



2013 Annual General Meeting – Chairman’s Address

Dear Shareholders,

As I stand before you today, we would have to look back many years to find a time when the gold industry has been so severely challenged by commodity price variability.



Source: www.kitco.com

During this year, the activity of the Company and primarily finalising the Feasibility Study (“FS”) for the Sihayo Pungkut Gold Project (“SPGP”) has been materially affected by a number of factors;

- negative market sentiment and deteriorated debt and equity markets associated with this volatility in commodity prices;
- impacts on our Resource estimate due to additional near surface resource drilling and update of our JORC compliant mineral resource estimate;
- the necessity to re-examine and re-configure the project; and
- The need for further metallurgical test work.

Consequently, we have ceased all fieldwork and made subsequent cost reductions across the business in order to preserve our cash position, while seeking to progress permitting and approvals for the project in accordance with requirements of our Contract of Work.

The proposed staged approach, where Stage 1 delivers approximately 45,000 ounces of gold per year over approximately a 6 year period has a number of key ‘value’ drivers that we continue to investigate. These drivers include;

1. Metallurgical recovery of transitional and fresh ores; and
2. Mining schedules and associated costs.

We are actively working to resolve these matters, and continue to seek out viable alternatives for the supply of power which has a significant impact on the unit cost per ounce of gold for the project.

We believe that a staged approach to development of the project represents the best opportunity for the Company to establish an operating footprint within the Contract of Work that will unlock the potential to consider extraction of some 700,000 ounces that remain in Measured and Indicated Resources at Sihayo and Sambung.

Notwithstanding the Sihayo Pungkut Project, we remain extremely positive about the exploration potential of the Hutabargot area as well as the twenty (20) odd prospects that are yet to be fully investigated within the Contract of Work.

Although activity from illegal miners has reduced, the Company continues to work with Government authorities in order to address this activity. We have adjusted our approach to Corporate Social Responsibility (CSR) strategy in order to achieve better cooperation with relevant Government authorities and the Community. This is vital so that we may move forward with permitting and approvals necessary to allow the project to proceed.

Whilst the year has proved to be a less than satisfactory one for the Company, there are a number of outcomes worth reflecting on.

- The 7th Generation CoW remains as the most secure legal tenure in the Indonesian mining industry and describes in detail the rights and obligations of both the Company and the Government and therefore provides for a reasonable degree of certainty and security.
- Work undertaken this year has improved our knowledge of the ore body, how best to exploit it and minimise uncertainty that can appear during implementation.
- Exploration results at the Hutabargot prospect, which is within 10km of the proposed Sihayo/Sambung project confirms that areas within the CoW remain highly prospective for containing multiple exciting targets for future exploration.
- The company still enjoys the support of its major shareholders, both in terms of financial support and assistance with working with Government and regulatory bodies in Indonesia.

On behalf of the directors of the Company I would like to thank our management, employees and contractors for their efforts and commitment throughout the year and also to our shareholders for their continued support.

Finally, as you will be aware, due to personal reasons and other business commitments, I have tendered my resignation as Chairman and director of the Company. In addition, John Blake has decided to not seek re-election as a director and therefore retires at this AGM. Board changes also include the appointment of Stuart Gula (CEO) as Managing Director and Danny Nolan (CFO and Company Secretary) as an Executive Director whilst the Company considers other board appointments.

In closing, I would like to thank John for his contribution as a director over the last few years and the Company, other directors and shareholders for their support during my tenure and I wish the Company all the best in its future endeavours.

Peter Bilbe
Chairman