

Hungarian Government Announces Public Tender for the Recsk Cu-Au Deposits & Assets

Hungarian National Asset Management Inc., (“MNV”) has announced the public tender for the Recsk Deposit and assets in Hungary.

The Recsk Cu-Au-Pb-Zn-Ag-Mo property in Hungary hosts arguably one of the largest and highest-grade undeveloped copper-gold porphyry and skarn systems in Europe. With 240,000 metres of drilling, two 8 metre internal diameter, 1,200-metre-deep, concrete lined shafts and 9 kilometres of underground development, the Recsk deposit is estimated to contain 5.6 million tonnes (12 billion pounds) of copper and 4 million ounces of gold.

Location

The Recsk mining area is situated in the Matra Mountains in the northern part of Hungary, is readily accessed by road, being a 2-hour drive from Budapest. It is serviced by rail, a 35kV feeder and high-pressure gas line.

Geology

The Recsk deposit is hosted within volcanics of the Hungarian Palaeogene Basin which formed by extension in the Oligocene. Much of this basin is now overlain by Neogene sediments of the Pannonian Basin. More broadly the Palaeogene Basin formed to the south of the remnant Penninic Ocean, consumed by southern vergent subduction and to the north of the Neo-Tethys ocean and its north vergent subducting slab.

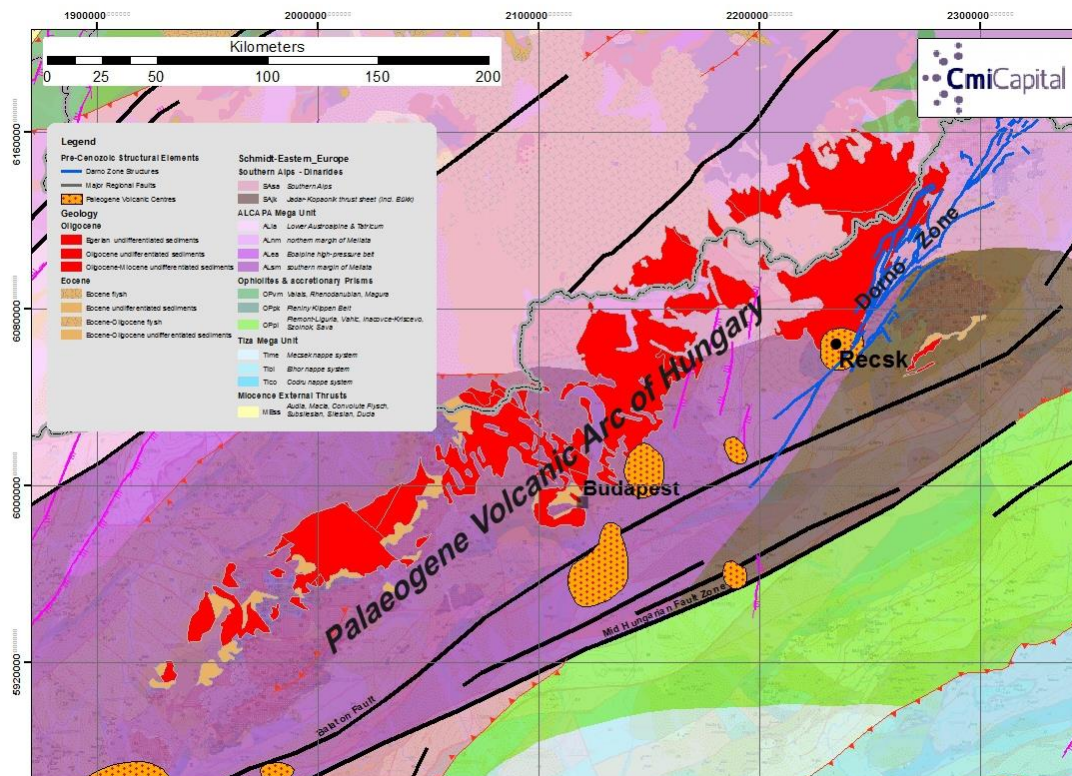


Figure 1 The distribution of Oligocene sediments, volcanics and intrusive rocks within the Palaeogene Volcanic Arc of Hungary, constrained to the south by the Balaton Line and to the east by the NE-SW trending Damó Fault. A remnant of the Penninic Ocean is visible, top left (green).

The Oligocene age Recsk mineral system consists of the Recsk diorite intruded into a thick sequence of sub-horizontal Triassic carbonate and siliclastic sediments. The Recsk diorite is 5.5 kilometres long and up to 2 kilometres wide. Cu-Au-Mo mineralization within the intrusion extends 2.5 kilometres NNW-SSE and is up to 800 metres wide at a 0.20% Cu cut-off grade. Thick Cu-Au and Pb-Zn skarns and replacement bodies have formed in the peripheral carbonates. The top of this large system commences 500 metres from surface and extends to at least 1,200 metres depth. High and low sulphidation epithermal Cu-Au and Au-Ag-Pb-Zn mineralization has formed above the deeper mineralization in the overlying sub-areal volcanics. There is no high-sulphidation overprint within the deeper skarn and porphyry zones which has important positive implications for mining, recovery and environmental management.

Exploration

- 150,000 metres surface DDH
- 90,000 metres underground DDH
- 2, 8 metre internal diameter fully concrete lined shafts to 1,200 metres
- Extensive continuous underground channel sampling on two levels
- Comprehensive metallurgical testwork and flowsheet development from trial mining samples

Potential

The known mineralisation offers the potential for development of a large copper-gold porphyry plus higher-grade Cu-Au skarns and out-board Zn-Pb-Ag deposits. The copper-gold porphyry mineralisation remains open to the south and west and at depth. Only 25% of the margin of the intrusion has been systematically explored for high grade copper-gold skarn mineralisation, leaving more than 9 kilometres of the 12-kilometre margin largely untested. In addition, there is considerable evidence that the Recsk intrusion is one of a cluster of intrusive bodies which may have similar potential to the known mineralisation.

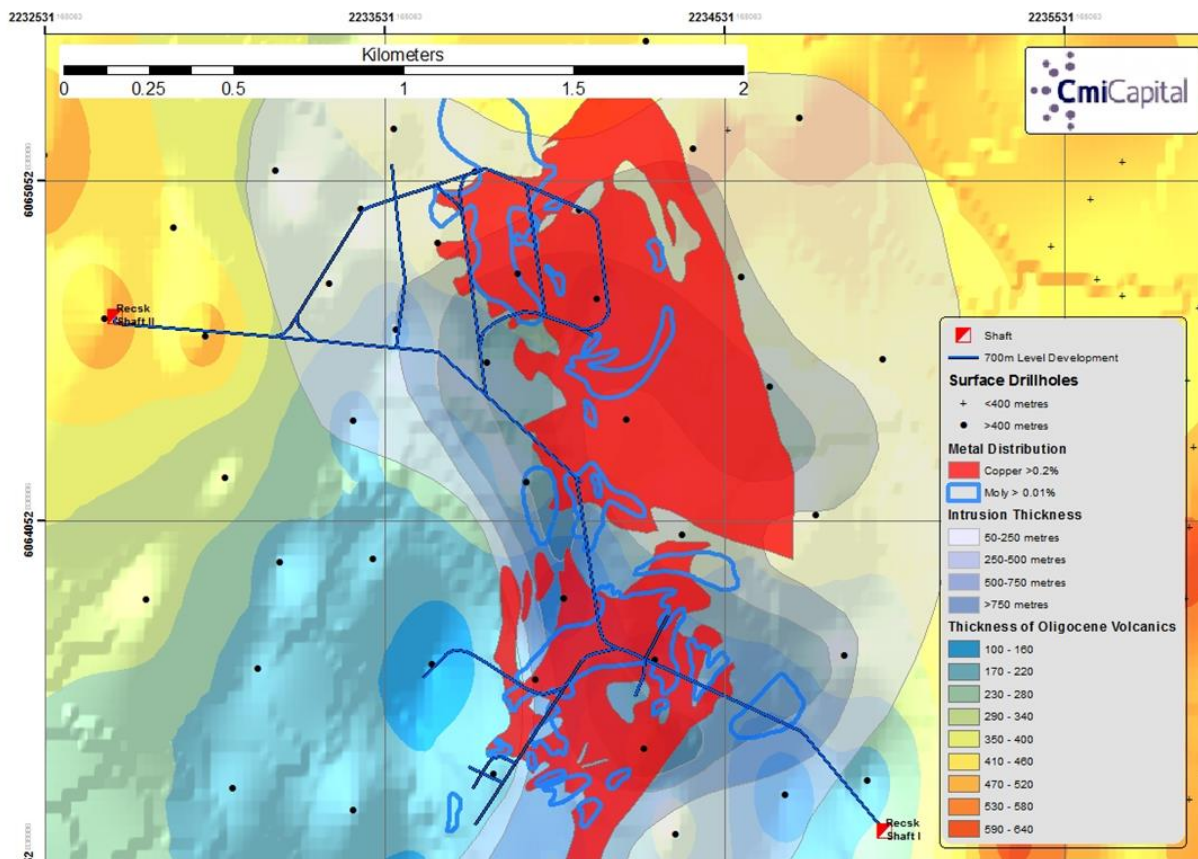


Figure 2 Distribution of Copper and Molybdenum on the 700mRL, showing surface drillholes (black), development (blue) over intrusion thickness and thickness of volcanics. Copper grades of greater than 0.2% have been mapped over a strike of 2 kilometres and a width of 800

Resources

The reported Recsk resources are (non JORC/43-101 resources are)

Inferred mineral resource

Porphyry: 650 Mt @ 0.6% Cu, 0.2 g/t Au with 0.4% Cu COG

Indicated mineral resource

Porphyry and skarn: 150 Mt @ 0.6% Cu, 0.01% Mo, 0.2 g/t Au with 0.4% Cu COG

Base Metals: 50 Mt tonnes @ 1.3% lead, 3.0% Zn and 0.4% Cu with 1.3% lead Eq. COG

Measured mineral resource

Cu-skarn: 40 Mt @ 2.34% Cu, 0.14 g/t Au with 1.5% Cu COG

Zn-skarn: 10 Mt @ 5.3% Zn, 0.30% Cu with 3.5% Zn COG



Figure 3 700 metre development level Recsk, Hungary. View from shaft along the main drive. (Photo undated, note level now flooded).

Tender Details

Hungarian National Asset Management Inc., (“MNV”) has announced the public tender for the Recsk Deposit and assets in Hungary. Note all care but no responsibility for errors or omissions in this summary. You should **ONLY** rely upon the terms and conditions as set-out in the tender documentation.

Type

Single round open tender being for the shares in the Company¹ which owns the Assets, open to individuals, single corporations or corporations in Joint Venture. Tenders to be held valid through 120 days following the Deadline date. Submitted Tenders are to be final.

Tender Deadline

The tender shall close on December 3, 2018 and tenders shall be opened on December 4, 2018²

¹ MATRAERC Banyaszati Zartkoriiien Miikodo Reszvenytarsasag (registered office: 1133 Budapest, Pozsonyi ut 56.; company registration number: 01-10-049752

² Attendance is not available to tenderers or the public

Assets

Shares in the Company which holds the Recsk I³ and Recsk II⁴ Mining sites ("Mining Sites")

Tender Information

Detailed information on the tender, the process and the technical data are available for purchase (the "Investor information Package"). Tenders shall have the right to access the data room and undertake legal, technical and financial due-diligence.

Tender Evaluation

The tenders shall be evaluated by January 2, 2019 which can be extended for a maximum of 30 days. Tenderers shall be advised in writing within 8 days of completion of the evaluation which shall be published within 15 days.

Tender Conditions

Prior Registration

1. Tenderers shall register prior to submission of a tender bid
2. Tenderers shall pay US\$35,500⁵ being for purchase of the Investor Information Package
3. Tenderer shall submit, completed tender form, above payment and executed CA, Cert. of Incorporation and certified copy of the M&A

Purchase consideration

1. First Share Package being 24.90% of the Company: US\$3.151 million⁶
2. Second Share Package Call Option being for 35% of the Company: US\$3.170 million⁷
3. Third Share Package Call Option being for 50.10% of the company: US\$0.31 million⁸ The calculation method of the price of this option is included in Annexure 1 of the joint Venture agreement available in the Investor Information Package

Environment Issues

The final agreement with the winner shall include terms for site remediation during exploration and the assumption of ongoing remediation of historic site operations.

Conditions of Tender

1. Payment of the consideration for the Share Package Call Option Rights,
2. Unconditional acceptance of the Joint Venture Agreement,
3. Unconditional acceptance of the Agreement on Environmental Commitment,
4. Unconditional acceptance of the contract for the sale and purchase of the First Share Package and
5. Submission of the Exploration Programme within the framework of the Tender
6. Tender Security: US\$530,000⁹, to be refunded to non-winning tenderers with 8 days. Tender security to be offset against the winning tender consideration

Exploration Program Commitment

The tendered shall submit an exploration (termed research) program being not less than US\$20 million

³ MNV submitted the claim for Recsk I Mining Site in 2011, based on which the Hungarian Office for Mining and Geology (legal successor: Mining and Geological Survey of Hungary, Hungarian abbreviation `MBFSZ') appointed MNV as the holder of the mining right in its decision 1505-04/2011.

⁴ Recsk II Mining Site was transferred to Nitrokemia Kornyezetvedelmi Tanacsado es Szolgaltato Zrt. (Nitrokemia Zrt.) owned in 100% by the Hungarian State. The transfer was approved by the Mining Inspectorate in Decision no. 2943-2/2013.

⁵ Being HUF10,000,000

⁶ Being HUF 890,000,000

⁷ Being HUF 895,000,000

⁸ Being HUF 8,950,000

⁹ Being HUF 150,000,000 deposited into the account of MNV Zrt. kept by the Hungarian State Treasury under no. 10032000-01501542

Cmi Capital Limited

Cmi Capital is available to assist a suitable party to participate in the tender. Cmi Capital held extended discussions with the Government of Hungary prior to the announcement of the tender and as such has a unique understanding of the deposit and the political and economic environment. Cmi Capital or an associated corporation seeks a long-term concentrate offtake agreement on commercial terms and may at its sole discretion provide up to US\$250 million in an offtake pre-payment repaid from production with the usual customary terms and conditions following completion of an advanced economic & technical study.



Figure 4 Waste from historic mining operations at Lahoca Hill to right of image. Channelized stream has largely eliminated direct erosion into the biosphere. Funded by Hungarian government.