The High-Grade Bulk-Tonnage Gold Project

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Experienced precious metals mining investors understand that they are generally faced with a choice when selecting their mining investments: high grades or bulk tonnage. But not always. Talk to the management team of **Granada Gold Mine Inc.** (TSX: V.GGM, OTCQB: GBBFF, Forum) and they will point out that the Company has already demonstrated high grades in its Granada Gold Deposit.

This land package is located at the site of the (former) Granada Gold Mine, in Quebec's "Cadillac Trend", part of the world-famous Abitibi Greenstone Belt. As development of this Project has progressed, GGM has become increasingly confident in the bulk-tonnage potential at Granada.

Bulk tonnage and high grades? How does that work?

It starts with the high grades. As GGM began its initial exploration work here, the Company quickly identified high-grade intercepts in its drilling results.

- 15.25 g/t Au over 1.5 meters
- 15.77 g/t Au over 1 meter
- 15.87 g/t Au over 1 meter
- 21.09 g/t Au over 1.8 meters
- 24.7 g/t Au over 1.1 meters
- **57.45 g/t Au over 1.65 meters**

Very high grades, but narrow veins. Mining investors are familiar with this type of geology. Many very profitable gold mines are based upon such formations. Typically, such operations involve precision mining: carefully drilling out the higher grade ore in order to minimize the extraction of waste rock and maximize grades.

The upside of these operations are very strong margins. The downside, as implied by the term "precision mining", is that this tends to reduce the throughput of such mines. Carefully mining such narrow veins requires more time (and skill) than more conventional operations.

However, as the Company's exploration of the Granada Mine land package progressed to the stage of a resource estimate, management made a very interesting discovery. As the resource estimate was compiled, it became apparent that most of the total ounces in this resource estimate were derived not from the exceptionally high grades in the narrow veins, but rather ***outside*** **of these veins**.

On an intuitive level, this would sound improbable to many investors. Think of the geology in terms of a river. With most rivers, there will be many streams and brooks that branch off of the main channel. Ultimately, in the case of flatter terrain, by the time a river nears the sea, the flow of water can fan out into a large collection of these smaller tributaries, transporting the bulk of the water.

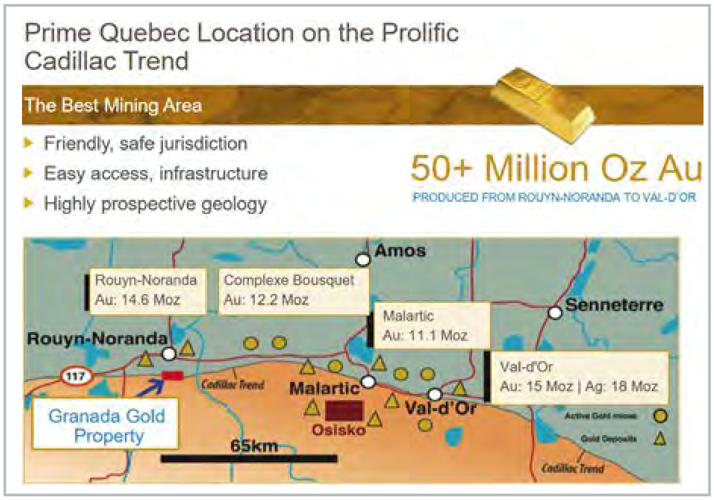
In the case of Granada's geology, this is the analogy that appears to be demonstrated by the numbers, and the Company's geophysical analysis. As gold mineralization flowed towards the surface (millions of years ago) in the form of magma, high-grade mineralization seeped through cracks in the hard rock. Unlike most gold-bearing geology of this nature, there were also networks of smaller cracks in this rock, allowing mineralization to 'leak' out of the larger veins and penetrate this rock in a more diffuse manner.

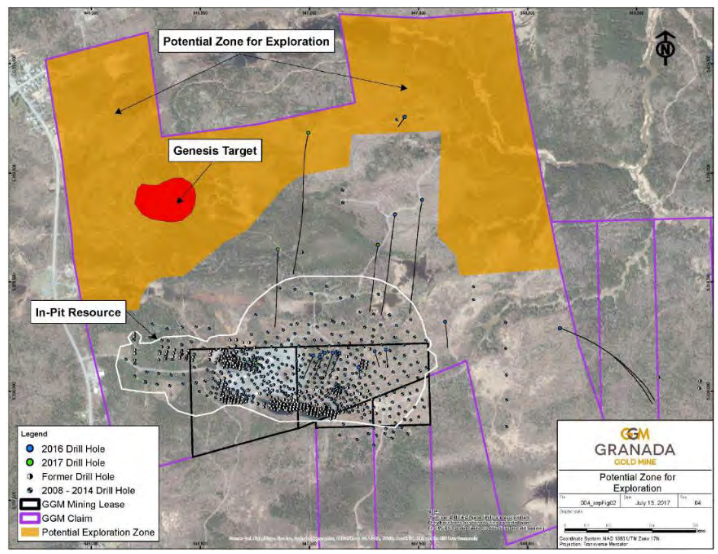
Technically, this geology would still fall under the category of "narrow veins". However, with the majority of these ounces having seeped into the adjacent rock, this means that bulk-tonnage mining of the deposit is not merely feasible, but potentially very lucrative.

This is just one reason why investors doing their due diligence on Granada will find plenty of upside potential with respect to this Project. Then there is the 5.5 kilometer strike length of the deposit. To date, roughly 80% of this trend remains unexplored in terms of drilling – even though there has already been roughly 122,000 meters of drilling.

Currently, the top exploration priority is a new zone that management has dubbed the "Genesis Target". The biblical reference here is deliberate. Based on GGM's most recent geological modeling, the Company now suspects that this zone may represent the origin or focal point of gold mineralization on this land package. CEO Basa refers to Genesis as (potentially) the "heat engine" for gold mineralization.

Granada has prepared a technical report on this current geological model. The conclusion of that report was the recommendation of **a $21 million drilling program**, to unlock the full potential of the Genesis Target. A key priority in this upcoming drill program is to go significantly deeper with some of these drillholes.





At present, the Granada Deposit has a pit-constrained resource of 807,700 ounces (Measured & Indicated). Mining investors understand that most of the time, open pit operations are more economical than underground mining.

Things are different with GGM. The original Granada Gold Mine (in operation from 1930 – 35) was a high-grade underground mine, averaging 9.7 g/t Au. With grades this strong, underground operations can be highly profitable.

Today, however, an even more important variable is power costs. Based in Quebec, GGM benefits from what are perhaps the lowest power costs for mining operations anywhere in North America. With abundant

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hydroelectric power and a strong commitment to mining, Quebec offers the most mining-friendly rate structure for electricity.

This has been a reality in Quebec for many years. What has changed more recently is the mining industry itself, specifically underground mining. Twenty-first century mining technology is producing numerous innovations. One of these innovations is remote-controlled underground mining equipment – **electric-powered** equipment.

In contrast, not only is open-pit mining a more fuel-intensive form of mining, it is still a part of the industry that operates on fossil fuels, specifically diesel. While Quebec has the lowest electric power costs for mining, prices for diesel fuel are higher than average. Put together, these cost variables mean that GGM can operate an underground mine at Granada even more efficiently than an open-pit operation.

Lower cash costs are only one reason why management is basing its planning around an underground mining model. Grades and total ounces are two more reasons. This relates back to geology.

Two of the more important realities regarding the many gold deposits (and gold mines) of the Cadillac Trend is that mineralization often runs deep, and grades often improve at greater depths. It is these factors that have management so eager to delve further – and deeper – into the Genesis Target.

The Company has already produced a preliminary resource estimate from Genesis: a 1.5 million ounce Inferred resource (grading at a robust 4.56 g/t Au). Notably, this estimate was produced using a very high cut-off grade – 1.5 g/t Au. At lower cut-off numbers, the size of this resource would immediately be significantly larger. But this is only one potential value generator from the Genesis Target.

Other factors that can/should boost the Genesis resource much higher are:

1. Expanding the size of the deposit (at depth)
2. Infill drilling for resource conversion (from Inferred to Measured & Indicated)
3. Improving grades at depth

While Genesis will be the starting point of further exploration at Granada, it certainly won't be the end. The Company is nearly as enthused with the potential of the LONG Bars Zone.

- 80% unexplored
- Mineralization open at depth and in all directions

Granada Mineral Resource 2017 Estimate (1)

Updated NI 43-101 Estimate Published May 16, 2017

Mineral Resource confirmed by ~122,000 metres of drilling

CATEGORY	TONNAGE	AU G/T	AU OZ
Measured in-pit constrained	17,068,500	1.14	625,000
Indicated in-pit constrained	4,507,000	1.26	182,700
Total M+I	**21,575,500**	**1.16**	**807,700**
Inferred Underground	**10,386,500**	**4.56**	**1,523,800**

- Measured and Indicated open-pit constrained at 0.39 g/t Au cut-off ($21.30 per tonne).
- Inferred underground north of open-pit at 1.5 g/t Au cut-off ($81.99 per tonne).
- Resource estimate by GoldMinds Geoservices Inc. The database used for this estimate includes drill results obtained from drill programs in 2009, 2010, 2011, 2012, 2016 and 2017, trenches of 2014 and 2015, plus many of the historic holes (drilled in the 1900s) where sufficiently long sections of the core had been analyzed.

Note: Mineral Resources that are not Mineral Reserves do not have demonstrated economic viability.

(1) Source: Granada Gold Mine News Release May 16, 2017 entitled Granada Gold Outlines Robust Open-Pit and High-Grade Underground Resources at Granada. Claude Duplessis, Eng. is the independent qualified person in accordance with National Instrument 43-101. Also, NI 43-101 Technical Report Mineral Resource Estimation Update 2017 Granada Gold Mine Inc., Rouyn-Noranda, Quebec, Canada , prepared by Goldminds Geoservices Inc., published June 30, 2017, effective date May 16, 2017. Claude Duplessis, Eng. is the independent qualified person in accordance with National Instrument 43-101.

Mine plans aimed to achieve production goal of 100,000 oz/yr gold within 3-5 years

- 2012 Plan: Open-pit and Underground mining – as per PEA(2)
  - 100,000 oz/yr gold production for 11 years mining 7,500 tonnes/day
  - Capex: C$259 million
  - Average mill feed grades:
    - Open-Pit 1.07 g/t
    - Underground 3.51 g/t

  Note: The PEA is preliminary in nature and it includes Inferred mineral resources that are considered too speculative geologically to have the economic considerations applied to them that would enable them to be categorized as mineral reserves. There is no certainty that the conclusions reached in the PEA will be realized.

- 2014 'Rolling Start' Plan: Initial-phase, open-pit, selective high-grade mining – as per PFS(1)
  - 25,000 oz/yr gold production for 3 years in "Rolling Start" mining 550 tonnes/day
  - All-in Sustaining Cost (AISC) of US$797/oz (excludes cost of financing)
  - Capex: C$6.7 million
  - Average grade 4.24 g/t
  - All permits received as of May 2016
  - First Nations Agreements in place
  - Stripping underway
  - Negotiations underway with local mills

(1) The "Rolling Start" is an initial phase of reduced-scale production to quantify grades and create cash flow to further expand the resource on route to larger –scale production. Source: NI 43-101 Technical Report Prefeasibility Study (PFS) Phase I – Open Pit Granada Gold Project Rouyn-Noranda, Québec, published June 19, 2014, effective date May 6, 2014. Claude Duplessis, Eng. Gilbert Rousseau, Eng. Jonathan Gagné, Eng. Martin Stapinsky, P.Geo.,M.Sc.,Ph.D, are the independent qualified persons in accordance with National Instrument 43-101.

(2) NI 43-101 Technical Report Preliminary Economic Assessment (PEA) Granada Gold Project Rouyn-Noranda, Quebec, published February 4, 2013, effective date December 21, 2012. Claude Duplessis, Eng., Gilbert Rousseau, Eng., Gaston Gagnon, Eng., and Jonathan Gagné, Eng., are the independent qualified persons in accordance with National Instrument 43-101.

Granada Goals – Plans - Catalysts

- Memorandum of understanding signed with Castle Silver whereby Castle is undertaking a study in Q4 2017 to install a 600 t/d gravity flotation plant at one of its northern Ontario properties
- Castle mill to process 579,000 tonnes of Granada ore at 4.24 g/t Au (as per 2014 PFS) with an option for another 2 million tonnes of mineralized material over 3 yrs
- Genesis Target, potential source of in-situ gold in northwest section of LONG Bars Zone
- Deep holes at depth in area north of surface in-pit resources
- Infill drilling to convert Inferred Resource to Measured or Indicated Resource
- 80% of strike length yet to be explored

(1) Granada Gold Mine News Release May 16, 2017 entitled Granada Gold Outlines Robust Open-Pit and High-Grade Underground Resources at Granada. Claude Duplessis, Eng. is the independent qualified person in accordance with National Instrument 43-101. Also, NI 43-101 Technical Report Mineral Resource Estimation Update 2017 Granada Gold Mine Inc., Rouyn-Noranda, Quebec, Canada , prepared by Goldminds Geoservices Inc., published June 30, 2017, effective date May 16, 2017. Claude Duplessis, Eng. is the independent qualified person in accordance with National Instrument 43-101. See also exploration goal details in January 18, 2017 news release. Also, see November 22, 2017 news release for Aukeko details.

(2) See September 8, 2017 news release. Claude Duplessis, Ing., is the independent qualified person in accordance with National Instrument 43-101.

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The only reason why LONG Bars is not the current focal point of exploration is the discovery of Genesis. Clearly, the potential to expand upon existing resources at Granada is very high. How high?

The Company's 2017 block model resource estimate pegs the M&I resources at 1.534 million ounces. The present (global) Inferred resource is 3.436 million ounces. For some investors, that adds up to 5 million ounces of gold. But that's not how this conservative management team describes its resources.

GGM is a company that won't boast about a "5 million ounce resource" until they have demonstrated those numbers in terms of Measured and Indicated ounces. For investors, it's much easier to connect the dots. Resource conversion alone could potentially increase Granada's total resources to 5 million ounces. However, given the very prospective potential of Genesis and LONG Bars, there could be many more ounces to add to that total.

There is plenty of gold mineralization. What mining investors will want to know is what comes next.

It starts with a Feasibility Study. Granada has announced that Ausenco will be conducting the FS, to be completed within a year. However, investors already have plenty of information to guide them with respect to potential mining operations. Previous technical reports have outlined two different paths to production.

A 2012 Preliminary Economic Assessment (PEA) estimated that Granada could be a 100,000 ounce per year operation, producing at 7,500 tonnes/day, with a mine life of 11 years. But that report was produced just as the economic conditions in the sector began to deteriorate significantly.

The 2012 PEA was based upon a cap-ex of C$259 million. In the present climate, with the price of gold still at depressed levels, it has been difficult for (especially) junior miners to attempt to finance projects at this scale.

In 2014, a new Prefeasibility Study (PFS) provided a different path to production, a "rolling start" model that begins at a lower level of production – but with cap-ex of just a tiny fraction compared to the original model.

The PFS plans for an initial production rate of 550 tonnes/day, yielding 25,000 ounces of gold per year. Even at current gold prices, this represents revenues in excess of $30 million per year. The estimated cap-ex for this option is only C$6.7 million. Greatly improving the economics (and reducing cap-ex) in this revised plan is that Granada will not need to construct a mill for processing.

Canada Cobalt Works Inc. (TSX: V.CSR) is the "sister company" to GGM. Granada currently holds 5 million shares of CSR, as well as 5 million warrants. These assets represent the proceeds that Granada received in exchange for spinning-off silver-cobalt properties to Canada Cobalt. But this relationship is about to deepen further.

Granada has signed a provisional milling agreement with Canada Cobalt. CSR is committed to the construction of a 600 tonnes/day milling facility that will include a floatation circuit suitable for processing the ore from Granada.

The upcoming Feasibility Study will update the numbers on this Project. It will also provide a significantly greater level of Project certainty – as the Company moves towards financing production.

High grades (of gold). Lots of ounces. Low cap-ex. Is there anything else to whet the appetite of investors?

Yes, GGM plans to pay out a "dividend" to its shareholders. The dividend will be comprised of the shares/warrants acquired from Canada Cobalt, a 3% NSR to be paid out as a cash or gold dividend, and a 1% NSR on the Canada Cobalt assets, paid out as a cash dividend.

With economic conditions still challenging in the gold sector, Granada Gold Mine is a Company for today's gold market. The combination of high grades and low cap-ex translates into minimum Project risk – with huge upside potential in its exploration.

Appendix: detailed maps of Granada exploration work to date

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