



*Geologists, Geophysicists and Engineers  
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December 2, 2014

Mineral Investment Partners, L.L.C.  
45 Rockefeller Plaza  
New York, NY 10111

Attn: \_\_\_\_\_

**Re: Preliminary Review of Technical Report on ABC Mining Participacoes Montana Complex Gold Properties in Mato Grosso, Brazil**

Gentlemen;

Per your request of November 25<sup>th</sup>, Ammonite's Senior Mining Consultant David Abbott and I have made a preliminary "first blush" review of the report prepared by Pacific Geoscience Associates, Inc. (PSA), titled "Technical Report, Property Evaluation of the Montana Complex Gold Properties for ABC Mining Participacoes, Mata Grosso, Brazil, authored by geologist Buster Crab, and dated June 26, 2014. Page two of the report states that the effective date of the report is August 23, 2014, and that the report is a NI 43-101 Technical Report.

In bullet point format, our initial conclusions are as follow:

- On page 13 of the PSA report, in Section 2.1, the following statement is made: *"This report was prepared following the NI 43-101 format and regulations. This report is not fully NI 43-101 compliant."* The PSA report is not NI 43-101 compliant because it has referenced possible gold resources from historical data, but has not verified the data. The reference to a potential resource of 295,000 troy ounces of gold and historic mining of as much as 100,000 oz. is simply not documented. However, the implication is made on page two that the report is a NI 43-101 report.

- The Montana Gold complex has had some very good gold assays from “grab samples” and has been the site of limited historical mining. There is gold present, but from an exploration and modern evaluation stand point, this is an early stage gold exploration project. Potential gold resources, as presently estimated, are small on a world scale.
- The PSA report is very superficial, and is poorly written and edited in our opinion. It contains extracts from prior reports on the region which have not been properly translated or edited. There is a very limited description of the geology of the Montana mining district. Maps are simplistic; there are no geological cross sections, or any hard data concerning prior core drilling and assays, and there is no interpretation regarding the origin of the gold deposits, a description of the mineralogy, nor a geological model. Will the mine be underground or open pit, and what is the likely ore milling and recovery process? These last questions will determine whether this is a multiple hundred million or multi-billion dollar project to bring into commercial production.
- Ammonite is familiar with PSA for the company’s mineral analytical work. We are not familiar with their geological consulting services and have not heretofore seen a NI 43-101 report by PSA.
- Reference is made to 50GB of digital exploration, drilling, and trial mining data collected by Springbok Metal Properties. These data pertain to the prospective Ze Vermelho (“ZV”) trend and “trial” mine. There is no reference to a “Red Joe” mine in the PSA report. According to PSA, Springbok’s ZV exploration program included 96 drill holes and 1,052 assays, which permitted the creation of a total rock volume of approximately 112,000 m<sup>3</sup> with an average density of 2.45g/cm<sup>3</sup>, resulting in a preliminary resource estimate by Springbok of 274,440 tons at 33.5 g/t of gold (Au) totaling 295,000 troy ounces gold. The report does not provide any documentation for this estimate. Major mining projects on a global scale are on the order of several million and greater ounces of gold.
- PSA also reported that Springbok explored and worked numerous additional exploration targets in the surrounding area of ZV. These include the Pesca, Tambor, Toucan, Filao do Porco, Filao do Culebra prospects. The Tambor occurrence outlined gold mineralization from grab samples (8) with best results from 31.23 to 191.97 g/t au. The Filao do Porco occurrence outlined gold mineralization from grab samples (5) with best results from 3.14 to 9.55 g/t Au and from 13 drill holes totaling 1,686.36 m - Four zones of medium grade (around 1 g/t Au) were outlined in 4 different drill holes. 5 drill holes and 349 core samples were assayed on the Culebra occurrence however no samples returned satisfactory values. Note: “grab” samples can provide encouraging support for

the presence of gold, but cannot be used for geological modeling or resource estimates.

- PSA stated in its report that it was reviewing the 50 GB of Springbok data. Ammonite would like to see this data and how it was interpreted by Springbok and PSA. ABC could have its arms around a viable economic mining project, but the data to support such a project are not presently available for review. Additional exploration work appears to be warranted.
- The economic viability of the project is not known, and cannot be known, until considerable additional work is conducted over the next several years.
- Section 4.5 cites a potential environmental liability arising from current mining and milling operations, apparently without an environmental permit. This must be investigated. Acids, cyanide and mercury are used in gold recovery. No description is provided by PSA as to how the gold ore is presently being processed. Given the artisanal character of much of the mining that has occurred, mercury amalgamation is likely to have been used and could be a significant source of pollution.
- As described on page 17, the area is currently being mined by artisanal “garimpos” miners. This could result in a time consuming process to obtain a “social licence” to operate a major mine.
- All-weather access, electric power, water, and a skilled labor force for a commercial mining operation are parameters that need to be determined.
- PSA recommends a future three phase exploration program that is estimated to cost on the order of \$3.8 million. It will likely take several years to get to the point where a pre-feasibility study is completed. This would include resource and reserve estimates, a mining plan, and a preliminary economic analysis of the project.

## **Recommendation**

The ABC Montana Project is a high-risk early stage exploration venture for what presently appears to be a small-scale gold mine. There are some encouraging indications of gold mineralization, but it is Ammonite’s recommendation that XYZ see the results of the Springbok Metals data and PSA’s analysis before making a commitment to undertake securing financing for the venture. XYZ must also analyze the risk it is undertaking in being able to close a financing on this project in a timely manner. The world is awash with early stage mining ventures seeking financing. Less than one in several hundred prospects actually becomes a commercial mine. There are indeed investors who will finance the \$3-\$5 million required for early stage confirmation drilling and geological

studies, and who hope to cash out when the project is sold to a company prepared to front the hundreds of millions to billions of dollars required to develop a commercial mine. Junior mining companies with good proven prospects are currently having a very difficult time raising development capital.

Please call me should you have any questions.

Yours sincerely  
Skip Hobbs  
Managing Partner