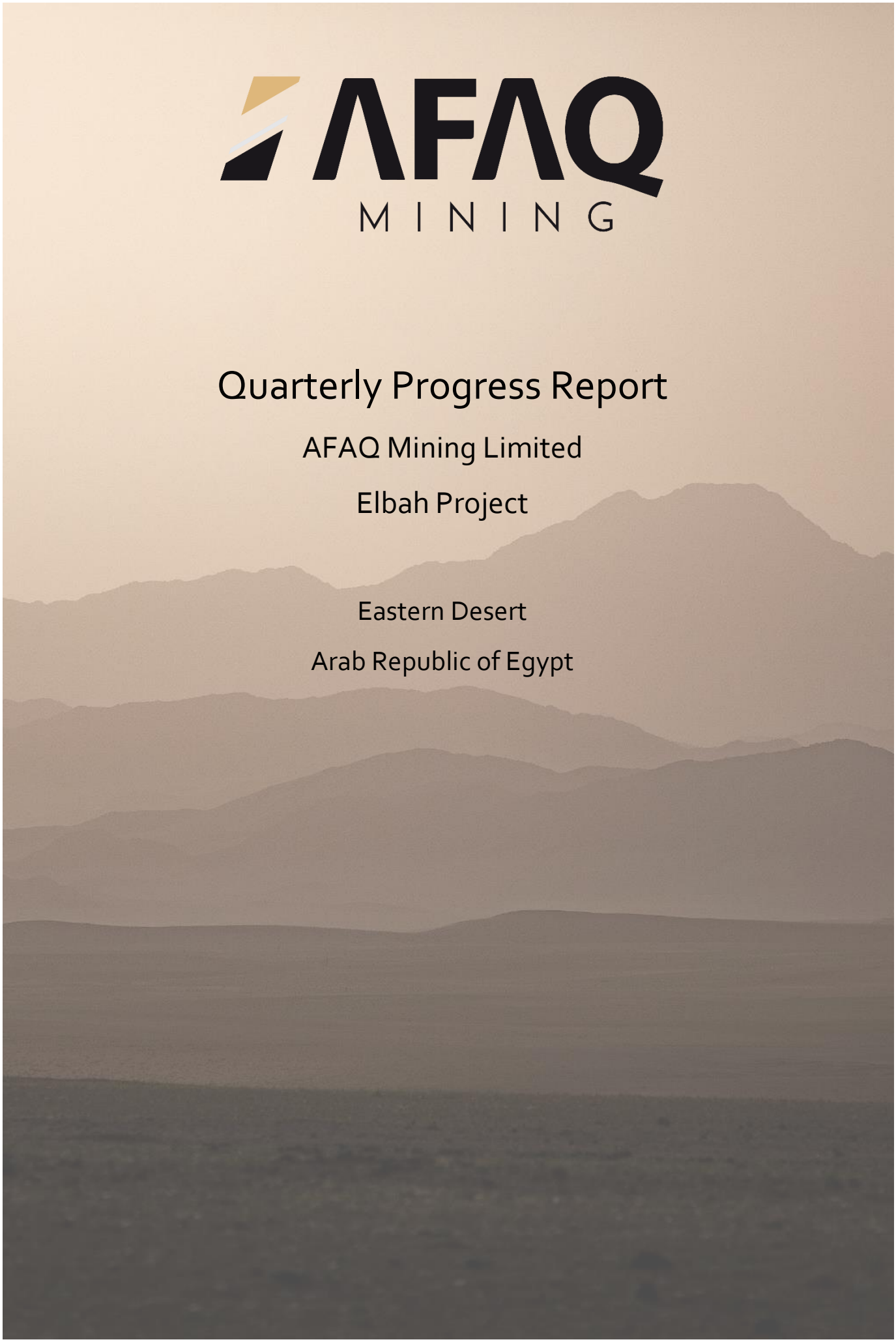

Quarterly Progress Report

AFAQ Mining Limited

Elbah Project

Eastern Desert

Arab Republic of Egypt

Contents

1 Executive Summary

AFAQ Mining commenced an exploration work program at the AFAQ Elbah Concession Area at the beginning of January 2019. AFAQ had acquired the right to conduct exploration through an exploration contract with Shalateen Mineral Resources Company executed in December 2018.

The first phase of exploration conducted by AFAQ is focussed on the Romeit gold occurrence area primarily because it is the most readily accessible, best understood and presently the most prospective of the occurrences located within AFAQ's Elbah concession.

During the first three months of work the work program included data management, completion of a satellite interpretation study and detailed mapping accompanied by sampling at the Romeit occurrence. In addition, a field camp was constructed to improve efficiency going forward.

An interpretation of Aster imagery was carried out over the Elbah concession in the Eastern Desert of Egypt at a scale of 1:30,000. The study was undertaken in order to map lithology and structure, to identify any exposed alteration, and to understand controls on gold mineralisation. The area studied measures 619 km^2. Within the Elbah concession three areas of particular interest were studied at a scale of 1:5000 using high resolution imagery from Google Earth. These areas are: Romeit (38 km^2), Hamida (23 km^2) and Masho Shinai (2 km^2).

The objective of the initial mapping program was to detail the local geology of the Romeit area at large scale (1:500) with particular reference to vein geometry and mineralisation, alteration associated with veining and structural features. Extensive sampling was conducted in conjunction with the mapping. The purpose of this work is to provide a basis for future detailed sampling, trenching and diamond drilling. North-south traverses employing the UTM grid was employed for field control – line spacing of 50m was employed as a basis for the traverses. In this way a total of 0.57 km^2 was covered over the Romeit occurrence. Subsequently, in future work periods, mapping will be expanded to other parts of the project area – encompassing the prospective geology at Masho Shinai and Hamida occurrences as well as other areas of interest.

A sampling program was conducted in conjunction with the detailed field mapping. As traversing progressed samples were consistently collected from quartz veining, alteration zones and deformation zones. The intent of the sampling is to characterise the distribution of gold mineralisation. A total of 1000 samples have been collected to date comprised of 879 grab samples, 42 standard samples, 40 field duplicate samples and 39 field blank samples. In total 458 samples were collected from alteration zones, 439 samples are from quartz veins, 17 samples are from deformation zones and 4 samples were collected from mafic dykes.

No analytical results have been received from the sampling prior to the date of this report. All map data will be incorporated into a MapInfo dataset that is a work-in-progress as of the date of this report.

As of the close of the first quarter (Q1) of the AFAQ work program field-work continues at the Elbah Project. Over the coming months mapping and sampling will expand to cover other areas of economic interest on the project. Application of other exploration techniques are planned – ground geophysics and diamond drilling in particular.

2. Introduction

2.1 Land Tenure, Location and Access

AFAQ Mining Company (J.S.C) ("AFAQ") executed an exploration contract with Shalateen Mineral Resources Company ("SMRC") dated 05/12/2018 on a portion of the Gabal Elbah Concession Area (AFAQ concession). A budget covering all aspects of a work program for a one-year period will submit at 13/12/2018. Transfer of the AFAQ concession from SMRC to AFAQ was completed after budget approval.

The AFAQ concession comprises approximately 680 km² and is located in the extreme southeast part of the A.R.E. within the Eastern Desert. The southern boundary of the concession coincides with the international border with Sudan. The Romeit gold occurrence, located near the northern boundary of the AFAQ concession is about 90 linear kilometres from the village of Shalateen. Ground access is obtained by four-wheel drive vehicles along tracks leading from the metalled coastal road that connects the area with the larger population centres of Marsa Alem, Quseir and Hurghada to the north. Two small villages are located on the coast near the AFAQ concession – Abu Ramad and Halaib.

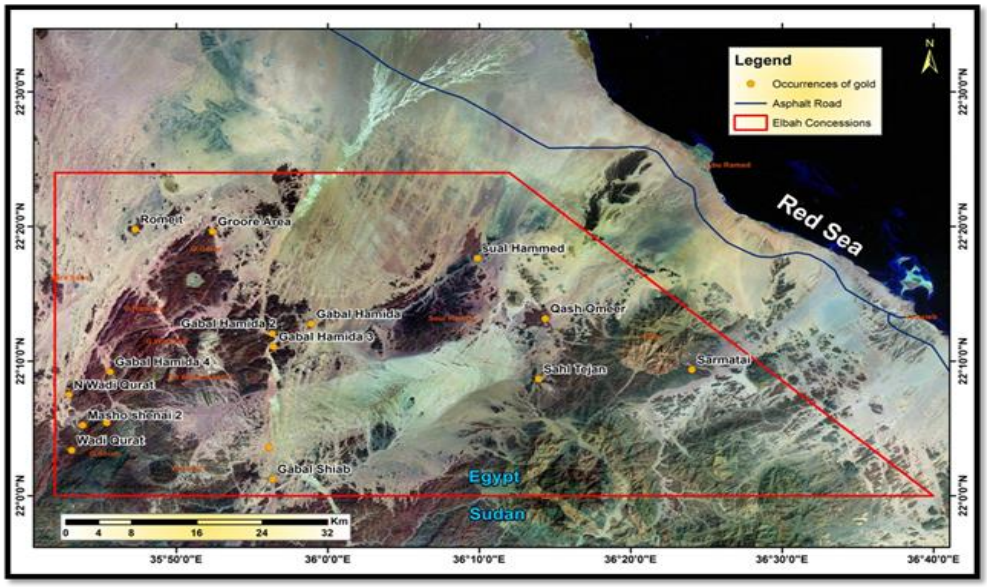

Fig X. Extent of the AFAQ Mining Elbah Concession Area – Red Boundary

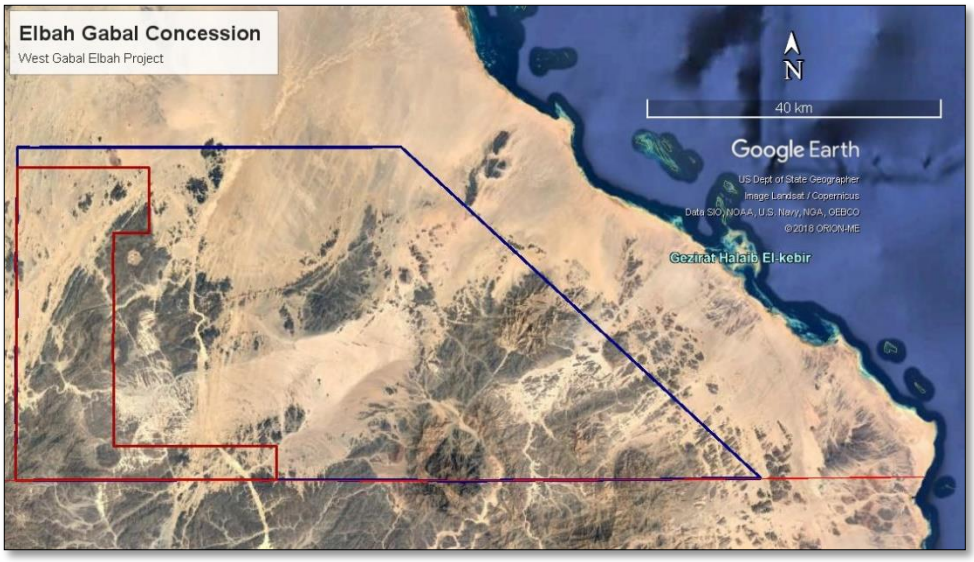

Fig X. Extent of the AFAQ Mining Elbah Concession Area – Red Boundary

Fig.X Site Visit Access to AFAQ Concession

2.2 Previous Work

The work program currently in progress conducted by AFAQ Mining is the first comprehensive work program within the Concession Area incorporating an integrated approach to mineral exploration employing modern methods.

The presence of many and widespread stone huts and gold processing artefacts are observed and identified as being early Arab in age i.e. dating from the ninth century (Klemm and Klemm, 2013). Oweiss et al (2004) distinguish between placer production identified as Arab (Islamic) and earlier quartz vein gold production (referred to at Pharaonic). Whatever period the artefacts belong to they attest to the long history of gold exploration and development in the region. The extent and number of the structures dating from this period provide an indication of the effort expended to exploit the gold mineralisation available at and near surface.

Reference to work conducted in region near the AFAQ Elbah Concession Area is included in reports by Hume (1937) and El Shimy et al (1985) without detail of where the work was conducted.

A work program was conducted in 2003 by the Exploration Department of the Egyptian Geological Survey and Mining Authority (EGSMA)(Expedition G2/2003). This program was an extensive examination of the geology around the Romeit area covering a reported 35km^2. The work program included geological mapping, trenching, pitting, grab and channel sampling, evaluation of gold mineralisation in wadi deposits, estimation of size and gold grade of historic dumps. This work provides a useful and well documented basis for further evaluation of the area for economic mineralisation.

Subsequent to the EGSMA program intermittent site visits have been conducted by several companies – some as recently as 2017. This work consisted of reconnaissance scale mapping and ore particularly sampling presumably to evaluate the mineralisation for more extensive work. With the exception of work conducted by Nuinsco Resources Limited in 2016 and 2017 the results of this work are unavailable.

Artisanal workers are currently active in the area. Extensive mechanical disturbance of Wadi fill sediments is evident. Locally excavations and trenching in outcrop has also taken place.

No previous work has been conducted on the site by AFAQ other than a site visit conducted in late October 2018 with the assistance of Shalateen Mineral Resources Company (SMRC). The intent of this work was to review the main gold showings in the area contemplated for inclusion in the AFAQ concession area.

2.3 Recent Exploration

AFAQ Mining has been conducting an active exploration program since the beginning of 2019. The intent of the work program is to comprehensively evaluate AFAQ's Elbah Concession Area using modern exploration techniques. Details of the work program will be detailed later in this report.

2.4 Work Completed During Previous Periods

No work has been conducted by AFAQ Mining prior to the quarter covered by this report.

3 Work Completed During Quarter

3.1 Introduction

During the past quarter AFAQ Mining conducted a program of detailed mapping at a scale of 1:500 over the Romeit occurrence area.

Also completed during the quarter was a satellite image interpretation study.

3.2 Exploration Areas of Interest

The field work conducted during the past quarter focussed on the mineralisation at the historic Romeit gold occurrence. Located in the north of the AFAQ Elbah Concession area. The area presents a number of well-exposed and in some cases persistent along strike quartz veins, often occurring within extensive deformation zones. The known presence of widespread gold mineralisation at Romeit recommended to area to early exploration.

3.3 Satellite Image Interpretation

An interpretation of Aster imagery was carried out over the AFAQ Elbah concession in the Eastern Desert of Egypt at a scale of 1:30,000. The study was undertaken in order to map lithology and structure, to identify any exposed alteration, and to understand controls on gold mineralisation. The area studied measures 619 km². Within the Elbah concession three areas of particular interest were studied at a scale of 1:5000 using high resolution imagery from Google Earth. These areas are: Romeit (38 km²), Hamida (23 km²) and Masho Shinai (2 km²). There was a limited amount of field information (Romeit) but no field checking was conducted specifically for this interpretation.

The 1:30,000 scale study was based entirely on Aster imagery, without the use of field data. Higher resolution Digital Globe imagery was downloaded from Google Earth for the three areas of particular interest – Romeit, Hamida, Masho Shinai. Limited bibliographic research was carried out. Some field information was available for the Romeit area but there was no field checking.

Aster imagery - A single Aster scene was used in this study. It was obtained in Latitude-Longitude projection. The scene was acquired on 9th March, 2005. VNIR (visible + near-infrared) and SWIR (shortwave-infrared) composite images were produced from this image.

Digital Globe imagery - For each of the smaller areas, high resolution imagery, georeferenced to UTM WGS84 Zone 36N, was copied from Google Earth in overlapping segments, with location marks enabling the images to be registered in Mapinfo, at a resolution appropriate for use at a scale of 1:5000.

Other data used - The only other data used was a scan of the published geological map sheet Marsa Sha'ab 1:250,000, covering the whole area.

An Aster image has 14 spectral bands, in three groups with different spatial resolutions:

- visible/near-infrared bands 1, 2 and 3N; 15m resolution
- shortwave-infrared bands 4, 5, 6, 7, 8 and 9; 30m resolution
- thermal infrared bands 10, 11, 12, 13 and 14; 90m resolution

The Aster imagery was processed as follows. All image processing was carried out using LeoWorks software. The original Aster files were imported and colour composite images with a ground resolution of 15m were prepared from bands 1, 2 and 3N (B, G and R, respectively). This composite image is called *ElbahVNIR*. Exposed limonite would show as yellow to orange tones on this band combination.

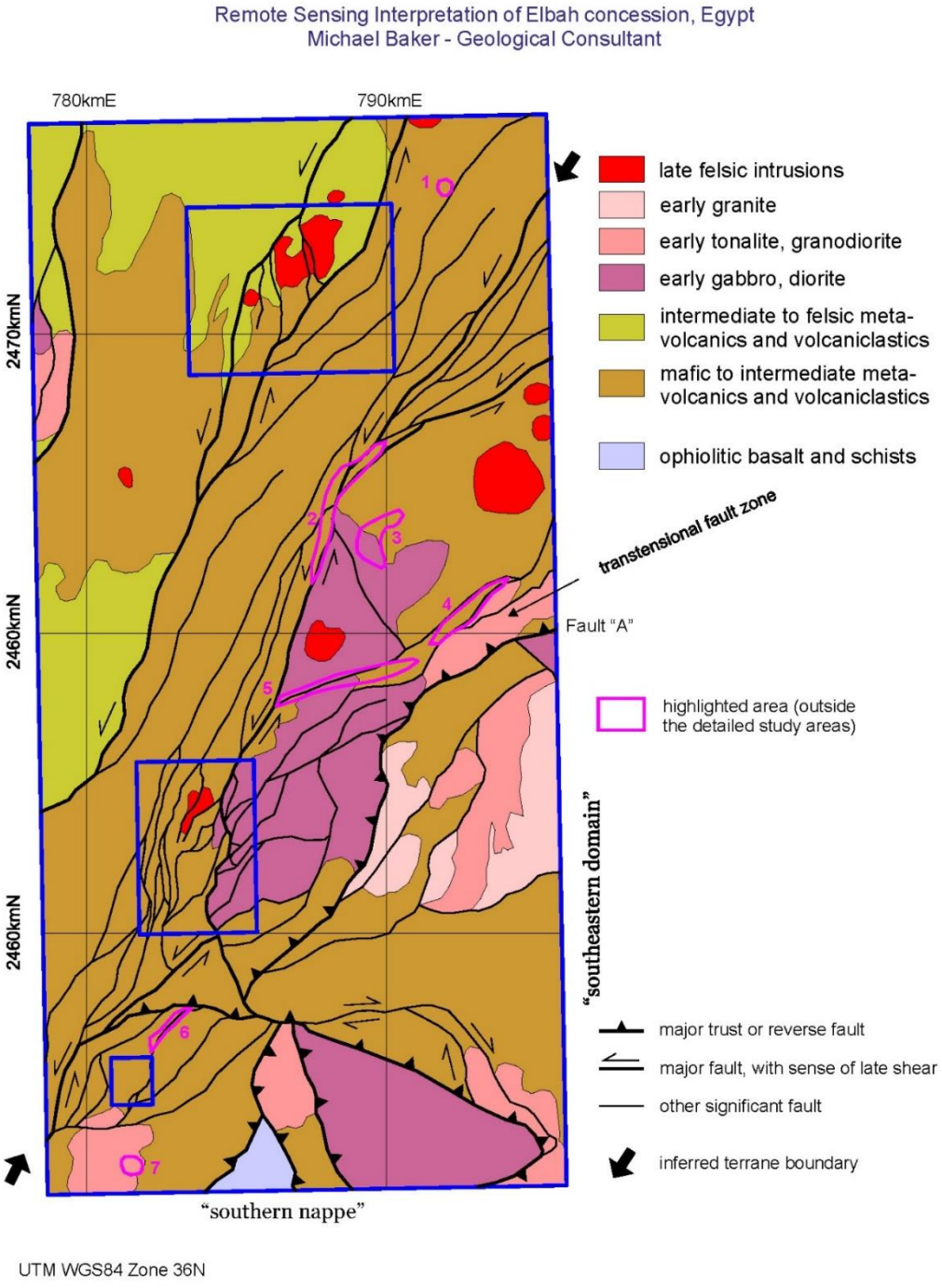

Figure 6. Summary of geology of entire study area.

Fig. X. Satellite Interpretation Map Covering the Entire Extent of the AFAQ Elbah Concession Area

The shortwave-infrared bands were processed to highlight clay and other mineral anomalies of potential significance as indicators of alteration. The basis of this spectral processing is that different groups of these minerals show preferential absorption in different shortwave-infrared bands:

- Group A – alunite, kaolinite – absorption mainly in band 5
- Group B – illite, muscovite – absorption in band 6
- Group C – Mg-carbonate, chlorite, epidote – absorption in band 8

Haze removal (qualitative atmospheric correction) was not considered necessary. In this terrain it was found that the best way of highlighting minerals of potential interest was by using the following band ratio formulae:

- Group A = (band 4 + band 6)/band 5
- Group B = (band 4 + band 7)/band 6
- Group C = (band 4 + band 9)/band 8

A colour composite image with 30m resolution *(ElbahSWIR)* was produced by combining the ratio images for Groups A, B and C on the red, green and blue channels respectively. As well as highlighting possible alteration minerals, these images help to identify specific lithologies such as carbonates and micaceous intrusions if present.

The 90m resolution thermal infrared bands were not used in this study as their resolution is too coarse to be of used.

The full interpretation of the results of the satellite interpretation are contained in the report written by M. Baker, Ph.D. A summary of the findings is included here.

Based on the known mineralisation elsewhere in the region, the following deposit models are considered to be applicable here:

- quartz stockworks and veins in dilational shear structures cutting intrusives and adjacent mafic metavolcanics
- zones of intense, possibly radial, fracturing in granite plutons, for example over concealed younger stocks
- vein and contact deposits associated with late intrusions, particularly in transtensional zones
- veins in the intensely sheared inferred terrane boundary, particularly where lithologies with contrasting mechanical competences are present

Where exposed soils or rocks are present, spectral processing of Aster imagery can be used to identify four main categories of material in greenstone belts: limonite, clays (illite, kaolinite), Mg-carbonate or chlorite, and silica, as well as mixtures of these. However, such anomalies should exceed about 50m x 50m (120m x 120m for silica) to be reliably identified. Some indications of clay and muscovite alteration were observed in the shortwave infrared data, particularly along northeast trending transtensional zones. In such structure zones these anomalies appear to indicate the presence of secondary muscovite rather than that which was part of the original host mineralogy. No gossans were detected.

Taking into consideration the deposit models outlined above and the interpreted geology, various areas of interest are highlighted. Those in the three areas of detailed study (Figure 7) are defined at a more detailed scale and are mostly small in lateral extent. A further seven,

larger, areas of potential interest are highlighted in the wider Elbah area and are marked on Figure 6. All the areas of interest are highlighted on their potential for gold prospectivity.

Based on the results of this remote sensing study, the major regional structures controlling the movement of hydrothermal fluids are considered to be:

- north-south extensional zones developed between pairs of north-northeast trending faults as a result of late left-lateral shearing, particularly where late intrusions were emplaced
- northeast trending transtensional zones
- the inferred north-northeast trending terrane boundary, particularly where rigid intrusive rocks are in contact with the main fault zone and the boundary is kinked

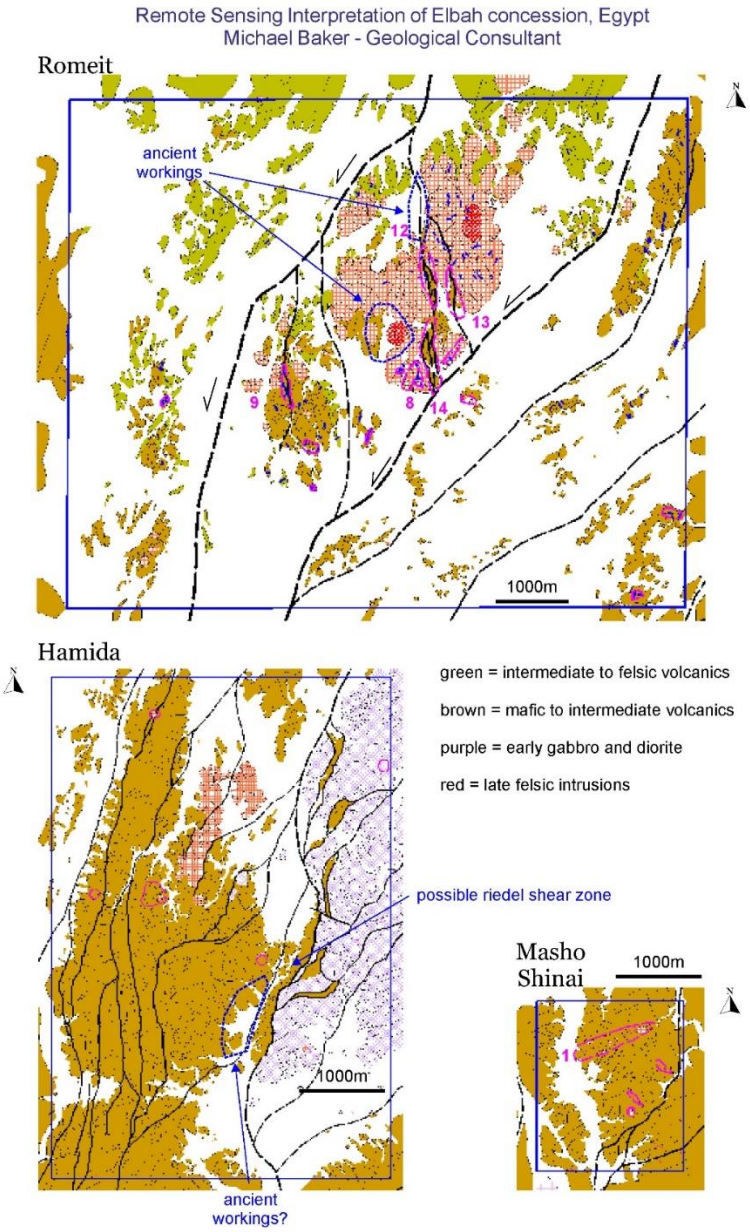

Figure 7. Geology of areas of detailed study

Fig X. Detailed Interpretation from Satellite Image Interpretation

3.4 Mapping

The objective of the mapping program was to detail the local geology of the Romeit area at large scale (1:500) with particular reference to vein geometry and mineralisation, alteration associated with veining and structural features. Extensive sampling was conducted in conjunction with the mapping. The purpose of this work is to provide a basis for future detailed sampling, trenching and diamond drilling.

North-south traverses employing the UTM grid was employed for field control – line spacing of 50m was employed as a basis for the traverses. In this way a total of 0.57 km^2 was covered over the Romeit occurrence. Standard international codes and nomenclature were used for the mapping.

The coordinates of the mapped sheets are tabulated below and shown in the following images.

Mapped Areas	**UTM, WGS84, Z36N**	
	Easting mE	Northing mN
Area2 = 0.21 km2	787,500	2,471,750
	786,900	2,471,750
	786,900	2,471,400
	787,500	2,471,400
Area1= 0.21 km2	786,900	2,471,400
	787,500	2,471,400
	786,900	2,471,050
	787,500	2,471,050
Area3 = 0.15	787,500	2,471,750
	787,500	2,471,150
	787,850	2,471,750
	787,850	2,471,150
0.57 km2	Total area on scale 1:500	

Fig. X. Field Crew Mapping Deformation Zone with Multiple Quartz Veins

The field crew was tasked with systematically traversing the environs of the occurrence recording:

a. Lithologies - mapping rock types with standardised nomenclature, relatively simple here as a limited number of lithologies underlie the subject area

b. Structural domains/shear zones (including structural measurements). Mapping and measurement of shear zones and mylonite zones. Measurement of structural features – notably schistocity if present

c. Alteration – record presence of alteration mineralisation. Minerals such as hematite, ankerite, chlorite, sericite have been noted to date.

d. Detailed observations of veining. Mapping, measurement of orientation of all veining encountered (from cm to m scale veins).

e. Metallic mineralisation - record any occurrence of metallic minerals, within veins or host rocks.

f. Sampling – collect samples for analysis as appropriate.

Fig. X. AFAQ Field Vehicles during Mapping at Elbah

All geological and structural features were recorded and mapped. This information will be georeferenced and incorporated into a MapInfo GIS dataset later.

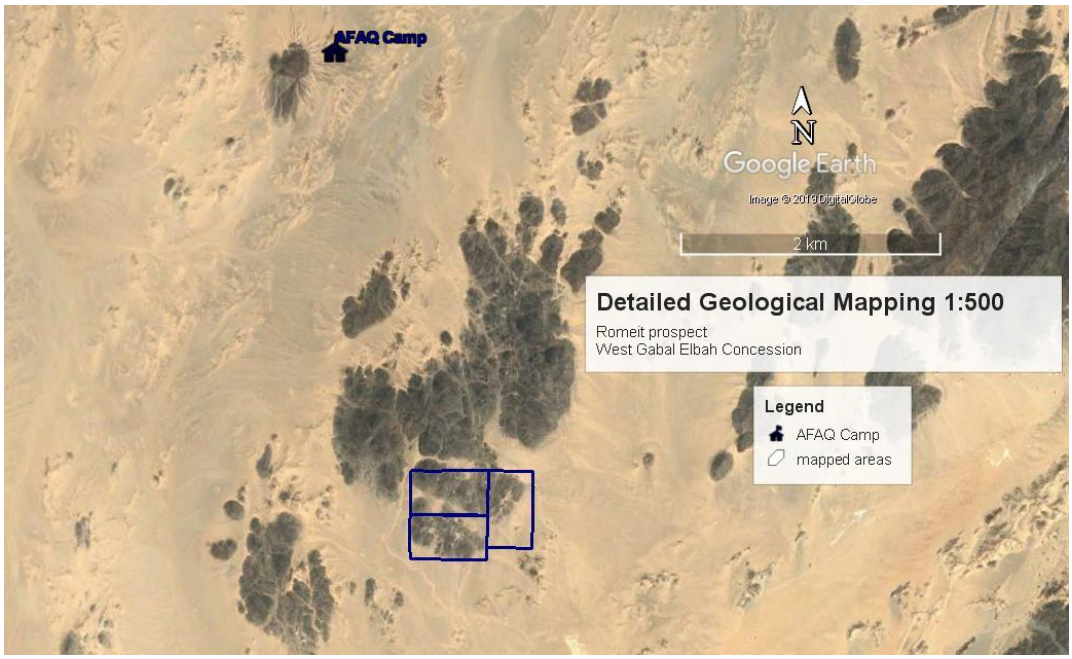

Fig. X. Map Showing the Area Mapped by AFAQ during Q1

3.5 Sampling

A sampling program was conducted in conjunction with the detailed field mapping. As traversing progressed samples were consistently collected from quartz veining, alteration zones and deformation zones. The intent of the sampling is to characterise the distribution of gold mineralisation.

Grab samples were collected from each sample site (at a number of sites a duplicate sample was collected for SMRC at their request). Each sample is approximately one kilogram in the weight. All samples are bagged in the field without further processing – all sample preparation (crushing and pulverising) is conducted at the analytical laboratory. All analyses will be conducted by ALS Laboratories at their Rosia Montana, Romania facility.

Quality assurance and quality control (QA/QC) samples are included in the sample stream and comprise field duplicates (FD), field blanks (FB) and standard samples (SD). Each 25-sample batch will contain three QA/QC samples inserted at random intervals (22 Regular samples + 3 QA/QC samples).

The analytical standards were acquired from CDN Resource Laboratories. The ore material used in the standard is ground and screened through a 270 mesh sieve. The -270 material (<53 micron) is thoroughly blended. A minimum of 150 sub-samples are then sent to Canadian and international commercial laboratories for round-robin analysis. Two standards are being used in the AFAQ sample stream:

- CDN-GS-P4G grading 0.468 ± 0.052 g/t Au
- CDN-GS-4E grading 4.19 ± 0.19 g/t Au

Field blanks used to date consist of sandstone collected from outcrops near Marsa Alam.

All samples will be analysed for gold using ALS Laboratories Au-AA23 analytical method, any samples with analysis exceeding the upper limit of Au-AA23 (10g/t Au) will be a reanalysed by Au-AA25. When analytical results are received additional analyses will be contemplated on select samples to evaluate the presence of other elements of possible economic interest.

A total of 1000 samples have been collected to date comprised of 879 grab samples, 42 standard samples, 40 field duplicate samples and 39 field blank samples. In total 458 samples were collected from alteration zones, 439 samples are from quartz veins, 17 samples are from deformation zones and 4 samples were collected from mafic dykes.

All samples have been prepared for shipment to the ALS Laboratories, Romania, facility. No analytical results have been received as a of the date of this report.

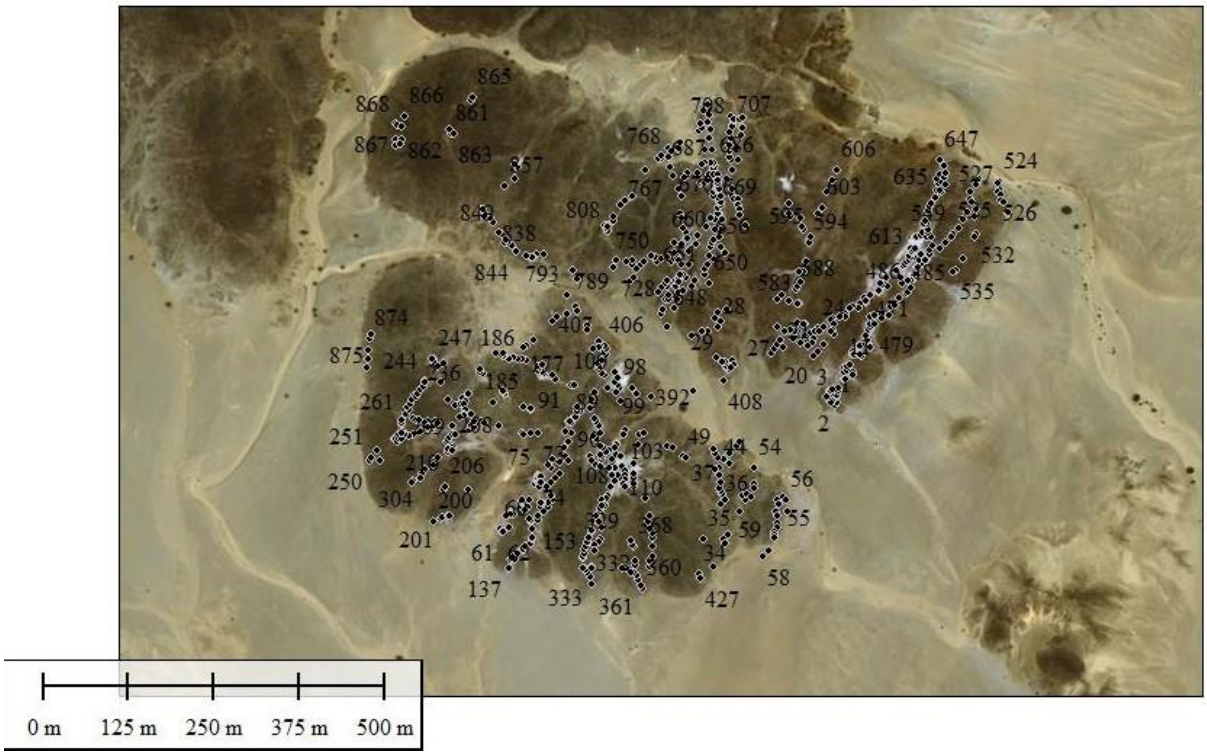

Fig. X. Locations of Grab Samples Collected During Mapping

4 Proposed Work Program - Next Quarter

4.1 Data Compilation/Interpretation

Available historic geological, geochemical and geophysical data will be collected, complied and where possible georeferenced within the context of topographic control (either existing of specifically produced for the AFAQ work program). The work will then be integrated with the results of the remote sensing study and new geological and geochemical data derived from the current AFAQ work program to produce an interpretation for use in directing ongoing work.

4.2 Logistics – Camp Establishment

Camp construction will be completed on the concession providing an efficient base from which to conduct future work programs. The camp will be conveniently located in the north of the Elbah Concession Area, significantly cutting travel times to work areas.

4.3 Ground Geophysics

Integral to the AFAQ work program will be geophysical surveys to evaluate the subsurface extension of the surface exposures of mineralised occurrences. Internationally recognised geophysical contractor Quantec can effectively conduct a proposed deep imaging, multi-parameter, distributed ground geophysical survey system can acquire large volumes of accurate subsurface physical property information from surface to depths of up to 800m with IP chargeability and DC resistivity and to depths in excess of 1500m with MT resistivity. Conceptually an area of 1km^2 will be selected for survey and adjusted as necessary to consider responses and the surface expression of mineralisation. The survey should: detect and discriminate targets related to potential mineralisation, alteration, lithology and structures; discriminate between large,

potentially greater tonnage targets and small, non-economic targets; complement near-surface information for integrated diamond drill targeting.

4.4 Mapping

Mapping will continue and coverage will be expanded to other parts of the Elbah Concession Area. Romeit area detailed mapping (at 1:500) will be completed and field crews will move on to conduct less detailed mapping peripheral to the Romeit occurrence and commence mapping at the Masho Shinai and Hamida occurrences.

4.5 Sampling

A rock sampling program will continue as an integral part of the mapping and geological characterisation of the Elbah Concession Area.

Opportunistic grab samples will continue to be collected as necessary when field crews traverse lithologies and mineralisation considered to be prospective for gold mineralisation. During the first quarter of field work this has resulted in many samples being collected (>1000)

Channel sampling will also be conducted whereby continuous sampling along a linear profile traversing significant domains of veining, alteration and shearing identified from mapping. The channel samples can be collected with hammer/chisel although saw cut samples may be, at least in part, preferable. Sampling should be continuous and will typically be no more than 1-1.5m length per sample although lithological boundaries will be respected that will affect sample length in places.

5 Personnel

AFAQ Mining personnel responsible for the implementation, management and supervision of the work program at the Elbah are listed below. The work program is conducted by a field crew consisting of three geologists under the supervision of the Project Manager. Additional support staff assist with the work. The field crew works on a 20-day on-site and 10-day off-site rotation.

Mostafa Elbahr	-	AFAQ Mining Chairman
Ahmed Bassouiny	-	AFAQ Mining CEO
Ragal Elbanna	-	Project Manager
Mohamed Darweesh	-	Senior Geologist
Islam Helal	-	Geologist
Mostafa Mohamad	-	Geologist
Paul Jones	-	Geologist/Consultant

6 References

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