

COUNTRY OVERVIEW

Country Information

- Armenia is located between Asia and Europe and occupies a land area of 29,800 sq km.
- It neighbors Turkey to the west, Azerbaijan to the east, Georgia to the north and Iran to the south.
- Armenia declared its independence on September 21, 1991 after the dissolution of the Soviet Union.
- The population is estimated to be 3.2 million and the national language is Armenian though most Armenians also speak Russian.
- The Head of State is the President. He is elected by popular vote for a five-year term, and is eligible to serve two terms.
- The current President is Serzh Sargsyan, who was sworn in on April 9, 2008.
- The average salary in 2015 is about AMD 184,440 (approximately US\$374) per month.

Economy

- Like other Commonwealth of Independent States ("CIS") countries, Armenia's economy initially suffered from the legacy of a centrally-planned economy and the breakdown of the former Soviet trading patterns. However, the government was able to carry out wide-ranging economic reforms in the early 1990s. The 1994 cease-fire in the Nagorno-Karabakh conflict also helped.
- New sectors, such as precious stone processing and jewelry making, information and communication technology, and even tourism began to supplement more traditional sectors in the economy, such as agriculture. This resulted in strong economic growth from 1995.
- The GDP growth rate exceeded 10% in every year from 2002 until 2007. This fell to 6.8% in 2008 on the back of the global financial crisis, with the mining sector in particular affected by falling international commodity prices.
- Economic activity slowed to the point that the country's real GDP contracted by 14.4% in 2009. However, the Armenian authorities have developed a policy package that aims to restore confidence in the currency and financial system.
- The program's key features include a return to a flexible exchange rate regime, an increase in the refinancing rate, supportive financial sector policies, prudent fiscal policy, continued reforms in tax administration and targeted support for the poor.

Transport

- Armenia has a railway network of 845 kilometers and 15,900 kilometers of highways, and effective road and railroad communication exists between all the major regions of Armenia.
- Because of transport blockages by Turkey and Azerbaijan, almost all cargo shipments to landlocked Armenia are routed through ports in Georgia.
- Almost all international flights go to Zvartnots International Airport, about 10 km west of Yerevan. The airport is capable of handling two million passengers annually.

Business Climate

- Armenia encourages foreign trade and investment, and laws allow foreigners to purchase businesses and property, repatriate revenue and profits, and receive compensation if property is nationalized.
- Taxes are quite low with generally a 20% rate applies to companies and individuals. The value-added tax ("VAT") rate is also 20%.
- Surveys suggest that Armenia is a relatively easy country in which to do business. The World Bank study, Doing Business 2009, ranked Armenia as the 44th easiest country to do business with out of 181 countries surveyed.
- Nevertheless, there are still issues related to the transparency and implementation of the Armenian regulatory system.
- The application of tax, customs (especially valuation) and regulatory rules (especially in the area of trade) can be inconsistent, creating uncertainty for medium size businesses and market entrants.

Investment Climate

- Foreign investment into Armenia is welcomed. Foreign nationals may lease land or acquire it through an Armenian legal entity.
- As a general rule, investment permits are not required, however, all enterprises must be established according to the form and procedure prescribed by law and registered with appropriate government agencies.
- Foreign investors are generally not required to seek special approval from authorities for foreign direct investments.
- There are no restrictions on the rights of foreign nationals to acquire, establish or dispose of business interests in Armenia.
- The Government maintains a free floating and freely convertible currency, the Armenian Dram.

COMPANY OVERVIEW

DESCRIPTION

- GI Metals Investment Limited Inc. is an Armenian based, local gold mining company engaged in the acquisition, exploration, development, mining and processing of precious metals.
- The company operates since 2010 due to the investments of Armenians living in Russia.
- The Company is committed to creating shareholder value in a safe and socially responsible manner through a disciplined but opportunistic business model and to maintaining a strong financials at all times.
- Maximizing the value of our existing operating assets through exploration, development and optimizing their operational output is a key component of our strategy.
- The best specialists in the country are included in the the company's works. From time to time scientific experts from European countries (UK, Netherlands) are invited.

ACTIVITIES

- Gi Metals Investment Limited Inc. has launched its activities in the so-called Dastakert southern part gold-polymetallic mine, which is located in the southern part of Armenia near Kajaran and Dastakert mines.
- In 2010 the company got a license from the Ministry of energy and nature resources of the Republic of Armenia permission No. EHT-29/114 on geological exploration for the purpose of exploitation of useful minerals.
- Licensed area is 1800 hectares. It is located 25 kilometers from the south of Sisian. Until an expiration of license date / December 2015 / company conducted a comprehensive geological prospecting studies of licensed area.

LEADERSHIP

- Geological studies were carried out by the best experts and a detailed geological maps of the area were compiled.
- Geological-chemical researches were carried out in the entire study area, and around 6000 samples were tested. Laboratory studies were conducted by SGS company, as well as in the leading “Aleksadrovski opritno-ekspedishion” laboratory in Russia.
- Control laboratory studies were conducted in the private and public laboratories of Armenia. +Preliminary studies were carried out for all the necessary arrangements.
- In prospective areas, which are seperated by the results of a prospective studies, drilling works were carried out.

About 30 km of roads have been built for the implementation of all activities.

GEOLOGY AND MINERALIZATION

Regional Geology

- Study area is situated in the central part of Zangezour mining region. It is located in 25 km to the southeast from the city of Sisian, northern side of the mountain range of Bargyushat.
- Geological researches of the area began in the 19th century.
- The mine area covers an area of Jurassic-age intermediate volcanics that have the potential to host significant bodies of epithermal-porphyry mineralization similar to those currently defined within mine area.
- Northern is bordered by the mine of Dastakert and the mine of Voskedzor is located on the southern side.
- These mainly Middle Jurassic volcanogenic and sedimentary formations have a stratigraphic thickness of approximately 1,000 metres.
- The Upper Jurassic and Lower Cretaceous volcanic and sedimentary formations are localized on the north-eastern and northern limbs of the Kapan Anticline and have a total thickness of 2,500 metres.
- Middle Jurassic and Upper Jurassic-Lower Cretaceous formations are cross-cut by Palaeogene age extrusive and sub volcanic dikes of diabase, andesite and dacite composition.
- Quaternary basalts occur locally within the bounds of the mine area.

Mineralization

- Mineralization is hosted in veins which often present as closely spaced anastomosing vein structures, displaying a broadly east-west strike and steep (70-85°) dip to the north or south.
- The strike length of the mineralized bodies varies from several tens to several hundreds of metres, and average vein width is 1.0 – 2.0 metres.
- The down dip extent of the veining varies from 3 to 250 metres, and rarely extends beyond 300 metres down dip.
- The mineralization occurs in altered dacite, andesite and basaltic host rocks. The main ore minerals are chalcopyrite, sphalerite and minor galena, along with gold and silver.
- Mineralization styles include massive sulphide veining, stock work and network veining and disseminated styles.
- The mineralogy area is distinguished by its constant pyrite-chalcopyrite association. In some areas chalcocite, bornite, sphalerite, galena, tenatite, telluride and others are present.
- The mineralogy of the pyrite-polymetallic mineralization also shows constant associations of pyrite + chalcopyrite + sphalerite.
- In the western area of the area, molybdenum mineralization is found in hydrothermally altered volcanic rocks. Copper-pyrite and pyrite-polymetallic mineralization is hosted by Mid-Jurassic volcanics.
- The host rocks have been subjected to intense tectonic deformation and metasomatic alteration.
- Mineralization is generally proximal to large structures, especially at the intersections of large scale faults.

Author's calculation of reserves of gold on the basis of results of the works, which are carried out on sites "Al Qar", "Sev Qar" and "Kentron" of the southern part of the region of Dastakert

GENERAL INFORMATION

In June-July, 2014 on sites "Al Qar", "Sev Qar" and "Kentron" of the southern part of the region of Dastakert, boring works 996.6 m were carried out. Diameter of drilling was: by the PQ sizes (it was drilled 9.1 m), HQ (it was drilled 422.9 m) and NQ (it was drilled 564.6 m), diamond crowns with a diameter of 122, 96 and 76 mm, respectively. Final information of boring works is given in the table.

According to works on core drilling, volume on sites is distributed as follows:

Diameter	Name of a well	A-1	B-1	B-2	B-3	B-4	B-5	B-6	B-7	Итого м
	PQ of 122 mm			9,10						9,10
	HQ of 96 mm	3,40	2,00	210,9 0	3,00	2,00	89,6 0	110,0 0	2,00	422,90
	NQ of 76 mm	51,3 0	152,0 0		107,3 0	124,0 0			130,0 0	564,60
	Result	54,7 0	154,0 0	220,0 0	110,3 0	126,0 0	89,6 0	110,0 0	132,0 0	996,60
	Core exit percent TCR (%)	95,9 0	94,2	97,4	94,4	97,9	99,1	99,3	86,6	95,6
	Quantity of boxes	10	26	57	18	22	25	29	30	217
	Quantity of samples of dead rocks	3	9	12	6	7	5	4	8	54
	Samples duplicates	3	8	12	6	7	5	6	7	54

Quantity of samples	55	154	220	109	126	90	99	132	985
Quantity of samples together with samples duplicates and empty samples	61	171	244	121	140	100	109	147	1093
Serial numbers of approbation on wells	AS-414 -474	AS-243 -413	AS-1-24 AS-596- 597	AS- 475 -595	AS- 698 -837	AS- 598 - 697	AS- 838 - 922 AS- 1014- 1025 AS- 1082 -1093	AS- 923 1013 AS- 1026 1081	

site Al Qar: 665.0 rm

site Sev Qar: 199.6 rm

site Kentron: 132.0 rm

Analyses were carried out in specialized laboratories.

Results on sites are as follows:

"Al Qar" – all wells of A-1; B-1; B-2; B-3; B-4 (A hade 50-700) were grabbed and cut off previously assumed zones of a mineralization and it is presented in details both during geological supervision and descriptions of cores, and by results of analyses of gold and polymetals. Wells of B-2, B-3 are of special interest: the content of gold in the core samples taken from these wells fluctuates ranging from **0.1 to 3.17 g/t**. In the mineralized zones the average content of gold approximately at a power 5m on a well of B-3 makes **0.9 g/t**, a point of intersection - at a depth 94m, an exit point - at a depth 100m.

On B-1 well the main ore zone was crossed at a depth 79-83m, 89-91m and 94-96m, average content on these separate pieces makes **0.3 g/t, 0.12 g/t and 0.17 g/t**, respectively.

The well of B-2 cut ore zones at a depth 72-73m, average content - **0.5 g/t**, at a depth 93-94m - **0.2 g/t**, 119-123m – **0.1 g/t**, 141-146m – on average **0.23 g/t**, 149-150m - **1.52 g/t** the average content of gold.

Falling of ore zones closely to vertical, power fluctuates from 0.3 to 3 and more meters.

The deepest mineralization was recorded at a depth 129m. Gold is distributed extremely unevenly and ore zones become wider and narrower with depth, and also are divided into separate, narrower sub bands.

A subsection "The crossed zones" of "Al Qar" represents the greatest interest.

According to specialists geologists in this sphere who have a wide experience, the content of gold has to be increased with depth. This reasonable assumption needs to be checked by more extensive drilling operations. Besides, as we deal with narrow ore zones of vertical falling, there is a need to study these zones of horizontal excavations. These underground adits will create opportunity not only to study in details deep ore zones, but thereafter will be used during development of a field (place of birth), it is also possible the development of narrow ore zones with a pit, although at such contents of gold it isn't so favorable: prime cost of the extracted metal turns out too big.

The most probable point for underground development is below a subsection "The crossed zones", in the canyon, the direction - the East-West.

The well of B-4 was drilled on east flank of a site "Al Qar". The content of gold at the studied depth isn't enough. Contents of copper, lead and zinc too, however the contents of molybdenum are abnormally high at a depth from 2 to 60m. Molybdenite scattering, silicification, hydrothermal changes are observed in the samples of a core, characteristic for a sulphidic mineralization of other type. At more considerable depths the content of molybdenum starts fluctuating strongly. We consider that on this subsection there is a need of additional detailed studying from the point of view of a molybdenum mineralization.

Because of a strong fracturing and impassability of breeds A-1 well was suspended at a depth 54.7m. There are not any results, which show interest.

On a site "**Sev Qar**" B-5 and B-6 wells were drilled, at a depth of 89.6 and 110.0 m, respectively, a hade - 700.

Values of molybdenum in B-5 well also strongly fluctuate. In particular at a depth 32-36m and 49-55m. The content of gold isn't available.

In a well of B-6 weak contents of gold at a depth 7-8m - gold on average **0.25 g/t**, at a depth 45-47m and 63-65m on average **0.07 g/t** and 89-90m **0.3 g/t** are recorded. At the same depths, but on the most powerful and comprehensive zones sharp increase of contents of molybdenum, lead, zinc and copper is observed. In some ways the above-mentioned also refers to silver.

In any case abnormal increases of contents of polymetals don't reach the level of industrial contents.

A well B-7 by depth 132m was drilled on a site "**Kentron**", a hade - 900. The content of gold at a depth of 1-3m was **0.08 g/t**, 45-46m – **0.15 g/t**, 102-123m - **0.15 g/t**. At the same depths, but on the most powerful and comprehensive zones sharp increase of contents of molybdenum is observed. In this case also abnormal increases of contents of polymetals don't reach the level of industrial contents. But the fact deserves attention, in particular, if we consider that there is a Shekasarsky copper-molybdenum field to the North from this site, at distance about 1.5 km, whose reserves are on the same structural system, in which a site of Kentron is situated.

Generally, the most interesting is the subsection "The crossed zones of" a site "Al Qar", which is at distance 600-700m from the Voskedzorsky gold field, to the North.

Expected calculation of perspective gold reserves of a subsection "The crossed zones" site "the Carat Is scarlet"

The most productive in B-2 well are ore zones which were crossed at a depth 72-73m (the 1st zone), the average content of **0.5 g/t**, 93-94m - the average content of **0.2 g/t** (the 2nd zone), 141-146m – on average **0.23 g/t** (the 3rd zone), 149-151m - with the average content of gold of **1.52 g/t** (the 4th zone). We know that falling of ore zones are vertical or are close to the vertical. Considering that circumstance that the well was drilled at an angle 600, we receive coefficient 0,5 which we multiply by the crossed mineralized well intervals. Therefore, real capacities of four ore zones turn out respectively: the 1st zone - 0,5m (the 1st zone is crossed at a depth of 72-73 meters, that is, the power of 1 meter, but as it was crossed with a bias we multiply by the corresponding coefficient: in this case for 600-it makes 0,5); the 2nd zone - 0,5m; the 3rd zone - 2,5m and the 4th zone - 1,0m.

Length of a well of B-2 makes 220m but as it is drilled with a bias, its real depth turns out 130m. The last ore zone grabbed with us on this well was on 149-150m, real depth will turn out $150 \times 0,5 = 75$ m. In other words, we have still well expressed mineralization at a vertical depth at least 75 meters, but as contents of gold with depth are approximately the same, as on surfaces, so we will take the depth of a mineralization 130m.

The length of the ore zones according to our geological survey data, is about 850m. That is we have four 850-meter zones of vertical falling. Accepting that zones are mineralized at least up to the depth of 130 meters, we can count their volumes. We will receive, respectively:

1st zone $0,5\text{m} \times 130\text{m} \times 850 = 55250\text{m}^3$. If to accept that the average density of breeds is equal to $2.5\text{t}/\text{m}^3$, we receive $2.5 \times 55250\text{m}^3 = 138125\text{t}$ and as in this zone the content of gold on average is 0.5 g/t, we receive $138125\text{t} \times 0,5 \text{ g/t} = 69062\text{g}$ or **69,1kg**.

2nd zone $0,5\text{m} \times 130\text{m} \times 850\text{m} = 55250\text{m}^3$; $2.5 \times 55250\text{m}^3 = 138125\text{t}$, in this zone the content of gold on average is 0.2 g/t, we receive $138125 \times 0,2 = 27625\text{g}$ or **27,6kg**.

3rd zone $2,5\text{m} \times 130\text{m} \times 850\text{m} = 276250 \text{ of } \text{m}^3$; $2.5 \times 276250 \text{ m}^3 = 690625\text{t}$, in this zone the content of gold on average is 0.23 g/t, we receive $690625 \times 0,23 = 158843\text{g}$ or **158,8kg**.

4th zone $1,0\text{m} \times 130\text{m} \times 850\text{m} = 110500 \text{ of } \text{m}^3$; $2.5 \times 110500 \text{ m}^3 = 276250\text{t}$, in this zone the content of gold on average is 1,52 g/t, we receive $276250 \times 1,52 = 419900\text{g}$ or **419,9kg**.

We receive for the zones grabbed with B-2 well - 1243 125t ores: $69.1\text{kg} + 27.6\text{kg} + 158.8\text{kg} + 419.9\text{kg} = \mathbf{675,4 \text{ kg}}$.

The main ore zone was crossed by B-1 well at a depth 79-83m, 89-91m and 94-96m, average content on these separate pieces makes **0.3 g/t, 0.12 g/t and 0.17 g/t**, respectively.

As crossing at an angle is 600, we use coefficient 0.5, it turns out, respectively: the 1st zone - 2.0m, the 2nd zone - 1.0m, the 3rd zone - 1.0m.

Ore content zones shall be based upon the depth of 130m. Visible extent of zones according to geological data makes 900m.

The second zone with the contents in 0.12 g/t isn't of interest.

It turns out:

1st zone $2,0 \times 130\text{m} \times 900\text{m} = 234000$ of m^3 ; $2.5 \times 234000 \text{ m}^3 = 585000\text{t}$, in this zone the content of gold on average is 0.3 g/t, we receive $585000 \times 0,3 = 175500$ g or **175,5 kg**.

3rd zone $1.0\text{m} \times 130\text{m} \times 900\text{m} = 117000 \text{ m}^3$; $2.5 \times 117000 \text{ m}^3 = 292500\text{t}$, in this zone the content of gold on average is 0.17 g/t, we receive $292500 \times 0,17 = 49725$ g or **49,7kg**.

We receive for the zones grabbed with B-1 well: 877 500t ores and $175,5\text{kg} + 49,7\text{kg} = \mathbf{225,2\text{kg}}$ gold.

The main ore zones were crossed by B-3 well at a depth 62-63m and 94-100m, average content on these separate pieces makes **0.25 g/t and 1.0 g/t**, respectively.

As crossing at an angle is 500, we use coefficient 0.63, it turns out, respectively: the 1st zone - 0.63m, the 2nd zone - 2,5m.

Ore content zones shall be based upon 130m. Visible extent of zones according to geological data makes 700m.

It turns out:

1st zone $0.63 \times 130\text{m} \times 700\text{m} = 57330$ of m^3 ; $2.5 \times 57330 \text{ m}^3 = 143325\text{t}$, in this zone the content of gold on average is 0.25 g/t, we receive $143325 \times 0,25 = 35831$ g or **35,8 kg**.

2nd zone $2,5 \times 130\text{m} \times 700\text{m} = 227500$ of m^3 ; $2.5 \times 227500 \text{ m}^3 = 568750\text{t}$, in this zone the content of gold on average is 1.0 g/t, we receive $568750 \times 1.0 = 568750$ g or **568,7 kg**.

We receive for the zones grabbed with B-3 well: $35,8\text{kg} + 568,7\text{kg} = \mathbf{604,5\text{kg}}$.

In general, for 7 zones of a subsection "The crossed zones" of a site "Al Qar", with the northern, north-western, north-eastern extension, it turns out:

The mass of the ore containing gold: $1243 \text{ 125t} + 877 \text{ 500t} + 712 \text{ 075t} = \mathbf{2 \text{ 832 \text{ 700t}}}$.

Content of gold: $675,4\text{kg} + 225,2\text{kg} + 604,5\text{kg} = 1505,2 \text{ kg of gold}$.

Other wells didn't yield positive results. The well of B-4 was drilled on East flank of a site "Al Qar". The content of gold at the studied depth is low.

The same refers to A1 well: on the southern flank of the passable subsection "The crossed zones".

Site "Sev Qar"

On a site of "**Sev Qar**" two wells were drilled: B-5 and B-6, at a depth 89.6m and 110.0m, respectively, a hade - 800. Reach, respectively B-5 - northern and B-6 - the south-east, 1700.

In a well of B-5 of contents gold isn't found.

Weak contents of gold in B-6 well at a depth of 7-8 meters, with the average content of **0.25 g/t**, at a depth 51-52m - **0,2 g/t** and at a depth 89-90m - **0.3 g/t** are of interest.

Accepting falling of ore content zones close to vertical, we multiply the metric area of a zone by coefficient 0,3 and we receive two 0,3-meter zones of vertical falling. Here we accept depth of 100m, and we allow extent 100m. It turns out:

For the 1st zone: $100\text{m} \times 0,3\text{m} \times 100\text{m} = 3000\text{m}^3$; $3000\text{m}^3 \times 2.5 = 7500\text{t}$; $7500\text{t} \times 0.25 \text{ g/t} = \mathbf{1875\text{g}}$ or **1,9kg**.

For the 2nd zone: $100\text{m} \times 0,3\text{m} \times 100\text{m} = 3000\text{m}^3$; $3000\text{m}^3 \times 2.5 = 7500\text{t}$; $7500\text{t} \times 0.2 \text{ g/t} = \mathbf{1500\text{g}}$ or **1,5kg**.

For the 3rd zone: $100\text{m} \times 0,3\text{m} \times 100\text{m} = 3000\text{m}^3$; $3000\text{m}^3 \times 2.5 = 7500\text{t}$; $7500\text{t} \times 0.3 \text{ g/t} = \mathbf{2250\text{g}}$ or **2,2kg**.

All three zones together turn out **5625 g or 5,6kg gold**.

Ore: $7500\text{t} + 7500\text{t} + 7500\text{t} = \mathbf{22500\text{t}}$.

However, the potential of this site is estimated much above, simply available geological information only allows to predict so much.

Site "Kentron"

On a site "**Kentron**" one well - B-7, at a depth of 132 m, a hade - 900 was drilled. At a depth 1-3m the content of gold is **0.08 g/t**, 45-46m – **0.15 g/t**, 102-123m - **0.15 g/t**.

Considering narrowness of zones and low contents of gold, we consider this site perspective only for polymetals.

Site "Zagon"

On this site boring works were carried out in 2013, the encouraging results aren't present though the content of gold in some samples, which are selected from a blanket of the soil and from prospecting ditches sometimes exceeded 1 g / m.

CONCLUSIVE INFORMATION

- It is possible to tell that from six sites of the licensed territory, on sites "Dimac" and "Malakhit", we didn't carry out excavations, and only on surface approbation and other works, which don't have any communication with workings it is impossible to estimate a gold mineralization of these sites.
- On sites of "Kentron" and "Zagon" we have three and one wells, respectively, but approbation of a core and the analysis didn't yield positive result.
- The greatest interest is represented by the sites "Al Qar" and "Sev Qar" which, despite quite scanty geological information, showed more or less visible results. In particular, in systems of the ore zones of Northern, North Western and North East extension, which are recorded on a subsection "The crossed zones" of a site "Al Qar" in 2 832 700t. ores predictable reserves of gold at 1505,2 kg, with the average content of 0,52 g/t were estimated.
- On the available scanty information, 7,3kg gold in 29250t. ores, with the average content of 0,25 g/t is predicted on a site "Sev Qar".
- Based on the preliminary results of "Al Qar", expansion works began. Estimated capacity, which was a result of the works carried out in 2015, grow around 3 times.
- In order to deepen and continue exploration works after 2015, the licensed area was reduced by 960 hectares and reached to 840 hectares. Minister of energy and natural resources of the Republic of Armenia with the decree of N 391 - A of 05 September 2015, has extended the period of exploration license until 30 December 2017. The company refused from 960 hectares of the land in accordance with Article 42 of the Mining Code.
- Changed space coordinates by ARM WGS-84 coordinate system.
 1. X=4356992 Y=8588900
 2. X=4355992 Y=8588900
 3. X=4355992 Y=8589900
 4. X=4354992 Y=8589900
 5. X=4354992 Y=8592900
 6. X=4356992 Y=8592900
 7. X=4356992 Y=8591300
 8. X=4357992 Y=8591300
 9. X=4357992 Y=8589900
 10. X=4356992 Y=8589900

- In order to implement works a detailed business plan was drawn up, which was approved by the Minister of Energy and Natural Resources. The project has passed environmental expert assessment provided by the law and have been agreed with the residents of the community.
- New investments are necessary for the project. As a result, the estimated reserves of gold will amount to around 3,5 tons.