

CANUCK GOLD MINING DEVELOPMENT
AND
GOLD PROCESSING

FEASIBILITY STUDY REPORT

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FOR: CANUCK COMPANY LIMITED

EXECUTIVE SUMMARY

M/s Canuck Company Limited (CCL) is a private owned company with certificate of registration No. 140878979 incorporated on 24th January 2020, under the Companies Act, 2002, of the Laws of Tanzania. The company head office is located at Girl Guides Building, 1st Floor, Tower B, Plot No. 1088, Kibasila Street, Upanga, PO Box 7323, Dar es Salaam - Tanzania. The objectives of the company amongst others include to carry out exploration and gold mine development in the country. The company owns a Prospecting License (PL) No. PL11016/2017 with an estimated area of 16.50 square kilometres. The proposed Mining License area, which is within the PL11016/2017, covers an area of 0.7832 square kilometres.

Canuck Gold Project (CGP) is located approximately 3km west of Isaka town, within Kahama District, in Shinyanga Region. (Figure 1).

The tenement is transected by the Shinyanga – Tinde – Kahama (B6) tarmac road and the Central Railway Line.

The proposed project is estimated to cost USD1,360,000 of which USD280,000 is license acquisition and licensing, USD730,000 is for Plant and equipment. Land and buildings costs USD 130,000, working capital USD 200,000 and office equipment USD 20,000. The financing of the project will be through equity funds from the project promoter (73.5%) and a (26.5%) term loan from financial institutions. The proposed financing structure of the project will be as follows:

The security against the requested loan is the stamp mill crushers on PL11016/2017 at Maguhumwa village, Isaka Area in Shinyanga region. The promoter is currently processing a Mining License whose tenancy is expected to be of at least ten (10) years once secured. Estimated gold reserve for this mine is 108,833.74 ounces at an average grade of 9.25g/t. Mineable reserve is estimated to be 70% of the total reserve which is 76,183.62 ounces. Considering the metallurgical properties of the ore and ability of VAT leaching technology to extract gold, 65% of that gold in ore can be recovered. The total gold to be extracted is estimated to be 49,519 ounces whose value at U\$1,200 per ounce is estimated to be USD49.5 million.

M/s Canuck Company Limited has acquired the project from Pamoja Mining Company Limited (PMCL). Before acquisition, PMCL has successfully carried out Environmental Impact Assessment (EIA), Social Impact Assessment (SIA), Relocation Action Plan (RAP) and Mining Planning Studies.

The Company targets gold market in South Africa, Dubai, Mauritius and Europe. Sales arrangement will include M/s CCL signing sales contracts with reputable buyers to sell its gold on a regular basis. The company will stockpile gold at its premise. Once the target quantity is reached as agreed by the buyer, the buyer will test the purity of gold and immediately pay for the consignment. The payment shall be made by transferring the funds to M/s CCL bank account prior to shipment of the bullions out of the mine. To this end, M/s CCL will neither be involved in the actual transportation of gold from the mine to the buyer nor bear costs associated with transport.

The project financial analysis shows that the project is a viable undertaking. Financial indicators for the project, Internal Rate of Return (IRR) is 90%, the discounted payback period is 4 years while NPV at 10% is USD 9,769,891. This implies that, the project is technically sound, financially viable and economically feasible thus worth financing.

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INTRODUCTION

1.1 INVESTMENT ENVIRONMENT

Tanzania is an emerging economy with high growth potential. Whilst the economy is relatively diversified, a number of opportunities remain untapped. In an attempt to make Tanzania a preferred destination for Foreign Direct Investment (FDI), continuous improvements towards the creation of an enabling environment have been made.

The gold price, greater than USD 1,300 per ounce, over the last three years and demand for the gold metal has prompted many gold mining companies and prospectors worldwide to reassess their prospective properties. Projects which were not attractive in the past due to low gold grades and/or price now require re-appraisal with the view of whether profitable ventures may be facilitated. The mentioned reasons have prompted Canuck Company Limited (CCL) deciding to develop Canuck Gold Project (CGP). The company's intention is to generate profits for the shareholders and wellbeing of communities surrounding the project area. Additional revenue will be injected into the government through payment of royalty, corporate taxes, service levy, import duties and other taxes resulting from various business transactions. Based on the identified resources, CCL aims to establish a mine operation that will process 36,000 tonnes of ore per year.

For Tanzania, with the continued discoveries of small and medium gold deposits in various parts of the country and the growth of organized small miners, the mining industry stands at a more growth potential. In addition, the projected increase in gold price due to increase in gold demand from the Central Banks and BRICS countries i.e. Brazil, Russia, India and China will enable the sector contribute even more to the GDP as well as improving people's lives in the sector. It is in these grounds that M/s CCL is desirous to establish vat leaching and later a CIP Plant for gold ore processing.

1.2 OBJECTIVES OF THE PROJECT

The aim of the project promoter therefore is to develop an underground gold mine, install modern vat leaching plant and later a CIP plant for gold ore processing at Maguhung'wa village, Mwakata ward, in Kahama District, Shinyanga Region. Specifically, the objectives of the company are to:

- i) Mobilize funds from its shareholders and financial institutions
- ii) Develop an underground mine
- iii) Develop a modern VAT leaching plant and later purchase and install a CIP Plant at the site; and
- iv) Operate the Plant and repay the loan to the financial institution(s) as per the agreed terms and conditions.

1.2.1 PROJECT PROMOTER

2.2.1.1 Background

The promoter of the proposed project is M/s Canuck Company Limited (CCL). The promoter is a private owned company with certificate of registration No. 140878979 incorporated on 24th January 2020, under the Companies Act, 2002, of the Laws of Tanzania. The company head office is located at Girl Guides Building, 1st Floor, Tower B, Plot No. 1088, Kibasila Street, Upanga, PO Box 7323, Dar es Salaam - Tanzania. Authorised share capital of the company at the time of registration was TZS 1,000,000,000 divided into 1,000 shares of TZS 1,000,000 each. The project is wholly owned by M/s Canuck Company Limited.

2.2.1.2 Credit Relationship

Currently, M/s Canuck Company Limited is free from any financial encumbrances. Similarly, the company directors for the company have good understanding of credit management thus assure promising loan servicing.

2 PROJECT DEVELOPMENT AND ANALYSIS

2.1 DEVELOPMENT

The project will be implemented in three phases namely Construction, Operation and Decommissioning.

2.1.1 CONSTRUCTION

The construction phase has components like Building and Civil Works; Installation of Machinery and Equipment; Acquisition of Office Equipment, Furniture and installation of infrastructure for Utilities like water and electricity.

2.1.2 OPERATION

The operation phase includes drilling, blasting, hoisting and production of gold from the ore rock.

2.1.3 DECOMMISSION

The decommission phase includes closure of the plant, dismantling of the equipment and rehabilitation of the land to nearly its original status.

2.1.4 EXISTING DEVELOPMENT

The proposed site for development has residential houses for villagers, a Tinde to Kahama tarmac road and mine encroachers. M/s CCL commissioned a consultant to carry out Social Impact Assessment (SIA) and Resettlement Action Plan (RAP). This assignment, at the site level, has been completed. A final report is expected by March 2020. M/s CCL has successfully carried out geological, structural, resource and metallurgical studies at the cost in excess of USD500,000. The company expects to spend about 150,000 US for compensation and resettlement.

2.2 PROJECT PLOT DESCRIPTION

2.2.1 LOCATION AND SIZE

The CGP is within PL11016/2017 which is located at Mwaguhung'wa village, Mwakata Ward, approximately 3km west of Isaka township, within Kahama District, in Shinyanga Region, in the Lake Victoria Goldfields of Tanzania (Figure Table 1).

The tenement is transected by the Shinyanga – Tinde – Kahama (B6) tarmac road and the central railway line.

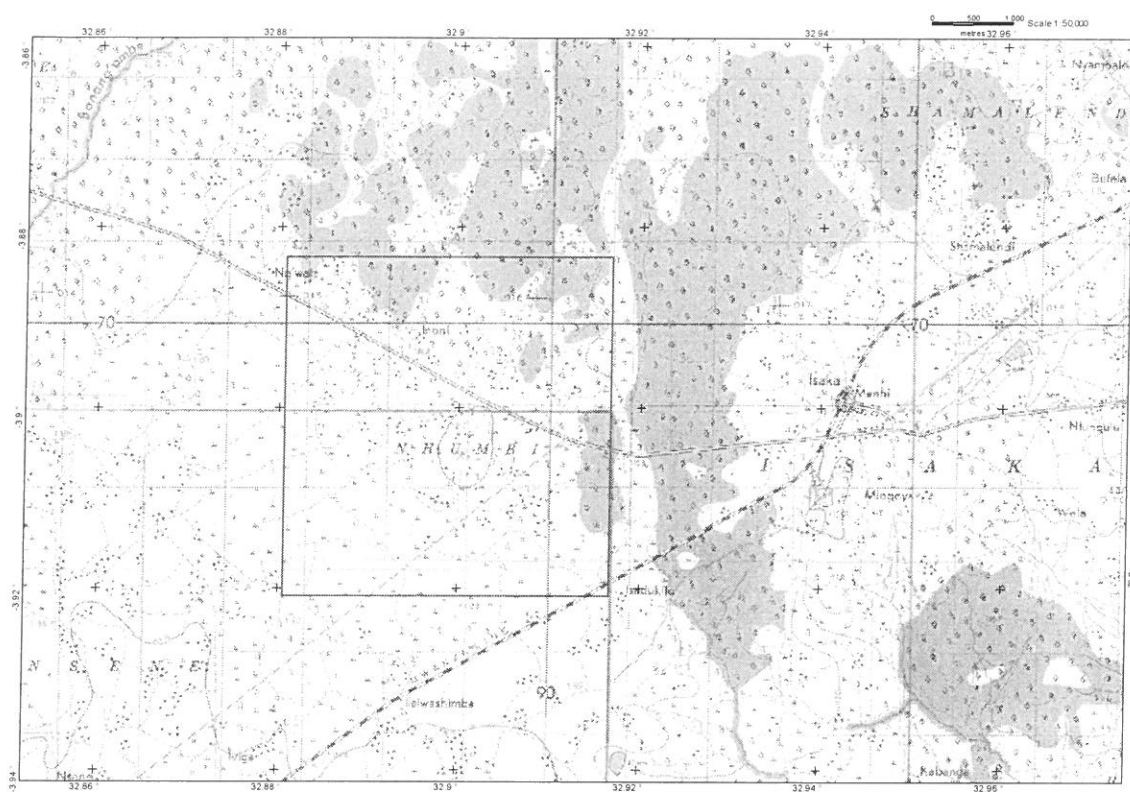


Figure 1: PL11016/2017 Canuck Prospecting License Location.

Table 1: PL11016/2017 Corner Coordinates

Corner	Latitude	Longitude
1	- 03 deg. 53 min. 0.00 sec.	32 deg. 55 min. 0.00 sec.
2	- 03 deg. 55 min. 15.00 sec.	32 deg. 55 min. 0.00 sec.
3	- 03 deg. 55 min. 15.00 sec.	32 deg. 52 min. 50.00 sec.
4	- 03 deg. 53 min. 0.00 sec.	32 deg. 52 min. 50.00 sec.
With an exclusion of the valid licences defined by lines of latitude and longitude having the following corner coordinates (Arc 1960)		
1	- 03 deg. 54 min. 14.00 sec.	32 deg. 54 min. 2.00 sec.
2	- 03 deg. 54 min. 35.00 sec.	32 deg. 54 min. 2.00 sec.
3	- 03 deg. 54 min. 35.00 sec.	32 deg. 54 min. 7.00 sec.
4	- 03 deg. 54 min. 14.00 sec.	32 deg. 54 min. 7.00 sec.
1	- 03 deg. 54 min. 37.00 sec.	32 deg. 53 min. 57.00 sec.
2	- 03 deg. 54 min. 31.00 sec.	32 deg. 53 min. 57.00 sec.
3	- 03 deg. 54 min. 31.00 sec.	32 deg. 53 min. 56.00 sec.
4	- 03 deg. 54 min. 37.00 sec.	32 deg. 53 min. 56.00 sec.
1	- 03 deg. 54 min. 32.60 sec.	32 deg. 53 min. 55.80 sec.
2	- 03 deg. 54 min. 29.50 sec.	32 deg. 53 min. 56.10 sec.
3	- 03 deg. 54 min. 28.50 sec.	32 deg. 53 min. 52.50 sec.
4	- 03 deg. 54 min. 32.60 sec.	32 deg. 53 min. 52.60 sec.

The Canuck Prospecting license, PL 11016/2017, was first granted to Rift Valley Resources on 11th January 2017 pursuant to Section 31 of the Mining Act 2010. The license was first transferred to Pamoja Mining Company Limited on 6th February 2019, before being transferred to Canuck Company Limited on 10th March 2020.

Prospecting License PL 11016/2017 area covers an area of 16.5 square kilometres, while the proposed Mining License is only 0.7832 square kilometres. The proposed Canuck Gold Mining License has 12 corner boundaries (Table 2 & Figure 2), and borders with two Primary Mining Licenses (PMLs).

Table 2: Proposed Canuck Gold Mine Mining License Coordinates

CORNER ID	Arc 1960 Latitude	Arc 1960 Longitude
A	-03°54'10.947"	32°53'41.065"
B	-03°54'15.998"	32°53'54.999"
C	-03°53'36.599"	32°54'09.000"
D	-03°53'36.599"	32°54'20.002"
E	-03°54'14.000"	32°54'06.999"
F	-03°54'14.031"	32°54'02.849"
G	-03°54'38.388"	32°54'02.406"
H	-03°54'38.498"	32°53'57.001"
I	-03°54'29.775"	32°53'58.119"
J	-03°54'28.960"	32°53'52.770"
K	-03°54'35.398"	32°53'51.201"
L	-03°54'33.324"	32°53'41.684"

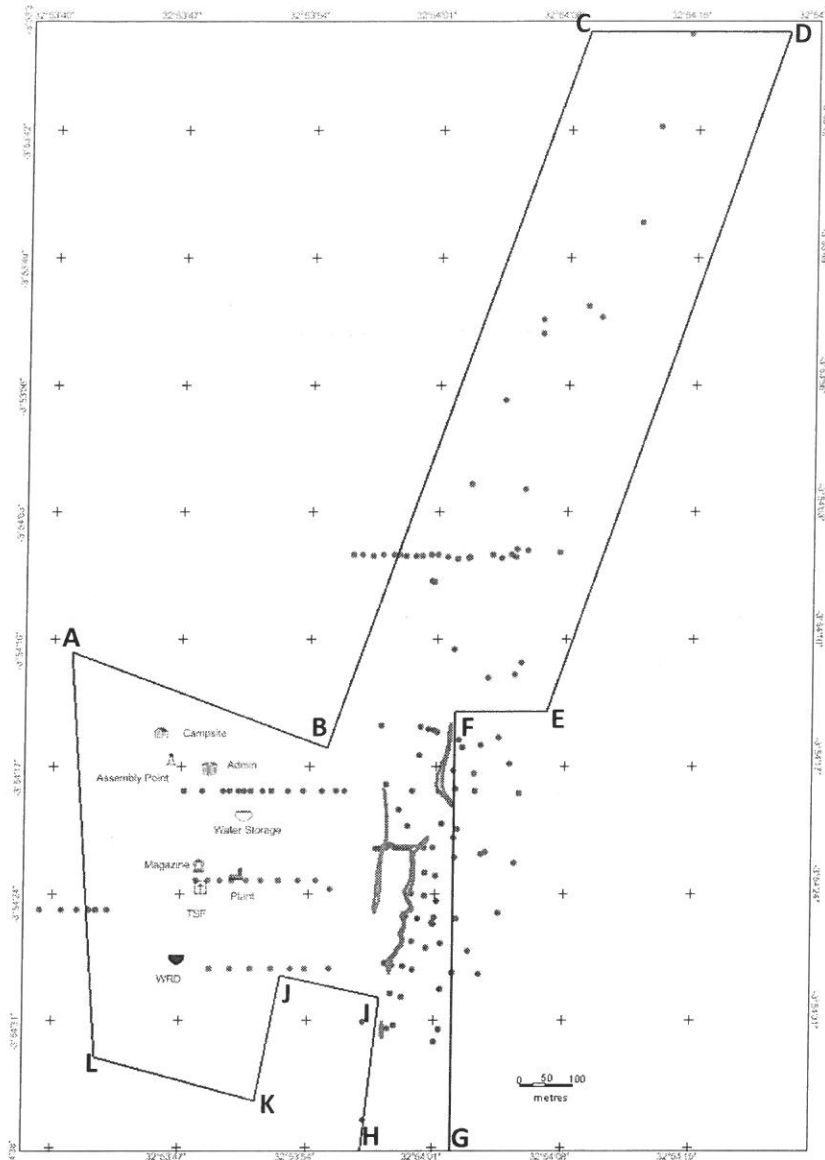


Figure 2: Proposed Mining Licence boundaries of the Gold Mine project

2.2.2 SUPPORTIVE INFRASTRUCTURE

Canuck Gold Project is well connected. The Tinde to Kahama tarmac road transects the project. The project is about 3 kilometers from the Isaka railway station. The Lake Victoria water pipe passes about 4 kilometers from the project area. The TANESCO main powerline transects the project. Communication on site is through mobile phones which work well. The available communication within and around the project area includes Airtel, Vodacom, TTCL, tiGo and Halotel.

The Company plans to construct a campsite on the southern part of the proposed Mining License. The camp is expected to accommodate 25% of the staff, mainly those with supervisory roles. The rest will be accommodated at Isaka, a nearby township.

2.2.3 OWNERSHIP AND TENANCY

Following the PL 11016/2017 transfer from Pamoja Mining Company Limited to M/s Canuck Company Limited, the later, currently has 100% ownership.

3 TECHNICAL ANALYSIS

Technical analysis work includes geological studies, exploration programs and resource calculations.

3.1 GEOLOGY AND GOLD MINERALIZATION

The geology of the Canuck Gold Project comprises of Banded Iron Formation (BIF) and ferruginous banded chert intercalated with sandstone. Generally, the Iron Formation strikes 020° with variable dip and dip direction. Mafic volcanic (basalt and mafic schist) are the dominant rocks in the subsurface with the mafic volcanic rocks being weakly to moderately foliated while the Mafic schist is more strongly foliated. A moderate, muscovite alteration is observed in all rock units, while silicification occurs in zones as silica flooding. The intensity of alteration and foliation increases significantly in zones of quartz veining.

Gold occurs both within strata bound host rocks and in cross cutting veins. The ore body is defined as a near vertical quartz vein within the mixed silicate and oxide facies BIF striking N20E. The mineralization is composed of auriferous quartz and oxidized sulphides to a depth of 65 m. The main shoot at 90m depth has a width of up to 4m and grades 13 to 15g/t Au. Other quartz veins occur along the BIF contact and range in thickness up to 2.4 m with grades of up to 5.1 g/t Au.

Historical records show that the Canuck Mine operated from 1946 to 1953, when it treated some 34,100 tonnes of oxide ore yielding an average grade of 5.8g/t of gold (UNDP report, 1987).

The CGP is situated on a splay of Golden pride/Buzwagi regional shear structure (Figure 3). While this regional structural break strikes NW - SE, the Canuck splay strikes nearly N-S. The shear runs subparallel to the BIF lithologies described above.

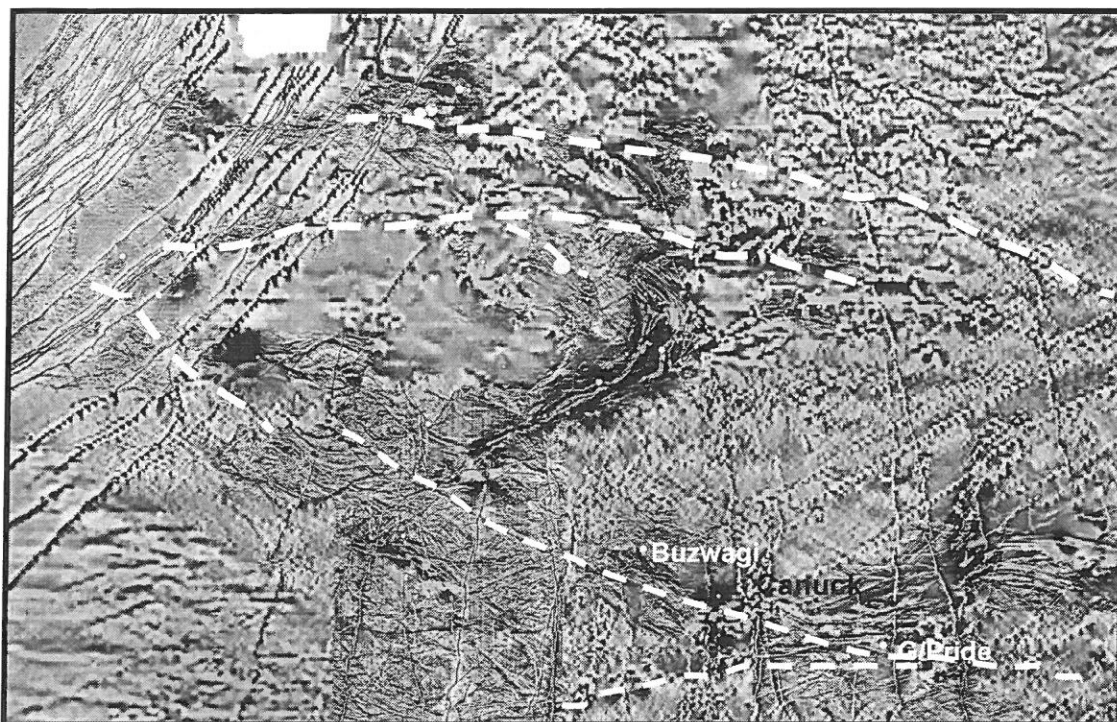


Figure 3: Canuck Regional Structural Setting

3.2 EXPLORATION PROGRAMS

Exploration in and around the Canuck area dated back to the British colonial period and has continued up to the present.

3.2.1 HISTORICAL EXPOLRATION PROGRAMS

In the late 1930s the Geological Survey of Tanzania conducted regional geological mapping program in the area (Grantham et al 1939). However, it was not until 1944 during the construction of a road, that workers panning gravel from the dumps excavated for the road surfacing, discovered gold at Canuck.

Shortly after this discovery, in 1946, John Baker and Thompson of the Canadian Exploration (Tanganyika) Ltd developed and operated the Canuck Mine, until 1953.

From 1953 to 1979 the area was only subject to sporadic exploration. From 1979 to 1980, Geo Survey International carried out a helicopter borne EM survey over the entire Nzega Greenstone Belt, which highlighted several target areas. Later, several explorations programs were conducted, including detailed magnetic and electromagnetic surveys, trenching and geochemical sampling over a strike length of 500 meters. These programs, later were further followed up between 1984 and 1987 by UNDP in joint venture with Tanzania Government (Ministry of Energy and Minerals) with a more integrated exploration program involving geological mapping, trenching, geochemical sampling, rock sampling, ground magnetic and electromagnetic, Induced Polarization (IP) and Self Potential (SP).

Based on the results of geophysical surveys and grab sampling of the mine excavations, the UNDP conducted a follow up diamond drilling programme which aimed to delineate width and tenor of gold bearing sulphides below the mined oxidized zone. In addition, the drilling

programme also targeted the EM conductors, which are adjacent and roughly parallel to the mine structure, to determine if they represented strike extensions to the known mineralization and if so, to ascertain their gold content. A total of seven diamond holes (CUND001 to CUND007) were drilled. However only four holes intersected gold mineralization. The other three holes were abandoned due to technical problems. The highest value intersected was 26.83g/t Au over one meter within the main sulphide zone.

3.2.2 RECENT EXPLORATION PROGRAMS

3.2.2.1 *Regolith and Geological Mapping*

The regolith comprises of mbuga cover in the north and south and residual pisolitic and nodular laterite derived from greenstone assemblages in the middle part of the licence. Outcrop does exist in the licence as ironstone interbedded with cherts.

3.2.2.2 *Soil Sampling*

A total of 160 soil samples were collected and analysed for gold and multi-elements. Out of the 160 total samples, 78 samples were sampled as orientation samples from selected areas previously identified as containing gold in soil values. The orientation survey was conducted to ascertain the most effective sampling and analytical procedure for the Canuck Project. Analytical methods used to analyse the orientation samples included ZARG and MMI, all of which were effective in highlighting anomalism and provided a good contrast between background and anomalism. The remaining 82 soil samples were collected from residual soil on a 400m x 400m grid.

All samples were screened to -2mm on site and were despatched to laboratory for gold and multi-element analyses. Majority of the samples returned gold in soil values between 0.1ppbAu and 2 ppb Au (Figure 4).

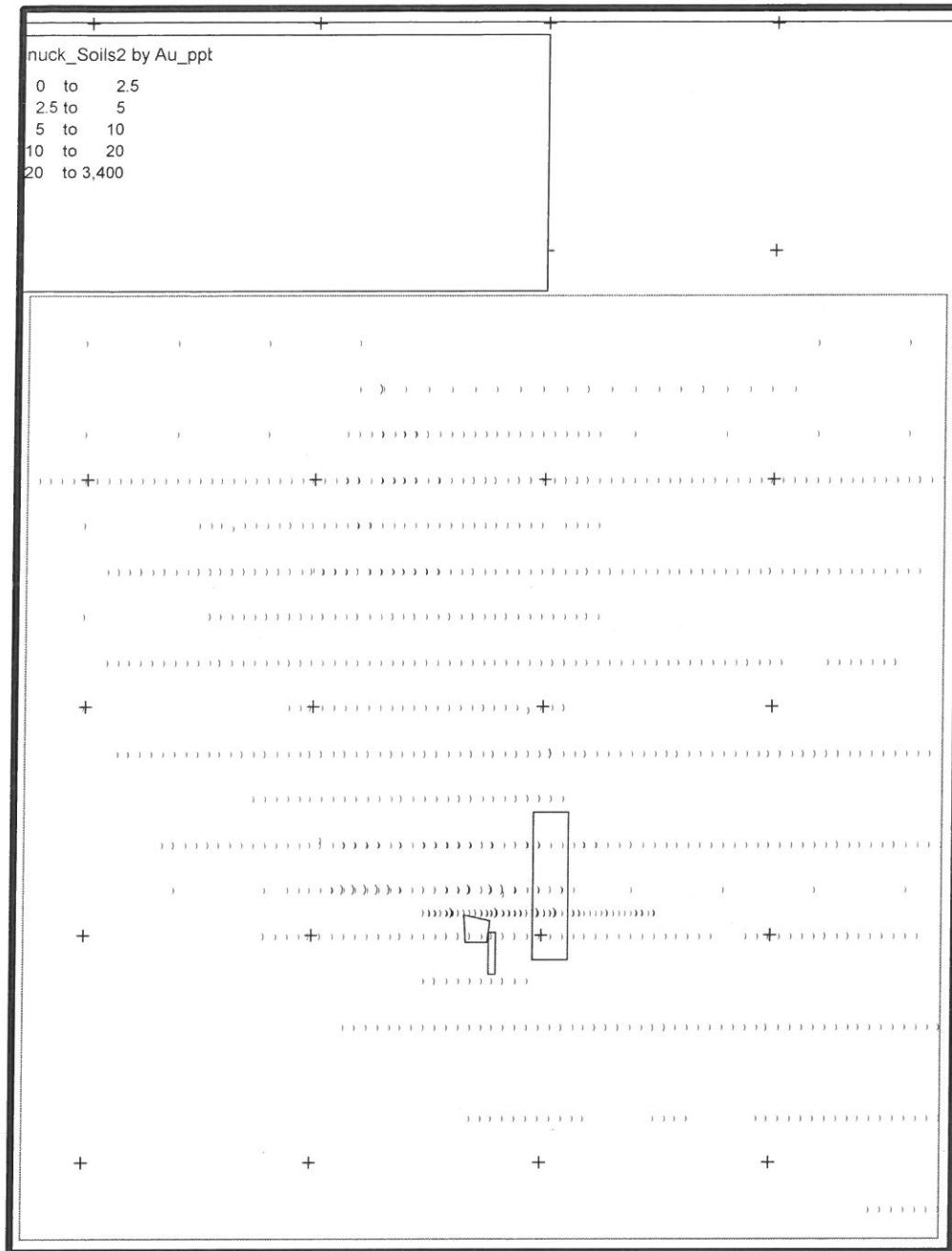


Figure 4: Soil results.

3.2.2.3 Ground Geophysical Survey

A ground magnetic survey concurrent with Induced Polarization (IP) at the central mine area was conducted. Results of the survey have been shown in Figures 5-7. In all figures, the mineralized shear has been well delineated.

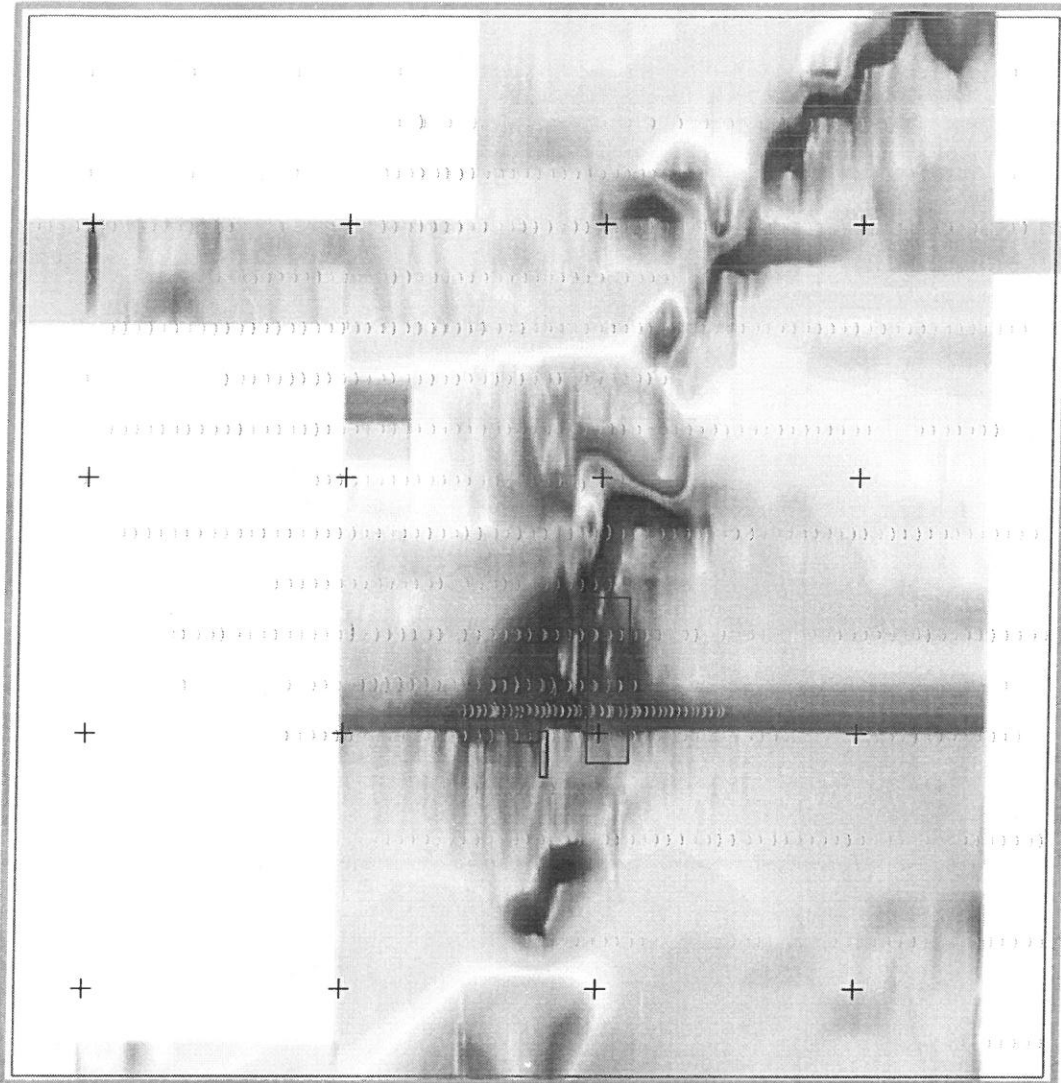


Figure 5: Soil geochemical results on ground TMI image.

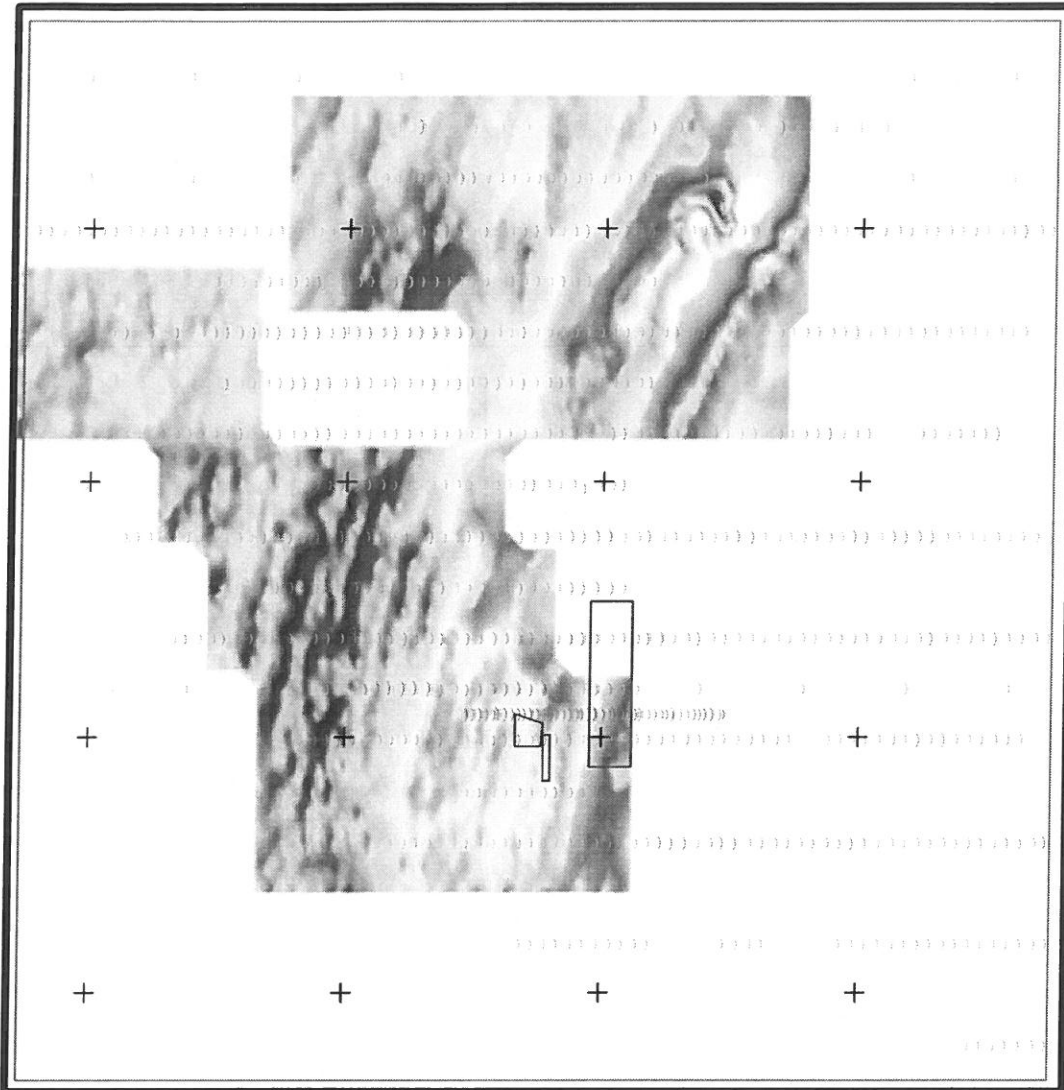


Figure 6: Soil geochemical results on IP chargeability image.

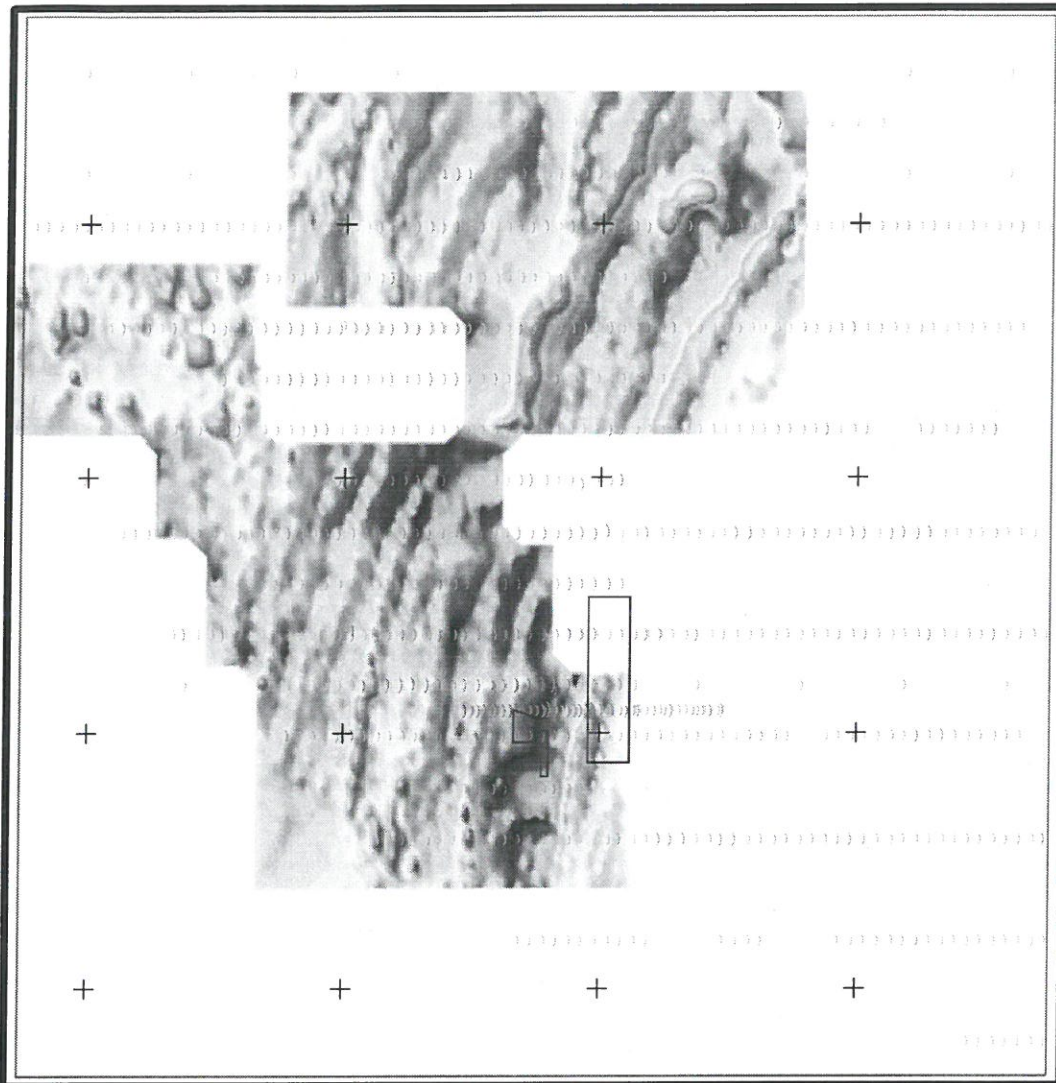


Figure 7: Soil geochemical results on IP resistivity image

3.2.2.4 Auger Sampling

A total of 23 auger samples from 21 Auger holes (CAUG002 to CAUG022) have been collected from the Canuck license. The auger survey samples were predominately collected from topographic low-lying alluvial/mbuga flats on 800m x 800m grid. The survey was designed to acquire systematic, reliable geochemical coverage across the low-lying ground.

All samples were bagged and dispatched laboratory for gold and multi-element analyses. Results are displayed on Table 3.

Table 3: Auger Sampling Results

Hole ID	Au ppb
CAAUG002	0.60
CAAUG003	0.10
CAAUG004	0.10
CAAUG005	-0.10
CAAUG006	0.20
CAAUG007	1.50
CAAUG008	1.20
CAAUG009	0.50
CAAUG010	0.60
CAAUG011	0.70
CAAUG012	0.40
CAAUG013	0.60
CAAUG014	1.40
CAAUG015	1.00
CAAUG016	0.20
CAAUG017	0.50
CAAUG018	1.70
CAAUG019	0.10
CAAUG020	0.70
CAAUG021	-0.10
CAAUG022	0.40

3.2.2.5 Air Core and RAB Drilling

A total of 2,119m from 55 Air Core (CAA001 to CAA055) and 119m from 4 RAB drill holes (CAB001 and CAB004) was executed to a follow up TEM anomaly and soil gold anomalies.

No intersection of significant value was reported apart from two drill holes CAA039 and CAA043 that returned 1m @2.38g/t Au from 1m and 3m @0.385 from 20m to EOH respectively.

Additional 119m from 17 Air Core drill holes (CAAC056-CAAC072) were drilled in the Canuck Gold mine area to test the existence of a second mineral trend approximately 50m west of and parallel with the Canuck mine workings.

No intersection of significant value was reported apart from two near surface composite samples from CAAC060 and CAAC061 which returned 4m @ 1.63g/t Au and 4m @ 2.06 g/t Au, respectively, both from surface.

3.2.2.6 Reverse Circulation Drilling (RC)

A total of 2,835m from 34 reverse circulation (RC) drill holes (CNC001 to CNC034) have been drilled within the Canuck mine area. The first drilling program was designed to test gold anomalies recorded in previous work in the mine area. The subsequent drill programs were follow-up to the previous drilling (infill) and to test-drill the interpreted two mineral trends, the Western and Eastern mineral Trends (Figure 8). Numerous gold intercepts including 11m @ 11.10g/t Au from 30m in CNC012 and 10m @13.60g/t Au from 94m in CNC034 were intersected (Table 4).

Table 4: RC Drilling Results

Hole ID	Width	g/t Au (Avg)
CNC001	7	7m @5.30g/t
CNC003	1	1m @2.81g/t
CNC008	1	1m @0.87g/t
CNC009	3	3m @5.06g/t
CNC009	1	1m @1.36g/t
CNC009	1	1m @1.07g/t
CNC011	3	3m @4.78g/t
CNC012	7	7m @11.1g/t
CNC012	1	1m @1.20g/t
CNC013	1	1m @ 2.70g/t
CNC014	2	2m @2.84g/t
CNC014	5	5m @1.59g/t
CNC015	7	7m @5.90g/t
CNC016	7	7m @6.35g/t
CNC017	12	12m @1.78g/t
CNC021	5	5m@ 1.24g/t
CNC022	3	3m @1.59g/t
CNC022	1	1m @0.82g/t
CNC023	1	1m @9.10g/t
CNC024	5	5m @2.80g/t
CNC030	3	3m @1.62g/t
CNC030	5	5m @14.14g/t
CNC031	2	2m @6.91g/t
CNC034	10	10m @13.6g/t

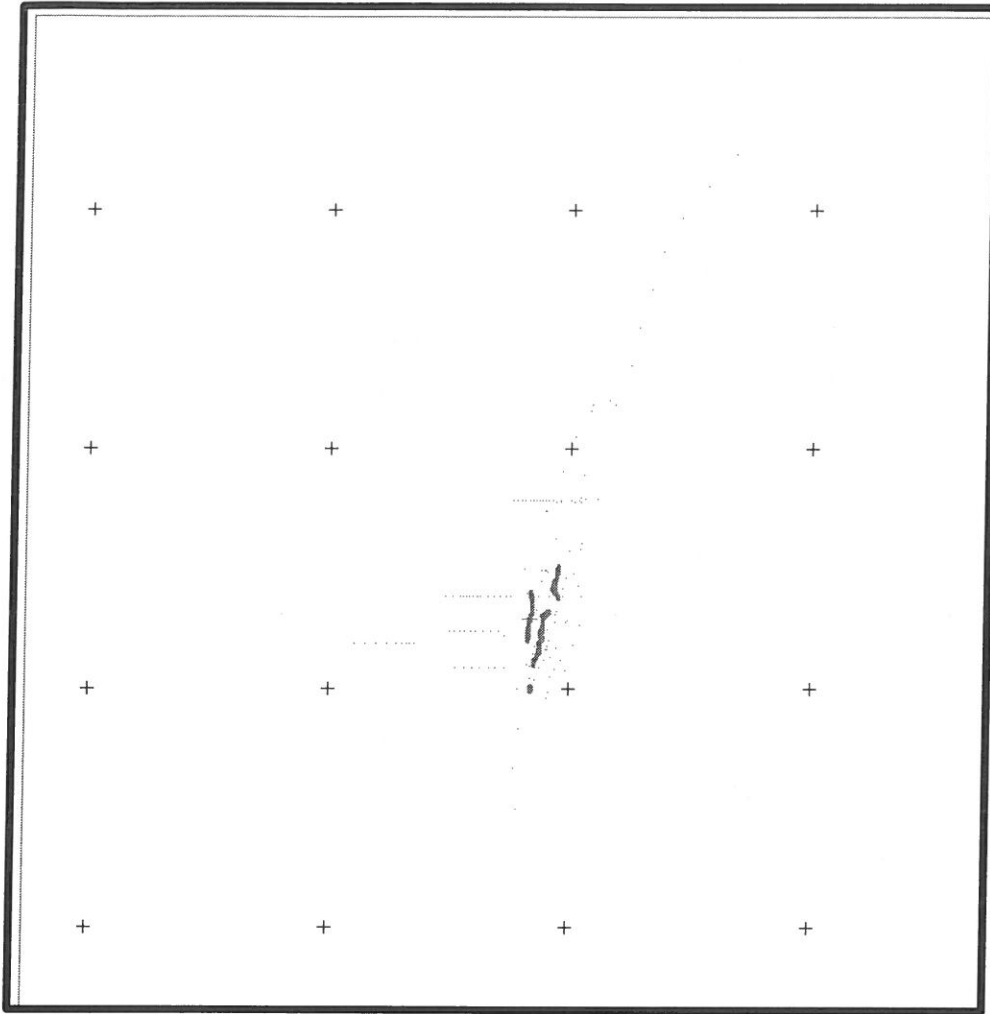


Figure 8: Interpreted gold mineralization based on drilling results

4 MINERAL RESOURCE ANALYSIS

The gold resource for Canuck Gold Project (CGP) has been estimated using the method of Inverse Distance Weighting (IDW) method with block support adjustment. The model estimates the resource into panels of dimensions of 2m (East) by 2m (North) by 2m (Elevation) which provides better block resolution for optimal results. The model is also suitable for preliminary open pit optimization studies. Further to that, the model is reported at a series of cut-off grades, which span a range of interest for mine planning.

The gold data received and available to undertake the resource estimate for the Canuck Gold Project has been generated from 4,935.88m and 2,484 gold assay samples obtained from 71 drill holes.

Table 5: Summary of Canuck Project Data Set

Activity	Quantity	Description
Drilling	71	Holes drilled
Sampling	4,935.88	Meters drilled
Sampling	2,484	Samples taken for lab analysis

The resource is currently categorized as Indicated Resource according to JORC code. Its mineralization is in series of mineralized zones striking North-North-East (NNE) for a length of 1,836m; and dipping 20°-30° East.

Canuck project contains 3,628,130.40 tons of ore materials at an average grade of 1.76 g/t (205,299 Oz Au). Of this resource, majority of the near surface oxide ore has been mined out by the artisanal miners. The underground resource, which is the target of this project is 365,957.60 tonnes at an average grade of 9.25g/t (**108,833.74 ounces gold**)

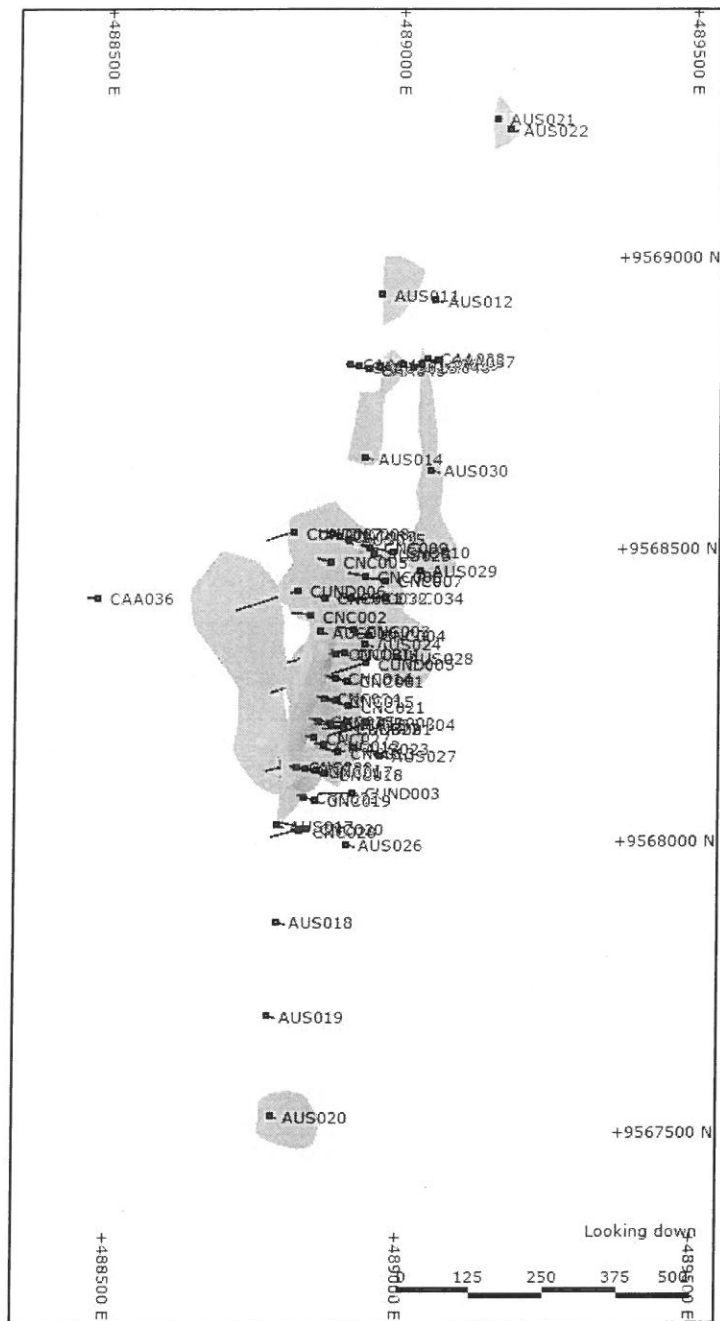


Figure 9: Ore body in Plan View

Canuck Project: Mine Development and Ore Processing

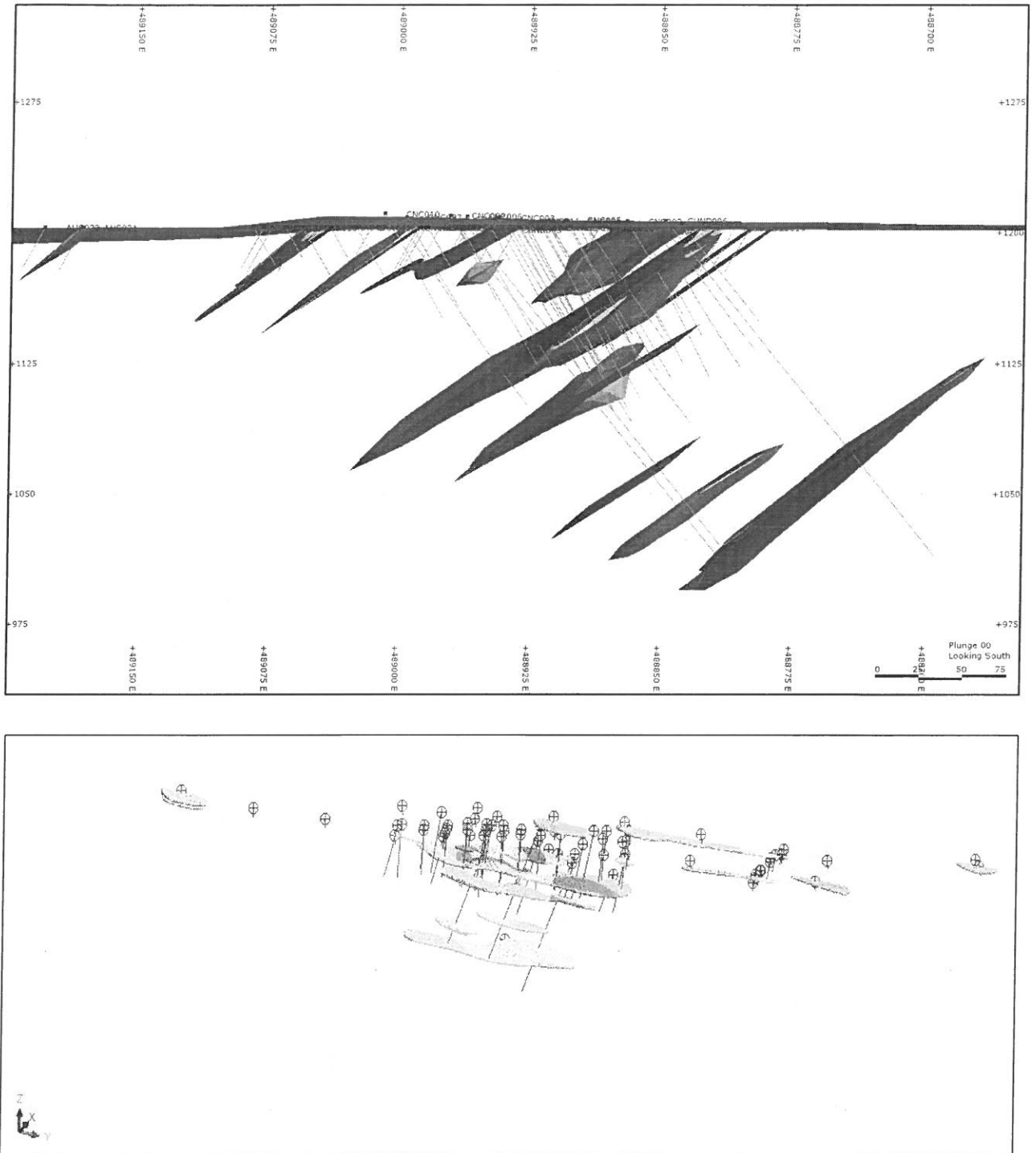


FIGURE 10: CANUCK GOLD MINERALIZATION IN 3D.

4.1 CUT-OFF GRADE TONNAGE CURVES

Considering a cut-off grade of 6g/t, Canuck deposit has 365,957tons at an average grade of 9.25g/t (**108,833.74 ounces gold**). At other cut-off grades the information is tabulated in the table below as well as the cut-off grade-tonnage curves for the deposit (Figure 12).

Table 6: Cut-off grades Vs Tonnage of materials

Cut-off (g/T)	Volume (m ³)	Tons (T)	Au Ppm	Ounces (Oz Au)
0	1,577,448.00	3,628,130.40	1.76	205,298.90
0.50	959,880.00	2,207,724.00	2.78	197,324.33
1.00	653,104.00	1,502,139.20	3.68	177,725.22
1.50	395,448.00	909,530.40	5.30	154,983.03
2.00	277,144.00	637,431.20	6.84	140,178.20
2.50	248,848.00	572,350.40	7.37	135,619.00
6.00	159,112.00	365,957.60	9.25	108,833.74

Cut-off grade – tonnage curves are presented in Figure 11 below.

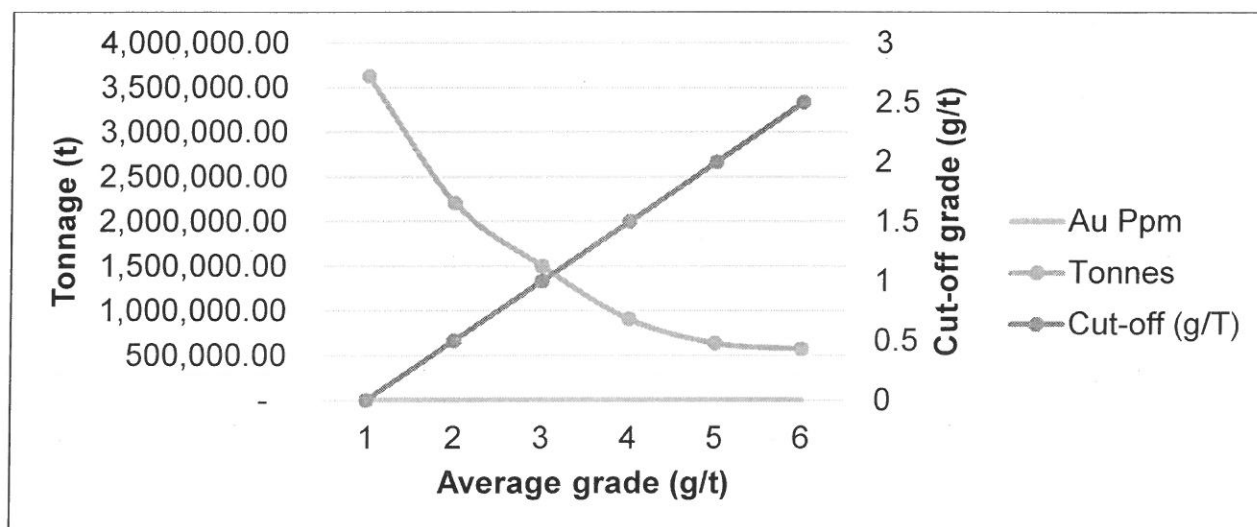


Figure 11: Cut-Off Grade Vs Tonnage Curve

4.2 MINE DESIGN, PIT OPTIMIZATION AND SCHEDULING

4.2.1 SELECTION OF THE AREA OF INTEREST (MAIN TARGET)

Mineralization of the Canuck deposit dip deeper down to >140m below the surface. The strike length of the mineralization is extensive to more than 1.8 km. Central zones of the deposit have shown to be of more interest as they have been associated with better gold grades ranging from 0.5 g/t to 9.13 g/t.

Colour codes used: grey colour = <0.5 g/t ; Yellow colour = 0.5 g/t – 1.5 g/t; Cyan = 1.5 g/t – 2.5 g/t; Red colour = 2.5 g/t – 5.0 g/t and Magenta = >5.0g/t (Figure 13 & 14).

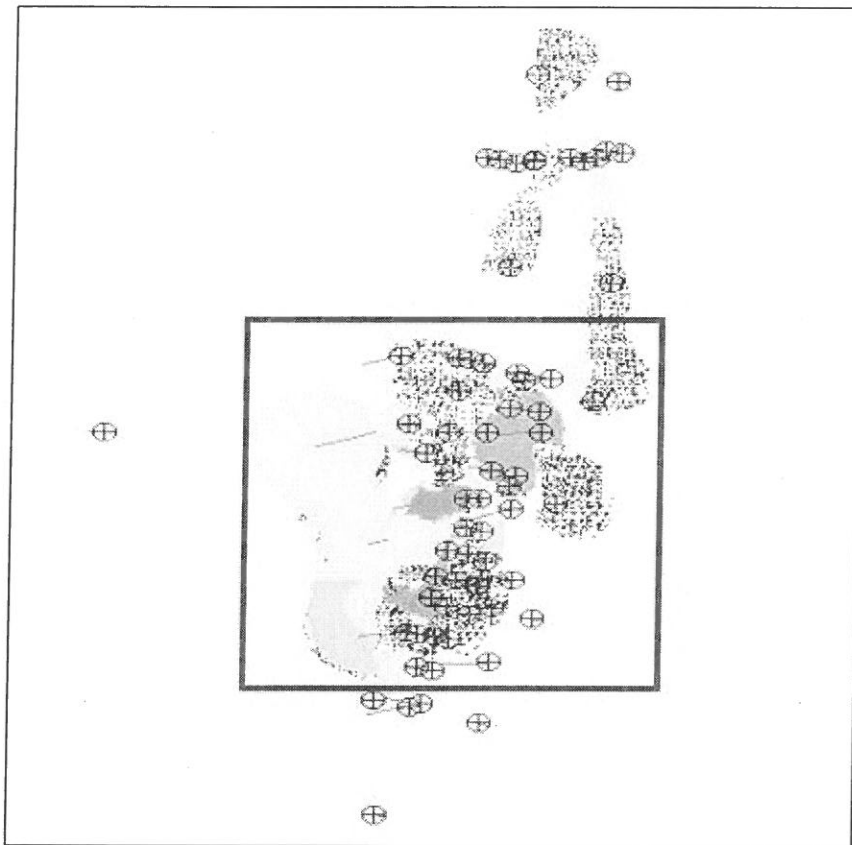


Figure 12: Plan View of the area of great importance (Main Target)

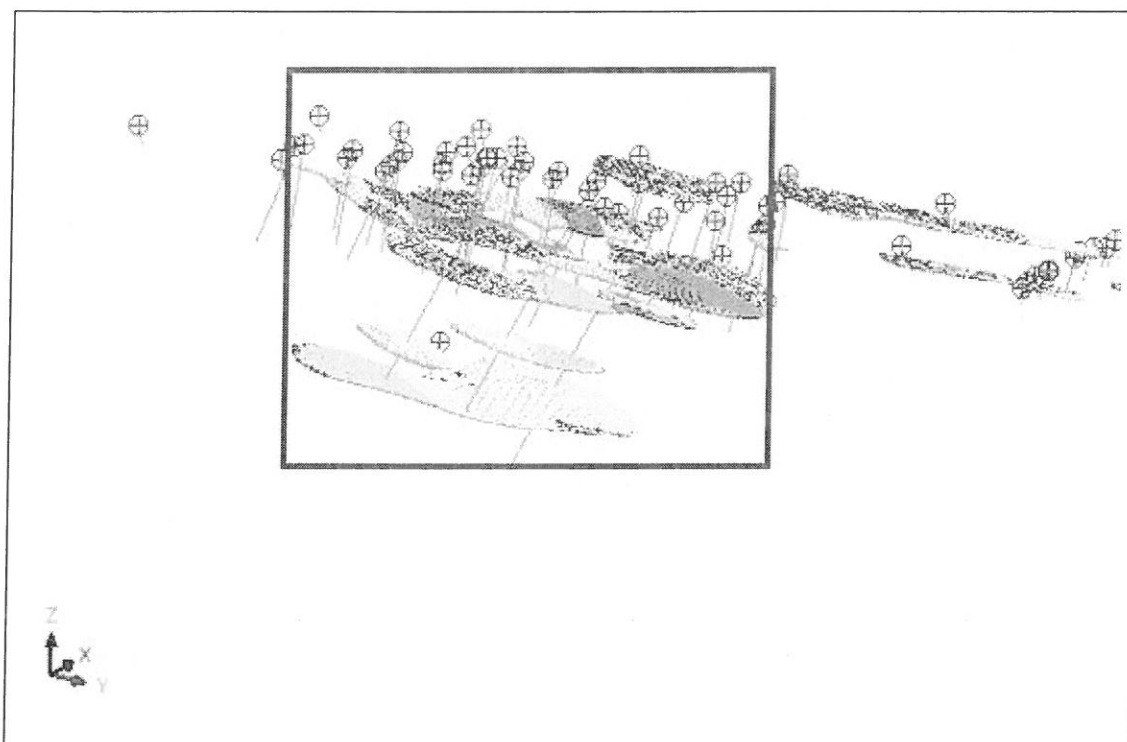


Figure 13: Side-View of the area of interest (Main Target)

Since the near surface mineralization has been mined out, underground mining is targeting mineralization from 60m deep.

5 MINE DEVELOPMENT

At the start of the mining operations, the old local shaft will be used to access and assess the mineralized lode. The local shaft shall be fully supported and later will be for ventilation and as an emergency exit. The plan is to sink a new main shaft, that will be fully timbered, cemented and supported to an initial depth of 60m. That will create and leave a solid surface pillar of 60m (Figure 15). This ensures there is a safe and secured supporting structure above, and the shaft is structurally reinforced.

There will East-West drives aimed at intercepting the North-South reefs which their strike distance has been estimated to be at least 300 meters.

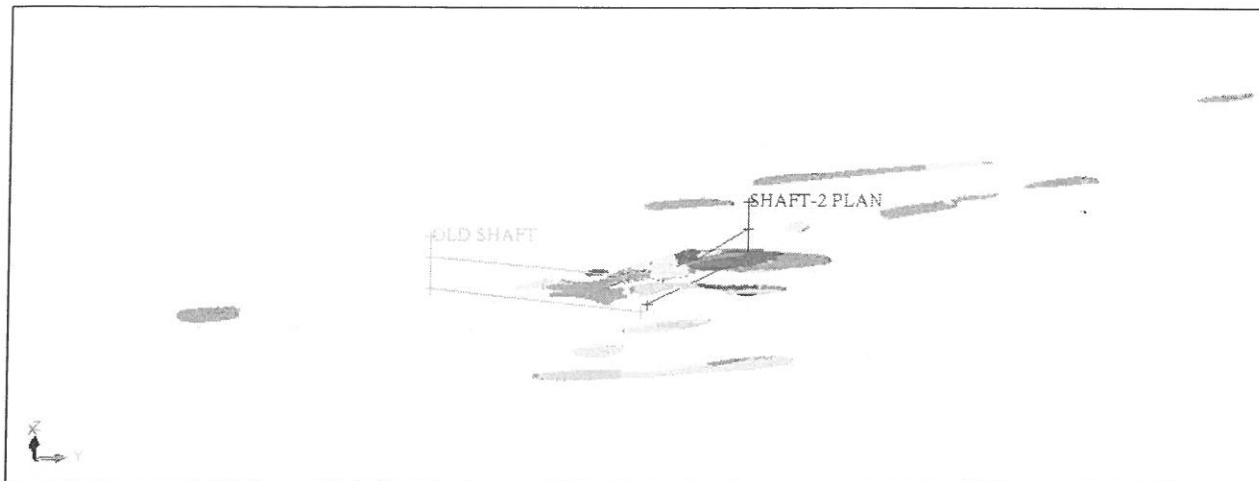


Figure 14: Underground Mining Plan

A second level will be established 30m below the initial first level which will be at 60m, meaning the second level will be located and mined at the 90m mark from surface.

Sub-levels will be mined at 10m interval lifts along North-South strike from the second level located at 90m all the way back up to the first level located at 60m. Each sub-level will be interconnected by raises mined vertically up, spaced at intervals of 15m along strike, creating mining blocks of 10 x 15m. This ensures mining is carried out in a safe and efficient manner that ensures good ventilation all over the mine.



Figure 15: Location of the possible Shafts

Once all the sub-levels have been mined and established on a minimum of two levels and production mining blocks mined and created, the second phase of production stopping will be initiated, and thus increasing mining production tonnages. This sequence will continue for the life span of the mine.

Monthly development and production stopping calls will be established to ensure continuation of mining operations. The mining rate target is 3,000 tons per month (36,000 tons per year).

Currently, the company plans to exploit high-grade materials at cut-off of 6.0 g/t (108,833.74 Oz Au) so as to generate quick revenue that will continue funding the mine development. On the other hand, gold processing will involve a low-cost VAT leaching technology which will process 2,100 tons per month (25,200 tons per year). The crushing and milling processes will involve 6 stamp mills which in total have a milling capacity of 70tpd. The milled ore material will be leached in 20 tons leaching tanks.

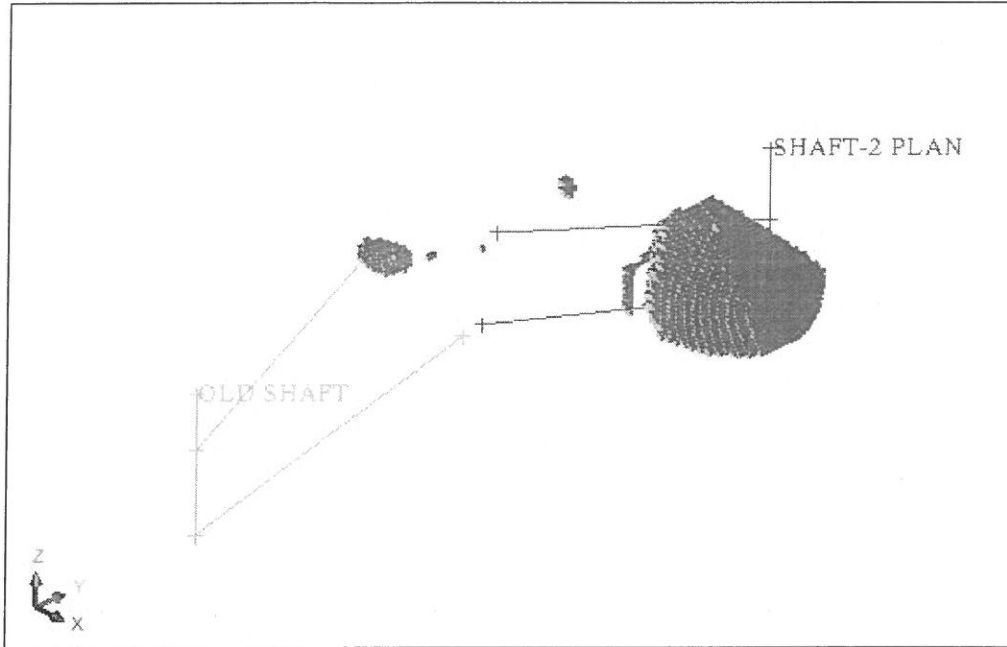


Figure 16: Selective mining of ore of 6 g/t

6 MINING AND PROCESSING EQUIPMENT

Since selective, underground mining method will be used, the mine will be semi-mechanized and most of jobs will be done manually.

The mining and processing tools used will include

- i. 2 Light Vehicles
- ii. 8 tonner truck with a trailer
- iii. TLB (Back-hoe)
- iv. 22 tonner tipper truck
- v. Six stamp mills
- vi. Twelve concentrators
- vii. Vat leach plant
- viii. Wheelbarrows
- ix. cocopans
- x. Spades
- xi. Skip hoist system
- xii. Water pumps
- xiii. Winches

For this kind of operation, the Life of Mine (LOM) for high grade ore ($\geq 6\text{g/t Au}$) of 365,957.6 tons, will be 13 years. However, it is expecting, to some stage, a study will be conducted in order to move to an upgraded processing technology which may reduce the LOM.

7 SUMMARY ON CAPEX-OPEX ESTIMATIONS

Capital and Operation expenditures were estimated and tabulated in Table 8 and 9 below:

Table 7: Capital Expenditure for Mining and Gold Processing Operations

CAPEX	
Land	USD 80,000
Buildings	USD 50,000
Computer and Electric Equipment	USD 15,000
Furniture Non-Electric	USD 5,000
Prospecting License PL11016/2017	USD 260,000
Licensing	USD 20,000
Plant & Equipment	USD 730,000
Setup Costs	USD 200,000
TOTAL	USD 1,360,000

Table 8: Mining and Gold processing Operation Expenditures Estimates

OPEX	
Cost Centre	Unit Cost (\$/t)
Milling cost	30.00
Administration Cost	20.00
Mining Cost	80.00
Processing cost	60.00
Contingency (10%)	19.00
TOTAL	209.00

*Mine operating costs are projected to U\$6.9m per year

8 MINING AND PROCESSING SCHEDULE

In a year, the company plans to mine ore and waste material at a rate of 36,000 tons per year and process 22,500 tons of ore using vat leaching gold recovery technology.

Mining and mineral processing focus is on high grade ore of $\geq 6\text{g/t}$ which is available from 60m below the surface to 135m from the surface. However, the high-grade materials have weak continuity, therefore several developments will be done to access high grade materials.

Low value materials ($<6\text{g/t}$) will be stockpiled at designated location for possible blending to achieve feed grade of $\geq 6\text{g/t}$ for processing. Waste rock will be dumped at designated waste rock dumping area within the concession.

8.1 MINING SCHEDULE

Mining activities are planned to be done in three 8-hour shifts for 6 days in a week.

Life of mine at this rate will be 13 years.

Table 9: Projected Mining Schedule per annum

PERIOD	YEAR-1	YEAR-2	YEAR-3	YEAR-4	YEAR-5	YEAR-6	YEAR-7
ORE (T)	23,950.00	28,500.00	28,500.00	28,500.00	28,500.00	28,500.00	28,500.00
WASTE & LOW VALUE ROCK WITH $<6\text{g/T Au}$ (T)	9,050.00	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	4,500.00
TOTAL (T)	33,000.00	33,000.00	33,000.00	33,000.00	33,000.00	33,000.00	33,000.00
GRADE (g/T Au)	8.34	9.30	9.40	9.45	9.36	9.33	9.25

Continuing...

YEAR-8	YEAR-9	YEAR-10	YEAR-11	YEAR-12	YEAR-13
28,500.00	28,500.00	28,500.00	28,500.00	28,500.00	28,507.60
4,500.00	4,500.00	4,500.00	4,500.00	4,500.00	1,000.00
33,000.00	33,000.00	33,000.00	33,000.00	33,000.00	29,507.60
9.23	9.27	9.28	9.30	9.30	9.31

8.2 GOLD PROCESSING SCHEDULE IN VAT LEACH PLANT

Capacity per year is 22,500 tons in 35 vat leach tanks of 20 tons capacity each. Recovery is projected 65% efficiency.

Life of processing at this rate will be 14.5 years.

Table 10: Ore processing schedule per annum

PERIOD	YEAR-1	YEAR-2	YEAR-3	YEAR-4	YEAR-5	YEAR-6	YEAR-7
ORE (T)	22,500.00	22,500	22,500	22,500	22,500	22,500	22,500
GRADE (g/T)	8.38	9.30	9.39	9.45	9.41	9.33	9.31
RECOVERY (%)	65%	65%	65%	65%	65%	65%	65%
KILOGRAMS RECOVERED (kg)	122.63	136.06	137.37	138.21	137.57	136.45	136.12
OUNCES RECOVERED (Oz Au)	6,065.46	6,729.82	6,794.50	6,836.05	6,804.37	6,749.25	6,733.01

Continued....

YEAR-8	YEAR-9	YEAR-10	YEAR-11	YEAR-12	YEAR-13	YEAR-14	YEAR-15
22,500.00	22,500.00	22,500.00	22,500.00	22,500.00	22,500.00	22,500.00	13,157.60
9.23	9.23	9.27	9.28	9.29	9.30	9.31	9.30
65%	65%	65%	65%	65%	65%	65%	65%
134.99	134.99	135.60	135.72	135.91	136.01	136.15	79.57
6,676.91	6,676.91	6,707.18	6,713.08	6,722.55	6,727.54	6,734.15	3,935.60

9 MINE INFRASTRUCTURE

The Mining License area proposed is 0.7832 square kilometers. All mining and processing facilities, administration and accommodation facilities will be within the Mining License area (Figure 17).

Since the mining operations will be underground (below 60m from the surface), the surface land and activities are least disturbed, and life may continue with minimum disturbance except at the shafts and where mineral processing will be taking place.

It is the plan of the company to ensure the shafts and the processing infrastructure is at least 200m away from local people residence. Otherwise, the surrounding community's economic and social activities, 200m away from the mining infrastructure, though within a Mining License, will continue as normal.

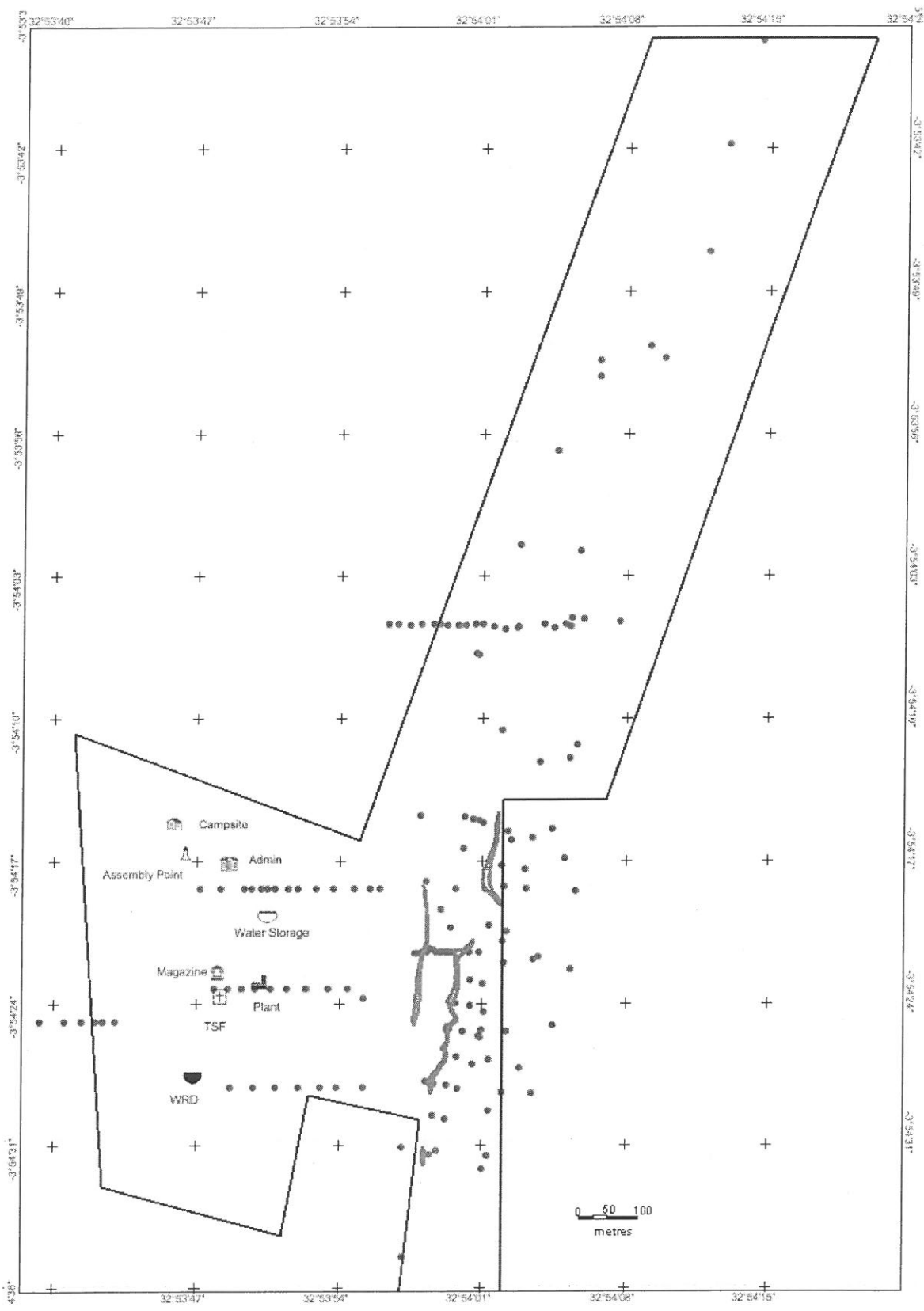


Figure 17: Canuck Gold project Mine Layout

10 PROJECT FINICIAL ANALYSIS

10.1 COSTS ELEMENTS

10.1.1 TYPES OF EXPLOSIVES

The bulk explosives are magnum control and ammonium nitrate-based emulsion product and pumped in the hole at 1.20g/cc. Accessories are a 400g booster, shock tubes, non-electrical delays, and detonating cord. Initiation is by means of remote exploder unit. The powder factor varies between 0.22 to 0.44 kg/bcm. The explosives should be stored in the Magazine and handled as per Tanzania explosive Act.

10.1.2 TYPES AND MANAGEMENT OF CHEMICALS

Quantities of chemicals to be used will depend upon the size of the mine and the processing plant. Similarly, grade and mineralogy of the ore to be treated by the processing plants determine the quantities to be used. Considering a mine that processes approximately 25,200t/year and assuming that there is no complex ore to hinder dissolution and other metallurgical processes in the plant, estimates of the quantities of the major chemicals and supplies to be consumed per year (**Table 11**).

Table 11: Summary of Chemical Type, Quantity and Uses

No	Chemical Type	Q'ty per year	Uses
1	Cyanide (1kg/ton)	22,500kg	Gold leaching
2	Caustic soda (0.4kg/ton)	9,000kg	Used lime, for pH regulation
3	Sodium metabisulphite		Cyanide detoxification
4	Nitic acid (20kg/week)	1,040kg	Elution process
5	Flocculants (minor)		Dewatering
6	Activated carbon (5tons/year)	5 tons	Carries Gold in solution form

10.1.3 GRADE CONTROL

It is unlikely that the assays from blast holes will give sufficient control, given their relatively wide spacing, therefore continuous grade control manning with the channel cutting saw is also likely to be required. Grade control procedures will be developed at the required standard. Two run-of-mine stockpiles, for high grade and low-grade ores, respectively, and each equivalent to 5-days' mill feed will be established near the primary crusher.

Blasting will be done depending on the short- and long-term production plan, based on the project timeline and requirements it is advised that there should be a continuous production process this means a twenty-four hours production schedule which implies that the project will be running at least two shifts, day and night shift. This implies that blasting can be done daily or after two days of operations. With regards to safety, control blasting will be conducted whereby pre-split holes will be drilled and smooth control blasting will take place, with this kind of blasting, effect of vibration will be minimized if not eliminated.

10.2 PROJECT FINANCING PLAN

Total estimated capital investment of the project is USD 1,360,000. The financing of the project costs will be through equity funds from the project promoter M/s Canuck Company Limited (74%) and a term loan (26%) from financial institutions (**Table 12**).

Table 12: Proposed Project Financing Plan

ITEM	AMOUNT IN USD	PERCENTAGE
Equity from M/S Canuck Company Limited	1,000,000	74%
Term Loan from Financial Institutions(s)	360,000	26%
TOTAL	1,360,000	100%

10.2.1 PROPOSED TERMS AND CONDITIONS FOR THE LOAN

The following are the proposed terms and conditions for the required loan facility:

- Loan amount: USD 360,000
- Moratorium period: 1 year during which interest will be capitalized
- Repayment period: 3 years excluding a 1-year grace period
- Interest on loan: Fixed rate of 9% for the facility in USD

10.2.2 SECURITY FOR THE LOAN

The security against the requested loan is the first charge on the stamp mill crushers within the PL11016/2017 at Maguhung'wa village, Kahama District, in Shinyanga region. The promoter is currently processing the mining license whose tenancy is expected to be of at least ten (10) years once secured. Estimated gold reserve for this mine is 108,833.74 ounces at an average grade of 9.25g/t. Mineable reserve is estimated to be 70% of the total reserve which is 76,183.62 ounces. Considering the metallurgical properties of the ore and ability of VAT leaching technology, 65% of that gold in ore can be recovered, the total gold to be extracted is estimated to be 49,519 ounces of gold whose value at U\$1,200 per ounce is about USD 49.5 million

11 PROJECT MANAGEMENT

11.2 BOARD OF DIRECTORS

Management of M/s CCL is vested in the Board of Directors who is the policy making and controlling authority. The Board is also responsible for approving annual budgets of the company. In this respect, the Board is the overseer of all company projects.

11.2 DAY TO DAY MANAGEMENT

The day to day management of the company is vested to the Managing Director who is directly responsible to the Board of Directors. For the project under review, the Managing Director will be assisted by the Mine Operations Director, Human Resource and Corporate Affairs Manager and Finance Manager who are accountable to him.

11.3 KEY PROJECT PERSONNEL

The project key personnel in the first year of operation therefore will be as shown in Table 13.

Table 13: Project Key Personnel

PERSONNEL	NUMBER
Management (Legal, Finance, Plant, Mining & Workshop)	5
Legal	1
Finance	5
Plant	60
Mining	150
Workshop	12
Others	17
TOTAL	250

11.3.2 HUMAN RESOURCE AND MANAGEMENT STRATEGY

Constant on job training and refresher programs will be the key success factors amongst others to ensure that the rated capacity of income generation and project reputation is enhanced and maintained. The company organization structure is herein presented.

11.3.3 SOCIAL IMPACT CONSIDERATION

The successful implementation of the mining project at Canuck Mine will have significant economic and social benefits in Tanzania. The project benefits include:

Direct and Indirect Employment

The Canuck Company Limited employment policy is that whenever possible, appropriate and practical, is to take people from the local community and then people from within the district. Whenever expertise and experiences are not available locally, other Tanzanians are considered first. It is only when the required expertise and experience is not available in Tanzania that an expatriate will be considered for the role. It is however a condition of his/her employment that he/she trains local people in his/her expertise. Canuck Company Limited Mining Company Limited expects to employ about 230 local staff.

Provision of Market

Canuck Company Limited procurement policy, whenever possible and practical, is to source food items for its staff from the surrounding communities. When operations start, the company will list the items that will be needed during construction and operations. While CCL is a small company it is its policy to source goods from the local market.

Taxes, Tariffs and Fees

Canuck Company Limited, like any other mining company will abide with all Tanzanian laws, including those related to taxes, fees, tariffs and levies including:

- Annual Mining license fees US\$2,000 per square kilometer
- Annual Propsecting Licence Fees US\$100 per square kilometer
- Local government levy 0.6%
- Royalty (6% on production)
- Inspection fee (1% on production)
- 30% corporate tax on profits
- PAYE based on TRA regulations
- National Social Security Fund (NSSF) contributions (10%)
- Skills Development Levies (SDL) (4.5%)
- Worker Compensation Fund (WCF) (1%)

Stimulating Other Economic Sectors

Having a mine at Isaka will increase money circulation around the local area, which in turn will help other sectors like agriculture, transportation, construction and trading to grow and flourish.

Technology Transfer

Although mining industry in Tanzania is over 20 years old now, the small to medium scale mining is still rudimental. Modern mining is conducted by large multinational mining companies that use capital intensive technology which the local people find too expensive to copy. Canuck Company Limited is a small to medium scale gold mining company which uses modern technology. The company understands that small or medium scale mining does not mean disorganized and poor technology but rather mining and extracting the mineral in need at a small or medium size of scale.

11.3.4 ENVIRONMENTAL IMPACT CONSIDERATION

Dust Management

Since the mining operations at Canuck project will be underground, there is no concern of dust.

Flora and Fauna Management

The Canuck project is mainly located in open areas that do not host visible wildlife and thick vegetation. However, when Canuck projects starts, the company will have a program intended to improve the natural environment which currently has been much degraded due to ongoing mining activities.

Water Balance and Management Plan

The Tailing Storage Facility (TSF) would effectively be a closed system with regard to water management. Tailings consolidation is predicted to continue for a number of years and in that time, significant volumes of water will accumulate on the tailings surface. The overall volume of water will include water released through consolidation, annual rainfall, and some surface runoff from immediately adjacent areas and returned underlain water. As consolidation increases, it is anticipated that yield from the underlain system will be significantly reduced.

The rehabilitation of the tailings surface is dependent on access for equipment and the lowering of salt levels within the tailings. For both criteria to be achieved, water from rainfall runoff must be removed from the tailings surface.

The proposed Canuck Gold Mine project will have an Earth Water Dam (EWD) nearby that will be constructed to hold water from surface and underground sources of supply. This water can be used for ore processing and other consumptive purposes. To facilitate the drying of tailings to allow the rehabilitation to commence, it may be decided to transfer the water from the surface of the tailings to the EWD. This would allow salt and metal concentrations in the tailings water to be buffered and blended throughout the wet season. By transferring water to the EWD, detailed monitoring could be undertaken in a controlled environment to determine the impact on water quality and ecological processes in the receiving environment.

Mine Closure

Closure of the WRSF and ROM pad will involve covering them with Saprolite and topsoil in order to facilitate re-vegetation of the WRSF with native grass and small shrubs. Its secondary purpose will be to shed water and thereby, expedite flooding of the open pit. Re-vegetation will also reduce potential for migration of contaminants from the waste rock into the pit lake. Surface runoff and seepage collection channels round the Tailings Storage Facility (TSF) and Waste Rock Storage Facility (WRSF) will be re-routed as closure to discharge into the open pit.

12 MARKETABILITY ANALYSIS

12.1 PROPOSED PRODUCT AND PRICING

The product for M/s CCL is Gold (Au). Generally, market price is the key driver for earnings in gold project. The World gold prices are volatile where prices increase or decrease depend on the various factors. In the past 8 years, remarked a higher price in 2012 at USD 1,669/oz where a sharp price drop was in 2015; it was USD 1,160.1/oz. But prices increased in 2016 and 2017 up to USD 1,250.8/oz and USD 1,257.2/oz respectively. During 2018, the average price, up to end of third quarter (Q3) was USD 1,283/oz. The current 30 days Gold Price in 2019 is USD 1,301/oz (**Table 14**).

Table 14: World Annual Gold Price (Average) USD per troy ounce

Item	30 Day Gold	60 Day Gold	6 Month Gold	1 Year Gold	5 Year Gold	10 Year Gold
High	1,323.25	1,323.25	1,320.70	1,353.30	1,382.00	1,900.30
Low	1,278.70	1,235.35	1,173.70	1,173.70	1,050.60	868.70
Average	1,300.98	1,279.30	1,247.20	1,263.50	1,216.30	1,384.50

Source: www.kitco.com

Generally, the trend in gold price has been volatile over the past years. However, overall, the average price has been way above USD 1,250/oz. Despite the volatility of gold price, the same is forecasted to increase in the coming years ranging from USD 1,346/oz - 1,988/oz. The forecasted increase in price is due to amongst others:

- Increase in demand of Gold Reserves from the Central Banks
- United States Dollars continue to depreciate against other currency i.e. Euro
- Enlarged gap between gold supply Vs demand especially in India and China as a result of lower grade productivity
- Limited gold supply due to increasing cost bases and more constrained access to capital.

Table 15: Average Annual Increase Vs Decrease of Gold Price

Year	Qtr 1	Qtr 2	Qtr 3	Qtr 4
2015	1,549	1,492	1,463	1,477
2016	1,363	1,358	1,403	1,411
2017	1,440	1,462	1,464	1,468
2018	1,577	1,593	1,616	1,659
2019	1,690	1,684	1,601	1,568
2020	1,666	1,712	1,640	1,696
2021	1,755	1,778	1,885	1,824
2022	1,954	1,988	1,889	1,943
2023	1,975	1,766	1,779	1,695
2024	1,649	1,577	1,546	1,447
2025	1,458	1,478	1,454	1,346
2026	1,399	1,483	1,490	1,518

Source: The Economy Forecast Agency (2012 - 2026)

M/s CCL will also charge according to the prevailing indicative price for Gold in the world market. However, in this project, a conservative rate of USD 1,200/oz (VAT and Royalty inclusive) have been applied.

12.2 TARGET MARKET

There are several buyers of gold in the world. Few buyers have offices in Tanzania i.e. M/s Scara Metal Limited (a South African firm with office in Shinyanga). However, M/s CCL targets gold market in Dubai, Mauritius, South Africa and Europe. The intended customers for the business therefore will need to have representatives in Tanzania.

12.3 DESCRIPTION OF MARKET SIZE AND TRENDS

Despite the witnessed price volatility over the past years, demand for gold is still far higher than the available supply. Gold demand in 2018 was 4,345 tons compared to 4,152 for 2017 (Table 16).

Table 16: Worldwide Demand Vs Price Trend for gold in Tones

Year	2010	2011	2012	2013	2014	2015	2016	2017	2018
Demand. Tones	4,228.54	4,741.65	4,712.62	4,507.24	4,323.97	4,299.83	4,397.14	4,151.70	4,345.00
Gold Price. USD/Oz	1,224.52	1,571.52	1,668.98	1,411.23	1,266.40	1,160.06	1,250.80	1,257.15	1,282.82

Source: World Gold Council, 2019

13 MARKET STRATEGIES AND SWOC ANALYSIS

13.1 MARKET STRATEGIES

Gold is amongst the risk business. To this end, M/s CCL will enter into Contract with reputable buyers from Mauritius, Dubai, South Africa or Europe to sell its Gold production on a regular basis. The company will stockpile the Gold at its premise. Once the target quantity is reached as agreed by the buyer, the buyer will test the purity of the Gold ingots and immediately pay for the consignment. The payment shall be made by transferring the funds to CCL bank account prior to shipment of the bullions out of the mine.

To this end, M/s CCL will not be involved in the actual transportation of Gold from the mine to the buyer nor costs associated with transport. This is basically a typical practice in Gold industry.

13.2 SWOC ANALYSIS

The internal and external factors affecting the performance of the company market is vital. SWOC analysis exposes key issues once considered during implementation would assist for efficient and effective market performance. The company SWOC analysis is presented below (**Table 17**).

Table 17: SWOC Analysis

<u>Strengths</u> High quality and strong product Committed and enthusiastic shareholders Well experienced promoters Sufficient proven ore reserves as per geology study Product in high demand	<u>Weaknesses</u> Capital intensive coupled with high capital cost Proportionately High operational costs
<u>Opportunities</u> Huge Market growth Liberalization of the economy and Government's policy to remove monopolies Possession of adequate ML for mining activities	<u>Challenges</u> Theft of Gold High labour & electricity costs Increase in Government levies Legislation which might be counter productive Workers strike

13.3 COMPETITION ANALYSIS

Basically, competition to the proposed project is expected particularly from the existing big mining companies i.e. Barrick, Geita Gold Mine and Shanta Mine. However, it could be noted that in Gold business competition could be in terms of company capacity to acquire more mining licenses and ability to carry out exploration prior to mining works. M/s CCL already owns PL 11016/2017 which is well enough for the target operation. Therefore, the existing big mining companies will not pose serious competition to the proposed project.

14 FINANCIAL AND ECONOMIC VIABILITY

14.1 ASSUMPTIONS

The financial assessment and projections are based on the following assumptions

- Estimated cost of the project is USD 1,360,000
- A loan of USD 360,000 in 4 years (1-year grace period exclusive) will carry an interest rate of 9% p.a. on USD. During grace period, interest rate will be capitalised
- The average time between procurement, installation and commissioning of the Plant is 6 months
- Project costs are assumed to increase at 2%
- An average gold recovery/production (grade in grams per tonne) is 6.01g/t of processed gold ore while the ounces to gram conversion (Oz:g) is 31.103477
- Ore to waste ratio is 7:3
- The average price for Gold is USD 1,200 per Ounce
- Cost estimates for legal and consultancy fees is 0.5% of net revenue, mine royalty is 6% of turnover, corporate tax 30% of gross profit, inspection fee is 1%, local levy is 0.6%, government free share 16%

- Average electricity bills are USD 15,000/month, external security charges is USD 4,780/month, communication is USD 670/month and other office expenses is USD 2,000/month
- Depreciation cost is calculated at 5%, 25%, 37.5% and 20% for building, plant and equipment, furniture & fittings and motor vehicles respectively on a straight-line basis
- Plant capacity for crushing is 3,75 tonnes/hr operating at 80% capacity utilization while. The general plant capacity utilization for ore processing therefore is assumed to be 80% in year 1, 85% in year 2 and 90% from year 3 onwards
- Project life span is assumed to be 13 years
- Exchange rate is USD/TZS 2,280.

14.2 PROJECTED CASH FLOW STATEMENT

The details of sources and application of funds are presented in Table 18. The cumulative cash balance is positive throughout the life of the project. As such, the project does not require intermediate funds besides the initial investment. The cumulative net cash at the end of year 10 is USD 9.17 million.

Table 18: Cashflow in Ten Years

Year	1	2	3	4	5	6	7	8	9	10
Operating activities										
Cash from operations	80,330	2,923,200	2,892,131	2,860,224	2,922,514	2,878,082	2,832,761	2,786,534	2,739,383	2,691,288
Profit Before Tax	33,367	2,769,228	2,709,618	2,678,243	2,642,603	2,600,415	2,626,078	2,631,195	2,621,461	2,600,831
Depreciation on PPE	146,963	253,972	282,513	281,982	279,910	277,667	206,683	155,339	117,921	90,457
Changes in working capital:										
inventories	-100,000	-100,000	-100,000	-100,000						
Cash										
trade and other receivables										
trade and other payables										
Tax paid	-10,010	-830,768	-812,885	-803,473	-792,781	-780,124	-787,823	-789,359	-786,438	-780,249
Net cash from operating activities	70,320	2,092,432	2,079,245	2,056,751	2,129,733	2,097,957	2,044,938	1,997,175	1,952,944	1,911,039
Investing activities										
Cash paid for property, plant and equipment	-	-515,000	-375,000	-270,000	-250,000	-250,000				
Cash for Working Capital	1,130,000									
	-230,000									
Net cash used in investing activities	1,360,000	-515,000	-375,000	-270,000	-250,000	-250,000	0	0	0	0
Financing activities										
Proceeds from borrowings	360,000	-120,000	-120,000	-120,000						
Proceeds from Equity	1,000,000				1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	-1,500,000
Net cash from financing activities	1,360,000	-120,000	-120,000	-120,000	1,500,000	1,500,000	1,500,000	1,500,000	1,500,000	-1,500,000
Increase in cash and cash equivalents	70,320	1,457,432	1,584,245	1,666,751	379,733	347,957	544,938	497,175	452,944	411,039
Movement in cash and cash equivalents										
At start of year	200,000	270,320	1,727,752	3,311,997	4,978,749	5,358,481	5,706,438	6,251,376	6,748,551	7,201,495
Increase in cash and cash equivalents	70,320	1,457,432	1,584,245	1,666,751	379,733	347,957	544,938	497,175	452,944	411,039
At end of year	270,320	1,727,752	3,311,997	4,978,749	5,358,481	5,706,438	6,251,376	6,748,551	7,201,495	7,612,534

14.3 PROJECTED DISCOUNTED CASH FLOW

From the discounted Cash flow, the key financial results are as follows:

- Net Present Value (NPV) at 10% US 9.77 Million
- Internal Rate of Return (IRR) 90 %
- Payback Period (PBP) 0.85 Years

The above profitability indicators suggest that the project is financially viable since the projected cash flows sufficiently cover the initial capital outlay. The results therefore indicate that the proposed project is financially and economically viable hence worth to be implemented.

14.4 PROJECT SENSITIVITY ANALYSIS

Sensitivity analysis was carried out to tests viability of the project due to changes in revenue and operating costs. The following profitability indicators are derived.

Table 19: Sensitivity Analysis

Base Case 70tpd		Break Even Grade		Break Even Gold Price	
Details	Amount	Details	Amount	Details	Amount
Tons Mined Per Day	34	Tons Mined Per Day	70	Tons Mined Per Day	70
Tons Mined Per Month	1,022	Tons Mined Per Month	2,100	Tons Mined Per Month	2,100
Drilled Grade (g/t)	9	Drilled Grade (g/t)	5	Drilled Grade (g/t)	9
Recovery @ 65% (g/t)	6	Recovery @ 65% (g/t)	3	Recovery @ 65% (g/t)	6
Gold Price (oz)	1,200	Gold Price (oz)	1,200	Gold Price (oz)	584
Gold Price (g)	39	Gold Price (g)	39	Gold Price (g)	19
Gold Kgs Won	6,145	Gold Kgs Won	6,145	Gold Kgs Won	12,626
Gross Revenue	237,068	Gross Revenue	237,068	Gross Revenue	237,068
Royalty 6%	14,224	Royalty 6%	14,224	Royalty 6%	14,224
Clearing Fee 1%	2,371	Clearing Fee 1%	2,371	Clearing Fee 1%	2,371
Service Levy 0.3%	711	Service Levy 0.3%	711	Service Levy 0.3%	711
CSR Fee 0.7%	1,659	CSR Fee 0.7%	1,659	CSR Fee 0.7%	1,659
Buying Fee 4%	9,483	Buying Fee 4%	9,483	Buying Fee 4%	9,483
Net Revenue	208,620	Net Revenue	208,620	Net Revenue	208,620
Costs	208,620	Costs	208,620	Costs	208,620
Power	13,600	Power	13,600	Power	13,600
Drilling Costs	15,642	Drilling Costs	15,642	Drilling Costs	15,642
Equipping Costs	5,715	Equipping Costs	5,715	Equipping Costs	5,715
Explosives	18,106	Explosives	18,106	Explosives	18,106
Salaries and Wages	72,938	Salaries and Wages	72,938	Salaries and Wages	72,938
Vehicle Costs	4,500	Vehicle Costs	4,500	Vehicle Costs	4,500
Staff Costs	5,500	Staff Costs	5,500	Staff Costs	5,500
Processing Costs	34,723	Processing Costs	34,723	Processing Costs	34,723
Financing	2,700	Financing	2,700	Financing	2,700
Licensing Costs	1,000	Licensing Costs	1,000	Licensing Costs	1,000
Office Expenses	2,000	Office Expenses	2,000	Office Expenses	2,000
Security Costs	4,000	Security Costs	4,000	Security Costs	4,000
Depreciation	14,696	Depreciation	14,696	Depreciation	14,696
Sample Costs	4,000	Sample Costs	4,000	Sample Costs	4,000
Auditing Costs	1,500	Auditing Costs	1,500	Auditing Costs	1,500
Miscellaneous	8,000	Miscellaneous	8,000	Miscellaneous	8,000
Profit/Loss	0	Profit/Loss	0	Profit/Loss	0

Based on sensitivity results in the table above the following inferences could be made:

- Break even for production is 34.07tpd
- Break even for grade is 4.50g/t
- Break even for price is U\$583.99

The above profitability indicators show that the project is sensitive to changes in sales revenue affected by changes in production, grades and price. Under the current assumptions of production and processing, gold grade of 9.25g/t and price of U\$1,200, the project has a room to absorb any hit of decrease in production up to 39%. Nevertheless, the analysis has been based on a very pessimistic ground especially on the price. If the analysis is to apply the prevailing gold price, the project would have yielded more robust results.

14.5 PROJECTED BALANCE SHEETS

This statement is presented in Table 20. The analysis show that the project's balance sheet will increase from USD 1.36 million in year 1 to USD 8.74 million in year 10.

14.6 PROJECTED PROJECT BENEFITS

The proposed project has a number of developmental values to the country, some of the project benefits include:

- Contribution of revenue to the Government through various taxes amounting to USD11,147 million for the plan period
- Creation of employment to at least 130 people on permanent basis and at least 100 casual labours
- Contribution to the government efforts of improving standard of living through provision of income to employees and other services providers to the mining site
- Increase forex to the country
- Facilitation of use of gold mineral resources needed to stabilize the country's balance of payment and generate revenue to Central and Local Government endowed with minerals in their locality
- Contribute to government efforts in the provision of social services through its CSR program of 0.6% of net revenue will be invested annually
- Contribution to increase GDP of the country and general per capital income.

15 CONCLUSION AND RECOMMENDATIONS

15.1 CONCLUSION AND RECOMMENDATIONS

The project evaluation carried out in this study has demonstrated that the venture is profitable and offers attractive return of the funds to be invested. The return on equity over the project duration evaluated is generally moderate. Similarly, this project is in line with the National Development Policy thus worth financing.

The assessment of the viability of the proposed development demonstrates a high-income earning capacity. On the basis of the analysis, the investment will yield an IRR of 56% p.a which is greater than the cost of capital, 8% p.a. This financial assessment is based on a pessimistic ground with sales price of USD 1,200/oz (VAT and Royalty Inclusive) and Gold ore grade of 9.25g/t. On the other hand, the demand for gold to the world market is projected to increase due to increasing investment in gold, Jewellery business, industries, electronics, monetary exchanges, medicine and commercial chemistry. The analysis has been based on a very pessimistic ground especially on the grade and gold price. If the prevailing gold price of at least US 1,300/oz was used, the project would have yielded more robust results. Similarly, the scope of the project is relatively small compared to the potential demand. In this regard, it is recommended to finance implementation of the project at hand.

Qualified Persons

The information presented here that relates to Mineral Resources of the Canuck Mineral deposit is based on information reviewed by Bartholomew Mkinga M.Sc; Country Manager of Carlton Miyabi Tanzania Limited, a subsidiary company of Pensana Metals Limited of Australia. He is a member of the Society of Economic Geologists. Previously Mr. Mkinga has worked as Geology Manager for Hummingbird Company of UK in Liberia, Country Manager and Regional Manager for Resolute Mining in Tanzania, and Project and Senior Geologist for Barrick in Tanzania. Furthermore, he has worked as a member of special technical team to seek solutions for mining complex gold systems in Mali.

The data has been compiled by Joseph Abraham, a Mining Engineer.

Bartholomew Mkinga has sufficient experience which is relevant to the style of mineralisation and type of deposit. Under the definition set out in NI 43-101 and JORC, I am a 'qualified person'.

Based on the information made available during my study, I certify the investigation related to this study has met the standards relevant to the kind of analysis required.

P.P. Mkinga

19/03/2020

Bartholomew Mkinga (consultant)

Date



19/03/2020

Chad David Beattie (CCL DIRECTOR)

Date