

# CLAYTON UTZ

Sydney

Melbourne

Brisbane

Perth

Canberra

Darwin

**Fax**

10 November 2010

The Company Announcements Office  
ASX Limited  
Exchange Plaza  
2 The Esplanade  
PERTH WA 6000  
**1300 135 638**

**No of pages 257**

Dear Sir / Madam

## **Wah Nam International Australia - Off-market takeover bid for Ferraus Limited**

We act for Wah Nam International Australia Pty Ltd ACN 134 696 727 (**Wah Nam**) in its off-market bid (**Takeover Bid**) for all of the ordinary shares in Ferraus Limited ACN 097 422 529 (**Ferraus**).

In accordance with item 5 of section 633(1) of the Corporations Act 2001 (Cth), on behalf of Wah Nam, we attach a copy of Wah Nam's bidder's statement dated 10 November 2010 in relation to the Takeover Bid (**Bidder's Statement**).

The Bidder's Statement was lodged with the Australian Securities & Investments Commission and served on Ferraus earlier today.

Yours faithfully



**Mark Paganin, Partner**  
**Corporate Advisory/M&A**  
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**Contact: Glenda Currie, Special Counsel**  
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**Attach**

# OFFER

by

WAH NAM INTERNATIONAL AUSTRALIA PTY LTD ACN 134 696 727

a wholly owned subsidiary of

## WAH NAM INTERNATIONAL HOLDINGS LIMITED

ARBN 143 211 867

to purchase all your shares in

## FERRAUS LIMITED

ACN 097.422 529

**You will receive 6 Wah Nam International Shares for every  
FerrAus Share held**

The Offer is dated [●] and will close at 4:00pm (WST) on [●] unless extended.

This is an important document and requires your immediate attention. If you are in doubt as to how to deal with this document, you should consult your financial or other professional adviser as soon as possible.

Corporate Adviser  
to Wah Nam International Australia Pty Ltd



Legal Adviser  
to Wah Nam International Australia Pty Ltd

**CLAYTON UTZ**

## IMPORTANT INFORMATION

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### Important dates

Announcement of the Offer	10 November 2010
Bidder's Statement lodged with ASIC	10 November 2010
Date of the Offer	[●]
Offer Period opens	9:00am (WST) on [●]
Offer Period closes (unless extended)	4:00pm (WST) on [●]

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### Bidder's Statement

This document is the Bidder's Statement issued by Wah Nam International Australia Pty Ltd (**Wah Nam Australia**) a wholly-owned Subsidiary of Wah Nam International Holdings Limited (**Wah Nam International**) to FerrAus Limited (**FerrAus**) under Chapter 6 of the Corporations Act in relation to the Offer contained in Section 13 of this Bidder's Statement.

A copy of this Bidder's Statement has been lodged with ASIC and the ASX. Neither ASIC, nor the ASX or any of their officers take any responsibility for the content of this Bidder's Statement. The date of this Bidder's Statement is 10 November 2010.

### No account of personal circumstances

This Bidder's Statement does not take into account the individual investment objectives, financial situation and particular needs of each shareholder of FerrAus. You may wish to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

### Notice to overseas shareholders

The distribution of this Bidder's Statement may, in some countries, be restricted by law or regulation. Accordingly, persons who come into possession of this document should inform themselves of and observe these restrictions.

This document has been prepared having regard to Australian disclosure requirements and Australian accounting standards. These disclosure requirements and accounting standards may differ from those in other countries.

This document does not constitute an offer to acquire FerrAus Shares from FerrAus Shareholders in any jurisdiction in which such an offer would be illegal.

### Hong Kong Shareholders

This Bidder's Statement is not a prospectus under Hong Kong laws, and has not been registered, filed with or approved by any Hong Kong regulatory authority under, or in accordance with, the Companies Ordinance (Cap.32) (or any other relevant Hong Kong laws). The Bidder's Statement may not contain all the information that a prospectus under Hong Kong laws is required to contain.

Wah Nam Australia expects that any FerrAus Shareholder whose address as shown in the FerrAus register of members is in Hong Kong (each a **HK Shareholder**) and who accepts the Offer will be able to receive Wah Nam International Shares under the terms of the Offer in reliance on an exemption from the need to prepare and publish a prospectus under Hong Kong laws. However, in the event that the number of HK Shareholders is more than 50, HK Shareholders will be treated as Ineligible Overseas Shareholders (see Section 13.6 for details).

The contents of this Bidder's Statement have not been reviewed by any regulatory authority in Hong Kong. You are advised to exercise caution in relation to the Offer. If you are in any doubt about any of the contents of this Bidder's Statement, you should obtain independent professional advice.

### **Singapore Shareholders**

The Bidder's Statement has not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore. Accordingly, the Bidder's Statement may not be issued, circulated or distributed, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with the exemption in section 273(1)(b) of the Securities and Futures Act, Cap 289 of Singapore (**SFA**) or any other exemptions as set out in Part XIII, Division 1, Subdivision 4 of the SFA.

The Bidder's Statement has been given to you (i) on the basis that you are an existing holder of the FerrAus Shares, and (ii) in connection with the Offer pursuant to which the Wah Nam International Shares will be allotted and issued to you in the event that you accept the Offer. In the event you are not an investor falling within (i), please return this document immediately. You may not forward or circulate this document to any other person in Singapore.

The Offer is not made to you with a view to the Wah Nam International Shares being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Wah Nam International Shares. As such, investors are advised to acquaint themselves with the SFA provisions relating to on-sale restrictions in Singapore and comply accordingly.

### **Forward-looking statements**

Statements contained in this document may contain forward-looking statements including statements with respect to Wah Nam Australia's current intentions (which include those in Section 8), statements of opinion and predictions of possible future events. Statements in this document that are not historical facts are "forward-looking statements".

Forward-looking statements relate to future matters and are subject to inherent risks and uncertainties. These risks and uncertainties include risks that are specific to the mineral resources industry as well as matters such as general economic conditions, many of which are outside the control of Wah Nam Australia, Wah Nam International and their directors. These factors may cause the actual results, performance or achievements of Wah Nam International or the Combined Group to differ, perhaps materially, from the results, performance or achievements expressed or implied by those forward-looking statements. The past performance of Wah Nam International is not a guarantee of future performance.

The forward-looking statements do not constitute a representation that future profits (or any other matter) will be achieved in the amounts or by the dates indicated and are presented as a guide to assist FerrAus Shareholders in assessing the Offer. The financial information and other forward-looking statements are based on information available to Wah Nam Australia at 9 November 2010 and should be read in conjunction with the assumptions underlying their preparation as set out in Section 6.13.



Actual outcomes may differ materially from the events, intentions or results expressed or implied by any forward-looking statement in this document.

None of Wah Nam International, Wah Nam Australia, their officers, or persons named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfillment of any forward-looking statement, or any intentions or outcomes expressed or implied in any forward-looking statement. You are cautioned not to place undue reliance on any forward-looking statement having regard to the fact that the outcome may not be achieved.

### **Disclaimer as to FerrAus and Brockman Resources information**

The information in this Bidder's Statement concerning FerrAus Limited, and the assets and liabilities, financial position and performance, profits and losses and prospects of FerrAus has been prepared by Wah Nam Australia using publicly available information and has not been independently verified by Wah Nam Australia or its directors. Accordingly, subject to the Corporations Act, Wah Nam Australia makes no representation or warranty, express or implied, as to the accuracy or completeness of such information.

The information in this Bidder's Statement concerning Brockman Resources, and the assets and liabilities, financial position and performance, profits and losses and prospects of Brockman Resources has been prepared by Wah Nam Australia using publicly available information and has not been independently verified by Wah Nam Australia or its directors. Accordingly, subject to the Corporations Act, Wah Nam Australia makes no representation or warranty, express or implied, as to the accuracy or completeness of such information.

The information on the Combined Group contained in this Bidder's Statement, to the extent that it incorporates or reflects information on FerrAus and Brockman Resources, has also been prepared using publicly available information. Accordingly information in relation to the Combined Group is subject to the foregoing disclaimer to that extent.

Further information relating to FerrAus' business may be included in FerrAus' target's statement which FerrAus must provide to FerrAus Shareholders in response to this Bidder's Statement, and reference should be made to that information. Further information relating to Brockman Resources' business may be included in Brockman Resources' target's statement, which Brockman Resources must provide to Brockman Resources Shareholders in response to Wah Nam Australia's Brockman Resources Bidder's Statement and reference should be made to that information. The Brockman Resources target's statement will and the Independent Technical Report and update letter which are set out in full in Section 10 be available to FerrAus Shareholders on the ASX website: [www.asx.com.au](http://www.asx.com.au).

### **Privacy**

Wah Nam Australia, Wah Nam International and their share registrars may collect your information in the process of making and implementing the Offer, including information from the register of FerrAus Shareholders for the purposes of making the Offer and, if accepted, administering your acceptance and establishing your holding in Wah Nam International Shares. Your information may be disclosed on a confidential basis to Wah Nam International or its related bodies corporate and external service providers, and may be required to be disclosed to regulators, such as ASIC.

## **Currency**

Unless otherwise stated, the exchange rates used in this Bidder's Statement are the exchange rates at 4:00pm (WST) on 9 November 2010, the latest lodgement date prior to publication of this document, being A\$/HK\$: 7.8186.

## **Defined terms**

A number of defined terms are used in this Bidder's Statement. Unless expressly specified otherwise, defined terms have the meaning given in Section 14.

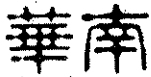
## **Shareholder Enquiries**

If you have any queries regarding the Offer, please contact the Shareholder Information Line on 1300 085 644 (toll free for callers in Australia) or +61 3 9415 4142 (for callers outside Australia) Monday to Friday 5:30am to 5:00pm (WST).

**This is an important document and should be read in its entirety before you decide whether to accept the Offer. If you are in any doubt about how to deal with this document or whether to accept the Offer, you should consult your legal, financial or other professional adviser.**

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華南投資控股有限公司  
WAH NAM INTERNATIONAL HOLDINGS LIMITED  
(於百慕達註冊成立之有限公司)  
Incorporated in Bermuda with Limited Liability

香港聯合交易所上市公司股票號碼: 0159  
SEHK Stock Code: 0159

## LETTER FROM THE CHAIRMAN OF WAH NAM INTERNATIONAL HOLDINGS LIMITED

Dear Shareholder

On behalf of the directors of Wah Nam International Holdings Limited (**Wah Nam International**), I am pleased to present this Offer by Wah Nam International Australia Pty Ltd (**Wah Nam Australia**), a wholly-owned subsidiary of Wah Nam International, to acquire all of your shares in FerrAus Limited (**FerrAus**) on the basis of 6 Wah Nam International Shares for every 1 FerrAus Share you hold.

I am convinced that this Offer is in the best interests of all FerrAus Shareholders and I encourage you to accept the Offer to become a Wah Nam International Shareholder. Upon successful completion of this Offer and the Brockman Resources' Offer, we will be in a unique position to rapidly progress the development of two significant Australian hematite iron ore projects. Being listed on one of the world's largest capital markets, the HKEx, should provide the Company with advantages in securing project finance on favourable terms to the benefit of our shareholders.

We have no intention to make any significant changes to the business operation and company structure of FerrAus, but rather intend to combine resources, management teams and skill sets, to focus on the rapid development of the FerrAus Pilbara and Marillana Projects, maximising returns for our shareholders.

Acceptance of our Offer will deliver you a substantial premium to your FerrAus Shares on the day before our Offer was announced as well as a range of other potential benefits, which are described in this Bidder's Statement.

I encourage you to accept our Offer as soon as possible, and in doing so, you will be playing an important role in the creation of a new and exciting iron ore business in the Pilbara region of Western Australia.

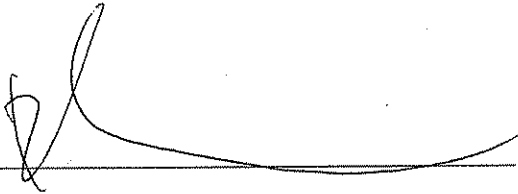
華南

華南投資控股有限公司  
WAH NAM INTERNATIONAL HOLDINGS LIMITED  
(於百慕達註冊成立之有限公司)  
Incorporated in Bermuda with Limited Liability

香港聯合交易所上市公司股票號碼: 0159  
SEHK Stock Code: 0159

If you have any questions about the Offer, please do not hesitate to call your broker or financial adviser or call the Offer Information Line on 1300 085 644 (toll free for callers in Australia) or +61 3 9415 4142 (for callers outside Australia) Monday to Friday 5:30am to 5:00pm (WST).

Yours faithfully



**Luk Kin Peter Joseph**

**Chairman**

**Wah Nam International Holdings Limited**

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## 1. Why you should **ACCEPT** the Offer

Wah Nam Australia believes **you should ACCEPT the Offer** for the following key reasons:

- You are being offered a substantial and attractive premium of 59.9% to FerrAus' VWAP for the 90 days prior to the Announcement Date (10 November 2010).
- You will become a shareholder in Wah Nam International, a company listed on the HKEx. If the Offer is successful, to Wah Nam International's knowledge, it will become the only HKEx listed company developing a significant Australian hematite iron ore deposit.
- As a Wah Nam International Shareholder, you may benefit from the Combined Group's ability to attract financing for the FerrAus Pilbara Project.
- The Combined Group will be in a better position than FerrAus to progress, develop and finance the potential independent infrastructure requirements of the FerrAus Pilbara Project.
- The HKEx is one of the world's largest markets by market capitalisation.
- You may be entitled to Capital Gains Tax rollover relief on the disposal of your FerrAus Shares.
- If the Offer is successful, you will be issued dual ASX/HKEx listed Wah Nam International Shares.
- If the Offer is not successful and no alternative proposal emerges, the price for your FerrAus Shares may fall.

### 1.1 You are being offered a substantial and attractive premium

Wah Nam Australia is offering you 6 Wah Nam International Shares for every FerrAus Share held.

Based on the VWAP of Wah Nam International Shares on the HKEx during the 2 full trading days of 8 November 2010 and 9 November 2010, the Offer values your FerrAus Shares at A\$1.29 per share (**Implied Offer Value**).

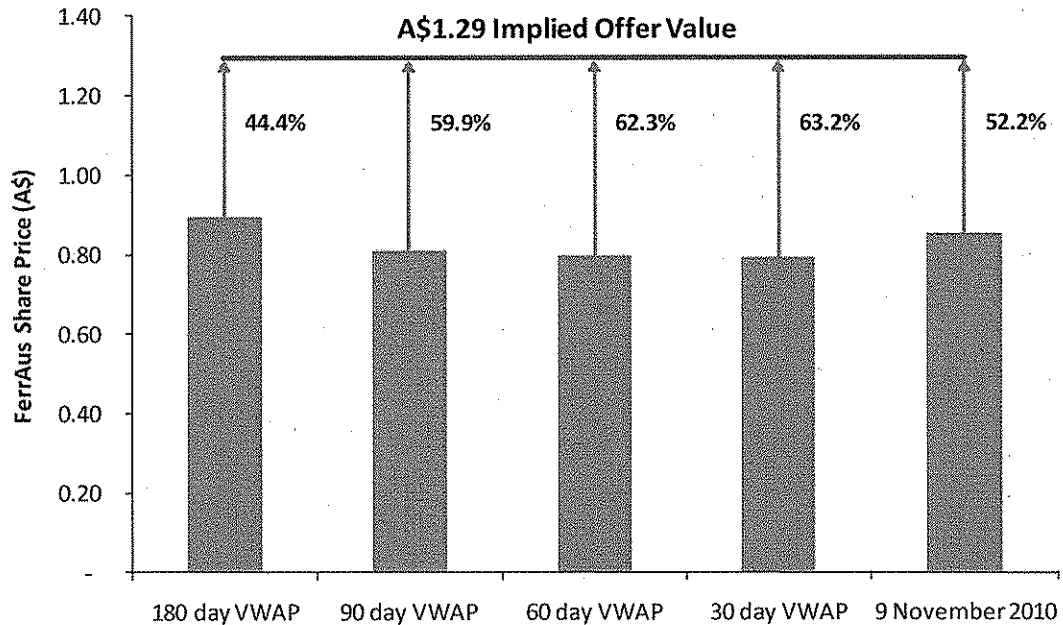
The Offer represents a substantial and attractive premium to the Pre-Announcement Price and VWAP of your FerrAus Shares on the ASX across a broad range of time periods, namely:

- a 44.4% premium to the VWAP for the 180 days to 9 November 2010 (the last trading day before the Offer was publicly announced);
- a 59.9% premium to the VWAP for the 90 days to 9 November 2010;
- a 62.3% premium to the VWAP for the 60 days to 9 November 2010;
- a 63.2% premium to the VWAP for the 30 days to 9 November 2010; and

- a 52.2% premium to the closing price of FerrAus Shares on 9 November 2010.

Figure 1 demonstrates the attractive premiums the Implied Offer Value represents to recent trading prices of FerrAus Shares.

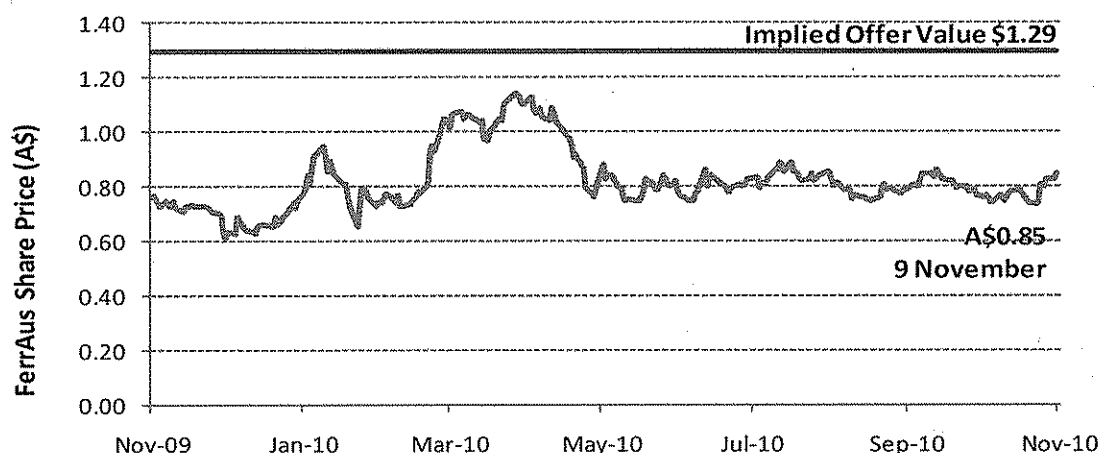
**Figure 1: Implied Offer Value Premiums**



The value of the offer will change from time to time based on movements in the Wah Nam International Share price and in the A\$/HK\$ exchange rate.

As illustrated in **Figure 2**, FerrAus has not traded above the Implied Offer Value at any time in the past 12 months.

Figure 2: FerrAus Share Price for the 12 Months Prior to the Announcement Date



## 1.2 You will become a shareholder in Wah Nam International, a company listed on the HKEx

Wah Nam International plans to be a developer of strategic mining assets in politically stable, mineral resource-rich countries. The Offer represents a significant step for Wah Nam International in achieving this plan.

Through this Offer and the Brockman Resources Offer, Wah Nam International is seeking to maximise benefits to its current and future shareholders. The new and enlarged Wah Nam International Group expects to progress its Australian iron ore projects to production and aims to be a significant iron ore producer by global standards.

Being listed on one of the world's largest capital markets, the HKEx, should provide Wah Nam International with advantages in securing project finance on favourable terms, to the benefit of Wah Nam International Shareholders. The appeal of Wah Nam International to HKEx investors is likely to be large as to Wah Nam International's knowledge, it will be the only HKEx listed company with direct exposure to Australian hematite iron ore projects and the demand for Australian hematite iron ore in the region is immense.

Wah Nam International currently has 3,907,435,485 shares on issue, giving it a market capitalisation of approximately HK\$6.4 billion (A\$814.6 million).

## 1.3 As a Wah Nam International Shareholder, you may benefit from the Combined Group's ability to attract financing for the FerrAus Pilbara Project

Accepting FerrAus Shareholders will become Wah Nam International Shareholders and, upon completion of the Offer, the Combined Group will be a larger, more financially secure company.

In addition, the value of Wah Nam International Shares is likely to be positively re-rated by the equity capital markets as a consequence of:

- an enhanced market capitalisation;
- increased global market awareness; and



- an expanded institutional investor base through the anticipated increase in broker research and investment in the Combined Group by large international investment funds.

Successful development and commercialisation of the FerrAus Pilbara Project will require the achievement of a number of successful milestones, including:

- a positive pre-feasibility study;
- a positive definitive feasibility study; and
- finalisation of port and rail infrastructure.

Given the early stage of development of the FerrAus Pilbara Project, FerrAus will require a significant amount of capital to advance it to eventual production. Current estimates from the FerrAus scoping study announced on 24 February 2010 indicate capital costs which are significantly greater than FerrAus' cash balance of approximately A\$22 million (as disclosed in FerrAus' Appendix 5B for the quarter ending 30 September 2010). The scoping study did not consider an independent, 'end-to-end' railway option - this capital expenditure would be in addition to the estimates released by FerrAus.

Development of the FerrAus Pilbara Project independently (ie outside of the Combined Group) would necessitate FerrAus entering into additional financing arrangements, the availability and terms of which are uncertain and may not be favourable to FerrAus Shareholders.

Wah Nam International has completed several capital raisings with great success, therefore, the Combined Group may be better positioned to attract the debt and/or equity required. As a Wah Nam International Shareholder you may benefit from the Combined Group's ability to attract funding for the FerrAus Pilbara Project.

#### **1.4 The Combined Group will be in a better position to develop the potential independent infrastructure requirements of the FerrAus Pilbara Project**

The Combined Group will have a multi-mine asset base in the Pilbara with a significant JORC Code compliant iron ore Mineral Resource. The scale of the Projects controlled by the Combined Group will be such that an independent, 'end-to-end' infrastructure solution is likely to be economically viable and the Combined Group will be well positioned to obtain the financing to do so. If an independent infrastructure solution was to be developed under the Combined Group, as a Wah Nam International Shareholder you will benefit from the certainty of access to vital infrastructure, without which neither the Marillana Project nor the FerrAus Pilbara Project can be successfully developed.

#### **1.5 The HKEx is one of the world's largest markets by market capitalisation**

The HKEx serves as a gateway for companies to achieve exposure to the rapidly growing PRC market.

Since 2008, over US\$125 billion in capital raisings have been announced with the HKEx and the HKEx has a strong presence in resources, boasting:

- one of the world's largest companies by market capitalisation, PetroChina Company Ltd with a market capitalisation, as at 4 November 2010, of US\$314 billion;

- the world's largest publicly traded coal producer, China Shenhua Energy Company Limited with production of 210 million tonnes of coal in 2009;
- the largest aluminium company in the world, United Company Rusal Limited; and
- companies which have invested heavily in Australian resource companies, such as:
  - Angang Steel Company Limited (A\$1.8 billion joint venture with Gindalbie Metals Ltd);
  - Yanzhou Coal Mining Company Limited (A\$3.5 billion acquisition of Felix Resources Ltd); and
  - Fushan International Energy Group Limited (14.24% stake in Mount Gibson Iron Ltd).

#### **1.6 You may be entitled to Capital Gains Tax rollover relief on the disposal of your FerrAus Shares.**

Very broadly, if, as a result of the Offer, Wah Nam Australia acquires 80% or more of the FerrAus Shares, FerrAus Shareholders who would otherwise make an Australian capital gain from the disposal of their FerrAus Shares may benefit from CGT rollover relief. CGT rollover relief, if available, will effectively defer any capital gain until disposal of the Wah Nam International Shares obtained under the Offer. Details of the CGT rollover are discussed in Section 9.

#### **1.7 Wah Nam International intends to dual list on the Australian Securities Exchange (ASX).**

Wah Nam International intends to apply for admission to the ASX within 7 days after the start of the Bid Period. If the Offer is successful, you will be issued dual ASX/HKEx listed Wah Nam International Shares.

As a Wah Nam International Shareholder, you will have the option of trading your Wah Nam International Shares on the ASX or the HKEx. For more details, please see Sections 4.1 and 4.2.

#### **1.8 If the Offer is not successful and no alternative proposal emerges, the price for your FerrAus Shares may fall**

If the Offer is not successful, the FerrAus Share price may fall in the absence of another bidder making an offer.

The prospects of another bidder emerging may be low given Wah Nam Australia has a 19.90% shareholding in FerrAus.

#### **1.9 Consequences of not accepting**

If you choose not to accept the Offer, there are certain risks of which you should be aware:

- If Wah Nam Australia holds the majority of FerrAus Shares, and should FerrAus Shares remain listed, the market for your FerrAus Shares may be

less liquid or active. Therefore, it could be difficult for you to sell your FerrAus Shares after the Offer Period ends, should you choose to do so.

- As stated before, if the Offer ends without being successful, FerrAus Shares may revert towards pre-bid price levels in the absence of another bidder making an offer. The emergence of another bidder may be unlikely, particularly as Wah Nam Australia already has sufficient FerrAus Shares to prevent another bidder from proceeding to compulsory acquisition.
- If Wah Nam Australia is successful in gaining a 90% or more interest in FerrAus through acceptances of the Offer, and if entitled to do so under the Corporations Act, Wah Nam Australia intends to proceed with the compulsory acquisition of any FerrAus Shares not acquired under the Offer.

You should consult with your Broker or financial adviser to ascertain the impact of the risks outlined above on the value of your FerrAus Shares.

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## 2. Summary of the Offer and how to accept it

The following is a summary only of the Offer and is qualified by the information contained in the rest of this Bidder's Statement. You should read this Bidder's Statement in full before deciding how to deal with your FerrAus Shares.

**What is the Offer?** Wah Nam Australia is offering to acquire all of your FerrAus Shares for 6 Wah Nam International Shares for each FerrAus Share held, on the terms and conditions set out in Section 13.

**What is the value of the Offer?** The Implied Offer Value is A\$1.29 per FerrAus Share, and represents an attractive premium to the Pre-Announcement Price of FerrAus Shares. The value of the Offer may change as a consequence of changes in the market price of Wah Nam International Shares and the A\$/HK\$ exchange rate, from time to time.

**Who is making the Offer?** The Offer is being made by Wah Nam International Australia Pty Ltd, a wholly-owned subsidiary of Wah Nam International Holdings Limited.

Wah Nam International is an investment holding company listed on the HKEx.

Further information on Wah Nam International and Wah Nam Australia is set out in Section 3.

**How do I accept the Offer?** You may only accept the Offer in respect of all of your FerrAus Shares. To accept the Offer:

- **if your FerrAus Shares are sponsored directly by FerrAus**, complete and sign the enclosed Acceptance Form in accordance with the instructions on it and send it in the enclosed envelope to the address indicated on the Acceptance Form; or
- **if you hold your FerrAus Shares in a CHESS Holding**, either:
  - (a) complete and sign the enclosed Acceptance Form in accordance with the instructions on it and send it in the enclosed envelope to the address indicated on the Acceptance Form; or
  - (b) instruct your Broker or other Controlling Participant to initiate acceptance of the Offer on your behalf; or
- **if you are a Broker**, initiate acceptance in accordance with the requirements of the ASX Settlement Operating Rules,

so that your acceptance may be recorded before the end of the Offer Period.

Detailed instructions on how to accept the Offer are set out in Section 13.5 and on the enclosed Acceptance Form.

**Can I accept the Offer in respect of a part of my holding?**

Subject to paragraph 13.4(a)(ii), you may only accept this Offer in respect of all of your FerrAus Shares.

**When does the Offer close?**

The Offer is scheduled to close at 4:00pm (WST) on [●]. You should note that the Offer Period can be extended as permitted by the Corporations Act.

**What are the conditions of the Offer?**

The Offer is subject to the Statutory Condition set out in Section 13.15 and the Conditions set out in Section 13.9, including:

- approval of the requisite majority of Wah Nam International Shareholders to acquire all of the FerrAus Shares and to allot and issue the Consideration Shares;
- approval of the HKEx for the listing of the Consideration Shares;
- approval of the ASX for Wah Nam International to be admitted to the ASX and the quotation of Wah Nam International Shares on the ASX; and
- Wah Nam Australia acquiring more than 50% of the FerrAus Shares.

The status of the Conditions as at the date of this Bidder's Statement is discussed in Section 13.14.

**What happens if the Conditions are not satisfied or waived?**

If the Conditions are not satisfied or waived by the end of the Offer Period, the Offer will lapse.

**What happens if I accept?**

If the Offer becomes or is declared unconditional, you will receive 6 Wah Nam International Shares for each of your FerrAus Shares.

Once you accept the Offer, (even while it remains subject to Conditions) you will not be able to sell your FerrAus Shares on the ASX or otherwise transfer ownership, subject to a limited statutory right to withdraw your acceptance.

**If I accept the Offer can I later withdraw my acceptance?**

You may only withdraw your acceptance of the Offer if, after you have accepted the Offer and while the Offer is still subject to the Conditions, the Offer is varied in such a way as to delay the time by which you will receive your Offer Consideration by more than one month. A notice will be sent to you at the time explaining your rights in this regard.

**What will happen if Wah Nam Australia improves the Offer Consideration?**

If Wah Nam Australia improves the Offer Consideration, all FerrAus Shareholders who accept the Offer (whether or not they have accepted the Offer before or after such improvement) will be entitled to the benefit of the improved Offer Consideration, should the Offer become or be declared unconditional.

**If I accept the Offer,**

If you accept the Offer in accordance with the instructions

<b>when will I receive my Wah Nam International Shares?</b>	<p>contained in the Offer and the Acceptance Form, you will be sent your Wah Nam International Shares by the earlier of:</p> <ul style="list-style-type: none"> <li>• 1 month after the date that you accept, or if the Offer is subject to Conditions when you accept the Offer, within 1 month after the date the Offer becomes, or is declared, free of the Conditions; or</li> <li>• within 21 days after the Offer Period closes.</li> </ul>
<b>What will the tax consequences be?</b>	<p>Section 9 summarises the tax implications for FerrAus Shareholders who accept the Offer and are resident for tax purposes in Australia.</p>
<b>Do I pay brokerage or stamp duty if I accept?</b>	<p>You will not pay brokerage or stamp duty on the disposal of your FerrAus Shares if you accept the Offer.</p> <p>However, if you sell your FerrAus Shares on the ASX or you instruct your Broker or other Controlling Participant to accept the Offer on your behalf, you may incur fees or brokerage charges.</p>
<b>What happens if I do not accept?</b>	<p>You will remain a FerrAus Shareholder and will not receive the consideration offered by Wah Nam Australia.</p> <p>If Wah Nam Australia becomes entitled to compulsorily acquire your FerrAus Shares, it intends to do so. If your FerrAus Shares are compulsorily acquired by Wah Nam Australia, it will be on the same terms as the Offer. However, you will receive your Wah Nam International Shares later than the FerrAus Shareholders who choose to accept the Offer.</p>
<b>I am not resident in Australia. Can I accept the Offer?</b>	<p>Wah Nam International Shares will not be issued as consideration to Ineligible Overseas Shareholders. Please see Section 13.6 for further details.</p>
<b>Are there any risks involved in accepting the Offer?</b>	<p>There are a number of risks that may have a material impact upon the implementation of the Offer, the future performance of the Combined Group and the value of Wah Nam International Shares. These are described in this Bidder's Statement and include those risks set out in Section 7.</p>
<b>Will Wah Nam International Shares be listed on the ASX?</b>	<p>Wah Nam International intends to seek to list all Wah Nam International Shares on the ASX. If the application is not successful, then all contracts resulting from the acceptance of the Offer will be automatically void.</p>
<b>Can I trade my Wah Nam International Shares on the HKEx?</b>	<p>You can choose to have Wah Nam International Shares registered on the Australian Share Register or the Hong Kong Share Register. You can readily change the register on which your Wah Nam International Shares are held. Please see Section 4.2 for more details.</p>
<b>What if I require further information?</b>	<p>If you have any questions in relation to the Offer or how to accept it, or if you have lost your Acceptance Form and require a replacement, please call the Shareholder Information Line on 1300 085 644 (toll free for callers in Australia) or +61 3 9415 4142 (for callers outside Australia) Monday to Friday 5:30am to 5:00pm (WST).</p>

### 3. Information about Wah Nam International and Wah Nam Australia

#### 3.1 Background

Wah Nam International is an investment holding company, incorporated in Bermuda and listed on the HKEx (Hong Kong Stock Code 159) since 2002. If the Offer is successful, Wah Nam International Shares will also be listed on the ASX.

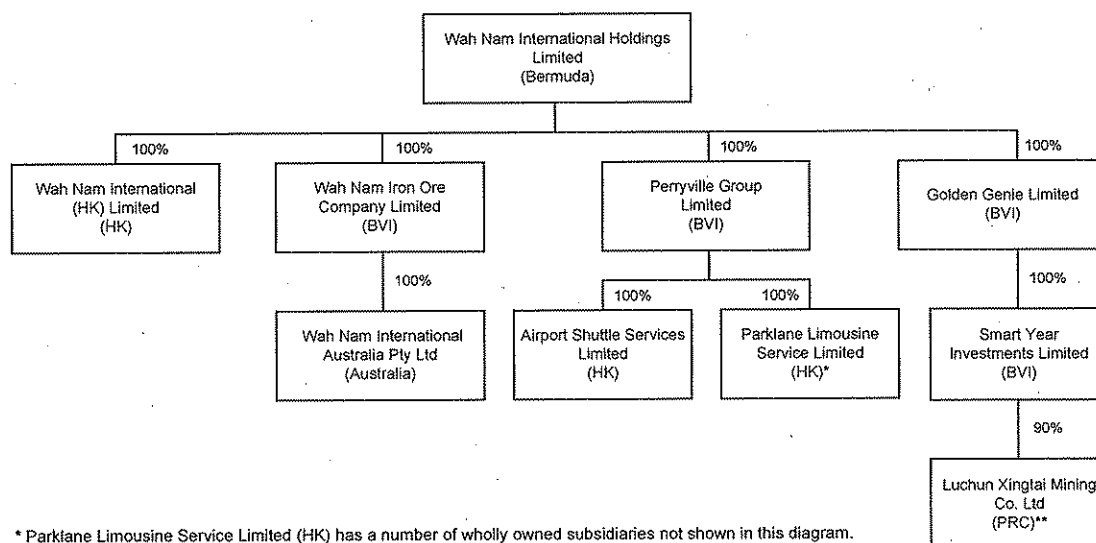
Since its establishment, Wah Nam International has been involved in various business activities. With its acquisition of the Damajianshan Mine in the PRC in 2008, Wah Nam International refocused itself as a mining resources company.

Wah Nam Australia is an Australian wholly-owned Subsidiary of Wah Nam International.

As at the date of this Bidder's Statement, Wah Nam Australia has the following investments:

- 32,347,405 (22.63%) Brockman Resources Shares; and
- 40,934,400 (19.90%) FerrAus Shares.

#### 3.2 Corporate Structure



\* Parklane Limousine Service Limited (HK) has a number of wholly owned subsidiaries not shown in this diagram.

\*\* English name is for identification purpose only

#### 3.3 Principal Activities of Wah Nam International

Wah Nam International, through its Subsidiaries, is principally engaged in:

- the exploitation, processing and sales of mineral resources, including copper, zinc and lead ore concentrates in the PRC;
- the provision of limousine rental and airport shuttle bus transportation services in Hong Kong and the PRC; and
- the investment of funds in equity securities.

(a) **Smart Year Investments Limited**

Wah Nam International's Subsidiary, Smart Year is a British Virgin Islands incorporated company and the holding company of Luchun Xingtai.

Luchun Xingtai is a Sino-foreign equity joint venture enterprise established in February 2004 in the PRC, which is 90% owned by Smart Year and 10% by Yunnan Maosheng Yuan. Wah Nam International finalised the acquisition of Smart Year in September 2008.

Luchun Xingtai engages in the exploitation, processing and sale of copper ore concentrate. It owns 100% of the Damajianshan Mine (Figure 3).

**Figure 3 : The Damajianshan Mine**



In FY2009 and FP2010, the production volume of copper concentrate was approximately 340 tonnes and 125 tonnes, respectively, and the sale of copper concentrate was approximately 410 tonnes and 74 tonnes, respectively. For FY2009 and FP2010, Wah Nam International recorded a turnover of approximately HK\$14.8 million and HK\$3.4 million, respectively, from Luchun Xingtai.

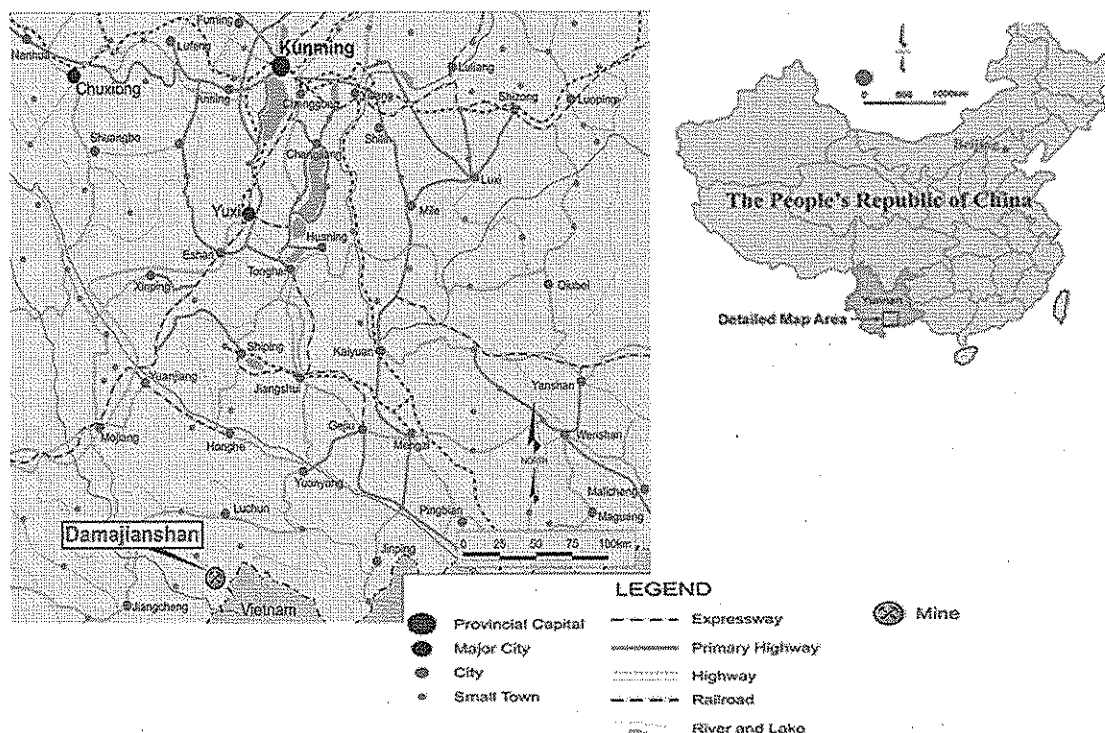
During FY2009 and FP2010, production was relatively low as the emphasis was on exploration and the delineation of additional resources to support an expanded operation. Subject to the progress of further exploration and the production plan, Wah Nam International plans to increase the production volume to meet the growing demand in the PRC market and thus improve the present production efficiency as the scale of production increases.

Wah Nam International will continue to develop its existing mine in the PRC with a view to increasing the Wah Nam International Group's copper production and revenue.

The Damajianshan Mine is located in Qimaba Township, Luchun County of Yunnan Province in the PRC. It is near the border between the PRC and Vietnam (Figure 4).



Figure 4 : Map of Damajianshan Mine



In the 3.67 square kilometres covered by the mining right there are Ore Reserves of over 7.8 million tonnes of ore with an average Cu grade of 1.46% and Mineral Resources of over 15.5 million tonnes of ore with an average Cu grade of 1.68%. The mine operation has the potential to produce over 429,000 tonnes per annum for more than 18 years. The mine site is accessible by gravel road. After beneficiation copper concentrate is trucked to customers throughout the PRC. Please refer to Table 1 and Table 2 below and the Independent Technical Report and update letter which are set out in full in Section 10 for a more detailed breakdown of Ore Reserves and Mineral Resources<sup>1</sup>.

Table 1 Damajianshan Mine Ore Reserves

JORC Ore Reserve Category	Tonnage (kt)	Grading				Contained Metals			
		Cu %	As %	Pb %	Ag g/t	Cu kt	As kt	Pb kt	Ag t
Proved	4,648	1.49	5.7	1.28	42.6	69.3	265	59.7	198

<sup>1</sup> These tables were part of a Damajianshan Mine Independent Technical Report (ITR) prepared by Behre Dolbear in accordance with the JORC Code and VALMIN Code on 30 June 2008 which is set out in full in Section 10. Based on Behre Dolbear's site visit and information review of the Damajianshan Mine on April 2010, Behre Dolbear believes that no material changes or upgrades occurred in the mineral resources and ore reserves for the Damajianshan Mine as they were stated in the 30 June 2008 Behre Dolbear ITR. Behre Dolbear is a subsidiary of Behre Dolbear & Company Inc.

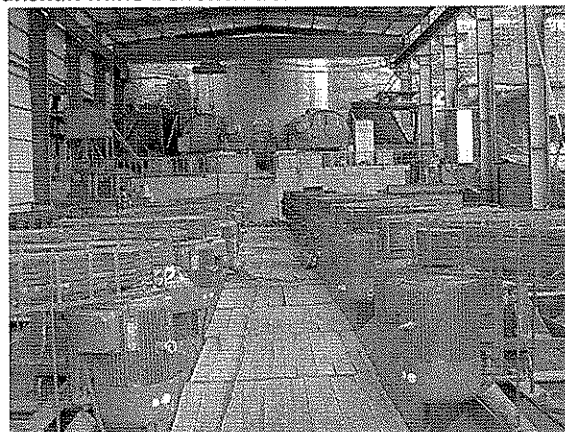
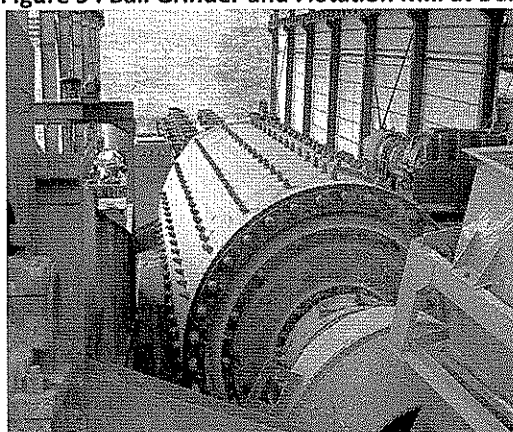
Probable	3,150	1.42	6.28	1.49	47.9	44.6	198	47.1	151
<b>Total</b>	<b>7,798</b>	<b>1.46</b>	<b>5.94</b>	<b>1.37</b>	<b>44.8</b>	<b>113.9</b>	<b>463</b>	<b>106.8</b>	<b>349</b>

**Table 2 Damajianshan Mine Mineral Resources**

JORC Mineral Resource Category	Tonnage (kt)	Grading						Contained Metals					
		Cu %	As %	Pb %	Zn %	Bi %	Ag g/t	Cu kt	As kt	Pb kt	Zn kt	Bi kt	Ag t
Measured	4,652	1.79	6.83	1.54	0.37	0.24	51.1	83.1	318	71.6	17.1	10.9	237
Indicated	3,153	1.7	7.52	1.79	0.52	0.25	57.4	53.5	237	56.4	16.5	8.0	181
Subtotal	7,805	1.75	7.11	1.64	0.43	0.24	53.6	136.5	555	128	33.6	18.9	418
Inferred	7,678	1.61	6.48	2.18	0.48	0.24	63.1	123.9	498	167.2	36.9	18.3	484
<b>Total</b>	<b>15,483</b>	<b>1.68</b>	<b>6.8</b>	<b>1.91</b>	<b>0.46</b>	<b>0.24</b>	<b>58.3</b>	<b>260.4</b>	<b>1,053</b>	<b>295.2</b>	<b>70.5</b>	<b>37.2</b>	<b>903</b>

Plant and equipment at the Damajianshan Mine includes a ball grinder and flotation mill, capable of producing 429,000 tonnes of ore per annum (Figure 5).

**Figure 5 : Ball Grinder and Flotation Mill at Damajianshan Mine Beneficiation Plant**



### *Mining Right*

The Department of Land and Resources of Yunnan Province issued the mining right certificate to Luchun Xingtai in January 2005 which was renewed in September 2007 for a period of 5 years. It will expire in September 2012. The directors of Wah Nam International have no reason to believe that Luchun Xingtai will not be able to renew the mining right with the relevant government authority at the appropriate time.

For further details, please see the Independent Technical Report and update letter contained in Section 10.

### **(b) Limousine rental and airport shuttle bus services**

The limousine rental and airport shuttle bus business is carried through Wah Nam International's interest in another wholly owned Subsidiary, Perryville Group Limited.

This business segment provides high end limousine rental services in Hong Kong and the PRC (including Shenzhen, Guangzhou, Shanghai and Beijing) and airport shuttle bus services in Hong Kong.

Currently, the Wah Nam International Group has a fleet of 133 limousine cars serving major hotels, corporate and individual customers. The Wah Nam International Group recorded a total turnover of HK\$80.6 million from its limousine and airport shuttle business in Hong Kong and the PRC for the FY2009 and HK\$51.8 million for the FP2010. Wah Nam International believes that this business segment will continue to provide a stable revenue and income source to the Wah Nam International Group

(c) **Equity Security Investments**

Apart from the above two principal business segments, the Wah Nam International Group also invests in equity and other securities from time to time.

As at the date of this Bidder's Statement, the Wah Nam International Group held the following investments:

- 32,347,405 (22.63%) Brockman Resources Shares; and
- 40,934,400 (19.90%) FerrAus Shares.

These equity security investments were made for strategic purposes.

**3.4 Material Transactions**

Set out below are some material corporate transactions entered into by Wah Nam International.

- On 15 May 2007, Wah Nam International raised approximately HK\$40.3 million for general working capital.
- On 13 June 2007, Wah Nam International entered into an agreement to acquire the entire issued share capital of Perryville Group Limited, a limousine rental and airport shuttle transportation services company, for HK\$170 million paid in cash and a convertible note.
- On 16 October 2007, Wah Nam International raised approximately HK\$37.4 million for general working capital and as part of the consideration for the acquisition of Perryville Group Limited.
- On 30 January 2008, Wah Nam International entered into an agreement to acquire the entire equity interest of Smart Year, for HK\$650 million paid in cash, shares and a convertible note.
- On 6 June 2008, Wah Nam International entered into an agreement to dispose of its entire interests in a company which owned the management and operating rights of a toll road in the PRC, for HK\$60 million.
- On 1 September 2008, Wah Nam International raised approximately HK\$119 million for general working capital and as part of the consideration for the acquisition of Smart Year and other mineral related investments.
- On 17 June 2009, Wah Nam International raised approximately HK\$99.18 million for potential acquisitions or investment opportunities in mineral related businesses.

- On 24 June and 29 June 2009, Wah Nam International announced on-market acquisitions of 18,159,256 Brockman Resources Shares for approximately HK\$121.79 million.
- On 9 February 2010, Wah Nam International raised approximately HK\$297 million for potential acquisitions or investment opportunities in mineral related businesses.
- On 18 February and 1 March 2010, Wah Nam International announced the acquisition of 9,509,486 Brockman Resources Shares for approximately HK\$196.41 million.
- On 19 June 2010, Wah Nam International raised approximately HK\$199 million for potential acquisitions or investment opportunities in mineral related businesses.
- On 22 June 2010, Wah Nam International subscribed for 25,047,939 FerrAus Shares for approximately HK\$147 million.
- On 17 September 2010, Wah Nam International raised approximately HK\$200 million, after costs, for potential acquisitions or investment opportunities in mineral related businesses and to cover transactional costs.

### 3.5 Financial Information regarding Wah Nam International

The table below is an abridged consolidated balance sheet of Wah Nam International as at 31 December 2008 and 2009 and 30 June 2010.

	30 June 2010 HK\$ '000 Unaudited	31 December 2009 HK\$ '000 Audited	31 December 2008 HK\$ '000 Audited
Current assets	180,505	59,936	91,008
Non-current assets	1,659,669	1,405,684	1,146,554
<b>Total assets</b>	<b>1,840,174</b>	<b>1,465,620</b>	<b>1,237,562</b>
Current liabilities	101,296	96,853	82,850
Non-current liabilities	100,256	150,186	296,657
<b>Total liabilities</b>	<b>201,552</b>	<b>247,039</b>	<b>379,507</b>
Capital and reserves			
Share capital	372,944	278,226	151,534
Reserves	1,184,842	844,930	610,018
Equity attributable to equity holders of the Company	1,557,786	1,123,156	761,552
Minority interest	80,836	95,425	96,503
<b>Total equity</b>	<b>1,638,662</b>	<b>1,218,581</b>	<b>858,055</b>

The table below sets out a summary of the consolidated results of Wah Nam International for the FY2008, FY2009 and FP2010.

	FP2010 HK\$ '000 Unaudited	FY2009 HK\$ '000 Audited	FY2008 HK\$ '000 Audited
<b>Revenue from continuing operations</b>	55,189	95,374	88,837
Loss for the period/year	(173,002)	(80,004)	(282,462)
Other comprehensive income/(loss):			
Exchange differences arising on translation of foreign operations	11,403	(285)	4,165
Change in fair value on available-for-sale investments, net of tax	(35)	133,644	-
Reserve released upon disposal of subsidiaries		-	(32,214)
Total comprehensive income/(loss) for the period/year	(161,634)	53,355	(310,511)
Loss for the period/year attributable to:			
Equity holders of the Company	(157,363)	(78,935)	(296,660)
Minority interests	(15,639)	(1,069)	14,198
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company	(147,045)	54,433	(323,807)
Minority interests	(14,589)	(1,078)	13,296

Since 2008, Wah Nam International has been re-engineering its business structure and development strategy. In 2008, Wah Nam International disposed of its previous toll road and highway business. Under the re-engineering exercise, Wah Nam International Group's business has gradually changed from a toll road and highway business to a mining business. The business re-engineering has caused significant fluctuations in the financial performance of the Wah Nam International Group for the past two and a half years.

Apart from the acquisition of Luchun Xingtai, Wah Nam International also acquired Brockman Resources Shares and FerrAus Shares as a strategic investment. As at 30 June 2010, Wah Nam International had total consolidated segment assets of HK\$884.9 million in respect of its mining operation.

*Six month period ended 30 June 2010*

Wah Nam Australia acquired a further 9,093,874 Brockman Resources Shares and 30,201,575 FerrAus Shares for a total consideration of approximately A\$28.0 million and A\$26.2 million respectively.

An impairment loss on the valuation of the mining right was recorded during the period which amounted to approximately HK\$153 million. An impairment was made to the fair value of the mine as a result of the adjustment of the long-term copper price projection. Such impairment loss, however, did not have any impact on the operating cash flow of the Wah Nam International Group.

In addition, Wah Nam International issued 334 million and 185 million new Wah Nam International Shares at HK\$0.90 and HK\$1.11 per Wah Nam International Share, respectively. The net proceeds after deduction of related expenses from the placement amounted to approximately HK\$297 million and HK\$199 million respectively, and were used for investments in mineral-related business and general working capital during the period.

*Year ended 31 December 2009*

The Wah Nam International Group recorded a turnover of HK\$14.8 million from its mining operation but recorded a segment loss of approximately HK\$10.8 million. The directors of Wah Nam International believe that the segment loss was mainly due to the relatively low production volume of the mine as the production plan of the mine was delayed due to further exploration work being undertaken. Wah Nam International believes that the production efficiency of the mine will be improved as production volume increases subject to the exploration results and further production planning work.

Wah Nam International also recorded a significant fair value gain of HK\$133.6 million in other comprehensive income, which was mainly attributable to the investments in, and an increase in the trading prices of, Brockman Resources Shares, and the appreciation of Australian dollars against Hong Kong dollars during the year.

*Year ended 31 December 2008*

Wah Nam International disposed of its toll road and highway business during the year. Among the total revenue of HK\$142.2 million, approximately 37.54% of the revenue was derived from the discontinued toll road and highway business. This segment recorded a profit before income tax of HK\$44.95 million for the year. After the disposal, Wah Nam International discontinued the entire toll road and highway business.

The acquisition of the mining business also led to the recognition of a one-off loss of HK\$167.5 million representing the amount of the total consideration for the acquisition in excess of the fair value of the assets and liabilities acquired.

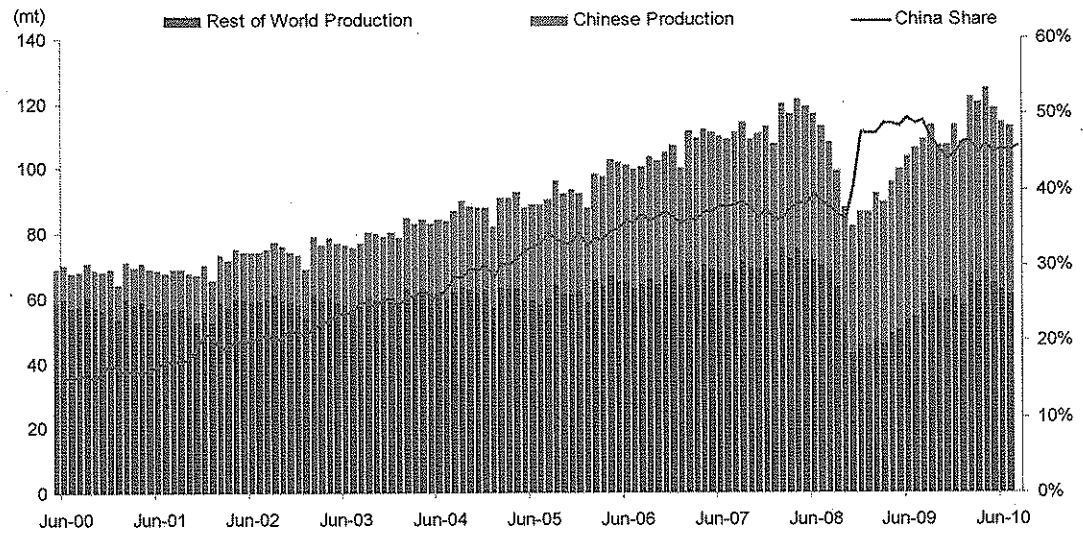
### **3.6 Strategies**

Wah Nam International plans to be a developer of strategic mining assets in politically stable, mineral resource-rich countries. The Offer and the Brockman Resources Offer represent a significant step for Wah Nam International in achieving this plan. If successful, to Wah Nam International's knowledge it will become the only HKEx listed company developing a significant Australian hematite iron ore deposit.

Over the past two years, Wah Nam International has restructured its business to focus on strategic acquisitions of iron ore projects and, to augment this objective, the development of its copper operation.

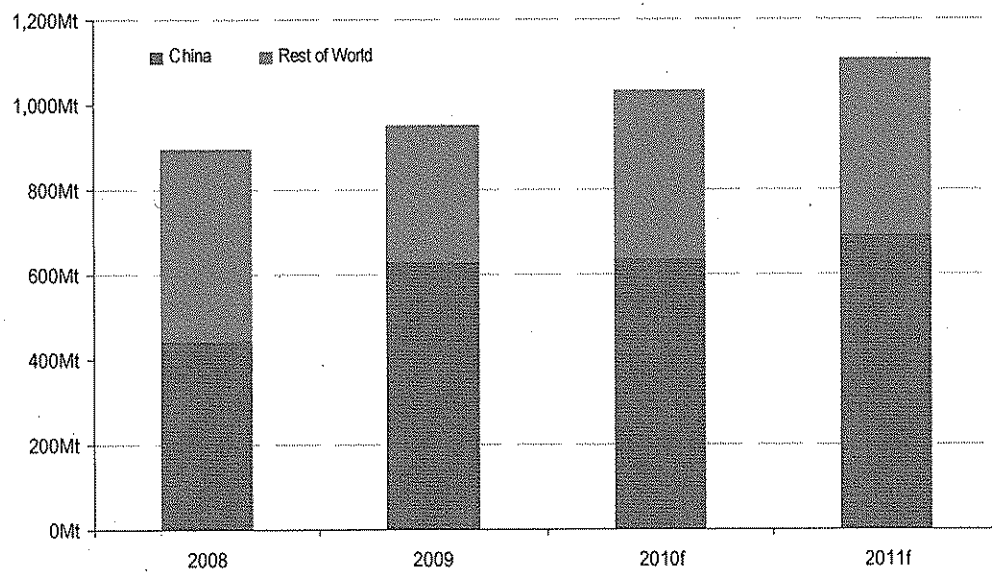
As a result of a recovery in the global economy and the PRC's continued economic growth, world production of steel has significantly recovered from low production levels in 2009 and is now on par with the pre global financial crisis peak reached during 2008 (Figure 6).

**Figure 6: World Steel Production**



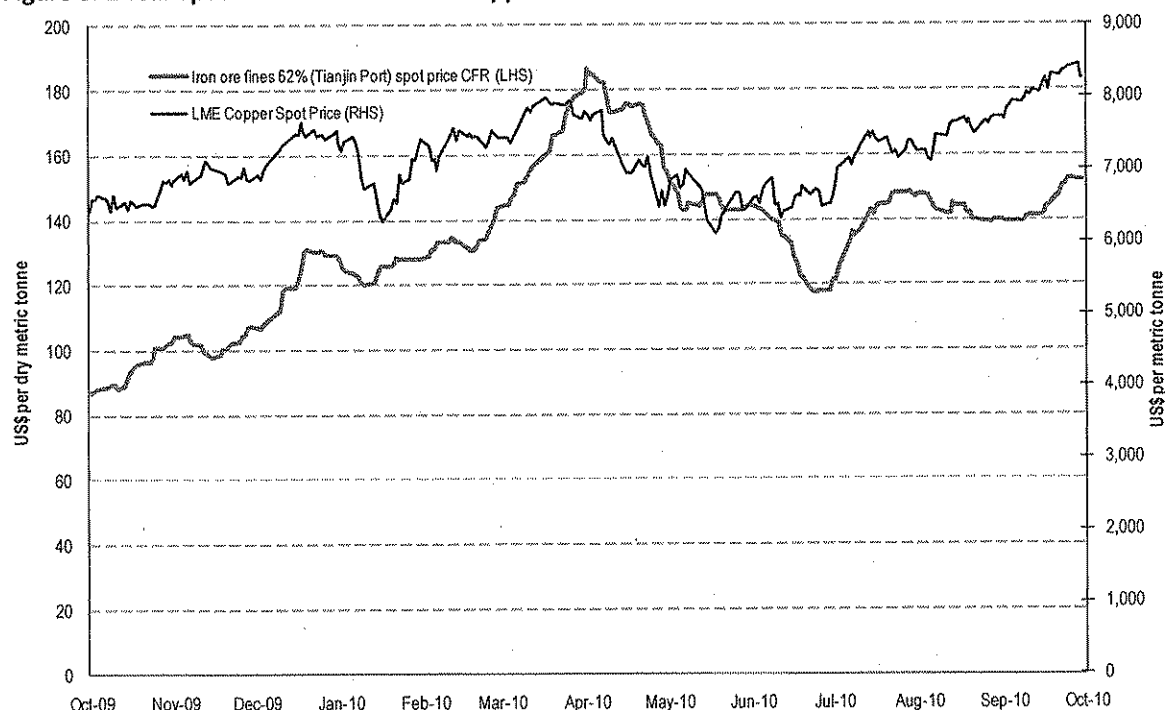
PRC steel production has contributed a significant portion of this growth. Iron ore is a key ingredient in the steelmaking process. Seaborne iron imports are expected to reach one billion tonnes this year, driven by the PRC's market leading share (Figure 7).

**Figure 7: Seaborne iron ore trade**



As a result of the increased seaborne trade, iron ore prices performed strongly over the past year. Copper prices follow suit as the demand for copper is tied to the same drivers of the demand for steel (Figure 8).

**Figure 8: 1 Year Spot Price of iron ore and copper**



Wah Nam International owns the Damajianshan Mine, a producing copper mine in the PRC, the world's largest consumer of copper. Wah Nam International will continue to develop the Damajianshan Mine through further exploration in order to delineate and upgrade Mineral Resources and subsequently increase copper metal production of the mine.

Through this Offer and the Brockman Resources Offer, Wah Nam International is seeking to maximise benefits to its current and future shareholders. The new and enlarged Wah Nam International expects to progress its Australian iron ore projects to production and aims to be a significant iron ore producer by global standards. Being listed on one of the world's largest capital markets, the HKEx, should provide Wah Nam International with advantages in securing project finance on favourable terms, to the benefit of Wah Nam International Shareholders.

Following this Offer and the Brockman Resources Offer, Wah Nam International's directors will pursue additional strategic acquisitions in order to realise their plan. It is expected these future assets will continue to enhance shareholder value, above the anticipated benefit provided by the assets of FerrAus and Brockman Resources.

### **3.7 Directors**

#### **(a) Wah Nam International**

Details of the directors of Wah Nam International are set out below.

##### **Mr Luk Kin Peter Joseph**

Mr Luk Kin Peter Joseph, aged 39, has been the Chairman of Wah Nam International since February 2009. Mr Luk holds a Masters Degree in Business Administration and the professional qualification of Chartered Financial Analyst. Mr Luk worked in several international financial institutions and he is well experienced in international financial and investment management. Mr Luk also has extensive experience in the



mining industry. He was the CEO and deputy chairman of China Mining Resources Group Limited, a HKEx listed company with mining activities in the PRC, from November 2005 to July 2007.

**Mr Chan Kam Kwan Jason**

Mr Chan Kam Kwan Jason, aged 37, joined the Wah Nam International Group in January 2008. He is an executive director and the company secretary. Mr Chan graduated from the University of British Columbia in Canada with a Bachelor of Commerce Degree and is a member of the American Institute of Certified Public Accountants. Mr Chan has experience in accounting and corporate finance.

**Mr Lau Kwok Kuen Eddie**

Mr Lau Kwok Kuen Eddie, aged 54, joined the Wah Nam International Group in December 2007. He is an independent non-executive director of Wah Nam International. He graduated from the Hong Kong Polytechnic (now known as The Hong Kong Polytechnic University) and is a fellow member of The Hong Kong Institute of Certified Public Accountants and a fellow member of The Association of Chartered Certified Accountants of the United Kingdom. He has been practicing as a Certified Public Accountant in Hong Kong since 1982.

**Mr Uwe Henke Von Parpart**

Mr Uwe Henke Von Parpart, aged 69, joined the Wah Nam International Group in January 2008. He is an independent non-executive director of Wah Nam International. He received a Fulbright scholarship and did his graduate work in mathematics and philosophy (Ph.D.) at Princeton University and the University of Pennsylvania.

Mr Parpart is the managing director at Cantor Fitzgerald in Hong Kong where he is responsible for macro-economic, fixed-income and equity-markets research and strategy in Asia. He joined Cantor Fitzgerald in May 2006. His analyses are published on a weekly and daily basis and frequently featured on CNBC Asia and Bloomberg TV. Prior to joining Cantor Fitzgerald, Mr Parpart worked for four years as a senior currency strategist at Bank of America, Hong Kong, covering both currencies and notes. Mr Parpart has also contributed to numerous magazines and newspapers and until recently was a columnist for Forbes Global and Shinchosha Foresight Magazine (Tokyo).

**Mr Yip Kwok Cheung Danny**

Mr Yip Kwok Cheung Danny, aged 46, joined the Wah Nam International Group in August 2009. He is an independent non-executive director of Wah Nam International. He is an Australian citizen and he joined Wah Nam International in August 2009. Mr Yip graduated from the Australian National University majoring in Economics and Accountancy. Mr Yip has extensive experience as an internet strategist, entrepreneur and specialist in international trade. He was also the founder of several service-oriented businesses in Hong Kong and Australia, and was the founder of Tradeeasy Holdings Limited in 1996. He had been the executive director and chief executive officer of CCT Resources Holdings Limited (formerly known as Tradeeasy Holdings Limited) (a company listed on the growth enterprise market of the HKEx) until June 2007.

(b) **Wah Nam Australia**

The directors of Wah Nam Australia are Mr Chan Kam Kwan Jason, Mr Luk Kin Peter Joseph and Mr Au-Yeung Sai Kit Alex.

#### **Mr Au-Yeung Sai Kit Alex**

Mr Au-Yeung Sai Kit Alex, aged 31, joined the Wah Nam International Group in December 2008. He is the Financial Controller of Wah Nam International and a director of Wah Nam Australia. Mr Au-Yeung is a member of the Hong Kong Institute of Certified Public Accountants and a member of CPA Australia. Mr Au-Yeung obtained a Bachelor Degree of Business Administration (Honours) - Accounting from the Hong Kong Baptist University. Mr Au-Yeung has over 9 years experience in auditing, accounting and banking.

Details about the qualifications and experience of Mr Chan and Mr Luk are set out in paragraph 3.7(a) above.

### **3.8 Key Management**

#### **Mr Leung Chi Yan Danny**

Mr Leung Chi Yan Danny, aged 62, is the managing director of Parklane Limousine Service Limited which is principally engaged in the provision of limousine and airport shuttle transportation services in Hong Kong. Mr Leung graduated from Newport University of Southern California with a Masters of Business Administration degree. Mr Leung has over 30 years experience in limousine and airport shuttle transportation services and is the Chairman of Hong Kong Limousine Hire Association.

#### **Mr Hendrianto Tee**

Mr Hendrianto Tee, aged 43, joined the Wah Nam International Group in January 2009. He is the Chief Investment Officer of Wah Nam International. Mr Tee graduated from Walsh University, USA, with a Bachelor of Arts Degree. Mr Tee spent a large part of his career with several international financial institutions with a focus on debt capital markets. Prior to joining Wah Nam International, Mr Tee held a senior executive position at a large Asian agri-business conglomerate.

### **3.9 Wah Nam International and Wah Nam Australia directors' interests in Securities**

As at 9 November 2010, the Relevant Interests of Wah Nam International's and Wah Nam Australia's directors in Wah Nam International Shares and their interest in Wah Nam International Scheme Options are set out in the table below.

<b>Name</b>	<b>Wah Nam International Shares</b>	<b>Wah Nam International Scheme Options</b>
Mr Luk Kin Peter Joseph	199,456,276	-
Mr Chan Kam Kwan Jason	-	1,500,000
Mr Lau Kwok Kuen, Eddie	-	1,000,000
Mr Uwe Henke Von Parpart	-	1,000,000
Mr Yip Kwok Cheung, Danny	-	1,000,000
Mr Au-Yeung Sai Kit, Alex	-	1,000,000

### 3.10 Remuneration of Directors

Wah Nam International's Bye-laws provide that the directors' remuneration must not exceed the maximum aggregate sum determined by Wah Nam International in general meeting. Wah Nam International intends to fix a maximum sum of A\$2 million in aggregate for executive directors and A\$1 million in aggregate for non-executive directors, per annum. This sum will be put to Wah Nam International Shareholders at the special general meeting to be held during the Offer Period. Once approved, this maximum sum cannot be increased without members' approval by ordinary resolution at a general meeting.

#### (a) Remuneration of Non-Executive Directors

In accordance with Wah Nam International's Bye-laws, the non-executive directors are appointed for a term of 2 years subject to retirement by rotation and re-election at the Annual General Meeting.

Each non-executive director is entitled to an annual emolument of HK\$144,000, subject to review by the remuneration committee and the board of directors of Wah Nam International from time to time. In consideration for serving on the board during the 2010 financial year, each non-executive director will be compensated as indicated below:

Director	Type of Fee	Amount per annum HK(\$)
Mr Lau Kwok Kuen Eddie	Emolument	144,000
Mr Uwe Henke Von Parpart	Emolument	144,000
Mr Yip Kwok Cheung Danny	Emolument	144,000

#### (b) Remuneration of Executive Directors

On 13 February 2009, Wah Nam International entered into a service contract with Mr Luk Kin Peter Joseph to govern the appointment of Mr Luk Kin Peter Joseph as a director of Wah Nam International. Mr Luk Kin Peter Joseph is also the Chairman of the board of directors of Wah Nam International.

The appointment of Mr Luk Kin Peter Joseph is not for a specific term and will be subject to retirement by rotation and re-election at the Annual General Meeting of Wah Nam International in accordance with Wah Nam International's Bye-laws. Mr Luk Kin Peter Joseph is appointed at a fixed salary of HK\$1,300,000 annually and his remuneration will be determined by the remuneration committee and the board of directors of Wah Nam International from time to time.

For the year ended 31 December 2009, the total remuneration paid to Mr Luk Kin Peter Joseph amounted to approximately HK\$872,000.

On 1 March 2008, Wah Nam International entered into a service contract with Mr Chan Kam Kwan Jason to govern the appointment of Mr Chan Kam Kwan Jason as a director of Wah Nam International. The appointment of Mr Chan Kam Kwan Jason is not for a specific term and is subject to retirement by rotation and re-election at the Annual General Meeting of Wah Nam International in accordance with Wah Nam International's Bye-laws.

Mr Chan Kam Kwan Jason is appointed at a fixed salary of HK\$50,000 per month and his remuneration is determined by the remuneration committee and the board of directors of Wah Nam International from time to time.

For the year ended 31 December 2009, the total remuneration paid to Mr Chan Kam Kwan Jason amounted to approximately HK\$600,000.

### **3.11 Prospectus**

On or about the date of this Bidder's Statement, Wah Nam International lodged the Prospectus with ASIC. The Prospectus includes an IPO of 10 million Wah Nam International Shares, each with 1 free attaching option, at A\$0.20 per Wah Nam International Share to raise A\$2 million with provision to accept oversubscriptions of up to a further 5 million Wah Nam International Shares, each with 1 free attaching option, at A\$0.20 each to raise up to an additional A\$1 million. The minimum subscription for the IPO is 5 million Shares.

The purpose of the IPO is to:

- list Wah Nam International on the ASX, which will provide Wah Nam International with additional financial flexibility to pursue growth opportunities and improve access to capital markets;
- finance the transaction costs incurred by the Wah Nam International Group in connection with the Offer and the Brockman Resources Offer and the IPO;
- provide Australian shareholder spread for Wah Nam International's ASX application; and
- provide a liquid market for Wah Nam International Shares.

The IPO is conditional on:

- the ASX granting conditional approval for the listing of Wah Nam International and the quotation of all Wah Nam International Shares and Wah Nam International Options on the ASX;
- the HKEx granting approval for the quotation of the Wah Nam International Shares to be issued pursuant to the IPO; and the Shares issued upon exercise of the Wah Nam International Options; and
- Wah Nam International Shareholders approving the IPO at the special general meeting of Wah Nam International to be held before the close of the Offer or the Brockman Resources Offer, whichever is the earlier.

If the conditions of the IPO are not satisfied all application moneys will be returned to investors without interest.

### **3.12 Placement Mandate**

During the Offer Period, Wah Nam International proposes to seek a mandate from Wah Nam International Shareholders for the placement of up to 600 million Placement Shares (**Placement Mandate**).

#### **(a) Placement Mandate Price**

The price at which the Placement Shares are to be issued will be equal to or higher than the higher of:

- HK\$1.30; or
- a discount of not more than 30% to the average closing price for the 20 trading days immediately prior to the date of the agreement in respect of the placing of the Placement Shares.

The placement price of HK\$1.30 would represent:

- a discount of approximately 20.2% to the closing price of HK\$1.63 per Wah Nam International Share as quoted on the HKEx on 9 November 2010, being the last full day of trading in Wah Nam International Shares prior to the date of this Bidder's Statement; and
- a discount of approximately 22.2% to the average of the closing prices per Wah Nam International Share of HK\$1.67 as quoted on the HKEx for the five consecutive trading days up to and including 9 November 2010, being the last full day of trading in Wah Nam International Shares prior to the date of this Bidder's Statement.

The minimum placement price of HK\$1.30 was determined with reference to the prevailing market price and the recent trading volume of Wah Nam International Shares. The actual placement price will be determined based on the above conditions and negotiations between Wah Nam International and the investors under the placement.

Taking into account, among other things, the placement parameters of determining the price, the reasons for the Placement Mandate and the use of proceeds set out below, the Wah Nam International directors (including the independent non-executive directors) consider that the terms of the Placement Mandate are fair and reasonable based on current market conditions and that the Placement Mandate is in the interests of Wah Nam International and Wah Nam International Shareholders as a whole.

**(b) Maximum number of Placement Shares**

The 600 million Placement Shares represent:

- approximately 15.4% of the existing issued share capital of Wah Nam International;
- approximately 13.3% of the issued share capital of Wah Nam International as enlarged by the allotment and issue of the Placement Shares; and
- approximately 6.8% of the issued share capital of Wah Nam International as enlarged by:
  - the Placement Shares,
  - Wah Nam International Shares to be issued pursuant to the Prospectus and upon exercise of the Wah Nam International Options;

- the Consideration Shares (assuming full acceptance of the Offer but no FerrAus optionholder exercising their options and accepting the Offer); and
- the Brockman Resources Consideration Shares (assuming full acceptance of the Brockman Resources Offer but no Brockman Resources optionholders exercising their options and accepting the Brockman Resources Offer).

**(c) Conditions of the Placement Mandate**

The Placement Mandate is subject to:

- the Offer and/or the Brockman Resources Offer becoming unconditional;
- the HKEx granting or agreeing to grant listing of and permission to deal in all of the Placement Shares; and
- the passing of necessary resolution(s) by the Wah Nam International Shareholders to approve the Placement Mandate and the transactions contemplated thereunder, including but not limited to the issue and allotment of the Placement Shares.

The Placement Mandate will be valid for a period of six months from the date of either the Offer or the Brockman Resources Offer being declared unconditional.

**(d) Rights of the Placement Shares**

The Placement Shares will be sold free from all liens, charges and encumbrances and together with the rights attaching to them. The Placement Shares will rank, upon issue, *pari passu* in all respects with Wah Nam International Shares on issue on the date of allotment and issue of the Placement Shares.

**(e) Use of Proceeds**

If the Placement Mandate is utilised in full, based on the minimum placement price of HK\$1.30 and if 600 million Placement Shares are issued, the maximum gross proceeds would be approximately HK\$780 million; and the estimated net proceeds, after the deduction of commission and other related expenses, is estimated to be approximately HK\$741 million.

It is intended that the net proceeds raised from the placement will be used to support the financing of capital expenditure required by the Projects. The Combined Group will need to raise funds for the development of the Projects or for other capital expenditure, further exploration or feasibility studies.

Wah Nam International considers that the Placement Mandate will allow Wah Nam International additional flexibility in supporting the development of the Projects after the completion of the Offer and the Brockman Resources Offer.

### **3.13 Hong Kong Exchange Listing Rule Requirements**

The transactions under the Offer, the Brockman Resources Offer and the IPO are conditional on, among other things, shareholder approval at a general meeting of Wah Nam International, voting by poll.

HKEx Listing Rule 13.36(1) provides that, as the Consideration Shares and the Brockman Resources Consideration Shares will not be issued under a general mandate preapproved by Wah Nam International Shareholders, the issue of the Consideration Shares and the Brockman Resources Consideration Shares is subject to the consent of shareholders in a general meeting.

Under Chapters 14 and 14A of the HKEx Listing Rules, acquisitions of equity interests in companies by a listed company are subject to different reporting, announcement and shareholders' approval requirements depending on the size and nature of the transactions and the counter parties of the transactions.

In the present case, the possible acquisitions of all of the FerrAus Shares under the Offer and all of the Brockman Resources Shares under the Brockman Resources Offer constitute a very substantial acquisition for Wah Nam International for the purposes of the HKEx Listing Rules. Under HKEx Listing Rule 14.40, a very substantial acquisition must be conditional on approval by Wah Nam International Shareholders.

Pursuant to a letter issued by the HKEx and HKEx Listing Rule 14.67A, if Wah Nam International gains a controlling interest in FerrAus and/or Brockman Resources, Wah Nam International will issue supplementary circulars to Wah Nam International Shareholders as soon as practicable after the closing of the Offer and the Brockman Resources Offer.

Pursuant to HKEx Listing Rule 14.67A(3) and a waiver granted by the HKEx, Wah Nam International is required to despatch the supplementary circular to Wah Nam International Shareholders within 45 days of the earlier of:

- Wah Nam Australia being able to gain access to the necessary books and records of FerrAus and/or Brockman Resources; and
- Wah Nam Australia being able to exercise control over FerrAus and/or Brockman Resources.

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## 4. Information about Wah Nam International Securities

### 4.1 Dual Listing

Wah Nam International Shares are listed with the HKEx. Wah Nam International will lodge an application to the HKEx for admission to quotation of the Consideration Shares no later than 7 days after the start of the Bid Period. Quotation will not be automatic and will depend on the HKEx exercising its discretion.

Wah Nam International will lodge with the ASX an application for admission to the ASX's Official List and quotation of all Wah Nam International Shares no later than 7 days after the start of the Bid Period.

Wah Nam International's application for admission to quotation on the ASX is subject to:

- Wah Nam International satisfying the ASX Listing Rules or obtaining waivers from them; and
- the ASX's discretion.

Wah Nam International does not guarantee that its application will be successful and is not implying that it will be listed. If the application is not successful, then all contracts resulting from the acceptance of the Offer will be automatically void.

If the application is successful, Wah Nam International will be listed on the ASX as well as maintaining its listing on HKEx. It will be subject to the ASX Listing Rules and the HKEx Listing Rules.

### 4.2 Trading on the ASX and the HKEx

When accepting the Offer, you can choose to have Wah Nam International Shares registered on the Australian Share Register or the Hong Kong Share Register.

Subject to the completion of the Offer, the listing of Wah Nam International Shares on the ASX and the quotation of the Consideration Shares on the HKEx, holders of Wah Nam International Shares may shunt (or remove) their Wah Nam International Shares between Wah Nam International's Australian Share Register and Hong Kong Share Register according to the following procedure:

- when a Wah Nam International Shareholder wishes to shunt shares from one of the two registers (the **Home Register**) to the other register (the **Destination Register**), the Wah Nam International Shareholder must provide the Home Register with a written direction to that effect. The Home Register will then remove the Wah Nam International Shares from their holding, and place those shares into the control of the Destination Register. A confirmation will then be sent to the Destination Register, which will place the shares into a holding in exactly the same name of the delivering Wah Nam International Shareholder; and
- periodically (usually at the time of each shunt (or removal)) the two registers will compare their respective control accounts to confirm that they are synchronised.



It is customary for the Hong Kong Registrar to charge shareholders (and prospective shareholders coming from the Australian Share Register) administrative fees for processing shunts (or removals).

The following table identifies the costs (correct at the time of going to print) for each of those administrative fees.

To/From	Australian Fee	Hong Kong Removal Fee	Hong Kong Certificate Cancellation / Creation Fee (per Certificate)
AU/HK	Nil	HK\$350.00	HK\$2.50 (Cancellation)
HK/AU	Nil	HK\$350.00	HK\$2.50 (Creation)

The ASX requires trades to be settled on a 'T+3' basis while the HKEx requires trades to be settled on a 'T+2' basis. The period of time required to shunt Wah Nam International Shares between the Australian Share Register and the Hong Kong Share Register may vary and there is no certainty of when shunted shares will be available for trading or settlement.

Wah Nam International Shares shunted from the Australian Share Register to the Hong Kong Share Register may not be allocated to CCASS as the HKEx requires a physical share certificate to be issued and then delivered to the appropriate CCASS participant for transfer to CCASS. Wah Nam International Shares shunted from the Hong Kong Share Register can be sponsored by either Wah Nam International or CHESS, as per the request of the Wah Nam International Shareholder initiating the shunt. For further information, contact your nominated market (or CCASS) participant.

### **4.3 Settlement and Dealing**

#### **(a) Dealings**

The brokerage commission in respect of trades of shares on the ASX is freely negotiable.

The transaction costs of dealings in shares on the HKEx include a stock exchange trading fee of 0.005%, an SFC transaction levy of 0.003%, a trading tariff of HK\$0.50 on each transaction, a transfer deed stamp duty of HK\$5.00 per transfer deed and ad valorem stamp duty on both the buyer and the seller charged at the rate of 0.1% each of the consideration or, if higher, the fair value of the shares transferred. The brokerage commission in respect of trades of shares on the HKEx is freely negotiable.

#### **(b) Settlement**

Settlement of dealings on the ASX will take place on the third Business Day following the date of transaction.

Investors in Hong Kong must settle their trades executed on the HKEx through their brokers directly or through custodians.

For an investor in Hong Kong who has deposited Wah Nam International Shares in their stock account or in their designated CCASS Participant's stock account maintained with CCASS, settlement will be effected in CCASS in accordance with the CCASS Rules in effect from time to time.

For an investor who holds the physical certificates, settlement certificates and the duly executed transfer forms must be delivered to their broker by the settlement date. An investor may arrange with their broker on a settlement date in respect of their trades executed on the HKEx.

Under the HKEx Listing Rules and the CCASS Rules, the date of settlement must not be later than the second Business Day following the trade date on which the settlement services of CCASS are open for use by CCASS Participants (T+2).

For trades settled under CCASS, the CCASS Rules provide that the defaulting broker may be compelled to compulsorily buy-in by HKSCC the day after the date of settlement (T+3), or if it is not practicable to do so on T+3, at any time thereafter. HKSCC may also impose fines from T+2 onwards.

The CCASS stock settlement fee payable by each counterparty to a HKEx trade is currently 0.002% of the gross transaction value subject to a minimum fee of HK\$2 and a maximum fee of HK\$100 per trade.

#### 4.4 Issued Securities

Wah Nam International currently has 3,907,435,485 Wah Nam International Shares and 36,000,000 Wah Nam International Options on issue. If the Wah Nam International Options are exercised, Wah Nam International's total share capital would be 3,943,435,485 shares. Set out below is a table of all Wah Nam International securities on issue.

Class	Number on issue	Vesting date	Expiry
<b>Ordinary Shares</b>	3,907,435,485		
<b>Scheme Options</b>			
HK\$1.164	4,500,000	18 January 2011	17 January 2014
HK\$1.164	2,250,000	18 January 2012	17 January 2014
HK\$1.164	2,250,000	18 January 2013	17 January 2014
HK\$1.24	27,000,000	11 February 2011	10 February 2014

As at the date of this Bidder's Statement, Wah Nam International has a market capitalisation of approximately A\$814.6 million.

#### 4.5 Beneficial Substantial Shareholders of Wah Nam International

The following information is based on information filed with the HKEx by substantial shareholders who own a disclosable interest (a beneficial interest of 5% or more) in Wah Nam International under Hong Kong law. The information has been updated to take into account recent Wah Nam International Share issues:

Name	Beneficial Owner	Wah Nam International Shares Number	Wah Nam International Shares %
Leading Highway Limited	Cheng Yung Pun	440,500,000	11.27
Shimmer Expert Investments Limited	Zhang Li	279,548,000	7.15

Villas Green Investments Limited	Chong Yee Kwan	257,760,000	6.60
Smartpath Investments Limited	Tan Lini	204,752,000	5.24
Prideful Future Investments Limited and Equity Valley Investments Limited	Luk Kin Peter Joseph and Associates	199,456,276	5.10

#### 4.6 Recent performance of Wah Nam International Shares

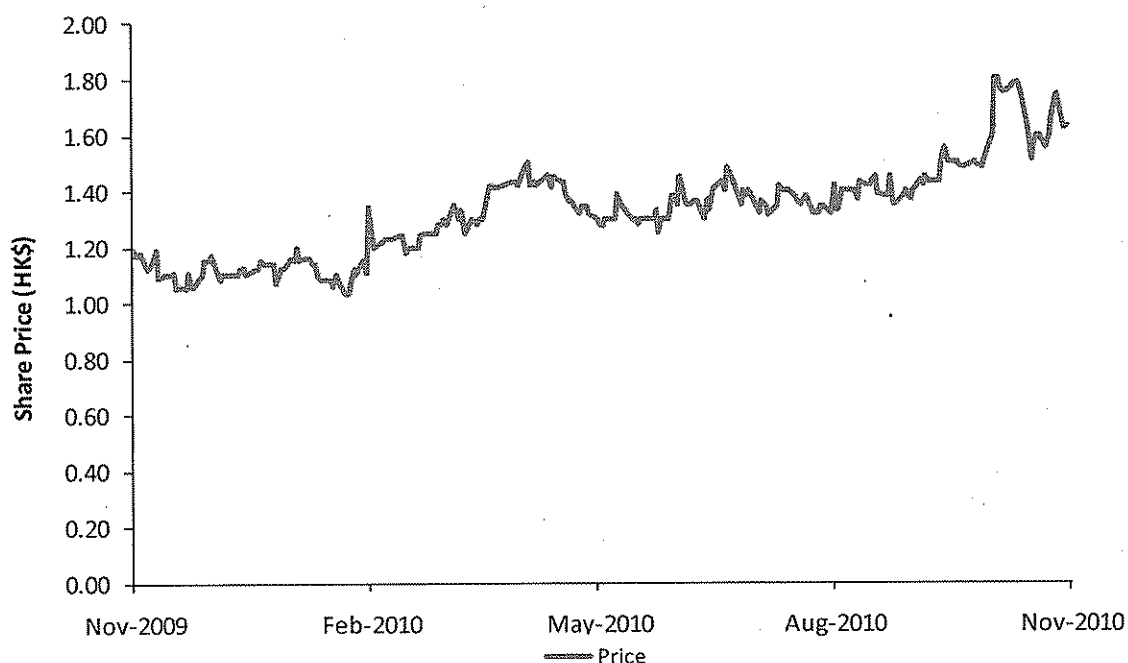
The closing price of Wah Nam International Shares on the HKEx on 9 November 2010 (being the last full trading day before the date of this Bidder's Statement) was HK\$1.63 per Wah Nam International Share.

The highest recorded closing price of Wah Nam International Shares on the HKEx in the 4 months before the last trading day before the date of this Bidder's Statement was HK\$1.80 per Wah Nam International Share on 12 and 13 October 2010.

The lowest recorded closing price of Wah Nam International Shares on the HKEx in the 4 months before the last trading day before the date of this Bidder's Statement was HK\$1.31 per Wah Nam International Share on 16 July 2010.

The following graph sets out the closing prices of Wah Nam International Shares on the HKEx over the 12 months to 9 November 2010.

**Figure 9 : Wah Nam International 12 Month Share Price Performance**



#### 4.7 Rights and Liabilities of Wah Nam International Shares

The Wah Nam International Shares offered to FerrAus Shareholders under the Offer will be issued fully paid and, from the date of their issue, will rank equally with existing

Wah Nam International Shares and will have the same rights and liabilities attaching to them.

The rights and liabilities attaching to Wah Nam International Shares are set out in the Bye-laws. The following paragraphs contain a summary of the principal rights and liabilities attaching to the Wah Nam International Shares FerrAus Shareholders will receive. This summary does not purport to be exhaustive or to constitute a definitive statement of the rights and liabilities of holders of Wah Nam International Shares, which can involve complex questions of law arising from the interaction of the Bye-laws and statutes, common law, the ASX Listing Rules and the HKEx Listing Rules requirements. FerrAus Shareholders who wish to obtain a definitive assessment of the rights and liabilities which attach to the Wah Nam International Shares they will receive in any specific circumstances should seek their own advice.

**(a) Voting**

At a general meeting of Wah Nam International, subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of Wah Nam International shares, each Wah Nam International Shareholder present in person or by proxy, attorney or representative has one vote on a show of hands and on a poll, has one vote for each Wah Nam International Share held. Resolutions put to the vote at general meeting shall be decided on a show of hands unless a poll is required under the ASX Listing Rules or the HKEx Listing Rules or demanded by the Chairman or eligible members in accordance with the Bye-laws.

**(b) Dividends and reserves**

Wah Nam International, in general meeting, may from time to time determine that a dividend is payable and the method of payment (a dividend may be paid to Wah Nam International Shareholders or declared on the share capital of Wah Nam International). Dividends may only be paid out of the profits or reserves of Wah Nam International, subject to the Companies Act, and no dividend shall be declared in excess of the amount recommended by the board. Interest is not payable by Wah Nam International on any dividend.

**(c) Issue of further securities**

Subject to the ASX Listing Rules, the HKEx Listing Rules and the Companies Act, the directors may at any time allot or otherwise issue or grant options over Wah Nam International Shares on such terms and subject to such conditions as they think fit, but so that no Wah Nam International Shares shall be issued at a discount to its par value. Subject to the ASX Listing Rules, the HKEx Listing Rules and the Companies Act, Wah Nam International directors may also at any time issue warrants conferring the right upon holders to subscribe to any class of shares or securities in the capital of Wah Nam International on such terms as they think fit.

**(d) Transfer of shares**

A Wah Nam International Shareholder may freely transfer any or all of their Wah Nam International Shares, subject to the registration of the transfer not resulting in a contravention of or failure to observe the provisions of the applicable Bermudan law. Wah Nam International has obtained a broad consent from the BMA which gives permission for the transfer of Wah Nam International Shares between non-residents of Bermuda without specific approval of the BMA so long as the Wah Nam International Shares are listed on an "Appointed Stock Exchange" (which includes the ASX and the HKEx).

Transfers of Wah Nam International Shares may be, by a proper transfer, effected in accordance with the ASX Settlement Operating Rules, by an instrument of transfer in any usual form or in any other form approved by the Board, the ASX or the HKEx that is otherwise permitted by law. Wah Nam International must not refuse, hinder or obstruct the registration of a transfer of Wah Nam International Shares, unless otherwise permitted or required under the ASX Listing Rules or the HKEx Listing Rules.

**(e) Alteration of capital**

Subject to the ASX Listing Rules and the HKEx Listing Rules, except where a special resolution is specifically required, Wah Nam International may from time to time and in accordance with section 45 of the Companies Act alter the capital of Wah Nam International by ordinary resolution by Wah Nam International Shareholders in general meeting.

Wah Nam International may, by special resolution, reduce its share capital, any capital redemption reserve fund or any share premium account or other distributable reserve in any manner authorised and subject to any conditions prescribed by law.

**(f) Variation of class rights**

Subject to the ASX Listing Rules and the HKEx Listing Rules, if at any time the share capital of Wah Nam International is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may not be varied without the written consent of the holder of 75 per cent of all Wah Nam International Shares of that class or a special resolution being issued by the holders of all Wah Nam International Shares of that class at a separate general meeting.

The quorum for a separate general meeting to vary class rights is constituted by two persons who together hold or represent by proxy not less than one-third in nominal value of the issued shares in that class.

**(g) General meeting and notices**

An Annual General Meeting shall be held each year. Wah Nam International Shareholders must be given at least 21 days' notice.

Special general meetings may be convened by Wah Nam International Shareholders holding not less than one tenth of the paid up capital of Wah Nam International, by written requisition to the directors or the company secretary. The directors may call a special general meeting whenever they think fit. Wah Nam International Shareholders must be given at least 21 days' notice in writing before a general meeting, at which it is proposed to pass a special resolution, may be held. Any other special general meeting shall be called by at least 14 days' notice in writing. Notice must specify the place, the day and the hour of meeting and, in the case of special business, the general nature of that business. Notices or any other document to be given to Wah Nam International Shareholders may be delivered either:

- personally or by post, or alternatively
- by advertisement in a newspaper or publication on Wah Nam International's website together with a notice to Wah Nam International Shareholders stating that such information is available.

Each Wah Nam International Shareholder entitled to vote at a general meeting may vote in person or by proxy appointed in accordance with the Bye-laws. A Wah Nam International Shareholder holding two or more shares may appoint more than one proxy to attend on the same occasion. A proxy need not be a member of Wah Nam International. No business may be transacted at any general meeting unless a quorum is present within 30 minutes after the time appointed for the general meeting. Two Wah Nam International Shareholders present in person, by proxy constitute a quorum at a general meeting.

(h) **Winding up**

Wah Nam International may only be wound up by the court or be wound up voluntarily by special resolution. If Wah Nam International is wound up, the surplus assets remaining after payment to all creditors are to be divided among Wah Nam International Shareholders in proportion to the capital paid up on the shares held by them. The liquidator may however, with the sanction of a special resolution, divide among the Wah Nam International Shareholders in specie or kind, all money and property of Wah Nam International which is to be distributed among Wah Nam International Shareholders on a winding up, and may determine how such division shall be carried out as between the Wah Nam International Shareholders or different classes of Wah Nam International Shareholders, but so that no Wah Nam International Shareholder shall be compelled to accept any shares or other assets upon which there is a liability.

Under the Companies Act, the liquidator may also, with the sanction of a special resolution, vest any part of the assets in trustees upon such trusts for the benefit of Wah Nam International Shareholders.

**4.8 Rights and Liabilities of Wah Nam International Scheme Options**

As at the date of this Bidder Statement, there are a total of 36,000,000 Wah Nam International Scheme Options on issue. All Wah Nam International Scheme Options have been issued pursuant to the Share Option Scheme. A summary of the terms of the Share Option Scheme is set out in Section 12.2.

On 18 January 2010, Wah Nam International issued 9,000,000 Wah Nam International Scheme Options. The exercise price of each of these Wah Nam International Scheme Options is HK\$1.164. Subject to the provisions of the Share Option Scheme not more than:

- 4,500,000 of these options can be exercised in the period from 18 January 2011 until 17 January 2014;
- 2,250,000 of these options can be exercised in the period from 18 January 2012 until 17 January 2014; and
- 2,250,000 of these options can be exercised in the period from 18 January 2013 until 17 January 2014.

On 11 February 2010, Wah Nam International issued 27,000,000 Wah Nam International Scheme Options. The exercise price of each of these Wah Nam International Scheme Options is HK\$1.24. Subject to the provisions of the Share Option Scheme these options can be exercised in the period from 11 February 2011 until 10 February 2014.

All the Wah Nam International Scheme Options will lapse if they have not been exercised by the end of their respective exercise periods.

#### **4.9 Dividend Policy**

Wah Nam International is yet to declare a dividend payment..

In future, the board of directors of Wah Nam International may declare dividends after taking into account, among other factors, Wah Nam International's results, cash flow, financial condition, operating and capital requirements, amount of distributable reserves, the Bye-laws and other rules and regulations.

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## **5. Information on FerrAus**

### **5.1 Disclaimer**

The information in this Section 5 concerning FerrAus has been prepared based on a review of publicly available information (which has not been independently verified). Neither Wah Nam Australia, Wah Nam International, nor any of their respective directors, officers or advisers, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

The information on FerrAus in this Bidder's Statement should not be considered comprehensive.

In addition, the Corporations Act requires the FerrAus directors to provide a target's statement to FerrAus Shareholders in response to this Bidder's Statement setting out material information concerning FerrAus.

### **5.2 History and Overview of FerrAus**

FerrAus is an ASX-listed Australian iron ore development company with a market capitalisation of approximately A\$174.8 million as at 9 November 2010.

FerrAus was incorporated on 6 July 2001 as Metals Quest Australia Limited for the purpose of compiling a portfolio of gold and base metals projects for exploration. On 10 November 2003, the company changed its name to NiQuest Limited. On 21 December 2005, following the acquisition of its current iron ore projects the company changed its name to FerrAus Limited. FerrAus' main focus is the development of the FerrAus Pilbara Project.

### **5.3 Overview of FerrAus' Projects**

#### **(a) FerrAus Pilbara Project**

##### *Background*

The FerrAus Pilbara Project is located northwest of Robertson Range and 35 kilometres east of BHP's mining operations and rail infrastructure at Jimblebar. The FerrAus Pilbara Project is a combination of the Davidson Creek Iron Ore Project, the Robertson Range Iron Ore Project and the Murramunda Iron Ore Project.

##### *Highlights*

- Completion of a scoping study.
- Commencement of a pre-feasibility study.
- Pre-feasibility study and definitive feasibility study due for completion by November 2010 and early 2011, respectively.

##### *Resources*

The JORC Code compliant Mineral Resource at the FerrAus Pilbara Project totals 316.3 million tonnes, with 210.7 million tonnes of higher grade resource and 105.6 million tonnes of medium grade resource.



**Table 3: High Grade Mineral Resources (+55% Fe)**

Area	Resource Classification	Tonnes (Mt)	Fe (%)	Al2O3 (%)	SiO2 (%)	P (%)	LOI (%)
Robertson Range	Measured	23.4	58.93	2.71	4.54	0.109	7.69
	Indicated	20.7	58.98	2.99	5.40	0.104	6.48
	Inferred	10.6	58.11	3.37	6.56	0.097	6.15
	<b>TOTAL</b>	<b>54.6</b>	<b>58.79</b>	<b>2.94</b>	<b>5.26</b>	<b>0.105</b>	<b>6.93</b>
Davidson Creek	Measured	9.5	58.10	2.83	4.31	0.078	9.12
	Indicated	91.6	58.70	2.43	4.44	0.082	8.63
	Inferred	55.0	57.96	2.67	4.92	0.100	8.72
	<b>TOTAL</b>	<b>156.1</b>	<b>58.40</b>	<b>2.54</b>	<b>4.60</b>	<b>0.088</b>	<b>8.69</b>
<b>TOTAL (+55% Fe)</b>		<b>210.7</b>	<b>58.50</b>	<b>2.64</b>	<b>4.77</b>	<b>0.092</b>	<b>8.23</b>

**Table 4: Medium Grade Inferred Mineral Resources (50-55% Fe)**

Area	Tonnes (Mt)	Fe (%)	Al2O3 (%)	SiO2 (%)	P (%)	LOI (%)
Robertson Range	16.2	53.00	5.40	8.51	0.123	8.85
Davidson Creek	89.4	53.21	5.12	8.38	0.080	9.32
<b>TOTAL</b>	<b>105.6</b>	<b>53.18</b>	<b>5.17</b>	<b>8.40</b>	<b>0.086</b>	<b>9.25</b>

### *Project Development*

On 24 February 2010, FerrAus completed a positive scoping study on the FerrAus Pilbara Project and as a result, commenced the pre-feasibility study.

FerrAus aims to complete the pre-feasibility study in November 2010 and definitive feasibility study by early 2011. In addition to the pre-feasibility study, FerrAus' core activities are the completion of infill drilling activities, metallurgical test work, hydrology studies, environmental studies, process flow design, regulatory approvals and technical marketing of the product.

### *Port and rail infrastructure*

The development and success of the FerrAus Pilbara Project is heavily dependent on access to rail and port infrastructure to economically transport the ore to future customers. For port infrastructure, FerrAus has partnered with Brockman Resources and Atlas Iron Limited to form the NWIOA, a group that has secured the rights to construct a 50 million tonnes per annum berth at Port Hedland. The NWIOA has also been successful with regard to progressing rail infrastructure access, with the ACCC granting NWIOA interim authorisation to engage in collective negotiations with the providers of rail infrastructure in the Pilbara region.

The two rail infrastructure options available to FerrAus are:

- the construction of a spur line to, and negotiation of haulage on, BHP's rail infrastructure; and
- the construction of a spur line to, and negotiation of access to or haulage on, FMG's rail infrastructure

(b) **Enachedong**

Enachedong is located approximately 200 kilometres north east of Newman and 60 kilometres south of the manganese mining operation at Woodie Woodie, Western Australia. The project is prospective for manganese mineralisation.

**5.4 Directors and senior managers**

As at the date of this Bidder's Statement, the FerrAus directors are as follows:

- Mr Robert James Sydney Greenslade (Non-Executive Director);
- Mr John Anthony Nyvlt (Chairman);
- Mr James Arthur Wall (Non-Executive Director);
- Mr Joe Singer (Non-Executive Director);
- Mr Bryan Oliver (Executive Director); and
- Mr Guoping Liu (Non-Executive Director).

As at the date of this Bidder's Statement, FerrAus' senior executive team is as follows:

- Mr Christopher Hunt (Chief Financial Officer and Company Secretary); and
- Mr Peter Brookes (Exploration Manager).

**5.5 FerrAus securities on issue**

(a) **Issued Capital**

According to documents provided by FerrAus to the ASX, as at the date of this Bidder's Statement, FerrAus' issued securities consisted of:

<b>Class</b>	<b>Number on issue</b>	<b>Expiry</b>
<b>Ordinary Shares</b>	205,700,890	
<b>Options</b>		
A\$0.25	3,000,000	17 March 2011
A\$0.40	200,000	07 June 2011
A\$0.75	300,000	13 October 2013
A\$1.35	400,000	08 November 2012
A\$1.15	1,200,000	31 December 2011
A\$0.75	500,000	17 January 2013
A\$1.00	500,000	17 January 2013
A\$1.25	500,000	17 January 2013
A\$1.25	75,000	2 November 2013
A\$1.00	50,000	2 November 2013

A\$1.00	500,000	27 April 2012
A\$1.00	300,000	28 April 2011
<b>Performance Shares Class B</b>	7,500,000	

(b) **Substantial shareholders**

Based on substantial holder notices lodged with the ASX up to and including 9 November 2010, the substantial shareholders in FerrAus are as follows:

<b>Shareholder</b>	<b>FerrAus Shares</b>	<b>Percent (%)</b>
Wah Nam Australia	40,319,648	19.90
Joe Singer / John Anthony Nyvlt / Penfold Limited	23,756,470	11.72
China Railway Materials Commercial Corporation	25,946,417	12.61
Western Mining Co Ltd	15,145,892	7.47

## 5.6 Dealings in FerrAus Shares

(a) **Wah Nam Australia's 19.90% Relevant Interest in FerrAus Shares and voting power**

As at the date immediately before the first Offer was sent, Wah Nam Australia had a Relevant Interest in 40,934,400 FerrAus Shares, giving it 19.90% of the total voting power in FerrAus.

(b) **Prices paid for FerrAus Shares by Wah Nam Australia**

Except as set out below, during the 4 months before the date of the Offer, neither Wah Nam Australia nor any Associate of Wah Nam Australia provided, or agreed to provide, consideration for a FerrAus Share under a purchase or agreement.

<b>Date of purchase</b>	<b>No. of FerrAus Shares</b>	<b>Average Price per FerrAus Share paid by Wah Nam Iron Ore  A\$</b>
12 July 2010	570,803	0.849
19 July 2010	369,095	0.852
29 July 2010	293,104	0.859
30 July 2010	1,560,534	0.820
2 August 2010	25,000	0.820
4 August 2010	30,067	0.820
5 August 2010	16,000	0.820

6 August 2010	100,890	0.835
9 August 2010	93,060	0.855
10 August 2010	741,911	0.840
11 August 2010	97,752	0.820
12 August 2010	119,210	0.800
13 August 2010	457,435	0.800
23 August 2010	617,110	0.757
24 August 2010	91,854	0.760
26 August 2010	100,000	0.750
30 August 2010	72,675	0.743
13 September 2010	340,437	0.799
14 September 2010	994,350	0.800
15 September 2010	846,510	0.797
16 September 2010	754,458	0.849
17 September 2010	470,476	0.847
20 September 2010	165,100	0.849
21 September 2010	12,000	0.840
22 September 2010	672,188	0.850
21 October 2010	227,752	0.770
25 October 2010	387,000	0.790

(c) **No Escalation Agreements**

Neither Wah Nam Australia nor any Associate of Wah Nam Australia has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

(d) **No Collateral Benefits**

During the 4 months before the date of the Offer, neither Wah Nam Australia nor any Associate of Wah Nam Australia gave, or agreed to give, a benefit to another person which was likely to induce the other person, or an Associate of the other person to:

- accept the Offer; or
- dispose of FerrAus Shares,

and which is not offered to all FerrAus Shareholders under the Offer.

## 5.7 **FerrAus Balance Sheet**

The table below is a consolidated statement of financial position of FerrAus as at 30 June 2009 and 30 June 2010.

	30 June 2010 A\$	30 June 2009 A\$
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	29,612,090	14,568,574
Trade and other receivables	1,411,256	193,741
Other current assets	16,954	13,389
<b>Total Current Assets</b>	<b>31,040,300</b>	<b>14,775,704</b>
Non-current assets		
Property, plant and equipment	1,967,775	2,087,457
Exploration and evaluation assets	55,239,513	41,544,076
<b>Total Non-Current Assets</b>	<b>57,207,288</b>	<b>43,631,533</b>
<b>TOTAL ASSETS</b>	<b>88,247,588</b>	<b>58,407,237</b>
<b>LIABILITIES</b>		
Current Liabilities		
Trade and other payables	3,217,925	698,439
Short-term provisions	132,699	126,361
<b>Total Current Liabilities</b>	<b>3,350,624</b>	<b>824,800</b>
Non-current liabilities		
Long-term provisions	11,173	4,732
<b>Total Non-Current Liabilities</b>	<b>11,173</b>	<b>4,732</b>
<b>TOTAL LIABILITIES</b>	<b>3,361,797</b>	<b>829,532</b>
<b>NET ASSETS</b>	<b>84,885,791</b>	<b>57,577,705</b>
<b>EQUITY</b>		
Issued capital	98,595,731	63,271,371
Reserves	2,976,392	2,702,745
Retained earnings	(16,686,332)	(8,396,411)
<b>TOTAL EQUITY</b>	<b>84,885,791</b>	<b>57,577,705</b>

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## **6. The Combined Group**

### **6.1 Approach**

This Section 6 provides an overview of the profile of the Combined Group and the effect of the Offer on Wah Nam International.

### **6.2 The Brockman Resources Offer**

On 10 November 2010, Wah Nam Australia announced its intention to make an off-market takeover offer for all the ordinary shares in Brockman Resources.

Brockman Resources is a company which also has interests in iron ore exploration projects in the Pilbara region of Western Australia. Wah Nam Australia believes, if the Brockman Resources Offer is successful, that the Brockman Resources business will further Wah Nam Australia's strategy to become a developer of strategic mining assets in politically stable, mineral resource-rich countries and will strengthen the Combined Group's interest in iron ore exploration projects in the Pilbara region of Western Australia.

The takeover bid for Brockman Resources is the subject of a bidder's statement which was lodged by Wah Nam Australia with ASIC on or about the date of this Bidder's Statement.

The Brockman Resources Offer implies a value of approximately A\$6.47 per Brockman Resources Share and represents a premium of 42.8% to the closing price of Brockman Resources Shares on the day before the Announcement Date.

The Brockman Resources Offer and the Offer are not interconditional. This means that the Offer will not be affected by the success or otherwise of the Brockman Resources Offer.

The Brockman Resources Offer is subject to similar conditions to the Offer, including, among others:

- approval of the requisite majority of Wah Nam International Shareholders to acquire all of the Brockman Resources Shares not already owned by Wah Nam Australia and to allot and issue the Brockman Resources Consideration Shares;
- approval of the HKEx for the quotation of the Brockman Resources Consideration Shares;
- approval of the ASX for Wah Nam International to be admitted to the ASX and the quotation of Wah Nam International Shares on the ASX; and
- at the end of the Offer Period, Wah Nam Australia having a Relevant Interest in more than 50% of the Brockman Resources Shares.

Wah Nam Australia may declare the Brockman Resources Offer free from the minimum acceptance condition in accordance with the Corporations Act.

### **6.3 Disclaimer**

The information in Sections 6.4 and 6.5 concerning Brockman Resources has been prepared based on a review of publicly available information (which has not been independently verified). Neither Wah Nam Australia, Wah Nam International, nor any of their respective directors, officers or advisers, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

The information on Brockman Resources in this Bidder's Statement should not be considered comprehensive.

### **6.4 Profile of Brockman Resources**

Brockman Resources is an ASX-listed Australian iron ore development company with a market capitalisation of approximately A\$647.4 million as at 9 November 2010.

Brockman Resources was originally listed on the ASX on 17 August 2004 as Yilgarn Mining Ltd and was renamed to Brockman Resources Limited to reflect the company's strategic decision to position itself as an iron ore developer. Brockman Resources' main focus is the development of the Marillana Project.

### **6.5 Overview of Brockman Resources' Projects**

#### **(a) Marillana Project**

##### *Background*

The Marillana Project is Brockman Resources' principal project and is located in the Hamersley Iron Province 100 kilometres north west of Newman. The Marillana Project covers an area of 96 square kilometres and is held by a wholly owned Subsidiary of Brockman Resources. Brockman Resources has reported that the Marillana Project contains a JORC Code compliant Ore Resource of 1,001.2 million tonnes of detrital ore grading 42.36% Fe, and 48.5 million tonnes of channel iron deposit ore grading 55.5% Fe.

##### *Highlights*

- Completion of a definitive feasibility study.
- Environmental scoping document completed and public review period closed.
- After the execution of Native Title mining agreements in December 2009, the mining lease was granted for the Marillana Project in January 2010.
- Successful metallurgical test work confirmed the technical viability of beneficiating the Marillana Project's detrital hematite resource to final product iron grade range of 60.5%-61.5%.

## Reserves

The JORC Code compliant Ore Reserve at the Marillana Project totals 1,049.7 million tonnes, with 1,001.2 million tonnes of detrital ore (Table 5) and 48.5 million tonnes of direct shipping ore (Table 6).

Table 5: Marillana Detrital Ore Reserves

Reserve Classification	Tonnes (Mt)	Fe (%)
Proven	133.2	41.55
Probable	868.0	42.48
<b>TOTAL</b>	<b>1,001.2</b>	<b>42.36</b>

Table 6: Marillana CID Ore Reserves

Reserve Classification	Tonnes (Mt)	Fe (%)	Al <sub>2</sub> O <sub>3</sub> (%)	SiO <sub>2</sub> (%)	P (%)	LOI (%)
Probable	48.5	55.5	3.7	5.3	0.09	9.7
<b>TOTAL</b>	<b>48.5</b>	<b>55.5</b>	<b>3.7</b>	<b>5.3</b>	<b>0.09</b>	<b>9.7</b>

## Project Development

The Brockman Resources board decided to progress the Marillana Project as a long-life operation to achieve economies of scale. In December 2008, Brockman Resources contracted Ausenco Ltd for the purposes of completing a pre-feasibility study on the development of the Marillana Project. The pre-feasibility study was completed and announced to the market on 10 August 2009 and confirmed the technical and financial robustness of a conventional mining and processing operation at the Marillana Project.

As a result of the positive pre-feasibility study, a definitive feasibility study for the Marillana Project commenced in September 2009 and was completed and announced to the market on 29 September 2010.

### *Port and rail infrastructure required to progress development of the Marillana Project*

The development and success of the Marillana Project is heavily dependent on access to rail and port infrastructure to economically transport the ore to future customers.

For port infrastructure, Brockman Resources has partnered with FerrAus and Atlas Iron Limited to form the NWIOA, a group that has secured the rights to construct a 50 million tonnes per annum berth at Port Hedland. The NWIOA has also been successful with regard to progressing rail infrastructure access, with the ACCC granting NWIOA interim authorisation to engage in collective negotiations with the providers of rail infrastructure in the Pilbara region.

Rail infrastructure options available to Brockman Resources are:

- the negotiation of haulage on BHP's rail infrastructure;
- the construction of a spur line to, and negotiation of access to or haulage on, FMG's rail infrastructure; and
- construction of an independent, 'end-to-end' rail line.



(b) **Other iron ore projects**

Brockman Resources also owns the Duck Creek, West Hamersley, Mt Stuart and Ophthalmia iron ore projects in the West Pilbara region of Western Australia. Brockman Resources has planned exploration programs for a number of these projects but to date has not delineated any JORC Mineral Resources or JORC Ore Reserves at these projects.

(c) **Other projects**

**Irwin-Coggia Nickel-Cobalt Laterite Project**

Brockman Resources has a 40% interest in the Irwin-Coggia nickel-cobalt laterite Joint Venture located 150 kilometres south east of Laverton in Western Australia. The remaining 60% interest in the Joint Venture is held by Murrin Murrin Holdings Pty Ltd and Glenmurrin Pty Ltd. Since establishing the Joint Venture, the co-venturers have completed extensive drilling programs and reported an Indicated Mineral Resource at Irwin-Coggia of 16.8 million tonnes grading 1.07% Ni and 0.14% Co.

**6.6 Profile of Combined Group**

If the Offer is successful, FerrAus Shareholders will receive Wah Nam International Shares in exchange for their FerrAus Shares. Similarly, if the Brockman Resources Offer is successful, Brockman Resources Shareholders will receive Wah Nam International Shares in exchange for their Brockman Resources Shares. On completion of the Offer and the Brockman Resources Offer all Wah Nam International Shareholders (including FerrAus Shareholders who have accepted the Offer and Brockman Resources Shareholders who have accepted the Brockman Resources Offer) will be shareholders in the Combined Group.

The proposed merger of FerrAus, Brockman Resources and Wah Nam International will, if successful, combine three highly complementary asset portfolios, market positions, management teams and technical skill sets. FerrAus, Brockman Resources and Wah Nam International will continue their current business strategies and operations from within the Combined Group.

**6.7 Operations of the Combined Group**

The Combined Group will consist of a combination of Wah Nam International's existing operations, FerrAus' existing operations and Brockman Resources' existing operations.

**6.8 Effect of the acquisitions on Wah Nam International**

(a) **General effect of acquisitions**

Wah Nam International plans to be a developer of strategic mining assets in politically stable, mineral resource-rich countries. The Offer and the Brockman Resources Offer represents a significant step for Wah Nam International in achieving this plan. If the Offer and the Brockman Resources Offer are successful, to Wah Nam International's knowledge, it will be the only HKEx listed company developing a significant Australian hematite iron ore deposit.

(b) **Effect of acquisitions on Wah Nam International's capital structure**

If the IPO is oversubscribed and the Offer and the Brockman Resources Offer are accepted by all FerrAus Shareholders and Brockman Resources Shareholders, based on the number of Wah Nam International Shares, FerrAus Shares and Brockman Resources Shares on issue as at 9 November 2010, Wah Nam International will have 8,228,006,805 fully paid shares on issue, of which:

- 988,598,940 (representing approximately 12.0% of the total fully paid ordinary shares on issue following the IPO being oversubscribed, 100% acceptance of the Offer and the Brockman Resources Offer) will represent shares issued to accepting FerrAus Shareholders; and
- 3,316,972,380 (representing approximately 40.3% of the total fully paid ordinary shares on issue following the IPO being oversubscribed, 100% acceptance of the Offer and the Brockman Resources Offer) will represent shares issued to accepting Brockman Resources Shareholders.

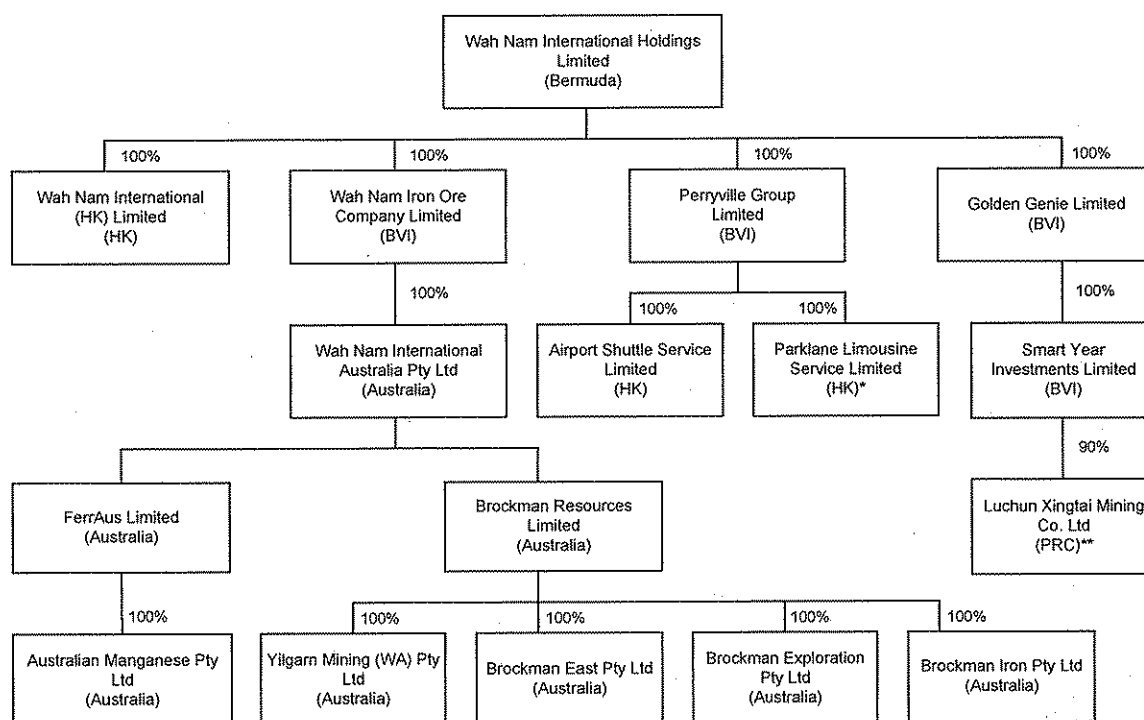
Further, if all holders of:

- FerrAus options were to exercise their options and subsequently accept the Offer for their FerrAus Shares; and
- Brockman Resources options were to exercise their options and subsequently accept the Brockman Resources Offer for their Brockman Resources Shares,

Wah Nam International will have 8,464,856,805 fully paid ordinary shares on issue, of which:

- 1,033,748,940 (representing approximately 12.2% of the total fully paid ordinary shares on issue following the IPO being oversubscribed, 100% acceptance of the Offer and the Brockman Resources Offer) will represent shares issued to accepting FerrAus Shareholders; and
- 3,508,672,380 (representing approximately 41.5% of the total fully paid ordinary shares on issue following the IPO being oversubscribed, 100% acceptance of the Offer and the Brockman Resources Offer) will represent shares issued to accepting Brockman Resources Shareholders.

## 6.9 Corporate Structure of the Combined Group



\* Parklane Limousine Service Limited (HK) has a number of wholly owned subsidiaries not shown in this diagram.

\*\* English name is for identification purpose only

## 6.10 Pro-forma historical financial information for the Combined Group

This Section 6 contains pro-forma financial information for the Combined Group, reflecting the aggregated businesses of Wah Nam International, FerrAus and Brockman Resources. This information is presented on a pro-forma basis only, and as a result it is likely that this information will differ from the actual financial information for the Combined Group.

The Combined Group financial information has been prepared for the following scenarios:

- the IPO is oversubscribed and FerrAus becomes a wholly-owned Subsidiary of Wah Nam International following completion of the Offer and completion of the Brockman Resources Offer; and
- the IPO is oversubscribed and FerrAus and Brockman Resources become wholly-owned Subsidiaries of Wah Nam International following completion of the Offer and completion of the Brockman Resources Offer.

## 6.11 Basis of preparation of pro-forma financial information

The pro-forma financial information and notes have been prepared by Wah Nam International and based on the unaudited financial statements of Wah Nam International and the audited financial statements of FerrAus and Brockman Resources as at 30 June 2010 after adjustment for the actual and assumed transactions set out in Section 6.13.

The unaudited and audited historical financial information has been prepared by each of Wah Nam International, FerrAus and Brockman Resources in accordance with the International Financial Reporting Standards.

The pro-forma financial information is presented in abbreviated form and does not contain all the disclosures that are usually provided in an annual report in accordance with the Corporations Act and does not take into account any transactions by the respective companies subsequent to 30 June 2010, other than as described in Section 6.13. The pro-forma balance sheet has not been audited and may be subject to changes arising from an audit process if an audit was undertaken.

The pro-forma financial information presented in this Bidder's Statement is for illustrative purposes only. It does not in any way suggest the likely financial results or conditions of the Combined Group in the future should the Offer and the Brockman Resources Offer complete.

The Investigating Accountant's Report in respect of the pro-forma balance sheets is set out in Section 11.

## 6.12 Pro-forma unaudited consolidated balance sheet as at 30 June 2010

### (a) The IPO is oversubscribed and FerrAus becomes a wholly-owned Subsidiary of Wah Nam International following completion of the Offer and completion of the Brockman Resources Offer

	Wah Nam as at 30 Jun 2010	Subsequent events	Acquisition of FRS as at 30 Jun 2010	Pro-forma Adjustments	Pro-forma Enlarged Group as at 30 Jun 2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>					
Mining right	835,671	-	-	-	835,671
Property, plant and equipment	83,552	-	15,349	-	98,901
Exploration and evaluation assets	-	-	430,868	-	430,868
Goodwill	11,405	-	-	-	11,405
Intangible asset	12,018	-	-	1,351,670	1,363,688
Available-for-sale investments	707,689	706,669	-	(271,395)	1,142,963
Deferred income tax assets	337	-	-	-	337
Other non-current assets	8,997	-	-	-	8,997
	<b>1,659,669</b>	<b>706,669</b>	<b>446,217</b>	<b>1,080,275</b>	<b>3,892,830</b>
<b>Current assets</b>					
Inventories	8,590	-	-	-	8,590
Trade receivables	26,530	-	233	-	26,763
Other receivables, deposits and prepayments	10,781	-	10,907	-	21,688
Amount due from a related party	1,783	-	-	-	1,783
Financial assets at fair value through profit or loss	3,187	-	-	-	3,187
Restricted cash	5,200	-	-	-	5,200
Cash and cash equivalents	124,434	9,146	230,974	130	364,684
	<b>180,505</b>	<b>9,146</b>	<b>242,114</b>	<b>130</b>	<b>431,895</b>

<b>Current liabilities</b>					
Trade payables	9,195	-	14,888	-	24,083
Other payables and accrued charges	39,542	-	11,247	-	50,789
Amounts due to related companies	7,107	-	-	-	7,107
Bank borrowings due within one year	43,241	-	-	-	43,241
Obligations under finance leases	2,211	-	-	-	2,211
	<b>101,296</b>	<b>-</b>	<b>26,135</b>	<b>-</b>	<b>127,431</b>
<b>Net current assets</b>	<b>79,209</b>	<b>9,146</b>	<b>215,979</b>	<b>130</b>	<b>304,464</b>
<b>Total assets less current liabilities</b>	<b>1,738,878</b>	<b>715,815</b>	<b>662,196</b>	<b>1,080,405</b>	<b>4,197,294</b>
<b>Capital and reserves</b>					
Share capital	372,944	17,800	769,047	(664,172)	495,619
Reserves	1,184,842	698,015	(106,938)	1,744,577	3,520,496
<b>Equity attributable to equity holders of the Company</b>	<b>1,557,786</b>	<b>715,815</b>	<b>662,109</b>	<b>1,080,405</b>	<b>4,016,115</b>
Minority interest	80,836	-	-	-	80,836
<b>Total equity</b>	<b>1,638,622</b>	<b>715,815</b>	<b>662,109</b>	<b>1,080,405</b>	<b>4,096,951</b>
<b>Non-current liabilities</b>					
Obligations under finance leases	1,612	-	-	-	1,612
Amount due to a related party	28,745	-	-	-	28,745
Convertible notes	-	-	-	-	-
Deferred income tax liabilities	69,422	-	-	-	69,422
Provisions	477	-	87	-	564
	<b>100,256</b>	<b>-</b>	<b>87</b>	<b>-</b>	<b>100,343</b>
	<b>1,738,878</b>	<b>715,815</b>	<b>662,196</b>	<b>1,080,405</b>	<b>4,197,294</b>

- (b) **The IPO is oversubscribed and FerrAus and Brockman Resources become wholly-owned Subsidiaries of Wah Nam International following completion of the Offer and completion of the Brockman Resources Offer**

	Wah Nam as at 30 Jun 2010	Subsequent events	Acquisition of BRM as at 30 Jun 2010	Acquisition of FRS as at 30 Jun 2010	Pro-forma Adjustments	Pro-forma Enlarged Group as at 30 Jun 2010
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Non-current assets</b>						
Mining right	835,671	-	-	-	-	835,671
Property, plant and equipment	83,552	-	2,528	15,349	-	101,429
Exploration and evaluation assets	-	-	-	430,868	-	430,868
Goodwill	11,405	-	-	-	-	11,405
Intangible asset	12,018	-	-	-	7,771,584	7,783,602
Available-for-sale investments	707,689	706,669	-	-	(1,414,358)	-
Deferred income tax assets	337	-	-	-	-	337
Other non-current assets	8,997	-	2,406	-	-	11,403
	<b>1,659,669</b>	<b>706,669</b>	<b>4,934</b>	<b>446,217</b>	<b>6,357,226</b>	<b>9,174,715</b>
<b>Current assets</b>						

Inventories	8,590	-	-	-	-	8,590
Trade receivables	26,530	-	-	233	-	26,763
Other receivables, deposits and prepayments	10,781	-	6,111	10,907	-	27,799
Amount due from a related party	1,783	-	-	-	-	1,783
Financial assets at fair value through profit or loss	3,187	-	858	-	-	4,045
Restricted cash	5,200	-	-	-	-	5,200
Cash and cash equivalents	124,434	9,146	657,021	230,974	(18,270)	1,003,305
	<b>180,505</b>	<b>9,146</b>	<b>663,990</b>	<b>242,114</b>	<b>(18,270)</b>	<b>1,077,485</b>
<b>Current liabilities</b>						
Trade payables	9,195	-	-	14,888	-	24,083
Other payables and accrued charges	39,542	-	31,232	11,247	-	82,021
Amounts due to related Companies	7,107	-	-	-	-	7,107
Bank borrowings due within one year	43,241	-	-	-	-	43,241
Obligations under finance leases	2,211	-	-	-	-	2,211
	<b>101,296</b>	<b>-</b>	<b>31,232</b>	<b>26,135</b>	<b>-</b>	<b>158,663</b>
<b>Net current assets</b>	<b>79,209</b>	<b>9,146</b>	<b>632,758</b>	<b>215,979</b>	<b>(18,270)</b>	<b>918,822</b>
<b>Total assets less current liabilities</b>	<b>1,738,878</b>	<b>715,815</b>	<b>637,692</b>	<b>662,196</b>	<b>6,338,956</b>	<b>10,093,537</b>
<b>Capital and reserves</b>						
Share capital	372,944	17,800	1,003,395	769,047	(1,316,700)	846,486
Reserves	1,184,842	698,015	(366,479)	(106,938)	7,655,656	9,065,096
<b>Equity attributable to equity holders of the Company</b>	<b>1,557,786</b>	<b>715,815</b>	<b>636,916</b>	<b>662,109</b>	<b>6,338,956</b>	<b>9,911,582</b>
Minority interest	80,836	-	-	-	-	80,836
<b>Total equity</b>	<b>1,638,622</b>	<b>715,815</b>	<b>636,916</b>	<b>662,109</b>	<b>6,338,956</b>	<b>9,992,418</b>
<b>Non-current liabilities</b>						
Obligations under finance leases	1,612	-	-	-	-	1,612
Amount due to a related party	28,745	-	-	-	-	28,745
Convertible notes	-	-	-	-	-	-
Deferred income tax liabilities	69,422	-	-	-	-	69,422
Provisions	477	-	776	87	-	1,340
	<b>100,256</b>	<b>-</b>	<b>776</b>	<b>87</b>	<b>-</b>	<b>101,119</b>
	<b>1,738,878</b>	<b>715,815</b>	<b>637,692</b>	<b>662,196</b>	<b>6,338,956</b>	<b>10,093,537</b>

### 6.13 Pro-forma assumptions and adjustments

The pro-forma balance sheets post issue under the various scenarios are set out in Section 6.12. These have been prepared based on FerrAus' and Brockman Resources' audited financial statements and Wah Nam International's unaudited financial statements as at 30 June 2010 and the transaction events relating to the issue of Wah Nam International Shares pursuant to the Offer, the Brockman Resources Offer and the Prospectus.

The following assumptions have been made in preparing the pro-forma balance sheet:

- an exchange rate of HK\$7.80 to A\$1.00;
- the value of a Wah Nam International Share being HK\$1.69;
- the issue of 6 Wah Nam International Shares for each FerrAus Share held pursuant to the Offer;
- the issue of 30 Wah Nam International Shares for each Brockman Resources Share held pursuant to the Offer;
- the issue of 15 million Wah Nam International Shares pursuant to the Prospectus at an issue price of A\$0.20, raising A\$3 million before costs;
- costs associated with the issue of Wah Nam International Shares:
  - assuming the IPO is oversubscribed and the Offer and the Brockman Resources Offer are successful, of HK\$40.5 million;
  - assuming the IPO is oversubscribed and the Brockman Resources Offer is successful, of HK\$32.9 million;
  - assuming the IPO is oversubscribed and the Offer is successful, of HK\$22.1 million; and
  - assuming the IPO is oversubscribed and neither the Offer nor the Brockman Resources Offer are successful, of HK\$14.5 million;
- the accounting policies adopted by each company have been applied. Following acquisition, Wah Nam International will apply consistent policies across the Combined Group; and
- the balance sheets of FerrAus and Brockman Resources are based on the latest audited financial statements as at 30 June 2010, updated for any significant subsequent events obtained from publicly available information.

An intangible asset has been recognised for the excess of the purchase consideration over the net assets of FerrAus and Brockman Resources. Upon control being achieved, a fair value exercise will be conducted whereby this amount will be allocated to the fair value of the assets or to goodwill. It is assumed that this amount is not impaired. Following the fair value assessment once control is gained a deferred tax liability may be recognised, the quantum of this cannot be determined prior to control being obtained.

Adjustment has also been made for the following subsequent events:

- on 17 September 2010, Wah Nam International raised approximately HK\$204.7 million by the issue of 178 million Wah Nam International Shares;
- subsequent to 30 June 2010, Wah Nam International acquired 4,513,900 Brockman Resources Shares for approximately A\$17.25 million;
- subsequent to 30 June 2010, Wah Nam International acquired 10,732,825 FerrAus Shares for approximately A\$8.81 million; and

- a fair value gain of approximately HK\$515 million on financial instruments classified as available-for-sale, being Wah Nam International's shareholding in Brockman Resources and FerrAus.

## **6.14 Prospects of the Combined Group**

The Combined Group will be a large financially secure and growth focused company with an expanded multi mine asset base. If both the Offer and the Brockman Resources Offer are successful, the value of Wah Nam International Shares is likely to be positively re-rated by the equity capital markets as a consequence of:

- enhanced global capital market and institutional investor awareness through an anticipated increase in broker research coverage and investment in Wah Nam International by large offshore investment funds;
- increased market capitalisation, liquidity and market presence; and
- recognition of the Combined Group's balance sheet, significant multi-mine asset base, cash and access to an expanded range of financing and growth options.

The combination of Wah Nam International's expertise in international capital markets and its debt and equity raising capabilities with that of FerrAus' and Brockman Resources' mining exploration, production and development expertise will enhance the likelihood of the Projects commencing production as scheduled, if not sooner. If Wah Nam International is successful in gaining majority or full control of both FerrAus and Brockman Resources, the benefits to the Combined Group with regards to port infrastructure, rail infrastructure, project financing and marketing of the Projects will include the following:

### **Port infrastructure**

FerrAus and Brockman Resources are members of the NWIOA, which is currently working towards the completion of multi-berth facilities at Port Hedland. In addition to FerrAus and Brockman Resources, Atlas Iron Limited is also a NWIOA member company.

The Combined Group intends to rapidly develop the Projects, which may provide the impetus needed for the NWIOA to proceed with the development of the NWIOA multi-user facility and may improve the merits of the NWIOA as an attractive investment opportunity for strategic and financial institutions. This will allow the NWIOA better access to construction funds to complete the port construction on or before the fourth quarter of 2013.

### **Rail infrastructure**

As separate entities, both FerrAus and Brockman Resources will be relying on either BHP or FMG for access to rail infrastructure, although Brockman Resources has recently indicated that it is working with the Western Australian Government to progress an independent, 'end-to-end' rail option should this be required. As the Combined Group, sharing an independent direct railway to Port Hedland is also an option.



The rail options are outlined below:

- **BHP haulage scenario** - FerrAus and Brockman Resources will each need to negotiate haulage on BHP's rail infrastructure with FerrAus also requiring a spur line to BHP's rail infrastructure. The Combined Group may be in a better position to negotiate a haulage agreement.
- **FMG haulage scenario** - FerrAus and Brockman Resources will each need to build a railway spur to connect to FMG's rail infrastructure as well as negotiate access to or haulage on the infrastructure. The Combined Group may be in a better position to negotiate access or haulage agreements and capital costs for the railway spur could be shared.
- **Independent railway scenario** - FerrAus' and Brockman Resources' forecasted production for the Projects may, under the Combined Group improve the economic viability of the independent, 'end-to-end' railway being studied by Brockman Resources. The Combined Group will be in a better position to fund the significant development costs of this option.

#### **Access to funding**

The Combined Group will emerge as a larger company with a larger Mineral Resource and potential annual production capacity than each of the companies individually.

The Combined Group's JORC Code compliant iron ore Mineral Resource currently totals more than 1.8 billion tonnes. With such a large resource inventory, the Combined Group may be able to position itself as a meaningful iron ore producer both in the Pilbara region, and globally. Accordingly, the Combined Group would be in a favourable position to obtain both equity and debt financing from strategic and institutional investors, as well as global financial institutions.

#### **Marketing**

The Combined Group will have the capacity to mix final iron ore products from each of the Projects, enhancing its marketing coverage with steel mills. In addition, the higher production levels may place the Combined Group in a stronger position to negotiate off-take agreements than Brockman Resources or FerrAus would be in as separate entities.

### **6.15 Prospects of the Wah Nam International if the Offer is successful**

If the Offer is successful but the Brockman Resources Offer is not, the Enlarged Group will have similar prospects and realise similar benefits to those of the Combined Group (as set out in Section 6.14) except as follows:

#### **Rail Infrastructure**

The Enlarged Group may still be in a better position than FerrAus alone to negotiate haulage/access agreements or fund the development costs of a railway spur. However, the capital costs of an independent railway scenario may not be able to be shared across multiple projects and therefore an independent railway may not be as economically attractive.

#### **Access to funding**

The Enlarged Group will still emerge as a larger company with a larger asset base than FerrAus as a separate entity, and accordingly, the Enlarged Group may be in a more favourable position than FerrAus alone to obtain both equity and debt financing from strategic and institutional investors, as well as global financial institutions. However, the Enlarged Group will not have the same potential production scale as the Combined Group and therefore may receive less attractive financing terms than the Combined Group would.

### **Marketing**

The Enlarged Group will be in a stronger position to negotiate off-take agreements than FerrAus would be on its own due to the increased size and enhanced global presence of the Enlarged Group, however, the Enlarged Group may not be able to blend final products to achieve the same marketing coverage as the Combined Group.

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## **7. Risks**

### **7.1 Introduction**

The key risks that may have a material adverse impact upon the implementation of the Offer, the future performance of the Combined Group and the value of Wah Nam International Shares are described in this Bidder's Statement and include those risks set out in this Section 7. The risks identified in this Section 7 are not exhaustive.

Wah Nam Australia does not give any assurances or guarantees of future performance or profitability, or payment of dividends by, the Combined Group. Additionally, Wah Nam Australia does not give any assurances or guarantees that the risks set out in this Bidder's Statement will not change. There may be other material risks which are not disclosed in this Bidder's Statement because they were not known by Wah Nam Australia or were not considered to be material at the date of this Bidder's Statement. Many of the risks below arising from the Offer are also inherent within FerrAus and Wah Nam International as separate entities.

The value of the Offer to FerrAus Shareholders will depend upon the future performance of the Combined Group and the value of Wah Nam International Shares. As a result, FerrAus Shareholders should carefully consider both the risks affecting the Offer and those risks affecting the future performance of the Combined Group and the value of Wah Nam International Shares.

FerrAus Shareholders should be aware that an investment in the Combined Group has risks which are associated with investing in listed securities. The future dividends, the value of the Combined Group's assets and the market value or price of the Wah Nam International Shares quoted on the ASX and the HKEx may be influenced by these and other risk factors.

Many of these factors are common to those affecting the current performance of Wah Nam International and FerrAus. Some of the risks may be mitigated by the use of safeguards and appropriate systems and controls. However, many risks that may affect the Combined Group are outside the control of Wah Nam International and the Combined Group.

This Section 7 does not take into account the investment objectives, financial circumstances or particular needs of individual FerrAus Shareholders. It is important that FerrAus Shareholders carefully read this Bidder's Statement in its entirety (particularly the risks set out in this Section 7), consider their personal circumstances (including financial and taxation issues) and seek independent professional advice before deciding whether to accept the Offer.

Set out below are some of the key risks that have been identified as potentially affecting the performance of the Combined Group, the ability of the Combined Group to pay dividends and the value of Wah Nam International Shares.

The past performance of Wah Nam International, FerrAus and Brockman Resources is not necessarily representative of the future performance of the Combined Group or the value of Wah Nam International Shares.

### **7.2 Risks relating to the Offer and the Combined Group**

#### **(a) FerrAus and Brockman Resources information**

Wah Nam Australia has relied on publicly available information released by FerrAus and Brockman Resources. Any inaccuracy in this information could adversely affect the anticipated results of the Combined Group. In addition, it is possible that additional risks may exist in relation to FerrAus' and/or Brockman Resources businesses which are not known to Wah Nam Australia.

**(b) Minority shareholding in FerrAus**

If you do not accept the Offer and the Offer becomes unconditional, you may, depending on the level of acceptance of the Offer, become part of a minority shareholding in FerrAus. In such case, the liquidity of the FerrAus Shares may be materially diminished.

**(c) Market fluctuation and Exchange rate risks**

FerrAus Shareholders are being offered consideration under the Offer that consists of a specified number of Wah Nam International Shares, rather than a number of Wah Nam International Shares with a specified market price and at a specified exchange rate.

The market price of the consideration will fluctuate depending upon the market price of Wah Nam International Shares. There is an ongoing risk, as exists for all shares, that the price of Wah Nam International Shares (and therefore the value of the Offer Consideration received by accepting FerrAus Shareholders) may fall in the future.

In addition, Wah Nam International Shares are quoted in Hong Kong dollars. As a result, the Australian dollar value of the Offer may also be affected by exchange rate fluctuations between the Australian and Hong Kong currencies.

Accordingly, the market value in Australia of Wah Nam International Shares at the time you receive them may vary significantly from their market value on the date of your acceptance of the Offer.

**(d) CGT rollover relief**

If the Offer becomes unconditional and Wah Nam Australia acquires less than 80% of the FerrAus Shares, the potential for CGT rollover relief as discussed in Section 9 will not be available.

**(e) Uncertainty regarding the level of integration that may be achievable**

Wah Nam International intends, to the extent possible, to seek to integrate FerrAus' and Brockman Resources' operations within Wah Nam International so as to maximise operational synergies as well as eliminating a range of duplicated effort and costs. The extent to which these synergy benefits and cost savings are realisable depends upon a range of factors including the level of acceptances received under the Offer.

There is a risk that the synergies expected to arise from the combination of Wah Nam International, FerrAus and Brockman Resources fail to materialise or take longer than expected to materialise. Wah Nam International may incur greater than anticipated implementation costs during the integration of the businesses of Wah Nam International, FerrAus and Brockman Resources. This may affect the future earnings performance of the Combined Group.

**(f) Uncertainty in dealing in the Australian Operating Environment**

Wah Nam International has been operating exclusively in the PRC and Hong Kong since its incorporation. The operating environment in Australia is significantly different. Wah Nam International may incur greater than anticipated problems in adjusting to the operating environment in Australia and it may take longer than anticipated to become familiar with the Australian operating environment. This may affect the future earnings performance of the Combined Group.

(g) **Financing**

The Combined Group will need to raise additional debt or equity funds for the development of the Projects or for other capital expenditure, further exploration or feasibility studies or otherwise in the Combined Group's operations. There is no assurance that Wah Nam International's Shareholders will approve the Placement Mandate or the Combined Group will be able to obtain additional debt or equity funding when required in the future, or that the terms associated with such funding will be acceptable to the Combined Group. This may have an adverse effect on the Combined Group's financial results. Further, any equity funding will have a dilutionary effect on Wah Nam International Shareholders' holdings.

(h) **Cash position**

Whilst the Combined Group is expected to have greater revenue than FerrAus and Brockman Resources as standalone entities, it will also have higher overall expenditure levels due to its increased scale, operations and development and exploration projects. There is no guarantee that the Combined Group will be able to maintain a sufficient cash balance following the acquisition by Wah Nam Australia of FerrAus and/or Brockman Resources.

(i) **Accounting**

The Combined Group will be required to perform a fair value assessment of FerrAus' assets and liabilities following the acquisition by Wah Nam Australia of the FerrAus Shares. This assessment may result in increased depreciation and amortisation charges. These charges may be substantially greater than those that would exist in Wah Nam International and FerrAus as separate businesses. This may reduce future earnings of the Combined Group.

(j) **Liquidity of Wah Nam International Shares on the ASX**

Pursuant to the Offer, Wah Nam International may issue up to 1,033,748,940 new Wah Nam International Shares. Some FerrAus Shareholders who accept the Offer may:

- choose to accept Wah Nam International Shares registered on the Hong Kong Share Register; or
- not wish to continue to hold Wah Nam International Shares which they receive and may sell them on the ASX or the HKEx.

Further, a Nominee appointed by Wah Nam Australia and approved by ASIC will be issued any Wah Nam International Shares attributable under the Offer to Ineligible Overseas Shareholders and will sell them in accordance with the terms of the Offer.

If a significant number of existing FerrAus Shareholders wish to hold their Wah Nam International Shares on the HKEx register or sell the Wah Nam International Shares they acquire under the Offer or if there is a significant number of Ineligible Overseas

Shareholders (resulting in a significant number of Wah Nam International Shares being sold by the Nominee), the price at which Wah Nam International Shares are traded on the ASX may be adversely affected.

### **7.3 Mining industry risks**

#### **(a) Metal prices**

The continuing success of the Damajianshan Mine and, accordingly, the Combined Group's profitability will depend primarily on the future sales volumes and prices that the Combined Group obtains for sales of copper. Similarly, the future profitability of the Combined Group will also be dependent on the price of iron ore.

Prices for copper and iron ore are subject to fluctuation and are affected by a number of factors which are beyond the control of Wah Nam International. Such factors include, but are not limited to, interest rates, exchange rates, inflation or deflation, global and regional supply and demand, increased supply from new projects, expansion of existing operations, or substitution with alternative products in downstream markets, technological advancements, competitors that supply copper and iron ore reducing their prices, and the political and economic conditions of major copper and iron ore-producing and consuming countries throughout the world.

#### **(b) Actual Ore Reserves and Mineral Resources may be lower than current estimates**

Wah Nam International, FerrAus and Brockman Resources report Mineral Resources and Ore Reserves in accordance with the JORC Code. Mineral Resource and Ore Reserve estimates are subject to independent third party review on at least a one year cycle. The methodology for estimating Ore Reserves may be updated over time and is reliant on certain assumptions being made. Declared Mineral Resources and Ore Reserves are best estimates that may change as new information becomes available. Consequently, Wah Nam International's FerrAus' and Brockman Resources' Mineral Resources and Ore Reserves may be revised up or down. Actual Ore Reserves may not conform to geological, metallurgical or other expectations and the volume and grade of ore recovered may be below the estimated levels. Ore Reserve data is not indicative of the future results of operations. If the Combined Group's actual Mineral Resources and Ore Reserves are less than current estimates, the Combined Group's business, results of operations and financial condition may be materially and adversely affected.

#### **(c) Environment and other regulatory requirements**

The activities of operators in the copper and iron ore industries are subject to environmental regulations promulgated by government agencies from time to time. Environmental legislation generally provides for restrictions and prohibition on spills, releases or emissions of various substances produced in association with certain mining industry operations which would result in environmental pollution. Exploration and mining activities generally require permits from various governmental authorities and such operations are and will be governed by laws and regulations regarding prospecting, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, safety and other matters.

There can be no assurance that compliance with these laws and regulations or changes thereto or the cost of rehabilitation of site operations or the failure to obtain necessary permits, approvals or prospecting or mining rights or successful challenges

to the grant of such permits, approvals and rights will not adversely affect the results of operations or the financial condition of the Combined Group.

**(d) Health and safety**

The businesses of Wah Nam International, FerrAus and Brockman Resources are subject to strict health and safety laws and regulations. The Combined Group may become liable for past and current conduct of Wah Nam International, FerrAus and Brockman Resources which violates such laws and regulations. Penalties for breaching health and safety laws can be significant and include criminal penalties. Victims of workplace accidents may also commence civil proceedings against the Combined Group. These events might not be insured by the Combined Group or may be uninsurable.

In addition, any changes in health and safety laws and regulations may increase compliance costs for the Combined Group. Such an event would negatively impact the financial results of the Combined Group.

**(e) Personnel**

Wah Nam International relies on certain key employees. There is a risk that Wah Nam International may not be able to retain key technical and managerial personnel from within the Wah Nam International Group and FerrAus following the Offer. This may have an adverse impact on both the integration of the acquisition and the longer term performance of the Combined Group.

**(f) Litigation**

The Combined Group may be subject to litigation and other claims based on the conduct of Wah Nam International, FerrAus and Brockman Resources that occurred prior to the Offer or the Brockman Resources Offer.

Wah Nam Australia is not aware of any current material litigation.

**(g) Insurance**

The Combined Group will have various insurances covering its business. However, certain risks are not covered by insurance due to limitations or exclusions in insurance policies or because the Combined Group will have decided not to insure against certain risks because of high premiums or for other reasons. Mining accidents, cave-ins, business interruption, compensation claims, environmental effects, fires, floods, earthquakes and various other events may not be adequately covered by insurance. Such events, to the extent not covered by insurance, could significantly increase the costs of the Combined Group.

**(h) Competition**

The Combined Group may be subject to competition from other miners. Competitors include current miners and future entrants into the market. Other companies may have competitive advantages such as new technology and new production processes. The Combined Group may be unable to successfully compete and may suffer material adverse consequences such as loss of market share and customers and reduction in revenue.

**(i) Counterparty risk**

There is a risk that contracts and other arrangements to which Wah Nam International or FerrAus are party and obtain a benefit (such as concentrate sales, currency and metal price hedging agreements) will not be performed by the relevant counterparties if those counterparties become insolvent or are otherwise unable to perform their obligations.

**(j) Regulatory approval**

The Combined Group's exploration and mining activities are dependent upon the timely granting of appropriate licenses, permits and regulatory consents which may be granted for a defined period of time, or may not be granted or may be withdrawn subject to a regulatory process, or may be subject to statutory restrictions. The Combined Group will require numerous further licenses, permits and regulatory consent for the conduct of any new mining operations. There can be no assurance that such authorisations will be granted or renewed (as the case may be) or as to the terms of such grants or renewals.

The Department of Land and Resources of Yunnan Province issued the mining right certificate for the Damajianshan Mine to Luchun Xingtai in January 2005 which was renewed in 2007 for a period of 5 years. It will expire in September 2012. The directors of Wah Nam International have no reason to believe that Luchun Xingtai will not be able to renew the mining right with the relevant government authority at the appropriate time, however, renewal cannot be not guaranteed. Regulatory bodies in the PRC do not set down guidelines or offer guidance on their criteria for renewal and therefore, there can be no certainty that the right will be renewed.

**(k) Operational risk**

The Combined Group will face many operational risks, which include risk related to the geological structure of the mines and geological disasters that may occur during the mining process. Additionally, the Combined Group may have to face catastrophic events such as fires, earthquakes, floods or other natural disasters.

**(l) Risks specific to the PRC**

In addition to exposure to the risks that are common to mining operators, Wah Nam International is also subject to the political and economic uncertainties associated with operating in the PRC. Whilst the mining regulatory environment is developing, it lacks clarity in a number of areas and is subject to interpretation, review and amendment.

**7.4 General risk factors**

In addition to the specific business risks above, there are a number of general risks associated with holding Wah Nam International Shares including, but not limited to, the following risks which may impact on the world economy, the operations or financial performance of the Combined Group, the market for its products or the price of Wah Nam International Shares:

- changes to government, legislation, regulations and policy; including taxation laws and policies (and, in particular, the mineral resources rent tax which the Australian government announced on 2 July 2010 and the introduction of a price on carbon), accounting laws, policies, standards and practices and fiscal, monetary and regulatory policies;
- the condition of the Australian and overseas economies (including the aggregate investment being undertaken and economic output occurring in



those economies, inflation and interest rates and the prices of products which are inputs used in the operations of the Combined Group);

- investor sentiment, local and international stock market conditions, adverse industry publicity and recommendations by brokers and analysts; and
- global geo-political events, hostilities and acts of terrorism.

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## **8. Wah Nam Australia's Intentions**

### **8.1 Approach**

This Section 8 sets out the intentions of Wah Nam Australia on the basis of the facts and information concerning FerrAus and the existing circumstances affecting the business of FerrAus which are known to Wah Nam Australia at the time of preparation of this Bidder's Statement in relation to the following:

- the continuation of the business of FerrAus;
- any major changes to be made to the business of FerrAus, including any redeployment of fixed assets of FerrAus; and
- the future employment of the present employees of FerrAus.

### **8.2 Review**

Wah Nam Australia and its advisers have reviewed information publicly released by FerrAus regarding its current activities and its plans for the future. However, Wah Nam Australia does not currently have knowledge of all material information, facts and circumstances that are necessary to assess the operational, commercial, taxation and financial implications of its current intentions. Consequently, final decisions on these matters have not been made.

Following the close of the Offer, Wah Nam Australia intends to conduct a review of the operations, assets, structure and employees of FerrAus in light of that information to identify:

- business opportunities and areas of revenue generation which may provide overall strategic operational benefit;
- areas of costs saving which may provide overall strategic and operational benefit; and
- any business or businesses which do not fit into the strategic plan for FerrAus and to evaluate the best and most appropriate way of organising such business or businesses.

Final decisions will only be reached after that review and in light of all material facts and circumstances.

As such, statements set out in this Section 8 are statements of current intention only which may change as new information becomes available or circumstances change. The statements in this Section 8 should be read in this context.

### **8.3 Intentions upon acquisition of 90% or more of FerrAus**

If Wah Nam Australia is successful in gaining 90% or more interest in FerrAus through acceptances of the Offer, and if entitled to do so, Wah Nam Australia intends to proceed with the compulsory acquisition of any FerrAus Shares not acquired under the Offer and any other FerrAus securities on issue which it is entitled to compulsorily acquire in accordance with the Corporations Act.

#### **(a) Compulsory acquisition**

If it becomes entitled to do so under the Corporations Act, Wah Nam Australia will:

- give notices to compulsorily acquire any outstanding FerrAus Shares in accordance with section 661B of the Corporations Act; or
- if necessary, give notices to compulsorily acquire any outstanding FerrAus Shares in accordance with section 664C of the Corporations Act.

If it is required to do under section 662A and section 663A of the Corporations Act, Wah Nam Australia intends to give notices to FerrAus Shareholders and option holders offering to acquire all outstanding FerrAus Shares and options in accordance with sections 662B and 663B (respectively) of the Corporations Act.

**(b) Directors and corporate structure**

Wah Nam Australia may appoint its own nominee to join the FerrAus board but has the intention to keep some, or possibly all, of the members of the FerrAus board and the board of directors of any company in respect of which FerrAus has nominee directors.

**(c) ASX Listing**

As part of the compulsory acquisition process, Wah Nam Australia will arrange for FerrAus to be removed from the Official List of the ASX in accordance with the requirements of the ASX.

**(d) FerrAus' operations and assets**

Wah Nam Australia's current intention is to continue the operation of FerrAus' existing business and in particular to focus on the rapid development of the FerrAus Pilbara Project. Although not finalised at this time, Wah Nam Australia's focus is likely to include:

- completing the pre-feasibility study and subsequently commencing a definitive feasibility study on the FerrAus Pilbara Project;
- progressing the NWIOA Port definitive feasibility study;
- negotiating rail agreements necessary to support the FerrAus Pilbara Project;
- on completion of the definitive feasibility studies, proceeding to secure the development capital and/or project finance required to develop the FerrAus Pilbara Project and related infrastructure;
- targeting the development of the FerrAus Pilbara Project to achieve first production (with a production rate of 15 million tonnes per annum) as soon as practicable; and
- assessing FerrAus' assets to determine the prospectivity of exploration potential and determining how best to assign resources to undertake such exploration.

**(e) Employees**

Wah Nam Australia does not intend to make significant changes to FerrAus management or operational activities. Employment decisions will be made in the context of the expected growth of the Combined Group, particularly to support the development of the FerrAus Pilbara Project.

(f) **Ongoing Management**

Wah Nam Australia will, after the end of the Offer Period and in the ordinary course of managing FerrAus' existing business, conduct a general review of the operations, assets, appropriate capital structure (including surplus cash) and employees.

**8.4 Intentions upon ownership of less than 90% of FerrAus but gaining effective control of FerrAus**

Set out below are Wah Nam Australia's intentions if it were to close the Offer without becoming entitled to compulsorily acquire the outstanding FerrAus Shares but, by virtue of acceptance of the Offer, Wah Nam Australia was to gain effective control (but not 100%) of FerrAus.

In this situation FerrAus Shareholders should be aware that, if they do not accept the Offer, they may become a "locked-in" minority at the expiration of the Offer Period.

(a) **ASX Listing**

Subject to maintaining a sufficient spread of FerrAus Shareholders, Wah Nam Australia intends to retain the listing of FerrAus on the ASX.

(b) **FerrAus Board**

Wah Nam Australia may appoint its own nominee(s) to join the FerrAus board, but has the intention to keep some, or possibly all, of the members of the FerrAus board and of the board of directors of any company in respect of which FerrAus has nominees.

If Wah Nam Australia's nominees are appointed to the FerrAus board, it is Wah Nam Australia's intention that these nominees will seek to implement the intentions set out in Section 8.3. It should be noted that Wah Nam Australia expects that each of its nominees to the FerrAus board will exercise their own independent judgement and skill when it comes to the operational, financial and business decisions relating to FerrAus. Wah Nam Australia's only influence will be through its position as a shareholder in FerrAus.

(c) **Review and general intentions**

Wah Nam Australia, through its nominees on the FerrAus board, is likely to propose that FerrAus implement a general review of operations, assets, appropriate capital structure (including surplus cash) and employees referred to in Section 8.2, with the aim of implementing, to the maximum extent possible and appropriate, the intentions detailed in Section 8.3 (subject to an assessment of the relevant benefits to each of Wah Nam Australia and FerrAus).

(d) **Financing**

Wah Nam Australia, through its nominees on the FerrAus board, will participate in the board deliberations and decision making on the funding requirements for the FerrAus Pilbara Project and for FerrAus generally. The funding alternatives may include debt, equity or a combination of both.

In the event of any debt fundraising by FerrAus, Wah Nam Australia will use its reasonable endeavours to assist FerrAus in procuring funds required for the short and long term development of its projects.

In the event of any equity fundraising by FerrAus, it is Wah Nam Australia's current intention to participate in the fundraising, if the fundraising is by way of placement, by subscribing for shares or, if the fundraising is by way of a rights issue, by taking up its rights and offering to act as underwriter or sub-underwriter to the issue.

(e) **Limitation on intentions**

The implementation of Wah Nam Australia's intentions in the event of less than 100% ownership of FerrAus including the general review in Section 8.2, will be subject to the Corporations Act, the ASX Listing Rules, the FerrAus constitution and the obligations of FerrAus' directors to act in the best interests of FerrAus and all FerrAus Shareholders.

In particular, if Wah Nam Australia obtains control (but not 100%) of FerrAus, the related party provisions of Chapter 2E of the Corporations Act (and the ASX Listing Rules) will apply.

Wah Nam Australia will only make a decision on its courses of action in these circumstances after it receives appropriate legal and financial advice on such matters, where required, including in relation to any requirements for FerrAus Shareholder approval.

**8.5 Intentions upon ownership of less than 90% of FerrAus but not gaining effective control of FerrAus**

This Section sets out Wah Nam Australia's current intentions if Wah Nam Australia does not gain effective control of FerrAus and it is not entitled to compulsorily acquire the outstanding FerrAus Shares.

If Wah Nam Australia does not acquire effective control of FerrAus as a result of the Offer, it is Wah Nam Australia's current intention to maximise value from its investment in FerrAus by any means available. Such means may include (but would not be limited to) further acquisitions of FerrAus Shares including acquisitions of FerrAus Shares by way of creep under Item 9 of section 611 of the Corporations Act, or divestment of all or part of its investment in FerrAus.

While Wah Nam Australia has a Relevant Interest in 19.90% of FerrAus, it does not currently have any nominees on the FerrAus board. Depending on the result of the Offer, Wah Nam Australia may seek to obtain representation on the FerrAus board of directors.

It is important to note that if Wah Nam Australia does not acquire effective control of FerrAus, it will have little input on the financing decisions of FerrAus. Therefore, it is likely that current FerrAus Shareholders will be diluted as and when equity capital is raised to fund the development of FerrAus' assets. Wah Nam Australia may not assist FerrAus in securing the significant debt funding that will be required to develop the FerrAus Pilbara Project.

## **8.6 Intentions upon acquisition of 90% or more of FerrAus and acquisition of 90% or more of Brockman Resources**

If Wah Nam Australia is successful in gaining 90% or more interest in FerrAus through acceptances of the Offer and in gaining 90% or more interest in Brockman Resources through acceptances of the Brockman Resources Offer, it intends to carry out its intentions as set out in Section 8.3 of this Bidder's Statement with respect to FerrAus and the equivalent section of the Brockman Resources Bidder's Statement with respect to Brockman Resources, including:

### **(a) Compulsory acquisition**

If entitled to do so, Wah Nam Australia intends to proceed with the compulsory acquisition as set out in paragraph 8.3(a) in this Bidder's Statement with respect to FerrAus and as set out in paragraph 8.3(a) in the Brockman Resources Bidder's Statement with respect to Brockman Resources.

### **(b) Directors and corporate structure**

Wah Nam Australia may appoint its own nominee(s) to join FerrAus' board and/or Brockman Resources' board but has the intention to keep some, or possibly all, of the members of FerrAus' and Brockman Resources' boards, and the board of directors of any company in respect of which FerrAus and/or Brockman Resources has nominee directors.

### **(c) ASX Listing**

As part of the compulsory acquisition process, Wah Nam Australia will arrange for FerrAus and Brockman Resources to be removed from the Official List of the ASX in accordance with the requirements of the ASX.

### **(d) FerrAus' and Brockman Resources' Operations and Assets**

Wah Nam Australia's current intention is to continue the operation of both FerrAus' and Brockman Resources' existing businesses and in particular to focus on the rapid and concurrent development of the FerrAus Pilbara Project and the Brockman Resources' Marillana Project. Although not finalised at this time, Wah Nam Australia's focus is likely to include:

- (i) completing the pre-feasibility and subsequently commencing a definitive feasibility study on the FerrAus Pilbara Project;
- (ii) commencing and completing the bankable feasibility study on the Marillana Project;
- (iii) negotiating rail agreements necessary to support the FerrAus Pilbara and Marillana Projects as well as studying the viability of an independent, 'end-to-end' rail line shared by the two projects;
- (iv) on completion of the feasibility studies, proceeding to secure the development capital and/or project finance required to develop the FerrAus Pilbara and Marillana Projects and related infrastructure;
- (v) targeting the concurrent development of the Marillana Project and the FerrAus Pilbara Project to achieve first production as soon as practicable

with a combined forecast production rate of 32 million tonnes per annum;  
and

- (vi) assessing the Combined Group's assets to determine the prospectivity of exploration potential and determining how best to assign resources to undertake such exploration.

(e) **Employees**

Wah Nam Australia does not intend to make significant changes to FerrAus' or Brockman Resources' management or operational activities. Employment decisions will be made in the context of the expected growth of the Combined Group, particularly to support the development of the FerrAus Pilbara Project and the Brockman Resources Marillana Project.

(f) **Ongoing Management**

Wah Nam Australia will, after the end of the Offer Period and the Brockman Resources Offer Period, in the ordinary course of managing the Combined Group's existing businesses, conduct a general review of the operations, assets, appropriate capital structure (including surplus cash) and employees of the Combined Group.

## **8.7 Other intentions**

Other than as set out in this Section 8, it is the present intention of Wah Nam Australia to procure that FerrAus will:

- generally continue the business of FerrAus;
- not make any major changes to the business of FerrAus nor redeploy any of the fixed assets of FerrAus;
- not redeploy any of the fixed assets of FerrAus; and
- continue the employment of FerrAus' present employees.

## **8.8 Limitations on intentions**

The intentions and statements of future conduct set out in this Section 8 must be read as being subject to:

- FerrAus' Constitution, the law (including the Corporations Act) and the ASX Listing Rules, including the requirements of the Corporations Act and the ASX Listing Rules in relation to conflicts of interest and Related Party transactions given that, if Wah Nam Australia obtains control of FerrAus but does not acquire all of the FerrAus Shares, it will be treated as a Related Party of FerrAus for these purposes;
- the legal obligation of the FerrAus directors at the time, including any nominees of Wah Nam Australia, to act in good faith in the best interest of FerrAus and for the proper purposes and to have regard to the interests of FerrAus Shareholders; and
- the outcome of reviews referred to in Section 8.2 and paragraphs 8.3(f) and 8.4(c) and 8.6(f).

---

## **9. Australian Taxation Considerations**

### **9.1 Introduction**

This section provides a general summary of the Australian income tax consequences for Australian tax resident individuals that become Wah Nam International Shareholders as a result of accepting the Offer. Non-resident investors and investors holding their FerrAus Shares through a company, superannuation fund, partnership or trust should seek independent professional advice regarding the implications of accepting the Offer.

The summary set out below is based on existing law at the time of writing and does not take into account or anticipate changes in law (by legislation or judicial decision). In addition, the outline is not exhaustive of all income tax considerations that could apply in all circumstances of any given FerrAus Shareholder.

The comments are intended as a general guide to the Australian tax implications only. They should not be a substitute for advice from an appropriate professional adviser. All FerrAus Shareholders are strongly advised to obtain their own professional advice on the tax implications based on their own specific circumstances.

The comments do not apply to FerrAus Shareholders who are not resident of Australia for tax purposes. Any FerrAus Shareholders who are not residents of Australia for income tax purposes should seek their own independent taxation advice. Non-residents may be subject to tax in Australia on the disposal of their FerrAus Shares in certain circumstances.

The comments do not apply to shareholders who hold their shares on revenue account. Broadly, FerrAus Shareholders who trade their FerrAus Shares in the ordinary course of their business or who purchased their FerrAus Shares for speculative purposes with the intention of selling them at a profit rather than holding them longer term to earn future dividends may hold their FerrAus Shares on revenue account.

Further, special tax rules may apply to FerrAus Shareholders who have acquired or acquire their FerrAus Shares under employee share schemes, including rules imposing a charge to Australian income tax. Any FerrAus Shareholders who have acquired their shares in this way should seek their own independent taxation advice.

### **9.2 Australian resident individual shareholders**

FerrAus Shareholders should consider the impact of the Australian CGT rules on the disposal of their Shares.

The time of recognition of the disposal for CGT purposes is relevant to the calculation of any capital gain or loss and to the income year in which such a gain or loss must be recorded in an income tax return. The time of recognition of the disposal is based on when the contract for disposal is entered into. The time at which a contract is entered into depends upon when a FerrAus Shareholder accepts the Offer and when the Offer becomes unconditional. If a FerrAus Shareholder accepts the Offer before the Offer becomes unconditional, the time of recognition of the disposal will be the date the Offer becomes unconditional. If a FerrAus Shareholder accepts the Offer on or after the Offer becomes unconditional, the time of recognition of the disposal will be the date the FerrAus Shareholder accepts the Offer.



Subject to the potential availability of CGT rollover relief discussed below, FerrAus Shareholders will derive a capital gain if the value of the Offer Consideration is greater than the CGT cost base of their respective FerrAus Shares. Very broadly, the amount of any capital gain liable to Australian tax will be the amount by which the market value of the Wah Nam International Shares at the time of recognition of the disposal exceeds the CGT cost base of the FerrAus Shares.

FerrAus Shareholders will incur a capital loss if the value of the Wah Nam International Shares received is less than the CGT reduced cost base of their FerrAus Shares. Such a capital loss may be used to offset a capital gain made in the same income year or in a future income year. A capital loss may not be used to offset ordinary assessable income.

If a FerrAus Shareholder will otherwise derive a capital gain on the disposal of their FerrAus Shares and their FerrAus Shares were acquired on or after 20 September 1985, they may in some circumstances choose to apply the scrip-for scrip-CGT rollover rules with regard to the Offer Consideration. There are several conditions for scrip-for-scrip CGT rollover relief which need to be satisfied and it is not possible to state at the time of writing and before the outcome of the Offer is known whether all of these conditions will be satisfied. If all the required conditions are met, FerrAus Shareholders may choose for the CGT rollover to apply thereby deferring any capital gain arising as a result of FerrAus Shareholders disposing of their FerrAus Shares.

Very broadly, in order for a FerrAus Shareholder to be able to choose to apply the rollover rules, this transaction must result in Wah Nam Australia becoming the owner of at least 80% of the ordinary shares in FerrAus. This 80% threshold may include FerrAus Shares already held by Wah Nam Australia.

As a consequence of choosing to apply the scrip-for-scrip rollover rules, Wah Nam International Shares received by FerrAus Shareholders should have a cost base equal to the cost base of the original FerrAus Shares. It is important to note that FerrAus Shareholders' cost base of the Wah Nam International Shares will be relevant in working out any future Australian CGT liability on the subsequent disposal of the Wah Nam International Shares.

The choice to apply the rollover rules must be made before the FerrAus Shareholder lodges the income tax return for the income tax year in which the Shares are disposed of.

If the FerrAus Shareholder chooses not to apply CGT scrip-for-scrip rollover or if CGT scrip-for-scrip rollover is unavailable, then a CGT discount may be available. Very broadly, a CGT discount is available if the FerrAus Shareholder is an Australian resident individual and has held his or her FerrAus Shares for more than 12 months. If available, in respect of individuals the CGT discount will reduce the net capital gain by 50%.

If the FerrAus Shareholder chooses not to apply CGT scrip-for-scrip rollover or if CGT scrip-for-scrip rollover is unavailable then the cost base of the acquired Wah Nam International Shares will be equal to the Wah Nam International Shares' market value at the time of recognition of the disposal of the relevant FerrAus Shares.

For the purposes of determining any entitlement to a discount on an otherwise assessable capital gain arising on a subsequent dealing in Wah Nam International Shares, FerrAus Shareholders that choose to apply the rollover rules will be taken to have acquired their Wah Nam International Shares at the time they acquired their original FerrAus Shares.

### **9.3 Dividends received from Wah Nam International**

Any dividends paid by Wah Nam International will not be franked. Broadly this means that any dividends paid on Wah Nam International Shares will be fully taxable to FerrAus Shareholders with no franking tax offset available.

### **9.4 Stamp duty and GST**

FerrAus Shareholders who dispose of their shares are not anticipated to incur Australian stamp duty in respect of the acquisition of Wah Nam International Shares.

FerrAus Shareholders are not anticipated to be subject to GST in respect of their disposal.

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## 10. Independent Technical Report

# BEHRE DOLBEAR

*founded* 1911 MINERALS INDUSTRY ADVISORS

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## BEHRE DOLBEAR ASIA, INC.

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May 27, 2010

The Board of Directors  
Wan Nam International Holdings Limited  
Suite 3906 Far Finance Center  
16 Harcourt Road  
Admiralty, Hong Kong

**Re: Behre Dolbear Project 10-054, Status Update Letter for Wah Nam International's  
Damajianshan Copper-Polymetallic Mine in Luchun County, Yunnan Province of China**

Gentlemen,

Behre Dolbear Asia, Inc. ("BDASIA") conducted an independent technical review and completed an independent technical report ("ITR") for the Damajianshan copper-polymetallic mine (the "Damajianshan Mine") in Luchun County, Yunnan Province of the People's Republic of China ("PRC" or "China") on June 30, 2008 to support the acquisition of a 90% interest of the Damajianshan Mine by Wah Nam International Holdings Limited (the "Company"), a company listed on the Stock Exchange of Hong Kong Limited ("SEHK"). The acquisition was successfully completed in 2008. Now, the Company is planning to make takeover bids for two Australian companies and to apply to be listed on the Australian Securities Exchange ("ASX"). The ASX has reviewed the June 30, 2008 BDASIA ITR for the Damajianshan Mine and has informed the Company that the June 30, 2008 BDASIA ITR can be used to support the Company's ASX listing application, provided that a status update letter from BDASIA for the activities on the Damajianshan Mine since the BDASIA ITR is supplied. This BDASIA status update letter is provided to the Company for this stated purpose. BDASIA's Project Manager, Project Geologist and Competent Person for the June 30, 2008 ITR, Dr. Qingping Deng, Ph.D., CPG, conducted a site visit to the Damajianshan Mine from March 26 to 27, 2010 and discussed the activities that have been conducted by the Company since 2008 with the Company's management and technical staff.

The Damajianshan Mine is a copper-polymetallic underground mining operation with significant copper, arsenic, lead, and silver mineral resources and ore reserves. The mine was expanding from a production capacity of approximately 300 tonnes per day ("tpd") to 1,300 tpd, or 429,000 tonnes per annum ("tpa") based on a 330 working days per annum when BDASIA was conducting the independent technical review in early 2008. The operation would use underground mining and flotation processing methods to produce copper, lead and arsenic concentrates. Significant amounts of silver would be recovered in both the copper and lead concentrates; however, the mineralized system was not well defined when BDASIA reviewed the property in 2008 as it consists of higher-grade, structure-controlled, massive sulfide-quartz veins which are generally a few meters wide and the much-wider, but lower-grade, pervasively silicified and mineralized slates adjacent to the sulfide-quartz veins. The mineral resources and ore reserves defined in the 2008 BDASIA ITR were generally from the higher-grade zones as only limited samples were taken from the surrounding lower-grade zones. The lower-grade zones were also of economic interest at the conditions at that time and could be mined together with the higher-grade zones. If that is proved by systematic exploration work, the mining method to be utilized and production scale of the mine could be significantly different. Therefore, BDASIA recommended that the Company conduct additional exploration for the Damajianshan deposit before resuming expanded mining activities.

The Company took BDASIA's recommendations and concentrated its effort on exploration since the 2008 BDASIA review. However, due to the 2008-2009 financial crises, funding was reduced and only limited exploration work was completed in 2008 and 2009. The Company has recently re-focused on the exploration activities at the property, but it is expected that it will take at least another two years to complete the exploration work. It should be noted that the Company's resampling in the higher-grade zones in the deposit have identified the local presence of scheelite and molybdenite in the mineralized system. The significance of these newly-identified minerals will also be determined by the exploration work in the next two years.

In general, no formal mining was conducted at the Damajianshan Mine in 2008 and 2009. Only limited development ore produced from exploration adits was processed by the mill. The Company's records show that a total of 86,468 tonnes ("t") of ore with an average copper grade of 0.545% were processed and 1,816 t of copper concentrates with an average copper grade of 23.13% were produced in 2008, resulting in a copper processing recovery of approximately 89.1%; in 2009, a total of 50,707 t of ore with an average copper grade of 0.77% were processed and 1,242 t of copper concentrates with an average copper grade of 25.86% were produced, resulting in a copper processing recovery of approximately 82.3%.

At the 2008 BDASIA review of the Damajianshan Mine, the Company was planning to construct a new tailings storage facility ("TSF") in a river valley approximately 1.2 kilometers west of the mill site. This plan was changed for various reasons, and the company is now actively discussing the selection of a new site at which to construct the TSF with the local government. The limited tailings produced since 2008 were stored in a small TSF next to the current mill site. A local businessman has a contract with the Company to purchase all the tailings in the small TSF for making bricks and other construction materials. As the Company will focus its effort on exploration, the new TSF construction is not urgently needed at this stage.

Based on BDASIA's site visit and information review of the Damajianshan Mine, BDASIA believes that no material changes or upgrades occurred in the mineral resources and ore reserves for the Damajianshan Mine as they were stated in the June 30, 2008 BDASIA ITR. It is BDASIA's opinion that the on-going exploration work is likely to significantly increase the mineral resources and ore reserves on the property.

BDASIA is independent of Wah Nam International and the Damajianshan Mine. Neither BDASIA nor any of its employees or associates involved in this project holds any share or has any direct or indirect pecuniary or contingent interests of any kind in Wah Nam International or the Damajianshan Mine. BDASIA is to receive a fee for its services at its normal commercial rate and customary payment schedules. The payment of our professional fee is not contingent on the outcome of this status update letter.

Yours faithfully,

**BEHRE DOLBEAR ASIA, INC.**



**Qingping Deng, Ph.D. CPG**  
**President**

## BEHRE DOLBEAR

*founded 1911* MINERALS INDUSTRY ADVISORS

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June 30, 2008

The Board of Directors  
Wan Nam International Holdings Limited  
Suite 3906 Far Finance Center  
16 Harcourt Road  
Admiralty, Hong Kong

Gentlemen,

Behre Dolbear Asia, Inc. ("BDASIA"), a subsidiary of Behre Dolbear & Company, Inc. ("Behre Dolbear"), herewith submits a report on the Independent Technical Review of the Damajianshan Copper Polymetallic Mine (the "Damajianshan Mine") of Luchun Xingtai Mining Company Limited ("Luchun Xingtai"), Luchun County, Yunnan Province, The People's Republic of China. The address for BDASIA is noted above. This letter of transmittal is part of the report.

The review covers the Damajianshan Mine in detail, which is 100% owned by Luchun Xingtai. The Damajianshan Mine constitutes the primary mining assets of Luchun Xingtai. BDASIA visited the Damajianshan Mine in February 2008. Luchun Xingtai is a Sino-foreign joint venture 90%-owned by Smart Year Investment Limited ("Smart Year"), a company incorporated in the British Virgin Islands, and 10% owned by a private Chinese company.

The purpose of this report is to provide an independent technical assessment of Luchun Xingtai's Damajianshan Mine in relation to the acquisition (the "Acquisition") of a 100% interest in Smart Year by Wah Nam International Holdings Limited ("Wah Nam International" or the "Company"), a company whose shares are listed on The Stock Exchange of Hong Kong Limited ("SEHK"). This technical report has been prepared in accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules"), in particular, Chapter 18. The reporting standard adopted by this report is the VALMIN Code and Guidelines for Technical Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports as adopted by the Australasian Institute of Mining and Metallurgy in 1995 and updated in 2005. Mineral resources and ore reserves defined at each property have been reviewed for conformity with the Australasian Code for Reporting Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code") prepared by the Joint Ore Reserve Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia in 1999 and revised in 2004.

The evidence upon which the estimated mineral resources and ore reserves are based includes the deposit geology, drilling and sampling information and project economics. The basis upon which BDASIA forms its view on the mineral resource and ore reserve estimates includes the site visit of BDASIA's professionals to the subject mining property, interviews with Luchun Xingtai's site personnel and consultants, and analysis of the drilling and sampling database, procedures and parameters used for the estimates.

The BDASIA project team consisted of senior-level mining professionals from Behre Dolbear's Denver office in the United States, London office in the United Kingdom, Sydney office in Australia and Toronto office in Canada. The scope of work conducted by BDASIA included site visit to the Damajianshan Mine, technical analysis of the project

BEHRE DOLBEAR

geology, mineral resource and ore reserve estimates, and review of project mining, processing, production, environment, occupational health and safety, operating costs, and capital costs.

BDASIA has not undertaken an audit of Luchun Xingtai's data, re-estimated the mineral resources, or reviewed the tenement status with respect to any legal or statutory issues.

BDASIA's report comprises an Introduction, followed by reviews of the technical aspects of Geology, Mineral Resources and Ore Reserves, Mining, Processing, Production, Operating and Capital Costs, Environmental, Occupational Health and Safety issues, and a Risk Analysis of the mining property. We trust that the report adequately and appropriately describes the technical aspects of the projects and addresses issues of significance and risk.

BDASIA is independent of Wah Nam International, Smart Year, Luchun Xingtai and the Damajianshan Mine. Neither BDASIA nor any of its employees or associates involved in this project holds any share or has any direct or indirect pecuniary or contingent interests of any kind in Wah Nam International, Smart Year, Luchun Xingtai or the Damajianshan Mine. BDASIA is to receive a fee for its services (the work product of which includes this report) at its normal commercial rate and customary payment schedules. The payment of our professional fee is not contingent on the outcome of this report.

This report documents the findings of BDASIA's review of the Damajianshan Mine completed to the date of this transmittal letter. The sole purpose of this report is for the use of the Directors of Wah Nam International and their financial advisors for inclusion in circular of Wah Nam International to its shareholders in relation to the Acquisition and should not be used or relied upon for any other purpose. Neither the whole nor any part of this report nor any reference thereto may be included in or with or attached to any document or used for any other purpose, without BDASIA's written consent to the form and context in which it appears. BDASIA consents to the inclusion of this report in the circular of Wah Nam International to its shareholders in relation to the Acquisition.

Yours faithfully:

BEHRE DOLBEAR ASIA, INC.



Qingping Deng  
President

Behre Dolbear Project 08-003





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## 1.0 INTRODUCTION

Wah Nam International Holdings Limited ("Wah Nam International" or the "Company") is a company listed on The Stock Exchange of Hong Kong Limited ("SEHK"). Wah Nam International is proposing to acquire (the "Acquisition") a 100% interest in Smart Year Investment Limited ("Smart Year"), a company incorporated in the British Virgin Islands ("BVI"), which owns a 90% interest of Luchun Xingtai Mining Company Limited ("Luchun Xingtai"), a Sino-foreign joint venture company registered in Yunnan Province of the People's Republic of China ("PRC" or "China"). The remaining 10% interest of Luchun Xingtai is owned by a private Chinese company.

Luchun Xingtai has a 100% interest in the Damajianshan copper polymetallic mine (the "Damajianshan Mine") located in Luchun County, Yunnan Province, near the border between China and Vietnam (Figure 1.1). The Damajianshan Mine is currently under expansion from a production capacity of 300 tonnes per day ("tpd") to 1,300 tpd, or 429,000 tonnes per annum ("tpa") based on a 330 working days per annum. The operation will use underground mining and flotation processing methods to produce copper, lead and arsenic concentrates. Significant amounts of silver will be recovered in both the copper and lead concentrates. BDASIA believes that further expansion of the production capacity can be supported by the project mineral resource basis and significant exploration potential.

The Board of Directors of Wah Nam International engaged Behre Dolbear Asia, Inc. ("BDASIA"), a subsidiary of Behre Dolbear & Company, Inc. ("Behre Dolbear"), as their independent technical advisor to undertake an independent technical review of the Damajianshan Mine and to prepare an independent technical report in connection with the Wah Nam International acquisition. This BDASIA report is intended to be included in the circular of Wah Nam International to its shareholders in relation to the Acquisition.

BDASIA's project team for this technical review consists of senior-level professionals from Behre Dolbear's Denver office in the United States, London office in the United Kingdom, Sydney office in Australia and Toronto office in Canada. Behre Dolbear personnel contributing to the study and to this technical report include:

- ◆ **Dr. Qingping Deng**, President of BDASIA and Global Director of Ore Reserves and Mine Planning for Behre Dolbear, was BDASIA's **Project Manager and Project Geologist** for this technical review. Dr. Deng is a geologist with more than 24 years of professional experience in the areas of exploration, deposit modeling and mine planning, estimation of mineral resources and ore reserves, geostatistics, cash-flow analysis, project evaluation/valuation, and feasibility studies in North, Central and South America, Asia, Europe and Africa. Dr. Deng is a Certified Professional Geologist of the American Institute of Professional Geologists and meets all the requirements for "Competent Person" as defined in the 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves ("the JORC Code") and the requirements for "Qualified Person" as defined in Canadian National Instrument 43-101. Dr. Deng is fluent in both English and Chinese.
- ◆ **Mr. David Libby**, a Senior Consultant of Behre Dolbear's Toronto office, was BDASIA's **Project Mining Engineer** for this study. Mr. Libby has over 30 years of experience in the mining industry in operations and management of open pit and underground mines. He has participated in new project development as well as upgrading existing operations. At the executive level, Mr. Libby conducted due diligence reviews for corporate development purposes. The experience provided a broad exposure to all aspects of operations management. Mr. Libby has operating mining experience on three continents, overseeing mines in Ireland, Canada, and Chile. He is a licensed professional mining engineer in Canada.
- ◆ **Mr. Vuko Lepetic**, a Senior Associate of Behre Dolbear's London office, was BDASIA's **Project Metallurgist**. Mr. Lepetic has over 30 years of worldwide experience in mineral processing and metallurgy. He has worked with and has extensive knowledge of processes employed and products produced by Luchun Xingtai. Mr. Lepetic holds patents for stibnite and cassiterite flotation (both industrially employed) as well as records of invention for the processing of iron, lead and zinc oxide minerals, rare earths and phosphates.

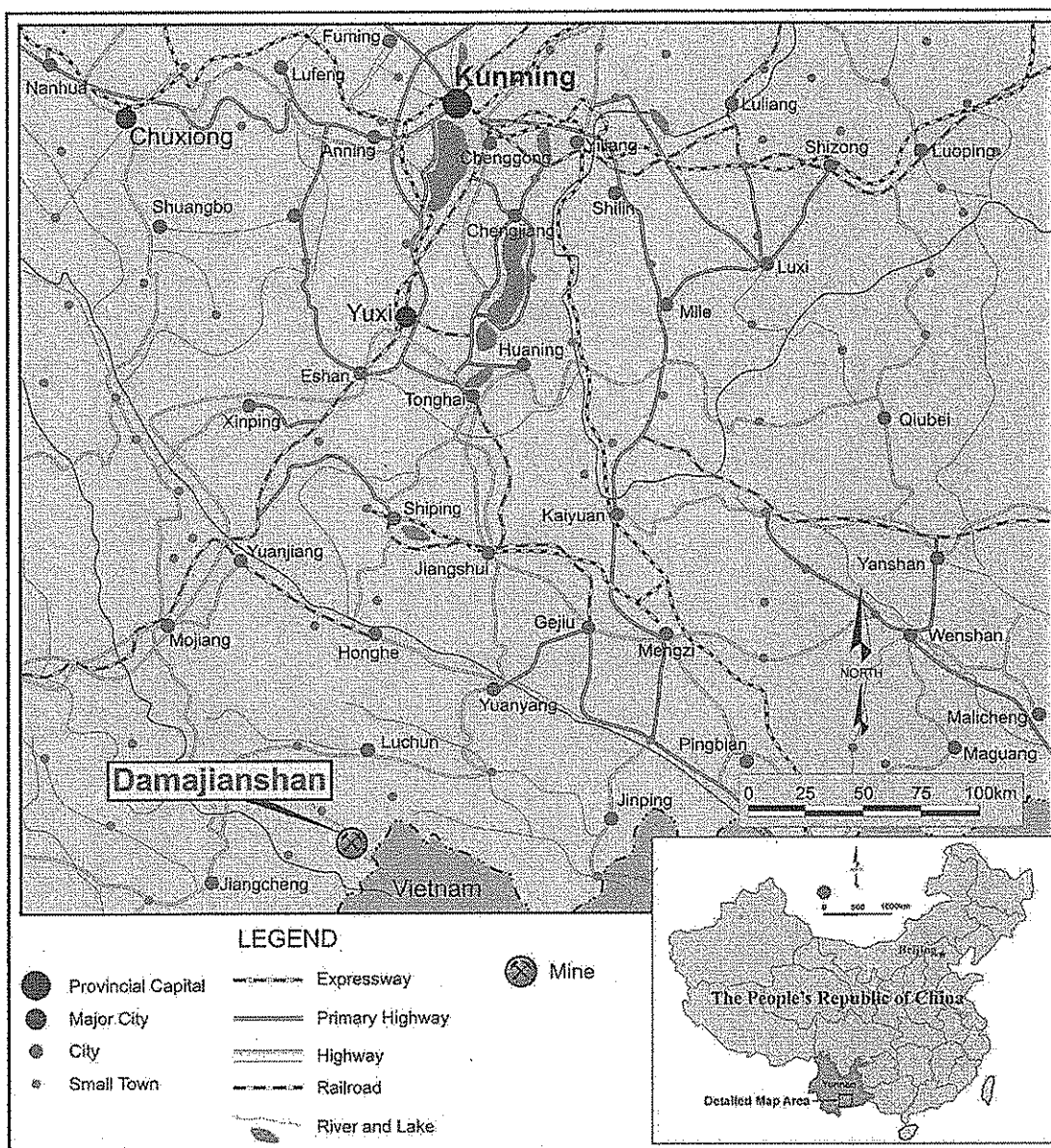


Figure 1.1 Location Map of the Damajianshan Mine

- ◆ **Ms. Janet Epps**, a Senior Associate of Behre Dolbear's Sydney office, was BDASIA's **Project Environment, Occupational Health and Safety Specialist**. She has over 30 years experience in environmental and community issues management, sustainability, policy development and regulatory consultancy services. Ms. Epps has worked extensively with the private sector, with government and the UN, World Bank, the IFC and the Multilateral Investment Guarantee Agency (MIGA), and with the mining industry, providing policy advice to governments of developing countries on designated projects and contributing towards sustainable development and environmental management strategies. She has

completed assignments in Australasia, the Pacific, Asia, Middle East, CIS, Africa, Eastern Europe, South America and the Caribbean.

- ◆ **Mr. Bernard J. Guarnera**, President and Chief Executive Officer of Behre Dolbear & Company, Inc. was subcontracted to act as BDASIA's Project Advisor. He is a Certified Mineral Appraiser with extensive experience in the valuation of mineral properties and mining companies. He is a registered Professional Engineer, a Registered Professional Geologist and a Chartered Professional (Geology) of the Australasian Institute of Mining and Metallurgy. Mr. Guarnera has over 30 years of professional experience and his career includes senior-level positions in exploration and development at a number of major U. S. natural resource companies. Mr. Guarnera meets all the requirements for "Competent Person" in Australia and "Qualified Person" in Canada.

BDASIA's project team, with the exception of Mr. Guarnera, traveled to China and visited the Damajianshan Mine in Luchun, Yunnan that is reviewed in this report from February 15 to February 21, 2008. During BDASIA's visit, discussions were held with technical and managerial staff at the mine sites and with technical, management personnel and consultants of Luchun Xingtai in Kunming, capital city of Yunnan Province. Production schedules, budgets and forecasts for 2008-2011 were reviewed, together with longer term development plans.

This BDASIA report contains forecasts and projections prepared by BDASIA, based on information provided by Luchun Xingtai. BDASIA's assessment of the projected production schedule, capital and operating costs are based on technical reviews of project data and a project site visit.

The metric system is used throughout this report. The currency used is the Chinese Yuan (or RMB) and/or the United States dollar (US\$). The exchange rate used in the report is RMB7.11 for US\$1.00, the rate of the People's Bank of China prevailing on February 29, 2008.

## 2.0 QUALIFICATIONS OF BEHRE DOLBEAR

Behre Dolbear & Company, Inc. is an international minerals industry consulting group which has operated continuously in North America and worldwide since 1911, currently with offices in Beijing, Denver, Guadalajara, London, New York, Santiago, Sydney, Toronto, Vancouver, and Hong Kong.

The firm specializes in performing mineral industry studies for mining companies, financial institutions, and natural resource firms, including mineral resource/ore reserve compilations and audits, mineral property evaluations and valuations, due diligence studies and independent expert reviews for acquisition and financing purposes, project feasibility studies, assistance in negotiating mineral agreements, and market analyses. The firm has worked with a broad spectrum of commodities including base and precious metals, coal, ferrous metals, and industrial minerals on a worldwide basis. Behre Dolbear has acted on behalf of numerous international banks, financial institutions and mining clients and is well regarded worldwide as an independent expert engineering consultant in the minerals industry. Behre Dolbear has prepared numerous independent technical reports for mining projects worldwide to support securities exchange filings of mining companies in Hong Kong, the United States, Canada, Australia, the United Kingdom, and other countries.

Most of Behre Dolbear's associates and consultants have occupied senior corporate management and operational roles and are thus well-experienced from an operational view point as well as being independent expert consultants.

BDASIA is a wholly-owned subsidiary of Behre Dolbear established in 2004 to manage Behre Dolbear's projects in China and other Asian countries. Project teams of BDASIA commonly consist of senior-level professionals from Behre Dolbear's Denver office in the United States, Sydney office in Australia, London office in the United Kingdom and other worldwide offices. Since its establishment, BDASIA has conducted approximately 20 technical studies for mining projects in China or overseas mining projects to be acquired by SEHK-listed Chinese companies, including independent technical reports for SEHK IPO prospectus of Hunan Nonferrous Metals Corporation Limited, Zhaojin Mining Industry Company Limited, and Hidili Industry International Development Limited and for the Shanghai Stock Exchange ("SSE") IPO listing of Western Mining Company Limited. These four reports were prepared in accordance with the SEHK Listing Rules, the JORC Code and the VALMIN Code, and these four companies were successfully listed on the SEHK/SSE in 2006 and 2007.

### 3.0 DISCLAIMER

BDASIA has conducted an independent technical review of Luchun Xingtai's Damajianshan mining property and holdings. A site visit was made to the project site by BDASIA professionals involved in this project. BDASIA has exercised all due care in reviewing the supplied information and believes that the basic assumptions are factual and correct and the interpretations are reasonable. BDASIA has independently analyzed Luchun Xingtai's data, but the accuracy of the conclusions of the review largely relies on the accuracy of the supplied data. BDASIA does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from investment or other financial decisions or actions.



## 4.0 PROPERTY DESCRIPTION

### 4.1 Location, Infrastructure and Access

The Damajianshan Mine is located in Qimaba Township, Luchun County of Yunnan Province, and near the border between China and Vietnam (Figure 1.1). The project location is remote and the access is rather difficult because of the steep terrain in the area. Road distance is approximately 13 kilometers ("km") from the mine to the town of Qimaba located to the northwest and approximately 114 km from the town of Qimaba to the Luchun County seat located to the north. Roads from Qimaba to Luchun are cement-paved or stone-paved, mountainous winding roads. The road from the mine to Qimaba is a winding gravel/dirt road and is rather difficult to travel. Driving time is approximately 45 minutes from the mine to Qimaba and approximately 4 hours from Qimaba to Luchun. Significant delays could occur during the rainy season when the road is damaged by heavy rains and storms. The road distance from the mine to Kunming, the capital city of Yunnan Province located to the north, is approximately 550 km. Supplies for the mine generally come from Qimaba and Luchun. Concentrates produced from the mine will be trucked by contractors to the smelters located in Kunming and other places in Yunnan Province.

Electricity for the mine is supplied by the local power grid. A 10-kilovolt ("kV") power transmission line has been constructed from the mine to the 35-kV Dashui substation located 6 km to the northwest. BDASIA was advised by Luchun Xingtai that this 10-kV power line will be sufficient to supply electric power for the 1,300 tpd mine and mill production and that power supply in the area is generally sufficient. The power transmission line will need to be upgraded if production is further expanded.

The mine is located in a humid sub-tropical region with abundant surface and ground water. Water supply for production will be from drained underground mine water and nearby springs. Water from the tailings ponds will also be recycled for production.

### 4.2 Climate and Physiography

The Damajianshan Mine is located in a mountainous region in southern China with a local elevation ranging from 480 meters ("m") at the Zhama river valley located to the north of the mine to approximately 1,276 m at the summit of the Damajianshan Mountain located to the south of the mine. The ground is generally high in the south and low to the north. Surface in the area is quite steep and the surface slope generally ranges from 20° to 60°. Hills in the area are generally covered by heavy vegetation, and land in the valleys and gentle slopes is generally used for agricultural purposes. Primary crops in the area include rice, corn and tea.

The mine is located on the northern slope of the Damajianshan Mountain, and the main transportation adit (YD2) is at an elevation of 650 m. The distance from the main adit to the concentrating plant is only approximately 200 m.

The climate is humid sub-tropical in the area. Summers are hot and long with a temperature high of approximately 35 to 40°C, and winters are warm with the daily average temperature ranging from 9 to 23°C. Average annual precipitation is approximately 2,100 millimeters ("mm"), and May to October is the rainy season, accounting for about 80% of the annual precipitation. November to April of the next year is the dry season.

Luchun is a minority-dominant autonomous county. Approximately 85% of the population is Hani, with many other smaller minorities. The local economy is currently underdeveloped because of the remote location. The development of the Damajianshan Mine will contribute significantly to the local economy, and therefore is supported by the local government and residents.

### 4.3 Property Ownership

Under the "Mineral Resource Law of the PRC", all mineral resources in China are owned by the state. A mining or exploration enterprise may obtain a permit for the mining or exploration right for conducting mining or exploration activities in a specific area during a specified license period. The permits are generally extendable at the end of the license period. A mining license has both horizontal limits and elevation limits, but an exploration license has only horizontal limits.

Details of the effective date and geographic area of the permit for the mining right relating to the Damajianshan Mine reviewed in this technical report have been provided to BDASIA by Luchun Xingtai and is presented in Table 4.1. BDASIA has not undertaken a legal due diligence review of this permit as such is outside the scope of BDASIA's technical review. BDASIA has relied upon Luchun Xingtai's advice as to the validity of this mining right. BDASIA understands that the legal due diligence review of the mining right has been undertaken by the Company's legal consultants.

Table 4.1 Permit for the Mining Right of the Damajianshan Mine					
Property	License Type	Number	Area (km <sup>2</sup> )	Elevation Range (m)	Term
Damajianshan Copper Mine	Mining	5300000720259	3.6656	680 ~ 1,230	Sep 2007 – Sep 2012

As shown in Table 4.1, Luchun Xingtai holds a permit for a mining right of 3.6656 square kilometers ("km<sup>2</sup>") in area; the elevation range for the mining license is from 680 m to the current topographic surface. The current mining license is valid until September 2012 and is extendable. BDASIA notes that a significant part of the currently defined mineral resources in the Damajianshan Mine is below the lower limit of the current mining license. Luchun Xingtai has advised that an application to adjust the lower limit of the mining license to an elevation of 0 m has been submitted to the relevant authority. BDASIA's review of the mineral resources and ore reserves for the Damajianshan Mine in this report is conditioned on the premise that the revised mining license with a lower limit of 0 m will be granted to Luchun Xingtai. All currently defined mineral resources and ore reserves are within the horizontal boundary of the mining license.

#### 4.4 Project History and Current Status

Copper and arsenic mineralization at Damajianshan was discovered in the 1960s. However, very limited exploration work was done until the 1990s. The mine was first explored for arsenic from October 1992 to February 1994 by the No.1 Geological Team of the Yunnan Provincial Geological Bureau, and a report titled "Exploration Report for the Damajianshan Arsenic Mine in Luchun County, Yunnan Province" was produced from the study. Small scale mining for arsenic from the deposit by local miners started in 1989, and the mining scale was significantly increased in 1994 after the No.1 Geological Team's study. Arsenic mining was from both the surface and the underground. No detailed production records are available for BDASIA's review. It is reported that the total mined-out arsenic ore to 2004 was estimated to be approximately 500,000 tonne ("t").

The project was further explored as a copper-arsenic project and a report titled "Exploration Report for the Damajianshan Copper-Arsenic Mine in Luchun County, Yunnan Province" was completed by the No.2 Mineral Resource Research Institute of Yunnan Geological Survey in April 2005. Gejiu City Chuantian Mining Limited Liability Company ("Gejiu Chuantian") acquired the Damajianshan property in February 2004 and a flotation concentrator with a production capacity of 100 tpd was constructed in the same year. The concentrator has been expanded to a processing capacity of 300 tpd to the end of 2006. Mining for copper and arsenic ore from underground workings by Luchun Xingtai started in 2005 and it is reported that a total of approximately 25,000 t of ore with an average grade of 1.59% copper and 6.02% arsenic was produced from the property from 2005 to the end of the first quarter of 2007. Mining at the property was then suspended for the acquisition of a 90% interest of Gejiu Chuantian by Smart Year and for the project expansion. After the acquisition, Gejiu Chuantian was renamed Luchun Xingtai and became a Sino-foreign joint venture in December 2007.

Luchun Xingtai engaged Kunming University of Science and Technology ("KUST"), a licensed exploration entity in China, in early 2007 to conduct a systematic detailed sampling program from existing surface trenches and underground workings and to conduct an updated mineral resource estimation based on the sampling results. A report with an updated mineral resource estimate was submitted to Luchun Xingtai in July 2007. The new sampling program shows that copper polymetallic mineralization is not only limited to the structural zones, which was the primary target of previous mining activities, but also widely distributed in the strong, pervasive alteration zones adjacent to the structural zones. Therefore, the deposit size has increased significantly. Based on the new mineral resource estimate, Xian Nonferrous Metallurgical Engineering and Research Institute (the "Xian Institute"), located in Xian, Shanxi Province, completed a feasibility study for a 1,300 tpd underground mining and flotation processing

project for Damajianshan in January 2008. BDASIA's technical review of the Damajianshan Mine is generally based on the updated mineral resource estimate by KUST and the project feasibility study by the Xian Institute.

The project is currently under expansion from a 300 tpd operation to a 1,300 tpd operation. A new flotation mill with a production capacity of 1,000 tpd was basically completed during BDASIA's site visit to the property in mid-February 2008. Mine development was underway and construction of a new tailings dam was expected to commence soon. Production of the 1,300 tpd project is expected to commence late in 2008 and full production is to be reached at the end of 2008.

However, BDASIA's observation during the site visit shows that the Damajianshan deposit has not been well defined by the latest sampling program as most of the existing underground workings do not penetrate the mineralized bodies. Therefore, the location of the hangingwall and footwall as well as the actual dimension of the orebodies in the deposit is basically unknown and the actual mineral resources could be significantly larger than those defined by the current mineral resource estimate. BDASIA believes that it is very important for Luchun Xingtai to conduct a new phase of exploration work to define the dimensions of the mineralized system using systematical underground development and/or drilling. The mining system and mining methods need be redesigned based on the findings of the new exploration work, likely in a larger production capacity. Because of the needed additional exploration work, initial mine production will likely be postponed from the current plan, but will be on a more solid basis and perhaps on a larger scale.

## 5.0 GEOLOGY AND DATABASE

### 5.1 Geology of the Damajianshan Deposit

The Damajianshan Mine is a structurally-controlled hydrothermal copper polymetallic deposit related to Mesozoic late Yanshanian granitic intrusives. Stratigraphy in the deposit area includes the Lower Silurian System and the Quaternary alluviums and colluviums. The Lower Silurian System is divided into two members. The lower member consists of metamorphosed quartz arkoses at the lower section, and metamorphosed fine-grained quartz sandstones, quartz siltstones and sericitic slates at the upper section. The upper member of the system is subdivided into four sections. The lower section consists of sandy sericite slates and quartz siltstones; the second section consists of metamorphosed silicic sericite quartz sandstones with interbedded phyllitic slates; the third section consists of metamorphosed quartz siltstone with interbedded sandy sericite slates; the upper section consists of interbedded sandy sericite slates and phyllitic sericite slates. The Silurian strata in the deposit area generally dip to the northeast at angles between 25° and 60°. The upper section of the lower member of the Lower Silurian System is the most-widely distributed strata and is the primary host of copper polymetallic mineralization in the area.

The Silurian strata were intruded by several small late-Yanshanian quartz porphyry stocks. It is expected that these small quartz porphyry stocks are connected to a larger granitic intrusive at the depth, which controls the alteration and mineralization system in the deposit area. The mineralized system was also intruded by some post-mineral mafic intrusive dikes.

A set of northwest- to north-northwest-striking normal faults with a high-angle dip to the northeast, control the distribution of copper polymetallic mineralization in the deposit and the mineralized system was offset by a set of northeast-striking normal faults with a high-angle northwest dip. The mineralization-controlling faults generally exhibit multiple-stage structural movement.

The copper polymetallic mineralization in the deposit consists of a series of mineralized bodies controlled by the northwest- to north-northwest-striking faults. A total of eleven orebodies have been identified to date and the No.1 orebody by far is the best known and the most important, which accounts for approximately 77% of the estimated mineral resources. The No.VIII orebody is next and accounts for approximately 17% of the estimated mineral resources.

The No.1 orebody is the best defined ore zone at Damajianshan. It is controlled by 13 surface trenches at an approximately 100-m spacing and 13 underground levels at a vertical interval of approximately 50 m. The orebody outcrops at the surface at elevations from 580 m to 1,170 m; its controlled strike length is over 1,200 m and the controlled extension along the dip direction ranges from less than 10 m to over 150 m. The orebody consists of massive sulfide-quartz veins within the main mineralization-controlling structures and strongly and pervasively silicified and mineralized slates adjacent to the structure. The true horizontal width of the orebody is generally unknown at this stage as almost all the sampling crosscuts have not completely penetrated the orebody. The controlled horizontal width of the orebody ranges from less than 10 m to over 70 m with an average of 18.0 m. BDASIA believes that the true horizontal width of the orebody could be significantly larger than the controlled horizontal width. The No.1 orebody was offset by a northeast-striking post-mineral fault into two sub-orebodies, the No.1-1 and the No.1-2. The No.1-1 orebody is much larger and well defined; it accounts for approximately 94% of the defined mineral resources in the No.1 orebody. Its grade ranges from 0.54% to 2.49% with an average of 1.82% for copper, 0.43% to 14.51% with an average of 7.20% for arsenic, 0.84% to 15.38% with an average of 1.75% for lead, 0.15% to 20.12% with an average of 0.45% for zinc, 0.19% to 10.71% with an average of 0.24% for bismuth, and 1.56 to 188 g/t with an average of 56.3 g/t for silver. The orebody is open in almost all directions except to the surface.

The No.VIII orebody is located about 200 m west of the No.1 orebody and is currently the second largest in the deposit. It is currently defined by two surface trenches and two underground levels. The orebody outcrops at elevations between 750 m to 900 m and has a controlled strike length of 227 m. Similar to the No.1 orebody, the true horizontal width of the No.VIII orebody is unknown as the current sampling by underground workings did not penetrate the mineralization. The controlled horizontal width ranges from less than 5 m to over 50 m with an

average of 24.0 m. The mineralization is also open to depth and along strike. Current sampling data indicates an average grade of 1.31% for copper, 1.81% for lead and 5.44% for arsenic.

The nine other mineralized bodies are generally located to the east of the No.1 orebody and are defined only by limited surface trenches. The controlled length of the mineralized bodies ranges from less than 100 m to over 300 m. True widths and down-dip extensions of the mineralized bodies are currently unknown. Limited surface trench sampling data shows similar metal grades as the No.1 and No.VIII orebodies.

Primary metallic minerals for the copper-polymetallic mineralization are chalcopyrite, arsenopyrite, pyrite, pyrrhotite and galena, with small amounts of chalcocite, sphalerite, covellite, tennantite and bismuthinite. Sulfide minerals occur as massive to semi-massive veins in the structures or as veinlets and disseminations throughout the pervasively silicified slates. The mineralized slates are extremely hard and competent because of strong pervasive silicification. Oxidation of the sulfide minerals is limited to surface exposures and limited fractural surfaces in the deposit. Gangue minerals are mostly quartz, silicified slates with a small amount of sericite, chlorite, calcite and dolomite.

Figure 5.1 is a geological plan of the Damajianshan copper deposit and Figure 5.2 is a typical cross section of No.1 orebody in the deposit. BDASIA notes that the entire area in Figure 5.1 is within Luchun Xingtai's current mining license and that the orebody width in Figure 5.2 is based on the current available data and the true width should be larger than that shown in the section.

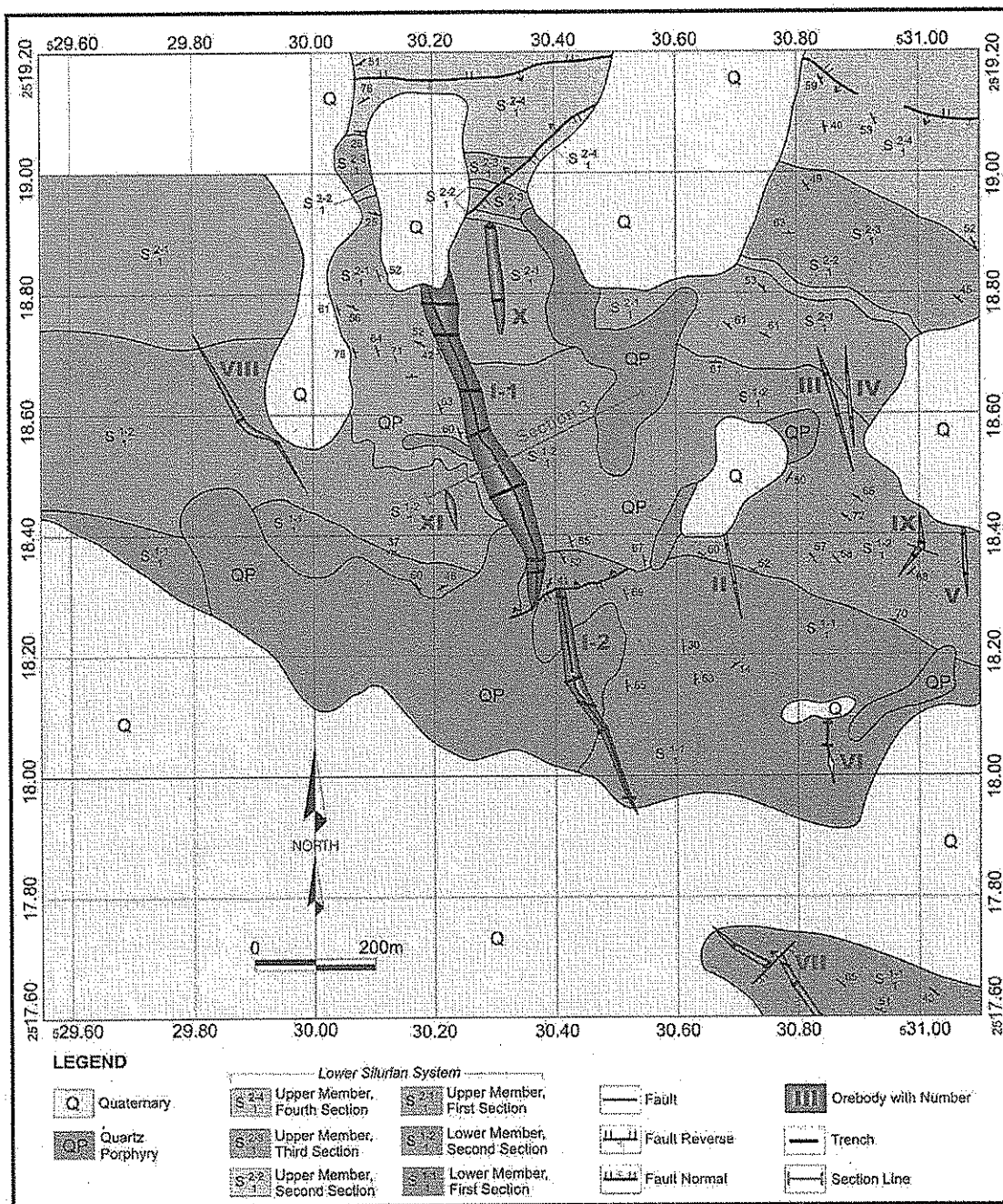


Figure 5.1 Geology Plan Map of the Damajianshan Copper Deposit

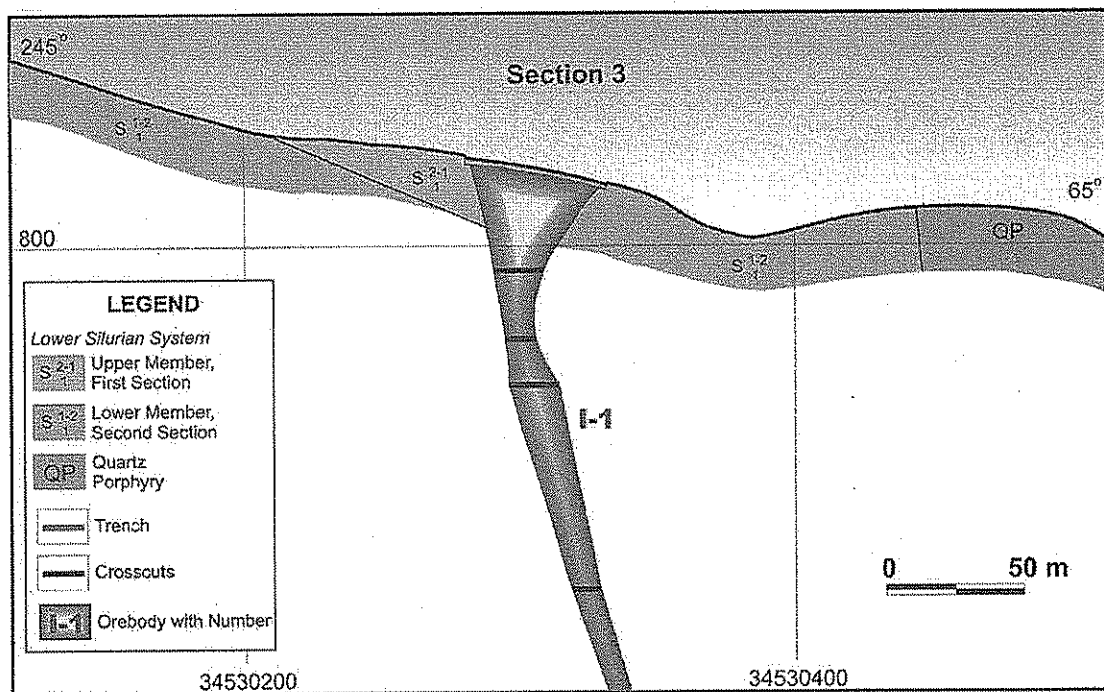


Figure 5.2 A typical Cross Section of the No.1-1 Orebody in Damajianshan Deposit  
(Location of the section is shown in Figure 5.1.)

## 5.2 Geological Database

### 5.2.1 Database Used for Mineral Resource Estimates

Databases used for mineral resource estimation are generated by licensed exploration entities and/or by the mines in China. Guidelines specifying the appropriate sampling, sample preparation and assaying techniques and procedures for different types of mineral deposits are issued by the relevant government authorities. The databases used for mineral resource estimation are generally produced following these set guidelines.

The Damajianshan deposit has been explored by surface trenches and underground workings. These surface trenches and underground workings were developed by different operators of the property at different times, and their distributions are somewhat irregular. In general, surface trenches at approximately 100-m spacing were developed to define the surface exposures of the mineralized bodies. Systematic underground workings at an approximately 50-m vertical spacing have only been developed for the primary No.1 orebody. A total of 13 levels, from an elevation of 586 m to 1,180 m, were developed for the No.1 orebody. Each level consists of a drift at the footwall of the massive mineralized structural zone and a number of crosscuts with limited length at an irregular spacing (generally 50 m to 100 m). A systematic sampling program along all accessible surface trenches and underground workings forms the basis for the current mineral resource estimation for the Damajianshan deposit.

As discussed previously, due to historical reasons, almost none of the underground workings penetrate the mineralized bodies. Sample assay results show that the last samples for almost all crosscuts are still ore grade. Therefore, the true width of the mineralization system is unknown. The mineralized system is also open to the depth and along strike, indicating significant additional upside potential. The current mineral resource estimate was conducted using the controlled width of the mineralized bodies, which BDASIA believes is conservative.

Table 5.1 summarizes the database used for the mineral resource estimation for the Damajianshan deposit reviewed in this report.

Table 5.1 Mineral Resource Database Statistics for the Damajianshan Mine	
Sample Type	Number
<i>U/G Development</i>	
Meters	3,071
<i>Surface Trenching</i>	
Meters	800
<i>Assays</i>	
Individual Samples	1,203
Composites	25
Internal Check Assays	138
External Check Assays	76
<i>Density Measurements</i>	
Rock	30

#### 5.2.2 Sampling, Sample Preparation and Analysis

Sampling for the current resource estimation was undertaken by staff from KUST. Underground channel samples were taken at around waist height in crosscuts and sometimes in drifts. Surface trench channel samples were taken from one trench wall below the overburden. The channel samples were generally cut 10 centimeters ("cm") wide and 3 cm deep. The sample length was typically 2 m, but variable lengths may be used based on geological characteristics. Location of the underground workings and surface trenches has been surveyed using survey instruments.

Sample preparation and analysis was undertaken by Gejiu No. 308 Mineral Analytic Laboratory, a licensed commercial analytic laboratory located in Gejiu, Yunnan. BDASIA visited this analytic laboratory during the February 2008 site visit to the Damajianshan Mine and found the facilities in good order and the sample preparation procedures generally consistent with mining industry practice.

Copper, arsenic, lead, zinc, bismuth and silver grade analysis of the samples was conducted by ICP-AES (Inductively Coupled Plasma-Atomic Emission Spectroscopy) and AAS (Atomic Absorption Spectroscopy) methods. High-grade samples above the detection limits of ICP-AES and AAS were determined using wet-chemical analysis. These analytical methods are widely used in the mining industry in China, and generally produce reliable results, if conducted correctly.

A total of 1,203 samples were taken from the deposit and their assay results were used for the current resource estimation. BDASIA reviewed the original assay certificates from Gejiu No. 308 Mineral Analytic Laboratory, and has compared the assays certificates with sample grades used for resource estimation for some randomly selected intervals. No data entry errors were found.

#### 5.2.3 Quality Control and Quality Assurance

Assay quality control and quality assurance programs include internal check assays, external check assays, and analysis of assay standards. For 1,203 samples used for mineral resource estimation, 138 (11.5%) were subject to an internal check assay and 76 (6.3%) were sent for external check assays. The external check assays were conducted by an unpaired commercial assay laboratory. In order to determine the assay quality, check assay results were compared with the original assay results and the variance compared with permitted random error limits specified by government regulation for various grade ranges. Check assay results indicate that the assay results from Gejiu No. 308 Mineral Analytic Laboratory are generally reliable and can be used for mineral resource estimation of the Damajianshan deposit.



#### 5.2.4 Bulk Density Measurements

Bulk density data were collected using rock samples from underground workings. The bulk density of rock samples was measured using a wax-coated water immersion method.

A total of 30 bulk density measurements were undertaken for the current mineral resource estimation and the average bulk density from the measurements is 3.05 grams per cubic centimeter ("g/cm<sup>3</sup>"). BDASIA considers that the average bulk density adopted is reasonable and appropriate based on the mineral composition of the deposit.

## 6.0 MINERAL RESOURCES AND ORE RESERVES

### 6.1 Mineral Resource/Ore Reserve Classification System

The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, prepared by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia in September 1999 and revised in December 2004 ("the JORC Code") is a mineral resource/ore reserve classification system which has been widely used and is internationally recognized. It has also been used previously in independent technical reports for mineral resource and ore reserve statements for other Chinese public companies reporting to SEHK. The JORC Code is used by BDASIA to report the mineral resources and ore reserves of the Damajianshan Mine in this report.

A Mineral Resource is defined in the JORC Code as an identified in-situ mineral occurrence from which valuable or useful minerals may be recovered. Mineral Resources are classified as Measured, Indicated or Inferred according to the degree of confidence in the estimate:

- ♦ a Measured Resource is one which has been intersected and tested by drill holes or other sampling procedures at locations which are close enough to confirm continuity and where geoscientific data are reliably known;
- ♦ an Indicated Resource is one which has been sampled by drill holes or other sampling procedures at locations too widely spaced to ensure continuity, but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable level of reliability; and
- ♦ an Inferred Resource is one where geoscientific evidence from drill holes or other sampling procedures is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability.

An Ore Reserve is defined in the JORC Code as that part of a Measured or Indicated Resource which could be mined and from which valuable or useful minerals could be recovered economically under conditions reasonably assumed at the time of reporting. Ore reserve figures incorporate mining dilution and allow for mining losses, and are based on an appropriate level of mine planning, mine design and scheduling. Proved and Probable Ore Reserves are based on Measured and Indicated Mineral Resources respectively. Under the JORC Code, Inferred Mineral Resources are deemed to be too poorly delineated to be transferred into an ore reserve category, and therefore no equivalent Possible Ore Reserve category is recognized or used.

The general relationships between exploration results, mineral resources and ore reserves under the JORC Code are summarized in Figure 6.1.

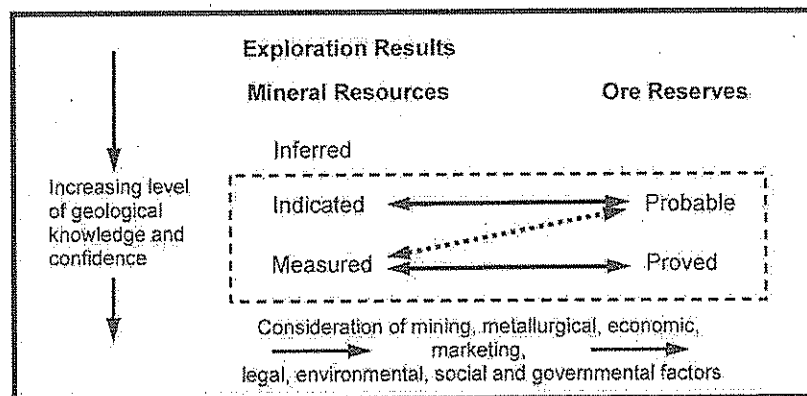


Figure 6.1 Schematic Mineral Resources and Their Conversion to Ore Reserves

Generally ore reserves are quoted as comprising part of the total mineral resource body rather than the mineral resources being additional to the ore reserves quoted. The JORC Code allows for either procedure, provided the system adopted is clearly specified. In this BDASIA report, all the ore reserves are included within the mineral resource statements.

## 6.2 General Procedure and Parameters for Mineral Resource Estimation

The methods used to estimate mineral resources and the parameters used to categorize the mineral resources for a particular type of mineral deposit are generally prescribed by the relevant Chinese government authorities. The mineral resource estimates are based on strictly defined parameters, which include minimum grades, minimum thicknesses, and cutting procedures for high grades. The mineral resources for a deposit can be estimated by the mine geologists and engineers or by an independent engineering entity.

In order to provide a reliable mineral resource base for the Acquisition, Luchun Xingtai has retained Kunming University of Science and Technology, an independent government-owned entity with a valid exploration license in China, to conduct an independent mineral resource estimation in 2007 for the Damajianshan deposit reviewed in this BDASIA report. KUST's address is 68 Wenchang Road, The 121 Avenue, Kunming City, Yunnan Province. KUST's mineral resource estimates for the Damajianshan deposit were dated July 31, 2007. As there was no production for the project since then to the end of 2007, the mineral resources for the project as of December 31, 2007 will not change from that estimated by KUST in July 2007.

The drill hole or channel sampling density required to define a certain class of mineral resource depends on the type of deposit. Based on the orebody size and complexity, a deposit is classified into certain exploration types before mineral resource estimation. The primary No.1 orebody for the Damajianshan deposit comprises large tabular mineralized zones hundreds of meters in dimension with good continuity in both grade and thickness; it is categorized as exploration type I. Other smaller mineralized bodies in the deposit have been categorized as exploration type III.

For the purpose of mineral resource estimation, all surface trench and underground channel sampling data, along with other relevant geological information, were digitized into the MAPGIS System by KUST. MAPGIS is a computer software system widely used in China for preparation of plans and sections for mineral resource estimation. Sections and plans used for the 2007 mineral resource estimation were produced by the software.

The geological block method, a polygonal method on projected longitudinal sections, was used by KUST for the mineral resource estimation of the Damajianshan Mine. Based on information provided by KUST and discussions with the KUST's technical personnel, the general procedures and parameters used in the mineral resource estimation are described as follows.

### 6.2.1 Determination of "Deposit Industrial Parameters"

The economic parameters for mineral resource estimation are referred to as "Deposit Industrial Parameters" ("DIP") in Chinese literature or technical reports, and are normally approved by government authorities for each deposit. These parameters generally include the cutoff grades (separated into boundary cutoff grade, block cutoff grade and sometimes deposit cutoff grade), minimum mining width, and minimum waste exclusion width. The DIP used for the mineral resource estimates of the Damajianshan deposit reviewed in this report are summarized in Table 6.1.

Table 6.1 Deposit Industrial Parameters for Mineral Resource Estimation						
Deposit	Metal	Cutoff Grade			Minimum Width	Minimum Waste Exclusion Width
		Boundary	Block	Deposit		
Damajianshan	Cu	0.3%	0.5%	0.7%	1 m	2 m

BDASIA has reviewed these parameters under the economic conditions assumed by Luchun Xingtai for the Damajianshan Mine and found them are in general reasonably defined.

### 6.2.2 Grade Capping

As copper and other metal grades in the Damajianshan deposits are quite consistent, and no significant samples with extremely high metal grades (outliers) are present, KUST believes that grade capping is unnecessary in resource estimation for the Damajianshan deposit. BDASIA concurs with KUST's conclusion.

### 6.2.3 Determination of Block Boundaries and Confidence Level

In the block resource estimation, the orebody is separated into a number of blocks, with each block assigned a resource confidence class based on the type and density of available geological data. For the Damajianshan resource estimation, Measured blocks were based on underground channel sampling and surface trench sampling data at a spacing of 50-m by 50-m to 100-m. Indicated category blocks were also based on underground channel sampling and surface trench sampling data, but the sample spacing was up to 100-m by 100-m. Generally, the Measured and Indicated blocks were limited to the boundary formed by the economic sampling crosscut/trenches with no extrapolation. Inferred category blocks were defined by wider-spaced surface trench samples or extrapolating 100-m to 120-m from the defined Measured and Indicated blocks for the No.1 orebody and 30-m to 40-m for other mineralized bodies. Block mineral resource classification for the No.1-1 orebody on the longitudinal section is illustrated in Figure 6.2.

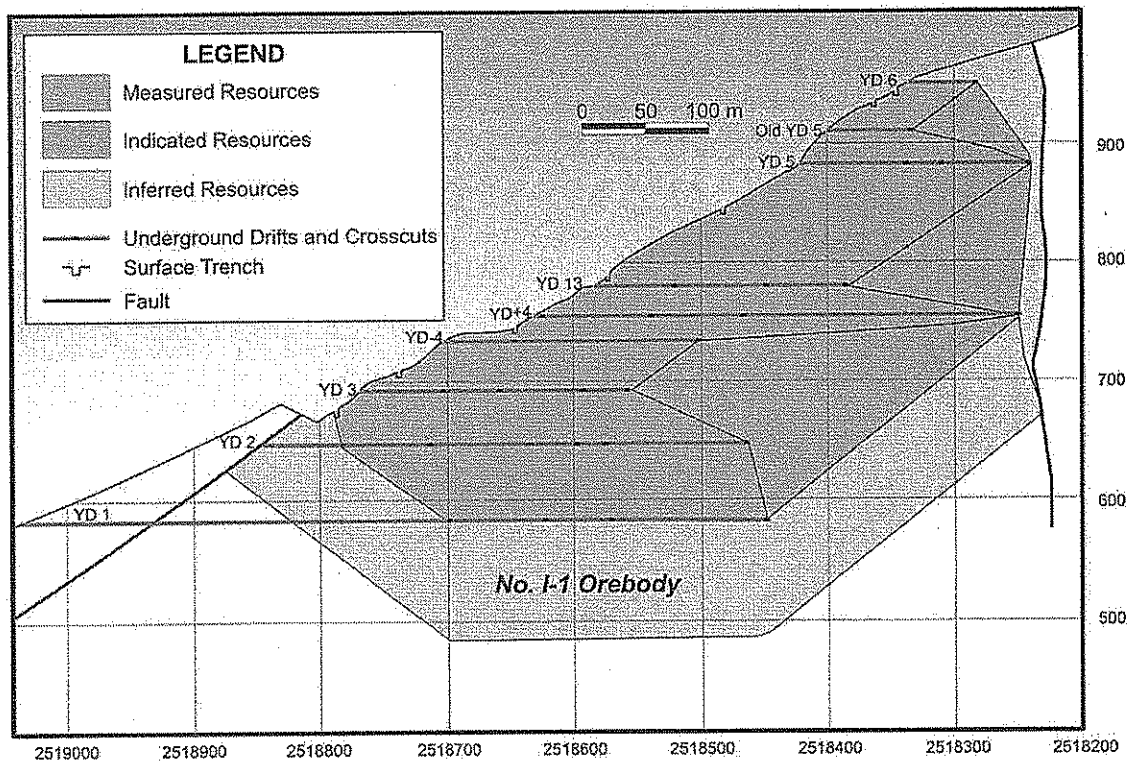


Figure 6.2 Block Mineral Resource Classification for the No.1-1 Orebody

### 6.2.4 Mineral Resource Estimation

In the resource estimation process, the average channel sample metal grades were calculated using the length-weighted average of all the channel samples within the orebody intersection. The block average metal grade was calculated using the horizontal width weighted average of all drill channel intersections inside the block. The

orebody metal grade was calculated using the tonnage weighted average of all blocks inside the orebody. The deposit metal grade was calculated using the tonnage weighted average of all the orebodies in the deposit.

The block horizontal width was the arithmetic average of all channels within the block. Block tonnages were calculated based on the block areas and thickness and the average bulk density. Orebody and deposit tonnages were based on the sum of the block tonnages.

#### **6.2.5 Discussions and Recommendations**

Based on our review, BDASIA considers the mineral resource estimation procedures and parameters applied by the KUST to the Damajianshan deposit to be generally reasonable and appropriate. The Measured and Indicated blocks were defined by underground channel sampling and surface trench sampling data, with a sample spacing of 50-m to 100-m, and have a high level of geological control. There is no extrapolation from data points for the Measured and Indicated category mineral resource blocks. The Inferred category blocks were defined by wider-spaced surface sampling trenches or extrapolated from existing data points.

As discussed previously, the orebody horizontal width for the current resource estimation was conservatively defined from existing underground crosscuts as these crosscuts generally have not penetrated the orebodies. When a new systematic underground development and/or drilling program is completed, the average orebody horizontal width is expected to increase significantly, which will result in a significant increase for the currently-estimated mineral resources for the deposit.

Historical production for arsenic mining from Damajianshan was not well recorded, and a total 500,000 t of ore production was estimated to the end of 2004. Mine production for copper and arsenic from 2005 to 2007 by Luchun Xingtai totals approximately 25,000 t with an average grade of 1.56% copper, 6.28% arsenic, 1.35% lead, and 43.9 g/t silver. Considering the mining dilution factors occurred during mining, these metal grades are in line with the current resource metal grades. The exact location of the historical mine production could not be determined, at least a part of the production was from underground stopes along the primary ore-control fault for the No.1 orebody. To be conservative for the current resource estimation, a total of 525,000 t of resources were deducted from the current Measured mineral resources. BDASIA believes that this deduction eliminated the resource uncertainty associated with the historical mine production for the Damajianshan deposit.

Based on reviewing the drilling and sampling data, procedures and parameters used for the estimation of mineral resources, BDASIA is of the opinion that the Measured, Indicated and Inferred mineral resources estimated under the 1999 Chinese mineral resource system for the Damajianshan deposit by KUST also conform to the equivalent JORC mineral resource categories. The economic portion of the Measured and Indicated resources can be used to estimate Proved and Probable ore reserves, respectively.

BDASIA recommends that Luchun Xingtai undertake a new systematic exploration program for the No.1 orebody as soon as possible to define the hangingwall and footwall, the nature of ore-waste contacts and the grade distribution together with structural and geotechnical information of the mineralized zones. The exploration can be conducted by underground development and/or underground drilling at an initial spacing of approximately 100 m by 100 m. Results of this new exploration work will allow detailed mine design and planning.

#### **6.3 Mineral Resource Statement**

The mineral resource estimates under the JORC Code as of December 31, 2007 for the Damajianshan deposit in Luchun, Yunnan, as reviewed by BDASIA, are summarized in Table 6.2. The mineral resources estimated by KUST were dated July 31, 2007. As there was no mine production from July to December in 2007, the mineral resources as of December 31, 2007 do not change from that of July 31, 2007. The mineral resource estimates are inclusive of mineralization comprising the ore reserves.

Table 6.2 Damajianshan Mine Mineral Resource Summary – December 31, 2007													
JORC Mineral Resource Category	Tonnage (kt)	Grades						Contained Metals					
		Cu %	As %	Pb %	Zn %	Bi %	Ag g/t	Cu kt	As kt	Pb kt	Zn kt	Bi kt	Ag t
Measured	4,652	1.79	6.83	1.54	0.37	0.24	51.1	83.1	318	71.6	17.1	10.9	237
Indicated	3,153	1.70	7.52	1.79	0.52	0.25	57.4	53.5	237	56.4	16.5	8.0	181
Subtotal	7,805	1.75	7.11	1.64	0.43	0.24	53.6	136.5	555	128.0	33.6	18.9	418
Inferred	7,678	1.61	6.48	2.18	0.48	0.24	63.1	123.9	498	167.2	36.9	18.3	484
Total	15,483	1.68	6.80	1.91	0.46	0.24	58.3	260.4	1,053	295.2	70.5	37.2	903

#### 6.4 Procedure and Parameters for Ore Reserve Estimation

Ore reserves comprise that portion of the Measured and Indicated mineral resource that is planned to be mined economically and delivered to the mill for processing. In line with most Chinese mining companies, Luchun Xingtai does not traditionally produce an external ore reserve statement, rather this is an exercise which is carried out by the mining teams in order to produce short- and medium-term mine plans and production schedules. However, given the requirements for the Acquisition, BDASIA has formalized Luchun Xingtai's mine production planning processes and estimated an ore reserve for the Damajianshan Mine. These ore reserve estimates have been produced from the in-situ mineral resource estimates based on the economic Measured and Indicated resource categories from which a mine plan has been generated.

For the purpose of converting the economic Measured and Indicated mineral resources to ore reserves, the overall mining dilution factor and mining recovery factor between the in-situ mineral resources and the ore delivered to the mill for processing have to be determined as converting factors. An overall mining dilution factor of 16.50% under the Chinese definition and a mining recovery factor of 83.42% were determined by the Xian Institute for the Damajianshan Mine based on the orebody characteristics and selected mining methods. No historical production data are available to validate these factors. It was assumed that the dilution waste has a zero metal grade when applying the mining dilution factor and mining recovery factor to the ore reserve estimation.

It should be noted that the definition of the mining dilution factor in China is different from that in most Western countries. The mining dilution factor in China is defined as the ratio of the waste tonnage in the mill feed to the total mill feed tonnage, but the mining dilution factor in the West is defined as the ratio of the waste tonnage in the mill feed to the ore tonnage in the mill feed. Therefore, when using the same data for calculation, the Western mining dilution factor is always higher than the Chinese mining dilution factor, with the difference getting larger when the dilution factor is higher. For example, the Chinese mining dilution factor of 5.00% is equivalent to a Western mining dilution factor of 5.26%, and the Chinese mining dilution factor of 16.50% is equivalent to a Western mining dilution factor of 19.76%. As the JORC Code is used for mineral resource/ore reserve reporting for this BDASIA report, the Western definition of the mining dilution factor is used throughout this report.

BDASIA considers that the mining dilution factor and mining recovery factor selected by the Xian Institute generally reasonable at this planning stage and will use them to convert the economic Measured and Indicated mineral resources into Proved and Probable ore reserves. The Chinese dilution factor of 16.50% has been converted to a JORC dilution factor of 19.76% in ore reserve estimation.

The mine design loss has been reflected in the overall mining recovery factors. The Proved ore reserves are estimated from the economic Measured mineral resources, and the Probable ore reserves are estimated from the economic Indicated mineral resources.

BDASIA recommends that Luchun Xingtai monitor the actual mining dilution factor and mining recovery factors carefully when the mine is in full production, and use the actually achieved mining dilution factors and mining recovery factors in future ore reserve updates.

## 6.5 Ore Reserve Statement

The ore reserve statement as of December 31, 2007 generated by BDASIA for the Damajianshan Mine is summarized in Table 6.3. The ore reserve estimates include both Proved and Probable ore reserves, and the Probable ore reserves are estimated for the long-term future of the Damajianshan Mine. The Proved and Probable ore reserves have been estimated from the Measured and Indicated mineral resources respectively.

Table 6.3 Damajianshan Mine Ore Reserve Summary – December 31, 2007									
JORC Ore Reserve Category	Tonnage (kt)	Grades				Contained Metals			
		Cu %	As %	Pb %	Ag g/t	Cu kt	As kt	Pb kt	Ag t
Proved	4,648	1.49	5.70	1.28	42.6	69.3	265	59.7	198c
Probable	3,150	1.42	6.28	1.49	47.9	44.6	198	47.1	151
Total	7,798	1.46	5.94	1.37	44.8	113.9	463	106.8	349

## 6.6 Mine Life Analysis

BDASIA has conducted a mine life analysis for the Damajianshan Mine reviewed in this study based on the December 31, 2007 ore reserve estimates and the anticipated 2009 production rate (Table 6.4). It can be seen that the existing ore reserves are sufficient to support production at the anticipated 2009 production level for 18.2 years. This ore reserve mine life may change significantly in the future due to the following reasons:

- ◆ Additional exploration and development of the mine could convert some of the Inferred mineral resources to Measured and Indicated mineral resources, which in turn might be converted to Proved and Probable ore reserves. These new ore reserves will increase the mine life;
- ◆ Additional exploration may also find additional mineral resources within the mining license areas. Some of these additional mineral resources might be converted to ore reserves, which will extend the mine life; and
- ◆ Changes in the production rate will also change the mine life. The mine life will be shortened if the production rate is increased to a level higher than the anticipated 2009 production level.

Table 6.4 Mine Life Analysis					
Mine	2009 Production Rate (Mtpa)	Ore Reserve Mine Life		Additional Resource Mine Life	
		Ore Reserve (Mt)	Mine Life (a)	Additional Resource (Mt)	Mine Life (a)
Damajianshan	0.429	7.798	18.2	7.80	9 – 18

*Note: Additional resource mine life is estimated based on extracting 50-100% of the mineable portion of the additional mineral resources.*

## 6.7 Exploration Potential

BDASIA believes that significant additional exploration potential exists for the Damajianshan deposit because of the following reasons:

- ◆ The ore zone horizontal width for the No.I and No.VIII orebodies in the current resource estimation was conservatively measured as most of the sampling underground crosscuts do not penetrate the ore zones. Additional drifting and/or drilling are expected to increase the orebody horizontal width significantly, and therefore, increase the mineral resource significantly;

- ♦ The ore zones for the No.I and No.VIII orebodies are defined by both underground development and surface trenches. The orebodies are still open to the depth and along strike;
- ♦ The nine other mineralized bodies in the deposit were only defined by limited surface trenches. Further exploration to depth and along strike should increase mineral resources; and
- ♦ Additional mineralization could also be found outside the 11 identified mineralized bodies in the deposit.



## 7.0 MINING

The Damajianshan Mine is an underground operation currently undergoing a production capacity expansion from 300 tpd to 1,300 tpd or 429,000 tpa. Mine production was suspended at the end of the first quarter 2007 for the planned expansion. Luchun Xingtai retained Xian Nonferrous Metallurgical Engineering and Research Institute to carry out a feasibility study for the expansion. The mine design in the feasibility study is based on current Chinese practice and current understanding of the mineralization system. In BDASIA's opinion, it can only be considered conceptual due to uncertainties with the geometry of the orebodies to be mined and lack of geotechnical information. While this is considered a limitation, examination of the existing geological data together with an underground inspection of the exposed ore occurrences indicates that the assumptions contained in the feasibility study report are generally reasonable.

### 7.1 Orebodies to be Mined

The current mine plan produced by the Xian Institute will only mine the Measured and Indicated mineral resources in the largest No.I and No.VIII orebodies in the Damajianshan deposit. The No.I orebody is a large tabular zone consisting of mineralization controlled by a north-northwest-striking fault. The fault zone is steeply dipping to the northeast at an angle of 48° to 87° and is filled by 1 to 6 m of massive quartz-sulfide veins and surrounded by strongly silicified and mineralized slates. The orebody extends from an elevation of 580 m to 1,170 m at the surface and is offset by a post-mineral fault into two sub-orebodies.

The No.I-1 orebody is the largest ore zone identified to date in the Damajianshan deposit and contains approximately 85% of the currently defined Measured and Indicated mineral resources to be mined. The orebody is approximately 700 m long at the surface, extending at the surface from the elevation of 580 m to 960 m. As discussed previously, its controlled horizontal width from underground crosscuts and surface trenches ranges from less than 10 m to over 70 m with a stated average of 21.5 m. The true width of the orebody, however, is unknown as the sampling crosscuts generally failed to intersect the hanging wall or footwall.

The No.I-2 orebody is not currently well defined. It contains only about 1% of the Measured and Indicated mineral resources to be mined. It is approximately 500 m long with an average controlled width of 4.6 m, extending from an elevation of 960 m to 1,170 m at the surface. As in the case of the No.I-1 orebody the true width of the orebody is unknown but could be much larger as the crosscuts generally did not penetrate the ore zone.

The No.VIII orebody contains about 14% of the defined Measured and Indicated mineral resources and is located about 200 m west of the No.I orebody. The orebody is 227 m long along strike and averagely 24.0 m wide. It is only defined by two surface trenches and two underground levels currently and is open in almost all directions.

### 7.2 Mining System

Mine access together with ore and waste transportation is by adits connected with ore passes, waste passes, ventilation raises and sub-level access ramps. Each adit will provide access to a haulage drift driven in the footwall and connected to the raises on each level. The ore and waste passes will be equipped with vibrating feeders to load the haulage cars for transfer of the ore and waste to surface. Currently the adits are not connected. Production above the 650-m level (YD2, which is at the mill elevation), will be transferred through ore passes to that level for haulage to the mill's coarse ore bin, a distance of approximately 200 m beyond the adit entrance. Production from mining areas at levels below YD2 will be transported to the respective adit entrance and hoisted, via an exterior inclined rope haulage way, to the mill's coarse ore storage. Track haulage is employed on the YD2 adit utilizing 50-pound rail on concrete ties. Ore and waste passes will be equipped with vibrating feeders for loading 1.2-cubic meter ("m<sup>3</sup>") side tipping mine cars hauled by 7-t electric locomotives. A total of seven locomotives will be required. Waste from mine development will be dumped into the existing tailings area. Ventilation raises connected to each level and sub-level will provide adequate ventilation for all working levels.

The host rock for the orebodies is generally sericitic slates exhibiting some phyllic alteration. Ground conditions were reported to be generally good throughout the mining area except in the immediate vicinity of the main fault which appeared to be in the middle of the defined ore zone. No geotechnical data was available, therefore this

statement is purely based on limited observation underground as no visible ground support was seen in areas that had been open for a number of years from the previous arsenic and copper-arsenic mining activities or in crosscuts driven in recent years to delineate the ore zones. There was no indication of high inherent stress levels in the underground drifts visited. The main haulages will be supported with shotcrete and additional mechanical support as dictated by the local conditions.

Ground water is not expected to be significant, however, during the wet season considerable amounts of water would ingress through any stopes which were open to surface together with seepage through faults. No large quantities of ground water have been intersected to date and there is no increase in water with depth. Therefore, it would appear that the water flow is seasonal and can be adequately drained through the adits without pumping and collected in the mill process water system or tailings pond for treatment and recycling.

### 7.3 Mining Methods

Sub-level stoping, with and without pillars, has been considered as the mining method for the No.1-1 orebody based on currently assumed dimensions. The Xian Institute considered this method to be sub-level caving; however, when reviewed in detail, the caving refers to the waste rock and not to the ore. Therefore, BDASIA believes that the correct terminology is sublevel retreat mining. The Xian Institute believes that due to the good ground conditions and high production rate, mining with pillars was not necessary. However, it has recognized that a lower ore recovery of only 83%, a higher dilution factor of 19.8%, and difficult ventilation conditions would result. BDASIA is of the opinion that this approach is adequate but the dilution could be slightly higher than expected by the Xian Institute. Sublevel mining with pillars would be preferable when mining widths average over 20 m with a competent hanging wall. Should the ore width increase to +30 m the mining would be changed to transverse, which would necessitate rib pillars. Therefore, until the true width has been determined the detailed mining method cannot be finalized. With the current planning concept and the incorporation of pillars, the sublevel interval could be increased to 12.5-m or more for a 50-m stope height compared to the current layout of 10-m sublevels, resulting in more tonnes per meter of development. This would maximize ore recovery (+90%) and lower dilution (to possibly 12.5%) at a slightly higher cost due to an estimated 20% increase in development. It is understood that larger than currently planned drilling equipment is available in China, therefore, increasing the sublevel interval and utilizing longer/larger blast holes is possible.

Notwithstanding the foregoing, the current production forecast is based on mining without pillars. To facilitate mining in this zone it is essential that the ore boundaries be accurately defined to enable a higher degree of mine planning. Current planning is to utilize 65-mm upholes, retreating from the hanging wall. Mucking on each sublevel is planned with 2.0-m<sup>3</sup> electric load-haul-dump ("LHD") machines to transfer ore from the sublevel drawpoints to the ore pass. The planned development will create stopes 50-m in height with access provided from each haulage level. Sublevels are planned at 10-m intervals with a ramp access to the adits and connected to the ore, waste and ventilation raises. From each sublevel a slot raise is driven to the sublevel or main level above. Main haulage ways are planned at a size of 3.0-m×4.0-m, sublevels and stope drifts at 3.0-m×2.0-m, ore passes and waste passes are at a diameter of 3.0 m and 2.0 m, respectively.

It is proposed to employ overhand flat back shrinkage stoping for the No.1-2 orebody due to the narrow projected width to provide flexibility as the ore contacts are not clearly defined as noted in the No.1-1 orebody. More accurate delineation of the contacts is essential to improve the mine planning. With the current indicated width of 4.6 m, this zone could also be mined with a sublevel long-hole mining method and definitely so if the true width is greater than currently assumed. The current stope planning involves 50-m high stopes as per the sublevel open stopes and 50 m on strike. The resulting crown pillar is 3-m thick, the sill pillar 5 m and the rib pillars 6-7 m. Drilling will utilize both jacklegs and stopers taking a 2-m lift. Sufficient ore is drawn after each blast to maintain the correct working elevation within the stope. This is an acceptable approach to mining steeply dipping narrow ore zones.

### 7.4 Mine Production and Development Rates

Based on the currently indicated tonnes per vertical meter, a mining rate in the order of 600,000 tpa should be sustainable provided that the necessary development work is completed. The proposed production rate of 1,300 tpd is therefore considered achievable. Given that the current ore outlines appear to understate the reserve as the

exploration crosscuts did not intersect the hangingwall and footwall contacts, the potential for a further increase in production rate is not unreasonable.

Prior to the commencement of production at the planned rate of 1,300 tpd at the end of 2008, it is planned that three stopes will be developed and a further two under development. This will involve the completion of approximately 6,000 m of development (2 years with four development crews). The annual development requirement after that is 9,230 m, comprising 1,804 m of access development, 2,706 m of exploration development, 3,512 m of stope preparation and 1,208 m of ramp development.

The forecast mine development and production for 2009 to 2011 is shown in Table 7.1. The development rates are considered reasonable given the planned manpower and the number of working areas available.

<p align="center"><b>Table 7.1</b> <b>Forecast Mine Development and Production, 2009-2011</b></p>			
	Forecast		
	2009	2010	2011
Development (m)	9,230	9,230	9,230
Production (kt)	429.0	429.0	429.0

Mine development is undertaken with hand-held air-operated equipment with mucking carried out with electric track mounted rocker shovels. Ramp development and production mucking will be carried out with trackless equipment. Development dimensions are adequate to satisfy the ventilation requirements.

#### 7.5 Recommendations

In the previous sections, BDASIA has recommended conducting a new phase of exploration work for the No.1 orebody as soon as possible to better define the geometry of the mineralized zone as well as its grade distribution, structural and geotechnical information. When this exploration work is completed, a new mine design and detailed mine planning should be conducted. Appropriate mining methods and production rate will be selected based on the new data for this orebody. BDASIA believes that Luchun Xingtai should postpone the currently planned 1,300-tpd startup and restart the mine development when the new ore outlining exploration work has been completed and the mine design updated in accordance with the new reserves. This will delay the initial mine production, but the mine will be more profitable in the long run.

## 8.0 METALLURGY AND PROCESSING

The concentrator feed for the Damajianshan Mine will mostly come from the No.1-1 orebody under the current feasibility study. The minerals of economic importance are copper, lead and arsenic sulfides. This ore was treated previously, on a limited scale, in a 300-tpd flotation plant in 2005, 2006 and 2007. The processing rate in 2009 is planned to reach 1,300 tpd once the additional concentrating and tailings disposal facilities are completed. Flotation will remain the concentration process of choice.

### 8.1 Testwork

Comprehensive laboratory testwork on the ore was conducted by the Research and Design Institute of Yunnan Tin Group Company Limited and reported in "Test Report on Mineral Separation of Luchun Copper, Lead, Arsenic and Bismuth Polymetallic Sulfide Deposit" dated May 2005. This report discussed the sample tested, the testwork conducted and test results, which are all summarized below.

#### 8.1.1 Sample

The sample used in the testwork appears to have been taken from the development ore. The sample preparation was conventional: crushing, screening, blending and splitting into required test changes. The latter were used for various analyses as well as grinding and concentration tests.

The semi-quantitative spectrographic analysis of the sample revealed the presence of arsenic, aluminum, iron, silica, copper and calcium (all above 1%), followed by manganese (0.8%), magnesium, lead and titanium (all 0.5%). Small quantities of bismuth, tin and zinc (all 0.05%), as well as beryllium (both 0.001%) were also detected.

The quantitative chemical analysis established the presence of the following values: 1.58% Cu, 0.85% Pb, 0.083% Zn, 0.139% Bi, 8.83% Fe, 5.39% As, 6.24% S, 0.275% CaO, 0.569% MgO, 61.44% SiO<sub>2</sub>, 8.57% Al<sub>2</sub>O<sub>3</sub>, 0.068% Sn, 36.9 g/t Ag and less than 0.2 g/t Au.

The mineralogical composition analysis of the ore established the presence of twenty-nine minerals, of which nineteen were metal and ten were gangue minerals. Copper minerals are mainly chalcopyrite and cubanite with small amount of covellite, tennantite and malachite. Lead minerals are mainly galena, anglesite, and cerussite with small amounts of lead arsenates. The arsenic mineral is mainly arsenopyrite along with small amounts of arsenates. The bismuth mineral is bismuthinite. Iron minerals are mainly pyrite, pyrrhotite and limonite. Gangue minerals are quartz, feldspar and chlorite.

Close to 83% of the copper occurs as chalcopyrite with minor covellite, both readily recoverable by flotation. The remaining copper occurs as malachite and tennantite, or as sulfide inclusions (which cannot be floated) in quartz or as inclusions in arsenopyrite and pyrite (which downgrade copper concentrates). Chalcopyrite grains are generally between 0.01 and 0.15 mm. The minimum size is below 0.0001 mm. It may be locked, to a smaller degree, with arsenopyrite, quartz and chlorite and with galena and bismuthinite. A covellite film often covers the chalcopyrite surface.

Arsenic is mainly present as arsenopyrite (over 97%); its arsenic content is close to 40%. It has a copper content of about 0.1%. The arsenopyrite grain size is between 0.01 and 0.15 mm. It may be locked, to a smaller degree, with other sulfides and quartz and chlorite.

Lead mineral occurrence is complicated from the processing point of view. The lead minerals include galena (floatable sulfide), anglesite and cerussite (lead sulfate and lead carbonate which require a complex flotation regime hardly applicable and economical in this case) and arsenate (undesirable due to arsenic impurity). Galena usually contains small inclusions of silver, bismuth and antimony. The galena grain size is generally 0.009 to 0.13 mm. The lead present as galena accounts for 39% of the total lead and it should be noted that only this lead mineral could be economically processed and recovered in the plant under construction.

Bismuth occurs as bismuthinite. Its common grain size is from 0.005 to 0.074 mm, and its shape is acicular and/or columnar. It may be found free or with quartz, chlorite, pyrite, arsenopyrite and chalcopyrite.

#### 8.1.2 Testwork and Results

Several approaches for concentration of copper, lead, silver and arsenic were evaluated, including various bulk flotation procedures; followed by separation of the bulk concentrate components into individual concentrates, combined gravity concentration and flotation, and selective flotation. Evaluation of the above approaches along with changes in fineness of grinding and reagent regimes showed that the most advantageous concentration method was the bulk flotation of copper, lead and silver followed by arsenopyrite flotation. This approach yields copper/lead/silver rougher bulk concentrate, arsenic rougher concentrate and final tail. After several cleanings, the copper/lead/silver rougher bulk concentrate is subjected to copper and lead separation. The arsenic concentrate is cleaned several times until the required purity is obtained. The tail from the arsenic flotation is disposed in a tailings pond. The optimum grinding was determined to be 80% less than 0.074 mm. The reagents were conventional and readily available.

The flotation results obtained in the closed-circuit laboratory test showed that copper concentrate contained 25.66% Cu, 2.054% As, 5.93% Pb, 1.35% Bi, 463.3 g/t Ag and 0.50 g/t Au, while recoveries (distributions) of the relevant metals were 82.00% Cu, 1.28% As, 37.15% Pb and 22.84% Bi.

Arsenic concentrate contained 0.558% Cu, 26.56% As, 1.446% Pb and 0.395% Bi. These same metals were distributed in the concentrate at 11.59%, 82.97%, 36.71% and 45.04%, respectively.

#### 8.1.3 Discussion of Testwork Results

The two aspects of the copper concentrate i.e. high arsenic content (2.05%) and low lead distribution (37.15%) are noted. Both are related to the nature of the ore in the deposit.

Regarding the arsenic, the mineralogical analysis discussed earlier demonstrated that chalcopyrite and arsenopyrite are, in some cases, finely dispersed and locked in each other. The grinding which would be required to liberate these two minerals from each other and thus reduce arsenic in the copper concentrate would have to be so fine so that it would gravely affect the efficiency of flotation and result in low metal recoveries. Therefore, a sharp separation of copper and arsenic in industrial practice cannot be expected.

The high arsenic content of the copper concentrates produced from the Damajianshan Mine is of concern to BDASIA as it could impact the salability and sale price of the copper concentrates. Based on the current concentrate sale contract, there will be a price deduction if the arsenic content is from 0.3 to 2.0% in the copper concentrates and the copper concentrate will be rejected if the arsenic content is higher than 2%. Luchun Xingtai has presented data for the arsenic contents of the copper concentrates produced by the 300-tpd mill. They generally range from 1.2 to 1.6%, which are within the saleable range. BDASIA believes that it is very important for Luchun Xingtai to closely monitor the arsenic content in the copper concentrates produced by the new 1,000 tpd mill and control them at the current or a lower level.

Regarding low lead distribution it is noted that only about 39% of the total lead present in the ore is in galena (readily floatable sulfide) while other lead minerals (sulfate, carbonate, arsenate) cannot, in this case, be economically recovered. Therefore, when the lead and copper are separated, less than 40% of the total lead present can be expected to find its way into the lead concentrate. The most likely lead recovery to the lead concentrate in an industrial process will be in the 33-36% range.

If the future ore is the same or similar to that represented by the testwork sample, it cannot be realistically expected that results better than those obtained in the laboratory locked-cycle test can be industrially obtained unless an additional and suitable process and flotation section are incorporated in the design. It is recommended that more testwork on a fully representative sample should be performed in order to settle the issue of copper and lead recoveries.

## 8.2 Processing

The flotation processing of this ore type is well understood and employed worldwide. Generally, it consists of crushing and grinding to the necessary fineness and the flotation of copper sulfides followed by arsenopyrite flotation. In the case of the Damajianshan ore the lead, bismuth and silver minerals will report in the copper concentrate. They may be separated from the copper if desired. The arsenopyrite, pyrite, etc. are depressed during copper flotation step. In the following stage, the arsenopyrite is activated and floated into a separate concentrate.

### 8.2.1 Process and Flowsheet

The copper, lead, silver and arsenic concentration process, designed based on the described testwork, comprises:

- ♦ Crushing (open circuit) of the run-of-the-mine ore in a 600-mm×900-mm jaw crusher;
- ♦ Screening of the jaw crusher product on a vibrating screen at 12 mm;
- ♦ Crushing (closed circuit) the +12 mm screen product in a H3800 hydrocone crusher;
- ♦ Grinding, in a closed circuit with double screw classifiers, of the -12 mm screen product (in MQG 2,700×4,000) to 80% -0.074 mm;
- ♦ Conditioning of the ground product prior to copper-lead bulk flotation;
- ♦ Bulk flotation of copper, lead, bismuth and silver minerals;
- ♦ Cleaning the bulk flotation concentrate and scavenging the bulk flotation tails;
- ♦ Flotation separation of copper and lead values from the third bulk cleaner concentrate into separate concentrates of copper and lead. Part of silver and bismuth report with the lead;
- ♦ Rougher flotation of arsenopyrite from the copper-lead bulk flotation tails;
- ♦ Cleaning of arsenopyrite rougher flotation concentrate to produce the final arsenic concentrate; and
- ♦ Dewatering of separate copper, lead and arsenic concentrates in individual settling tanks.

The process flowsheet is schematically presented in Figure 8.1. It is noted that all equipment, except the hydrocone crusher, is designed and made in China. The flotation reagents are conventional and readily available. The flotation reagents (and their consumption in g/t) are as follows: calcium oxide (6,000), calcium hypochlorite (2,800), copper sulfate (56), ammonium chloride (756), sodium carbonate (756), sodium ethyl xanthate (33.6), ammonium butyl xanthate (44.8), a dithiophosphate (33.6), sodium methyl glycolate (252), sodium sulfide (200-400), zinc sulfate (4,000) and sodium silicate (300).

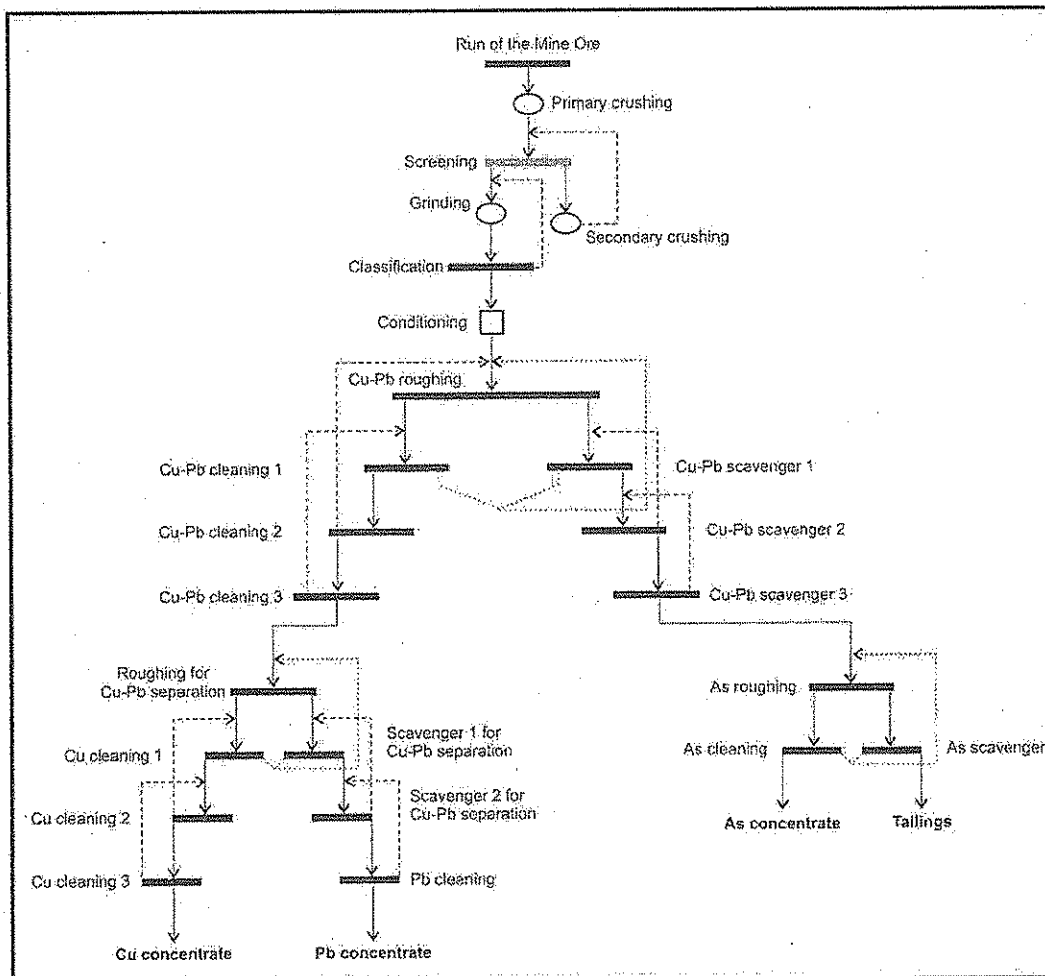


Figure 8.1 Ore Processing Flowsheet for the Damajianshan Mine

### 8.2.2 Discussions and Recommendations

The process is well chosen and it is believed that when fine-tuned, it could yield the results that would be optimum for this ore type. The fine-tuning (reagent adjustment, flow modifications) can take place in the course of the production.

One feature of the flowsheet, in BDASIA's opinion, requires further consideration, namely the settling tanks for the three individual concentrates. BDASIA is concerned that the settling tanks will not perform satisfactorily and that, perhaps, significant metal losses could occur in the settling tanks' overflows as well as in handling (spillage, etc.) and transfer of the concentrates. Consideration should be given to drum or disc filters to dewater the concentrates.

## 9.0 PRODUCTION

Forecast concentrator production for the Damajianshan Mine based on the Xian Institute feasibility study for the 2009-2011 period is summarized in Table 9.1. This forecast is based on the expectation that full production capacity of 1,300 tpd will be reached at the end of 2008. The forecast mill feed grade varies between 1.40% and 1.76% for copper, 0.99% and 1.17% for lead and 5.76% and 6.29% for arsenic in different years reflecting the grade distribution in the deposit. The forecast mill recoveries for copper, lead, and arsenic for the period are 82%, 35% and 75%, respectively, which is in line with the metallurgical tests discussed in the previous section. The reports by Luchun Xingtai showing that the actual overall mill recovery from 2005 to 2007 in the 300-tpd plant was 82% for copper and 70% for arsenic also provide support for the forecast mill recoveries.

Table 9.1 Forecast Production for the Damajianshan Mine, 2009-2011			
	Forecast		
	2009	2010	2011
<b>Milled Ore</b>			
Tonnage (kt)	429	429	429
Cu Grade (%)	1.76	1.40	1.40
Pb Grade (%)	0.99	1.17	1.17
As Grade (%)	6.29	5.76	5.76
Cu Metal (t)	7,560	6,020	6,020
Pb Metal (t)	4,250	5,040	5,040
As Non-metal (t)	27,000	24,700	24,700
<b>Mill Recovery</b>			
Cu (%)	82%	82%	82%
Pb (%)	35%	35%	35%
As (%)	75%	75%	75%
<b>Final Products</b>			
Copper Concentrate (t)	24,780	19,730	19,730
Cu Grade (%)	25%	25%	25%
Cu Metal (t)	6,200	4,930	4,930
Lead Concentrate (t)	3,310	3,920	3,920
Pb Grade (%)	45%	45%	45%
Pb Metal (t)	1,490	1,760	1,760
Arsenic Concentrate (t)	67,410	61,800	61,800
As Grade (%)	30%	30%	30%
As Non-metal (t)	20,220	18,540	18,540

Three concentrates will be produced from the mine: copper, lead and arsenic. The copper concentrate grade is forecast at 25% Cu, the lead concentrate grade 45% Pb, and the arsenic concentrate 30% As. They are all in the range indicated by the metallurgical test work. Total copper production in the copper concentrates will be 6,200 t in 2009 and 4,930 t in 2010 and 2011, reflecting the higher grade ore processed by the mill in 2009. Forecast lead production in lead concentrate is 1,490 t in 2009 and 1,760 t in 2010 and 2011, and forecast arsenic production in arsenic concentrate is 20,220 t in 2009 and 18,540 t in 2010 and 2011.

BDASIA believes that the forecast production is generally achievable for the current 1,300 tpd plan. However, BDASIA has recommended that Luchun Xingtai carry out additional resource definition exploration work for the No.1 orebody as soon as possible and redesign the mine based on the findings of this exploration work. This will likely result in a delay in initial production of the project, but the mine production rate will likely be higher and the mine will be more profitable.



## 10.0 OPERATING COSTS

Based on information in Xian Institute's feasibility study, BDASIA has developed forecast unit mining, milling, G&A and other costs on a per tonne basis for ore milled from 2009, when the mine will be in full production, to 2011 for the Damajianshan Mine. BDASIA has also calculated a unit product operating cash cost and total production cost for the equivalent primary product (copper in copper concentrate) of the operation by converting all other products to equivalent primary product using the projected product sale prices as provided by Luchun Xingtai. The primary product for the operation was selected based on its economic importance.

The operating cash costs include mining costs, processing costs, G&A costs, selling costs, environmental protection costs, production taxes, resource compensation levy, interests on loans and other cash cost items. The total production costs comprise the operating cash costs, depreciation/amortization costs and other non-cash cost items. These costs are expressed in Chinese currency with a unit of RMB. For the benefit of international investors, BDASIA has converted these costs into United States dollars (US\$).

Table 10.1 summarizes forecast unit costs from 2009 to 2011 for the Damajianshan Mine.

Table 10.1 Forecast Unit Cost Analysis for the Damajianshan Mine, 2009-2011			
Cost Item	Forecast		
	2009	2010	2011
Mining Cost (RMB/t of ore milled)	39.1	39.1	39.1
(US\$/t of ore milled)	5.50	5.50	5.50
Milling Cost (RMB/t of ore milled)	82.0	83.5	83.5
(US\$/t of ore milled)	11.53	11.74	11.74
G&A and Other Costs (RMB/t of ore milled)	102.1	100.3	100.3
(US\$/t of ore milled)	14.35	14.11	14.11
Total Operating Cash Costs (RMB/t of ore milled)	217.0	222.9	222.9
(US\$/t of ore milled)	30.51	31.35	31.35
<b>Unit Product Operating Cash Cost*</b>			
Equivalent Copper Metal in Concentrate (RMB/t)	12,100	15,100	15,100
(US\$/t)	1,700	2,120	2,120
<b>Unit Product Total Production Cost*</b>			
Equivalent Copper Metal in Concentrate (RMB/t)	13,500	17,000	17,000
(US\$/t)	1,890	2,390	2,400

\* In calculation of the unit product operating cash cost and total production cost, all other products have been converted to equivalent copper metal in concentrate based on the product sales prices provided by the mine.

The total operating cash cost is forecast at RMB217.0/t (US\$30.51/t) of milled ore in 2009 and RMB222.9/t (US\$31.35/t) in 2010 and 2011. The mining and milling cost estimates are based on self mining and milling operations. The mining cost is forecast at RMB39.1/t (US\$5.50/t) of ore milled and the milling cost at RMB82.0/t (US\$11.53/t) in 2009 and RMB83.5/t (US\$11.74/t) in 2010 and 2011. The G&A and other cost is forecast at RMB102.1/t (US\$14.35/t) in 2009 and RMB100.3/t (US\$14.11/t) in 2010 and 2011. BDASIA believes that these costs reflect current Chinese cost structures for similar mining operations and therefore are considered reasonable for the presented 1,300-tpd mine plan.

Copper is the primary metal in concentrates produced from the Damajianshan Mine; lead, arsenic, and silver credit in concentrates were converted to equivalent copper metal in concentrate for cost analysis. Forecast unit operating cash costs and unit total production costs for equivalent copper metal in concentrate are shown in Table 10.1. These costs are related to the operating cash costs, the sales price ratio of the final products (metals in concentrates), and also to the average mill feed metal grades. The forecast unit total production costs for equivalent copper metal in concentrate are significantly lower than the current market price for copper metal in concentrate, indicating that Damajianshan would be a very profitable operation if the future metal prices would be consistent with the current metal prices.

The additional resource definition work recommended and the resulting changes to the mine/mill production plan will affect the forecast costs and metal production. It is the opinion of BDASIA that these changes should have a positive impact on the operating cost structure.

## 11.0 CAPITAL COSTS

The forecast capital costs for the Damajianshan to 2011 are shown in Table 11.1. These costs are based on Xian Institute's feasibility study for the 1,300 tpd mining project and reflect the current cost structure of the work being carried out on the site and projected future capital expenditures. BDASIA notes that construction for the new 1,000 tpd mill was nearly completed during BDASIA's site visit and it was reported by Luchun Xingtai that the actual capital cost for the expansion will be lower than estimated in the Xian Institute feasibility study. Based on Luchun Xingtai's estimate, the capital expenditure for remaining of 2008, as of May 31, 2008, will be approximately RMB18.0 million (US\$2.57 million). Upon completion of the above expansion, the mine is expected to reach the designed production capacity of 1,300 tpd at the end of 2008.

Table 11.1 Forecast Capital Costs for the Damajianshan Mine, 2008-2011				
	Forecast			
	Pre-2009	2009	2010	2011
<b>Capital Cost in RMB×10<sup>5</sup></b>				
Mine	27,070	1,610	1,610	1,610
Mill	15,800	410	290	400
Admin	4,630	-	-	-
Tailings	16,490	15,000	-	-
Ancillary Production Facility	10,620	-	-	-
Mining License	-	14,000	14,000	14,000
Others	21,330	-	-	-
Contingency	12,400	-	-	-
<b>Total</b>	<b>108,340</b>	<b>31,020</b>	<b>15,900</b>	<b>16,000</b>
<b>Capital Cost in US\$×10<sup>3</sup></b>				
<b>Total</b>	<b>15,477</b>	<b>4,431</b>	<b>2,236</b>	<b>2,250</b>

The additional resource definition work recommended by BDASIA together with the revised mine and mill production plan will most likely increase the production capacity of the Damajianshan Mine, and therefore, the capital cost will also likely be increased for the expanded construction.

## 12.0 ENVIRONMENTAL MANAGEMENT

The Damajianshan Mine is in the process of applying for the environmental permit, from the Luchun County Environment Protection Bureau ("EPB"), for mining and processing activities at a production level of 1,300 tpd. Environmental measures proposed to be implemented at the upgraded operations will comprise:

- ◆ Dust mitigation: including the use of dust collectors, exhaust fans fitted with filters, water sprays and enclosure of dust generating activity. Personal protection devices ("PPE") to provide additional personal protection from dust will be provided;
- ◆ Waste water treatment: Luchun Xingtai intends to recycle at least 80% of its waste water, the remainder being discharged from the site in accordance with regulatory requirements. Waste water (including tailings effluent and seepage) will be recycled to the process plant for use in mineral processing or will be used for dust suppression. Top up water is to be pumped to a water storage tank from the mine water and nearby springs. Sewage effluent will be treated to meet regulatory requirements and discharged to the river;
- ◆ Solid waste: some waste rock from mine development will be used for construction and civil works purposes, but it is expected that most will be stored in the new engineered waste rock dump. Tailings from the new processing plant will all be stored in a new tailings storage facility ("TSF") to be constructed this year. The new waste rock dump and TSF have been designed by the Xian Nonferrous Metallurgical Engineering and Research Institute;
- ◆ Noise control: methods of noise control include use of silencers, noise and vibration dampening and absorbing materials, and isolation and enclosure of noisy equipment. Company policy will require PPE use, such as ear muffs, for noise-affected workers;
- ◆ Environmental monitoring: Luchun Xingtai will be undertaking a schedule of regular noise, water and air quality monitoring. Monitoring results will be regularly submitted to the EPB; and
- ◆ Rehabilitation: a rehabilitation and planting program for disturbed areas will be ongoing.

**Table 12.1**  
**Tailings Storage Facility of the Damajianshan Mine**

Design Capacity and Estimated life	Comments
The new TSF will be constructed to meet the requirements of the mill over a 17 year mine life, with a capacity of approximately 5.3 million cubic meters.	<p>The TSF will be constructed in a river valley 1.2 km from the mill site, with the capacity designed to meet 17 years' tailings production requirements at a 1,300 tpd production rate. Tailings will be pumped to the TSF from the process plant at a density of 50% solids (by weight), and the supernatant water, together with collected seepage, will be returned to the process plant for recycling.</p> <p>The initial stage of the TSF emplacement (4-5 years production) will be designed with a 1 in 100 year flood design factor, rising to 1 in 500 years for later extensions. The initial emplacement dam height will be 40 m high and be followed by nine 10-m lifts, each separated by 5-m berms, to a total height of 130 m. A 2.5-m underdrain, connected to four 3.5-m diameter downpipes, will permanently drain the emplacement. The TSF is designed to accommodate a local seismic risk factor of 7 (on the Chinese Richter scale equivalent). The TSF will be topsoiled and grassed upon closure.</p>

### 13.0 OCCUPATIONAL HEALTH AND SAFETY

Luchun Xingtai intends to implement a corporate safety policy which will incorporate national safety standards, regular health checks, and will apply to contractors as well as to company employees. A safety permit will be applied for at the appropriate time.

Luchun Xingtai intends to conduct its operations in accordance with the relevant national laws and regulations covering occupational health and safety ("OH&S") in mining, production, blasting and explosives handling, mineral processing, TSF design, environmental noise, emergency response, construction, fire protection and fire extinguishment, sanitary provision, power provision, labor and supervision.

## 14.0 RISK ANALYSIS

When compared with many industrial and commercial operations, mining is a relatively high risk business. Each orebody is unique. The nature of the orebody, the occurrence and grade of the ore, and its behavior during mining and processing can never be wholly predicted.

Estimations of the tonnes, grade and overall metal content of a deposit are not precise calculations but are based on interpretation and on samples from drilling or channel sampling which, even at close sample spacing, remain very small samples of the whole orebody. There is always a potential error in the projection of sampling data when estimating the tonnes and grade of the surrounding rock and significant variations may occur. Reconciliations of past production and ore reserves can confirm the reasonableness of past estimates, but cannot categorically confirm the accuracy of future predictions.

Estimations of project capital and operating costs are rarely more accurate than  $\pm 10\%$  and will be at least  $\pm 15\%$  for projects in the planning stages. Mining project revenues are subject to variations in metal prices and exchange rates, though some of this uncertainty can be removed with hedging programs and long-term contracts.

The Damajianshan Mine reviewed in this report is in the development stage. Development and construction are still on-going, which introduces a degree of uncertainty.

In reviewing the Damajianshan Mine, BDASIA has considered areas where there is perceived technical risk to the operation, particularly where the risk component could materially impact the projected production and resulting cashflows. The assessment is necessarily subjective and qualitative. Risk has been classified from low, moderate to high based on the following definitions:

- ◆ High Risk: the factor poses an immediate danger of a failure, which if uncorrected, will have a material effect ( $>15\%$ ) on the project cash flow and performance and could potentially lead to project failure.
- ◆ Moderate Risk: the factor, if uncorrected, could have a significant effect ( $>10\%$ ) on the project cash flow and performance unless mitigated by some corrective action.
- ◆ Low Risk: the factor, if uncorrected, will have little or no effect on project cash flow and performance.

Risk Component	Comments
Mineral Resources <i>Low Risk</i>	<p>The primary No.1 orebody for the Damajianshan deposit is a structurally-controlled, large tabular mineralized zone hundreds of meters in dimension and has relatively stable metal grade and thickness distribution. The orebody is currently defined by reasonably close-spaced underground crosscuts and surface trenches. The hangingwall and footwall of the orebody, however, are currently undefined as most of the sampling crosscuts have not penetrated the orebody. Further exploration to define the true dimension of the orebody could significantly increase the mineral resources. Other smaller mineralized bodies have only explored by limited surface trenches and underground workings and further exploration work could also significantly increase their contained mineral resources.</p> <p>The resource estimates follow set processes and procedures which in general have been diligently carried out. The Measured and Indicated category resources are mostly based on detailed channel sampling along underground crosscuts and surface trenches typically 50-100 m apart; there was generally no extrapolation from any data point. The Inferred category resources were also reasonably estimated by limited extrapolating from the Measured and Indicated resource blocks or based on surface trench channel sampling spaced 100 m to 200 m apart.</p>
Ore Reserves <i>Low Risk</i>	Luchun Xingtai does not formally estimate and publish ore reserves. The Xian Institute has undertake feasibility mine design and planning work for a 1,300 tpd

Risk Component	Comments
	<p>operation, and has selected reasonable mining recovery factor and mining loss factor based on the orebody geometry and mining methods to be employed.</p> <p>BDASIA has estimated Proved ore reserves based on the Measured mineral resource category and Probable ore reserves based on the Indicated mineral resource category for the portions of the Measured and Indicated mineral resources with a production plan using selected mining dilution and mining recovery factors.</p> <p>The defined Proved and Probable ore reserves support a mine life of approximately 17 years at the production rate of 1,300 tpd. In addition, there are significant, less reliable, Inferred class mineral resources present at the deposit and significant exploration potential also exists at the property.</p>
Mining Moderate Risk	<p>Limited geological and geotechnical information is available for mine planning. As a result reliable mine design cannot be achieved and planning must be flexible to accommodate changes as dictated by the evolving mine development. A satisfactory feasibility study has been completed given the information available, however, detailed mine plans and schedules require detailed information concerning the ore zones. A significant amount of development is required to bring the mine to the planned level of production and to sustain it.</p> <p>The proposed mining methods are appropriate given the limited exposure to the orebodies, but the stope dimensions could be conservative based on observations underground and previous mining activities. Limited allowance has been made for maintenance facilities within the mine. The operation of electric locomotives and scooptrams requires adequate maintenance facilities and preventive maintenance, without which the reliable movement of ore from stope to the mill will be at risk.</p>
Processing Low Risk	<p>The process and flowsheet are relatively simple and conventional. It is expected that both will perform well within the constraints imposed by the nature of the ore. Minor corrections will be necessary and the impact on cash flow will be minor. Therefore, the processing risk here is low.</p>
Infrastructure Low to Moderate Risk	<p>The basic infrastructure is in place at the mine for the 1,300 tpd operation. Adequate electric power is available at the site, however, the reliability of supply is questionable. Some standby capacity will be installed but may not be sufficient for continuous operation. Water is abundant in the area and sufficient for mine and mill production.</p> <p>The remote location and difficult access will result in difficulties in recruiting and maintaining qualified professional and technical staff for the project. Transportation of concentrates and supplies may also be interrupted sometimes due to weather conditions.</p>
Production Targets Low to Moderate Risk	<p>The planned production rate for the Damajianshan Mine is generally considered as achievable by BDASIA under the current 1,300 tpd production plan. However, BDASIA believes it is more important now for the Company to carry out additional exploration work in order to fully define the geometry of the orebodies. In this case, the initial production of the 1,300 tpd plant will likely be postponed again.</p> <p>The arsenic content of the copper concentrates produced from the mine should be closely monitored and controlled at the current level of 1.2 to 1.6% or a lower level as the high arsenic content in copper concentrate could impact its salability and sale price.</p>
Operating Cost Low Risk	<p>The mine costs have been developed from first principles and appear to be reasonable.</p>
Capital Cost Low Risk	<p>The mine capital costs are considered to be comprehensible and reasonable for the current level of mine planning. The construction of the new 1,000 tpd mill is nearly</p>

Risk Component	Comments
Environment <i>Low Risk</i>	<p>completed during BDASIA's site visit.</p> <p>Mitigation measures are to be put in place to ensure environmental risks are minimized and regulatory environmental requirements are satisfied. The new TSF is designed to withstand potential flood and seismic impact. The Company is in the process of applying for an environmental permit for the project expansion. Any delays in issuing the environmental permit may delay construction of the tailings dam and the proposed production schedule.</p>
Occupational Health and Safety <i>Low Risk</i>	<p>Luchun Xingtai intends to conduct its operations in accordance with national safety regulations.</p>