ALIGN
RESEARCH

Global Resources Investment Trust – Min Price Target 20p

27th December 2016

Unique opportunity to purchase both a world class Bauxite prospect and Siberian Gold & Iron Ore mining opportunity for effective negative value.

At the current price of 6.75p, shares in Global Resources Investment Trust offer a rare opportunity to purchase large stakes in one of the largest Bauxite reserves in the world and a highly prospective Russian gold miner for, in effect, negative value. As the stakes in Anglo African Minerals (AAM) and Siberian Goldfields move towards anticipated liquidity events during 2017 we expect a sharp re-rating in the market's current discount to NAV.

A resumption in risk appetite to fund attractive mining prospects

With the investor sentiment cycle in commodity stocks moving resolutely into the bull market phase during 2016, viable and highly prospective mining projects are again attracting capital and JV structures. GRIT holds large stakes in two such prospects – AAM & Siberian Goldfields.

Current quoted portfolio value alone (net of liabilities) in excess of the present stock price

The residual portfolio (ex. AAM & Siberian Goldfields) of GRIT holdings plus net cash and minus the repayment of the entire remaining CULS is in itself in excess of the current stock price of 6.75p - being equivalent to 8.4p alone.

Siberian Goldfields and Anglo African Minerals stakes "in for free"

With a large minority stake in AAM and preferred capital structure positioning in Siberian Goldfields with the option to convert into equity in this case on a listing, the stock price offers to investors the opportunity to position for liquidity events in these two companies for free.

Market price	6.75p	**Issued capital**	41,970,012
12-month range	9.89p (Sept '16)	**Market cap.**	£2.83m
	1.66p (Mar '16)	**NAV.Est. 01/01/17**	£8.34m
NAV/ share*	20.95p	**Discount to NAV**	69%

Source: Align Research
** NAV as at 1 November 2016*

This investment may not be suitable for your personal circumstances. If you are in any doubt as to its suitability you should seek professional advice. This note does not constitute advice and your capital is at risk. This is a marketing communication and cannot be considered independent research.

CONVICTION BUY

Key data

EPIC	GRIT
Share price	6.75p
52 week high/low	9.89p/1.66p
Listing	Full List
Shares in issue*	41,970,012
Market Cap*	£2.83m
Sector	Investment

12 month share price chart

Analyst details

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IMPORTANT: GRIT is a research client of Align Research. Align Research holds an interest in the shares of GRIT. A Director of Align Research holds an interest in GRIT. For full disclaimer information please refer to the last page of this document.

**** Adjusted for issue of 2m new shares***

The History of GRIT

Global Resources Investment Trust (GRIT) was launched in March 2014, and is a unique financial structure borne of the dysfunctional capital markets in relation to mining projects around the world at that time. As the proxy for global commodities markets (the Reuters CRB index) illustrates below, after the rip roaring bull market which was set in motion from the ashes of the 2008/09 Great Financial Crisis, the commodities plane entered one of the severest bear markets on record in early 2012.

Reuters CRB index chart, January 2012 to present. Source: Reuters

For many junior miners (or those at the nascent stage of development), during the period between 2012 & 2015 raising capital to advance their projects was all but impossible. Enter GRIT and the Company's innovative stock swap mechanism.

The structure of GRIT was that for those resource companies looking to raise capital a diversified opportunity set was identified amongst these companies and a new company – what is GRIT – was created. The constituent companies then swapped equity in their companies for a stake in the GRIT entity. **The mechanics of the company was effectively a "deferred" capital raising for the participating companies where each company's paper was swapped for GRIT paper.** The expectation at the time was that the bear market was coming to an end and that the listed vehicle of GRIT would provide a secondary market exit for those companies wishing to convert into cash.

As we all now know with the benefit of hindsight, and as the chart above pays testimony to, the bear market was, sadly, only just getting started and indeed the commodities markets, in aggregate as measured by the CRB index, proceeded to promptly to halve again from the point of launch of GRIT. **Such was the severity of this bear market that even goliaths like Anglo American & Glencore fell by near 90% from their former peaks.**

As we moved through 2015 into 2016, many of the constituent companies, desperate for cash, became de facto forced sellers of GRIT paper simply to keep their projects alive. In January 2016 sentiment in commodity stocks and forced selling of GRIT stock had reached such an extreme that the discount to NAV was in excess of 90% - one of the largest ever seen for an investment trust.

Transformation of fortunes through two major quote stake sales during summer 2016

At the beginning of 2016, such was the depreciation of many of the portfolio companies and the consequent aggregate NAV reduction that the company was in default in relation to the covenants that had been set on the Convertible Unsecured Loan Stock (CULS) that GRIT had issued at launch of some £5m. This forced the fund managers to take drastic action to address this with, in the first instance a proposed capital raising with Prime Star Energy of the UAE and then, latterly, another proposed fund raising at 5p per share. Thankfully for existing shareholders, material rallies in some of the underlying companies (as well as pressure from large stakeholders) transformed GRIT’s position and allowed them to exit NuLegacy Gold and also position for the realization of the Merrex Gold position. The company now has the liquidity to repay the entire outstanding CULS in full without the need for the consequent material dilution to existing shareholders**. This was the catalyst that has transformed the outlook for shareholders.**

Sterling depreciation against dollar has provided a tail wind for the portfolio value

A second stroke of luck for shareholders has been the material depreciation seen in sterling since the shock vote to exit the EU. Given that the majority of the company’s quoted portfolio holdings are listed in either the US or Canada, the depreciation of near 20% against the US & Canadian dollars has been another boon for shareholders and management have now hedged a majority of the company’s currency exposure in locking in these gains and which we feel is a sound approach.

Re-alignment of RDP Fund Management through stock vest levels illustrates their faith in the “new” GRIT portfolio.

For shareholders, the real positive we believe going forward (aside from the potential liquidity events in AAM and Siberian Goldfields) is the complete alignment and incentivisation of fund managers RDP with GRIT holders. The proposed circular of late December sets out the cancellation of the current fund management contract in exchange for the issuing of 2m shares in GRIT (which, we point out, is for a lesser immediate monetary value than the termination monies that would have been due). More importantly however are the stock price targets for the vesting of a further 6m shares – **being 14, 16 and 18p respectively and with minimum 6 month lock-ins**. From extensive conversations with RDP and per the analysis on AAM and Siberian Goldfields in the second part of this note, **it is apparent that RDP expect to hit their final vest level of 18p.**

The new remuneration structure in effect has GRIT operate like a hedge fund where up to approx 20% of the final realisation proceeds from the constituent companies goes to RDP if they are successful in narrowing the discount in part through their input into the 2 primary unquoted assets of AAM and Siberian Goldfields. **Existing shareholders faced with a sub 2p stock price earlier this year will no doubt be pleased in the ultimate event of a distribution of cash that is north of 18p per share** (the level required for the full vest to RDP)**.**

Quoted Portfolio

The quoted portfolio now comprises 12 companies with the remainder having been sold or written off. The major quoted holdings are in:

Mineral Mountain Resources (TSXV: MMV) where much emphasis is placed on comparison with the former Homestake mine. MMR's Holy Terror project is located in the Black Hills, South Dakota, US where the district hosts the iconic Homestake mine which operated from 1876 to 2001 and produced 40Moz from 152Mt at over 8g/t grade gold. MMR also owns 100% of Rochford Gold Project (just 18km southeast of the Homestake mine) and has been busy adding a comprehensive exploration database. The shares have been a major outperformer this year as the market has reappraised the company's prospects with the shares rising almost six fold.

Wishbone Gold plc (UK:WSBN) This AIM listed company has a wholly owned precious metal trading business based in Dubai and 34,000 acres of exploration licences in north-east Queensland, Australia. The shares have also been a major outperformer this year, rising over ten-fold at one stage and other analyst projections seeing further meaningful upside in the stock.

IMC Exploration Group. (ISDX:IMCP) A junior explorer based in Ireland with a strong JV partner and proposed Standard listing **.** Leading Turkish gold producer Koza Limited has an earn-in agreement on IMC gold licences. IMC also has a works programme on its base metal targets within the Irish Base Metal (zinc/lead) Province, which has already hosted significant mines. **We see potentially multiples of the current stock price in value realisation subject to adequate funding being secured through 2017.**

In short, the slimmed down quoted portfolio is now in the books at a realistic representation of realisable value and focused largely around precious metals stocks – the key subset of the commodities sector that we see further material upside in over the next 12-18 months.

There is also the prospect of a write back on Arakan Resources (dependent upon Arakan's success in litigation in Kyrgyzstan) in particular and that, based upon the nominal loan value advanced to this company ($5m), alone could be a material proportion of the current stock price. **In our price target we have ascribed zero value to this however.**

Management expect to repay the balance of £1.5m CULS due to LIM well before the March 2017 expiry date and which will leave an outstanding amount of just £1.2m in CULS against current assets of nearly £10m within GRIT.

One final positive is that through the arrival of SASO Investments onto the shareholder list and Richard Jennings of Align Research who purchased between them just under 25% of the shares in GRIT and so cleared up loose stock, the company now believes that the residual constituent company sellers of stock have now been cleared out. This should provide much needed stability to the stock price going forward.

With a base value of 8.8p at the time of writing for the quoted portfolio holdings within GRIT and our own expectations of a resumption in the early stage bull market in commodity stocks as we go through 2017 (typical commodity bull market length is in fact 8.5 years) there could well be further upside on this portion alone of the company's quoted assets**. However, the real upside for GRIT shareholders is through realisation of the company's stakes in AAM and Siberian Goldfields.**

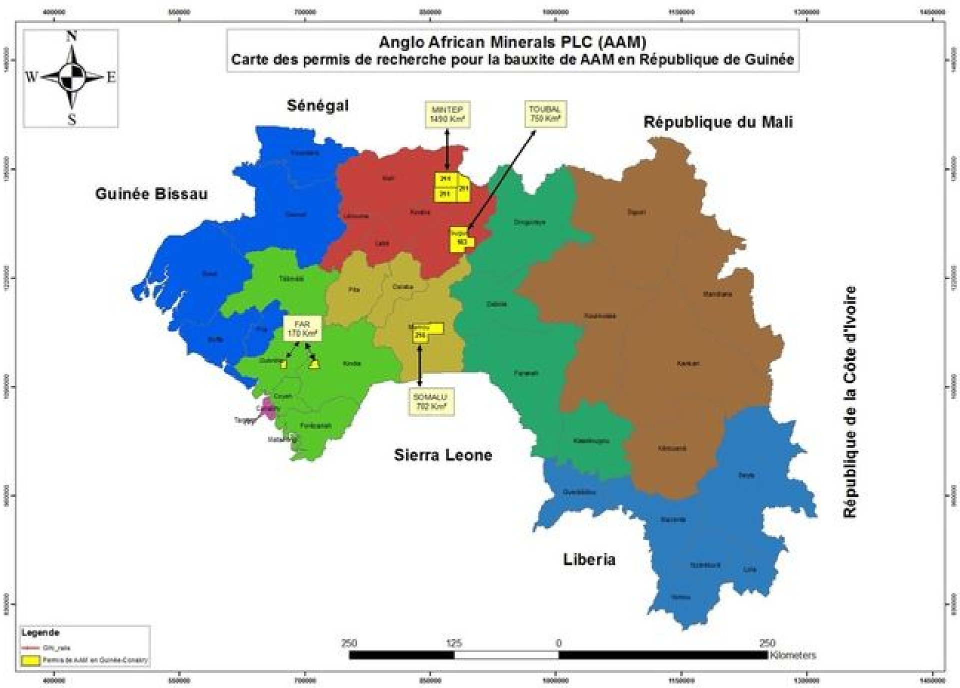
The balance of this note is focused upon attempting to value the upside in these two holdings.

Anglo African Minerals

Anglo African Minerals (AAM) is in the fortunate position of holding permits to develop bauxite (which is the ore from which aluminium is extracted) in the Republic of Guinea. This West African country is the only one in the region not to have succumbed to civil war and indeed has enjoyed peace since its independence in 1958. The politics of the country are stable with numerous international mining companies operating in the country. **AAM's permits are in fact for some of the largest Bauxite reserves in the world with potential reserves of up to 3bn tonnes – enough to place them in the top 5 globally.**

The investment case for AAM is pretty simple - the world's largest aluminium producer and consumer, China, is now looking to boost imports of required bauxite raw material and in particular from Guinea which has the largest resources of all its peer countries.

AAM has the advantage of compliant resources and additionally being one of the first projects in Guinea together with the all important export infrastructure in place. **The first licence exploitation is the in the so called FAR region and in an illustration of the strategic importance to the Chinese of Guinea's reserves of Bauxite, the development of this first resource is now supported by a funding agreement with a Chinese consortium.**



Anglo African Minerals licence areas

GRIT holds stock equivalent to just under 27% of AAM's equity having recently converted loans into ordinary shares.

Ambitious strategy now backed by Chinese funding

AAM was originally established in 2008. An initial investment of US$2.5m enabled AAM to build a project portfolio of rights to four bauxite exploration licences in Guinea. The Company has recently succeeded in its target to confirm funding from a State-owned Chinese consortium comprising of China New Era Group (CNE) and China Geo-Engineering Corporation (China GEO) to develop both production and accessible export infrastructure for its initial project and to participate in the 'Central Corridor Project' and which should open up access its other very large bauxite projects. **Importantly, production is now slated to commence in 2018 bringing real near term visibility of monetisation onto the horizon.**

Bauxite

Bauxite is the raw material source of aluminium, and is generally extracted by conventional open pit mining. Treatment plants produce aluminium oxide (alumina) which is shipped to refineries producing aluminium metal. Treatment plants and refineries are usually located close to low cost power sources due to the requirement of heavy electricity consumption.

Guinea

Guinea occupies an influential status in the raw bauxite supply chain to aluminium producers as it is estimated to host over 40% of declared global resources of bauxite. The country is rated as democratically stable with an established mining code and a mining friendly environment. **Recent reports suggest that Guinea is set to become the main source of China's required bauxite imports.** In addition, bauxite production growth from other major producers has slowed. The largest producer, Australia, has reached a plateau in output whilst among the others, Indonesia banned bauxite exports in 2014 and in 2016, Malaysia introduced its own export ban which may be extended if there is no improvement in environmental protection practices. India has also doubled its export duty on bauxite.

Right place right time – forecast shortfall of bauxite in 2020

The points highlighted above re Australia, Malaysia and Indonesia have, according to industry experts, contributed to a forecast supply deficit into 2020 with the effects likely to be start to be felt next year on pricing of bauxite. It seems that AAM is now in the right place at the right time and positioned to benefit from anticipated rising prices for bauxite as their first resource exploitation at FAR gets under way.

Industry experts estimate world bauxite consumption to grow by between 45 to 50Mtpa by 2020. China's total imports have nearly doubled since 2010. Shipments from Guinea to China are estimated at 13Mt for 2016 with scope for substantial increases following Chinese support for both project and key infrastructure funding in the country as evidenced by the JV with AAM. The main bauxite producer in Guinea at present is the China Hongqiao Group and which ships the product to its own refineries in China's coastal Shandong port.

Aluminium

Global consumption of aluminium is currently forecast to increase in every major sector of use, with some 82Mt of predicted requirement by 2025 (double the level in 2010). In 2015, a dip in the aluminium price (to US$1,475/t) caused roughly half global smelting capacity to be cash negative. This was particularly apparent in China, which produced over 50% of the world's output. This enabled China to replace smelting capacity with larger, lower-cost, and environmentally acceptable, units and the price has now recovered somewhat and is trading around US$1,700/t.

AAM Bauxite Projects

Anglo African Minerals' bauxite permits

FAR – KINDIA PROJECT

The most advanced project is **Forward African Resources (FAR),** located some 100km NE of the key export terminal port of Conakry, covering a total area of 170km^2 and a resource target of 300Mt of export quality bauxite. An updated drill programme was completed in August 2015, and in **November 2015, SRK estimated a 73Mt compliant resource,** averaging 39.9% total alumina and 4.8% total silica, categorised as 26Mt Measured, Indicated 11Mt and Inferred 36Mt.

AAM has a production target of up to 3Mtpa export quality bauxite from the Kindia licence by Q4 2017. Full export facilities would connect to the existing rail spur at Debele (25km) which, in turn, connects to the Port of Conakry. AAM has now commissioned a feasibility study for a US$60m extension to the bauxite terminal, backed by a concession agreement with the Port Authority and funding by a Chinese consortium.

KEY STAGE CONFIRMATION THROUGH PROPOSED JV WITH CHINESE STATE CONSORTIUM

In September 2016, AAM confirmed that it had entered into the first stage of a Joint Venture partnership with a Chinese consortium (owned by CECEP, one of the largest State owned enterprises in China), and made up of China New Era as funding partner and China Geo Engineering, which has been operating in Guinea for 18 years**. This has effectively advanced the FAR project into a turn-key operation with mine production, as relayed above, expected to commence in 2018.**

The Consortium has released a secured $2m deposit to extinguish outstanding requirements of the Mining Licence, Port concession and a multi user agreement conditions. **This will enable the JV Company to be set up in Hong Kong, with the Consortium, having a 71% interest and AAM the residual 29%.**

The consortium will provide the following important elements in the deal:

- 100% funding for the development of the FAR project (c. $120m).
- An extension to the Conakry port terminal with FAR having priority rights over the port and for all its other projects.
- All mining services
- All infrastructure improvements
- Off-take agreements
- Repayment of historical costs to AAM

SOMALU PROJECT

This is the largest AAM bauxite project and is located some 140km NE of the Debele rail spur. **SRK has estimated an inferred resource of over 400Mt,** grading over 42% alumina and 1% silica. An Environmental and Social Impact Notice was awarded in January 2016. The AAM strategy is intended to apply for a concession at end-2017, sign a mining convention in 2018 with a 2019/20 production target at 5Mtpa. **Subject to completion of new port facilities at Conakry, target production is set at 10Mtpa from Q2 2020**.

AAM has also discussed developing SOMALU with the Chinese Consortium group. **The company currently has 100% ownership of this licence.**

TOUBAL PROJECT

This 750km^2 licence is located in northern Guinea. It has been extensively explored, including over 35,000m of drilling and has an inferred resource of some 722Mt, grading 42.6% alumina and 3.2% silica, was estimated in 2015. An Environmental and Social Impact Notice was awarded in January 2016 and a further drilling campaign is planned for Q1 2017. **AAM currently has a 92% interest in this licence.**

MINTEP PROJECT

This licence is located in northern Guinea close to the TOUBAL Licence. It is suggested that the licence may host up to 750Mt high grade bauxite comprising 44% alumina and 3-5% silica. An exploration programme is planned.

CENTRAL CORRIDOR DEVELOPMENT PROJECT

In February 2016, the Central Corridor Development Project (CCDP) was signed by the Guinea Government and the China Rail Engineering Group (CREG). AAM is to undertake a feasibility study to develop export infrastructure to access its other licences through CCDP, which may also provide hydro-electric, alumina, refining, and agriculture projects. **This is now a non-binding MOU specifically to develop an infrastructure solution for CCPD which would unlock an infrastructure solution which could access the SOMALU project** (see further details here - http://www.sinofortone.com/news/guinea/)**.**

PLANNED BAUXITE PRODUCTION IN GUINEA

We believe that the FAR concession is extremely well placed to take advantage of increasing high quality bauxite demand from China and even though the following bauxite mines are due to come on stream that AAM is ahead of the curve.

Other planned projects in Guinea:

SMB-WAP Boke 5Mtpa mine opened in 2015
AMC Koumbia 4Mtpa mine expected to open in 2016
UC Rusal Dian Dian 3 to 6Mtpa mine expected to open in 2016
Alufer Bel Air 5 to 10Mtpa mine expected to open in mid 2017
AAM Kindia 3Mtpa mine expected to open in Q4 2017
EGA Sangaredi 12Mtpa mines expected to open in Q4 2017
CBG is scheduled to double production to 28.5Mtpa by 2020.

Key milestones achieved so far

- The FAR development will utilise existing third-party operated rail and port infrastructure and thus reduce initial project capex requirements;
- Financial model projects positive cash flow within 12 months of commissioning;
- Management aligned with majority shareholders through option structure with ambitious value creation targets for full vesting;
- A further drilling campaign was completed in Q2 2015 and an updated JORC compliant MRE was issued in November 2015 highlighting 73mt of bauxite with 26mt at measured level, 11mt at indicated level and 36mt at inferred level;
- SRK's Technical Report was completed in August and submissions to Guinea's Ministry of Mines have been made for FAR's exploitation licence;
- An Environment & Social Impacts Study (**ESIA**) is underway;
- Legal negotiations on the port and railway multi-user agreements to commence imminently.

Roadmap for 2017 onwards

FAR Project:

- Full Environmental Study – completion expected imminently
- Exploitation Licence on FAR award expected November 2016
- Multiuser Agreement re the Debele to Conakry railway to be completed by December 2016
- Port Concession for the extension of the mineral port at Conakry anticipated end November 2016
- New drilling campaign to commence in December 2016 to further delineate the FAR assets to JORC standards

Somalu Project:

- Drilling programme commencement Jan 2017 – March 2017.
- Sample analysis March 2017.
- Upgrade Mineral Resource Estimate to measured by May 2017.

Toubal Project:

- Drilling program March 2017 – April 2017.
- Sample analysis May 2017
- Upgrade mineral resources estimate from inferred to measured status June 2017.

One key value catalyst we see for AAM in the near term is the listing of the FAR JV project with the Chinese consortium on the Hong Kong stock exchange upon completion of the milestones detailed above. This is expected to occur in the first half of 2017 and the consortia expectations are for a listing value of around $70m. **Given AAM's net 29% economic interest in the JV list and GRIT's circa 27% of AAM then this alone (at current FX rates) would give 'see through' value of approximately 10.6p per GRIT share further highlighting the market's abject disregard for hidden value within GRIT.**

PLATEAU (FAR licence)	CLASSIFICATION	MT	Implied Value $M
ELEVATION	MEASURED	25	12.5
	INDICATED	15	1.5
	INFERRED	9	0
SAMAYA EAST	MEASURED	20	10
	INDICATED	15	1.5
	INFERRED	9	0
SAMAYA WEST	MEASURED	25	12.5
	INDICATED	10	1
	INFERRED	5	0
MOMO	MEASURED	25	12.5
	INDICATED	18	1.8
	INFERRED	10	0
	TOTAL	**186**	**53.3**

Note - Comprehensive post-drilling resource value uplift envisaged in drilling plan, integrated with existing resources.

The table above illustrates the aggregate value of the FAR licence projects in Q1 2017 upon completion of the various hurdles detailed above and ascribing the measured and indicated categorisations for the bauxite reserves but with, in being very conservative in our valuation, no value being attached for the inferred resources.

This results in a conservative FAR project value of some $53.3m (against expectations of a HK listing value of circa $70m with valued attached to the inferred resources). Net to AAM this is equivalent to $15.45m.

We have also modelled value (again using conservative values) in the table below for the upcoming drilling of the Toubal and Somalu projects where AAM currently holds 92% and 100% respectively.

Somalu		Volume MT millions	Value per MT$	$M Inferred
	Measured	0	0.5	0
	Indicated	***275.4***	***0.1***	***27.5***
	Inferred	183.6	0	0
		459		27.5

Toubal		Volume MT millions	Value per MT$	$M Inferred
	Measured	0	0.5	0
	Indicated	***433.2***	***1***	***43.3***
	Inferred	288.8	0	0
		722		43.3
			NET	39.9
			TOTAL	**67.4**

Note - Potential future value uplift on conversion/upgrading of 60% of inferred to indicated resources. Toubal figures adjusted to represent 92% stake.

Attaching value simply on an “indicated” basis (precursor to the final “measured” basis) of a conservative 10c per tonne results in a further potential economic value crystallisation of approx $67.3m.

Net effect on GRIT, adjusted for an assumed corporate debt drawdown of the full $10m by AAM is a 27% interest in a $72.85m gross asset with a good line of sight on catalysing this value creation in real money by AAM. This excludes any further dilution in AAM’s interests in the Somalu and Toubal projects (or incremental debt take-on of course). **To give you an idea however of the embedded value potential, the equivalent per share value to GRIT is almost 40p per share (based on current US $ FX rate of 1.23) on these further projects.** We would expect however that ultimately AAM will farm down their interests in the Somalu and Toubal projects in defraying cost risks.

Siberian Goldfields

Siberian Goldfields ("SGL") was established as a private corporation by the Dragon Group and its Russian partners, targeting the development of a series of magnetite skarn formations located in the Chita region of Eastern Siberia, close to the Chinese border.

SGL holds a 48% interest in Vismut – the Russian registered entity that holds the 100% mining licence over the Zhelezny-Kryazh (ZK) project and which is valid until 2026. **Importantly, SGL can move to a majority interest on standard JV dilution provisions on completion of Russian Technical Submission Documents (RTSD).**

The project plans to mine and process a series of gold bearing magnetite skarn formations located at Zhelezny Kryazh licence area in the Zabaykalsky Krai Region of the Russian Federation. **Combined resources within the licence are impressive with 830 000 ounces of gold, more than 14 000 tons of bismuth (equivalent to 5% of the worlds reserves) and 22 million tons of iron ore have been defined to JORC standard over 4 distinct zones.** There is also a further +100Mt of magnetite ore in other zones.

Conceptual studies show development of each gold zone by low cost open pits and extracting the three products extracted by conventional methods. Gold can be recovered by cyanide leach/CIP flotation, followed by acid leach of the tailings to liberate bismuth, and magnetic separation of the flotation tailings to deliver the iron concentrate.

There has also been significant progress on project development, with the receipt of several permit approvals, plant design, and electric power connection permissions. The JV has also agreed plant supply contracts and key items which were available for immediate delivery and installation. In addition, there has been important progress with topsoil and overburden removal and creation of stockpiles connected to a mobile plant.

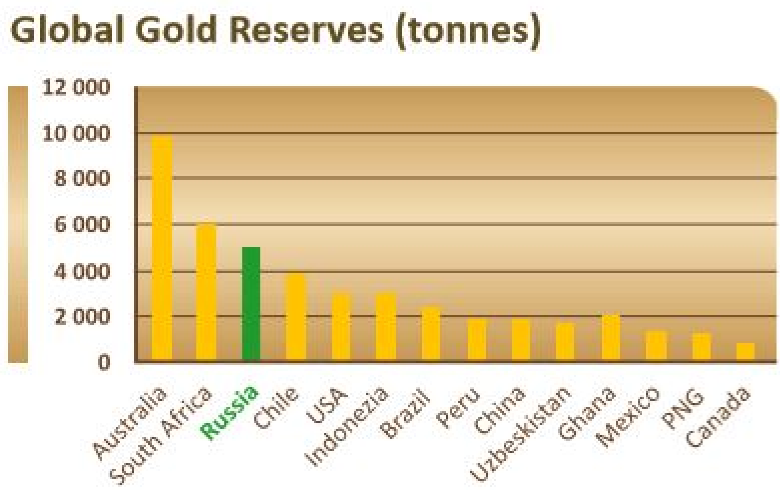
COMPLIANT RESOURCES AND PRODUCTION TARGETS

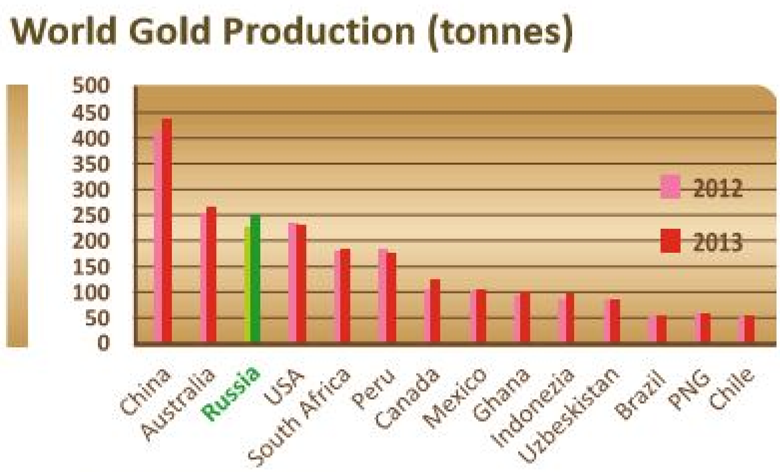
In Q3 2014, SGL announced an M&I gold resource of 9.2Mt grading 2.80g/t (829,000oz) with a further 0.3Moz inferred delineated, plus a 100Mt JORC compliant, high grade (45-55% Fe), magnetite resource. There is a declared exploration target of up to 3Moz. Metallurgical test work has indicated high recoveries of gold (92%), iron ore (85%) and bismuth (96%). Engineering designs are being submitted, and an initial open-pit mine is planned for a processing plant which could operate at 1.0Mtpa throughput for 12-years **yielding 54,000oz pa gold, 634tpa bismuth and 1.1Mtpa iron concentrate, of which 0.4Mtpa will be high quality 67% Fe.** The substantial iron ore resource should support project longevity.

Results from the 2012-2015 drilling program revealed significant potential of additional gold inferred resources. To date less than 50% of the known magnetite occurrences have been explored. Historical works magnetic survey and mining activity for the period from 2012 to 2015 identified several potential iron target zones within the promising gold resources. **The data on the explored reserves and identified patterns of gold bodies localization within new occurrences indicate that a potential of over 500 thousand additional ounces of gold could be contained within the license areas.**

RUSSIA PLANS TO INCREASE GOLD PRODUCTION

Russia boasts the world's third largest gold reserves and is also the 3rd largest producer with current gold production of some 205tpa. As part of its economic development plans it intends to increase strategic gold resources and aims to encourage direct foreign investment in this industry. A new international producer would be eligible for significant tax breaks in the new Russian Far East Bill and which, usefully, exempt greenfield projects from corporation tax for the first five years of operation.





Source: ***US Geological Survey***

A VAST UNEXPLORED AREA WITH GOOD INFRASTRUCTURE

Eastern Siberia is considered one of the world's last great unexplored mineral belts and already has identified significant natural resources in gold, copper, iron ore, molybdenum and uranium. The 33km2 ZK landholding infrastructure includes delivery connections to China, Mongolia and Pacific harbours. Gold was discovered in 1966, but this was followed by low key exploration campaigns conducted largely by State enterprises.

N	Licence Area	Potencial Gold Resources, tonnes	Owner
1	Zhelezny Kryazh	90	«Vismut» Ltd.
2	Pokrovskaya	20 (probable)	«InvestGeoCom» Ltd.
3	Zolotonosha	10 (probable)	«Zhelezny Kryazh» Ltd.
4	Berezovskaya	-	Xiyang Group

POSITIVE PEA

A Preliminary Economic Assessment (PEA) completed studies which showed good potential for an economically robust project based on $1200/oz Au and US$50/t for iron ore and showed an IRR of 119% and an NPV of US$728m based on the company's own discount rate of 5%. **Proposed initial production targets showed capital costs of US$65m with industry leading low operating costs of just US450/oz .**

We have modelled our own assessments of the NPV of the resources using the company's own internal costings but changing the discount rate and resource price parameters. **Below is the resultant table illustrating values ranging from $210m** (based on a gold price of $1250/oz and iron ore of $50/tne & bismuth of $5/lb and using a heavy 12% discount rate) **up to $548m** (based on a gold price of $1400/oz and iron ore of $80/tne & bismuth of $5/lb and using a more realistic 8% discount rate).

	($) Earnings after tax	**($) Earnings after tax**
Gross revenue	1,560,031,400	2,104,719,345
NPV Discount Rate		
8%	298,141,306	**548,289,234**
12%	**210,164,531**	399,591,140
Input pricing ($'s)		
Gold / oz	**1,250**	**1,400**
Iron / tne	**50**	**80**
Bis / lb	**5**	**5**
RuR $	62.9	62.9

GRIT IMPLICATIONS

SGL has worked hard in recent years to bring the project to the current advanced stage. Initial studies indicate a robust project at very economic resource product prices. The anticipated technical and financial reports from leading professional consultants will, management expects, confirm the expected commercial potential of the project and thus increase confidence in the roadmap to flotation in the UK markets next year. Funding to complete the feasibility process, aided by the prospect of off-take agreements (which are at advanced stages) from Russian partners and Chinese steel groups, will attract market attention. Additional exploration potential as revealed here is high in the longer term too.

GRIT's economic interest in Siberian Goldfields is via a £3.635m nominal convertible loan. Current issued share capital is 101.2m shares and SGL is looking to float in the first half of 2017. Pre IPO funding is placing a value on the equity of $50m of which SGL holds 48%. There is currently circa $15m of debt financing attached to SGL of which GRIT's loan stock is approximately 1/3 of this. **Based on our NPV findings in the table above we would be surprised if they did not achieve a valuation of at least $50m in the IPO next year (assuming gold prices remain around $1250/oz and iron ore around $60/tne).**

The interesting element for GRIT shareholders (aside from the fact that the stock price currently represents no value whatsoever for this holding) is that the Loan notes have the right to conversion into SGL equity on float at a 25% discount to the IPO price. Consequently, although valuation is subjective at this point, if we assume the nominal value of the loan as the base level of value then dependent upon the float price, there may be another 25% uplift. At the base level however this equates to another approx 8.6p of potential capital uplift for GRIT stockholders that is presently not represented at all in the stock price.

Conclusion

Ascribing realistic values to the key AAM & SGL assets and adding to the current (as at 27th December 2016) quoted portfolio values, we derive the following potential valuation bands that we expect to crystallise as we go through 2017 with the double whammy of a material reduction in the discount to NAV as the market begins to appreciate the see through value of these holdings.

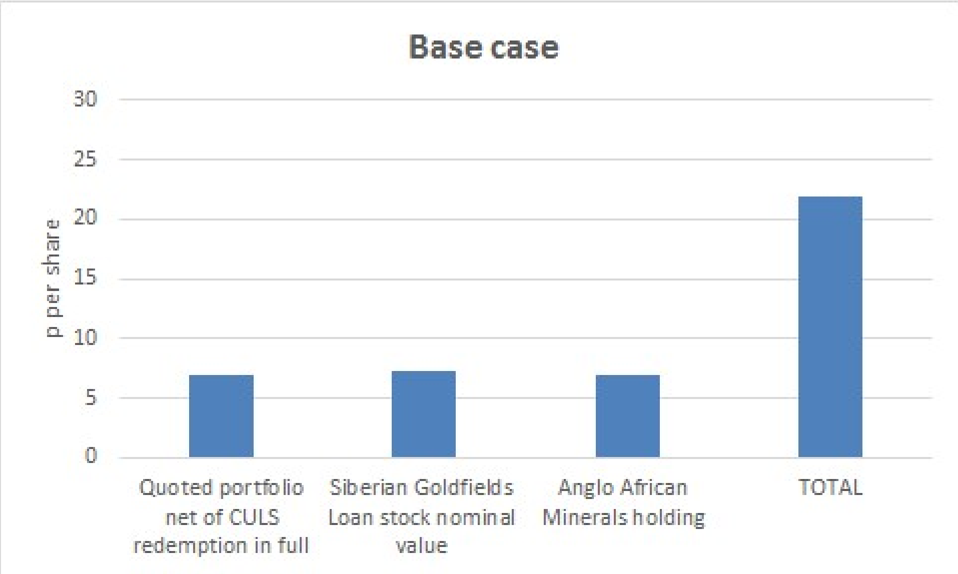
Net Asset Value (NAV) Bands (US$:£ FX rate of 1.23 used) & we have assumed full conversion of the additional 6m vesting shares to RDP in the calculations.

Base case:

Quoted portfolio net of CULS redemption in full - £3.5m **(7.3p per share)**
Siberian Goldfields Loan stock nominal value - £3.57m (*) **(7.5p per share)**
Anglo African Minerals holding *(#)* – £3.39m **(7.1p per share)**

TOTAL £10.46m (21.9p per share)

(*) The sterling equivalent figure reflects rolled up interest over the initial nominal loan value
(#) Current FAR value of $53.3m gross (29% net to AAM)

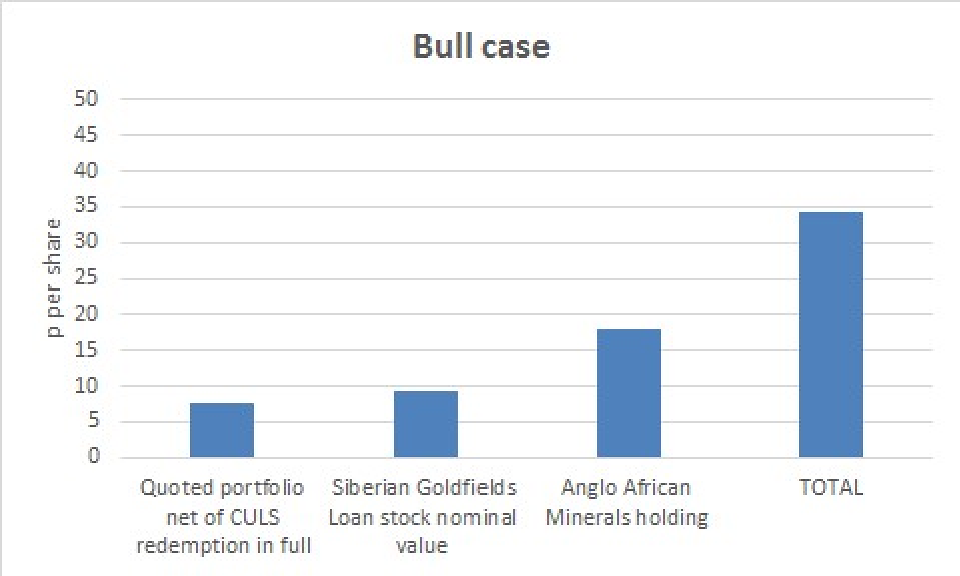


Bull case:

Quoted portfolio net of CULS redemption in full - £3.5m **(7.3p per share)**
Siberian Goldfields Loan stock nominal value (**) – £4.46m **(9.3p per share)**
Anglo African Minerals holding *(#)* – £8.59m **(18p per share)**

TOTAL £16.55m (34.6p per share) - assumes full 8m shares issued to RDP.

(**) The sterling equivalent figure reflects rolled up interest over the initial nominal loan value & the 25% value uplift per the CULS terms on a list
(#) Combined Hong Kong anticipated list value, Somalu and Toubal projects post 50% farm downs



New Board of Directors

Lord Anthony St John, Chairman

Anthony is a hereditary member of the House of Lords, specialising in African affairs, deregulation, financial services and information technology as a crossbencher. He has a Masters' degree in Law from the LSE and was a consultant to Merrill Lynch International from 1991 to 2008.

Haruko Fukuda, Non Exec Director

Haruko is a non-executive Director of Investec plc and Aberdeen Asian Smaller Companies Investment Trust plc. She is also a Member of the Council for the Institute for Fiscal Studies and is a Trustee for Mitsubishi Trust Foundation. She was a Partner of James Capel for 14 years and Vice-Chairman and a Director of Nikko Europe plc for 10 years. Previous roles include a senior advisor to Lazards, a director of AB Volvo, and a Director of the World Gold Council.

Simon Farrell, Non Exec Director

Simon has held several senior positions in the banking industry, including the Hamersley Iron, Rio Tinto, and Bond Corporation. He was MD of an Australian manganese company, founding MD of Coal of Africa, and non-executive Director of Kenmare Resources.

David Hutchins, Director (pending resolutions approval)

David has 30 years' experience as a resource analyst and fund manager. Having worked at the Melbourne Stock Exchange, he joined M&G Investment Management in London, where he became an Executive Director and headed the International Desk and was responsible for the precious metals and commodities sector globally. He was subsequently involved in Fund Management with Yorkon Securities. He was a Founding Director of Resources Investment Trust and a founding partner of the Minesite information website. He is a member of the FTSE gold mines index committee.

Major shareholders

Saso Investment Fund Pty. Ltd	17%	(6.8m shares)
Armstrong Investments	7.5%	(3.0m shares)
Philip Milton	14%	(5.6m shares) plus £0.8m conv note
R S & C A Jennings	6%	(2.4m shares)

Risks

Currency risk
As much of the company's portfolio is denominated in predominantly US dollar and Canadian dollar currencies, any consequent movement against sterling (GRIT's based and reporting currency) will have both translational and transactional impacts. At the time of writing though, management have confirmed their hedging of a major proportion of current value so any strengthening of sterling against these currencies should be mitigated.

Illiquidity
There are illiquidity risks both in the underlying shares of GRIT, the quoted portfolio of stocks held by GRIT and also the major components of potential future value uplifts – Siberian Goldfields and Anglo African Minerals. Given the current unquoted nature of Siberian Goldfields and AAM, valuations are subjective and there can be no guarantee of realisations at current or anticipated values.

Management risk
GRIT is a small company and is thus reliant on the capability of its Board of Directors and their ability to manage the company's underlying portfolio of investments.

Commodity cycle
As GRIT is focused purely on commodity stocks, should the commodity cycle turn down again the probability of monetization of the unquoted assets could be reduced materially with an absence of investor demand for public market listings or trade sale apetite.

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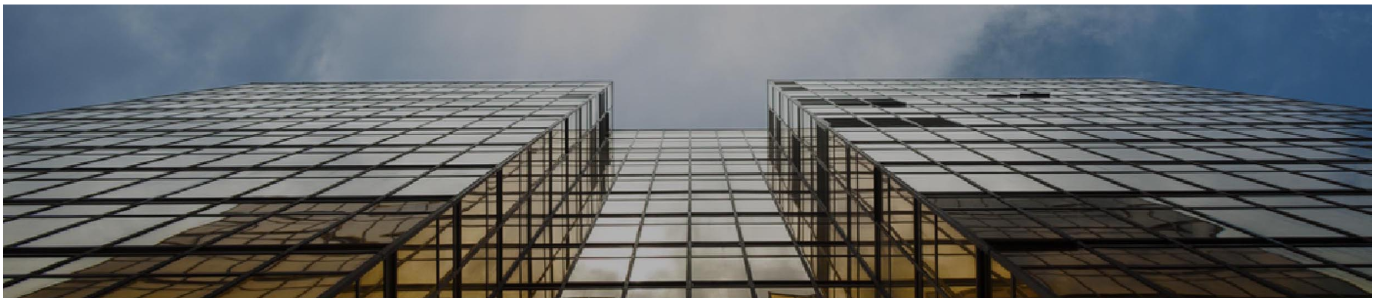

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