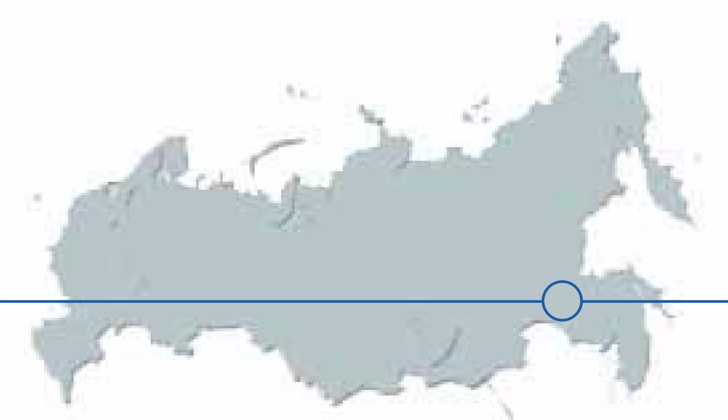


# Amur Minerals Corporation

## Placing and Admission to AIM

Nominated Adviser NABARRO WELLS

Broker FD CAPITAL

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Document, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.**

**Application has been made for the entire issued and to be issued ordinary share capital of Amur Minerals Corporation to be admitted to trading on the AIM market of London Stock Exchange plc. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on 15 March 2006.**

**AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. London Stock Exchange plc has not itself examined or approved the contents of this Document.**

This Document constitutes an admission document drawn up in accordance with the AIM Rules. It is not a prospectus and has not been delivered to the Financial Services Authority in accordance with the Prospectus Rules.

Your attention is drawn to the discussion of risks and other factors which should be considered in connnection with an investment in the Ordinary Shares, set out in Part II, headed "Risk Factors".

---

# Amur Minerals Corporation

*(incorporated and registered in the British Virgin Islands with registered number 1010359)*

## Placing of up to 13,939,394 new Ordinary Shares at 33p per share and admission to trading on AIM

Nominated Adviser

NABARRO WELLS

Broker

Fox-Davies Capital Limited

**Number of Ordinary Shares of no par value on Admission**

| *Authorised* | *Issued* |
|---|---|
| 150,000,000 | 87,778,946* |

*assuming full subscription under the Placing

---

The Directors, whose names are set out on page 3, accept responsibility for the information contained in this Document including individual and collective responsibility for compliance with the AIM Rules. To the best of the knowledge of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Document is in accordance with the facts and contains no omission likely to affect the import of such information.

Nabarro Wells & Co. Limited, which is regulated by the Financial Services Authority in the United Kingdom, is acting exclusively for the Company as its nominated adviser for the purposes of the AIM Rules. Nabarro Wells & Co. Limited's responsibilities as the nominated adviser to the Company are owed solely to London Stock Exchange plc. Nabarro Wells & Co. Limited will not be responsible to anyone other than the Company for providing the protections afforded to customers of Nabarro Wells & Co. Limited or for advising any other persons on the arrangements described in this Document. Nabarro Wells & Co. Limited has not authorised the contents of, or any part of, this Document and (without limiting the statutory rights of any person to whom this Document is issued) no liability whatsoever is accepted by Nabarro Wells & Co. Limited for the accuracy of any information or opinions contained in this Document or for the omission of any material information for which the Company and its Directors are solely responsible.

Fox-Davies Capital Limited, which is authorised and regulated by the Financial Services Authority, is the Company's broker, is a member of the London Stock Exchange and is acting exclusively for the Company in connection with the Placing and any other arrangement described in this Document. Fox-Davies Capital Limited will not be responsible to anyone other than the Company for providing the protections afforded to customers of Fox-Davies Capital Limited or for advising any other person on the Placing and other arrangements described in this Document.

Neither Nabarro Wells & Co. Limited nor Fox-Davies Capital Limited is making any representation or warranty, express or implied, as to the contents of this Document.

This Document does not constitute an offer of, or solicitation of an offer to subscribe for or buy, Ordinary Shares to any person in any jurisdiction to whom it is unlawful to make such offer or solicitation. In particular, this Document should not be distributed, published, reproduced or otherwise made available in whole or in part to any other person and in particular should not be distributed to persons with addresses in the United States of America, Canada, Australia, the Republic of Ireland, South Africa or Japan or any other country outside the United Kingdom where such distribution may lead to a breach of any law or regulatory requirement. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered directly or indirectly in or into the United States of America, Canada, Australia, the Republic of Ireland, South Africa or Japan. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended).

## CONTENTS

## DIRECTORS, SECRETARY AND ADVISERS

**Directors**

| | |
|---|---|
| Robert William Schafer | *Non-Executive Chairman* |
| Robin Jay Young | *Chief Executive Officer* |
| David Fain Wood | *Chief Financial Officer* |
| George William O'Neale Eccles | *Non-Executive Director* |
| Richard David Straker-Smith | *Non-Executive Director* |

All of:
Kingston Chambers, P.O. Box 173, Road Town, Tortola, British Virgin Islands

**Company Secretary**

David Fain Wood

**Registered Office**

Kingston Chambers, P.O. Box 173, Road Town, Tortola, British Virgin Islands

**Nominated Adviser**

Nabarro Wells & Co. Limited
Saddlers House
Gutter Lane
Cheapside
London EC2V 6HS
United Kingdom

**Broker**

Fox-Davies Capital Limited
Whitefriars House
6 Carmelite Street
London EC4Y 0BS
United Kingdom

**Auditors**

Moore Stephens Moscow Limited
Entrance 1
16 Strastnoy Boulevard
Moscow 107031
Russian Federation

**Reporting Accountants**

Moore Stephens LLP
St. Paul's House,
Warwick Lane,
London EC4M 7BP
United Kingdom

**Solicitors to the Company (England and Wales)**

Field Fisher Waterhouse
35 Vine Street
London EC3N 2AA
United Kingdom

**Legal Advisers to the Company (British Virgin Islands)**

Maples and Calder
PO Box 173
Sea Meadow House
Road Town
Tortola
British Virgin Islands

**Legal Advisers to the Company (Russian Federation)**

Squire Sanders & Dempsey (Moscow) LLC
2/2 Paveletskaya Square
Moscow 115054
Russian Federation

| | |
|---|---|
| **Solicitors to the Placing** | Wedlake Bell<br>52 Bedford Row<br>London WC1R 4LR<br>United Kingdom |
| **Competent Person** | SRK Consulting (UK) Limited<br>Windsor Court<br>1-3 Windsor Place<br>Cardiff CF10 3BX<br>United Kingdom |
| **Registrars** | Capita IRG (Offshore) Limited<br>Victoria Chambers<br>Liberation Square<br>1/3 The Esplanade<br>St. Helier<br>Jersey JE4 0FK<br>Channel Islands |
| **Depositary** | Capita IRG Trustees Limited<br>The Registry<br>34 Beckenham Road<br>Beckenham<br>Kent BR3 4TU<br>United Kingdom |
| **Principal Bankers** | Standard Bank Jersey Ltd<br>PO Box 583<br>47-49 La Motte St.<br>St. Helier<br>Jersey JE4 8XR<br>Channel Islands |
| **Financial PR Consultants** | Parkgreen Communications Limited<br>Ireland House<br>First Floor<br>150 New Bond Street<br>London W15 2AQ<br>United Kingdom |

## DEFINITIONS

The following definitions apply in this Document unless the context requires otherwise:

| | |
|---|---|
| **"Act"** | the BVI Business Companies Act, 2004 of the British Virgin Islands, as amended |
| **"Admission"** | admission of the Enlarged Share Capital to trading on AIM and such admission becoming effective in accordance with the AIM Rules |
| **"AIM"** | the AIM market of the London Stock Exchange |
| **"AIM Rules"** | the rules for AIM companies published by the London Stock Exchange from time to time |
| **"Articles"** | the Articles of Association of the Company |
| **"BVI"** | the British Virgin Islands |
| **"Board" or "Directors"** | the directors of the Company whose names appear on page 3 of this Document |
| **"Capita"** | Capita IRG Trustees Limited |
| **"CIS"** | the Commonwealth of Independent States |
| **"City Code"** | the City Code on Takeovers and Mergers |
| **"Company" or "AMC"** | Amur Minerals Corporation |
| **"Competent Person" or "SRK"** | SRK Consulting (UK) Limited |
| **"Competent Person's Report"** | the report prepared by the Competent Person contained in Part III of the Document |
| **"CREST"** | the computerised paperless settlement system operated by CRESTCo Limited which facilitates the transfer of title to shares in uncertificated form |
| **"Dalgeophysica"** | FGUP Dalgeophysica, a state owned enterprise administered by the Ministry of Natural Resources of the Russian Federation |
| **"Depositary"** | Capita acting in its capacity as depositary pursuant to the terms of the agreement for the provision of depositary services entered into between the Company and Capita |
| **"Depositary Interest"** | an AMC depositary interest issued by the Depositary in the ratio of one for one in respect of each Ordinary Share deposited with the Depositary for conversion to a depositary interest |
| **"Document"** | this document |
| **"Dollars", "US$" or "$"** | the lawful currency of the United States of America |
| **"Enlarged Share Capital"** | the number of issued Ordinary Shares immediately following Admission, comprising the Existing Ordinary Shares, the Placing Shares and the Warrant Shares |
| **"Existing Ordinary Shares"** | the Ordinary Shares in issue at the date of this Document |
| **"Falconbridge"** | Falconbridge Limited, one of the world's largest producers of zinc and nickel and a significant producer of copper, primary and fabricated aluminium, cobalt, lead, molybdenum, silver, gold and sulphuric acid |
| **"Fox-Davies Capital"** | Fox-Davies Capital Limited, the Company's broker |
| **"FSA"** | the United Kingdom Financial Services Authority |
| **"Group"** | the Company and its subsidiaries at the date of this Document |
| **"London Stock Exchange"** | London Stock Exchange plc |

| | |
|---|---|
| **"Nabarro Wells"** | Nabarro Wells & Co. Limited, the Company's nominated adviser for the purposes of the AIM Rules |
| **"NYSE"** | the New York Stock Exchange operated by New York Stock Exchange, Inc. |
| **"Ordinary Shares"** | the ordinary shares of no par value in the capital of the Company |
| **"Placees"** | those persons subscribing for Placing Shares in the Placing at the Placing Price |
| **"Placing"** | the conditional placing of the Placing Shares at the Placing Price as described in this Document, pursuant to the Placing Agreement |
| **"Placing Agreement"** | the conditional agreement dated 10 March 2006, between the Company (1), the Directors (2), Nabarro Wells (3) and Fox-Davies Capital (4) relating to the Placing, details of which are set out in paragraph 9(c) of Part V of this Document |
| **"Placing Price"** | 33p per Ordinary Share |
| **"Placing Shares"** | up to 13,939,394 new Ordinary Shares to be issued pursuant to the Placing at the Placing Price |
| **"Pounds" or "£"** | the lawful currency of the UK |
| **"Roubles" or "RUR"** | the lawful currency of the Russian Federation |
| **"Shareholders"** | holders of Ordinary Shares |
| **"TSX"** | the Toronto Stock Exchange operated by TSX Group, Inc. |
| **"UK"** | the United Kingdom of Great Britain and Northern Ireland |
| **"UK Act"** | The UK Companies Act 1985, as amended |
| **"UKLA" or "UK Listing Authority"** | the United Kingdom Listing Authority of the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000 |
| **"Warrants"** | the existing warrants granting holders the right to subscribe for new Ordinary Shares, further details of which are set out in Part I of this Document |
| **"Warrant Shares"** | the 14,187,952 new Ordinary Shares to be issued to holders of Warrants on Admission |
| **"ZAO Kun-Manie"** | ZAO Kun-Manie, a closed joint stock company, formed on 14 April 2003 and registered by the Inspection of the Ministry of the Russian Federation for Taxes and Levies for the central district of Khabarovsk on 29 April 2003 under Company State Registration Number (OGRN) 1032700313678. |

## PLACING STATISTICS

| | |
|---|---|
| Placing Price | 33p |
| Existing Ordinary Shares | 59,651,600 |
| Number of Ordinary Shares being issued pursuant to the exercise or waiver of the existing Warrants | 14,187,952 |
| Number of Placing Shares being issued pursuant to the Placing | 13,939,394* |
| Enlarged Share Capital | 87,778,946* |
| Percentage of Enlarged Share Capital being placed | 15.9%* |
| Gross proceeds of the Placing | £4,600,000* |
| Estimated net proceeds of the Placing | £3,750,000* |
| Market capitalisation of the Company on Admission at the Placing Price | £28,967,052* |

*assuming full subscription under the Placing

## EXPECTED TIMETABLE

| | |
|---|---|
| Admission effective and dealings commence in the Ordinary Shares on AIM | 15 March 2006 |
| CREST member accounts credited by | 15 March 2006 |
| Expected despatch of definitive share certificates by | 29 March 2006 |

# PART I

## INFORMATION ON THE GROUP

### Introduction

Amur Minerals Corporation was incorporated in the British Virgin Islands in January 2004 under the name of Croesus Resources Group Limited and subsequently changed its name to Amur Minerals Corporation. The principal aim of the Group is to locate, evaluate, acquire, explore and develop mineral properties and projects, primarily in the far east of the Russian Federation.

The Group currently owns one exploration licence in respect of a nickel-copper-PGM deposit, known as Kun-Manie, located in the Amur Province in the far east of the Russian Federation.

The Group has financed its activities to date through three fundraisings with certain institutional and individual investors through which the Company has, in aggregate, raised approximately US$7.8 million.

The Board has extensive experience in the financing, exploration and development of mineral resources in the CIS.

### Group Structure

The Company has two wholly-owned subsidiaries: Irosta Trading Limited (100 per cent. owned by the Company), a company incorporated in Cyprus; and ZAO Kun-Manie (100 per cent. owned by Irosta Trading Limited), a closed joint stock company incorporated in the Russian Federation. ZAO Kun-Manie owns the Group's exploration licence.

The Group has its head office in the city of Khabarovsk, Khabarovsk Region with further administrative offices in Blagoveshchensk and Moscow.

### Group Strategy and Future Prospects

In pursuing its objective, as stated above, the Group will utilise its network of contacts that have knowledge of the geological prospecting history in the regions and its strong relationship with local contractors, various geological institutes and federal agencies seeking to:

**Create** value by:

- securing mineral exploration projects below the "radar screen" of large Russian and active Western companies;
- focusing on exploration properties for appraisal which have the potential for discoveries, leading to production; and
- acquiring existing licensed projects which are at or near production phase and undercapitalised.

**Realise** value by:

- taking an asset through bankable feasibility stage and into production;
- entering into joint venture agreements or farm-in agreements on specific assets where appropriate; and
- selling assets at an appropriate stage of their development.

Currently, the Group's principal asset is the exploration licence in respect of the Kun-Manie nickel-copper-PGM exploration project.

The Group's plan for Kun-Manie is to continue exploration activities within the licence area. These activities will include the examination of areas where anomalous results have been obtained but mineralised structures have not as yet been discovered, conducting preliminary assessment of identified mineral structures by trenching and drilling, and continuing with exploration drilling within the three identified mineralised areas of Vodorazdelny, Ikenskoe and Falcon where, in the case of Vodorazdelny and Ikenskoe, Mineral Resources have already been identified.

The Group will also seek to develop a portfolio of projects and may acquire additional exploration projects by applications for new licences or by acquisition of existing licences that meet the Group's criteria.

The Directors believe that the Group has three key strengths which will facilitate this strategy:

- the Directors and key executives have extensive contacts within the community of geologists in the far east of the Russian Federation, providing access to people and information with direct knowledge of areas that were explored in the past;
- the Group is led by Robin Young, who has extensive experience in developing exploration assets through to production in the CIS and elsewhere; and
- the Board has transaction support skills and experience in closing acquisitions in the CIS.

Drawing on their experience gained through operating in the challenging environment of the former Soviet Union, the Group's executive team have the potential to develop the Group both through the continued exploration of the Kun-Manie project and through new projects. The Group will pursue a selective and disciplined acquisition strategy for mineral resources in the Russian Federation and other CIS countries where relationships are well established. The emphasis will be on projects which have the potential to increase in value as a result of focused exploration and development in a reasonable timescale, with a specific focus on enhancing shareholder value.

The funds being raised pursuant to the Placing will be used to continue the exploration of the Kun-Manie project and to build a balanced portfolio of regional prospects.

**The Kun-Manie Property**

***Background***

In April 2004, ZAO Kun-Manie was granted a licence to explore for nickel and related metals, including copper and platinum, in respect of the Kun-Manie project. The licence covers an area of approximately 950 square kilometres and is located in the northeast corner of the Amur Province (see Figure 1). It is approximately 700 kilometres northeast of the capital city of Blagoveshchensk and the nearest community (Verkne-Ziesk) to the site is located 275 kilometers southwest of the licence area. This community is situated on the Baikal-Amur Railroad.

***Geology***

The dominant geological feature within the licence is the Kun-Manie Massif, which is a metagabbro-anorthosite intrusive of Early Archaean age. The massif hosts a series of mafic and ultramafic nearly flat lying sills, some of which contain significant amounts of sulphide which are enriched with nickel, copper, platinum and palladium. The majority of the identified sills are located within the 40 kilometre long by 2 kilometre wide Krumkon Trend and this trend represents the primary exploration target. Mineralisation includes nickel bearing pyrrhotite, pentlandite and copper-bearing chalcopyrite occurring in both disseminated and veinlet form. To date, more than 100 such sills ranging in thickness from less than a metre to more than 30 metres have been identified within the trend, although not all contain sulphides. The massif is surrounded by Pre-Cambrian granulite crystalline schists, amphibole gneisses, and granulite schists.

***Exploration Overview***

To date, exploration of the licence area has been completed in three phases. These include:

- Historical work undertaken post World War II by various Soviet State agencies including reconnaissance airborne geophysics, geological mapping and geochemical sampling. Results identified that the region contained significant areas of anomalous nickel and cobalt values warranting additional exploration.
- From 1999 to 2002, Falconbridge (a TSX and NYSE listed company) conducted a review of available results and reconnaissance exploration work. It identified the Kun-Manie area as an area of merit and acquired an exploration licence in the area. Subsequently, it conducted additional exploration including geochemical sampling, trenching and diamond core drilling within a six kilometre length of the Krumkon Trend. In 2002, Falconbridge relinquished the licence.
- In 2004, ZAO Kun-Manie was granted a new exploration licence for the area based on existing exploration information available from the Geology Fund of the Russian Federation. It has, in two field seasons, completed an extensive amount of airborne geophysics, geological mapping, geochemical sampling, trenching and diamond core drilling. Further details of the Group's exploration activities to date are set out in section 4.5 of the Competent Person's Report. In addition preliminary metallurgical test work has been conducted and environmental base line studies have been initiated.

The Kun-Manie licence area is large (approximately 950 square kilometres) and the density and quality of the exploration information varies across the extent of the licence area. The work carried out to date has identified multiple targets throughout the area which each warrant further exploration. The targets are comprised of the following:

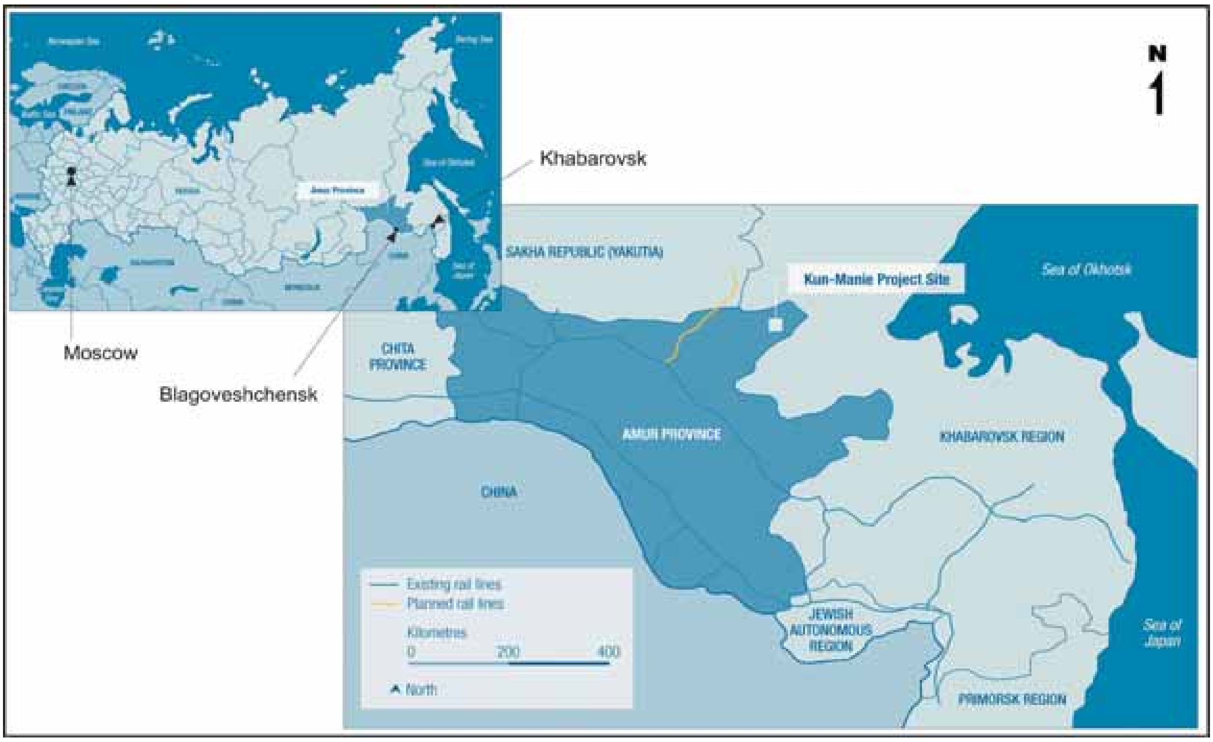
- The main target area is the 40 kilometres long by 2 kilometres wide Krumkon Trend which hosts the preponderance of the mafic and ultramafic sills containing the nickel, copper, and PGM identified mineralisation. The density of exploration within this trend varies significantly and has been divided into separate target categories requiring differing levels of exploration work. These are as follows:
    1. Near the middle of the Krumkon Trend is a six kilometre long zone which has the highest density of exploration information. This area has been tested by diamond core drilling, trenching and geological mapping. Here, three distinct mineralised zones have been identified and are named Vodorazdelny, Ikenskoe and Falcon. The drilling and sampling is of a sufficient density to have allowed for the independent estimation of a Mineral Resource by the Competent Person for the Vodorazdelny and Ikenskoe deposits. Presently this estimate serves as the basis for the valuation of the Kun-Manie project. Additional drilling and trenching of these deposits is required to increase the confidence in the estimates, meet drilling requirements based on the terms of the licence, and to define the limits of the mineralisation which has not yet been fully established for the zones. Several additional sills within the immediate vicinity have not yet been explored by trenching and/or drilling and require investigative exploration. This six kilometre long area represents approximately 15 per cent. of the total Krumkon Trend strike length.
    2. Along the strike of the Krumkon Trend from the drilled area, preliminary exploration has identified three additional targets. To the west are the Maly Krumkon and Chornie Ispelene targets with Kubuk being located to the east. Geochemical sampling and trenching indicates the presence of anomalous nickel and copper values. Both Maly Krumkon and Kubuk currently warrant drilling and Chornie Ispelene needs additional reconnaissance work and trenching. These three targets are contained within a total length of 7 kilometres of the Krumkon Trend (about 17.5 per cent. of its length).
    3. Beyond these and within the remaining 27 kilometres of the trend, geochemical analyses and geological mapping have identified additional outcrops of mafic and ultramafic sills also containing anomalous nickel and copper values as defined by geochemical and stream sediment sampling. Additional exploration is required to determine if the areas represent additional exploration targets.
- Excluding the Krumkon Trend, approximately 60 to 70 per cent. of the licence area contains anomalous nickel values (>0.05% Ni) as defined by stream sediment sampling. Further exploration of this extensive area also remains to be undertaken.

Further details of the Group's exploration programme are contained in the Competent Person's Report which is set out in Part III of this Document and which you are urged to read in full.

*The Exploration Licence*

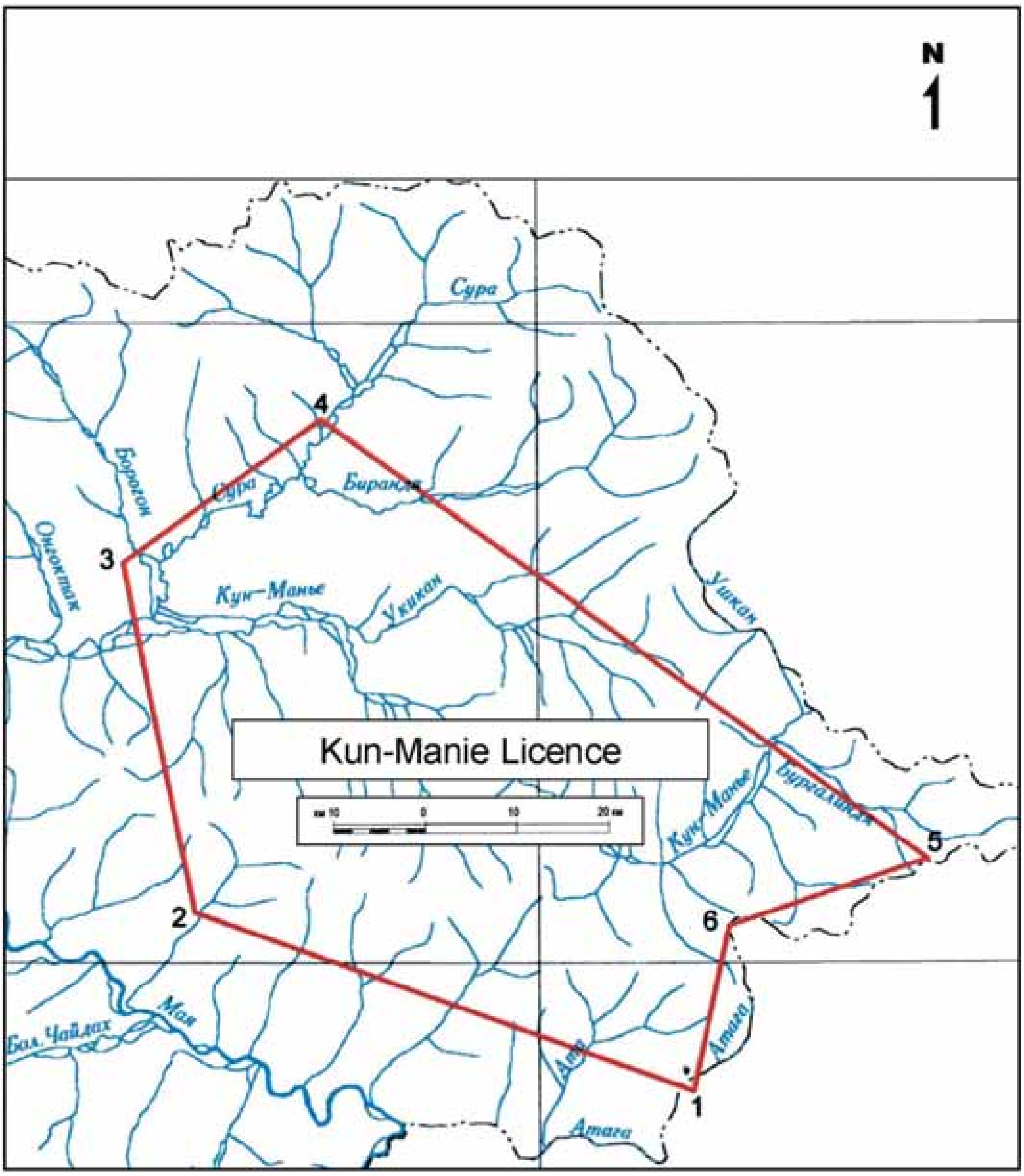
The Group owns a 100 per cent. interest in the Kun-Manie exploration licence, covering an area of approximately 950 square kilometres. It is located within the Amur Province in the far east of the Russian Federation (Figure 1).

**Figure 1: Map of Russia showing location of Amur Province and Kun-Manie Project site**




The Kun-Manie exploration licence was issued in April 2004. It is valid until 31 December 2008. If substantial mineralisation is defined and a discovery is reported and approved by the Ministry of Natural Resources, the licence is convertible to a mining licence. Figure 2 depicts the configuration of the area covered by the exploration licence.

**Figure 2 : Map showing Kun-Manie Licence**




The exploration licence stipulates that a minimum work commitment is required by ZAO Kun-Manie. This consists of a series of milestones, a number of which have been completed, with the balance to be completed by December 2008. Section 4.1 of the Competent Person's Report in Part III of this Document contains further details of these milestones and the extent to which they have been completed or when they are scheduled to be completed.

**Resource Estimate**

The Competent Person's Mineral Resource estimate for the Kun-Manie project is summarised in the table below. The estimate includes both Indicated and Inferred Mineral Resources as defined by the JORC Code.

**Competent Person's Independent Mineral Resource Estimate**

| *Mineralised Area* | *Tonnage (Mt)* | *Ni (%)* | *Ni (t)* | *Cu (%)* | *Cu (t)* | *Pt (g/t)* | *Pt (Kg)* | *Pd (g/t)* | *Pd (Kg)* |
|---|---|---|---|---|---|---|---|---|---|
| **Vodorazdelny** | | | | | | | | | |
| Indicated | 7.1 | 0.60 | 42,900 | 0.17 | 12,000 | 0.2 | 1,100 | 0.1 | 1,000 |
| Inferred | 3.6 | 0.62 | 22,500 | 0.19 | 6,700 | 0.2 | 700 | 0.2 | 600 |
| Sub-Total | 10.7 | 0.61 | 65,400 | 0.17 | 18,700 | 0.2 | 1,800 | 0.2 | 1,600 |
| **Ikenskoe** | | | | | | | | | |
| Indicated | 21.3 | 0.42 | 89,500 | 0.12 | 25,800 | 0.2 | 3,400 | 0.2 | 3,800 |
| Inferred | 14.1 | 0.39 | 54,200 | 0.10 | 14,000 | 0.1 | 1,200 | 0.1 | 1,800 |
| Sub-total | 35.4 | 0.41 | 143,600 | 0.11 | 39,800 | 0.1 | 4,600 | 0.2 | 5,600 |
| **Total Indicated** | 28.4 | 0.47 | 132,300 | 0.13 | 37,800 | 0.2 | 4,500 | 0.2 | 4,800 |
| **Total Inferred** | 17.7 | 0.43 | 76,700 | 0.12 | 20,700 | 0.1 | 1,900 | 0.1 | 2,400 |
| **Grand Total** | 46.1 | 0.45 | 209,000 | 0.13 | 58,500 | 0.1 | 6,400 | 0.2 | 7,200 |

The Competent Person states in the Competent Person's Report that further exploration is likely to enable this estimate to be upgraded to the Measured category and also to be extended laterally. Further information on the basis for the resource estimate is set out in section 4.6 of the Competent Person's Report. At the present stage of development of the Group's assets, the Directors do not believe that it would be possible with any degree of accuracy to predict the dates on which commercial extraction is expected to commence, if ever.

**Valuation**

The Competent Person's Report presents a fair value of the Kun-Manie project for the purposes of the Company's Admission to AIM.

The Competent Person has valued Kun-Manie using a nickel equivalent in the ground approach using its mineral resource estimate as the basis of this. In using this approach the Competent Person has also confirmed that the grade is potentially sufficient to support an economic mining operation. Given this, the Competent Person has valued the Indicated Mineral Resource at between US$0.12/lb and US$0.20/lb nickel equivalent and the Inferred Mineral Resource at between US$0.08/lb and US$0.12/lb nickel equivalent. This is comparable to between 3 and 4 per cent. of the contained nickel equivalent within the Indicated Mineral Resource, and between 2 and 3 per cent. of the contained nickel equivalent within the Inferred Mineral Resource, assuming medium term prices of US$4.00/lb for nickel, US$1.00/lb for copper, US$500/oz for platinum and US$250/oz for palladium. **The Competent Person's valuation of Kun-Manie on this basis is between US$60 million and US$80 million**.

Full details of the Competent Person's valuation are set out in Section 7 of the Competent Person's Report.

**Dalgeophysica**

The Group has established a strong working relationship with Dalgeophysica, a local Russian company whose head offices are located in Khabarovsk, Russia. Dalgeophysica is a state owned enterprise administered by the Ministry of Natural Resources of the Russian Federation and has been in operation for 55 years.

The Group outsources its exploration work to Dalgeophysica who provide all necessary equipment and personnel required for undertaking the work with the Group maintaining management on site to monitor progress and direct exploration. It is intended that Dalgeophysica will continue to carry out the Group's exploration programme on the Kun-Manie project and a contract has been signed in respect of the next drilling season due to commence in May 2006. Dalgeophysica also assist in ensuring that all work meets Russian required standards relating to field procedures, the recording of information and reporting. Assistance in permitting and licensing of on site activities is also provided.

**Reasons for the Placing and Admission and Use of Proceeds**

The Group seeks to grow by further exploration and evaluation of the Kun-Manie project as well as adding new projects to the Group's portfolio. With respect to Kun-Manie, the Group's Russian subsidiary has just signed a US$1.95 million contract with Dalgeophysica for the 2006 field season, and has preliminarily budgeted a further US$2.5 million for the 2007 field season. This year's field work will be focused on in-fill diamond core drilling and undertaking other works necessary to apply to the Russian State Committee for Reserves to classify a portion of the deposit as C2 according to the Russian reserve classification system. In addition, the Group intends to drill a limited number of holes in the Maly Krumkon target to the west of Vodorazdelny along the Krumkon Trend. This level of direct expenditure of Kun-Manie field work will be designed to leave room for investment into a pre-feasibility study for Kun-Manie as well as flexibility to pursue new projects. The proceeds of the Placing will also be used to fund the payments due under the termination agreement, details of which are set out in paragraph 9(p) of Part V of this Document.

The Directors believe that admission to AIM, with consequent access to the London capital markets, will provide the necessary flexibility with regard to future financing, liquidity for existing Shareholders, as well as raising the Group's profile and status.

**Directors**

The Company has five directors, two executives and three non-executives. Mr. Schafer is based in the USA. Mr. Young divides his time between Russia and London. Mr. Wood is based in Moscow. Mr. Straker-Smith and Mr. Eccles are based in London and France, respectively.

**Robert William Schafer,** aged 52, Non-Executive Chairman

Mr. Schafer has 29 years of experience in the mineral industry, working in the international sector with both major and junior mining companies. He is currently Vice President, Business Development with Hunter Dickinson Inc., a globally-active private natural resources corporation. Prior to joining Hunter Dickinson Inc. in 2004, Mr. Schafer was the Chief Executive of two junior exploration companies listed on the Toronto Venture Exchange. Between 1996 and 2002 he was the Vice President of Exploration for Kinross Gold Corporation. He held senior exploration management positions with both BHP World Minerals and Billiton Exploration during the 1980's and early 1990's.

Throughout his career Mr. Schafer has worked internationally, with notable experience in the far east of Russia, Southern Africa, South America and Australia. His work has included the structuring and implementation of successful exploration strategies, project reviews and valuations leading to acquisitions, and the management of local and expatriate exploration teams operating in a wide variety of geologic environments.

Currently, Mr. Schafer is the President of the Mining and Metallurgical Society of America, and sits on the boards of the Society for Mining, Metallurgy and Exploration, as well as the Prospectors and Developers Association of Canada. He is a past-president of the Geological Society of Nevada and was a councilor for the Society of Economic Geologists, a Trustee for the Northwest Mining Association. He also served on a committee of the National Research Council in its advisory role to the U.S. Congress on geologic data preservation.

In 2002 the American Institute for Mining, Metallurgical and Petroleum Engineers presented Robert Schafer with its William Lawrence Saunders Gold Medal for career achievement.

**Robin Jay Young,** aged 51, Chief Executive Officer

Mr. Young has 29 years of experience in the mineral resources industry. He has held positions of increasing responsibility within the exploration, development and production sectors. Since 1980, he has been involved in the international sector and has been the Chief Executive Officer of two geological and mining consultancy companies as well as CEO of the Company since October 2004. As CEO of these companies, he has been responsible for the comprehensive activities of the organizations that have been utilized by both small and large multinational exploration and mining companies. Projects have included the design and management of exploration programmes, surface and underground mine development, operation's management and minerals resource appraisals. Commodities have typically included precious and base metals, industrial minerals and energy fuel commodities. He is a Geological Engineer (*cum laude*) and is a Qualified Professional Geologist as defined by the Canadian based exchanges. His work has been used to assist in the listing and financing of various companies in London and Canada.

Since 1991, Mr. Young has worked extensively throughout the CIS and Eastern European countries. His work has included the identification of acquisitions, reviews of exploration programmes, pre-feasibility to detailed engineering studies, mine management and operational reviews with the intent of restructuring management methods and approaches. Extensive work related to acquisitions, resource and reserve estimation, mine design, production scheduling, compilation of economic evaluations, and validation of studies intended for use in project financing have also been completed under his direct supervision. He has experience within Slovakia, Kazakhstan, Kyrgystan, Uzbekistan, Russia, Romania, Yugoslavia, and China.

During his time within the CIS he has developed numerous contacts allowing for project execution and completion. This includes contractor services, local contacts and national level ministerial contacts as well as direct contacts with highly placed politicians.

**David Fain Wood,** aged 38, Chief Financial Officer

Mr. Wood has been Chief Financial Officer of the Company since October 2004, and has been a consultant to the Company since February 2004. Reflecting the Company's present requirements, Mr. Wood has agreed to spend 50 per cent. of his time working for the Group. The Directors plan to review this agreement in 12 months time, or earlier if necessary. Mr. Wood has sixteen years of corporate finance advisory experience, two-thirds of which has been in the former Soviet Union. From 1996 to 2002, he was a management consultant with Deloitte & Touche in the CIS and led their management consulting and corporate finance practices in Moscow and Almaty. Mr. Wood has a Bachelor of Arts (*cum laude)* from New York University and a Master of Business Administration from Southern Methodist University. He speaks fluent Russian and resides in Moscow.

**George William O'Neale Eccles,** aged 55, Non-Executive Director

Mr. Eccles graduated with a law degree from the London School of Economics and then trained as a chartered accountant. He became a partner in the London office of Deloitte Haskins & Sells before moving to Moscow where he was a partner in Coopers & Lybrand and later in Deloitte & Touche. More recently, he has worked in Kazakhstan as Chief Operating Officer of the Central Asian-American Enterprise Fund, a US government sponsored development fund. He is currently non-executive Chairman of Hambledon Mining PLC.

**Richard David Straker-Smith,** aged 47, Non-Executive Director

Mr. Straker-Smith joined CrossBorder Capital in early 1999 having been in the financial markets since 1980. His previous positions include director at Gerrard and National plc, manager of proprietary equity book at Gerrard and National and Head of East Europe and Middle Eastern Equity sales at Baring Securities. He is currently a senior non-executive director of LTG Technologies Plc and director of a number of limited companies.

**Key Executive**

**Dr. Vladimir S. Prikhodko,** aged 60, General Director of ZAO Kun-Manie

Dr. Prikhodko has served as General Director of the Group's Russian subsidiary since its founding. Prior to that, he served as a regional manager for Russia for two Canadian exploration companies. His professional interests and expertise include magmatic ore deposits (epithermal and mesothermal gold-silver deposits, magmatic sulfide deposits, Cu-Au porphyry deposits, etc.) and diamond deposits of various affinity and origin. He is credited with a discovery of the first lamproite within Amur Craton in Far East Russia. He graduated from Novosibirsk State University with a degree in Economic Geology and a doctorate from Khabarovsk Institute of Tectonics and Geophysics.

**Details of the Placing**

The Company is raising up to £4,600,000 (before total costs and expenses estimated at £850,000) through the Placing of up to 13,939,394 new Ordinary Shares at the Placing Price with investors, representing approximately 15.9 per cent. of the Enlarged Share Capital of the Company on completion of the Placing and Admission (assuming full subscription under the Placing).

Fox-Davies Capital, Nabaro Wells, the Company and the Directors have entered into the Placing Agreement pursuant to which Fox-Davies Capital has agreed to use its reasonable endeavours to procure subscribers for the Placing Shares. The Placing is not being underwritten. Further details of the Placing Agreement are set out in paragraph 9(c) of Part V of this Document.

Robert Schafer and George Eccles have agreed to subscribe for 33,333 and 30,303 Placing Shares respectively pursuant to the Placing.

The Placing is conditional, *inter alia*, on raising a minimum of £3.8 million before expenses and on Admission becoming effective. Dealings in the Ordinary Shares on AIM are expected to commence on 15 March 2006.

In the case of Placees requesting Placing Shares in uncertificated form, it is expected that the Depositary Interests representing the Placing Shares comprising their Placing participation will be issued with effect from Admission.

In the case of placees requesting Placing Shares in certificated form, it is expected that certificates in respect of such shares will be dispatched by post within 14 days after Admission.

**Warrant Shares**

In previous fundraisings, Warrants were granted to certain of the Shareholders which entitled them to subscribe for up to 18,024,400 new Ordinary Shares at an effective exercise price of US$0.125 per new Ordinary Share. 2 Shareholders have agreed to exercise their Warrants, conditional on Admission, which will result in the issue of 300,000 new Ordinary Shares to them. The remaining Shareholders have agreed to waive their Warrants, conditional on Admission, in consideration for the issue of an aggregate number of 13,887,952 new Ordinary Shares.

**Lock-In Arrangements**

On Admission the Directors will be interested in an aggregate of 2,176,938 Ordinary Shares, representing approximately 2.5 per cent. of the Enlarged Share Capital (assuming full subscription under the Placing). Pursuant to lock-in agreements, each of the Directors has undertaken not to sell or otherwise dispose of any interest in Ordinary Shares (except in certain limited circumstances as set out in paragraph 9(d) of Part V of this Document) for a period of 12 months following Admission. Each of the Directors has further undertaken that for a further period of 12 months from the first anniversary of Admission until the second anniversary of Admission he will only sell or otherwise dispose of Ordinary Shares (having consulted with the Company's broker and nominated adviser) on an orderly market basis.

Certain other Shareholders have agreed not to sell or otherwise dispose of any interest in Ordinary Shares for a period of three months following Admission, save in certain circumstances, and have further undertaken that for a further period of six months they will only sell or otherwise dispose of Ordinary Shares (having consulted with the Company's broker and nominated adviser) on an orderly market basis. Details of these arrangements are set out in paragraph 9(e) of Part V of this Document.

**Corporate Governance and Internal Controls**

The Directors recognise the importance of sound corporate governance whilst taking into account the size and nature of the Company. As the Company grows, the Directors intend that the Company should develop policies and procedures that reflect the principles of good governance and the Combined Code on Corporate Governance published by the Financial Reporting Council (commonly known as the "Combined Code"), to the extent that they are appropriate to the size of the Company. However, options have been granted to Directors and non-executive Directors which are not subject to performance criteria and become fully exercisable in less than three years. Details of the options granted are set out in paragraphs 6 and 9 of Part V of this Document. In the opinion of the Directors, although the non-executive Directors have options, these are not considered to be material enough to either the Company or the non-executive Directors concerned to impair their independence. The executive Directors of the Company (Mr. Young and Mr. Wood) have played an important role in the development of the Company but were not founders of the Company and have only modest shareholdings (as set out in paragraph 5 of Part V of this Document). Consequently, the Remuneration Committee recently awarded options to the executive Directors without further performance criteria which become fully exercisable in less than three years in order to reward the executive Directors for their work prior to Admission, grant them a bigger stake in the Company and align their interests with those of the Shareholders. There is no formal corporate governance regime in the British Virgin Islands although the Directors are subject to certain fiduciary duties including the duty to act honestly, in good faith and in the best interests of the Company as a whole.

**Audit Committee**

The Company has established an audit committee. The audit committee is made up of George Eccles (as chairman of the committee) and David Straker-Smith. It will meet at least twice each year and at any other time when it is appropriate to consider and discuss audit and accounting related issues. The audit committee will be responsible for monitoring the quality of internal controls and for ensuring that the financial performance of the Company is properly monitored, controlled and reported on. It will also meet the Company's auditors and review reports from the auditors relating to accounts and any internal control systems. The audit committee will comprise the chairman of the audit committee (who will be an independent non-executive Director) and at least one other independent non-executive Director.

**Remuneration Committee**

The Company has established a remuneration committee, made up of Robert Schafer (as chairman of the committee) and David Straker-Smith. The remuneration committee will review the performance of the executive Directors and set the scale and structure of their remuneration (including as regards bonuses and share options) and the basis of their service agreements with due regard to the interests of Shareholders. In determining the remuneration of the executive Directors, the remuneration committee seeks to enable the Company to attract and retain executive Directors of the highest calibre. The remuneration committee also makes recommendations to the Board concerning the allocation of options to executive Directors. No Director is permitted to participate in discussions or decisions concerning their own remuneration. The remuneration committee will comprise the chairman of the remuneration committee (who will be an independent non-executive Director) and at least one other independent non-executive Director.

The Company has adopted a share dealing code, based on the Model Code (as set out in Annex 1R to Chapter 9 of the Listing Rules of the UK Listing Authority), for Directors, persons discharging managerial responsibilities and relevant employees which is appropriate for an AIM quoted company and is in accordance with Rule 21 of the AIM Rules.

The Directors will comply with Rule 21 of the AIM Rules relating to Directors' dealings and will take all reasonable steps to ensure compliance by the Group's applicable employees.

**Dividend Policy**

The nature of the Group's business means that it is unlikely that the Directors will recommend a dividend in the early years following Admission. The Directors believe the Company should seek to generate capital growth for its Shareholders and may recommend distributions at some future date, depending upon the generation of sustainable profits, when it becomes commercially prudent to do so.

**Taxation**

Further information regarding taxation in relation to the Placing and Admission is set out in paragraph 12 of Part V of this Document. This information is, however, only intended as a general guide to the current tax position under UK and BVI law. If you are in any doubt as to your tax position, or you are subject to tax in jurisdictions other than the UK or the BVI, you should consult your own independent financial adviser immediately.

**Financial Information**

Financial information about the Group is set out in Part IV of this Document. The information provided comprises of a short form report prepared by the reporting accountants based upon the audited accounts of the Group for the period from incorporation on 28 January 2004 until 30 June 2005.

**Admission to trading on AIM**

The Company has applied to the London Stock Exchange for all the issued and to be issued Ordinary Shares to be admitted to trading on AIM. Dealings in the Ordinary Shares on AIM are expected to commence on 15 March 2006.

**Dealing Arrangements and CREST**

CREST is a computerised paperless settlements system, which allows securities to be transferred via electronic means, without the need for a written instrument of transfer.

Foreign securities cannot be held or traded in the CREST system. To enable investors to settle their securities through CREST, a Depositary has been appointed to hold the relevant foreign securities and issue dematerialised depositary interests representing the underlying securities. The Company has appointed Capita IRG Trustees Limited to act as Depositary. The Depositary will hold the Ordinary Shares on trust for the depositary interest holders and this trust relationship is documented in a deed poll executed by the Depositary. This deed poll also sets out the procedure for depositary interest holders to vote at general meetings of the Company and to exercise other procedural shareholder rights, which will be transferred to the Depositary with the Ordinary Shares.

The Depositary Interests will be independent, English securities and they will be held on a register maintained by the Depositary. The Depositary Interests will have the same security code as the underlying Ordinary Shares which they represent and will not require a separate admission to AIM.

Shareholders wishing to settle their securities through CREST can transfer their Ordinary Shares to the Depositary, which will then issue Depositary Interests to those shareholders, representing the transferred Ordinary Shares. The shareholders will not hold a share certificate evidencing the underlying Ordinary Shares. Each Depositary Interest will be treated as one Ordinary Share for the purposes of, for example, determining eligibility for dividend payments. Any payments received by the Depositary, as holder of the Ordinary Shares, will be passed on to each Depositary Interest holder noted on the Depositary Interest register as the beneficial owner of the relevant Ordinary Shares.

Participation in CREST is voluntary and shareholders who wish to hold ordinary shares in certificated form may do so. They will not, however, then be able to settle their Ordinary Shares through CREST and will have their holding recorded on the Company's share register in Jersey.

Application has been made for the Depositary Interests, which represent the underlying Ordinary Shares, to be admitted to CREST on Admission.

**The City Code on Takeovers and Mergers**

The Company is not subject to the City Code on Takeovers and Mergers as, being incorporated in the BVI, it is not treated by the Takeover Panel as resident in the UK, the Channel Islands or the Isle of Man. As a result neither a takeover of the Company nor certain stakeholding activities of a shareholder would be governed by the City Code.

The Company has adopted the Articles which incorporate certain provisions which seek to provide Shareholders with certain protections otherwise ordinarily provided by the City Code.

These provisions, like others contained in the Articles, are enforceable by the Company (acting through the Directors) against Shareholders. However, the Company would need to take any action to enforce such provisions in the courts of the BVI without any guarantee that any such action would be successful or any certainty as to what the costs of doing so would be.

**Risk Factors**

**Your attention is drawn to the risk factors set out in Part II of this Document. Potential investors should carefully consider the risks described in Part II before making a decision to invest in the Company.**

## PART II

## RISK FACTORS

In addition to all other information set out in this Document, prospective investors should carefully consider the following specific factors in evaluating whether to make an investment in the Company. The value of the Ordinary Shares may go down as well as up. Investors may, therefore, realise less than the original amount subscribed pursuant to the Placing and could lose their entire investment.

The risks associated with subscribing for the Placing Shares include (but may not be limited to) the following identifiable risks which, individually or in the aggregate, could have a material adverse effect on the Group and holders of the Ordinary Shares.

This Document contains forward-looking statements that involve risks and uncertainties. The Group's results could actually differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Group, which are described below and elsewhere in this Document.

The investment offered in this Document may not be suitable for all of its recipients. An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which might result from such investment. If you are in any doubt about the action you should take, you should consult an investment adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities. The risks identified below are those that the Board believes to be material, but these risks may not be the only ones faced by the Company. Additional risks, including those that the Board currently does not know or deems immaterial, may also result in decreased revenues, increased expenses or other events that could result in a decline in the price of the Ordinary Shares.

### General

The risks described in this section do not necessarily comprise all those faced by the Group and are not intended to be presented in any assumed order of priority. Investors in companies holding their assets in emerging markets such as Russia should be aware that these markets are subject to greater risks than more developed markets, including, in some cases, significant legal, economic and political risks. Investors should also note that emerging markets such as Russia are subject to rapid change and that the information set out in this Document may become outdated quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves after proper consultation whether, in light of those risks, their investment is appropriate.

### Risks Relating to the Group and Mineral Exploration

*Project development risks*

The Group plans to continue to progress its Kun Manie exploration project. Mining development projects typically require a number of years and significant expenditures during the exploration phase before development is possible. In addition, there can be no assurance that these projects will be fully developed in accordance with the Group's current plans or completed on time or to budget.

Estimates of resources are based upon the interpretation of geological data obtained from trench and drill hole samples. Additionally, the resources underlying the project require further evaluation and capital expenditure in order to bring them into production. Future work on the development of the project (and any additional projects pursued by the Group in due course), the levels of production and financial returns arising therefrom may be delayed or adversely affected by factors outside the control of the Group.

*Reserve and Resource estimates*

The Group has derived the resources presented in this Document from the calculations and estimates prepared by the Competent Person and reported in the Competent Person's Report set out in Part III of this Document. Resource figures are estimates and there can be no assurance that they will be recovered or that they can be brought to profitable production. Reserve and resource estimates may require revision based on actual production experience. Further, the volume and grade of reserves mined and processed and the recovery rates may not be the same as currently anticipated, and a decline in the market price of nickel, copper and platinum group metals may render reserves containing relatively lower grades of mineralisation uneconomic and may in certain circumstances ultimately lead to a restatement of reserves.

*The Group's licences*

The Group's activities are dependent upon the grant, renewal or continuance in force of appropriate licences, concessions, leases, permits and regulatory consents which may be valid only for a defined time period, may be subject to limitations and may provide for withdrawal in certain circumstances. There can be no assurance that such licences, concessions, leases, permits and regulatory consents would be granted, renewed or continue in force, or, if so, on what terms.

The process of obtaining licences in Russia is complicated by the fact that federal and regional authorities are involved and that the law is often unclear and contradictory or interpreted in different ways by different authorities or not properly applied by the authorities. To the extent that the Group has controlled the process through which ZAO Kun Manie has obtained its licence, it has attempted to comply with all rules it considered applicable. The Group believes that it enjoys a good working relationship with the licensing authorities.

The Group's current licence contains a range of past, current and future obligations on the Group, and there may be adverse consequences of breach of these obligations, ranging from penalties to, in extreme cases, suspension or termination of the licence or related contracts.

Withdrawal of licences or failure to secure requisite licences at any of the Group's operations may have a material adverse impact on the business, operations and financial performance of the Group.

Further information regarding the Group's current licence can be found in Part III of this Document.

*Environmental issues*

Regulation in Russia governing discharge of materials into the environment is likely to evolve in a manner which will require stricter standards and enforcement, increased penalties for non-compliance, more stringent environmental assessment of proposed mining projects and a heightened degree of responsibility for culpable companies and their directors and employees.

There can be no assurance that compliance with regulations in Russia governing the discharge of materials into the environment, or otherwise relating to environmental protection, will not have a material adverse effect on the Group's exploration activities, results of operations or competitive position.

The Group's operations are subject to environmental regulation (including regular environmental impact assessments and permitting) in Russia. Russian environmental legislation consists of numerous federal and regional regulations which are not fully harmonised and may not be consistently interpreted. As a result, full environmental compliance may not always be ensured.

Moreover, there are certain risks inherent in the activities of every mining company that could subject the Group to extensive liability. New or expanded regulations, if adopted, could affect the exploration or development of the Group's projects, materially increase the Group's cost of doing business, or otherwise have a material adverse effect on the Group's operations.

As a result of the foregoing risks, project expenditures, production quantities and rates and cash operating costs, among other things, may be materially and adversely affected and may differ materially from anticipated expenditures, production quantities and rates, and costs. In addition, estimated production dates may be delayed materially. Any such events could materially and adversely affect the Group's business, financial condition, results of operations and cash flows.

*Dependence on key personnel and contractors*

The Group is dependent on the services of certain key members of the executive management team, a small number of other highly skilled and experienced executives and personnel and a few key contractors. Whilst it has entered into contractual arrangements with the aim of securing the services of these executives, personnel and contractors, the Group cannot guarantee the retention of the services of such executives and personnel and is not insured against damage that may be incurred in case of their loss or dismissal. Due to the relatively small size of the Group, the loss of these persons or the Group's inability to attract and retain additional highly skilled employees or other contractors may adversely affect the exploration and development of its properties, which could have a material adverse effect on the Group's business and future operations.

*Uninsured risks*

The insurance industry is not yet well developed in Russia and many forms of insurance protection which are typically used in more economically developed countries are unavailable. Furthermore, the Group, as a participant in mining and exploration activities, may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs. In particular, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Group or to other companies in the natural resource industry on acceptable terms. Losses from uninsured risks may cause the Group to incur costs that could have a material adverse effect upon the Group's financial performance and results of operations.

*Speculative nature of exploration*

With all exploration activities there is uncertainty, and therefore risk, associated with operating parameters and costs resulting from the scaling up of extraction methods tested in pilot conditions. Mineral exploration involves a high degree of risk and exploration projects are frequently unsuccessful. Few prospects that are explored end up being ultimately developed into producing mines. To the extent that the Group is involved in exploration, the long-term success of the Group's operations will be related to the cost and success of its exploration programmes. There can be no assurance that the Group's future exploration efforts will be successful. The risks associated with mineral exploration include the identification of potential mineralisation based on analysis of geological data and the capital available for exploration and development.

If reserves are developed, it can take a number of years from the initial phases of drilling and identification of mineralisation until production is possible, during which time the economic feasibility of production may change. Substantial expenditure may be required to establish ore reserves through drilling, to determine metallurgical processes to extract metals from ore and, in the cases of new properties, to construct mining and processing facilities. As a result of these uncertainties, there can be no assurance that current and future exploration programmes will result in the discovery of reserves, the expansion of the Group's existing reserves or the development of mines.

*Financing*

Further exploration and the development of one or more of the Group's projects depend upon the Group's ability to obtain financing through the raising of additional equity or debt financing or by other means. Any additional equity financing may be dilutive to shareholders and debt financing, if available, may involve restrictions on financing and operating activities. There can be no assurance that such financing required by the Group will be made available to it.

*Commodity price volatility*

The market prices of nickel, copper and platinum group metals are volatile and are affected by numerous factors which are beyond the Group's control. These factors include world production levels, global and regional economic and political events, international economic trends, inflation and deflation, currency exchange fluctuations, speculative activity and the political and economic conditions of major producing countries. The aggregate effect of these factors is impossible to predict. Sustained downward movements in market prices for nickel, copper and platinum group metals could render less economic, or uneconomic, any of the extraction and/or exploration activities to be undertaken by the Group.

*Exchange rate risks*

The Group's operations are subject to exchange rate fluctuations and may become subject to exchange control or similar restrictions.

The Group is raising funds in the Placing in pounds sterling but the Group's operating costs are incurred principally in Russian roubles. Up until 2001, the Russian rouble had continuously depreciated relative to the US dollar, but any significant and sustained appreciation of the Russian rouble could serve materially to reduce the Group's profitability.

*Holding company structure and restrictions on dividends*

The Company's results and its financial condition are entirely dependent on the trading performance of members of the Group. The Company's ability to pay dividends will depend on the level of distributions, if any, received from the Company's subsidiaries. The Company's subsidiaries may from time to time be subject to restrictions on their ability to make distributions to the Company, as a result of factors including restrictive covenants contained within loan agreements, foreign exchange limitations, regulatory, fiscal or other restrictions. There can be no assurance that such restrictions will not have a material adverse effect on the Group's results or financial condition.

The Russian Civil Code and the Russian Federal Laws on Joint-Stock Companies and Limited Liability Companies provide that the shareholders in a Russian company are not liable for the obligations of the company and bear only the risk of loss of their investment. This may not be the case, however, when one company (the parent) is capable of determining decisions made by another company (the subsidiary). The parent company may bear joint and several liability for transactions concluded by the subsidiary in carrying out those decisions. It may also be liable for the debts of the subsidiary if the subsidiary becomes insolvent or bankrupt owing to the action or inaction of the parent company. Under Russian law, such relationship of parent and subsidiary exists between the Company on the one hand and ZAO Kun Manie on the other hand, and the Company may accordingly be held liable as parent for the transactions to which such subsidiary is a party.

*Short operating history*

The Group's business is at a relatively early stage of development and its success will depend largely upon the outcome of feasibility studies and exploration programmes that the Group is undertaking and proposes to undertake.

**Risks Relating to the Ordinary Shares and their Trading Market**

*Forward looking statements*

Certain statements within this Document, including in Parts I and III, constitute forward looking statements. Such forward looking statements involve risks and other factors which may cause the actual results, achievements or performance of the Group to be materially different from any future results, achievements or performance expressed or implied by such forward looking statements. Such risks and other factors include, but are not limited to, general economic and business conditions, changes in government regulation, currency fluctuations (including the US$/RUR rate), the Group's ability to recover its reserves or develop new reserves, competition, changes in development plans and other risks described in this section. There can be no assurance that the results and events contemplated by the forward looking statements contained in this Document will, in fact, occur. The Company will not undertake any obligation to release publicly any revisions to these forward looking statements to reflect events, circumstance or unanticipated events occurring after the date of this Document except as required by law or by any regulatory authority.

*Investment risk*

Although the Ordinary Shares are to be admitted to trading on AIM this should not be taken as implying that there will be a liquid market in the Ordinary Shares. The Ordinary Shares will not be listed on the Official List of the United Kingdom Listing Authority. An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List of the United Kingdom Listing Authority. AIM has been in existence since June 1995 but its future success and liquidity in the market for the Company's securities cannot be guaranteed.

Investors should be aware that following Admission the market price of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore be unable to recover their original investment. This volatility could be attributable to various factors and events, including any regulatory or economic changes affecting the Group's operations, variations in the Group's operating results, commodity prices, developments in the Group's business or its competitors, or changes in market sentiment towards the Ordinary Shares. In addition, the Group's operating results and prospects from time to time may be below the expectations of market analysts and investors.

At the same time, market conditions may affect the Ordinary Shares regardless of the Group's operating performance or the overall performance of the mining industry. Share market conditions are affected by many factors such as general economic outlook, movements in or outlook on interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand for and supply of capital.

Accordingly, the market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets, and the price at which investors may dispose of their Ordinary Shares at any point in time may be influenced by a number of factors, only some of which may pertain to the Company while others of which may be outside the Group's control.

*Ordinary Shares available for future sale*

Any sales of substantial amounts of Ordinary Shares in the public market, or the perception that such sales might occur, could materially and adversely affect the market price of the Ordinary Shares. The Group is unable to predict whether substantial amounts of Ordinary Shares will be sold in the open market following the termination of the restrictions under the lock-in arrangements described in "Lock-in Arrangements" in Part I of this Document.

*No dividends in the foreseeable future*

The Company does not intend to declare or pay any cash dividends in the foreseeable future. Payment of any future dividends will be at the discretion of the Board after taking into account many factors, including the Group's operating results, financial condition and current and anticipated cash needs.

**Risks Relating to Russia**

***Risks Relating to the Political Environment in Russia***

*Governmental instability could adversely affect the value of investments in Russia and the value of the Ordinary Shares.*

Since 1991, Russia has sought to transform itself from a one-party state with a centrally-planned economy to a free market economy. As a result of the sweeping nature of the reforms, and the failure of some of them, the Russian political system remains vulnerable to popular dissatisfaction, including dissatisfaction with the results of privatizations in the 1990s, as well as to demands for autonomy from particular regional and ethnic groups. Moreover, the composition of the Russian government, the prime minister and the other heads of federal ministries has at times been highly unstable.

Future changes in government, major policy shifts or lack of consensus between various branches of the government and powerful economic groups could also disrupt or reverse economic and regulatory reforms.

*Possible conflict between central and regional authorities and other conflicts could create an uncertain operating environment hindering the Group's long-term planning ability and could adversely affect the value of investments in Russia.*

Russia is a federation of 89 sub-federal political units. The delineation of authority and jurisdiction among these sub-federal units and the federal government is, in many instances, unclear. Lack of coordination between the federal government and local or regional authorities often results in the enactment of conflicting legislation at various levels. In particular, conflicting laws have been enacted in the areas of privatisation, securities, corporate governance and licensing. Some of these laws and governmental and administrative decisions implementing them, as well as certain transactions consummated pursuant to them, have in the past been challenged in the courts, and such challenges may occur in the future. Such political and legal factors hinder the Group's long-term planning efforts and create uncertainties in operating environment, both of which may prevent the Group from effectively and efficiently carrying out its business strategy.

In addition, Russia continues to suffer from ethnic conflicts and tensions among various regions, including the struggle between rebel groups in the Chechnya region and the federal government. Although currently not anticipated in Amur (which is several thousand kilometres from the key areas of conflict) or neighbouring regions, the further intensification of violence, including terrorist attacks and suicide bombings, or its continued spread to other parts of Russia, could have significant political consequences, including the imposition of a state of emergency in some or all of Russia. Any resulting disruptions to Russian commerce could have a material adverse effect on the Group, the value of its investments and operations in Russia and the Ordinary Shares.

***Risks Relating to the Economic Environment in Russia***

*Emerging markets such as Russia, are subject to greater risks than more developed markets, including significant legal, economic and political risks.*

Investors in emerging markets such as Russia, should be aware that these markets are subject to greater risk than more developed markets, including in some cases significant legal, economic and political risks. Investors should also note that emerging economies such as the economy of Russia, are subject to rapid change and that the information set out in this Document may become outdated relatively quickly. Accordingly, investors should exercise particular care in evaluating the risks involved and must decide for themselves whether, in light of those risks, their investment is appropriate. Generally, investment in emerging markets is only suitable for sophisticated investors who fully appreciate the significance of the risks involved and investors are urged to consult with their own legal and financial advisors before making an investment in the Ordinary Shares.

*The Russian economic environment has been subject to hyperinflation, debt crisis, and political turmoil in the past. A considerable portion of the Group's operations is in Russia and therefore could be affected by new unforeseen economic turbulences.*

A substantial portion of the Group's operations is based in Russia and is therefore dependent on the overall economic environment of the country. Recent strength in Russia's GDP, higher tax collection, and stability of the local currency, the rouble, has resulted in a certain degree of economic soundness. The sustainability of such a trend is not guaranteed, and if a downturn does occur, it will directly impact the profitability of the Group.

*Fluctuations in the global economy may adversely affect the Russian economy and other economies in the Region and the Group's business.*

Russian and neighbouring markets are vulnerable to market downturns and economic slowdowns elsewhere in the world. As has happened in the past, financial problems or an increase in the perceived risks associated with investing in emerging economies could dampen foreign investment in Russia, and businesses in Russia could face severe liquidity constraints, further adversely affecting their economies. Additionally, because Russia produces and exports large amounts of oil, the Russian economy is especially vulnerable to the price of oil on the world market and a decline in the oil price could slow or disrupt the Russian economy. Recent military conflicts and international terrorist activity have also significantly impacted oil and gas prices, and pose additional risks to the Russian economy. Russia is a major producer and exporter of metal products and its economy is vulnerable to world commodity prices and/or the imposition of tariffs by the United States, the European Union or by other principal export markets.

*The Group is only able to conduct banking transactions with a limited number of creditworthy Russian banks as the Russian banking system remains underdeveloped and banking sector turbulence could place severe liquidity constraints on the Group's business, financial position and results of operations.*

Russia's banking and other financial systems are not well developed or regulated and Russian legislation relating to banks and bank accounts is subject to varying interpretations and inconsistent applications. The August 1998 financial crisis resulted in the bankruptcy and liquidation of many Russian banks and almost entirely eliminated the developing market for commercial bank loans. Although the Central Bank of Russia has the mandate and authority to suspend banking licenses of insolvent banks, many insolvent banks still operate. Most Russian banks also do not meet international banking standards, and the transparency of the Russian banking sector still lags far behind internationally accepted norms. Aided by inadequate and lax supervision by the regulators, many banks do not follow existing Central Bank regulations with respect to lending criteria, credit quality, loan loss reserves or diversification of exposure. In Russia, insurance of bank deposits under the governmental program on deposits insurance has only started developing. Recently, there has been a rapid increase in lending by Russian banks, which many believe is being accompanied by a deterioration in the credit quality of the borrowers. The serious deficiencies in the Russian banking sector combined with the deterioration in the credit profile of the loan portfolios of Russian banks may result in the banking sector being more susceptible to market downturns or economic slowdowns. If a banking crisis were to occur, Russian companies would be subject to severe liquidity constraints due to the limited supply of domestic funding sources and the withdrawal of foreign funding sources that would occur during such a crisis.

*Russia's physical infrastructure is in very poor condition, which could disrupt normal business activity.*

Russia's physical infrastructure largely dates back to Soviet times and has not been adequately funded and maintained over the past decade. Particularly affected are communication systems, the rail and road networks, power generation and transmission and building stock. In particular, the Group's current project is in the Far East of Russia and is a considerable distance from any developed infrastructure.

***Risks relating to the Social Environment in Russia***

*Crime and corruption could disrupt the Group's ability to conduct business and could materially adversely affect the financial condition and results of operations.*

The political and economic changes in Russia in recent years have resulted in significant dislocations of authority. The local and international press have reported that significant organized criminal activity has arisen, particularly in large metropolitan centres. Property crime in large cities has increased substantially. In addition, the local press and international press have reported high levels of official corruption in the locations where the Group conducts business, including the bribing of officials for the purpose of initiating investigations by government agencies. Press reports have also described instances in which government officials engaged in selective investigations and prosecutions to further commercial interests of the government officials or certain individuals.

*Social instability could restrict the Group's operations.*

The failure of the government and many private enterprises to pay full salaries on a regular basis and the failure of salaries and benefits generally to keep pace with the rapidly increasing cost of living have led in the past, and could lead in the future, to labour and social unrest. Such labour and social unrest may have political, social and economic consequences, such as increased support for a renewal of centralised authority, increased nationalism, with support for renationalisation of property, or expropriation of or restrictions on foreign involvement in the economy of Russia, and increased violence. Any of these could restrict the Group's operations and lead to the loss of revenue, materially adversely affecting the Group and the value of the Ordinary Shares.

***Risks relating to Russian Legislation and the Russian Legal System***

*Weaknesses relating to the Russian legal system and Russian legislation create an uncertain environment for investment and business activity and thus could have a material adverse effect on the Group's business and the value of the Ordinary Shares.*

Russia is still developing the legal framework required to support a market economy. The following risks relating to the Russian legal system create uncertainties with respect to the legal and business decisions that the Group makes, many of which do not exist in countries with more developed market economies:

- inconsistencies among (1) federal laws; (2) decrees, orders and regulations issued by the president, the government and federal ministries; and (3) regional and local laws, rules and regulations;
- the lack of judicial and administrative guidance on interpreting Russian legislation;
- substantial gaps in the regulatory structure due to delay or absence of implementing regulations;
- the relative inexperience of judges and courts in interpreting Russian legislation;
- alleged corruption within the judiciary and the governmental authorities;
- a high degree of unchecked discretion on the part of governmental authorities;
- problematic and time-consuming enforcement of both Russian and non-Russian judicial orders; and
- bankruptcy procedures that are not well developed and are subject to abuse.

*Unlawful, selective or arbitrary government action may have an adverse effect on the Group's business and the value of the Ordinary Shares.*

Governmental authorities have a high degree of discretion in Russia and at times act selectively or arbitrarily, without hearing or prior notice, and sometimes in a manner that is contrary to law or influenced by political or commercial considerations. Moreover, the government also has the power in certain circumstances, by regulation or government act, to interfere with the performance of, nullify or terminate contracts. Unlawful, selective or arbitrary governmental actions have reportedly included denial or withdrawal of licenses, sudden and unexpected tax audits, criminal prosecutions and civil actions.

*Russian legislation may not adequately protect against expropriation and nationalisation.*

The Russian government has enacted legislation to protect foreign investment and other property against expropriation and nationalisation. In the event that such property is expropriated or nationalised, legislation provides for fair compensation. However, there is no assurance that such protections would be enforced. This uncertainty is due to several factors, including:

- the apparent lack of political will to enforce legislation to protect property against expropriation and nationalisation;

- the lack of an independent judiciary and sufficient mechanisms to enforce judgments; and
- alleged corruption among government officials.

*Weaknesses and changes in the Russian tax system could materially adversely affect the Group's business and the value of the Ordinary Shares.*

The Russian tax system has been developing over the past several years and continues to undergo reforms, such as the new Tax Code. Russia currently has numerous laws related to various taxes imposed by both federal and regional governmental authorities. These laws have not been in force for significant periods, in contrast to more developed market economies; therefore, implementing regulations are often unclear or nonexistent. Accordingly, few precedents with regard to issues have been established. Often, differing opinions regarding legal interpretation exist both among and within government ministries and organisations (such as the State Tax Service and its various inspectorates); thus creating uncertainties and inconsistent enforcement. Tax declarations, together with related documentation such as customs declarations, are subject to review and investigation by a number of authorities, each of which may impose fines, penalties and interest charges. This creates tax risks in Russia substantially more significant than typically found in countries with more developed tax systems. Generally, taxpayers are subject to inspection of their activities for a period of three calendar years which immediately preceded the year in which the audit is carried out. As previous audits do not exclude subsequent claims relating to the audited period, the statute of limitations is not entirely effective. In addition, in some instances, new tax regulations have been given retroactive effect.

The foregoing conditions create tax risks in Russia that are more significant than typically found in countries with more developed tax systems, imposing additional burdens and costs on the Group's operations, including management resources. In addition to the substantial tax burden, these risks and uncertainties complicate the Group's tax planning and related business decisions, potentially exposing the Group to significant fines and penalties and enforcement measures despite best efforts at compliance, and could adversely affect its business and the value of the Ordinary Shares.

# PART III

# COMPETENT PERSON'S REPORT

SRK Consulting
Engineers and Scientists

SRK Consulting (UK) Ltd
Windsor Court
1-3 Windsor Place
Cardiff
United Kingdom
CF10 3BX

The Directors
Amur Minerals Corporation
Kingston Chambers
P.O. Box 173
Road Town
Tortola
British Virgin Islands

The Directors
Nabarro Wells & Co. Limited
Saddlers House
Gutter Lane
London EC2V 6HS

The Directors
Fox-Davies Capital Limited
Whitefriars House
6 Carmelite
London EC4Y 0BS

10 March 2006

## 1 Introduction

### *1.1 Background*

SRK Consulting (UK) Ltd ("SRK") was approached by Amur Minerals Corporation ("AMC") in January 2006 to produce a Competent Person's Report ("CPR") on AMC's exploration assets in Russia inclusive of a valuation of AMC's Kun-Manie Nickel-Copper Project (Kun-Manie or 'the project'). SRK understands that this report will be included in an Admission Document produced by AMC in support of the trading of the issued, and to be issued, shares of AMC on the AIM market of the London Stock Exchange. This report also includes a review of AMC's planned work programmes and budgeted expenditure for the two year period following Admission.

Kun-Manie which is AMC's sole asset is an early to mid stage nickel, copper and platinum group metals (PGM's) exploration project located in the Amur Province of Far East Russia. Exploration to date has enabled two orebodies to be identified and mineral resource estimates completed.

SRK had previously completed four commissions on behalf of AMC:

- In March 2005, SRK completed a desktop review of exploration data supplied to SRK by AMC on Kun-Manie.
- In July 2005, SRK conducted a site visit to the project to review the exploration methodologies, data collection procedures and the geology of the project area.

- In September 2005, SRK prepared an independent mineral resource estimate for Kun-Manie based solely on a review of the exploration results obtained before and during the completion of the 2004 field season. This resource estimate was produced in accordance with the guidelines given in the Australasian Code for the Reporting of Exploration Results, Mineral Resources and Ore Reserves (The JORC Code). SRK also produced a valuation of the Kun-Manie Project which was based on the September 2005 resource estimate and exploration information available up to 1 January 2005.
- In December 2005, SRK completed an updated independent mineral resource estimate based on the analytical results from the exploration data set for all holes and trenches that had been completed over the exploration life of the project, inclusive of the work undertaken and results obtained during the 2005 exploration field season. SRK also updated its valuation of AMC using the newly completed resource estimate.

The December 2005 mineral resource estimate and valuation are both included in this CPR. The valuation relates solely to Kun-Manie rather than AMC as a whole. SRK has not reviewed AMC's financial accounts.

While SRK has reviewed the licence documents from a technical perspective and to confirm the stated resource lies fully within this, SRK has not undertaken any legal due diligence to confirm whether or not any statutory obligations and consents are in force and current.

### *1.2 Qualifications of consultants*

SRK is part of an international group that comprises over 500 professional staff operating expertise in a wide range of engineering disciplines.

SRK's independence is ensured by the fact that it holds no equity in any project and that its ownership rests solely with its staff. SRK has a demonstrated track record in undertaking independent assessments of Mineral Resources and Ore Reserve Estimates, project evaluations and audits, competent person's reports and independent feasibility evaluations to bankable standards on behalf of exploration and mining companies and financial institutions worldwide.

This report has been prepared by SRK using a team of consultants from the SRK Group using specialists in the field of Exploration Geology and Mineral Resource Estimation and Classification that have extensive experience in the exploration and mining industry, and are members in good standing of appropriate professional institutions.

Neither SRK nor any of its employees employed in the preparation of this report has any beneficial interest in the assets of AMC. SRK will be paid a fee for this work in accordance with normal professional consulting practice.

SRK's project team comprised:

- Dr Mike Armitage, CEng, CGeol, MIMMM, PhD; Principal Resource Geologist and Managing Director of SRK Consulting (UK) Ltd;
- Alex Mikhailov, Associate Exploration Geologist; and
- Nick Fox, BA(Hons), MSc, DIC, ACA, Resource Geologist.

### *1.3 Declaration*

For the purposes of Schedule 2 of the AIM Rules, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import.

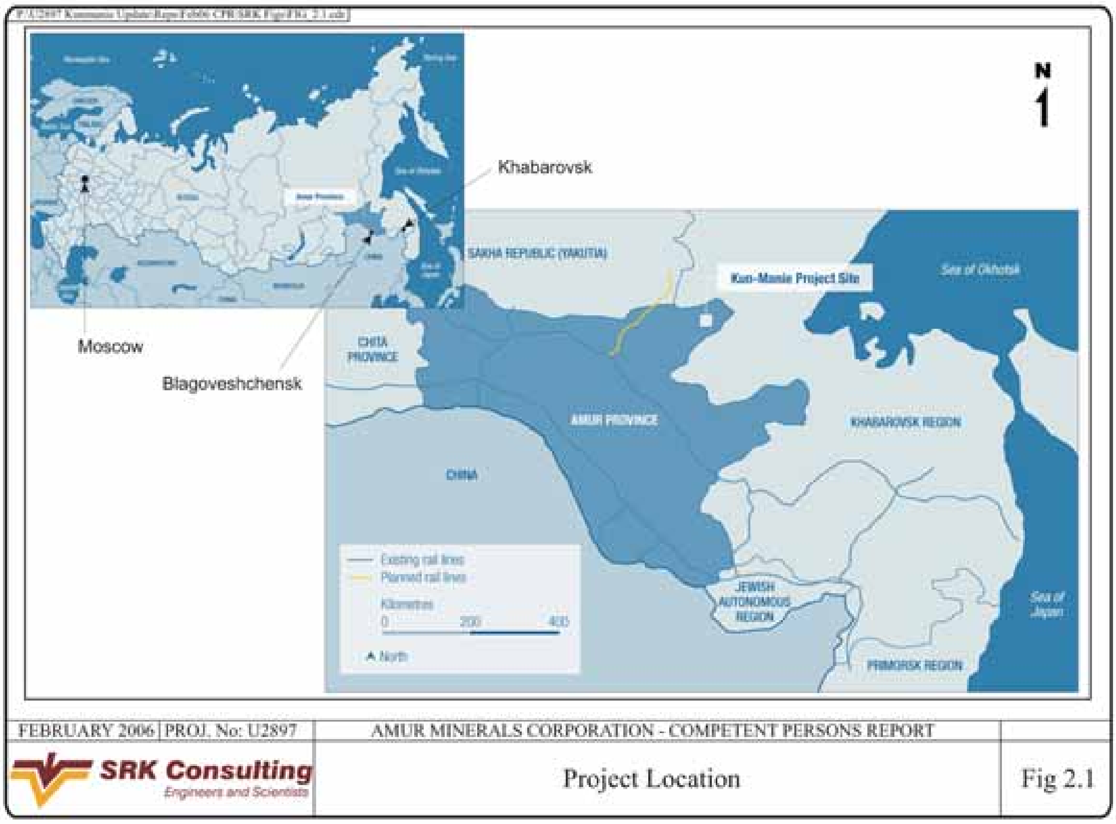
## 2 Amur Minerals Corporation

### *2.1 Introduction*

AMC (formerly Croesus Resources Group Limited) was established in January of 2004. It is a privately owned mineral exploration and development company registered in the British Virgin Islands with offices in Moscow, Khabarovsk and Blagoveshchensk of the Russian Federation.

In April 2004, AMC's wholly owned subsidiary, ZAO Kun-Manie (a joint-closed stock company) acquired a nickel, copper, and platinum group metals exploration licence for Kun-Manie. The 950 square kilometre licence is located in the northeast corner of the Amur Oblast (Amur Province) approximately 700km northeast of the capital city of Blagoveshchensk and 275km northeast of the nearest community (Verkne-Ziesk). Verkne-Ziesk is situated on the Baikal-Amur Railroad (BAM). The location of the Kun-Manie Licence and the Amur Province are shown in Figure 2.1.

**Figure 2.1: Map of Russia showing location of Amur Province and Kun-Manie Project site**




## 3 Russian Federation

### *3.1 Country Profile*

Although exploration and mining activity in Russia is increasing, it is still at a low level relative to its potential. Russia's standing in terms of exploration risk, along with that of some other former Soviet Union countries, has improved over the past few years. The government is actively encouraging foreign investors and foreign investment has been aided by the establishment of a securities market, a developed Civil and Tax Code and banking and infrastructure services.

The exploration industry in general is still a little unsure about investment in former Soviet Union countries although recent share price increases suggests that there may be a change in this attitude. SRK considers that there is currently substantial renewed interest in the region and certainly the exploration activity in Russia is increasing.

## 4 Kun-Manie

### *4.1 Location and Licence*

The Kun-Manie Licence (δπτ-01497) was issued in April 2004 to ZAO Kun-Manie. This exploration licence is valid for a period of five years (expiring December 31, 2008). Upon the successful drilling of C2 Russian resources and subsequent approval of the estimate by the GKZ, the licence is convertible to a mining licence. The six corners of the exploration licence are detailed below in Table 4-1 and Figure 4.1 shows the licence area in plan:

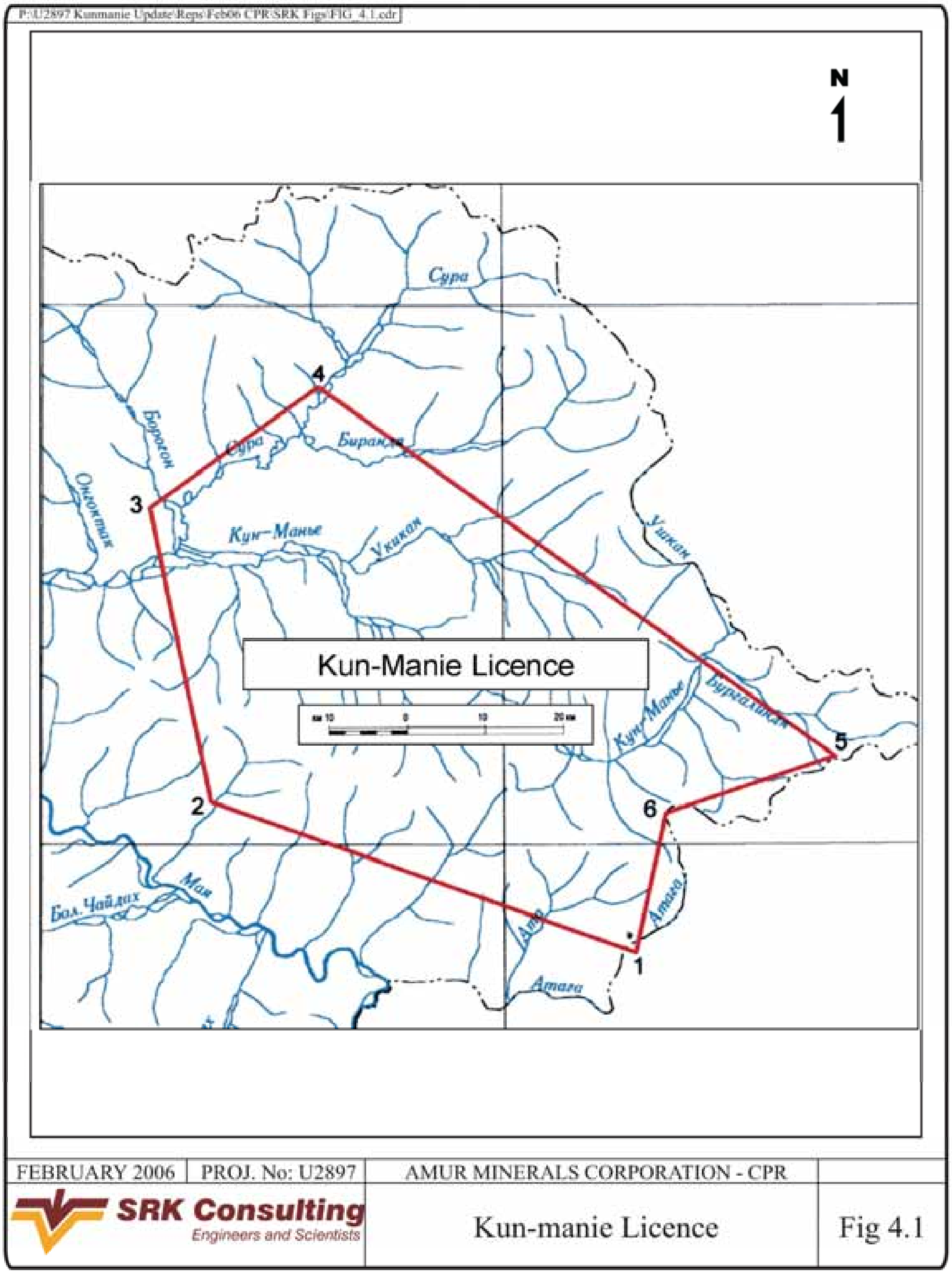
**Table 4-1 : Kun-Manie Licence Coordinates**

| *Licence Corners* | *Latitude* | *Longitude* |
|---|---|---|
| 1 | 55° 16′00″N | 132° 38′30″E |
| 2 | 55° 21′35″N | 132° 11′00″E |
| 3 | 55° 32′30″N | 132° 07′00″E |
| 4 | 55° 37′00″N | 132° 18′00″E |
| 5 | 55° 23′15″N | 132° 51′30″E |
| 6 | 55° 21′10″N | 132° 40′30″E |

A minimum work commitment for the five years covered by the exploration licence has been defined and forms part of the terms of the licence. While there is no mandated expenditure requirement, AMC must meet a series of milestones including:

- The commencement of field exploration work by 1 August 2004. AMC mobilised to the project site in March 2004 and work began in June 2004;
- The completion of airborne geophysics of the licence area. This was completed in 2004;
- Geological mapping, geophysical surveys, drilling and trenching. This work has been conducted by AMC during both the 2004 and 2005 field seasons and further such work is planned in the coming two field seasons;
- The preparation of annual reports summarising the results of the work undertaken and identifying the potential areas for further exploration. The first report on the 2004 season was completed and filed in the first quarter of 2005. The second report is planned to be completed in the first quarter of 2006 and will contain the results from the 2005 exploration and evaluation programme.

**Figure 4.1 : Map showing Kun-Manie Licence**



- The derivation by December 2007 of a C2 resource as defined by the Russian resource classification system inclusive of, preliminary metallurgical flow sheets. During the next field season (2006), AMC is planning to infill drill a portion of the currently drilled areas of the 2 orebodies identified (Ikenskoe and Vodorazdelny) to ensure that C2 resources can be defined. SRK has reviewed a report detailing the results of preliminary metallurgical testwork completed by Sibtsvetmetniproject Institute, located in Krasnoyarsk, Russia, in June 2005, which concludes that good nickel and copper recoveries into concentrate are achievable through simple flotation.
- The preparation by December 2008 of a pre-feasibility study on the nickel-copper mineralisation within the licence area inclusive of recommendations for the compilation of a bankable feasibility study.

Certainly, as of publication of this report, AMC had appropriately conducted its work in accordance with the requirements of the licence and its plans going forward incorporate considerations for maintaining the licence.

### *4.2 Overview*

The density of the available exploration information varies across the extent of the licence. Multiple targets have been identified throughout and each requires an appropriate follow up exploration effort.

The majority of the stream sediment sampling undertaken over the licence area has yielded anomalous nickel values (>0.05% Ni). Most of this work was undertaken as part of the regional work programmes completed by the former Soviet State agencies though a certain amount of reconnaissance and verification work has been completed by both East Falconbridge Limited ("Falconbridge") and AMC. The historical work also included airborne geophysics, geochemical sampling and geological mapping. Detailed follow-up exploration work has only been undertaken in specific areas of the licence.

The current primary target, and focus of AMC's work to date, has been the 40km long by 2km wide Krumkon Trend which hosts the majority of the mafic and ultramafic intrusives identified to date which in turn host the nickel, copper, and PGM mineralisation. This belt of rocks is adjacent to and orientated parallel to the southern boundary of the licence and runs the length of the licence. The density of exploration within this trend varies significantly.

Near the middle of both the Krumkon Trend, and along the length of the licence, there is a 6km long zone which has the highest density of exploration information. This area has been tested by geological mapping, geochemical sampling, trenching and diamond core drilling. To date, three spatially distinct mineralised zones have been defined termed Vodorazdelny, Ikenskoe and Falcon, and as commented below the drilling and sampling is already of a sufficient density to have allowed for the determination of mineral resource estimates for Vodorazdelny and Ikenskoe.

Additional drilling and trenching of these three zones is now required to increase the confidence in the resource estimates, meet drilling requirements based on the terms of the licence, and to define the limits of the mineralisation which has not yet been fully established. Also, several sills within the immediate vicinity of the drilled area have not yet been explored by trenching and could possibly require follow-up drilling.

Moving along the strike of the Krumkon Trend in both directions from the central drilled area, three additional targets have so far been identified though the density of the exploration work is less. These have been termed Maly Krumkon, Kubuk and Chornie Ispolene. Anomalous geochemical sampling results, and trenching at Maly Krumkon and Kubuk, have yielded significant nickel and copper values. Certainly both Maly Krumkon and Kubuk warrant drilling while Chornie Ispolene warrants additional reconnaissance work and trenching. These three targets are contained within a total length of 7km of the trend.

Beyond these, within the remaining 27km of the trend, stream sediment sampling and geological mapping have identified several additional outcrops of mafic and ultramafic intrusives also containing anomalous nickel and copper. Additional sampling and mapping of these is now warranted to determine whether or not these areas represent future drilling targets.

### *4.3 Geological Setting*

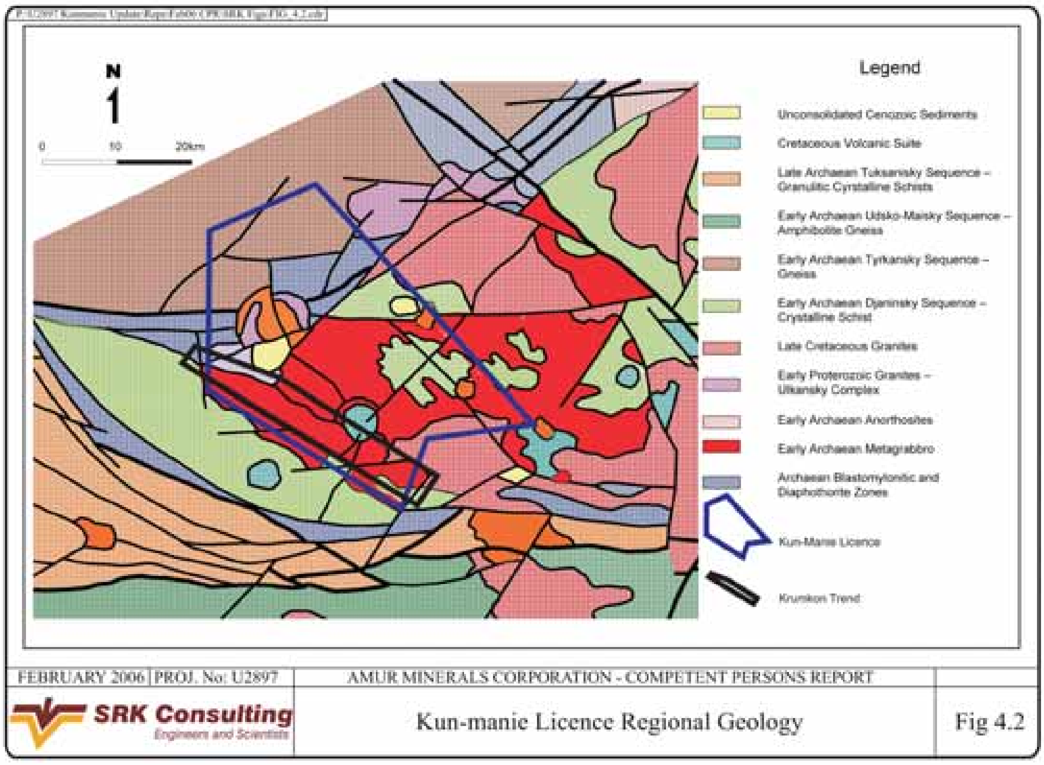
#### *4.3.1 Regional Geology of the Russian Far East*

Kun-Manie is located along the southeastern margin of the Aldan-Stanovoy shield of the Siberian platform within the 3,000 km long Kalaro – Dzhugdzhur gabbro – anorthosite intrusive belt. The Kun-Manie massif is a fragment of this belt and is located at the suture of the Kun-Manie and Maiskey faults. The rocks which outcrop within the area are predominantly regionally metamorphosed Precambrian complexes.

The Early Archaean Kun-Manie massif is a complex, heterogeneous structure, consisting of a series of closely spaced, large gabbro anorthosite bodies, containing abundant xenoliths of host crystalline rocks. The massif is 60 km long and strikes east – west with an average width of 20 km and is also intruded by Early Proterozoic and Mesozoic sub-alkaline granites with isolated volcanic-tectonic depressions filled in by Upper Jurassic-Lower Cretaceous extrusives represented by porphyry andesites and tuffs.

The licence is located at the western limit of the massif where the massif is primarily composed of metagabbros and hosts a series of mafic and ultramafic sills which generally are considered to have been emplaced along tectonically related shear zones and faults. These sills are the primary host of the syngenetic disseminated and veinlet sulphides enriched with nickel, copper and PGM's. The majority of the sills identified to date are located within the Krumkon Trend. Figure 4.2 presents a geological map of the area in and around the Kun-Manie licence.

**Figure 4.2 : Geological map of the area in and around the Kun-Manie licence boundary**



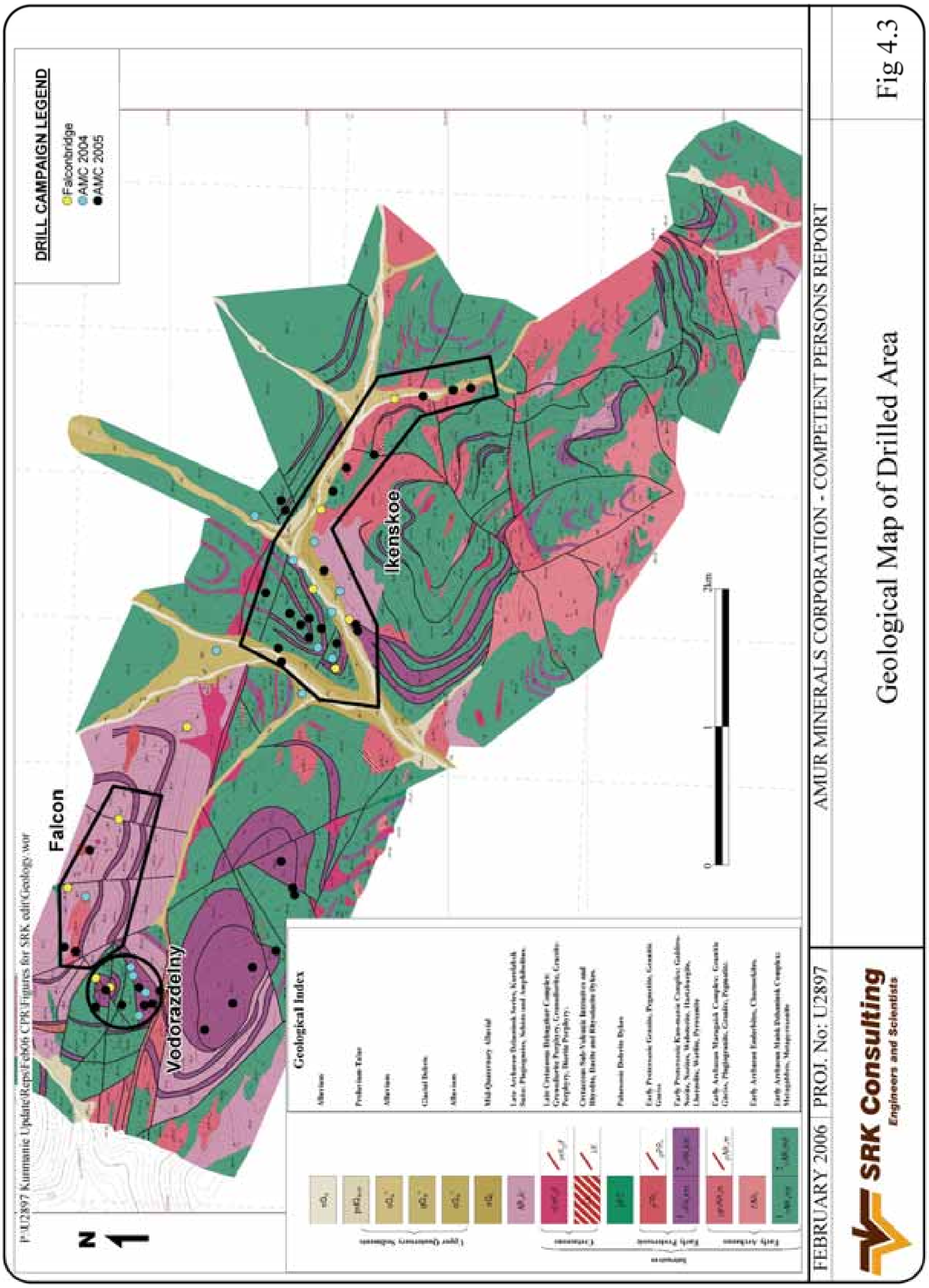

### *4.3.2 Local Geology*

The Kun-Manie Licence area has been interpreted to contain a series of mafic and ultramafic sills, some of which host sulphidic nickel, copper and PGM mineralisation. These are dispersed throughout the southwestern area of the licence, the majority being situated within the northwest-southeast striking Krumkon Trend which, as already commented, is some 40km long and 2km wide. These gently dipping (10-20° to the northeast) sills are tabular in shape and range from 1-80m in thickness. The width along strike ranges from 100-2000m. The host rocks are comprised of Early Archaean metagabbros, crystalline schists, gneisses and granite-gneisses.

Ore microscopy analyses and preliminary metallurgical test work has identified the economic minerals as nickel bearing pyrrhotite, pentlandite and chalcopyrite. These minerals are predominantly present within the ultramafic sills that are websterite in composition. The sulphide mineralisation identified to date occurs in both disseminated and veinlet form.

Diamond core drilling within a four kilometer long segment of the Krumkon Trend has identified nickel sulphide mineralisation ranging up to 5.0% nickel all within the websterite sills. To date, this drilling has defined three mineralized zones of interest termed Ikenskoe, Vodorazdelny, and Falcon. Figure 4.3 is a geological map which also shows the locations of the drill holes completed to date.

**Figure 4.3 : Geological map of the drilled area showing mineralised zones and drillhole locations**



The **Ikenskoe Mineralised Zone** is located east of the Big Krumkon creek and can be geographically divided into two areas. The area containing the most drilling is located between the Big Krumkon and Iken creeks and to the north of the confluence of these two creeks. The sulphide enriched websterite sills outcrop in the southern portion of the area and can also be observed in outcrops in the banks of the Iken creek and in drill intercepts as well. Drilling within this wedge shaped area indicates that two, possibly three, shallow dipping ultramafic sills are present and range in thickness from 4 to 35 m and dip to the northeast. The sills are continuous for a distance of at least 600m in the direction of dip. The sills dip from 15 to 20° to the northeast.

East of the Iken creek area is the Sobolevsky Peak which covers an area of approximately 2.5 square kilometers. Drilling in the bottom of the Iken creek and more widely spaced drilling along an east west oriented ravine to the north of the peak has confirmed that the same sills continue for another 1.5 kilometers to the east. In addition to these drill confirmed zones, there are several websterite sills that outcrop in the slopes of the peak. Geochemical sampling and mapping confirms the presence of anomalous nickel results within three stacked sills. Surface exposures indicate thicknesses ranging from 5 to 70 meters. The Sobolevsky peak area represents a significant exploration target in need of additional exploration on known drill identified mineralised structures as well as areas of outcropping websterite sills.

The **Vodorazdelny Mineralised Zone** has been interpreted to comprise two discrete mafic and ultramafic flat lying sills containing the best grade of nickel and copper mineralisation drilled to date with an average grade approaching 0.8% Ni. These two sills are located on the crest of a ridge and both are fully exposed over their entire aerial extent. The host rock is a metagabbro which is faulted into several small blocks with offsets ranging from a few meters to more than 60m.

The topographically highest mineralised sill is roughly circular in plan view with a diameter of some 100m and comprises the cap of a knoll. This zone is also exposed in trenches and outcrops and has been intersected by two diamond drill core holes which suggest a maximum thickness of 29m. Sulphide mineralisation is present in the form of fine grained disseminated sulphides, blebs of sulphides and in veinlets. Pyrrhotite, pentlandite and chalcopyrite comprise the main economic minerals which are hosted within olivine rich websterites, plagio-websterites, plagioclase-hornblende websterites, lherzolites and some gabbro.

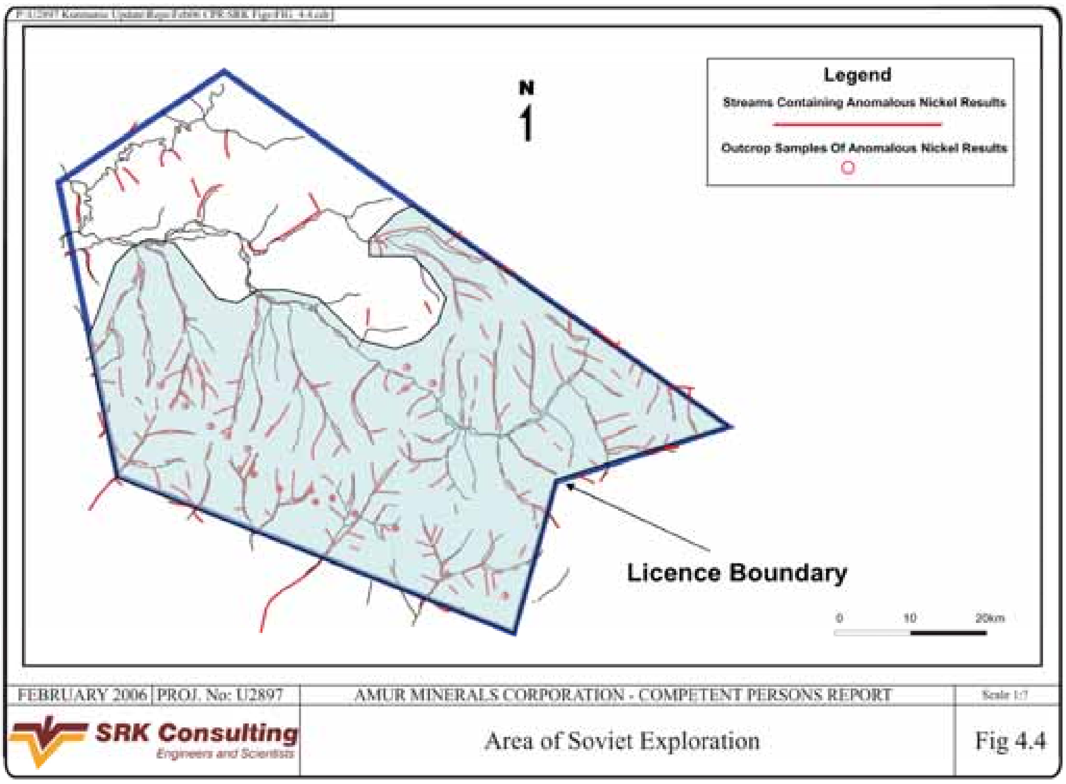
The second sill appears to occur in a wedge shaped tectonic block bounded by near vertical faults and varies in thickness between 13 and 69 m. The length along the longest axis is 650m while its width does not exceed 300-350m. The base of the zone dips gently to the north. The encompassing host rock consist of granite gneisses and metagabbros. Sulphide mineralisation is present in the form of thin veinlets and small disseminations. The ultramafic rocks are more intensively sulphidised than elsewhere. Sulphides occur in the form of large impregnations of up to 2 to 3cm, disseminations, and veinlets. Typical economic minerals include nickel bearing pyrrhotite, pentlandite, chalcopyrite and pyrite.

The **Falcon Mineralised Zone** is located immediately to the northeast of the Vodorazdelny Mineralised Zone and has been interpreted to comprise two, possibly three, mafic – ultramafic sills which outcrop over a total distance of 1-2km and which appear to pinch and swell along strike and down dip. The zone has been intersected in drill holes along with limited trenching and exposures in road cuts. According to drilling the thickness varies from 1-11m. The sills dip at 20-30° to the northwest and are composed of websterites. The sulphide mineralisation occurs in veinlet and disseminated for with pyrrhotite being the dominant sulphide.

### *4.4 Historical Exploration*

Exploration was commenced in the mid-late 1940s by various Soviet geological enterprises and consisted of regional airborne geophysics and geochemical sampling of outcrops and stream sediments. The results of this confirmed that the region contained numerous nickel and cobalt anomalies that warranted follow-up exploration as shown in Figure 4.4, but this was not undertaken due to financial constraints and a depressed Russian economy.

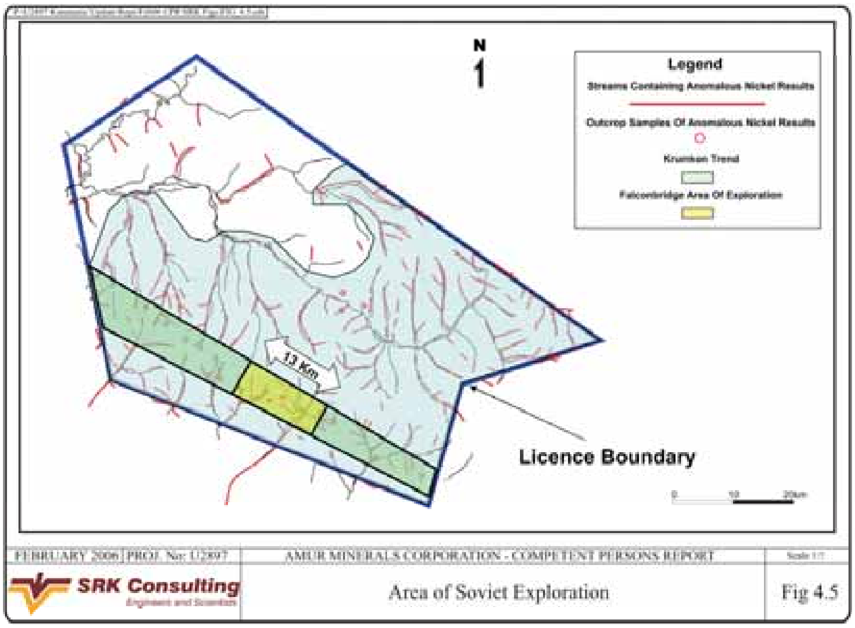
**Figure 4.4 : Map of Kun-Manie Licence showing Russian exploration results**




In 1999, Falconbridge undertook a review of the historical results and conducted follow-up reconnaissance mapping and sampling of the region. Based on its results, Falconbridge applied for and obtained an exploration licence which contained some of the area now held under licence by AMC. As part of its work programme, Falconbridge re-evaluated existing geophysical data within the Krumkon Trend and based on this work and further site investigation, undertook a trenching and drilling programme in a 6km long segment of this as shown below in Figure 4.5.

The Falconbridge programme consisted of 10 drill holes totalling 1,501m of diamond core and 9 trenches which were excavated over a total length of 400m. The main objective of this effort was to identify a massive sulphide type deposit, rather than the disseminated, stockwork and veinlet mineralisation now shown to be present, and Falconbridge released the licence mid way through the exploration field season in 2002 following which the on site exploration contractor completed the remainder of the exploration programme under its own management.

**Figure 4.5 : Map of Kun-Manie Licence showing Falconbridge area of exploration**




## *4.5 AMC Exploration*

In late 2003, the information related to the regional and recently completed Falconbridge programmes were obtained from the Geology Fund of the Russian Federation and reviewed by AMC's subsidiary ZAO Kun-Manie. Based on the results of the review, ZAO Kun-Manie applied for an exploration licence and the 950km$^2$ Kun-Manie licence was subsequently awarded in April 2004.

On being awarded the licence an exploration contractor was mobilized to the site to undertake AMC's first field season (2004) exploration programme. The programme included an extensive airborne geophysical survey, geological mapping and geochemical sampling of the entire licence area. In addition, verification work was conducted by diamond core drilling and trenching within the previously drilled area that had been explored by Falconbridge. This portion of the programme included a total of 15 holes containing a total drill length of 2,042m and 15 trenches totalling 568m. Results from the 2004 exploration programme confirmed the presence of multiple nickel and copper anomalies located throughout the licence area that were not associated with the primary Krumkon Trend, that the Trend contained additional targets along its strike and that the previously attained results within the Falconbridge drilled area were valid.

During the most recent field season (2005), AMC focused its on-going exploration efforts within the areas already drilled with the aim of confirming the continuity of the mineralisation and the host structures. The work consisted primarily of 39 diamond core drill holes totalling 5,235m. Step out holes were also completed to expand the resource outward from holes that had intersected mineralisation. This work:

- Confirmed the continuity of the mineralisation within the Vodorazdelny and Ikenskoe deposits and the potential for these to extend beyond the limits that have been modelled and reported to date.
- Identified a new zone (Falcon) adjacent to Vodorazdelny which warrants further exploration.

During the 2005 programme, SRK conducted a site visit to inspect the geology, exploration methods, sample preparation, and quality control procedures. SRK's conclusions were that the field work and related data gathering had been undertaken in a professional manner, that the analytical methods and data assembly procedures used by AMC had been appropriate, and that as a result of this the available data was of sufficient quality to enable SRK to report a resource estimate as defined by the JORC Code. SRK remains confident that the exploration work undertaken by AMC to date has been carried out to a high standard and that the quantity and quality of the data used to derive the resource estimate given in this report is sufficient to support this as stated. Based on this, SRK compiled an updated mineral resource estimate in November 2005 and it is this estimate that is commented on below.

## 4.6 SRK Resource Estimate

### 4.6.1 Orebody Modelling

SRK's geological model of the mineralisation is based on drill hole assays, trench assays, mineralised outcrops and a surface geological map of the area compiled by AMC geologists. Two separate orebodies Vodorazdelny and Ikenskoe have been modelled. Vodorazdelny has been modelled from mineralised outcrop, 10 drill hole intersections one of which was drilled by Falconbridge and 13 trench intersections while Ikenskoe has been modelled from mineralised outcrop, 28 drill hole intersections five of which were drilled by Falconbridge and 6 trench intersections. Both the orebodies have been modelled as flat-lying/shallow dipping sills. The plan view limits of the orebodies have been projected up to 100 m from the outermost drill holes. The modelled extents of the orebodies largely reflect the topography and amount of drill hole information available rather than any geological contact except the northern most limit of Ikenskoe which is truncated by a fault striking approximately NE-SW. A fault also striking approximately NE-SW has been interpreted to split Vodorazdelny into two separate zones.

The third mineralised area, Falcon, has not yet been modelled though the limited information available to date is sufficient to suggest that this area may warrant further drilling and exploration at some point in the future.

An assay cut-off of 0.10% Ni was used to define the footwall and hangingwall contacts. In order to maintain the continuity of the orebodies, broad zones of mineralisation were modelled and internal sub-grade material was included as required. Variations in grade within these zones were not discretely modelled due to the lack of available data to assist with the interpretation. SRK considers it likely that in reality portions of each orebody are comprised of a series of stacked sills separated by internal waste.

Ikenskoe has been modelled as one sill, whereas Voderazdelny has been modelled as two separate flat lying sills, the uppermost of which crops out on the top of a hill and the lowermost being delineated from drill hole intersections and trenches where it outcrops again lower down the hill.

Figure 4-6 below shows a 3 D rendered image from Gemcom software of Vodorazdelny (cyan) and Ikenskoe (orange) as a result of the modelling as described above. As noted above, both orebodies are open being largely limited in extent by the topography and current drilling information though Ikenskoe is interpreted to be truncated on its northern limit by a fault striking approximately NE-SW. Certainly it is likely that the amount of mineralisation modelled to date represents only a portion of the total amount of mineralisation likely to be present in the project area. A plan view of both orebodies is also provided below in Figure 4-7.

**Figure 4.6 : 3D rendered image of both orebodies as modelled in Gemcom software looking northeast. The V and I orebodies are approximately 3km apart.**

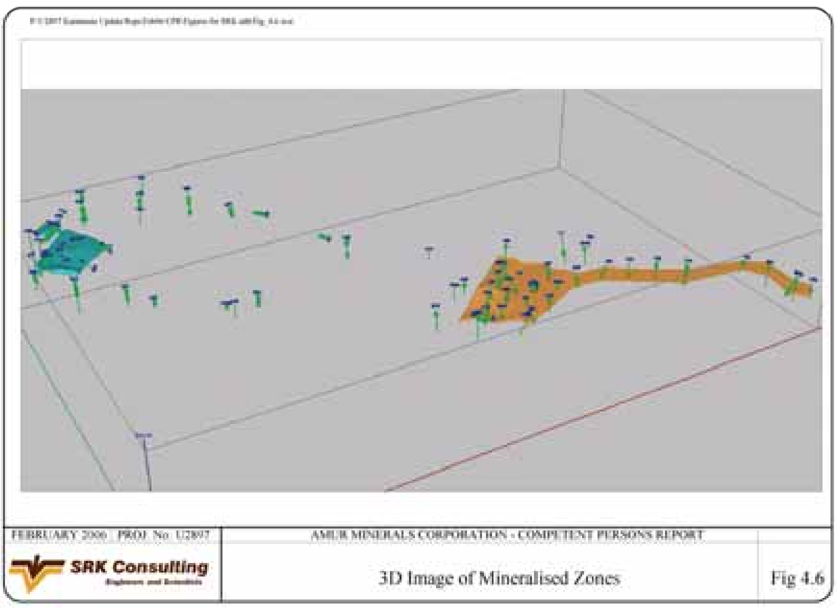
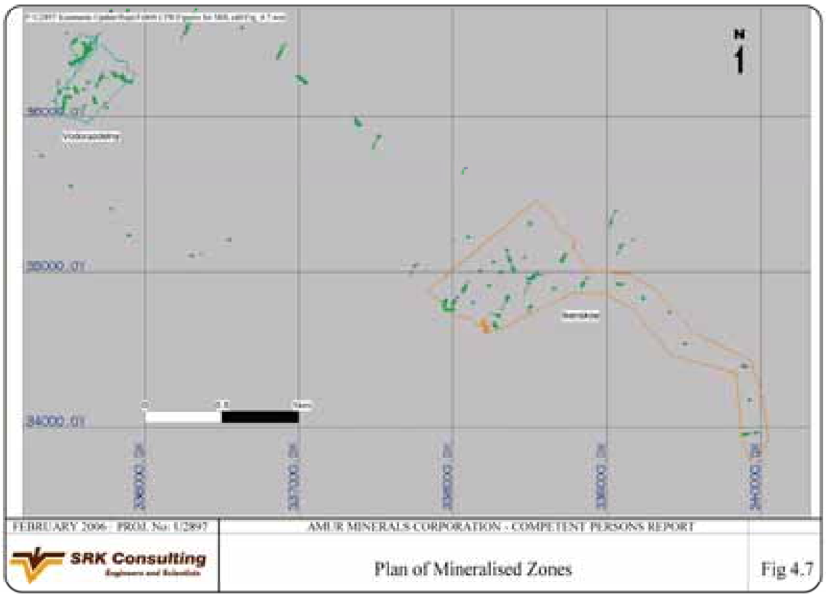


**Figure 4.7 : Plan view of both orebodies, drillholes and trenches as modelled in Gemcom software**




The nickel and copper assay data within the two interpreted orebodies was composited into 910 intervals each of which are 1.5m in length. In each orebody nickel and copper assays were available for all intervals, platinum assays were available for just under half of these and palladium data for just under one third.

*4.6.2 Quality control*

As an external control, AMC sends all samples with grades in excess of 0.25% Ni (and adjacent lower grade intervals) to OMAC Laboratories (OMAC) in Ireland for Ni and Cu check analysis. SRK has reviewed the OMAC data available to date which confirms the integrity of the Russian assays. Over the mineralised intervals a total of 189 check assays have been submitted to OMAC to date. These show a very good correlation to the Russian analysis, however, it should be noted that, at higher nickel values, OMAC has tended to produce higher nickel grades than the original Russian analyses. Indeed, on average over the mineralised intervals OMAC report a nickel grade some 9% higher. However for the purposes of the resource estimate SRK has used the Russian analytical results.

*4.6.3 Grade estimation and tonnage interpolation*

A separate block model was constructed for each orebody using regular sized blocks of 50 m x 50 m x 3 m (x,y,z). These models record the percentage of each block which lies within each of the modelled orebodies in order to maintain the volumetric integrity of these. A density of 3.00 t/m$^3$ which is supported by 170 density determinations was assigned to those parts of the blocks which lay within the orebodies.

Grade was interpolated into the block models using Inverse Distance Weighting squared (IDW) for nickel and copper and IDW cubed for platinum and palladium. No outliers were noted in the assay data and no top-cuts were applied. Only composites from within each orebody were used to estimate the grade within that orebody. The interpolation incorporated a spherical search radii of 500 m and a minimum of 5 and a maximum of 25 samples.

*4.6.4 Resource Statement*

SRK's resource estimate as derived above and with no block cut-off grade applied and using the terms of the JORC Code is detailed below in Table 4-2. The Competent Person, as defined by the JORC Code, responsible for this estimate is Dr Mike Armitage. A breakdown of this is tabulated below.

**Table 4-2 : Mineral Resource Estimate**

| *Orebody* | *Tonnage (Mt)* | *Ni (%)* | *Ni (t)* | *Cu (%)* | *Cu (t)* | *Pt (g/t)* | *Pt (kg)* | *Pd (g/t)* | *Pd (kg)* |
|---|---|---|---|---|---|---|---|---|---|
| **Vodorazdelny** | | | | | | | | | |
| Indicated | 7.1 | 0.60 | 42,900 | 0.17 | 12,000 | 0.2 | 1,100 | 0.1 | 1,000 |
| Inferred | 3.6 | 0.62 | 22,500 | 0.19 | 6,700 | 0.2 | 700 | 0.2 | 600 |
| Sub-Total | 10.7 | 0.61 | 65,400 | 0.17 | 18,700 | 0.2 | 1,800 | 0.2 | 1,600 |
| **Ikenskoe** | | | | | | | | | |
| Indicated | 21.3 | 0.42 | 89,500 | 0.12 | 25,800 | 0.2 | 3,400 | 0.2 | 3,800 |
| Inferred | 14.1 | 0.39 | 54,200 | 0.10 | 14,000 | 0.1 | 1,200 | 0.1 | 1,800 |
| Sub-Total | 35.4 | 0.41 | 143,600 | 0.11 | 39,800 | 0.1 | 4,600 | 0.2 | 5,600 |
| **Total Indicated** | 28.4 | 0.47 | 132,300 | 0.13 | 37,800 | 0.2 | 4,500 | 0.2 | 4,800 |
| **Total Inferred** | 17.7 | 0.43 | 76,700 | 0.12 | 20,700 | 0.1 | 1,900 | 0.1 | 2,400 |
| **Grand Total** | 46.1 | 0.45 | 209,000 | 0.13 | 58,500 | 0.1 | 6,400 | 0.2 | 7,200 |

#### *4.6.5 SRK Comments*

SRK is confident that further exploration will likely enable this estimate to be upgraded to the Measured category and also be extended laterally. The modelled extent of the orebodies largely reflects the topography and amount of trench and drill hole data. Therefore, while Ikenskoe is truncated on its northwestern edge by a NE-SW striking fault and Voderazdelny is split into two separate zones by a similarly striking fault, both are otherwise open.

The geometry and orientation of the orebodies is amenable to open pit mining and sufficient metallurgical testwork has been completed to demonstrate that the nickel and copper will likely be amenable to processing and that a portion of the palladium and platinum will likely be recovered in the resulting concentrate.

In 2005, AMC submitted sample splits of the core to Sibtsvetmetniproject Institute for metallurgical analysis. The objective was to ascertain if the nickel and copper were recoverable using classical sulphide flotation methods. Based on this work Sibtsvetmetniproject Institute established a preliminary flowsheet and confirmed potential metallurgical recoveries for nickel and copper into concentrate to be in the order of approximately 85%.

### *4.7 Future work*

AMC now proposes to:

- Continue the ongoing in-fill diamond drilling programme of the near surface mineralisation within the Vodorazdelny and Ikenskoe areas.
- Continue step out drilling in the areas of Ikenskoe, Vodorazdelny and Falcon to establish the mineralised limits of the three areas.
- Initiate exploration drilling of the Maly Krumkon prospect.
- Compile a prefeasibility study based on the currently defined mineral resource in order to establish the economic potential of Ikenskoe and Vodorazdelny and aid in the prioritisation of further exploration and evaluation.
- Conduct a more detailed geological assessment of previously identified areas containing anomalous metal values along the remainder of the Krumkon Trend and in other areas external to the trend and located throughout the licence area.

## 5 Acquisitions

AMC has informed SRK that it intends to use its knowledge of the geology of the region to identify targets for acquisition and that this will be focussed on intermediate to advanced exploration projects that could potentially be brought into production quickly. Given the overall prospectivity of this part of Russia and the large volumes of existing geological data, AMC's ability to review and process this data should give them a competitive advantage.

AMC's executive management and board members also have experience in a number of other FSU countries and though not within its primary area of interest, SRK understands AMC will also use this knowledge to consider acquisitions outside of the Far East of Russia.

## 6 Exploration programme and budgets

AMC has prepared an extensive exploration programme for its Kun-Manie licence. The 2006 field season work ranges from grass roots level exploration in areas where little work has been completed to in fill diamond core drilling within areas of known mineralisation. The programme (as per Section 4.7 above) is designed and phased to allow for an orderly evaluation and progression of each area towards key decision points. For budgeting and planning purposes, AMC has designed its programme on the basis that each decision point will result in a positive assessment warranting the continued advancement of the project toward production. However, if the portion of the licence or an area does not successfully pass a key decision point, expenditures on that area will be halted and the monies will be reallocated to other targets within the licence or for use in acquisitions of additional properties.

The expenditures planned to attain the next decision point at the end of the 2006 field season are summarised in Table 6.1. Additional exploration and expenditure will be required for the 2007 field season and is presently projected to be US$2.5 million. This future programme will be modified to take into account the results obtained in 2006.

**Table 6-1 : AMC recommended programme and budget for the 2006 field season**

| *Area* | *Ikenskoe, Vodorazdelny and Falcon (US$)* | *Maly Krumkon (US$)* | *Reconnaissance of Krumkon Trend (US$)* | *Total Estimated Cost (US$)* |
|---|---|---|---|---|
| Geophysical Target Definition | 55,000 | 25,000 | 20,000 | 100,000 |
| Geochemical Sampling And Reconnaisance Mapping – Target Refinement | 50,000 | 50,000 | 100,000 | 200,000 |
| Resource Definition, Step Out And New Target Diamond Core Drilling | 1,450,000 | 200,000 | 0 | 1,650,000 |
| Pre-Feasibility Studies | 350,000 | | | 350,000 |
| **Total Exploration Budget To Decision Point** | | | | 2,300,000 |

AMC already has in place the year 2006 exploration contract which was entered into with Dalgeophysica on 16 January 2006. The above table reflect these costs. The Prefeasibility study estimate is based on SRK's experience of such.

SRK has reviewed the above budget and consider the amounts sufficient to achieve the objectives of the exploration programme and justified by the information available to date and the potential of the assets.

## 7 Valuation

SRK's aim in this case has been to determine a fair value of Kun-Manie upon the application for admission to the AIM market of the London Stock Exchange of AMC.

SRK's normal approach for valuing exploration prospects is to base these primarily on exploration expenditure to date and exploration justified by the potential, in the case where no resource estimates have yet been produced; on any reported resource estimates, ideally audited or prepared by SRK, where these are available, or finally on a discounted cash flow analysis, where sufficient technical work has been completed to determine the likely mining and processing routes to be employed. In all cases SRK conditions the results using comparisons with similar operations/prospects elsewhere and its experience and knowledge of transactions involving similar assets.

In this case the valuation derived by SRK is based on the exploration data base provided by AMC, a SRK site visit carried out in July 2005, SRK's mineral resource estimate given in Section 4 and SRK's experience in undertaking valuations of this nature.

The valuation primarily reflects the potential of the Vodorazdelny and Ikenskoe orebodies and has been based on assigning a value per pound of contained metal for nickel and copper and a value per ounce of contained platinum and palladium. The specific value assigned was a function of the grade of these orebodies, the potential for these to be extended following further exploration and the general prospectivity of the licence as a whole. As part of this work, SRK has also undertaken sufficient technical work to confirm that the resource grade is potentially sufficient to support an economic mining operation.

Given the above, SRK has valued the Indicated Mineral Resource at between US$0.12/lb and US$0.20/lb nickel equivalent and the Inferred Mineral Resource at between US$0.08/lb and US$0.12/lb nickel equivalent. This is comparable to between 3 and 4% of the contained nickel equivalent within the Indicated Mineral Resource, and between 2 and 3% of the contained nickel equivalent within the Inferred Mineral Resource, assuming medium term prices of US$4.00/lb for nickel, US$1.00/lb for copper, US$500/oz for platinum and US$250/oz for palladium.

SRK's valuation of Kun-Manie on this basis is between US$60 Million and US$80 Million.

## 8 Concluding Remarks

SRK considers AMC to have a project containing multiple exploration targets which justify as a minimum the next phase of exploration.

The work undertaken by SRK has enabled SRK to report an Indicated Mineral Resource for Kun-Manie of 28.4 Mt with a mean grade of 0.47% Ni, 0.13% Cu, 0.2 g/t Pt and 0.2 g/t Pd and an Inferred Mineral Resource of some 17.7 Mt with a mean grade of 0.43% Ni, 0.12% Cu, 0.1 g/t Pt and 0.1 g/t Pd.

This has been interpreted to be hosted within relatively flat lying, near surface sills that would be readily amenable to open pit mining and which are open in most directions and is based primarily on exploration data collected during 2004 and 2005.

SRK considers the exploration to date to have been undertaken in an appropriate and professional manner and that sufficient data of sufficient quality is available to enable SRK to classify its resulting estimate as a combination of Indicated and Inferred Mineral Resources as defined by the JORC Code.

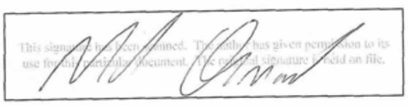
SRK considers that the resource estimate presented in this report represents only a portion of that likely to be demonstrated to be present.

SRK has derived a value for Kun-Manie of between US$60 Million and US$80 Million. This is based primarily on the reported Mineral Resource which in turn is based on the available exploration data as of January 2006, and the potential economics of this.

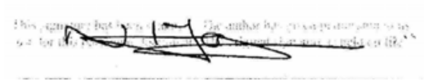
## 9 Warranty

The observations, comments and results of technical analyses presented in this report represent SRK's opinions as of January 2006 and are based on the information currently available and the work SRK has completed as described in this report. While SRK is confident that the opinions we present are reasonable, a substantial amount of data has been accepted in good faith. Although SRK has visited the site, it has not conducted any independent verification or quality control sampling. SRK cannot therefore accept any liability, either direct or consequential, for the validity of such information accepted in good faith.

**For and on behalf of SRK Consulting (UK) Ltd**



**Mike Armitage, CEng CGeol**
**Managing Director**
**SRK Consulting (UK) Ltd**



**Nick Fox, BA MSc DIC ACA**
**Resource Geologist**
**SRK Consulting (UK) Ltd**

**PART IV**

**ACCOUNTANTS' REPORT**

MOORE STEPHENS
CHARTERED ACCOUNTANTS

St. Paul's House
Warwick Lane
London EC4M 7BP

The Directors
Amur Minerals Corporation
Kingston Chambers
P.O. Box 173
Road Town
Tortola
British Virgin Islands

The Directors
Nabarro Wells & Co. Limited
Saddlers House
Gutter Lane
London
EC2V 6HS

The Directors
Fox-Davies Capital Limited
Whitefriars House
6 Carmelite Street
London EC4Y 0BS

10 March 2006

Dear Sirs

**AMUR MINERALS CORPORATION**

We report on the financial information set out below. This financial information has been prepared for inclusion in the AIM admission document dated 10 March 2006 ("the Admission Document") issued by Amur Minerals Corporation ("the Company"). This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

**Basis of preparation**

The financial information set out below is based on the audited financial statements of the Company for the period from incorporation (28 January 2004) to 30 June 2004, the period from incorporation (28 January 2004) to 31 December 2004 and the six months ended 30 June 2005 (the "Financial Statements"), drawn up in accordance with International Financial Reporting Standards. The Financial Statements have been independently audited by Moore Stephens Moscow Limited, who have issued unqualified audit reports for each period under review in accordance with International Standards on Auditing.

The Financial Statements have been drawn up in accordance with International Financial Reporting Standards. The financial information set out in this report does not constitute statutory accounts within the meaning of Section 240 of the UK Companies Act 1985 (as amended).

No financial statements for the Group have been prepared or presented to the members of the Company, or any of its subsidiaries, for any period since 30 June 2005.

**Responsibilities**

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information and in accordance with International Financial Reporting Standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view for the purposes of the Admission Document, and to report our opinion to you.

**Basis of Opinion**

We conducted our work in accordance with the Statements for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

**Opinion**

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Group as at 30 June 2004, 31 December 2004 and 30 June 2005 and of its losses, cash flows and changes in equity for the periods then ended in accordance with the basis of preparation set out in note 2 to the financial information and in accordance with International Financial Reporting Standards, as described in note 2 to the financial information, and has been prepared in a form that is consistent with the accounting policies adopted in the Company's latest audited accounts.

**Declaration**

For the purposes of paragraph (a) of Schedule Two of the AIM Rules, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully,

Moore Stephens LLP
**Chartered Accountants**

**Consolidated balance sheets**

| | Note | *30 June 2005* | *31 December 2004* | *30 June 2004* |
|---|---|---|---|---|
| | | *US$* | *US$* | *US$* |
| **NON-CURRENT ASSETS** | | | | |
| Capitalised exploration costs | 4 | 2,342,541 | 1,558,144 | 703,845 |
| Property, plant and equipment, net | 4 | 14,597 | 11,571 | 910 |
| **Total non-current assets** | | 2,357,138 | 1,569,715 | 704,755 |
| **CURRENT ASSETS** | | | | |
| Cash and cash equivalents | 5 | 645,766 | 124,613 | 563,437 |
| Other receivables | 6 | 88,277 | 130 | 17,706 |
| **Total current assets** | | 734,043 | 124,743 | 581,143 |
| **Total assets** | | 3,091,181 | 1,694,458 | 1,285,898 |
| **CURRENT LIABILITIES** | | | | |
| Accounts payable | 7 | 816,729 | 604,415 | 301,503 |
| **Total current liabilities** | | 816,729 | 604,415 | 301,503 |
| **SHAREHOLDERS' EQUITY** | | | | |
| Share capital | 9 | 8,297 | 4,417 | 3,217 |
| Share premium | | 3,794,940 | 2,089,085 | 1,523,285 |
| Accumulated losses | | (1,528,785) | (1,003,459) | (542,107) |
| **Total shareholders' equity** | | 2,274,452 | 1,090,043 | 984,395 |
| **Total liabilities and shareholders' equity** | | 3,091,181 | 1,694,458 | 1,285,898 |

**Consolidated profit and loss accounts**

| | *Note* | *6 months ended 30 June 2005* | *Period from incorporation to 31 December 2004* | *Period from incorporation to 30 June 2004* |
|---|---|---|---|---|
| | | *US$* | *US$* | *US$* |
| Administrative expenses | 10 | (516,178) | (973,195) | (535,758) |
| **Operating loss** | | (516,178) | (973,195) | (535,758) |
| Foreign currency exchange loss | | (10,003) | (30,942) | (6,855) |
| Interest received | | 855 | 678 | 506 |
| **Loss before tax** | | (525,326) | (1,003,459) | (542,107) |
| Taxation | 8 | — | — | — |
| **Loss for the period** | | (525,326) | (1,003,459) | (542,107) |

**Consolidated cash flow statements**

| | Note | *6 months ended 30 June 2005* | *Period from incorporation to 31 December 2004* | *Period from incorporation to 30 June 2004* |
|---|---|---|---|---|
| | | *US$* | *US$* | *US$* |
| **Cash flow from operating activities:** | | | | |
| Loss before tax | | (525,326) | (1,003,459) | (542,107) |
| Adjustments to reconcile loss before tax to net cash used in operating activities: | | | | |
| Shares issued in settlement of services provided | | 102,035 | — | — |
| Depreciation | | 3,839 | 2,905 | 5 |
| Increase in accounts receivable | | (1,384) | (128) | (17,704) |
| Increase in accounts payable | | 112,068 | 364,161 | 256,244 |
| Net cash used in operating activities | | (308,768) | (636,521) | (303,562) |
| **Cash flow from investing activities:** | | | | |
| Property and equipment acquired | | (6,865) | (14,476) | (915) |
| Exploration expenditure | | (1,078,414) | (1,350,890) | (658,586) |
| Net cash used in investing activities | | (1,085,279) | (1,365,366) | (659,501) |
| **Cash flow from financing activities:** | | | | |
| Proceeds from prepaid share capital | | 340,500 | — | — |
| Issue of shares | | 1,607,700 | 2,207,500 | 1,607,500 |
| Financing costs associated with the issue of shares | | (33,000) | (81,000) | (81,000) |
| Net cash received from financing activities | | 1,915,200 | 2,126,500 | 1,526,500 |
| **Net change in cash and cash equivalents** | | 521,153 | 124,613 | 563,437 |
| Cash and cash equivalents, beginning of period | | 124,613 | — | — |
| **Cash and cash equivalents, end of period** | 5 | 645,766 | 124,613 | 563,437 |
| **Material non-cash transactions:** | | | | |
| Financing costs satisfied by the issue of shares | | 92,300 | — | — |

**Statement of changes in shareholders' equity**

| | *Note* | *Share capital* | *Share premium account* | *Accumulated losses* | *Total* |
|---|---|---|---|---|---|
| | | *US$* | *US$* | *US$* | *US$* |
| **Opening balance** | | — | — | — | — |
| Net loss for the period | | — | — | (542,107) | (542,107) |
| Shares issued | 9 | 3,217 | — | — | 3,217 |
| Premium on shares issued | | — | 1,604,285 | — | 1,604,285 |
| Costs associated with issue of share capital | | — | (81,000) | — | (81,000) |
| **Balance at 30 June 2004** | | 3,217 | 1,523,285 | (542,107) | 984,395 |
| **Opening balance** | | — | — | — | — |
| Net loss for the period | | — | — | (1,003,459) | (1,003,459) |
| Shares issued | 9 | 4,417 | — | — | 4,417 |
| Premium on shares issued | | — | 2,203,085 | — | 2,203,085 |
| Costs associated with issue of share capital | | — | (114,000) | – | (114,000) |
| **Balance at 31 December 2004** | | 4,417 | 2,089,085 | (1,003,459) | 1,090,043 |
| Net loss for the period | | — | — | (525,326) | (525,326) |
| Shares issued | 9 | 3,880 | — | — | 3,880 |
| Premium on shares issued | | — | 1,798,155 | — | 1,798,155 |
| Costs associated with issue of share capital | | — | (92,300) | — | (92,300) |
| **Balance at 30 June 2005** | | 8,297 | 3,794,940 | (1,528,785) | 2,274,452 |

The future of the Group's retained earnings for distribution will be determined by the individual companies' constitutions and legislation in their respective countries, being the British Virgin Islands, Cyprus and the Russian Federation and will not necessarily correspond to the amounts shown in these financial statements. Note 11 details the losses incurred by each Group company.

## 1. GENERAL

### (a) Company

Amur Minerals Corporation was incorporated as a holding company in the British Virgin Islands on 28 January 2004 as Croesus Resources Group Limited. It changed its name to Amur Minerals Corporation on 31 January 2006. On 2 February 2006 the Company was re-registered as a business company under the Act. On 28 January 2004 all the Group companies referred to below came under common control. Although the Company officially acquired the share capitals of its subsidiaries on the dates mentioned below, the management of the Company had full control over the operating and financial policies of all Group companies since their incorporation. The Group locates, evaluates, acquires, explores and develops mineral properties and projects primarily in the Russian Far East.

The Company's registered office is located at Kingston Chambers, P.O. Box 173, Road Town, Tortola, British Virgin Islands. The average number of employees for the Group for the period to 30 June 2005 was 8 (2004: 3 employees).

There is no single ultimate beneficial owner of the Company.

The Company is the 100% owner of Irosta Trading Limited ("Irosta"). The whole issued share capital was transferred to the Company on 14 July 2004. Irosta was incorporated in the Republic of Cyprus on 9 October 2003. Irosta holds 100% of the shares in ZAO Kun-Manie ("Kun-Manie"), which holds a 5 year exclusive exploration licence valid until 31 December 2008. The licence is for an area located north of the Amur Province of Russia, where Kun-Manie is involved in the exploration of metals. Kun-Manie was formed in Russia on 14 April 2003 and was acquired by Irosta on 25 March 2004.

The Group's principal place of business is in the Russian Federation.

In October 2005 an independent study was carried out by SRK to assess and value the existence of any metals in the region where the Group owns licenses to mine. The study was based on the results of field work performed in 1999, 2004 and 2005. SRK is a global entity specializing in the assessment of mining resources. The report indicates that there are indicted mineral resources at Kun-Manie of some 28.4 million tonnes with a mean grade of 0.47% nickel (132,300 tonnes) and 0.13% copper (37,800 tonnes). In addition, there are inferred mineral resources of 17.7 million tonnes, with a mean grade of 0.43% nickel (76,700 tonnes) and 0.12% copper (20,700 tonnes). There are also smaller amounts of platinum and palladium.

### (b) Russian Business Environment

Whilst there have been improvements in the economic situation in the Russian Federation in recent years, the country continues to display some characteristics of an emerging market. These characteristics include, but are not limited to, the existence of a currency that is not freely convertible in most countries outside the Russian Federation, restrictive currency controls and relatively high inflation.

The prospects for future economic stability in the Russian Federation are largely dependant on the effectiveness of the economic measures undertaken by the government, together with legal, regulatory and political developments.

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Preparation

These financial statements have been prepared in United States Dollars under the historical cost convention and in accordance with applicable International Financial Reporting Standards ("IFRS") for the purposes of shareholders.

### (b) Period of Accounts and Comparative Figures

The financial statements have been prepared from the date of incorporation of the Company to 30 June 2004, from the date of incorporation to 31 December 2004, and for the 6 months ended 30 June 2005. Since the Company was incorporated on 28 January 2004, the first 2 of these periods are not for a full six or twelve month period respectively. As a result of the periods under review not being of a common period, they are not directly comparable.

**(c) Principles of Consolidation**

These consolidated financial statements include accounts of the Company and its subsidiaries as set out in note 3. All significant inter-company balances and transactions are eliminated.

**(d) Measurement and Presentation Currency**

The measurement currency of the Group is considered to be the US Dollar, as the majority of exploration financing and share capital raised is in US Dollars. Furthermore, any future sales will be in US Dollars.

The financial statements have been presented in U.S. Dollars in accordance with the Company's accounting policy. For the purpose of these financial statements, other currencies have been translated into U.S. Dollars on the following basis:

(i) Share capital of subsidiaries, capitalised exploration costs and fixed assets at the rate ruling on the date of the relevant transaction.

(ii) Liabilities and current assets at the rate ruling at the end of the accounting period.

(iii) Income Statement items at the average rate for the period.

The rates of exchange used to translate from other currencies into U.S. Dollars were as follows (currency per U.S. Dollar):

| | *Closing rate at 30 June 2005* | *Closing rate at 31 December 2004* | *Closing rate at 30 June 2004* |
|---|---|---|---|
| Russian Rouble (RUR) | 28.67 | 27.75 | 29.03 |

| | *Average rate for 6 months to 30 June 2005* | *Average rate for 12 months to 31 December 2004* | *Average rate for 6 months to 30 June 2004* |
|---|---|---|---|
| Russian Rouble (RUR) | 27.95 | 28.81 | 28.78 |

Exchange differences arising on the application of the above policy to individual transactions and accounts have been dealt with through the Statement of Income and Expenditure. The RUR has limited convertibility outside the Russian Federation and, accordingly, presentation of RUR amounts in US Dollars should not be construed as a representation that RUR amounts have been, could be, or will be in the future, convertible into US dollars at the exchange rate shown, or at any other exchange rate.

**(e) Accounting Estimates and Assumptions**

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the reported amounts of revenues and operating costs during the reporting period. Actual results could differ from these estimates.

The accompanying financial statements reflect management's assessment of the impact of the Russian business environment on the operations and the financial position of the Company. The future business environment may differ from management's assessment. The impact of such differences on the operations and the financial position of the Company may be significant.

**(f) Cash**

Cash consists of cash and bank balances only.

**(g) Other Receivables**

Other receivables are stated at estimated realisable values after providing against debts where recoverability is bad and/or doubtful.

**(h) Fixed Assets**

Tangible fixed assets are stated at cost less accumulated depreciation. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset on a straight-line basis over its expected useful life as follows:

| | *Useful life (years)* |
|---|---|
| Motor vehicles | 2 |
| Office and computer equipment | 3-8 |

The costs of maintenance, repairs and replacement of minor items of tangible fixed assets are charged to current expenditure. Renewals and betterments are capitalised.

**(i) Exploration and Evaluation Assets**

The Group has taken advantage of an early adoption of IFRS 6, Exploration for and Evaluation of Mineral Resources. It is the Group's policy to capitalise costs with respect to agreements entered into with third parties to perform geological works. These costs are capitalised as they will provide future tangible benefits to the Group on the basis that the current licence can be converted to a C2 mining licence. Costs are recognised on a percentage of completion basis, and no depreciation has yet been accounted for. Depreciation on the assets will begin to be charged when they begin to provide benefits to the Group.

**(j) Financial Instruments**

The carrying amount of the Group's financial assets and liabilities generally approximate their fair values at the balance sheet date. Where the fair value of the financial asset is materially below the carrying amount, the carrying amount is written down to fair value.

**(k) Income Taxes**

Income tax expense represents the sum of the tax currently payable and deferred tax. Taxable profit differs from net profit as reported due to income tax effects of permanent and timing differences. Non-profit based taxes are included within administrative expenses.

**(l) Costs associated with the issue of share capital**

Costs associated with the issue of shares, net of any taxes, have been taken directly to the share premium account.

**(m) Share-based payments**

Goods or services received or acquired in a share-based payment transaction are recognised when the goods are obtained or as the services are received.

Goods or services received and the corresponding increase in equity are measured at the fair value of the goods or services received.

## 3. GROUP STRUCTURE

The Group includes the following companies as at 30 June 2005, 31 December 2004 and 30 June 2004:

| | *Country of Incorporation* | *Percentage Holding* | *Principal Activities* |
|---|---|---|---|
| Amur Minerals Corporation | British Virgin Islands | Parent Company | Investment holding company |
| Irosta Trading Limited | Cyprus | 100% | Investment holding company |
| ZAO Kun-Manie | Russia | 100% | Exploration and mining company |

Irosta Trading Limited was established as a Limited Liability Company in the Republic of Cyprus on 9 October, 2003 under registration number 141841. The company is an investment holding company. ZAO Kun-Manie is a Russian registered company, which was formed on 14 April 2003. The company is involved in geological research works on a site located in the north of Amur Region.

## 4. FIXED ASSETS

| | *Motor vehicles* | *Office and computer equipment* | *Exploration and evaluation assets* | *Total* |
|---|---|---|---|---|
| | *US$* | *US$* | *US$* | *US$* |
| **Cost or valuation:** | | | | |
| **At 28 January 2004** | — | — | — | — |
| Additions | — | 915 | 703,845 | 704,760 |
| **At 30 June 2004** | — | 915 | 703,845 | 704,760 |
| Additions | 13,561 | — | 854,299 | 867,860 |
| **At 31 December 2004** | 13,561 | 915 | 1,558,144 | 1,572,620 |
| Additions | — | 6,865 | 784,397 | 791,262 |
| **At 30 June 2005** | 13,561 | 7,780 | 2,342,541 | 2,363,882 |
| **Accumulated depreciation:** | | | | |
| **At 28 January 2004** | — | — | — | — |
| Charge for the year | — | 5 | — | 5 |
| **At 30 June 2004** | — | 5 | — | 5 |
| Charge for the year | 2,825 | 75 | — | 2,900 |
| **At 31 December 2004** | 2,825 | 80 | — | 2,905 |
| Charge for the year | 3,495 | 344 | — | 3,839 |
| **At 30 June 2005** | 6,320 | 424 | — | 6,744 |
| **Net book value:** | | | | |
| **At 30 June 2004** | — | 910 | 703,845 | 704,755 |
| **At 31 December 2004** | 10,736 | 835 | 1,558,144 | 1,569,715 |
| **At 30 June 2005** | 7,241 | 7,356 | 2,342,541 | 2,357,138 |

As at 30 June 2005 certain items of fixed assets (vehicles and equipment) were insured for a total of US$17,468 with Rosgosstrakh insurance company (31 December 2004 and 30 June 2004 – US$14,613).

## 5. CASH

| | *30 June 2005* | *31 December 2004* | *30 June 2004* |
|---|---|---|---|
| | *US$* | *US$* | *US$* |
| Cash on hand | — | — | 39 |
| Cash at bank | 645,766 | 124,613 | 563,398 |
| | 645,766 | 124,613 | 563,437 |

## 6. OTHER RECEIVABLES

| | *30 June 2005* | *31 December 2004* | *30 June 2004* |
|---|---|---|---|
| | *US$* | *US$* | *US$* |
| Prepaid exploration and evaluation expenditure | 86,763 | — | — |
| Other debtors | 1,512 | 128 | 17,704 |
| Unpaid share capital | 2 | 2 | 2 |
| | 88,277 | 130 | 17,706 |

## 7. TRADE AND OTHER PAYABLES

| | *30 June 2005* | *31 December 2004* | *30 June 2004* |
|---|---|---|---|
| | *US$* | *US$* | *US$* |
| Exploration and evaluation creditors | — | 207,254 | 45,259 |
| Accruals and other creditors | 470,599 | 397,161 | 256,064 |
| Prepaid share capital (see note 19) | 340,500 | — | — |
| Payables to employees | 5,630 | — | 180 |
| | 816,729 | 604,415 | 301,503 |

## 8. TAXATION

Amur Minerals Corporation was incorporated in the British Virgin Islands and is not subject to corporation, income or capital taxation.

Irosta Trading Limited is a Cypriot company and is subject to corporate tax on profits chargeable at 10%.

Kun-Manie is subject to Russian profit tax charged at 24% on taxable profits.

Reconciliation of tax charge:

| | *30 June 2005* | *31 December 2004* | *30 June 2004* |
|---|---|---|---|
| | *US$* | *US$* | *US$* |
| Loss per accounts | (525,326) | (1,003,459) | (542,107) |
| Tax at appropriate rate | (23,750) | (25,912) | (4,667) |
| Tax effect of expenses not allowable for tax | 22,405 | 14,479 | 3,623 |
| Loss available for carry forward for future relief | 1,345 | 11,433 | 1,044 |
| Tax charge | 0 | 0 | 0 |

There is no material difference between the accounting and tax base.

The Group has significant exposure to the Russian business and fiscal environment through its business and operations being largely based in Russia.

Russia currently has a number of laws related to various taxes imposed by both federal and regional governmental authorities. Laws related to these taxes have not been in force for significant periods, in contrast to more developed market economies; therefore, implementing regulations are often unclear; and few precedents with regard to tax related issues have been established. Furthermore, the Russian Tax Service is in the process of developing and refining its methods of regulation. These facts create tax risks in Russia substantially more significant than those typically found in countries with more developed tax systems. Tax declarations, together with other legal compliance areas (such as customs and currency control matters) are subject to review and investigation by a number of authorities, who are enabled by law to impose extremely severe fines, penalties and interest charges. As a result of these factors, the Group is unable to determine whether or not the inspecting authorities would challenge the taxation treatment of certain transactions recorded by the Group.

## 9. SHARE CAPITAL

| | *30 June 2005* | *31 December 2004* | *30 June 2004* |
|---|---|---|---|
| | *US$* | *US$* | *US$* |
| Number of Shares (par value US$1 each): | | | |
| Authorised | 50,000 | 50,000 | 50,000 |
| Issued and fully paid | 8,295 | 4,415 | 3,215 |
| Issued but not fully paid | 2 | 2 | 2 |
| Total issued | 8,297 | 4,417 | 3,217 |

Share issues have been as follows:

| | *Number of shares* | *Issue Price* | *Capital* | *Premium* | *Total* |
|---|---|---|---|---|---|
| | | *US$* | *US$* | *US$* | *US$* |
| Period from incorporation to 30 June 2004: | 2 | 1 | 2 | — | 2 |
| | 3,215 | 500 | 3,215 | 1,604,285 | 1,607,500 |
| **Period from incorporation to 30 June 2004:** | 3,217 | | 3,217 | 1,604,285 | 1,607,502 |
| Six months ended to 31 December 2004 | 1,200 | 500 | 1,200 | 598,800 | 600,000 |
| **Period from incorporation to 31 December 2004** | 4,417 | | 4,417 | 2,203,085 | 2,207,502 |
| Six months ended 30 June 2005 | 91 | 500 | 91 | 45,409 | 45,500 |
| | 2,034 | 1 | 2,034 | — | 2,034 |
| | 1,755 | 1,000 | 1,755 | 1,752,746 | 1,754,501 |
| **Six months ended 30 June 2005** | 8,297 | | 8,297 | 4,001,240 | 4,009,537 |

All Ordinary Shares carry equal voting rights and rights to dividends. On incorporation 2 Ordinary Shares were issued at par to directors of the Company as nominees. Payment for these shares is outstanding at the end of each period.

The initial seed capital investors and Foxley Associates Limited ("Foxley"), a company registered in the British Virgin Islands and trading under Proteus International, entered into a Formation Agreement in November 2003.

Under the Formation Agreement, Foxley and its Russian Partners were to be issued free shares in order to maintain an equity interest in the Company up to 50%. The rights of the Russian Partners and Foxley to these carried equity shares was limited to the lesser of the amount of the Work Program and Corporate Funding, as defined in an initial budget, subject to a maximum of US$12.5 million ("the Carried Equity Limit"). As the Company received only one of the orginally anticipated licences, the Carried Equity Limit was reached at US$3.8 million. To satisfy this sum the Directors of Amur Minerals Corporation issued 2,034 shares to Foxley and its designees on 27 May 2005, and issued an additional 4,069 shares to entities nominated by the Russian Partners on 8 December 2005. The remaining shares are owned by other entities, with no single entity owning a significant proportion.

In December 2005 a termination agreement was signed with the Russian Partners whereby the Russian Partners would receive compensation in lieu of fees and shares envisaged under the Partnership Agreement (See note 13).

133 Shares were issued in settlement of services provided, amounting to US$100,000 for the six months ended 30 June 2005. The shares were issued at a fair value to the value of the services provided based on recent share issues.

92.3 shares were issued in settlement of commissions payable amounting to US$92,300 for the 6 months ended 30 June 2005.

## 10. ADMINISTRATIVE EXPENSES

| | *6 months ended 30 June 2005* | *Period from incorporation to 31 December 2004* | *Period from incorporation to 30 June 2004* |
|---|---|---|---|
| | *US$* | *US$* | *US$* |
| Salaries & wages | 128,134 | 141,386 | 51,573 |
| Management fees | 166,375 | 448,125 | 285,000 |
| Expense reimbursements | 88,824 | 208,681 | 130,760 |
| Professional fees | 47,309 | 81,983 | 29,461 |
| Depreciation | 3,839 | 2,905 | 5 |
| Bank charges | 2,561 | 3,165 | 1,479 |
| Rent | 10,667 | 19,556 | 8,889 |
| Other expenses | 68,469 | 67,394 | 28,591 |
| | 516,178 | 973,195 | 535,758 |

## 11. GROUP LOSSES

The Group companies' losses are made up as follows:

| | *6 months ended 30 June 2005* | *Period from incorporation to 31 December 2004* | *Period from incorporation to 30 June 2004* |
|---|---|---|---|
| | *US$* | *US$* | *US$* |
| Amur Minerals Corporation | 418,521 | 906,131 | 517,112 |
| Irosta Trading Limited | 13,452 | 30,128 | 9,515 |
| ZAO Kun-Manie | 93,353 | 67,200 | 15,480 |
| IFRS loss | 525,326 | 1,003,459 | 542,107 |

As a result of all Group companies making losses during the periods under review, they are not able to declare dividends.

## 12. CURRENCY ANALYSIS

| | 30 June 2005 | | |
|---|---|---|---|
| | *Denominated in* | | |
| | *Rbl* | *USD* | *Total* |
| | *US$* | *US$* | *US$* |
| Cash and bank | 3,673 | 642,093 | 645,766 |
| Other receivables | 88,275 | 2 | 88,277 |
| Prepaid capital | — | (340,500) | (340,500) |
| Other payables | (11,423) | (464,806) | (476,229) |

| | 31 December 2004 | | |
|---|---|---|---|
| | *Denominated in* | | |
| | *Rbl* | *USD* | *Total* |
| | *US$* | *US$* | *US$* |
| Cash and bank | 13,170 | 111,443 | 124,613 |
| Other receivables | 128 | 2 | 130 |
| Exploration and evaluation payables | (207,254) | — | (207,254) |
| Other payables | (86,633) | (310,528) | (397,161) |

| | 30 June 2004 | | |
|---|---|---|---|
| | *Denominated in* | | |
| | *Rbl* | *USD* | *Total* |
| | *US$* | *US$* | *US$* |
| Cash and bank | 148,958 | 414,479 | 563,437 |
| Other receivables | 17,704 | 2 | 17,706 |
| Exploration and evaluation payables | (45,259) | — | (45,259) |
| Other payables | (130,312) | (125,932) | (256,244) |

## 13. COMMITMENTS

**Geological works**

An agreement for geological works was made with Dalgeophysica on 22 February 2005. This agreement relates to works to be performed from March 2005 until March 2006. The total value of this contract is approximately US$2.3 million. As at 30 June 2005, the Group had incurred US$710,127 in respect of this commitment.

A further contract was made with Dalgeophysica on 16 January 2006 for geological works. This agreement commences in February 2006 and finishes in March 2007. The total value of the contract is approximately US$1.95 million.

**Partnership Termination Agreement**

On 8th December 2005 the Company agreed and signed a termination agreement with the "Russian Partners" (see note 9), under which the Russian Partners will receive compensation in lieu of the fees not paid and shares envisaged under the Partnership Agreement. As per the agreement, the Russian Partners will receive a one time payment of US$165,500, to cover, *inter alia*, the existing accrual in the accounts of US$135,000, within 5 days of the signing of the agreement, followed by 24 payments of US$23,000 per month to be paid monthly by the 30th day of each month for 24 months starting from January 2006.

## 14. RELATED PARTIES

For the purposes of these financial statements, entities are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions as defined by IAS 24 "Related Party Disclosures". In addition, other parties are considered to be related if they are under common control. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form.

Balances and transactions with related parties at and for the periods ended 30 June 2005, 31 December 2004 and 30 June 2004 are as follows:

| | *30 June 2005* | *31 December 2004* | *30 June 2004* |
|---|---|---|---|
| | *US$* | *US$* | *US$* |
| Management fees | 30,000 | 122,500 | 70,000 |
| Expense reimbursements | 21,421 | 103,507 | 58,171 |
| Creditor balances | 110,810 | 106,693 | 53,171 |
| Payment received for shares in Amur Minerals Corporation | — | 100,000 | 100,000 |
| Value of shares issued in respect of services performed | 45,000 | — | — |
| Shares held | 1,764 | 200 | 200 |
| Warrants held (see note 16) | 851 | 100 | 100 |

All of the above amounts are with Foxley Associates Limited ("Foxley"), a British Virgin Islands company trading as Proteus International. Foxley (being one of the major shareholders of the Company and the Company's advisor) is deemed to be a related party because it exerted a significant amount of influence over the operating policies and decision making of the entity.

A director of Foxley was also a director of Amur Minerals Corporation.

Foxley paid US$100,000 for 200 shares during the initial round of financing. Foxley subsequently subscribed for 45 shares at US$1,000 per share in a subsequent round of financing, with the payment for these being offset against amounts owing to Foxley. Foxley was issued an additional 1,519 shares as carried interest equity under the Formation Agreement.

David Wood and Robin Young were appointed as CFO and CEO on 15 October 2004, however the Group had been operating in accordance with their instructions since incorporation and March 2004 respectively. They are both deemed to be related parties.

229 shares held by Foxley are the subject of an option agreement in Robin Young's favour.

In the period ended 30 June 2005, 89.1 shares were issued to David Wood on 27 May 2005.

The Group paid Western Services Engineering, Inc, a company in which Robin Young is a director and principal shareholder the following amounts:

| | *30 June 2005* | *31 December 2004* | *30 June 2004* |
|---|---|---|---|
| | *US$* | *US$* | *US$* |
| Management fees | 78,700 | 119,200 | 50,800 |
| Expense reimbursements | 28,365 | 31,290 | 14,050 |

The Group also paid David Wood the following amounts for services and reimbursement of expenses:

| | *30 June 2005* | *31 December 2004* | *30 June 2004* |
|---|---|---|---|
| | *US$* | *US$* | *US$* |
| Management fees | 32,500 | 12,500 | — |
| Expense reimbursements | 14,299 | 162 | — |

## 15. UNIFIED SOCIAL TAX

The Russian subsidiary contributes to the Russian Federation state pension scheme, medical social insurance and unemployment funds in respect of its staff. The Group's contribution amounts to 26% (2004 – 34.5%) of employees' salaries, and is expensed as incurred.

## 16. WARRANTS

Prior to the formation of the Group, the Group issued seed capital, being the initial equity capital issued. This seed capital was issued between December 2003 and November 2004 with the Group issuing 4,415 shares at an initial subscription price of US$500 for each share. In addition, each subscriber of shares of the seed capital received one five year warrant for every two shares subscribed which entitle the holder to subscribe for an additional share at the initial subscription price. Furthermore, the founding partners were entitled to 50% of the warrants as part of their carried interests (see note 9). There were 4,506 warrants outstanding as at 30 June 2005. Upon listing the Company's shares on a stock exchange, all the warrants will expire.

## 17. CONTINGENCIES

**Political environment**

As a result of the Group's Russian subsidiary, the operations and earnings of the Group are affected by political, legislative, fiscal and regulatory developments, including those related to environmental protection, in Russia.

**Legal proceedings**

In the opinion of management, there are no current legal proceedings or other claims outstanding, which will ultimately have a material adverse effect on the financial position of the Group.

**Insurance of fixed assets**

The insurance cover that was in place as at 30 June 2005 fully covered the property, plant and equipment assets as at that date. The Company has not insured the capitalized exploration costs which amounted to US$2,342,541 as at 30 June 2005, because there is no insurance cover available in Russia or anywhere else.

**Taxation**

Russian tax legislation is subject to varying interpretations and changes occur frequently. Further, the interpretation of tax legislation by tax authorities as applied to the transactions and activity of the Group may not coincide with that of management. As a result, transactions may be challenged by tax authorities and the Group may be assessed additional taxes, penalties and interest, which can be significant. Periods remain open to review by the tax and customs authorities with respect to tax liabilities for three years.

**Environmental matters**

The enforcement of environmental regulation in the Russian Federation is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. In June 2005, the Group commissioned a baseline environmental study by Amurgeology, a Federal State Unitary Enterprise authorized to undertake such works in the area. The results of this baseline study are due in May 2006. Potential liabilities might arise as a result of changes in legislation and regulation or civil litigation. The impact of these potential changes cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage, other than any amounts which have been accrued in the accompanying balance sheet.

## 18. FINANCIAL INSTRUMENTS AND RISK FACTORS

### Financial risk factors

The Group's activities expose it to financial risks.

### Currency risk.

The main currency risk exposure of the Group is a Rouble based contract with Dalgeophysica. Whilst the Group's functional currency and financing is the US$, the Rouble has strengthened its positions against the US$ significantly in 2004 and 2005, and this had a negative impact on the Group. Given unpredictability in currency exchange rates movement, this can give rise to a material change (either favorable or unfavorable) in the future.

Management does not believe that it is cost-effective to hedge its financial exposures.

## 19. POST BALANCE SHEET EVENTS

### Further round of share issues

A further round of share issues took place in the period July 2005 to December 2005, with an additional 6,616.1 shares being issued, including 2,531 shares subscribed for at US$1,500 each, raising a total of US$3,792,000. The remaining balance of shares was issued to the Russian Partners as carried interest (4,068.6). 16.5 shares were finally issued on receipt of funds relating to a previous round of shares issued. As at 30 June 2005, US$340,500 had already been received (see note 7).

On 10 January 2006, the Company issued the remaining 223 shares which had been subscribed for and paid for in December 2005. These shares have a par value of US$1 each and were issued at a premium of US$1,499 each raising US$334,500.

### Partnership termination agreement

On 8 December 2005, the Group signed a partnership termination agreement which will commit the Company to pay a total of US$717,500 over a 24 month period (see note 13 for further details). As at 30 June 2005, US$135,000 had been accrued in this regard.

### General shareholders' meeting

At a meeting held on 10 February 2006, the Company's members approved in connection with the proposed Admission:

(a) an increase in the Company's authorised number of shares from 50,000 ordinary shares of US$1.00 par value each to 150,000,000 Ordinary Shares of no par value;

(b) the adoption by the Company of new amended and restated memorandum and articles of association of the Company ("New Articles");

(c) following adoption of the New Articles, to grant the directors the necessary power to allot relevant securities as contemplated in Regulation 14 of the New Articles; and

(d) in order to increase marketability of all existing issued shares in the Company to divide each member's issued shares pursuant to a 4,000:1 split so that for each issued and outstanding share the record holder thereof would receive an additional 3,999 shares in the Company.

### Warrant holders

Holders of 4,506.1 warrants (post share split 18,024,400 warrants) outstanding have elected to exercise their warrants as follows:

Holders of 4,431.1 warrants (post share split 17,724,400 warrants) have elected to exercise their warrants through a cashless exchange, receiving 13,887,952 ordinary shares contingent on Admission. Holders of 75 warrants (post share split 300,000 warrants) have elected to exercise their warrants for cash at the exercise price of US$500 per Ordinary Share (post share split US$0.125 per Ordinary Share).

### Shares outstanding

Following the share split and warrant exercise, the Group has 73,839,552 shares issued and outstanding prior to the Placing.

**Share options**

The following share option agreements have been entered into:

(a) An option agreement dated 10 March 2006 between the Company and Robin Young pursuant to which the Company granted Mr Young an option to acquire up to 2,700,000 new Ordinary Shares at an exercise price equal to the Placing Price further details of which are set out in paragraph 6(a) of this Part V of this Document.

(b) An option agreement dated 10 March 2006 between the Company and David Wood pursuant to which the Company granted Mr Wood an option to acquire up to 1,800,000 new Ordinary Shares at an exercise price equal to the Placing Price further details of which are set out in paragraph 6(a) of this Part V of this Document.

(c) An option agreement dated 10 March 2006 between the Company and Robert Schafer pursuant to which the Company granted Mr. Schafer an option to acquire up to 300,000 new Ordinary Shares at an exercise price equal to the Placing Price, further details of which are set out in paragraph 6(a) of this Part V of this Document.

(d) An option agreement dated 10 March 2006 between the Company and George Eccles pursuant to which the Company granted Mr. Eccles an option to acquire up to 300,000 new Ordinary Shares at an exercise price equal to the Placing Price, further details of which are set out in paragraph 6(a) of this Part V of this Document.

(e) An option agreement dated 10 March 2006 between the Company and David Straker-Smith pursuant to which the Company granted Mr. Straker-Smith an option to acquire up to 300,000 new Ordinary Shares at an exercise price equal to the Placing Price, further details of which are set out in paragraph 6(a) of this Part V of this Document.

(f) An option agreement dated 10 March 2006 between the Company and Fox-Davies Capital pursuant to which the Company granted Fox-Davies Capital the right to subscribe for up to 766,667 new Ordinary Shares at a subscription price equal to the Placing Price for a period of up to five years from Admission.

(g) An option agreement dated 10 March 2006 between the Company and NWCF LLP pursuant to which the Company granted NWCF LLP the right to subscribe for up to 877,789 new Ordinary Shares at a subscription price equal to the Placing Price for a period of up to five years from Admission.

**20. ULTIMATE CONTROLLING PARTY**

The management consider that there is no ultimate controlling party.

## PART V

## ADDITIONAL INFORMATION

### 1. Incorporation and Status of the Company

(a) The Company was incorporated as an international business company in the British Virgin Islands under the International Business Companies Act, Cap. 291 on 28 January 2004 with registered number 579410 with the name Croesus Resources Group Limited. On 31 January 2006 the name of the Company was changed to Amur Minerals Corporation. The Company was re-registered as a business company under the Act on 2 February 2006 with registered number 1010359. The principal legislation under which the Company operates is the Act and regulations made thereunder.

(b) The liability of the members of the Company is limited.

(c) The Company's registered office is at Kingston Chambers, P.O. Box 173, Road Town, Tortola, British Virgin Islands. The Company's principal place of business is 65 Kim-Yu-Chen Street, Room 207B, Khabarovsk 680063, Khabarovsk Territory, telephone: +7 4212 734 301. The Company is domiciled in the British Virgin Islands.

### 2. Subsidiary Undertakings

On Admission the Company will be the holding company of the Group and will, directly or indirectly, own the following wholly-owned subsidiaries:

(a) Irosta Trading Limited, a company incorporated in Cyprus on 9 October 2003 with registered number 141841; and

(b) ZAO Kun-Manie, a company which was formed in Russia on 14 April 2003 and registered on 29 April 2003 with number 1032700313678.

### 3. Shares of the Company

(a) The authorised and issued shares of the Company as at the date of this Document, and as it is expected to be immediately following Admission, is as follows:

| | *Authorised shares Number of Ordinary Shares* | *Issued shares Number of Ordinary Shares* |
|---|---|---|
| As at the date of this Document | 150,000,000 | 59,651,600 |
| Following Admission | 150,000,000 | 87,778,946* |

*assuming full subscription under the Placing.

(b) At a meeting of the members of the Company held on 10 February 2006 the following resolutions were passed:

(i) generally and unconditionally to authorise the Directors, until the conclusion of the Company's annual general meeting to be held in 2007, to allot up to the Company's authorised number of shares provided always that following Admission the authority conferred by the resolution be limited to the allotment of relevant securities up to an aggregate number equal to 50 per cent. of the number of issued Ordinary Shares of the Company immediately following Admission; and

(ii) to empower the Directors, until the conclusion of the Company's annual general meeting to be held in 2007, pursuant to the Articles, to allot new Ordinary Shares for cash pursuant to the authority referred to in the above sub-paragraph (b)(i) provided that following Admission this power shall be limited to the allotment of up to an aggregate number of new Ordinary Shares equal to 33 per cent. of the Company's issued Ordinary Shares immediately following Admission.

(c) Notwithstanding the authority referred to in sub-paragraph (b)(ii) above, the Directors have resolved to limit the allotment of new Ordinary Shares for cash pursuant to the authority referred to in the above sub-paragraph (b)(i) to the allotment of up to an aggregate number of new Ordinary Shares equal to five per cent. of the Company's issued share capital immediately following Admission. The provisions of Section 46 of the Act and regulation 14 of the Articles (which confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are paid up in cash) apply to the authorised but unissued shares of the Company except to the extent disapplied by the resolution referred to in sub-paragraph (b)(ii) above.

(d) The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, made or paid after Admission on the Ordinary Shares.

(e) Save as disclosed in this Document:

   (i) no share or loan capital in the Company or the Group is under option or is the subject of an agreement, conditional or unconditional, to be put under option and there is no current intention to issue any of the authorised and unissued Ordinary Shares; and

   (ii) no share or loan capital of the Company or of the Group has been issued for cash or other consideration within the period since incorporation of the Company and the date of this Document and no such issue is proposed.

(f) The Ordinary Shares have been created under the Act.

(g) The Ordinary Shares are in registered form and may be held in certificated form. Application has been made by the Registrar for Depositary Interests, which represent the underlying Ordinary Shares, to be admitted to CREST on Admission. The Depositary Interests may be held in uncertificated form through CREST.

(h) The International Security Identification number for the Ordinary Shares is VGG042401007.

**4. Memorandum and Articles of Association**

The general objects and powers of the Company are set out in clause 5 of its memorandum of association, which provides that the objects for which the Company is established are unrestricted and the Company shall have full power and authority to carry out any object not prohibited by the Act as revised from time to time or any other law of the British Virgin Islands.

The Articles include provisions to the following effect:

(a) ***Meetings of Members***

Subject to the requirement to convene and hold at least one general meeting every calendar year and not more than 15 months since the previous annual meeting, the Board may call general meetings whenever and at such times and places as it shall determine and, on the written requisition of members entitled to exercise at least 30 per cent. of the voting rights in respect of the matter for which the meeting is requested, shall forthwith proceed to convene a general meeting.

A general meeting may be called by at least 14 clear days' notice. Subject to the provisions of the Articles and to any restrictions imposed on any shares, the notice shall be given to all the members whose names appear in the share register of the Company on the date the notice is given. The notice shall specify the time and place of the meeting and the general nature of the business to be conducted. The accidental omission to give notice of a meeting to any person entitled to receive the same, or the non-receipt of a notice of meeting by any person, shall not invalidate the proceedings of that meeting.

The appointment of a proxy shall be executed by or on behalf of the appointer. A corporation which is a member of the Company may authorise such person as it thinks fit to act as its representative at any meeting of the Company or at any separate meeting of the holders of any class of shares.

(b) ***Voting Rights***

At general meetings of the Company, whether on a show of hands or on a poll, every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative not being himself a member entitled to vote, shall have one vote for every voting share of which he is a holder. Votes may be given either personally or by proxy.

(c) ***Alteration of Ordinary Shares***

The Company may from time to time by resolution:

(i) divide its shares, including issued shares, into a larger number of shares;

(ii) combine its shares, including issued shares, into a smaller number of shares;

(iii) A company cannot divide its shares if it would cause the maximum number of authorised shares to be exceeded.

(d) ***Variation of Rights***

All or any of the special rights for the time being attached to any class of shares for the time being issued may be varied or abrogated with the consent in writing of the holders of not less than three-quarters of the issued shares of that class and the holders of not less than three-quarters of the issued shares of any other class which may be affected by such variation.

(e) ***Purchase of Own Shares***

Subject to the provisions of the Act, the Directors may, on behalf of the Company, purchase redeem or otherwise acquire any of the Company's own shares for such consideration as they consider fit.

(f) ***Transfer of Ordinary Shares***

Certificated shares in the Company may be transferred by a written instrument of transfer in the usual common form or in any other manner and shall be executed by or on behalf of the transferor. The Board may in its absolute discretion and without giving any reason decline to register any transfer of shares which are not fully paid or to a person known to be a minor, bankrupt or person who is mentally disordered.

(g) ***Distributions***

Subject to the provisions of the Act, the Directors may, by resolution, authorise a distribution by the Company at a time, and of an amount, and to any members they think fit if they are satisfied, on reasonable grounds, that the Company will, immediately after the distribution, satisfy the solvency test as stipulated in Section 56 of the Act.

Subject to the rights of the holders of shares entitled to special rights as to distributions, all distributions shall be declared and paid, excluding those shares which are held by the Company as treasury shares, at the date of declaration of the distribution.

The Directors may, before recommending any distribution, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall, at their discretion, either be employed in the business of the Company or be invested in such investments as the Directors may from time to time think fit.

If several persons are registered as joint holders of any share, any of them may give effectual receipt for any distribution or other monies payable on or in respect of the share.

Notice of any distribution that may have been declared shall be given to each member in manner hereinafter mentioned and all distributions unclaimed for three years after having been declared may be forfeited by the directors for the benefit of the Company.

No distribution shall bear interest against the Company.

(h) ***Disclosure of Interests and Restrictions on Ordinary Shares***

(i) The Company may by notice in writing require a person whom the Company knows or has reasonable cause to believe to be or, at any time during the 3 years immediately preceding the date on which the notice is issued, to have been interested in shares comprised in the Company's relevant authorised and issued shares:

(1) to confirm that fact or (as the case may be) to indicate whether or not it is the case, and

(2) where he holds or has during that time held an interest in shares so comprised, to give such further information as may be required in accordance with the Articles.

(ii) A notice shall require any information given in response to the notice to be given in writing within such reasonable time as may be specified in the notice. If the requisite reply is not received with the timeframe specified in the notice, a further notice will be sent asking the person(s) or member(s) in question to show cause within a specified time why disenfranchisement action by the Company should not be taken in respect of their shares.

(iii) If the member is still unable to respond to the initial request or show such cause, then the Company may issue a notice of disenfranchisement (which shall take effect in the manner set out in sub-paragraphs (1) to (4) below:

(1) any agreement to transfer or transfer of shares or, in the case of unissued shares, any transfer of the right to be issued with such shares, and any issue of them, is void;

(2) no voting rights are exercisable with respect to the shares until further notified by the Company;

(3) no further shares shall be issued in right of them or in pursuance of any offer made to their holder; and

(4) except in a liquidation of the Company, no payment shall be made of any sums due from the Company on the shares.

(i) ***Directors***

(i) At every annual meeting of the Company one third of the Directors for the time being or, if their number is not a multiple of three, then the number nearest to but not less than one-third shall retire by rotation and be eligible for re-election. The Directors to retire will be those who have been longest in office or, in the case of those who became or who are re-elected Directors on the same day, shall, unless they otherwise agree, be determined by lot.

(ii) No Director shall be disqualified by his office from contracting with the Company either as a vendor, purchaser or otherwise, nor shall any such contract or arrangement entered into by or on behalf of the Company in which any Director shall be in any way interested be voided, nor shall any Director so contracting or being so interested be liable to account to the Company for any profit realised by any such contract or arrangement, by reason of such Director holding that office or by reason of the fiduciary relationship thereby established, provided the procedure set out in paragraph (iii) below is followed.

(iii) A Director shall, immediately after becoming aware of the fact that he is interested in a transaction entered into or to be entered into by the Company, disclose such interest to the Board. However, a Director is not required to comply with this requirement if:

(1) the transaction or proposed transaction is between the Director and the Company; and

(2) the transaction or proposed transaction is or is to be entered into in the ordinary course of the Company's business and on usual terms and conditions.

(iv) The ordinary remuneration of the Directors for their services (excluding amounts payable under any other provision of the Articles) shall not exceed in aggregate £500,000 per annum or such higher amount as the Company may from time to time by resolution determine. The Directors shall be entitled to all such reasonable expenses as they may properly incur in attending meetings of the Board or in the discharge of their duties as Directors. Any Director who by request of the Board performs special services may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Board may determine.

(v) The number of Directors shall not be less than two. The maximum number of Directors is 15. A Director shall not be required to hold any shares of the Company by way of qualification.

(j) ***Borrowing Powers***

The Directors may exercise all the powers of the Company to borrow money, to mortgage or charge its undertaking, property and to issue debentures and other securities, whenever money is borrowed or as security for any debt, liability or obligation of the Company or of any third party.

(k) ***The City Code***

(i) A person must not:

(1) whether by himself, or with persons determined by the Board to be acting in concert with him, acquire shares which, taken together with shares held or acquired by persons determined by the Board to be acting in concert with him, carry 30 per cent. or more of the voting rights attributable to shares of the Company; or

(2) whilst he, together with persons determined by the Board to be acting in concert with him, holds not less than 30 per cent. but not more than 50 per cent. of the voting rights attributable to shares of the Company, acquire, whether by himself or with persons determined by the Board to be acting in concert with him, additional shares which, taken together with shares held by persons determined by the Board to be acting in concert with him, increases his voting rights attributable to shares of the Company,

(each of (1) and (2) a "Limit"), except as a result of a Permitted Acquisition, as defined below.

(ii) Where any person breaches any Limit, except as a result of a Permitted Acquisition, that person is in breach of the Articles.

(iii) The Board may do all or any of the following where it has reason to believe that any Limit is or may be breached:

(1) require any member to provide such information as the Board considers appropriate to determine any of the matters under the Articles;

(2) have regard to such public filing as it considers appropriate to determine any of the matters under the Articles;

(3) make such determinations under the Articles as it thinks fit, either after calling for submissions from affected members or other persons or without calling for such submissions;

(4) determine that the voting rights attached to such number of shares held by such persons as the Board may determine to be held in breach of the Articles ***("Excess Shares")*** are from a particular time incapable of being exercised for a definite or indefinite period;

(5) determine that some or all of the Excess Shares must be sold;

(6) determine that some or all of the Excess Shares will not carry any right to any dividends or other distributions from a particular time for a definite or indefinite period; and

(7) take such other action as it thinks fit including prescribing rules, setting deadlines for the provision of information; drawing adverse inferences where information requested is not provided, making determinations or interim determinations, executing documents on behalf of a member, converting any Excess Shares held in uncertificated form into certificated form; paying costs and expenses out of proceeds of sale; and changing any decision or determination or rule previously made.

(iv) An acquisition is a Permitted Acquisition if:

(1) the Board consents to the acquisition, or

(2) the acquisition is made in circumstances in which the City Code, if it applied to the Company, would require an offer to be made as a consequence and such offer is made in accordance with Rule 9 of the City Code ("*Rule 9*"), as if it so applied.

(v) The Board has full authority to determine the application of the Articles including as to the deemed application of Rule 9. Such authority includes all discretion vested in the Panel on Takeovers and Mergers as if Rule 9 applied including, without limitation, the determination of conditions and consents, the consideration to be offered and any restrictions on the exercise of control. Any resolution or determination of, or decision or exercise of any discretion or power by, the Board or any director or by the chairman of any meeting acting in good faith under or pursuant to the provisions of the Articles is final and conclusive; and anything done by, or on behalf of, or on the authority of, the Board or any director acting in good faith pursuant to the provisions of the Articles is conclusive and binding on all persons concerned and is not open to challenge, whether as to its validity or otherwise on any ground whatsoever. The Board is not required to give any reasons for any decision, determination or declaration taken or made in accordance with the Articles.

(vi) Any one or more of the Directors may act as the attorney(s) of any member in relation to the execution of documents and other actions to be taken for the sale of Excess Shares determined by the Board under the Articles.

**5. Directors' and Other Interests**

(a) The interests of the Directors and their immediate families (all of which are beneficial unless otherwise stated) and of connected persons within the meaning of section 346 of the UK Act in the issued shares of the Company which have been notified to the Company pursuant to Section 324 and 328 of the UK Act (or are required to be disclosed in the Register of Directors' interests pursuant to Section 325 of the Act) as at the date of this Document and as expected to be immediately following Admission are as follows:

| *Name* | *Number of Existing Ordinary Shares* | *% of Existing Ordinary Shares* | *Number of Ordinary Shares immediately following Admission* | *% of Enlarged Share Capital (assuming full subscription under the Placing)* |
|---|---|---|---|---|
| R Schafer | 0 | 0 | 33,333 | 0.04 |
| R Young* | 916,000 | 1.54 | 1,074,590 | 1.22 |
| D Wood | 356,400 | 0.60 | 418,144 | 0.48 |
| G Eccles | 0 | 0 | 30,303 | 0.03 |
| D Straker-Smith | 495,200 | 0.83 | 620,568 | 0.71 |

* The Ordinary Shares shown against Robin Young's name are the subject of an option in his favour over Ordinary Shares held by Foxley Associates Limited.

(b) In addition to the interests of the Directors current shares set out in paragraph 5(a) above, the Directors are aware of the following interests (within the meaning of Part VI of the Act) in the Ordinary Shares which, immediately following Admission, would amount to 3 per cent. or more of the Enlarged Share Capital (assuming full subscription under the Placing).

| *Name* | *Number of Ordinary Shares following Admission* | *% of Enlarged Share Capital (assuming full subscription under the Placing)* |
|---|---|---|
| RAB Special Situations (Master) Fund Limited | 9,567,100 | 10.90 |
| Foxley Associates Limited | 7,920,085 | 9.02 |
| Anturium Resources SA | 6,994,094 | 7.97 |
| Polar Star Capital Ltd. | 6,994,094 | 7.97 |
| Resource Investment Group Inc. | 6,994,094 | 7.97 |
| Lesing Venco Limited | 4,342,350 | 4.95 |
| Vostok Fund L.P. | 3,466,840 | 3.95 |
| Bordier & Cie | 3,340,260 | 3.81 |
| Anouska Trust | 3,016,294 | 3.44 |
| RAB Energy Fund Limited | 2,640,000 | 3.01 |
| Iverta Limited | 2,633,420 | 3.00 |

(c) So far as the Directors are aware, save as disclosed in paragraphs 5(a) and (b) above, there are no persons who, immediately following the Placing, will, directly or indirectly, be interested in 3 per cent. or more of the capital of the Company or who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company.

## 6. Options

(a) The Directors have been granted the following options over Ordinary Shares:

| *Name* | *Number of Ordinary Shares under option* |
|---|---|
| R Schafer | 300,000 |
| R Young | 2,700,000 |
| D Wood | 1,800,000 |
| G Eccles | 300,000 |
| D Straker-Smith | 300,000 |

The options were granted to the relevant Directors pursuant to individual option agreements dated 10 March 2006. The options are exercisable at a price equal to the Placing Price. The options vest as to one-third on Admission, a further third on the first anniversary of Admission and the balance on the second anniversary of Admission. The options expire on the fifth anniversary of Admission.

(b) Pursuant to an option agreement dated 10 March 2006 Fox-Davies Capital has been granted an option to acquire up to 766,667 new Ordinary Shares at an exercise price equal to the Placing Price at any time until the fifth anniversary of Admission.

(c) Pursuant to an option agreement dated 10 March 2006 NWCF LLP has been granted an option to acquire up to 877,789 new Ordinary Shares at an exercise price equal to the Placing Price at any time until the fifth anniversary of Admission.

## 7. Directors' Service Agreements/Letters of Appointment

(a) Mr. Schafer has agreed to act as non-executive chairman of the Company pursuant to a letter of appointment dated 1 February 2006. Mr. Schafer will receive an annual fee of £20,000. The appointment is for an initial period of 6 months from the date of Admission and continues thereafter until terminated by either party giving to the other not less than 3 month's notice in writing. Mr. Schafer's letter of appointment provides for no benefits upon termination of his appointment.

(b) Pursuant to a consultancy agreement dated 10 March 2006 between Western Services Engineering, Inc. and the Company, Western Services Engineering, Inc. has agreed to provide the services of Mr. Young as Chief Executive Officer of the Company. Western Services Engineering, Inc. will receive an annual fee of US$216,000. The agreement may be terminated by either party giving 12 months' written notice. The consultancy agreement provides for no benefits upon termination of the agreement. Mr. Young has been appointed to the Board pursuant to a letter of appointment dated 10 March 2006 under which he receives no consideration. Mr. Young's letter of appointment is co-terminus with the consultancy agreement between the Company and Western Services Engineering, Inc. and provides for no benefits upon termination.

(c) Mr. Wood has agreed to act as chief financial officer of the Company pursuant to a service agreement dated 10 March 2006 under which he has agreed to spend 50 per cent. of his time working for the Group. Mr. Wood will initially receive an annual salary of US$90,000, increasing to US$180,000 at such time as he commences working full-time for the Group. The agreement may be terminated by either party giving 12 months' written notice. Mr. Wood's service agreement provides for no benefits upon termination of his employment.

(d) Mr. Eccles has agreed to act as a non-executive director of the Company pursuant to a letter of appointment dated 1 February 2006. Mr. Eccles will receive an annual fee of £20,000. The appointment is for an initial period of 6 months from the date of Admission and continues thereafter until terminated by either party giving to the other not less than 3 month's notice in writing. Mr. Eccles' letter of appointment provides for no benefits upon termination of his appointment.

(e) Mr. Straker-Smith has agreed to act as a non-executive director of the Company pursuant to a letter of appointment dated 1 February 2006. Mr. Straker-Smith will receive an annual fee of £20,000. The appointment is for an initial period of 6 months from the date of Admission and continues thereafter until terminated by either party giving to the other not less than 3 month's notice in writing. Mr. Straker-Smith's letter of appointment provides for no benefits upon termination of his appointment.

(f) Save as disclosed above, there are no service contracts in existence between any Director and the Company which cannot be determined by the relevant Company without payment of compensation (other than statutory compensation) within one year and none of the service contracts referred to in this paragraph have been amended in the last six months.

**8. Additional Information on the Directors**

(a) In addition to directorships of the Company, the Directors hold or have held the following directorships or have been partners in the following partnerships within the five years prior to the date of this Document:

| *Directors* | *Current Directorships* | *Past Directorships* |
|---|---|---|
| R Schafer | Copper Ridge Exploration Inc.<br>South Pacific Resources Inc.<br>International Royalty Corporation<br>Anaconda Gold Corporation<br>Manor Global Holdings Inc. | Castle Rock Resources Inc.<br>Coniagas Resources Ltd.<br>Welcome Opportunities Inc. |
| R Young | Carmelite Minerals plc<br>Western Services Engineering, Inc. | Frontier Mining Ltd. |
| D Wood | Irosta Trading Limited | None |
| G Eccles | Hambledon Mining plc | None |
| D Straker-Smith | Carmelite Minerals plc<br>Express Events Limited<br>Fox-Davies Capital Limited<br>LTG Technologies plc<br>Music Marketing Services Limited | Mayfair Cellars Limited<br>Pulsar Technology Master Fund<br>Courtfield Management Limited |

| *Directors* | *Current Directorships* | *Past Directorships* |
|---|---|---|
| | Crossborder Capital Limited<br>Crossborder Capital Holdings Limited<br>Crossborder Capital South Africa (Proprietary) Limited<br>Long Investment Management International Limited<br>LIM Asia Commodities Fund<br>Dynamic Hedge Fund<br>PAN Holding<br>LIM Asia Arbitrage Funds Inc.<br>Pulsar Technology Fund<br>Solar Fund Limited<br>Crossborder Capital (Bermuda) Limited | |

(b) None of the Directors has:

(i) any unspent convictions in relation to indictable offences;

(ii) had any bankruptcy order made against him or entered into any voluntary arrangements;

(iii) been a director of a company which has been placed in receivership, compulsory liquidation, administration, been subject to a voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company;

(iv) been a partner in any partnership which has been placed in compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

(v) been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership;

(vi) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies); or

(vii) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a Company.

(c) Save as disclosed in this Document, no Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company and remains in any respect outstanding or unperformed.

(d) No loans made or guarantees granted or provided by the Company to or for the benefit of any Director are outstanding.

**9. Material contracts**

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and its subsidiaries within the period of two years immediately preceding the date of this Document and are, or may be, material:

(a) An engagement letter dated 27 October 2005 between the Company and Nabarro Wells pursuant to which the Company has appointed Nabarro Wells to act as nominated adviser to the Company for the purposes of the AIM Rules. The Company has agreed to pay Nabarro Wells a fee of £25,000 per annum for its services as nominated adviser under the agreement, together with all reasonable expenses and VAT. The engagement letter contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with all applicable laws and regulations. The engagement will continue until the first anniversary of Admission and is subject to termination on the giving of six months' notice.

(b) A broker agreement dated 10 March 2006 between the Company and Fox-Davies Capital pursuant to which the Company has appointed Fox-Davies Capital to act as broker to the Company for the purposes of the AIM Rules. The Company has agreed to pay Fox-Davies Capital a fee of £25,000 per annum for its services as broker under the agreement together with all reasonable expenses and VAT. The Agreement contains certain undertakings and indemnities given by the Company in respect of, *inter alia*, compliance with all applicable laws and regulations. The agreement is subject to termination on the giving of three months' notice not to take effect prior to the first anniversary of Admission.

(c) The Placing Agreement dated 10 March 2006 between the Company, the Directors, Nabarro Wells and Fox-Davies Capital pursuant to which, conditional upon, *inter alia*, Admission taking place on or before 8.00 a.m. on 15 March 2006 (or such later time or date as the Company, Nabarro Wells, and Fox-Davies Capital may agree being not later than 29 March 2006) Fox-Davies Capital has agreed, as agent for the Company, to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price.

The agreement contains representations and warranties from the Company and the Directors and an indemnity from the Company in favour of Fox-Davies Capital and Nabarro Wells together with provisions which enable Fox-Davies Capital and Nabarro Wells to terminate the agreement in certain circumstances prior to Admission including in the event of a material breach of any of the warranties and force majeure. Under the agreement the Company has agreed to pay Fox-Davies Capital a fee of £125,000 and commission of 5.5 per cent. on the aggregate value at the Placing Price of the Placing Shares. The Company has also agreed to pay Nabarro Wells a fee of £60,000.

(d) Lock-in undertakings addressed to the Company, Fox-Davies Capital and Nabarro Wells dated 10 March 2006 from each of the Directors pursuant to which they have agreed not to dispose of or otherwise deal in Ordinary Shares for the period of 12 months following Admission and for a further period of 12 months only to dispose of Ordinary Shares (having consulted with the Company's broker and nominated adviser) on an orderly market basis, except pursuant to acceptance of a general, partial or tender offer made to acquire the whole or part of the issued share capital of the Company, an intervening court order or in the event of the death of the shareholder.

(e) Lock-in undertakings addressed to the Company, Fox-Davies Capital and Nabarro Wells dated between 21 February 2006 and 10 March 2006 from certain of the Shareholders other than the Directors (who are interested in an aggregate of 37,288,479 Ordinary Shares representing approximately 42.48 per cent. of the Enlarged Share Capital*) pursuant to which they have agreed not to dispose of or otherwise deal in Ordinary Shares (although in certain circumstances this excludes any Ordinary Shares acquired in the Placing) for the period of three months following Admission and for a further period of six months only to dispose of Ordinary Shares (having consulted with the Company's broker and nominated adviser) on an orderly market basis, except pursuant to acceptance of a general, partial or tender offer made to acquire the whole or part of the issued share capital of the Company, an intervening court order or in the event of the death of the shareholder.

A lock-in undertaking dated 27 February 2006 from Foxley Associates Limited (which is interested in 7,920,085 Ordinary Shares representing approximately 9.02 per cent. of the Enlarged Share Capital*) addressed to the Company, Fox-Davies Capital and Nabarro Wells pursuant to which Foxley Associates Limited has agreed not to dispose of or otherwise deal in Ordinary Shares for the period of three months following Admission without the consent of Fox-Davies Capital unless (a) such disposal is effected through Fox-Davies, who will actively market the Ordinary Shares held by Foxley Associates Limited during the said period or (b) by private sale by Foxley Associates Limited to a party who has first agreed by deed (in a form reasonably acceptable to the Company) to be bound by the restrictions contained in the lock-in undertaking. Furthermore Foxley Associates Limited has agreed for a further period of six months not to dispose of, or agree to dispose of, Ordinary Shares unless such disposal is first attempted through Fox-Davies or the Company's broker from time to time and in such manner as such broker may require with a view to the maintenance of an orderly market in the shares of the Company. The restrictions on disposals of shares do not apply to disposals made pursuant to acceptance of a general, partial or tender offer made to acquire the whole or part of the issued share capital of the Company, an intervening court order or in the event of the death of the shareholder.

A lock-in undertaking dated 28 February 2006 from RAB Special Situations (Master) Fund Limited (which is interested in 9,567,100 Ordinary Shares representing approximately 10.90* per cent. of the Enlarged Share Capital) addressed to the Company, Fox-Davies Capital and Nabarro Wells pursuant to which RAB Special Situations LP has agreed not to dispose of or otherwise deal in Ordinary Shares held by RAB Special Situations LP at the date of the undertaking for the period of three months following Admission. Furthermore RAB Special Situations LP has agreed for a further period of six months only to dispose of Ordinary Shares held at the date of the undertaking through Fox-Davies Capital or the Company's broker from time to time and on an orderly market basis. The restrictions on disposals of shares do not apply to any disposal made if the Ordinary Shares are trading at a price which is at least 20 per cent. greater than the Placing Price or to disposals made pursuant to acceptance of a general, partial or tender offer made to acquire the whole or part of the issued share capital of the Company, an intervening court order or in the event of the death of the shareholder. Furthermore the restriction on disposals of shares do not apply to any disposal of Ordinary Shares made after the expiry of three months following Admission if RAB Special Situations LP have instructed Fox-Davies Capital or the Company's broker from time to time to arrange the sale of the Ordinary Shares at a specified price and they fail to do so within five days of the request, provided that the Ordinary Shares so offered are then sold at a price equal to or greater than the price specified to Fox-Davies Capital or the Company's broker from time to time.

A lock-in undertaking 22 February dated 2006 from City Capital Corporation Bermuda Limited (which is interested in 800,000 Ordinary Shares representing approximately 0.91* per cent. of the Enlarged Share Capital) addressed to the Company, Fox-Davies Capital and Nabarro Wells pursuant to which City Capital Corporation Bermuda Limited has agreed not to dispose of or otherwise deal in Ordinary Shares for the period of three months following Admission unless the price ordinarily obtainable for the Ordinary Shares increases by 20 per cent. or more over the Placing Price. Furthermore City Capital Corporation Bermuda Limited has agreed for a further period of six months only to dispose of Ordinary Shares (having consulted with the Company's broker and nominated adviser) on an orderly market basis, except pursuant to acceptance of a general, partial or tender offer made to acquire the whole or part of the issued share capital of the Company, an intervening court order or in the event of the death of the shareholder.

A lock-in undertaking dated 22 February 2006 from Polar Star Capital Ltd. (which is interested in 6,994,094 Ordinary Shares representing approximately 7.97* per cent. of the Enlarged Share Capital) addressed to the Company, Fox-Davies Capital and Nabarro Wells pursuant to which Polar Star Capital Ltd. has agreed not to dispose of or otherwise deal in Ordinary Shares for the period of three months following Admission and for a further period of six months only to dispose of Ordinary Shares (having consulted with the Company's broker and nominated adviser) on an orderly market basis except pursuant to acceptance of a general, partial or tender offer made to acquire the whole or part of the issued share capital of the Company, an intervening court order, in the event of the death of the shareholder or with the consent of Fox-Davies Capital.

* *assuming full subscription under the Placing*

(f) An option agreement dated 10 March 2006 between the Company and Mr. Young pursuant to which the Company granted Mr. Young an option to acquire up to 2,700,000 new Ordinary Shares at an exercise price equal to the Placing Price, further details of which are set out in paragraph 6(a) of this Part V of this Document.

(g) An option agreement dated 10 March 2006 between the Company and Mr. Wood pursuant to which the Company granted Mr. Wood an option to acquire up to 1,800,000 new Ordinary Shares at an exercise price equal to the Placing Price, further details of which are set out in paragraph 6(a) of this Part V of this Document.

(h) An option agreement dated 10 March 2006 between the Company and Mr. Schafer pursuant to which the Company granted Mr. Schafer an option to acquire up to 300,000 new Ordinary Shares at an exercise price equal to the Placing Price, further details of which are set out in paragraph 6(a) of this Part V of this Document.

(i) An option agreement dated 10 March 2006 between the Company and Mr. Eccles pursuant to which the Company granted Mr. Eccles an option to acquire up to 300,000 new Ordinary Shares at an exercise price equal to the Placing Price, further details of which are set out in paragraph 6(a) of this Part V of this Document.

(j) An option agreement dated 10 March 2006 between the Company and Mr. Straker-Smith pursuant to which the Company granted Mr. Straker-Smith an option to acquire up to 300,000 new Ordinary Shares at an exercise price equal to the Placing Price, further details of which are set out in paragraph 6(a) of this Part V of this Document.

(k) An option agreement dated 10 March 2006 between the Company and Fox-Davies Capital pursuant to which the Company granted Fox-Davies Capital the right to subscribe for up to 766,667 new Ordinary Shares at a subscription price equal to the Placing Price for a period of up to five years from Admission.

(l) An option agreement dated 10 March 2006 between the Company and NWCF LLP pursuant to which the Company granted NWCF LLP the right to subscribe for up to 877,789 new Ordinary Shares at a subscription price equal to the Placing Price for a period of up to five years from Admission.

(m) A sale and purchase contract dated 25 March 2004 between Irosta Trading Limited and National Resources Company (a closed joint-stock company registered under the laws of the Russian Federation) whereby National Resources Company agreed to sell 99 shares in ZAO Kun-Manie to Irosta Trading Limited for a consideration of 9,900 roubles. The agreement contains warranties from National Resources Company in favour of Irosta Trading Limited to the effect that National Resources Company has unencumbered title to the shares being sold, the total liabilities of ZAO Kun-Manie do not exceed 150,000 roubles and that ZAO Kun-Manie does not own any shares of any other companies.

(n) A sale and purchase contract dated 25 March 2004 between Irosta Trading Limited and Oleg N. Alekseenko whereby Mr. Alekseenko agreed to sell one share in ZAO Kun-Manie to Irosta Trading Limited for a consideration of 100 roubles. The agreement contains warranties from Mr. Alekseenko in favour of Irosta Trading Limited to the effect that Mr. Alekseenko has unencumbered title to the shares being sold.

(o) An agreement to carry out geological exploration dated 16 January 2006 between ZAO Kun-Manie and the Federal State Unitary Geophysical Enterprise Dalgeophysica pursuant to which Dalgeophysica has agreed to undertake the geological exploration of the Kun-Manie site.

(p) A termination deed dated 8 December 2005 between the Company, Foxley Associates Limited, Anturium Resources S.A., Polar Star Capital Ltd. and Resource Investment Group Inc. whereby the parties agreed to terminate a partnership agreement relating to the formation of the Company. In consideration for Anturium Resources S.A., Polar Star Capital Ltd. and Resource Investment Group Inc. entering into the agreement, the Company agreed to pay them US$165,500 within five business days of the execution of the agreement and US$23,000 each month for 24 months commencing January 2006.

**10. Litigation**

Neither the Company nor any of its subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened against the Company or any member of the Group of which the Company or any member of the Group is aware) which have, may have or have had during the 12 months preceding the date of this Document a significant effect on the Company's financial position or profitability.

**11. Working capital**

The Directors are of the opinion, having made due and careful enquiry, that following Admission the Group will have sufficient working capital for its present requirements, that is for at least the 12 month period following Admission.

**12. Taxation**

The following paragraphs are intended as a general guide only for shareholders who are resident, ordinarily resident and domiciled in the United Kingdom for tax purposes, holding Ordinary Shares as investments and not as securities to be realised in the course of a trade, and are based on current legislation and UK HM Revenue & Customs (HMRC) practice. Any prospective purchaser of Ordinary Shares who is in any doubt about his tax position or who is subject to taxation in a jurisdiction other than the UK, should consult his own professional adviser immediately.

(a) *Taxation of Chargeable Gains*

Any disposal, or deemed disposal of Ordinary Shares in the company by a shareholder who is either resident or ordinarily resident for tax purposes, and domiciled, in the UK will, depending on the shareholders circumstances and subject to any available exemption or relief, give rise to a chargeable gain or allowable loss for the purposes of taxation of chargeable gains in the UK. Broadly shareholders who are not resident nor ordinarily resident for tax purposes in the UK will not be liable for UK tax on capital gains realised on the disposal of their Ordinary Shares until such shares are used, held or acquired for the purposes of a trade, profession or vocation carried on in the UK through a permanent establishment or for the purposes of such permanent establishment. Such shareholders may be subject to foreign tax on any gain under local law.

A shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident and ordinarily resident for taxation purposes in the UK for a period of less than five complete tax years and who disposes of the Ordinary Shares during that period may also be liable to UK taxation of chargeable gains (subject to any available exemption or relief) as if, broadly, the disposals made in such shareholders year of return to the UK.

(b) *Stamp Duty and Stamp Duty Reserve Tax*

No stamp duty or stamp duty reserve tax ("SDRT") will generally be payable on the issue of the Ordinary Shares.

(c) *Dividends and other Distributions*

Any UK holder, or a holder of ordinary shares who is carrying on a trade, profession or vocation in the UK through a permanent establishment in connection with which the Ordinary Shares are held, will, depending upon the holders particular circumstances, be subject to UK income tax or corporation tax as the case may be on the amount of any dividend paid by the company. An individual shareholder who is resident in the UK for tax purposes and who receives a dividend from the company will be liable to the dividend ordinary rate (10% in 2005-06) and/or (depending on the amount of the holders overall taxable income) at the dividend upper rate (32.5% in 2005-06).

A shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law. Shareholders who are not resident in the UK for tax purposes should consult their own tax advisers concerning tax liabilities on dividends received from the company.

(d) *UK Inheritance Tax*

The Ordinary Shares will not be assets situated in the UK for UK inheritance tax purposes. A gift of such assets by, or the death, of, an individual holder who is domiciled or deemed to be domiciled under certain rules relating to long residence or previous domicile, may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax. For UK inheritance tax purposes a transfer of assets at less than market value may be treated as a gift and particular rules may apply where the donor reserves or retains some benefit.

(e) *BVI Taxation*

The Company is not liable to pay any form of taxation in the BVI and all dividends, interests, rents, royalties, compensations and other amounts paid by the Company to persons who are not persons resident in the BVI are exempt from all forms of taxation in the BVI and any capital gains realized with respect to any shares, debt obligations, or other securities of the Company by persons who are not persons resident in the BVI are exempt from all forms of taxation in the BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the BVI with respect to any shares, debt obligation or other securities of the Company.

Subject to the payment of BVI stamp duty on the acquisition of property in the BVI by the Company, all instruments relating to transfers of property to or by the Company and all instruments relating to transactions in respect of the shares, debt obligations or other securities of the Company and all instruments relating to other transactions relating to the business of the Company are exempt from payment of stamp duty in the BVI.

There are currently no withholding taxes or exchange control regulations in the BVI applicable to the Company or its shareholders.

**If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the UK, you should consult your professional adviser.**

**13. General**

(a) The Company's auditor for the two six-month periods ended 30 June 2004 and 30 June 2005 and the year ended 31 December 2004 (the "Financial Period") was Moore Stephens Moscow Limited of Entrance 1, Strastnoy Boulevard, Moscow, 107031 Russia. Moore Stephens Moscow Limited is a subsidiary of Moore Stephens LLP of St. Paul's House, Warwick Lane, London EC4M 7BP, which firm is a member of the Institute of Chartered Accountants in England and Wales. No auditor has resigned, been removed or not been re-appointed during the Financial Period.

(b) The total costs and expenses relating to the Placing payable by the Company are estimated to be £850,000 (excluding VAT).

(c) The accountants' report in Part IV of this Document is included, in the form and context in which it is included, with the consent of Moore Stephens LLP which has authorised the contents of its report for the purposes of the AIM Rules. Moore Stephens LLP have also given and not withdrawn their written consent to the inclusion of references to them herein in the form and context in which they appear.

(d) The Competent Person's Report which appears in Part III of this Document is included, with the consent of SRK, which has authorized the contents of that part of the Document. SRK has given and not withdrawn its written consent to the inclusion of references to it herein in the form and context in which they appear and to the inclusion of its report in this Document.

(e) Where information has been sourced from a third party, the information has been accurately reproduced and as far as the Company is aware and is able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

(f) Nabarro Wells has given and not withdrawn its written consent to the inclusion in this Document of reference to its name in the form and context in which it appears.

(g) Fox-Davies Capital has given and not withdrawn its written consent to the inclusion in this Document of reference to its name in the form and context in which it appears.

(h) The accounting reference date of the Company is 31 December.

(i) There are no arrangements under which future dividends are waived or agreed to be waived.

(j) It is expected that definitive share certificates will be despatched by first class post by 29 March 2006. In respect of Depository Interests, it is expected that Shareholders' CREST stock accounts will be credited on 15 March 2006.

(k) Save as disclosed in Part I, the Directors are unaware of any exceptional factors which have influenced the Company's activities.

(l) Save as disclosed in this Document, there has been no significant change in the trading or financial position of the Group since 30 June 2005, being the date to which the audited financial information contained in Part IV of this Document was prepared.

(m) The financial information contained in this Document does not constitute statutory accounts within the meaning of Section 240 of the UK Act and no such accounts have been prepared for the Company since its incorporation.

(n) No person directly or indirectly (other than the Company's professional advisers and trade suppliers or save as disclosed in this Document) in the last twelve months received or is contractually entitled to receive, directly or indirectly, from the Company on or after Admission (excluding in either case persons who are professional advisers otherwise than as disclosed in this Document and persons who are trade suppliers) any payment or benefit from the Company to the value of £10,000 or more or securities in the Company to such value at the Placing Price or entered into any contractual arrangements to receive the same from the Company at the date of Admission.

(o) Fox-Davies Capital has been the Company's financial adviser since its incorporation, involved in all fundraisings to date and has been paid fees and commissions for the services it has provided.

(p) The arrangements for payment of the Placing Shares are set out in the placing letters referred to in the Placing Agreement.

(q) The Directors are not aware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.

(r) The Company's major Shareholders do not have different voting rights to the Company's other Shareholders.

(s) The Company is not aware of any arrangements which may at a subsequent date result in a change of control of the Company.

(t) The Directors are unaware of any patents or other intellectual property rights, licences, industrial, commercial or financial contracts or new manufacturing processes which are or may be material to the Company's business or profitability.

(u) To the extent known by the Company, at Admission the Company will not be owned or controlled by any specific party or group of parties.

(v) Save as set out in this Document the Company had no principal investments for each financial year covered by the historical financial information and there are no principal investments in progress there are no principal future investments on which the Board has made a firm commitment.

(w) The Ordinary Shares are in registered form.

(x) There are no provisions in the Articles which would have the effect of delaying, deferring or preventing a change of control of the Company.

(y) Save as disclosed in this Document, so far as the Directors are aware there are no known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on the Group's prospects for at least the current financial year.

(z) There are no mandatory takeover bids outstanding in respect of the Company and none has been made either in the last financial year or the current financial year of the Company.

(aa) No public takeover bids have been made by third parties in respect of the Company's issued share capital in the current financial year nor in the last financial year.

(bb) The Placing Shares represent 15.9 per cent. of the Existing Ordinary Shares and their issue will result in a corresponding level of dilution.

**14. Availability of this Document**

Copies of this Document are available free of charge from the Company's registered office and at the offices of Field Fisher Waterhouse, 35 Vine Street, London EC3N 2AA, during normal business hours on any weekday (Saturdays and public holidays excepted) and shall remain available for at least one month after Admission.

10 March 2006

## GLOSSARY OF TECHNICAL TERMS

| | |
|---|---|
| **"Aldan Stanovoy shield"** | the name of the local shield (craton) |
| **"andesite"** | a dark-colored, fine-grained, volcanic rock composed of feldspar and biotite, hornblende or pyroxene, the volcanic equivalent of diorite |
| **"anomalous"** | mineralisation distinguished by geological, geophysical or geochemical means, which is different from the general surroundings and is of potential economic value |
| **"anorthosite"** | a coarse-grained igneous intrusive rock consisting mainly of calcium-rich feldspar, known as labradorite |
| **"block model"** | a three-dimensional matrix or grid comprised of individual blocks containing rock codes and/or estimates of grade values. The size of a block model is determined by the number of rows, columns, and levels |
| **"channel sampling"** | sampling taken from the wall of a mine opening, or along a surface exposure or trench, in which a furrow is made and the sample is submitted for analysis. Channel samples are commonly small in length (one metre) and tend to be collected over continuous intervals |
| **"C2"** | a Russian classification category for resources identified as "Category C2". These resources are preliminary estimates of contained tonnes and grade (quality) of a deposit. Category C2 resources are used to determine the development potential of a field and to plan geological, exploration and production activities |
| **"chalcopyrite"** | a brassy yellow metallic mineral composed of copper, iron and sulphur and an important source of copper |
| **"concentrate"** | enriched ore of copper, lead, zinc, etc. after the removal of waste in a beneficiation mill. Typically, ore from a mine is crushed, ground and run through a beneficiation process to produce concentrate |
| **"crystalline"** | a mineral, especially a transparent form of quartz, having a crystalline structure, often characterized by external planar faces |
| **"craton"** | large, and usually ancient, stable mass of the earth's crust |
| **"Cu"** | chemical symbol for copper |
| **"density"** | the measure of the relative "heaviness" of the rock or minerals of a constant volume |
| **"diamond core drilling"** | mineral exploration drill hole completed using a diamond impregnated drill bit for retrieving a cylindrical core of rock |
| **"dip"** | the angle at which a rock stratum or structure is inclined from the horizontal |
| **"disseminated"** | spatially separated particles distributed uniformly throughout a rock |
| **"Early Archaean"** | the earlier of the two divisions of Precambrian time, from approximately 3.8 to 2.5 billion years ago |
| **"Early Proterozoic"** | the later of the two divisions of Precambrian time, from approximately 2.5 billion to 570 million years ago |
| **"external control"** | quality control procedures implemented by external organizations |
| **"fault"** | a fracture or fracture zone, along which displacement of opposing sides has occurred |

| | |
|---|---|
| **"flow sheet"** | a diagram showing the progress of material through a preparation or treatment plant. It shows the crushing, screening, cleaning or refining processes to which the material is subjected from the run-of-mine state to the clean and sized products. The size range at the various stages may also be shown |
| **"footwall"** | the rock that is beneath the fault plane (as opposed to hanging wall), vein, lode or bed of ore |
| **"gabbro"** | a dark-coloured, medium to coarse grained intrusive rock which has relatively high levels of iron and magnesium minerals, and in which quartz is absent or minor. A variety containing accessory olivine may be termed 'olivine gabbro', or 'ferro-gabbro' if appreciable magnetite is present |
| **"g/t"** | grams per tonne, a standard mass unit for demonstrating the concentration of precious metals in a rock, equivalent to parts per million (ppm) |
| **"Geology Fund"** | an archive of geological information and reports maintained by the governmental agencies of the Russian Federation |
| **"geochemical"** | the geological application of sampling and assaying in a systematic fashion to identify areas of mineralisation |
| **"geophysical"** | the application of physics to geological exploration, such as aeromagnetic, induced polarity or gravity surveys |
| **"gneiss"** | a group of rocks with a banded or closely foliated fabric formed by regional metamorphism |
| **"grade"** | the amount of contained metal in a sample or drill core |
| **"granite"** | a coarse-grained igneous rock containing mainly quartz and feldspar minerals and subordinate micas, or less commonly, hornblende amphibole |
| **"hangingwall"** | the rock that is above the fault plane (as opposed to footwall), vein, lode or bed of ore |
| **"horneblende"** | a green to black amphibole mineral formed in the late stages of cooling in igneous rock |
| **"igneous"** | rocks that have formed from a magma |
| **"Inferred Mineral Resource"** | 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. An Inferred Mineral Resource has a lower level of confidence than that applying to an Indicated Mineral Resource |
| **"Indicated Mineral Resource"** | 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. An Indicated Mineral Resource has a lower level of confidence than that applying to a Measured Mineral Resource, but has a higher level of confidence than that applying to an Inferred Mineral Resource |

| | |
|---|---|
| **"in fill drilling"** | the process of drilling new holes between existing holes to increase the number of holes within an area |
| **"intrusive"** | a mass of rock formed by magma forcibly occupying a space within pre-existing rocks, then cooling beneath the earth's surface |
| **"inverse distance weighting"** | an interpolation method used to estimate the content of metal based on adjacent or nearby sample information. The influence of each sample varies based on distance from the area being estimated. The influence decreases as a function of distance |
| **"JORC Code"** | the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves issued by the Joint Ore Reserves Committee |
| **"Krumkon Trend"** | a 40 kilometre long by 2 kilometre wide trend located within the Kun-Manie licence area. This zone hosts the majority of the mineralisation identified to date in the licence area |
| **"Kun-Manie Massif"** | the name of the metagabbro intrusive within which the Krumkon Trend is located |
| **"lherzolites"** | a type of peridotite, part of the group of igneous rocks composed mainly of olivine and various pyroxenes and having a granitic texture |
| **"mafic"** | descriptive of rocks composed dominantly of magnesium, iron and calcium-rich rock-forming silicates |
| **"Measured Mineral Resource"** | 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 |
| **"metamorphic"** | a rock that has been modified by the effects of pressure, heat and fluids within the crust |
| **"Mesozoic"** | of, belonging to, or designating the era of geologic time that includes the Triassic, Jurassic, and Cretaceous periods |
| **"metagabbro"** | a black, coarse-grained, intrusive igneous rock, composed of calcium-rich feldspars, pryoxene and sometimes olivine. The intrusive and chemical equivalent of basalt and diabase |
| **"metallurgy"** | the study of extracting metals from their ores |
| **"metamorphism"** | the process of altering a rock by temperature and/or pressure |
| **"Mineral Resource"** | 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. A resource estimate does not require specific mining, metallurgical, environmental, price or cost data, but the nature and continuity of mineralisation must be understood to a specific degree of knowledge |
| **"mineralisation"** | a rock containing valuable components of metals or metals compounds |
| **"Ni"** | chemical symbol for nickel |

| | |
|---|---|
| **"Ni equivalent"** | an equivalent nickel value that represents all of the contained metals in a deposit. For Kun-Manie, the contained copper, platinum and palladium have been converted to a nickel value |
| **"olivine"** | an olive green magnesium-iron silicate, common in mafic and ultramafic igneous rocks |
| **"open pit mining"** | an excavation or cut made at the surface of the ground for the purpose of extracting ore and which is open to the surface for the duration of the mine's life |
| **"OMAC Laboratories"** | a laboratory used by the Company to derive independent analyses verifying those derived by the Central Laboratory located in Khabarovsk, Russia. The laboratory is located in Ireland |
| **"ore microscopy"** | the study of minerals using a microscope |
| **"Ore Reserves"** | that part of a resource for which a mine and process plan has been completed such that the resource has been deemed to be economic to mine |
| **"orogenic"** | the process of mountain building |
| **"outcrop"** | an exposure of rock or mineral deposit that can be seen on the surface, i.e. that is not covered by soil or water |
| **"Pd"** | chemical symbol for palladium |
| **"pentlandite"** | a major nickel sulphide species, that contains 25-45% nickel |
| **"peridotite"** | a variety of medium-to coarse-grained ultramafic igneous rock composed of predominant olivine, subordinate pyroxene, minor other ferromagnesian minerals. Quartz and feldspar are absent |
| **"PGM" or "Platinum Group Metals"** | platinum group metals consisting of platinum and palladium |
| **"plagio-websterite"** | a member of the peridotite family, containing both orthopyroxene and clinopyroxene, typically as anhedral grains. This variety is rich in plagioclase |
| **"plagioclase"** | a feldspar comprising sodium and calcium silicate mineral |
| **"pre-feasibility study"** | a comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, in the case of underground mining, or pit configuration, in the case of an open pit, has been established and an effective method of mineral processing has been determined, and includes a financial analysis based on reasonable assumptions of technical, engineering, legal, operating, economic, social and environmental factors and the evaluation of other relevant factors which are sufficient to determine if all or part of the Mineral Resource may be classified as an Ore Reserve |
| **"porphyry"** | rock containing relatively large conspicuous crystals, especially feldspar, in a fine-grained igneous matrix |
| **"prospect"** | a prospect refers to a mineral occurrence or historical mine that could be of exploration interest |
| **"Proterozoic"** | geological time between the Archaean and the Paleozoic eras, that is from 2,500 million to 550 million years ago |
| **"Pt"** | chemical symbol for platinum |
| **"pyrite"** | an iron sulphide mineral |
| **"pyroxenite"** | a coarse grained igneous intrusive rock dominated by the mineral pyroxene |

| | |
|---|---|
| **"pyrrhotite"** | a magnetic iron sulphide mineral commonly associated with subordinate or minor pentlandite in massive and semi-massive sulphide deposits. Small amounts of Ni, Co, Mn and Cu can substitute for Fe |
| **"recovery"** | proportion of a metal or element recovered during metallurgical processing |
| **"schists"** | a micaceous crystalline metamorphic rock having a foliated structure due to the recrystallisation of the constituent minerals |
| **"Siberian platform"** | large, geologically stable area of Precambrian rocks in North Asia, comprising much of Siberia, Russia |
| **"sill"** | a tabular, near flat lying sheet of igneous rock intrusion that parallels the planar structure of the surrounding metamorphic rock |
| **"stream sediment sampling"** | the process of collecting samples from the sediments and eroded materials located in a streambed |
| **"strike"** | the angle/compass direction between true north and the horizontal line contained in any planar feature (i.e. an inclined bed, dike, fault surface, bedding plane). also the geographic direction of this horizontal line. Strike is perpendicular to dip direction |
| **"sub-grade"** | economic minerals occurring in concentrations that are to low to be considered as economically recoverable |
| **"syngenetic"** | deposits that form simultaneously with the rock |
| **"sulphide"** | minerals containing the element sulphur in its unoxidised form. In combination with copper, cobalt and nickel, they constitute the main source ores for those metals |
| **"suture"** | a zone of weakness within an orogenic belt that has the potential to become reactivated during orogenic evolution |
| **"tectonic"** | general term referring to the large-scale change of rock in response to forces causing faulting and folding. Common landforms resulting from tectonic processes are mountain ranges, rift zones, faults, fractured rock, and folded rock masses |
| **"tonne" or "t"** | a metric tonne equal to 1,000 kilograms |
| **"trenching"** | process of excavating a trench from which channel samples are collected |
| **"tuff"** | a rock composed of compacted volcanic ash varying in size from fine sand to coarse gravel |
| **"ultramafic"** | igneous rock in which more than 90 per cent. of the minerals are ferromagnesian minerals (commonly pyroxenes and olivine), having no free quartz, minor or absent plagioclase feldspars |
| **"veinlet"** | a small or secondary vein |
| **"volcanic"** | produced by or discharged from a volcano |
| **"websterite"** | a member of the peridotite family, containing both orthopyroxene and clinopyroxene, typically as anhedral grains |
| **"xenoliths"** | a rock fragment foreign to the igneous mass in which it occurs |

imprima de bussy — C93456