



14 January 2011

The Manager Companies  
Australian Securities Exchange Limited  
20 Bridge Street  
Sydney NSW 2000

(8 pages by email)

Dear Madam

## EXPLORATION UPDATE FOR TEMBANG AND FURTHER DRILLING RESULTS AT SONTANG

### TEMBANG UPDATE

The Tembang project is located approximately 120 kilometres north-north east of Bengkulu in the Musi Rawas regency of South Sumatra province. Tembang is a large intermediate-sulphidation epithermal deposit comprising gold-silver bearing quartz veins hosted by Tertiary volcanics. The Company has rights to an IUP with an area of 9,979 hectares over and around the former Rawas mine that operated between 1997 and 2000.

A total of 6,140m meters of drilling have now been completed in this second phase programme at Tembang which was partially designed to test the continuity at depth of higher grade ore shoots at Berenai/Nuri and Belinau delineated by earlier drilling in 2010. Two deep holes (**RDD 10108 and RDD 10112**) have been completed under both the northern and southern shoots at Berenai and although they intersected wide zones of hydrothermal breccia there has been no significant quartz vein development or textures that would indicate higher grades are present. These holes are considerable step-outs and it is quite possible the ore shoots may continue below the significant intercepts previously reported in hole RDD 10067 (5.6 metres @ 6.91 g/t Au and 87.7 g/t Ag.).

**RDD10108** at Nuri/Berenai was completed to a depth of 400m. The hole intersected a zone of hydrothermal breccias with some quartz veining from 93 to 114m. Hydrothermal breccias were also found from around 129 to 154m, and at approximately 189 to 224m, and from 285 to 300m. No significant veining was intersected. The best result was **4.2 metres @ 1.72 g/t Au, 10.4 g/t Ag** from 109.5 to 113.70 metres.

**RDD10112** at Berenai was completed to a depth of 304m. The hole was designed to test for a high grade northern shoot indicated from earlier BTM drilling. The Berenai vein was intersected between 286.35 and 289.2m down hole (2.85m). Results are awaited.

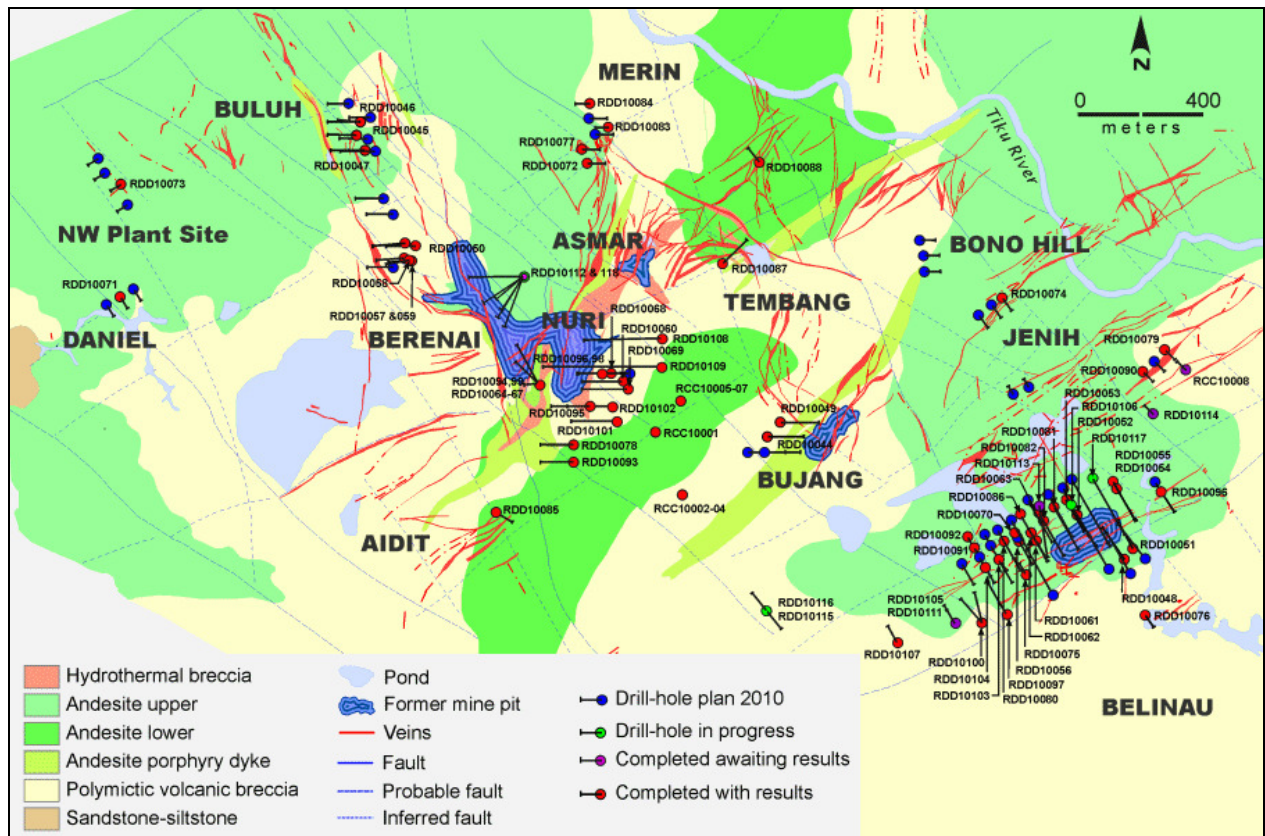
## Belinau

At Belinau, drilling has refined and largely closed off both the northern and southern shoots at depth and while typical high grade banded veining is present the zones are narrow (0.5m). Holes RDD 10103, 10104 have shown the southern shoot has no surface expression and RDD 10113 intersected a prospective but narrow vein from 301.2 to 301.85m (0.65m) at depth. RDD10106 has effectively closed off mineralisation at depth on the southern part of the northern shoot.

Exploration drilling along strike to both the NE and SW whilst intersecting zones of veining and alteration has so far failed to intersect significant mineralisation.

## Exploration

Exploration drilling following a previous significant intercept at Jenih (RDD10090 3.65 metres @ 4.12 g/t Au, 7.6 g/t Ag as announced in the September quarterly report) has failed to intersect any significant quartz veining. At Anita exploration drilling to test prospective dyke contacts did not intersect any veining or mineralisation. Three holes are being drilled at Bujang following up an earlier scout hole showing indications of a high grade epithermal shoot similar to Belinau.



Plan of Tembang Drilling Program



**Tembang 2010 Resource Drilling Significant Intersections Au >0.35 g/t from November 18th 2010 to 9<sup>th</sup> January 2011**

Hole No	Location	Type	From	To	Length	Au g/t	Ag g/t	Comments
RDD10102	Nuri/Berenai	W.Dump	4.00	9.00	5.00	0.34	10.7	Includes 3m <0.35g/t Au
RDD10102	Nuri/Berenai	W.Dump	20.00	28.00	8.00	0.30	1.1	Includes 5m <0.35g/t Au
RDD10102	Nuri/Berenai	Nuri Vein				<b>BARREN</b>		
RDD10102	Nuri/Berenai	Berenai Vein	220.00	221.50	1.50	0.85	4.1	Includes 0.9m <0.35g/t Au
RDD10103	Belinau	HW Vein	27.45	28.60	1.15	0.79	2.0	Includes 1m <0.35g/t Au
RDD10103	Belinau	Belinau Vein				<b>NOT DEVELOPED</b>		
RDD10104	Belinau	HW Vein	75.15	76.90	1.75	2.01	4.2	Includes 1.1m <0.35g/t Au
RDD10104	Belinau	Belinau Vein				<b>NOT DEVELOPED</b>		
RRC10008	Jenih	<b>No Significant Mineralisation</b>						
RRC10009	Jenih	<b>No Significant Mineralisation</b>						
RDD10105	Belinau SW	Belinau Structure	133.00	134.60	1.60	0.30	1.2	Sub-economic but indicative of continued mineralisation
RDD10106	Belinau	Halo	78.00	80.80	2.80	1.24	1.6	
RDD10106	Belinau	Halo	146.70	148.70	2.00	0.41	0.7	
RDD10106	Belinau	Halo	168.70	172.40	3.70	0.70	1.2	Includes 1.7m <0.35g/t Au
RDD10106	Belinau	Belinau Structure	261.20	262.90	1.70	0.25	0.5	Sub-economic but indicative of continued mineralisation
RDD10107	Belinau SW	<b>No Significant Mineralisation</b>						
RDD10108	Berenai	W.Dump	7.00	30.00	23.00	0.59	1.3	Includes 6m <0.35g/t Au
RDD10108	Berenai	Asmar South	109.50	113.70	4.20	1.72	10.4	Includes 1.9m <0.35g/t Au
RDD10108	Berenai	Berenai/Nuri	320.30	323.00	2.70	0.55	7.2	Includes 1m <0.35g/t Au
RDD10109	Berenai	W.Dump	1.00	29.00	28.00	0.46	4.3	RC pre-collar drilled & sampled only. Includes 14m <0.35g/t Au, and 2m no recovery

### Forward Strategy for Tembang

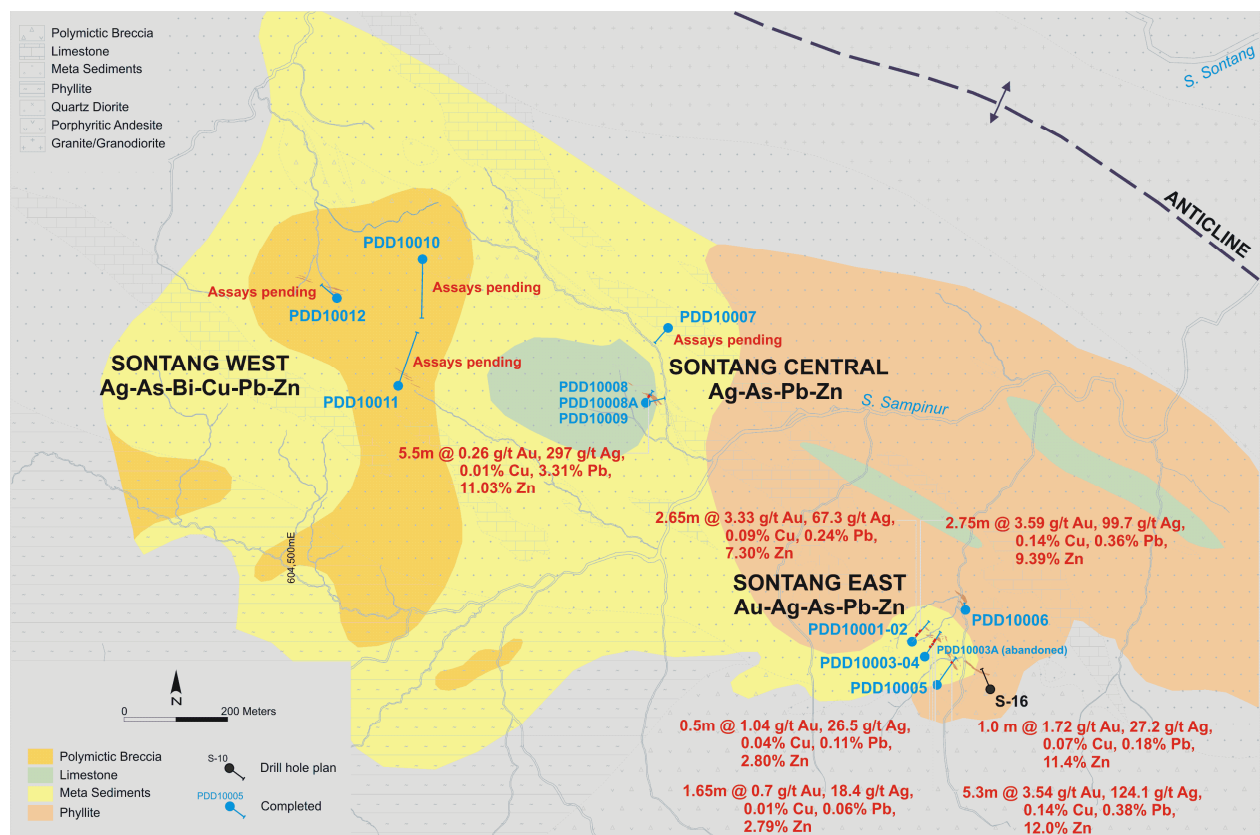
Whilst drilling over the past year has been successful in outlining the high grade Belinau shoots but has largely closed that structure off and has, so far, failed to find high grade depth extensions at Berenai/Nuri, the Directors believe that, given the backdrop of strong gold and silver prices, the best course of action going forward for the Company and its shareholders is to move ahead to bring the known resources at Tembang into production in the shortest possible time frame. To this end a resource update will now be expedited. Closer spaced drilling to upgrade the majority of Inferred resources to Indicated will be undertaken.

Additionally, scoping studies have been started to assess the optimal basis for the development of the Tembang project utilising the resources already established and including the high grade zones, particularly at Belinau, that were delineated by the 2010 drilling. Both open-pit and underground scenarios, particularly at Belinau with its high grade shoots similar to Way Linggo, or a combination of both, are being evaluated.

## SONTANG

Sontang is situated in an exploration IUP 297.25 km<sup>2</sup> in area in the regency of Pasaman in the province of West Sumatra, approximately 160 kilometres north of Padang, and immediately adjacent to the boundary with the province of North Sumatra. North Sumatra is host to the advanced gold projects of Martabe and Sihayo Gold.

Drilling has now been completed at both East Sontang (PDD10001-6) and Central Sontang (PDD 10007, 8 and 9). A further shallower zone of massive sulphide mineralisation was intersected in PDD10003 (5.3 metres @ 3.54 g/t Au, 124.1 g/t Ag, 0.14% Cu, 0.38% Pb, 12.00% Zn from 61.80 to 67.10 metres as previously reported on the 15<sup>th</sup> December) of 1.65 metres of 0.7 g/t Au, 18.4 g/t Ag, Cu 0.01%, Pb 0.06% and 2.79% Zn from 57.55 to 59.2 metres. Assay results for PDD 10006 which intersected over 9 metres of disseminated pyrrhotite + pyrite mineralisation with localised galena and sphalerite returned only weakly anomalous results.



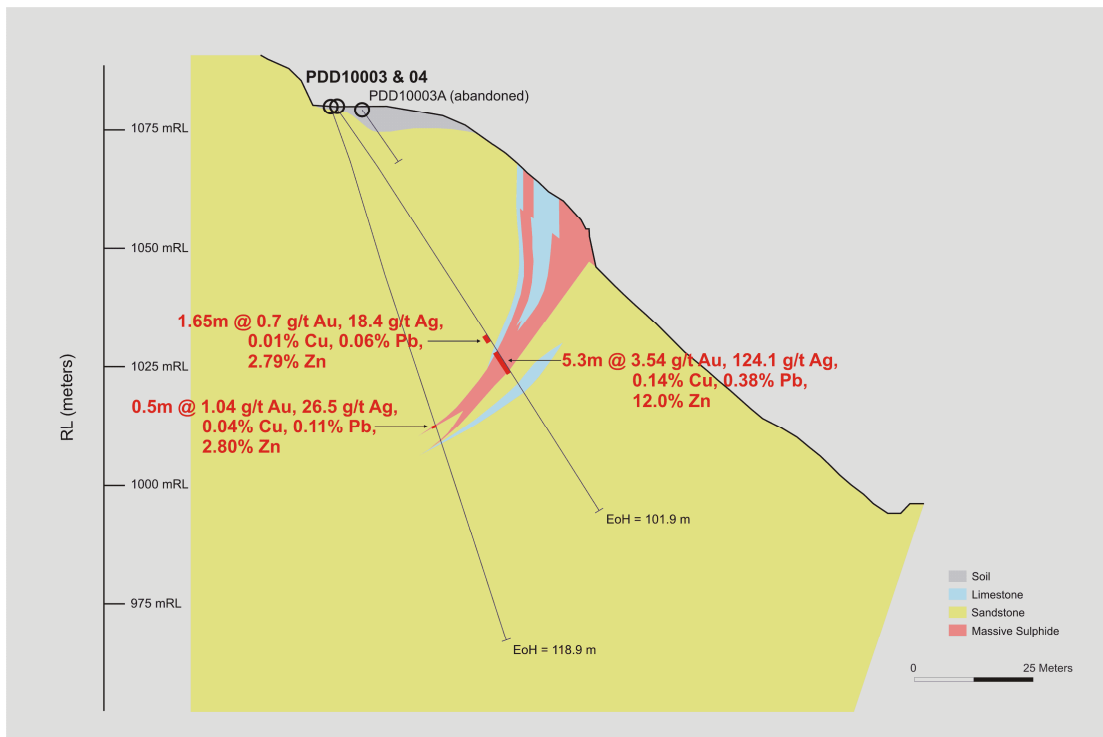
**Sontang Geology and Drillhole Location Plan**

At Central Sontang PDD 10008 intersected two zones of massive sulphide mineralisation; **8 metres @ 0.19 g/t Au, 214 g/t Ag, 0.01% Cu, 2.35% Pb, 7.70 % Zn** from 21.70 to 29.7 metres (this includes **5.5m @ 0.26g/t Au, 297g/t Ag, 0.01% Cu, 3.31% Pb and 11.03% Zn**) and **0.5 metres @ 0.13 g/t Au, 215 g/t Ag, 0.01% Cu, 3.50 % Pb and 7.25% Zn** from 31.3 to 31.8 metres. Results are pending from holes PDD 10008A drilled down dip and PDD 10009 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.

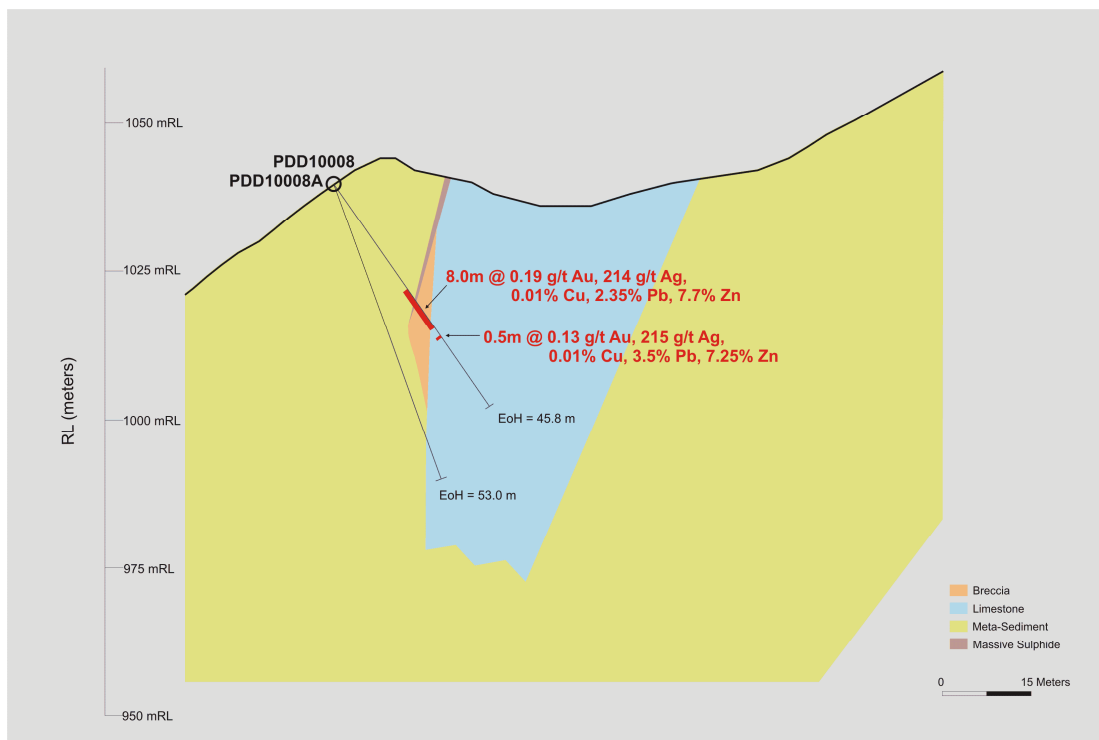
**Sontang Exploration Drilling 2010/11 Significant Intersections from November 25<sup>th</sup> 2010 until January 9<sup>th</sup> 2011**

Hole No	Location	From	To	Length	Au g/t	Ag g/t	Cu %	Pb %	Zn %	Comments
PDD10001	East Sontang	45.30	48.05	2.75	3.59	99.7	0.14	0.35	9.39	
PDD10002	East Sontang	67.35	70.00	2.65	3.33	67.3	0.09	0.24	7.30	
PDD10003	East Sontang	57.55	59.20	1.65	0.70	18.4	0.01	0.06	2.79	
PDD10003	East Sontang	61.80	67.10	5.30	3.54	124.1	0.14	0.38	12.00	
PDD10004	East Sontang	71.00	71.50	0.50	1.04	26.5	0.04	0.11	2.80	
PDD10005	East Sontang	87.80	88.80	1.00	1.72	27.2	0.07	0.18	11.40	
PDD10006	No Significant Intercepts									
PDD10007	Awaiting Results									
PDD10008	Central Sontang	21.70	29.70	8.00	0.19	214.0	0.01	2.35	7.70	Includes 5.5m @ 0.26g/t Au, 297g/t Ag, 0.01% Cu, 3.31% Pb and 11.03% Zn
PDD10008	Central Sontang	31.30	31.80	0.50	0.13	215.0	0.01	3.50	7.25	

Note: All widths are apparent



**East Sontang Drill Section PDD10003, 4**



**Central Sontang Drill Section PDD10008, 8A**

Scout drilling is currently underway in West Sontang where two deeper holes PDD 10010 and 10011 have been completed in coincident copper-arsenic geochemical and magnetic anomalies. Whilst zones of massive sulphide have been intercepted ranging from 0.5-1 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. PDD 10012 is now 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**.

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.

## Summary

Managing Director, Jocelyn Waller, comments: “We are disappointed the deep drilling at Tembang has not delivered the depth extensions we were hoping for; however this should not detract from the excellent results we have previously had in defining high grade shoots at both Belinau and Berenai which remain open below the current resource outline. We now intend to fast track this project into development on the basis of the ore resources already established. Scoping studies are already under way and we will keep the market fully appraised of progress and results. We believe this should be a robust project utilising the footprint of the Rawas mine development of the late 1990s. This will facilitate permitting.

We continue to be pleased with the drilling results we are getting at Sontang. Almost every hole so far has intersected poly-metallic mineralisation with really significant grades. To add to this we await with expectation the assays from the holes already drilled at West Sontang based on what we see in the core and then what the rich soil anomaly at North Sontang will produce once drilled. It is early days but Sontang is shaping up very encouragingly.”

## 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 Australian 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 the 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 Warrick Morris, Peter Nightingale or Richard Edwards on (61 2) 9300 3377.

Yours sincerely



Warwick Morris  
Chairman

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