

20 September 2012

The Directors
Ridge Resources Limited
52 Ord Street
West Perth WA 6005

Dear Sirs,

1. Introduction

1.1 Background, purpose and scope of report

This report ("Report") is prepared for inclusion in a notice of meeting ("the Notice of Meeting") and a prospectus ("the Prospectus") to be issued by Ridge Resources Limited ("Ridge"), whereby Ridge will offer to acquire 100% of the shares in Cardinal for a total consideration of 30,750,000 shares and 15,375,000 \$0.20c options expiring on 30 June 2014.

In conjunction with the acquisition of shares in Cardinal Resources Limited, Ridge will undertake a pro rata non-renounceable rights issue of approximately 25,070,250 shares on the basis of 3 New Shares for every 2 Ordinary Share held by Ridge shareholders at an issue price of twenty cents (\$0.20) per New Share with a three for two free option, exercisable at \$0.20 on or before 30 June 2014 to raise approximately \$5,014,000.

This Report relates to the corporate status and mining activities of Cardinal Resources Ghana Limited formerly known as Renaissance Gold Company Ghana Limited ("Cardinal Ghana"), Cardinal Resources Subranum Limited ("Cardinal Subranum") and Cardinal Mining Services Limited ("Cardinal Mining Services"), Ghanaian incorporated subsidiaries of Cardinal Resources Limited ("Cardinal Resources"), an unlisted public company registered in Australia.

Cardinal Resources acquired 100% of the issued shares of Cardinal Ghana from Mr. Malik Easah in two transactions in 2010 and 2011. As part of the consideration for the transfer of shares in Cardinal Ghana, Mr. Easah was issued 1,889,000 shares in Cardinal Resources. Cardinal Resources and Cardinal Ghana then entered into a Net Smelter Return Royalty Deed with Mr. Easah. A summary of the terms of the Deed is set out in Schedule 5 below.

Cardinal Subranum, which was duly incorporated on 22 March 2012 under the laws of Ghana as a limited liability company, is 100% owned by Cardinal Ghana. It entered into a sale and purchase Agreement with Newmont Ghana Gold Limited ("Newmont") for the transfer of Newmont's Subin-Kasu Prospecting Licence to it subject to the consent of the Minister for Lands and Natural Resources. A summary of the terms of the agreement is set out in Schedule 6.

Cardinal Mining Services was also duly incorporated on 22 March 2012 under the laws of Ghana as a limited liability company and is 100% owned by Cardinal Ghana.

We have acted on the instructions of Ridge and have been requested to provide a solicitor's report on the corporate status of Cardinal Ghana, Cardinal Subranum and Cardinal Mining Services (the "Companies") and the status of relevant mineral rights held by them or proposed to be acquired. We have also been requested to provide a brief overview of Ghana's mining legal framework and the risk factors specific to mining operations in Ghana.

We have attached in Schedule 1 a list of the tenements held by Cardinal Ghana and the Subin-Kasu Prospecting Licence; in Schedule 2, a summary of reports of the Minerals Commission dated 11 April 2012 and 11 May 2012 respectively on the above mentioned tenements; in Schedule 3, an overview of the terms and conditions of the mineral rights; in Schedule 4, a summary of the corporate status of the Companies; in Schedule 7, key comments to note in the Report and in Schedule 8, our assumptions and qualifications in respect of the Report; Schedules 1-8 form part of the Report.

Mineral Rights – Regulatory Overview

2.1 *Ownership of Minerals*

In Ghana, the ownership of land on which there are mineral deposits is separate from the ownership of minerals. All minerals in their natural state in or upon any land or water are, under Ghanaian law, the property of the Republic of Ghana and vested in the President on behalf of the people of Ghana. Any transaction which involves the granting of rights for the exploitation of minerals requires Parliamentary ratification. Upon recommendation of the Minerals Commission¹, Parliament may however authorise other government agencies to approve the grant of rights to exploit minerals.

All stool land that is, land attributable to a chieftaincy and representing the collective property of the people ruled by the Chief in question, are vested in the appropriate stool on behalf of, and in trust for, the community presided over by the chief in accordance with customary law. Pursuant to the provisions of the Constitution of Ghana, 1992, the development of any stool land is not permitted unless the Regional Lands Commission has certified that the proposal is consistent with the development plan drawn up by the local District Assembly. There are also provisions in the Constitution governing the payment of revenues and royalties generated from stool lands and the general administration and development of such lands.

2.2 *Main Laws and Regulations*

The following are the main laws and regulations governing mining in Ghana:

- (a) Minerals and Mining Act, 2006 (Act 703) as amended by the Minerals and Mining (Amendment) Act, 2010 (Act 794)
- (b) Minerals and Mining (General) Regulations, 2012 (L.I 2173);
- (c) Minerals and Mining (Support Services) Regulations, 2012 (L.I 2174);
- (d) Minerals and Mining (Compensation and Settlement) Regulations, 2012 (L.I 2175);

¹The Minerals Commission was established under the Minerals Commission Act, 1993, (Act 450). The Act provides that the Minerals Commission is responsible for the regulation and management of the utilization of the mineral resources of Ghana and the co-ordination of the policies in relation to them

- (e) Minerals and Mining (Licensing) Regulations, 2012 (L.I 2176);
- (f) Minerals and Mining (Explosives) Regulations, 2012 (L.I 2177);
- (g) Minerals and Mining (Health, Safety and Technical) Regulations, 2012 (L.I 2182)
- (h) The Internal Revenue Act, 2000 (Act 592) as amended from time to time;
- (i) The Minerals Commission Act, 1993 (Act 450)
- (j) The Environmental Protection Agency Act, 1994 (Act 490);
- (k) The Environmental Assessment Regulations, 1999 (L.I. 1652); and
- (l) The Constitution of the Republic of Ghana, 1992

2.3 Mineral Rights

The following types of mineral rights are available in Ghana: reconnaissance licence, prospecting licence and mining lease. Other leases and licences which will not be discussed here include the restricted reconnaissance licence, prospecting licence and mining lease for mining industrial minerals² and small scale mining licences.

2.3.1 Reconnaissance Licence: entitles the holder to search for specified minerals by geochemical, geophysical and geological means. It does not permit drilling, excavation or other physical activities on the land, except where such activity is specifically permitted by the licence (ground disturbance requires approval). It may not be granted for a period exceeding twelve months in respect of an area not exceeding 5000 contiguous blocks³ and may be extended if the Minister⁴ responsible for mines is satisfied that it is in the public interest to do so, for periods not exceeding twelve months at a time. An application for extension must be made not later than 90 days⁵ before the expiration of the initial term.

Under Act 703, the grant of a reconnaissance licence confers on the holder the exclusive right to carry on reconnaissance in the area covered by the grant in respect of a mineral. This would operate to preclude the grant of a reconnaissance licence to anyone other than the reconnaissance licence holder in respect of that mineral. Additionally, Act 703 expressly prohibits the grant of a mineral right in respect of another mineral right where there is an existing mineral right “unless the holder of the existing right is notified and given the first option of applying for the right”.

The holder of a reconnaissance licence or a prospecting licence may apply for a mining lease once it establishes that minerals exist in the area in commercial quantities. The application must be made before the expiration of the reconnaissance or prospecting licence.

regulation 6(1) of the new Minerals and Mining (Health, Safety and Technical) Regulations 2012, L.I. 2182 requires the holder of a reconnaissance licence to obtain an Exploration Operation Permit from the Inspectorate Division of the Minerals Commission prior to the commencement of any exploration operations.

Cardinal Ghana is currently the holder of three reconnaissance licences in respect of the Ndongo, Konongo and Bongo tenements (“the Reconnaissance Licences”). By two letters

² means basalt, clay, granite, gravel, gypsum, laterite, limestone, marble, rock, sand, sandstone, slate talc, salt and other minerals as the Minister may from time to time declare, by notice published in the *Gazette*, to be industrial minerals;

³A block is defined as 21 hectares in Act 703.

⁴Minister for Lands and Natural Resources

⁵ Regulation 20(1) of the Minerals and Mining (Licensing) Regulations, 2012 (L.I 2176)

dated 11 January 2012 respectively, it applied for the renewal of the Kungongo Reconnaissance Licence and the Bongo Reconnaissance Licence. The Minerals Commission by two letters dated 13 March 2012 responded to say that it had favourably recommended to the Minister to renew the licences subject to the payment of a consideration fee of US\$ 15,000.00 and the stipulated annual ground rent in respect of each licence. Cardinal Ghana has paid these fees and annual rent.

Section 33(3) of Act 703 states that where an application for extension of the term of a reconnaissance licence is made under this section and the applicant has materially complied with the obligations imposed by the Act with respect to the licence, and the activities to be conducted thereunder, the Minister is required to extend the term of the licence. In that regard, we understand from the Minerals Commission that each of the licences is in good standing and that Cardinal Ghana has complied with its obligations thereunder. Thus, to the best of our knowledge, no circumstances currently exist which would prevent the Minister from renewing the licences. Furthermore, pursuant to section 33 (6) of Act 703, Cardinal Ghana may continue its reconnaissance operations pending the formal grant of the extensions.

- 2.3.2 Prospecting Licence: entitles the holder to search for specified minerals for a period not to exceed three years for an area not exceeding 750 contiguous blocks. A prospecting licence may be extended for a period not exceeding three years with a reduction in area of half the initial area at the end of the initial period and at the end of any further period of extension, of half the remaining area.

Under Act 703, land that may be the subject of an application for a mineral right in respect of a mineral specified in the application excludes land which is “the subject of an existing mineral right in respect of the specified mineral”. Consequently, a prospecting licence may not be granted over any area in respect of which another prospecting licence has been granted for the same mineral.

The holder of a prospecting licence must commence operations within three months from the date of the issue of the licence, or at a time specified by the Minister.

Pursuant to section 36 (1) of the Ghana Concessions Ordinance, 1951, CAP 136, the holder of a prospecting licence is required to obtain a prospecting permit before it carries out prospecting operations. This provision is now also expressed in regulation 6(1) of the new Minerals and Mining (Health, Safety and Technical) Regulations 2012, L.I. 2182 as a requirement for the holder of a prospecting licence to obtain an Exploration Operation Permit from the Inspectorate Division of the Minerals Commission prior to commencement of any exploration operations.

Cardinal Ghana applied for the conversion of its Ndongo Reconnaissance Licence into a prospecting licence. The Minerals Commission by letter dated 29 February 2012 indicated that it had recommended to the Minister of Lands and Natural Resources to convert the licence into a prospecting licence subject to the payment of a consideration fee of US\$ 20,000 and annual ground rent of GHS 22.00. Cardinal Ghana has paid the consideration fee and annual ground rent, however, the prospecting licence in respect of the Ndongo tenement is yet to be issued by the Minister.

Section 34 (4) of Act 703 provides that “if a holder of a reconnaissance licence applies for a prospecting licence over all or part of the land and for a mineral the subject of the reconnaissance licence and the holder has materially complied with the obligations imposed

by this Act with respect to the holding of the licence, and the activities to be conducted under the licence,” the Minister is required to grant the application within 60 days of the application, subject to the permits and other obligations required by law having been complied with. In that regard, we understand from the Minerals Commission that the Ndongo Reconnaissance Licence is in good standing and that Cardinal Ghana has complied with its obligations thereunder. Thus, to the best of our knowledge, no circumstances currently exist which would prevent the Minister from granting a prospecting licence in respect of the area.

Cardinal Subranum has entered into a Purchase and Sale Agreement with Newmont to acquire Newmont’s Subin-Kasu Prospecting Licence dated 6 January 2009.

We understand from Minerals Commission that this Prospecting Licence was granted an extension of 12 months from 21 July 2011 to 22 July 2012. Newmont by letter dated 16 July 2012 applied for a further extension of the Prospecting Licence. The Minerals and Mining (Licensing) Regulations, 2012 (L.I 2176) requires the holder of a prospecting licence to apply for an extension of the licence at least 90 days before the expiration of the licence. However, regulation 4(6) of L.I 2176 provides that subject to reasonable explanation, the Commission may accept a late application, but not later than 10 days before the date of expiration of the licence. The late application will also be subject to the payment of specified fees,

Pursuant to section 14 of Act 703, the consent of the Minister will be required to assign or transfer the Subin-Kasu Prospecting Licence from Newmont to Cardinal Subranum. The provisions of the law relating to transfer, assignment, mortgage or any form of dealing with a mineral right are set out in paragraph 2.10 of the Report.

By letter dated 24 April 2012, Newmont applied for the approval of the Purchase and Sale Agreement. The Minerals Commission sent a response to the letter dated 11 June 2012, requesting certain documents and information in respect of Cardinal Subranum and the payment of the required consideration fee before prior to making any recommendations to the Minister.

Newmont held a prospecting permit which expired on 31 December 2011. As its Subin- Kasu Prospecting Licence is currently under consideration for renewal, we understand that an application will be made for a prospecting permit in respect of the concession once the renewal has been granted.

- 2.3.3 Mining Lease: A mining lease entitles the holder to extract minerals. The holder of a reconnaissance licence or a prospecting licence may, prior to the expiration of the licence, apply for one or more mining leases in respect of all or any of the minerals the subject of the licence and in respect of all or any one or more of the blocks which constitutes the reconnaissance or prospecting area. A mining lease may be granted for a period not exceeding thirty years. The area in respect of which a mining lease may be granted must be not be less than one block or more than three hundred contiguous blocks each having a side in common with at least one other block the subject of the grant.

According to section 44 of Act 703, the holder of a mining lease may at least three months⁶ before the expiration of the initial term of the mining lease or a shorter period that the Minister allows, apply to the Minister for an extension of the term of the lease for a further

⁶ Regulation 189(1) of the Minerals and Mining (Licensing) Regulations, 2012 (L.I 2176) provides that the holder of a mining lease may apply for an extension of the lease not later than 90 days before the expiration of the term of the lease

period of up to thirty years in respect of all or any number of contiguous blocks the subject of the lease and in respect of all or any of the minerals the subject of the lease.

The limits regarding the area of the mining lease may be exceeded upon application by the holder of the mineral right, where the Minister is satisfied on reasonable grounds that the additional area is required for the holder's operations.

Pursuant to section 37(1) of the Ghana Concessions Ordinance, 1951, CAP 136, the holder of a mining lease is required to obtain a mining permit before it carries out mining operations. This provision is also now expressed in regulation 8(1) of the new Minerals and Mining (Health, Safety and Technical) Regulations 2012, L.I. 2182 that the holder of a mining lease must obtain an Mining Operating Permit from the Inspectorate Division of the Minerals Commission prior to commencement of any exploration operations.

2.4 *Financial Obligations*

2.4.1 Annual Ground Rent

Pursuant to section 23 of Act 703, the holder of a mineral right must pay annual ground rent as may be prescribed by the Ministry⁷. The payment is made to the owner of the land or successors and assigns of the owner except in the case of annual ground rent in respect of mineral rights over stool lands, which must be paid to the Office of the Administrator of Stool Lands.

With respect to the Reconnaissance Licences held by Cardinal Ghana, the annual ground rent for the Ndonggo Reconnaissance Licence is GHS 22.00, GHS 24.00 for the Kungongo Reconnaissance Licence and GHS 102.00 for the Bongo Reconnaissance Licence. The annual ground rent in respect of each of these tenements has been paid as at the date of this Report.

The annual ground rent payable for the Subin-Kasu Prospecting Licence is GHS 21.00.

2.4.2 Fees

According to section 24 of Act 703, an applicant for a mineral right is liable to pay an Annual Mineral Right Fee to the Minerals Commission. The Annual Mineral Right Fee per cadastral unit⁸ ranges between US\$10- US\$16 in the first year and US\$15- US\$20 in the second year for a reconnaissance licence; between US\$20- US\$32 from the first to third year and US\$40- US\$50 from the fourth to sixth year in respect of a prospecting licence; and US\$ 700 in the first and second year and US\$ 1000 between the third and thirtieth year in respect of a mining lease.

2.4.3 Royalties

Section 25 of Act 703 as amended by the Minerals and Mining (Amendment) Act 2010, Act 794 prescribes royalty payment to the Government at a flat rate of 5% of the total revenue earned from minerals obtained by the mineral right holder.

⁷ Ministry of Lands and Natural Resources

⁸A Cadastral Unit as defined by L.I 2176 is " a pseudo-quadrilateral formed by the meridian and parallels, with a distance equal to fifteen seconds, and covering approximately a planimetric surface of twenty –one hectares, the co-ordinates of the vertices being multiple of fifteen seconds as defined in section 8 of the Act and regulations 1 and 2 of these Regulations."

2.4.4 Corporate Tax

Corporate tax was previously set at 25% by Act 592 as amended. Capital expenditures could be written-off, up to 80% in the first year and 50% off the declining balance in subsequent years. However, an Internal Revenue (Amendment) Act which was passed by Parliament on 1st February 2012 set a corporate tax rate of 35% for companies engaged in mining. The Act also changed the calculation of capital allowances so that instead of a rate of 80% in the first year and 50% off the declining balance in subsequent years, the rate is now 20% across the board.

Furthermore, section 23 of Act 592 has been amended by the insertion of a new subsection 1A which states that “[A] person engaged in mining operations shall not be allowed a deduction for expenses exclusively incurred in a mining area against revenue derived from another mining area belonging to that person or in which that person has an interest, in determining that person’s chargeable income for a basis period”.

2.4.5 Withholding Tax on dividends

Ghanaian companies must pay withholding tax of 8% on dividends paid to shareholders, whether they be resident or non-resident. No further Ghanaian tax is payable on dividends received.

2.4.6 Customs Duties

Section 29 of Act 703 provides that the holder of a mineral right may be granted exemption from payment of customs import duty in respect of plant, machinery, equipment and accessories imported specifically and exclusively for the mineral operations.

2.4.7 Value Added Tax and National Health Insurance Levy

Mining companies are exempted, pursuant to Schedule 1 of the Value Added Tax, 1998, Act 548 and Schedule 1 of National Health Insurance Act, 2003, (Act 650), from paying Value Added Tax and National Health Insurance Levy on machinery, apparatus, appliances and parts designed for use in mining as specified in the Mining List⁹.

2.4.8 Compensation for resettlement and relocation

Section 74 of Act 703 provides that the owner or lawful occupier of any land subject to a mineral right is entitled to and may claim from the holder of the mineral right compensation for the disturbance of the rights of the owner or occupier. The amount of compensation payable is to be determined by agreement between the parties but if the parties are unable to reach an agreement as to the amount of compensation, the matter shall be referred by either party to the Minister who, in consultation with the Government agency responsible for land valuation shall, determine the compensation payable by the holder of the mineral right. The compensation to which an owner or lawful occupier may be entitled, may include compensation for deprivation of the use or in particular use of the natural surface of the land or part of the land, loss of or damage to immovable properties, in the case of land under cultivation, loss of earnings or sustenance suffered by the owner or lawful occupier, having

⁹The mining list is a list of equipment, machinery and other items related to mining which have been approved by Customs, Excise and Preventive Service with recommendations from the Minerals Commission to be exempt from the payment of import duties.

regard to the nature of their interest in the land, and loss of expected income depending on the nature of the crops on the land and their life expectancy.

2.4.9 Fees for the grant of a mineral right

As at 1st September 2011, the applicable fees to be paid to the Minerals Commission for the grant of minerals rights are as follows: a reconnaissance licence is US\$ 15,000.00 (fifteen thousand US Dollars) for a foreign controlled company and GHS 10,000 (ten thousand Ghana Cedis) for a Ghanaian controlled company. With respect to a mining lease, the fee is US\$ 100,000.00 (one hundred thousand US Dollars) for a foreign controlled company and GHS 50,000 (fifty thousand Ghana Cedis) for a Ghanaian controlled company. We understand from the Minerals Commission that the same fees are chargeable for the renewal of the mining lease. With respect to a prospecting licence, the fee is US\$20,000.00 (twenty thousand US Dollars) for a foreign controlled company and GHS 12,000 (twelve thousand Ghana Cedis) for a Ghanaian controlled company.

2.5 *Acquisition of shares by the Government*

2.5.1 Special Share

With respect to a holder of a mining lease, pursuant to section 60 of Act 703 the Minister may by notice in writing to a mining company require the mining company to issue to the Republic a special share. The special share is a separate class of shares which have the rights agreed between the Minister and the company. If no agreement is reached as to the rights of the shares, the law states that the special share is a preference share that carries no right to vote but the holder is entitled to receive notice of and to attend and speak at a general meeting of the members of the company or a separate meeting of the holders of a class of shares in the company. The special share may only be held by or transferred to the President, the Minister or another person acting on behalf of the Republic.

This share does not allow the right to participate in the dividends, profits or assets of the company or a return of assets in a winding up or liquidation of the company. The holder of the special share may require the company to redeem the special share at any time for no consideration or for a consideration determined by the company and payable to the holder on behalf of the Republic.

A variation of the rights attached to the special share shall only be effective with the prior consent of the holder of the special share. Matters which constitute a variation to the rights of the special share include: an amendment to or removal of a provision in the constitution, regulations, by-laws or other equivalent documents regulating the company; the winding up or voluntary liquidation of the company; the disposal of a mining lease upon which mining operations are conducted or the whole or a material part of the assets of the company which are attributable to the company's operations in Ghana but are not held in the country.

The mining company must comply with this requirement within two months of notice or it commits an offence which if found liable on summary conviction is subject to a fine not more than the Cedi equivalent of (US\$10,000.00) ten thousand US Dollars.

2.5.2 Free Carried Interest

Pursuant to section 43 of the Minerals and Mining Act, 2006, Act 703, "Where a mineral right is for mining or exploitation the Government is entitled to acquire a ten percent free carried interest in the rights and obligations of the mineral operations....."Although this provision is not expressed as a right to shares, the way it operates in practice is by the holder of the mining right giving 10% of its shares to the Government.

The free carried interest is separate from the right to a special share described in paragraph 2.5.1 above. The Government is entitled to the free carried interest and the special share is required to be issued, when called for by the Minister, to the Republic of Ghana and is held by the President of Ghana, the Minister or other person acting on behalf of the Republic.

2.6 *Stability Agreement and Development Agreement*

The Minister may enter into a stability agreement, with the holder of the mining lease, to ensure that the holder of the mining lease will not, for a period not exceeding fifteen years from the date of the agreement, be adversely affected by a new enactment, order, instrument or other action made under a new enactment or changes to an enactment, order, instrument that existed at the time of the stability agreement, or other action taken that has the effect of imposing obligations upon the holder or applicant of the mining lease, and be adversely affected by subsequent changes to the level of and payment of certain customs or other duties, rates and payment of royalties, taxes, fees and other fiscal imports and laws relating to exchange control, transfer of capital and dividend remittance.

A stability agreement is subject to ratification by Parliament.

Development Agreement

Subject to ratification by Parliament, on the advice of the Minerals Commission, the Minister may enter into a development agreement under a mining lease with a person where the proposed investment by the person will exceed US\$ five hundred million. A development agreement may address mineral rights or operations to be conducted under the mining lease, environmental issues and settlement of disputes and may provide for the stability terms allowable under a stability agreement.

2.7 *Statutory conditions attached to the grant of a mineral right*

Pursuant to section 7 of Act 703, the Minister has the right of pre-emption of all minerals obtained in Ghana and from any area covered by territorial waters, the exclusive economic zone or the continental shelf and products derived from the refining or treatment of these minerals.

Section 10 of the Act requires that unless otherwise provided, a mineral right shall not be granted to a person unless the person is a body incorporated under the Companies Act 1963 (Act 179), under the Incorporated Private Partnerships Act 1962 (Act 152) or under an enactment in force.

Section 13 of the Act also prohibits the holder of a mineral right from removing or destroying a mineral obtained by the holder in the course of mineral operations without the permission in writing of the head of the Inspectorate Division of the Commission.

Under section 16 of the Act, obligations of the mineral rights holder include that they shall at all times appoint a manager with the requisite qualification and experience to be in charge of that holder's mineral operations and shall notify the Head of the Inspectorate Division of the Commission in

writing of the appointment of a manager and on each change of the manager.

2.8 *Forestry*

Under section 18 of Act 703, prior to undertaking an activity or operation under a mineral right, the holder of the mineral right must obtain the necessary approvals and permits required from the Forestry Commission and the Environmental Protection Agency for the protection of natural resources, public health and the environment.

2.9 *Environmental*

2.9.1. Environmental Obligations

Mining and prospecting companies are required under Ghana's environmental laws to obtain an environmental permit before commencing mining operations.

An environmental permit is valid for 18 months, effective from the date of the issue of the permit. Where an undertaking in respect of which a preliminary environmental report or an environmental impact statement is approved commences activities after obtaining an environmental permit, it is required to obtain within 24 months of the date of the commencement of operations, an environmental certificate from the Environmental Protection Agency ("EPA").

L.I. 1652 requires that an environmental management plan¹⁰ in respect of an undertaking's operations is submitted within 18 months of commencement of operations and thereafter every 3 years. If the environmental management plan satisfies the requirements of the EPA, the environmental certificate may be renewed for another 3 years. Furthermore, a company granted an environmental permit under these Regulations must submit an annual environmental report after 12 months from the date of commencement of operation and every 12 months thereafter to the EPA.

An undertaking involved in mining operations is required to include with its environmental impact statement, reclamation plans and to provide security for any "default on reclamation or rehabilitation of disturbed land". Such security must be provided by way of a reclamation bond in the form of a "performance bond, mining bond or rehabilitation bond or funds set aside in a reputable bank". The terms of such security are agreed upon between the EPA and the undertaking under the terms of a reclamation security agreement.

Please note that under regulation 29 of the Environmental Assessment Regulations, 1999 (L.I. 1652), any person who commences operations without an environmental permit issued in respect of it, or contravenes any provision of the Regulations, commits an offence and is liable on summary conviction to a fine not exceeding GHS 200 or imprisonment for a term not exceeding one year or to both, and in the case of a continuing offence, a further fine not exceeding GHS 20 for each day the offence is continued.

Newmont has applied for an environmental permit to undertake mining operations at the

¹⁰An "environmental management plan" is defined in L.I. 1652 as "a document representing efforts that will be made to manage any significant environmental impacts which will result from an existing undertaking".

Subin-Kasu concession. It has paid the permit fee of USD 7,200 as requested by the EPA in their letter of 3 April 2012. We understand from Newmont that they are yet to obtain the environmental permit

2.9.2 Illegal Mining- Galamsey

“Galamsey” or illegal mining activity is a general issue of concern in the mining industry. This activity consists of unlicensed small scale mining. The illegal and usually unsafe and unauthorised mining practices could pose a threat to a mining company in terms of compliance to environmental requirements.

2.10 *Assignment and charging of mineral rights and change in control*

2.10.1 Assignment of mineral rights

The approval of the Minister is required to assign a mineral right pursuant to Section 14 of Act 703 which provides that, “the a mineral right shall not in whole or in part be transferred, assigned, mortgaged or otherwise encumbered or dealt with in any manner without the prior approval in writing of the Minister...”

With respect to the Purchase and Sale Agreement between Cardinal Subranum and Newmont, the consent of the Minister is required for the transfer of the Subin-Kasu Prospecting Licence to Cardinal Subranum pursuant to section 14 of Act 703 and clause 11 of the prospecting licence agreement between Newmont and the Government of Ghana.

With regards to an application for consent to assign a mineral right, the fees as at 1st September 2011 are as follows¹¹: With respect to a mining lease, the fee payable to the Minerals Commission is US\$50,000 for a Ghanaian controlled company and US\$80,000 for a foreign controlled company. In relation to a prospecting licence, the fee payable to the Minerals Commission is GHS 10,000 for a Ghanaian controlled company and US\$ 40,000 for a foreign controlled company. In relation to a reconnaissance licence, a fee of GHS 8,000 is payable to the Minerals Commission for a Ghanaian controlled company and a fee of US\$ 20,000 is payable for a foreign controlled company.

2.10.2 Change of control of Mining Company¹²

Section 52 of Act 703 provides that a person may become a controller ¹³of a mining company if the person serves on the Minister notice in writing stating the intention to become a controller of the company and the Minister has, before the end of a period of two months, notified the person in writing that there is no objection to the person becoming a controller of the mining company or that period has elapsed without the Minister having served on the person a written notice of objection to the person becoming a controller of the mining

¹¹ We note that a different schedule of fees has been provided in the 2nd Schedule of L.I 2176, however, we understand from the Minerals Commission that the schedule of fees as at 11 September 2011 is currently in use.

¹² “mining company” means a company which is or whose subsidiary is the holder of a mineral right granted under this Act but does not include,

(a) a company listed on a stock exchange, or

(b) a company of which the market value of the assets held by the company or its subsidiary in Ghana represent less than fifty percent of the market value of all assets owned by the company;

¹³a “controller” as described above is a person who, either along with an associate or associates is entitled to exercise, or control the exercise of more than 20% of the voting power at any general meeting of the mining company or of another company which it is a subsidiary.”

company. According to section 53(1) of Act 703 the Minister may object to a person becoming the controller of a mining company if he, on reasonable grounds, considers it in the public interest to do so.

Section 52(4) provides that the person giving notice of intention to acquire the controlling interest of a mining company must do so within one year of the date of the service of the notice otherwise the notices ceases to be effective.

We understand from the Minerals Commission that no fee is payable in respect of the notice of intention to become a controller of a mining company.

It is an offence to become the controller of a mining company without giving notice or without adhering to the two month notice period stipulated in section 52. It is also an offence to become or to continue being a controller of a mining company after the Minister has served notice of his objection. A person convicted of an offence under this section is liable on summary conviction to a fine not more than the cedi equivalent of US\$ 20,000 or imprisonment for a term not more than three years or to both.

Pursuant to section 57, a mining company must give written notice to the Minister of the fact that a person has become or ceased to be a controller of the company within fourteen days of the mining company becoming aware of the fact. Failure to give notice will attract a fine of US\$1000 or the Cedi equivalent payable to the Commission.

Cardinal acquired 100% of the issued shareholding of Cardinal Ghana from Mr. Easah in two transactions. By a deed of transfer dated 7 September 2010 it acquired 22,500 shares for consideration in the amount of GHS 22,500 and by a deed of transfer dated 8 June 2011, it acquired the remaining 2,500 shares of the company. There is a Sale and Purchase Agreement dated 8 June 2011 which states that Mr. Easah will be issued 1,889,000 shares in Cardinal as consideration for the transfer of the shares in Cardinal Ghana. We understand from Mr. Easah that the shares in Cardinal have been issued to him.

Although we have not seen Cardinal Resource's notice to the Minister of its intention to become the controller of Cardinal Ghana, we have been shown a copy of a letter dated 10 November 2011 from C.OYeboah, acting on behalf of Cardinal Ghana, in which pursuant to section 57 of Act 703, he informs the Minerals Commission that Cardinal Resources is now the majority shareholder of the Company. We are not aware that the Minerals Commission has raised any issues in relation to the change of control in Cardinal Ghana.

2.11 Preference for local products and employment of Ghanaians

Pursuant to section 105 of Act 703 the holder of a mineral right must in "the conduct of mineral operations, and in the purchase, construction and installation of facilities, give preference to materials and products made in Ghana, service agencies located in the country and owned by citizens, companies or partnership registered under the Companies Act 1963 (Act 179) or the Incorporated Private Partnerships Act, 1962.

Furthermore, Ghana's labour laws provide for the right of every worker to form or join a trade union of his or her choice. These laws which govern working hours and conditions provide for maximum hours of work and overtime periods.

2.12 *Foreign Exchange issues*

Where the holder of a mining lease earns foreign exchange it may be permitted (i) by the Bank of Ghana, to retain in an account a portion of its foreign exchange earnings for the purchase of spare parts and other inputs required for its operations; and (ii) by the Minister for finance in consultation with the Minister for mines acting on the advice of the Minerals Commission, to retain in an account an amount not less than 25% of its foreign exchange earnings for (a) acquiring spare parts, raw materials, machinery and equipment; (b) debt servicing and dividend payment; (c) remittances in respect of quotas for expatriate personnel; and (d) transfer of capital in the event of a sale or liquidation of the mining operations. The latter account is required to be held in trust by a trustee appointed by the company and to be opened with the consent of the Bank of Ghana.

Generally, payments in foreign currency between non-residents and residents are permitted by the Foreign Exchange Act, 2006 (Act 723). Such payments are required by section 15(1) to be made through a bank. Transfers of foreign exchange to or from Ghana are required to be made through persons licensed to operate money transfers or an authorised dealer.

Residents are permitted by Bank of Ghana notices to hold and operate “foreign currency accounts” into which they are permitted to receive transfers in foreign currency from abroad. They are also permitted to hold and operate “foreign exchange accounts”.

The Bank of Ghana in its notice titled Operational Guidelines for the Foreign Exchange Act, 2006 (Act 723) states as follows: “Under the Minerals and Mining Act 2006, the Bank of Ghana may permit the owner of a mining lease (for specified purposes) to retain in an account, a portion of the foreign exchange earned. Such export proceeds may be held in Foreign Exchange Accounts or Foreign Currency Accounts.....at local banks”.

Foreign Currency Accounts

Residents and non-residents may open and hold foreign currency accounts with any authorised dealer bank in Ghana. They may open deposit and/or current accounts with capital transfers and foreign exchange earned from sources abroad or other foreign currency accounts. The operation of the foreign currency accounts are declared by the Bank of Ghana free from any restrictions and transfers out of Ghana from these accounts and payments from the accounts may be made freely by the authorised dealer banks in convertible currencies.

Foreign Exchange Accounts

The Bank of Ghana permits residents to maintain interest bearing foreign exchange accounts with any authorised dealer bank in Ghana. These accounts may be credited with foreign exchange obtained locally and foreign exchange not converted into Cedis. Save for certain amounts, there are restrictions on making transfers from these accounts.

2.13 *Export, sale and disposal of minerals*

The exportation, sale or disposal of minerals requires a licence from the Minister. The Minister, may on the recommendation of the Minerals Commission prescribe terms and conditions for the licence. The licence is not transferable. However, we note that a mining lease authorises the holder, according to section 46 of the Minerals and Mining Act to, inter alia, “take and remove from the land the specified minerals and to dispose of them in accordance with the holder’s approved marketing plan”.

2.14 Government's right of pre-emption over minerals

Act 703 provides the Government with a "right of pre-emption of all minerals raised, won or obtained in Ghana and products derived from the refining or treatment of these minerals".

2.15 Legislative Changes

The following Regulations were laid before Parliament between March and June 2012 and become law after 21 sitting days passed without objection by Parliament:

- i. Minerals and Mining (General) Regulations, 2012 (L.I 2173);
- ii. Minerals and Mining (Support Services) Regulations, 2012 (L.I 2174);
- iii. Minerals and Mining (Compensation and Settlement) Regulations, 2012 (L.I 2175);
- iv. Minerals and Mining (Licensing) Regulations, 2012 (L.I 2176);
- v. Minerals and Mining (Explosives) Regulations, 2012 (L.I 2177); and
- vi. Minerals and Mining (Health, Safety and Technical) Regulation, 2012 (L.I 2182)

Windfall Profit Tax

A Windfall Profit Tax Bill has been laid before Parliament for consideration. This bill seeks to impose a special tax on excess profits of companies in the mining sector to be paid in each year of assessment by a person engaged in mining operations. The proposed tax is chargeable at a rate of 10% on the cash balance at the end of the basis period for the year of the assessment of the person.

2. **Litigation – Results of searches undertaken**

A search report from the High Court in Bolgatanga dated 21 March 2012 indicates that Cardinal Ghana is not a party to any litigation proceedings pending in the District Court, Circuit Court or High Court in Bolgatanga. Also, a search report dated 13 June 2012 from the same High Court indicates that Cardinal Mining Services is not a party to any matter pending in the court.

Although we have not yet received an official response to our search request in respect of Cardinal Subranum, enquiries of the High Court, Bolgatanga indicate that Cardinal Subranum is not a party to any litigation proceedings in the Court..

Enquiries of Newmont indicate that the Subin-Kasu Prospecting Licence is not the subject of any litigation in the courts. The Minerals Commission report dated 11 May 2012 also states that the there are no disputes or adverse claims in respect of the area covered by the Prospecting Licence. However, we have not yet received an official response from the High Court, Kumasi¹⁴ to our search request in relation to the Subin-Kasu Prospecting Licence.

3. **Risk Factors**

Specific risk factors associated with operating in Ghana include:

Regulation of mineral rights: The holding of mineral rights in Ghana is subject to statutory control. Applications are required to be made for their grant and for their extension or renewal. A failure to

¹⁴The Subin-Kasu Concession is situated in the Ashanti Region of Ghana

obtain the requisite mineral right or its renewal may result in a material adverse effect on the operations of a mining company and its ability to carry on mining activities.

Illegal mining: The presence of illegal miners on a mining concession is a general issue for miners in Ghana. Illegal miners generally use unsafe mining practices which can result in environmental damage or personal injury and death. Illegal mining could have an adverse effect on the operations and consequently the financial condition of a mining company in Ghana.

Taxes and royalties: Ghanaian law imposes obligations to make certain payments by way of taxes, royalties and fees (including payment of withholding tax on dividends paid to foreign shareholders). Any changes in the level of such taxes, royalties and fees or the introduction of new taxes may impose significant increases in the cost of mining.

Labour laws: Ghanaian law imposes requirements that mining companies institute a localization policy providing the company's proposals for training and recruiting Ghanaians. There are also provisions requiring the holder of a mineral right to give preference to materials and products made in Ghana and to service companies. It is possible that new laws may be enacted imposing further obligations under Ghana's labour and local participation laws which may have a material adverse effect on the business and operations of the company.

Exchange control laws: Ghana's exchange control laws currently permit a mining company to retain a portion of its foreign currency earnings in an external account out of which certain payments including dividends to shareholders may be paid. The company may in the future be subject to exchange control laws that further restrict its ability to retain its foreign currency earnings abroad.

Compensation and resettlement: Act 703 requires the holder of a mineral right to compensate the owner or lawful occupier of any land subject to the holder's mineral right for the disturbance of the rights of the owner or occupier. The amount of compensation payable is to be determined by agreement between the parties but if the parties are unable to reach an agreement as to the amount of compensation, the matter shall be referred by either party to the Minister who, in consultation with the Government agency responsible for land valuation shall, determine the compensation payable by the holder of the mineral right. To the extent that the Company may be required to pay any claims for compensation, this could impose additional costs and burdens.

Environmental and health laws: Mining operations face risks of environmental and other health hazards. The occurrence of any of these dangers could delay or halt operations, increase operation costs and result in liability for the company. In particular, the environmental and health authorities have the power to require a shutdown of operations or to impose burdensome procedures for certain violations.

Consents to transfer a mineral right:

As indicated elsewhere in this Report, the consent of the Minister responsible for mines is required for the transfer or assignment of a mineral right or for any dealing with such rights. A refusal of any such consent may render any agreement to so transfer a mineral right unenforceable.

4. **Review of the Tenements**

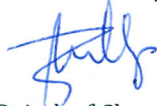
Refer to Schedule 3 for a summary of the material terms of the licences and Schedule 2 for extracts of search reports from the Minerals Commission dated 11 April 2012 and 11 May 2012 in respect of Cardinal Ghana's mineral rights and the Subin-Kasu Prospecting Licence.

5. **Consent and qualifications**

We consent to the inclusion of this Report in the Notice of Meeting and the Prospectus and published in the form Ridge Resources Limited considers appropriate for the purpose mentioned in Paragraph 1 of this Report.

This Report is furnished exclusively to Ridge Resources for inclusion in the Notice of Meeting and the Prospectus and is not otherwise meant for distribution. It must not be relied upon by any other person or entity without our express consent.

Yours faithfully,



Reindorf Chambers

SCHEDULE 1- TENEMENT LIST

Registered Holder	Proportion of ownership	Name of Tenement	Land Registry No.	Land Valuation Division Number	Type of mineral	Tenement Area (km ²)	Annual rent payable	Grant Date	Expiry Date	Application for renewal/extension/conversion
Cardinal Ghana	100%	Ndongo Reconnaissance Licence	Land Registry No. 17/2010	LVD 12434/10	gold	106.65 Sq Km	GHS 22.00	21 May 2010	20 May 2011	20 May 2011
Cardinal Ghana	100%	Kungongo Reconnaissance Licence	Land Registry No. 1/2011	LVD 1486/2011	gold	120.12 Sq Km	GHS 24.00	21 January 2011	20 January 2012	11 January 2012
Cardinal Ghana	100%	Bongo Reconnaissance Licence	Land Registry No. 2/2011	LVD 1487/2011	gold	440.49 Sq Km	GHS 102.00	21 January 2011	20 January 2012	11 January 2012
Newmont	100%	Subin-Kasu Prospecting Licence	None Disclosed	LVB 4257/09	gold	68.7 Sq Km	GHS 21.00	6 January 2009 and extended on 22 July 2011	21 July 2012	16 July 2012

SCHEDULE 2 – SUMMARY OF MINERALS COMMISSION REPORTS

Minerals Commission Reports on the Ndongo, Bongo and Kungongo Reconnaissance Licences dated 11 April 2012 respectively

- i. The Reconnaissance Licences are held by Cardinal Ghana;
- ii. The Ndongo Reconnaissance Licence expired on 20 May 2011. However, Cardinal Ghana has applied for the conversion of the licence to a prospecting licence. An offer has been issued to the Company for the payment of a consideration fee of US\$ 20,000 which has been paid;
- iii. The Bongo and Kungongo Reconnaissance licence both expired on 20 January 2012. Cardinal Ghana has applied for the renewal of these licences and an offer has been issued to the Company for the payment of a consideration fee of US\$ 15,000 in respect of each licence which has been paid;
- iv. There are no disputes or adverse claims in respect of the area covered by the Reconnaissance Licences;
- v. The rights granted by the Reconnaissance Licences are valid and up to date and there are no notices or proposals from the Government or Minerals Commission to terminate these rights or to cancel or suspend the mineral rights;
- vi. Cardinal Ghana is in compliance with its obligations under the Reconnaissance Licences and applicable law;
- vii. There are no other mineral rights granted to any other person in respect of the area covered by the Reconnaissance Licences;
- viii. Apart for Cardinal Ghana's application to convert the Ndongo Reconnaissance Licence to a prospecting licence and to renew the Bongo and Kungongo licences, there are no agreements, requests or applications by Cardinal Ghana or any other person pending approval for rights in respect of the Reconnaissance Licences or the area covered by them. Neither have there been any applications to the Minister for consent to grant any mortgage, charge or to deal in any way with them; and
- ix. The Reconnaissance Licences are in good standing and unamended.

Minerals Commission Report on the Subin-Kasu Prospecting Licence dated 11 May 2012

- i. The prospecting licence is held by Newmont;
- ii. The prospecting licence is valid from 22 July 2011 to 21 July 2012;
- iii. There are no disputes or adverse claims in respect of the area covered by the prospecting licence;
- iv. The rights granted by the prospecting licence are valid and up to date and there are no notices or proposals from the Government or Minerals Commission to terminate these rights or to cancel or suspend the mineral right;
- v. There are no other mineral rights granted to any other person in respect of the area covered by the prospecting licence;
- vi. Newmont is in compliance with its obligations under the prospecting licence and applicable law;
- vii. There are no applications for the Minister's consent to grant any mortgage, charges or to deal with the prospecting licence in any way;

- For personal use only
- viii. As at the date of the report, there were no agreements, requests or applications by Newmont or any other person pending approval for rights in respect of the prospecting licence or the area covered by it; and
 - ix. The prospecting licence is in good standing and unamended.

SCHEDULE 3 – TERMS AND CONDITIONS OF LICENCES

1. Reconnaissance Licences

1.1 General

The terms and conditions of the Ndongo, Kungongo and Bongo Reconnaissance Licences are essentially the same. The Ndongo Reconnaissance Licence was valid from 21 May 2011 until 20 May 2012, the Bongo Reconnaissance Licence from 21 January 2011 to 20 January 2012 and the Kungongo Reconnaissance Licence from 21 January 2011 to 20 January 2012. Cardinal Ghana has applied for the renewal of the Bongo and Kungongo Reconnaissance Licences and has applied for the Ndongo Reconnaissance Licence to be converted into a prospecting licence.

1.2 Rights granted in respect of each Reconnaissance Licence

Rights to, reconnoitre for and prove gold and other minerals, conduct such geological and geophysical investigations as it considers necessary in the Licensed Area.

1.3 Principal Obligations of Cardinal Ghana under each Reconnaissance Licence

Commence reconnaissance operations within three (3) months from the date of the Licence.¹⁵ Cardinal Ghana is required to continuously operate in the area in accordance with its work programme until the expiry or termination of the Licence.

Cardinal Ghana is required to diligently carry out its operations and spend as actual direct reconnaissance expenditure not less than a minimum amounts specified in its work programme.

Operations must be conducted using appropriate modern and effective equipment, machinery, materials and methods.

Cardinal Ghana must maintain all equipment in good repair and all areas in safe and good condition.

Cardinal Ghana is required to take all practical steps to inter alia, prevent damage to adjoining farms and villages and to trees, crops, buildings, structures and other property in the Licensed Area.

Cardinal Ghana must notify the Minister, Chief Executive and the Head of the Inspectorate Division of the Minerals Commission, and the Director of the Ghana Geological Survey of the discovery in the Licensed Area of any other mineral deposits apart from gold. Cardinal Ghana will be given the first opportunity to explore for and work the said minerals subject to a satisfactory arrangement with the Government.

1.4 Other Significant Provisions

1.4.1 Records

Cardinal Ghana is required to maintain at its registered offices certain technical and financial records. Technical records include records of all geological, geophysical and geochemical investigations, survey, tests relating to the Licensed Area and all maps, drawings and diagrams pertaining to these records. Financial records include books of account which must be kept on the basis of generally accepted accounting principles.

¹⁵ Regulation 10 of the Minerals and Mining (General) Regulations, 2012 (L.I 2173) states that the holder of a reconnaissance licence must commence operations within one month after the date of the issue of the licence or some other period specified in the licence.

1.4.2 Reports

Quarterly: Cardinal Ghana is required to furnish to the Chief Inspector of Mines, Inspectorate Division of the Minerals Commission, the Chief Executive of the Minerals Commission and the Director of the Geological Survey quarterly records giving a general description of work done by it in the preceding quarter and a description accompanied by a sketch map of areas where gold and other materials were found, particulars of the type of minerals found and the number and weight of samples taken if any.

Yearly: Furnish the Chief Inspector of Mines, Inspectorate Division of the Minerals Commission, the Chief Executive of the Minerals Commission and the Director of the Geological Survey with an Annual Report in the prescribed form.

1.4.3 Financial Obligations

- Consideration fee: Pay GHS500.00 to the Government for the grant of the reconnaissance licence within 30 days of the date of the licence.
- Rent: specified amounts yearly in advance on or before the issue of the licence.

1.4.4 Assignment/Mortgage of the licence

Prior written consent of the Government is required to assign, mortgage, sublet or otherwise transfer any interest conferred by the licence. Government may impose conditions on the giving of such consent.

1.4.5 Surrender

The Company is permitted to surrender on not less than two months' notice in writing to the Head of Inspectorate Division of the Minerals Commission and Chief Executive of the Minerals Commission, all its rights in respect of the Licensed Area.

1.4.6 Extension of the Term of the Lease

Provided that the Company applies for an extension not less than three (3) months prior to the expiration of the term granted and is not in breach of any of its obligations, it is entitled to an extension of the term for a period not exceeding 12 months. The terms and conditions of the extension are subject to agreement between the Government and the Company.

1.4.7 Re-entry

If the operations and activities in respect of the reconnaissance in the Licensed Area ceases due entirely to the fault of the Company, the Government upon giving notice and following termination procedures, may re-enter the Licensed Area without compensation to the Company.

1.4.8 Termination

By the Government: Government may terminate in any of the following circumstances: (i) the Company fails to make any of the payments provided for on the payment date; (ii) contravention or failure by the Company to comply with any of the other provisions of the Licence; (iii) insolvency or bankruptcy or entry by the Company into any agreement or composition with its creditors or liquidation of the Company; (iv) the Company makes any false statement or makes such a statement recklessly without due regard as to whether it is true or false.

The Government prior to terminating on any of these grounds is required to give the Company notice setting out the ground and allowing the Company twenty (20) days to remedy the default. A longer period may be given.

1.4.9 Assets on termination/Expiry

Upon termination or expiry of the licence, the assets of the Company not removed from the Licensed Area within sixty (60) days of such date become the property of the Government without charge.

1.4.10 Prospecting Licence

Provided the Company on the expiration of the licence has carried out its obligations without default and has successfully established to Government that the work done by it justifies further and more detailed enquiry it, it will be given the first option to acquire a prospecting licence in the Licensed Area subject to negotiations with the Government of satisfactory terms.

2. Subin-Kasu Prospecting Licence

2.1 *Term:*

Granted for an initial term of 2 years from 6 January 2009 to 5 January 2011.

By letter dated 22 July 2012. The Minerals Commission granted an extension of the term of the licence from 22 July 2011 to 21 July 2012.

2.2 *Expiry Date:*

21 July 2012. The term of the Prospecting Licence may be extended – see clause 2.5.7 below.

2.3 *Rights granted*

The right to prospect for and prove gold and any other minerals under or in the area described as the Licenced Area, excluding any parts to be relinquished from time to time and conduct such geological and geophysical investigations as it considers necessary in the Licensed Area.

2.4 *Principal Obligations of Newmont*

The Company is required to commence prospecting operations within three (3) months from the date of the Licence in accordance with its work programme submitted to the Minerals Commission prior to the grant of the licence. It must also ensure that it spends as prospecting expenditure not less than the minimum amounts specified in the work programme.

Subject to certain conditions, upon the termination of the prospecting licence, if the Company has not expended the minimum amounts specified in the work programme save for force majeure, the difference between the amount expended and the minimum for the year in which termination or expiration took place shall be paid to the Government within 30 days thereof.

The Company is required to conduct its operations with due diligence, efficiency and economy to the maximum extent possible consistent with good mining practice and in a proper workman like manner observing sound technical and engineering principles and practices and using appropriate modern and effective equipment, machinery, materials and methods and to pay particular regard to the protection of the environment.

The Mineral rights holder must maintain all equipment in good repair and all areas in safe and good condition and take all practical steps to inter alia, prevent damage to adjoining farms and villages and to trees, crops, buildings, structures and other property

in the Licenced Area. However, to the extent that such damage is unavoidable, the Company shall pay fair and reasonable compensation.

Newmont must notify the Minister, Chief Executive and the Head of the Inspectorate Division of the Minerals Commission, and the Director of the Ghana Geological Survey of the discovery in the Licensed Area of any other mineral deposits apart from gold. Newmont will be given the first opportunity to prospect further and work the said minerals subject to a satisfactory arrangement with the Government.

2.5 *Other Significant Provisions*

2.5.1 Grant of mining rights to third parties in the Licenced Area

The Government may grant rights to third parties to prospect for or produce minerals other than gold in the Licenced Area provided that such activities will not unreasonably interfere with the rights granted to the Company.

2.5.2 Records

Newmont is required to maintain at its registered offices certain technical, production and other records. Technical records include records of bores, pits, tests, analysis, geological and geophysical maps and plans of the Licenced Area. Financial records include books of account relating to the prospecting programme.

At the expiration or termination of the prospecting licence, the aforementioned records must be delivered to the Chief Executive and the Head of the Inspectorate Division of the Minerals Commission if the Company will not obtaining a mining lease in respect of the Licenced Area.

2.5.3 Reports

Quarterly: The Company is required to furnish to the Head of Inspectorate Division of the Minerals Commission, the Chief Executive of the Minerals Commission and the Director of the Geological Survey not later than the 15th day of each third month, a report giving a general description of work done in the preceding quarter.

Yearly: Annual report to the Inspectorate Division of the Minerals Commission, the Chief Executive of the Minerals Commission and the Director of the Geological Survey not later than 60 days after the end of each calendar year.

2.5.4 Financial Obligations

- Consideration fee: Pay US\$ 15,000 to the Government for the grant of the prospecting licence.
- Annual rent: GHS 21 yearly in advance.

2.5.5 Assignment, Mortgage etc

The Company may not assign, mortgage, sublet or otherwise transfer any interest in the Licenced Area without the prior written consent of the Government.

2.5.6 Surrender

The Company is permitted to surrender from time to time on not less than 3 months' notice to the Head of the Inspectorate Division of the Minerals Commission and the Chief Executive of the Minerals Commission all its rights in

respect of any part or parts of the Licenced Area and shall be relieved of its obligations in respect of those areas, except for obligations which accrued prior to the effective date of surrender.

The Company is required to leave the surrendered area in safe condition and in the event that it fails to do so the Head of the Inspectorate Division of the Minerals Commission shall undertake the work necessary to make the area safe and in good condition at the expence of the Company.

2.5.7 Extension of the Term of the licence

Provided that the Company applies for an extension no less than 3 months prior to the expiration of the term and is not in breach of any of its obligations, it may be granted an extension of the licence for a period not exceeding 3 years. The terms and conditions of the extension are subject to agreement between the Government and the Company.

Prior to the Expiration of the initial term, the Company is required to surrender not less than half of the number of blocks of the Licenced Area as long as a minimum of 100 blocks remain subject to the licence

2.5.8 Re-entry by Government

If The Company's operations in the Licenced Area cease before they are completed due to their own fault, the Government upon giving notice may re-enter the Licenced Area and take possession of all buildings, erections, plants and materials thereon without paying compensation to the Company..

2.5.9 Termination

The Government may terminate the licence in any of the following circumstances: (i) the company fails to make any of the payments provided for on the payment date; (ii) contravention or failure by the Company to comply with any of the other conditions of the licence; (iii) insolvency or bankruptcy or entry into by the company of any agreement or composition with its creditors or liquidation of the Company; (iv) the company makes any false statement or makes such a statement recklessly without due regard as to whether it is true or false.

The Government prior to terminating on any of these grounds is required to give the Company notice setting out the ground and allowing the Company 60 days to remedy the default.

2.5.10 Assets on termination/Expiry

Upon termination or expiry of the licence, the assets of the Company not removed from the Licensed Area within six months of such date become the property of the Government upon giving two months notice after the expiration of the six month period. The Minister may upon giving 30 days notice, also order the removal or destruction of any assets of the company in the Licenced Area.

2.5.11 Production Agreement

Upon the expiration of the prospecting licence, if the Company shall have carried out its obligations to the satisfaction of the Government and shall have successfully established to the Government that the development of a mine from ore reserves established within the Licenced Area is economically and financially feasible, then the Government shall grant to the company the first option to (i)acquire a lease for the purposes of mining the Licenced Area, and

(ii) participate in a mining project in the Licenced Area subject to negotiation with the Government.

2.5.12 Dispute Settlement

A dispute between the Government and the Company shall be settled in accordance with the Arbitration Act, 1961 (Act 38)- This Act has been repealed and replaced with the Alternative Dispute Resolution Act, 2010, Act 798.

SCHEDULE 4 – Corporate Status

Report of the Companies Registry dated 21 March 2012

Cardinal Resources Ghana Limited (No. CA-53,496)

1. Date of Incorporation: 22 December 2008;
2. Commencement date: 23 December 2008;
3. Registered Address: No. 14 Abeka Road, Tesano, Accra, P.O Box 16325, KIA, Accra
4. Other Registered Address: Durugu Residential Area, Bolgatanga, Ghana
P.O Box 19269, Accra-North, Ghana
5. Change of name from Renaissance Gold Ghana Limited: 30 November 2011;
6. Directors:
 - i. Malik Mohammed Easah- Ghanaian-H/No 14 Abeka Road, Tesano, Accra
 - ii. Marcus Michael- Australian C/O Marshal Michael Pty Limited, West Leederville, Western Australia 6901
7. Secretary:
Malik Mohammed Easah;
8. Auditors:
Egala, Atitso & Associates, 14 Abeka Road, Tesano, Accra.P.O Box AN 16626 Accra North;
9. Shareholder:
Cardinal Resources PTY LTD, a company registered under the laws of Australia represented by Marcus Michael holds 25,000 Shares;
10. Stated Capital; GHS 25,000
11. Issued Shares: 25,000
12. Authorized Shares: 1,000,000,000- The Shares are not divided into classes;
13. There is no document on file which indicates that a charge has been registered against the assets of the company;
14. There is no petition or special resolution on file for the winding up of the company; and
15. The company has not filed annual returns since its incorporation- Section 122 of the Companies Act 1963, (Act 179) requires a company to file annual returns at least once every year.

Report of the Companies Registry dated 30 April 2012

Cardinal Resources Subranum Limited (CA-99,702)

1. Date of Incorporation: 22 March 2012;

2. Commencement date: 23 March 2012;
3. Registered Address: No. 3 Durugu Residential Area, Bolgatanga
4. Directors:
- i. Malik Mohammed Easah- Ghanaian-H/No. 91 Near Rama Church, Community 11, Tema
 - ii. Arthur Koimtsidis- Australian- H/No. 3 within Durugu Residential Area, Bolgatanga
5. Secretary:
Malik Mohammed Easah;
6. Auditors:
Eddie Nikoi Accounting Consultancy, P.O Box OS 51, Osu-Accra
7. Shareholder:
Cardinal Resources Ghana Limited, a company registered under the laws of Ghana holds 50,000 Shares
8. Stated Capital; GHS 50,000
9. Issued Shares: 50,000
10. Authorized Shares: 500,000,000
11. There is no petition or special resolution on file for the winding up of the company; and
12. Annual returns are not yet due

Report of the Companies Registry dated 30 April 2012

Cardinal Mining Services Limited (CA-99,701)

1. Date of Incorporation: 22 March 2012;
2. Commencement date: 23 March 2012;
3. Registered Address: No. 3 Durugu Residential Area, Bolgatanga
4. Directors:
- i. Malik Mohammed Easah- Ghanaian-H/No. 91 Near Rama Church, Community 11, Tema
 - ii. Arthur Koimtsidis- Australian- H/No. 3 within Durugu Residential Area, Bolgatanga
5. Secretary:
Malik Mohammed Easah;
6. Auditors:
Eddie Nikoi Accounting Consultancy, P.O Box OS 51, Osu-Accra
7. Shareholder:

Cardinal Resources Ghana Limited, a company registered under the laws of Ghana holds 50,000 Shares

8. Stated Capital: GHS 50,000
9. Issued Shares: 50,000
10. Authorized Shares: 500,000,000
11. There is no petition or special resolution on file for the winding up of the company; and
12. Annual returns are not yet due

SCHEDULE 5- SUMMARY OF THE NET SMELTER RETURN ROYALTY DEED

Nature of agreement	Net Smelter Return Royalty Agreement dated 8 June 2011 for, inter alia, the payment by Renaissance (now Cardinal Ghana) to Mr. Easah of a royalty equal to 3% of the Net Smelter Return for each Quarter on and from the Date of the Deed in respect of Specified Minerals.
Parties	<ol style="list-style-type: none"> 1. Cardinal Resources PTY Limited ("Cardinal Resources"), 2. Renaissance Gold Ghana Limited ("Renaissance") now called Cardinal Resources Ghana Limited ("Cardinal Ghana") and 3. Malik Mohammed Easah ("Mr. Easah")
Date executed/Entry into force	8 June 2011
Duration	None
Key Definitions	<p>"GST Act" means a new Tax System (Goods and Services Tax) Act 1999 and any regulations thereto or such other act or regulations of equivalent effect.</p> <p>"Mining Act" means the New Minerals and Mining Act 703, 2006 (Ghana) and includes any regulations promulgated under that Act.</p> <p>"Net Smelter Return" means a sum which is equal to the amount calculated for each Quarter as follows:</p> <ol style="list-style-type: none"> a. The gross proceeds of sale, taking into account Adjustments (excluding VAT or GST) received by Renaissance(Cardinal Ghana) during a Quarter from the sale of Minerals produced from the Tenements; <li style="padding-left: 40px;">Less b. the Allowable Deductions taking into account Adjustments incurred by Renaissance (Cardinal Ghana) and Cardinal, referable to the production of Minerals from which the gross proceeds of sale were derived. <p>"Prescribed Rate" means 9%.</p> <p>"Related Body Corporate" has the meaning given to it in Section 9 and 50 of the Corporations Act 2001.</p> <p>"Royalty" means the royalty paid to Mr. Easah in accordance with this Deed.</p> <p>"Specified Minerals" mean all gold obtained or obtainable by mining carried out on or under the surface of the land subject to the Tenements.</p> <p>"Taxable Supply" has the meaning given to it in the GST Act.</p> <p>"Tenements" means:</p> <ol style="list-style-type: none"> a) the mining tenements situated in Ghana listed in the Schedule (Ndongo

	<p>Reconnaissance Licence, Kungongo Reconnaissance Licence and Bongo Reconnaissance Licence);</p> <p>b) and any other lease, licence, claim, permit or other authority covering the same area as the mining tenements listed in the Schedule which confers or may confer the right to prospect, explore for or mine on that area; and</p> <p>c) any renewal, extension, modification, substitution or variation of the titles referred to in paragraphs (a) and (b).</p> <p>“VAT” means Value Added Tax levied in Ghana.</p>
Assignability	<p>Cardinal Resources may not cause Cardinal Ghana to sell, sublet, assign, create a trust or otherwise dispose of all or any part of the Tenements (Assign) unless the Assignee executes a deed of covenant in favour of Mr. Easah whereby the Assignee covenants to be bound by and observe the provisions of the Deed to the extent applicable to the Specified Minerals or the interest in the Specified Minerals acquired by the Assignee.</p> <p>Upon the execution of the above mentioned deed of covenant, Cardinal and Cardinal Ghana will be released and discharged from all obligations arising out of this Deed after the execution and delivery of that deed to the extent that the Assignee is bound by this Deed.</p> <p>Mr. Easah may only assign the whole or part of his entitlement to the Royalty or his rights under the Deed (Sale Interest) after the Sale Interest has first been offered to Cardinal Ghana. Cardinal Ghana shall have 30 days (Offer Period) within which to accept the offer, which if it does not exercise will be deemed to have rejected the offer and Mr. Easah is free to sell the Sale interest to a third party on the same terms and conditions as that which was offered to Cardinal Ghana within 90 days of the expiration of the Offer Period otherwise, he will not be entitled to sell the Sale interest and must make the offer to Cardinal Ghana again.</p>
Termination provisions	<p>Cardinal Ghana's liability to pay Royalty to Mr. Easah under this Deed shall cease when the last of the tenements has been transferred to a third party in accordance with the provisions of the Deed or surrendered or otherwise relinquished under the Mining Act.</p>
Governing law	<p>This Deed shall be governed and construed in accordance with the laws of the State of Western Australia. The parties also agree to submit to the non exclusive jurisdiction of courts which hear appeals from the courts of the State of Western Australia.</p>
Dispute Resolution	<p>If the parties cannot resolve a dispute in relation to the amount of Royalty payable under clause 3.3(d) within 45 business days after meeting pursuant to clause 3.3 each party may request by notice that the dispute be resolved by an expert to be appointed in accordance with clause 5.2.</p> <p>Pursuant to clause 5.2, the expert must be a suitably qualified person, appointed</p>

	<p>by the Australian Institute of Mining and Metallurgy who will act as an expert and not an arbitrator. The Commercial Arbitration Act, 1985 will apply to determine the dispute.</p> <p>The decision of the expert is binding and final.</p> <p>If the Expert determines that the amount paid to Mr. Easah is an overpayment, then he must repay the difference within 20 business days of the date of the Expert's determination together with interest between the Royalty due and owing and the amount paid at the Prescribed Rate. However if the Experts determines that there is an underpayment, then the Cardinal Ghana must repay the difference within 20 business days of the date of the Expert's determination together with interest on the difference between the Royalty due and owing and the underpayment at the Prescribed Rate.</p>
Other material provisions	<p>Renaissance will pay to Mr. Easah a royalty equal to 3% of the Net Smelter Return for each Quarter on and from the Date of the Deed.</p> <p>The liability to pay Royalty arises in respect of any part of the Specified Minerals mined from the Tenements and subsequently milled or treated, notwithstanding that operations may be undertaken by or on behalf of Renaissance or any Related Body Corporate of Renaissance.</p> <p>The Royalty must be paid quarterly in arrears within 30 Business Days after the end of each quarter.</p> <p>Cardinal Ghana is required to provide copies of all relevant documents which quantify the amount of Specified Minerals mined from the Tenements and which are processed for the relevant Quarter. The documents must provide certain details set out in clause 3.1 of the Deed.</p> <p>Cardinal Ghana is required to permit qualified persons engaged by Malik Easah at his expense to access Cardinal Ghana's premises at reasonable times to inspect all books of account, records and samples which it is required to keep under clause 3.2 (b). Mr, Easah may also within 30 business days after receipt of payment of the Royalty cause an audit check of Cardinal Ghana's calculation of the Royalty.</p> <p>If an discrepancies are found in the results of the audit, the parties undertake to meet within 10 business days after the audit results to negotiate in good faith to resolve the dispute.. If the dispute cannot be resolved then it is to be referred to the Expert under clause 5.1.</p> <p>Commingling</p> <p>Cardinal Ghana must determine the amount of Royalty due and payable to Mr. Easah from the Specified Minerals comingled with minerals from other propertied or tenements.</p> <p>Each party as the Recipient is liable to pay the Provider the amount equal to the amount of any GST or VAT that the Provider (provider of Taxable Supplies) is liable to pay on any Taxable Supply (or any taxable supply made in Ghana).</p>

Continuing rights/obligations of the Parties	All the rights and obligations to pay Royalty to Mr. Easah continue until the tenements are transferred in accordance with the terms of the Deed or surrendered or relinquished pursuant to the Minerals and Mining Act, 2006, Act 703
Comments:	

SCHEDULE 6

SUMMARY OF PURCHASE AND SALE AGREEMENT BETWEEN NEWMONT AND CARDINAL SUBRANUM

Nature of agreement	Purchase and Sale Agreement of the Subin-Kasu Prospecting Licence dated 6 April 2012 between Newmont Ghana Gold Limited and Cardinal Resources Subranum Limited pursuant to which Newmont has agreed to transfer and assign to Cardinal Subranum, all of its rights to and title and interest in the Prospecting Licence subject to the prior written approval of the Minister pursuant to section 14 of Act 703.
Parties	<p>4. Cardinal Resources Subranum Limited ("the Purchaser"),</p> <p>5. Newmont Ghana Gold Limited ("the Owner")</p>
Date executed/Entry into force	6 April 2012
Duration	None
Key Definitions	<p>"Affiliate" means any person or entity that Controls or is Controlled by or under common Control with the Purchaser.</p> <p>"Allowable Deductions" means to the extent borne or to be borne by the Purchaser A) Charges for treatment in the smelting and refining process; B) actual costs of transportation for the Minerals to the place of sale; C) Sale, use ad valorem, severance, net proceeds of mine and any other tax on or measured by Minerals production; and D) royalties paid to any governmental agency or instrumentality.</p> <p>"Approval Date" means date on which the agreement is approved by the Minister.</p> <p>"Control" used as a verb means the ability, directly or indirectly through one or more intermediaries, to direct or cause the direction of the management and policies of such entity through (i) the legal or beneficial ownership of voting securities or membership interests (ii) the right to appoint managers, directors or corporate management (iii) contract (iv) operating agreement; or (v) voting trust.</p> <p>"Control" used as a noun means an interest which gives the holder the ability to exercise any of the abovementioned powers.</p> <p>"Exploration Expenditures" means all actual, direct expenditures incurred after the date of this Agreement made by or on behalf of the Purchaser in ascertaining the existence, location, quantity, quality or commercial value of Minerals within the Property.</p>

	<p>“Government Share” means any and all amounts (other than royalties covered by clause 5(b)(iii)(D) required to be paid by the Purchaser to the Government of Ghana pursuant to the Mining Act, or otherwise paid in Minerals or out of the proceeds of the sale of such Minerals.</p> <p>“Minerals” mean any and all ores, metals, minerals or other products and mineral rights of whatever kind and nature in, under or upon the surface or subsurface of the Property to the extent covered by the provisions of the Licence.</p> <p>“Net Smelter Returns” includes (with reference to the final settlement by the refinery for such delivery) A) with respect to gold and silver contained in such dore or other forms of concentrate, the value of gold and silver (stated in U.S Dollars per troy ounce of gold and silver) multiplied by the number of ounces of gold and silver produced, less Allowable Deductions as defined; B) With respect to all other Minerals, the value of other Minerals (stated in US Dollars), less Allowable Deductions and less the Government Share.</p> <p>“Net Smelter Returns” in the case of Minerals which are sold by the Purchaser means A) in the case of Minerals which are sold by the Purchaser in a crude state, the amount received by Purchaser from the purchaser of the Minerals, less Allowable Deductions and Government Shares; B) in the case of Minerals which are processed by or for account of Purchaser to produce concentrates or other saleable intermediate products f.o.b the plant producing the concentrates or other saleable intermediate products less Allowable Deductions and Government share; and C) in all other cases, the amount received by the Purchaser by the purchaser of the Minerals, less Allowable Deductions and the Government Share.</p> <p>“The Licence or Property”-includes the current Licence attached as Exhibit A to the Agreement and any new or reissued licence, lease or any authorization for mineral exploration or mining issued by the Government to the Purchaser.</p> <p>“Mining Act” means Minerals and Mining Act, 2006, Act 703.</p>
Assignability	<p>Except as otherwise provided in this Agreement, the Purchaser may assign, transfer, convey or otherwise dispose of its rights, interest and obligations under this Agreement. Any option, joint venture, assignment, transfer, conveyance or other disposition is void and unenforceable unless the proposed assignee has first agreed in writing with the Owner to observe and be bound by all the provisions of this Agreement.</p> <p>The Owner shall have the unrestricted right in its sole and absolute discretion to assign, transfer, convey or relinquish any of its rights or interest in respect to the Licence or Property, including the Net Smelter Returns at any time.</p> <p>If the Purchaser intends to sell, lease, assign or otherwise transfer all or any part of its interest in the Licence or Property, it must notify the Owner. Such notice shall identify the Offered Property. The Owner than has 30 days of receipt of the notice within which to elect to acquire the Property under the terms and conditions offered by the Purchaser. If the Owner elects not to acquire the Property, the Purchaser has 120 days after within which to complete the</p>

	<p>transfer of the entire Offered Property to a third party. The time limit for the transfer may be extended until the Minister grants his approval. Furthermore, the transfer may only be made if the transferee agrees in writing to with the Owner to assume the Purchaser's obligations hereunder. No transfer shall relieve the Purchaser of its obligations under this Agreement unless the Owner agrees in writing. If the Purchaser fails to complete the transfer of the Offered Property to the transferee within the relevant period, the Owner's right of first offer in the Offered Property shall be revived.</p> <p>This clause applies to the Purchaser and any of its successors including Affiliates expect in certain circumstances including (i) corporate consolidation, merger or re organization by the Purchaser, (ii) an equity offering made by the Purchaser, (iii) a transfer of direct or indirect Control of the Purchaser to a non- Affiliate third party but only if the fair value of the Purchaser's interest does not exceed 25% of the combined market value of the assets of the Purchaser and all its Affiliates etc.</p>
Termination provisions	<p>Upon transfer to the Owner under Clause 3 or 4 the Agreement shall terminate as to the transferred interest (except as otherwise expressly stated), provided that the Purchaser shall be required to promptly reclaim all disturbance caused by its activities in accordance with legal requirements, unless the Owner decides to utilize such disturbances such as (drills, roads, trenches etc). In that case, the Owner shall assume the reclamation obligation in writing and release the Purchaser.</p> <p>If upon the abandonment or termination of the Licence, the Purchaser or any Affiliate of the Purchaser reacquires the Licence or other authorization to mine any portion of the Property within 2 years after the effective date of the termination or abandonment, such Licence and authorization shall be subject to the terms of this Agreement including the obligation to pay Net Smelter Returns. This provision may be subject to further consent from the Minister pursuant to section 14 of Act 703</p> <p>If the Purchaser decides to terminate or abandon the Licence, it shall notify the Owner of such intent at least 60 days prior to the effective date of such termination or abandonment. The Owner shall have 60 days to have the Licence transferred or reissued to the Owner. Under those circumstances, the Purchaser is required to make all payments and filings and take all actions required to maintain the Licence in good standing until the Licence is transferred or re issued to the Owner.</p>
Governing law	The Agreement shall be governed and construed in accordance with the laws of Ghana.
Dispute Resolution	Disputes resulting from, arising out of, or in connection with this Agreement of the construction or enforcement thereof shall be resolved by binding arbitration in Denver, Colorado U.S.A in English in accordance with the American

	<p>Arbitration Association Rules.</p> <p>For a period of at least 60 days prior to submitting a matter to arbitration, an executive officer of each party shall attempt to resolve the dispute, failing which either party may refer the matter to arbitration by written Notice to the other party.</p>
Other material provisions	<ul style="list-style-type: none"> • Upon receipt of the Minister's approval, the Purchaser shall deliver to the Minister a notice of transfer of the Licence and accept the re issuance of the Licence in the Purchaser's name or in lieu thereof, the Owner is required to deliver to the Minister, at the Purchaser's request, notice of surrender of the Licence in such a form as may be legally required to enable the Purchaser to deliver an application to the Minister for a new Licence in respect of the Property. • The Purchaser shall pay the Owner a total of US\$ 200,000 to be paid in the following instalments: <ul style="list-style-type: none"> US\$ 50,000- on or before 10 days after the Approval Date US\$ 50,000- First Anniversary of the Approval Date US\$ 100,000- Second Anniversary of Approval Date • The Purchaser is required to incur a total of US\$ 1,000,000 on Exploration Expenditures broken down as follows: <ul style="list-style-type: none"> US\$ 250,000- First Anniversary of the Approval Date US\$ 750,000-Second Anniversary of the Approval Date • As additional consideration for the sale of the Licence, if the Purchaser and the Purchaser's parent company announce a gold resource estimate of at least one million troy ounces of gold or gold equivalent within the Property, the Purchaser shall pay the owner the sum of US\$ 50,000 in Deferred Purchase Payments. In addition the Purchaser shall pay the owner US\$ 50,000 on each anniversary of the original announcement so long as the Purchaser or an affiliate, including its parent company continue to report a Gold Resource Estimate of at least one million troy ounces of gold or gold equivalent within the Property until such time as the Purchaser begins to pay Net Smelter Returns pursuant to clause 5 of this Agreement. • If following the original announcement, the Purchaser or Affiliate of the Purchaser including its parent ceases to report a Gold Resource Estimate of at least one million ounces of gold or gold equivalent within the Property, the Deferred Purchase Payments shall continue. • Subject to the grant of a mining lease under the Mining Act, the Purchaser shall pay the Owner 2% of Net Smelter Returns on all Minerals mined and removed from the Property and sold by the Purchaser.

	<ul style="list-style-type: none"> • Under certain circumstances, the Purchaser may, subject to the terms of the relevant mining lease(s) comingle ores from the Property with ores from other properties. • Net Smelter Returns shall be calculated for each calendar quarter in which Net Smelter Returns are realized and payment due hereunder shall be made within 30 days following the end of each such calendar quarter. . The payment should be accompanied by a statement computing the Net Smelter Returns and copies of all relevant settlement sheets. The Owner shall be entitled, at its own expense to carry out an annual independent audit if it requests an audit within 4 months after presentation of the related end of year statement. If the audit determines that the Purchaser underpaid the Owner by greater than 2% during such annual period after any adjustment, the Purchaser will be required to reimburse the Owner for its reasonable audit costs. • All Hedging Transactions are excluded from the Net Smelter Returns calculation. All profits and losses from Hedging Transactions shall be solely for the Purchaser's account. • The Purchaser shall fully indemnify, defend, release and hold harmless the Owner, its affiliates and successors, officers etc from and against all loss, costs, penalties, expense, damage and liability arising out of or relating to in any way to the conditions, operations or other activities, whether known or unknown at or in connection with the Property, including but not limited to any environmental conditions regardless of whether such conditions were created before or after the date of this Agreement. This provision shall survive any transfer to the Owner under clauses 3 and 4 with respect to conditions or activities on the property prior to the date of transfer. • The Owner shall be entitled to enter the Property to inspect any of the Purchaser's operations, facilities or structures at reasonable times, upon reasonable advance notice. The Owner enters the Property at its own risk and the Purchaser shall be held harmless against any and all loss, costs, damage, liability and expense by reason of damage to Owner's property or injury to the Owner or its agents and representatives unless such damage or injury is as a result in whole or in part of the gross negligence of the Purchaser. • The Purchaser is solely responsible for all taxes, fees and other payments to any governmental entity related to any approval or consent of this Agreement to the transfer or reissue of the licence to the Purchaser. • The terms of the Agreement are confidential and no party shall disclose the terms to a third party without the prior written consent of the other party. This restriction does not apply to Affiliates or any public or private financing institution or to third parties to whom the Purchaser is considering a transfer, sale or assignment of its interest in the Licence etc. Such third party must agree to keep the terms of this Agreement confidential.
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Continuing rights/obligations of the Continuing rights/obligations of the Parties	<p>The parties agree that subject to clause 3(b) the obligations to make Deferred Purchase Payments shall survive this Agreement and shall apply to any successors (including Affiliates or successor by merger).</p> <p>The obligations of the parties under the Agreement shall survive the transfer or re issuance of the Licence to the Purchaser and shall continue as valid and enforceable obligations of the parties notwithstanding termination, expiration, or abandonment of the Licence.</p>
Comments:	<p>A refusal by the Minister to grant consent for the transfer of the licence to Cardinal Subranum or to grant Cardinal Subranum a licence over the Property as envisaged under Clause 1 of the Agreement may render that provision of the Agreement unenforceable.</p> <p>The scope of the indemnity provisions in clause 7 of the agreement potentially makes Cardinal Subranum liable to indemnify Newmont for claims or causes of actions relating to, inter alia, the condition, operations or activities at or in connection with the Property including environmental claims which may result in any loss, costs etc to Newmont regardless of whether or not the circumstances were created by Cardinal Subranum and whether or not they occurred before the date of the Agreement.</p>

SCHEDULE 7

KEY COMMENTS

- The Minerals Commission indicates that Cardinal Ghana is in compliance its obligations under the Reconnaissance Licences granted in respect of each of the Ndongo, Kungongo and Bongo tenements;
- Cardinal Ghana has made an application for the Ndongo Reconnaissance Licence to be converted into a prospecting licence. The Minerals Commission has favourably recommended to the Minister to convert the Licence subject to the payment of the consideration fee and annual ground rent which have been paid. Act 703 requires the Minister to grant the prospecting licence once Cardinal Ghana has materially complied with its obligations under the Ndongo Reconnaissance Licence. According to the Minerals Commission's report dated 11 April 2012, the licence is in good standing and Cardinal Ghana has complied with its obligations thereunder. Thus, to the best of our knowledge, no circumstances currently exist which would prevent the Minister from granting the prospecting licence.
- Cardinal Ghana has applied for the renewal of the Reconnaissance Licences in respect of the Kungongo and Bongo tenements. The Minerals Commission has favourably recommended to the Minister to renew the Licences subject to the payment of US\$ 15,000.00 and the stipulated annual ground rent in respect of each licence which have been paid. Act 703 requires the Minister to grant the renewals once Cardinal Ghana has materially complied with its obligations under the Licence. According to the Minerals Commission's report dated 11 April 2012, the Licences are in good standing and Cardinal Ghana has complied with its obligations thereunder. Thus, to the best of our knowledge, no circumstances currently exist which would prevent the Minister from renewing the licences. Pursuant to section 33 (6) of Act 703, Cardinal Ghana may continue its operations pending the formal grant of the renewal.
- Cardinal Resources became the controller of Cardinal Ghana pursuant to the Deed of Transfer dated 7 September 2010 in which it acquired 90% of the Company. Cardinal Resources acquired the remaining 10% by Deed of Transfer dated 8 June 2011.
- Cardinal Resources changed its name from Pegasus Copper & Gold PTY LTD to Cardinal Resources PTY LTD on 20 June 2011. Subsequently on 16 September 2011, the company converted to a public company and is now known as Cardinal Resources Limited.
- Cardinal Ghana changed its name from Renaissance Gold Company Limited to Cardinal Resources Ghana Limited on 30 November 2011. It passed a special resolution to that effect on the same date and was issued a new certificate of incorporation showing the change of name;
- Cardinal Ghana has not filed annual returns since its incorporation;
- The Purchase and Sale Agreement between Newmont and Cardinal Subranum requires the consent of the Minister pursuant to section 14 of Act 703. By letter dated 24 April 2012, Newmont applied for the approval of the Purchase and Sale Agreement pursuant to section 14 of Act 703. The Minerals Commission sent a response dated 11 June 2012, requesting certain

documents and information in respect of Cardinal Subranum and the payment of the required consideration fee prior to making a recommendation to the Minister.

- It is the Minerals Commission's practice to accept applications for such consent from the current holder of the mineral right. However we note that the Purchase and Sale Agreement places the responsibility of obtaining such consent on both parties.
- The Subin-Kasu Prospecting Licence expired on 21 July 2012. By letter dated 16 July 2012 Newmont applied for an extension of the term of the Subin-Kasu Prospecting Licence.
- Stamp duty has been paid in respect of the Subin-Kasu Prospecting Licence Agreement and we understand that Newmont has initiated the process to register the Licence at the Lands Registry pursuant to the Land Registry Act, 1962, (Act 122).¹⁶
- The EPA permit for the Subin-Kasu concession has been approved subject to the payment of GHS 7,200 which has been paid. We understand from Newmont that the permit is yet to be issued.

¹⁶Land Registry Act, 1962, (Act 122)

Under the Land Registry Act, 1962, (Act 122) no instrument executed after the commencement of the law apart from a will or judge's certificate shall be of any effect until it is registered.

Act 122 provides that such registration constitutes actual notice of the instrument and the fact of registration to all persons and for all purposes as from the date of registration unless otherwise provided by any enactment.

An instrument or interest in land may be registered notwithstanding that the prior instrument or interest in land from which the instrument or interest is derived has not been registered. However, the Chief Registrar of Lands is empowered to require the grantor to register an instrument preceding the instrument presented for registration. The Registrar may accept, where this power is exercised, documentary evidence of the prior instrument if the grantor can establish that it exists but that it is not in his possession or control.

SCHEDULE 8

ASSUMPTIONS AND QUALIFICATIONS

5.1 Assumptions

In issuing this opinion:

- (a) We have made appropriate searches of the relevant registries including the Minerals Commission, the High Court, Bolgatanga, High Court, Kumasi, the Collateral Registry of the Bank of Ghana and the Registrar General's Department. We have examined all relevant documents provided to us. We have not examined any records of any governmental authorisations or orders, certificates of public officials or of representatives of the parties or any other documents not stated below, and our opinion is qualified in that regard.
- (b) Insofar as we examined originals, we assume that the signatures are genuine and in respect of copies of such originals we assume that such copies are true and accurate copies of the original documents.
- (c) After due enquiry, we are not aware of any material adverse change has taken place since the execution of the documents listed in this opinion, which would affect, undermine or otherwise alter their validity.
- (d) Where indicated in the Report, "to the best of our knowledge" indicates that no independent sources of information were reviewed or came to our attention indicating a contrary finding.

5.2 Qualifications

- (a) The obligations of the Companies to any contractual document to which either of them is a party will not necessarily be enforceable and/or enforced by the courts in all circumstances in accordance with its terms and/or additional terms may be imposed by the courts.
- (b) We have not investigated and, except as expressly stated in this Report, make no comment in relation to the Companies in connection with accounting or financial matters, intellectual property and IT matters and company secretarial or administrative matters.
- (c) We have at all times during the course of our investigations relied on the material provided by the Companies and their advisors and from our searches and enquiries detailed in 1.4 above. Except to the extent expressly stated in this Report, we have not verified any information provided by Cardinal Resources, the Companies or their advisors.
- (d) This report reflects the information provided in the search reports of the Minerals Commission, Registrar General's Department and the High Courts as at the date of the respective search report.
- (e) This Report is limited to the Ghanaian laws of general application at the date of this opinion and is given on the basis that it will be governed by, and construed in accordance

with, the laws of Ghana. We have made no investigation of, and do not express or imply any views on, the laws of any other country or jurisdiction other than those of Ghana.

- (f) We have not conducted a physical due diligence on the tenements.
- (g) We do not undertake to update this Report unless specifically requested to do so.