

Proposed Acquisition of an indirect 11.25% interest in an Exploration Concession in Weishan County, Yunnan, China

The Company advises that it has entered into an Agreement where by it will purchase, subject to receipt of all necessary approvals, an 11.25% interest in an exploration Concession in Weishan County, Yunnan, China (“the Concession”). The purchase price is USD \$1.2 million. The transaction involves the purchase of 15% of the shares in Hong Kong company, Ample Success Investment Limited (“Ample”) whose sole asset is a 75% interest in the Concession. The transaction will only proceed if funding of \$1.5 million described below has been received by the Company.

The Concession was granted to Weishan Feiste Mining Co. Ltd. (“Feiste”) in 2009, it has an Exploration Certificate No. T53120080502009089. The Concession area is 48.15km², and hosts gold, copper, lead-zinc, iron and antimony mineralisation. The copper, gold and antimony mineralisation areas have been exploited historically by local artisan miners. The Concession is accessible via a combination of paved and dirt roads and tracks. The Concession area is 103km west of Dali City (a major tourist City) where connections to other major cities are available via railway and airplane. The Concession area has been visited on two occasions in the previous few months by SAY Directors, Dr Richard Haren and Simon Ning. The prospectivity has been confirmed by inspection, a detailed analysis of various geological reports and discussions with independent local geoscientists. assigned by No. 2 Survey Institute of the Henan Mineral Resource Exploration and Development Bureau, who has been working with SAY on a strategic partnership basis.

Feiste employed the Sichuan Metallurgical Geological Bureau 606 Survey Institute to initiate a work programme to determine the prospectivity of the region hosting the Concession. The work completed to date includes;

- 1 Identification of four major zones of mineralisation within the project area including: north and south extensions of the Zacun gold mine area, the Ganjiaping zinc-lead zone, the Miaojiacun copper zone and a zone hosting antimony in northwest of the Concession area (which is currently being mined by local artisan miners). The Bureau defined the local stratigraphy, the structural setting and the alteration characteristics of the four major mineralised systems.
- 2 The Bureau performed 1:10000 scale geochemical soil sampling in the Miaojiacun copper zone and the north and south extensions to the Zacun gold zone, in an attempt to define more accurately the major mineralised systems.

3 In the Ganjiacun zinc-lead zone, the Bureau initially defined a zone of mineralisation 200m in length and 150m wide. By completing costeans and tunneling a total of five mineralised belts were discovered, three of which have been further defined using shallow engineering works.

4 In the Miaojiacun copper zone, the copper mineralisation appears in the core of a fragmented zone which is distributed north-south on the short axis of an anticline. The brecciated zone is over 40 m wide. Hydrothermal copper mineralisation appears as multiple narrow veins and stockworks. Massive chalcopyrite has been observed in numerous samples.

5 The Bureau also completed 1:10000 scale geological mapping across the region surrounding the Zacun gold region. Six en echelon gold mineralisation belts were defined. Surface sampling and tunneling has revealed near surface gold mineralization. The surface sampling, trenching and tunneling work along strike to the north and south of the Zacun gold mine within the Concession reveals very prospective gold mineralisation.

At the conclusion of these studies the Bureau submitted a Report to Feiste and the Chinese Government.

The Vendor has recently initiated five separate electromagnetic profiling geophysical surveys across the major mineralized zones. At the conclusion of these surveys (dependent on results) and in concert with the SAY technical team, targeted costeaning, tunneling and drilling will be initiated at the Vendor's cost.

The purchase price for the initial 11.25% indirect interest in the Concession will be funded through a placement to an unrelated sophisticated Hong Kong based investor of 36,876,973 options each at a placement price of 4.0675 cents to raise an aggregate of AUD\$1.5 million. The exercise price of each option is 18.9325 cents. The options will be transferable but will not be adjusted upon any entitlements or bonus issues by the Company. The Company will seek ASX listing of any shares issued upon exercise of any option. The options will be exercisable as follows:

- 12,292,324 options expiring on the first anniversary of grant
- 12,292,324 options expiring on the second anniversary of grant
- 12,292,325 options expiring on the third anniversary of grant.

The Company has the right, within 10 months after the acquisition of its initial indirect interest in the Concession, to acquire the remaining shares in Ample Success which holds the 75% interest in the Concession. The pricing for this purchase will be set based on an independent, Valmin standard valuation of the Concession with a set maximum price of USD\$15 million, to be paid in cash and shares as may be agreed. To the extent shares may be issued, any transaction is conditional on all necessary shareholder approvals.

The Vendors have agreed that during the 10 months after the acquisition of the initial 11.25% indirect interest in the Concession they will carry out further exploration work at their sole cost on the Concession, the work will be jointly managed and approved by the Company. This

exploration work will include electromagnetic surveys, costeaning and drilling with all the results promptly provided to the Company. The acquisition of the remaining shares in Ample will only proceed if final pricing arrangements are acceptable to SAY in the light of exploration results and if the necessary funding is available to the Company on satisfactory terms.

Sincerely



Kenneth Lee
CEO

The information in this report that relates to exploration results and mineral resources is based on information compiled by Dr. Richard Haren who is a corporate Member of The Australasian Institute of Mining and Metallurgy and who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity undertaken to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Dr Richard Haren is a self employed consultant who is retained by SAY as Non-Executive Director. He has consented to the inclusion in this report of the matters based on his information in the form and context in which it appears.