Hengxing Gold Holding Company Limited

恒興黃金控股有限公司

MINERAL RESOURCES AND ORE RESERVES STATEMENT

31 December 2018

Gold Mountain Mine (金山金礦)

Xinjiang Uygur Autonomous Region, China

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1 Resources and Reserves Summary

Mineral Resources and Ore Reserves for Hengxing Gold have been estimated as at 31 December 2018, and are reported by Competent Persons in accordance with the guidelines in the 2012 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2012 JORC Code) and Chapter 18 of the Listing Rules. Each Competent Person consents to the inclusion of the information in this report that they have provided in the form and context in which it appears.

The Total Resources as of 31 December 2018 are 122.5 Mt at 0.7g/t gold and total open pit Reserves are 53.7Mt at 0.67g/t Au. Measured and Indicated Mineral Resources are inclusive of those Mineral Resources that convert to Ore Reserves.

Henxing Gold - Resources as at 31 December 2018

Category	Tonnes (kt)	Gold Grade (g/t)	Contained Gold (kg)
Measured	20.070	0.77	15,380
Indicated	81,130	0.67	54,370
Total Measured + Indicated	101,200	0.69	69,750
Inferred	21,300	0.73	15,590
Total Including Inferred	122,500	0.70	85,790

Henxing Gold - Reserves as at 31 Dec 2018

Category	Tonnes (kt)	Gold Grade (g/t)	Contained gold (kg)
Proved	15,050	0.72	10,790
Probable	47,380	0.77	36,370
Total Proved + Probable	62,430	0.76	47,160

Resources and Reserves were estimated as December 31st 2018 and using the updated geological models in combination with mining and processing data up to and including December 31st 2018. Detailed Mineral Resources and Ore Reserves tables are provided below with the 2013 estimates for comparison (Tables 1-3 below).

Resources were depleted due to mining (approximately 20Mt), with a further 7Mt of Inferred resources removed at Yelmand due to changes in the geological model. Approximately 1Mt of Resources were added at Jinxi-Balake due to development drilling, although as they are at depth the new resources did not convert to open pit Reserves. Around 15Mt of new resources are recognised in the low grade stockpile, which also reduced the average grade of the total resources.

The main reasons for the change to the Reserves since 2013 were:

1. Approximately 22Mt @0.74g/t depletion due to mining.
2. Approximately 26Mt reduction in Open Pit Reserves due to design changes at based on revisions to the geological model and subsequent re-optimisation.
3. Addition of 15Mt @0.38g/t stockpile Reserves.
4. Addition of approximately 9Mt in Underground Reserves at Jingxi-Balake and Yelmand.

Table 1. Hengxing Gold Resource Statement at 0.3 g/t Au Cutoff.

		31 December 2018			2013		
Prospect	**Category**	**Tonnes (kt)**	**Gold Grade (g/t)**	**Contained Gold (kg)**	**Tonnes (kt)**	**Gold Grade (g/t)**	**Contained Gold (kg)**
Yelmand	Measured	1,520	0.60	910	6,820	0.74	5,026
	Indicated	12,770	0.69	8,810	25,600	0.72	18,402
	Inferred	5,320	0.69	3,690	12,000	0.67	8,063
	TOTAL	**19,610**	**0.68**	**13,410**	**44,400**	**0.71**	**31,490**
Mayitobi	Measured	290	0.73	210	2,010	0.89	1,792
	Indicated	750	0.81	610	1,840	0.82	1,508
	Inferred	520	0.74	390	625	0.76	475
	TOTAL	**1,560**	**0.78**	**1,210**	**4,480**	**0.84**	**3,775**
Jinxi-Balake	Measured	17,780	0.79	14,010	14,800	0.76	11,274
	Indicated	38,590	0.74	28,560	38,200	0.75	28,698
	Inferred	7,260	0.82	5,980	10,800	0.76	8,156
	TOTAL	**63,630**	**0.76**	**48,550**	**63,800**	**0.75**	**48,127**
Kuangou	Measured	-	-	-	-	-	-
	Indicated	9,770	0.84	8,180	10,000	0.84	8,452
	Inferred	6,040	0.71	4,270	6,600	0.71	4,653
	TOTAL	**15,810**	**0.79**	**12,450**	**16,600**	**0.79**	**13,105**
Lion	Measured	480	0.51	250	-	-	-
	Indicated	4,270	0.59	2,520	4,550	0.55	2,510
	Inferred	2,160	0.58	1,260	1,880	0.57	1,077
	TOTAL	**6,910**	**0.58**	**4,030**	**6,430**	**0.56**	**3,587**
Stockpile	Measured	-	-	-	-	-	-
	Indicated	14,980	0.38	5,690	-	-	-
	Inferred	-	-	-	-	-	-
	TOTAL	**14,980**	**0.38**	**5,690**			
TOTAL	Measured	20,070	0.77	15,380	23,630	0.77	18,092
	Indicated	81,130	0.67	54,370	80,190	0.74	59,569
	Inferred	21,300	0.73	15,590	32,180	0.70	22,423
	TOTAL	**122,500**	**0.70**	**85,790**	**136,000**	**0.74**	**100,084**

Table 2. Hengxing Gold Reserves Update (31 December 2018).

Kuangou Open Pit

Category	Tonnage	Au	Contained Au	
	kt	g/t	kg	koz
Proved	0	0	0	0
Probable	8,790	0.85	7,440	239
Total	**8,790**	**0.85**	**7440**	**239**

Yelmand Open Pit

Category	Tonnage	Au	Contained Au	
	kt	g/t	kg	koz
Proved	460	0.60	270	9
Probable	660	0.54	360	12
Total	**1,120**	**0.56**	**630**	**20**

Jingxi-Balake Open Pit

Category	Tonnage	Au	Contained Au	
	kt	g/t	kg	koz
Proved	14,590	0.72	10,520	338
Probable	16,790	0.75	12,570	404
Total	**31,380**	**0.74**	**23,200**	**745**

Combined Pits

Category	Tonnage	Au	Contained Au	
	kt	g/t	kg	koz
Proved	15,050	0.72	10,790	347
Probable	26,240	0.78	20,370	655
Total	**41,290**	**0.75**	**31,160**	**1001**

Yelmand Underground

Category	Tonnage	Au	Contained Au	
	kt	g/t	kg	koz
Proved	0	0	0	0
Probable	3,105	1.03	3,200	103
Total	**3,105**	**1.03**	**3,200**	**103**

Jingxi-Balake Underground

Category	Tonnage	Au	Contained Au	
	kt	g/t	kg	koz
Proved	0	0	0	0
Probable	5,653	1.43	8,080	260
Total	**5,653**	**1.43**	**8,080**	**260**

Underground Total

Category	Tonnage	Au	Contained Au	
	kt	g/t	kg	koz
Proved	0	0	0	0
Probable	8,760	1.29	11,280	363
Total	**8,760**	**1.29**	**11,280**	**363**

Stockpile

Category	Tonnage	Au	Contained Au	
	kt	g/t	kg	koz
Proved	0		0	0
Probable	12,380	0.38	4,700	151
Total	**12,500**	**0.38**	**4,700**	**151**

In-situ + Stockpile

Category	Tonnage	Au	Contained Au	
	kt	g/t	kg	koz
Proved	15,050	0.72	10,790	347
Probable	47,380	0.77	36,370	1,170
Total	**62,430**	**0.76**	**47,160**	**1,520**

Table 3. Previous JORC Reserve Total (2013).

Category	Tonnage	Au	Contained Au	
	kt	g/t	kg	koz
Proved	10,390	0.74	7,647	245
Probable	80,020	0.75	59,615	1,916
Total	**90,410**	**0.74**	**67,262**	**2,162**

2 Reporting Standard and Competent Persons

Independent Competent Persons were responsible for compiling the Mineral Resources and Ore Reserves stated herein, in accordance with the requirements of the Listing Rules and in compliance with the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves" (the "JORC Code") 2012 edition, published by the Joint Ore Reserves Committee ("JORC") of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.

This Resource and Reserve statement was prepared by Competent Persons who, having relevant minimum of five years' experience in the style of mineralisation and the type of the deposit under consideration, are thereby considered Competent Persons according to the definition explained in the JORC (2012) Code and Chapter 18. The competent persons are professionally qualified and members in good standing of relevant Recognised Professional Organisations. Dr Matthew Godfrey is a Member of The Australasian Institute of Mining and

Metallurgy (MAusIMM) as well as a Member of the Australian Institute of Geoscientists (MAIG). Mr Tony Cameron is a Fellow of The Australasian Institute of Mining and Metallurgy (FAusIMM).

Tony Cameron was responsible for conducting the Mineral Reserve estimate and Matthew Godfrey was responsible for the Resource Estimate and compiling the statement & summary report.

Neither WISEMINETECH nor the Competent Persons have any material, present or contingent interest in the outcome of this Report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence. The fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. Payment of the professional fee is not contingent upon the outcome of the Report. Neither WISEMINETECH nor the Competent Persons have any economic or beneficial interest (present or contingent) in any of the assets being reported on. None of the Competent Persons is an officer, employee or proposed officer of the Company or any group, holding or associated company of the Company. WISEMINETECH is not part of a group, holding or associated company of the Company.

Neither Hengxing Gold nor any person has provided any indemnities to the Competent Persons or WISEMINETECH and the Competent Persons are accordingly independent of Hengxing Gold, its directors, senior management, advisors and shareholders.

By signing this report, we hereby confirm that the reporting terminology, mineral resource and reserve classification, and estimation results in this report are compliant with the policy and procedures (required for the control of the quality of reporting of mineral resource and reserve estimates) as specified by the JORC (2012) Code.

Dr. Matthew Godfrey, China Consulting Manager; PhD (Geology), PGC (Geostatistics), BSc Hons, MAIG, MAusIMM.

Dr Godfrey obtained his geology doctorate from the University of Western Australia in 2004 and has over 12 years' experience in exploration for gold, base metals, uranium, phosphate exploration, and mining of base metals. Dr Godfrey has extensive practical relevant experience as Senior Geologist in exploration and mining for CopperCo at Mount Isa, Queensland, conducting gold exploration and resource development in Western Australia for Wedgetail Exploration Company, gold exploration and resource work for Tianshan Gold Securities (Hong Kong) Limited in Xinjiang province (Western China), and gold exploration for Hedges gold in Boddington (Western Australia).

Dr Godfrey has postgraduate qualifications in geostatistics and worked for Micromine as China Consulting Manager and a senior resource estimation consultant from 2009 to 2015. Dr Godfrey has been a member of the Australasian Institute of Mining and Metallurgy since 1997 and is also a member of the Australian Institute of Geoscientists and meets the requirements of a Qualified Person ("QP") for NI43-101 reports and Competent Person ("CP") for JORC (2012) reporting for several commodity types and deposit types.

Tony Cameron, Associate Mining Consultant; B Eng (Mining), Grad Dip Bus, M Comm Law, FAusIMM. Tony Cameron graduated in 1987 from the University of Queensland and also has a Graduate Diploma in Business from Curtin University (WA), and a Masters in Commercial Law from Melbourne University. Mr Cameron has more than 30 years' experience in the mining industry involved predominantly in iron ore, base metals, gold, copper, and mineral sands mining. He held senior management positions with mining companies in Western Australia

including St Barbara Mines, Sons of Gwalia, TiWest, and McMahon between 1995 and 2001. Tony has worked as an independent mining consultant since 2001 and is expert in the use of mine optimisation, design, and scheduling software, having evaluated numerous international minerals projects to JORC and NI-43101 standards. Mr Cameron is a Fellow of the Australasian Institute of Mining and Metallurgy.

SIGNATURES

	Matthew Godfrey	10th March 2019
Signature	**Name**	**Date**
	Tony Cameron	10th March 2019
Signature	**Name**	**Date**

3 JORC 2012 Table 1 - Assessment and Reporting Criteria

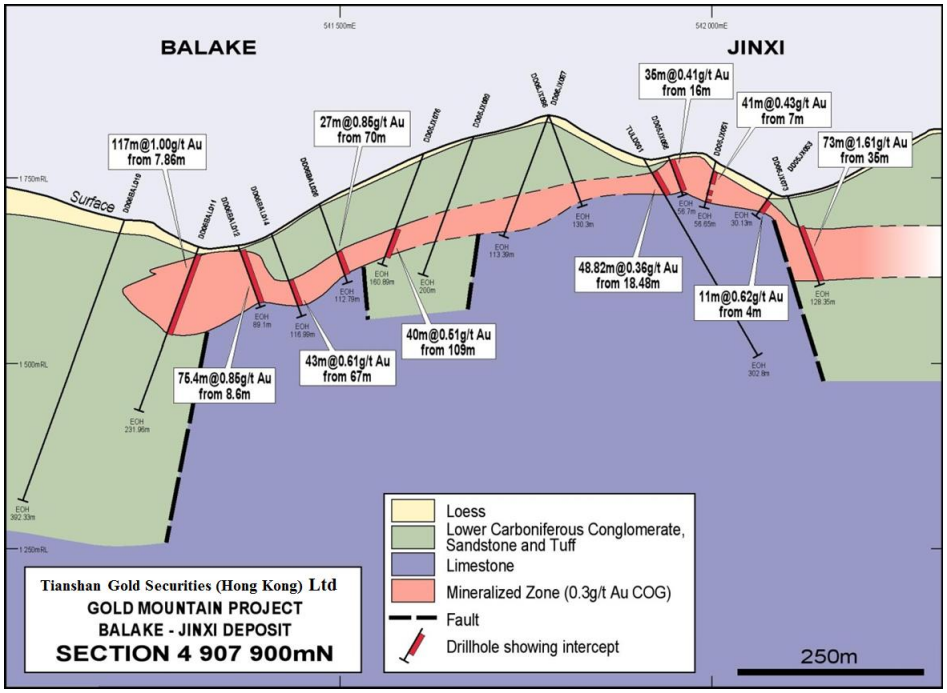
3.1 *Section 1 - Sampling Techniques and Data*

Criteria	Discussion
Sampling techniques	• Diamond and RC holes were sampled at 1m intervals. Shorter intervals were occasionally used to identify high grade veins. • Sampling was completed to the Chinese 703 Brigade standards. • Samples weighing 2–3 kg were collected from diamond cut half core and sent to the laboratory where they are crushed and pulverized and 30g was used for fire assay. • From 2010 to 2012 drilling samples were crushed and pulverized and a 20g amount of each was dissolved in Aqua Regia and analysed with Atomic Absorption Spectrometry.
Drilling techniques	• There are 725 drillholes in the project area comprising 708 diamond drillholes and the remainder RC. • Holes were drilled with an HQ diameter collar and NQ diameter tail. All Drilling is done using standard tubes with one outer tube and one inner tube.
Drill sample recovery	• Recovery was estimated by measuring the core in the trays and comparing the length of core to the length drilled in each run. • Drilling recoveries for each of the five prospects is very good; – Jinxi/Balake 96.86% – Yelmand 95.20 % – Mayituobi 96.70% – Lion 98.9% – Kuangou 91.1% • All drilling was supervised by company geologists to maintain standards and ensure high core recovery. • Recovery from within mineralised zones is similar to the overall recovery of each prospect and no relationship between grade and recovery is observed.
Logging	• Drill core has been logged to a level appropriate for a resource estimation and mining study. • Geology intervals have been recorded down hole and include comments on alteration, oxidation, colour etc. • Geological logs are qualitative and were recorded on paper and subsequently digitised. • At the time of logging core photos were taken of each core tray before cutting and sampling. A comprehensive database of drill core photographs was provided. • The total length of logged drill core is around 97km.
Sub-sampling techniques and sample preparation	• The core is cut at the core cutting yard with a diamond blade. The cut core is placed in depth order and half of the core is bagged for sampling in one metre intervals. This sampling method is industry standard and appropriate. • Samples are crushed to 95% passing 74µm and dried for two hours prior to assay. • The sample preparation area was observed to be very clean during the 2018 site visit.
Quality of assay data and laboratory tests	• Prior to 2010 SGS Tianjin was the Laboratory for the assays. The Lab uses fire assay with an atomic absorption finish. A 50g charge is taken for fire assay and was placed in a pot and heated in the furnace at 1100°C for one hour. After cooling the slag was separated from the lead pill, which was placed into a cupel. The cupel is heated for an hour at a temperature of 960°C. For every rack of fifty there were one blank, two standards, and duplicates. • For the 2010 – 2013 drilling the 703 Brigade Laboratory first weighed samples to 20g ±0.01g. The samples were then baked in an oven at 700°C for one hour to remove carbon. Samples were then dissolved in Aqua Regia

<table>
<tr><th>Criteria</th><th>Discussion</th></tr>
<tr><td></td><td>for one hour before being agitated for 40 minutes. After agitation the samples were then transferred to crucibles and put back in the oven, they are then dissolved in 5ml Aqua Regia in test tubes for analysis with Atomic Absorption. The 703 Brigade Laboratory routinely re-assayed 10% of all assays. For high grade samples however up to 30% are repeated. Standards are also inserted into the sample stream. Analysis results are immediately checked and the standards graphed. If the standard values exceed the accepted limits the batch is re-assayed. Five percent of samples were also sent for external checks. In 185 umpire laboratory assay results some bias was observed as the Intertek mean grade was 1.24 g/t Au compared to a 1.10 g/t Au mean grade at 703 brigade laboratory.</td></tr>
<tr><td>Verification of sampling and assaying</td><td>• WISEMINETECH personal have visited the site four times. In August 2008, in August 2012, October 2013 and October 2018. Photos were taken of mineralised intercepts and the geology logs were compared to the physical core.
• Sampling and assaying procedures, sample storage, and data acquisition were also verified.
• Laboratory inspections were performed during each site visit.
• The site visit in 2018 encompassed all aspects of the mining, processing and laboratory facilities including verification of mineralisation in drill core.</td></tr>
<tr><td>Location of data points</td><td>• Drill collars locations where surveyed by DGPS. Downhole surveys for each drill hole were conducted every 50 m and at the bottom of the hole. Surveys were collected using a downhole camera shot.</td></tr>
<tr><td>Data spacing and distribution</td><td>• Different generations of drilling were conducted for each prospect. The average exploration grid density is shown below for each prospect.
<table>
<tr><td>Prospect</td><td>Exploration density</td></tr>
<tr><td>Mayituobi</td><td>40 x 40 m</td></tr>
<tr><td>Lion</td><td>100 x 100 m</td></tr>
<tr><td>Yelmand</td><td>50 x 50 m</td></tr>
<tr><td>Balake</td><td>50 x 50 m</td></tr>
<tr><td>Jinxi</td><td>50 x 50 and 25 x 25 m</td></tr>
<tr><td>Kuangou</td><td>50 x 50 and 100 x 100 m</td></tr>
<tr><td>Stockpile</td><td>20 x 20 m</td></tr>
</table>
• The different grid densities and varying confidence in the data, different parts of the prospects were classified measured, indicated or inferred. Only measured and indicated resource have the potential to be converted to reserves.
• Grade control drill spacing is 5 x 6m.
• Sample compositing was applied to all samples within the mineralised wireframes in preparation of geostatistical analysis.</td></tr>
<tr><td>Orientation of data in relation to geological structure</td><td>• A significant component of the mineralised sequence displays hypogene oxidation and is like a mineralised “blanket” that overlies both limestone and conglomerates. Holes have been drilled at varying angles form -50° – -90° depending on terrain and to achieve the best angle to intercept the mineralisation at near perpendicular. The is no sample bias related to the angle of drilling as the mineralisation is relatively flat lying and is modelled in 3D in order to ascertain true width.</td></tr>
<tr><td>Sample security</td><td>• The client’s senior geologists supervise each stage of the data collection process from drilling, logging to sampling and core photography. Samples are assayed in the laboratory on site.</td></tr>
<tr><td>Audits or reviews</td><td>• Four site visits have been performed by WISEMINETECH geologists.
• As part of the latest (2018) visit, results from mining and processing were compared to previously modelled data and found to be consistent.</td></tr>
</table>

3.2 *Section 2 - Reporting of Exploration Results*

Criteria	Discussion
Mineral tenement and land tenure status	• Mining licence C10000020120641101264 81 in Ili Prefecture of Xinjiang Uygur Autonomous Region in Western China, was issued to Jinchuan Mining and is valid from 27th of June 2012 until the 27th of June 2024. The mining licence covers 5.7235 square kilometres, incorporates all Ore Reserves, and permits mining of up to five million tonnes of ore per annum.
Exploration done by other parties	• Prior to 2003 when Jinchuan Mining gained ownership of the tenement, exploration activities on the site was conducted by other parties. • 1985-1987: “No.1 Party” (Regional Geological Survey Party of Xinjiang Geology & Mineral Resources Bureau) undertook regional geological mapping • 1991 to 1997: No.1 Party conducted a National 305 Project Office research project "Evaluation Study of Target Area Adjacent to the Existing Arxi Gold Mine" during 1991 to 1997, and found the Qabukanzhuota, Jinxi, Yelmand, and Arpindi prospects by digging and sampling a series of trenches. • 1996 – 2001: WMC conducted a stream sediment sampling program under a research agreement with the Xinjiang National 305 Project Office. Exploration diamond drilling occurred in 1999 with two holes in Balake, five holes in Jinxi and one hole in Yelmand. • 2000: At Jinxi the National 305 Geological Survey excavated further trenches and an adit was completed through one of the mineralised zones.
Geology	• The area is located within the Tulasi Basin; fault bounded Carboniferous sediments and volcanic rocks, juxtaposed with Proterozoic basement, and variably covered by transported Cenozoic loess. Significant gold mineralisation is generally associated with silicified and brecciated volcanic/sedimentary rocks. Studies confirmed that the gold mineralisation occurs as microscopic possibly colloidal gold along fractures of a brecciated, highly siliceous and weakly pyritic hydrothermal breccia host. Several phases of brecciation are apparent. The mineralised sequence is extensively hypogene oxidised
Drill hole Information	• Individual exploration drillhole results and downhole intercepts are available on request, but have not been included in this report because they constitute a very large volume of data and are not significant individually.
Data aggregation methods	• No top cuts were applied or were necessary for the MIK estimation method, which was used for the resource estimation. As a cross-check, grades were also estimated by IDW. High assay grades were truncated (top-cut) for the IDW grade estimation to 10g/t gold for all prospects except Kuangou, which was top-cut to 4.3g/t gold. Drillhole samples were composited (aggregated) to an equal length of one metre prior to grade estimation. The compositing process had no material effect on the grade distribution or result.
Relationship between mineralisation widths and intercept lengths	• The Mineralisation is relatively flat lying or follows the topography. Therefore the true width of mineralisation and the intercept lengths are very similar. All mineralised intercepts have been modelled in 3D to ascertain the true width of ore zones irrespective of intercept length, as a result drillhole geometry does not result in any bias.

Criteria	Discussion
Diagrams	 **Schematic W-E section, Jinxi and Balake (XGM, 2007).**
Balanced reporting	• Drilling results incorporated in this update do not include Exploration results.
Other substantive exploration data	• No known substantiative or material exploration data has been omitted.
Further work	• Mining operations are currently underway. • More drilling may be completed in future targeting additional resources at depth or extensions to known mineralisation.

3.3 *Section 3 - Estimation and Reporting of Mineral Resources*

Criteria	Discussion
Database integrity	• Geological logging is entered directly into laptop computers which are uploaded to the database. • Assays are loaded directly into the database from digital files provided by the assay laboratory. • The measures described above ensure that transcription or data entry errors are minimised. • Database validation was undertaken 2012 checking 5% of the assays in the database against original laboratory certificates. • No material issues were identified. • The database has internal validation processes which prevent invalid or unapproved records being stored.
Site visits	WISEMINETECH personal have visited the site four times. In August 2008, in August 2012, October 2013 and October 2018. • On all visits verification was made of the geology, mineralisation, drillhole collar locations and by comparing mineralised intercepts and the geology logs to the physical core. • Sampling and assaying procedures, sample storage, and data acquisition were also verified. • Laboratory inspections were performed during each site visit. • The site visit in 2018 encompassed all aspects of the mining, processing and laboratory facilities. • The CP is satisfied that the data received by WISEMINETECH are consistent with field and drill-core observations. • As a result, resources have been estimated and classified Measured, Indicated or Inferred.
Geological interpretation	The geological interpretation was based on lithological, assay, and geotechnical information. There is a high level of confidence in the geological model and it is supported by 725 drillholes and adits. The mineralisation was interpreted as sitting above a limestone dome throughout most of the deposit. The WISEMINETECH interpretation is also supported by a similar interpretation by the client's senior geologists. The geological continuity is affected by local and regional faults. Mineralisation is focused at the high points above elevated horsts of limestone, with steeply dipping post-mineralisation faults cutting the ore horizons with normal offsets (Hart, 2008). Mineralised envelopes were restricted by the geological domains and stopped at the boundaries where faults were interpreted to have offset mineralised units. The following rules were followed in relation to interpretation continuity: • Where mineralisation is present in one hole but not in the adjacent hole, the interpretation string was closed up to 50 metres but not exceeding half way between the drillholes. • Where mineralisation is present in a drillhole on the end of a section, the mineralisation was extended in the dip plane to a distance of up to 50 m depending on the thickness of the interpreted interval. However, where geological continuity could be interpreted from information on adjacent cross-sections, this was taken into account and the extension was increased to adjust for mineralisation on the adjacent cross-sections. • If a mineralised envelope terminated on a drill section, it was projected half way to the next section and terminated (typically 50 m).

Criteria	Discussion

Dimensions

Prospect	Extents		Depth Below Surface	
	Strike (m)	Plan Width (m)	Upper Limit (m)	Lower Limit (m)
Jinxi - Balake	1065.0	1175.0	0.0	310.3
Yelmand	1130.0	720.0	0.0	374.4
Kuangou	690.0	1020.0	34.4	222.7
Mayituobi	510.0	360.0	134.5	337.0
Lion	970.0	260.0	0.0	78.9

Estimation and modelling techniques

- Gold grades were interpolated into block models using Micromine software (version 14.0.2). Median Indicator Kriging (MIK) interpolation method was selected due to the strong positive correlation between local variability and local mean (i.e. the proportional effect). Median indicator semivariograms were selected as the most appropriate modelling tool for variography.
- MIK assess the probability of grades above certain cut-offs, so extreme grades are appropriately handled within the interpolation method. Therefore, no cutting or capping of high gold grades was required.
- Sample intervals were composited down the hole to ensure each sample had the same support when used for geostatistical analysis and grade interpolation. The dominant sample length of one metre was chosen.
- Model and sample composite files were flattened before performing geostatistical analysis and grade interpolation. At all deposits except for Mayatuobi, the structure of mineralisation generally follows a dome-like hanging wall of limestone
- Prospects were divided into separate groups – Lion and Mayituobi, Balake and Jinxi, Kuangou, and Yelmand. Geostatistical analysis was carried out separately for each group of wireframes.
- Five sets of semi semivariogram models were created.
- An empty block model was created within the closed wireframe models of gold mineralisation and coded accordingly. Block size ranges from half to three quarters of the drill spacing being 20m East.
- Gold grades were interpolated into parent cells only, with discretisation of 5x5x5 subdivisions north, east and RL.
- There are no additional by-products that could be expected from the deposit, so none were considered.
- No deleterious elements were estimated as there are none that will have a material effect on the deposit's potential for economic extraction.
- A spherical search ellipsoid was used to select the samples to be used in interpolating each block.
- The first interpolation run was set up to include at least three drillhole sections, and search radii were determined by considering the average distances between section lines so as to include relevant samples and exclude irrelevant samples.
- The block model was visually checked to ensure that all blocks were populated (no blank or empty grade values), that block grades were within the same range as the input sample grades (and no negative grade values were present), and that the appropriate blocks were populated during each of the three interpolation runs.
- Three methods were used to validate the MIK block model:
- The MIK global grade was compared to the raw sample grades in the wireframes.
- The MIK global grade was cross-checked against an inverse distance cubed model (IDW^3) global grade.
- The MIK model was checked locally in section to determine if the original sample grades were similar to the block model grades.

Criteria	Discussion
Moisture	• SG was measured in rocks with natural moisture levels. Analysis was not completed to determine the moisture levels of the Mineral Resource.
Cut-off parameters	• An economic cut-off grade was estimated to aid the selection of a Mineral Resource reporting grade. • Economic Cut-off Grade = Total Operating cost / (Recovery x Price) • WISEMINETECH selected a cutoff grade of 0.3 g/t gold to report resources having a reasonable prospect of eventual economic extraction.
Mining factors or assumptions	• As the mineralisation is close to the surface and open pit production has already commenced, the assumed mining method is open pit. • The Client has specified minimum mining dimensions of 2m for mineralisation and a maximum of 4m for internal waste. These dimensions were used when generating the grade composite that guided the interpretation of mineralisation.
Metallurgical factors or assumptions	• The processing facility has been operating since 2013 and has reached nameplate capacity of 5 Mtpa. Gold is recovered by heap leaching followed by carbon absorption. • During 2018, the recovery rate achieved was approximately 70% for ore primarily sourced from the Mayituobi and Yelmand pits. • Reconciliations to date indicate that the original heap leach test work based on bulk samples from each mining area provide a reasonable estimate of the average LOM recovery from heap leaching of around 67%. • The test work results were used to develop variable recoveries by block and grade which have been included in the block models for each deposit.
Environmental factors or assumptions	Observations from the 2018 site visit include the following: • Rehabilitation had commenced in areas where mining had been completed. • Stands of vegetation had been preserved. • Appropriate water management designs are in place to restrict the flow of sediment into nearby rivers. • Leach pads and processing facilities are operating in a closed system, with no discharging or leaking present. • Backfilling of pits with waste material. • Potential environmental issues are being appropriately managed.
Bulk density	• Specific gravity (SG) data was compiled using the water immersion method using whole pieces of exploration drill core. • The total dataset comprises 952 measurements from 160 drillholes, with 352 measurements falling inside ore wireframes. Samples have been collected of a wide variety of rock types and levels of oxidation. The spatial distribution of measurements is adequate to ensure representativeness of the samples. • The project does not contain ubiquitous voids, so they are not considered to have a material effect on the SG. The coefficient of variation for SG within mineralisation is 0.03 and this gives greater confidence in the uniformity of SG across different rock types.
Classification	• The classification strategy was designed to reflect the level of confidence in different areas of the model based on the inherent variability of measurements, the level of support provided by the data, and the expected continuity of mineralisation. Classifications were assigned to blocks based on criteria that considered the number of drillholes, number of assays and the distance from the block to the assays utilised in the interpolated block grade. The results were viewed in Micromine's Vizex environment and guided the creation of classification wireframes for each deposit. Classification wireframes were then adjusted based on drill hole density and the interpreted confidence in the geological and grade continuity of mineralisation in different parts of each orebody. • QA/QC issues identified with some batches of data are considered minor, given that data used to inform blocks classified as "Measured" comes from at least

Criteria	Discussion
	three different drilling campaigns, and these blocks were informed by an average of 41 sample points from six drillholes at an average distance of 44 meters. • Resources classified as Measured are in central, near-surface areas of mineralisation, which are structurally simple and occur as shallowly-dipping tabular zones that are 30-50m thick and continuous for hundreds of meters in length and width. • Portions of the resource classified as Measured are in regions where drillhole spacing is no greater than 25m x 50m • Semivariogram ranges of over 100m for major directional components suggest that the distances and number of points used to inform portions of the deposit are likely to give robust estimates, leaving *no reasonable doubt in the opinion of the Competent Person(s) that the tonnage and grade of the mineralisation* is *estimated to within close limits, and that any variation from the estimate would be unlikely to significantly affect potential economic viability*.
Audits or reviews	• WISEMINETECH is not aware of any audits or reviews that have been undertaken at the project.
Discussion of relative accuracy/ confidence	• Data from grade control drilling, mining and processing to date have been consistent with the resource model. • This provides a relatively high confidence in the continuity of the geological interpretation and the modelled grades and tonnages. • Within certain parts of the deposit, the drill spacing and grade continuity is sufficiently detailed to allow for a local estimation of the gold grades.

3.4 *Section 4(a) - Estimation and Reporting of Open Pit Ore Reserves*

<table>
<tr><th>Criteria</th><th>Discussion</th></tr>
<tr><td>Mineral Resource estimate for conversion to Ore Reserves</td><td>• WISEMINETECH used the Mineral Resource Estimate as the basis for the estimation of Ore Reserves
• The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves.</td></tr>
<tr><td>Site visits</td><td>• Mr Tony Cameron, the Competent person for Ore Reserves, visited the site in June 2013. During this visit, the CP was able to observe mining operations at Mayituobi and Yelmand pits, drilling operations at Jinxi-Balake, and the construction activities at the processing facility.
• Dr Matthew Godfrey visited the site in October 2018, documenting all mining and processing operations and collecting information from the Mining, Processing and Financial departments on site.</td></tr>
<tr><td>Study status</td><td>• Mining commenced at the Yelmand pit in July 2013.
• Crushing of ore commenced in August 2013, while stacking of ore commenced in October 2013, and the first gold pour occurred in November 2013.
• As at 31 December 2018, the open pit mines and processing plant have been operating for more than 5 years. Ore Reserves are based on actual operational data and forecasts of future costs and performance.</td></tr>
<tr><td>Mining factors or assumptions</td><td>• The Resources have been classified as Measured Indicated and Inferred. By definition, Reserves may not include Inferred Resources. Like Resources, Reserves, by definition, have two components; a quantity component (value) and a classification component (risk). The classification component of Reserves is based on the classification of the Resource.
• The quantity component of Resources is termed Gross Tons In Situ, (GTIS) and is the starting point in the derivation of Reserves. The process used to convert GTIS to Reserves is as follows;

<u>Step 1 the conversion of the GTIS, into MTIS</u>

Initially, GTIS is split into Resources that will be mined utilising surface mining techniques and Resources that are below the optimised shell for open pit mining. All Inferred Resources are excluded.

<u>Step 2 the conversion of MTIS into Reserves</u>

During this step appropriate factors are applied to the MTIS to obtain the Reserve. These factors include grade cut-offs (where appropriate), economic cut-offs (such as block volumes) and losses due to the mining method.
• The updated resource block model was imported into Whittle 4D along with the economic and physical parameters provided by the Company.
• The resultant optimised pit shells were then checked against the latest ultimate pit designs. As there were no material discrepancies, the ultimate pit designs were accepted by WISEMINETECH for use in updated the LOM schedules.</td></tr>
<tr><td>Cut-off parameters</td><td>• The base-case pit optimisation utilised a gold price of US $1,350/Oz, the cost forecasts based on historical production, and a 65% recovery rate, with other parameters as shown in the table below.
<table>
<tr><th>No.</th><th>Name</th><th>Unit</th><th>Quantity</th><th>Remarks</th></tr>
<tr><td>1</td><td>Cutoff grade</td><td>g/t</td><td>0.3</td><td>Based on price, dilution, recovery, and process cost.</td></tr>
<tr><td>2</td><td>Mining cost</td><td>USD per tonne rock</td><td>1.97</td><td>Company Forecast</td></tr>
<tr><td>3</td><td>Final slope angle (fresh rock)</td><td>°</td><td>45</td><td>Company Forecast</td></tr>
</table></td></tr>
</table>

Criteria	Discussion

4	Final slope angle (loess)	°	30	
5	Mining recovery	%	92	Revised WISEMINETECH
6	Dilution rate	%	8	Revised WISEMINETECH
7	Comprehensive dressing and smelting recovery	%	67	Company Forecast
8	Dressing and smelting cost	USD/t per mine	6.67	Company Forecast
9	Gold price	USD/g	43.5	(USD $1,350/Oz)
10	Discount rate	%	8	
11	Ore production	1,000t/a	5,000	

Metallurgical factors or assumptions

- The processing facility has been operating since 2013 and has reached nameplate capacity of 5 Mtpa. Gold is recovered by heap leaching followed by carbon absorption.
- During 2018, the average recovery rate achieved was approximately 70% for ore sourced primarily from the Mayituobi and Yelmand pits.
- The ore is divided into five rock categories:
  - Gold-bearing hydrothermal breccia (63%).
  - Gold-bearing tectonic breccia (19%).
  - Gold-bearing tuff and tuff breccia (11%).
  - Gold-bearing conglomerate and sandstone (2%).
  - Gold-bearing sand (5%).

All rock types listed above are encountered as both fresh and oxidised.

- Jinchuan Mining supplied the results of the Bulk Leach Extractable Gold (BLEG) analyses. A summary of the supplied data is given in the table below.

Samples	Number
Total:	1252
Including:	
Yelmand	460
Jinxi	324
Balake	106
Mayituobi	143
Kuangou	219

- BLEG results were interpolated into block models using ordinary kriging with an omnidirectional semivariogram model. The block model was utilised in the Pit Optimisation process.
  Estimated weighted average BLEG values were determined for the following:
  - Each deposit (potentially mined and unmined, i.e. within and outside of the optimal pit shell),
  - For all the material within the optimal pit, and
  - For all the material that will be processed
- Reconciliations to date indicate that the original heap leach test work based on bulk samples from each mining area as described above provide a reasonable estimate of the average LOM recovery from heap leaching of 5 Mtpa run of mine feed of approximately 67%.
  .

Environmental

Observations from the 2018 site visit include the following:

- Rehabilitation had commenced in areas where mining had been completed.

Criteria	Discussion
	• Stands of vegetation had been preserved. • Appropriate water management designs are in place to restrict the flow of sediment into nearby rivers. • Leach pads and processing facilities are operating in a closed system, with no discharging or leaking present. • Backfilling of pits with waste material. • Potential environmental issues are being appropriately managed. The environmental impact of the project has been assessed to Chinese national industry and planning standards for environmental conditions.

Infrastructure	• The existing mine infrastructure includes:
	• Transportation; The mine site can be accessed by road from the city of Yining. Roads are mostly unsealed and are used to transport production equipment and supplies to the mine. The construction of 24 km of sealed road is underway
	• Power supply; A 110kV power supply will be managed from Ili Zijin substation about 15km away and will supply power for the production and living areas. A diesel power station will also be established and equipped with 2 diesel generators both with a single capacity of 1,200kW as a secondary power supply.
	• Water; the project is estimated to have a monthly water consumption ranging from 63,300m3 to 214,000m3. There is a plan to dig wells on the banks of the upper Yelmand River catchment to supply the project and satisfy the increasing water demands.
	• Fuel; Hudiayuz Coal Mine is located 15Km south from the city of Yining. The coal is transported to the mine site by sealed and country roads.
	• The design scheme infrastructure includes:
	  • Production areas include; the open pits, waste dumps, crushing and screening facilities, heap leaching pad, gold recovery workshop and supporting facilities, explosives magazine, fuel station and other facilities.
	  • Auxiliary production facilities include: water resource & supply system, power supply system, heating system, warehouse and automobile maintenance workshop.
	  • Office and living facilities include: office buildings, dormitory and dining hall.
	  • The company has adopted a 330 day annual working schedule with 3 shifts per day of 8 hours each shift. Labour is being sourced locally and throughout China.

Criteria	Discussion
Costs	• Costs forecasts were provided by the Company financial team using actual cost data from between 2013 and 2018. • All mine operating costs were supplied by the Company and reviewed by mining engineering consultant Tony Cameron (CP. WISEMINETECH) who is of the opinion that costs are appropriate for the mining and processing methods, and are comparable to mines in China with similar orebody characteristics, and similar mining and processing methods. • Cost estimates assume no change in third-party contracting fees, no change loan interest rates, an increase in labour costs of 3% per annum and an increase in management costs of 5% per annum. Other variables that change year by year and affect the unit costs include ore grades, strip ratios and gold recovery rates which were derived from the Reserve model and mining schedule. • The gold price used in the derivations is USD $1,350 and is the price used in the financial estimates from 2013 – 2018 and going forward. The price is based on gold prices over the last five years and the investment community consensus. • All project costs are denominated in RMB and the vast majority of input materials are locally sourced, so exchange rates are not expected to have significant impact on costs. For inputs that may be imported (e.g. diesel), a forecast rising RMB will have the effect of reducing the cost of these goods. • Mining costs were estimated taking into account the amount of ore and waste stripped, the different costs of mining different materials, and the different hauling distances from each prospect. The distance from each pit to heap leaching plant 0.33km for Yelmand, 1.54km for Jinxi-Balake and 11.85km for Mayituobi (BGRIMM, 2011). • The operating cost for mining activities and supplies is based on an annual quantity of 5,000,000 tonnes of ore mined and processed through to the expected end of the life of mine (approximately 2029). • There is no sales tax applied to the gold produced prior to reaching the retailer. • In accordance to the Provisional Regulation of the People's Republic of China on Resources Tax and the Notification of the Ministry of Finance and State Administration of Taxation on Regulation of Resource Tax of Rock Gold, the Gold product extracted is taxed at 4% of sales price (approx. RMB ¥5.80/t or USD $0.85/t) of gold ore mined. • In accordance with Enterprise Income Tax Law of the People's Republic of China, enterprise income tax rate of the project is calculated as 25% and surplus accumulation fund is taken as per 10% of the profit excluding enterprise tax. • The company has applied for tax concessions that are expected to reduce its income tax from 25% to 15% commencing in 2019.
Revenue factors	• Head grade is based on the reserve estimate average grade (Au g/t) found in the Life of Mine Schedule. • The gold price used in the cash flow forecast is based on gold prices over the last five years, and the investment community consensus. • All project costs are denominated in RMB and the vast majority of input materials are locally sourced, so exchange rates are not expected to have significant impact on costs. For inputs that may be imported (e.g. diesel), a forecast rising RMB will have the effect of reducing the cost of these goods. • Future currency exchange rate changes can affect the revenue from sales of gold denominated in USD. • As all other material project costs are denominated in RMB, exchange rate sensitivity can be considered equivalent to USD gold price sensitivity. • Transportation and treatment charges were derived from contracts and invoices supplied by the client. WISEMINETECH is of the opinion that costs are considered appropriate for the current mining and processing methods, and are comparable to mines in China with similar orebody characteristics, and similar mining and processing methods. • Gold sludge is smelted into crude gold by a smelter at the mine site, with a purity of approximately 90%.

Criteria	Discussion
	• Refining costs are approximately 1RMB/g of gold.
Market assessment	• The Jinchuan Gold Deposit dressing & smelting project of Xinjiang Gold Mountain Mining Company Limited is designed as a 5 Mt per annum project. The product is refined gold which is an important strategic reserve and international foreign exchange reserve and freely traded. The project conforms to long-term national economic planning and can provide more, and better, job opportunities to the local community. In view of uncertainty analysis, the project features strong anti-risk capabilities with optimistic economic and social benefits (BGRIMM, 2011). • The decline in the gold price between 2013 and 2016 has reversed and forecast prices are now more stable. It is noted that there appears to be a unique balance in the gold market which sees demand from one sector compensating for declines. • As gold is not an industrial mineral WISEMINETECH believes that demand for gold is reflected in the gold price and that gold will continue to be marketable for longer than the projected life of this mine.
Economic	• The Reserve Estimate is based on a long-term average gold price of USD $1,350/oz. • The cashflow forecast utilised a discount rate of 10% and a sensitivity to major cost and revenue factors of ±10%. • Sensitivity analysis was conducted for key inputs. The project value is most sensitive to product price and recovery, less sensitive to operating costs, and insensitive to capital costs. • Risks due to the future price of gold could be reduced by forward selling gold, although this strategy has the drawback of limiting the potential upside in the event that the gold price rises.
• *Social*	• Social factors and impacts have been considered in evaluating the Reserves. • Jinchuan Mining has obtained temporary land use right certificates issued by the Land and Resources Bureau of Yining County. Both of the Land and Resources Bureau of Yining County and the Grassland Supervision of Yining County have issued undertakings to Jinchuan Mining to confirm that they will grant new temporary land use rights or renew existing temporary land use rights for Jinchuan Mining upon the application and completion of requisite legal procedures. • Jinchuan Mining has signed agreements with local village for temporary using the grassland and paid certain consideration according to relevant regulation.
• *Other*	• The Company has provided disclosure relating to the other compliance items in the prospectus in the section entitled “PRC Laws and Regulations”. • Since its establishment, Jinchuan Mining has not experienced material naturally occurring risks. • The potential for flood risk is mitigated by a flood control system designed to cope with 1 in 20 year event. Low levels of annual precipitation reduce the probability and potential impact of unusual rainfall events. Therefore, the impact on the project and/or on the estimation and classification of the ore reserves is insignificant. • Jinchuan Mining does not have any material legal agreements or marketing arrangements. • Jinchuan Mining currently holds a mining license issued by the Ministry of Land and Resources and also a gold mining permit issued by the Ministry of Industry and Information Technology for the Gold Mountain Mine. The area of the gold mining license covers the five prospects as Yelmand, Mayituobi, Jinxi-Balake, Lion and Kuangou. The PRC legal advisers have reviewed copies of the mining license and gold mining permit and are of the view that they are valid. For the land usage, Jinchuan Mining holds state-owned land use right certificates with an aggregate site area of approximately 174,170.91 m^2, which covers the major production facilities, office and dormitory. • Jinchuan Mining obtained temporary land use rights and temporary grassland use rights for four parcels of state-owned grassland with an aggregate site area of approximately 1,021,826 sq. m for mining and ancillary purpose. The permits from

Criteria	Discussion
	environmental protection authorities and work safety authorities necessary for current operation stage were all obtained. • As a result, at the time of this estimate, Jinchuan Mining holds all necessary government approvals and there is no material impact on the project and/or the estimation and classification of the ore reserves.
Classification	• The classification of the Ore Reserves into varying confidence categories is based on the Resource Estimation classifications of Measured and Indicated resources as well as factors in the reserve risk assessment. • The Competent Person believes the classification of the Mineral Resource and the subsequent conversion to Ore Reserve is appropriate. • Only Resources classified as Measured that fall within the final pit designs are classified as Proved Ore Reserves. Indicated Resources that fall within the final pit designs are classified as Probable Ore Reserves. There are no Probable Ore Reserves that have been derived from Measured Resources.
Audits or reviews	• The Ore Reserve estimate was peer reviewed internally and is in line with current industry standards. • WISEMINETECH is not aware of any external audits or reviews.
Discussion of relative accuracy/ confidence	• The input for many of the parameters used in the resource and reserve estimation was derived from five years of production data as well as the Basic Engineering and Design Study that is considerably more detailed than a Feasibility level study, hence confidence in the resulting figures is high. Mining operations to date provide confidence assumptions are accurate. • As of the date of this update (31 December 2018), reconciliation of mining and processing data shows good correlation with modelled grades and tonnages. In some areas mined grades were slightly higher than expected from the resource model, whereas in other areas mined grades were slightly lower, but within the expected range. Therefore there is a high degree of confidence in the Ore Reserve model.
Discussion of relative accuracy/ confidence	• The input for many of the parameters used in the resource and reserve estimation was based on projections derived from five years of production data as well as the Basic Engineering and Design Study, hence is more accurate than a Feasibility level study. Accordingly the CP has confidence the resulting figures are an accurate reflection of the current status of the mining operation. • As of the date of the report (December 2018), reconciliation of mining and processing data shows good correlation with modelled grades and tonnages. In some areas mined grades were slightly higher than expected from the resource model, whereas in other areas mined grades were slightly lower, but within the expected range. Therefore, on a global scale, there is a high degree of confidence in the Ore Reserve estimate.

3.5 *Section 4(b) - Estimation and Reporting of Underground Ore Reserves*

Criteria	Discussion
Mineral Resource estimate for conversion to Ore Reserves	• WISEMINETECH used the Mineral Resource Estimate as the basis for the estimation of Ore Reserves • The Measured and Indicated Mineral Resources are inclusive of those Mineral Resources modified to produce the Ore Reserves.
Site visits	• Mr Tony Cameron, the Competent person for Ore Reserves, visited the site in June 2013. During this visit, the CP was able to observe mining operations at Mayituobi and Yelmand pits, drilling operations at Jinxi-Balake, and the construction activities at the processing facility. • Dr Matthew Godfrey visited the site in October 2018, documenting all mining and processing operations and collecting information from the Mining, Processing and Financial departments on site.
Study status	• The open pit mine and processing plant have been operating for more than 5 years. • Five years of processing history was available as of December 2018. • Mining commenced in the Yelmand pit in July 2013 and is due to finish in Q1 2019. • Crushing of ore commenced in August 2013, stacking of ore commenced in October 2013, and the first gold pour occurred in November 2013. • The Beijing Institute General Research of Mining & Metallurgy (BGRIMM) completed a Feasibility study for underground mining of the Jinxi_Balake and Yelmand Resources that are outside the current open pit limits. WISEMINETECH has reviewed the BGRIMM Feasibility study and concluded that the underlying level of the BGRIMM study is commensurate to a Pre-Feasibility study.
Mining factors or assumptions	• The Resources have been classified as Measured Indicated and Inferred. By definition, Reserves may not include Inferred Resources. Like Resources, Reserves, by definition, have two components; a quantity component (value) and a classification component (risk). The classification component of Reserves is based on the classification of the Resource. • The quantity component of Resources is termed Gross Tons In Situ, (GTIS) and is the starting point in the derivation of Reserves. The process used to convert GTIS to Reserves is as follows; *Step 1 the conversion of the GTIS, into MTIS* Initially, GTIS is split into Resources that will be mined utilising open pit mining techniques and Resources that are below the ultimate pit shell and available for underground mining. All Inferred Resources are excluded. *Step 2 the conversion of MTIS into Reserves* During this step appropriate factors are applied to the MTIS to obtain the Reserve. These factors include grade cut-offs, economic cut-offs, as well as losses and dilution due to the mining method. • The resource block model was imported into Mineable Shape Optimiser (MSO) • The parameters used to create the stope shapes were:

No.	Item	Detail
1	Ore Source	Measured and Indicated Resources only
2	Level Interval	40 m
3	Strike Length	Variable
4	Minimum Mining Width	2 m

Criteria	Discussion

5	Minimum Dip	50 degrees
6	Minimum Waste Pillar	5 m

- Dilution includes planned dilution, fill dilution, footwall dilution, and hangingwall dilution. Planned dilution is included in the MSO stope shapes and allowances were made for fill dilution, footwall dilution and hangingwall dilution based on the current understanding of geotechnical conditions.
- The resultant MSO stope shapes were then checked against the Resource model and the stope designs developed by BGRIMM.
- Detailed design work, including scheduling and cost modelling was undertaken by BGRIMM for sub-level open stoping utilising 40 m development level spacing and 20 m strike length.
- The underground mining is split into a north (Yelmand) and south (Jinxi-Balake) mine.
- Both mining areas will be accessed by declines and mined using sub-level open stopes (SLOS)

Cut-off parameters

- The breakeven cut-off grade has been calculated using the BGRIMM Feasibility study costs for mining and actual costs for processing, and G&A.

No.	Name	Unit	Quantity	Remarks
1	Cut-off grade	g/t	0.7	Based on price, dilution, recovery, and process cost.
2	Mining cost	USD per tonne rock	1.97	From Opex chapter
3	Mining recovery	%	95	Revised WISEMINETECH
4	Dilution rate	%	15	Revised WISEMINETECH
5	Dilution Grade	g/t	0.55	Revised WISEMINETECH
6	Comprehensive dressing and smelting recovery	%	67	Derived from Actual results to date.
7	Dressing and smelting cost	USD/t ore	6.67	Derived from Actual Cost data.
8	Gold price	USD/g	40.18	(USD 1,250/oz)
9	Discount rate	%	8	
10	Ore production	t/a	1,100,000	

Metallurgical factors or assumptions

- The processing facility has been operating since 2013 and has reached nameplate capacity of 5 Mtpa. Gold is recovered by heap leaching followed by carbon absorption.
- During 2018, the recovery rate achieved was approximately 70% for ore primarily sourced from the Mayituobi and Yelmand pits.
- The ore is divided into five rock categories:
  - Gold-bearing hydrothermal breccia (63%).
  - Gold-bearing tectonic breccia (19%).
  - Gold-bearing tuff and tuff breccia (11%).
  - Gold-bearing conglomerate and sandstone (2%).

Criteria	Discussion
	– Gold-bearing sand (5%). All rock types listed above are encountered as both fresh and oxidised. • Jinchuan Mining supplied the results of the Bulk Leach Extractable Gold (BLEG) analyses. A summary of the supplied data is given in the table below. Samples / Number Total: 1252 Including: Yelmand 460 Jinxi 324 Balake 106 Mayituobi 143 Kuangou 219 • BLEG results were interpolated into block models using ordinary kriging with an omnidirectional semivariogram model. The block model was utilised in the Pit Optimisation process. Estimated weighted average BLEG values were determined for the following: • Each deposit (potentially mined and unmined, i.e. within and outside of the optimal pit shell), • For all the material within the optimal pit, and • For all the material that will be processed • Reconciliations to date indicate that the original heap leach test work based on bulk samples from each mining area as described above provide a reasonable estimate of the average LOM recovery from processing 5 Mtpa of run of mine feed containing up to 1.1 Mtpa from underground mining sources of approximately 67%.
Environmental	Observations from the 2018 site visit include the following: • Rehabilitation had commenced in areas where mining had been completed. • Stands of vegetation had been preserved. • Appropriate water management designs are in place to restrict the flow of sediment into nearby rivers. • Leach pads and processing facilities are operating in a closed system, with no discharging or leaking present. • Backfilling of pits with waste material. • Potential environmental issues are being appropriately managed. The environmental impact of the project has been assessed to Chinese national industry and planning standards for environmental conditions.
Infrastructure	• The existing mine infrastructure includes: • Transportation; The mine site can be accessed by road from the city of Yining. Roads are mostly unsealed and are used to transport production equipment and supplies to the mine. The construction of 24 km of sealed road is underway • Power supply; A 110kV power supply will be managed from Ili Zijin substation about 15km away and will supply power for the production and living areas. A diesel power station will also be established and equipped with 2 diesel generators both with a single capacity of 1,200kW as a secondary power supply. • Water; the project is estimated to have a monthly water consumption ranging from 63,300m3 to 214,000m3. There is a plan to dig wells on the banks of the upper Yelmand River catchment to supply the project and satisfy the increasing water demands. • Fuel; Hudiayuz Coal Mine is located 15Km south from the city of Yining. The coal is transported to the mine site by sealed and country roads. • The design scheme infrastructure includes: • Production areas include; the open pits, underground portals, waste dumps,

Criteria	Discussion
	crushing and screening facilities, heap leaching pad, gold recovery workshop and supporting facilities, explosives magazine, fuel station and other facilities. • Auxiliary production facilities include: water resource & supply system, power supply system, heating system, warehouse and automobile maintenance workshop. • Office and living facilities include: office buildings, dormitory and dining hall. • The company has adopted a 330 day annual working schedule with 3 shifts per day of 8 hours each shift. Labour is being sourced locally and throughout China.

Criteria	Discussion
Costs	• The feasibility study undertaken by the Beijing Institute General Research of Mining & Metallurgy (BGRIMM) in 2019 provided the baseline for underground mining cost estimates. Processing and other general costs have been provided by the Jinshan financial team using actual cost data from the open pit operations from 2013 to date. • All operating costs supplied by the Company were reviewed by mining engineering consultant Tony Cameron (CP. WISEMINETECH) who is of the opinion that costs are appropriate for the mining and processing methods, and are comparable to mines in China with similar orebody characteristics, and similar mining and processing methods. • Cost estimates assume no change in third-party contracting fees, no change to loan interest rates, an increase in labour costs of 3% per annum and an increase in management costs of 5% per annum. Other variables that change year by year and affect the unit costs include ore grades, strip ratios and gold recovery rates which were derived from the Reserve model and mining schedule. • The gold price used in the economic analysis is USD $1,250 and is the price used in the financial estimates from 2019 – 2023 and going forward. The price is based on the gold price average over the last five years and the investment community consensus. • All project costs are denominated in RMB and the vast majority of input materials are locally sourced, so exchange rates are not expected to have significant impact on costs. • There is no sales tax applied to the gold produced prior to reaching the retailer. • In accordance to the Provisional Regulation of the People's Republic of China on Resources Tax and the Notification of the Ministry of Finance and State Administration of Taxation on Regulation of Resource Tax of Rock Gold, the Gold product extracted is taxed at 4% of sales price (approx. RMB ¥5.80/t or USD $0.85/t) of gold ore mined. • In accordance with Enterprise Income Tax Law of the People's Republic of China, enterprise income tax rate of the project is calculated as 25% and surplus accumulation fund is taken as per 10% of the profit excluding enterprise tax. • The company has applied for tax concessions that are expected to reduce its income tax from 25% to 15% commencing in 2019.
Revenue factors	• Head grade is based on the reserve estimate average grade (Au g/t) found in the Life of Mine Schedule. • The gold price of USD1,250/oz used in the cash flow forecast is based on gold prices over the last five years, and the investment community consensus. • All project costs are denominated in RMB and the vast majority of input materials are locally sourced, so exchange rates are not expected to have significant impact on costs. For inputs that may be imported (e.g. diesel), a forecast rising RMB will have the effect of reducing the cost of these goods. • Future currency exchange rate changes can affect the revenue from sales of gold denominated in USD. • As all other material project costs are denominated in RMB, exchange rate sensitivity can be considered equivalent to USD gold price sensitivity. • Transportation and treatment charges were derived from contracts and invoices supplied by the client. WISEMINETECH is of the opinion that costs are considered appropriate for the current mining and processing methods, and are comparable to mines in China with similar orebody characteristics, and similar mining and processing methods. • Gold sludge is smelted into crude gold by a smelter at the mine site, with a purity of approximately 90%. • Refining costs are approximately 1RMB/g of gold.
Market assessment	• The Jinchuan Gold Deposit dressing & smelting project of Xinjiang Gold Mountain Mining Company Limited has been operating as a 5 Mt per annum open pit mining and processing for 5 years. The product is refined gold which is an important

Criteria	Discussion
	strategic reserve and international foreign exchange reserve and freely traded. • The decline in the gold price between 2013 and 2016 has reversed and forecast prices are now more stable. It is noted that there appears to be a unique balance in the gold market which sees demand from one sector compensating for declines. • As gold is not an industrial mineral WISEMINETECH believes that demand for gold is reflected in the gold price and that gold will continue to be marketable for longer than the projected life of this mine.
Economic	• The Reserve Estimate is based on a long-term average gold price of USD $1,250/oz. • The cashflow forecast utilised a discount rate of 10% and a sensitivity to major cost and revenue factors of ±10%. • Sensitivity analysis was conducted for key inputs. The project value is most sensitive to product price and recovery, less sensitive to operating costs, and insensitive to capital costs. • Risks due to the future price of gold could be reduced by forward selling gold, although this strategy has the drawback of limiting the potential upside in the event that the gold price rises.
• *Social*	• Social factors and impacts have been considered in evaluating the Reserves. • Jinchuan Mining has obtained temporary land use right certificates issued by the Land and Resources Bureau of Yining County. Both of the Land and Resources Bureau of Yining County and the Grassland Supervision of Yining County have issued undertakings to Jinchuan Mining to confirm that they will grant new temporary land use rights or renew existing temporary land use rights for Jinchuan Mining upon the application and completion of requisite legal procedures. • Jinchuan Mining has signed agreements with local village for temporary using the grassland and paid certain consideration according to relevant regulation.
• *Other*	• The Company has provided disclosure relating to the other compliance items in the prospectus in the section entitled “PRC Laws and Regulations”. • Since its establishment, Jinchuan Mining has not experienced material naturally occurring risks. • The potential for flood risk is mitigated by a flood control system designed to cope with 1 in 20 year event. Low levels of annual precipitation reduce the probability and potential impact of unusual rainfall events. Therefore, the impact on the project and/or on the estimation and classification of the ore reserves is insignificant. • Jinchuan Mining does not have any material legal agreements or marketing arrangements. • Jinchuan Mining currently holds a mining license issued by the Ministry of Land and Resources and also a gold mining permit issued by the Ministry of Industry and Information Technology for the Gold Mountain Mine. The area of the gold mining license covers the five prospects as Yelmand, Mayituobi, Jinxi-Balake, Lion and Kuangou. The PRC legal advisers have reviewed copies of the mining license and gold mining permit and are of the view that they are valid. For the land usage, Jinchuan Mining holds state-owned land use right certificates with an aggregate site area of approximately 174,170.91 m^2, which covers the major production facilities, office and dormitory. • Jinchuan Mining obtained temporary land use rights and temporary grassland use rights for four parcels of state-owned grassland with an aggregate site area of approximately 1,021,826 sq. m for mining and ancillary purpose. The permits from environmental protection authorities and work safety authorities necessary for current operation stage were all obtained. • As a result, at the time of this estimate, Jinchuan Mining holds all necessary government approvals and there is no material impact on the project and/or the estimation and classification of the ore reserves.

Criteria	Discussion
Classification	• The classification of the Ore Reserves into varying confidence categories is based on the Resource Estimation classifications of Measured and Indicated resources as well as factors in the reserve risk assessment. • The Competent Person believes the classification of the Mineral Resource and the subsequent conversion to Ore Reserve is appropriate. • At this point in time, all Resources classified as Measured and Indicated that fall within the underground stope designs are classified as Probable Ore Reserves.
Audits or reviews	• The Ore Reserve estimate is based on a review of the BGRIMM underground mining Feasibility study and was peer reviewed internally and is in line with current industry standards. • WISEMINETECH is not aware of any external audits or reviews.
Discussion of relative accuracy/ confidence	• The input for many of the parameters used in the resource and reserve estimation was derived from five years of production data as well as the Basic Engineering and Design Study that is considerably more detailed than a Feasibility level study, hence confidence in the resulting figures is high. Mining operations to date provide confidence assumptions are accurate. • As of the date of this update (31 December 2018), reconciliation of mining and processing data shows good correlation with modelled grades and tonnages. In some areas mined grades were slightly higher than expected from the resource model, whereas in other areas mined grades were slightly lower, but within the expected range. Therefore there is a high degree of confidence in the Ore Reserve model.
Discussion of relative accuracy/ confidence	• The input for many of the parameters used in the resource and reserve estimation was based on projections derived from five years of production data as well as the Basic Engineering and Design Study, hence is more accurate than a Feasibility level study. Accordingly the CP has confidence the resulting figures are an accurate reflection of the current status of the mining operation. • As of the date of the report (December 2018), reconciliation of mining and processing data shows good correlation with modelled grades and tonnages. In some areas mined grades were slightly higher than expected from the resource model, whereas in other areas mined grades were slightly lower, but within the expected range. Therefore, on a global scale, there is a high degree of confidence in the Ore Reserve estimate.