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VDL GOLD PTY LTD

Speculative Investment

Starting the Alluvial Revival

KEY POINTS

- **Location in a historically renowned gold province**
- **Exploring for alluvial gold - which accounted for 60% of all gold won in Victoria**
- **Investigating a virtually untested area with encouraging gold indications**
- **Innovative recovery technique built on an existing technology platform which has low environmental impact**
- **Cost effective**

DIRECTORS

Francis Galbally - Executive Director
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VDL Gold Pty Ltd is applying a fresh approach to investigating Victoria's deep lead alluvial gold deposits utilising tried and tested mining technologies that could open up these largely forgotten but substantial deposits for commercial exploitation.

Based on historical records, these leads could potentially contain up to **one million ounces** of gold.

VDL Gold Ltd is planning to test and develop its conceptual mining plan on Exploration Licence (EL) 5363, located north west of Ballarat, between Avoca and Maryborough, which contains the Madame Hopkins deep lead deposit.

The Company's geological investigations the company will trial newly developed in-house proprietary technology to investigate successfully mining the leads underground using remotely operated suction dredging. By leveraging off existing and proven methodologies the company is confident it can mine deep lead alluvial systems both cost effectively and with minimal environmental disturbance.

A comprehensive bulk sampling project will provide the key data necessary to develop a commercially viable production system.

The possibility exists for considerable gold production to be realised from a successful trial. There is also the capacity to build considerable capital value from production on the companies other leases and from potentially licensing the production technology, if successful, to commercially develop similar deposits globally.

EXECUTIVE SUMMARY

VDL Gold Pty Ltd is looking to re-evaluate one of the largest mainly untested leads – "The Madame Hopkins" located in the main endowment area of the Central Victorian Goldfields. The company is attempting to mine deep lead gold deposits using remote controlled mining and suction dredging equipment to produce gold. This unique combination of existing and proven technologies is being trialled for the first time on the company's prospective leases.

Concurrent with this proof-of-concept study is a detailed mapping and exploration program to assist in site selection and define the benchmarks necessary to support a successful commercial mining campaign.

Following the establishment of a robust geological model and the satisfactory testing of its own innovative extraction technique, VDL Gold will look to select an area for trial boring and testing on the Madame Hopkins lead within its Exploration Licence (EL 5363). The aim is to evaluate the potential for the commercial mining of gold. If the evaluation of commercial mining is successful the extraction method involved will be low cost, high volume and environmentally friendly.

This initial evaluation, where the company plans to process a bulk sample of 100,000 tonnes of alluvial material is expected to be completed by Q4 2013.

INVESTMENT PROPOSITION

Advantages

Proven technology	Both remote operated mining and suction mining practices are proven and commercially viable
Low cost/high efficiency	Suction mining is a very low cost and efficient method of mining. Initial estimates of extraction costs range from A$300 to $500 per ounce and compare favourably to contemporaneous industry operating costs elsewhere.
Low environmental impact	Being a 'closed' system all water is re-circulated back into the deep lead resulting in minimal disturbance to the surrounding area. The lack of chemical reagent use further increases its environmental credentials
Small footprint	Surface-level impacts are expected to be minimal with a simple gravity circuit (Pressurized Inline Jig and Knelson concentrator) all that is required to recover +95% of gold contained within the alluvials

Challenges & Risks

Grade control	The nature of alluvial deposits makes accurate determination of gold grade difficult. Distribution of gold along deep leads is highly variable with previous reports of grade recoveries based on historic records of gold won on comparable deposits
Resource reporting	The nature of such deposits makes determination of resource confidence above JORC 'Inferred' status contentious; however this is sufficient to allow the granting of a mining licence in Victoria

Opportunities

Highly prospective landbank	The company has 1438 km^2 under tenement which covers approximately 41% of Victoria's basalt-covered deep leads.
Proprietary technology	The successful deployment of this new purpose-specific technology holds significant potential for broader commercial applications
Global applications	In addition to wider application, the technology may be suitable for the commercial exploitation and development of deep lead alluvial deposits elsewhere, globally

CONCLUSION

The State of Victoria was one of the world's leading sources of gold during the 1850s. The opportunity exists today for a major find similar to those of the past, and possibly under cover. It is also likely that there are deposit types that were either unrecognised during the 19th century or were recognised but were uneconomic at the time.

GeoScience Victoria Special Publication 2010.

Alluvial gold accounted for over 60% of all gold won in Victoria and "Deep Leads" accounted for ~20% of that total. These "Deep Leads" were never fully evaluated and have not been worked since the 1940's. In addition, Geoscience Victoria believes buried alluvial gold systems may represent an economic proposition if remote mining techniques can be applied. GeoScience Victoria believes new geoscientific models offer the potential to find significant gold deposits based on the presence of "large under explored but highly prospective areas" that are estimated to contain "between 15 and 70 Moz of gold". (September 2012)

VDL Gold Pty Ltd is applying a fresh approach to the way that deep lead gold deposits can be successfully mined. By innovatively using existing technologies they appear intent on overcoming the challenges faced by mining deep lead deposits and have assembled a theoretical working solution, which they plan to evaluate.

With the upper and lower limits of the deep lead within EL5363 established from previous investigative work at New Madame Hopkins and Norbury's, the transition from proof of concept through bulk-sampling to securing a mining licence should be straight-forward.

Whilst previously untried in Australia, there is currently no reason to doubt that the proposed operation will work. Whilst the venture is regarded as speculative in nature, if it proved commercially viable the company will have a first mover advantage in a low cost mining method that has enormous potential not just in Victoria, but any area with a similar mineralisation style, globally.

PROJECT AREA

EL5363

VDL Gold Pty Ltd maintains exploration licence EL 5363 which is located in the Central Victorian Goldfields some 75 kilometres north of Ballarat and 100 kilometres south west of Bendigo.

This region of Victoria (Figure 1) produced over half of the 80 million ounces of all gold mined based on historical records and almost all of the alluvial and "Deep Lead" gold that made up almost 60% of the State's production.

These "Deep Lead" deposits - which have not been worked since 1940 (major production period was 1860–1910) - yielded ~20% of all the alluvial gold won in Victoria.

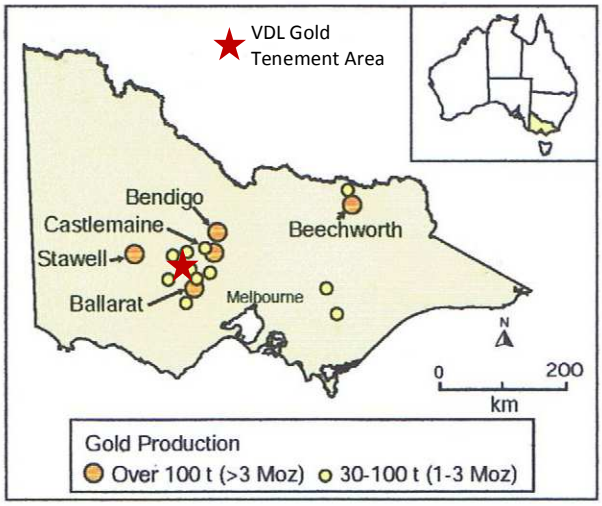

Figure 1. Victoria Major Goldfields Production *(Source: GSI, 2010)*

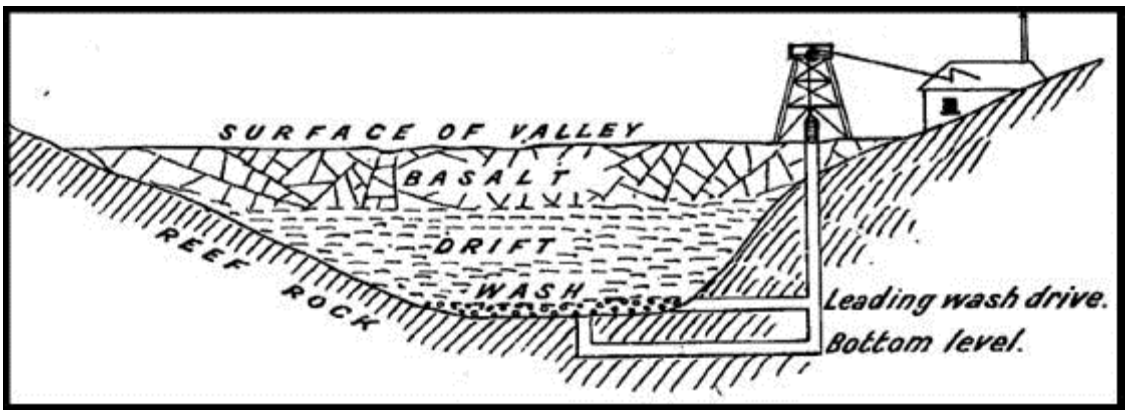

Figure 2. Cross section of a typical deep lead alluvial gold mining layout

(Source: Hunter, 1909)

These deposits were formed as alluvial gravels (drift & wash) in ancient stream and river beds that were in turn buried by later volcanic basalt flows (Figure 2) in many areas such as EL 5363. In Victoria, at least 1.7 million ounces of gold can be verified as production from basalt-covered deep leads.

The study of grade distribution is problematic in any real quantitative terms since production grades were recorded in dwts (ozs) per fathom that consisted of a 6 ft. by 6 ft. area of wash irrespective of depth. At times, even more practical, but less useful measurements such as dwts per tub were used. Significant areas of worked wash have no grade information available. Despite these severe limitations an attempt was made to establish estimates of "lead" grades.

Commonly, it appears that extensively worked areas ranged from 2 to 6 dwts per cubic yard of wash (4.1 g/m^3 to 12.3 g/m^3) with richer areas up to 10 dwts/cu. yard (20.3 g/m^3).

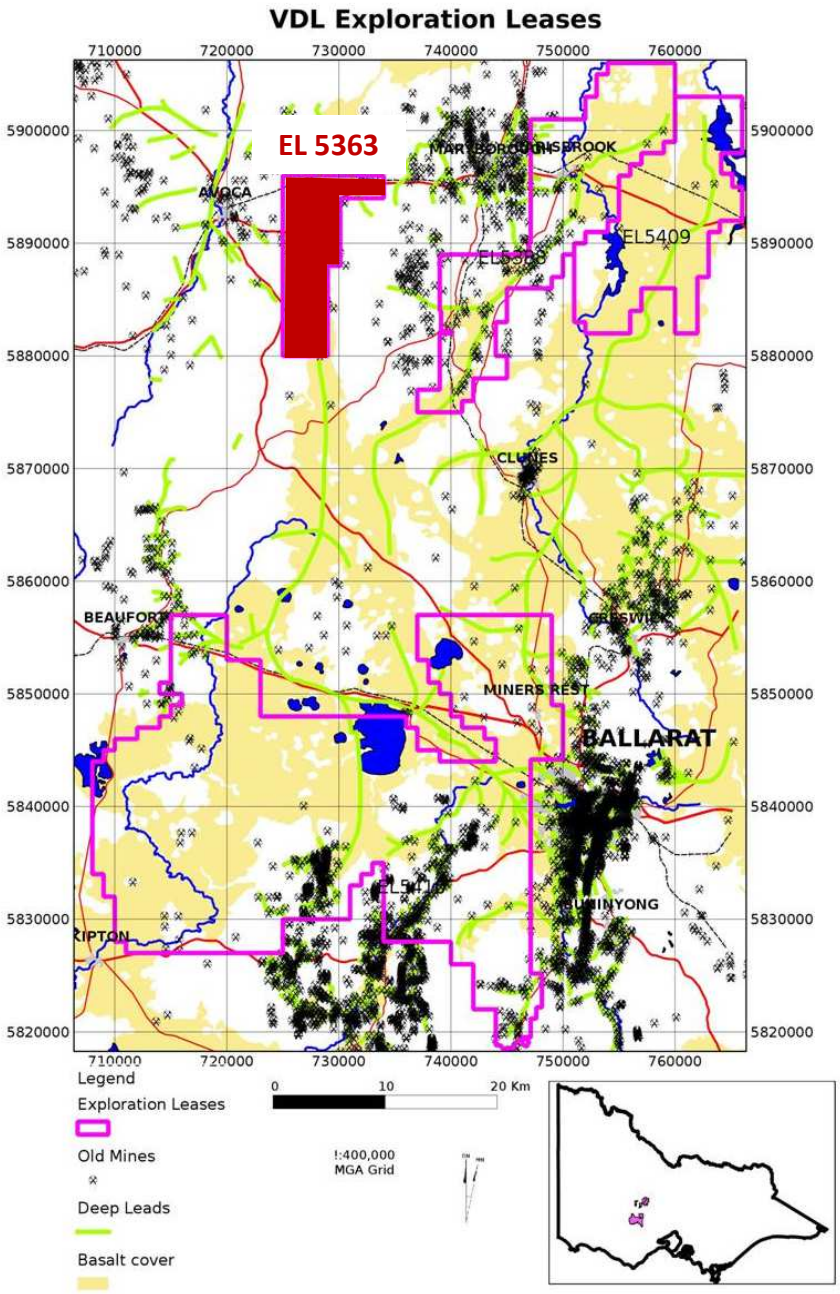

Figure 3. VDL Gold - Victorian Leases *Source: VDL Gold Pty Ltd*

Several "Deep Lead" mines had some very good results, e.g. in the Spring Hill Leads near Creswick five mines produced around 900,000 ounces of gold. They were the Madame Berry (387,313 ounce), Berry Consols (190,799 ounces), Lone Hand (126,030 ounces), Ristori Freehold (104,224 ounces), and New Australasian (90,203 ounces).

The company also maintains three other exploration licences that are prospective for deep lead alluvial gold

- **EL5388** (currently under contract to transfer to VDL)
- **EL5409**
- **EL5410**

Together the company's Victorian leases total 1438 km^2 (Figure 3).

GEOLOGY

The development, nature and distribution of the Central Victorian alluvial deposits is related to the Cainozoic history of the area. The accumulation of auriferous river gravels occurred through the early and middle Tertiary and these accumulations took place in northerly trending drainage systems which rose in the highlands to the south of the Ballarat - Bendigo area and traversed mineralised lower Palaeozoic (Ordovician) slates. Despite later Cainozoic tectonism and vulcanism this pattern persists to the present day.

The primary hydrothermal gold is restricted to pre-Carboniferous rocks with the most common host rocks being of Ordovician age. Geoscience Victoria considers that buried alluvial gold systems are an additional new target, and may represent an economic proposition if remote mining techniques can be applied. New methods will also be required to determine Resources and ultimately Reserves.

The buried alluvials may best be divided into two categories from an exploration point of view.

These are:

1. Present day stream and river beds and older channels filled with alluvium (Miocene and younger clays).
2. The basalt covered "deep leads" - pre-Pleistocene.

The focus of the evaluation within EL 5363 is the Madame Hopkins Deep Lead (Figure 4), which cuts and drains from Ordovician (OCL and Cab areas on Figure 4) gold-bearing sediments, and is one of the largest Deep Leads. The lead is overlain by Tertiary basalt (Qn on Figure 4).

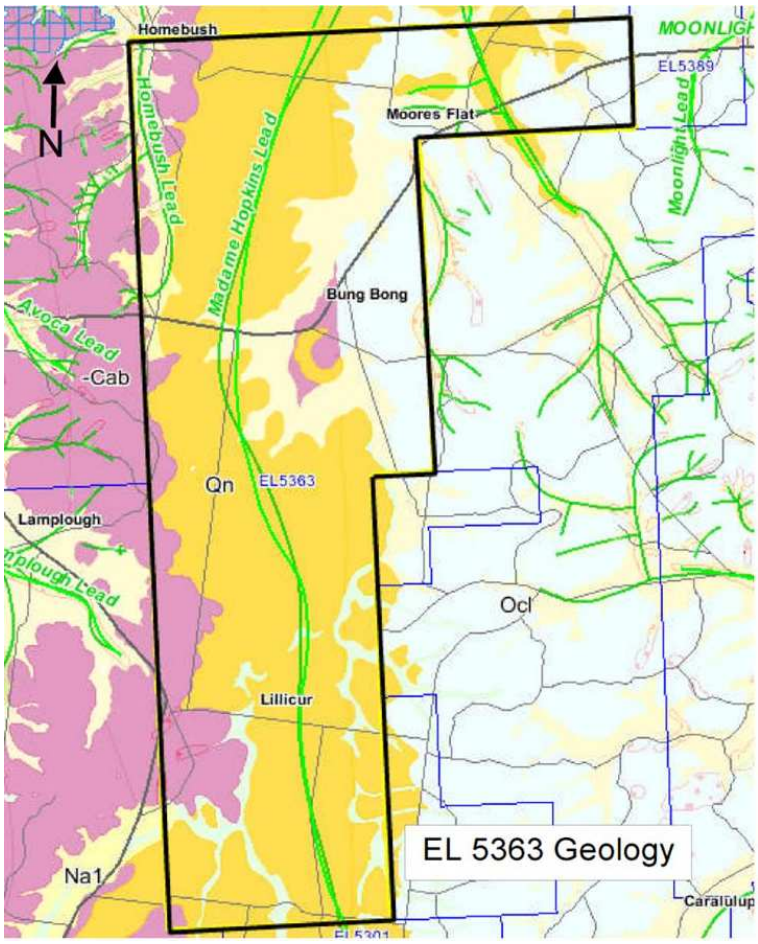

Figure 4. Geology of EL 5363 *(Source: GSI)*

HISTORICAL INVESTIGATIONS and PREVIOUS WORK

The Madame Hopkins Lead is over 40 kilometres in length and EL 5363 covers 16 kilometres of the northerly part of the lead (Figure 5). The Lead was one of the largest Deep Leads and one of the few leads that remains virtually unexplored. Most of the leads in the area were extensively worked (Figure 5) and in the case of the Homebush Lead - which is partly within EL 5363 - was “proved consistently rich throughout” (Hunter 1909).

The Department of Manufacturing & Industry Development (a forerunner of the Department of Primary Industry) carried out percussion drilling **(Location A)** in 1890 and obtained traces of gold and an indication that the depth of the lead was around 91 metres from surface. In 1899, an unsuccessful attempt was made to sink the “Madame Hopkins Shaft” but work was abandoned without any production largely due to excess water inflows.

It was not until 1937 that the next mining within EL 5363 area took place at the southern part of the licence area at Norbury’s **(Location B)** from a shaft mined to a depth of 70 metres. The reported indicated payable “lead” width was 60 metres with a reported 15cm of wash.

Production continued from the Norbury Shaft until its closure in 1940 due to shaft instability and the lack of drained ground. In the four years of operation 425 kg (13,700 oz) gold was mined with a reported average grade of 9 g/m^2 gold (estimated around 1.8g/m^3). Its closure marked the effective end of deep lead underground mining in Victoria.

In 1982 CRA Exploration (through its subsidiary Ashton Mining Limited) spent in excess of A$14 million carrying out further percussion drilling within the EL 5363 **(Location C)**. The results of this drilling revealed basalt depths of between 62 and 75 metres and wash thickness ranging from 0.75 to 2.9 metres. Traces of gold were noted from wash zones in many of the holes but the method of drilling did not permit any quantitative assessment of the gold concentration.

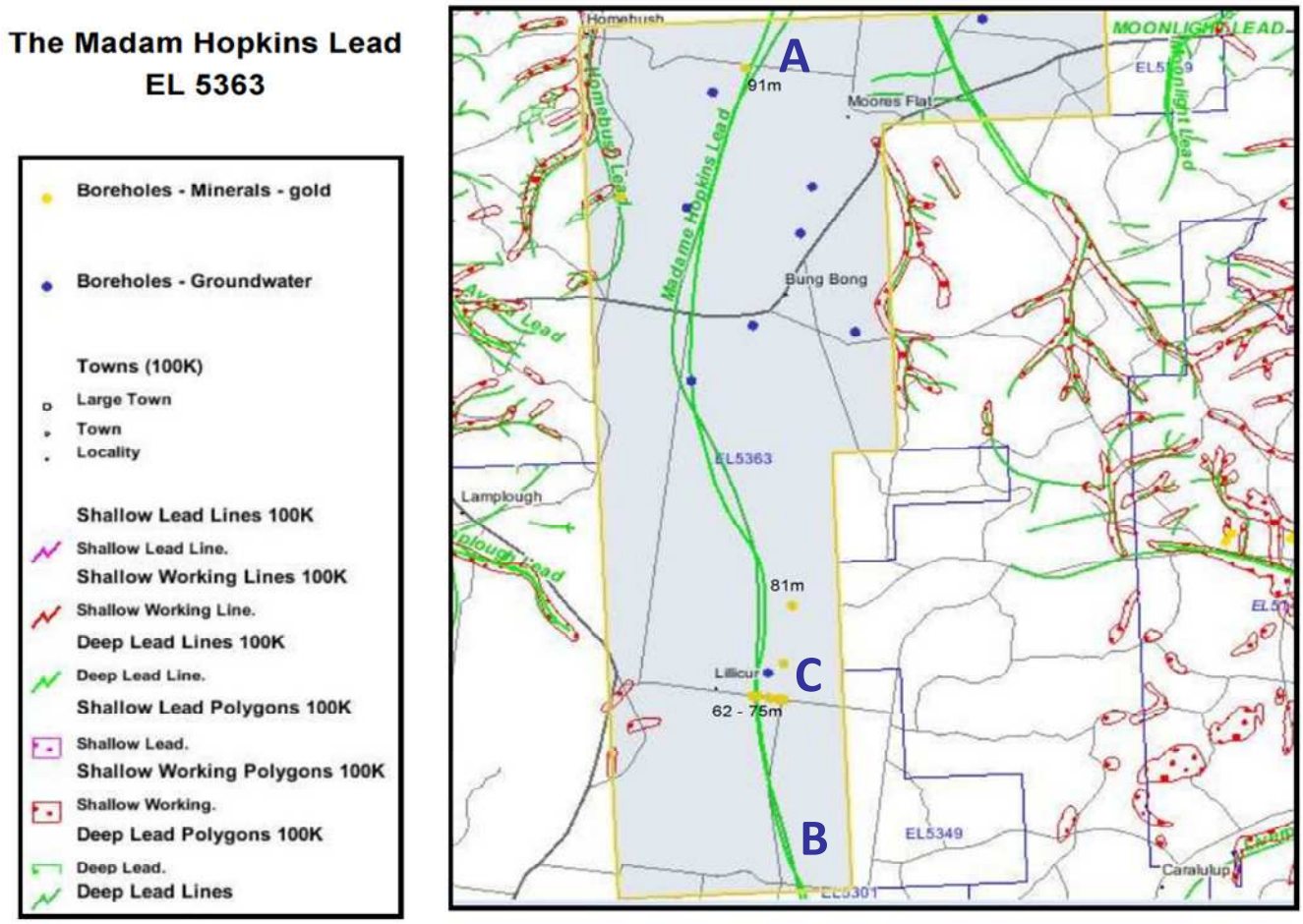

Figure 5. The Madam Hopkins Lead EL 5363 *(Source: GSI)*

EL 3226 was granted to Pioneer Gold Mining Corporation Pty Ltd on 5/3/1990 as EL 2458. EL 3191 to the south was granted to the company on 27/5/93 as EL 2757. EL 3226 was amalgamated into EL 3191 on 15/6/95 and EL 3191 was surrendered 12/8/99. The position of EL 3191 in respect to the present EL 5363 is shown in Figure 6.

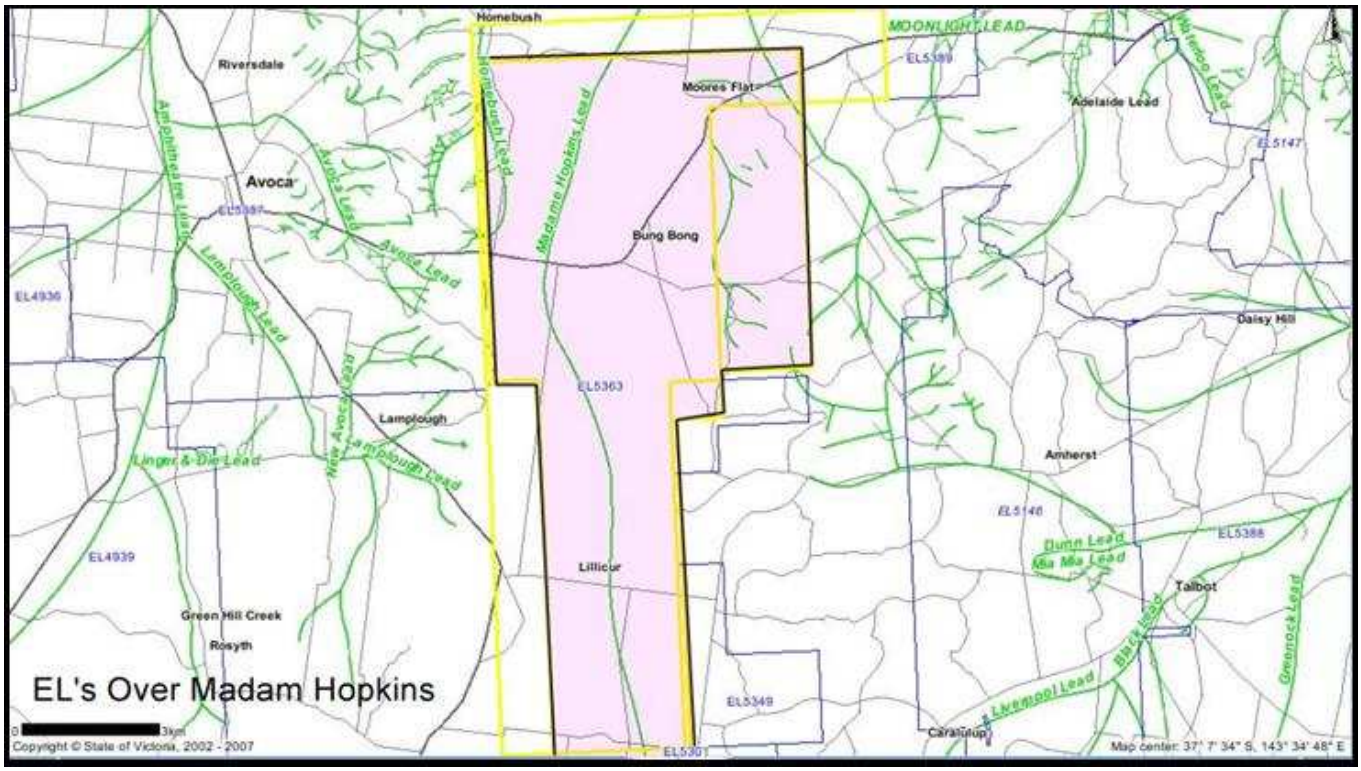

Figure 6. Previous EL 3191 and relationship to EL 5363 *(Source: GSI)*

The significance of this EL is that VDL Gold has essentially evolved from Pioneer Gold Mining Corporation Pty Ltd (Pioneer) and the work carried out by that company during the period 1990 – 1999 has laid the foundations for the present evaluation.

The work undertaken by Pioneer included:

Literature survey and Review - A detailed account of the morphology and geology of deep leads, past mining activities, drilling, geophysics, ore characteristics and groundwater was a reviewed along with a review of past mining activity.

Conceptual Mining Approach - A limited conceptual view of a project to mine the Madame Hopkins deep lead by means of a remotely operated vehicle was assessed. The high risk elements were identified as follows:

- Definition of a gold rich gutter, and
- Geotechnical characterisation of the gutter wash

Geophysics - A preliminary evaluation of AGSO aeromagnetic data over the Madame Hopkins Lead area to assess geophysical and drilling methods was carried out.

Hydrology - A report on the geology and hydrogeology of the Madame Hopkins deep lead was made that concluded that one of the advantages of the proposed mining by remotely operated vehicle is the low environmental impact. By returning any extracted groundwater to the aquifers at the mine site, and by pacesetting with non-chemical techniques, there is almost no environmental impact outside the immediate site works.

PLANNED PROGRAM

The company's proposed work program on EL5363 can be broken down as follows:

- **Proof of concept**
- **Trial program**
- **Bulk sampling**

The total program is expected to take 12 months to complete.

Proof of Concept

Remote operated mining techniques are well established and the advent of new technology has seen an even greater number of mining operations migrate to such methods to improve safety and reduce costs. Suction dredging also has a long history of successful commercial application.

Through a proprietary combination of these two techniques VDL Gold is confident it can successfully mine subsurface alluvial material within the Madam Hopkins Deep Lead.

The company is leveraging off an existing platform in building a unique remote operated vehicle specifically designed to facilitate the extraction of alluvials in deep lead deposits.

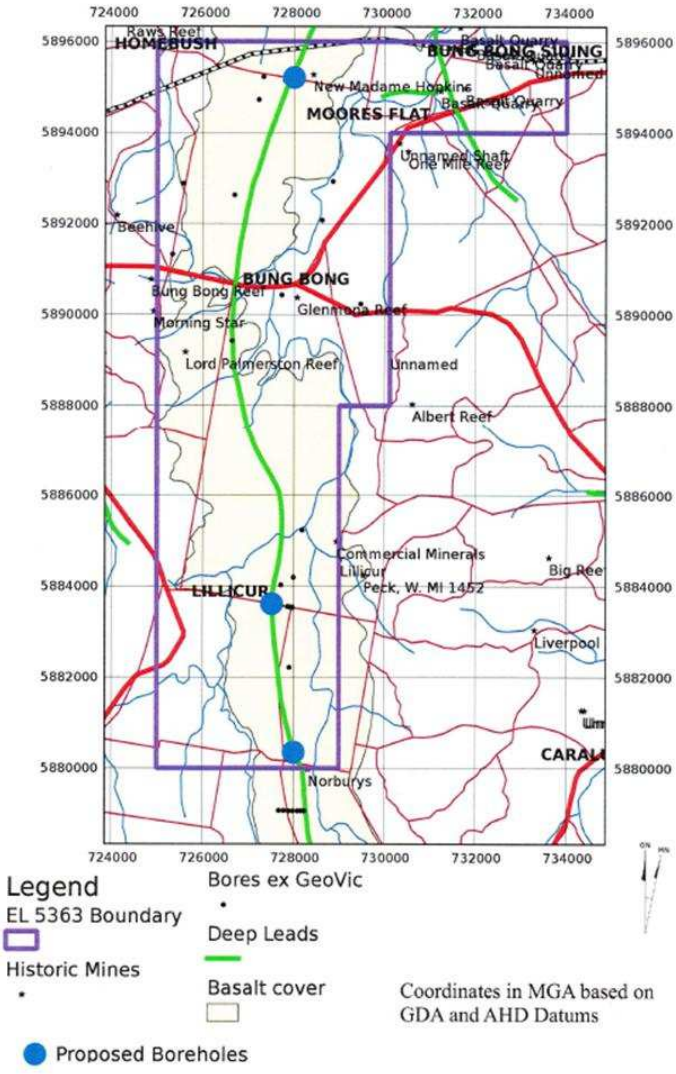

Figure 7. *Source: VDL Gold Pty Ltd*

To support and prove the concept a total of three small diamond bore holes are planned at Norbury's, Lillicur and adjacent to the old New Madame Hopkins mine (Figure 7).

Results will build on previous work undertaken by others in the area in confirming the depth of basalt cover over the lead, basement contact and the geophysical competency of the basalt and alluvial wash, including the degree of cementation necessary to facilitate proposed underground mining.

Mapping of the geological data will be used to guide in the location planning of large diameter drill holes to enable the ROV to obtain meaningful bulk samples of the alluvial sediments underlying the basalts. It will also allow for a greater degree of confidence to be established in the physical characteristics of the host rocks, to determine how to proceed to mining.

Trial Program

During the initial project phase the company will trial its innovative mining process using remotely operated vehicles (ROV) to control the suction end of the dredge underground that will deliver the alluvial gravels and sands to the surface via a slurry pipeline. This method also takes advantage of the significant subsurface groundwater that severely inhibited earlier attempts to liberate gold from these deeper alluvial deposits.

High pressure water jets will be used to agitate and break up consolidated material at the suction head before it is drawn up the delivery hose. The proposed process involves the use of existing technologies, although in a new and innovative combination. This trial will provide the necessary data that will allow a production system to be designed and developed ahead of a substantive bulk sampling program.

The proposed ROV technology will also allow the deep lead gutter(s) to be more accurately located as mining progresses by providing detailed information on orientation and elevation of the equipment. This will enable the mining to follow the actual gutters and allow for greater accuracy in determining the location of subsequent boreholes and access shafts as mining progresses along the lead.

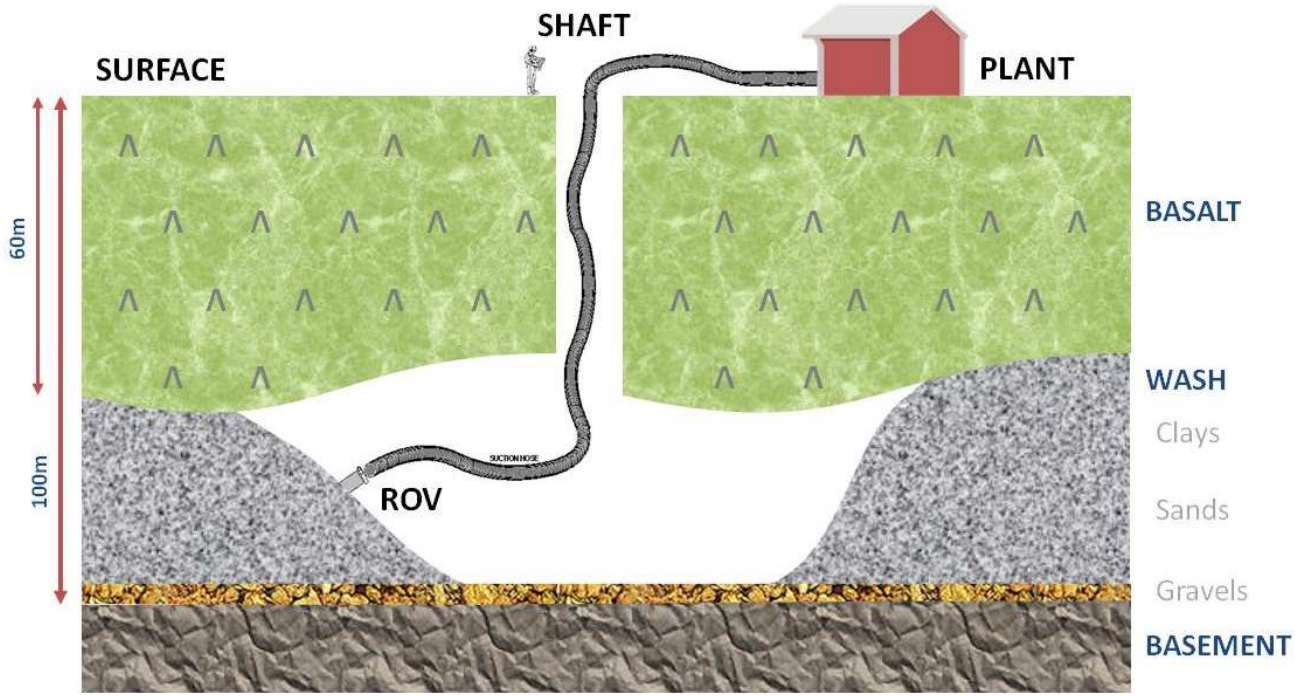

Figure 8. Typical section through Deep Lead Alluvial *Source: VDL Gold*

Bulk sampling

Borehole site selection will be critical to the sampling phase of the program. Assuming a positive geological model is established, VDL Gold plans to drill a 1.8 metre diameter access shaft - approximately 80 metres deep - to enable access for the delivery of the ROV to the lead to commence the sampling program along the lead.

The overlying basalt is assumed to act as a "roof" over the deep lead, allowing excavation in an underwater cavern. The ROV will control the suction dredge pipe for mining, where the ore and overburden are pumped to surface for treatment and stockpiling respectively. After processing, the sand and gravels can either be returned underground or may prove an additional alternative revenue source.

It is anticipated that the total bulk sample program will yield up to 100,000 tonnes of alluvial material for processing.

DIRECTORS and SENIOR MANAGEMENT

Francis Galbally | Executive Director
Francis has had over 30 years experience in international business. He is a graduate (First Class Honours) in Law at Melbourne University and practised in business law for 15 years. Francis is the major shareholder and Director of corporate advisory firm Southbank Capital Pty Ltd and a member of the Australian Institute of Company Directors.

As an investor and corporate advisor Francis specialises in the Technology, Environment, Food, Mining and Energy sectors. He has been a director and major shareholder in ASX listed companies involved in the tourism, technology, environment and construction industries.

Francis has had first hand operational experience in growing small cap companies. He grew a small IT security hardware company (Senetas Corporation Ltd) from a sub $20 million value company to a more than $300 million value company and which became included in the S&P ASX 300 index. Under Francis' leadership the company became the world leader in IT security with customers ranging from the US military to major global financial corporations. Recently through Southbank Capital Francis underwrote a comprehensive recapitalisation of Senetas and rejoined its board after 6 years to assist its rebuilding.

Francis is the Victorian Convenor of the Constitution Education Fund of Australia a non political charity dedicated to advancing knowledge of the Australian constitution within the community. www.cefa.org.au

Francis is also a board member of the charity Kids Off the Kerb. www.kidsoffthekerb.com

Steve Chaplin | Executive Director
Steve is a company director with his own group of companies as managing director and been on the boards of other mining companies including one chairmanship of Australian Copper and Gold NL which is now called Cudeco Ltd and former member of Pyrenees Gold NL.

Former Master Builder, Professional Abalone Diver, current owner director of the Eucalip Group of Companies which manufacture and distribute a range of products to the hospital/medical market and investors in various projects, particularly mining. Steve is a member of the Australian Institute of Company Directors.

John Campbell | Executive Director
John is a Metallurgist. He has been involved in gravity separation methods for many years, with Victorian alluvial deposits and most recently for Solomon Islands Assay and Refining. Currently he produces equipment for dealing with specific problems in the Solomon's namely fine gold with very high black sand content. John has been involved with Madame Hopkins since the early 90's.

John C. (Ian) Goudie | Non-Executive Director (Geologist, BSc, MSc FAusIMM (ret), FAIC)

Ian has over 35 years of experience working in exploration, mining and senior executive roles, including that of chief executive officer of New Guinea Mining Ltd. During his varied professional career, he completed the Advanced Management program at Harvard University and is a past president of the Minerals Council of Australia – Victorian Division. More recently Ian was Chairman of former ASX-listed company Castlemaine Goldfields.

Noel Laidlaw | Non-Executive Director

Noel Laidlaw is a mining engineer with over 30 years of experience in both underground and surface operations as well as with relevant experience in gold processing operations and metallurgy. Until recently Noel was the State Mining Warden of Victoria. In this role for many years, Noel was the most senior independent statutory officer appointed by the Victorian Government to oversee mining disputes and regulatory issues in the State of Victoria and to assist the Minister and entities involved in mining in Victoria in administering the Mineral Resources (Sustainable Development) Act.

Noel has significant experience relevant in growing projects in Central Victoria in areas including project management and facilitation, stakeholder/tenements negotiation, knowledge of the MR(SD)A 1990 & the accompanying regulatory framework, project compliance, cost estimation of underground and open-cut mining operations & associated treatment plants, mine planning, budget preparation & cost control within mining operations and a very experienced player in occupational health and safety vis a vis mining & exploration projects. Noel is based near Maryborough in Victoria.

Michelle O'Rorke | Consultant Hydrogeologist

Michelle is a Geologist specialising in hydrogeology with extensive experience in Western Victoria and was the interface between hydro geologists and computer people in setting up the current Victorian hydrogeology data base involving data from both the (then) Geology Victoria and the Rural Water Commission. Michelle has been involved in the Madame Hopkins since the early 90's

Paul D. Swaffer | Consultant ROV specialist

Paul has worked as a supervising engineer commissioning work class ROV systems for various off shore operations including British Petroleum, BHPP and MJC primarily in the South China Sea. Paul has a working knowledge of building; deploying and operating ROV's for over 5 years in the offshore industry and has been interested as a consultant for this project since its inception 20 years ago.

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