



28 January 2011

The Manager Companies  
ASX Limited  
20 Bridge Street  
Sydney NSW 2000

(10 pages by email)

Dear Madam

**REPORT ON ACTIVITIES FOR THE QUARTER ENDED  
31 DECEMBER 2010**

**HIGHLIGHTS**

- **Decision taken to develop the Tembang project based on current gold resource of more than 1 million ounces.**
- **Key formal approvals received for the earn-in by Newcrest Mining to the Tandai project.**
- **Formal acquisition of minority interests in local operating entities near to completion.**
- **Successful completion of capital raisings and Security Purchase Plan.**
- **First holes in Sontang drilling program encounter significant mineralisation including 5.3 metres @ 3.54 g/t Au, 124.1 g/t Ag and 12.00% Zn.**

**1. CORPORATE ACTIVITIES**

**1.1 Newcrest Mining Tandai project earn-in progress**

During the quarter, approval was obtained from the Regent of the regency of Musi Rawas and the Foreign Investment Board (BKPM) for the subscription of shares by Newcrest Mining Limited (Newcrest Mining) in PT Bengkulu Utara Gold, the Company's local subsidiary PMA company that holds the exploration business permit (IUP) that covers the Tandai prospect, per the definitive agreement signed with Newcrest Mining on 17 August 2010. Approval by the Ministry of Law and Human Rights (MoLHR) is the last formal step required to enable the transaction to complete. The submission to MoLHR is about to be made.

## 1.2 Acquisition of minority interests in Indonesian subsidiary entities holding IUPs

By a binding heads of agreement dated 16 July 2010, the Company agreed to acquire Adi Sjoekri and his family's minority 7.5 % interests in five Indonesian entities holding IUPs and one with an IUP application for a consideration of 3,800,000 shares and A\$368,000 in cash. Adi Sjoekri and his family's interests are held through two Indonesian companies, PT Dwinad Nusa Sejahtera (Dwinad) and PT Nusa Palapa Minerals (NPM). During the quarter, approvals for the transfers were received from the relevant Regents and approvals to convert Dwinad and NPM into PMA companies (which enable foreign ownership) from the BKPM were also received. As a result, the deeds of transfer of shares for both companies have been executed. The final step in the process before completion can take place is formal approval of the transfers by the MoLHR. This has been received in the case of NPM and is in process in the case of Dwinad.

## 1.3 Successful completion of capital raisings totalling A\$3.5 million and a Security Purchase Plan raising A\$910,222.

During the quarter, the Company completed a number of capital raisings to enable exploration and development to be intensified across the Company's tenements.

A Security Purchase Plan (SPP) was offered to shareholders based in Australia and New Zealand on 9 November 2010 and closed on 9 December 2010. The issue price was A\$0.30, representing a discount of approximately 19% to the weighted average share price for the five trading days preceding the date of the announcement. Shareholders subscribed for 3,034,000 CHESS Depository Interests (CDIs) under the SPP, raising A\$910,222.

In conjunction with the SPP, on 8 December 2010 the Company issued 10,666,664 new CDIs for a total consideration of A\$3.2 million, to several domestic and international institutions and sophisticated private investors.

On 22 December 2010 the Company issued to Newcrest 1,193,065 new CDIs at A\$0.30, for total consideration of A\$357,920.

Additionally during the quarter Mirabaud Securities plc exercised 1,483,750 £0.18 warrants, raising £267,075 and Macquarie Bank Limited exercised 50,000 £0.15 warrants raising £7,500.

## OPERATIONS

### 2.1 Tembang

A comprehensive market update was issued regarding the Tembang project on 14 January 2011. As reported in that release a best drill intercept of **3.9 metres @ 7.73 g/t Au, 269.6 g/t Ag** was obtained at Belinau but the limited deep holes in the Berenai, Nuri and Belinau vein systems did not further intercept high grade shoots.

Importantly, it was also announced the Board had decided to proceed with development of the Tembang project based on the current gold resource of more than 1 million ounces. Details of development steps, timeframe and key milestones are expected to be finalised during the next quarter, however, initial planning indicates that production will commence during 2013. Fundamental to the development planning will be finalisation of the JORC resource update which is expected to be published during March 2011 following completion of the current round of drilling and receipt of all assay results.

As previously advised, preliminary indications suggested there will be an increase in the gold content in the vein resources and a significant enhancement of grade and a material reduction of the low grade (0.7 g/t Au) inferred halo resources. The additional drilling undertaken since these preliminary indications has tended to confirm those observations.

## 2.2 Sontang

Details of the current first pass scout drilling were released in a market update on 14 January 2011. The drilling has produced a number of high grade polymetallic intercepts at both East Sontang and Central Sontang. Results are pending from West Sontang and drilling is still continuing.

Drilling has now been completed at both East Sontang (PDD10001 to 10006) and Central Sontang (PDD10007 to 10009) for a total of 1052.3 metres.

The first drill hole PDD10001 at East Sontang intersected **2.75 metres @ 3.59 g/t Au, 99.7 g/t Ag, and 9.39% Zn** from 45.30 to 48.05 metres. The second drill hole PDD10002, which was drilled down dip, intersected **2.65 metres @ 3.33 g/t Au, 67.3 g/t Ag and 7.30% Zn** from 67.35 to 70.00 metres down hole and shows significant massive sulphide mineralisation occurs at depth in this area at least 50 metres down dip. The third hole PDD10003 was drilled 30 metres along strike and intersected two zones of mineralisation: **1.65 metres of 0.7 g/t Au, 18.4 g/t Ag and 2.79% Zn** from 57.55 to 59.20 metres and **5.30 metres @ 3.54 g/t Au, 124.1 g/t Ag and 12.00% Zn**. PDD10004 was drilled from the same location at a steeper angle and intersected **0.50 metres @ 1.04 g/t Au, 26.5 g/t Ag and 2.80% Zn** from 71.00 to 71.50 metres. PDD 10005 was drilled a further 50 metres to the south west and intersected **1.00 metre @ 1.72 g/t Au, 27.2 g/t Ag and 11.40% Zn** from 87.80 to 88.80 metres.

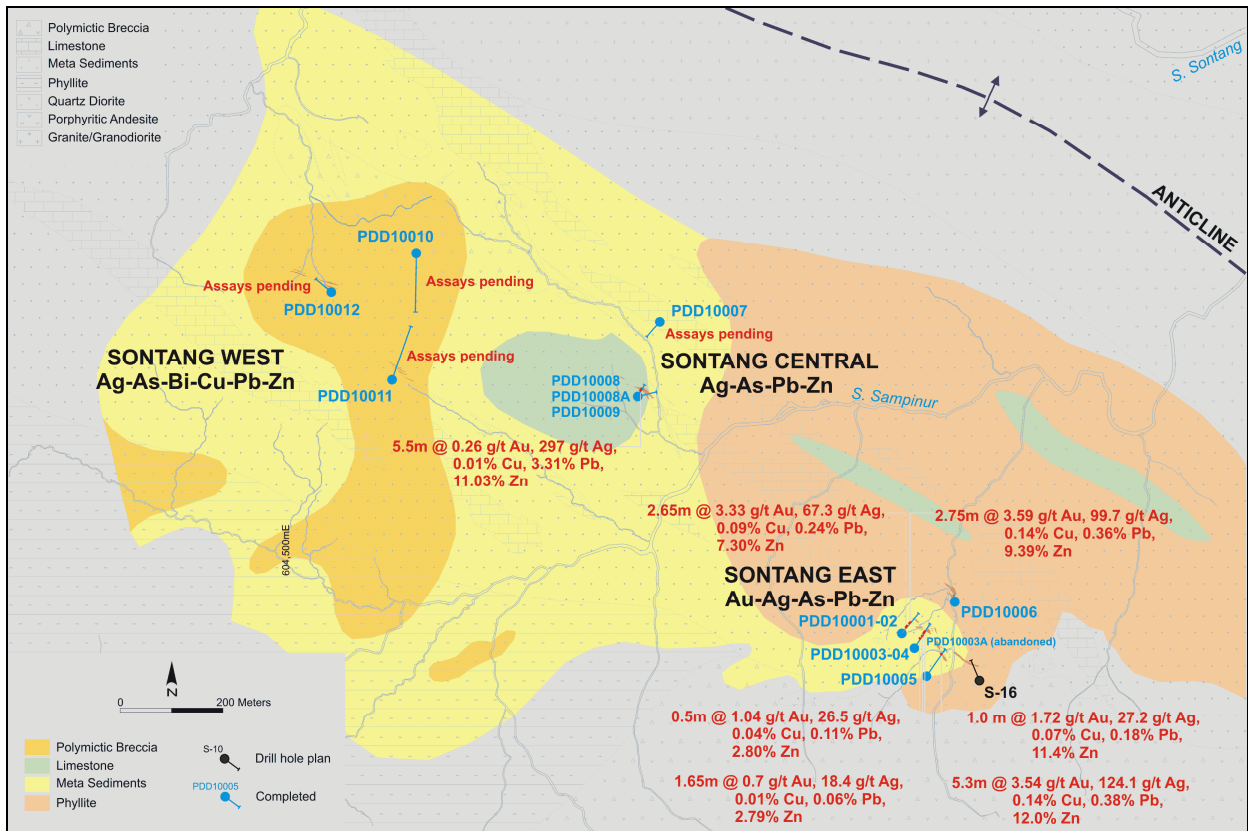
At Central Sontang PDD10008 intersected two zones of massive sulphide mineralisation; **8.00 metres @ 0.19 g/t Au, 214.0 g/t Ag, 2.35% Pb and 7.70% Zn** from 21.70 to 29.70 metres (including **5.50 metres @ 0.26 g/t Au, 297.0 g/t Ag, 3.31% Pb and 11.03% Zn**) and **0.50 metres @ 0.13 g/t Au, 215.0 g/t Ag, 3.50% Pb and 7.25% Zn** from 31.30 to 31.80 metres.

Results are pending from holes PDD10008A drilled down dip and PDD10009 drilled from the same site at a different azimuth. Strong shearing at the limestone/sandstone contact where the massive sulphide mineralisation occurs indicates offset by post mineral faulting.

Results are also pending for hole PDD10007. This hole targeted an outcrop of jasperoidal silica (up to 4.16 g/t Au). The hole was dominated by limestone but intersected the target zone from 66.50 to 67.00 metres.

Scout drilling is currently underway in West Sontang where two deeper holes, PDD10010 and PDD10011, have been completed in coincident copper-arsenic geochemical and magnetic anomalies. Whilst zones of massive sulphide have been intercepted ranging from 0.5 to 1.0 metre wide, quartz + pyrite + galena + sphalerite stockwork zones have also been encountered over tens of metres, which is encouraging and might suggest a possible bulk tonnage target style of mineralisation.

PDD10012 is in progress and has intersected three zones of massive sulphide and quartz vein mineralisation quite distinct from East Sontang with visible chalcopyrite, galena and sphalerite. The apparent thickness of these zones is **19 metres**.



### Sontang Geology and Drillhole Location Plan

At North Sontang, pitting is mostly complete and three drill sites are planned to test the widespread copper gold soil anomaly. This is the largest soil anomaly discovered to date sitting on top of limestone.

### Sontang Exploration Drilling 2010/11 Significant Intersections

Hole No	Location	From	To	Length	Au g/t	Ag g/t	Zn %
PDD10001	East Sontang	45.30	48.05	2.75	<b>3.59</b>	<b>99.7</b>	<b>9.39</b>
PDD10002	East Sontang	67.35	70.00	2.65	<b>3.33</b>	<b>67.3</b>	<b>7.30</b>
PDD10003	East Sontang	57.55	59.20	1.65	<b>0.70</b>	<b>18.4</b>	<b>2.79</b>
PDD10003	East Sontang	61.80	67.10	5.30	<b>3.54</b>	<b>124.1</b>	<b>12.00</b>
PDD10004	East Sontang	71.00	71.50	0.50	<b>1.04</b>	<b>26.5</b>	<b>2.80</b>
PDD10005	East Sontang	87.80	88.80	1.00	<b>1.72</b>	<b>27.2</b>	<b>11.40</b>
PDD10006		No significant assays					
PDD10007		Awaiting Results					
PDD10008	Central Sontang	21.70	29.70	8.00	<b>0.19</b>	<b>214.0</b>	<b>7.70</b>
PDD10008	Central Sontang	31.30	31.80	0.50	<b>0.13</b>	<b>215.0</b>	<b>7.25</b>

Note: All widths apparent

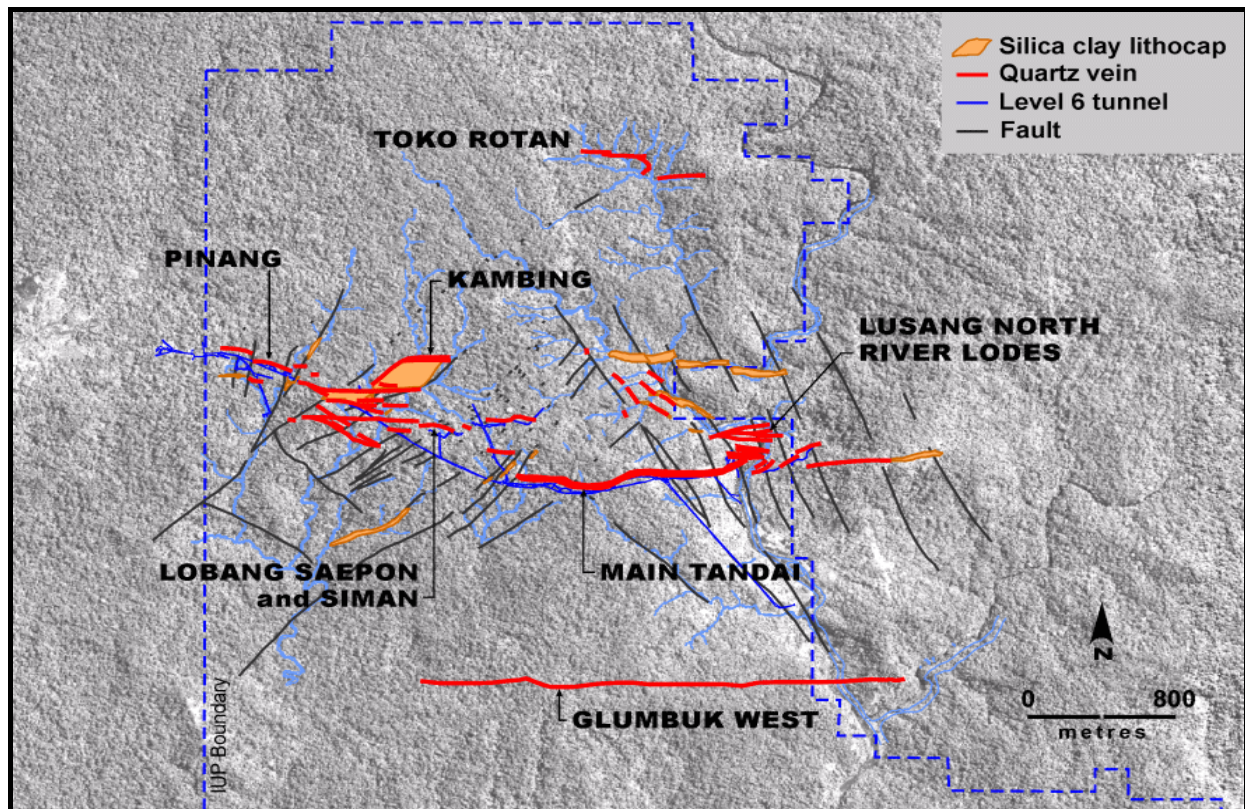
### 2.3 Tandai

The Tandai project is located within the northern part of the Bengkulu Utara IUP, in the Kabupaten of Bengkulu Utara, approximately 100 kilometres north of Bengkulu. Tandai has a long history of formal mining from the early part of the 20th Century until post World War II. The Company's tenements control a district in which at least three Dutch companies

worked portions of the system. The old Dutch mining town at Tandai still remains, and was re-furnished by PT Lusang Mining Ltd (in a joint venture with CSR, then Billiton) when the mine was redeveloped and worked between 1985 and 1995.

Under the arrangements agreed with Newcrest Mining on 17 August 2010 Newcrest have the right to earn a 70 % interest in the Tandai tenement by spending US\$12 million on the project with a minimum spend of \$1.75 million. As described in the Corporate section of this report the formal completion of this transaction is close. In the meantime the current exploration program and budget have been agreed with Newcrest and the Newcrest funding will take effect from 1 November 2010.

During the quarter, the Company's activities have been in the field at both Glumbuk, Toko Rotan and Lusang North. Underground mapping has also been carried out in level 6 and artisanal mine workings.



**Tandai District Veins and Alteration**

### ***Glumbuk***

Trenching has been completed to follow up spot high Au-in-soil anomalies at this prospect. Three trenches were completed, however, the soil cover is thick and bedrock could not be reached. Channel sampling was conducted along the bottom of the soil horizon with local kaolin + quartz and silica gravel indicative of quartz veining. This horizon is interpreted to be the conglomeratic breccia at the unconformity between the prospective andesite host rocks and overlying post mineral volcanoclastics. No further trenching is planned as the anomalies are most likely related to quartz vein material that has been transported.

Mapping of the veins is largely complete and a further significant result of 1.1 g/t Au was returned from a quartz breccia along the railway access area.

### ***Toko Rotan***

The Toko Rotan prospect is located about 1.7 kilometres north of the Company's base camp. This prospect was outlined by the Company's consultant geologists as a potential target based on surface manifestation of breccia and veining. The eastern part of the



prospect is hosted by andesitic volcanics and the western part is covered by volcanoclastics, a similar situation as Tandai.

Geological investigations in the eastern part of the prospect area, close to Dutch dam, have revealed several quartz veins and breccias. In the Lusang River an 8 metre wide zone of hydrothermal crackle breccia occurs hosted by silicified andesite occur and with disseminated pyrite and stains of malachite. About 70 meters north east of the dam silica-clay altered andesitic tuff crops out with zones of quartz and quartz breccia. Results from initial channel sampling have been disappointing, however, the structure is wide and the density of quartz veining quite intense and this zone is being traced to the west.

### ***Geophysics***

Planning is now underway for a controlled source audio magnetotelluric technique (CSAMT) survey over the Tandai District to hopefully characterise the signature of quartz/breccia mineralisation. This method could then be used as a tool to explore, especially under cover for shallowly buried vein/breccia systems to the west and north of the outcropping vein systems.

### ***Stream Sediment Orientation Program***

A stream sediment sampling orientation program has been undertaken over the Tandai District (from the northern most edge of the block to the south east of Glumbuk) to identify the signature of mineralisation and to assist in planning of the regional reconnaissance program throughout the larger Bengkulu Utara IUP later this year. This program should be complete during the next quarter.

Visible gold has been observed in pan concentrates in the main Lusang River and some of its tributaries with known vein occurrences. The gold is platy with irregular surfaces mostly associated with black magnetite rich sand. Less magnetite is observed in heavy mineral concentrates in the Sungai Landai, which is dominated by quartz grains most likely reflecting the overlying felsic volcanoclastic sequence. Several quartz vein float rocks were observed in Sungai Rumah Sakit and Lusang river and are sourced from known vein mineralisation.

### ***Drilling***

The Company is currently sourcing both drilling and helicopter contractors in preparation for an aggressive exploration and drilling program. A first phase program of 4,000 metres of drilling is planned to test the Tandai Lode, Glumbuk and Toko Rotan. The planned budget has been estimated in excess of US\$1.75 million and is likely to be helicopter supported which will enable follow up of significant regional anomalies.

## **2.4 Musi Rawas/Jambi IUP**

Exploration activities have been focused on following up previous vein-style prospects outlined by BTM's prospective areas at Manggus/Landai and the Upper Minak.

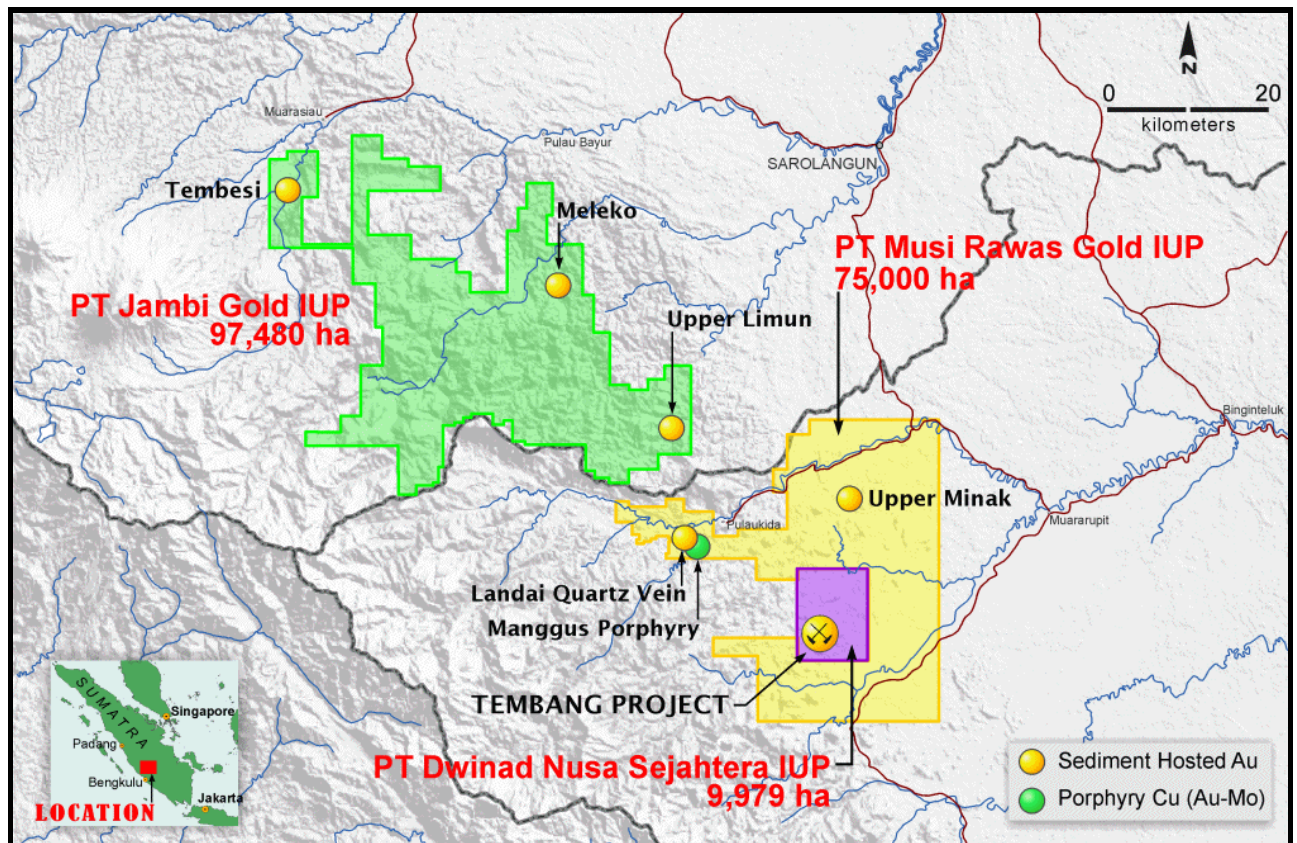
### ***Landai***

Follow up trenching at this prospect has not encountered the high grade vein hosted by metasediments. It is believed this vein although high grade has limited strike length and further exploration work has been suspended.

### ***Upper Minak***

Mapping has been focused on the Fossil Minak prospect, which is stratigraphically younger and the veins are more likely to be preserved. Rock chip sampling continues to return encouraging but lower grade gold from epithermal veins and there is also the possibility of sediment hosted replacement gold style targets given the high arsenic geochemistry. There

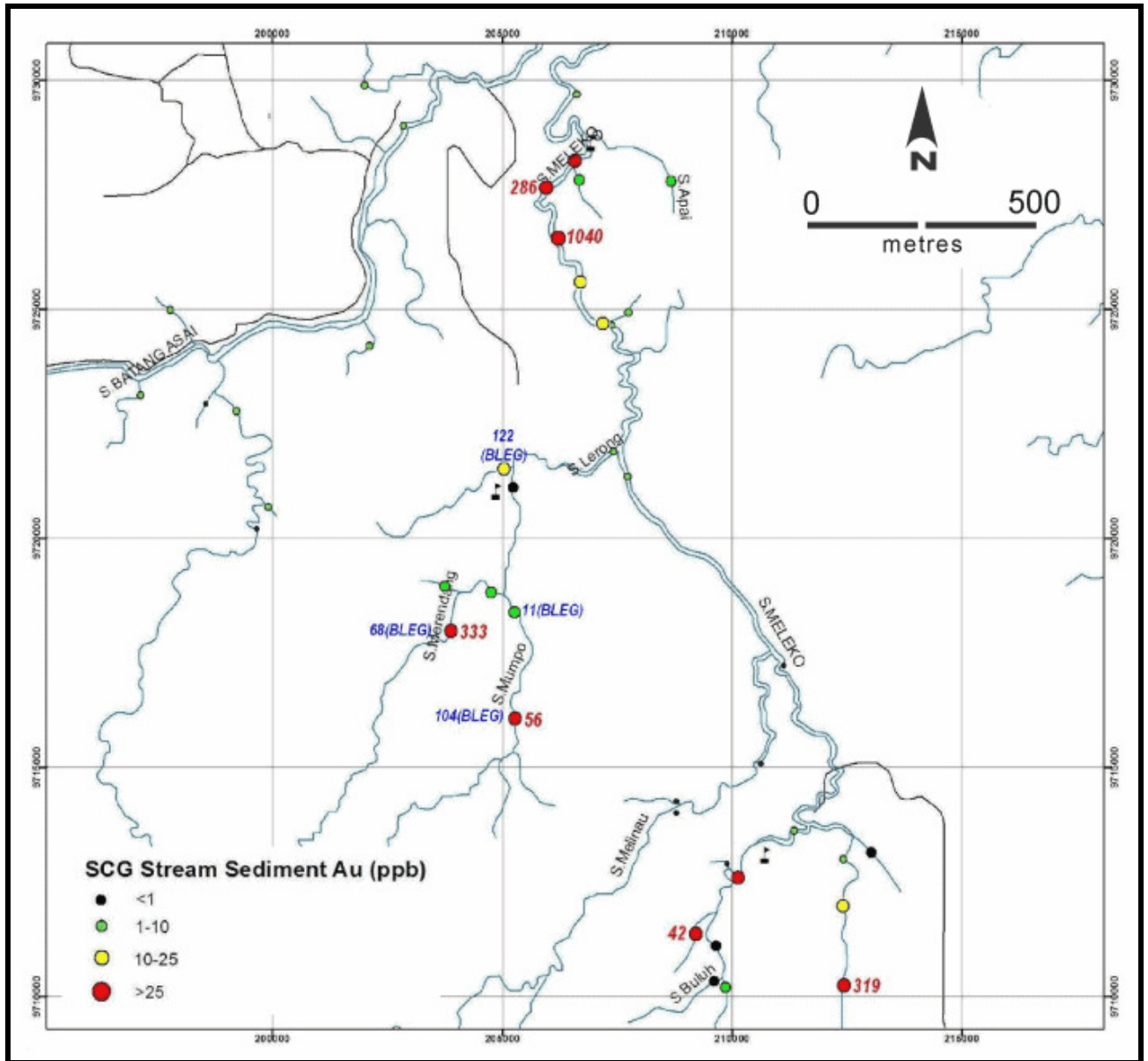
have been some non-technical issues that resulted in suspension of exploration activities which will be resolved in the upcoming quarter.



**Rawas-Jambi Tenements and Prospect Locations**

## 2.5 Jambi

Exploration has now been focused on follow up of regional gold anomalies within the Jambi IUP where there are extensive alluvial gold occurrences. Two areas, the Meleko and Tembesi areas, have been followed up with systematic stream sediment and reconnaissance exploration. Some very high stream sediment anomalies were returned from the Sungai Meleko up to **1040ppb Au** in -80 mesh stream sediments and up to **122 ppb Au** for bulk leach extractable (BLEG) gold. These values may be indicative of a potential hard rock gold source hosted by low grade metamorphic rocks.



Meleko area Au BLEG and -80 mesh stream sediment results



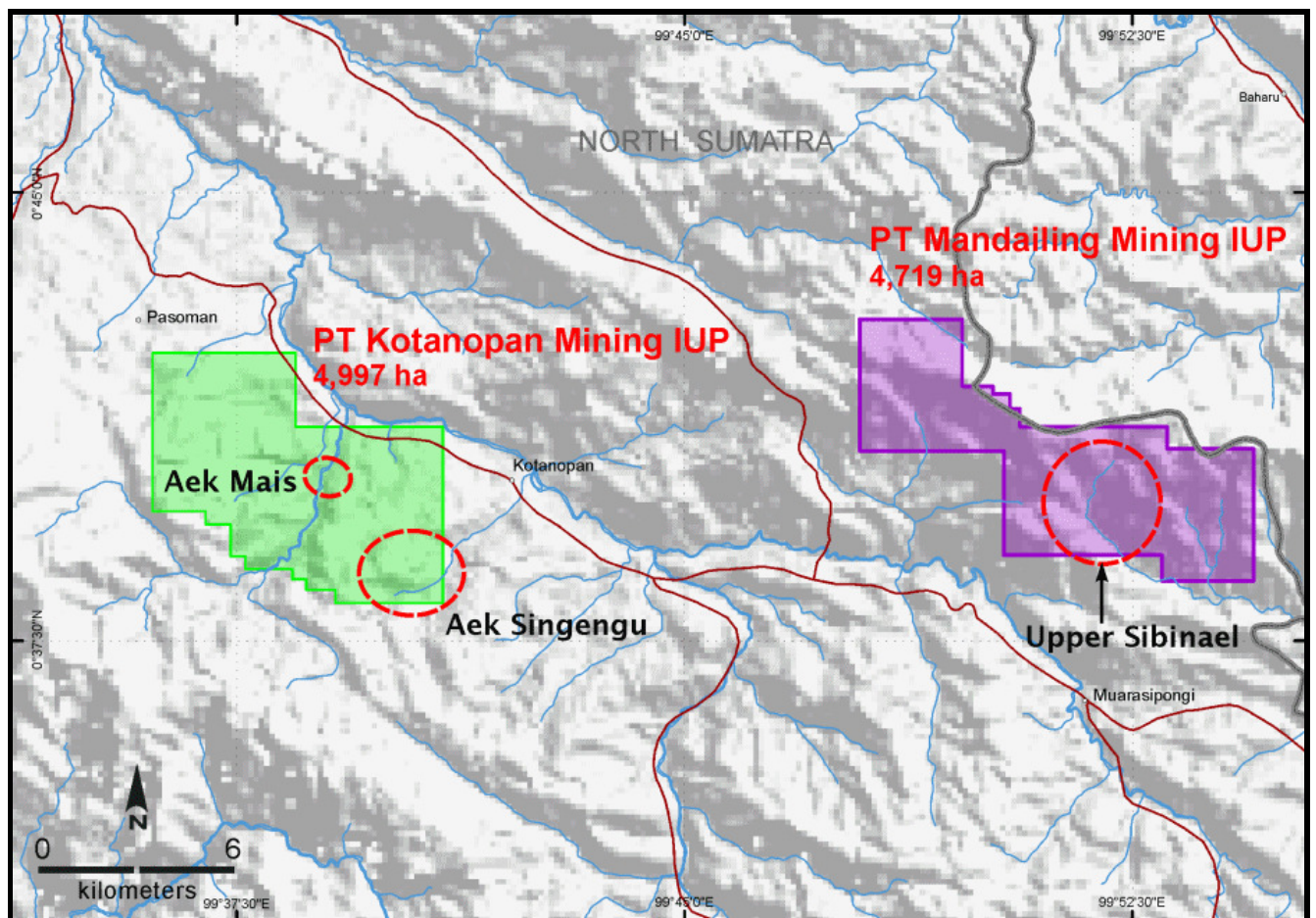
## 2.6 Madina and Kotanopan IUPs

In late October, a reconnaissance sampling and mapping program was carried out in both the Madina and Kotanopan IUPs. A total of sixty nine samples consisted of seventeen -80 mesh stream sediment samples, four BLEG samples, forty four rock chip (float, rock chip and rock channel) samples and four standard samples were collected during the program.

Results have confirmed low to medium level of Au anomaly (9-13 ppb) in the lower to upper part of A. Mais drainage which is located crossing the central part of Kotanopan IUP. Within the Mandailing IUP a low to medium level Au anomaly was detected along the main Aek Sibinael drainage with 10 ppb Au and 14 ppb Au in -80 mesh stream sediment samples.

A series of prospective limestone units, similar to those that host mineralisation in Sontang, from 5 metres to several tenth metres occur intercalated within the metasediments. Clay ( $\pm$ silica)-pyrite altered porphyritic diorite was observed at the Sibinael creek.

Further follow up exploration work is planned later this year in the A.Mais and A.Sibanael drainages.



**Madina and Kotanopan Tenements with stream sediment anomalies**

### 3. OTHER

The information in this report that relates to Exploration Results, Mineral Resources or Ore Reserves is based on information compiled by Matthew Farmer, geologist, who is a Member of the Australasian Institute of Mining and Metallurgy. Matthew Farmer is an employee of the Company who has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking 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'. Matthew Farmer has consented to the inclusion in this report of the matters based on his information in the form and context in which they appear.

For further information, please contact Warwick Morris, Peter Nightingale or Richard Edwards on (61 2) 9300 3377.

Yours sincerely



Warwick G. Morris  
Chairman

pjn5816