

# Victory West Moly Limited

ABN 66 009 144 503

## Notice of General Meeting and Explanatory Statement

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**This is an important document and should be read in its entirety. Please read it carefully.**

If you are unable to attend the General Meeting, please complete the Proxy Form enclosed and return it in accordance with the instructions set out on that form.

If Shareholders are in doubt as to how to vote, they should seek advice from their accountant, solicitor and/or other professional adviser without delay.

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A General Meeting of the Shareholders of the Company will be held at the Celtic Club on 14 April 2011 at 10.00 am.

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## **CONTENTS PAGE**

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Section 1	Time and Place of Meeting and how to vote
Section 2	Notice of General Meeting (setting the agenda and proposed resolutions)
Section 3	Explanatory Statement (explaining the proposed resolutions)
Section 4	Glossary
Schedule 1	Solicitors Report
Schedule 2	Independent Geologist's Report
Schedule 3	Proposed class B performance shares terms and conditions
Schedule 4	Proposed class C performance shares terms and conditions
Schedule 5	Proposed class D performance shares terms and conditions
Schedule 6	Risks
Schedule 7	Terms of Options to be issued to Mr Erwin
Schedule 8	Terms of Listed Options
Attachments	Proxy Form

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## **TIME AND PLACE OF MEETING AND HOW TO VOTE**

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### **VENUE**

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The General Meeting of the Shareholders of the Company to which this Notice of Meeting relates will be held at 10.00 am (WST) on Monday, 14 April 2011 at:

Celtic Club  
48 Ord Street  
West Perth WA 6005

### **YOUR VOTE IS IMPORTANT**

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The business of the General Meeting affects your shareholding and your vote is important.

### **VOTING IN PERSON**

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To vote in person, attend the General Meeting on the date and at the place set out above.

### **VOTING BY PROXY**

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To vote by proxy, please complete and sign the enclosed Proxy Form and return by:

- (a) person to Victory West Moly Limited, C/- 311-313 Hay Street, SUBIACO, WA 6008;
- (b) post to Victory West Moly Limited, C/- PO Box 8282, SUBIACO EAST WA 6008; or
- (c) facsimile to the Company on facsimile number (+61 8) 9388 3701

so that it is received not later than 10.00 am on Tuesday 12 April 2011.

**Proxy Forms received later than this time will be invalid.**

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## NOTICE OF GENERAL MEETING

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Notice is hereby given that a general meeting of Shareholders of Victory West Moly Limited ("**Company**" or "**VWM**") will be held at the Celtic Club, 48 Ord Street, West Perth, Western Australia on 14 April 2011 commencing at 10.00am (WST) (**General Meeting**).

The Explanatory Statement to this Notice of Meeting provides additional information on matters to be considered at the General Meeting.

Terms and abbreviations used in this Notice of Meeting and Explanatory Statement are defined in the Glossary.

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### AGENDA

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**1. RESOLUTION 1 – Approval of Proposed Issue of Consideration Shares for the Acquisition of Oceantide Investments Pty Ltd**

To consider and, if thought fit, to pass, the following resolution as an **ordinary resolution**.

*“That, subject to and conditional upon the passing of Resolution 2, for the purposes of Listing Rule 7.1 and for all other purposes, the Company approves the allotment and issue of:*

- (a) 20,000,000 Shares;
- (b) 10,000,000 Class B Performance Shares having the terms set out in Schedule 3;
- (c) 10,000,000 Class C Performance Shares having the terms set out in Schedule 4; and
- (d) 10,000,000 Class D Performance Shares having the terms set out in Schedule 5,

*(together "**Consideration Shares**"),*

*to the Vendor or his nominee or nominees as consideration for the Company acquiring 100% of the issued capital of Oceantide Investments Pty Ltd, on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on Resolution 1 by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, and any associates of those persons. However, the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## 2. RESOLUTION 2 – Variation of Class Rights

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*“That, subject to and conditional upon the passing of Resolution 1, pursuant to and in accordance with Article 2.3 of the Constitution and sections 246B(1) and 246C(5) of the Corporations Act and for all other purposes, Shareholders approve any variation of the rights attached to each Share already on issue that arises from the issue (and subsequent conversion into Shares in accordance with their terms) of the Class B Performance Shares, Class C Performance Shares and Class D Performance Shares to the Vendor or his nominee or nominees pursuant to Resolution 1 of this Notice of Meeting.”*

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## 3. RESOLUTION 3 - Change of Company Name

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

*“That for the purposes of Section 157(1) of the Corporations Act and for all other purposes, Shareholders approve a change to the Company's name from Victory West Moly Limited to Victory West Metals Limited.”*

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## 4. RESOLUTION 4 – Ratification of Prior Issue of Listed Options

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 7.4 and for all other purposes, the Company ratify the allotment and issue of 7,483,334 Listed Options, each having an exercise price of \$0.20 and an expiry date of 24 February 2011 and on the terms set out in the Explanatory Statement.*

**Voting Exclusion Statement:** The Company will disregard any votes cast on Resolution 4 by any person who participated in the issue of securities and an associate of that person. However the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## 5. RESOLUTION 5 – Approval of Proposed Issue of Shares and Listed Options

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, for the purpose of ASX Listing Rule 7.1 and all other purposes, Shareholders approve the allotment and issue of Shares and free attaching Listed Options, each Listed Option each having an exercise price of \$0.20 and an expiry date of 24 February 2011 and on the terms set out in Schedule 8, upon conversion of the Convertible Loans on the terms and conditions set out in the Explanatory Statement.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on Resolution 5 by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed, and any associate of those persons. However the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**6. RESOLUTION 6 – Approval of Proposed Issue of Incentive Options to Mr Rohan Erwin**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 7.1 and for all other purposes, the Company approves the allotment and issue of 5,000,000 Options, each having an exercise price of \$0.25 and an expiry date of 1 September 2014, to Mr Rohan Erwin on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on Resolution 6 by any person who may participate in the proposed issue and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed, and any associate of those persons. However the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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**7. RESOLUTION 7 – Approval of Proposed Issue of Shares**

To consider and, if thought fit, to pass the following resolution as an **ordinary resolution**:

*“That, for the purposes of Listing Rule 7.1 and for all other purposes, approval is given for the Directors to allot and issue Shares to raise a total of up to \$7,000,000 on the terms and conditions set out in the Explanatory Statement accompanying this Notice of Meeting.”*

**Voting Exclusion Statement:** The Company will disregard any votes cast on Resolution 7 by any person who may participate in the proposed issue of securities and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities if the resolution is passed, and an associate of those persons. However the Company need not disregard a vote if:

- (a) it is cast by a person as a proxy for a person who is entitled to vote in accordance with the directions on the Proxy Form; or
- (b) it is cast by the person chairing the meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

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## **Explanatory Statement**

The accompanying Explanatory Statement forms part of this Notice of Meeting and should be read in conjunction with it. Shareholders are specifically referred to the Glossary in the Explanatory Statement which contains definitions of capitalised terms used in this Notice of Meeting and the Explanatory Statement.

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## **Proxies**

Please note that:

- (a) a Shareholder entitled to attend and vote at the General Meeting is entitled to appoint a proxy;
- (b) a proxy need not be a member of the Company;
- (c) a Shareholder may appoint a body corporate or an individual as its proxy;
- (d) a body corporate appointed as a Shareholder's proxy may appoint an individual as its representative to exercise any of the powers that the body may exercise as the Shareholder's proxy; and
- (e) Shareholders entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging proxy forms. If a Shareholder appoints a body corporate as its proxy and the body corporate wishes to appoint an individual as its representative, the body corporate should provide that person with a certificate or letter executed in accordance with the Corporations Act authorizing him or her to act as that company's representative. The authority may be sent to the Company or its share registry in advance of the General Meeting or handed in at the General Meeting when registering as a corporate representative.

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## **Voting Entitlements**

In accordance with Regulations 7.11.37 and 7.11.38 of the Corporations Regulations 2001, the Board has determined that a person's entitlement to vote at the General Meeting will be the entitlement of that person set out in the register of Shareholders as at 10.00 am (WST) on 12 April 2011. Accordingly, transactions registered after that time will be disregarded in determining Shareholder's entitlement to attend and vote at the General Meeting.

## **By Order of the Board of Directors**



**LUKE MARTINO**  
Company Secretary  
Victory West Moly Limited  
10 March 2011

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## **Explanatory Statement**

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This Explanatory Statement has been prepared for the information of Shareholders in relation to the business to be conducted at the Company's General Meeting to be held at the Celtic Club on Monday 14 April 2011 at 10.00 am (WST) ("**General Meeting**").

The purpose of this Explanatory Statement is to provide Shareholders with all information known to the Company which is material to a decision on how to vote on the resolution in the accompanying Notice of General Meeting.

This Explanatory Statement should be read in conjunction with the Notice of General Meeting. Capitalised terms in this Explanatory Statement are defined in the Glossary.

### **Overview of business to be conducted**

The business to be conducted at the General Meeting relates primarily to the recently announced proposal by the Company to acquire Oceantide Investments Pty Ltd ("**Oceantide Acquisition**"). The Company is seeking Shareholder approval for the issue of Shares and Performance Shares as consideration for the Oceantide Acquisition pursuant to the ASX Listing Rules.

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## **1. Resolution 1 – Approval of Proposed Issue of Consideration Shares for the Acquisition of Oceantide Investments Pty Ltd**

### **1.1 General Overview**

The Company is seeking approval of Shareholders to complete the Oceantide Acquisition. Oceantide has entered into a binding memorandum of agreement to acquire 70% of the issued capital in PT PUL, being the company which owns the USSU Nickel Project. The Oceantide Acquisition, if completed, will result in the Company acquiring ownership of all the issued capital of Oceantide from the Vendor and thereby acquiring rights to the USSU Nickel Project. Full details of the terms of the Oceantide Acquisition are set out in this Notice of Meeting. Details of the USSU Nickel Project are summarised in this Notice of Meeting and further detailed in the Independent Geologist Report included as Schedule 2.

Under Chapter 7 of the Listing Rules there are limitations on the capacity of a company to enlarge its capital by the issue of equity securities without shareholder approval.

Listing Rule 7.1 provides that a company must not, without shareholder approval, subject to certain exceptions, during any 12 month period, issue any equity securities or other securities with rights of conversion to equity (such as an option), if the number of those securities when aggregated with securities issued by the Company during the previous 12 months, exceeds 15% of the total ordinary securities on issue at the commencement of that 12 month period.

The proposed issue of the Consideration Shares pursuant to Resolution 1 would exceed the 15% threshold referred to in Listing Rule 7.1. Accordingly, the Company is seeking Shareholder approval to issue the Consideration Shares under Resolution 1 and if passed the Company will preserve its capacity to issue further securities in the next 12 months under Listing Rule 7.1.



The Vendor (and its nominees) are not related parties of the Company and no person's voting power (when added to the voting power of its Associates) in the Company will increase from 20% or below to more than 20% as a result of the issue of the Consideration Shares. Accordingly, Shareholder approval is not required for the purposes of item 7 of section 611 of the Corporations Act.

Subject to the passing of Resolution 2, the effect of Resolution 1 will be to allow the Company to issue the Consideration Shares to the Vendors for the purposes of the Oceantide Acquisition within 3 months after the General Meeting (unless otherwise extended by way of ASX granting a waiver to the Listing Rules) The issue of the Performance Shares is, also, subject to formal regulatory approval from the ASX.

## 1.2 Material Terms of Oceantide Acquisition

As announced to ASX on 12 November 2010, the Company has entered into a Heads of Agreement with the Vendor to acquire 100% fully paid ordinary shares in Oceantide. Oceantide has entered into a binding memorandum of agreement to acquire 70% of the issued capital in PT PUL, being the company which owns the USSU Nickel Project ("**Indonesian Agreement**").

Pursuant to the Heads of Agreement, the Company has agreed to purchase 100% of the issued capital of Oceantide in consideration for the issue to the Vendor (or its nominees) of:

- a) 20 million Shares; and
- b) 30 million Performance Shares.

The Performance Shares are convertible into fully paid Shares upon completion of the following milestones:

Consideration	Milestone
10,000,000 Class B Performance Shares	Convertible into Shares upon confirmation of a JORC Inferred Resource for the USSU Nickel Project of not less than ten million tonnes of nickel at a minimum grade of 1.5%.
10,000,000 Class C Performance Shares	Convertible into Shares upon the conversion of PT PUL's Exploration IUP into a Production and Operational IUP.
10,000,000 Class D Performance Shares	Convertible into ordinary Shares upon commencement of commercial production from the USSU Nickel Project, which shall mean three consecutive calendar months of nickel deliveries of at least 50,000 tonnes of ore per month.

If the abovementioned milestone is not achieved within 48 months from the date of issue of the relevant class of Performance Shares, then all of the Performance Shares in that class will be automatically redeemed by the Company for the sum of \$0.00001 per Performance Shares in that class. The full terms and conditions of the Performance Shares are set out in Schedule 3 in respect of the Class B Performance Shares, Schedule 4 in respect of the Class C Performance Shares and Schedule 5 in respect of the Class D Performance Shares.

Pursuant to the terms of the Heads of Agreement, VWM is to assume Oceantide's financial obligations to the Indonesian Parties under the Indonesian Agreement to sole fund the USSU Nickel Project to Direct Shipped Ore ("**DSO**") commercial production. Further details regarding the Company's financial obligations with respect to Oceantide and the USSU Nickel Project are set out in section 1.3 below.

Completion of the Oceantide Acquisition under the Heads of Agreement is subject to the following conditions being satisfied by 30 June 2011 (or such other date as mutually agreed by the parties):

- a) the Company completing its legal and technical due diligence review of Oceantide and its operations and the USSU Nickel Project and being satisfied, in its absolute discretion, with the results of its review; and
- b) the Company obtaining all necessary statutory and regulatory approvals for the acquisition of Oceantide under the Corporations Act and the Listing Rules, which includes Shareholder approval.

If the conditions listed above are not satisfied within the required timeframe, then either party may terminate the Heads of Agreement by giving written notice to the other party. The Company has completed its legal due diligence review and is continuing its technical evaluation of the USSU Nickel Project. Further information regarding the legal and technical review of the USSU Nickel Project can be found in the Solicitor's Report and the Independent Geologist's Report attached at Schedules 1 and 2 of this Notice of Meeting respectively.

### **1.3 Financial obligations under the Oceantide Acquisition**

The Company will assume the relevant financial commitments of Oceantide under the Indonesian Agreement by lending funds to Oceantide so that Oceantide can meet its financial obligations. The terms and conditions of the Indonesian Agreement are detailed in the Solicitors' Report included as Schedule 1 to this Notice of Meeting.

VWM will provide loans to Oceantide for the following purposes:

- (a) operational and working capital purposes during the completion period;
- (b) payment of the Project Purchase Price (explained in further detail below);
- (c) payment of the Pre-Dividend Distribution (explained in further detail below);
- (d) conducting any legal, financial and technical due diligence of the USSU Nickel Project;
- (e) obtaining licence applications and renewals required for the USSU Nickel Project; and
- (f) conducting feasibility studies and preliminary exploration works on the USSU Nickel Project.

In effect, VWM will provide sufficient finance to Oceantide so that Oceantide can comply with its obligations to fund 100% of the USSU Nickel Project's expenditure to commercial production of DSO.

The Company will be required to undertake further capital raisings in order to meet these financial obligations.

### ***Payment of Project Purchase Price***

The Project Purchase Price is the consideration payable by Oceantide under the Indonesian Agreement for the acquisition of 70% of the issued shares of PT PUL, which is a total of US\$3.75 million cash, payable in instalments to the Indonesian Parties on the occurrence of specified milestones, as set out in the table below:

<b>Instalment</b>	<b>Payment</b>	<b>Milestone</b>
1	US\$500,000	Payable by 17 November 2010 (the Company has already provided funds for this payment)
2	US\$1,250,000	Payable by 15 April 2011.
3	US\$750,000	Payable by no later than 10 days after the receipt by Oceantide of a copy of the Production Operation IUP for the USSU Nickel Project, duly issued to PT PUL. .
4	US\$1,000,000	Payable by not later than the earlier of 7 days after the date of the first commercial shipment by PT PUL of a minimum of 50,000 wet metric tonnes of nickel from the USSU Nickel Project and 30 September 2011.
5	US\$250,000	Payable by no later than 6 months after the disbursement of the fourth instalment of the Project Purchase Price outlined above.

### ***Repayment of loans from PT PUL Shareholders***

Conditional upon the Oceantide Acquisition being approved by shareholders, the Company has agreed to lend Oceantide sufficient funds to repay a total of A\$303,614 which has been provided by the PT PUL Shareholder at the earlier of:

- (a) the next capital raising of the Company following the General Meeting; or
- (b) receipt of payment of the first shipment of DSO Nickel.

In the event that the PT PUL Shareholder loans have not been repaid by 30 June 2011, the loans will be considered at call.

### ***Pre-Dividend Distributions***

Pursuant to the Indonesian Agreement, Oceantide has agreed with the Indonesian Parties to allow for the regular drawdown of funds to finance the USSU Nickel Project, as described below.

The PT PUL Shareholders are entitled to drawdown a monthly advance equivalent to US\$3.00 per metric tonne of ore sold each month (the "**Pre-Dividend Distribution**"). The Pre-Dividend Distribution is to be distributed proportionately as to the equity interest of each PT PUL Shareholder (i.e. Indonesian Parties= 30%, Oceantide = 70%).

Payment of the monthly Pre-Dividend Distribution is subject to the following conditions:

- (a) payable within three (3) days of all sales proceeds for a given month being received by PT PUL or after the monthly profit or loss is determined in accordance with paragraph (ii) below, whichever event occurs last.
- (b) the continued profitability of PT PUL. Monthly profit or loss is to be calculated in accordance with generally accepted accounting principles and Indonesian Standards and reported by the 15th day of the following month.
- (c) grade of Ore – the agreed Pre-Dividend Distribution is based on the shipment and sales of high grade DSO Nickel ore as defined as 1.5% Ni Ore.

In the event that it is deemed commercially profitable to ship and sell lower grade nickel ore, the parties are to assess the profitability of the low grade ore and if required agree to an appropriate adjustment to the Pre-Dividend Distribution entitlement for the lower grade ore shipments to ensure sufficient cash flow is maintained.

The Pre-Dividend Distributions are to be treated as loans advanced to the PT PUL Shareholders during a financial year. The Pre-Dividend Distributions are to be repaid from the distribution of annual dividends from PT PUL's profits (as set out in its annual financial report). If the dividend is insufficient to extinguish the Pre-Distribution Dividend which has been advanced, then the part that remains outstanding following the application of the dividend entitlement for the relevant year shall incur interest at the rate equivalent to the average USD LIBOR over the six (6) months prior to the making of the loan and until the loan is repaid. The Pre-Div may be repaid by cash or by foregoing future monthly pre-dividend distribution.

### ***Payment of expenses***

Pursuant to the Heads of Agreement, VWM will reimburse Oceantide for all expenses incurred in relation to Oceantide's own legal, financial and technical due diligence enquiries in respect of the USSU Nickel project.

#### 1.4 Effect on issued capital of the Company

At the date of this Notice of Meeting, if Resolution 1 is approved and the Consideration Shares are issued, then the capital structure of the Company will be adjusted as shown in the following table:

Details	Number on Issue	Description
Existing Listed Shares	167,277,677	Ordinary Shares
New Shares issued pursuant to Resolution 1	20,000,000	Ordinary Shares
<b>Total Shares</b>	<b>187,277,677</b>	
Existing Performance shares	10,000,000	Class A Performance shares
Class B Performance Shares issued pursuant to Resolution 1	10,000,000	Class B Performance shares
Class C Performance Shares issued pursuant to Resolution 1	10,000,000	Class C Performance shares
Class D Performance Shares issued pursuant to Resolution 1	10,000,000	Class D Performance shares
<b>Total Performance Shares</b>	<b>40,000,000</b>	
<b>Total Shares and Performance Shares on issue</b>	<b>227,277,677</b>	
Existing Unlisted Options	25,000,000	Options with an exercise price of \$0.20 each and an expiry date of 31 December 2011.
Existing Listed Options	84,137,984	Options with an exercise price of \$0.20 each and expiry date of 24 February 2012.
Unlisted Incentive milestone A options	3,250,000	Incentive Options (Milestone A) with an exercise price of \$0.25 each and an expiry date of 31 August 2014
Unlisted Incentive milestone B options	3,000,000	Incentive Options (Milestone B) with an exercise price of \$0.25 each and an expiry date of 31 August 2014
<b>Total Options</b>	<b>115,387,984</b>	

#### 1.5 Overview and Information on Oceantide Investments Pty Ltd

Oceantide Investments Pty Ltd was incorporated on 2 April 1998. The Vendor is the sole registered shareholder and director of Oceantide, however the Vendor holds shares in Oceantide on trust for a number of Australian and Indonesian mining and resource parties and investors. The sole asset of Oceantide is its right to acquire 70% equity interest in a prospective nickel exploration IUP concession held by PT PUL under the Indonesian Agreement. As noted above, Oceantide is required to finance the USSU Nickel Project to production. To date, VWM has advanced to Oceantide a total of US\$1,777,780 (inclusive of the US\$100,000 loan as announced on 27 August 2010, US\$500,000 first consideration payment to PT PUL on 17 November 2010). These funds have been on-lent to PT PUL and utilised in the development of the USSU Nickel Project and are fully recoverable from the USSU Nickel Project should the transaction not proceed. All funds advanced to Oceantide and then on-lent to PT PUL have been utilized by non-related parties of VWM.

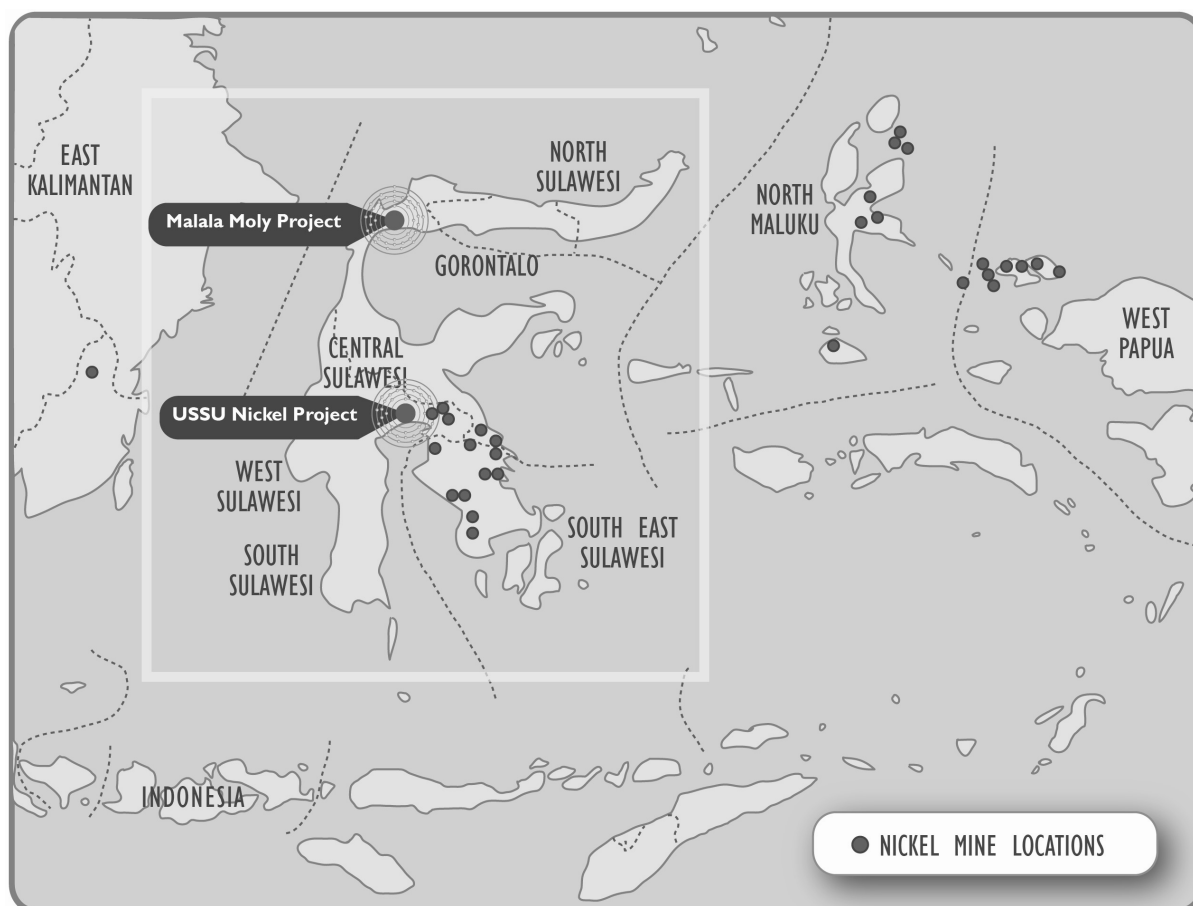
VWM is to assume Oceantide's obligations to sole fund 100% of the Project's expenditure to commercial production of DSO without contribution from the Indonesian Parties (as outlined in section 1.3 above).

A summary of the material terms of the USSU Nickel Project and the PT PUL Memorandum of Agreement are set out in the Solicitor's Report at Schedule 1.

## 1.6 Details of the USSU Nickel Project

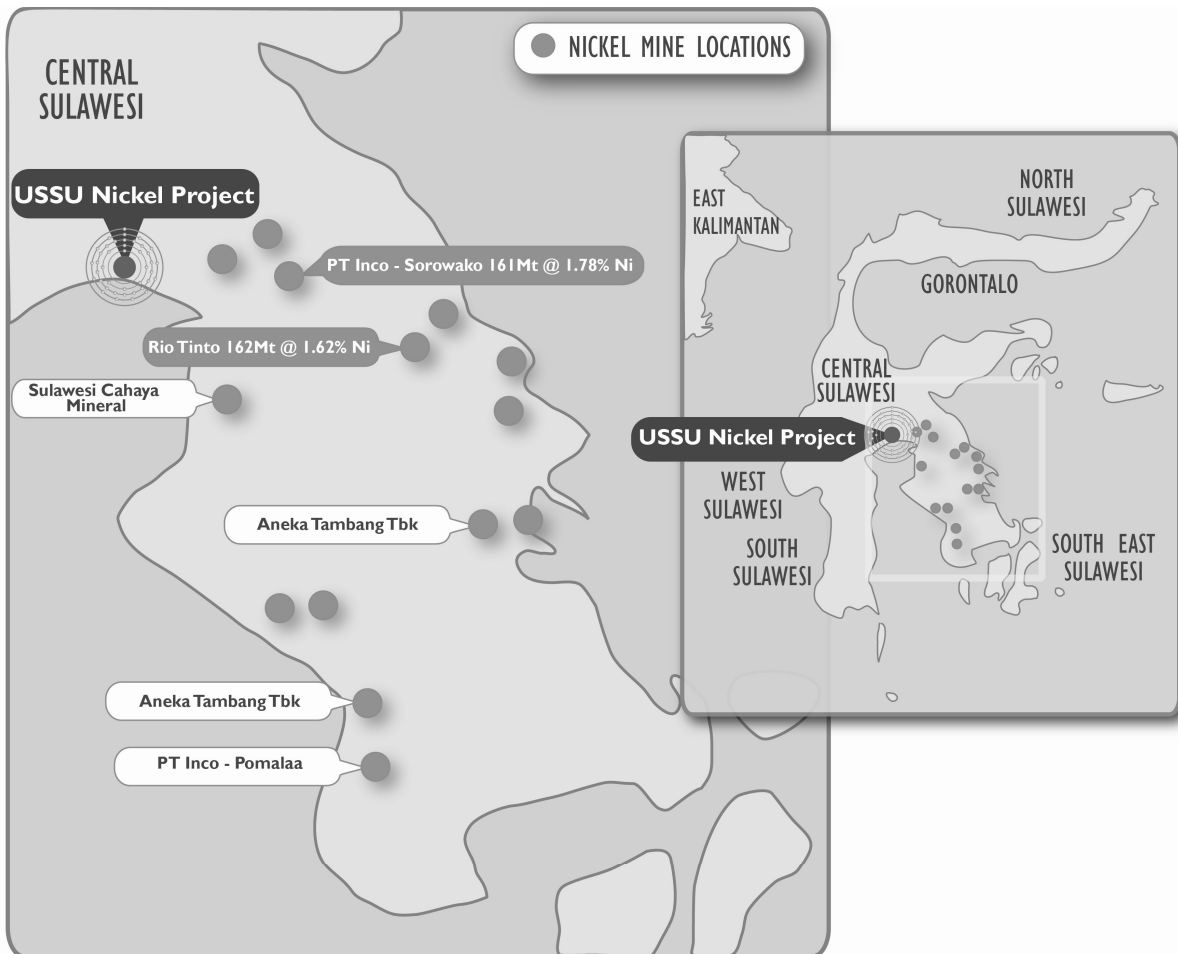
A technical evaluation of the USSU Nickel Project is included in the Independent Geologist's Report included in Schedule 2 to this Explanatory Statement.

The USSU Nickel Project Concession area covers approximately 1,608 hectares in size and is located in Atue, Ussu and Manurung Village, Malili and Angkana Sub-District, Luwu Timur Regency, South Sulawesi Province, Indonesia (see Figure 1 below). The Concession area is easily assessable by sea and land transportation and is only 15 minutes drive from Malili, the capital city of Luwu Timur Regency (the "USSU Nickel Project")



**Figure 1:** Location map of USSU Nickel Project and the Company's cornerstone Malala Molybdenum Project.

The geological formation is a typical example of tropical nickel laterite located within known nickel province. It is closely located to a number of established laterite nickel projects and deposits, such as PT Inco's 161 million tonne Sorowako project, and Rio Tinto's 162 million project as detailed in Figure 2.



**Figure 2** – Location map of USSU Nickel Project in location to other current nickel projects.

The Concession was formally held by PT Inco (Inco) as part of a large regional nickel laterite holding. Inco have been mining and processing lateritic nickel near Sorowako for more than 30 years and are one of the world's largest nickel producers (see Figure 2 above). The USSU Nickel Project Concession area is well located within 3km of an identified port site. The Concession has previously been logged with limited secondary re-growth.

Since obtaining the Concession, PT PUL has assembled an experienced local team including senior operational, geological and mining engineering personnel with specific regional nickel laterite experience. The majority of these personnel were trained by and had successful careers with Inco.

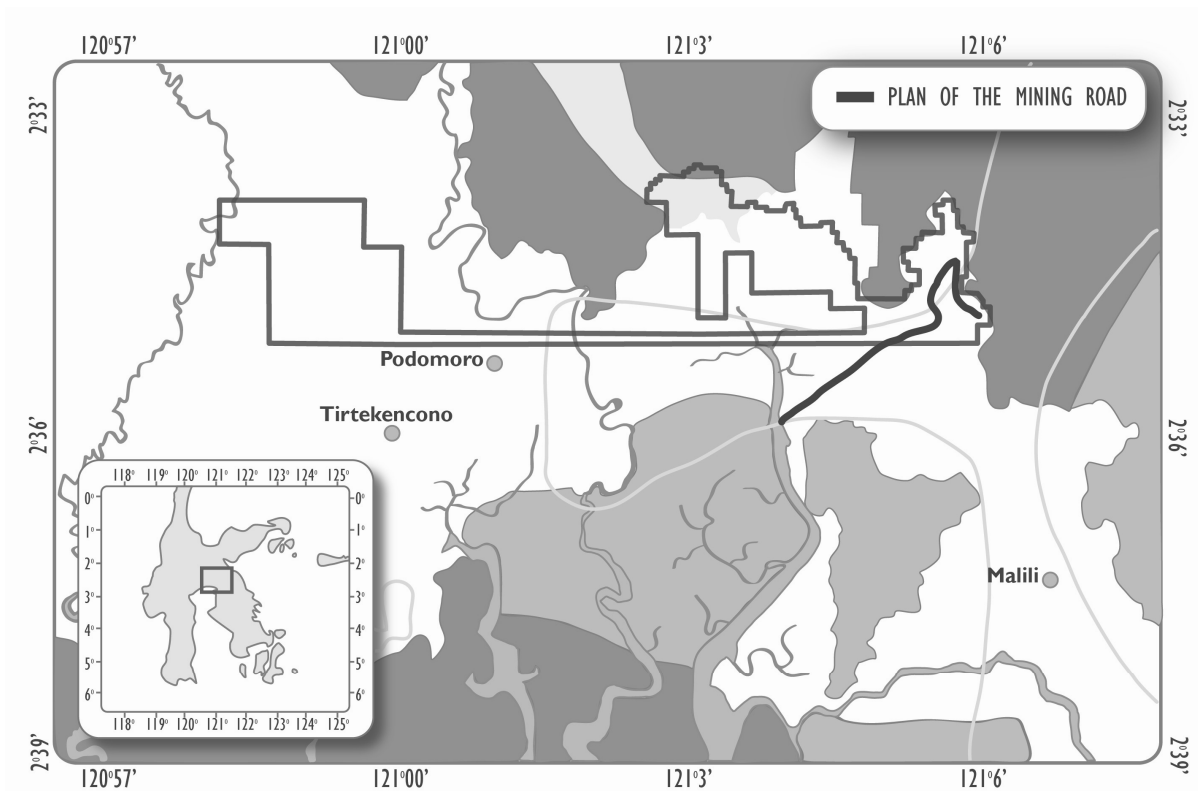
The geology is a typical tropical lateritic nickel deposit containing both limonite (lower-grade) and saprolite (higher-grade) mineralised material which has been developed over ultramafic rock units. The area is part of a larger mineralised province containing several significant lateritic nickel deposits and active mines (see Figure 2 above).

Since 2008, PT PUL has undertaken various exploration work programs including drilling 85 shallow holes at 200m x 200m spacing as well as various trenching and test pitting programs. Results of this work have allowed PT PUL to report an initial zone of target mineralisation totalling 35 to 45Mt @ 1.2% to 1.6% Ni\* in both the limonite and saprolite zones.

The historic raw data has been re-evaluated by GMT Indonesia, allowing for generation of an Exploration Target as defined by the historic data of 40 to 50 Mt @ 1.50-1.60% Ni\* (see attached Schedule 2 Independent Geologist Report for further information).

Exploration to date has covered less than 50% of the Concession.

Topography of the proposed mining area is undulating and considered to provide no significant access issues for mining machinery. The proposed haul road from the Concession to the proposed port area is approximately 3km in length through primarily flat to sloping terrain. The port area is situated on river flats fronting a wide river approximately 17km from an established deep water anchorage in the Gulf of Boni. It is anticipated that loaded barges can transport the nickel ore for trans-shipment onto mother vessels anchored in the Gulf of Boni.



**Figure 3 – USSU Nickel Project Concession area (in red) and proposed mine to port haul road (in purple)**

The Company hopes to increase the commercial grade DSO nickel laterite product grading through simple crushing and screening beneficiation, followed by blending. These matters require further investigation.

**\* Notes on Exploration & Mineralisation Targets**

In accordance with Clause 18 of the JORC Code, it is important to note that no JORC Mineral Resources or Ore Reserves have been established on these concessions and any current assessment remains subject to ongoing exploration work, drilling and evaluation. The current interpretation remains preliminary and is based on exploration, evaluation and resource definition work performed by the current owners.

**Competent Persons Statement**

The data in this report that relates to Exploration Results, Resources and Reserves is based on information reviewed and evaluated by Mr Brett Gunter who is a member of The Australian Institute of Mining and Metallurgy (MAusIMM) and who has sufficient experience 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 (the “JORC Code”). Mr Gunter is a fulltime employee of GMT Indonesia and he consents to the inclusion in the report of the Exploration Results and/or Mineral Resource and/or Reserve in the form and context in which they appear.



## **1.7 About the DSO Nickel Market**

The DSO laterite nickel ore market is a well-established international market, with the bulk of material predominantly exported from Indonesia, Philippines and New Caledonia and sold to Japan, Europe and China. The lower grade (<1.8% Ni) material is commonly used as feedstock for blast furnaces to produce nickel pig iron for sale to domestic stainless steel producers. The higher grade ore (>1.8% Ni) is commonly used for smelting to ferronickel or matte.

Pricing for lateritic nickel material is a function of numerous factors, namely nickel pricing on London Metals Exchange, ore grade, moisture content, iron content, recovery and contained deleterious (penalty) elements.

## **1.8 Risks**

As a mineral exploration company, the Company is already exposed to a number of risks associated with the mineral exploration process and industry. Although the Company is already exposed to a number of these risks through its Malala Molybdenum Project, Shareholders should be aware of the specific risks associated with the USSU Nickel Project. A summary of some of the key risks associated with the USSU Nickel Project and an investment in the Company generally are set out in Schedule 6. Shareholders are encouraged to review and consider these risk factors when considering whether to approve Resolution 1. It is important to note that through its current projects, the Company is already exposed to a number of these risks and will continue to be should Resolution 1 not be approved.

## **1.9 Information required by Listing Rule 7.3**

For the purposes of Listing Rule 7.3, the following information is provided to Shareholders in relation to the Consideration Securities to be issued pursuant to Resolution 1:

### **(a) Maximum Number of Securities**

The maximum number of securities to be issued is 50,000,000 Consideration Shares, which consists of:

- (i) twenty million (20,000,000) Shares;
- (ii) ten million (10,000,000) Class B Performance Shares;
- (iii) ten million (10,000,000) Class C Performance Shares; and
- (iv) ten million (10,000,000) Class D Performance Shares.

### **(b) Issue and Allotment of the Securities**

The Consideration Shares will be issued at completion of the Oceantide Acquisition and in any event no later than 3 months after the date of the General Meeting (unless otherwise extended by way of ASX granting a waiver to the Listing Rules).

It is intended that the Consideration Shares will be allotted and issued on the same date.

(c) **The Issue Price of the Securities**

The Consideration Shares will be issued for nil cash consideration as they are being issued in consideration for the acquisition of 100% of the issued capital of Oceantide.

(d) **The Names of the Allottees**

The Shares and Performance Shares will be allotted and issued to the Vendor or its nominee(s). The Consideration Shares will be issued without disclosure under an exception in Section 708 of the Corporations Act. The Vendor is not a related to the Company and no allottees will have a relevant interest in more than 20% of the Company's Shares after the issue.

(e) **The Terms of the Securities**

The Shares issued will be fully paid ordinary shares in the capital of the Company and will rank equally in all respects with the Company's existing fully paid ordinary shares on issue. The terms of the Class B Performance Shares are set out in Schedule 3, the terms of the Class C Performance Shares are set out in Schedule 4 and the terms of the Class D Performance Shares are set out in Schedule 5.

(f) **The Intended Use of the Funds Raised**

The Company will not be raising any funds from the issue of the Consideration Shares as they are being issued in consideration for the acquisition of 100% of the issued share capital of Oceantide Investments Pty Ltd (as outlined above).

## **1.10 Recommendation**

The Directors recommend that Shareholders vote in favour of Resolution 1 as the board believes that the USSU Nickel Project has the potential to deliver value and is in accordance with the Company's strategy of a diversified metals focused company.

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## 2. Resolution 2 – Variation of Class Rights

### 2.1 General

Resolution 2 seeks Shareholder approval for the Company to be authorised to issue the Class B Performance Shares, Class C Performance Shares and Class D Performance Shares as set out in section 1 of this Explanatory Statement.

Section 246C(5) of the Corporations Act provides that if a company with a single class of shares issues new shares, the issue is taken to vary the rights attached to shares already issued if the rights attaching to the new share are not the same as rights attached to shares already issued and those rights are not provided for in the company's constitution or a notice, document or resolution that is lodged with ASIC.

Section 246B of the Corporations Act provides that if a company has a constitution that sets out the procedure for varying or cancelling rights attached to shares in a class of shares, those rights may be varied or cancelled only in accordance with that procedure. Article 2.3 of the Constitution provides that the rights attaching to a class of shares may be varied:

- (a) if authorised by a special resolution passed at a meeting of the holders of the issued shares of the affected class; or
- (b) with the written consent of the holders of three quarters of the issued shares of the affected class.

Pursuant to the Heads of Agreement outlined above in respect of Resolution 1, the Company is proposing to issue 20,000,000 Shares and 30,000,000 Performance Shares in consideration for the acquisition of 100% of the issued capital of Oceantide. Each Performance Share is convertible into one Share upon the achievement of a specified milestone, as set out in the table below:

<b>Consideration</b>	<b>Milestone</b>
10,000,000 Class B Performance Shares	Convertible into Shares upon confirmation of a JORC Inferred Resource for the USSU Nickel Project of not less than ten million tonnes of nickel at a minimum grade of 1.5%.
10,000,000 Class C Performance Shares	Convertible into Shares upon the conversion of PT PUL's Exploration IUP into a Production and Operational IUP.
10,000,000 Class D Performance Shares	Convertible into ordinary Shares upon commencement of commercial production from the USSU Nickel Project, which shall mean three consecutive calendar months of nickel deliveries of at least 50,000 tonnes of ore per month.

The purpose of the issue of the Performance Shares is to link part of the consideration payable to the Vendor to the achievement of the above milestones. If the milestone in respect of a class of Performance Shares is not achieved within the 4 years from the date of issue of that class of Performance Shares, then all of the Performance Shares in that class will be redeemed by the Company for the sum of \$0.00001 per Performance Share in the relevant class..

The Company currently has two classes of shares on issue being:

- (a) fully paid ordinary shares ("**Shares**"); and
- (b) Class A Performance Shares issued pursuant to a resolution passed at the Company's 2010 Annual General Meeting in respect of the acquisition by the Company of 25% of Victory West Pty Ltd.

The terms of the Class B Performance Shares are set out in Schedule 3, the terms of the Class C Performance Shares are set out in Schedule 4 and the terms of the Class D Performance Shares are set out in Schedule 5.

The terms of the Performance Shares as set out in Schedule 3, Schedule 4 and Schedule 5 and are not the same as the terms of the Shares or the Class A Performance Shares. Consequently, Shareholder approval is being sought for the Company to be authorised to issue the Performance Shares to the Vendors.

The Company has applied for ASX to confirm that the terms of the Performance Shares (as set out in Schedule 3 in respect of the Class B Performance Shares, Schedule 4 in respect of the Class C Performance Shares and Schedule 5 in respect of the Class D Performance Shares) are appropriate and equitable for the purposes of Listing Rule 6.1 and to approve the issue of the Performance Shares pursuant to Listing Rule 6.2.

Resolution 2 is subject to, and conditional upon, Resolution 1 being passed at the General Meeting. Resolution 2 is a special resolution and so requires the approval of 75% of the votes cast by Shareholders.

## **2.2 Recommendation**

The Directors recommend that Shareholders vote in favour of Resolution 2.

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## **3. Resolution 3 - Change of Company Name**

Resolution 3 seeks Shareholder approval by special resolution to change the Company's name from "**Victory West Moly Limited**" to "**Victory West Metals Limited.**"

Pursuant to section 157 of the Corporations Act, a company may change its name by passing a special resolution adopting a new name. The resolution must be lodged with ASIC within 14 days after it is passed. A special resolution must be passed by at least 75% of the votes cast by members entitled to vote on the resolution.

The Directors believe that the new name more accurately reflects the broadening interests of the Company.

## **3.1 Recommendation**

The Directors recommend that Shareholders vote in favour of Resolution 3.

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## **4. Resolution 4 – Ratification of prior issue of Listed Options**

### **4.1 Background**

As announced in November 2010, the Company completed arrangements for the fundraising of up to \$1,700,000 via Convertible Loans. A total of \$1,580,000 was taken up. Under the terms of the Convertible Loans, the Convertible Loan holders have the right to convert their loan into Shares at a conversion price of the lower of:

- a) \$0.12 cents; or,
- b) should the Company undertake a capital raising at a lower price than \$0.12 before repayment of the Convertible Loan, that lower price,

("Conversion Price").

The Convertible Loan holders are also entitled to receive one free attaching Listed Option for every Share received upon conversion of the Convertible Loan. Each Listed Option has an exercise price of \$0.20 and an expiry date of 24 February 2012.

Since November 2010, \$898,000 worth of the Convertible Loans have been converted by Convertible Loan holders resulting in the issue of 7,483,334 Listed Options.

Shareholder approval is sought to ratify and approve the issue of 7,483,334 free attaching Listed Options to non-related parties of the Company pursuant to the conversion of Convertible Loans.

Listing Rule 7.1 imposes a limit on the number of equity securities that the Company may issue within a 12 month period without Shareholder approval. The limit is 15% of the Company's capital at the beginning of the 12 month period, adjusted by issues of securities during this period. Listing Rule 7.4 permits the approval of previous issues of securities made without prior Shareholder approval, provided the issue did not breach Listing Rule 7.1. The effect of Shareholder approval pursuant to Listing Rule 7.4 is that the prior issue is treated as having been made with Shareholder approval for the purposes of Listing Rule 7.1.

If Resolution 4 is passed, it will provide the Company with the flexibility to issue further equity securities in the future up to the 15% threshold under Listing Rule 7.1 without the requirement to obtain Shareholder approval.

### **4.2 Information required for Listing Rule 7.4**

Listing Rules 7.5 requires that the following information be provided to Shareholders when seeking approval and ratification pursuant to Listing Rule 7.4:

(a) **Number of Securities Allotted**

The number of securities allotted and issued was 7,483,334 Listed Options.

(b) **The Price at which the Securities were Issued**

The free attaching Listed Options were issued for nil consideration as part of the terms of the Convertible Loans.

(c) **The Basis on which the Allottees were determined**

The Shares and Listed Options were issued to strategic and private investors pursuant to section 708 of the Corporations Act who were holders of the Convertible Loans, each being an unrelated party of the Company.

(d) **The Terms of the Securities**

Each of the Listed Options are exercisable at \$0.20 and expire on 24 February 2012 and are granted on the same terms and conditions as the Company's existing Listed Options.

(e) **The Intended Use of the Funds Raised**

The fund raised from the conversion of the Convertible Loans will be used for general working capital purposes to support the development of the Company's projects.

#### **4.3 Recommendation**

The Directors recommend that Shareholders vote in favour of Resolution 4.

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### **5. Resolution 5 – Approval of Proposed Issue of Shares and Listed Options**

#### **5.1 Background**

As discussed above in respect of Resolution 4, the Company has undertaken financing by means of entering Convertible Loans with various sophisticated and institutional investors (who are unrelated to the Company). Further information regarding the terms of the Convertible Loans is set out above under Resolution 4.

Resolution 5 is seeking Shareholder approval under Listing Rule 7.1 for the allotment and issue of Shares and Listed Option as a result of conversion of the Convertible Loans within 3 months from the date of the General Meeting (or a longer period if extended by way of ASX granting a waiver to the Listing Rules).

As noted above, Listing Rule 7.1 requires shareholder approval to the proposed issue of securities in the Company. Listing Rule 7.1 broadly provides, subject to certain exceptions, that shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the Company's securities then on issue. If Resolution 5 is passed, it will provide the Company with the flexibility to issue further equity securities in the future up to the 15% threshold without the requirement to obtain Shareholder approval.

#### **5.2 Information required for Listing Rule 7.1**

For the purposes of Listing Rule 7.3, the following information is provided to Shareholders in relation to the proposed issue of Shares and free attaching Listed Options pursuant to Resolution 5:

(a) **Maximum Number of Securities**

The number of securities to be issued is dependent upon the conversion price at the time of conversion of the Convertible Loans.

The minimum number of securities to be issued pursuant to Resolution 5 is 5,666,667 Shares and 5,666,667 Listed Options. This is based on the conversion of the Convertible Loans at the highest rate of \$0.12. However, the Convertible Loans are convertible to Shares at a Conversion Price of the lower of \$0.12 or, should the Company undertake a capital raising at a lower price than \$0.12 cents before repayment of the Convertible Loan, that lower price.

VWM recently raised capital by issuing shares to sophisticated investors at \$0.10 per share. Accordingly, the maximum number of securities to be issued pursuant to Resolution 5 is 6,800,000 Shares and 6,800,000 Listed Options at the lowest rate of \$0.10.

**(b) Date of Allotment and Issue of the Securities**

The Shares and Listed Options will be allotted and issued no later than 3 months after the date of the General Meeting, unless otherwise extended by way of ASX granting a waiver to the Listing Rules.

The Shares and Listed Options will be allotted and issued progressively upon conversion of the Convertible Loans in accordance with their terms.

**(c) The Issue Price of the Securities**

The Shares will be issued at the Conversion Price (as described above).

The free attaching Listed Options will be issued for nil consideration as part of the terms of the Convertible Loans.

**(d) Names of the Allottees**

The Shares and Listed Options will be allotted and issued to strategic and private investors pursuant to section 708 of the Corporations Act who are holders of the Convertible Loans, each being an unrelated party of the Company.

**(e) The Terms of the Securities**

Shares issued on conversion of the Convertible Loans will be fully paid ordinary shares in the capital of the Company, which will rank equally in all respects with the Company's existing Shares.

Each of the Listed Options will be exercisable at \$0.20 and expire on 24 February 2012 and will be granted on the same terms and conditions as the Company's existing Listed Options.

**(f) The Intended Use of the Funds Raised**

The fund raised from the conversion of the Convertible Loans will be used for general working capital purposes to support the development of the Company's projects.

### **5.3 Recommendation**

The Directors recommend that Shareholders vote in favour of Resolution 5.

## 6. RESOLUTION 6 – Approval of Proposed Issue of Incentive Options to Mr Rohan Erwin

### 6.1 Background

In September 2010, the Company appointed Mr. Rohan Erwin as Project Director. Resolution 6 is seeking Shareholder approval for the Company to grant a total of five million (5,000,000) Incentive Options, each Incentive Option having an exercise price of \$0.25 and an expiry date of 1 September 2014, to Mr Erwin (or his nominee).

The grant of the Incentive Options to Mr Erwin is intended to encourage him to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership. The Incentive Options will provide an incentive for Mr Erwin to achieve the Company's objectives as the vesting of the Incentive Options will be subject to performance hurdles based on the Company's growth.

The Incentive Options are subject to the vesting conditions set out in the below table:

No of Options	Vesting condition
1,500,000	Upon completion of due diligence on the USSU Nickel Project.
3,500,000	Upon commencement of DSO Production from the USSU Nickel Project, which means upon the loading to a barge of the initial cumulative one hundred and fifty thousand (150,000) wet metric tonnes of nickel ore from the USSU Nickel Project.

In order for all Incentive Options to be converted both vesting conditions must be met by the Company. If only one milestone condition is met prior to the expiry date then only those Incentive Options subject to the milestone condition which has been met are able to be converted. The terms of the Incentive Options are set out in Schedule 7.

Mr Erwin, a mining engineer, has in excess of 20 years management experience in the mining industry, including extensive expertise in iron ore, coal and gold among other metals and minerals, both in project development and operations. He has operated within Australia and internationally, holding senior positions with autonomous responsibility. A hallmark of his career has been the establishment of new operations and the rectification of poorly performing operations. More recently Mr Erwin has consulted in a range of roles including delivering and implementing new works for Leighton Contracting via New Future Alliance and consulted to Gindalbie Metals Pty Ltd on their \$1.8 billion joint venture Karara Magnetite Project and provided services to that joint venture in the commencement of mine infrastructure construction.

Mr Erwin is not a related party of the Company, as he is not a Director or officeholder of the Company. Therefore, approval is not required for the purposes of Listing Rule 10.11.

As noted above, Listing Rule 7.1 requires shareholder approval to the proposed issue of securities in the Company. Listing Rule 7.1 broadly provides, subject to certain exceptions, that shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the Company's securities then on issue. If Resolution 6 is passed, it will provide the Company with the flexibility to issue equity securities in the future up to the 15% threshold without the requirement to obtain further Shareholder approval.



## **6.2 Information required by Listing Rule 7.3**

For the purposes of Listing Rule 7.3, the following information is provided to Shareholders in relation to the Options to be issued pursuant to Resolution 6:

### **(a) Maximum Number of Securities**

The maximum number of securities to be issued is five million (5,000,000) Incentive Options (as outlined above).

### **(b) Date of Allotment and Issue of the Securities**

The Incentive Options to be issued under Resolution 6 will be issued as soon as practicable after the General Meeting however, not later than three months after the date of the General Meeting (unless otherwise extended by way of ASX granting a waiver to the Listing Rules).

The Incentive Options will be allotted and issued on one date.

### **(c) The Issue Price of the Securities**

The Incentive Options will be issued for nil cash consideration as they are being issued in consideration for services provided to the Company.

### **(d) The Terms of the Securities**

The Incentive Options will each have an exercise price of \$0.25 and will expire on 1 September 2014. The terms and conditions of the Options are set out in Schedule 7 of this Notice of Meeting. The Incentive Options will lapse if for any reason Mr Erwin's employment with the Company is terminated, with effect from the date of such termination. Also, the conversion of each Incentive Option is subject to the vesting conditions referred to in section 5.2 above, and as set out in the terms and conditions of the Incentive Options in Schedule 7.

### **(e) The Names of the Allottee(s)**

The Incentive Options will be issued to Mr Rohan Erwin or his nominee(s).

### **(f) The Intended Use of the Funds Raised**

The Incentive Options are being issued for nil consideration and form part of an option incentive proposal.

## **6.3 Recommendation**

The Directors recommend that Shareholders vote in favour of Resolution 6.

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## **7. RESOLUTION 7 – Approval of Proposed Issue of Shares**

### **7.1 General**

Resolution 7 is seeking Shareholder approval under Listing Rule 7.1 for the allotment and issue of Shares, when multiplied by the issue price, to raise a total of up to A\$7 million to institutional and sophisticated investors within 3 months from the date of the General Meeting (or a longer period if extended by way of ASX granting a waiver to the Listing Rules). The Shares to be issued pursuant to Resolution 7 will be fully paid ordinary shares in the Company and will rank equally in all respects with the Company's existing fully paid ordinary shares on issue.

None of the allottees pursuant to this proposed issue will be related parties of the Company.

As noted above, Listing Rule 7.1 requires shareholder approval to the proposed issue of securities in the Company. Listing Rule 7.1 broadly provides, subject to certain exceptions, that shareholder approval is required for any issue of securities by a listed company, where the securities proposed to be issued represent more than 15% of the Company's securities then on issue. If Resolution 7 is passed, it will provide the Company with the flexibility to issue further equity securities in the future up to the 15% threshold without the requirement to obtain Shareholder approval.

### **7.2 Information required by ASX Listing Rule 7.1**

For the purposes of Listing Rule 7.3, the following information is provided to Shareholders in relation to the proposed issue of Shares pursuant to Resolution 7:

#### **(a) Maximum Number of Securities**

The maximum number of securities to be issued is up to that number of shares which, when multiplied by the issue price, equals up to \$7,000,000. The issue price is dependent upon the average market price of Shares on the ASX over the last 5 days on which sales of Shares are recorded on ASX before the allotment date.

#### **(b) Date of Allotment and Issue of the Securities**

The Shares to be issued under Resolution 7 will be issued as soon as practicable after the General Meeting and in any event no later than three months after the date of the General Meeting, unless otherwise extended by way of ASX granting a waiver to the Listing Rules.

Allotment of the Shares under Resolution 7 will either occur on one day or may occur progressively as and when the allottees are identified.

#### **(c) The Issue Price of the Securities**

The Shares will be issued at a minimum issue price of no less than 80% of the average market price of Shares calculated over the last five (5) days on which sales of the Shares are recorded before the allotment date or, if there is a prospectus, over the last 5 days on which sales in the securities were recorded before the date the prospectus is signed.

(d) **The Names of the Allottees**

The identity of all the allottees is not known at the date of this Notice of Meeting. The Shares will be issued and allotted to applicants to be determined by the Directors. No decision has, as yet, been made by the Directors in respect of determining the identity of the allottees, save that the allottees will be institutional or sophisticated investors and will not be related parties of the Company.

(e) **The Terms of the Securities**

The Shares will be fully paid ordinary shares in the capital of the Company and will rank equally in all respects with the Company's existing fully paid ordinary shares on issue. The Company will seek quotation of the Shares on ASX.

(f) **The Intended Use of the Funds Raised**

Funds raised from the issue of Shares pursuant to Resolution 7 will be used to meet the Company's working capital requirements.

**7.3 Recommendation**

The Directors recommend that Shareholders vote in favour of Resolution 7.

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**8. Enquiries**

Shareholders are encouraged to contact the Company Secretary on (+61 8) 9381 5819 if they have any queries in respect to the matters set out in these documents.

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## GLOSSARY

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In this Explanatory Statement, the following terms have the following meaning unless the context otherwise requires:

**Annexure** means an annexure to this Explanatory Statement.

**ASIC** means the Australian Securities and Investments Commission.

**ASX** means ASX Limited (ACN 008 624 691) trading as the Australian Securities Exchange.

**Board** means the Board of Directors.

**Chairman** means Mr. Steven Pynt.

**Class B Performance Share** means a performance share in the capital of the Company, having the terms and conditions set out in Schedule 3.

**Class C Performance Share** means a performance share in the capital of the Company, having the terms and conditions set out in Schedule 4.

**Class D Performance Share** means a performance share in the capital of the Company, having the terms and conditions set out in Schedule 5.

**Company** means Victory West Moly Limited (ACN 009 144 503).

**Concession** means Exploration IUP number 540/021/ESDM/TAHUN 2009 dated 30 July 2009 which has been renewed with Decree number 540/09/DESDM/TAHN 2010 dated 30 August 2010, issued to PT PUL in respect of an area of 1,608 hectares located in Malili and Angkona Districts, Luwu Timur Regency, Nusa South Sulawesi Province, Indonesia.

**Consideration Shares** means 20,000,000 Shares and 30,000,000 Performance Shares in the Company to be issued to the Vendor as consideration for the Oceantide Acquisition.

**Constitution** means the current constitution of the Company.

**Convertible Loan** means a loan which has been provided to the Company on terms which provide the lender with the right to convert the loan into Shares and one free attaching Listed Option at the lender's discretion.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Director** means a director of the Company.

**Explanatory Statement** means the Explanatory Statement accompanying the Notice of Meeting.

**General Meeting** means the General Meeting of Shareholders convened for the purposes of considering the Resolutions.

**Heads of Agreement** means the heads of agreement between the Company and the Vendor executed as of 29 December 2010, but which commenced on 11 November 2010 in respect of the Oceantide Acquisition, as varied.

**Independent Geologist's Report** means the report of PT GMT Indonesia as attached as Schedule 2 to this Explanatory Statement.

**Incentive Option** means an option to acquire a Share on the terms and conditions set out at Schedule 6.

**Listed Option** means an option to acquire a Share which is quoted on the ASX, the terms and conditions of which are set out in Schedule 8.

**Indonesian Agreement** means the Memorandum of Agreement regarding the Luwu Nickel Mining Concession and Project between Oceantide, PT PUL and the Indonesian Parties.

**Indonesian Parties** means the individual shareholders of PT PUL, being Mr Samijadi Ruslie, Mr Rehanny Lusiana, Mr Handoyo Yanto and Mr Sumarno.

**Listing Rules** means the Listing Rules of the ASX.

**MT** means million tonnes

**Notice of Meeting** means the notice of General Meeting accompanying the Explanatory Statement.

**Oceantide** means Oceantide Investments Pty Ltd (ACN 082 204 788)

**Oceantide Acquisition** means the acquisition by the Company of all the issued capital in Oceantide which is the subject of Resolution 1.

**Performance Shares** means the Class B Performance Shares, Class C Performance Shares and Class D Performance Shares.

**PMA Mining Company** means a foreign investment (PMA) mining company pursuant to Indonesian laws.

**Proxy Form** means the proxy form attached to the Notice of Meeting.

**PT PUL** means PT Prima Utama Lestari, a company incorporated under the laws of Indonesia.

**PT PUL Shareholders** means Oceantide and the Indonesian Parties.

**Resolution** means a resolution to be considered at the General Meeting as contained in the Notice of Meeting.

**Schedule** means a schedule to this Explanatory Statement

**Section** means a section in this Explanatory Statement.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a shareholder of the Company

**Solicitor's Report** means the report of Christian Teo Purwono & Partners dated 22 February 2011 in relation to Oceantide's interest in the USSU Nickel project as attached as Schedule 1 to this Explanatory Statement.

**USSU Nickel Project** means the nickel project located in Sulawesi, Indonesia.

**Vendor** means Geoffrey David Hann in his personal capacity, and as trustee for the beneficial shareholders of all of the issued share capital of Oceantide.

**VWM** means the Company.

**WST** means Western Standard Time in Australia.

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**SCHEDULE 1**

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# CHRISTIAN TEO PURWONO & Partners

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Sudirman Central Business District  
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Our Ref.: 2672CT11

22 February 2011

The Board of Directors  
**VICTORY WEST MOLY LTD**  
311-313 Hay Street  
Subiaco WA 6008  
Australia

Dear Directors:

## *Re: Solicitor's Report on Nickel Mining Project in Indonesia*

1. **Introduction:** This report was requested by Victory West Moly Ltd (the “**Company**”), a publicly listed company incorporated under the laws of the Commonwealth of Australia (“**Australia**”) and prepared by Christian Teo Purwono & Partners for inclusion in a Notice of Meeting to be lodged by the Company with the Australian Securities & Investments Commission in or about February 2011 in connection with the Company’s proposed acquisition of all the issued shares of Oceantide Investments Pty Ltd (“**Oceantide**”), a proprietary company incorporated under the laws of Australia (“**Acquisition**”).
2. Oceantide has entered into one material contract, being a Memorandum of Agreement with PT Prima Utama Lestari (“**PUL**”) in respect of a nickel mining concession project located in Luwu Timur (“**Luwu Timur Concession Project**”) (“**PUL MoA**”) on 11 February 2011.
3. Under the PUL MoA, Oceantide has the right to acquire a 70% equity interest in PUL in return for vendor payments totaling US\$3,750,000 and an exclusive financing commitment in respect of the early stages of the Luwu Timur Concession Project.
4. PUL is the holder of an Exploration Mining Business License, in respect of a mining concession area located in Malili and Angkona Districts, Luwu Timur Regency, South Sulawesi Province and comprising of 1,608 hectares, which gives PUL the rights to undertake general survey, exploration and feasibility study activities (“**Mining Rights**”).
5. Oceantide has completed its legal due diligence enquiries in respect of PUL. The results of these in legal due diligence enquiries indicate that PUL has been properly established as a limited liability company and with the necessary authority to hold an Exploration Mining Business License and to otherwise to carry on mining activities consistent with the Luwu Timur Concession Project.
6. A summary of the Mining Rights, in table format, is annexed to this Report as Annexure A while a more complete summary of the material terms of the PUL MoA is annexed to this Report as Annexure B.



7. **General Matters:** We generally act in relation to Indonesian legal matters only involving the Company and its affiliates. Our engagement in relation to PUL has been in respect of: (i) drafting the PUL MoA; (ii) reviewing the documents of incorporation and the mining licenses of PUL; (iii) forming a view on the validity and enforceability of the PUL MoA and of Oceantide's interests in the Luwu Timur Concession Project; and (iv) preparing this Report in connection with the Acquisition.
8. We confirm that we have no financial interest in any form whatsoever in relation to the Acquisition or the Offer other than the legal fees due to us in connection with the preparation of this Report.
9. This Report sets out a material description of Oceantide's interests in the Luwu Timur Concession Project and the PUL MoA. For the purpose of this Report, we have examined the PUL MoA and other documents (in the form of originals or copies of documents) related to PUL and the Luwu Timur Concession Project as well as analyzed verbal information provided to us by PUL ("**Documents**").
10. **Assumptions:** For the purposes of this Report, we have assumed without further inquiry:
  - (a) the capacity, power and authority of each of the individuals representing the parties to execute, deliver and perform their respective obligations under the Documents;
  - (b) that all parties to the Documents are duly incorporated and validly existing under the laws of their respective jurisdictions;
  - (c) that there are no provisions of the laws of any jurisdiction outside Indonesia which would be contravened by the execution, delivery or performance of the Documents and that, insofar as any obligations or actions to be taken there under are to be performed or taken in any jurisdiction outside Indonesia, the performance of such obligations or the taking of such actions will not be illegal by virtue of the laws of nor be contrary to the public policy of that jurisdiction;
  - (d) that all necessary consents, authorizations and approvals whatsoever required in any relevant jurisdiction (other than Indonesia) for the execution and performance of the Documents by each of the parties thereto have been, or will be, obtained and that all necessary notices, filings, registrations and recordings required in any applicable jurisdiction (other than Indonesia) in respect of the Documents have been, or will be, given or effected in accordance with the laws and regulations of every such applicable jurisdiction;
  - (e) that the parties to the Documents do not have notice of any matter which would affect the bona fides of the execution and delivery and performance of their respective obligations under the Documents;
  - (f) that, at the time of the execution of the Documents, there shall have been no changes and/or amendments made to the Articles of Association or other constitutional documents of PUL which could adversely affect the results of our examination and review of the current Articles of Association and other constitutional documents of PUL that we have examined and reviewed for the purpose of this Report; and



- (g) that all signatures, seals and chops are genuine, that all documents submitted to us as originals are authentic and complete and that all documents submitted to us as copies conform to the originals; and we have found nothing to indicate such assumptions are not justified.

11. **Qualifications:** This Report is confined to and given on the basis of the laws of Indonesia publicly available as of the date hereof. We have not investigated and we do not express or imply any opinion on the laws of other jurisdiction and we have assumed that no such other laws would affect the Report stated herein.

## A. **INDONESIAN MINING LAW**

This Section A contains a summary of Indonesian's regulatory regime for mining business activities.

### 1. **PREVAILING LAWS AND REGULATIONS**

The prevailing laws and regulations governing minerals (including nickel) and coal mining and its related activities are as follows:

- (a) Law No. 4 of 2009 dated 12 January 2009 re Minerals and Coal Mining ("**New Mining Law**");
- (b) Government Regulation No. 22 of 2010 dated 1 February 2010 re Mining Area;
- (c) Government Regulation No. 23 of 2010 dated 1 February 2010 re Minerals and Coal Mining Business ("**GR 23/2010**");
- (d) Government Regulation No. 55 of 2010 dated 5 July 2010 re Direction and Supervision of the Management and Implementation of Mining Business;
- (e) Government Regulation No. 78 of 2010 dated 20 December 2010 re Reclamation and Post-Mining Activities ("**GR 78/2010**");
- (f) Minister of Energy and Mineral Resources Regulation No. 28 of 2009 dated 30 September 2009 re Minerals and Coal Mining Services Business;
- (g) Minister of Energy and Mineral Resources Regulation No. 18 of 2009 dated 19 August 2009 re Procedures for Amendment of Investment in relation to Contract of Works and Coal Mining Business Work Agreements;
- (h) Minister of Energy and Mineral Resources Regulation No. 34 of 2009 dated 31 December 2009 re Prioritization of Coal and Mineral Supply for Domestic Interest; and
- (i) Minister of Energy and Mineral Resources Regulation No. 17 dated 23 September 2010 re Procedures for Minerals & Coal Benchmark Price Determination.



2. OLD MINING REGIME

Under Law No. 11 of 1967 re the Main Provisions of Mining (*Ketentuan Pokok di Bidang Pertambangan* or “**Old Mining Law**”), foreign parties could participate in large scale mining projects through Contract of Works (*Kontrak Karya* or “**KK**”) and Contract of Works for Coal (“**PKP2B**”), whilst relatively small and medium scale mining projects could only be conducted by Indonesian national parties by virtue of Mining Licenses (*Kuasa Pertambangan* or “**KP**”).

In other words, neither (i) a foreign entity nor (ii) an Indonesian foreign investment company, in which a foreign party is able to legally hold shares (“**PMA Company**”), could hold a KP under the Old Mining Law.

On 12 January 2009, the New Mining Law was enacted and effectively became the prevailing mining law in Indonesia replacing the Old Mining Law. Unlike the Old Mining Law, the New Mining Law allows a Mining Business License (*Ijin Usaha Pertambangan* or “**IUP**”) to be held by any type of Indonesian business entity, including a PMA Company, without any initial restriction or limitation on share ownership.

The Indonesian Government has issued Presidential Regulation No. 36 of 2010 dated 25 May 2010 on the List of Business Fields Closed and Open for Investment with Requirements for Investment (“**Negative List 2010**”). Negative List 2010 confirms that general mining is open for 100% foreign investment. This has also been verbally confirmed by the Capital Investment Coordinating Board (*Badan Koordinasi Penanaman Modal* or “**BKPM**”). In other words, PMA Companies, wholly owned by foreigners, are now allowed to engage in general mining business activities in Indonesia (“**PMA Mining Companies**”).

3. MINING ACTIVITIES

Pursuant to the New Mining Law, mining activities are divided into the following categories:

- (a) Minerals Mining which includes the mining of (i) radioactive minerals (including nickel), (ii) metal minerals, (iii) non-metal minerals and (iv) rocks; and
- (b) Coal Mining.

4. MINING AREA (WILAYAH PERTAMBANGAN OR “WP”)

WP is an area determined by the Government to have mineral and/or coal potential. WP is divided into three categories being (a) Mining Business Area (*Wilayah Usaha Pertambangan* or “**WUP**”), (b) Community Mining Area (*Wilayah Pertambangan Rakyat* or “**WPR**”) and (c) State Reservation Area (*Wilayah Pencadangan Negara* or “**WPN**”).

WP will be determined by coordination between the relevant Government authorities, being the relevant Regent/Mayor, Governor or the Minister of Energy & Mineral Resources (“**MoEMR**”) in accordance with their respective authority (“**Relevant Government**”).



**Authority**”), and following consultation on the same with the Indonesian parliament (*Dewan Perwakilan Rakyat* or “**DPR**”).

WUP is that part of a WP in respect of which there is available sufficient geological data or information regarding local mineral potential to enable mining business activities to proceed. WP includes a Mining Business License Area (*Wilayah Ijin Usaha Pertambangan* or “**WIUP**”).

In the case of radioactive minerals, the Government will determine the WUP and the mining activities which may be carried out in respect of the same.

WIUP will be granted in the following manner:

- (a) WIUP for non-metal minerals and rocks will be granted on the basis of an application; and
- (b) WIUP for metal minerals (including nickel) and coal will be granted on the basis of a tender.

WPR is that part of a WP where community mining business activities take place.

WPN is that part of a WP reserved for the purpose of national strategic interests. The DPR will determine that part of the WPN which can be utilized for certain minerals such as copper, tin, gold, iron, nickel, bauxite and coal. The status of this part of the WPN will then be converted to become a Special Mining Business Area (*Wilayah Usaha Pertambangan Khusus* or “**WUPK**”). Any mining activities carried out in a WUPK must be on the basis of a Special Mining Business License (*Ijin Usaha Pertambangan Khusus* or “**IUPK**”) (further details on IUPKs are provided in Part 5(d) below). A WUPK may consist of one or more Special Mining Business License Areas (*Wilayah Ijin Usaha Pertambangan Khusus* or “**WIUPK**”).

## 5. MINING LICENSES

### (a) **Mining Business Entity**

IUP is a mining license granted by the Relevant Government Authority to (i) a business entity (A) engaged in mining activities, (B) domiciled in Indonesia and (C) incorporated under Indonesian law (“**Business Entity**”), (ii) a cooperative or (iii) an individual, for the purpose of carrying on mining business activities.

A Business Entity, cooperative or individual, intending to carry on mining business activities, must fulfill all applicable administrative, technical, environmental and financial requirements.

(b) **Mining Business License (*Ijin Usaha Pertambangan* or “IUP”)**

There are two types of IUP:

- (i) **Exploration IUP:** An Exploration IUP enables the holder to carry out preliminary mining activities, being general survey, exploration and feasibility study activities; and
- (ii) **Production Operation IUP:** A Production Operation IUP enables the holder to carry out various main mining activities such as development, mining, processing, refining, transportation and sales activities.

The Exploration IUP will be granted by:

- (i) the relevant Regent/Mayor of the relevant Regency/City, if the area to be covered by the IUP falls within 1 Regency or City;
- (ii) the relevant Governor, if the area to be covered by the IUP falls partly within the boundaries of 1 Regency and partly within the boundaries of another Regency as long as both Regencies are in the same Province. The Governor will grant the IUP on the basis of a recommendation from the relevant Regents/Mayors; and
- (iii) MoEMR, if the area to be covered by the IUP falls partly within the boundaries of 1 Province and partly within the boundaries of another Province. MoEMR will grant the IUP on the basis of a recommendation from the relevant Governors.

The Production Operation IUP will be granted by:

- (i) the relevant Regent/Mayor of the relevant Regency/City, if the area of the mining, processing and refining activities, and the relevant port, falls within one Regency or City;
- (ii) the relevant Governor if the area of the mining, processing and refining activities, and the relevant port, falls partly within the boundaries of 1 Regency and partly within the boundaries of another Regency as long as both Regencies are in the same Province. The Governor will grant the IUP on the basis of a recommendation from the relevant Regents/Mayors; and
- (iii) MoEMR, if the area of the mining, processing and refining activities, and the relevant port, falls partly within the boundaries of 1 Province and partly within the boundaries of another Province. MoEMR will grant the IUP on the basis of a recommendation from the relevant Governors.

The following is a summary of the key features of each type of Exploration IUP

<b>NO.</b>	<b>EXPLORATION IUP TYPE</b>	<b>MINIMUM AREA PER EXPLORATION IUP</b>	<b>MAXIMUM AREA PER EXPLORATION IUP</b>	<b>TERM</b>
1	Exploration IUP for metal minerals	5,000 hectares	100,000 hectares	maximum period of 8 years which consists of: (i) 1 year for general survey activities, (ii) 3 years for exploration activities, extendable twice, each for a maximum period of 1 year and (iii) 1 year for feasibility study activities, extendable once, for a maximum period of 1 year
2	Exploration IUP for non-metal minerals	500 hectares	25,000 hectares	maximum period of 3 years which consists of (i) 1 year for general survey activities, (ii) 1 year for exploration activities and (iii) 1 year for feasibility study activities
3	Exploration IUP for certain types of non-metal minerals	500 hectares	25,000 hectares	maximum period of 7 years which consists of (i) 1 year for general survey activities, (ii) 3 years for exploration activities, extendable once for a maximum period of 1 year and (iii) 1 year for feasibility study activities, extendable once for a maximum period of 1 year
4	Exploration IUP for rock minerals	5 hectares	5,000 hectares	maximum period of 3 years which consists of (i) 1 year for general survey activities, (ii) 1 year for exploration activities and (iii) 1 year for feasibility study activities
5	Exploration IUP for coal	5,000 hectares	50,000 hectares	maximum period of 7 years which consists of (i) 1 year for general survey activities, (ii) 2 years for exploration activities, extendable twice, each for a maximum period of 1 year and (iii) 2 years for feasibility study activities





The following is a summary of the key features of each type of Production Operation IUP:

No.	PRODUCTION OPERATION IUP TYPE	MAXIMUM AREA PER PRODUCTION OPERATION IUP	TERM
1	Production Operation IUP for metal minerals (including nickel)	25,000 hectares	maximum period of 20 years including 2 years for construction activities, extendable twice, each for a maximum period of 10 years
2	Production Operation IUP for non-metal minerals	5,000 hectares	maximum period of 10 years, extendable twice, each for a maximum period of 5 years
3	Production Operation IUP for certain types of non-metal minerals	5,000 hectares	maximum period of 20 years, including 2 years for construction activities, extendable twice, each for a maximum period of 10 years
4	Production Operation IUP for rock minerals	1,000 hectares	maximum period of 5 years, extendable twice, each for a maximum period of 5 years
5	Production Operation IUP for coal	15,000 hectares	maximum period of 20 years, including 2 years for construction activities, extendable twice, each for a maximum period of 10 years

**(c) Expiration and Revocation of IUP**

An IUP will expire if (i) the IUP is returned by the holder to the Relevant Government Authority, (ii) the IUP is revoked by the Relevant Government Authority or (iii) in the case of a Production Operation IUP, the IUP has expired or is not renewed.

An IUP may be revoked by the Relevant Government Authority if any of the following events occur:

- (i) the IUP holder does not fulfill its obligations as provided for in the IUP and/or is not otherwise in compliance with the prevailing laws and regulations;
- (ii) the IUP holder is guilty of certain criminal acts which are specified in the New Mining Law; or
- (iii) the IUP holder is declared bankrupt.

**6. PROCEDURES FOR OBTAINING WIUP AND IUP**

In order to obtain an IUP, a party must, first, obtain a WIUP. A WIUP for metal mineral and coal mining business activities is obtained by way of tender, with the tender winner being directly issued with an Exploration IUP. A WIUP for non-metal mineral and rock mining business activities is obtained by way of application.



A Business Entity, Cooperative or individual having the intention to carry out minerals and coal mining may only hold 1 WIUP while a publicly listed company may hold more than 1 WIUP.

Tender procedures and requirements for WIUP in respect of metal mineral or coal mining business activities are as follows:

- (a) The Relevant Government Authority will (i) announce a WIUP tender to Business Entities, Cooperatives and individuals not later than 3 months prior to the tender date and (ii) form a tender committee which will act as implementer of and handle the carrying out of the tender procedures (“**Tender Committee**”).
- (b) For the purpose of the WIUP tender:
  - (i) MoEMR must, first, obtain a recommendation from the Governor and Regent/Mayor; and
  - (ii) the Governor must, first, obtain a recommendation from the Regent/Mayor.
- (c) The tender procedure consists of the following stages:
  - (i) prequalification announcement;
  - (ii) procurement of prequalification documents;
  - (iii) submission of prequalification documents;
  - (iv) evaluation of prequalification documents;
  - (v) clarification and confirmation of prequalification documents;
  - (vi) determination of prequalification result;
  - (vii) announcement of prequalification result;
  - (viii) invitation to participants that have passed the prequalification stage;
  - (ix) procurement of tender documents;
  - (x) tender explanation;
  - (xi) submission of price offering;
  - (xii) cover opening;
  - (xiii) determination of tender rankings;
  - (xiv) stipulation/announcement of tender winner conducted based on price offering and technical considerations; and
  - (xv) opportunity for challenge to the tender winner stipulation.

The Production Operation IUP will be granted to an Exploration IUP holder, without any tender, on the basis of an application and after fulfilling certain administrative, technical and financial requirements.

The activities covered by the Production Operation IUP include (i) construction, (ii) mining, (iii) processing and refining and (iv) transportation and sales.

In the event the holder of a Production Operation IUP does not wish to carry out its own (i) transportation and sales activities and/or (ii) processing and refining activities, such activities may be carried out by another party that holds:



- (a) a Special Production Operation IUP for transportation and sales only; and/or
- (b) a Special Production Operation IUP for processing and refining only; and/or
- (c) a Production Operation IUP.

The Special Production Operation IUP for transportation and sales will be granted by:

- (a) the Regent of the relevant Regency, if the transportation and sales activities are to be carried on within 1 Regency;
- (b) the Governor of the relevant Province, if the transportation and sales activities are to be carried on across Regencies or cities; or
- (c) MoEMR, if the transportation and sales activities are to be carried on across Provinces or countries.

7. **RIGHTS AND OBLIGATIONS OF IUP HOLDERS**

The rights of a IUP holder are as follows:

- (a) An IUP holder may carry on the designated mining business activities in whole or in part, whether exploration activities or production operation activities.
- (b) An IUP holder may use public facilities (e.g., roads, bridges, railroads) for the purpose of carrying on its mining activities subject to compliance with the provisions of the relevant regulations.
- (c) An IUP holder has the right to own the mining products derived from its IUP area, including mining products other than the mining products specified in the IUP, and in accordance with the prevailing laws and regulations. Radioactive mining products are excluded.
- (d) In the event that an IUP holder determines there are minerals present in its IUP area, other than the minerals specified in its IUP, the IUP holder has a first priority right to exploit these other minerals by obtaining from the Relevant Government Authority a separate IUP.
- (e) An IUP holder may not transfer its IUP to another party.
- (f) In the case where an IUP holder is a public listed company, the transfer of ownership of shares in such IUP holder may only take place once the IUP holder has found at least two prospective mining sites in its IUP area during the course of its exploration activities. Any such transfer of shares must also be notified to the Relevant Government Authority and otherwise be in accordance with the prevailing laws and regulations.





The obligations of an IUP holder are as follows:

- (a) An IUP holder is obliged to:
  - (i) apply good technical mining principles;
  - (ii) manage its finances in accordance with the Indonesian accounting system;
  - (iii) add value to its mineral resources;
  - (iv) assist with local community development; and
  - (v) protect the environment.
  
- (b) In applying good technical mining principles, the IUP holder is obliged to ensure:
  - (i) the health and safety of workers;
  - (ii) general mining operational safety;
  - (iii) the proper management and surveillance of the mining environment, including the activities of reclamation and post mining;
  - (iv) mineral and coal resources conservation; and
  - (v) the proper management of mining residue from the mining business activities, whether in the form of solids, liquids or gases, and to comply with prevailing environmental standards before releasing mining residue into the environment.
  
- (c) An IUP holder must guarantee the implementation of all applicable environmental quality standards.
  
- (d) An IUP holder is obliged to preserve the availability and quality of local water resources in accordance with the prevailing laws and regulations.
  
- (e) An IUP holder is obliged to prepare and submit a Reclamation and Post Mining Activities Plan when applying for the Production Operation IUP.
  
- (f) The activities of Reclamation and Post Mining must be conducted in accordance with the land utilization agreement between the IUP holder and the relevant land owner.
  
- (g) An IUP holder must provide a Reclamation and Post Mining Activities Guarantee Fund. The Relevant Government Authority may appoint a third party to carry out the Reclamation and Post Mining Activities using the Guarantee Fund. This, however, will only apply if the IUP holder does not carry out the necessary Reclamation and Post Mining Activities.
  
- (h) An IUP holder is obliged to carry out the processing and refining of mining products in Indonesia. The IUP holder may also process and refine mining products that are produced by other IUP holders.
  
- (i) In carrying out the activities of processing and refining, the Production Operation IUP holder is allowed to cooperate with a Business Entity holding an IUP for processing and refining or other Production Operation IUP holder.



- (j)
  - (i) A Business Entity, which wishes to sell mineral products but is not otherwise engaged in mining activities, is obliged to obtain a Special Production Operation IUP for sales.
  - (ii) The specified IUP will be granted by the Relevant Government Authority for a single sale only.
  - (iii) The mineral product which is sold will be subject to a specified production fee.
  - (iv) The Business Entity holding the specified IUP must submit a report on the mineral product sales proceeds to the Relevant Government Authority.
- (k) The IUP holder must give priority to the utilization of local employees and domestic goods and services in accordance with the prevailing laws and regulations.
- (l) In order to conduct operational production activities, the Business Entity holding an IUP must also allow participation by local entrepreneurs in accordance with the prevailing laws and regulations.
- (m) An IUP holder is obliged to prepare a development and empowerment program for the local community. This program must be discussed with the Relevant Government Authority and the local community.
- (n) An IUP holder must submit to the Relevant Government Authority all information derived from the activities of exploration and production operation.
- (o) An IUP holder is obliged to submit a periodic written report regarding its work plan and the implementation of its mining activities to the relevant Government authority.
- (p) After 5 years of production, an IUP holder must divest part of its foreign shareholding (if any) to the Government, Regional Government, BUMN, BUMD or BUMS, such that local parties hold not less than 20% of the issued capital of the IUP holder.
- (q)
  - (i) The IUP holder is obliged to contribute to State Revenue and Regional Revenue by way of a tax on its net profits.
  - (ii) The Production Operation IUP holder, in the case of the mining of metal minerals and coal, is obliged to pay 4% of its net profits to the Central Government and 6% of its net profits to the Regional Government.
  - (iii) The IUP holder is only liable to pay a production fee in the case of mineral products derived from its mining activities if it intends to further utilize or sell the same.
  - (iv) The amount of non-tax State Revenue to be derived from the IUP holder will be subsequently stipulated in accordance with the prevailing laws and regulations.



8. **DOMESTIC MARKET OBLIGATION**

The New Mining Law differentiates three different mining business actors, as follows:

- (a) **Mineral and Coal Mining Entity (“Mining Entity”)**: A Mining Entity is a business entity carrying out mining activities in respect of minerals and coal by virtue of KK, PKP2B, Production Operation IUP or Production Operation IUPK.

For the purpose of prioritizing the supply of minerals and coal to satisfy domestic needs, a Mining Entity is obliged to fulfill the annual minimum selling percentage by selling its mineral or coal production to domestic Mineral Users or Coal Users (“**Domestic User**”) before it can export the minerals and/or coal production (“**Minimum Selling Percentage**”).

It is acknowledged that the Minimum Selling Percentage obligation shall only be borne by Mining Entities and not by Domestic Users or Traders.

- (b) **Domestic User**: Regulation 34/2009 divides Domestic Users into two categories, being (i) Domestic Mineral User and (ii) Domestic Coal User. A Domestic Coal User is an entity or individual that utilizes coal as raw material and/or fuel.

Regulation 34/2009 highlights that a Domestic Coal User, utilizing coal as a raw material, may be engaged in the following business activities: (i) production of coal briquettes; (ii) metal processing, (iii) coal liquefaction, (iv) coal gasification and/or (v) coal upgrading.

A Domestic User is restricted from directly exporting the mineral ore and/or newly mined coal that it purchased from the Mining Entity. The main purpose of this export restriction is to ensure that Domestic Users actually carry out the processing and refining of mineral ore and/or newly mined coal in Indonesia.

- (c) **Minerals and Coal Trading Business Entity (“Trader”)**: A Trader is a business entity carrying out the sale and purchase of minerals and/or coal in Indonesia. A Trader may only export processed and/or purified minerals and coal.

Sales to domestic Traders are not considered to be part of Domestic Market Obligation sales except where all the following conditions are met:

- (a) sales to domestic Traders are conducted between June and November of the relevant year;
- (b) the domestic Traders hold valid mineral/coal trading licenses (i.e., Operation Production IUP for transportation and sales); and
- (c) the relevant sale and purchase agreements between the mining companies and the domestic Traders are attached to the annual Budget Plan Report of the Mining Entity for the relevant sale year.



The New Mining Law also recognizes Domestic Market Obligation Credits Trade (“**Credits Trade**”), which is intended to enable an otherwise likely non-compliant Mining Entity to fulfill its Domestic Market Obligation.

The Credits Trade principle refers to the following:

- (a) If there is a Mining Entity which has exceeded its Domestic Market Obligation commitment/domestic sales in a relevant year; and
- (b) there is another Mining Entity which is likely to be unable to fulfill its Domestic Market Obligation commitment for the relevant year; then
- (c) the first Mining Entity may sell and transfer its excess Domestic Market Obligation commitment (i.e., the “**credit**”) to the second Mining Entity.

The purchase price of the Domestic Market Obligation credit is subject to commercial agreement between the relevant Mining Entities provided that the maximum price of the Domestic Market Obligation credit is equal to the referenced/minimum sale price of the relevant product applicable in the current month (i.e., the month in which the transaction involving the Domestic Market Obligation credit occurs).

9. **DIVESTITURE OF SHARES REQUIREMENT UNDER THE NEW MINING LAW**

After 5 years of production, a PMA Mining Company must divest some of its shares (“**Divestiture Shares**”) to Indonesian parties, so that the Indonesian parties (being the Government, Regional Governments, BUMN, BUMD or BUMS National) hold not less than 20% of the PMA Company’s issued shares (“**Divestment Requirement**”).

The Divestiture Shares must be offered, in the first instance, to the Government. In this regard, the Government may appoint a BUMN to acquire the Divestiture Shares. If the Government is not interested in acquiring the Divestiture Shares, the Divestiture Shares must then be offered to the Regional Government. If there is no Regional Government that is interested in acquiring the Divestiture Shares, the Divestiture Shares must then be offered to BUMN and BUMD by way of tender. If there is no BUMN or BUMD that is interested in acquiring the Divestiture Shares, the Divestiture Shares must then be offered to BUMS National by way of tender.

By implication, the Divestment Requirement is only applicable to the holder of a Production Operation IUP.

If, prior to the end of the 5<sup>th</sup> year of production, a PMA Mining Company already has a shareholding composition which includes Indonesian parties holding not less than 20% of the issued shares, the Divestment Requirement is no longer applicable.

Generally, a Special Production Operation IUP (i.e., transportation and sales, and processing and purification) holder does not independently produce its own minerals or coal. Therefore, the Divestment Requirement will only bind the holder of a Production Operation IUP which develops its own mining concession.

The temporary cessation of mining activities does not reduce the validity period of the IUP.

10. PROCEDURES FOR MINERALS AND COAL BENCHMARK PRICE DETERMINATION

The Benchmark Price for mining products must be determined pursuant to a market mechanism and/or in accordance with prevailing prices in international markets. In selling mining products, Production Operation IUP/IUPKs holders are obliged to comply with the Benchmark Price, which is applicable to sales made to either domestic parties or foreign parties (pursuant to export trading activities) and any sales made to affiliates of the Production Operation IUP/IUPKs holders.

The Relevant Government Authority will determine the Benchmark Price for mining products on a monthly basis.

The Minerals Benchmark Price shall include:

- (a) the metal minerals benchmark price;
- (b) the non-metal minerals benchmark price; and
- (c) the rock minerals benchmark price.

Metal minerals pursuant to GR 23/2010, as listed in Annexure C, includes nickel.

As nickel is classified as metal mineral, Production Operation IUP/IUPK's for nickel must use the metal minerals benchmark price as the price reference point in carrying out nickel selling activities.

Directorate General of Minerals, Coal and Geothermal ("DGoMCG"), on behalf of MoEMR, shall, on a monthly basis, determine the metal minerals benchmark price based on calculations with reference to (i) the metal minerals price in accordance with the market mechanism and/or (ii) the prevailing metal minerals price in the international market ("**Metal Minerals Benchmark Price**").

The Metal Minerals Benchmark Price shall be the price of metal minerals at the sale point and FOB vessel, for each and every metal mineral mining product.

Holders of Production Operation IUP/IUPKs for metal minerals may sell metal minerals in the form of (i) ores, (ii) concentrates, (iii) intermediary products and (iv) metal in accordance with the prevailing laws and regulations.

Metal minerals sales may be conducted on the basis of:

- (a) metal sales FOB vessel;
- (b) metal sales FOB barge;
- (c) sales of ores, concentrates or intermediary products FOB vessel or FOB barge;
- (d) sales to domestic end consumers (in the same island); or
- (e) sales on a Cost Insurance Freight (CIF) or Cost and Freight (C&F) basis.





The calculation of the metal minerals selling price, as mentioned above, must comply with the Metal Minerals Benchmark Price subject to cost adjustment (either by way of addition or reduction) as approved by DGoMCG on behalf of MoEMR, which shall include the following components:

- (a) transportation cost (barge cost);
- (b) surveyor cost;
- (c) transshipment cost;
- (d) processing and refining cost and/or metal payable; and/or
- (e) insurance cost.

Production Operation IUP/IUPK holders must reset metal mineral and coal prices, in the case of term sales, once a year.

Production Operation IUP/IUPK holders must submit reports regarding sales of mining products, on a monthly basis, to the Relevant Government Authority.

Sellers of metal minerals and coal must use:

- (a) Indonesian flagged transportation services providers;
- (b) national or domestic insurance companies in the case of CIF sales; and
- (c) verification surveyors approved by DGoMCG.

Violations of the Benchmark Price Regulation may result in the imposition of administrative sanctions as follows:

- (a) written warnings;
- (b) suspension of sales of mining products; or
- (c) revocation of Production Operation IUP/IUPKs.

Following the introduction of the Benchmark Price Regulation:

- (a) holders of CoWs and CCoWs must comply with all provisions of the Benchmark Price Regulation in connection with all sales of mining products;
- (b) after not later than 6 months, spot sales contracts, which were entered into by the holders of Production Operation IUP/IUPK/CoW/CCoWs prior to the introduction of the Benchmark Price Regulation, must be adjusted so as to comply with the Benchmark Price Regulation; and
- (c) after not later than 12 months, term sales contracts, which were entered into by the holders of Production Operation IUP/IUPK/CoW/CCoWs prior to the introduction of the Benchmark Price Regulation, must be adjusted so as to comply with the Benchmark Price Regulation; but
- (d) (b) and (c) above shall not apply to existing spot sales contracts and term sales contracts to the extent that the selling price has been re-negotiated in accordance with instructions from MoEMR or DGoMCG.

The Benchmark Price requirement applies in the cases of sales of mining products to both “arms-length” buyers and to “Affiliates” of the seller (i.e., related parties).

11. **DIRECTION AND SUPERVISION OF THE MANAGEMENT AND IMPLEMENTATION OF MINING BUSINESS**

The Relevant Government Authority is authorized to carry out the supervision of the implementation of IUP/IUPK holders’ mining business.

Supervision will be conducted at least once a year by a Mining Inspector or a Supervision Officer.

Mining Inspectors are responsible for the supervision of:

- (a) exploration techniques;
- (b) mining techniques;
- (c) resources and reserves calculation;
- (d) construction and testing of equipment;
- (e) processing and refining;
- (f) transportation and sales;
- (g) operational safety;
- (h) reclamation and post mining activities; and
- (i) utilization of goods and services.

Supervision Officers are responsible for the supervision of:

- (a) marketing;
- (b) finances;
- (c) data processing;
- (d) conservation;
- (e) occupational safety and health;
- (f) worker technical skills;
- (g) community empowerment and development;
- (h) other mining business activities;
- (i) management of IUPs, IPRs and IUPKs; and
- (j) quantity, type and quality of mining products.

In carrying out his duties, a Mining Inspector has the authority to:

- (a) enter a mining site on any occasion;
- (b) order temporary cessation or closure of part or all mining activities if the mining activities are considered to be (i) endangering the safety of the mine workers, (ii) endangering public safety or (iii) causing pollution and/or environmental damage; and
- (c) propose to the Head Mining Inspector that the temporary cessation order becomes a permanent cessation order.



In carrying out his duties, a Supervision Officer is authorized to enter a mining site on any occasion.

12. **RECLAMATION AND POST MINING ACTIVITIES**

IUP/IUPK holders are obliged to carry out Reclamation and Post Mining Activities in order to restore the function of an environment in accordance with the local condition of the entire mining area.

In order to upgrade an Exploration IUP/IUPK to become a Production Operation IUP/IUPK, Exploration IUP/IUPK holders must submit (i) a Reclamation Plan and (ii) a Post Mining Activities Plan to the Relevant Government Authority as one of the supporting documents.

The IUP/IUPK holders must also provide:

- (a) Reclamation Guarantee for Exploration Stage, the amount of which must be determined in accordance with the Reclamation Plan based on the relevant environmental documents and incorporated in the Work Plan and Expenditure Budget for the Exploration Stage.

The Reclamation Guarantee for Exploration Stage must be provided in the form of a time deposit with a Government owned bank.

- (b) Reclamation Guarantee for Production Operation Stage, the amount of which must be determined in accordance with the Reclamation Plan.

The Reclamation Guarantee for Production Operation Stage must be provided in the form of (i) a joint account at a Government owned Bank, (ii) a time deposit at a Government owned Bank, (iii) a guarantee from a Government owned Bank or a national, privately owned Bank or (iv) an accounting reserve.

- (c) Post Mining Activities Guarantee, the amount of which must be determined in accordance with the Post Mining Activities Plan.

The Post Mining Activities Guarantee must be provided in the form of a time deposit at a Government owned Bank.

Even though the IUP/IUPK holders have provided the required Reclamation Guarantee and the Post Mining Activities Guarantee, the IUP/IUPK holders are still required to perform the Reclamation and Post Mining Activities.

During the Exploration Stage, the Reclamation is carried out on that land which is not to be utilized during the Production Operation stage.

During the Production Operation Stage:

- (a) the Reclamation and Post Mining Activities must be implemented in accordance with the Reclamation Plan and Post Mining Activities Plan, respectively;





- (b) the Production Operation IUP/IUPK holders must submit to the Relevant Government Authority for evaluation, (i) a Reclamation Activities Report each year and (ii) a Post Mining Activities Report each quarter; and
- (c) the Production Operation IUP/IUPK holder must appoint a person to be in charge of the implementation of the Reclamation Activities and the Post Mining Activities.

In certain situations, the Relevant Government Authority may instruct a third party to carry out Reclamation and Post Mining Activities.

If the Reclamation Guarantee and/or the Post Mining Activities Guarantee is not sufficient to cover the cost of the Reclamation and/or the Post Mining Activities, the shortfall must be borne by the relevant IUP/IUPK holder.

The IUP/IUPK holder may apply for the withdrawal of any remaining Reclamation Guarantee Funds and/or Post Mining Activities Guarantee Funds once the Reclamation and/or Post Mining Activities have been completed.

13. **TRANSITIONAL PROVISIONS ON EXISTING KPS, KKS AND PKP2BS**

- (a) KPs and PKP2Bs, which were in existence as of the date of the New Mining Law, will continue until they expire. However, not later than 1 year after the issuance of the New Mining Law, the provisions of existing KPs and PKP2Bs must be brought into compliance with the New Mining Law except for those provisions dealing with State Revenue.
- (b) Within 1 year of the enactment of the New Mining Law, the holder of a KP or PKP2B, which has already commenced to carry out the activities of exploration, feasibility study, construction or production operation, must submit a report on its entire KP or PKP2B area activities for approval by the Relevant Government Authority. If the holder fails to submit the necessary report, the holder must bring the KP or PKP2B into full compliance with the New Mining Law.
- (c) Within 5 years of the enactment of the New Mining Law, the holder of an existing KP or PKP2B must commence carrying out refining activities in Indonesia (if applicable/necessary).
- (d) With regard to the existing KPs under the Old Mining Law regime, the New Mining Law provides a 1-year deadline to convert the KPs into IUPs (*i.e.*, 12 January 2010). However, such deadline was subsequently extended to 1 May 2010. It is not clear what are the legal consequences of not converting a KP into an IUP by 1 May 2010. It is to be noted, however that, the Relevant Government Authorities seem to have generally implemented a rather relaxed approach to the conversion deadline by accepting late conversion applications.



14. **FISCAL OBLIGATIONS OF MINING LICENSE HOLDERS**

(a) **TAXES**

Under the prevailing laws and regulations, companies carrying out mining activities are subject to the taxes described below.

NO.	TYPES OF TAX	CURRENT RATE	REMARKS
(i)	Corporate Income Tax	25% for non-listed companies	Imposition basis for corporate income tax is the company's net taxable profit, calculated based on gross income minus allowable expenditures; Deductible expenses include operating, selling, general and administrative expenses; Non-deductible expenses include donations and benefits-in-kind provided to employees.
		20% for qualified listed companies	
(ii)	Value Added Tax ("VAT")	10%	Delivery of goods and services is subject to VAT; Supplies of coal and natural resources taken directly from source are not subject to VAT.
(iii)	Withholding Tax ("WHT")	15%	Applicable to dividends, interest and royalties paid to Indonesian companies; If a dividend is sourced from retained earnings and the Indonesian corporate shareholder owns at least 25% of the mining company's shares, the dividend will not be subject to income tax, including WHT.
		2%	Applicable to payments for most types of services made to Indonesian resident entities.
		20%	Applicable to payments for most types of services made to non-resident entities.

(b) **NON-TAX STATE REVENUE**

(i) **Royalties**

All holders of IUP/IUPK/KK are required to pay production royalties, the rates of which vary depending on the type of nickel/ore (e.g., limonite or garnierite).

Holders of a Production Operation IUPK are required to pay an additional royalty of 10% of net profits. The Central Government is entitled to receive 40% of this additional royalty while the balance is to be shared between the relevant province and regencies in the following manner:

- a. 10% for the Provincial Government;
- b. 25% for the relevant Regency/City where the IUPK area is situated;  
and



- c. 25% for other Regencies/Cities located in the same Province.

Royalties are defined as percentages of the sales prices per ton or kilogram. For nickel, the rate ranges from 4% to 5% of the selling price.

For your ease of reference, the details of royalties applicable for IUP/IUPK holders are set out in the following table:

CLASSIFICATIONS	UNIT	AMOUNT OF CONTRIBUTION
a. Nickel ore (garnierite)	per ton	5.00% of selling price
b. Nickel ore (limonite)	per ton	4.00% of selling price

(ii) **Land Rent/Fixed Contributions**

Mine owners are also required to pay land rent/fixed contributions which are due annually and the amount of which normally calculated based on (i) the size of the mining area (i.e., in hectares) and (ii) the stage of the mining activities (e.g., exploration and production operation stage).

The details of Land Rent/Fixed Contributions for IUP/IUPK holders are set out below:

CLASSIFICATIONS	UNIT	AMOUNT OF CONTRIBUTION
Exploration IUP/IUPK		
i. First Year	per ha/year	Rp 500.00
ii. Second Year	per ha/year	Rp 1,000.00
iii. Third Year	per ha/year	Rp 2,000.00
iv. Fourth Year	per ha/year	Rp 2,500.00
v. Fifth Year	per ha/year	Rp 3,000.00
vi. Sixth Year	per ha/year	Rp 5,000.00
vii. Seventh Year	per ha/year	Rp 7,000.00
Production Operation IUP/IUPK		
i. Exploitation Facility Development:	Per ha/year	Rp 8,000.00
ii. Exploitation:		

The details of Land Rent/Fixed Contributions for IUP/IUPK holders are set out below: CLASSIFICATIONS	UNIT	AMOUNT OF CONTRIBUTION	
- First Stage (Laterite Deposits and Other expanding Surface Deposits)	per ha/year	Rp	15,000.00
- Second Stage (Primary Deposits and Alluvial Deposits)	per ha/year	Rp	25,000.00

15. **OVERVIEW OF FORESTRY LAW**

In general the Indonesian forestry law regime distinguishes between:

- (a) Conservation Forests;
- (b) Protected Forests; and
- (c) Production Forests,

with the Protected Forests and the Productive Forests being allocated for extractive activities.

By way of background, Law No. 41 of 1999 on Forestry (“Forestry Law”) prohibits any non-forestry activities (including mining activities) being carried out in the Forest Areas, with the exception of Protected Forests and Production Forests. Although it is permissible to conduct mining activities, subject to obtaining certain additional licenses and permits, in Protected Forests and Production Forests, the Forestry Law prohibits open pit mining in areas which are designated as Protected Forests.

A Forest Utilization License is required to carry out exploration activities in a Protected Forest or a Production Forest while a Rent Use Permit is required to carry out exploitation or production operation activities in a Protected Forest or a Production Forest.

The Forestry Law was considered by certain holders of Contract of Works to represent a potential breach, by the Government, of the Contract of Works for mining areas located in a Protected Forest Area, and which were entered into prior to enactment of the Forestry Law.

As a result, Presidential Decree No. 41 of 2004 on License or Arrangement of Mining Activity in Forest Area was issued, which allowed for 13 specified mining companies to conduct mining activities in Protected Forest Areas. This Decree has been upheld by the Constitutional Court.

Regulation of Minister of Forestry No. P.43/Menhut-II/2008 of 2008 on Guidelines on Rent-Use Permits for Forest Areas (“MoFo Regulation 43”) reiterates that open pit mining in Protected Forests is prohibited. However, other forms of mining in Protected Forests (including underground mining) are permissible provided that a Rent Use Permit is obtained from the Ministry of Forestry. The application for a Rent Use Permit must be submitted prior to commencement of the proposed activities.

MoFo Regulation 43 was further extended by Government Regulation No. 24 of 2010 on Utilization of Forest Area (“GR 24/2010”). Consistent with the Forestry Law and MoFo Regulation 43, GR 24/2010 still prohibits open pit mining in Protected Forests. Accordingly, even though a party has managed to obtain a Rent-Use Permit in respect of a Protected Forest Area, such party may only carry out underground mining activities in the subject area.

It is also important to have regard to Government Regulation No. 10 of 2010 on Procedures for Alteration of Purpose and Function of Forest Area (“GR 10/2010”). GR 10/2010 makes it possible to alter the purpose and/or function of certain types of forests (i.e., Conservation Forests, Protected Forests and Production Forests) either partially (by “exchanging” Forest Areas with Non-Forest Areas or completely relinquishing a Forest Area to become a Non-Forest Area) including on a Province-wide basis.

The Indonesian Government has recently announced that, commencing in 2011 there will be a 2 year moratorium on the conversion of Forest Areas (“Moratorium”). As the decree/regulation on the Moratorium has yet to be issued, it is not possible, at this stage, to say just how the Moratorium will work or what the precise scope of the same will be. However, if, the recent media reports on the Moratorium are correct and the Moratorium is only confined to the conversion of Forest Areas, it may not prevent the issuance of new Forest Utilization Licenses or Rent Use Permits. This is because Forest Utilization Licenses and Rent Use Permits do not result in the conversion of Forest Areas to Non-Forest Areas or in the conversion of Protected Forests or Production Forests to another category of Forest Area. Up to now, there has not been any moratorium on the issuance of Forest Utilization Licenses and Rent Use Permits that we are aware of.

Government Regulation No. 2 of 2008 on Non Tax State Revenue of the Ministry of Forestry provides that non-forestry companies operating in Forest Areas are now required to pay to the Ministry of Forestry a levy of between Rp.1,200,000 and Rp.3,000,000 per hectare per year.

## 16. ENVIRONMENTAL OBLIGATIONS

Indonesian law requires all companies to exercise control over the impact of their activities on the environment. The activities are divided into:

- (a) activities with a potentially significant impact on the environment, in which case the company must prepare an Environmental Impact Analysis (*Analisa Mengenai Dampak Lingkungan* or “AMDAL”);
- (b) activities which must be managed, in which case the company must prepare:
  - (i) an Environmental Management Plan (*Rencana Pengelolaan Lingkungan* or “RKL”); and
  - (ii) an Environmental Monitoring Plan (*Rencana Pemantauan Lingkungan* or “RPL”).





**B. LUWU TIMUR CONCESSION PROJECT**

This Section B contains an overview of the Luwu Timur Concession Project.

PUL MoA, dated 11 February, 2011, has been entered into in respect of a nickel mining project, which is located in an area in Malili and Angkona Districts, Luwu Timur Regency, South Sulawesi Province, Indonesia, comprising 1,608 hectares and which is the subject of a Mining Business License (*Ijin Usaha Pertambangan* Eksplorasi “**IUP Eksplorasi**”) held by PUL (“**Exploration IUP PUL**”), a company incorporated under the laws of Indonesia.

The mineral/resource covered by the Exploration IUP PUL is nickel.

Subject to prior satisfaction of the conditions precedent:

- (i) Oceantide will acquire 70% of the issued and paid up capital of PUL on the basis of a purchase price of US\$3,750,000;
- (ii) Oceantide will also provide financing for the Luwu Timur Concession Project in an amount sufficient to enable PUL to achieve sustainable “Direct Shipped Nickel Ore” production and barge loading at a rate of 100,000 wet metric tonnes per month. This financing will include up to US\$2,000,000, inclusive of the preliminary financing in the amount of US\$ 1,027,780 (“**Preliminary Financing**”) that has been provided by Oceantide to and received by PUL, as follows:
  - a. US\$250,000 on or about 18 May 2010;
  - b. US\$100,000 on or about 12 August 2010;
  - c. US\$350,000 on or about 15 September 2010;
  - d. US\$77,780 on or about 21 September 2010; and
  - e. US\$250,000 on or about 17 November 2010;

in working capital for PUL in respect of the period from 11 February 2011 up to the end of February 2011, which working capital funding shall be disbursed and applied in accordance with budgetary milestones approved by Oceantide.

The PUL MoA automatically expires and terminates at 5.00 PM on the later of (i) the date on which transaction documents, required to implement the PUL MoA, are executed and delivered by all the parties to the same; and (ii) 28 days from the date of the PUL MoA, if the transaction documents have not been executed and delivered by all the parties within that time.

**C. CONFIRMATION OF LEGAL VALIDITY AND EFFECTIVENESS OF THE MINING LICENSE AND MATERIAL CONTRACT**

In this Section C, we address the legal validity and effectiveness of Oceantide’s rights in respect of the Luwu Timur Concession Project.



1. Mining License of PUL

Head of Energy and Mineral Resources Office of Luwu Timur Regency Decree No. 540/09/DESDM/TAHUN/2010 dated 30 August 2010 regarding the Granting of the Exploration Business License to PUL (“Exploration IUP PUL”)

- (a) **Date of Issue:** The Exploration IUP PUL was issued on 30 August 2010, and is valid for 4 years, expiring on 30 August 2014.
- (b) **Location & Size of Mining Area:** The mining concession area covered by Exploration IUP PUL is located in Atue, Ussu (Malili) and Manurung (Angkona) Village, Malili and Angkona District, South Sulawesi Province and comprises 1,608 hectares.
- (c) **Minerals/Resources Covered:** The mineral/resource covered by the Exploration IUP PUL is nickel.
- (d) **Present Status:** The Exploration IUP PUL will expire on 30 August 2014.
- (e) **Summary On-Site Legal Due Diligence:** Based on our legal due diligence enquiries, it may be concluded, among other things, that:
  - (i) the Exploration IUP PUL has been duly issued by the Head of Energy and Mineral Resources Office of Luwu Timur Regency.
  - (ii) the Exploration IUP PUL has been duly registered and recorded in the Mining Register of Luwu Timur Mining Office;
  - (iii) PUL has not fulfilled any of its obligations as the Exploration IUP holder except for the Fixed Fee Payment and Third Party Contribution Payment (*Pembayaran Sumbangan Pihak Ketiga* or SPK);
  - (iv) Based on the information provided by the Luwu Timur Forestry Office and the Luwu Timur Spatial Planning Authority, the Exploration IUP PUL is situated in an Area Designated for Other Purposes (*Areal Penggunaan Lain*).

However, Pursuant to a Forestry Area Map maintained by the Ministry of Forestry (“**Forestry Area Map**”), an area of 14 Hectares of the Land covered by the Exploration IUP PUL is situated in a Protected Forest Area whilst an area of 118 Hectares of the Land covered by the Exploration IUP PUL is situated in a Production Forest Area.

Therefore, on the basis of the Forestry Area Map, PUL will be required to obtain a Forest Utilization Permit (*Ijin Penggunaan Kawasan Hutan*) and a Rent-Use Permit (*Ijin Pinjam Pakai Kawasan Hutan*) from the Minister of Forestry (“**MoFor**”) before undertaking any exploration and/or production operation mining activities on that part of the Land covered by the Exploration IUP PUL which is located in the Protected Forest Area and/or the Production Forest Area.

This, however, should not be a problem unless the most prospective part of the Land for mining activities is situated in the Forest Area (“**Concerned Area**”).

If the Concerned Area is not commercially viable for PUL, at the time PUL wishes to upgrade its Exploration IUP to become a Production Operation IUP, PUL may request the relevant Mining Authority to exclude it so the Concerned Area will not become part of PUL’s Production Operation IUP area.

- (v) There is a possibility that the Exploration IUP PUL Area may overlap with private residences. Therefore, if the Exploration IUP PUL Area overlaps with private residences, it will be necessary for PUL to, first, settle the overlapping area issue with the parties concerned if it wants to carry on mining activities in the overlapping area.

2. **PUL MoA**

We are of the view that:

- (a) the PUL MoA has been validly executed in accordance with the requirement of Indonesian law; and
- (b) the PUL MoA is otherwise legal, valid, binding upon and enforceable against the parties thereto in accordance with its terms.

D. **OBSERVATIONS AND QUALIFICATIONS**

The statements, analyses and assessments set out above are subject to the following observations and qualifications:

1. we are advocates and counselors at law in Indonesia and are not expert in or qualified to render opinions on the laws and regulations of any other jurisdiction than that of Indonesia. Accordingly, we have, in the foregoing statements, analysis and assessment, expressed our opinion only as to the laws of Indonesia in force on the date hereof;
2. our opinion that an obligation or document is enforceable means that the obligation or document is of a type and form which courts in Indonesia should enforce. It is not to be taken as meaning that the obligation or document can necessarily be enforced in accordance with its terms in all circumstances. In particular, the enforceability of an obligation may be affected by statutes of limitation, public policy and by laws and regulations affecting the rights of creditors generally, including those under the Indonesian Bankruptcy Law;
3. the opinions expressed herein may be affected or limited by (i) the general defenses available to obligors under Indonesian law in respect of the validity and enforceability of the Documents and (ii) the provisions of any applicable bankruptcy, insolvency, fraudulent conveyance (*actio pauliana*), reorganization, moratorium, and other or similar laws of general application now or hereafter in effect, relating or affecting the enforcement or protection of debtor’s rights;





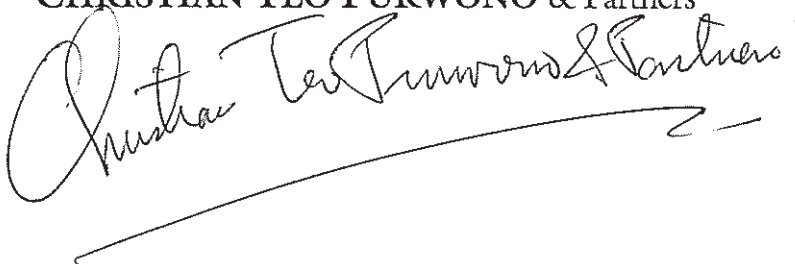
## CHRISTIAN TEO PURWONO & Partners

4. the rights and obligations of the parties to the PUL MoA, to the extent that the laws of Indonesia are or would be deemed applicable, are subject to the principle of good faith, which under Indonesian law governs the relationship between the parties to a contract and which, in certain circumstances, may limit or preclude the reliance on, or enforcement of, contractual terms and provisions;
5. the PUL MoA will be subject to the rules of civil procedure and/or the public auction procedures as applied by the Indonesian courts, which rules include court and state auction agency fees being payable in respect of proceedings instituted on the basis of the PUL MoA. Specific performance may not always be available under Indonesian law;
6. the award of damages and costs in enforcement proceedings undertaken in Indonesia is subject to the general discretion of the courts in respect of the award of costs;
7. a reference to the legality, validity and binding effect of an obligation, or to its enforceability, is not to be taken as indicating the availability of injunctive relief or any other discretionary remedy;
8. under Indonesian law, parties may enter into an agreement governed by the law of a jurisdiction other than Indonesia and their submission to the jurisdiction of a non-Indonesian court is a valid submission such that an Indonesian court should uphold the choice of that non-Indonesian law. However, in practice, the courts would very likely apply the laws of Indonesia notwithstanding the parties' choice of another governing law. Further, judgment of a non-Indonesian court will not be enforced by the courts in Indonesia unless there is a treaty between Indonesia and the country in which the judgment was rendered, although it may be given such certain evidentiary weight as, in the discretion of the Indonesian court, is deemed to be appropriate; and
9. unless specifically stated, no inference should be drawn that we have made any investigation outside of our own files or the documents (or copies thereof) submitted to us as to any of the matters to which we refer.

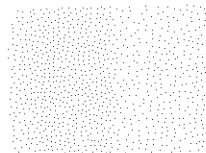
Christian Teo Purwono & Partners has given its written consent for the inclusion of this Report in the Notice of Meeting.

Yours faithfully,

**CHRISTIAN TEO PURWONO & Partners**



A handwritten signature in cursive script, appearing to read 'Christian Teo Purwono & Partners', is written over a long horizontal line. The signature is positioned to the left of a rectangular area with a dotted or stippled pattern.



**ANNEXURE A**  
**SUMMARY TABLE OF MINING RIGHTS AND INTEREST**

<u>Project Status</u>	<u>Project Owner</u>	<u>Nature of Project</u>	<u>Location</u>	<u>KP/IUP Number</u>	<u>Land Size/ (Hectares/ Approx./)</u>	<u>Oceantide's interest</u>
<b>Luwu Timur Concession Project</b>	PT Prima Utama Lestari (PUL)	Nickel Exploration	Atue, Ussu (Malili) and Manurung (Angkona) Village, Malili and Angkona District, South Sulawesi	Head of Energy and Mineral Resources of Luwu Timur Regency No. 540/021/ESDM/TAHUN 2010 dated 30 August 2010 on the Approval of Exploration Mining Business License to PUL.	1,608 Ha	Right to acquire 70% of the issued shares of PUL.

ANNEXURE B  
SUMMARY OF MATERIAL TERMS OF PUL MOA

The PUL MoA in respect of the Luwu Timur Concession Project was executed on 11 February, 2011. The parties to the PUL MoA are Mr. Samijadi Ruslie, Mrs. Rehanny Lusiana, Mr. Handoyo Yanto, Mr. Sumarno (“Vendors”), PUL and Oceantide.

The material terms of the PUL MoA are as follows:

- (a) Pursuant to PUL MoA, Vendors jointly own and control PUL.
- (b) PUL has certain rights with regard to the Luwu Timur Concession Project as stated in Decree of Head of Energy and Mineral Resources Department of Luwu Timur Regency re. Approval for Exploration Mining Business License Number: 540/021/ESDM/TAHUN 2009 dated 30 July 2009 which has been renewed with Decree Number 540/09/DESDM/TAHUN 2010 dated 30 August 2010 (“**Exploration IUP**”) and issued to PUL in respect of a mining concession, covering an area of 1,608 hectares owned by the State and located in Malili and Angkona District, Luwu Timur Regency, South Sulawesi Province (“**Mining Concession**”).
- (c) Subject to the outcome of all legal and technical due diligence enquiries being acceptable to Oceantide, Oceantide and/or its appointees are willing to invest in and acquire a 70% equity interest in PUL (“**Specified Interest**”).
- (d) Oceantide has entered into negotiations with Victory West Moly Ltd (“**VWM**”), a public company, listed on the Australian Stock Exchange (“**ASX**”), pursuant to which it is envisaged that VWM will acquire the issued shares of Oceantide (“**Oceantide Acquisition**”).
- (e) During the period commencing on the date of this Agreement is executed and delivered by all the parties and ending on the date that is 45 days later (“**Lockup Period**”), the Vendors and PUL (together, the “**Local Party**”) shall (i) not take any proactive steps to find alternative financiers, investors or purchasers for the Luwu Timur Concession Project, (ii) inform any and all third parties which contact the Local Party about the possibility of acquiring, financing or investing in the Luwu Timur Concession Project, that the Local Party (A) has already entered into a legally binding agreement with Oceantide which contemplates that, subject to the satisfactory completion of various conditions precedent, Oceantide will be acquiring, investing in and financing the Luwu Timur Concession Project and (B) is prevented, during the Lockup Period, from engaging in any discussions or negotiations with such third parties concerning new financing or investment for and/or the acquisition of the Luwu Timur Concession Project and (iii) refrain from engaging in any discussions or negotiations with such third parties concerning new financing or investment for and/or the acquisition of the Luwu Timur Concession Project.
- (f) The Oceantide Acquisition must be successfully completed such as to provide Oceantide with access to the funds it needs in order to be able to carry out its obligations under this Agreement.

- (g) As soon as is reasonably practicable after the date on which the PUL MoA is executed and delivered by all Parties, Oceantide shall do everything necessary and desirable to procure all regulatory, shareholder, stock exchange and other third party approvals it requires in order to carry out the transaction contemplated by the PUL MoA (together the “**Approvals**”).
- (h) The PUL Vendors irrevocably and unconditionally acknowledge that they have already received from Oceantide the First PP Payment.
- (i) PUL irrevocably and unconditionally acknowledges that it has already received Financing from Oceantide in the amount of US\$1,027,780 as follows:
  - (i) US\$250,000 on or about 18 May 2010;
  - (ii) US\$100,000 on or about 12 August 2010;
  - (iii) US\$350,000 on or about 15 September 2010;
  - (iv) US\$77,780 on or about 21 September 2010; and
  - (v) US\$250,000 on or about 17 November 2010 (together, the “**Preliminary Financing**”).
- (j) Subject to the prior satisfaction of certain conditions precedent:
  - (i) the Local Party shall procure the conversion of PUL into an Indonesian limited liability foreign investment company (“**PMA Company**”);
  - (ii) Oceantide shall acquire the Specified Interest;
  - (iii) Oceantide shall advance certain funds to PUL;
  - (iv) as consideration for the Specified Interest, Oceantide shall make certain payments to the Vendors and assuming certain financing obligations in respect of the Luwu Timur Concession Project;
  - (v) PUL shall be managed and the Luwu Timur Concession Project shall be operated in accordance with the provisions of the PUL MoA; and
  - (vi) various other obligations shall be assumed by the Parties PUL MoA Parties pursuant to the provisions of the PUL MoA.
- (k) To the extent that the Capital Investment Co-ordinating Board (“**BKPM**”) requires PUL to increase its issued and paid up capital as part of the process of converting PUL into a PMA Company or as a prerequisite to remaining a PMA Company, Oceantide shall (i) inject sufficient funds to increase PUL’s issued and paid up capital to satisfy the minimum requirements of BKPM; and (ii) if requested by the Vendors, lend to the Vendors their 30% (thirty percent) of the minimum required subscription for the additional issued and paid up capital of PUL (“**NCS Loan**”).

- (l) The NCS Loan shall be:
  - (i) disbursed by Oceantide directly to PUL on behalf of the PUL Vendors;
  - (ii) used exclusively by PUL for the purpose of paying up the PUL Vendors' 30% of the required new capital subscription for PUL; and
  - (iii) repaid, together with interest on the principal amount of the NCS Loan at a rate equivalent to the average USD LIBOR over the 6 months prior to the repayment date, by the PUL Vendors to PUL from their entitlement dividends declared by PUL as and from Completion.
- (m) As soon as it is reasonably practicable following the discharge, in full of the Local Party's obligations to convert PUL into a PMA Company, the Vendors shall do everything necessary and desirable to ensure PUL issues to Oceantide and/or its appointees that number of newly issued PUL shares then equal to the Specified Interest ("**Completion**").
- (n) The consideration for the Specified Interest shall be (i) the payment of US\$3,750,000 ("**Purchase Price**") in accordance with the payment of the Purchase Price and (ii) the provision of the Financing.
- (o) The Purchase Price shall be paid by Oceantide to the Vendors or as the Vendors direct in installments and as follows:
  - (i) US\$500,000 ("**First PP Payment**") not later than 7 days after the date on which the PUL MoA is executed and delivered by the last of the PUL MoA parties;
  - (ii) US\$ 1,250,000 ("**Second PP Payment**") not later than 15 April 2011;
  - (iii) US\$ 750,000 ("**Third PP Payment**") not later than 10 days after the date of receipt by Oceantide of a copy of the Production Operation IUP for the Luwu Timur Concession Project duly issued to PUL;
  - (iv) US\$ 1,000,000 ("**Fourth PP Payment**") not later than the earlier of (i) 7 days after the date of the first commercial sale and shipment by PUL of a minimum of 50,000 Wet Metric Tonnes ("**WMT**") of Nickel production from the Luwu Timur Concession Project ; or (ii) 30 September 2011; and
  - (v) US\$ 250,000 ("**Fifth PP Payment**") not later than 6 months after the disbursement of the Fourth PP Payment.
- (p) The making of the Second PP Payment, the Third PP Payment, the Fourth PP Payment and the Fifth PP Payment shall be subject to (i) the VWM Shareholder Approval being obtained at latest by 15 April 2011; and (ii) in the case only of the Fourth PP Payment and the Fifth PP Payment, Completion taking place as well.
- (q) As and from the date of execution and delivery of the PUL MoA by the last of the PUL MoA parties, Oceantide shall be exclusively responsible for financing, by way of loan, the



Luwu Timur Concession Project (“**Financing**”) without any right of contribution from the Vendors.

- (r) The Financing shall be in an amount sufficient to enable PUL to achieve, as part of the Luwu Timur Concession Project, sustainable Direct Shipped Nickel Ore (“**DSNO**”) production and barge loading at a rate of 100,000 WMT per month (“**Interim Target DSNO Production & Barge Loading**”).
- (s) It is envisaged that the infrastructure required for the Luwu Timur Concession Project in order to enable PUL to achieve the Interim Target DSNO Production & Barge Loading will actually be capable of supporting DSNO production and barge loading by PUL of between 150,000 WMT and 200,000 WMT per month (“**Eventual Target DSNO Production & Barge Loading**”) without any further capital investment by PUL.
- (t) The Financing shall include up to US\$2,000,000, inclusive of the Preliminary Financing, in working capital funding for PUL in respect of the period from the date on which the PUL MoA is executed and delivered by the last date of the PUL MoA parties up to the end of February 2011 which working capital funding shall be disbursed and applied in accordance with budgetary milestones approved by Oceantide.
- (u) Oceantide acknowledges and confirms that it presently intends to raise, during the first quarter of 2011, a further AUS\$8,000,000 in order to fulfill its Financing obligation to develop the Luwu Timur Concession Project.
- (v) The cost of any exploration drilling and drilling data analysis in excess of US\$ 300,000 (“**Additional Drilling Costs**”) per year shall be funded by Oceantide as part of the Financing.
- (w) In the event that Completion does not take place for any reason, other than the fault of Oceantide, prior to 30 June, 2011 or such later date as Oceantide may, in its absolute discretion, agree to in writing, PUL shall pay, monthly in arrears and not later than the 5<sup>th</sup> day of the immediately following month, to Oceantide or as Oceantide directs a royalty equal to US\$5 per WMT of Nickel produced by PUL until such time as Oceantide has received total royalty payments from PUL equal to the aggregate of (i) 100% of the Purchase Price installments paid by Oceantide and (ii) 100% of the Financing provided by Oceantide to PUL.
- (x) (i) **Management:** As and from Completion, PUL shall have
  - a. a board of directors comprising 3 directors (“**PUL BoD**”), 2 of which directors being the President Director and the Finance Director, shall be appointed by Oceantide and 1 of which directors being the Operations Director shall be appointed by the Vendors; and
  - b. a board of commissioners comprising 3 commissioners, 2 of which commissioner, including the President Commissioners, shall be appointed by Oceantide and 1 of which commissioners shall be appointed by the Vendors.

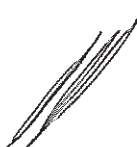
- (ii) No compensation, fees or other remuneration shall be paid by PUL to (i) members of the Board of Commissioners or (ii) members of the Board of Directors who are not employed on a substantially full time basis by PUL.
- (iii) All non-director level management and operations positions, responsibilities and remuneration shall be determined and filled by the PUL BoD and remunerated by PUL (i) in accordance with generally accepted international Nickel mining industry best practices, procedures and standards applicable in Indonesia (“**Industry Best Practice**”), (ii) on an actual needs basis and (iii) in accordance with market imperatives.
- (iv) **Management and Other Fees:** Accounting, management and technical services provided by individual PUL shareholders or their affiliates to PUL shall be invoiced to and paid for by PUL (i) on an arms-length basis, (ii) at going market rates for such services and (iii) otherwise in accordance with Industry Best Practice.
- (v) **Operations:** As and from 11 February, 2011, the Luwu Timur Concession Project shall be operated in accordance with Industry Best Practice.
- (vi) Oceantide and the Vendors shall do everything necessary and desirable to ensure that:
  - a. the feasibility, environmental and AMDAL studies required to upgrade PUL’s Existing License to become a Production Operation IUP are undertaken by PUL on a first priority basis; and
  - b. PUL does not enter into any sales contracts with or sell any Nickel production to affiliates or related parties of the PUL shareholders except on a wholly arms-length basis.
- (vii) **Operating Costs:** Oceantide and the Vendors shall:
  - a. ensure that no costs, unrelated to the Luwu Concession Project, are charged to PUL; and
  - b. endeavor to ensure PUL achieves a target variable operating cost for the Luwu Timur Concession Project which does not exceed US\$15 per shipped WMT of Nickel FOB mother vessel (“**Target Variable Cost**”).
- (viii) The Target Variable Cost is (i) based on operating costs analysis undertaken on or around 15 June 2010; and is (ii) subject to change due to market forces and cost variations including, without limitation, variations in fuel prices, exchange rates and barge rental costs.
- (ix) There will be a fixed operating cost for the Luwu Timur Concession Project which does not exceed US\$3 per shipped WMT of Nickel FOB mother vessel (“**Target Fixed Cost**”).
- (x) Of the Target Fixed Cost, US\$0.75 is the estimated cost of meeting PUL’s community development obligations.



- (xi) **NFIT Cooperation Arrangement:** The proposed cooperation arrangement between Ningbo Fugi International Trade Co. Ltd and PUL in respect of 100 hectares of PUL's mining concession, shall be concluded (i) in a manner consistent with Law No. 4 of 2009 re Minerals & Coal Mining and its implementing regulations and (ii) on terms which are notified, in writing, by the Local Party to Oceantide prior to the execution of any agreement documenting the NFIT Cooperation Arrangement.

(y) **Pre-Dividend Distribution:**

- (i) As and from Completion, PUL shall make a monthly pre-dividend distribution to all PUL shareholders ("**Pre-Dividend Distribution**") on the basis of their proportionate PUL shareholding interests at the time a particular Pre-Dividend Distribution is to be made and otherwise as follows:
  - a. the Pre-Dividend Distribution shall be a monthly amount equal to US\$3 per WMT of Nickel ore sold by PUL during that month;
  - b. the Pre-Dividend Distribution shall be paid by PUL not later than 3 days after the later of the date on which the last of all sales proceeds for a given month are received by PUL and the date on which the monthly profit or loss, as the case may be, of PUL;
  - c. the monthly profit or loss, as the case may be, of PUL shall be (i) calculated by PUL in accordance with generally accepted accounting principles and standards in Indonesia and (ii) reported, in writing, to all PUL shareholders by the not later than 15<sup>th</sup> day of the following month; and
  - d. the Pre-Dividend Distribution shall be based on the shipment and sale of high grade DSO Nickel ore (defined as 1.5% Ni Ore).
- (ii) In the event that it is deemed commercially profitable to ship and sell lower grade Nickel ore, the Parties shall assess the profitability of lower grade Nickel ore sales and, if required, agree to an appropriate adjustment to the Pre-Dividend Distribution entitlement in respect of low grade Nickel ore sales so as to ensure sufficient cash flow is maintained by PUL.
- (iii) The Pre-Dividend Distributions made to PUL shareholders during each year are to be treated as loans by PUL to each of its shareholders ("**Dividend Loans**").
- (iv) Dividend Loans are to be repaid from the annual dividend otherwise payable to each of the PUL shareholders at the end of the year provided that, if a particular shareholder's dividend entitlement is insufficient to extinguish that shareholder's Dividend Loan, then that part of the Dividend Loan that remains outstanding following the application of the dividend entitlement for the relevant year shall incur interest at the rate equivalent to the average USD LIBOR over the 6 months prior to the making of the Dividend Loan and until the Dividend Loan is fully repaid.





- (v) Outstanding Dividend Loan amounts at the end of the year may be repaid by cash or transfers from the relevant PUL shareholders or by the relevant PUL shareholders foregoing future monthly Pre-Dividend Distribution.
- (z) The Vendors' obligations are secured by pledges, in favor of Oceantide, of 100% of the PUL shares held by the Vendors as of the date of the PUL MoA ("**Vendor Share Pledges**"). The Vendor Share Pledges are automatically cancelled if Oceantide fails to discharge any of its Purchase Price payment obligations and/or its Financing obligations.
- (aa) Oceantide's obligations, post-Completion, will be secured by pledges, in favor of the Vendors, of the PUL shares issued to Oceantide at Completion.
- (bb) The PUL MoA shall automatically expire and terminate, and no PUL MoA Party shall have any further obligations under this Agreement at 5 PM on the later of (i) the date on which the documents required to implement Oceantide's requisition of the Specified Interest ("**Transaction Documents**") are executed and delivered by all the parties to the same and (ii) 28 (twenty eight) days from the date of the PUL MoA (i.e., 11 March 2011), if the Transaction Documents have not been executed and delivered by all the parties within that time.
- (cc) Article 9 regarding Failure of Completion (as summarized in point (w) above), Article 15 regarding Confidentiality, Article 16.4 regarding the right of the Vendors to buy back the PUL shares (as elaborated in point (dd) below), Article 17 regarding Cost & Taxes and Article 18 regarding Representations & Warranties shall survive termination of the PUL MoA in all circumstances.
- (dd) If Oceantide does not fulfill its Purchase Price payment obligations or its Financing obligations, the Vendors shall have the right to buyback the PUL shares issued to Oceantide and its appointees at a buyback price equal to 100% of the actual Purchase Price amount paid by Oceantide to the Vendors at the time they exercise their buyback right.
- (ee) The PUL MoA is governed by the laws of Indonesia. All disputes between the PUL MoA parties arising out of the PUL MoA ("**Dispute**") shall be finally resolved by non-appealable (i) in Singapore, (ii) according to the Rules for Arbitration of the International Chamber of Commerce ("**ICC**") and (iii) before 1 arbitrator appointed by the ICC Secretariat.



ANNEXURE C  
TYPES OF MINERALS

CLASSIFICATION	MINERALS
metal minerals	lithium, beryllium, magnesium, kalium/potassium, calcium, gold, copper, silver, lead, zinc, tin, <b>nickel</b> , manganese, platinum, bismuth, molybdenum, bauxite, mercury, wolfram, titanium, barite, vanadium, chromite, antimony, cobalt, tantalum, cadmium, gallium, indium, yttrium, magnetite, iron, galena, alumina, niobium, zircon, ailment, chrome, erbium, ytterbium, dysprosium, thorium, cesium, lanthanum, niobium, neodymium, hafnium, scandium, aluminum, palladium, rhodium, osmium, ruthenium, iridium, selenium, telluride, strontium, germanium and zenotine
non-metal minerals	diamonds, corundum, graphite, arsenic, quartz, fluorspar, kryolite, iodine, bromine, chloric, sulfur, phosphate, halite, asbestos, talk, mica, magnesite, yarosite, ocher, fluorite, ball clay, fire clay, zeolite, kaolin, feldspar, bentonite, gypsum, dolomite, calcite, flint/chert, pirofilite, quartzite, zircon, wollastonite, limestone, quartz, pearlite, rock salt, clay and limestone for cement
rocks	pumice, trass, toseki, obsidian, marble, pearlite, diatomae land, fullers earth, slate, granite and granodiorite, andesite, gabro and peridotite, toadstone, trakhite, leusite, clay, opal, chalk stone, minerals with non-iron in a significant amount from an economic perspective, chalsedon, chert, crystal quartz, jasper, krisopase, wood that has been gritted, gamete, jade, agate, diorite, topaz, large quarry mountain rock, pebble/gravel excavated from mountains, pebbles/gravel from rivers, river rock, river pebble/gravel without sand, pile sand, pebbles with natural sand, selected pile materials (land), land pile, laterite, limestone, onik, sea sand, sand (so long as it does not contain any metal mineral and/or non-metal minerals in a significant amount)



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**SCHEDULE 2**

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Report Prepared For:

**VICTORY WEST MOLY LIMITED**

**INDEPENDENT GEOLOGISTS REPORT ON THE PT PRIMA  
UTAMA LESTARI USSU NICKEL PROJECT, KECAMATAN OF  
MALILI, KABUPATEN OF LUWUK TIMUR, PROVINCE OF  
SULAWESI SELATAN**

**31<sup>ST</sup> JANUARY 2011**

**REPORT NUMBER : 0816 VWM/IGR/2011.01**

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## TABLE OF CONTENTS

1	INTRODUCTION .....	1
1.1	Background.....	1
1.2	Scope and Terms of Reference .....	1
1.3	Reliance on Other Experts and Data.....	2
1.4	Units and Currency .....	2
2	STATEMENT OF INDEPENDENCE.....	3
3	THE INDONESIAN NICKEL INDUSTRY .....	4
3.1	General Nickel Laterite Geology .....	5
4	PROJECT DESCRIPTION.....	8
4.1	Location and Access.....	8
4.2	Climate and Rainfall.....	8
4.3	Demographics and Culture.....	9
4.4	Morphology .....	9
4.5	Forestry Status.....	9
5	REGIONAL GEOLOGY .....	10
5.1	Regional Geology .....	10
5.1.1	Ultramafic Complex (MTosu).....	10
5.1.2	Alluvium (Qal) .....	11
5.2	Concession Geology.....	11
5.3	Mineralisation.....	12
6	EXPLORATION HISTORY .....	13
6.1	Drilling and Pitting Operations.....	13
6.2	Evaluation .....	13
6.3	Ongoing Works .....	15
7	CONCLUSIONS .....	17
8	REFERENCES .....	18

## LIST OF FIGURES

<b>Figure 1.</b>	General location map of the nickel concession package being considered.....	1
<b>Figure 2.</b>	The main area of nickel laterite mineralisation in Indonesia, including the PT Inco operation at Soroako.....	4
<b>Figure 3.</b>	Idealised laterite / saprolite profile with indicative metal grades developed above ophiolite rocks in a tropical weathering environment (from Elias, 2002).....	6
<b>Figure 4.</b>	General statistics of nickel mining and consumption for 2008, showing the position of Indonesia as number 3 in the production of nickel.....	7

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<b>Figure 6.</b> Regional Stratigraphy Setting of East Sulawesi Geological Province.....	11
<b>Figure 7.</b> General geology map of the PT. Prima Utama Lestari (Ussu Project) concession areas. .....	12
<b>Figure 8.</b> Location of previous drilling and test-pitting in the concession area.....	14
<b>Figure 9.</b> First stage drill plan for the eastern mineralised areas to reduce the drill spacing to 100 x 100 metres and confirm previously reported mineralisation and grades.....	16

## LIST OF PHOTOGRAPHS

<b>Photograph 1.</b> Road access towards the concession area.	8
<b>Photograph 2.</b> Garnierite mineralisation developed in serpentinitised ultramafic rocks exposed in a trench in the concession area.	12
<b>Photograph 3.</b> Test pit excavated in the concession area but no analytical data is available for the excavations.	13

## TERMINOLOGY

All units of measure used in this report are metric, including tonne (metric tonne), hectares (unit of area) and kilometres (unit of distance).

**ha:** Hectare

**km:** Kilometre

**Mt:** million tonnes

**Mtpa:** million tonnes per annum

**Tpm:** tonnes per month

**JORC Code:** Joint Ore Reserve Committee: Australasian Code for Reporting of Mineral Resources and Ore Reserves, (The JORC Code, 2004).

**Province:** equivalent to a state area, a province is the Level 1 government area below the central government; head of government is the "Governor"

**Kabupaten:** Level 2 government, equivalent to a shire or county, the most powerful level of government under regional autonomy, several Kabupaten are grouped under a province, head of government in a Kabupaten is the "Bupati"

**Kecamatan:** Level 3 government, several Kecamatan are grouped into a Kabupaten, head of government is a "Camat"

**Desa:** village area, Level 4 government, several Desa make up a Kecamatan, head of government is the "Kepala Desa" (village head); several individual villages may be included in a Desa

**Dusun:** smaller than a Desa and headed by a "Kadus" (Kepala Dusun or dusun head)

**SKIP:** surat keterangan izin peninjauan, licence issued by the Department of Mines for temporary access to an area for initial mineral evaluation purposes, usually for a period of one to two (1-2) months and forms part of the normal process for acquiring a KP (see below)

**KP:** kuasa pertambangan, licence issued by the Department of Mines for exploration and exploitation of mineral resources, must be wholly owned through 100% Indonesian national shareholding

**Sungai:** river in Indonesian

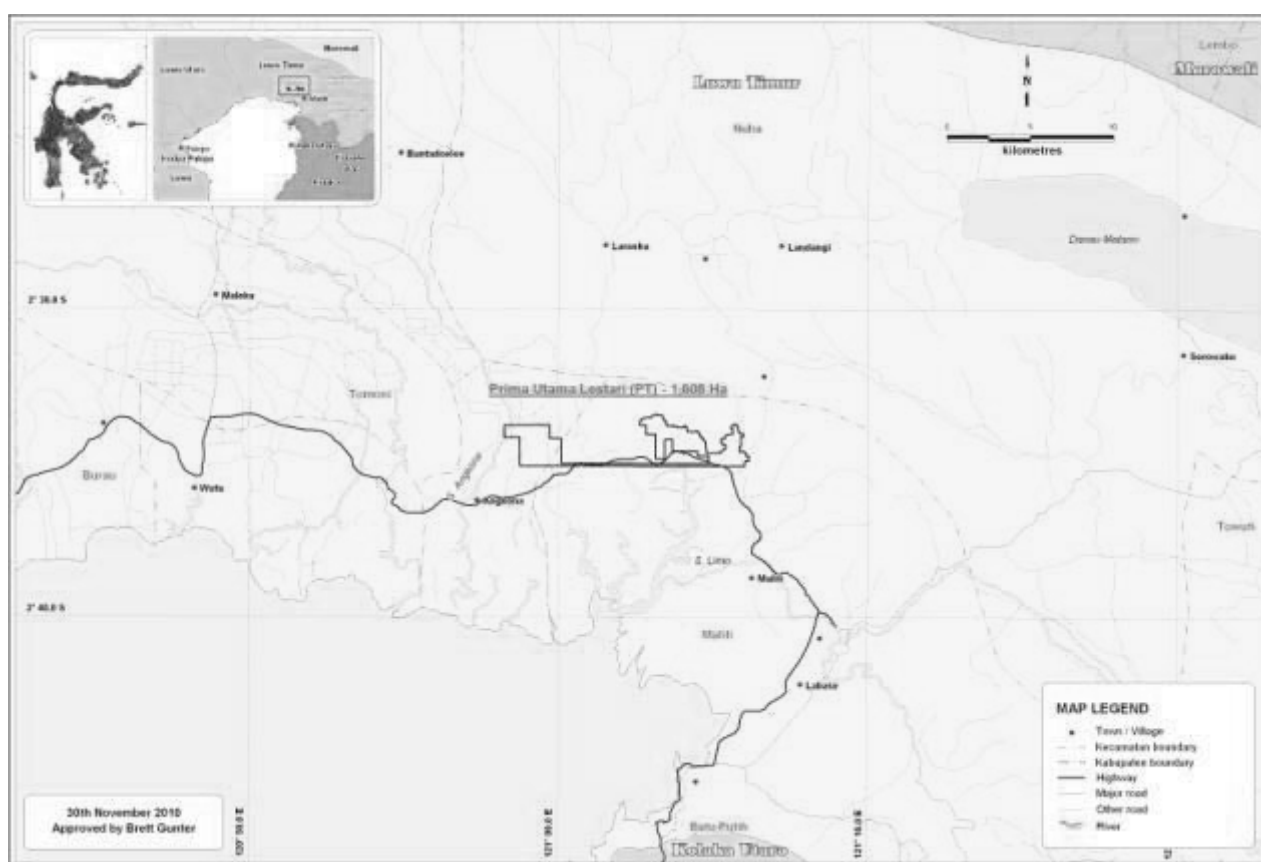
**Kampung:** village in Indonesian

## 1 INTRODUCTION

### 1.1 Background

PT GMT Indonesia (GMT) was approached by Victory West Moly Limited (VWM) to assess the geological characteristics of the PT Prima Utama Lestari (PUL) concession area in South Sulawesi. The concession contains accumulations of nickel-bearing laterite and saprolite mineralisation, which has formed over a sequence of ultramafic rocks close to the coast of Bone Bay near the town of Malili.

This report aims to outline the current knowledge of the concession area and compile a synthesis of the geology and mineralisation in the area and compiling a series of recommendations for the further exploration of the area.



**Figure 1.** General location map of the nickel concession package being considered.

### 1.2 Scope and Terms of Reference

VWM outlined the scope of the works as follows:

1. Outline using the current data, as best as possible, the occurrences of nickel laterite mineralisation within the PUL concession area,
2. Critically review the existing exploration data and the suitability of the data for inclusion in future data sets related to the project,



3. Determine areas of greatest interest, as defined by the current data set, for the implementation of an initial due diligence drilling programme, sample testing and geological modelling,,
4. Make an estimate of the exploration target that is currently defined by the data set, and,
5. Make a series of recommendations on the future work programmes required to advance the project.

### **1.3 Reliance on Other Experts and Data**

GMT's opinion contained in this document and effective as of the 31<sup>st</sup> January 2011, is based on information provided to GMT by VWM and the current concession holders. The data set includes a geological report on the area describing an initial drilling and test-pitting programme, a series of Excel files outlining locations of samples and sample results, drill collar locations, downhole lithology information and a series of GIS layers containing drill hole location and infrastructure information. The data thus presented is insufficient in density to allow the definition of a resource statement in accordance with the requirements of the JORC Code (2004).

The information outlined in this report relies on the base data set provided as being a true representation of the work programmes completed to date. GMT is currently supervising an infill drilling programme in the areas of greatest interest but results are incomplete and yet to be compiled. GMT geologists have made a preliminary investigation of the actual concession area and have independently verified the existence of laterites in the area of the PUL concession.

GMT is not an insider, associate or an affiliate of VWM, and neither GMT nor any affiliate has acted as advisor to VWM or its affiliates in connection with this project prior to the latest assignment. The results of the technical review by GMT are not dependent on any prior agreements concerning the conclusions to be reached, nor are there any undisclosed understandings concerning any future business dealings. The preparation of this report is based on purely commercial time-based charges, as agreed by VWM, with no aspect of the commercial terms being dependent on the outcome of this report.

This report includes technical information, which requires subsequent calculations to derive sub-totals, totals and weighted averages. Such calculations inherently involve a degree of rounding and consequently introduce a margin of error. Where these occur, GMT does not consider them material.

### **1.4 Units and Currency**

All units of measurement used in this report are metric unless otherwise stated. Currency is expressed in United States Dollars (USD) unless stated otherwise.

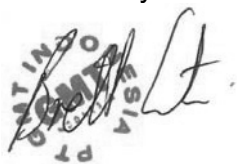
## **2 STATEMENT OF INDEPENDENCE**

PT GMT Indonesia is an independent geological consulting group based in Jakarta, Indonesia. Neither GMT nor those involved in the preparation of this report have any material interest in Victory West Moly Limited or in the nickel project considered in this review. GMT is remunerated for this report by way of a professional fee determined according to a standard schedule of rates which are not contingent on the outcome of this review.

This report has been compiled by Mr Brett Gunter (MAusIMM), who is a Competent Person for the purposes of reporting in accordance with the JORC Code (Joint Ore Reserve Committee, 2004). Mr Gunter resides in Indonesia and has been involved in the exploration and development of mineral resources, including nickel and other styles of laterite mineralisation, for more than 20 years, including 15 years within Indonesia. Mr Gunter has reviewed data supplied by VWM and has compiled this report on the basis of that data.

GMT has not independently verified ownership and current standing of the tenements nor the contractual terms of VWM's rights to such tenements and is not qualified to make legal representations in this regard. Rather we have relied upon information provided by VWM and understand that the concession is currently in good standing and that there is no cause to doubt the validity of the concession. GMT understands that VWM has conducted, or is continuing to conduct, legal due diligence on the package but GMT has not reviewed any results of that due diligence.

7<sup>th</sup> February 2011

A handwritten signature in black ink is written over a circular stamp. The stamp contains the text 'PT GMT INDONESIA' around the perimeter. The signature is a cursive-style name, likely 'Brett Gunter'.

Brett Gunter (MAusIMM)

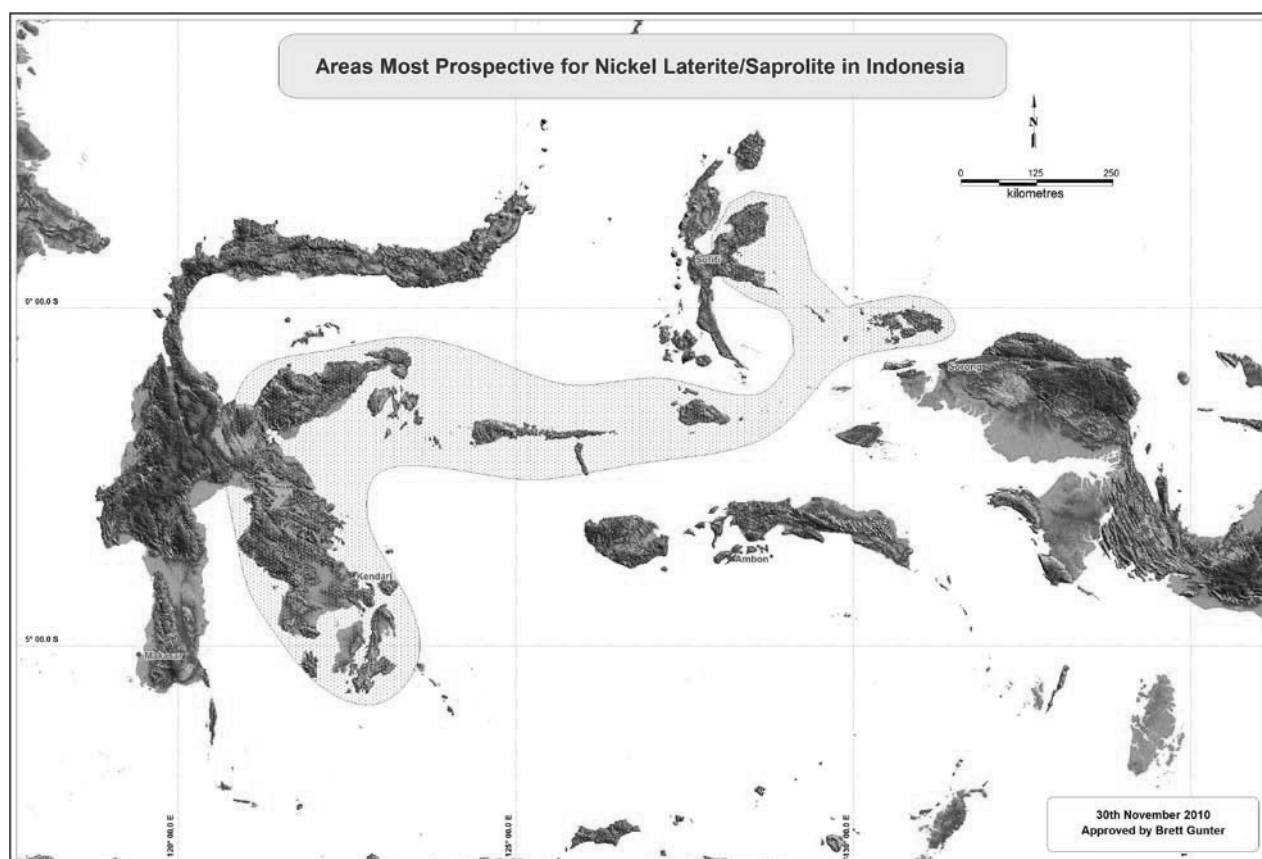
Principal Geological Consultant

### 3 THE INDONESIAN NICKEL INDUSTRY

Nickel mining has been conducted in Indonesia for many centuries. Nickel ore within iron deposits, plentiful in the central part of Sulawesi, was an important resource used in making “keris” (traditional Indonesian swords) since the Majapahit dynasty. The area around Lake Matano was a key source of nickel in eastern Indonesia at that time. In the area near Lake Matano and the upper reaches of the Kalaena River, the nickel was easily mined from near-surface deposits by primitive mining methods.

The modern history of nickel mining in Sulawesi began with systematic study by geologists and the Dutch government, particularly E.C. Abendanon, who had conducted studies in the eastern part of Sulawesi in 1909 and 1910, believed that there was iron and nickel in the area and recommended a systematic survey. Earlier, in 1896, Sarasin, who was then accompanied by Grasbauer in 1902, also conducted a study. In 1916, the Mining Department (Dients van den Mijnbouw) certified that there was indeed nickel and iron in the region, after a few months of study.

The government at the time gave two contracts to two separate companies, Mijnbouw Maatschappij Celebes (a subsidiary of Billiton Maatschappij) and Mijnbouw Maatschappij Toli-Toli, known as Mijnbouw “Boni Tolo”, which was affiliated with Oost Borneo Maatschappij. The two companies had a long history of mining in the Dutch East Indies.



**Figure 2.** The main area of nickel laterite mineralisation in Indonesia, including the PT Inco operation at Soroako.

Mijnbouw “Boni Tolo” conducted mining activities in Southeast Sulawesi in 1937, accompanied by shipments of nickel to Germany and to Japan. Export notes indicate that in 1938 as much as 20K tonnes was shipped; in 1939 a total of 23,535 tonnes and in 1940 a total of 55,540 tonnes.

In Soroako, Sulawesi, Mijnbouw Maatschappij Celebes (MMC) began work in 1941, with the construction of an operational centre in an area then known as “the old camp.” MMC conducted exploration and some nickel mining, gathering nickel deposits close to the land’s surface. It is estimated that half of the men in Sorowako worked for MMC. However, MMC’s existence in the region was very brief, because following the Japanese invasion in 1942, nickel exploitation was undertaken by Japan. At that point, MMC had already built installations to contain and ship nickel. As the holder of concession rights in the area, MMC had the right to mine nickel, iron, cobalt, chromium and magnesium.

For the duration of the Japanese occupation, nickel mining was conducted by Japan to supply the war industry. From 1942 to 1945, Sumitomo Metal Mining Co. took over mining operations from Mijnbouw Boni Tolo and built a smelting plant to produce matte nickel. There is little information available on production levels during this period. However, it is estimated that as much as 27K tonnes of nickel was produced in 1942 and 58K tonnes in 1944.

After independence in 1945, the nickel industry did not receive much attention. During the partial Dutch reoccupation in 1946, MMC personnel also returned and the firm operated for about three years. However, there was no activity after this year. A few companies were also interested in conducting exploration in Pomalaa, including Freeport Sulphur Co., Oost Borneo Maatschappij and Sumitomo Metal Mining Company. Nickel mining from that point on, however, was undertaken by NV Perto (Pertambangan Toraja), which in 1957 shipped the nickel that still remained from the Japanese occupation period to Japan, and in 1959 began mining work in Maniang Island in Southeast Sulawesi. In 1961, NV Perto became PT Pertambangan Nickel Indonesia (PNI), a state-owned enterprise. This company then merged with several other state-owned mining firms to become PT Aneka Tambang.

Indonesia is among the world’s top five producers of nickel ore, with all production from lateritic deposits. Indonesia mines around 150,000 tons of nickel annually, about 10% of global production. Nickel is produced in Soroako (North Sulawesi), Pomalaa (South Sulawesi), and the Maluku and Gebe islands, which have some of the largest reserves in the world.

PT Inco Indonesia produces nickel in matte, an intermediate product, from lateritic ores in its integrated mining and processing facilities near Sorowako on the Island of Sulawesi; explores nickel deposits at Pomalaa in Southeast Sulawesi and at Bahudopi in Central Sulawesi. The company sells its products in the United States. As of December 31, 2008, it had a contract work area of 218,529 hectares. The company was founded in 1968 and is headquartered in Jakarta, Indonesia. PT International Nickel Indonesia Tbk operates as a subsidiary of Vale Inco Limited.

PT Aneka Tambang (PT Antam) has a mining operations on three ferronickel facilities which are located at Pomalaa, Southeast Sulawesi and North Maluku, have a nameplate capacity of between 22,000-24,000 tonnes of nickel per year. Rio Tinto is also said to be developing a nickel operations in Sulawesi. It is estimated that the project is will produce about 46,000 tons of nickel a year. The operations are scheduled to start in 2014. In addition, a number of other larger projects are currently being explored or developed, in conjunction with the widespread use of DSO (direct shipping operations) in both Sulawesi and Halmahera from smaller mining concessions located in proximity to the coast.

### **3.1 General Nickel Laterite Geology**

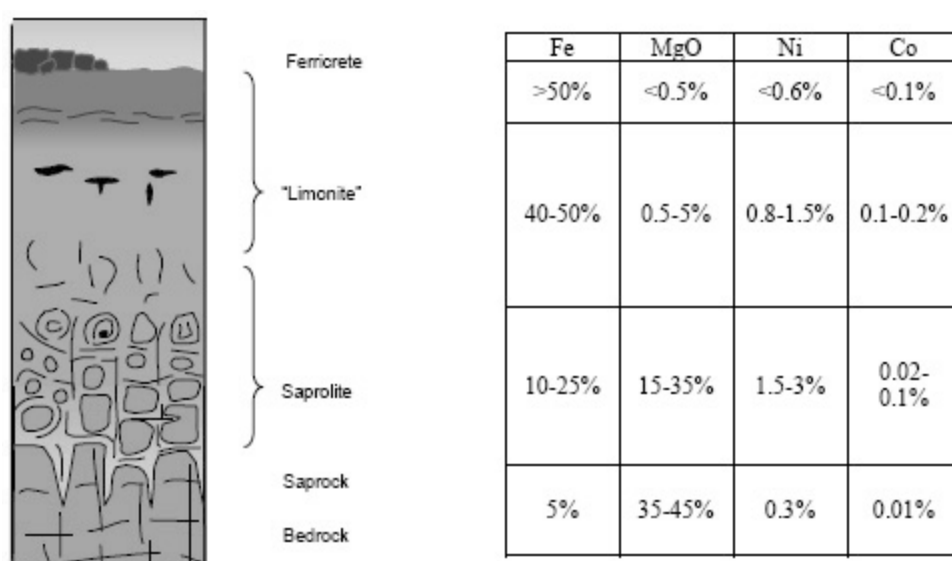
Possibly the most concise and useful compilation of the “typical nickel laterite” is provided by Elias (2002). The following description of general profiles is attributed solely to the work of Elias (2002) and Golightly (1981).

Nickel laterite deposits account for a large share of the world’s nickel production. Most of the world’s terrestrial nickel resources are hosted in nickel laterites, the products of intense weathering of ultramafic rocks at the surface of the earth in tropical climatic conditions.

The process to form a laterite includes the weathering and chemical breakdown of a rocks primary minerals under surficial processes. Mobile components in the surface environment are

removed from the weathering profile and non-mobile elements are enriched in certain sections. The new minerals formed through this concentration process are stable in the oxide zone. The continuation of the weathering and concentration process over a long period of time, within a stable erosional environment, leads to the formation of a vertical profile, which contains different element concentrations and mineral species at various levels determined by the chemical mobility of the various elements in the profile. This profile is termed the "laterite profile" and differs according to the base rock chemistry from which the laterite is formed.

The variation in laterite profiles within tropical environments is diverse. Factors that may influence the laterite profile include stability of the profile over time, bed rock conditions and type, tectonic stability over time, surface and groundwater movement, structures that may influence groundwater movement and climatic conditions over time. A generalized laterite/saprolite profile is shown in Figure 3.



**Figure 3.** Idealised laterite / saprolite profile with indicative metal grades developed above ophiolite rocks in a tropical weathering environment (from Elias, 2002).

The main factors influencing the efficiency and extent of chemical weathering, and consequently the nature of the profile, are:

- **Climate:** Rainfall determines the amount of water passing through the soil, which influences the intensity of leaching and removal of soluble components. In addition to the amount, the effectiveness of rainfall (the extent to which water is allowed to pass down through the profile rather than running off) is important. Higher mean soil temperature (which is close to mean surface air temperature) increases the kinetics of weathering processes,
- **Topography:** Relief and slope geometry influence drainage, the extent to which water passes into the soil, and water table level,
- **Drainage:** Drainage affects the net water budget available for leaching from the whole landscape,
- **Tectonics:** Tectonic uplift increases erosion of the top of the profile, increases topographic relief and lowers the water table. Tectonic stability allows planation of the landscape, slowing groundwater movement,
- **Parent rock type:** Mineralogy determines susceptibility of rocks to weathering and the elements available for recombination as new minerals, and,

- Structure: Faults and shears provide discrete zones of bedrock permeability; jointing and cleavage improve pervasive alteration potential.

Clearly many of these climatic and geological factors are closely interrelated, and the characteristics of a profile at any one place can best be described as due to the combined effect of all the individual factors acting over time, rather than being dominated by any single factor.

The PUL concession area displays a number of physical features outlined above, nominally the easiest to observe are, a gentle terrain on the shoulder of the ultramafic complex, high rainfall and soil temperature (tropical environment norm), stable tectonics (in this part of Sulawesi) and suitable parent rocks. This has allowed the development of a lateritic profile in some areas of the concession containing elevated grades of nickel and cobalt.

It is this mineralization that is currently being considered for development, subject to satisfactory due diligence.

<b>Top Ten Nickel Mining Countries/Regions (2008)</b> (in 000's metric tonnes of contained nickel)		<b>Top Ten Nickel Consuming Countries/Regions (2008)</b> (use in 000's metric tonnes of nickel)	
Russia	267.5	China	360.0
Canada	257.1	Japan	161.1
Indonesia	204.1	United States	119.6
Australia	191.0	Germany	95.0
New Caledonia (France)	102.6	Taiwan	57.0
Cuba	70.5	South Korea	49.8
China	68.4	Italy	45.1
Brazil	38.4	Belgium	44.9
Botswana	34.9	Spain	36.6
Philippines	34.8	Finland	34.5

Source: INSG World Nickel Statistics, 2009

**Figure 4.** General statistics of nickel mining and consumption for 2008, showing the position of Indonesia as number 3 in the production of nickel..

## 4 PROJECT DESCRIPTION

### 4.1 Location and Access

The Ussu Nickel concession area is located just east of the Angkona River in the Kecamatan of Malili, Kabupaten of Luwu Timur (East Luwu), Province of Sulawesi Selatan (South Sulawesi). The concession area, currently held as an exploration stage mining licence (IUP under the newly revised mining law or “izin usaha pertambangan”).

The concession area lies a few kilometres from the township of Malili, which is the coastal port town servicing the PT INCO operations at Sorowako. The concession is centred at E 121° 05' 34" and S 02° 34' 15".

Access to the concession area from Jakarta is to the provincial capital city of Makassar on the west coast of Sulawesi (commercial airlines for a flight time of 2 hours) and then via paved roads to Malili in approximately 12 hours using a conventional vehicle (Photograph 1). Malili is a small town but has access to accommodation facilities, shopping, banking and telecommunications, which makes it a suitable base for development of the project.



**Photograph 1.** Road access towards the concession area.

From Malili, the concession area can be reached in approximately 5 minutes, being less than 5 kilometres from the town, to the village of Ussu, a mere 1 kilometre from the initial area of interest. Access throughout the concession is via a series of well-established gravel-sheeted and dirt access roads established by the local village administration or logging companies.

The logistics for nickel handling are excellent, with the concession lying immediately adjacent to the Sungai Limo (Limo River), which is still tidal in the area of the concession, allowing continuous DSO operations and good access to the open sea for transshipment operations.

### 4.2 Climate and Rainfall

The climate in the project area is distinctly tropical monsoon with a wet and dry season. From the weather data of the Indonesian Department of Meteorology, the central parts of Indonesia the average monthly temperature ranges between 22-37°C, with cooler climates experienced in the higher mountain areas.

Rainfall statistics between 2001-2005 show higher average rainfall between October to April, marking the monsoon, with an average rainfall in the area (dependent on the location) of between 2000-4000 mm/annum.

#### **4.3 Demographics and Culture**

The main indigenous people in the region belong to the Luwu Buginese (Palopo). The Buginese are traditionally ocean-faring people with a distinctive culture and lifestyle closely tied to fishing and piracy. The other major group in the area originates from Java and several generations of Javanese have made a home, subsequent to resettlement, in the area. Balinese are a minority transmigrant community.

Other groups of recent settlers, including Torajans, Javanese and other migrants from around Indonesia have settled in the area since the construction of the PT INCO nickel operation at Soroako. The INCO operation employs a large number of direct staff but the operation supports a wider community of sub-contractors and their families.

The conditions and facilities in the Kecamatan Malili are not as progressive as at Sorowako, closest to the INCO operation. In some areas around the concession, the focus is also on agriculture and, in some cases, a subsistence style of life with small plantations of cocoa and palm oil.

The local population livelihood remains based on agricultural activities, as employees of the plantation companies in the area, employees and contractors of the INCO operation, general labourers and government employees. Small scale fishing and other trading activities are also pursued.

#### **4.4 Morphology**

The morphology of the concession area is dominantly flat to slightly undulating terrain in the south with occasional areas becoming undulating to hilly and mountainous in the north. In the south of the concession area, the relatively flat to swampy areas dominate toward to the coastline and comprise recent accumulations of unconsolidated alluvium along the coastline. To the north the slightly undulating to hilly/mountainous topography is dominated by ultramafic lithologies, with or without associated laterite/saprolite profiles above them. The range in elevation in the concession area is between 50-300 metres AMSL, based on data derived from the SRTM (*Shuttle Radar Topographic Mission*).

#### **4.5 Forestry Status**

An inspection of the local Forestry department maps reveals that the concession area falls within the category of Other Land Use. In such areas, forestry permits are not required (such as "pinjam pakai" or "borrowed use") for exploration or production. This is a distinct advantage, as there will be no delays in processing a forestry permit to initiate production from the area. This will allow a fast-track of the development of the concession area.



## 5 REGIONAL GEOLOGY

### 5.1 Regional Geology

Structure and geology of Malili Quadrangle show a typical collision complex in an active continental margin. Based on the structure, lithology, biostratigraphy and age, the region can be divided into two distinct structural domains, namely the *allochthonous* ophiolites and metamorphic rocks and the *autochthonous* Tertiary volcanics and the Sundaland continental margin, as well as the molasse Sulawesi Group. The Malili Quadrangle, as is the case with the remainder of East Sulawesi, exhibits a very intricate structural fabric as a result of tectonic movements that affected the area several times. Of most importance are faults and folds with minor scale joints and foliations.

Based on the lithological association, structures and biostratigraphy, regionally the Malili Quadrangle belongs to the East Sulawesi and West Sulawesi Geological Provinces, with their boundary being defined by the almost north-south trending Palu-Koro Faults. The East Sulawesi Geological Province can be divided into two belts, namely the Central Sulawesi Metamorphic Belt and the Eastern Sulawesi Ophiolite Belt consisting of metamorphic and mafic rocks associated with Mesozoic pelagic sediments.

The West Sulawesi Geological Province is characterised by the occurrence of Paleogene and Neogene volcanic arcs, Neogene granitic rocks and Mesozoic flysch sediment deposited in continental margin of Sundaland (Figure 6).

In the East Sulawesi Geological Province, the oldest rock is ophiolite comprising ultramafics including harzburgite, dunite, pyroxenite, wehrlite and serpentinite, in some places mafic rocks also occur, including gabbro and basalt. The age of the ophiolite is not definitely known but it is considered to be similar to that of the Cretaceous-Early Tertiary ophiolite in the East arm of Sulawesi (Simandjuntak *et al.*, 1986).

The rock formations of the East Sulawesi Geological Province found within the inspection area, from the oldest to the youngest, are as described in the following sections (Figure 7).

#### 5.1.1 *Ultramafic Complex (MTosu)*

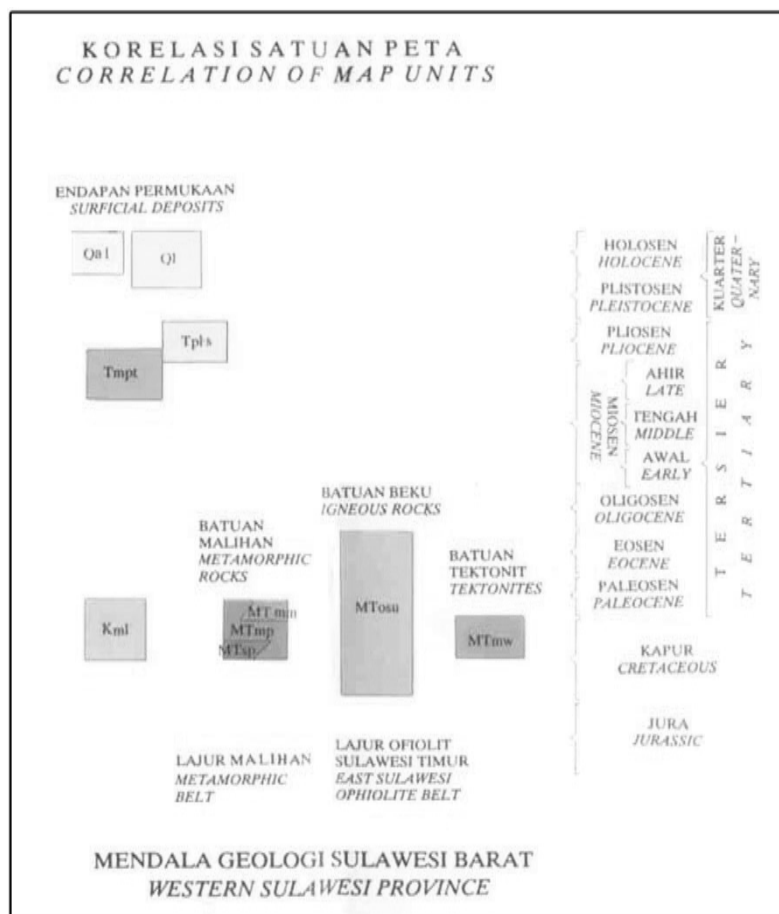
This rock unit comprises harzburgite, lherzolite, wehrlite, websterite, serpentinite and dunite.

The harzburgite is green to black; holocrystalline, welded and massive; the minerals are fine to coarse grained consisting of olivine (60%) and pyroxene (40%). In some places the formation shows foliation. Hacksaw structures are present and are typical for pyroxene and olivine as a result of re-crystallisation.

The lherzolite is black-green; holocrystalline, welded and massive with olivine (45%), pyroxene (25%) and the remainder comprising epidote, garnet and chlorite. The rock is fine to coarse grained. The wehrlite is black-green; has an aphanitic texture, is welded and massive; principally composed of olivine, serpentine, pyroxene and iddingsite. Serpentine and iddingsite are alteration products of the olivine.

The websterite is black-green, holocrystalline, welded and massive. Mainly composed of olivine and clino-pyroxene and is fine to medium grained. Also present are serpentine, chlorite, sericite and opaque minerals. The rock is sheared and mylonitized in some places, being very fine grained and displaying cataclastic structures.

Serpentinite is dark grey to black; welded and massive; has an aphanitic texture with constituent minerals of antigorite, clay and magnetite. The rock is commonly jointed and sheared showing slickensides of megascopic scale.



**Figure 6.** Regional Stratigraphy Setting of East Sulawesi Geological Province.

The dunite is black; welded and massive with an aphanitic texture. Constituent minerals are olivine, pyroxene, plagioclase, some serpentine and magnetite; the rock is fine to medium grained. Olivine is a principal mineral amounting to 90% of the rocks volume. Deviations and bending of twinning in the pyroxene indicate deformation of rock. In some places the rock is intensively serpentinised, as indicated by structural remnants such as net and veinlets of olivine and pyroxene, serpentine and talc as replacement minerals.

### 5.1.2 Alluvium (Qa1)

This rock unit is composed of mud, clay, sand, gravel and pebbles. This unit is the youngest rock in the investigation area. Fluvial, lagoonal and coastal sediments have been deposited and this process continues until the present day.

## 5.2 Concession Geology

The geology within the actual concession area appears to comprise only younger alluvium and ultramafic rocks. The ultramafic rocks occupy the areas of higher elevation in the centre and north of the eastern segment of the concession and the northeast corner of the western segment of the concession (Figure 7). The boundary of the ultramafic rocks can be clearly mapped using topography as a guide in the area. The younger alluvials dominate in the southern areas of the concession, closer to the coast and in the flat areas flanking the hills in the area.

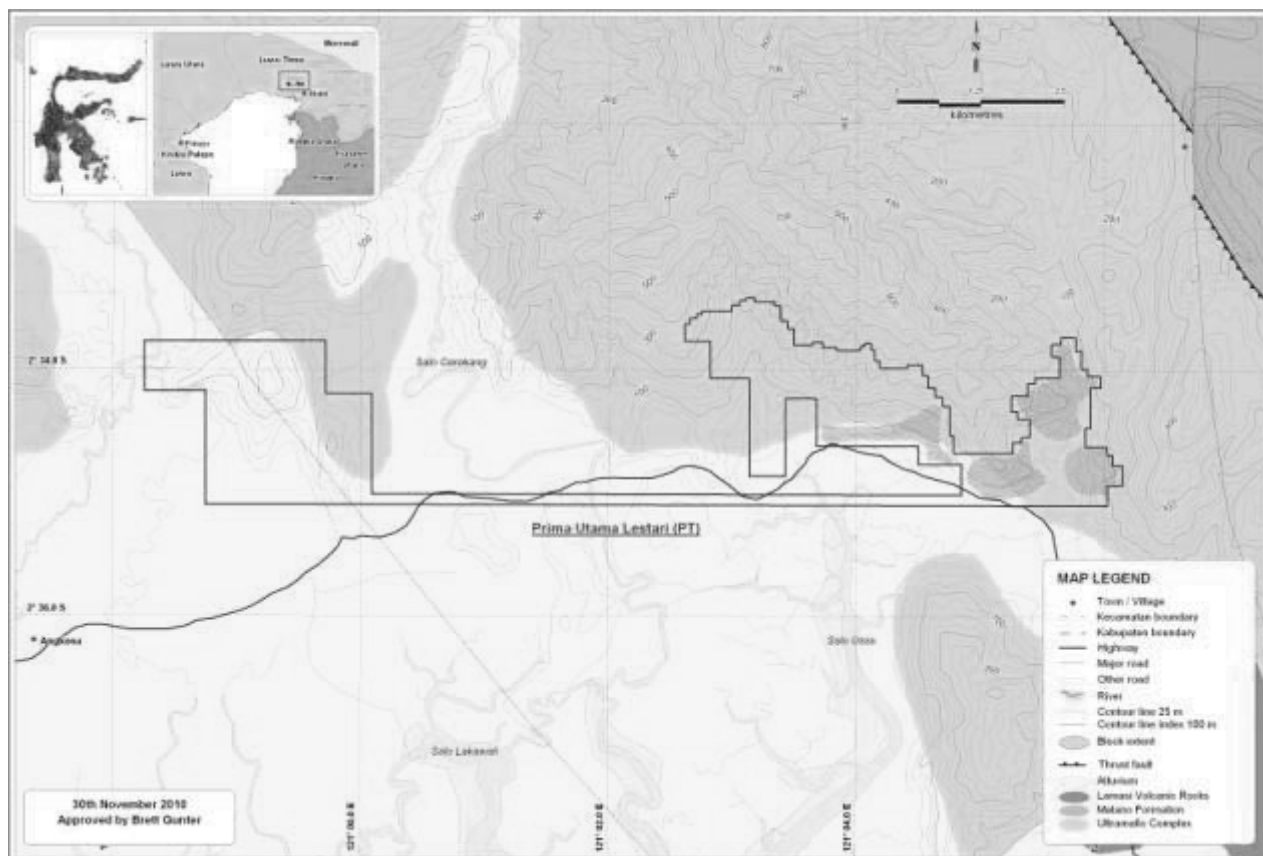


Figure 7. General geology map of the PT. Prima Utama Lestari (Ussu Project) concession areas.

### 5.3 Mineralisation

Mineralisation occurs as an enrichment of nickel and cobalt within a laterite/saprolite profile developed in areas above the ultramafic rocks. In some areas, well-developed garnierite can be seen within the transitional zone between the saprolite and the bedrock (Photograph 2). The mineralisation is further outlined in the sections below.

<p><b>Photograph 2.</b> Garnierite mineralisation developed in serpentinitised ultramafic rocks exposed in a trench in the concession area.</p>	
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## 6 EXPLORATION HISTORY

### 6.1 Drilling and Pitting Operations

The historic data comprises a series of 85 drill holes, on a spacing of approximately 200 x 200 metres in some areas of the property, for 1027 metres of advance. It was determined that a single drill hole was stopped in limonite, 31 holes completed in saprolite, 53 holes completed to bedrock (blue zone) and 24 holes stopped in ore. All drill holes were drilled vertically and the depths drilled ranged from 2.00-27.00 metres and averaged 10.53 metres.

A number of test pits have also been completed, with no analytical results available, and a number of excavator trenches have also been sampled (Photograph 3). The data was provided in Excel format and was accompanied by a set of GIS data in ArcGIS format.

The data set comprises 85 drill holes, with analytical results and 29 test pits, with no analytical results. In addition, a series of trench and surface samples, with analyses, were provided. The initial analysis of the data used the drilling and test pit results only to cover the main aspects of the deposit quickly. No aggressive data validation was conducted at this stage as the infill drilling programme will provide a better set of data for cross-validation.

The vendor has presented a report outlining an Exploration Target of 35-45Mt at 1.20-1.60% Ni and 10-15% Fe in the areas that had been drilled (vendor exploration report provided to GMT). This calculation does not comprise a resource reported in accordance with the JORC Code and is conceptual in nature. There would be a requirement for confirmation drilling to allow classification of a resource in accordance with the requirements of the JORC Code. The confirmation drilling would also require infilling between existing points of observation, as the current data is too wide to confidently predict the continuity of the laterite mineralisation. The area defined by the previous drilling and the location of the sample points is shown in Figure 8.

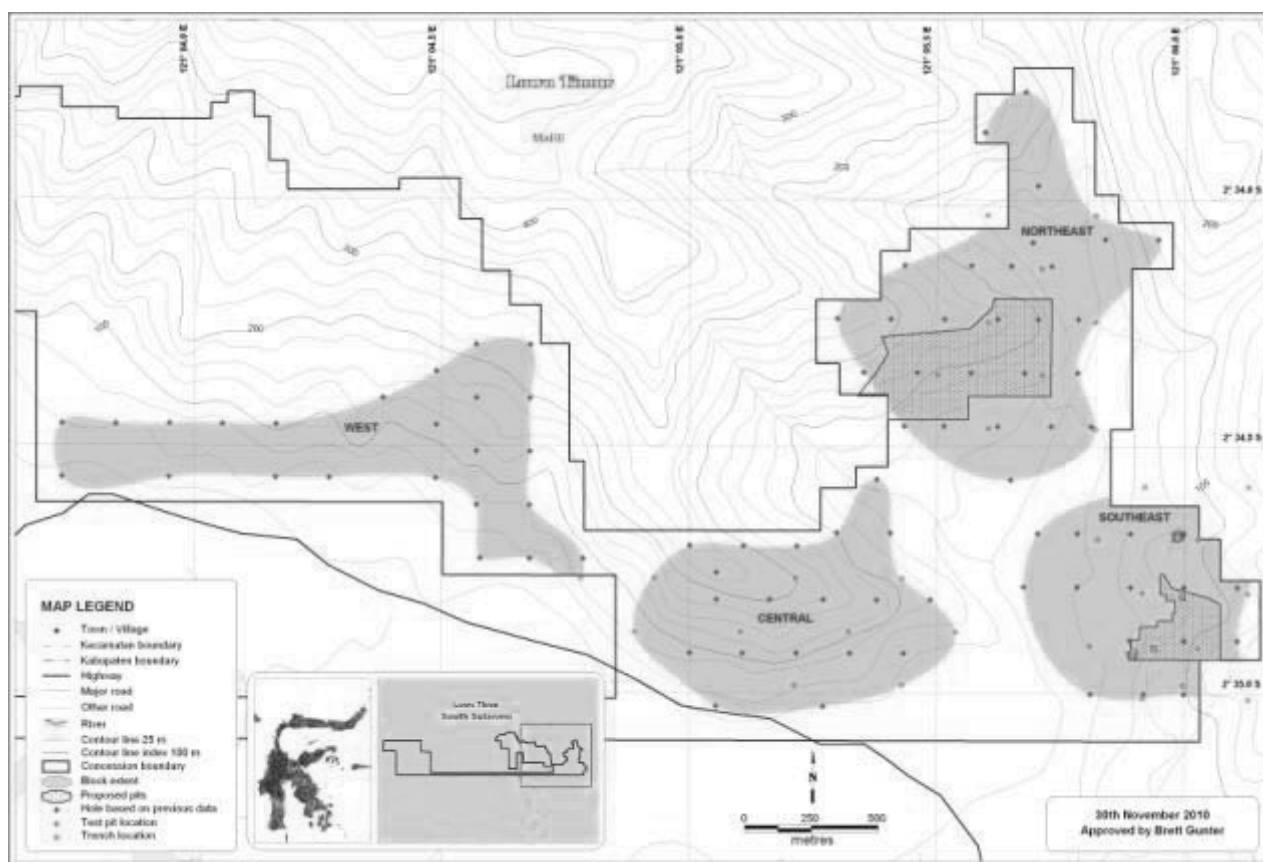


**Photograph 3.** Test pit excavated in the concession area but no analytical data is available for the excavations.

### 6.2 Evaluation

The data was reviewed by GMT and a basic geological model constructed for the areas defined by the previous exploration. The area of the exploration data was reviewed and 4 geographic blocks defined using the drill holes as the limiting factor on the block boundary. These blocks are defined as the Northeast Block, the Southeast Block, the Central Block and the Western Block (Figure 8). No extrapolation was made outside of the drilling data, as there is no geological map

at present to define the boundaries of the laterite developed above the ultramafic basement rocks.



**Figure 8.** Location of previous drilling and test-pitting in the concession area.

The basis of geological model was as follows:

1. The absence of a detailed geological map restricted the area of known mineralisation to be bounded by the current data set, this resulted in 4 areas being defined, the Western Block, the Central Block, the Northeast Block and the Southeast Block,
2. There is no detailed topography for the area, with the most usable set defined as the SRTM data set, therefore all drilling data was normalised to a flat surface for evaluation, this normalised data was then compared to the volumes of material based on a topographic model to ensure there were no large discrepancies due to natural slopes in the area, and,
3. The data as presented was utilised, there are no check analyses and the actual archiving of the data is rudimentary, with little supporting event data on what had previously been conducted in the area.

For the individual blocks defined by the data, the downhole information was entered into a new database structure and each block analysed to determine the potential grade and tonnage profiles of the mineralisation.

In assessing the data, two approaches were made, with the first assessment conducted using a collar normalised structure. That is, the collar data was adjusted to represent a flat surface at RL 0 and the profiles assessed based on the downhole information. This approach is considered acceptable in the absence of detailed topographic data and effectively removes the effects of topography on the geological profile of the laterites tested. The second stage involved an

assessment of the volumes generated by the normalised geological data in comparison to the profile based on the available topographic data (in this case the SRTM data was used as the base data set). The collar positions were draped over the SRTM topographic data and the volumes recalculated.

In all cases, the difference in volume was negligible and it was determined that the normalised or topographic-based profiles were similar in magnitude for the current detail of the data set.

In assessing each of the blocks, we have estimated the following Exploration Target, as defined by the current data:

**40-50Mt @ 1.50-1.60% Ni, which is divided into:**

- 15-20Mt @ 1.20-1.30% Ni in limonite, and,
- 25-30Mt @ 1.70-1.80% Ni in saprolite.

It is normal for companies to quote Exploration Targets within the context of existing data but this should not be interpreted as being a resource. An Exploration Target commonly has aspects that can define an area for further testing but there is no surety that an Exploration Target can be eventually defined as a resource or that the volumes and grades can ultimately be achieved through further work. This Exploration Target outlined above is conceptual in nature and will require infill drilling to further define and validate the deposit size and grade of contained nickel that has been previously reported.

### **6.3 Ongoing Works**

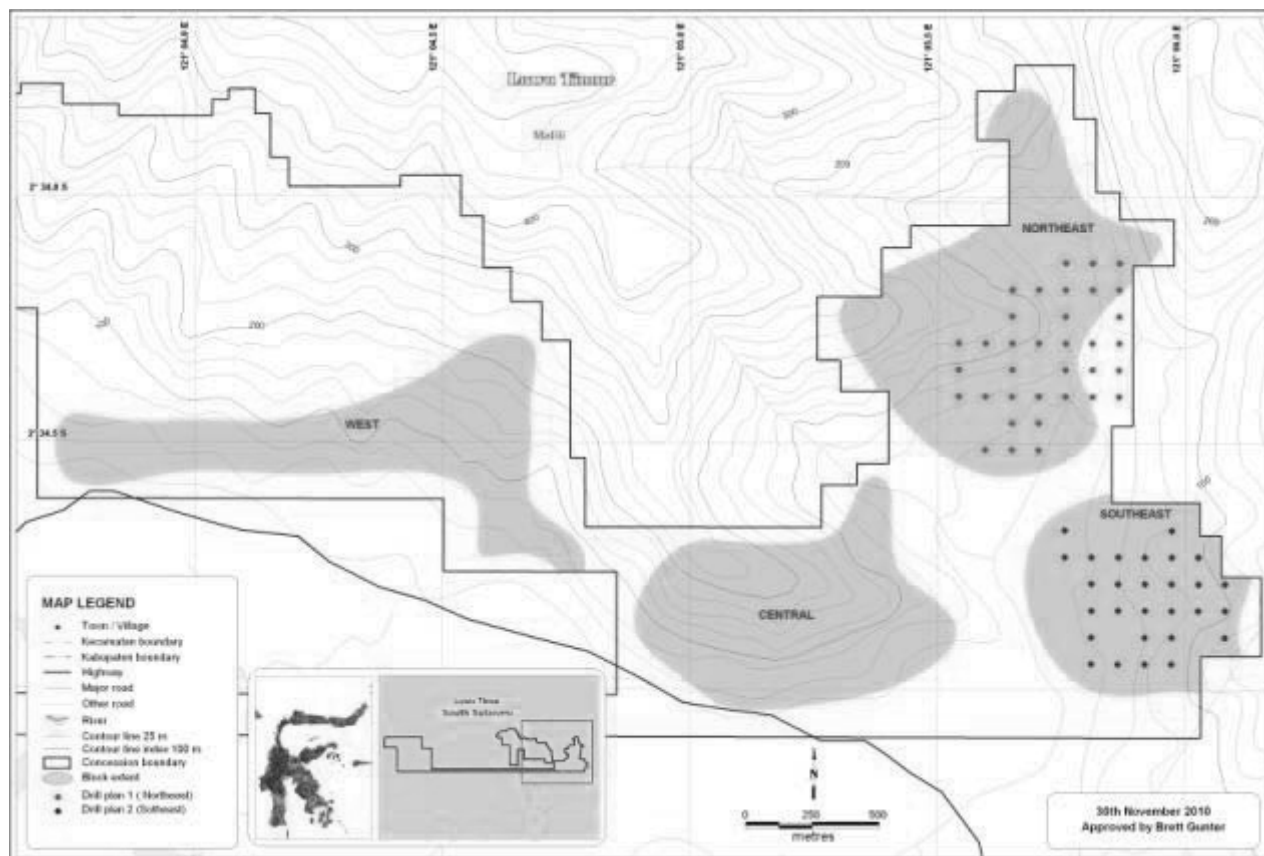
To further evaluate the concession area, particularly to confirm the historic data, the following is being implemented in the concession area:

1. Conducting additional infill drilling in the eastern 2 blocks (Northeast and Southeast Blocks), using full-coring methods and ensuring the bedrock is reached in each drill hole,
2. Conducting XRF analyses for a wide range of elements (Ni laterite package) with 5% check sampling at an alternate laboratory and 5% repeat samples,
3. Complete geological mapping in the area to outline the limits of the ultramafic rocks and laterite mineralisation,
4. Conduct shallow augering in areas peripheral to the main mineralised zones to allow the definition of a mineralised boundary in each of the areas defined, and,
5. Conduct scout augering based on the geological mapping to test areas that have yet to be tested by drilling or other forms of sampling.

Figure 9 outlines the first pass exploration infilling and drilling. The drilling should continue, if the results are considered positive, to further define the resources.

To further outline the development options for the concession area, detailed topographic data will be required. In such areas, LIDAR data collection may be considered appropriate as the area to be assessed is large. The LIDAR data is suitable for engineering design, mine design and also forms an excellent exploration data set for further work. The other alternative is terrestrial-based topographic data collection, which will require a longer time frame to collect and will not be as accurate as the LIDAR data.

As at the date of this report (31<sup>st</sup> January 2011) 1010.50 metres of drilling has been completed. The geological logs from the drilling indicate that the average depth of laterite, including the nickel-bearing horizon, is thicker than previously defined. This may be in part due to the current drilling being consistently terminated in bedrock, which was not always the case previously, and has resulted in thicker sections of saprolite material being defined.



**Figure 9.** First stage drill plan for the eastern mineralised areas to reduce the drill spacing to 100 x 100 metres and confirm previously reported mineralisation and grades.

The drilling plan outlined is a first step to intensify the fidelity of the data set and to confirm the results of the previous exploration. The infilling of the previous drilling area will allow a resource categorisation to be made when complete and allow the development of a start-up option for the project. The analyses is covering a wider range of essential elements and contaminants to allow a better marketing strategy and will give a better overview of the full depth profile of the nickel mineralisation within the area tested.

The analysis of the samples is ongoing and, when all of the data has been received, the database will be updated and the geological model reviewed based on the historical and new data. This will allow a further clarification and definition of the mineralisation in the concession area. The infill drilling should also allow the definition of a resource, if the results are consistent with the historical data.

Subsequent infill drilling will then be required to further categorise the deposit. It is anticipated that the eastern blocks would be the most attractive to define first, mainly as access is good and the historic data set is sufficiently large to allow a rapid infilling of data in the area. Historical testing of the laterite profile has shown the grade of nickel in the saprolite and the thickness of the laterite horizon would be sufficient to outline development options for the project.

## 7 CONCLUSIONS

This report has assessed the geological characteristics of the PT Prima Utama Lestari (PUL) concession area in South Sulawesi based on the current data set. The concession contains accumulations of nickel-bearing laterite and saprolite mineralisation, which has formed over a sequence of ultramafic rocks close to the coast of Bone Bay near the town of Malili.

The Ussu Nickel concession area is located just east of the Angkona River in the Kecamatan of Malili, Kabupaten of Luwuk Timur (East Luwuk), Province of Sulawesi Selatan (South Sulawesi).

The morphology of the concession area is dominantly flat to slightly undulating terrain in the south with occasional areas becoming undulating to hilly and mountainous in the north. In the south of the concession area, the relatively flat to swampy areas dominate toward to the coastline and comprise recent accumulations of unconsolidated alluvium along the coastline. To the north the slightly undulating to hilly/mountainous topography is dominated by ultramafic lithologies, with or without associated laterite/saprolite profiles above them. The range in elevation in the concession area is between 50-300 metres AMSL.

The geology within the actual concession area appears to comprise only younger alluvium and ultramafic rocks. The ultramafic rocks occupy the areas of higher elevation in the centre and north of the eastern segment of the concession and the northeast corner of the western segment of the concession. The boundary of the ultramafic rocks can be clearly mapped using topography as a guide in the area. The younger alluvials dominate in the southern areas of the concession, closer to the coast and in the flat areas flanking the hills in the area.

Mineralisation occurs as an enrichment of nickel and cobalt within a laterite/saprolite profile developed in areas above the ultramafic rocks. In some areas, well-developed garnierite can be seen within the transitional zone between the saprolite and the bedrock.

The present data comprises a series of 85 drill holes, on a spacing of approximately 200 x 200 metres in some areas of the property, for 1027 metres of advance. It was determined that a single drill hole was stopped in limonite, 31 holes completed in saprolite, 53 holes completed to bedrock (blue zone) and 24 holes stopped in ore.

The vendor has presented a report outlining an Exploration Target of 35-45Mt at 1.20-1.60% Ni and 10-15% Fe in the areas that had been drilled (vendor exploration report provided to GMT). The data and the methodology are not sufficient to classify this figure as a resource in accordance with the requirements of the JORC Code, remaining conceptual in nature, with reliable infill drilling being required to validate this zone of mineralisation further to a point where a resource could be estimated.

The data was reviewed by GMT and a basic geological model constructed for the areas defined by the previous exploration. The area of the exploration data was reviewed and 4 geographic blocks defined using the drill holes as the limiting factor on the block boundary. These blocks are defined as the Northeast Block, the Southeast Block, the Central Block and the Western Block. No extrapolation was made outside of the drilling data, as there is no geological map at present to define the boundaries of the laterite developed above the ultramafic basement rocks. In assessing each of the blocks, we have estimated the following global Exploration Target, as defined by the current data:

### **40-50Mt @ 1.50-1.60% Ni, which is divided into:**

- 15-20Mt @ 1.20-1.30% Ni in limonite, and,
- 25-30Mt @ 1.70-1.80% Ni in saprolite.

This Exploration Target is conceptual in nature and requires further infill drilling to validate the deposit size and grade of contained nickel.



## **8 REFERENCES**

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**Golightly, J.P., 1981.** Nickeliferous Laterite Deposits. in Economic Geology, 75<sup>th</sup> Anniversary Volume pp.710 -735.

**Simanjuntak, T.O., Rusmana, E., Suroso and Supandjono, J.B.** Geology of the Malili Quadrangle, Sulawesi, Department of Mines and Energy, Directorate General of Geology and Mineral Resources, Geological Research and Development Centre.

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## SCHEDULE 3

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### PROPOSED CLASS B PERFORMANCE SHARES TERMS AND CONDITIONS

#### 1.1 Terms of Performance Shares

- (a) **(Performance Shares)** Each Performance Share is a share in the capital of Victory West Moly Limited (Company).
- (b) **(General Meetings)** Performance Shares shall confer on the holder (Holder) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. Holders have the right to attend general meetings of shareholders of the Company.
- (c) **(No Voting Rights)** Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.
- (d) **(No Dividend Rights)** Performance Shares do not entitle the Holder to any dividends.
- (e) **(Rights on Winding Up)** Performance Shares participate in the surplus profits or assets of the Company upon winding up of the Company only to the extent of \$0.0001 per Performance Share.
- (f) **(Reorganisation of Capital)** If at any time the issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the ASX Listing Rules at the time of reorganisation.
- (g) **(Application to Recognised Securities Exchange)** Performance Shares will not be quoted on the ASX. However, upon conversion of the Performance Shares into fully paid ordinary shares (Ordinary Shares) in accordance with the Milestones, if the Company's Shares are quoted on the ASX at the time of conversion, the Company must within seven (7) days after the conversion, apply for the official quotation of the Ordinary Shares arising from the conversion on the ASX.
- (h) **(No Participation in Entitlements and Bonus Issues)** Holders of Performance Shares will not be entitled to participate in new issues of capital offered to holders of Ordinary Shares such as bonus issues and entitlement issues until the Performance Shares are converted into Ordinary Shares.
- (i) **(No Other Rights)** The Performance Shares give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.
- (j) **(Not Transferable)** The Performance Shares are not transferable.

#### 1.2 Conversion of the Performance Shares

- (a) **(Conversion on achievement of the milestone)** Each Performance Share will convert into one (1) Ordinary Share within 10 Business Days of a JORC inferred resource of not less than 10 million tonnes of nickel with a grade of no less than 1.5% being reported by the Company either within the permit (the "**Milestone**").
- (b) **(Takeovers threshold):** The Performance Shares will not convert into Ordinary Shares to the extent that such conversion would, at the date of conversion, result in the Holder (or any other person) breaching the 20% prohibition set out in Section 606 of the Corporations Act.
- (c) **(Redemption if Milestone not Achieved)** If the Milestone is not achieved within 4 years from the date of issue of the Performance Shares, then all of the Performance Shares held by the Holder will be redeemed by the Company for the sum of \$0.00001 per Performance Share within 10 Business Days thereafter.
- (d) **(Conversion Procedure)** The Company will issue the Holder with a new holding statement for the Ordinary Shares as soon as practicable following the conversion of the Performance Shares into Ordinary Shares in accordance with condition 1.2(a).
- (e) **(Ranking of Shares)** The Ordinary Shares into which the Performance Shares will convert will rank pari passu in all respects with existing Ordinary Shares.

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## SCHEDULE 4

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### PROPOSED CLASS C PERFORMANCE SHARES TERMS AND CONDITIONS

#### 1.1 Terms of Performance Shares

- (a) **(Performance Shares)** Each Performance Share is a share in the capital of Victory West Moly Limited (Company).
- (b) **(General Meetings)** Performance Shares shall confer on the holder (Holder) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. Holders have the right to attend general meetings of shareholders of the Company.
- (c) **(No Voting Rights)** Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.
- (d) **(No Dividend Rights)** Performance Shares do not entitle the Holder to any dividends.
- (e) **(Rights on Winding Up)** Performance Shares participate in the surplus profits or assets of the Company upon winding up of the Company only to the extent of \$0.0001 per Performance Share.
- (f) **(Reorganisation of Capital)** If at any time the issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the ASX Listing Rules at the time of reorganisation.
- (g) **(Application to Recognised Securities Exchange)** Performance Shares will not be quoted on the ASX. However, upon conversion of the Performance Shares into fully paid ordinary shares (Ordinary Shares) in accordance with the Milestones, if the Company's Shares are quoted on the ASX at the time of conversion, the Company must within seven (7) days after the conversion, apply for the official quotation of the Ordinary Shares arising from the conversion on the ASX.
- (h) **(No Participation in Entitlements and Bonus Issues)** Holders of Performance Shares will not be entitled to participate in new issues of capital offered to holders of Ordinary Shares such as bonus issues and entitlement issues until the Performance Shares are converted into Ordinary Shares.
- (i) **(No Other Rights)** The Performance Shares give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.
- (j) **(Not Transferable)** The Performance Shares are not transferable.

#### 1.2 Conversion of the Performance Shares

- (a) **(Conversion on achievement of the milestone)** Each Performance Share will convert into one (1) Ordinary Share within 10 Business Days of PT PUL upgrading its exploration concession to a Production & Operational IUP (the "**Milestone**").
- (b) **(Takeovers threshold):** The Performance Shares will not convert into Ordinary Shares to the extent that such conversion would, at the date of conversion, result in the Holder (or any other person) breaching the 20% prohibition set out in Section 606 of the Corporations Act.
- (c) **(Redemption if Milestone not Achieved)** If the Milestone is not achieved within 4 years from the date of issue of the Performance Shares, then all of the Performance Shares held by the Holder will be redeemed by the Company for the sum of \$0.00001 per Performance Share within 10 Business Days thereafter.
- (d) **(Conversion Procedure)** The Company will issue the Holder with a new holding statement for the Ordinary Shares as soon as practicable following the conversion of the Performance Shares into Ordinary Shares in accordance with condition 1.2(a).
- (e) **(Ranking of Shares)** The Ordinary Shares into which the Performance Shares will convert will rank pari passu in all respects with existing Ordinary Shares.

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## SCHEDULE 5

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### PROPOSED CLASS D PERFORMANCE SHARES TERMS AND CONDITIONS

#### 1.1 Terms of Performance Shares

- (a) **(Performance Shares)** Each Performance Share is a share in the capital of Victory West Moly Limited (Company).
- (b) **(General Meetings)** Performance Shares shall confer on the holder (Holder) the right to receive notices of general meetings and financial reports and accounts of the Company that are circulated to shareholders. Holders have the right to attend general meetings of shareholders of the Company.
- (c) **(No Voting Rights)** Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of shareholders of the Company.
- (d) **(No Dividend Rights)** Performance Shares do not entitle the Holder to any dividends.
- (e) **(Rights on Winding Up)** Performance Shares participate in the surplus profits or assets of the Company upon winding up of the Company only to the extent of \$0.0001 per Performance Share.
- (f) **(Reorganisation of Capital)** If at any time the issued capital of the Company is reconstructed, all rights of a Holder will be changed to the extent necessary to comply with the ASX Listing Rules at the time of reorganisation.
- (g) **(Application to Recognised Securities Exchange)** Performance Shares will not be quoted on the ASX. However, upon conversion of the Performance Shares into fully paid ordinary shares (Ordinary Shares) in accordance with the Milestones, if the Company's Shares are quoted on the ASX at the time of conversion, the Company must within seven (7) days after the conversion, apply for the official quotation of the Ordinary Shares arising from the conversion on the ASX.
- (h) **(No Participation in Entitlements and Bonus Issues)** Holders of Performance Shares will not be entitled to participate in new issues of capital offered to holders of Ordinary Shares such as bonus issues and entitlement issues until the Performance Shares are converted into Ordinary Shares.
- (i) **(No Other Rights)** The Performance Shares give the Holders no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.
- (j) **(Not Transferable)** The Performance Shares are not transferable.

#### 1.2 Conversion of the Performance Shares

- (a) **(Conversion on achievement of the milestone)** Each Performance Share will convert into one (1) Ordinary Share after the Purchaser has commenced commercial production, which shall mean three consecutive calendar months of nickel deliveries of at least 50,000 tonnes of nickel ore per month (the "**Milestone**").
- (b) **(Takeovers threshold):** The Performance Shares will not convert into Ordinary Shares to the extent that such conversion would, at the date of conversion, result in the Holder (or any other person) breaching the 20% prohibition set out in Section 606 of the Corporations Act.
- (c) **(Redemption if Milestone not Achieved)** If the Milestone is not achieved within 4 years from the date of issue of the Performance Shares, then all of the Performance Shares held by the Holder will be redeemed by the Company for the sum of \$0.00001 per Performance Share within 10 Business Days thereafter.
- (d) **(Conversion Procedure)** The Company will issue the Holder with a new holding statement for the Ordinary Shares as soon as practicable following the conversion of the Performance Shares into Ordinary Shares in accordance with condition 1.2(a).
- (e) **(Ranking of Shares)** The Ordinary Shares into which the Performance Shares will convert will rank pari passu in all respects with existing Ordinary Shares.

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## **SCHEDULE 6**

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### **RISK FACTORS**

The USSU Nickel Project is located in Sulawesi, Indonesia, which is a developing country and has associated political, economic, legal and social risks including political instability, unrest and inefficiency. Consideration should be given to the risks associated with operating in Indonesia as it has an economic and legal system different from that of Australia. There can be no assurance that the system of government and the political system will become more stable or that it will not become less stable. There can be no guarantee that government regulations relating to foreign investment, repatriation of foreign currency, taxation and the mining industry in Indonesia will not change in the future to the detriment of the Company's business. Outcomes before courts in Indonesia may be less predictable than in Australia, which would affect the enforceability of contracts entered into by the Company in Indonesia.

The Company has made investment and strategic decisions based on information currently available to the Directors. Should there be any material change in the political, economic, legal or social environments in Indonesia, the Directors may reassess investment decisions and commitments to its assets in Indonesia.

The Indonesian Government may from time to time review the environment bonds or other guarantees that are placed on tenements. The Directors are not in a position to state whether a review is imminent or whether the outcome of such a review would be detrimental to the funding needs of the Company.

#### **Exploration Costs Risk**

The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimated and assumed. Accordingly, no assurance can be given that the cost estimate and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

#### **Exploration Success**

The mineral tenements of the Company are at various stages of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings.

There can be no assurance that exploration of the project areas, or any other tenements that may be acquired in the future, will result in the discovery of economic ore deposits. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

#### **Operating Risks**

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits; failure to achieve predicted grades in exploration and mining; operational and technical difficulties encountered in mining; difficulties in commissioning and operating plant and equipment; mechanical failure or plant breakdown; obtaining necessary licenses, unanticipated metallurgical problems which may affect extraction costs; lack of market demand; force majeure; adverse weather conditions; industrial and environmental accidents; industrial disputes; and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment; adverse geological, seismic and geotechnical conditions.

#### **No Profit to Date**

The Company has incurred operating losses since its inception and it is therefore not possible to evaluate its prospects based on past performance. No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its tenement interests. Until the Company is able to realise value from its projects, it is likely to incur ongoing operational losses.

#### **Resource Estimates**

Resource estimates are expressions of judgment based on knowledge, experience and industry practice. Estimates which were valid when originally calculated may alter significantly when new information or techniques become available. In addition, by their very nature, resource estimates are imprecise and depend to some extent on interpretations, which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and mining plans which may in turn adversely affect the Company's operations and the value of its securities. Please also refer to comments made in Section 1.6 of the Explanatory Statement.

### **Commodity Price Volatility and Exchange Rate Risks**

If the Company achieves success leading to mineral production, the revenue it will derive through the sale of commodities exposes the potential income of the Company to commodity price and exchange rate risks. Commodity prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations for precious and base metals, technological advancements, forward selling activities and other macro-economic factors.

### **Compliance and Tenement Maintenance Risk**

The Company has acquired an interest in various mining concessions. Title to these concessions is subject to the Company, as concession holder, complying with the terms and conditions of each concession, including any agreed annual work programs, community development and environmental obligations. Additionally, there are other mining law requirements that need to be adhered which include but are not limited to agreed annual work commitments, forestry regulation etc.

There is a risk that if the Company's controlled entity does not comply with the terms and conditions of each concession, it may lose its interest in the relevant concession.

The Company has developed appropriate policies and practices to mitigate the risk of breaching the terms and conditions attaching to all of the assets it has acquired.

### **Future Capital Needs**

Further funding will be required by the Company to support its ongoing activities and operations. There can be no assurance that funding will be available on satisfactory terms or at all. Any inability to obtain finance will adversely affect the business and financial condition of the Company and, its performance. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro rata basis to existing Shareholders, the percentage ownership of Shareholders may be reduced. Shareholders may experience subsequent dilution. There can be no guarantee that any capital raisings will be successful.

### **Unforeseen Expenditure Risk**

Expenditure may need to be incurred that has not been taken into account by the Company. Although the Company is not aware of any such additional expenditure requirements, if such expenditure is subsequently incurred, this may adversely affect the expenditure proposals of the Company.

### **Economic and Government Risk**

There is a risk that the price of Shares and returns to Shareholders may be affected by changes in:

- local and world economic conditions;
- interest rates;
- levels of tax, taxation law and accounting practice;
- government legislation or intervention;
- inflation or inflationary expectations; and
- natural disasters, social upheaval or war in Australia or overseas, as well as other factors beyond the control of the Company.

### **Share Market Conditions**

The price of Shares when quoted on ASX will be influenced by international and domestic factors affecting conditions in equity, financial and commodity markets. These factors may affect the general level of prices for listed securities of mining and exploration companies quoted on ASX.

### **Mineral Marketing and Mineral Prices**

In the event that the Company's exploration is successful and the Company goes on to develop a nickel and or molybdenum mine, the marketability of the nickel and or molybdenum produced will depend upon the requirements and demand from the international and domestic marketplace.

Customers may default on their contractual obligations with the Company. Potential contractual default may include non payment for nickel and or molybdenum or failure to take delivery of contracted volumes. Should such a default occur, the Company may be unable to find other customers. Depressed nickel and or molybdenum prices would affect the business. Future revenues, operating results, profitability, future rate of growth and the carrying value of the properties of the Company depend heavily on prevailing market process for nickel and or molybdenum. Any substantial or extended decline in the price of nickel and or molybdenum would have a material adverse effect on the financial condition and results of operations.

Various factors beyond the contract of the Company may affect prices of nickel and or molybdenum, including but not limited to the following:

- exchange rates;
- domestic and international suppliers of nickel and or molybdenum;
- economic conditions;
- consumer demand
- price trends for nickel and or molybdenum product types;
- the price, availability and acceptance of alternate products;
- weather conditions; and
- actions of regional, local and foreign authorities.

Hedging transactions may limit potential gains. To manage exposure of the Company to price risks in marketing of nickel and or molybdenum, the Company may enter into nickel and or molybdenum price and or foreign currency hedging arrangements with respect to its production. While intended to reduce the effects of volatile nickel and or molybdenum prices, these arrangements may limit potential gains if nickel and or molybdenum prices were to rise substantially over the price established by the hedge. In addition, such transactions may expose the Company to the risk of financial loss.

### **Environmental Impact Constraints**

The Company's exploration and appraisal programs will, in general, be subject to approval by government authorities. Development of any nickel and or molybdenum resources will be dependent on the project meeting environmental guidelines and gaining approvals by governmental authorities.

### **Landowner Risk**

The Company may be required to pay compensation to landowners, local authorities, traditional land users and others who have an interest in the area covered by a mining concession. The Company's ability to resolve compensation issues and compensation costs involved will have an impact on the future success and financial performance of the Company's mining operations. If the Company is unable to resolve such compensation claims on economic terms, this could have a materially adverse effect on the business, results or operations and financial condition of the Company.

### **Competition**

The Company will compete with other companies, including major nickel and molybdenum companies. Some of these companies have greater financial and other resources than the Company and, as a result, may be in a better position to compete for future business opportunities. In addition new entrants may commence nickel and molybdenum exploration and development in Indonesia. There can be no assurance that the Company can compete effectively with these companies.

### **Insurance**

Insurance against all risks associated with nickel and molybdenum exploration and mining is not always available or affordable. The Company will maintain insurance where it is considered appropriate for its needs however, it will not be insured against all risks either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

### **Uninsurable risks**

Exploration, development and production operations on mineral properties involve numerous risks, including unexpected or unusual geological operating conditions, rock bursts, cave-ins, fires, floods, earthquakes and other environmental occurrences, and political and social instability. It is not always possible to obtain insurance against all such risks and the Company may decide not to insure against certain risks because of high premiums or other reasons. Should such liabilities arise, they could reduce or eliminate any further profitability and result in increasing costs and a decline in the value of the securities of the Company. Initially, the Company will not maintain insurance against operational, political or environmental risks.

### **Foreign investment requirements risk**

The Company and Oceantide are in the process of forming a number of wholly or substantially owned foreign entities in Indonesia and Singapore as specific project vehicles in Indonesia and Singapore to conduct the broader range of operations and logistics management. Indonesia has strict foreign exchange controls which need to be considered as far as repatriation of funds to Australia and elsewhere is concerned. These controls may have an adverse effect on the financial position, financial performance, cash flows, growth prospects, ability to pay dividends and the share price of the Enlarged Company.

### **Challenges to the ownership or nature of titles and other rights**

The Company will be exposed to challenges to the ownership or nature of titles and other rights by its partners, Indonesian government authorities or third parties.

The ability of the Company (including any subsidiary) to take legal ownership of its interests in shares of the relevant mining concession holders remains subject to, amongst other things, regulatory approval for conversion into a PMA Mining Company.

### **Exploration and Development Risks**

The business of mineral exploration, project development and production, by its nature, contains elements of significant risk with no guarantee of success. Ultimate and continuous success of these activities is dependent on many factors such as:

- the discovery and/or acquisition of economically recoverable reserves;
- access to adequate capital for project development;
- design and construction of efficient development and production infrastructure within capital expenditure budgets;
- securing and maintaining title to interests;
- obtaining consents and approvals necessary for the conduct of nickel and or molybdenum exploration, development and production;
- securing suitable plant and equipment, particularly given equipment utilisation rates are high in the current period of global exploration/production activity, hence completion for such equipment may also be high;
- access to competent operational management and prudent financial administration, including the availability and reliability of appropriately skilled and experienced employees, contractors and consultants.

Whether or not income will result from projects undergoing exploration and development programs depends on successful exploration and establishment of production facilities. Factors including costs, actual coal reserves and resources, grade, transportation and reliability and commodity prices affect successful project development and operations.

Exploration and production activities carry risk as such activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, shortages or delays in the delivery of drill rigs or other equipment.

Industry operating risks include fire, explosions, industrial disputes, cave-ins, unexpected shortages or increases in the cost of consumables, spare parts, plant and equipment, mechanical failure and breakdown, blow outs, environmental hazards such as accidental spills of leakage of liquids, ruptures, discharge of toxic gases or geological uncertainty. The occurrence of any of these risks could result in legal proceedings against the Company and substantial losses due to injury or loss of life, damage to or destruction of property, natural resources or equipment, pollution or other environmental damage, cleanup responsibilities,



regulatory investigation, and penalties or suspension of operations. Damage occurring to third parties as a result of such risks may give rise to claims against the Company.

There is no assurance that any exploration on current or future interests will result in the discovery of an economic deposit of nickel or molybdenum. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically developed.

In addition, the Company will be subject to multi-jurisdictional compliance with governmental regulations in relation to licence conditions, the environment and operational conduct.

### **Country Risk**

The Company's operations will be in Australia and Indonesia whose economy is subject to many global and internal forces beyond the control of the Company. Changes in the general economic and political climate in Indonesia, Australia and on a global basis that could impact on economic growth, the reformation of government structure or industry, change on mining policies and contract interpretation, nickel and molybdenum prices, interest rates, the rate of inflation, taxation and tariff laws, domestic security which may affect the value and viability of any nickel and or molybdenum activity that may be conducted by the Company.

Operating in a foreign country such as Indonesia has inherent risks which may impact adversely on the financial position, financial performance, cash flows, growth prospects, ability to pay dividends and the share price of the Company.

The following risks are specifically noted:

- Changes in government policies
- Economic considerations
- Legal considerations
- Foreign investment requirements
- Challenges to the ownership or nature of titles and other rights
- Devaluation or appreciation of rupiah
- Timing considerations

### **Joint Venture Parties, Contractors and Contractual Disputes**

With respect to this issue, the Directors are unable to predict the risk of:

- financial failure or default by a participant in any joint venture to which the enlarged Company may become a party; or
- insolvency or other managerial failure by any of the operators and contractors used by the enlarged Company in its exploration activities; or
- insolvency or other managerial failure by any of the other service providers used by the enlarged Company or its operators for any activity.

### **Retention of key business relationships**

The Company relies on strategic relationships with other entities such as joint venture and farm-in parties and also on good relationships with regulatory and governmental departments. It will also rely upon third parties to provide essential contracting services.

While the Company has no reason to believe otherwise, there can be no assurance that the Company's existing relationships will continue to be maintained or that new ones will be successfully formed and the Company could be adversely affected by changes to such relationships or difficulties in forming new ones. Any circumstance, which causes the early termination or non-renewal of one or more of these key business alliances or contracts, could adversely impact the Company, its business, operating results and prospects.

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## SCHEDULE 7

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### TERMS AND CONDITIONS OF THE OPTIONS TO BE ISSUED TO MR ERWIN - RESOLUTION 6

- (a) Each Option entitles the holder to subscribe for one ordinary share in Victory West Moly Limited ("**Company**") upon the payment of 25 cents per share ("**Exercise Price**").
- (b) The Options have an expiry date of 1 September 2014 ("**Expiry Date**").
- (c) The Options will be unlisted and non-transferable.
- (d) The Options will vest subject to the following vesting conditions:
  - a. Vesting of 1,500,000 Options is subject to the Company completing due diligence on the USSU Nickel project ("**Vesting Condition A**"); and
  - b. Vesting of 3,500,000 Options is subject to the commencement of DSO Production from the USSU Nickel Project. Commencement of DSO production means upon the loading to a barge of the initial cumulative one hundred and fifty thousand (150,000) wet metric tonnes of nickel ore from the USSU Nickel project ("**Vesting Condition B**"),  
  
(together, "**Vesting Conditions**").
- (e) In order for all Options to vest to allow conversion, both Vesting Condition A and Vesting Condition B must be met by the Company. If only one Vesting Condition is met prior to the Expiry Date then only those Options subject to the Vesting Condition which has been met are able to be converted by the Option holder.
- (f) The Board in its absolute discretion may determine the extent to which any unvested options that have not lapsed will become vested.
- (g) Subject to the Vesting Conditions, an Option may be exercised by the Option holder at any time prior to the Expiry Date by sending a completed and signed notice of exercise, together with the payment of the Exercise Price and the statement for the Option, to the Company's Share Registry. If the Option holder holds more than one Option, the Options may be exercised in whole or in part. The Company will issue the Option holder with a fresh statement for the balance of the Options held and not yet exercised.
- (h) A notice of exercise is only effective when the Company has received the full amount of the Exercise Price in cash or cleared funds.
- (i) Subject to any restrictions in the ASX Listing Rules, within 14 days of receipt of a properly executed notice of exercise and the required application moneys the number of shares specified in the notice will be allotted.
- (j) The Option holder is not entitled to participate in new issues of securities offered to shareholders. The Option holder can participate in new issues of securities offered to shareholders if the Option is exercised before the relevant record date for that new issue.
- (k) If from time to time before the expiry of the Options the Company makes an issue of shares to the shareholders by way of capitalisation of profits or reserves (a "**bonus issue**"), other than in lieu of a dividend payment, then upon exercise of an Option the Option holder will be entitled to have issued to it, in addition to the shares which it is otherwise entitled to have issued to it upon such exercise, additional shares in the Company. The number of additional shares is the number of shares which would have been issued to it under that bonus issue ("**bonus shares**") as if on the date on which entitlements were calculated it had been registered as the holder of the number of shares which it would have been registered as holder if immediately before that date it had exercised its Options. The bonus shares will be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the bonus issue and upon issue will rank pari passu in all respects with the other shares allotted upon exercise of the Options.
- (l) In the event of any reconstruction (including consolidation, subdivision, reduction, cancellation or return) of the issued capital of the Company before the expiry of any Options, all rights of the Option holder, will be reconstructed as appropriate in accordance with the Listing Rules applying to a re-organisation of capital at the time of the re-organisation.

- (m) Shares allotted pursuant to exercise of the Options will rank equally with the then issued Shares of the Company.
- (n) The Company will apply for official quotation by ASX of all Shares allotted pursuant to the exercise of any Options, within 10 business days of the date of allotment of those Shares.
- (o) Other than as referred to above, the Option does not confer the right to a change in Exercise Price, or a change to the number of underlying securities over which it can be exercised.
- (p) If any of these terms are inconsistent with the ASX Listing Rules, these terms will be amended to the extent necessary to remove such inconsistency.
- (q) Each Option will immediately lapse if the Option holder's employment with the Company is terminated for any reason, with effect from the date of such termination.

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## SCHEDULE 8

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### TERMS AND CONDITIONS OF LISTED OPTIONS

- (a) The exercise price of each Option is 20 cents per share ("the Exercise Price").
- (b) Each Option will automatically lapse if not exercised on or before 24 February 2012.
- (c) Each Option shall entitle the holder to subscribe for and to be allotted one share in the capital of the Company upon exercise of the Option and payment to the Company of the Exercise Price.
- (d) An Option may be exercised by the option holder at any time prior to the expiry date by sending a completed and signed notice of exercise, together with the payment of the exercise price and the statement for the Option, to the Company's share registry. If the option holder holds more than one Option, the Options may be exercised in whole or in part.
- (e) A notice of exercise is only effective when the Company has received the full amount of the Exercise Price in cash or cleared funds.
- (f) Subject to any restrictions in the Listing Rules, within 14 days of receipt of a properly executed notice of exercise and the required application monies the number of shares specified in the notice will be allotted.
- (g) Each statement will bear a suitable form of notice of exercise of the Options, endorsed on the back of the statement, for completion by the option holder (if required). If the Options comprised in any such statement are exercised in part only, before the expiry date, the Company will issue the option holder with a fresh statement for the balance of the Options held and not yet exercised.
- (h) The period during which the Options may be exercised cannot be extended.
- (i) The option holder is not entitled to participate in new issues of securities offered to shareholders. The option holder can participate in new issues of securities offered to shareholders if the Option is exercised before the relevant record date for that new issue.
- (j) If from time to time before the expiry of the Options the Company makes an issue of shares to the holders of ordinary shares by way of capitalisation of profits or reserves (a "bonus issue") other than in lieu of a dividend payment, then upon exercise of an Option the option holder will be entitled to have issued to it (in addition to the shares which it is otherwise entitled to have issued to it upon such exercise) additional shares in the Company. The number of additional shares is the number of shares which would have been issued to it under that bonus issue ("bonus shares") if on the date on which entitlements were calculated it had been registered as the holder of the number of shares which it would have been registered as holder if immediately before that date it had exercised its Options. The bonus shares will be paid up by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the bonus issue and upon issue will rank *pari passu* in all respects with the other shares allotted upon exercise of the Options.
- (k) In the event of any reconstruction (including consolidation, subdivision, reduction, cancellation or return) of the issued capital of the Company before the expiry of any Options, all rights of the option holder will be reconstructed (as appropriate) in accordance with the Listing Rules applying to a re-organisation of capital at the time of the re-organisation.
- (l) Shares allotted pursuant to the exercise of the Options will rank equally with the then issued shares of the Company.
- (m) the Company undertakes to apply for official quotation by ASX of all shares allotted pursuant to the exercise of any Options, within 10 business days of the date of allotment of those new shares.
- (n) the Company undertakes to apply for official quotation by ASX of these options.
- (o) Other than as referred to above, an Option does not confer the right to a change in Exercise Price, or a change to the number of underlying securities over which it can be exercised.

## How to complete this Proxy Form

### 1 Your Name and Address

Please print your name and address as it appears on your holding statement and the Company's share register. If Shares are jointly held, please ensure the name and address of each joint Shareholder is indicated. Shareholders should advise the Company of any changes. Shareholders sponsored by a broker should advise their broker of any changes. **Please note you cannot change ownership of your securities using this form.**

### 2 Appointment of a Proxy

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meeting please write the name of that person. If you leave this section blank, or your named proxy does not attend the meeting, the Chairman of the Meeting will be your proxy. A proxy need not be a Shareholder of the Company.

### 3 Votes on Resolutions

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each Resolution. All your shareholding will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any Resolution by inserting the percentage or number of shares you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on a given Resolution, your proxy may vote as he or she chooses. If you mark more than one box on a Resolution your vote on that Resolution will be invalid.

### 4 Appointment of a Second Proxy

You are entitled to appoint up to two persons as proxies to attend the General Meeting and vote on a poll. If you wish to appoint a second proxy, please write the name of that person.

To appoint a second proxy you must state (in the appropriate box) the percentage of your voting rights which are the subject of the relevant proxy. If the Proxy Form does not specify a percentage, each proxy may exercise half your votes. Fractions of votes will be disregarded.

### 5 Signing Instructions

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, all of the shareholders should sign.

Power of Attorney: to sign under Power of Attorney, you must have already lodged this document with the Company's share registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a sole director who is also the sole company secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a company secretary, a sole director can also sign alone. Otherwise this form must be signed by a director jointly with either another director or a company secretary. Please indicate the office held by signing in the appropriate place.

If a representative of the corporation is to attend the meeting a "Certificate of Appointment of Corporate Representative" should be produced prior to admission.

**6 Lodgement of a Proxy**

This Proxy Form (and any Power of Attorney under which it is signed) must be received at the address given below not later than 48 hours before the commencement of the meeting i.e. no later than 10.00 am WST on Tuesday 12 April 2011. Any Proxy Form received after that time will not be valid for the scheduled meeting.

**This Proxy Form (and any Power of Attorney and/or second Proxy Form) may be sent or delivered to the Company's registered office at 311 Hay Street, Subiaco, WA 6008 or sent by facsimile to the registered office on (08) 9388 3701 to be received not later than 10.00 am (WST) Tuesday 12 April 2011.**

**VICTORY WEST MOLY LIMITED  
ACN 009 144 503**

**PROXY FORM**

**Shareholder Details**

Name: .....

Address: .....

Contact Telephone No: .....

Contact Name (if different from above): .....

**Appointment of Proxy**

I/We being a shareholder/s of Victory West Moly Limited and entitled to attend and vote hereby appoint the following proxy/proxies to attend and act on my/our behalf and to vote in accordance with my/our following directions at the General Meeting of Victory West Moly Limited to be held at Celtic Club on Monday 14 April 2011 at 10.00 am (WST) and at any adjournment of that meeting.

The Chairman of the meeting

(mark with an 'X')

**IMPORTANT:**

If the Chairman of the meeting is your proxy, or if appointed your proxy by default and you do **not** wish to direct him/her how to vote on any of these resolutions, you must mark this box with an "X". By marking this box, you acknowledge that the Chairman of the meeting may exercise your proxy on those resolutions (for which you have not given a direction) even if he/she has an interest in the outcome of the resolution/s and that votes cast by him/her, other than as proxy holder, will be disregarded because of that interest. If you do not mark this box, and you have not directed your proxy how to vote on any of these resolutions, the Chairman of the meeting will not cast your votes on the resolutions (for which you have not given a direction) on a show of hands or on a poll. The Chairman of the meeting intends to vote undirected proxies in favour of each resolution.

**OR**

**If the person you are appointing as your proxy is someone other than the Chairman of the meeting:**

Write the name of that person in the box below.

 %

You must specify the % of your votes that you authorize your proxy to exercise if:

**If you hold 2 or more Shares in Victory West Moly Limited, you may appoint a second proxy:**

Write the name of your second proxy in the box below.

 %

- (a) you have only appointed 1 proxy and do not want him/her to exercise all of your votes; or
- (b) if you have appointed 2 proxies under this Proxy Form.

If you do not name a proxy or your named proxy fails to attend the meeting, the Chairman of the meeting will be appointed as your proxy to attend and act on your behalf and to vote in accordance with the following directions at the General Meeting of Victory West Moly Limited to be held at the Celtic Club on Monday 14 April 2011 at 10.00 am (WST) and at any adjournment of that meeting.

**Voting directions to your proxy — Please mark only one of the boxes with an "X" for each resolution to indicate your directions.**

**Special Business**

		For	Against	Abstain
Resolution 1.	Approval of Proposed Issue of Consideration Shares for Acquisition of Oceantide Investments Pty Ltd	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2.	Variation of Class Rights	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3.	Change of Company Name	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4.	Ratification of Prior Issue of Listed Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 5.	Approval of Proposed Issue of Shares and Listed Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 6.	Approval of Proposed Issue of Incentive Options to Mr Rohan Erwin	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 7.	Approval of Proposed Issue of Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

**Note:** If you mark the "Abstain" box with an "x" for a particular resolution, you are directing your proxy not to vote on your behalf on a show of hands or on a poll.

**PLEASE SIGN HERE** This section *must* be signed in accordance with the instructions overleaf to enable your directions to be implemented

Individual or Shareholder 1

Sole Director and  
Sole Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Fax to (08) 9388 3701 - to be received

