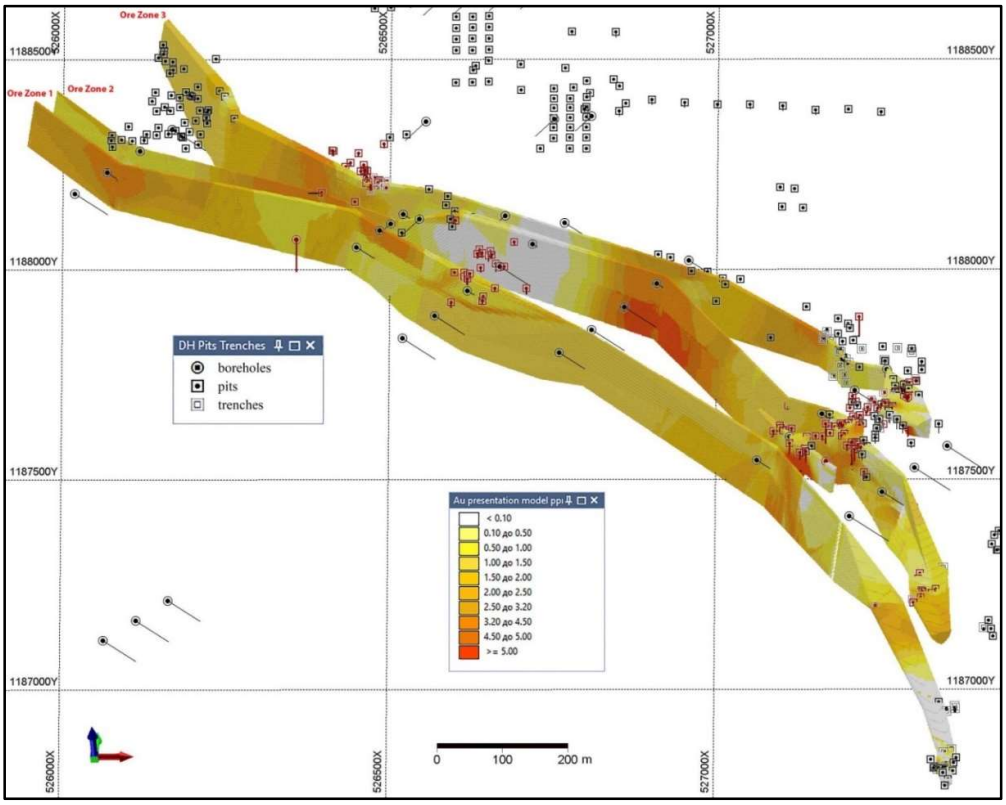
FROM MINING TO PRODUCTION

BUSINESS SUMMARY



GUINEA

OCTOBER 2019

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INTRODUCTION

Farafina Gold Group SA ("Group", "Company", "FGG") is a Guinean goldmining holding company, operating in a region which has been renowned for its gold mines since the 13th century. Since 2013, the Company has been carrying out an exploration program on a territory extending over 500 sq. km. Based on the assessment results, management identified properties stretching across 350 sq. km. for further exploration surveys, and secured a semi-industrial license for a property of 16 sq. km.

At present, Farafina owns five exploration licenses and one mining license through its 100% subsidiaries. The application for the second mining license has been presented to the Guinea Ministry of Geology and Mining and is currently awaiting the approval of the President of Guinea.

The discovered gold reserves as of June 30, 2019 comprise approximately 50 tons (in excess of 1,500 thousand ounces), including high-grade reserves of approximately 3,5 tons (120 thousand ounces) and reserves prepared for mining of 1,2 tons (36 thousand ounces). Underground shaft construction has commenced, and mining works are scheduled for the fourth quarter of 2019.

Group consolidated assets of 30.06.2019 comprised $90 mil.

For production startup on two mining sites the Group expects to raise $9,5 mil in the course of 2019-2020, with further investment of around $50 mil over the next two years (this objective could be achieved through additional rounds of financing, reinvestment of retained earnings, or a combination thereof).

CORPORATE STRATEGY

Exploration is the riskiest phase of the gold mining value chain; it also accounts for the lion's part of gold production expenditures. Because the cost structure and outcomes are notoriously difficult to predict, this is the main barrier in the gold mining business.

At the same time, when high-grade reserves are identified, the gold production phase differs qualitatively from exploration. Due to the well-established nature of ore processing, relatively stable gold prices, and easily calculatable cost structure of production, the profitability of mining operations can be projected with a high degree of confidence and the risks are drastically lessened.

Gold mining in Guinea is over four centuries old. The history affords a unique opportunity to discover promising gold fields by following zones of alluvial mining with historical shafts and pits, developed and abandoned by several previous generations of miners. As a rule, sites of this type contain underground gold reserves, which can be identified both by sampling and exploration drilling.

FGG affords special attention to such methods of exploration, combining high-tech mining technologies with traditional mining expertise of the local artisanal miners.

Topographical surveys conducted African rural areas can be extremely expensive and time-consuming. This problem is exacerbated by the unavailability of maps required for adequate exploration.

To overcome this challenge, the Company utilized a controlled to conduct an aerial survey. The images were then processed in high resolution. A 3D surface model as well as a 2D topographical map were developed.

The images obtained from the aerial survey in concert with 3D orebody models enabled FGG to be much more precise in determining the location of the exploration sites and dramatically decrease the exploration cost and time footprint.

Altogether, the approach described above substantially lowered the barriers to entry and enabled FGG to identify the most promising sites for exploration and gold ore processing.

OPERATIONAL MANAGEMENT

The problem associated with the traditional approach to exploration is the perceived necessity of wide-ranging and complex tasks executed in accordance with a pre-determined project plan. The issue becomes particularly apparent in the course of exploration drilling. The placement, position, and depth of the drill holes is often planned three to six months in advance.

The analysis of the obtained data can also take a considerable while. At the same time, sites with high potential are drilled at the same rate as empty sites. Adjustments and clarifications to the project plan can also take up to several months. Data processing and deposit model development often add even further complexity to the process.

The FGG approach to operations was based on the use of the following approaches:

- Resources analysis and management is based on the fully licensed Micromine expert system, which provisions for the creation of the gold ore body model based on heterogenous data as well as for the support of a number of exploration and mining processes;
- Deployment of own drilling equipment and sample preparation line enabled regular analysis of gold ore grade, and the possibility of daily deposit model updates based on new data;
- Internet-based connectivity between field crews and experts who update the model and provide real-time recommendations for field work;
- The "***sample collection – ore content analysis – model update – drilling"*** cycle has been reduced to two weeks and cardinally altered the approach to

geological exploration, enabling management to determine and prepare the most promising zones in record time.

Operational management of exploration and mining processes is executed by combining laboratory-based control of ore samples with real-time reflection of the results in the ore body model. Iterative interaction between sample assays, model development and model outputs considerably reduces the time it takes to incorporate new data and optimizes efficiency of processes.

LOCATION

Farafina Gold Group has licenses for 5 gold projects in Guinea. Projects are located in the northeastern (N – Nzima, KE – Kanguela East, FN – Faralako North, KW – Kanguela West) and northern (P – Paramangui) parts of the Republic of Guinea.

Geological exploration licenses were issued for Faralako South (Nzima), Faralako North, Kanguela West and Paramangui sites, semi-industrial license – for Kanguela East site (for a five-year term with an option to extend).

Figure 1 Overview map of the deposit location

GEOLOGICAL STRUCTURE AND MINERALIZATION

The Company's licensed properties are situated within the Siguiri Basin, part of the Birimian volcano-sedimentary series, which dominates the basement geology of the West African Shield (West African Craton). The Birimian Series is under-plated by more ancient Archaean metamorphic and intrusive rocks.

Birimian sediments contain variably fine- to coarse-grained siliciclastic sediments interbedded with volcanic rocks.

Syn- and post-tectonic granites are embedded in the Birimian volcanic-sedimentary rocks and occur in the form of small isolated massifs. The entire stratigraphy has been intruded by dykes – magmatic bodies in tectonic fault zones.

Such regional geological conditions are favorable for the formation of large gold ore objects.

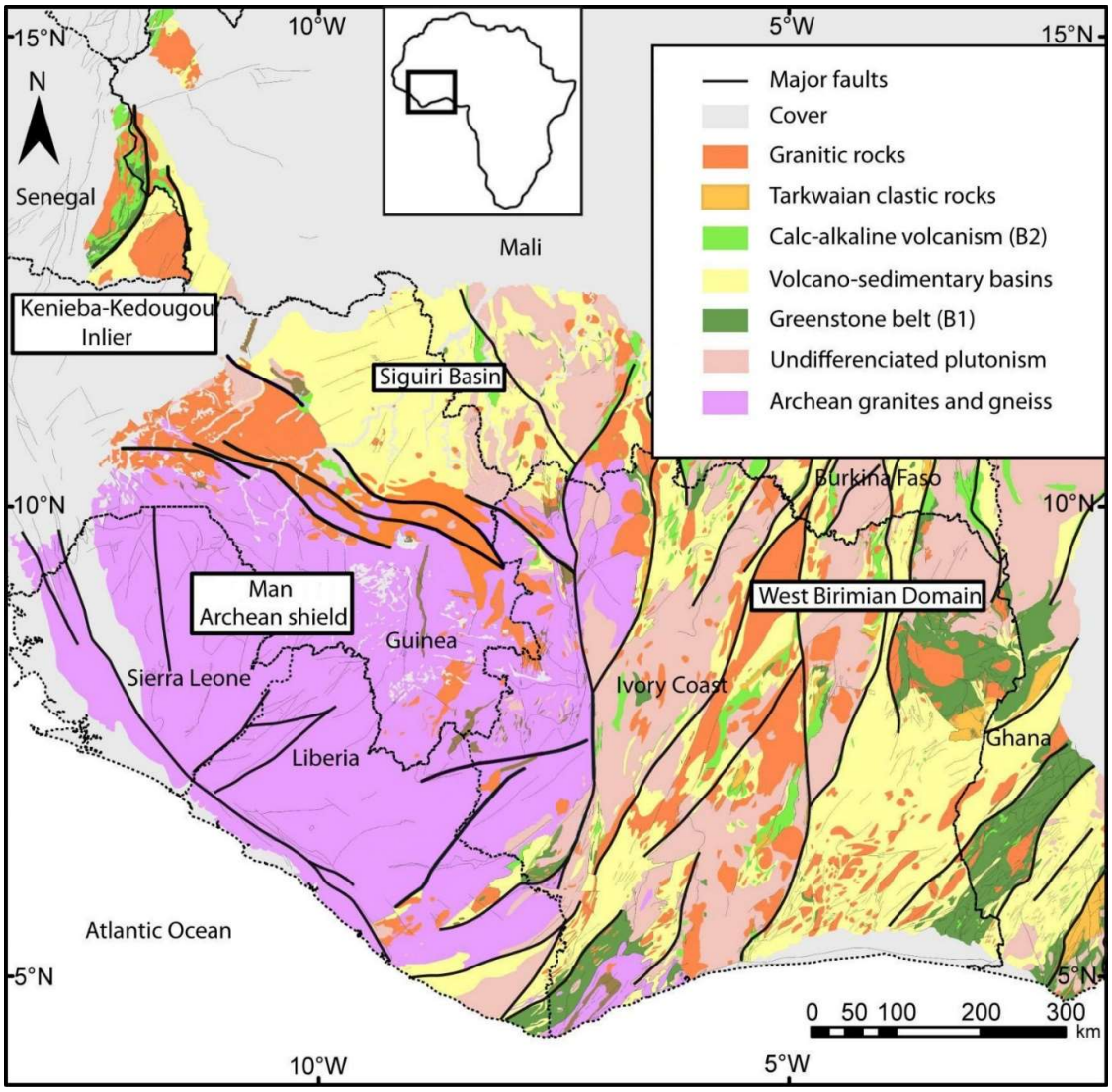

Figure 2 Regional Geological Map

GOLD MINERALIZATION AND DEPOSITS

The Company's licensed properties are located within the auriferous Birimian Siguiri Basin and is situated within a mining region in which most of the gold mines of Guinea are located, such as Siguiri (SAG), Lefa (Nordgold) and Kiniero (CEMAFO).

Most gold deposits are located within the limits of the development of Birimian sedimentary and volcanic rocks, formed about two billion years ago. This style of

mineralization is generally found in regionally metamorphosed terrains that have experienced considerable deformation.

Gold mineralization has a spatial connection with Birimian rocks and tectonic structures, localizing mainly in the fault zone. The dip and strike of mineralized zones varies considerably between deposits.

Gold deposits are typically associated with quartz veins and stockworks. Stockworks are irregular ore bodies represented by a dense network of veins and veinlets. Pyrite and arsenopyrite are the main sulfides in gold bearing veins.

Free (placer) gold is reported. Owing to the depth of tropical weathering and lack of erosion, gold mineralization is nearly always present in laterite and saprolite above the primary gold deposits, which suggests a connection between alluvial mining and deep-lying gold-bearing rocks. This determines the methodology of prospecting and exploration work (to a depth in places of signs of near-surface gold mineralization).

Kanguela East and Nzima deposits, Faralako North, Paramangui, Kanguela West gold ore sites

Within the framework of geological studies of licensed areas, FGG carried out a full range of field geological exploration activities, including:

- collection and analysis of all retrospective regional and local geological data;
- reconnaissance survey of weathering crust rocks and artisan workings;
- digital orthophotography;
- subsoil geochemistry (sampling);
- geological documentation and sampling of pits and trenches;
- drilling, geological documentation and sampling;
- laboratory and analytical works (in the Swiss internationally certified SGS laboratory).

Based on the results, management created a geological exploration database in Micromine software for each gold ore project. Resources estimation was performed using Micromine, which is one of the leading software products, supporting geological exploration, 3D modeling, mining control, planning and data management. The estimation of resources was conducted by the method of block modeling – one of the most sophisticated and precise methods for estimating mineral resources, utilized globally by leading geological exploration and mining companies.

The models generated by management as of 30.06.2019 are presented below.

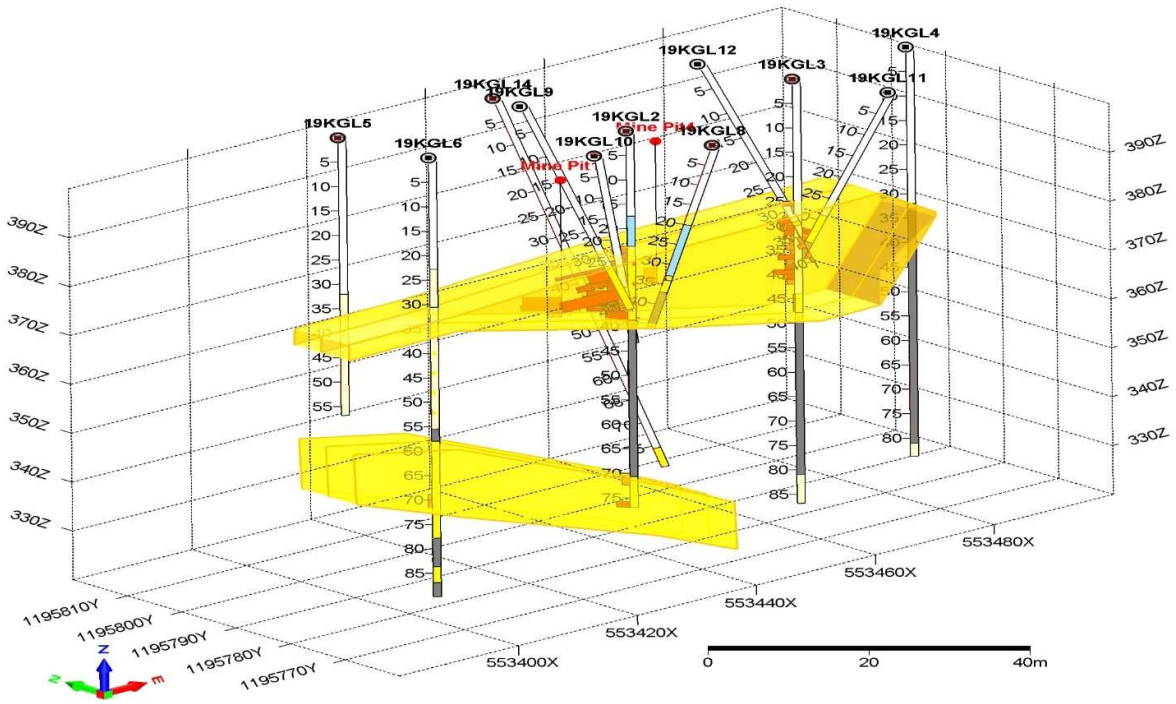

Figure 3 The wireframe model for the Gressifalani / Kanguela East ore zones (2019)

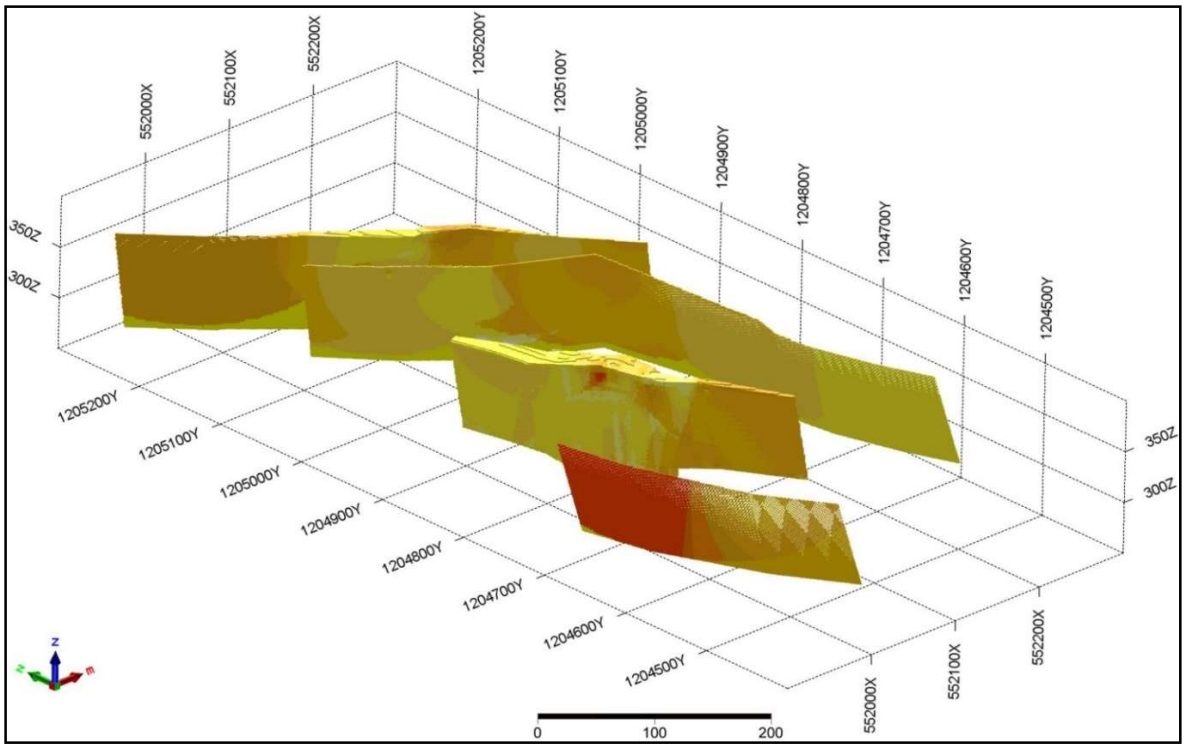

Figure 4 Block model for the Wodokodoni / Kanguela East deposit ore zones (3D-visualization)

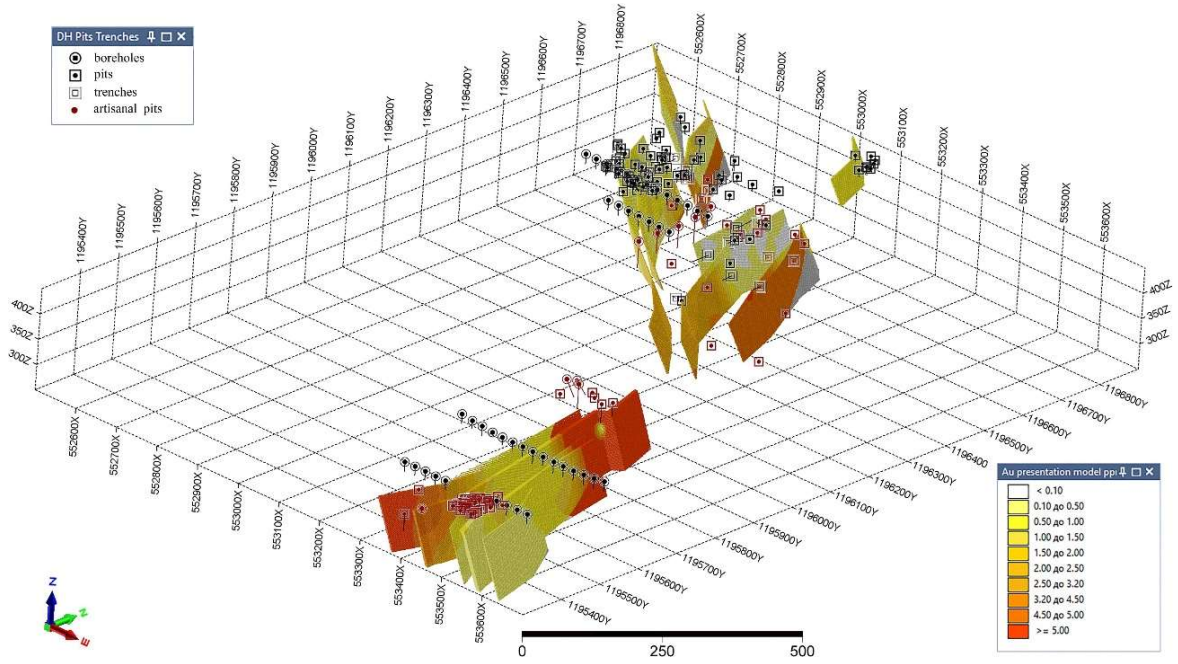

Figure 5 Block model for the Gressifalani / Kanguela East deposit ore zones (3D-visualization)

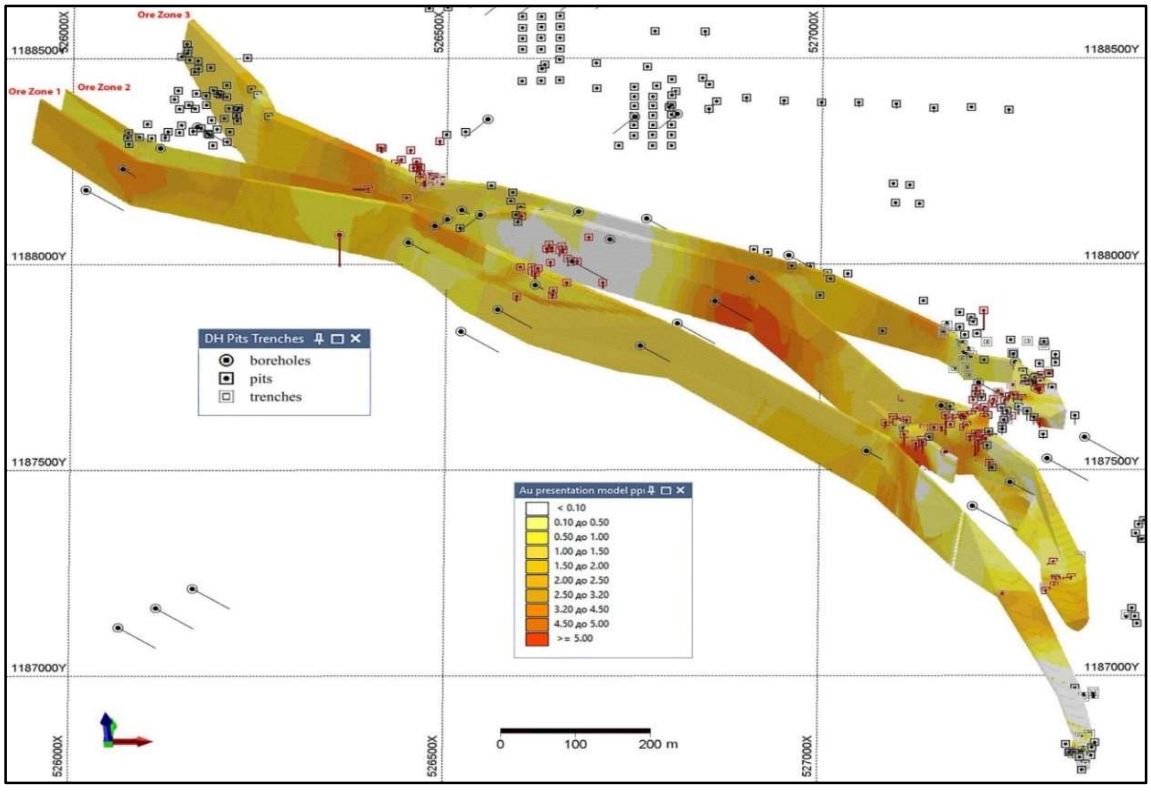

Figure 6 Block model for the Nzima / South Faralako ore zones (3D-visualization)

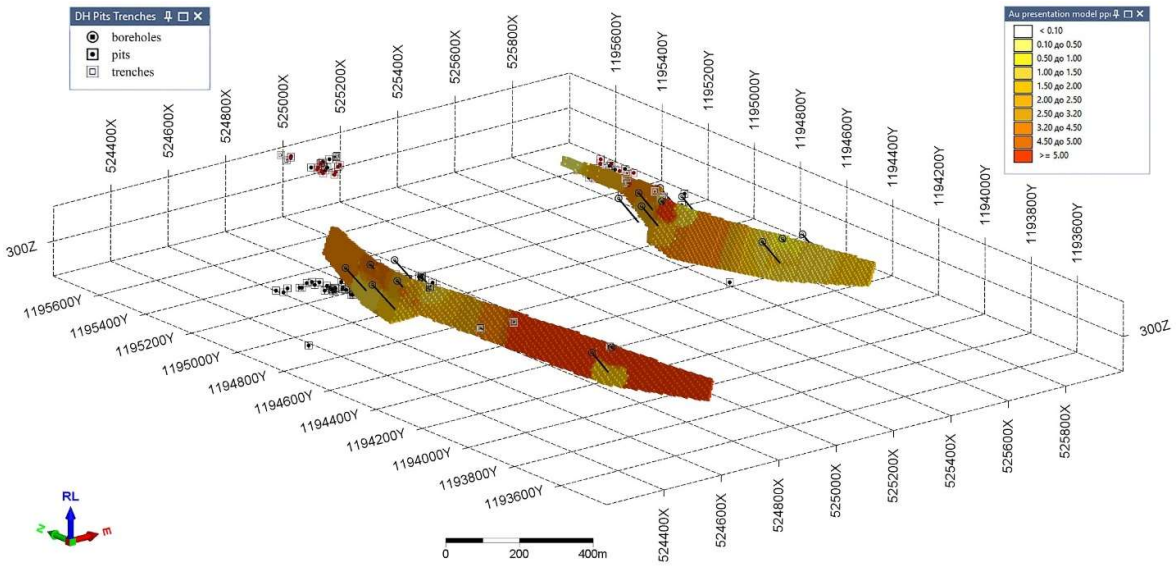

Figure 7 Block model for the Faralako North deposit ore zones (3D-visualization)

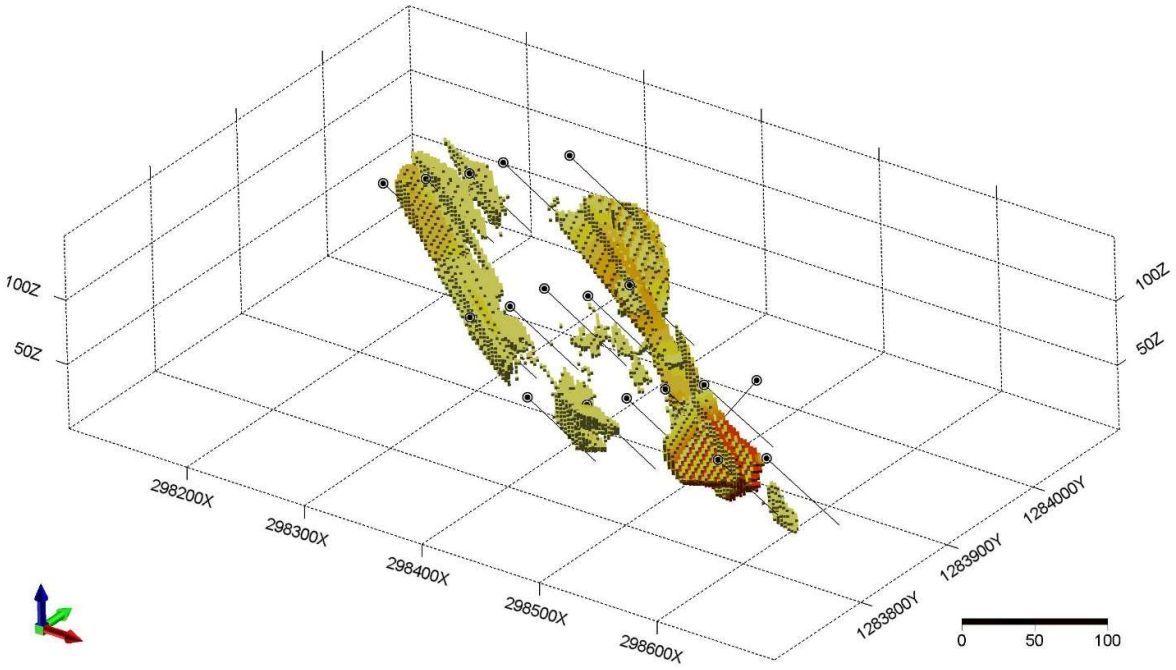

Figure 8 Block model for the Paramangui deposit ore zones (3D-visualization)

MINERAL RESOURCES

The mineral resource evaluation was executed with wireframe and block modeling methods of ore zones using Micromine software and have been classified according to the JORC Code.

Table 1 Attributable Mineral Resources as of June *30,* 2019

	Category	Tonnes (000s)	Grade (ppm)	Attributable Ounces (000s)
(Nzima), kOuz	Measured	-		
	Indicated	1,755	2.3	130
	Inferred	3,619	2	199
	Unclassified	3,482	2	224
	Total	**8,856**	**2**	**553**
(Kanguela East), kOuz	Measured	25	46.5	38
	Indicated	506	1.2	45
	Inferred	2,270	4.8	283
	Unclassified	3,226	2.6	322
	Total	**6,027**	**3.6**	**688**
(Faralako North), kOuz	Measured	-	-	-
	Indicated	132	6.6	28
	Inferred	1,546	2.9	142
	Unclassified	2,675	4.8	416
	Total	**4,353**	**4.3**	**586**
(Paramangui), kOuz	Measured	-	-	-
	Indicated	-	-	-
	Inferred	-	-	-
	Unclassified	3,000	1	125
	Total	**3,000**	**1.3**	**125**
ALL	**TOTAL**	**22,236**	**2.7**	**1,952**

As illustrated in the table above, deep exploration increased resources in both Kanguela East by 253,000 ounces and Faralako North by 470,000 ounces during the six-month period.

Table 2 Attributable Mineral Reserves as of 30st June 2019*:*

Site	Category	Tonnes (000s)	Grade (ppm)	Attributable Ounces (000s)
Nzima	Probable	1,116	2	77
Kanguela	Proved	16	44	48
	TOTAL	**1453**	**2.68**	**125**

NOTE:

Indicated, inferred and unclassified resources are based on extensive drilling, sampling, modeling and metallurgical testing. Metallurgical recovery rates vary depending on the metallurgical properties of each deposit and the production process used. The cut-off grade, or lowest grade of mineralization considered economic to process, varies with ore type, price, operating costs and co- or by-product credits.

The indicated, inferred and unclassified mineral properties figures presented herein are estimates based on information available at the time of calculation. Mineral properties estimates may require revision based on actual production. Market fluctuations in the price of gold as well as increased production costs or reduced metallurgical recovery rates, could render certain mineral properties containing higher cost resources uneconomic to exploit and might result in a reduction of mineral assets.

MINING OPERATIONS

Taking into account the geological structure of the deposit and the distribution of the useful components, a combined (surface-underground) method of mining has been adopted.

1. Open-pit mining is planned to mine ores associated with redeposit laterites and saprolites, using multifunctional drilling machine (Gelecs 200) and mining-conveyor equipment. The area of the dumps is about 27 000 m^2 for the Nzima open pit, and about 122 000 m^2 for the Kanguela East (Table 3).

Table 3 The main parameters of Nzima and Kanguela East open pits

Parameters	**Nzima**	**Gressifalani (I phase)**	**Gressifalani**	**Wodokodoni**
Open pit area, ha	6.4	5.8	74.2	2.6
Rock volume, m^3	904,000	610,000	14,840,000	374,000
Mineral volume, m^3	71,250	518,947	12,614,000	296,000
Open pit operating period, taking into account fading, year	4	3	18	2

Ore-bearing gold zones (bodies) are partitioned into mine blocks, excavated by excavators and delivered by dump trucks for processing to the enriching complex. The schematic picture of initial stage of the Kanguela East open pits is presented in Figure 9, Figure 10, and Figure 11.

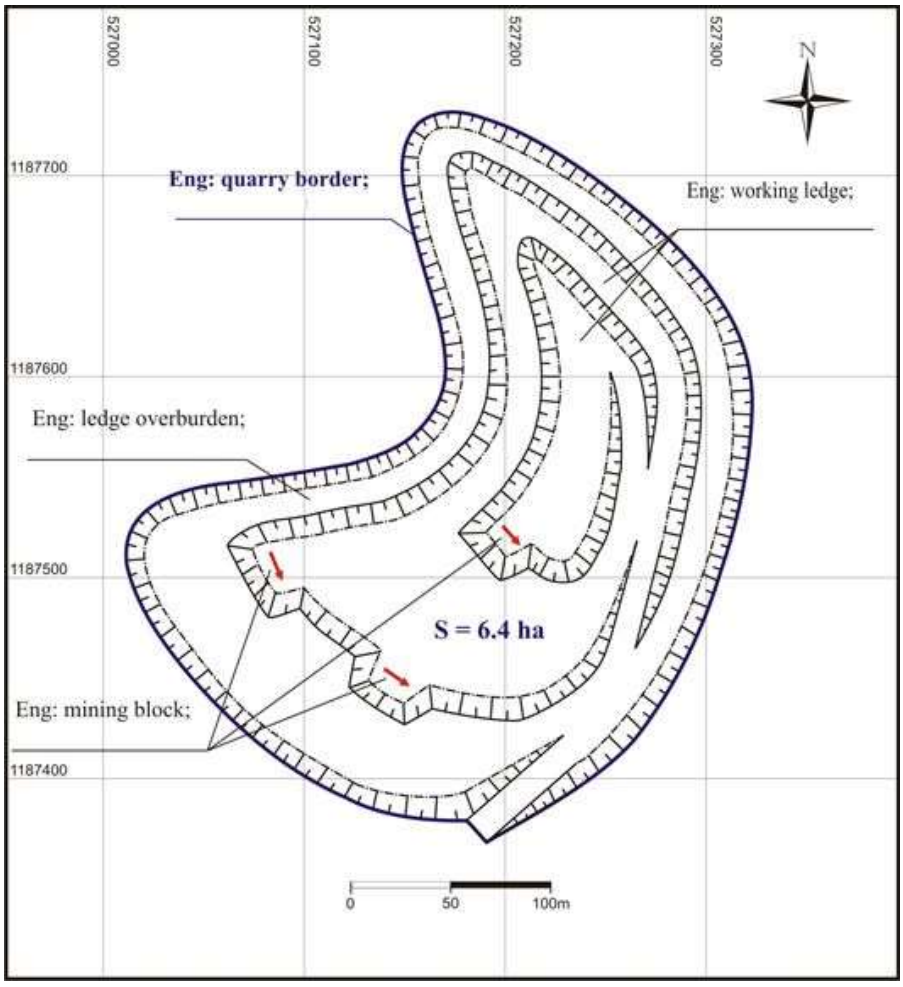

Figure 9 Schematic of the initial phase of the Nzima open pit

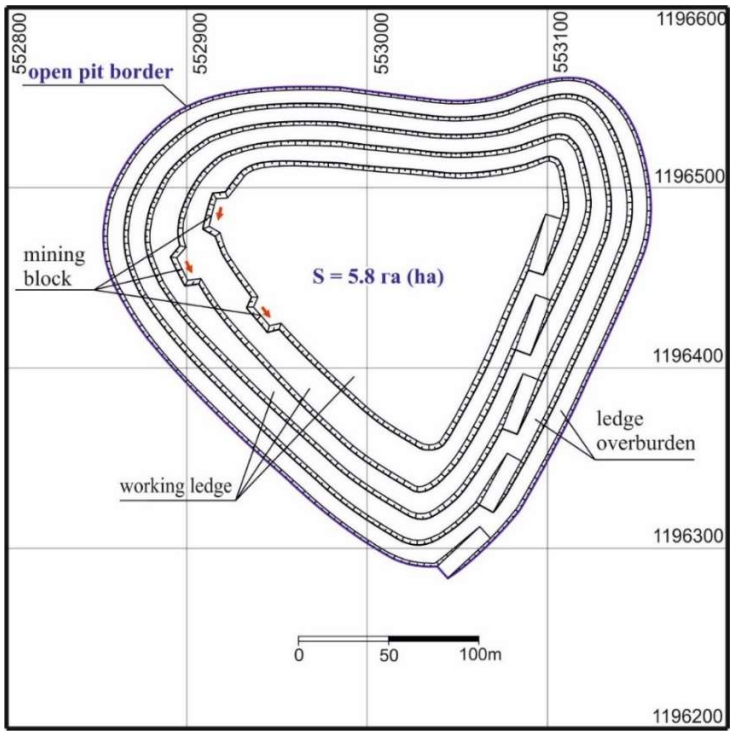

Figure 10 Schematic of initial phase of Gressifalani open pit

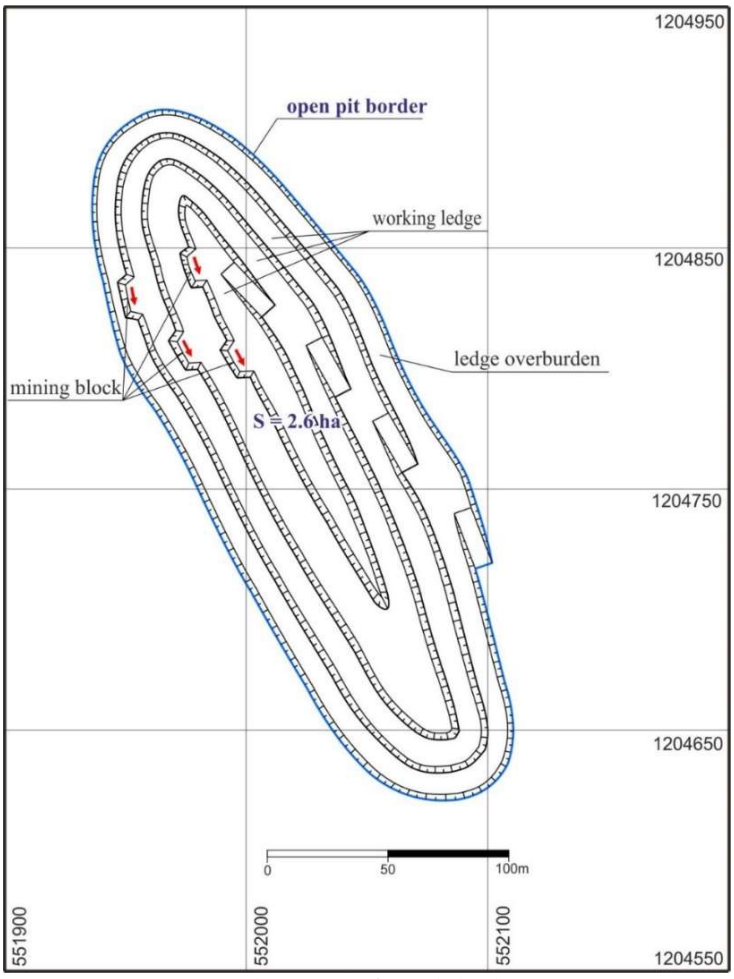

Figure 11 Schematic of Wodokodoni open pit

2. Underground mining presumes sublevel mining system with short blasthole ore breaking.

Horizontal workings are designed at several levels in accordance with gold ore pay zones. Horizontal working are supported with the help of anchor support, the section is trapezoidal. Ore will be extracted through vertical shafts for further processing.

Vertical shafts will be built consequentially.

The excavation of workings in rocks with a hardness above f-3 (silicified sandstones, pyrite, chalcopyrite, quartz), as well as mining of blocks, taking into account the characteristics of rocks, is produced by drill and blast method.

The models of the Nzima and the Kanguela East mines are presented in Figure 12, Figure 13, and Figure 14.

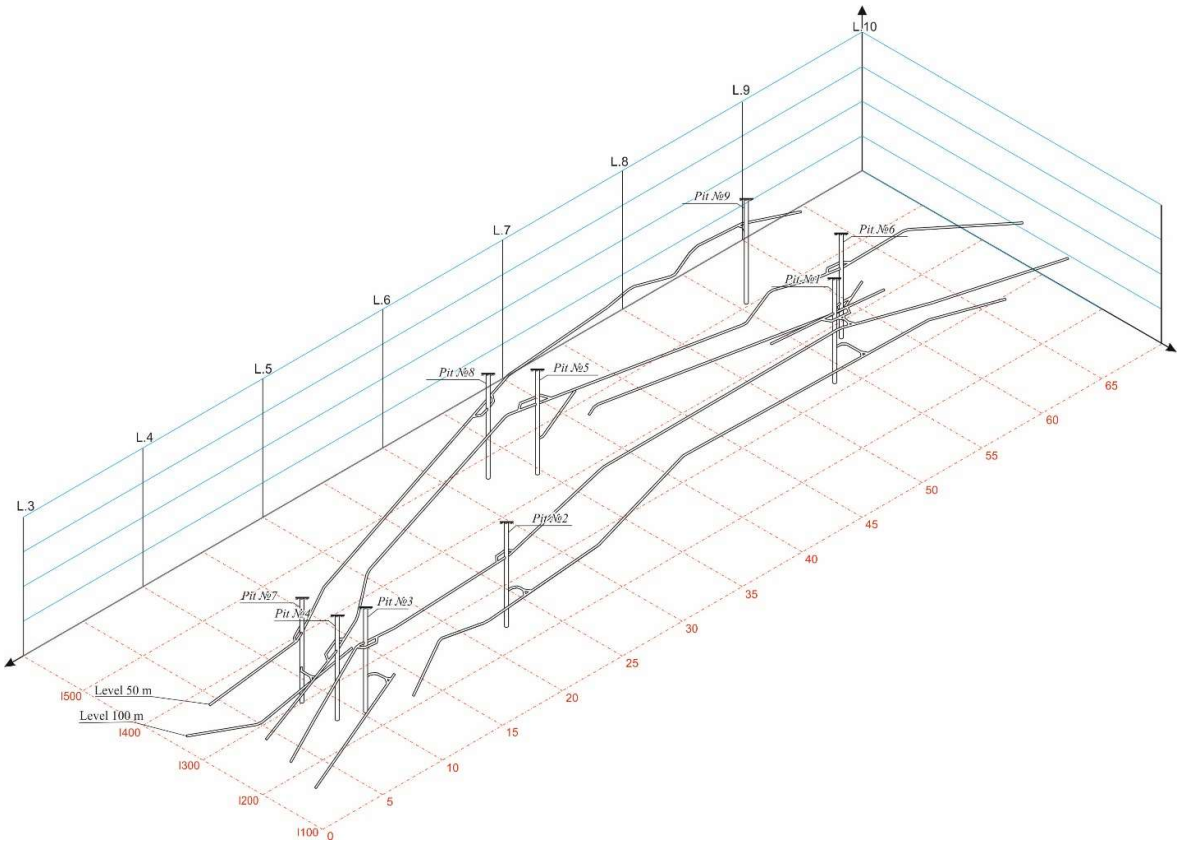

Figure 12 Nzima mines model

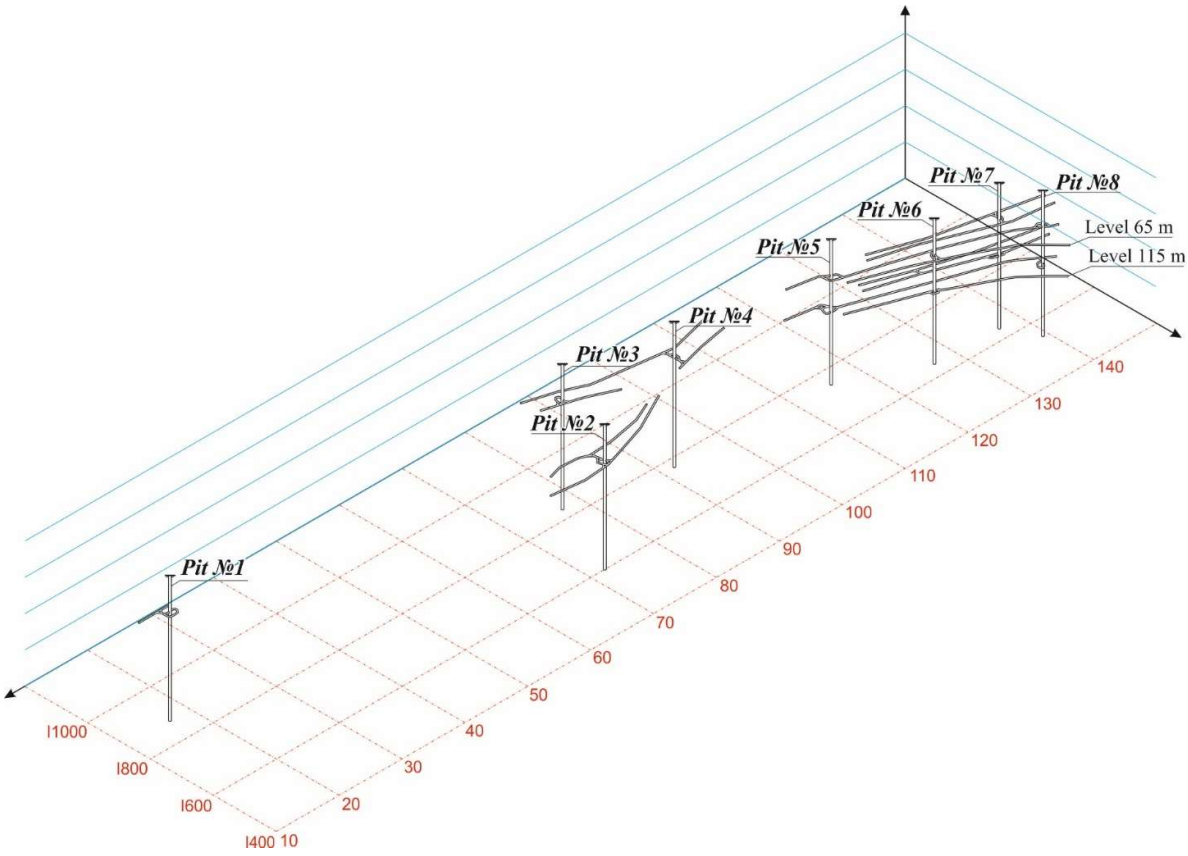

Figure 13 Gressifalani mines model

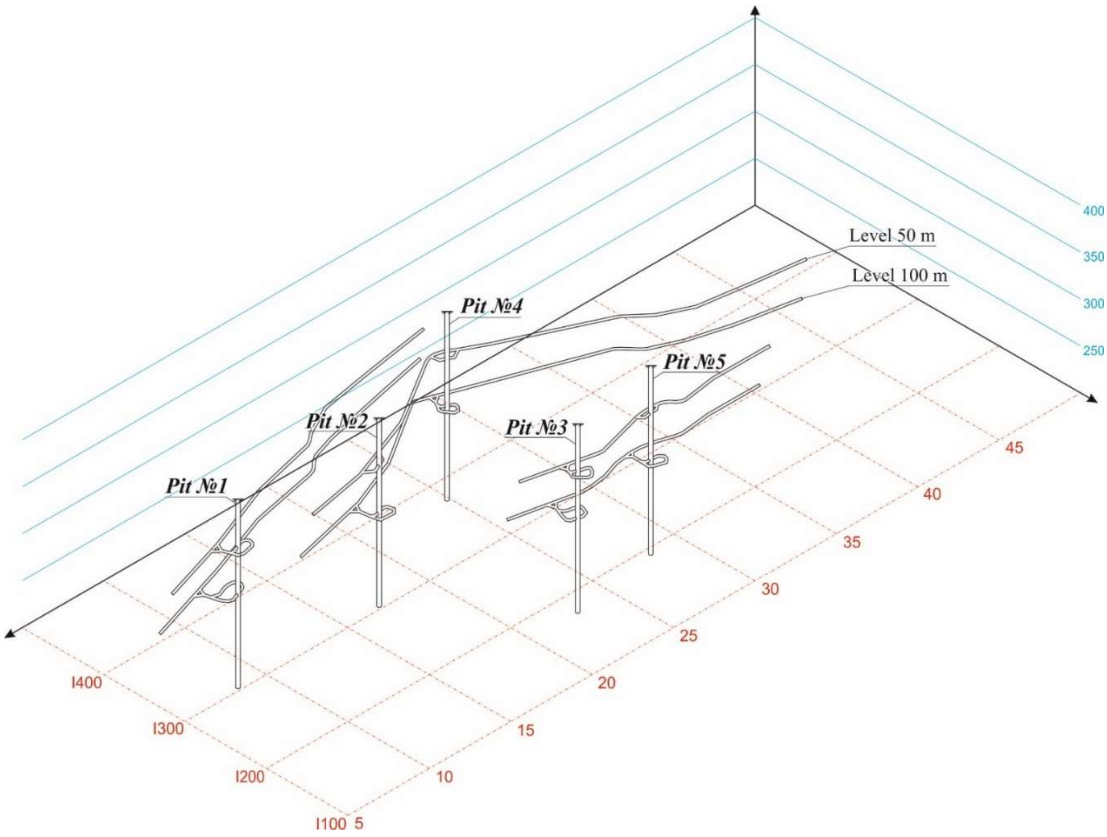

Figure 14 Gressifalani mines model

In accordance with the feasibility study, first exploration mining shaft was established in the midst of 2019 as the Gressifalani / East Kanguela property (Figure 15).

Figure 15 Commencement of the first shaft construction

The place for the shaft was selected based on an extensive geological exploration study.

Figure 16 – Quartz ore obtained after diamond drilling. Gold kernels are visible upon inspection

Seventeen exploration holes had been drilled and three deep pits were probed, which enabled Farafina to create a detailed contour model of the ore body and determine the location of the first mine.

Figure 17 – Gelecs 200 drilling installation during exploration drilling with Boart Longyear equipment

Figure 18 – Preparation of territory for exploration mining

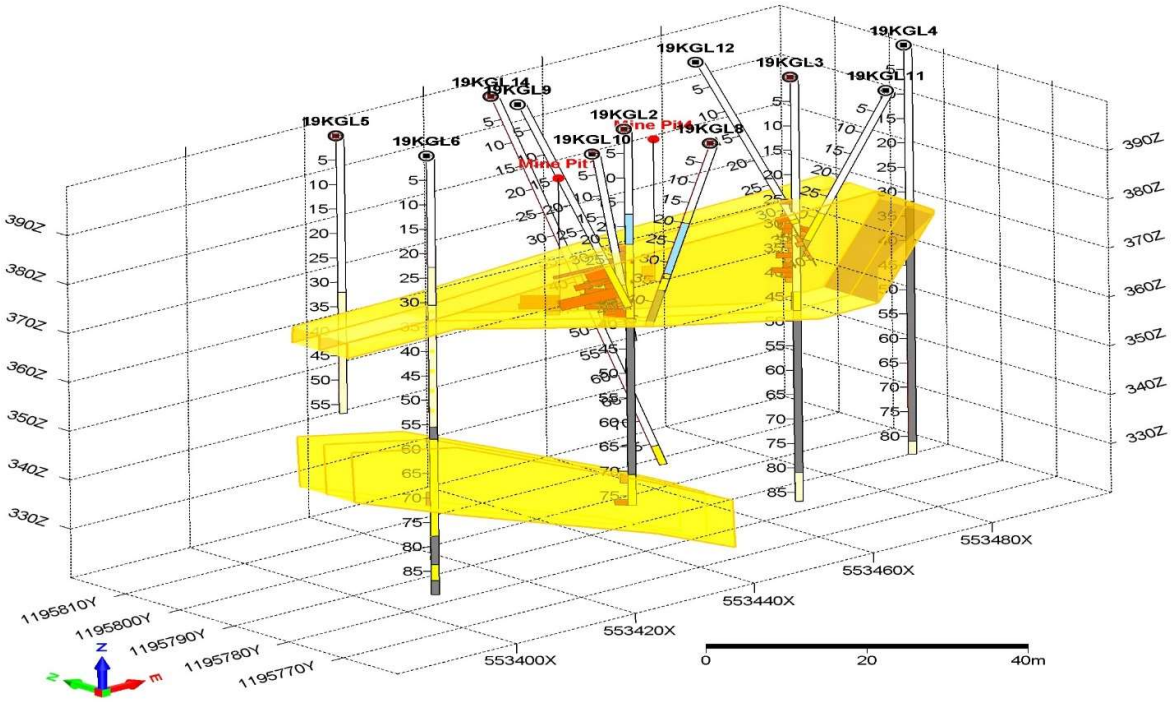

Figure 19 Exploration drilling made it possible to determine the location of the mine shaft with maximum precision

Figure 20 Start of the shaft construction

During the shaft construction process, geological exploration was continued to obtain more detailed information about shaft environment and ore body position.

Figure 21 Sample collection

As of the the end of August 2019, 22 meters of the shaft with internal diameter 2 meters were built, and initial quartz ore samples were mined and tested.

Figure 22 Shaft construction process

EXTRACTION PROCESS

Depending on the mining method (open pit or underground) and due to the variations in ore composition, the recovery process also will be technologically different. The selection of the enrichment scheme is based on the ore composition (its washability), the dimensions of the gold, and the projected productivity for ore processing.

For the processing of ore from the open pit a gravity-based enrichment method is adopted: Trommel SB15 followed by two -stage grinding, concentrator and finishing operations on a concentration table with the electrochemical extraction of gold and the production of alloy Dore. The productivity of this complex will be: 100 tons/hour, 1200 tons/day. The schematic representation of the extraction process is shown in Figure 23.

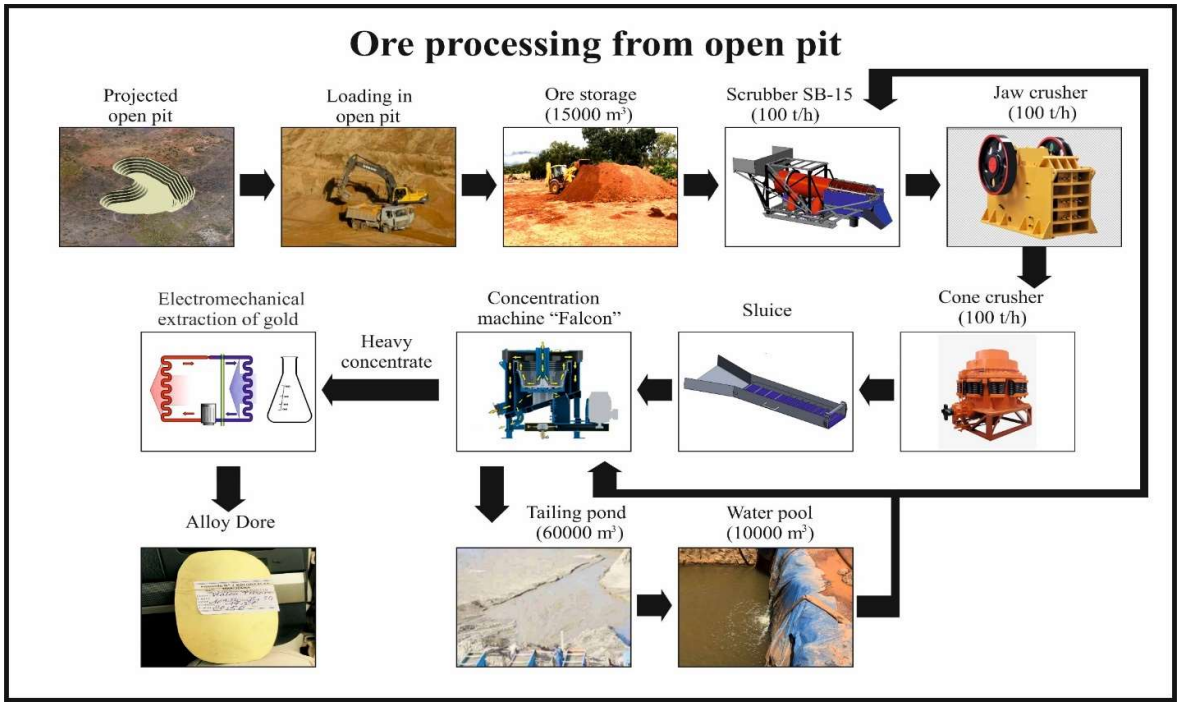

Figure 23 The schematic of the extraction process for ore from open pit

For the processing of ore extracted from the mine, the gravitational scheme of ore enrichment is adopted. Processing and concentration equipment include: loading box; jaw crusher; cone crusher; concentrator with periodic unloading with a capacity of 10 tons/hour, 120 tons/day (Figure 24).

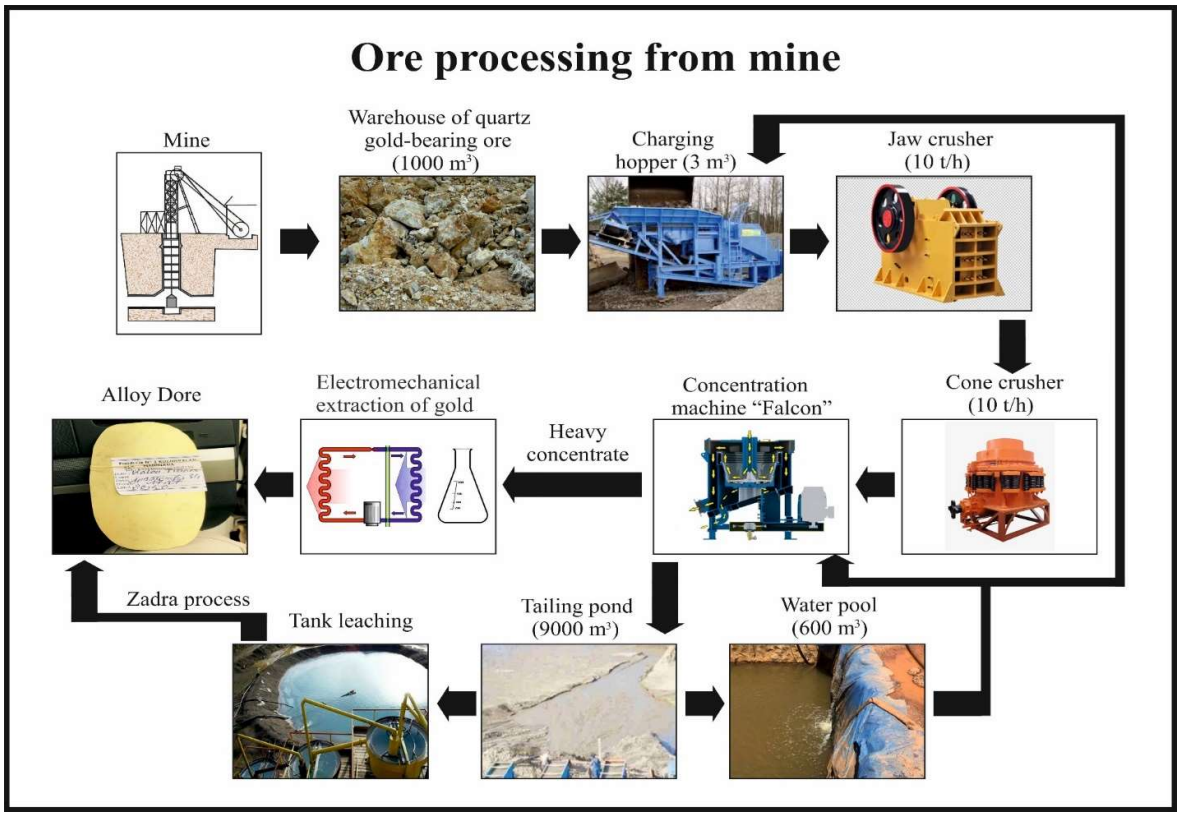

Figure 24 The schematic of the extraction process for ore from mine

This enrichment technology ensures the extraction of both large and finely-dispersed gold kernels.

Gold refining will be carried out applying an on-site electrochemical method, with daily processing capacity of 1000 g/day.

Tailings of gravitational enrichment will be further processed with tank leaching – the product is cyanided by mixing at a ratio of liquid to solid in the ratio 1:2.

These combined processes will allow extraction of up to 95% of gold from the mined ore.

In the process of experimental works, FGG was able to achieve acceptable results for the mining and processing of quartz ore.

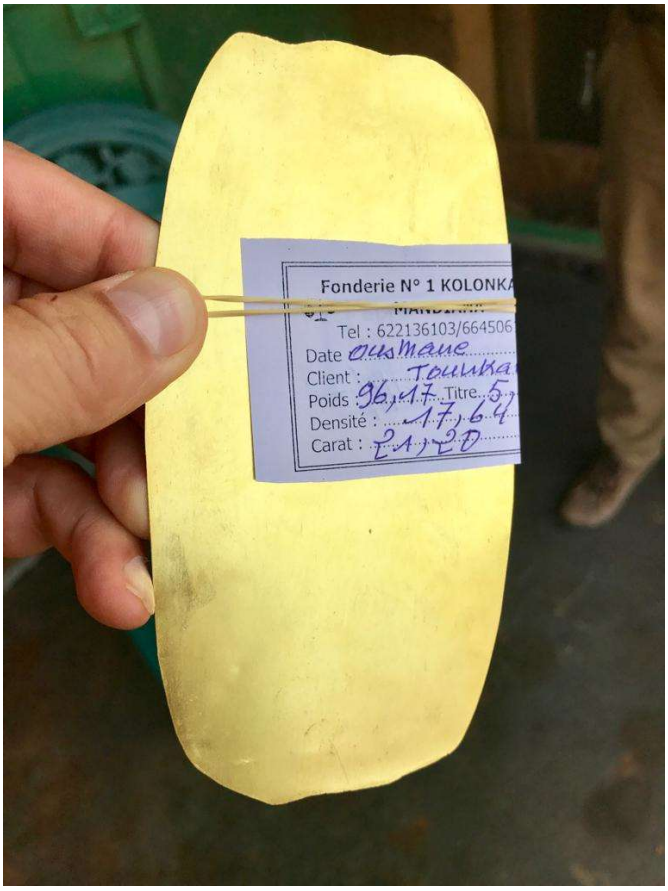

Figure 25 – Gold extracted in the process of testing

INFRASTRUCTURE AND COMMUNICATIONS

To facilitate the production process, the Company plans to construct A piped water supply system with total length of over 10 km, as well as local and approach roads with total length of over 6 km.

Additional infrastructure projects include:

- Mining infrastructure zones, ore processing facilities, factory zones, office buildings, living quarters and workshops.
- Power supply systems, including power lines, autonomous power plants with a maximum total generated capacity over 1 Mw per site.
- Administrative facilities, which include enterprise management offices, workshop management (sections), mining planning department, geological surveying department and accommodation blocks, including showers, restrooms, locker rooms, and janitorial facilities.
- Maintenance and repair shop for quarry vehicles, transportation and mine equipment, rolling stock, auxiliary equipment, including spare parts warehouse.
- Secure perimeter,

Sewage treatment system. As of the time of this writing, the Company has introduced the basic residential camp, named Farafina Village.

Figure 26 – Departure of Farafina employees to a mining site

The Village was designed for the residence of the Company employees. It has been equipment with autonomous energy and water supply systems. In addition to residential quarters, the Village site houses an SGS-compliant sample testing laboratory, X-Ray and fluorescent analysis laboratory, ore pre-production line with maximum capacity of 2 tonnes per day, a repair zone, and other auxiliary buildings.

EXPLORATION

Systematic recovery of depleting resources is, without doubt, a key element of the gold mining business. FGG bases depletion replacement on the discovery of new reserves, more precise definition of gold body boundaries, improving resources quality, proving higher recoverable volumes and the creation of sophisticated and accurate gold body models.

Success depends on drilling equipment capacity, as well as the quality of analytical equipment and geologist teams. In addition to initial exploration instruments mining research must be developed, by using real time analyses of extracted ore, as well as by drilling around the shaft head and deploying online databases in gold field model optimization.

Development of the FGG exploration capacity is planned in two stages.

- The first stage will be completed in 12 months and includes enhancing of the drilling capacity (providing RAB drilling up to 150-200 m and DD drilling up to 70 m by extension of DD tools, with an option of reaching DD depth of 200 m).

Introduction of light off-road drilling machines for extreme working conditions (based on top-of-the range Unimog vehicle) and heavy universal drilling equipment, which allows reaching the drilling depth of up to 500-700 m. A full-service complex will encompass a spare parts warehouse, a water road tanker, etc. A similar complex will also have to be added to the existing drilling rigs.

- The second stage is planned for three years and includes expansion into four independent drilling branches, providing surface drilling of up to 50-70 m and average drilling depth of up to 150-200 m, complemented by two heavy universal drilling rigs. At this stage, not only the service complex but also sample chemical and analytical units must be deployed for real time analysis of various types of exploration activity. In addition, real time control of mining activity has to be taken into account.

Preliminary cost estimate for the required facility and capital expenditures are exhibited in Table 4.

Notwithstanding higher initial costs, this exploration philosophy allows for on-line real time correction/fine tuning of the exploration process, thus providing a unique opportunity of not only cutting long-term development costs, but also dramatically reducing time required for viable gold fields prospecting.

Due to the geological structure of areas surrounding the Kanguela and Paramangui sites, it is possible to consider the annexation of economically viable sites.

There are possible synergies available for exploration and possible mining activities in neighboring areas due to cost and time savings.

At the initial stages of expansion (2019-2020), the Company may utilize the existing exploration resources.

Presently, the development plan has been partially realized. Since the existing and projected technical capabilities of the Group's exploration division exceed the current requirements, Farafina may be able to take advantage of some flexibility in reaching its exploration objectives.

The dynamic changes of consolidated mineral resources are reflected on Figure 27.

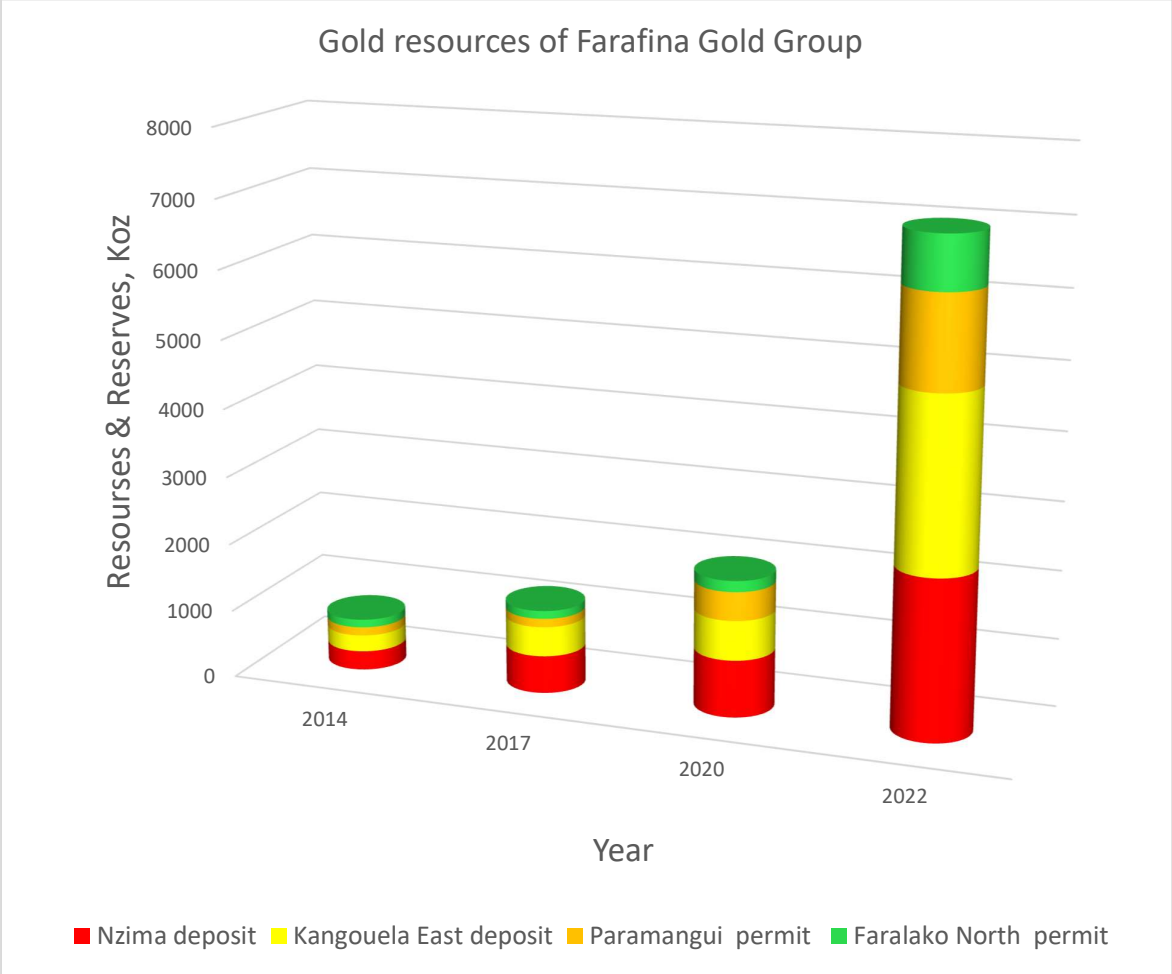

Figure 27 Gold resources of Farafina Gold Group, including the completion of additional exploration projects

ECONOMIC ASSESSMENT

Economic analysis of the projects demonstrates that the Group mining projects have the potential to be highly profitable.

Table 4 Key indicators of the projects

License area	Nzima	Kanguela
Content of gold in mine ore, g/ton	2.5	2.5
Extraction coefficient	0.8	0.8
NPV of the project in 48 month (Nzima) and 48 months Kanguela, at the price of 1 300 USD/Ouz,	10,000	27,000

$1 000		
Project ROE	2.02	3.11
PayBack period, months	34	16

Table 5 General assessment of deployment period operational costs

	Nzima, USD	Kanguela, USD
Construction of the infrastructure facilities, including:	500 000	500 000
Construction of reservoirs, the total volume exceeding 120 000 m^3	100 000	100 000
Drilling rig with the set of tools for drilling at depths up to 500 meters	800 000	800 000
Mining activities start-up costs		
Payroll	1 600 000	1 600 000
Fuel costs	1 200 000	1 200 000
Total, USD	***4 200 000***	***4 200 000***

The infrastructure requirements and gold mines were designed to accommodate staged introduction of additional capacities and easy scalability of all production processes. In particular, production and ore processing will be positioned next to each vertical mine trunk (excavation), and only final operational development and intake of alloy of Dore will be centralized. This will enable the Group to increase the number of mine trunks, and consecutively increase the depths of underground mines without having to redesign the structure of production and processing.

As the site is brought online, the data set will grow and the precision of the gold reserves classification will be enhanced. The emergent auxiliary infrastructure, which includes electricity, road network, water supply, drainage systems, and a processing plant, will be adapted to support the mining capabilities.

The development plan relies on the expansion of the mineral reserves & resources and development of production capabilities to support ore mining and processing.At the same time, the ongoing staff training program and installation of needed infrastructure on licensed sites is creating a solid foundation for the extension of the mining license (to 10 years) after the expiration of the 5-year semi-industrial license.

Table 6 Capital Requirements

Investment	Amount, 1 000 USD	
	Nzima	**Kangouela East**

Capital requirements:	**14,200**	**17,950**
Own funds, including:	***5,600***	***5,600***
Current debt and equity contributions	2,600	2,600
Additional investment required to start the project	3,000	3,000
Reinvestment, including:	***8,600***	***12,350***
Equipment for additional mines and extraction modules	6,300	7,500
Equipment for open pit and extraction factory	1,200	2,400
Infrastructure for open pit	1,100	2,450

Table 7 Guinea Republic taxation

Taxes payable	Amount, 1 000 USD	
	Nzima	**Kangouela**
Total taxes, including:	**14,994**	**12,858**
Mining taxes	***1,885***	***2,319***
Exploration taxes	1,414	1,739
Turnover taxes	471	580
Payroll taxes	***3,816***	***3,741***
Income taxes (applied after payback of shareholder capital)	***3,598***	***3,443***
Taxes on dividends	***668***	***639***
State share in Fixed Assets	***4,125***	***1,853***
State dividends	***902***	***863***

Table 8 Cost of production for 1 Oz of gold

	Cost of production of 1 Oz, USD/Oz
Production of gold, Oz	978
Expenses by states, total $ 1 000, including:	
Equipment	245
Taxes, total	201
Fuel	134
Salary	228
Other	170

The sample NPV graph for Faralako South (Nzima) project is shown on Figure 28.

The sample NPV graph for Kanguela East (Gressifalani &Wodokodoni) project is shown on the Figure 29.\

The sample financial structure of the projects is demonstrated on Figure 30 and Figure 31.

The structure of payments due to the Republic of Guinea for the Nzima project is shown on Figure 32.

The structure of payments due to the Republic of Guinea for the East Kanguela project is shown on Figure 33.

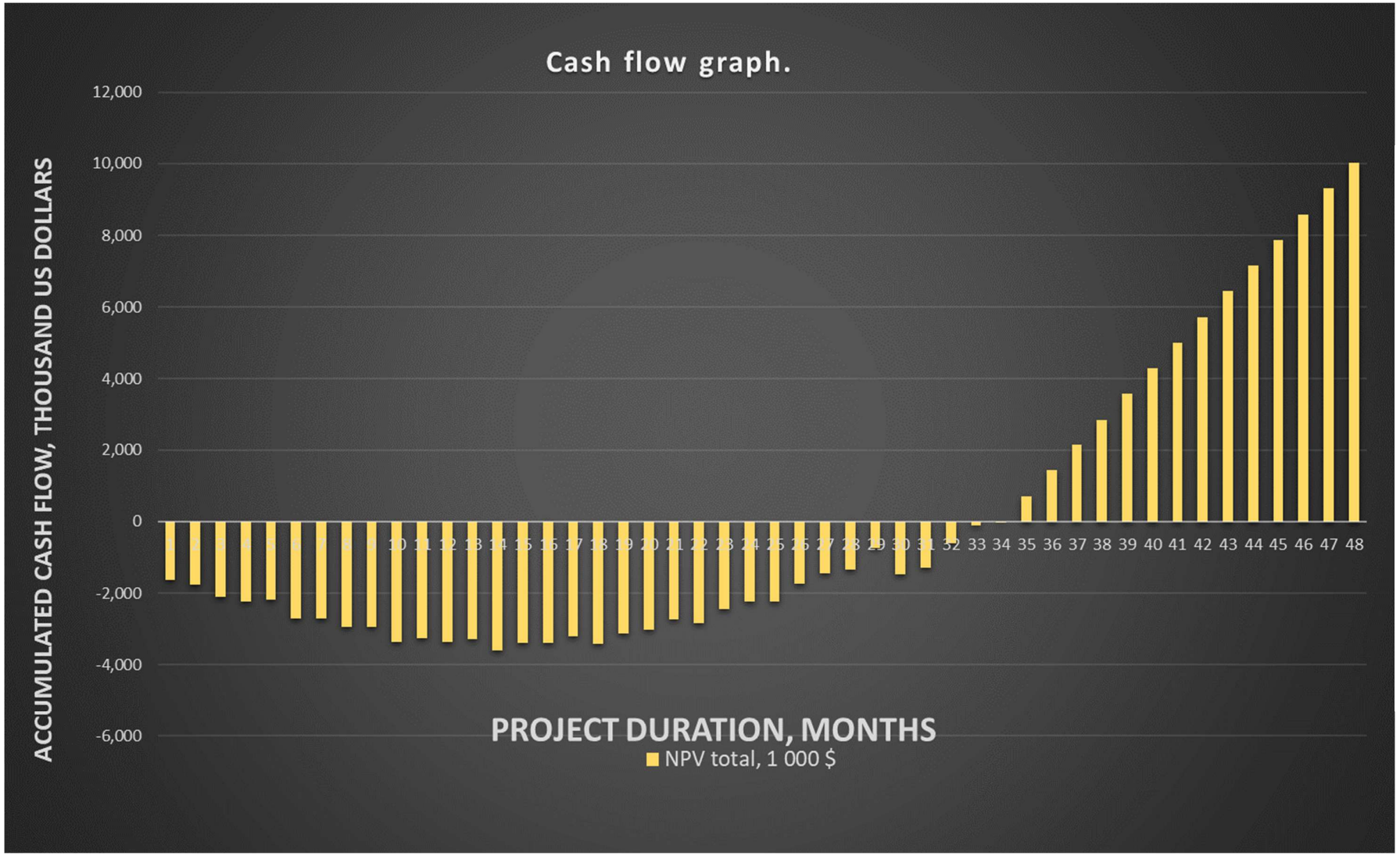

Figure 28 – Discounted cash flow projection for the South Faralako (Nzima) project

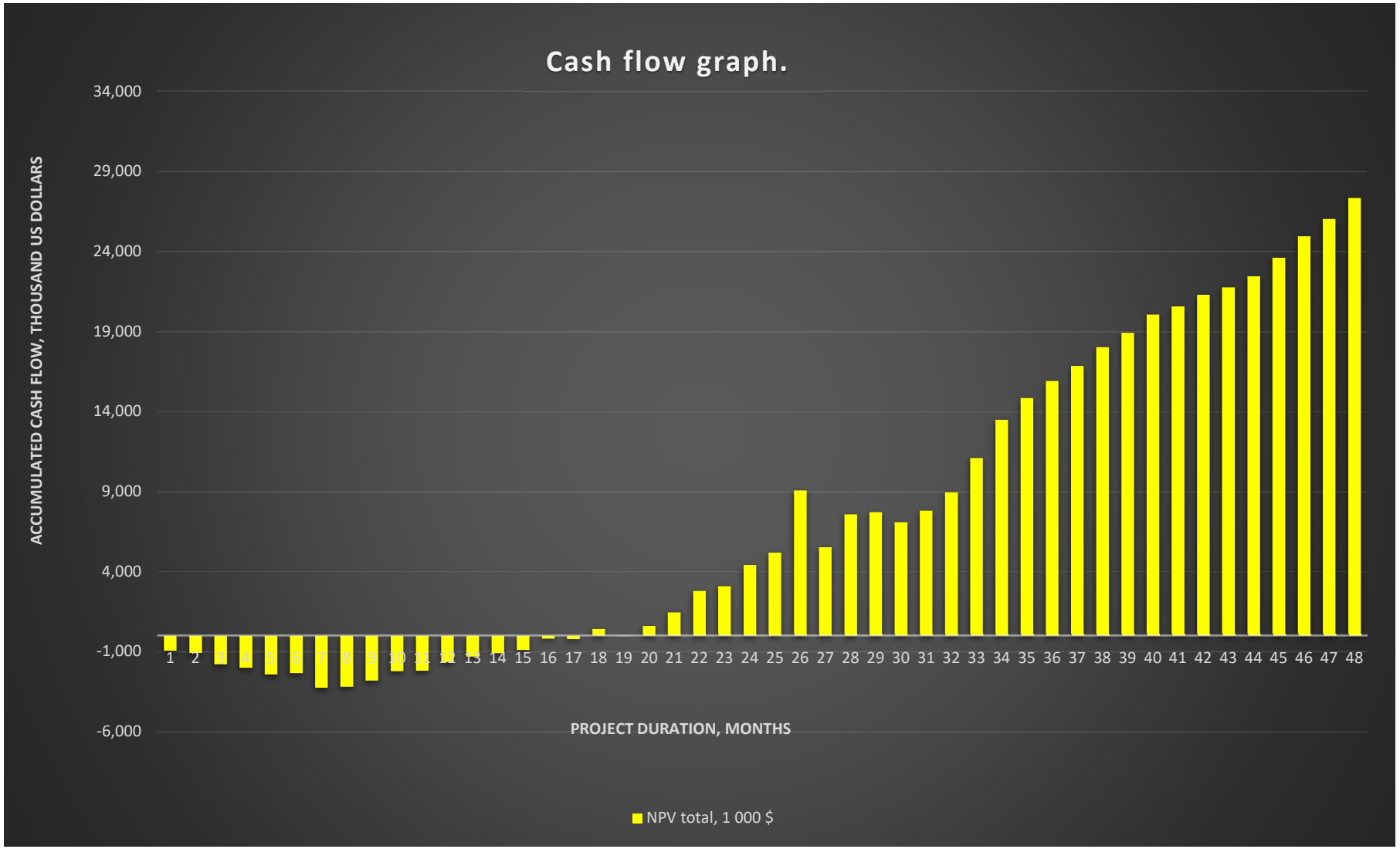

Figure 29 Discounted cash flow projections for the Kanguela East (Gressifalani & Wodokodoni) project

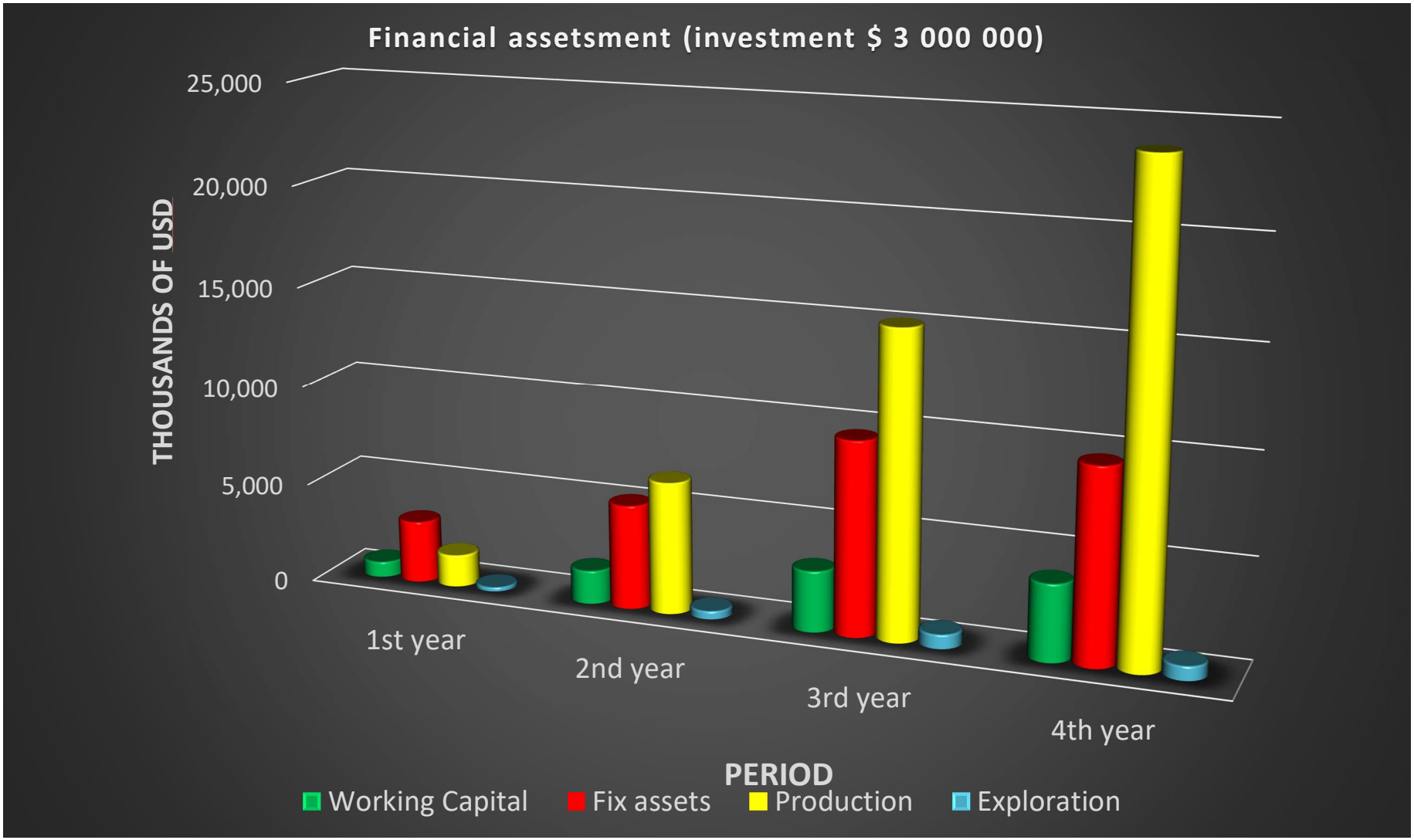

Figure 30 Sample of financial structure on the basis of the Nzima project

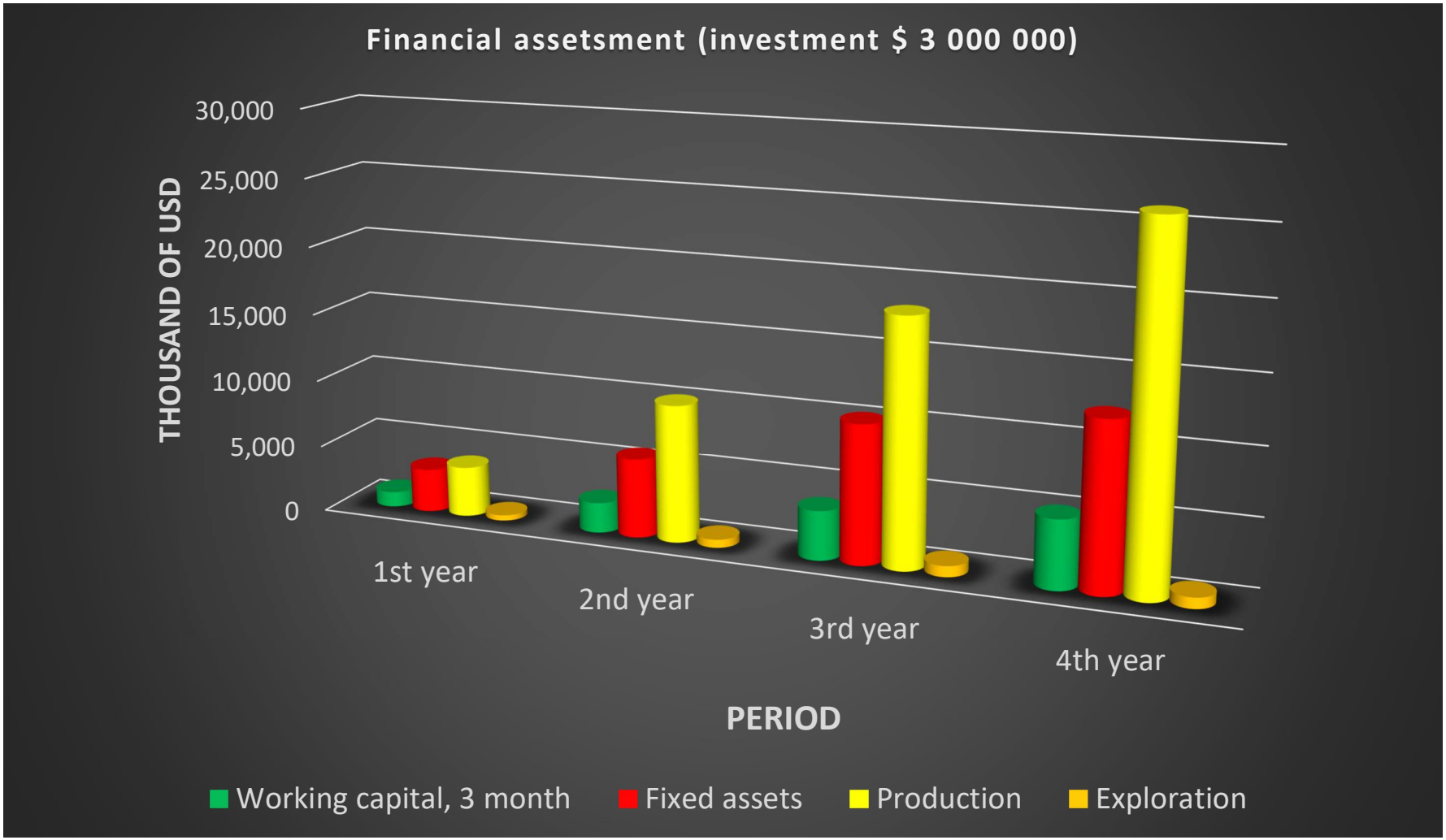

Figure 31 Sample of financial structure on the basis of the Kangouela East project

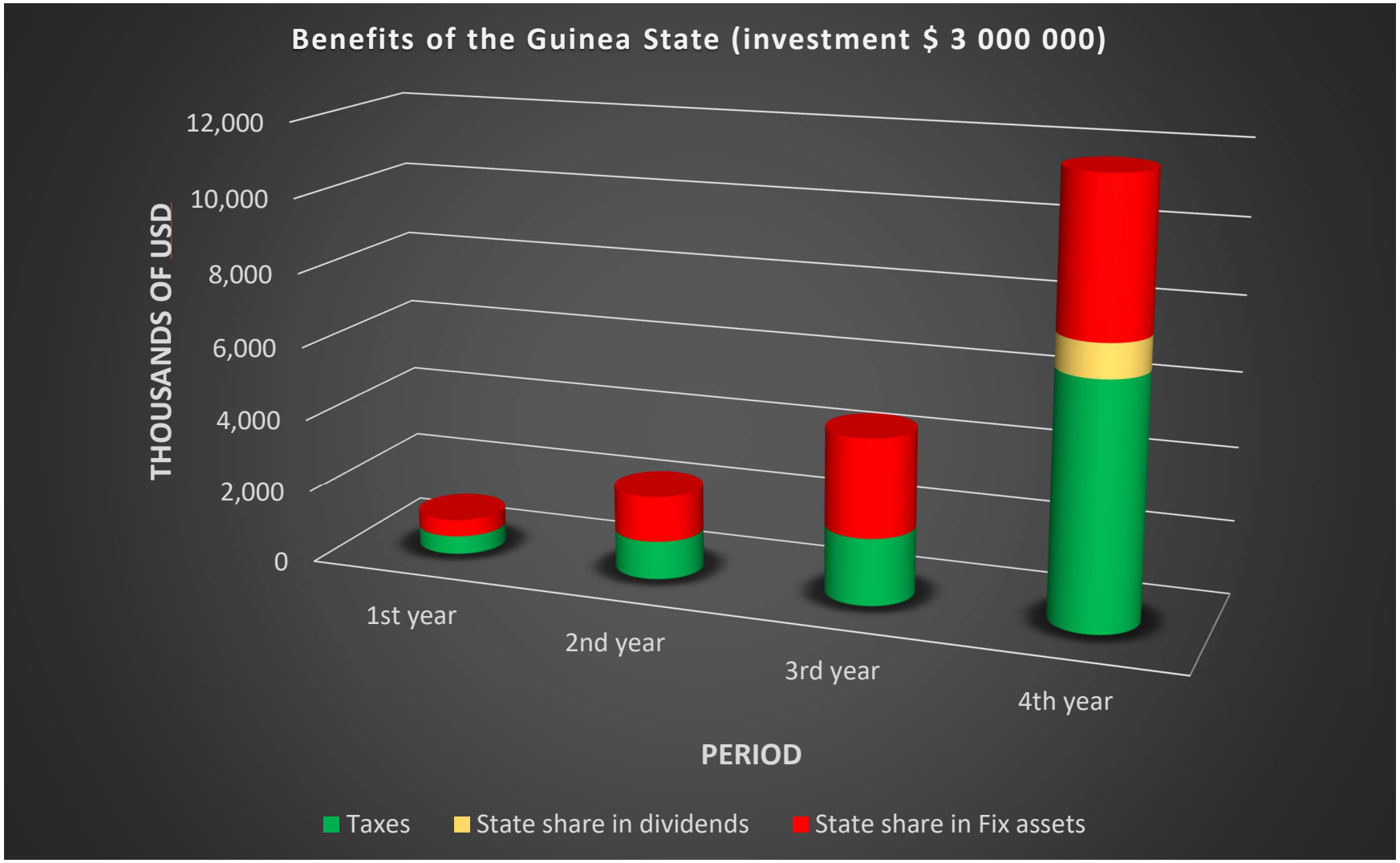

Figure 32 State benefits for the Guinea Republic for the Nzima project

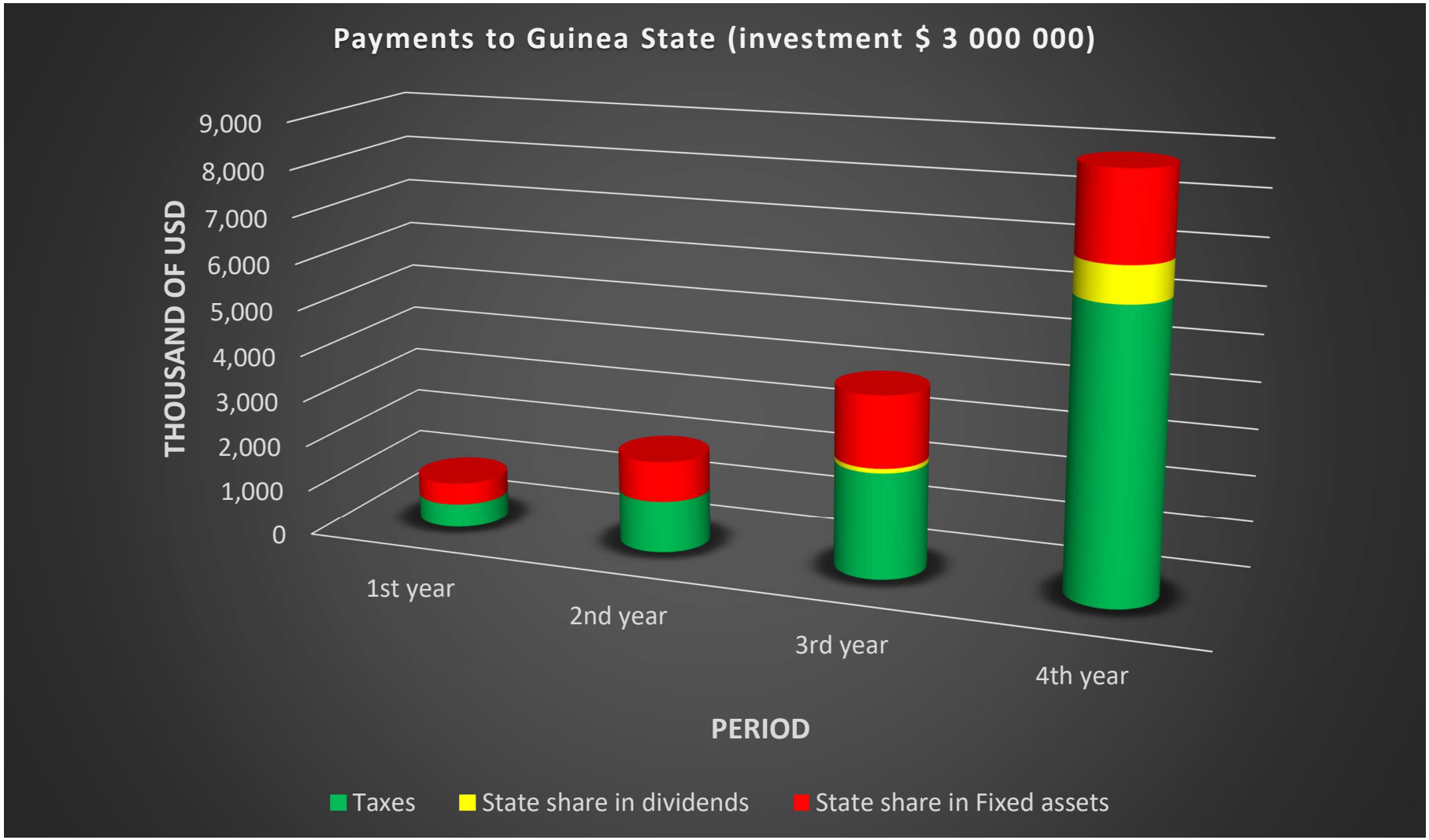

Figure 33 State benefits for the Guinea Republic for the Kangouela East project

PROJECT PLANNING

During mining (license) exploitation (each license is limited to five years), FGG envisages further exploration of the deposits with the view to increase resources, improve the estimates reliability and reclassify the existing resources. This will facilitate the subsequent approval of a full industrial mining license.

A key approach to the ongoing work is the active utilization of integrated information technologies and systems that provide dynamic real-time analysis of the samples obtained. A dynamic deposit model is constantly developed during the research and ongoing work, and this in turn reduces the amount of research, dramatically reduces costs and accelerates obtaining an economically significant result.

During planning of mining meeting with residents of local villages main development plans for social and infrastructural projects were set (Figure 34).

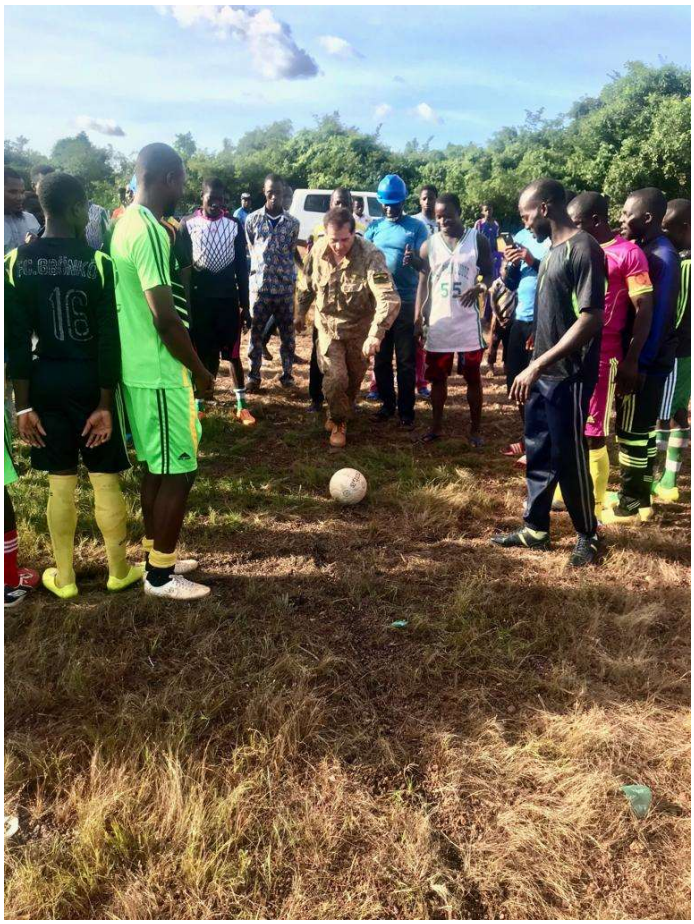

Figure 34 Chairman of the FGG opens the local football championship

HUMAN RESOURCES

From skilled workers to professionals and graduates, Farafina aims to attract, develop, motivate and retain talented people. This is done by initiating exciting work and development opportunities and to provide quality leadership at all levels.

Farafina has a goal to implement training and development programs of its staff to improve the competence of the employees; it also plans knowledge transfer from key expatriate personnel.

Farafina will train local staff, upgrade professionalism, create training and provide a professional training center based on the Company's production facilities.

The training center curriculum will include:

- language courses, to simplify communication between employees and to allow local residents to learn using the Company's educational resources;
- drivers' courses;
- drilling foreman assistants' training courses;
- occupational safety courses;
- electrical engineers' courses;
- mechanical engineers' courses;
- miners' courses;
- driller operators' courses;
- lab assistants' courses;
- concentration plant operators' courses;
- junior management staff courses.

The Company's employees highly qualified in their professional areas will be used as tutors; local specialists will be engaged, and foreign tutors will be invited. Training will be held in office premises located in the production area and in the Company's base camp (Farafina Village).

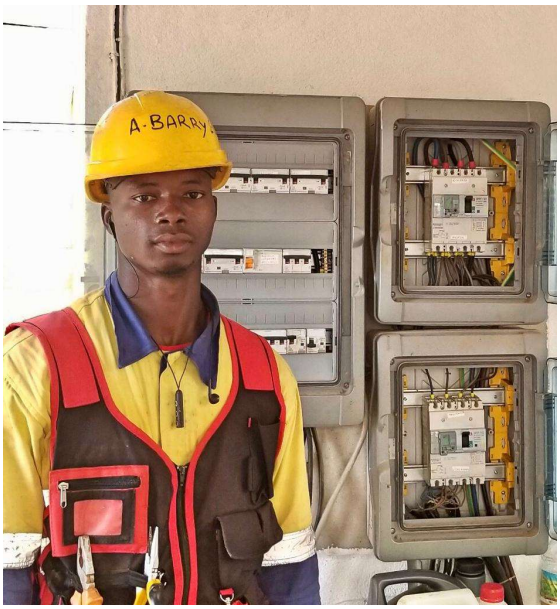

Figure 35: An electrician participating in corporate training

Figure 36: Preproduction lab employees

Figure 37: Employees of the drilling brigade

Table 9 List of Company's employees

List of employees	Nzima 9 vertical shaft & open pit	Kanguela 14 vertical shaft & open pit
Engineering and technical personnel	21	43
Underground Mining Works	342	500
Processing complex	198	312
Open pit	16	32
The extraction complex for an open pit	20	44
Refining	4	8
Transport department	9	18
Repair department	30	60
Total employees	**640**	**1,017**

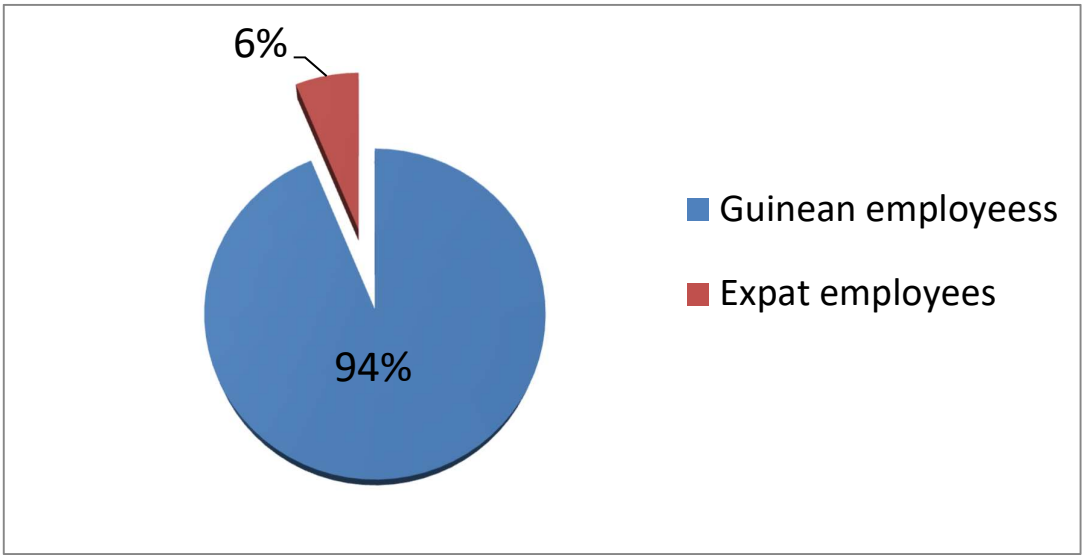

Figure 38 Employment structure

Farafina Gold Group has implemented geological training internships for students of Guinean public universities. They been practicing in field sampling, analysis preparation, modeling and preparation of mining (Figure 26).

ENVIRONMENTAL AND SOCIAL IMPACT

The methods chosen for extraction and recovery are believed to be optimal in terms of environmental impact.

The impact of mining operations on the environment include disturbance of the surface layer in the open cast Pit construction zone, along with the use of significant amounts of water and the use of chemical reagents for gold recovery.

Deep shaft/hard rock mining minimizes the removal of overburden and the subsequent environmental impact that has.

Restoration and re-cultivation of the surface layer is ensured by significant regular investment from production profits made.

A re-circulated water system supply is used. This prevents excessive water use and losses. Holding and settling ponds are to be polyethylene lined throughout to achieve this objective.

Provisions have been made for PPE (Personal Protective equipment) for chemical protection of personnel involved in the Vat Leaching process. Neutralization of waste reagents and regular monitoring of the environment is planned. Use of any and all PPE provided to staff is a mandatory condition for continued employment.

The planned positive social impact of the Mining Operation includes training the of the district residents in a full range of manual occupations, associated with mining and exploration of minerals, as well as management and maintenance of technical infrastructure. FGG plans to train management staff at all levels.

The construction of water and electricity supply systems, as well as schools and primary medical care facilities, in the village near the license area are envisaged.

CONCLUSION

Farafina Gold Group S.A. is an active new entrant on the Guinean gold mining market.

Inspired by vast gold recourses and hundreds of years of alluvial gold mining history, Guinean gold mining industry is still in its early stages of modern development, with a long way to go before developing proper infrastructure, evaluation of potential resources, implementing adequate financial and technological infrastructure, even producing of maps of discovered area.

This combination of factors creates a rare opportunity for the implementation of the first-mover advantage. Mining has such an advantage like territorial niche- only the license -holder is allowed to mine inside the licensed area.

Produced gold does not need marketing – as a commodity, its price is determined by the global financial markets. As a result, small and big players have the same price targets and are not competing directly.

The business strategy of the Farafina Gold Group is based on constant and ubiquitous availability of internet, telecommunications, sophisticated software,

including expert system for creating a virtual company with on-line analysis and decision implementation through high speed telecommunication for borderless creation of a team of experts and decision-making persons.

By dramatically reducing the entry cost FGG intends to keep a technological edge for expanding exploration activity and quick transition to mining.
Projected mining plan also relies on intensive use of high-tech equipment coupled with real-time control and as-you-go correction.
Building of gold body models on two best-studied fields brought a conclusion of sub-surface mining as the most suitable method of mining and an opportunity to go much deeper than in a case of an open pit and extract much height grades of a gold ore.

Attractive financial characteristics of the projects with absence of a security market in Guinea, makes overseas IPO the best option for development of projects, with initial requirement around $9,5 min, payback period around three years, with an opportunity to become in four – five years a medium size company with assets around 7 min Oz and production exceeded OZ 150 000 per year, FGG is a reasonable investment object in developed world.

FGG team welcomes new partners and investors and can assure gold standard for investment, gold as a commodity for product sharing partner and flexibility on bringing up turn-key investment solutions for every shareholder.