



GOLDEN CROSS RESOURCES LTD

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21 January 2016

RELEASE OF SUPPLEMENTARY TARGET'S STATEMENT IN RELATION TO HQ MINING'S OFFER

Golden Cross Resources Limited (**Company**) refers to the takeover bid made by HQ Mining Resources Holding Pty Ltd (**HQ Mining**) for the Company at a price of 8.25 cents per share (**Offer**).

Pursuant to section 647(3)(b) of the *Corporations Act 2001* (Cth), enclosed is a copy of a supplementary target's statement dated 21 January 2016 in relation to the Offer.

As outlined in the supplementary target's statement, a majority of the independent directors of the Company, being Ian Buchhorn, Mark Sykes and Robert Thomson, now recommend that shareholders accept HQ Mining's Offer.

A copy of the supplementary target's statement will be lodged with the Australian Securities and Investments Commission and despatched to shareholders of the Company today. A copy of the supplementary target's statement has also been provided to HQ Mining.

Mark Sykes

Chairman

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ANNEXURE

SUPPLEMENTARY TARGET'S STATEMENT

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GOLDEN CROSS RESOURCES LIMITED

(ACN 063 075 178)

FIRST SUPPLEMENTARY TARGET'S STATEMENT

CHANGE OF RECOMMENDATION

**A MAJORITY OF YOUR INDEPENDENT DIRECTORS
NOW RECOMMEND THAT YOU **ACCEPT** HQ
MINING'S OFFER**

This First Supplementary Target's Statement has been issued in relation to the off-market takeover bid made by HQ Mining Resources Holding Pty Ltd for all the ordinary shares in Golden Cross Resources Limited that it does not own and supplements the Target's Statement lodged with the Australian Securities and Investments Commission on 29 December 2015.

THIS IS AN IMPORTANT DOCUMENT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT ABOUT HOW TO DEAL WITH THIS DOCUMENT, YOU SHOULD CONTACT YOUR STOCKBROKER, FINANCIAL ADVISER OR LEGAL ADVISER IMMEDIATELY.

Legal Adviser

SQUIRE 
PATTON BOGGS

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1 IMPORTANT INFORMATION

1.1 Nature of this document

This document is a supplementary target's statement prepared by Golden Cross Resources ACN 063 075 178 (**GCR**) under section 644 of the *Corporations Act 2001* (Cth) and dated 21 January 2016 (**First Supplementary Target's Statement**). This First Supplementary Target's Statement is prepared in relation to the off-market takeover bid by HQ Mining Resources Holding Pty Ltd (ACN 133 870 256) (**HQ Mining**) for all the ordinary shares in GCR that it does not own (**Offer**).

This document supplements, and should be read together with, the Target's Statement lodged by GCR with the Australian Securities and Investments Commission (**ASIC**) on 29 December 2015 (**Original Target's Statement**).

This First Supplementary Target's Statement prevails over the Original Target's Statement to the extent of any inconsistency

1.2 Capitalised terms

Capitalised terms used in this First Supplementary Target's Statement have the meaning given in Section 8 of the Original Target's Statement, unless the context otherwise requires.

2 CHANGE OF RECOMMENDATION

2.1 Major shareholder accepts into the Offer

On 19 January 2016, Heron Resources Limited (**Heron**), a major shareholder of GCR who held approximately 18.8% of GCR, accepted the Offer in respect of all of its Shares. As at the date of this First Supplementary Target's Statement, GCR understands that HQ Mining holds valid acceptances in respect of 51.53% of the GCR Shares¹.

2.2 Minimum acceptance condition satisfied

As indicated by a substantial shareholder notice released by HQ Mining on 21 January 2016, the minimum acceptance condition of 50.1% to which the Offer was subject has now been satisfied. Accordingly, your Independent Directors have reconsidered, and a majority of the Independent Directors have revised, their recommendation in relation to the Offer (refer to section 2.3 below).

HQ Mining has also advised that it has freed the Offer from the conditions outlined in section 10.7(a) (no regulatory action) and section 10.7(d) (no issue of new securities) of the Bidder's Statement.

Shareholders should note that the Offer remains subject to a condition that no prescribed occurrences happen until 3 Business Days after the end of the Offer Period.

Shareholders should refer to section 10.7 of the Bidder's Statement for further details on the conditions to the Offer.

¹ HQ Mining released a substantial interest notice on 21 January 2016 indicating it held a voting power of 51.81% based on 101,078,493 shares on issue, which did not take into account 534,734 shares issued by the Company on 19 January 2016, or the 9,000 Shares issued by the Company on 20 January 2016. Based on the current share capital of the Company, and HQ Mining's substantial interest notice, HQ Mining has a voting power of 51.53% of the Company.

2.3 A majority of your Independent Directors now recommend you **ACCEPT** the Offer

In the Target's Statement dated 29 December 2016, your Independent Directors recommended that GCR Shareholders reject the Offer, having regard to a number of considerations outlined in section 2 of the Target's Statement. Since that time, a number of developments, including the acceptance of the Offer by Heron and the minimum acceptance condition being satisfied, have caused the Independent Directors to re-consider their recommendation in respect of the Offer.

Despite the Independent Directors still considering the Offer to undervalue GCR significantly, Mark Sykes, Robert Thomson and Ian Buchhorn now recommend that Shareholders **accept** the Offer for the following reasons:

- HQ Mining currently has a 51.53% interest in GCR² and accordingly, the minimum acceptance condition of 50.1% is satisfied and, subject to satisfaction of the remaining conditions, the Offer will be successful, with the result that HQ Mining will control GCR. This will leave Shareholders who do not accept the Offer in the position of minority shareholders in the Company. There are a number of risks to Shareholders in remaining a minority shareholder including:
 - HQ Mining has stated in the Bidder's Statement that it intends to undertake an underwritten pro-rata rights issue shortly after the successful completion of the Offer. If you remain as a Shareholder and do not participate in that rights issue, your shareholding in the Company will be diluted. HQ Mining has also stated that it will subscribe for its full entitlement in that rights issue. Additionally, if HQ Mining or its associates underwrite that rights issue, this will likely result in HQ Mining increasing its voting power in the Company to an even greater extent.
 - HQ Mining will be able to pass all ordinary resolutions at general meetings of the Company (other than those it is excluded from voting upon) and will have a significant influence on any special resolutions.
- HQ Mining will be able to control the composition of the GCR Board and senior management and control the strategic direction of GCR's business.
- The Offer is currently the only offer that is available to Shareholders, with no superior proposals having emerged since HQ Mining announced the Offer.
- The GCR Share price is likely to fall to levels below the Offer Price following the conclusion of the Offer and there is no certainty that the share price will recover in the short to medium term, if ever.
- The liquidity of GCR Shares may be even lower than it is at present, and there may be limited investor support for GCR.
- The future of GCR and its business depends upon its ability to obtain financing for the development of its Copper Hill Project and its other assets, through debt or equity financing, the sale of assets or other means. GCR will need to obtain external funding to meet its short, medium and long term objectives. There is no assurance that GCR will be successful in obtaining financing as and when needed or on acceptable terms. If GCR is unable to find this financing by way of debt, it will need to finance the development of the Copper Hill Project through the issue of additional equity, which may involve further dilution to minority Shareholders. In this regard, GCR is in discussions with HQ Mining regarding short term

² As above.

loan funding and will make an announcement to the ASX if and when agreement on that funding is reached.

- There is current uncertainty in world equity markets related in part to a decrease in demand for commodities by China which may further impact on GCR's ability to advance the Copper Hill Project in the short to medium term.

In light of the above, and to maximise value for GCR Shareholders, Mr Sykes, Mr Thomson and Mr Buchhorn have re-considered and revised their recommendation in respect of the Offer and recommend that Shareholders now **ACCEPT the Offer in respect of their GCR Shares.**

Each of your Independent Directors intends to accept the Offer in respect of any GCR Shares he owns or controls.

Notwithstanding the factors enunciated above, the remaining Independent Director, Neil Fearis, maintains his recommendation to Shareholders to **reject** the Offer, on the basis that it significantly undervalues GCR and, as concluded by the Independent Expert, is neither fair nor reasonable. In maintaining this recommendation, however, Mr Fearis draws Shareholders' attention again to the risks of remaining as a minority Shareholder in a company controlled by HQ Mining, as described above and in section 7.4 of the Target's Statement.

3 OFFER PERIOD

The Offer will close at 7pm (Sydney time) on Friday 29 January 2016 unless extended by HQ Mining.

4 HOW TO ACCEPT THE OFFER

Details of how to accept the Offer are set out in section 10.3 of the Bidder's Statement.

5 LODGEMENT WITH ASIC

A copy of this First Supplementary Target's Statement has been lodged with ASIC. Neither ASIC nor any of its officers take any responsibility for its contents

6 AUTHORISATION

This First Supplementary Target's Statement has been approved by a resolution passed by the Independent Directors. All Independent Directors voted in favour of that resolution.

Dated 21 January 2016

Signed for and on behalf of GCR.



Neil Fearis
Director
Golden Cross Resources Limited