

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt about this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in Smart Rich Energy Finance (Holdings) Ltd., you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, licensed securities dealer or other agent through whom the sale or the transfer was effected for transmission to the purchaser or the transferee.

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This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities.



智富能源金融(集團)有限公司^{*#}
Smart Rich Energy Finance (Holdings) Ltd.[#]

(Incorporated in Bermuda with limited liability)

(Stock Code: 1051)

(Temporary Stock Code until Monday, 6 July 2009: 2921)

- (1) VERY SUBSTANTIAL ACQUISITION;
(2) PROPOSED NEW ISSUE OF SHARES;
(3) PROPOSED SUBSCRIPTION BY METAL VICTORY AND DR. LEW;
(4) PROPOSED GRANTS OF SHARE OPTIONS;
(5) SPECIFIC MANDATE TO ISSUE NEW SHARES;
AND
(6) NOTICE OF SGM**

Financial Adviser to the Company

Morgan Stanley

Morgan Stanley Asia Limited

Placing Agent

Morgan Stanley

Morgan Stanley & Co. International plc

**Independent financial adviser to
the Independent Board Committee and Independent Shareholders**



粵海證券有限公司
GUANGDONG SECURITIES LIMITED

All capitalised terms used in this document have the meanings set out in the section headed "Definitions" of this document.

A letter from the Board is set out on pages 14 to 92 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders in respect of the Share Option Agreements and Investment Agreements is set out on pages 93 to 94 of this circular. A letter from Guangdong Securities, the independent financial adviser to the Independent Board Committee, containing its advice to the Independent Board Committee in respect of the Share Option Agreements and Investment Agreements is set out on pages 95 to 120 of this circular. A notice convening the SGM to be held at Salon 2-3, JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong, on Monday, 22 June 2009 at 10:00 a.m. is set out on pages SGM-1 to SGM-6 of this circular. A form of proxy for use in the SGM is enclosed. Whether or not you propose to attend the SGM, you are requested to complete the enclosed form of proxy in accordance with instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Union Registrars Limited at Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as practicable but in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish.

* For identification purpose only

The proposal put forward by the Board to change the name of the Company to "G-Resources Group Limited" "國際資源集團有限公司" as disclosed and more particularly described in the 4 May Circular was approved by the Shareholders on 29 May 2009. The new company name will take effect when the necessary registrations and procedures in respect of the change of company name have been completed.

IMPORTANT

This circular is not an offer of securities for sale or solicitation of an offer to purchase securities. The securities described herein have not been and will not be registered under the US Securities Act of 1933, as amended (the *US Securities Act*), and may not be offered or sold in the United States absent registration under the US Securities Act, or an applicable exemption from the registration requirements thereof. There will be no public offering of the securities described herein in the United States.

This circular is being made by the Company. None of the Placing Agent, the Financial Adviser or any of their affiliates makes any representation or warranty, express or implied, as to the accuracy or completeness of the information in this circular, and nothing in this circular is, or shall be relied upon as, a promise or representation by the Placing Agent, the Financial Adviser or any of their affiliates.

Forward-looking Information

Certain information contained in this circular constitutes forward-looking information. Investors are cautioned that forward-looking information is inherently uncertain and involve risks and uncertainties that could cause actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking information. Such statements include comments regarding the completion and terms of the proposed Acquisition, the proposed strategies of the Company, the Placing and the use of proceeds from the Placing. Factors that could cause actual results to differ materially include (without limitation) the ability to complete the Acquisition; the ability to satisfy the conditions of the Placing; the failure to receive regulatory approvals with respect to the Acquisition and the Placing; changes in the prices of commodities generally or gold and/or silver specifically; and changes in Hong Kong and other relevant securities markets. In addition, specific reference is made to the section “Risks Associated with the Acquisition” in the Letter from the Board in this circular. There can be no assurance that future developments affecting the Company will be those anticipated by management. While the Company may elect to update the forward-looking information at any time, the Company does not undertake to update them at any particular time or in response to any particular event. Investors and others should not assume that any forward-looking information in this circular represents management’s estimate as of any date other than the date of this circular.

Currency and Exchange Rates

For the purpose of illustration only, (a) the amount denominated in A\$ has been translated into HK\$ at the exchange rate of A\$1.00 for HK\$5.5274 and (b) the amount denominated in US\$ has been translated into HK\$ at the exchange rate of US\$1.00 for HK\$7.75, unless otherwise stated. Such translations have been rounded to the nearest two (2) decimal points and should not be construed as a representation that the relevant amounts have been, could have been, or could be converted at that or any other rate or at all.

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“4 May Circular”	the circular of the Company in respect of the Capital Reorganisation, refreshment of existing general mandate, change of company name and notice of special general meeting dated 4 May 2009
“A\$”	Australian dollars, the lawful currency of the Commonwealth of Australia
“ACN”	Australian Company Number
“Acquisition”	the sale and purchase of the Option Shares upon the exercise of the Call Option contemplated under the Option Agreement
“Actual Reimbursement Amount”	the net actual amount OMA is entitled to as the Reimbursement Amount
“Agreed Expenditure”	the forecast expenditure schedule to the OZ Agreement in respect of the Martabe Project from 1 April 2009 to 23 July 2009, having a maximum amount of US\$11.40 million (equivalent to approximately HK\$88.35 million)
“AMDAL”	the environmental impact analysis (<i>Analisa Mengenai Dampak Lingkungan</i>)
“ARS”	Agincourt Resources (Singapore) Pte Ltd, a private company incorporated in Singapore with limited liability
“associates”	has the meaning given to that term in the Listing Rules
“Banking Day”	a day (excluding a Saturday, Sunday or public holiday) on which commercial banks in Hong Kong are generally open for business
“BKPM”	the Capital Investment Coordinating Board (<i>Badan Koordinasi Penanaman Modal</i>)
“Board”	the board of Directors

DEFINITIONS

“Brokerage, Fee and Levy”	(i) brokerage per Share of 1% of the Subscription Price, (ii) the Stock Exchange trading fee per Share of 0.005% of the Subscription Price, and (iii) the SFC transaction levy per Share of 0.004% of the Subscription Price
“Business Day”	for the purposes of the Investment Agreements, any day that is not a Saturday, Sunday or public holiday, on which licensed banks in Hong Kong are generally open for business
“Call Option”	an option granted by the Grantor to the Grantee to require the Grantor to sell or procure the sale of the Option Shares to the Grantee
“Call Option Exercise Period”	any day within the period commencing on 24 April 2009, which is the date of the Option Agreement, up to the date falling six (6) months thereafter
“Capital Reduction”	the reduction of the par value of each issued Consolidated Share from HK\$0.10 to HK\$0.01 by cancelling the paid-up capital to the extent of HK\$0.09 on each Consolidated Share
“Capital Reorganisation”	(i) the Share Consolidation, (ii) the Capital Reduction, (iii) the Share Subdivision and (iv) the Share Premium Reduction which became effective on 1 June 2009 as disclosed and more particularly described in the 4 May Circular
“Company”	Smart Rich Energy Finance (Holdings) Limited 智富能源金融(集團)有限公司*, an exempted company incorporated in Bermuda with limited liability and whose shares are listed on the Stock Exchange (stock code: 1051 (temporary stock code until Monday, 6 July 2009: 2921)). The proposal to change the name of the Company to “G-Resources Group Limited” “國際資源集團有限公司*” as disclosed and more particularly described in the 4 May Circular was approved by the Shareholders on 29 May 2009. The new company name will take effect when the necessary registrations and procedures in respect of the change of company name have been completed

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DEFINITIONS

“Completion”	completion of (i) the sale and purchase of the Option Shares and (ii) the assignment of the Shareholder’s Loans in accordance with the Option Agreement pursuant to an exercise of the Call Option by the Grantee during the Call Option Exercise Period
“Conditions”	the conditions precedent of the Option Agreement, details of which are set out in section 5(e) headed “Conditions precedent” in the Letter from the Board in this circular
“connected person(s)”	has the meaning given to that term in the Listing Rules
“Consideration Shares”	means 221,428,571 Shares equal to US\$10 million (equivalent to approximately HK\$77.50 million) divided by HK\$0.35 per Share as agreed between the Grantee and the Grantor (rounded down to the nearest whole number)
“Consolidated Share(s)”	means ordinary share(s) of HK\$0.10 each in the share capital of the Company immediately following and arising from the Share Consolidation
“Convertible Notes”	the convertible redeemable notes, non-interest bearing issued by the Company in the maximum aggregate principal amount of HK\$160,480,000 due on 30 June 2012 comprising the First Tranche Convertible Notes and the Second Tranche Convertible Notes as disclosed and more particularly described in the circular of the Company in respect of the proposed placing of the convertible notes due 2012 dated 13 March 2009 and fully converted as at 27 May 2009
“COW”	has the meaning given to it under the sub-section headed “The PTAR COW” in section 7(e) headed “The OMM Group” in the Letter from the Board in this circular
“COW Area”	the defined area which is the subject of the PTAR COW
“DFS”	definitive feasibility study
“Director(s)”	director(s) of the Company

DEFINITIONS

“Directors Announcement”	the announcement headed “Appointment of New Directors, Senior Management and Re-designation of Director” published by the Company on 12 May 2009
“Dr. Lew”	Dr. Lew Mon Hung, an executive Director and the chairman of the Company
“Enlarged Group”	the Group immediately after completion of the Acquisition
“EPCM”	engineering, procurement and construction management
“Estimated Reimbursement Amount”	the amount estimated by OMA to be the Reimbursement Amount as set out in the Reimbursement Statement
“Financial Adviser”	Morgan Stanley Asia Limited, a company incorporated in Hong Kong, which is licensed for Type 1 (dealing in securities), Type 4 (advising on securities), Type 5 (advising on futures contracts), Type 6 (advising on corporate finance), Type 7 (providing automated trading services) and Type 9 (asset management) regulated activities under the SFO and the financial adviser to the Company
“First Tranche Convertible Notes”	the convertible redeemable notes, non-interest bearing issued by the Company in the maximum aggregate principal amount of HK\$24,480,000 due on 30 June 2012 as disclosed and more particularly described in the circular of the Company in respect of the placing of the convertible notes due 2012 dated 13 March 2009 and fully converted as at 7 May 2009
“g/t”	grams per tonne
“GOI”	the Government of the Republic of Indonesia
“Grantee”	Acewick Holdings Limited 雅域控股有限公司, a BVI business company incorporated in the British Virgin Islands with limited liability and wholly owned indirectly by the Company
“Grantor”	Polytex Investments Inc., a BVI business company incorporated in the British Virgin Islands with limited liability and wholly owned directly by the Grantor’s Guarantor

DEFINITIONS

“Grantor’s Guarantor”	China Sci-Tech Holdings Limited 中國科技集團有限公司*, a company incorporated in the Cayman Islands with limited liability and whose shares are listed on the Stock Exchange (stock code: 985)
“Group”	the Company and its subsidiaries
“Guangdong Securities”	Guangdong Securities Limited, a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO and the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Share Option Agreements and the grants of Share Options contemplated thereunder
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors, namely, Ms. Ma Yin Fan, Mr. Leung Hoi Ying and Mr. Yu Pan
“Independent Shareholders”	all Shareholders, except when used in relation to Dr. Lew’s Investment Agreement, the term should mean all Shareholders other than Dr. Lew and his associates
“Indicated Mineral Resource”	means, according to the JORC Code, that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed

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DEFINITIONS

“Inferred Mineral Resource”	means, according to the JORC Code, that part of a Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability
“Investment Agreements”	the investment agreement dated 22 May 2009 relating to the Subscription entered into among (i) the Company, (ii) Mr. Hegarty and (iii) Metal Victory and the investment agreement dated 27 May 2009 relating to the Subscription entered into between (i) the Company and (ii) Dr. Lew
“Investor Shares”	has the meaning given to it under sub-section 14.1(b) headed “Number of Shares to be subscribed” in the Letter from the Board in this circular
“JORC Code”	the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves prepared by the Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia and effective December 2004
“Last Trading Date”	24 April 2009, being the last trading day for the Shares before the publication of the VSA Announcement
“Latest Practicable Date”	29 May 2009, being the latest practicable date prior to the bulk-printing of this circular for ascertaining certain information contained herein
“Lew Subscription Shares”	has the meaning given to it under sub-section 14.1(b) headed “Number of Shares to be subscribed” in the Letter from the Board in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	means (i) 23 July 2009; or (ii) such other date as the parties to the Option Agreement may at any time and from time to time agree in writing

DEFINITIONS

“Martabe Project”	the Martabe gold and silver project owned by PTAR within the COW Area, in the Regency of South Tapanuli, Northern Sumatra, Indonesia
“Maxter”	Maxter Investments Limited, a BVI business company incorporated in the British Virgin Islands with limited liability and wholly owned directly by the Grantor
“Measured Mineral Resource”	means, according to the JORC Code, that part of a Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and grade continuity
“Metal Victory”	Metal Victory International Limited, an investment holding company incorporated in the British Virgin Islands with limited liability and wholly owned directly by Mr. Hegarty
“Mineral Resource”	means, according to the JORC Code, a concentration or occurrence of material of intrinsic economic interest in or on the Earth’s crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories
“MOU”	has the meaning given to it under section 19 headed “Strategic Relationship with Indonesian Partner” in the Letter from the Board in this circular
“MPIL”	Madagascar Petroleum International Limited
“Mr. Hegarty”	Mr. Owen L Hegarty, an executive Director, the chief executive officer and vice-chairman of the Company
“Mr. Albert”	Mr. Peter Geoffrey Albert, the deputy chief executive officer of the Company

DEFINITIONS

“Mtpa”	million tonnes per annum
“MV Subscription Shares”	has the meaning given to it under sub-section 14.1(b) headed “Number of Shares to be subscribed” in the Letter from the Board in this circular
“Oilfield Block 2104”	an onshore block of land in the Republic of Madagascar where MPIL possesses certain rights to conduct oil and gas exploration on, to carry out exploitation and operation and to share profits as a result of these activities
“Old Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company before the Capital Reorganisation became effective
“OMA”	OZ Minerals Agincourt Pty Ltd ACN 088 174 565, a company incorporated in Australia, which owns the entire issued share capital of OMM
“OMAH”	OZ Minerals Agincourt Holdings Pty Ltd ACN 123 900 738, a company incorporated in Australia, which owns the entire issued share capital of OMA
“OML”	OZ Minerals Limited ACN 005 482 824, a company incorporated in Australia, which owns the entire issued capital of OMAH
“OMM”	OZ Minerals Martabe Pty Ltd ACN 119 655 506, a company incorporated in Australia, which owns the entire issued share capital of ARS
“OMM Group”	OMM, ARS and PTAR
“Option Agreement”	the option agreement dated 24 April 2009, as amended by the Supplemental Agreement, entered into among (i) the Grantor, (ii) the Grantee, (iii) the Company and (iv) the Grantor’s Guarantor pursuant to which the Grantor agreed, among other things, to grant the Call Option to the Grantee
“Option Price”	the price for (i) the sale and purchase of the Option Shares upon the exercise of the Call Option and (ii) the sale and assignment of the Shareholder’s Loans pursuant to the Option Agreement and is particularly described in section 5(c) headed “Option Price” in the Letter from the Board in this circular

DEFINITIONS

“Option Shares”	one (1) ordinary share of US\$1.00 each in the capital of Maxter representing its entire issued share capital to be sold by the Grantor to the Grantee pursuant to the Option Agreement
“Ore Reserve”	means, according to the JORC Code, the economically mineable part of a Measured and/or Indicated Mineral Resource. It includes diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments and studies have been carried out, and include consideration of and modification by realistically assumed mining, metallurgical, economic, marketing, legal, environmental, social and governmental factors. These assessments demonstrate at the time of reporting that extraction could reasonably be justified. Ore Reserves are sub-divided in order of increasing confidence into Probable Ore Reserves and Proved Ore Reserves
“OZ Agreement”	the sale and purchase agreement dated 24 April 2009 entered into among (i) OMA, (ii) Maxter, (iii) OML and (iv) Grantor’s Guarantor pursuant to which Maxter agreed, among other things, to purchase the entire issued share capital of OMM from OMA
“OZ Consideration”	the consideration payable by Maxter to OMA under the OZ Agreement which is the aggregate sum of (i) US\$211 million (equivalent to approximately HK\$1,635 million), (ii) the Reimbursement Amount and (iii) any adjustments to the consideration made under the OZ Agreement
“Placee”	any independent individual, corporate and/or institutional investors procured by the Placing Agent to purchase any of the Placing Shares pursuant to the Placing Agent’s obligations under the Service Letter
“Placing”	the proposed placing of the Placing Shares through the Placing Agent pursuant to the terms of the Service Letter
“Placing Agent”	Morgan Stanley & Co. International plc
“Placing Price”	has the meaning given to it under section 13(c)i. headed “Amount of proceeds to be raised” in the Letter from the Board in this circular

DEFINITIONS

“Placing Shares”	up to 13 billion new Shares, which may be allotted and issued by the Company pursuant to the Placing
“PMA Company”	a foreign investment company (<i>Penanaman Modal Asing</i>) which is incorporated under the laws of Indonesia and whose shares are held by foreigners
“Probable Ore Reserve”	means, according to the JORC Code, the economically mineable part of an Indicated, and in some circumstances, a Measured Mineral Resource
“Proposed New Issue”	the proposed new issue of Placing Shares to independent individual, corporate and/or new institutional investors, which are proposed to be listed on the Stock Exchange
“Proved Ore Reserve ”	means, according to the JORC Code, the economically mineable part of a Measured Mineral Resource
“PTANA”	PT Artha Nugatha Agung, an entity incorporated under the laws of Indonesia
“PTAR”	PT Agincourt Resources, an entity incorporated under the laws of Indonesia
“PTAR COW”	the COW in relation to the Martabe Project between PTAR and the GOI dated 28 April 1997 over an area of land, within the Province of Northern Sumatra, Indonesia, including any part of, any and all renewals of, modifications to, substitutions for or any additions to it and as amended or modified by any approvals or permissions granted under it
“Reimbursement Amount”	the amount payable by Maxter to OMA under the Agreement in respect of the expenditure incurred by OMA, and lent to OMM, in respect of the Martabe Project from 1 April 2009 to immediately prior to the completion of the OZ Agreement to the extent provided for in the Agreed Expenditure
“Second Tranche Convertible Notes”	the convertible redeemable notes, non-interest bearing issued by the Company in the maximum aggregate principal amount of HK\$136,000,000 due on 30 June 2012 as disclosed and more particularly described in the circular of the Company in respect of the placing of the convertible notes due 2012 dated 13 March 2009 and fully converted as at 27 May 2009

DEFINITIONS

“Senior Management”	has the meaning given to it in section 15 headed “Proposed Grants of Share Options to Mr. Hegarty and Mr. Albert” in the Letter from the Board in this circular
“Service Contracts”	the service contract entered into between the Company and Mr. Hegarty dated 10 May 2009 and the service contract entered into between the Company and Mr. Albert dated 10 May 2009
“Service Letter”	the conditional service letter dated 12 May 2009 entered into between the Company and the Placing Agent in relation to the Placing
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong)
“SGM”	a special general meeting of the Company to be convened and held for the purpose of considering and, if thought fit, approving, among other things, the Acquisition and the transactions contemplated thereunder
“Share(s)”	ordinary share(s) of HK\$0.01 each in the issued share capital of the Company immediately after the Capital Reorganisation became effective
“Share Consolidation”	the consolidation of every ten (10) issued and unissued Old Shares into one (1) Consolidated Share
“Shareholder’s Loans”	means the shareholder’s loans due and owing to the Grantor by the Company which are interest-free and repayable on demand and amount to the aggregate sum of (i) HK\$16,320.20 and (ii) the maximum amount up to the total consideration or sum paid or contributed by the Grantor and/or its subsidiaries on behalf of the Maxter for payment to the OMA and/or its related bodies corporate under the OZ Agreement and ancillary documents upon completion of the OZ Agreement
“Shareholder(s)”	holder(s) of the Shares
“Share Premium Reduction”	the cancellation of the entire amount standing to the credit of the share premium account of the Company

DEFINITIONS

“Share Subdivision”	the subdivision of one (1) authorised but unissued Consolidated Share into ten (10) Shares
“Specific Mandate”	the authority to issue and allot such amount of (i) Consideration Shares equal to US\$10 million (equivalent to approximately HK\$77.50 million) divided by HK\$0.35 per Share, (ii) Placing Shares under the Service Letter, and (iii) Share Option Shares pursuant to a Shareholders’ resolution to be proposed at the SGM
“Share Option Agreements”	the share option agreement for subscription of Share Option Shares of the Company entered into between the Company and Mr. Hegarty dated 10 May 2009 and the share option agreement for subscription of Share Option Shares of the Company entered into between the Company and Mr. Albert dated 10 May 2009
“Share Option Price”	the price payable in respect of each Share on exercise of the Share Options pursuant to the Share Option Agreements
“Share Options”	the right to subscribe for the Share Option Shares at a price per Share equal to the Option Price pursuant to the Share Option Agreements
“Share Option Shares”	those Shares to be issued upon exercise of the Share Options pursuant to the Share Option Agreements
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscriptions”	the subscription for the MV Subscription Shares by Metal Victory and the subscription for the Lew Subscription Shares by Dr. Lew upon the terms and subject to the conditions of each of the Investment Agreements
“Subscription Announcements”	the announcement headed “(1) Placing of New Shares; (2) Connected Transaction and (3) Resumption of Trading” published by the Company on 25 May 2009 and the announcement headed “Placing of New Shares as Connected Transaction” published by the Company on 27 May 2009

DEFINITIONS

“Subscription Price”	the final subscription price per Investor Share (exclusive of the Brokerage, Fee and Levy, if any) at which the Investor Shares are to be subscribed by Metal Victory or Dr. Lew (as the case may be), to be determined by the Company and the Placing Agent at their absolute discretion (which shall be the same as that of other cornerstone investors in the same tranche), subject to a minimum price of HK\$0.35 per Investor Share
“subsidiaries”	have the same meaning as the definition in the Companies Ordinance (Chapter 32 of the laws of Hong Kong)
“substantial shareholder”	has the meaning given to that term in the Listing Rules
“Supplemental Agreement”	the supplemental agreement to the Option Agreement dated 27 May 2009 entered into among (i) the Grantor, (ii) the Grantee, (iii) the Company and (iv) the Grantor’s Guarantor relating to the assignment of the Shareholder’s Loans
“Target Group”	Maxter and the OMM Group
“Technical Report”	an independent technical report on the Martabe Project dated 8 May 2009 and prepared by Behre Dolbear Australia Pty Limited, as set out in Appendix V and is available for download from the Company’s website at http://www.g-resources.com
“United States”	the United States of America
“US\$”	United States dollars
“VSA Announcement”	the announcement headed “(1) Very Substantial Acquisition; (2) Proposed New Issue of Shares; (3) Proposed Grants of Share Options; (4) Specific Mandate to Issue New Shares; and (5) Resumption of Trading” published by the Company on 12 May 2009
“%”	percentage



智富能源金融(集團)有限公司*#
Smart Rich Energy Finance (Holdings) Ltd.#

(Incorporated in Bermuda with limited liability)

(Stock Code: 1051)

(Temporary Stock Code until Monday, 6 July 2009: 2921)

Executive Directors:

Dr. Lew Mon Hung (Chairman)

Mr. Owen L Hegarty

(Chief Executive Officer and Vice-Chairman)

Mr. Wah Wang Kei, Jackie

Mr. Hui Richard Rui

Mr. Tsui Ching Hung

Mr. Kwan Kam Hung, Jimmy

Independent Non-executive Directors:

Ms. Ma Yin Fan

Mr. Leung Hoi Ying

Mr. Yu Pan

Registered office:

Canon's Court

22 Victoria Street

Hamilton HM 12

Bermuda

Principal place of business in Hong Kong:

Suite 09, 19/F.

Harbour Centre

25 Harbour Road

Wanchai, Hong Kong

3 June 2009

To the Shareholders

Dear Sir or Madam,

- (1) VERY SUBSTANTIAL ACQUISITION;
(2) PROPOSED NEW ISSUE OF SHARES;
(3) PROPOSED SUBSCRIPTION BY METAL VICTORY AND DR. LEW;
(4) PROPOSED GRANTS OF SHARE OPTIONS;
(5) SPECIFIC MANDATE TO ISSUE NEW SHARES
AND
(6) NOTICE OF SGM**

1. INTRODUCTION

We refer to the VSA Announcement, in which the Company announced that it had:

- (a) entered into the Option Agreement on 24 April 2009 and exercised the Call Option on 9 May 2009;

* For identification purpose only

The proposal put forward by the Board to change the name of the Company to "G-Resources Group Limited" "國際資源集團有限公司" as disclosed and more particularly described in the 4 May Circular was approved by the Shareholders on 29 May 2009. The new company name will take effect when the necessary registrations and procedures in respect of the change of company name have been completed.

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- (b) (i) proposed to issue and allot up to 13 billion new Shares to raise up to HK\$4,550 million to finance the Acquisition, to fund the capital expenditure to bring the Martabe Project into production state, to fund the development of the Martabe Project post-Completion, expenses related to the Acquisition, working capital and capital expenditures, and for general corporate purposes in respect of the Martabe Project and (ii) entered into the Service Letter with the Placing Agent with a view towards improving the success of the Proposed New Issue;
- (c) entered into two Share Option Agreements with Mr. Hegarty and Mr. Albert respectively as part of the remuneration package to Mr. Hegarty and Mr. Albert, respectively; and
- (d) sought a specific mandate to authorise the issue and allotment of such amount of (i) Consideration Shares, (ii) up to 13 billion new Shares, and (iii) up to 403,362,100 new Shares and to authorise the Board to determine and deal with, at its discretion and with full authority, matters relating thereto.

We also refer to the Subscription Announcements, in which the Company announced that it had entered into the Investment Agreements with Mr. Hegarty and Metal Victory, and Dr. Lew, respectively, on 22 May 2009 and 27 May 2009, respectively.

The exercise of the Call Option constitutes a very substantial acquisition under Chapter 14 of the Listing Rules. Pursuant to Rule 14.49 of the Listing Rules, the Acquisition is therefore subject to the approval of the Shareholders at the SGM.

Since Metal Victory is wholly owned by Mr. Hegarty, who has been appointed as an executive Director, the chief executive officer and vice-chairman of the Company with effect from 10 May 2009, Metal Victory is an associate of Mr. Hegarty and is a connected person of the Company under the Listing Rules. Dr. Lew is an executive Director and the chairman of the Company and hence also a connected person of the Company under the Listing Rules. Accordingly, the Subscriptions under the Investment Agreements constitute connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Hegarty has been appointed as an executive Director, the chief executive officer and vice-chairman of the Company and Mr. Albert has been appointed as the deputy chief executive officer and has been conditionally appointed as an executive Director of the Company, the Share Option Agreements are connected transactions between the Company and Mr. Hegarty and Mr. Albert respectively and would accordingly be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Share Option Agreements are also subject to Shareholders' approval under Chapter 15 of the Listing Rules.

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The main purposes of this circular are:

- (a) to provide you with further information regarding (1) the Option Agreement and the Acquisition, (2) the Proposed New Issue, (3) the proposed Subscriptions by Metal Victory and Dr. Lew, (4) the proposed grants of Share Options and (5) the Specific Mandate;
- (b) to set out the recommendation of the Independent Board Committee to the Independent Shareholders in relation to the Investment Agreements and the Subscriptions contemplated thereunder, and the Share Option Agreements and the transactions contemplated thereunder;
- (c) to set out the advice of Guangdong Securities to the Independent Board Committee and the Independent Shareholders in relation to the Investment Agreements and the Subscriptions contemplated thereunder, and the Share Option Agreements and the grants of Share Options contemplated thereunder;
- (d) to provide you with the financial information on the Group, Maxter and the OMM Group and the pro forma financial information on the Enlarged Group; and
- (e) to provide the Shareholders with the notice of the SGM at which ordinary resolutions will be proposed to approve the Acquisition, the Investment Agreements, the Share Option Agreements and the Specific Mandate, and the transactions contemplated thereunder.

2. STRATEGIC RATIONALE FOR THE ACQUISITION

The Company believes the following to be the key aspects of the strategic rationale for the acquisition of the Martabe Project:

(a) Large and high quality Mineral Resource base

The Martabe Project benefits from a large and high quality Mineral Resource base, with Ore Reserves of 2.2 million ounces of gold and 29.7 million ounces of silver (solely from the Purnama deposit, also referred to as "Pit 1") and Mineral Resources of 5.9 million ounces of gold and 61.5 million ounces of silver (from Purnama, Barani and Ramba Joring deposits), as classified under the JORC Code. Based solely on the Ore Reserves of Pit 1, the life of mine is expected to be nine years with an average annual production of 200,000 ounces of gold and 2 million ounces of silver. Annual gold production for the first five years of mine life is expected to be on average 250,000 ounces. We believe there is significant potential to extend the life of mine and Mineral Resource base given the additional Mineral Resources already identified at adjacent deposits. Further exploration is currently underway and a new Ore Reserve and Mineral Resource statement is expected in the next few months. Moreover, the low strip ratio of approximately 0.7 tonnes of waste material to each tonne of ore, and good ore mineralogy of the deposits allow for a high metal

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recovery ratio, conventional open pit mining methods and low overall cash cost of production. Life of mine cash costs are estimated at US\$240 per ounce after silver credits, putting this operation in the lowest quartile of costs for global gold mines.

(b) Beneficial location to key infrastructure

The Martabe Project benefits from its close proximity to key infrastructure. Despite its remote location and rugged topography, the Martabe Project is adjacent to the Tans-Sumatra highway and is about 350 kilometres away by major arterial road from Medan, which is the regional center of Sumatra and the third largest city in Indonesia. The Martabe Project is only 40 kilometres from the port of Sibolga which has port facilities available. The Martabe Project also has good access to a reliable supply of water and electricity, which are typically two key local inputs for mining operations. A reliable and sufficient supply of water is available on-site from streams and watercourses. Power is expected to be provided from the local high voltage grid which has recently been supplemented by the commissioning of a power station in Sibolga. Telecommunications infrastructure supporting international communications is already in place. In addition, the Martabe Project can take advantage of a large base of capable and professional Indonesian mining personnel.

(c) Low cost structure

The Martabe Project has a low estimated cost structure which compares favourably to competitors. Its low cost structure is largely due to the capacity and size of the project (4.5 Mtpa bulk style open-cut mining), the high grade of the ore (1.9 g/t gold average), good recovery ratios (70-80% for gold and 60-80% for silver), a very low strip ratio (approximately 0.7:1 (waste: ore)) and straightforward mining processes (mine, crush, SAG/Ball mill, CIL operation). In addition, the project site benefits from the favourable location of facilities, which has the potential to reduce operating and transportation costs and provide access to a large base of skilled but low cost Indonesian workforce. As a result of these factors, the Martabe Project's operating life of mine cash cost is estimated to be approximately US\$240 per ounce (net of by-product credits). In the early years of operation, the cash costs are expected to be lower. Moreover, there is room to further reduce the estimated cash costs, which were calculated using prevailing contract bids and vehicle and fuel prices from 2008, which have since dropped, in some cases, to a significant extent. The management of the Martabe Project plans to undertake a full review of the capital and operating budgets upon recommencement of the project to seek further opportunities to reduce costs and renegotiate contracts to take advantage of favourable pricing terms available at the moment. The Board views strict cost management and increases in productivity as fundamental aspects of operation and will continually seek to improve the efficiency and costs of the Martabe Project.

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(d) Gold price outlook

With a current gold spot price of US\$979.15 per ounce as of 29 May 2009, gold continues to trade above historical average prices. As of 29 May 2009, COMEX August 2009 and December 2009 gold futures were trading at US\$980.3 per ounce and US\$983.1 per ounce, respectively. The average gold price during the period from 1 January 2009 to 31 March 2009 was approximately US\$907 per ounce, which compares to the average price during the five years ended 31 December 2008 of approximately US\$606 per ounce (source: Bloomberg).

(e) Potential to expand Mineral Resource base

At present, the Martabe Project is solely based on the main Pit 1 reserve. There is potential to prove up Mineral Resources to Ore Reserves and to expand the Mineral Resource base. Additional Mineral Resources have already been identified near Pit 1. Furthermore, two other gold deposits, Tor Uluala and Uluala Hulu, have been discovered within five kilometres of Pit 1 and Mineral Resources are expected to be defined at these two deposits as exploration continues. Taking into account the additional near-mine deposits, the main areas of prior focus cover approximately 30 square kilometres, or about 2% of the total COW Area of 1,639 square kilometres. There are also untested prospects and potential for Mineral Resources on the remaining 98% of the COW Area. According to the Fraser Institute Annual Survey of Mining Companies 2008/2009 issued in February 2009, Indonesia is among the top ten countries in the world for policy/mineral potential assuming no regulations in place and assuming industry best practices. The Sumatran fault system runs the length of Sumatra and hydrothermal activity related to the fault system creates a fertile setting for large ore bodies of gold deposits. We believe there is potential to expand the Mineral Resource base within the remainder of the COW Area through further exploration and drilling.

(f) Government support

The Martabe Project benefits from government support. The key licenses and approvals have been obtained from the relevant Indonesian authorities which are required for the current stage of the Martabe Project development, including the completion of an AMDAL and approvals for the construction of the mine facilities.

We believe that we have strong relationships with all four levels of the Indonesian government (provincial, regency, district and sub-district). PTAR has a team dedicated to government relations and over many years they have established relationships with the relevant government authorities.

(g) Strong track record of key management team members with significant industry experience

The senior management team consisting of Mr. Hegarty and Mr. Albert have extensive experience in the mining industry and the Martabe Project.

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Mr. Hegarty, the new vice-chairman, executive Director and chief executive officer of the Company, has over 35 years of experience in the global mining industry, including 25 years with the Rio Tinto Group, and was a founding managing director and later the chief executive officer of Oxiana Limited (which has since merged with Zinifex Limited to form OML), where he oversaw the acquisition of Agincourt Resources Limited, which previously held the Martabe Project, and the growth of Oxiana Limited from a small mining explorer to a A\$6 billion diversified metals company.

Mr. Albert, the new deputy chief executive officer of the Company, is a qualified metallurgist and chartered engineer, and has more than 30 years experience in the mining industry. He was previously the Executive General Manager – Asia of OML where he was also the executive responsible for the Martabe Project. His previous responsibilities have included operating large process facilities and mines and designing and building mines, as well as general management of multiple operations and businesses. His particular skill is the development of greenfield projects in remote environments.

Both Mr. Hegarty and Mr. Albert previously worked on the Sepon copper and gold mines in Laos, the Golden Grove zinc-copper-silver-gold mine in Western Australia and the world-class Prominent Hill copper-gold mine in South Australia, as well as a package of high quality exploration assets throughout Southeast Asia, China and Australasia.

3. STRATEGIES

The Company's vision is to become a globally competitive Asian focused gold company and intends to achieve this vision through the following strategies:

(a) Near-term value through completion of the Martabe Project development to the production stage on time, within budget and to quality

The Company seeks to generate near-term value for Shareholders by completing the development of the Martabe Project to the production stage on time, within budget and at or exceeding the target quality of gold output. Mr. Hegarty and Mr. Albert have a strong knowledge of the Martabe Project and have been instrumental to the development of the Martabe Project to date. They have recent experience of developing the Sepon gold and copper project to time, quality and budget – the Directors believe that these projects are widely recognised as being executed to the highest international standards. In 2006, the Sepon gold and copper project was awarded "The Best Mining Operation" at the Mines and Money Conference in London. Negotiations with the EPCM contractor to recommence work are at an advanced stage and the Directors expect to complete negotiations within the next few weeks. Negotiations with other construction contractors have also commenced. Job training programs for local communities have been ongoing and we expect to have a sufficient labour force in place once we recommence work. Orders for six critical, long lead-time items, including SAG and ball mills, have already been placed and delivery is expected later this year. The Directors also expect to be able to place the orders for additional items in a short timeframe. The Directors target project completion by the first quarter of 2011.

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(b) Growth through:

- (i) *organically converting the Martabe Project's Mineral Resources to Ore Reserves*

The Directors anticipate that further drilling will be undertaken on the existing near mine Mineral Resources in an effort to convert additional Mineral Resources to Ore Reserves. Behre Dolbear Australia Pty Limited has confirmed in their Technical Report that there is a reasonable expectation that a significant portion of Inferred Mineral Resources will be converted to Measured and Indicated Mineral Resources and Ore Reserves during grade control drilling.

- (ii) *delineating Mineral Resources at near-mine deposits and discoveries*

Further exploration is currently underway at a number of near mine deposits (including Ramba Joring, Barani, Ulualu Hulu and Tor Ulualu) with drilling planned to delineate additional Mineral Resources at Ramba Joring and Barani and new Mineral Resources at Ulualu Hulu and Tor Ulualu. Although drilling at these other prospects is at a relatively early stage, economic width and grades have been intersected at each location.

- (iii) *near-mine and regional exploration on the COW Area*

There is considerable exploration potential within the COW Area, with limited exploration undertaken to date though exploration work is ongoing and includes geological mapping, geochemical sampling, geophysical surveys, diamond drilling and, where appropriate, percussion drilling. The principal prospects where work is planned for 2009 include Tango Papa, Baning, Tani Hill, Golf Mike, Gambir-Kapur, Southern Corridor, Aek Goting, Rantan Panjang and the Panyabungan areas.

- (iv) *acquisition and development of projects in Indonesia*

In the future, the Group plans to expand through selective acquisition and development of high quality projects in Indonesia. Given the high geological prospectivity of Indonesia, the Company's Directors and management expect that there may be opportunities for growth within Indonesia.

- (v) *acquisition and development of other high prospective, quality projects as well as producing assets, with a focus initially on highly prospective Southeast Asia and Australasia*

In addition to projects in Indonesia, the Company's management will seek to acquire and develop other high quality projects in Asia, with an initial focus on the prospective areas of Laos, Thailand, Cambodia and China.

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- (c) Close cooperation between members of the management team with significant experience in the planning and execution of gold and base metal projects in the region**

The Company plans to achieve its strategies and growth potential through leveraging off the extensive experience of the members of the Company's management team, particularly with respect to the planning and execution of gold and base metal projects in the region and identification of high quality exploration assets. Certain members of the management team have worked on the development of the Sepon copper and gold mines in Laos, the acquisition and management of the Golden Grove zinc-copper-silver-gold mine in Western Australia and the acquisition and development of the world-class Prominent Hill copper-gold mine in South Australia. Messrs. Albert and Hegarty were also involved in the staking and acquisition of a package of high quality exploration assets throughout Southeast Asia, China and Australasia and the discovery through exploration of substantial new mineral resources.

- (d) Manage safe, environmentally and socially conscious operations and maintain good relations with government and community through application of "core values"**

The management of the Martabe Project believes that careful management of environmental and social aspects of the project is important for the continued success and expansion of its mining operations in Indonesia and elsewhere. The management of the Martabe Project has an ongoing commitment to the health and safety of its employees and achieving sustainable development in harmony with the communities and environments in which it operates. It proactively complies with and seeks to exceed the requirements of regulatory guidelines, ensuring the safety of its employees, utilising environmentally friendly technologies in its operations and implementing programs to support the local communities, all of which are core values of the Company's business.

The management of the Martabe Project aims to employ high standards to protect the environment, in particular, water resources, and have plans in place to mitigate the risk of offsite water contamination and to provide a clean and safe water supply to the local community. The management of the Martabe Project actively initiates and participates in a variety of programs that contribute to the health, education and livelihood of the people of the local communities in which it operates, including providing support for local programs that improve basic education, job skills training and infrastructure, providing emergency relief in the wake of natural disasters and developing a community consultation committee comprising representatives of local villages to give the local community a voice. The management of the Martabe Project believes that the fostering of a cooperative relationship with local villagers and investing in local communities creates a mutual trust that adds to the stability of its operations and plans to develop a community relations and development investment plan (CRDIP) to provide a framework for strategic social investments. The Board anticipates that a comprehensive plan of community activities will be developed in consultation with the local community during the next few months.

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4. PRELIMINARY

The Board has put forward for approval by the Shareholders the Capital Reorganisation as set out in the 4 May Circular, which was approved by the Shareholders at the special general meeting on 29 May 2009 and became effective on 1 June 2009. Therefore, all references to Shares, number of Shares and price per Share should mean such shares, number of shares and price per share in the Company immediately after the completion of the Capital Reorganisation (unless otherwise stated). As set out in the 4 May Circular, with effect from Monday, 1 June 2009, the original counter for trading in Old Shares in board lots of 10,000 Old Shares will be closed temporarily and the temporary counter for trading in Shares in board lots of 1,000 Shares will be opened. With effect from Monday, 15 June 2009, the original counter for trading in Shares in board lots of 3,000 Shares will be reopened. Parallel trading arrangements at the Stock Exchange will be arranged during the period from Monday, 15 June 2009 to Monday, 6 July 2009 (both days inclusive) to deal in the Shares in board lot size of 1,000 Shares before the Shares are dealt in board lot size of 3,000 Shares. The temporary stock code of the Company until Monday, 6 July 2009 will be 2921. The temporary counter for trading in Shares in board lots of 1,000 Shares will be closed after the trading hours on Monday, 6 July 2009.

Since the VSA Announcement, the Convertible Notes has been fully converted as at 27 May 2009.

5. THE OPTION AGREEMENT

On 24 April 2009, the Company entered into an Option Agreement (as supplemented by the Supplemental Agreement), the key terms of which are as follows:

Date:	24 April 2009 (as supplemented by the Supplemental Agreement)
Parties:	(i) Grantee: Acewick Holding Limited
	(ii) Grantor: Polytex Investments Inc.
	(iii) Grantee's Guarantor: the Company
	(iv) Grantor's Guarantor: China Sci-Tech Holdings Limited
Option granted:	A call option to require the Grantor (i) to sell or procure the sale of the Option Shares, representing the entire existing issued share capital of Maxter, to the Grantee or any of its subsidiaries at the Option Price (the <i>Call Option</i>) and (ii) to sell and assign to the Grantee the Shareholder's Loans
Consideration for the grant of the Call Option:	HK\$1.00

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Mr. Hui Richard Rui, Mr. Tsui Ching Hung and Mr. Kwan Kam Hung, Jimmy, all of whom are executive directors of the Company, are also executive directors of the Grantor's Guarantor. Mr. Yu Pan, an independent non-executive director of the Company, is also an independent non-executive director of the Grantor's Guarantor. Apart from the above, to the best of the Company's knowledge having made all reasonable enquiry, there is no other relationship between the Company and the Grantor's Guarantor, or their substantial shareholders.

Based on the foregoing, the Company confirms that, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the Grantor and the Grantor's Guarantor and their respective ultimate beneficial owners, are third parties independent of the Company and are not connected persons of the Company or its subsidiaries or their respective associates.

(a) Exercise of Call Option

On 9 May 2009, the Grantee exercised the Call Option pursuant to the Option Agreement to require the Grantor to sell or procure the sale of the Option Shares. The Board confirms that Mr. Hui Richard Rui, Mr. Tsui Ching Hung, Mr. Kwan Kam Hung, Jimmy and Mr. Yu Pan, being the common directors of the Company and the Grantor's Guarantor have participated in the decision making of the exercise of the Call Option in the Company's board meeting and such directors have fully and frankly disclosed their respective interests in the Grantor's Guarantor at the Company's board meeting and are entitled to vote pursuant to the Company's bye-laws. Mr. Hui Richard Rui, Mr. Tsui Ching Hung, Mr. Kwan Kam Hung, Jimmy and Mr. Yu Pan also confirm that they do not hold any shares in both the Company and the Grantor's Guarantor.

(b) Assets to be acquired

(i) The Option Shares which represent the entire existing issued share capital of Maxter and (ii) the Shareholder's Loans.

(c) Option Price

The Option Price payable by the Grantee for the acquisition of the Option Shares and the Shareholder's Loan is the aggregate of:

- (i) the consideration payable by Maxter to OMA under the OZ Agreement (which is the aggregate sum of US\$211 million (equivalent to approximately HK\$1,635 million) and the Reimbursement Amount (the calculation of which is set out below) subject to any adjustments under the OZ Agreement (as set out below) (the *OZ Consideration*); and
- (ii) US\$10 million (equivalent to approximately HK\$77.50 million).

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Reimbursement Amount under the OZ Agreement

The Reimbursement Amount provides a mechanism for Maxter to reimburse OMA in respect of the amounts loaned by OMA to OMM for expenditure incurred by OMM in respect of the Martabe Project from 1 April 2009 to immediately prior to completion of the OZ Agreement. This effectively provides for a transfer of the economic interest in the Martabe Project from 1 April 2009, notwithstanding completion of the OZ Agreement will not occur until a later date. Pursuant to the OZ Agreement, OMA must provide Maxter with a statement setting out the Estimated Reimbursement Amount (the *Reimbursement Statement*) at least two (2) business days prior to completion of the OZ Agreement, which is to be paid by Maxter to OMA at completion of the OZ Agreement. The Reimbursement Amount is capped at the Agreed Expenditure. Maxter will have a period of fifteen (15) business days (the *Review Period*) to review the Reimbursement Statement upon receipt. If within the Review Period Maxter notifies OMA that it disputes any aspect of the Reimbursement Statement, OMA and Maxter must co-operate to resolve the dispute within ten (10) business days after the notification. If such dispute has not been resolved within the aforesaid period, the dispute will be referred to independent accountants for determination which will be conclusive.

In any event, the Actual Reimbursement Amount will be:

- (i) the Estimated Reimbursement Amount set out in the Reimbursement Statement;
- (ii) the amount OMA and Maxter confirm in writing during the Review Period; or
- (iii) the amount determined by the independent accountants (collectively, the *Determination*),

but cannot exceed the Agreed Expenditure.

In the event that the Actual Reimbursement Amount differs from the Estimated Reimbursement Amount, then:

- (i) if the Actual Reimbursement Amount exceeds the Estimated Reimbursement Amount (the *Shortfall*), OMA will be entitled to the Shortfall;
- (ii) if the Estimated Reimbursement Amount exceeds the Actual Reimbursement Amount (the *Excess*), Maxter will be entitled to the Excess; and
- (iii) in either case, the Shortfall or the Excess will be paid to OMA or Maxter (as the case may be) within five (5) business days of the Determination.

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Adjustment under the OZ Agreement

The key circumstance in which there would be an adjustment to the OZ Consideration is where OMA (or a related body corporate of OMA), or Maxter (or a related body corporate of Maxter) has a claim against the other. This might occur, for example because of a breach of warranty by OMA, or breach of contract by Maxter. In these circumstances the OZ Agreement provides for the OZ Consideration to be reduced (in the case of a claim by Maxter against OMA), or increased (in the case of a claim by OMA against Maxter) by the amount of the claim.

Range of Option Price

As highlighted above, any subsequent claim under the OZ Agreement (for example, for a breach of warranty) will be treated as an adjustment to the OZ Consideration. However, for ease of reference and assuming no such claims arise, the minimum OZ Consideration payable by Maxter to OMA is US\$211 million (equivalent to approximately HK\$1,635 million) and the maximum is US\$222.40 million (equivalent to approximately HK\$1,724 million).

Since the Option Price is the aggregate of a US\$10 million premium and the OZ Consideration, taking into account this estimation of the OZ Consideration above, the price range of the Option Price may vary from US\$221 million (equivalent to approximately HK\$1,713 million) to US\$232.40 million (equivalent to approximately HK\$1,801 million).

Method of payment

The Option Price shall be paid on Completion as follows:

- (i) the OZ Consideration will be satisfied in cash financed from proceeds from the issue of new Shares pursuant to the Placing (subject to Shareholders' approval) and/or other sources; and
- (ii) the US\$10 million (equivalent to approximately HK\$77.50 million) will be satisfied by the issue of the Consideration Shares by the Company to the Grantor or as it may direct on Completion credited as fully paid provided always that the Consideration Shares shall not exceed 10% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares and the Placing Shares, and in the event if such percentage is exceeded, the balance shall be paid in cash.

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Consideration Shares

The parties agreed that the issue price of the Consideration Shares shall be HK\$0.35 per Share, being the minimum price per Share to be placed under the Placing as described in section 13 below. Therefore, Consideration Shares equaling 221,428,571 Shares will be issued to the Grantor (subject to the Shareholders' approval). Given that Completion is conditional upon the Company successfully raising financing in such amount and upon such terms and conditions to the reasonable satisfaction of the Grantee which the Company intends to do so by way of the Placing, it is contemplated that Completion will only take place if the Placing is able to raise at least approximately HK\$2,558 million, which is 1.5 times the Initial Amount of the Placing (being HK\$1,705 million and more particularly described in section 13(c) headed "Terms of the Service Letter" below). As such, it is expected that the number of Consideration Shares will represent approximately 1.57% of the issued share capital of the Company as enlarged by the issue and allotment of the Consideration Shares and the Placing Shares, and hence no remaining balance (for the avoidance of doubt, except the cash consideration payable under sub-section (i) above) shall be payable by the Grantee to the Grantor in cash.

(d) Basis of determining the Option Price

i. OZ Consideration

The OZ Consideration was agreed after arm's length commercial negotiations between OMA and Maxter after taking into consideration a combination of factors which include, but are not limited to, (i) the fact that the acquisition of the entire issued capital of OMM as contemplated under the OZ Agreement (the *OZ Acquisition*) was the result of a competitive sale process ran by OML; (ii) the total asset value of the OMM Group and forgiveness of indebtedness; (iii) the prospects of the gold mining industry; (iv) the existence of an independent DFS that shows the Martabe Project has key positive attributes; and (v) the findings of the Technical Report (prepared in accordance with Chapter 18 of the Listing Rules and is available for download from the Company's website at www.g-resources.com) which indicates the estimated resources and reserves of the Martabe Project and is appended hereto in Appendix V.

Competitive sale process: The sale of the Martabe Project was understood by the Company to be a competitive sale process with more than one bidder.

OML (which indirectly wholly owns OMA via OMAH), an Australian-based diversified mining company listed on the Australian Stock Exchange (ASX code: OZL), is a producer of zinc, copper, lead, gold and silver. In December 2008, OML announced a process to consider the potential sale of various assets and received several expressions of interest in regards to

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acquiring the Martabe Project. Parties were required to execute a confidentiality agreement and to carry out sufficient due diligence to support the submission of a non-binding offer. A shortlist of parties advanced further in the process to conduct more detailed due diligence and to submit more detailed offers. From this shortlist a preferred bidder was selected, being Maxter.

The total asset value of OMM Group: As at 31 December 2008, the OMM Group's consolidated audited balance sheet showed a total asset value of approximately A\$233.03 million (translated to approximately HK\$1,261.11 million in the unaudited pro forma financial information of the Enlarged Group in Appendix IV).

Prospects of the gold mining industry: The price of gold has remained strong in recent times despite the rapid deterioration of various other metals prices throughout 2008. The average gold price during the period from 1 January 2009 to 31 March 2009 was approximately US\$907 per ounce. This compares to the average price during the five (5) years ending 31 December 2008 of approximately US\$606 per ounce (source: Bloomberg).

DFS: A DFS on the Martabe Project was completed in November 2007 which stated that key attributes of the Martabe Project were (i) a significant orebody amenable to conventional open pit mining methods; (ii) significant potential for additional ore resources in nearby deposits; (iii) a large-scale ore processing plant treating nominally 4.5 Mt/a of ore; (iv) conventional gold and silver recovery utilising proven carbon-in-leach technology; (v) plant and infrastructure design flexibility to allow for future expansion; and (vi) good level of existing social licence with local community and the GOI.

Technical Report: The Technical Report stated that the Martabe Project has Proved and Probable Ore Reserves of approximately 35.7 million tonnes of ore averaging 1.9 grams per tonne of gold and 26 grams per tonne of silver, containing 2.2 million ounces of gold and 29.7 million ounces of silver (collectively, the *Martabe Reserves*) which has been assessed and classified in accordance with the JORC Code. The Martabe Reserves comprise that portion of the Mineral Resource which is planned to be mined incorporating mining dilution and allowing for mining losses. The Technical Report also stated that the Martabe Project has Measured, Indicated and Inferred Mineral Resources of 138.1 million tonnes averaging 1.3 grams per tonne of gold and 14 grams per tonne of silver containing 5.9 million ounces of gold and 61.5 million ounces of silver as classified under the JORC Code.

ii. US\$10 million premium

The premium of US\$10 million (equivalent to approximately HK\$77.50 million) was agreed after arm's length negotiation between the Grantor and the Grantee, taking into account the risk that the Grantor's Guarantor may have to pay for the OZ Consideration and take over the Martabe Project if the

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Company is unable to obtain sufficient financing for the exercise of the Call Option (a condition precedent to Completion). On this basis, the Directors consider that the payment of a premium of US\$10 million (equivalent to approximately HK\$77.50 million) which amounts to less than 5% of the OZ Consideration, payable by the issue and allotment of the Consideration Shares, was determined on normal commercial terms and is fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

(e) Conditions precedent

Completion shall be conditional upon fulfilment of the following Conditions:

- (i) the approval by the shareholders of the Grantor's Guarantor on the entering into of the Option Agreement and the transactions contemplated thereunder at an extraordinary general meeting of the Grantor's Guarantor to be convened in accordance with the Listing Rules (if required) and such approval not having been or proposed to be revoked;
- (ii) the approval by the Shareholders on the entering into of the Option Agreement and the transactions contemplated thereunder at the SGM to be convened in accordance with the Listing Rules (if required) and such approval not having been or proposed to be revoked;
- (iii) the Company successfully raising financing in such amount and upon such terms and conditions to the reasonable satisfaction of the Grantee for the purpose of the Grantee completing the purchase of Option Shares pursuant to an exercise of the Call Option thereunder (which the Company intends to do so by way of the Placing);
- (iv) the Stock Exchange granting or agreeing to grant listing of and permission to deal in the Consideration Shares (subject to conditions to which neither the Grantor nor the Grantee may reasonably object);
- (v) the due and proper completion (or simultaneous completion (where applicable)) of the OZ Agreement; and
- (vi) all necessary legal or regulatory approvals, consents, licences or authorisations having been obtained prior to Completion.

The above conditions (except conditions (i) and (ii)) may be waived in writing by the Grantee and the Grantor unanimously at any time on or before 11:59 p.m. (Hong Kong time) on the Long Stop Date.

In the event that all of the conditions above are not satisfied or waived on or before 11:59 p.m. (Hong Kong time) on the Long Stop Date, the Option Agreement shall automatically terminate and be of no effect and the parties will be released from all obligations thereunder, save for liabilities in respect of any antecedent breaches.

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(f) Sale and assignment of Shareholder's Loans

As part of the Option Price, the Grantor shall also sell and assign to the Grantee the title, benefits of and interest in the Shareholder's Loans free from all claims, charges, liens, encumbrances, options, rights of pre-emption, defects, adverse interests and equities of any kind whatsoever but together with all rights attached, accrued or accruing thereto on or after the date of the Option Agreement.

At Completion, Maxter will make all payments due under the Shareholder's Loans, and discharge all of its obligations in respect of the Shareholder's Loans, to the Grantee instead of to the Grantor.

(g) Completion

Completion shall take place within five (5) Banking Days (or at such other time as the parties may agree) after the satisfaction or waiver (if applicable) of the Conditions (other than condition (v) above to the extent if such condition is to be satisfied simultaneously upon Completion) as set out above.

Upon Completion, the Grantee will be interested in the entire issued share capital of Maxter and in the Shareholder's Loan. The principal asset of Maxter, subject to completion of the OZ Agreement is its proposed 100% shareholding in OMM which in turn owns 100% of the issued share capital of ARS. The principal asset of ARS is its 95% shareholding in PTAR and the major asset of PTAR is the COW under which PTAR has the right to explore for minerals and to construct and mine the Martabe Project. For details of the Martabe Project, please refer to the sub-section headed "The Martabe Project" under section 7(e) headed "The OMM Group" below.

(h) Lock-up Period of the Consideration Shares

The Grantor undertakes to the Grantee that, unless with the prior written consent of the Grantee, it shall not, directly or indirectly sell, transfer or otherwise dispose of (including without limitation the creation of any options, rights, interests or encumbrance in respect of, but save pursuant to a pledge or charge as security in favour of an authorised institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan and after having given notice of such pledge or charge to the Grantee, any of the Consideration Shares from 24 April 2009 until the date falling three (3) years from the date of Completion.

(i) Guarantee and Undertaking

The Grantor's Guarantor unconditionally and irrevocably guarantees to the Grantee the due and punctual performance by the Grantor of its obligations under the Option Agreement. Likewise, the Company unconditionally and irrevocably guarantees to the Grantor the due and punctual performance by the Grantee of its obligations under the Option Agreement.

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The Company undertakes (i) to assume any obligations on the part of the Grantor's Guarantor under the OZ Agreement that subsists and/or remains outstanding to be performed and (ii) to perform such obligations under the OZ Agreement after Completion as if they were the parties to the OZ Agreement.

6. INFORMATION ON THE COMPANY AND ITS SUBSIDIARIES

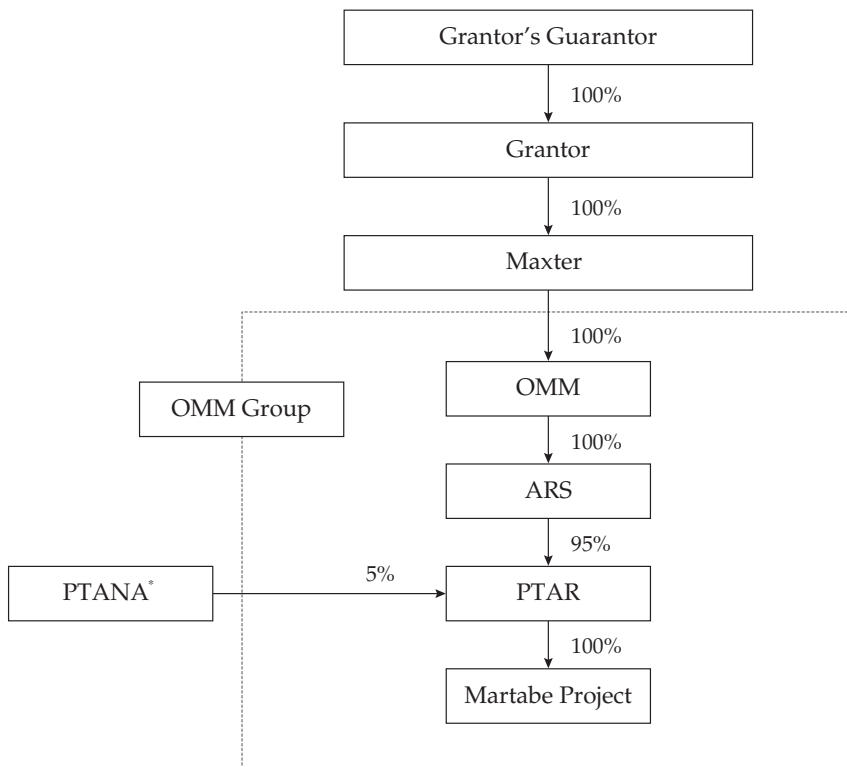
The Company is an investment holding company and its subsidiaries are principally engaged in the provision of trading of electronic goods and accessories, provision of financial information through internet and mobile phones, information technology related businesses and investment in the natural resources business.

7. INFORMATION ON THE GRANTOR, THE GRANTOR'S GUARANTOR, MAXTER AND THE OMM GROUP

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, the following sets out the information relating to the Grantor, the Grantor's Guarantor, Maxter and the OMM Group:

(a) Introduction

The organisational structure of the Grantor, the Grantor's Guarantor, Maxter and the OMM Group immediately after completion of the OZ Agreement and prior to Completion is as follows:



* For information on PTANA, please see the paragraph headed "PTANA" under section 7(e) below

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(b) The Grantor

As at the date of this circular, the Grantor is an investment holding company. It is incorporated in the British Virgin Islands as a BVI business company with limited liability and is a directly wholly-owned subsidiary of the Grantor's Guarantor.

(c) The Grantor's Guarantor

As at the date of this circular, the Grantor's Guarantor is an investment holding company and its subsidiaries are principally engaged in investments in financial instruments and property investment. It is incorporated in the Cayman Islands as an exempted company with limited liability and its shares are listed on the Stock Exchange (stock code: 985).

(d) Maxter

Maxter is a direct wholly-owned subsidiary of the Grantor and is incorporated in the British Virgin Islands as a BVI business company with limited liability. It is an investment holding company and the sole asset of Maxter is its proposed 100% shareholding in OMM (subject to completion of the OZ Agreement). Save for the proposed holding of interest in OMM (subject to completion of the OZ Agreement), Maxter does not have any other investment or operations.

As Maxter was incorporated on 27 March 2007, set out below is the audited financial statement of Maxter, prepared under the Hong Kong Financial Reporting Standards, for the period from 27 March 2007 (date of incorporation) to 31 March 2008 and for the year ended 31 March 2009:

	For the period from 27 March 2007 (date of incorporation) to 31 March 2008	For the year ended 31 March 2009
	<i>HK\$</i>	<i>HK\$</i>
Revenue	–	–
Net loss before taxation	65,000	4,914
	As at 31 March 2008	As at 31 March 2009
	<i>HK\$</i>	<i>HK\$</i>
Total assets	–	–
Net liabilities	6,492	11,406

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(e) The OMM Group

OMM

OMM was incorporated in Australia on 11 May 2006 and is principally engaged in the holding of the interest in the Martabe Project. The principal asset of OMM is its 100% shareholding in ARS.

As at 31 December 2008, the OMM Group's consolidated audited balance sheet showed a total asset value of approximately A\$233.03 million (translated to approximately HK\$1,261.11 million in the unaudited pro forma financial information of the Enlarged Group in Appendix IV).

ARS

ARS is a private company incorporated in Singapore with limited liability and bearing company registration number 199405837K. The principal asset of ARS is its 95% shareholding in PTAR.

PTAR

PTAR was incorporated in Indonesia on 14 April 1997 as a PMA Company and is principally engaged in the holding of the Martabe Project. PTAR is owned 95% by ARS and 5% by PTANA, respectively.

PTANA is currently owned by two Indonesian nationals, Mrs. Rahayoe and Mr. Rahayu (the *PTANA Shareholders*), who are also the director and commissioner, respectively, of PTANA. The PTANA Shareholders and OMM entered into the following agreements on 23 August 2006 (as subsequently amended and novated):

- a cooperation agreement: the key obligation upon the PTANA Shareholders is that neither of them will act in their respective capacities as director and commissioner without the prior written consent of OMM and they must resign from their respective positions if requested by OMM,
- a loan agreement: pursuant to which an amount representing the nominal value of the shares in PTANA was advanced to the PTANA Shareholders for the purpose of the acquisition of the shares in PTANA. The loan is repayable only by the PTANA Shareholders transferring their respective shares in PTANA at the direction of OMM,

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- a pledge of shares agreement: pursuant to which the respective shareholding of the PTANA Shareholders are pledged in favour of OMM to secure the performance of the obligations of the PTANA Shareholders under the loan agreement,
- an assignment of rights to dividends: pursuant to which the PTANA Shareholders assigned their respective rights to receive dividends to OMM,
- an option to purchase shares: pursuant to which OMM is granted an option to either directly acquire the shares in PTANA or require the PTANA Shareholders to transfer the shares in PTANA to a nominated third party,
- a power of attorney to vote shares and attend shareholders meetings: pursuant to which the PTANA Shareholders grant authority to OMM to attend shareholders' meetings and vote on their behalf, and
- a power of attorney to sell shares: pursuant to which the PTANA Shareholders grant authority to OMM to sell their respective shares in PTANA.

There is, however, risk that the above arrangements may be challenged in an Indonesian court. Please refer to sub-section (t) headed "Risks relating to the arrangements between OMM and the PTANA Shareholders" under section 9 headed "Risks associated with the Acquisition" below.

The major asset of PTAR is the PTAR COW under which PTAR has the right to explore for minerals and to construct and mine the Martabe Project as described below.

Set out below is the consolidated financial statement of the OMM Group, prepared under the International Financial Reporting Standards, for the two (2) financial years ended 31 December 2008.

	For the financial year ended 31 December		
	2007	2008	
	A\$ audited	A\$ audited	HK\$ equivalent*
Revenue	-	-	-
Net loss before taxation	(5,553)	(25.14 million)	(166.89 million)
Net loss after taxation	(5,553)	(25.14 million)	(166.89 million)
	As at 31 December		
	2007	2008	
	A\$ audited	A\$ audited	HK\$ equivalent*
Net asset value	(14.65 million)	(4.94 million)	(26.74 million)

* As translated in the unaudited pro forma financial information of the Enlarged Group in Appendix IV.

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As the construction of the Martabe Project has not yet been completed, the operating results of the Martabe Project have not been included in the above consolidated audited financial statement of the OMM Group. The OMM Group suffered a significant net loss of approximately A\$25.14 million (translated to approximately HK\$166.89 million in the unaudited pro forma financial information of the Enlarged Group in Appendix IV) in 2008 predominantly because of an approximately A\$23.00 million (translated to approximately HK\$152.67 million in the unaudited pro forma financial information of the Enlarged Group in Appendix IV) impairment assessment on fixed assets (which include plant and machinery, minor equipment and tools, motor vehicles and etc). This is an accounting entry rather than the result of operations. In summary, the value of the fixed assets of the OMM Group were assessed to be worth less now due to the adverse market conditions in the second half in 2008 and as a result, this impairment assessment was reflected in the OMM Group's accounts.

PTANA

PTANA was incorporated in Indonesia on 24 May 2006 as a general Indonesian company with the purpose of complying with the GOI's requirement that a 5% interest in PTAR must be held either by Indonesian nationals or 100% Indonesian-owned entities, and in November 2006, PTANA took ownership of a 5% share in PTAR. Subsequently, under the terms of a memorandum of intent (the *MOI*) signed among ARS, PTANA and the GOI on 12 June 2008, a majority interest in PTANA is to be transferred to a state-owned enterprise (the *BUMN*) to be established by the North Sumatra Provincial Government and the South Tapanuli Regency Government.

Under the terms of the *MOI*, ARS will provide an interest free loan to PTANA (the *ARS Loan*) to fund its 5% share of the development costs of the Martabe Project, with the loan to be repaid from dividends payable by PTAR in respect of PTANA's 5% interest. As at the date of this circular, the amount of the *ARS Loan* has not been determined yet as this will need to be negotiated between PTANA and ARS and will be dependent on the value that is placed on the Martabe Project and the basis used to calculate this value e.g. purchase price, book value, etc. The *MOI* is not specific as to the date on which the *ARS Loan* is to be provided but it provides that an investors' agreement will be entered into by the shareholders of PTAR and the *BUMN*, which will include the terms and conditions of the *ARS Loan* and the repayment of the *ARS Loan* (the *Investors' Agreement*). The *MOI* also contemplates that a separate loan agreement (the *Loan Agreement*) will be entered into in respect of the *ARS Loan*. The Company will comply with the applicable requirements under the Listing Rules when the *Investors' Agreement* and the *Loan Agreement* is entered into by the relevant parties.

Whilst there is no specific date on when the *ARS Loan* is to be made, the timing will be driven by the formation of the *BUMN*, the transfer of the shares in PTAR to the *BUMN* and the execution of the *Investors' Agreement* and the

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Loan Agreement. As at the date of this circular, the share transfer contemplated by the MOI has not yet taken place and the Investors' Agreement and the Loan Agreement have not been executed.

The PTAR COW

A "contract of work" is a form of mining right granted by the GOI to a PMA Company (the *COW*). The legal nature of the right is a binding agreement between the GOI and a PMA company, rather than a mere licence.

The PTAR COW gives PTAR the exclusive authorisation to conduct mining activities in the COW Area within a certain period of time, subject to the performance of specified obligations. PTAR is also entitled to conduct exploration, construct required infrastructure and carry on other mining activities using proper mining techniques and equipment. However, the PTAR COW does not comprise an interest in land and, accordingly, PTAR must at the same time acquire consents, relinquishments or transfers from surface rights holders and in particular, landholders. Due diligence conducted by Maxter's Indonesian legal counsel indicates that PTAR originally held three (3) registered titles to land in or adjacent to the PTAR COW Area, which have now been consolidated into a single title. PTAR confirmed to Maxter's Indonesian legal counsel that the above title cover all areas forming the PTAR COW Area, and that such rights will be valid for at least as long as the expected life of the mine in the Martabe Project. Maxter was advised that PTAR is still in the process of acquiring other land in relation to the Martabe Project.

Article 3(2) of the PTAR COW provides that the Martabe Project will follow the following sequence:

- (1) general survey;
- (2) exploration;
- (3) feasibility study;
- (4) construction; and
- (5) operation.

Government approvals are required as PTAR advances from general survey through to exploration, feasibility study, mine construction and finally to the 30-year operating period. The PTAR COW is currently in the construction phase, which was approved by the GOI on 24 April 2008. The approval for this phase relates to construction activities in a total concession area of 163,927 ha and is valid for three (3) years from 24 April 2008. A further application must be approved by the GOI in order to move to production phase.

Once PTAR is ready to commence "commercial production", it must apply for a Permanent Business Licence (*Ijin Usaha Tetap*) from the BKPM.

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The key obligations of PTAR towards the GOI as a party to the PTAR COW include, among other things (given that the PTAR COW is already in construction phase, the earlier obligations at the stages of general survey, exploration and feasibility study are not included):

- (1) taking all reasonable measures to prevent damage to the rights and property of the GOI or third parties in conducting its activities;
- (2) to conduct a five-stage mining program, covering General Survey Period, Exploration Period, Feasibility Study Period, Construction Period and Operating Period;
- (3) the sole responsibility for financing the project, and to maintain sufficient capital to carry out its obligations under the PTAR COW;
- (4) to submit quarterly progress reports to the GOI, covering matters including the results of geological and geophysical investigation, plans and information with respect to progress of activities in the PTAR COW Area, actual expenditure, procurement and utilization of equipment and details of employment and training conducted. The GOI has title to all data and reports submitted by PTAR;
- (5) during the Construction Period, PTAR must use its best efforts to complete construction of facilities in accordance with the design and time schedule approved by the GOI;
- (6) following the Construction Period, PTAR must conduct mining operations with respect to the PTAR COW Area, for the duration of the Operating Period;
- (7) assisting the GOI in establishment of downstream metals processing facilities in Indonesia in relation to smelting, refining and metals manufacturing/fabricating to the extent applicable;
- (8) during the Operating Period, PTAR must submit to GOI:
 - a. fortnightly statistical reports with respect to the amount of material mined, processed, exported and stocks;
 - b. monthly statistical reports with respect to the number and locations of activities, the number of employees, details of equipment used and work in progress;
 - c. quarterly reports concerning progress of operations; and
 - d. annual reports concerning progress of operations;

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- (9) PTAR is granted the right to export minerals mined. However, PTAR must first fulfill domestic requirements (to the extent applicable) and must conduct sales in accordance with generally accepted international business practices. PTAR must use best efforts to maximize economic return. Sales to affiliates must be at prices which would be equivalent to arm's-length sales. In the event of sales of gold and silver, the prices will be determined based on prices by the London Bullion Market Association. However, the GOI and PTAR may agree to alternative pricing methods;
- (10) to submit to the GOI an annual list of equipment and material to be imported. PTAR is granted relief from import duties and Value Added Tax with respect to import of equipment and materials. To the extent that the equipment and materials are not later exported, PTAR will be required to pay to the GOI an amount representing the amount of relief received;
- (11) various taxation liabilities;
- (12) to maintain in Indonesia:
- a. records and reports with respect to its activities under the PTAR COW; and
 - b. financial reports showing a true and fair view of its operations and the status of proven, probable and possible ore reserves, for a period of 10 years from the taxable year,
- GOI may inspect the technical operations and financial records relating to PTAR's operations;
- (13) to submit to GOI each year a work program, budget plan, sales contracts and marketing/sales plan for the following year. GOI has the right to determine whether these documents comply with PTAR's obligations under the PTAR COW;
- (14) to submit to GOI:
- a. copies of all sales, management, commercial and financial agreements within one month of conclusion; and
 - b. monthly reports setting forth the quantities and qualities of minerals produced, shipped, sold, utilized or otherwise disposed of, and the prices obtained;

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- (15) to (and its shareholders, although the shareholders are not party to the PTAR COW) agree to obtain GOI's prior approval to:
 - a. amend the Articles of Association of PTAR;
 - b. change the basic nature of the business of PTAR;
 - c. voluntarily liquidate or wind-up PTAR;
 - d. merge or consolidate with another company; or
 - e. use the minerals in the PTAR COW Area as security;
- (16) to employ Indonesian personnel, giving preference to local employees to the extent possible. Indonesian nationals should be included in members of management and on the board of directors of PTAR. PTAR must carry out a comprehensive training program for Indonesian personnel;
- (17) to, in good faith and to the fullest practicable extent, utilize Indonesian manpower, services and raw materials produced from Indonesian sources and products manufactured in Indonesia. To the extent reasonably and economically practicable, PTAR must support, encourage and lend assistance to Indonesian nationals who wish to establish enterprises and businesses for the provision of goods and services to PTAR. PTAR to make maximum use of registered Indonesian sub-contractors;
- (18) to provide reasonable compensation to landowners for acquisition or use of land required for the project;
- (19) to cooperate with GOI in conducting its activities in conjunction with regional development, either provincial or village. GOI and public shall be permitted to use any wharf and harbour installations, air strips and roads constructed by PTAR. PTAR is required to compensate the GOI for any damage or deterioration with respect to its use of public roads. If GOI cannot provide adequate telecommunications facilities, PTAR may construct such facilities provided that GOI and the public will be permitted to use such facilities;
- (20) to use best efforts to conduct its operations so as to minimize harm to the environment, to minimize pollution and harmful omissions, to dispose of waste in a manner consistent with good practices, and in general to provide for the health and safety of its

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employees and the local community. During the Feasibility Study Period, PTAR must prepare an AMDAL, which was approved on 13 March 2008;

- (21) the shareholdings of PTAR must comply with the requirements of Government Regulation No.20/1994. The effect of this provision is that an Indonesian national or 100% Indonesian-owned entity should hold at least 5% of the shares in PTAR. The Indonesian shareholders should have equal rights to foreign shareholders with respect to subscription to new shares. The Indonesian shareholders also have the right to appoint members of the board of directors and the board of commissioners of PTAR, in proportion to their shareholdings;
- (22) shall not transfer or assign the PTAR COW without the prior written consent of the Minister of Energy and Mineral Resources (*MEMR*);
- (23) the shareholders of PTAR may not transfer their shares without the prior written consent of the MEMR, except for a transfer of shares to an affiliate or subsidiary of the shareholder;
- (24) PTAR has a right to terminate the PTAR COW if, after all reasonable diligence, PTAR considers that the project is not workable. In the event that:
 - a. termination takes place during the Construction Period, then all movable and immovable property of PTAR located within the PTAR COW Area must be offered for sale to the GOI at a fair and reasonable market price. If the GOI does not accept the offer, PTAR may sell, remove or otherwise dispose of the property within 12 months. Any property not so sold, removed or otherwise disposed of shall become the property of the GOI; and
 - b. termination takes place during the Operating Period, then all movable and immovable property of PTAR located within the PTAR COW Area must be offered for sale to the GOI at cost or market value, whichever is lower. Again, if the GOI does not accept the offer, PTAR may sell, remove or otherwise dispose of the property within 12 months. Again, any property not so sold, removed or otherwise disposed of shall become the property of the GOI.

However, any property of PTAR in Indonesia (not just the PTAR COW Area) which is being used for public purposes, such as roads, schools and hospitals, will automatically become the property of the GOI upon termination of the PTAR COW, without any compensation payable.

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The PTAR COW provides that, in the event of default by PTAR:

- (1) the GOI must issue notice of default, and provide for a maximum 180-day remedy period; and
- (2) in the event that the default has not been remedied within the timeframe stipulated in the notice, then the GOI may terminate the PTAR COW.

In the case of default with respect to payment obligations, PTAR must remedy the default within 30 days. As a penalty for late payment, PTAR will be charged interest on the amount of the payment due at the rate of the New York prime interest rate in effect at the date of default, plus 4%.

Pursuant to a new mining law in Indonesia, Law No.4/2009 re Minerals and Coal Mining, effective as of January 2009 (the *New Mining Law*), the existing system of COW are to be abolished and will be replaced by mining business permits (*Ijin Usaha Pertambangan*), moving forward.

With respect to COW, the New Mining Law provides that, among other things:

- (1) existing COWs which were executed prior to enactment of the New Mining Law shall remain valid for their stated term and shall be “adjusted” to comply with the New Mining Law within one (1) year of promulgation of the New Mining Law; and
- (2) the holders of COWs which have conducted activities in the phases of exploration, feasibility study, construction or operational production must, within one (1) year of promulgation of the law, submit a business plan to the GOI with respect to the concession area under the COW, which must be approved.

There is some uncertainty as to the requirement that COWs must “adjust” to the New Mining Law while, at the same time, remaining valid for their stated terms. This apparent contradiction has not yet been resolved. However, the GOI is expected to clarify this point by issuing implementing regulations under the New Mining Law.

The PTAR COW does not include provisions requiring the consent of the GOI in the event of a change in control nor does it give the GOI the right to terminate the PTAR COW if prior consultation is not made. However, the Grantee and/or the Company intends to meet and inform the Director-General of Minerals, Coal and Geothermal (representing the GOI) regarding the Grantee’s exercise of the Call Option at the appropriate time down the track.

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Other licences and permits

In Indonesia, where a mining company wishes to undertake exploration or production mining activities in a production forest, then the company must obtain a licence from the Department of Forestry called Pinjam Pakai. As part of the concession area of the PTAR COW is located within a production forest area, PTAR received a Pinjam Pakai from the Department of Forestry permitting it to conduct exploration activities in the production forest area within the concession area of the PTAR COW, which was initially extended in July 2005. An application has been submitted by PTAR in 2008 to further extend this approval. To date, this approval has not been received. Although approximately 51% of the concession area is in a production forest area to which the Pinjam Pakai relates, the current mining and associated infrastructure required for the Martabe Project are not within a forestry area nor a production forest area. The Pinjam Pakai would be required only if the Company decides to develop prospects within a production forest area (within the concession area). For the avoidance of doubt, including the production forest area as described above, 77% of the concession area is in a forestry area, but the Pinjam Pakai only relates to the production forest area, and the current mining and associated infrastructure required for the Martabe Project are not within a forestry area nor a production forest area.

PTAR holds other key licences required for the current stage of the Martabe Project, including the approval of (i) the BKPM, (ii) the AMDAL, (iii) the Environmental Management Plan (*Rencana Pengelolaan Lingkungan*) and (iv) the Environmental Monitoring Plan (*Rencana Pemantauan Lingkungan*). The AMDAL must be obtained prior to the production period. The AMDAL of PTAR was approved on 13 March 2008 and hence PTAR must commence the production phase of mining in the Martabe Project within three (3) years from 13 March 2008, otherwise, the approvals above will be revoked.

A number of other permits and licences with respect to the environment are in process, including a tree cutting permit, tailings dam construction certification, explosive permits, Aek Pahu River Diversion approval and hazardous waste permits, and Maxter was advised by its Indonesia legal counsel that there should not be any legal impediments to obtaining these permits and licences.

The Martabe Project

The Martabe gold-silver project is located on the western side of the island of Sumatra in the Province of North Sumatra, in the Batangtoru sub-district, Indonesia. The Martabe Project is situated close to existing infrastructure and facilities and the Trans-Sumatra highway. The port of Sibolga is located 40 kilometres from site. It has access to a reliable supply of water and electricity. Supply of water is available on-site from streams and watercourses, and it is expected that power will be provided from the local high voltage grid which has recently been supplemented by the commissioning of a power station in Sibolga.

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The PTAR COW covers a 1,639 square kilometres area. The main deposit at the Martabe Project is currently the Purnama high sulphidation epithermal deposit, which was discovered in 1997 through regional stream sediment sampling. The Purnama deposit is currently known as "Pit 1".

A DFS was completed in November 2007 based on open pit mining and carbon in leach processing of the Pit 1 ore. The DFS is based on mining and processing approximately 4.5 Mtpa of ore at an average grade of around 1.9 g/t Au, producing around 200,000 ounces of gold per annum together with 2 million ounces of silver. The stripping ratio is low, averaging approximately 0.7:1 (waste: ore). Metallurgical testing has indicated recoveries of around 70-80% for gold and 60-80% for silver. At present, the Martabe Project is solely based on the main Pit 1 Ore Reserves, which is estimated to deliver an initial nine (9) year life of mine. There is significant potential to extend this with additional resources already defined at adjacent deposits Ramba Joring and Barani, and significant mineralisation has been intersected at other nearby prospects (Uluala Hulu, Tor Uluala). The proposed mining operation will be open-pit at a milling rate of 4.5 Mtpa. Processing follows the conventional crushing, grinding, carbon-in-leach extraction and electrowinning to produce a gold-silver dore end-product. The tailings will be treated by cyanide detoxification before being deposited in the tailings storage facility.

A 35 hole infill diamond drilling programme was completed at Pit 1 in 2008, covering the bulk of the initial three-year mining area at a 25 x 25m spacing. According to the Technical Report, the drilling largely confirmed the previous interpretations and grade estimation and allowed the upgrade of some material into the Measured Mineral Resource category.

PTAR obtained a number of approvals in Indonesia that were necessary to commence construction, and had commenced the acquisition of the land required for the operation of the Martabe Project. PTAR advises that land acquisition over the Pit 1 area (including areas for plant, tailings and water storage facilities) is over 90% complete. PTAR is still in the process of acquiring other land in relation to the Martabe Project. Construction was halted in late 2008 when OML commenced the process of selling the Martabe Project due to financial difficulties experienced by OML.

As at the date of this circular, the following works had been completed:

- Contracts for the supply of key plant and equipment necessary for production have been entered into
- Cleared and grubbed 40% of the plant site area
- Preliminary access road completed

According to the Technical Report on the Martabe Project, it was forecasted that as at the end of April 2009 approximately US\$284.5 million (equivalent to approximately HK\$2,205 million) in capital expenditure

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remains to be spent in order to bring the Martabe Project into the production state. Construction commenced in July 2008 and at that stage mining was planned to commence late in 2009 and the first gold pour was planned for January 2010. Due to re-financing difficulties being experienced by OML, construction was suspended in November 2008. At the time of the suspension, first gold production was forecast for end of March 2010. The Board expects to recommence construction if the Acquisition is completed and expects first gold production in the first quarter of 2011.

Exploration is planned to focus on prospects close to the Pit 1 including Ramba Joring, Barani, Uluala Hulu and Tor Uluala. The Kapur-Gambir District approximately thirty kilometres south of Martabe is also prospective.

You are recommended to refer to the Technical Report appended hereto in Appendix V for more details on the Martabe Project.

8. REASONS FOR THE ACQUISITION

The Company is an investment holding company and its subsidiaries are currently principally engaged in the provision of trading of electronic goods and accessories, provision of financial information through internet and mobile phones, information technology related businesses and investment in the natural resources business. After Completion, mining operation will constitute the Company's principal business and the Company's other existing businesses will represent a much smaller proportion of the Company's business relative to its mining operation. In this regard, the Company may consider disposing its non-core existing businesses.

The Acquisition is in line with the Company's diversified line of business. As disclosed in the Company's past announcements, the Company began diversifying its business scope into the natural resources exploitation industry by investing in MPIL in early 2006 which became a very major asset of the Company. In August 2008, the Company realised its investment in MPIL. As disclosed in the Company's circular dated 8 July 2008, although the Board had reckoned and valued the opportunity to acquire the interest in MPIL in that the Group can participate in the project in its initial stage, the Board was of the view that the disposal of the Group's interests in MPIL presented a good opportunity for the Company to yield, in part, a reasonable return from its investment in MPIL and the acquisition of the shares in Sino Union Petroleum & Chemical International Limited (*SUNPEC*) as part consideration for the sale of its interests in MPIL would also enable the Group to participate, indirectly through the equity interest in *SUNPEC*, in the further development in MPIL's rights in Oilfield Block 2104.

In addition, in 2008, the Company attempted to acquire certain exploration and mining rights in Mongolia although as disclosed in the Company's announcement of 7 August 2008, the acquisition was terminated because of various uncertainties surrounding the acquisition. Since then, the Company has been actively searching for and assessing investment opportunities in the natural resources sector particularly in Ghana, Indonesia and Mongolia.

In early 2009, the Board identified an investment opportunity in the gold mining industry when OML placed the Martabe Project on a competitive sale process. In light of

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the increase in gold prices over the past year, the Board is optimistic on the future prospects for gold and became interested in bidding for the Martabe Project from OML. However, as the Company needed to raise funding to finance the acquisition of the Martabe Project, which financing condition would result in the Company's bid for the Martabe Project being viewed less favourably, the Company introduced the Martabe Project to the Grantor's Guarantor who had sufficient cash resources to acquire the Martabe Project. The Grantor's Guarantor subsequently decided to acquire the Martabe Project through the signing of the OZ Agreement, which acquisition is not conditional upon the raising of any finance. As the Company was still actively interested in acquiring the Martabe Project, both the Company and the Grantor's Guarantor reached an understanding whereby the Grantor would grant the Call Option to the Grantee to acquire the Option Shares within the Call Option Exercise Period subject to a premium of US\$10 million (equivalent to approximately HK\$77.50 million) to be satisfied by the allotment and issue of the Consideration Shares.

Although the Company may not currently have the expertise in conducting gold and silver mining business, the Board considers that the Acquisition will not have any effect on the business of PTAR given that the Board has no current intention to change the existing operational management of PTAR. In addition, the Company has disclosed in the Directors Announcement that the Board has resolved to appoint Mr. Hegarty as an executive Director, the chief executive officer and vice-chairman of the Company and Mr. Albert as the deputy chief executive officer of the Company to supplement the management of the Company at the executive level in bolstering its knowledge of the gold and silver mining business and to assist in the development of the Martabe Project.

Since PTAR has obtained the COW for its Martabe Project which is an exclusive right to conduct exploration and mining activities within the COW Area, the Board further considers that the investment in OMM, which invests in the business of PTAR, would prove to be a valuable asset to the Company.

The Board considers that the Option Agreement is on normal commercial terms, fair and reasonable and that the entering into of the Option Agreement and the exercise of the Call Option is in the interests of the Company and Shareholders as a whole.

9. RISKS ASSOCIATED WITH THE ACQUISITION

(a) Investments in new business and country risks

Prior to the Acquisition, the Group has been principally engaged in trading of electronic goods and accessories, information technology related businesses and investments in natural resources businesses. It does not have previous experience in gold and silver mining or in projects of this size. The unaudited pro forma net asset value of the Enlarged Group will be approximately 14.85 times the size of the unaudited net asset value of the Group as at 31 December 2008. Consequently, the Group has little experience in the gold and silver mining businesses and in managing projects of such size. There is limited historical information available upon which you can base your evaluation of the Group's business and prospects. The Martabe Project will be the Group's first gold and silver mining business and you should consider the Group's business and prospects in light of the risks and

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uncertainties that the Group will face as a company developing and operating new gold mines. The Group may encounter risks and uncertainties frequently experienced by such companies, including those relating to:

- the Group’s ability to maintain effective control of its operating costs and expenses;
- the Group’s ability to develop and maintain internal personnel, systems and procedures to ensure compliance with the extensive regulatory requirements applicable to the gold mining industry in Indonesia;
- the Group’s ability to respond to changes in its regulatory environment; and
- the Group’s ability to implement, monitor and enhance its internal controls system.

If the Group is unable to address these risks, its financial condition and operating results may be materially and adversely affected.

The Group has not previously operated in Indonesia. Any change in the political and economic conditions in Indonesia may adversely affect the Company. Consequently, the Company is not in a position to assure the timing and amount of any return or benefits that may be received from the new business.

(b) Significant capital investment and construction risks

Significant capital investment is required before construction of the Martabe Project completes and production commences. The Martabe Project is located in a remote location, with rugged topography and steep-sided ridges. Most of the terrain is covered with rain forest. It is located in a monsoonal area, resulting in rain throughout the year, with high rainfall from October to December. Even though the Directors target project to complete and production to commence by the first quarter of 2011, the actual capital expenditures and actual construction time to bring the Martabe Project into production may significantly differ from the original budgets and time planned because of the above factors and other factors beyond the Group’s control.

The contingency allowance included in the forecast of capital expenditure to be spent to bring the Martabe Project into production may not be sufficient. Please refer to the Technical Report as set out in Appendix V.

No allowance has been made for value added tax, import duties and tariffs in the capital expenditure forecast, as PTAR has been advised by its Indonesian tax advisers that value added tax, import duties and tariffs are not payable by PTAR in light of the conditions of the PTAR COW. In the event that such value added tax, import duties and tariffs became payable, additional capital may be required to bring the Martabe Project into production and the results of operation of the Martabe Project may be adversely affected.

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PTAR has engaged third party contractors to construct the mining and surface facilities to bring the Martabe Project into production. The operation of the Martabe Project is heavily reliant on the plant and equipment being brought to the proposed mine site, as well the as construction of mine works and ancillary structures at the project site. There is no assurance that the third party contractors will construct the plant and equipment within the original budgets and time planned, which could increase construction costs and cause delays in the production schedule. Construction may also be significantly slowed down during the monsoon seasons, resulting in further delays.

The Company expects to fund the cost of the Acquisition and the capital investment required before the Martabe Project commences production through the Placing. The anticipated use of the proceeds from the Placing is set out under sub-section 13(b) below. The unaudited pro forma financial information of the Enlarged Group in Appendix IV assumes, among other things, that the Placing will raise a gross amount of HK\$4,550 million. There can be no assurance that the Placing will raise HK\$4,550 million.

Furthermore, the actual capital expenditures and actual construction time could differ significantly from the original budgets and time planned because of the reasons described above or otherwise.

If the Placing were to raise less than HK\$4,550 million or actual capital expenditure or actual construction time is different than what has been budgeted, then the intended economic results or commercial viability of the operation of the Martabe Project may not be achieved and the Group's financial condition may be adversely affected. The Group may also be unable to obtain adequate funding to continue to support the existing development of the Martabe Project. Any of the above may adversely affect the Group's business, results of operations and financial condition. Further, in the event that additional capital is required, there can be no assurance that any future financing will be available on terms that are acceptable to the Company, or at all. If the Company raises funds by issuing additional ordinary shares or debt securities convertible into ordinary shares, the Company's existing shareholders will experience dilution, which may be significant, to their ownership interest in the Company. If the Company raises funds by issuing shares of a different class or by issuing debt, the holders of such different classes of shares or debt securities may have rights senior to the rights of shareholders. In addition, the Company may be subject to financial covenants that could restrict the Company's operations and further financing activities if the Company raises funds by issuing debt.

(c) Risks relating to the future ongoing operations of the Martabe Project

The commercial viability and performance of the Martabe Project may be affected by a number of factors which are, to a large extent, outside the Group's control. The costs of the future ongoing operations of the Martabe Project may continue to be affected by the remote location, difficult topography and the monsoonal climate as described above, and it may be difficult to budget for the costs of operation. The anticipated production schedule could be affected by various factors outside the Group's control. Mining productivity is expected to be lower

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during the rainy months, although it is planned that ore stockpiles will be built up during the dry season to assist in maintaining scheduled production. However, because of the rough terrain, limited area is available for stockpiling. In addition, given the remote site and rough terrain, costs of operations may also be significantly higher than budgeted. In the event that the costs of operations are higher than budgeted, or the anticipated production schedule is delayed, the Group's business, results of operations and financial condition may be adversely affected.

(d) Risks relating to reliance on operating performance of the Martabe Project and uncertainty in the results of exploration for Mineral Resources

The Martabe Project will become a major operating asset of the Group upon Completion.

Mineral Resources and Ore Reserves are non-renewable and the exploration of new and potential resources is crucial to a mining enterprise. Exploration of Mineral Resources is speculative in nature, so substantial expenses may be incurred from initial construction to operation. There is also no assurance that exploration can lead to the discovery of economically feasible Ore Reserves.

Both the quantity of ores and metal reserves stated in this circular represent estimated figures, and there is no assurance that such estimates can be recovered in full. The estimated figures may be revised in accordance with actual operation or other factors. For example, price fluctuations in the gold market, reduced recovered rates or rise in production costs as a result of inflation or other factors and technical problems arising in the course of excavation (e.g. weather conditions, natural disasters, etc.) may render it economically unfeasible to mine low-grade ores.

If the Martabe Project fails to perform satisfactorily, this may lead to a decrease in the overall profit margins, operating performance and investment results, and may adversely affect the operating results of the Group.

(e) Risks relating to Government policies and regulations

The Martabe Project is subject to extensive laws, regulations, policies, controls, standards and requirements in Indonesia. Any changes to such laws, regulations, policies, controls, standards and requirements or to the interpretation or enforcement thereof may increase our operating costs and thus adversely affect our results of operations. For example, PTAR has been advised by its Indonesian tax advisers that value added tax, import duties and tariffs are not payable by PTAR. In the event that such value added tax, import duties and tariffs became payable, additional capital may be required to bring the Martabe Project into production and the results of operation of the Martabe Project may be adversely affected.

There can be no assurance that the relevant government will not change such laws, regulations, policies, controls, standards or requirements or impose additional or more stringent laws, regulations, policies, controls, standards or requirements or the Group will be able to comply with any such new laws, regulations, policies,

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controls, standards or requirements applicable to the Martabe Project economically or at all. Further any such new laws, regulations, policies, controls, standards or requirements or any such change in existing laws, regulations policies, controls, standards or requirements may also constrain the Group's future expansion plans, if any, and adversely affect the Group's profitability.

(f) Risks relating to New Mining Law and impact on COWs

As disclosed above in section 7, pursuant to the New Mining Law, the existing system of COWs are to be abolished and will be replaced by mining business permits. Although the New Mining Law provides that existing COWs which were executed prior to enactment of the New Mining Law shall remain valid for their stated term, it also provides that such COWs must be "adjusted" to comply with the New Mining Law within one (1) year of promulgation of the New Mining Law. The New Mining Law contemplates that various implementing regulations will be issued under the law to clarify the means of complying with the New Mining Law. However, in the absence of any such implementing regulations, it is difficult to state with certainty at this point the requirements with respect to the "adjustment". Although Maxter was advised by its Indonesian counsel that COWs will continue to be recognised as legally binding agreements for the stated period, there is no certainty as to what "adjustment" will be needed to comply with the New Mining Law. There is no assurance that the "adjustment" to be implemented will not adversely affect the operation and financial performance of the Martabe Project.

In addition, the New Mining Law also provides that after five (5) years of production, entities which hold a Mining Business Permit or a Special Mining Business Permit, where the shares are held by foreign parties, must divest their shares to the GOI, regional governments, state-owned entities, region-owned entities or national private entities. Although Maxter has been advised by its Indonesian legal counsel that for so long as the PTAR COW continues to hold its status as a COW, it is unlikely that this divestment obligation will apply, for the reason that the divestment obligations under the PTAR COW have already been met by the transfer of the 5% shareholding interests in PTAR to PTANA (which is a 100% Indonesian-owned company). However, Maxter has been advised by its Indonesian legal counsel that this matter cannot be stated with certainty until such time as the implementing regulations under the New Mining Law have been issued. Until the implementing regulations have been issued, there is no assurance that ARS will not be required under the New Mining Law to divest its shareholding interests in PTAR to the GOI, regional governments, state-owned entities, region-owned entities or national private entities after five (5) of the production, and if that happens, there is no assurance that the terms of such divestment will be favourable to ARS.

(g) Risks in relation to environmental protection

The associated by-products, residues and tailings generated from the operation of the Martabe Project are subject to environmental risks and hazards. In particular, run-off of site contaminated water, acid rock drainage from the tailing storage facilities, excess tailings decant or tailings seepage following an earthquake

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event and settlement of the tailing storage facilities main embankment have the potential to cause offsite water contamination. Any failure of the tailing storage facilities may pose a risk to communities located downstream from the mine site. The operation of the Martabe Project is subject to stringent laws, rules and regulations imposed by the Indonesian government regarding environmental matters, such as the treatment and discharge of hazardous wastes and materials.

Environmental hazards may occur in connection with our operations as a result of human negligence, force majeure or otherwise. The occurrence of any environmental hazards may delay production, increase production costs, cause personal injuries or property damage, result in liability to the Group and/or damage the Group's reputation. Such incidents may also result in breach of the conditions of the Martabe Project mining permits and exploration permits, or other consents, approvals or authorisations, which may result in fines or penalties or even possible revocation of the Martabe Project mining permits and/or exploration permit. In the future, the Martabe Project may face increased costs of operation arising from compliance with environmental laws and regulations. Moreover, the development of the Indonesian economy and the improvements in the living standards of the population may lead to a heightened awareness of environmental protection. As a result, it is possible that more stringent environmental laws, regulations, and policies may be implemented in the future, or the existing environmental laws, regulations and policies may be more strictly enforced, which could result in significantly higher operating costs for the mine. The operation of the Martabe Project may not always be able to comply with existing or future laws, regulations or policies in relation to environmental protection economically or at all. Should the Group fail to comply with any such existing or future laws, regulations and policies, the Group may be subject to penalties and liabilities under Indonesian laws and regulations, including but not limited to warnings, fines, suspension of operation and closure of the facility that fails to comply with the relevant environmental standards and may adversely affect the results of operation of the Group.

(h) Risks relating to the seismicity of the Martabe Project area

The Martabe Project is located in a seismically active area. Any damage to the tailing storage facilities and/or any stormwater interception and diversion structures may pose serious risks to both the project workers and communities located downstream from the mine site, and severely affect the operations of the Martabe Project. In the event of an earthquake, the production facilities may be damaged and production may be slowed down or temporarily brought to a standstill, resulting in delay in production schedule. In light of the seismicity of the region, unanticipated design precautions may be required, such as large embankments to support the tailing storage facilities, which may significantly increase the costs of construction and production and cause delays to the construction and production schedule. As a result, the Group's business, results of operations and financial condition may be adversely affected.

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(i) Risks relating to permits and licences with respect to the environment

A number of permits and licences with respect to the environment are in process, including a tree cutting permit, tailings dam construction certification, explosive permits, Aek Pahu River Diversion approval and hazardous waste permits. Although Maxter has been advised by its Indonesia legal counsel that there should not be any legal impediments to obtaining these permits and licences, there can be no assurance that the Group will be able to obtain the above permits and licences. If the Group was unable to obtain any of such permits or licences, the operations of the Martabe Project may be adversely affected.

(j) Risks relating to relationship with the local community

The Martabe Project is located near the Batangtoru District, which comprises urban neighbourhood units and villages. The construction and the operation of the Martabe Project rely on the maintaining of good working relationships with the local community. Community relations is a key risk to the Martabe Project if not administered appropriately and sensitively. Local communities may become disenchanted due to re-settlement issues, land compensation, employment, immigration, environmental impact issues such as noise, dust disturbance, water and waste management, disturbance from traffic or other social issues. If the Group fails to manage its relationship with the local community, the operation of the Martabe Project may be adversely affected, which in turn will adversely affect the Group's business, results of operations and financial condition.

(k) Risks relating to production safety

The exploration and mining operations of the Martabe Project involve the handling and storage of explosives and other dangerous articles. The Martabe Project may experience in the future increased costs of production arising from compliance with production safety in relation to the mining industry. There can be no assurance that the existing laws, regulations and policies in relation to production safety applicable to the Martabe Project will not change, or will not be more stringently enforced. The Group may not be able to comply with all existing or future laws, regulations and policies in relation to production safety economically or at all. Should the Group fail to comply with any production safety laws or regulations, the results of operation of the Group may be adversely affected.

The operations of the Martabe Project are subject to a number of operating risks and hazards, some beyond our control, including, mechanical or equipment failure, operator failure, force majeure events (including but not limited to adverse weather conditions, earthquakes and other natural disasters, industrial and environmental accidents, social or political unrest industrial disputes, delays due to government actions and outbreak of war), infrastructure availability, power interruptions, unexpected variations in mineralisation and unexpected shortages or increases in the costs of, or delays in the delivery of, labour, plant, transportation and equipment.

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There can be no assurance that the above will not occur in the future. These risks and hazards could delay the production, increase the cost of mining of the Martabe Project, result in liability to the Group and/or harm the Group's reputation. In extreme circumstances, the occurrence of these risk or hazards may disrupt the operations of the Martabe Project for extended periods or result in the closure of the Martabe Project. Such incidents may also result in a breach of the conditions of the PTAR COW, or other consents, approvals or authorisations, which may results in fines and penalties or even possible termination of the PTAR COW.

(l) Commodity price risk and foreign exchange risks

The Martabe Project will generate revenue in United States Dollars from the sale of gold and silver, while incurring construction and operation costs in Australian dollar, Indonesian Rupiah and other currencies. The prices for each commodity are affected by factors outside the Group's control. The Group has no control over the factors that may affect the market prices of gold and silver, which may decrease in the future. Any decline in the market prices of gold and silver will reduce the price the Company can receive for the Group's product and adversely affect the Group's financial condition and results of operations.

Fluctuating commodity prices and foreign exchange rates may have a material impact on the ongoing financial performance and position of the Martabe Project and/or the Group.

(m) The Mineral Resources and Ore Reserves of the Martabe Project contained in this circular and the Technical Report are estimates and may deviate significantly from the Martabe Project's actual Mineral Resources and Ore Reserves

The information presented in this circular on the Mineral Resources and Ore Reserves of the Martabe Project is based on the Technical Report, which is appended hereto in Appendix V and is available for download from the Company's website at <http://www.g-resources.com>. The data on the Mineral Resources and Ore Reserves in the Technical Report are only estimates and may differ materially from the Company's actual mining results of the Martabe Project. The estimates of Mineral Resources and Ore Reserves are inherently prone to uncertainty. They involve expressions of judgment with regard to the presence and grade of mineralisation and the ability to extract and process the mineralisation economically. These judgments are based on a variety of factors such as knowledge, experience, industry practice and assumptions as to the anticipated costs of extracting and processing the mineral. They are, therefore, imprecise and depend to some extent on interpretations, which may prove to be inaccurate.

Estimates of Mineral Resources and Ore Reserves that were reasonable when made may change significantly when new information from additional drilling and analysis becomes available. This may result in alterations to development and production plans which may, in turn, materially and adversely affect the Group's business, financial condition and results of operations and reduce the estimated amount of Mineral Resources and Ore Reserves available for production and expansion plans.

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No assurance can be given that the Mineral Resources and Ore Reserves described in this Circular, including in the Technical Report set out in Appendix V, will be recovered at the grade or yield presented. The inclusion of Ore Reserve estimates should not be regarded as a representation that these amounts can be exploited economically. One should not assume that the Mineral Resources estimates are capable of being directly reclassified as Ore Reserves under the JORC Code. The inclusion of Mineral Resource estimates should not be regarded as a representation that these amounts can be exploited economically. You are cautioned not to place undue reliance on Mineral Resource and Ore Reserve estimates. Any material discrepancies will adversely affect the profitability and results of operation of the Martabe Project and the Group's financial condition.

(n) Completion risks

Completion of the Acquisition is subject to satisfaction of the Conditions as mentioned above, not all of which are within the control of the Group. In particular, you should note that there is no assurance that the shareholders of the Grantor's Guarantor will approve the entering into of the Option Agreement and the transactions contemplated thereunder at an extraordinary general meeting of the Grantor's Guarantor, and if such approval were granted, there is no assurance that such approval will not be or be proposed to be revoked. There is also no assurance that the Option Agreement and the transactions contemplated thereunder will be approved by the majority of the Shareholders at the SGM, and if such approval were granted, there is no assurance that such approval will not be or proposed to be revoked. There is also no assurance that the Company will be able to successfully raise financing in such amount and upon such terms and conditions to the reasonable satisfaction of the Grantee for the purpose of the Grantee completing the purchase of Option Shares pursuant to an exercise of the Call Option thereunder. Should any of the above happen, the Acquisition may not complete.

(o) Risks relating to failure to comply with conditions of the PTAR COW

In Indonesia, COWs that have been granted to foreign capital investment companies are subject to various conditions and compliance requirements under Indonesian laws. Failure to comply with those conditions and compliance requirements, including making active use of the mining rights PTAR has been granted under its COW, periodically submitting annual reports and budget plans to the relevant regional government, and the payment of all prescribed deposits, dead rent, government royalties, forestry fees, land and building tax and other levies payable to the GOI under the PTAR COW, or failure to comply with any applicable laws, could ultimately lead to termination of the PTAR COW and our loss of the rights to conduct mining activities under it.

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Whilst penalties and other civil or criminal sanctions are not applicable to breaches of COW conditions, non-compliance activities may lead to loss of the COW. Apart from constituting breaches of COW conditions, failure to pay taxes or royalties or other levies owed to the GOI and non-compliance with applicable mining, environmental, health, safety and other laws or requirements, may also constitute breaches of laws, regulations or rules which by themselves may lead to penalties and other civil or criminal sanctions.

There is no assurance that the PTAR COW will not be subject to challenge or that the GOI will not vary the terms applicable to the COW by new regulations. If the PTAR COW is terminated for any reason, or PTAR's rights under the COW are restricted or otherwise amended, the Group may be unable to or may be restricted from mining activities within the COW Area and our business, financial condition, results of operations and prospects would be materially and adversely affected.

(p) Risks relating to failure to obtain surface rights and related land titles

Under Indonesian law, mining rights, such as those granted under COWs, do not encompass surface rights if held by third parties. Though land acquisition over the Pit 1 area (including areas for plant, tailings and water storage facilities) is over 90% complete, PTAR is still in the process of acquiring other land in relation to the Martabe Project. In addition, PTAR is also in the process of resettling a small number of people residing in the area that will be affected by the Martabe Project. If PTAR experiences a delay or difficulties in carrying out the above, it may have to reconfigure the project to avoid the land in question, or engage in legal proceedings which may result in further delay and costs. If PTAR is unable to obtain the necessary title or certificate for the land intended to be used by in its operations, there is risk that PTAR's use of such land may be challenged by an adverse party, including a previous occupant of the land. While land issues are frequently resolved in practice by negotiation, in the event of a challenge, PTAR may be required to cease its operations on the relevant land or pay compensation and other monetary penalties to the affected surface rights owner. PTAR may further have its COW terminated because of any failure to resolve a land dispute. Disruption to PTAR's operations because of land disputes would materially and adversely affect the Group's business, financial condition, results of operations and prospects.

(q) Risks relating to Indonesia

In Indonesia, since the downfall of President Suharto in 1998, there have been four Presidents and three changes of the GOI. The current GOI has introduced laws and policies aimed at reducing corrupt practices and enhancing Indonesia as a destination for foreign investment. The long-term success of these actions remains unknown. The operations of the Martabe Project are entirely located in Indonesia and its business, financial conditions and prospects may be materially and adversely affected if political instability were to reoccur.

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(r) Risks relating to uncertain interpretation of the Indonesian laws and regulations and legal proceedings in Indonesia

The business and operations of the Martabe Project are governed by Indonesian laws and regulations. In the course of constructing and operating the project, legal disputes may arise from, among others, the Group's relationships with its third party contractors, workers on the Martabe Project, the local community, health and safety issues, environmental impacts, land titles and resettlement of people residing in the area that will be affected by the Martabe Project. Legal proceedings in Indonesia are often a protracted and uncertain process. Decisions of courts in Indonesia on matters of Indonesian law are not mandatorily or customarily binding on lower courts or in the same court in any subsequent case. Indonesian judges have very broad fact-finding powers and a high level of discretion in relation to which of those powers is exercised. The judgments of Indonesian courts are not systematically published and it is not possible to ensure a complete understanding of points of Indonesian law as interpreted and applied by the courts in Indonesia or in particular courts. Judges are often unfamiliar with sophisticated commercial or financial transactions, leading in practice to a lack of certainty in the interpretation and application of Indonesian law. Depending on the government agency or how an application or case is presented to an agency, the Group may receive less favourable interpretations of laws and regulations than our competitors. In the event that the Group is involved in any legal proceedings, there may be uncertainties as to the outcome of such proceedings. In addition, any protracted legal proceedings may cause substantial costs to be incurred and significant management time to be spent, resulting in diversion of resources as well as management attention.

(s) Risks relating to retaining or securing qualified personnel, senior management or other personnel for the operations of the Martabe Project

Although the Board has no current intention to change the existing operational management of PTAR and has resolved to appoint Mr. Hegarty as an executive Director, the chief executive officer and vice-chairman of the Company and Mr. Albert as the deputy chief executive officer of the Company to supplement the management of the Company at the executive level, there is no assurance that such parties will continue to provide services to the Group or will honour the agreed terms and conditions of their employments or contracts. Any loss of key personnel or failure to recruit and retain personnel for our future operations and development may have a material adverse affect on the operations of the Martabe Project.

(t) Risks relating to the arrangements between OMM and the PTANA Shareholders

As described in section 5(e) above, OMM and the PTANA Shareholders have entered into various agreements on 23 August 2006 in respect of their shareholding in PTANA. A risk exists that an Indonesian court would consider such arrangement to be a nominee arrangement and an attempt to circumvent laws designed to protect Indonesian interests and accordingly the arrangement might be unenforceable on the basis of being contrary to public policy and breach of Law No. 25/2007 re Investments (the *New Foreign Investment Law*).

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Following the enactment of the New Foreign Investment Law, a prohibition was introduced against agreements whereby an Indonesian party declares that it holds shares on behalf of a foreign party. As a result of this prohibition, it has been common for parties formerly in a nominee relationship to switch to a loan-pledge style arrangement as referred to in section 5(e) above, so as to remove any express references to Indonesian nationals holding shares on behalf of the foreign party. However, it does remain arguable that, on a substantive reading of the *New Foreign Investment Law*, a loan and pledge arrangement with the ultimate effect of allowing a foreign entity to control the shareholdings of a general Indonesian company, is in breach of the prohibition.

The *New Foreign Investment Law* does not provide for any sanctions for parties executing nominee agreements. Rather, the agreements may be declared null and void, to the extent that these are found to be in breach of the *New Foreign Investment Law*. Accordingly, the current practical risk for a foreign investor using a loan-pledge arrangement is that the Indonesian nationals will challenge the “beneficial” ownership of the foreign investor, on the basis that the Indonesian nationals are the rightful owners of the shares, as they are recorded on the register of shareholders as the registered shareholders. Maxter was advised by its Indonesian legal counsel that this matter has not yet been tested in an Indonesian court. There is no assurance that the arrangement between OMM and the PTANA Shareholders will not be challenged, and if so, will not be declared null and void. In the event that the arrangement between the OMM Group and the PTANA Shareholders were declared null and void, the OMM Group may not be able to exert any control over the PTANA Shareholders and the 5% interests in PTAR and the Martabe Project held by PTANA.

10. MANAGEMENT DISCUSSION AND ANALYSIS ON THE TARGET GROUP

The Target Group comprises Maxter and the OMM Group.

(a) Management discussion and analysis of Maxter

Set out below is the management discussion and analysis on Maxter for the period from 27 March 2007 (date of incorporation) to 31 March 2008 and from 1 April 2008 to 31 March 2009:

Business review of Maxter for the period from 1 April 2008 to 31 March 2009

Financial review, business review and prospects

Maxter is an investment holding company and was inactive for the period from 1 April 2008 to 31 March 2009.

Capital structure, liquidity, financial resources and gearing ratio

As at 31 March 2009, the audited total assets and net liabilities of Maxter were HK\$0 and HK\$11,406, respectively. There was no cash and cash equivalent as at 31 March 2009. It had incurred total liabilities of HK\$11,406 which were due to its immediate holding company and were unsecured, interest-free and repayable on demand.

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As at 31 March 2009, all of Maxter's borrowings were denominated in HK\$. All of the borrowings of Maxter were interest-free.

Capital commitment

Maxter did not have any capital commitments as at 31 March 2009.

Treasury policies

Maxter had no formal treasury policy and did not enter into any form of financial arrangement for hedging for the period under review.

Exchange rate exposure

Maxter had no exchange rate exposure.

Contingent liabilities

Maxter did not have any contingent liabilities as at 31 March 2009.

Significant investments, material acquisition and disposals

Maxter did not have any significant investments, material acquisition or disposals for the period under review.

Employment and remuneration policy

As at 31 March 2009, Maxter did not employ any employees. No remuneration was payable by Maxter to its directors for the period under review.

Pledge of assets

Maxter did not pledge any assets for the period under review.

Business review of Maxter for the period from 27 March 2007 (date of incorporation) to 31 March 2008

Financial review, business review and prospects

Maxter is an investment holding company and was inactive for the period from 27 March 2007 to 31 March 2008.

Capital structure, liquidity, financial resources and gearing ratio

As at 31 March 2008, the audited total assets and net liabilities of Maxter valued at HK\$0 and HK\$6,492. There was no cash and cash equivalent as at 31 March 2008. It had incurred total liabilities of HK\$6,492 which were due to its immediate holding company and were unsecured, interest-free and repayable on demand.

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As at 31 March 2008, all of Maxter's borrowings were made in HK\$. All of the borrowings of Maxter were interest-free.

Capital commitment

Maxter did not have any capital commitments as at 31 March 2008.

Treasury policies

Maxter had no formal treasury policy and did not enter into any form of financial arrangement for hedging for the period under review.

Exchange rate exposure

Maxter had no exchange rate exposure.

Contingent liabilities

Maxter did not have any contingent liabilities as at 31 March 2008.

Significant investments, material acquisition and disposals

Maxter did not have any significant investments, material acquisition or disposals for the period under review.

Employment and remuneration policy

As at 31 March 2008, Maxter did not employ any employees. No remuneration was payable by Maxter to its directors for the period under review.

Pledge of assets

Maxter did not pledge any assets for the period under review.

(b) Management discussion and analysis of the OMM Group

Set out below is the management discussion and analysis on the OMM Group for the period from 11 May 2006 to 31 December 2006, 1 January 2007 to 31 December 2007 and 1 January 2008 to 31 December 2008:

Review of the OMM Group for the period from 1 January 2008 to 31 December 2008

Financial review, business review and prospects

During 2008, the OMM Group's activities were focused on the Martabe District and the Gambir-Kapur District and including drilling, geological mapping, geochemical sampling, geophysical survey, and total station survey.

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Under the requirements of the PTAR COW, the approval of the third and final relinquishment was granted on 26 March 2008, which reduced the PTAR COW area to 1,639.27 km² or 25% of the original PTAR COW area. On 24 April 2008, the construction period for the Martabe Project was approved and commenced.

Additions to Property, Plant and Equipment for the year ended 31 December 2008 totalled A\$81.9 million. Included in the total additions to Property, Plant and Equipment is A\$39.3 million relating to fixed assets under construction and a further A\$42.6 million relating to land acquisition, buildings, plant and equipment, as well as mining property and development.

The OMM Group reported a loss for the period of A\$25.1 million (translated to approximately HK\$166.89 million in the unaudited pro forma financial information of the Enlarged Group in Appendix IV), of which A\$23.0 million (translated to approximately HK\$152.67 million in the unaudited pro forma financial information of the Enlarged Group in Appendix IV) was due to an impairment of OMM's interest in Martabe, A\$1.1 million (translated to approximately HK\$7.59 million in the unaudited pro forma financial information of the Enlarged Group in Appendix IV) was due to exploration expenditure written off and A\$0.7 million was due to net foreign exchange losses.

The OMM Group recognised A\$34.7 million, net of tax, directly in equity, due to foreign exchange translation differences.

Exploration and evaluation expenditure on the PTAR COW was transferred to mine property and development, which was A\$113.5 million at 31 December 2008.

As at 31 December 2008, OMM (through its controlled entity PTAR) employed 159 staff, of whom 94 were contract and 65 were permanent employees. 155 staff were Indonesian locals, and 4 were expatriates. Remuneration packages were reviewed on a periodical basis so as to be maintained at a competitive level.

Capital structure, liquidity, financial resources and gearing ratio

As at 31 December 2008, the OMM Group had audited total assets of A\$233.0 million (translated to approximately HK\$1,261.12 million in the unaudited pro forma financial information of the Enlarged Group in Appendix IV), mainly comprised of Property, Plant and Equipment assets of A\$221.8 million (translated to approximately HK\$1,200.42 million in the unaudited pro forma financial information of the Enlarged Group in Appendix IV) and current assets of A\$11.2 million (translated to approximately HK\$60.70 million in the unaudited pro forma financial information of the Enlarged Group in Appendix IV). Total cash and cash equivalents were A\$1.9 million (translated to approximately HK\$10.47

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million in the unaudited pro forma financial information of the Enlarged Group in Appendix IV). Liabilities totalled A\$238.0 million (translated to approximately HK\$1,287.85 million in the unaudited pro forma financial information of the Enlarged Group in Appendix IV) comprised mainly of payables to related entities. The gearing ratio (calculated as total liabilities over total assets) was approximately 102% as at 31 December 2008.

Outlook and capital commitment

As at 31 December 2008, the OMM Group had reduced expenditure on the Martabe Project as it was seeking offers from potential buyers. Although, as at 31 December 2008, OMM was still at the construction stage of the PTAR COW, and had commenced site bulk earthworks. The OMM Group had total capital commitments of A\$9.0 million as at 31 December 2008.

Treasury policies and exchange rate exposure

OMM's functional currency is A\$. OMM's controlled entities, ARS and PTAR, retain US\$ as their functional currency, although a minority portion (approximately 26% for the year ended 31 December 2008) of exploration activities are undertaken in Indonesian Rupiah.

OMM provides US\$ financing via intercompany loans to ARS, and receives A\$ funding from OMA via intercompany loans. The OMM Group had no formal treasury policy and did not directly enter into any form of financial arrangement for hedging for the period under review, and recognised a foreign exchange translation of A\$34.7 million, net of tax, directly in equity for the period.

Contingent liabilities

OMM did not have any contingent liabilities as at 31 December 2008.

Pledged assets

OMM did not pledge any assets for the period from 1 January 2008 to 31 December 2008. However, as disclosed in note 7 of the notes to the financial information in Appendix III, it had secured certain of its property, plant and equipment for performance of obligations to Newmont Mining Corporation relating to the Martabe Project.

Others

The Board notes that the directors and the auditors of the OMM Group were of the view that there is material uncertainty as to whether the OMM Group will continue to be a going concern. The Board is of the opinion that, after taking into account the internal resources of the Enlarged Group and subject to the completion of placement of 13 billion new Shares under the

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Placing, the Enlarged Group has sufficient working capital for its present requirements in the absence of unforeseen circumstances and hence such material uncertainty would not materially affect the going concern status and liquidity of the Enlarged Group upon Completion.

Review of the OMM Group for the period from 1 January 2007 to 31 December 2007

Financial review, business review and prospects

During the financial period ended 31 December 2007, OMM changed its name from Agincourt Resources (Martabe) Pty Ltd to OMM.

The principal activities of the OMM Group during the financial period ended 31 December 2007 were focused on the exploration of the Martabe District and the Gambir-Kapur District and including drilling, geological mapping, geochemical sampling, and geophysical and total station surveys. In addition, geological work was conducted to prepare for third relinquishment requirement under the PTAR COW and the planned transition to the construction stage of the PTAR COW.

As at 31 December 2007, OMM held a 100% economic interest in ARS and a 100% interest in PTANA (which itself holds a 5% interest in PTAR, being effectively held on trust by OMA on behalf of the GOI, and which is intended to be transferred to the GOI). OMM provided funding to ARS via intercompany loans, and itself received intercompany loans from OMA. ARS provided funding to PTAR.

Additions to Property Plant and Equipment for the year ended 31 December 2007 totalled A\$17.6 million. Included in the additions to Property, Plant and Equipment is A\$2.5 million relating to assets under construction, and a further A\$1.0 million relating to land acquisition, buildings, plant and equipment. The remaining amount was on exploration and evaluation activities totaling A\$14.1 million. OMM had no material revenue or expenses for the year.

The OMM Group recognised A\$11.5 million, directly in equity, due to foreign exchange translation differences.

As at 31 December 2007, the OMM Group (through its controlled entity PTAR) had 49 permanent employees, and employed a number of local contractors and consultants. Remuneration packages were reviewed on a periodical basis so as to be maintained at a competitive level.

Capital structure, liquidity, financial resources and gearing ratio

As at 31 December 2007, the OMM Group had audited total assets of A\$119.6 million, comprising Property, Plant and Equipment of A\$116.8 million plus current assets of A\$1.1 million. Liabilities totalled A\$134.2

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million of which 98% comprised a related party loan payable to OMA, OMM's direct parent company. The gearing ratio (calculated as total liabilities over total assets) was approximately 112% as at 31 December 2007. OMM held a cash position of A\$0.6 million.

Outlook and capital commitment

As at 31 December 2007, OMM was focused on progressing the development of the Martabe Project towards production, in accordance with the process defined in the PTAR COW. As at 31 December 2007, OMM was at the feasibility study stage of the PTAR COW, but expected to continue to progress development and move into the construction stage of the PTAR COW during 2008. The OMM Group had total capital commitments of A\$17.8 million as at 31 December 2007.

Treasury policies and exchange rate exposure

OMM's functional currency is A\$. OMM's controlled entities, ARS and PTAR, retain US\$ as their functional currency, although a minority portion (approximately 22% for the year ended 31 December 2007) of exploration activities are undertaken in Indonesian Rupiah.

OMM provides US\$ financing via intercompany loans to ARS, and receives A\$ funding from OMA via intercompany loans. The OMM Group had no formal treasury policy and did not directly enter into any form of financial arrangement for hedging for the period under review, and recognised a foreign exchange translation of A\$(11.5) million directly in equity for the period.

Contingent liabilities

OMM did not have any contingent liabilities as at 31 December 2007.

Pledged assets

OMM did not pledge any assets for the period from 1 January 2007 to 31 December 2007. However, as disclosed in note 7 of the notes to the financial information in Appendix III, it had secured certain of its property, plant and equipment for performance of obligations to Newmont Mining Corporation relating to the Martabe Project.

Review of the OMM Group for the period from 11 May 2006 to 31 December 2006

Financial review, business review and prospects

OMM was incorporated on 11 May 2006 (originally under the name of Agincourt Resources (Martabe) Pty Ltd), with the purpose of holding OMA's interest in the Martabe Project. In August 2006, ARS was acquired from Newmont Mining Corporation by OMA and was transferred into the ownership of OMM.

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During 2006, OMM's activities were focused on the exploration of the Martabe District and the Gambir-Kapur District and including drilling, geological mapping, geochemical sampling, and geophysical and total station surveys.

Additions to Property, Plant and Equipment for the year ended 31 December 2006 totalled A\$0.26 million, of which exploration and evaluation activities made up 100%. The OMM Group had no material revenue or expenses for the year. The carrying value of exploration and evaluation on its balance sheet was A\$110.9 million at 31 December 2006, being primarily due to the fair value applied to the project on acquisition.

The OMM Group recognised A\$3.1 million, directly in equity, due to foreign exchange translation differences.

As at 31 December 2006, OMM (through its controlled entity PTAR) had 28 permanent employees and employed a number of local contractors. Remuneration packages were reviewed on a periodical basis so as to be maintained at a competitive level.

Capital structure, liquidity, financial resources and gearing ratio

As at 31 December 2006, the OMM Group had audited total assets of A\$112.3 million, comprising Property Plant and Equipment of A\$110.9 million and current assets of A\$0.7 million. Liabilities totalled A\$115.4 million of which 99% comprised a related party loan payable to OMA. The gearing ratio (calculated as total liabilities over total assets) was approximately 103% as at 31 December 2006. OM held a cash position of A\$0.6 million.

Outlook and capital commitment

As at 31 December 2006, OMM was focused on progressing the development of the Martabe Project towards production, in accordance with the process defined in the PTAR COW. As at 31 December 2006, OMM was at the feasibility study stage of the PTAR COW, but expected to continue to progress development and move into the construction stage of the PTAR COW during 2007. The OMM Group had no capital commitments as at 31 December 2006.

Treasury policies and exchange rate exposure

OMM's functional currency is A\$. OMM's controlled entities, ARS and PTAR, retain US\$ as their functional currency, although a minority portion of exploration activities are undertaken in Indonesian Rupiah.

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OMM provides US\$ financing via intercompany loans to ARS, and receives A\$ funding from OMA via intercompany loans. The OMM Group had no formal treasury policy and did not directly enter into any form of financial arrangement for hedging for the period under review, and recognised a foreign exchange translation of A\$(3.1) million directly in equity for the period.

Contingent liabilities

OMM did not have any contingent liabilities as at 31 December 2006.

Pledged assets

OMM did not pledge any assets for the period from 11 May 2006 to 31 December 2006. However, as disclosed in note 7 of the notes to the financial information in Appendix III, it had secured certain of its Property, Plant and Equipment for performance of obligations to Newmont Mining Corporation relating to the Martabe Project.

11. FINANCIAL EFFECTS OF THE ACQUISITION

Upon completion of the Acquisition, Maxter and the OMM Group will become subsidiaries of the Company and the financial information of the Target Group will be consolidated into the consolidated financial statements of the Company.

For the avoidance of doubt, the unaudited pro forma financial information of the Enlarged Group in Appendix IV does not give effect to events in relation to the Company subsequent to 31 December 2008 including the First Tranche Convertible Notes, the Second Tranche Convertible Notes and the Capital Reorganisation.

As referred to in the annual report of the Group for the year ended 30 June 2008, the audited consolidated net assets of the Group as at 30 June 2008 was approximately HK\$463,336,000, comprising total assets of approximately HK\$519,091,000 and total liabilities of approximately HK\$55,755,000, and the net loss of the Group for the year ended 30 June 2008 attributable to equity holders was approximately HK\$203,011,000.

According to the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular (assuming, among others, the Placing is completed in full and a gross amount of HK\$4,550 million is raised), the unaudited pro forma net assets of the Enlarge Group would be approximately HK\$4,812,867,000, comprising unaudited pro forma total assets of approximately HK\$4,918,466,000 and unaudited pro forma total liabilities of approximately HK\$105,599,000, and the unaudited pro forma loss of the Enlarged Group would be approximately HK\$370,074,000.

The professional fees and other costs of the Acquisition were approximately HK\$148.51 million.

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As stated in the unaudited pro forma financial information of the Enlarged Group as set out in Appendix IV to this circular (assuming, among others, the Placing is completed in full and a gross amount of HK\$4,550 million is raised), the Enlarged Group has an unaudited consolidated pro forma cash and bank balances of approximately HK\$2,778,449,000 as at 31 December 2008. The unaudited pro forma consolidated balance sheet of the Enlarged Group as at 31 December 2008, is prepared based on (i) the unaudited consolidated balance sheet of the Group as at 31 December 2008, as extracted from the interim report of the Company for the period then ended; (ii) the audited balance sheet of Maxter as at 31 March 2009, as extracted from the accountants' report thereon set out in Appendix II to this Circular and (iii) the audited consolidated balance sheet of the OMM Group as at 31 December 2008 as extracted from the accountants' report thereon as set out in Appendix III to this Circular, after incorporating the unaudited pro forma adjustments described in the accompanying notes, as if the Acquisition, the OZ Agreement and the Placing had been completed on 31 December 2008. Please refer to section 13(b) below for anticipated use of the proceeds from the Placing.

12. PROSPECTS OF THE ENLARGED GROUP

The Board was aware of the limitation of growth and development in the Company's existing businesses prior to the Acquisition. Accordingly, in the current financial year, the Board was searching for investment opportunities in the energy and natural resources sectors. The Enlarged Group will also continue to seek to acquire and develop other high quality projects in Asia, with an initial focus on the prospective areas of Laos, Thailand, Cambodia and China.

The Board sees year 2009 as a year full of challenges and opportunities and the Board was of the view that asset price and project valuation would become more reasonable in 2009. In early 2009, the Board identified an investment opportunity in the gold mining industry when OML placed the Martabe Project for sale. The Company became interested in acquiring the Martabe Project and reached an understanding with the Grantor's Guarantor which later formed the basis of the Option Agreement.

Upon completion of the Acquisition, the Company's vision is to become a globally competitive Asian focused gold mining company and intends to achieve this vision through the strategies as set out in section 3 of the Letter from the Board in this circular. The Enlarged Group will seek to generate near-term value for Shareholders by completing the development of the Martabe Project to the production stage on time, within budget and at or exceeding the target quality of gold output. The Directors target the Martabe Project to commence production by the first quarter of 2011.

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13. PROPOSED NEW ISSUE OF SHARES TO FINANCE THE ACQUISITION AND DEVELOPMENT OF MARTABE PROJECT, AND TO FUND WORKING CAPITAL AND CAPITAL EXPENDITURES AND FOR GENERAL CORPORATE PURPOSES IN RESPECT OF THE MARTABE PROJECT

(a) General

The Board proposes to issue and allot up to 13 billion new Shares if certain conditions, as further described in this circular, are satisfied. 13 billion new Shares represent (i) approximately 15.38 times the Company's issued shares of 845,403,379 Shares (which does not include the Consideration Shares to be issued and allotted upon Completion) and (ii) approximately 92.42% of the Company's issued shares of 14,066,831,950 Shares as enlarged by the Placing (including the Consideration Shares to be issued and allotted upon Completion).

It is envisaged that if the Placing is approved and is successful, the Company will be able to raise up to a gross amount of approximately HK\$4,550 million worth of capital.

(b) Rationale behind and reasons for the Placing of new Shares

The primary purpose of the Placing is to allow the Company to raise sufficient capital (i) to finance the Acquisition, (ii) to fund the capital expenditure to bring the Martabe Project into production state, and (iii) to fund the development of the Martabe Project post-Completion, expenses related to the Acquisition, working capital and capital expenditures, and for general corporate purposes in respect of the Martabe Project.

The Acquisition will constitute a very substantial acquisition of the Company under Chapter 14 of the Listing Rules. The raising of finance by means of the Placing will provide the Company with the opportunity to broaden its business scope which is in line with the Company's strategy to invest in the natural resources sector.

The Board considers that the Placing is an appropriate and preferred means of funding the Acquisition for the following reasons:

- i. given the size of the Option Price, a large amount of bank borrowing to finance the Option Price would adversely affect the gearing ratio of the Company which is not in the interests of the Company or its Shareholders as a whole;
- ii. proceeds from the Placing will provide the Company with immediate funding; and
- iii. the Placing will broaden the shareholder base and enhance the profile of the Company given that the placees are individual, institutional and/or professional investors (as the case may be).

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The Board considers that the Placing is fair and reasonable to the Shareholders and the Company as a whole on the basis that the Placing represents an opportunity to raise capital for the Company to invest into the Martabe Project with readily available funds.

It is anticipated that the gross proceeds from the Placing, if successful, will be approximately HK\$4,550 million, of which (i) approximately US\$221 million to US\$232.40 million (equivalent to HK\$1,713 million to HK\$1,801 million) will be used to finance the Acquisition, (ii) approximately US\$284.5 million (equivalent to HK\$2,205 million) will be used as capital expenditure which remains to be spent in order to bring the Martabe Project into production state (it should be noted that this amount was forecasted as at the end of April 2009 according to the Technical Report on the Martabe Project, which may be subject to change depending on the actual circumstances), and (iii) the balance to be used to fund the development of the Martabe Project post-Completion, expenses related to the Acquisition, working capital and capital expenditures, and for general corporate purposes in respect of the Martabe Project.

(c) Terms of the Service Letter

With a view towards improving the success of the Proposed New Issue, the Company has entered into a Service Letter with the Placing Agent, the key terms of which, as set out in the Service Letter and as subsequently agreed between the Company and the Placing Agent, are as follows:

Date of the Service Letter:	12 May 2009
Parties to the Service Letter:	(i) the Company; and (ii) the Placing Agent

i. Amount of proceeds to be raised

The Placing Agent has agreed, subject to satisfaction of the conditions precedent set out below and the other terms of the Service Letter, to procure subscribers (the *Service*) to subscribe for a number of Placing Shares at HK\$0.35 per Placing Share (the *Placing Price*) which would raise a gross amount of up to HK\$1,705 million (the *Initial Amount*) for the Company, before expenses.

If there are cornerstone investors or other investors (the *Investors*) who agree to subscribe for the new Shares before the completion of the Placing, the proceeds from such new Shares to be subscribed (the *Investment Amount*) will reduce the Initial Amount so that any reference to the Initial Amount in the Service Letter will be reduced by the Investment Amount. The Placing Agent is not obliged to underwrite any Placing Shares unless such obligation is agreed to by the Placing Agent in the placing agreement which may (subject to the satisfaction of the condition 13(c)iii.c below) be entered into between the Company and the Placing Agent in respect of the Placing (the *Placing*

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Agreement). As at the Latest Practicable Date, an amount equal to the Hong Kong dollar equivalent of US\$40 million (equivalent to approximately HK\$310 million) has been committed pursuant to the Subscriptions as set out in section 14 below and such amount will be counted towards the Investment Amount.

In addition to the Initial Amount, the Placing Agent has further agreed to use its best efforts to procure subscribers for an additional number of Placing Shares at the Placing Price which would raise an additional gross amount of up to HK\$2,845 million (the *Additional Amount*) for the Company, before expenses.

The aggregate number of Placing Shares to be placed under the Service Letter will be up to 13 billion new Shares.

The final terms of the Placing (including the total number of Placing Shares to be placed), the commitment (if any) by the Placing Agent to underwrite any of the total number of Placing Shares and the Placing Price shall be set out in the Placing Agreement. The final terms of the Placing shall be determined by discussion between the Company and the Placing Agent but if the final terms of the Placing cannot be agreed between the Placing Agent and the Company at Pricing, the final terms of the Placing shall be based on the Placing Price and the Initial Amount, provided that the Placing Agent has no obligation to proceed with the Placing unless all the conditions precedent set out in section 13(c)iii. below have been fulfilled and the Placing Agent is not otherwise entitled to terminate the Service Letter and/or the Placing Agreement (which the Placing Agent has the right to terminate on various grounds, including any material adverse change or force majeure event).

The Placing Agent will receive a commission of 3.0% of the amount equal to the sum of (i) the Investment Amount and (ii) the proceeds from any new Shares to be subscribed by the Placees or other subscribers pursuant to the Placing Agreement. The commission was arrived at after arm's length negotiations between the Company and the Placing Agent.

The Board is of the view that the terms of the Service, the Placing and the Service Letter (including but not limited to the commission) are fair and reasonable, on normal commercial terms and in the interest of the Company and its Shareholders as a whole.

ii. Placees

The Placing Agent will place the Placing Shares to not less than six (6) independent Placees (which will be individual, corporate and/or institutional investors) and each Placee may only subscribe to no more than 5% of the issued share capital of the Company as enlarged by the issuance and allotment of the Consideration Shares and the Placing Shares (unless the Placing Agent consents in its sole and absolute discretion). As at the Latest Practicable Date, Metal Victory and Dr. Lew had entered into the Investment Agreements with

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the Company to subscribe for the Investor Shares (which is part of the Placing Shares). Both Metal Victory and Dr. Lew are connected persons of the Company. Please refer to section 14 below for details of their Subscriptions. The Grantor's Guarantor and its associates intend to take up a certain amount of Placing Shares as at the date of this circular but their aggregate shareholding in the Company (which includes the Consideration Shares) will not exceed 5% of the enlarged share capital of the Company as per the terms of the Service Letter and hence the Grantor's Guarantor and/or its associates will not become controlling shareholders of the Company.

iii. Conditions of Service by Placing Agent

The obligations of the Placing Agent to provide the Service is subject to the following conditions precedent:

- a. The Placing Agent having completed due diligence to the satisfaction of the Placing Agent (including any potential connected party transaction issues);
- b. The Placing Agent having completed book-building for the Placing, to the satisfaction of the Placing Agent, with: (a) independent third party investors for the subscription of such number of Placing Shares at the Placing Price which will provide the Company with gross proceeds of at least 1.5 times the Initial Amount; and (b) no investor (or any group of related investors) becoming the holder of more than 5% of the enlarged share capital of the Company (unless the Placing Agent consents in its sole and absolute discretion);
- c. the definitive documentation, in form and content satisfactory to the Placing Agent, for the Placing (including, without limitation, the Placing Agreement and any other documents required for the Placing) being executed and delivered by the Placing Agent in the sole and absolute discretion of the Placing Agent, and all conditions precedents set forth in such documentation will be completed to the satisfaction of the Placing Agent;
- d. receipt of all requisite regulatory, governmental, shareholder and other third party approvals required to consummate the Acquisition, the Placing and all related transactions (including the Company's proposed specific mandate for the Placing) being obtained: (i) in accordance with the terms (without any variation, amendment or waiver, unless with the prior written consent of the Placing Agent) set out in this circular; and (ii) before execution of the Placing Agreement;

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- e. the VSA Announcement to be released in the form annexed to the Service Letter (save as to any amendments made with the prior written consent of the Placing Agent) on or before the next business day after the date of the Service Letter;
- f. the completion of the Acquisition: (i) in accordance with the terms (without any variation, amendment or waiver, unless with the prior written consent of the Placing Agent) set out in this circular and (ii) at the same time as the completion of the Placing;
- g. the completion of the Capital Reorganisation: (i) in accordance with the terms (without any variation, amendment or waiver, unless with the prior written consent of the Placing Agent) set out in the 4 May Circular; and (ii) before completion of the Placing;
- h. the completion of the placing of the Second Tranche Convertible Notes: (i) in accordance with the terms (without any variation, amendment or waiver, unless with the prior written consent of the Placing Agent) set out in the Company's circular dated 13 March 2009; and (ii) within seven (7) business days after the date of release of the VSA Announcement;
- i. (except the Capital Reorganisation) no capital restructuring and/or capital reorganisation by the Company will be proposed and/or completed after the date of the Service Letter;
- j. the completion of any issue of new Shares to the Investors (the Subscription Shares), subject to the prior written consent of the Placing Agent: (i) in accordance with the terms (without any variation, amendment or waiver, unless with the prior written consent of the Placing Agent) set out in the relevant subscription agreement(s) approved by the Placing Agent; and (ii) on or before completion of the Placing;
- k. the grant of share options constituting not more than 5% of the issued share capital of the Company (as enlarged by the Placing but excluding the Consideration Shares and any conversion of the Second Tranche Convertible Notes) to the senior management of the Company (at the sole and absolute discretion of the Company) (the Management Options) and the related employment of new senior management of the Company: (1) have been entered into in accordance with the terms set out in the Directors Announcement and the VSA Announcement; and (2) will not be varied, amended or terminated, before completion of the Placing, unless with the prior written consent of the Placing Agent;

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- l. (except: (i) the placing of the Second Tranche Convertible Notes; (ii) the Subscription Shares; (iii) the Consideration Shares; (iv) and the Management Options) no issue of new shares or other securities (including any options, warrants or convertible securities) by the Company will be proposed and/or completed after the date of this letter;
- m. the accuracy and completeness of all representations that the Company makes to the Placing Agent and all information that the Company furnishes to the Placing Agent in connection with the Service;
- n. the Placing Agent not becoming aware, after the date of the Service Letter, of any information or other matter (including any matter relating to financial models and underlying assumptions related to projections) affecting the Company and its subsidiaries or the Placing that (in the Placing Agent's sole judgment) is inconsistent in a material and adverse manner with any such information or other matter disclosed to the Placing Agent prior to the date of the Service Letter or would reasonably be expected to impair the Placing; and
- o. the Placing Agent being appointed by the Company as sole global co-ordinator, book-runner, placing agent and lead manager for the Placing to the exclusion of all others (unless the Placing Agent otherwise consents).

The obligations of the Placing Agent to provide the Service is subject to all the conditions set out above being satisfied on or before 4:00 p.m. (Hong Kong time) on 31 July 2009 (or such other date as the Placing Agent and the Company may agree) and, failing which, the Service Letter shall terminate.

iv. The Placing Shares

Assuming the maximum placing of the Placing Shares (being 13 billion new Shares), the Placing Shares represent (i) approximately 15.38 times the Company's issued shares of 845,403,379 Shares (which does not include the Consideration Shares to be issued and allotted upon Completion) and (ii) approximately 92.42% of the Company's issued shares of 14,066,831,950 Shares as enlarged by the Placing (including the Consideration Shares to be issued and allotted upon Completion).

v. Placing Price

The Company and the Placing Agent have agreed that the price for the placing of each Share shall be HK\$0.35 as highlighted above.

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The Placing Price represents:

- (a) a discount of 60.2% over the closing price of HK\$0.88 per Share (i.e. HK\$0.088 per Old Share before the Capital Reorganisation) as quoted on the Stock Exchange as at the Last Trading Date;
- (b) a discount of 78.9% over the closing price of HK\$1.66 per Share (i.e. HK\$0.166 per Old Share before the Capital Reorganisation) as quoted on the Stock Exchange as at the Latest Practicable Date; and
- (c) a discount of 59.8% over the unaudited consolidated net asset value per share attributable to the Shareholders of about HK\$0.87 per Share (i.e. HK\$0.087 before the Capital Reorganisation) as at 31 December 2008 as set out in Appendix I.

The Directors (including the independent non-executive Directors) consider that the terms of the Service Letter are on normal commercial terms and are fair and reasonable based on the current market conditions and in the interests of the Company and the Shareholders as a whole.

vi. Placing Agreement

The obligations of the Placing Agent to provide the Service is subject to, among other things, (i) approval of the Specific Mandate by the Shareholders and (ii) the Acquisition having been completed (which is subject to the satisfaction of the Conditions).

As highlighted above, given that the obligation of the Placing Agent is inter-conditional upon a number of contingencies which neither the Company nor the Placing Agent has control over, the Board is of the view that it is not commercially feasible and practical to enter into a definitive placing agreement with the Placing Agent at this early stage. The Board is also of the view that the entering into of the Service Letter with the Placing Agent represents, at this stage, a sufficient commitment on the part of the Placing Agent to provide the Service to improve the success of the Proposed New Issue and to provide sufficient material information to allow the Shareholders to decide whether to approve the resolution to grant the Specific Mandate. The Specific Mandate, if granted, will be utilised in accordance with the terms as set out in this circular unless otherwise approved by the Shareholders as necessary.

The Board intends to enter into a placing agreement setting out the detailed rights and obligations of the Company and the Placing Agent in respect of the Placing when the parties have more certainty as to whether the Placing may proceed. In addition to the Service Letter, the Company has also reached an understanding with the Placing Agent that the Company will not conduct any further placings before the expiry of three (3) months from the completion of the Placing, save as any placings in connection with any proposed merger and acquisition activities of the Company at a price not less than HK\$0.35 per Share. The exact term of this understanding will also be

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documented in the placing agreement. When the Company enters into a placing agreement with the Placing Agent, a further announcement will be made in accordance with the Listing Rules.

Shareholders and potential investors should note that the Placing is subject to various conditions, which may or may not be fulfilled. There is therefore no assurance that the Placing will proceed and, if it proceeds, on what terms it may proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

In so far as the Placing Agent enters into a placing agreement and, in performing its functions under the placing agreement, will be “dealing in securities” as defined in Part 2 of Schedule 5 of the SFO, it shall only do so through its agent Morgan Stanley Asia Limited, and only in circumstances such that none of the sub-provisos (I), (II), (III), (IV) and (V) in sub-paragraph (iv) to the definition of “dealing in securities” in Part 2 of Schedule 5 of the SFO is applicable.

14. PROPOSED SUBSCRIPTION BY METAL VICTORY AND DR. LEW

The Company has appointed Mr. Hegarty as an executive Director, the chief executive officer and vice-chairman of the Company as announced in the Directors Announcement. Dr. Lew is an executive Director and the chairman of the Company.

14.1 The Investment Agreements

The Company entered into the Investment Agreements, details of which are set out below:

- | | |
|-----------------|--|
| 1. Date: | 22 May 2009 |
| Parties: | (i) the Company
(ii) Mr. Hegarty
(iii) Metal Victory |
| 2. Date: | 27 May 2009 |
| Parties: | (i) the Company
(ii) Dr. Lew |

Subject to the terms and conditions of the Investment Agreements, Metal Victory and Dr. Lew have respectively agreed to subscribe for Shares at the Subscription Price (exclusive of the Brokerage, Fee and Levy, if any), as part of the Placing and, at the discretion of the Company, through the Placing Agent in its capacity as the placing agent of the Placing.

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(a) *The Subscription Price*

The Subscription Price shall be the Placing Price (i.e. HK\$0.35 per Share). The Placing Price has been agreed between the Company and the Placing Agent.

(b) *Number of Shares to be subscribed*

The number of Shares to be subscribed by Metal Victory is equal to the aggregate subscription price of the Hong Kong dollar equivalent of US\$30,000,000 (equivalent to approximately HK\$232,500,000) (exclusive of the related Brokerage, Fee and Levy, if any) or such lesser amount as may be determined by the Company, divided by the Placing Price (rounded down to the nearest whole board lot of 3,000 Shares) (the *MV Subscription Shares*).

The number of Shares to be subscribed by Dr. Lew is equal to the aggregate subscription price of the Hong Kong dollar equivalent of US\$10,000,000 (equivalent to approximately HK\$77,500,000) (exclusive of the related Brokerage, Fee and Levy, if any) or such lesser amount as may be determined by the Company, divided by the Placing Price (rounded down to the nearest whole board lot of 3,000 Shares) (the *Lew Subscription Shares*, and together with the MV Subscription Shares, the *Investor Shares*).

(c) *The Investor Shares*

Application will be made to the Stock Exchange for listing of, and permission to deal in, the Investor Shares.

(d) *Closing*

The closing of the relevant Subscription shall occur within two Business Days from the date of a written notice of the approval of the Listing Committee of the Stock Exchange of the listing application by the Company in respect of the MV Subscription Shares or the Lew Subscription Shares (as the case may be) to be given by the Company or its agent to Metal Victory or to Dr. Lew (as the case may be) (the *Closing Date*).

(e) *Conditions precedent*

The respective obligations of each party to the Investment Agreements to effect the closing of the Subscriptions shall be subject to the satisfaction at or prior to the Closing Date of each of the following conditions:

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- (i) the Listing Committee of the Stock Exchange shall have granted the listing of, and permission to deal in, the MV Subscription Shares or the Lew Subscription Shares (as the case may be) and that such approval or permission have not been revoked;
- (ii) approval by the Independent Shareholders of the shareholders' resolution in relation to, inter alia, the relevant Investment Agreement and all transactions contemplated thereunder (including, inter alia, the issue of the Investor Shares) at the Special General Meeting;
- (iii) no statute, rule or regulation shall have been enacted or promulgated by any governmental, regulatory or administrative authority, agency or commission or any court, tribunal or judicial body of Hong Kong, the United States or any other relevant jurisdiction which prohibits the consummation of the closing of the Subscription and there shall be no order or injunction of a court of competent jurisdiction in effect precluding or prohibiting consummation of the closing of the Subscription;
- (iv) the respective representations, warranties and confirmations of Metal Victory or Dr. Lew (as the case may be) in the relevant Investment Agreement are accurate; and
- (v) the respective representations and warranties of the Company in the relevant Investment Agreement are accurate.

If the above conditions shall not be fulfilled on or before 31 July 2009, the rights and obligations of the parties under the relevant Investment Agreement shall lapse and be of no further effect and, in such an event, the parties shall be released from such obligations without any liability save as to any antecedent breach of the relevant Investment Agreement occurring before such date.

(f) *Lock-up period*

Metal Victory

Metal Victory agrees and undertakes that unless it has obtained the prior written consent of the Company to do otherwise, it will not: (i) transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the MV Subscription Shares; (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the MV Subscription Shares; (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in (i) or (ii) or (iii) above, in each of (i) through (iv) above

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during the three years period commencing from the Closing Date (the *MV Lock-up Period*). Notwithstanding the above, Metal Victory is entitled to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, up to one-third of the MV Subscription Shares after the expiry of one year from the Closing Date; and up to two-third of the MV Subscription Shares (which is inclusive of one-third of the MV Subscription Shares as mentioned above) after the expiry of two years from the Closing Date.

Dr. Lew

Dr. Lew agrees and undertakes that unless he has obtained the prior written consent of the Company to do otherwise, he will not: (i) transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the Lew Subscription Shares; (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Lew Subscription Shares; (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in (i) or (ii) or (iii) above, in each of (i) through (iv) above during the two years period commencing from the Closing Date (the *Lew Lock-up Period*). Notwithstanding the above, Dr. Lew is entitled to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, up to one-half of the Lew Subscription Shares after the expiry of the first year from the Closing Date.

(g) *Undertaking by Mr. Hegarty*

Pursuant to Metal Victory's Investment Agreement, Mr. Hegarty undertakes to the Company that he shall at all times from the date of Metal Victory's Investment Agreement and up to the expiry of the MV Lock-up Period remain to be the beneficial owner of the entire issued share capital of Metal Victory and the sole director of Metal Victory.

14.2 Information on Metal Victory

Metal Victory is wholly-owned by Mr. Hegarty and is incorporated in the British Virgin Islands as an investment holding company.

14.3 Reasons for entering into the Investment Agreements

(a) *Metal Victory*

The Company has engaged Mr. Hegarty as an executive Director, the chief executive officer and vice-chairman of the Company to supplement the Company in bolstering its knowledge of the gold and silver mining business and to assist in the development of the Martabe Project. Metal Victory's

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Subscription would allow Mr. Hegarty, by virtue of his shareholding interests in Metal Victory, to hold interests in the MV Subscription Shares which are subject to a three-year lock-up period. The Directors consider that Metal Victory's Subscription will put the interests of Mr. Hegarty in line with the interests of the Shareholders and that the MV Lock-up Period can further strengthen Mr. Hegarty's incentive to manage the development and operations of the Martabe Project on a long term basis.

Moreover, further acquisition of interests in the shareholding of the Company through Metal Victory's Subscription by the chief executive officer of the Company in addition to the Share Options proposed to be granted to him pursuant to the Share Option Agreement can demonstrate to the Shareholders and the Company's investors the confidence of the senior management in the Martabe Project.

(b) Dr. Lew

The Directors consider that not only can Dr. Lew's Subscription put the interests of Dr. Lew in line with the interests of the Shareholders, the two-year lock-up period can further strengthen the senior management's incentive to develop and operate the Martabe Project on a long term basis. Moreover, further acquisition of interests in the shareholding of the Company through Dr. Lew's Subscription can demonstrate to the Shareholders and the Company's investors the confidence of the senior management in the Martabe Project.

The Directors (including independent non-executive Directors) consider that the terms of the transaction under each of the two (2) Investment Agreements, which were arrived at after arm's length negotiations between the Company, Mr. Hegarty and Metal Victory, and between the Company and Dr. Lew, respectively, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

14.4 Proposed use of proceeds

The Subscriptions form part of the Placing, which primary purpose is to allow the Company to raise sufficient capital (i) to finance the Acquisition, (ii) to fund the capital expenditure to bring the Martabe Project into production state, and (iii) to fund the development of the Martabe Project post-Completion, expenses related to the Acquisition, working capital and capital expenditures, and for general corporate purposes in respect of the Martabe Project.

15. PROPOSED GRANTS OF SHARE OPTIONS TO MR. HEGARTY AND MR. ALBERT

The Company has also appointed Mr. Hegarty as an executive Director, the chief executive officer and vice-chairman of the Company and Mr. Albert as the deputy chief executive officer of the Company to supplement the management of the Company in

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bolstering its knowledge of the gold and silver mining business and to assist in the development of the Martabe Project.

As part of the remuneration package to Mr. Hegarty and Mr. Albert (collectively, the *Senior Management*), the Company proposes to grant the Share Options to the Senior Management.

To the best of the Directors' (including independent non-executive Directors) knowledge, information and belief and having made all reasonable enquiries, Mr. Hegarty and Mr. Albert do not currently hold any Shares.

15.1 The Share Option Agreements

On 10 May 2009, the Company entered into two Share Option Agreements with Mr. Hegarty and Mr. Albert, respectively. The key terms of both Share Option Agreements, which are identical, are as follows.

(a) *Number of Options to be granted*

The Company agreed to grant to each of the Senior Management such number of Share Options representing such number of Shares representing 1.5% of the issued share capital of the Company in issue as enlarged by the Placing (but, for the avoidance of doubt, does not include the issue of the Consideration Shares and any conversion of the Second Tranche Convertible Notes).

(b) *Consideration*

The consideration payable by each of the Senior Management for the grant of the Share Options is HK\$1.00.

(c) *Conditions*

Each of the Share Option Agreements is conditional on:

- (1) the approval by the Listing Committee of the Stock Exchange of the listing of and permission to deal in, the Share Option Shares upon the exercise of the Share Options;
- (2) the approval by the Independent Shareholders of the issue of the Share Options, together with the issue of the Share Option Shares upon exercise of the Share Options;
- (3) if so required, the approval by the Bermuda Monetary Authority of the issue of the Share Options, together with the issue of the Share Option Shares upon exercise of the Share Options;
- (4) the due and proper completion of the Option Agreement; and

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- (5) the due and proper completion of the Placing upon such terms and conditions to the absolute satisfaction of the Company.

Each of the Share Option Agreements will cease, determine and lapse and neither party shall have any claim against the other in the event that the above conditions are not fulfilled by 31 December 2009, or such later date as the Company and the respective Senior Management may agree.

As the Share Options will only be issued to the Senior Management upon due and proper completion of the Option Agreement and the Placing, the Share Options, when aggregated with all other equity securities which remain to be issued on exercise of any other subscription rights (except any option granted under the Company's share option scheme that comply with Chapter 17 of the Listing Rules), whether or not such exercise is permissible, do not exceed 20% of the issued equity capital of the Company at the time when the Share Options are issued.

(d) Vesting

The Share Options will vest upon the occurrence of:

- (1) as to one-third of the Share Options, upon the first gold production by OMM and its subsidiary under the Martabe Project;
- (2) as to another one-third of the Share Options, upon the process plant of the Martabe Project being in operation and having reached its designed capacity within a range of 10% deviation for the average of the first year of production as defined by the mine schedule and plan are intended to be completed within a period of four (4) months after Completion for a continuous period of three (3) months; and
- (3) as to the remaining one-third, upon the average closing price of the Share for a continuous period of thirty (30) days having reached 100% above the Share Option Price,

provided always that, in each case, no Share Options shall be vested at any time prior to the expiry of twelve (12) months from the date of the grant of the Share Options.

However, should any of the following occur, the Share Options will be vested immediately despite the above:

- (1) any change in majority shareholding interests in the Company (i.e. any change in the shareholding of a Shareholder who holds more than 50% of the issued share capital of the Company. As the Company does not currently have any Shareholder holding more

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than 50% of the issued share capital of the Company, this provision will be triggered when and if a Shareholder holds more than 50% of the issued share capital of the Company down the track); and

- (2) any sale of the majority interests in the Martabe Project.

(e) *Share Option Exercise Period*

Upon vesting as described above, the Share Options may be exercised for the remaining period prior to the expiry of the five (5) years from fifteen (15) business days immediately following the fulfilment of the conditions as set out above (the Share Option Effective Date), or such other day as may be agreed between the Company and the respective Senior Management in writing provided that such a day shall in any event be not later than the expiry of five (5) years from the Share Option Effective Date (the *Share Option Exercise Period*), on the condition that:

- (1) in respect of Mr. Hegarty: he will continue to provide services to the Company as (i) the executive Director, the chief executive officer and vice-chairman of the Company, or (ii) the executive Director and the chairman of the Company of the Company, as the case may be, under the Service Contract, and
- (2) in respect of Mr. Albert: he will continue to provide services to the Company as (i) the deputy chief executive officer, or (ii) the chief executive officer and managing Director of the Company, as the case may be, under the Service Contract.

(f) *Exercise of the Share Options*

Subject to the above conditions, the Share Options may be exercised at anytime during the Share Option Exercise Period by serving a Share Option exercise notice to the Company together with the Share Option Price payable.

In addition, the Share Options may vest upon the relevant Senior Management and/or may be exercised by the relevant Senior Management after being vested at any time during the Option Period provided that:-

- (1) in the event that any of the Senior Management dies before exercising the Share Options in full and before the lapse of the Share Options, the personal representative(s) of the relevant Senior Management may exercise the Share Options within a period of twelve (12) months from the date of death, or such longer period as the Board may determine, failing which the Share Options will lapse; and
- (2) in the event that a compromise or arrangement between the Company and its members or creditors is proposed for the

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purposes of a scheme for the reconstruction of the Company or its amalgamation with any other company or companies, the Company will give notice to the Senior Management on the same date as it dispatches the notice to each member or creditor of the Company summoning the meeting to consider such a compromise or arrangement. The Senior Management (or their personal representative(s)) will then be entitled to exercise any of their Share Options (in full or in part) until the end of a period of two(2) months thereafter or until the date on which such compromise or arrangement is sanctioned by the court, whichever is earlier, provided that the relevant Share Options has been vested and is not subject to a term or condition precedent to them being exercisable which has not been fulfilled. When the compromise or arrangement become effective, all Share Options will lapse except insofar as previously exercised. The Company may also require any of the Senior Management (or their respective personal representative(s)) to transfer or otherwise deal with the Share issued as a result of the exercise of the Share Options in these circumstances so as to place the relevant Senior Management in the same position as nearly as would have been the case had such Share Option Shares been subject to such compromise or arrangement.

(g) *Share Option Price*

The Share Option Price is the higher of:

- (1) HK\$0.385 per Share Option Share; or
- (2) 110% of the average issue price under the Placing.

The Share Option Price was arrived at after arm's length negotiations between the Company and each of the Senior Management.

As the Placing Price has been agreed at HK\$0.35 per Placing Share, the Share Option Price is HK\$0.385.

(h) *Share Option Shares*

The Share Option Shares, when issued and allotted, shall rank *pari passu* in all respects among themselves and with all other Shares in issue on the date of the issue and allotment of the Share Option Shares and will accordingly entitle the Senior Management to participate in full in all dividends or other distributions paid or made on the Shares on or after the relevant day on which the Share Options are duly exercised. The Share Option Shares will be issued under the Specific Mandate.

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(i) *Completion*

Subject to fulfilment of the conditions as detailed above and the vesting and exercise of the Options by any of the Senior Management within the Share Option Exercise Period, completion shall take place at the principal office of the Company in Hong Kong (or such other place as agreed between the Company and the relevant Senior Management) on the date specified for completion in the exercise notice when the Company will:

- (1) duly allot and issue the Share Option Shares to the relevant Senior Management,
- (2) deliver the share certificates in respect of the Share Option Shares to the relevant Senior Management, and
- (3) register the relevant Senior Management as a member of the Company in respect of the Share Option Shares.

(j) *Lapse of Options*

To the extent not already vested or exercised, the Option will lapse automatically on the earlier of:-

- (1) the expiry of the Option Period,
- (2) the expiry of the periods as described under sub-section (f) above,
- (3) the date on which the relevant Service Contract is terminated by the Company in accordance to the terms in the Service Contract, or
- (4) the date on which the relevant Service Contract expires and the Company has not entered into any new service contract with the relevant Senior Management prior to such expiry provided that any Share Options that has been vested prior to such expiry shall not be affected and shall remain to be exercisable up to the expiry of the Share Option Exercise Period.

(k) *Undertakings by the Company and the Senior Management*

The Company undertook with the Senior Management that, for so long as the Service Contracts remain valid and binding and in the event that there are any subsequent capital raising activities to be conducted by the Company subsequent to the Placing, the Company will use all reasonable endeavours to provide opportunity to the Senior Management to subscribe for shares so as to maintain their respective shareholding percentage at the price equal to the share issue price for the relevant capital raising exercise.

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In the event where any of the Senior Management resolves or elects not to exercise their right to subscribe as described above, the shareholding percentage which the relevant Senior Management will have the right to maintain will be accordingly reduced.

The Company's obligations to maintain the Senior Management shareholding percentage does not arise upon:

- (1) the grant and/or exercise of share option under the share option scheme of the Company adopted in accordance with the Listing Rules;
- (2) the issue of any securities of the Company (other than Shares) unless the same has been converted into issued Shares; and
- (3) the issue and allotment of the Consideration Shares.

(1) *Winding up of the Company*

If an effective resolution is passed during the Option Period for the voluntary winding-up of the Company for the purpose of reconstruction or amalgamation pursuant to a scheme of arrangement to which the Senior Management as holders of the Share Option will be parties or in conjunction with which a proposal is made to the Senior Management, the terms of such scheme of arrangement or proposal shall be binding on the Senior Management.

In any other case of voluntary winding-up, the Senior Management shall be entitled at any time within six (6) weeks after the passing of such resolution for the voluntary winding-up to elect to be treated as if they had immediately prior to the commencement of such winding-up exercised the Share Options and had on such date been the holder of such Share Option Shares to which they would have been allotted and issued and the liquidator of the Company shall give effect to such election accordingly, subject to the service of an exercise notice and the payment of exercise price.

Subject to the above, such Share Options in so far as not exercised shall lapse upon the voluntary winding-up of the Company.

In the event of a non-voluntary winding-up of the Company, the Share Options in so far as not exercised shall lapse on an order having been made by the court for winding-up of the Company.

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(m) Reorganisation of Capital Structure

In the event of any alteration in the capital structure of the Company whilst any Share Options are able to be vested or remains exercisable (other than as a result of certain specific circumstances), such corresponding alterations (if any) shall be made to:–

- (1) the number of nominal amount of Shares subject to the Share Options so far as unexercised; or
- (2) the Share Option Price,

or any combination thereof, as the auditors of the Company for the time being or the independent financial adviser shall certify in writing to have fairly and reasonably satisfied the requirement that such adjustments shall be in compliance with the relevant provisions of the Listing Rules or such other guidelines or supplementary guidelines as may be issued by the Stock Exchange from time to time, provided that no such adjustments will be made to the extent that a share would be issued at less than its nominal value.

15.2 Reasons for entering into the Share Option Agreements

As described above, the Company will seek Shareholders' approval for the Acquisition. To develop and manage the Martabe Project so as to maximise its value to the Shareholders, given the expertise and experience of the Senior Management in the mining industry, the Board is of the view that the employment of the Senior Management is crucial to the successful development and management of the Martabe Project. As the vesting schedule of the Share Options is linked directly to the development and operation of the Martabe Project and the Share price of the Company, the Board is also of the view that the Share Options will appropriately incentivise and reward the Senior Management for their contributions to the Martabe Project, as well as putting the interests of the Senior Management in line with the interests of the Shareholders.

The Directors (including independent non-executive Directors) are of the view that the terms of the Share Option Agreements, which were arrived at after arm's length negotiations between the Company and each of the Senior Management, are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

16. SPECIFIC MANDATE TO ISSUE NEW SHARES

Upon the Completion, the Company will issue 221,428,571 Consideration Shares equal to US\$10 million (equal to approximately HK\$77.50 million) divided by HK\$0.35 per Share as agreed between the Grantee and the Grantor to the Grantor. Upon the Placing, a total of up to 13 billion new Shares are required to be issued by the Company. Upon the full vesting and exercise of the Share Options, a total of 403,362,100 new Shares are required to be issued by the Company. In this regard, a SGM will be held to consider and, if thought fit, approve, among other things, (i) the grant of the Specific Mandate to allot and issue up to 221,428,571 Consideration Shares equal to US\$10 million (equal to approximately HK\$77.50 million) divided by HK\$0.35 per Share, up to 13 billion new

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Shares in connection with the Acquisition and the Placing, up to 403,362,100 new Shares upon the full vesting and exercise of the Share Options, and (ii) the Acquisition, the Placing, the Investment Agreements and the Share Option Agreements. The SGM will also consider, and if thought fit, authorise the Board to determine and deal with at its discretion and with full authority, matters relating thereto (including, but not limited to, the specific timing of the issue, final number of new Shares to be issued, offering mechanism, pricing mechanism, issue price, target subscribers and the number and proportion of Shares to be issued to the Grantor and each subscriber). Should there be any material changes to the terms of the Service Letter resulting in material changes to the terms of the Specific Mandate, the Company will seek Shareholders' approval to such changes as appropriate.

The Specific Mandate in respect of the Consideration Shares and Placing Shares, if granted, is conditional upon the satisfaction (or otherwise waiver) of the Conditions to Completion in accordance with the terms of the Option Agreement, and will lapse three (3) months from the date of the Shareholders' approval of the said Specific Mandate. The Specific Mandate in respect of the Share Option Shares, if granted, is conditional upon the full vesting and exercise of the Share Options and will lapse at the end of the Share Option Exercise Period or on 31 December 2009 if the conditions under the Share Option Agreements were not fulfilled.

The Specific Mandate, if granted, will be utilised by the Board in accordance with the Option Agreement, the Service Letter (as particularly described in section 13(c) headed "Terms of the Service Letter" above) and the Share Option Agreements.

Application will be made to the Stock Exchange for listing of, and permission to deal in, all the Placing Shares, the Consideration Shares and the Share Option Shares.

17. EFFECT ON SHAREHOLDING STRUCTURE

The following table shows the shareholding structure of the Company:

- (i) as at the Latest Practicable Date (which includes the full conversion of the First Tranche Convertible Notes and the Second Tranche Convertible Notes as at the Latest Practicable Date, at the initial conversion price of HK\$0.034 per Old Share (i.e. HK\$0.34 per Share));
- (ii) after the issuance of the Initial Amount;
- (iii) after sub-section (ii) above and the issuance of the Additional Amount (i.e. after the whole Placing);
- (iv) after sub-section (iii) above and the issuance of the Consideration Shares; and
- (v) after sub-section (iv) above and the exercise of all existing share options and the Share Options.

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Name of Shareholder	As at the Latest Practicable Date		Assuming issuance of Initial Amount at the Placing Price		Assuming issuance of Initial Amount at the Placing Price		Assuming issuance of Initial Amount and Additional Amount at the Placing Price and issuance of Consideration Shares		Assuming issuance of Initial Amount and Additional Amount at the Placing Price and issuance of Consideration Shares, and assumed exercise of existing share option and the Share Options	
	No. of Shares (Note 5)	Approx. % of issued Shares	No. of Shares (Note 5)	Approx. % of issued Shares	No. of Shares (Note 5)	Approx. % of issued Shares	No. of Shares (Note 5)	Approx. % of issued Shares	No. of Shares (Note 5)	Approx. % of issued Shares
Directors										
Dr. Lew	3,121,266	0.37%	3,121,266	0.05%	3,121,266	0.02%	3,121,266	0.02%	4,495,266	0.03%
Wah Wang Kei, Jackie									2,000,000	0.01%
New Management and Others										
Mr. Hegarty (Notes 1, 7)									201,681,050	1.39%
Mr. Albert (Note 1)									201,681,050	1.39%
Other employees									9,009,998	0.06%
Wong Kam Fu and his associates, including Kingston Finance Limited (Notes 2 and 3)										
	60,312,108	7.13%	60,312,108	1.05%	60,312,108	0.44%	60,312,108	0.43%	60,312,108	0.42%
Kingston Securities Limited	195	0.00%	195	0.00%	195	0.00%	195	0.00%	195	0.00%
First Tranche Convertible Notes Places (Notes 4, 6)										
	72,000,000	8.52%	72,000,000	1.26%	72,000,000	0.52%	72,000,000	0.51%	72,000,000	0.50%
Second Tranche Convertible Notes Places (Notes 4, 9)										
- Zhang Ming	44,000,000	5.20%	44,000,000	0.77%	44,000,000	0.32%	44,000,000	0.31%	44,000,000	0.30%
- Ho Kam Hung	44,000,000	5.20%	44,000,000	0.77%	44,000,000	0.32%	44,000,000	0.31%	44,000,000	0.30%
- Other Places	311,999,999	36.91%	311,999,999	5.46%	311,999,999	2.25%	311,999,999	2.22%	311,999,999	2.15%
Other Public Shareholders	309,969,811	36.67%	309,969,811	5.42%	309,969,811	2.24%	309,969,811	2.20%	309,969,811	2.14%
Places - Initial Amount										
- Mr. Hegarty (Note 7)			3,985,717,571	69.72%	3,985,717,571	28.79%	3,985,717,571	28.33%	3,985,717,571	27.52%
- Dr. Lew (Note 8)			664,284,000	11.62%	664,284,000	4.80%	664,284,000	4.72%	664,284,000	4.59%
Places - Additional Amount			221,427,000	3.87%	221,427,000	1.60%	221,427,000	1.57%	221,427,000	1.53%
Grantor's Guarantor Consideration Shares					8,128,571,429	58.71%	8,128,571,429	57.79%	8,128,571,429	56.13%
							221,428,571	1.57%	221,428,571	1.53%
Total Issued Shares (Note 10)	845,403,379	100.00%	5,716,831,950	100.00%	13,845,403,379	100.00%	14,066,831,950	100.00%	14,482,578,048	100.00%

LETTER FROM THE BOARD

Notes:

1. As disclosed in the Directors Announcement, the Board has resolved to appoint Mr. Hegarty as an executive Director, the chief executive officer and vice-chairman of the Company and Mr. Albert as the deputy chief-executive officer of the Company. As part of their remuneration packages, both Mr. Hegarty and Mr. Albert were each granted Share Options under the Share Option Agreements (subject to Independent Shareholders' approval) whereby 201,681,050 new Shares are to be issued to each of Mr. Hegarty and Mr. Albert upon full vesting and exercise of the Share Options.
2. Wong Kam Fu, has a personal interest in 12,009,166 Shares and is the ultimate beneficial owner of Sheung Hai Developments Limited and Alpha Logistics Group Limited which hold 37,240,442 Shares and 11,062,500 Shares respectively. Under Part XV of the SFO, Wong Kam Fu is deemed to have interest in the Shares held by Sheung Hai Developments Limited and Alpha Logistics Group Limited.
3. According to a corporate substantial shareholder notice dated 1 April 2009 filed by Kingston Finance Limited, Kingston Finance Limited has a security interest in 60,312,108 Shares. The Board was informed that this is due to a pledge of shares by one of the Shareholders, Wong Kam Fu.
4. The holders of the First Tranche Convertible Notes and the Second Tranche Convertible Notes are independent public shareholders.
5. As set out in the 4 May Circular, any fraction of Shares, if any, arising from the Capital Reorganisation will not be issued to the Shareholders but will be aggregated and sold (if a premium, net of expenses, can be obtained) for the benefit of the Company.
6. The First Tranche Convertible Notes have been fully converted as at 7 May 2009.
7. Mr. Hegarty will have a total shareholding of 4.72% after the issuance of the Placing Shares and the Consideration Shares. Assuming full exercise of the existing share options and the new Share Options. Mr. Hegarty will have a shareholding of 5.98%.
8. Dr. Lew will have a total shareholding of 1.59% after the issuance of the Placing Shares and the Consideration Shares. Assuming full exercise of the existing share options and the new Share Options, Dr. Lew will have a shareholding of 1.56%.
9. The placing of the Second Tranche Convertible Notes was completed on 20 May 2009, as disclosed and more particularly described in the Company's announcement headed "Completion of Placing of The Convertible Notes Due 2012" dated 20 May 2009. The Second Tranche Convertible Notes have been fully converted as at 27 May 2009.
10. Please note that the percentages may not add up to 100% due to rounding.

The Company does not have any controlling shareholder at present. The Directors are unable to determine whether any Placee will become a substantial shareholder of the Company as a result of completion of the Placing and the issuance of the Consideration Shares, and the Directors are currently unable to determine whether there will be a change in the largest shareholder as a result of completion of the Placing. However, an announcement will be made by the Company if any substantial shareholders evolved as a result of completion of the Placing or the issuance of the Consideration Shares or if there is any change in control of the Company.

LETTER FROM THE BOARD

Despite the significant dilutive effect on the existing shareholders upon completion of the Placing, the Directors are of the view that the Placing is fair and reasonable and in the interests of the Shareholders and the Company for the following reasons:

- (i) given the large amount of capital required, the Placing is necessary to finance the cost of the Acquisition and the development of the Martabe Project;
- (ii) the Acquisition represents an investment opportunity for the Company and its shareholders and the Directors are of the view that the Martabe Project will prove to be a valuable asset to the Company given the future prospects of gold, increase in gold prices over the past year and potential growth especially during this economic climate;
- (iii) given the size of the Option Price, a large amount of bank borrowing to finance the Option Price would adversely affect the gearing ratio of the Company which is not in the interests of the Company or its Shareholders as a whole;
- (iv) other financing methods with less dilutive impacts, such as rights issue, are not practical. Usually under a rights issue, shareholders are asked to further take up less than 100% of their existing shareholding and it is unlikely that shareholders are willing to invest in more new shares than their current shareholding. It is particularly difficult in the current situation when the Company intends to issue approximately 15.38 times the Company's issued shares of 845,403,379 Shares as at the date of this circular (which does not include the Consideration Shares to be issued and allotted upon Completion). For instance, a Shareholder holding one (1) board lot of Shares (i.e. 3,000 Shares) will be asked to invest in approximately an additional 46,140 new Shares. Moreover, as the Company does not currently have any controlling shareholder, it is unable to gauge the interests in the underwriting of a rights issue. Given this uncertainty, a right issue is not an appropriate way of raising finance in the current situation; and
- (v) as the Company has signed a Service Letter with the Placing Agent, the Directors are of the view that the Placing will provide a degree of certainty to raise sufficient finance to complete the Acquisition and to fund the development of the Martabe Project.

LETTER FROM THE BOARD

18. FUND RAISING IN THE 12 MONTHS IMMEDIATELY PRECEDING THE DATE OF THIS CIRCULAR

As disclosed in the Company's announcement dated 27 February 2009, the Company entered into a conditional placing agreement dated 27 February 2009 with Kingston Securities Limited in respect of the placing of the Convertible Notes in the maximum aggregate principal amount of HK\$160,480,000 due on 30 June 2012 on a best effort basis in two (2) tranches.

The placing of the First Tranche Convertible Notes in an aggregate principal amount of HK\$24,480,000 was completed on 27 March 2009. The First Tranche Convertible Notes have been fully converted and an aggregate of 72,000,000 Shares were issued and allotted on 1 April 2009 and 7 May 2009.

The placing of the Second Tranche Convertible Notes in an aggregate principal amount of HK\$136,000,000 was completed on 20 May 2009. The Second Tranche Convertible Notes have been fully converted and an aggregate of 399,999,999 Shares were issued and allotted on 22 May 2009, 26 May 2009 and 27 May 2009.

19. STRATEGIC RELATIONSHIP WITH INDONESIAN PARTNER

To further enhance the development capability of the Martabe Project, the Company has entered into a non-binding memorandum of understanding dated 9 May 2009 (the *MOU*) with Worldlink Group International Limited (the Indonesian Partner). The Indonesian Partner is a company controlled by Ms. Judith Soeryadjaya, who is a member of the prominent Soeryadjaya family in Indonesia. The Soeryadjaya family has numerous business interests in Indonesia, including in the natural resources sector.

The MOU states the common intent of both parties to form a strategic relationship to develop the Martabe Project into a successful venture, the Indonesian Partner would contribute its extensive knowledge of the natural resources sector and business environment in Indonesia. The MOU permits the Indonesian Partner to subscribe for Placing Shares in the Company for an aggregate amount of US\$30 million or such larger amount as the Company and the Indonesian Partner may agree (but not exceeding US\$60 million) at the Placing Price. As it is a condition that the Placing Agent will provide the Service relating to the Placing if no investor of the Placing Shares will hold more than 5% of the enlarged share capital of the Company, the Indonesian Partner (as with any other investor of the Placing Shares) will not hold more than 5% of the enlarged share capital of the Company. The Indonesian Partner, so far as the Board is aware, is not a shareholder of the Grantor's Guarantor or OML.

LETTER FROM THE BOARD

20. LISTING RULES IMPLICATIONS

The exercise of the Call Option constitutes a very substantial acquisition under Chapter 14 of the Listing Rules. Pursuant to Rule 14.49 of the Listing Rules, the Acquisition is therefore subject to the approval of the Shareholders at the SGM.

Since Metal Victory is wholly owned by Mr. Hegarty, who has been appointed as the executive Director, chief executive officer and vice-chairman of the Company with effect from 10 May 2009, Metal Victory is an associate of Mr. Hegarty and is a connected person of the Company under the Listing Rules. Dr. Lew is an executive Director and the chairman of the Company and hence also a connected person of the Company under the Listing Rules. Accordingly, the Subscriptions under the Investment Agreements constitute connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As Mr. Hegarty has been appointed as a Director, the chief executive officer and vice-chairman of the Company and Mr. Albert has been appointed as the deputy chief executive officer and has been conditionally appointed as an executive Director of the Company, the Share Option Agreements are connected transactions between the Company and Mr. Hegarty and Mr. Albert respectively and would accordingly be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Share Option Agreements are also subject to Shareholders' approval under Chapter 15 of the Listing Rules.

As no Shareholder has an interest in any of the Acquisition, the Specific Mandate, Metal Victory's Investment Agreement, the Share Option Agreements and the Placing which is materially different from the other Shareholders, no Shareholder is required to abstain from voting on the resolutions to be proposed at the SGM to approve, among other things, the Acquisition, the Specific Mandate, the Placing, Metal Victory's Investment Agreement, the Share Option Agreements and the transactions contemplated thereunder.

Dr. Lew and his associates will abstain from voting on the relevant resolution to be proposed at the SGM to approve his Investment Agreement and the Subscription contemplated thereunder.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, each of the Grantor and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

LETTER FROM THE BOARD

21. INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising Ms. Ma Yin Fan, Mr. Leung Hoi Ying and Mr. Yu Pan, has been established to advise the Independent Shareholders as to the terms of each of the Investment Agreements and the Subscriptions contemplated thereunder, and the Share Option Agreements and the grants of Share Options contemplated thereunder. Your attention is drawn to the advice from the Independent Board Committee as set out in its letter dated 3 June 2009 on pages 93 to 94 of this circular.

Guangdong Securities has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Investment Agreements and the Subscriptions contemplated thereunder, and the Share Option Agreements and the grants of Share Options contemplated thereunder. Your attention is drawn to the letter from Guangdong Securities to the Independent Board Committee and the Independent Shareholders dated 3 June 2009 on pages 95 to 120 of this circular.

22. SGM

The SGM will be held for the purpose of considering and, if thought fit, approving the exercise of the Call Option, the Proposed New Issue, the Investment Agreements, the Share Option Agreements, and the Specific Mandate and the transactions contemplated thereunder to be proposed at the SGM.

As far as the Board was aware, as no Shareholder has an interest in any of the Acquisition, the Specific Mandate, Metal Victory's Investment Agreement, the Share Option Agreements and the Placing which is materially different from the other Shareholders, no Shareholder is required to abstain from voting on the resolutions to be proposed at the SGM to approve, among other things, the Acquisition, the Specific Mandate, Metal Victory's Investment Agreement, the Share Option Agreements, and the Placing, and the transactions contemplated thereunder.

Dr. Lew and his associates will abstain from voting on the relevant resolution to be proposed at the SGM to approve his Investment Agreement and the Subscription contemplated thereunder.

A notice convening the SGM to be held at Salon 2-3, JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong, on Monday, 22 June 2009 at 10:00 a.m. is set out on pages SGM-1 to SGM-6 of this circular. Whether or not you propose to attend the SGM, you are requested to complete the accompanying form of proxy in accordance with instructions printed thereon and return it to the Company's branch share registrar in Hong Kong, Union Registrars Limited at Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible but in any event not later than 48 hours before the time appointed for holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjournment thereof should you so wish.

LETTER FROM THE BOARD

23. RECOMMENDATIONS

For the reasons as set out in section 8 of this Letter from the Board headed “Reasons for the Acquisition”, the Board considers that the Option Agreement is on normal commercial terms, fair and reasonable and that the entering into of the Option Agreement and the exercise of the Call Option is in the interests of the Company and Shareholders as a whole.

For the reasons as set out in section 13(b) of this Letter from the Board headed “Rationale behind and reasons for the Placing of new Shares”, the Board considers that the Placing is fair and reasonable to the Shareholders and the Company as a whole on the basis that the Placing represent an opportunity to raise capital for the Company to invest into the Martabe Project with readily available funds.

Accordingly, the Board recommends the Shareholders to vote in favour of the exercise of the Call Option and the Specific Mandate at the SGM.

In respect of the Investment Agreements and the Share Option Agreements, your attention is drawn to:

- (a) the letter from the Independent Board Committee, the text of which is set out on pages 93 to 94 of this circular, which contains its recommendation to the Independent Shareholders concerning the Investment Agreements and the Subscriptions contemplated thereunder the Share Option Agreements and the grants of Share Options contemplated thereunder; and
- (b) the letter from Guangdong Securities, the text of which is set out on pages 95 to 120 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the Investment Agreements and the Subscriptions contemplated thereunder the Share Option Agreements and the grants of Share Options contemplated thereunder and the principal factors and reasons considered by it in arriving at its advice.

The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote at the SGM in respect of the Investment Agreements and the Share Option Agreements.

For the reasons as set out in section 14.3 in this Letter from the Board headed “Reasons for entering into the Investment Agreements”, the Board considers that the terms of the transaction under each of the Investment Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee has considered the terms of the transaction under each of the Investment Agreements and the Subscriptions contemplated thereunder and the advice given by Guangdong Securities and is of the opinion that the terms of the transaction under each of the Investment Agreements and the Subscriptions contemplated thereunder are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

For the reasons as set out in section 15.2 in this Letter from the Board headed “Reasons for entering into the Share Option Agreements”, the Board considers that the terms of the Share Option Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole. The Independent Board Committee has considered the terms of the Share Option Agreements and the grants of Share Options contemplated thereunder and the advice given by Guangdong Securities and is of the opinion that the terms of the Share Option Agreements and the grants of Share Options contemplated thereunder are fair and reasonable so far as the Company and the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board recommends the Independent Shareholders to vote in favour of the Investment Agreements and the Share Option Agreements at the SGM.

24. ADDITIONAL INFORMATION

Your attention is drawn to the addition information as set out in the following appendices:

- (a) Appendix I – Financial Information of the Group;
- (b) Appendix II – Accountant’s report on Maxter;
- (c) Appendix III – Accountant’s report on the OMM Group;
- (d) Appendix IV – Unaudited pro forma financial information of the Enlarged Group;
- (e) Appendix V – Technical report on the Martabe Project; and
- (f) Appendix VI – General Information.

25. GENERAL

Shareholders and potential investors should note that the Option Agreement, the Placing, the Investment Agreements and the Share Option Agreements are subject to the Conditions and various other conditions which may or may not be fulfilled. There is therefore no assurance that the Acquisition, the Placing, the Subscription and/or the issue of the Share Option Shares will proceed. Shareholders and potential investors are reminded to exercise caution when dealing in the Shares.

By Order of the Board
Smart Rich Energy Finance (Holdings) Limited
Owen L Hegarty
Vice-Chairman and Chief Executive Officer



智富能源金融(集團)有限公司* #
Smart Rich Energy Finance (Holdings) Ltd. #

(Incorporated in Bermuda with limited liability)

(Stock Code: 1051)

(Temporary Stock Code until Monday, 6 July 2009: 2921)

3 June 2009

To the Independent Shareholders

Dear Sir or Madam,

**PROPOSED GRANTS OF SHARE OPTIONS
AND PROPOSED SUBSCRIPTION BY METAL VICTORY AND DR. LEW**

We refer to the circular to the Shareholders dated 3 June 2009 (the *Circular*) of which this letter forms part of. Terms defined in the Circular shall have the same meanings when used herein unless the context otherwise requires.

The Independent Board Committee has been formed to give recommendations to the Independent Shareholders on the terms of each of the Investment Agreements and the Subscriptions contemplated thereunder, and the terms of the Share Option Agreements and the grants of Share Options contemplated thereunder. Guangdong Securities has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the "Letter from Guangdong Securities" as set out on pages 95 to 120 of the Circular. We have considered the terms and conditions of each of the Investment Agreements, the terms and conditions of the Share Option Agreements, the advice of Guangdong Securities and the other factors contained in the "Letter from the Board" as set out on pages 14 to 92 of this Circular.

In our opinion, the terms of the Investment Agreements and the Subscription contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We also consider that the Investment Agreements are on normal commercial terms and in the ordinary course of business of the Group. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the Investment Agreements.

* For identification purpose only

The proposal put forward by the Board to change the name of the Company to "G-Resources Group Limited" "國際資源集團有限公司" as disclosed and more particularly described in the 4 May Circular was approved by the Shareholders on 29 May 2009. The new company name will take effect when the necessary registrations and procedures in respect of the change of company name have been completed.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

In our opinion, the terms of the Share Option Agreements and the grants of Share Options contemplated thereunder are fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole. We also consider that the Share Option Agreements is on normal commercial terms and in the ordinary course of business of the Group. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Share Option Agreements.

Yours faithfully,
Independent Board Committee
Smart Rich Energy Finance (Holdings) Limited

Ma Yin Fan
Independent
Non-Executive Director

Leung Hoi Ying
Independent
Non-Executive Director

Yu Pan
Independent
Non-Executive Director

LETTER FROM GUANGDONG SECURITIES

Set out below is the text of a letter received from Guangdong Securities, the independent financial adviser to the Independent Board Committee and the Independent Shareholders regarding (i) the Investment Agreements and the Subscriptions; and (ii) the Share Option Agreements and the grants of Share Options, for the purpose of inclusion in this circular.



Units 2505-06, 25/F.
Low Block of Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

3 June 2009

To: *The independent board committee and the independent shareholders
of Smart Rich Energy Finance (Holdings) Limited*

Dear Sirs,

**(I) CONNECTED TRANSACTIONS:
PROPOSED SUBSCRIPTIONS BY METAL VICTORY AND DR. LEW;
AND
(II) PROPOSED GRANTS OF SHARE OPTIONS**

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection with (i) the Investment Agreements and the Subscriptions; and (ii) the Share Option Agreements and the grants of Share Options, details of which are set out in the letter from the Board (the "**Board Letter**") contained in the circular dated 3 June 2009 issued by the Company to the Shareholders (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

The Subscriptions

As disclosed by the Company in the VSA Announcement, the Company entered into the Service Letter with the Placing Agent on 12 May 2009 in relation to the Placing for financing the Acquisition and the Martabe Project. As further referred to in the Subscription Announcements, the Company entered into the Investment Agreements with Mr. Hegarty and Metal Victory on 22 May 2009 and Dr. Lew on 27 May 2009, pursuant to which Metal Victory and Dr. Lew have agreed, as part of the Placing, to subscribe for the MV Subscription Shares and the Lew Subscription Shares at the Subscription Price (exclusive of the related Brokerage, Fee and Levy, if any) at the discretion of the Company, through the Placing Agent in its capacity as the placing agent of the Placing.

LETTER FROM GUANGDONG SECURITIES

Metal Victory is wholly-owned by Mr. Hegarty and thus is an associate of Mr. Hegarty. As being detailed below, Mr. Hegarty has been appointed as the executive Director, chief executive officer and vice-chairman of the Company with effect from 10 May 2009. For this reason, Metal Victory is a connected person of the Company under the Listing Rules. Dr. Lew, being the executive Director and the chairman of the Company, is also a connected person of the Company under the Listing Rules. Accordingly, the Subscriptions under the Investment Agreements constitute connected transactions for the Company under Chapter 14A of the Listing Rules and are subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As no Shareholder has an interest in Metal Victory's Investment Agreement which is materially different from the other Shareholders, no Shareholder is required to abstain from voting on the resolution(s) to be proposed at the SGM to approve Metal Victory's Investment Agreement and the transactions contemplated thereunder. Nevertheless, Dr. Lew and his associates shall abstain from voting on the resolution(s) to approve his Investment Agreement and the transactions contemplated thereunder at the SGM.

The grants of Share Options

As disclosed by the Company in the Directors Announcement dated 12 May 2009, the Board has resolved to appoint (i) Mr. Hegarty as an executive Director, the chief executive officer and vice-chairman of the Company; and (ii) Mr. Albert as the deputy chief executive officer of the Company with effect from 10 May 2009 to supplement the management of the Company in bolstering their knowledge of the gold and silver mining business and to assist in the development of the Martabe Project.

As part of the remuneration package to Mr. Hegarty and Mr. Albert (the "**Senior Management**"), the Company has entered into two Share Option Agreements with Mr. Hegarty and Mr. Albert respectively on 10 May 2009.

The entering into of the Share Option Agreements constitutes connected transaction for the Company and is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. In addition, the Share Option Agreements require Shareholders' approval pursuant to Chapter 15 of the Listing Rules.

As no Shareholder has an interest in the Share Option Agreements which is materially different from the other Shareholders, no Shareholder is required to abstain from voting on the resolution(s) to be proposed at the SGM to approve the Share Option Agreements and the transactions contemplated thereunder.

An Independent Board Committee comprising Ms. Ma Yin Fan, Mr. Leung Hoi Ying and Mr. Yu Pan (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of each of the Investment Agreements and the Share Option Agreements are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Subscriptions and the grants of Share Options are in the interests of the Company and the Shareholders as a whole; and

LETTER FROM GUANGDONG SECURITIES

(iii) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Investment Agreements, the Share Option Agreements and the respective transactions contemplated thereunder at the SGM. We, Guangdong Securities Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our advice and recommendation to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true, complete and accurate in all material respects at the time when they were made and continue to be so as at the date of the despatch of the Circular. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiries and careful considerations. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our recommendation in compliance with Rule 13.80 of the Listing Rules.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, there are no other facts the omission of which would make any statement in the Circular misleading.

We consider that we have been provided sufficient information to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company and its subsidiaries, Mr. Hegarty, Metal Victory, Dr. Lew, Mr. Albert or their respective associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of (i) the Investment Agreements and the Subscriptions; and (ii) the Share Option Agreements and the grants of Share Options. In addition, we have no obligation to update this opinion to take into account events occurring after the issue of this letter. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Guangdong Securities is to ensure that such information has been correctly extracted from the relevant sources.

LETTER FROM GUANGDONG SECURITIES

I. THE SUBSCRIPTIONS

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Investment Agreements and the Subscriptions, we have taken into consideration the following principal factors and reasons:

(1) Background and reasons for the Subscriptions

Business overview of the Group

The Company is an investment holding company and its subsidiaries are principally engaged in the provision of trading of electronic goods and accessories, provision of financial information through internet and mobile phones, information technology-related businesses and investment in the natural resources business.

Set out below are the operating results of the Group for the six months ended 31 December 2008 and the two years ended 30 June 2008 as extracted from the Company's interim report for the six months ended 31 December 2008 (the "Interim Report") and its annual report for the year ended 30 June 2008 respectively:

	For the six months ended 31 December 2008 <i>(unaudited)</i> HK\$'000	For the year ended 30 June 2008 <i>(audited)</i> HK\$'000	For the year ended 30 June 2007 <i>(audited)</i> HK\$'000	% Change from 2007 to 2008
Turnover	16,853	14,673	6,838	114.58
Gross profit	1,591	2,110	1,970	7.11
Gross profit margin	9.44%	14.38%	28.81%	(50.09)
Loss attributable to equity holders of the Company	(139,070) <i>(Note 1)</i>	(203,011) <i>(Note 2)</i>	(43,506) <i>(Note 3)</i>	366.63

LETTER FROM GUANGDONG SECURITIES

	As at 31 December 2008 <i>(unaudited)</i> HK\$'000	As at 30 June 2008 <i>(audited)</i> HK\$'000	As at 30 June 2007 <i>(audited)</i> HK\$'000	% Change from 2007 to 2008
Equity attributable to equity holders of the Company	323,417	463,336	301,022	53.92
Total borrowings	Nil	Nil	Nil	N/A
Gearing ratio (calculated as total borrowings over Shareholders' equity)	Nil	Nil	Nil	N/A

Notes:

1. Including an impairment loss recognised in respect of an available-for-sale investment of approximately HK\$103.96 million.
2. Including impairment losses recognised in respect of (i) available-for-sale investments of approximately HK\$98.67 million; and (ii) deposit paid for acquisition of a subsidiary of approximately HK\$23.31 million, respectively.
3. Including an impairment loss recognised in respect of an intangible asset of approximately HK\$10.47 million.

From the above table, we noted that the total turnover of the Group for the year ended 30 June 2008 had increased by approximately 114.58% as compared to the prior year. However, the Group had been suffering from deteriorating gross profit margin and persistent net losses since the year ended 30 June 2007. As advised by the Directors, such deterioration in gross profit margin was mainly attributed by the comparatively low profit margin of the trading of electronic goods and accessories business of the Group which was commenced in March 2008.

According to the Interim Report, the Group is continuing with its search and assessment of business opportunities in Ghana, Indonesia and Mongolia. The Directors believe that given the current adverse market conditions, there are a lot of business opportunities which offer attractive returns. It is therefore of vital importance to maintain and to increase the cash reserve of the Group to prepare the Group to make decisive moves when suitable investment opportunities arise. In this connection, the Group is disposing of its non-core assets and businesses, and is exploring various other options to increase its cash reserve.

On 12 May 2009, the Board announced the proposed Acquisition which is subject to the Shareholders' approval. Upon Completion, the Grantee (being an indirect wholly-owned subsidiary of the Company)

LETTER FROM GUANGDONG SECURITIES

will be interested in the entire issued share capital of Maxter. The principal asset of Maxter, subject to the completion of the OZ Agreement, is its proposed 100% shareholding in OMM which in turn owns the entire issued share capital of ARS. The principal asset of ARS is its 95% shareholding in PTAR and the major asset of PTAR is the COW under which PTAR possesses the right to develop the Martabe Project. Details of the Martabe Project are included in the sub-section headed "The Martabe Project" under the section headed "The OMM Group" of the Board Letter. According to the Board Letter and as further confirmed by the Directors, the Martabe Project will become a major operating asset of the Group and the mining business will thereby constitute one of the Group's principal businesses upon Completion.

Reasons for the Subscriptions and the proposed use of proceeds

As aforementioned, the Company has appointed Mr. Hegarty as an executive Director, the chief executive officer and vice-chairman of the Company to supplement the management of the Company in bolstering his knowledge of the gold and silver mining business and to assist in the development of the Martabe Project. As such, the Directors are of the view that Metal Victory's Subscription would allow Mr. Hegarty, by virtue of his shareholding interests in Metal Victory, to hold interests in the MV Subscription Shares which are subject to a three-year MV Lock-up Period. The Directors also consider that Metal Victory's Subscription will put the interests of Mr. Hegarty in line with the interests of the Shareholders and that the MV Lock-up Period can further strengthen Mr. Hegarty's incentive to manage the development and operations of the Martabe Project on a long term basis. Moreover, further acquisition of interests in the shareholding of the Company through Metal Victory's Subscription by the chief executive officer of the Company in addition to the Share Options proposed to be granted to him pursuant to the Share Option Agreement can demonstrate to the Shareholders and the Company's investors the confidence of the senior management in the Martabe Project.

On the other hand, the Directors consider that Dr. Lew's Subscription not only can put the interests of Dr. Lew in line with the interests of the Shareholders, the two-year Lew Lock-up Period can further strengthen the senior management's incentive to develop and operate the Martabe Project on a long term basis. Moreover, further acquisition of interests in the shareholding of the Company through Dr. Lew's Subscription can demonstrate to the Shareholders and the Company's investors the confidence of the senior management in the Martabe Project.

As confirmed by the Directors, the proceeds from the Subscriptions which form part of the Placing would allow the Company to raise sufficient capital (i) to finance the Acquisition; (ii) to fund the

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capital expenditure to bring the Martabe Project into production state; and (iii) to fund the development of the Martabe Project post-Completion, expenses related to the Acquisition, working capital and capital expenditures, and for general corporate purposes in respect of the Martabe Project.

In light of the above, we consider that the reasons for the Subscriptions are justifiable and the Subscriptions would likely be beneficial to the Group.

Financing alternative available to the Group

As extracted from the Board Letter and further confirmed by the Directors, save as and except for (i) the placing of the First Tranche Convertible Notes in an aggregate principal amount of HK\$24,480,000 which was completed on 27 March 2009; and (ii) the placing of the Second Tranche Convertible Notes in an aggregate principal amount of HK\$136,000,000 which was completed on 20 May 2009, the Group had not carried out other equity fund raising activities during the past 12 months immediately prior to the Latest Practicable Date.

We have enquired into the Directors and were informed by the Directors that the Group has considered various methods, namely debt financing and equity financing, for fund raising. Nevertheless, with the current unstable market condition in mind, the Directors confirmed that the Company prefers not to create additional debt liabilities to the Group (if possible), and hence considers debt financing to be inappropriate for the Group at present.

With regard to equity financing, the Directors advised us that although both open offer and rights issue would allow Shareholders to maintain their respective pro-rata shareholdings in the Company, such fund raising exercises would be relatively time consuming as compared to the Subscriptions. In addition, in view of the recent uncertain stock market sentiment, the Directors expected that the Group will face difficulties in procuring commercial underwriting in the case of an open offer and rights issue.

Having considered (i) the funding requirements of the Group for the Acquisition and the Martabe Project and the intended use of the proceeds from the Subscriptions as outlined under the section headed "Reasons for the Subscriptions and the proposed use of proceeds" of this letter; and (ii) the Subscriptions being rather appropriate and practicable financing alternatives currently available to the Group, we concur with the Directors that the Subscriptions are in the interests of the Company and the Shareholders as a whole.

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(2) Principal terms of the Investment Agreements

The table below summarises the major terms of the Investment Agreements:

- | | | |
|----|-----------------|--|
| 1. | Date: | 22 May 2009 |
| | Parties: | (i) the Company
(ii) Mr. Hegarty
(iii) Metal Victory, a wholly-owned subsidiary of Mr. Hegarty |
| 2. | Date: | 27 May 2009 |
| | Parties: | (i) the Company
(ii) Dr. Lew |

Number of Shares to be subscribed:	The number of Shares to be subscribed for by Metal Victory is equal to the aggregate subscription price of the Hong Kong dollar equivalent of US\$30,000,000 (equivalent to approximately HK\$232,500,000) (exclusive of the related Brokerage, Fee and Levy, if any) or such lesser amount as may be determined by the Company, divided by the Placing Price (rounded down to the nearest whole board lot of 3,000 Shares)
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The number of Shares to be subscribed for by Dr. Lew is equal to the aggregate subscription price of the Hong Kong dollar equivalent of US\$10,000,000 (equivalent to approximately HK\$77,500,000) (exclusive of the related Brokerage, Fee and Levy, if any) or such lesser amount as may be determined by the Company, divided by the Placing Price (rounded down to the nearest whole board lot of 3,000 Shares)

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**The Subscription
Price:**

The Subscription Price shall be the Placing Price (i.e. HK\$0.35 per Share). The Placing Price has been agreed between the Company and the Placing Agent.

Lock-up period:

Metal Victory agrees and undertakes that unless it has obtained the prior written consent of the Company to do otherwise, it will not: (i) transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the MV Subscription Shares; (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the MV Subscription Shares; (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in (i) or (ii) or (iii) above, in each of (i) through (iv) above during the three years period commencing from the Closing Date. Notwithstanding the above, Metal Victory is entitled to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, up to one-third of the MV Subscription Shares after the expiry of one year from the Closing Date; and up to two-third of the MV Subscription Shares (which is inclusive of one-third of the MV Subscription Shares as mentioned above) after the expiry of two years from the Closing Date.

Dr. Lew agrees and undertakes that unless he has obtained the prior written consent of the Company to do otherwise, he will not: (i) transfer or dispose of, either directly or indirectly, conditionally or unconditionally, any of the Lew Subscription Shares; (ii) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of the Lew Subscription Shares; (iii) enter into any transaction with the same economic effect as any transaction described in (i) or (ii) above; or (iv) agree or contract to, or publicly announce any intention to enter into, any transaction described in (i) or (ii) or (iii) above, in each of (i) through (iv) above during the two years period commencing from the Closing Date. Notwithstanding the above, Dr. Lew is entitled to transfer or dispose of, either directly or indirectly, conditionally or unconditionally, up to one-half of the Lew Subscription Shares after the expiry of the first year from the Closing Date.

Undertaking by Mr. Hegarty:

Pursuant to Metal Victory's Investment Agreement, Mr. Hegarty undertakes to the Company that he shall at all times from the date of Metal Victory's Investment Agreement and up to the expiry of the MV Lock-up Period remain to be the beneficial owner of the entire issued share capital of Metal Victory and the sole director of Metal Victory.

As confirmed by the Directors, the terms of the Investment Agreements (including the Subscription Price) were arrived at after arm's length negotiations between the Company and Mr. Hegarty, and Dr. Lew (as the case may be). Judging from the above terms of the Investment Agreements in relation to the MV Lock-up Period, the Lew Lock-up Period and the undertaking by Mr. Hegarty, we concur with the Directors that the Subscriptions will put the interests of Mr. Hegarty and Dr. Lew in line with the interests of the Shareholders and that the MV Lock-up Period and the Lew Lock-up Period can further strengthen Mr. Hegarty and Dr. Lew's respective incentive to manage the development and operations of the Martabe Project on a long term basis.

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The Subscription Price

The Subscription Price shall be the Placing Price (i.e. HK\$0.35 per Share). The Placing Price has been agreed between the Company and the Placing Agent.

The Subscription Price of HK\$0.35 per Share represents:

- (i) a discount of approximately 60.23% to the adjusted closing price per Share of HK\$0.880 (assuming the Capital Reorganisation becoming effective) as quoted on the Stock Exchange on 24 April 2009, being the last trading day immediately before the release of the VSA Announcement and the Directors Announcement (the “**Last Trading Day**”);
- (ii) a discount of approximately 61.20% to the average of the adjusted closing prices per Share of HK\$0.902 (assuming the Capital Reorganisation becoming effective) for the last five trading days as quoted on the Stock Exchange up to and including the Last Trading Day; and
- (iii) a discount of approximately 66.25% to the average of the adjusted closing prices per Share of HK\$1.037 (assuming the Capital Reorganisation becoming effective) for the last ten trading days as quoted on the Stock Exchange up to and including the Last Trading Day.

To assess the fairness and reasonableness of the Subscription Price (which shall be the same as the Placing Price to be offered to all Placees), we set out the following informative analyses for illustrative purpose:

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Review on Share prices

The highest and lowest closing prices and the average daily closing price of the Shares as quoted on the Stock Exchange in each of the 12 months during the period commencing from 1 April 2008 up to and including the Last Trading Day (the “**Review Period**”) are shown as follows:

Month	Highest closing price (HK\$)	Lowest closing price (HK\$)	Average daily closing price (HK\$)	No. of trading days in each month
2008				
April (<i>Note</i>)	0.235	0.166	0.194	18
May	0.210	0.177	0.194	20
June	0.184	0.147	0.162	20
July	0.151	0.130	0.140	22
August	0.130	0.101	0.112	19
September	0.106	0.069	0.090	21
October	0.065	0.032	0.040	21
November	0.062	0.034	0.050	20
December	0.050	0.043	0.046	21
2009				
January	0.049	0.034	0.040	18
February	0.046	0.038	0.042	20
March	0.120	0.032	0.046	22
April (up to and including the Last Trading Day)	0.133	0.079	0.109	16

Source: the Bloomberg

Note: Trading in the Shares was suspended from 18 April 2008 to 22 April 2008.

During the Review Period, the average daily closing price of the Shares ranged from HK\$0.040 to HK\$0.194 per Share in each month and followed a general downward moving trend from April 2008 to late March 2009. On 27 March 2009, the Share price mounted from the previous day closing of HK\$0.055 to HK\$0.093 per Share, and the Company made a standard announcement regarding the unusual price and turnover movements of the Shares (the “**Standard Announcement**”). According to the Standard Announcement, the Board was not aware of any reasons for such substantial increase in the price and trading volume of the Shares as at 27 March 2009, save and except for the announcement of the Company dated 25 March 2009 in relation to the changes in directorships and committee members. Subsequently, the closing price of the Shares had dropped gradually to below HK\$0.1 and stayed at HK\$0.088 as at the Last Trading Day.

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Review on trading liquidity of the Shares

The average daily number of Shares traded per month, and the respective percentages of the Shares' monthly trading volume during the Review Period as compared to (i) the total number of issued Shares held by the public as at the Last Trading Day; and (ii) the total number of issued Shares as at the Last Trading Day are tabulated as follows:

Month	Average daily trading volume (the "Average Volume")	% of the Average Volume to total number of issued Shares held by the public as at the Last Trading Day (Note 2)	% of the Average Volume to total number of issued Shares as at the Last Trading Day (Note 3)	No. of trading days in each month
2008				
April (Note 1)	10,629,434	0.31	0.26	18
May	3,728,713	0.11	0.09	20
June	3,716,824	0.11	0.09	20
July	1,781,750	0.05	0.04	22
August	2,456,122	0.07	0.06	19
September	3,471,194	0.10	0.08	21
October	3,554,395	0.10	0.09	21
November	1,703,004	0.05	0.04	20
December	1,332,381	0.04	0.03	21
2009				
January	3,812,079	0.11	0.09	18
February	1,567,259	0.05	0.04	20
March	19,511,154	0.56	0.48	22
April (up to and including the Last Trading Day)	55,873,203	1.61	1.36	16

Source: the Bloomberg

Notes:

1. Trading in the Shares was suspended from 18 April 2008 to 22 April 2008.
2. Based on 3,459,700,045 Old Shares held in public hands (including the Shares held by Kingston Securities Limited, Mr. Li Xinghao, Mr. Yi Xing Wu, Mr. Lam Yin Lok and the First Tranche Convertible Notes Placees who have exercised their convertible notes before the Last Trading Day) as at the Last Trading Day.
3. Based on 4,094,033,800 Old Shares in issue as at the Last Trading Day.

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The above table illustrates that the average daily trading volume of the Shares per month was thin during the Review Period. Save as and except for April 2009, the trading average of the Shares was below 1% of the total number of issued Shares held by the public as at the Last Trading Day. As such, the Shares were rather illiquid in the open market.

Comparison with other placing/shares subscription exercises

As part of our analysis, we have identified placing and shares subscription exercises from 24 February 2009 up to the Last Trading Day (being two months immediately before and up to the Last Trading Day) as announced by companies listed on the Stock Exchange (the “**Comparables**”). To the best of our knowledge and as far as we are aware of, we found 17 companies which met these criteria. Shareholders should note that the businesses, operations and prospects of the Company are not the same as the Comparables and thus the Comparables are only used to provide a general reference for the recent common market practice of Hong Kong listed companies in placing and shares subscription exercises. Summarised below is our relevant finding:

Date of announcement	Company name	Stock code	Premium/ (Discount) of the subscription price over/(to) average closing price per share on the last five consecutive trading days up to and including the last trading day prior to the date of relevant announcement %	Premium/ (Discount) of the subscription price over/(to) average closing price per share on the last five consecutive trading days up to and including the last trading day prior to the date of relevant announcement %
24 February 2009	Ngai Lik Industrial Holdings Limited	332	(91.30)	(88.00)
24 February 2009	Long Success International (Holdings) Limited	8017	8.33	5.86
26 February 2009	MAE Holdings Limited	851	(19.87)	(19.87)
26 February 2009	Poly Development Holdings Limited	1141	0.00	(18.48)
26 February 2009	Haier Electronics Group Company Limited	1169	(15.58)	(14.92)

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Date of announcement	Company name	Stock code	Premium/ (Discount) of the subscription price over/(to) average closing price per share on the last five consecutive trading days up to and including the last trading day prior to the date of relevant announcement %	Premium/ (Discount) of the subscription price over/(to) average closing price per share on the last five consecutive trading days up to and including the last trading day prior to the date of relevant announcement %
16 March 2009	China Chief Cable TV Group Limited	8153	(3.85)	(3.10)
18 March 2009	Grand T G Gold Holdings Limited	8299	(34.21)	(18.83)
18 March 2009	China Precious Metal Resources Holdings Company Limited	1194	16.67	14.75
19 March 2009	China Glass Holdings Limited	3300	3.92	9.96
20 March 2009	Amax Entertainment Holdings Limited	959	153.16	148.76
31 March 2009	National Investments Fund Limited	1227	(16.67)	(14.09)
7 April 2009	Shimao Property Holdings Limited	813	(9.70)	(10.30)
9 April 2009	Byford International Limited	8272	(16.67)	(15.97)
16 April 2009	Capital Estate Limited	193	(28.57)	(20.38)
17 April 2009	Ko Yo Ecological Agrotech (Group) Limited	827	(14.29)	(4.76)
21 April 2009	Dah Sing Banking Group Limited	2356	(15.20)	(14.20)
23 April 2009	Golife Concepts Holdings Limited	8172	(18.00)	(14.23)
Minimum			(91.30)	(88.00)
Maximum			153.16	148.76
25 May 2009 and 27 May 2009	The Company	1051	(60.23)	(61.20)

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As shown by the above table, the placing/subscription prices of the Comparables ranged from a discount of approximately 91.30% to a premium of approximately 153.16% to/over the respective closing prices of their shares on the last trading days prior to the release of the relevant placing/shares subscription announcements. The Subscription Price which represents a discount of approximately 60.23% to the closing price of the Shares on the Last Trading Day (the “**Subscription Last Day Discount**”) hence falls within the said market range. We noted that Ngai Lik Industrial Holdings Limited and Amax Entertainment Holdings Limited can be considered as outliers (the “**Outliners**”) to the Comparables due to the substantial discounts/ premiums which they represented. If the Outliners are excluded, the placing/subscription prices of the Comparables would range from a discount of approximately 34.21% to a premium of approximately 16.67% to/over the respective closing prices of their shares on the last trading days prior to the release of the relevant placing/shares subscription announcements, and the Subscription Last Day Discount would hence fall outside such market range.

Moreover, the placing/subscription prices of the Comparables ranged from a discount of approximately 88.00% (approximately 20.38% if the Outliners are excluded) to a premium of approximately 148.76% (approximately 14.75% if the Outliners are excluded) to/over the respective average closing prices of their shares for the last five consecutive trading days up to and including the last trading days prior to the release of the relevant placing/shares subscription announcements. The Subscription Price which represents a discount of approximately 61.20% to the average closing price of the Shares for the last five consecutive trading days up to and including the Last Trading Day (the “**Subscription Last 5-day Discount**”) hence falls within the said market range of all Comparables, and falls outside the market range if the Outliners are excluded.

From the above table, we also noted that the placing/subscription prices of the majority Comparables were set at discounts to both their last trading day’s and last five trading days’ average share prices.

Given (i) the general downward moving trend of the market price of the Shares during the Review Period; (ii) the low trading liquidity of the Shares during the Review Period; (iii) the market phenomenon that placing/subscription prices are usually set at discounts to share prices in the open market, and having also balanced the reasons for the Subscriptions and the possible benefits of the Subscriptions to the Group, we consider that the Subscription Price is acceptable even though the Subscription Last Day Discount and the Subscription Last 5-day Discount fall outside the respective market ranges if the Outliners are excluded.

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Lastly, we have also reviewed other major terms of the Investment Agreements and are not aware of any terms which are unusual. We are therefore of the opinion that the terms of the Investment Agreements are fair and reasonable so far as the Independent Shareholders are concerned.

(3) Potential dilution effect to the shareholdings of the existing public Shareholders

The table below demonstrates the possible shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) upon issuance of the Investor Shares at the Subscription Price of HK\$0.35 per Share:

Name of Shareholder	As at the Latest Practicable Date		Assuming issuance of the Investor Shares at the Subscription Price of HK\$0.35 per Share	
	No. of Shares (Note 4)	Approximate % of issued Shares	No. of Shares (Note 4)	Approximate % of issued Shares
Dr. Lew	3,121,266	0.37	224,548,266	12.97
Mr. Hegarty	-	-	664,284,000	38.37
Wong Kam Fu and his associates, including Kingston Finance Limited (Notes 1 & 2)	60,312,108	7.13	60,312,108	3.48
Kingston Securities Limited	195	0.00	195	0.00
First Tranche Convertible Notes Placees (Notes 3 & 5)	72,000,000	8.52	72,000,000	4.16
Second Tranche Convertible Notes Placees (Notes 3 & 6)	399,999,999	47.31	399,999,999	23.11
Other public Shareholders	309,969,811	36.67	309,969,811	17.91
Total	845,403,379	100	1,731,114,379	100

Notes:

- Wong Kam Fu has a personal interest in 12,009,166 Shares and is the ultimate beneficial owner of Sheung Hai Developments Limited and Alpha Logistics Group Limited which hold 37,240,442 Shares and 11,062,500 Shares respectively. Under Part XV of the SFO, Wong Kam Fu is deemed to have interest in the Shares held by Sheung Hai Developments Limited and Alpha Logistics Group Limited.

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2. According to a corporate substantial shareholder notice dated 1 April 2009 filed by Kingston Finance Limited, Kingston Finance Limited has a security interest in 60,312,108 Shares. The Board was informed that this is due to a pledge of shares by one of the Shareholders, Wong Kam Fu.
3. The holders of the First Tranche Convertible Notes and the Second Tranche Convertible Notes are independent public shareholders.
4. As set out in the 4 May Circular, any fraction of Shares, if any, arising from the Capital Reorganisation will not be issued to the Shareholders but will be aggregated and sold (if a premium, net of expenses, can be obtained) for the benefit of the Company.
5. The First Tranche Convertible Notes were fully converted as at 7 May 2009.
6. The placing of the Second Tranche Convertible Notes was completed on 20 May 2009, as disclosed and more particularly described in the Company's announcement headed "Completion of Placing of The Convertible Notes Due 2012" dated 20 May 2009. The Second Tranche Convertible Notes were fully converted as at 27 May 2009.

According to the above table, the shareholding interests of the existing public Shareholders in the Company would be diluted by approximately 18.76 percent point upon completion of the Subscriptions. Taking into account (i) the reasons for and the use of proceeds from the Subscriptions; and (ii) the Subscriptions will put the interests of Mr. Hegarty and Dr. Lew in line with the interests of the Shareholders and that the MV Lock-up Period and the Lew Lock-up Period can further strengthen Mr. Hegarty's and Dr. Lew's respective incentive to manage the development and operations of the Martabe Project on a long term basis, we are of the view that the aforementioned level of dilution to the shareholding interests of the existing public Shareholders is acceptable.

Shareholders should note that the above table is for illustrative purpose only and demonstrates the possible effect on the shareholding structure of the Company as a result of the Subscriptions (which form part of the Placing and the Investor Shares will not be issued before completion of the Acquisition and Placing) only and has not taken into account the effect of the Acquisition and the Placing etc. on the Company's shareholdings.

(4) Financial effects of the Subscriptions

Effect on net asset value

Based on the Interim Report, the unaudited consolidated net asset value ("NAV") of the Group was approximately HK\$323.42 million as at 31 December 2008. As confirmed by the Directors, the Subscriptions would increase the NAV of the Group.

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Effect on gearing

As at 31 December 2008, the Group's gearing level (being calculated as total borrowings over Shareholders' equity,) was nil. Since the total borrowings of the Group would remain unchanged upon completion of the Subscriptions, the Directors expected that the Group would continue to record nil gearing after the Subscriptions.

Effect on working capital

Upon completion of the Subscriptions, the working capital of the Group would be increased by the net proceeds from the Subscriptions.

It should be noted that the aforementioned analyses are for illustrative purpose only and does not purport to represent how the financial position of the Group will be upon completion of the Subscriptions.

RECOMMENDATION ON THE SUBSCRIPTIONS

Having taken into account the above factors and reasons, we are of the opinion that (i) the terms of the Investment Agreements are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Subscriptions are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to approve Investment Agreements and the respective transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

II. THE GRANTS OF SHARE OPTIONS

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Share Option Agreements and the grants of Share Options, we have taken into consideration the following principal factors and reasons:

(1) Background and reasons for the grants of Share Options

As set forth under the section headed "Business overview of the Group" of this letter, on 12 May 2009, the Board announced the proposed Acquisition which is subject to the Shareholders' approval. The Martabe Project will become a major operating asset of the Group and the mining business will thereby constitute one of the Group's principal businesses upon Completion. On even date, the Board also announced that it has resolved to appoint (i) Mr. Hegarty as an executive Director, the chief executive officer and vice-chairman of the Company, and (ii) Mr. Albert as the deputy chief

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executive officer of the Company to supplement the management of the Company in bolstering their knowledge of the gold and silver mining business and to assist in the development of the Martabe Project.

Mr. Hegarty's directorship in the Company shall be for a term of three years commencing from 10 May 2009 and shall terminate upon expiry subject to renewal by mutual agreement between the Company and Mr. Hegarty prior thereto and in compliance with the Listing Rules. In accordance with the bye-laws of the Company, Mr. Hegarty's directorship is also subject to retirement by rotation and re-election at annual general meeting of the Company.

In accordance with the service contract entered into between the Company and Mr. Hegarty on 10 May 2009 (the "**Hegarty Service Contract**"), Mr. Hegarty shall receive during the continuance of his directorship (i) a monthly salary of US\$50,000 (the "**Monthly Salary**") by reference to Mr. Hegarty's experience in the mining industry, his duties and responsibilities with the Company and the market benchmark; and (ii) in the event that the annual performance target allocated to Mr. Hegarty is achieved in a relevant financial year, an annual management bonus (the "**Discretionary Bonus**") in a sum up to 80% of the annual salary as may be determined by the Board at its absolute discretion.

Furthermore, subject to the completion of the Option Agreement on or before 23 July 2009 (or such other date as the parties to the Option Agreement may at any time and from time to time agree in writing), Mr. Hegarty shall receive a sign-on fee (the "**Sign-on Fee**") in the amount of US\$200,000. The Sign-on Fee, if any, shall be payable within 15 days after the completion of the Option Agreement.

As advised by the Directors, same as Mr. Hegarty, Mr. Albert is entitled to the Monthly Salary, Discretionary Bonus and Sign-on Fee, in similar terms with the Hegarty Service Contract but with different amounts, under the service contract entered into between the Company and Mr. Albert on 10 May 2009 (the "**Albert Service Contract**").

Moreover, the Hegarty Service Contract and Albert Service Contract stipulate that the Company shall, subject to the completion of the Option Agreement, conditionally appoint Mr. Hegarty as an executive Director and the chairman of the Company and Mr. Albert as a managing Director and the chief executive officer of the Company respectively after the expiry of six months from the completion of the Option Agreement.

As referred to in the Board Letter, the Group is aiming to develop and manage the Martabe Project so as to maximise its value to the Shareholders. Given the expertise and experience of the Senior Management in the mining industry (detail of which are included under the section headed "Biographies of the Senior Management" of this letter), the Board is of the view that the

employment of the Senior Management is crucial for the successful development and management of the Martabe Project. Given also that the vesting schedule of the Share Options is linked directly to the development and operation of the Martabe Project and the Share price of the Company, the Board also believes that the Share Options will appropriately reward and induce the Senior Management for their possible contributions to the Martabe Project in view of that their interests in the Share Options are in line with the interests of the Shareholders.

(2) Benefits of the grants of Share Options as incentive scheme

We have enquired into the Directors regarding the benefits of the grants of Share Options as an incentive scheme to compensate the Senior Management. As advised by the Directors, the grants of Share Options will enable the Group to conserve its cash resources while allowing added incentives to the Senior Management. Since the economic benefits of the Share Options rely mainly on the increase in the price of the Shares to be driven by, among other factors, the improving fundamentals of the Company, the economic benefits of the Share Options will be realised when all Shareholders are in a position to benefit as well.

As aforementioned, the vesting schedule of the Share Options is correlated with the progress of the Martabe Project and the price of the Shares. The Directors therefore believe that the Share Options can provide appropriate reward and inducement to the Senior Management for their contributions to the Martabe Project in view of that their interests in the Share Options are in line with the interests of the Shareholders.

Having considered the background and benefits of the grants of Share Options as outlined above, we concur with the Directors that the grants of Share Options are in the interests of the Company and the Shareholders as a whole.

(3) Biographies of the Senior Management

Set out below are the biographies of the Senior Management as extracted from the Directors Announcement:

Mr. Hegarty, aged 61, has over 35 years of direct experience in the global mining industry. He was a founding senior management of a company which was a significant copper and gold explorer, developer and producer in Australia and Asia, and is currently a non-executive director of Fortescue Metals Group Limited and Range River Gold Limited (both of which are listed on the Australian Stock Exchange).

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In addition, Mr. Hegarty is a fellow of the Australasian Institute of Mining and Metallurgy (“**AusIMM**”) and was elected as a director of AusIMM in October 2008. Mr. Hegarty has been awarded several times for his achievements in the mining industry. In 2006, Mr. Hegarty was awarded the AusIMM Institute Medal for his leadership and achievements in the mining industry. Mr. Hegarty was also awarded the GJ Stokes Memorial Award for his distinguished service to the mining industry in 2008.

Mr. Albert, aged 50, is a metallurgist and has over 25 years of experience in project management, general management and operations management in mining and minerals processing in Australia, Africa and Asia. Mr. Albert is a member of the Institute of Materials, Minerals and Mining (London), a member of AusIMM and a Chartered Engineer. He was the Executive General Manager – Asia of OZ Minerals Limited covering off-shore operations, Sepon copper and gold operations and projects, the development of the Martabe Project, business development in Asia and Asian government relations.

(4) Principal terms of the Share Option Agreements

The table below summarises the principal terms of the Share Option Agreements:

Number of Share Options to be granted:	To grant to each of the Senior Management such number of Share Options representing such number of Shares, being 1.5% of the issued share capital of the Company as enlarged by the Placing (but, for the avoidance of doubt, does not include the issue of the Consideration Shares and any conversion of the Second Tranche Convertible Notes)
Consideration:	HK\$1.00 payable by each of the Senior Management
Vesting:	The Share Options will vest upon the occurrence of: (i) as to one-third of the Share Options, upon the first gold production by OMM and its subsidiary under the Martabe Project;

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- (ii) as to another one-third of the Share Options, upon the process plant of the Martabe Project being in operation and having reached its designed capacity within a range of 10% deviation for the average of the first year of production as defined by the mine schedule and plan are intended to be completed within a period of four months after Completion for a continuous period of three months; and
- (iii) as to the remaining one-third, upon the average closing price of the Share for a continuous period of 30 days having reached 100% above the Share Option Price,

provided always that, in each case, no Share Option shall be vested at any time prior to the expiry of 12 months from the date of the grants of Share Options.

However, should any of the following occur, the Share Options will be vested immediately despite the above:

- (i) any change in majority shareholding interests in the Company (i.e. any change in the shareholding of a Shareholder who holds more than 50% of the issued share capital of the Company. As the Company does not currently have any Shareholder holding more than 50% of the issued share capital of the Company, this provision will be triggered when and if a Shareholder holds more than 50% of the issued share capital of the Company down the track); and
- (ii) any sale of the majority interests in the Martabe Project.

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Exercise period of the Share Options Upon vesting as described above, the Share Options may be exercised for the remaining period prior to the expiry of the five years from 15 business days immediately following the effective date of the Share Options, or such other day as may be agreed between the Company and the respective Senior Management in writing provided that such a day shall in any event be not later than the expiry of five years from the effective date of the Share Options, on the condition that:

- (i) in respect of Mr. Hegarty: he will continue to provide services to the Company as (a) an executive Director, the chief executive officer and vice-chairman of the Company; or (b) an executive Director and the chairman of the Company, as the case may be, under the Hegarty Service Contract;
- (ii) in respect of Mr. Albert: he will continue to provide services to the Company as (a) the deputy chief executive officer, or (b) a managing Director and the chief executive officer of the Company, as the case may be, under the Albert Service Contract.

Share Option Price: The higher of:

- (i) HK\$0.385 per Share Option Share (or HK\$0.0385 per Share Option Share if the Capital Reorganisation has not been completed); or
- (ii) 110% of the average issue price under the Placing.

As the Placing Price has been agreed at HK\$0.35 per Placing Share, the Share Option Price is HK\$0.385.

As confirmed by the Directors, the terms of the Share Options (including the Share Option Price) were arrived at after arm's length negotiations between the Company and each of the Senior Management. Regarding the consideration for the Share Options, we have enquired into and we understand from the Directors that it is the intention of the Group to grant

LETTER FROM GUANGDONG SECURITIES

the Share Options to each of the Senior Management as an additional incentive to reward and induce the Senior Management for their possible contributions to the Martabe Project. For this reason, the Company considers the consideration for the Share Options of HK\$1 to be a token only.

The Share Option Price of HK\$0.385 per Share Option Share represents:

- (i) a discount of approximately 56.25% to the adjusted closing price per Share of HK\$0.880 (assuming the Capital Reorganisation becoming effective) as quoted on the Stock Exchange on the Last Trading Day;
- (ii) a discount of approximately 57.32% to the average of the adjusted closing prices per Share of HK\$0.902 (assuming the Capital Reorganisation becoming effective) for the last five trading days as quoted on the Stock Exchange up to and including the Last Trading Day; and
- (iii) a discount of approximately 62.87% to the average of the adjusted closing prices per Share of HK\$1.037 (assuming the Capital Reorganisation becoming effective) for the last ten trading days as quoted on the Stock Exchange up to and including the Last Trading Day.

Analyses on the Share Option Price

To assess the fairness and reasonableness of the Share Option Price, we have carried out certain analyses as detailed under the sections headed “Review on Share prices” and “Review on trading liquidity of the Shares” of this letter for illustrative purpose.

In light of the inactive trading of the Shares together with the general downward moving trend of the market price of the Shares during the Review Period, we concur with the Directors that the grants of Share Options would be less attractive as an incentive scheme unless the Share Option Price was set at discount to the market prices of the Shares. Furthermore, with the restrictions on the vesting of the Share Options being the case, we are of the view that the discount of the Share Option Price is justifiable. Since the grants of Share Options would likely to encourage the Senior Management to develop and manage the Martabe Project, being a key project for the future prospects of the Group as represented by the Directors, we concur with the Directors that the Share Option Price is fair and reasonable so far as the Independent Shareholders are concerned.

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(5) Potential dilution effect to shareholdings of the existing public Shareholders

Based on the fact that each of the Senior Management would be granted a number of Share Options representing such number of Shares, being 1.5% of the issued share capital of the Company as enlarged by the Placing (but, for the avoidance of doubt, does not include the issue of the Consideration Shares and any conversion of the Second Tranche Convertible Notes), the dilution effect to the shareholdings of the existing public Shareholders would not be material.

RECOMMENDATION ON THE GRANTS OF SHARE OPTIONS

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Share Option Agreements are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the grants of Share Options are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolution(s) to be proposed at the SGM to approve the Share Option Agreements and the transactions contemplated thereunder and we recommend the Independent Shareholders to vote in favour of the resolution(s) in this regard.

Yours faithfully,
For and on behalf of
Guangdong Securities Limited
Graham Lam
Managing Director

1. SUMMARY OF FINANCIAL RESULTS FOR THE THREE YEARS ENDED 30 JUNE 2008 AND SIX MONTHS ENDED 31 DECEMBER 2008

The following financial information has been extracted from the audited financial statements of the Group for each of the three years ended 30 June 2008 and the unaudited financial statements of the Group for the six months ended 31 December 2008.

(i) Consolidated Income Statement

	For the six months ended			
	31 December 2008	Year ended 30 June		
	2008	2008	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Turnover	16,853	14,673	6,838	3,974
Cost of sales	(15,262)	(12,563)	(4,868)	(3,418)
Gross profit	1,591	2,110	1,970	556
Other operating income	2,634	4,163	1,456	2,291
Distribution costs	(943)	(1,413)	(1,237)	(1,406)
Administrative expenses	(27,001)	(59,831)	(42,939)	(44,095)
Share-based payment expenses	-	(29,152)	(11,324)	(5,989)
Finance costs	-	-	(466)	(121)
(Decrease)/increase in fair value of investment properties	(6,591)	8,423	-	-
(Loss)/gain attributable to financial assets at fair value through profit or loss	(4,796)	(4,649)	1,819	3,149
Share of loss of a jointly controlled entity	-	(679)	(784)	(450)
Impairment loss recognised in respect of available-for-sale investments	(103,964)	(98,669)	-	-
Impairment loss recognised in respect of deposit paid for acquisition of a subsidiary	-	(23,313)	-	-
Impairment loss recognised in respect of an intangible asset	-	-	(10,472)	(37,128)
Gain on disposal of partial interest in a jointly controlled entity	-	-	920	-
Gain on disposal of available-for-sale investments	-	-	11,242	-
Loss before income tax	(139,070)	(203,010)	(49,815)	(83,193)
Income tax	-	(170)	6,263	-
Loss for the period/year	<u>(139,070)</u>	<u>(203,180)</u>	<u>(43,552)</u>	<u>(83,193)</u>
Attributable to:				
- Equity holders of the Company	(139,070)	(203,011)	(43,506)	(83,193)
- Minority interests	-	(169)	(46)	-
	<u>(139,070)</u>	<u>(203,180)</u>	<u>(43,552)</u>	<u>(83,193)</u>
Loss per share				
Basic	<u>(3.72) cents</u>	<u>(5.52) cents</u>	<u>(1.72) cents</u>	<u>(3.91) cents</u>

(ii) Consolidated Balance Sheet

	At		As at 30 June	
	31 December	2008	2007	2006
	2008	2008	2007	2006
	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Total assets	326,571	519,091	305,495	187,363
Current liabilities	<u>(2,984)</u>	<u>(55,585)</u>	<u>(4,416)</u>	<u>(5,144)</u>
Total assets less current liabilities	323,587	463,506	301,079	182,219
Non-current liability	<u>(170)</u>	<u>(170)</u>	<u>-</u>	<u>(7,808)</u>
Net assets	<u>323,417</u>	<u>463,336</u>	<u>301,079</u>	<u>174,411</u>
Capital and reserves				
Share capital	37,340	37,408	31,443	23,993
Reserves	<u>286,077</u>	<u>425,928</u>	<u>269,579</u>	<u>150,418</u>
Equity attributable to equity holders of the Company	323,417	463,336	301,022	174,411
Minority interests	<u>-</u>	<u>-</u>	<u>57</u>	<u>-</u>
Total equity	<u>323,417</u>	<u>463,336</u>	<u>301,079</u>	<u>174,411</u>

2. AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE YEAR ENDED 30 JUNE 2008

The audited financial statements together with the relevant notes to the financial statements of the Group as extracted from the annual report of the Company for the year ended 30 June 2008 ("2008 Annual Report") are out below. The page reference in this report is the same as those in the 2008 Annual Report.

(i) Consolidated Income Statement

For the year ended 30 June 2008

	Notes	2008 HK\$'000	2007 HK\$'000
Turnover	(7)	14,673	6,838
Cost of sales		<u>(12,563)</u>	<u>(4,868)</u>
Gross profit		2,110	1,970
Other operating income		4,163	1,456
Distribution costs		(1,413)	(1,237)
Administrative expenses		(59,831)	(42,939)
Share-based payment expenses	(30)	(29,152)	(11,324)
Finance costs	(8)	–	(466)
Increase in fair value of investment properties	(16)	8,423	–
(Loss)/gain attributable to financial assets at fair value through profit or loss	(9)	(4,649)	1,819
Share of loss of a jointly controlled entity	(18)	(679)	(784)
Impairment loss recognised in respect of available-for-sale investments	(19b)	(98,669)	–
Impairment loss recognised in respect of deposit paid for acquisition of a subsidiary	(23)	(23,313)	–
Impairment loss recognised in respect of an intangible asset	(17)	–	(10,472)
Gain on disposal of partial interest in a jointly controlled entity	(18)	–	920
Gain on disposal of available-for-sale investments		<u>–</u>	<u>11,242</u>
Loss before income tax	(10)	(203,010)	(49,815)
Income tax	(11)	<u>(170)</u>	<u>6,263</u>
Loss for the year		<u><u>(203,180)</u></u>	<u><u>(43,552)</u></u>
Attributable to:			
– Equity holders of the Company		(203,011)	(43,506)
– Minority interests		<u>(169)</u>	<u>(46)</u>
		<u><u>(203,180)</u></u>	<u><u>(43,552)</u></u>
Dividend	(14)	<u>–</u>	<u>–</u>
Loss per share			
Basic	(12)	<u><u>(5.52) cents</u></u>	<u><u>(1.72) cents</u></u>

(ii) Consolidated Balance Sheet

As at 30 June 2008

	Notes	2008 HK\$'000	2007 HK\$'000
Non-current assets			
Property, plant and equipment	(15)	4,743	3,082
Investment properties	(16)	20,227	–
Intangible asset	(17)	–	–
Interest in a jointly controlled entity	(18)	–	598
Available-for-sale investments	(19)	8,813	140,020
Deposits paid for acquisition of properties	(20)	–	10,104
Deposit paid for the acquisition of a subsidiary	(19b)	–	100,000
		<u>33,783</u>	<u>253,804</u>
Current assets			
Temporary payments	(21)	–	7,838
Deposit paid for the acquisition of an available-for-sale investment	(22)	3,283	3,000
Deposit paid for the acquisition of a subsidiary	(23)	–	–
Trade and other receivables	(24)	5,661	2,502
Financial assets at fair value through profit or loss	(25)	6,689	6,338
Available-for-sale investments	(19)	389,072	–
Pledged bank deposits	(26)	162	7,076
Bank balances and cash	(26)	80,441	24,937
		<u>485,308</u>	<u>51,691</u>
Current liabilities			
Other payables		4,040	2,871
Deposit received for disposal of an available-for-sale investment	(19b)	50,000	–
Provision for taxation		1,545	1,545
		<u>55,585</u>	<u>4,416</u>
Net current assets		<u>429,723</u>	<u>47,275</u>
Total assets less current liabilities		463,506	301,079
Non-current liability			
Deferred taxation	(28)	170	–
Net assets		<u>463,336</u>	<u>301,079</u>

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Capital and reserves			
Share capital	(29)	37,408	31,443
Reserves		<u>425,928</u>	<u>269,579</u>
Equity attributable to equity holders of the Company		463,336	301,022
Minority interests		<u>–</u>	<u>57</u>
Total equity		<u>463,336</u>	<u>301,079</u>

(iii) Consolidated Statement of Changes in Equity*For the year ended 30 June 2008*

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital redemption reserve	Other reserve	Share-based compensation reserve	Exchange translation reserve	Accumulated losses	Sub-total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2006	23,993	472,633	807	2,679	6,700	-	(332,401)	174,411	-	174,411
Transfer to profit or loss on disposal of available-for-sale investments	-	-	-	(2,679)	-	-	-	(2,679)	-	(2,679)
Exchange difference arising on translation of										
- the Group	-	-	-	-	-	(498)	-	(498)	-	(498)
- the jointly controlled entity	-	-	-	-	-	49	-	49	-	49
Loss for the year	-	-	-	-	-	-	(43,506)	(43,506)	(46)	(43,552)
Total recognised income and expenses for the year	-	-	-	(2,679)	-	(449)	(43,506)	(46,634)	(46)	(46,680)
Capital injection from a minority shareholder of a newly incorporated subsidiary	-	-	-	-	-	-	-	-	103	103
Issue of shares during the year	4,790	112,565	-	-	-	-	-	117,355	-	117,355
Issue of shares upon exercise of share options	2,660	59,410	-	-	(14,630)	-	-	47,440	-	47,440
Transaction costs attributable to issue of new shares	-	(2,874)	-	-	-	-	-	(2,874)	-	(2,874)
Recognition of equity-settled share based payment	-	-	-	-	11,324	-	-	11,324	-	11,324
Cancellation of share options	-	-	-	-	(1,957)	-	1,957	-	-	-
At 30 June 2007	31,443	641,734	807	-	1,437	(449)	(373,950)	301,022	57	301,079

	Attributable to equity holders of the Company									
	Share capital	Share premium	Capital redemption reserve	Other reserve	Share-based compensation reserve	Exchange translation reserve	Accumulated losses	Sub-total	Minority interests	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1 July 2007	31,443	641,734	807	-	1,437	(449)	(373,950)	301,022	57	301,079
Exchange difference arising on translation of the										
- the group	-	-	-	-	-	1,478	-	1,478	15	1,493
- the jointly controlled entity	-	-	-	-	-	81	-	81	-	81
Loss for the year	-	-	-	-	-	-	(203,011)	(203,011)	(169)	(203,180)
Total recognised income and expenses for the year	-	-	-	-	-	1,559	(203,011)	(201,452)	(154)	(201,606)
Capital injection from a minority shareholder of a subsidiary	-	-	-	-	-	-	-	-	97	97
Issue of shares during the year	1,818	96,716	-	-	-	-	-	98,534	-	98,534
Issue of shares for acquisition of a subsidiary	4,139	231,782	-	-	-	-	-	235,921	-	235,921
Issue of shares upon exercise of share options	8	359	-	-	(78)	-	-	289	-	289
Transaction costs attributable to issue of new shares	-	(130)	-	-	-	-	-	(130)	-	(130)
Recognition of equity-settled share based payment	-	-	-	-	29,152	-	-	29,152	-	29,152
Cancellation of share options	-	-	-	-	(1,648)	-	1,648	-	-	-
At 30 June 2008	<u>37,408</u>	<u>970,461</u>	<u>807</u>	<u>-</u>	<u>28,863</u>	<u>1,110</u>	<u>(575,313)</u>	<u>463,336</u>	<u>-</u>	<u>463,336</u>

(iv) Consolidated Cash Flow Statement*For the year ended 30 June 2008*

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Operating activities			
Loss before income tax		(203,010)	(49,815)
Adjustments for:			
Share of loss of a jointly controlled entity		679	784
Interest income		(1,614)	(1,072)
Dividend income		(29)	(16)
Finance costs		–	466
Depreciation		1,213	1,084
Service fee	(21)/(31)	7,837	–
Bad debts written off		26	–
Allowance for bad and doubtful debts		1,146	1,510
Share-based payment expenses		29,152	11,324
Loss/(gain) attributable to financial assets at fair value through profit or loss		4,649	(1,819)
(Gain)/loss on disposal of property, plant and equipment		(7)	16
Increase in fair value of investment properties		(8,423)	–
Exchange alignment on investment properties		(1,700)	–
Impairment loss recognised in respect of available-for-sale investments		98,669	–
Impairment loss recognised in respect of deposit paid for acquisition of a subsidiary		23,313	–
Gain on disposal of available-for-sale investments		–	(11,242)
Gain on disposal of partial interest in a jointly controlled entity		–	(920)
Impairment loss recognised in respect of an intangible asset		–	10,472
		<hr/>	<hr/>
Operating cashflows before movements in working capital		(48,099)	(39,228)
Increase in trade and other receivables		(4,276)	(2,199)
Decrease in temporary payments		1	–
Increase/(decrease) in other payables		1,169	(330)
		<hr/>	<hr/>
Net cash used in operating activities		(51,205)	(41,757)

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Investing activities			
Deposit paid for acquisition of a subsidiary		(23,313)	(100,000)
Acquisition of a subsidiary	(32)	(11,800)	–
Proceeds from disposal of available-for-sale investments		–	18,998
Purchases of financial assets at fair value through profit or loss		(8,910)	(8,895)
Deposits paid for acquisition of an available-for-sale investment		(3,283)	(3,000)
Proceeds from disposal of financial assets at fair value through profit or loss		3,910	7,212
Decrease/(increase) in pledged bank deposits		6,914	(1,813)
Interest received		1,559	1,072
Purchases of property, plant and equipment		(3,419)	(1,066)
Deposit received for disposal of an available-for-sale investment		50,000	–
Proceeds from disposal of property, plant and equipment		665	–
Dividend received		29	16
Acquisition of an available-for-sale investment		(5,813)	–
Increases in temporary payments		–	(7,838)
Capital contribution to a jointly controlled entity		–	(1,008)
Proceeds from partial disposal of a jointly controlled entity		–	1,001
Deposits paid for acquisition of properties		–	(764)
Repayment from a jointly controlled entity		–	700
		<hr/>	<hr/>
Net cash from/(used in) investing activities		6,539	(95,385)

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Financing activities		
Net proceeds from issue of shares by placement	98,404	114,481
Proceeds from issue of shares on exercise of share options	289	47,440
Capital injection from a minority shareholder	97	103
New bank borrowings raised	–	4,057
Repayment of bank borrowings	–	(6,000)
Interest paid	–	(466)
	<u>98,790</u>	<u>159,615</u>
Net cash from financing activities		
	54,124	22,473
Net increase in cash and cash equivalents		
Cash and cash equivalents at beginning of the year	24,937	2,983
Effect of foreign currency rate changes	<u>1,380</u>	<u>(519)</u>
Cash and cash equivalents at end of the year, represented by bank balances and cash	<u><u>80,441</u></u>	<u><u>24,937</u></u>

(v) Notes to the Consolidated Financial Statements

For the year ended 30 June 2008

1. GENERAL INFORMATION

The Company is incorporated and registered as an exempted company in Bermuda with limited liability and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The address of the registered office and principal place of business of the Company is Canon's Court, 22 Victoria Street, Hamilton HM 12, Bermuda and Suite 1606-07, 16 Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong, respectively.

The consolidated financial statements are presented in Hong Kong dollars, which is same as the functional currency of the Company.

The Company acts as an investment holding company. The principal activities of its subsidiaries and jointly controlled entity are stated in notes 40 and 18, respectively.

2. ADOPTION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

In the current year, the Group has applied, for the first time, the following new standard, amendment and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which are effective for the Group's financial year beginning 1 July 2007.

Hong Kong Accounting Standard ("HKAS") 1 (Amendment)	Capital Disclosures
HKFRS 7	Financial Instruments: Disclosures
HK(IFRIC)-Interpretation ("Int") 10	Interim Financial Reporting and Impairment
HK(IFRIC)-Int 11	HKFRS 2 – Group and Treasury Share Transaction

The adoption of the new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented. Accordingly, no prior period adjustment has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKAS 1 (Revised)	Presentation of Financial Statements ¹
HKAS 23 (Revised)	Borrowing Costs ¹
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ²
HKAS 32 and HKAS 1 (Amendment)	Puttable Financial Instruments and Obligations Arising on Liquidation ¹
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations ¹
HKFRS 3 (Revised)	Business Combinations ²
HKFRS 8	Operating Segments ¹
HK(IFRIC)-INT 12	Service Concession Arrangements ³
HK(IFRIC)-INT 13	Customer Loyalty Programmes ⁴
HK(IFRIC)-INT 14	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction ³
HK(IFRIC)-INT 15	Agreements for the Construction of Real Estate ¹
HK(IFRIC)-INT 16	Hedges of a Net Investment in a Foreign Operation ⁵

- ¹ Effective for annual periods beginning on or after 1 January 2009.
- ² Effective for annual periods beginning on or after 1 July 2009.
- ³ Effective for annual periods beginning on or after 1 January 2008.
- ⁴ Effective for annual periods beginning on or after 1 July 2008.
- ⁵ Effective for annual periods beginning on or after 1 October 2008.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new or revised standards amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. In addition, the consolidated financial statements comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

The consolidated financial statements has been prepared on the historical cost basis except for certain properties and financial instruments, which are stated at their fair values as explained in the accounting policies set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate. Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Business combinations

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 Business Combinations are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

Minority interests

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consists of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

Interest in a jointly controlled entities

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post acquisition changes in the Group's share of the profit or loss and of changes in equity of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, unrealised profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity, except to the extent that unrealised losses provide evidence of an impairment of the asset transferred, in which case, the full amount of losses is recognised.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the costs of the property, plant and equipment over their estimated useful lives and after taking into account of their estimated residual value, using the straight-line method.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

Investment properties

Investment properties are properties held to earn rentals and/or for capital appreciation.

On initial recognition, investment properties are measured at cost, including any directly attributable expenditure. Subsequent to initial recognition, investment properties are measured at their fair values using the fair value model. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

Intangible assets*Intangible assets acquired separately*

Intangible asset represents the cost of acquisition of patents and technology for the provision of credit card security device and digital network authorisation services.

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Financial instruments

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction cost that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into financial assets at fair value through profit or loss ("FVTPL"), loans and receivables and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest income is recognised on an effective interest basis for debt instruments.

Financial assets at fair value through profit or loss

Financial assets at FVTPL has two subcategories, including financial assets held for trading and those designated at FVTPL on initial recognition.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and HKAS 39 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise.

Loans and receivables

Loan and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including temporary payments, deposit paid for the acquisition of an available-for-sale investment, trade and other receivables, pledged bank deposits and bank balances and cash) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment loss on financial assets below).

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as financial assets at FVTPL, loans and receivables or held-to-maturity investments. At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as trade and other receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade and other receivables are considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity.

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Group's financial liabilities are mainly other financial liabilities.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Other financial liabilities

Other financial liabilities including other payables and bank borrowings are subsequently measured at amortised cost, using the effective interest rate method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in profit or loss. If the Group retains substantially all the risks and rewards of ownership of a transferred asset, the Group continues to recognise the financial asset and recognise a collateralised borrowing for proceeds received.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Impairment losses (other than intangible assets with indefinite useful lives)

At each balance sheet date, the Group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments which are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated balance sheets, cash and bank balances comprise cash on hand and at bank, including term deposits, which are not restricted as to use.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise, except for exchange differences arising on a monetary item that forms part of the Company's net investment in a foreign operation, in which case, such exchange differences are recognised in equity in the consolidated financial statements. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity, in which cases, the exchange differences are also recognised directly in equity.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. Hong Kong dollars) at the rate of exchange prevailing at the balance sheet date, and their income and expenses are translated at the average exchange rates for the year, unless exchange rates fluctuate significantly during the period, in which case, the exchange rates prevailing at the dates of transactions are used. Exchange differences arising, if any, are recognised as a separate component of equity (the exchange translation reserve). Such exchange differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold or services provided in the normal course of business, net of discounts and sales related taxes, proceeds from sales of financial assets at fair value through profit or loss/available-for-sale investments, interest income, dividend income and gross rental income received and receivable from investment properties.

Revenue from goods sold is recognised when title of goods sold has passed to the customers, which is at the time of delivery.

Service income is recognised when services are rendered.

Proceeds from sales of financial assets at fair value through profit or loss/available-for-sale investments are recognised on a trade date basis when the risks and rewards of ownership are transferred and title has passed.

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Equity settled share-based payment transactions*Share options granted to directors and employees of the Company*

The fair value of services received determined by reference to the fair value of share options granted at the grant date is expensed on a straight-line basis over the vesting period, with a corresponding increase in equity (share-based compensation reserve).

At each balance sheet date, the Group revises its estimates of the number of options that are expected to ultimately vest. The effect of the change in estimate, if any, is recognised in profit or loss with a corresponding adjustment to share-based compensation reserve.

At the time when the share options are exercised, the amount previously recognised in share-based compensation reserve will be transferred to share premium. When the share options are forfeited or are still not exercised at the expiry date, the amount previously recognised in share-based compensation reserve will be transferred to accumulated losses.

Share options granted to suppliers/consultants

Share options issued in exchange for goods or services are measured at the fair values of the goods or services received, unless that fair value cannot be reliably measured, in which case the goods or services received are measured by reference to the fair value of the share options granted. The fair values of the goods or services received are recognised as expenses immediately, unless the goods or services qualify for recognition as assets. Corresponding adjustment has been made to equity (share-based compensation reserve).

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and a jointly controlled entity, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not be reversed in the foreseeable future.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Retirement benefits scheme

The retirement benefits scheme contributions relating to the mandatory provident fund scheme charged to the consolidated income statement represent contributions payable to the scheme by the Group at rates specified in the rules of the scheme.

The amount of contributions payable to pension scheme in jurisdictions other than Hong Kong is charged to the consolidated income statement as an expense when employees have rendered services entitling them to the contributions.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis.

Provisions

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

Borrowing costs

All borrowing costs are recognised as and included in finance costs in the consolidated income statement in the period in which they are incurred.

4. CRITICAL ACCOUNTING JUDGMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of consolidated financial statements in conformity with HKFRSs requires management to make judgments, estimates and assumption that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other source. Actual results may differ from these estimates.

Depreciation of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account the estimated residual value. The Group assesses annually the residual value and the useful life of the property, plant and equipment and if the expectation differs from the original estimates, such differences from the original estimates will impact the depreciation charges in the year in which the estimates change.

Estimated impairment of assets

At each balance sheet date, the Group reviews internal and external sources of information to identify indications that the following assets may be impaired, an impairment loss previously recognised no longer exists or may have decreased:

- property, plant and equipment;
- intangible assets;
- interest in a jointly controlled entity;
- available-for-sale investments;
- deposit paid for acquisition of an available-for-sale investment;
- deposit paid for acquisition of a subsidiary; and
- temporary payments.

If any such indication exists, the asset's recoverable amount is estimated. In addition, for intangible assets that are not yet available for use and intangible assets that have indefinite useful lives, the recoverable amount is estimated annually whether or not there is any indication of impairment. An impairment loss is recognised in the consolidated income statement whenever the carrying amount of an asset exceeds its recoverable amounts.

The sources utilised to identify indications of impairment are often subjective in nature and the Group is required to use judgment in applying such information to its business. The Group's interpretation of this information has a direct impact on whether an impairment assessment is performed as at any given balance sheet date.

If an indication of impairment is identified, such information is further subject to an exercise that requires the Group to estimate the recoverable value, representing the greater of the asset's fair value less cost to sell or its value in use. Depending on the Group's assessment of the overall materiality of the asset under review and complexity of deriving reasonable estimates of the recoverable value, the Group may perform such assessment utilising internal resources or the Group may engage external advisors to counsel the Group in making this assessment. Regardless of the resources utilised, the Group is required to make many assumptions to make this assessment, including the utilisation of such asset, the cash flows to be generated, appropriate market discount rates and the projected market and regulatory conditions. Changes in any of these assumptions could result in a material change to future estimates of the recoverable value of any asset.

Share-based payment expenses

The share-based payment expense is subject to the limitations of the Black-Scholes-Merton Option Pricing Model and the uncertainty in estimates used by management in the assumptions. The estimates include limited early exercise behaviour, expected interval and frequency of open exercise periods in the share option life, and other relevant parameters of the share option model.

Allowance for bad and doubtful debts

The policy for allowance of bad and doubtful debts of the Group is based on the evaluation of collectibility and aging analysis of accounts and on management's judgment. A considerable amount of judgment is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

5. CAPITAL RISK MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The capital structure of the Group consists of equity attributable to equity holders of the Company, comprising issued share capital and reserves.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, issue new shares, buy-backs shares or issue of new debt. No changes were made in the objectives, policies or processes for both years.

6. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

	2008 HK\$'000	2007 HK\$'000
Financial assets		
Loan receivables:		
Temporary payments	–	7,838
Deposit paid for the acquisition of an available-for-sale investment	3,283	3,000
Trade and other receivables	5,549	1,247
Pledged bank deposits	162	7,076
Bank balances and cash	80,441	24,937
	<u>89,435</u>	<u>44,098</u>
Available-for-sale investments	<u>397,885</u>	<u>140,020</u>
Financial assets at fair value through profit or loss	<u>6,689</u>	<u>6,338</u>
Financial liabilities		
Other financial liabilities:		
Other payables	2,890	1,827
	<u>2,890</u>	<u>1,827</u>

The Group's major financial instruments include available-for-sale investments, temporary payments, deposits paid for the acquisition of an available-for-sales investment, trade and other receivables, pledged bank deposits, bank balances and cash, financial assets at fair value through profit or loss and other payables. Details of these financial instruments are disclosed in respective notes. The risk associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Fair value

The fair values of financial assets and financial liabilities reported in the consolidated balance sheet approximate their carrying amounts due to their immediate or short-term maturities.

Price risk

The Group is exposed to equity price risk through its investment in listed equity securities. The management manages this exposure by maintaining a portfolio of investments with different risk and return profiles. The Group's equity price risk is mainly concentrated on equity securities quoted in the Stock Exchange. The Group currently does not have a policy to hedge the equity security price risk as the management considers the Group's exposure to equity price risk is not significant.

Credit risk

The carrying amounts of trade and other receivables included in the consolidated balance sheet represent the Group's maximum exposure to credit risk in relation to its financial assets. No other financial assets carrying a significant exposure to credit risk. The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and to maintain a balance between continuity of funding and flexibility through the use of bank borrowings.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay.

At 30 June 2008

	Within 1 year HK\$'000	Total undiscounted cash flows HK\$'000
Other payables	2,890	2,890

At 30 June 2007

	Within 1 year HK\$'000	Total undiscounted cash flows HK\$'000
Other payables	1,827	1,827

7. TURNOVER AND SEGMENT INFORMATION

Turnover represents the net amounts received and receivable for the followings :

	2008 HK\$'000	2007 HK\$'000
Provision of financial information services	3,872	2,848
Provision of credit card security device and digital network authorisation services	3,993	3,963
Trading of electronic goods and accessories	6,805	–
Others	3	27
	<u>14,673</u>	<u>6,838</u>

(a) Business segments

For management purposes, the Group is currently organised into three (2007: two) operating divisions as detailed above. These divisions are the basis on which the Group reports its primary segment information. An analysis of the Group's turnover and contributions to operating results and segmental assets and liabilities by business segments is as follows:

For the year ended 30 June

	Provision of financial information services		Provision of security device and digital network authorisation services		Trading of electronic goods and accessories		Others		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
TURNOVER										
External sales	<u>3,872</u>	<u>2,848</u>	<u>3,993</u>	<u>3,963</u>	<u>6,805</u>	<u>-</u>	<u>3</u>	<u>27</u>	<u>14,673</u>	<u>6,838</u>
SEGMENT RESULT	<u>(1,278)</u>	<u>(1,076)</u>	<u>(6,595)</u>	<u>(5,412)</u>	<u>43</u>	<u>-</u>	<u>(19)</u>	<u>(443)</u>	<u>(7,849)</u>	<u>(6,931)</u>
Unallocated corporate expenses									(76,274)	(45,143)
Finance costs									-	(466)
(Loss)/gain attributable to financial assets at fair value through profit or loss									(4,649)	1,819
Gain on disposal of available-for-sale investments									-	11,242
Gain on disposal of partial interest in a jointly controlled entity									-	920
Share of loss of a jointly controlled entity									(679)	(784)
Increase in fair value of investment properties									8,423	-
Impairment loss recognised in respect of available-for-sale investments									(98,669)	-
Impairment loss recognised in respect of deposit paid for acquisition of a subsidiary									(23,313)	-
Impairment loss recognised in respect of an intangible asset									-	(10,472)
Loss before income tax									(203,010)	(49,815)
Income tax									<u>(170)</u>	<u>6,263</u>
Loss for the year									<u>(203,180)</u>	<u>(43,552)</u>

At 30 June

	Provision of financial information services		Provision of credit card security device and digital network authorisation services		Trading of electronic goods and accessories		Others		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
ASSETS										
Segment assets	4,707	848	6,086	19,790	-	-	12	40	10,805	20,678
Investment properties									20,227	-
Interest in a jointly controlled entity									-	598
Available-for-sale investments									397,885	140,020
Temporary payments									-	7,838
Deposits paid for the acquisition of properties									-	10,104
Deposit paid for the acquisition of a subsidiary									-	100,000
Deposit paid for the acquisition of an available-for-sale investment									3,283	3,000
Unallocated corporate assets									86,891	23,257
Total assets									<u>519,091</u>	<u>305,495</u>
LIABILITIES										
Segment liabilities	1,724	1,294	1,050	1,542	-	-	-	18	2,774	2,854
Unallocated corporate liabilities									52,981	1,562
Total liabilities									<u>55,755</u>	<u>4,416</u>

For the year ended 30 June

	Provision of financial information services		Provision of credit card security device and digital network authorisation services		Trading of electronic goods and accessories		Others		Total	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
OTHER INFORMATION										
Capital additions	623	117	875	240	-	-	-	-	1,498	357
Unallocated capital expenditure									<u>2,381</u>	<u>709</u>
									<u>3,879</u>	<u>1,066</u>
Depreciation	115	34	521	478	-	-	12	47	648	559
Unallocated depreciation									<u>565</u>	<u>525</u>
									<u>1,213</u>	<u>1,084</u>
Impairment loss recognised in respect of an intangible asset	-	-	-	10,472	-	-	-	-	-	10,472
Unallocated bad debts written off									1,036	-
Allowance for bad and doubtful debts	-	-	568	500	-	-	-	-	568	500
Unallocated allowance for bad and doubtful debts									578	1,010
Unallocated share-based payment expenses									29,152	11,324
Unallocated (gain)/loss on disposal of property, plant and equipment									<u>(7)</u>	<u>16</u>

(b) Geographical segments

The following provides an analysis of the Group's turnover and contribution to loss from operations by geographical markets, irrespective of the origin of the services:

	Turnover	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Hong Kong	12,178	5,756
PRC	<u>2,495</u>	<u>1,082</u>
	<u><u>14,673</u></u>	<u><u>6,838</u></u>

The following is an analysis of the carrying amount of segment assets and capital additions analysed by the geographical area in which the assets are located:

	Carrying amount of segment assets		Capital additions	
	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Hong Kong	494,129	293,691	2,744	706
PRC	<u>24,962</u>	<u>11,804</u>	<u>1,135</u>	<u>360</u>
	<u><u>519,091</u></u>	<u><u>305,495</u></u>	<u><u>3,879</u></u>	<u><u>1,066</u></u>

8. FINANCE COSTS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Interest expenses on:		
– bank borrowings wholly repayable within five years	<u>–</u>	<u>466</u>

9. (LOSS)/GAIN ATTRIBUTABLE TO FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Gain on disposal of financial assets at fair value through profit or loss	185	1,058
Changes in fair value of financial asset at fair value through profit or loss	<u>(4,834)</u>	<u>761</u>
	<u><u>(4,649)</u></u>	<u><u>1,819</u></u>

10. LOSS BEFORE INCOME TAX

	2008 HK\$'000	2007 HK\$'000
Loss before income tax has been arrived at after charging/(crediting):		
Staff costs :		
Directors' remuneration (excluding share-based payment expenses)	22,614	12,145
Other staff costs	9,874	8,316
Contributions to retirement benefits scheme (excluding directors)	520	605
Share-based payment expenses	29,152	10,331
	<hr/>	<hr/>
Total staff costs	62,160	31,397
	<hr/>	<hr/>
Auditors' remuneration	1,340	600
Depreciation	1,213	1,084
Bad debts written off	26	–
Allowance for bad and doubtful debts	1,146	1,510
Operating lease charged on rented premises	2,591	2,501
Share-based payment expenses (excluding staff costs)	–	993
(Gain)/loss on disposal of property, plant and equipment	(7)	16
Rental income	(729)	–
Dividend income	(29)	(16)
Interest income	(1,614)	(1,072)
Exchange difference, net	(1,726)	(368)
Cost of inventories recognised as an expense	6,683	–
	<hr/> <hr/>	<hr/> <hr/>

11. INCOME TAX

	2008 HK\$'000	2007 HK\$'000
Income tax comprises:		
Provision for Hong Kong Profits Tax for the year	–	1,545
Deferred taxation (<i>Note 28</i>)	170	(7,808)
	<hr/>	<hr/>
	170	(6,263)
	<hr/> <hr/>	<hr/> <hr/>

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which includes the reduction in corporate profit tax rate by 1% to 16.5% effective from the year of assessment 2008-2009. The effect of such decrease has been reflected in measuring the current and deferred tax for the year ended 30 June 2008.

No provision for Hong Kong Profits Tax has been made in the consolidated financial statements as the Group incurred a taxation loss for the year. Hong Kong Profits Tax is calculated at 17.5% on the estimated assessable profit for the year of 2007.

No provision for taxation in other jurisdictions for both years has been made in the consolidated financial statements as neither the Company nor any of its subsidiaries had any assessable profits subject to tax in other jurisdictions.

The tax charge/(credit) for the year can be reconciled to the loss for the year per the consolidated income statement as follows :

	2008 HK\$'000	2007 HK\$'000
Loss before income tax	(203,010)	(49,815)
Tax at Hong Kong Profits Tax rate of 16.5% (2007: 17.5%)	(33,497)	(8,717)
Tax effect of expenses not deductible for tax purpose	33,067	2,311
Tax effect of income not taxable for tax purpose	(2,238)	(790)
Tax effect of tax losses not recognised	3,059	791
Effect of different tax rates of subsidiaries operating in other jurisdictions	(223)	142
Others	2	-
Tax charge/(credit) for the year	170	(6,263)

12. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to equity holders of the Company of approximately HK\$203,011,000 (2007: HK\$43,506,000) and on the weighted average number of 3,677,256,932 (2007: 2,531,963,617) ordinary shares in issue during the year.

No diluted loss per share has been presented for both years as the share options outstanding during both years had an anti-dilutive effect on the basic loss per share for both years.

13. DIRECTORS' REMUNERATION AND EMPLOYEES' REMUNERATION

(a) Directors' remuneration

The emoluments paid or payable to each of the directors for the year were as follows:

For the year ended 30 June 2008

	Other emoluments					Total HK\$'000
	Fees HK\$'000	Salaries and other emoluments HK\$'000	Discretionary bonus HK\$'000	Contributions to retirement		
				benefits scheme HK\$'000	Share-based payments HK\$'000	
Executive directors						
Wong Kam Fu	-	4,800	-	12	-	4,812
Tam Wai Keung, Billy	-	840	-	12	837	1,689
Lew Mon Hung	-	-	15,541	12	1,150	16,703
Wah Wang Kei, Jackie (Note 1)	-	490	-	3	-	493
Sin Chi Keung, Mega	-	240	-	12	84	336
Wong Hong Loong	-	480	-	12	1,150	1,642
Edward Patrick Jacobson (Note 2)	-	-	-	-	-	-
Non-executive directors						
Frank Douglas Magnus (Note 2)	-	-	-	-	-	-
Tang Yantian (Note 2)	-	-	-	-	-	-
Independent non-executive directors						
Wong Che Man, Eddy	100	-	-	-	84	184
Tang King Fai	30	-	-	-	84	114
Dai Zhongcheng	30	-	-	-	84	114
	<u>160</u>	<u>6,850</u>	<u>15,541</u>	<u>63</u>	<u>3,473</u>	<u>26,087</u>

Notes:

1. Appointed on 9 April 2008.
2. Retired on 28 November 2007.

For the year ended 30 June 2007

	Other emoluments					Total HK\$'000
	Fees HK\$'000	Salaries and other emoluments HK\$'000	Discretionary bonus HK\$'000	Contributions to retirement		
				benefits scheme HK\$'000	Share-based payments HK\$'000	
Executive directors						
Wong Kam Fu	-	4,800	200	12	-	5,012
Tam Wai Keung, Billy	-	840	33	12	271	1,156
Lew Mon Hung	-	-	5,269	12	380	5,661
Yi Xing Wu (Note 1)	-	55	-	2	-	57
Sin Chi Keung, Mega	-	240	9	12	108	369
Wong Hong Loong	-	480	20	12	678	1,190
Edward Patrick Jacobson (Note 2)	-	-	-	-	434	434
Non-executive directors						
Frank Douglas Magnus (Note 2)	-	-	-	-	434	434
Tang Yantian (Note 2)	-	-	-	-	434	434
Independent non-executive directors						
Wong Che Man, Eddy	80	-	-	-	108	188
Ha Ping (Note 3)	27	-	-	-	108	135
Tang King Fai	30	-	-	-	108	138
Dai Zhongcheng (Note 4)	-	-	-	-	-	-
	<u>137</u>	<u>6,415</u>	<u>5,531</u>	<u>62</u>	<u>3,063</u>	<u>15,208</u>

Notes:

1. Resigned on 26 August 2006.
2. Appointed on 3 January 2007.
3. Resigned on 26 May 2007.
4. Appointed on 12 June 2007.

No director waived any emoluments in both years.

The remuneration of directors is determined by the remuneration committee having regard to the performance of individuals and market trends.

(b) Employees' emoluments

Of the five individuals with the highest emoluments in the Group, three (2007: two) were executive directors of the Company whose emoluments are set out above. The emolument of the remaining two (2007: three) highest paid individuals for the year ended 30 June 2008 and 2007 are as follows:

	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Salaries and other emoluments, discretionary bonus and other benefits	152	868
Share-based payment expenses	6,247	3,039
Contributions to retirement benefits scheme	8	35
	<u>6,407</u>	<u>3,942</u>

The emoluments of the two (2007: three) highest paid employees fall in the following bands :

	No. of individual	
	2008	2007
HK\$1,000,001 to HK\$1,500,000	–	3
HK\$3,000,001 to HK\$3,500,000	2	–
	<u>2</u>	<u>3</u>

(c) During both years, no emoluments have been paid by the Group to any directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office.

14. DIVIDEND

No dividend was paid or proposed during the year, nor has any dividend been proposed since the balance sheet date (2007: nil).

15. PROPERTY, PLANT AND EQUIPMENT

	Leasehold improvement <i>HK\$'000</i>	Furniture, fixtures and equipment <i>HK\$'000</i>	Motor vehicles <i>HK\$'000</i>	Total <i>HK\$'000</i>
COST				
At 1 July 2006	644	5,329	1,846	7,819
Exchange alignment	11	31	–	42
Additions	126	940	–	1,066
Disposal	–	(239)	–	(239)
At 30 June 2007 and 1 July 2007	781	6,061	1,846	8,688
Exchange alignment	54	197	–	251
Additions	–	1,307	2,572	3,879
Disposal	–	(661)	(1,288)	(1,949)
At 30 June 2008	835	6,904	3,130	10,869
ACCUMULATED DEPRECIATION				
At 1 July 2006	325	3,831	568	4,724
Exchange alignment	4	17	–	21
Charge for the year	145	570	369	1,084
Eliminated on disposal	–	(223)	–	(223)
At 30 June 2007 and 1 July 2007	474	4,195	937	5,606
Exchange alignment	26	109	3	138
Charge for the year	105	648	460	1,213
Eliminated on disposal	–	(38)	(793)	(831)
At 30 June 2008	605	4,914	607	6,126
NET CARRYING VALUES				
At 30 June 2008	<u>230</u>	<u>1,990</u>	<u>2,523</u>	<u>4,743</u>
At 30 June 2007	<u>307</u>	<u>1,866</u>	<u>909</u>	<u>3,082</u>

The above items of property, plant and equipment are depreciated on a straight-line basis after taking into account their estimated residual value, at the following rates per annum:

Leasehold improvement	10% to 50% or over the terms of the leases whichever is shorter
Furniture, fixtures and equipment	20%
Motor vehicles	20%

16. INVESTMENT PROPERTIES

	<i>HK\$'000</i>
FAIR VALUE	
At 1 July 2006, 30 June 2007 and 1 July 2007	–
Exchange alignment	1,700
Transferred from deposits paid for acquisition of properties (<i>note 20</i>)	10,104
Net increase in fair value recognised in the consolidated income statement	<u>8,423</u>
 At 30 June 2008	 <u><u>20,227</u></u>

The Group's investment properties are situated in the PRC and are held under medium-term leases. All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 30 June 2008 have been arrived at on the basis of a valuation carried out on that date by Greater China Appraisal Limited, independent qualified professional valuers not connected with the Group. The valuation, which conforms to Hong Kong Institute of Surveyors Standards on Properties, was arrived at by reference to market evidence of transaction prices for similar properties.

17. INTANGIBLE ASSET

	Patents and technology <i>HK\$'000</i>
COST	
At 1 July 2006, 30 June 2007 and 2008	<u>85,884</u>
ACCUMULATED AMORTISATION AND IMPAIRMENT LOSS	
At 1 July 2006	75,412
Impairment loss recognised in the consolidated income statement (<i>Note</i>)	<u>10,472</u>
 At 30 June 2007 and 2008	 <u>85,884</u>
CARRYING VALUE	
At 30 June 2007 and 2008	<u><u>–</u></u>

Note: The directors of the Company had reviewed the carrying value of the Group's intangible assets as at 30 June 2007 with reference to the valuation carried out by BMI Appraisals Limited, a professional valuer independent to the Group. The recoverable amount of the intangible assets has been determined based on the value-in-use basis. Accordingly, an impairment loss of approximately HK\$10,472,000 had been recognised in the consolidated income statement for the year ended 30 June 2007.

18. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2008 HK\$'000	2007 HK\$'000
Cost of investment in an unlisted jointly controlled entity	1,832	1,832
Share of post acquisition losses	(1,832)	(1,234)
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	–	598

During the year ended 30 June 2007, the Group disposed of 10% of the equity interests in a jointly controlled entity owned by the Group for a consideration of approximately HK\$1,001,000, resulting in a gain on disposal of HK\$920,000.

Details of the Group's jointly controlled entity as at 30 June 2008 are as follows :

Name of jointly controlled entity	Form of business structure	Place of incorporation and operations	Class of equity held	Registered capital	Effective percentage of equity interests held by the Group %	Voting rights held by the Group %	Principal activity
北京一卡通電子支付科技有限公司 Beijing Superpass e-payment Co. Limited ("北京一卡通") (Note)	Incorporated	PRC	Registered capital	RMB4,580,000	40	50	Inactive

Note: The English name is for identification purpose only.

Extracts of the results and financial position of 北京一卡通 based on the unaudited management accounts as at 30 June 2008 and 2007, prepared under accounting principles generally accepted in Hong Kong are as follows:

	2008 HK\$'000	2007 HK\$'000
Turnover	<u> </u>	<u> </u>
Loss for the year	<u> </u>	<u> </u>
Group's share of loss of a jointly controlled entity	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
Total assets	2,679	3,512
Total liabilities	(2,881)	(2,017)
Net (liabilities)/assets attributable to venturers	<u> </u>	<u> </u>
	<u> </u>	<u> </u>
Group's share of net assets of a jointly controlled entity	<u> </u>	<u> </u>

The Group has discontinued recognition of its share of losses of the jointly controlled entity since the Group's share of losses in this jointly controlled entity has exceeded its interest in the jointly controlled entity. The amounts of unrecognised share of this jointly controlled entity, extracted from the relevant unaudited management account in respect of the Group's jointly controlled entity, both for the year and cumulatively, are as follows:

		2008 HK\$'000	2007 HK\$'000
Unrecognised share of losses of a jointly controlled entity for the year		369	–
Accumulated unrecognised share of losses of a jointly controlled entity		369	–
19. AVAILABLE-FOR-SALE INVESTMENTS			
	<i>Notes</i>	2008 HK\$'000	2007 HK\$'000
Unlisted equity securities, at cost			
W-Phone, Inc. ("W-Phone")	<i>(a)</i>	3,420	3,420
Madagascar Petroleum International Limited ("MPIL")	<i>(b)</i>	487,741	140,020
Easy Link Card Business Services Limited ("Easy Link Card")	<i>(c)</i>	8,813	–
		499,974	143,440
Less: Impairment loss recognised		(102,089)	(3,420)
		397,885	140,020
Analysed for reporting purposes as:			
Non-current assets		8,813	140,020
Current assets		389,072	–
		397,885	140,020

Notes:

- (a) W-Phone is a private entity incorporated in the United States of America. The unlisted investment in W-Phone are measured at cost less accumulated impairment losses at each balance sheet date because the range of reasonable fair value estimates is so significant that the directors of the Company are of the opinion that the fair value cannot be measured reliably.
- (b) MPIL is a private entity incorporated in the British Virgin Islands ("BVI"). The unlisted investment as at 30 June 2007 represented 21% equity interests in MPIL, held by two wholly-owned subsidiaries of the Company namely Hopestar Group Limited and Dorson Group Limited. The board of directors of MPIL comprised of three directors, one of whom was nominated by the Company. However, the directors of the Company were of the opinion that a substantial or majority ownership was held by another investor who actually precluded them from having significant influence in MPIL. Therefore, the investment in MPIL was regarded as available-for-sale investment and was measured at cost less accumulated impairment losses at 30 June 2007.

During the year ended 30 June 2008, the Group further increased its equity interests in MPIL by 15% through the acquisition of the entire share capital of Dormer Group Limited (“Dormer”), a limited company incorporated in the BVI, as to 96.66% from Udaya Holdings Limited at a consideration of HK\$335,921,000, and as to 3.34% from Luck Express Consultants Limited at a consideration of HK\$11,800,000. The aggregate consideration of HK\$347,721,000 was settled by (i) the HK\$100,000,000 deposit paid as at 30 June 2007; (ii) 413,896,104 new shares of the Company of HK\$0.01 each issued at published price of HK\$0.57 per share on 30 July 2007; and (iii) HK\$11,800,000 in cash. Accordingly the effective interest in MPIL held by the Group increased from 21% to 36%. Regardless of the increased shareholding in MPIL, the directors of the Company were still of the opinion that a substantial or majority ownership was held by another investor who actually precluded them from having significant influence in MPIL. Therefore, the investment in MPIL was continued to be regarded as an available-for-sale investment and was measured at cost less accumulated impairment losses as at 30 June 2008.

To the best knowledge of directors, MPIL is an investment holding company incorporated in June 2005 and has not commenced any significant business operations other than the entering into the oil and gas product sharing agreement (the “Product Sharing Agreement”) on 7 October 2005 with Office Des Mines Nationales Et Des Industries Strategiques (“OMNIS”), the English translation being “The National Office for Mining and Strategic Industries” of the Republic of Madagascar and the service agreement (the “Service Agreement”) with BGP Inc., in respect of an onshore block of land (“Block 2104”) of approximately 20,100 square kilometers in the Republic of Madagascar for oil and gas exploitation and operation.

Pursuant to the Product Sharing Agreement, MPIL has the rights of exploitation and operation in respect of Block 2104 and the right for 45% to 73% (the actual percentage depends on the rate of daily crude oil production in the Block 2104 and the more barrels per day Block 2104 produces, the lower percentage of profit that MPIL can share) of the product (or the profit thereof) sharing for a minimum term of 25 years commencing from 7 October 2005. MPIL would be responsible for the arrangement of the required capital commitment, human resources and equipment for the project development of oil and gas in Block 2104 whereas OMNIS would be entitled to the benefit under the product sharing arrangement on the basis of the pre-agreed ratio under the Product Sharing Agreement. Pursuant to the Service Agreement, BGP Inc. will provide exploration and data collection, processing and analysing services to MPIL regarding the Block 2104. Based on the information disclosed by the management of MPIL and the vendors to the Company, MPIL did not have any long term liability as at the balance sheet date of 30 June 2008 (save for the commitment, cost and expenses incurred and to be incurred pursuant to the Product Sharing Agreement and the Service Agreement).

On 17 April 2008, the Company entered into an agreement with a wholly-owned subsidiary of Sino Union Petroleum & Chemical International Limited (“SUNPEC”), the shares of which are traded on the Stock Exchange. Pursuant to the agreement, the Company has conditionally agreed to dispose of its 36% equity interests (“Disposal”) in MPIL at a total consideration of HK\$810 million to be satisfied by HK\$100 million in cash and HK\$710 million by the issue and allotment by SUNPEC of 253,571,428 consideration shares at HK\$2.8 per consideration share. On 22 May 2008, the Company has duly received the HK\$50,000,000 deposit from SUNPEC in connection to the Disposal.

Subsequent to the balance sheet date, the disposal was completed on 7 August 2008 (“Completion Date”) as set out in note 37(b). The Company has duly received the remaining portion of the cash consideration amounted to HK\$50,000,000 and 253,571,428 new shares of SUNPEC. Based on the published share price of SUNPEC on the Completion Date, impairment loss of approximately HK\$98,669,000 was recognised in the consolidated income statement for the year ended 30 June 2008.

- (c) On 25 September 2006, Star EPS.com (HK) Limited (“Star EPS (HK)”), a wholly-owned subsidiary of the Company, entered into a sale and purchase agreement with an independent third party to acquire 10% of the entire registered capital of 廣州易聯商業服務有限公司 (“廣州易聯”), a limited liability company incorporated under the laws of the PRC, at consideration of RMB3,000,000 (equivalent to approximately HK\$3,000,000). The consideration has been fully paid as at 30 June 2007.

On 20 December 2007, Star EPS (HK), entered into another agreement for transferring the deposit paid of RMB3,000,000 to the immediate holding company of 廣州易聯, Easy Link Card, which is incorporated in Hong Kong and holds the entire issued capital of 廣州易聯 as a consideration to acquire 10% of the entire issued capital of Easy Link Card. During the year ended 30 June 2008, Star EPS (HK) further contributed HK\$5,813,000 to acquire an additional 9% equity interests of Easy Link Card. The acquisition was completed on 5 February 2008. Accordingly, the Group held an aggregate of 19% equity interests in Easy Link Card as at 30 June 2008.

20. DEPOSITS PAID FOR ACQUISITION OF PROPERTIES

The amount represents deposits paid for the acquisition of properties as offices in Beijing. In the opinion of the directors, the deposits are non-refundable and therefore classified as non-current assets. During the year ended 30 June 2008, the acquisition was completed upon the approval by the relevant PRC authorities and accordingly the deposits were transferred to investment properties as set out in note 16.

21. TEMPORARY PAYMENTS

On 22 May 2007, the Group entered into an agreement for the option to purchase potential oil assets (“Potential Assets”) with Templeton Global Limited (“Templeton Global”). Pursuant to the agreement, the Group was granted with an option (“Purchase Option”) to purchase the Potential Assets.

The Potential Assets principally comprise a 60% interest in Кей-Ай-Ойл Кызылорда (“KAOK”), a limited liability company formed under the laws of Kazakhstan. KAOK holds 100% of the mineral right to develop certain oil fields with an area size of 42.2 square kilometer in Aktyubinsk, Kazakhstan which has estimated reserves in excess of 30 million barrels of oil. The mineral right held by KAOK is an oil exploitation and operation agreement dated 15 October 2004 and made between the National Office for Energy and Mining of the Republic of Kazakhstan and the KAOK for a maximum term of 9 years.

The consideration payable for the Purchase Option is a nominal amount of US\$100 (equivalent to approximately HK\$780). The Company may elect to exercise the Purchase Option by giving notice in writing to Templeton Global from 22 May 2007 to 31 October 2007 (“the Exercise Period”). During the Exercise Period, the Group was entitled to conduct due diligence investigations in respect of the Potential Assets. In order to ensure that the Group acts expeditiously regarding the review and assessment of the acquisition of Potential Assets, the Group had placed a deposit of US\$1 million (equivalent to approximately HK\$7,837,000) with Templeton Global. The deposit would be repayable to the Group if the Company elected not to pursue the acquisition.

If the Group elects to exercise the Purchase Option, the purchase price payable by the Company to Templeton Global should be an amount equal to but not exceeding US\$18 million subject to adjustment for cash and debt.

In addition, an independent consultant had been appointed for the transaction (the “Consultant”). The consideration for the service rendered amounted to US\$1 million (the “Service Fee”). Both parties have agreed in writing that the Service Fee would be payable by the Group if it failed to enter into a formal sale and purchase agreement with Templeton Global in respect to the acquisition of the Potential Assets on or before 31 October 2007. Otherwise, the Service Fee would be payable by Templeton Global.

During the year ended 30 June 2008, the Group failed to conclude a formal sale and purchase agreement with Templeton Global in connection with the acquisition of the Potential Assets. Accordingly, Templeton Global refunded the entire temporary payment of approximately HK\$7,837,000 to the Consultant directly to settle the Service Fee under the instruction of the Company. This constituted a non-cash transaction and details were set out in note 31.

22. DEPOSIT PAID FOR THE ACQUISITION OF AN AVAILABLE-FOR-SALE INVESTMENT

As at 30 June 2007, the Group had paid a deposit of RMB3,000,000 (equivalent to approximately HK\$3,000,000) for the acquisition of 10% equity interests in 廣州易聯. The acquisition was completed during the current year and respective deposit was transferred to available-for-sale investments as set out in note 19(c).

On 24 January 2008, Star Financial Limited, a wholly-owned subsidiary of the Company, entered into a share transfer agreement to acquire 7% equity interests of an unlisted company. During the year ended 30 June 2008, the Company paid RMB3,000,000 (equivalent to HK\$3,283,000), as a deposit for the acquisition of an available-for-sale investment. As of the date of approval of the consolidated financial statements, the Group was still in the process of obtaining the legal title of the relevant investment.

23. DEPOSIT PAID FOR THE ACQUISITION OF A SUBSIDIARY

On 23 October 2007, Triple Winner International Limited (“Triple Winner”), a wholly-owned subsidiary of the Company entered into a framework agreement (the “Framework Agreement”) with Guoye PRC Inc. (“Guoye”) in relation to the acquisition of 51% equity interests in Mongol Oil Shale LLC which holds coal resources in Mongolia (the “Proposed Acquisition”). As at 30 June 2008, the Company paid a refundable cash deposit of US\$3,000,000 (equivalent to approximately HK\$23,313,000) to Guoye.

Pursuant to the terms as set out in the Framework Agreement, if Triple Winner and Guoye fail to enter into a definitive agreement in relation to the Proposed Acquisition on or before 31 January 2008, the Framework Agreement shall lapse and the parties have no further obligation to each other, save and except that Guoye shall refund to Triple Winner the deposit paid in the amount of US\$3,000,000 without interest.

Since Triple Winner and Guoye did not enter into any definitive agreement on or before 31 January 2008, the Framework Agreement lapsed. On 7 March 2008, Guoye brought an action in High Court against Triple Winner and the Company for the damages for the breach of the Framework Agreement. Accordingly, the Company and Triple Winner brought an action in High Court against Guoye on 11 August 2008 to recover the deposit of US\$3,000,000 which has been paid to Guoye. Details of the litigation are set out in note 35.

The Group is seeking to resolve the litigation, however the timing and the final amounts involved are uncertain and in this regard, a full impairment of the refundable deposit of HK\$23,313,000 paid to Guoye was recognised in the consolidated income statement for the year ended 30 June 2008.

24. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 days to its trade customers. Included in trade and other receivables are trade debtors with the following ageing analysis:

	2008 HK\$'000	2007 HK\$'000
0–60 days	3,350	550
61–90 days	56	510
Over 90 days	12	296
	<u>3,418</u>	<u>1,356</u>
Trade receivables	3,418	1,356
Other receivables	3,889	2,656
Less:		
Allowance for bad and doubtful debts	(1,646)	(1,510)
	<u>2,243</u>	<u>1,146</u>
	<u>5,661</u>	<u>2,502</u>

Movement in the allowance for bad and doubtful debts:

	2008 HK\$'000	2007 HK\$'000
Balance at beginning of the year	1,510	–
Amount written off as uncollectible	(1,010)	–
Increase in impairment on other receivables	1,146	1,510
	<u>1,646</u>	<u>1,510</u>
Balance at the end of the year	<u>1,646</u>	<u>1,510</u>

At balance sheet date, the Group's trade receivables were individually determined to be impaired. The individually impaired receivables are recognised based on the credit history of its customers, such as financial difficulties or default in payments, and current market conditions. The Group does not hold any collateral over these balances.

Based on past experience, the management believes that no impairment allowance is necessary in respect of these past due but not impaired balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

Ageing of trade receivables which are past due but not impaired:

	2008 HK\$'000	2007 HK\$'000
0–60 days	137	–
61–90 days	56	510
Over 90 days	12	296
	<u>205</u>	<u>806</u>
Total	<u>205</u>	<u>806</u>

25. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2008 HK\$'000	2007 HK\$'000
Listed equity securities held for trading, at fair value	<u>6,689</u>	<u>6,338</u>

26. PLEDGED BANK DEPOSITS AND BANK BALANCES AND CASH

Included in the pledged bank deposits, there was approximately HK\$162,000 (2007: HK\$158,000) pledged to a bank to secure a merchant account of a subsidiary. No bank deposit (2007: HK\$6,918,000) was pledged to a bank to secure the general banking facilities granted to a subsidiary.

The pledged deposits carry fixed interest rate ranging from 0.9125% to 3.4125% per annum (2007: 2.8125% to 5.1% per annum).

Bank balances carry interest at market rates which range from 0.35% to 5.7875% per annum (2007: 2.7875% to 5.1% per annum).

27. BANK BORROWINGS

At the balance sheet dates, the Group has the following undrawn borrowing facilities:

	2008 HK\$'000	2007 HK\$'000
Floating rate		
– expiring within one year	<u>–</u>	<u>7,000</u>

At 30 June 2007, the general banking facilities granted to a subsidiary were secured by the pledged bank deposits of HK\$6,918,000 (note 26).

28. DEFERRED TAXATION

The components of deferred tax liabilities recognised in the consolidated balance sheet and its movement during the year are as follow:

	Property, plant and equipment HK\$'000	Intangible asset HK\$'000	Total HK\$'000
At 1 July 2005 and 30 June 2006	–	7,808	7,808
Credit to consolidated income statement for the year	<u>–</u>	<u>(7,808)</u>	<u>(7,808)</u>
At 30 June 2007	–	–	–
Charge to consolidated income statement for the year	<u>170</u>	<u>–</u>	<u>170</u>
At 30 June 2008	<u>170</u>	<u>–</u>	<u>170</u>

At the balance sheet date, the Group has estimated the unused tax losses of approximately HK\$197,152,000 (2007: HK\$178,903,000) available for offset against future profits. No deferred tax asset has been recognised in respect of the unused tax losses due to the unpredictability of future profits stream. Included in unrecognised tax losses are losses of approximately HK\$4,874,000 (2007: nil) that will expire in 2013. Other losses may be carried forward indefinitely.

29. SHARE CAPITAL

	Number of shares	Value HK\$'000
Authorised:		
Ordinary shares of HK\$0.01 each at 1 July 2006, 30 June 2007 and 30 June 2008	60,000,000,000	600,000
Issued and fully paid:		
Ordinary shares of HK\$0.01 each at 1 July 2006	2,399,314,349	23,993
Issue of shares (<i>Note d</i>)	479,000,000	4,790
Issue of shares upon exercise of share options (<i>Note e</i>)	265,999,996	2,660
Ordinary shares of HK\$0.01 each at 30 June 2007 and 1 July 2007	3,144,314,345	31,443
Issue of shares (<i>Note a</i>)	181,800,000	1,818
Issue of shares for acquisition of a subsidiary (<i>Note b</i>)	413,896,104	4,139
Issue of shares upon exercise of share options (<i>Note c</i>)	833,333	8
Ordinary shares of HK\$0.01 each at 30 June 2008	3,740,843,782	37,408

The movements in the ordinary share capital for the year ended 30 June 2008 are as follows:

- (a) On 31 July 2007, 81,800,000 shares of HK\$0.01 each were issued and allotted to independent third parties at a price of HK\$0.63 per share under private share placements.
- On 27 September 2007, 100,000,000 shares of HK\$0.01 each were issued and allotted to independent third parties at a price of HK\$0.47 per share under private share placements.
- (b) As part of the consideration for the acquisition of a subsidiary, 413,896,104 shares of HK\$0.01 each were issued and allotted to vendors at a price of HK\$0.57 per share on 30 July 2007. The fair value of the ordinary share of the Company, determined by the published price available at the date of acquisition was HK\$0.57 per share.
- (c) On 13 July 2007, 17 July 2007 and 23 July 2007 respectively, 833,333 share options were exercised by the directors of the Company at a subscription price of HK\$0.348 per share for a total consideration of approximately HK\$289,000 resulting in the issue of 833,333 new shares of HK\$0.01 each.

The movements in the ordinary share capital for the year ended 30 June 2007 are as follows:

- (d) On 26 April 2007, 479,000,000 shares of HK\$0.01 each were issued and allotted to the independent third parties at a price of HK\$0.245 per share.
- (e) During the year, 165,000,000, 30,500,000, 18,000,000 and 52,499,996 shares options were exercised by the directors, employees and consultants of the Company at subscription prices of HK\$0.132, HK\$0.152, HK\$0.153 and HK\$0.348 respectively for a total consideration of approximately HK\$47,440,000 resulting in the issue of 265,999,996 new shares of HK\$0.01 each.

All the new ordinary shares issued during the year ended 30 June 2007 and 2008 ranked *pari passu* in all respects with the then existing ordinary shares of the Company.

30. SHARE-BASED PAYMENT TRANSACTIONS

The Company's share option scheme was adopted pursuant to a resolution passed on 30 July 2004 (the "2004 Scheme"), for the purpose of providing incentives or rewards to directors, employees, invested entities, suppliers and customers of the Group and entities that provide research, development or technological support or other services to the Group, any shareholders of any members of the Group or any invested entities or any holders of any securities issued by any members of the Group or any invested entities, and will expire on 29 July 2014. Under the 2004 Scheme, the Board of Directors of the Company may grant options to eligible employees, including executive directors of the Company or any subsidiaries, to subscribe for shares in the Company.

The maximum number of shares of the Company which may be issued upon exercise of all outstanding options granted and yet to be exercised under the 2004 Scheme or any other share option scheme adopted by the Company must not in aggregate exceed 30% of its issued share capital from time to time. The total number of shares which may be issued upon exercise of all options to be granted under the 2004 Scheme and any other share option scheme of the Group must not in aggregate exceed 10% of the shares in issue unless it is approved by shareholders in a general meeting of the Company. The maximum number of shares issuable under the options to each eligible participant in any 12-month period is limited to 1% of the shares in issue unless it is approved by shareholder in a general meeting of the Company. Any grant of options under the 2004 Scheme to a director, chief executive or substantial shareholder of the Company or any of their respective associates must be approved by independent non-executive directors (excluding any independent non-executive director who is the grantee of the options). Any share options granted to a substantial shareholder or an independent non-executive director of the Company or to any of their respective associates, in excess of 0.1% of the shares in issue and with an aggregate value (based on the closing price of the shares at the date of grant) in excess of HK\$5 million, in any 12-month period, are subject to shareholders' approval in a general meeting of the Company.

At 30 June 2008, the number of shares of the Company in respect of which options had remained outstanding under the 2004 Scheme of the Company was 355,480,000 (2007: 25,566,666), representing 9.5% (2007: 0.81%) of the shares of the Company in issue at that date.

Total consideration received during the year from eligible participants for taking up the options granted during the year is HK\$35 (2007: HK\$21).

Options granted must be taken up within 28 days of the date of grant, upon payment of HK\$1 as the consideration for accepting the grant. The exercise period of the share options granted under the 2004 Scheme shall be determined by the Board of Directors when such options are granted, provided that such period shall not end more than 10 years from the date of grant.

The exercise price is determined by the Board of Directors of the Company, and will not be less than the highest of the closing price of the Company's shares at the date of grant, the average closing price of the Company's shares for the five trading days immediately preceding the date of grant and the nominal value of the Company's shares.

- (a) The following table disclosed the movements of the Company's share options for year ended 30 June 2008:

Category of participants	Date of grant	Exercise price per share HK\$	Outstanding at 1 July 2007	Granted during the year	Exercised during the year	Cancelled/lapsed during the year	Outstanding at 30 June 2008
Directors	07.02.2006	0.348	1,166,666	-	(833,333)	(333,333)	-
	03.01.2007	0.152	24,000,000	-	-	-	24,000,000
	08.01.2008	0.255	-	61,480,000	-	-	61,480,000
Employees of the Group	08.01.2008	0.255	-	271,000,000	-	(19,000,000)	252,000,000
	16.04.2008	0.255	-	18,000,000	-	-	18,000,000
Others	02.04.2007	0.228	400,000	-	-	(400,000)	-
			<u>25,566,666</u>	<u>350,480,000</u>	<u>(833,333)</u>	<u>(19,733,333)</u>	<u>355,480,000</u>
Exercisable at the end of the year							<u>355,480,000</u>

The following table disclosed movements of the Company's share options for year ended 30 June 2007:

Category of participants	Date of grant	Exercise price per share HK\$	Outstanding at 1 July 2006	Granted during the year	Exercised during the year	Cancelled/lapsed during the year	Outstanding at 30 June 2007
Directors	18.10.2004	0.402	41,666,665	-	-	(41,666,665)	-
	04.11.2004	0.360	333,332	-	-	(333,332)	-
	02.11.2005	0.282	1,666,666	-	-	(1,666,666)	-
	07.02.2006	0.348	48,666,664	-	(47,166,665)	(333,333)	1,166,666
	03.01.2007	0.152	-	56,500,000	(30,500,000)	(2,000,000)	24,000,000
Employees of the Group	04.11.2004	0.360	6,913,328	-	-	(6,913,328)	-
	21.01.2005	0.408	3,333,333	-	-	(3,333,333)	-
	07.02.2006	0.348	3,201,665	-	-	(3,201,665)	-
	28.12.2006	0.132	-	165,000,000	(165,000,000)	-	-
Others	09.11.2005	0.348	3,333,332	-	(3,333,332)	-	-
	10.11.2005	0.360	7,499,998	-	-	(7,499,998)	-
	25.11.2005	0.360	2,499,999	-	-	(2,499,999)	-
	28.11.2005	0.360	333,333	-	-	(333,333)	-
	01.12.2005	0.360	3,333,332	-	-	(3,333,332)	-
	07.02.2006	0.348	1,999,999	-	(1,999,999)	-	-
	05.02.2007	0.153	-	18,000,000	(18,000,000)	-	-
	02.04.2007	0.228	-	400,000	-	-	400,000
			<u>124,781,646</u>	<u>239,900,000</u>	<u>(265,999,996)</u>	<u>(73,114,984)</u>	<u>25,566,666</u>
Exercisable at the end of the year							<u>25,566,666</u>

- (b) Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2008		2007	
	Number of share options	Weighted average exercise price HK\$	Number of share options	Weighted average exercise price HK\$
2004 Scheme				
Outstanding at beginning of the year	25,566,666	0.1621	124,781,646	0.3688
Granted during the year	350,480,000	0.2550	239,900,000	0.1384
Exercised during the year	833,333	0.3480	265,999,996	0.1783
Cancelled/lapsed during the year	19,733,333	0.2560	73,114,984	0.3781
Outstanding at end of the year	355,480,000	0.2480	25,566,666	0.1621
Exercisable at end of the year	355,480,000	0.2480	25,566,666	0.1621

- (c) In respect of the share options exercised during the year, the weighted average share price at the dates of exercise is HK\$0.6448 (2007: HK\$0.3342).
- (d) During the year ended 30 June 2008, options were granted at the following dates and the respective estimated fair values are as follows:

	Date of grant	
	08.01.2008	16.04.2008
No. of share options granted	332,480,000	18,000,000
Estimated fair values of share options granted (HK\$'000)	27,842	1,310

During the year ended 30 June 2007, options were granted at the following dates and the respective estimated fair values are as follows:

	Date of grant			
	28.12.2006	03.01.2007	05.02.2007	02.04.2007
No. of share options granted	165,000,000	56,500,000	18,000,000	400,000
Estimated fair values of share options granted (HK\$'000)	7,260	3,064	965	35

- (e) The fair values of the share options granted for the year ended 30 June 2008 and 30 June 2007 were valued by RHL Appraisal Limited and LCH (Asia-Pacific) Surveyors Limited respectively.

The fair values were valued using Black-Scholes-Merton Option Pricing Model. The inputs into the model during the year ended 30 June 2008 were as follow:

Variables	Date of grant	
	08.01.2008	16.04.2008
Closing share price at date of grant (HK\$)	0.250	0.204
Exercise price (HK\$)	0.255	0.255
Risk free rate (i)	2.69%	0.99%
Expected volatility (ii)	86.14%	75.77%
Expiration of the option	1 year	1 year
Expected dividend yield (iii)	0%	0%

The inputs into the model during the year ended 30 June 2007 were as follow:

Variables	Date of grant			
	28.12.2006	03.01.2007	05.02.2007	02.04.2007
Closing share price at date of grant (HK\$)	0.132	0.152	0.152	0.228
Exercise price (HK\$)	0.132	0.152	0.153	0.228
Risk free rate (i)	3.48%	3.57%	4.05%	3.57%
Expected volatility (iv)	92%	89.44%	88.59%	95.18%
Expiration of the option	1 year	1 year	1 year	0.58 year
Expected dividend yield (iii)	0%	0%	0%	0%

- (i) The applicable risk-free rate was the yield from 6 months to 1 year Hong Kong Monetary Authority exchange fund bills quoted at the respective grant date.
- (ii) The historical volatility rate of the share price of the Company was determined with reference to the 365 days historical share prices of the Company by excluding abnormal price fluctuation due to its corporate events.
- (iii) The expected dividend yield was based on historical dividend payment record of the Group.
- (iv) The historical volatility rate of the share price of the Company was determined with reference to the 180 days historical share prices of the Company before the respective grant date.

The Group recognised the total expenses of approximately HK\$29,152,000 for the year (2007: approximately HK\$11,324,000) in relation to share options granted by the Company.

31. MAJOR NON-CASH TRANSACTIONS

During the year ended 30 June 2008, the Group had the following major non-cash transactions:

- The consideration for acquisition of 100% interests in Dormer was partly settled by the Company's issue of 413,896,104 ordinary shares at HK\$0.57 per share, totaling approximately HK\$235,921,000, as set out in note 29(b) and note 32.
- The Company settled the Service Fee of HK\$7,837,000 by the refund of the entire temporary payment from Templeton Global as set out in note 21.
- The Group purchased a motor vehicle at a consideration of HK\$1,379,000 which was partly settled by trading-in of an existing motor vehicle with a net carrying value of HK\$495,000 at a transfer value of HK\$460,000.

No major non-cash transaction occurred during the year ended 30 June 2007.

32. ACQUISITION OF A SUBSIDIARY

The Group acquired a subsidiary namely Dormer with 96.66% of the issued share capital on 30 July 2007 for considerations of approximately HK\$335,921,000. This acquisition of subsidiary has been accounted for using the purchase method. As at the acquisition date, Dormer's sole asset is 15% equity interests in MPIL. Upon acquisition of Dormer, the Group effectively held 14.5% equity interests in MPIL and which was considered as available-for-sale investment of the Group.

Subsequently on 5 November 2007, the Group further acquired the remaining 3.34% of the issued share capital of Dormer at a cash consideration of HK\$11,800,000 and accordingly, Dormer became a wholly-owned subsidiary of the Group.

In the opinion of the directors, the fair value of the identifiable assets and liabilities of the subsidiaries acquired during the year ended 30 June 2008 have no significant difference from their respective carrying amounts. The net asset acquired in the transaction, and the identified asset arising, are as follows:

	Acquirees' carrying amount HK\$'000
Net assets acquired:	
Available-for-sale investment	347,721
Consideration is satisfied by:	
Cash	11,800
Deposit paid for the acquisition of a subsidiary (<i>note 19b</i>)	100,000
Shares issued (<i>Note</i>)	235,921
	<u>347,721</u>

Dormer did not contribute any revenue or profit to the Group for the period between the date of acquisition and the balance sheet date. If the acquisition had been completed on 1 July 2007, Dormer also did not contribute any revenue or profit to the Group for the year. The pro forma information is for illustrative purposes only and is not necessarily an indication of revenue and results of operations of the Group that actually would have been achieved had the acquisition been completed on 1 July 2007, nor is it intended to be a projection of future results.

The outflow of cash and cash equivalents in respect of the purchase of a subsidiary were HK\$11,800,000 for the year.

There was no acquisition of subsidiary during the year ended 30 June 2007.

Note: As part of the consideration for the acquisition of Dormer, 413,896,104 ordinary shares of the Company with par value of HK\$0.01 each were issued. The fair value of the ordinary shares of the Company, determined using the published price available at the date of the acquisition, amounted to approximately HK\$235,921,000. Details of which were set out in note 29(b).

33. OPERATING LEASES

The Group as lessee

Operating lease commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	2008 HK\$'000	2007 HK\$'000
Within one year	1,076	1,553
In the second to fifth year inclusive	<u>250</u>	<u>432</u>
	<u>1,326</u>	<u>1,985</u>

Operating lease payments represent rental payables by the Group for certain of its office properties and warehouse. Leases are negotiated for terms ranging from one to two years.

Operating lease commitments for future minimum lease payment under non-cancellable operating leases of a jointly controlled entity in respect of land and buildings which fall due as follows:

	2008 HK\$'000	2007 HK\$'000
Within one year	–	133

Operating lease payments represent rental payables by a jointly controlled entity of the Group for certain of its office premises. Leases are negotiated for a one-year term.

The Group as lessor

Property rental income earned during the year was approximately HK\$729,000. All of the properties held have committed tenants for the next two years. They generated a rental yield of 3.6% (2007: nil) for the year ended 30 June 2008.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	2008 HK\$'000	2007 HK\$'000
Within one year	1,024	–
In the second to fifth year inclusive	939	–
	<u>1,963</u>	<u>–</u>

34. CAPITAL COMMITMENTS

At the balance sheet date, the Group had the following commitments, so far as not provided for in the consolidated financial statements, in respect of:

	2008 HK\$'000	2007 HK\$'000
Authorised and contracted for		
– acquisition of interests in subsidiaries	–	255,742
	<u>–</u>	<u>255,742</u>
– acquisition of property, plant and equipment	227	–
	<u>227</u>	<u>–</u>
Authorised but not contracted for		
– capital injection in a subsidiary	4,368	–
	<u>4,368</u>	<u>–</u>

35. CONTINGENT LIABILITIES

As at 30 June 2008, a number of lawsuits and claims arising from acquisition of subsidiaries were lodged against and by the Group which remains outstanding as at the date of these financial statements as follow:

- (a) On 7 March 2008, Guoye brought an action in High Court of Hong Kong under HCA 364 of 2008 against Triple Winner and the Company for damages for breach of the Framework Agreement dated 23 October 2007 together with interest and/or further relief and costs (the "1st Damages"). The writ was served on the Company on 11 March 2008 and on Triple Winner on 6 June 2008. Accordingly, Acknowledgement of Services was filed by the Company on 20 March 2008 and by Triple Winner on 2 July 2008. On 27 August 2008, the statement of claims was served on the Company and Triple Winner for the 1st Damages.

On 11 August 2008, the Company and Triple Winner brought an action in High Court of Hong Kong under HCA 1492 of 2008 against Guoye for recovery of the deposit of US\$3,000,000 which was paid to Guoye under the agreement dated 23 October 2007, with interests, damages and/or relief and costs.

With the advices by the Group's legal adviser, the directors of the Company are of the opinion that the Group has proper and valid defence to Guoye's action, accordingly, no provision has been provided for the year ended 30 June 2008 in respect of the 1st Damages and any legal costs associated with this litigation.

- (b) On 23 April 2008, Ms. Susan So ("Susan"), a director of Guoye, brought an action in High Court of Hong Kong under HCA 699 of 2008 against the Company for damages for breach of the consultancy service agreement to be assessed, interest and other relief and costs (the "2nd Damages"). The Company has already filed a defence on 3 June 2008. On 11 August 2008, the Company brought an action in High Court of Hong Kong under HCA 1493 of 2008 against Susan for the 2nd Damages.

The legal advisers of the Group on these claims are of opinion that the Group has a reasonably good chance to resist the claim of Susan and has a valid claim against Susan. No provision has been provided for the year ended 30 June 2008 in respect of the 2nd Damages and legal costs associated with this litigation.

36. RETIREMENT BENEFITS SCHEME

The Group participates in a pension scheme, which was registered under the Mandatory Provident Fund Schemes Ordinance (the "MPF Ordinance"), for all its employees in Hong Kong. The scheme is a defined contribution scheme effective from December 2000 and is funded by contributions from employer and employees according to the provisions of the MPF Ordinance. During the year under review, the total amount contributed by the Group to the scheme and charged to the consolidated income statement was HK\$268,000 (2007: HK\$267,000) and no contributions were forfeited.

The employees in the subsidiaries in the PRC are members of the state-sponsored pension scheme operated by the government in the PRC. The subsidiaries in the PRC are required to contribute a certain percentage of their payroll to the pension scheme to fund the benefits. The only obligation of the Group with respect to the pension scheme is to make the required contributions under the scheme. During the year, the total amount contributed by the Group to the scheme and charged to the consolidated income statement was HK\$315,000 (2007: HK\$400,000).

37. POST BALANCE SHEET EVENTS

- (a) On 5 March 2008, Greatest Rise Investment Limited, a wholly-owned subsidiary of the Company has entered into a sale and purchase agreement with Clear Smooth Investment Limited ("Clear Smooth") in relation to the acquisition of 51% of the issued shares capital of Mongol Oil Shale LLC, a company incorporated in Mongolia.

The consideration of the acquisition is a sum of US\$45 million (equivalent to approximately HK\$351 million) and shall be satisfied (i) as to US\$30 million (equivalent to approximately HK\$234 million) in cash and (ii) as to US\$15 million (equivalent to approximately HK\$117 million) by issue of convertible notes by the Company to Clear Smooth or its nominee.

Subsequent on 7 August 2008, Greatest Rise Investment Limited entered into a termination agreement with Clear Smooth to terminate the sale and purchases agreement with effect from the date of the termination agreement, and waive all existing and future claims which it has or may have against the other in respect of the matters in connection with the sale and purchase agreement. As no consideration was paid up to 30 June 2008, the termination will not have any financial impact to the Group.

- (b) As set out in note 19(b), the Company entered into an agreement with a wholly-owned subsidiary of SUNPEC on 17 April 2008 to dispose of its 36% equity interests in MPIL. On 7 August 2008, as all of the conditions precedent to the completion have been satisfied, the disposal was completed. The Company has duly received the remaining portion of the cash consideration amounted to HK\$50,000,000 and 253,571,428 new shares of SUNPEC.

After the completion for the transaction, the Company will hold approximately 4.46% equity interests in SUNPEC and which will be accounted for as an available-for-sales investment of the Group.

38. RELATED PARTY TRANSACTIONS

- (a) During the year, the Group entered into the following transactions with related parties:

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Consultancy service fee paid by the Group	<i>(i)</i>	180	–
Sales of property, plant and equipment by the Group	<i>(ii)</i>	582	–
Service fee received by the Group	<i>(iii)</i>	237	–
Rental income received/receivable by the Group	<i>(iv)</i>	644	–
Allowance for bad and doubtful debts for rental receivables	<i>(iv)</i>	578	–
		<u> </u>	<u> </u>

- i. It represents investment consultancy service fee paid to Mr. Yi Xing Wu, a substantial shareholder of the Company.
- ii. The property, plant and equipment was sold to 廣州易聯 in which the Group held 19% equity interests as at 30 June 2008.
- iii. Service fee received from 廣州易聯.
- iv. Rental income from 北京一卡通 which is a jointly-controlled entity of the Company. Allowance for bad and doubtful debts for corresponding rental receivables amounting to approximately HK\$578,000 was provided during the year.

(b) Key management personnel compensation

	2008 HK\$'000	2007 HK\$'000
Salaries, bonus and other benefits	24,301	13,181
Share-based payments (<i>Note</i>)	5,399	3,240
Contributions to retirement benefits scheme	84	87
	<u>29,784</u>	<u>16,508</u>

Note: Share option benefits represent fair value at grant date of share options issue under 2004 Scheme charged to the consolidated income statement during the year disregarding whether the options have been vested/exercised or not.

39. BALANCE SHEET OF THE COMPANY

As at 30 June 2008

	<i>Notes</i>	2008 <i>HK\$'000</i>	2007 <i>HK\$'000</i>
Non-current assets			
Property, plant and equipment		40	68
Investments in subsidiaries		140,020	140,020
Amounts due from subsidiaries	<i>(a)</i>	<u>162,124</u>	<u>–</u>
		<u>302,184</u>	<u>140,088</u>
Current assets			
Other receivables		619	116
Bank balances and cash		<u>74,754</u>	<u>11,020</u>
		<u>75,373</u>	<u>11,136</u>
Current liabilities			
Other payables		1,114	862
Deposit received for disposal of an available-for-sale investment		<u>50,000</u>	<u>–</u>
		<u>51,114</u>	<u>862</u>
Net current assets		<u>24,259</u>	<u>10,274</u>
Total assets less current liabilities		<u>326,443</u>	<u>150,362</u>
Non-current liability			
Amounts due to subsidiaries	<i>(a)</i>	<u>71,278</u>	<u>71,295</u>
Net assets		<u><u>255,165</u></u>	<u><u>79,067</u></u>
Capital and reserves			
Share capital		37,408	31,443
Reserves	<i>(b)</i>	<u>217,757</u>	<u>47,624</u>
Equity attributable to equity holders of the Company		<u><u>255,165</u></u>	<u><u>79,067</u></u>

(a) Amounts due from/(to) subsidiaries

The amounts due from/(to) subsidiaries are unsecured, non-interest bearing and have no fixed repayable terms.

(b) Reserves

	Share premium HK\$'000	Capital redemption reserve HK\$'000	Contributed surplus HK\$'000	Share-based compensation reserve HK\$'000 (Note 30)	Accumulated losses HK\$'000	Total HK\$'000
At 1 July 2006	472,633	807	93,289	6,700	(485,915)	87,514
Issue of shares during the year	112,565	-	-	-	-	112,565
Issue of shares upon exercise of share options	59,410	-	-	(14,630)	-	44,780
Transaction costs attributable to issue of new shares	(2,874)	-	-	-	-	(2,874)
Recognition of equity settled share-based payment	-	-	-	11,324	-	11,324
Cancellation of share options	-	-	-	(1,957)	1,957	-
Loss for the year	-	-	-	-	(205,685)	(205,685)
At 30 June 2007 and 1 July 2007	641,734	807	93,289	1,437	(689,643)	47,624
Issue of shares during the year	96,716	-	-	-	-	96,716
Issue of shares for acquisition of a subsidiary	231,782	-	-	-	-	231,782
Issue of shares upon exercise of share options	359	-	-	(78)	-	281
Transaction costs attributable to issue of new shares	(130)	-	-	-	-	(130)
Recognition of equity settled share-based payment	-	-	-	29,152	-	29,152
Cancellation of share options	-	-	-	(1,648)	1,648	-
Loss for the year	-	-	-	-	(187,668)	(187,668)
At 30 June 2008	<u>970,461</u>	<u>807</u>	<u>93,289</u>	<u>28,863</u>	<u>(875,663)</u>	<u>217,757</u>

The contributed surplus of the Company includes (i) the difference between the consolidated shareholders' funds of the subsidiaries at the date at which they were acquired by the Company, and the nominal amount of the Company's shares issued for the acquisition at the time of the group reorganisation prior to the listing of the Company's shares in 1994; and (ii) the surplus arising from the group reorganisation in 1998.

Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus account of the Company is available for distribution. However, the Company cannot declare or pay a dividend, or make a distribution out of contributed surplus if

- (a) it is, or would after the payment be, unable to pay its liabilities as they become due; or
- (b) the realisable value of its assets would thereby be less than the aggregate of its liabilities and its issued share capital and share premium accounts.

In the opinion of the directors, no reserves are available for distribution to shareholders at 30 June 2008 and 2007.

40. PRINCIPAL SUBSIDIARIES

Details of the principal subsidiaries held by the Company as at 30 June 2008 are as follows:

Name of subsidiary	Place of incorporation and operations	Class of shares/equity held	Nominal value of issued and fully paid/registered capital	Effective percentage of equity interests/voting rights held by the Company		Principal activities
				Directly %	Indirectly %	
Credit Card DNA Security System Limited	Hong Kong	Ordinary	HK\$1	100	-	Investment holding
Dormer Group Limited	BVI	Ordinary	US\$10,000	-	100	Investment holding
Dorson Group Limited	BVI	Ordinary	US\$100	100	-	Investment holding
Emailcallyou.com Limited	Hong Kong	Ordinary	HK\$1	-	100	Provision of email service
Greatest Rise Investments Limited	BVI	Ordinary	US\$1	100	-	Investment holding
Hopestar Group Limited	BVI	Ordinary	US\$100	100	-	Investment holding
Hong Kong 4 Networks (Holdings) Limited	Hong Kong	Ordinary	HK\$1	100	-	Investment holding
Ming Yuen Assets Limited	BVI	Ordinary	US\$10	-	100	Holding of a patent and technology
Ocean Hill Limited	BVI	Ordinary	US\$1	100	-	Investment holding

Details of the Company's subsidiaries held by the Company as at 30 June 2008 are as follows:

Name of subsidiary	Place of incorporation and operations	Class of shares/ equity held	Nominal value of issued and fully paid/ registered capital	Effective percentage of equity interests/voting rights held by the Company		Principal activities
				Directly %	Indirectly %	
Star Cyber DNA Limited	BVI	Ordinary	US\$1	-	100	Investment holding
Star Cyberpower V.F. Limited	BVI	Ordinary	US\$1	-	100	Investment holding
Star Cyberpower Limited	BVI	Ordinary	US\$1	-	100	Investment holding
Star Cyberpower Management Limited	Hong Kong	Ordinary	HK\$10,000	100	-	Provision of management services and trading of electronic goods and accessories
Star EPS.com Limited	BVI	Ordinary	US\$1	-	100	Investment holding
Star EPS.com (HK) Limited	Hong Kong	Ordinary	HK\$1	-	100	Electronic commerce
Star Financial Limited	Hong Kong	Ordinary	HK\$200	-	100	Provision of financial information services
Star Mobile DNA Payment Gateway Limited	Hong Kong	Ordinary	HK\$2	-	100	Provision of credit card security device, digital network authorisation services and property investment
Starstruck Group Limited	BVI	Ordinary	US\$1	-	100	Investment holding
Supreme Zone Limited	Hong Kong	Ordinary	HK\$10,000	-	100	Provision of SMS personalised gateway services
Triple Winner International Limited	BVI	Ordinary	US\$1	100	-	Investment holding
星光易辦事科技(深圳)有限公司 Star EPS.com (Shenzhen) Limited (Note (i))	PRC	Registered capital	US\$150,000	-	100	Provision of e-business solution and e-commerce platform

Details of the Company's subsidiaries held by the Company as at 30 June 2008 are as follows:

Name of subsidiary	Place of incorporation and operations	Class of shares/ equity held	Nominal value of issued and fully paid/ registered capital	Effective percentage of equity interests/voting rights held by the Company		Principal activities
				Directly %	Indirectly %	
天碼軟件開發(深圳)有限公司 Credit Card DNA Security System (Shenzhen) Limited (Note (i))	PRC	Registered capital	US\$1,000,000	-	100	Provision of credit card security device and digital network authorisation services
深圳支付通商務服務有限公司 Shenzhen Payment Express Business Services Limited (Note (ii))	PRC	Registered capital	HK\$2,000,000	-	90	Provision of credit card security device and digital network authorisation services
香港好易聯投資集團有限公司	Hong Kong	Ordinary	HK\$1	-	100	Investment holding

The above table lists the subsidiaries of the Group which, in the opinion of the directors, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

None of the subsidiaries of the Group had any debt securities outstanding at the balance sheet date or at any time during the year.

Notes:

- (i) It is a wholly-owned foreign enterprise established in the PRC and the English name is for identification purpose only.
- (ii) It is a sino-foreign equity joint venture registered under the PRC law and the English name is for identification purpose only.

3. UNAUDITED INTERIM CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

The following financial information is an extract of the interim report of the Group for the six months ended 31 December 2008.

(i) CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 31 December 2008

	Notes	For the six months ended	
		2008	2007
		HK\$'000	HK\$'000
		(unaudited)	(unaudited)
Turnover	(2)	16,853	3,990
Cost of sales		<u>(15,262)</u>	<u>(3,108)</u>
Gross profit		1,591	882
Other operating income		2,634	1,591
Distribution costs		(943)	(741)
Administrative expenses		(27,001)	(37,274)
Loss attributable to financial assets at fair value through profit or loss		(4,796)	(2,843)
Decrease in fair value of investment properties	(6)	(6,591)	–
Impairment loss recognised in respect of an available-for-sale investment	(7a)	(103,964)	–
Share of loss of a jointly controlled entity		<u>–</u>	<u>(598)</u>
Loss before income tax	(3)	(139,070)	(38,983)
Income tax	(4)	<u>–</u>	<u>–</u>
Loss for the period		<u><u>(139,070)</u></u>	<u><u>(38,983)</u></u>
Attributable to:			
– Equity holders of the Company		(139,070)	(38,830)
– Minority interests		<u>–</u>	<u>(153)</u>
		<u><u>(139,070)</u></u>	<u><u>(38,983)</u></u>
Loss per share			
– Basic	(5)	<u><u>HK(3.72) cents</u></u>	<u><u>HK(1.08) cents</u></u>

(ii) **CONDENSED CONSOLIDATED BALANCE SHEET**
As at 31 December 2008

	Notes	At 31 December 2008 HK\$'000 (unaudited)	At 30 June 2008 HK\$'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		9,825	4,743
Investment properties	(6)	13,636	20,227
Interest in a jointly controlled entity		–	–
Available-for-sale investments	(7)	12,096	8,813
		<u>35,557</u>	<u>33,783</u>
CURRENT ASSETS			
Deposit paid for the acquisition of an available-for-sale investment	(7b)	–	3,283
Trade and other receivables	(8)	9,800	5,661
Financial assets at fair value through profit or loss		5,853	6,689
Available-for-sale investments	(7)	185,108	389,072
Pledged bank deposit		164	162
Bank balances and cash		90,089	80,441
		<u>291,014</u>	<u>485,308</u>
CURRENT LIABILITIES			
Other payables		2,984	4,040
Deposit received for disposal of an available-for-sale investment	(7a)	–	50,000
Provision for taxation		–	1,545
		<u>2,984</u>	<u>55,585</u>
NET CURRENT ASSETS		<u>288,030</u>	<u>429,723</u>
Total assets less current liabilities		323,587	463,506
NON-CURRENT LIABILITY			
Deferred taxation		170	170
NET ASSETS		<u>323,417</u>	<u>463,336</u>
CAPITAL AND RESERVES			
Share capital	(9)	37,340	37,408
Reserves		286,077	425,928
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
Minority interests		–	–
TOTAL EQUITY		<u>323,417</u>	<u>463,336</u>

(iii) CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY*For the six months ended 31 December 2008*

	Attributable to equity holders of the Company								
	Share capital	Share premium	Share-based			Accumulated losses	Sub-total	Minority interests	Total
			Capital redemption reserve	compen-sation reserve	Exchange translation reserve				
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
(Unaudited)									
At 1 July 2007	31,443	641,734	807	1,437	(449)	(373,950)	301,022	57	301,079
Issue of shares for acquisition of subsidiaries	4,139	250,821	-	-	-	-	254,960	-	254,960
Issue of shares during the period	1,818	96,586	-	-	-	-	98,404	-	98,404
Issue of shares upon exercise of share options	8	359	-	(78)	-	-	289	-	289
Capital injection from a minority shareholder of a subsidiary	-	-	-	-	-	-	-	96	96
Exchange differences arising on translation of the foreign operations of the Group	-	-	-	-	666	-	666	-	666
Loss for the period	-	-	-	-	-	(38,830)	(38,830)	(153)	(38,983)
At 31 December 2007	<u>37,408</u>	<u>989,500</u>	<u>807</u>	<u>1,359</u>	<u>217</u>	<u>(412,780)</u>	<u>616,511</u>	<u>-</u>	<u>616,511</u>
(Unaudited)									
At 1 July 2008	37,408	970,461	807	28,863	1,110	(575,313)	463,336	-	463,336
Repurchase of shares during the period	(68)	(781)	-	-	-	-	(849)	-	(849)
Cancellation of share option	-	-	-	(3,207)	-	3,207	-	-	-
Loss for the period	-	-	-	-	-	(139,070)	(139,070)	-	(139,070)
At 31 December 2008	<u>37,340</u>	<u>969,680</u>	<u>807</u>	<u>25,656</u>	<u>1,110</u>	<u>(711,176)</u>	<u>323,417</u>	<u>-</u>	<u>323,417</u>

(iv) CONDENSED CONSOLIDATED CASH FLOW STATEMENT*For the six months ended 31 December 2008*

	For the six months ended	
	31 December	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Net cash used in operating activities	(30,406)	(30,016)
Net cash generated from/(used in) investing activities	40,903	(35,124)
Net cash (used in)/generated from financing activities	<u>(849)</u>	<u>98,790</u>
Net increase in cash and cash equivalents	9,648	33,650
Cash and cash equivalents at the beginning of the period	80,441	24,937
Effect of changes in exchange rate	<u>–</u>	<u>666</u>
Cash and cash equivalents at the end of the period	<u><u>90,089</u></u>	<u><u>59,253</u></u>
Analysis of the balances of cash and cash equivalents Bank balances and cash	<u><u>90,089</u></u>	<u><u>59,253</u></u>

(v) NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 31 December 2008

1. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

The unaudited condensed consolidated interim financial statements have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Stock Exchange") and with the Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting", issued by the Hong Kong Institute of Certified Public Accountants.

The unaudited condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 30 June 2008.

The accounting policies and methods of computation adopted in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 30 June 2008, except for the adoption of the following new and revised Hong Kong Financial Reporting Standards ("HKFRSs"), which also include HKASs, amendments and interpretations, that affect the Group and are adopted for the first time for the current period's financial statements.

HKAS 39 and HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC) – Int 12	Service Concession Arrangements
HK(IFRIC) – Int 13	Customer Loyalty Programmes
HK(IFRIC) – Int 14	HKAS19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

The Group has carried out an assessment of these standards, amendments and interpretations and considered that they have no significant impact on these unaudited condensed consolidated interim financial statements.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective in these unaudited condensed consolidated interim financial statements:

HKFRSs (Amendment)	Improvements to HKFRSs ¹
HKAS 1 (Revised)	Presentation of Financial Statements ²
HKAS 23 (Revised)	Borrowing Costs ²
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ³
HKAS 32 and HKAS 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ²
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement – Eligible Hedged Items ³
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ²
HKFRS 2 (Amendment)	Share-based Payment – Vesting Conditions and Cancellations ²
HKFRS 3 (Revised)	Business Combinations ³
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments ²
HKFRS 8	Operating Segments ²
HK(IFRIC) – Int 15	Agreements for the Construction of Real Estate ²
HK(IFRIC) – Int 16	Hedges of a Net Investment in a Foreign Operation ⁴
HK(IFRIC) – Int 17	Distribution of Non-Cash Assets to Owners ³
HK(IFRIC) – Int 18	Transfer of Assets from Customers ⁵

- ¹ Effective for accounting periods beginning on or after 1 January 2009 except for the amendments to HKFRS 5, effective for accounting periods beginning on or after 1 July 2009.
- ² Effective for accounting period beginning on or after 1 January 2009.
- ³ Effective for accounting period beginning on or after 1 July 2009.
- ⁴ Effective for accounting period beginning on or after 1 October 2008.
- ⁵ Effective for transfers of assets from customer revised on or after 1 July 2009.

The adoption of HKFRS 3 (Revised) may affect the accounting for business combination for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009. HKAS 27 (Revised) will affect the accounting treatment for changes in a parent's ownership interest in a subsidiary that do not result in a loss of control, which will be accounted for as equity transactions. The directors of the Company anticipate that the application of other new or revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

2. SEGMENT INFORMATION

For management purposes, the Group is currently organised into three (2007: two) operating divisions as detailed below. These divisions are the bases on which the Group reports its primary information. An analysis of the Group's turnover and contributions to operating results is as follows:

	For the six months ended 31 December			
	2008		2007	
	Turnover	Segment	Turnover	Segment
	HK\$'000	results	HK\$'000	results
	(unaudited)	HK\$'000	(unaudited)	HK\$'000
		(unaudited)		(unaudited)
Provision of financial information services	2,136	(461)	1,830	(248)
Provision of credit card security device and digital network authorisation services	1,680	(2,820)	2,157	(2,108)
Trading of electronic goods and accessories	13,037	132	–	–
Others	–	–	3	(8)
	<u>16,853</u>	<u>(3,149)</u>	<u>3,990</u>	<u>(2,364)</u>
Unallocated corporate expenses		(21,433)		(34,297)
Other operating income		863		1,119
Loss attributable to financial assets at fair value through profit or loss		(4,796)		(2,843)
Share of loss of a jointly controlled entity		–		(598)
Decrease in fair value of investment properties		(6,591)		–
Impairment loss recognise in respect of an available-for-sale investment		<u>(103,964)</u>		<u>–</u>
Loss before income tax		<u>(139,070)</u>		<u>(38,983)</u>

3. LOSS BEFORE INCOME TAX

	For the six months ended	
	31 December	
	2008	2007
	HK\$'000	HK\$'000
	(unaudited)	(unaudited)
Loss before income tax has been arrived at after charging/(crediting):		
Staff costs:		
Staff costs, including directors' emoluments	20,759	21,182
Retirement benefit schemes contributions	297	315
Total staff costs	21,056	21,497
Dividend income	(99)	(18)
Interest income	(705)	(1,187)
Rental income	(512)	–
Depreciation of property, plant and equipment	735	624
Loss on disposal of property, plant and equipment	12	–
Operating lease charged on rented premises	1,002	1,233
Write back of provision for bad and doubtful debts	(1,068)	–
Exchange difference, net	(10)	(23)
Cost of inventories recognised as an expense	12,807	–

4. INCOME TAX

For the six months ended 31 December 2008 and 2007, no provision for Hong Kong profits tax and taxation in other jurisdictions had been made in the unaudited condensed consolidated interim financial statements as the Group had no assessable profit.

5. LOSS PER SHARE

The calculation of the basic loss per share is based on the loss for the period of HK\$139,070,000 (six months ended 31 December 2007: HK\$38,983,000) and the weighted average number of 3,735,333,239 ordinary shares (six months ended 31 December 2007: 3,614,361,244 ordinary shares) in issue during the period.

No diluted loss per share has been presented for the six months ended 31 December 2008 and 2007 as the share option outstanding during both period had an anti-dilutive effect on the basic loss per share.

6. INVESTMENT PROPERTIES

	<i>HK\$'000</i> (unaudited)
FAIR VALUE	
At 1 July 2007	–
Transferred from deposit paid for acquisition of properties	10,104
Exchange alignment	1,700
Net increase in fair value	<u>8,423</u>
At 30 June 2008 and 1 July 2008	20,227
Net decrease in fair value	<u>(6,591)</u>
At 31 December 2008	<u><u>13,636</u></u>

The Group's investment properties are situated in the PRC and are held under medium-term leases. All of the Group's property interests held under operating leases to earn rentals are measured using the fair value model and are classified and accounted for as investment properties.

The fair value of the Group's investment properties at 31 December 2008 and 30 June 2008 have been arrived at on the basis of a valuation carried out by Greater China Appraisal Limited, independent qualified professional valuers not connected with the Group. The valuation, which conforms to Hong Kong Institute of Surveyors Standards on Properties, was arrived at by reference to market evidence of transaction prices for similar properties.

7. AVAILABLE-FOR-SALE INVESTMENTS

		At 31 December 2008 HK\$'000 (unaudited)	At 30 June 2008 HK\$'000 (audited)
Unlisted equity securities, at cost			
W-Phone, Inc.		3,420	3,420
Madagascar Petroleum International Limited ("MPIL")	(a)	–	487,741
Easy Link Card Business Services Limited		8,813	8,813
Fossick Rudder Software Technology Co. Ltd ("Fossick")	(b)	3,283	–
		<u>15,516</u>	<u>499,974</u>
Listed equity securities, at cost			
Sino Union Petroleum & Chemical International Limited ("SUNPEC")	(a)	<u>289,072</u>	–
Total equity securities, at cost		304,588	499,974
Less: Impairment loss recognised		<u>(107,384)</u>	<u>(102,089)</u>
		<u>197,204</u>	<u>397,885</u>
Analysed for reporting purposes as:			
Non-current assets		12,096	8,813
Current assets		<u>185,108</u>	<u>389,072</u>
		<u>197,204</u>	<u>397,885</u>

Notes:

- (a) On 17 April 2008, the Company entered into an agreement with a wholly-owned subsidiary of SUNPEC, the shares of which are traded on the Stock Exchange. Pursuant to the agreement, the Company has conditionally agreed to dispose of its 36% equity interests ("Disposal") in MPIL at a total consideration of HK\$810 million to be satisfied by HK\$100 million in cash and HK\$710 million by the issue and allotment by SUNPEC of 253,571,428 consideration shares at HK\$2.8 per consideration share. On 22 May 2008, the Company has duly received the HK\$50,000,000 deposit from SUNPEC in connection with the Disposal.

On 7 August 2008 ("Completion Date"), as all of the conditions precedent to the completion have been satisfied, the Disposal was completed. The Company has duly received the remaining portion of the cash consideration amounted to HK\$50,000,000 and 253,571,428 new shares of SUNPEC at a published share price of HK\$1.14 per share as at the Completion Date.

Based on the published share price of SUNPEC as at the balance sheet date, impairment loss of approximately HK\$103,964,000 was recognised in the condensed consolidated income statement for the period ended 31 December 2008.

- (b) On 24 January 2008, Star Financial Limited (“SFL”), a wholly-owned subsidiary of the Company, entered into a share transfer agreement with an independent third party (the “Vendor”) to acquire 7% equity interests of Fossick, a company established under the laws of PRC. The Group has paid RMB3,000,000 (equivalent to HK\$3,283,000) as deposit for the acquisition of an available-for-sale investment during the year ended 30 June 2008.

On 19 December 2008, Credit Card DNA Security System (Shenzhen) Limited (“CCDNA(SZ)”), a wholly-owned subsidiary of the Company established under the laws of PRC, entered into a supplemental agreement with the Vendor to acquire the relevant investment directly by CCDNA(SZ) in order to cope with and simplify the procedural requirement in obtaining the legal title. On 23 December 2008, CCDNA(SZ) obtained the legal title of the relevant investment and the respective deposit was transferred to available-for-sale investments accordingly.

8. TRADE AND OTHER RECEIVABLES

The Group allows an average credit period of 60 days to its trade customers. Included in trade and other receivables are trade debtors with the following ageing analysis:

	At 31 December 2008 HK\$'000 (unaudited)	At 30 June 2008 HK\$'000 (audited)
0–60 days	2,918	3,350
61–90 days	3	56
Over 90 days	1	12
	<hr/>	<hr/>
Trade receivables	2,922	3,418
	<hr/>	<hr/>
Other receivables	7,456	3,889
	<hr/>	<hr/>
Less: Allowance for bad and doubtful debts	(578)	(1,646)
	<hr/>	<hr/>
	6,878	2,243
	<hr/>	<hr/>
	9,800	5,661
	<hr/> <hr/>	<hr/> <hr/>

9. SHARE CAPITAL

	Number of shares	Value HK\$'000
Ordinary shares of HK\$0.01 each		
Authorised:		
At 30 June 2008 and 31 December 2008	60,000,000,000	600,000
Issued and fully paid:		
At 1 July 2008	3,740,843,782	37,408
Repurchase of shares (<i>Note</i>)	(6,810,000)	(68)
At 31 December 2008	3,734,033,782	37,340

Note: During the period, the Company repurchased certain of its own shares on the Stock Exchange pursuant to the general mandate to repurchase securities approved by the shareholders of the Company on 28 November 2007. All of the repurchased shares were cancelled, accordingly, the issued share capital of the Company was reduced by the nominal value of these shares.

10. COMMITMENTS

At the balance sheet date, the Group had the following commitments, so far as not provided for in the condensed consolidated financial statements, in respect of:

(a) Capital commitments:

	At 31 December 2008 HK\$'000 (unaudited)	At 30 June 2008 HK\$'000 (audited)
Authorised and contracted for		
– acquisition of property, plant and equipment	162	227
Authorised but not contracted for		
– capital injection in a subsidiary	4,340	4,368

- (b) Operating lease commitments for future minimum lease payments under non-cancellable operating leases in respect of land and buildings which fall due as follows:

	At 31 December 2008 <i>HK\$'000</i> (unaudited)	At 30 June 2008 <i>HK\$'000</i> (audited)
Within one year	1,648	1,076
In the second to fifth year inclusive	<u>1,155</u>	<u>250</u>
	<u>2,803</u>	<u>1,326</u>

- (c) Property rental income earned during the period was approximately HK\$512,000. All of the properties held have committed tenants for the next two years. They generated a rental yield of 7.51% (2007: nil) for the six months ended 31 December 2008.

At the balance sheet date, the Group had contracted with tenants for the following future minimum lease payments:

	At 31 December 2008 <i>HK\$'000</i> (unaudited)	At 30 June 2008 <i>HK\$'000</i> (audited)
Within one year	1,024	1,024
In the second to fifth year inclusive	<u>427</u>	<u>939</u>
	<u>1,451</u>	<u>1,963</u>

11. CONTINGENT LIABILITIES

As at 31 December 2008, a number of lawsuits and claims arising from acquisition of subsidiaries were lodged against and by the Group which remains outstanding as at the date of these financial statements as follow:

- (a) On 7 March 2008, Guoye PRC Inc. ("Guoye") brought an action in High Court of Hong Kong under HCA 364 of 2008 against Triple Winner International Limited ("Triple Winner") and the Company for damages for breach of the Framework Agreement dated 23 October 2007 together with interest and/or further relief and costs (the "1st Damages"). The writ was served on the Company on 11 March 2008 and on Triple Winner on 6 June 2008. Accordingly, Acknowledgement of Services was filed by the Company on 20 March 2008 and by Triple Winner on 2 July 2008. On 27 August 2008, the statement of claims was served on the Company and Triple Winner for the 1st Damages.

On 11 August 2008, the Company and Triple Winner brought an action in High Court of Hong Kong under HCA 1492 of 2008 against Guoye for recovery of the deposit of US\$3,000,000 which was paid to Guoye under the agreement dated 23 October 2007, with interests, damages and/or relief and costs.

With the advices by the Group's legal adviser, the directors of the Company are of the opinion that the Group has proper and valid defence to Guoye's action, accordingly, no provision has been provided for the six months ended 31 December 2008 in respect of the 1st Damages and any legal costs associated with this litigation.

- (b) On 23 April 2008, Ms. Susan So (“Ms. So”), a director of Guoye, brought an action in High Court of Hong Kong under HCA 699 of 2008 against the Company for damages for breach of the consultancy service agreement to be assessed, interest and other relief and costs (the “2nd Damages”). The Company has already filed a defence on 3 June 2008. On 11 August 2008, the Company brought an action in High Court of Hong Kong under HCA 1493 of 2008 against Ms. So for the 2nd Damages.

The legal advisers of the Group on these claims are of opinion that the Group has a reasonably good chance to resist the claim of Ms. So and has a valid claim against Ms. So. No provision has been provided for the six months ended 31 December 2008 in respect of the 2nd Damages and legal costs associated with this litigation.

12. POST BALANCE SHEET EVENTS

- (a) On 30 January 2009, Star EPS.com (HK) Limited, a wholly-owned subsidiary of the Company, entered into an agreement with Fast Sky Investments Limited (“Fast Sky”) to acquire 36.67% of the issued share capital of Smart Tycoon Limited (“Smart Tycoon”), a company incorporated in the British Virgin Islands (the “Acquisition”). Save and except for the 30% of the issued share capital of Easy Link Card Business Services Limited (“Easy Link”), Smart Tycoon has no other assets or business.

Upon the completion of the Acquisition on 30 January 2009, the Group indirectly increased its beneficial interest in Easy Link from 19% to 30%. The consideration of the acquisition is HK\$13,900,000, which has been satisfied in cash upon signing of the agreement.

Details of the Acquisition are set out in the announcement of the Company dated 30 January 2009.

- (b) In light of the unique investment opportunities presented by the recent financial turmoil, the Directors see that there are a lot of investment opportunities offering attractive valuation in both the local and overseas market. Unfortunately, the Group has limited cash reserve.

In order to seize the opportunity to increase its cash reserve, on 26 February 2009, Credit Card DNA Security System Limited, a wholly-owned subsidiary of the Company, entered into a conditional agreement with Fast Sky to dispose of its entire interest in Star EPS.com Limited at a consideration of HK\$23,800,000 which shall be satisfied in cash upon the completion of the transaction.

Details of the disposal are set out in the announcement of the Company dated 26 February 2009.

- (c) On 27 February 2009, the Company entered into a Convertible Notes Placing Agreement (“CN Placing Agreement”) with Kingston Securities Limited (the “Placing Agent”). The Placing Agent has conditionally agreed with the Company to place, on a best effort basis, the Convertible Notes which are proposed to be issued in a maximum aggregate principal amount of HK\$160,480,000. The Placing Agent will receive a placing commission of 2.5% of the amount equal to the aggregate principal amount of the Convertible Notes subscribed or procured to be subscribed by the Placing Agent, which was arrived at after arm’s length negotiations between the Company and the Placing Agent.

The Convertible Notes will carry a right to convert into Conversion Shares at the conversion price of, subject to adjustment, HK\$0.034 per Conversion Share from the date of issue of the Convertible Notes up to 30 June 2010, HK\$0.035 per Conversion Share from 1 July 2010 to 30 June 2011, and HK\$0.036 per Conversion Share from 1 July 2011 to 30 June 2012, the maturity date.

Details of the CN Placing Agreement are set out in the announcement of the Company dated 27 February 2009.

- (d) To further increase the Group's cash level, on 3 March 2009, Star Cyberpower V.F. Limited ("Cyberpower VF"), a wholly-owned subsidiary of the Company, entered into a conditional agreement with Go Up Group Limited ("Go Up") to dispose of its entire interest in Star Cyber DNA Limited ("Cyber DNA"). Pursuant to the agreement, Go Up has agreed to acquire (i) 100% of the issued share capital of Cyber DNA at a consideration of HK\$1.00; and (ii) the 100% beneficial ownership of the inter-company receivables of Cyberpower VF due from Cyber DNA and its subsidiaries and associates at a consideration of HK\$18,000,000. The consideration shall be satisfied in cash upon the completion of the transaction.

Details of the disposal are set out in the announcement of the Company dated 3 March 2009.

13. RELATED PARTY TRANSACTIONS

- (a) During the six months ended 31 December 2008, the Group has entered into the following transactions with related parties:

	For the six months ended	
	31 December	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Service income received from 廣州易聯商業服務有限公司	<u>557</u>	<u>–</u>

- (b) Key management personnel compensation

	For the six months ended	
	31 December	
	2008	2007
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(unaudited)	(unaudited)
Salaries, bonus and other benefits	16,002	16,331
Contributions to retirement benefit scheme	<u>40</u>	<u>30</u>
	<u>16,042</u>	<u>16,361</u>

4. INDEBTEDNESS

At the close of business on 30 April, 2009, being the latest practicable date prior to the printing of this circular, the Group had outstanding payables to a security broker of approximately HK\$1.57 million. Also, the Group had outstanding convertible notes with principal amount of approximately HK\$12.24 million, which are convertible into the Company's share at the prevailing conversion price of HK\$0.034, HK\$0.035 and HK\$0.036 per conversion share from issue date of the convertible notes up to 30 June 2010, from 1 July, 2010 to 30 June, 2011, and from 1 July, 2011 to 30 June, 2012, respectively. The carrying amount of the convertible notes as at 30 April, 2009 was approximately HK\$6.93 million.

At the close of business on 30 April, 2009, being the latest practicable date prior to the printing of this circular, OMM and its subsidiaries had outstanding non-interest bearing payables to related parties of approximately HK\$1,307.0 million.

For the purpose of the above indebtedness statement, foreign currency amounts have been translated into Hong Kong dollars at the approximate exchange rates prevailing at the close of business on 30 April, 2009.

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities, the Group, Maxter, OMM and its subsidiaries did not have outstanding at the close of business on 30 April, 2009, any loan capital issued and outstanding or agreed to be issued, bank overdrafts, loans or other similar indebtedness, liabilities under acceptances or acceptable credits, debentures, mortgages, charges, hire purchases commitments, guarantees or other material contingent liabilities.

5. WORKING CAPITAL

The Directors are of the opinion that, after taking into account the internal resources of the Enlarged Group and subject to the completion of placement of 13 billion new shares of the Company under the Placing, the Enlarged Group has sufficient working capital for its present requirements in the absence of unforeseen circumstances.

6. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 30 June 2008, being the date to which the latest published audited financial statements of the Group were made up.

7. MANAGEMENT DISCUSSION AND ANALYSIS

Set out below is the management discussion and analysis of the Group for the three years ended 30 June 2008 and the six months ended 31 December 2008.

FOR THE SIX MONTHS ENDED 31 DECEMBER 2008

Results

The turnover of the Group for the six months ended 31 December 2008 has increased by over 300% from HK\$3.99 million for the six months ended 31 December 2007 to approximately HK\$16.85 million for the six months ended 31 December 2008. The growth is mainly contributed by the growth of the Group's business in trading of electronic goods and accessories which commenced in March 2008. Gross profit from operation for the first six months under review was approximately HK\$1.59 million, comparing to a gross profit of HK\$0.88 million for the corresponding period in 2007. Loss attributable to shareholders for the first six months under review increased by 257% to HK\$139.07 million as compared with the corresponding period in 2007. Such increase of loss was mainly caused by (a) the diminution in fair value of HK\$104 million recognised in relation to the 254 million shares of Sino Union Petroleum Chemical International Limited (stock code: 346) ("SUNPEC") held by the Company as an available-for-sale investment based on the published share price of SUNPEC share as at 31 December 2008; and (b) the diminution in fair value of the financial assets and investment properties held by the Group. The Group has not slowed down in searching for business opportunities in other countries which are rich in natural resources. However, in light of the current market conditions, the Directors are also cautious on the expenses incurred by the Group. For the six months ended 31 December 2008, the Group managed to reduce its administrative expenses from HK\$37.27 million to HK\$27 million.

Business review

The year of 2008 is definitely a year to be remembered in history. The collapse of giant financial institutions has caused an unprecedented turmoil in the global financial market. A lot of companies went down overnight and more are struggling for survival. With hindsight, the Group has fortunately made a decisive move to realise its investments in Madagascar Petroleum International Limited to protect the shareholders' interest.

During the period under review, except for the new business in trading of electronic goods and accessories commenced in March 2008, there was no material change in the principal activities of the Group.

The trading of electronic goods and accessories business commenced in March 2008 and has contributed a turnover of approximately HK\$13.04 million for the six months ended 31 December 2008, which accounted for 77% of the total turnover of the Group.

During the six months ended 31 December 2008, the Group's financial information service division (WINFCS) recorded a turnover of HK\$2.14 million (2007: HK\$1.83 million) which accounted for 13% of the total turnover. A loss of HK\$0.46 million was incurred in this division of business, representing an increase of 86% when compared with a loss of HK\$0.25 million for the same period of 2007.

The DNA security service and DNAPAY service contributed to approximately 10% of the Group's total turnover, amounting to approximately HK\$1.68 million compared with HK\$2.16 million for the six months ended 2007, representing a decrease of 22%. A loss of HK\$2.82 million was incurred in this division of business, representing an increase of 34% when compared with a loss of HK\$2.11 million reported in the same period of 2007.

Net asset value

As at 31 December 2008, the Group's net asset amounted to HK\$323.42 million representing a decrease of HK\$139.92 million comparing to the financial year ended 30 June 2008. Based on the total number of 3,734,033,782 ordinary shares issued as at 31 December 2008, net asset value per share was HK8.66 cents.

Liquidity and financing

The Group recorded a net cash inflow of approximately HK\$9.65 million during the period under review. As at 31 December 2008, cash and bank balances of the Group amounted to approximately HK\$90.09 million, compared to approximately HK\$80.44 million as at 30 June 2008. A bank deposit of approximately HK\$164,000 was pledged to a bank to secure a merchant account of a subsidiary as at 31 December 2008 (30 June 2008: HK\$162,000).

The Group's gearing ratio, expressed as the percentage of the Group's total borrowings over shareholders' equity, was nil as at 31 December 2008 (30 June 2008: nil) as the Group did not have any borrowings as at 31 December 2008.

The Group conducted most of its business in Renminbi, United States dollars and Hong Kong dollars so that it did not have any significant exposure to foreign exchange fluctuation.

Human resources

As at 31 December 2008, the Group had 26 and 30 employees in Hong Kong and Mainland China respectively. Employees are remunerated at a competitive level and are rewarded according to their performance. Our Group's remuneration packages include medical scheme, group insurance, mandatory provident fund and performance bonus.

According to the share option scheme adopted by the Company on 30 July 2004, share options may be granted to directors and eligible employees of the Group to subscribe for shares in the Company in accordance with the terms and conditions stipulated therein.

FOR THE YEAR ENDED 30 JUNE 2008**Results**

For the year ended 30 June 2008, the Group's turnover amounted to approximately HK\$14.67 million, comparing to approximately HK\$6.84 million reported for the financial year of 2007. The increment of approximately 115% is mainly contributed by the steady growth in the existing business segment in the provision of financial information services and the new business segment in trading of electronics goods and accessories which commenced in March 2008. Loss attributable to equity holders of the Company for the current year was approximately HK\$203.01 million, compared to loss of approximately HK\$43.51 million in 2007, representing an increase of 367%. Such increment was mainly due to (i) the recognition of share-based payment expense of approximately HK\$29.15 million upon the granting of share options under the Share Option Scheme during the year; (ii) the recognition of an impairment loss in the amount of approximately HK\$98.67 million in respect of the fair value of the available-for-sale investments of 36% equity interests in Madagascar Petroleum International Limited ("MPIL") as at 30 June 2008 in considering the market value of 253,571,428 ordinary shares of Sino Union Petroleum & Chemical International Limited ("SUNPEC") (Stock code: 346) (being consideration shares received by the Company from the Company's disposal of its 36% equity interest in MPIL) as at the date of completion of the Company's disposal of its 36% equity interest in MPIL (i.e. 7 August 2008); (iii) recognition of impairment loss in respect of the refundable deposit of approximately HK\$23.31 million paid to Guoye PRC Inc. ("Guoye") as described in note 35 to the financial statements in considering the litigation with Guoye and Susan So and the possibility of recovering same; (iv) additional operating expenses incurred for business expansion during the year; and (v) increased administrative expenses in relation to the Company's search of new business opportunities in different countries including Mongolia, Kazakhstan and Indonesia.

Business Review

During the year ended 30 June 2008, DNA security service, DNA Mobile email services and financial information services division (WINFCS) were still the Group's core business segment. Apart from these, the Group continued to diversify its business scope into natural resources exploitation industry by investing in MPIL and looking for business opportunities in natural resources in Mongolia, Kazakhstan and Indonesia. In addition, the Group commenced a new line of business on trading of electronic goods and accessories in March 2008. This new business segment contributed a turnover of approximately HK\$6.81 million, which accounted for 46% of the total turnover of the Group for the financial year ended 30 June 2008.

During the year ended 30 June 2008, the Group's financial information service (WINFCS) recorded a turnover of approximately HK\$3.87 million (2007: approximately HK\$2.85 million) which accounted for 26% of the total turnover.

The DNA security service and DNAPAY service contributed HK\$3.99 million to the Group's total turnover for the year ended 30 June 2008, representing 27% of the turnover. The performance of the business segment is fairly stable in the years of 2008 and 2007.

Net Asset Value

As at 30 June 2008, the Group's total net asset amounted to approximately HK\$463.34 million, represented an increase of 54% comparing to approximately HK\$301.08 million as at 30 June 2007. Based on the total number of 3,740,843,782 shares issued as at 30 June 2008, net asset value per share was HK12.39 cents.

Liquidity and Financial Resources

The Group recorded a net cash inflow of approximately HK\$54.12 million during the year ended 30 June 2008. At 30 June 2008, cash and bank balances of the Group amounted to approximately HK\$80.44 million (2007: approximately HK\$24.94 million). The bank deposit of approximately HK\$6.92 million pledged to a bank to secure general banking facilities granted to a subsidiary of the Group as at 30 June 2007 was released upon the expiry of the respective general banking facilities during the year ended 30 June 2008, and a bank deposit of approximately HK\$0.16 million was pledged to a bank to secure a merchant account of a subsidiary (2007: approximately HK\$0.16 million).

The Group's gearing ratio, expressed as the percentage of the Group's total borrowings over shareholders' equity, was nil at 30 June 2008 (2007: nil) as the Group did not have any borrowings as at 30 June 2007 and 2008.

The Group conducted most of its business in Renminbi, United States dollars and Hong Kong dollars. It does not have any significant exposure to foreign exchange fluctuation.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

During the year ended 30 June 2008, the Group increased its investment in the equity interest of MPIL, through its acquisition of the entire issued capital of Dormer Group Limited ("Dormer"), from 21% to 36%. Subsequently on 17 April 2008, Hopestar Group Limited, Dorson Group Limited and Dormer, wholly owned subsidiaries of the Company, entered into a sale and purchase agreement with Rich Theme Holdings Limited, a wholly owned subsidiary of SUNPEC, to dispose of the 36% equity interest in MPIL (the "Disposal"). The Disposal was duly completed subsequent to the balance sheet date on 7 August 2008.

Save as disclosed above, there was no material acquisitions or disposals of subsidiaries or associated companies during the year.

Human Resources

As at 30 June 2008, the Group had 27 and 50 employees in Hong Kong and Mainland China respectively. Employees are remunerated at a competitive level and are rewarded according to their performance. Our Group's remuneration packages include medical scheme, group insurance, mandatory provident fund and performance bonus.

According to the share option scheme adopted by the Company on 30 July 2004, share options may be granted to directors and eligible employees of the Group to subscribe for shares in accordance with the terms and conditions stipulated therein.

FOR THE YEAR ENDED 30 JUNE 2007

Results

For the year ended 30 June 2007, the Group's turnover amounted to approximately HK\$6.84 million, comparing to HK\$3.97 million reported in the preceding year. It was an increase of approximately 72.3%. Loss attributable to shareholders for the year was HK\$43.51 million, compared to loss of HK\$83.19 million in year 2006, representing a decrease of 47.7%. The loss was mainly due to the recognized impairment loss in respect of the intangible asset – patents and technology amounting to HK\$10.47 million and the additional operating expenses incurred for business expansion in the year.

Business Review

During the year under review, financial information services division (WINFCS) marketed via Star Financial brand, and DNA security service and payment platform service (DNAPAY) enabled by patented DNA technology, were still the Group's core business segments, while the Group diversified its business scope into the oil and gas exploitation industry.

During the year ended 30 June 2007, the Group's financial information service (WINFCS) recorded a turnover of HK\$2.85 million (2006: HK\$2.53 million) which accounted for 41.7% of the total turnover. A loss of HK\$1.08 million was incurred in this division of business, an increase of 20.0% when compared with a loss of HK\$0.9 million in the year 2006.

Due to a healthy growth in China and Hong Kong, the DNA security service and DNAPAY service contributed to approximately 57.9% of the Group's total turnover, amounting to approximately HK\$3.96 million compared with HK\$1.41 million in the year 2006, an increase of 180.9%. A loss of HK\$5.41 million was incurred in this division of business, a decrease of 42.6% when compared with a loss of HK\$9.43 million in the year 2006.

Net Asset Value

As at 30 June 2007, the Group's total net asset amounted to HK\$301.08 million, represented an increase of 72.6% comparing to HK\$174.41 million as at 30 June 2006.

Liquidity and Financial Resources

The Group recorded a net cash inflow of approximately HK\$22.47 million during the year. At 30 June 2007, cash and bank balances of the Group amounted to approximately HK\$24.94 million (2006: HK\$2.98 million). The Group did not have any bank or other borrowings as at the year end date (2006: HK\$1.94 million).

The Group conducted most of its business in Renminbi, United States dollars and Hong Kong dollars so that it did not have any significant exposure to foreign exchange fluctuation.

The Group's gearing ratio, expressed as the percentage of the Group's total borrowings over shareholders' equity, was nil at 30 June 2007 (2006: 1.1%) as the Group did not have any borrowings as at the year end date.

Material Acquisitions and Disposals of Subsidiaries and Associated Companies

On 25 July 2007, Dorson Group Limited, a wholly owned subsidiary of the Company, has acquired 96.66% of the entire issued share capital of Dormer Group Limited ("Dormer") (the "Acquisition"). Dormer holds 15% interest in Madagascar Petroleum International Limited ("MPIL") in which the Company has 21% indirect interest prior to the Acquisition. Following the Acquisition, the Group has a total integrated interest of 35.5% in MPIL. Save as disclosed above, there were no material acquisitions or disposals of subsidiaries and associated companies during the year.

Human Resources

As at 30 June 2007, the Group had 29 and 46 employees in Hong Kong and Mainland China respectively. Employees are remunerated at a competitive level and are rewarded according to their performance. Our Group's remuneration packages include medical scheme, group insurance, mandatory provident fund and performance bonus.

According to the share option scheme adopted by the Company on 30 July 2004, share options may be granted to directors and eligible employees of the Group to subscribe for shares in the Company in accordance with the terms and conditions stipulated therein.

FOR THE YEAR ENDED 30 JUNE 2006**Results**

For the year ended 30 June 2006, the Group's turnover amounted to approximately HK\$3.97 million, comparing to HK\$3.33 million reported in the preceding year. It was an increase of approximately 19%. Gross profit from operation was approximately HK\$0.55 million, comparing to a gross loss of HK\$0.02 million in the year ended 30 June 2005. Loss attributable to shareholders for the year was HK\$83.19 million, compared to loss of HK\$71.41 million in year 2005, representing an increase of 16.5%. The loss was mainly due to the recognised impairment loss in respect of the intangible asset – patents and technology amounting to HK\$37.13 million and the additional operating expenses incurred for business expansion in the year.

Business Review

During the year under review, DNA security service, e-payment platform service (DNAPAY) and financial information services division (WINFCS) were still the Group's core business segments, while the Group diversified its business scope into the oil and gas exploitation industry.

During the year ended 30 June 2006, the DNA security service and DNAPAY service contributed to approximately 36% of the Group's total turnover, amounting to approximately HK\$1.41 million. It was reported a healthy growth in China and Hong Kong.

In DNA security service, the Group signed up more banks for using our services in China. Our prospective user banks continued to show their strong interests in our services in China and Hong Kong. This expansion of business scope enhanced the competitiveness of the Group in the market and diversified its revenue opportunities into e-commerce business.

DNAPAY platform allows retailers/merchants to collect payments electronically from purchasers' bank cards/accounts or any prepaid financial instruments at all sales channels via www.stareps.com.

The Group has successfully signed the agreements with Lanzhou City Commercial Bank (蘭州市城商銀行), Beijing Postal Savings and Remittance Bureau (北京郵政儲匯局) and BOC Credit Card (International) Ltd. during the year. DNAPAY will generate revenue to the Group very soon. We are looking forward to the future prospect of the DNA security service and DNAPAY service due to that the above mentioned parties have been adopting our technology and services in their businesses. It is expected that DNAPAY will be well received by users in China and Hong Kong and will provide better return to the Group in the near future.

Furthermore, the electronic payment platform, EPAY, which is developed by Beijing Superpass e-payment Co. Ltd., a jointly controlled entity formed between the Group and Beijing Municipal Administration & Communications Card Co. Ltd. (BMACC), had been delayed to commerce business. It is believed that EPAY would be fully operative in Beijing very soon.

The Group's financial information service division (WINFCS) recorded a turnover of HK\$2.53 million which accounted for 63% of the total turnover. The Group aimed at developing WINFCS which will provide users with wireless services to access various information while they are traveling. Moreover, users will be supported to access into WINFCS by using PDA and mobile phone in near future.

In January and February 2006, the Group entered into the acquisition agreements respectively with Barta Holdings Limited and Feliz Group Limited for acquiring total 21% issued share capital of Madagascar Petroleum International Limited ("MPIL"). MPIL had been vested with the rights of oil and gas exploitation and operation in respect of an onshore block of land of approximately 20,100 square kilometers (the "Block 2104") in the Republic of Madagascar by the Office Des Mines Nationales Et Des Industries Strategiques for a minimum term of 25 years.

The Engineering Technology Research Institute, Liaohe Petroleum Exploration Bureau (the "PRC Institution") was engaged to conduct fieldwork search of Block 2104 and prepared a geological assessment report dated 22 February 2006. In the report, the PRC Institution estimated that the crude oil reserve of Block 2104 amounting to 21.2×10^8 tons. Based on the results of such report, the Company estimates that the crude oil reserve of Block 2104 amounts to not less than 15 billion barrels. On 29 May 2006, Dr. Wang Tao ("Dr. Wang"), the former minister at the Ministry of Petroleum Industry in China, has been appointed as a senior consultant of MPIL. The main duty of Dr. Wang is to direct and co-ordinate the exploration and development of Block 2104. It is known to us that the investment and its performance in the Madagascar were appreciated and recognized by the PRC senior official. With the anticipated economic growth in the world, the directors expect that the nationwide oil and gas consumption demand would continue to rise. The acquisition represents a good opportunity for the Group to invest in the oil and gas exploitation and operation in the Republic of Madagascar. The Group will enjoy these benefits through this acquisition in the coming years.

Net Asset Value

As at 30 June 2006, the Group's total net asset amounted to HK\$174 million, represented an increase of HK\$132 million comparing to as at 30 June 2005. The significant increase in asset value was attributable to new capital injection of approximately HK\$213.8 million that was raised by placement of 602.1 million new shares (Shares after consolidation) and by exercise of share option of 7.22 million new shares (Shares after consolidation) during the current year. During the same year, the Group re-purchased 13.45 million shares (Shares after consolidation) at the prices from HK18.0 cents to HK24.0 cents per share (Shares after consolidation) from the market.

A capital reorganization exercise was conducted in March 2006 of which every six old shares was consolidated into one new share of the Company (for the purpose of this paragraph only, the “Share Consolidation”) and the paid up capital of the consolidated new shares was reduced from HK\$0.06 per share to HK\$0.01 per share by cancellation of HK\$0.05 paid up capital for each consolidated new share (for the purpose of this paragraph only, the “Reduction of Capital”) (for the purpose of this paragraph only, the “Capital Reorganisation”). With a view to facilitating any capital fund-raising exercise in the future, the directors considered that the Capital Reorganisation would provide flexibility to the Company to issue new shares which was in the interest of the Company and the Shareholders as whole. A credit of approximately HK\$119.97 million arised as a result of the Capital Reduction and credited to the contributed surplus account of the Company and applied for the partial elimination of the accumulated losses of the Company.

Liquidity and Financial Resources

The Group recorded a net cash outflow of approximately HK\$8.28 million during the year. At 30 June 2006, cash and bank balances of the Group amounted to approximately HK\$2.98 million (2005: HK\$11.23 million). Bank and other borrowings of the Group as at the same date amounted to approximately HK\$1.94 million (2005: HK\$12.82 million). At 30 June 2006, the bank deposits of HK\$5.11 million (2005: Nil) was pledged to a bank to secure the general banking facility granted to a subsidiary.

The Group’s bank and other borrowings were denominated as to 100% in Renminbi. The Group conducted most of its business in Renminbi, United States dollars and Hong Kong dollars so that it did not have any significant exposure to foreign exchange fluctuation.

The Group’s gearing ratio, expressed as the percentage of the Group’s total borrowings over shareholders’ equity, was approximately 1.1% at 30 June 2006.

On 22 September 2005, a net cash proceed of HK\$127 million was raised through placing of 353.33 million of new ordinary shares (Shares after consolidation), of which HK\$56 million was used to acquire 21% interests of Madagascar Petroleum International Limited for investment purpose in January and March 2006 and HK\$9 million was paid as a deposit for acquiring an office property for own use in Beijing in March 2006.



3 June 2009

The Board of Directors
Smart Rich Energy Finance (Holdings) Ltd.

Dear Sirs,

We set out below our report on the financial information (the "Financial Information") regarding Maxter Investments Limited (the "Company") for the period from 27 March 2007 (date of incorporation) to 31 March 2008 and the year ended 31 March 2009 (hereinafter collectively referred to as the "Relevant Periods") for inclusion in the circular (the "Circular") dated 3 June 2009 issued by Smart Rich Energy Finance (Holdings) Ltd. ("Smart Rich") in connection with the acquisition of the entire equity interest of the Company from China Sci-Tech Holdings Limited ("China Sci-Tech").

The Company was incorporated as an international business company with limited liability in the British Virgin Islands ("BVI") on 27 March 2007. The Company is inactive since incorporation. The Company has adopted 31 March as its financial year end date.

For the purpose of this report, the directors of the Company have prepared the management accounts (the "Underlying Financial Statements") of the Company for the Relevant Periods in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"). We have carried out independent audit procedures on the Underlying Financial Statements for the Relevant Periods in accordance with Hong Kong Standards on Auditing issued by the HKICPA. No statutory audited financial statements have been prepared by the Company for the Relevant Periods.

The Financial Information for the Relevant Periods which includes the income statements and statement of changes in equity of the Company for the Relevant Periods, and the balance sheets of the Company as at 31 March 2008 and 31 March 2009, together with the notes thereto, have been prepared in accordance with the accounting policies as set out in note 3 of Section II of the Financial Information which conform with HKFRSs issued by the HKICPA and based on the Underlying Financial Statements of the Company for the Relevant Periods.

We have examined the Underlying Financial Statements of the Company for the Relevant Periods in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountant" issued by the HKICPA. No adjustments were considered necessary to the Underlying Financial Statements of the Company for the Relevant Periods in preparing our report for inclusion in the Circular.

The Underlying Financial Statements are the responsibility of the directors of the Company who approved their issue. The directors of Smart Rich are responsible for the contents of the Circular in which this report is included. It is our responsibility to compile the Financial Information set out in this report from the Underlying Financial Statements, to form an independent opinion on the Financial Information and to report our opinion to you.

In our opinion, the Financial Information gives, for the purpose of this report, a true and fair view of the state of the Company's affairs as at 31 March 2008 and 31 March 2009 and of its loss for the Relevant Periods.

I. FINANCIAL INFORMATION

Income statement

		For the period from 27 March 2007 (date of incorporation) to 31 March 2008 HK\$	For the year ended 31 March 2009 HK\$
	<i>Notes</i>		
Turnover		–	–
Administrative expenses		<u>(6,500)</u>	<u>(4,914)</u>
Loss before taxation	6	(6,500)	(4,914)
Taxation	7	<u>–</u>	<u>–</u>
Loss for the period/year		<u><u>(6,500)</u></u>	<u><u>(4,914)</u></u>

Balance sheet

		As at 31 March	
		2008 HK\$	2009 HK\$
	<i>Notes</i>		
Current liability			
Amount due to immediate holding company	8	<u>(6,492)</u>	<u>(11,406)</u>
Capital and accumulated losses			
Share capital	9	8	8
Accumulated losses		<u>(6,500)</u>	<u>(11,414)</u>
		<u><u>(6,492)</u></u>	<u><u>(11,406)</u></u>

Statement of changes in equity

	Share capital <i>HK\$</i>	Accumulated losses <i>HK\$</i>	Total <i>HK\$</i>
Share issued upon incorporation	8	–	8
Loss for the period	–	(6,500)	(6,500)
	<hr/>	<hr/>	<hr/>
At 31 March 2008	8	(6,500)	(6,492)
Loss for the year	–	(4,914)	(4,914)
	<hr/>	<hr/>	<hr/>
At 31 March 2009	<u>8</u>	<u>(11,414)</u>	<u>(11,406)</u>

II. NOTES TO THE FINANCIAL INFORMATION**1. GENERAL**

The Company is an international business company with limited liability incorporated in the BVI. Its immediate holding company is Polytex Investments Inc., also incorporated in the BVI and its ultimate holding company is China Sci-Tech Holdings Limited, a company incorporated in the Cayman Islands with its shares listed on the Stock Exchange of Hong Kong Limited (the "Stock Exchange").

The address of the registered office and the principal place of business of the Company is Room 4504-5, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

The Company was inactive during the Relevant Periods.

The Financial Information is presented in Hong Kong dollar, which is its functional currency.

No cash flow statement is presented as the Company does not have any cash transactions during the Relevant Periods.

2. BASIS OF PREPARATION OF FINANCIAL INFORMATION

The Financial Information has been prepared on a going concern basis because its ultimate holding company has agreed to provide continuous financial support to the Company to enable the Company to meet in full its financial obligations as they fall due for the foreseeable future.

3. SIGNIFICANT ACCOUNTING POLICIES

The Financial Information has been prepared on the historical cost basis. The Financial Information has been prepared in accordance with the accounting policies set out below which conform with HKFRSs issued by the HKICPA. In addition, the Financial Information includes applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and the Hong Kong Companies Ordinance.

The Company has not early adopted the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs ¹
HKFRSs (Amendments)	Improvements to HKFRSs 2009 ²
HKAS 1 (Revised)	Presentation of Financial Statements ³
HKAS 23 (Revised)	Borrowing Costs ³
HKAS 27 (Revised)	Consolidated and Separate Financial Statements ⁴
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation ³
HKAS 39 (Amendment)	Eligible Hedged Items ⁴
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate ³
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations ³
HKFRS 3 (Revised)	Business Combinations ⁴
HKFRS 7 (Amendment)	Improving Disclosures about Financial Instruments ³
HKFRS 8	Operating Segments ³
HK(IFRIC)-Int 9 & HKAS 39 (Amendments)	Embedded Derivatives ⁵
HK(IFRIC)-Int 13	Customer Loyalty Programmes ⁶
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate ³
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation ⁷
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners ⁴
HK(IFRIC)-Int 18	Transfers of Assets from Customers ⁸

¹ Effective for annual periods beginning on or after 1 January 2009 except the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

² Effective for annual periods beginning on or after 1 January 2009, 1 July 2009 and 1 January 2010, as appropriate

³ Effective for annual periods beginning on or after 1 January 2009

⁴ Effective for annual periods beginning on or after 1 July 2009

⁵ Effective for annual periods ending on or after 30 June 2009

⁶ Effective for annual periods beginning on or after 1 July 2008

⁷ Effective for annual periods beginning on or after 1 October 2008

⁸ Effective for transfers on or after 1 July 2009

The directors of the Company anticipate that the application of the new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Company.

Financial instruments

Financial liabilities are recognised on the balance sheet when the Company becomes a party to the contractual provisions of the instruments. Financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the issue of financial liabilities are deducted from the fair value of the financial liabilities on initial recognition.

Financial liabilities and equity

Financial liabilities and equity instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the Relevant Periods. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount of the liability.

Financial liability

Financial liability is subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received.

Derecognition

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred taxation.

The tax currently payable is based on taxable profit for the period/year. Taxable profit differs from profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes income statement items that are never taxable or deductible. The Company's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the balance sheet date.

Deferred taxation is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred taxation liabilities are generally recognised for all taxable temporary differences and deferred taxation assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred taxation assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be recovered.

Deferred taxation is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred taxation is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred taxation is also dealt with in equity.

4. CAPITAL RISK MANAGEMENT

The Company manages its capital to ensure its ability to continue as a going concern while maximising the return to equity holders through the optimisation of the debt and equity balance.

The capital structure of the Company consists of amount due to immediate holding company equity attributable to equity holders of the Company, comprising issued capital and accumulated losses.

The management reviews the capital structure on a regular basis. As part of this review, the Company will balance its overall capital structure through obtaining advances from its equity holders.

5. FINANCIAL INSTRUMENTS

5a. Categories of financial instruments

	As at 31 March	
	2008	2009
	HK\$	HK\$
Financial liability		
Amortised cost	6,492	11,406

5b. Financial risk management objectives and policies

The Company's financial instrument includes amount due to immediate holding company. The risks associated with this financial instrument and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

(i) Liquidity risk

The Company has net current liabilities at 31 March 2008 and 2009 of HK\$6,492 and HK\$11,406 respectively. The objective of the Company is to maintain a balance between the continuity of funding and the flexibility through the use of advances from group companies. The Company needs to rely on the continuous financial support from its ultimate holding company and its subsidiaries.

The Company's contractual maturity for its financial liability, which represents the amount due to immediate holding company, is repayable on demand and non-interest bearing. The carrying amount of this financial liability is the same as the undiscounted cash flows of financial liability based on the earliest date in which the Company required to pay.

(ii) Fair value

The fair value of financial liability is determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The management considers that the carrying amount of financial liability recorded at amortised cost in the financial statements approximates its fair value.

6. LOSS BEFORE TAXATION

	For the period from 27 March 2007 (date of incorporation) to 31 March 2008 HK\$	For the year ended 31 March 2009 HK\$
Loss before taxation has been arrived at after charging:		
Auditor's remuneration	–	–
Staff costs, including directors' remuneration	–	–
	<u>–</u>	<u>–</u>

7. TAXATION

On 26 June 2008, the Hong Kong Legislative Council passed the Revenue Bill 2008 which reduced corporate profits tax rate from 17.5% to 16.5% effective from the year of assessment 2008/2009.

No provision for taxation has been made as there is no assessable profit for the Relevant Periods.

The taxation effect for the Relevant Periods can be reconciled to the loss before taxation as follows:

	For the period from 27 March 2007 (date of incorporation) to 31 March 2008 HK\$	For the year ended 31 March 2009 HK\$
Loss before taxation	<u>(6,500)</u>	<u>(4,914)</u>
Tax credit at the domestic tax rate of 16.5% (2008: 17.5%)	1,137	811
Tax effect of expenses not deductible	<u>(1,137)</u>	<u>(811)</u>
	<u>–</u>	<u>–</u>

No deferred taxation is recognised as the amount involved is insignificant.

8. AMOUNT DUE TO IMMEDIATE HOLDING COMPANY

The amount is unsecured, interest-free and repayable on demand.

9. SHARE CAPITAL

	Authorised 31 March 2008 and 2009	Issued and fully paid 31 March 2008 and 2009
Shares of US\$1 each	<u>50,000</u>	<u>1</u>
Shown in the Financial Information as		<u>HK\$8</u>

10. RELATED PARTY TRANSACTIONS

Apart from the outstanding balance with a related party as disclosed in the balance sheet and note 8, the Company had not entered into any other significant related party transactions for the Relevant Periods.

11. SEGMENT INFORMATION

The Company is inactive during the Relevant Periods and therefore no segment information is disclosed.

III. DIRECTORS' REMUNERATION

Under the arrangement presently in force, no remuneration is payable by the Company to its directors for the Relevant Periods.

IV. DISTRIBUTABLE RESERVES

The Company had no distributable reserves as at 31 March 2008 and 31 March 2009.

V. EVENTS AFTER THE BALANCE SHEET DATE

On 24 April 2009, the Company and its ultimate holding company, as the Company's guarantor, entered into a conditional sale and purchase agreement with OZ Minerals Agincourt Pty Ltd (the "Vendor") and OZ Minerals Limited, as the Vendor's guarantor, to acquire from the Vendor the entire issued share capital of OZ Minerals Martabe Pty Ltd (the "Target Company") at an aggregate consideration of US\$211 million. The Target Company indirectly solely owns the Martabe Gold and Silver project in the Western side of the island of Sumatera in the Province of North Sumatera, in the Batangtoru sub-district, Indonesia.

VI. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements of the Company have been prepared in respect of any period subsequent to 31 March 2009.

Yours faithfully
Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong



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The Directors
Smart Rich Energy Finance (Holdings) Limited

Dear Sirs,

INTRODUCTION

We set out below our report for inclusion in the circular of Smart Rich Energy Finance (Holdings) Limited (the "Issuer") to be dated 3 June 2009 (the "Circular") on the Financial Information relating to OZ Minerals Martabe Pty Ltd (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Consolidated Entity") comprising the financial statements of the Consolidated Entity including the consolidated income statements, the consolidated statements of recognised income and expense and the consolidated statements of cash flows of the Consolidated Entity, for the period 11 May 2006 to 31 December 2006 and the years ended 31 December 2007 and 2008 (the "Relevant Period"), and the consolidated balance sheets of the Consolidated Entity and the balance sheets of the Company as at 31 December 2006, 2007 and 2008, together with the notes thereto (the "Financial Information").

The Company was incorporated in Australia on 11 May 2006 as a limited liability company under the Corporations Act 2001, under the name Agincourt Resources (Martabe) Pty Ltd. On 26 November 2007 the name of the Company was changed to Oxiana Martabe Pty Ltd and on 21 July 2008 the name of the Company was further changed to OZ Minerals Martabe Pty Ltd. The Company is a holding company with an equity interest in PT Agincourt Resources (Indonesia), which was incorporated in Indonesia and whose principal activity was the exploration and development of the Martabe gold and silver project (the "Project") until the decision by the Consolidated Entity's ultimate parent entity, OZ Minerals Limited, on 25 November 2008 to place the Project on hold.

The financial statements of the Consolidated Entity, prepared in accordance with Australian Accounting Standards (including Australian Accounting Standards and Interpretations) and with International Financial Reporting Standards (including International Accounting Standards and Interpretations) ("IFRS") were audited during the Relevant Period by KPMG Australia.

BASIS OF PREPARATION

The Financial Information included in this report has been prepared by the directors of the Company and reflects the audited financial statements the Consolidated Entity, on the basis set out in Note 1 of Section B, which are in accordance with Australian Accounting Standards (including Australian Interpretations) and IFRS promulgated by

the Australian Accounting Standards Board and the International Accounting Standards Board respectively, the disclosure requirements of the Hong Kong Companies Ordinance and the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. No adjustments were necessary, for the purpose of this report, to restate these financial statements to conform with the accounting policies of the Issuer as described in Appendix I, section 2.(v)3.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND REPORTING ACCOUNTANTS

The directors of the Company are responsible for the preparation and true and fair presentation of the Financial Information in accordance with Australian Accounting Standards and IFRS. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Financial Information that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Our responsibility is to form an opinion on the Financial Information based on our audit procedures. KPMG has consented to the inclusion of this Accountant's Report in the Circular in the form and context in which it is so included, but has not authorised the issue of the Circular. Accordingly, KPMG makes no representation regarding, and takes no responsibility for, any other statements, or material in, or omissions from, the Circular.

BASIS OF OPINION

As a basis for forming an opinion on the Financial Information, for the purpose of this report, we have carried out appropriate audit procedures in respect of the Financial Information for the Relevant Period in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") and have carried out such additional procedures as we considered necessary in accordance with Auditing Guideline "Prospectuses and the Reporting Accountant" (Statement 3.340) issued by the HKICPA. Those standards require that we comply with ethical requirements and plan and perform our work to obtain reasonable assurance as to whether the Financial Information is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of the risks of material misstatement of the Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers the internal control relevant to the entity's preparation and true and fair presentation of the Financial Information in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Financial Information.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

We have not audited any financial statements of the Company or the Consolidated Entity in respect of any period subsequent to 31 December 2008.

OPINION

Whilst we draw attention to the material uncertainty noted below, in our opinion, for the purpose of this report, all adjustments considered necessary have been made and the Financial Information, prepared on the basis set out above and in accordance with the accounting policies set out in Note 1 of Section B, gives a true and fair view of the Company's and the Consolidated Entity's results and cash flows for the Relevant Period, and the state of affairs of the Company and the Consolidated Entity as at 31 December 2006, 2007 and 2008.

Material Uncertainty Regarding Continuation as a Going Concern

Without qualifying our opinion, we draw attention to Notes 1(c)(i), 9 and 22 to the Financial Information set out in section B below which indicate the following:

- at 31 December 2008 the Consolidated Entity had a net asset deficiency of \$4,940,088 and an excess of current liabilities over current assets of \$218,388,387, predominately due to the classification of amounts payable to its ultimate parent entity, OZ Minerals Limited and its subsidiaries (the "OZ Minerals Group") of \$219,042,956. In addition, the Consolidated Entity incurred a loss for the year ended 31 December 2008 of \$25,138,050 and had a net operating cash outflow for that year of \$4,858,941. Accordingly, the Consolidated Entity is reliant on the OZ Minerals Group for support in order to meet its existing short term financial obligations. At 31 December 2008, the OZ Minerals Group was seeking to refinance certain of its bank facilities which had matured or were required to be refinanced by 31 December 2008;
- on 14 April 2009, the OZ Minerals Group announced that it had signed a formal sale implementation agreement with China Minmetals Non-ferrous Metals Company Limited ("China Minmetals") for the sale of certain of the OZ Minerals Group assets, which excluded the Company (the "transaction"). The transaction is subject to certain conditions including regulatory approval and approval by the shareholders of OZ Minerals Limited;
- on 1 May 2009, the OZ Minerals Group announced that its lenders had confirmed that they had agreed to extend the refinancing date for certain of the OZ Minerals Group's bank facilities that were due for repayment on 30 April 2009 until 30 June 2009, in order to facilitate completion of the proposed transaction with China Minmetals. The extension was provided on the basis that the relevant OZ Minerals Group facilities will become immediately due and payable should certain events occur, including if the proposed transaction with China Minmetals is terminated; and

- on 24 April 2009, OZ Minerals Limited announced the proposed sale of the shares in the Company to China Sci-Tech Holdings Limited ("CST"). In the event that the conditions precedent to this sale transaction are satisfied, including approval by certain of the OZ Minerals Group's lenders, CST shareholders and Australia's Foreign Investment Review Board, the amounts payable by the Consolidated Entity to the OZ Minerals Group will be forgiven in full and the Company and Consolidated Entity will become reliant on the support of CST.

Accordingly, there exists material uncertainty about the ability of the Consolidated Entity to manage its cash flows to meet its financial obligations, including that:

- OZ Minerals will be able to continue to provide financial support until the proposed CST sale transaction proceeds; and
- the proposed CST sale transaction proceeds and CST will be able to provide financial support to the Company; or
- OZ Minerals Limited will be able to continue to provide financial support if the proposed CST sale transaction does not proceed, through satisfaction of the conditions precedent to the China Minmetals transaction which will enable OZ Minerals Limited to repay its short term debt obligations or to further extend the refinancing date or refinance its bank facilities by 30 June 2009 in the event that the Minmetals transaction does not proceed.

Note 1(c)(i) of the Financial Information set out in Section B below states that the Directors of the Company are aware that a material uncertainty exists due to the above conditions and events which may cast doubt upon the Company's and the Consolidated Entity's ability to continue as a going concern. After making enquiries, the Directors of the Company have stated in Note 1(c)(i) that there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable, and accordingly have adopted the going concern basis of accounting in preparing the financial statements.

The conditions and events noted above, in relation to the ability of the Company and Consolidated Entity to manage its cash flows and meet their existing short term financial obligations, and the ability of the OZ Minerals Group and CST to provide support to the Company and the Consolidated Entity, indicate the existence of a material uncertainty which may cast significant doubt about the Company's and the Consolidated Entity's ability to continue as a going concern and therefore their ability to realise their assets and discharge their liabilities in the normal course of business at the amounts recognised in the financial statements. In particular, the carrying value of property, plant and equipment may not be fully recoverable, should the Company and the Consolidated Entity not be able to continue as a going concern.

A FINANCIAL INFORMATION

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2008

OZ Minerals Martabe Pty Ltd and its controlled entities for the year ended 31 December 2008		Consolidated 2008	Consolidated 2007	Consolidated 2006	Company 2008	Company 2007	Company 2006
	Notes	A\$	A\$	A\$	A\$	A\$	A\$
Net foreign exchange (losses)/gains		(683,900)	-	-	31,597,527	(5,347,798)	(1,763,265)
Exploration expenditure		(1,143,878)	-	-	-	-	-
Impairment of property, plant and equipment	4	(22,996,355)	-	-	-	-	-
Impairment of investment in controlled entities	6	-	-	-	(26,613,007)	-	-
General and administrative expenses		(313,917)	(5,553)	(2,902)	(248,195)	(540)	-
(Loss)/profit before income tax *		<u>(25,138,050)</u>	<u>(5,553)</u>	<u>(2,902)</u>	<u>4,736,325</u>	<u>(5,348,338)</u>	<u>(1,763,265)</u>
Income tax (expense)	3	-	-	-	(7,271,720)	-	-
(Loss)/profit for the year		<u>(25,138,050)</u>	<u>(5,553)</u>	<u>(2,902)</u>	<u>(2,535,395)</u>	<u>(5,348,338)</u>	<u>(1,763,265)</u>

* The consolidated loss before income tax includes a loss of \$248,195 (2007: \$540 and 2006: nil) relating to the Company.

The above income statements should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENTS OF RECOGNISED INCOME AND EXPENSE

FOR THE YEAR ENDED 31 DECEMBER 2008

OZ Minerals Martabe Pty Ltd and its controlled entities for the year ended 31 December 2008		Consolidated 2008	Consolidated 2007	Consolidated 2006	Company 2008	Company 2007	Company 2006
	Notes	A\$	A\$	A\$	A\$	A\$	A\$
Items recognised directly in equity - net of income tax							
Foreign exchange translation differences	12	41,972,577	(11,500,924)	(3,139,927)	-	-	-
Transfer from income tax expense	3	(7,271,720)	-	-	-	-	-
Net income/(expense) recognised directly in equity		34,700,857	(11,500,924)	(3,139,927)	-	-	-
Net (loss)/profit after income tax for the year		<u>(25,138,050)</u>	<u>(5,553)</u>	<u>(2,902)</u>	<u>(2,535,395)</u>	<u>(5,348,338)</u>	<u>(1,763,265)</u>
Total recognised income/(expense) for the year		<u>9,562,807</u>	<u>(11,506,477)</u>	<u>(3,142,829)</u>	<u>(2,535,395)</u>	<u>(5,348,338)</u>	<u>(1,763,265)</u>

The above statements of recognised income and expense should be read in conjunction with the accompanying notes.

CONSOLIDATED BALANCE SHEETS

AS AT 31 DECEMBER 2008

OZ Minerals Martabe Pty Ltd
and its controlled entities for
the year ended 31 December 2008

	Notes	Consolidated 2008 A\$	Consolidated 2007 A\$	Consolidated 2006 A\$	Company 2008 A\$	Company 2007 A\$	Company 2006 A\$
Current assets							
Cash and cash equivalents	5	1,935,208	557,824	611,585	1	1	1
Receivables from related parties	18	1,166,914	137,080	-	-	-	-
Other receivables		7,341,335	800	25,936	-	800	-
Prepayments		772,804	379,367	79,375	-	-	-
Total current assets		<u>11,216,261</u>	<u>1,075,071</u>	<u>716,896</u>	<u>1</u>	<u>801</u>	<u>1</u>
Non-current assets							
Receivables from controlled entities	18	-	-	-	174,697,338	60,716,346	48,916,191
Investments in controlled entities	6	-	-	-	39,360,694	63,975,047	63,975,047
Property, plant and equipment	7	221,814,430	116,843,273	110,873,719	-	-	-
Other receivables		-	1,660,558	716,178	-	-	-
Total non-current assets		<u>221,814,430</u>	<u>118,503,831</u>	<u>111,589,897</u>	<u>214,058,032</u>	<u>124,691,393</u>	<u>112,891,238</u>
Total assets		<u>233,030,691</u>	<u>119,578,902</u>	<u>112,306,793</u>	<u>214,058,033</u>	<u>124,692,194</u>	<u>112,891,239</u>
Current liabilities							
Payables and accruals	8	10,532,876	2,424,411	719,555	-	-	-
Payable to related parties	9	219,042,956	131,803,796	114,654,504	216,433,310	131,803,796	114,654,503
Provision for income tax		-	-	75,562	-	-	-
Provisions	10	28,816	-	-	-	-	-
Total current liabilities		<u>229,604,648</u>	<u>134,228,207</u>	<u>115,449,621</u>	<u>216,433,310</u>	<u>131,803,796</u>	<u>114,654,503</u>
Non-current liabilities							
Deferred tax liabilities	3	7,271,720	-	-	7,271,720	-	-
Provisions	10	1,094,411	-	-	-	-	-
Total non-current liabilities		<u>8,366,131</u>	<u>-</u>	<u>-</u>	<u>7,271,720</u>	<u>-</u>	<u>-</u>
Total liabilities		<u>237,970,779</u>	<u>134,228,207</u>	<u>115,449,621</u>	<u>223,705,030</u>	<u>131,803,796</u>	<u>114,654,503</u>
Net liabilities		<u>(4,940,088)</u>	<u>(14,649,305)</u>	<u>(3,142,828)</u>	<u>(9,646,997)</u>	<u>(7,111,602)</u>	<u>(1,763,264)</u>
Equity							
Share capital	11	1	1	1	1	1	1
Reserves	12	20,206,416	(14,640,851)	(3,139,927)	-	-	-
Retained (losses)/earnings	13	(25,146,505)	(8,455)	(2,902)	(9,646,998)	(7,111,603)	(1,763,265)
Total equity		<u>(4,940,088)</u>	<u>(14,649,305)</u>	<u>(3,142,828)</u>	<u>(9,646,997)</u>	<u>(7,111,602)</u>	<u>(1,763,264)</u>

The above balance sheet should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS

31 DECEMBER 2008

OZ Minerals Martabe Pty Ltd
and its controlled entities for
the year ended 31 December 2008

	Notes	Consolidated 2008 A\$	Consolidated 2007 A\$	Consolidated 2006 A\$	Company 2008 A\$	Company 2007 A\$	Company 2006 A\$
Cash flows from operating activities							
(Loss)/profit before income tax		(25,138,050)	(5,553)	(2,902)	4,736,325	(5,348,338)	(1,763,265)
Adjustments to reconcile (loss)/profit before income tax to net cash used in operating activities:							
Impairment of property, plant and equipment	4	22,996,355	-	-	-	-	-
Impairment of investment in controlled entities	6	-	-	-	26,613,007	-	-
Unrealised foreign exchange (gains)/losses		(168,908)	-	-	(31,597,527)	5,347,798	1,763,265
Other non-cash items		248,195	13,099	-	248,195	540	-
Changes in:							
Other receivables		173,839	-	-	-	-	-
Security deposits		-	23,380	(19,374)	-	-	-
Claims for tax refund		(4,536,251)	(941,323)	75,562	-	-	-
Refundable deposits		17,278	(73,630)	-	-	-	-
Taxes payable		166,485	72,780	-	-	-	-
Payables and accruals		1,382,116	(2,489)	(164,930)	-	-	-
Net cash (outflow) from operating activities		<u>(4,858,941)</u>	<u>(913,736)</u>	<u>(111,644)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities							
Payments for property, plant and equipment		(80,122,582)	(16,091,972)	(261,516)	-	-	-
Cash acquired on purchase of controlled entities		-	-	27,614	-	-	-
Net cash (outflow)/inflow from investing activities		<u>(80,122,582)</u>	<u>(16,091,972)</u>	<u>(233,902)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from financing activities							
Proceeds from loan from related party		87,239,160	17,149,292	957,130	-	-	-
Loans to a related party		(1,029,834)	(137,080)	-	-	-	-
Proceeds from issue of shares		-	-	1	-	-	1
Net cash inflow/(outflow) from financing activities		<u>86,209,326</u>	<u>17,012,212</u>	<u>957,131</u>	<u>-</u>	<u>-</u>	<u>1</u>
Net increase in cash held		<u>1,227,803</u>	<u>6,504</u>	<u>611,585</u>	<u>-</u>	<u>-</u>	<u>1</u>
Cash and cash equivalents at the beginning of the year		557,824	611,585	-	1	1	-
Effects of exchange rate changes on cash and cash equivalents		149,581	(60,265)	-	-	-	-
Cash and cash equivalents at the end of the year		<u><u>1,935,208</u></u>	<u><u>557,824</u></u>	<u><u>611,585</u></u>	<u><u>1</u></u>	<u><u>1</u></u>	<u><u>1</u></u>

B NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2008

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**(a) Reporting entity**

OZ Minerals Martabe Pty Ltd (formerly Oxiana Martabe Pty Ltd) ("the Company") is a company domiciled in Australia. The registered office of the Company is Level 23, 28 Freshwater Place, Southbank, Victoria, Australia 3006. The ultimate parent entity of the Company is OZ Minerals Limited. The consolidated financial statements of the Company for the year ended 31 December 2008 comprise the Company and its controlled entities (the "consolidated entity").

(b) Statement of compliance

The financial information has been prepared in accordance with Australian Accounting Standards (AASBs) including Australian interpretations adopted by the Australian Accounting Standards Board (AASB). The consolidated financial report of the consolidated entity and the financial report of the parent entity comply with International Financial Reporting Standards (IFRSs) and interpretations adopted by the International Accounting Standards Board (IASB).

All entities within the consolidated entity have a 31 December balance date. However, where entities within the consolidated entity previously had different financial reporting periods, the financial information has been adjusted so as to present the financial information based on a 31 December balance date. Accordingly, the financial statements of the Company and the consolidated entity comprise the balance sheets as at 31 December 2006, 2007 and 2008 and the statements of recognised income and expense, income statements and statements of cash flows for the period from incorporation (11 May 2006) to 31 December 2006 and the years ended 31 December 2007 and 2008.

This financial report has been approved by the Directors of the Company on 20 May 2009.

(c) Basis of preparation of financial information**(i) Going concern**

An entity is a going concern when it is considered able to pay its debts as and when they are due, and continue in operation without any intention or necessity to liquidate or otherwise wind up its operations.

The Martabe project was in the pre-production stage until the decision by OZ Minerals, announced on 25 November 2008, to place the development of the project on hold.

At 31 December 2008 the consolidated entity had a net asset deficiency of \$4,940,088, and an excess of current liabilities over current assets of \$218,388,387 and had a loss for the year ended 31 December 2008 of \$25,138,050 and a net operating cash outflow for that year of \$4,858,941. Accordingly it relies on OZ Minerals for financial support. The Directors of the Company received a letter from OZ Minerals stating it will continue to provide financial support to the Company and its controlled entities to ensure the consolidated entity has sufficient funds to pay its debts as and when they fall due.

As at 31 December 2008, the OZ Minerals Group had four major bank facilities. Three of these facilities matured, or were required to be refinanced by 31 December 2008. Prior to the end of the financial year the relevant lenders agreed to extend the termination dates of various debt facilities provided to a number of the OZ Minerals' subsidiaries to 27 February 2009.

On 16 February 2009 OZ Minerals and China Minmetals Non-Ferrous Metals Co., Ltd ('Minmetals') announced that they had entered into a Scheme Implementation Agreement for Minmetals to acquire all outstanding shares of OZ Minerals at a cash price of A\$0.825 per share, valuing the OZ Minerals Group at approximately A\$2,575,105,335. On 27 March 2009, the Treasurer of Australia announced that he would not approve this proposed transaction if it included the Prominent Hill operations, on national security grounds. On 1 April 2009, OZ Minerals and Minmetals announced a new in-principle agreement to a transaction structure (the "Revised Transaction") which could see Minmetals acquire, for a cash consideration of US\$1,206,000,000 all of OZ Minerals' assets except the Prominent Hill operations, the Martabe project, certain exploration leases in Thailand and Cambodia and all of OZ Minerals' listed equity investments. A formal sale implementation agreement for the Revised Transaction was signed on 14 April 2009.

The Revised Transaction is subject to several regulatory approvals. On 23 April 2009 the Treasurer of Australia announced that the Revised Transaction was approved. On 18 May 2009, the National Development and Reform Commission of the People's Republic of China ("NDRC") announced its approval of the Revised Transaction. Further necessary Chinese regulatory approvals, including from the Ministry of Commerce, the State Administration of Foreign Exchange and the State-owned Assets Supervision and Administration Commission, are expected to be received before 11 June 2009. Approval of the Revised Transaction is also required from OZ Minerals' shareholders at the annual general meeting of OZ Minerals, to be held on 11 June 2009 (refer Note 22 for further details).

On 30 April 2009, OZ Minerals' lenders agreed to extend the refinancing date of its bank facilities that were required to be refinanced, until 30 June 2009 in order to facilitate completion of the Revised Transaction with Minmetals. However, the extension remains subject to a number of conditions that must be satisfied (as set out in Note 22), the most significant of which is that if the Revised Transaction is terminated, the OZ Minerals debt facilities will be capable of being terminated by the financiers.

On 24 April 2009, OZ Minerals announced the sale of the shares in the Company to China Sci-Tech Holdings Limited ("CST"). In the event that the conditions precedent to this sale transaction are satisfied (as set out in Note 22), the amounts payable by the consolidated entity to OZ Minerals Limited, OZ Minerals Agincourt Pty Ltd and Lane Xang Minerals Limited, which at 30 April 2008 totalled \$230,525,947 will be forgiven in full (further details are contained in Note 9). On completion of the sale transaction CST will become the ultimate parent entity of the Company and as such the Company will then become dependent on CST to provide continued financial support to enable the consolidated entity to meet its debts as and when they become due and payable.

The Directors of the Company are aware that a material uncertainty exists due to the above matters and events which may cast doubt on the Company's ability to continue as a going concern. Having regard to the above circumstances and events and after making enquiries, the Directors of the Company have a reasonable expectation that the Company can manage its cash flows in such a way that it can continue to meet its financial obligations and that:

- the sale transaction with CST will proceed and CST will be able to provide financial support to the Company; and

- OZ Minerals will be able to continue to provide financial support until the CST sale transaction proceeds, and afterwards if that sale transaction does not proceed, on the basis that its lenders will agree, as they have in the past, to extend the repayment date of its facilities or the Revised Transaction with Minmetals will be completed which will enable OZ Minerals to repay its short term debt obligations.

Accordingly, the directors of the Company have adopted the going concern basis of accounting in preparing these financial statements.

(ii) *Historical costs*

These financial statements have been prepared on the going concern basis as set out above and on the historical cost basis. The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The accounting policies used by the Group have been applied consistently to all periods presented in these financial statements.

(iii) *Early adoption of standards*

The consolidated entity has elected to early adopt the following accounting standard in the annual reporting period beginning 1 January 2008:

- IAS 8 Operating Segments.

Application of this standard did not have any impact on the amounts recognised in the financial report of the consolidated entity.

(iv) *Issued standards not early adopted*

The following standards and amendments were available for early adoption but have not been applied by the consolidated entity in these financial statements:

- Revised IAS 3 Business Combinations;
- Revised IAS 1 Presentation of Financial Statements; and
- Amended IAS 27 Consolidated and Separate Financial Statements.

Initial application of these standards would not have a significant impact on the amounts recognised in the financial report, but may change the disclosures presently made in relation to the consolidated entity. Other standards issued and available for early adoption but not applied by the consolidated entity have not been included above as they are not expected to have any material impact on the financial report of the consolidated entity.

The consolidated entity will adopt these standards during the applicable mandatory annual reporting periods.

(d) **Subsidiaries**

Subsidiaries are all those entities (including special purpose entities) over which the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Investments in subsidiaries are stated in the Company's balance sheet at cost less accumulated impairment losses.

(e) Non-derivative financial instruments

Non-derivative financial instruments comprise cash and cash equivalents, loan receivables and loan payables, investments in controlled entities, other receivables and other payables.

Loans and receivables consist of loans to a related party. They are included in current assets, except those which the entity does not expect to realise within 12 months after the balance sheet date, which are classified as non-current assets.

Investments in controlled entities have been stated at cost except to the extent that the amount is deemed not recoverable, in which case, an impairment charge is raised against the asset.

(f) Foreign exchange*(i) Functional and presentation currency*

The financial statements are presented in Australian dollars. Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates, the 'functional currency'. The functional currency of the Company is Australian dollars while the functional currency of the subsidiary companies is US dollars.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges.

(g) Income tax

Income tax expense or benefit for the period is the tax payable/recoverable on the current period's taxable income based on the national income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses. Current and deferred tax expense attributable to amounts recognised directly in equity is also recognised directly in equity.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled. Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset when the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Income taxes have not been provided on undistributed overseas earnings of controlled entities to the extent the earnings are intended to remain indefinitely invested in those entities.

OZ Minerals Martabe Pty Ltd forms part of the tax consolidation group of OZ Minerals Limited as of 25 May 2007 and have been taxed as a single entity from that date. The head entity, OZ Minerals Limited, and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts.

These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone tax payer in its own right. In addition to its own current and deferred tax amounts, OZ Minerals Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group. Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the consolidated entity.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly-owned tax consolidated entities.

(h) Exploration, evaluation and development expenditure

Exploration and evaluation costs, including costs of acquiring licences, are capitalised as exploration and evaluation assets on an area of interest basis. Costs incurred before the consolidated entity has obtained the legal right to explore an area are recognised in the income statement.

Exploration and evaluation assets are classified as tangible (as part of property, plant and equipment) or intangible according to the nature of the assets. As the assets are not yet ready for use they are not depreciated.

Exploration and evaluation assets are only recognised if the rights to the area of interest are current and either:

- the expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or
- Activities in the area of interest have not at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

Exploration and evaluation assets are assessed for impairment if:

- sufficient data exists to determine technical feasibility and commercial viability; and
- facts and circumstances suggest that the carrying amount exceeds the recoverable amount (see recoverable amount and fair value estimation accounting policy in Note 1(j)).

Once the technical feasibility and commercial viability of the extraction of mineral reserves in an area of interest are demonstrated, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified to mine property and development assets within property, plant and equipment.

Acquired mineral rights comprise identifiable exploration and evaluation assets including mineral reserves and mineral resources which are acquired as part of a business combination and are recognised at fair value at date of acquisition. The acquired mineral rights are reclassified as mine property and development from commencement of development and amortised when commercial production commences on a unit of production basis over the estimated economic reserve of the mine.

(i) Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and any impairment losses recognised. Historical cost includes expenditure that is directly attributable to the acquisition of the items and costs incurred in bringing the asset into use. Cost also includes transfers from equity of any gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation is applied using the straight-line method, over the estimated useful lives of the assets as follows:

- Buildings 10 years
- Plant and equipment 5 years
- Office equipment 5 years

Mine property and development assets include costs transferred from exploration and evaluation assets once technical feasibility and commercial viability of an area of interest are demonstrable, and also includes subsequent costs to develop the mine to the production phase.

Amortisation of mine property and development assets is calculated on the basis of units of production. Amortisation is based on assessments of proven and probable reserves and a proportion of resources available to be mined by the current production equipment to the extent that such resources are considered to be economically recoverable.

The amortisation of mine, property and development assets commences when the mine starts commercial production. Other assets are depreciated over the shorter of the asset's useful life and the life of mine. Gains and losses on disposals are determined by comparing proceeds with asset carrying amounts. These are included in the income statement.

(j) Recoverable amount and fair value estimation

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment or more frequently if events or changes in circumstances indicate that they might be impaired. Assets that have a finite life are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

The asset's value in use is the net amount expected to be recovered through the cash flows arising from its continued use and subsequent disposal. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

The asset's fair value less costs to sell is the amount obtainable from the sale of an asset or cash-generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that have been impaired are reviewed for possible reversal of impairment at each reporting date.

Any impairment to the carrying amount of an asset is recognised as an expense in the income statement in the reporting period in which the recoverable amount write down occurs. Where this assessment of impairment indicates a loss in value of the assets of an operation, an appropriate write down is made. No assets are carried in excess of their recoverable amount. The recoverable amount of the consolidated entity's operations is subject to variation because of changes in internationally determined metal prices and exchange rates.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using recognised valuation techniques. The consolidated entity uses a variety of methods and makes assumptions that are based on market conditions existing at each balance date. Option contracts are fair valued using an option pricing model and prevailing market quoted economic variables existing at the balance date. Interest rate swaps are fair valued by determining the theoretical gain or loss had the swap contracts been terminated on market at the balance date. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

Financial assets and liabilities

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the consolidated entity for similar financial instruments.

Impairment of financial assets

The consolidated entity assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered objective evidence in determining whether the security is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the income statement – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments classified as available-for-sale are not reversed through the income statement.

(k) Payables and accruals

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial year which are unpaid. The amounts are non interest bearing, unsecured and are usually paid within 30 days of recognition.

(l) Other receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less impairment. These are usually due for settlement within 30 days from the date of recognition.

(m) Provisions

Provisions for legal claims and other liabilities are recognised when the consolidated entity has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Mine rehabilitation, restoration and dismantling

Provisions are made for the estimated cost of rehabilitation, decommissioning and restoration relating to areas disturbed during the mine's development, up to reporting date but not yet rehabilitated, discounted to their present value based on expected future cash flows. The estimated cost of rehabilitation includes the current cost of recontouring, topsoiling and revegetation to meet legislative requirements.

The provision is recognised as a non-current liability with a corresponding asset included in mining property and development assets, only to the extent that it is probable that future economic benefits associated with the restoration expenditure will flow to the consolidated entity. The capitalised cost of this asset will be amortised over the life of the mine. Changes in the provision relating to rehabilitation of mine infrastructure and dismantling obligations are added to or deducted from the related asset, other than the unwinding of the discount which will be recognised as a finance cost in the income statement.

The provisions referred to above do not include any amounts related to remediation costs associated with unforeseen circumstances.

(n) Employee benefits*(i) Wages and salaries and annual leave*

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid, inclusive of on-costs, when the liabilities are settled. The expense for non-accumulating sick leave is recognised when the leave is taken and measured at the rates paid or payable.

(ii) Share based payments

Certain employees of the consolidated entity participate in a share based payment scheme operated by OZ Minerals Limited, the consolidated entity's ultimate parent company.

The fair value of share based payments form part of employee expenses and to the extent they pertain to qualifying assets capitalised into property, plant and equipment. The total amount is recognised pro rata over the vesting period and is determined with reference to the fair value of the shares at the grant date, excluding the impact of any non-market vesting conditions (for example, employee performance targets). Non-market vesting conditions are included in assumptions about the number of shares that the employee will ultimately receive.

(o) **Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options, for the acquisition of a business, are included in the cost of the acquisition as part of the purchase consideration.

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, is recognised as a deduction from equity, net of any tax effects.

(p) **Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and call deposits with an original maturity of three months or less. For the purpose of the statement of cash flows, cash includes cash on hand and deposits at call which are readily convertible to cash and are subject to an insignificant risk of changes in value.

2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with Australian Accounting Standards and IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated entity's accounting policies.

Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

The consolidated entity makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and underlying assumptions are reviewed on an ongoing basis. The critical judgements and estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(i) *Going concern assumption*

A key assumption underlying the preparation of financial statements is that the consolidated entity will continue as a going concern. An entity is a going concern when it is considered to be able to pay its debts as and when they are due, and continue in operation without any intention or necessity to liquidate or otherwise wind up its operations. A significant amount of judgement is required in assessing whether the consolidated entity is a going concern as set out in Note 1(c)(i).

(ii) *Functional currency*

An entity's functional currency is the currency of the primary economic environment in which the entity operates in accordance with accounting policy 1(f)(i). Determination of an entity's functional currency requires management judgement when considering a number of factors including the currency that mainly influences sales prices, costs of production, and competitive forces and regulations which impact sales prices. In addition, consideration must be given to the currency in which financing and operating activities are undertaken.

(iii) *Recoverability of assets*

The recoverable amount of each asset or cash-generating unit ("CGU") is determined as the higher of the asset's or CGU's fair value less costs to sell and its value in use in accordance with the accounting policy in Note 1(j).

(iv) Ore reserve and resources estimates

The estimated quantities of economically recoverable reserves and resources are based upon interpretations of geological and geophysical models and require assumptions to be made regarding factors such as estimates of future operating performance, future capital requirements, short and long term commodity prices, and short and long term exchange rates. Changes in reported reserves and resources estimates can impact the carrying value of property, plant and equipment, provisions for rehabilitation obligations, the recognition of deferred tax assets or liabilities, as well as the amount of depreciation and amortisation recognised.

(v) Mine rehabilitation, restoration and dismantling provision

The consolidated entity assesses its mine rehabilitation, restoration and dismantling provision in accordance with the accounting policy note stated in Note 1(m). Significant judgement is required in determining the provision for mine rehabilitation as there are many transactions and other factors that will affect the ultimate costs required to rehabilitate the mine sites. Factors that will affect this liability include future development, changes in technology, price increases and changes in interest rates.

3 INCOME TAX**(a) Income tax (expense) recognised in the income statement**

OZ Minerals Martabe Pty Ltd and its controlled entities for the year ended 31 December 2008	Consolidated 2008 A\$	Consolidated 2007 A\$	Consolidated 2006 A\$	Company 2008 A\$	Company 2007 A\$	Company 2006 A\$
Accounting (loss)/profit before income tax expense	(25,138,050)	(5,553)	(2,902)	4,736,325	(5,348,338)	(1,763,265)
Income tax expense/(benefit) at the statutory rate of 30%	7,541,415	1,666	871	(1,420,898)	1,604,501	528,980
Derecognition of deferred tax assets in relation to impairment of assets	(6,898,907)	-	-	(7,983,903)	-	-
Tax effect of amounts which are not deductible in calculating taxable income:						
Deferred tax assets recognised/(derecognised) during the year	-	(162)	-	2,133,319	(1,604,501)	(528,980)
Other non deductible items	(642,508)	(1,504)	(871)	(238)	-	-
Income tax expense	-	-	-	(7,271,720)	-	-
Income tax expense comprises:						
Deferred tax	-	-	-	(7,271,720)	-	-
Deferred income tax expense included in income tax expense comprise:						
Increase in deferred tax liabilities	-	-	-	7,271,720	-	-

(b) Numerical reconciliation of income tax (expense) to pre-tax net (loss)/profit

OZ Minerals Martabe Pty Ltd and its controlled entities for the year ended 31 December 2008	Consolidated 2008 A\$	Consolidated 2007 A\$	Consolidated 2006 A\$	Company 2008 A\$	Company 2007 A\$	Company 2006 A\$
The balance comprises temporary differences attributable to:						
Unrealised foreign exchange gains	7,271,720	-	-	7,271,720	-	-
Deferred tax liabilities	7,271,720	-	-	7,271,720	-	-
Deferred tax liabilities to be recovered after 12 months	7,271,720	-	-	7,271,720	-	-
Movements:						
Charged to income statement	-	-	-	7,271,720	-	-
Transfer to equity	7,271,720	-	-	-	-	-
Closing balance at 31 December	7,271,720	-	-	7,271,720	-	-

(c) Deferred tax liabilities

A temporary difference of \$7,271,720 for the consolidated entity relates to deferred tax liabilities in respect of unrealised foreign exchange gains (2007: nil and 2006: nil).

(d) Unrecognised deferred tax assets

OZ Minerals Martabe Pty Ltd and its controlled entities for the year ended 31 December 2008	Consolidated 2008 A\$	Consolidated 2007 A\$	Consolidated 2006 A\$	Company 2008 A\$	Company 2007 A\$	Company 2006 A\$
Deferred tax assets have not been recognised in respect of the following items:						
Other temporary differences	6,898,907	-	-	7,983,903	-	-
Unrealised foreign exchange losses	-	2,133,319	528,980	-	2,133,319	528,980
Tax losses	162	162	-	162	162	-
Total	6,899,069	2,133,481	528,980	7,984,065	2,133,481	528,980

4 IMPAIRMENT OF PROPERTY, PLANT AND EQUIPMENT

2008	Pre-tax Impairment A\$	Tax impact A\$	Post-tax Impairment A\$	Method of valuation
Martabe	22,996,355	-	22,996,355	Fair value less costs to sell, based on bids received

The consolidated entity performs an impairment assessment when there is an indication of a possible impairment and annual impairment testing for goodwill and intangible assets with indefinite useful lives, regardless of whether there is a triggering event. A detailed impairment assessment was performed at 31 December 2008, which was triggered by the adverse market conditions in the second half of 2008.

The impairment assessment was based on the consolidated entity's assessment of the fair value less costs to sell, which is based on bid prices received as at the reporting date. Circumstances and events subsequent to the reporting date are disclosed in Note 22, including the receipt of a formal offer for the assets of the consolidated entity that exceeded the carrying value at 31 December 2008.

5 CASH AND CASH EQUIVALENTS

OZ Minerals Martabe Pty Ltd and its controlled entities for the year ended 31 December 2008	Consolidated 2008 A\$	Consolidated 2007 A\$	Consolidated 2006 A\$	Company 2008 A\$	Company 2007 A\$	Company 2006 A\$
Cash at bank	1,916,679	557,823	611,584	-	-	-
Cash on hand	18,529	1	1	1	1	1
	<u>1,935,208</u>	<u>557,824</u>	<u>611,585</u>	<u>1</u>	<u>1</u>	<u>1</u>

6 INVESTMENT IN CONTROLLED ENTITIES

OZ Minerals Martabe Pty Ltd and its controlled entities for the year ended 31 December 2008	Consolidated 2008 A\$	Consolidated 2007 A\$	Consolidated 2006 A\$	Company 2008 A\$	Company 2007 A\$	Company 2006 A\$
Opening balance	-	-	-	63,975,047	63,975,047	-
Additions	-	-	-	1,998,654	-	63,975,047
Impairment losses	-	-	-	(26,613,007)	-	-
Closing balance	<u>-</u>	<u>-</u>	<u>-</u>	<u>39,360,694</u>	<u>63,975,047</u>	<u>63,975,047</u>

In light of the OZ Minerals group recognising impairment in its consolidated financial statements for the year ended 31 December 2008, the Company has performed an impairment assessment over the carrying value of its investment in controlled entities. Accordingly, an impairment charge of \$26,613,007 has been recognised, after taking into consideration the net assets of the controlled entities.

Investments in controlled entities comprise the following:

	Country of Incorporation *	Class of share	Equity/beneficial holding			2008 A\$	2007 A\$	2006 A\$
			2008 %	2007 %	2006 %			
Agincourt Resources (Singapore) Pte Ltd	Singapore	Ordinary ^(a)	100	100	100	34,869,932	59,484,285	59,484,285
PT Artha Nugraha Agung	Indonesia	Ordinary ^(b)	100	100	100	4,490,762	4,490,762	4,490,762
PT Agincourt Resources**	Indonesia	Ordinary ^(c)	100	100	100	-	-	-
						<u>39,360,694</u>	<u>63,975,047</u>	<u>63,975,047</u>

* Also represents country of operations.

** Interest in PT Agincourt Resources held 95% by Agincourt Resources (Singapore) Pte Ltd ("ARS") and 5% by PT Artha Nugraha Agung.

- (a) 1,000 shares on issue fully paid (2007: 1,000 shares and 2006: 1,000 shares).
- (b) Share capital at par value of Rp1,000,000 per share, authorised 1,000 shares. 500 shares on issue unpaid (2007: 500 shares and 2006: 500 shares).
- (c) Share capital at par value of US\$1 per share, authorised 5,000,000 shares. 5,000,000 shares on issue and fully paid up (2007: 5,000,000 shares and 2006: 5,000,000 shares).

On 12 June 2008, the Company signed a memorandum of intent to transfer the shares of PT Artha Nugraha Agung to the North Sumatra Provincial Government and the South Tapanuli Regency Government (collectively known as "Pemba") for no consideration. However, the memorandum of intent states that PT Artha Nugraha Agung is responsible for 5 per cent of the costs associated with the Martabe Gold and Silver project.

Under the memorandum of intent, Pemba has agreed to form a company called Badan Usaha Milik Daerah ("BUMD") to acquire the shares of PT Artha Nugraha Agung. ARS agreed to provide an interest free loan to BUMD for an amount of 5 per cent of all costs incurred by PT Agincourt Resources in relation to the Martabe Gold and Silver project. This loan shall be repaid to ARS via dividends to be received by BUMD from PT Agincourt Resources.

As a result, PT Artha Nugraha Agung is beneficially controlled by the Company via a co-operation agreement with the Directors and shareholders of the entity.

Acquisition of subsidiary

On 1 September 2006, the Company acquired 100 per cent of the shares in ARS and its controlled entities and 100 per cent of the shares in PT Artha Nugraha Agung for consideration of A\$113,697,374, which was funded by an intercompany loan from the Company's parent entity. ARS owns 95 per cent of the shares in PT Agincourt Resources, which owns the Martabe Gold and Silver project. PT Artha Nugraha Agung owns the remaining 5 per cent of the shares in PT Agincourt Resources.

The provisional values of assets, liabilities and contingent liabilities recognised on acquisition were their estimated fair values at the date of acquisition. Accounting standards permit up to 12 months for provisional acquisition accounting to be finalised following the acquisition date if any subsequent information provides better evidence of the item's fair value at the date of acquisition. The Company undertook a detailed review of the provisional values of assets, liabilities and contingent liabilities recognised on acquisition and determined there were no adjustments to the provisional fair values recognised at 1 September 2006.

The details of the provisional fair values at the date of acquisition are set out below:

	Book values reflected by ARS at 1 September 2006 A\$	Fair value adjustments at 1 September 2006 A\$	Fair values recognised on acquisition at 1 September 2006 A\$
Cost of acquisition			
Cash paid or payable	113,697,374	–	113,697,374
	<u>113,697,374</u>	<u>–</u>	<u>113,697,374</u>
Fair values of assets and liabilities			
Cash and cash equivalents	27,614	–	27,614
Trade and other receivables	782,090	–	782,090
Property, plant and equipment	47,489,472	65,841,363	113,330,835
Trade and other payables	(76,998)	–	(76,998)
Employee benefits	(366,167)	–	(366,167)
	<u>47,856,011</u>	<u>65,841,363</u>	<u>113,697,374</u>

7 PROPERTY, PLANT AND EQUIPMENT

OZ Minerals Martabe Pty Ltd
and its controlled entities for
the year ended 31 December 2008

	Consolidated 2008 A\$	Consolidated 2007 A\$	Consolidated 2006 A\$	Company 2008 A\$	Company 2007 A\$	Company 2006 A\$
Land (a)	25,084,586	325,607	-	-	-	-
Buildings (b)	595,816	218,209	-	-	-	-
Plant and equipment (c)	562,204	317,042	-	-	-	-
Mine property and development (d)	144,844,835	-	-	-	-	-
Exploration and evaluation (e)	-	113,453,586	110,873,719	-	-	-
Construction in progress (f)	50,726,989	2,528,828	-	-	-	-
Carrying value (g)	<u>221,814,430</u>	<u>116,843,272</u>	<u>110,873,719</u>	<u>-</u>	<u>-</u>	<u>-</u>
(a) Land						
Opening carrying value	325,607	-	-	-	-	-
Additions	20,418,950	340,236	-	-	-	-
Foreign exchange	4,340,029	(14,629)	-	-	-	-
Closing carrying value	<u>25,084,586</u>	<u>325,607</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
All land titles are held outside of Hong Kong. All Land is freehold.						
(b) Buildings						
At cost	648,703	226,620	-	-	-	-
Accumulated depreciation	(52,887)	(8,411)	-	-	-	-
Carrying value	<u>595,816</u>	<u>218,209</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Opening carrying value	218,209	-	-	-	-	-
Additions	283,349	236,803	-	-	-	-
Reclassifications	15,684	-	-	-	-	-
Depreciation and amortisation	(34,943)	(8,789)	-	-	-	-
Foreign exchange	113,517	(9,805)	-	-	-	-
Closing carrying value	<u>595,816</u>	<u>218,209</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(c) Plant and equipment						
At cost	861,974	457,115	109,022	-	-	-
Accumulated depreciation	(299,770)	(140,073)	(109,022)	-	-	-
Carrying value	<u>562,204</u>	<u>317,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Opening carrying value	317,042	-	-	-	-	-
Additions	239,899	374,958	-	-	-	-
Reclassifications	5,559	-	-	-	-	-
Depreciation and amortisation	(101,083)	(43,672)	-	-	-	-
Foreign exchange	100,787	(14,244)	-	-	-	-
Closing carrying value	<u>562,204</u>	<u>317,042</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

OZ Minerals Martabe Pty Ltd and its controlled entities for the year ended 31 December 2008	Consolidated 2008 A\$	Consolidated 2007 A\$	Consolidated 2006 A\$	Company 2008 A\$	Company 2007 A\$	Company 2006 A\$
(d) Mine property and development						
Opening carrying value	-	-	-	-	-	-
Additions	21,630,588	-	-	-	-	-
Impairment loss recognised	(22,996,355)	-	-	-	-	-
Transfers	113,453,586	-	-	-	-	-
Foreign exchange	32,757,016	-	-	-	-	-
Closing carrying value	<u>144,844,835</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(e) Exploration and evaluation						
Opening carrying value	113,453,586	110,873,719	-	-	-	-
Acquisition through business combination	-	-	113,330,835	-	-	-
Additions	-	14,112,164	261,516	-	-	-
Transfers	(113,453,586)	-	-	-	-	-
Foreign exchange	-	(11,532,297)	(2,718,632)	-	-	-
Closing carrying value	<u>-</u>	<u>113,453,586</u>	<u>110,873,719</u>	<u>-</u>	<u>-</u>	<u>-</u>
(f) Construction in progress						
Opening carrying value	2,528,828	-	-	-	-	-
Additions	39,338,310	2,528,828	-	-	-	-
Reclassification	(21,243)	-	-	-	-	-
Foreign exchange	8,881,094	-	-	-	-	-
Closing carrying value	<u>50,726,989</u>	<u>2,528,828</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(g) Total property, plant and equipment						
Opening carrying value	116,843,272	110,873,719	-	-	-	-
Acquisition through business combination	-	-	113,330,835	-	-	-
Additions	81,911,096	17,592,989	261,516	-	-	-
Impairment loss recognised	(22,996,355)	-	-	-	-	-
Depreciation and amortisation*	(136,026)	(52,461)	-	-	-	-
Foreign exchange	46,192,443	(11,570,975)	(2,718,632)	-	-	-
Closing carrying value	<u>221,814,430</u>	<u>116,843,272</u>	<u>110,873,719</u>	<u>-</u>	<u>-</u>	<u>-</u>

* All depreciation expense incurred during 2008 and 2007 was capitalised as part of mine property and development.

To secure the consolidated entity's performance of obligations to Newmont Mining Corporation ("Newmont") relating to the Martabe project, Newmont has a fixed and floating charge over all the assets of the consolidated entity ("Charge"), which is to be subordinated to any financier providing project finance to the consolidated entity in connection with the development of any mining operation on the contract of work area or providing a working capital facility. The consolidated entity's obligations to Newmont, which are secured by the Charge, include royalty obligations relating to the Martabe project which are described in more detail in Note 15.

8 PAYABLES AND ACCRUALS

OZ Minerals Martabe Pty Ltd and its controlled entities for the year ended 31 December 2008	Consolidated 2008 A\$	Consolidated 2007 A\$	Consolidated 2006 A\$	Company 2008 A\$	Company 2007 A\$	Company 2006 A\$
Payables	794,556	79,277	33,573	-	-	-
Accruals	9,738,320	2,345,134	685,982	-	-	-
	<u>10,532,876</u>	<u>2,424,411</u>	<u>719,555</u>	<u>-</u>	<u>-</u>	<u>-</u>

9 PAYABLES TO RELATED PARTIES

The payables to related parties comprise the following:

OZ Minerals Martabe Pty Ltd and its controlled entities for the year ended 31 December 2008	Consolidated 2008 A\$	Consolidated 2007 A\$	Consolidated 2006 A\$	Company 2008 A\$	Company 2007 A\$	Company 2006 A\$
OZ Minerals Limited	55,534,537	-	-	53,321,636	-	-
OZ Minerals Agincourt Pty Ltd	163,111,674	131,803,796	114,654,504	163,111,674	131,803,796	114,654,503
Lane Xang Minerals Limited	396,745	-	-	-	-	-
	<u>219,042,956</u>	<u>131,803,796</u>	<u>114,654,504</u>	<u>216,433,310</u>	<u>131,803,796</u>	<u>114,654,503</u>

The amount payable includes payables to the consolidated entity's ultimate parent company, OZ Minerals Limited and the consolidated entity's immediate parent company, OZ Minerals Agincourt Pty Ltd. In addition, during the year ended 31 December 2008, Lane Xang Minerals Limited, a company subject to common control, paid certain expenses on behalf of PT Agincourt Resources, amounting to \$396,745 (2007: nil and 2006: nil).

Immediately prior to completion of the sale of the consolidated entity to CST as described in Note 22, the amounts payable to OZ Minerals Limited, OZ Minerals Agincourt Pty Ltd and Lane Xang Minerals Limited will be forgiven in full in accordance with the Share Purchase Agreement. The amount to be forgiven which totalled \$230,525,947 as at 30 April 2009 will be recorded as a gain in the income statement increasing net assets by the same amount.

10 PROVISIONS

OZ Minerals Martabe Pty Ltd and its controlled entities for the year ended 31 December 2008	Consolidated 2008 A\$	Consolidated 2007 A\$	Consolidated 2006 A\$	Company 2008 A\$	Company 2007 A\$	Company 2006 A\$
Current provision						
Employee benefits (a)	28,816	-	-	-	-	-
Total current provision	<u>28,816</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-current provision						
Mine rehabilitation, restoration and dismantling (b)	1,094,411	-	-	-	-	-
Total non-current provision	<u>1,094,411</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(a) Employee benefits						
Opening balance	-	-	-	-	-	-
Additional provisions recognised	28,816	-	-	-	-	-
Closing balance	<u>28,816</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
(b) Mine rehabilitation, restoration and dismantling						
Opening balance	-	-	-	-	-	-
Additional provisions recognised	1,094,411	-	-	-	-	-
Closing balance	<u>1,094,411</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

11 SHARE CAPITAL

The Company was incorporated on 11 May 2006. The total authorised number of ordinary share is 1 (2007: 1 and 2006: 1) with a par value of \$1 per share. The issued shares and share capital of the Company is as follows:

OZ Minerals Martabe Pty Ltd and its controlled entities for the year ended 31 December 2008	Consolidated 2008	Consolidated 2007	Consolidated 2006	Company 2008	Company 2007	Company 2006
Share capital - par	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting in person by proxy, is entitled to one vote, and upon a roll each holder is entitled to one vote per share.

Loss per share for the year ended 31 December 2008 was \$25,138,050 (2007: \$5,553 and 2006: \$2,902).

12 RESERVES

OZ Minerals Martabe Pty Ltd and its controlled entities for the year ended 31 December 2008	Consolidated 2008 A\$	Consolidated 2007 A\$	Consolidated 2006 A\$	Company 2008 A\$	Company 2007 A\$	Company 2006 A\$
Foreign currency translation reserve:						
Opening balance	(14,640,851)	(3,139,927)	-	-	-	-
Net exchange differences on translation to presentation currency	41,972,577	(11,500,924)	(3,139,927)	-	-	-
Transfer from income tax expense	(7,271,720)	-	-	-	-	-
Closing balance	<u>20,060,006</u>	<u>(14,640,851)</u>	<u>(3,139,927)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Equity compensation reserve:						
Opening balance	-	-	-	-	-	-
Share based payments recognised during the year	146,410	-	-	-	-	-
Closing balance	<u>146,410</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total reserves	<u>20,206,416</u>	<u>(14,640,851)</u>	<u>(3,139,927)</u>	<u>-</u>	<u>-</u>	<u>-</u>

No reserves were available for distribution as at 31 December 2008 (2007: nil and 2006: nil).

Nature and purpose of reserves*Foreign currency translation reserve*

Exchange differences arising on the translation of the consolidated entity's receivables that form part of its net investment in foreign controlled entities and the translation of controlled entities with a functional currency differing from the consolidated entity's presentation currency, are taken to the foreign currency translation reserve as described in accounting policy Note 1(f).

Equity compensation reserve

The equity compensation reserve is used to recognise the fair value of equity instruments granted to employees under the OZ Minerals' short term incentive plan.

13 RETAINED LOSSES

Movements in retained losses are as follows:

OZ Minerals Martabe Pty Ltd and its controlled entities for the year ended 31 December 2008	Consolidated 2008 A\$	Consolidated 2007 A\$	Consolidated 2006 A\$	Company 2008 A\$	Company 2007 A\$	Company 2006 A\$
Opening balance	(8,455)	(2,902)	-	(7,111,603)	(1,763,265)	-
Current year (losses)/profit	(25,138,050)	(5,553)	(2,902)	(2,535,395)	(5,348,338)	(1,763,265)
Closing balance	<u>(25,146,505)</u>	<u>(8,455)</u>	<u>(2,902)</u>	<u>(9,646,998)</u>	<u>(7,111,603)</u>	<u>(1,763,265)</u>

14 DIVIDENDS

The consolidated entity did not pay or propose any dividends for the period ended 31 December 2008 (2007: nil and 2006: nil). The consolidated entity's dividend franking account is nil.

15 COMMITMENTS FOR EXPENDITURE

Commitments for expenditure of capital contracted for at 31 December but services not yet provided are as follows:

OZ Minerals Martabe Pty Ltd and its controlled entities for the year ended 31 December 2008	Consolidated 2008 A\$	Consolidated 2007 A\$	Consolidated 2006 A\$	Company 2008 A\$	Company 2007 A\$	Company 2006 A\$
Within one year	8,983,222	17,761,177	-	-	-	-

Non-capital commitments contracted for, at 31 December but services not yet provided are as follows:

OZ Minerals Martabe Pty Ltd and its controlled entities for the year ended 31 December 2008	Consolidated 2008 A\$	Consolidated 2007 A\$	Consolidated 2006 A\$	Company 2008 A\$	Company 2007 A\$	Company 2006 A\$
Within one year	8,050,333	-	-	-	-	-

In addition to the above, the consolidated entity is subject to the following liability to Anglo American Exploration B.V. from its purchase of the Martabe project:

- US\$2.5 million payable upon the commencement of commercial production of the Martabe project;
- US\$500,000 payable in respect of the first 200,000 ounces of gold sold (US\$2.50 per ounce), following the commencement of commercial production of the Martabe project; and
- US\$5.00 for every ounce of gold sold following the first 200,000 ounces of gold sold.

In November 2007, the Board of OZ Minerals Limited had approved total expenditure of \$309,000,000 for development of the Martabe project. This has subsequently been placed on hold by the Board of OZ Minerals Limited, and therefore is no longer approved as at 31 December 2008.

16 CONTINGENT LIABILITIES

Contingent liabilities at the reporting date were nil (2007: nil and 2006: nil).

17 REMUNERATION OF AUDITORS

Remuneration of auditors for the audit of the financial report of the consolidated entity and other services is borne and paid by a related entity and amounted to \$65,000 (2007: \$52,000 and 2006: \$39,000).

The consolidated entity, with the prior approval of the OZ Minerals Limited Audit and Finance Committee, may decide to employ the external auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the OZ Minerals Group are important, and where these services will not impair the external auditor's independence. During the financial period, there were no non-audit services provided to the consolidated entity by the external auditors.

18 RELATED PARTIES

(a) Parent entity

The consolidated entity's parent company is OZ Minerals Agincourt Pty Ltd, which is incorporated in Australia. The ultimate parent entity of the consolidated entity is OZ Minerals Limited, which is incorporated in Australia, being its principle place of business. Disclosure relating to the loans from the parent entity and the ultimate parent entity is contained in Note 9. The ultimate parent pays certain expenses on behalf of the consolidated entity such as remuneration of auditors, as set out in Note 17.

(b) Controlled entities

The Company's investment in controlled entities is set out in Note 6.

(c) Loans to controlled entities

Loans are made by the Company to controlled entities. Loans outstanding between the Company and its controlled entities have no fixed date of repayment but are repayable at call, and are non-interest bearing. During the year ended 31 December 2008, such loans to controlled entities totalled \$174,697,338 (2007: \$60,716,346 and 2006: \$48,916,191).

(d) Loans to related parties

During the year ended 31 December 2008, the consolidated entity paid certain expenses on behalf of PT Oxindo Exploration Pty Ltd, a company subject to common control, amounting to \$1,166,914 (2007: nil and 2006: nil).

During the year ended 31 December 2007, the consolidated entity paid certain expenses on behalf of OZ Minerals Exploration Pty Ltd, a company subject to common control, amounting to \$137,080 (2006: nil).

(e) Loans from related parties

Disclosure relating to loans from related parties is contained in Note 9.

19 FINANCIAL RISK MANAGEMENT

The Company's and the consolidated entity's activities expose it to a variety of financial risks such as:

- Credit risk (see Note 19(a) below)
- Liquidity risk (see Note 19(b) below)
- Foreign currency exchange risk (see Note 19(c) below).

Financial risk management is carried out by the consolidated entity's ultimate parent entity's Group Treasury Function under policies approved by the Board of Directors of the OZ Minerals Group. Group Treasury identifies, evaluates and manages financial risks in close co-operation with the ultimate parent entity's operating units. The Board of Directors of the OZ Minerals Group approves written principles for overall risk management, as well as policies covering specific areas, such as those identified above.

The maintenance of the consolidated entity's capital base is important for its ability to continue as a going concern in the interests of its shareholders and other stakeholders (see Note 1(c)(i)). The consolidated entity monitors the return on capital, which is defined as total equity attributable to the shareholders.

(a) Credit risk

Management has a counterparty credit risk policy in place and the exposure to credit risk is monitored on an ongoing basis. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

OZ Minerals Martabe Pty Ltd and its controlled entities for the year ended 31 December 2008	Consolidated 2008 A\$	Consolidated 2007 A\$	Consolidated 2006 A\$	Company 2008 A\$	Company 2007 A\$	Company 2006 A\$
Cash and cash equivalents	1,935,208	557,824	611,585	1	1	1
Receivables from controlled entities	-	-	-	174,697,338	60,716,346	48,916,191
Receivables from related parties	1,166,914	137,080	-	-	-	-
Other receivables	7,341,335	1,661,358	742,114	-	800	-
	<u>10,443,457</u>	<u>2,356,262</u>	<u>1,353,699</u>	<u>174,697,339</u>	<u>60,717,147</u>	<u>48,916,192</u>

(b) Liquidity risk

The following contractual financial liabilities are due and payable within 6 months of the reporting date:

OZ Minerals Martabe Pty Ltd and its controlled entities for the year ended 31 December 2008	Consolidated 2008 A\$	Consolidated 2007 A\$	Consolidated 2006 A\$	Company 2008 A\$	Company 2007 A\$	Company 2006 A\$
Payables and accruals	10,532,876	2,424,411	719,555	-	-	-
Payable to related parties	219,042,956	131,803,796	114,654,504	216,433,310	131,803,796	114,654,503
	<u>229,575,832</u>	<u>134,228,207</u>	<u>115,374,059</u>	<u>216,433,310</u>	<u>131,803,796</u>	<u>114,654,503</u>

(c) Foreign currency exchange risk

The consolidated entity's exposure to foreign currency risk was as follows, based on notional amounts:

OZ Minerals Martabe Pty Ltd and its controlled entities for the year ended 31 December 2008	Consolidated 2008 A\$	Consolidated 2007 A\$	Consolidated 2006 A\$	Company 2008 A\$	Company 2007 A\$	Company 2006 A\$
Cash and cash equivalents	24,104	-	-	-	-	-
Receivables from controlled entities	-	-	-	174,697,338	60,716,346	48,916,191
Other receivables	3,156,774	863,490	385,899	-	-	-
Payables and accruals	(4,529,137)	(1,260,693)	(374,169)	-	-	-
Net exposure	<u>(1,348,259)</u>	<u>(397,203)</u>	<u>11,730</u>	<u>174,697,338</u>	<u>60,716,346</u>	<u>48,916,191</u>

Foreign currency exchange risk management

The consolidated entity operates internationally and is exposed to foreign currency exchange risk. The carrying amount of the consolidated entity's financial assets and financial liabilities by its denominated currency (presented in Australian dollars) at the reporting date is presented below. The functional currencies employed by the entities within the consolidated entity are US dollars and Australian dollars. The consolidated entity's foreign currency exchange risk arises from US dollars for Australian dollar functional currency entities and Australian dollars for US dollar functional currency entities.

Consolidated	Notes	Denominated in AUD	Denominated in USD	Denominated in IDR	Denominated in SGD	Total
31 December 2008						
Financial assets						
Cash and cash equivalents	5	1	1,911,103	24,104	–	1,935,208
Receivables from related parties		–	1,166,914	–	–	1,166,914
Other receivables		1,248,027	4,184,561	1,908,747	–	7,341,335
Financial liabilities						
Payables and accruals	8	(1,790,589)	(6,003,739)	(2,738,548)	–	(10,532,876)
Payables to related parties	9	(216,433,310)	(2,609,646)	–	–	(219,042,956)
Total		<u>(216,975,871)</u>	<u>(1,350,807)</u>	<u>(805,697)</u>	<u>–</u>	<u>(219,132,375)</u>
31 December 2007						
Financial assets						
Cash and cash equivalents	5	1	557,823	–	–	557,824
Receivables from related parties		–	137,080	–	–	137,080
Other receivables		482,362	797,068	365,323	16,605	1,661,358
Financial liabilities						
Payables and accruals	8	(703,079)	(1,163,718)	(533,371)	(24,243)	(2,424,411)
Payables to related parties	9	(131,803,796)	–	–	–	(131,803,796)
Total		<u>(132,024,512)</u>	<u>328,253</u>	<u>(168,048)</u>	<u>(7,638)</u>	<u>(131,871,945)</u>
31 December 2006						
Financial assets						
Cash and cash equivalents	5	1	611,584	–	–	611,585
Other receivables		215,213	356,215	163,265	7,421	742,114
Financial liabilities						
Payables and accruals	8	(208,671)	(345,386)	(158,302)	(7,196)	(719,555)
Payables to related parties	9	(114,654,504)	–	–	–	(114,654,504)
Total		<u>(114,647,961)</u>	<u>622,413</u>	<u>4,963</u>	<u>225</u>	<u>(114,020,360)</u>
Company						
31 December 2008						
Financial assets						
Cash and cash equivalents	5	1	–	–	–	1
Receivables from controlled entities	18	–	174,697,338	–	–	174,697,338
Financial liabilities						
Payables to related parties	9	(216,433,310)	–	–	–	(216,433,310)
Total		<u>(216,433,309)</u>	<u>174,697,338</u>	<u>–</u>	<u>–</u>	<u>(41,735,971)</u>

Company	Notes	Denominated in AUD	Denominated in USD	Denominated in IDR	Denominated in SGD	Total
31 December 2007						
Financial assets						
Cash and cash equivalents	5	1	-	-	-	1
Receivables from controlled entities	18	-	60,716,346	-	-	60,716,346
Other receivables		800	-	-	-	800
Financial liabilities						
Payables to related parties		(131,803,796)	-	-	-	(131,803,796)
Total		<u>(131,802,995)</u>	<u>60,716,346</u>	<u>-</u>	<u>-</u>	<u>(71,086,649)</u>
31 December 2006						
Financial assets						
Cash and cash equivalents	5	1	-	-	-	1
Receivables from controlled entities	18	-	48,916,191	-	-	48,916,191
Financial liabilities						
Payables to related parties	9	(114,654,503)	-	-	-	(114,654,503)
Total		<u>(114,654,502)</u>	<u>48,916,191</u>	<u>-</u>	<u>-</u>	<u>(65,738,311)</u>

The predominant functional currencies employed by the entities within the Group are US dollars and Australian dollars. The consolidated entity's foreign currency exchange risk arises predominantly from US dollars for Australian dollar functional currency entities and Australian dollars for US dollar functional currency entities. The following US dollar exchange rates were applied during the year:

	Average rate			31 December spot rate		
	2008	2007	2006	2008	2007	2006
AUD:USD	0.8354	0.8391	0.7522	0.6914	0.8768	0.7904
USD:IDR	9,685	9,138	9,184	11,124	9,386	9,058
USD:SGD	1.4156	1.5072	1.5894	1.4426	1.4467	1.5361

Foreign currency sensitivity analysis

The sensitivity analysis includes only outstanding foreign currency denominated monetary items at the reporting date and adjusts their translation for a 10.0 per cent change in the foreign currency rate (2007: 12.4 per cent and 2006: 10.0 per cent). This percentage change reflects the historical average annual movements in the foreign currency exchange rates over the last 5 years based on the year-end spot rates.

At the reporting date, if the foreign currency exchange rates strengthened/(weakened) against the functional currency by 10.0 per cent (2007: 12.4 per cent and 2006: 10.0 per cent), and all other variables were held constant, the consolidated entity's after tax loss would have increased/(decreased) by \$2,513,805 (2007: \$689 and 2006: \$290) and equity would have increased/(decreased) by \$494,009 (2007: \$1,816,514 and 2006: \$314,283).

20 SHARE BASED PAYMENTS

The consolidated entity operates a performance rights plan for employees under which employees are granted rights to shares in the ultimate parent entity, OZ Minerals Limited for no cost. Performance rights under the plan carry no dividend or voting rights. Each performance right is a conditional entitlement to one ordinary OZ Minerals Limited share subject to satisfying vesting conditions and performance criteria. These criteria are predominantly satisfactory performance by the employees in their roles as determined by management and remaining with OZ Minerals Group during the vesting period. The shares when issued rank pari passu in all respects with previously issued fully paid ordinary shares.

During the year ended 31 December 2008, a total number of 48,480 performance rights were granted (2007: nil and 2006: nil) to employees of the consolidated entity. As at 31 December 2008, 48,480 performance rights have vested. Total expenses amounting to \$146,410 from share based payment transactions were incurred and capitalised during the year (2007: nil and 2006: nil). The fair value of the performance rights were calculated using OZ Minerals Limited's closing share price at grant date.

In December 2008, the OZ Minerals' Board approved management's recommendation for an immediate and indefinite remuneration freeze in response to the OZ Minerals group financial position. The impact of this decision was that no salary increases were made as a result of the annual remuneration review and no short term incentives (including all performance rights) were paid for the 2008 performance period.

21 KEY MANAGEMENT PERSONNEL

Key management personnel of the Company and the consolidated entity are those persons with the authority and responsibility for planning, directing and controlling the activities of the Company and the consolidated entity either directly or indirectly, during the financial year.

(a) Directors

The following persons were Directors of the Company during the year ended 31 December 2008:

- Peter Robert Lester
- Michael Leo Myers (from 23 September 2008)
- Bruce Robert Loveday (from 27 November 2008)
- Francesca Yoke Moon Lee (from 17 September 2008 to 27 November 2008)
- Owen Leigh Hegarty (from 2 April 2007 to 17 September 2008)
- David John Forsyth (from 2 April 2007 to 17 September 2008)

The following persons were Directors of the Company during the year ended 31 December 2007:

- Peter Robert Lester (from 2 April 2007)
- Owen Leigh Hegarty (from 2 April 2007)
- David John Forsyth (from 2 April 2007)
- Peter Bowler (until 20 April 2007)
- Gregory Barrett (until 20 April 2007)
- Roy Arthur (until 2 April 2007)

The following persons were Directors of the Company during the year ended 31 December 2006:

- Peter Bowler (from 11 May 2006)
- Gregory Barrett (from 11 May 2006)
- Roy Arthur (from 10 July 2006)

(b) Other Key Management Personnel

The following persons were Key Management Personnel of the Company and the consolidated entity during the year ended 31 December 2008:

- Andrew Michelmore (from 20 June 2008)
- Peter Albert (until 10 December 2008)
- Owen Hegarty (until 17 September 2008)

The following persons were Key Management Personnel of the Company and the consolidated entity during the years ended 31 December 2007:

- Owen Hegarty
- Peter Albert

The Directors and other Key Management Personnel ("KMP") of the Company and consolidated entity are not specifically remunerated for services provide to the Company or the consolidated entity, but are remunerated for their broader responsibilities within the OZ Minerals Group. No allocation of remuneration has been provided as the Directors and other KMP of the Company and the consolidated entity were remunerated by related parties within the OZ Minerals Group, however the consolidated entity has not been charged for the remuneration as the remunerated services were not directly attributable to the consolidated entity.

22 EVENTS OCCURRING AFTER BALANCE DATE

(a) Asset sales by OZ Minerals

In its consolidated financial statements for the year ended 31 December 2008, the OZ Minerals Group has classified certain operations as held for sale and as discontinued operations, which included the consolidated entity. OZ Minerals was committed to a plan to sell these assets before the end of the 2009 financial year.

(b) Minmetals cash offer

On 16 February 2009, OZ Minerals announced to the Australian Securities Exchange ("ASX") that the OZ Minerals Group and China Minmetals Non-Ferrous Metals Co., Ltd ("Minmetals") had entered into a Scheme Implementation Agreement ("SIA") for a proposed acquisition by Minmetals, through a scheme of arrangement, of all outstanding shares in OZ Minerals at a cash price of A\$0.825 per share, with completion of the transaction subject to regulatory approvals and other conditions, including:

- completion of confirmatory due diligence by Minmetals by 23 February 2009. This was satisfactorily completed as announced to the ASX on 24 February 2009;
- the approval by 27 February 2009, of the OZ Minerals Group's current lenders, to extend the debt arrangements until at least 31 March 2009. The OZ Minerals Group was successful in obtaining from its lenders whose facilities fell due on 27 February 2009, approval to extend the refinancing date to 31 March 2009;

- the approval prior to 1 April 2009, to extend the debt arrangements until at least 2 weeks after the scheduled scheme implementation date. On 1 April 2009, OZ Minerals announced that it had been successful in obtaining from its lenders whose facilities fell due on 31 March 2009, approval to extend the refinancing date of those facilities to 30 April 2009 (refer to further developments detailed below);
- there being no material adverse change (US\$100 million threshold) in the OZ Minerals Group's consolidated net assets or net present value between the date on which Minmetals completes its due diligence and the second Court date, excluding anything arising as a result of a change in general economic business or political conditions, securities markets, interest rates, exchange rates or commodity prices; and
- the approval of regulatory authorities in Australia (including the Foreign Investment Review Board and the Department of Defence) and the People's Republic of China and shareholder and Court approval. On 27 March 2009, the Australian Federal Treasurer announced that approval by the Australian regulatory authorities of the offer from Minmetals would not be granted if OZ Minerals' Prominent Hill operations was included in the transaction.

On 1 April 2009, OZ Minerals announced that it had negotiated commercial terms for a revised transaction (the "Revised Transaction") involving the sale of certain assets within the OZ Minerals Group to Minmetals, excluding the Prominent Hill operations and the Martabe gold and silver project. OZ Minerals announced on 14 April 2009, that it had signed a Master Sale Implementation Agreement with Minmetals detailing final terms of the Revised Transaction. The Revised Transaction is subject to certain conditions precedent including:

- the approval of regulatory authorities in Australia and the People's Republic of China. On 23 April 2009, the Australian Federal Treasurer announced that the new proposal from Minmetals was approved. On 18 May 2009 the National Development and Reform Commission of the People's Republic of China ("NDRC") announced its approval of the Revised Transaction. Further necessary Chinese regulatory approvals, including from the Ministry of Commerce, the State Administration of Foreign Exchange and the State-owned Assets Supervision and Administration Commission, are expected to be received before 11 June 2009;
- the approval by OZ Minerals' shareholders at the annual general meeting on 11 June 2009;
- the approval of OZ Minerals' current lenders to extend the debt financing arrangements until completion of the Revised Transaction. On 30 April 2009, approval to extend the refinancing date of those borrowing facilities to 30 June 2009 was obtained (refer (c) below); and
- there being no material adverse change (US\$50 million threshold) in the net assets or net present value of the assets being sold, excluding anything arising as a result of a change in general economic, business or political conditions, securities markets, interest rates, exchange rates or commodity prices.

This Revised Transaction was unanimously recommended subject to no superior proposal being received by the OZ Minerals' Board and confirmation by an independent expert that the transaction is in the best interests of the OZ Minerals' shareholders. Under the terms of the Revised Transaction, OZ Minerals has undertaken not to dispose of any interest in a material asset, although it was permitted to proceed with its asset sale program in relation to its Martabe operations, for which the sale was announced on 24 April 2009 (refer (d) below).

Whilst there can be no certainty that the conditions precedent to the Revised Transaction will be met, both OZ Minerals and Minmetals have agreed to use their reasonable endeavours to procure the satisfaction of the conditions precedent relevant to them.

(c) Refinancing of borrowings by OZ Minerals

As at 31 December 2008, the OZ Minerals Group had four major bank facilities. Three of these facilities matured, or were required to be refinanced by 31 December 2008. Prior to the end of the financial year the relevant lenders agreed to extend the termination dates of various debt facilities provided to a number of OZ Minerals' subsidiaries to 27 February 2009. In addition, OZ Minerals announced to the ASX on 22 January 2009, that three of its subsidiaries had obtained from certain of the OZ Minerals Group's lenders a new short-term facility of A\$140 million with a termination date of 27 February 2009.

On 22 January 2009, the Company and ARS (along with OZ Minerals and certain of its other subsidiaries) entered into a \$140,000,000 short term facility agreement ("the Facility"). Subject to satisfaction of certain conditions precedent, up to \$5,000,000 of the Facility is available to be drawn by ARS to fund expenditure in relation to the Martabe project. Both the Company and ARS have guaranteed all amounts owing under, or in connection with, the Facility. In addition, to secure the repayment of such amounts, ARS has created: (i) a mortgage or fixed charge over certain of its assets; (ii) a floating charge over the remainder of its assets; and (iii) a pledge over all of its shares in PT Agincourt Resources. Each of these securities remains in existence on the date of this report. It is expected that upon (or shortly after) completion of the Revised Transaction or completion of the sale of the consolidated entity to CST (whichever occurs first), these securities will be released.

On 27 February 2009 OZ Minerals announced that it had been successful in obtaining from its lenders whose facilities fell due on 27 February 2009, approval to extend the refinancing date of those facilities to 31 March 2009.

On 1 April 2009, OZ Minerals announced that it had been successful in obtaining from its lenders whose facilities fell due on 31 March 2009, approval to extend the refinancing date of those facilities to 30 April 2009.

On 1 May 2009, OZ Minerals announced that it had been successful in obtaining from its lenders, whose facilities fell due on 30 April 2009, approval to extend the refinancing date of those facilities to 30 June 2009, which is after the expected date for completion of the Revised Transaction with Minmetals. The extension was subject to a number of conditions subsequent that have been satisfied. The extension has also been provided on the basis that the relevant OZ Minerals facilities will be capable of being terminated by the relevant financiers should certain events occur, the most significant of which is if the Revised Transaction is terminated.

(d) Sale of Martabe project to China Sci-Tech

On 24 April 2009 OZ Minerals announced the sale of the shares in the Company to China Sci-Tech Holdings Limited ("CST") for US\$211 million in cash together with reimbursement of estimated expenditure of US\$7.5 million on the project since 1 April 2009 through to the completion date. The sale is not conditional on financing however, it is conditional on the consent of certain of OZ Minerals' lenders, CST's shareholders and Australia's Foreign Investment Review Board.

23 OPERATING SEGMENTS

The consolidated entity has only one business and geographical segment being the Martabe gold-silver development and exploration project in North Sumatra, Indonesia.

C TRANSITION FROM IFRS TO HKFRS

The Financial Information has been prepared in accordance with Australian Accounting Standards and IFRS. For the purpose of the Financial Information, no adjustments were considered necessary to comply with HKFRS.

D SUBSEQUENT FINANCIAL STATEMENTS

No financial statements of the Company or the Consolidated Entity have been audited in respect of any period subsequent to 31 December 2008.

Yours Sincerely,
KPMG
Melbourne, Australia

3 June 2009

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

The following are the unaudited pro forma financial information of the Enlarged Group and the text of the accountants' report thereon from the reporting accountant Deloitte Touche Tohmatsu, Certified Public Accountants, Hong Kong, prepared for the purpose of inclusion in this circular.

A. INTRODUCTION

Pursuant to various agreements as set out in the Circular, the Company has exercised the call option under the Option Agreement on 9 May 2009 to acquire the entire interest in Maxter ("Acquisition"), whose principal asset, subject to the completion of the OZ Agreement, is the proposed 100% equity interests in OMM. The Option Price is ranging from a minimum consideration of US\$221 million (equivalent to approximately HK\$1,713 million) to a maximum consideration of US\$232.4 million (equivalent to approximately HK\$1,801 million), of which US\$10 million (equivalent to approximately HK\$77.5 million) shall be satisfied by the issue of 221,428,571 ordinary shares of HK\$0.01 each at an agreed value of HK\$0.35 per share by the Company.

Among others, the Option Agreement is conditional upon the due and proper completion of the OZ Agreement and the Company successfully raising funds from the proposed placing as set out immediately below. The Company has entered into a Service Letter (the "Placing") for the proposed placing of 13 billion new shares for a gross proceeds of HK\$4,550 million, which is conditional upon the completion of the Option Agreement. Accordingly, the accompanying unaudited pro forma financial information of the Enlarged Group has been prepared to illustrate the effect of (I) the Acquisition and the completion of the OZ Agreement and (II) the Placing.

The unaudited pro forma combined balance sheet of the Enlarged Group as at 31 December 2008, is prepared based on (i) the unaudited consolidated balance sheet of the Group as at 31 December 2008, as extracted from the interim report of the Company for the period then ended; (ii) the audited balance sheet of Maxter as at 31 March 2009, as extracted from the accountants' report thereon sets out in Appendix II to this Circular and (iii) the audited consolidated balance sheet of the OMM Group as at 31 December 2008 as extracted from the accountants' report thereon as set out in Appendix III to this Circular, as if the Acquisition, the OZ Agreement and the Placing had been completed on 31 December 2008.

The unaudited pro forma combined income statement and cash flow statement of the Enlarged Group for the year ended 30 June 2008 are prepared based on (i) the audited consolidated income statement and consolidated cash flow statement of the Group for the year ended 30 June 2008, as extracted from the annual report of the Company; (ii) the audited income statement and cash flow statement of Maxter for the year ended 31 March 2009, as extracted from the accountants' report thereon sets out in Appendix II to this Circular; and (iii) the audited consolidated income statement and consolidated cash flow statement of the OMM Group for the year ended 31 December 2008 as extracted from the

accountants' report set out in Appendix III to this Circular as if the Acquisition, the OZ Agreement and the Placing had been completed on 1 July 2007.

The unaudited pro forma financial information is prepared to provide information on the Enlarged Group as a result of the completion of the Acquisition, the OZ Agreement and the Placing. As it is prepared for illustration purposes only, it does not purport to present what the financial position or the results or cash flows of the Enlarged Group will be on completion of the Acquisition, the OZ Agreement and the Placing.

These transactions are to be accounted for as acquisition of assets and liabilities as the companies proposed to be acquired are not business. The principal assets of the OMM Group is mine property and development. In the opinion of the directors, for the purpose of this pro forma financial information, the fair value of the net assets acquired is assumed to be HK\$1,801,100,000. The fair value of these net assets acquired was assumed with reference to the maximum consideration of the Option Agreement which is to be settled by (i) cash of HK\$1,723,600,000 and (ii) 221,428,571 ordinary shares of HK\$0.01 each issued at HK\$0.35, amounting to HK\$77,500,000. The fair value of the assets and liabilities are subject to change upon completion of the Acquisition and OZ Agreement because the fair value of the assets and liabilities shall be assessed and recorded on the date of completion.

The accompanying unaudited pro forma financial information has not given effect to (i) the placing of the First Tranche Convertible Notes and Second Tranche Convertible Notes as set out in the circular of the Company dated 13 March 2009 which were completed on 27 March 2009 and 20 May 2009 respectively; and (ii) the Capital Reorganisation as set out in the circular of the Company dated 4 May 2009 which was approved by the Shareholders on 29 May 2009.

B. UNAUDITED PRO FORMA COMBINED BALANCE SHEET OF THE ENLARGED GROUP

	The Group as at 31 December 2008 HK\$'000	Maxter as at 31 March 2009 HK\$'000	The OMM Group as at 31 December 2008 HK\$'000	Pro Forma Combined HK\$'000	Pro Forma Adjustment for Completion of Acquisition HK\$'000	Notes	Pro Forma Adjustment for Completion of Placing HK\$'000	Note	Pro Forma Enlarged Group HK\$'000
NON-CURRENT ASSETS									
Property, plant and equipment	9,825	-	1,200,415	1,210,240	652,892	<i>a</i>			1,863,132
Investment properties	13,636	-	-	13,636					13,636
Available-for-sale investments	12,096	-	-	12,096					12,096
	<u>35,557</u>	<u>-</u>	<u>1,200,415</u>	<u>1,235,972</u>					<u>1,888,864</u>
CURRENT ASSETS									
Trade and other receivables	9,800	-	50,228	60,028					60,028
Financial assets at fair value through profit or loss	5,853	-	-	5,853					5,853
Available-for-sale investments	185,108	-	-	185,108					185,108
Pledge bank deposits	164	-	-	164					164
Bank balances and cash	90,089	-	10,473	100,562	(1,734,063)	<i>b</i>	4,411,950	<i>e</i>	2,778,449
	<u>291,014</u>	<u>-</u>	<u>60,701</u>	<u>351,715</u>					<u>3,029,602</u>
CURRENT LIABILITIES									
Other payables	2,984	-	57,158	60,142					60,142
Payables to related parties	-	11	1,185,417	1,185,428	(1,185,417)	<i>c</i>			11
	<u>2,984</u>	<u>11</u>	<u>1,242,575</u>	<u>1,245,570</u>					<u>60,153</u>
NET CURRENT ASSETS/(LIABILITIES)	<u>288,030</u>	<u>(11)</u>	<u>(1,181,874)</u>	<u>(893,855)</u>					<u>2,969,449</u>
TOTAL ASSETS LESS CURRENT LIABILITIES	<u>323,587</u>	<u>(11)</u>	<u>18,541</u>	<u>342,117</u>					<u>4,858,313</u>
NON-CURRENT LIABILITIES									
Deferred taxation	170	-	39,353	39,523					39,523
Provisions	-	-	5,923	5,923					5,923
	<u>170</u>	<u>-</u>	<u>45,276</u>	<u>45,446</u>					<u>45,446</u>
NET ASSETS/(LIABILITIES)	<u>323,417</u>	<u>(11)</u>	<u>(26,735)</u>	<u>296,671</u>					<u>4,812,867</u>
CAPITAL AND RESERVES									
Share capital	37,340	-	-	37,340	2,214	<i>d</i>	130,000	<i>e</i>	169,554
Reserves	286,077	(11)	(26,735)	259,331	102,032	<i>c, d</i>	4,281,950	<i>e</i>	4,643,313
EQUITY ATTRIBUTABLE TO EQUITY HOLDERS	<u>323,417</u>	<u>(11)</u>	<u>(26,735)</u>	<u>296,671</u>					<u>4,812,867</u>
Minority interests	-	-	-	-					-
TOTAL EQUITY	<u>323,417</u>	<u>(11)</u>	<u>(26,735)</u>	<u>296,671</u>					<u>4,812,867</u>

Notes:

- (a) These transactions are to be accounted for as acquisition of assets and liabilities as the companies proposed to be acquired are not business. The principal asset of the OMM Group is the mine property and development, which is included in property, plant and equipment.

This represents the estimated fair value of the assets and liabilities held by OMM at 31 December 2008 of HK\$1,801,100,000 and the estimated professional fees attributable in the Acquisition of HK\$10,463,000. In the opinion of the directors, the fair value of the assets and liabilities was assumed to be equal to the maximum consideration of the Option Agreement which is to be settled by (i) cash of HK\$1,723,600,000 and (ii) 221,428,571 ordinary shares of HK\$0.01 each issued at HK\$0.35, amounting to HK\$77,500,000. All of the fair value of these assets and liabilities are subject to change upon completion of the Acquisition and OZ Agreement because the fair value of the assets and liabilities shall be assessed and recorded on the date of completion.

- (b) This represent the cash portion of the consideration of HK\$1,723,600,000 for the Acquisition and the estimated professional fees attributable to the Acquisition of HK\$10,463,000.
- (c) This represents the waiver of the amounts due to related parties of OMM as at 31 December 2008 pursuant to the Option Agreement, whereby OML has warranted that as at the completion of the acquisition of OMM by Maxter, no money will be owed by any transaction entity to OML and its subsidiaries.
- (d) This represents 221,428,571 new ordinary shares of HK\$0.01 each issued at HK\$0.35 per share upon the completion of the Acquisition.
- (e) This represents the net proceeds from the proposed placing of 13 billion ordinary shares of HK\$0.01 each at subscription price of HK\$0.35 per share pursuant to the Service Letter, net of share issue expenses of HK\$138,050,000.
- (f) The unadjusted information of the OMM Group are extracted from the accountants' report set out in Appendix III to this circular and translated into HK\$ at the exchange rate of A\$1 to HK\$5.4118.

C. UNAUDITED PRO FORMA COMBINED INCOME STATEMENT OF THE ENLARGED GROUP

	The Group Year ended 30 June 2008 HK\$'000	Maxter Year ended 31 March 2009 HK\$'000	The OMM Group Year ended 31 December 2008 HK\$'000	Pro Forma Combined HK\$'000	Pro Forma Adjustment HK\$'000	Note	Pro Forma Enlarged Group HK\$'000
Turnover	14,673	-	-	14,673	-		14,673
Cost of sales	(12,563)	-	-	(12,563)	-		(12,563)
Gross profit	2,110	-	-	2,110	-		2,110
Other operating income	4,163	-	-	4,163	-		4,163
Distribution costs	(1,413)	-	-	(1,413)	-		(1,413)
Administrative expenses	(59,831)	(5)	(6,624)	(66,460)	-		(66,460)
Share-based payment expenses	(29,152)	-	-	(29,152)	-		(29,152)
Increase in fair value of investment properties	8,423	-	-	8,423	-		8,423
Loss attributable to financial assets at fair value through profit or loss	(4,649)	-	-	(4,649)	-		(4,649)
Share of loss of a jointly controlled entity	(679)	-	-	(679)	-		(679)
Impairment loss recognised in respect of available-for-sale investments	(98,669)	-	-	(98,669)	-		(98,669)
Impairment loss recognised in respect of deposit paid for acquisition of a subsidiary	(23,313)	-	-	(23,313)	-		(23,313)
Exploration expenditure	-	-	(7,594)	(7,594)	-		(7,594)
Impairment of property, plant and equipment	-	-	(152,671)	(152,671)	-		(152,671)
Loss before tax	(203,010)	(5)	(166,889)	(369,904)	-		(369,904)
Income tax	(170)	-	-	(170)	-		(170)
Loss for the year	<u>(203,180)</u>	<u>(5)</u>	<u>(166,889)</u>	<u>(370,074)</u>	<u>-</u>		<u>(370,074)</u>
Attributable to:							
- Equityholder of the Company	(203,011)	(5)	(166,889)	(369,905)	-		(369,905)
- Minority interests	<u>(169)</u>	<u>-</u>	<u>-</u>	<u>(169)</u>	<u>-</u>		<u>(169)</u>
	<u>(203,180)</u>	<u>(5)</u>	<u>(166,889)</u>	<u>(370,074)</u>	<u>-</u>		<u>(370,074)</u>

Note: The unadjusted information of the OMM Group are extracted from the accountants' report set out in Appendix III to this circular and translated into HK\$ at the exchange rate of A\$1 to HK\$6.6389.

D. UNAUDITED PRO FORMA COMBINED CASH FLOW STATEMENT OF THE ENLARGED GROUP

	The Group Year ended 30 June 2008 HK\$'000	Maxter Year ended 31 March 2009 HK\$'000	The OMM Group Year ended 31 December 2008 HK\$'000	Pro Forma Combined HK\$'000	Pro Forma Adjustment for Completion of Acquisition HK\$'000	Note	Pro Forma Adjustment for Completion of Placing HK\$'000	Note	Pro Forma Enlarged Group HK\$'000
OPERATING ACTIVITIES									
Loss before tax	(203,010)	(5)	(166,889)	(369,904)					(369,904)
Adjustments for:									
Share of loss of a jointly controlled entity	679	-	-	679					679
Interest income	(1,614)	-	-	(1,614)					(1,614)
Dividend income	(29)	-	-	(29)					(29)
Depreciation	1,213	-	-	1,213					1,213
Service fee	7,837	-	-	7,837					7,837
Bad debt written off	26	-	-	26					26
Allowance for bad and doubtful debts	1,146	-	-	1,146					1,146
Share-based payment expenses	29,152	-	-	29,152					29,152
Loss attributable to financial assets at fair value through profit or loss	4,649	-	-	4,649					4,649
Gain on disposal of property, plant and equipment	(7)	-	-	(7)					(7)
Increase in fair value of investment properties	(8,423)	-	-	(8,423)					(8,423)
Exchange alignment on investment properties	(1,700)	-	-	(1,700)					(1,700)
Impairment loss recognised in respect of available-for-sale investments	98,669	-	-	98,669					98,669
Impairment loss recognised in respect of deposit paid for acquisition of a subsidiary	23,313	-	-	23,313					23,313
Impairment of property, plant and equipment	-	-	152,671	152,671					152,671
Foreign exchange	-	-	(1,121)	(1,121)					(1,121)
Other non-cash items	-	-	1,648	1,648					1,648
Operating cashflows before movements in working capital	(48,099)	(5)	(13,691)	(61,795)					(61,795)
(Increase)/decrease in trade and other receivables	(4,276)	-	1,154	(3,122)					(3,122)
Decrease in temporary payments	1	-	-	1					1
Increase in other payables	1,169	-	9,176	10,345					10,345
Claims for tax refund	-	-	(30,116)	(30,116)					(30,116)
Refundable deposit	-	-	115	115					115
Taxes payable	-	-	1,105	1,105					1,105
Increase in payables to related parties	-	5	-	5					5
NET CASH USED IN OPERATING ACTIVITIES	(51,205)	-	(32,257)	(83,462)					(83,462)

APPENDIX IV
**UNAUDITED PRO FORMA FINANCIAL
INFORMATION OF THE ENLARGED GROUP**

	The Group Year ended 30 June 2008 HK\$'000	Maxter Year ended 31 March 2009 HK\$'000	The OMM Group Year ended 31 December 2008 HK\$'000	Pro Forma Combined HK\$'000	Pro Forma Adjustment for Completion of Acquisition HK\$'000	Note	Pro Forma Adjustment for Completion of Placing HK\$'000	Note	Pro Forma Enlarged Group HK\$'000
INVESTING ACTIVITIES									
Deposit paid for acquisition of a subsidiary	(23,313)	-	-	(23,313)					(23,313)
Acquisition of a subsidiary	(11,800)	-	-	(11,800)	(1,730,234)	<i>a</i>			(1,742,034)
Purchases of financial assets at fair value through profit or loss	(8,910)	-	-	(8,910)					(8,910)
Deposit paid for acquisition of an available for sale investment	(3,283)	-	-	(3,283)					(3,283)
Proceeds from disposal of financial assets at fair value through profit or loss	3,910	-	-	3,910					3,910
Decrease in pledged bank deposits	6,914	-	-	6,914					6,914
Interest received	1,559	-	-	1,559					1,559
Purchase of property, plant and equipment	(3,419)	-	(531,926)	(535,345)					(535,345)
Deposit received for disposal of an available-for-sale investment	50,000	-	-	50,000					50,000
Proceeds from disposal of property, plant and equipment	665	-	-	665					665
Dividend received	29	-	-	29					29
Acquisition of an available-for-sale investment	(5,813)	-	-	(5,813)					(5,813)
NET CASH FROM/(USED IN) INVESTING ACTIVITIES	6,539	-	(531,926)	(525,387)					(2,255,621)
FINANCING ACTIVITIES									
Net proceeds from issue of shares by placement	98,404	-	-	98,404			4,411,950	<i>b</i>	4,510,354
Proceeds from issue of shares on exercise of share options	289	-	-	289					289
Capital injection from a minority shareholder	97	-	-	97					97
Proceeds from loan from related party	-	-	579,172	579,172					579,172
Loans to a related party	-	-	(6,837)	(6,837)					(6,837)
NET CASH FROM FINANCING ACTIVITIES	98,790	-	572,335	671,125					5,083,075
NET INCREASE IN CASH AND CASH EQUIVALENTS	54,124	-	8,152	62,276					2,743,992
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	24,937	-	3,829	28,766	(3,829)	<i>a</i>			24,937
Effect of foreign exchange rate changes	1,380	-	(1,508)	(128)					(128)
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	80,441	-	10,473	90,914					2,768,801

Notes:

- (a) This represents the (i) portion of the consideration of HK\$1,723,600,000 for the Acquisition which is to be settled in cash, (ii) the estimated professional fees attributable to the Acquisition of HK\$10,463,000 and (iii) the adjustment on the cash and cash equivalents of HK\$3,829,000 as at 1 July 2007 of OMM Group.
- (b) This represents the proceeds from the placing of 13 billion ordinary shares of the Company at subscription price of HK\$0.35 per share pursuant to the Service Letter, net of share issue expenses of HK\$138,050,000.
- (c) The unadjusted information of the OMM Group are extracted from the accountant's report set out in Appendix III to this circular and translated into HK\$ at the exchange rate of A\$1 to HK\$6.6389.

**ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION
TO THE DIRECTORS OF SMART RICH ENERGY FINANCE (HOLDINGS) LTD.**

We report on the unaudited pro forma financial information of Smart Rich Energy Finance (Holdings) Ltd. (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the very substantial acquisition of the interest in the entire issued share capital of OZ Minerals Martabe Pty Ltd ("OMM") (together with the Group, hereinafter collectively referred to as the "Enlarged Group") and the placing of new shares might have affected the financial information presented, for inclusion in Appendix IV of the circular dated 3 June 2009 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out on pages IV-1 to IV-10 to the Circular.

Respective responsibilities of directors of the Company and reporting accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 29 of Chapter 4 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules") and with reference to Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

It is our responsibility to form an opinion, as required by paragraph 29(7) of Chapter 4 of the Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are

appropriate for the purpose of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

The unaudited pro forma financial information is for illustrative purpose only, based on the judgements and assumptions of the directors of the Company, and, because of its hypothetical nature, does not provide any assurance or indication that any event will take place in future and may not be indicative of:

- the financial position of the Enlarged Group as at 31 December 2008 or any future date; or
- the results and cash flows of the Enlarged Group for the year ended 30 June 2008 or any future period.

Opinion

In our opinion:

- (a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 29(1) of Chapter 4 of the Listing Rules.

Deloitte Touche Tohmatsu

Certified Public Accountants

Hong Kong

3 June 2009



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8 May 2009

The Directors
Smart Rich Energy Finance (Holdings) Limited
Room 1909
19/F Harbour Centre
25 Harbour Road
Wanchai
HONG KONG

Dear Sirs

**INDEPENDENT TECHNICAL REVIEW
MARTABE GOLD-SILVER PROJECT – SUMATRA – INDONESIA
BEHRE DOLBEAR AUSTRALIA PTY LIMITED**

1.0 INTRODUCTION

The Martabe gold-silver project (“the project”) in the Province of North Sumatra in Indonesia (Figure 1) is owned by PT Agincourt Resources (“PTAR”), an indirect majority-owned subsidiary of OZ Minerals Limited (“OZ Minerals”). OZ Minerals is a company formed in June 2008 by the merger of Oxiana Limited (“Oxiana”), the previous owners of the project, with Zinifex Limited. China Sci-Tech Holdings Limited (“CST”), whose shares are listed on the Hong Kong Stock Exchange (“HKSE”) has negotiated with OZ Minerals to acquire the project; CST is being advised by Azure Capital Pty Limited (“Azure”). On 24 April 2009 OZ Minerals announced that CST was the successful bidder for the Martabe project; the project would be sold to CST for US\$211 million (“M”) plus the Reimbursement Amount, as defined in the Sale and Purchase Agreement dated 24 April 2009 (“the Sales and Purchase Agreement”), subject to the satisfaction of various conditions, including the consent of CST’s shareholders and consent of OZ Minerals’ lenders and Australia’s Foreign Investment Review Board.

CST has advised that the acquisition will be undertaken by its wholly-owned subsidiary, Maxter Investments Limited (“Maxter”), pursuant to the Sales and Purchase Agreement. CST has also advised that it has entered into an option agreement with Smart Rich Energy Finance Holdings Limited (“Smart Rich”) on 24 April 2009, whereby Polytex Investments Inc. (a wholly-owned subsidiary of CST) grants to Acewick Holdings Limited (“Acewick”), a wholly-owned subsidiary of Smart Rich, an option to acquire the entire issued share capital of Maxter, and thus the interests in the Martabe project, subject to completion of the Sales and Purchase Agreement.

APPENDIX V TECHNICAL REPORT ON THE MARTABE PROJECT

Azure, on behalf of Smart Rich, has requested that Behre Dolbear Australia Pty Limited (“BDA”) carry out a technical due diligence review of the project and prepare an independent technical report and risk assessment, consistent with the requirements of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange (“the Listing Rules”). Where relevant and appropriate, BDA has made specific reference to Chapter 18 of the Listing Rules, and in particular Rule 18.09. BDA confirms that all requirements of Chapter 18 pertaining to project details that can be stated by an independent expert are detailed in this report. For the avoidance of repetition however, cross references to the Listing Rules are only given in the Executive Summary.



Figure 1

The project lies within a sixth generation Contract of Work (“COW”) area which was granted in April 1997. A Definitive Feasibility Study (“DFS”) on the project was completed in November 2007 and in December 2007 the Board of Oxiana gave development approval. The initial capital cost of the project was estimated in the DFS at US\$310M; this estimate was subsequently increased by OZ Minerals in November 2008 to the current budget of US\$358M. The Construction Permit for the project was granted by the Indonesian Authorities in April 2008 and is the final step in the approvals process. Construction commenced in July 2008 and at that stage mining was planned to commence late in 2009, with the first gold pour planned for January 2010. Due to re-financing difficulties being experienced by OZ Minerals, construction was suspended in November 2008. At this stage the forecast cost at completion stood at US\$360M, of which around US\$57M had been expended and the forecast date for the first gold pour had been revised to March 2010.

The planned project comprises an open pit operation, mining and processing approximately 4.5 million tonnes of ore per annum (“Mtpa”) at an average grade of around 1.9 grams per tonne gold (“g/t Au”), producing around 200,000 ounces (“ozs”) of gold per annum together with 2 million ozs (“Mozs”) of silver (“Ag”). The current life of mine (“LOM”) plan extends for nine years, but there are good prospects for further extensions to the mine life based on exploration and drilling results from other known prospects in the area.

BDA is well acquainted with the Martabe project. BDA first visited the project site at Martabe in 2002, prior to the Oxiana acquisition. BDA undertook a technical due diligence review of the project in mid-2008 on behalf of the prospective lenders to the project. Visits were made to the project area, drill core and local infrastructure were reviewed, and discussions were held with project staff and management both on site, in Medan, and in Oxiana’s head office in Melbourne. In November 2008, BDA carried out a further independent review of the resource and reserve estimates prepared by OZ Minerals based on additional drilling carried out in 2008. In the context of the current report, BDA undertook a site visit in April 2009 to confirm the current status of the site construction and development works.

BDA’s review covers the geology, exploration, resource and reserve aspects, mining, processing, infrastructure, environmental and social aspects of the project, project approvals, life of mine production plans, project implementation, capital and operating costs and project risks.

BDA is the Australian subsidiary of Behre Dolbear & Company Inc., an international minerals industry consulting group which has operated continuously worldwide since 1911, with offices in Denver, New York, Toronto, Vancouver, Guadalajara, Santiago, Hong Kong, London and Sydney. Behre Dolbear specialises in mineral evaluations, due diligence studies, independent expert reports, independent engineer certification, valuations, and technical audits of resources, reserves, mining and processing operations and project feasibility studies.

BDA has reviewed the project resources and reserves in accordance with Australian industry standards and for compliance with the Australasian Code for Reporting Identified Mineral Resources and Ore Reserves prepared by the Joint Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, December 2004 (“the JORC Code”). BDA has not undertaken an audit of the data, re-estimated the resources or reserves, or reviewed the tenement status with respect to any legal or statutory issues. OZ Minerals advises that there are no title impediments to the proposed operation and that all project tenements are in good standing.

This report provides an independent assessment of the technical aspects of the Martabe project and potential risks. The report is provided to the Directors of Smart Rich for the purpose of assisting them in assessing the technical issues and associated risks of the development in the context of the proposed acquisition and for use in a circular to Smart Rich shareholders; it should not be used or relied upon for any other purpose. The report does not constitute a technical or legal audit. Neither the whole nor any part of this report nor any reference thereto may be included in, or with, or attached to any document or used for any purpose without BDA’s written consent to the form and context in which it appears.

2.0 EXECUTIVE SUMMARY

2.1 Background

BDA has conducted an independent technical review of the Martabe gold-silver project in northwestern Sumatra, the proposed development plans and the current state of engineering and construction. Site visits have been undertaken to the project area in June 2008 and April 2009. BDA has reviewed resource and reserve estimates, details of mining plans and schedules, processing operations, metallurgical testwork, proposed flowsheets, environmental aspects and approval status, implementation plans and projected capital and operating costs, consistent with the requirements of Rule 18.09 of the Listing Rules. Discussions have been held with project and management personnel.

2.2 Project Overview [Ref 18.09.(4,5,6,7)]

The Martabe project is owned and operated by PT Agincourt Resources, an indirect majority-owned subsidiary of OZ Minerals. The project is located on the western side of the island of Sumatra, within the Province of North Sumatra, approximately 3 kilometres (“km”) north of the township of Batangtoru, and approximately 40km south of the port of Sibolga (Figure 1). The project lies approximately 200km south of the provincial capital of Medan; regular daily flights link Medan with Jakarta and Singapore. Local commercial air services are available between Medan and provincial centres, one or two hours by road from the site.

The original COW was established in April 1997, covering an area of 6,591 square kilometres (“km²”). Progressive relinquishments have reduced the COW area to 1,639km² or 25% of the original area; the Martabe project area itself occupies approximately 29km².

In 2006, Agincourt Resources Limited (“ARL”) purchased the Martabe project and control of the various related entities from the then owner, Newmont Mining Corporation (“Newmont”). In April 2007, through a corporate takeover, Oxiana acquired ARL and the Martabe project. The ownership and operating rights to Martabe are held by PTAR. PTAR shares are held 95% by Agincourt Resources (Singapore) Pte Ltd, which is wholly owned by OZ Minerals through its subsidiary OZ Minerals (Martabe) Pty Ltd, and 5% conditionally by the Indonesian company PT Artha Nugraha Agung (“ANA”); the minority 5% shareholding held by ANA is intended to be transferred to the local government authority, and negotiations with respect to this transfer are ongoing.

The project was discovered by means of a regional geochemical sampling programme in 1996/97 which identified gold anomalism in the Martabe region. Drilling commenced in 1998 and confirmed the presence of gold, silver and copper hydrothermal mineralisation, within a sequence of lavas and volcanic and hydrothermal breccias. Five mineralised prospects, Purnama, Baskara, Pelangi, Kerjora, and Gerhana, have been identified over a 6km north-south strike (Figure 2). In recent reports the names of these prospects have been changed in accordance with local usage to Pit 1, Ramba Joring, Barani, Tor Uluala and Uluala Hulu respectively; at the request of CST and Smart Rich, BDA has used the new names in this report.

The deposits are associated with silicified ridges or hills, covered in fairly dense vegetation. Some of the hills are extremely steep, and access is difficult. Drilling is carried out by drill rigs lowered into position by helicopter, or by man-portable rigs.

The bulk of the work undertaken to date has focussed on the Pit 1 deposit, with 257 diamond drill holes completed on approximately a 50m spaced grid, with some infill drilling at a 25 x 25m spacing. Resources have been defined at Pit 1, Ramba Joring and Barani and open pit reserves have been defined at Pit 1.

A Definitive Feasibility Study was completed in November 2007 based on open pit mining and carbon in leach (“CIL”) processing of the Pit 1 ore. The DFS is based on mining and processing approximately 4.5Mtpa of ore at an average grade of around 1.9g/t Au, producing around 200,000ozs of gold per annum together with 2Mozs of silver. The stripping ratio is low averaging 0.66:1. Metallurgical testing has indicated recoveries of around 70-80% for gold and 60-80% for silver. The current mine plan has a life of nine years, however, there are good prospects for further extension from both the Pit 1 deposit at depth and from the adjacent Ramba Joring and Barani deposits and other prospects in the area. Board approval for project go-ahead was given in December 2007.

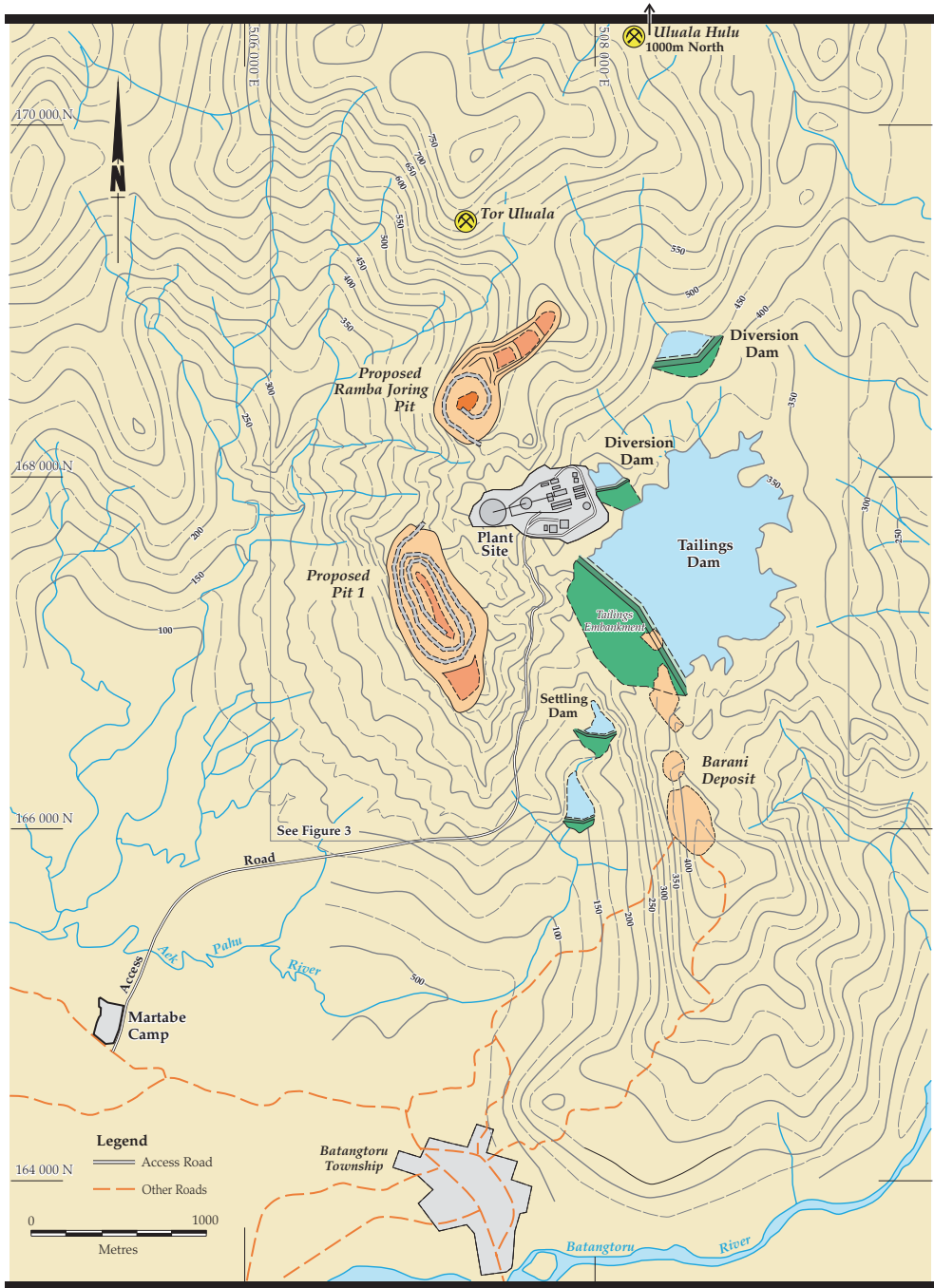


Figure 2

A 35 hole infill diamond drilling programme was completed at Pit 1 in 2008, covering the bulk of the initial three-year mining area at a 25 x 25m spacing. The drilling largely confirmed the previous interpretations and grade estimation and allowed the upgrade of some material into the Measured category.

PTAR received its Construction Permit for the Martabe project, issued by the Indonesian Department of Energy and Mineral Resources, in April 2008. This permit allows construction of the Martabe project to commence, and is the final step in the environmental permitting process or AMDAL. Two major contracts were awarded by PTAR in 2008 for the design and construction of the project. An Engineering, Procurement and Commissioning Contract was executed between Ausenco Services Pty Ltd and PTAR on 20 August 2008 and a Construction Management Contract was executed between Ausenco Asia Pty Ltd, PT Trantekindo Nindiyatama and PTAR on 20 October 2008. An Interface Deed linking the two contracts was also executed by the parties to the contracts. In this report these contracts are collectively referred to as the Engineering, Procurement and Construction Management (“EPCM”) Contract and the EPCM Contractor is referred to as Ausenco.

Construction commenced in July 2008 and at that stage mining was planned to commence late in 2009 and the first gold pour was planned for January 2010. Due to re-financing difficulties being experienced by the parent company, OZ Minerals, construction was suspended in November 2008, at which stage the forecast date for the first gold pour had been revised to March 2010. The contracts for the design and construction of the project were terminated on 2 December 2008.

PTAR is working closely with local authorities and community leaders to address social, environmental and development issues of concern. A land survey has identified land ownership and good progress has been made in negotiations on land purchase and compensation arrangements; PTAR advises that land acquisition over the core project area is over 90% complete. PTAR advises that the project enjoys strong support from the Central and Provincial governments and the near-mine community of Batangtoru.

The DFS was based on construction of a heavy fuel oil power station. However grid power is available within 3km of the project and PTAR has subsequently decided to use the grid supply with diesel generators to provide an emergency back-up supply. Process water will be recycled from the tailings storage facility (“TSF”), which will be constructed in the Aek Pahu valley to the immediate east of the pit and the plant (Figure 2).

Ownership/Tenement Holdings [Ref 18.09.(4)]

The project tenements are held through a 6th generation COW, established in 1997. The original COW covered an area of 6,591km² but progressive relinquishments have reduced the COW area to 1,639km²; the Martabe project area itself occupies approximately 29km².

The ownership and operating rights to Martabe are held by PTAR. PTAR shares are held 95% by Agincourt Resources (Singapore) Pte Ltd, which is wholly owned by OZ Minerals through its subsidiary OZ Minerals (Martabe) Pty Ltd. A 5% interest in the project is conditionally held by the Indonesian company PT Artha Nugraha Agung; the minority 5% shareholding held by ANA is intended to be transferred to the local government authority and negotiations on this transfer are ongoing.

On 3 July 2008 it was announced that a memorandum of understanding had been reached with PT Antam Tbk (“Antam”) for the sale of 10% of the Martabe project to Antam for US\$66.5M, subject to approval of both Boards and the relevant Indonesian Government authorities. An option would also be granted to Antam to acquire a further 10% at the same price with an option for a further 5% based on the market value of the project at the time. However, PTAR advises that no final agreement was entered into and the proposed transaction is no longer in effect.

Resources/Reserves [Ref 18.09.(5,6)]

The Martabe resource estimate as of June 2008 is shown in Table 2.1. Resources have been estimated for the three principal known deposits, Pit 1, Ramba Joring and Barani, by independent specialist RSG Global Pty Limited (“RSG Global”), now part of Coffey Mining Pty Limited (“Coffey Mining”). No formal resource estimate of the other known deposits has been carried out to date.

Infill drilling was carried out over a central portion (Years 1-3 production) of the Pit 1 pit in 2008. There was no material change to the overall estimate but the drilling allowed a portion of the deposit to be upgraded to a Measured category.

Table 2.1
Summary of Martabe Resources – June 2008

Deposit	Category	Tonnage <i>Mt</i>	Gold Grade <i>Au g/t</i>	Silver Grade <i>Ag g/t</i>	Contained Au <i>Mozs</i>	Contained Ag <i>Mozs</i>
Pit 1	Measured	3.8	2.9	46	0.354	5.568
	Indicated	47.7	1.7	22	2.604	33.513
	Inferred	39.7	1.1	13	1.388	17.201
	<i>Subtotal</i>	<u>91.2</u>	<u>1.5</u>	<u>19</u>	<u>4.345</u>	<u>56.282</u>
Ramba Joring	Inferred	<u>36.6</u>	<u>1.0</u>	<u>4</u>	<u>1.191</u>	<u>5.207</u>
	<i>Subtotal</i>	<u>36.6</u>	<u>1.0</u>	<u>4</u>	<u>1.191</u>	<u>5.207</u>
Barani	Inferred	<u>10.4</u>	<u>1.1</u>	<u>-</u>	<u>0.368</u>	<u>-</u>
	<i>Subtotal</i>	<u>10.4</u>	<u>1.1</u>	<u>-</u>	<u>0.368</u>	<u>-</u>
Total	Measured	3.8	2.9	46	0.354	5.568
	Indicated	47.7	1.7	22	2.604	33.513
	Inferred	<u>86.6</u>	<u>1.1</u>	<u>8</u>	<u>2.947</u>	<u>22.408</u>
	Total	<u>138.1</u>	<u>1.3</u>	<u>14</u>	<u>5.905</u>	<u>61.489</u>

Note: cut off 0.5g/t Au; Ag grade not determined for Barani and therefore omitted from totals; Barani Ag grade estimated at 1-3g/t Ag but silver totals and grade calculated assuming no contribution from Barani

To date reserves have been estimated only for Pit 1, based on an optimised open pit mine design which extends approximately 900m north-south along strike; the Pit 1 reserves are shown in Table 2.2.

Table 2.2
Summary of Martabe Open Pit Reserves – June 2008

Category	Tonnage <i>Mt</i>	Gold Grade <i>Au g/t</i>	Silver Grade <i>Ag g/t</i>	Contained Au <i>Mozs</i>	Contained Ag <i>Mozs</i>
Proved	3.9	2.7	42	0.336	5.288
Probable	<u>31.8</u>	<u>1.8</u>	<u>24</u>	<u>1.883</u>	<u>24.419</u>
Total	<u>35.7</u>	<u>1.9</u>	<u>26</u>	<u>2.219</u>	<u>29.707</u>

Note: reserves estimated at a gold price of US\$700/oz and silver price of US\$11/oz

The designed open pit includes 1.9Mt of Inferred resource material at an average grade of 1.9g/t Au; in accordance with the JORC Code this material has not been included in reserves and has been designated as waste in the mining schedules; however, there are reasonable expectations that much of this material will be proved up during grade control drilling.

Based on the projected mining rate the defined tonnage would support a nine year mine life, with a waste to ore stripping ratio of approximately 0.7:1. Dilution has been estimated at 10% and mining recovery at 95%, both of which are considered reasonable. Because mining blocks are generally defined by a cut-off grade rather than a sharp geological contact, the risk of high levels of dilution is mitigated, as diluting material will commonly be low-grade mineralisation.

The final pit extends to an RL of approximately 240mRL, around the RL of the western colluvial plain and approximately 270m below the current ridge elevation. However, as much of the ridge will be removed during mining, final pit walls range from approximately 60-200m in height.

BDA considers that the area is prospective and that there is good potential to add significantly to the resource and reserve base over time with ongoing systematic exploration. Recent drill results at Barani and Ramba Joring are evidence of the further potential of the area.

Mining [Ref 18.09.(5,6,7)]

The mine plan for the Pit 1 deposit involves a single-stage low stripping ratio open pit, with all waste being contained within the TSF, or as part of the wall. The pit design was optimised at a gold price of US\$650/oz. Dilution has been estimated at 10% and mining recovery at 95%, both of which are considered reasonable. Because mining blocks are generally defined by a cut-off grade rather than a sharp geological contact, the risk of high levels of dilution is mitigated, as diluting material will commonly be low-grade mineralisation.

Mining operations will be conducted by contractors, using hydraulic excavators and articulated all-wheel drive trucks. The fleet selection is considered appropriate for both pioneering and production activities in the high rainfall and soft ground conditions. The Martabe area is subject to a monsoonal climate and allowances have been made for lower mine productivity during the wet season, using stockpiled ore to maintain mill feed. All haul roads will be sheeted with rock to ensure reasonable conditions for mining throughout the year.

Optimisation studies have indicated that the economics of selectively scheduling the higher grade ore early are favourable and the financial model adopts significantly higher mining rates than the DFS, peaking at around 13Mtpa of ore and waste. As a result, mining will effectively be conducted over approximately six years, from 2010 through 2015. BDA notes that the significant size of the stockpiles represents some additional risk, as it is understood there are limited areas available for stockpiling, and this aspect is under further review.

The stripping ratio over the LOM is approximately 0.7:1. Mining block grade estimation is based on Ordinary Kriging. Ore and low-grade material will be mined and stockpiled separately; ore will be stockpiled according to rock-type and grade and the primary crusher will be fed by front-end loaders working from stockpile to allow appropriate blending; 50-70% of ore is scheduled to be direct tipped.

Geotechnical investigations have resulted in pit designs with overall pit slopes of 45-50°. Within the weathered area and the easterly-dipping clay breccia zone, walls will be mined with low 6m face heights, 60° batters and 25° inter-ramp angles. In combination with the proposed water depressurisation drain holes, these parameters should provide reasonable levels of safety for the long-term integrity of the wall. The final pit walls typically range from 60-200m in height.

Processing [Ref 18.09.(7)]

The Pit 1 ore is generally high in relatively abrasive siliceous material and contains minor levels of sulphide minerals. Gold appears to be dominantly fine-grained and the silver content appears to be present largely in the form of sulphosalts.

Process development testwork was initially carried out by Normandy Mining Limited ("Normandy") and later by Newmont. PTAR completed a test programme to provide additional design data for conventional treatment of the ore through a carbon-in-leach plant at a rate of 4.5Mtpa and an additional detailed programme has recently been carried out to refine gold and silver recovery models and to confirm some process design parameters. The plant will comprise single stage crushing, semi-autogenous grinding ("SAG") and ball milling (with the SAG mill close-circuited with a pebble crusher), a carbon-in-leach circuit with 20 hours residence time, an elution and electrowinning facility, a cyanide detoxification plant, and a tailings thickener.

Gold recovery is moderate, ranging from 70-80%; silver recovery is around 70% which is reasonably high for a CIL plant operating on a high silver ore. The main limitation on gold recovery is considered to be the fine-grained nature of the gold, much of which is associated with sulphide minerals in the less altered material. Recoveries on the low alteration ores are lower (~70%) than recoveries on the high alteration ores (~80%) and the fresher ores could be described as moderately refractory since gold extraction using whole-of-ore cyanidation is limited to around 70%. An alternative flowsheet which utilised sulphide flotation prior to cyanide leaching was tested but did not provide improved recoveries, even with a re-grind of the flotation concentrate and leaching of the tailings.

The presence of cyanide soluble copper in the ore has been allowed for in the design. Levels of this material of above 500 parts per million ("ppm") copper ("Cu") have been projected in the third operating year and in later years; appropriate modifications have been made to the flowsheet and to cyanide addition rates to the CIL plant in order to avoid significant losses of soluble gold.

Infrastructure [Ref 18.09.(7)]

The project area lies approximately 3km north of the township of Batangtoru, adjacent to the Trans-Sumatra Highway. The Trans-Sumatra Highway joins the regional centre of Padangsidempuan, 25km to the south with the port of Sibolga, 40km to the north (Figure 1) and continues to Medan, the regional centre 200km to the north. Medan is serviced by regular commercial flights from Jakarta, Singapore and Kuala Lumpur. A commercial air service is available from Medan to Sibolga and to Aek Godang, one and two hours respectively by road from the site. A commercial air service is available from the road journey from Medan takes approximately eight hours by road.

A jetty and associated freight handling facilities are to be constructed early in the project implementation phase at a location 27km west of the project site, to provide reliable access to the project for supplies.

The DFS proposal for supplying power to the project site was to install a 33 megawatt ("MW") heavy fuel oil fired power station at the site. However, PTAR has subsequently adopted the option of connecting to the national grid.

The project site is in a high rainfall area. Ample water is available from streams and watercourses at the site to provide a reliable water supply. Raw water will be supplied from a catchment dam to be constructed adjacent to the plant site. Process water will be provided from tailings thickener overflow and from tailings dam decant.

Site accommodation will be provided for around 30% of the workforce with the remainder being accommodated in villages in the surrounding area. The site accommodation facilities will include a mess, recreational facilities, games rooms, wet mess, laundry and drying rooms, etc. and will be equipped with a package sewage treatment plant.

It is proposed to update the current satellite telephone system for voice and data transmission and to install a VHF radio network for on-site communications; a telephone upgrade has been completed.

Administration, mining and process plant offices and service buildings are to be constructed adjacent to the process plant. Offices will generally be block-work construction, reinforced to meet the requirements of the high seismic conditions. Workshops, warehouses and similar buildings are to be of steel portal construction with steel cladding and concrete floors.

Mobile equipment will be provided for the process plant, and light vehicles are to be provided for managerial and supervisory staff.

Environmental and Community Issues [Ref 18.09.(7)]

The project is in a high rainfall, seismically active, area. The topography is steep and the hills are forested. The Pit 1 deposit is within 3km of the Batangtoru township. PTAR advises that the local population is generally supportive of the project, and that relations with the local authorities are good. Nevertheless, there are significant technical, social and environmental issues to be addressed.

A detailed and systematic environmental and social impact analysis and public consultation programme consistent with relevant Indonesian law has been prepared for PTAR by consulting group PT ERM ("ERM") as part of the formal permitting Environmental Impact Statement ("EIS") or Analise Dampak Lingkungan ("AMDAL") process. BDA has reviewed and concurs with the approach taken to complete this impact assessment analysis and the various environmental and social study programmes which support the AMDAL process. BDA has not undertaken a comparative analysis of Indonesian standards with the Equator Principles and associated IFC Performance Standards, particularly in the areas of water discharges, air, noise, occupational health and social issues (ie. resettlement) to confirm conformance with the Equator Principles/IFC Performance Standards and Guidelines. URS Australia Pty Limited ("URS") has undertaken a Social and Environmental GAP Analysis which considers environmental and social issues in relation to corporate standards and commitments.

The main environmental risk relates to the potential for offsite water contamination via contaminated water run-off, acid rock drainage from the TSF embankment, excess tailings decant or tailings seepage, particularly following an earthquake event and associated settlement of the TSF main embankment. Specific design elements, infrastructure layouts and inclusion of a downstream environmental dam and water treatment plant are planned to mitigate the risk of offsite water contamination occurring.

Seismicity evaluation is particularly important given that the project lies in a seismically active region. A number of seismicity assessments have been performed over recent years by Knight Piesold Pty Ltd ("KP") in 2002 and 2003, Golder Associates Pty Limited ("Golder") in 2004 and most recently by GHD Pty Limited ("GHD") in December 2008. GHD has recommended that consideration be given to conducting sensitivity analysis and designing for a range of seismic conditions including those at the upper end of the Peak Ground Acceleration ("PGA") estimations. GHD has also suggested a number of design precautions that could be considered for large embankments, such as the TSF. A third party independent expert consultant (DE Cooper & Associates Pty Ltd) carried out a review of the tailings and water management arrangements proposed by GHD and issued a report dated January 2009.

The main social risk area relates to local communities that may become disenchanted from re-settlement issues, land compensation, employment, in-migration, traffic or other social issues. To date however there appears to be a large measure of goodwill, and the employment and other benefits which the proposed mine development will bring appear to be eagerly anticipated. To manage community perceptions, address concerns and mitigate social impacts, PTAR plans to develop a Community Relations and Development Investment Plan (“CRDIP”) to provide a framework for strategic social investments.

It is estimated that the project will employ up to 1,600 people during construction with a workforce of approximately 700 people when in operation. It is anticipated that 70% of the workforce will be recruited from local communities and the majority of the balance from elsewhere in North Sumatra and Indonesia.

Life of Mine Plan/Production Schedule [Ref 18.09.(5,6,7)]

The production schedule shown in Table 2.4 was extracted from the financial model provided titled “OZ_Minerals_Martabe_Asset_Model_Data_room_V5.xls” and corresponds to the LOM plan for the US\$650/oz gold price scenario in the DFS. It is planned to mill around 4.5Mt of ore per annum for around nine years. Under the most recent optimised mine plan, mining will effectively be completed over approximately six years, with higher grade ores being processed as mined and lower grade material stockpiled for later treatment through the plant. The location and size of the stockpiles has not been finalised, but BDA understands that an area north of the TSF has been identified; the area will need to be large enough to accommodate around 15Mt to satisfy the proposed mining schedule. The schedule is based on the mining of 36Mt of ore and 26Mt of waste (a 0.7:1 stripping ratio) from 2010-2015. Ore treatment will extend from 2010-2018, with ore grade averaging approximately 1.9g/t Au and 26g/t Ag. Initial mill feed grades average around 2.3g/t Au, but drop to 1g/t Au for the last three years while treating low grade stockpiles. It should be recognised that the current mine plan is based only on the Pit 1 deposit, and if one or more of the adjacent prospects are proved up to reserve status, mine life would be extended and the grade profile may change.

**Table 2.4
Martabe Operation – Projected Production Schedule**

Item	Unit	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Ore Mined	Mt	7.1	6.1	7.0	7.5	6.0	2.1				35.7
Waste Mined	Mt	5.4	6.8	6.0	4.5	2.6	0.6				26.0
Material Mined	Mt	12.6	13.0	13.0	11.9	8.5	2.7				61.7
Ore Milled	Mt	3.1	4.5	4.5	4.5	4.5	4.5	4.5	4.5	1.1	35.7
Ore Grade	g/t Au	2.3	2.3	2.3	2.4	2.5	1.9	1.0	1.0	1.0	1.93
	g/t Ag	25.2	28.6	31.4	33.3	30.2	24.5	17.9	17.9	17.9	25.9
Au Recovery	%	80.1	76.3	72.6	73.7	75.2	70.1	77.7	76.0	76.0	74.9
Ag Recovery	%	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0
Au Production	kozs	187	253	245	260	272	188	116	112	28	1,661
Ag Production	kozs	1,769	2,893	3,175	3,368	3,055	2,480	1,818	1,808	444	20,810

Gold recovery is moderate averaging 75%; silver recovery, at 70%, is reasonably good for a high silver-gold ore from a CIL plant. Over the LOM the operation is projected to produce 1.7Mozs of gold and 20.8Mozs of silver. Annual production of gold is scheduled to average around 230,000ozs per annum from 2010 to 2015, dropping to around 110,000ozs over the last three years of mine life. BDA considers that the production schedule is reasonable but suggests that it may take 6-12 months to ramp up to full production and recovery levels.

Capital Costs [Ref 18.09.(5,6,7,8)]

The LOM capital cost for mining and surface facilities was estimated by PTAR in the DFS at US\$310M in Q3 2007 dollars. An accuracy range of ±10% was nominated by PTAR. The estimate was subsequently updated by PTAR in November 2008 to US\$358M, following a review carried out in conjunction with Ausenco. At the time of termination of the EPCM contracts in December 2008, the forecast cost at completion was US\$360.2M. This forecast is summarised in Table 2.5.

**Table 2.5
December 2008 Forecast of Capital Expenditure**

Item	Total Capital US\$M
Mining Capital Costs	10.3
Process Plant and Infrastructure Direct Costs	211.2
Contractor's Indirect Costs	10.5
EPCM Costs	44.3
Other Owners Costs	66.4
Project Contingency	17.5
Total	360.2

The estimating and forecasting methodology is considered generally reasonable and appropriate, however, the contingency allowance appears low. While the costs of maintaining the site facilities while work on the project is suspended will tend to increase the overall capital cost, the current reduction in activity in the engineering design and construction industry and changes in the exchange rate for the Australian dollar since the estimates and forecasts were prepared have the potential to result in a lower overall capital cost.

At the time the work was suspended in November 2008, the Ausenco Monthly Report showed that around US\$109.4M had been committed and US\$57.3M had been expended, so that the remaining capital expenditure was around US\$302.9M. Since the suspension, additional expenditure of around US\$18.4M has been incurred on orders for critical long delivery mechanical equipment so that the forecast remaining cost to completion at the end of April 2009 is around US\$284.5M.

On the basis of these commitment and expenditure amounts, using standard contingency percentages for uncommitted and committed but not expended costs, in BDA's opinion the required contingency is around US\$26.5M, compared with the total contingency allowance of US\$21.4M included in the December forecast (ie. in BDA's opinion an additional US\$5.1M should be added to contingency). The current allowance comprises the US\$17.5M project contingency and specific contingency allowances included in the Mining Capital Costs and Other Owners Costs of US\$1.9M and US\$2.0M respectively.

A US\$/A\$ exchange rate of 0.85 has been used to convert costs expected to be incurred in Australian dollars. The current exchange rate is around 0.72. The A\$ denominated expenditure is advised by PTAR to be in excess of A\$100M which means that if exchange rates remain at current levels for the remainder of the project development period there could be a potential reduction of more than US\$13M in capital costs. In addition PTAR has advised that of the US\$22.1M included in the forecast for land acquisition costs, around US\$4M is unlikely to be expended.

BDA considers that a number of minor adjustments could be made to the forecast to take into account the effect of changes to exchange rates, the status of land acquisition costs and contingency allowances. These adjustments would have a net effect of reducing the total forecast by around US\$12M. There may also be potential to further reduce some costs as a result of the current reduction in activity in the manufacturing and construction industries.

However, it is noted that expenditure for care and maintenance of the site is on-going and that the costs of restarting the project and recruiting and mobilising personnel and equipment redeployed since the suspension of the project is subject to some uncertainty. For that reason BDA would recommend that the current capital cost forecast of US\$284.5M to complete the project from end April be maintained at this time.

No allowance has been made in the estimate for Indonesian VAT, import duties, and tariffs. PTAR has advised that it has received advice from its Indonesian tax advisors that the conditions of the COW should protect it from any such costs. BDA assumes that the prospective project acquirers will independently review such assumptions.

BDA suggests that annual sustaining capital provisions should be increased by around US\$1-2Mpa to account for replacement capital for process plant and administration equipment and ongoing mine exploration.

BDA recommends that in any project financing plan, a cost overrun allowance should be established of around 10% of the estimated remaining capital cost, in this instance of around US\$28M. Such an allowance would not be planned to be spent and would not be included in any analysis of project cashflows. However, BDA suggests that it would be prudent to have a plan for accessing such an allowance at the commencement of the re-establishment of the project development rather than risk funds not being available in the event of a cost overrun.

Operating Costs [Ref 18.09.(5,7,8)]

The estimated operating costs for the Martabe project are shown in Table 2.6, based on the high grade case in PTAR's financial model. The mining cost averages US\$2.66/t of material mined over the LOM, based on contractor quotations. Diesel costs account for approximately 16% of the estimated mining costs, based on diesel prices of US\$1.11 per litre ("L"); this proportion is likely to have varied significantly over the last eighteen months. BDA considers that mining costs should be increased by 20% to allow for fluctuations in consumable costs, and for contract variations, latent conditions and work outside contract.

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Processing costs in the model average US\$11.10/t milled. BDA has been unable to identify any allowance for maintenance spares in the budget data used to derive the operating costs and therefore suggests that process costs should be increased by US\$2Mpa or US\$0.44/t milled. BDA also considers that G&A costs may be under-estimated, based on its experience at other operations in south-east Asia.

In the financial model total site costs average approximately US\$385/oz gold produced; silver credits reduce gold production costs by an average of US\$155/oz, giving a net average cost of US\$240/oz after consideration of royalties. Cash cost of gold produced, taking into account the silver credit, is projected to be between US\$180-280/oz for the first six years of the mine life; projected costs increase to about US\$350/oz in the last three operating years when the plant feed is from lower grade stockpiles. BDA considers that the operating cost estimate is accurate to $\pm 20\%$.

Table 2.6
Operating Costs for the Martabe Gold Project

Item	Unit	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Costs											
Mining	US\$M	29.9	28.9	29.8	29.7	23.8	13.3				155.5
Milling	US\$M	35.0	50.8	49.7	49.5	49.7	49.9	49.6	49.6	12.2	396.2
Administration	US\$M	6.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	2.1	67.3
Realisation	US\$M	1.8	2.9	3.1	3.3	3.0	2.4	1.8	1.7	1.4	20.4
Total Site Costs	US\$M	73.1	91.0	91.1	90.9	85.0	74.1	59.5	59.8	14.7	639.5
Royalties	US\$M	1.7	2.3	2.5	2.7	2.8	1.9	1.2	1.2	0.3	16.5
Silver Credit	US\$M	-21.9	-35.8	-39.3	-41.7	-37.8	-30.7	-22.5	-22.4	-5.5	-257.5
Total Cash Cost	US\$M	52.9	57.5	54.3	51.9	49.9	45.3	38.5	38.6	9.5	398.4
Production											
Au Production	kozs	187	253	245	260	272	188	116	112	28	1,661
Ag Production	kozs	1,769	2,893	3,175	3,368	3,055	2,480	1,818	1,808	444	20,810
Unit Costs											
Mining	US\$/t*	2.38	2.23	2.30	2.49	2.79	4.91				2.52
Processing	US\$/t	11.21	11.29	11.05	11.00	11.05	11.09	11.02	11.09	11.09	11.10
Administration	US\$/t	2.05	1.87	1.87	1.87	1.87	1.87	1.87	1.88	1.91	1.89
Total Cash Cost	US\$/oz	283	228	222	199	184	241	332	343	344	240

*Note: unit mining costs are per tonne of material moved; they equate to US \$3.46/t ore for the LOM

Implementation Schedule [Ref 18.09.(6,7,8)]

Two major contracts were awarded by PTAR in 2008 for the design and construction of the project. An Engineering, Procurement and Commissioning Contract was executed between Ausenco Services Pty Ltd and PTAR on 20 August 2008 and a Construction Management Contract was executed between Ausenco Asia Pty Ltd, PT Trantekindo Nindyatama and PTAR on 20 October 2008. An Interface Deed linking the two contracts was also executed by the parties to the contracts. The contracts were terminated on 2 December 2008. It is proposed that similar contracts be reinstated, either with Ausenco or with another suitably qualified contractor when the project re-starts.

PTAR proposes to directly contract for the mine development and operations and will also arrange some minor aspects of infrastructure including telecommunications.

The PTAR project team is responsible for overall project management; the members of the project team whom BDA has met appear to have good experience in managing projects in the region. In addition PTAR currently has access through OZ Minerals to process and mining management personnel with sufficient expertise and experience to ensure that the completed process plant and mine design meet PTAR's expectations. It would be important for any party acquiring the project to have access to similar expertise.

Construction commenced in July 2008 and at that stage mining was planned to commence late in 2009, with the first gold pour planned for January 2010. Construction was suspended in November 2008, at which stage the forecast date for the first gold pour had been revised to March 2010.

The project schedule prepared for the Ausenco closeout report in November 2008 showed a total project duration of 15 months from the recommencement of project activities. This schedule recognised that the procurement of long delivery equipment items, including the critical milling equipment, is proceeding but made only nominal time allowances for the re-establishment of the EPCM Contracts and re-mobilisation of EPCM personnel.

BDA understands that the acquisition transaction is expected to be completed by the beginning of July 2009 and that finance is expected to be in place by October 2009 to allow project development to resume with a full Owner's project team having been recruited and mobilised. On that basis, BDA would expect that support staff and the EPCM contractors can be re-engaged and mobilised, orders for major equipment and materials re-established and construction contractors re-engaged and mobilised by around the end of 2009 so that the project can be constructed and commissioned by around the end of the first quarter of 2011.

BDA generally concurs with the contracting strategy and the project schedule, however it should be recognised that the schedule will not be able to be finalised until the project ownership is resolved and project development activities resume.

3.0 RISK SUMMARY

3.1 Project Risk Summary

When compared with many industrial and commercial operations, mining is a relatively high risk business. Each orebody is unique. The nature of the orebody, the occurrence and grade of the ore, and its behaviour during mining and processing can never be wholly predicted.

Estimations of the tonnes, grade and overall metal content of a deposit are not precise calculations but are based on interpretation and on samples from drilling which, even at close drill hole spacing, remain a very small sample of the whole orebody. There is always a potential error in the projection of drill hole data when estimating the tonnes and grade of the surrounding rock. Even with close-spaced drilling, significant variations may occur.

Comprehensive metallurgical testwork can reduce the processing risks, but the questions of representivity and scale-up remain. Estimations of project capital and operating costs are rarely more accurate than $\pm 15\%$ and, depending on the status of the estimate, several areas may be nearer to $\pm 20-30\%$. Mining project revenues are subject to variations in metal prices and exchange rates.

In reviewing PTAR's Martabe gold-silver project, BDA has considered areas where there is perceived technical risk to the operation, particularly where the risk component could materially impact the projected cashflows. The assessment is necessarily subjective and qualitative. Risk has been classified from low through to high. In Section 3.2, BDA has considered factors which may ameliorate some of these risks.

Risk Component	Comments
<p>Resources/Reserves <i>Low-Medium Risk</i></p>	<p>Because of the inherent variability of gold mineralisation, BDA would rarely rate the resource risk as less than low-medium. The basic Pit 1 resource drilling grid at 50 x 50m is somewhat wide for gold resource definition, and some of the hole orientations are not ideal; the majority Indicated and Inferred categorisation is considered generally appropriate. The 2008 infill drilling programme has reduced drill spacing over a central portion of Pit 1 to around 25 x 25m, and results have generally confirmed the interpretation and grade estimation based on the wider-spaced drilling. Given the topography and access difficulties BDA considers the spacing acceptable until more detailed grade control drilling commences.</p> <p>The geological database has been comprehensively reviewed by resource specialists RSG Global and Coffey Mining; BDA considers the data quality is generally good and the geology and mineralisation controls are reasonably well understood. All sample data is based on diamond drilling.</p> <p>The resource model has been independently prepared by RSG Global/Coffey, with input from PTAR geologists on the domain modelling. Detailed lithological and alteration domains have been defined and these have facilitated the preparation of the resource model, outlining the principal high grade, lower grade and waste zones. An Ordinary Kriging resource block model has been prepared. Statistical and visual validation of the resource model has been undertaken.</p> <p>An open pit mineable reserve has been estimated based on the Pit 1 resource model. Mining dilution and mining recovery figures used in the reserve estimate appear generally acceptable, based on the interpreted broad areas of mineralisation amenable to bulk mining operations. Stripping ratios are low and there is upside potential from the in-pit Inferred material which has been assumed to be waste. There is also good potential to define additional mineable reserves at adjacent prospects, specifically Ramba Joring and Barani.</p>

Risk Component	Comments
<p>Open Pit Mining <i>Low-Medium Risk</i></p>	<p>The mining targets are considered achievable. The mining rate is significantly higher than proposed in the DFS, but the plan incorporates an additional excavator and trucks and the vertical advance rate remains relatively low. There is some risk that the operation may be constrained by poor availability of the mining fleet, as has been encountered elsewhere with AWD articulated trucks.</p> <p>In the area of geomechanics, there is some risk of localised wall failures, but conservative wall angles should minimise any material impact, together with the flexibility provided by multiple mining areas within the pit.</p> <p>It is proposed that all the ore will be mined within approximately six years – this will require substantial stockpiles, up to around 15Mt capacity. The location for stockpiles of this size has yet to be finalised, but PTAR has advised that an area north of the TSF has been identified.</p> <p>Additional technical risks relate to the topography, rainfall and seismic activity. The combination of high rainfall and seismic activity needs to be taken into account in terms of pit and dump stabilities.</p>
<p>Processing <i>Low Risk</i></p>	<p>Testwork has been thorough and potential issues with cyanide soluble copper and mercury in the ore have been recognised. Preliminary plant design has been carried out in a competent manner. BDA suggests that during detailed design, the implications of the relatively high cyanide soluble copper levels likely to be present in the ore towards the end of the mine life should be considered.</p> <p>Martabe ore is well suited to processing through a CIL plant, although gold recoveries are not particularly high. However, the metal recoveries projected in the financial model are consistent with recoveries achieved in testwork.</p> <p>Earlier process studies favoured development of a heap leach process for the ore. However, BDA agrees that the high rainfall at the site would have made control of the discharge of excess water a difficult exercise.</p>

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Risk Component	Comments
Services and Utilities <i>Low/Medium Risk</i>	<p>The supply of power from connection to the national grid may present some risk of interruption to supply, although PTAR is proposing a significant standby capacity to mitigate this risk.</p> <p>Water supply is considered low risk. The bulk of circuit water will be reclaimed, with the high rainfall being collected in site dams providing a reliable source of make-up water.</p>
Infrastructure, Roads, Transport <i>Low/Medium Risk</i>	<p>Access to the site is reasonable and will be improved for transport of supplies when the proposed jetty is constructed. The remote location will always cause logistics to be a critical aspect of the operation, particularly in relation to transporting major items of plant and equipment to site. However, surveys carried out during the feasibility study have indicated that risks are manageable.</p>
Tenement and Title <i>Low Risk</i>	<p>The COW is the over-riding legal document for the ongoing management of the Martabe project, and appears to provide a sound basis for exploration and project development, borne out by PTAR's experience in Indonesia to-date. PTAR advises that the Indonesian Government authorities continue to reiterate support, and this is evident at provincial, district and local level. There seems no reason why this support should not continue for the Martabe project. A portion of the COW is within both protected forest and production forest areas, however PTAR has advised that the proposed area of mine operations is not within these designated forest areas.</p>

Risk Component	Comments
<p>Social Issues <i>Low Risk</i></p>	<p>The main social risk area relates to local communities becoming disenchanted from re-settlement issues, land compensation, employment, in-migration, disturbance from traffic or other social issues. To date however there appears to be a large measure of good will, and anticipation of employment and other benefits which the proposed mine development will bring. To manage community perceptions and address concerns, PTAR plans to develop a Community Relations and Development Investment Plan to provide a framework for strategic social investments. PTAR advises that the Central, Provincial and Local government authorities remain supportive of the project.</p>
<p>Environmental Issues <i>Medium Risk</i></p>	<p>Site environmental procedures and ongoing monitoring and data collection programmes appear to be well planned and implemented.</p> <p>The main environmental risk areas of the project as currently proposed relate to the potential for offsite water contamination via site contaminated water run-off, acid rock drainage (“ARD”) from the TSF, including the embankment materials, excess tailings decant or tailings seepage following an earthquake event and settlement of the TSF main embankment. The likelihood of these occurrences however is considered low, and the potential impact is reduced due to the various design elements and proposed infrastructure layouts. The inclusion of two downstream environmental dams (Settling Dams SD1 & SD2) and water treatment plant will mitigate the risk of offsite water contamination during operation. Water treatment may be necessary for an unspecified time following mine closure to handle potential acid mine drainage from the TSF embankment. Ongoing monitoring of water quality post mining will be essential to ensure that ARD impacts are not occurring. An in-situ weathering column leachate monitoring program has operated since March 2004 and together with sample geochemical analytical data, provides an information base which is suitable to assess the potential risk associated with ARD generation.</p>

Risk Component	Comments
<p>Project Implementation <i>Medium Risk</i></p>	<p>Given the remote location, the climate and the topography, implementation of the project will present significant risks. However the PTAR project team has demonstrated a capability to implement similar projects elsewhere in Asia and the preferred EPCM Contractor, Ausenco, also has a good track record in development and construction of mining projects in the region.</p> <p>The current project schedule of 15 months after recommencement of project activities has been made less risky by the continuation of the procurement of the SAG and ball mills. Orders have been placed and design and fabrication are reported to be on schedule.</p>
<p>Production Ramp-Up <i>Low/Medium Risk</i></p>	<p>The proposed mining schedules are considered achievable, although the first full year rate may be optimistic. The mining rates are significantly higher than those proposed in the DFS, but are based on a commensurate increase in excavators and trucks. Provided that the contractor mobilises sufficient equipment and achieves reasonable availability, the schedule is regarded as achievable. The ore stockpile build up is rapid, from 2.5Mt in Year 1 to around 15Mt in Year 5.</p> <p>The process plant production schedule proposed by PTAR is generally reasonable. However, BDA considers that modifications should be made to the projections for the first year of process plant operation to reflect a more realistic ramp-up of process plant performance.</p>

Risk Component	Comments
<p>Capital Cost <i>Medium/High Risk</i></p>	<p>Capital costs for projects in remote locations in less-developed economies are always subject to significant risk and have in recent years come under significant upward pressure, however such pressures are likely to abate as a result of the current global economic downturn. The estimating methodology used to arrive at the current forecast of US\$360M is considered generally reasonable and appropriate. BDA is of the opinion that the contingency allowance is low by around US\$5M, but notes that changes in the US\$/A\$ exchange rate are likely to result in a reduction in US\$ costs of more than US\$13M and that PTAR has advised that land acquisition costs are likely to be around US\$4M less than currently forecast.</p> <p>There is a risk that some Indonesian VAT, import duties and tariff costs omitted by PTAR from the estimate on the advice of its Indonesian taxation advisors may be payable.</p> <p>The cost risk generally lies with the final construction quantities and the performance of the erection contractors. BDA recommends provision of an overrun allowance of 10% of the remaining capital cost to cover cost overruns and the potential risk of capital increases from contractor claims and start-up issues.</p>
<p>Operating Cost <i>Medium Risk</i></p>	<p>Mine operating costs have been based on the lowest contractor bid and compare reasonably with estimated owner-operator costs, based on first principles. Diesel fuel represents approximately 16% of the mining cost, and contract prices were based on fuel at US\$1.11/L, but should have an additional 20% allowance for variations in consumables and conditions and unanticipated contract costs.</p> <p>BDA considers that processing and G&A costs together may be up to US\$5.5Mpa higher than estimated; however, since the estimate was produced for a January 2009 valuation of the property, cost escalation is not likely to be a significant factor. The decision to obtain power from the Sumatran grid should stabilise power costs over the life of the mine.</p>

Risk Component	Comments
Country and Political Risk	BDA is not expert in this area and makes no assessment of country or political risk. However, BDA observes that progress to date on the Martabe project has significantly reduced the perception of country risk, and the efficacy of the COW has been demonstrated through the exploration, pre-feasibility and feasibility phases to date. PTAR advises that the local, regional and national regulatory agencies continue to provide support for the project. In terms of government approvals, access to land, local employment and local community relations, there appear to be no outstanding difficulties and appropriate processes for handling these areas have been successfully implemented.

3.2 Risk Mitigation Factors

There are a number of factors which combine to reduce some of the risks identified above. Principal amongst these are:

- All geological data is based on diamond drilling; much of the core is PQ or HQ size and core recoveries are generally good. The geology, though complex, has been well modelled and the mineralisation controls are generally well understood. The 2008 infill drilling programme within a central portion of Pit 1 has generally confirmed the interpretation and grade estimation based on the wider-spaced drilling, and has reduced the risk in the area of initial mining.
- Detailed infill grade control drilling will be undertaken and will provide a valuable guide to mining. Although the overall grade is modest at 1.9g/t Au, there are substantial intersections at significantly higher grade which will provide an opportunity to optimise the ore feed in the early years, based on the proposed stockpiling policy.
- There are known additional resources at two other adjacent prospects and significant mineralisation has been intersected elsewhere in the project area; only the Pit 1 prospect is currently included in the mine plan, but there are good prospects for additions to mineable reserves from the other known areas of mineralisation.
- The use of an established mining contractor, experienced in Indonesian conditions, gives added confidence in the ability of the mining operation to achieve the production targets.
- Both Golder and Coffey have conducted extensive geotechnical studies on the project and the pit wall and slope designs reflect the findings. The proposed wall angles are reasonably conservative, but failures may

still occur, particularly in the clay breccia zone. It is intended to depressurise the walls with drain holes and to establish drainage channels around the pit perimeter to reduce the quantity of water entering the pit and damaging the walls.

- GHD has completed a detailed design of Tailings Dam, Water Dams and Sediment Containment Ponds; this report is dated December 2008. PTAR engaged an independent third-party consultant (Dr N Mattes, Senior Principal from URS Australia) to review the preliminary conceptual design of the TSF and associated infrastructure. The consultant concluded that the design was carried out in accordance with current good practice and that the proposed TSF was considered to be appropriate to the conditions revealed by the site investigations carried out to date. A further independent third-party consultant (DE Cooper & Associates Pty Ltd) reviewed the December 2008 GHD Detailed TSF Design in January 2009.
- The plant design is based on a considerable volume of testwork, and the processing characteristics of the various ore lithologies are well defined.
- While this will be PTAR's first operation in Indonesia, the PTAR project team has had a number of years construction and operating experience in Southeast Asia, and PTAR's management has considerable Indonesian experience. The in-house knowledge of the logistics of operating in Southeast Asian environments will significantly mitigate the risks of start-up of a project in a less-developed country.
- Progress on the Martabe project through the exploration, pre-feasibility and feasibility phases to date demonstrates the efficacy of the Contract of Work. Local, regional and national regulatory agencies continue to support the project's development. In terms of gaining government approvals, access to land, and managing local employment and local community relations, there appear to be no unresolvable social or regulatory difficulties at this stage.
- Following the cancellation of the former contracts, the new owner will have the opportunity to re-tender and perhaps gain some cost benefits from the general reduction in mining and project development activity in the region. If Ausenco was re-appointed as EPCM Contractor, this would be seen as likely to reduce the EPCM risk, given the company's extensive experience of similar projects in similar locations together with the project knowledge gained to date.

4.0 SOURCES OF INFORMATION

BDA has undertaken recent site visits to the Martabe gold and silver project in June 2008 and April 2009. Discussions have been held with technical and management staff on site, in Medan and in Melbourne. The drilling undertaken to date has been reviewed, and

drill core from several holes inspected. The location of the various prospects and the planned open pit, plant site and TSF site have been reviewed; a helicopter flyover has been undertaken, providing an overview of the project area. Resources, reserves, mining, processing and waste disposal plans and environmental and social issues have been reviewed and discussed. The principal technical reports and documents reviewed are listed below:

Oxiana – Public Information

- Annual Reports 2006 and 2007 – Oxiana Limited
- Quarterly Reports for 2007 and 2008 – Oxiana Limited and OZ Minerals Limited
- ASX Announcements 2007 and 2008 – Oxiana Limited and OZ Minerals Limited

Martabe Technical Data

- Blast Fragmentation Prediction, Martabe Gold Project – Blast Dynamics Inc, November 2004
- Pit 1 Pit Slope Design, Martabe Project – Golder Associates, January 2005
- Martabe Open Pit Contract Mining Quote, Scope and Pricings – RSG Global, October 2006
- Martabe Gold Project Contract Mining Budget Price – PT Leighton Contractors Indonesia, November 2006
- CIL Design Modelling for Martabe using CIMCIL – Murdoch University Gold Technology Gp, March 2007
- Martabe Gold Project Comminution Circuit Design – Orway Mineral Consultants, April 2007
- Mineral Resource Explanatory Notes – Oxiana Limited, June 2007
- Ore Reserve Explanatory Notes – Oxiana Limited, June 2007
- Martabe Project Review of Conceptual Design of TSF – URS, June 2007
- Martabe Project TSF Geotechnics Report – GHD, October 2007
- Martabe Project Definitive Feasibility Study – Coffey Mining, PT Agincourt Resources, November 2007
- Updated DFS Exec Summary Capital Section “DEC 2007 Section 7 Capital Cost.doc” – PTAR, Dec 2007

APPENDIX V TECHNICAL REPORT ON THE MARTABE PROJECT

- Martabe Drill Hole Logs and Assay Data – Various
- Oxiana Limited and Zinifex Limited Specialist’s Technical Report – AMC Consultants Pty Ltd, May 2008
- Zinifex Limited Proposed Merger with Oxiana Limited Valuation Report – Grant Samuel, May 2008
- Martabe Project Technical Presentation – Oxiana Limited, June 2008
- Mineral Resource Explanatory Notes – OZ Minerals Limited, June 2008
- Ore Reserve Explanatory Notes – OZ Minerals Limited, June 2008
- LTCF Model “V19 13052008 DRAFT.xls” – PT Agincourt Resources, July 2008
- Capital Cost Spreadsheet “Martabe Capex Sheet Current Exchange Rates.xls” – PTAR, July 2008
- Martabe Project On-site Weathering Column Update – Water Management Consultants, October 2008
- Martabe Project November Monthly Report 2008 – Ausenco Services Pty Ltd, November 2008
- Martabe Project TSF Design Summary – GHD, December 2008
- Martabe Project TSF Detailed Design Report – GHD, December 2008
- OZ PTAR Martabe Monthly Report January 2009 – PT Agincourt Resources, January 2009
- Martabe Project Tailings and Water Management Expert Review – DE Cooper & Associates, Jan 2009
- Martabe Project Closeout Report – Ausenco Services Pty Ltd, February 2009
- Martabe Project Status of Permitting – PT Agincourt Resources, April 2009
- Financial Model “OZ_Minerals_Martabe_Asset_Model_Data_room_V5.xls” – OZ Minerals Ltd, April 2009

Tenements

- Tenement Location Map
- Map of Local Land Holdings

General Data

- Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves – Report of the Joint Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia, December 2004.

5.0 MARTABE PROJECT

5.1 Background

Location

The Martabe project is owned by PT Agincourt Resources, a joint venture company specifically formed to operate a Contract of Work which was entered into with the Indonesian Government in April 1997. The project area is located on the western side of Sumatra, in the Province of North Sumatra, approximately 3km north of the township of Batangtoru, and 40km south of the port of Sibolga (Figure 1). The regional centre of Padangsidempuan lies 25km to the south and the provincial centre of Medan approximately 200km to the north. Regular daily flights from Jakarta, Singapore and Kuala Lumpur provide good access to Medan.

The local topography is steep and rugged. An access road has been developed as part of the initial construction work to the process plant and TSF sites and initial earthworks have been undertaken. Five mineralised prospects, Pit 1, Ramba Joring, Barani, Tor Uluala and Uluala Hulu, have been identified over a 6km north-south strike. The deposits are associated with steep, silicified, ridges or hills, covered in fairly dense vegetation. Resources have been estimated for Pit 1, Ramba Joring and Barani, but to date reserves have only been defined over the Pit 1 deposit, and it is this deposit on which the DFS and the current mine plan are based. The Pit 1 deposit comprises a steep-sided north-south ridge which rises 250m above a colluvium-filled valley to the west and 100m above rugged hills to the east. The mineralised zone has a strike length of approximately 900m, and preliminary pit designs are based on a maximum pit depth below the current peak of around 270m, bringing the base of the pit to around the level of the western plain. As much of the ridge is removed, final pit wall heights range from approximately 60-200m.

The Martabe site is located close to the equator, and the climate is hot and tropical. Annual rainfall averages over 4,000mm, with annual evaporation estimated at 1,800mm. Rain falls throughout the year, with the highest rainfall associated with the monsoonal period from October to December.

Martabe lies within a high activity seismic area, related to the proximity to plate subduction zones which parallel the west coast of Sumatra (Figure 1). The project is located approximately 10km west of the Sumatran Fault.

History and Ownership

There is no history of mining within the immediate vicinity of the project. The overall tenor of the mineralisation in the area is relatively low, with few instances of high grade material having been shed from the main lode; there is no record of free gold having been found in the area. The deposit was discovered by Normandy as a result of a regional stream sediment survey, with anomalous values found in the stream running to the south of the deposit. Drilling commenced in 1998 and confirmed the presence of gold-silver hydrothermal mineralisation within a sequence of lavas and volcanic and hydrothermal breccias.

The Martabe project is owned and operated by PT Agincourt Resources, but has undergone several changes of ownership. The original COW, covering an area of 6,591km² was granted to Normandy Anglo Asia Limited, a subsidiary of Normandy Mining Limited. In 2002 Newmont Mining Corporation took over Normandy. As part of a disposal of non-core assets, Agincourt Resources Limited purchased the Martabe project and control of the various entities from Newmont in 2006. In April 2007, through a corporate takeover, Oxiana acquired Agincourt and thus PTAR and the rights to continue development of the project. PTAR shares are held 95% by Agincourt Resources (Singapore) Pte Ltd, which is wholly owned by OZ Minerals through its subsidiary OZ Minerals (Martabe) Pty Ltd, and 5% conditionally by the Indonesian company PT Artha Nugraha Agung (ANA). The minority 5% shareholding held by ANA is intended to be transferred to the Indonesian local government authorities and negotiations on this transfer are ongoing.

Progressive statutory relinquishments have reduced the COW area to 1,639km² or 25% of the original area; the Martabe project area itself occupies approximately 29km². A Definitive Feasibility Study was completed in 2007 to establish an optimum strategy for the mining of the Pit 1 deposit, using conventional open pit mining methods, and the processing of the ores by conventional CIL ore treatment methods to produce gold-silver bullion. The DFS evaluated a range of production scenarios at gold prices of US\$500/oz, US\$650/oz and US\$800/oz. The US\$650/oz scenario was selected as the basis for the engineering and cost studies, in line with corporate assumptions at that time. The DFS projects that an estimated 200,000ozs of gold and 2Mozs of silver will be produced annually, totalling approximately 1.7Mozs of gold and 16.5Mozs of silver over a nine-year mine life. Plans and schedules have been developed and engineering and cost studies have been completed for the mine development and construction of the process plant and infrastructure. The initial capital cost estimate was US\$310M; the estimate was subsequently updated by PTAR in November 2008 to US\$358M, following a review carried out in conjunction with Ausenco. At the time of termination of the EPCM contracts in December 2008, the forecast cost at completion was US\$360M, with physical completion targeting late May 2010.

Contract of Work (COW)

The Martabe COW is a 6th Generation Contract of Work signed in April 1997 as an agreement between the Government of Indonesia and PT Danau Toba Mining (subsequently PT Agincourt Resources), an Indonesian registered PMA or Penanaman Modal Asing, ie. a Foreign Direct Investment company specifically established under the conditions of the COW. The COW document covers all conditions relating to exploration, feasibility, construction, mining and rehabilitation, which, under the doctrine of “lex specialis”, is intended to protect the investor from changes in tax and other laws for the term of the agreement.

After various statutory relinquishments, the COW currently covers an area of 1,639km²; this represents 25% of the original COW area and no further compulsory reductions are required. The COW was placed in suspension between March 1999 and April 2000 while forestry boundary issues were resolved. The Martabe project itself lies within an area of approximately 29km² inside the COW area. PTAR advises that the COW is in good standing and that all conditions for mandatory area relinquishments, minimum expenditure commitments and tax and reporting obligations have been met. An Extension of Feasibility phase was granted to 26 May 2008, but no further extension of this feasibility phase is provided for, nor is it necessary, as the feasibility phase is now deemed complete with the acceptance of the Feasibility Study by the Indonesian Government.

The minimum expenditure requirements under the COW, to the end of the Exploration Period, have been substantially exceeded. No minimum expenditure provisions are fixed for the Feasibility Period. The Construction Period is granted over three years. If this proves to be unworkable, the COW holder may seek Ministerial approval for a revised time schedule. The Operating Period is deemed to commence on the earlier of the first day of the calendar month following the first month during which the average daily throughput is at least 70% of the design capacity, or six months after the date of completion of the facilities. The Operating Period is for 30 years, or longer if approved, but must commence within eight years from the commencement of the COW allowing for any time extensions granted during the various work periods of the COW. PTAR advises that the requirement for the commencement of the Operating Period within eight years of commencement of the COW is covered by the extensions already granted since commencement of the COW.

Project Status

The bulk of the work undertaken to date has focussed on the Pit 1 deposit, with 257 diamond drill holes completed on approximately a 50m spaced grid, with some infill drilling on a 25 x 25m grid over the early production areas, allowing the estimation of resources and reserves. A DFS was completed in November 2007, based on open pit mining and CIL

processing of the Pit 1 ore. The DFS was based on a 4.5Mtpa project with a mine life of around nine years, producing annually around 200,000ozs of gold and 2Mozs of silver. There are strong expectations that additional economic ore will be defined both at Pit 1 and at Ramba Joring and Barani, leading to an extension of mine life.

The DFS was based on the construction of a heavy fuel oil power station, but grid power is available within 3km of the project. PTAR has determined that reliable supply is available from the grid, however, the rates to be charged have not been finalised. The current plan for power supply is to connect to the grid with diesel generators to provide emergency back-up. Process water is readily available from collection of run-off, and will be based on recycle from the TSF. The principal site access roads to Batangtoru are paved, but are narrow and winding and pass through numerous villages; height and weight restrictions apply at several river crossings. PTAR plans to construct a jetty at the coast to the west of the project area which will provide ready access for barged supplies and equipment during construction and operations.

PTAR is working closely with local authorities and community leaders to address social, environmental and development issues of concern. A land survey has been undertaken to identify land ownership and negotiations on land purchase, lease and compensation arrangements are well advanced. Land acquisition is over 90% complete for the core project area. Base line environmental studies have been carried out and an Environmental Impact Statement or AMDAL has been prepared. Water management, waste disposal, noise, air quality, land use, land acquisition, compensation and rehabilitation are all issues which are addressed.

The Construction Permit for the project was granted by the Indonesian Authorities in April 2008, and is the final step in the approvals process. Construction commenced in July 2008 and at that stage mining was planned to commence late in 2009, with the first gold pour planned for January 2010. Due to re-financing difficulties being experienced by OZ Minerals, construction was suspended in November 2008, at which stage the forecast date for the first gold pour had been revised to March 2010. A temporary access road to the process plant and mine site has been constructed and a start has been made on site earthworks. Contracts will need to be re-established and construction re-commenced under the new ownership.

6.0 GEOLOGY AND MINERALISATION

6.1 Regional Geology

The Martabe project lies within the Cainozoic Sumatran volcanic arc, which forms the northwestern extension of the Javanese Sunda-Banda arc, extending for over 1,600km. Subduction of the Indian oceanic plate is occurring along the arc, resulting in major regional faulting, volcanism and seismic activity. The Sumatran Fault system ("SFS") runs the length of the island, and passes 10km to the east of

Martabe (inset, Figure 1). Dextral strike slip movement is estimated to be up to 400km. The SFS is highly segmented with numerous offsets commonly exceeding 10km. Hydrothermal activity related to this system is interpreted as the principal mechanism for the formation of the Martabe gold deposits.

6.2 Local Geology

The geology in the Martabe area is dominated by a Miocene dome complex, composed of dacitic lavas and fragmentals surrounded and underlain by tuffs, sediments, agglomerates and andesitic and basaltic lavas (Figure 3). The geology and mineralisation are controlled by major north-northwest faults which are part of the SFS.

The oldest rocks in the area are Palaeozoic meta-sedimentary rocks of the Tapanuli Group. These rocks underlie the Tertiary volcanics and sedimentary units. The eastern part of the area is dominated by granite, in intrusive and fault contact with the older rocks. Age dating gives a Triassic age and the intrusion is correlated with the Sibolga granite batholith to the northwest.

Barus Formation sediments, mostly conglomerates and sandstones with minor siltstones and shales, are the oldest of the Tertiary units, and from mapping and drilling are considered to underlie much of the Martabe area. Overlying the Barus Formation sediments are the Miocene age Angkola Volcanics, a series of basaltic and andesitic lavas and breccias. The porphyritic andesite (VAN) and volcanic breccia (VBX) are significant host rocks to the mineralisation (Figure 4). Emplaced along the faulted western margin of the granite complex is a late Tertiary dacitic dome complex, comprising a dacitic porphyry (VDA), which is also a significant host rock, and a hornblende andesite, which is a late-stage intrusive and is generally unmineralised (except at Ramba Joring). Associated with the dacite dome is a diatreme complex comprising a series of fault-controlled phreatomagmatic breccias; two units are recognised, a silicified breccia (sBPM) which is commonly well-mineralised and was fractured and crackle-brecciated during the main stage of mineralisation, and a late-stage clay-rich breccia (cBPM) which is typically unmineralised.

Overlying the older units is the Quaternary Toba Tuff, which forms a prominent plateau to the north of Martabe but is restricted to small erosional remnants in the Martabe area.

The stratigraphic sequence is summarised in Table 6.1.

**Table 6.1
Martabe Stratigraphic Sequence**

System	Age	Code	Description
Toba Tuff	Quaternary		Rhyolite tuff and pumice
Dacitic Dome and Diatreme	Late Miocene	VDA, VANh, BPM	Dacite porphyry, hornblende andesite, and multi-phase phreatomagmatic breccia either silicified (sBPM) or clay-rich (cBPM); sBPM is a major host rock, particularly where strongly leached and silicified
Angkola Volcanics	Miocene	VBS, VAN, VBX	Basaltic andesite, porphyritic andesite, and volcanic breccia; VAN and VBX are important host rocks; mineralisation is typically associated with silica alteration and crackle-brecciation
Barus Formation	Oligocene/ Miocene	SED	Conglomerate, sandstone and siltstone; underlie most of the Martabe district
Sibolga Granite Complex	Triassic	IGR	Correlated with the Sibolga Granite, approximately 209Ma
Tapanuli Group	Permian	Put	Carbonaceous meta-sediments, marine turbidite, greywacke, shale, slate

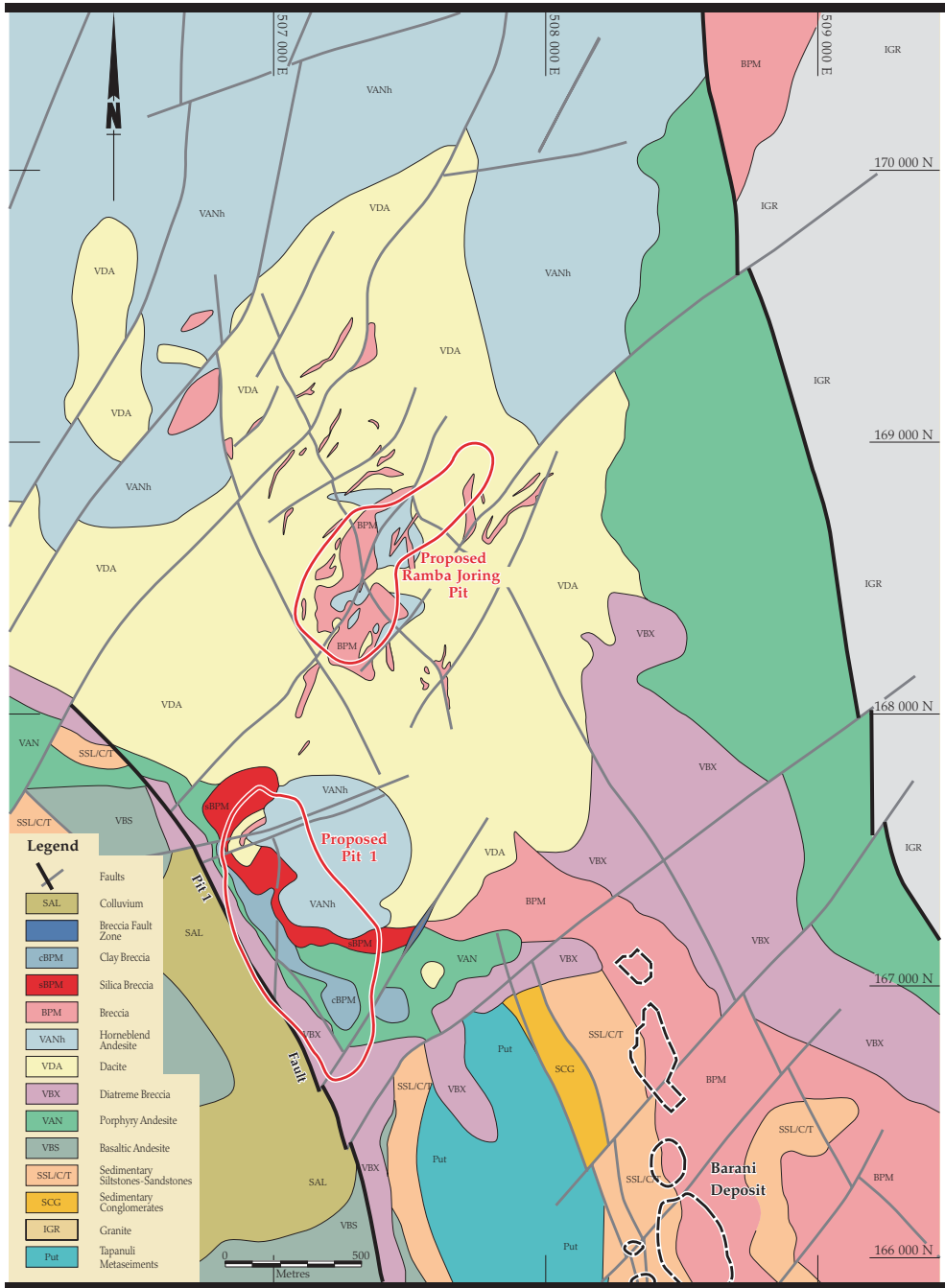


Figure 3

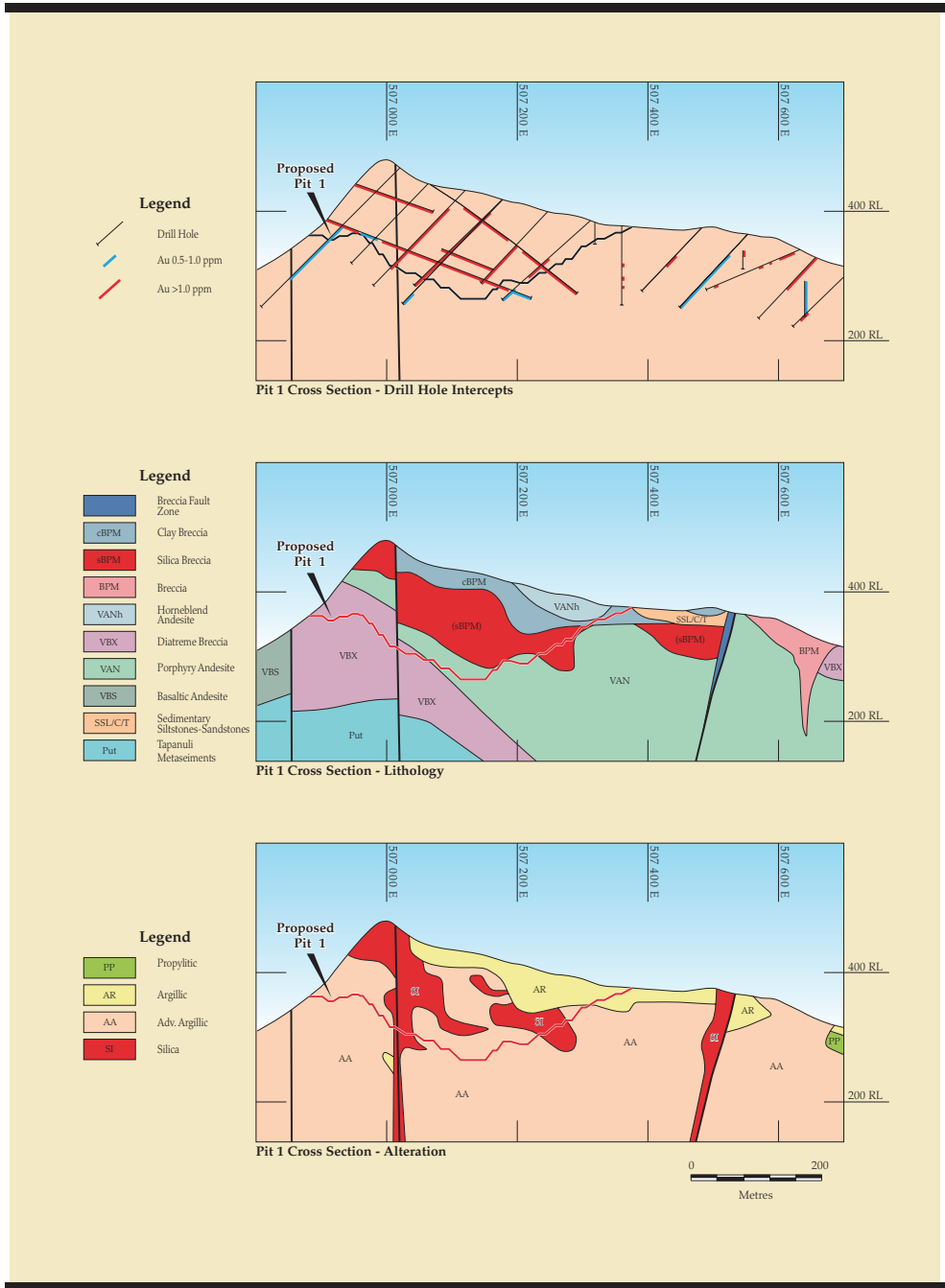


Figure 4

6.3 Structure

Major fault structures control the distribution of the principal geological units and have a major influence on the distribution of the mineralisation. The northwest striking faults such as the Pit 1 fault are considered part of the dextral strike-slip Sumatran fault system. In addition to strike slip movement a significant vertical component is indicated. The Pit 1 fault to the west, and the Granite Contact fault to the east, form a graben in which the Tertiary volcanics, dacites and breccias are preserved in a downthrown block (Figure 3).

Although the Pit 1 fault strikes northwest, the majority of the ore controlling faults strike at an acute angle to the north. These faults appear to have controlled the emplacement of the dacitic dome complex and hydrothermal alteration centres are aligned along this trend. North-northeast faulting appears to impact on the diatreme dykes and silicified zones, particularly in the Ramba Joring area.

6.4 Mineralisation

The gold-silver mineralisation at Martabe is of the high sulphidation epithermal type, hosted largely within the dacitic dome and diatreme complex. Mineralisation occurs generally in brecciated and siliceous zones, associated with silicic and advanced argillic quartz-alunite-kaolinite alteration grading outward into clay-rich argillic and chloritic facies (Figure 4). Acidic hydrothermal fluids leached the rocks leaving residual silica which has produced a vuggy, permeable host as well as a competent rock subject to brittle fracture. There is a strong correlation between mineralisation and silicification. Higher grades are commonly associated with late-stage fracturing and crackle-type brecciation. The clay-altered breccias tend to form a capping.

Known mineralisation extends over approximately 6km of strike in five principal locations, Barani, Pit 1, Ramba Joring, Tor Uluala and Uluala Hulu, from south to north. Mineralisation outcrops along the ridges, and is typically deeply oxidised to depths in excess of 120m, though the oxidation profile is highly irregular. Within the oxide zone the original sulphides are oxidised to haematite and goethite. Primary copper sulphides are oxidised and largely leached. Gold is fine-grain and fairly evenly distributed through the host lithologies, though typically higher grades are associated with the more silicified zones (Figure 4).

Below the base of oxidation is a transition zone of mixed oxide and sulphide material. The thickness of the transition zone is variable, but averages approximately 50m. The primary mineralisation below is characterised by pyrite-enargite (copper arsenic sulphide), with minor covellite (copper sulphide), sulphur, pyrite, barite and marcasite; however, copper grades are relatively low and rarely exceed 0.2% Cu. Silver is present as proustite (silver arsenic sulphide) and pyrargyrite (silver antimony sulphide).

Pit 1 and Ramba Joring mineralisation styles are generally similar. Mineralisation at Barani is somewhat different and is mainly hosted by steeply dipping quartz veins and sheeted quartz veins, together with hydrothermal breccias and silicic-altered rocks proximal to the veins.

6.5 Exploration Potential

There is considerable exploration potential within the Martabe area. Relatively little detailed exploration has been undertaken in the general COW area, as initial regional geochemical surveys focussed attention on the Martabe area as geochemically anomalous. BDA has not undertaken a systematic review of the wider exploration potential, and has focussed primarily on the Pit 1 prospect and

the current LOM plan; however BDA notes that significant mineralised intersections have been obtained at adjacent prospects and further afield and BDA considers the Martabe area in general to have significant potential for further economic mineralisation.

Within the Martabe area, five mineralised systems have been identified, Pit 1, Ramba Joring, Barani, Tor Uluala and Uluala Hulu. Resources have been defined at Pit 1, Ramba Joring and Barani, but reserves at present are restricted to Pit 1; drilling at the other prospects is at a relatively early stage, however, economic thicknesses and grades have been intersected at each location.

Significant drilling has been carried out at Barani in 2008 (64 holes, 7,151m); the northern part of the Barani project underlies the planned TSF, so it is important to determine at an early stage before TSF construction if these zones warrant economic extraction. To date it appears that the northern parts of the Barani deposit are relatively minor and the principal mineralisation lies to the south of the TSF.

Additional drilling has been carried out at Pit 1, Ramba Joring, Tor Uluala and Uluala Hulu and further work is planned. In total 164 holes were drilled in 2008. In BDA's opinion it is likely that additional mineable reserves will be defined, leading to an extension of mine life. At depth at Barani, relatively high grade quartz veins have been intersected, suggesting a possible future potential for a high grade underground operation. Again, substantial work is required before any reasonable estimate of underground potential is possible.

Exploration work is also ongoing in the wider COW area, investigating prospects which could supply additional feed to the Martabe project, and other stand-alone prospects. This work includes geological mapping, geochemical sampling, geophysical surveys including Induced Polarisation studies, and also diamond drilling, and where appropriate, reverse circulation drilling. Significant drilling has been undertaken on some prospects with, for example, 52 holes drilled in the Gambir-Kapur area to the south of Martabe. The principal prospects on which work is planned for 2009 include (from north to south) Tango Papa, Baning, Tani Hill, Golf Mike, Gambir-Kapur, Southern Corridor, Aek Goting, Rantan Panjang and Panyabungan areas. PTAR has professional geological and support staff well capable of carrying out such a programme.

Conclusions

The geology and mineralisation controls at Pit 1 are reasonably well understood, but the geology is complex and mineralisation is both structurally and lithologically controlled. Local controls are not always well defined, and this will await detailed infill and grade control drilling. Selected infill drilling at Pit 1 within the area planned for initial mining has largely confirmed the previous interpretations and grade estimates. Drilling at the other prospects is wider spaced and the geology is generally less-well defined. However, significant intersections have been achieved and the potential for further work to outline additional mineable mineralisation is considered to be high. There are a number of prospects with known mineralisation within the wider COW area and further follow-up work is warranted.

7.0 GEOLOGICAL DATA

BDA has not undertaken an audit of the geological data as part of this review. The following information is based on discussions with project staff, and review of geological logs and drill core, and consideration of sampling and assaying processes and procedures. RSG Global, now merged with Coffey Mining, visited site several times and undertook a detailed check of processes and procedures as part of the resource estimation process, and undertook database checking and verification; BDA has reviewed RSG's various reports on the geological data.

7.1 Drilling

All sample information is based on diamond drilling. Diamond holes have been drilled along sections approximately normal to the strike of the mineralised zone. Holes have typically been drilled at PQ and HQ size, with a lesser proportion of NQ size core; triple-tube equipment has been used to maximise core recovery. At Pit 1 drill spacing is generally at 50m along east-west section lines 50m apart. Infill drilling of a central portion of the deposit (Years 1-3 production) has decreased the hole spacing to approximately 25 x 25m over this area. At Ramba Joring the hole spacing is generally along lines spaced 50m apart and oriented northwest-southeast. At Barani drilling over the central portion of the deposit is on an approximate 50 x 100m grid, with 100m spacing or wider over the peripheral areas; drill lines are oriented east-west. Hole inclinations on all deposits vary according to the geology and the accessibility of drill sites. At Pit 1 a number of holes have been drilled at shallow angles from wooden platforms constructed on the steep western side of the ridge. All drilling is based on helicopter support or the use of man-portable rigs, as there has been no vehicular access to any of the prospects.

As of June 2008, 257 holes had been drilled at Pit 1 (41,792m), 146 holes at Ramba Joring (22,819m) and 119 holes at Barani (17,857m). Core recovery is generally good, averaging 92-93% through the mineralised intervals in Pit 1 and Ramba Joring and 90% in Barani.

Limited twin drilling has been carried out but a number of holes cross in close proximity and holes drilled for metallurgical purposes sometimes duplicate earlier holes. RSG Global reports that where comparative data is available, assays are reasonably consistent and of the same order of magnitude.

7.2 Survey

All holes are surveyed at the collar and at 50m intervals downhole, using Eastman single shot cameras. RSG Global reports that deviations are generally minimal. Surface topography is based on digital terrain modelling, based on aerial photography. Over Pit 1, this data has been supplemented with 100m-spaced surveyed sections.

7.3 Logging

Drill hole cores are logged for lithology, weathering, alteration, structure, mineralisation and for geotechnical data including RQD (rock quality designator) measurements. All drill core is photographed. All potentially mineralised core is marked up for sampling.

7.4 Sampling and Sample Preparation

All potentially mineralised core is diamond sawn, with half core dispatched for analysis and half retained in the core box as a permanent record. The majority of samples are a standard one metre length, but take into account geological boundaries. Most cores are completely sampled. Sample preparation is undertaken at the PT Intek Testing Services ("ITS") sample preparation facility in Padang. Samples are dried, and crushed to 2mm before splitting approximately 1.5kg, which is then pulverised to -200 mesh. A 250g pulp is then split and forwarded to the ITS laboratory in Jakarta for analysis. Prior to July 2004 samples were crushed to -10mm before splitting, but the finer crush was adopted to reduce sampling variance.

7.5 Assaying

The standard suite of analyses includes Au, Ag, Cu, As, Pb, Zn and Hg, though the standard analyses have varied over time. Gold analyses are by 50g fire assay with AAS finish. Ag, Cu, Pb and Zn are analysed by atomic absorption spectrometry ("AAS") following hydrochloric/perchloric digest. Arsenic is analysed by X-ray fluorescence ("XRF") and Hg by cold vapour AAS. Analyses for cyanide soluble Au, Ag and Cu are also carried out.

7.6 Quality Assurance/Quality Control ("QA/QC")

QA/QC protocols consist of insertion of standards and blanks, submitted at a rate of one per batch of 20 samples. In recent years certified standards supplied by Genalysis have been used; earlier uncertified standards were supplied by Normandy Exploration. Most standards relate primarily to gold, with a small number of standards used to check base metals. Blank material was provided by Normandy Exploration or sourced from local barren andesitic rock. Laboratory internal standards and duplicate pulp analysis provided additional QA/QC checks. Approximately 3% of pulps were sent to Genalysis in Australia.

Batches containing a standard that reported more than twice the standard deviation of the expected value were re-assayed. Most anomalous results were related to mis-labelling of inserted standards. No significant bias or long term drift of standard results were noted. Genalysis duplicate pulp gold assays gave comparable results to ITS. Silver assays showed ITS to be biased slightly high, particularly for higher grade results.

BDA notes that no duplicate samples from coarse or fine reject material were submitted; consequently there is no QA/QC monitoring of sample preparation other than the inserted blanks.

Overall the QA/QC programme has confirmed the general reliability of the data other than possibly high silver grades and the limited checking on sampling (as opposed to assaying) procedures. The sample and assay data has been reviewed in detail by Coffey Mining and is considered to provide an appropriate base for resource and reserve estimation.

7.7 Density

Bulk density measurements have been made on selected core samples of approximately 0.2m in length using the water immersion method, weighing in air and water. Samples were dried and then wrapped in plastic film before measurement. In total 2,939 samples have been tested from Pit 1, 2,437 from Ramba Joring and 468 from Barani. Mean densities have been determined for the various different rock types and values flagged against rock types in the resource model. Bulk densities for the main mineralised lithologies range from 2.40 to 2.52.

Conclusions

BDA has not undertaken an audit of the geological data as part of this review. From discussions with project staff, and review of geological logs and drill core, BDA considers that the geological investigations have been thorough and the drilling, logging, sampling and assaying procedures adopted are appropriate and in accordance with industry standards. Core recovery is good and sample preparation and assaying procedures are generally appropriate. QA/QC results indicate that the sampling and assaying data are generally reliable and without material bias, although QA/QC procedures could be improved by the submission of coarse and fine reject duplicate samples to monitor sample preparation in the laboratory. Bulk density determination procedures appear generally appropriate; BDA considers that a review of the bulk density database by oxidation zone would be worthwhile. Overall, in BDA's opinion, the geological data base forms an appropriate and reasonable basis for resource and reserve estimation.

8.0 RESOURCE AND RESERVE ESTIMATION

8.1 Standards and Definitions

A mineral resource is defined in the Australasian Joint Ore Reserve Committee JORC Code as an identified in-situ mineral occurrence from which valuable or useful minerals may be recovered. The Martabe resource figures represent the total tonnage of in-situ mineralisation delineated within the drilled areas and above the defined cut-off. Resources are classified as Measured, Indicated or Inferred according to the degree of confidence in the estimate. A Measured Resource is one which has been intersected and tested by drill holes or other sampling procedures at locations which are close enough to confirm continuity and where geoscientific data

are reliably known. An Indicated Resource is one which has been sampled by drill holes or other sampling procedures at locations too widely spaced to ensure continuity, but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable level of reliability. An Inferred Resource is one where geoscientific evidence from drill holes or other sampling procedures is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability.

An ore reserve is defined in the Australasian JORC Code as that part of a Measured or Indicated Resource which could be mined and from which valuable or useful minerals could be recovered economically under conditions reasonably assumed at the time of reporting. Reserve figures incorporate mining dilution and allow for mining losses, and are based on an appropriate level of mine planning, mine design and scheduling. OZ Minerals' Martabe reserves represent those portions of the resource which can be economically mined under the defined parameters, and which are planned to be mined within a designed open pit. The reserves are included within the overall resource figures. Proved and Probable Reserves are based on Measured and Indicated Resources respectively. Under the Australasian JORC Code, Inferred Resources are deemed to be too poorly delineated to be transferred into a reserve category.

OZ Minerals has published under the Australian Stock Exchange JORC Code requirements resource and reserve statements detailing the estimated resources and reserves and the relevant processes and procedures as of June 2008. Included in these statements are the names and consents of the relevant Competent Persons. In all cases, as well as OZ Minerals technical specialists, the Competent Persons include professional independent consultants from well-regarded consulting groups such as Coffey Mining and Golder Associates.

8.2 Resource Estimation

Geological Modelling

The Martabe resource estimate represents the tonnage of in-situ mineralisation delineated within the drilled area and above the defined cut-off. Resources have been estimated for Pit 1, Ramba Joring and Barani. The methodology adopted is broadly similar, but the specific description below relates principally to Pit 1. The estimates have been based on geological domains which have been defined on cross section and long section and in three dimensions to produce wireframes for resource estimation. The domains are based on lithological, alteration and oxidation boundaries interpreted by the project geologists and consultants from drill hole data and logging.

Ten lithological domains and six alteration domains have been defined and these have been combined into four principal mineralisation domains for grade estimation, comprising:

- *Zone 10* – soil, scree, colluvium

- *Zone 20 Waste Zone* – unaltered, propylitic or argillic altered rocks
- *Zone 30 High Grade Zone* – silicic altered sBPM, BFZ, VAN, VBX
- *Zone 40 Low Grade Halo Zone* – advance argillic altered sBPM, BFZ, VAN, VBX

Zone 30 consisting of silicic alteration tends to define relatively high grade Au-Ag mineralisation while the advanced argillic alteration in Zone 40 contains more variable but in general lower grade Au-Ag mineralisation. Although the principal lithological and structural controls on mineralisation are reasonably well understood, Coffey noted that areas of high grade gold mineralisation in Pit 1 do not exhibit good continuity between 50m spaced drill holes; continuity between holes improved with the 25m x 25mm infill drilling but is still poor in some areas. A low grade 0.5g/t Au cut off was used to define an outer mineralisation envelope for Zones 30 and 40 in Pit 1 and Ramba Joring; this was dropped to 0.3g/t Au for Barani.

Three oxidation domains, oxide, transitional and fresh, were defined using a combination of geological logging of the degree of oxidation, and the ratios of cyanide soluble gold to total gold (“AuCN/Au”) and cyanide soluble copper to total copper (“CuCN/Cu”). Ten metre composites of the gold and copper ratio data were used to reduce variability of the raw data. Coffey noted that the oxidation surfaces were smoothed in many areas and considered further interpretation of both the logging and assay data was required.

Oxidation domains were defined nominally as follows:

- *Oxide (code OXSTATE 1)* – >0.6 AuCN/Au and <0.3 CuCN/Cu
- *Transitional (code OXSTATE 0.5)* – 0.5-0.6 AuCN/Au and 0.3-0.6 CuCN/Cu
- *Fresh (code OXSTATE 0)* – <0.5 AuCN/Au and >0.6 CuCN/Cu

In the Pit 1 deposit, the oxide zone varies from 10-70m, averaging around 50m; the transitional zone also varies considerably with a maximum thickness of around 70m. Oxidation boundaries are irregular with oxidation locally extending down structures such as faults and breccia zones.

Geological modelling for Ramba Joring was carried out using similar procedures as for Pit 1, although the structure is slightly more complex, gold mineralisation is less pervasive and of a slightly lower tenor. Continuity of high grade gold mineralisation is generally lower than Pit 1, and the silver grades are substantially lower. The Ramba Joring deposit is divided by faulting into two sections, the main Ramba Joring section and the smaller Ramba Joring East section.

The epithermal gold distribution at Barani is slightly different, being primarily hosted by steeply dipping quartz veins, sheeted quartz veins and hydrothermal breccias and silicic alteration zones adjacent to the veins, cutting across the largely sub-horizontal lithologies. Five sub-vertical to steeply west-dipping mineralised zones were domained. Oxidation zones were defined only by AuCN/Au ratios; CuCN/Cu data was not available.

Resource Methodology and Estimation Procedures

BDA has reviewed the June 2008 resource processes and procedures and considers them reasonable, in accordance with industry standards and in compliance with the JORC code.

For all three deposits Coffey developed geological 3D models in conjunction with PTAR geologists using Datamine software. Coffey used Isatis software to carry out geostatistical analysis and variography and establish search criteria, and used Datamine to carry out the resource estimation using Ordinary Kriging for grade interpolation.

Resource parameters used by Coffey were as follows:

- drill hole samples for all three deposits were regularised to 2m composites
- high grade cuts based on spatial distribution and probability plots were applied to Au, Ag, Cu, AuCN, AgCN, and CuCN; gold values for Pit 1 were cut to 25-30 g/t Au and for Ramba Joring and Barani in the range 8-10g/t Au; generally high grade cuts affected less than 1% of the composites in each domain; cut composite data sets were used in both variography and kriging of Zones 30 and 40; values for Ag, Cu, AuCN, AgCN, and CuCN were also cut
- block size for all three deposits was 25m east-west, 25m north-south, and 10m RL, with sub-blocking to 6.25m east and north and 2.5m RL
- average bulk densities were flagged by lithology domain and block values calculated by the proportion of each lithology in the block; Pit 1 bulk densities for the mineralised domains ranged from 2.40 to 2.52; Ramba Joring values ranged from 2.24-2.26; a value of 2.40 was applied to all Barani mineralised domains

- variography for Pit 1 used correlograms for spatial analysis of grade data for Au, AuCN, Ag, AgCN, Cu, CuCN, As, Hg, S and C; for Ramba Joring correlograms were developed for Au, AuCN and Ag and for Barani only Au and AuCN; Coffey assessed the Pit 1 variography as moderate to good with well defined nugget effects and shallow northerly and easterly plunges
- variogram models in Pit 1 for Au, Ag and Cu typically consisted of moderately high nuggets with 30-35% of total variance, two spherical range structures with the first range of 10-80m with the shortest ranges in the RL direction and longest in the north-south direction; nugget and first range accounted for 70-80% of the total variance (variogram models varied slightly between Zones 30 and 40); Ramba Joring and Barani had similar combined percentages of total variance although nuggets and ranges tended to be lower
- grade interpolation was carried out in two passes with a progressively expanded search ellipse and less restrictive minimum sample search criteria; the first pass search ellipse was a maximum 80m for Au, AuCN, Ag, and AgCN and 125m for other variables; the second pass ellipse used twice the initial search dimensions; minimum and maximum number of samples searched per block varied between domains; for Zones 30 and 40, minimum samples were 30-35 for the first pass and 20-25 for the second pass; there was no minimum octant search applied, however a maximum number of 8 samples from one hole was set; block discretisation was 12 x 12 x 6; parameters for Ramba Joring and Barani varied in some respects but a similar approach was taken with grade interpolation
- domain boundaries in Pit 1 and Ramba Joring for Zones 10, 20, 30 and 40 were treated as hard boundaries for grade interpolation
- block grade estimates were validated both geostatistically and visually against the raw data and sections.

Coffey categorised the resource into Measured, Indicated and Inferred for Au and Ag using a combination of factors including first/second pass search, distance to nearest sample, number of samples, block variance and confidence in the geological interpretation and perceived continuity of mineralisation in the various zones.

Resource Results

The resource estimate as determined for the June 2008 resource statement at a 0.5g/t Au cut off is shown in Table 8.1.

Table 8.1
Summary of Martabe Resources – June 2008 (0.5g/t Au cut off)

Deposit	Category	Tonnage Mt	Gold Grade Au g/t	Silver Grade Ag g/t	Contained Au Mozs	Contained Ag Mozs
Pit 1	Measured	3.8	2.9	46	0.354	5.568
	Indicated	47.7	1.7	22	2.604	33.513
	Inferred	39.7	1.1	13	1.388	17.201
	<i>Subtotal</i>	<u>91.2</u>	<u>1.5</u>	<u>19</u>	<u>4.345</u>	<u>56.282</u>
Ramba Joring	Inferred	<u>36.6</u>	<u>1.0</u>	<u>4</u>	<u>1.191</u>	<u>5.207</u>
	<i>Subtotal</i>	<u>36.6</u>	<u>1.0</u>	<u>4</u>	<u>1.191</u>	<u>5.207</u>
Barani	Inferred	<u>10.4</u>	<u>1.1</u>	<u>-</u>	<u>0.368</u>	<u>-</u>
	<i>Subtotal</i>	<u>10.4</u>	<u>1.1</u>	<u>-</u>	<u>0.368</u>	<u>-</u>
Total	Measured	3.8	2.9	46	0.354	5.568
	Indicated	47.7	1.7	22	2.604	33.513
	Inferred	<u>86.6</u>	<u>1.1</u>	<u>8</u>	<u>2.947</u>	<u>22.408</u>
	Total	<u>138.1</u>	<u>1.3</u>	<u>14</u>	<u>5.905</u>	<u>61.489</u>

Note: cut off 0.5g/t Au; Ag grade not determined for Barani and therefore omitted from totals; Barani Ag grade estimated at 1-3g/t Ag but silver totals and grade calculated assuming no contribution from Barani

Additional infill drilling was carried out over a central portion (Years 1-3 production, between sections 167000N and 167300N) of the Pit 1 pit in 2008. There has been no material change to the previous overall estimate but the infill drilling has allowed a portion of the deposit to be upgraded to a Measured category.

Further infill drilling will be carried out as part of detailed operational grade control work.

8.3 Reserve Estimation

Reserve Methodology

Under the JORC Code, reserves represent that part of a Measured or Indicated Resource which is planned to be mined, incorporating mining dilution and allowing for mining losses, and on which a sufficient level of mine planning, mine design and scheduling have been carried out to demonstrate economic viability. Under the JORC Code, Inferred Resources are deemed to be too poorly delineated to be transferred into a reserve category.

The only deposit at Martabe for which reserves have been estimated is the Pit 1 deposit. Coffey estimated the July 2008 ore reserve for Pit 1 based on the June 2008 resource block model. Coffey previously estimated ore reserves for Pit 1 in 2007 for the DFS.

Coffey used the following reserve parameters:

- reserves were based on a conventional open pit bulk mining operation with a production rate of 4.5Mtpa
- Whittle 4X pit optimisation was used to define the optimum pit shell using inputs including geotechnical parameters, mining parameters, metal prices, metallurgical recoveries, mining and processing costs and royalties
- pit optimisation used a gold price of US\$700/oz and a silver price of US\$11/oz
- mining dilution was set at 10% and mining recovery 95%
- pit slope angles ranged from 40-50°
- metallurgical recoveries were based on the four main ore types (SAH, SAL, AAH and AAL, being silica-altered, high and low oxidation, and advanced argillic altered, high and low oxidation) identified and tested for the DFS; gold recoveries range from 55% to 80% and silver recovery averages 52%; testwork showed correlation of gold head grade with gold recovery was poor and hence formulae were developed by Internet Ltd which utilised the kriged resource block values for Au, AuCN/Au and Cu; similar formulae were developed for silver recovery
- mining and processing costs were estimated and appropriate allowances were made for royalties and other costs

- cut-off grade is expressed in terms of equivalent plant recovered dollars per tonne; on this basis, the cut-off grade has been estimated at US\$13.46/t, approximately equivalent to a recovered grade of 0.6g/t Au or an in-situ grade of approximately 0.8g/t Au.

Reserve Results

Based on the above parameters an ‘optimum’ pit was defined containing the in-pit reserves shown in Table 8.3.

**Table 8.3
Summary of Pit 1 Open Pit Reserves – June 2008**

Category	Tonnage <i>Mt</i>	Gold Grade <i>Au g/t</i>	Silver Grade <i>Ag g/t</i>	Contained Au <i>Ozs</i>	Contained Ag <i>Ozs</i>
Proved	3.9	2.7	42	0.336	5.288
Probable	<u>31.8</u>	<u>1.8</u>	<u>24</u>	<u>1.883</u>	<u>24.419</u>
Total	<u>35.7</u>	<u>1.9</u>	<u>26</u>	<u>2.219</u>	<u>29.707</u>

Note: reserves estimated at a gold price of US\$700/oz and silver price of US\$11/oz

It should be noted that the designed open pit includes 1.9Mt of Inferred resource material at an average grade of 1.9g/t Au; this material has been designated as waste in the mining schedules but there are reasonable prospects that some of this material may be upgraded to ore based on detailed grade control drilling.

Based on the projected mining rate the defined tonnage would support a nine year mine life, with a waste to ore stripping ratio of approximately 0.7:1. The final pit extends to an RL of 240mRL, approximately to the RL of the western colluvial plain and around 270m below the current ridge elevation. However, as much of the ridge will be removed during mining, the final pit walls typically range from 60-200m in height.

8.4 Future Reserve Potential

In addition to the Pit 1 deposit, it is likely that mineable reserves will be defined at one or more of the adjacent prospects. Initially the resources at Ramba Joring and Barani must be upgraded to at least an Indicated category to provide sufficient level of confidence to undertake a reserve study. AMC Consultants Pty Limited (“AMC”) in a 2008 review stated that a further two years reserve would be a reasonable projection. BDA concurs and considers that it is likely that the reserve could be extended beyond this, provided the current gold price is maintained.

Exploration drilling in 2009 has continued to confirm the presence of significant mineralisation within the adjacent prospects. The area is considered prospective and BDA considers there is a high probability of defining additional mineable reserves.

Conclusions

The resource modelling has been professionally undertaken by an independent group, with input and overview from Oxiana, and more recently OZ Minerals staff. Data validation has been thorough and the resource methodology and categorisations are considered generally appropriate. The diamond drill data gives a reasonable coverage at Pit 1 and provides an appropriate basis for resource and reserve estimates. Additional drilling is required at Barani and Ramba Joring to bring the estimates to a comparable level of confidence. Measured resources have been defined by infill drilling at Pit 1; the resource categorisations are considered appropriate and may be slightly conservative given the broad mineralised zones, but overall are considered an appropriate reflection of the complex geology and alteration domains and the grade variability. Given the difficult topography BDA considers that further infill drilling at Pit 1 is best achieved when vehicle access has been established and systematic grade control drilling can be carried out.

9.0 MINING

9.1 Overview

The mining studies carried out to date have progressed from conceptual, prepared in 2005, to reasonably detailed layouts, completed in 2007/08. From this work, it has been estimated that the open pit at Pit 1 is likely to extend to a depth of around 270m below the present ridge, and that the mineable reserve is likely to be of the order of 36Mt, with a waste to ore stripping ratio of 0.7:1. An initial mill production rate of 4.5Mtpa over nine years has been proposed, with an ore mining rate of around 6-7Mtpa for the first six years. Based on the projected schedule, referred to as the High Grade Martabe version, the higher grade ore will be processed while the lower grade ore will be stockpiled, to be reclaimed and processed in Years 6-9 after mining has been completed. If additional reserves are defined at the adjacent prospects, the operation is likely to be extended and the processing of the low grade ore may be deferred.

9.2 Mine Planning

Mine planning in the DFS and in the more recent work has been based on the following parameters and assumptions:

- *Geotechnical* – the original detailed assessment, prepared by Golder has been re-assessed by Coffey Mining and endorsed; berm angles of 60-70° have been assumed, with overall pit slopes of around 45-50°.

- *Mining Losses and Dilution* – dilution allowances of a nominal 10% have been included in the estimates and mining recovery has been assumed to be 95%; given the broadly distributed mineralisation within the pit, ore recovery within the pit limits would be expected to be high and mining dilution relatively low.
- *Mining Costs* – an average of around US\$2.52/t has been estimated for all material over the LOM, based on fuel price of US\$1.11/L of diesel. Plans involve the use of contract mining, drilling and blasting, using 40t all-wheel drive articulated trucks, loaded by hydraulic excavators in backhoe configuration, and supported by the normal ancillary equipment (drills, dozers, graders etc).
- *Ore and Waste Haulage* – the locations of the stockpiles are still to be finalised, and will be based on a combination of technical, cost and environmental factors; BDA understands that an area north of the TSF has been identified. The initial concept of mining at the 4.5Mtpa milling rate has been replaced by the High Grade Martabe version, which is an accelerated mining schedule that accesses the higher grade ore earlier in the schedule; this will result in a requirement to stockpile up to 15Mt of lower grade material.

The mine plan for the Pit 1 orebody, developed by Coffey Mining as part of the DFS, involves a single-stage low stripping ratio open pit, with all waste being contained within the TSF, either as part of the wall or as cover on the tailings. The pit design was optimised at a gold price of US\$650/oz with Whittle Four-X[®] software in Vulcan[®], using Ordinary Kriging to determine block grades. The mining assumptions include dilution of 10% (at adjacent block grades) and mining recovery of 95%, both of which are considered reasonable, given the massive nature of the mineralisation. In addition, because mining blocks will be defined by a cut-off grade, the risk of high levels of dilution is mitigated, in that the diluting material will commonly be low-grade mineralisation.

The DFS plan was for ore mining to match the milling rate at around 4.5Mtpa. However, further optimisation studies indicate that mining the orebody faster provides earlier access to higher grade ore and that the economics favour this approach. The schedule in the financial model “OZ_Minerals_Martabe_Asset_Model_Data_Room_V5[1]” adopts significantly higher mining rates than the DFS, peaking at around 13Mtpa (ore and waste) from 2010 to 2012, then progressively reducing. As a result, mining will effectively be conducted over approximately six years, starting in 2010 through 2015. The schedule differences require an additional excavator and five additional trucks when compared with the DFS; provision has been made in the financial model for the higher mining rates and stockpiling and reclaim costs, and the size of the mining fleet has been adjusted to suit the revised schedule. Details of the latest plans have not been provided, but BDA notes that the advanced mining scenario potentially represents some additional risk, particularly when it is stated in the DFS that there are limited areas available for stockpiling;

however, it is noted that vertical advance rates remain relatively low and that the bench areas are large enough to accommodate the additional mining equipment. It should be noted that stockpiles are likely to build up from around 2.5Mt in 2011 to approximately 15Mt in 2015, excluding any provision for additional stockpiling of low-grade marginal material.

9.3 Mine Scheduling

A range of production rates were tested; as noted, the optimised schedule for mining is significantly different to that in the DFS. Based on current parameters, a six year mining life has been selected as the preferred option, commencing operations at 7.1Mtpa of ore and peaking at 7.5Mtpa. BDA notes that these levels of mining, which are significantly in excess of milling capacity, will require substantial stockpiles, starting at around 2.5Mt in 2011 and building up to around 15Mt in 2015. Over the full LOM, approximately 36Mt of ore will be mined and processed.

Mining operations will be conducted by contractors, using backhoe-configured 80t hydraulic excavators and articulated all-wheel drive 40t rear-dump trucks. The fleet selection is considered appropriate for both pioneering and production activities, as the high rainfall and soft ground conditions preclude the use of the more conventional rigid frame rear-drive dump trucks. The proposed contractor fleet is considered capable of handling the required material movements. The Martabe area is subject to monsoonal conditions; allowance has been made in the schedule for lower mine productivity during the rainy months, with the ore stockpiles built up during the dry season to assist in maintaining scheduled mill production. It is planned that all haulroads will be sheeted with rock to ensure reasonable conditions for mining throughout the year.

The waste to ore stripping ratio over the LOM is approximately 0.7:1. Most of the material will be drilled and blasted in 5m high benches, with mining on 2.5-3m flitches. Grade control in the pit will be conducted using reverse circulation ("RC") drills, with holes on a 12.5 x 12.5m pattern extending several benches below the current mining horizon. Mining block grade estimation will use OK, with ore and low-grade material being mined and stockpiled separately. Ore will be stockpiled according to rock-type and grade and the primary crusher will be fed by front-end loader working from stockpile, together with direct tipping from open pit dump trucks; 50-70% of ore is scheduled to be direct tipped.

9.4 Geotechnical and Hydrological Aspects

Geotechnical investigations based on drill-hole logs and core analysis have identified eleven basic rock types, with variable strengths and lithologies in different areas of the pit. Pit wall designs are based on stability analyses conducted by Golder in 2005 and reassessed by Coffey Mining in 2007. Pit walls within the weathered, oxide zones will be laid back at lower angles to ensure stability.

The main area of geotechnical concern appears to be an easterly-dipping clay breccia that will be present in the east wall in a zone about 40m thick and 60m below surface. It is proposed that this material will be mined at 6m inter-berm height, 60° batter angle, 9.4m berm width and 25° inter-ramp angle. In combination with the proposed water depressurisation drain holes, these parameters should provide reasonable levels of safety for the long-term integrity of the wall. The final pit walls are typically in a range from 60-200m in height, with the pit bottom at 240mRL, approximately 270m below the current ridge at 510mRL.

9.5 Life of Mine Plan/Production Schedule

The production schedule shown in Table 9.1, based on the current financial model, corresponds to the LOM plan for the US\$650/oz gold price scenario. Under the optimised mine plan, mining will be complete after six years, with significant quantities of lower grade ore stockpiled and rehandled to the crusher as required by the plant. The location and size of the stockpiles has not been finalised, but BDA understands that an area north of the TSF has been identified; sufficient area will need to be available to accommodate around 15Mt to satisfy the proposed mining schedule. The schedule is based on the mining of 62Mt of ore and waste from 2010-2015.

**Table 9.1
Martabe Operation – Projected Mining Production Schedule**

Item	Unit	2010	2011	2012	2013	2014	2015	2016	Total
Ore Mined	Mt	7.12	6.12	6.96	7.46	5.95	2.09	0	35.7
Waste Mined	Mt	5.44	6.83	6.03	4.47	2.56	0.63	0	26.0
Total Material Mined	Mt	12.56	12.95	12.99	11.93	8.51	2.72	0	61.7
Strip Ratio	W:O	0.8	1.1	0.9	0.6	0.4	0.3	0	0.7

Conclusions

BDA considers that the mine planning estimates and schedules have been prepared in a professional and competent manner. The mining recovery and dilution estimates are considered realistic and provide a reasonable assessment of the practical issues. The mining equipment is considered generally appropriate to the conditions and the proposed scale of operations, although the fleet will be larger than originally proposed. Suitable precautions have been taken to minimise wet season delays. Geotechnical issues appear to have been appropriately addressed, although there is always some risk in high rainfall areas, particularly in regions prone to seismic activity. The proposed mining schedule is considered achievable, but a significant tonnage of ore will be consigned to stockpiles, starting with around 2.5Mt in 2010 and building up to around 15Mt. PTAR has identified an area north of the TSF as the probable stockpile location; however, the topography may force some modification of the schedule and a more modest build-up of stocks.

10.0 PROCESSING

10.1 General

Intermet Engineering Pty Ltd (“Intermet”) were engaged to carry out the process and infrastructure design for the DFS for the Martabe project. A 4.5Mtpa carbon-in-leach circuit was selected, comprising primary crushing, stockpiling of crushed ore, two stage grinding in SAG and ball mills with the mills close-circuited by a crusher and cyclones respectively, cyanide leaching and CIL processing, cyanide detoxification and tailings thickening, and gold recovery from activated carbon using a conventional elution, electrowinning and smelting circuit to which a cold cyanide wash has been added to control copper adsorbed onto the carbon.

PTAR engaged Ausenco to review the metallurgical aspects of the DFS and subsequently Ausenco were engaged as the EPCM contractor.

Newmont initially proposed to construct a heap leach operation to process the Martabe ore. However, this alternative was replaced by a CIL plant, because of the environmental risk created by a heap leach operating in a very wet tropical climate and because of the high capital cost of heap leach pads in the mountainous topography at Martabe. BDA considers the change to conventional CIL processing to be prudent and appropriate.

10.2 Process Development Testwork

Process testwork has taken place in seven phases, the first five phases being carried out from 2002 to 2004 at Newmont Technical Services in Englewood, USA. Phase 6 testwork was mostly carried out at Independent Metallurgical Laboratories (“IML”) in Perth, with cyanide detoxification and thickening tests carried out by Ammtec and Outotec in their Perth laboratories. A further phase of testwork, yet to be fully reported, has been carried out on a wide range of samples at Ammtec’s Metcon laboratory in Sydney.

Testwork Phases 1 to 5

Phases 1 to 3 included progressively more detailed testwork which allowed the preliminary definition of a conventional CIL circuit and from which relationships for the prediction of gold and silver recovery were derived. Phase 4 was carried out to investigate the leaching characteristics of the Ramba Joring deposit, to improve the definition of comminution design parameters, and to verify the recovery predictions from Phases 1 to 4. However, gold recoveries were up to 10% lower than predicted from the earlier work and Newmont concluded that handling methods had compromised the samples; it was postulated that high pressure water washing of the samples had caused gold to be lost. Phase 5 was carried out to replace the Phase 4 work.

Phase 6 Testwork

RSG Global, now a division of Coffey Mining, was engaged to select samples for the Phase 6 metallurgical testwork. Elemental analyses of the Pit 1 master composites tested in Phase 6 and in the 2008 Ammtec Metcon testwork are shown in Table 10.1.

The Phase 6 samples were selected on the basis of the modelled mineralogical domains and the degree of alteration. The master composites selected represent high and low alteration states of both advanced argillic- and silica-altered lithologies.

The Phase 6 testwork, carried out in 2006 and 2007, investigated a wide range of process variables, including grind size and cyanide optimisation, testing of gravity and flotation processes, and the use of leach accelerants such as lead nitrate. The elevated mercury and cyanide-soluble copper assays evident in Table 10.1 had not been noted in previous testwork, and were sufficiently high to require consideration of changes to the process. Organic carbon level was quite low and no preg-robbing effects were evident in the testwork.

**Table 10.1
Pit 1 Master Composite Chemical Analyses
– Phase 6 and Ammtec Metcon Testwork**

Element	Unit	Phase 6 IML Testwork				2008 Ammtec Metcon Testwork					
		AAH	AAL	SAH	SAL	SBPM-AA-MC	SBPM-SI-MC	VAN-AA-MC	VAN-SI-MC	VBX-AA-MC	VBX-SI-MC
Au	ppm	2.31	3.04	2.23	2.57	2.56	2.44	1.72	1.74	1.28	2.22
Ag	ppm	15.5	24.9	42.0	39.6	21	61	27	27	15	27
As	ppm	476	580	258	486	325	293	523	389	541	638
Bi	ppm	6.2	39.6	4.9	32.9	12	41	6	77	15	72
Cd	ppm	0.4	0.8	0	1.9	<0.5	0.6	0.8	22	5.1	9.6
Co	ppm	2.5	9.3	2.6	5.2	2	3	5	4	7	3
Cu	ppm	143	535	92.4	702	67	158	140	123	133	176
CN sol Cu	ppm	40	330	34	440	23	132	72	82	67	102
Hg	ppm	1.0	0.6	1.4	1.2	1.5	1.01	0.79	0.82	0.45	0.52
Mn	ppm	88	96	26	25	<0.01	<0.01	<0.01	0.01	0.01	0.01
Ni	ppm	5	22	9	10	7	7	5	6	22	14
Pb	ppm	341	334	152	311	365	321	461	369	864	628
Total S	%	0.93	3.34	0.61	2.41	0.55	1.02	1.25	1.47	2.42	1.68
Sulphide S	%	0.48	3.14	0.28	2.03	0.36	0.71	0.50	0.93	1.66	1.13
Sb	ppm	64.1	90.1	134	147	89	90	90	99	55	91
Se	ppm	14.2	13	10.8	12	na	na	na	na	na	na
Te	ppm	25	59	31	32	na	na	na	na	na	na
Total Org C	%	0.0493	0.0174	0.1148	0.0373	<0.03	0.04	<0.03	<0.03	0.04	0.03
CO ₃ ⁼	%	<0.02	<0.02	<0.02	<0.02	na	na	na	na	na	na
U	ppm	1.54	1.12	1.21	0.83	na	na	na	na	na	na
Zn	ppm	40.5	44.6	5.5	132	9	56	57	180	772	866

Note: Codes for Phase 6 Testwork – AAH is advanced argillic high oxidation, AAL is advanced argillic low oxidation, SAH is silica altered high oxidation, SAL is silica altered low oxidation; Codes for the 2008 Ammtec Metcon Testwork relate to the reclassification of lithology carried out during Phase 6 as described in the Geology and Resource Sections 6 and 8 – SBPM is silicified phreatomagmatic breccias, VAN is porphyritic andesite, VBX is volcanic breccias, AA is advanced argillite alteration; SI is silica alteration, MC is master composite.

The abrasion index data in Table 10.2 indicates that the ores are very abrasive. The rod and ball mill work indices and the JKMRc data indicate that the material is generally very competent.

**Table 10.2
Comminution Design Parameters**

Composite	Comminution Parameter			A x b
	Ai (g)	RMWi (kWh/t)	BMWi (kWh/t)	
Silica Breccia				
– Argillic Alteration	0.85	18.75	16.77	42.6
Silica Breccia				
– Silica Alteration	0.74	19.86	21.48	37.0
Volcanic Breccia				
– Argillic Alteration	0.82	20.81	18.80	38.6
Volcanic Breccia				
– Silica Alteration	0.86	18.10	22.94	35.4
Andesite				
– Argillic Alteration	1.25	20.31	19.14	50.6
Andesite				
– Silica Alteration	0.87	19.64	18.88	45.3
Fault Zone	0.70	18.01	20.44	38.3

Note: ore types are those logged during testwork Phases 3, 4 and 5; values are 85th percentile design data from testwork carried out in Phase 4; Ai is abrasion index, RMWi is rod mill work index, BMWi is ball mill work index, A x b is the JKMRc comminution design parameter

Gravity testwork produced poor results, with low gold recoveries to concentrate being obtained in tests over a wide range of mass recovery to concentrate. There was no indication that gravity concentration is justifiable in the Martabe flowsheet.

Flotation testwork was carried out to determine whether precious metal recovery to concentrate was high enough for the flotation tailings to be classified as a final tailing. Only about 50-70% of the gold and up to 75% of the silver could be recovered to concentrate and further leaching testwork on the flotation products indicated that the improvement in recovery generated by separate treatment of the concentrate and tailing was relatively small. On an

SAL sample regrinding of the flotation concentrate increased the extractable gold in the concentrate from 61% to 70%; extraction of gold from the flotation tailing was limited to 70%. The conclusions were that a significant proportion of the gold in the ore is associated with the non-sulphide minerals and that the gold associated with both the sulphides and the non-sulphides is overall quite fine. The selection of a whole-of-ore leaching process in these circumstances was reasonable since the benefits of fine grinding of the concentrate were marginal.

Grind optimisation testwork was carried out on the four master composites at grinds ranging from 80% passing (“P₈₀”) 75-212 microns (“µm”). Intermet’s analysis indicated that coarser grinds tended to produce the best economics. Additional leaching testwork was carried out to evaluate the effect of lead nitrate and oxygen on leaching rates. Neither appeared to produce improved gold extraction; gold leaching rate is initially fast and whilst both techniques produced faster initial leaching, overall gold recovery in 24 hours residence time was not improved. Silver recovery was, however, improved by higher cyanide tenor and replacement of sparged air by oxygen.

Due to the elevated mercury levels in all of the master composites, an assessment was made of the degree to which the mercury in the SAH composite solubilised in the leaching process. Results indicated that 14% of the mercury transferred to either solution or onto carbon. Intermet recommended that no further testwork be undertaken but that the issue should be reconsidered during detailed design. BDA considers that the relatively low capital cost of provision of gas extraction and scrubbing systems in sensitive areas in the gold room is justifiable.

Ammtec Metcon Testwork

The Ammtec Metcon testwork was initiated when re-examination of the earlier work indicated that a more thorough geo-metallurgical approach to sample selection would be likely to provide improved models for gold and silver from the range of ore types in the deposit. Six master composites were selected representing the three major lithologies and the two alteration types (silica and advanced argillite). Five further composites were selected representing minor ore types. The selected intercepts were sub-divided into three or four different sulphide sulphur levels and these, in turn, were further divided into two or three different gold grade composites. In total, six master composites, 35 sulphide sulphur composites, 62 gold grade composites and three high grade composites were selected.

The testwork is complete and the reports are currently being compiled. Preliminary assessment indicates that:

- the design grind size of P_{80} 150 μ m and the 20 hour leach residence time have both been confirmed, but space for additional leach tankage would be recommended
- strong correlation exists between sulphide sulphur and gold extraction for all ore types and use of sulphide sulphur for gold recovery modelling will mean that delineation of oxidation zones becomes unnecessary
- lower gold extractions are indicated from silica alteration samples than in previous work
- silver extraction depends on sulphide sulphur and silver head grade and is much higher than previously determined; it appears that some silver precipitation occurred after leaching in previous work and the presence of carbon in the leach in this phase of testwork minimised these losses
- gravity separation did not improve gold recovery; very high grade (+50g/t Au) composites were tested but gravity gold recovery was low.

The Ammtec Metcon testwork has increased the level of confidence in the leaching design parameters and provided algorithms for use in prediction of metal recoveries.

10.3 Plant Design

The plant design was reviewed when Ausenco was engaged as EPCM contractor. The most significant modifications made were:

- increase of 0.5m in the length of the ball mill to 9.51m to provide more confidence that design throughput can be maintained with all ore types
- inclusion of a mercury recovery retort in the gold room and provision of gas extraction over the regeneration kiln, the electrowinning cells and the furnace to minimise atmospheric mercury levels
- provision of an emergency feeder at the crushed ore stockpile to reduce the risk of feed interruptions to the grinding circuit due to stockpile reclaim blockages by wet ore
- modification of the water treatment system to enable acid rock drainage from the planned low grade stockpile to be controlled without impact on plant performance.

The proposed plant for the Martabe project now incorporates the following operations:

- a single stage crushing plant using a 2,000mm x 1,500mm single toggle jaw crusher fed from a run-of-mine (“ROM”) bin via a variable speed apron feeder and a 150mm aperture vibrating grizzly
- a 6,500t live capacity crushed ore stockpile from which ore will be reclaimed with two variable speed apron feeders and an emergency feeder arrangement
- a grinding circuit comprising a 6.5MW 8.5m diameter x 4.95m long SAG mill, and a 6.5MW 6.1m diameter x 9.51m long ball mill; the SAG mill will operate in closed circuit with two cone crushers, the SAG mill discharge being sized on a vibrating screen; the ball mill will operate in closed circuit with eleven 500mm diameter cyclones which will produce overflow containing solids ground to a P_{80} of 150 μ m
- a leaching circuit comprising three leach tanks and seven adsorption tanks, each of approximately 1,250m³ volume; trash and carbon safety screens preceding and following leaching will be 3m wide by 6m long vibrating units; high carbon inventories will be maintained in the adsorption circuit due to the high precious metals content of the ore
- a desorption circuit comprising two 14t capacity columns; each column will be used for acid washing and, when required, for a cold cyanide wash to remove copper from the carbon, prior to elution of precious metals from the carbon
- an eluate circuit in which the pregnant eluate will be pumped through ten electrowinning cells to produce a precious metals sludge which will be discharged at the end of each elution cycle to a holding tank, from where it will be pumped to a plate-and-frame filter for recovery as a filter cake which will be dried and smelted; carbon will be re-activated in a horizontal regeneration kiln
- a cyanide detoxification circuit in which safety screen undersize will be fed to two 922m³ tanks in series for reaction with sodium metabisulphite, lime and copper solubilised from the ore to reduce weak acid dissociable cyanide (“CN_{WAD}”) level from 150 milligrams/litre (“mg/L”) to less than 50mg/L
- a 33m diameter thickener designed to produce a 65% solids underflow for discharge to the TSF.

The detoxification circuit will precede the thickener to maximise the TSF feed density and to reduce the recirculation of soluble base metals to the front end of the processing plant via the thickener overflow.

The high abrasion index measured on all samples tested has prompted a primary crushing plant design which ensures good access to the crusher for liner replacement.

CIL circuit residence time has been designed at 20 hours. Whilst most testwork used 24-hours residence time and analysis of the testwork programme assessed metal recovery in 24 hours, the fast initial leaching rates indicate that reduction of the residence time will not cause a significant reduction in metal recovery. The reduction in residence time probably also reduces copper adsorption onto the carbon to some degree.

The mine schedule predicts that copper levels in the ore will increase late in the third operating year and, as noted above, provision has been made for selective elution of copper from loaded carbon.

Conclusions

The testwork carried out on Martabe ore has been thorough and has demonstrated that moderate gold and silver recoveries can be obtained. The most recent testwork programme, carried out in 2008, has increased confidence in the projected gold recovery and significantly increased the silver recovery. The ore is relatively siliceous and is competent and highly abrasive. PTAR has opted for a CIL route for processing the ore and a 4.5Mtpa plant has been designed. BDA considers that the design is appropriate for a gold ore with a high silver content which also contains sufficient cyanide-soluble copper to potentially affect CIL plant performance.

11.0 INFRASTRUCTURE

11.1 Site Access

The project area lies approximately 3km north of the township of Batangtoru, adjacent to the Trans-Sumatra Highway. The Trans-Sumatra Highway joins the regional centre of Padangsidempuan, 25km to the south with the port of Sibolga, 40km to the north (see Figure 1) and continues to Medan, the provincial capital, 200km to the north.

Medan is serviced by regular commercial flights from Jakarta, Singapore and Kuala Lumpur. A commercial air service is available to the sealed airstrip south of Sibolga, one hour by road from the site, and a limited service is also available from Medan to Aek Godang, two hours by road from the site.

The road journey from Medan takes approximately eight hours by car. The road is generally a two-lane sealed rural highway and includes significant winding sections through mountainous terrain. Some sections of the road have minor to significant potholing; a number of structural steel truss bridges, with tie beams and consequential limited headroom and load-bearing capacity, provide river crossings. Sections of the road pass through regional towns and villages close to residential dwellings. The road is relatively heavily trafficked, particularly in and around the regional towns and villages. A logistical survey will be required to establish the optimum route and maximum load height, width and weight for transport of plant and equipment to site.

The port at Sibolga has limited wharf facilities. It is suitable only for general freight and not for large heavy items for the construction phase or high volumes of reagents and consumables for the operations phase.

PTAR has had a design prepared for the construction of a jetty on the coast to the west of Martabe to facilitate the transport of equipment and supplies to site. It is proposed to undertake the construction early in the project implementation phase at a location 16km south of Sibolga to provide reliable access to the project for the delivery of construction materials during the construction phase and reagents and consumables in the commissioning and operations phases. PTAR suggests that the overall transport logistics including port and jetty infrastructure should be reviewed on recommencement of the project.

11.2 Power Supply

The DFS proposal for supplying power to the project involved construction of a 33MW heavy fuel oil fired power station at the site.

It is now proposed to use power from the grid supply, and it has been determined that a sufficiently reliable supply can be assured. This entails the design and construction of a 150 kilovolt (“kV”) overhead power line and a high voltage switchyard/substation plus diesel-powered generation facilities at site to provide emergency back-up.

Site power reticulation will be at 11kV to the plant substations where it will be transformed as required to power the motor control centres and distribution boards.

11.3 Water Supply

The project site is in an area of high, consistent rainfall. Ample water is available from streams and watercourses at the site to provide a reliable water supply.

Raw water for use at the plant site for fire water, gland water and use in the elution circuit and the potable water treatment plant is proposed to be supplied from a catchment dam to be constructed adjacent to the plant site. Process water will be provided from tailings thickener overflow and from tailings dam decant. Potable water for the plant site and the accommodation village will be provided from a treatment plant fed with raw water and subjected to filtration and UV sterilisation.

The Aek Pahu creek which flows through the Martabe valley and currently provides water for the local villages is to be dammed and the valley will be used for the TSF; an alternative potable water supply for Batangtoru and surrounding villages is to be provided initially from a borefield to be installed to the west of the mine site and in the long term by a pipeline to be constructed from an upstream project water supply dam to the existing town water supply aqueduct.

11.4 Workforce Accommodation

The workforce for steady state operations has been estimated in the DFS at around 600. The design of the site accommodation is based on the majority of the workforce being drawn from the local population and accommodated in villages in the area surrounding the project site. Allowance has been made in the site layout and the capital and operating cost estimates for a village for 200 persons to be constructed, operated and maintained. The workforce is proposed to be accommodated on a single status basis. No married or family quarters are included in the design.

The site accommodation facilities will include a mess, recreational facilities, games rooms, wet mess, laundry and drying rooms, etc. and will be equipped with a package sewage treatment plant. It is proposed that a contractor will construct and operate the site accommodation facilities.

11.5 Communications

It is proposed to update the current satellite telephone system for voice and data transmission. No details are provided in the DFS other than a comment that the proposed system will be similar to those at other similar Oxiana operations.

A VHF radio network is to be installed for communications at the site between departments and for emergency communications. Light vehicles and selected mobile equipment will be fitted with radio sets and selected personnel will be issued with hand-held radios. The mining contractor will be required to install a radio system compatible with the PTAR system.

11.6 Site Roads and Drainage

The major site road will be a ring road to access the mine area without traversing the plant area. The pioneer road constructed to allow access for earthmoving equipment to the process plant and mine areas during the period leading up to the suspension of construction will require upgrading for the longer term construction effort.

Site run-off water will be diverted to the TSF through an existing watercourse augmented with storm water channels and culverts where necessary.

11.7 Site Buildings

Administration, mining and process plant offices are to be constructed adjacent to the process plant. The existing administration and exploration offices at the exploration camp will be retained for use in the ongoing exploration programme and to accommodate security and community relations personnel.

Offices will generally be block-work construction, reinforced to meet appropriate seismic specifications. Workshops, warehouses and similar buildings are to be of steel portal construction with steel cladding and concrete floors.

Buildings to be provided include the following:

- administration building
- medical centre
- assay laboratory including metallurgical and environmental testing facilities and sample preparation area
- security gate houses
- training building
- ablutions buildings and change rooms with treated effluent being piped to the TSF
- plant control room
- plant workshop
- main plant offices
- reagent and flocculant store
- lime warehouse at the jetty
- a customs house at the jetty
- substation buildings equipped with fire detection and air conditioning systems.

11.8 Mobile Equipment and Light Vehicles

Mobile equipment to be provided for the process plant includes:

- two loaders
- a 100t mobile crane
- a 12t mobile crane
- three 2t forklifts
- a sea container forklift
- a tool carrier.

Light vehicles will be provided for managerial and supervisory staff.

Conclusions

The proposed infrastructure is generally adequate and appropriate to support the operation.

12.0 ENVIRONMENTAL PERMITTING AND TIMETABLE

BDA has not undertaken legal due diligence on the status of the COW or project approvals held by PTAR. The following notes are based on information provided by PTAR and represent a summary of the regulatory framework, status of permits and approvals, and outstanding project approvals required for development to proceed.

12.1 Indonesian Environmental Standards

Numerous Indonesian laws and regulations apply to the permitting of the Martabe project. PTAR has committed to comply with Indonesian standards for air, water, and ecological resources as set out in the AMDAL terms of reference and to meet, or where practicable, exceed, international standards and guidelines. Site-specific ecological and social risk assessments have been conducted as part of the formal impact assessment and permitting process. The results of these risk assessments will be incorporated into the project's design, operating plan, and management strategies. Closure and reclamation plans will be developed in conjunction with detailed design and engineering. Conceptual mine closure plans form part of the DFS.

12.2 Regulatory Framework and Environmental Permitting Requirements

Indonesian laws and regulations stipulate environmental standards and govern the preparation, submittal and approval of environmental impact assessments. Compliance with environmental laws and standards and the AMDAL environmental permitting process is generally administered by the National Agency for Environmental Impact Analysis. Other pertinent decrees are administered by the Minister of Mines and Energy. A detailed and systematic impact analysis and public consultation programme consistent with Indonesian law has been performed by the Indonesian consulting firm PT ERM as part of the formal permitting AMDAL (EIS) process.

12.3 Other Environmental Legal Requirements

Forestry Law (No 41/1999) prohibits mining activity in protected forests. Although a small area on the periphery of the Martabe COW is within the Protected Forest boundary, all known potential deposits and proposed mine infrastructure are outside the area designated as Protected Forest. The Forestry Law does not prohibit any proposed activity under the present project description. Article 26 (Environmental Management and Protection) of the COW contains some general provisions for compliance with applicable environmental laws and regulations, conducting an environmental impact assessment and government reporting requirements.

12.4 Jetty Facility at Muara Nibung

Following consultation with the national Government, Department of Mines and Energy, provincial and district governments, and the AMDAL committee, it was decided that PTAR's proposed development of jetty facilities at Muara Nibung to the west of the project area would not need to be included in the AMDAL assessment. Muara Nibung lies outside South Tapanuli and the COW area. The proposed jetty length is less than 300m and therefore does not constitute a facility which requires an AMDAL. An Environmental Management and Monitoring Plan ("UPL" and "UKL") will be required for the jetty facility.

12.5 Construction Permit

PTAR received its Construction Permit for the Martabe project in April 2008, issued by the Department of Energy and Mineral Resources on behalf of the Government of the Republic of Indonesia. This permit is the final step in the approval process and allows construction of the Martabe project to commence, subject to satisfactory completion of the detailed design submissions. Construction commenced in the second half of 2008, but was suspended in November 2008. A resumption of activities is planned once the ownership arrangements are finalised and new EPCM contracts awarded.

Conclusions

A detailed and systematic environmental and social impact analysis and public consultation programme consistent with relevant Indonesian law has been prepared by ERM as part of the formal permitting AMDAL (EIS) process. BDA concurs with the approach being taken and the various environmental and social study programmes which support the AMDAL process. BDA notes that URS has undertaken a Social and Environmental GAP Analysis to consider environmental and social issues in relation to corporate standards and commitments. BDA has not undertaken a comparative analysis of Indonesian standards with the Equator Principles and associated IFC Performance Standards to confirm conformance with the Principles and IFC Standards and Guidelines.

13.0 ENVIRONMENTAL AND COMMUNITY ISSUES

BDA has reviewed those environmental aspects and social/community issues which are considered a material part of the project and which may have significant implications for project feasibility, costs and timing. The issues discussed below cover the main environmental and social risk areas identified from BDA's review of the DFS and subsequent documentation and a site visit to the Martabe project area.

13.1 Biophysical Setting

The Martabe project area is located some 3km north of the township of Batangtoru and adjoining villages (population 12,000). The nearest major town is Padangsidempuan (population 200,000), 25km to the south.

The topography of the project area is rugged, with steep-sided ridges and boulder/talus slopes. Elevations vary from 100-700m above sea level. The terrain is covered with primary rain forest except in areas where the original vegetation has been replaced by subsistence farming, plantations and secondary growth. The known orebodies comprise steep outcrops within the hilly terrain. The project area lies at the southern end of a relatively large core of forest and wildlife reserve, bounded by roads and encroaching populated areas.

Two streams, the Aek Pahu and Aek Batujomba, drain the mineralised zones and are important drainages for the local Batangtoru population as they provide water for washing and irrigation purposes. Some natural springs and headwater impoundments have been used for drinking water for generations. Many of the households in the Batangtoru area use water from a pipeline installed by the state-owned rubber plantation company. This pipeline taps water from Aek Pahu. Management of community water supplies is a critical element in gaining project approval and community acceptance of the project.

13.2 Climate and Rainfall Catchments

The project site is located close to the equator and has a tropical climate. There is high rainfall from October to December, but rain falls throughout the year as the area is affected by both the northern and southern monsoons. The average annual precipitation recorded at nearby Pinangsori airfield is approximately 4,190mm. No evaporation data is available, however, an annual evaporation of 1,800mm is assumed for the region. A weather station has been in operation at the project site since 1999.

There are two main catchment areas within the vicinity of the project. The Aek Pahu catchment area covers approximately 5km² of the likely extent of the disturbed project area. The catchment area is flanked to the west by the Pit 1 and Ramba Joring orebodies and to the east by the Barani orebody (Figure 2). The Aek Pahu creek flows south for 5km from the watershed and then changes direction, flowing west past the Batangtoru settlement areas.

The Aek Batujomba Creek catchment area is flanked to the east by the Pit 1 and Ramba Joring orebodies. The Aek Batujomba creek flows south-southeast from the top of the catchment and bypasses the northern extent of the Batangtoru settlement areas.

13.3 Seismicity

Seismicity evaluations for the Martabe project are particularly important given that the project lies in a seismically active area. The feasibility study identified the need for a detailed seismic assessment of design structures because of the high seismic activity. A number of seismicity assessments have been performed over recent years, by KP in 2002 and 2003, Golder in 2004 and most recently by GHD in 2008. The Global Seismic Hazard map shows the Martabe project area in a high seismic activity zone, around 3.2-4.1 metres per second squared (“m/s²”) or 0.32-0.34g PGA (note: $g = 9.8\text{m/s}^2$).

The GHD 2007 geotechnics study concluded that “it seems unlikely that any additional studies would result in a significant increase in the Peak Ground Acceleration value above 0.8-0.9g for the Maximum Credible Earthquake (“MCE”), nor is it likely that accuracy would be improved.” The MCE is the largest conceivable earthquake that will potentially occur in the vicinity of Martabe. GHD has recommended that consideration could be given to conducting sensitivity analysis and designing for a range of seismic conditions including those at the upper end of the PGA estimations. GHD has also suggested a number of design precautions that could be considered for large embankments such as the TSF.

The Golder seismic assessment concluded that the Operating Base Earthquake (“OBE”) for the Martabe project was an event with a 475-year return period, alternatively expressed as an event with a 10% probability of exceedance in 50 years. Golder’s recommendations for the OBE and MCE, assuming the site to be 10km from

the Sumatra Fault are: MCE – a magnitude 8.5 earthquake with a PGA of 0.8-0.9g, and OBE – a magnitude 6.5 earthquake with a PGA of 0.45g. GHD (2007) recommended a detailed seismic investigation and sensitivity analyses of the site to evaluate variability in OBE and MCE acceleration coefficients. GHD (December 2008) used the following peak ground acceleration coefficients in their stability analysis of the various embankments: OBE: 0.53g and MCE: 0.66g.

13.4 Status of Environmental Studies

Baseline Studies

Normandy initiated baseline investigations at Martabe in 1998 to begin characterising climatic conditions, surface water and groundwater resources, and terrestrial and aquatic ecology. In 2000 and 2001, PT Horas Nauli commissioned PT Dames and Moore (now URS Corporation) to complete a series of studies examining the environmental and socio-economic setting of the project. PTAR has since expanded the baseline data collection programme based on recommendations presented in a 2002 data gap analysis conducted by Lorax Environmental Services Limited.

Baseline environmental studies completed included detailed terrestrial and aquatic ecology surveys for site environmental planning purposes and provide information used in compiling the Environmental Impact Statement (*Analise Dampak Lingkungan* or AMDAL). In addition, a meteorological data collection programme was established in 2000, with the installation of a full meteorological station near the town of Batangtoru (near the Batangtoru helipad) and a separate rainfall monitoring station at a higher elevation at Martabe.

In November 2007 PTAR commissioned URS to undertake a gap analysis of environmental baseline data, incorporating the AMDAL terms of reference. This work involved the review of all known environmental baseline data, and production of a report detailing its quality and completeness. The review also involved preparation of a work programme to collect supplementary environmental baseline data as part of the AMDAL process before commencing construction.

As part of the environmental investigations undertaken to date, potential project impacts to physical and biological resources have been assessed to identify key environmental risks that may arise from the construction, operation and eventual closure of the Martabe project. Formal assessment, documentation and communication of potential project-related impacts, including the anticipated scope, magnitude, extent and duration, have been completed in conjunction with the AMDAL permitting process.

Air Quality and Noise

Background air quality and noise were measured in and around the Martabe project area by PT Hatfindo Prima, a Canadian-Indonesian environmental consultancy based in Bogor, West Java, in two monitoring programmes in 2004. In general, ambient air quality and noise levels in areas sampled in the project area are within Government of Indonesia ambient standards.

Surface Hydrology

Surface water hydrology baseline evaluations have been conducted in the Martabe area since September 2000. The principal river close to the Martabe project is the Batangtoru River (Figure 2), which originates close to Lake Toba, and flows approximately 150km to the south to discharge to the Indian Ocean southwest of the Martabe project. The river passes within 4km of the Pit 1 deposit, flowing from northeast to southwest, and attains a width of approximately 200m.

The main catchment in the project area is the Aek Pahu. The two subcatchments likely to be impacted by the project are the Aek Pahu Hutamosu (east of Pit 1) and the Aek Pahu Tomlak (west of Pit 1). Stream height and discharge monitoring has been conducted at five hydrological monitoring stations in the project area.

Surface water quality baseline evaluations in the Martabe project area began in 1998. The baseline programme was expanded from six monitoring stations to 23 stations in 2003. In general, surface water in the project area can be characterised as soft, with low ionic strength, neutral to acidic pH, and exhibiting generally low concentrations of trace metals. Localised zones of lower pH were observed in the headwaters of the mineralised zone in the Pit 1 area.

Geochemical Characterisation Studies

Baseline geochemical characterisation studies have been conducted to determine the potential acid generating nature and leaching behaviour of ore and waste units that would be exposed during mining of the Pit 1 and potentially Ramba Joring deposits. Based on the core sample geochemical analyses performed, silver, arsenic, cadmium, copper, molybdenum, and antimony concentrations are all found to be elevated in the rocks at Martabe. Manganese and zinc concentrations are also elevated in the dacite and clay breccia rock types, respectively. Field column testing to date supports Net Carbonate Value ("NCV") classifications indicating that the majority of Martabe waste rock and ore rock types are likely to be acid forming when exposed to air and water. Metals present in significant concentrations in leachate from the test columns include aluminium, arsenic, cadmium, cobalt, copper, iron, manganese, nickel, and zinc. Because the potential for ARD generation is not specific to individual lithologies, it will be difficult to isolate potential acid generators by selectively handling waste rock or other material.

Flora and Fauna

Terrestrial flora and fauna surveys were undertaken in 2003 and 2004 by PT Hatfindo Prima, with additional scientific technical assistance provided by several national and international research organisations. Field surveys were implemented in the dry and wet seasons and included collection of biological and ecological data through an inventory of major taxonomic groups comprising plants, birds, mammals, reptiles/amphibians, and insects (butterflies and moths). Specific components were incorporated targeting threatened species known or expected to be present in the area, including Sumatran orang-utan, Sumatran tiger and serow (a small bovid). The proposed mining development is expected to have an impact on the local terrestrial flora and fauna communities, however, the project area is located in an unprotected forest, where pressures from logging and general encroachment of villages have already had a significant impact on species density and diversity.

Freshwater Ecosystems

A baseline freshwater ecosystem assessment of project area streams was undertaken between 2003 and 2004, with the objective of conducting an examination of the freshwater fauna and flora of streams in the project area and reference areas, focusing on fish and macro-crustaceans, macrophytes, macro-invertebrates and stream habitat composition and quality. Eighteen sampling sites were selected. At each site, qualitative freshwater ecological conditions were measured, including diversity, abundance, biomass, overall stream condition and metal concentrations in select organisms.

13.5 Tailings Storage Facility

Given the location of the project in a seismically active area, and being upstream of nearby communities, the proposed Tailings Storage Facility location and design is a particularly important component of the project.

GHD was appointed by PTAR to carry out a preliminary TSF design for the Martabe DFS in 2004 and a TSF feasibility design in 2006/2007. Subsequent to the 2006/2007 feasibility design, GHD completed the TSF detailed design in December 2008. This design includes geotechnical investigations carried out to-date, the design of the TSF, the design of stormwater interception and diversion structures (Water Dams 1 and 2), and design of sediment containment ponds (SP1 and SP2) located downstream of the TSF. This detailed design by GHD was submitted to the government in February 2009 for assessment and approval.

The site proposed for the TSF is located in the Aek Pahu valley approximately 2km to the east of, and at a lower elevation than, the proposed Pit 1 open pit (Figure 2). It is proposed to construct the TSF mainly with waste material (approximately 10Mt) from the Pit 1 open pit. During start-up, borrow materials will be used to construct coffer dams and the starter embankment for the TSF. In order to divert surface run-off around the TSF, two water diversion dams are proposed upstream of the TSF. Two settling ponds are located downstream of the TSF to intercept contaminated run-off and seepage from the TSF. A water treatment plant (“WTP”) located near the settling ponds is proposed to treat any contaminated water prior to its discharge into the Aek Pahu valley. GHD has recommended that the capacity of the WTP should be set at 1,000m³/hr in the base case model where all water flows report to the TSF.

It is proposed that tailings from the plant CIL circuit will be pumped to a detoxification circuit in which the cyanide is destroyed using sodium metabisulphite, lime and copper, solubilised from the ore, to reduce the CN_{WAD} level from 150mg/L to less than 50mg/L. The detoxified tailings will be thickened in a high rate thickener and then directed to the TSF. Water from the TSF is collected in a decant system for return to the process plant as process water.

Water Dam 1 is located upstream of the TSF in the Aek Pahu valley. The purpose of the dam is to reduce the TSF catchment, intercept run-off and divert the clean water into the adjacent catchment to the east of the TSF. Clean water from Dam 1 will be piped to the town’s aquaduct. Clean run-off water from the upper portion of the tailings catchment will be intercepted and diverted, rather than allowing it to enter the TSF and add to the overall water balance and water treatment requirements. It is important to ensure stable foundation conditions for this facility, as failure of the upstream dam could have serious consequences on the TSF downstream.

Water Dam 2 is located to the northwest of the TSF, between the process plant site and the TSF and is also located to intercept and divert surface run-off around the TSF. Due to its location, it also serves as a source of process water for the plant and potable water for the township via a pipeline to the aquaduct.

Two settling dams (SD1 and SD2) are located downstream of the TSF in the Aek Pahu valley. These ponds will intercept contaminated run-off from the downstream slope of the TSF and seepage from the TSF. The solids in suspension will settle out and the supernatant will be returned to the TSF or pumped to the WTP before being released to the environment. At this stage of project design, there is limited detail on the actual process to be employed in the WTP to treat excess water before release via a pipeline into the Batangtoro River. BDA considers it prudent that given the Martabe geochemical characterisation study results to date, that a suitable metals and trace ion removal process such as using ferric chloride, lime and flocculants be employed, rather than simply mixing with clean water to meet discharge limits; blending of contaminated water with ambient quality water to meet statutory limits is not considered best practice.

Given the large amount of potentially acid forming (“PAF”) material which is utilised to construct the TSF embankment, and the PAF tailings, there is a strong possibility that the Water Treatment Plant will need to be retained for an unspecified time following mine closure to handle potential acid rock drainage from the TSF embankment and tailings.

The process plant is located between the Pit 1 open pit and the TSF. The plant, ROM pad and associated infrastructure are upstream of the TSF and any seepage and contamination from the plant area should, therefore, end up in the TSF.

With regard to seismicity of the area, Golder completed a deterministic and probabilistic site-specific seismic assessment of the site as part of its study in 2004. The study included the effect of the earthquake that resulted in the catastrophic tsunami at Aceh on 26 December 2004. Peak Ground Acceleration coefficients for the OBE and MCE, based on the Golder studies, are listed below:

- OBE (magnitude 6.5 earthquake) – PGA of 0.53g
- MCE (magnitude 8.5 earthquake) – PGA of 0.66g.

During the detailed design phase, GHD (2008) undertook a further assessment of the peak ground acceleration coefficients of the study area and estimated a PGA of 0.50g for the OBE and a PGA of 0.59g for the MCE. Although these results are lower than those earlier defined by Golder, GHD decided to use the higher PGA values, which might be considered conservative, in the design of the TSF and infrastructure.

The OBE is generally used to assess embankment stability during operation of the facility, whereas the MCE is used to assess stability and crest settlement post-closure. These acceleration coefficients were used in the stability analyses completed as part of the DFS and detailed TSF design by GHD.

The waste rock model was used in the staged development of the TSF embankment. It is proposed to construct a starter embankment from local borrow materials, to provide storage for the first year of tailings deposition. During this period, mine waste will become available and the first stage of embankment raising will commence.

The starter embankment will be constructed from clay material, borrowed from the plant foundation excavations and/or clay material inside the basin. The starter embankment will be approximately 30m high with a 15m wide crest, 1:3 downstream slope and 1:2.5 upstream slope. Foundation preparation will include removal of the soft and loose material in the footprint. A sub-vertical filter drain along the centre line is recommended to ensure that seepage through the upstream slope is intercepted and discharged without pressure build-up along the downstream slope. Future raises will be constructed mainly from mine waste using downstream construction methods.

From the waste model it is clear that the majority of waste produced up to Year 3 comprises PAF material. From Year 3 onwards, large quantities of clayey material will become available according to the waste model. The main TSF embankment is designed to accommodate the waste as it becomes available. Due to the waste sequencing, the bulk of the embankment in the first three to four years will comprise PAF material. This material will be used along the upstream side of the embankment. When the clayey material becomes available, it will be used along the downstream slope. This is contradictory to conventional embankment design where the clayey material is usually used along the upstream side or along the centre and the stronger rock material used along the downstream slope for stability purposes. The advantage of having the clay along the downstream side is that it can be used to contain potential acid drainage, comprising the seepage generated from the PAF materials. The clay also has potential to generate acid, but it is considered that this risk is much reduced by compacting the material to reduce its permeability to air and water. In order to reduce seepage through the PAF upstream slope during operation and construction of the downstream raises, it is proposed to line the upstream slope of the TSF with a 5m wide clay layer.

The TSF forms the central water storage for the Martabe operation. It not only stores tailings, but also acts as a process water supply dam and containment facility that prevents the release of ARD. Due to the fact that previous studies related to the Martabe project did not have a TSF in the current location, a water balance for the specific site had not been previously developed. GHD has developed a new water balance for the TSF site, using available rainfall and hydrological data.

PTAR has indicated that the preferred closure criteria for the Martabe TSF will be a 'wet cover'. Tailings will be submerged to assist with the reduction of acid formation and the complete TSF surface will be covered by 1-2m of water.

PTAR engaged a third-party consultant to review the conceptual design of the TSF and associated infrastructure. Dr N Mattes, Senior Principal from URS Australia, reviewed the drawings and design concepts in June 2007. Dr Mattes concluded that the design was carried out in accordance with current good practice and that the proposed TSF was considered to be appropriate to the conditions revealed by the site investigations carried out to date. An additional independent third-party expert review was undertaken in January 2009 by DE Cooper & Associates Pty Ltd who reviewed GHD's detailed TSF design documentation. This review comments on those design assumptions which have yet to be demonstrated, including tailings in-situ density, chemical condition of the tailings in storage, rate of embankment construction, embankment crest width reduction if insufficient waste rock is not available for construction, and control of ARD from the downstream face of the TSF embankment.

The TSF embankments form the primary defence against failure and the completed stability assessments confirm that these structures will be stable under static loading. However, the factors of safety against slope failure under pseudo-static loading conditions fall below unity, indicating that the dam will deform under these conditions. Maximum crest deformations in the range of 0.5-4.0m are expected under the OBE and MCE loadings used for Martabe. The approach adopted in the GHD study has been to design a suitably robust embankment that can accommodate the anticipated ground movements and accelerations with tolerable deformations.

GHD has identified possible operational hazards and probable consequences of a TSF embankment failure and these are covered in some detail. The GHD study highlights that the consequences of a TSF tailings dam failure are likely to be significant. Accordingly, GHD's primary focus for the embankment design is to ensure that it is able to accommodate any likely ground movements resulting from a seismic event and that TSF freeboard is sufficient to prevent overtopping.

At closure, the elevation of the base of the Pit 1 pit, as currently designed, will be approximately 240mRL. The pit rim elevation will vary between approximately 420mRL and 460mRL at that stage. Due to the relatively high rainfall conditions at Martabe, the pit will fill with water and a pit lake will develop, once dewatering bores and pumping systems are decommissioned upon mine closure. To control water levels in the pit, it is proposed to excavate a spillway/outflow along the eastern perimeter, at the haul road entry point.

13.6 Social, Community and Land Issues

Social Setting

The Martabe project lies 2-3km north of the Batangtoru District (*Kecamatan Batangtoru*) centre of population which comprises four urban neighbourhood units (*Kelurahan*) of the town of Batangtoru and eight villages (*desa*) within the influence of the project. These population centres are on the north side of the Batangtoru River and straddle the main Padangsidempuan-Sibolga highway. The population of the four *Kelurahan* and eight *desa* totals about 12,500 persons, or nearly 30% of the total population of the *Kecamatan* of 45,000 people. The number of household units registered in the project area total about 2,500 with an average of five household members. The average population density in the area is 165 persons per square kilometre, ranging from around 45 persons to 430 persons per km² in the densest *Kelurahan* of Batangtoru. Approximately 34% of the population are under 15 years of age.

Planning for the social aspects associated with the Martabe project was initiated in 2000 and a solid baseline of social, economic, cultural and public health data has been collected. Baseline research has been undertaken by qualified Indonesian and international researchers. Land and ownership mapping has formed a major component of baseline social data collection.

PTAR has committed to understanding and addressing stakeholder concerns and the social, economic and cultural context within which it operates. PTAR commissioned ERM to prepare the AMDAL documentation, the Indonesian version of an Environmental Impact Assessment. The AMDAL process involved the preparation of terms of reference, local government and community consultation, environmental and social data gathering and impact analysis, and preparation of management and monitoring plans.

The main social, cultural and economic issues pertaining to the development of the Martabe project identified so far include:

- land acquisition
- resettlement and potential marginalisation of ethnic minorities
- interface of environmental impact issues, such as noise, dust disturbances, water and waste management
- public perception of risk and benefits, such as failure of the TSF
- employment, business and training opportunities.

To date the issues of most concern to the local communities appear to be:

- the ability of the Martabe project to protect water resources
- the creation of jobs or other business/economic opportunities
- the disturbances and effects of explosives handling and blasting close to populations.

To manage community perceptions and address concerns as the project moves forward, PTAR plans to develop a Community Relations and Development Investment Plan or CRDIP to provide a framework for strategic social investments. PTAR envisages that the CRDIP will provide a model for maximising positive impacts of the project and mitigating any potential adverse impacts to ultimately improve the quality of life of affected individuals, groups and communities. It specifically addresses those significant potential adverse impacts such as uncontrolled population growth with strategies to minimise in-migration to, and around, the mine site and COW, and for shielding the Batangtoru area from some of the negative aspects of development by promoting economic development activity outside of the environmentally sensitive areas.

The development of a public consultation and disclosure plan is a high priority gap that has been identified. PTAR will develop a communications and public consultation and disclosure plan in 2008 and this will be informed by key input from the public consultation meetings held as part of the AMDAL process.

Resettlement

A small number of people reside in the project footprint area, and these are due to be resettled by end June. PTAR embarked on a mapping, and planning exercise to identify people in the project area and prepare a resettlement action plan that addresses each impact or issue associated with the resettlement and defines specific mitigation strategies, including income restitution activities and targets, schedule and budget. This plan will be reviewed by a third party to ensure that leading practice standards are applied and adhered to.

Local Employment

It is estimated that the project will employ up to 1,600 people during construction with a workforce of approximately 700 people when in operation. It is anticipated that 70% of the workforce will be recruited from local communities and the majority of the balance from elsewhere in North Sumatra and Indonesia.

Conclusions

The main environmental risk of the project relates to the potential for offsite water contamination via site contaminated water run-off, acid rock drainage from the TSF, excess tailings decant or tailings seepage following an earthquake event and settlement of the TSF main embankment. The inclusion of two downstream environmental (settling) dams and water treatment plant will mitigate the risk of offsite water contamination during operations. Water treatment may be necessary for an unspecified time following mine closure to handle potential acid mine drainage from the TSF embankment.

PTAR appears to have been successful to date in its approach to dealing with the local community and land access issues. However, land ownership, community relations and local/regional political issues remain key risks to the Martabe project if not administered knowledgeably and sensitively. Local communities may become disenchanted from re-settlement issues, land compensation, employment, in-migration, disturbance from traffic or other social issues. To date however there appears to be a large measure of good will, and anticipation of the employment and other benefits which the proposed mine development will bring. To manage community perceptions and address concerns, the proposed CRDIP will provide a framework for strategic social investments. PTAR advises that the Central, Provincial and Local government and district authorities remain strongly supportive of the project.

14.0 PRODUCTION SCHEDULE

The production schedule adopted by BDA for this review is based on the financial model provided in the data room “OZ_Minerals_Martabe_Asset_Model_Data_Room_V5[1]”. A summary is shown in Table 14.1. In contrast to the DFS, which assumed mining at around 4.5Mtpa of ore (to match the milling schedule), the optimised schedule adopted in the financial model is based on mining the deposit from 2010 to 2016 at rates of up to 13.0Mtpa of ore and waste. Over the mine life the strip ratio is projected to be 0.7:1 (waste:ore). The plant is planned to operate from 2010 to 2018 at a rate of 4.5Mtpa, with head grade ranging from 2.3-2.5g/t Au from 2010 to 2014. From 2015 to 2018 the plant treats lower grade material which has been stockpiled in the earlier years and the head grade is projected to fall to around 1.0g/t Au. Silver grades are projected to vary in a similar manner, ranging from 25-33g/t Ag while the mine is operational, and dropping to 18g/t Ag when the plant is treating stockpiles.

**Table 14.1
Martabe Operation – Projected Production Schedule**

Item	Unit	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Ore Mined	Mt	7.1	6.1	7.0	7.5	6.0	2.1				35.7
Waste Mined	Mt	5.4	6.8	6.0	4.5	2.6	0.6				26.0
Material Mined	Mt	12.6	13.0	13.0	11.9	8.5	2.7				61.7
Ore Milled	Mt	3.1	4.5	4.5	4.5	4.5	4.5	4.5	4.5	1.1	35.7
Ore Grade	g/t Au	2.3	2.3	2.3	2.4	2.5	1.9	1.0	1.0	1.0	1.93
	g/t Ag	25.2	28.6	31.4	33.3	30.2	24.5	17.9	17.9	17.9	25.9
Au Recovery	%	80.1	76.3	72.6	73.7	75.2	70.1	77.7	76.0	76.0	74.9
Ag Recovery	%	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0	70.0
Au Production	kozs	187	253	245	260	272	188	116	112	28	1,661
Ag Production	kozs	1,769	2,893	3,175	3,368	3,055	2,480	1,818	1,808	444	20,810

Note: treatment of low grade stockpiles from 2015-2018

Gold and silver recoveries are consistent with testwork results, with gold in the range of 70-80% and a fixed level of 70% set for silver. Silver recovery models have not yet been finalised but, based on an inspection of the results from the recent Ammtec Metcon testwork, 70% silver recovery appears to be a reasonable assumption.

BDA notes that no allowance appears to have been made for ramp-up in metal recoveries in the initial stages of operation. BDA also recommends that an allowance for ramp-up in throughput following commissioning should be made. While the operation is not complex, BDA considers that it could take up to 12 months to achieve rated throughput and recovery performance as shown in Table 14.2.

**Table 14.2
Proposed Ramp-Up Schedule for Martabe Gold Process Plant.**

Parameter	Units	Month After Start of Commissioning of Plant						
		1	2	3	4-6	7-9	10-12	13
Feed Rate	% of Design	50	75	85	95	98	100	100
Operating Time	% of Plan	50	80	85	86	92	98	100
Throughput	% of Design/Plan	25	60	72	82	90	98	100
Au and Ag Recovery	% of Plan	80	85	87	93	95	98	100

Conclusions

Overall, BDA considers the nine year LOM plan represents a reasonable projection of likely performance. BDA notes that the accelerated mining schedule (compared to the DFS) involves the creation of significant ore stockpiles, as well as relatively high mining rates. While the Year 1 mining rate may be optimistic, the ore mining rate is well in excess of the milling rate and the main downside would be marginally lower ore grades than scheduled, fed to the mill. The processing ramp-up is considered optimistic and BDA suggests that it could take up to 12 months to reach design throughput and recoveries.

Gold and silver recovery estimates appear reasonable and take into account projected performance on altered and unaltered lithologies. Throughput is consistent with plant design parameters.

15.0 CAPITAL COSTS

15.1 Estimate Summaries

The LOM capital cost for the project was estimated by PTAR in the DFS at US\$309.9M. The estimate was subsequently updated by PTAR in November 2008 following a review carried out in conjunction with Ausenco, to US\$357.8M. At the time of the termination of the EPCM contracts in December 2008 the forecast cost at completion was US\$360.2M. This forecast is summarised in Table 15.1.

Table 15.1
December 2008 Forecast of Capital Expenditure

Item	Total Capital US\$M
Mining Capital Costs	10.3
Process Plant and Infrastructure Direct Costs	211.2
Contractor’s Indirect Costs	10.5
EPCM Costs	44.3
Other Owners Costs	66.4
Project Contingency	17.5
 Total	360.2

No allowance has been made for the following items:

- Value Added Tax (“VAT”), import duties or tariffs
- exchange rate fluctuations
- escalation should the project not proceed as per the Implementation Schedule.

PTAR advises that it has received advice from its Indonesian tax advisors that the conditions of the COW should protect it from any costs for VAT, import duties and tariffs. BDA assumes that prospective project acquirers will independently review these assumptions.

A US\$/A\$ exchange rate of 0.85 has been used to convert costs expected to be incurred in A\$. The current exchange rate is around 0.72. The outstanding A\$ denominated expenditure is advised by PTAR to be in excess of A\$100M which means that if exchange rates remain at current levels for the remainder of the project development period there is a potential reduction of more than US\$13.0M in capital costs.

At the time the work was suspended in November 2008, the Ausenco Monthly Report showed that around US\$109.4M had been committed and US\$57.3M had been expended, so that the remaining capital expenditure was around US\$302.9M. Since the suspension, additional expenditure of around US\$18.4M has been incurred on orders for critical long delivery mechanical equipment so that the forecast remaining cost to completion at the end of April 2009 is around US\$284.5M.

15.2 Mining Capital

The initial capital cost for mining has been estimated at US\$10.3M. A breakdown of these estimated costs is shown in Table 15.2.

**Table 15.2
Mining Capital Cost Forecast Summary**

Item	<i>US\$M</i>
Mining Implementation	0.3
Prestripping	3.7
Site Preparation, Roads and Drains	0.4
Clearing and Topsoil Removal	2.0
Dewatering Bore	0.4
Escalation	1.6
Mining Contingency	1.9
 Mining Capital Total	10.3

The DFS estimate of capital costs for the open pit mine and associated facilities was prepared by Coffey Mining. This estimate has been re-assessed in the light of experience gained from the initial earthworks activities carried out before the project was suspended and some of the costs, in particular the cost of site preparation not associated with the mining development have been transferred to the process plant and infrastructure costs. The estimate of costs for mining implementation is, in the main, mobilisation and demobilisation costs; the mobilisation costs for the earthworks contractor are included in the process plant and infrastructure costs. The costs of site preparation roads and drains are based on quantities derived from preliminary designs prepared on the basis of geotechnical investigations applied to budget unit rates obtained from the earthworks contractor for the access road and site preparation.

Pre-stripping is to be carried out by the mining contractor. The costs have been estimated by Coffey Mining on the basis of the quantities taken from the preliminary mine plan and schedule applied to budget unit mining rates obtained from prospective mining contractors.

BDA notes that additional geotechnical investigations have been carried out since BDA's previous review and that the level of foundations and suitable foundation and fill materials have now been identified with a reasonable level of certainty. In addition, as noted in the section on contingency below, the allowance for contingency on the mining activities is around 18% of direct costs. Such an allowance in normal circumstances should be adequate.

15.3 Process Plant and Infrastructure Capital

The PTAR forecast at completion of direct costs for the process plant and infrastructure is US\$211.2M, as summarised in Table 15.3.

**Table 15.3
Process Plant and Infrastructure Capital Cost Forecast Summary**

Item	<i>US\$M</i>
Preliminary Costs	5.2
Process Plant	106.8
Services and Utilities	4.3
Power Supply	13.0
Accommodation Camp	0.3
Tailings Storage Facility	0.2
Raw Water Dams & Settlement Ponds	19.4
Site Buildings	6.6
Mobile Plant	7.5
Sewage Treatment	0.7
Plant Diesel Services	0.1
Jetty Infrastructure and Services	18.9
Access Roads	3.2
Initial and Commissioning Spares	15.6
Freight	9.6
 Direct Total Process Plant and Infrastructure Costs	211.2

The forecast of direct costs has been prepared by Ausenco using its industry standard cost control system and computer software and is generally based on engineering which was reported by Ausenco to be 32% complete at the end of November 2008 and includes process flow diagrams approved by PTAR, and final process design criteria, major equipment specifications and site layout.

The engineering designs have been used to prepare quantity take-offs for bulk materials and fabricated items which have been applied to prices taken from budget prices from prospective contractors and the Ausenco database. Prices have been obtained from reputable suppliers for the majority of equipment and a significant number of orders placed. Quotations were also obtained from suppliers for packaged plants for water treatment, waste water treatment and emergency power.

Labour rates and productivities are based on information obtained by Ausenco from contractors with experience in the region. Freight costs have been estimated on the basis of quotations and Ausenco historical data. For equipment and materials where freight was not included by the supplier, an allowance for freight has been included. Allowances have been included for design growth.

The estimated costs for the power supply line, switchyard and substation, power reticulation facilities and water reticulation facilities are included in the process plant capital. The power supply costs are based on tendered prices. Power reticulation costs are based on single line diagrams, layouts and equipment lists prepared by Ausenco applied to budget unit rates obtained from qualified contractors. Similarly water reticulation costs are based on piping diagrams, layouts and equipment lists prepared by Ausenco applied to budget unit rates obtained from qualified contractors.

In BDA's opinion the methodology used to prepare the forecast cost at completion for the process plant and infrastructure is reasonable, subject to an appropriate contingency being applied, as discussed in the section on contingency below. The estimation accuracy is considered to be between a feasibility study estimate standard, typically around $\pm 15\%$ and a definitive estimate standard, typically around $\pm 5\%$.

15.4 Contractors' Indirect Costs

Contractors' indirect costs of US\$10.5M include the cost of temporary construction facilities including temporary office accommodation, temporary power supply, temporary water supply, construction workforce accommodation, and catering and heavy lift craneage.

These costs have been estimated by Ausenco using historical data from previous projects in similar locations.

15.5 EPCM Costs

The forecast cost at completion of the provision of EPCM services is US\$44.3M. A breakdown of these forecast costs is shown in Table 15.4.

Table 15.4
EPCM Cost Forecast Summary

Item	<i>US\$M</i>
Engineering	9.7
Drawing Office	6.9
Home Offices Project Management and Services	7.5
Construction Management and Services	0.3
Commissioning Management and Services	1.0
Construction Management (Expatriates)	5.8
Construction Management (Nationals)	1.3
EPCM Expenses	5.2
EPCM Mobilisation Fee	2.0
EPCM Contractor Fee	4.7
	44.3
Mining Capital Total	44.3

Ausenco has prepared the forecast of EPCM costs on the basis of manhours assessed for each discipline to produce the required deliverables, applied to Ausenco proposed hourly rates for home office and site personnel. Expenses were estimated to support the home office and site effort. Allowance was made in the manhour estimates to carry out all necessary design, procurement, expediting, inspection, site supervision, management, scheduling, cost control, accounting, monitoring, reporting and commissioning activities.

The EPCM costs of US\$44.3M equate to around 20% of the estimated direct costs of US\$211.2M for the process plant and infrastructure. Such a percentage is considered reasonable for a project such as Martabe.

15.6 Other Owners Costs

The forecast cost at completion of Owners Costs excluding mining costs and project contingency is US\$66.4M. A breakdown of these estimated costs is shown in Table 15.5.

**Table 15.5
Owners Costs Forecast Summary**

Item	<i>US\$M</i>
General Owners Costs	20.3
Land Acquisition Costs	22.1
Consultants	0.9
Contractor’s Mobilisation	2.8
IT Capital	3.2
Camp	7.7
Light Vehicles	2.9
Miscellaneous Equipment	3.4
Offshore Offices	3.0
	36.4
Owners Costs Total	66.4

General Owners Costs include the costs of salaries and wages and associated administration costs, business expenses and project-specific corporate costs and include a specific contingency for Owners Costs of US\$2.0M. Estimates of the costs of the Owners salaries, wages and overheads have been prepared by PTAR on the basis of organisation charts and staffing schedules applied to market rates for expatriate and national staff.

PTAR has advised that of the US\$22.1M forecast for land acquisition costs, US\$16.6M had been expended to date with approximately US\$1.7M required for remaining land to be acquired; no other significant expenditure is expected. On this basis the forecast for this cost centre may be overstated by around US\$4.0M.

First fills, initial consumables and spares would normally be included in the Owners Cost estimate. These costs are included in the direct costs of the process plant and infrastructure facilities.

PTAR advises that the costs of project insurances premiums are included in the corporate overhead costs in the General Owners Costs cost centre.

15.7 Contingency

Specific contingency allowances are included in the Mining Costs (US\$1.9M) and Other Owners Costs (US\$2.0M) and a general project contingency allowance is included in the overall project cost forecast (US\$17.5M). The total of these contingency allowances is US\$21.4M.

At the time the work was suspended in November 2008, the Ausenco Monthly Report showed that around US\$109.4M had been committed and US\$57.3M had been expended. A rule of thumb for calculating the required contingency allowance for projects during the implementation phase is that a feasibility study level

contingency percentage, typically 10%, should be maintained on costs yet to be committed and a lesser contingency percentage, typically 3%, should be applied to costs committed but not expended. On that basis, the required contingency would be around US\$26.5M. In BDA's opinion the contingency allowance should be increased by around US\$5.0M.

15.8 Deferred, Sustaining and Exploration Capital

Nominal allowances only have been made in the project financial model for deferred and sustaining capital and no allowance has been made for mining exploration capital.

Deferred capital includes such items as ongoing raising of the tailings dam and mobile equipment purchases. Sustaining capital needs to be included for the plant, mine and administration areas; BDA suggests that the level of such capital should be around US\$2Mpa.

BDA also considers that it is likely that mine exploration costs will be ongoing once the project is in operation. There are significant areas of known mineralisation within the project area, but additional drilling is required to prove up resources and mineable reserves. It is suggested that an allowance of US\$1.5Mpa should be included for ongoing mine exploration from 2010 through to 2018; this does not include any allowance for regional exploration.

15.9 Working Capital

Working capital is separately addressed in the financial model which shows a total working capital injection during the first two operating years of around US\$18M. This is around 20% of annual operating costs, or between 2 and 3 months of operating costs, an allowance which is considered reasonable by BDA.

15.10 Adjusted Estimate

BDA considers that a number of minor adjustments could be made to the forecast to take into account the effect of changes to exchange rates, the status of land acquisition costs and inadequate contingency allowances. These adjustments would have a net effect of reducing the total forecast by around US\$12M.

However, it is noted that expenditure for care and maintenance of the site is on-going and that the costs of restarting the project and recruiting and mobilising personnel and equipment redeployed since the suspension of the project is subject to some uncertainty. For that reason BDA would recommend that the current capital cost forecast of US\$284.5M to complete the project from end April be maintained at this time.

15.11 Overrun Facility

Any capital cost estimate is only as reliable as the information on which it is based. Historically, in the case of process-based projects of this type, once more detailed engineering design is undertaken, the bulk quantities, particularly for concrete, structural steel, piping and electrical tend to increase, often in excess of the individual contingency allowances. In addition there may be contractor claims and other costs associated with delays in construction and commissioning or delayed ramp-up. A combination of these factors can result in cost increases during construction, not uncommonly beyond the total capital allowance.

BDA recommends that, in any project financing plan, a cost overrun allowance should be established of around 10% of the estimated remaining capital cost, in this instance of around US\$28M. Such an allowance would not be planned to be spent and would not be included in any analysis of project cashflows. BDA suggests that it would be prudent to have a plan for accessing such an allowance at the commencement of the re-establishment of the project development rather than risk such funds not being available in the event of a cost overrun not being identified until the project is nearly complete.

Conclusions

The current project capital cost forecast totals US\$360.2M, at the end of April 2009 around US\$284.5M remained to be expended. The estimating methodology for individual cost centres is considered generally reasonable and appropriate.

When the timing of the project re-start is established it is recommended that adjustments be made to the forecast for currency movements, a likely reduction in land acquisition costs and an increase in the contingency allowance. Overall these adjustments may result in a net reduction of around US\$12M. However at this stage, with the costs of restarting the project still to be accurately determined, BDA is of the opinion that it would be prudent to maintain the forecast at the current level.

No allowance has been made in the estimate for Indonesian VAT, import duties or tariffs. While PTAR has advice that none of these costs should be payable, BDA suggests that there is some risk that at least some of these costs may be incurred, and would suggest that the new prospective owners seek separate specialist advice.

Sustaining capital estimates should probably be increased to around US\$2Mpa to account for replacement capital for process plant and administration equipment and tailings dam raising plus around US\$1.5Mpa for ongoing mine exploration.

The final capital cost will be affected by future movements in exchange rates against the US dollar and by any escalation trends in materials and construction rates. BDA recommends an overrun allowance of 10% of the estimated remaining capital cost, amounting to a further US\$28M.

16.0 OPERATING COSTS

Site operating costs as set out in the High Grade version of the January 2009 financial model, identified as “OZ_Minerals_Martabe_Asset_Model_Data_Room_V5[1]”, are shown in Table 16.1 and are based on mid-2007 estimates, apparently adjusted to January 2009 for input to the financial model. Total site costs are projected to be US\$639.5M over the life of mine; process plant and mine operating costs comprise 62% and 24% of the total respectively. Mining costs are mostly incurred during the initial five years of the operation, while plant costs are distributed evenly over the operational life of the mine. Cash cost of gold produced, taking into account the silver credits, is projected to be between US\$184-283/oz for the first six years of the mine life when the plant feed grade is higher. Projected costs increase to around US\$340/oz in the last three operating years when the plant feed is from lower grade stockpiles.

Mine operating costs are based on the lowest price contractor bid, adjusted upward for the use of all-wheel drive articulated trucks and based on a diesel price of US\$1.11/L. As part of the mining cost estimation process, the cost of owner-operator mining was also determined, and comparison with the contract price provided reasonable support for the prices bid. BDA notes that, based on the DFS estimates, the diesel component of the mining cost represents around 16% of the total, indicating the level of exposure that the mining costs would have to fuel price fluctuations above US\$1.11/L. BDA suggests that the mining cost estimates could be higher by up to 20%, to take account of exposure to fuel prices and work outside contract, dayworks and unexpected conditions.

**Table 16.1
Operating Costs for the Martabe Gold Project**

Item	Unit	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
Costs											
Mining	US\$M	29.9	28.9	29.8	29.7	23.8	13.3				155.5
Milling	US\$M	35.0	50.8	49.7	49.5	49.7	49.9	49.6	49.6	12.2	396.2
Administration	US\$M	6.4	8.4	8.4	8.4	8.4	8.4	8.4	8.4	2.1	67.3
Realisation	US\$M	1.8	2.9	3.1	3.3	3.0	2.4	1.8	1.7	1.4	20.4
Total Site Costs	US\$M	73.1	91.0	91.1	90.9	85.0	74.1	59.5	59.8	14.7	639.5
Royalties	US\$M	1.7	2.3	2.5	2.7	2.8	1.9	1.2	1.2	0.3	16.5
Silver Credit	US\$M	-21.9	-35.8	-39.3	-41.7	-37.8	-30.7	-22.5	-22.4	-5.5	-257.5
Total Cash Cost	US\$M	52.9	57.5	54.3	51.9	49.9	45.3	38.5	38.6	9.5	398.4
Production											
Au Production	kozs	187	253	245	260	272	188	116	112	28	1,661
Ag Production	kozs	1,769	2,893	3,175	3,368	3,055	2,480	1,818	1,808	444	20,810
Unit Costs											
Mining	US\$/t*	2.38	2.23	2.30	2.49	2.79	4.91				2.52
Processing	US\$/t	11.21	11.29	11.05	11.00	11.05	11.09	11.02	11.09	11.09	11.10
Administration	US\$/t	2.05	1.87	1.87	1.87	1.87	1.87	1.87	1.88	1.91	1.89
Total Cash Cost	US\$/oz	283	228	222	199	184	241	332	343	344	240

*Note: unit mining costs are per tonne of material moved; they equate to US \$3.46/t ore for the LOM

The processing costs shown in the financial model, which average US\$11.10/t milled, are 12% higher than those listed in the DFS, which average US\$9.93/t milled. The processing cost estimate appears to have a mid-2008 cost base. The methodology used to update the processing costs appears to be conventional. Labour costs were estimated by applying appropriate salary and on-cost estimates to a manning schedule; power costs were estimated by using a previously developed power draw schedule and applying a cost of US\$73.3 per megawatt hour ("MWh") for grid-supplied power and US\$306/MWh for minor site-based diesel-generated power; reagent and consumable costs were estimated by applying units costs to projected consumption rates. Maintenance spares costs do not appear to be covered in the budget file. BDA estimates annual maintenance spares costs would be about 4% of the plant equipment cost, adding about US\$2M to plant annual operating costs.

BDA considers that G&A charges could be significantly under-estimated in the financial model. Insurance costs could be significantly higher than budgeted; no allowance has been made for any head office recharge to the site. BDA considers G&A costs could be US\$12Mpa, US\$3.5M/a higher than estimated, based on experience at other southeast Asian operations.

OZ Minerals does not specify the cost base for the operating cost estimates but the financial model refers to a valuation date of 1 January 2009; BDA has assumed a January 2009 cost base. BDA considers that costs are unlikely to have increased significantly in the four months since that date due to the fall in demand for supplies created by the current global economic slowdown.

Overall BDA considers the operating costs accurate to $\pm 20\%$.

Conclusions

Operating costs have been based either on bid contract prices, adjusted upward for unforeseen or excluded activities, or estimated using established practices and could be considered accurate to within $\pm 20\%$ as of the date of estimation. Plant maintenance spares costs do not appear to be considered in the budget document reviewed and BDA considers that G&A costs could be significantly higher than estimated. These potential increases total US\$5.5Mpa. Due to the global economic slowdown cost increases since the assumed January 2009 estimate should be minimal. Overall BDA considers that the operating cost estimate should be considered accurate to $\pm 20\%$.

17.0 PROJECT IMPLEMENTATION

17.1 Contracting Strategy

Two major contracts, an Engineering, Procurement and Commissioning Contract and a Construction Management Contract, were awarded by PTAR in 2008 for the design and construction of the project. The contractors were given authorisation to proceed in March 2008. The Engineering, Procurement and Commissioning Contract was executed between Ausenco Services Pty Ltd and

PTAR on 20 August 2008 and the Construction Management Contract was executed between Ausenco Asia Pty Ltd, PT Trantekindo Nindyatama and PTAR on 20 October 2008. An Interface Deed linking the two contracts was also executed by the parties to the contracts. The contracts were terminated on 2 December 2008. It is proposed that similar contracts be reinstated, either with Ausenco or with another suitably qualified contractor when the project re-starts.

PTAR proposes to directly contract for the mine development and operations and will also arrange some minor aspects of infrastructure including telecommunications.

The PTAR project team is responsible for overall project management, government liaison, communications and management of the environment; the members of the project team whom BDA has met appear to have good experience in managing projects in the region. In addition PTAR has had access through OZ Minerals to experienced process and mining management personnel who have worked with PTAR to ensure that the process plant and mine design meet expectations. BDA recommends that any acquirer of the project ensure that it has access to similarly experienced technical personnel.

The scope of EPCM services for the contract with Ausenco included:

- detailed engineering design
- procurement, including contract administration and purchasing, expediting, inspecting and managing the transport of materials and equipment to the site; transport will be contracted to an experienced local freight forwarder
- construction management including supervision and inspection of all construction activities
- commissioning including testing, pre-commissioning and the management commissioning
- project controls including cost, schedule and quality monitoring and reporting
- commissioning.

The approach taken by Ausenco and which it is proposed will be taken by the future EPCM Contractor, whether Ausenco or a similar engineering and construction company, is to let contracts in separate horizontal discipline packages for concrete, structural steel, tanks, mechanical, piping, electrical and instrumentation works and that, where practicable, to let contracts on a fixed firm-price basis, using standard internationally recognised conditions of contract.

Construction of the site access roads is well advanced but may require some rehabilitation and upgrading prior to the re-commencement of construction. The construction of the jetty and site buildings and services will be made a priority so that they can be used by the EPCM Contractor's personnel. Temporary facilities will be provided until the permanent buildings and services are available. PTAR advises that beach landings are possible and have been discussed with logistics providers, should there be any delay in the completion of the jetty facilities.

BDA generally concurs with the proposed method of implementation, and notes that any acquirer of the project will require access to operational personnel with the expertise and experience to provide the necessary input into the design and construction of the processing facilities. This is important to ensure that the design of the plant meets all expectations in relation to operability and maintainability. BDA also suggests that the PTAR process plant operational management should be recruited at an early stage and become directly involved in the supervision of the design and construction activities.

17.2 Status of Implementation Activities

The EPCM Contract Construction commenced in July 2008 and at that stage mining was planned to commence late in 2009 with the first gold pour was planned for January 2010. Construction was suspended in November 2008, at which stage the forecast date for the first gold pour had been revised to March 2010.

The current project schedule shows a total project duration of 15 months from the recommencement of project activities. The procurement of long delivery equipment items, including the critical milling equipment is proceeding and allowance is made for the re-establishment of the EPCM Contracts and re-mobilisation of EPCM personnel. BDA generally concurs with the contracting strategy and the project schedule, however it should be recognised that the schedule will be delayed until the project ownership is resolved and project development activities resume.

The Ausenco Monthly Report for November 2008 and the Ausenco Project Closeout Report shows the following status of implementation activities as at the end of November 2008:

- the Project Execution Plan and associated management plans had been prepared and implemented
- Process Design Criteria, Process Flow Diagrams and Piping and Instrumentation Diagrams had been prepared and were in the process of being approved by PTAR
- major engineering deliverables were nearing completion
- a number of major equipment orders had been placed including orders for long delivery items, the jaw crusher, the ball mill, the SAG mill, agitators and intertank screens, which currently continue to be manufactured

- quotations had been received for the majority of the remaining equipment purchases
- of the planned 20 site construction contract packages, tenders had been received for seven and awards had been made for two, these being a bulk earthworks and civil works package and a roadworks package
- preliminary bulk earthworks and civil works had been completed including:
 - clearing and grubbing of the process plant site
 - the waste dump road formation
 - clearing and grubbing of the initial waste dump
 - initial camp accommodation
 - part of the cut and fill in the plant site area
 - the village road between the Trans-Sumatra Highway and the exploration camp
 - a pioneer road from the Trans-Sumatra Highway to the process plant site
 - the materials and equipment laydown area formation
 - the construction camp pads and temporary explosives magazine formation
 - the Aek Pahu river crossing.

BDA visited the site in April 2009 to verify the reported site progress.

At the time of the suspension of work on the project, first gold production was forecast for end March 2010.

17.3 Project Schedule

The project schedule prepared for the Ausenco closeout report in November 2008 showed a total project duration of 15 months from the recommencement of project activities. This schedule recognised that the procurement of long delivery equipment items, including the critical milling equipment, is proceeding but made only nominal time allowances for the re-establishment of the EPCM Contracts and re-mobilisation of EPCM personnel.

BDA understands that the acquisition transaction is expected to be completed by the beginning of July 2009 and that finance is expected to be in place by October 2009 to allow project development to resume with a full Owner's project team having been recruited and mobilised. On that basis, BDA would expect that support staff and the EPCM contractors can be re-engaged and mobilised, orders for major equipment and materials re-established and construction contractors re-engaged and mobilised by around the end of 2009 so that the project can be constructed and commissioned by around the end of the first quarter of 2011.

BDA generally concurs with the contracting strategy and the project schedule, however it should be recognised that the schedule will not be able to be finalised until the project ownership is resolved and project development activities resume.

The mining contract is planned to be awarded so that the contractor can mobilise to site around three months prior to the commencement of feeding ore to the process plant.

The current forecast date for the first gold pour as reported in the Ausenco November 2008 Monthly Report is end March 2010.

The Ausenco November 2008 Monthly Report shows that engineering progress was lagging at 32.0% actual completion compared with a planned 39.2% complete, procurement was reported to be 1.7% complete and construction 4.9% complete. Engineering capability in the resources industry which was extremely stretched when the project commenced has now become more available and there is a reasonable prospect that this slippage can be retrieved. The long delivery equipment items on the project critical path, the ball mill and SAG mill have been ordered and at this stage are reported to be on schedule for delivery around mid-2009.

Conclusions

PTAR was implementing the project by means of an EPCM approach with EPCM Contracts having been let for the processing and infrastructure facilities. These contracts were terminated in December 2008. It is proposed that when the project is re-activated, contracts similar to those previously in place would be entered into either with Ausenco or with another similarly qualified engineering and construction company. PTAR will directly contract for the mine development and operations and is arranging some minor infrastructure items including telecommunications.

The responsibility for managing the overall project is currently with the PTAR project team, the members of which have appropriate experience in managing projects in the region. In addition PTAR has had access through OZ Minerals to experienced process plant and mine management personnel to ensure that the process plant and mine design meets expectations. It will be important for any acquirer of the project to have access to similar expertise.

The project schedule current at the time the project was suspended shows a total project duration of 15 months from the reactivation of the project which, if the acquisition and financing activities are completed by October 2009 and reasonable allowances are made for re-establishment of the project, means that the project can be completed and commissioned by around the end of the first quarter of 2011.

BDA generally concurs with the contracting strategy and the project schedule, however it should be recognised that following the cessation of project activities, there may be further delays in re-activating the project, entering into new contracts, re-mobilisation and in ramping up the implementation effort.

18.0 STATEMENT OF CAPABILITY

This report has been prepared by Mr Malcolm Hancock and Mr John McIntyre, Executive Directors of Behre Dolbear Australia Pty Limited, together with Mr Ian White, Mr Richard Frew and Mr Adrian Brett, Senior Associates of BDA.

Behre Dolbear has offices in Denver, New York, Toronto, Vancouver, Hong Kong, London, Sydney, Guadalajara and Santiago. The parent company, Behre Dolbear & Company Inc., was founded in 1911 and is the oldest continuously operating mineral industry consulting firm in North America. The firm specialises in mineral evaluations, due diligence assessments, independent expert reports and strategic planning as well as technical geological, mining and process consulting.

The principal consultants engaged in the review on behalf of BDA are as follows:

Mr Malcolm Hancock (*BA, MA, FAusIMM, FGS, MIMM, MGSA, MMICA*) is Executive Director of BDA and a geologist with over 30 years experience of exploration and mining projects principally in Australia, Africa and South East Asia. He has extensive experience in the areas of resource/reserve estimation, reconciliation, project feasibility and review, independent expert and due diligence reports, mine geology and mining operations. He has been involved in the feasibility, construction, and commissioning of several mining operations. He has worked on both open pit and underground mines.

Mr John McIntyre (*BEng. (Mining) Hon, FAusIMM, MMICA, CPMIn*) is Managing Director of BDA and a mining engineer who has been involved in the mining industry for more than 30 years, with operational and management experience in base metals, gold and coal. He has been involved in numerous mining projects and operations, feasibility studies and technical and operational reviews in Australia, West Africa, New Zealand, North and South America, PNG and South East Asia.

Mr Ian White (*MSc, BSc(Hon), DIC, MAusIMM*) is a Senior Associate of BDA with more than 25 years experience in the Australian mining industry. He has held senior management positions in operating mines, and has been involved in plant design and optimisation, process design testwork, feasibility studies and plant commissioning and project valuation. He is experienced in CIP/CIL technology, flotation, gravity separation, heap leaching, SX/EW, comminution, magnetic separation and pelletising. He has worked with a range of commodities including gold, copper, iron ore and base metals.

Mr Richard Frew (*BE Civil, MIE Aust*) is a Senior Associate of BDA with more than 35 years experience as a planning, estimation and contracts engineer. He is experienced in contract management, feasibility study review, financial modelling, capital cost estimation, infrastructure, project controls and implementation. He has worked on a large number of projects providing management and project services to the owners or financiers, including major projects in Australia, the Philippines, Argentina, Mauritania, New Zealand and Romania. Mr Frew has reviewed the proposed infrastructure, the capital costs and the implementation strategy.

Mr Adrian Brett (*BSc. (Hon) Geol., MSc. Envir., M. Envir. Law*) is a Senior Associate of BDA with more than 25 years experience in environmental and geo-science, including the fields of environmental planning and impact assessment, site contamination assessments, environmental audit, environmental law and policy analysis and the development of environmental guidelines and training manuals. He has worked in an advisory capacity with several United Nations and Australian government agencies. He has completed assignments in Australia, Indonesia, Laos, Myanmar, Thailand, the Philippines, Africa and South America.

19.0 STATEMENT OF INDEPENDENCE

Neither the principals nor associates of BDA have any material interest or entitlement in the securities or assets of OZ Minerals, CST or Smart Rich. BDA will be paid a fee for this report comprising its normal professional rates and reimbursable expenses. The fee is not contingent on the conclusions of this report.

20.0 LIMITATIONS AND CONSENT

This assessment has been based on data, reports and other information made available to BDA by OZ Minerals and PTAR and referred to in this report. BDA has been advised that the information is complete as to material details and is not misleading. A draft copy of this report has been provided to OZ Minerals, CST, Smart Rich and Azure Capital for comment as to any errors of fact, omissions or incorrect assumptions.

BDA has reviewed the data, reports and information provided and has used consultants with appropriate experience and expertise relevant to the various technical aspects. The opinions stated herein are given in good faith. BDA believes that the basic assumptions are factual and correct and the interpretations reasonable.

BDA does not accept any liability other than its statutory liability to any individual, organisation or company and takes no responsibility for any loss or damage arising from the use of this report, or information, data, or assumptions contained therein. With respect to the BDA report and use thereof, Smart Rich agrees to indemnify and hold harmless BDA, its shareholders, directors, officers, and associates against any and all losses, claims, damages, liabilities or actions to which they or any of them may become subject under any securities act, statute or common law and will reimburse them on a current basis for any legal or other expenses incurred by them in connection with investigating any claims or defending any actions.

APPENDIX V TECHNICAL REPORT ON THE MARTABE PROJECT

The report is provided to the Directors of Smart Rich for the purpose of assisting them in assessing the technical issues and associated risks of the proposed project development and for use in a circular to Smart Rich shareholders; it should not be used or relied upon for any other purpose. The report does not constitute a technical or legal audit. Neither the whole nor any part of this report nor any reference thereto may be included in, or with, or attached to any document or used for any purpose without BDA's written consent to the form and context in which it appears.

Yours faithfully

BEHRE DOLBEAR AUSTRALIA PTY LTD



Malcolm C Hancock
Executive Director – BDA



John S McIntyre
Managing Director – BDA

APPENDIX I

GLOSSARY

Term/Abbreviation	Description
AAS	Atomic Absorption Spectrometry
Ag	Silver
AMC	AMC Consultants Pty Limited
AMDAL	Analise Dampak Lingkungan or EIS
ANA	PT Artha Nugraha Agung
Antam	PT Antam Tbk
ARD	Acid Rock Drainage
ARL	Agincourt Resources Limited
Au	Gold
Ausenco	Ausenco Services Pty Limited/Ausenco Asia Pty Limited
A\$	Australian Dollar
BDA	Behre Dolbear Australia Pty Limited
Behre Dolbear	Behre Dolbear & Company Inc.
CIL	Carbon in Leach
CN _{WAD}	Weak Acid Dissociable Cyanide
Coffey Mining	Coffey Mining Pty Limited
COW	Contract of Work
CRDIP	Community Relations and Development Investment Plans
CST	China Sci-Tech Holdings
Cu	Copper
DFS	Definitive Feasibility Study

APPENDIX V TECHNICAL REPORT ON THE MARTABE PROJECT

Term/Abbreviation	Description
EIS	Environmental Impact Statement
EPCM	Engineering, Procurement and Construction Management
ERM	PT ERM
g	Gram
g/t	Grams per Tonne
GHD	GHD Pty Limited
Golder	Golder Associates Pty Limited
ha	Hectare
HKSE	Hong Kong Stock Exchange
IML	Independent Metallurgical Laboratories
Intermet	Intermet Engineering Pty Limited
ITS	PT Intertek Testing Services
JORC	Joint Ore Reserve Committee
km	Kilometre
km ²	Square Kilometre
KP	Knight Piesold Pty Limited
kV	Kilovolts
kWh/t	Kilowatt Hours per Tonne
L	Litre
LOM	Life of Mine
m	Metre
µm	Micron (10 ⁻⁶)
M	Million

APPENDIX V TECHNICAL REPORT ON THE MARTABE PROJECT

Term/Abbreviation	Description
m ³	Cubic Metre
MCE	Maximum Credible Earthquake
mg	Milligrams
mg/L	Milligrams per Litre
mm	Millimetre
Mozs	Million Ounces
m/s ²	Metres per Second Squared
Mt	Million Tonnes
Mtpa	Million Tonnes Per Annum
MW	Megawatt
MWh	Megawatt Hour
NCV	Net Carbonate Value
Newmont	Newmont Mining Corporation
Normandy	Normandy Mining Limited
OBE	Operating Base Earthquake
OK	Ordinary Kriging
Oxiana	Oxiana Limited
OZ Minerals	OZ Minerals Limited
ozs	Ounces
P ₈₀	80% Passing
PAF	Potentially Acid Forming
PGA	Peak Ground Acceleration
ppm	Parts Per Million

APPENDIX V TECHNICAL REPORT ON THE MARTABE PROJECT

Term/Abbreviation	Description
PTAR	PT Agincourt Resources
RC	Reverse Circulation
ROM	Run-of-Mine
RSG Global	RSG Global Pty Limited
SAG	Semi Autogenous Grinding
SFS	Sumatran Fault System
t	Tonne
tpa	Tonnes Per Annum
TSF	Tailings Storage Facility
UKL	Environment Monitoring Plan
UPL	Environment Management Plan
URS	URS Australia Pty Limited
US\$	US Dollar
V	Volt
VAT	Value Added Tax
WTP	Water Treatment Plant
XRF	X-Ray Fluorescence

1. RESPONSIBILITY STATEMENT

This circular includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, there are no other facts the omission of which would make any statement herein misleading.

2. DIRECTORS' INTERESTS IN SECURITIES

As at the Latest Practicable Date, the interests or short positions of the Directors or chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange were as follows:

Long position in Shares and share options of the Company

Directors	Capacity	No. of Shares	No. of option	Total	Approximate Percentage (%) (Note 1)
Lew Mon Hung	Beneficiary owner	3,121,266	1,374,000	4,495,266	0.53
Wah Wang Kei, Jackie	Beneficiary owner	-	2,000,000	2,000,000	0.24

Notes:

- The percentage shareholding is calculated based on the then existing issued share capital of the Company as at the date of the filing of the relevant notices by the Directors pursuant to the SFO.

Save as disclosed above, none of the Directors or chief executive of the Company had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Director or chief executive was taken or deemed to have under such provisions of the SFO) or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, to be notified to the Company and the Stock Exchange.

3. SUBSTANTIAL SHAREHOLDERS AND PERSONS HAVING 5% OR MORE INTERESTS

As at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or a short position in the Shares and underlying Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which has been agreed or proposed since 30 June 2008, being the date to which the latest audited consolidated financial statements have been made up) or had options in respect of such capital:

Name	Capacity	Number of Shares and underlying Shares held	Approximate percentage (%)
Wong Kam Fu (<i>Note 1</i>)	Interest of a controlled corporation and beneficial owner	60,312,108	7.13
Chu Yuet Wah (<i>Note 2</i>)	Interest of a controlled corporation	60,312,303	7.13
Ma Siu Fong (<i>Note 2</i>)	Interest of a controlled corporation	60,312,303	7.13
Kingston Finance Limited	Security interest in Shares	60,312,108	7.13
Zhang Ming	Beneficial owner	44,000,000	5.20
Ho Kam Hung	Beneficial owner	44,000,000	5.20

Notes:

- As at the Latest Practicable Date, Dr. Wong Kam Fu, has pledged 60,312,108 Shares owned by him to Kingston Finance Limited for certain credit facilities.
- As at the Latest Practicable Date, the 60,312,303 Shares comprised (i) 195 Shares held by Kingston Securities Limited; and (ii) 60,312,108 Shares held by Kingston Finance Limited, which are owned as to 51% by Ms. Chu Yuet Wah and 49% by Ms. Ma Siu Fong.

Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors and the chief executive of the Company, no person (other than a Director or chief executive of the Company) had any interest or short position in the Shares and underlying

Shares which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, who was, directly or indirectly, interested in 5% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which as been agreed or proposed since 30 June 2008, being the date to which the latest audited consolidated financial statements have been made up) or who had any options in respect of such capital.

4. DIRECTORS' SERVICE CONTRACT

As at the Latest Practicable Date, there was no existing or proposed service contract between any of the Directors or proposed Directors and the Company or any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition which as been agreed or proposed since 30 June 2008, being the date to which the latest audited consolidated financial statements have been made up), excluding contracts expiring or determinable by the Group within a year without payment of any compensation (other than statutory compensation).

5. NEW DIRECTOR AND MEMBER OF SENIOR MANAGEMENT APPOINTED IN CONNECTION WITH THE TRANSACTION

The Company has appointed Mr. Hegarty and Mr. Albert to supplement the management of the Company in bolstering its knowledge of the gold and silver mining business and to assist in the development of the Martabe Project.

Mr. Hegarty, aged 61, is the new vice-chairman, executive Director and chief executive officer of the Company. He has over 35 years of experience in the global mining industry, including 25 years with the Rio Tinto Group. He was a founding managing director and later the chief executive officer of Oxiana Limited (which has since merged with Zinifex Limited to form OML), where he oversaw the acquisition of Agincourt Resources Limited, which previously held the Martabe Project, and the growth of Oxiana Limited from a small mining explorer to a A\$6 billion diversified metals company.

Mr. Hegarty is currently a non-executive director of Fortescue Metal Group Limited and Range River Gold Limited (both of which are listed on the Australian Stock Exchange). He was a director of Oxiana Limited and OML until June 2008 and December 2008 respectively. Aside from the appointments disclosed above, Mr. Hegarty did not hold any other directorships or take any other major appointments in any Hong Kong or overseas listed public companies in the past three years preceding the date of this circular.

Mr. Albert, aged 50, is the new deputy chief executive officer of the Company. He is a qualified metallurgist and a chartered engineer, and has more than 30 years experience in the mining industry. He was previously the Executive General Manager – Asia of OML where he was also the executive responsible for the Martabe Project. His previous responsibilities included operating large process facilities and mines and designing and building mines, as well as general management of multiple operations and businesses. His particular skill is the development of greenfield projects in remote environments.

6. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, to the best knowledge of the Directors, none of the Directors or their respective associates (within the meaning defined in the Listing Rules) had any interests in any business which competed or might compete with the business of the Group.

7. INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors or experts named in the section headed "Experts and consents" in this appendix had any direct or indirect interest in the assets which had been, since 30 June 2008, the date to which the latest published audited consolidated financial statements of the Company have been made up, acquired or disposed of by or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition or which has been agreed or proposed since 30 June 2008, being the date to which the audited consolidated financial statements of the Company have been made up), or were proposed to be acquired or disposed of by or leased to any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition or which has been agreed or proposed since 30 June 2008, being the date to which the audited consolidated financial statements of the Company have been made up).

There was no contract or arrangement subsisting as at the Latest Practicable Date in which a Director was materially interested and which was significant in relation to the business of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition or which has been agreed or proposed since 30 June 2008, being the date to which the audited consolidated financial statements of the Company have been made up).

8. MATERIAL CONTRACTS

Set out below are the material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition or which has been agreed or proposed since 30 June 2008), being the date to which the audited consolidated financial statements of the Company have been made up) within the two years immediately preceding the Latest Practicable Date:

- (a) the Option Agreement;
- (b) the Supplemental Agreement;
- (c) the letter from the Grantor and the Grantor's Guarantor to the Grantee and the Company in relation to Option Agreement – Price Determination of Consideration Shares dated 12 May 2009;
- (d) the Service Letter;
- (e) the Share Option Agreements;
- (f) the MOU;
- (g) the Investment Agreements;
- (h) the OZ Agreement;
- (i) the sale and purchase agreement dated 3 March 2009 entered into between Star Cyberpower V.F. Limited (a wholly-owned subsidiary of the Company) (*Cyberpower VF*) and Go Up Group Limited to disposal (i) 100% of the issued share capital of Star Cyber DNA Limited (*Cyber DNA*) at a consideration of HK\$1.00; and (ii) the 100% beneficial ownership of the inter-company receivables of the Cyberpower VF due from Cyber DNA and its subsidiaries and associates;
- (j) the conditional placing agreement dated 27 February 2009 entered into between the Company and Kingston Securities Limited (*Kingston*) (*CN Placing Agreement*) in relation to the placing of the Convertible Notes through Kingston on a best effort basis pursuant to the terms of the CN Placing Agreement;
- (k) the sale and purchase agreement dated 26 February 2009 entered into between Credit Card DNA Security System Limited (a wholly-owned subsidiary of the Company) and Fast Sky Investments Limited (*Fast Sky*) to dispose 100% of the issued share capital of Star EPS.com Limited;

- (l) the share transfer agreement dated 30 January 2009 entered into between Star EPS.com (HK) Limited (a wholly-owned subsidiary of the Company) and Fast Sky to acquire 36.67% of the issued share capital of Smart Tycoon Limited;
- (m) the termination agreement dated 7 August 2008 entered into by, among others, Greatest Rise Investments Limited (a wholly-owned subsidiary of the Company) (*GRIL*) and Clear Smooth Investments Limited (*CSIL*) to terminate the sale and purchase agreement regarding 51% of the issued share capital of Mongol Oil Shale LLC;
- (n) the conditional sale and purchase agreement dated 17 April 2008 (as amended and varied by a supplemental agreement dated 20 May 2008 and 27 February 2009) entered into between the Company, Rich Theme Holdings Limited, and Dorson Group Limited (a wholly-owned subsidiary of the Company) (*Dorson*), Hopestar Group Limited and Dormer Group Limited (*Dormer*), all of which are wholly-owned subsidiaries of the Company, for the sale and purchase of the 360 ordinary shares of MPIL;
- (o) the sale and purchase agreement dated 26 February 2008 entered into by, among others, GRIL and CSIL regarding 51% of the issued share capital of Mongol Oil Shale LLC;
- (p) the sale and purchase agreement dated 5 November 2007 entered into by, among others, Dorson and Luck Express Consultants Limited regarding the 334 shares interest of Dormer;
- (q) the framework agreement dated 23 October 2007 entered into by Triple Winner International Limited (*Triple Winner*) (a wholly-owned subsidiary of the Company) and Guoye PRC Inc. (*Guoye*) regarding 51% of the issued share capital of Mongol Oil Shale LLC;
- (r) the placing agreements dated 12 September 2007 entered into by the Company and each of Wellchamp Fund Limited and Galaxy China Opportunities Fund respectively for the placing of an aggregate of 100,000,000 Shares;
- (s) the placing agreement entered into on 19 July 2007 between the Company and Mr. Yim Sang for the placing of 31,800,000 Shares;
- (t) the placing agreement entered into on 17 July 2007 between the Company and Mr. Li Xinghao for the placing of 50,000,000 Shares;

- (u) the memorandum of understanding dated 2 July 2007 entered into between Maxter as purchaser and GSL Mining Company Limited as vendor, pursuant to which the parties agreed to negotiate in good faith the terms of a definitive share sale and purchase agreement in respect of the sale and purchase of the entire registered capital of Guangxi Zhuang Autonomous Region Bin Yang County Mining and Trading Company (廣西壯族自治區賓陽縣礦貿公司); and
- (v) the acquisition agreement dated 12 June 2007 entered into by Dorson and Udaya Holdings Limited and the Company regarding 96.66% of the entire issued share capital of Dormer.

9. LITIGATION

As at the Latest Practicable Date, so far as the Directors were aware, no member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition or which has been agreed or proposed since 30 June 2008, being the date to which the audited consolidated financial statements of the Company have been made up) was engaged in any litigation or arbitration or claim of material importance and the Directors were not aware of any litigation or claims of material importance pending or threatened against any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition or which has been agreed or proposed since 30 June 2008, being the date to which the audited consolidated financial statements of the Company have been made up).

10. EXPERTS AND CONSENTS

The following sets out the qualifications of the experts who have given opinion or advice which are contained in this circular:

Name	Qualification
Deloitte Touche Tohmatsu	Certified public accountants
KPMG	Certified public accountants
Behre Dolbear Australia Pty Ltd	Independent technical adviser
Guangdong Securities	a licensed corporation to carry out type 1 (dealing in securities), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO

Each of the above experts has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter and report (as the case may be) and references to its name, in the form and context in which they respectively appear.

As at the Latest Practicable Date, none of the above experts was beneficially interested in the share capital of any member of the Group, nor did any one of them have any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group (including any company which will become a subsidiary of the Company by reason of an acquisition or which has been agreed or proposed since 30 June 2008, being the date to which the audited consolidated financial statements of the Company have been made up).

11. MISCELLANEOUS

- (a) The branch share registrar of the Company in Hong Kong is Union Registrars Limited at Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong.
- (b) The secretary of the Company is Ms. Cheng Sau Man, who is an associate member of Hong Kong Institute of Certified Public Accountants and a fellow member of the Association of Chartered Certified Accountants.
- (c) The English text of this circular shall prevail over the Chinese text.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the head office and principal place of business of the Company in Hong Kong at Suite 09, 19/F, Harbour Centre, No. 25 Harbour Road, Wanchai, Hong Kong up to and including 22 June 2009:

- (a) the memorandum of association and bye-laws of the Company;
- (b) the material contracts as set out in the section headed "Material contracts" in this appendix;
- (c) the annual report of the Company for the year ended 30 June 2008 and the interim report of the Company for the six months ended 31 December 2008;
- (d) the report from Deloitte Touche Tohmatsu on the audited financial statements of Maxter as at 31 March 2009, the text of which is set out in appendix II to this circular;
- (e) the report from KPMG on the audited consolidated financial statement of the OMM Group as at 31 December 2008, the text of which is set out in appendix III to this circular;
- (f) the report from Deloitte Touche Tohmatsu on the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in appendix IV to this circular;
- (g) the technical report from Behre Dolbear Australia Pty Ltd on Martabe Project, the text of which is set out in appendix V to this circular;

- (h) the letter from Guangdong Securities containing its advice to the Independent Shareholders and the Independent Board Committee, the text of which is set out in the section headed “Letter from Guangdong Securities” in this circular;
- (i) the letter of recommendation from the Independent Board Committee containing its advice to the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Board Committee” in this circular;
- (j) the letters of consent referred to under the section headed “Experts and consents” in this appendix;
- (k) this circular; and
- (l) a copy of each circular issued pursuant to the requirements set out in Chapter 14 and/or 14A of the Listing Rules which has been issued since 30 June 2008, being the date of the latest published audited accounts of the Company were made up.

NOTICE OF SGM



智富能源金融(集團)有限公司*[#] Smart Rich Energy Finance (Holdings) Ltd.[#]

(Incorporated in Bermuda with limited liability)

(Stock Code: 1051)

(Temporary Stock Code until Monday, 6 July 2009: 2921)

NOTICE IS HEREBY GIVEN THAT a special general meeting (the *SGM*) of Smart Rich Energy Finance (Holdings) Limited (the *Company*) will be held at Salon 2-3, JW Marriott Ballroom, Level 3, JW Marriott Hotel Hong Kong, Pacific Place, 88 Queensway, Hong Kong, on Monday, 22 June 2009 at 10:00 a.m. or any adjournment thereof (as the case may be) for the purpose of considering and, if thought fit, passing, with or without modification, the following resolutions of the Company:

ORDINARY RESOLUTIONS

"1. THAT:

- (a) the exercise by Acewick Holdings Limited (*Acewick*), a wholly-owned subsidiary of the Company, of the call option on 9 May 2009 (the *Call Option*) granted under the option agreement dated 24 April 2009 (the *Option Agreement*) as supplemented by supplemental agreement to the Option Agreement dated 27 May 2009, both entered into among (i) Acewick, (ii) Polytex Investments Inc. (*Polytex*), a wholly-owned subsidiary of China Sci-Tech Holdings Limited (*China Sci-Tech*), (iii) the Company and (iv) China Sci-Tech (a copy of which is tabled at this meeting and marked "A" and initialed by the chairman of this meeting for the purpose of identification) and more particularly described in the circular of the Company dated 3 June 2009 (the *Circular*), to purchase the entire issued share capital in Maxter Investments Limited from Polytex at the option price (as particularly described in the Circular), and all transactions contemplated thereunder (including without limitation, the Company entering into the Option Agreement as the guarantor of Acewick) be and are hereby approved, ratified and confirmed;
- (b) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things as he/she may in his/her absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the Call Option, the Option Agreement and the transactions contemplated thereunder and to agree to such variations of the terms of the Option Agreement as he/she may in his/her absolute discretion consider necessary or desirable; and

* For identification purpose only

The proposal put forward by the Board to change the name of the Company to "G-Resources Group Limited" "國際資源集團有限公司" as disclosed and more particularly described in the 4 May Circular was approved by the Shareholders on 29 May 2009. The new company name will take effect when the necessary registrations and procedures in respect of the change of company name have been completed.

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- (c) any one director of Acewick be and is hereby authorised for and on behalf of Acewick to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things as he/she may in his/her absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the Call Option, the Option Agreement and the transactions contemplated thereunder and to agree to such variations of the terms of the Option Agreement as he/she may in his/her absolute discretion consider necessary or desirable.”

“2. THAT:

- (a) the directors of the Company (the *Board*) be and are hereby authorised and granted specific mandates (the *Specific Mandates*) (information relating to the proposed Specific Mandates is more particularly described in the Circular) to issue and allot:
- (i) 221,428,571 new shares of the Company (equal to US\$10 million divided by HK\$0.35 per share of the Company) (the *Consideration Shares*) as payment for part of the option price to Polytex under the Option Agreement (as particularly described in the Circular);
 - (ii) up to 13 billion new shares of the Company (the *Placing Shares*) pursuant to the proposed placing of the Placing Shares to individual, corporate and/or new institutional investors (the *Placing*); and
 - (iii) a total of up to 403,362,100 new shares of the Company which are to be issued to Mr. Owen L Hegarty and Mr. Peter Geoffrey Albert (the *Share Option Shares*) upon full vesting and exercise of the Share Options pursuant to the Share Option Agreements (as defined below and more particularly described in the Circular);

for the purposes of this resolution:

Share Options means the right to subscribe for the Share Option Shares at a price per share of the Company equal to the Share Option Price pursuant to the Share Option Agreements (as defined below); and

Share Option Price means the price payable in respect of each share of the Company on the exercise of the Share Options pursuant to the Share Option Agreements (as defined below);

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- (b) contingent on the Board resolving to issue all or any part of the new shares pursuant to sub-paragraph (a) above, the Board in exercising (from time to time) the Specific Mandate in respect of all or any part of the Placing Shares be and is hereby authorised to approve, execute, and do or procure to be executed and done, all such documents, deed and things as it may consider necessary or desirable in connection with the issue of all or any part of Placing Shares including (without limitation):
- (i) determine the number of Placing Shares to be issued in each such exercise of the Specific Mandate in respect of the Placing Shares (each an *Exercise*); and
 - (ii) determine the issue price of the Placing Shares of the Company by reference to the relevant market consideration, including the prevailing market conditions, the prevailing market price for the Placing Shares and investor demand for the Placing Shares at the relevant time of each Exercise, provided that the issue price will not be less than HK\$0.35 per Placing Share; and
- (c) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute from time to time all such documents, instruments, agreements and deeds and do all such acts, matters and things as he/she may in his/her absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the Specific Mandates, the Placing and the transactions contemplated thereunder.”

“3. THAT:

- (a) (i) the share option agreement for the subscription of up to 201,681,050 new shares of the Company entered into between the Company and Mr. Owen L Hegarty dated 10 May 2009 and (ii) the share option agreement for the subscription of up to 201,681,050 new shares of the Company entered into between the Company and Mr. Peter Geoffrey Albert dated 10 May 2009 (collectively, the *Share Option Agreements*) (copies of which are tabled at this meeting and marked “B” and “C” respectively and initialed by the chairman of this meeting for the purpose of identification) and more particularly described in the Circular, and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed; and
- (b) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things as he/she may in his/her absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the Share Option Agreements and the transactions contemplated thereunder and to agree to such variations of the terms of the Share Option Agreements as he/she may in his/her absolute discretion consider necessary or desirable.”

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“4. THAT:

- (a) the investment agreement dated 22 May 2009 (the *MV Investment Agreement*) entered into among (i) the Company, (ii) Metal Victory International Limited (*Metal Victory*), a company wholly owned by Mr. Owen L Hegarty, and (iii) Mr. Owen L Hegarty (a copy of which is tabled at this meeting and marked “D” and initialed by the chairman of this meeting for the purpose of identification) and more particularly described in the Circular, pursuant to which Metal Victory has agreed, among other things, to subscribe for the MV Subscription Shares at the Subscription Price and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

for the purposes of this resolution:

MV Subscription Shares mean the number of shares of the Company equal to (i) the Hong Kong dollar equivalent of US\$30,000,000 or such lesser amount (exclusive of brokerage, fee and levy, if any) as determined by the Company at its absolute right and discretion divided by (ii) the Subscription Price, rounded down to the nearest whole board lot of 3,000 shares; and

Subscription Price means the final subscription price per Share (exclusive of brokerage, fee and levy, if any) at which the shares are to be subscribed by Metal Victory, to be determined by the Company and Morgan Stanley & Co. International plc at their absolute discretion, which shall be the same as that of other cornerstone investors in the same tranche, subject to a minimum price of HK\$0.35 per share; and

- (b) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things as he/she may in his/her absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the MV Investment Agreement and the transactions contemplated thereunder and to agree to such variations of the terms of the MV Investment Agreement as he/she may in his/her absolute discretion consider necessary or desirable.”

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“5. THAT:

- (a) the investment agreement dated 27 May 2009 (the *Lew Investment Agreement*) entered into between the Company and Dr. Lew Mon Hung (*Dr. Lew*) (a copy of which is tabled at this meeting and marked “E” and initialed by the chairman of this meeting for the purpose of identification) and more particularly described in the Circular, pursuant to which Dr. Lew has agreed, among other things, to subscribe for the Lew Subscription Shares at the Subscription Price and all transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

for the purposes of this resolution:

Lew Subscription Shares mean the number of shares of the Company equal to (i) the Hong Kong dollar equivalent of US\$10,000,000 or such lesser amount (exclusive of brokerage, fee and levy, if any) as determined by the Company at its absolute right and discretion divided by (ii) the Subscription Price, rounded down to the nearest whole board lot of 3,000 shares; and

Subscription Price means the final subscription price per share (exclusive of brokerage, fee and levy, if any) at which the shares are to be subscribed by Dr. Lew, to be determined by the Company and Morgan Stanley & Co. International plc at their absolute discretion, which shall be the same as that of other cornerstone investors in the same tranche, subject to a minimum price of HK\$0.35 per share; and

- (b) any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such documents, instruments, agreements and deeds and do all such acts, matters and things as he/she may in his/her absolute discretion consider necessary or desirable for the purpose of and in connection with the implementation of the Lew Investment Agreement and the transactions contemplated thereunder and to agree to such variations of the terms of the Lew Investment Agreement as he/she may in his/her absolute discretion consider necessary or desirable.”

By Order of the Board
Smart Rich Energy Finance (Holdings) Limited
Owen L Hegarty
Vice-Chairman and Chief Executive Officer

Hong Kong, 3 June 2009

NOTICE OF SGM

Principal place of business in Hong Kong:

Suite 09, 19/F.
Harbour Centre
25 Harbour Road
Wanchai
Hong Kong

Registered office:

Canon's Court
22 Victoria Street
Hamilton HM12
Bermuda

Notes:

- (1) A shareholder of the Company (the *Shareholder*) entitled to attend and vote at the SGM convened by the above notice or any adjournment thereof (as the case may be) may appoint one or more than one proxy to attend and to vote in his/her stead. A proxy need not be a Shareholder.
- (2) Where there are joint registered holders of any share of the Company (the *Share*), any one such person may vote at the SGM, either personally or by proxy, in respect of such Share as if he/she were solely entitled thereto; but if more than one of such joint holders be present at the SGM personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such Shares shall alone be entitled to vote in respect thereof.
- (3) The instrument appointing a proxy shall be in writing under the hand of the appointer or an attorney duly authorised in writing. If the appointer is a corporation, the form of proxy must be under its common seal or under the hand of an officer, attorney or other person authorised to sign the proxy.
- (4) In order to be valid, the form of proxy when duly completed and signed in accordance with the instructions printed thereon together with any power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited at the Company's branch share registrar in Hong Kong, Union Registrars Limited, at Rooms 1901-02, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as practicable and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof (as the case may be).
- (5) Completion and delivery of the form of proxy will not preclude Shareholders from attending and voting in person at the SGM or any adjournment thereof (as the case may be) and in such event, the form of proxy will be deemed to be revoked.

As at the date of this notice, the Board comprises Dr. Lew Mon Hung, Mr. Owen L Hegarty, Mr. Wah Wang Kei, Jackie, Mr. Hui Richard Rui, Mr. Tsui Ching Hung and Mr. Kwan Kam Hung, Jimmy as executive directors and Ms. Ma Yin Fan, Mr. Leung Hoi Ying and Mr. Yu Pan as independent non-executive directors.