | 1.1-1.2   | 650.4-709.6                    |

For personal use only

(d) Yellow Mountain

*Location and Tenure*

The project area, consisting of EL 6325 covering 110 km<sup>2</sup>, is located 60 kilometres north of Condobolin and straddles the Condobolin – Cobar road. The EL has been joint ventured to Triako Resources Limited (“TRL”), now a subsidiary of CBH Resources Limited. TRL has earned a 70% interest in the joint venture tenement and GCR are maintaining its 30% interest by contributing pro-rata to ongoing exploration.

*Geology and Mineralisation*

The Yellow Mountain area is located in the Girilambone Anticlinorial Zone. From west to east, the sediments of the Cambro-Ordovician Girilambone Group are unconformably overlain by Siluro-Devonian Kopyje Group sediments and volcanics. Silurian granites and dacites intrude the sequence and include the Yellow Mountain Granite and the Erimeran Granite. The northern extension of the Gilmore Suture, a major structural lineament associated with mineral deposits, runs northwest through the tenement.

The largest historical mine within the tenement area is the Yellow Mountain mine, a Cobar-style structurally controlled deposit, which produced 0.365 tonnes of copper, 2.74 tonnes of lead and 6.16 kilograms of silver. There is no record of production from any of the other small workings in the tenement area that operated in the late 1800s to early 1900s. Other styles of mineralisation include:

- The Ironclad mine considered to be a syngenetic copper-zinc-lead-rich massive sulphide deposit.
- The Melrose Magnetic Anomaly is interpreted to be sourced by magnetite-rich skarn-like mineralisation and/or magnetite-biotite hornfels peripheral to deep seated intrusions.
- The Rosedale-Quarry Hill gold prospect is associated with basic-intermediate volcanics and lies along a north northwest structural alignment of the regional geology.

*GCR and TRL Exploration*

Modern exploration by numerous local and international companies began in the 1960s and focused on historical workings and on magnetic anomalies within the tenement area, the largest being the Melrose anomaly.

GCR and TRL exploration has included geological mapping, soil and rock chip geochemistry, interpretation of airborne magnetic data, IP surveys and considerable drilling including aircore, RCP and DDH drilling. Since 2002 most work has concentrated on the Melrose magnetic anomaly, a strike extensive, (>14kms) largely non-outcropping complex magnetic anomaly which has been shown to comprise a broad mix of lithologies including varying volcanic, volcanoclastics and intrusions.

The Fountaindale prospect is a magnetically distinct zone and was targeted with air core drilling early in the exploration history of the joint venture. RCP and DDH drilling at the Fountaindale prospect has demonstrated the potential for ore-grade mineralisation (2m at 3.07g/t Au from 148m) below (30-50m of alluvial cover). Other encouraging intersections include 1m at 5.52g/t Au from 151m, 1m at 2.07g/t Au and 1m at 1.43g/t Au. A recent TRL air core drilling program, designed to infill previous drilling around the mineralised Fountaindale intrusive, obtained a number of significant intersections including 5m at 0.68g/t Au from 46m, including 1m at 1.7g/t Au in altered and pyritic rocks.

Further work is planned and will include additional aircore drilling over the Melrose magnetic anomaly, IP surveys at the Quarry Hill and Claytons Dam prospects and RCP drilling at the Quarry Hill prospect Fountaindale prospects.

*Attributable Exploration Expenditure and Valuation*

The exploration expenditure on this joint venture tenement (which replaced three pre-cursor tenements) totals about \$1,988,900 which includes GCRs contribution of \$208,700, the remainder spent by Triako. GCR's 30% interest is valued on Table 6.4 below.

For personal use only

Table 6.4  
Valuation of the Yellow Mountain Joint Venture Project

| Tenements | CBH Equity | Joint Venture Expenditure (Append. 1) (\$) | Total Attributable Expenditure (\$) | Comment  | PEM Range | Valuation Range (CBH) (\$,000) |
|-----------|------------|--|-------------------------------------|--|-----------|--------------------------------|
| EL 6325   | 30%        | 1,988,900                                  | 596,700                             | Drill testing has obtained a number of sub-economic but encouraging intersections. | 1.5-1.6   | 895.0- 954.7                   |

(e) Wagga Tank

*Location, Tenure, Ownership and Access*

GCR owns 100% of EL 6695 covering 169.1km<sup>2</sup> in two blocks and new EL 7226, covering 121km<sup>2</sup>, held in the name of Zinifex Australia Limited (“Zinifex”) on behalf of the joint venture. The project is located approximately 10km north of Mount Hope in Western NSW, and about 160km south of Cobar. Zinifex farmed into the project in February 2007 and may earn a 51% by spending \$550,000 by 7 February 2011. Following a merger and subsequent acquisition of Zinifex, Minerals and Metals Group (“MMG”), an arm of Minmetals, is now the joint venture partner and is expected to earn its 51% equity later in 2009.

*Geology and Mineralisation*

The project is underlain by the Mount Hope Trough volcanic and volcanoclastic units of the Siluro-Devonian Cobar Basin. The Mount Hope Group contains both sub-aerial and submarine deep water volcanic units with interbedded sediments. These units are overlain by sediments and minor interbedded volcanics of the Broken Range Group. The sequence has been intruded by granites and porphyries and the project contains many known prospects and mineral occurrences, including the old Mount Allen gold mine (production 20,000t at 12g/t gold) and the Wagga Tank prospect.

*Exploration by GCR and Joint Venture Participants*

The project area has been explored by various companies since the 1970s. After an evaluation of the historical data GCR recognised that the known prospects tended to occur on the margins of large circular structures. Following geochemical soil sampling GCR concluded that the mineralisation may be associated with intrusive centres or flow dome volcanic complexes. The majority of the work by GCR and its various joint venture partners has focussed on six prospects; Wagga Tank, Fenceline, Blue Mountain, Seigels Shaft, BMW and Mount Allen Gold Mine. Between 1999 and 2002 joint venture partner Pasminco Limited, the pre-cursor to Zinifex, explored for base metal deposits and RCP and DDH drilling was undertaken at Blue Mountains, Fenceline, BMW and Seigels Shaft. One hole at Seigels Shaft included 1m at 10.7g/t Au and 1.2% Cu from 79m and 1m at 7.8g/t Au from 87m.

GCR undertook a RAB program in 2005 at the BMW prospect and outlined a north-south gold anomaly 1,300m long by 50m to 100m wide, mainly under alluvial and transported cover. Subsequent work by the joint venture partner (now MMG) focussed on the BMW and Seigels Shaft (including MD2) prospects. This included mapping and IP surveys at BMW and mapping, a high resolution detailed aeromagnetic survey, a ground EM survey and a DDH hole at Seigels Shaft prospect (which includes the 400m long by 150m wide MD 2 magnetic anomaly). The drill hole testing this anomaly intersected a 9m at 0.4% Cu, 1.37% Zn, 0.74% Pb, 28g/t Ag and 0.07g/t Au from 142m.

*Attributable Exploration Expenditure and Valuation*

GA has valued this project by both the Past Expenditure method using GCR’s carried forward exploration cost, as at 30 June 2009, of approximately \$557,100 and by the Joint Venture Terms method based on the Stage 1 earn-in arrangement with MMG on the assumption that MMG will complete earning its 51% equity. Both valuations are shown in Table 6.5 below.

For personal use only

Table 6.5  
Valuation of GCR's Equity in the Wagga Tank Project

| Tenements                    | GCR Equity | GCR Expenditure (Append. 1) (\$) | Total Attributable GCR Expenditure (\$) | Comment  | PEM Range | Valuation Range (GCR) (\$,000) |
|------------------------------|------------|----------------------------------|---|--|-----------|--------------------------------|
| Past Expenditure<br>EL 6695  | 49%        | 557,100                          | 557,100                                 | The project is at moderately early stage of exploration with limited drill testing of one magnetic anomaly. A number of targets within the EL warrant investigation. | 1.5-1.6   | 835.7-891.6                    |
| Joint Venture Terms (MMG JV) |            |                                  |   | \$550,000 expenditure for a 51%  |           | 528.4                          |

### 6.1.2 Broken Hill District (Figure 1)

#### *Location and Tenure*

GCR holds EL 6518 and MC159 located 15km east of Broken Hill; a new EL is to be granted over the existing project area which covers an area of 393.1km<sup>2</sup>. GCR has been exploring the project since the mid 1990s and it has been joint ventured to other parties on several occasions. The size and shape of the project tenements as varied over the period but the key prospects have been retained throughout. Until recently the southern half of the project area was in joint venture with Vale, who recently withdrew from the project and GCR retains 100% ownership.

#### *Geology and Mineralisation*

The project lies near the eastern margin of the Broken Hill Block, the exposed southeast portion of the Proterozoic age Curnamona Craton. The rocks are highly metamorphosed sediments and intrusions collectively called the Willyama Supergroup. In the project area Neoproterozoic mafic and ultramafic intrusions, intrude the Mesoproterozoic age Willyama Supergroup. Four main intrusions have been identified and three (Mt Darling Creek, Mulga Springs and Red Hill) have evidence of nickel, copper and platinum group elements ("PGE") mineralisation associated with ultramafic rocks. The Little Broken Hill gabbro complex, the largest intrusion, contains no known mineralisation but remains an exploration target. Other targets include the Crows Nest area, where coincident magnetic and gravity anomalies are associated with surface copper staining, and ironstones with anomalous copper and gold values.

#### *GCR Exploration*

Previous company exploration in the area of EL 6581 identified small nickel-copper-PGE gossans which returned high PGE and gold values. A DDH hole drilled in the 1970s at the Mulga Springs prospect obtained a 2-3m intercept of pyrrhotite-pentlandite-chalcopyrite mineralisation associated with the ultramafic rocks. However no systematic PGE assays were completed.

GCR initially undertook regional stream sediment sampling followed by detailed mapping and sampling which indicated high copper, nickel, platinum and palladium values in gossans. These were subsequently tested with shallow RCP drill holes and several high-grade PGE intercepts were obtained, mostly in the oxide zone, with one sulphide intersection also obtained. A number of anomalous copper-gold ironstones were also identified and one was tested by RCP drilling. Airborne gravity and magnetic surveys have also been completed. Ground EM surveys have been undertaken over selected target areas. An extensive RAB drilling program was undertaken in 2004.

In 2006 JOGMEC of Japan farmed into the northern part of the licence and Inco Australia Limited into the southern portion. Both parties have subsequently withdrawn without retained interest suggesting a reduction in the perceived prospectivity.

#### *Attributable Exploration Expenditure and Valuation*

GCR have a book value of \$1.792 million against this tenement which represents funds spent by GCR. GA considers that the withdrawal of both groups from their respective farm-in agreements prior to earning an interest is evidence that the EL's prospectivity has been significantly down-graded by the work completed. Consequently for valuation purposes, using the Past Expenditure method GA has subjectively allowed 30% of the current book value as the attributable expenditure to derive the valuation as shown on Table 6.6 below.

For personal use only

Table 6.6  
Valuation of the Broken Hill Project

| Tenements        | GCR Equity | GCR Expenditure (Append 1) (\$) | Total Attributable Expenditure (\$) | Comment   | PEM Range | Valuation Range (GCR) (\$,000) |
|------------------|------------|---------------------------------|-------------------------------------|---|-----------|--------------------------------|
| EL6518 and MC159 | 100%       | 1,792,0000                      | 537,600                             | The project area has been explored for many years by many groups and the area was recently joint ventured to 2 groups and returned to GCR. There is some remaining potential for nickel-copper PGE mineralisation | 1.1 – 1.3 | 591.4- 698.9                   |

### 6.1.3 Central and Southern NSW (Figure 1)

#### (a) Cargo Project

##### *Location and, Tenure*

GCR holds 100% of EL 5238, covering 60.2km<sup>2</sup> around the village of Cargo, 35km southwest of Orange NSW and 12km west of the major Cadia-Ridgeway mining complex. GCR has joint ventured the project to a number of groups the latest being Calibre Mining (Australia) Pty Limited, which withdrew from the project without retained interest in late 2008.

##### *Geology and Mineralisation*

The area is within the Ordovician Molong Belt of andesitic volcanics and is considered prospective for porphyry gold-copper style deposits. The project is mostly underlain by the Lower Ordovician Cargo Andesite Formation (andesites and associated pyroclastics and epiclastic sediments) with Mid to Upper Ordovician limestone outcropping to the west. The andesites have been intruded by the Cargo Intrusive Complex which contains multiple intrusions including diorites, dacites and monzonites considered prospective for porphyry copper-gold mineralisation. GCR has defined the presence of a large concentrically zone hydrothermal and mineralogical system that appears to be truncated to the west by the Gum Flat Fault. The system is characterised by a core zone of intrusive rocks enriched in copper and molybdenum and an outer arcuate zone of magnetic and pyritic volcanic rocks containing anomalous gold and gold bearing veins. Several small historic gold and copper gold mines occur within the EL; the largest producer, the Ironclad Mine, produced 5,500 ounces of gold and about 10 tonnes of copper prior to 1890.

##### *GCR Exploration*

A variety of companies have explored the Cargo area since the 1960s when the region was first recognised as having analogies to porphyry copper deposits south west of the USA. Drilling produced broad, low-grade mineralised intercepts. During the 1980s exploration mainly focused on the potential of the numerous gold prospects within the area.

GCR has been involved with the project since 1996 when it purchased a half interest in the project. In 2000 GCR acquired the remaining 50% interest. Extensive RCP and DDH drilling programs were undertaken by GCR and various joint venture participants. Other work included geochemical sampling, RAB drilling and an IP survey. A small gold deposit was outlined and number of other gold targets warrant further testing.

##### *Attributable Exploration Expenditure and Valuation*

GCR record a 30 June 2009 written down book value of \$612,600 against the Cargo project compared to the pre-write down expenditure of \$2,091M.

In mid 2007 GCR sold its Belubula project, covering 422km<sup>2</sup>, immediately south of Cargo for A\$750,000 in cash and this sale can be used as a comparable transaction to value the Cargo Project. The Cargo project appears to contain more evidence of mineralisation than Belubula; consequently the value derived by this methodology is considered to be a low valuation. The Cargo Project has been joint ventured several times; the most recent joint venture with Calibre required an expenditure of A\$5 million to earn a 70% interest. Using the joint venture terms valuation method this implies a value of A\$1.5 million for GCR's 30% equity. Given that Calibre withdrew from the joint venture without earning an interest this is regarded by GA as a high valuation.

For personal use only

Alternatively the project can also be valued using the past expenditure method by utilising the written down value of \$612,600 with both valuations provided in Table 6.7 below.

Table 6.7  
Valuation of the Cargo Project

| Tenements                                       | GCR Equity | GCR Expenditure (Append 1) (\$)      | Total Attributable Expenditure (\$) | Comment  | PEM Range | Valuation Range (GCR) (\$,000) |
|---|------------|--------------------------------------|-------------------------------------|--|-----------|--------------------------------|
| Past Expenditure EL5238                         | 100%       | 2,091,000                            | 612,600                             | The project area has been explored for many years by many groups. Its prospectivity for porphyry copper-gold deposits has been diminished although there is some potential for vein-style gold deposits. | 1.0-1.2   | 612.0- 735.1                   |
| <hr/>   |            |                                      |                                     |  |           |                                |
| Joint Venture Terms Calibre JV                  |            |                                      |                                     | \$5million to earn \$70%   |           | 1,500.0                        |
| <hr/>   |            |                                      |                                     |  |           |                                |
| Comparable Transaction Sale of Belubula Project |            | for \$750,000 for 422km <sup>2</sup> |                                     | Translates to \$1,777/km   |           | 106.6                          |

(b) Tabletop

*Location and Tenure*

EL 6811 of 73.7km<sup>2</sup>, held 100% by GCR, is located 20km northeast of Albury NSW. The area has not been subject to extensive mineral exploration in the past and landowner permission to access to some portions of the EL is proving difficult.

*Geology and Mineralisation*

The project area covers the Ordovician Run Boundary Granite intruded by the Silurian Keotong Granite. Silurian volcanics overlay the granite in the northwest. The Run Boundary Granite is the focus of exploration as it contains the old Ridge Prospect workings in an area of stockwork quartz veining, brecciation and alteration. Some 1.3km east of the Ridge Prospect an historical drill hole is reported to have intersected chalcopyrite and molybdenum mineralisation. No assays are recorded but both the Ridge prospect and the area of the drill hole are located on the margins of a strong magnetic anomaly. In the southeast of the licence a few small quartz lode gold workings occur within Ordovician granite or gneiss.

*GCR Exploration*

GCR has compiled the existing geological and geophysical data, undertaken reconnaissance mapping, rock chip sampling and soil sampling and from this work recognised a probable hydrothermal alteration system in the vicinity of the reported mineralised drill hole and Ridge Prospect.

*Attributed Exploration Expenditure and Valuation*

As at 30 June 2009 GCR had only recorded minimal expenditure of \$37,100 on this very early stage exploration project and this expenditure has been used to value the project using the Past Expenditure method as shown on Table 6.8 below

Table 6.8  
Valuation of the Tabletop Project

| Tenements | GCR Equity | GCR Expenditure (Append 1) (\$) | Comment   | PEM Range | Valuation Range (GCR) (\$,000) |
|-----------|------------|---------------------------------|---|-----------|--------------------------------|
| EL 6811   | 100%       | 37,100                          | Very early stage exploration project with a hydrothermal target identified. | 1.0-1.2   | 37.1-44.5                      |

(c) Kempfield

*Location and Tenure*

Kempfield project, located 29km south of Blayney NSW, consists of ELs 5748, 5645 and 7134 together with ALA 41, PPLL519 owned by GCR, as well as a small lease over which GCR has an option to purchase. The project tenements cover an area of approximately 122km<sup>2</sup>. The Kempfield silver-barite prospect and Mount Dudley and Trunkey Creek gold prospects are located within the project tenements. In 2007 Argent Minerals Limited (“ARD”) entered into a joint venture agreement enabling ARD to earn a 51% interest in the project by spending \$2 million prior to 1 June 2011. At its election ARD may earn a further 19% interest by spending a further \$745,000 by 1 June 2013. GCR may elect to contribute either to its 49% or 30% interest as determined by the ARD election or dilute to a 15% free carried interest to the completion of a feasibility study.

*Geology and Mineralisation*

The project is located at the faulted boundary (Copperhannia Thrust) between Ordovician sediments and volcanics of the Molong High and between Siluro-Devonian back-arc basin sediments and siliceous-feldspathic rocks of the Hill End Trough. Polymetallic mineralisation is hosted in the Upper Silurian Kangaloolah Volcanics that have been faulted and folded into Ordovician Coombing Formation metasediments along the Copperhannia Thrust. The Kangaloolah Volcanics, consist of a felsic volcanic derived sequence of sediments and minor volcanics; the upper part of a volcanoclastic sedimentary sequence contains limestone and dolomite with massive barite. The mineralisation style broadly fits deposits known as volcanogenic massive sulphides (“VMS”) where mineralisation is formed as part of the volcanic deposition.

Seven zones of VMS mineralisation have been identified along a 3km strike length of mapped barite horizons. Most recent exploration has focused on three of these; BJ, McCarron and Quarries Zones. Other identified zones of South Conglomerate, Causeway, Mather and Hill are less well tested.

ARD recently announced a revised JORC resource estimate for the main Kempfield deposits (BJ, McCarron and Quarries). Resources from the surface to 70m based on a 60g/t Ag cut-off are estimated to be 2.7million tonnes (“Mt”) at 100g/t Ag, 0.4% Pb, 0.7% Zn and 27% barite while below 70m a resource of 1.9Mt at 72g/t Ag, 0.9% Pb, 2.1% Zn and 23% barite, was based on a cut off of 100g/t Ag equivalent using 20g/t Ag being equivalent to 1% Pb or 1% Zn.

In addition a modest amount of gold was historically mined from quartz veins hosted by thinly bedded carbonaceous slates, at Turnkey Creek in the mid 19<sup>th</sup> century. The historic mines extended, over a strike length of 5km. There has been limited modern gold exploration in the area.

*Exploration by GCR and ARD*

Several mining and exploration companies have explored the area since 1970. The potential for VMS mineralisation was recognised and most of the currently known zones of mineralisation were discovered.

Following acquisition of the area in 1998, GCR completed 7000m of RCP drilling and 278m of DDH drilling. ARD has completed nine RCP holes, updated the mineral resource estimates and is embarking on a scoping study to ascertain the viability of heap leaching the shallow mineralisation. ARD is also planning to drill test the gold potential of Mount Dudley and Trunkey Creek.

*Attributable Exploration Expenditure and Valuation*

Although at the date of this report the Kempfield project is still owned 100% by GCR, for the valuation purposes GA has assumed that ARD will earn its 51% and that GCR’s equity will be 49%. GCR’s exploration expenditure to 30 June 2009 totals about 2.851 million and ARD expenditure to 30 June 2009 is \$1,364,000.

For personal use only

GA has established a value for GCR's deemed 49% equity by both the Joint Venture Terms method and the Past expenditure method as shown on Table 6.9 below.

Table 6.9  
Valuation of GCR's Equity in the Kempfield Project

| Tenements                                   | GCR Equity | GCR Expenditure (Append 1) (\$) | ARD Expenditure (\$) | Total Attributable Expenditure (GCR Equity) (\$) | Comment  | PEM Range | Valuation Range (GCR) (\$,000) |
|---|------------|---------------------------------|----------------------|--|--|-----------|--------------------------------|
| Past Expenditure EL5748, 5645, 7134, ALA 41 | 49%        | 2,850,900                       | 1,364,000            | 2,065,300  | The project area has defined potential for VMS deposits and a resource estimate has recently been produced. There is also potential for gold deposits. | 2.5-2.6   | 5,163.3-5,370.0                |
| Joint Venture Terms (ARD JV)                |            |                                 |                      |  | \$2million to earn \$51% interest  |           | 1,921.6                        |

(d) Sunny Corner

*Location and Tenure*

The project tenements, EL 5964 and EL 7135 total 192km<sup>2</sup> and are located around the village of Sunny Corner about 30km northwest of Lithgow NSW. The Sunny Corner silver mine occurs within the project tenements. In June 2007 ARD has entered into a joint venture to earn a 51% interest in the project by spending \$500,000 prior to 1 June 2011. ARD can elect to spend a further \$186,000 before 1 June 2013 to earn a further 19% interest. GCR may elect to contribute either to its 49% or 30% interest as determined by the ARD election or dilute to a 15% free carried interest to the completion of a feasibility study.

*Geology and Mineralisation*

Sunny Corner lies within the Sunny Corner Synclinorium consisting of a folded sequence metamorphosed Silurian to Middle Devonian sedimentary and volcanic rocks intruded by granites.

The known mineral deposits are hosted in a sequence of Siluro-Devonian rocks and later felsic porphyries thought to be of Permo-Carboniferous age. The Siluro Devonian sequence has a basal conglomerate, overlain by felsic volcanics, volcanoclastics and siltstones.

Gold was mined from mines in the Sunny Corner area from the mid 19<sup>th</sup> Century (recorded production approximately 15,000 ounces); the Sunny Corner Mine was a significant silver producer between 1881 and 1893 when 250,000t of massive sulphide was mined to recover about 3.5million ounces of silver. Copper lead and zinc, which occurred in the ore, was not recovered. Most geologists exploring the area have considered the deposit to be a VMS style mineralisation however GCR considers that faults within the area may indicate that structural controls may be more important in the distribution of mineralisation than previously appreciated.

*Exploration by GCR and ARD*

Exploration of the area since 1963 has been undertaken by many large and small companies and the Sunny Corner Mine has been reassessed by numerous groups over the past 100 years with at least three attempts at new underground development prior to 1961.

GCR's extensive rock chip and soil sampling has defined a 1,500m long and 100-200m wide, strong gold-silver-lead anomaly. Subsequently RCP drilling outlined a sulphide body which remains open down dip and along strike to the north. RCP drilling has also been undertaken on the gold prospects with generally only low grade gold values being intercepted. Since 2007 ARD's focus has been the sulphide silver-rich mineralisation at Sunny Corner. Following the completion of three holes in 2007, a resource estimate was undertaken and resulted in the delineation of a JORC Inferred Resource of 1.5 million tonnes grading 2.1% Pb, 3.7% Zn, 0.4% Cu, 0.3g/t Au and 24g/t Ag. The mineralisation consists of massive pyrite with sphalerite, galena and chalcopyrite hosted by silicified siltstones underlain by rhyolites. The 30<sup>o</sup> west dipping deposit, lies 12-30m

below surface and extends over an area of 260 x 230m. In late 2008 five DDH holes were drilled for metallurgical testwork.

*Attributable Exploration Expenditure and Valuation*

GA has valued this project by both the Past Expenditure method using GCR's carried forward exploration cost, as at 30 June 2009 of approximately \$516,700 and ARD's expenditure to 30 June 2009 of \$413,000. The project has also been valued by the Joint Venture Terms method based on the stage 1 earn-in arrangement with ARD on the assumption that ARD will complete earning its Stage 1 equity. Both valuations are shown in Table 6.10 below.

Table 6.10  
Valuation of GCR's Equity in the Sunny Corner Project

| Tenements                           | GCR Equity | GCR Expenditure (Table 3.2) (\$) | ARD Expenditure (\$) | Total Attributable Expenditure (GCR Equity) (\$) | Comment   | PEM Range | Valuation Range (GCR) (\$,000) |
|-------------------------------------|------------|----------------------------------|----------------------|--|---|-----------|--------------------------------|
| Past Expenditure<br>ELs 5964 & 7135 | 49%        | 516,700                          | 413,000              | 455,553  | The project area has recently completed resource estimate and there appears to be potential for extensions. Other targets are present in the tenements. | 2.5-2.6   | 1,138.9-1,184.4                |
| Joint Venture Terms (ARD JV)        |            |                                  |                      |  | \$500,000 to earn 51% interest  |           | 480.4                          |

(e) West Wyalong

*Location, Tenure, Ownership and Access*

The West Wyalong project, consisting of EL5915 and EL7133 and covering 137km<sup>2</sup>, covers part of the West Wyalong Goldfield and is located immediately east of the town of West Wyalong about 450km west of Sydney. A farm-in arrangement has been negotiated with ARD whereby it may earn a 51% interest by spending \$750,000 prior to 1 June 2011. ARD may elect to earn an additional 19% for a further expenditure of \$280,000 by 1 June 2013. GCR may elect to either contribute its 49% or 30% interest depending on ARD's election or dilute to a 15% free carried interest to the completion of a feasibility study. Barrick Gold Corp holds a 2.5% net smelter return on the project

*Geology and Mineralisation*

The project area is characterised by poor outcrop and encompasses the boundary of two major structural zones; the Wagga-Omeo Zone to the west and the Parkes Zone to the east. These zones are separated the Gilmore Suture, a large crustal structural zone of prolonged and intense deformation coupled with igneous activity. A number of mineral deposits occur along the Gilmore Suture. The West Wyalong project contains a magnetic magmatic complex of Ordovician age located at a major bend on the Gilmore Suture. The West Wyalong Goldfield, to the west of the project tenements, produced 440,000oz of gold between 1894 and 1920.

A review of geophysical data identified a subtle circular gravity anomaly corresponding to localised magnetic highs which is interpreted to be a vent or late stage intrusion into the intrusive complex.

For personal use only

*Exploration by GCR and ARD*

Several companies have explored the project area and adjacent West Wyalong Goldfield since 1980 and GCR farmed into EL 4615, a precursor to EL 5915, in 1993. GCR carried out an extensive exploration program since 1995 and parts of the project have on occasions been in joint ventured to other companies which have subsequently withdrawn with no retained interest.

*Attributable Exploration Expenditure and Valuation*

GA has valued this project by both the Past Expenditure method using GCR's carried forward exploration cost of \$760,700 and ARD's expenditure of 328,000 both as at 30 June 2009. The project has also been valued by the Joint Venture Terms method based on the stage 1 earn-in arrangement with ARD on the assumption that ARD will complete earning its Stage 1 equity.

Both valuations are shown in Table 6.11 below.

Table 6.11  
Valuation of GCR's Equity in the West Wyalong Project

| Tenements                        | GCR Equity | GCR Expenditure (Append. 1) (\$) | ARD Expenditure (\$) | Total Attributable Expenditure (GCR Equity) (\$) | Comment  | PEM Range | Valuation Range (GCR) (\$,000) |
|----------------------------------|------------|----------------------------------|----------------------|--|--|-----------|--------------------------------|
| Past Expenditure ELs 5915 & 7133 | 49%        | 760,700                          | 328,000              | 533,463  | The project is at an early stage of exploration with a number of anomalies warranting investigation. | 1.2-1.4   | 640.2-746.8                    |
| Joint Venture Terms (ARD JV)     |            |                                  |                      |  | \$750,000 expenditure for a 51% interest   |           | 720.6                          |

(f) Cullarin

*Location and Tenure*

Cullarin project consists of EL 6292 and the northern part of EL 6686 (in total covering 99.5km<sup>2</sup>), is located 20km west of Goulburn NSW and has been joint ventured to Tri Origin Minerals Limited ("TRO"). TRO has earned a 51% interest by spending \$200,000 and GCR has chosen to dilute its interest rather than contribute. If its interest falls below 10% its interest will convert to a 2.5% net smelter return royalty. TRO proposes to reopen the old Woodlawn mine approximately 30km south of Cullarin and ore from a deposit found at Cullarin could be trucked to Woodlawn for processing.

*Geology and Mineralisation*

The project is underlain by a basement of Upper Ordovician sediments that have been faulted into horst and graben complexes with subsequent folding possibly associated with the Silurian felsic volcanism. Overlying these units are Upper Silurian sediments thought to be the equivalent of the mineralised sequence at Woodlawn and Captains Flat. Minor intrusions seem to inter-finger with the sediments and felsic volcanics. The Lake George Fault and sub-parallel Currawang Fault are two major structures within the project area. Flat-lying Tertiary sediments and basalts are preserved in the northern portion of the project area.

Several companies have extensively explored the area since the 1960s and several known prospects showing a variety of mineralisation styles are known to occur within the tenements including:

- Wet Lagoon South prospect - gold in quartz and quartz-sulphide veins.
- Wet Lagoon - low grade base metal, possibly VMS, sulphide mineralisation
- Magnetite chlorite skarns at Breadalbane have been mined in the past for iron.
- Hannans Flat - a massive pyrrhotite body with minor base metals replacing dolomitic limestone.
- A VMS-style barite prospect occurs at Gurrundah and weak base metal mineralisation occurs in narrow veins and breccias adjacent to the Lake George Fault at Lucky Hit/Merrilla.

The significant number of diverse prospects suggests the presence of a large mineralising system.

For personal use only

Exploration at Wet Lagoon South, probably the most promising target, has been hindered by the proximity to the Wet Lagoon Nature Reserve, the presence of high voltage transmission lines and the relocation of the Hume Highway across the prospect.

*Exploration by GCR and TRO*

GCR undertook reconnaissance mapping and rock chip sampling, and compiled the extensive historic regional geophysical and geochemical data. TRO has developed a database of the Wet Lagoon mineralisation and developed a 3D model which indicated potential up dip extensions to the mineralisation as well as fault offsets. An EM survey and a deep (673m) DDH hole was drilled at what has been termed the Cullarin Valley Prospect and the hole intersected disseminated base metal mineralisation in a number of zones.

*Attributable Exploration Expenditure and Valuation*

TRO has earned its 51% interest in the project by spending \$200,000 and GCR is diluting its interest. GA is advised that TRO has spent a total of \$309,000 to date and that GCR's current interest has been diluted to 37.5%. If GCR continues to dilute it will end up with a 2.5% net smelter return royalty.

GA has valued this project on both the past expenditure using both GCR's written down expenditure and TRO's expenditure as shown on Table 6.12. GCR's interest has also been valued on the joint venture terms basis using the original joint venture terms of \$200,000 to earn a 51% and then factoring this for GCR's current interest.

Table 6.12  
Valuation of GCR's Equity in the Cullarin Project

| Tenements                    | GCR Equity | GCR Expenditure (Append 1) | TRO Expenditure | Total Attributable Expenditure (GCR Equity) | Comment   | PEM Range | Valuation Range (GCR) |
|------------------------------|------------|----------------------------|-----------------|---|---|-----------|-----------------------|
|                              |            | (\$)                       | (\$)            | (\$)  |   |           | (\$,000)              |
| Past Expenditure             | 37.5%      | 156,200                    | 309,000         | 174,450                                     | Project contains a large number of prospects but there are impediments to exploration | 1.1-1.3   | 191.9-226.8           |
| Joint Venture Terms (TRO JV) |            |                            |                 |   | \$200,000 for 51% GCO diluting below 49%  |           | 192.2                 |

6.2 QUEENSLAND PROJECTS

6.2.1 Mount Isa (Figure 1)

*Location and Tenure*

GCR, through its subsidiary King Eagle Resources Pty Limited ("KER"), holds non-contiguous Exploration Permits for Minerals ("EPM's") 14905 (Quita), 14906 (Highland Plains) and 14912 (Lily & Sherrin) covering 876km<sup>2</sup> in the Mount Isa Region of Queensland. EPM14805 lies 125km south-southwest of Mt Isa and accessed from the Diamantina Development road; EPM14906 lies 280km northwest of Mt Isa and is accessed by the roads from Camooweal to Herbertvale or Gallipoli Stations; EPM 14912 is 80km northwest of Mount Isa and is accessed from the Barkley Highway. Part of the known phosphate mineralisation in EPM 14906 falls within a Wild Rivers High Protection Area.

GCR farmed out the phosphate mineral potential of the project to Legend International Holdings Inc ("LIH") in December 2007. LIH may earn an 80% interest in the phosphate potential by spending \$3million within five years. LIH must assay for uranium and supply the results to GCR. GCR retains a 20% interest in the phosphate minerals until a decision to mine is made and retains 100% of the rights to all other minerals.

*Geology and Mineralisation*

The EPMs cover parts of the large Neoproterozoic to Early Palaeozoic Georgina Basin straddling the Queensland Northern Territory Border; about 40% of the basin being in Queensland. The Proterozoic rocks of the Mount Isa Inlier forms the northeastern boundary to Georgina Basin. The basin sediments are un-metamorphosed but deformed to a variable degree. The areas were first explored for phosphate in the 1960s and until recently only limited work had occurred prior to the current program.

For personal use only

- Within the Georgina Basin sediments the basal Middle Cambrian Beetle Creek and Border Waterfall Formations, are host Australia's largest phosphate deposits. Each of the GCR EPMs contains either the Beetle Creek Formation and/or its lateral equivalent the Thornton Limestone or the Border Waterfall Formation and all tenements contain some known phosphate deposits. While the volumes present are quite large, the average grades are less than the approximate 30% P<sub>2</sub>O<sub>5</sub> required for direct shipping phosphate rock. None of the deposits have resources estimated in accordance with the JORC Code and the figures below are only indicative of the tenor of the known mineralisation. EPM 14905 contains the Thornton Limestone intercalated with the Beetle Creek Formation. 1970s exploration outlined significant quantities (estimates suggest 20-30 million tonnes) of phosphate rock at Quita Creek and Steamboat. Grade estimates ranged from 17.7% P<sub>2</sub>O<sub>5</sub> to 22% P<sub>2</sub>O<sub>5</sub>.
- EPM 14906 covers part of the Border Waterfall Formation; its basal unit, the Mt O'Connor Phosphorite Member, is mainly a phosphatic siltstone. In the Highlands Plains area this unit averages four metres and is up to eight metres thick. Department of Mines and Energy estimates suggest deposits in the project area are of the order of 80 million tonnes at about 13% P<sub>2</sub>O<sub>5</sub>.
- EPM 14912 contains the Beetle Creek Formation which varies from two to over thirty metres thick. Estimates of phosphate deposits in the area vary considerably however two significant prospects have been previously outlined. The Lily Creek deposit is thought to be of the order of 200 million tonnes at approximately 13% P<sub>2</sub>O<sub>5</sub> and Sherrin Creek deposit are estimated to be more than 120million tonnes at 17% P<sub>2</sub>O<sub>5</sub>.

In addition to the phosphate potential, the EPMs have potential for uranium mineralisation to occur within the Georgina Basin units. GCR are targeting sediment-hosted secondary uranium deposits in reducing environments and associated structural traps. The phosphate-rich units of the Georgina Basin may provide the appropriate reducing environment for the deposition of uranium mineralisation.

The basement Mount Isa Inlier units in the EPMs are considered to have some potential to host copper-gold deposits and possibly uranium and base metal deposits. Aeromagnetic surveys have indicated that ultramafic rocks may be present beneath the sediments in the basement on EPM 14905. This area is considered prospective for copper deposits and GCR will drill four RCP and DDH holes to test this target.

#### *Exploration by GCR and LIH*

Historical data has been compiled; a 3D model has been developed for the Highland Plains deposit on EPM 14906. An aeromagnetic and radiometric survey has been flown over all three tenements.

On EPM 4912, ten RCP holes were drilled by LIH in December 2008; phosphate analyses were disappointing.

#### *Attributable Exploration Expenditure and Valuation*

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

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

LIH is spending \$3,000,000 to earn an 80% interest in the phosphate deposits, which translates to a value of \$750,000 for GCR's interest in the phosphate. GCR has some additional benefit from the joint venture as LIH is obliged to analyse for uranium during its program but has no interest in the uranium potential and. GCR retains all rights any uranium deposit or other mineral deposit. It should be noted that currently in Queensland uranium mining is not currently permitted.

As the EPMs were acquired as part of the KER purchase each EPM has been assigned an acquisition cost. The acquisition cost for the Mt Isa project totals \$1,536,831. For reasons explained in Section 3.4.3 these costs have not been included in GA's valuation in Table 6.13

For personal use only

Table 6.13  
Valuation of the Mount Isa Joint Venture Project

| Tenements                         | GCR Equity      | GCR Expenditure (Append. 1) (\$) | Total Attributable Expenditure (\$) | Comment                                      | PEM Range | Valuation Range (GCR) (\$,000) |
|-----------------------------------|-----------------|----------------------------------|-------------------------------------|--|-----------|--------------------------------|
| <i>Joint Venture Terms Method</i> |                 |                                  |                                     |  |           |                                |
| Phosphate Minerals Component      |                 |                                  |                                     |  |           |                                |
| EPMs 14905, 14906, 14912          | Diluting to 20% |                                  |                                     | LHI earning 80% of phosphate for \$3 million |           | 750.0                          |
| Sub-total – Phosphate interest    |                 |                                  |                                     |  |           | 750.0                          |
| <i>Past Expenditure Method</i>    |                 |                                  |                                     |  |           |                                |
| Other Minerals Component          |                 |                                  |                                     |  |           |                                |
| EPM14905                          | 100%            | 109,489                          | 109,489                             | Copper target to be drilled                  | 1.1-1.2   | 120.4- 131.4                   |
| EPM14906                          | 100%            | 51,847                           | 51,847                              |  | 1.0-1.1   | 51.8-57.0                      |
| EPM14912                          | 100%            | 55,227                           | 55,227                              |  | 1.0-1.1   | 55.2-60.7                      |
| Sub-total                         |                 |                                  |                                     |  |           | 227.4-249.1                    |
| <b>TOTAL</b>                      |                 |                                  |                                     |  |           | <b>977.4-999.1</b>             |

Note: The proportion of the KER acquisition cost shown in the GCR 30 June 2009 accounts is not included in the past expenditure.

## 6.2.2 Bowen (Figure 1)

### *Location and Tenure*

GCR, through its wholly owned subsidiary KER, holds EPMs 15668 (Mount Mackenzie) and 15742 (10 Mile Creek) in the Bowen-Collinsville North Queensland. Each tenement is approximately 300km<sup>2</sup>. EPM 15668 is located 30km west south west of Bowen while EPM 15742 is located 110km southwest of Bowen and 30km southwest of Collinsville.

### *Geology and Mineralisation*

The project tenements largely cover felsic intrusions and volcanics ranging in age from the Upper Carboniferous to the Lower Cretaceous. GCR is exploring the area for copper-gold and copper-gold-silver deposits in porphyry or epithermal setting. The discovery of gold-silver mineralisation in the district at Mount Carlton by Conquest Mining Limited demonstrates the prospectivity of the area.

EPM 15678 contains four principal prospect areas:

- Matrimony Ridge - highly altered, silicified, brecciated and gossanous unit within a porphyry-style environment; rock chip samples yielded high gold and silver values together with anomalous base metals. While the known prospect has limited potential further exploration is recommended in the surrounding area.
- Otter Ridge - extensive quartz veined and quartz-sericite-pyrite altered unit over 500m; the area has been previously drill tested with disappointing results.
- Hill 122 - medium to fine grained felsite intruding granite, dolerite and gneiss; rock chip samples yielded anomalous in base and precious metals. Considered to have limited potential for significant mineralisation.
- Sheep Station Creek - quartz-sericite-pyrite altered monzonite with localised gossanous quartz stockworks and sheeted veins; high gold values from early exploration programs; a recent sample with anomalous copper and molybdenum.

The Otter Ridge-Matrimony Ridge area and Sheep Station Creek are considered to have potential to host porphyry-style copper-gold-molybdenum prospects.

EPM 15742 contains no known significant mineralisation although past explorers have identified a number of copper, silver, lead and zinc prospects. Recent stream sediment sampling in the northern half of the project yielded anomalous values in the vicinity of the known prospects. The principal prospects are located in a north northwest trending structural corridor.

*Exploration by GCR*

GCR has completed a literature review, stream sediment sampling, reconnaissance mapping and rock chip sampling around known prospects. Additional follow-up of stream sediment anomalies and areas of alteration is planned.

*Attributable Exploration Expenditure and Valuation*

GCR acquired the Bowen project as part of its KER purchase. It has assigned acquisition costs of \$494,253 to EPM 15668 and \$247,126 to EPM 15742 however for reasons explained in Section 3.4.3 these costs have not been included in GA's valuation in Table 6.14. Conquest Mining's discovery has enhanced the prospectivity of the region. GA has valued this project using the past expenditure method as shown on Table 6.14.

Table 6.14  
Valuation of the Bowen Project

| Tenements    | GCR Equity | GCR Expenditure (Append. 1) (\$) | Total Attributable Expenditure (\$) | Comment  | PEM Range | Valuation Range (GCR) (\$) |
|--------------|------------|----------------------------------|-------------------------------------|--|-----------|----------------------------|
| EPM 15668    | 100%       | 160,332                          | 160,332                             | Known targets warrant further follow-up. Poor access, follow-up program required | 1.5-1.6   | 240.5-256.5                |
| EPM 15742    | 100%       | 230,123                          | 230,123                             |  | 1.0-1.1   | 230.1-253.1                |
| <b>TOTAL</b> |            |                                  |                                     |  |           | <b>470.6-509.6</b>         |

Note: The proportion of the KER acquisition cost shown in the GCR 30 June 2009 accounts is not included in the past expenditure.

6.3 WESTERN AUSTRALIAN PROJECT

6.3.1 Mulga Tank (Figure 1)

*Location and Tenure*

The Mulga Tank project, covering approximately 276km<sup>2</sup>, is located 256km northeast of Kalgoorlie WA includes two granted ELs E39/988, E39/1072) and four EL applications (E39/1439-1442). The tenements are held by GCR subsidiary KER. A prospecting syndicate has a 20% free carried interest to the decision to mine in E39/988 and a 25% diluting interest in E39/1072. A joint venture participant, Newport Exploration Limited ("Newport"), withdrew from the project in 2008 without retaining an interest.

*Geology and Mineralisation*

The project lies in the eastern Yilgarn, a large segment of Archaean crust in WA that hosts many nickel and gold deposits as well as a number of copper-lead-zinc deposits. The project area covers a northwest striking greenstone sequence that includes mafic and ultramafic volcanics, clastic metasediments, black shales and banded iron formation units. Granite occurs east and west of the greenstone and has intruded the central parts of the belt. The belt is almost entirely covered by up to 100m of mostly aeolian sand. The geology has been mostly interpreted from aeromagnetic data and limited drill holes. Exploration for diamonds, gold, uranium and Olympic Dam-style deposits has been undertaken by previous explorers.

In the south east portion of E39/988 a large dunite body has been defined and disseminated nickel sulphides were noted in a 1980s DDH hole into the centre of the body. This body has been the main exploration focus directed at large disseminated nickel deposit similar to BHP's Mt Keith deposit. While nickel values are anomalous not all of the nickel is contained in nickel sulphides as dunite bodies typically have high background nickel in their silicate minerals.

*Exploration by GCR and former JV participant Newport*

Exploration to date has included three DDH holes into the dunite body with two of the holes testing IP anomalies. The anomalies appear to have been caused by carbonaceous metasediments or sulphides in metasediments beneath the dunite. The dunite, where intersected, contained only very weak nickel sulphide mineralisation and this has downgraded the likelihood of finding a large disseminated nickel deposit.

Other exploration has included RCP drilling to follow-up radiometric anomalies for possible uranium deposits. No radioactive material was identified.

For personal use only

In 2008, Ionic Leach geochemical soil sampling from the Mulga Tank East (EL39/1072) yielded some metal anomalies which are yet to be fully interpreted. This technique theoretically can detect anomalous metals emanating from the beneath the thick soil cover and the anomalous results found in the sampling require evaluation.

In GA's opinion the results to date have downgraded the nickel potential significantly and the potential for other mineralisation below the sand cover appears low.

*Attributable Exploration Expenditure and Valuation*

GCR purchased KER from its founders in May 2007. GCR attributed \$494,253 of the KER purchase price to the Mulga Tank project. GA has used the past expenditure method to value this project and for reasons explained in Section 3.4.3 these costs have not been included in GA's valuation in Table 6.15. To allow for the free carried interest and the diluting interest held by other parties GA has subjectively attributed GCR with an overall equity of 75%.

Table 6.15  
Valuation of the Mulga Tank Project

| Tenements                                    | GCR Equity | GCR Expenditure (Append. 1) (\$) | Total Attributable Expenditure (GCR Equity) (\$) | Comment   | PEM Range | Valuation Range (GCR) (\$) |
|--|------------|----------------------------------|--|---|-----------|----------------------------|
| E39/988<br>E39/1072<br>E39/1439-<br>E39/1442 | 75         | 408,840                          | 306,630  | Large dunite intrusion prospective for nickel but downgraded by exploration. Other potential targets may be identified from geochemistry. | 0.5-0.6   | 153.3-184.0                |
| <b>TOTAL</b>                                 |            |                                  |  |   |           | <b>153.3-184.0</b>         |

Note: The proportion of the KER acquisition cost shown in the GCR 30 June 2009 accounts is not included in the past expenditure.

6.4 LABRADOR CANADA URANIUM PROJECT (Figure 1)

GCR entered into agreements to earn a 50% interest in two projects in eastern Labrador, Canada. It has withdrawn from one project but may earn a 50% interest in the Notakwanon project by issuing 25 million GCR shares and spending \$3.5million before 17 August 2012. It is understood that 1 million GCR shares have been issued with the balance to be issued at the completion of the expenditure requirement.

*Location, Tenure, Ownership and Access*

The Notakwanon project is located 70km west of Sango Bay and 65km south of the Voisey Bay nickel-copper mine in eastern Labrador, Canada. The project, covering 461km<sup>2</sup>, is owned by Altius Resources Inc ("Altius") and consists of 11 licences (11900, 12901, 12843-12847, 12910-12912) of varying sizes. Helicopter support is required for major exploration programs in the area.

*Geology and Mineralisation*

The project covers Paleoproterozoic granodiorite gneiss and Mesoproterozoic granitic intrusions. Uranium was discovered in the area by Canadian government geologists during geological mapping in 1982 and eleven uranium occurrences have been identified in three groups. A strong structural control, usually in the form of shears, is common to all the occurrences. Minor sulphide mineralisation commonly occurs with the uranium.

*Exploration by Altius and GCR*

A 5,100line kilometre radiometric and magnetic survey was completed in 2007 and follow-up of the results identified a number of narrow vein-style uranium occurrences. Several of the occurrences have been subsequently stripped of soil and moss to allow for mapping. GCR is currently reviewing its future program for the project.

The GCR funded exploration to date has only resulted in delineating a number of very narrow and widely spaced veins of uranium mineralisation and the work to date has not indicated any targets with the potential to develop into economically viable deposits. In GA's opinion the results to date are not encouraging, particularly given the remote location and high cost of helicopter supported exploration, Although at this stage GCR has not indicated to GA its intention with respect to continuing with exploration or withdrawing from the joint venture, the latter possibility cannot be ignored,.

For personal use only

*Attributable Exploration Expenditure and Valuation*

GA has valued this project using the past expenditure method as shown on Table 6.16 below. GA believes there is a reasonably strong possibility that GCR could withdraw from the joint venture before earning its interest. Consequently the nominal valuation of GCR's equity has been subjectively reduced by 75% to both reflect that GCR has no equity in the project at present and the risk that it may withdraw from the project before completing its earn-in requirement.

Table 6.16  
Valuation of the Labrador Project

| Tenements           | GCR Equity  | GCR Expenditure (Append. 1) (\$) | Total Attributable Expenditure to GCR equity (\$) | Comment   | PEM Range | Base Value (GCR) (\$) | Risk Ranking | Valuation GCR Equity \$,000 |
|---------------------|-------------|----------------------------------|---|---|-----------|-----------------------|--------------|-----------------------------|
| Notakwanon Licences | Earning 50% | 963,692                          | 481,846   | Disappointing results to date. GCR could withdraw prior to earning equity | 0.5-0.6   | 240.9-289.1           | 25%          | 60.2-72.2                   |
| <b>TOTAL</b>        |             |                                  |   |   |           |                       |              | <b>60.2-72.2</b>            |

## 6.5 POTENTIAL FUTURE PROJECTS

GCR is investigating and evaluating new projects and opportunities as they arise and at present applications have been made for tenements in a three separate areas. In GA's opinion the preliminary nature of the projects prevents any material value being ascribed to these projects. GCR may or may not proceed with them if the tenements are offered for grant and on this basis GA believes it is not appropriate to allocate any value to the three potential projects. Brief details of each project are provided below for record purposes only.

### 6.5.1 Panama (Figure 1)

GCR recently terminated a farm-in it had made in Panama; however it maintains a presence in the country. GCR has purchased for \$US170,000 an exploration database of geophysical and surface geochemical data for Panama but has written this purchase cost down to \$A50,000 in its 30 June 2009 accounts. It has used the database to lodge applications for six concessions in Panama. MapIntec, the database provider, holds a 10% carried interest which may be converted to a maximum 1.5% net smelter return. The concessions which contain geophysical and geochemical anomalies are considered prospective for porphyry copper and epithermal gold deposits. With the recent change of Government in Panama GCR has advised GA that it expects the concession to be offered for grant.

### 6.5.2 Queensland Coal Project

GCR has applied for a total of seven coal permits in southeast and central Queensland, three permits EPC1643 - Warwick, EPC 1655 - Chinchilla South and EPC 1658 - Dalby have been offered to and accepted by GCR. The project areas may have potential for Underground Coal Gasification ("UCG"), a technical process by which coal beds are heated in situ to produce syngas which can then be further refined. Although the technical aspects of the process are well known full-scale application is in its infancy. GCR will undertake preliminary test work to determine the suitability of the permits for treatment UCG.

### 6.5.3 South Australia Copper

GCR has recently lodged applications for four exploration licences in South Australia. The ELAs have been lodged over coincident gravity and magnetic features in and adjacent to the Olympic Domain. Olympic Dam and Prominent Hill are the major deposits within the Olympic Domain.

6.6 Overall Valuation of GCR's Mineral Exploration Asset Interests

Table 6.17 below summarises the valuation obtained for GCR's mineral asset interests in Australia and overseas and also includes GA's preferred value which is based on GA's subjective judgement of the prospectivity of each asset.

Table 6.17  
Valuation Summary of GCR Mineral Exploration Assets

| PROJECT                             | GCR INTEREST<br>(%) | VALUATION OF GCR INTEREST |                 |                       |
|-------------------------------------|---------------------|---------------------------|-----------------|-----------------------|
|                                     |                     | LOW<br>(K\$)              | HIGH<br>(K\$)   | GA PREFERRED<br>(K\$) |
| <b>NEW SOUTH WALES</b>              |                     |                           |                 |                       |
| Copper Hill Pre-development Project | 100                 | 11,400.0                  | 17,000.0        | 12,000                |
| Exploration Projects                |                     |                           |                 |                       |
| Cobar District                      |                     |                           |                 |                       |
| Burra                               | 100                 | 608.6                     | 639.0           | 615                   |
| Rosedale & Fairview Tank            | 100                 | 28.2                      | 33.8            | 30                    |
| Rast Trough                         | 100                 | 650.4                     | 709.6           | 660                   |
| Yellow Mountain                     | 30                  | 895.0                     | 954.7           | 900                   |
| Wagga Tank                          | Diluting to 49      | 528.4                     | 891.6           | 700                   |
| Broken Hill                         | 100                 | 591.4                     | 698.9           | 600                   |
| Central and Southern NSW            |                     |                           |                 |                       |
| Cargo                               | 100                 | 106.6                     | 1,500           | 600                   |
| Tabletop                            | 100                 | 37.1                      | 44.5            | 40                    |
| Kempfield                           | Diluting to 49      | 1,921.6                   | 5,370.0         | 2000                  |
| Sunny Corner                        | Diluting to 49      | 480.4                     | 1,184.4         | 500                   |
| West Wyalong                        | Diluting to 49      | 600.8                     | 746.8           | 650                   |
| Cullarin                            | 37.5                | 191.9                     | 226.8           | 200                   |
| Sub-Total New South Wales           |                     | 18,040.4                  | 30,000.1        | 19,495                |
| <b>QUEENSLAND</b>                   |                     |                           |                 |                       |
| Exploration Projects                |                     |                           |                 |                       |
| Mount Isa                           |                     |                           |                 |                       |
| Phosphate Minerals                  | Diluting to 20      | 750                       | 750             | 750                   |
| Other Minerals                      | 100                 | 227.4                     | 249.1           | 230                   |
| Bowen                               | 100                 | 470.6                     | 509.6           | 475                   |
| Sub-Total Queensland                |                     | 1,448.0                   | 1,508.7         | 1,455                 |
| <b>WESTERN AUSTRALIA</b>            |                     |                           |                 |                       |
| Mulga Tank                          | 75                  | 338.7                     | 406.4           | 350                   |
| Sub-Total Western Australia         |                     | 338.7                     | 406.4           | 350                   |
| <b>LABRADOR, CANADA</b>             |                     |                           |                 |                       |
| Notakwanon                          | Earning 50          | 60.2                      | 72.2            | 65                    |
| Sub-Total Canada                    |                     | 60.2                      | 72.2            | 65                    |
| <b>TOTAL VALUATION</b>              |                     | <b>19,548.6</b>           | <b>31,987.4</b> | <b>20,615</b>         |

7 GCR Royalty Interests

GCR hold a number of royalty interests associated with various projects in which GCR originally had an interest but were subsequently sold to other parties. In addition GCR also has the obligation to pay a royalty on one project. The GCR royalty interests and obligations are summarised on Table 7.1 below.

Table 7.1  
GCR Royalty Interests and Obligations

| Project/<br>Tenement           | Company Paying<br>Royalty to<br>GCR/Receiving<br>Royalty from GCR | Royalty<br>Terms   | Details   | Estimated Potential<br>Payment   | GA Comment  |
|--------------------------------|---|--|---|--|---|
| <b>GCR Royalty Interests</b>   |   |  |   |  |   |
| ML 46 Canbelego                | PolyMetals  | 3% gross royalty on production   | Project currently on care and maintenance after producing 70,000oz Au.  | PolyMetals have indicated mining may commence in the next few years and expect that 50,000oz Au. GCR could obtain 1,500oz Au | <ul style="list-style-type: none"> <li>Assume mining commences in 2011</li> <li>Assume Payment to GCR is at rate of 300oz/a for 5 years</li> </ul>                              |
| Wyoming 1 deposit in EL 5830   | Alkane Resources Limited  | GCR to receive \$0.75 for initial 500,000t mined then 3% royalty to 150,000oz Au | GCR royalty applies only to a small portion of Wyoming 1 (GA assumes 5% of the Wyoming 1 resource i.e. about 300,000t | GCR could receive \$225,000 for 300,000t but unlikely to receive any payment for subsequent ounces                           | <ul style="list-style-type: none"> <li>Assume mining commences from January 2011.</li> <li>As it is an open pit total payment to GCR could be made within 12 months.</li> </ul> |
| Adelong NSW                    | Tasman Goldfields Limited   | GCR to receive 1% royalty on gold production capped at 2,500 oz                  | Total resources at 1.5g/t Au cut-off of 105,000oz Au in Indicated and Inferred categories                             | Potential for 1,050oz Au if all resources converted to reserves which is unlikely.   | <ul style="list-style-type: none"> <li>Near term production appears unlikely</li> <li>Not considered of any significant value to GCR</li> </ul>                                 |
| Brightstar WA                  | A1 Minerals Limited   | 2% royalty on gross production from the Brightstar Alpha deposits                | Brightstar Alpha deposit has a probable reserve of 11,560oz Au  | GCR could receive 231oz Au.  | <ul style="list-style-type: none"> <li>A1 Minerals has stated they hope to commence development in 2009 December quarter.</li> </ul>  |
| <b>GCR Royalty Obligations</b> |   |  |   |  |   |
| West Wyalong                   | Barrick Limited   | 2.5% NSR royalty   | No resources outlined   | Payment of royalty obligation is unlikely  |   |

## 8 STATEMENT OF CAPABILITY

This report has been prepared by Mr Peter Goldner, Managing Director of GA, and Senior Associates of GA Mr RN (Sam) Lees and Mr Peter Ingham. A summary of their professional qualifications and experience is included below.

Mr Peter Goldner (BSc. (Hon) Geology, FAusIMM, FAIG, CPGeo) is the Principal of Goldner and Associates with more than 40 years experience in exploration and mine management, project evaluation, mine development, mine operations and the provision of geological services. He has worked in both surface and underground operations in a range of commodities, including gold and precious metals, copper, lead/zinc, base metals, nickel and uranium. He has extensive experience in resource/reserve estimation, reconciliation procedures and the audit and review of estimates. Mr Goldner has worked in Australia, PNG, Southeast Asia and the USA.

Mr R N (Sam) Lees, (BSc., MSc., DIC, PDip. Env. Stud., FAICD, FAIG, FAusIMM, CP). Mr Lees has 40 years experience, in the minerals industry working throughout Australia and in Zambia, Iran and Canada. His experience covers a wide range of commodities including gold and precious metals, tin, copper, lead, zinc, tantalum and uranium, in various geological environments. He has held senior geological and management positions with a number of exploration companies, been a mine geologist (both underground and open cut) and a professional geological consultant.

Mr Peter Ingham (B.Sc. (Min), M.Sc., DIC, GDipAppFin (Sec Inst), CEng, FAusIMM, MIMMM)) is a Senior Associate of BDA and is a graduate mining engineer with more than 25 years in the mining industry in Europe, Africa, Australia and Asia. His experience includes operations management, mining contract management, strategic planning, project assessment and acquisition, cost estimation and operational audits and troubleshooting. He is experienced in a range of commodities, including copper, nickel, base metals, gold and platinum, in both surface and underground mining.

## 9 STATEMENT OF INDEPENDENCE

Mr Peter Goldner, Mr RN (Sam) Lees and Mr Peter Ingham do not have any material interest or entitlement in the securities or assets of GCR. GA will be paid a fee for this report comprising its normal professional rates and reimbursable expenses. The fee is not contingent on the conclusions of this report.

## 10 LIMITATIONS AND CONSENT

This technical review and valuation report is based on data, reports and other information made available by GCR. GA has been advised by GCR that the information is complete as to material details and is not misleading. A draft copy of this report has been provided to GCR for comment as to any material errors or omissions or incorrect assumptions.

GA has reviewed the data, reports and information provided and has used consultants with appropriate experience and expertise relevant to the various properties. The opinions stated herein are given in good faith. GA believes that the basic assumptions are factual and correct and the interpretations reasonable.

GA does not accept any liability other than its statutory liability to any individual, organisation or company and takes no responsibility for any loss or damage arising from the use of this report, or information, data, or assumptions contained therein. With respect to the GA report and use thereof by GCR, GCR agrees to indemnify and hold harmless GA, its shareholders, directors, officers, and associates against any and all losses, claims, damages, liabilities or actions to which they or any of them may become subject under any securities act, statute or common law and will reimburse them on a current basis for any legal or other expenses incurred by them in connection with investigating any claims or defending any actions.

For personal use only

The current valuation by GA is specifically intended to assist Grant Thornton in preparing and Independent Experts Report in respect to the issue of 97,560,976 GCR shares to HQ Mining for no other purpose. This report does not constitute a technical or legal audit. Neither the whole nor any part of this report nor any reference thereto may be included in, or with, or attached to any document or used for any purpose without GA's written consent to the form and context in which it appears.

Yours faithfully,



PETER T GOLDNER  
Managing Director

For personal use only

APPENDIX 1  
SUMMARY OF GCR'S TENURES

TABLE A.1 – TENEMENTS PERTAINING TO ASSETS BEING VALUED

| Tenement No                     | Name                       | GCR Interest (%) | Approximate Area (km <sup>2</sup> ) | GCR Written Down Book Value of Expenditure to June 2009 (\$) | Proportion of Original Area Relinquished (%) | Bonds Except where stated NSW ELs covered by \$100,000 general bond | Comments   |
|---------------------------------|----------------------------|------------------|-------------------------------------|--|--|---|--|
| <b>Copper Hill NSW</b>          |                            |                  |                                     |  |  |   |  |
| EL 6391                         | Copper Hill                | 100              | 95                                  | 9,119,194  |  | 10,000  |  |
|                                 | Copper Hill North          | 100              |                                     | 14,128   |  |   |  |
| <b>Cobar District NSW</b>       |                            |                  |                                     |  |  |   |  |
| ELA 3659                        | Burra                      | 100              | 14.6                                | 224,443  | Nil  |   | Includes former Buppe and part Canbelego projects.   |
| EL7097                          | Rosevale                   | 100              | 276.6                               | 12,168   | Nil  |   |  |
| EL7065                          | Fairview Tank              | 100              | 291.6                               | 16,023   | Nil  |   |  |
| EL 6995                         | Rast Trough Boothumble     | 100              | 236.7                               | 13,878   | Nil  |   |  |
| EL 7322                         | Rast Trough Delaneys Tank  | 100              | 153.4                               | 2,370  | Nil  |   |  |
| EL 7320                         | Rast Trough Emu Tank       | 100              | 113.2                               | 2,547  | Nil  |   |  |
| EL 7051                         | Rast Trough Guapa Tank     | 100              | 124.5                               | 8,824  | Nil  |   |  |
| EL 7323                         | Rast Trough Kellys Tank    | 100              | 142.5                               | 3,419  | Nil  |   |  |
| EL 6852                         | Rast Trough Kilpaney       | 100              | 17.4                                | 54,273   | 50   |   |  |
| EL 6753                         | Rast Trough Pine Ridge     | 100              | 289.0                               | 339,332  | 28   |   |  |
| EL 6878                         | Rast Trough Rast           | 100              | 236.7                               | 115,705  | Nil  |   |  |
| EL 6879                         | Rast Trough Rast North     | 100              | 281.6                               | 32,982   | Nil  |   |  |
| EL 6994                         | Rast Trough Shepherds Hill | 100              | 175.6                               | 9,826  | Nil  |   |  |
| EL 7112                         | Rast Trough Tara           | 100              | 300.0                               | 5,931  | Nil  |   |  |
| EL 7324                         | Rast Trough Walters Tank   | 100              | 178.8                               | 2,270  | Nil  |   |  |
| EL 6325                         | Yellow Mountain            | 30               | 110.0                               | 208,718  | Nil  |   | 100% of bond paid by TRL on behalf of the joint venture. GCR has agreed to contribute their share of expenditure (30%) on EL 6325. Consequently only 70% of the total expenditure between 1/1/07 to 31/1/08 has been included. |
| ELs 6695 7226                   | Wagga Tank                 | Diluting to 49%  | 169.1                               | 557,105  |  |   | .EL 7226 in name Zinifez Australia Ltd   |
| <b>Broken Hill District NSW</b> |                            |                  |                                     |  |  |   |  |
| ELA 3705                        | Broken Hill                | 100              | 393.1                               | 1,848,981  | Nil  |   | New tenement over the existing project   |
| <b>Central and Southern NSW</b> |                            |                  |                                     |  |  |   |  |
| EL 5238                         | Cargo                      | 100              | 60.2                                | 612,577  |  | 10,000  |  |
| EL 6811                         | Tabletop                   | 100              | 73.7                                | 37,101   | 73   |   |  |

For personal use only

|                                 |                             |                                     |              |           |     |        |   |
|---------------------------------|-----------------------------|-------------------------------------|--------------|-----------|-----|--------|---|
| ELs 5748, 7134                  | Kempfield                   | Diluting to 49                      | 113.7        | 2,755,845 |     | 10,000 |   |
| EL 5645                         | Kempfield 2                 | Diluting to 49                      | 8.3          | 95,042    |     | 10,000 |   |
| PLL 519                         | Kempfield lease (Bean)      | Diluting to 49                      |              | 0         |     | 2,000  |   |
| ELs 5964 & 7135                 | Sunny Corner                | Diluting to 49                      | 192.0        | 516,674   |     |        |   |
| ELs 5915,7133                   | West Wyalong                | Diluting to 49                      | 137.0        | 760,674   |     |        |   |
| EL 6292 & northern part EL 6686 | Cullarin                    | Diluting currently 37.5%            | 73.4<br>26.1 | 156,273   |     |        | GCR not contributing. TriOrigin has earned 62.5%. GCR may dilute to 2.5% net smelter return               |
| <b>Queensland</b>               |                             |                                     |              |           |     |        |   |
| EPM 14905                       | Mount Isa Quita Creek       | Diluting to 20% phosphate 100 other | 276.0        | 109,489   | Nil |        | GCR allocated acquisition cost \$494,253  |
| EPM 14906                       | Mount Isa Highlands Plains  | Diluting to 20% phosphate 100 other | 300.0        | 51,847    | Nil |        | GCR allocated acquisition cost \$548,325  |
| EPM 14912                       | Mount Isa and Sherrin Creek | Diluting to 20% phosphate 100 other | 300.0        | 55,227    | Nil |        | GCR allocated acquisition cost \$494,253  |
| EPM 15668                       | Bowen Mount Mackenzie       | 100                                 | 300.0        | 160,332   | Nil | 2,500  | GCR allocated acquisition cost \$494,253  |
| EPM 15742                       | Bowen 10 Mile Creek         | 100                                 | 300.0        | 230,123   | Nil | 2,500  | GCR allocated acquisition cost \$247,126  |
| <b>Western Australia</b>        |                             |                                     |              |           |     |        |   |
| E39/988                         | Mulga Tank                  | 80                                  | 104.0        | 269,468   |     | 10,000 | GCR allocated acquisition cost \$494,253  |
| E39/1072                        | Mulga Tank East             | 75                                  | 151.1        | 149,372   |     | 5,000  | Prospecting syndicate has 20% carried interest in Mulga Tank and 25% diluting interest in Mulga Tank East |
| E39/1439-1442                   | Mulga Tank new applications | 100                                 | na           |           |     |        | New Applications are small additions  |
| <b>Labrador Canada</b>          |                             |                                     |              |           |     |        |   |
|                                 | Notakwanon River            | Earning 50%                         | 461.0        | 963,692   |     | 59,000 |   |

For personal use only

# GOLDEN CROSS RESOURCES LTD

ABN 65 063 075 178

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

[SHAREHOLDER NAME AND BARCODE]

## PROXY FORM FOR GENERAL MEETING ON THURSDAY 8 OCTOBER 2009

I/We, the abovenamed, appoint (\*) .....  
or in his/her absence (\*) .....  
of (address).....  
or in his/her absence the Chairman of the meeting as my/our proxy to vote on my/our behalf in respect of ALL or ..... (\*) of  
my/our shares at the General Meeting of the Company to be held at 4.00 pm on Thursday 8 October 2009 and any adjournment of that meeting.

Notes:

- 1 A proxy need not be a member of the Company.
- 2 The Chairman of the meeting intends to vote in favour of all motions in respect of undirected proxies given to him or her.
- 3 A member entitled to attend and vote may appoint not more than two proxies. Separate forms must be used for each proxy. Each proxy must be appointed to represent a specified proportion or number of the member rights by inserting the relevant proportion or number of shares each proxy may vote. If the proxy form does not specify a proportion or number of votes then each proxy may exercise half of the member's votes.

I/we direct my/our proxy to vote in respect of each motion to be considered as indicated with an "X" below and to vote or abstain in respect of a procedural motion as my/our proxy thinks fit.

| Motion                           | For                      | Against                  | Abstain                  |
|----------------------------------|--------------------------|--------------------------|--------------------------|
| Approval of proposed share issue | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

If no direction is given, I/we authorise my/our proxy to vote or abstain as my/our proxy thinks fit in respect of each motion to be considered by the meeting and any adjournment of the meeting.

If you appoint the Chairman of the meeting as your proxy, or the Chairman is appointed your proxy by default, and you do **not** wish to direct your proxy how to vote as your proxy in respect of a motion, please place an "X" in the box below.

By marking this box, you acknowledge that the Chairman of the meeting may exercise your proxy even if he or she has an interest in the outcome of the motion and that votes cast by the Chairman of the meeting for those motions other than as proxy holder will be disregarded because of that interest.

If you do not mark this box, and you have not directed your proxy how to vote, the Chairman will not cast your votes on the motion and your votes will not be counted in calculating the required majority if a poll is called on the motion.

Dated .....2009 Signature .....

To be valid, this proxy form, together with the power of attorney or other authority under which it is signed, or a notarially certified copy of that power or authority, must be deposited at Golden Cross Resource Ltd's office or faxed to (02) 9482 8488 by 4.00 pm on Tuesday 6 October 2009. Replacement barcoded proxy forms may be obtained by telephoning Golden Cross Resource Ltd's office.