

Q2, 2012

Welcome to the second edition of Mining Digest Eritrea – a quarterly digest of key developments and news relating to the minerals sector in Eritrea.

Aim: To provide a realistic snapshot of this new and growing sector for current and prospective investors by collating relevant information in a brief, transparent and balanced quarterly format.

Sources: Market reports, company press releases and news articles which are in the public domain. References and/or links are provided for easy access to further information.

Content: Industry Highlights, Economic Highlights, Major announcements from current players, Market Snapshot

Contact: To ensure you receive future editions or to provide feedback, please email us at miningdigesteritrea@gmail.com

Industry Highlights

Asmara Mining Conference 2-6 October 2012

Bringing together mineral explorers, academics, geologists, mining experts, investors, service providers and regulators, the annual conference will feature presentations, excursions and networking opportunities. For registration and more details, please contact Mr. Amir Hassen by email:

amirhassen@gmail.com

Sunridge Gold secures \$9.25m financing

Sunridge Gold Corp. has signed a \$9.25 million private placement financing with Chinese energy and mining company Shanghai Richstone Investment Group, with the proceeds to go toward the completion of the feasibility study at its Asmara project in Eritrea. Proactive Investors 07.06.2012

<http://www.proactiveinvestors.co.uk/companies/news/43869/sunridge-gold-secures-925-mln-financing-with-chinas-richstone-investment-43869.html>

For gold-miner Nevsun, fortunes swing again

Shareholders in Vancouver-based Nevsun Resources, more than 50% down since February, got some respite on Wednesday, when the Eritrea-focused gold miner raised its 2012 production guidance by around 25%... Mining Weekly 09.05.2012
<http://www.miningweekly.com/article/for-gold-miner-nevsun-fortunes-swing-again-2012-05-09>

Nevsun, Andiamo show Eritrea's huge gold, copper, zinc potential

Initially the political environment in Eritrea was not conducive to foreign investment, but now it is considered one of the best mining jurisdictions in Africa and is virtually corruption-free... Much of these highly prospective Eritrean gold and base metals-bearing trends are still very underexplored and the prospect for Eritrea... becoming a significant precious and base metals producer remains largely untapped... Mineweb.com 04.05.2012
<http://www.mineweb.com/mineweb/view/mineweb/en/page34?oid=150831&sn=Detail&pid=102055>

The government to buy 30% of the Colluli potash project

In late March Australian-based South Boulder Mines announced that it had appointed corporate advisers to help to handle negotiations with the government-owned Eritrean National Mining Corporation (Enamco) regarding the purchase of a 30% interest in the Colluli potash project... Economist Intelligence Unit 01.05.2012
<http://country.eiu.com/article.aspx?articleid=1899011174&Country=Eritrea&topic=Economy&subtopic=Current+policy&subsubtopic=Economic+policy%3a+The+government+buys+30%25+of+the+Colluli+potash+project+>

Chalice Gold Sees Sale of Eritrea Stake to China SFECO by August

Chalice Gold, an Australian explorer for the metal, expects China SFECO Group to complete an \$80 million purchase of its stake in Eritrea's Zara mine by August, Chief Executive Officer Doug Jones said. Bloomberg 27.04.2012

<http://www.bloomberg.com/news/print/2012-04-27/chalice-gold-sees-sale-of-eritrea-stake-to-china-sfeco-by-august.html>

Industry Highlights cont.

South Boulder Mines: Colluli in Eritrea is now a Tier 1 asset hosting 194Mt of contained potash

Successful exploration by South Boulder at Colluli in Eritrea has delivered an 85% jump in contained potash to 1.08bt at 18% KCl for 194mt of potash. The project is evolving into being the world's first open cut potash mine and has mine life extension potential. Proactive Investors 16.04.2012

<http://www.proactiveinvestors.com.au/companies/news/27653/south-boulder-mines-colluli-in-eritrea-is-now-a-tier-1-asset-hosting-194mt-of-contained-potash-27653.html>

Special report: African Gold Stocks – East vs. West

Ocean Equities Mining Analyst Christopher Welch says that East Africa has the same geological potential as West Africa but is at an earlier point in its evolution. Chris' top picks in Africa include Sunridge Gold Corp. and La Mancha Resources Inc.

Interview available at:

<http://www.theaureport.com/pub/video/3-5-12-east-vs-west-african-gold.html>

Economic Highlights

NICE Doubles Shareholders' Number of Shares

The National Insurance Corporation of Eritrea Share Company disclosed that with the surplus realized the past fiscal year, shareholders would have their number of shares doubled and receive this year's dividend accordingly... "The privatization of the National Insurance Corporation of Eritrea represents the Eritrean Government's largest privatization program to date," said Mr. Zeru [General Manager]. Shaebia.org 12.06.2012

http://shaebia.org/index.php?option=com_content&view=article&id=279:nice-doubles-shareholders-number-of-shares&catid=35:local-a-intl-news&Itemid=41

Eritrean airline enters Uganda amid slow passenger growth

Nasair made its maiden flight to Entebbe International Airport becoming the latest to launch its operations in Uganda in the last three years. Saturday Monitor (Uganda), 18.05.2012

<http://www.monitor.co.ug/Business/Eritrean+airline+enters+Uganda+amid+slow+passenger+growth/-/688322/1408254/-/eke1q0/-/>

SA: Direct flights from Eritrea to improve trade relations

The South African government has welcomed the introduction of regular flights from Eritrea, saying this will further help strengthen economic, political, and social relations between the two countries. All Africa News 07.05.2012

<http://allafrica.com/stories/201205071100.html>

Eritrea's real GDP to grow by 7.5% in 2012 – IMF World Economic Outlook April 2012

In Eritrea, comprehensive reforms are needed to set its economy on a strong, sustained growth trajectory, including internal market liberalization, exchange rate adjustment, and greater openness to international trade. IMF, 27.04.2012

<http://www.imf.org/external/pubs/ft/reo/2012/afr/eng/sreo0412.pdf>

The most expensive petrol in the world (top 10)

#1 Norway –At the top of the charts... 164p per litre

#9 Eritrea –The small country of Eritrea in the Horn of Africa is the only non-European state to enter the top ten with an average price of 141p per litre of unleaded. AOL.co.uk 23.04.2012

<http://money.aol.co.uk/2012/04/23/t/>

Major announcements from existing players

South Boulder Mines' world-class Colluli Potash Project attracts North American investors

South Boulder Mines is on track to become the world's first modern open pit potash producer, with the potential strong upside of the stock not lost on North American investors. Colluli has the lowest CAPEX per tonne in the industry, with the potential for a mine life in excess of 50 years, producing both MOP and Sulphate of Potash. South Boulder will raise A\$9.5 million via a share placement at \$0.95 cents to North American investors... 26.06.2012

<http://www.proactiveinvestors.com.au/companies/news/30531/south-boulder-mines-world-class-colluli-potash-project-attracts-north-american-investors-30531.html>

Sunridge Gold Drills 58 Metres of 1.44% Copper at Adi Rassi Copper-Gold Project

Sunridge Gold Corp. is pleased to report that assays results have been received for the first three drill holes from the Company's 2012 exploration diamond drill program at the Adi Rassi copper--gold prospect, part of the Asmara Project in Eritrea. These results, combined with previous drill hole results, are very encouraging as they support management's belief that Adi Rassi is a new large copper-gold discovery that has the potential to become Sunridge's fifth deposit on the Asmara Project. 25.06.2012

<http://www.sunridgegold.com/s/PressReleases.asp?ReportID=532605>

South Boulder Mines: new potash discoveries at Colluli underpin resource upgrade

South Boulder Mines which is on-track to become the world's first open pit potash producer, has yet again extended the mineralised zone at the Colluli Project in Eritrea, after successful drilling discovered more high grade near surface potash. 12.06.2012

<http://www.proactiveinvestors.com.au/companies/news/29983/south-boulder-mines-new-potash-discoveries-at-colluli-underpin-resource-upgrade-29983.html>

Sunridge Gold Announces \$ 9.25 Million Private Placement

Sunridge Gold Corp. is pleased to announce that it has signed a subscription agreement with an affiliated corporation of the Shanghai Richstone Investment Group Ltd. to complete an exclusive non-brokered private placement. 07.06.2012

<http://www.sunridgegold.com/s/PressReleases.asp?ReportID=529291>

Sunridge Gold Files Technical Report For Gupo Gold Resource

Sunridge Gold Corp. has today filed a National Instrument 43-101 compliant technical report regarding the new resource estimate for the Gupo Gold deposit, the fourth deposit that forms the basis of the Asmara North Pre-feasibility Study. 25.05.2012

<http://www.sunridgegold.com/s/PressReleases.asp?ReportID=527073>

Nevsun Declares Semi-Annual Dividend of US\$0.05 Per Share

Nevsun Resources Ltd. is pleased to advise that its Board of Directors has declared a semi-annual cash dividend of US\$0.05 per common share (US\$0.10 per common share annually). 15.05.2012

<http://www.nevsun.com/news/2012/may15/>

Sunridge Gold Announces Positive Feasibility Study For The Debarwa Deposit, Asmara Project, Eritrea

Sunridge Gold Corp. is pleased to announce the completion and positive results of an independent feasibility study by lead engineer SENET (Pty) Ltd. for its 100% owned Debarwa volcanogenic-massive-sulphide (VMS) copper-gold-zinc deposit, part of the Asmara Project, Eritrea. 14.05.2012

<http://www.sunridgegold.com/s/PressReleases.asp?ReportID=524272>

Nevsun Reports Strong First Quarter

Nevsun Resources Ltd. reported strong financial and operating results for the first quarter ended March 31, 2012. Nevsun also increased its guidance for 2012 gold production by approximately 25% to a range of 240,000 ounces to 260,000 ounces. 09.05.2012

<http://www.nevsun.com/news/2012/may09/>

Major announcements cont.

Chalice enters Joint Venture with ENAMCO for Mogoraib North and Hurum Projects

Chalice Gold Mines Limited advises that it has agreed to enter into a joint venture with the Eritrean National Mining Corporation in relation to its Mogoraib North and Hurum Projects in Eritrea. The MHJV will be owned 60 per cent by Chalice and 40 per cent by ENAMCO (including a 10% free carried interest). 04.05.2012
<http://chalicegold.com/upload/documents/InvestorRelations/releases/20120504ASXAnnouncement-MogoraibJVwithENAMCO.pdf>

Sunridge Gold Announces Positive Pre-Feasibility Study

Sunridge Gold Corp. is pleased to announce the completion and positive results of an independent pre-feasibility study by lead engineer Snowden Mining Industry Consultants Inc. for its 100% owned Asmara North project in Eritrea. 02.05.2012
<http://www.sunridgegold.com/s/PressReleases.asp?ReportID=522503>

Shanghai Construction Group Board approves acquisition of Chalice's stake in Zara Gold Project

Chalice Gold Mines is pleased to advise that the Board of Shanghai Construction Group Co Ltd has approved the agreement to acquire Chalice's 60 per cent interest in the Zara Project in Eritrea for US\$78 million plus a deferred payment of US\$2 million. 27.04.2012
<http://chalicegold.com/upload/documents/InvestorRelations/releases/20120427ASXAnnouncement-HNSignsSPAfollowingSFECODBoardApproval.pdf>

South Boulder Mines: new high grade potash zone discovered at Colluli in Eritrea

South Boulder Mines continues to deliver a positive news flow from the Colluli Potash Project in Eritrea, with the latest instalment a new high grade potash zone. This discovery comes just a week after the resource almost doubled to 1.08 billion tonnes at 18% KCl for 194 million tonnes of potash, and bodes well for future resource upgrades. 23.04.2012
<http://www.proactiveinvestors.com.au/companies/news/27953/south-boulder-mines-new-high-grade-potash-zone-discovered-at-colluli-in-eritrea-27953.html>

Zara Gold Project Sale Consideration

Chalice Gold Mines Limited advises that, following completion by the China SFECO Group of its due diligence and further negotiation between the parties, the consideration payable by SFECO for Chalice's 60 per cent interest in the Zara Project, including the area surrounding the Koka Gold deposit, will be US\$80 million payable as to US\$78 million on settlement and US\$2 million on first gold pour. 17.04.2012
<http://chalicegold.com/upload/documents/InvestorRelations/releases/20120417ASXAnnouncement-ZaraGoldProjectSaleConsideration.pdf>

Completion of SFECO Due Diligence

Chalice Gold Mines Limited advises that it has received notification from China SFECO Group that SFECO has completed its due diligence in respect to the purchase of Chalice's 60 per cent interest in the Zara Project in Eritrea in accordance with the agreed timetable. 13.04.2012
<http://chalicegold.com/upload/documents/InvestorRelations/releases/20120413ASXAnnouncement-SFECODDcompletion.pdf>

Country Snapshot

Eritrea is a country where rocks belonging to the highly prospective Arabian Nubian Shield makes up more than 60% of the country.



The State of Eritrea, independent since 1991

Population: 5.4 million (UN, 2011)
Capital: Asmara
Area: 117,400 sq km (45,300 sq miles)

Major languages: Tigrinya, Tigre, Arabic, English
Major religions: Islam, Christianity
Life expectancy: 60 years (men), 64 years (women) (UN)

Monetary unit: 1 Nakfa = 100 cents
Exchange: 1 USD : 15 Nakfa
Main exports: Livestock, hides, sorghum, textiles, salt, light manufactures, gold
GNI/capita: US \$340 (World Bank, 2010)
Dial Code: +291

BBC <http://www.bbc.co.uk/news/world-africa-13349075>

Minerals

Copper, Zinc, Potash, Lead, Gold, Silver,

Active companies

23 companies: 4 publicly traded exploration and development companies + 19 private exploration companies + Eritrean National Mining Company (ENAMCO)

Public Companies

Chalice Gold Mines Ltd
NGEx/Sanu Resources
South Boulder Mines Ltd
Sunridge Gold Corporation

Private companies

Adobha Resources Ltd
Andiamo Exploration Ltd
Babal Rayan Jewellery PLC
Beijing Donia Resources Co Ltd
Beijing Sinoma Mining Investment Ltd
Bisha Mining Share Company
China Africa Huakan Investment Co Ltd
Eritrea-China Exploration & Mining Share Co
Hubei Geological and Mining Company Limited (China)
Land Energy Group
London Africa Ltd
Minmetals Exploration and Development Co Ltd
Sahar Minerals Limited
Shandong Mining Development Limited
Sub Sahara Resources (Eritrea) Ltd
Thani-Ashanti Akordat North Ltd
Thani-Ashanti Karkasha Ltd
Zara Mining Share Company
Zhong Chang Mining Co Ltd