

## **CHAIRMAN'S ADDRESS**

Commissioners Gold Limited  
**ANNUAL GENERAL MEETING 14<sup>th</sup> NOVEMBER 2012**

Good morning Ladies and Gentlemen.

Welcome to the second Annual General Meeting for Commissioners Gold Limited.

I am Chris Batty, the Executive Chairman of your Company.

I thank you for taking the time to attend today.

Those of you who were here last year would remember our focus on bringing a gold asset into modest production as quickly as possible. Achieving that aspiration with limited capital required early hard decisions, the first of which you, our shareholders, made at that AGM in changing the executive focus from the marketing of the potential of our gold assets to the realisation of them.

In taking the reins from Robert McCauley, our new Exploration Manager and executive geologist, Jason Needham rigorously assessed the results of our gold drilling programs at Cowarra, Dalton and Oberon, all in New South Wales, with an eye to developing an early cashflow. As the Board anticipated, our flagship project, the old BHP gold mine at Cowarra, was confirmed as the primary candidate in New South Wales. There, the quickest route to an early cash flow was to take a bulk sample from the Ambassador Lode by putting in a 3.5 x 3.5 metre decline drive to the east from the 240N WINZ level. The longer term benefit of

this approach would be that the decline could be extended to the Victoria Lode and utilized to test the Vanderbilt Lode.

Recovery of a bulk sample of some 10,000 tonnes, to be processed at an existing central west plant, is estimated to realise somewhere between \$2.5 million and \$5 million dollars, given its grade is estimated to vary between 5 and 10 grams a tonne. The costs of this development would essentially be half a million dollars for 100 metres of decline at \$5,000 dollars per linear metre; and \$1.5 million dollars for the mining and treating offsite of the 10,000 tonnes.

So, your Company was faced with again raising the same quantum of capital as first raised for listing – namely \$2 million dollars. With equity markets effectively “*closed for business*”, especially for greenfield or brownfield exploration in New South Wales, your Board had to come up with a lateral funding solution if Commissioners was to pour any gold quickly. It became clear the new project paradigm in the industry was all about joint venture agreements and third party investment partnerships – and not necessarily here in Australia.

I flagged in my address last year that the market might force us to look at opportunities in other jurisdictions where investor appetite for risk was stronger. Wherever that province was, your Board wanted to see an opportunity to be involved in quality projects with modest entry cost, scalability and potential for early cash flow.

Fortunately, just the right opportunity presented in the jurisdiction of Latin America, in Peru, the world’s sixth largest gold producer.

The subsequent Joint Venture Agreement with Australia Gold Corporation, announced to the market six months ago, provided your Company with a soft landing in Peru. Apart from stable government and a greatly improved security environment, three critical factors prompted your Company's foray into Peru:

First, our chosen Joint Venture partner, Australia Gold Corporation, has had a local Peruvian exploration team of eight on the ground for five years. That local experience has proved invaluable to Commissioners as Jason will explain when he speaks in some detail on the Peruvian projects we currently have in late stage negotiation.

Secondly, Peru is a low cost jurisdiction in every respect - indeed, offering about one third of our 'at home' exploration costs. Tax losses can be carried forward for four years or indefinitely, and stabilization agreements with government, guarantee the operating ground rules for 10 years. With free transfer of capital, a stable exchange rate and low inflation, financially Peru had a lot going for it.

And thirdly, there was a "*first mover*" window of opportunity under President Humala's new mining law reforms, which are designed to clean up, formalise and regulate small-scale mining throughout the country. During the current regulatory 'amnesty', it is possible for Commissioners and Australia Gold to recommission the Mollehuaca (pronounced Maywaca) gold mill and get into production immediately, and be able to acquire the final permits later, once in full production phase, which we anticipate post February 2013.

So Peru presented as the right opportunity for Commissioners to realise its principal goal of early gold production and cash flow. For less than half the capital cost of the bulk sample

exercise at Cowarra, Commissioners has moved to secure a 25% stake in a 10-year gold project generating up to an estimated A\$8 million net to your Company, post Peruvian tax.

The terms of the Mollehuaca-Santa Rosa deal (the latter project is a gold tailings deposit relatively close to Mollehuaca) see Commissioners Gold acquire a 25% equity in Goldsmith Resources SAC, the operators of the Mollehuaca- Santa Rosa Project, for payment of \$400,000. The phase one tranche of \$200,000 was met by the Company's recent private placement; and the phase two tranche of \$200,000 will be covered by the current Share Purchase Plan, which closes shortly. Significantly, additional third party investment of \$600,000 has been secured, minimizing CGU shareholder dilution.

This Mollehuaca Plant is an existing small cyanide carbon in leach or CIL gold processing plant, until recently processing purchased and third party ore on a toll treatment basis. We will be upgrading this plant, at a cost close to \$1 million, to a capacity of about 80 tonnes per day of virgin ore and about 160 tonnes per day for reprocessed tailings. Reliable estimates put total tailings at Santa Rosa between a minimum of 400,000 tonnes and a maximum of 825,000 tonnes, containing an average residual gold grade of between 4.0 and 7.8 g/t gold.

Commissioners has used a conservative volume of 300,000 tonnes and an average feed grade of 5.4 g/t gold in its production forecasting and economic modelling. On that conservative basis, there is a minimum 5 year feed at a very low cash cost of only \$370 dollars an ounce. Calculated at a 10% discount rate the project delivers a Net Present Value for Commissioners of greater than \$4.2 million dollars.

Commissioners' total investment in Peru this year should be recouped next calendar year. Thereafter, each full operating year is estimated to deliver at least \$700,000 to

Commissioners cash flow, post Peruvian tax. Some of this cash will be repatriated to advance the Cowarra gold project in New South Wales. The balance will be used to enlarge our Peruvian gold footprint through a satellite mining strategy – preferably multiple gold deposits located around local processing hubs - that will leverage us into other company making projects.

We believe the market will endorse and support our Peruvian strategy. We are confident of a market reappraisal once we are shortly in modest production.

It is appropriate of course to recognise and plan for, managing any risks in such an expansion.

Apart from regime change, which is unlikely, cost overruns have to be planned for. If and when they occur, they will be met by the parties contributing on a pro rata equity basis.

Is the tyranny of distance an issue?

If Commissioners were based in Perth, yes : but not in Sydney. Morning Skype conferences with our Peruvian team are seamless and productive. And our Exploration Manager Jason Needham is ever ready to fly there when having eyes and ears on the ground is prudent. At other times, the Company is well served by a network of professional Peruvian advisers established by our joint venture partner, Australia Gold Corporation.

In a moment you will hear first-hand from Jason on our Peruvian activities, after which I believe you will endorse and support the Board's strategy for the Company in Latin America. We are certainly excited by it!

In closing, I thank my fellow Directors, our proactive major shareholders for their continuing support and guidance, and which together with the splendid work of our consultants and professional advisers, is helping ensure the emerging success of Commissioners.

We trust Commissioners Gold will become a modern day Inca gold story in 2013.

Thank you shareholders.