THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this Circular, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **Honbridge Holdings Limited**, you should at once hand this Circular to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This Circular appears for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for any securities.

Honbridge Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8137)

VERY SUBSTANTIAL ACQUISITION

Financial adviser to Honbridge Holdings Limited

CIMB Securities (HK) Limited

A notice convening the EGM of Honbridge Holdings Limited to be held at 2703, 27/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Tuesday, 23 November 2010 at 11:00 a.m. is set out on pages EGM-1 to EGM-2 of this Circular. Whether or not you are able to attend, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as possible and in any event not later than 48 hours before the time appointed for the holding of such meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at such meeting or any adjournment thereof should you so wish.

Friday, 5 November 2010

CHARACTERISTICS OF GEM

GEM has been positioned as a market designed to accommodate companies to which a higher investment risk may be attached than other companies listed on the Stock Exchange. Prospective investors should be aware of the potential risks of investing in such companies and should make the decision to invest only after due and careful consideration. The greater risk profile and other characteristics of GEM mean that it is a market more suited to professional and other sophisticated investors.

Given the emerging nature of companies listed on GEM, there is a risk that securities traded on GEM may be more susceptible to high market volatility than securities traded on the Main Board of the Stock Exchange and no assurance is given that there will be a liquid market in the securities traded on GEM.

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In this Circular, the following expressions shall have the following meanings, unless the context otherwise requires:

"Acquisition"	the acquisition by the Company of the SAM Shares pursuant to the terms and conditions of the Share Purchase Agreement
"Agreed Scope of Work"	means the Initial Scope of Work and any Subsequent Scope of Work
"Al_2O_3"	the element symbol of aluminium oxide
"AME Mineral Economics"	a firm of independent economists in the metal and mineral industries with research offices in Australia and affiliations in North America, South America, Africa and China
"Approval Date"	the later of the Closing Date and the date on which the Required Approvals have been obtained
"Approvals Payment"	the amount of US$115,000,000 payable by Infinite Sky to VNN and Lit Mining on the tenth Business Day following the Approval Date (or the date Infinite Sky waives the requirements that all Required Approvals be obtained)
"Bahia"	the State of Bahia, Brazil
"Bahia-MOU"	the memorandum of understanding dated 18 June 2010 entered into between SAM and the government of Bahia in relation to the business cooperation, details of which have been disclosed in the announcement of the Company dated 22 June 2010
"BRASS"	BRASS Engineering International, an independent company with qualified personnel and extensive experience in the development of transportation systems through pipelines for mining facilities
"Brazil"	Federative Republic of Brazil
"Brazilian Security Agreement"	an agreement to be entered into by VNN, Lit Mining, SAM, Esperento, Infinite Sky, New Trinity and the Company as described in the section headed "The Brazilian Security Agreement" of this Circular

"Block 7"	the area represented by the Exploration Permit numbers 830.018/2006, 830.019/2006, 830.038/2006, 832.587/2006 and 831.519/2008, the five applications represented by the numbers 830.738/2009, 830.739/2009, 830.740/2009, 830.741/2009 and 830.742/2009 and a bid represented by the number 833.189/2005
"Block 8"	the area represented by the Exploration Permit numbers 831.029/2007 and 831.028/2007 and the four bids represented by the numbers 832.084/2006, 832.085/2006, 832.086/2006 and 832.087/2006
"Board"	the board of Directors
"Business Day"	any day other than a Saturday, Sunday or any day on which commercial banks in New York City, Hong Kong and San Paulo are required or authorised to be closed
"CEMIG"	Companhia Energética de Minas Gerais (The Federal Concessionaire of Public Service of Electric Power of Minas Gerais*)
"Central Bank"	the Central Bank of Brazil, Banco Central De Brasil or any successor thereof
"Closing"	the consummation of the purchase and the sale of the SAM Shares (other than Golden Share) as provided in the Share Purchase Agreement
"Closing Date"	on the earlier of the tenth Business Day following the Resource Confirmation Date or in the event, Infinite Sky waives the condition regarding the occurrence of the Resource Confirmation, the tenth Business Day following such waiver, or at such other time and place and on such other day as shall be mutually agreed upon in writing by Infinite Sky, VNN and Lit Mining
"Circular"	this circular
"Coffey Mining"	Coffey Mining Pty Ltd, a global specialist consultancy firm which provides a wide range of technical services and products to all sectors of the international mining industry

* *For identification purpose only*

"Company"	Honbridge Holdings Limited, a company incorporated in the Cayman Islands with limited liabilities, the Shares of which are listed on the GEM
"Consideration"	US$390,000,000, subject to adjustment as described in the section headed "Adjustments to the Consideration" of this Circular
"Custodian"	The Bank of New York Mellon
"Disbursement Date"	the date on which the Company makes a loan to SAM
"Director(s)"	the director(s) of the Company
"DNPM"	the Departamento Nacional de Producao Mineral, which is the National Department of Mineral Production under the Ministry of Mines and Energy in Brazil, the objectives of which are to foster the planning and promotion of exploration and mining of mineral resources, to supervise geological and mineral exploration and the development of mineral technology, as well as to ensure, control and monitor the exercise of mining activities throughout the Brazilian national territory, in accordance with the Mining Code, the Mineral Water Code and respective legislations and regulations that complement them
"EGM"	the extraordinary general meeting of the Company to be convened and held at 2703, 27/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Tuesday, 23 November 2010 at 11:00 a.m. to consider and, if thought appropriate, to approve, among other matters (if any), the Share Purchase Agreement, the Transaction Documents and the transactions contemplated thereunder
"Enlarged Group"	the Group together with the Target
"Escrow Agent"	The Bank of New York Mellon
"Escrow Agreement"	an agreement to be entered into by Lit Mining, Esperento, Infinite Sky, New Trinity and the Escrow Agent as described in the section headed "The Escrow Arrangement" of this Circular
"Escrow Property"	US$10,000,000, together with any interest accrued thereon

"Esperento"	Esperento S.à r.l., a Grand Duchy of Luxembourg private limited liability company (société à responsabilité limitée), an indirect wholly-owned subsidiary of VNN; Esperento is an investment holding company
"Exercise Price"	HK$3.15 per Option Share (subject to adjustment)
"Exploration Permits"	the exploration permits held by SAM and its affiliates which will be transferred to SAM as set out in the Share Purchase Agreement and any other exploration permits acquired by SAM after the date of the Share Purchase Agreement, but excluding any exploration permits relinquished after the date of the Share Purchase Agreement
"Family Group"	any of Mr. He's spouse, parents, siblings and/or descendants and any person or entity (other than an individual), the sole owners or beneficiaries of which are any of Mr. He, his spouse, parents, siblings and/or descendants
"Fe"	the element symbol of iron
"GEM"	the Growth Enterprise Market of the Stock Exchange
"GEM Listing Rules"	The Rules Governing the Listing of Securities on the GEM
"General Mandate"	the general mandate approved by the Shareholders at the extraordinary general meeting of the Company held on 15 March 2010 entitling the Directors to allot and issue up to 1,102,776,743 Shares, representing 20% of 5,513,883,716 Shares in issue as at the date of the extraordinary general meeting of the Company held on 15 March 2010
"Golden Share"	one preferred share of SAM
"Group"	the Company and its subsidiaries
"Grupo Votorantim"	one of Latin America's largest industrial private conglomerates
"ha"	hectare

"Hatch"	the Hatch Group, an international consulting firm specializing in providing data and analysis in relation to the mining, metallurgical, manufacturing and energy industries, and an independent third-party
"Hill Talent"	Hill Talent Limited, a company incorporated in the British Virgin Islands, the entire issued share of which was acquired by the Company; details of the acquisition are set out in the announcement dated 12 November 2009
"Hong Bridge"	Hong Bridge Capital Limited, a company incorporated in the British Virgin Islands and is wholly owned by Mr. He
"Hongying Trading"	Shanghai Hongying Trading Co. Ltd.* (上海洪鷹貿易有限公司), a limited liabilities company incorporated in the PRC for the purpose of carrying out trading of steel and steel related products, an indirect wholly-owned subsidiary of the Company
"IBAMA"	Instituto Brasileiro do Meio Ambiente e dos Recursos Naturais Renovaveis (Brazilian Institute of Environment and Renewable Natural Resources*)
"IBRAM"	The Brazilian Mining Association
"Indicated Resource"	as defined by reference to the JORC Code, that part of a Iron Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence. It is based on exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are too widely or inappropriately spaced to confirm geological and/or grade continuity but are spaced closely enough for continuity to be assumed. An Indicated Resource has a lower level of confidence than that applying to a Measured Resource, but has a higher level of confidence level than that applying to an Inferred Resource

* *For identification purpose only*

"Inferred Resource"	as defined by reference to the JORC Code, that part of a Iron Mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence and assumed but not verified geological and/or grade continuity. It is based on information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes which may be limited or of uncertain quality and reliability. An Inferred Resource has a lower level of confidence than that applying to an Indicated Resource
"Infinite Sky"	Infinite Sky Investments Limited, a company incorporated in the British Virgin Islands, a direct wholly-owned subsidiary of the Company
"Initial Scope of Work"	the work in respect of resource definition at Block 7 and Block 8 and the consideration of mining, processing, infrastructure and port facility alternatives as set out in the Share Purchase Agreement, details of which are set out under section headed "Initial Scope of Work" of this Circular
"Iron Mineral Resource(s)"	as defined by reference to the JORC Code, a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Iron Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Iron Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured categories
"JORC"	Joint Ore Reserves Committee of The Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia
"JORC Code"	Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Resources as prepared by JORC
"Latest Practicable Date"	31 October 2010, being the latest practicable date prior to the printing of this Circular for the purpose of ascertaining certain information contained herein

"Loan Agreement"	an agreement entered into by SAM, the Company and Lit Quad on 5 March 2010 as described in the section headed "The Loan Agreement" of this Circular
"LIBOR Rate"	a rate of interest equal to the offered rate for 12-month deposits in dollars for the London Interbank Eurodollar market at 11:00 a.m. (London time) on the Business Day immediately prior to the applicable Payment Date
"Lit Mining"	Lit Mining Coöperatief U.A., a Netherlands cooperative (coöperatie) and an indirect wholly-owned subsidiary of VNN; Lit Mining is an investment holding company
"Lit Mining Shares"	shares of Lit Mining
"Lit Quad"	Lit Quad Ltd., a limited company incorporated in the British Virgin Islands, and an indirect wholly-owned subsidiary of VNN
"Management Services Agreement"	an agreement entered into by Mineral Ventures, VNN, the Company and SAM on 5 March 2010 as described in the section headed "The Management Services Agreement" of this Circular
"March Announcement"	an announcement of the Company dated 30 March 2010 in relation to the Strategic Cooperation Agreement and SDIS-MOU
"Measured Resource"	as defined by reference to the JORC Code, that part of a Iron Mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence. It is based on detailed and reliable exploration, sampling and testing information gathered through appropriate techniques from locations such as outcrops, trenches, pits, workings and drill holes. The locations are spaced closely enough to confirm geological and/or grade continuity. Mineralisation may be classified as a Measured Resource when the nature, quality, amount and distribution of data are such as to leave no reasonable doubt, in the opinion of the competent person determining the Iron Mineral Resource, that the tonnage and grade of the mineralisation can be estimated to within close limits and that any variation from the estimate would be unlikely to significantly affect potential economic viability

"MG-MOU"	the memorandum of understanding dated 16 June 2010 entered into between SAM and the government of Minas Gerais in relation to business cooperation, details of which have been disclosed in the announcement of the Company dated 18 June 2010
"Minas Gerais"	the State of Minas Gerais, Brazil
"Mineral Ventures"	Mineral Ventures Participações Ltda., a Brazilian limited company and a wholly owned subsidiary of VNN; Mineral Ventures is principally engaged in the provision of management services to exploration companies as well as conducting proprietary mineral exploration
"Mining Payment"	the amount of US$100,000,000 payable by the Company to VNN and Lit Mining on the tenth Business Day following the Mining Production Commencement Date
"Mining Production Commencement Date"	the later of (a) the Closing Date, (b) the Approval Date, and (c) the date by which an aggregate of 100,000 metric tons of pellet feed from any of the areas represented by the Exploration Permits has been shipped commercially
"MME"	the Ministry of Mines and Energy of Brazil
"MOU"	the memorandum of understanding dated 17 November 2009 entered into between the Company and VNN in relation to the possible Acquisition
"Mr. He"	Mr. He Xuechu, the chairman and an executive Director of the Company
"Mysteel.com"	a website designed to supply various information services to steel industry
"New Trinity"	New Trinity Holdings Limited, a company incorporated in the British Virgin Islands, an indirect wholly-owned subsidiary of the Company
"New Trinity Certificate"	a certificate representing all the issued and outstanding shares of New Trinity
"Option(s)"	right(s) granted under the Option Deed for Xinwen to subscribe for the Option Shares

"Option Deed"	the option deed dated 26 March 2010 entered into between the Company and Xinwen in relation to the granting of the Options by the Company to Xinwen at a consideration of HK$1
"Option Period"	the option period commencing from the date on which the relevant conditions precedent are fulfilled until the day falling 3 years after the Commencement Date
"Option Share(s)"	300,000,000 Share(s) to be issued upon the exercise of the Options (subject to adjustment)
"Port"	the port facility for the export of bulk commodities to be built at Porto Sul in Bahia or any other location set forth in the Agreed Scope of Work, as contemplated by the Transaction Documents
"Port Operation Commencement Date"	the later of (a) the Closing Date, and (b) the date by which an aggregate of 100,000 metric tons of pellets or pellet feed have been shipped through the Port on a commercial basis
"PRC"	the People's Republic of China
"Project"	an integrated mine-pipeline-port project designed by SAM to produce 25 million tons per annum of pellet feed with a life of mine of at least 20 years
"Required Approvals"	approvals and permits in relation to the commencement of construction of the mine, plant, pipeline and Port as detailed in the Share Purchase Agreement
"Resource Confirmation"	the scenario where the resource set out in the Technical Report is at least (i) 0.7 billion metric tons of 20% iron of Measured Resource, and (ii) 2.8 billion metric tons of 20% iron of Measured Resource and Indicated Resource in aggregate or such lower numbers as Infinite Sky may accept at its sole discretion
"Resource Confirmation Date"	the date on which the Resource Confirmation shall have occurred
"Resource Estimate"	the resource estimate prepared in accordance with the JORC code for Blocks 7 and Block 8 by an independent international geological consultancy firm jointly selected and appointed by Infinite Sky, VNN and Lit Mining

"ROM"	Run-Of-Mine or as-mined material
"SAM" or "Target"	Sul Americana de Metais S.A., a company incorporated in Brazil and an indirect wholly-owned subsidiary of VNN
"SAM's Blocks"	Blocks 5, 6, 7, 8, 9, 10, 11, 12, 13
"SAM Mine"	Block 7 and Block 8 zones
"SAM Shares"	the entire issued share capital of SAM which consist of 9,999 common shares and the Golden Share
"SDIS"	山東鋼鐵集團有限公司 (Shandong Iron and Steel Group Co., Ltd*), a PRC state-owned enterprise which is principally engaged in the production and sale of iron and steel products
"SDIS-MOU"	the memorandum of understanding dated 26 March 2010 entered into between the Company and SDIS in relation to the joint investment of the Project as disclosed in the March Announcement
"Security Agreement"	an agreement to be entered into by VNN, Lit Mining, Infinite Sky, New Trinity, the Company and the Custodian as described in the section headed "The Security Agreement" of this Circular
"Share(s)"	ordinary share(s) of HK$0.001 each in the capital of the Company
"Shareholder(s)"	holder(s) of the Shares
"Share Purchase Agreement"	the share purchase agreement dated 5 March 2010 entered into between Lit Mining and VNN as the sellers, Esperento and Mineral Ventures; Infinite Sky, as the buyer, New Trinity, and the Company in relation to the Acquisition as more particularly set out under the section headed "The Share Purchase Agreement dated 5 March 2010" of this Circular
"SiO_2"	the element symbol of silica
"Start Date"	the date of the initial disbursement under the Loan Agreement

* *For identification purpose only*

"Steelhome"	Shanghai Steel Home Information and Technology Co., Ltd
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Strategic Cooperation Agreement"	the agreement dated 26 March 2010 entered into between the Company and Xinwen in relation to the provision of Technical Support by Xinwen to the Company on the Project
"Subsequent Scope of Work"	means the work in respect of resource and/or reserve definition at Block 7 and Block 8 or other exploration Permits and the consideration and implementation of mining, processing, infrastructure and port facility alternatives that is agreed or to be agreed to in accordance with the Management Services Agreement in relation to any period following the completion of the Initial Scope of Work, as amended, modified or supplemented from time to time in accordance with the terms of the Management Services Agreement. Further details are set out under section headed "Subsequent Scope of Work" of this Circular
"Technical Report"	a resource estimate of Block 7 and Block 8 in accordance with the JORC Code based on the Initial Scope of Work and to be prepared by an independent international geological consulting firm to be jointly engaged by VNN and Lit Mining, and Infinite Sky
"Technical Support"	technical support provided by Xinwen under the Strategic Cooperation Agreement as detailed in the announcement dated 30 March 2010
"Transaction Documents"	the Share Purchase Agreement, and other agreements, including the Escrow Agreement, the Loan Agreement, the Management Services Agreement, the Security Agreement, the Voting Undertaking and the Brazilian Security Agreement, in connection with the completion of the transactions contemplated by the Share Purchase Agreement
"USGS"	United States Geological Survey
"UNCTAD"	United Nations Conference on Trade and Development
"Voting Undertaking"	the voting undertaking executed by Mr. He and Hong Bridge in favour of VNN and Lit Mining on 5 March 2010

"VNN"	Votorantim Novos Negocios Ltda., a company incorporated in Brazil and the venture capital/new business development division of Grupo
"WSA"	World Steel Association
"BRL" or "R$"	Brazilian Real, the lawful currency of the Federative Republic of Brazil
"Xianglan Acquisition"	the acquisition pursuant to an equity transfer agreement dated 7 November 2009 entered into between the Company and Brilliant People Limited and Shandong Zhi Zhang Trading Limited to acquire a 66% equity interest of Xianglan Do Brasil Mineracao Ltda., a company incorporated in Brazil and engaged in the exploration of magnesium resources in Brazil, details of which have been disclosed in a circular of the Company on 24 February 2010
"Xianglan Brazil"	Xianglan Do Brasil Mineração Ltda, a company incorporated in Brazil and currently owned as to 66% by Hill Talent
"Xinwen"	新汶礦業集團有限責任公司 (Xinwen Mining Group Co., Ltd*), a PRC state-owned enterprise, which is principally engaged in mining activities
"Xinwen New Share(s)"	30,000,000 Share(s) to be issued by the Company to Xinwen under the Strategic Cooperation Agreement as referred to the March Announcement
"Yingyue"	Shanghai Yingyue Industrial Co. Ltd.* (上海鷹悦實業有限公司), a limited liabilities company incorporated in the PRC and owned as to 70% by Mr. Yan Weimin, a non-executive director of the Company
"HK$"	Hong Kong dollar, the lawful currency of Hong Kong
"RMB"	Reminbi, the lawful currency of the PRC
"US$"	United States dollar, the lawful currency of the United States of America
"%"	per cent.

Note: For the purpose of this Circular, unless otherwise stated, BRL has been converted to HK$ at the rate of BRL 1 = HK$4.57 and US$ has been converted to HK$ at the rate of US$1 = HK$7.75 for illustration purpose only. No presentation is made that any amounts in BRL or HK$ or US$ have been, could have been or could be converted at the above rate or at any other rates or at all.

* *For identification purpose only*

Honbridge Holdings Limited

(Incorporated in the Cayman Islands with limited liability)
(Stock code: 8137)

Executive Directors:
Mr. He Xuechu *(Chairman)*
Mr. Liu Wei, William *(Chief Executive Officer)*
Mr. Shi Lixin

Non-executive Directors:
Mr. Ang Siu Lun, Lawrence
Mr. Yan Weimin

Independent Non-executive Directors:
Mr. Chan Chun Wai, Tony
Mr. Fok Hon
Mr. Ma Gang

Registered Office:
Scotia Centre
4th Floor, P.O. Box 2804
George Town, Grand Cayman
Cayman Islands

Principal Place of Business in Hong Kong:
Suite 2703, 27/F
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

5 November 2010

To the Shareholders

Dear Sir or Madam,

VERY SUBSTANTIAL ACQUISITION

A. INTRODUCTION

Reference is made to the announcements of the Company dated 18 November 2009, 18 December 2009, 29 January 2010 and 3 March 2010 in relation to the MOU and the announcement of the Company dated 16 April 2010 in relation to the Acquisition.

On 5 March 2010, Lit Mining, as the seller, VNN (together with Lit Mining, the sellers) Esperento, Mineral Ventures, Infinite Sky, as the buyer, New Trinity, and the Company entered into the Share Purchase Agreement in relation to the Acquisition. The Consideration of US$390,000,000 (before adjustments) for the Acquisition will be satisfied in cash.

The purposes of this Circular are (i) to provide the Shareholders with further information on the Acquisition; (ii) to give the Shareholders notice of the EGM; and (iii) to provide other information required under the GEM Listing Rules.

B. THE SHARE PURCHASE AGREEMENT DATED 5 MARCH 2010

1) Parties:

Lit Mining, as the seller
VNN (also as the seller and together with Lit Mining, the sellers)
Esperento
Mineral Ventures
Infinite Sky Investments Limited, as the buyer
New Trinity Holdings Limited, and
the Company

Under the Share Purchase Agreement, VNN also acts as guarantor of the obligations of Lit Mining, Mineral Ventures and Esperento under the Share Purchase Agreement and the other Transaction Documents, and the Company acts as guarantor of the obligations of Infinite Sky and New Trinity under the Share Purchase Agreement and the other Transaction Documents.

To the best of the directors' knowledge, information and belief having made all reasonable enquiries, VNN, Lit Mining, Esperento, Mineral Ventures and their ultimate beneficial owners are third parties independent of the Company and its connected persons.

2) Assets to be acquired:

100% of the issued share capital of SAM. The issued share capital of SAM consists of 9,999 common shares and the Golden Share. Upon the transfer of the SAM Shares (other than the Golden Share) owned by Lit Mining on the Closing Date, New Trinity will own all of the SAM Shares (other than the Golden Share). Upon the transfer of the Golden Share on the tenth Business Day following the Approval Date (or the date Infinite Sky waives the requirements that all Required Approvals be obtained), Infinite Sky, will own the Golden Share.

Based on the advice of Brazilian counsel, the Golden Share will have no voting rights, except the right to vote in relation to, among others, the following (before the Approval Date):

(a) sale of assets of BRL100,000 or more;

(b) sale of any mining rights of any value;

(c) change in the rights and advantages of the preferred shares;

(d) creation of preferred shares or conversion of shares;

(e) redemption or amortization of preferred shares; and

(f) any decision that might impact or modify, even if indirectly, the contents or the manner in exercising the rights, advantages and privileges of the preferred shares.

The above matters require an unanimous vote of all shareholders (common and preferred). Its purpose is to safeguard the assets of SAM before US$115 million is paid to VNN, which is a commercial term and the Directors consider that to be reasonable.

3) Consideration:

The Consideration of US$390,000,000 (before adjustments) for the Acquisition will be satisfied in cash in the following manners:

(i) US$10,000,000, to be deposited with the Escrow Agent on the third Business Day following the approval of the Share Purchase Agreement, the other Transaction Documents and the transactions contemplated thereunder by the Shareholders at the EGM and to be released to the Sellers on the tenth Business Day following the Resource Confirmation Date or, in the event Infinite Sky waives the closing condition regarding Resource Confirmation, the tenth Business Day following such waiver. Resource Confirmation means the resource set out in the Technical Report is at least (i) 0.7 billion metric tons of at least 20% iron of Measured Resource, and (ii) 2.8 billion metric tons of at least 20% iron of Measured Resource and Indicated Resource in aggregate or such lower numbers as Infinite Sky may accept at its sole discretion;

(ii) US$65,000,000 on the Closing Date;

(iii) US$115,000,000 on the tenth Business Day following the Approval Date (or the date Infinite Sky waives the requirements that all Required Approvals be obtained);

(iv) US$100,000,000 on the tenth Business Day following the Port Operation Commencement Date; and

(v) US$100,000,000 on the tenth Business Day following the Mining Production Commencement Date.

The valuation report that has only taken into account of the Indicated Resource estimate is set out in Appendix VII in this Circular.

It is expected that the Consideration will be satisfied by way of Shareholders' loan, bank borrowing, equity fund raising and/or debt financing by the Company. The Initial Loan (as defined in the section headed "The Loan Agreement" in the Letter from the board) was satisfied using the Shareholders' loan to the Company. As at the Latest Practicable Date, except for the interest-free Shareholders' loan to the Company by Hong Bridge which is wholly owned by Mr. He (of which US$19.37 million is used to finance the loan to SAM under the Loan Agreement for the purposes of completing the

Initial Scope of Work. Other interest-free Shareholders' loan provided to the Company by Mr. He is for business operation of the Company and not specifically for the Consideration.), the possible issuance of new Shares and grant of Option with the rights to require the Company to issue and allot Option Share upon the exercise of Option to Xinwen pursuant to the Strategic Cooperation Agreement and the potential investment by SDIS as set forth in the SDIS-MOU, the Company (i) has not made any concrete agreement, arrangement, understanding and negotiation in relation to additional shareholders' loan, bank borrowing, equity fund raising and/or debt financing; and (ii) has not made or negotiated any share placement with any potential investors who are related to Lit Mining, VNN, Esperento and Mineral Ventures nor the vendor in the previous very substantial acquisition announced by the Company on 12 November 2009. It is also expected that the potential investors will not be related to Lit Mining, VNN, Esperento and Mineral Ventures or the vendor in the previous very substantial acquisition announced by the Company on 12 November 2009. The Consideration was determined after arm's length negotiation between VNN and the Company taking into consideration factors including the market price of iron ore, mining potential and the resource estimate on Blocks 7 and 8 of the Project as disclosed in the section headed "Information of the Target – Resources" in the Letter from the Board of this Circular, the surrounding infrastructure including access to the Port and the support from VNN to obtain the Required Approval during the development of the Project.

The Share Purchase Agreement provides that Infinite Sky, the Company and New Trinity are not obligated to achieve the Mining Production Commencement Date or the Port Operation Commencement Date, and that therefore, they may elect not to proceed further with the Agreed Scope of Work and/or to fund related expenditures, after the Approval Date. In other words, if the Company elects not to proceed further with the Agreed Scope of Work after the Approval Date, such that the Mining Production Commencement Date and the Port Operation Commencement Date are not achieved, the Group will not incur liability to VNN and Lit Mining in respect thereof and will have no obligation to make the associated payments under (iv) and (v) above. If the Mining Production Commencement Date and/or the Port Operation Commencement is/are achieved and the Group fails to make the associated payments under (iv) and/or (v) above, as the case may be, VNN and Lit Mining will have the right to claim damages against Infinite Sky and the Company for breach of the Share Purchase Agreement, and to enforce the Brazilian Security Agreement, but will not have the right to terminate the Share Purchase Agreement.

Adjustments to the Consideration:

If the Resource Confirmation occurs prior to the first anniversary of the Start Date, the portion of the Consideration described in (ii) above shall be increased by US$10,000 for each day prior to the first anniversary of the Start Date on which the Resource Confirmation has occurred. If the Required Approvals are obtained prior to the second anniversary of the Start Date, the portion of the Consideration described in (iii) above shall be increased by US$10,000 for each day prior to the second

anniversary of the Start Date on which the Required Approvals have been obtained. The maximum increase to the Consideration for the Resource Confirmation and the Required Approvals, shall be US$2,000,000 and US$3,000,000 respectively.

If the Resource Confirmation has not occurred on or prior to the first anniversary of the Start Date and/or the Required Approvals have not been obtained on or prior to the second anniversary of the Start Date, Infinite Sky shall have the right to reduce the Consideration described in (ii) or (iii), as applicable, by an amount equal to US$10,000 for each day (i) in the case of Resource Confirmation, from the first anniversary of the Start Date until the Resource Confirmation is achieved or, in the event Infinite Sky decides to waive the condition regarding Resource Confirmation, until the Closing Date; and (ii) in the case of Required Approvals, from the second anniversary of the Start Date or, in the event Infinite Sky decides to waive the condition regarding Resource Confirmation, from the Closing Date until the Required Approvals have been obtained (up to a maximum reduction to the Consideration, in the aggregate, of US$3,750,000 for the Resource Confirmation and the Required Approvals), unless the failure to reach the Resource Confirmation and/or obtain the Required Approvals is the result of (i) Infinite Sky's failure to provide the Company with all funds necessary to achieve such Resource Confirmation and/or obtain the Required Approvals or (ii) any events outside the reasonable control of VNN and Lit Mining.

4) Performance Bonus:

Infinite Sky shall pay to VNN and Lit Mining a US$10,000,000 performance bonus within 30 days following the date by which the areas covered by the Exploration Permits have produced an aggregate of two million metric tons of pellet feed counted commencing from the time that mining production has reached at least 80 percent nominal capacity, provided the average Free on Board (FOB) operating cost for such two million metric tons of pellet feed production is equal to or less than BRL44 per ton, as adjusted for inflation or deflation, as the case may be, calculated in accordance with the variation of the Indice Nacional de Precos ao Consumidor Amplo (the Brazilian Broad National Consumer Price Index) between the date of the Share Purchase Agreement and the date on which such two million metric tons of pellet feed have been produced.

The Performance Bonus will only be paid if the FOB operating cost for the first 2,000,000 metric tons of pellet feed production is controlled at or under BRL44 (approximately US$25.08) per ton. There will not be any payment of performance bonus if VNN exercise its right to terminate the Share Purchase Agreement. If there is no termination of the Share Purchase Agreement and the performance as described above has been satisfactorily performed and completed, then the Performance Bonus will be paid by Infinite Sky to VNN and Lit Mining. If the Share Purchase Agreement is terminated pursuant to the termination clause of the Share Purchase Agreement, the Share Purchase Agreement shall have no further force and effect provided, however, that no party shall be relieved of any liability or damages resulting from, arising under or in connection with such party's breach of or default under the Share Purchase

Agreement prior to any such termination, except to the extent that the parties have expressly agreed to an exclusive remedy under a provision of the Share Purchase Agreement.

The Company considers this is a saving in cost to the Company if, for example, the production is operated at 20,000,000 tons per annum (80% of the maximum capacity of 25,000,000 tons per annum) and saving of US$1 per ton, that is a saving of US$20,000,000 in operating cost per annum in the future. As such, the Board considers that the Performance Bonus is fair and reasonable.

5) Acceleration Event:

Acceleration event ("Acceleration Event") includes, among others, the followings:

(a) Mr. He and his Family Group cease to own, directly or indirectly, at least 30 percent of the issued and outstanding Shares of the Company;

(b) Mr. He and his Family Group viewed as a single shareholder cease to be, directly or indirectly, the single largest shareholder of the Company;

(c) Mr. He ceases to be an executive Director of the Company (except only to the extent necessary to comply with rotational retirement requirements under the Company's by-laws and/or GEM Listing Rules, or due to illness or death);

(d) The Company ceases to own, directly or indirectly, more than 50 percent of each class of the issued and outstanding capital stock or other securities of Infinite Sky;

(e) Infinite Sky ceases to own 100 percent of the issued and outstanding capital stock or other securities of New Trinity;

(f) New Trinity ceases to own 99.9 percent of the SAM Shares (from Closing until, among other things, the earlier of i) the consummation of the transactions described in the section headed "Termination" item (b) of this Circular and ii) the payment of the Approvals Payment);

(g) the sale of all or substantially all the assets of SAM by Infinite Sky or its affiliate;

(h) the filing of a voluntary petition in bankruptcy by the Company, Infinite Sky and/or New Trinity, the entry of an order of relief in any bankruptcy or insolvency proceeding involving the Company, Infinite Sky and/or New Trinity or the entry of an order that the Company, Infinite Sky and/or New Trinity is bankrupt or insolvent; or

(i) the material breach by Infinite Sky of certain covenants in the Share Purchase Agreement from the Closing Date until, among other things, the Approvals Payment, which breach is not cured within 14 calendar days following notice by VNN and Lit Mining.

I) Upon the occurrence of an Acceleration Event described in clauses (a) through (g) above, the payment of the unpaid portion of the Consideration shall be accelerated and Infinite Sky shall pay VNN and Lit Mining an amount equal to the difference of (A) the Consideration and (B) any portion of the Consideration paid by Infinite Sky to VNN and Lit Mining pursuant to the Share Purchase Agreement prior to such Acceleration Event.

II) Upon the occurrence of an Acceleration Event described in clauses (h) or (i) above, Infinite Sky shall pay VNN and Lit Mining an amount equal to the difference of (A) US$190,000,000 and (B) any portion of the Consideration paid by Infinite Sky to VNN and Lit Mining prior to such Acceleration Event.

III) Upon the occurrence of an Acceleration Event described in clauses (a) through (f) and (h) above at any time prior to approval of the Share Purchase Agreement, the Transaction Documents and the transactions contemplated thereunder by the Shareholders at the EGM, VNN and Lit Mining shall not have the right to payment, but shall instead have the right, but not the obligation, to terminate the Share Purchase Agreement, which right will expire on the 60th day following written notice from Infinite Sky to VNN and Lit Mining informing the occurrence of the Acceleration Event.

IV) Upon payment by Infinite Sky of the amounts payable pursuant to the above, VNN and Lit Mining shall cause the SAM Shares (including the Golden Share) to be released and delivered to Infinite Sky, free and clear of any encumbrances.

If the Acceleration Event occurs prior to the approval of the Shareholders, (III) will prevail.

The Acceleration Events are commercial decision between the vendors parties and the Company. As VNN needs to assist SAM to obtain the Required Approval in the next two years, the vendors strongly requested that they do not wish to continue the negotiation with other parties they are not familiar with.

Upon occurrence of certain Acceleration Events as described above:

(i) if VNN elects to terminate the Share Purchase Agreement in accordance with the provisions under the Share Purchase Agreement, the Share Purchase Agreement shall have no further force and effect with no liability to any person in respect of the transactions contemplated thereby; and

(ii) if VNN does not elect to exercise the right to terminate the Share Purchase Agreement, and where payment thereunder is made by the Company, pursuant to the Share Purchase Agreement, the parties thereto shall use commercially reasonable efforts to obtain the Required Approvals as set forth in the Share Purchase Agreement in connection with the Agreed Scope of Work and the Company shall provide SAM (or cause SAM to be provided) with all necessary and reasonable funds to obtain the Required Approvals and any other approvals. Each party shall furnish to the other parties all information required or reasonably necessary for any application, registration or other filing to be made pursuant to any applicable law in connection with the transactions contemplated by the Share Purchase Agreement and the other Transaction Documents.

The Company is willing to accept the Acceleration Events and the Board considers the term is fair and reasonable as Mr. He, the controlling shareholder of the Company, has no intention to lose control of the Company, i.e. Mr. He and his Family Group will own, directly or indirectly, at least 30% of the issued share capital of the Company; Mr. He and his Family Group will continue to be the single largest Shareholder of the Company; and that Mr. He will continue to be an executive Director of the Company. Given the size and funding requirements of the Project, the Board does not rule out the possibility that there may be other substantial shareholders to be introduced to the Company to strengthen the capital base of the Company. However, the Board wants to emphasize that Mr. He has no intention to lose control of the Company and would like to participate in the development of the Project.

Upon occurrence of certain Acceleration Events after the approval of the shareholders as described above:

(i) if the Acceleration Event relates to an event as described in clauses (a) through (h) above, the Share Purchase Agreement shall be automatically terminated upon the payment by Infinite Sky of the relevant amount described in (I) or (II) above following such Acceleration Event. For further effects of the termination of the Share Purchase Agreement, please refer to the sections headed "Termination – Effect of termination" and "Termination – Additional matters regarding termination and liabilities" below;

(ii) if the Acceleration Event relates to an event as described in clause (i) above, and VNN elects to terminate the Share Purchase Agreement in accordance with the provisions under the Share Purchase Agreement, the Share Purchase Agreement shall be terminated. For further effects of the termination of the Share Purchase Agreement, please refer to the sections headed "Termination – Effect of termination" and "Termination – Additional matters regarding termination and liabilities" below; and

(iii) if the Acceleration Event relates to an event as described in clause (i) above, and VNN does not elect to exercise the right to terminate the Share Purchase Agreement, and where payment thereunder is made by the Company, pursuant to the Share Purchase Agreement, the parties thereto shall continue

to be bound by the terms and conditions contained in the Share Purchase Agreement and VNN and SAM shall use commercially reasonable efforts to obtain the Required Approvals and other approvals in connection with the Agreed Scope of Work and Infinite Sky shall provide SAM (or cause SAM to be provided) with all necessary and reasonable funds to obtain the Required Approvals and any other approvals. Each party shall furnish to the other parties all information required or reasonably necessary for any application, registration or other filing to be made pursuant to any applicable law in connection with the transactions contemplated by the Share Purchase Agreement and the other Transaction Documents.

6) Default Penalty:

If Infinite Sky fails to pay any portion of the Consideration when such amount is due and payable under the Share Purchase Agreement (each, a "Payment Date"), such unpaid amount (the "Default Amount") shall bear simple interest, at a rate per annum equal to the applicable LIBOR Rate plus 7.5 percent (accrued from day to day, and calculated on the basis of the actual number of days elapsed in a year of 365 days), from the applicable Payment Date until such Default Amount is paid to VNN and Lit Mining; provided, however, that the failure of Infinite Sky to pay the portion of the Consideration due and payable on the tenth Business Day following the Approval Date (or on the date Infinite Sky waives the requirements that all Required Approvals be obtained) shall not be deemed a breach of the Share Purchase Agreement until the 45th Business Day following the Approval Date. In addition, if Infinite Sky fails to pay any portion of the Consideration when such amount is due and payable on the tenth Business Day following the Port Operation Commencement Date and/or on the tenth Business Day following the Mining Production Commencement Date, for 45 days following the applicable Payment Date, an additional (one-off) amount equal to 5 percent of the Default Amount shall immediately become due and payable to VNN and Lit Mining.

7) Conditions Precedent to the Share Purchase Agreement:

I) Conditions to Infinite Sky and New Trinity:

The obligations of the Company, Infinite Sky and New Trinity to complete the Share Purchase Agreement is conditional upon, amongst other things, the satisfaction, on or prior to the Closing Date, of the following conditions, any of which may be waived, in whole or in part, by Infinite Sky:

a) Each of the representations and warranties of VNN and Lit Mining as set out in the Share Purchase Agreement shall be true and correct in the terms and conditions as set out in the Share Purchase Agreement;

b) VNN, Lit Mining, Esperento, Mineral Ventures and SAM shall have performed and complied in all material respects with all covenants, agreements and obligations contained in the Share Purchase Agreement

and the Management Services Agreement as required to be performed or complied with by each of them at or prior to the Closing Date in the terms and conditions as set out in the Share Purchase Agreement;

c) Non-occurrence of any circumstance or occurrence that has had, or would be reasonably expected to have a material adverse effect (as defined in the Share Purchase Agreement) (among other things, it being agreed that any event or circumstance that has an adverse impact on SAM in an aggregate of US$10 million or more shall be a material adverse effect);

d) The Resource Confirmation shall have occurred;

e) The beneficiation test shall have been completed, which shall occur upon the achievement of the following metrics:

Qualitative:	Pellet feed must have Fe grade of greater than 65%, a phosphorous grade of less than 0.07%; and a Al_2O_3+SiO_2 grade of less than 4%; and
Cost Benchmark:	with reference to the applicable AME Mineral Economics cost curve. Free On Board (FOB) cost must (when calculated according to the same assumptions underlying such cost curve, including as to currency exchange rates) occupy the lower 70% of such cost curve.

f) Each of the Transaction Documents shall have been duly executed and delivered to Infinite Sky;

g) The approval of the Share Purchase Agreement, the Transaction Documents and the transaction contemplated thereunder by the Shareholders at the EGM;

h) No order of any Brazilian antitrust authority shall be in effect that prohibits the consummation of the transactions contemplated by the Share Purchase Agreement and the Transaction Documents;

i) No proceedings involving any reasonable challenge to the transactions contemplated by the Share Purchase Agreement and the Transaction Documents shall be pending or threatened and no order or law shall be in effect the prohibits completion of the transactions contemplated by the Share Purchase Agreement and the Transaction Documents; and

j) All corporate and other proceedings of VNN, Lit Mining, Esperento and SAM in connection with the Share Purchase Agreement and the Transaction Documents, shall be reasonably satisfactory in form and substance to Infinite Sky.

On 5 May 2010, the Brazilian antitrust authority in a plenary session, gave the unanimous decision to approve the transaction without any restrictions. The decision was published in the Federal Official Gazette on 13 May 2010. Thus, the above condition (h) is considered satisfied. As of the date of this Circular, the above conditions (other than condition (h)) remain outstanding.

II) Conditions to VNN and Lit Mining:

The obligations of VNN and Lit Mining and Esperento to complete the Share Purchase Agreement is conditional upon, amongst other things, the satisfaction, on or prior to the Closing Date, of the following conditions, any of which may be waived, in whole or in part, by VNN and Lit Mining:

a) Each of the representations and warranties of the Company, Infinite Sky and New Trinity as set out in the Share Purchase Agreement shall be true and correct in the terms and conditions as set out in the Share Purchase Agreement;

b) Each of the Company, Infinite Sky and New Trinity shall have performed and complied in all material respects with all covenants and agreements required to be performed or complied with by it at or prior to the Closing Date;

c) Each of the Transaction Documents shall have been duly executed and delivered to VNN and Lit Mining;

d) The approval of the Share Purchase Agreement, the Transaction Documents and the transaction contemplated thereunder by the Shareholders at the EGM;

e) No proceedings involving any reasonable challenge to the transactions contemplated by the Share Purchase Agreement and the Transaction Documents shall be pending or threatened and no order or law shall be in effect the prohibits completion of the transactions contemplated by the Share Purchase Agreement and the Transaction Documents; and

f) All corporate and other proceedings of the Company, Infinite Sky and New Trinity in connection with the Share Purchase Agreement and the Transaction Documents, shall be reasonably satisfactory in form and substance to the VNN and Lit Mining.

8) Termination:

The Share Purchase Agreement may be terminated at any time prior to the consummation of the payment of US$100,000,000 on the tenth Business Day following the Mining Production Commencement Date including, but not limited to the following events:

i) by the mutual written consent of VNN, Lit Mining and Infinite Sky;

ii) by Infinite Sky or VNN and Lit Mining, by written notice to the other parties, if (A) among other things, the Approvals Payment have not been made 36 months following the date of the Share Purchase Agreement (the "Termination Date"); provided, however, that the Termination Date shall be automatically extended an additional 12 months if a majority of the Required Approvals have been obtained prior to the date and no Required Approval has been denied pursuant to a final, non-appealable order and VNN and Lit Mining are diligently seeking to obtain any remaining Required Approvals, provided that this right to terminate shall not be exercisable by any party whose failure to comply with the Share Purchase Agreement or the other Transaction Documents has materially contributed to, or resulted in, the failure to make the Approvals Payment; or (B) any order permanently restraining, enjoining or otherwise prohibiting the consummation of the transactions contemplated by the Share Purchase Agreement becomes final and non-appealable;

iii) by Infinite Sky, by written notice to VNN and Lit Mining, if any of the representations or warranties of VNN and Lit Mining contained in the Share Purchase Agreement shall prove to be inaccurate or untrue and such inaccuracy and untruth would result in the failure to closing condition Ia) as described in the section headed "Conditions Precedent to the Share Purchase Agreement – Conditions to Infinite Sky and New Trinity" above;

iv) by Infinite Sky, by written notice to the VNN and Lit Mining, if any covenant, agreement or obligation to be performed by VNN and Lit Mining or Esperento has not been performed in any material respect by the time specified in the Share Purchase Agreement and such breach would result in the failure to closing condition Ib) as described in the section headed "Conditions Precedent to the Share Purchase Agreement – Conditions to Infinite Sky and New Trinity" above;

v) by VNN and Lit Mining, by written notice to Infinite Sky, if any of the representations or warranties of Infinite Sky contained in the Share Purchase Agreement shall prove to be inaccurate or untrue and such inaccuracy and untruth would result in the failure to closing condition IIa) as described in the section headed "Conditions Precedent to the Share Purchase Agreement – Conditions to VNN and Lit Mining" above;

vi) by VNN and Lit Mining, by written notice to Infinite Sky, if any covenant, agreement or obligation to be performed by the Company, Infinite Sky and/or New Trinity hereunder has not been performed in any material respect by the time specified in the Share Purchase Agreement and such breach would result in the failure to closing condition IIb) as described in the section headed "Conditions Precedent to the Share Purchase Agreement – Conditions to VNN and Lit Mining" above;

vii) by VNN and Lit Mining, by written notice to Infinite Sky, upon VNN and Lit Mining's election to terminate the Share Purchase Agreement upon occurrence of an Acceleration Event as described in the section headed "Acceleration Event (III)" relating to the occurrence of an Acceleration Event described in clauses (a) through (f) and (h) of such section at any time

prior to approval of the Share Purchase Agreement, the Transaction Documents and the transactions contemplated thereunder by the Shareholders at the EGM; or

viii) by VNN and Lit Mining, by written notice to Infinite Sky, upon the occurrence of the Acceleration Event as described in the section headed "Acceleration Event" described in (i) above relating to the occurrence of an Acceleration Event described in clause (i) regarding Infinite Sky's material breach of certain the covenants in the Share Purchase Agreement from the Closing Date until among other things, the Approvals Payment, provided that VNN and Lit Mining's right to terminate will expire on the thirtieth calendar day following full payment by Infinite Sky as described in the section headed "Acceleration Event (II)" relating to the occurrence of an Acceleration Event described in clause (i).

The Share Purchase Agreement shall be automatically terminated upon the earliest of the following:

a) among others, the release and delivery of the Escrow Property to Infinite Sky and the release and delivery of the Lit Mining Deed to VNN and Lit Mining as described in the section headed "Escrow Agreement" items (b) and (c) of this Circular;

b) the consummation of, among others, the transactions set out in this paragraph. At any time after the Closing Date and before the tenth Business Day following the Approval Date (or the date Infinite Sky waives the requirements that all Required Approvals be obtained), if (1) Infinite Sky ceases to proceed in any material respect with any Subsequent Scope of Work for any reason other than a material breach by VNN and Lit Mining of the Share Purchase Agreement or by Mineral Ventures and/or VNN of the Management Services Agreement, which material breach continues for a period of 30 days (or if such material breach can be cured but is not capable of being cured within such 30-day period, such longer period of time to cure such material breach, provided that such cure is diligently pursued during and after such 30-day period); (2) the occurrence of an Acceleration Event described in clause (h) of the section headed "Acceleration Event" where payment is not made; and (3) Infinite Sky's failure to make the payment required on the tenth Business Day following the Approval Date (or the date Infinite Sky waives the requirements that all Required Approvals be obtained) (after allowing for a grace period as provided in the Share Purchase Agreement), in which event, among other things, Infinite Sky, VNN and Lit Mining shall jointly direct the Custodian to release and deliver the New Trinity Certificate to Lit Mining and which shall be the sole remedy of VNN and Lit Mining in respect of Infinite Sky's failure to make the Approvals Payment;

c) the failure by the Company to make any loan payment to SAM in accordance with the Loan Agreement for a period of seven days following the date on which such payment was due; or

d) the payment by Infinite Sky of the amount described in (I) or (II) of the section headed "Acceleration Event" of this Circular (except where it relates to the Acceleration Event described in (i) above relating to Infinite Sky's material breach of certain covenants in the Share Purchase Agreement) following an Acceleration Event.

Effect of termination:

If the Share Purchase Agreement is terminated pursuant to the termination clause of the Share Purchase Agreement, the Share Purchase Agreement and the Transaction Documents shall have no further force and effect; provided, however, that:

(a) no party shall be relieved of any liability or damages resulting from, arising under or in connection with such party's breach of or default under the Share Purchase Agreement prior to any such termination, except to the extent that the parties have expressly agreed to an exclusive remedy under a provision of the Share Purchase Agreement, and

(b) certain sections of the Share Purchase Agreement, including, but not limited to the confidentiality provision shall remain in full force and effect and survive the termination of the Share Purchase Agreement.

For the avoidance of doubt, except to the extent that the parties have expressly agreed to an exclusive remedy under a provision of the Share Purchase Agreement, (i) any such termination shall not constitute a waiver by any party of any claim for damages arising from, or relieve any party from liability for, any breach of the Share Purchase Agreement that occurs prior to termination; (ii) any portion of the Consideration that is paid to VNN and Lit Mining on or prior to the termination date shall be retained by VNN and Lit Mining following the termination of the Share Purchase Agreement; and (iii) in the event of termination as stated in the section headed "Termination (ii)" above, where Infinite Sky and/or New Trinity remains as the holder of the SAM Shares, VNN shall cause the Golden Share to be transferred to Infinite Sky as soon as practicable upon such termination.

Additional matters regarding termination and liabilities:

If an event outside the control of VNN and Lit Mining occurs that would result in the loss of an Exploration Permit and would permit Infinite Sky not to consummate the Closing, then Infinite Sky will have 15 calendar days from the earlier of (i) the date that VNN and Lit Mining provide notice to Infinite Sky, or (ii) the date that Infinite Sky provides notice to VNN and Lit Mining, of such event to elect to terminate the Share Purchase Agreement. If Infinite Sky elects to terminate the Share Purchase Agreement, then, among other things, Infinite Sky, VNN and Lit Mining shall cause the Escrow Property to be released and delivered to Infinite Sky (or, in the event the

Escrow Property has already been released and delivered to VNN and Lit Mining, VNN and Lit Mining shall pay Infinite Sky US$10,000,000) and the Lit Mining Deed to be released and delivered to Esperento. If Infinite Sky does not elect to terminate the Share Purchase Agreement, then VNN and Lit Mining shall be deemed to have complied with the closing conditions relating to the matters addressed in this paragraph. The parties will otherwise have no further claims relating to such matter.

In the event of a breach by Infinite Sky, New Trinity and/or the Company of the Share Purchase Agreement and/or any Transaction Documents anytime prior to Closing that results in the termination of the Share Purchase Agreement, among other things, VNN and Lit Mining and Infinite Sky shall cause the Escrow Property to be released and delivered to VNN and Lit Mining and the Lit Mining Deed to be released and delivered to Esperento. The parties will otherwise have no further claims (including claims for antecedent breaches) under the Share Purchase Agreement, except for claims, if any, arising from the breach in relation to confidentiality by Infinite Sky, New Trinity and/or the Company.

In the event of a material breach (subject to the provision of the Share Purchase Agreement) by VNN or Lit Mining of the Share Purchase Agreement anytime prior to the Closing that would permit the termination of the Share Purchase Agreement, Infinite Sky will have 15 calendar days from the earlier of (i) the date that VNN and Lit Mining provide notice to Infinite Sky, or (ii) the date that Infinite Sky provides notice to VNN and Lit Mining, of such breach to elect either:

i) to terminate the Share Purchase Agreement, in which case, among other things, (A) VNN and Lit Mining and Infinite Sky shall cause the Escrow Property to be released and delivered to Infinite Sky (or, in the event the Escrow Property has already been released and delivered to VNN and Lit Mining, VNN and Lit Mining shall pay Infinite Sky US$10,000,000) and the Lit Mining Deed to be released and delivered to Esperento, (B) VNN and Lit Mining shall pay to Infinite Sky the amounts disbursed by the Company under the Loan Agreement. The parties will otherwise have no further claims relating to this matter; or

ii) not to terminate and preserve its right to claim indemnity for such breach, subject to the maximum aggregate liability of VNN and Lit Mining as stated in the Share Purchase Agreement.

In the event of a termination of the Share Purchase Agreement as a result of the occurrence of Acceleration Event after the approval of the Share Purchase Agreement, the Transaction Documents and transactions contemplated thereunder by the Shareholders at the EGM, following the relevant payment by Infinite Sky to VNN and Lit Mining, none of VNN, Lit Mining, Esperento or Mineral Ventures shall have any further claims (including antecedent breaches) under the Share Purchase Agreement, except for claims, if any, arising from the breach in relation to confidentiality by Infinite Sky, New Trinity and/or the Company. In the event Infinite Sky has made full payment and VNN and Lit Mining elect not to terminate the Share Purchase Agreement in relation to the occurrence of an Acceleration Event as described in the section

headed "Acceleration Event" under clause (i) relating to Infinite Sky's material breach of certain covenants in the Share Purchase Agreement, none of VNN, Lit Mining, Esperento or Mineral Ventures shall have any further claims with respect to breaches arising prior to the date of such payment, except for claims, if any, arising from the breach in relation to confidentiality by Infinite Sky, New Trinity and/or the Company.

9) Certain restrictions regarding SAM:

From the date of the Share Purchase Agreement until the Closing Date, the Share Purchase Agreement provides that, among other things, SAM shall conduct its business in the ordinary course of business, consistent with the Agreed Scope of Work. The Share Purchase Agreement also provides various restrictions regarding the business of SAM, such as share issuance, declaration of dividend, and disposal of asset (including Exploration Permit(s)), which shall not be undertaken unless with the consent of Infinite Sky. For the period from the Closing Date until the Approvals Payment is made to VNN and Lit Mining, the Share Purchase Agreement provides for similar but reverse restrictions which shall not be undertaken unless with the consent of VNN and Lit Mining.

C. THE TRANSACTION DOCUMENTS

The Management Services Agreement

On 5 March 2010, Mineral Ventures, VNN, the Company and SAM entered into the Management Services Agreement. Pursuant to the Management Services Agreement, Mineral Ventures shall provide management services to SAM in relation to the day-to-day operations of SAM in connection with the Agreed Scope of Work.

During any period when SAM is owned directly or indirectly by VNN and not owned by the Company, the Company shall have the right to designate the chief financial officer of SAM, subject to Mineral Ventures's consent. The chief financial officer shall have full and complete access to all books, records, accounts, contracts, documents and other data and information of SAM concerning the Agreed Scope of Work. The Company shall also have the right to designate a representative (the "Project Representative"), subject to Mineral Ventures's consent. The Project Representative shall have the right to access all and any information related to the Agreed Scope of Work and management services. The Company shall pay Mineral Ventures a management fee each month equal to BRL5,000.

The Management Services Agreement shall be in effect for a term that shall commence on the date of the Management Services Agreement and shall expire on the earliest of (a) receipt by VNN and Lit Mining of all the payments relating to Port Operation Commencement Date and Mining Production Commencement Date, (b) the termination of the Share Purchase Agreement in accordance with its terms, (c) the occurrence of an Acceleration Event other than the Acceleration Event (i) relating to Infinite Sky's material breach of certain covenants in the Share Purchase Agreement, (d) the 48-month anniversary of the date of the Management Services Agreement, and (e) such other date as may be agreed between Mineral Ventures and the Company.

The Company's major obligations in relation to the Agreed Scope of Work under the Management Services Agreement is to provide finance to SAM, appoint a chief financial officer and a Project Representative to SAM to jointly manage SAM with Mineral Ventures. Mineral Ventures's obligation in relation to the Agreed Scope of Work is to provide management services to complete Resource Confirmation and to obtain relevant approvals and permits for SAM. The Company shall be responsible for the payment of all expenses and all other operating expenses related to the administration, operations, and other activities and business affairs of SAM* in connection of the management services and for the Agreed Scope of Work.

SAM management comprises of 3 members, (i) the Project Manager, Mr. Haroldo Fleischfresser, designated by VNN/ Mineral Ventures, both (ii) the chief financial officer, Mr. Wong Siu Ping, and (iii) the Project Representative, Mr. Han Shu Hua, are designated by the Company/Infinite Sky. Details of their biography have been disclosed under section headed "Management of SAM" in the Letter from the Board of this Circular.

* The Company may make such payments or reimbursements directly or through SAM, including by means of funds lent to SAM pursuant to the Loan Agreement.

The Loan Agreement

On 5 March 2010, SAM as the borrower, the Company as the lender and Lit Quad entered into the Loan Agreement. Pursuant to the Loan Agreement, the Company agrees to provide the following loan amount to SAM exclusively for the purposes of completing the Initial Scope of Work, including the reimbursement of expenses of VNN pursuant to the Management Services Agreement.

a) *Initial Loan.* The Company agrees, subject to the terms and conditions of the Loan Agreement, to make a loan to SAM, on the third Business Day following the issuance of the announcement (the "Initial Disbursement Date"), in an aggregate principal amount of US$5,000,000 (the "Initial Loan").

b) *Further Loans.* The Company agrees, subject to the terms and conditions of the Loan Agreement, to make further loans to SAM (each a "Further Loan" and, collectively with the Initial Loan, each a "Loan") on the dates (collectively with the Initial Disbursement Date, each a "Disbursement Date") and in the principal amounts set forth below:

Disbursement Date	**Amount**
45 days from the date of the Loan Agreement	US$5,870,000
90 days from the date of the Loan Agreement	US$5,000,000
120 days from the date of the Loan Agreement	US$5,050,000
180 days from date of the Loan Agreement	US$7,310,000
270 days from date of the Loan Agreement	US$2,930,000

The Company also agrees to lend up to an additional US$3,840,000 for contingencies related to the Initial Scope of Work. Any such additional lending will be deemed to be a "Loan" for purposes of the Loan Agreement. The maximum amount of the Loan together with the additional US$3,840,000 contingencies payment shall be US$35,000,000 under the Loan Agreement. The estimated capital requirement for the Initial Scope of Work is US$35 million. Currently, there is no estimated capital requirement for the Subsequent Scope of Work.

The obligation of the Company to make any Further Loans shall terminate on the earlier of (i) the date when the Share Purchase Agreement and the Transactions Documents are rejected by the Shareholders at the EGM, and (ii) the date the Company elects to terminate its obligation to fund such Further Loans pursuant to the events of default by SAM.

SAM shall repay the Loan on the earlier of i) the Business Day immediately following, among others, the Approvals Payment having been made by Infinite Sky; and ii) the termination of the Share Purchase Agreement, whereby Infinite Sky becomes or remains the direct or indirect owner of SAM. The Loan shall not bear interest. Any amount of the Loan already advanced before the Shareholders' approval at the EGM will not be repaid if the Loan Agreement is rejected by the Shareholders at the EGM. For good and valuable consideration, the Company grants Lit Quad an option to purchase all rights and obligations of the Loan Agreement for a purchase price of US$1.

Amendment to the Loan Agreement

On 1 July 2010 (Brazil time), same parties of the Loan Agreement agreed to amend the Loan Agreement such that the disbursement date of the fourth installment, originally scheduled to occur 120 days from the date of the Loan Agreement in the amount of US$5,050,000, shall be postponed to the earlier of:

(i) the date that is the tenth Business Day following the delivery of a notice by SAM to the Company pursuant to the Loan Agreement requesting the disbursement of such US$5,050,000 amount, and

(ii) the 180th day from the date of the Loan Agreement.

Further, on 23 August 2010 (Brazil time), same parties of the Loan Agreement agreed to further amend the Loan Agreement such that:

(i) the disbursement date of the fourth installment, originally scheduled to occur 120 days from the date of the Loan Agreement in the amount of US$5,050,000; and

(ii) the disbursement date of the fifth installment, originally scheduled to occur 180 days from the date of the Loan Agreement in the amount of US$7,310,000, shall be postponed to the date that is the tenth Business Day

following the delivery of a notice by SAM to the Company pursuant to the Loan Agreement requesting the disbursement of such US$5,050,000 and/or US$7,310,000, as the case may be.

The Parties also agree that SAM can request for any amount lower than US$5,050,000 and/or US$7,310,000.

Parties of the Loan Agreement came to these agreements as the cash amounts held by SAM are sufficient to make payments on the its current financial commitments.

Status of remittance in relation to the Loan Agreement as at the Latest Practicable Date

As of the Latest Practicable Date, US$19,370,000 has been disbursed to SAM and outstanding amount is up to US$15,630,000. The loans are satisfied using the Shareholders' loan to the Company.

Conditions Precedent to Disbursement of Loan

The obligation of the Company to make each of the Initial Loan and the Further Loans on the applicable Disbursement Dates (and Initial Disbursement Date as the case may be) is subject to each of the following conditions:

(a) the Management Services Agreement and the Share Purchase Agreement shall be in full force and effect;

(b) the Company shall have received evidence satisfactory to it of the prior registration of the financial terms and conditions of the relevant Loan with the Central Bank under the applicable ROF (Registro de Operacao Financeira, the registration required by the Central Bank for cross-border credit transactions, such as the transaction contemplated herein, pursuant to Central Bank Circular no. 3027, of February 21, 2001) to enable SAM to pay all amounts payable hereunder in US$, including without limitation in respect of principal, interest, fees, commissions and expenses; and

(c) immediately before and after giving effect to the relevant Loan, no event of default shall have occurred and be continuing.

Option to purchase in favor of Lit Quad

The Company grants to Lit Quad an irrevocable option to purchase all of the Company's rights and obligations under the Loan Agreement for a purchase price of US$1.00. Given the Loan is in substance the Company's due diligence cost to carry out the Initial Scope of Work, among other things, if the Company breaches its representations, warranties and undertakings, and VNN and Lit Mining decide to terminate the Share Purchase Agreement, or Closing does not occur due to non fulfillment of the closing conditions or SAM is transferred back to VNN and Lit

Mining after Closing due to the failure of Infinite Sky to make the Approvals Payment, then Lit Quad can exercise this option such that SAM is not required to repay the Loan to the Company.

Lit Quad may exercise this option at any time during:

(i) if the Closing Date has not occurred, anytime following the termination of the Share Purchase Agreement, and

(ii) if the Closing Date has occurred, anytime following the Closing Date when SAM (A) is not owned, directly or indirectly, by the Company, and (B) is owned, directly or indirectly, by Lit Quad or any affiliate of Lit Quad.

When the exercise notice has been delivered by Lit Quad to the Company and Lit Quad has paid to the Company the purchase price, Lit Quad shall have all the rights and obligations of the Company in respect of the Loan, and the Company shall have no further rights and shall be released from all obligations hereunder, and no further consent or action by any party shall be required. The option will lapse and terminate on the earlier of (i) among other things, the Approvals Payment having been made by Infinite Sky; (ii) the termination of the Share Purchase Agreement, whereby Infinite Sky becomes or remains the direct or indirect owner of SAM; and (iii) the day of payment by Infinite Sky of the relevant amount upon the occurrence of the Acceleration Event described in (i) above relating to Infinite Sky's material breach of certain covenants in the Share Purchase Agreement.

Reasons for entering into the Management Services Agreement and the Loan Agreement

One of the major commercial terms required by the Company and agreed to by VNN is that the Closing will be subject to obtaining the Resource Confirmation, which is solely required by the Company as part of the due diligence to be performed by it. Under the Share Purchase Agreement, the Group is responsible to carry out and pay for the Agreed Scope of Work in order to obtain the Resource Confirmation and the Required Approvals. The Management Services Agreement governs the operational relationship between Mineral Ventures and the Company in order for Mineral Ventures to assist the Company to carry out the Agreed Scope of Work through SAM in order to obtain the Resource Confirmation and the Required Approvals. As mentioned above, the Resource Confirmation is solely required by the Company, the Company and VNN agreed the cost for such due diligence exercise should be borne by the Company rather than by VNN and further agreed that the funding will be provided by the Company through the Loan Agreement. In other words, the Loan in a maximum amount of US$35 million in substance represents actual costs to be incurred by the Group in order to obtain the Resource Confirmation pursuant to the Share Purchase Agreement and the Loan does not represent any payment of consideration to the sellers under the Share Purchase Agreement. Upon Closing and SAM becoming a wholly owned subsidiary of the Company, the Loan will become a shareholders loan from the Company which will be repayable to the Company in the future.

The Loan represents actual costs to be incurred by the Group in order to obtain the Resource Confirmation as part of its due diligence. The actual cost to obtain the Resource Confirmation is estimated based on amount of work under the Initial Scope of Work and by reference to the current price indices of the cost of work. For details, please refer to section headed "Initial Scope of Work" of this Circular.

Given that the work schedule of the professional parties (including drilling companies and technical consultants) to be engaged by SAM has a tight working schedule and that their professional cost may increase if the work to obtain Resource Confirmation cannot be commenced quickly, the Board consider that it is to the benefit of the Company to provide the loan to SAM as soon as possible.

The Company considers that the loan arrangement does not constitute a financial assistance under the GEM Listing Rules as:

1) If the Share Purchase Agreement and the transactions contemplated thereunder cannot be approved by the Shareholders at the EGM, the Loan will not be repaid as this represents actual costs to be incurred by the Group as part of due diligence in order to obtain the Resource Confirmation;

2) When SAM becomes the Company's subsidiary, the Loan will become an inter-company loan of the Company; and

3) If the Consideration is not paid in stages but as an one-off amount, the Company will still need to incur the same cost to obtain Resource Confirmation.

The Voting Undertaking

On 5 March 2010, Mr. He and Hong Bridge executed the Voting Undertaking in favour of VNN and Lit Mining. Each of Mr. He and Hong Bridge undertakes to and for the benefit of VNN and Lit Mining that to the extent Mr. He or Hong Bridge is not prohibited or restricted by the GEM Listing Rules, Mr. He or Hong Bridge will vote, in respect of their Shares from time to time, in favour of the Share Purchase Agreement, the Loan Agreement and the other Transaction Documents and the transactions contemplated thereunder at the EGM.

The Escrow Arrangement

On the third Business Day following the approval of the Share Purchase Agreement and the transactions contemplated thereunder by the Shareholders at the EGM, Lit Mining, Esperento, Infinite Sky, New Trinity and the Escrow Agent shall enter into an Escrow Agreement for the Escrow Agent to hold the Escrow Property and a deed representing the Lit Mining Shares ("Lit Mining Deed"), with the Escrow Agent.

Release of the Escrow Property:

a) Upon the tenth Business Day following the Resource Confirmation Date, Infinite Sky and Esperento shall jointly direct the Escrow Agent to release and deliver the Escrow Property to VNN and Lit Mining.

b) Infinite Sky and Esperento may jointly direct the Escrow Agent to release and deliver the Escrow Property to Infinite Sky at any time after the first anniversary of the Start Date, if the Resource Confirmation Date has not occurred, or Infinite Sky has not waived the condition regarding Resource Confirmation prior to such date.

c) Infinite Sky and Esperento shall jointly direct the Escrow Agent to release and deliver the Lit Mining Deed to Esperento upon the earlier of (i) the date on which the Escrow Agent releases and delivers the Escrow Property to Infinite Sky and (ii) if the Closing is not completed, the Business Day immediately following the tenth Business Day after the Resource Confirmation Date or such other date as Infinite Sky and Esperento agree. For the avoidance of doubt, this paragraph shall not apply in the event the closing conditions to the obligations of VNN and Lit Mining have been fulfilled and Infinite Sky is willing and able to proceed to Closing in accordance with the terms of the Share Purchase Agreement.

d) Upon the termination of the Share Purchase Agreement pursuant to items (iii) and (iv) of the section headed "Termination" in this Circular, Infinite Sky and Esperento shall jointly direct the Escrow Agent to release and deliver the Escrow Property to the Infinite Sky.

The Security Agreement

Subject to the closing conditions set forth in the Share Purchase Agreement, on the tenth Business Day following the Resource Confirmation Date, or, in the event, Infinite Sky decides to waive the condition regarding Resource Confirmation, the tenth Business Day following such waiver, VNN, Lit Mining, Infinite Sky, New Trinity, the Company and the Custodian, as a custodian shall enter into the Security Agreement.

Pursuant to the Security Agreement, Infinite Sky shall pledge, among other things relating to the New Trinity Shares, all of the New Trinity Shares (and any shares of capital stock of New Trinity thereafter acquired by Infinite Sky) including Infinite Sky's rights and interests to receive distributions of New Trinity's assets and properties (the "Pledged Interests") to the Custodian in favor of VNN and Lit Mining. The Pledged Interests shall serve as collateral security for the obligation of the Company and Infinite Sky to make the Approvals Payment in the aggregate amount of US$115,000,000 (together with related interests) to VNN and Lit Mining.

Prior to the earlier of (i) the Approval Date and (ii) the date the Company waives the requirement that all Required Approvals be obtained, Infinite Sky and VNN and Lit Mining shall jointly direct the custodian to release and deliver the certificate

representing the Shares to Lit Mining, free and clear of any encumbrances, duly endorsed by Infinite Sky in blank or accompanied by a stock power (i.e. an instrument authorizing the transits of stock to the transferee) duly endorsed by Infinite Sky in blank, upon the earliest of the following: (a) the date on which Infinite Sky ceases to proceed in any material respect with any Subsequent Scope of Work for any reason other than a material breach by VNN and Lit Mining of the Share Purchase Agreement and/or the Management Services Agreement, which material breach continues for a period of 30 days following notice by Infinite Sky (or if such material breach can be cured but is not capable of being cured within such 30-day period, such longer period of time to cure such material breach, provided that such cure is diligently pursued during and after such 30-day period by Lit Mining and VNN); (b) the occurrence of a certain Acceleration Event described in the Purchase Agreement where payment thereunder is not made; and (c) Infinite Sky's failure to make the payment required under the Purchase Agreement (after allowing for the 45 Business Days grace period set forth the Purchase Agreement). Infinite Sky shall be deemed to have ceased to proceed in any material respect with a Subsequent Scope of Work if, for a period of 30 days following notice from VNN and Lit Mining, it ceases to make material expenditures in connection with, or take any actions necessary, proper or advisable to perform, such Subsequent Scope of Work.

The Brazilian Security Agreement

Subject to the closing conditions set forth in the Share Purchase Agreement, on the tenth Business Day following the Resource Confirmation Date, or, in the event, Infinite Sky decides to waive the condition regarding Resource Confirmation, the tenth Business Day following such waiver, VNN, Lit Mining, SAM, Esperento, Infinite Sky, New Trinity and the Company shall enter into the Brazilian Security Agreement, pursuant to which, SAM will pledge its mineral production (i.e. the ore and pellet feed extracted) and all income, cash, rights, goods, distributions and any amounts received, receivable or otherwise distributed or paid as a result of the exploitation or any production in connection therewith to secure (i) payment obligation in the amount of US$100,000,000 on the tenth Business Day following the Port Operation Commencement Date; and (ii) payment obligation in the amount of US$100,000,000 on the tenth Business Day following the Mining Production Commencement Date of the Company, under the Share Purchase Agreement, together with all related penalties and interest under the Share Purchase Agreement. Provided that, the Brazilian Security Agreement shall not restrict SAM's right, title, interest and capacity in/to determining the pricing and the sales of the mineral productions on such terms and conditions as determined in the sole and absolute discretion of SAM. The Brazilian Security Agreement will terminate upon payment in full of the aforementioned payment obligations.

D. FINANCIAL EFFECTS OF THE ACQUISITION

Upon the control of SAM has been transferred to the Company, the financial results of SAM will be consolidated into the financial statements of the Group.

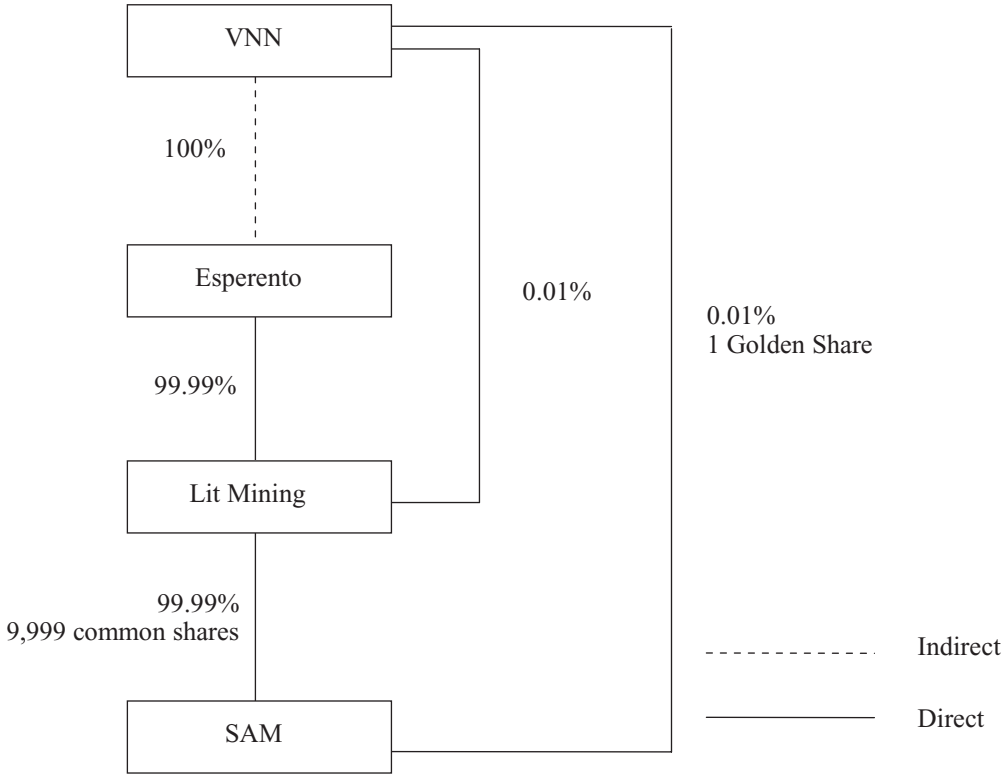
The financial impact of the Acquisition is illustrated by way of unaudited pro forma financial information of the Group as included in Appendix V to this Circular.

Based on the audited consolidated financial statements of the Group for the year ended 31 December 2009, the total assets and total liabilities of the Group as at 31 December 2009 were approximately HK$94.2 million and HK$101.1 million respectively. Assuming the Acquisition were completed by 30 June 2010, the unaudited pro forma total assets and unaudited pro forma total liabilities of the Group after the Acquisition would amount to approximately HK$6,611.8 million and HK$4,803.0 million respectively, representing an increase of approximately 6,919% in the case of total assets and 4,651% in the case of total liabilities from those set out in the audited consolidated financial statements of the Group for the year ended 31 December 2009. Based on the audited consolidated financial statements of the Group for the year ended 31 December 2009, the loss for the year amounted to approximately HK$53.7 million. Assuming the Acquisition were completed on 1 January 2009, the unaudited pro forma profit attributable to equity holders of the Company would be approximately HK$268.3 million, representing a turnaround from loss of HK$53.7 million as set out in the audited consolidated financial statements of the Group for the year ended 31 December 2009.

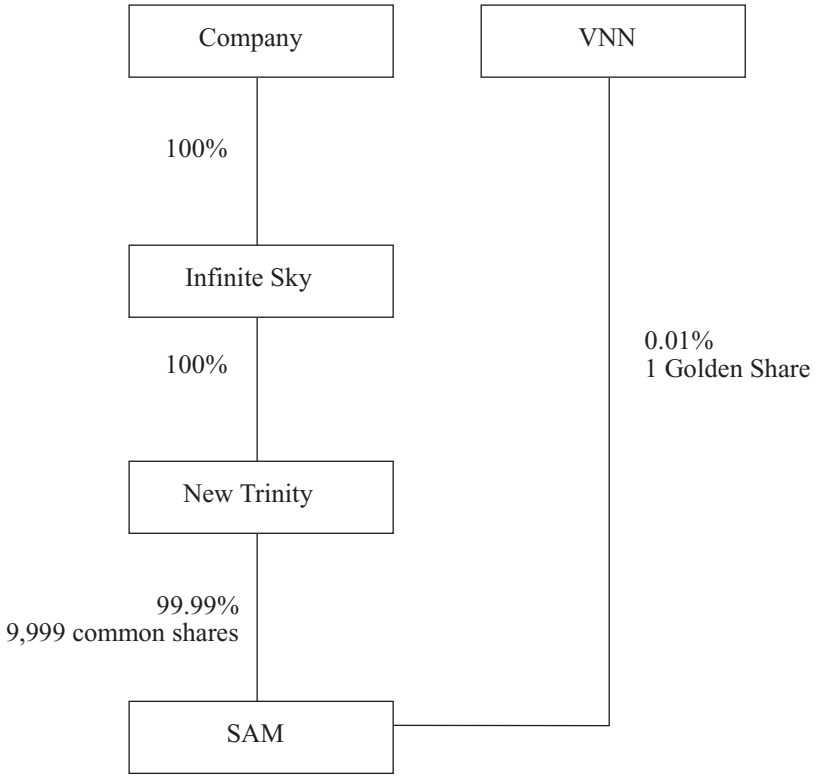
E. EFFECTS ON SHAREHOLDING STRUCTURE OF THE COMPANY

The shareholding structure of SAM before the Closing Date, after the Closing Date and after the Approval Date:

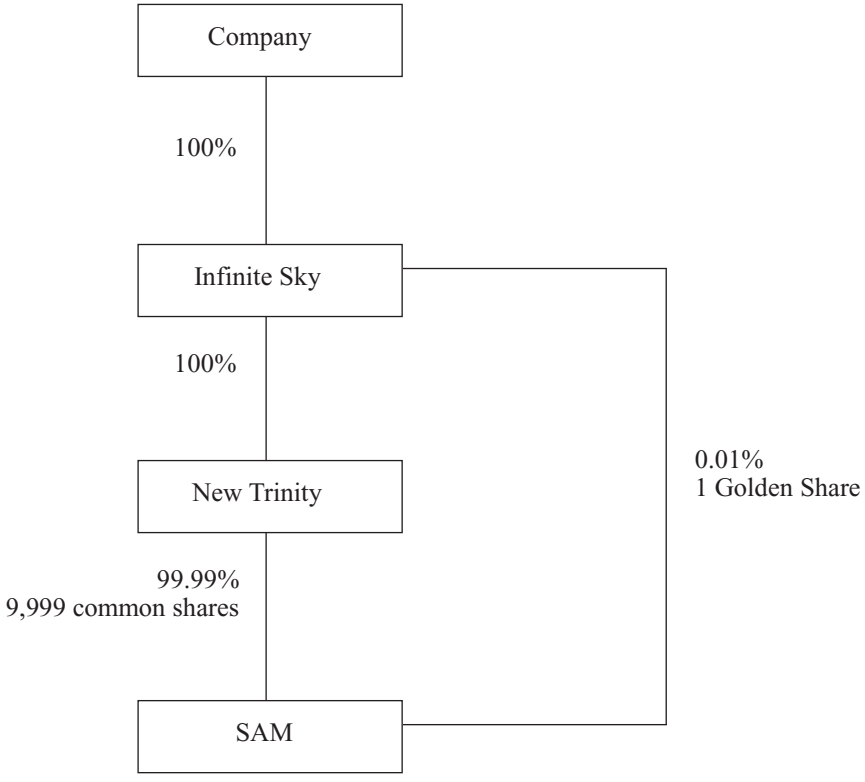
Before the Closing Date



After the Closing Date



After the Approval Date



From the date of the Share Purchase Agreement until the Closing Date, the Share Purchase Agreement provides that, among other things, SAM shall conduct its business in the ordinary course of business, consistent with the Agreed Scope of Work. The Share Purchase Agreement also provides various restrictions regarding the business of SAM, such as share issuance, declaration of dividend, and disposal of asset (including Exploration Permit(s)), which shall not be undertaken unless with the consent of Infinite Sky. Upon Closing, the Group will have control of the board of directors of SAM. For the period from the Closing Date until the Approvals Payment is made to VNN and Lit Mining, the Share Purchase Agreement provides for similar but reverse restrictions which shall not be undertaken unless with the consent of VNN and Lit Mining. The reason for the latter restrictions is that before VNN and Lit Mining shall have received the Approvals Payment, VNN and Lit Mining may "retake" SAM (indirectly) pursuant to the Security Agreement, in the event, Infinite Sky fails to make such payment when due.

F. REASONS FOR THE ACQUISITION

The Company is principally engaging in refining and trading of silicon and research and development of highly purified silicon for solar cells, magazine publishing and advertising activities. Since the Company was taken over by Hong Bridge in October 2007, the Group under the existing management has been continuously looking for appropriate investment opportunities in the energy and resources sector. The Directors noted that the internal consumption of steel in China has been increasing rapidly since 1990s, and particularly in recent years. The PRC's demand for steel is driven by the extensive and continual construction of infrastructures (such as power stations, ports, highways and railways) as a result of its industrialisation. As disclosed in the section "Steel industry in PRC" of "Industry Overview" in the Letter from the Board to this Circular, the total investment of fixed assets and construction of PRC have grown steadily from 2001 to 2009, in particular, the growth rate for such investments were approximately 30% in 2009. As both iron and manganese are important elements in the steel refining process, the Company considers that the mining industry related to iron and manganese resources has considerable development potential. To meet the strong demand of raw materials from steel sector and to implement such strategy, the Company acquired a 66% equity interest in Xianglan Brazil, which holds the exploration licenses for three manganese mineral resources in Bahia in November 2009, details of which are disclosed in the circular dated 24 February 2010. Such transaction was completed on 24 March 2010. To further implement the Company's strategy, the Company proposed the Acquisition and entered into the Share Purchase Agreement with VNN on acquisition of 100% of the issued share capital of SAM which holds some exploration licenses of iron ore in Minas Gerais.

The Company intends to dispose the business associated with magazine publishing and advertising activities as and when the opportunities arise. The Company had discussed the possibility of the disposal of the magazine publishing business but as at the date of this Circular, the Company has not made any concrete agreement, arrangement, or any understanding in relation to disposal of the magazine publishing business. However, the Company would not rule out the possibility to enter into a disposal agreement relating to the magazine publishing business in the foreseeable future. On the other hand, the Company will continue with the business involved in the refining and trading of silicon and research and development of highly purified silicon for solar cells. As at the Latest Practicable Date, save

for the discussions on possible future business plans as disclosed in sections headed "F. Reasons for the Acquisition", "(V) Other possible future plans" and "(VI) Source of funding for future development" in this circular, the Company has not entered into any agreement, arrangement, understanding or negotiation about any acquisition or disposal of asset or company which are discloseable under the GEM Listing Rules. Possible future business plans include:

Section		Type		Possible future business plans disclosed
(VI)	Source of funding for future development	Possible disposal plan	–	Potential issue of Shares to potential investors to whom the Company outsource certain production process.
		Possible disposal plan	–	Potential investment by SDIS by way of acquisition of interest in SAM or subscription of Shares, according to a memorandum of understanding dated 26 March 2010 with SDIS
		Possible disposal plan	–	Potential issue of Xinwen New Shares to Xinwen subject to the fulfillment of certain conditions precedent set forth in the Strategic Cooperation Agreement and potential investment by Xinwen with an amount of at least US$500 million.
		Possible disposal plan	–	Identifying and looking for steel conglomerates, mining companies and port operators to be involved in the further development of the Project and fund raising activities.
(V)	Other possible future plans:	Possible acquisition plan	–	Regional consolidation with local companies if the Project can be successfully developed.
F.	Reasons for the acquisition:	Possible disposal plan	–	Disposal of business associated with magazine publishing and advertising activities as and when opportunities arise.

In addition, as disclosed under the section headed "Other possible future plans", subject to the development of the Project, SAM is considering the potential construction of pellet plant facilities for production of pellets of iron ore in Bahia in a second phase.

As noted from China Customs Statistics and as disclosed in the section headed "Industry Overview", in line with the fact that China is the largest iron ore mine production country, the value of iron and steel imports in China has increased from US$ 20,034 million in 2006 to US$ 27,816 million in 2009, which highlighted the growing reliance on the purchase of iron and steel from foreign countries as a result of domestic demand outstripping domestic supply of iron and steel in China. It is also noted that China was the largest iron ore importer in the world in the year 2008, accounted for approximately 50.3% of the total market share. In view of the foregoing, the Directors believe that demand of iron mineral resources will exceed supply in China in the foreseeable future and consider that it is a good opportunity to invest in iron mineral exploration. Given that the Project will initially focus on Blocks 7 and 8, which Coffey Mining has estimated a preliminary resource level of 2,842 million tons of ROM which is good for a life of mine of at least 20 years with annual production volume of 25 million tons of pellet feed and with mineralization confirmed during surface mapping, and that SAM also holds mineral exploration rights to Blocks 5, 6, 9, 10, 11, 12 and 13 with identified iron ore mineralization, together with the fact that SAM's Blocks are located adjacent to iron ore deposits owned by other exploration, mining and steel companies which can create possible synergies through, for instance, sharing regional transportation or infrastructure, the Directors consider that the Acquisition provides a good opportunity for the Company to invest in an iron mineral resources exploration company with considerable resources and expansion potential. Despite the initial analysis suggests that SAM's ore is of lower grade, based on various preliminary studies performed as detailed in this Circular and for reasons set out above, the Directors still consider it is economically feasible to develop the Project.

The Directors also consider favorably of the Acquisition because Minas Gerais is an important iron ore producing area in Brazil, and Salinas is surrounded by an enormous ore cluster with substantial reserves which the Directors expect will become a significant development with more advanced infrastructure in the foreseeable future. Based on information from Instituto de Desenvolvimento Integrado de Minas Gerais (Minas Gerais State Integrated Development Institute) ("INDI"), being the State Government's operational arm for matters related to investment attraction and support to investors, Minas Gerais is the second most industrialized state in Brazil and produces 44% of the country's mineral output and 35.5% of the Brazilian steel in 2007. According to USGS, the major iron ore producing state in Brazil is Minas Gerais, with market share of approximately 71%. SAM's Blocks are located adjacent to iron ore deposits owned by other exploration, mining and steel companies which can create possible synergies through, for instance, sharing regional transportation or infrastructure.

Further, although only surface exploration activities (geological reconnaissance and rock chip sampling) have been conducted in Blocks 9 to 13 and detailed explorations in Blocks 5 to 8 have not been completed as at the Latest Practicable Date, VNN believes the potential for additional reserves is significant. In addition, the low-angle dip of the mineralization enables easier exploitation, and might also contribute to the low FOB operating cost. As the Project has been reviewed and reported on by various independent

experts as detailed in the section headed "Assessment of the Project" in the Letter from the Board of this Circular and considering the further due diligence work performed by the Board as detailed in the section headed "Further due diligence performed by the Board" in the Letter from the Board of this Circular, the Board has no reason to doubt VNN's belief being not reasonable.

The Directors believe that the terms of the Share Purchase Agreement and the Transaction Documents are fair and reasonable and in the interest of the Shareholders as a whole.

The Company is actively identifying and looking for large steel conglomerates, mining companies and port operators to be involved in the further development of the Project. As at the Latest Practicable Date, the Company has entered into:

(i) a strategic cooperation agreement dated 26 March 2010 with Xinwen, a PRC state-owned enterprise, which is principally engaged in mining activities, in relation to provision of Technical Support by Xinwen to the Company on the Project. Also, amongst all, subject to all requisite waivers, consents and approvals having been obtained by Xinwen from the relevant governmental and regulatory authorities, Xinwen also intend to invest in the Project for an amount of at least US$500 million. Subject to the fulfilment of certain conditions precedent as referred in the March Announcement, the Company agreed to issue 30,000,000 Xinwen New Shares at the price of HK$2.87 each in three tranches to Xinwen in each of the months of June 2010 (or the 10th business day after the conditions are fulfilled or waived, whichever is later), June 2011 and June 2012, each tranche being 10,000,000 Xinwen New Shares. The Xinwen New Shares in aggregate represent approximately 0.49% of the issued share capital of the Company as at the date of the March Announcement and approximately 0.49% of the issued share capital of the Company as enlarged by the issue of the Xinwen New Shares. The Xinwen New Shares will be issued under the General Mandate and hence will not be subject to the approval by the Shareholders. Further, subject to the fulfilment of certain conditions precedent as referred in the March Announcement, the Company conditionally granted to Xinwen 300,000,000 Options pursuant to the Option Deed for a consideration of HK$1, with the rights to require, at any time during the Option Period, the Company to issue and allot one Option Share upon the exercise of each Option at the Exercise Price of HK$3.15 per Option. The Options, if fully exercised, will result in the issuance and allotment of 300,000,000 Option Shares which represents approximately 4.91% of the existing issued share capital of the Company as at the date of the March Announcement and approximately 4.68% of the issued share capital of the Company as enlarged by the issue of the Option Shares. The Option Shares will be issued under the General Mandate and hence will not be subject to the approval by the Shareholders. An application will be made to the Stock Exchange for the listing of and permission to deal in the Xinwen New Shares and the Option Shares.

(ii) a memorandum of understanding dated 26 March 2010 with SDIS, a PRC state-owned enterprise which is principally engaged in the production and sale of iron and steel products, in relation to, amongst all, the joint investment of the

Project. Potential investment by SDIS may be by way of, but not limited to, acquisition of interests in SAM, subscription of Shares, other convertible securities or bond of the Company or by way of shareholders loan to the Company or to SAM or having prepayment arrangement with the Company.

Details of the above cooperation have been disclosed in the March Announcement.

As at the Latest Practicable Date, Xinwen has not obtained the requisite waivers, consents and approval, and the Company is still negotiating with SDIS in relation to the signing of a formal agreement.

Further, in relation to further development of the Project, on 16 June 2010 (Brazil time), SAM entered into the MG-MOU with the government of Minas Gerais pursuant to which the parties agreed to conduct a wide range of cooperation to support the implementation of the Project in relation to, amongst all, mining, processing plant and pipeline in Minas Gerais.

Also, on 18 June 2010 (Brazil time), SAM entered into the Bahia-MOU with the government of Bahia to which the parties agreed to conduct a wide range of cooperation to support the implementation of the Project in relation to, amongst all, the port facilities, and a pipeline for handling and shipment of pellet feed and pellets of iron ore in Bahia and, in a second phase, a plant for production of pellets of iron ore.

Details of the above memorandum of understanding have been disclosed in the announcement of the Company dated 18 June 2010 and 22 June 2010 respectively.

As at the Latest Practicable Date, pending negotiation issues of the MG-MOU include tax incentives which will be addressed at a later stage when equipment suppliers have been defined; and pending negotiation issues of the Bahia-MOU include tax incentives which will be addressed at a later stage when equipment suppliers have been defined, and the definition of port concession model is still being discussed and negotiated between Bahia Government, ANTAQ (Federal Government agency that regulates ports and water ways) and SAM.

G. INFORMATION OF THE TARGET

(I) INDUSTRY OVERVIEW

Introduction

Since the Company was taken over by Hong Bridge in October 2007, the Group under the existing management has been continuously looking for appropriate investment opportunities in the energy and resources sector. The Directors noted that the internal consumption of steel in China has been increasing rapidly since 1990s, and particularly in recent years. The PRC's demand for steel is driven by the extensive and continual construction of infrastructures (such as power stations, ports, highways and railways) as a result of its rapid industrialisation. As iron is an important element in the steel refining process, the Company considers that the mining industry related to iron resources has considerable development potential. The Directors consider that the Acquisition represents a major milestone of the Group of becoming a major upstream raw material supplier for the steel industry.

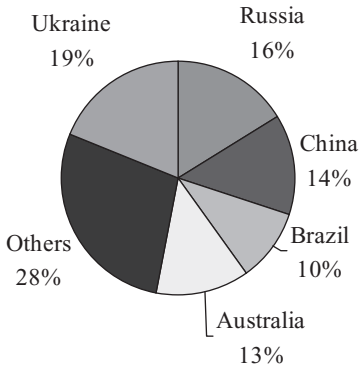
Global iron ore industry

According to the Mineral Information Institute, iron ore is the main source of iron for the world's iron and steel industries. Apart from iron ore and scrap iron being the main raw materials of steel production, steel can also be made from the recycling of scrap steel. Iron ore is an essential component used in the production of steel, the manufacture of which delivers the goods and services that our societies need such as, amongst others, the construction of medical and surgical equipments, radio towers, modern agricultural barns, stable railway tracks, and water transmission pipelines for the purposes of improving the technology of the healthcare system, infrastructure of the telecommunication networks, standard of the agricultural practices and, infrastructure of the transport networks respectively. Some other common applications of steel include the building of ships, airports, stadiums, bridges and armour in the form of personal vests or vehicle armour. The most common substitutes for steel include aluminium and synthetic compounds such as plastics. However, the lower melting points of aluminium and plastics relative to steel make them less desirable as raw materials of large-scale construction projects. Furthermore, the use of plastics as a substitute for steel is also constrained by their relative lack of hardness and lower density. Due to the abovementioned chemical characteristics of aluminium and plastics, there are currently no perfect substitutes for steel. Based on the public information issued by World Coal Institute (http://www.worldcoal.org/coal/uses-ofcoal/coal-steel/), approximately 98% of the global supply of iron ore is used in steelmaking which means the consumption of iron ore is mainly derived from steel demand and is directly influenced by the steel industry.

Supply side – Global Iron ore reserve

Global raw iron ore reserves are currently estimated to be at 160,000 million tons, according to USGS. Although there are iron ore deposits distributed over the entire planet, the top five countries (Ukraine, Russia, China, Australia and Brazil) collectively account for approximately 72% of the world's reserves. The following chart sets forth the distribution of raw iron ore reserves globally in 2009 as estimated:

World Iron Ore Reserves (2009)

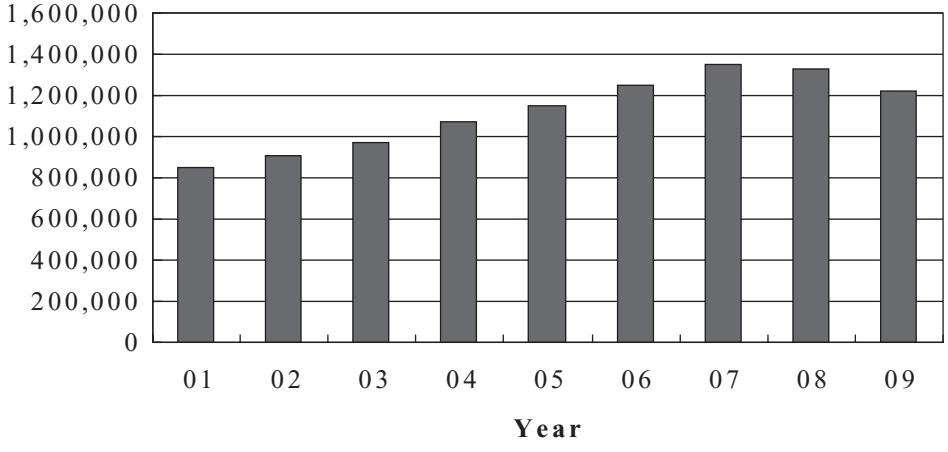


Source: USGS Mineral Commodity Summaries 2010

Demand side – Global steel production

According to WSA, steel production has been increasing since 2001 until the global financial crisis struck in 2008. As the global economy recovers, worldwide steel production is on an upward trend once again. The following table sets forth the world steel production from 2001 to 2009:

World Steel Production (thousand metric tons)



Source: WSA

Iron ore supply in Brazil

The mining industry in Brazil

As extracted from the website of IBRAM (http://www.ibram.org.br/), Brazil possesses one of the largest concentrations of minerals and is an important producer and exporter of high-quality ores, reasons why mining has become one of the major drivers of the Brazilian economy. The market is looking more favorable in 2010 due to the effects of measures taken by the government to extend credit lines, raise tax cuts, increase investments in infrastructure, and reduce interest rates, among other actions. Prospects for the mining sector look optimistic for the coming decades. In 2012, the country will have reached the same levels of production and sales registered before the height of the international financial crisis. Known worldwide for its presence as one of the principal iron ore producing nations, Brazil also stands out for its production in a number of other ores, among which are aggregate ores for civil construction and for the cement industry, which have seen increases in production over recent months.

Iron ore reserve in Brazil

As extracted from the website of IBRAM, the measured and indicated iron ore reserves in Brazil reach 26 billion tons in 2006, according to IBRAM, placing the country in the fifth position in relation to world reserves of 370 billion tons. However, if we consider the reserves in terms of the iron contained in the ores, Brazil assumes a position of prominence on the world scene. This occurs because of the high iron content found in the ores – Hematite (60%), predominant in Para, and Itabirite (50%), which is predominant in Minas Gerais.

Iron ore production in Brazil

According to USGS, Brazil is the second biggest producer of iron ore. Its production in 2008 and 2009 was 355 million tons and 380 million tons, respectively, which is equivalent to 16% and 16.5%, respectively, of world production. As extracted from the website of IBRAM (as defined below), the major producing companies in Brazil in descending order are Vale (79%), CSN (7.4%), Anglo and MMX, a mining company listed on the Sao Paulo Stock Exchange, (3%). While the major producing state in Brazil is Minas Gerais, with market share of approximately 71%.

Iron ore trade in Brazil

According to WSA, Brazil was the largest exporter of iron ore in 2007, with net balance exports over imports of 269.4 million tons. Its exports amount represents 31.6% of total world export in 2007. While Australia was ranked the second in 2007, its export amounted to 268.6 million tons with imports of 4.2 million tons.

IBRAM (the Brazilian Mining Association*) (Instituto Brasileiro de Mineração – IBRAM) is a non-profit national entity which represents the companies and institutions that works in the mining industry in Brazil. As advised by the management of SAM,

* *For identification purpose only*

IBRAM is one of the main trade associations in the metals and mining industry in Brazil, and hence it is considered a credible source. Based on the above, the Directors believe that the sources of this information are appropriate sources for such information. However, Shareholders and prospective investors should note that the information has not been independently verified by us and no representation is given as to its accuracy. Shareholders and prospective investors should not place undue reliance on any of such information contained in this circular.

Iron ore demand in PRC

China is the fastest growing country in terms of iron ore demand and has been the main driver behind the growth of the global iron ore sector.

Iron ore import of PRC

With its substantial demand for iron ore, China was the largest iron ore importer in the world in 2008. The following table sets forth the global market share of the top three iron ore importers in 2008:

	2008	
	Import volume (million tons)	**% of market share**
China	444	50.3%
EU27 *(Note)*	164	18.6%
Japan	140	15.9%

Source: UNCTAD

Note: Includes Austria, Belgium, Bulgaria, Cyprus, Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Hungary, Ireland, Italy, Latvia, Lithuania, Luxemburg, Malta, the Netherlands, Poland, Portugal, Romania, Slovakia, Slovenia, Spain, Sweden and the United Kingdom

Iron ore imports into China have grown steadily for almost the past decade. China continues to be one of the main destinations for global iron ore shipments, with 627.8 million tons delivered to the ports of China in 2009, an increase of 41.4% from 2008.

Australia, Brazil, India and South Africa are the four main sources of China's iron ore imports. China also imports iron ore from other countries, including Ukraine, Russia, Canada, Iran, Indonesia and Peru. However, iron ore imports from each of these countries into China account for less than 2% of total iron imports into China during 2008 and 2009. Imports from Brazil accounted for 22.7% for both 2008 and

2009. The following table sets forth the breakdown of countries from which China imported its iron ore in 2007, 2008 and 2009:

Sources of PRC Iron Ore Imports (in million tons)

	2007		2008		2009	
	Import volume	Percentage of Total PRC Iron Ore Imports	Import volume	Percentage of Total PRC Iron Ore Imports	Import volume	Percentage of Total PRC Iron Ore Imports
Australia	145.6	38.0%	183.4	41.3%	261.9	41.7%
Brazil	97.8	25.5%	100.6	22.7%	142.4	22.7%
India	79.4	20.7%	91.0	20.5%	107.3	17.1%
South Africa	12.2	3.2%	14.5	3.3%	34.1	5.4%
Ukraine	2.3	0.6%	4.6	1.0%	11.6	1.8%
Others	45.8	12.0%	49.6	11.2%	70.5	11.3%
Total imports	383.1	100.0%	443.7	100.0%	627.8	100.0%

Source: Steelhome

The above table shows an increasing trend of PRC iron ore imports from 2007 to 2009 despite the fact that the world steel production dropped in 2008 resulting from the breakout of global financial crises.

Iron ore supply in PRC

According to USGS, China is the largest producer of iron ore in 2008 and 2009. Its production was 824 million tons and 900 million tons in 2008 and 2009, respectively.

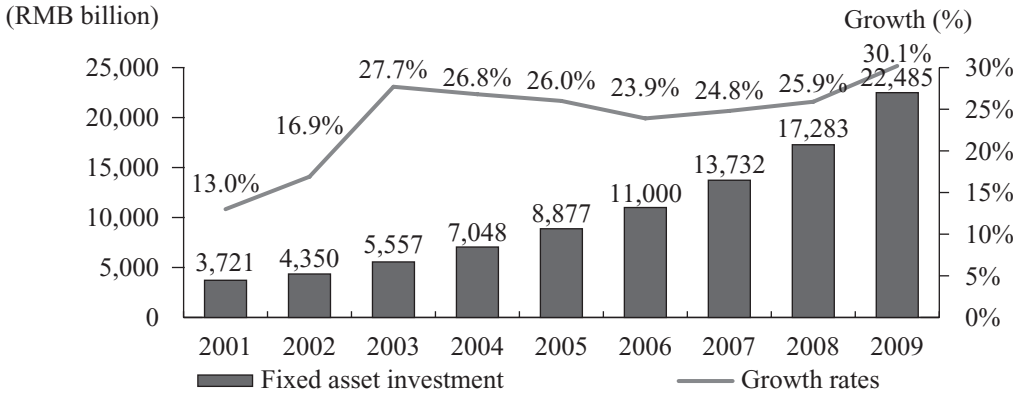
Steel industry in PRC

Iron is an important element in the steel refining process. The PRC's demand for steel is driven by the extensive and continual construction of infrastructures (such as power stations, ports, highways and railways) as a result of its rapid industrialisation.

Fixed asset investment of PRC

According to the National Bureau of Statistics of China, the total investment in fixed assets of the PRC increased constantly from approximately RMB3,721 billion in 2001 to approximately RMB22,485 billion in 2009, representing a compound annual growth rate of 25.2%. The following chart sets forth the total fixed asset investment of the PRC from 2001 to 2009 and the growth rates:

Fixed asset investment of the PRC from 2001 to 2009

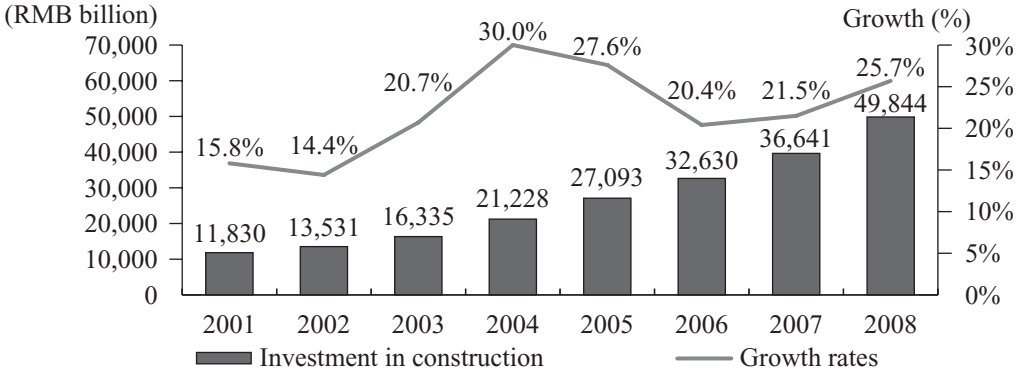


Source: National Bureau of Statistics of China

Investment in construction of PRC

According to the National Bureau of Statistics of China, the total investment in construction of the PRC increased from approximately RMB11,830 billion in 2001 to approximately RMB49,844 billion in 2008, representing a compound annual growth rate of 22.8%. The following chart sets forth the total investment in construction of the PRC from 2001 to 2008 and the growth rates:

Investment in construction of the PRC from 2001 to 2008

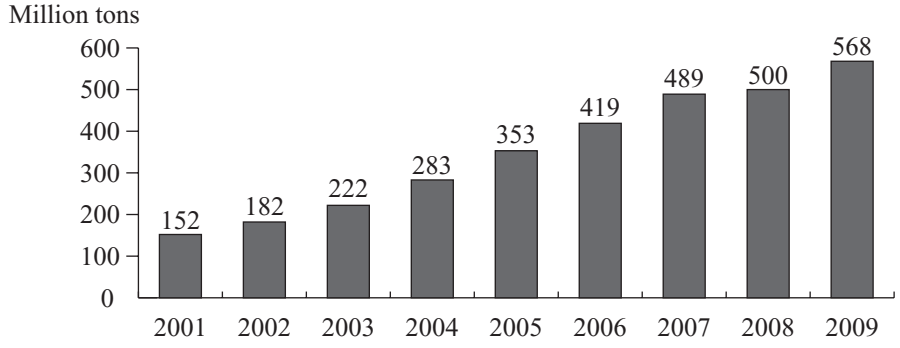


Source: National Bureau of Statistics of China

PRC crude steel production

According to the World Steel Association, China is the largest steel-producing country in the world, producing 568 million tons of crude steel, representing 46.6% of the world's total crude steel in 2009 and driving significant demand of iron ore. The production of crude steel in the PRC increased constantly from approximately 152 million tons in 2001 to approximately 568 million tons in 2009. The following chart sets forth the total amount of the PRC crude steel production from 2001 to 2009:

PRC crude steel production from 2001 to 2009

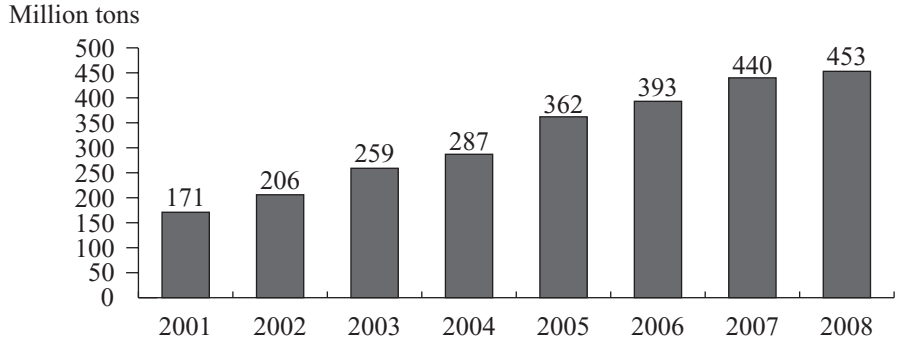


Source: World Steel Association

PRC crude steel consumption

According to the World Steel Association, the consumption of crude steel in PRC increased constantly from approximately 171 million tons in 2001 to approximately 453 million tons in 2008. The following chart sets forth the total amount of the PRC crude steel consumption from 2001 to 2008:

PRC crude steel consumption from 2001 to 2008



Source: World Steel Association

(II) LEGAL AND REGULATORY REQUIREMENT IN BRAZIL

Brazil laws relating to mineral industry

As advised, the Brazilian federal government owns all mineral resources existing either in the soil or subsoil of Brazil. Accordingly, any exploration or exploitation of such mineral resources, save for certain exceptions, require a grant of concession by the Brazilian federal government. These concessions essentially consist of application for exploration authorization and mining concessions, and are granted by the Ministry of Mines and Energy (the "MME") through DNPM, the Brazilian governmental body regulating mining activities. DNPM has the general discretion to reject any application failing to meet the relevant geographical, geological, technical or procedural criteria, and an application may be refused should it be determined that the exploration or mining activities involved are harmful to the public good or to interests that outweigh the usefulness of exploration or exploitation of the deposits. The exploration authorization granted by DNPM entails a preliminary stage, authorizing lab and field work to perform the necessary geological, geophysical, geochemical survey, excavation, outcropping, drilling and other exploration activities. Upon completion of the exploration work, a detailed report on the explored area's mineral reserves, the characteristics of the mineral substances and the feasibility of exploitation is generally required to be submitted to DNPM irrespective of the outcome of the exploration. Review of the report by DNPM takes on average 6 months to 1 year based on the experience from VNN and the approval of such report by DNPM will generally entitle the holders of the exploration licenses to apply for and be granted the mining concession by the MME. Upon approval by DNPM of such report, the holders of the exploration licenses will have one year to apply for the corresponding mining concession and this one year term may be extendable for an additional one year with cause. Application for the granting of a mining concession is made to the MME and must contain detailed geological and geophysical information on the areas concerned, including (i) a description of the mineral deposits to be exploited; (ii) a description of the mining field's topographical location and indication of neighboring concession areas; (iii) a map of the area to be mined, indicating its boundaries and properties affected by the proposed mining, with the names of the respective surface right holders; (iv) reference to any easements that may be required; (v) a commercial/economical working plan for exploitation including a description of the mining method, scale of production and processing facilities; and (vi) proof of sources and availability of sufficient funds to work the mine. Upon receipt of an application for a mining concession, DNPM will review it and forward it to be finally reviewed by the MME before the mining concession is granted. There are no specified criteria or standards to the granting of a mining concession as each decision is "tailor-made" to fit a specific context. However, there are some mining rules, such as the Mining Technical Rules, and guidelines issued by DNPM which it may make references to in coming up with a decision. The procedures associated with reviewing an application for a mining concession, its grant and other ancillary steps normally take up to 2 years based on the experience from VNN. (However, the time taken can vary substantially from case to case.) After the mining concession is granted and published in the Official Gazette, the mining company will have 90 days to apply to DNPM for investiture in effective possession of the corresponding mineral deposit for which a fee must be paid. Following such application, the mining company will have 6 months to start the preparatory work contemplated in the mine working plan which covers, among others, various issues including mining environmental impact control plan, counted from the

publication date of the mining concession in the Official Gazette. In addition, the environmental legislation specifically requires the so-called environmental Installation License to be presented with the mining concession application. As advised by the Brazil legal adviser, in accordance with articles 47 and 49 of the Brazilian Mining Code, once mining is commenced, it may not be interrupted without the authorization of DNPM for a period longer than 6 consecutive months or otherwise the mining concession may be revoked. In other words, the mining company shall not stop the mining activities without prior notice to DNPM, once mining activities have commenced. Mining companies are required to provide the annual mining report to DNPM. Even if the mining activities are suspended, such mining companies will still be required to provide the annual mining report, which should indicate there were no mining activities at that specific year. Any substantial change to the mining activities needs to be informed and explained to DNPM. Suspension of mining activities without prior and proper notice to DNPM may lead to title forfeiture or cause it to be revoked.

Brazil laws relating to production mining/exploration

The Brazilian Constitution determines in its article 176 that the Federal Government owns all mineral resources existing either in the soil or the subsoil of the Brazilian territory. It also determines that the mineral exploration and exploitation shall be performed through authorization or concessions by Brazilian individuals or companies established under the Brazilian Law with principal office in Brazil.

Authorizations or mining concessions are granted by the National Mineral Production Department (Departamento Nacional de Producao Mineral – DNPM), an agency of the Brazilian Ministry of Mines and Energy.

The Mining Code (Decree-Law No. 227/67) determines the rules, procedures and regulations related to mining authorization and concessions, including granting procedures, supervision, reporting requirements, and disputes. The mining code is further detailed through (Decree No. 62,934/68), known as the Mining Code Regulation.

The DNPM can also enact Instructions, Ordinances and Rules (Portarias, Resolucoes and Instrucoes Normativas) to formalize/detail procedures to grant authorizations and/or concessions, determine requirements on geological studies, clarify law and regulations interpretation and request specific environmental studies and/or information related to mining activities.

Brazil laws relating to foreign exchange controls

The RMCCI (Regulamento do Mercado de Cambio e Capitais Internacionais) was enacted by the Brazilian Central Bank to regulate the operations in Brazilian and foreign currencies made between individuals permanently residing in Brazil or legal entities headquartered in Brazil and individuals permanently residing abroad or legal entities headquartered in any other country. The RMCCI is divided into three sections Foreign Exchange Market, Brazilian Capital Abroad, and Foreign Capital in Brazil.

The National Monetary Council (Conselho Monetario Nacional – "CMN") is the highest deliberative body of the National Financial System. The CMN establishes general guidelines of the monetary, foreign exchange and credit policies, regulates the requirements of formation, operation and supervision of financial institutions; and determine disciplinary instruments of monetary policy and exchange rate, through its resolutions and circulars.

The Brazilian Central Bank is a federal entity subordinated to the Brazilian Finance Ministry and it is the country's principal monetary authority. The Brazilian Central Bank acts through its circulars and Regulations.

Brazil laws relating to price control

There are no specific regulations of price control over mining products. However, Brazil has various pieces of legislation to prevent Price Transfer, such as Law no 9.430/96, Ministry of Finance Ordinance – Portaria MF no 95/97; and Federal Revenue Bureau Instruction – Instrucao Normativa SRF no 32/01; which among other provisions set guidelines on revenue calculations and determine how imported and exported goods production costs shall be determined.

Proposed legislative amendments that may have material impact on the business of SAM

The Brazilian Ministry of Mining and Energy is planning to propose a new piece of legislation named as the "New Brazilian Mining Code" ("NBMC") to substitute the current Mining Code.

The NBMC will not affect the property of the existing mining rights, but it is likely to change the procedures of how the new mining concessions are granted. Currently, there is no payment to the Government to acquire the mining areas (there are taxes and fees, but no acquisition price), which are basically granted on the first come basis. The NBMC aims to qualify specific areas and auction them on public bids to interested mining companies for the highest bid.

The NBMC, if adopted, shall not affect SAM current mining rights, but may affect future expansion plans and create further requirements on mining operations.

(III) BUSINESS OPERATION

Overview

SAM is a wholly-owned subsidiary of VNN. Based on the information provided by VNN, its financial adviser, its website and its presentation material, VNN is the venture capital/ new business development division of Grupo Votorantim, one of the largest Latin American private industrial conglomerates, with over 60,000 employees and net revenue of USD19.0 billion for the year ended 31 December 2008. Grupo Votorantim, founded as a textile company in 1918, has diversified its activities into cement and concrete, pulp and paper, metals (zinc, aluminium, nickel and steel), orange juice, and financial services. Owned by the Ermirio de Moraes family, Grupo Votorantim is a non-publicly traded group and is one of the few investment grade companies in Brazil (by Standard & Poor's and Fitch Ratings). The Directors believe

that market status and local network of VNN would have positive impact on the Project, which includes the obtaining of relevant approvals and permits from local government. Should there be an occurrence of an Acceleration Event leading to a termination of the Share Purchase Agreement (assuming the Acceleration Event occurs after the approval of the Shareholders, and Infinite Sky makes the requisite payments described in (I) or (II) of the section headed "Acceleration Event", such that the SAM Shares (including the Golden Share) are released and delivered to it), the impact of which on the Project, would depend upon the cause and timing of such Acceleration Event. Since an Acceleration Event is a matter of fact, the Board is not in a position to speculate the exact-effect of the occurrence of which on the Project as of the date of this Circular. Subject as aforesaid, the Board would consider that an Acceleration Event relating to bankruptcy or insolvency of the Company, Infinite Sky and/or New Trinity (i.e. the Acceleration Event described in (h) as referred to the section headed "5) Acceleration Event" in the Letter from the board), the change of control of the Company, which the new entity having control of the Company does not have a good reputation (whether of management, business, financial or otherwise), or a material breach by Infinite Sky of certain covenants in the Share Purchase Agreement (i.e. the Acceleration Event described in (i) as referred to the section headed "5) Acceleration Event" in the Letter from the board) may have a larger negative impact, as it relates to the reputation of the Group. And the later the occurrence of an Acceleration Event (leading to a termination of the Share Purchase Agreement) should pose a lesser negative impact on the Project. For example, if the Acceleration Event occurs at the time when most of the Required Approvals have been obtained, the impact in this regard on the Project should be less than that if the Acceleration Event occurs at the time when none of the Required Approvals have been obtained. SAM is a private company incorporated in Brazil and is principally engaged in the identification and exploration of iron mineral resources in Minas Gerais and Bahia.

The following information on SAM and the Project is provided by VNN:

Location

Blocks 8 and 7 are located approximately 410km north of Belo Horizonte, the capital of Minas Gerais. Block 8 is located approximately 48km to the southwest, and Block 7 is located approximately 38km to the northwest, of the town of Salinas. The straight-line distance between the two blocks is 25km.

Blocks 8 and 7 can be accessed from Belo Horizonte (the capital of Minas Gerais) via Federal roads BR-135 and BR-251 and by local paved and unsealed roads.

The climate in the region is semi-arid and the local altitude varies from 600 meters to 1,000 meters. Given that the Company is still carrying out Initial Scope of Work such as drilling and processing testwork while no production process has yet been commenced, the surrounding infrastructure (including access roads, power supply, water, telecommunications and availability of general supplies for SAM's current needs and of its personnel) is considered adequate for SAM's current needs with road access to the major towns in the region. Power is available through either the national or local grid. The nearest ports to the region are located approximately 400km in a straight line from Blocks 8 and 7. Montes Claros is the closest airport, with regular commercial flights from Belo Horizonte and Sao Paulo, and is located approximately 150km to the west of Block 8.

Permits

As of the date of the Share Purchase Agreement, SAM and its affiliates held 85 Exploration Permits (of which 5 were in application process and 7 permits held by its affiliates which were in the process of being transferred to SAM) covering an area of approximately 122,091.87 ha. In addition, as of the date the Share Purchase Agreement, SAM also had outstanding bid for 19 Exploration Permits. The permits are grouped into nine exploration areas identified as Blocks 5 to 13, located along a mineralized trend of approximately 270km in the north of Minas Gerais (Blocks 6 to 13) and the south of Bahia (Block 5). SAM does not possess any exploitation rights for Block 5 to 13. Blocks 5 to 13 are not adjacent to and/ or have any relationship with the three exploration licenses held by Xianglan Brazil under the previous acquisition. The location of Blocks 5 to 13 is about 350 km away from the nearest of the 3 exploration licenses held by Xianglan Brazil.

As at the Latest Practicable Date, SAM and its affiliates holds 83 Exploration Permits (of which 1 are in application process and 2 permits held by its affiliates where were in the process of being transferred to SAM) covering an area of approximately 115,459.64 ha. As compared to the date of Share Purchase Agreement, the application of 4 Exploration Permits under Block 7 was denied by the DNPM but is subject to appeal for rectification of the decision. As advised by the management of SAM, according to the Brazilian Mining Code, (i) if a claim is relinquished, the first claim made in it's stead receives priority for that area; (ii) if a permit is relinquished, it must be put out to bids. SAM is of the view that the questioned areas were claims and were relinquished. SAM filed the claims and under such circumstances, SAM should entitle a priority claim according to the Brazilian Mining Code. The DNPM however submitted them to bids after SAM filed the claims and these bids were won by a third party. As at the Latest Practicable Date, the management of SAM is discussing with its legal adviser on DNPM's decision and had appealed for rectification of DNPM's decision and is awaiting a ruling. Further, two additional Exploration Permits under Block 7 and Block 9 were filed subsequent to the announcement dated 16 April 2010 and currently one is under application process whereas another one has been successfully approved and currently held by SAM. In addition, as of the Latest Practicable Date, SAM also has outstanding bid for 22 Exploration Permits. The management of SAM believes that the areas do not contain significant mineralizations, but would provide Block 7 with additional space for tailings dam, waste deposit and possible water reservoir. The Board is of the view that such changes in Exploration Permits are not uncommon in the normal course of business and has no reason to doubt the belief of SAM's management being not reasonable.

Details of the Exploration Permits are as follows:

a) Exploration Permits hold by SAM:

No.	State	DNPM Process	Block	Period			Areas covered approx. (ha)
				Validity / Until	Extension Requested	Extension Granted Until	
1	MG	830018/2006	7	23 Nov 2009	16 Sep 2009	31 May 2013	2,000
2	MG	830019/2006	7	23 Nov 2009	15 Sep 2009	21 Jan 2012	2,000
3	MG	830037/2006	13	14 Dec 2009	16 Sep 2009	21 Jan 2012	15.1
4	MG	830038/2006	7	28 Nov 2009	16 Sep 2009	19 May 2013	2,000
5	MG	830234/2006	REGIONAL	29 Dec 2009	05 Oct 2009	19 May 2013	1,666.73
6	MG	830281/2007	9	14 Oct 2011	–	–	1,617.44
7	MG	830282/2007	9	14 Oct 2011	–	–	1,645.46
8	MG	830283/2007	12	14 Oct 2011	–	–	1,894.83
9	MG	830284/2007	12	14 Oct 2011	–	–	1,898.72
10	MG	830285/2007	12	14 Oct 2011	–	–	1,539.33
11	MG	830286/2007	12	14 Oct 2011	–	–	1,873.2
12	MG	830291/2007	11	14 Oct 2011	–	–	1,788.23
13	MG	830302/2007	10	14 Oct 2011	–	–	1,139.62
14	MG	830309/2007	12	14 Oct 2011	–	–	1,470.21
15	MG	830310/2007	12	14 Oct 2011	–	–	464.99
16	MG	830313/2007	12	14 Oct 2011	–	–	1,491.82
17	MG	830318/2007	REGIONAL	14 Oct 2011	–	–	1,917.56
18	MG	830321/2007	11	14 Oct 2011	–	–	1,982.61
19	MG	830324/2007	REGIONAL	14 Oct 2011	–	–	1,227.73
20	MG	830327/2007	10	30 Jul 2011	–	–	2,000
21	MG	830328/2007	10	30 Jul 2011	–	–	2,000 *(note 1)*
22	MG	830329/2007	10	14 Oct 2011	–	–	1,423.81
23	MG	830332/2007	10	14 Oct 2011	–	–	1,069.15
24	MG	830333/2007	10	30 Jul 2011	–	–	2,000
25	MG	830334/2007	10	30 Jul 2011	–	–	2,000
26	MG	830335/2007	10	30 Jul 2011	–	–	2,000 *(note 1)*
27	MG	830336/2007	10	14 Oct 2011	–	–	1,947.7
28	MG	830337/2007	10	15 Sep 2011	–	–	2,000
29	MG	830338/2007	10	30 Jul 2011	–	–	2,000
30	MG	830339/2007	10	30 Jul 2011	–	–	2,000
31	MG	830341/2007	10	30 Jul 2011	–	–	2,000
32	MG	830342/2007	10	18 Feb 2012	–	–	1,941.69 *(note 1)*
33	MG	830343/2007	10	30 Jul 2011	–	–	2,000
34	MG	830363/2007	10	15 Sep 2011	–	–	2,000
35	MG	830583/2006	REGIONAL	16 Mar 2010	14 Jan 2010	30 Jun 2013	912.57
36	MG	830651/2007	REGIONAL	14 Oct 2011	–	–	921.24
37	MG	830652/2007	REGIONAL	14 Oct 2011	–	–	374.54
38	MG	830656/2007	13	30 April 2012	–	–	682.72
39	MG	830657/2007	13	14 Oct 2011	–	–	1,348.18
40	MG	830664/2007	13	14 Oct 2011	–	–	1,891.48
41	MG	830669/2007	13	18 Feb 2012	–	–	1,260.84
42	MG	831026/2007	13	11 Mar 2012	–	–	302.25 *(note 2)*
43	MG	831027/2007	REGIONAL	11 Mar 2012	–	–	1,166.27 *(note 2)*
44	MG	831028/2007	8	13 May 2011	–	–	956.84
45	MG	831029/2007	8	13 May 2011	–	–	1,667.11

No.	State	DNPM Process	Block	Period			Areas covered approx. (ha)
				Validity / Until	Extension Requested	Extension Granted Until	
46	MG	831272/2007	9	04 Apr 2012	–	–	1,814.96 *(note 3)*
47	MG	831274/2007	REGIONAL	18 Feb 2012	–	–	1,541.21
48	MG	831519/2008	7	26 Aug 2012	–	–	722.94
49	MG	831561/2006	REGIONAL	09 May 2010	10 Mar 2010	30 Jun 2013	1,178.1
50	MG	831566/2006	REGIONAL	09 May 2010	10 Mar 2010	30 Jun 2013	1,985.33
51	MG	831567/2006	REGIONAL	09 May 2010	10 Mar 2010	30 Jun 2013	1,814.88
52	MG	831582/2006	REGIONAL	05 May 2010	10 Mar 2010	27 Sep 2012	2,000
53	MG	831587/2006	REGIONAL	09 May 2010	10 Mar 2010	30 Jun 2013	2,000
54	MG	831588/2006	REGIONAL	22 Jun 2010	10 Mar 2010	30 Jun 2013	1,911.69
55	MG	831593/2006	REGIONAL	22 Jun 2010	17 Apr 2010	30 Jun 2013	1,543.92
56	MG	832587/2006	7	12 Sep 2010	9 Jul 2010	20 Aug 2012	1,930.68
57	MG	832948/2006	REGIONAL*	19 Feb 2011	–	–	2,000
58	MG	832951/2006	REGIONAL*	19 Feb 2011	–	–	420.63
59	MG	832952/2006	REGIONAL*	19 Feb 2011	–	–	1,779.52
60	MG	832953/2006	REGIONAL*	28 Sep 2010	27 Jul 2010	(note 4)	812.09
61	MG	832954/2006	REGIONAL*	19 Feb 2011	–	–	899.83
62	MG	832955/2006	REGIONAL*	19 Feb 2011	–	–	586.91
63	MG	832956/2006	REGIONAL*	19 Feb 2011	–	–	1,183.58
64	MG	832957/2006	REGIONAL*	19 Feb 2011	–	–	1,173.23
65	MG	832958/2006	REGIONAL*	19 Feb 2011	–	–	1,605.24
66	MG	833047/2005	6	23 May 2009	23 Mar 2009	17 Aug 2011	1,000
67	MG	833190/2005	REGIONAL	16 Mar 2010	14 Jan 2010	30 Jun 2013	57.61
68	MG	833196/2005	13	23 Nov 2009	16 Sep 2009	30 Jun 2013	1,522.03
69	BA	871534/2006	5	20 Oct 2009	19 Aug 2009	23 Apr 2013	821.02
70	BA	872785/2008	5	01 Aug 2011	–	–	390.3
71	BA	873859/2007	5	13 Dec 2010	8 Oct 2010	(note 4)	988.1
72	MG	834114/2008	REGIONAL	27 Nov 2012	–	–	378.03
73	MG	834115/2008	12	27 Nov 2012	–	–	1,723.91
74	MG	834200/2007	REGIONAL	18 Feb 2012	–	–	1,796.17
75	MG	834201/2007	REGIONAL	10 Nov 2012	–	–	1,486.72
76	MG	834204/2007	REGIONAL	27 May 2012	–	–	1,818.92
77	MG	834205/2007	REGIONAL	27 May 2012	–	–	1,022.98
78	MG	834210/2007	REGIONAL	02 Apr 2012	–	–	1,261.71
79	MG	830739/2009	7	17 Aug 2013	–	–	4.11
80	MG	830859/2010	9	17 Sep 2013	–	–	5.85

* SAM is in the process of communicating with DNPM to change these exploration Permits from copper to iron ore. The change of the ore does not impact the validity and/or term of the Exploration Permits, and there is no specific requirement to obtain DNPM approval for change of ore in the Exploration Authorization phase.

Notes:

1. The area is reduced by DNPM to exclude area covered by hydro power plant.

2. The area is reduced by DNPM to exclude area covered by environmental conservation area.

3. The area is reduced to exclude area within a State Park.

4. Approval for the extension request is pending from DNPM.

b) In application process:

No.	State	DNPM Process	Block	Application Date	Areas covered approx. (ha)
1	MG	833403/2010	9	31 Aug 2010	760.91

According to the Company's Brazilian legal advisor based on its understanding of the applicable laws and regulations and practice of the DNPM and subject to filing of necessary documents and provision of necessary information, the Directors do not expect any material legal impediments for the above applications to be approved.

c) Transfer from SAM's affiliates pending approval from DNPM:

				Period			Areas covered approx.
No.	State	DNPM Process	Block	Validity / Until	Extension Requested	Extension Granted Until	(ha)
1	MG	834202/2007	REGIONAL	11 Mar 2012	–	–	1,748
2	BA	870999/2006	5	16 Jun 2009	17 Apr 2009	9 Mar 2013	268.52

d) Outstanding bids:

No.	State	DNPM Process	Block	Areas covered approx. (ha)
1	MG	831810/2006	12	1,759.57
2	MG	831811/2006	12	2,000
3	MG	831812/2006	12	1,127.59
4	MG	831813/2006	12	2,000
5	MG	831815/2006	12	1,141.01
6	MG	831816/2006	12	1,739.89
7	MG	831817/2006	12	1,552.59
8	MG	831819/2006	12	1,939.08
9	MG	831820/2006	12	1,294.25
10	MG	831824/2006	12	1,905.26
11	MG	831825/2006	12	1,695.28
12	MG	831826/2006	12	2,000
13	MG	832084/2006	8	1,611.30
14	MG	832085/2006	8	1,202.2
15	MG	832086/2006	8	2,000
16	MG	832087/2006	8	1,591.55
17	BA	874502/1994	5*	831.74

No.	State	DNPM Process	Block	Areas covered approx. (ha)
18	BA	874512/1994	5*	826.8
19	MG	833189/2005	7	328.67
20	MG	835045/2007	9	1,683.71
21	MG	834007/2007	8	1,678.68
22	MG	834008/2007	8	1,351.85

* The two bids related to Block 5 were initially awarded to SAM. A third party participant in the bid filed two consecutive appeals with the DNPM which were denied. A third appeal was filed with the Ministry of Mines and Energy which was accepted. SAM has appealed this decision and is awaiting a ruling. There is no time schedule for the ruling to take place.

MG: Minas Gerais
BA: Bahia
"Regional" represents properties with minor or no exploration and which have not been allocated a block number.

As disclosed above, 4 Exploration Permits of Block 7 is under extension request. According to the Company's Brazilian legal advisors, the Directors do not expect any material legal impediments for SAM to obtain the requested extension and approvals for the applications. In relation to the 6 Exploration Permits under Block 8 under outstanding bids, they took place after the signing of MOU and hence would not affect the current resource estimation as disclosed in this Circular. The Board considers that the loss of individual exploration licenses will not affect the Director's assessment on the Consideration.

As disclosed in the announcement of the Company dated 18 November 2009 in relation to the MOU, SAM, together with its affiliates, hold the mineral rights to 94 Exploration Permits as at the date of the MOU. In the period between the date of the MOU and the date of the Share Purchase Agreement, SAM has relinquished 9 Exploration Permits to DNPM. The relinquishing of 9 Exploration Permits to DNPM was suggested by VNN and agreed by the Company that based on the work performed by VNN, the 9 Exploration Permits have no economic and commercial value. All the 9 relinquished exploration permits are classified as "Regional", i.e. they do not belong to any block. The exclusion of those 9 exploration permits does not affect the Directors' assessment on the Consideration as those permits were not included in Blocks 5 to 13 of the Project.

If SAM is not granted the permits, licenses and approvals as planned or in a timely manner, our business operations could be adversely affected. For relevant risk factors, please see "Risk Factor – We may not be able to obtain relevant permits and licenses for the mining activities in Brazil." in the section "Letter from the Board" to this Circular.

Unless SAM deems the Exploration Permits as being of no interest, in which case an extension will not be requested and the permits will be relinquished, SAM must file an extension request for all other exploration permits at least 60 days prior to its expiration date. As advised by SAM's management, they are confident that if the extension requests are filed in observance with the regulatory requirements, there is no reason to believe that such extensions will not be granted.

Geology and mineralogy

The iron mineral deposits of Blocks 8 and 7 are composed of iron-rich diamictites of Neoproterozoic age, developed in a distal glacial-marine environment with probable hydrothermal contribution and precipitation of iron-rich fluids. The mineralization comprises hematite and hematitemagnetite diamictites, with subordinated hematite quartzites and rare hematite schist layers, the latter in general representing mylonitic zones associated with the regional deformation.

Hematite and magnetite, followed by subordinated goethite, are the main iron minerals in the deposits, with hematite largely predominant in Block 8 and hematite and magnetite in equal amounts in Block 7. Phosphorus occurs almost exclusively as apatite in Block 8, and in Block 7 a minor part of the phosphorus occurs associated with iron hydroxides.

Resources

The Block 8 ore body is approximately 5.5km long and has an average width of 3.1km with an average thickness of 79 meters and general attitude of N-S/15-22E. The mineralization in Block 8 is thicker and has higher grades to the east, indicating high resource potential along the dip of the deposit.

The Block 7 ore body extends over 11.2km and has an average width of approximately 1.38km and an average thickness of approximately 60 meters. The attitude of the northern portion of the ore body is N40E/10-15SE and the southern portion's attitude is N70E/15-18SE.

Due to the low-angle dip of the mineralization, the strip ratio for both Blocks is low.

As at the date of the Share Purchase Agreement, advanced exploration, development and test work has been performed on Blocks 8 and 7 covering an exploration area of approximately 2,600ha and 7,900ha, respectively, including surface and geophysical mapping (1:10,000 scale), diamond drilling and sampling, following strict quality assurance/quality control procedures.

The exhibit below summarizes the mineral resource estimation (in compliance with JORC standard) as stated in the technical report set out in Appendix VI of this Circular prepared by Coffey Mining, an independent expert for resource estimate, mine plan and tailings:

Block 8 – 14% Fe Lower Cutoff Grade Applied
Block 7 – 15% Fe Lower Cutoff Grade Applied

Deposit	Category	Million tons	Fe (%)
Block 8	Indicated	214	21.9%
	Inferred	1,571	20.0%
	Total	1,785	20.3%
Block 7	Indicated	25	21.7%
	Inferred	1,031	20.6%
	Total	1,056	20.6%
Total		2,842	20.4%

Source: Coffey Mining

The mineral characteristics of the resource are:

- Block 8 – 25% friable; 35% semi-compact; 40% compact; and
- Block 7 – 13% friable; 46% semi-compact; 41% compact.

Drilling on Block 8 and Block 7:

Based on the technical report as of 30 June 2010 and the management of SAM, for Block 8, the following drilling at Phase 1 has been performed by SAM:

- Initial drilling in 2008 comprised 42 drill-holes, spaced 400 x 400m, locally 800 x 800m, drilled depth between 52m to 201m, totaling 4,764m
  - 39 to the west of the Lamarao Creek Valley
  - 3 along the valley of Lamarao Creek to test the down-dip mineralization
  - Mineralization thickness: 6m to 184m
  - Mainly hematite, with magnetite and goethite in amounts less than 0.1%
- 3 additional holes were drilled exclusively for the acquisition of material for beneficiation tests, totaling 390m.

- Drilling in late 2009 comprised 7 holes with depth between 65m to 264m, totaling 1,105m. All of the 7 holes were drilled along the Lamarao Creek valley, in an irregular grid.

Based on the technical report as of 30 June 2010 and the management of VNN, for Block 7, the following drilling at Phase 1 has been performed by SAM:

- 53 drill-holes up to date, spaced 400 x 400m, locally 800 x 800m, drilled depth between 24m to 270m, totaling 6,617m.

New drilling on Block 8:

As at 27 October 2010, for Block 8, the following new drilling has been performed by SAM since 1 May 2010:

- 286 drill-holes up to date, spaced 400 x 400m, locally 200 x 200m, drilled depth between 17m to 359m, totaling 41,579m.

  – Mineralization thickness: 3m to 333m.

  – Hematite, mainly specularite, with few magnetite.

The existence of iron ore in the remaining blocks has been identified after the airborne geophysical survey, however, no drillings in other blocks have yet been commenced.

Potential resources

Coffey Mining has estimated additional potential resources of approximately 3,700 million tons in Block 8, and 2,500 million tons in Block 7, totaling over 6,000 million tons of estimated additional potential resources with mineralization confirmed during surface mapping. These potential resources require further evaluation to be confirmed.

SAM also holds mineral exploration rights to Blocks 5, 6, 9, 10, 11, 12 and 13, with iron ore mineralization identified in all of them and with potential for the delineation of new deposits.

Based on the data provided by VNN and SAM which was not prepared under JORC Code:

- Blocks 5 and 6 has estimated resources of approximately 200 million tons with grades between 32.9% to 65.2%, 15 drill-holes totalling 1,027 metres, 35 trenches.

- There is potential for multi-billion tons as Blocks 9, 10 and 11, however no drilling has been performed.

- A very long trend of approximately 22 kilometres was found in Block 12 furthering an additional length of 35 kilometres outside the mining area. Ore grades from the block are between 22% iron and 68.2% iron. There is potential for multi-billion tons, however no drilling has been performed.

- An approximately 9.2 kilometre long trend was found in Block 13 with an average thickness of 50 metres. There is potential for over 1.1 billion tons of iron ore, however no drilling has been performed.

SAM's blocks are located adjacent to iron mineral deposits and prospects owned by other exploration, mining and steel companies, including local companies and Anglo American ("Anglo"), one of the world's largest diversified mining and natural resource groups, Companhia Siderurgica Nacional ("CSN"), one of the largest and most competitive integrated steel companies in Latin America, and Vale ("Vale"), a mining company headquarted in Brazil.

The Company will focus on Blocks 7 and 8 and there is currently no development plan and timetable of the remaining blocks (Blocks 5, 6, 9 to 13).

Mining

SAM's project will consist of two open pit mines (Block 8 and Block 7), which together will produce an annualized 25 million tons of pellet feed by the second half of 2014, with an average annual ore throughput of approximately 123 million tons and waste of approximately 39 million tons. The Project's conceptual mine plan and tailings disposal plan were prepared by Coffey Mining. The plans envisage utilization of mined areas of the open pits for tailings disposal.

Beneficiation

A flowsheet has been designed for Blocks 8 and 7 to produce 25 million tons per annum of pellet feed grading minimum 65% Fe, with an overall iron recovery of 65.3%. SAM has developed a cost efficient process route to economically process its ore, consisting of conventional processes such as gravitational concentration using spirals, classification using hydrocyclones and reverse cationic flotation. Hatch has reviewed the feasibility of the proposed processing route and the Project's estimated capital expenditures and operating costs, and concluded that the proposed processing route is technically feasible.

Transportation and infrastructure

a) Pipeline

The Company currently expected that the pellet feed will be transported as a slurry by a pipeline, approximately 493km in length, from the concentration plant to Porto Sul, located in Bahia. There is infrastructure (involves access roads, power supply, water, telecommunications and availability of general supplies for the company and its personnel) with road access to the major towns in Salinas, Brazil. Additional

studies will be necessary to determine the need for specific infrastructure such as access roads for the mine and plant, power transmission lines, water pipeline, and housing for employees. Certain detailed engineering plans need to be prepared prior to defining many of these specific infrastructure requirements.

b) Port

SAM is currently negotiating with the Bahia Government the format of the partnership between SAM and the Bahia Government for the construction and operation of the port facilities. The Company currently expected that SAM will export its pellet feed production from the Port. Porto Sul will be located in an area of 1,770ha, approximately 25km north of the city of Ilheus. Detailed infrastructure will, however, subject to further detailed studies by relevant experts as the studies are relating to the optimization of the Project. For instance, the location of the infrastructure and the type of port model (either public or private) to adopt will depend on the result of the studies. Hence, the construction plan such as design and costs of the Project would be affected.

The above mentioned infrastructure may be subject to extensive governmental regulations, policies and controls. For relevant risk factors, please see "Risk Factors – We may not be able to obtain relevant permits and licenses for the mining activities in Brazil" in the section "Letter from the Board" to this Circular.

Supply of labour

SAM estimates that it will need to employ 16 management, 63 engineers, 322 technicians and 2,130 operating employees, which will amount to 2,531 employees (for full production of 25 million tons per annum of pellet feed) in total with an annual estimated cost of approximately BRL137 million.

The Project also contemplates the hiring of contractors to complement the labour force, at an additional annual cost of approximately BRL37.3 million.

FOB Cost structure

Based on analysis and studies of VNN to evaluate the economic value of the Project and studies carried out on various aspects of the Project in the period from March 2009 to June 2010, assuming (i) the exchange rate of BRL1.80 to US$1.00; and (ii) meeting the production schedule of the yearly production reached 25 million tons at an overall iron recovery of 65% Fe or above, taking into account operating expenses estimated requirement of mining, beneficiation, pipeline, port and other miscellaneous operational costs, the free on board operating cost is estimated at US$23.73/ton of pellet feed. As the Project has been reviewed and reported on by various independent experts as detailed in the section headed "Assessment of the Project" in the Letter from the Board of this Circular and considering the further due diligence work performed by the Board as detailed in the section headed "Further due diligence performed by the Board" in the Letter from the Board of this Circular, the Board has no reason to doubt VNN's belief being not reasonable.

For reference purpose, as extracted from the table "Mysteel Price Index of imported iron ore in the PRC on 29 October 2010" 29日Mysteel進口鐵礦石指數 in the industry website "mysteel.com", the FOB selling price of iron ore (65% Fe) manufactured in Brazil and delivered to Tianjian, China as at 29 October 2010 was approximately US$136/ton. However, investors should note that the above FOB cost and selling prices are for reference only and does not represent the actual transaction price which will always be subject to the market conditions. Consequently, the Board expresses no opinion as to how the actual transaction prices in the future will correspond with the above FOB prices.

The above estimate involves uncertainties and is subject to change. For relevant risk factors, please see "Risk factor – The resource data and estimated costs cited in this Circular are estimates and may be inaccurate." in the section "Letter from the Board" to this Circular.

Capital expenditure

SAM engaged and has retained the following professional entities in their specialty fields of expertise:

Coffey Mining, for the resource estimate and Scoping Study for the Mine; Hatch Ltd, for a review and validation of the beneficiation process; Ausenco PSI, for the Scoping Study for the pipeline; Sandwell Ausenco, for the Scoping Study for the port.

According to the website of Coffey Mining, Coffey Mining specializes in performing studies and providing consulting services worldwide regarding the minerals industry for more than 20 years. The projects consulted by Coffey are located in more than 80 countries and regions. Coffey has set up branch offices in Australia, Brazil, Canada, Ghana, South Africa and Zambia. With regards to experience relating to iron minerals, Coffey Mining has acted as technical adviser in over 100 iron ore projects for more than 30 clients in Australia, Sierra Leone, Brazil, Congo, Norway, Mauritania, Liberia, Guinea, Ukraine, Cameroon and Columbia.

According to the website of Hatch, Hatch Ltd is a world-leading engineering firm with an experience of over 50 years. It is engaged in more than ten fields and services, including but not limited to advising on different processes of mining, such as exploration and mine planning, beneficiation, pelletizing, and infrastructure development. Over the years, Hatch Ltd has been engaging in projects around the world such as South Africa, China, Canada, USA, Brazil and Australia for clients in the metals, infrastructure and energy market sectors.

According to the website of Ausenco, Ausenco PSI is the recognised world leader in the design and delivery of state-of-the-art long-distance slurry pipeline systems. Ausenco PSI specializes in the engineering and design of long-distance pipelines, tailings management systems and integration for over 30 years. Ausenco PSI was involved in several sizable projects for clients over the world including USA, Brazil, India, Argentina, China, Chile and Canada, etc. Some of its clients are the largest iron ore producers in 2010 such as Vale Group and Anglo American Group.

According to the website of Ausenco, Sandwell Ausenco specializes in the design of major ports, terminals, large-scale industrial and public infrastructure assignments, and it has more than 75 years of experience in the design of public infrastructure. Sandwell Ausenco has designed over 400 major ports and terminals and over 100 large-scale industrial and public infrastructure assignments, and completed over 5,000 transport projects.

Based on preliminary assessment of relevant experts, the estimated initial total capital expenditure in mining, beneficiation, pipeline and port is expected to be around US$2,999 million (based on the exchange rate of BRL1.80 = US$1.00), breakdown of which is as follows:

	US$ million
Prefeasibility study *(Note 1)*	35
Mining	372
Beneficiation	1,049
Other mine site infrastructure *(Note 2)*	150
Pipeline	1,003
Port	390
Estimated initial total capital expenditure for the Project	2,999

Note 1: The cost of the prefeasibility study is a pre-production cost used for completing the Initial Scope of Work and is to be financed by the loan advanced by the Company to SAM under the Loan Agreement.

Note 2: The cost of other mine site infrastructure incurred represents the cost for initial review of power supply sources.

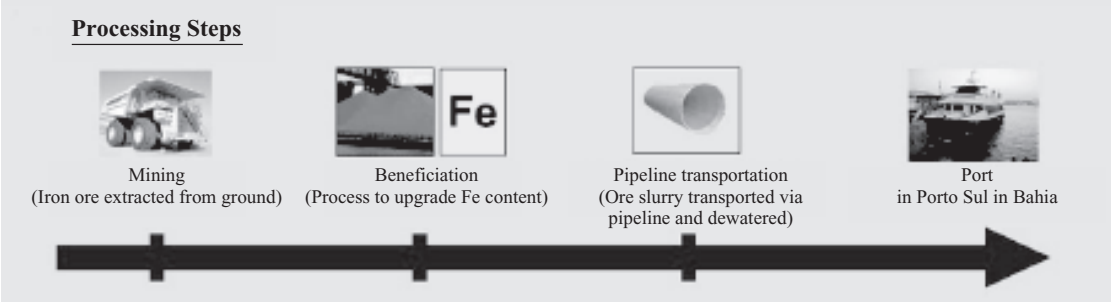
The main reason for the increase in total capital expenditure is the appreciation of BRL relative to the US$. At the time of the initial estimates as disclosed in the announcement of the Company dated 16 April 2010, the prevailing exchange rate was approximately BRL2.20 / US$. It is currently around BRL1.80 / US$, thus having an approximately 22% appreciation. Based on the advice of SAM management, the current estimates of initial capital expenditures are based on scoping study level assessments which assume an error factor of approximately +/– 30%.

As the Project has been reviewed and reported on by various independent experts as detailed in the section headed "Assessment of the Project" in the Letter from the Board of this Circular and considering the further due diligence work performed by the Board as detailed in the section headed "Further due diligence performed by the Board" in the Letter from the Board of this Circular, the Board considers that the estimation was conducted on a reasonable basis.

The above estimate involves uncertainties and is subject to change. For relevant risk factors, please see "Risk factor – The resource data and estimated costs cited in this Circular are estimates and may be inaccurate." in the section "Letter from the Board" to this Circular.

Processing Steps

It is expected that the iron ore will be extracted and processed in Minas Gerais and Bahia, then transported as slurry to Porto Sul in Bahia.



Expected Timetable of the Project

Start Date	–	the date of the initial disbursement under the Loan Agreement (i.e. 19 April 2010)
Resource Confirmation Date	–	9 months to 1 year after the Start Date
Closing Date	–	10 Business Days after the Resource Confirmation Date
Approval Date	–	no concrete timetable, subject to the approvals and permits in relation to the commencement of construction of the mine, plant, pipeline and the Port by the relevant governmental departments in Brazil. Considering necessary various studies, analysis and negotiation with governmental bodies to obtain the approvals, based on the experience and advice of VNN, it is expected that the period required will be approximately 24 months from the Start Date
Mining Production Commencement Date / Commencement date of exploitation	–	no concrete timetable, subject to the Approval Date. It is expected that the period required will be approximately 36 months to 48 months from the Start Date, taking into account the estimated time needed to construct the required infrastructure after the Approval Date
Port Operation Commencement Date	–	no concrete timetable, subject to the Approval Date. It is expected that the period required will be approximately 36 months to 48 months from the Start Date, taking into account the estimated time needed to construct the required infrastructure after the Approval Date.

Initial Scope of Work

The Initial Scope of Work was determined by both the Company and VNN, including (a) drilling up to 60,000 meters of HQ diamond core drilling with the goal of achieving a resource of (i) at least 0.7 billion metric tons of at least 20 percent iron of Measured Mineral Resource, and (ii) at least 2.8 billion metric tons, in the aggregate, of at least 20 percent iron of Measured Resource and Indicated Resource, (b) performing pilot tests for up to 50 metric tons of iron ore to continue the process route development, (c) developing engineering for the mine, processing plant, pipeline and port to a more advanced engineering level (i.e. the "FEL 2 Level"), (d) producing an environmental impact study to obtain the provisional license for the mine, processing plant, pipeline and Port, and (e) securing provisional water rights concerning the Jequitinhonha River from the Agencia Nacional de Aguas, prior to the Resource Confirmation Date, as amended, modified or supplemented from time to time in accordance with the terms of the Management Services Agreement.

Based on the management of SAM, since the signing of Share Purchase Agreement, status of different Initial Scope of Work as of the Latest Practicable Date sets out below:

Event	**Status**
Drilling	Block 8 ● 41,579 meters have been drilled in 2010 (up to 27 October 2010) of the estimated 60,000 meters drilling program: – Started on 1 May 2010 – 4 rigs in May and going to 9 rigs after receiving the Vegetation Suppression License ("ASV") – Drilling to be completed in early January 2011 (9 rigs = 8,000 meters/month) ● Detailed geological mapping (1:2,000) is in progress. Experts have been appointed to prepare resource calculation including new drilling program
Processing Testwork	● Bench scale tests were done for all process operations involved ● Pilot tests were done for spirals and started for quartz flotation ● For processing test work for iron ore (floatation), only semi pilot plant tests were applied. Once the next round of bench scale tests is completed satisfactorily for the various ore compositions that will be mined, a complete pilot plant test program will be conducted ● Composite samples were tested (resource average) ● Characterization of deposit's full scope of lithotypes were initiated. Experts have been appointed to assist SAM in developing the beneficiation process

Engineering	Plant ● Experts have been appointed to assist SAM with the FEL 2 level engineering of the Beneficiation Plant Pipeline ● Experts have been appointed for FEL 2 extended engineering development Port ● Pending decision of Bahia government on which port model to adopt, either private port or public port Power ● CEMIG informed that the plant will need to be supplied through the national power lines ● Determination of the point of connection for the power line must follow MME's rules. A minimal global cost study must be developed
Environmental	Block 8 ● ASV is applied on 2 June 2010 ● ASV is obtained on 15 June 2010 ● After receiving the ASV, drilling has commenced at the Lamarao Valley Block 7 ● Landowners authorizations and acquisition of necessary documents have been conducted by Integratio. Some border negotiations between landowners have been identified and must be resolved prior to filing of ASV licenses ● ASV will be applied as soon as landowner negotiations have been resolved Mine and pipeline ● Terms of reference and scope of work have been agreed with IBAMA ● IBAMA's on-site inspection visit took place during 12-16 July and no major issues were raised. Provisional water rights ● The provisional water rights were granted to SAM on April 22, 2010, for a volume of 30,730,080 m^3 per year representing approximately 60% of its total water requirements based on currently estimated yearly production of 25 million tons of pellet feed per annum. The provisional water rights for the remaining 40% of its total water requirements is still under negotiation.

Drilling is being conducted by Geosol Geologia e Sondagens Ltda; Resource calculation and Mine Plan Study (FEL 2 level) is being conducted by Golder Associates; Process testwork is being developed by SRK Consulting; Plant engineering (FEL 2 level) is being developed by Minerconsult – SNC Lavalin; Pipeline engineering (FEL 2 level) is being developed by Brass Engineering; and Environmental licensing work is being coordinated by Brandt Meio Ambiente.

Set out below is the estimated capital commitment for each stage of Initial Scope of Work:

	Estimated capital commitment		
Event	**As at the date of Share Purchase Agreement** *(US$ million)*	**As at the Latest Practicable Date** *(US$ million)*	**Estimated completion**
Drilling	16.34	13.52	Jan 2011
Processing Testwork	1.71	1.51	Mar 2011
Engineering	3.22	4.35	Apr 2011
Environmental	2.66	2.94	Dec 2011
Water Rights and DNPM fees	0.28	0.33	Apr 2011
G&A	2.89	2.54	Apr 2011
Contingencies	7.90	0.41	N/A
Total	35.00	25.60	

Subsequent Scope of Work

The Subsequent Scope of Work will be determined by both the Company and VNN referring to the work in respect of resource and/or reserve definition at Block 7 and Block 8 or other Exploration Permits and the consideration and implementation of mining, processing, infrastructure and port facility alternatives that is agreed or to be agreed to in accordance with the Management Services Agreement in relation to any period following the completion of the Initial Scope of Work, as amended, modified or supplemented from time to time in accordance with the terms of the Management Services Agreement. The Subsequent Scope of Work will be more clearly defined as SAM finalizes the various activities being conducted as part of the Initial Scope of Work. However, it is anticipated that the Subsequent Scope of Work will likely include:

(a) Conducting FEL 3 level and detailed engineering studies for the mine, processing plant, pipeline and port;

(b) Finalizing Environmental studies and obtaining the Preliminary License (LP) followed by the Installation License (LI);

(c) Obtaining definitive water rights.

The details of each activity and the experts involved will only be decided by both the Company and VNN at the end of the Initial Scope of Work. As at the Latest Practicable Date, there is no estimated capital requirement for the Subsequent Scope of Work.

Major Required Approvals for the Project

	Required approvals	**Nature**	**Conditions and Requirements**	**Durations covered** *(Note)*
1.	Vegetation Suppression License ("ASV")	License required for limited impact on natural vegetation resulting from the drilling program	None	N/A
2.	Preliminary Environmental License ("LP") (Licenca Previa)	Preliminary environmental license for the mine, plant, pipeline and Port integrated project and to cover land, including surrounding land (areas de influencia), planned to be mined in whole or part in the technical studies prepared in accordance with the Subsequent Scope of Work that immediately follows the Initial Scope of Work	Environmental Impact Studies completed and public hearings held	Expected July 2011
3.	Installation License ("LI") (Licenca de Instalacao)	Installation license for the mine, plant, pipeline and Port integrated project to cover land, including surrounding land (areas de influencia), planned to be mined in whole or part in the technical studies prepared in accordance with the Subsequent Scope of Work that immediately follows the Initial Scope of Work	LP, and fulfillment of measures indicated in the LP	Expected Jan 2012
4.	Mining License (Portarias de Lavra)	Mining License that cover land planned to be mined in whole or part in the technical studies in accordance with the Subsequent Scope of Work that immediately follows the Initial Scope of Work	Economic Feasibility Plan and LI	Expected Jan 2012

	Required approvals	Nature	Conditions and Requirements	Durations covered *(Note)*
5.	Landowners Expropriation Authorization (Servidao)	Eminent domain for the pipeline route	LP, and fulfillment of measures indicated in the LP	Expect Feb 2012
6.	Federal Water License	Right to use of water from rivers that flow through more than one state	LP, fulfillment of measures indicated in the LP and term of reference (initial scope of studies agreed between IBAMA and SAM)	Oct 2011
7.	State Water License	Right to use of water from rivers that flow within a single state	LP, and fulfillment of measures indicated in the LP	Oct 2011
8.	ANTAQ Port Operating License	License to operate a port	LP, detailed engineering studies and Economic Feasibility Studies	Aug 2011

Note: expected date of obtaining the relevant approval

Financial information

Set out below is certain key financial information prepared under International Financial Reporting Standards for the two years ended 31 December 2008 and 2009 and the period from 1 January 2010 to 30 June 2010 extracted from the accountants' report of SAM, as set out in Appendix III to this Circular.

	For the financial year ended		Six months ended
	31 December 2008	**31 December 2009**	**30 June 2010**
	('000)	*('000)*	*('000)*
Turnover	–	–	–
Loss before taxation	BRL1,731 (equivalent to approximately HK$7,911)	BRL13,369 (equivalent to approximately HK$61,096)	BRL4,827 (equivalent to approximately HK$22,059)
Loss for the year	BRL1,731 (equivalent to approximately HK$7,911)	BRL13,369 (equivalent to approximately HK$61,096)	BRL4,827 (equivalent to approximately HK$22,059)

Note: Financial statements prepared in accordance with International Financial Reporting Standards.

The audited net assets of SAM as at 31 December 2009 and 30 June 2010 were BRL25,488,000 (equivalent to approximately HK$116,480,160) and BRL30,415,000 (equivalent to approximately HK$138,996,550) respectively. As disclosed in the announcement in relation to the Acquisition dated 16 April 2010, the net assets of SAM as at 31 December 2009 was BRL37,580,000 (equivalent to approximately HK$166,855,000). The reconciliation of net assets of SAM as at 31 December 2009 is as follows:

	BRL'000
Net assets disclosed in the announcement	37,580
Less: Impairment of intangible assets – exploration and evaluation assets *(note)*	(12,092)
Net assets disclosed in the accountants' report	25,488

The reconciliation on loss before and after taxation of SAM for the two years ended 31 December 2008 and 2009 is as follows:

	For the year ended	
	31 December 2008	31 December 2009
	BRL'000	*BRL'000*
Loss before and after taxation disclosed in the announcement	47	2,961
Add: Impairment of intangible assets – exploration and evaluation assets *(note)*	1,684	10,408
Loss before and after taxation disclosed in the accountants' report	1,731	13,369

Note: The loss before and after taxation of SAM for the years ended 31 December 2008 and 2009 in the Announcement was based on unaudited management accounts of SAM, whilst the loss before and after taxation of SAM in this circular are audited figures. The difference is due to adjustment of impairment made on those expired exploration licenses that were identified as "no commercial and economic value" as such areas did not contain meaningful (or commercial and economic viable) resources after some drilling work performed by SAM.

According to the management of SAM, the impairment was arisen from ordinary course of business of SAM which is risk exploration. The amount represents the cost of mineral exploration incurred which does not form the basis of the consideration amount of SAM. The basis of the consideration of SAM negotiated between the vendor and the Company was mainly based on the quantity of the indicated and inferred resources identified by SAM which does not have material changes from the date of the Share Purchase Agreement to the Latest Practicable Date of the Circular. Accordingly, the Directors consider that the discrepancy between the unaudited management accounts and audited financial statements provided by the sellers does not affect the Board's assessment of this transaction and its recommendation.

Valuation of SAM

Valuation of SAM based on only the indicated resource estimate is approximately US$128 million (approximately HK$992 million), please refer to Appendix VII of this Circular for the valuation report prepared by Roma Appraisals Limited (the "Valuers") which is compiled in accordance with GEM Listing Rules.

For reference purpose, after the announcement of the Acquisition on 16 April 2010, the Directors have also engaged the Valuers to prepare a valuation of SAM based on both the indicated and inferred resource estimate with a valuation of approximately US$608 million (approximately HK$4,712 million). Such valuation has been prepared in accordance with the guidelines set by the Code for the Technical Assessment and Valuation Mineral and Petroleum Assets and Securities for Independent Expert Reports ("VALMIN") established by the VALMIN Committee in Australia. Both Indicated and

Inferred Resources are included in the valuation, despite the lower level of confidence for the estimations of tonnage, densities, grade and mineral content for Inferred Resources. Based on the industry experiences and expertise of Dr. Herman Tso, the competent evaluator of the Valuation report contained in Appendix VII to this Circular, the inclusion of Inferred Mineral Resources was treated by adopting a 50% discount on the Inferred Resources (i.e. using 100% Indicated Resources + 50% Inferred Resources for valuation) due to the higher risk or uncertainty of Inferred Mineral Resources compared to Measured and Indicated Resources. However, Shareholders should note that such valuation is for reference only and is not complied in accordance with the GEM Listing Rules. Shareholders should not place undue reliance on such information. In all cases, Shareholders should consider carefully how much weight or importance Shareholders should attach to or place on such information.

Competitive strengths

Our Directors believe the following strengths are:

a) Competitive FOB cost structure:

SAM's diamictite ore is of lower grade but softer to mine and process than the traditional itabirite ores, requiring much less power to grind. Power is one of the more expensive cost items in the beneficiation process.

Proprietary cost-efficient processing route, reviewed by Hatch, tailored to SAM's ore characteristics enables economical processing of low grade iron ore. The competitive FOB operating cost is contributed by a low strip ratio, low work index, efficient logistics and favorable relief conditions for the construction of the pipeline. The strip ratio refers to the amount of waste measured in tons as a ratio to the amount of are measured in tons that is removed from an open-pit mine. Due to the low-angle dip of the mineralization based on the current preliminary assessment, the strip ratio for both Blocks 7 and 8 is low. Work index indicates relative power requirements to crush or grind rock to a specified smaller size. Based on the review performed by Hatch, as SAM's diamictite ore is softer to mine, it has a relatively low work index. Owing to the use of pipeline and possibility of having SAM's own port, logistics cost was estimated to be lower based on the current studies of the experts.

b) Substantial resources with expansion potential:

Based on iron recovery of 65.3% and the estimated average ore grade of SAM of approximately 20.4%, amount of raw iron ore consumed to produce 1 tonne of pellet feed is 4.93 tons. Considering the production capacity of 25 million tons per annum and mineral resource estimation amounting to 2,842 million tons, it is estimated that a mine life will be at least 20 years. JORC-compliant resources in Block 8 and Block 7 are sufficient to support a mine life of 20 years. Given that the Project will initially focus on Blocks 7 and 8, which Coffey Mining has estimated a preliminary resource level of 2,842 million tons of ROM which is good for a life of mine of at least 20 years with

annual production volume of 25 million tons of pellet feed and with mineralization confirmed during surface mapping, and that SAM also holds mineral exploration rights to Blocks 5, 6, 9, 10, 11, 12 and 13 with identified iron ore mineralization, together with the fact that SAM's Blocks are located adjacent to iron ore deposits owned by other exploration, mining and steel companies which can create possible synergies through, for instance, sharing regional transportation or infrastructure.

c) Support from VNN during the development of the Project:

Grupo Votorantim is willing to support the development of SAM by providing key management team members, as well as access to its extensive local knowledge and network. VNN has committed to be involved and support the project with its management team by way of the Management Services Agreement which was signed together with the Share Purchase Agreement. Mr. Haroldo Fleischfresser was designated by VNN/ Mineral Ventures to be the Project Manager of the Project. Details of his biography has been disclosed under section headed "Management of SAM" in the Letter from the Board of this Circular.

d) Tax and funding incentives:

According to the Brazil legal adviser, SAM is entitled to request certain fiscal and funding benefits given the location of its projects in the northern region of Minas Gerais and the southern region of Bahia. These benefits include reduced income taxes from 25% of profit before tax to 6.25% for 10 years, exemption from certain municipal and state taxes, and reduced cost of funding to corporations and projects that promote economic and social development of those regions. The federal benefits are provided through the Superintendence of Northeast Development ("Sudene") and the governments of Minas Gerais and Bahia. The reduction of State and Municipal taxes that may be granted depends on the specific characteristics of each project to be implemented. Regarding the corporate income tax, the Sudene program may reduce its rate from 25% to 6.25%. Additionally, under Sudene, there are different funding alternatives with regional investment funds, usually under benefited conditions.

As a general rule, the corporate income tax in Brazil is levied at a total rate of 25%. In addition, among other federal taxes, there is the contribution on net profits, which is similar to an income surtax, levied on taxable income at 9% rate. Brazilian Municipalities may impose, among other taxes, tax on services at a maximum rate of 5%. The state value-added tax is levied on the sale of goods at a general rate of 18%.

As a result of the Sudene program, the effective tax rate for SAM (considering both corporate income tax and contribution on net profits levied on taxable income at a rate of 9%) is reduced from 34% to 15.25%.

In addition to the Sudene program, SAM is entitled to require other tax reductions and exemptions promoted by the governments of Bahia and Minas Gerais. For example, in the State of Bahia, the program namely "Desenvolve" is aimed at promoting the local industry and economic integration of the State by providing attractive funding opportunities. The Desenvolve program allows companies to defer the payments of state valued-added tax ("Imposto Sobre Circulação de Mercadorias e sobre Prestações de Serviços Transporte Interestadual e Intermunicipal e de Comunicação") and allows the funding of past due taxes at the long term interest rate.

Given that SAM's production will be exported, the export receipts would be exempt from the payments of the federal tax on gross receipts and capital expenditures, which for a non-export company would be, as a rule, 1.65% and 7.60%, respectively.

Competitive weakness

Since the ore grade is relatively low as compared with other iron ore deposits in Brazil, beneficiation is required in order to upgrade the ore to produce a saleable product. Considering the large volume of material to be treated, efficient processing is critical to manage project capital and operating costs while also meeting product grade and throughput requirements.

Assessment of the Project

The following summarized the Company's assessment (which also taken into account work done by VNN) on the development of the iron ore exploration, mining and production business in Brazil.

Coffey Mining has performed a JORC-compliant resource estimates for Blocks 8 and 7 and a mining plan on the Project. In addition, VNN has commissioned different professional bodies to perform studies on processing, tailings, water availability, pipeline, port, rail and environmental in relation to the Project.

On mining plan and tailings, based on the information provided by VNN, the Project will consist of two open pit mines (Block 8 and Block 7), which together is estimated to be able to produce an annualized 25 million tons of pellet feed by the second half of 2014. The Project conceptual mine plan and tailings disposal plan were prepared by Coffey Mining. The plans envisage utilization of mined areas of the open pits for tailings disposal.

On processing, based on the information provided by VNN, SAM has undertaken extensive ore characterization studies, bench and pilot scale testwork and has developed a process route to economically process its ore, consisting of conventional processes such as gravitational concentration with spirals, classification using hydrocyclones and reverse cationic flotation.

The development of the process route comprises:

- Ore studies (chemical composition per fraction, mineralogy characterization, lithology, description, work index, compactness distribution, liberation degree of iron oxides and ore density);
- Exploratory tests on bench scale, considering several technologies of ore concentration such as direct flotation of iron minerals, magnetic separation and gravitational concentration;
- Extensive tests with the most promising technologies; and
- Continuous pilot tests (small scale) using the sequence of operations as designed in the process route.

Based on the results of the concentration tests, it was possible to determine with a degree of confidence that the iron recovery is 65.3%. All testwork was performed with core samples that were representative of the deposit (chemical composition, compactness distribution and lithology). The amount of each sample tested was sufficient to reproduce the process.

On water availability, based on the information provided by VNN, the preliminary estimate of the water requirements for the Project by VNN is approximately 50 million cubic meters per annum, comprising 12 million cubic meters for the pipeline and a further 38 million cubic meters for the processing plant. Water requirements for the beneficiation process will be re-assessed once the Project's processing route is finalized. If additional water is required, other sources close to Block 8 and Block 7 will be evaluated.

On pipeline and port, based on the information provided by VNN, it is expected that the pellet feed will be transported as a slurry by a pipeline, approximately 493km in length, from the concentration plant to Porto Sul, located in Bahia. SAM will export its pellet feed production from the Port. Porto Sul will be located in an area of 1,770ha, approximately 25km north of the city of Ilheus, and will be mainly dedicated to the export of pellet feed with a total handling capacity of 50 million tons per annum. A loading terminal will be located approximately 2.4km from the coast with a 19 meter draft, suitable for capesize vessels.

On environmental, Block 8 and Block 7 are located in a region with predominantly savanna vegetation, in great part adversely affected by the eucalyptus plantations and exploitation of native vegetation. Based on the review performed by VNN's adviser, the possible environmental impacts in the areas of Blocks 8 and 7 and concluded that the Project should be approved from an environmental perspective, provided that best practice environmental standards are adopted. As advised by the Brazil legal adviser, based on the report of "AMS Consultoria Ambiental" provided by VNN, they do not expect any legal hurdles for the Project approval from the

environmental law perspective. On this basis, the Board agrees with the view of VNN that the Project should be approved from an environmental perspective, provided that best practice environmental standards are adopted.

Further due diligence performed by the Board

The Company has appointed Felsberg e Associados, a law firm in Brazil experienced in mining transactions to perform the legal due diligence of the Project and Terco Grant Thornton, a member of Grant Thornton International in Brazil to perform financial due diligence on the Project.

In addition, as disclosed in the Company's announcement dated 18 December 2009, the Company has sent a team of technical experts to Brazil led by the Company's CEO to carry out technical inspection of the iron ore resources and conducted interviews with the local government officials.

Upon review of the studies commissioned by VNN and upon completion of the above mentioned due diligence trip to Brazil, the preliminary findings of the Project by the Board are as follows:

1. Information provided by VNN is true and credible.

2. Grades of iron ore can be higher than 20% Fe.

3. Beneficiation techniques are feasible, more tests are needed to determine the most economically efficient route.

4. Proposal of pellet feed transferred by pipeline is feasible.

5. Conditions for port construction are favourable, especially for capesize vessel ports.

Based on the above, the Board considers that the development plan is positive and preliminarily the Project can be implemented and continued accordingly.

(IV) MANAGEMENT EXPERTISE

Management of the Company

Executive Directors:

Mr. He Xuechu, aged 48, is the Chairman of the Company. Mr. He has extensive experience in financial management and in the investment field, is principally responsible for the Group's strategic planning and positioning. Mr. He graduated from 安徽財貿學院 (Anhui Finance and Trade College), the PRC in 1983. Since then, he has worked in 中華人民共和國商業部 (the Domestic Trade Ministry of the PRC), and China Resources (Holdings) Co. Ltd. During the period from 2001 to 2005, Mr. He was a director and shareholder of a number of companies, the shares of which are listed on

the Stock Exchange, including Shanghai Zendai Property Limited (stock code: 0755) and Geely Automobile Holdings Limited (stock code: 0175). Mr. He is also director of Divine Mission Holdings Limited, Kailun Photovoltaic Materials Investments Limited, 濟寧凱倫光伏材料有限公司 (Jining Kailun Sog-Si Materials Co., Ltd.*), Great Ready Assets Limited, Beforward Trading Limited, Superb Taste Company Limited, Honbridge Management Limited, Jessicacode Limited, Infinite Sky Investments Limited and New Trinity Holdings Limited, etc., all being subsidiaries of the Company.

Mr. Liu Wei, William, aged 46, is the Chief Executive Officer of the Company. Mr. Liu has over 10 years of experience in corporate banking and corporate finance, including his previous employment with The Hongkong Chinese Bank Ltd. and Lippo Group. During the period from 2004 to 2006, Mr. Liu was a director of Hans Energy Company Limited (stock code: 0554), the shares of which are listed on the Stock Exchange. Mr. Liu was also a director of China Metal and Technologies (H.K.) Limited, a private company engaged in the trading of non-ferrous metal. He was the managing director of a private company engaged in media business. Mr. Liu was experienced in the publication business and was involved in the publication of 世界經濟論壇 (World Economic Review), 今日健康生活 (Healthy Life Today) and 中國新聞周刊 (China News Weekly) during his tenure with the above private company. Mr. Liu holds a master degree in business administration from the University of San Francisco. Mr. Liu is also director of Divine Mission Holdings Limited, Kailun Photovoltaic Materials Investments Limited, 濟寧凱倫光伏材料有限公司 (Jining Kailun Sog-Si Materials Co., Ltd.*), Great Ready Assets Limited, Beforward Trading Limited, Superb Taste Company Limited, Honbridge Management Limited, Jessicacode Limited and Clear Success Limited, Infinite Sky Investments Limited, New Trinity Holdings Limited, Honbridge International Trading Company Limited and 上海洪鷹貿易有限公司 (Shanghai Hongying Trading Co. Ltd.*), all being subsidiaries of the Company.

Mr. Shi Lixin, aged 42, a postgraduate diploma holder in business administration from the University of Wales College, Newport, has experience in mergers and acquisitions and project finance. Mr. Shi is the chief executive officer of 萬博港工業品超市有限公司 (Wanbo Industrial Provision & Exposition Co., Ltd.) since 2003 and was once the special assistant to the chairman of 湖南投資集團股份有限公司 (Hunan Investment (Group) Corporation). Mr. Shi was also the chief executive officer of a company which was involved in the business procurement of 湘潭高新技術產業開發區 (Xiangtang Hi-Tech Industrial Development Zone), which in turn contains the 湘潭(德國)工業園 (Xiangtang (Germany) Industrial Park). Mr. Shi is also director of 濟寧凱倫光伏材料有限公司 and 上海洪鷹貿易有限公司 (Shanghai Hongying Trading Co. Ltd.*).

Non-executive Directors:

Mr. Ang Siu Lun, Lawrence, aged 50, holds a Bachelor of Science degree in physics and computer science and a Master Business Administration degree from the Chinese University of Hong Kong. Prior to joining the Group, Mr. Ang worked in a number of major international investment banks for seventeen years with extensive experience in equity research, investment banking and financial analysis, focusing on

* *For identification purpose only*

China asset market, automobile industry and investment banking business. Mr. Ang is an executive director of Geely Automobile Holdings Limited (HK Stock Code: 175) and an independent non-executive director of Genvon Group Limited (HK Stock Code: 2389). Mr. Ang assists the Group's capital market activities and investor relations.

Mr. Yan Weimin, aged 43, graduated from Central South University in 1989 majoring in automation. He also holds an EMBA degree of United Business Institutes (UBI) in Belgium. Mr. Yan has 20 years experience in the trading of mineral products. He has served in Shanghai Guohong Trading Co. Ltd. as the general manager and Shanghai Yingyue Industrial Co. Ltd as the chairman. Mr. Yan is responsible as the Group's contact person for Mainland China's steel conglomerates, mining corporations, and port and mining construction enterprises. He is also a director and the chairman of 上海洪鷹貿易有限公司 (Shanghai Hongying Trading Co. Ltd.*).

Independent non-executive Directors:

Mr. Chan Chun Wai, Tony, aged 38, joined the Company as Independent Non-Executive Director in October 2007. Mr. Chan is a Certified Public Accountant and works as a director in a certified public accounting practice. He has extensive experience in general assurance and business advisory services in both Hong Kong and the PRC. Moreover, Mr. Chan has extensive experience in public listings in Hong Kong and Singapore, mergers and acquisitions as well as corporate finance. He holds a Master degree in Business Administration from the Manchester Business School. Mr. Chan is now the independent non-executive director of Hans Energy Company Limited, Wai Chun Mining Industry Group Company Limited and Oriental City Group Holdings Limited, the shares of which are listed on the Hong Kong Stock Exchange. He is also an independent non-executive director of China Nutrifruit Group Limited, the share of which is listed on American Stock Exchange.

Mr. Fok Hon, aged 53, is a director for several companies in Hong Kong including All Leaders Publication Group Ltd., which is engaged in media and publishing business, including publication of financial monthly "All Asian Leaders", commercial forum and seminar relevant services, e-commerce platform "Chinese-No.1.com" which only serves global high-end Chinese business leaders, and etc.. Since 2000 Mr. Fok became the founding director and at present the director of The Global Foundation of Distinguished Chinese Ltd., a charitable organization registered in Hong Kong.

Mr. Ma Gang, aged 54, graduated from Anhui Finance and Trade College, the PRC in 1983 with a Bachelor degree in Economics. Between 2004 and 2006, Mr. Ma was employed as the vice managing director of Shanghai HongYe Real Estate Development Co. Ltd. which is principally engaged in properties development business.

* *For identification purpose only*

Management of SAM:

Mr. Haroldo Fleischfresser, aged 54, Chief Executive Officer of SAM, received his Production Engineering degree from the University of Sao Paulo in 1981. He worked in the financial services industry for more than 10 years in Brazil. During this period, he completed various projects involving mergers and acquisitions, corporate restructurings, start-ups and private equity investments, principally related to the industrial, mining and natural resources industries. Particular expertise was developed in the steel (stainless and packaging) and zinc (mining and refining) industries. Mr. Fleischfresser served at the Finance Committee of Acesita, one of largest stainless steel manufacturers in Brazil. Between 2001 and 2006, Mr. Fleischfresser acted as advisor in the completed acquisitions of Companhia Paraibuna de Metais, the second largest zinc smelter in Brazil, and Refineria de Cajamarquilla, a zinc smelter in Peru; and in the tentative acquisition of Aljustrel, a zinc mining company in Portugal.

Since 2006, he has served as an executive director of Votorantim New Business' Mineral Exploration Division, as well as SAM's Chief Executive Officer. For a number of years, Mr. Fleischfresser was a professor of Corporate Finance at Business School Sao Paulo, a Brazil-based graduate program associated with the University of Toronto.

Mr. Wong Siu Ping, aged 61, Chief Financial Controller of SAM, is a member of the Hong Kong Institute of Certified Public Accountants since 1984. He has 23 years of experience in finance, investment and business management at China Resources (Holdings) Company Limited.

Mr. Han Shu Hua, aged 55, Senior Mechanical Engineer and Project Representative of SAM, was educated at the Science and Technology University of Shandong. Having been engaged in a number of large-scale coal and iron ore mining projects, Mr. Han has significant experience in project management and construction management. Mr. Han also has significant expertise in solving difficult mechanical challenges and has received a number of awards.

Mr. Marco Tulio Naves de Carvalho, aged 42, of SAM, graduated in Geology from the University of Brasilia in 1990 and obtained his Masters degree in Geology at the same school in 1999. Mr. Marco has 20 years experience in the mining industry, working for such companies as Western Mining Corporation, Barrick, Codelco, Amazonia Mineracao, International Nickel Ventures and Votorantim Novos Negocios. His main professional achievements include the participation in the discovery of three gold mines in Central Brazil and one copper-cobalt deposit located at Carajas Mineral Province in Brazil.

Mining Technical Committee

As announced by the Company on 22 March 2010, a mining technical committee was set up on 22 March 2010 and the following founding members of the committee were appointed.

(1) **Dr. Dai Ta Gen**, aged 58, graduated from Central South University of Technology with his doctorate degree in 1989 and is the Dean of Geosciences and Environmental Engineering Faculty of Central South University as well as a professor and a tutor of doctoral students. Being the expert who takes the special allowance from the State Council, Dr. Dai participates in major posts in geological sector. He is also the vice president of Hunan Geology Society, the president of Hunan Society of Mineralogy, Petrology and Geochemistry and a member of Teaching Committee of Applied Geology in Education Department.

Dedicated in geological studies for more than 30 years, Professor Dai has made significant achievements in the area, especially in the prospecting for successive mineral resources.

(2) **Dr. Liu Jian Xin**, aged 48, obtained the Globe Exploration and Information Technology doctoral degree from Central South University in 2006. Dr. Liu is the Dean of Information Physics Engineering Faculty of Central South University as well as a professor and a tutor of doctoral students. Dr. Liu is a leader of the Hunan Province Higher Education "Mineral Resources and Disasters Exploration" research innovation team.

Dr. Liu has many years of experience in mineral resources exploration, and engineering exploration theoretical and applied studies. He possesses stable research direction and has received well-recognized achievements in prediction and precise position of high depth mineral resources, production mines high depth globe physics three dimensional mapping, globe physics high precision processing and comprehensive explanation, engineering globe physics exploration, etc. Dr. Liu is also one of the selected experts for the New Century National Talents Programme.

Dr. Liu is also the ninth and tenth Hunan Province committee member of the Political Consultative Conference, the chairman of Hunan Province Globe Physics Society and a committee member of Chinese Geophysical Society.

(3) **Dr. Luo Bao Lin**, aged 63, educated at Tsinghua University and Chinese Academy of Sciences and obtained the degree of Doctor of Engineering from Chinese Acedemy of Sciences. Dr. Luo is also a research professor and doctoral supervisor in the Chinese Academy of Sciences. Dr. Luo has been a visiting scholar and visiting professor in The University of British Columbia, Canada and Kunsan National University, South Korea. He is an Honorary Member of the Chinese Society of Particuology. Dr. Luo is also an expert who takes the special allowance from the State Council.

SAM'S Management is responsible for the daily operations of SAM. The Mining Technical Committee is responsible for providing technical guidance and advises to the Company and SAM's Management on relevant technical aspects of the project. The

Company's board of directors are responsible for raising necessary finance for SAM, review and approval of all new contracts of SAM and all payments, monitoring and supervising SAM's business progress and strategizing SAM's future business duration.

(V) OTHER POSSIBLE FUTURE PLANS

Pellet plant facilities

As disclosed in the announcement of the Company dated 22 June 2010 in relation to the Bahia-MOU, subject to the development of the Project, SAM is considering the potential construction of pellet plant facilities for production of pellets of iron ore in Bahia in a second phase.

Expanding iron ore resources

Coffey Mining has estimated additional potential resources of approximately 3,700 million tons in Block 8, and 2,500 million tons in Block 7, with mineralization identified during surface mapping which requires further evaluation. SAM also holds mineral exploration rights to Blocks 5, 6, 9, 10, 11, 12 and 13, with iron ore mineralization identified in all of them and with high potential for the delineation of significant new deposits. The Board does not rule out the possibility of expanding iron ore resources in such others Blocks of SAM.

SAM has carried out preliminary geological evaluation of Blocks 5, 6, 9, 10, 11, 12 and 13 and has identified iron ore mineralization in all of them. The mineralization at Blocks 5 and 6 is associated with typical banded iron formations, extending over many kilometers along the strike into SAM's properties neighboring areas. A small part of the known mineralization at Blocks 5 and 6 has been tested with scout drilling and trenching, resulting in non-JORC compliant resources of 83 million tons at 32.9% Fe at Block 5 and 36 million tons at 37.6% Fe at Block 6. Both Blocks have high grade zones up to 65.2% Fe and are low in phosphorus and other contaminants. Considering the presence of mineralization not tested yet, Blocks 5 and 6 are considered to have high potential to increase the resources and become a stand-alone project. In addition to Blocks 5, 6, 7 and 8, SAM holds 216,000ha along the regional N-S potential trend in northern Minas Gerais and southern Bahia (which include mineral exploration rights for Blocks 9, 10, 11, 12 and 13). Mineralized diamictites occur at Blocks 9, 10, 11, 12 and 13 and are partially covered by extensive soil zones. Geological mapping at these Blocks, which have an airborne magnetic signature similar to the other known deposits in the region, indicates the potential for additional high tonnage and low grade iron ore deposits, similar to Blocks 8 and 7. The Board wishes to emphasize that the above estimation was on a preliminary basis and has no technical report, geological evaluation report at the moment.

In Blocks 5, 6, 9, 10, 11, 12 and 13, mineralized outcrops (at surface level) were identified visually and samples were tested to confirm mineralization. Given SAM's knowledge of the regional geological environment and the similarity between these outcrops and those found and confirmed at Blocks 7 and 8, a strong likelihood for

similar deposit as those found in Blocks 7 and 8 has been established. With the exception of Blocks 5 and 6 where preliminary exploratory drilling was conducted to confirm the mineralizations, no drilling has been done yet at the other Blocks.

Developing other mines

SAM's Blocks are located adjacent to iron ore deposits and prospects owned by other exploration, mining and steel companies, including local companies and Anglo, CSN and Vale. If the Project can be successfully developed, given the scale of the Project and its infrastructure in the region, there is a growth opportunity through regional consolidation.

(VI) SOURCES OF FUNDING FOR FUTURE DEVELOPMENT

Despite that the Project may involve substantial investment in addition to the payment of the Consideration, the Directors considered that the Project shows a high development potential to the Company in terms of the possible potential resources available based on the current studies performed. It is expected that the Consideration, the Loan and the capital investment may be satisfied by the following fund raising plans.

1) by way of bank borrowings of the Company and SAM as the case may be;

2) by entering into prepayment arrangement with PRC steel conglomerates that (likely to be State Owned Enterprises) require iron ore as raw materials. The Company expects that under such arrangement, the steel conglomerates will provide the Company with a prepayment amount for future delivery of iron pellet feed to the steel conglomerates;

3) by outsourcing of certain production process to other parties such as mining companies and port operators to obtain funding via their investment to the Project. It is expected that the parties will provide funding (by way of debt and/or equity financing) to the Project in order to secure the outsourcing contracts.

4) by introduction of strategic investor for the Project; and

5) by share placement of the Company.

The Board considered that if the above mentioned plans 2 and 3 can provide sufficient funding to the Company for the Project, the funding needs via placement will be reduced. Shareholders should take note of the potential dilution on their shareholding interests in the Company when and if the implementation of the above fund raising plans involves potential issuance of Shares. In implementing the fund raising plan for the Project, the Board will use its best endeavor to reduce the potential dilution of shareholding interest to its minority shareholders and to the Controlling Shareholders.

Up to the Latest Practicable Date, the Company and Xinwen entered into the Strategic Cooperation Agreement on 26 March 2010 in relation to provision of Technical Support by Xinwen to the Company on the Project. Pursuant to the Strategic Cooperation Agreement,

amongst all, subject to all requisite waivers, consents and approvals having been obtained by Xinwen from the relevant governmental and regulatory authorities, Xinwen intends to invest in the Project for an amount of at least US$500 million. Subject to certain conditions, the Company agreed to issue 30,000,000 Xinwen New Shares at the price of HK$2.87 each in three tranches to Xinwen in each of the months of June 2010 (or the 10th business day after the conditions are fulfilled or waived, whichever is later), June 2011 and June 2012, each tranche being 10,000,000 Xinwen New Shares; further, the Company conditionally granted to Xinwen Options to subscribe for Option Shares pursuant to the Option Deed for a consideration of HK$1, with the right to require, at any time during the Option Period, the Company to issue and allot one Option Share upon the exercise of the Option at the Exercise Price of HK$3.15 per Option Share (subject to adjustment). Furthermore, the Company and SDIS entered into the SDIS-MOU on 26 March 2010 in relation to the joint investment of the Project. Potential investment by SDIS may be by way of, but not limited to, acquisition of interest in SAM, subscription of Shares, other convertible securities or bond of the Company or by way of shareholders loan to the Company or to SAM or having prepayment arrangement with the Company. The terms set out in the SDIS-MOU are not legally binding. Details of the Strategic Cooperation Agreement and SDIS-MOU have been disclosed in the March Announcement.

As announced by the Company on 18 June 2010 and 22 June 2010, SAM entered into memorandums of understanding with the government of Minas Gerais and Bahia, under which for the purpose of encouraging economic activities, increased employment and income growth, the government of Minas Gerais and Bahia will provide support and assistance to SAM in relation to the Project, including with regard to financing, with funds administrated by the Development Bank of Minas Gerais SA, subject to budgetary limits and obtaining of licenses required for the Project.

In order to obtain the US$75 million financing for the consideration to be paid on the Closing Date, the Company is actively identifying and looking for steel conglomerates, mining companies and port operators to be involved in the further development of the Project and fund raising activities. Other than interest-free Shareholders' loan to the Company by Mr. He, the Strategic Cooperation Agreement with Xinwen and the joint investment with SDIS as disclosed in this Circular, the Company has not made any concrete agreement, arrangement, understanding and negotiation in relation to additional shareholders' loan, bank borrowing, equity fund raising and/or debt financing.

(VII) RISK FACTORS

RISK RELATING TO OUR BUSINESS AND THE GROUP

We may not be able to obtain relevant permits and licenses for the mining activities in Brazil.

Mining activities are subject to extensive governmental regulations, policies and controls in Brazil. There is no assurance that SAM will be able to obtain the relevant permits and licenses to conduct the mining activities. Any delays or denial in obtaining

such permits and licenses for conducting the mining activities will adversely affect the commercial production of the mines and operation and financial performance of the Group.

We face risks and uncertainties associated with the mineral resources.

It is anticipated that the Measured Resources and Indicated Resources to be stated in the technical reports would be based on a number of assumptions on principal factors and variables on the basis of various studies by independent experts as detailed in the technical report, which may prove to deviate from the actual state of the mines, and which would be beyond the Group's control. Consequently, the actual amount of resources derived from the mines may deviate from the amount to be stated in the technical reports.

In addition, there is no guarantee that the source of mines contain sufficient mineral resources for commercial production.

We may have difficulty in managing future growth and the associated increased scale of our operations.

The Directors consider that the Acquisition provides a good opportunity for the Group to invest in an iron ore exploration company which has resources and expansion potential. Future expansion may place a significant strain on the managerial, operational, technical and financial resources. In order to better allocate the resources to manage future growth, the Group intends to hire, recruit suitable workforce and implement necessary internal controls in a timely manner. If we fail to manage sufficient internal sources of liquidity and secure external sources of funding for future growth, we may encounter, among other things, delays in production and operational difficulties. If the Group is unable to effectively manage future growth and the expected increase in scale of its business, the quality of its products, its ability to attract and retain key personnel and its business or prospects could be harmed.

Our major capital expenditure projects require significant and continuous capital investments and may not achieve the intended economic benefits.

The mining business requires significant and continuous capital investment. The aggregate capital investment for mining, beneficiation, pipeline and port is expected to be approximately US$2,999 million while the Consideration for the Acquisition is expected to be US$390 million (subject to adjustment). The Group intends to fund such capital expenditures and Consideration out of various way, as described in the section headed "Source of funding for future development" of this Circular. The major mine exploration and production projects may exceed the original budgets or may not be completed as planned or may not achieve the intended economic results or commercial viability. Actual capital expenditures for the new business may exceed the Group's budgets because of various factors beyond the Group's control, which in turn may affect the Group's financial condition. In addition, the Group may face the risks of default payment under the Share Purchase Agreement upon occurrence of certain events. As disclosed in appendix of the Circular, except for obtaining the US$75

million financing for the consideration to be paid on the Closing Date, after taking into account the effect of this transaction, the Directors of the Company are of the opinion that the Enlarged Group has sufficient working capital for its present requirements and for at least the next 12 months from the Latest Practicable Date in the absence of unforeseeable circumstances. Should there be an unexpected payment of default by the Company, the Group may run the risk of insufficient working capital.

For further details of the financial information of the Group and the Target, please see Appendices I to IV of this Circular.

Failure to manage our liquidity situation and capital resources carefully may adversely affect our business.

As at 31 December 2008 and 2009, the Group had net current liabilities of approximately HK$11,875,000 and HK$4,963,000, respectively. The Group's net cash outflow from operating activities was HK$21,757,000 and HK$5,787,000 for 2008 and 2009, respectively. For further details of financial information of the Group, please refer to Appendix I of this Circular. If the Group is unable to repay any of its debts when they fall due, the creditors may take action to recover such debts, which may have a material adverse effect on the business, financial condition and results of operations of the Group.

In the event that the Group does not generate sufficient cash from operations to meet its obligations, the Group may need to raise additional funding through debt or other forms of financing. There will be costs in raising and servicing such additional funding. If we are unable to raise additional funding or there is a delay in obtaining such funding, the business, financial condition and results of operations of the Group may be adversely affected.

The availability of sufficient working capital of our Group.

Except for obtaining the US$75 million financing for the consideration to be paid on the Closing Date, after taking into account the existing banking facilities, undertaking provided by Mr. He confirming that he will render adequate financial support to the Enlarged Group enabling it to continue as a going concern and Mr. He, as the sole owner of Hong Bridge, does not intend to demand repayment of HK$213,800,000 due to Hong Bridge from the Company at the date of this Circular until such time when any repayment to Hong Bridge will not affect the Enlarged Group's ability to repay other creditors, with at least 12 months from the date of the Circular, the existing shareholder's loan and internal resources available to the Enlarged Group and taking into account the effect of this transaction, the Company expected that the Enlarged Group has sufficient working capital for its present requirements and for at least the next 12 months from the Latest Practicable Date in the absence of unforeseeable circumstances. Financing of the US$75 million for the consideration to be paid on the Closing Date is yet to be confirmed and hence cannot be confirmed in writing. The reporting accountant has issued an emphasis of matter on material uncertainty regarding the working capital sufficiency. For further details of financial information of the Group, please refer to Appendix II of this Circular.

Should the Company not be able to access sufficient future sources of funding to meet its payment requirements, our ability to make equity contributions or provide loans to SAM or to fund its operations may be negatively affected, which could adversely affect the Company's liquidity and its ability to fund its working capital and expansion of the Project. If we are unable to make scheduled payments in connection with the fixed payment obligations as they become due, we may need to renegotiate the terms and conditions of such obligations or to obtain additional equity or debt financing. We cannot assure you that our renegotiation efforts would be successful or timely or that we would be able to refinance our obligations on acceptable terms or at all. There is no assurance that financial institutions would agree to lend additional funds to us or to refinance our existing loans when they mature and we may fail to raise financing through other means. If we fail to successfully manage our working capital, our ability to fund our operations of the Project could be impaired, and our business, financial condition and results of operation may be adversely affected.

We engage joint venture partners for some of our operations.

The Company is actively identifying and looking for steel conglomerates, mining companies and port operators to be involved in the further development of the Project. The Group believes that cooperating with the conglomerates will enable the Company to leverage on the extensive expertise of the conglomerates in the mining industry which in turn enhance the development and facilitate efficient management of the Project and to provide a possible channel for additional source of funding for the Project.

Failure to maintain a cooperative relationship with the joint venture partners may have a material adverse effect on our ability to continue our development as planned.

Other than the Strategic Cooperation Agreement with Xinwen and the joint investment with SDIS as disclosed in this Circular, the Company has not made any concrete agreement, arrangement, understanding and negotiation in relation to other joint ventures.

Shareholders may experience immediate dilution if we issue additional Shares in the future.

If we issue additional Shares or equity-linked securities in the future as a result of the possible fund raising activities, our Shareholders may experience dilution in their shareholdings. Future issue of the Shares by our Company or the perception that such issues may occur, may negatively impact the prevailing market price of the Shares. Moreover, future sales of a substantial amount of our Shares or other securities relating to our Shares, could adversely affect our ability to raise capital in the future at a time and at a price which we deem appropriate.

RISK RELATING TO THE INDUSTRY

Our operations are exposed to risks relating to work safety.

Any occurrence of accidents may disrupt the mining operation of the Group and may result in suspension of operation, financial losses, compensatory claims, fines, penalties or damage to the reputation of the Group.

Fluctuations of the market price for iron ore or steel could materially and adversely affect our business, financial condition and results of operations.

The value of the mines and the profitability of the Group's mining operations and earnings may be affected by fluctuations of the market prices of metal, in particular, the prices of iron ores, and the cyclical nature of the international market. These fluctuations may be influenced by numerous factors which are beyond the control of the Group, including global productions of and industrial demands for metals, in particular, iron ore, and the global economic conditions. Any sustained adverse movements in metal prices are expected to have a negative impact on the Group's financial condition and results of operation of the mines.

Iron ore China import price has experienced fluctuations in the past few years. According to data as extracted from Bloomberg, the market price of iron ore maintained at a range between US$150 metric/ton and US$200 metric/ton for the first half of year 2008. The market price of iron ore began to drop near the end of year 2008, and remained at a level below US$100 metric/ton for the first half of year 2009. The market price of iron ore reached above US$100 metric/ton and such the upward trend of the market price of iron ore continued in the first half of year 2010. The market price was above US$150 metric/ton in April 2010.

RISK RELATING TO CONDUCTING OPERATIONS IN BRAZIL

Changes in the exchange rate between BRL and US$ may adversely affect our results.

The US$ depreciated against BRL since 2007 and at the end of July 2008, dropped to approximately BRL1.5660 per US$. US$ then rebounded against BRL and appreciated to the highest rate of BRL2.3130 per US$ at the end of December 2008. The US$ fluctuated since the fourth quarter of 2008 and first quarter of 2009 dropped until the second half year of 2009. Since then, the exchange rate of BRL to US$ maintained steadily between BRL1.6 to BRL1.7 per US$ during and up to September 2010.

Since a significant amount of the future cash flow in respect of the Project will be denominated in BRL, any material fluctuation on the exchange rate of BRL against US$ could materially and adversely affect the Group's financial condition and results of operations.

Changes in political and economic policies may have a negative impact on our operations.

We are subject to extensive national, provincial and local government regulations, policies and controls in Brazil that govern many aspects of our industry, such as grant and renewal of mining rights; grant and renewal of safety production permits; production safety and casualty ratings; taxes and fees; and environmental, health and safety standards.

The liabilities, costs, obligations and requirements associated with these laws and regulations may be significant and may delay or interrupt our operations. Failure to comply with the relevant laws and regulations in our mining operations may result in penalties or in the suspension of our operations. Additionally, we cannot guarantee that the relevant government agencies will not alter these laws or regulations or impose additional or more stringent laws or regulations. Compliance with new laws or regulations may require us to incur significant capital expenditures or other obligations and obtain new sources of financing. More stringent laws or regulations may also restrict our business operations. The cost of compliance with regulations is and will continue to be one of our concerns and any increase in costs due to changes in laws or regulations or non-compliance may have a material adverse effect on our business, financial condition and results of operations.

Changes of law and decisions granted by the Brazilian Authorities

Companies in Brazil are subject to various pieces of legislation to prevent price transfer. Under the strict Brazilian transfer pricing rules, Brazilian exporting companies have to document/calculate their transfer prices using fixed margin methods allowed by the Brazilian legislation. The current law and/or any amendments of which in the Brazilian transfer pricing legislation would have resulted in the payment of additional income tax and social contribution on net income generated by the Company.

Lack of support from the communities

Under the Brazilian law, the owners of the land in which the mining areas are located have the right to compensations for (a) the damages caused to the land; and (b) a "participation over the mining results" ("Surface Rights – Direitos dos Superficiários"). The compensation for the damages caused to the land is designed to cover property value losses incurred due to the mineral extraction work, while the participation over the mining results is designed to compensate the landowner for the reduced or total inability to use of the land during the mining activities. According to the Brazilian Constitution (Article 176, §2º) and the Brazilian Mining Code (Article 11, "b" and §1), the mining company must pay the landowner the "participation over the mining results" corresponding to half of the amount paid under the title of CFEM, on a monthly basis. The surface right holder may waive this right or pledge it. The surface rights are usually negotiated and settled under a Surface Rights Agreement – "Acordos com Superficiarios". In the absence of the unforeseen circumstances, if the landowners do not waive this right or request for a large amount of compensation, the Company may have to bear the cost of participation over the mining results. If the Project does

not receive the support from the local communities, more time and expenses may need to spent on negotiation and settlement of the Surface Rights Agreements with the surface right holders, and worse still, court proceedings with them, which will incur additional costs and delay to the Project.

RISK RELATING TO THE ACQUISITION

Investors should not place undue reliance on industry and market information and statistics from official government publications contained in this Circular.

This Circular contains information and statistics derived from official government publications, including but not limited to information and statistics relating to the PRC, Brazil, and the iron ore industries and markets. We cannot ensure the accuracy of such information and statistics and such information may not be consistent with other information publicly available or available from other sources. Prospective investors should not place undue reliance on any of such information and statistics contained in this Circular.

The current market conditions may not be reflected in the statistical information provided in this Circular.

The historical information provided in this Circular relating to market conditions and valuation may not reflect the current market conditions due to rapid changes in global and the relevant economy. In order to provide context to the industries in which we operate, and greater understanding of our market presence and performance, various statistics and facts have been provided throughout the Circular. However, this information may not reflect current market conditions as the recent economic downturn may not be fully factored into these statistics. As such, any information relating to market value, sizes and growth, or performance in these markets and other similar industry data should be viewed as historical figures that are not indicative of future results.

We face risks and uncertainties associated with the possible occurrence of an Acceleration Event

We face risks and uncertainties associated with the possible occurrence of an Acceleration Event. Under the Share Purchase Agreement, if an Acceleration Event occurs prior to the approval of the Shareholders, VNN shall have the right to terminate the Share Purchase Agreement in accordance with the provisions contained therein. On the other hand, the occurrence of an Acceleration Event after the approval of the Shareholders may lead to an acceleration of payment of the Purchase Price (or part thereof) and/or termination of the Share Purchase Agreement in accordance with the provisions of the Share Purchase Agreement. In particular, we note certain "Acceleration Events" are outside the control of the Company (e.g. Mr. He and his Family Group cease to own at least 30% of the shares of the Company (i.e. the Acceleration Event described in (a)); Mr. He and his Family Group viewed as a single Shareholder cease to be the single largest Shareholder of the Company (i.e. the Acceleration Event described in (b)); and Mr. He ceases to be an executive Director of

the Company (i.e. the Acceleration Event described in (c)). We are however confident that Mr. He has no intention to lose control of the Company or cease to be the executive Director of the Company. Should Mr. He change his intention regarding control of the Company or acting as an executive Director of the Company, this will be a "risk" to the Company. The Directors believe that market status and local network of VNN would have positive impact on the Project, which includes the obtaining of relevant approvals and permits from local government. Should there be an occurrence of an Acceleration Event leading to a termination of the Share Purchase Agreement (assuming the Acceleration Event occurs after the approval of the Shareholders, and Infinite Sky makes the requisite payments described in (I) or (II) of the section headed "Acceleration Event", such that the SAM Shares (including the Golden Share) are released and delivered to it), VNN would not be obliged to assist SAM to obtain the Required Approvals and other approvals in connection with the Agreed Scope of Work, and the Company will have to rely on other third party or itself to complete the task which may incur additional costs and delay to the Project. The occurrence of an Acceleration Event after the approval of the Shareholders will lead to an acceleration of payment of the Purchase Price (or part thereof). However, we may not have sufficient available funds at that time to make such payment, or such payment obligations could, in turn, have an adverse effect on our business, cash flow, results of operations and financial condition.

The resource data and estimated costs cited in this Circular are estimates and may be inaccurate.

We base our production, expenditure and revenue plans on our resource data and estimated costs, which are speculative in nature and may prove to be inaccurate. The resource data and estimated costs are estimates based on a number of assumptions and may involve professional judgement. The accuracy of these estimates may be affected by many factors, including (but not limited to) the quality of the results of exploration drilling, sampling of the iron ore, analysis of the iron ore samples, estimation procedures and the experience of the person making the estimates. There are also many assumptions and variables beyond our control that result in inherent uncertainties in estimating reserves. As a result, the resource data and estimated cost are only estimates and our actual volume of resources and rates of production may differ from these estimates.

Estimates of our resources and costs may change significantly when new information becomes available or new factors arise to change the assumptions underlying the resource estimate and estimated costs. Resource and costs estimates locate *in-situ* mineral occurrences from which minerals may be recovered, but do not provide an analysis as to whether such resources are capable of being mined or whether minerals could be processed economically and do not incorporate mining dilution or allowance for mining losses. The reserve estimates contained in this document represent the amount of reserves such as iron ore that we believe can be mined and processed economically. In the future we may need to revise our reserve estimates, if, for instance, our production costs increase or the prices of our products

decrease rendering a portion (or all) of our reserves uneconomical to recover. A revision of our reserve estimates may result in the lowering of our estimated reserves as well as the expected mining life of our mine.

Unforeseen geological or geotechnical perils may require us to revise our resource data. If such revisions result in a substantial reduction in recoverable reserves at our mine, our business, financial condition and results of operations may be materially and adversely affected. For further information on our resources, see the technical report as set out in Appendix VI of this Circular.

The Board examines various risks associated with the Project including the Company's default in payment, failure to obtain mining concession and change of law/ procedures of how the new mining concession are granted etc, and considers that they are possible risk factors, details of which are set out in section under "Risk Factors" in the Letter from the Board of this Circular.

The Company will aim to strengthen its business and financial position by actively seeking new sources of financial resources and enhancing its management expertise to reduce the above risk. The Directors consider that the Acquisition provides a good opportunity for the Company to invest in an iron mineral resources exploration company with considerable resources and expansion potential. Based on various preliminary studies performed as detailed in this Circular, the Directors consider that the Project presents a potentially viable economic value. Due to the size, nature and duration of the Project, we would face possible risks and uncertainties in the process of implementing the Project, details of which are set out in the above section headed "(VII) Risk Factors". To implement the Project and develop it to the stage of actual production, substantial capital is needed for the construction of infrastructure. The Project will also require experienced management expertise to advise on and monitor the development throughout. By strengthening the financial and business position and the enhancement of its management expertise, the Company could endeavour to manage the controllable risks such as capital risks, details of which are disclosed in the above. For uncontrollable risks such as those in relation to changes in political and economic policies or laws and decisions of the authorities, by the enhancement of the Company's management expertise, the Company could closely monitor the market development and seek to react in advance to the changes in the industry. The Company can also be better prepared for unforeseeable risks by strengthening its financial and business position.

According to Coffey Mining, it is estimated that the Project has a preliminary resources level of 2,841 million tons of ROM which is good for a life of mine of at least 20 years with annual production volume of 25 million tons of pellet feed. The estimated FOB operating cost and capital expenditure requirement presents the Project with a potentially viable economic value when compared to the FOB price. Given the fact that the Acquisition will not be completed without the Resource Confirmation, the Board considers that it is possible that the Company or SAM is able to raise external funding, either equity or debt or both, to finance and complete the Project. The agreement with Xinwen and the SDIS-MOU with SDIS demonstrate that the Board's belief is not without reason. As such, together with the promising outlook of the steel

industry in China where iron ore is one of the major raw materials, the Board is of the view that developing the Project is in the interest of the Company and its Shareholders as a whole.

H. LISTING RULES IMPLICATIONS

The Acquisition constitutes a very substantial acquisition for the Company under Chapter 19 of the GEM Listing Rules. The Acquisition is therefore subject to reporting, announcement, and Shareholders' approval general requirements under the GEM Listing Rules. No Shareholder has a material interest in the Acquisition and therefore no Shareholder is required to abstain from voting of the resolution to approve the Acquisition.

I. EGM

The EGM will be held at 2703, 27/F, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Tuesday, 23 November 2010 at 11:00 a.m. to consider and, if thought fit, approve, the necessary ordinary resolutions regarding the Share Purchase Agreement, the Transaction Documents and the transactions contemplated thereunder.

A notice convening the EGM is set out on pages EGM-1 to EGM-2 of this Circular. Whether or not you intend to attend and vote at the EGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon and return it to the branch share registrar of the Company in Hong Kong, Union Registrars Limited, at 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong, as soon as possible, but in any event not less than 48 hours before the time appointed for holding such meeting or any adjourned meeting (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjourned meeting (as the case may be) should you so wish.

J. RECOMMENDATION

The Directors, including the independent non-executive Directors, consider the terms of the Share Purchase Agreement are on normal commercial terms, are entered into in the usual and ordinary course of business and are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the resolutions in respect of the Share Purchase Agreement.

K. FURTHER INFORMATION

Your attention is also drawn to the additional information set out in the appendices of this Circular.

On behalf of the Board
Honbridge Holdings Limited
LIU Wei, William
Director and Chief Executive Officer

1. FINANCIAL SUMMARY

The following is a summary of the results and financial position of the Group for the three years ended 31 December 2007, 2008 and 2009, the results for six months ended 30 June 2010 and the financial position as at 30 June 2010 as extracted from the respective published annual reports and half year report of the Company. No qualified opinions were issued by the Company's auditors for each of the three years ended 31 December 2007, 2008 and 2009.

Results of the Group:

	Year ended 31 December			Six months ended 30 June
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*
Revenue	67,843	55,091	32,592	36,214
Direct operating expenses	(43,696)	(39,864)	(20,567)	(30,708)
Other operating revenue	192	480	342	735
Selling and distribution costs	(17,271)	(7,101)	(5,904)	(3,813)
Administrative expenses	(9,998)	(15,095)	(17,270)	(21,561)
Other operating income/(expenses), net	4,628	(10,880)	(3,309)	–
Impairment of goodwill	–	–	(35,686)	–
Operating profit/(loss)	1,698	(17,369)	(49,802)	(19,133)
Finance costs	(169)	(2,575)	(3,918)	(10,751)
Profit/(loss) before income tax	1,529	(19,944)	(53,720)	(29,884)
Income tax expense	–	–	–	–
Profit/(loss) for the year/period	1,529	(19,944)	(53,720)	(29,884)
Attributable to:				
Equity holders of the Company	1,529	(15,729)	(50,136)	(28,076)
Minority interests	–	(4,215)	(3,584)	(1,808)
Profit/(loss) for the year/period	1,529	(19,944)	(53,720)	(29,884)

Financial Position of the Group:

	As at 31 December			As at 30 June
	2007	**2008**	**2009**	**2010**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	*(Audited)*	*(Audited)*	*(Unaudited)*
Total assets	41,759	137,706	94,204	2,315,652
Total liabilities	(22,561)	(106,894)	(101,075)	(1,080,502)
Minority interests	–	(19,686)	(16,470)	(463,254)
Equity attributable to the Company's equity holders	19,198	11,126	(23,341)	771,896

2. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Group for each of the three years ended 31 December 2007, 2008 and 2009 together with the relevant notes to the accounts could be found in the annual reports of the Company published on the website of the Stock Exchange (http://www.hkexnews.hk/) with the title "Annual Report 2007" dated 1 February 2008 (http://www.hkexnews.hk/listedco/listconews/gem/20080205/GLN20080205085.pdf) from pages 28 to 85, "Annual Report 2008" dated 26 March 2009 (http://www.hkexnews.hk/listedco/listconews/gem/20090330/GLN20090330053.pdf) from pages 24 to 87 and "Annual Report 2009" dated 15 March 2010 (http://www.hkexnews.hk/listedco/listconews/gem/20100330/GLN20100330193.pdf) from pages 24 to 85. The unaudited consolidated financial statements of the Group for the six months ended 30 June 2010 with relevant notes to the accounts could be found in the interim report of the Company namely "Half Year Report 2010" dated 12 August 2010 (http://www.hkexnews.hk/listedco/listconews/gem/20100815/GLN20100815031.pdf) from pages 2 to 13.

1. INDEBTEDNESS OF THE ENLARGED GROUP

As at close of business on 30 September 2010, being the latest practicable date for the purpose of this indebtedness statement prior to the printing of this Circular, other than convertible notes of the Group with principal amount of HK$400 million, the Enlarged Group had outstanding borrowings, of approximately HK$232,860,000 which comprised unsecured and guaranteed bank borrowings of approximately HK$5,790,000, unsecured government loan of approximately HK$2,432,000, other unsecured loans of approximately HK$10,838,000 and unsecured loans from ultimate holding company with principal amount of HK$213,800,000, and the Enlarged Group had a bank guarantee of approximately HK$3,474,000.

As at close of business on 30 September 2010, the Group had outstanding zero coupon convertible notes with principal amount of HK$400 million and initial conversion price of HK$1.00 per conversion share of the Company.

Save as aforesaid and apart from intra-group liabilities and normal trade payables, the Enlarged Group did not have any mortgages, charges or debentures, loan capital, bank overdrafts, loans or other similar indebtedness or any hire purchase commitments, liabilities under acceptance or acceptable credits or any guarantees or other contingent liabilities as at 30 September 2010.

2. WORKING CAPITAL

Except for obtaining the US$75 million financing for the consideration to be paid on the Closing Date, after taking into account the existing bank loans, other loans, government loans, undertaking provided by Mr. He confirm that he will render adequate financial support to the Enlarged Group enabling it to continue as a going concern and Mr. He, as sole owner of Hong Bridge, do not intend to demand repayment of HK$213,800,000 due to Hong Bridge from the Company at the date of this Circular until such time when any repayment to Hong Bridge will not affect the Enlarged Group's ability to repay other creditors, with at least 12 months from the date of the Circular, the existing shareholder's loan and internal resources available to the Enlarged Group and taking into account the effect of this transaction, the Directors of the Company are of the opinion that the Enlarged Group has sufficient working capital for its present requirements and for at least the next 12 months from the Latest Practicable Date in the absence of unforeseeable circumstances. Financing of the US$75 million for the consideration to be paid on the Closing Date is yet to be confirmed and hence cannot be confirmed in writing. The reporting accountant has issued an emphasis of matter on material uncertainty regarding the working capital sufficiency. It is expected that the Consideration, the Loan and the capital investment may be satisfied by the following fund raising plans:

1) By way of bank borrowings of the Company and SAM as the case may be;

2) By entering into prepayment arrangement with PRC steel conglomerates that (likely to be State Owned Enterprises) require iron ore as raw materials. The Company expects that under such arrangement, the steel conglomerates will provide the Company with a prepayment amount for future delivery of iron pellet feed to the steel conglomerates;

3) By outsourcing of certain production process to other parties such as mining companies and port operators and obtain funding via their investment to the Project. It is expected that the parties will provide funding (by way of debt and/or equity financing) to the Project in order to secure the outsourcing contracts.

4) By introduction of strategic investor for the Project; and

5) By share placement of the Company.

In order to obtain the US$75 million financing for the consideration to be paid on the Closing Date, the Company is actively identifying and looking for steel conglomerates, mining companies and port operators to be involved in the further development of the Project and fund raising activities. Other than interest-free Shareholders' loan to the Company by Mr. He, the strategic cooperation agreement with Xinwen and the joint investment MOU with SDIS as disclosed in this Circular, the Company has not made any concrete agreement, arrangement, understanding and negotiation in relation to additional shareholders' loan, bank borrowing, equity fund raising and/or debt financing.

3. MATERIAL CHANGES

On 24 March 2010, the Group completed the acquisition of Xianglan Brazil by issuing 600,000,000 shares of the Company and HK$400,000,000 convertible notes at HK$1.0 per conversion Share. Up to the Latest Practicable Date, the Company has made unsecured loans of accumulately US$19,370,000 to SAM, and the ultimate holding company of the Company, Hong Bridge, has made unsecured loans of accumulately HK$213,800,000 to the Company.

Save for disclosed above, there were no material changes in the financial or trading position or outlook of the Group since 31 December 2009, the date to which the latest published audited financial statements of the Group were made up.

4. MANAGEMENT DISCUSSION AND ANALYSIS OF THE RESULTS OF THE GROUP

Set out below is the management discussion and analysis of the Group for the three years ended 31 December 2007, 2008 and 2009 and the period ended 30 June 2010.

For the year ended 31 December 2007

Business Review

For the year ended 31 December 2007, the Group's turnover decreased by 19% to HK$67.8 million. Compared to a loss of HK$14.2 million for the year 2006, the Group has turnaround to profit making. Profit for the year attributable to the equity holders of the Company was HK$1.5 million, mainly due to the disposal of the loss-making PRC business. Disregard the share based payment of share options issued to employees amounting to HK$0.7 million recognised during the year, actual profit before share based payment for the year of the Group should be HK$2.2 million.

Our Hong Kong operations achieved a turnover of HK$61.7 million for 2007, representing a slight year on year 7% decrease compared to 2006. However, profit for the year has been increased by 131% to HK$1.7 million, which is mainly attributable to the growth in advertising income.

Our PRC operations accounted for a turnover of HK$6.2 million for 2007, representing a 64% decrease compared to 2006. Loss for the year has been reduced by 63% to HK$4.8 million, which is mainly due to the gradual divestment in the Mainland China magazine publication market. At the year end, the Group has disposed all the magazine publication business in the Mainland China.

Liquidity and Financial Resources

During the year ended 31 December 2007, the Group's operation was mainly financed by the internal financial resources of the Group.

As at 31 December 2007, the Group had net current assets of HK$31.1 million (2006: net current liabilities of HK$7.6 million). The current assets comprised bank balances and cash of HK$33.8 million together with trade and other receivables of HK$6.7 million. The current liabilities comprised trade and other payables, accrued expenses and receipts in advance of HK$9.4 million.

As at 31 December 2007, the Group does not have any banking facilities (2006: HK$1.0 million). The gearing ratio of the Group remained inapplicable as at 31 December 2007.

As at 31 December 2007, (i) the Group had no significant exposure to fluctuations in exchange rates and any related hedges; (ii) the Group had no charges on its assets; and (iii) the Group had no significant investment held.

Major Transactions

On 16 August 2007, the Company entered into a subscription agreement ("Subscription") with Hong Bridge Capital Limited ("Hong Bridge") to subscribe in cash for (i) 2,900 million new shares of the Company at a subscription price of HK$0.007 per share; and (ii) convertible notes of the Company in the principal amount

of HK$14.7 million with an initial conversion price of HK$0.007 per share. Subsequent to the subscription, Hong Bridge became the controlling shareholders of the Company. Hong Bridge is wholly owned by Mr. He Xuechu, the Chairman of the Company.

On 16 August 2007, Great Ready Assets Limited, a wholly-owned subsidiary of the Company entered into a disposal agreement ("Disposal") with Win Gain Investments Limited, a company wholly-owned by Mr. Ng Hung Sang, a former executive director of the Company to dispose of the entire issued share capital of Jessica Publications (BVI) Limited at a consideration of HK$1 million.

Details of the above transactions were set out in the Company's circular dated 14 September 2007 and the special resolution of shareholders had been passed on 12 October 2007. Subscription and Disposal had been completed on 16 October 2007.

On 12 October 2007, the Company changed its name from Jessica Publications Limited to Honbridge Holdings Limited.

On 16 October 2007, Hong Bridge entered into a placing agreement with an independent placing agent to place out 345,000,000 shares of the Company to independent placees at the placing price of HK$0.7 per share. Upon the completion of the placement, the Company continued to maintain the 25% minimum public float requirement under Rule 11.23 of the GEM Listing Rules.

On 20 November 2007, the Company and Hunan Non-ferrous Metals Holding Group Co. Ltd. entered into a co-operative agreement to set up a joint venture for the acquisition of a company principally engaged in the mining business.

Significant Investment Plans

Save as disclosed above, as at 31 December 2007, the Group did not have any significant investment plans.

Contingent Liabilities

As at 31 December 2007, the Group did not have any significant contingent liabilities. As at 31 December 2006, the Company had provided a corporate guarantee to a bank to secure a banking facility of HK$1,000,000.

Employees

As at 31 December 2007, the total number of employees of the Group was 48 (2006: 74). Employees' cost (including directors' emoluments) amounted to HK$18.4 million for the year (2006: HK$22.1 million).

The Group considers its employees as its most valuable assets. In addition to salary, other fringe benefits such as medical subsidies, life insurance, provident fund and subsidized training programs are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment

compatible to the market. Individual employee may also receive a discretionary bonus at the end of each year based on performance. Share options have also been granted to certain employees of the Group.

For the year ended 31 December 2008

Business Review

On 20 May 2008, the Group acquired a company situated at Jining, Shandong engaging in the production and sale of highly purified silicon and the research and development of solar graded silicon. The company contributed turnover of HK$29.6 million to the Group during the year.

The Group has transformed its major business from the publication of magazines to the production and sale of silicon products during the year.

For the year ended 31 December 2008, the Group's turnover decreased by 19% to HK$55.1 million. Compared to a profit of HK$1.5 million for the year 2007, the Group incurred a loss for the year. Loss for the year of the Group was HK$19.9 million, mainly due to the impairment of property, plant and equipment of HK$5.3 million, and impairment of inventories of HK$5.1 million. The causes of impairment are the recent financial turmoil that affected global metal material prices, leading to significant drop in price of our Group's current main products lower graded silicon, and the fact that our Group has not yet commenced 4-5N graded silicon production. Disregard the share-based payment of share options issued to employees amounting to HK$2.7 million, deemed convertible bonds interest expenses of HK$0.8 million and deemed interest on loans from ultimate holding company of HK$1.2 million recognised during the year, actual loss before share-based payment, convertible bonds interest and interest on loans from ultimate holding company for the year of the Group should be HK$15.2 million.

Our Hong Kong operations achieved a turnover of HK$25.5 million in 2008, representing a 59% decrease compared to 2007. Loss for the year HK$9.5 million compared to a profit of HK$1.7 million in 2007 is mainly attributable to the increasing competitiveness of publication business and the reduction in advertising income.

Our PRC operations accounted for a turnover of HK$29.6 million for 2008, representing a 381% increase compared to 2007. Loss for the year has been increased by 115% to HK$10.4 million, which is mainly due to the impairment of property, plant and equipment, and inventories.

Liquidity and Financial Resources

During the year ended 31 December 2008, the Group's operation was mainly financed by the internal financial resources of the Group.

As at 31 December 2008, the Group had net current liabilities of HK$11.9 million (2007: net current assets of HK$31.1 million). The current assets comprised cash and cash equivalents of HK$20.8 million, trade and bills receivables of HK$6.2 million, prepayment and other receivables of HK$9.1 million and inventories of HK$14.1 million. The current liabilities comprised trade payables of HK$7.5 million, other payables, accrued expenses and receipts in advance of HK$22.3 million, borrowings of HK$18.1 million and convertible bonds of HK$14.0 million. The Group's total borrowings of HK$19.0 million were denominated in RMB, bearing interest rate of 0.664% per month for bank loans and floating interest rate for other loans while government loans were interest-free.

As at 31 December 2008, the gearing ratio of the Group which is measured by total borrowings to total equity was 2.0 (2007: zero).

As at 31 December 2008, (i) the Group had no significant exposure to fluctuations in exchange rates and any related hedges; (ii) the Group had no charges on its assets; and (iii) the Group had no significant investment held.

Major Acquisition

On 20 May 2008, an unanimous ordinary resolution was passed at an extraordinary general meeting of the Company to acquire a 60% equity interest in Divine Mission Holdings Limited ("Divine Mission"). Divine Mission is a company incorporated in British Virgin Islands holding 100% equity interests of 濟寧凱倫光伏材料有限公司 ("Kailun PV (Jining)"). Kailun PV (Jining) is a wholly foreign owned enterprise established in Jining, Shandong, the PRC and is engaged in the production and sale of highly purified silicon and research and development in the production of solar graded silicon. Details of the acquisition have been disclosed in the circular of the Company dated 2 May 2008.

For the year ended 31 December 2008, in connection with that acquisition, the Group had injected US$8.0 million (equivalent to approximately HK$62.0 million) into Kailun PV (Jining) mainly for the enlargement of factory and the purchase of new equipment. The construction of the factory has already been completed and the equipment are in place. Successful developed new products have been commenced their testings for mass production.

Significant Investment Plans

Save as disclosed above, as at 31 December 2008, the Group did not have any significant investment plans.

Contingent Liabilities

As at 31 December 2008, the Group did not have any significant contingent liabilities.

Employees

As at 31 December 2008, the total number of employees of the Group was 177 (2007: 48). Employees' cost (including directors' emoluments) amounted to HK$16.6 million for the year (2007: HK$18.4 million).

The Group considers its employees as its most valuable assets. In addition to salary, other fringe benefits such as medical subsidies, life insurance, provident fund and subsidised training programs are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employees may also receive a discretionary bonus at the end of each year based on performance. Share options have also been granted to certain employees of the Group.

For the year ended 31 December 2009

Business Review

For the year ended 31 December 2009, the Group's turnover decreased by 41% to HK$32.6 million. Loss for the year was increased from HK$19.9 million in 2008 to HK$53.7 million in 2009, which was mainly due to the full impairment on goodwill of HK$35.7 million for the year. Although the silicon prices were gradually recovered from its lowest at the outbreak of the financial crisis in 2008 to a rather steady level in 2009, the future unpredictable prices of silicon which are influenced substantially by the marco-economic factors are beyond the control of the Company. As such, the directors decided to provide a full impairment on the goodwill in 2009.

Our silicon business achieved a turnover of HK$10.1 million in 2009, representing a 66% decrease compared to 2008. Segment loss for the year was increased by 324% to HK$44.6 million, which was mainly due to the full impairment on goodwill of HK$35.7 million as mentioned above.

Our publication business accounted for a turnover of HK$22.5 million in 2009, representing a 12% decrease compared to 2008. Segment loss for the year was HK$1.0 million as compared to a profit of HK$0.04 million last year, which was mainly due to the continuing increase in competitiveness of the publication business in Hong Kong and the reduction in advertising income.

Prospects

Apart from the goodwill impairment, the Group's silicon business stays healthy and steady at the beginning of 2010. Technology of the 4-5N silicon production is improved and the production cost per unit is under control. The Group is actively looking for potential buyers for large scale production.

On the other hand, the Group plans to expand its business in the energy and resources sector. The first move is to acquire a 66% stake in Xianglan Do Brasil Mineracao Ltda., a company engaged in the exploration of manganese resources in

Brazil. Details of the acquisition are contained in the Company's circular dated 24 February 2010. The next step is to acquire an iron ore exploration company, SAM in Brazil. A Memorandum of Understanding has been entered into between the Group and Votorantim Novos Negocios Ltda., the holding company of SAM and one of the largest industrial conglomerates in Latin America. The progress of the SAM acquisition has been disclosed in the Company's announcement on 18 November 2009, 18 December 2009, 29 January 2010 and 3 March 2010. Further information will be announced in due course.

Liquidity and Financial Resources

During the year ended 31 December 2009, the Group's operation was mainly financed by the internal financial resources of the Group and the loan from the ultimate holding company.

As at 31 December 2009, the Group had net current liabilities of HK$5.0 million (2008: HK$11.9 million). The current assets comprised cash and cash equivalents of HK$16.2 million, trade and bills receivables of HK$7.1 million, prepayment and other receivables of HK$10.5 million and inventories of HK$6.0 million. The current liabilities comprised trade payables of HK$8.5 million, other payables, accrued expenses and receipts in advance of HK$21.9 million and borrowings of HK$14.4 million. The Group's total borrowings of HK$15.0 million were denominated in RMB, bearing interest rate of 0.575% per month for bank loans and floating interest rate for other loans while government loans were interest-free.

As at 31 December 2009, the gearing ratio of the Group is not available as the Group has negative equity (2008: total borrowings to total equity was 2.0).

As at 31 December 2009, (i) the Group had no significant exposure to fluctuations in exchange rates and any related hedges; (ii) the Group had no charges on its assets; and (iii) the Group had no significant investment held.

Major Acquisitions

The acquisition pursuant to an equity transfer agreement dated 7 November 2009 entered into between the Company and Brilliant People Limited and Shandong Zhi Zhang Trading Limited to acquire a 66% equity interest of Xianglan Do Brasil Mineracao Ltda., a company incorporated in Brazil and engaged in the exploration of magnesium resources in Brazil, details of which have been disclosed in a circular of the Company on 24 February 2010. As at 31 December 2009, the Xianglan Acquisition has not been completed and pending for the approval by the shareholders of the Company in an extraordinary general meeting on 15 March 2010. Such agreement was subsequently completed on 24 March 2010.

On 17 November 2009, the Company entered into a Memorandum of Understanding with VNN to acquire 100% of the equity interest of SAM, a company incorporated in Brazil and engaged in the exploration of iron resources in Brazil (the

"SAM MOU"). Details of the SAM MOU have been disclosed in the Company's announcements on 18 November 2009, 18 December 2009, 29 January 2010, 3 March 2010 and 16 April 2010.

Significant Investment Plans

Save as disclosed above, as at 31 December 2009, the Group did not have any significant investment plans.

Contingent Liabilities

As at 31 December 2009, the Group did not have any significant contingent liabilities.

Employees

As at 31 December 2009, the total number of employees of the Group was 172 (2008: 177). Employees' cost (including directors' emoluments) amounted to HK$11.8 million for the year (2008: HK$16.6 million). The Group considers its employees as its most valuable assets. In addition to salary, other fringe benefits such as medical subsidies, life insurance, provident fund and subsidised training programs are offered to all employees of the Group. Performance of the employees is normally reviewed on an annual basis with adjustment compatible to the market. Individual employees may also receive a discretionary bonus at the end of each year based on performance. Share options have also been granted to certain employees of the Group.

The following is the text of an accountants' report on the Target received from the reporting accountant, Grant Thornton, Certified Public Accountants, Hong Kong, for the purpose of incorporation into this Circular.

Grant Thornton
均富

Member of Grant Thornton International Ltd

5 November 2010

The Directors
Honbridge Holdings Limited
Suite 2703
27th Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

We set out below our report on the financial information of Sul Americana de Metais S.A. ("SAM") (formerly known as Emance Holdings S.A.), in Sections I and II below, including the statements of financial position as at 31 December 2007, 2008 and 2009 and 30 June 2010, statements of comprehensive income, statements of cash flows and statements of changes in equity for each of the three years ended 31 December 2007, 2008 and 2009 and the six months ended 30 June 2010 (the "Relevant Periods") and the notes thereto (the "Financial Information"), prepared for inclusion in the circular (the "Circular") dated 5 November 2010 issued by Honbridge Holdings Limited (the "Company") in connection with the proposed acquisition of the entire issued share capital of SAM (the "Proposed Acquisition"). Upon completion of the Proposed Acquisition, the Company will indirectly own the entire equity interest of SAM.

SAM was incorporated in Brazil with limited liability. As at 30 June 2010, SAM has registered capital of R$5,266,604 divided into 9,999 common registered and 1 preferred registered share, all without par value. The address of SAM's registered office and principal place of business is Av. Floripes Crispim, 1287, lote 141 E, quadra 11, bairro Novo Panorama, CEP 39560-000, Salinas, Bairro Novo Panorama, State of Minas Gerais, Brazil. SAM is an indirect wholly-owned subsidiary of Votorantim Novos Negócios Ltda. ("VNN"), a company incorporated in Brazil. SAM is principally engaged in the identification and exploration of iron mineral resources in States of Minas Gerais and Bahia, Brazil.

The financial statements of SAM for the Relevant Periods (collectively referred to as the "Underlying Financial Statements") were prepared in accordance with International Financial Reporting Standards which collective term includes all applicable individual

International Financial Reporting Standards, International Accounting Standards and Interpretations issued by the International Accounting Standards Board. The financial statements of SAM for the three years ended 31 December 2009 and for the six months ended 30 June 2010 were audited by PricewaterhouseCoopers, Certified Public Accountants in Brazil and Terco, Certified Public Accountants in Brazil respectively.

The directors of SAM are responsible for the preparation and the true and fair presentation of the Underlying Financial Statements. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of the Underlying Financial Statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The Financial Information as set out in this report have been prepared by the directors of SAM based on the Underlying Financial Statements and in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA").

The directors of the Company are responsible for the Financial Information presented in this report and the contents of the Circular in which this report is included. In preparing the Financial Information which gives a true and fair view, it is fundamental that appropriate accounting policies are selected and applied consistently.

For the Financial Information, our responsibility is to express an opinion based on our examination and to report our opinion to you. We examined the Underlying Financial Statements used in preparing the Financial Information, and carried out independent audit procedures as we considered necessary in accordance with the Auditing Guideline 3.340 "Prospectuses and the Reporting Accountants" issued by the HKICPA.

Opinion

In our opinion, the Financial Information gives a true and fair view of the financial positions of SAM as at 31 December 2007, 2008 and 2009 and 30 June 2010 and of the results and cash flows of SAM for each of the Relevant Periods.

Corresponding financial information

For the purpose of this report, we have also reviewed unaudited corresponding financial information of the comprising the statement of comprehensive income, combined statement of changes in equity and cash flow statement for the six months ended 30 June 2009, together with a summary of significant accounting policies and other explanatory notes thereto (the "Corresponding Financial Information"), for which the directors are responsible, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the HKICPA. Our responsibility is to express a conclusion on the Corresponding Financial Information based on our review.

A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the Corresponding Financial Information.

Based on our review, for the purpose of this report, nothing has come to our attention that causes us to believe that the Corresponding Financial Information is not prepared, in all material respects, in accordance with the same basis adopted in respect of the Financial Information.

I. FINANCIAL INFORMATION

STATEMENTS OF COMPREHENSIVE INCOME

		Year ended 31 December			Six months ended 30 June	
	Notes	**2007**	**2008**	**2009**	**2009**	**2010**
		R$'000	*R$'000*	*R$'000*	*R$'000*	*R$'000*
					(Unaudited)	
Revenue	*5*	–	–	–	–	–
Other revenue	*5*	–	832	325	282	7,019
Administrative expenses		(138)	(879)	(3,286)	(2,263)	(235)
Impairment of intangible assets		–	(1,684)	(10,408)	(9,992)	(1,542)
Finance costs		–	–	–	–	(415)
Profit/(Loss) before income tax	*6*	(138)	(1,731)	(13,369)	(11,973)	4,827
Income tax expense	*7*	–	–	–	–	–
Profit/(Loss) for the year/period		(138)	(1,731)	(13,369)	(11,973)	4,827
Other comprehensive income for the year/period		–	–	–	–	–
Total comprehensive income/(expense) for the year/ period		(138)	(1,731)	(13,369)	(11,973)	4,827

STATEMENTS OF FINANCIAL POSITION

	Notes	At 31 December 2007 R$'000	2008 R$'000	2009 R$'000	At 30 June 2010 R$'000
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	*9*	380	311	44	150
Land	*10*	54	54	54	54
Intangible assets	*11*	23,035	33,767	26,282	26,610
Other taxes recoverables		2	30	189	155
		23,471	34,162	26,569	26,969
Current assets					
Deposits, prepayments and other receivables		18	8	247	290
Cash and cash equivalents	*12*	280	11,021	684	27,117
		298	11,029	931	27,407
Current liabilities					
Other payables and accrued expenses		503	283	124	316
Amount due to a related party	*13*	–	67	141	–
Other taxes payables		110	484	135	150
Provision for contingencies	*14*	–	–	1,612	1,618
Loans	*15*	–	–	–	21,877
		613	834	2,012	23,961
Net current assets/(liabilities)		(315)	10,195	(1,081)	3,446
Total assets less current liabilities		23,156	44,357	25,488	30,415
Net assets		23,156	44,357	25,488	30,415
EQUITY					
Share capital	*16*	20,439	46,257	5,166	5,266
Reserves		2,717	(1,900)	20,322	25,149
Total equity		23,156	44,357	25,488	30,415

STATEMENTS OF CASH FLOWS

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	R$'000	*R$'000*	*R$'000*	*R$'000* (Unaudited)	*R$'000*
Cash flows from operating activities					
Profit/(Loss) before income tax	(138)	(1,731)	(13,369)	(11,973)	4,827
Adjustments for:					
Depreciation and amortisation	103	110	32	18	16
Gain on disposal of property, plant and equipment	–	–	(46)	(46)	–
Provision for contingencies	–	–	1,612	1,556	6
Impairment of intangible assets	–	1,684	10,408	9,992	1,542
Fair value gain on initial recognition of loan	–	–	–	–	(6,716)
Imputed interest expenses on loans	–	–	–	–	415
Operating (loss)/profit before working capital changes	(35)	63	(1,363)	(453)	90
Increase/(Decrease) in other taxes recoverables	(2)	(28)	(159)	(118)	34
Decrease/(Increase) in deposits, prepayments and other receivables	137	10	(239)	(81)	(43)
Increase/(Decrease) in amount due to a related party	–	67	74	(67)	(141)
Increase/(Decrease) in other payables and accrued expenses	455	(220)	(159)	(231)	192
Increase/(Decrease) in other taxes payables	100	374	(349)	(381)	15
Cash generated from/(used in) operations	655	266	(2,195)	(1,331)	147
Income tax refund/(paid)	–	–	–	–	–
Net cash generated from/ (used in) operating activities	655	266	(2,195)	(1,331)	147

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	R$'000	*R$'000*	*R$'000*	*R$'000*	*R$'000*
				(Unaudited)	
Cash flows from investing activities					
Purchases of property, plant and equipment	(59)	(20)	–	–	(111)
Proceeds from disposal of property, plant and equipment	–	–	303	303	–
Payment of intangible assets	(18,465)	(12,437)	(2,945)	(1,164)	(1,881)
Net cash used in investing activities	(18,524)	(12,457)	(2,642)	(861)	(1,992)
Cash flows from financing activities					
Proceeds from issuance of shares	17,765	22,932	1,500	–	100
Capital reduction	–	–	(7,000)	(7,000)	–
Draw down of loan	–	–	–	–	28,178
Net cash generated from/ (used in) financing activities	17,765	22,932	(5,500)	(7,000)	28,278
Net increase/(decrease) in cash and cash equivalents	(104)	10,741	(10,337)	(9,192)	26,433
Cash and cash equivalents at beginning of year/ period	384	280	11,021	11,021	684
Cash and cash equivalents at end of year/period	280	11,021	684	1,829	27,117
Analysis of the cash and cash equivalents					
Cash at bank *(note 12)*	280	11,021	684	1,829	27,117

STATEMENTS OF CHANGES IN EQUITY

	Share capital	Capital reduction reserve (note 17)	Capital reserve	Accumulated losses	Total
	R$'000	*R$'000*	*R$'000*	*R$'000*	*R$'000*
At 1 January 2007	–	–	5,560	(31)	5,529
Capital contribution from shareholders	20,439	–	(2,674)	–	17,765
Transactions with shareholders	20,439	–	(2,674)	–	17,765
Other comprehensive income	–	–	–	–	–
Loss for the year	–	–	–	(138)	(138)
Total comprehensive expense for the year	–	–	–	(138)	(138)
At 31 December 2007 and 1 January 2008	**20,439**	**–**	**2,886**	**(169)**	**23,156**
Capital contribution from shareholders	25,818	–	(2,886)	–	22,932
Transactions with shareholders	25,818	–	(2,886)	–	22,932
Other comprehensive income	–	–	–	–	–
Loss for the year	–	–	–	(1,731)	(1,731)
Total comprehensive expense for the year	–	–	–	(1,731)	(1,731)
At 31 December 2008 and 1 January 2009	**46,257**	**–**	**–**	**(1,900)**	**44,357**
Capital contribution from shareholders	1,500	–	–	–	1,500
Capital reduction	(42,591)	35,591	–	–	(7,000)
Transaction with shareholders	(41,091)	35,591	–	–	(5,500)

	Share capital	Capital reduction reserve (note 17)	Capital reserve	Accumulated losses	Total
	R$'000	*R$'000*	*R$'000*	*R$'000*	*R$'000*
Other comprehensive income	–	–	–	–	–
Loss for the year	–	–	–	(13,369)	(13,369)
Total comprehensive expense for the year	–	–	–	(13,369)	(13,369)
At 31 December 2009 and 1 January 2010	**5,166**	**35,591**	**–**	**(15,269)**	**25,488**
Capital contribution from shareholders	100	–	–	–	100
Transaction with shareholders	100	–	–	–	100
Other comprehensive income	–	–	–	–	–
Profit for the period	–	–	–	4,827	4,827
Total comprehensive income for the period	–	–	–	4,827	4,827
At 30 June 2010	**5,266**	**35,591**	**–**	**(10,442)**	**30,415**
(Unaudited)					
At 1 January 2009	**46,257**	**–**	**–**	**(1,900)**	**44,357**
Capital reduction	(42,591)	35,591	–	–	(7,000)
Transactions with shareholders	(42,591)	35,591	–	–	(7,000)
Other comprehensive income	–	–	–	–	–
Loss for the period	–	–	–	(11,973)	(11,973)
Total comprehensive expense for the period	–	–	–	(11,973)	(11,973)
At 30 June 2009	**3,666**	**35,591**	**–**	**(13,873)**	**25,384**

II. NOTES TO THE FINANCIAL INFORMATION

1. BASIS OF PRESENTATION

The Financial Information and the Corresponding Financial Information sets out in this report has been prepared in accordance with HKFRSs which collective term includes all applicable individual HKFRSs and Interpretations issued by the HKICPA. The Financial Information also includes the applicable disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited and have been consistently applied throughout the Relevant Periods.

These are SAM's first Financial Information prepared under HKFRSs and HKFRS 1, First-time adoption of HKFRSs, has been applied.

2. ADOPTION OF NEW OR AMENDED HKFRSs

At the date of authorisation of these Financial Information, SAM has not early adopted the following new or amended HKFRSs that have been published but are not yet effective:

HKAS 24 (Revised)	Related Party Disclosures [2]
HKAS 32 (Amendment)	Classification of Right Issues [4]
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters [1]
HKFRS 9	Financial Instruments [3]
HK(IFRIC) – Int 14 (Amendment)	HKAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction [2]
HK(IFRIC) – Int 19	Extinguishment Financial Liabilities with Equity Instruments [1]
Various	Annual Improvements to HKFRSs 2010 [5]

Notes:

1 Effective for annual periods beginning on or after 1 July 2010
2 Effective for annual periods beginning on or after 1 January 2011
3 Effective for annual periods beginning on or after 1 January 2013
4 Effective for annual periods beginning on or after 1 February 2010
5 Generally effective for annual periods beginning on or after 1 July 2010 or 1 January 2011 unless otherwise stated in the specific HKFRS, as appropriate

The directors of SAM anticipate that all of the pronouncements will be adopted in SAM's accounting policy for the first period beginning after the effective date of the pronouncement.

The directors of SAM are currently assessing the impact of other new and amended HKFRSs upon initial application. So far, the director of SAM has preliminarily concluded that the initial application of these HKFRSs is unlikely to have a significant impact on SAM's results and financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of preparation

The significant accounting policies that have been used in the preparation of this Financial Information and the Corresponding Financial Information are summarised below. These policies have been consistently applied throughout the Relevant Periods presented unless otherwise stated.

The Financial Information and the Corresponding Financial Information has been prepared on the historical cost convention. The measurement bases are fully described in the accounting polices below.

It should be noted that accounting estimates and assumptions are used in preparation of the Financial Information and the Corresponding Financial Information. Although these estimates are based on management's best knowledge and judgement of current events and actions, actual results may ultimately differ from those estimates. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Financial Information, are disclosed in note 4.

3.2 Foreign currency translation

The Financial Information of SAM is presented in Brazil Reais ("R$"), which is also the functional currency of SAM. Foreign currency transactions are translated into the functional currency of SAM using the exchange rates prevailing at the dates of the transactions. At the year end date, monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the year/period end date. Foreign exchanges gains and losses resulting from the settlement of such transactions and from the year/period end date retranslation of monetary assets and liabilities are recognised in the profit or loss for the period.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined and are reported as part of the fair value gain or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

3.3 Revenue recognition

Revenue is recognised when it is probable that the economics benefits will flow to SAM and when the revenue can be measured reliably.

Interest income is recognised on a time proportion basis using the effective interest method.

3.4 Property, plant and equipment

Property, plant and equipment are stated at acquisition cost less accumulated depreciation and accumulated impairment losses.

Depreciation on property, plant and equipment is provided to write off the cost less their estimated residual values over their estimated useful lives, using the straight-line method, at the following rates per annum:

Equipment and data processing center	20%
Technical equipment	10%
Motor vehicles	20%
Furniture, fixtures and equipment	10%

The assets' estimated useful lives, depreciation methods and residual values are reviewed, and adjusted if appropriate, at each reporting date.

The gain or loss arising on retirement or disposal is determined as the difference between the sale proceeds and the carrying amount of the asset and is recognised in profit or loss for the period.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to SAM and the cost of the item can be measured reliably. All other costs, such as repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

3.5 Land

Upfront payments made to acquire land possession rights are stated at costs less any accumulated impairment losses. The land possession rights has an unlimited useful life and therefore is not depreciated.

3.6 Intangible assets

Exploration and evaluation assets

Exploration and evaluation assets are stated at cost less impairment losses. Exploration and evaluation assets include topographical and geological survey drilling, exploratory drillings, sampling and trenching and expenditure incurred for the technical feasibility studies and incurred to secure further mineralisation in the mine ore. Expenditure incurred prior to obtaining the exploration and evaluation rights to explore an area are written off as incurred. If exploration property is abandoned during the evaluation stage, the total expenditure thereon will be written off.

Software licenses

Acquired computer software licenses are stated at acquisition costs and the costs incurred to bring to use the specific software, less accumulated amortisation and accumulated impairment losses.

These costs are amortised over their estimated useful lives of five years using the straight-line method.

3.7 Impairment of non-financial assets

Property, plant and equipment, land and intangible assets are subject to impairment testing. Land and exploration and evaluation assets with indefinite useful life or those not yet available for use are tested for impairment at least annually, irrespective of whether there is any indication that they are impaired. Property, plant and equipment and software licenses are tested for impairment whenever there are indications that the asset's carrying amount may not be recoverable.

An impairment loss is recognised as an expense immediately for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of fair value, reflecting market conditions less costs to sell, and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of time value of money and the risk specific to the asset.

For the purposes of assessing impairment, where an asset does not generate cash inflows largely independent from those from other assets, the recoverable amount is determined for the smallest group of assets that generate cash inflows independently (i.e. a cash-generating unit). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level.

Impairment loss recognised for cash generating unit is charged on a pro rata basis to the assets in the cash generating unit, except that the carrying value of an asset will not be reduced below its individual fair value less cost to sell, or value in use, if determinable.

An impairment loss is reversed if there has been a favorable change in the estimates used to determine the asset's recoverable amount and only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

3.8 Leases

An arrangement, comprising a transaction or a series of transactions, is or contains a lease if SAM determines that the arrangement conveys a right to use a specific asset or assets for an agreed period of time in return for a payment or a series of payments. Such a determination is made based on an evaluation of the substance of the arrangement and is regardless of whether the arrangement takes the legal form of a lease.

Operating lease charges as the lessee

Operating leases are leases which do not transfer substantially all the risks and rewards incidental to ownership. Where SAM has the right to use of assets held under operating leases, payments made under the leases are charged to the statements of comprehensive income on a straight line basis over the lease terms except where an alternative basis is more representative of the pattern of benefits to be derived from the leased assets. Lease incentives received are recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

3.9 Financial assets

Management determines the classification of its financial assets at initial recognition depending on the purpose for which the financial assets were acquired and where allowed and appropriate, re-evaluates this designation at every reporting date.

All financial assets are recognised when, and only when, SAM becomes a party to the contractual provisions of the instrument. Regular way purchases of financial assets are recognised on trade date. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

Derecognition of financial assets occurs when the rights to receive cash flows from the investments expire or are transferred and substantially all of the risks and rewards of ownership have been transferred.

At each year/period end date, financial assets are reviewed to assess whether there is objective evidence of impairment. If any such evidence exists, impairment loss is determined and recognised based on the classification of the financial assets.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction cost.

Impairment of financial assets

At each year/period end date, financial assets are reviewed to determine whether there is any objective evidence of impairment.

Objective evidence of impairment of individual financial assets includes observable data that comes to the attention of SAM about one or more of the following loss events:

– significant financial difficulty of the debtor;

– a breach of contract, such as a default or delinquency in interest or principal payments;

– it becoming probable that the debtor will enter bankruptcy or other financial reorganisation;

– significant changes in the technological, market, economic or legal environment that have an adverse effect on the debtor; and

– a significant or prolonged decline in the fair value of an investment in an equity instrument below its cost.

Loss events in respect of a group of financial assets include observable data indicating that there is a measurable decrease in the estimated future cash flows from the group of financial assets. Such observable data includes but not limited to adverse changes in the payment status of debtors in the group and, national or local economic conditions that correlate with defaults on the assets in the group.

If any such evidence exists, the impairment loss is measured and recognised as follows:

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The amount of the loss is recognised in profit or loss of the period in which the impairment occurs.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that it does not result in a carrying amount of the financial asset exceeding what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in profit or loss of the period in which the reversal occurs.

3.10 Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, demand deposits with banks and short term highly liquid investments with original maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value.

3.11 Share capital

Ordinary shares are classified as equity. Share capital is determined using the nominal value of shares that have been issued and are fully paid.

3.12 Accounting for income taxes

Income tax comprises current tax and deferred tax.

Current income tax assets and/or liabilities comprise those obligations to, or claims from, fiscal authorities relating to the current or prior reporting period, that are unpaid at the year/period end date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognised as a component of tax expense in the profit or loss for the year.

Deferred tax is calculated using the liability method on temporary differences at the year/period end date between the carrying amounts of assets and liabilities in the financial statements and their respective tax bases. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are recognised for all deductible temporary differences, tax losses available to be carried forward as well as other unused tax credits, to the extent that it is probable that taxable profit, including existing taxable temporary differences, will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax assets and liabilities are not recognised if the temporary difference arises from initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither taxable nor accounting profit or loss.

Deferred tax is calculated, without discounting, at tax rates that are expected to apply in the periods the liability is settled or the asset realised, provided they are enacted or substantively enacted at the period/year end date.

Changes in deferred tax assets or liabilities are recognised in the profit or loss, or in other comprehensive income or directly in equity if they relate to items that are charged or credited to other comprehensive income or directly to equity.

Current tax assets and current tax liabilities are presented in net if, and only if,

(a) SAM has the legally enforceable right to set off the recognised amounts; and

(b) intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

SAM presents deferred tax assets and deferred tax liabilities in net if, and only if,

(a) the entity has a legally enforceable right to set off current tax assets against current tax liabilities; and

(b) the deferred tax assets and the deferred tax liabilities relate to income taxes levied by the same taxation authority on either:

(i) the same taxable entity; or

(ii) different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

3.13 Financial liabilities

Financial liabilities are recognised when SAM becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amount is recognised in the profit or loss for the period.

Financial liabilities are recognised initially at their fair value and subsequently measured at amortised cost, using the effective interest method.

3.14 Provisions, contingent liabilities and contingent assets

Provisions are recognised when SAM has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

All provisions are reviewed at each period/year end date and adjusted to reflect the current best estimate.

When it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only

be confirmed by the occurrence or non-occurrence of one or more future uncertain events not wholly within the control of SAM are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

3.15 Employee benefits

Retirement benefits

Retirement benefits to employees are provided through defined contribution plans.

The employees of SAM are required to participate in a central pension scheme operated by the government. SAM is required to contribute 20-28% of its payroll costs to the central pension scheme.

Contributions are recognised as an expense in profit or loss as employees render services during the year. SAM's obligations under these plans is limited to the fixed percentage contributions payable.

Short-term employee benefits

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the reporting date.

Non-accumulating compensated absences such as sick leave and maternity leave are not recognised until the time of leave.

3.16 Related parties

For the purposes of these financial statements, a party is considered to be related to SAM if:

(i) the party has the ability, directly or indirectly through one or more intermediaries, to control SAM or exercise significant influence over SAM in marking financial and operating policy decisions, or has joint control over SAM;

(ii) SAM and the party are subject to common control;

(iii) the party is an associate of SAM or a joint venture in which SAM is a venturer;

(iv) the party is a member of key management personnel of SAM or SAM's parent, or a close family member of such an individual, or is an entity under the control, joint control or significant influence of such individuals;

(v) the party is a close family member of a party referred to in (i) or is an entity under the control, joint control or significant influence of such individuals; or

(vi) the party is a post-employment benefit plan which is for the benefit of employees of SAM or of any entity that is a related party of SAM.

Close family members of an individual are those family members who may be expected to influence, or be influenced by, that individual in their dealings with the entity.

3.17 Operating segment

Operating segments are reported in a manner consistent with the internal management reports provided to the chief operating decision-makers. Segment assets consist primarily of property, plant and equipment, intangible asset, financial assets and other assets. Segment liabilities comprise primarily liabilities to other payables and accrued expenses and amount due to shareholder.

No operating segment information are presented as SAM's operation related solely to identification and exploration of iron mineral resources.

4. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

SAM makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Impairment of intangible assets – "exploration and evaluation assets"

The carrying value of exploration and evaluation assets is reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable. SAM considers all facts and circumstances occurred to judge whether these facts and circumstances would suggest that the carrying amount of the exploration and evaluation assets may exceed its recoverable amount (i.e. impaired). Management reassesses the impairment of intangible assets at the year/period end date.

Provision for contingencies

The provision for contingencies is based on the evaluation of the present obligation as a result of a past event, the advices from the lawyers and the management's judgement. A considerable amount of judgment is required in assessing the realisation of the outflow of the obligation. Because of the nature of the dispute, the timing of the utilisation of the provision, and any associated cash outflows is uncertain.

5. REVENUE AND OTHER REVENUE

During the Relevant Periods, SAM did not generate any turnover.

Other revenue

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	R$'000	*R$'000*	*R$'000*	*R$'000* (Unaudited)	*R$'000*
Bank interest income	–	832	279	236	296
Other interest income	–	–	–	–	7
Gain on disposal of property, plant and equipment	–	–	46	46	–
Fair value gain on initial recognition of loan	–	–	–	–	6,716
	–	832	325	282	7,019

6. PROFIT/(LOSS) BEFORE INCOME TAX

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	R$'000	*R$'000*	*R$'000*	*R$'000* (Unaudited)	*R$'000*
Profit/(Loss) before income tax is arrived at after charging:					
Auditors' remuneration*	–	11	–	–	–
Depreciation	91	89	10	7	5
Less: amount capitalised as exploration and evaluation of assets	–	–	–	–	(5)
	91	89	10	7	–
Amortisation of intangible assets	12	21	22	11	11
Less: amount capitalised as exploration and evaluation of assets	–	–	–	–	(11)
	12	21	22	11	–
Impairment of intangible assets	–	1,684	10,408	9,992	1,542
Imputed interest expenses on loan	–	–	–	–	415
Operating lease charges:					
– motor vehicles	39	66	37	19	3
– computer equipment	5	13	13	6	6
	44	79	50	25	9
Less: amount capitalised as exploration and evaluation of assets	(44)	(79)	(50)	(25)	(9)
	–	–	–	–	–
Provision for contingencies	–	–	1,612	1,556	6
Employees' benefits:					
– Salaries and allowances	1,426	1,393	336	219	648
– Pension contributions	257	340	81	50	69
	1,683	1,733	417	269	717
Less: amount capitalised as exploration and evaluation of assets	(1,683)	(1,733)	(417)	(269)	(717)
	–	–	–	–	–

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	R$'000	*R$'000*	*R$'000*	*R$'000* (Unaudited)	*R$'000*
Minimum lease payments paid under operating leases in respect of rental premises	25	37	8	5	7
Less: amount capitalised as exploration and evaluation of assets	(25)	(37)	(8)	(5)	(7)
	–	–	–	–	–

* The auditors' remuneration for the years ended 31 December 2007 and 2009 and for the six months ended 30 June 2009 and 2010 was borne by Mineral Ventures Participações Ltda., a Brazilian limited, a Brazilian limited company and a wholly owned subsidiary of VNN.

7. INCOME TAX EXPENSE

No income tax has been provided as SAM did not derive any assessable profits in Brazil during the Relevant Periods.

Reconciliation between income tax expense and accounting (loss)/profit at applicable tax rates is as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	2008	2009	2009	2010
	R$'000	*R$'000*	*R$'000*	*R$'000* (Unaudited)	*R$'000*
Profit/(Loss) before income tax	(138)	(1,731)	(13,369)	(11,973)	4,827
Tax at applicable rate of 34%	(47)	(588)	(4,545)	(4,071)	1,641
Tax effect of non-deductible expenses	–	–	548	–	2
Tax effect of temporary differences not recognised	–	(11,381)	2,499	3,492	(1,664)
Tax effect of prior year's unrecognised tax losses utilised this year/period	–	–	–	–	21
Tax effect of unused tax losses not recognised	47	11,969	1,498	579	–
Total income tax expense	–	–	–	–	–

SAM has unrecognised tax losses of approximately R$268,000, R$35,472,000, R$39,879,000 and R$39,827,000 as at 31 December 2007, 2008 and 2009 and 30 June 2010, respectively, to carry forward against future taxable income. These tax losses do not expire under current legislation.

No deferred tax assets have been recognised in respect of these losses due to the unpredictability of future profit streams.

8. DIRECTORS' REMUNERATION AND HIGHEST PAID INDIVIDUALS

Director's emoluments

	Fees *R$'000*	**Salaries and allowances** *R$'000*	**Contribution to defined contribution plan** *R$'000*	**Total** *R$'000*
Year ended 31 December 2007				
Haroldo Fleischfresser	–	–	–	–
Naldilei Zumpano	–	–	–	–
Paulo Henrique de Oliveria Santos	–	–	–	–
	–	–	–	–
Year ended 31 December 2008				
Haroldo Fleischfresser	–	–	–	–
Naldilei Zumpano	–	–	–	–
Paulo Henrique de Oliveria Santos	–	–	–	–
	–	–	–	–
Year ended 31 December 2009				
Haroldo Fleischfresser	–	–	–	–
Naldilei Zumpano	–	–	–	–
Paulo Henrique de Oliveria Santos	–	–	–	–
	–	–	–	–
Six months ended 30 June 2010				
Haroldo Fleischfresser	–	–	–	–
Naldilei Zumpano	–	–	–	–
Paulo Henrique de Oliveria Santos	–	–	–	–
	–	–	–	–
Six months ended 30 June 2009 (Unaudited)				
Haroldo Fleischfresser	–	–	–	–
Naldilei Zumpano	–	–	–	–
Paulo Henrique de Oliveria Santos	–	–	–	–
	–	–	–	–

No emoluments were paid by the Group to any directors as an inducement to join or upon joining SAM or as compensation for loss of office during the Relevant Periods. There was no arrangement under which a director waived or agreed to waive any remuneration during the Relevant Periods.

Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the Relevant Periods did not include any director's emoluments. The emoluments payable/paid to the five highest paid individuals during the Relevant Periods are as follows:

	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009**	**2010**
	R$'000	*R$'000*	*R$'000*	*R$'000* (Unaudited)	*R$'000*
Salaries and allowances	519	621	262	185	177
Pension contributions	143	138	48	50	49
	662	759	310	235	226

The emoluments fell within the following bands:

	Number of individuals				
	Year ended 31 December			Six months ended 30 June	
	2007	**2008**	**2009**	**2009** (Unaudited)	**2010**
Emolument bands					
Nil – HK$1,000,000	5	4	5	5	5
HK$1,000,001 – HK$1,500,000	–	1	–	–	–

9. PROPERTY, PLANT AND EQUIPMENT

	Equipment and data processing center *R$'000*	Technical equipment *R$'000*	Motor vehicles *R$'000*	Furniture, fixtures and equipment *R$'000*	Total *R$'000*
At 1 January 2007					
Cost	–	13	399	–	412
Accumulated depreciation	–	–	–	–	–
Net book amount	–	13	399	–	412
Year ended 31 December 2007					
Opening net book amount	–	13	399	–	412
Additions	7	18	–	34	59
Depreciation	(1)	(2)	(86)	(2)	(91)
Closing net book amount	6	29	313	32	380
At 31 December 2007 and 1 January 2008					
Cost	7	31	399	34	471
Accumulated depreciation	(1)	(2)	(86)	(2)	(91)
Net book amount	6	29	313	32	380
Year ended 31 December 2008					
Opening net book amount	6	29	313	32	380
Additions	1	17	–	2	20
Depreciation	(1)	(3)	(81)	(4)	(89)
Closing net book amount	6	43	232	30	311
At 31 December 2008 and 1 January 2009					
Cost	8	48	399	36	491
Accumulated depreciation	(2)	(5)	(167)	(6)	(180)
Net book amount	6	43	232	30	311

	Equipment and data processing center *R$'000*	Technical equipment *R$'000*	Motor vehicles *R$'000*	Furniture, fixtures and equipment *R$'000*	Total *R$'000*
Year ended 31 December 2009					
Opening net book amount	6	43	232	30	311
Disposal, net of accumulated depreciation	(1)	(7)	(229)	(20)	(257)
Depreciation	(1)	(4)	(3)	(2)	(10)
Closing net book amount	4	32	–	8	44
At 31 December 2009 and 1 January 2010					
Cost	7	41	–	16	64
Accumulated depreciation	(3)	(9)	–	(8)	(20)
Net book amount	4	32	–	8	44
Six months ended 30 June 2010					
Opening net book amount	4	32	–	8	44
Additions	4	–	–	107	111
Depreciation	(1)	(2)	–	(2)	(5)
Closing net book amount	7	30	–	113	150
At 30 June 2010					
Cost	11	41	–	123	175
Accumulated depreciation	(4)	(11)	–	(10)	(25)
Net book amount	7	30	–	113	150

10. LAND

The balance represented the amount paid to acquire the possessory rights of a piece of land located in Ibotirama, State of Bahia, Brazil (the "Property").

11. INTANGIBLE ASSETS

	Exploration and evaluation assets *R$'000*	Software licenses *R$'000*	Total *R$'000*
At 1 January 2007			
Cost	4,482	100	4,582
Accumulated amortisation	–	–	–
Net book amount	4,482	100	4,582
Year ended 31 December 2007			
Opening net book amount	4,482	100	4,582
Additions	18,465	–	18,465
Amortisation	–	(12)	(12)
Closing net book amount	22,947	88	23,035
At 31 December 2007 and 1 January 2008			
Cost	22,947	100	23,047
Accumulated amortisation	–	(12)	(12)
Net book amount	22,947	88	23,035
Year ended 31 December 2008			
Opening net book amount	22,947	88	23,035
Additions	12,428	9	12,437
Amortisation	–	(21)	(21)
Impairment loss	(1,684)	–	(1,684)
Closing net book amount	33,691	76	33,767
At 31 December 2008 and 1 January 2009			
Cost	35,375	109	35,484
Accumulated amortisation	–	(33)	(33)
Accumulated impairment losses	(1,684)	–	(1,684)
Net book amount	33,691	76	33,767
Year ended 31 December 2009			
Opening net book amount	33,691	76	33,767
Additions	2,943	2	2,945
Amortisation	–	(22)	(22)
Impairment losses	(10,408)	–	(10,408)
Closing net book amount	26,226	56	26,282
At 31 December 2009 and 1 January 2010			
Cost	38,318	111	38,429
Accumulated depreciation	–	(55)	(55)
Accumulated impairment losses	(12,092)	–	(12,092)
Net book amount	26,226	56	26,282

	Exploration and evaluation assets	Software licenses	Total
	R$'000	*R$'000*	*R$'000*
Six months ended 30 June 2010			
Opening net book amount	26,226	56	26,282
Additions	1,873	8	1,881
Amortisation	–	(11)	(11)
Impairment loss	(1,542)	–	(1,542)
Closing net book amount	26,557	53	26,610
At 30 June 2010			
Cost	40,191	119	40,310
Accumulated depreciation	–	(66)	(66)
Accumulated impairment losses	(13,634)	–	(13,634)
Net book amount	26,557	53	26,610

The amortisation charge for the Relevant Periods is included in "Administrative expenses" in the statement of comprehensive income.

During the Relevant Periods, impairment provision of R$1,684,000, R$10,408,000, R$9,992,000 and R$1,542,000 were made for each of the years ended 31 December 2008 and 2009, and for the six months ended 30 June 2009 and 2010, on those expired exploration licenses. Impairment loss is made in the respective accounting periods in which the exploration and evaluation assets are expired and forfeited.

During the Relevant Periods and up to the reporting date, there is no other circumstance which may indicate that the carrying amount of exploration and evaluation assets of SAM exceeded the recoverable amount resulting in an impairment loss in accordance with HKAS 36 except for those expired licenses of which impairment provision has been made.

12. CASH AND CASH EQUIVALENTS

	As at 31 December			At 30 June
	2007	2008	2009	2010
	R$'000	*R$'000*	*R$'000*	*R$'000*
Cash at bank	280	30	72	105
Cash in transit	–	–	–	9,020
Certificates of bank deposits	–	10,991	612	17,992
	280	11,021	684	27,117

At 31 December 2007, 2008 and 2009 and 30 June 2010, certificate of bank deposits are remunerated at nil%, 103%, between 99% and 103%, and between 99% and 99.5% of the Interbank deposit rate, respectively.

Cash in transit represented the loan amount of US$5,000,000 advanced by the Company in June 2010 but received by SAM on 1 July 2010 as detailed in note 15.

The directors of SAM considered that the fair value of the short term bank deposits is not materially different from their carrying amount because of the short maturity period on their inception.

13. AMOUNT DUE TO A RELATED PARTY

Amount due to a related party are unsecured, interest-free and repayable on demand.

14. PROVISION FOR CONTINGENCIES

SAM is a party to judicial claims and administrative proceedings, which arose from the normal course of its operations. Provisions are made when loss is considered probable, resulting in a provision at 31 December 2009 of R$1,612,000 and 30 June 2010 of R$1,618,000 (2008 and 2007 – none). In the opinion of directors, after taking appropriate legal advice, the outcome of these legal claims will not give rise to any further significant loss beyond the amounts provided at 31 December 2009 and 30 June 2010.

This provision is related exclusively to labor claims, in which SAM was considered as jointly responsible and the judicial deposits of R$247,000 and of R$265,000 have been paid as at 31 December 2009 and 30 June 2010 (included in other receivables) in respect of these contingencies.

15. LOANS

On 5 March 2010, SAM as the borrower, the Company as the lender and Lit Quad Ltd. ("Lit Quad"), a British Virgin Islands limited company and an indirect wholly-owned subsidiary of VNN, entered into a loan agreement (the "Loan Agreement").

Pursuant to the Loan Agreement, the Company agrees to provide a maximum loan amount of US$35 million (the "Loan"), including an additional US$3,840,000 contingency payment to SAM. The Loan is provided to SAM exclusively for the purposes of completing the Initial Scope of Work as defined in the Circular.

The Loan is provided to SAM by instalments based on the Loan Agreement. As of 30 June 2010, the Company has advanced US$15,870,000 (equivalent to approximately R$28,178,000) to SAM. An amount of US$10,870,000 (equivalent to approximately R$19,158,000) was received by SAM as at 30 June 2010 and subsequent to 30 June 2010, on 1 July 2010, SAM received another loan amount of US$5,000,000 (equivalent to approximately R$9,020,000) from the Company.

On 1 July 2010 and 23 August 2010, all parties of the Loan Agreement agreed to amend the Loan Agreement such that (i) the disbursement date of the fourth installment, originally scheduled to occur 120 days from the date of the Loan Agreement in the amount of US$5,050,000, and (ii) the disbursement date of the fifth installment, originally scheduled to occur 180 days from the date of the Loan Agreement in the amount of US$7,310,000, shall be postponed to the date that is the tenth business day following the delivery of a notice by SAM to the Company pursuant to the Loan Agreement requesting the disbursement of such US$5,050,000 and/or US$7,310,000, as the case may be. The parties also agree that SAM can request for any amount lower than US$5,050,000 and/or US$7,310,000.

Subsequent to 30 June 2010, at the request of SAM, the Company remitted USD3,500,000 to SAM on 4 October 2010. Hence, the maximum outstanding loan amount to be provided by the Company to SAM is up to USD15,630,000, including an additional US$3,840,000 contingency payment, as of 4 October 2010.

The Loan is interest free and SAM shall repay the Loan to the Company on the earlier of (i) the amount of US$115 million payable by Infinite Sky to VNN and Lit Mining; and (ii) the termination of the Share Purchase Agreement. Any amount of the Loan already advanced to SAM before the shareholders' approval at the extraordinary general meeting of the Company to be convened ("EGM") will not be repaid if the Loan Agreement is rejected by the shareholders of the Company at the EGM. Lit Quad has an option to purchase all rights and obligations of the Loan Agreement for a purchase price of US$1.

A fair value gain of R$6,716,000 was recorded by SAM on initial recognition of the loans advanced by the Company and an imputed interest expense of R$415,000 was charged to the statement of comprehensive income for the six months ended 30 June 2010.

16. SHARE CAPITAL

	Notes	*Number of shares*	*R$'000*
Authorised, issued and fully paid:			
Ordinary shares without par value			
At 1 January 2007		100	–
Paid up issued shares during the year	*(a)*	20,438,620	20,439
At 31 December 2007 and 1 January 2008		20,438,720	20,439
Paid up issued shares during the year	*(b)*	25,913,859	25,818
At 31 December 2008 and 1 January 2009		46,352,579	46,257
Capital cancellation during the year	*(c)*	(30,408,347)	(7,000)
Capital reduction during the year	*(c)*	–	(35,591)
Paid up issued shares during the year	*(d)*	6,521,739	1,500
At 31 December 2009 and 1 January 2010		22,465,971	5,166
Capital contribution during the period	*(e)*	11,944,954,029	100
Share consolidation	*(f)*	(11,967,410,000)	–
At 30 June 2010		10,000	5,266

Notes:

(a) On 30 April 2007, a capital increase of R$18,289,000 through the issue of 18,288,620 new common nominative shares.

On 31 July 2007, a capital increase of R$2,150,000 through the issue of 2,150,000 new common nominative shares.

(b) On 25 March 2008, a capital increase of R$4,702,000 through the issue of 4,702,000 new common nominative shares.

On 30 April 2008, a capital increase of R$424,000 through the issue of 424,000 new common nominative shares.

On 25 June 2008, a capital increase of R$5,692,000 through the issue of 5,692,760 new common nominative shares.

On 26 June 2008, a capital increase of R$15,000,000 through the issue of 15,095,099 new common nominative shares.

(c) On 30 January 2009, a capital reduction of R$7,000,000 and the constitution of a capital reduction reserve of R$35,591,000 through the cancellation of 30,408,347 common nominative shares.

(d) On 30 October 2009, a capital increase of R$1,500,000 through the issue of 6,521,739 new common nominative shares.

(e) Subsequent to 31 December 2009, on 8 February 2010, a capital increase of R$100,000 through the issue of 11,944,954,029 new common nominative shares.

(f) On 9 February 2010, share consolidation in the proportion of 1,196,742 to one new share, resulting therefrom the division of the registered capital into 10,000 registered common shares.

On 3 March 2010, 1 common share is converted to 1 preferred share with certain economic rights and with the right to vote on certain major matters.

17. CAPITAL REDUCTION RESERVE

On February 26, 2009 the shareholders approved the absorption of accumulated losses in the total amount of R$35,591,000 and consequently registered this amount as a reserve to reflect the capital reduction which had no effect on the number of issued shares.

18. OPERATING LEASE COMMITMENTS

SAM leases certain of its office premises under operating leases. The leases run for an initial period of 1 to 3 years. One of the leases contained contingent rentals which will be adjusted based on minimum wage in Brazil.

At 31 December 2007, 2008 and 2009 and 30 June 2010, SAM had total future minimum lease receivables under non-cancellable operating leases falling due as follows:

	At 31 December			At 30 June
	2007	**2008**	**2009**	**2010**
	R$'000	*R$'000*	*R$'000*	*R$'000*
Property				
Within one year	37	7	125	121
In the second to fifth years, inclusive	139	132	6	3
	176	139	131	124
Other assets				
Within one year	79	50	50	26
In the second to fifth years, inclusive	101	50	1	–
	180	100	51	26

19. CAPITAL COMMITMENTS

Save as disclosed elsewhere in the Financial Information, SAM has the following significant capital commitment at 31 December 2007, 2008 and 2009 and 30 June 2010.

	At 31 December			At 30 June
	2007	**2008**	**2009**	**2010**
	R$'000	*R$'000*	*R$'000*	*R$'000*
Property, plant and equipment				
Contracted but not provided for	–	–	–	22,988

20. RELATED PARTY TRANSACTIONS

The transactions, and the balances involving the related company are summarised as follows:

Mineral Ventures Participacoes Ltda.

	At 31 December			At 30 June
	2007	**2008**	**2009**	**2010**
	R$'000	*R$'000*	*R$'000*	*R$'000*
Amount due to a related party	–	67	141	–
Shared administrative expenses	–	359	995	–

Mineral Ventures Participacoes Ltda. is a subsidiary of VNN.

Key management of SAM are members of the board of directors. For details of directors' remuneration during the Relevant Periods, please refer to note 8.

21. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

SAM is exposed to financial risks through its use of financial instruments in its ordinary course of operations and its investment activities. The financial risks include market risk (including currency risk and interest risk), credit risk and liquidity risk.

Financial risk management is coordinated at SAM's headquarters, in close co-operation with the board of directors. The overall objectives in managing financial risks focus on securing SAM's short to medium term cash flows by minimising its exposure to financial markets. Long term financial investments are managed to generate lasting returns with acceptable risk levels.

It is not SAM's policy to actively engage in the trading of financial instruments for speculative purposes. The management indentifies ways to access financial markets and monitors SAM's financial risk exposures. Regular reports are provided to the board of directors.

21.1 Categories of financial assets and liabilities

The carrying amounts presented in the statements of financial position relate to the following categories of financial assets and financial liabilities.

	At 31 December			At 30 June
	2007	2008	2009	2010
	R$'000	*R$'000*	*R$'000*	*R$'000*
Financial assets				
Loan and receivables				
Deposits, prepayments and other receivables	18	8	247	290
Cash and cash equivalents	280	11,021	684	27,117
	298	11,029	931	27,407
Financial liabilities				
Financial liabilities at amortised cost				
Other payables and accrued liabilities	503	283	124	316
Amount due to a related party	–	67	141	–
Loans	–	–	–	21,877
	503	350	265	22,193

21.2 Foreign currency risk

SAM's exposure to currency exchange rates is minimal as SAM usually holds most of their financial assets/liabilities in its own functional currency. Currently SAM does not have foreign currency hedging policy but the management continuously monitors foreign exchange exposure and will consider hedging significant foreign currency exposure should the need arise.

21.3 Interest rate risk

As SAM has no significant interest-bearing assets and liabilities, except for bank deposits. SAM's income and operating cash flows are substantially independent of changes in market interest rates.

21.4 Fair value

The fair values of SAM's financial assets and liabilities are not materially different from their carrying amounts because of the immediate or short term maturity.

21.5 Credit risk

SAM's maximum credit risk exposure of its financial assets is summarised in note 21.1 above.

In the opinion of the director of SAM, SAM does not have significant credit risk exposure because SAM's cash balances are mainly deposited with highly-rated banks.

There is no requirement for collateral by SAM.

21.6 Liquidity risk

SAM manages its liquidity needs by carefully monitoring scheduled debt servicing payments for long-term financial liabilities as well as cash-outflows due in day-to-day business. Liquidity needs are monitored on a day-to-day basis. Long-term liquidity needs for 360-day lookout period are identified monthly.

The management of SAM prepares the forecast for the following year, which is approved by the stockholders and on that determines if the cash amount of the previous year is sufficient to meet its commitments or if any capital increase will be necessary.

All SAM's financial liabilities in note 21.1 are repayable on demand from the period end date except for the loan from Honbridge Holdings Limited as detailed in note 15 above.

22. CAPITAL MANAGEMENT

SAM's objectives when managing capital include:

(i) To safeguard SAM's ability to continue as going concern, so that it continues to provide returns for equity holders and benefits for other stakeholders;

(ii) To support SAM's stability and growth; and

(iii) To provide capital for the purpose of strengthening SAM's risk management capability.

SAM actively and regularly reviews and manages its capital structure to ensure optimal capital structure and equity holders returns, taking into consideration the future capital requirements of SAM and capital efficiency, prevailing and projected profitability, projected operating cash flows, projected capital expenditures and projected strategic investment opportunities. SAM currently does not adopt any formal dividend policy.

SAM manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, SAM may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or raise debts.

The director of SAM regards total equity as capital, for capital management purpose. The amounts of capital as at 30 June 2010 were represented by net assets of R$30,415,000, which the directors of SAM consider the current capital component as optimal having considered the projected capital expenditures and the projected strategic investment opportunities.

23. POST BALANCE SHEET EVENTS

Save as disclosed elsewhere in the above Financial Information, SAM has no significant subsequent event took place subsequent to 30 June 2010.

III. SUBSEQUENT FINANCIAL STATEMENTS

No audited financial statements have been prepared for SAM in respect of any period subsequent to 30 June 2010.

Yours faithfully,

Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

MANAGEMENT DISCUSSION & ANALYSIS

Set out below is the management discussion and analysis of SAM for the three years ended 31 December 2007, 2008 and 2009 and the period ended 30 June 2010.

For the year ended 31 December 2007

Business Review

Activities in 2007 focused mainly in initiating the exploration program on the mineral rights acquired in October 2006 from the original mineral rights holders. Initial efforts were made on Blocks 5, 6 and 7 as well as a general assessment of the geological potential of all the tenements acquired. A total of 8 drill holes were made in Block 6 but results were diversified as these indicated that, despite having areas with high grade ore, the orebody was not continuous but fractioned in a number of lenses, making it less attractive from a mining/strip ratio/volume perspective. A total of 4 exploratory drill holes plus geophysical surveys and trenches were made at Block 5, indicating a promising potential for a mid size deposit of approximately 100 million tons. Exploration focus then moved to Block 7, where despite a lower grade ore, volumes were significantly higher indicating potential for a large scale project. In April 2008, Block 8 was discovered with indications of an attractive mineralization and volume. During the year, the drilling programs at Blocks 7 and 8 were commenced, for a total of 13 and 39 drill holes respectively. In 2007, a total of approximately R$ 17 million were invested in the acquisition of the mineral tenements and approximately R$ 6.5 million in exploration work.

Liquidity and Financial Resources

All funding required for investments in exploration and acquisition of mineral rights were made through capital contributions from VNN.

As at 31 December 2007, SAM did not have any interest bearing debt. The gearing ratio calculated as a percentage of total interest bearing debt over total assets was inapplicable as at 31 December 2007.

As at 31 December 2007, SAM had no significant exposure to fluctuations in exchange rates and any related hedges as the production and sales of mineral assets has yet to commence.

Major Transactions

As at 31 December 2007, there was no material acquisition and disposal of subsidiary and affiliated companies in the year. The transaction that is considered material is only the consummation of the acquisition of the mineral rights from the original mineral rights holders.

Significant Investment Plans

Investment plans for further exploration work in SAM for 2008 were estimated at R$21.9 million for exploration work and R$3.4 million for general and operating expenditure.

The investments were expected to be mainly financed by capital contribution by VNN. SAM did not have any internal financing resources.

Charge on assets

As at 31 December 2007, SAM had no charges on its assets.

Capital commitments

As at 31 December 2007, SAM had no material capital commitments.

Contingent Liabilities

As at 31 December 2007, SAM had no material contingent liabilities.

Employees

At 31 December 2007, SAM had a total of 23 full time employees. SAM provided employees with medical and life insurance, food allowance and mandatory severance fund and social security contributions.

For the year ended 31 December 2008

Business Review

In early 2008, the drilling programs at Blocks 7 and 8 were completed and conceptual studies for pipeline and rail alternatives were initiated, as well as a site survey and conceptual study for a port. Also much work was done relative to quality assurance, quality control and beneficiation process testwork. In October 2008, in the aftermath of the Lehmann Brothers failure, the global economic scenario became uncertain and SAM's board decided to reduce its activities until there was further clarity regarding its impact on the mineral industry. As a result, a significant adjustment was initiated in December 2008, resulting in SAM being placed in maintenance mode.

Liquidity and Financial Resources

Until June 2008, all funding required for investments in exploration were made through capital contributions from VNN. On 30 June 2008, a R$15 million capital contribution was made by Lit Tele LLC, a VNN fully owned Delaware company, as part of a shareholding reorganization. These funds would be sufficient to finance SAM's funding needs for the balance of 2008.

As at 31 December 2008, SAM did not have any interest bearing debt. The gearing ratio calculated as a percentage of total interest bearing debt over total assets remained inapplicable as at 31 December 2008.

As at 31 December 2008, SAM had no significant exposure to fluctuations in exchange rates and any related hedges as the production and sales of mineral assets has yet to commence.

Major Transactions

As at 31 December 2008, there was no material acquisition and disposal of subsidiary and affiliated companies in the year.

Significant Investment Plans

Investment Plans for 2009 were related to advancing the development of the beneficiation process, obtaining a JORC-compliant resource estimate and making arrangements to find an investment partner for SAM.

The investments were expected to be mainly financed by internal financial resources of SAM.

Charge on assets

As at 31 December 2008, SAM had no charges on its assets.

Capital commitments

As at 31 December 2008, SAM had no material capital commitments.

Contingent Liabilities

As at 31 December 2008, SAM had no material contingent liabilities.

Employees

At 31 December 2008, SAM had a total of 16 full time employees. SAM provided employees with medical and life insurance, food allowance and mandatory severance fund and social security contributions.

Until November 2008, SAM had a total of 26 full time employees. Since the bulk of the exploration work had already been completed and due to concerns that the financial crisis could have a long term effect on the industry, SAM decided to initiate a significant adjustment on its activities and personnel.

For the year ended 31 December 2009

Business Review

In early 2009, JP Morgan and Argent Partners were retained to assist in finding an investment partner for SAM. Additional work was done with consultants to consolidate and validate the project's key aspects (mine plan and beneficiation plant). Field work was limited to reviewing SAM's procedures, quality assurance and quality control and to prepare SAM for investor due diligence. On 17 November 2009, VNN signed the MOU with the Company relative to a potential sale of SAM.

Liquidity and Financial Resources

Given that SAM 's activities were significantly reduced in late 2008 and the cash balance was in excess of SAM's financial needs, a capital reduction of R$7 million was approved in January, 2009. Later in the year, additional capital contributions were made to SAM by Lit Tele LLC.

As at 31 December 2009, SAM did not have any interest bearing debt. The gearing ratio calculated as a percentage of total interest bearing debt over total assets remained inapplicable as at 31 December 2009.

As at 31 December 2009, SAM had no significant exposure to fluctuations in exchange rates and any related hedges as the production and sales of mineral assets has yet to commence.

Major Transactions

As at 31 December 2009, there was no material acquisition and disposal of subsidiary and affiliated companies in the year.

Significant Investment Plans

The MG-MOU and Bahia-MOU were signed on 16 June 2010 and 18 June 2010, respectively, between VNN and the Company in relation to the Project. Details of the Project are disclosed in the letter from the Board in this Circular.

Charge on assets

As at 31 December 2009, SAM had no charges on its assets.

Capital commitments

As at 31 December 2009, SAM had no material capital commitments.

Contingent Liabilities

As at 31 December 2009, SAM had no material contingent liabilities.

Employees

At 31 December 2009, SAM had a total of 2 full time employees. SAM provided employees with medical and life insurance, food allowance and mandatory severance fund and social security contributions.

During 2009, much of the ongoing activities of SAM were conducted by personnel allocated from Mineral Ventures Participacoes Ltda., a wholly owned subsidiary of VNN and a fellow subsidiary of SAM.

For the period ended 30 June 2010

Business Review

Until 5 March 2010, SAM made preparations for the commencement of the Initial Scope of Work. After the signing of the Sale and Purchase Agreement, the Initial Scope of Work began to be implemented. As at 30 June 2010, SAM had contracted a number of service providers to perform many of the tasks contemplated in the Initial Scope of Work, such as drilling, chemical assays, topography, engineering and environmental licensing, and had recruited much of the necessary work force necessary to carry out the work. In addition, much of the necessary infrastructure had also been arranged (transportation, housing, core shed, office space, etc)

Liquidity and Financial Resources

As at 30 June 2010, SAM had any non interest bearing debt with carrying amount of BRL21.9 million. The gearing ratio calculated as a percentage of total debt over total assets was 0.40 as at 30 June 2010.

Major Transactions

As at 30 June 2010, there was no material acquisition and disposal of subsidiary and affiliated companies in the year.

Significant Investment Plans

It is SAM's intention to implement the tasks contemplated in the Initial Scope of Work.

Charge on assets

As at 30 June 2010, SAM had no charges on its assets.

Capital commitments

As at 30 June 2010, SAM had contracted capital commitments of approximately BRL 22,988,000 (approximately HK$105,055,160).

Contingent Liabilities

As at 30 June 2010, SAM had no material contingent liabilities.

Employees

At 30 June 2010, SAM had a total of 44 full time employees. SAM provided employees with medical and life insurance, food allowance and mandatory severance fund and social security contributions.

UNAUDITED PRO FORMA FINANCIAL INFORMATION OF THE ENLARGED GROUP

1. INTRODUCTION

The following is the unaudited pro forma financial information of the Enlarged Group prepared in accordance with paragraph 31 of Chapter 7 of the GEM Listing Rules for the purpose of illustrating the effect of the Acquisition on the financial position of the Enlarged Group as at 30 June 2010 and the results and cash flows of the Enlarged Group for the year ended 31 December 2009. As it is prepared for illustrative purpose only, and because of its nature, it may not give a true picture of the financial position or results of the Enlarged Group following the completion of the Acquisition.

The unaudited pro forma consolidated statement of financial position of the Enlarged Group is prepared, in accordance with the accounting policies of the Group under Hong Kong Financial Reporting Standards ("HKFRS"), based on the latest unaudited consolidated statement of financial position of the Group as at 30 June 2010 extracted from the published half-year report of the Company dated 12 August 2010 and the latest audited statement of financial position of SAM as at 30 June 2010 extracted from the accountants' reports on SAM as set out in Appendix III to this circular (translated into HK$ at exchange rate of R$1 = HK$4.3444), respectively as if the Acquisition had been completed on 30 June 2010. In the opinion of the directors, SAM will become a subsidiary of Honbridge when 9,999 common shares of SAM were transferred to Infinity Sky on the Closing Date, accordingly, the Closing Date is considered as the date of completion of the Acquisition for the purpose in preparing the unaudited pro forma financial information.

The unaudited pro forma consolidated statement of comprehensive income and statement of cash flow of the Enlarged Group are prepared, in accordance with the accounting policies of the Group under HKFRS, based on the latest audited consolidated statement of comprehensive income and statement of cash flow of the Group for the year ended 31 December 2009 extracted from the published annual report of the Company dated 15 March 2010 and the latest audited statement of comprehensive income and statement of cash flow of SAM for the year ended 31 December 2009 extracted from the accountants' report on SAM as set out in Appendix III to this circular (translated into HK$ at exchange rate of R$1 = HK$3.9402) respectively as if the Acquisition had been completed on 1 January 2009.

2. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION OF THE ENLARGED GROUP

	The Group as at 30 June 2010	SAM as at 30 June 2010	SAM as at 30 June 2010	Unaudited pro forma adjustments				Pro forma Enlarged Group
	HK$'000	*R$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Audited)	*Note (2(b))*	*Note (1)*	*Note (2)*	*Note (3)*	*Note (4)*	(Unaudited)
ASSETS AND LIABILITIES								
Non-current assets								
Property, plant and equipment	34,127	150	652					34,779
Prepaid land lease payments	20,843	54	235					21,078
Goodwill	34,140	–	–					34,140
Exploration and evaluation assets	1,969,118	26,557	115,374		4,184,044			6,268,536
Other intangible assets	–	53	230					230
Other taxes recoverable	–	155	673					673
	2,058,228	26,969	117,164					6,359,436
Current assets								
Inventories	7,858	–	–					7,858
Trade and bills receivables	5,732	–	–					5,732
Prepayments, deposits and other receivables	18,456	290	1,260					19,716
Advance to an acquiring business	124,112	–	–				(124,112)	–
Financial assets at fair value through profit or loss	73,233	–	–					73,233
Cash and cash equivalents	28,033	27,117	117,807					145,840
	257,424	27,407	119,067					252,379
Current liabilities								
Payable to Sellers	–	–	–	584,160				584,160
Trade payables	8,356	–	–					8,356
Other payables, accrued expenses and receipts in advance	25,635	316	1,373					27,008
Other taxes payable	–	150	652					652
Provision for contingencies	–	1,618	7,029					7,029
Borrowings	13,174	21,877	95,042				(95,042)	13,174
	47,165	23,961	104,096					640,379
Net current assets/(liabilities)	210,259	3,446	14,971					(388,000)
Total assets less current liabilities	2,268,487	30,415	132,135					5,971,436

	The Group as at 30 June 2010	SAM as at 30 June 2010	SAM as at 30 June 2010	Unaudited pro forma adjustments				Pro forma Enlarged Group
	HK$'000	*R$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Unaudited)	(Audited)	*Note (2(b))*	*Note (1)*	*Note (2)*	*Note (3)*	*Note (4)*	(Unaudited)
Non-current liabilities								
Payable to Sellers	–	–	–	721,095				721,095
Contingent consideration payable to sellers	–	–	–	985,633				985,633
Loans from ultimate holding company	183,875	–	–					183,875
Loan from a minority equity holder of a subsidiary	5,933	–	–					5,933
Convertible bonds	173,336	–	–					173,336
Deferred tax liabilities	670,193	–	–		1,422,575			2,092,768
	1,033,337	–	–					4,162,640
Net assets	1,235,150	30,415	132,135					1,808,796
EQUITY								
Equity attributable to equity holders of the Company								
Share capital	6,114	5,266	22,878			(22,878)		6,114
Reserves	765,782	25,149	109,257		602,716	(109,257)	(29,070)	1,339,428
	771,896	30,415	132,135					1,345,542
Minority interest	463,254	–	–					463,254
Total equity	1,235,150	30,415	132,135					1,808,796

3. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME OF THE ENLARGED GROUP

	The Group For year ended 31 December 2009	SAM For year ended 31 December 2009	SAM For year ended 31 December 2009	Unaudited pro forma adjustments				Pro forma Enlarged Group
	HK$'000	*R$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	*Note (5)*	*Note (6)*	*Note (7)*	*Note (8)*	*Note (9)*	(Unaudited)
Revenue	32,592	–	–					32,592
Direct operating expenses	(20,567)	–	–					(20,567)
Other operating revenue	342	325	1,281					1,623
Selling and distribution costs	(5,904)	–	–					(5,904)
Administrative expenses	(17,270)	(3,286)	(12,948)					(30,218)
Other operating expenses, net	(3,309)	–	–	(152,396)		(236)		(155,941)
Gain on a bargain purchase	–	–	–		602,716			602,716
Impairment of exploration and evaluation assets	–	(10,408)	(41,009)					(41,009)
Impairment of goodwill	(35,686)	–	–					(35,686)
Operating profit/(loss)	(49,802)	(13,369)	(52,676)					347,606
Finance costs	(3,918)	–	–	–			(75,422)	(79,340)
Profit/(loss) before income tax	(53,720)	(13,369)	(52,676)					268,266
Income tax expense	–	–	–					–
Profit/(loss) for the year	(53,720)	(13,369)	(52,676)					268,266
Other comprehensive income, including reclassification adjustments								
Exchange loss on translation of financial statements of foreign operations	(4)	–	–					(4)
Other comprehensive income for the year, net of tax	(4)	–	–					(4)
Total comprehensive income for the year	(53,724)	(13,369)	(52,676)					268,262

4. UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOW OF THE ENLARGED GROUP

	The Group For year ended 31 December 2009	SAM For year ended 31 December 2009	SAM For year ended 31 December 2009	Unaudited pro forma adjustments				Pro forma Enlarged Group
	HK$'000	*R$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	*Note (5)*	*Note (6)*	*Note (7)*	*Note (8)*	*Note (9)*	(Unaudited)
Cash flows from operating activities								
Profit/(loss) before income tax	(53,720)	(13,369)	(52,676)	(152,396)	602,716	(236)	(75,422)	268,266
Adjustments for:								
Depreciation of property, plant and equipment	2,730	32	126					2,856
Amortisation of prepaid land lease payments	445	–	–					445
Reversal of impairment of inventories	(810)	–	–					(810)
Impairment of goodwill	35,686	–	–					35,686
Impairment of exploration and evaluation assets	–	10,408	41,009					41,009
Gain on a bargain purchase	–	–	–		(602,716)			(602,716)
Gain on disposals of property, plant and equipment	–	(46)	(181)					(181)
Provision for contingencies	–	1,612	6,352					6,352
Interest income	(125)	–	–				75,422	75,297
Interest expense on other loans	1,011	–	–					1,011
Interest expense on convertible bonds	699	–	–					699
Interest expense on loans from ultimate holding company	2,149	–	–					2,149
Interest expense on loans from a minority equity holder of a subsidiary	59	–	–					59
Fair value changes of contingent consideration payable	–	–	–	152,396				152,396

	The Group For year ended 31 December 2009	SAM For year ended 31 December 2009	SAM For year ended 31 December 2009	Unaudited pro forma adjustments				Pro forma Enlarged Group
	HK$'000	*R$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	*Note (5)*	*Note (6)*	*Note (7)*	*Note (8)*	*Note (9)*	(Unaudited)
Operating loss before workings capital changes	(11,876)	(1,363)	(5,370)					(17,482)
Decrease in inventories	8,855	–	–					8,855
Increase in trade and bills receivables	(977)	–	–					(977)
Increase in prepayments, deposits and other receivables	(1,370)	(239)	(942)					(2,312)
Increase in amount due to related parties	–	74	292					292
Increase in other tax recoverable	–	(159)	(626)					(626)
Increase in trade payables	1,035	–	–					1,035
Decrease in other payables, accrued expenses and receipts in advance	(443)	(159)	(626)					(1,069)
Decrease in other taxes payables	–	(349)	(1,375)					(1,375)
Cash used in operations	(4,776)	(2,195)	(8,647)					(13,659)
Interest paid on other loans	(1,011)	–	–					(1,011)
Net cash used in operating activities	(5,787)	(2,195)	(8,647)					(14,670)
Cash flows from investing activities								
Interest received	125	–	–					125
Purchase of property, plant and equipment	(5,190)	–	–					(5,190)
Proceed from disposal of property, plant and equipment	–	303	1,194					1,194
Deposits paid for acquisition of property, plant and equipment	(407)	–	–					(407)
Payment of intangible assets	–	(2,945)	(11,604)					(11,604)
Net cash used in investing activities	(5,472)	(2,642)	(10,410)					(15,882)

	The Group For year ended 31 December 2009	SAM For year ended 31 December 2009	SAM For year ended 31 December 2009	Unaudited pro forma adjustments				Pro forma Enlarged Group
	HK$'000	*R$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
	(Audited)	(Audited)	*Note (5)*	*Note (6)*	*Note (7)*	*Note (8)*	*Note (9)*	(Unaudited)
Cash flows from financing activities								
Proceeds from issuance of shares	–	1,500	5,910					5,910
Capital reduction	–	(7,000)	(27,581)					(27,581)
Drawdown of borrowings	5,670	–	–					5,670
Drawdown of loans from ultimate holding company	4,000	–	–					4,000
Drawdown of loans from a minority equity holder of subsidiary	6,800	–	–					6,800
Repayment of borrowings	(9,747)	–	–					(9,747)
Net cash generated from/(used in) financing activities	6,723	(5,500)	(21,671)					(14,948)
Net decrease in cash and cash equivalents	(4,536)	(10,337)	(40,728)					(45,500)
Cash and cash equivalents at beginning of year	20,776	11,021	36,478					57,254
Effect of foreign exchange rates, net	–	–	7,309					7,309
Cash and cash equivalents at end of year	16,240	684	3,059					19,063
Analysis of cash and cash equivalents								
Cash at banks and in hand	16,240	684	3,059					19,063

Notes to the pro forma financial information of the Enlarged Group

(1) On 5 March 2010, the Company entered into the Share Purchase Agreement with Lit Mining and VNN (collectively referred to as the "Sellers") to acquire the entire issued share capital of SAM which consist of 9,999 common shares and the Golden Share at a consideration of US$390,000,000 (before adjustments) (the "Principal"). The principal amount of the aggregate consideration payable for the Acquisition will be satisfied in cash in the following manners:

(i) Stage 1 – US$10,000,000, to be deposited with the Escrow Agent on the third Business Day following the approval of the Share Purchase Agreement, the other Transaction Documents and the transactions contemplated thereunder by the Shareholders at the EGM and to be released to the Sellers on the tenth Business Day following the Resource Confirmation Date or, in the event Infinite Sky waives the closing condition regarding Resource Confirmation, the tenth Business Day following such waiver. Resource Confirmation means the resource set out in the Technical Report is at least (i) 0.7 billion metric tons of at least 20% iron of Measured Resource, and (ii) 2.8 billion metric tons of at least 20% iron of Measured Resource and Indicated Resource in aggregate or such lower numbers as Infinite Sky may accept at its sole discretion;

(ii) Stage 2 – US$65,000,000 on the Closing Date;

(iii) Stage 3 – US$115,000,000 on the tenth Business Day following the Approval Date (or the date Infinite Sky waives the requirements that all Required Approvals be obtained);

(iv) Stage 4 – US$100,000,000 on the tenth Business Day following the Port Operation Commencement Date; and

(v) Stage 5 – US$100,000,000 on the tenth Business Day following the Mining Production Commencement Date.

Adjustments to the Consideration (the "Adjustments"):

If the Resource Confirmation occurs prior to the first anniversary of the Start Date, the portion of the Consideration described in (ii) above shall be increased by US$10,000 for each day prior to the first anniversary of the Start Date on which the Resource Confirmation has occurred. If the Required Approvals are obtained prior to the second anniversary of the Start Date, the portion of the Consideration described in (iii) above shall be increased by US$10,000 for each day prior to the second anniversary of the Start Date on which the Required Approvals have been obtained. The maximum increase to the Consideration for the Resource Confirmation and the Required Approvals, shall be US$2,000,000 and US$3,000,000 respectively.

If the Resource Confirmation has not occurred on or prior to the first anniversary of the Start Date and/or the Required Approvals have not been obtained on or prior to the second anniversary of the Start Date, Infinite Sky shall have the right to reduce the Consideration described in (ii) or (iii), as applicable, by an amount equal to US$10,000 for each day (i) in the case of Resource Confirmation, from the first anniversary of the Start Date until the Resource Confirmation is achieved or, in the event Infinite Sky decides to waive the condition regarding Resource Confirmation, until the Closing Date; and (ii) in the case of Required Approvals, from the second anniversary of the Start Date or, in the event Infinite Sky decides to waive the condition regarding Resource Confirmation, from the Closing Date until the Required Approvals have been obtained (up to a maximum reduction to the Consideration, in the aggregate, of US$3,750,000 for the Resource Confirmation and the Required Approvals), unless the failure to reach the Resource Confirmation and/or obtain the Required Approvals is the result of (i) Infinite Sky's failure to provide the Company with all funds necessary to achieve such Resource Confirmation and/or obtain the Required Approvals or (ii) any events outside the reasonable control of VNN and Lit Mining.

If Infinite Sky fails to pay any portion of the Consideration when such amount is due and payable under the Share Purchase Agreement (each, a "Payment Date"), such unpaid amount (the "Default Amount") shall bear simple interest, at a rate per annum equal to the applicable LIBOR Rate plus 7.5 percent (accrued from day to day, and calculated on the basis of the actual number of days elapsed in a year of 365 days), from the applicable Payment Date until such Default Amount is paid to VNN and Lit Mining; provided, however, that the failure of Infinite Sky to pay the portion of the Consideration due and payable on the tenth Business Day following the Approval Date (or on the date Infinite Sky waives the requirements that all Required Approvals be obtained) shall not be deemed a breach of the Share Purchase Agreement until the 45th Business Day following the Approval Date. In addition, if Infinite Sky fails to pay any portion of the Consideration when such amount is due and payable on the tenth Business Day following the Port Operation Commencement Date and/or on the tenth Business Day following the Mining Production Commencement Date, for 45 days following the applicable Payment Date, an additional (one-off) amount equal to 5 percent of the Default Amount shall immediately become due and payable to VNN and Lit Mining.

The fair value of cost of investment as if the Acquisition was completed on 30 June 2010 which is to be satisfied in the following manners:

	Notes	Principal amount US$'000	Fair value US$'000	Fair value HK$'000*
Consideration				
Stage 1	(a)	10,000	10,000	77,888
Stage 2	(a)	65,000	65,000	506,272
Payable to Sellers on Completion		75,000	75,000	584,160
Stage 3 – minimum consideration payable to Sellers	(b)	111,250	92,581	721,095
– contingent consideration	(b)	3,750	2,847	22,175
Stage 4 – contingent consideration	(c)	100,000	61,849	481,729
Stage 5 – contingent consideration	(c)	100,000	61,849	481,729
		315,000	219,126	1,706,728
		390,000	294,126	2,290,888

* The Consideration were translated into HK$ at exchange rate of US$1:HK$7.7888, the exchange rate as at 30 June 2010.

The valuation of the Consideration were carried out by Roma Appraisals Limited, a firm of independent professional qualified valuers (the "Valuers").

(a) In the opinion of the directors of the Company, on the Closing Date, the 9,999 common shares of SAM will be transferred to the Group, and SAM will become a subsidiary of the Group. For the purpose of preparing this pro forma statement, it is assumed that the Closing Date occurs on the first anniversary of the Start Date. Pursuant to the Share Purchase Agreement, the Company has to pay the consideration for Stage 1 and Stage 2 in a total amount of US$75 million (being US$10 million + US$65 million) to the Sellers on or before the Closing Date, accordingly, no adjustments is needed to be made to the consideration paid at Stage 1 and Stage 2 on the Closing Date, i.e. the date of completion of the Acquisition.

On completion of the Acquisition, the Resource Confirmation should be occurred and the adjustment to the consideration for Stage 2 should be known by that time and accordingly, the amount paid at the date of the Acquisition will probably be different from those for the preparation of this pro forma financial information depending on the occurrence of the Resource Confirmation. According to the Share Purchase Agreement, the minimum consideration for Stage 2 will be US$61.25 million (being US$65 million –

US$3.75 million (the maximum reduction to the Consideration as mentioned above)) while the maximum amount will be US$67million (being US$65 million + US$2 million (the maximum increase to the Consideration as mentioned above)).

As mentioned above, the consideration for Stage 1 and Stage 2 in a total amount of US$75 million should have been settled on the date of completion of the Acquisition. However, as of the date of this Circular, save for disclosed in the Letter from the Board, the Company has no concrete agreement, arrangement, understanding and negotiation in relation to the financing of the consideration for Stage 1 and Stage 2. In the opinion of the directors, the consideration will be satisfied by way of Shareholders' loan, bank borrowing, equity fund raising and/or debt financing. Accordingly, in preparing the pro forma financial information, the initial consideration of US$75 million (the "US$75M Consideration") is included in the pro forma financial information as current portion of payable to the Sellers on the Closing Date since the Company has not committed any way of financing for the consideration as of the Latest Practicable Date. No pro forma adjustments in respect of the financing of the US$75M Consideration, other related transaction costs for financing and any costs resulting from delay in settlement of the US$75M Consideration have been included in preparing this pro forma financial information as they are relating to future decisions of the Company.

Different ways of financing may have different impact to the financial position, results and cash flows to the Enlarged Group. Some ways of financing may have a continuing effect on the Enlarged Group and some may not, for example, the associated interest costs of the Shareholder's loans/bank borrowings may have a continuing effect on the results and cash flows of the Enlarged Group while the related share issue expenses of new shares placing may not have a continuing impact to the Enlarged Group. On completion of the Acquisition, the financing for the US$75M Consideration should have been confirmed and accordingly, the financial position or results or cash flows of the Enlarged Group would depend on the ways of the financing of the consideration.

(b) According to the Share Purchase Agreement, the consideration paid at Stage 3 depends on the date when the Required Approvals are obtained. According to the Share Purchase Agreement, the minimum consideration for Stage 3 will be US$111.25 million (being US$115 million – US$3.75 million (the maximum reduction to the Consideration and depending on the reduction made as mentioned in (a) above)) while the maximum amount will be US$118 million (being US$115 million + US$3 million (the maximum increase to the Consideration as mentioned above)).

The valuation of the minimum consideration together with the contingent consideration as mentioned above for Stage 3 were carried out by the Valuers.

The Valuers have made the following assumptions on the valuation of Consideration of Stage 3:

- The Consideration would be settled with accordance to the terms and conditions stated in the Share Purchase Agreement. The terms and condition are set out in "Letter from the Board" to the Circular;

- The nature of the Consideration was considered in the valuation, such that the Consideration of Stage 3 constitutes of both minimum consideration payable to the Sellers and contingent consideration; and

- Other factors materially affecting the fair value of the Consideration were considered in the valuation. These factors included market conditions, technological, economic fundamentals in the localities in which the project operates. Regarding the market condition, Brazil is a leading producer of iron ore in South America, with iron ore mine production of 380 million tonnes in 2009 and iron ore exports from Brazil aggregated to 266.04 million tonnes in 2009. For technological fundamentals, the Centro de Tecnologia Mineral (Center for Mineral Technology) located in Rio de Janeiro in Brazil is an important federally funded research and development center under the Ministry of Science and Technology. This would help to support the expanding mining industry. Also, the federal education system in Brazil includes 16 universities offering courses in geology, geochemistry and geostatistics and 7 universities offering degrees in mining engineering. For economic fundamentals, Brazil was able to endure the global financial crisis in late 2008. The quarterly GDP grew from US$311 billion in the first quarter of 2009 to US$465 billion in the same period in 2010.

Minimum Consideration

The amount of the minimum consideration was the minimum possible amount that the buyer would be obligated to pay the Sellers on the scheduled dates. The fair value of the minimum consideration as at 30 June 2010 was calculated by restating future expected amount of minimum consideration in present value term, in which the formula was stated as follows:

Fair value of minimum consideration = Expected amount of minimum consideration/$(1+r)^n$

In which
r = Discount rate; and
n = Number of years between date of valuation and expected payment date.

The number of years between date of valuation and expected payment date for minimum consideration and contingent consideration of Stage 3 was 1.85 year, the date of valuation was 30 June 2010. The expected payment date for the minimum consideration of Stage 3 was the 10th business days following the Approval Date, which was assumed to be 24 months after the Start Date, i.e. 2 May 2012. The Valuers subtracted the two dates (i.e. 30 June 2010 and 2 May 2012) and arrived at 1.85 years.

In arriving at the discount rate of the valuation of the minimum consideration, the Valuers adopted the Hong Kong 4-year government bond of 1.36% as the risk-free rate, 17.02% as market expected return, 15.66% as the market risk premium, which is calculated by market expected return minus the risk free rate, and the beta of the Company of 0.58 as extracted from Bloomberg. The market expected return of 17.02% was the market expected return of Hong Kong as at 30 June 2010 as extracted from Bloomberg. This is the market return value (the capital weighted average of the internal rate of return for all major index members) for each country or region that appears. Hence, the Valuers concluded the discount rate of the minimum consideration was 10.46% as at 30 June 2010.

The Valuers assumed that the interest rates and exchange rates in the localities for the operation of SAM would not differ materially from those presently prevailed.

Contingent Consideration

In calculating the fair value of the contingent consideration as at 30 June 2010, the Valuers determined that the probabilistic approach was the most appropriate method, based on the nature of the contingent consideration.

The probabilistic approach adopted was based on the probabilities associated with the occurrence of the obtainment of the Required Approvals prior to the second anniversary of the Start Date, and the expected adjustments to be made on the contingent consideration, which was calculated as follows:

Expected adjustment = $p_1 \times Adj_1 + p_2 \times Adj_2$

In which
p_1 = Probability of Required Approvals being obtained prior to the second anniversary of Start Date;
p_2 = Probability of Required Approvals not being obtained on or prior to the second anniversary of Start Date; and
Adj = Adjustment to the contingent consideration.

The Valuers assumed that the probabilities of Required Approvals being obtained and not being obtained prior to the second anniversary of Start Date are equal, i.e. 50%.

The fair value of the contingent consideration as at 30 June 2010 was calculated by restating future expected amount of contingent consideration in present value terms, in which the formula was stated as follows:

Fair value of contingent consideration = Expected amount of contingent consideration/$(1+r)^n$

In which
r = Discount rate; and
n = Number of years between date of valuation and expected payment date.

Based on the terms and conditions of the contingent consideration, the Valuers analysed that the contingent consideration was subject to a higher uncertainty and risk than the minimum consideration, hence they determined that a higher discount rate would be appropriate for valuing the contingent consideration. Based on the experiences of the Valuers, a 5.00% additional risk premium was added to arrive at the discount rate of the contingent consideration, which was 15.46% as at 30 June 2010. The 5% additional risk premium included:

- 3% on the risks associated the uncertainties on the exact dates of Approval Date, Port Operation Commencement Date and Mining Production Commencement Date;

- 1% on the business risks of SAM as it was relatively new in the iron mining industry. This would increase the uncertainties in payment faced by SAM; and

- 1% on the political risk which there might be government intervention in Brazil or Hong Kong, such as regulations to iron mining businesses, which may affect the operations of SAM.

Consideration of Stage 3

Since the minimum consideration (i.e. US$115 million minus the maximum reduction to the Consideration) was the certain minimum amount that the buyer would pay, it was used as a base amount in calculating the fair value of Consideration. On top of this base amount, the fair value of the contingent consideration was added to obtain the total Consideration for Stage 3. The aggregate principal amount of minimum consideration and contingent consideration for Stage 3 was US$ 115,000,000.

As on date of Acquisition, the expected date that the Required Approvals can be obtained will be reassessed and may be different, accordingly, the fair value of amount to be paid for Stage 3 will need to be reassessed and probably be different from those for the preparation of this pro forma financial information.

(c) According to the Share Purchase Agreement, the consideration paid at Stage 4 and 5 depends on the Port Operation Commencement Date and the Mining Production Commencement Date. As detailed in the Letter from the Board, the Share Purchase Agreement provides that Infinite Sky, the Company and New Trinity are not obligated to achieve the Mining Production Commencement Date or the Port Operation Commencement Date, and that therefore, they may elect not to proceed further with the Agreed Scope of Work and/or to fund related expenditures, after the Approval Date.

The fair value of Stage 4 and 5 were based on the valuation performed by the Valuers.

The Valuers have made the following assumptions on the valuation of Consideration of Stage 4 and 5:

- The Consideration would be settled with accordance to the terms and conditions stated in the Share Purchase Agreement. The terms and condition are set out in the "Letter from the Board" to the Circular;

- The nature of the Consideration was considered in the valuation. The Consideration for both Stage 4 and 5 only constitutes of contingent consideration; and

- Other factors materially affecting the fair value of the Consideration were considered in the valuation. These factors included market conditions, technological, economic fundamentals in the localities in which the company operates. Regarding the market condition, Brazil is a leading producer of iron ore in South America, with iron ore mine production of 380 million tonnes in 2009 and iron ore exports from Brazil aggregated to 266.04 million tonnes in 2009. For technological fundamentals, the Centro de Tecnologia Mineral (Center for Mineral Technology) located in Rio de Janeiro in Brazil is an important federally funded research and development center under the Ministry of Science and Technology. This would help to support the expanding mining industry. Also, the federal education system in Brazil includes 16 universities offering courses in geology, geochemistry and geostatistics and 7 universities offering degrees in mining engineering. For economic fundamentals, Brazil was able to endure the global financial crisis in late 2008. The quarterly GDP grew from US$311 billion in the first quarter of 2009 to US$465 billion in the same period in 2010.

The principal amounts of contingent consideration for Stage 4 and Stage 5 were US$100,000,000 and US$100,000,000 respectively. The fair value of the contingent consideration as at 30 June 2010 was calculated by restating future expected amount of contingent consideration in present value terms, in which the formula was stated as follows:

Fair value of contingent consideration = Expected amount of contingent consideration/$(1+r)^n$

In which
r = Discount rate; and
n = Number of years between date of valuation and expected payment date.

The numbers of years between date of valuation and expected payment date for contingent consideration of Stage 4 and 5 were both 3.34 years. The date of valuation was 30 June 2010. The expected payment date for contingent consideration of Stages 4 and 5 was assumed to be 3.5 years after the Start Date, i.e. 30 October 2013. The Valuers subtracted the two dates (i.e. 30 June 2010 and 30 October 2013) and arrived at 3.34 years.

In arriving at the discount rate of the valuation of the contingent consideration, the Valuers adopted the Hong Kong 4-year government bond of 1.36% as the risk-free rate, 17.02% as market expected return, 15.66% as the market risk premium, which is calculated by market expected return minus the risk free rate, and the beta of SAM of 0.58, as extracted from Bloomberg. Based on the terms and conditions of the contingent consideration, the Valuers analysed that the contingent consideration was subject to a higher uncertainty and risk than the minimum consideration, hence they determined that a higher discount rate would be appropriate for valuing the contingent consideration. Based on the experiences of the Valuers, a 5.00% additional risk premium was added to arrive at the discount rate of the contingent consideration, which was 15.46% as at 30 June 2010.

The Valuers assumed that the interest rates and exchange rates in the localities for the operation of SAM would not differ materially from those presently prevailed.

As on the date of Acquisition, the expected date of the Mining Production Commencement Date or the Port Operation Commencement Date will be different, accordingly, the fair value of amount to be paid for Stage 4 and 5 will need to be reassessed and probably be different from those for the preparation of this pro forma financial information.

As at the date of Acquisition, the payment for Stage 3, 4 and 5 are recorded as non-current portion of consideration payable to the Sellers as the payment are not due to pay yet as detailed in note (1) above.

(2) The fair value adjustments are to reflect the effect of the Acquisition on the consolidated statement of financial position of the Group as if the Acquisition had taken place on 30 June 2010.

The identifiable assets and liabilities arising from the Acquisition are as follows:

	Carrying value of SAM *R$'000* *(Note (2)(a))* (Audited)	**Carrying value of SAM** *HK$'000* *(Note (2)(b))*	**Fair value adjustments on identifiable assets and liabilities of SAM** *HK$'000* *(Note (2)(c))*	**Fair value of net identifiable assets to be acquired** *HK$'000*
Property, plant and equipment	150	652		652
Land	54	235		235
Exploration and evaluation assets	26,557	115,374	4,184,044	4,299,418
Other intangible assets	53	230		230
Other taxes recoverable	155	673		673
Deposits, prepayments and other receivables	290	1,260		1,260
Cash and cash equivalents	27,117	117,807		117,807
Other payables and accrued expenses	(316)	(1,373)		(1,373)
Other taxes payable	(150)	(652)		(652)
Provision for contingencies	(1,618)	(7,029)		(7,029)
Borrowings	(21,877)	(95,042)		(95,042)
Deferred tax liabilities	–	–	(1,422,575)	(1,422,575)
Net identifiable assets to be acquired	30,415			2,893,604
Fair value of cost of investment *(Note (1))*				2,290,888
Gain on a bargain purchase *(Note 2 (c))*				602,716

Notes:

(a) The carrying values of SAM at 30 June 2010 were extracted from the accountants' reports on SAM as set out in Appendix III to this circular.

(b) The carrying values of SAM at 30 June 2010 were translated into HK$ at exchange rates of R$1=HK$4.3444, the exchange rate as at 30 June 2010.

(c) The fair value of the exploration and evaluation assets of SAM of US$552 million (equivalent to approximately HK$4,299,418,000) were based on the valuation report issued by the Valuers as if the Acquisition is completed on 30 June 2010. The valuation was prepared using excess

earning method by the Valuers. Excess earning method calculates the returns that are required in order to induce investors to invest into those tangible and other intangible assets. This method looks at the current asset value of the tangible assets and other intangible assets employed for an estimated rate of return. This is based on the assumption that total return of the company is derived from tangible assets and intangible assets.

The asset valuation is calculated by the total return of the company minus the required return of tangible assets and working capital. The total return of the company is obtained by applying the industry margin on the revenues generated by the exploration and evaluation assets; whereas the required return of tangible assets and working capital are arrived by applying their corresponding rates of return. In this case, any return over and above the required return of tangible assets and working capital is considered to be the excess return, and hence the asset valuation, attributable to the exploration and evaluation assets.

It should be noted that this methodology was different from that of the Valuers used for valuing the market value of 100% equity interest of SAM (in which only 100% indicated resources was included in the valuation); in the valuation report of SAM as disclosed in Appendix VII, the Valuers adopted the discounted cash flow method under the Income-Based approach, which is a common method in business valuations.

In valuing the exploration and evaluation assets of SAM, certain specific assumptions (the numerical amount of which are subject to review at the time of the Closing Day and at the time of the annual audit) were adopted by the Valuers and the major ones are as follows:

- The adopted financial information, market data, industry data, are reasonable, reflecting market conditions and economic fundamentals, and will be materialized;

- The adopted discount rate of 22.70% is reasonable, which is arrived at by adopting the cost of capital of 17.70% by applying a beta estimate of 1.38 from Bloomberg, risk free rate of 12.38% from Bloomberg, the market expected return of Brazil of 16.24% from Bloomberg, and the market risk premium of 3.86% (calculated by market expected return minus the risk-free rate), and an additional premium for intangible asset of 5.00%;

- The industry margin of approximately 33% adopted in arriving at the total return of SAM, and the rates of return of 16.24%, and 1.04% adopted in arriving at the required return of tangible assets and working capital respectively are reasonable, which are determined based on information extracted from Bloomberg;

- The adopted zero growth rate per year applied on the revenue generated by the exploration and evaluation assets is reasonable;

- The adopted number of years, currently estimated by the Valuers to be around 18 years based on the available information, is reasonable, which is determined by the Valuers with reference to the estimated annual rates of ore production until all the resources included in the valuation had been exploited;

- There exist reliable and adequate transportation network and capacity for processing the mining products;

- Economic conditions will not deviate significantly from forecasts; and

- There will be no major changes in the political, legal, economic or financial conditions in the localities in which SAM operates or intends to operate, which would adversely affect the revenues attributable to and the profitability of the exploration and evaluation assets of SAM.

The fair value adjustment represents the excess of the fair value of the exploration and evaluation assets over the carrying amount which is in accordance with HKFRS and consistent with the Company's amounting policies. The respective deferred tax effect is based on the Brazil's income tax rate of 34% of the fair value adjustment.

In respect of the fair value adjustment of the exploration and evaluation assets based on the valuation report issued by the Valuers, the reporting accountants advised that they have assessed the appropriateness of the pro forma adjustment, including the assumptions applied by the Valuer in the valuation report, in accordance with Hong Kong Standards on Investment Circular Reporting Engagement 300 issued by the HKICPA and they considered that the pro forma adjustment is appropriate for the purposes of the unaudited pro forma financial information. However, the reporting accountants' work does not constitute an audit or review.

Save for the adjustments on the fair value on exploration and evaluation assets together with the deferred tax's effect, the directors of the Company are of the opinion that no fair value adjustment is required for (i) other identifiable assets and liabilities as the carrying values of other identifiable assets and liabilities approximate their fair values; and (ii) assets and liabilities arising from contingencies is aware of and required valuation.

On completion of the Acquisition, the fair values of the identifiable/contingent assets and liabilities of SAM will be reassessed and accordingly, their fair values at the date of the Acquisition will probably be different from those for the preparation of this pro forma financial information. Accordingly, the actual gain on a bargain purchase at the date of the completion of the Acquisition may be different from that presented above.

During the Relevant Periods and up to the reporting date, there is no other circumstance which may indicate that that the carrying amount of exploration and evaluation assets of SAM exceeded the recoverable amount resulting in an impairment loss in accordance with HKAS 36 except for those expired licenses of which impairment provision has been made.

Impairment assessment on the exploration and evaluation asset of SAM has been performed as at 31 December 2009 and 30 June 2010 and any impairment provision required has been included in the accountant's report. As the impairment on the exploration and evaluation asset of SAM has been addressed at the SAM's audited financial information contained in the Accountants' Report, no additional impairment assessment is required at the the Enlarged Group level as required by the Listing Rules/Accounting Guideline 7.

Assuming the Acquisition is completed on 30 June 2010, the reporting accountant's advised that there will not be impairment loss concern on the exploration and evaluation assets on their initial recognition as the exploration and evaluation assets would be stated at acquisition-date fair value when they are initially recognised by the Group.

After the completion of the Acquisition, at each subsequent balance sheet date, the exploration and evaluation assets of the Company will be stated at cost, i.e. the acquisition-date fair value or the then carrying value, as the case maybe, less impairment loss in accordance with the existing accounting policies of the Group.

(d) For the purpose of the preparation of the pro forma financial information, it is assumed that SAM will be able to renew the exploration licenses with the relevant government authorities continuously because there are no material legal obstacles for SAM to renew the exploration licenses.

(3) The adjustment represents the eliminations of the share capital of SAM, together with the pre-acquisition reserves of SAM.

(4) The adjustment represents the eliminations of the loan of SAM advanced from Honbridge as per the Loan Agreement on date of acquisition in a principal amount of US$15,870,000 as at 30 June 2010. The amount charged to reserves was due to the fact that the difference between the amount recorded in the Company and SAM's books which represents exchange difference arising from converting USD to BRL, fair value gain on initial recognition of loan and the imputed interest expenses of the loan.

(5) The statement of comprehensive income and statement of cash flow of SAM for the year ended 31 December 2009 were extracted from the accountants' reports of SAM as set out in Appendix III to this circular and were translated into HK$ at exchange rates of R$1=HK$3.9402, the average exchange rate for the year ended 31 December 2009.

(6) For the purpose of the preparation of the pro forma financial information, it is assumed that the fair value of the contingent consideration payable for Stage 3, 4 and 5 ("Contingent Consideration") as at 1 January 2009 is the same as the valuation as at 30 June 2010. The fair value of the Contingent Consideration will have to be reassessed at each report date after Acquisition, any differences have to be charged / credited to the income statement. Such adjustments are expected to have a continuing effect to the Enlarged Group until the Consideration is paid to the Sellers in full.

As disclosed in note 1(b) and (c) in this Appendix, the valuation of Contingent Consideration is based on the discount rate applied and accordingly, its valuation will be reassessed after Acquisition, in accordance with HKFRSs until they are paid to the Sellers in full. For the purpose of the preparation of the pro forma financial information, in determining the difference of the fair value of the Contingent Consideration as at 1 January 2009 (i.e. the assumed completion date of the Acquisition) and as at 31 December 2009, it is assumed that all variable factors as disclosed in note 1(b) and (c) in this Appendix are held constant except for the timing difference. Such difference between the fair value of Contingent Consideration as at 1 January 2009 and that as at 31 December 2009 (i.e. 1 year after the completion of the Acquisition) is recognised as fair value loss of US$19,566,000 (equivalent to approximately HK$152,396,000) in accordance with HKFRS 3.

(7) The adjustment of approximately HK$602,716,000 represented the gain on a bargain purchase as detailed in note 2 above.

(8) The adjustments of approximately HK$236,000 (being BRL5,000 per month X 12 months, represented the management services fee paid to Mineral Ventures according to the Management Services Agreement, at exchange rate of BRL1:HK$3.9402, the exchange rate for the year ended 31 December 2009). This adjustment has continuing effect of the Enlarged Group's financial statements in subsequent years and shall expire according to the terms of the Management Services Agreement as detailed in the Letter from the Board.

(9) The adjustments of approximately HK$75,422,000 (equivalent to approximately US$9,683,000) represented the amortisation of the discount of the minimum consideration payable for Stage 3 (as detailed in note 1 (b) above) using the original effective interest rate of 10.46% per annum, being the discount rate of 10.46% used by the Valuers, as disclosed in note 1(b) in this Appendix, to determine the fair value of the minimum consideration payable for Stage 3 for 1 year as detailed in note 1(b) above. This adjustment has continuing effect of the Enlarged Group's financial statements in subsequent years until the consideration for Stage 3 was paid. No amortisation adjustments for the contingent consideration of Stage 3, 4 and 5 were made as the fair value of the contingent consideration will be reassessed at subsequent reporting dates until the contingent considerations was paid as detailed in note (6) to the pro forma statements.

(10) No adjustments of the amortisation of exploration and evaluation assets and deferred tax credit respectively due to the fair value adjustments arising from the Acquisition were made as there is no provision in HKFRS 6 stating that amortisation for exploration and evaluation assets is required and SAM is not expected to start production in the first year after Acquisition based on the expected timetable as detailed in the Letter from the Board.

(11) For the purposes in presenting the unaudited pro forma statement of cash flows, no adjustments are prepared to account for the payment of the remaining consideration to be paid at Stage 3, 4 and 5 as there is no concrete timetable regarding the Approval Date, the Mining Production Commencement Date or the Port Operation Commencement Date.

(12) For the purpose of the preparation of the pro forma financial information, transaction costs are assumed to be nil.

(13) The directors of the Company have consulted the Company's auditors, who are also the reporting accountant for this transaction. The auditors advised that the accounting policy adopted by the Group in accounting for the exploration and evaluation assets and contingent consideration in preparing the pro forma financial information is consistent with the Group's existing accounting policies and in accordance with HKFRSs. The Company will apply consistent accounting policy in accounting for the exploration and evaluation assets and contingent consideration in preparing the Company's annual financial statements.

Assuming there are no changes in circumstances relating to the valuation of the exploration and evaluation assets acquired and the Group's liability arising from the contingent consideration provision in the transaction after the Circular is being authorised for issue up to the preparation of the Company's annual financial statements, the Company and the Valuers will apply the same principal assumptions to estimate the fair values of the exploration and evaluation assets and the contingent consideration on their initial recognition and at the balance sheet date in preparing the Company's annual financial statements. The Company will adopt the consistent accounting policies to perform impairment test of the

carrying value of the Group's exploration and evaluation assets at the balance sheet date in accordance with HKFRSs. The fair value of the exploration and evaluation assets at the balance sheet date will be used as an indication that those assets may be impaired.

The directors of the Company have consulted the Company's auditors, who are also the reporting accountant for this transaction. The auditors advised that based on the information currently available, they would not object to (1) the accounting policy adopted by the Group in accounting for the exploration and evaluation assets; (2) the principal assumptions currently adopted by the independent professional valuer in arriving at the valuation of the exploration and evaluation assets; and (3) the management using such valuation as the basis of indication for impairment of the exploration and evaluation assets, in their audit engagement on the Group's annual financial statements for the year ending 31 December 2010 in accordance with Hong Kong Standards of Auditing to be performed.

ACCOUNTANTS' REPORT ON UNAUDITED PRO FORMA FINANCIAL INFORMATION

The following is the text of an accountants' report, prepared for the purpose of inclusion in this Circular, received from Grant Thornton, Certified Public Accountants, Hong Kong.

Member of Grant Thornton International Ltd

5 November 2010

The Directors
Honbridge Holdings Limited
Suite 2703
27th Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

Dear Sirs,

We report on the unaudited pro forma financial information of Honbridge Holdings Limited (the "Company") and its subsidiaries (collectively referred to as the "Group"), and Sul Americana de Metais S.A.. (together with the Group collectively referred to as the "Enlarged Group"), which has been prepared by the directors of the Company for illustrative purposes only, to provide information about how the proposed acquisition of the entire issued share capital of SAM (the "Proposed Acquisition") upon the completion of the Proposed Acquisition, might have affected the financial information presented, for the inclusion in Appendix V of the Company's circular dated 5 November 2010 (the "Circular"). The basis of preparation of the unaudited pro forma financial information is set out in the section headed "Unaudited pro forma financial information of the Enlarged Group" in Appendix V to the Circular.

Respective Responsibilities of Directors of the Company and Reporting Accountants

It is the responsibility solely of the directors of the Company to prepare the unaudited pro forma financial information in accordance with paragraph 31 of Chapter 7 of the Rules Governing the Listing of Securities on The Growth Enterprise Market of The Stock Exchange of Hong Kong Limited (the "GEM Listing Rules") and with reference to

Accounting Guideline 7 "Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA").

It is our responsibility to form an opinion, as required by paragraph 31 of Chapter 7 of the GEM Listing Rules, on the unaudited pro forma financial information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the unaudited pro forma financial information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

Basis of opinion

We conducted our engagement in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 300 "Accountants' Reports on Pro Forma Financial Information in Investment Circulars" issued by the HKICPA. Our work consisted primarily of comparing the unadjusted financial information with source documents, considering the evidence supporting the adjustments and discussing the unaudited pro forma financial information with the directors of the Company. This engagement did not involve independent examination of any of the underlying financial information.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated, that such basis is consistent with the accounting policies of the Group and that the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Our work did not constitute an audit or review made in accordance with Hong Kong Standards on Audit or Hong Kong Standards on Review Engagements issued by the HKICPA, and accordingly, we did not express any such assurance on the unaudited pro forma financial information.

The unaudited pro forma financial information is for illustrative purposes only, based on the judgements and assumptions of the directors of the Company, and because of its hypothetical nature, does not provide any assurance or indication that any event will take place in the future and may not be indicative of:

- the financial position of the Group as at 30 June 2010 had the Proposed Acquisition actually been completed on that date or any future date; or

- the results and cash flows of the Group for the year ended 31 December 2009 had the Proposed Acquisition actually been completed on 1 January 2009 or any future periods.

Opinion

In our opinion:

(a) the unaudited pro forma financial information has been properly compiled by the directors of the Company on the basis stated;

(b) such basis is consistent with the accounting policies of the Group; and

(c) the adjustments are appropriate for the purposes of the unaudited pro forma financial information as disclosed pursuant to paragraph 31(1) of Chapter 7 of the GEM Listing Rules.

Yours faithfully,

Grant Thornton
Certified Public Accountants
6th Floor, Nexxus Building
41 Connaught Road Central
Hong Kong

The following is the text of the technical report on the SAM Mine dated 5 November 2010 prepared by Coffey Mining for the purpose of inclusion in this Circular.

5 November 2010

The Directors
Honbridge Holdings Ltd
Suite 2703
27F, Great Eagle Centre
23 Harbour Road
Wanchai
HONG KONG

Dear Sirs

RE: Independent Technical Adviser's Report

Coffey Consultoria e Serviços Ltda (Coffey Mining) has been commissioned by Honbridge Holdings Ltd (Honbridge) to provide an Independent Technical Advisers Report on mineral exploration and exploitation properties located in the North of the State of Minas Gerais, Brazil in which Honbridge is going to acquire an interest. Honbridge has recently entered into an Agreement with Votorantim Novos Negócios (VNN) which is a wholly owned subsidiary of Grupo Votorantim to acquire a 100% interest in Sul American de Metals S.A. (SAM), an exploration company under VNN. SAM is a limited company incorporated in Brazil holding 85 exploration rights mainly for iron ore including the Salinas Iron Ore Project. In accordance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("the Hong Kong Stock Exchange Listing Rules"), Honbridge is required to issue a circular to the shareholders in relation to the acquisition of SAM and a technical report shall be included therein. The content of the technical report is specified in rule 18A.09 of the Hong Kong Stock Exchange Listing Rules.

A final draft of the report was also provided to Honbridge, along with a written request to identify any material errors or omissions prior to lodgement. Where appropriate, consent has been obtained to quote data and opinions expressed in unpublished reports prepared by other professionals on the properties concerned. Based on the information included and used in this report it has an effective date of 30 June 2010.

The legal status associated with the tenure of the Honbridge properties, has not been independently verified by Coffey Mining. The present status of tenements listed in this report is based on information provided by VNN and from the relevant Brazilian government web site, and the report has been prepared on the assumption that the tenements will prove lawfully accessible for evaluation.

The Independent Technical Advisers Report has been prepared in accordance with the JORC (Joint Ore Reserves Committee) Code – the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, which is binding upon Members of the Australasian Institute of Mining and Metallurgy (AusIMM) and Members of the Australian Institute of Geoscientists (AIG).

Coffey Mining is an exploration, mining and resource consulting firm, which has been providing services and advice to the international mineral industry and financial institutions since 1960. This report has been compiled by Bernado H C Viana, who is a professional geologist with 8 years experience in the exploration and evaluation of mineral properties in Brazil, and João Hilario, who is a professional mining engineer with 34 years experience in the exploitation and evaluation of mineral properties worldwide. Bernado Viana is the Mineral Resource Manager for Coffey Mining in Brazil, and a Member of the Australian Institute of Geoscientists (MAIG) and João Hilario is the Technical Leader of Coffey Mining in Brazil and a Member of the Australian Institute of Geoscientists (MAIG). Both authors have the appropriate relevant qualifications, experience, competence and independence to be considered a "Competent Person" under the definitions provided in the JORC Code.

Neither Coffey Mining, nor the authors of this report, have or have previously had, any interest in Honbridge or the mineral properties in which Honbridge has an interest. Our relationship with Honbridge is solely one of professional association between client and independent consultant. This report is prepared in return for professional fees based upon agreed commercial rates and the payment of these fees is in no way contingent on the results of this report.

For and on behalf of Coffey Mining
João Hilario
Technical Leader

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EXECUTIVE SUMMARY

Introduction

Coffey Mining was requested by Honbridge to compile an Independent Technical Advisers Report on mineral exploration and exploitation properties located in which Honbridge is going to acquire an interest, namely the Salinas Iron Project ("Project"), the key asset owned by Sul American de Metals S.A. (SAM), an exploration company under Votorantim Novos Negócios (VNN).

Coffey Mining has based this report on the Project on Resources and mining Scoping Study work carried out by Coffey Mining, information provided by VNN and technical reports by other technical advisers.

The Project is located in the Salinas region of northern Minas Gerais state, Brazil, 610km of sealed road from the state capital, Belo Horizonte. The Project is located in a relatively undeveloped area with elevations from 600m to 1,000mRL. The surrounding infrastructure is adequate and the nearest ports are located over 400km from the Project in a straight line.

SAM holds 85 exploration tenements or rights mainly for iron ore in the Brazilian states of Minas Gerais and Bahia covering an area of approximately 1 221km^2. The tenements are grouped into nine areas identified as Blocks 5, 6, 7, 8, 9, 10, 11, 12 and 13. Blocks 7 and 8 are the focus of the Project and Block 7 occupies an area of 14 768ha, and Block 8 occupies an area of 2 624ha.

Geology

The Project iron ore mineralization is located within the Neoproterozoic rocks of the Macaúbas Group (São Francisco Supergroup). The rocks are comprised of a meta-sedimentary package of phyllites, quartzites, diamictites, and hematite enriched diamictites. The hematite diamictites have an overlying well developed enriched duricrust (canga) that is comprised of colluvium goethite and specularite hematite. This canga ranges up to 10m in thickness.

The stratigraphy of the region is north – northeast trending having been isoclinally folded. The diamictite units within the Project area are located dominantly on the eastern limb (dipping east southeast between 10° to 22°) and located immediately north of the southern closure of the diamictites unit, which gently plunges to the south.

Mineralization

The mineralized diamictites are composed by a matrix of quartz, carbonate, white mica and minor epidote, chlorite, biotite, albite and vermiculite, with scattered clasts of quartz, quartzites, phyllites, limestones and rare granitoids. The mineralization at Block 7 is composed by 84% of hematite and magnetite and 16% of goethite. Block 8 mineralization is dominantly hematite and minor goethite.

The diamictites within the SAM permits are consolidated to friable in texture with an average thickness of 55-75m (up to 200m). It has been identified at Block 7 for 11.2km of strike and 1.4km in width and at Block 8 for 5.5km of strike and 3.1km in width. The grade of the iron mineralization within the diamictites are generally low in tenure (<30% Fe) but are very consistent and continuous and hosts very large tonnage low grade iron ore deposits.

At Block 8 there is an iron enriched lateritic profile that has an average depth of 5m.

Drilling

SAM has completed an initial resource drilling program of 53 holes for a total of 6,617m of HQ diamond core drilling for Block 7 and 45 holes for a total of 5,154m of HQ diamond core drilling for Block 8. At Block 8, 7 holes for 1,105.45m were drilled in late 2009 and the phase 2 program of up to 60,000m of further infill and extension drilling at Block 8 commenced in May 2010 and is ongoing.

The phase 1 holes have been located on an approximate 400-800m lines spaced at about 400-800m apart and drilled to a depth of between 24m and 270m. The HQ core has been split with half the core sampled on lengths up to 6m (pending the geology) and sent for sample preparation and analysis in Belo Horizonte. A comprehensive quality control program including the insertion of certified standards, blanks and field duplicates and a high quality precision and accuracy has been attained and validated by Agoratek International.

Resources

Resources estimate for the Project have been generated by Coffey Mining using the Ordinary Kriging (OK) method of grade estimation to derive iron (Fe), silica (SiO_2), aluminium (Al_2O_3), manganese (Mn), phosphorus (P) and loss of ignition (LOI) grades. The grade estimate has been classified as an Indicated and Inferred Mineral Resource in accordance with the guidelines as set out in the JORC Code (2004). Coffey Mining also completed a detailed assessment of all analytical quality control data associated with the assay results used in resource estimation. At the time of the resource estimation, no material bias had been identified.

The total Indicated and Inferred Mineral Resources, after applying slightly different cutoff values for each Block to maintain an average grade above 20% Fe, are shown in Tables A and B.

Table A

Mineral Resource Table
Block 7 Iron Ore Deposit – 20th May 2009

15% Fe Grade Cutoff Applied
Grade Estimates Obtained by Ordinary Kriging
Resource Classification in Accordance with JORC Code (2004) Guidelines

	Mineralised Zones	Tonnes (Mt)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	Mn (%)	P (%)	LOI (%)
Indicated Mineral Resources	Block 7	25.2	21.7	55.8	6.5	0.37	0.19	2.8
Inferred Mineral Resources	Block 7	1,031	20.6	56.9	5.9	0.32	0.26	2.7
Indicated + Inferred Mineral Resources	**Total – Block 7**	**1,056**	**20.6**	**56.9**	**5.9**	**0.32**	**0.25**	**2.7**

Table B

Mineral Resource Table
Block 8 Iron Ore Deposit – 20th May 2009

14% Fe Lower Cutoff Grade Applied
Grade Estimates Obtained by Ordinary Kriging
Resource Classification in Accordance with JORC Code (2004) Guidelines

	Mineralised Zones	Tonnes (Mt)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	Mn (%)	P (%)	LOI (%)
Indicated Mineral Resources	Block 8	214	21.9	60.6	4.1	0.06	0.14	1.5
Inferred Mineral Resources	Block 8	1,571	20.0	60.6	4.4	0.10	0.20	1.9
Indicated + Inferred Resources	**Total – Block 8**	**1,785**	**20.3**	**60.6**	**4.4**	**0.09**	**0.19**	**1.9**

Exploration Potential

The geological block models have been extended down dip to estimate potential mineralisation and for Block 7 estimated some 2.5 billion tonnes and 3.7 billion tonnes for Block 8.

Coffey Mining also estimated the potential of the Block 8 iron enriched lateritic profile at 20.6Mt with an average grade of 28.8% Fe.

Mining

Two alternative mining methods have been considered for mining of ore, conventional truck and excavator (face shovel and/or backhoe configuration) mining with 228t payload truck haulage to a semi-mobile primary crusher and alternatively direct loading by excavator of a fully mobile crusher and conveying of the ore direct to the processing plant. Waste haulage for both methods used conventional trucks and excavators.

Based on the current geological data it is expected that bulk mining methods will be suitable and no selective mining has been allowed for. Grade control methods, blending of different material types and rehandling of any ore has yet to be evaluated.

Only limited drilling and blasting is expected and this has yet to be quantified.

The mobile mining fleet selected for the Scoping Study was based on the mining method, bench height assumed, the expected mining rate of both ore and waste and well proven equipment already in use in similar mines in Brazil.

Mine Design

No formal geotechnical analysis has yet been carried out for pit slope analysis and a maximum overall slope angle of 38° was selected. No investigation of ground water (hydrogeology) has been carried out yet.

The Mineral Resources block models were converted into a mine model and optimised using Whittle Four-X pit software. The revenue parameters assumed by Coffey were US$65/t concentrate, an average concentrate grade of 65%Fe and an overall processing ore recovery of 65.3%. The range of pit shells obtained varied the revenue factor between 50% and 150% of the sales price of the concentrate. Physical and operating costs pit optimisation parameters used are as per Table C.

Table C

Physical and Cost Pit Optimisation Parameters

Item	Unit	Value
Processing Plant output (concentrate)	Mtpa	25 (for both Blocks)
Overall pit slope	degrees	38
Average Processing cost	US$/t concentrate	6.86
Average mining cost	US$/t material	1.50

The optimised pit shells selected for pit design were based on the contained Resources having an average iron grade of a little over 20% Fe for both Block 7 and Block 8.

The dimensions of the final (large) pits are shown in Table D.

Table D

Dimensions of Final Pit Designs

	Block 7 (m)			Block 8 (m)	
	North	**Centre**	**South**	**North**	**South**
Depth	170	170	**270**	220	240
Length	2,220	**5,540**	4,580	4,600	1,430
Width	1,020	1,230	1,080	**2,590**	820

Material Inventory

Until more Indicated (or Measured) Mineral Resources have been defined, sufficient other technical work has been completed and the Project demonstrated to be clearly economic as part of a Pre-feasibility Study, Ore Reserves cannot be reported. The Indicated and Inferred Resources contained within the pit designs is therefore called "mineralisation".

The "potential mineralisation" is estimated material that has been geologically extrapolated beyond the limits of exploration drilling and the Mineral Resources.

Marginal or low grade material is defined as Mineral Resources above 10% Fe and below the cutoff grade used to estimate mineralisation. Potential marginal material is estimated material above 10% Fe and below the cutoff grade that has been geologically extrapolated beyond the limits of exploration drilling and the Mineral Resources.

The mineral inventory for both of the designed pits, including potential material and the estimated concentrate production is summarised in Table E.

Table E

Total Material and Mineralisation Summary in Final Pits

Operational Final Pit	Mine				Process Plant						
	Material (Mt)			Strip Ratio	ROM Grade (%)						Concentrate (Mt)
	Min'n	Waste	Total		Fe	SiO_2	Al_2O_3	Mn	P	LOI	
Block 7	930	557	1,487	0.60	20.5	57.3	6.0	0.27	0.25	2.5	191
Block 8	1,609	458	2,067	0.28	20.3	60.9	4.4	0.09	0.18	1.8	328
Total	**2,539**	**1,015**	**3,554**	**0.40**	**20.4**	**59.5**	**5.0**	**0.16**	**0.20**	**2.1**	**519**

Mine Production Schedule

For the Scoping Study the primary mine production scheduling objective requested by VNN was to produce a consistent 25Mtpa of concentrate, after a ramp up in production for the first 2 years, for approximately 20 years. The nominated split in concentrate from each Block for the schedule was 7.5Mtpa of concentrate from Block 7 and 17.5Mtpa of concentrate from Block 8. Block 8 has a lower strip ratio, lower phosphorous levels and topographically is easier to mine also.

Scheduling software was used to schedule both Blocks total mineralisation inventory to produce the required quantity of concentrate from each, with 25Mtpa of concentrate scheduled from years 3 to 19 inclusive (followed by another 6 years of 8Mtpa of concentrate to complete Block 7). This initial mining schedule would be optimised as part of the next stage of study work.

Mining Costs

The initial and replacement capital costs for the mining equipment selected was provided by local suppliers and is summarised in Table F for ore mining method 1 and in Table G for method 2.

Table F Mining Equipment Capital Cost, Alternative 1			
Equipment		**Initial Cost (US$M)**	**Replacement Cost (US$M)**
Load and Haulage	Hydraulic Excavator – Hitachi EX 5500	76.5	76.5
	Truck Off Road CAT 793 D	148.0	148.0
	Conveyor – Fixed-belt (outside the pit)	42.0	70.0
	Sub – Total	***266.5***	***294.5***
Ancillary Equipment	***Sub – Total***	***97.2***	***108.8***
Total		**363.7**	**403.3**

Table G Mining Equipment Capital Cost, Alternative 2			
Equipment		**Initial Cost (US$M)**	**Replacement Cost (US$M)**
Load and Haulage	Hydraulic Excavator – Hitachi EX 5500	34.0	34.0
	Hydraulic Excavator – Hitachi EX 2500	88.0	88.0
	Truck Off Road CAT 793 D	51.8	51.8
	Conveyor – Mobile belt – (kits – 300m)	111.4	0.0
	Conveyor – Fixed-belt (inside & outside the pit)	68.9	70.0
	Sub – Total	***354.1***	***243.8***
Ancillary Equipment	***Sub – Total***	***135.2***	***80.9***
Total		**489.4**	**324.7**

The mining operating costs derived from first principles in the Scoping Study in mid 2009 did not include any contingency allowance or a number of other relatively small mining related costs that should be estimated in future, more detailed work. Coffey Mining has added 15% to the Scoping Study mining operating costs as an estimate of contingency and to cover costs not yet estimated, resulting in a weighted average operating cost of $0.90/t mined or $6.97/t of concentrate for Alternative 1 and $0.89/t mined or $6.92/t of concentrate for Alternative 2.

Metallurgy and Mineral Processing

Metallurgical testwork has been conducted with composited samples in recognised technological centres in Brazil and included chemical and mineralogical analysis, mineral liberation size, compactness or hardness, mill Work Index determination and process development preliminary test works. Six composited chemically representative samples from core drilling were used for testwork, totalling 6,735kg.

In the samples analysed from Block 8, iron oxides are mainly hematite (>98%), while in the samples analysed from Block 7 magnetite and goethite was present as well (48% magnetite, 36% hematite and 16% goethite).

For recovery of iron minerals, liberation size only reaches significant levels for the concentration process in fine particles (lower than 74μm for Block 8 and lower than 105μm for Block 7).

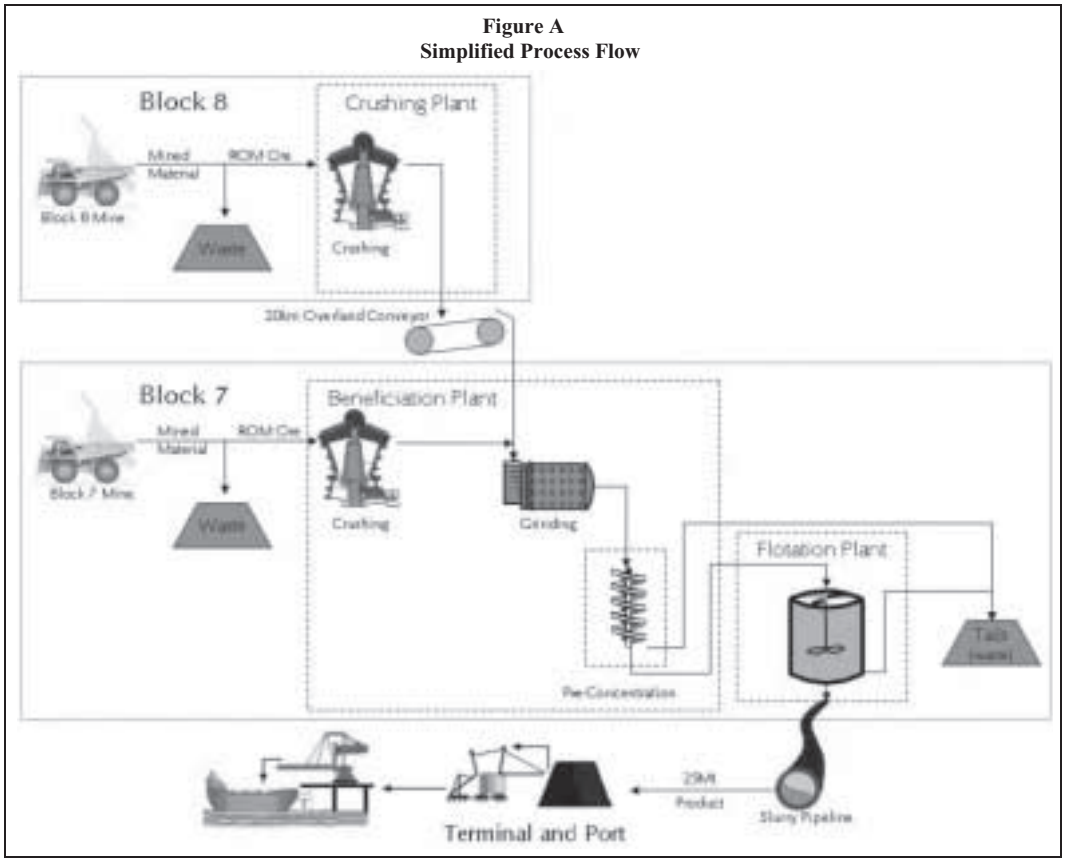
The bond Work Index determinations for both Blocks demonstrated potential for low milling costs.

From the results of the process testwork, which also included magnetic separation, VNN obtained a preliminary process route that includes:

- Pre-concentration in spirals, obtaining pre-concentrate with grade >30% Fe;
- Reverse flotation of spiral pre-concentrate for quartz extraction, as traditionally done in most iron ore processing plants in Brazil.

The Project aims at producing pellet feed and the simplified process flow is shown in Figure A.

Figure A
Simplified Process Flow



Bench tests has shown that the current preliminary processing route is promising and obtained pellet feed with marketable quality specifications from the head sample (ROM) with Fe = 20.2%; mass and metallurgical recovery of 20.3% and 65.3% respectively. Mini-plant pilot flotation tests did not produce results as good as the bench tests, but initial evaluations show there is significant potential.

Plant capital cost estimates were approximately US$1 billion for a processing plant capacity of 125Mtpa (ROM). The capital cost was estimated by VNN based on two similar projects and deemed as reasonable by Hatch.

Plant operating costs were estimated by VNN at US$2.20/t of ROM ore or US$10.73/t of concentrate based on the parameters of the preliminary process route and Hatch state that the cost is reasonable for an order of magnitude estimate based on the early stages of project development. Coffey Mining is concerned the costs related to tailings appear insufficient.

Waste Disposal

Waste is material mined directly from the pits that is below the nominated iron content cutoff grade plus the waste generated from the beneficiation plant.

External waste dumps have been designed for both Block 7 and Block 8 equivalent to at least the first two years of mining and thereafter waste will be dumped into the mined out sections of the pits, minimising the overall land disturbance and allowing progressive rehabilitation of back-filled pit areas.

It is also proposed to dispose of much of the beneficiation plant tailings with the waste rock in the exhausted pit areas. Tailings from beneficiation processes are about 80% of ROM ore, or about 2,030Mt, and therefore are a very significant part of the Project planning and costs. Studies for treatment and disposal of tailings are still at a very early stage.

Other Mine Site Infrastructure and Services

Only an initial review of power supply sources has been done to date and initial power costs obtained from suppliers.

A Project-wide water balance or estimation of water consumption, and the amount of water that can be recycled and reused, has yet to be completed in any detail. Brandt Meio Ambiente Ltda (Brandt) did a preliminary study into water supply for the Project in 2008. They assumed the required demand was 2,280m^3/h or 20Mm^3pa and investigated sourcing water from the Irape dam and other local sources. SAM has received a first priority grant for the Irape water source which represents around 60% of SAM's water requirements, depending on recycling achieved.

There will need to be other infrastructure provided such as access roads, offices, warehouses, etc and possibly some accommodation for employees, for example but this detail has yet to be considered or costed and would be part of a Prefeasibility Study.

Concentrate Pipeline

It is planned to transport the concentrate from the Project via a 491km long pipeline to a port on the coast and an initial study has been completed by PSI do Brasil (PSI). No new technology was considered in the study and PSI is confident that the recommended system is feasible.

PSI estimated a capital cost in mid 2008, SAM reviewed this in May 2009 due to several changes and since May 2009 there have been further changes. The current capital cost is somewhere between the two estimates, with the midpoint being US$1,003M.

PSI also estimated pipeline operating costs, with the largest item by far being power costs at approximately 90% of the cost. SAM also reviewed operating costs in May 2009, including a quoted power cost of $0.0694kWh. As the exchange rate for the last 6 months has averaged approximately R$1.8:US$ and the Brazilian economy is strong it is again expected that the current cost is somewhere between the two estimates, with the midpoint being US$0.80/t of concentrate.

An owned railway conceptual study was developed as an alternative for transporting concentrate, via a 508km railroad from the beneficiation plant near Salinas to Porto Sul, by VEGA – Engineering and Consulting Ltda. The options for railroads and their capital and operating costs were compared to the pipeline and the conclusion was that the pipeline is economically more attractive, especially on an operating costs basis.

Port

Sandwell conducted a preliminary study in 2008 into possible port locations, two port capacities (25Mtpa and 50Mtpa), receipt of concentrate by pipeline or by rail and proposed initial port layouts plus capital and operating costs estimates.

Since the Sandwell 2008 work Porto Sul has became the Project's base case port due to its smaller capital and operating costs as Porto Sul will be built by the Bahia Government along with a private consortium. According to SAM Porto Sul concept is very similar to the one initially projected by Sandwell. Costs for Porto Sul were based on adjustments made by SAM to Sandwell's assumptions for the conceptual project of the port at Fazenda Cajueiro.

The order of magnitude (+40% -25%) capital costs made by Sandwell for the Fazenda Cajueiro site 25Mtpa, pipeline receipt option was revised by SAM in May 2009. Adjusting costs based on an exchange rate of R$1.8:US$, reinstating services and equipment prices back to Sandwell estimates and maintaining the sharing of capital costs with others as assumed by SAM the current capital cost is approximately US$390M.

The initial operating cost was also estimated by Sandwell and revised by SAM. As for the pipeline, due to the exchange rate reversing, market conditions for suppliers improving and the uncertainty of what costs will be shared by others (and to what extent), operating costs will have increased although without a formal update it is difficult to estimate to what level. Coffey Mining's estimate, based on information supplied and these recent changes is $1.77/dry t of concentrate.

Social and Environmental

Considering the Project is in an area that has low levels of economic and development rates, a new, large mine is likely to be well accepted by the communities and political authorities.

During a landowner study at Block 8 all the landowners (38) in the two SAM claims were identified and in general the residents have a reasonable expectation for selling their lands and are supportive of the Project.

The preliminary environmental study by AMS Consultoria & Assessoria Ltda. (AMS) has not identified any significant environmental issues. The area is part of a water catchment and does contain some areas of important vegetation but AMS concluded that all Blocks have environmental sustainability conditions, if due care is taken.

Project Status

Most of the technical areas are at Scoping Study level, although some aspects, such as social and environmental, are incomplete at this level. Planned or recommended additional Project work, such as further metallurgical testwork, should be compiled into an overall Project work plan, if not done already, to show when a PFS can be completed and Reserves estimated.

The current major infill and extension drilling program underway at Block 8 will make a significant difference to the Project status once complete, all data received and analysed and revised Resources estimated. More drilling is also required at Block 7 to increase the confidence level of Resources there.

The current initial capital cost is summarised in Table H at an exchange rate of R$1.8:US$1.0.

Table H

Project Initial Capital Cost Summary

Area	**Cost (US$M)**
Prefeasibility Study (including Resources drilling, etc)	35*
Mining Fleet – Initial Equipment (Alternative 1 ore mining)	372
Beneficiation plant, including water supply	1,049
Other Mine Site Infrastructure, including some power supply	150*
Pipeline	1,003
Port	390
Total	2,999

* = provided by SAM

Due to a mine life of 20 or more years the mining fleet will need to be replaced and this replacement or working capital cost has been estimated as US$412M for the alternative 1 ore mining method.

The current operating cost per tonne of pellet feed is summarised in Table I.

Table I

Project Operating Cost Summary

Area	Cost (US$/t of pellet feed)
Mining (ore mining Alternative 1)	6.97
Beneficiation	10.73
Pipeline	0.80
Port	1.77
General and Administration	0.96*
Royalty	1.00*
Selling Expenses	1.50*
Total	23.73

* = provided by SAM

Risk Analysis

A preliminary risk analysis has identified the following high risk items:

- Continuity of iron ore mineralisation and continuity of grade
- Insufficient Measured and Indicated Resources
- Low Reserves, due to Resources but also possible cost impacts
- Availability of sufficient water supplies
- Capital costs
- Operating costs
- Price of concentrate product.

Current or planned additional drilling, more detailed Project studies and future marketing agreements will mitigate all these items.

Conclusions and Recommendations

The Project contains a very large existing mineral Resource plus significant prospective tonnage of low grade iron ore within two deposits, Block 7 and Block 8. The current significant infill and extension drilling program at Block 8 is expected to significantly increase the confidence in the Project's Resources and the first major step towards the estimation of a mineral Reserve.

The mining Scoping Study completed in 2009 demonstrated the likely technical viability of two large open pit mines in Block 7 and Block 8. The pit optimization work has clearly indicated areas for further exploration and opportunity also. Two alternative ore mining methods have been considered and both justify being considered in more detail in a Pre-feasibility Study.

Backfilling of mined out areas of the pits with mine waste plus tailings has shown to be cost effective and environmentally responsible and justifies significantly more study, including the associated water recycling and re-use study work.

It is also recommended that some geologically and metallurgical representative areas be drilled in more detail to begin to evaluate the detail of mining required and to estimate what amount of blending and possible ore rehandle, if any, is required to optimise processing plant operations.

The limited metallurgical testwork completed to date indicates that a marketable quality concentrate or pellet feed can be produced.

As included in the Hatch report for the next stage of development a scoping study is recommended to assess project options that have been identified. Specific recommendations on particular testwork to be performed have also been made.

The preliminary pipeline study by PSI has assumed the use of well proven technology and appears feasible. PSI believes the project is now at a point such that basic engineering and other work may be initiated

SAM has recently signed agreements with the Bahia and Minas Gerias Governments to further progress work on the mine, port and possible plant for manufacturing iron ore pellets and other key aspects of the project.

This large scale mining project will require significant power and water supplies for the nominated production levels for mining, beneficiation and pipeline transportation of the concentrate over a significant distance. More work is required to better quantify these needs and to determine if the likely supply of either may limit the scale of operations, either initially or longer term.

At least initial, scoping study work on the other expected infrastructure and services not yet quantified is recommended to be done before commencing a full PFS.

Only limited social and environmental study work has been completed to date and no material issues or problems have been identified. It is recommended this area of Project work progresses promptly to reduce uncertainly and risk and to ensure the Project definition and approval process is not delayed.

1 INTRODUCTION

Coffey Mining was requested by Honbridge to compile an Independent Technical Advisers Report on mineral exploration and exploitation properties located in which Honbridge is going to acquire an interest, namely the Salinas Iron Project ("Project"), the key asset owned by SAM.

Coffey Mining has based its report on the Project on work carried out by Coffey Mining, information provided by VNN and technical reports by other technical advisers. Most of the information comes from the Mineral Resources estimate report produced by Coffey Mining in May 2009 and the Scoping Study produced by Coffey Mining in July 2009.

The other consultants, who have contributed preliminary technical work on the Project, and their responsibility, are listed below:

Consultant	**Responsibility**
AMS Consultoria	Preliminary environmental review
Integratio Comunicação e Inserção Social Ltda.	Block 8 Landowner study
Brandt Meio Ambiente Ltda.	Water study
Hatch	Iron Ore Process Review
Heads Engenharia	Additional Iron Ore Processing work
PSI do Brasil	Conceptual Pipeline Study
CEMIG	Power Supply
Vega Engenharia	Railway Study
Sandwell	Port Study

There are a number of Project areas that have yet to be completed and that are therefore not covered in this technical report. These include:

- Shipping from Brazil to concentrate delivery point
- Project Implementation
- Marketing of concentrate
- Total Project financial analysis

Until more Measured or Indicated Mineral Resources have been defined and the above remaining technical areas or additional Modifying Factors, as defined in the JORC Code, have been completed and the Project demonstrated to be clearly economic as part of a Pre-feasibility Study, mineral or ore Reserves cannot be reported.

1.1 Glossary

A list of abbreviations and definitions used in this report is provided in Table 1.1_1.

Table 1.1_1
Abbreviations and Glossary

Abbreviation	Description
%	Percent
µm	Micron, one-millionth of a metre
AIG	Australian Institute of Geoscientists
Al_2O_3	Chemical formula for aluminium oxide.
anticline	A fold in rocks in which strata dip in opposite directions away from the central axis.
berm	A narrow safety bench part-way down an open pit wall.
BIF	Banded iron-formation – an iron-rich (+/– 30% Fe) and siliceous (+/– 50% SiO_2) sedimentary rock. Host rock for the iron ores
blank	Sample with quantified very low levels of elements of interest, usually used to calibrate assay equipment and/or batches of samples.
block model	A 3D array of cells constructed to enable recording of variables of interest such as grade.
CaO	Calcium oxide
composite	A statistical technique wherein all sampled intervals are given the same length or alternatively, combining more than one sample interval or result to provide an average.
diamictites	poorly or non-sorted conglomerate or breccia supported by a typically argillaceous (clay sized) matrix.
diamond drilling	Mineral exploration hole completed using a diamond set or diamond impregnated drill bit for retrieving a cylindrical core of rock.
directional variogram	A geostatistical method of describing the variability of a variable as a function of grade and separation distance in a specified orientation often displayed graphically.
down hole survey	The electronic or physical measurement of the three dimensional position and orientation of a drillhole, measured by means of lowering instruments down the hole.
DTM	Digital terrain model.
duplicate sample	Repeat samples taken in the field and analysed as a test for sampling error and laboratory precision levels.

Table 1.1_1

Abbreviations and Glossary

Abbreviation	Description
epidote	A calcium aluminum iron silicate hydroxide mineral.
Fe	Chemical symbol for iron.
Fe	Chemical symbol for iron.
first structure	This is used to refer to the model fitted to the shortest range of variability in any direction of the variogram.
geophysical survey	The exploration of an area in which geophysical properties and relationships unique to the area are mapped by one or more geophysical methods.
geostatistical	The application of probability theory and statistics to describe the variation of a variable such as grade in space.
goethite	A hydrated iron oxide mineral FeO(OH).
hematite	An iron oxide mineral Fe_2O_3.
Indicated Resource	That part of a mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a reasonable level of confidence.
Inferred Resource	That part of a mineral Resource for which tonnage, grade and mineral content can be estimated with a low level of confidence. It is inferred from geological evidence, sampling and assumed but not verified geological and/or grade continuity.
interpolation	Estimation of a statistical value from its mathematical or graphical position from a series of determined points.
iron ore	This is generic term used in exploration and mining to describe anomalous concentrations of hematite, goethite and limonite minerals. The term as used does not imply ore and is not associated with Ore Resources as defined by JORC Code (2004).
JORC Code	The Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (2004 edition), as published by the Joint Ore Reserves Committee, as amended from time to time.
K_2O	Potassium oxide
kg	Metric weight, 1,000grams
km	Kilometre, a standard metric unit measure of distance.
km^2	Square kilometre, a standard metric unit measure of area.
kriging variance	This is a statistical measure derived during the process of geostatistical estimation using ordinary kriging techniques.
kW	Kilowatt, unit of electrical power

Table 1.1_1

Abbreviations and Glossary

Abbreviation	Description
kWhr	Kilowatt hour, unit of electrical power use
lag	This refers to the distance by which pairs of samples are located and used in the calculation of a variogram.
LOI	Loss of Ignition.
m	Metre, a standard metric unit measure of distance.
m	meters
Ma	Million years
major direction	The direction with the longest distance of spatial variability as derived from the variogram.
Measured Resource	That part of a mineral Resource for which tonnage, densities, shape, physical characteristics, grade and mineral content can be estimated with a high level of confidence.
MgO	Magnesium oxide.
Mineral Resource	A concentration or occurrence of material of intrinsic economic interest in or on the earth's crust in such form and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a Mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge.
mm	millimeters
Mm3	Million cubic meters (1,000,000)
Mn	Chemical symbol for manganese.
Mt	Million metric tonnes (1,000,000).
Na_2O	Sodium oxide.
nugget	It refers to the abrupt change in grade that can be expected to occur over short distances.
Ordinary Kriging (OK)	A geostatistical grade estimation technique, which reproduces modeled spatial variability for a given block size.
P	Chemical symbol for phosphorous.
parent cell	This is the basic building block used in the construction of a volumetric representation of the geological features of a mineral deposit.

Table 1.1_1

Abbreviations and Glossary

Abbreviation	Description
Pre-feasibility Study	A comprehensive study of the viability of a mineral project that has advanced to a stage where the mining method, for underground mining, or the pit configuration, for an open pit, has been established and an effective method of mineral processing has been determined. It includes a financial analysis based on realistically assumed or reasonable assumptions of technical, engineering, legal, operating, economic, social, and environmental factors and the evaluation of other relevant factors which are enough for a Competent Person, acting reasonably, to determine if all or part of the mineral Resource may be classified as a mineral Reserve.
Proterozoic	An era of geological time spanning the period from 2,500 million years to 570 million years before present.
QA/QC	Quality assurance and quality control.
R$	Brazilian real, unit of currency
Reserve	With regard to minerals, the economically mineable part of a Measured, and/or Indicated Resource, taking into account diluting materials and allowances for losses, which may occur when the material is mined. Appropriate assessments to a minimum of a Prefeasibilty Study must have been carried out. Mineral Reserves are sub-divided in order of increasing confidence into Probable Reserves and Proved Reserves. *Note:* Although the term mineral Reserve is used it is recognised that the term ore reserve is used in the JORC Code.
Resource	With regard to minerals, a concentration or occurrence of material of intrinsic economic interest in or on the Earth's crust in such form, quality and quantity that there are reasonable prospects for their eventual economic extraction. The location, quantity, grade, geological characteristics and continuity of a mineral Resource are known, estimated or interpreted from specific geological evidence and knowledge. Mineral Resources are sub-divided, in order of increasing geological confidence, into Inferred, Indicated and Measured Resources, as defined in the JORC Code.
RL	Reduced Level, height above a given datum, such as mean sea level.
ROM	Run-Of-Mine or as-mined material
SAM	Sul American de Metals S.A.

Table 1.1_1

Abbreviations and Glossary

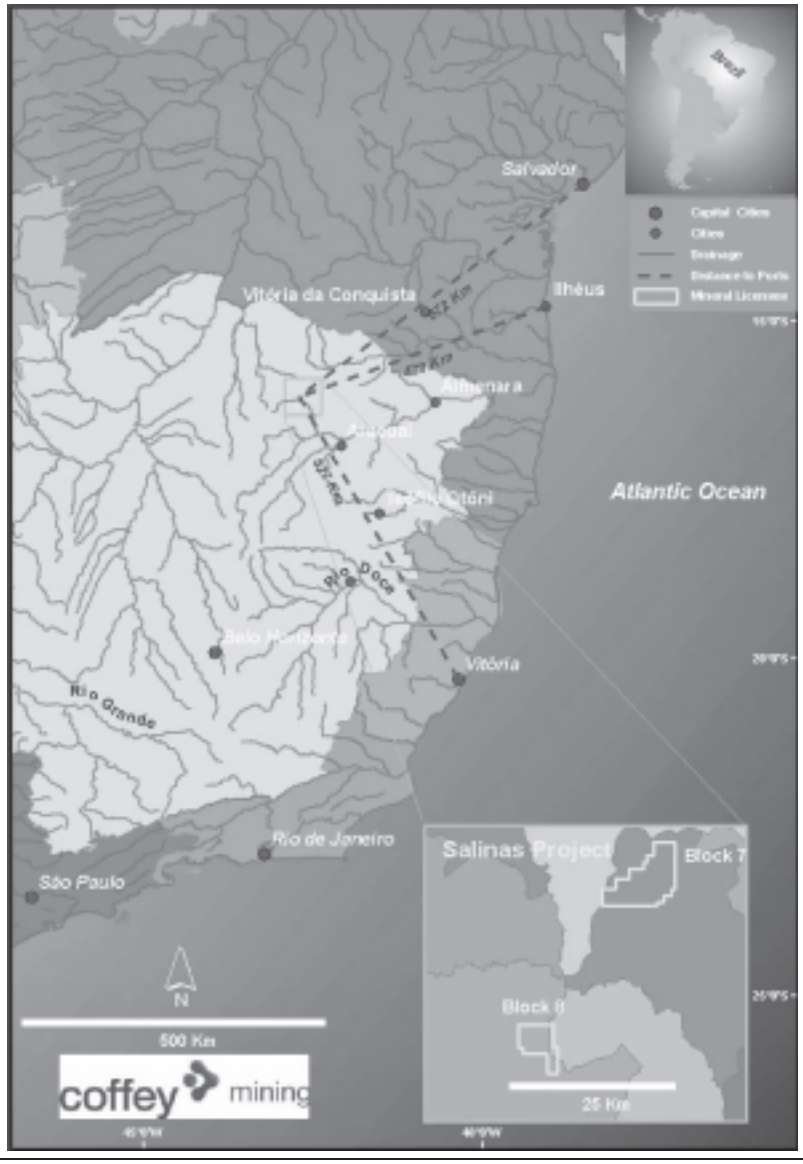
Abbreviation	Description
sample support	It refers to the volume of a sample or cell based on its dimensions, shape and orientation.
Scoping Study	A preliminary evaluation of a mineral project, including an assessment of the economic viability of mineral Resources. Scoping Studies should include forecast production schedules and cost estimates based on data under which the Resources are identified.
second structure	This is used to refer to the model fitted to the next range of variability (ie after the first) in any direction of the variogram.
semi-major direction	The direction with the second longest distance of spatial variability as derived from the variogram.
SG	Specific Gravity
SiO_2	Chemical formula for silica.
st	short ton, U.S. measure of weight equal to 2,000 pounds.
standard	A sample of known levels of elements of interest, usually used to calibrate assay equipment and/or batches of samples and assess accuracy in analyse.
sub-cell	Results from the division of a parent cell.
syncline	A fold in rocks in which strata dip in opposite directions towards the central axis.
thrusts	A reverse fault or shear that has a low angle inclination to the horizontal.
TMCR	Total Movement (or mined) to Concentrate produced Ratio, in tonnes
U-Pb	Uranium – Lead
variogram	A curve that characterises the spatial continuity of a data set.
VNN	Votorantim Novos Negócios
wireframe	A computer technique to define a surface or enclose a volume of interest within a series of three-dimensional coordinates.
Work Index	Relative power requirements to crush or grind rock to a specified smaller size

2 PROPERTY OWNERSHIP AND DESCRIPTION

2.1 Project Location

The Project is located in the Salinas region of northern Minas Gerais state, Brazil, refer Figure 2.1_1. The project area is accessed by 610km of sealed road from the state capital, Belo Horizonte (via Montes Claros to Salinas).

Figure 2.1_1
Project Location Map

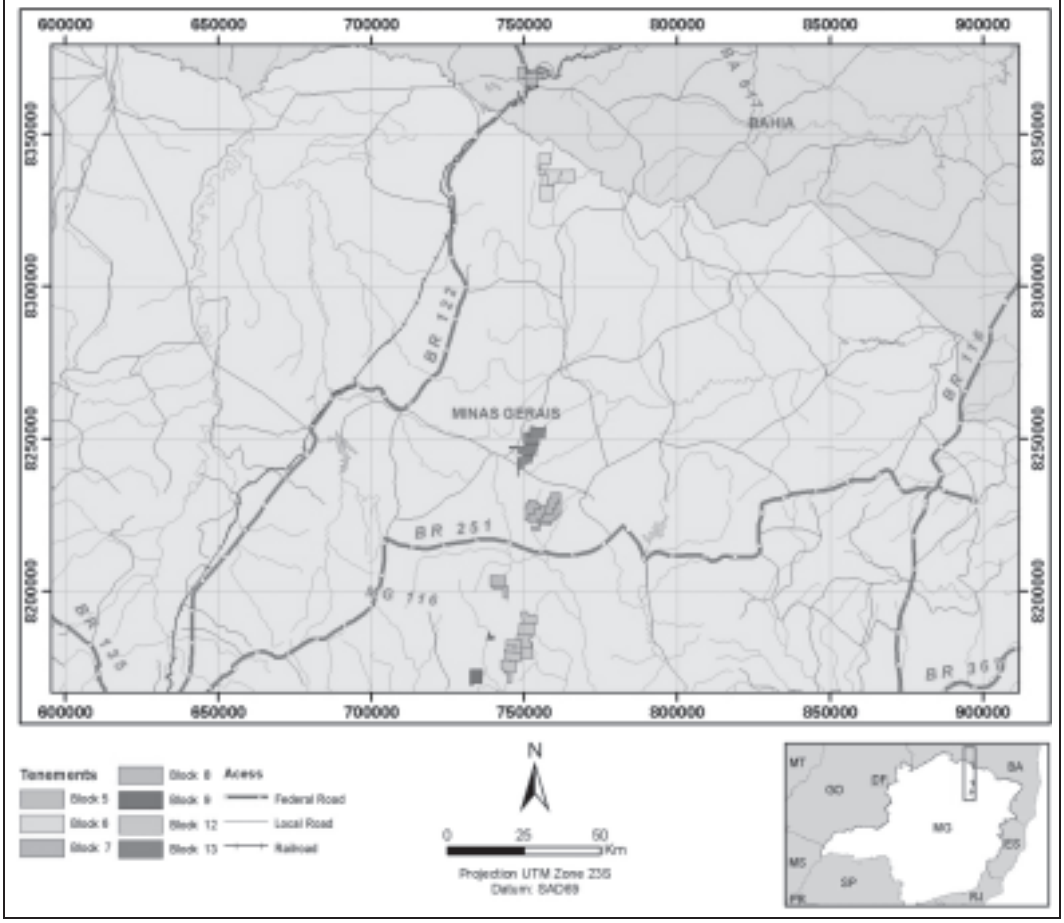


The region is located in a relatively remote region of Minas Gerais, with elevations from 600m to 1000mRL. The surrounding infrastructure is adequate with road access to the major towns in the region. The nearest ports to the region are located over 400km in a linear distance from the Project.

2.2 Tenements and Ownership

SAM holds 85 exploration tenements or rights (exploration licenses and claims) mainly for iron ore in the Brazilian states of Minas Gerais and Bahia covering an area of approximately 1,221km2. The tenements are grouped into nine areas identified as Blocks 5, 6, 7, 8, 9, 10, 11, 12 and 13. Blocks 10 and 11 have had no exploration work completed to date. The location of all the other Blocks is shown in Figure 2.2_1.

Figure 2.2_1
Location Map – Blocks 5, 6, 7, 8, 9, 12 and 13



2.2.1 Blocks 7 and 8

Blocks 7 and 8 are the focus of the Project.

As at June 2010, Block 7 occupies an area of 16,385ha, distributed in eleven exploration licenses and Block 8 occupies an area of 2,624ha and comprises two exploration licenses, as listed in Table 2.2_1 and shown in Figure 2.2.1_1 for Block 7 and Figure 2.2.1_2 for Block 8.

Table 2.2.1_1
SAM Mineral Claims – Blocks 7 and 8

Block	Claim	Area	Status	State	Region	Geological Context
Block 7	830018/2006	2000	Autorizaçao de pesquisa/exploration permit	Minas Gerais	Fruta de Leite	Macaubas Group
	830019/2006	2000	Autorizaçao de pesquisa/exploration permit		Fruta de Lleite & Rio Pardo de Minas	
	830038/2006	2000	Autorizaçao de pesquisa/exploration permit		Fruta de Leite e salinas	
	830738/2009	1526.97	Requerimento de pesquisa/exploration request		Fruta de Leite	
	830739/2009	1621.78	Requerimento de pesquisa/exploration request		Fruta de Leite	
	830740/2009	1354.15	Requerimento de pesquisa/exploration request		Fruta de Leite & Rio Pardo de Minas	
	830741/2009	1758.25	Requerimento de pesquisa/exploration request		Fruta de Leite	
	830742/2009	1141.99	Requerimento de pesquisa/exploration request		Fruta de Leite	
	831519/2008	722.94	Autorizaçao de pesquisa/exploration permit		Fruta de Leite	
	832587/2006	1930.68	Autorizaçao de pesquisa/exploration permit		Fruta de Leite & Rio Pardo de Minas	
	833189/2005	328.67	Disponibilidade/available area		Rio Pardo de Minas	Support area, held by associate company Mineral Ventures
Block 8	831028/2007	956.84	Autorizaçao de pesquisa/exploration permit	Minas Gerais	Padre Carvalho & Grão Mogol	
	831029/2007	1667.11	Autorizaçao de pesquisa/exploration permit			

Figure 2.2.1_1
SAM Properties at Block 7

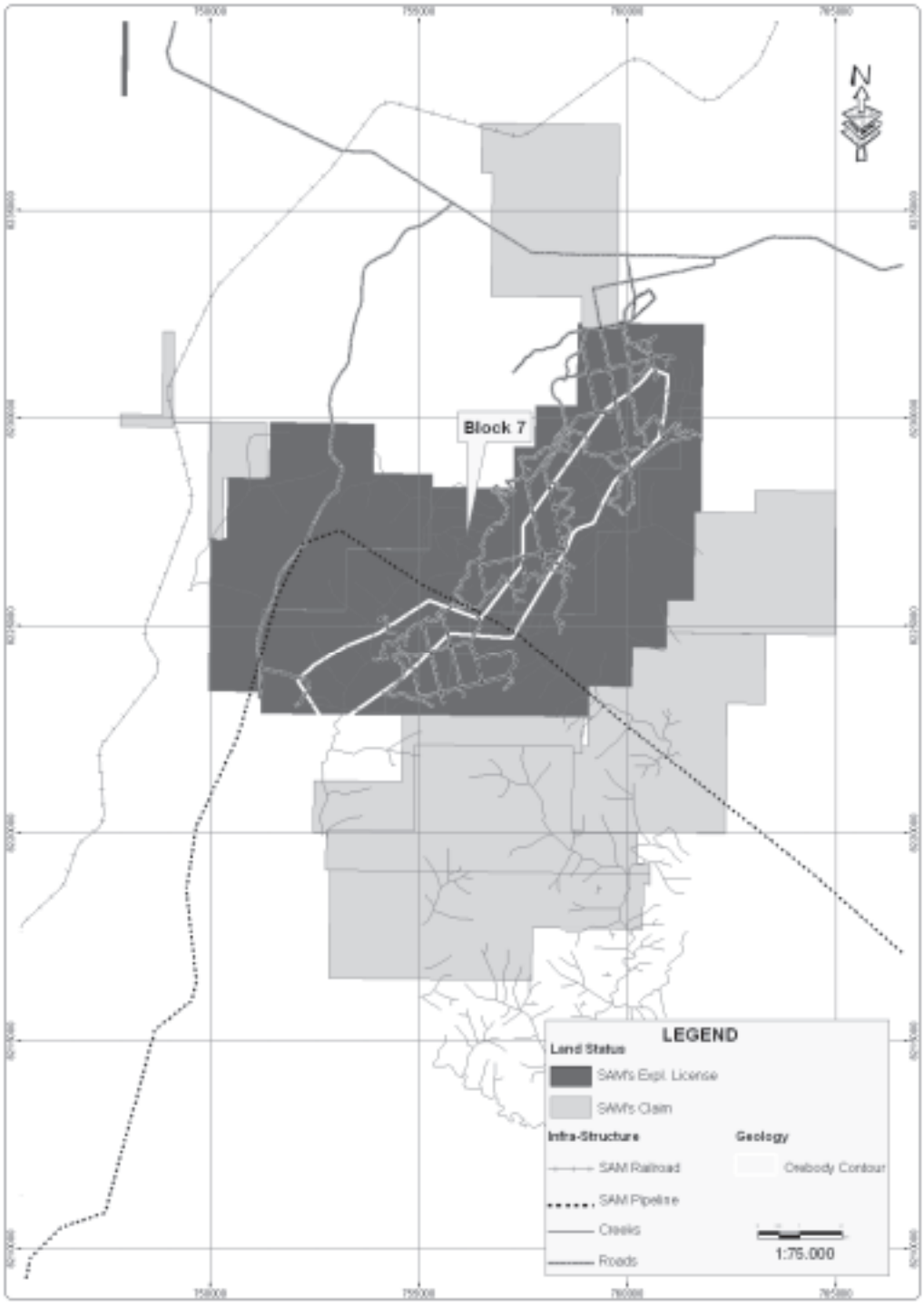
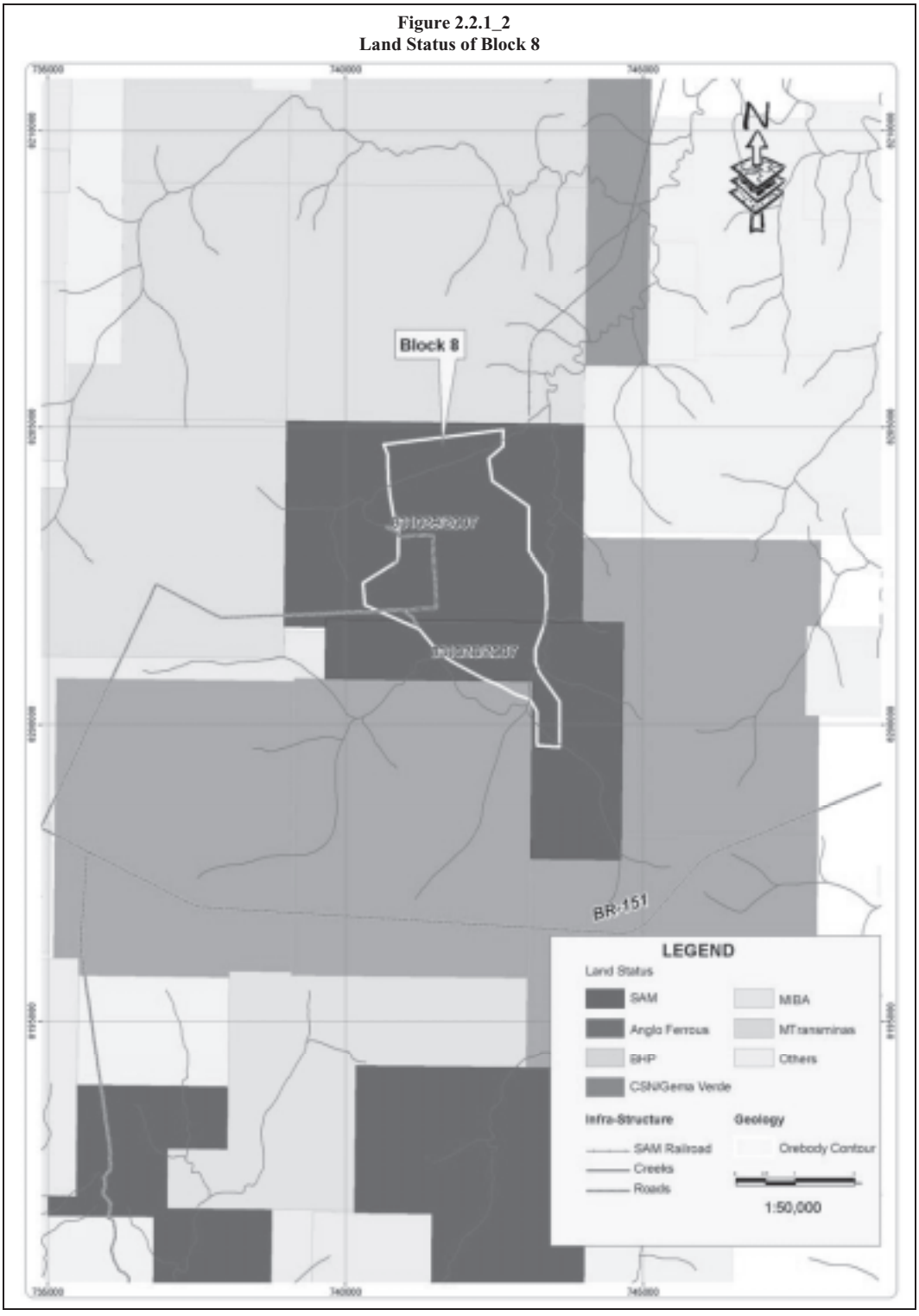


Figure 2.2.1_2
Land Status of Block 8



2.2.2 Other Blocks

The details of the remaining 5 Blocks of Mineral Claims for iron ore exploration are listed in Table 2.2.2_1 as at June 2010.

Table 2.2.2_1

Mineral Claims – Other Blocks

Block	Claim	Area (ha)	Status	State	Region	Geological Context
Block 5	873.859/2007	988,10	Alvará de Pesquisa/Exploration Permit	Bahia	Urandi	Volcano Sedimentary Sequence
	870.999/2006	268,52	Alvará de Pesquisa/Exploration Permit			
	874.502/1994	831,74	Disponibilidade/Available, under appeal			
	874.512/1994	826,80	Disponibilidade/Available, under appeal			
	872.785/2008	390,30	Alvará de Pesquisa/Exploration Permit			
Block 6	831.567/2006	1.814,88	Alvará de Pesquisa/Exploration Permit	Minas Gerais	Montezuma	Espinhaço Supergroup and Macaúbas Group
	833.047/2005	1.000,00	Alvará de Pesquisa/Exploration Permit			
	831.566/2006	1.985,33	Alvará de Pesquisa/Exploration Permit			
	830.655/2007	1.806,53	Relinguished, awaiting DNPM.			
	832.948/2006	2.000,00	Alvará de Pesquisa/Exploration Permit			
Block 9	831.026/2007	302,25	Alvará de Pesquisa/Exploration Permit	Minas Gerais	Salinas	Macaúbas Group
	831.272/2007	1.814,96	Alvará de Pesquisa/Exploration Permit			
Block 12	830.310/2007	464,99	Alvará de Pesquisa/Exploration Permit	Minas Gerais	Salinas	Macaúbas Group
	830.283/2007	1.894,83	Alvará de Pesquisa/Exploration Permit			
	830.309/2007	1.470,21	Alvará de Pesquisa/Exploration Permit			
	830.284/2007	1.898,72	Alvará de Pesquisa/Exploration Permit			
	830.364/2007	1.418,36	Relinguished, awaiting DNPM.			
	830.285/2007	1.539,33	Alvará de Pesquisa/Exploration Permit			
	830.286/2007	1.873,20	Alvará de Pesquisa/Exploration Permit			
	830.313/2007	1.491,82	Alvará de Pesquisa/Exploration Permit			
Block 13	833.196/2005	1.522,03	Alvará de Pesquisa/Exploration Permit	Minas Gerais	Salinas	Macaúbas Group
	830.656/2007	682,72	Alvará de Pesquisa/Exploration Permit			
	830.657/2007	1.348,18	Alvará de Pesquisa/Exploration Permit			
	830.669/2007	1.260,84	Alvará de Pesquisa/Exploration Permit			
	830.664/2007	1.891,48	Alvará de Pesquisa/Exploration Permit			

2.3 Land Use

Local vegetation consists of eucalyptus plantations, wholly owned by Meneghetti Group, secondary native vegetation and minor original Cerrado vegetation. Low forests are present along the valleys.

The current economic land use relates to large eucalyptus farms to vegetal coal production and small subsistence agriculture family farms.

The regional industrial activities are restricted to small and artisanal factories with emphasis on cachaca (Brazilian sugar brandy) production.

The closest large city (± 100km) is Montes Claros with over 335,000 people.

2.4 Climate

Salinas is a region of predominantly semi-arid clime for most of the year, with a marked dry period, with poorly distributed rainfall and another period of occasional heavy rain periods with an annual average rainfall of 855mm.

The average temperature is 33°C in summer and 18°C in winter. The relative air humidity is 63% (year average).

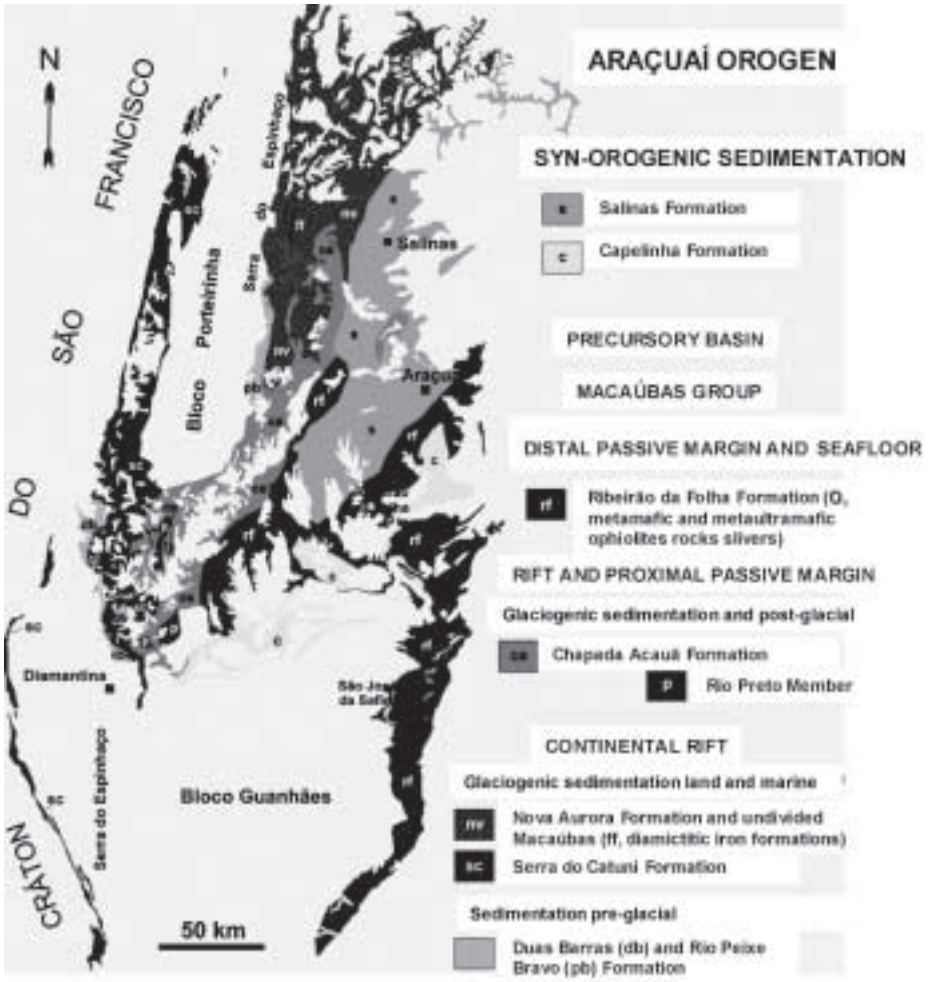
3 GEOLOGY

3.1 Regional Geology

The geology of the northern portion of Minas Gerais State, particularly the one involving Blocks 7 and 8 of Salinas Project, is particularly interesting because of the presence of iron-mineralised diamictites. Diamictites are "A consolidated or indurated sedimentary rock formed by lithification of glacial sediments dominantly unsorted and unstratified, deposited directly by and underneath a glacier without subsequent reworking by meltwater, and consisting of a heterogeneous mixture of clay, silt, sand, gravel and boulders ranging widely in size and shape." (U.S. Bureau of Mines,1996, Dictionary of Mining, Mineral and Related Terms).

The mineralised rocks are classified within the scope of Riacho das Pocoes Member, a unit belonging to Nova Aurora Formation in the Macaúbas Group (Figure 3.1_1). The diamictites have regional expression and covers a large portion of the Araçuaí orogenic belt, thus pointing to a potential source for defining new iron resources, particularly in the areas maintained by VNN.

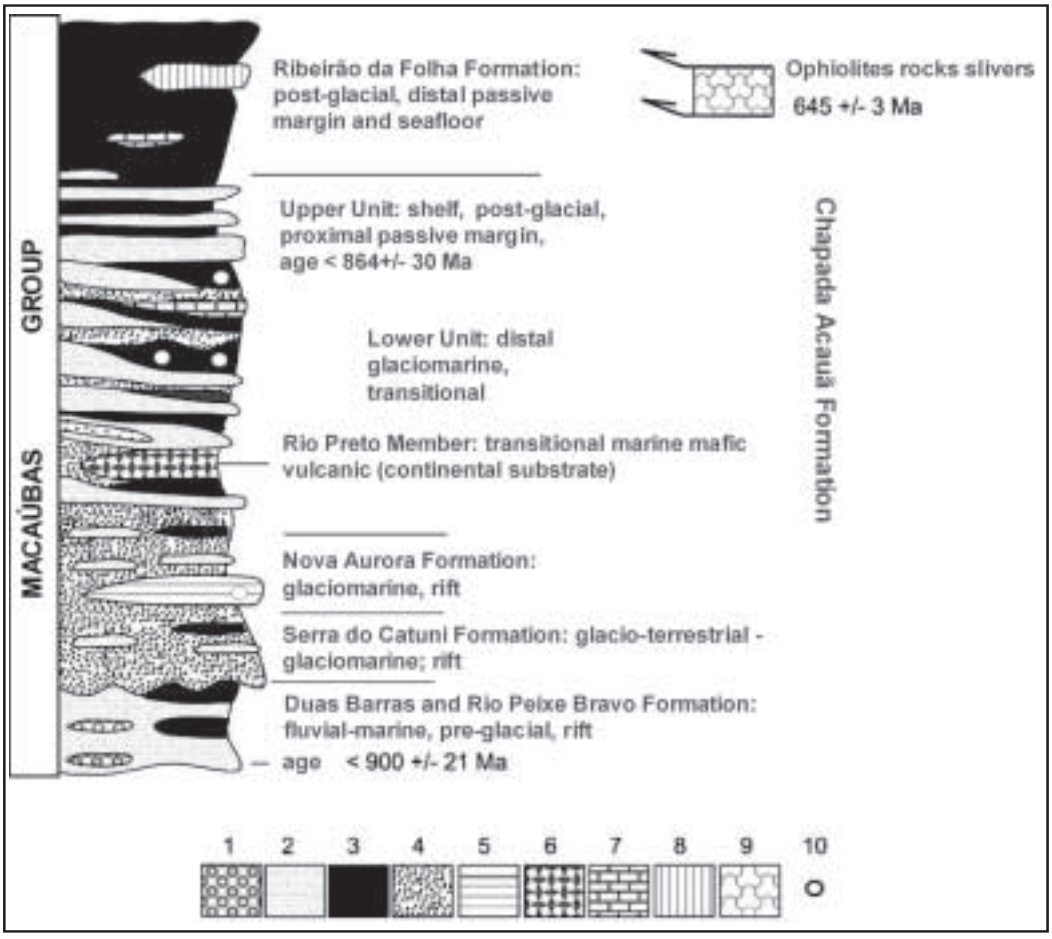
Figure 3.1_1
Distribution of Macaúbas Group and Syn-orogenic Units of Araçuaí Orogen (Modified from CPRM-CODEMIG 2003).



The first studies on the Macaúbas Group were made by Viveiros et al. (1978) and the Nova Aurora Formation was characterized as a package of predominant iron-rich metadiamictites and quartzites, with rare intercalations of ophiolites. In its turn, the Riacho das Pocoes Member contains iron-rich diamictites, hematitic quartzites and layers of hematite schists.

Four orogenic stages, associated to the Brasiliano Event, are acknowledged for the Aracuai Orogen: pre-collisional (ca. 630 – 580Ma), sin-collisional (ca. 580 – 560Ma), late-collisional (ca. 560 – 530Ma) and post-collisional (ca. 530 – 490Ma). These stages were characterized based on their structural relationships, geochemical and isotopic signatures and U-Pb ages of rocks (Pedrosa-Soares & Wiedemann-Leonardos 2000; Pedrosa-Soares et al. 2001, 2008; Silva et al. 2005). The distribution of the units is represented in Figure 3.1_2.

Figure 3.1_2
Stratigraphic Column of Macaúbas Group



1- conglomerates; 2- sandstone; 3- pelites; 4- diamictites; 5- diamictitic iron formations; 6- metabasalt; 7- marble; 8- exhalative chemical rocks (sulfide-rich metachert, iron formation, massive sulfide); 9- ophiolitic meta-mafic and meta-ultramafic rocks; 10- floating clasts. The ages were obtained by U-Pb methodology in zircons (Pedrosa-Soares et al. 2007).

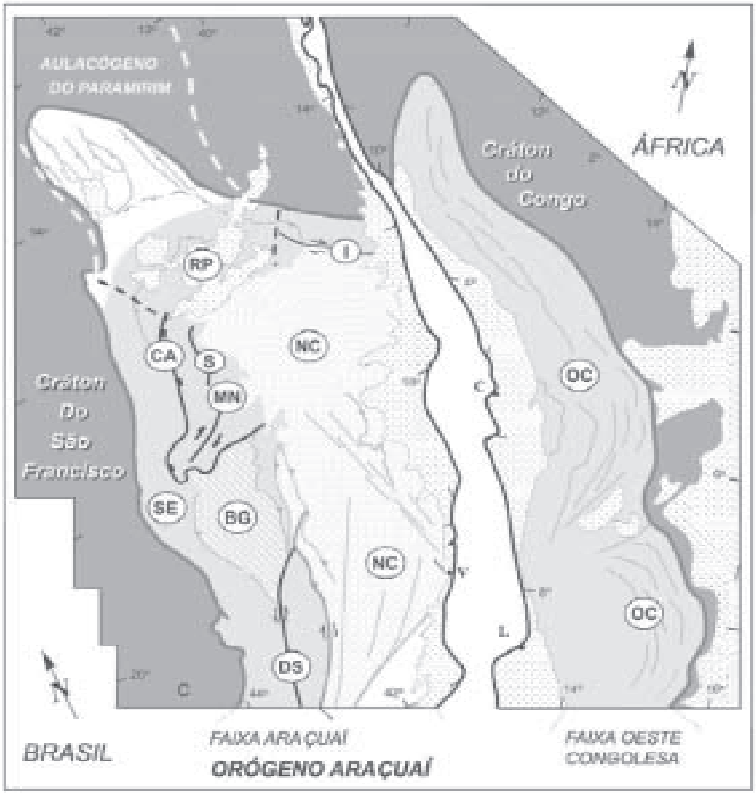
The Araçuaí-Western Congo Orogen identifies ten tectonic compartments (Figure 3.1_3), according to their spatial orientation, kinematic indicators and nucleation features of the predominant structures (Alkmim et al. 2006). These compartments are named as follows:

- Serra do Espinhaço Meridional Thrust Belt;
- Chapada Acauã Shear Zone;
- Salinas Fold Belt;
- Minas Novas Transpressive Corridor;
- Rio Pardo's salience and interaction zone with the Paramirim aulacogen;
- Guanhães block;

- Dom Silvério shear zone and associated structures;
- Itapebi shear zone and associated structures;
- Crystalline nucleus (high grade internal zone representing the orogen nucleus);
- Western Congolese Belt.

Figure 3.1_3

Tectonic Compartments of Araçuaí-Western Congo Orogen.



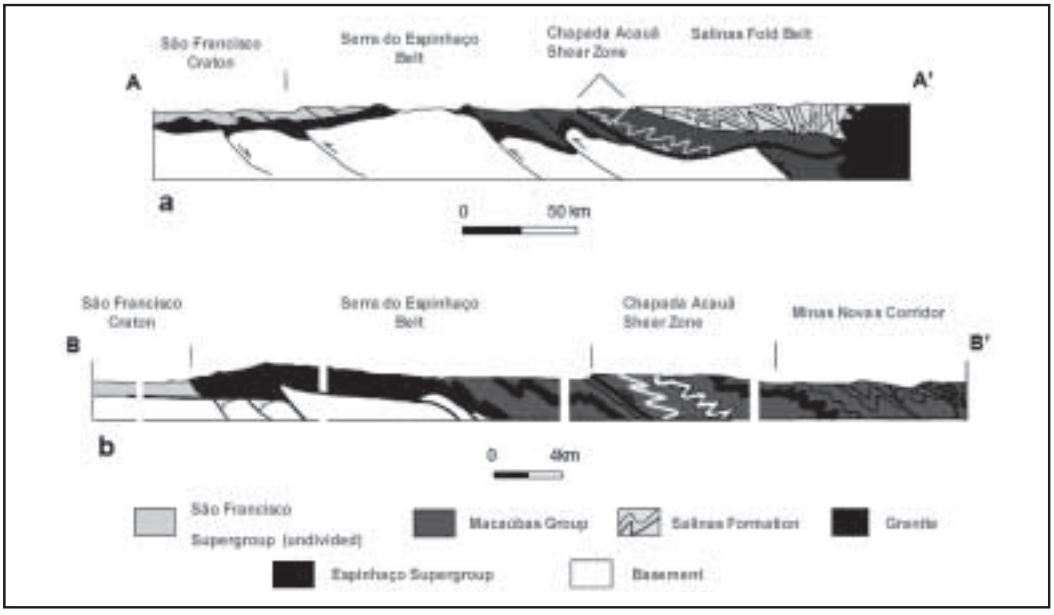
SE: Serra do Espinhaço Meridional Thrust Belt; CA: Chapada Acauã Shear Zone; S: Salinas Fold Belt; MN: Minas Novas Transpressive Corridor; RP: Rio Pardo's salience and interaction zone with the Paramirim aulacogen; BG: Guanhães Block; DS: Dom Silvério shear zone and associated structures; I: Itapebi shear zone and associated structures; NC: Crystalline nucleus; OC: Western Congolese Belt.

Among the tectonic compartments above, the ones that most affect SAM's properties, mainly Blocks 7 and 8, are the Chapada Acaua Shear Zone and the Salinas Fold Belt.

Specifically involving the iron ore mineralisation at Blocks 7 and 8 of Salinas Project, three structural sets are recognized, as summarized below and shown in Figure 3.1_4.

Figure 3.1_4

Schematic Geological Sections of Western Portion of Araçuaí Orogen (adapted from Alkmim et al. 2006).



3.2 Local Geology

The main geological unit with exploration interest for iron ore in the context of the Project is the Riacho dos Pocoes Member of Nova Aurora Formation, which occurs at Blocks 7 and 8. The mineralised rocks comprise mainly iron-rich diamictites, with subordinated hematite quartzites and rare hematite schist layers, this last one interpreted as mylonitic zones associated to the regional deformation.

3.2.1 Block 7

The Block 7 iron ore deposit (Figure 3.2.1_1) is distributed along a NE-trending ridge, with soils and ferricretes at the flat zones and outcrops along the scarps, some of them very sharp.

Two segments compose the Block 7 orebody. The southern one, named LB1 ("Linha Base 1"), extends for over 3.7km and trends N70E. It inflects at the central portion of the deposit to a N40E direction, originating the northern segment, or LB2 ("Linha Base 2"), with an extension of 7.2km. The limits between LB1 and LB2 are not well defined yet, and could represent a major transcurrent or oblique fault, a fold axis zone, or the presence of two parallel horizons covered by soils.

Figure 3.2.1_1

Geological Map of Block 7
Showing the LB1 Segment to the South, LB2 segment to the North and Distribution of Mineralized Diamictites at Surface

The drilling program at Block 7 comprised 53 core diamond drillholes, for a total of 6,617m. From that total, just one drillhole did not intercept iron ore mineralisation, while another one had to be re-drilled twice. Eleven drillholes stopped in mineralised zones, with Fe grades over 9%. The average depth of the holes was 129m on LB1 and 126m on LB2.

The apparent average thickness of the iron ore mineralisation at LB1 segment is 91m, for a maximum of 200m and a minimum of 26m.

The LB2 segment shows at surface three mineralised zones aligned NE, with soil and lateritic ferricrete between them. However, drilling indicated that mineralisation is continuous at subsurface. The block 7 orebody at LB2 has an apparent average thickness of 53m, for a maximum of 176m and a minimum of 19m.

Summing up LB1 and LB2 extends over 11.2km along the NE strike, with an average width of 1.38km and average thickness of 60m. The capping is mainly composed by soils and subordinately by iron duricrusts, with an average thickness of 7.6m for LB1 and 11.6m for LB2.

The geological setting of Block 7 comprises a sequence of diamictites with minor quartzites and schists intercalated, distributed from the top to the bottom as follow:

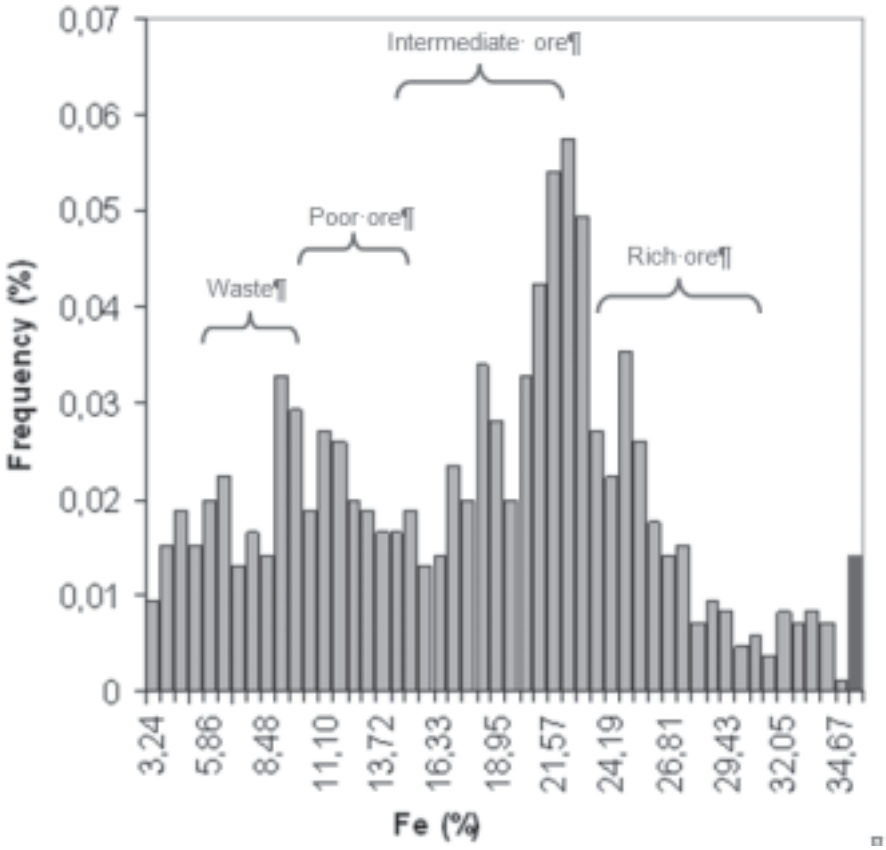
- Hanging wall barren diamictites.
- Mineralised magnetite and hematitic diamictites with minor quartzite and hematite schists lenses.
- Footwall barren diamictites.

The main characteristics of the iron-rich diamictites are the almost equal amount of magnetite and hematite as the main ore minerals, followed by minor goethite, and the distribution of the phosphorous, with 88% within the apatite structure and the remaining 12% in hydroxides.

The distribution of the Fe grades in the ore indicates predominance of grades between 15% and 25% Fe, as shown on Figure 3.2.1_2 and confirmed on the resource calculation. It is followed by (project classification) low grade zones (between 9% and 15% Fe) and them by high grade zones (over 25% Fe).

Figure 3.2.1_2

Fe Histogram of the Distribution of Main Oretypes of Block 7



The main lithotypes present on Block 7 are presented, from the base to the top, as follows:

- Footwall Barren Diamictites – The footwall unit of the mineralisation occupies the eastern portion of Block 7, and is almost completely covered by soils and minor ferricretes in proportions varying from 1% to 5% of the rock's volume. It is represented by cream, greenish and light gray to whitish banded diamictites and subordinated by quartzites, barren, sheared and at times brecciated.

- Mineralised Diamictites – The mineralised diamictites are composed by a matrix of quartz, carbonate, white mica and minor epidote, chlorite, biotite, albite and vermiculite, with scattered clasts of quartz, quartzites, phyllites, limestones and rare granitoids. The mineralisation at Block 7 is composed by 84% of hematite and magnetite and 16% of goethite. Based on the Fe grade (Figure 3.1_2) the Block 7 mineralised diamictites can be divided into poor, intermediate and rich diamictite.

- Hanging Wall Diamictites – The hanging wall unit of the mineralised diamictites is represented by barren diamictites, which are fairly similar to the ones at the footwall of the deposit, but without the presence of sulfides and manganese

oxides which occur along fractures and the foliation plan. The contact between the mineralised and barren diamictites is transitional, with sharp decrease in the iron grade from over 9% Fe to less than 5% Fe and then to totally barren material.

The structural context of Block 7 is, on the whole, similar to that of Block 8, and also to the Aracuai Belt regional structuring. The main mineralisation control is directly associated to the first (D1) regional deformation stage, with north-eastern trending, southeast gentle dipping orebodies. Normal faults, related to the third (D3) deformational phase, with NE-SE, NW-SE and more rarely E-W directions, locally affect the geometry of the orebody. The metamorphism of the diamictites is on green schist facies, also concordant with regional facies.

Regionally, Block 7 is located at the eastern flank of a major recumbent isoclinal antiform, with the hinge zone located to the southwest. The observed structural pattern has been generated during the first regional deformation event, named D1, and is related to the closing of the Macaúbas rift during the Neoproterozoic. Those folds are perfectly laid out in the airborne analytical signal maps obtained from CODEMIG-CPRM's airborne geophysical survey (2006), and demonstrate the high potential for the discovery of new deposits in the region.

The D2 deformation phase is represented by a west-dipping crenulation cleavage and is more outstanding in the muscovite– and/or chlorite-rich diamictites, due their favourable rheological characteristics. Although the hematite crystals tend to remobilize towards the S2 plane, the crenulation cleavage represents only local features and do not cause major changes at mesoscopic scale in the geometry of the orebody neither in their grades.

3.2.2 Block 8

The mineralisation at Block 8 is associated with hematite-rich diamictites and, subordinately, to hematite quartzites and rare layers of hematite schist, all belonging to the Riacho dos Pocoes Member of Nova Aurora Formation. The mineralised unit occupies the central and northeast portion of the properties and is 5.5km long and 3.1km wide (Figure 3.2.2_1).

Forty-five core diamond drillholes were executed on Block 8, for a total of 5,154m, including one twin drillhole, aimed at process tests and quality control. From the total holes drilled, four did not reach the bottom of the mineralisation, with clear indications of vertical continuation of the orebody.

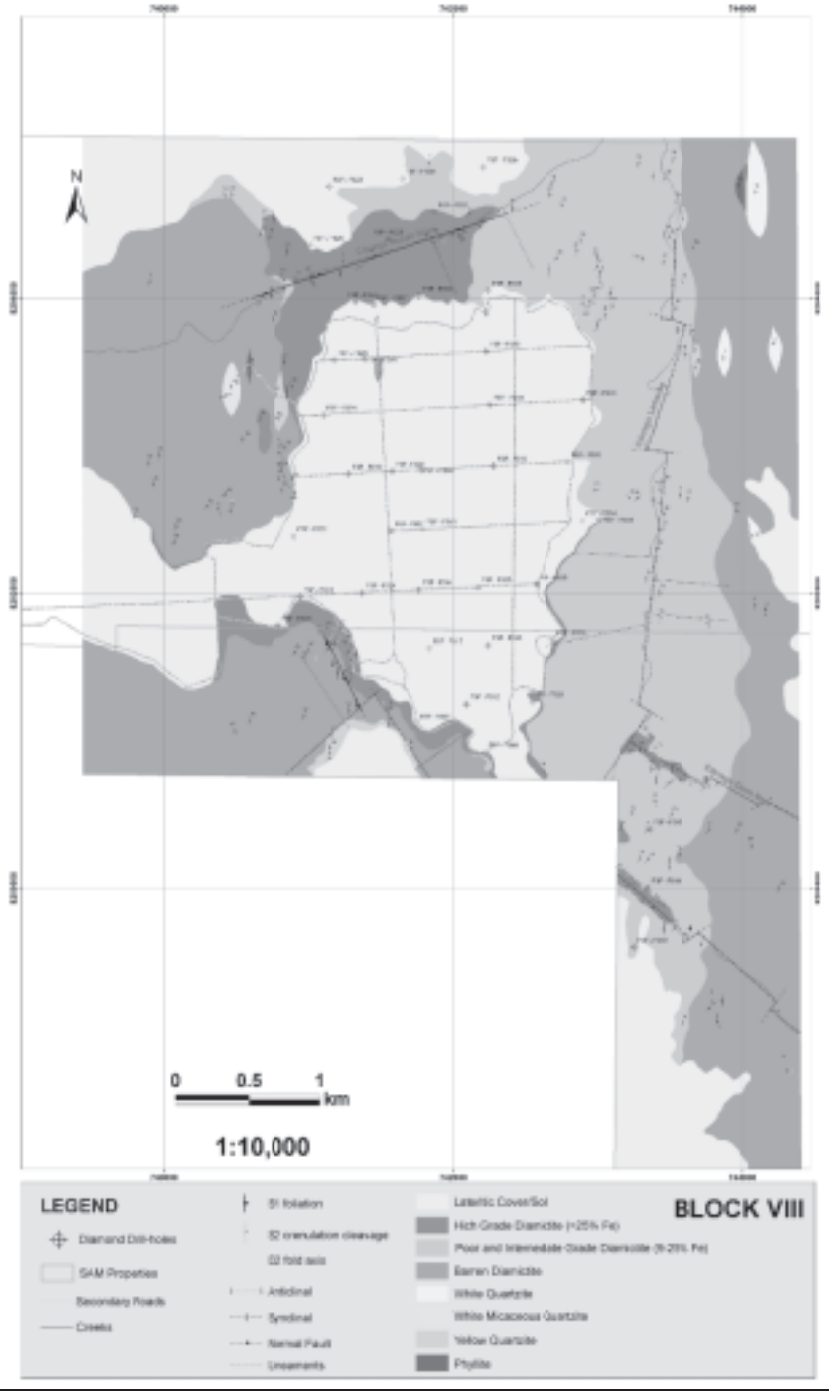
The orebody's average attitude measured in the field was N-S/22°E. However, the geometry of the orebody, as determined on the drilling sections, indicates a gentle dip, of 15° to the east.

The average thickness of the mineralised zone is 79m, with a maximum of 184m and a minimum of 6.4m. The orebody presents an observable downdip thickening tendency, associated to higher grades and compacity. The projection of the mineralisation to the east coincides with the outcrops mapped along the Lamarão Creek, which corresponds to the area defined by Coffey Mining as "Resources Potential Zone".

Based on the ore resources calculation made by Coffey Mining, there is a clear predominance of (project classification) intermediate Fe grade ore (between 15% and 25% Fe), followed by low grades (9% to 15% Fe) and high grades (>25% Fe).

Figure 3.2.2_1

Detailed Geological Map of Block 8.



Four main geological units compose the stratigraphy of Block 8 deposit. From the top to the bottom, the stratigraphy is composed by:

- Hanging wall Barren diamictites – The footwall unit of the iron ore deposit is represented by barren diamictites and locally also by quartzites. The colour of the diamictites varies from cream-greenish and light gray to whitish. The diamictites are composed by clasts of quartz, carbonatic rocks and quartzites, scattered within a matrix composed by abundant quartz, muscovite, biotite and chlorite, in addition to lenses of greenish micaceous mineral.

- Mineralised hematitic quartzites – This lithotype, considered as part of the mineralised package, generally occurs as lenses with thickness varying from 1.5 to 10 metres, more commonly, but not exclusively, at the footwall of the hematitic diamictite deposit. This unit corresponds to the same mineralised quartzites observed at Block 7 and have the same characteristics, like its itabiritic aspect and colour.

- Mineralised hematitic diamictites – The mineralised diamictites of Block 8 have hematite as the main and almost unique ore mineral, since magnetite and goethite are subordinated, in amounts less than 0.1%. Their colours vary from light to dark grey, according to the hematite content.

- Footwall Barren diamictites – The iron-rich hematitic diamictites outcrop at the southern and southeastern borders of Block 8 (Figure 3.2.2_2), while its main portion is covered by soils, mainly at the central flat zone.

Figure 3.2.2_2

Iron-rich hematitic diamictites crop – Block 8

The structural context of Block 8 at Salinas Project is entirely similar to the regional structural setting, including the main foliation (S1), with regional amplitude, the superimposed crenulation cleavage (S2) and a gravitational fracture system (D3) with NE-SW, NW-SE, and E-W directions, which affects and control the geometry of the orebody. The original sedimentary bedding (SO), currently parallelized to the S1 foliation, is locally preserved and evidenced by compositional and textural variations.

D1 stage-related folds, generally isoclinal and west-vergent, are rarely observed at the outcrops mapped in the property, as they are almost completely transposed. In detail scale, as in the cores, common isoclinal folding confirms the characteristics of the D1 phase.

The S1 foliation represents the main regional structure and controls the distribution of mineralised and barren lithotypes, the orebody's geometry and the iron content distribution along the body. It has an attitude roughly N-S and an eastward dip averaging between 15o and 20o eastward, but gentle to the east. Local variations in the dip, between 10o to 70o, and also in its sense, to NE and SE, are related to due overprinting deformation. Inversions of the dip to the west are also occasionally observed, as occurs at the western and northeastern portions of the Block, generating minor synclines and anticlines.

A mineral stretch lineation is commonly observed along the S1 foliation, visibly printed on hematite, mica and quartz crystals, as well as on some of the diamictite clasts. The stretching lineation has an average attitude of 18o/90o and clear indications of westward transportation, concordant with the regional kinematics.

The S2 crenulation cleavage is also commonly observed in the ore, being more evident in muscovite– and/or hematite-rich diamictites. The average attitude of S2 is N04E/42NW of S2, with variations in the dip between 15o and 80o to the west. The crenulation cleavage is interpreted, for the diamictites in the Salinas Project, as the axial plane of asymmetric microfolds verging to the east. The D2 folds axes have a low plunge preferentially to NNE, but also frequently to SSW.

A common feature observed in the ore is the partial and local remobilization of the hematite crystals into the S2 foliation, however without substantial change on the geometry of the orebodies.

Amongst the major drainages in the block, only the Lamarao Creek is aligned N-S, which is parallel to the S1 and S2 foliations and also to the great regional thrusts. The remaining drainages seem to be controlled by the gravitational fracture sets of D3 phase, with NW-SE, NE-SW and E-W directions. Along Mundo Novo, Vale and Dona Nem creeks, common subvertical fractures occur parallel to these main directions.

The presence of slickensides on S3 fractures indicates the following movement of blocks: the portion to the north of Mundo Novo Creek moved down, as well as the southeastern portion of Capão da Onça Creek. These movements control the current geometry of the deposit.

4 EXPLORATION HISTORY AND TECHNIQUES

4.1 Exploration History

No data about previous mineral exploration work on SAM's properties were located by VNN geologists at the archives of the National Department for Mineral Production (DNPM).

Initial activities were developed at Block 7. With the discovery of Block 8 in early 2008, the focus turned to that block. Block 7 exploration was resumed in mid 2008.

The main activities at both blocks were:

- Geological mapping at 1:10,000 scale;
- Ground magnetic survey on Block 7, conducted by Geodatos do Brasil, along NW 200m spaced lines, with measurements taken every 10m;
- Ground magnetic survey on Block 8, conducted by HGeo/Intergeo, along E-W 400m spaced lines, with measurements taken every 10m;
- Induced polarization (IP) survey on Blocks 7 and 8, conducted by Geodatos do Brasil, with lines 200 and 400m away from each other, respectively and a=50m. This survey had the objective of testing the presence of other metals associated to sulfides at the same zone;
- Reprocessing and interpretation of CODEMIG-CPRM's Block 8 Airborne Geophysical Survey (magnetic and gamma spectrometrics) of Minas Gerais State (Riacho dos Machados – Espinosa block), with data acquired in 2006 and lines spaced 500m along N25W direction;
- Topographic survey with Total Station and Differential GPS on Block 7, conducted by ASOS Topografia;
- Airborne laser survey on Block 8, conducted by Geoid Ltda.;
- Stream sediment survey on Block 7, for a total of 209 samples collected. The objective of this survey was to test the possible presence of other metals commonly present at hydrothermal-exhalative settings;
- Structural mapping, supported by petrographic studies, conducted on Block 8, as part of master degree dissertation;
- Farms' boundaries and land owner identification at Blocks 8 (concluded) and Block 7 (partially concluded);
- Drilling Phase 1 – 98 drillholes with a total of 11,771m drilled (including 3 twin holes for metallurgical tests purposes, totalizing 389.7m), as follows:
    - Diamond drilling on Block 7, 53 holes, for 6,617m;

- Diamond drilling on Block 8, 45 holes, for 5,154m (including 3 twin holes for metallurgical tests purposes, totalizing 389.7m);

- Mineralogical characterization testworks carried out at Mineral Characterization Laboratory from University of Sao Paulo, Brazil (LCT/USP);

- Concentration testworks performed at Centro de Tecnologia Mineral in Rio de Janeiro (CETEM), with composited samples from cores.

A detailed 1:10 000 to Block 8 and 1:20 000 to Block 7 scale geological mapping program was carried out in order to:

- Define the extent and quality of the diamictite;

- Collect structural data to support drilling and resource estimations.

During geological mapping 23 rock chip samples were collected to test the iron mineralisation on at surface. Samples were analysed by XRF at the SGS – Geosol Laboratory located in Belo Horizonte.

4.2 Drilling and Survey

SAM have completed drilling from 2007 to May 2009 and another small program in October 2009 (Phase 1). The resource estimation presented in this report was completed in May 2009 but as the October 2009 results show no material change to geological continuity or quality and as further significant drilling is underway an updated resource estimate for Block 8 is not justified until completion of the current program and receipt of all new data.

4.2.1 Drilling Phase 1

SAM have completed an initial resource drilling program of 53 holes for a total of 6,616.78m of HQ diameter diamond core drilling at Block 7 and 45 HQ diameter diamond core drilling at Block 8, for a total of 5,154.38m (including 3 twin holes for metallurgical tests purposes, totalizing 389.7m). The drillholes have been located on an approximate 400-800m lines spaced at about 400-800m apart and drilled to a depth of between 24m and 270m.

There was further drilling at Block 8 that included 7 holes for 1,105.45m drilled in late 2009. VNN provided the new database to Coffey Mining with the 7 new Block 8 holes.

The hole coordinates are planned numbers and need to be updated with the actual coordinates. Coffey Mining has had no access to the drill cores or to the assays certificates.

Topographic survey with Total Station and Differential GPS for grid opening, drilling and trenching location on Block 7, conducted by ASOS Topografia Ltda.

Airborne laser survey on Block 8, conducted by Geoid Ltda., covered all the deposit area and generating contours of 5m spacing.

4.2.2 Drilling Phase 2

SAM started the Phase 2 drilling campaign in May 2010 with 60,000m contracted in 620 drill holes (100% diamond drilling, HQ diameter). The campaign focus is to upgrade the first 20 years Block 8 Mineral Resources to measured and indicated level of confidence, closing the current drill grid, and confirm the mineralized domain continuation to the east. The Figure 4.2.2_1 shows the current drillholes distribution.

Figure 4.2.2_1

Block 8 Drillholes Location

Showing the Phase 1 Drillholes in Blue and the Phase 2 Drillholes in Red

SAM provided the daily drilling production spread sheet showing, on 29 June 2010, 103 (95 finalized and 8 in production) drillholes totalling 9,293m drilled. There are 8 diamond drill rigs in activity drilling an average of 5,000m in total monthly.

The available computational data analysis suggests the continuity of the diamictite related iron mineralisation in depth towards east beyond the Corrego Lamarao with apparently the same thickness and quality. The VNN visual geological logging information suggests the continuity too but is necessary to wait for the samples chemical results to quantify the material quality continuity.

Other important recent chemical results for the lateritic profile show good iron grades (greater than 20%) and low P grade, suggesting an important future mineral resources upside.

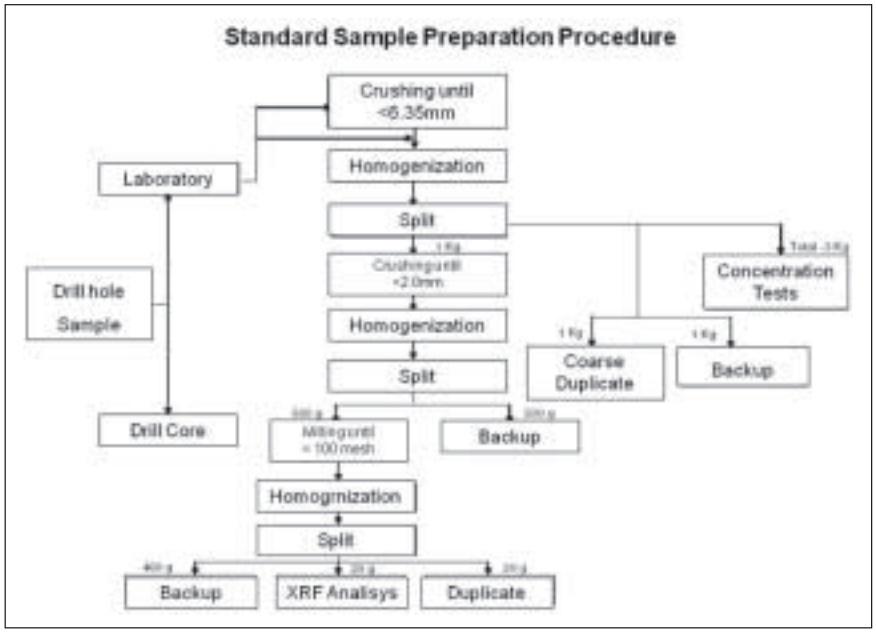
4.3 Sampling and Analysis

Sampling was planned on a nominal 5m interval. Due to lithological variations observed during the geological core logging, sampling was varied to allow detailed grade analyses of the individual lithological groups. The final sampling interval for the mineralised horizons varied from 0.66m to 8.36m.

Sampling was completed by manual splitting of the core with a hammer and brick chisel and a sharp knife for the more friable material. The competent core intervals were sawn in half with a diamond saw. The right half of the core was submitted for assay while the other half was retained on site in secure storage. Figure 4.3_1 presents the sample preparation flowsheet.

Figure 4.3_1

Laboratory Analytical Flow chart



Drilling samples were forwarded to SGS-Geosol Laboratory (SGS) for preparation according to the procedure also shown in Figure 4.3_1. After sample preparation the pulps were returned to SAM, where standard samples were introduced according to the established QAQC procedures. The whole batch was then recoded, avoiding the identification of the normal and standard samples by the laboratory.

Internal quality control procedures completed by SGS are:

- 5% of total sample as pulp's duplicates, with 100 duplicates minimum.
- 5% of total samples as crush duplicates 6.35mm.
- 2% of total samples as crush duplicates 2mm.

After receiving the samples, SGS technicians inspect the samples before starting the analytical process. During inspection, the sample submission, identification, mass and the requested analyses are verified. On confirmation for the submitted samples, each sample receives individual laboratory identification and details are entered into the laboratory data management system.

In preparation for chemical analysis, 500g of the material is riffle split and pulverized to 90% passing -100 mesh. LOI is determined through 1000°C calcinations until constant weight. The material is then split and a 15g aliquot is analysed for Fe, SiO_2, Al_2O_3, Mn, P, MgO, CaO, TiO_2, K_2O and Na_2O by lithium tetra borate fusion with X-ray fluorescence.

4.4 Bulk Density

VNN provided density measures in two data banks, for Block 7 and for Block 8. The Block 7 dataset totalled 351 records with information about lithology, depth from topography, Fe grade, compacity and density, representing 36.7% of the total sampling intervals. The Block 8 dataset totalized 238 records, or 25.5% of the sampling intervals, with the same database structure and information.

Although the best information on density comes from these data banks the VNN geologic model was built without consideration of lithology or compacity. Coffey Mining performed a study analysing the density information, compacity, Fe grade and depth of the sample and the best relationship was density to depth from surface.

The density values assigned to the block model have been allocated to 3 horizons (friable, semi-compact and compact) and are extrapolated to 40m increments from the topography for Block 7 and Block 8. For each horizon, the average density was determined, as shown in Table 4.4_1.

Table 4.4_1 Dry Bulk Density Values								
Block	Depth	Mean Density (g/cm3)	Median	Std Dev	Variance	Samples	Minimum	Maximum
Block 7	0 – 40m	1.98	1.98	0.23	0.05	62	1.59	2.47
	40 – 80m	2.27	2.27	0.18	0.03	61	2.01	2.70
	> 80m	2.42	2.39	0.19	0.04	75	1.98	2.97
Block 8	0 – 40m	1.95	1.94	0.24	0.06	37	1.53	2.42
	40 – 80m	2.13	2.30	0.39	0.15	48	1.00	2.99
	> 80m	2.56	2.61	0.28	0.08	40	1.80	3.11

A study, based on Discriminant Analysis, was performed aiming to validate the density models and no material issues were identified although Coffey Mining recommends that a model based on more detailed lithology should be done in future.

4.5 Quality Control and Quality Assurance

A quality control program was implemented by VNN on the complete (phase 1) drilling program, including:

- Standard samples inserted at a nominal rate or 1 sample for each assaying (2 certified standards) for each assaying batch (maximum 60 samples per batch);
- Duplicates submitted for the following size fractions:
  - Pulp duplicates at 100 mesh Nominal rate of 1:20 samples
  - 2mm Fraction crushed material – Nominal rate of 1:20 samples
  - 6.35mm Fraction crushed material – Nominal rate of 1:50 samples

The quality control data has been assessed statistically using a number of comparative analyses for available datasets. The objectives of these analyses were to determine relative precision and accuracy levels between various sets of assay pairs and the quantum of relative error.

4.5.1 Standards

All standards were analysed using the Coffey Mining's QC Assure statistical software.

In general the standard assay result indicated acceptable accuracy was being achieved, with the majority of standards falling within 90% of the mean. Poor results were returned for FeO (for both standards) and the P for one standard.

4.5.2 Duplicates

A total of 454 duplicate samples were completed using a 1/2 of the drill core. The duplicates samples were analysed for 3 size fractions being pulp (255 duplicates), 2mm (73 duplicates) and 6.35mm (126 duplicates). Coffey Mining compared this data using QCAssure software and found the duplicate data to have excellent precision.

4.5.3 Adequacy of Procedures

The existing quality control data has allowed a thorough review of the analytical performance of the assay results, with all data reviewed within acceptable limits. SAM sent 100 samples to an independent certified laboratory and the results presented no significant bias.

The chain of custody procedures, sample preparation procedures and analytical techniques are all considered appropriate and are compatible with accepted industry standards.

All database validity studies were directed and evaluated by Agoratek International, as presented on the "Report on QA/QC Activities and Studies Conducted, July to November 2008".

The "Process_Agoratek QAQC Review Report.pdf, May 2009", found "many analytical and operations problems" that were solved. The report conclusion is "As it now stands, it is safe to state that the Salinas database is of satisfactory quality, and adequate to support resource estimation and corresponding product projections." The data used for the resource estimation was that validated by Agoratek International.

4.6 Interpretation

All the phase 1 SAM drillhole information is stored in a Microsoft Access database as summarised for Blocks 7 and 8 in Table 4.6_1.

Table 4.6_1

Summary of the Access Database Used for Resource Estimation

Block 7	Number of Drillholes	53
	Number of Metres	6,616.78
	Number of Samples (with assay results)	956
Block 8	Number of Drillholes	45
	Number of Metres	5,154.38
	Number of Samples (with assay results)	934

Coffey Mining completed a database validation using Gemcom Surpac software with no inconsistencies noted.

The samples used in this report have results reported for global size fractions, for both Blocks.

Block 7 – Coffey Mining interpreted 26 vertical geological sections (aligned northwest to southeast) with the objective to define the extent of the diamictite mineralisation. The mineralisation trends from southwest to northeast (Figure 4.6_1). The sections were inferred in the down dip direction until the tenement limit, based on the structural control of the diamectite lithology.

Block 8 – Coffey Mining interpreted 15 vertical geological sections (aligned west to east) with the objective to define the extent of the diamictite mineralisation. The mineralisation trends northeast (Figure 4.6_2).

The geological model has been limited to the diamictite unit which hosts all the mineralisation. Domains were then created using the grades of the samples. Samples with less than 9.0% iron were considered barren grade and results greater than 9.0% of iron were considered ore grade. Smaller low grade zones (internal waste) are included within the high grade domain. The sections were extrapolated in the down dip direction until the tenement's limits for both Blocks.

The interpreted sections have been modelled using three dimensional tools of Gemcom Surpac Version 6.1.1.

Figures 4.6_3 and 4.6_4 shows a typical cross section of the Salinas iron ore mineralisation, for Block 7 and Block 8.

At Block 8 there were also 26 iron enriched lateritic profile samples. This profile has the average depth of 5m. Based on these samples Coffey Mining built a 3D model with the total volume of 11.37Mm3. For a dry bulk density of 1.81g/cm3, based on the average of 14 iron enriched lateritic profile core density samples, Coffey Mining estimates a potential mass of 20.6Mt.

Figure 4.6_1

Block 7

Vertical Sections Location with zone

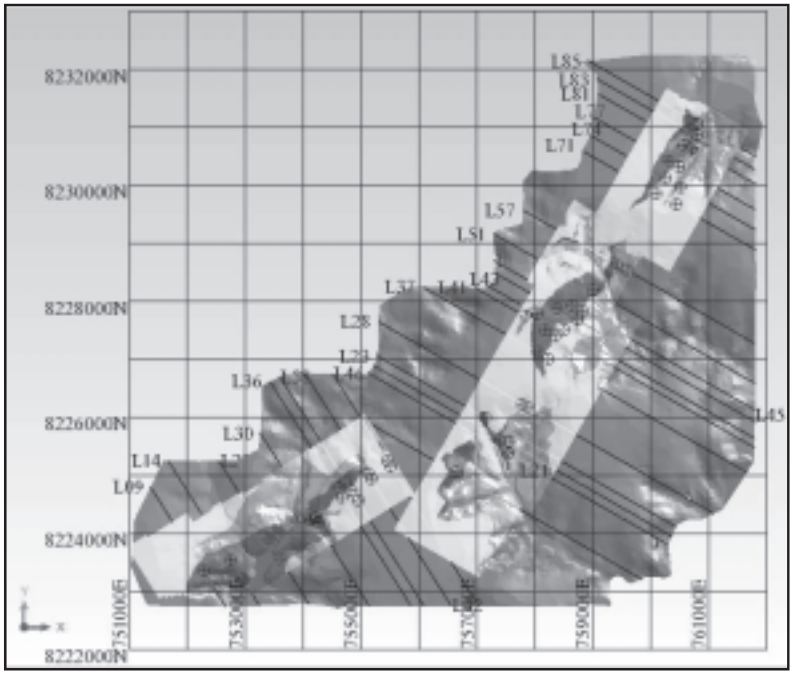


Figure 4.6_2

Block 8

Vertical Sections Location with zone

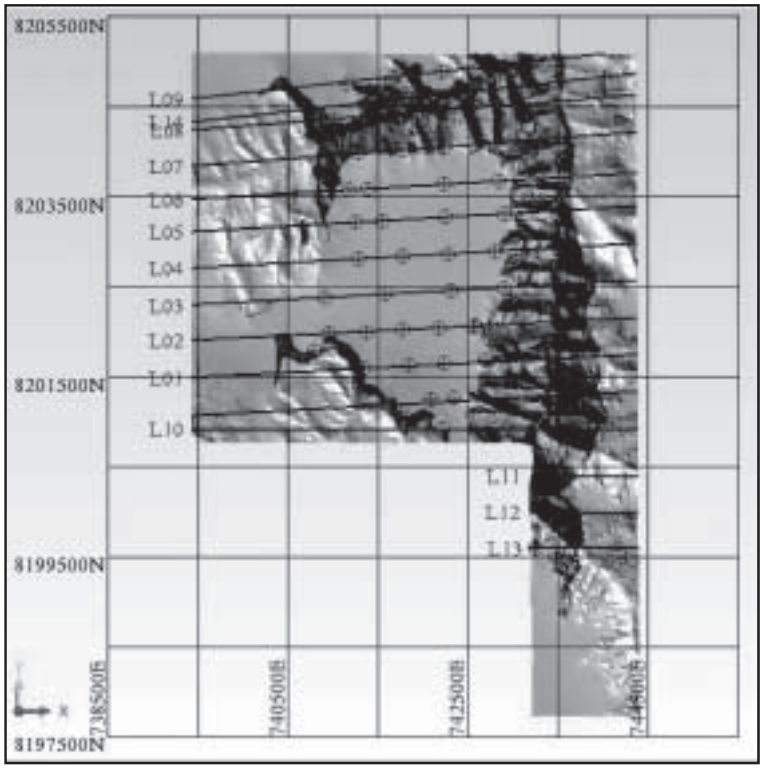


Figure 4.6_3

Block 7 Cross Section LB1-L22

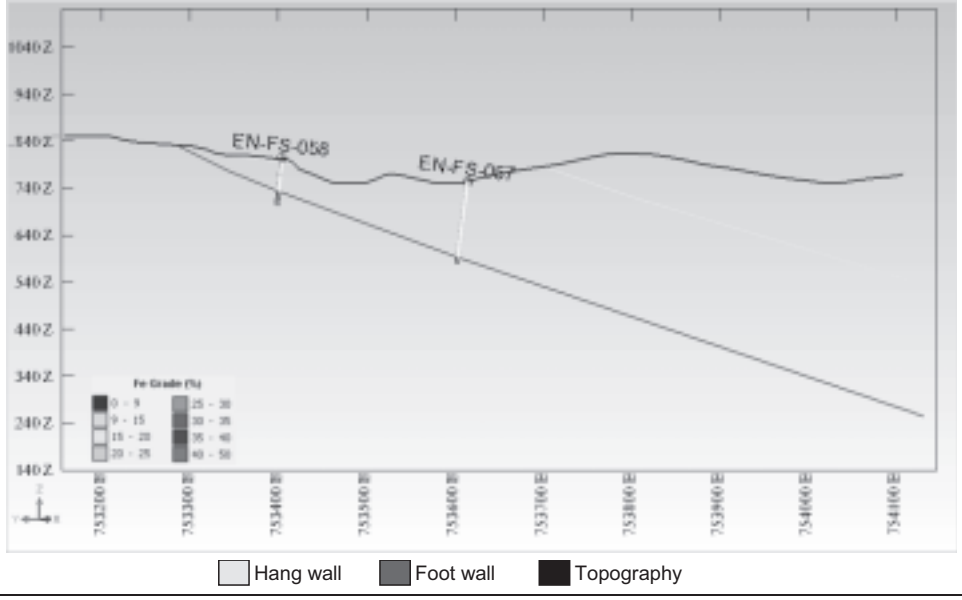
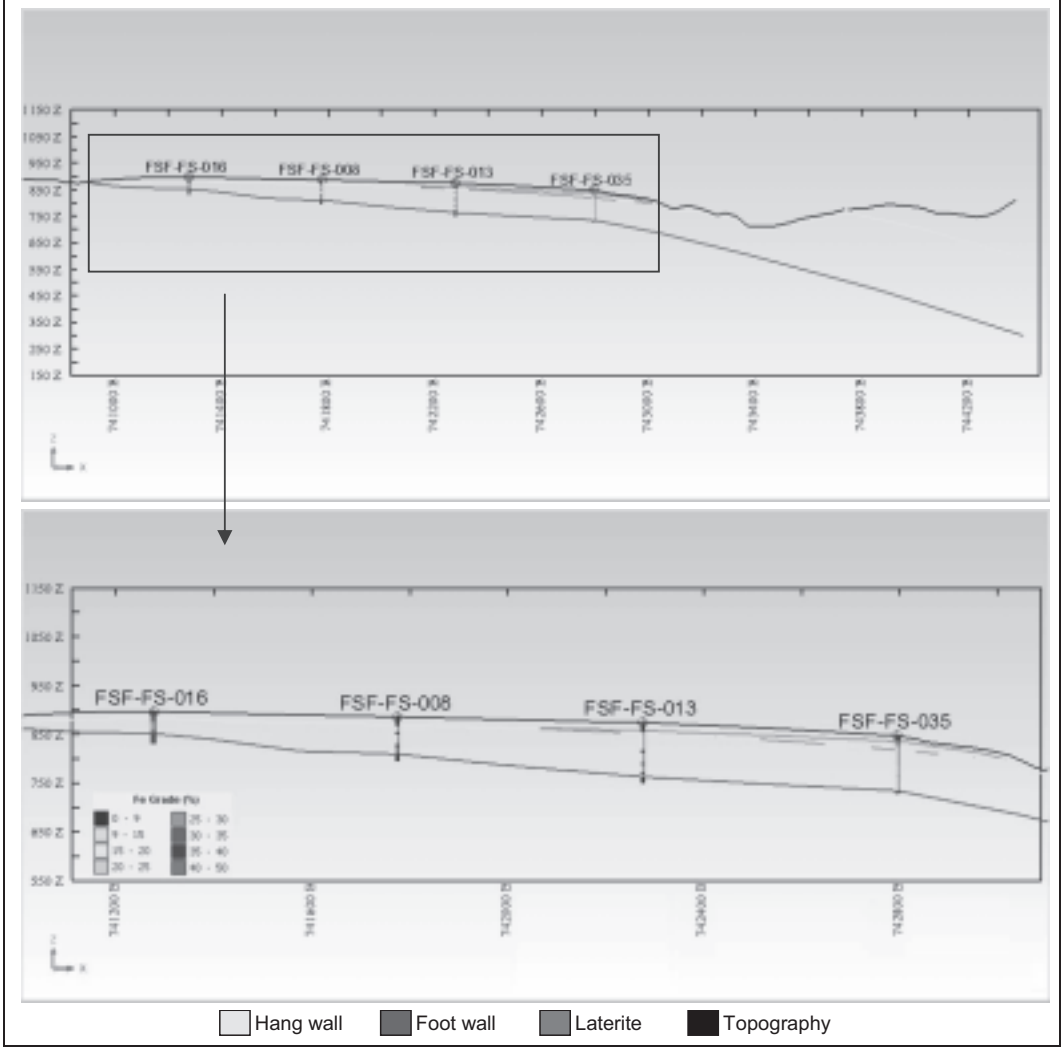


Figure 4.6_4

Block 8 Cross Section LB-L4



4.7 Other SAM Properties

Coffey Mining completed a site visit and a geological opinion of 5 other Blocks (5, 6, 9, 12 and 13) of Mineral Claims for iron ore exploration, located in Salinas and Montezuma Regions at Minas Gerais State and in Urandi Region at Bahia State, Brazil. This section summarizes the observations from the site visit.

SAM has not performed a detailed geological reconnaissance in the area, but has some information about some of the outcrops visited indicating a similar geological context to Blocks 7 and 8. The regional airborne geophysical survey shows a clear anomalous trend in the Project Region as shown in Figure 4.7_1.

4.7.1 Blocks 9, 12 and 13

Block 9 comprises 2 mineral claims situated on the eastern border of Grao Mogol State Park. The iron ore mineralisation is basically related to metadiamictites enriched in hematite and magnetite disposed regionally in NNE direction and locally EW in the 831026/2007 mineral claim.

Block 12 comprises 8 mineral claims (one currently with "disponibilidade" status at DNPM database) situated on the eastern side of Block 9.

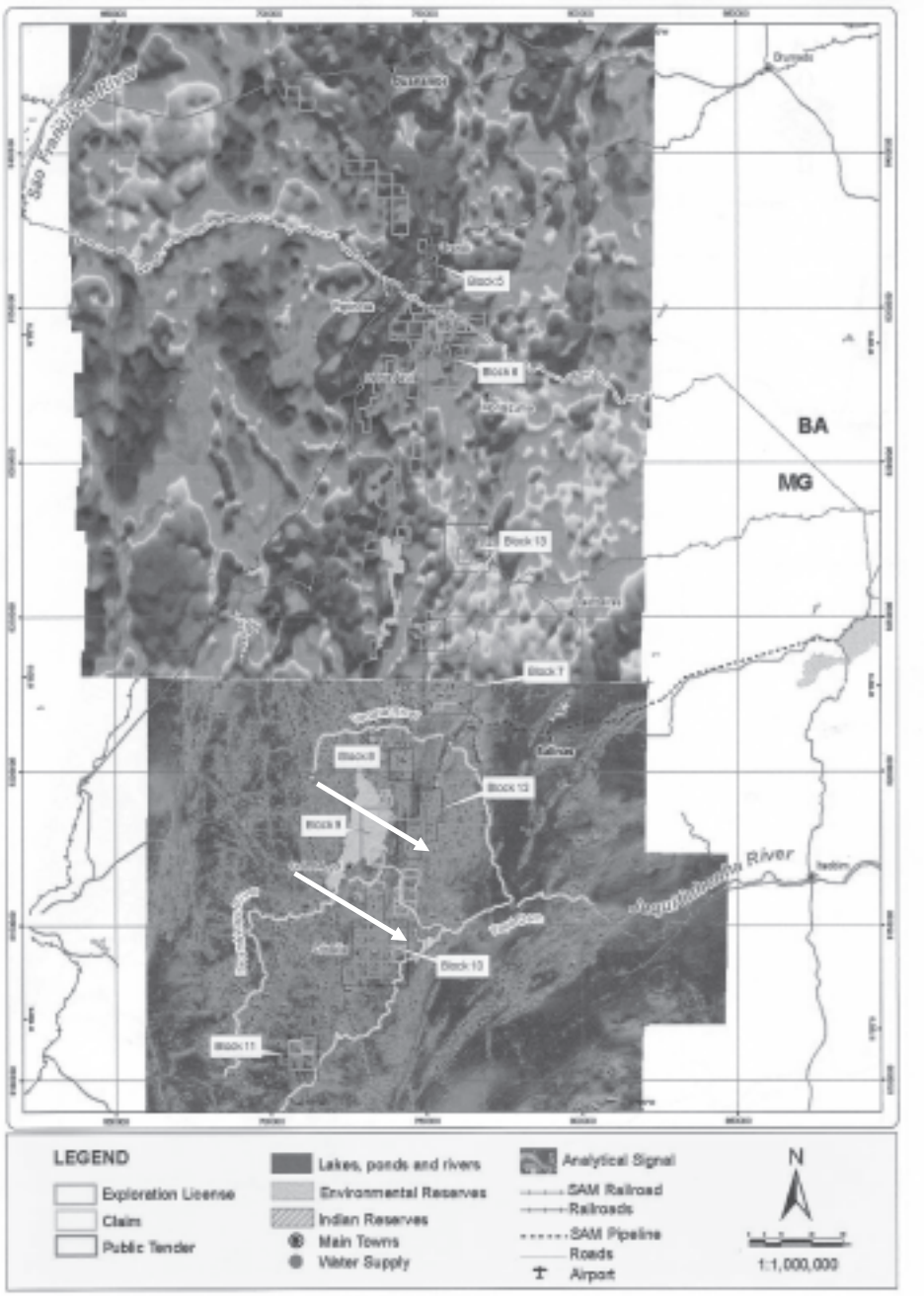
In the field it is visible the differences between soils, detaching a red soil rich in iron hydroxides. The satellite imagery shows extensive lateritic plateaus with a NNE trend (same regional trend in the geological formations). he characterization of the lateritic profile mainly at the drainages can be an indirect tool to identify the potential for iron ore occurrence. The length of the lateritic plateaus along the mineral claims is 18km that can be considered at a first glance an indirect indication for iron ore exploration.

Block 13 comprises 5 mineral claims situated northeast of Nova Aurora Village. The iron ore mineralisation is basically related to metadiamictites enriched in hematite and magnetite disposed regionally in NNE direction.

The area has some outcrops, generally exhibiting potential high grade foliated and crenulated hematite. The occurrence and extension of this high grade hematite is still object of exploration in the region by companies as Vale and Mtransminas. Predominantly the iron ore mineralisation is related to ferruginous metadiamictites with low to medium grades.

The Blocks 9, 12 and 13 deposits type exhibits low to medium grade iron ores, generally related to the diamictites (ferruginous diamictites) and the tonnages considering all the diamictites with hematite and magnetite, are generally high. The occurrences of high grade foliated hematite must be evaluated based on geological mapping and drilling.

Figure 4.7_1
Regional Airborne Geophysical Survey (magnetometry)
detaching the anomalous trend in Block 12



For the Blocks 9, 12 and 13 Coffey Mining recommends:

- Detailed geological mapping (1:10.000).

- Ground geophysical survey (magnetometry) and 3D interpretation (Flis, 2008) to support drilling program (400m grid, and further 200m detailed grid if successful).

- Exploratory diamond drilling program (400m grid – 20,000m).

Despite the lack of information such as detailed mapping, drilling and sampling; but considering the known occurrences in the same region and the geological model there are some things to consider:

- Regarding iron ore occurrences in the north of Minas Gerais related to the glacial metasediments from Macaúbas Group and the VNN data from blocks 7 and 8, there are some geochemical points to be considered:
  - Mineralogical characterization on the different iron ores identified to distinguish potential iron silicates (mainly – clay minerals), as the iron oxides are observed in metadiamictites (poor selected metasedimentary clastic rocks). The mineralogical characterization must be extended to the occurrence of phosphorous high grades (e.g. the Crest Giant Iron Deposit-Rapitan Formation. The phosphorous contents achieve 0,27 to 0,55% – Ootes et al, 2007).
  - Bench tests on the iron ore samples.
- The specific case of Block 9 must consider the restrictions related to the proximity and superposition of those areas and the local State Park. In those cases additional specific studies are required.

4.7.2 Block 6

- The block 6 comprises 5 mineral claims situated northwest of Montezuma town.
- Considering the regional geology, the areas are in the context of clastic metasedimentary sequences of Espinhaco Supergroup.
- The iron ore mineralisation is basically related to metric layers of compact banded iron formations interlayered with quartz sericite schists, in 70o high dip angle towards east and with a N-S trend, refer Figure 4.7.1_1.
- There is a small deposit of coluvial/eluvial iron ore mapped in the southern part of the detailed area.
- The condition of interlayering of banded iron formation and quartzites implies in values of stripping ratio at least above 2:1, without considering any remotion waste rock from the hanging wall.
- Higher grade massive hematite bodies were identified and individualized, but with quartz associated as saw in the outcrops.
- Diamond drilling (7 drillholes) and trenches.

- At least 7 individual and parallel BIF layers identified by mapping and drilling, with individual thickness varying from 1 to 24m.

- The banded iron formations were drilled and identified along 1,000m, detailed mapped along 1,600m. There are outcrops identified 1.5 km towards north, in the same NS trend.

- VNN carried out a geological reconnaissance 700m far from the mapped area and identified many outcrops in banded iron formations along 1km.

- The airborne geophysical survey shows strong and continuous magnetometric anomalies with the same direction observed in the mapped are, representing potential extension areas to be explored in the future.

- The first resource estimation done by VNN (non JORC compliant), based on the mapping and drilling performed is summarised in Table 4.7.2_1) and should be reviewed.

Table 4.7.2_1

VNN Internal Resource Estimation – Block 6

Ore Type	Tonnes	Fe	SiO_2	Al_2O_3	P	Mn	TiO_2	CaO	MgO	Na_2O	K_2O	LOI
Colluvium & Elluvium	929.716	64,00	3,84	2,22	0,05	0,10	0,10	0,10	0,14	0,10	0,13	1,96
Massive Hematite		65,25	3,10	0,84	0,17	0,10	0,10	0,10	0,14	0,10	0,22	1,47
Banded Iron Formation	629.972	36,60	44,89	0,92	0,07	0,15	0,11	0,12	0,15	0,10	0,29	0,60
Total	**36.047.688**	**37,64**	**43,35**	**0,95**	**0,07**	**0,15**	**0,11**	**0,12**	**0,15**	**0,10**	**0,28**	**0,64**

Figure 4.7.2_1
View to North, Banded Iron Formations near Montezuma City – Block 6

Coffey Mining recommends:

- Detailed geological mapping (1:10.000) from the detailed and drilled mapped area towards north. This detailed mapping must include the area submitted recently by VNN technical team and its connection (the drainage) with the southern detailed one.

- Ground geophysical survey (magnetometry) and 3D interpretation (Flis, 2008) to support drilling program (400m grid, and further 200m detailed grid). The first program will achieve a maximum of 12km and the detailed one more 12km.

- Exploratory Diamond Drilling Program (400m grid – 3,000m) considering all the potential trend.

Other considerations include:

- The mapped iron ore layers shows variable thickness (1 to 24m) and extensions 250 to 700m.

- There are many BIF's outcrops identified in the last geological reconnaissance carried out by VNN in April and May 2009, indicating the continuity of the BIF's occurrences towards the northeast. This continuity should be improved by detailed mapping and drilling.

- The BIF's are interlayered with quartz sericite schist.

- The occurrence of thin layers of BIF's associated with clastic metasedimentary rocks is typical in Espinhaco Supergroup, but the occurrence of high tonnage iron formations are also reported between Serro and Conceicao do Mato Dentro, Minas Gerais State.

- The current potential shown by the exploration is characterized by small deposits, interlayered with waste hard rock (quartz sericite schists), basically characterized by compact BIF's and local occurrences of hard hematite with quartz associated and small colluvium deposits.

4.7.3 Block 5

- The block 5 comprises 5 mineral claims situated to the north and southwest of Urandi town.

- The iron ore mineralisation is basically related to Algoma type banded iron formations, related to volcano sedimentary sequences. There is a predominance of strongly folded compact banded iron formation in the outcrops.

- There are two trends identified with NE-SW and NS trends.

- Diamond drilling (8 drillholes) performed and trenches dug on 12 E-W sections.

- Two banded iron formation types, based on mineralogical and chemical compositions were identified (silicate and oxide facies). The silicate facies iron formation has 20 to 30% of martite and goethite, according to VNN, and could be considered as a potential source of low grade ore, but must be tested.

- The oxide facies banded iron formation, according to VNN based on trenches information, exhibits variable thickness between 15 to 80m and grades from 37.2% and 50.4%.

- VNN carried out a geological reconnaissance from the detailed zone towards northeast and south, and identified many BIF's outcrops. In the northeast zone the outcrops were identified distributed along 700m. Towards south the geological reconnaissance comproved the two BIF's bodies shown in the regional geological map and also in the most southern mining claim, distributed along a 1km extension.

- The airborne geophysical survey shows strong and continuous magnetometric anomalies along the same direction observed in the mapped area. The continuity of the known mineralisation has been identified at surface by VNN and must be evaluated.

Coffey Mining recommends:

- Detailed geological mapping (1:10.000). This detailed mapping must include the area submitted recently by VNN technical team and its connection (the drainage) with the southern detailed one.

- Ground geophysical survey (magnetometry) and 3D interpretation (Flis, 2008) to support drilling program (400m grid, and further 200m detailed grid). To be defined after geological mapping.

- Exploratory Diamond Drilling Program (to be defined after geophysical survey), considering the potential trend.

- Execute bench tests on the silicatic facies banded iron formations.

Other considerations include:

- The potential shown by the first resource evaluation carried on by VNN show a predominance of silicate facies BIF's that must be evaluated by process tests due to the contents of Fe associated with silicatic minerals.

- There are many BIF's outcrops identified in the last geological reconnaissance carried out by VNN in April and May 2009, indicating the continuity of the BIF's occurrences towards northeast and south. This continuity must be improved by detailed mapping and drilling.

- The values obtained considering the oxide facies indicates the existence of low tonnage iron occurrence (including colluvial deposits) but there are areas to be explored and the silicatic facies to be evaluated by bench tests.

5 MINERAL RESOURCES ESTIMATE

5.1 Block Model

A 3D block model was constructed for resource estimation purposes, for Block 7 and Block 8 based on a 100mE x 100mN x 5mRL (east x north x RL) parent block size and 25mE x 25mN x 5mRL (east x north x RL) minimum block size for Block 7, and 100mE x 100mN x 10mRL (east x north x RL) parent block size and 50mE x 50mN x 5mRL (east x north x RL) minimum block size for Block 8. The selected parent minimum block sizes are considered to be consistent with the available data, the data characteristics (spacing and variability as defined by the variography) and the envisaged mining practices. The block models were created using Gemcom Surpac Version 6.1.1 and each block was characterized by a series of attributes describing the rock code, iron grade, etc.

Table 5.1_1

Block Model Summaries

Block	Item	Y	X	Z
Block 7	Minimum coordinates (m)	8,220,000	751,000	–200
	Maximum coordinates (m)	8,233,000	762,500	1200
	Block size (m)	100	100	5
	Minimum block size (m)	25	25	5
	Rotation (°)	0	0	0
Block 8	Minimum coordinates (m)	8,198,000	739,000	0
	Maximum coordinates (m)	8,206,000	746,000	1500
	Block size (m)	100	100	10
	Minimum block size (m)	50	50	5
	Rotation (°)	0	0	0

The visual and volumetric comparison between the geological wireframes and the block model shows a good correlation. The volumetric comparison validation is presented in Table 5.1_2.

Table 5.1_2

Block 7 and 8 Volumetric Block Model Validation

Materials	Wireframes Volumes (Mm^3)	Block Model Volumes (Mm^3)	Comparison
Block 7 – High Grade	4,810	4,753	98.8%
Block 8 – High Grade	2,932	2,888	98.5%

5.2 Statistical Analysis

In compositing to an appropriate regular downhole length, the aim is:

- To achieve uniform sample support;

- To estimate the future open cut mining bench height;
- To reduce the impact of random variability; and
- To minimise the effect of averaging samples of a skewed distribution.

After examining the raw sample lengths of sampled intervals for Block 7 and Block 8 and in consideration of the geology, composites were generated using a nominal length of 5m for both areas (with 75% of range at end of intervals).

Compositing was applied to the mineralised intervals greater than 9% Fe. There are intervals defined as quartz vein with lengths lower than 0.5m that were not sampled by VNN. These intervals were flagged as -99% in the database. Coffey applied a value of 80% SiO_2 and 0% for Fe, Al_2O_3, Mn, P and LOI where no samples were taken. Composite files were validated visually through the comparison with the vertical sections interpretation

Descriptive and distribution statistics have been compiled based upon the sample and 5m composite grade data for the mineralised area. From these statistical examinations, the grade characteristics of the mineralised intervals of each area is summarised in Table 5.2_1.

Table 5.2_1

Mean Analysis – Composite Grades
Block 7 and Block 8

Area	Attribute	Mean	Variance	Std. Dev.	CV	Count	Minimum	Maximum
Block 7 North	Fe (%)	19.46	52.66	7.26	37%	351	5.59	37.22
	SiO_2 (%)	59.50	64.75	8.05	14%	351	27.48	75.56
	$Al2O_3$ (%)	6.11	5.87	2.42	40%	351	0.99	13.29
	Mn (%)	0.11	0.03	0.18	157%	351	0.01	1.80
	P (%)	0.25	0.05	0.23	93%	351	0.04	1.78
	LOI (%)	2.70	1.53	1.23	46%	351	0.01	10.33
Block 7 South	Fe (%)	19.58	35.44	5.95	30%	325	4.75	30.48
	SiO_2 (%)	57.14	33.18	5.76	10%	325	45.10	70.40
	Al_2O_3 (%)	6.64	2.29	1.51	23%	325	3.26	11.67
	Mn (%)	0.39	0.47	0.69	175%	325	0.01	4.46
	P (%)	0.19	0.02	0.13	68%	325	0.01	0.64
	LOI (%)	2.74	1.76	1.33	48%	325	0.92	10.80
Block 8	Fe (%)	19.34	46.57	6.82	35%	670	5.63	37.80
	SiO_2 (%)	63.08	71.73	8.47	13%	670	39.40	85.90
	Al_2O_3 (%)	4.64	2.11	1.45	31%	670	1.24	9.08
	Mn (%)	0.08	0.08	0.01	13%	670	0.01	1.14
	P (%)	0.15	0.01	0.12	81%	670	0.01	0.53
	LOI (%)	1.76	0.49	0.70	40%	670	0.01	4.49

After examining the descriptive and distribution statistics and their spatial distribution, it was concluded that no topcuts needed to be applied to the assay data.

The histograms (Figures 5.2_5 to 5.2_7) show a higher proportion of lower grade mineralisation than medium and high grade mineralisation. This distribution confirms that in Block 7 and Block 8 there are two iron grade samples populations.

Figure 5.2_5

Block 7 – North

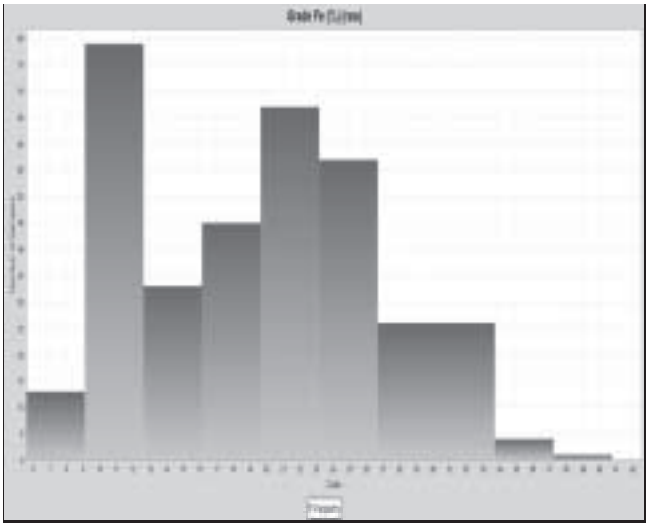
Basic Statistics – Fe (%), 5m Composites.

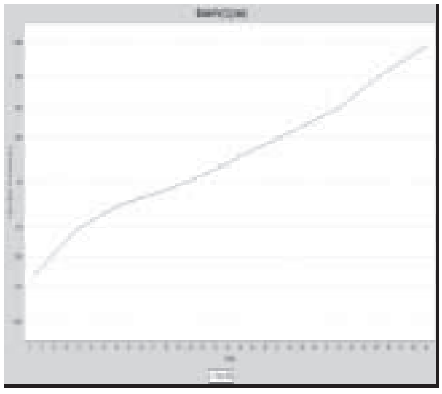
Target:	Salinas
Block:	7 North
Variable:	Fe (%)

Samples:	**351**
Minimum:	5.59
Maximum:	**37.22**
Classes:	9
Classes Interval:	**3.34**

Quantiles	
2.5%:	8.24
5.0%:	9.34
25.0%:	12.25
Mediana:	20.34
75.0%:	24.41
95.0%:	32.01
97.5%:	32.92

Mean:	**19.46**
Variance:	52.66
Std Dev.:	**7.26**
C.V.:	37%
Range interquartil:	**12.16**





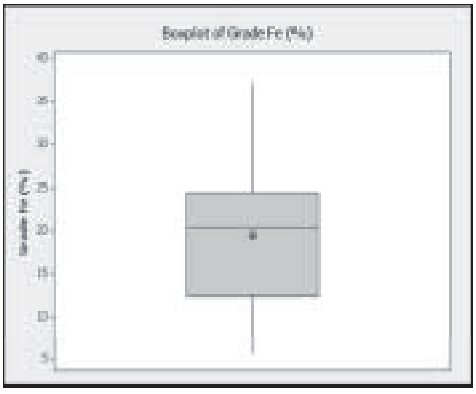


Figure 5.2_6

Block 7 – South

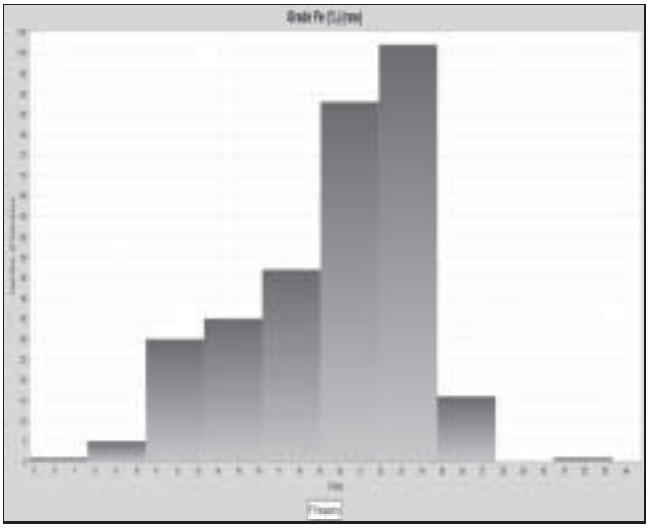
Basic Statistics – Fe (%), 5m Composites.

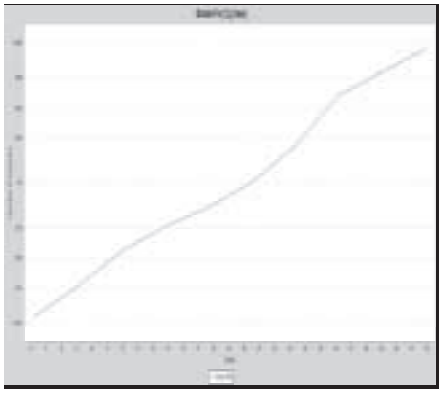
Target:	Salinas
Block:	7 South
Variable:	Fe (%)

Samples:	325
Minimum:	4.75
Maximum:	30.48
Classes:	9
Classes Interval:	2.75

Quantiles	
2.5%:	11.17
5.0%:	11.80
25.0%:	16.96
Mediana:	21.08
75.0%:	22.67
95.0%:	24.94
97.5%:	25.54

Mean:	19.58
Variance:	35.44
Std Dev.:	5.95
C.V.:	30%
Range interquartil:	5.72





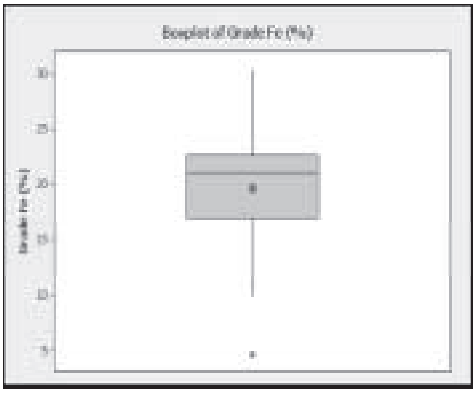


Figure 5.2_7

Block 8

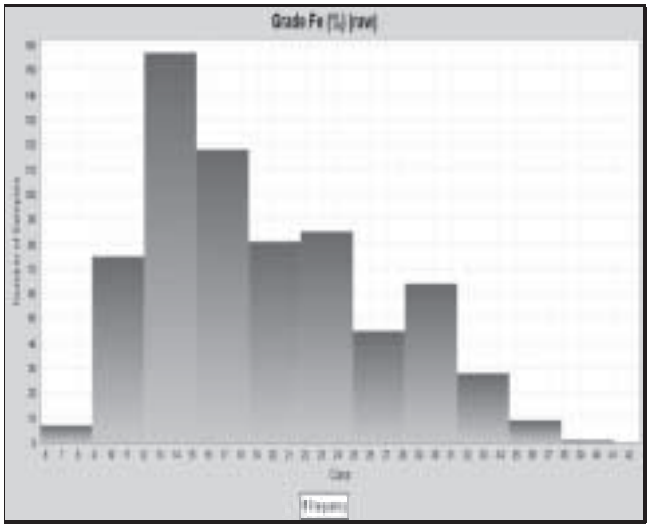
Basic Statistics – Fe (%), 5m Composites.

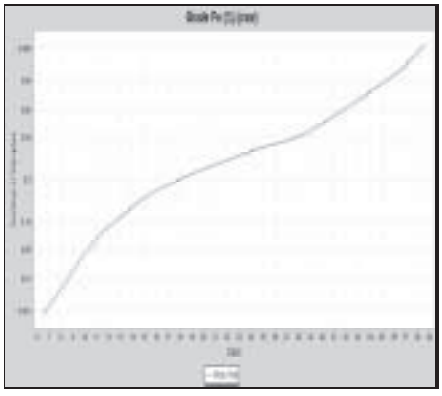
Target:	Salinas
Block:	8
Variable:	Fe (%)

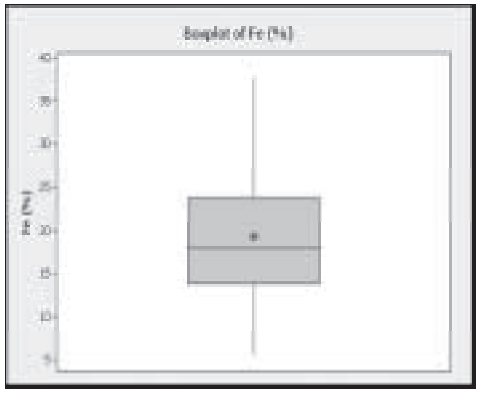
Samples:	670
Minimum:	5.63
Maximum:	37.80
Classes:	10
Classes Interval:	3.09

Quantiles	
2.5%:	9.63
5.0%:	10.48
25.0%:	13.83
Mediana:	18.03
75.0%:	23.87
95.0%:	31.67
97.5%:	33.17

Mean:	19.34
Variance:	46.57
Std. Dev.:	6.82
CV:	35%
Range interquartil:	10.05







5.3 Variography

"Variogram" is a generic word to designate the function characterizing the variability of variables versus the distance between two samples. Traditional measures have been applied for the estimation studies completed for the mineralised intervals of the Project.

Gemcom Surpac Software has been employed to generate and model the variography. The rotations are reported as input for grade estimation, with Y (rotation around Y axis), X (rotation around X') and Z (rotation around Z") also being referred to as the major, semi-major and minor axes.

Initially, downhole experimental variograms were calculated to establish the nugget for modelling the directional variograms for composite grades. To determine the major direction, variograms were calculated in various directions, and variogram maps were constructed and

contoured. The known geology and geometry of mineralisation controls were also considered in selecting the orientation. Orthogonal directions were reviewed to establish the semi-major and minor orientations for variography of Block 7 and 8.

Downhole variograms were firstly modelled resulting in a relative nugget variance of 2% Fe of the total sill in Block 7 north and 6% Fe for Block 7 south. A nugget variance of 2% Fe of the total sill was defined for Block 8. The low nugget is explained by the large homogeneity displayed in the mineralised diamictites.

Two spherical models were fitted to each of the experimental variograms. Overall ranges varied from 229m to 800m. This variability in range is in part reflecting the distance between sections in the available data.

The major direction of continuity for the mineralised material was determined to be close to a bearing 219° for Block 7 North, bearing 249° for Block 7 South, and a bearing of 160° for Block 8. Those directions are aligned with the mineralisation trend.

The applied parameters are shown in Tables 5.3_1 and 5.3_2.

Table 5.3_1

Variogram Models – Ore Block 7 – 5m Composite Grades

	Item		Fe	SiO_2	Al_2O_3	Mn	P	LOI
North	**Nugget**	(C0)	1.00	5.60	0.10	0.0005	0.001	0.05
	Rotation	Bearing	219	219	219	219	219	219
		Dip	10	10	10	10	10	10
		Plunge	3	3	3	3	3	3
	Sill1	(C1)	7.00	9.00	0.30	0.002	0.001	0.11
	Range1 (m)	Major	400	400	300	400	400	300
		Semi-Major	200	111	250	285	148	158
		Minor	44	50	53	68	29	52
	Sill2	(C2)	41	47	4	0.028	0.015	0.49
	Range2 (m)	Major	800	800	600	800	800	600
		Semi-Major	400	222	500	571	296	316
		Minor	88	100	107	135	56	103
South	**Nugget**	(C0)	1.00	2.50	0.20	0.0005	0.0004	0.08
	Rotation	Bearing	249	249	249	249	249	249
		Dip	10	10	10	10	10	10
		Plunge	3	3	3	3	3	3
	Sill1	(C1)	2.00	2.00	0.45	0.0015	0.0006	0.05
	Range1 (m)	Major	400	400	400	400	400	400
		Semi-Major	166	308	190	364	235	400
		Minor	52	40	43	43	49	34
	Sill2	(C2)	12.90	26.00	1.48	0.015	0.013	1.00
	Range2 (m)	Major	800	800	800	800	800	800
		Semi-Major	333	615	381	727	471	800
		Minor	104	81	85	86	99	67

Notes:

1) Spherical models were applied.

2) Gemcom Surpac Software Rotation.

Table 5.3_2

Variogram Models

Ore Block 8 – 5m Composite Grades

Item		Fe	SiO_2	Al_2O_3	Mn	P	LOI
Nugget	**(C0)**	1.00	1.00	0.05	0.00005	0.0003	0.01
Rotation	**Bearing**	160	160	160	150	160	160
	Dip	10	10	10	10	10	10
	Plunge	0	0	0	0	0	0
Sill1	**(C1)**	3.00	6.50	0.10	0.0003	0.0005	0.05
Range1 (m)	**Major**	345	400	400	425	400	300
	Semi-Major	216	308	308	327	222	231
	Minor	23	23	28	26	25	27
Sill2	**(C2)**	40.00	53.00	1.70	0.003	0.001	0.25
Range2 (m)	**Major**	800	800	800	800	800	800
	Semi-Major	507	631	631	631	437	636
	Minor	54	46	56	49	49	53

Notes:

1) Spherical models were applied.

2) Gemcom Surpac Software Rotation.

5.4 Grade Interpolation

5.4.1 Search Neighbourhood and Estimation Strategy

Search radii were determined based on variogram orientation, variogram model anisotropy and ranges, layer geometry and data distribution for the mineralised lithologies. The search neighbourhoods utilised in the grade estimation are summarised in Table 5.4.1_1. Using the results of the above analysis, Coffey Mining has applied a multiple search strategy to obtain grade estimates within Gemcom Surpac Software.

The search neighbourhoods allowed for grade estimates to be generated for all blocks in spite of low density samples and were defined by the variogram range and the drillhole spacing.

5.4.2 Validation

Validation of the grade estimate was completed with a comparative Nearest Neighbour estimate. Validation consists to comparative statistical analysis over global results for Fe%, Al_2O_3%, SiO_2%, Mn%, P% and LOI% to the mineralised intervals. In addition an interactive visual validation utilizing the drillholes and the block model was completed in plan and cross section.

The comparative analysis of OK with the Nearest Neighbour results for Fe showed different grade distributions. The difference is explained by the extrapolation of grade downdip in the OK model. Visual validation by Coffey Mining confirms the smoothing of grade down-dip. The visual validation of the OK model shows a good correlation between the blocks estimated and the original samples.

Table 5.4.1_1
Search Neighbourhood and Estimation Strategy Block 7 and Block 8

Attributes	Step (or Pass)	Range (m)	Vertical Distance (m)	Number of Samples		Search
				Minimum	Maximum	
Fe, SiO_2, Al_2O_3, P, Mn, and LOI	1 (a)	250	15	4	16	Octant
	1 (b)	175	15	4	16	Ellipsoid
	2 (a)	500	15	4	16	Octant
	2 (b)	350	15	4	16	Ellipsoid
	3	750	15	4	16	Ellipsoid
	4	10,000	300	1	16	Ellipsoid
	Block 7 (North): Major/Semi-Major = 2.1 and Major/Minor = 8.0 Block 7 (South): Major/Semi-Major = 1.6 and Major/Minor = 9.0 Block 8: Major/Semi-Major = 1.5 and Major/Minor = 15 (exception step 6 for Block 7 and Block 8: Major/Semi-Major = 1 and Major/Minor = 1)					

Ellipsoid Orientation				
Block 7 North			**Block 7 South**	
Lithology	**Mineralisation**		**Lithology**	**Mineralisation**
Bearing	219		Bearing	249
Plunge	3		Plunge	3
Dip	10		Dip	10
Block 8				
Lithology	**Mineralisation**			
Bearing	160			
Plunge	0			
Dip	10			
Gemcom Surpac Software Rotation				

5.5 Resource Classification

This report complies with disclosure and reporting requirements set forth in the Brazilian Mining Code for Reporting of Exploration Results and Mineral Resources.

The grade estimates have been classified as Measured, Indicated and Inferred Mineral Resources in accordance with JORC Code (2004) and Brazilian Mining Code guidelines. A brief discussion on the classification criteria is provided.

The enriched horizon has been classified as Measured, Indicated and Inferred Mineral Resources based on the assessment of the input data, geological interpretation and grade estimate quality. The key criteria assessed as part of the Resource classification is set out in Table 5.5_1.

Table 5.5_1

Confidence Levels of Key Resource Criteria

Items	Discussion	Confidence
Drilling Techniques	All drillholes were completed by diamond drilling methods and are industry standard approach.	High
Logging	Standard nomenclature and apparent good quality.	Moderate – High
Drill Sample Recovery	Good sample recovery recorded.	Moderate – High
Sub-sampling Techniques and Sample Preparation	Sampling was planned on a nominal 5m interval. Due to lithological variations observed during the geological core logging, sampling was varied to allow detailed grade analyses of the individual lithological groups. The sampling interval varied from 0.66m to 8.36m.	Moderate – High
Quality of Assay Data	The chain of custody procedures, sample preparation procedures and analytical techniques are all considered appropriate and are compatible with accepted industry standards.	High
Drillhole Surveying	There are no deviation measurements for the drillholes.	Low
Location of Sampling Points	The drillholes collars were collected using Differential GPS.	High
Data Density and Distribution	The drilling was approximately on 400-800m x 400-800m spacing. The drill spacing is not close enough to enable confident interpretation of the mineralised lithologies and domains.	Low – Moderate
Database Integrity	The drillhole database was presented without errors and in a Microsoft Access (mdb) format.	High
Geological Interpretation	There is a reasonable understanding of the stratigraphy and structural controls to construct a robust geological model (there is good surface exposure). The defined enriched horizons are considered to be reasonably robust but drill density needs to be increased.	Moderate
Density	The dry bulk density values assigned to the block model has been defined from the correlation between density and sample depth with the topographic surface influence.	Moderate
Estimation and Modelling Techniques	Ordinary Kriging (OK) method has been used to obtain estimates of Fe, Al_2O_3, SiO_2, Mn, P and LOI. The OK estimation techniques are accepted industry practice. Coffey Mining defined 4 steps for all blocks: • Step 1 – 250m range using octant and 175m range using ellipsoid; • Step 2 – 500m range using octant and 350m range using ellipsoid; • Step 3 -750m range using ellipsoid; • Step 4 -10,000m range using ellipsoid. Ellipsoid Orientation: • Block 7 North (219° bearing, 3° plunge and 10° dip); • Block 7 South (249° bearing, 3° plunge and 10° dip) • Block 8 (160° bearing, 0° plunge and 10° dip).	High

Based on the above assessment, the following criteria were used to assign the Mineral Resource category to the block model in blocks 7 and 8:

- Geological confidence of the mineralised domains.

- Estimation steps:
  - o Measured Mineral Resource:
    - ■ None assigned;
  - o Indicated Mineral Resource:
    - ■ All blocks estimated using steps 1 and 2;
  - o Inferred Mineral Resource:
    - ■ All blocks estimated inside a 200m limit to the edge drillholes in the down dip direction by the estimation steps in Table 5.5_1 using 3 and 4 for Block 7;
    - ■ All blocks estimated inside a 400m limit to the edge drillholes in the down dip direction using steps 3 and 4 for Block 8.
- Drilling method, spacing and sampling density.
- Minimal dry bulk density information (drillhole cores).

The steps 1 and 2 to Blocks 7 and 8 have not resulted in a significant quantity of block estimates of a confidence to be classified as Measured Mineral Resource. Indicated Mineral Resources were assigned primarily on the basis of Fe grade estimates being realized in steps 1 and 2 while Inferred Mineral Resources were based on Fe grade estimated obtained in steps 3 and 4. The classification results are shown graphically in Figures 5.5_1 and 5.5_2.

Figure 5.5_1

Block 7 Fe (%) Resources Calssification

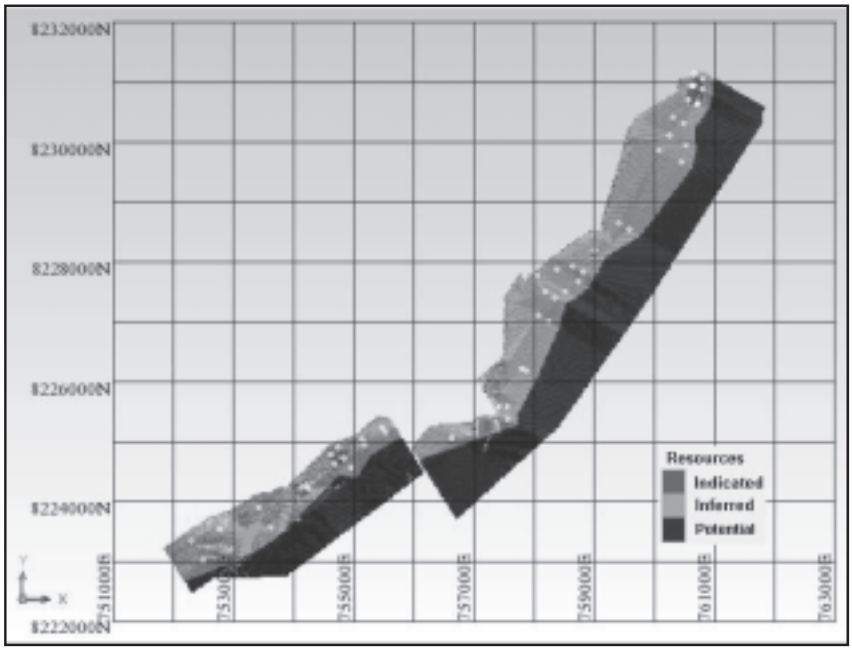
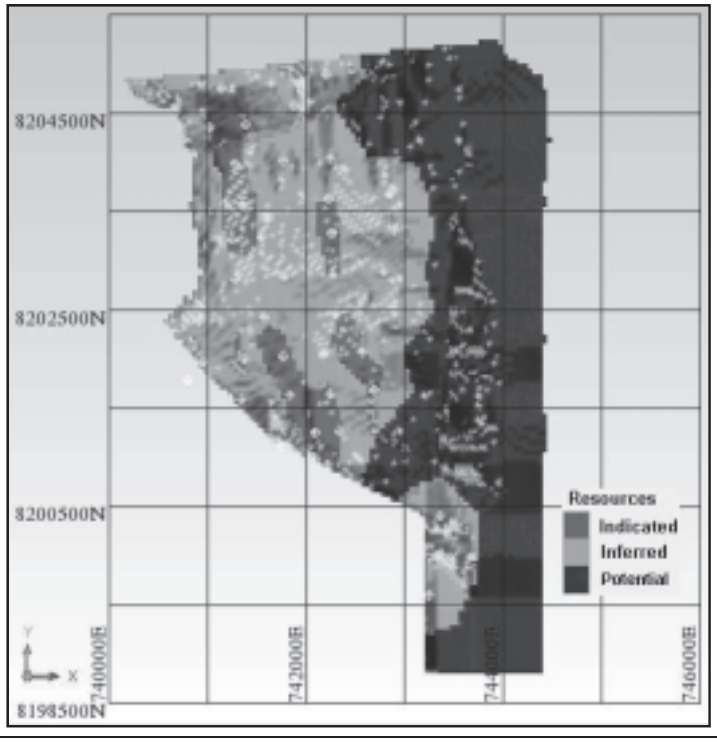


Figure 5.5_2

Block 8 Fe (%) Resources Classification.



5.6 Mineral Resource Statement

The total Indicated and Inferred Mineral Resources, after applying different slightly cutoff values for each Block to maintain an average grade above 20% Fe, are shown in Tables 5.6_1 and 5.6_2.

The grade tonnage curves for both Blocks are shown in Figures 5.6_1 and 5.6_2.

Table 5.6_1

Mineral Resource Table
Block 7 Iron Ore Deposit – 20th May 2009

Grade Tonnage – Mineralised Lithology
15% Fe Grade Cutoff Applied
Grade Estimates Obtained by Ordinary Kriging
Resource Classification in Accordance with JORC Code (2004) Guidelines

	Mineralised Zones	Tonnes (Mt)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	Mn (%)	P (%)	LOI (%)
Indicated Mineral Resources	Block 7	25.2	21.7	55.8	6.5	0.37	0.19	2.8
Inferred Mineral Resources	Block 7	1,031	20.6	56.9	5.9	0.32	0.26	2.7
Indicated + Inferred Mineral Resources	**Total – Block 7**	**1,057**	**20.6**	**56.8**	**5.9**	**0.32**	**0.25**	**2.7**

Table 5.6_2

Mineral Resource Table
Block 8 Iron Ore Deposit – 20th May 2009

Grade Tonnage – Mineralised Lithology
14% Fe Lower Cutoff Grade Applied
Grade Estimates Obtained by Ordinary Kriging
Resource Classification in Accordance with JORC Code (2004) Guidelines

	Mineralised Zones	Tonnes (Mt)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	Mn (%)	P (%)	LOI (%)
Indicated Mineral Resources	Block 8	214	21.9	60.6	4.1	0.06	0.14	1.5
Inferred Mineral Resources	Block 8	1,571	20.0	60.6	4.4	0.10	0.20	1.9
Indicated + Inferred Resources	**Total – Block 8**	**1,785**	**20.3**	**60.6**	**4.4**	**0.09**	**0.19**	**1.9**

Figure 5.6_1

Grade X Tonnage Curve for Fe- Mineral Resources Block 7

Tonnes = f(cutoff Fe), Average Grades (Fe, SiO2, Al2O3, Mn, P and LOI)

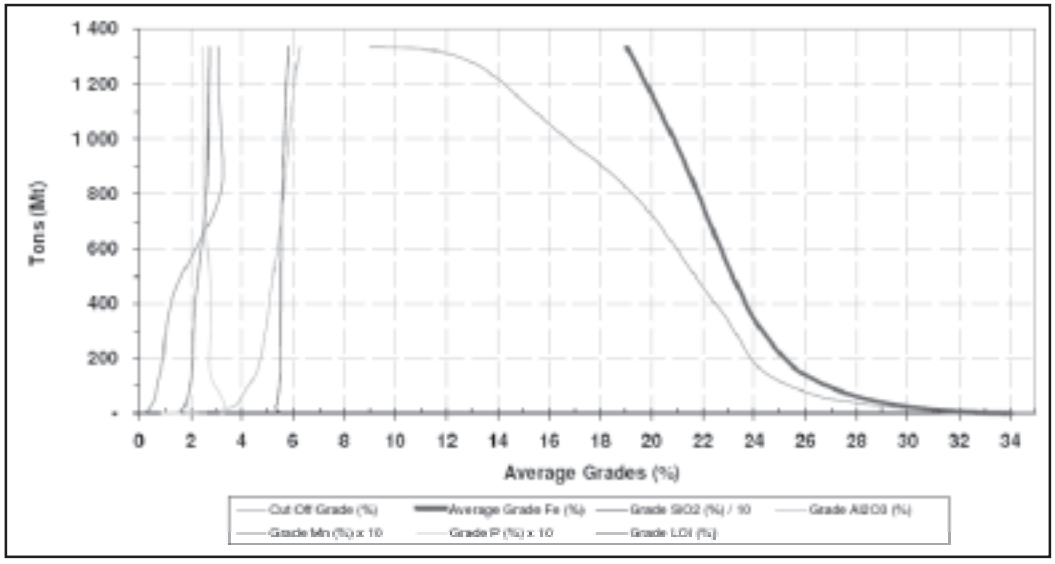
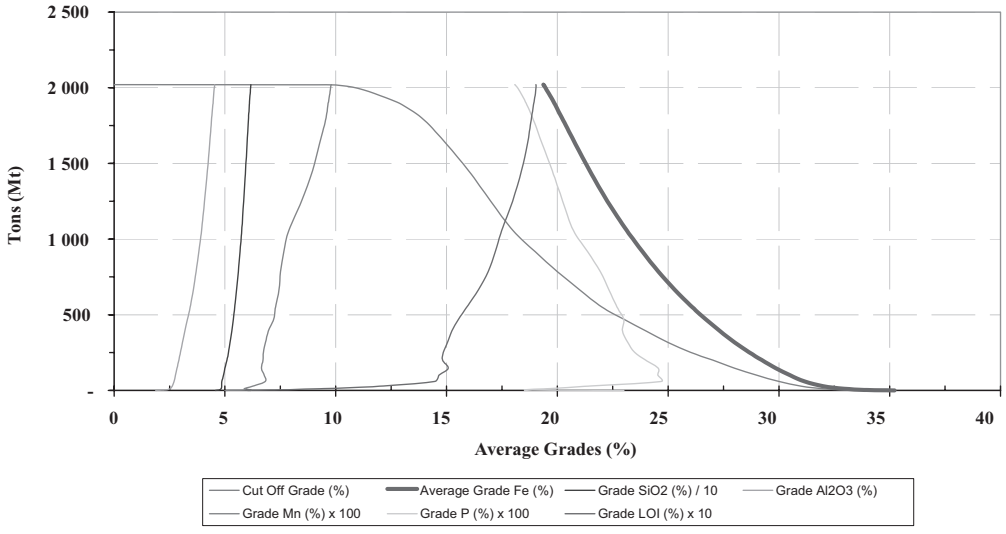


Figure 5.6_2

Grade X Tonnage Curve for Fe- Mineral Resources Block 8

Tonnes = f(cutoff Fe), Average Grades (Fe, SiO2, Al2O3, Mn, P and LOI)



5.7 Block 7 and Block 8 Exploration Potential

The block models have been extended down dip to estimate potential mineralisation and for the Block 7 estimated some 2.5 billion tonnes and 3.7 billion tonnes for Block 8 that requires further evaluation of both these exploration targets.

Using the Inverse Power of Distance Weighting (IPDW) Coffey Mining could estimate the potential grade of the Block 8 iron enriched lateritic profile. The IPDW method estimates the values at unknown points using the distance and values to nearby known points. Weight of each sample point is an inverse proportion to the distance raised to a selected power (often 2 or 3). The further away the point, the less the weight in helping define the unsampled location. The estimation returned an additional material for the Block 8 iron enriched lateritic profile of that requires further evaluation of both exploration targets. Coffey Mining estimated the potential of 20.6Mt with an average grade of 28.8% Fe.

6 MINING

Coffey Mining completed a Scoping Study for VNN in June 2009, which was based on the Resources estimate also estimated by Coffey Mining, and included mining and tailings disposal only. The mining component of the Scoping Study is summarised in this section.

Mining operations will be characterized by a low stripping ratio, multiple pit extraction of friable and compact diamictites located in a plateau intersected by drainage valleys.

6.1 Mining Method

The mining method proposed for the Project is a conventional open cut drill, blast, load and haul truck and hydraulic excavators (shovel and/or backhoe) operation, standard for most iron ore mining operations.

However two alternatives were considered in the Scoping Study for mining of ore, conventional truck and shovel mining with truck haulage to a semi-mobile primary crusher and alternatively direct loading of a fully mobile crusher and conveying of the ore direct to the processing plant.

Alternative 1 was the conventional loading with excavators (face shovels or backhoes), ore and waste transport by off-road rigid framed dump trucks (228t payload), tipping ore into a semi-mobile crusher located next to the pits and ore transport from the primary crusher to the processing plant by conveyor belts.

Alternative 2 considered a more continuous extraction method using excavators loading directly into a mobile crusher (such as lokotrack example shown in Figure 6.1_1) and followed by mobile, semi-mobile and fixed conveyor belts to transport ore to the processing plant of each Block. This is not using trucks for ore haulage; but for waste transport the conventional method, with trucks and excavators, was assumed.

Based on the current geological data it is expected that bulk mining methods will be suitable and no selective mining of internal waste, for example, has been allowed for.

6.2 Geotechnical Analysis

No formal geotechnical analysis has yet been carried out for pit slope analysis or for other site infrastructure.

There is limited data available relating to the thickness of soil, the weathering profile and an initial classification of the mineralisation relating to differences in ore hardness or compactness has been made.

For the Scoping Study a maximum overall slope angle of 38° was selected.

Figure 6.1_1
Mobile Crusher "Lokotrack"

From Metso Minerals

6.3 Hydrogeology

No investigation of ground water (hydrogeology) has been carried out yet.

6.4 Drilling and Blasting

Drilling and blasting operations will be limited to compact diamictites ores (with an average, low Work Index of 5.5 – 6.5kWh/t), which occur within the friable diamictites that are expected to be free-digging by a large shovel.

More studies will be necessary to define the quantity and the methodology and likely costs for drilling and blasting. A hydraulic breaker fitted to an excavator has been included in the mining fleet to reduce the size of oversize blocks.

6.5 Mining Equipment

The mobile mining fleet selected for the Scoping Study was based on the mining method, bench height assumed, the expected mining rate of both ore and waste and well proven equipment already in use in similar mines in Brazil.

Owner mining was assumed and capital costs and some production data was obtained from equipment suppliers.

For truck numbers the average haulage distance to the crusher or waste dump location was estimated for years 1, 3, 5, 10 and the last year for both Block 7 and Block 8 and truck numbers required estimated. Truck requirements in other years were extrapolated from these estimations.

The mining fleet selected for the conventional mining method, alternative 1, is listed in Table 6.5_1 and a similar fleet with less dump trucks for the alternative 2 is listed in Table 6.5_2.

Table 6.5_1

Mining Fleet Block 7 and 8 – Alternative 1

Equipment	Life		Capacity	Units	Quantity life-of-mine
	h	year			
Major Equipment					
Truck Off Road CAT 793 D	50,000	10	228	t	40
Hydraulic Excavator – Hitachi EX 5500	50,000	10	29	m^3	9
Diesel drill on tires	50,000	12	229 to 305	mm	5
Hydraulic Hammer for oversize rocks	50,000	10	–	–	2
Hydraulic drill for sampling	50,000	12	102 to 152	mm	2
Conveyor – Fixed-belt (outside the pit) – (m)	25,000	10	4000	tph	12 000
Ancillary Equipment					
Tractor – CAT D11 N	35,000	7	634	kW	7
Tractor – CAT D9 N	35,000	7	302	kW	4
Tractor – CAT D6 N	35,000	7	123	kW	2
Wheel Loader – CAT 994F	35,000	7	30	m3	6
Truck 6x4	50,000	10	26	t	2
Wheel Loader – CAT 988H	35,000	7	7	m3	2
Motor Grader – CAT 16H	35,000	7	198	kW	3
Motor Grader – CAT 24H	35,000	7	373	kW	3
Water Truck 10 x 4	50,000	10	50	m3	5
Wheel Dozer CAT 854 G	30,000	6	596	kW	4
Wheel Dozer CAT 824 G	30,000	6	264	kW	2
Truck for transporting equipment	100,000	20	150	t	1
Platform (low bed) for transporting equipment	100,000	20	150	t	1
Crane P&H	50,000	10	40	t	1
Truck Fuel and Lubricants	50,000	10			3
Forklift	50,000	10	20	t	1
Pick up – Double Cab. – 4x4	15,000	3			10
Small Cars (Gol, Uno, etc...)	15,000	3			10
Total					**125**

Table 6.5_2
Selected Mining Fleet Block 7 and 8 – Alternative 2

Equipment	Life		Capacity	Units	Equip. (quantity) inv.
	h	year			
Major Equipment					
Truck Off Road CAT 793 D	50,000	10	228	t	14
Hydraulic Excavator – Hitachi EX 5500	50,000	10	29	m3	4
Hydraulic Excavator – Hitachi EX 2500	50,000	10	15	m3	16
Mobile Crusher – Lokotrack LT160	100,000	20	3500	tph	7
Lokolink	100,000	20	3500	tph	7
Conveyor – Mobile belt – (kits – 300m)	100,000	20	3500	tph	49
Conveyor – Fixed-belt (inside and outside the pit) – (m)	100,000	20	4000	tph	19 700
Diesel drill on tires	50,000	12	229 to 305	mm	5
Hydraulic Hammer	50,000	10	–	–	2
Hydraulic drill for sampling	50,000	12	102 to 152	mm	2
Ancillary Equipment					
Tractor – CAT D11 N	35,000	7	634	kW	8
Tractor – CAT D9 N	35,000	7	302	kW	3
Tractor – CAT D6 N	35,000	7	123	kW	2
Wheel Loader – CAT 994F	35,000	7	30	m3	3
Truck 6x4	50,000	10	26	t	2
Wheel Loader – CAT 988H	35,000	7	7	m3	2
Motor Grader – CAT 16H	35,000	7	198	kW	2
Motor Grader – CAT 24H	35,000	7	373	kW	2
Water Truck 10 x 4	50,000	10	50	m3	3
Wheel Dozer CAT 854 G	30,000	6	596	kW	2
Wheel Dozer CAT 824 G	30,000	6	264	kW	2
Truck for transporting equipment	100,000	20	150	t	1
Platform (low bed) for transporting equipment	100,000	20	150	t	1
Crane P&H	50,000	10	40	t	1
Truck Fuel and Lubricants	50,000	10			2
Forklift	50,000	10	20	t	1
Pick up – Double Cab– 4x4	15,000	3			10
Small Cars (Gol, Uno, etc...)	15,000	3			10
Total					**163**

6.6 Grade Control and Blending

The Scoping Study did not consider how many different material or grade types will need to be considered in future for mining and possible blending into the primary crushers. It is expected that samples will need to taken during mining and be assayed for iron and other mineral content and that a laboratory will be established on site.

The next level of technical work will need to consider what grade control and blending of different material types will be needed, including what proportion of ore will need to be stockpiled and later reclaimed for feeding to the primary crushers or what blending may be required after primary crushing.

6.7 Mine Design

6.7.1 Pit Optimization

The Mineral Resources (Indicated and Inferred) block models were converted into a mine model and optimised using Whittle Four-X pit optimisation software. The software calculates a series of incremental pit shells for various assumed inputs, in which each shell is an optimum for a range of commodity factors. The sequence of the pit shell increments is then sorted from the best (the inner smallest shell viable for the lowest price) to the worst (the outer largest shell viable for the highest price).

The Ordinary Kriging (OK) grade estimate used in the resource model has inherently built in dilution of ore by waste and no additional mining dilution was added, whilst the mining recovery was set at 100% for this large scale, bulk mining method.

The revenue parameters assumed by Coffey are included in Table 6.7.1_1. The concentrate sale price has based on prices used on similar projects and reflected market conditions in late 2008/early 2009 and Coffey Mining believes this is reasonable. The range of pit shells or "mathematical pits" was obtained by using the revenue factor between 50% and 150% of the sales price of the product.

Table 6.7.1_1

Revenue Parameters

Item	Unit	Value
Concentrate price	US$/t concentrate	65.00
Average Fe in concentrate	%	65
Processing recovery	%	65.3

Physical and operating costs parameters used are as per Table 6.7.1_2. The estimated cost for processing the ore and sales price of the concentrate were selected by Coffey Mining, based on its data bank and market prices during 2008.

Table 6.7.1_2

Physical and Cost Parameters

Item	Unit	Value
Processing Plant output (concentrate)	Mtpa	25 (for both Blocks)
Overall pit slope	degrees	38
Average Processing cost	US$/t concentrate	6.86
General and Administration	US$/t concentrate	Nil
Average mining cost	US$/t material	1.50

A summary of the pit optimisation results are provided in the Table 6.7.1_3 and 6.7.1_4. (TMCR is Total Movement to Concentrate produced Ratio, in tonnes).

Table 6.7.1_3

Optimized Pit Results – Block 7

Pit No.	Price (US$/ tConc)	Waste (Mt)	Ore (Mt)	Mov't Tot. (Mt)	Strip Ratio	Grade (%)						Conc. (Mt)	LOM (years)	TMCR
						Fe	SiO_2	Al_2O_3	Mn	P	LOI			
1	32.50	4	18	21	0.2	29.1	55.2	4.0	0.02	0.11	2.0	5	1	4
2	34.13	5	25	31	0.2	28.2	55.4	4.3	0.02	0.11	2.1	7	1	4
3	35.75	7	39	46	0.2	26.9	55.7	4.7	0.03	0.11	2.1	11	1	4
4	37.38	23	92	115	0.3	25.1	56.2	5.1	0.06	0.17	2.0	23	3	5
5	39.00	42	148	190	0.3	24.4	56.3	5.3	0.09	0.19	2.1	36	5	5
6	40.63	68	211	278	0.3	23.8	56.4	5.3	0.11	0.20	2.1	50	7	6
7	42.25	107	341	448	0.3	22.7	56.2	5.6	0.16	0.23	2.2	78	10	6
8	43.88	136	429	565	0.3	22.3	56.1	5.7	0.19	0.24	2.3	96	13	6
9	45.50	162	498	660	0.3	22.0	56.2	5.7	0.22	0.24	2.4	110	15	6
10	47.13	214	590	804	0.4	21.6	56.3	5.8	0.25	0.25	2.4	128	17	6
11	48.75	279	667	946	0.4	21.4	56.4	5.8	0.26	0.25	2.5	144	19	7
12	50.38	310	710	1020	0.4	21.3	56.5	5.8	0.26	0.25	2.5	152	20	7
13	52.00	342	752	1094	0.5	21.1	56.7	5.8	0.27	0.25	2.5	159	21	7
14	53.63	390	798	1188	0.5	21.0	56.8	5.9	0.27	0.25	2.5	168	22	7
15	55.25	413	828	1241	0.5	20.9	56.9	5.9	0.27	0.25	2.5	173	23	7
16	56.88	443	865	1308	0.5	20.7	57.1	5.9	0.27	0.25	2.5	180	24	7
17	58.50	474	907	1381	0.5	20.5	57.3	6.0	0.27	0.25	2.5	187	25	7
18	**60.13**	**495**	**942**	**1438**	**0.5**	**20.3**	**57.5**	**6.0**	**0.27**	**0.25**	**2.6**	**192**	**26**	**8**
19	61.75	518	971	1488	0.5	20.2	57.6	6.0	0.27	0.24	2.6	197	26	8
20	63.38	540	996	1536	0.5	20.1	57.7	6.1	0.27	0.24	2.6	201	27	8
21	65.00	566	1024	1590	0.6	19.9	57.7	6.1	0.27	0.24	2.6	205	27	8
22	66.63	591	1051	1642	0.6	19.8	57.8	6.1	0.27	0.24	2.6	209	28	8
23	68.25	607	1068	1674	0.6	19.7	57.9	6.2	0.27	0.24	2.6	211	28	8
24	69.88	622	1081	1703	0.6	19.6	57.9	6.2	0.27	0.24	2.6	213	28	8
25	71.50	645	1096	1741	0.6	19.6	58.0	6.2	0.27	0.24	2.6	215	29	8
26	73.13	662	1118	1780	0.6	19.4	58.1	6.2	0.27	0.24	2.6	218	29	8 O_2

Table 6.7.1_3

Optimized Pit Results – Block 7

Pit No.	Price (US$/ tConc)	Waste (Mt)	Ore (Mt)	Mov't Tot. (Mt)	Strip Ratio	Grade (%)						Conc. (Mt)	LOM (years)	TMCR
						Fe	SiO_2	Al_2O_3	Mn	P	LOI			
27	74.75	684	1130	1814	0.6	19.4	58.1	6.2	0.27	0.24	2.6	220	29	8
28	76.38	717	1143	1860	0.6	19.4	58.1	6.2	0.27	0.24	2.6	222	30	8
29	78.00	730	1149	1879	0.6	19.3	58.1	6.2	0.27	0.24	2.6	223	30	8
30	79.63	752	1157	1908	0.7	19.3	58.1	6.2	0.27	0.24	2.6	224	30	9
31	81.25	765	1162	1928	0.7	19.3	58.2	6.2	0.27	0.24	2.6	225	30	9
32	82.88	779	1167	1946	0.7	19.3	58.2	6.2	0.27	0.24	2.6	226	30	9
33	84.50	793	1171	1964	0.7	19.3	58.2	6.2	0.27	0.24	2.6	227	30	9
34	86.13	813	1177	1990	0.7	19.3	58.2	6.2	0.27	0.25	2.6	227	30	9
35	87.75	838	1185	2023	0.7	19.2	58.2	6.3	0.27	0.25	2.7	229	31	9
36	89.38	876	1198	2073	0.7	19.2	58.3	6.3	0.28	0.25	2.7	231	31	9
37	91.00	891	1202	2093	0.7	19.2	58.3	6.3	0.28	0.25	2.7	231	31	9
38	92.63	909	1207	2116	0.8	19.1	58.3	6.3	0.28	0.25	2.7	232	31	9
39	94.25	934	1213	2147	0.8	19.1	58.3	6.3	0.28	0.25	2.7	233	31	9
40	95.88	940	1215	2155	0.8	19.1	58.3	6.3	0.28	0.25	2.7	233	31	9
41	97.50	968	1222	2189	0.8	19.1	58.3	6.3	0.28	0.25	2.7	234	31	9

Table 6.7.1_4

Family of Pits Optimization – Resources of Block 8

Pit No.	Price (US$/ tConc)	Waste (Mt)	Ore (Mt)	Mov't Tot. (Mt)	Strip Ratio	Grade (%)						Conc. (Mt)	LOM (years)	TMCR
						Fe	SiO_2	Al_2O_3	Mn	P	LOI			
1	32.50	4	13	18	0.3	27.9	3.3	56.1	0.02	0.06	1.0	4	0	5
2	34.13	10	31	41	0.3	27.0	3.4	56.6	0.02	0.08	1.1	8	1	5
3	35.75	27	74	101	0.4	26.2	3.6	57.3	0.03	0.09	1.1	19	1	5
4	37.38	53	136	189	0.4	25.4	3.7	57.8	0.04	0.11	1.2	35	2	5
5	39.00	211	434	645	0.5	24.4	3.8	57.3	0.06	0.17	1.5	106	6	6
6	40.63	247	564	811	0.4	23.8	3.9	57.8	0.06	0.17	1.5	135	8	6
7	42.25	321	785	1106	0.4	23.1	4.0	58.4	0.07	0.18	1.6	182	10	6
8	43.88	335	884	1220	0.4	22.8	4.1	58.7	0.07	0.18	1.6	202	12	6
9	45.50	331	977	1308	0.3	22.4	4.1	59.1	0.07	0.18	1.7	219	13	6
10	47.13	344	1097	1441	0.3	21.9	4.2	59.4	0.08	0.18	1.7	242	14	6
11	48.75	335	1159	1494	0.3	21.7	4.3	59.7	0.08	0.18	1.7	252	14	6
12	50.38	329	1229	1559	0.3	21.4	4.3	60.0	0.08	0.18	1.7	264	15	6
13	52.00	337	1324	1661	0.3	21.0	4.4	60.3	0.08	0.17	1.7	279	16	6
14	53.63	363	1483	1846	0.2	20.5	4.4	60.7	0.09	0.18	1.8	305	17	6
15	54.34	366	1516	1882	0.2	20.4	4.5	60.8	0.09	0.18	1.8	310	18	6
16	54.47	394	1573	1967	0.3	20.2	4.5	61.0	0.09	0.18	1.8	320	18	6
17	**55.25**	**402**	**1610**	**2012**	**0.3**	**20.1**	**4.5**	**61.0**	**0.09**	**0.18**	**1.8**	**326**	**19**	**6**
18	56.88	426	1699	2125	0.3	19.9	4.5	61.2	0.09	0.18	1.8	340	19	6
19	58.50	454	1795	2249	0.3	19.7	4.5	61.5	0.10	0.18	1.9	354	20	6
20	60.13	452	1837	2289	0.3	19.5	4.5	61.6	0.10	0.18	1.9	360	21	6
21	61.75	450	1861	2312	0.2	19.4	4.6	61.7	0.10	0.18	1.9	364	21	6
22	63.38	459	1878	2337	0.2	19.4	4.6	61.7	0.10	0.18	1.9	366	21	6
23	65.00	458	1890	2348	0.2	19.4	4.6	61.8	0.10	0.18	1.9	367	21	6
24	66.63	467	1900	2367	0.3	19.3	4.6	61.8	0.10	0.18	1.9	369	21	6
25	68.25	475	1906	2381	0.3	19.3	4.6	61.8	0.10	0.18	1.9	370	21	6
26	69.88	479	1909	2388	0.3	19.3	4.6	61.8	0.10	0.18	1.9	370	21	6 O_2

Table 6.7.1_4

Family of Pits Optimization – Resources of Block 8

Pit No.	Price (US$/ tConc)	Waste (Mt)	Ore (Mt)	Mov't Tot. (Mt)	Strip Ratio	Grade (%)						Conc. (Mt)	LOM (years)	TMCR
						Fe	SiO_2	Al_2O_3	Mn	P	LOI			
27	71.50	484	1911	2395	0.3	19.3	4.6	61.8	0.10	0.18	1.9	371	21	7
28	73.13	492	1914	2406	0.3	19.3	4.6	61.8	0.10	0.18	1.9	371	21	7
29	74.75	494	1916	2410	0.3	19.3	4.6	61.9	0.10	0.18	1.9	371	21	7
30	76.38	506	1918	2424	0.3	19.3	4.6	61.8	0.10	0.18	1.9	372	21	7
31	78.00	514	1921	2435	0.3	19.3	4.6	61.9	0.10	0.18	1.9	372	21	7
32	79.63	519	1923	2441	0.3	19.3	4.6	61.9	0.10	0.18	1.9	373	21	7
33	81.25	521	1923	2444	0.3	19.3	4.6	61.9	0.10	0.18	1.9	373	21	7
34	82.88	524	1924	2448	0.3	19.3	4.6	61.9	0.10	0.18	1.9	373	21	7
35	84.50	526	1925	2450	0.3	19.3	4.6	61.9	0.10	0.18	1.9	373	21	7
36	86.13	532	1926	2457	0.3	19.3	4.6	61.9	0.10	0.18	1.9	373	21	7
37	87.75	535	1926	2461	0.3	19.3	4.6	61.9	0.10	0.18	1.9	373	21	7
38	89.38	542	1928	2470	0.3	19.3	4.6	61.9	0.10	0.18	1.9	374	21	7
39	91.00	543	1928	2471	0.3	19.3	4.6	61.9	0.10	0.18	1.9	374	21	7
40	92.63	546	1928	2475	0.3	19.3	4.6	61.9	0.10	0.18	1.9	374	21	7
41	94.25	548	1929	2477	0.3	19.3	4.6	61.9	0.10	0.18	1.9	374	21	7
42	95.88	548	1929	2477	0.3	19.3	4.6	61.9	0.10	0.18	1.9	374	21	7
43	97.50	550	1929	2479	0.3	19.3	4.6	61.9	0.10	0.18	1.9	374	21	7

It is clear from Tables 6.7.1_3 and 6.7.1_4 that the quantity of potentially economic mineralisation is very sensitive to the price received for the concentrate. The range in the generated pit shells is also a good guide for higher grade areas that could be considered for initial mining at one end of the range and the areas that warrant additional, staged exploration in future if Project economics improve at the other end of the range. These maximum pit areas are also very useful for planning the location of Project infrastructure. This is best shown visually for Block 7 in Figure 6.7.1_1 and for Block 8 in Figure 6.7.1_2, where the different scenarios are:

1. Minimum pit highlighting best grade areas.

2. Maximum net undiscounted value based on selected prices and costs, excluding capital expenditure.

3. Pit shell selected for pit design (shell 18 for Block 7, shell 17 for Block 8) as the contained Resources have average grades of a little over 20% Fe for both Block 7 and Block 8.

4. The optimal pit shell for all Indicated and Inferred Mineral Resources at the highest concentrate price used. The best guide for further exploration and also to keep permanent infrastructure outside these limits.

5. Potential maximum pit that includes extrapolating the geology beyond the limit of the drilling and estimated Resources.

6.7.2 Pit Design

From the selected pit shells practical pits were designed that included benches, access ramps, security and operational areas. The design parameters used were:

- Height of benches: 15m
- Minimum berm: 6.42m
- Face or batter angle: 45°
- Maximum overall pit slope angle: 38°
- Ramp width: 30m
- Maximum gradient of the ramps: 10%

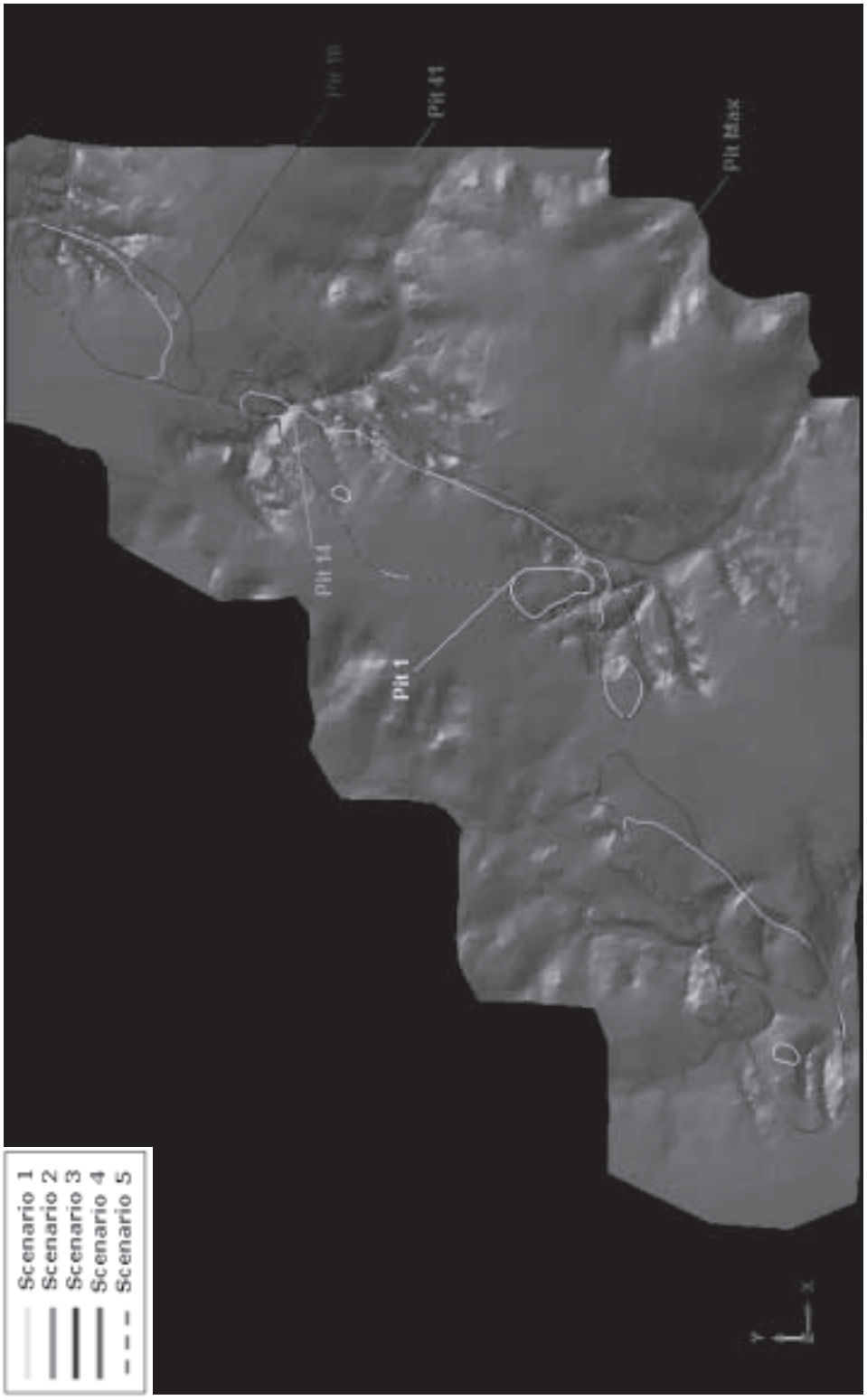


Figure 6.7.1_1
Key Pit Shells – Block 7

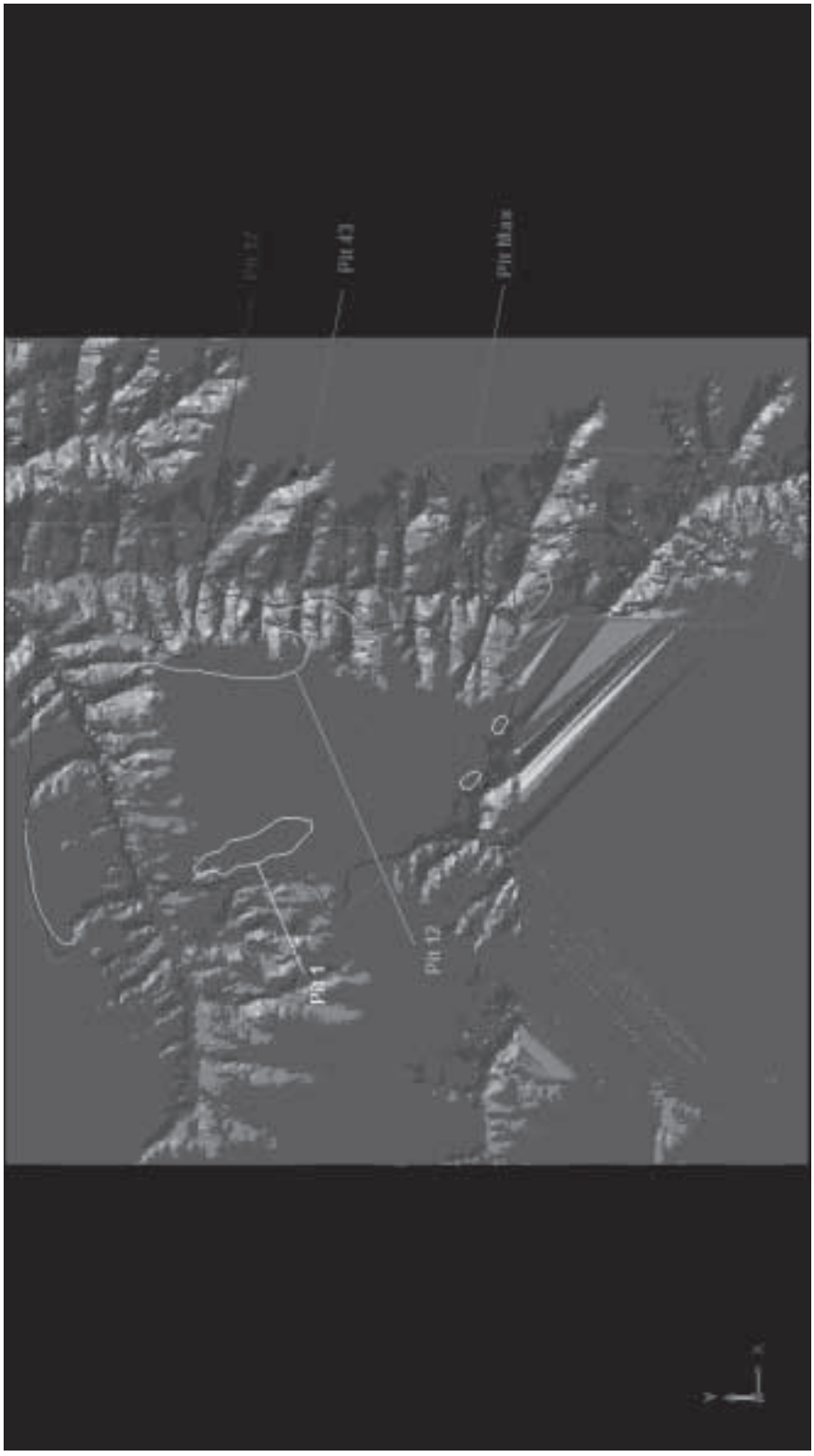


Figure 6.7.1_2
Key Pit Shells – Block 8

The dimensions of the final pits are shown in Table 6.7.2_1.

Table 6.7.2_1

Dimensions of Final Pit Designs

	Dimensions Final Pit (m)				
	Block 7			Block 8	
Parameters	**North**	**Centre**	**South**	**North**	**South**
Depth	170	170	**270**	220	240
Length	2 220	**5 540**	4 580	4 600	1 430
Maximum level (RL)	**940**	910	830	820	860
Minimum level (RL)	770	740	**560**	600	620
Width	1 020	1 230	1 080	**2 590**	820

RL = reduced level or height above sea level

Figure 6.7.2_1 and 6.7.2_2 below shows a plan view of the final pit designs for Block 7 and 8 respectively.

6.7.3 Material Inventory

Until more Indicated (or Measured) Mineral Resources have been defined, sufficient other technical work has been completed and the Project demonstrated to be clearly economic as part of a Pre-feasibility Study, Ore Reserves cannot be reported. The Indicated and Inferred Resources contained within the pit designs is therefore called "mineralisation".

The "potential mineralisation" is estimated material that has been geologically extrapolated beyond the limits of exploration drilling and the Mineral Resources.

Marginal material is defined as Mineral Resources above 10% Fe and below the cutoff grade used to estimate mineralisation. Potential marginal material is estimated material above 10% Fe and below the cutoff grade that has been geologically extrapolated beyond the limits of exploration drilling and the Mineral Resources.

For the Scoping Study the aim was to maximise mineralisation but keep the average run-of-mine (ROM) grade above 20% Fe therefore for each Block a cutoff grade was selected to meet this objective. From the grade tonnage relationships for each Block this resulted in a cutoff of 14% Fe for Block 7 and 13.65% for Block 8.

Figure 6.7.2_1
Final Pit Designs of Block 7

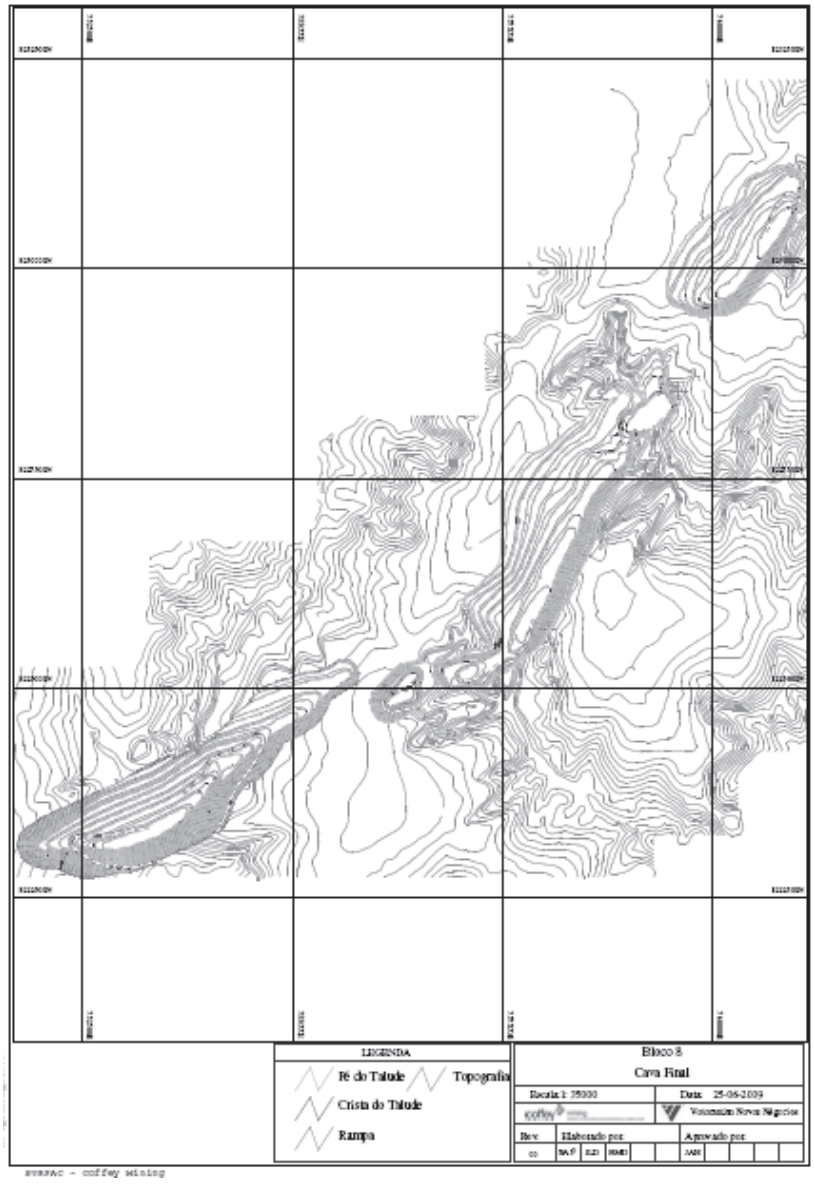
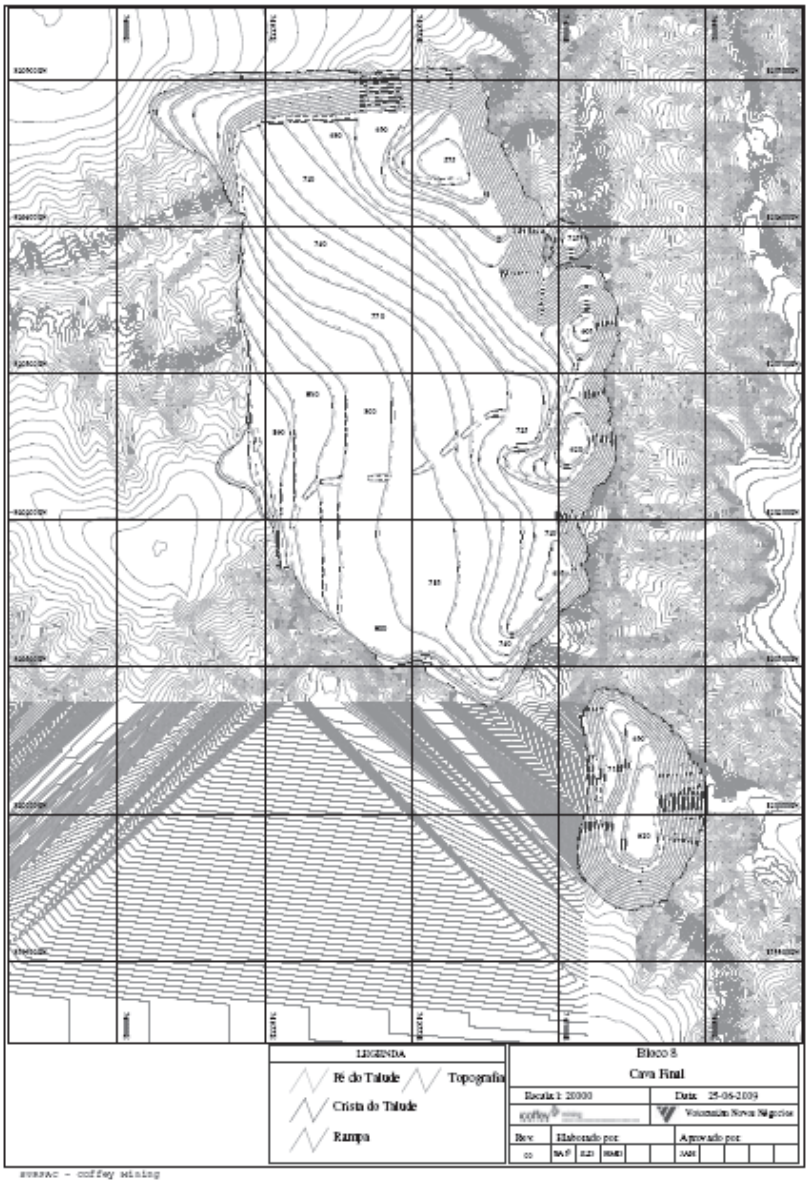


Figure 6.7.2_2
Final Pit Designs of Block 8



The material inventory that includes mineralisation, potential mineralisation and waste material for Block 7 and Black 8 is summarised in Tables 6.7.3_1 and 6.7.3_2.

Table 6.7.3_1

Material Inventory in Block 7 Pit

Material		Mass (Mt)	Average Grades (%)					
			Fe	SiO_2	Al_2O_3	Mn	P	LOI
Waste	Waste	490	–	–	–	–	–	–
	Marginal Material (10 to 14% Fe)	29	11.6	66.7	8.2	0.15	0.23	2.5
	Marginal Material potential (10 to 14% Fe)	38	15.1	62.8	7.7	0.27	0.23	2.8
	Sub-Total	***557***						
Resources	Mineralisation potential (>14% Fe)	23	20.5	57.2	5.9	0.22	0.29	2.5
	Mineralisation (>14% Fe)	906	20.5	57.3	6.0	0.27	0.25	2.5
	Sub-Total	***930***	20.5	57.2	6.0	0.27	0.25	2.5
Total		**1,487**						

Table 6.7.3_2

Material Inventory in Block 8 Pit

Material		Mass (Mt)	Average Grades (%)					
			Fe	SiO_2	Al_2O_3	Mn	P	LOI
Waste	Waste	297	–	–	–	–	–	–
	Duricrust	17	–	–	–	–	–	–
	Marginal Material (10 to 13.65% Fe)	122	12.1	71.1	5.7	0.11	0.09	2.0
	Marginal Material potential (10 to 13.65% Fe)	22	16.8	63.7	5.2	0.13	0.15	2.0
	Sub-Total	***458***						
Resources	Mineralisation potential (>13.65% Fe)	67	20.3	60.8	4.4	0.11	0.20	1.8
	Mineralisation (>13.65% Fe)	1542	20.3	60.9	4.4	0.09	0.18	1.8
	Sub-Total	***1,609***	***20.3***	***60.9***	***4.4***	***0.09***	***0.18***	***1.8***
Total		**2,067**						

The mineral inventory for both of the designed pits, including potential material and the estimated concentrate production is summarised in Table 6.7.3_3.

Table 6.7.3_3

Total Material and Mineralisation Summary in Final Pits

	Mine				Process Plant						
	Material (Mt)			Strip	ROM Grade (%)						Concentrate
Operational Final Pit	Ore	Waste	Total	Ratio	Fe	SiO_2	Al_2O_3	Mn	P	LOI	(Mt)
Block 7	930	557	1 487	0.60	20.5	57.3	6.0	0.27	0.25	2.5	191
Block 8	1 609	458	2 067	0.28	20.3	60.9	4.4	0.09	0.18	1.8	328
Total	**2 539**	**1 015**	**3 554**	**0.40**	**20.4**	**59.5**	**5.0**	**0.16**	**0.20**	**2.1**	**519**

The relationship between tonnes of mineralisation and grade for each Block is shown in Tables 6.7.3_4 and 6.7.3_5. Depending on the future calculated economic cutoff grades to be used in further studies the Tables demonstrate a significant quantity of mineralisation for a realistic range of cutoff grades.

Table 6.7.3_4

Grade – Tonnage for Block 7

Cutoff (%)	Ore	Waste		Conc.		Grade (%)						Compactness (%)		
Fe >=	(Mt)	(Mt)	SR	(Mt)	TMCR	Fe	SiO_2	Al_2O_3	Mn	P	LOI	Soft	Intermediate	Hard
10	994	493	0.5	190	8	20.0	57.8	6.1	0.3	0.2	2.5	27	57	16
11	990	497	0.5	189	8	20.0	57.8	6.1	0.3	0.2	2.5	27	57	16
12	979	508	0.5	188	8	20.1	57.6	6.1	0.3	0.2	2.5	26	58	16
13	960	527	0.6	188	8	20.3	57.5	6.0	0.3	0.2	2.5	26	58	17
14	**930**	**557**	**0.6**	**191**	**8**	**20.5**	**57.3**	**6.0**	**0.3**	**0.3**	**2.5**	**26**	**57**	**17**
15	884	603	0.7	188	8	20.9	56.9	5.9	0.3	0.3	2.5	25	58	18
16	831	656	0.8	187	8	21.2	56.6	5.8	0.3	0.3	2.5	24	58	18
17	778	709	0.9	187	8	21.5	56.3	5.7	0.3	0.3	2.5	24	57	19
18	715	772	1.1	187	8	21.9	56.0	5.7	0.3	0.3	2.5	25	56	19

Table 6.7.3_5

Grade – Tonnage for Block 8

Cutoff (%)	Ore	Waste		Conc.		Grade (%)						Compactness (%)		
Fe	(Mt)	(Mt)	SR	(Mt)	TMCR	Fe	SiO_2	Al_2O_3	Mn	P	LOI	Soft	Intermediate	Hard
10	1 752	315	0.2	346	6	19.7	61.7	4.5	0.1	0.2	1.8	26.2	36.1	37.8
11	1 735	332	0.2	344	6	19.7	61.6	4.5	0.1	0.2	1.8	25.9	36.0	38.1
12	1 698	369	0.2	340	6	19.9	61.3	4.5	0.1	0.2	1.8	25.6	35.9	38.6
13	1 654	414	0.3	334	6	20.1	61.1	4.5	0.1	0.2	1.8	25.3	35.7	39.1
13.65	**1 609**	**458**	**0.3**	**328**	**6**	**20.3**	**60.9**	**4.4**	**0.1**	**0.2**	**1.8**	**24.7**	**35.6**	**39.7**
14	1 579	488	0.3	325	6	20.5	60.6	4.4	0.1	0.2	1.8	24.3	35.8	39.9
15	1 473	594	0.4	309	7	20.9	60.1	4.3	0.1	0.2	1.8	23.3	35.5	41.3
16	1 335	732	0.6	288	7	21.5	59.5	4.3	0.1	0.2	1.8	22.7	35.6	41.7
17	1 161	907	0.8	259	8	22.2	58.7	4.1	0.1	0.2	1.7	22.1	36.2	41.7
18	985	1 083	1.1	228	9	23.0	57.9	4.0	0.1	0.2	1.7	21.2	36.8	42.0

6.8 Mine Production Scheduling

There are many operational factors to consider in iron ore mine production scheduling, such as constant output of concentrate from the processing plant, a consistent total movement or similar haul truck hours for the mining fleet, consistent Fe and/or other grades to the plant, a reasonably consistent mix of soft, intermediate and hard ore to the plant, infrastructure or service (such as power or water) limits, minimisation of costs in early years and pit design and operational factors, including back-filling of mined out areas.

For the Scoping Study the primary objective requested by VNN was to produce a consistent 25Mtpa of concentrate, after a ramp up in production for the first 2 years, for approximately 20 years. The nominated split in concentrate from each Block for the schedule was 7.5Mtpa of concentrate from Block 7 and 17.5Mtpa of concentrate from Block 8. Block 8 has a lower strip ratio, lower phosphorous levels and topographically is easier to mine also.

Scheduling software was used to schedule both Blocks to produce the required quantity of concentrate from each and the combined results are summarised by year in Table 6.8_1. This initial mining schedule would be optimised as part of the next stage of study work.

6.9 Costs

6.9.1 Capital Costs

The initial and replacement capital costs for the mining equipment listed in Section 6.5 was provided by local suppliers and is summarised in Table 6.9.1_1 and Table 6.9.1_2 for Alternative mining method 1 and in Table 6.9.1_3 and Table 6.9.1_4 for Alternative 2. These capital costs were based on R$2.2:US$1.0 exchange rate, although the majority of costs are US$ source. Based on previous experience, Coffey Mining estimates that only about 10% of these capital costs are affected by the R$: US$ exchange rate and the original costs in tables 6.9.1_1 and 6.9.1_2 have been adjusted to an exchange rate of R1.8: US$1.0.

Other mining related capital costs, such as for site and road establishment, infrastructure such as workshops, offices, explosives facilities, etc have yet to be considered or costs estimated but the overall allowance by SAM of US$150M for general site infrastructure should cover these costs.

6.9.2 Operating Costs

Mining operating costs assumed owner mining operation and maintenance and were built up from manning numbers and unit personnel costs, except for maintenance personnel. Equipment maintenance costs were supplied by VNN based on costs at other Votorantim mines. Fuel and lubricant costs were based on typical hourly costs and assumed a fuel cost of US$0.90/litre.

For mining equipment and labour costs a life-of-mine average fleet number and manning lists for each Block was estimated and a life-of-mine average cost therefore used.

For both mining methods initial estimations of staged increases to conveyor lengths were made and hence costs increased over time. This increase in conveying distance was simplified to 3 phases for Block 7 and 2 phases for Block 8.

Table 6.8_1

Annual Production Block 7 + Block 8

Block	Period (years)	Mine				Process Plant						ROM Compactness (%)			Concentrate (Mt)
		Material (Mt)				ROM Grade (%)									
		Ore	Waste	Mov. Total	Strip Ratio	Fe	SiO_2	Al_2O_3	Mn	P	LOI	Soft	Intermediate	Hard	
Block 7 + Block 8	1	60	44	104	0.7	20.7	58.9	5.9	0.29	0.09	1.8	80	20	0	13
	2	91	28	119	0.3	20.5	59.9	5.4	0.20	0.14	1.8	49	44	7	19
	3	122	29	152	0.2	20.4	61.0	5.2	0.16	0.18	1.9	45	44	12	25
	4	122	28	150	0.2	20.4	60.7	5.2	0.19	0.19	1.9	36	54	11	25
	5	122	28	150	0.2	20.4	59.4	5.1	0.22	0.22	2.0	25	48	27	25
	6	127	33	160	0.3	19.6	58.9	5.2	0.46	0.24	2.2	22	41	36	25
	7	124	29	153	0.2	20.1	57.7	5.0	0.61	0.27	2.4	15	34	51	25
	8	119	23	141	0.2	21.0	56.6	5.0	0.41	0.29	2.5	8	32	60	25
	9	111	33	144	0.3	22.4	54.9	4.8	0.46	0.30	2.7	5	29	66	25
	10	118	48	166	0.4	21.1	60.7	4.6	0.43	0.06	2.2	45	39	16	25
	11	118	65	183	0.6	21.1	59.6	4.7	0.89	0.10	1.4	39	39	21	25
	12	119	46	165	0.4	20.9	60.0	5.1	0.61	0.13	1.6	35	59	6	25
	13	120	44	164	0.4	20.8	59.3	5.0	0.87	0.14	1.9	15	62	22	25
	14	128	36	164	0.3	19.4	60.3	5.3	0.87	0.16	2.5	11	43	46	25
	15	116	50	166	0.4	21.4	59.4	4.5	0.15	0.16	1.7	22	42	36	25
	16	123	67	191	0.5	20.2	60.3	4.8	0.18	0.21	2.0	24	41	35	25
	17	129	53	183	0.4	19.2	60.7	5.0	0.24	0.24	2.2	23	42	35	25
	18	131	54	185	0.4	18.9	57.9	4.7	0.38	0.22	2.3	4	40	55	25
	19	128	55	182	0.4	19.5	58.1	4.4	0.31	0.19	2.2	6	27	66	25
	20	81	27	108	0.3	19.8	59.4	5.3	0.21	0.24	2.2	25	42	33	16
Block 7	21	36	21	57	0.6	20.5	59.4	5.4	0.08	0.25	2.5	31	32	37	8
	22	36	21	57	0.6	20.5	59.0	5.4	0.08	0.29	2.2	22	74	3	8
	23	38	10	49	0.3	19.5	59.6	5.6	0.18	0.24	2.7	34	62	4	8
	24	38	70	108	1.9	20.0	58.2	5.9	0.12	0.22	2.7	35	59	5	8
	25	34	26	61	0.8	21.8	57.4	5.7	0.09	0.20	2.5	28	70	2	8
	26	35	32	67	0.9	21.2	57.2	5.6	0.13	0.38	2.4	16	73	11	8
	27	9	14	23	1.6	20.5	57.2	5.9	0.22	0.29	2.5	14	60	26	2
Total		**2,539**	**1015**	**3554**	**0.4**	**20.4**	**59.5**	**5.0**	**0.16**	**0.20**	**2.1**	**25**	**44**	**31**	**520**

Table 6.9.1_1 Mining Equipment Initial Capital Cost Block 7 + Block 8, Alternative 1			
Equipment		**Quantity**	**Initial Cost (US$M)**
Load and Haulage	Hydraulic Excavator – Hitachi EX 5500	9	76.5
	Truck Off Road CAT 793 D	40	148.0
	Conveyor – Fixed-belt (outside the pit)	12,000m	42.0
	Sub – Total	***49***	***266.5***
Ancillary Equipment	***Sub – Total***	***76***	***97.2***
Total		**125**	**363.7**
Total adjusted for R$1.8: US$1.0			**372**

Table 6.9.1_2 Mining Equipment Replacement Capital Cost Block 7 + Block 8, Alternative 1			
Equipment		**Quantity**	**Replacement Cost (US$M)**
Load and Haulage	Hydraulic Excavator – Hitachi EX 5500	9	76.5
	Truck Off Road CAT 793 D	40	148.0
	Conveyor – Fixed-belt (outside the pit)	20,000	70.0
	Sub – Total	***49***	***294.5***
Ancillary Equipment	***Sub – Total***	***140***	***108.8***
Total		**189**	**403.3**
Total adjusted for R$1.8: US$1.0			**412**

Table 6.9.1_3 Mining Equipment Initial Capital Cost Block 7 + Block 8, Alternative 2			
Equipment		**Quantity**	**Initial Cost (US$M)**
Load and Haulage	Hydraulic Excavator – Hitachi EX 5500	4	34.0
	Hydraulic Excavator – Hitachi EX 2500	16	88.0
	Truck Off Road CAT 793 D	14	51.8
	Conveyor – Mobile belt – (kits – 300m)	49	111.4
	Conveyor – Fixed-belt (inside & outside the pit)	19,700m	68.9
	Sub – Total	***83***	***354.1***
Ancillary Equipment	***Sub – Total***	***80***	***135.2***
Total		**163**	**489.4**

Table 6.9.1_4

Mining Equipment Replacement Capital Cost Block 7 + Block 8, Alternative 2

Equipment		Quantity	Replacement Cost (US$M)
Load and Haulage	Hydraulic Excavator – Hitachi EX 5500	4	34.0
	Hydraulic Excavator – Hitachi EX 2500	16	88.0
	Truck Off Road CAT 793 D	14	51.8
	Conveyor – Mobile belt – (kits – 300m)	0	0.0
	Conveyor – Fixed-belt (inside & outside the pit)	20,000	70.0
	Sub – Total	***34***	***243.8***
Ancillary Equipment	***Sub – Total***	***127***	***80.9***
Total		**161**	**324.7**

Table 6.9.2_1

Mining Operating Cost Summary
Alternative Mining Method 1

	Block 7 (US$/t)			Block 8 (US$/t)	
Cost Item	**Phase 1**	**Phase 2**	**Phase 3**	**Phase 1**	**Phase 2**
Equipment	0.68			0.53	
Labour	0.15			0.15	
Primary crush & convey	0.15	0.08	0.15	0.03	0.04
Mining cost/t mined	**0.86**	**0.90**	**0.98**	**0.70**	**0.72**
Mining cost/t concentrate	6.68	7.03	7.61	5.46	5.57

Table 6.9.2_2

Mining Operating Cost Summary
Alternative Mining Method 2

	Block 7 (US$/t)			Block 8 (US$/t)	
Cost Item	**Phase 1**	**Phase 2**	**Phase 3**	**Phase 1**	**Phase 2**
Equipment	0.68			0.53	
Labour	0.15			0.15	
Primary crush & convey	0.03	0.08	0.15	0.03	0.04
Mining cost/t mined	**0.79**	**0.88**	**1.03**	**0.70**	**0.73**
Mining cost/t concentrate	6.14	6.84	8.01	5.46	5.67

The weighted average operating cost is $0.78/t mined or $6.06/t of concentrate for Alternative 1 and $0.77/t mined or $6.02/t of concentrate for Alternative 2.

The above mining costs are as derived in the Scoping Study in mid 2009 and should be seen as being optimistic and do not include any contingency allowance. These preliminary costs also do not include a number of other mining related costs that should be estimated in future work, such as for any drilling and blasting, grade control costs, ore rehandling, pit de-watering, minor consumables such as for personnel, workshops and offices, and employee site costs such as any accommodation, transport, meals and training. Coffey Mining has added 15% to the above mining operating costs as an estimate of contingency and to cover

costs not yet estimated, resulting in a weighted average operating cost of $0.90/t mined or 6.97/t of concentrate for Alternative 1 and $0.89/t mined or $6.92/t of concentrate for Alternative 2.

7 METALLURGY AND MINERAL PROCESSING

7.1 Metallurgical Testwork

The preliminary bench and mini-pilot test works were conducted with composited samples in recognised technological centres in Brazil and included chemical and mineralogical analysis, mineral liberation size, compactness or hardness, mill Work Index determination and process development preliminary test works.

7.1.1 Samples

For tests of process and characterisation, 6 composited chemically representative samples from core drilling were used, totalling 6,735kg. The head grades of the 6 composites are shown in Table 7.1.1_1.

Table 7.1.1_1

Samples for the Processing Testwork

Sample	Quantity (kg)	Block	Fe (%)	SiO_2 (%)	P (%)	Al_2O_3 (%)	Mn (%)	FeO (%)	MgO (%)	CaO (%)	TiO_2 (%)	K_2O (%)	Na_2O (%)	LOI (%)
AC-1	150	8	20.5	61.7	0.190	4.30	0.08	0.71	0.60	1.00	0.31	1.00	0.05	1.75
AC-2	365	8	19.7	63.5	0.130	4.07	0.06	0.50	0.65	0.93	0.32	0.95	0.12	1.40
AC-3	2.000	8	20.2	59.8	0.200	4.37	0.07	1.42	0.92	1.65	0.28	1.03	0.22	1.79
AC-6	2.800	8	21.8	58.7	0.205	3.98	0.09	–	0.92	1.57	0.31	0.96	0.14	1.78
AC-4	220	7	21.5	55.1	0.260	5.14	0.14	4.70	1.28	1.51	0.32	0.82	0.50	2.89
AC-5	1.200	7	20.3	57.2	0.229	5.70	0.35	3.81	1.22	1.29	0.38	0.97	0.34	2.98

7.1.2 Mineralogical Analysis

In the samples analysed from Block 8, iron oxides are mainly hematite (>98%), while in the samples analysed from Block 7 magnetite and goethite was present as well (48% magnetite, 36% hematite and 16% goethite).

In some of the samples the minerals albite, chlorite, vermiculite and kaolinite are also found.

7.1.3 Mineral Liberation Size

For recovery of iron minerals, liberation size only reaches significant levels for the concentration process in fine particles (lower than 74μm for Block 8 and lower than 105μm for Block 7). In general, the apatite present in the ore from Block 8 has a higher liberation rate than in Block 7. A more significant liberation rate only occurs in very fine particles, lower than 44μm.

7.1.4 Ore Compactness or Hardness

In Block 7, about 41% is compact material, 46% semi-compact and 13% friable as identified from core descriptions; in Block 8, approximately 40% compact, 35% semi-compact and 25% friable.

In Block 8, the bond Work Index for the friable, semi-compact and the compact were 5.7, 10.1 and 5.9kWh/st, respectively, and for composited samples were 6.6, 5.6 and 6.4kWh/st. In Block 7 the Work Indexes were determined only on composited samples and were 6.3 and 8.3kWh/st. The determinations demonstrated potential for milling at low cost.

7.2 Crushing

In the reports provided to Coffey Mining no crushing studies have yet been done, although this is not likely to be an issue due to the relative softness of the ore.

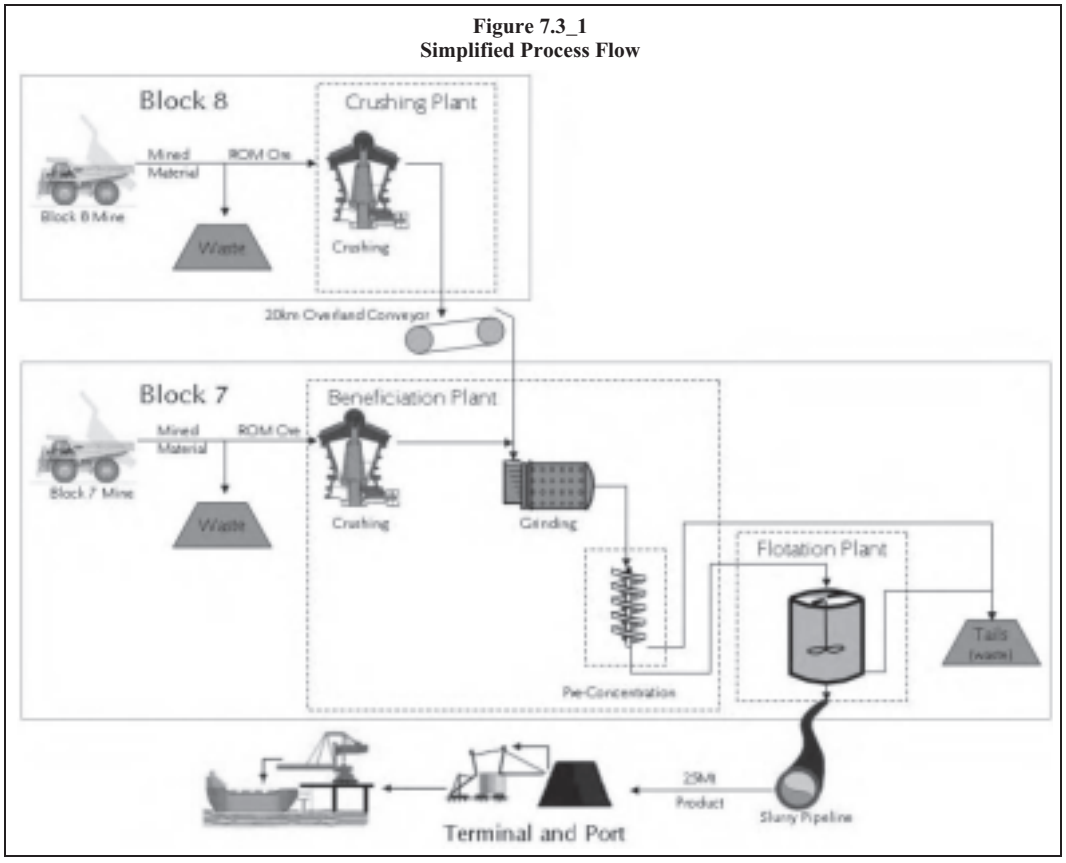
7.3 Iron Ore Beneficiation Process

From the results of the process testwork, which also included magnetic separation, VNN obtained a preliminary process route that includes:

- Pre-concentration in spirals, obtaining pre-concentrate with grade >30% Fe;
- Reverse flotation of spiral pre-concentrate for quartz extraction, as traditionally done in most iron ore processing plants in Brazil.

The Project aims at producing pellet feed and the simplified process flow is shown in Figure 7.3_1.

Figure 7.3_1
Simplified Process Flow



Bench tests with the sample AC-3, from Block 8, has shown that the current preliminary processing route is promising and obtained pellet feed with the following specifications from the head sample (ROM) with Fe=20.2%; mass and metallurgical recovery of 20.3% and 65.3% respectively; pellet feed quality (Fe > 65.0%; SiO_2 < 2.5%; Al_2O_3 < 1.0%; P < 0.05%; 100% < 65 mesh and 85% < 325 mesh).

Mini-plant pilot flotation tests did not produce results as good as the bench tests, but initial evaluations show there is significant potential.

The goal of this first phase of testing was simply to assess whether the ore in Blocks 7 and 8 could generate a concentrate of marketable quality and suggest an economically viable primary route of processing and this has been achieved. There remains a lot more processing and tailings test work to be done for the next stage of Project evaluation.

7.4 Costs

Plant capital cost estimates were approximately US$1 billion (US$1,004M) for a processing plant capacity of 125Mtpa (ROM). The capital cost was estimated by VNN based on two similar projects. Hatch state that "The approach taken by VNN is reasonable for an order of magnitude estimate for the early stages of project development. The reported capital cost of approximately US$1 billion also appears to be reasonable for a plant processing 125Mtpa of soft ore based on benchmarking with other iron ore beneficiation plants familiar to Hatch. Nonetheless, there is still significant potential for variation to the estimate

developed in the absence of equipment sizing or finalized process route. Once the process has been finalized, an appropriate next step would be to develop a factored estimate based on budgetary equipment prices." VNN assumed an exchange rate of R$2.2:US$1.0 and for an assumed 20% of costs to be in R$ the original US$1,004M estimate would become US$1,049M for an exchange rate of R$1.8:US$1.0.

Plant operating costs were estimated by VNN at US$2.20/t of ROM ore or US$10.73/t of concentrate as shown in Table 7.4_1 based on the parameters of the preliminary process route.

Table 7.4_1

Processing Costs Summary

Area	Cost (US$/t Feed)	Cost (US$/t Product)
Labour	0.23	1.14
Operational Services	0.12	0.61
Maintenance	0.33	1.60
Power	0.45	2.19
Consumables	0.62	3.00
Tailings	0.06	0.30
Sub-total	1.81	8.83
General and Administration	0.14	0.70
Sustaining Capital	0.25	1.20
Total	**2.20**	**10.73**

Hatch state that "The approach taken by VNN is reasonable for an order of magnitude estimate based on the early stages of project development. The reported operating cost of approximately $2.00 to $2.50/tonne of feed also appears to be reasonable for a large plant processing soft ore based on benchmarking with other iron ore beneficiation plants familiar to Hatch."

Coffey Mining has not reviewed these costs although based on our general knowledge of similar operations in Brazil these costs appear reasonable except those related to tailings appear insufficient and requires more work.

8 WASTE DISPOSAL

Waste is material mined directly from the pits that is below the nominated iron content cutoff grade plus the waste generated from the beneficiation plant.

8.1 Waste Rock

External waste dumps were designed for both Block 7 and Block 8 equivalent to at least the first two years of mining and thereafter waste will be dumped into the mined out sections of the pits, minimising the overall land disturbance and allowing progressive rehabilitation of back-filled pit areas.

It is also proposed to dispose of much of the beneficiation plant tailings with the waste rock in the exhausted pit areas.

The waste dump planned for Block 7 is located to the northeast of the central pit and has a capacity of 176Mm^3. Marginal or low grade material can be separately stockpiled within this dump area, close to the primary crushers. The site layout for Block 7 showing the current location of pits, waste dumps, tailings storage and other key infrastructure is shown in Figure 8.1_1.

For Block 8 a waste dump was designed with a capacity of 28Mm^3. A low grade or marginal stockpile, for 2.1Mm^3 was allowed for low grade material should it become economical to process in the future. The site layout for Block 8 showing the current location of pits, waste dumps, tailings storage and other key infrastructure is shown in Figure 8.1_2.

8.2 Tailings

Tailings from beneficiation processes are about 80% of ROM ore, or about 2,030Mt, and therefore are a very significant part of the Project planning and costs. Studies for treatment and disposal of tailings are still at a very early stage.

The assumption for the Scoping Study for tailings disposal considered a pre concentrate will be produced in Block 8, and this will transported by pipeline (approximately 27km) to the concentration plant in Block 7.

Tailings storage outside the pit areas has been allowed for, with a total of 530Mm^3 (or 954Mt assuming a density of 1.8t/m^3) at Block 7 and 122Mm^3 (220Mt) at Block 8.

The assumed slope angle of deposited thickened tailings is between 26^o and 29^o.

The balance of the tailings produced will be deposited in the mined out pit areas in conjunction with mined waste back-filling.

Figure 8.1_1
Site Layout Block 7

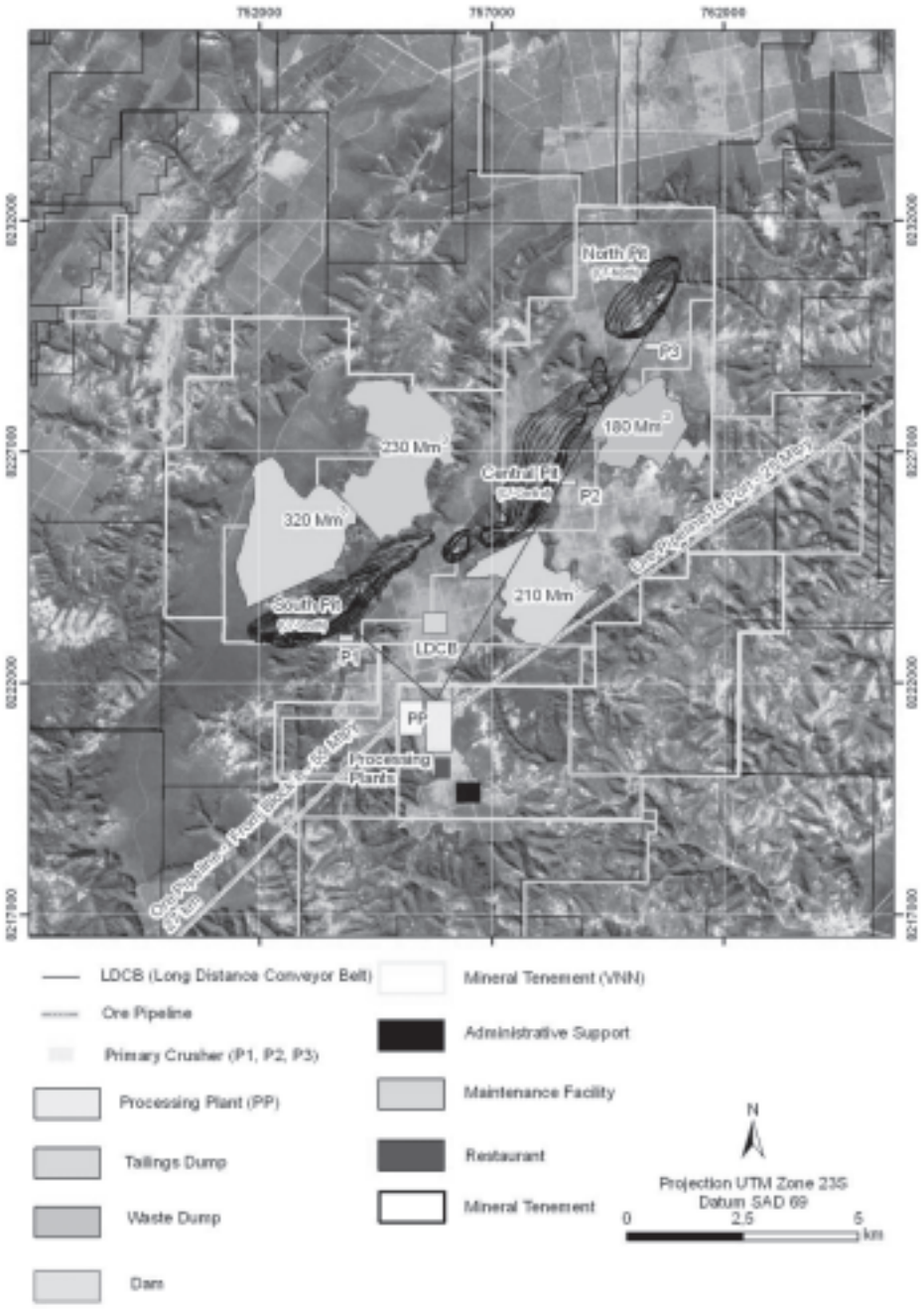
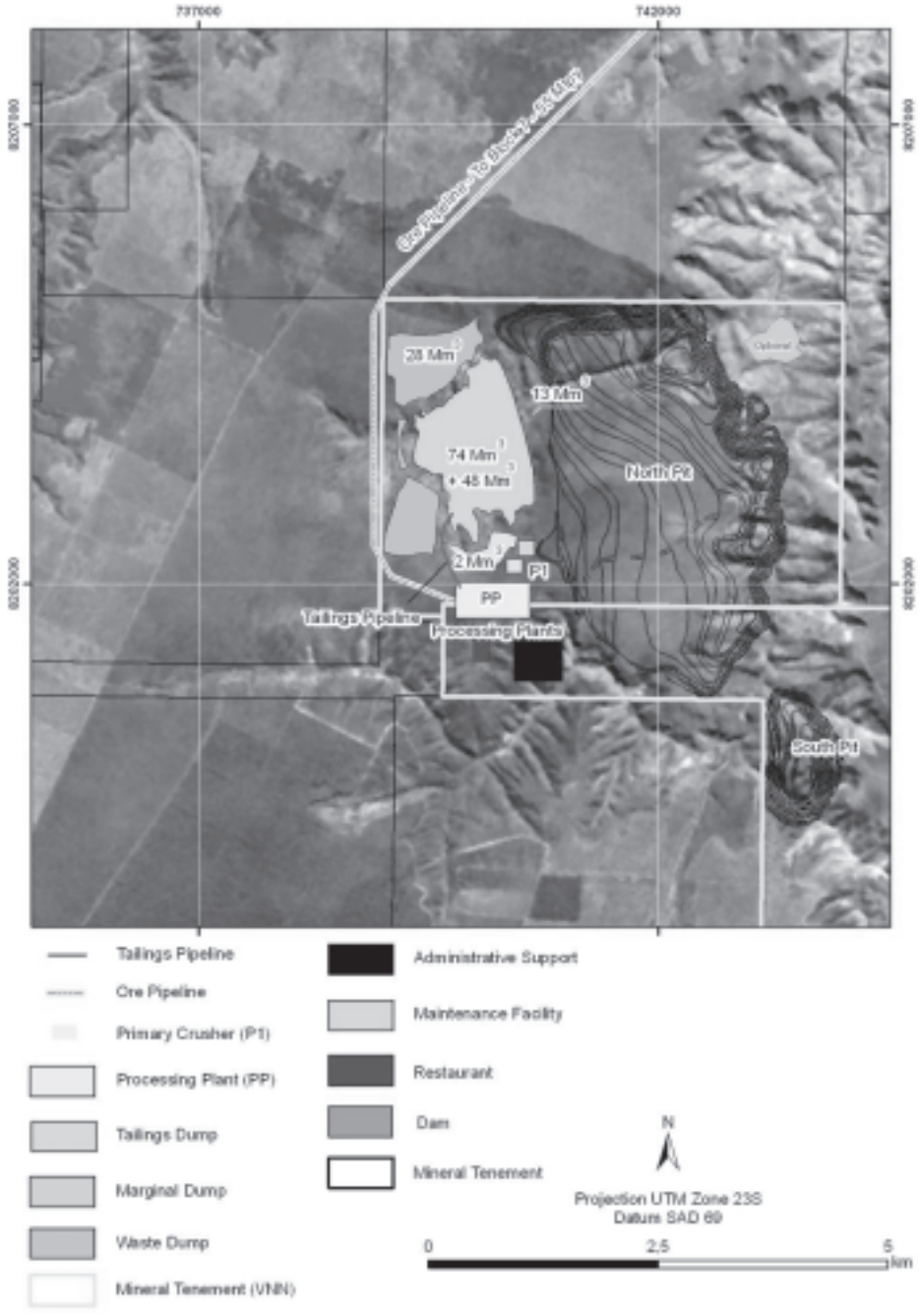


Figure 8.1_2
Site Layout Block 8



9 OTHER PROJECT INFRASTRUCTURE AND SERVICES

9.1 Power

Only an initial review of power sources appears to have been done to date and the following is taken from a Companhia Energetica de Minas Gerais (CEMIG) PowerPoint supplied by VNN.

The area where Blocks 7 and 8 are located is close to some cities that have major power lines as shown in Figures 9.1_1 to 9.1_3.

Figure 9.1_1
Power Supply Area of Interest

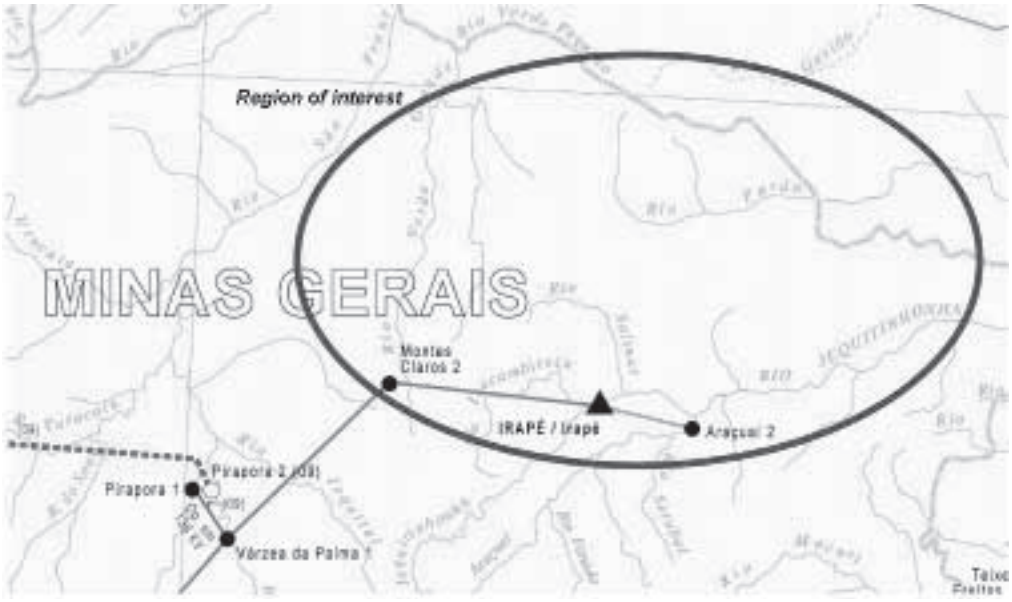


Figure 9.1_2
Distances to Major Centres

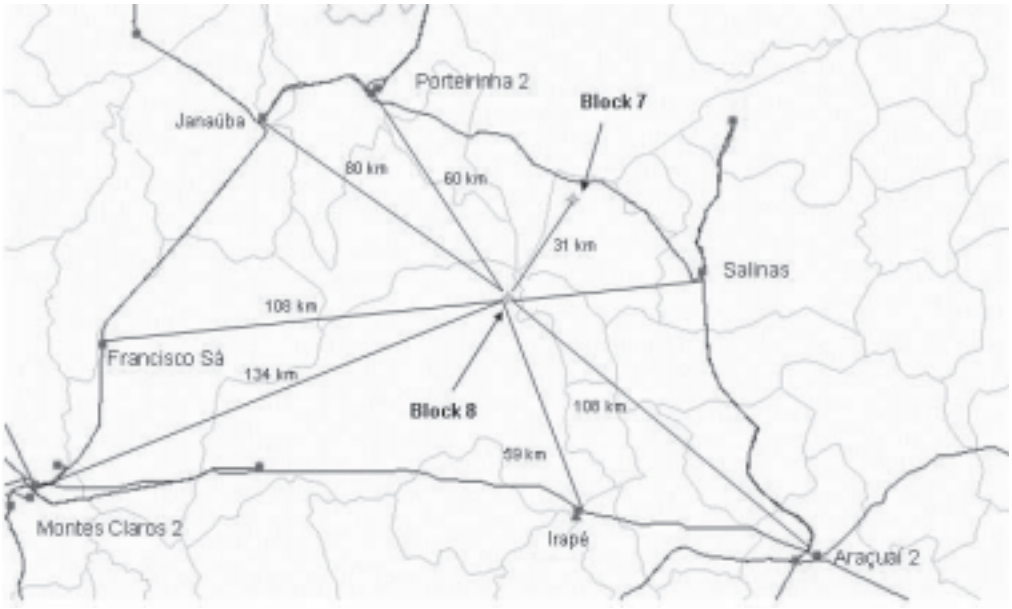
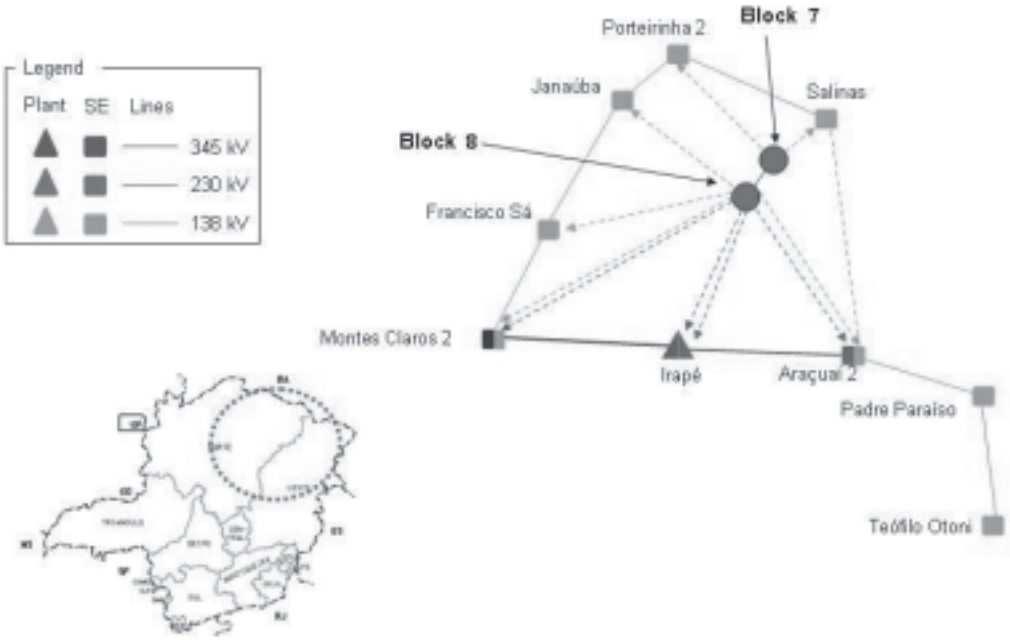


Figure 9.1_3
Possible Power Connection Points



A power cost quote of 6.94¢/kWh has been received from CEMIG. It is also unknown at this stage in any detail what capital contribution to power supply may be required but for an approximate site capacity of 100MW SAM has assumed they will need to cover the cost of the high voltage power transmission line from existing infrastructure to the mine plant site and this cost has been assumed to be between US$20-25M, which seems reasonable.

9.2 Mine Site Water Supply

A Project-wide water balance or estimation of water consumption, and the amount of water that can be recycled and reused, has yet to be completed in any detail. The Coffey Mining Scoping Study estimated water use at approximately 100Mm^{3}pa for Block 7 and 8 ore processing and included the 12Mm^{3}pa for transporting the concentrate to the port via a pipeline. An estimate for dust suppression for mining operations has not yet been completed and nor has any estimate of supply from pit dewatering or other water "harvesting" been considered yet at this early stage of the Project.

Brandt Meio Ambiente Ltda (Brandt) did a preliminary study into water supply for the Project in 2008. They assumed the required demand was 2,280m^3/h or 20Mm^{3}pa and investigated sourcing water from the Irape dam and other local sources. SAM has received a first priority grant for the Irape water source which represents around 60% of SAM's water requirements, depending on recycling achieved.

9.3 Other Mine Site Infrastructure

To develop the Project, there will need to be other infrastructure provided such as public access roads, internal or non-public access roads to Blocks 7 & 8, offices, warehouses and possibly some accommodation for employees, for example. At this stage of the Project

this detail has yet to be considered or costed in any detail and would be part of a Prefeasibility Study. An allowance of US$150M has been made by SAM for all other mine site infrastructure, including mining infrastructure and power transmission line.

10 TRANSPORT OF CONCENTRATE AND PORT

10.1 Concentrate Pipeline

It is planned to transport the concentrate from the Project via an approximately 493km long pipeline to a port on the coast and an initial study has been completed by PSI do Brasil (PSI).

The pipeline will need two pump stations, one at the mine and the other at about 100km from the mine towards the port terminal.

PSI advised that there no new technology was considered in the study and they are confident that the recommended system is feasible and can meet the production and performance requirements of the Project.

The possible route of the pipeline and the destination ports investigated are shown in Figure 10.1_1.

Figure 10.1_1
Project Concentrate Pipeline Route and Port Location

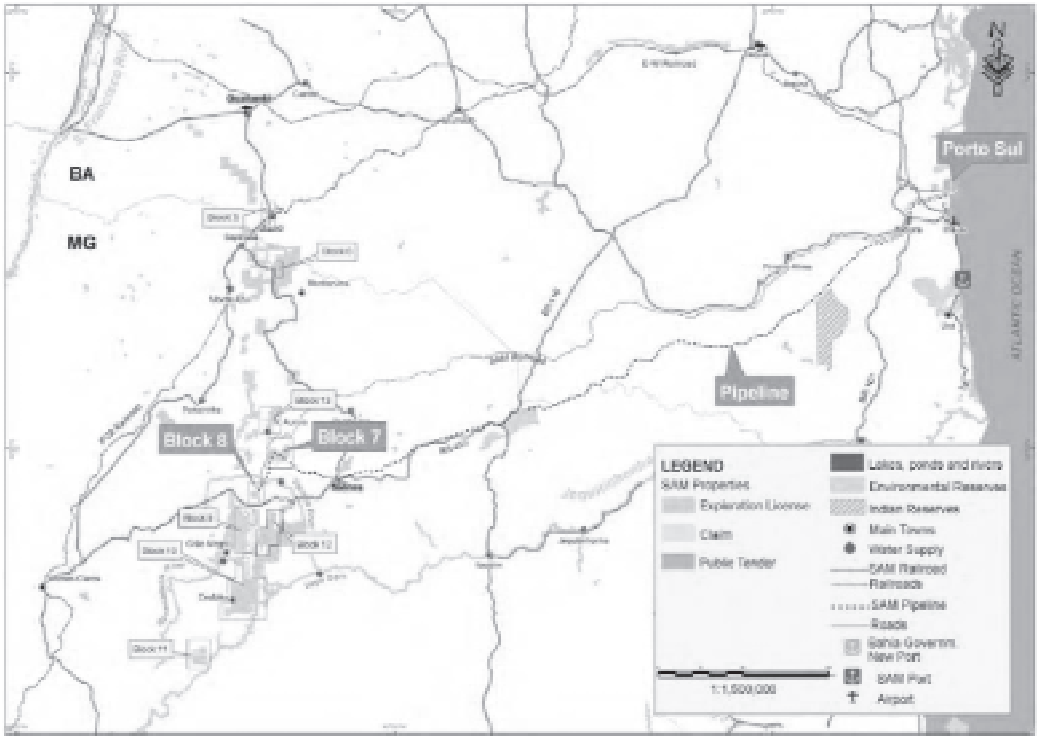


Figure taken from Hatch Report

PSI have estimated a capital cost of approximately US$1,178M in mid 2008, summarised in Table 10.1_1. However there have since been changes to the site plan for processing, the pipeline length (overall increase of 20km), changes in R$:US$ exchange rate and changes to market conditions therefore SAM reviewed costs in May 2009, also summarised in Table 10.1_1. SAM also obtained quotes for pumps and piping.

Table 10.1_1

Pipeline Capital Cost Summary

Area	PSI Cost, July 2008 (US$M)	SAM Cost May 2009 (US$M)
Construction and Assembly	476.1	383.0
Pump Station 1	75.0	47.9
Pump Station 2	86.0	62.0
Station Valves	26.0	19.0
Terminal	23.9	18.1
SCADA	3.0	2.4
Telecommunications	0.5	0.4
EPCM	37.0	29.8
Pipeline	382.0	217.1
Contingencies (6.2%)	68.7	48.3
Total	**1,178.2**	**827.8**

Since May 2009 there have also been changes, such as the market has improved for suppliers and the exchange rate has changed the other way. Considering the high level of study work done to date a higher contingency allowance is also prudent. It is therefore reasonable to expect the current capital cost is somewhere between the above two estimates, with the midpoint being **US$1,003M**.

PSI estimated pipeline operating costs at US$0.95/t of concentrate in July 2008, with the largest item by far being power costs at approximately 90% of the cost, at an assumed unit cost of $0.11kWh and an exchange rate of R$2.0:US$. SAM also reviewed operating costs in May 2009, using an exchange rate of R$2.2:US$, a quoted power cost of $0.0694kWh and considered the local and imported proportion of maintenance supplies and services and estimated operating costs at US$0.65/t of concentrate.

As the exchange rate for the last 6 months has averaged approximately R$1.8:US$ and the Brazilian economy is strong it is again expected that the current cost is somewhere between the two estimates, with the midpoint being **US$0.80/t**.

10.2 Rail Option

An owned railway Conceptual Study was developed as an alternative for transporting concentrate, via a 508km railroad from the beneficiation plant near Salinas to Porto Sul.

This engineering study was completed by VEGA – Engineering and Consulting Ltda. and it was divided into two sections. The first section was railway engineering technical matters and the second considered the economic aspects, addressing capital and operating costs, including loading and unloading steps.

The technical approaches included defining a transport corridor for the possible SAM Salinas-Ilheus Railroad route, that is shown in Figure 10.1_1, and, based on the type and amount of load to transport, to define preliminarily equipment type, wagons, locomotives, train, track capability, number of trains per day to meet transport demand, design and quantification of facilities for supporting the operation.

The investment estimates are detailed in the VEGA Report and summarised below after adjusting for an exchange rate of R$1.8:US$.

Two alternatives were considered in the railroad transport study:

- Alternative I – best geometric characteristics, which leads to a higher capital cost of US$1,884M and lower operating cost, ranging from US$4.00 to US$4.46/t of concentrate transported, included loading and unloading costs; and

- Alternative II – geometrical features resulting in a lower capital cost of US$1,837M but higher operating cost, ranging from US$4.89 to US$4.74/t of concentrate transported.

Some discussions have been carried out for construction of a rail link to a possible Oeste-Leste (East-West) Railroad, currently being developed by the Brazilian government. This Railroad will start in Barreiras, arriving Ilheus, Bahia, after a 1,022km distance. Although this alternative would require less Project investment the transportation operating cost would be higher and also dependent on another company.

The options for railroads and their capital and operating costs were compared to the pipeline and the conclusion was that the pipeline is economically more attractive, especially on an operating costs basis. Ore slurry transportation by pipeline has been used for the Samarco iron ore mine for about 30 years and a number of other iron ore projects are developing pipeline studies or are in the implementation phase.

10.3 Port

Sandwell conducted a preliminary study in 2008 into possible port locations, two port capacities (25Mtpa and 50Mtpa), and receipt of concentrate by pipeline or by rail and proposed initial port layouts plus capital and operating costs estimates.

The 25 and 50Mtpa throughput is based on dry solids transported from the mine site. The total annual tonnage shipped from the terminal must also reflect the moisture content in the concentrate after dewatering and stockpiling. This will be up to 26.75Mtpa and 53.5Mtpa, based on a maximum moisture content of 7% loaded on the ship. Only the dewatering facilities required to handle 25Mtpa of iron ore were considered for design and cost estimates by Sandwell.

Following a preliminary reconnaissance and field visit to a number of pre-selected sites by Sandwell and VNN personnel, two sites was shortlisted:

- The existing Ilheus Port site located 450km from Salinas (shown in Figure 10.1_1 below Porto Sul); and

- A Greenfield site located 23km south of Ilheus Port, this site was called 4B.

Later in the study, VNN acquired a property south of point 4B known as Fazenda Cajueiro and this site was also evaluated by Sandwell. Since the Sandwell 2008 work Porto Sul has became the Project's base case port due to its smaller capital and operating costs as Porto Sul will be built by the Bahia Government along with a private consortium.

According to SAM Porto Sul concept is very similar to the one initially projected by Sandwell. Costs for Porto Sul were based on adjustments made by SAM to Sandwell's assumptions for the conceptual project of the port at Fazenda Cajueiro.

The order of magnitude (+40% -25%) capital costs made by Sandwell for the Fazenda Cajueiro site totalled US$570M, in April 2008 costs and R$1.7:US$. SAM revised the Sandwell capital 25Mtpa, pipeline receipt option costs:

- to reflect different R$:US$ exchange rates, including the cost of the breakwater;

- a decrease in services prices and equipment prices to reflect May 2009 market conditions;

- based on an expected partnership between the Government of Bahia and a private consortium formed by SAM and another privately owned company. SAM assumes that it will be responsible for 75% of the capital cost for some items and 50% for some other items.

The revised SAM capital cost was US$326M based on May 2009 costs and exchange rates of R$2.2:US$. However as for the pipeline capital costs the exchange rate has moved back the other way and the market for suppliers has improved. Adjusting costs based on an exchange rate of R$1.8:US$, reinstating services and equipment prices back to Sandwell estimates and maintaining the sharing of capital costs with others as assumed by SAM the current capital cost is approximately **US$390M**.

The initial operating cost estimated by Sandwell was US$70.5M per year, or US$2.82/ dry tonne of concentrate. On a similar basis to capital costs, including varying exchange rates, then market conditions, sharing some costs with others, reallocation of some administration personnel costs plus likely lower power costs from Coelba (Estate of Bahia Power Company) SAM estimated the operating cost at US$1.51/dry t. As for the pipeline, due to the exchange rate reversing, market conditions for suppliers improving and the uncertainty of what costs will be shared by others (and to what extent), operating costs will have increased although without a formal update it is difficult to estimate to what level. Coffey Mining's estimate, based on information supplied and these recent changes is **$1.77/ dry t** of concentrate.

Recent press releases by Honbridge advise that construction of a pellet plant at the port will also be considered but no technical work on this has been commenced.

11 SOCIAL AND ENVIRONMENTAL

11.1 Social

Despite the Project being located in relative proximity to developed areas the region has some of the worst development rates and quality of life indicators (Human Development Index (HDI), Gross Domestic Product (GDP)) in the country, which includes the municipalities directly or indirectly affected by the Project. Considering these aspects, the Project and a new mine is likely to be well accepted by the communities and political authorities, due to its strong effect on the social, economic and educational improvement, creating new opportunities for the population in the area.

In similar cases, which involve promoting the development of the region involved, the government and local authorities support normally helps to break possible local resistance of some sectors. The potential benefits of the Project for the region have been exhaustively discussed and published in the media.

Integratio Communication and Social Integration Ltda. did a Landowner study for Block 8. This study was based mainly on a field visit held in to October, 2007, by two Integratio professionals and documentation provided by the Block 8 landowners. The majority of this area is within the Grao Mogol municipality and a small piece in Padre Carvalho municipality. The border between these two municipalities is bounded by Lamarao River. Besides this, other watercourses cross the claims areas like Novo Mundo and Corrego do Vale Creek.

During this visit all the landowners (38) in the two SAM claims were identified and annotated in a written report to be used as a basis for the future work when needed. In general the residents have a reasonable expectation for selling their lands. They were willing to provide authorization for access to all areas in the exploration phase.

11.2 Environmental

The preliminary environmental study was developed by AMS Consultoria & Assessoria Ltda. (AMS). It had as the main objective to assess the environmental impacts of exploration, project development and future production of iron ore, in the Vacaria River Basin. The Vacaria River is a tributary of the large Jequitinhonha River. The areas studied are located in the municipalities of Grao-Mogol, Padre Carvalho, Fruta de Leite and Rio Pardo de Minas in northern Minas Gerais.

The Project iron ore deposits of Blocks 7 and 8 are located in the Jequitinhonha Valley region, an area mainly covered by cerrado vegetation, and is already largely degraded by the eucalyptus plantation and exploitation of native forests for charcoal production.

Some points were specifically considered, including legal, physical environment, biota aspects and the socioeconomic environment related issues.

There are several spring waters and drainages in the areas that should be used for mining pits, waste and marginal dumps, tailing dams and deposits, mine facilities, some of these drainages with their riparian brushwood (matas ciliares), small canyons and cliffs. Based on these topographics and vegetation features these lands in some areas could be categorized as Areas de Protecao Permanente (APP), Protected Area.

However, the use of these areas for economic activity has normally some limitations, but mineral exploration and mine production could be approved by environmental authorities due to these areas being included in the Ecological and Economic Zoning of the State of Minas Gerais. Future Environmental Impact Studies should take into account that the region is a "special area", having mining as a potential activity given by the classification in these Minas Gerais special regulations.

AMS concluded that all Blocks have environmental sustainability conditions, if due care is taken.

12 PROJECT STATUS AND PLANNED WORK

12.1 Current Project Status

Most of the technical areas are at Scoping Study level, although some aspects, such as social and environmental, are incomplete at this level.

Until more technical and economic analysis has been completed as part of a Pre-feasibility Study, mineral or ore Reserves cannot be reported.

12.2 Mineral Resources Upgrade

As per Section 4.2 the current Resource estimation presented in this report was completed using data up to May 2009. As only limited drilling at Block 8 was completed in late 2009 and as there is a significant drilling program currently underway at Block 8 it is not justified to update the Resources until after the current program is completed at the end of 2010.

The Block 8 drilling campaign focus is to upgrade the first 20 years Mineral Resources to measured and indicated level of confidence, closing the current drill grid, and confirm the mineralized domain continuation to the east.

12.3 Other Technical Work

Additional work on processing and water supply has just commenced.

SAM has recently signed a Memorandum of Understanding with the Minas Gerias Government to further progress work on the mine, beneficiation plant and concentrate pipeline. In turn the Minas Gerias Government will assist with providing adequate electrical power and support SAM in obtaining finance, environmental and other permits and tax concessions for the Project.

SAM has recently signed a non-binding Memorandum of Understanding with the Bahia Government to further progress work on the pipeline, port and possible plant for manufacturing iron ore pellets. In turn the Bahia Government will consider making land available, provide adequate electrical power and support SAM in obtaining finance, permits and tax concessions for the Project.

12.4 Project Cost Summary

12.4.1 Capital Costs

Based on earlier Sections the current initial capital cost is summarised in Table 12.4.1_1.

Table 12.4.1_1

Project Initial Capital Cost Summary

Area	Cost (US$M)
Prefeasibility Study (including Resources drilling, etc)	35*
Mining Fleet – Initial Equipment (Alternative 1 ore mining)	372
Beneficiation plant, including water supply	1,049
Other Mine Site Infrastructure, including some power supply	150*
Pipeline	1,003
Port	390
Total	**2,999**

* = provided by SAM

The capital costs in Table 12.4.1_1 assume an exchange rate of R$1.8:US$1.0 and for the mining fleet assume only 10% of the cost is affected by exchange rate.

Due to a mine life of 20 or more years the mining fleet will need to be progressively replaced as individual items reach their economic life and this replacement or working capital cost has been estimated by Coffey Mining in the Scoping Study as US$412M for the alternative 1 ore mining method.

12.4.2 Operating Costs

Based on earlier Sections and cost estimates provided by SAM the current operating cost is summarised in Table 12.4.2_1.

Table 12.4.2_1

Project Operating Cost Summary

Area	Cost (US$/t of pellet feed)
Mining (ore mining Alternative 1)	6.97
Beneficiation	10.73
Pipeline	0.80
Port	1.77
General and Administration	0.96*
Royalty	1.00*
Selling Expenses	1.50*
Total	**23.73**

* = provided by SAM

13 RISK ANALYSIS

The following risk analysis follows Guidance Note 7 of the Stock Exchange of Hong Kong.

13.1 Introduction

Risk has been classified from minor to major as follows:

- **Major Risk:** the factor poses an immediate danger of a failure which, if uncorrected, will have a material effect (>15% to 20%) 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% to 15%) on the project cash flow and performance unless mitigated by some corrective action.

- **Minor Risk:** the factor, if uncorrected, will have little or no effect (<10%) on project cash flow and performance.

The likelihood of a risk event occurring within a nominal 7 year time frame has been considered as:

- Likely: will probably occur

- Possible: may occur

- Unlikely: unlikely to occur

The degree or consequence of a risk and it's likelihood are combined into an overall risk assessment as per Table 13.1_1.

Table 13.1_1

Overall Risk Assessment

Likelihood of Risk (within 7 years)	Consequence of Risk		
	Minor	**Moderate**	**Major**
Likely	Medium	High	High
Possible	Low	Medium	High
Unlikely	Low	Low	Medium

13.2 Risks Summary

A summary of the main Project risks considered is included in Table 13.2_1 and the discussion on these risks included in the following subject sub-sections.

Table 13.2_1

Project Risk Assessment Table Before Mitigation

Hazard / Risk Issue		Likelihood	Consequence Rating	Risk
Geology	Local Geological knowledge	Unlikely	Minor	Low
	Iron mineralisation discontinuity	Possible	Major	**High**
	Lack of significant Resource	Likely	Major	**High**
	Geological complexity, mining scale	Possible	Moderate	Medium
Mining	Low Reserves established	Possible	Major	**High**
	Adverse ground conditions/stability	Possible	Minor	Low
	Equipment selection inadequate	Possible	Moderate	Medium
	Poor mine planning or scheduling	Possible	Moderate	Medium
	Significant production shortfalls	Unlikely	Major	Medium
Processing	Lower Fe recovery	Possible	Moderate	Medium
	Lower plant production levels	Possible	Moderate	Medium
	Plant reliability	Possible	Moderate	Medium
	Quality of product	Possible	Moderate	Medium
	Tailings handling problems	Possible	Moderate	Medium
Services	Power capacity limit	Unlikely	Moderate	Low
	Water availability limit	Possible	Major	**High**
	Lack of skilled personnel	Possible	Moderate	Medium
Environmental	Port Water Discharge Limit	Possible	Moderate	Medium
	Regulatory Consent/Variation Delays	Possible	Moderate	Medium
Capital and Operating Costs	Capital Cost Increases – Start-Up	Likely	Moderate	**High**
	Capital Costs – Ongoing	Possible	Moderate	Medium
	Operating Costs Underestimated	Possible	Major	High
Product Sales	Low product price	Possible	Major	High
	Unable to sell all production	Possible	Moderate	Medium

13.3 Geology and Resources

- The SAM superficial geological knowledge is similar to other adjacent areas and is sufficient to support the current level of projects.

- With the current available information (drilling phase 1) it is not possible to ensure the geological and qualitative mineralisation continuity. To mitigate this risk issue SAM is part way through the phase 2 drilling campaign. So far the new data shows geological continuity but it is necessary to analyse the chemical results to guarantee that.

- The current Resource estimation dated by May 2009 and the classification has only 10% of Indicated and 90% of Inferred Resources. Based on this confidence level SAM does not have sufficient Resources to be converted into ore reserves. The phase 2 drilling campaign focus is to have 20 years of Block 8 Resources as Measured and Indicated which will mitigate this risk. More drilling is also required at Block 7.

- Geological complexity during mining, at a bench level, would increase costs and/ or reduce the ore quality to the plant. Greater density of data in selected areas will improve confidence in this issue.

13.4 Mining

- The quantity of Reserves depends not only on Measured and Indicated Resources but on the calculated economic cutoff grade. Extra drilling is expected to improve Resources confidence, a PFS will better define cutoff grades required.

- Poor ground conditions would mean flatter pit slopes although flat slopes have already been assumed in the Scoping Study.

- Incorrect mining equipment selection would reduce productivity and availability and hence increase costs. Selecting proven and well supported equipment will mitigate the risk.

- Poor mine planning and / or production scheduling is unlikely for these large deposits and long mine life but needs early focus.

- Significant production shortfalls, for any reason, are unlikely due to large pits, multiple fleets and alternative mining areas being available.

13.5 Processing

- Low Fe recovery can be mitigated by enough suitable testwork of representative samples during the PFS and later work. Current testwork is insufficient to give confidence in recovery.

- Lower plant throughput will directly affect concentrate production and hence revenue. Adequate testwork, engineering design and plant equipment selection will mitigate this risk.

- Poor plant reliability can be mitigated by adequate design and ongoing maintenance, as well as having sufficient site concentrate storage to minimise impacts on the pipeline.

- Quality of concentrate product is currently not known with confidence, more testwork required.

- Ore variability and tailings characterisation and variability testwork still to be done. Adequate design and engineering for this major area to be done in future study work.

13.6 Services

- It is not yet known with confidence what power demands are expected nor detail of available power supply. Further study and negotiations with suppliers to be part of next stage of study.

- Water demand highly dependent on what can be recycled and reused as well as securing initial supplies. More study required.

- A lack of skilled personnel can be mitigated by early and comprehensive training of local workforce and efforts to retain skilled people during operations.

13.7 Environmental

- Current level of environmental studies very preliminary, including for disposal of water from concentrate dewatering at port, for example.

- Delays in gaining environmental approvals and licenses or onerous permit conditions could delay the project and increase both capital and operating costs.

13.8 Capital and Operating Costs

- Insufficient work completed yet to have confidence in either capital or operating costs. Impact of general economy and demand for services, or strengthening of R$ could also significantly increase costs.

- Next level of study and engineering will reduce this uncertainly.

13.9 Product Sales

- A detailed market study is yet to be done although current product prices are higher than assumed in the mining Scoping Study.

- Price and quantity of sales can be set with negotiation of long term supply agreements.

13.10 Opportunities

For many of the risks above there are certainly opportunities to not only mitigate or greatly reduce the risk but to possibly improve Project performance and viability above the base case.

At the next study stage of the Project the opportunities should be considered along with mitigation of risks. It is premature to attempt to quantify any opportunities at this stage.

14 CONCLUSIONS AND RECOMMENDATIONS

14.1 Geology and Resources

The Project contains a very large existing mineral Resource plus significant prospective tonnage of low grade iron ore within two deposits, Block 7 and Block 8. The current significant infill and extension drilling program at Block 8 demonstrates SAM's confidence in the Project's potential and is expected to significantly increase the confidence in the Project's Resources and the first major step towards the estimation of a mineral Reserve.

The Resource estimate would benefit from the following being included into future exploration program:

- Detailed geological surface mapping over the entire project to improve the knowledge of the mineralization occurrences. Coffey Mining suggests that this mapping should be undertaken at 1:2.500 scale.

- Infill drilling to increase the geological and domain definition. Also, if practical, drillholes that previously stopped within the mineralized horizon should be deepened.

- New geological modeling considering new information of lithology, grades and rock strength.

- To consider representative sampling for additional metallurgical tests to evaluate the viability of processing this diamictite low grade iron ore.

- Complete an updated resource estimate once the results of the infill and extension drilling are known.

- Additional in situ and drillhole cores dry bulk density determinations to be obtained from direct measurements on diamond core billets. This should address not only the mineralized horizons but also the waste rocks, oxidation and weathering zones.

- To continue with the current QAQC program.

The other Blocks also have significant iron ore potential but are at exploration level only at this stage. A number of specific recommendations on further work for each other Block have been made in Section 4.7.

14.2 Mining

The Scoping Study completed in 2009 demonstrated the likely viability of two large open pit mines in Block 7 and Block 8. The pit optimization work has clearly indicated areas for further exploration and opportunity also.

Two alternative ore mining methods have been considered and both justify being considered in more detail in the next stage of Pre-feasibility Study.

Backfilling of mined out areas of the pits with mine waste plus tailings has shown to be cost effective and environmentally responsible and justifies significantly more study, including the associated water recycling and re-use study work.

It is also recommended that some geologically and metallurgical representative areas be drilled in more detail to begin to evaluate the detail of mining required and to estimate what amount of blending and possible ore rehandle, if any, is required to optimise processing plant operations.

14.3 Metallurgy and Processing

The limited metallurgical testwork completed to date indicates that a marketable quality concentrate or pellet feed can be produced.

As included in the Hatch report for the next stage of development a scoping study is recommended to assess project options that have been identified, including:

- Whether two separate plants or one large plant should be used to process the ore from Blocks 7 and 8;

- Whether ore from Blocks 7 and 8 should be mined concurrently or sequentially (this will depend on results of current drilling at Block 8 also);

- Whether overland conveyors, rail or a slurry pipeline should be used to transport ore between Block 7 and 8;

- Whether the additional costs to produce higher grade direct reduction (DR) pellets could be warranted;

- How to meet phosphorus content targets for the final product and to verify that they can be met.

Hatch has also made a number of specific recommendations on particular testwork to be performed in the next stage of study work.

14.4 Concentrate Transport and Port

The preliminary pipeline study by PSI has assumed the use of well proven technology and appears feasible. PSI believes the project is now at a point such that basic engineering may be initiated and made some recommendations that included:

- The route of the pipeline to be reviewed in more detail;
- Relevant environmental studies be initiated;
- Confirmation of the properties of the pulp need to be confirmed for the next step, including laboratory tests.

SAM has recently signed a Memorandum of Understanding with the Bahia Government to further progress work on the pipeline, port and possible plant for manufacturing iron ore pellets.

14.5 Other Infrastructure and Services

This large scale mining project will require significant power and water supplies for the nominated production levels for mining, beneficiation and pipeline transportation of the concentrate over a significant distance. More work is required to better quantify these needs and to determine if the likely supply of either may limit the scale of operations, either initially or longer term.

At least initial, scoping study work on the other expected infrastructure and services not yet quantified is recommended to be done before commencing a full PFS.

14.6 Social and Environmental

From the information provided to Coffey Mining only limited social and environmental study work has been completed to date and no material issues or problems have been identified. It is recommended this area of Project work progresses promptly to reduce uncertainly and risk and to ensure the Project definition and approval process is not delayed.

14.7 Overall Project Status

The current major infill and extension drilling program underway at Block 8 will make a significant difference to the Project status once complete, all data received and analysed and revised Resources estimated. More drilling is also required at Block 7 to increase the confidence level of Resources there.

Most of the technical areas are at Scoping Study level, although some aspects, such as social and environmental, are incomplete at this level. Planned or recommended additional Project work, such as further metallurgical testwork, should be compiled into an overall Project work plan, if not done already, to show when a PFS can be completed and Reserves estimated.

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SANDWELL; June 2008 – Port Site Recommendation Report.

VEGA Engenharia e Consultoria Ltda; December 2008 – MV Logística Mineral – Ligação Ferroviária Mina (Salinas/MG) – Porto (Ilhéus/BA).

The following is the text of the report of the valuation of the SAM based on the indicated resource estimate dated 5 November 2010 prepared by Roma Appraisals Limited for the purpose of inclusion in this Circular.

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5 November 2010

Honbridge Holdings Limited
Suite 2703, 27/F,
Great Eagle Centre,
23 Harbour Road,
Wanchai, Hong Kong

Dear Sir/Madam,

Re: Valuation of Market Value of 100% interest in Sul Americana de Metais S.A.

In accordance with the instructions from Honbridge Holdings Limited (hereinafter referred to as the "Company") for us to value the market value of 100% interest in Sul Americana de Metais S.A. (hereinafter referred to as the "Business Enterprise") which owns the Salinas Iron Project (hereinafter referred to as the "Project") in connection with the right to explore iron ore deposits and substances in Brazil.

We are pleased to report that we have made relevant enquiries and obtained other information which we consider are relevant for the purpose of providing our opinion of the market value of 100% interest of the Business Enterprise as at 30 June 2010 (hereinafter referred to as the "Date of Valuation").

This report states the purpose and basis of valuation, scope of work, economic and industry overview, an overview of the Business Enterprise, major assumptions, valuation methodology, limiting conditions, and presents our opinion of value.

This report has been prepared in accordance with the guidelines set by the Code for the Technical Assessment and Valuation Mineral and Petroleum Assets and Securities for Independent Expert Reports ("VALMIN") established by the VALMIN Committee in Australia.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. The Company is a public company listed on the Growth Enterprise Market ("GEM") of the Stock Exchange of Hong Kong Limited. In addition, Roma Appraisals Limited ("Roma Appraisals") acknowledges that this report may be made available to the Company for public documentation purpose and included in the Company's circular only.

Roma Appraisals assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely on their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and on information provided by the management of the Company, the management of the Business Enterprise and/or its representative(s) (together referred to as the "Management").

In preparing this report, we have had discussions with the Management in relation to the development and prospect of the iron ore industry in Brazil and a number of countries worldwide, and the development, operations and other relevant information of the Business Enterprise. As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business Enterprise provided to us by the Management and have considered such information and data as attainable and reasonable.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

3. ECONOMIC OVERVIEW

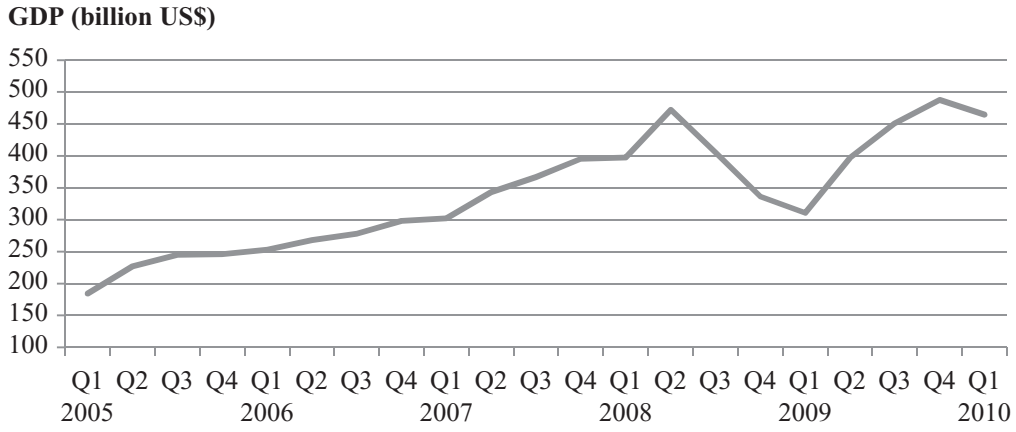
3.1 Overview of the Economy in Brazil

Brazil, as the largest country in South America, is one of the fast-growing developing countries in the world in terms of Gross Domestic Product ("GDP") growth. Brazil possesses approximately one-fifth of the whole world's biodiversity and accounts for about 50% of the total GDP of all South American countries in 2009 according to CIA World Factbook 2009. Mineral extraction industry provided about 2% to Brazil's GDP.

Brazil was able to endure the global financial crisis in late 2008 with relatively minor implications. According to the Brazilian Institute of Geography and Statistics ("IBGE", Portuguese: Instituto Brasileiro de Geografia e Estatistica), the GDP of 2009 increased by 2.2% over the past year. Shortly after the recession, the quarterly GDP grew from US$311 billion in the first quarter of 2009 to US$465 billion in the same

period in 2010. The GDP of Brazil increased slightly from US$1,610 billion in 2008 to US$1,646 billion in 2009. Figure 1 shows the trend of quarterly GDP of Brazil from first quarter of 2005 to first quarter of 2010.

Figure 1 – Brazil's quarterly GDP from Q1 2005 to Q1 2010



Source: Brazilian Institute of Geography and Statistics

4. INDUSTRY OVERVIEW

4.1 Worldwide Iron Ore Industry

4.1.1 Overview

Iron ores are rocks and minerals from which metallic iron can be economically extracted. According to the Mineral Information Institute, about 98% of iron ore is used to make steel. Raw iron by itself is not strong and hard enough for construction and other purposes. The raw iron is usually alloyed with a variety of elements such as iron ore, nickel, vanadium, chromium to strengthen and harden it, making useful steel for construction, automobiles, and various types of transportation such as trucks, trains and train tracks.

4.1.2 Global Iron Ore Production

While iron-rich rocks are available worldwide, commercial mining in iron ores are mainly operated by the countries listed in figure 2. It is not particularly hard to prove the existence of the tonnage of rocks, but there are certain constraints to the economics of iron ore deposits. The geographical locations of the iron ores relative to the importing countries have been one issue. In some cases the cost of transportation is higher than the value of the cargo because of the respective locations, according to Financial Times. Energy cost in production could be another issue too.

Figure 2 – World Iron Ore Mine Production

	2008 *(million tonnes)*	**2009** *(million tonnes)*
China	824	900
Brazil	355	380
Australia	342	370
India	220	260
Russia	100	85
Ukraine	73	56
South Africa	49	53
Iran	32	33
Canada	31	27
United States	54	26
Kazakhstan	23	21
Sweden	24	18
Venezuela	21	16
Mexico	12	12
Mauritania	11	11
Other Countries	47	47
World Total	2,218	2,315

Source: U.S. Geological Survey

Due to the highly capital-intensive nature of the iron ore mining industry, majority of the production is dominated by the few market players in the industry. As in early 2010, the world's largest iron ore producers are listed in figure 3.

Figure 3 – Largest Iron Ore Producers as in Early 2010

Company	Base Country	Capacity *(million tonnes)*
Vale Group	Brazil	417.1
Rio Tinto Group	United Kingdom	273.7
BHP Billiton Group	Australia	188.5
ArcelorMittal Group	United Kingdom	78.9
Fortescue Metals Group	Australia	55.0
Evrazholding Group	Russia	50.4
Metalloinvest Group	Russia	44.7
AnBen Group	China	44.7
Metinvest Holding Group	Ukraine	42.8
Anglo American Group	South Africa	41.1
LKAB Group	Sweden	38.5
CVG Group	Venezuela	37.9
Cleveland-Cliffs Group	United States	34.6

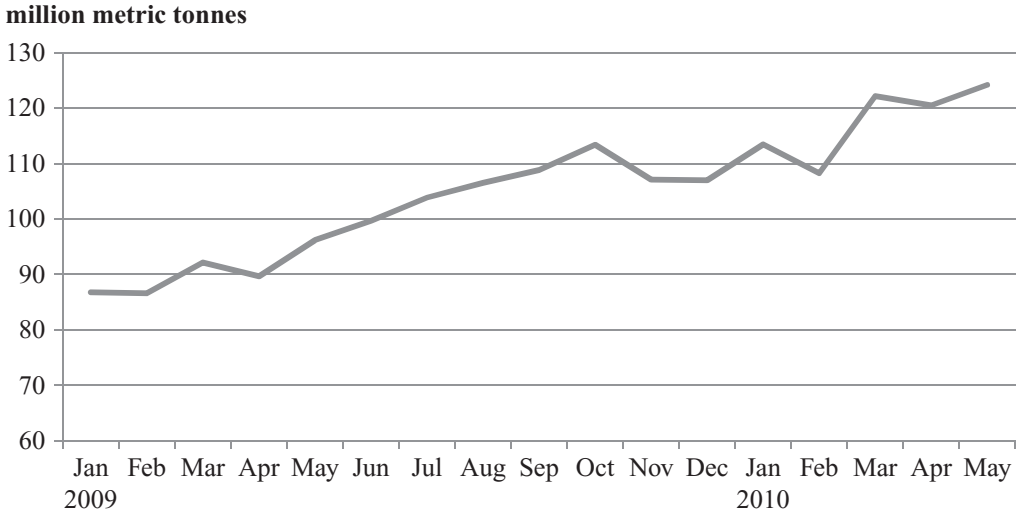
Source: World Crude Steel Capacity Report

4.1.3 World Steel Industry

As steel is an alloy mostly consisting of iron, the market of steel has a direct influence on the demand for iron. For several decades, steel has been playing a crucial role in infrastructure and overall economic development, to an extent that the health of the steel industry is often regarded as an indicator of economic growth. Therefore, GDP growth may be considered as a predictor of the steelmaking industry worldwide. Currently, the steel industry has enough potential to grow at an accelerated pace due to numerous developmental projects around the world.

World crude steel production decreased by 8.0% to 1,219.7 million tonnes in 2009 compared with 2008. However, the production slowly increased starting from 2009. According to the World Steel Association, the world crude steel production in April 2010 was 120 million metric tonnes, which is 35.7% higher than April 2009; while the production in May 2010 was 124 million metric tonnes, which was 29.1% higher than May 2009. Figure 4 illustrates the world crude steel production by month.

Figure 4 – World Crude Steel Production by Month



Source: World Steel Association

The top ten steel producing countries listed in figure 5 had a total of 992.8 million tonnes in 2009. China was the top producer of crude steel in 2009 with 567.8 million tonnes, sharing 46.6% of the world total crude steel output. Japan, Russia and the United States followed respectively.

Figure 5 – Top Ten Steel Producing Countries (in million tonnes)

Rank	Country	Production in 2009	Production in 2008	Percentage Change
1	China	567.8	500.3	+13.5%
2	Japan	87.5	118.7	-26.3%
3	Russia	59.9	68.5	-12.6%
4	United States	58.1	91.4	-36.4%
5	India	56.6	55.1	+2.7%
6	South Korea	48.6	53.6	-9.3%
7	Germany	32.7	45.8	-28.6%
8	Ukraine	29.8	37.3	-20.1%
9	Brazil	26.5	33.7	-21.4%
10	Turkey	25.3	26.8	-5.6%
	Top Ten Total	992.8	1,031.2	-3.7%
	World Total	1,219.7	1326.5	-8.1%

Source: World Steel Association

4.2 Iron Ore Mining Industry in Brazil

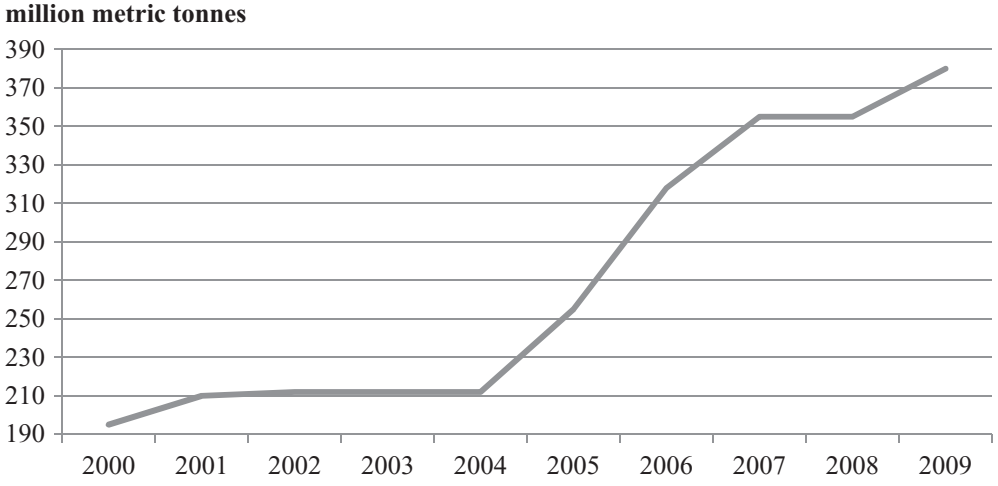
4.2.1 Overview

Brazil is the largest country in South America, with ample resources such as iron and manganese. In the late 1990s to early 2000s, Brazil's mineral and energy sectors had undergone market liberalisation by allowing competitions and increased investments in these markets. However, as the basic infrastructure is limited and the economy of Brazil is still developing, there are a number of mines yet to be explored.

4.2.2 Brazil's Iron Ore Market

Brazil is a leading producer of various minerals, including iron, in South America. Figure 6 shows the iron ore mine production in Brazil from 2000 to 2009. The production volume has been increasing since since 2004. According to International Mining Magazine, the growth in Brazilian iron ore exports is expected to continue on the basis of a revival in exports to Europe, the Middle East and China.

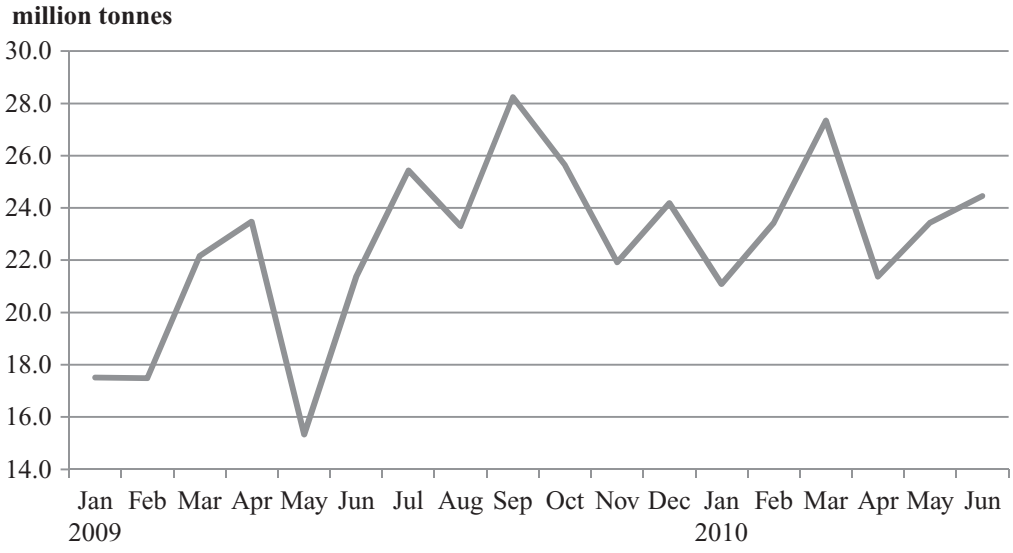
Figure 6 - Iron Ore Mine Production in Brazil from 2000 to 2009



Source: U.S. Geological Survey

Iron ore exports from Brazil aggregated to 266.04 million tonnes in 2009, which represents a 5.55% fall compared with that in 2008. According to the International Mining Magazine, China's total imports of iron ore amounted to 355.4 million tonnes for the first seven months, 95.7 million tonnes of which were from Brazil. This represents 26.9% of China's total imports. Other major exporting destinations of iron ore from Brazil include Japan, Korea, Taiwan, Europe and the United States. Figure 7 shows Brazil's monthly iron ore exports from January 2009 to June 2010.

Figure 7 – Brazil's Monthly Iron Ore Exports from January 2009 to June 2010



Source: Ministério do Desenvolvimento, Indústriae Comércio Exterior, Brazil

5. THE BUSINESS ENTERPRISE AND THE PROJECT

5.1 The Business Enterprise

The Business Enterprise holds 85 exploration tenements or rights (exploration licenses and claims) and focused on the identification and exploration of iron ore resources in the Brazilian States of Minas Gerais and Bahia covering an area of approximately 1,221 km^2.

5.2 Minas Gerais

Minas Gerais is one of the 26 states in Brazil. It is the fourth largest state in Brazil, with an area 586,528 km^2 and an estimated population of 20,033,665 as in 2009 according to IBGE. More than half of its territory lies at altitudes higher than 600m. The people of Minas are closely tied to the mountains that surround them. Iron ore has a significant share of the state's exports. Other exports from the state include ironworks, coffee, and a variety of non-ferrous metals.

5.3 The Project

The Project is located in the northern part of Minas Gerais State of Brazil and the iron ore resources which the Project focuses on are Block 7 and Block 8. Block 7 is located in the municipalities of Fruta de Lleite and Rio Pardo de Minas, while Block 8 is located in Padre Carvalho and Grao Mogol. The Business Enterprise has planned to produce a consistent 25 million tonnes per annum (Mtpa) of concentrate.

The Business Enterprise is currently the sole registered and beneficial holder of the exploration licenses at Block 7 with numbers 830018/2006, 830019/2006, 830038/2006, 832587/2006 and 831519/2008. At Block 8, the Business Enterprise has been granted the exploration licenses with numbers 831029/2007 and 831028/2007.

5.4 Resource Estimates

The technical report set out in Appendix VI of this Circular prepared by Coffey Mining reported the resource estimates for Blocks 7 and 8 by using the Ordinary Kriging method of grade estimation. The grade estimates were classified as Indicated and Inferred Mineral Resources in accordance with the guidelines set out in the JORC Code (2004). Figures 8 and 9 show the total resources of Blocks 7 and 8 respectively.

Figure 8 – Total Indicated and Inferred Mineral Resources of Block 7

	Mineralised Zones	**Tonnes** *(Mt)*	**Fe** *(%)*	**SiO_2** *(%)*	**Al_2O_3** *(%)*	**Mn** *(%)*	**P** *(%)*	**LOI** *(%)*
Indicated Mineral Resources	Block 7	25.2	21.7	55.8	6.5	0.37	0.19	2.8
Inferred Mineral Resources	Block 7	1,031	20.6	56.9	5.9	0.32	0.26	2.7
Indicated + Inferred Mineral Resources	**Total – Block 7**	**1,057**	**20.6**	**56.9**	**5.9**	**0.32**	**0.25**	**2.7**

Source: Technical report in Appendix VI of this Circular.

Figure 9 – Total Indicated and Inferred Mineral Resources of Block 8

	Mineralised Zones	Tonnes (Mt)	Fe (%)	SiO_2 (%)	Al_2O_3 (%)	Mn (%)	P (%)	LOI (%)
Indicated Mineral Resources	Block 8	214	21.9	60.6	4.1	0.06	0.14	1.5
Inferred Mineral Resources	Block 8	1,571	20.0	60.6	4.4	0.10	0.20	1.9
Indicated + Inferred Mineral Resources	**Total – Block 8**	**1,785**	**20.3**	**60.6**	**4.4**	**0.09**	**0.19**	**1.9**

Source: Technical report in Appendix VI of this Circular.

After our thorough review, we considered that the information contained in the technical report set out in Appendix VI of this Circular could be reasonably relied on.

6. BASIS OF VALUATION

Our valuation is based on going concern premise and conducted on a market value basis. Market value is defined as "the amount for which an asset could be exchanged, or a liability settled between knowledgeable, willing parties in an arm's length transaction".

7. INVESTIGATION AND ANALYSIS

Our investigation included discussions with members of the Management in relation to the development and prospect of the iron ore industry in Brazil and a number of countries worldwide, and the development, operations and other relevant information of the Business Enterprise. In addition, we have made relevant inquiries and obtained further information and statistical figures regarding the iron ore industry from external public sources as we considered necessary for the purpose of valuation. As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business Enterprise provided to us by the Management and have considered such information and data as attainable and reasonable. We have also consulted other sources of financial and business information.

The valuation of the Business Enterprise requires consideration of all pertinent factors, which may or may not affect the operation of the business and its ability to generate future investment returns. The factors considered in our valuation include, but are not necessarily limited to, the following:

- The nature and prospect of the Business Enterprise;
- The financial condition of the Business Enterprise;

- The economic outlook in general and the specific economic environment and market elements affecting the business, industry and market;
- Relevant licenses and agreements;
- The business risk of the Business Enterprise such as the ability in maintaining competent technical and professional personnel; and
- Investment returns and market transactions of entities engaged in similar lines of business.

8. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the market value of the Business Enterprise, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

8.1 Market-Based Approach

The Market-Based Approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities in companies that have been sold recently.

The right transactions employed in analyzing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

8.2 Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realising those benefits.

Alternatively, this present value can be calculated by capitalising the economic benefits to be received in the next period at an appropriate capitalisation rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

8.3 Asset-Based Approach

The Asset-Based Approach is based on the general concept that the earning power of a business entity is derived primarily from its existing assets. The assumption of this approach is that when each of the elements of working capital, tangible and intangible assets is individually valued, their sum represents the value of a business entity and equals to the value of its invested capital ("equity and long term debt"). In other words, the value of the business entity is represented by the money that has been made available to purchase the business assets needed.

This money comes from investors who buy stocks of the business entity ("equity") and investors who lend money to the business entity ("debt"). After collecting the total amounts of money from equity and debt, and converted into various types of assets of the business entity for its operation, their sum equals the value of the business entity.

8.4 Business Valuation

In the process of valuing the Business Enterprise, we have taken into account of the uniqueness of its operation and the nature of the industry it is participating. Also, we have considered the accessibility to available data and relevant market transactions in choosing among the valuation approaches.

The Market-Based Approach is not adopted in this case because most of the important assumptions are hidden. The Asset-Based Approach is also not adopted because it cannot reflect the market value of the Business Enterprise. We have therefore considered the adoption of Income-Based Approach in arriving at the market value of the Business Enterprise.

8.4.1 Discounted Cash Flow

Under the Income-Based Approach, we have adopted the discounted cash flow ("DCF") method, which is based on a simple reversal calculation to restate all future cash flows in present terms present value term. The present value of the expected cash flows was calculated as follows:

$$PVCF = CF_1/(1+r)^1 + CF_2/(1+r)^2 + ... + CF_n/(1+r)^n$$

In which

PVCF = Present value of the expected cash flows;

CF = Expected cash flow;

r = Discount rate; and

n = Number of years.

To adopt this method, we must first obtain the weighted average cost of capital ("WACC") for the company as a basic discount rate. WACC of the Business Enterprise is the minimum required return that the Business Enterprise must earn to satisfy its various capital providers including shareholders and debt holders. WACC calculation takes into account the relative weights of debt and equity. It is computed using the formula below:

$$WACC = W_e \times R_e + W_d \times R_d \times (1 - T_c)$$

In which

R_e = Cost of equity;

R_d = Cost of debt;

W_e = Weight of equity value to enterprise value;

W_d = Weight of debt value to enterprise value; and

T_c = Corporate tax rate.

8.4.2 Cost of Equity

The cost of equity was determined using the Capital Asset Pricing Model ("CAPM"), which describes the relationship between the risk of the Business Enterprise and expected return to investors. It is calculated by the following formula:

$$R_e = R_f + \beta \times \text{Market Risk Premium}$$

In which

R_e = Cost of equity;

R_f = Risk-free rate; and

β = Beta coefficient.

The risk-free rate, market expected return and the beta of the comparable companies were obtained from Bloomberg as at the Date of Valuation.

The risk-free rate of 12.38% adopted was the yield rate of 10-year Brazil government generic bond. According to Bloomberg, the market expected return of Brazil was 16.24% and the market risk premium was calculated by market expected return minus the risk-free rate, arriving 3.86%.

The beta coefficient measures the risk of the project relative to the market. Since the mining operation of the Business Enterprise is yet to commence, we estimated the beta coefficient by taking the average of the beta coefficients of listed companies which their operations are similar to the Business Enterprise, namely Aura Minerals, Inc. (Stock code: ORA.CN), Centaurus Metals Ltd. (Stock code: CTM.AU) and Atlas Iron Limited (Stock code: AGO.AU). We adopted a beta estimate of 1.38 for the Business Enterprise.

Hence, the cost of equity was 17.70%.

8.4.3 Capital Structure

Since there was no interest bearing debt for the Business Enterprise as at 30 June 2010, the weight of debt was 0% in the whole capital structure, whereas the weight of equity was 100%. Accounting for the above weights, the discount rate adopted was 17.70%.

8.4.4 Portfolio of Resources Included in the Valuation

Only Indicated Resources were included in the valuation.

8.4.5 Marketability Discount

Compared to similar interest in public companies, ownership interest is not readily marketable for closely held companies. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. We adopted a marketability discount of 30% on the market value of the Business Enterprise. This was based on "Why Is the Value of Minority Stock Discounted So Heavily" by LarSenAllen.

8.4.6 Sensitivity Analysis

To determine how the different values of an independent variable would impact a particular dependent variable under a given set of assumptions, we carried out a sensitivity analysis on the market value of the Business Enterprise in respect of 1% and 2% deviation in the discount rate from the status quo. The results of the sensitivity analysis were as follows:

Change in Discount Rate	**Applied Discount Rate** *(%)*	**Market Value** *(US$)*	**Percentage Change** *(%)*
-2%	15.70	209,000,000	63.28
-1%	16.70	166,000,000	29.69
0	17.70	128,000,000	0.00
+1%	18.70	92,000,000	-28.13
+2%	19.70	60,000,000	-53.13

The sensitivity analysis showed that the discount rate was inversely related to the market value, while all other factors were held constant. For instance, when the discount rate increased from 17.70% to 18.70%, the market value decreased from US$128,000,000 to US$92,000,000. The market value was sensitive to the change in discount rate, where the discount rate was affected by cost of debt, cost of equity, capital structure and tax rate of the Business Enterprise.

9. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Business Enterprise operates or intends to operate would be officially obtained and renewable upon expiry;

- There will be sufficient supply of technical staff in the industry in which the Business Enterprise operates, and the Business Enterprise will retain competent management, key personnel and technical staff to support its ongoing operations and developments;

- There will be no major change in the current taxation laws in the localities in which the Business Enterprise operates or intends to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;

- As advised by the Brazil legal adviser, the New Brazilian Mining Code changes will be applicable to new mining areas once the code becomes effective. Some procedures and additional formalities might be implemented over current permits of the Business Enterprise, but there is no reason to believe that the New Brazilian Mining Code itself will cause any major change on the Project existing permits. Therefore, we assumed there will be no major change in the political, legal, economic or financial conditions in the localities in which the Business Enterprise operates or intends to operate, which would adversely affect the revenues attributable to and profitability of the Business Enterprise;

- Interest rates and exchange rates in the localities for the operation of the Business Enterprise will not differ materially from those presently prevailing;

- Costs of mining, beneficiation, pipeline port, general and administration, royalty, selling expenses grew at a constant rate of 4.70%, which was estimated with reference to the average inflation rate of Brazil from 2005 to 2009;

- The useful life of capital expenditure was assumed to be 10 years, and depreciation was done in a straight line manner; and

- Working capital was estimated with reference to the pattern of comparable companies, namely Aura Minerals, Inc. (Stock code: ORA.CN), Centaurus Metals Ltd. (Stock code: CTM.AU) and Atlas Iron Limited (Stock code: AGO.AU).

10. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors affecting the market value of the Business Enterprise. The factors considered included, but were not necessarily limited to, the following:

- Financial statements of the Business Enterprise from the Company;
- Historical information of the Business Enterprise from technical report by Coffey Mining;
- Market trends of the iron ore industry from Mineral Information Institute, Financial Times, U.S. Geological Survey, World Crude Steel Capacity Report, World Steel Association, International Mining Magazine, Ministério do Desenvolvimento, Indústriae Comércio Exterior, Brazil;
- Registrations and legal documents related to the Business Enterprise from the Company;
- General descriptions of mineral resources in relation to the Business Enterprise from technical report by Coffey Mining;
- Economic outlook in Brazil and worldwide from Brazilian Institute of Geography and Statistics and CIA World Factbook 2009; and
- Copies of the exploration licenses of the Business Enterprise from the Company.

We have discussed the details of the financial statements of the Business Enterprise and the factors affecting the market value of the Business Enterprise such as the market trends of iron ore industry and economic outlook of Brazil, with the Management. We have also conducted research from various sources to verify the reasonableness and fairness of information provided and we believe that such information is reasonable and reliable. We have assumed the accuracy of information provided and relied to a considerable extent on such information in arriving at our opinion of value.

After the review of our competent evaluator, we have verified some of the information from the technical report set out in Appendix VI of this Circular and we believed that most of the information that we used was reasonable. On the other hand, we have cross-checked research information on the iron ore industry and we believed that most of the sources we obtained are reliable. For example, sources such as U.S. Geological Survey, Brazilian Institute of Geography and Statistics and Ministério do Desenvolvimento, Indústriae Comércio Exterior, Brazil were from official websites of government bodies; while sources such as World Steel Association (one of the largest and most dynamic industry associations

in the world) and Financial Times were representative organizations. Although we could not verify all of the information, we assumed that most of the information from governmental bodies and representative organizations was reasonable.

11. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events have not been considered and we are not required to update our report for such events and conditions.

To the best of our knowledge, all data set forth in this report are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy.

We have relied to a considerable extent on information provided by the Management in arriving at our opinion of value. We are not in the position to verify the accuracy of all information provided to us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We have not investigated the title to or any legal liabilities of the Business Enterprise and have assumed no responsibility for the title to the Business Enterprise appraised.

Our conclusion of the market value was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained.

12. REFERENCES

The list of sources of information cited in this report is stated as follows:

- Bloomberg;
- Brazilian Institute of Geography and Statistics;
- U.S. Geological Survey;
- World Crude Steel Capacity Report;
- CIA World Factbook 2009;
- Mineral Information Institute;
- International Mining Magazine;

- World Steel Association;
- Ministério do Desenvolvimento, Indústriae Comércio Exterior, Brazil;
- Financial Times; and
- Technical report by Coffey Mining set out in Appendix VI of this Circular.

13. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in United States Dollars (US$).

We hereby confirm that we have neither present nor prospective interests in the Company and its holding companies, subsidiaries and associated companies, the Business Enterprise or the values reported herein.

14. OPINION OF VALUE

Based on the investigation and analysis stated above and on the valuation method employed, the market value of 100% interest of the Business Enterprise as at the Date of Valuation, in our opinion, is reasonably stated as **US$128,000,000 (UNITED STATES DOLLARS ONE HUNDRED AND TWENTY EIGHT MILLION ONLY).**

Yours faithfully, For and on behalf of
Roma Appraisals Limited

Peer reviewed by

Dr. Herman Tso	**Kelvin Luk**
B.Eng., MIMMM, CIM	*CIM*
Director	*Director*

Note: Dr. Herman Tso has over twenty years of extensive executive and site experience in civil, geotechnical and mining engineering working with consulting engineers and contractors in places such as Canada, Hong Kong and China. He is the professional member of the Institute of Materials, Minerals and Mining (UK), a board member in the Hong Kong branch of member of the Institute of Materials, Minerals & Mining. He is the professional member of the Canadian Institute of Mining, Metallurgy and Petroleum.

Mr. Kelvin Luk is a member of the Canadian Institute of Mining, Metallurgy and Petroleum. He has over five years of experience in valuation and consultation related to similar assets or companies engaged in similar business activities worldwide as that of the Business Enterprise.

Statement of qualification of the competent evaluator – Dr. Herman Tso

I, Herman Tso, hereby confirm that:

- I have carried out the assignment for Roma Appraisals Limited, located at: Unit 3806, 38/F, China Resources Building, 26 Harbour Road, Wan Chai, Hong Kong

  Tel: (852) 2529 6878
  Fax: (852) 2529 6808
  Email: hermantso@roma-international.com

- I am a professional member of the Institute of Materials, Minerals and Mining (UK), a board member in the Hong Kong branch of the Institute of Materials, Minerals & Mining and a professional member of the Canadian Institute of Mining, Metallurg and Petroleum.

- I have studied the revised Chapter 18 and Chapter 18A of the Hong Kong Listing Rules and understood the definition of "competent evaluator". My past relevant experience, qualifications and my affiliation with professional associations have fulfilled the requirements to be a "competent evaluator" as set out in the listing rules for the purpose of the valuation report.

- I am the primary author responsible for the preparation and compilation of the valuation report, with Mr. Kelvin Luk facilitating. In this valuation, I worked together with an in-house team of technical professionals, and closely studied the technical report and reviewed on the information available. Some of the inputs to the valuation were from technical report which was prepared by Coffey Mining with more than 50 years in consultancy.

- I have neither present nor prospective interests in the Project, the Company or the values reported herein.

- I am not aware of any material fact or material change with respect to the subject matter of the valuation report that is not reflected in the valuation report.

- I understood that the letter to the Company from the Stock Exchange of Hong Kong Limited on the confirmation of my qualification as a competent evaluator applies to this case only. It was not a general acceptance.

- The Code for the Technical Assessment and Valuation Mineral and Petroleum Assets and Securities for Independent Expert Reports ("VALMIN") and the Standards and Guidelines for Valuation of Mineral Properties published by the Special Committee of the Canadian Institute of Mining, Metallurgy and Petroleum on Valuation of Mineral Properties ("CIMVAL") are widely accepted reporting standard on valuation for European countries such as the United Kingdom. I am a professional member of the Institute of Materials, Minerals and Mining (UK), and I fully understood the VALMIN code and adopted it in this valuation.

- The valuation report has been prepared consistent with the guidelines set by VALMIN established by the VALMIN Committee in Australia.

1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the GEM Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

2. SHARE CAPITAL

The authorised and issued share capital of the Company as at the Latest Practicable Date was, and immediately following completion of the Acquisition will be, as follows:

As at the Latest Practicable Date

		HK$
Authorised:		
1,000,000,000,000	Shares	1,000,000,000
Issued and fully paid or credited as fully paid:		
6,113,883,716	Shares	6,113,884

Upon completion of the Acquisition

		HK$
Authorised:		
1,000,000,000,000	Shares	1,000,000,000
Issued and fully paid or credited as fully paid:		
6,115,883,716	Shares [note]	6,115,884

Note: It includes the allotment and issuance of 2,000,000 new Shares under the general mandate given to our Directors for the issue and allotment of Shares ("General Mandate") to CIMB Securities (HK) Limited ("CIMB") immediately after the EGM at an issue price of HK$2.50 per Share to settle part of the advisory fees payable to CIMB in connection with the Acquisition. It takes no account of (a) any other new Shares which may be issued under the general mandate given to our Directors for the issue and allotment of Shares, (b) any Shares which may be repurchased by us pursuant to the general mandate given to our Directors for the repurchase of Shares, (c) any Shares to be issued upon

the exercise of options which are granted or may be granted under the share option scheme of the Company, or (d) any Shares to be issued upon the conversion of the convertible notes issued under the Xianglan Acquisition.

All the issued Shares rank pari passu in all respects with each other including the rights as to voting, dividends and return of capital.

3. DISCLOSURE OF INTERESTS

(a) Directors' and chief executives' interests and short positions

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives of the Company in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) were required, pursuant to Rules 5.46 to 5.67 of the GEM Listing Rules relating to securities transactions by the Directors, to be notified to the Company and the Stock Exchange were as follows:

Long positions in the ordinary shares of HK$0.001 each in the share capital of the Company

	Number of Shares in the Company					
Name of Director	Beneficial Owner	Interest of Spouse	Interests of Controlled Corporation	Number of share option[2]	Total	Approximate Percentage of Shareholding *(%)*
He Xuechu	–	21,816,000	4,095,000,000[1]	–	4,116,816,000	67.34
Liu Wei, William	–	–	–	40,000,000	40,000,000	0.65
Shi Lixin	–	–	–	30,000,000	30,000,000	0.49
Yan Weimin	–	–	–	30,000,000	30,000,000	0.49
Ang Siu Lun, Lawrence	–	–	–	15,000,000	15,000,000	0.25
Chan Chun Wai, Tony	–	–	–	3,000,000	3,000,000	0.05
Fok Hon	–	–	–	3,000,000	3,000,000	0.05
Ma Gang	–	–	–	3,000,000	3,000,000	0.05

Note:

1. The 4,095,000,000 Shares were held by Hong Bridge. Hong Bridge is wholly owned by Mr. He Xuechu.

2. This refers to the number of underlying shares of the Company covered by its share option scheme as at the Latest Practicable Date.

Save as disclosed above and the interests as disclosed below, none of the Directors or chief executives of the Company had, as at the Latest Practicable Date, any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the required standard of dealings by directors of listed issuers as referred to in Rule 5.46 of the GEM Listing Rules.

(b) Interests and short positions in shares and underlying shares of other persons

As at the Latest Practicable Date, so far as was known to the Directors and chief executives of the Company, those persons, other than the Directors or chief executives of the Company, who had an interest or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO; or were, directly or indirectly, interested in ten per cent or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any member of the Group and the amount of each such person's interest in such securities, together with particulars of any options in respect of such capital or which were recorded in the register required to be kept by the Company under Section 336 of the SFO, were as follows:

	Number of Shares in the Company				
Name of Shareholder	**Beneficial Owner**	**Interest of Spouse**	**Interests of Controlled Corporation**	**Total**	**Approximate Percentage of Shareholding** *(%)*
Hong Bridge	4,095,000,000 *(Note 1)*	–	–	4,095,000,000	66.98
He Xuechu		21,816,000	4,095,000,000 *(Note 1)*	4,116,816,000	67.34
Foo Yatyan *(Note 2)*	21,816,000	4,095,000,000	–	4,116,816,000	67.34
Brilliant People Limited	1,000,000,000 *(Note 3)*	–	–	1,000,000,000	16.36
Shandong Zhi Xiang Trading Limited	–	–	1,000,000,000 *(Note 3)*	1,000,000,000	16.36
Zhang He Xiang	–	–	1,000,000,000 *(Note 3)*	1,000,000,000	16.36
Liu Heng	–	–	1,000,000,000 *(Note 3)*	1,000,000,000	16.36

Note:

1. The 4,095,000,000 Shares were held by Hong Bridge. Hong Bridge is wholly owned by Mr. He Xuechu.

2. Ms Foo Yatyan is the spouse of Mr. He Xuechu.

3. The 1,000,000,000 shares held by Brilliant People Limited represent 600,000,000 shares of the Company and HK$400,000,000 convertible notes with an initial conversion price of HK$1.0 per conversion share. Shandong Zhi Xiang Trading Limited, Zhang He Xiang and Liu Heng are interested in the entire issued share capital of Brilliant People Limited.

Save as disclosed above, as at the Latest Practicable Date, the Company had not been notified by any other persons (other than the Directors or chief executives of the Company) who had interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

4. COMPETING INTEREST

Mr. Fok Hon ("Mr. Fok"), an independent non-executive Director of the Company, is also the executive director of All Leaders Publication Group Limited. Since All Leaders Publication Group Limited is engaged in the media and publication business, Mr. Fok is regarded as interested in such competing business of the Group.

As disclosed in the announcement dated 21 October 2010 and this circular, Mr. Yan Wei Min ("Mr. Yan"), a non-executive Director, is a shareholder of Yingyue, a company incorporated in the PRC, holding 70% equity interests of Yingyue. Yingyue is principally engaged the provision of raw materials for construction (including steel products) in the PRC. Hongying Trading, an indirect wholly-owned subsidiary of the Company, is principally engaged in the sourcing of steel and steel products in the PRC. Hongying Trading has entered into the Distribution Agreement with Yingyue, pursuant to which, subject to obtaining the approval of the independent Shareholder at an extraordinary general meeting to be held, Yingyue will become the non-exclusive distributor of the Steel Products sourced by Hongying Trading. Accordingly, Mr. Yan is regarded as interested in such competing business of the Group by virtue of his interest in Yingyue.

Save for disclosed above, as at the Latest Practicable Date, none of the Directors or any of their respective associates had any business or interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group.

5. INTERESTS IN ASSETS AND/OR CONTRACTS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2009, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group or are proposed to be acquired or disposed of or leased to any member of the Group.

As at the Latest Practicable Date save as disclosed elsewhere in the Circular, none of the Directors was materially interested in any contract or arrangement which is significant in relation to the business of the Company.

6. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered into or proposed to enter into a service contract or had an unexpired service contract with any member of the Group, which is not determinable by any member of the Group within one year without payment of compensation other than statutory compensation.

7. MATERIAL CONTRACTS

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Enlarged Group within two years immediately preceding the date of this Circular which are or may be material:

(a) the share transfer agreement dated 8 April 2008, as supplemented by a supplemental agreement dated 8 April 2008, entered into between the Company as purchaser and Mr. Liu Xiangmao as vendor in relation to the acquisition of 2,000 shares of Divine Mission Holdings Limited, details of the transaction can be found in the announcement and circular of the Company dated 11 April 2008 and 2 May 2008 respectively;

(b) the Equity Transfer Agreement dated 7 November 2009 entered into between the Company as the purchaser and Brilliant People Limited as the vendor and Shandong Zhi Xiang as the guarantor in relation to the acquisition of the entire issued share capital of Hill Talent, details of the transaction can be found in the announcement and circular of the Company dated 12 November 2009 and 24 February 2010 respectively;

(c) the Strategic Cooperation Agreement dated 26 March 2010 entered into between the Company and Xinwen*, a PRC state-owned enterprise, which is principally engaged in mining activities, in relation to provision of Technical Support by Xinwen to the Company on the Project, details of the transaction can be found in the announcement of the Company dated 30 March 2010; and

(d) the Share Purchase Agreement.

8. LITIGATION

As at the Latest Practicable Date, no member of the Enlarged Group was engaged in any litigation of material importance and there was no litigation or claim of material importance known by the Directors to be pending or threatened against any member of the Enlarged Group.

* *For identification purpose only*

9. EXPERTS AND CONSENT

The qualifications of the experts who have given opinion in this Circular are as follows:

Name	Qualification
Grant Thornton	Certified Public Accountants, Hong Kong
Coffey Mining Pty Ltd	Independent technical consultant
Roma Appraisals Limited	Independent valuer
Felsberg e Associados	Brazil legal adviser

As at the Latest Practicable Date, each of Grant Thornton, Coffey Mining Pty Ltd, Roma Appraisals Limited and Felsberg e Associados:

(a) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;

(b) did not have any direct or indirect interest in any asset which had been acquired, disposed of by, or leased to any member of the Group, or was proposed to be acquired, or disposed of by, or leased to any member of the Group, since 31 December 2009, the date to which the latest audited financial statements of the Group was made up; and

(c) has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its letter and reference to its name in the form and context in which it appears.

10. GENERAL

(a) The registered office of the Company is situated at Scotia Centre, 4th Floor, P.O. Box 2804, George Town, Grand Cayman, Cayman Islands. The head office and principal place of business of the Company in Hong Kong is situated at Suite 2703, 27th Floor, Great Eagle Centre, 23 Habour Road, Wanchai, Hong Kong.

(b) The company secretary of the Company is Mr. Lam King Ho, a member of the American Institute of Certified Public Accountants, the Association of Chartered Certified Accountants and the Hong Kong Institute of Certified Public Accountants.

(c) The compliance officer of the Company is Mr. Liu Wei, William. Mr. Liu is the Chief Executive Officer of the Company and holds a master degree in business administration from the University of San Francisco.

(d) The Company established an audit committee with written terms of reference in compliance with Rules 5.28 and 5.33 of the GEM Listing Rules. The primary duties of the audit committee are to review and supervise the financial reporting

process and internal control systems of the Group. The audit committee comprises three members, including Mr. Chan Chun Wai, Tony, Mr. Fok Hon and Mr. Ma Gang, all are independent non-executive Directors. Mr. Chan Chun Wai, Tony has the appropriate financial and accounting experience required by the GEM Listing Rules and acts as the chairman of the audit committee.

(e) The registered address of the auditor, Grant Thornton is 6th Floor, Nexxus Building, 41 Connaught Road Central, Hong Kong.

(f) The registered address of the independent valuer, Roma Appraisals Limited is Unit 3806, 38/F, China Resources Building, 26 Harbour Road, Wanchai, Hong Kong.

(g) The branch share registrar and transfer office of the Company in Hong Kong is Union Registrars Limited at 18th Floor, Fook Lee Commercial Centre, Town Plaza, 33 Lockhart Road, Wanchai, Hong Kong.

(h) The English text of this Circular shall prevail over the Chinese text in the case of inconsistency.

11. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection at the Company's principal place of business in Hong Kong at Suite 2703, 27th Floor, Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong during normal business hours from the date of this Circular up to and including 23 November 2010:

(a) the memorandum and articles of association of the Company;

(b) the letter from the Board, the text of which is set out on pages 13 to 95 of this Circular;

(c) the annual reports of the Company for each of the two financial years ended 31 December 2009;

(d) the accountant's reports prepared by Grant Thornton on the Target;

(e) the letter from Grant Thornton in relation to the unaudited pro forma financial information of the Enlarged Group, the text of which is set out in Appendix V to this Circular;

(f) the technical report prepared by Coffey Mining Pty Ltd, the text of which is set out in Appendix VI to this Circular;

(g) the valuation report on SAM based on the indicated resource estimate prepared by Roma Appraisals Limited, the text of which is set out in Appendix VII to this Circular;

(h) the written consents from each of Grant Thornton, Coffey Mining Pty Ltd, Roma Appraisals Limited and Felsberg e Associados referred to in the paragraph headed "Experts and Consent" in this Appendix;

(i) each of the material contracts entered into by the Group as referred to in the paragraph headed "Material Contracts" in this Appendix;

(j) The circular issued by the Company dated 6 April 2009 in relation to the general mandate to issue and repurchase shares;

(k) The circular issued by the Company dated 24 February 2010 in relation to the acquisition of the entire issued share capital of Hill Talent; and

(l) this Circular.

Honbridge Holdings Limited

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 8137)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting of Honbridge Holdings Limited (the "**Company**") will be held at Suite 2703, 27/F., Great Eagle Centre, 23 Harbour Road, Wanchai, Hong Kong on Tuesday, 23 November 2010, at 11:00 a.m. to consider, and, if thought fit, pass the following resolution (with or without modifications) as ordinary resolution of the Company:

ORDINARY RESOLUTION

1. "**THAT**

the share purchase agreement dated 5 March 2010 (the "**Share Purchase Agreement**") (copy of which, signed by the Chairman of the meeting for the purposes of identification, has been produced to the meeting marked "A") entered into by and among Lit Mining Coöperating U.A and Votorantim Novos Negócios Ltda, together as the sellers, Esperento S.Á R.L and Mineral Ventures; Participacões Ltda on one side, Infinite Sky Investments Limited, as the buyer, New Trinity Holdings Limited and the Company on one other side, in relation to the acquisition by Infinite Sky Investments Limited of the entire share capital of Sul Americana de Metais S.A. ("Acquisitioin") and other ancillary agreements, including the Escrow Agreement, the Loan Agreement, the Management Services Agreement, the Security Agreement, and the Brazillan Security Agreement, in connection with the transactions contemplated under the Share Purchase Agreement as amended from time to time (the "Transaction Documents"), and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and the directors of the Company be and are hereby authorised to do such acts and/or things and/or execute all such documents incidental to, ancillary to or in connection with matters contemplated in or relating to the Share Purchase Agreement and the Transaction Documents as they may in their absolute discretion consider necessary, desirable or expedient to give effect to the Share Purchase Agreement and the Transaction Documents and the implementation of all transactions contemplated thereunder and to agree to such variation, amendment or waiver as are, in the opinion of the directors of the Company, in the interest of the Company."

On behalf of the Board
Honbridge Holdings Limited
LIU Wei, William
Director and Chief Executive Officer

Hong Kong, 5 November 2010

Registered office:
Scotia Centre
4th Floor
P.O. Box 2804
George Town
Grand Cayman
Cayman Islands

Principal place of business in Hong Kong:
Suite 2703
27th Floor
Great Eagle Centre
23 Harbour Road
Wanchai
Hong Kong

Notes:

1. A member entitled to attend and vote at the above meeting is entitled to appoint one or more proxies to attend and on a poll vote instead of him. A proxy need not be a member of the Company.

2. In order to be valid, the form of proxy together with a power of attorney or other authority, if any, under which it is signed or a notarially certified copy of such power or authority must be deposited with the Company's branch share registrar and transfer office in Hong Kong, Union Registrars Limited, at Rooms 18th Floor, Fook Lee Commercial Centre, Town Place, 33 Lockhart Road, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding of the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude any member from attending and voting in person at the meeting or any adjourned meeting thereof should he so wishes.

3. In case of joint shareholdings, the vote of the senior joint shareholder who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint shareholder(s) and for this purpose seniority will be determined by the order in which the names stand in the Register of Members of the Company in respect of the joint shareholdings.

4. As at the date of this notice, member of the board of directors of the Company consists of three executive directors, Mr. He Xuechu, Mr. Liu Wei, William and Mr. Shi Li Xin, two non-executive directors, Mr. Ang Sin Lun Lawrence and Mr. Yan Weimin and three independent non-executive directors, Mr. Chan Chun Wai, Tony, Mr. Fok Hon and Mr. Ma Gang.