



ASX ANNOUNCEMENT

7 April 2017

GULF TO INCREASE INITIAL INTEREST IN GBANE PROJECT TO 40%

Independent Experts' Determine that the Gbane Project Transaction is Fair and Reasonable

The Board of Gulf Industrials Limited ("**Gulf**" or the "**Company**") is pleased to announce the completion of the Independent Expert's Report and successfully securing an increased initial interest of forty percent (40%) in the Gbane Project.

Independent Expert's Report (IER)

In compliance with the relevant provisions of both the *Corporations Act* and *ASX Listing Rules*, the Company engaged leading accounting firm RSM Corporate Australia Pty Ltd (**RSM**) as an independent expert to assess whether the transaction was fair and reasonable.

As part of its detailed assessment of the Project and related transaction, RSM commissioned international geological consulting and advisory firm, SRK Consulting (Australasia) Pty Ltd (**SRK**) to provide an independent specialist report incorporating an independent technical assessment and valuation of the Project.

The Independent Expert (RSM), based on SRK's report and its assessment of the structure of the transaction, has concluded that the transaction is indeed *fair and reasonable*. The full IER will be contained in the pending Notice of Meeting.

The draft Notice of Meeting and IER report are currently being reviewed by the ASX.

The Company anticipates that the Notice of Meeting will be dispatched to shareholders later this month with the shareholders meeting to be held in May 2017.

Gulf to secure initial 40% interest in Gbane Project

The Board confirms that it has negotiated an amendment in favour of Gulf to the binding term sheet for the project earn-in and joint venture ("**Joint Venture**") with Cassius Mining Limited ("**Cassius**") into Cassius' key gold exploration project in Ghana ("**Gbane Project**" or "**Project**") as announced on 25 January, 2017

The Term Sheet provides that Gulf has the right to earn an initial seventy percent (70%) interest in the Gbane Project, through a combination of vendor consideration and direct investment into the Project, with the additional right to then acquire up to one hundred percent (100%) interest¹. ***This has not changed.***

¹ All interests referred to in the Gbane Project will be calculated after (net of) the Ghanaian Government's statutory free-carried interest (which is a condition of the Licence and may be up to 10%), has been accounted for.

The reason for the amendment is based on the acknowledgement by both Gulf and Cassius that, assuming the Conditions Precedent² are duly satisfied, then it is critical for the advancement of the Project - *which would benefit both parties* - that funds are readily available to Cassius to advance the Project in the period between the date of the Term Sheet and the satisfaction of the Conditions Precedent. The funds provided by Gulf will form part of Gulf's the earn-in investment and therefore will contribute to Gulf's interest in the Project.

Accordingly, Gulf agreed to provide that continued funding on the conditions that:

- In the event, that the Condition Precedent is not satisfied by the requisite vote at the shareholders meeting, then the funds advanced by Gulf to Cassius will be classed as moneys owing, and are to be repaid in full by Cassius to Gulf; and
- Cassius agree to amend the Term Sheet to the effect that **Gulf will secure a larger initial interest in the Project of 40% for the Vendor Consideration**, as opposed to the original initial 20% interest in the Project, and agree to extend the exclusivity period under the Term sheet until 31May 2017.

These amendments (including any consequential amendments), will therefore:

- be reflected in the project specific Joint Venture between the parties; and
- form part of the basis of the assessment undertaken by the Independent Expert; and
- be put to shareholders to vote on in the upcoming shareholder meeting as set out in the Notice of Meeting to follow.

The Vendor Consideration, **which has not changed**, is to be made up of:

- \$1,000,000 in cash as partial re-imbursement of expenses;
- 75 million shares issued as fully paid shares; and
- 300 million options with an exercise price of \$0.015³ exercisable within 24 months, where:
 - o 150 million options are issued immediately with an exercise price of \$0.015 and exercisable within 24 months; and
 - o 150 million options with an exercise price of \$0.015, are subject to a vesting condition of the Project having an inferred resource of 1 million ounces⁴

Following the amendment, the balance of Gulf's 70% interest will be earned proportionately in accordance with the earn in investment expenditure at a rate of 5% for each \$1.5 million spent.

Gulf's direct investment contribution, subject to the assessment of progressive interim results, will be paid by way of an earn-in investment of \$9 million (over the first 24 months), with those funds to be directed to the advancement of the Gbane Project. ***This has not changed.***

² Most relevantly, the Company seeking approval from the Non-Associated Shareholders for the Proposed Transaction under ASX Listing Rules 10.1 and 10.12.

³ The option exercise price of \$0.015 has been calculated at 187.5% of the January 2017 Placement Price of \$0.008.

⁴ The exercise period of the options with a vesting condition will not commence until the vesting condition is met.

Contact:

**Wayne Kernaghan
Gulf Industrials Limited
ACN 115 027 033**

**Level 7, 99 Macquarie Street
Sydney NSW 2000**

**t: +61 2 8226 3323
f: +61 2 8226 3304
e: wayne.kernaghan@gulfindustrials.com.au**

**m: P.O. Box R383
Royal Exchange NSW 1225 Australia**