In July 2015, 121 Group visited Angkor Gold in Phnom Penh and Ratanakiri province in Cambodia for a tour of their operations.

Angkor Gold

Angkor Gold Corp. has been operating in Cambodia since 2009 and acts as a project generator in Cambodia’s largely unexplored natural resources sector. The company undertakes early stage exploration, enters in strategic partnerships, and by retaining a stake in any future production, converts prospects into sustainable recurring income streams for the company.

Angkor leverages its experienced team of geologists and extensive knowledge of the local operating environment to de-risk projects for foreign entities looking to enter Cambodia. The company has closed three deals in the last two years, with value in excess of $14 million, including recently signing an agreement with Mesco Gold Cambodia to receive a 7.5% Net Smelter Royalty from the gold mine at Phum Syarung. This agreement will create cash flow for future exploration work.

The company holds seven tenements in Ratanakiri province with total area of 1,448km². All tenements have been subjected to extensive work and over 20 sites have thus far been selected for further exploration. Mapping and drilling results completed to date have yielded evidence of copper, gold, molybdenum and other minerals across all tenements.
Share Price Performance:

Listed on the Toronto Venture Exchange (TSX-V: ANK), Angkor Gold Corp. is the first North American publically traded mineral exploration company in Cambodia.

SHARE PRICE: C$0.55
MARKET CAP: C$51m
July 2015

Further information

Mining in Cambodia

Cambodia’s mining sector is still very underdeveloped with most active mining companies operating small scale quarries. As yet, there has been no large-scale mineral extraction. However, in 2016 Mesco Gold Cambodia will begin processing ore at Phum Syarung in Angkor Gold’s Oyadao South tenement. Indian company Mesco entered the market two years ago when they signed a strategic partnership with Angkor Gold to develop the site.

Compared to its neighbours Laos and Vietnam, Cambodia lags some way behind in the development of its natural resources sector. Years of civil war, unexploded ordinance and lack of infrastructure made operating extremely difficult until as recently as the late 2000s. Most of the mining wealth is concentrated in the northeast region toward the Vietnamese and Laotian borders, and accessibility had been a major issue. As late as 2008, a trip to Ratanakiri province (northeast Cambodia) from the capital Phnom Penh would take up to two days by car, however improved infrastructure links mean the same trip can now be completed in around seven hours.

In March 2013, the government published a report stating that 139 exploration licences had been issued to a total of 91 companies. Predominantly, the licences are for gold, copper, iron and coal.

Economy snapshot

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<td>Population</td>
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<td>GDI per capita, PPP (current US$)</td>
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<td>Inflation, GDP inflator (annual)</td>
<td>2.78%</td>
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Proposed Mining Law

Cambodia’s Ministry for Mines and Energy, has been extremely supportive of the sector in recent times and is seeking to pass new favourable mining legislation. Modelled on the West Australian Mining Act, the new law proposes to replace the current contractual system for obtaining mining licences with a concession system, affording the same rights to all companies mining in Cambodia.

The law will increase transparency in Cambodia’s legal framework, helping to attract large mining companies and substantially reducing risk for international investors. The law is expected to come to vote in the Council of Ministries later in 2015.
Cambodia’s Artisanal Mining

When walking around targeted sites in Ratanakiri province, evidence of mineralization is visible to the naked eye and often encountered. As a result, artisanal mining is commonplace. The “shafts” in the photos below can be up to forty (40) metres deep.

The prevalence of artisan mining impresses the need for a more developed mining sector. Whilst surface mineralization and the clamour to excavate demonstrate Cambodia’s mineral potential, the government and private sector are clear in their convictions that best practices must be employed. Commitment to this aim will soon lead to a more mature operating environment and it is the likes of Angkor Gold who lead the charge in this regard.

Although commonplace, artisanal mining is limited to the surface with the vast majority of all Cambodia’s assets remaining untouched. Angkor Gold always deals sensitively with the local community, whilst recognizing that mining practices need to change. Their first rate CSR work aims to educate the local population on best practices and provide opportunities for improving livelihoods.
Projects

Angkor gold has over 20 active projects (exploration and royalty) across its 7 tenements in Ratanakiri. 121 Group visited a number of sites and picked out four to showcase in this report. The projects are at various stages of development, one (Phum Syarung – royalty) is scheduled to go into production in 2016 and three (Halo, Canada Wall, Okalla) are in exploration phase. Angkor Gold is actively seeking development partners to bring to these projects into production.

Tenement: Oyadao South (247km²)
Gold in quartz stockwork in granite; Gold in epithermal silicic-argillic breccia; Molybdenum-Copper in diorite porphyry stockwork
Project: Phum Syarung (Royalty)

Angkor Gold’s royalty and Mesco Gold’s operations at Phum Syarung is a historically significant project in Cambodia’s nascent mining sector. On course to start production in 2016, the project will be Cambodia’s first royalty-paying, fully-licensed gold mine.

In 2011, Angkor discovered an epithermal gold deposit at Phum Syarung in their 247km² Oyadao South tenement. In January 2013, less than six months after revealing the drill results, Angkor signed a memorandum of Understanding (MoU) with India’s Mesco Gold Ltd to develop the mine. Under the terms of the deal, which a few months later became a Definitive Agreement (DA), Angkor would continue with its exploration work and, if warranted by results, Mesco would pay $1.2m plus a 10% Net Smelter Royalty (NSR) for the rights to mine, process and sell the minerals. This was later changed to a 7.5% NSR as part of the deal for Mesco’s acquisition of Angkor’s Blue Lizard project.

In the short time since the agreement was signed, operations have progressed significantly at the site. Further drill results announced by Mesco in May 2013 reconfirmed the results released by Angkor in 2012, and in January 2014 an application for a mining license was submitted to the Cambodian Ministry of Mines and Energy (MME).

Mesco hopes to go into production in 2016 and has ramped up construction at the site in order to meet this target. The project is currently ahead of its 24 month construction schedule with two inclines, a laboratory and a training center having already been erected.

Once approved, the site at Phum Syarung will be the first royalty-paying, fully-licensed gold mine in Cambodia and will represent a major milestone in the country’s development as a mining jurisdiction.

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In December 2014, MME approved moving forward with the project, giving Mesco the green light to undertake an Environmental Impact Study (EIS). The study is currently still pending completion. On submission to MME, the final piece of the jigsaw will be in place for MME to approve production at Phum Syarung.

The relatively smooth process to this point is testament to Angkor and Mesco’s experience and evidence of the government’s commitment to establishing Cambodia as a regional mining center.

Meng Saktheara, Secretary of State at the Ministry of Mines and Energy (MME), was quoted in the Phnom Penh Post, March 2015 as stating, ‘He is hopeful that Mesco will become a model for other companies looking into mineral extraction.’

Mike Weeks, CEO of Angkor Gold was quoted as saying “I think all the stakeholders will benefit greatly from this project. Angkor’s investors will certainly win, but overall, this will be very good for Cambodia. Establishing a royalty-generating commercial mine in which government, local communities, industry and NGO’s all had input is a first and I commend Mesco, MME, and the local citizens in their efforts to break new ground.”
Phum Syarung Timeline

2011
- ANK begins drilling at Phum Syarung

2012
- **Sep** ANK drills results reveal 16.67G/T gold over 4.05m

2013
- **Mar** ANK signs Definitive Agreement with Mesco Gold Ltd to develop Phum Syarung
- **Mar** Mesco mobilises exploration team and drill rig
- **Apr** Mesco completes 4 drill holes, excavates to bedrock
- **Apr** Mesco makes first payment of $700k to ANK
- **Jan** ANK signs MoU with Mesco Gold Ltd to develop Phum Syarung

ANK to continue exploration work and if warranted by results, receive $1.2m plus 10% Net Smelter Royalty for the rights to mine, process and sell the minerals

- **May** Mesco drill results reveal 8.11G/T gold over 6.3m

2014
- **Jan** ANK announces mining application submitted to the government
- **Dec** Mesco receives approval from ministry to go ahead with Environmental Impact Study

2015
- **Jun** Mesco presents to the ministry, announces initial capacity of 500 tons per day with recovery rate of 85%

- Environmental Impact Study due

2016

SCHEDULED PRODUCTION
Project: Halo

Angkor’s most recent discovery came in June 2015 when mapping identified molybdenite and copper mineralization in veins and veinlets in intrusive and volcanic rocks at Halo in the Oyadao South tenement. The discovery lies 2km southeast of the corridor of mineralization which runs through Mesco’s gold site.

The Halo discovery, resulted from significant detailed mapping, geophysics (aeromagnetics, electromagnetics, radiometrics, induction polarization), short wave infra-red alteration survey and a rock chip and massive termite mound geochemical (of over 25,000 samples) surveys. The Mineral Development Research Unit (MDRU) of the University of British Columbia (UBC) was also involved in detailed research on the polymetallic prospect for the past 2 years.

“These developments are exciting, the large scope of the project merits a partnership with a veteran company that can advance the project, while allowing Angkor Gold to maintain our focus of gold-bearing epithermal deposits. Our management team is now actively seeking a qualified joint partner for the Halo project”

Mike Weeks, CEO, Angkor Gold
Tenement: Andong Meas (187km$^2$)
Gold in quartz stockwork in granodiorite

Canada Wall

Wild Boar
Project: Canada Wall

Angkor’s Canada Wall project lies within the 187km² Andong Meas tenement to the East of Banlung and next to the border with Vietnam. The entire license area has been the subject of an aeromagnetic survey, satellite imagery geological interpretation, with reconnaissance field truth mapping and multi-element stream sediment geochemical survey, taking samples from catchments of roughly 1km² extents. After selecting areas with potential for further work, a termite mound geochemical survey was undertaken along with more detailed geological reconnaissance mapping.

As a target for further work, Canada Wall was subjected to follow-up surveys and mappings. The prospect has extensive artisanal works, including an illegal open pit mine. December 2014 saw drilling commence at Canada Wall with three holes totalling 521m drilled on the prospect. Results confirmed exceptionally high presence of molybdenum, tungsten and silver.

“Our team has made an exciting new discovery at our Canada Wall prospect bringing the total number of porphyry’s on our tenements to three. The extent and continuity of mineralization encountered indicate the huge potential of the resource.”

John-Paul Dau, Vice President of Operations, Angkor Gold
Tenement: Banlung (150km²)
Gold-Copper-Molybdenum porphyry
Project: Okalla

The Okalla project lies within Angkor’s 150km² Banlung tenement. As with Andong Meas, the entire license area has been the subject of an aeromagnetic survey, satellite imagery geological interpretation, with reconnaissance field truth mapping and multi-element stream sediment geochemical survey, taking samples from catchments of roughly 1km² extents. Termite mound and C-zone auger geochemical surveys, and IP geophysical surveys have also been conducted.

Within Okalla, Angkor has drilled 7,823m in 43 diamond drill holes on a gold-copper-molybdenum bearing diorite porphyry. Drill results released in 2012 confirmed that mineralization continues beneath and beyond the basalt. Gold is pervasive, with anomalous values in excess of 50 ppb extending for tens of meters through almost every core. The results also recorded some good molybdenum returns.
**CSR**

Angkor Gold’s commitment to corporate social responsibility is exemplary with employees at all levels recognizing the importance of operating sustainably.

As well as being a hub for operations, the Rattanakiri province office has land set aside for growing crops and has recently installed a cricket farm and a fish pond. The aim is to demonstrate alternative farming strategies to the local population, showing that agricultural productivity can be increased with low cost improvements.

Education is also very important to the company, the office grounds contain a classroom and computer lab open to students across the region. Programs at the training center take place three times a day reaching around 240 students each semester.

Angkor Gold always strive to benefit local communities and have launched many initiatives to this effect. The company is wholly committed to leaving a positive legacy through employment, education and sustainability.
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