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Fundamental Research Corp.
*Investment Analysis for Intelligent Investors*

June 9, 2016

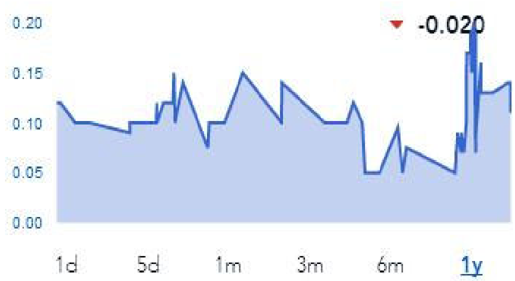
# Asante Gold Corporation (CSE: ASE / FRANKFURT: 1A9) - Initiating Coverage - Gold in Ghana

**Sector/Industry: Junior Mining/Exploration** **www.asantegold.com**

**Market Data (as of June 9, 2016)**

| | |
|---|---|
| **Current Price** | **C$0.12** |
| **Fair Value** | **C$0.60** |
| **Rating*** | **BUY** |
| **Risk*** | **5 (Highly Spec)** |
| 52 Week Range | C$0.05 - C$0.20 |
| Shares O/S | 36,231,000 |
| Market Cap | C$4.71 mm |
| Current Yield | N/A |
| P/E (forward) | N/A |
| P/B | 1.0x |
| YoY Return | 0.0% |
| YoY TSXV | 5.6% |

*see back of report for rating and risk definitions




*** FRC has visited the Kubi property in 2007.**

**Investment Highlights**

- Asante Gold Corporation ("Asante", "company", "ASE") is focused on advancing the Kubi gold project to production. The project is located in the highly prolific Ashanti Gold Belt in south Ghana, Africa.
- Ghana is the second largest gold producer, and has one of the best jurisdictions for mining in Africa.
- The Kubi project is located approximately 25 km south of AngloGold Ashanti's Obuasi mine (34 Moz resource estimate), and approximately 18 km north east of Perseus Mining's Edikan gold mine (7 Moz resource estimate).
- Asante has a strong management team. CEO Douglas MacQuarrie has been operating in Ghana since 1993, and has a track record of developing over 6 Moz of resources. He was the CEO of PMI Gold, which was acquired by Asanko Gold (TSX: AKG) in 2014. Obuasi's ex Mine Manager is currently a Director and Vice President Production & Development of Asante.
- Based on a 2 g/t cut-off, Kubi has a measured and indicated resource of 233 Koz (5.5 gpt) and inferred resource of 115 Koz (5.31 gpt). The resource is open to expansion at depth.
- Subject to financing, management is planning to take Kubi into production with a low CAPEX of US$20 million within a 12 month timeline. Management estimates the project to produce 30,000 to 40,000 oz Au per year (500 - 650 tpd @ 6 to 8 g/t Au) in the initial years.
- Gold prices are up by 20% YTD and has been one of the best performing commodities this year. We are initiating coverage on Asante with a BUY rating and a fair value estimate of $0.60 per share.

**Risks**

- The value of the company is dependent on gold prices.
- The project's progress is contingent on financing or joint venturing.
- The company has yet to acquire Kubi, but has an option to acquire up to a 100% interest in the property.
- Management's current production plans are contingent on their ability to confirm high-grade areas through a resource upgrade program.
- Ghana currently imposes high royalties, carried interest and tax on foreign operators.

| **Key Financial Data (FYE - Jan 31) (C$)** | **2014** | **2015** |
|---|---|---|
| Cash | $21,449 | $4,982 |
| Working Capital | -$11,052 | -$3,087,111 |
| Mineral Assets | $3,312,457 | $4,105,824 |
| Total Assets | $3,372,770 | $4,162,039 |
| Net Income (Loss) | -$711,470 | -$852,863 |
| EPS | -$0.03 | -$0.04 |

**Overview**

Asante Gold Corporation was incorporated in May 2011 in Vancouver, BC, Canada, and went public in February 2012, through an initial public offering. The company's focus is on gold projects in Ghana. "Asante" is the local spelling of "Ashanti", which is a dominant gold mining region, as well as the name of an ethnic group in southern Ghana.

The Republic of Ghana, with a population of approximately 27 million, is located in West Africa, and shares its border in the north with Burkina Faso, in the east with Togo, and in the west with the Ivory Coast.


*Source: Ghana High Commission*

The mining sector plays a very important role in the Ghanaian economy. According to the International Council of Mining and Metals ("ICMM"), the mining sector attracts more than 50% of all foreign direct investment, generates more than a third of all export revenues, is the largest tax-paying sector in the country, and makes a significant contribution to the country's gross domestic product (GDP) and employment creation.

**With production of 2.7 Moz in 2015, Ghana is the second largest gold producer in Africa (after South Africa's 4.5 Moz) and the 10th largest globally.** Over 95% of the country's mineral revenues come from gold. The other important mineral resources are manganese, bauxite and diamond. Ghana is one of the best jurisdictions for mining in Africa, and has consistently ranked high as a favorable mining investment destination in the world.

- Mineral industry advisory firm, Behre Dolbear, named Ghana in their list of world's top ten mining investment destinations in 2015. Canada was ranked number one, while Ghana was ranked $10^{th}$. Only two other African countries, Namibia and Botswana made the list.

- In a survey of mining companies in 2015 by the Fraser Institute, Ghana was ranked 31 out of 109 jurisdictions on investment attractiveness. Only two other countries in Africa (Morocco at 24 and Burkina Faso at 29) were ranked higher than Ghana.
- According to the Resource Governance Index, Ghana's governance of the resource sector ranked 15th out of 58 countries in the world in 2013. The index measures each country's government accountability, transparency and rule of law. Ghana was the highest ranked African country followed by Zambia and then South Africa.

| Rank (out of 58) | | Score (out of 100) |
|---|---|---|
| 15 | COMPOSITE SCORE | 63 |
| 12 | Institutional & Legal Setting | 79 |
| 25 | Reporting Practices | 51 |
| 13 | Safeguards & Quality Controls | 73 |
| 13 | Enabling Environment | 59 |

To explore all data and compare scores, use the RGI Data Tool.

Satisfactory Weak
Partial Failing

*Source: National Resource Governance Institute*

Ghana offers several advantages to foreign operators. It has a stable, democratic government; it is English speaking and has good security. Accessibility and infrastructure, while still not to first world standards, is among the best in Africa. Due to Ghana's long mining history, qualified persons trained in mining, engineering, geophysics and geology are available.

The mining sector is currently largely foreign owned. One of the key deterrents to foreign investments in Ghana is the high taxes and royalties imposed on foreign operators. The Government holds a 10% minority interest in all the projects. Mining companies also pay a 35% corporate tax and a 5% NSR royalty. Gold Fields recently announced that their tax rate has been reduced from 35% to 32.5%.

Several major global mining firms operate in Ghana. The following is a list of the key operators and their projects:

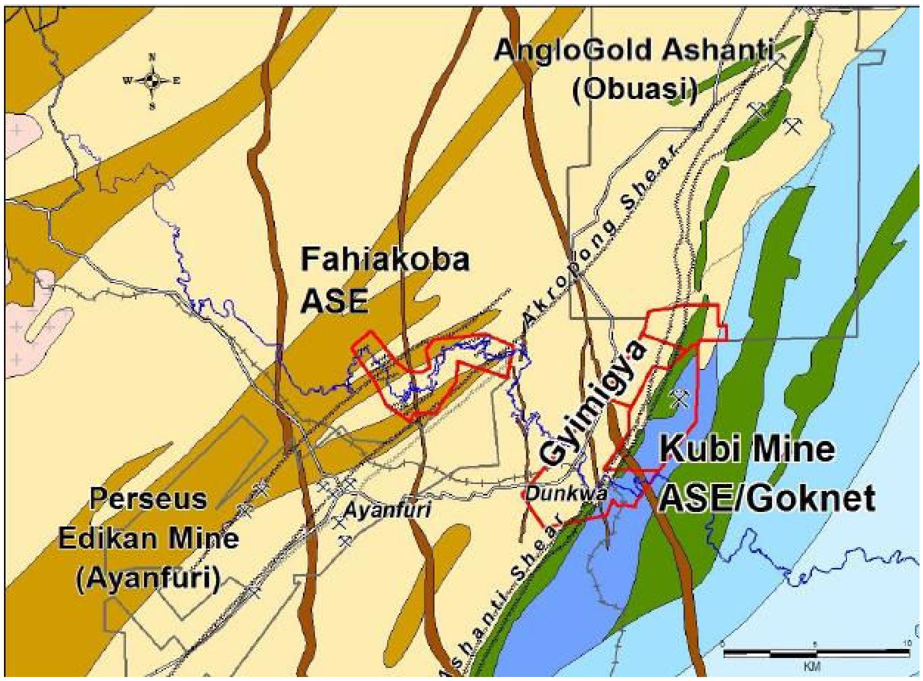
- Tarkwa, operated **by Gold Fields (NYSE:GFI),** has a resource estimate of 9.6 Moz, and a reserve estimate of 7.5 Moz, and produced 560 Koz in 2014. Gold Fields also owns the Damang mine, which has a resource estimate of 4.7 Moz and reserve estimate of 2.1 Moz.
- **Newmont Mining (NYSE:NEM)** has two gold-producing mines in Ghana - Ahafo and Akyem, with total production of 805 Koz per year.
- **AngloGold Ashanti (NYSE:AU)** also has two mines in Ghana: Obuasi and Iduapriem.
- **Endeavor Mining (ASX:EVR)** operates the Nzema gold mine, which has a resource estimate of 1.75 Moz, and reserve estimate of 356 Koz. Production in 2015 was 110 Koz.
- **Perseus Mining (ASX:PRU)** operates the Edikan gold mine, which has a resource

estimate of 7.08 Moz, and reserve estimate of 2.28 Koz. The current annual production is over 200 Koz.

**Kubi Property**

**Property Overview**
The Kubi property is located in the Adansi South District of the Ashanti Region of Ghana. The project area is approximately 30 km south by road of the township of Obuasi, 6 km north of the town of Dunkwa, and 170 km (5.5 hours by road) northwest of the capital city of Accra. The project is primarily comprised of two mining leases covering 19.2 sq. km.

The property is located approximately 25km south of AngloGold Ashanti's Obuasi mine, and approximately 18km north east of Perseus Mining's Edikan gold mine (see map below).

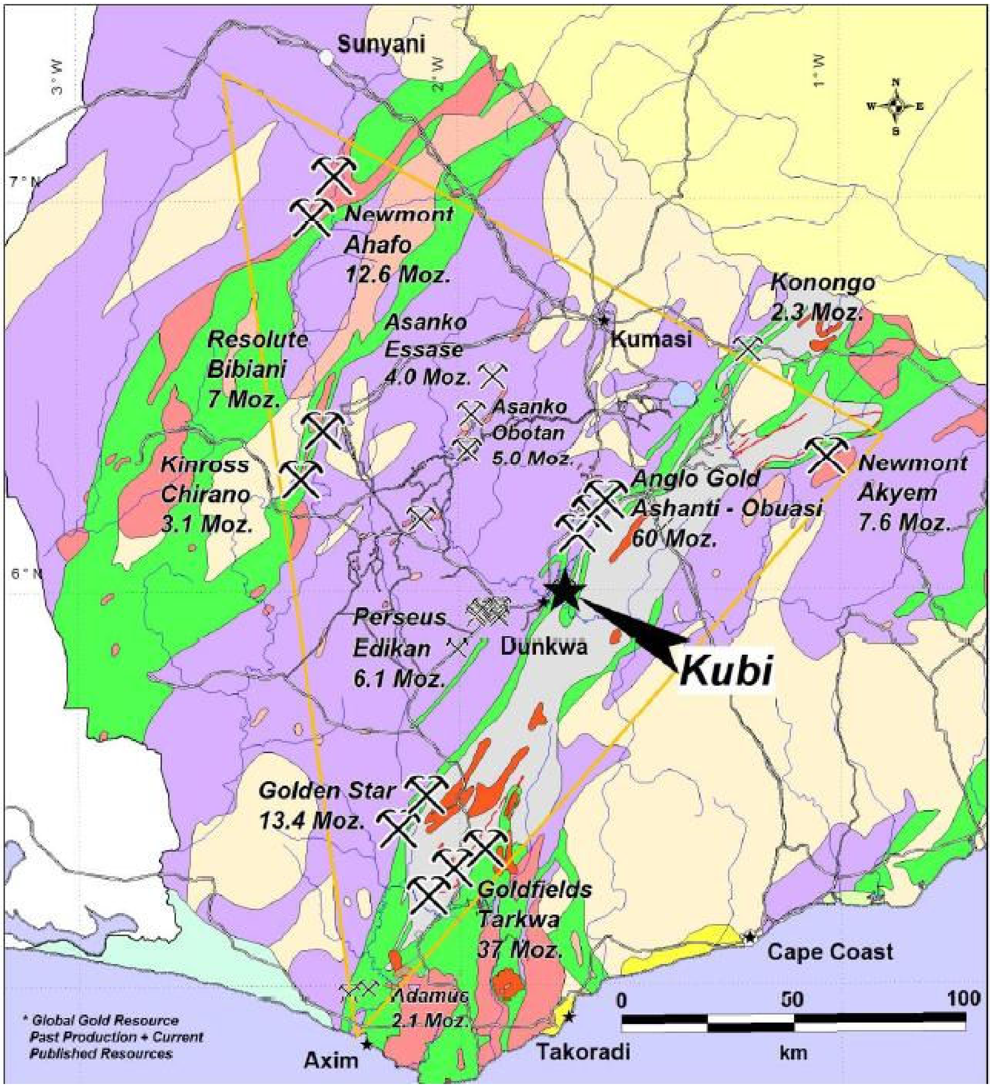



Light brown – Birmian meta sediments / Dark green – Birmian meta volcanics / Blue – Tarkwaian meta sediments

*Source: Company*

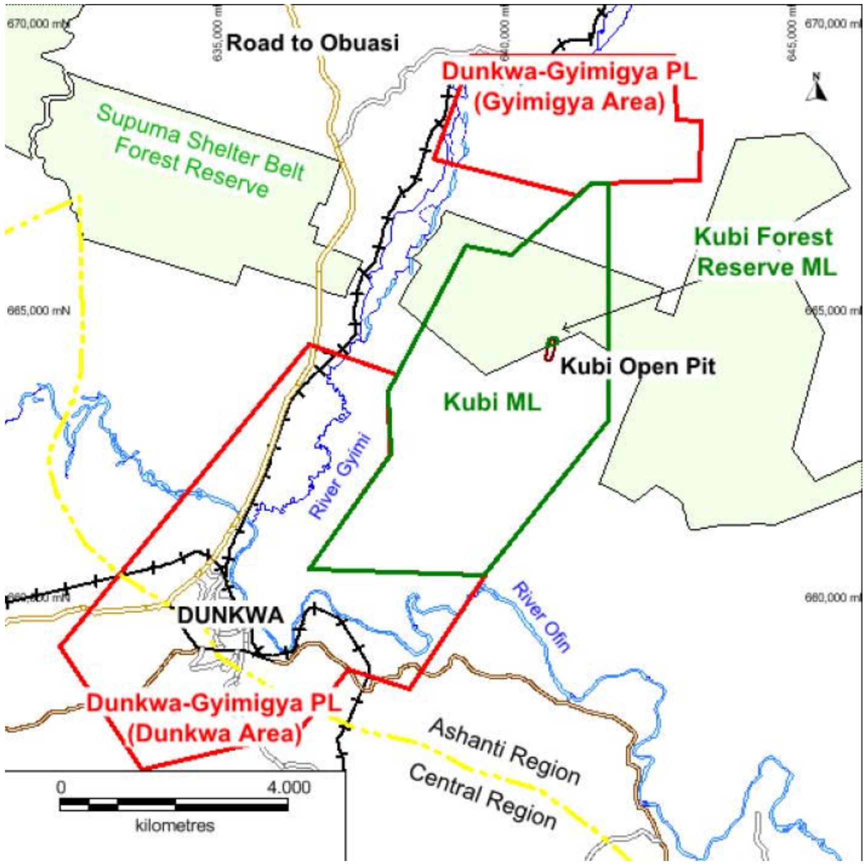
- **Obuasi** is primarily an underground mine operating at depths of 1.5 km and has produced over 30 Moz since production commenced in the 1890s. The project has high-grade resources totaling 24.6 Moz (6.96 gpt), including reserves of 7.78 Moz (6.37 gpt). Underground production was suspended in late 2014, after producing 239 koz in 2013, to modernize operations.
- Perseus Mining's **Edikan mine** has 5.08 Moz of measured and indicated resources, 2.0 Moz of inferred resources, and 2.28 Moz of reserves. The project was put into production in 2011, and currently produces over 200 Koz per year.

The following map shows the other key projects in the region:




Note “Asanko Obotan” located north of Kubi in the map above. This project was previously held by PMI Gold, run by Douglas MacQuarrie, who is now Asante’s CEO. The Obotan project currently has a total resource estimate of 4.5 Moz. The project commenced commercial production in April 2016.

A forest reserve (the Supuma Shelter Belt Forest Reserve) covers approximately 25% of the Kubi mining leases. However, as the company is planning an underground mining operation through a portal located outside of the forest reserve, and offsite toll milling, management does not expect any challenges or delays to obtain final permits or approvals. A preliminary Mine Exploration Operating permit has been issued to allow construction of the proposed portal and decline.




*Source: Company*

**Ownership**
In March 2015, the company announced it entered into a definitive agreement with Goknet Mining Company Limited ("Goknet") to acquire up to 100% of the Kubi project. The terms of the agreement are as follows:

- Asante can earn a 50% interest by issuing to Goknet two million shares and provide total funding of US$15 million within two years of closing; closing has been deferred subject to Asante obtaining requisite financing.
- The company also has an option to increase its interest to 75% by issuing to Goknet either 10 million shares or paying the greater of US$10 million or the cash value of 8,000 ounces of gold;
- A second option to increase interest to 100% by issuing to Goknet an additional 5 million shares and by granting to Goknet a 2% net smelter royalty ("NSR")

**In summary, the company can earn a 100% interest in Kubi by offering 17 million shares and a 2% NSR to Goknet, and by investing US$15 million in the project.**

The property is subject to the following royalties:

- Royalty company, Royal Gold, Inc. (TSX: RGL) holds a 3% Net Proceeds of Production royalty (based on profit).

- As mentioned earlier, the Ghana Government has a 10% equity and a 5% NSR royalty interest.

Goknet, a private Ghana corporation (Asante's CEO Douglas MacQuarrie owns 23.1% of Goknet; the remaining shares are held by various arm's length investors), acquired the property in September 2014 from PMI Gold Corporation as part of an undisclosed arbitration settlement. PMI had acquired the property in September 2007 from Nevsun Resources (TSX: NSU) for approximately US$5.5 million (paid in cash and shares). Nevsun Resources had held the property since the early 1990s.

**Historic Exploration / Production:** The property has been subject to over US$30 million in exploratory work with a total of 197,858 m of drilling from 7,063 holes. The project was initially explored by BHP Billiton (NYSE: BHP) in the 1980s, and then by Nevsun Resources in the 1990s. AngloGold Ashanti optioned the property from Nevsun in 1998 and mined 500,230 tonnes grading 3.65 g/t, producing approximately 59 Koz gold, from two small open pits between 1999, and 2006, on an intermittent basis. The ore was shipped to AngloGold Ashanti's Obuasi mine.

***Mining at Kubi Pit***

After acquiring the property from Nevsun in 2007, PMI Gold completed a preliminary scoping study, air and ground geophysics and extensive drilling, including 11,174m of DDH in 77 holes, 24,779m in 549 aircore holes, and 10,021m in 2,184 auger holes. In 2009, a significant new discovery (the "513 zone") was made, 1.2 km west of the Kubi Main deposit.

The following table summarizes the drill programs conducted by various operators on the property:

| Operator | No. of holes | Type | Length |
|---|---|---|---|
| BHP | 12 | DDH | 1,695 |
| CME | 199 | DDH | 66,197 |
| Nevsun | 19 | DDH | 2,142 |
| Nevsun | 499 | RAB | 14,296 |
| Nevsun | 229 | RC | 19,274 |
| Ashanti Goldfields | 3266 | Grade control | 46,263 |
| Ashanti Goldfields | 29 | RC | 2,017 |
| PMI Gold | 549 | AC | 24,779 |
| PMI Gold | 2184 | Auger | 10,021 |
| PMI Gold | 77 | DDH | 11,174 |
| | **7063** | | **197,858** |

**Accessibility and Infrastructure**

**We have visited the Kubi property in 2007 when we were covering PMI Gold.** In our site visit, we observed its easy, mostly paved road access. The western boundary of the property is adjacent to the main paved road linking Kumasi, a major regional city, to Takoradi, a coast port 173 kilometers to the south. The Kubi deposit is located 4 kilometers away from this highway by dirt road. The nearest town is Dunkwa, located just 15 minutes drive to the southwest.

No mill was ever constructed on site, as AngloGold Ashanti trucked the ore off-site. The Kubi main deposit is approximately 110 km north of the Prestea-Sankofa processing plant at Prestea, 75 km north of Golden Star's processing plant at the Bogoso gold mine, 15 km northeast of Edikan gold mine (Perseus) in Ayanfuri and 25 km south of Obuasi (AngloGold Ashanti) processing plants.

**Geology and Mineralization:** The geologic potential for gold in Ghana is excellent. While in Ghana, we observed small scale mining operations where artisinal workers, known as galamsey, recover placer gold from the soil using gravity concentration. This highlights the gold potential in the country, as these miners are essentially exploiting geochemical gold anomalies.

Kubi lies on the western margin of the Ashanti gold belt. Mineralization at Kubi is found in shear zones in Birimian age metasediments at the contact between Birimian and Tarkwaian rocks. The Birimian and Tarkwaian series, which are commonly associated with granite intrusions, host all the major gold deposits in the country. The mineralization occurs as typical vein type and disseminated deposits within a garnetiferous (garnet bearing) horizon. Additional mineralization occurs in quartz veins outside of the garnetiferous horizon that crosscut the contact. Mineralization has been identified in seven mineralized zones over a 1.2 kilometer strike length along the contact and there is great potential for additional gold mineralization at depth. The majority of the resource base is within the "Main Garnet Zone", where the main open pit (now backfilled) was located. The known depth of the deposit is 700 meters. It is located on the Kubi trend which sub-parallels 2 km to the east of the main Ashanti trend.

**Metallurgy**

Kubi ore is amenable to standard gravity/cyanide processing, with recoveries of over 90%.

## Resource Estimate

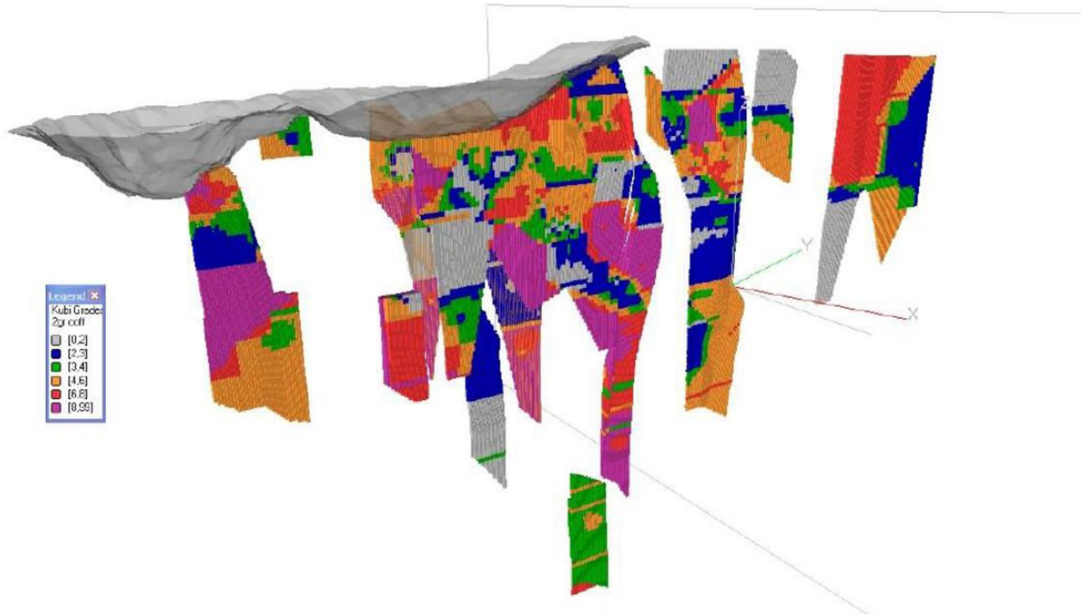
The following table shows the property's historical resource estimates calculated by various operators:

| | | Tonnes | gpt | Ounces | Tonnes | gpt | Ounces | Tonnes | gpt | Ounces | Ounces |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Year** | | **Measured** | | | **Indicated** | | | **Inferred** | | **Total** |
| BHP<br>sulphide zone / based on 12 holes | ~1994 | | | | | | | 121,500 | 14.8 | 57,820 | 57,820 |
| Pearson Hoffman<br>3 gpt cut-off | 1998 | | | | 2,030,000 | 6.2 | 401,400 | 1,460,000 | 6.01 | 281,700 | 683,100 |
| Golder Associates<br>no cut-off / constrained by Garnet zone | 2007 | | | | 5,130,000 | 3.66 | 604,000 | 5,380,000 | 1.88 | 315,000 | 919,000 |
| SEMS<br>2 gpt cut-off / wireframe constrained | 2010 | 660,000 | 5.3 | 112,000 | 660,000 | 5.65 | 121,000 | 670,000 | 5.31 | 115,000 | 348,000 |

The most recent and the current NI 43-101 compliant estimate was made in 2010, by Ghana based consulting firm SEMS Exploration Services Ltd. The resource was based on 66,312 m of diamond core drilling from 226 holes within the Kubi Main zone. Based on a 2 g/t cut-off, SEMS estimates measured resources of 0.66 million tonnes at 5.30g/t for 112,000 ounces; indicated resources of 0.66 million tonnes at 5.65g/t for 121,000 ounces; and inferred resources of 0.67 million tonnes at 5.31g/t for 115,000 ounces.

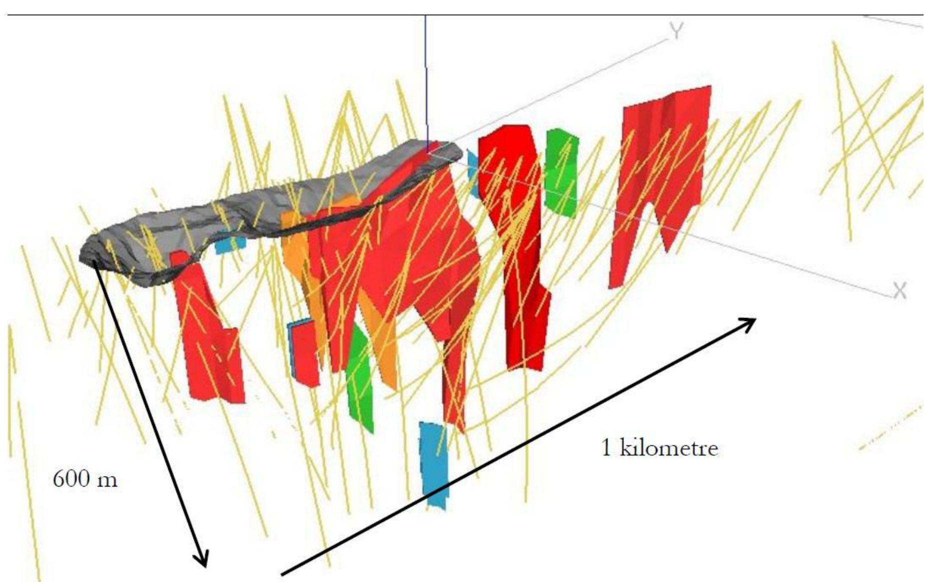
| CLASSIFICATION | MATERIAL TYPE | TONNAGE Tonnes (million) | GRADE (Au g/t) | CONT'D GOLD Ounces |
|---|---|---|---|---|
| Measured & Indicated | Oxide | 0.04 | 4.37 | 5,000 |
| Measured & Indicated | Fresh Rock | 1.29 | 5.50 | 228,000 |
| Measured & Indicated | **Total** | **1.32** | **5.48** | **233,000** |
| Inferred | Oxide | 0.08 | 5.39 | 14,000 |
| Inferred | Fresh Rock | 0.59 | 5.30 | 101,000 |
| Inferred | **Total** | 0.67 | 5.31 | 115,000 |

The following chart shows a view of the Kubi Main zone resource block model beneath open pit. Notice the increase in grade with depth.




*Source: Company*

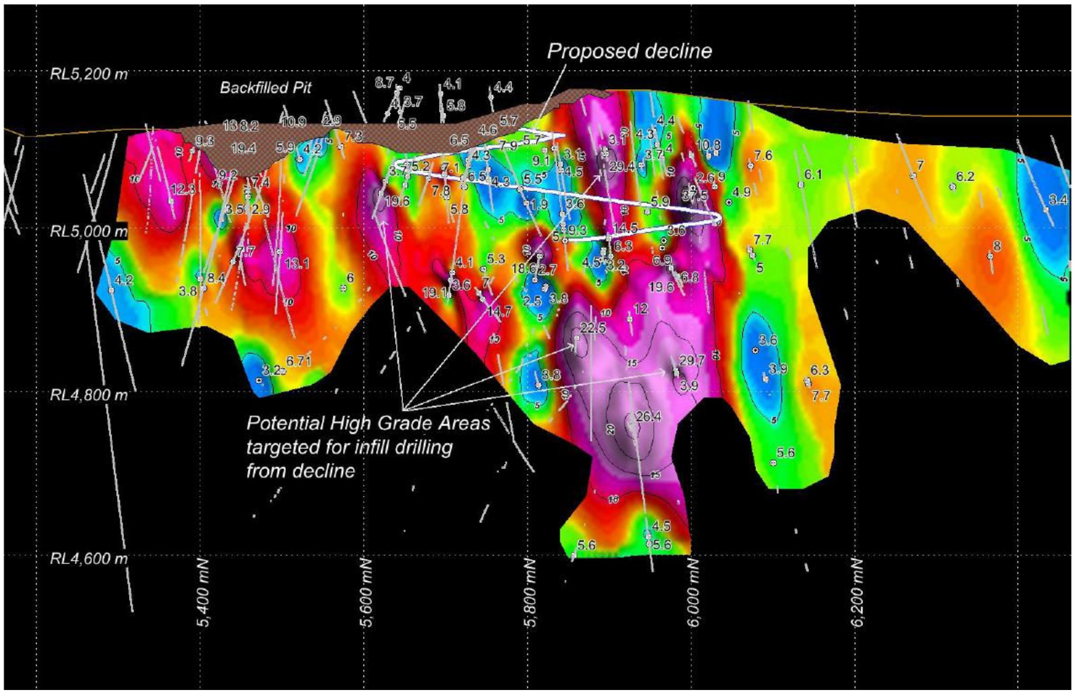
The known mineralized portion of the Kubi Main Zone covers a strike length of 2km, but the resource estimate is based on a 1km strike, and 600m depth (see chart below). **According to SEMS, the deposit is high grade, with high nugget effect, narrow vertical sheet like structure, separated into several individual lodes, which could best be exploited by underground mining.**




*Source: Company*

Additional expansion potential of the resource exists at depth and in parallel structures, including the nearby '513' zone which was discovered in 2010 and defined over a 1km strike length, but has not been drill tested to depth.

Management's focus is on the high-grade mineralization underneath the mined Kubi pit, which has been drilled with significant results in the 8-12 g/t gold range. Management estimates that the +8 g/t Au high grade areas indicated from drilling (see chart below) can be proven by a US$1.5 million underground reserve definition drill program.




*Source: Company*

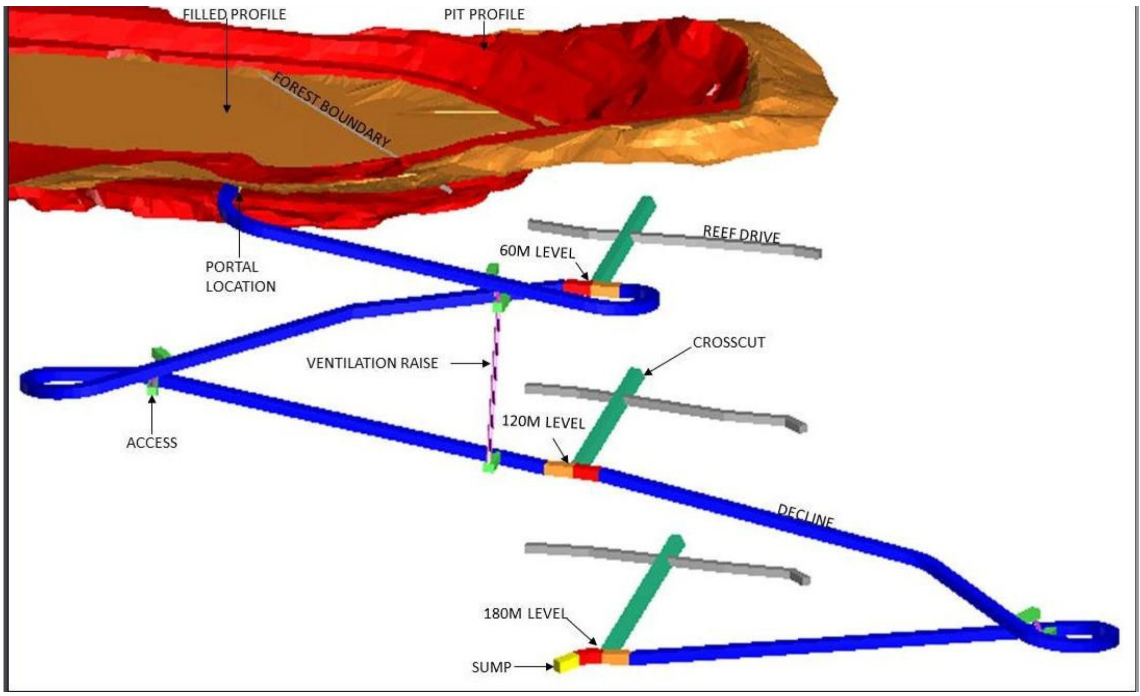
SEMS recommends the drilling would be best attempted from underground crosscuts off a footwall decline through the eastern wall of the Kubi open pit.

**Current Status and Development Plan**

Since entering into the agreement with Goknet in 2014, management has been working on the preliminary mining permits, portal and decline mine design. The company has also commenced discussions with various toll milling facilities in the region to mill the ore from Kubi. On December 16, 2015, the company announced the receipt of a temporary mining exploration operating permit that allows for the commencement of the construction of a portal and exploration decline at Kubi. Final permits will be subject to several criteria, including the drilling of a few geotechnical drill holes, and the receipt of all permits from the Forestry and the Environment Protection Agency (EPA) departments.

Mining is anticipated to be by conventional, steeply dipping, narrow mining methods. Management's current plan is to advance the project by carrying out an underground resource upgrade drilling program utilizing a 4m x 4.5m exploration decline at 15%. The decline is expected to have its portal on the eastern wall of the open pit. **The company proposes to drive crosscuts and exploration ore drives on three levels, the 60m, 120m, and 180m levels, to allow for resource upgrade drilling and to obtain bulk**

**samples for test milling.** The total development planned is approximately 2,100m, including 1,502m of decline, 283m of crosscut on three levels from the decline to the mineralization, and 315m of level drifts along mineralization. An Obuasi based mining contractor, Mining and Building Contractors Limited ("MBC"), has completed the preliminary portal and decline design, and been engaged to carry out the mining and surface infrastructure. **Obuasi's ex Mine Manager, Bashir Ahmed, is currently a Director and Vice President Production & Development of Asante.**




*Source: Company*

Key infrastructure necessary to support the proposed program will include an upgrade to the access road, perimeter fencing, diesel generated power, water management and waste management facilities.

The following table shows the budget estimated by SEMS to further define the resource, advance permitting and preliminary economic analysis.

***Exploration and Resource Drilling Budget (US$)***

| *Expenditure Item* | *6 Months* | *6 Mths – 2 years* |
|---|---|---|
| **Mineral Resource Development** | | |
| Portal, Decline, Mineral Resource definition and upgrade, Project review | $50,000 | $6,000,000 |
| Permitting, Reclamation Bond, surface and infrastructure | $200,000 | $1,000,000 |
| Engineering, Geotechnical Studies, Pre and Full Feasibility | $200,000 | $200,000 |
| **Sub-total Mineral Resource Development** | **$450,000** | **$7,200,000** |
| **Greenfields Exploration** | | |
| Exploration Geophysics, Auger Drilling, Geochemistry | | $100,000 |
| Drilling | | $300,000 |
| **Sub-total Greenfield Exploration** | | **$400,000** |
| **TOTAL BUDGET** | **$450,000** | **$7,600,000** |

Management believes, based on a successful conversion of resources to reserves, positive results from the exploration decline and underground development, that Kubi could produce 30,000 to 40,000 oz Au per year (500 - 650 tpd @ 6 to 8 g/t Au) in the initial years. They estimated CAPEX, based on toll milling, of US$20 million, with a 12 month timeline to initial production from funding. Based on other mine costs in West Africa, the trucking cost is estimated at US$15 per tonne, contract processing costs at US$35 per tonne (processing, G&A, selling and refining), and mining costs at US$81 per tonne, for total operating costs of US$144/tonne (including a 10% contingency). This reflects a cost of approximately $750 per oz, assuming an average grade of 6.5 gpt.

If a mill is built on site, the total CAPEX is estimated to increase to US$50 million, with an estimated 18 month timeline to production. However, trucking costs would be eliminated, and there is a potential to lower processing costs, and increase recoveries with an optimized mill.

Our cash flow projections and a Discounted Cash Flow ("DCF") valuation of the project are presented later in the report.

***Other Projects***

The company also holds an option on the Betanase concession and the Fahiakoba concession, located in the same region as the Kubi project in Ghana; and a 2% NSR royalty on NSS Resources' (CSE: NSS) Seneca volcanogenic massive sulfide copper/zinc/gold project in British Columbia, Canada.

**Betanase Concession -** In August 2015, Asante entered into an Option and Sale agreement with Perseus Mining (Ghana) to acquire up to 100% of their Betanase concession by completing US$1 million in exploration within four years and by paying US$1 million to Perseus. The project, which covers an area of 12 sq. km, is contiguous to, and up to 5km to the east of the Kubi project. Management considers Betanase as a highly prospective brownfield exploration play.

Previous work conducted over the Betanase permit area by Perseus consisted of 1,569 soil samples and 26 reverse circulation drill holes totaling 2,346m in the Lagos galamsey pit area on the Kubi main trend. The best result so far is 16m from 52.0 to 68.0m grading 1.455 g/t Au. Three other holes intersected 4m lengths grading 1.05 to 1.75 g/t Au.
According to management, the defined Betanase soil anomaly is over 1.4km in length

with a 700m long core outlined by the 200 ppb gold in soil contour. Extensive galamsey alluvial workings extend over a distance to 3 km to the north and 300 m west of a small hill which corresponds with the anomalous soils.

In September 2015, the company completed a program of ground geophysics at Betanase. The surveys consisted of induced polarization, resistivity and fixed source VLFEM on 14 lines at 100m line spacing.

Also, an initial four hole drill program in December 2015 discovered grades of up to 3.14g/t gold over 4 metres in altered quartzites. Subject to financing, a follow up Phase 2 drill program will target extensive high IP areas along strike to the northeast and southwest.

**The Fahiakoba concession**, covering 22 sq. km, is situated 10 km west of the Kubi Main deposit. Asante completed 4,985 metres of drilling in 30 holes. The best hole intersected 289.5 g/t Au over 0.5m at a depth of 201.8m. A technical report on the concession prepared in January 2012, stated that at least seven drill target areas totaling over 10 kilometers in strike length have been identified. The technical report recommends a $1.35 million program of diamond/RC drilling, additional auger sampling and ground VLFEM, induced polarization/resistivity surveys to evaluate the identified targets.

***Management***

**Management and the board of directors own 36% of the outstanding shares of Asante**. The CEO, Douglas MacQuarrie, owns or controls 9.24 million shares, or 25% of the total outstanding, aligning management and investors' interests.

The company's board has four members, of which two are independent. Brief biographies of the management team, as provided by the company, follow:

**Douglas R. MacQuarrie, President & CEO**
**P.Geo.BC, B.Sc. Combined Honours Geology & Geophysics**
A resident of Vancouver, Mr. MacQuarrie has 40 years' mineral exploration experience, including 23 years in West Africa. He has been responsible for the discovery, acquisition and development of many significant gold deposits both in Canada and in Ghana. As the former CEO of PMI Gold Corporation he oversaw the acquisition of all the PMI mineral titles including Obotan(now the Asanko Mine) and Kubi, and was responsible for raising over $45 million for exploration and development. Mr. MacQuarrie is a founder of Asante Gold; and the Managing Director of Goknet Mining Company Limited - a private Ghanaian exploration company he co-founded in the year 2000 with Ghanaian Nationals Godfried Kesse (former Director Ghana Geological Service), Thomas Ennison (LLB), and Eric Ewen (Canadian Prospector and discoverer of Keegan Esaase orebody).

**Philip Gibbs, Chief Financial Officer**
**B.Compt., MBA, CMA**
A resident of Toronto, Mr. Gibbs has extensive experience in the financial management of major international corporations and Canadian listed mining and mineral exploration companies. Mr. Gibbs is also interim CEO and CFO of KILO Goldmines Ltd., and CFO

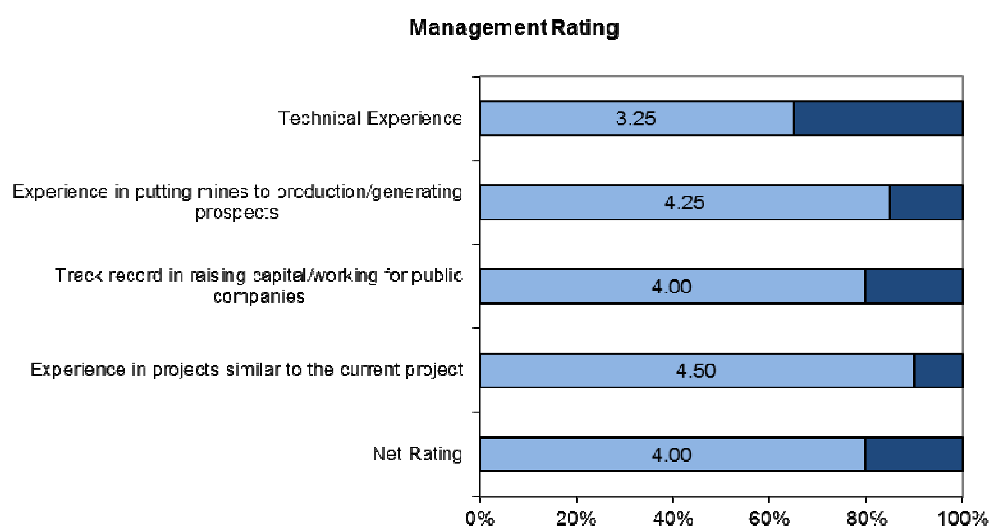
of Macusani Yellowcake Inc., operating in the Democratic Republic of Congo and Peru respectively.

**Bashir Ahmed, Director & Vice President Production & Development**
A resident of Obuasi, Ghana, Mr. Ahmed, a Ghanaian National, is a mining engineer with over 30 years of experience in mine operations, planning, production and management. This wealth of expertise gained him the position as Mine Manager at Obuasi, one of the World's foremost underground gold mines, producing up to 1.8 million tonnes per year (~4,900 tpd). In this capacity Mr. Ahmed managed a workforce of over a 1000, with an annual budget of US$100 million.

**Florian Riedl-Riedenstein, Independent Director**
A resident of Vienna, Austria, Mr. Riedl-Riedenstein is a former investment banker working in both New York and Austria. He has over 30 years' corporate experience as a Director and Officer of Canadian listed companies. His specialty is the successful introduction of Canadian resource companies to European investors. He is a co-founder of Asante Gold and active in Ghana gold exploration for more than 20 years.

**Alex Heath, Independent Director**
Mr. Heath is a graduate of the UBC/Sauder School of Business. Recent experience includes 8 years with Salman Partners Inc. in their Investment Banking Department as an analyst, Associate and VP. In that capacity, he provided equity financing and financial advisory services to corporate and individual clients including public and private equity offerings, valuations, fairness opinions, and in merger and acquisition advisory work. He was the Lead banker on numerous financings and complex M&A transactions.

**Our net rating on Asante's management team is 4.0 out of 5.0 (see below).**




We believe that the Board of Directors of a company should include independent or unrelated directors who are free of any relationships or business that could materially interfere with the director's ability to act in the best interest of the company. An unrelated/independent director can be a shareholder. The following table shows our analysis on the strength of Asante' board.

| | Poor | Average | Good |
|---|---|---|---|
| Two out of four directors are independent | | X | |
| All directors hold shares of the company | | | X |
| The Audit committee is composed of 3 board members, 2 are independent | | X | |

***Financials***

At the end of FY2015 (ended January 31, 2016) the company had cash and working capital of $5k and -$3.09 million, respectively. The working capital deficit was primarily because of a $2.22 million related party debt due to management and Goknet. We estimate the company had a burn rate (cash spent on operating and investing activities) of $92k per month in FY2015. The following table summarizes the company's liquidity position at the end of FY2015.

| (in C$) | 2014 | 2015 |
|---|---|---|
| Cash | $21,449 | $4,982 |
| Working Capital | -$11,052 | -$3,087,111 |
| Current Ratio | 0.78 | 0.01 |
| LT Debt/ Assets | - | - |
| Monthly Burn Rate (incl. investing activities) | (56,968) | (91,617) |
| Cash from Financing | $246,959 | $657,381 |

Subsequent to the year-end, in February 2016, the company converted approximately $1.10 million of the related party debt to equity by issuing 10.97 million shares @ $0.10 per share. The company also completed the following equity financings:

- In February 2016, the company also completed a $53k financing by issuing 533,000 shares at $0.10 per share.
- In May 2016, the company closed a $0.16 million financing by issuing 1.60 million units @ $0.10 per unit. Each unit will consist of a common share and a common share purchase warrant (exercise price - $0.25 per share for 2 years).

According to management, the company currently has approximately $10k in cash, and will need to raise a minimum of $3 million in 2016 to advance all its projects.

***Stock Options and Warrants***

We estimate the company currently has 3.56 million options outstanding (weighted average exercise price of $0.31) and 3.93 million warrants outstanding (weighted average exercise price of $0.20). At this time, none of the stock options or warrants are 'in-themoney'.

Gold prices are up 20% YTD from US$1,060 to the current price of US$1,270 per oz.

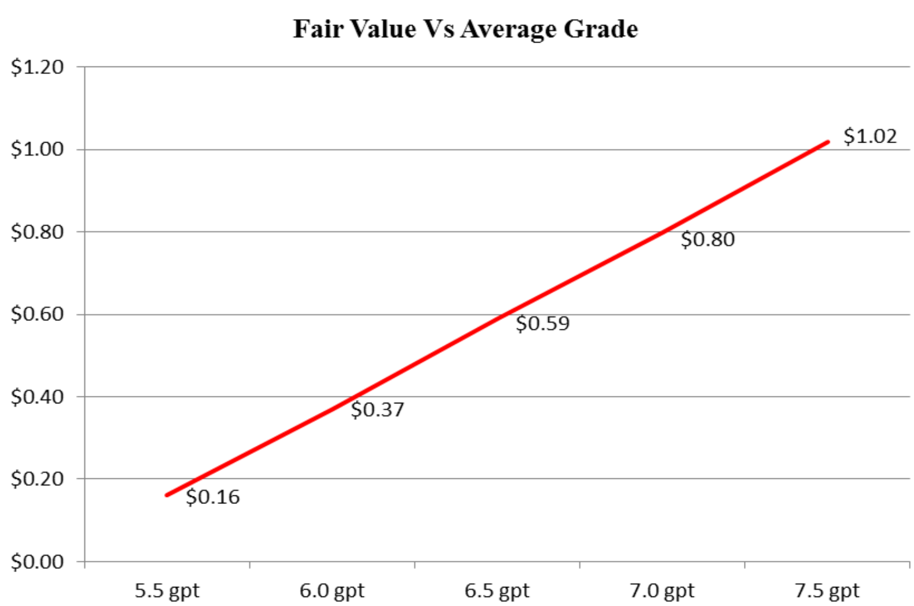

Our long-term price forecast is US$1,200 per oz.

***Valuation and Rating***

**Discounted Cash Flow ("DCF")** – Our DCF valuation on ASE's shares is $0.58 per share. Our base-case model assumes a 8 year mine life, with a weighted average grade of 7 gpt in years 1 to 2, 6.5 gpt in years 3 to 5, and 5.5 gpt in years 6 to 8. The following table shows our key assumptions.

| DCF Valuation | |
|---|---|
| Tonnage (M&I + 50% Inf) | 1,655,000 |
| Weighted Avg Grade (gpt) | 7 gpt in Years 1 - 2, 6.5 gpt in Years 3 - 5, 5.5 gpt for Years 6 -8 |
| Recovery | 92% |
| Recovered Au (oz) | 307,468 |
| Production Rate | 500 tpd in Year 1 and 650 tpd in Year 2+ |
| Mine Life (years) | 8 |
| Operating costs (US$/t) | $144 |
| Capital Cost (US$) | $20.00 |
| Long-Term Gold Price (US$/oz) | $1,200 |
| Long-Term C$/US$ | 1.10 |
| Discount rate | 11.5% |
| **Net Asset Value (C$) - ASE's 90% Interest** | **$32,510,269** |
| Current Working Capital | ($1,774,111) |
| **Fair Value of ASE** | **$30,736,158** |
| No. of Shares | 53,231,000 |
| **Fair Value per Share ($)** | **$0.58** |

The following chart and table show the sensitivity of our fair value estimate to the average grade, gold price and discount rate.



| | | Gold Price (US$/oz) | | | | |
|---|---|---|---|---|---|---|
| | | $900 | $1,000 | $1,200 | $1,500 | $1,800 |
| | 7.0% | -$0.10 | $0.17 | $0.72 | $1.53 | $2.35 |
| | 9.0% | -$0.11 | $0.15 | $0.65 | $1.41 | $2.16 |
| Discount Rate | 11.5% | -$0.12 | $0.12 | $0.58 | $1.27 | $1.96 |
| | 13.0% | -$0.12 | $0.10 | $0.54 | $1.20 | $1.85 |
| | 15.0% | -$0.13 | $0.08 | $0.49 | $1.11 | $1.72 |

**Comparables Valuation:** The following table shows a list of junior gold companies operating in Ghana. As shown, Asante's Enterprise Value ("EV") to resource ratio is $23.82 per oz versus the average ratio of $42.42 per oz, indicating that ASE's shares are significantly undervalued at current price levels.

| | Company | Ticker | Net Resource | Enterprise Value ($,M) | EV / Resource | Project Stage |
|---|---|---|---|---|---|---|
| 1 | Castle Minerals | ASX: CDT | 253,350 | $1.15 | $4.54 | Resource |
| 2 | Castle Peak Mining | TSXV: CAP | 38,000 | $3.01 | $79.21 | Resource |
| 3 | Asante Gold | CSE: ASE | 290,500 | $6.92 | $23.82 | Resource |
| 4 | Pinecrest Resources Ltd. | TSXV: PCR | 539,349 | $7.41 | $13.74 | PEA |
| 5 | Pelangio Exploration Inc. | TSXV: PX | 344,000 | $10.20 | $29.65 | Resource |
| 6 | Xtra-Gold Resources Corp. | TSX: XTG | 351,500 | $21.49 | $61.14 | Resource |
| 7 | African Gold Group | TSXV: AGG | 1,727,000 | $21.18 | $12.26 | Feasibility |
| 8 | Golden Star Resources | TSX: GSC | 7,772,500 | $267.30 | $34.39 | Producing |
| 9 | Asanko Gold | TSX: AKG | 9,190,000 | $1,130.55 | $123.02 | Producing |
| Average | | | | | $42.42 | |

*Net Resource = 100% of Measured and Indicated + 50% of Inferred Resources

**We are initiating coverage on Asante Gold with a BUY rating and fair value estimate of $0.60 per share.**

***Risks***

The following risks, though not exhaustive, may cause our estimates to differ from actual results:

- The value of the company is dependent on gold prices.
- The company does not currently have any operating mines.
- Exploration and development risks.
- Access to capital and share dilution.
- Foreign exchange risk.
- The project's progress is contingent on financings.
- As per its agreement with Goknet, the company has to invest US$15 million into the Kubi property. However, note that Asante and Goknet have common directors, so we believe the terms and conditions of the agreement are likely to be flexible.
- Management's current production plans are contingent on their ability to confirm high-grade areas in the proposed resource upgrade program.
- Ghana currently imposes high royalties, carried interest and tax on foreign operators.

Any unfavorable changes to these measures will negatively impact Asante.

- Currently low daily average trading volume of ASE's shares.

We rate the company's shares a risk of 5 (Highly Speculative).

**Fundamental Research Corp. Equity Rating Scale:**
**Buy** – Annual expected rate of return exceeds 12% or the expected return is commensurate with risk
**Hold** – Annual expected rate of return is between 5% and 12%
**Sell** – Annual expected rate of return is below 5% or the expected return is not commensurate with risk
**Suspended or Rating N/A—** Coverage and ratings suspended until more information can be obtained from the company regarding recent events.

**Fundamental Research Corp. Risk Rating Scale:**
**1 (Low Risk) -** The company operates in an industry where it has a strong position (for example a monopoly, high market share etc.) or operates in a regulated industry. The future outlook is stable or positive for the industry. The company generates positive free cash flow and has a history of profitability. The capital structure is conservative with little or no debt.

**2 (Below Average Risk) -** The company operates in an industry where the fundamentals and outlook are positive. The industry and company are relatively less sensitive to systematic risk than companies with a Risk Rating of 3. The company has a history of profitability and has demonstrated its ability to generate positive free cash flows (though current free cash flow may be negative due to capital investment). The company's capital structure is conservative with little to modest use of debt.

**3 (Average Risk) -** The company operates in an industry that has average sensitivity to systematic risk. The industry may be cyclical. Profits and cash flow are sensitive to economic factors although the company has demonstrated its ability to generate positive earnings and cash flow. Debt use is in line with industry averages, and coverage ratios are sufficient.

**4 (Speculative) -** The company has little or no history of generating earnings or cash flow. Debt use is higher. These companies may be in start-up mode or in a turnaround situation. These companies should be considered speculative.

**5 (Highly Speculative) -** The company has no history of generating earnings or cash flow. They may operate in a new industry with new, and unproven products. Products may be at the development stage, testing, or seeking regulatory approval. These companies may run into liquidity issues, and may rely on external funding. These stocks are considered highly speculative.

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