EXECUTIVE SUMMARY

Recent exploration work by the Penhalonga Project has defined a reasonable estimate of contained gold in the oxide zone of about 550,000 tonnes at a grade of approximately 2.2 g/t Au down to the base of the weathered zone (average 30m), for a total strike of some 775m. The inferred resource of approximately 41,000oz of contained gold could be easily exploited to provide funding for further exploration.

The zone of inferred oxide gold resources is over the east-trending main reef of the Penhalonga Mine which is situated within the Achaean Mutare Greenstone Belt. Gold deposits in the belt occur in all greenstone lithologies and more than 80% are within east-west structures. According to Campbell & Pitfield, 1994, “In terms of gold production per unit area, the Mutare Greenstone Belt at 122kg Au/km² is one of the richest belts within Zimbabwe”. Mineral deposits in the vicinity of the Penhalonga Project are quartz vein and shear hosted in talc schists with intercalated banded iron formation. Significant amounts of silver and lead have been produced along with gold in the past.

There is not sufficient data to fully define the potential for undiscovered gold, silver, and lead resources in the zone covered by the Penhalonga Project. The geologic setting and the limited data available suggest that the potential for undiscovered resources is relatively high; enough to fully warrant an extensive exploration program in the area to fully evaluate the sulfide zone for gold, silver, and lead resources.
i. Executive Summary

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1 Introduction and Terms of Reference

1.1 Scope
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Dr R. G. Worl is a senior geological consultant and R. Sterk is principal consultant with RSC Consulting. Dr Worl is a Certified Professional Geologist (CPG) with the American Institute of Professional Geologists (AIPG) and has over 30 years of geological experience primarily focussing on mineral resource research, mineral resource assessment, and research project generation and management within North America, the Middle East, and southern Africa. Mr Sterk has an MSc in structural geology/tectonics, is a professional member with the Australian Institute of Geoscientists (AIG) and the Australian Institute of Mining and Metallurgy (AusIMM) and is the Director of RSC.

RSC has furthermore based parts of this technical summary and review on information provided by the owners and management of X, including technical reports prepared by previous project operators and their consultants, along with other relevant published and unpublished technical information.

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The authors of this report are not qualified to provide extensive comment on legal issues associated with the operations on claims within the areas described in this report.

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RSC reserves the right, but will not be obligated to revise this Report and conclusions if additional information becomes known to RSC subsequent to the date of this Report.

2 Project General Summary

2.1 Project Description and Location

The Penhalonga Project is an exploration program, though various tribute mining operations are being undertaken by small workers. Fifteen claims (approx 1.8 km²) comprise the Penhalonga Project.

The Project is located in the Manacaland Province about 10km NNW of Mutare, close to the Mozambique border (Fig. 1) within the Mutare Greenstone Belt (Fig. 2), one of the smaller belts in Zimbabwe. The eastern part of the Belt was previously known as the Umtali gold belt and the western part as the Ozdi gold belt.
This is an area of moderate topography with Penhalonga valley at an altitude of 1150 m, with the peaks to the south rising to 1580 m. Rainfall is high, (1,000mm annually) and only the months August to October can be considered normally dry.

Figure 1 Location of the Penhalonga Project (red font).

Figure 2 Greenstone Belts of Zimbabwe showing the Mutare Belt (red font)
2.2 Access

Access is via the adjacent Penhalonga valley tarmac road, which connects to the main Harare to Mutare road. Basic supplies, including fuel are available in Penhalonga village, and cell phone reception is widespread. Access to the mine from the village is by a steep, winding 500m long track which can prove impassable to all but 4wds in the wet season.

3 History

3.1 Tenure & Operating History

Gold has been mined in the Pehnalonga Valley since ancient times as evidenced by ancient working down to water level along most quartz reefs in the valley. Arab traders in the 10th through 15th centuries carried considerable gold from the area as did the Portuguese traders that followed them. Mining activity in the present Era began about 1890. Milling at the Penhalonga Mine started in 1897 and 185,000oz of gold were recovered during intermittent operations until 1943 when the Mine closed after the main shaft collapsed as a result of poor shaft siting and manpower shortages during World War II.

3.2 Exploration History

During the 1950 and 60s RioZim in particular re-investigated the potential of the area, and proved by diamond drilling that the main reef extended at depth and eastwards towards the Mozambique border. In 1962 Rio noted that the previous mine owners in the 40s had exclusively concentrated their efforts on following high-grade quartz veins and neglected to explore for either parallel reefs or wider zones of lower grade mineralization within the shear zone. After independence, both Clough (1992) and Casmyn (2004) initiated exploration programmes to test the potential for bulk oxide deposit. Both programmes were however short-lived, due to the low prevalent gold price and the collapse the Zimbabwean economy respectively.

3.3 Production History

Figure 3 shows the distribution of mines in the Mutare Greenstone Belt that produced more than 100 kg gold to 1984. Those in the western part of the belt are mainly hosted in granitic rocks those in the eastern part are hosted both by granitic rocks and by greenstones. Although small, the Mutare Greenstone Belt has been a significant gold producer in the past. Production to 1992 averaged about 122 kg per km², making it one of the richest per area greenstone belts in Zimbabwe. Total production for the Mutare Gold Belt to 1992 was 73t Gold of which 68t came from deposits in the Penhalonga Valley – The Rezende - Penhalonga group (Campbell and Pitfield, 1994, p.243).
The Penhalonga Mine, within the project area, accounted for 17 per cent of the production from the Penhalonga Valley.

Figure 3 Past producing mines along the Mutare Greenstone Belt and the location of the Penhalonga Project

4 Geology & Mineralisation

4.1 Regional Geology

The Mutare Greenstone Belt is a narrow metavolcanosedimentary belt that generally trends northeast except in the eastern part where it trends generally east and extends into Mozambique. The belt is best described as an eastward plunging synclinorium of ultramafic and mafic metavolcanic rocks with intercalations of iron formation, quartzite, marble, conglomerate argillite, and mafic tuffs (Fig. 4). This sequence, thought to correspond to the lower greenschist sequences of the Lower Bulawayan Group, is overlain by a metasedimentary sequence of basal conglomerate, phyllites, metasiltstones, metagreywackes, metaarkose, and grits, probably of the Shamvaian Group. The belt is surrounded by a granitic gneiss complex. The northern limb is intruded by quartz diorite to granite bodies dated at 2741 Ma and by younger felsite sheet like bodies.
4.2 Local Geology

The most productive gold reefs in the Penhalonga Valley can be divided into two groups – The Rezende and the Penhalonga groups. The Rezende group of gold deposits, including the Redwing, Rezende, Perthshire, and Old West reefs (Figs 3, 4, 5) are closely associated with felsite (including quartz porphyry) intrusive bodies. They occur as reefs in the felsite, in the quartz diorite pluton, and in greenstones close to the intrusive bodies; some reefs transgress the greenstone – quartz diorite contact. The gold occurs mainly in shallow dipping quartz veins. The felsite intrusive bodies are thought to have been the source of the mineralizing fluids. The mineralized felsite bodies are sheet-like and localized along low angle thrusts in the north limb of the synclinorium.

The Penhalonga group, the focus of the Penhalonga Project exploration, includes the Penhalonga, Gog, and Monarch (partly in Mozambique) reefs. They occur in ultramafic schists, now mainly talc schist, and in banded iron formation along east-trending shear zones.
4.3 Mineralization

Mineralization in the Penhalonga group of deposits is varied, but generally within sheared zones. Descriptions of mineralization in the Battersea Mine (Phaup, 1932, p. 93) includes a 2 m wide zone of BIF that ran 1.6 to 3.2 g/t Au; a quartz reef that ran 161 g/t Au; broad zones of pyrite and pyrrhotite; reefs that ran as much as 14 oz/t Au; a pyrite and galena rich reef that averaged 3.7 to 10.8 g/t Au and 59.1 oz/t Ag over 1.5 m width; a mixture of quartz and schist that averaged 4.7 g/t Au; a black (carbonaceous?) highly mineralized schist carrying some gold; and a 2m wide zone of quartz and schist that ran 1.5 to 3.2 g/t Au.

At the Monarch Mine, on the border between Zimbabwe and Mozambique, the ore body is a jaspilite banded iron formation 12 to 18m in width that was brecciated and mineralized with pyrrhotite pyrite, arsenopyrite, and vein quartz. Phaup (1932) states gold values ranging from 2.1 To 7.2 g/t, and silver values of 1.8 g/t.

Ore at the Penhalonga Mine consisted of white quartz with streaks of schist inclusions and bands and clusters of galena crystals and locally scheelite. Phaup (1932) reports average gold grades of about 6.2 to 7.8 g/t; and average Ag grades of about 85 to 93 g/t Ag. It seems most of the Ag came with the galena and not as an alloy with Au. The ore averaged about 1.5 to 2% Pb and a trace of Cu. The ore was extracted from three parallel generally east trending reef systems, the main, north, and south. The mined areas ranged from about 125m to 550m in length and 2.5 to 30m in width. Some parts of the reefs had ill-defined walls with quartz veinlet stockworks of low-grade ore extending into the talc schist wall rocks. The ore zones along the reefs tend to pinch and swell.

5 Exploration

5.1 Recent Activity

The Penhalonga Project recently completed a ground magnetic survey and surface mapping program. All RioZim prospect adits in and older working adits in oxide zone were sampled. A percussion drilling programme to test continuation of Penhalonga Mine oxide mineralization to Battersea Mine was successfully completed. A small mining operation supported by the Project is producing up to 2kg of gold a month.

5.2 Ground Magnetic Survey

A ground magnetic survey, details not available, was completed in 2009. The survey defined an ENE WNW trending, approximately 150 to 200m wide low-magnetic zone (Figure 6). This was interpreted to represent a de-magnetised zone associated with the Penhalonga Shear in which lie a series of sub parallel auriferous quartz reefs, some of which have been historically mined.
Figure 5 Penhalonga Project area showing claims and mines (after Tyler, 2012)

Figure 6 Ground magnetic data. ENE tending magnetic low (blue) interpreted to represent an altered shear zone, host of the ore at the Penhalonga Mine (After Tyler, 2012)
5.3 Sampling

A series of adits dating from the 1990s exploration and earlier working adits were mapped and sampled. Wall rock in the adits was almost exclusively talc schist. In total 338 samples were collected from 13 different adits and artisanal workings. Approximately 5kg of sample was collected from 1m long hand chipped sections, marked continuously along the adit sidewalls. A summary of the results are given in table 1.

Table 1. Summary of gold results of 320 (18 samples were lost) adit channel samples (after Tyler, 2012)

| Average Au | 0.33g/t |
| Peak value | 15.06g/t |
| No. > 5 g/t | 3 |
| No. > 2 g/t | 16 |
| No. > 1 g/t | 19 |

5.4 Drilling

The immediate aim of the scope drilling programme was to identify a near surface oxide resource capable of supporting an initial small scale mining operation, that had the potential for expansion. The holes were sited however to target both the oxidized zone, and the underlying sulphide mineralized structures. A total of 44 shallower holes were drilled for a total length of 2,350m.

The majority of holes were drilled at between -60° to -80° northwards. The exact inclination and direction of drilling varied per hole, dependent on any observed surface dip and strike measurements. The holes were largely drilled to a depth of between 50 and 66m, with the project average being 52m. The depth of oxidation varies, but averages a vertical thickness of 35–40m across the project area. Four of the holes were drilled to depths ranging between 72 and 80m. Four fence lines were drilled, though lines 1 and 3 were subdivided into 3 partially contiguous lines (Fig 7).

Lithologies intersected were almost exclusively talc schist with some intercalated iron formation. A summary of results are given in table 2.

Table 2. Summary of gold results of 1,170 phase 1 drilling samples

| Average Au | 0.2g/t |
| Peak | 31.57g/t |
| No. >10 g/t | 3 |
| No. >5 g/t | 9 |
| No. >1 g/t | 31 |
6 Exploration Potential

6.1 Oxide zone gold

The oxide potential of the Penhalonga Mine had until now not been looked at seriously for nearly a hundred years. The advantages of exploiting the oxides first, lie in reducing initial and working costs by approaching the mine as an initial open pit operation, potentially followed by underground mining of the sulphide zone, once maximum pit depth is reached. The historical data does not allow an estimate of the amount of oxide zone resources mined in the past, but it does not seem to be significant.

The recent work including the adit sampling and the percussion drilling has defined inferred resources in the oxide zone in two separate segments along the main reef. (Table 3) Potential oxide resources along the north and south reefs were not included in the estimate. The small operation supported by the project will probably be able to increase their monthly production from about 2kg to as much as 4kg Au based upon based on the recent results.
Table 3: Estimate of undiscovered gold resources in the oxide zone over the Main Reef (after Tyler, 2012)

<table>
<thead>
<tr>
<th>Area</th>
<th>Central Hill</th>
<th>Old Mine</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Length m</td>
<td>500.0</td>
<td>275.0</td>
<td>775</td>
</tr>
<tr>
<td>Width m</td>
<td>6.3</td>
<td>15.0</td>
<td></td>
</tr>
<tr>
<td>Depth m</td>
<td>30.0</td>
<td>30.0</td>
<td></td>
</tr>
<tr>
<td>Grade g/t Au</td>
<td>2.3</td>
<td>2.2</td>
<td></td>
</tr>
<tr>
<td>SG</td>
<td>2.5</td>
<td>2.5</td>
<td></td>
</tr>
<tr>
<td>Volume M³</td>
<td>94,500</td>
<td>123,750</td>
<td>218,250</td>
</tr>
<tr>
<td>Tonnage t</td>
<td>236,250</td>
<td>309,375</td>
<td>545,625</td>
</tr>
<tr>
<td>Kilograms Au</td>
<td>591</td>
<td>681</td>
<td>1272</td>
</tr>
<tr>
<td>Ounces Au</td>
<td>18,991</td>
<td>21,745</td>
<td>40,736</td>
</tr>
</tbody>
</table>

6.2 Sulphide zone gold

Based on the available data the (non JORC compliant) resources are 11.3 million tonnes, to a depth of 150m, at an average grade of 3 g/t, this equates to 1.05Moz of contained gold (Tyler, 2012).

7 Interpretation and Conclusions

The Penhalonga Project is along a highly prospective shear zone containing vein and shear hosted gold deposits on the southern side of the Penhalonga Valley. This includes the old Penhalonga mine one of the past major gold producers in the Mutare greenstone belt. The shear zone, mostly in talc and talc-chlorite schist and intercalated iron formation, is characterized by gold, silver, and base-metal bearing quartz veins, barren quartz veins, auriferous alteration zones, lenses of multi-element sulfides, disseminated gold in iron formation, and scheelite and tourmaline rich areas. Past mining operations sought only high-grade gold veins and paid no attention to the potential for broad zones of low grade ore. Exploration of the area has been limited; the only serious past exploration programs were not completed because of political changes in the country and the falling price of gold.

Recent exploration work by the Penhalonga Project has defined a reasonable estimate of contained gold in the oxide zone over the main reef of about 550,000 tonnes at a grade of approximately 2.2 g/t Au down to the base of the weathered zone (average 30m), for a total strike of some 775m.

There is not sufficient data to fully define the potential for undiscovered gold, silver, and lead resources in the zone covered by the Penhalonga Project. The geologic setting and the limited data available suggest that the potential for
undiscovered sulfide zone resources is relatively high; enough to fully warrant an extensive exploration program in the area to fully evaluate the sulfide zone for gold, silver, and lead.

The business plan of the Penhalonga Project to begin with a small operation to extract 2 to 4kg gold a month from the oxide zone is reasonable. This will not only provide revenue for future exploration but will also provide access and data to better evaluate the potential for undiscovered gold, silver, and lead in the sulfide zone.

8 References


