THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this Document, or the action you should take, you are recommended immediately to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant, fund manager or other independent financial adviser authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

Copies of this Document are being sent to Shareholders. If you have sold or transferred all of your Ordinary Shares in Polo Resources Limited, please forward this Document and the accompanying form of proxy and form of instruction at once to the purchaser or transferee or to the stockbroker or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee, except that this Document should not be forward or transmitted into any jurisdiction where it would be unlawful to do so.

This Document, which comprises an AIM admission document drawn up in accordance with the AIM Rules, has been issued in connection with the application for the admission to trading of the Enlarged Share Capital on AIM. This Document contains no offer of transferable securities to the public within the meaning of sections 85 and 102B of the Financial Services and Markets Act 2000. This Document does not constitute a prospectus for the purposes of Section 84(2) of the Financial Services and Markets Act 2000 and as such has not been approved by the Financial Services Authority as a prospectus pursuant to Section 85 of the Financial Services and Markets Act 2000.

The Company, the Existing Directors and the Proposed Director, details of which or whom appear on page 5 of this Document, accept responsibility, individually and collectively for compliance with the AIM Rules and for the information contained in this Document. To the best of the knowledge and belief of the Company, the Existing Directors and the Proposed Director, who have taken all reasonable care to ensure that such is the case, the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made for the Enlarged Share Capital to be admitted to trading on AIM. It is expected that Admission will become effective and that dealings in the New Ordinary Shares will commence and in the Existing Ordinary Shares will recommence on 4 March 2008.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority ("UKLA"). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated advisers is required to make a declaration to London Stock Exchange plc on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. London Stock Exchange plc has not examined or approved the contents of this Document. The Existing Ordinary Shares are not dealt, and the New Ordinary Shares will not be dealt, on any other recognised investment exchange and no application has been made or is being made for admission of the Enlarged Share Capital to any other recognised investment exchange. Attention is drawn, in particular, to the Risk Factors set out in Part III of this Document.

The AIM Rules for Companies are less demanding than those of the Official List. No liability whatsoever is accepted by Canaccord Adams Limited for the accuracy of any information or opinions contained in this Document, or for the omission of any material information for which the Company and the Existing Directors and the Proposed Director are solely responsible. The whole of the text of this Document should be read.

POLO RESOURCES LIMITED

(Incorporated and registered in the British Virgin Islands with registered number 1406187)

Acquisition of the Mongolian Target Companies
Acquisition of a minority interest
in GCM Resources plc

Admission of the Enlarged Share Capital to trading on AIM
Notice of Meeting of Shareholders

Nominated Adviser and Broker

Canaccord Adams Limited

CANACCORD Adams

Share capital immediately following Admission

Issued and fully paid Ordinary Shares of no par value 808,622,425

No person has been authorised to give any information or make any representations other than those contained in this Document and, if given or made, such information or representations must not be relied upon as having been so authorised. The delivery of this Document shall not, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this Document or that the information in this Document is correct as of any time subsequent to the date of this Document. Where information contained in this Document has been sourced from a third party, the Company confirms that such information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.

The New Ordinary Shares will, following allotment, rank equally in all respects with the Existing Ordinary Shares including the right to receive all dividends or other distributions declared or paid on the Ordinary Shares after the date of this Document.

Canaccord Adams Limited is the nominated adviser and broker to the Company for the purposes of the AIM Rules. Canaccord Adams Limited, which is authorised and regulated in the United Kingdom in the conduct of investment business by the FSA, is acting exclusively for the Company and no one else in connection with the matters described herein and will not be responsible to anyone other than the Company for providing the protections afforded to customers of Canaccord Adams Limited or for advising any other person on the contents of this Document or any matter referred to herein. Canaccord Adams Limited's responsibilities as the nominated adviser under the AIM Rules are owed solely to London Stock Exchange plc and are not owed to the Company or to any Existing Director or Proposed Director or to any other person in respect of their decision to acquire Ordinary Shares in reliance on any part of this Document.

This Document does not constitute an offer to sell, or a solicitation to buy, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this Document is not for distribution in or into the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. The Ordinary Shares have not been, nor will they be, registered under the United States Securities Act of 1933 (as amended) nor under the securities legislation of any state of the United States or any province or territory of Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or in any country, territory or possession where to do so may contravene local securities laws or regulations. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered or sold directly or indirectly in or into the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan or to any national, citizen or resident of the United States of America, Canada, Australia, the Republic of South Africa, the Republic of Ireland or Japan. The distribution of this Document in certain jurisdictions may be restricted by law. No action has been taken by the Company, by the holders of the Ordinary Shares or by Canaccord Adams Limited that would permit a public offer of Ordinary Shares or possession or distribution of this Document where action for that purpose is required. Persons into whose possession this Document comes should inform themselves about, and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

Copies of this Document will be available free of charge during normal business hours on weekdays (excluding public holidays) from the date hereof until one month after Admission from the office of Canaccord Adams Limited, Cardinal Place, 7th Floor, 80 Victoria Street, London SW1E 5JL and from the registered office of the Company.

Notice of a Meeting of Shareholders of the Company to be held at 3:00 p.m. local time (2:00 p.m. GMT) at the offices of Herbert Smith LLP at 20 Rue Quentin Bauchart, 75008 Paris, France on 29 February 2008 is set out in Part VII of this Document. A Form of Proxy for holders of Ordinary Shares for use at the Meeting of Shareholders accompanies this Document and, to be valid, must be completed and returned to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY as soon as possible but in any event to be received not later than 2:00 p.m. GMT on 27 February 2008 or 48 hours before any adjourned meeting. A Form of Instruction for holders of Depositary Interests for use at the Meeting of Shareholders accompanies this Document and, to be valid, must be completed and returned to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol, BS99 6ZY as soon as possible but in any event to be received not later than 2:00 p.m. GMT on 26 February 2008 or 72 hours before any adjourned meeting. Completion of a Form of Proxy or a Form of Instruction will not preclude a Shareholder from attending and voting at the Meeting of Shareholders in person.

Forward Looking Statements:

Certain statements in this Document are "Forward Looking statements." These Forward Looking statements are not based on historical facts but rather on management's expectations regarding the Company's future growth, results of operations, performance, future capital and other expenditures (including the amount, nature and sources of funding thereof), competitive advantages, planned exploration and development drilling activity and the results of such drilling activity, business prospects and opportunities. Such Forward Looking statements reflect management's current beliefs and assumptions and are based on information currently available to management. Forward Looking statements involve significant known and unknown risks and uncertainties. A number of factors could cause actual results to differ materially from the results discussed in the Forward Looking statements including risks associated with vulnerability to general economic market and business conditions, competition, environmental and other regulatory changes, the results of exploration and development drilling and related activities, actions by governmental authorities, the availability of capital markets, reliance on key personnel, uninsured and underinsured losses and other factors, many of which are beyond the control of the Company. Although the Forward Looking statements contained in this Document are based upon what management believes to be reasonable assumptions the Company cannot assure investors that actual results will be consistent with these Forward Looking statements.

Prospective investors should read the whole text of this Document. An investment in the Company involves a significant degree of risk, may result in the loss of the entire investment and may not be suitable for all recipients of this Document. Your attention is drawn to Part III of this Document which sets out certain risk factors relating to any investment in the Company. All statements regarding the Company's business, financial position and prospects should be viewed in the light of the risk factors set out in Part III of this Document.

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Each of Parts I and II of this Document contain cross-references to information contained in the Competent Persons Report set out in Part IV. The Company confirms that the information contained in Parts I and II which has been extracted from the Competent Persons Report has been accurately reproduced and that so far as the Company is aware and is able to ascertain from the Competent Persons Report, no facts have been omitted which would render the extracts inaccurate or misleading.

DIRECTORS AND ADVISERS

Existing Directors Stephen Roland Dattels Executive Chairman

> Paul Anthony Ingram Chief Executive Officer Guy Elliott Non-executive Director Suresh Hiremath Non-executive Director Harald Gustaaf van Hoeken Non-executive Director

Danny Sun

Non-executive Director

All of:

c/o Craigmuir Chambers Road Town, Tortola British Virgin Islands

Proposed Director Anthony Lloyd Bainbridge Proposed Chief Operating

Officer

Company Secretary Gordon Cassidy Chief Financial Officer

Registered Office Craigmuir Chambers

Road Town, Tortola British Virgin Islands

Nominated Adviser and Broker Canaccord Adams Limited

> Cardinal Place 7th Floor

80 Victoria Street London SW1E 5JL

Solicitors to the Company Kerman & Co LLP as to English Law

200 Strand

London WC2R 1DJ

Solicitors to the Company Harney Westwood & Riegels LLP

as to BVI Law 3rd Floor

> 7 Ludgate Broadway London EC4V 6DX

GTs Advocates LLC **Solicitors to the Company**

as to Mongolian Law Jiguur Grand Office Center, Suite 701

Sukhbaatar District, 2nd khoroo

Teeverchin Street -13 Ulaanbaatar, Mongolia

Solicitors to the Nominated Adviser Berwin Leighton Paisner LLP

> Adelaide House London Bridge London EC4R 9HA

Auditors and Reporting Accountants Chapman Davis LLP

2 Chapel Court London SE1 1HH

Accountants in Mongolia **KPMG**

Wisma KPMG

Jalan Dungun, Damansara Heights 50490 Kuala Lumpur, Malaysia

Competent Persons SRK Consulting (Australasia) Pty Ltd

Suites 7-9, Level 6 141 Queen Street

Brisbane, Queensland 4000

Australia

Principal Bankers Bank of Ireland

20 Berkeley Square London W1X 6LY

Registrars Computershare Investor Services (Channel Islands) Ltd.

P.O. Box 83 Ordnance House 31 Pier Road St. Helier JE4 8PW Channel Islands

Depositary Computershare Investor Services Plc

The Pavilions Bridgwater Road Bristol BS99 6ZY

DEFINITIONS

In this Document, where the context permits, the expressions set out below shall bear the following meanings:

"Acquisitions" the Mongolian Acquisition and GCM Acquisition

"Act" the Companies Act 1985, as amended

"Admission" the re-admission of the Existing Ordinary Shares and the

admission of the New Ordinary Shares to trading on AIM becoming effective in accordance with the AIM Rules

"AIM" the AIM market operated by the London Stock Exchange

"AIM Rules" together the AIM Rules for Companies, the AIM Rules for

Nominated Advisers and the AIM Disciplinary Procedures and Appeals Handbook as published from time to time

"Altanshiree Coal Project" the exploration and development project on licence number

11162X covering 19,884 ha in the mid-west part of the

Sayshand Province of Mongolia

"Articles" the memorandum and articles of association of the Company

which, subject to the passing of Resolution 3 at the Meeting of Shareholders, will be amended with effect from Admission

"Asia Intercept" Asia Intercept Mongolia LLC, a limited liability company

organised and registered under the laws of Mongolia with

state registration number 9019021027

"BCA" the BVI Business Companies Act 2004 of the BVI including

any modification, extension, re-enactment, or renewal thereof

and any regulations made thereunder

"BMO" BMO Nesbitt Burns Inc. of 1 First Canadian Place, Toronto,

Ontario, Canada M5X 1H3

"BVI" the British Virgin Islands

"BVIBC" BVI business company

"Canaccord" Canaccord Adams Limited of Cardinal Place, 7th Floor,

80 Victoria Street, London SW1E 5JL authorised and regulated by the FSA to carry on investment business and the

Company's nominated adviser and broker

"City Code" the City Code on Takeovers & Mergers

"Combined Code" the Combined Code on corporate governance published in

June 2006 by the Financial Reporting Council

"Company" or "Polo" Polo Resources Limited, a company incorporated and

registered in the BVI on 23 May 2007 with company number

1406187

"Competent Persons Report" the report prepared by SRK on certain Licences and

Agreements being all the material assets and liabilities of the

Group, contained in Part IV of this Document

"Completion" completion of the Acquisitions in accordance with the terms of the Mongolian Acquisition Agreement and the GCM Purchase Agreement "Consideration Promissory Note" the promissory note dated 25 January 2008 between the Company and Asia Intercept, details of which are more particularly set out at paragraph 9.1.4 of Part VI of this Document "CRC" Cadastre Registration Center of the MPRAM "CREST" the computerised settlement system used to facilitate the transfer of title to shares in uncertificated form operated by Euroclear "CREST Regulations" the Uncertificated Securities Regulations 2001 (SI 2001 No. 01/3755) "Custodian" Computershare Investor Services Plc "Depositary" Computershare Investor Services Plc "Depositary Interests" or "DIs" the interests representing Ordinary Shares issued through the Depositary, further information on which is contained in Part I and Part VI of this Document "Directors" or "Board" the Existing Directors and the Proposed Director "Document" this admission document "Doshin Coal Project" the exploration and development project on licence number 11987X covering 16,594 ha in the mid-west part of the Sayshand Province of Mongolia "Enlarged Share Capital" the issued Ordinary Shares upon Admission consisting of the Existing Ordinary Shares and the New Ordinary Shares "Erdenetsogt Coal Deposit" a large coal occurrence forming part of the East Gobi Basin of Mongolia, with a C1 category of 1.2 billion tonnes of coal in a seam up to 200 m in thickness from 50 m depth "Ereen Coal Project" the exploration and development project on licence number 8766A covering 35 ha in the west part of the Bulgan Province of Mongolia "Euroclear" Euroclear UK & Ireland Limited, a company incorporated in England and Wales and the operator of CREST "Existing Directors" the existing directors of the Company, namely Stephen Roland Dattels, Paul Anthony Ingram, Guy Elliott, Suresh Hiremath, Harald Gustaaf van Hoeken and Danny Sun "Existing Options" the options over Ordinary Shares granted by the Company pursuant to the Founder Option Agreements, details of which are more particularly set out at paragraph 3.6 of Part VI of this Document

"Existing Ordinary Shares" the 711,282,000 Ordinary Shares in issue at the date of this Document "Form of Instruction" the form of instruction for use by holders of Depositary Interests in connection with the Meeting of Shareholders the form of proxy for use by holders of Ordinary Shares in "Form of Proxy" connection with the Meeting of Shareholders "Founder Option Agreements" the deeds of share option grant issued to directors of the Company on the IPO Admission, the terms of which are outside the Share Option Scheme Rules, and details of which are more particularly set out at paragraph 3.6 of Part VI of this Document "Founder Shareholders" those Shareholders who acquired or subscribed for and were allotted Ordinary Shares at 0.05 pence per share and who hold those Ordinary Shares at the date of this Document "FSA" Financial Services Authority "FSMA" Financial Services and Markets Act 2000, as amended "GCM" GCM Resources plc, a public limited liability company incorporated in England and Wales with company number 4913119 formerly known as Asia Energy plc "GCM Acquisition" the proposed purchase of the GCM Shares "GCM Consideration Shares" the 72,340,425 Ordinary Shares to be issued to RAB (or their nominee) on Completion "GCM Purchase Agreement" the purchase agreement dated 1 February 2008 between (1) the Company and (2) RAB pursuant to which the Company has conditionally agreed to purchase the GCM Shares beneficially held by RAB, a summary of the principal terms of which is set out in paragraph 9.2 of Part VI of this Document "GCM Shares" 10,000,000 existing issued ordinary shares of 10 pence each in the capital of GCM "GMT" Greenwich Mean Time "Group" or "Polo Group" the Company and its subsidiaries on Admission Stephen Roland Dattels, Guy Elliott, Suresh Hiremath and "Independent Directors" Harald Gustaaf van Hoeken "Initial Promissory Notes" the promissory notes dated 20 October 2007, 24 October 2007, 15 November 2007, 19 November 2007, 29 November 2007, 19 December 2007, 2 January 2008, 15 January 2008 and 7 February 2008 between the Company and Asia Intercept by which the Company advanced a total of US\$17,700,000 to Polo Mongolia and which will be novated to Polo Mongolia in accordance with the Novation Agreement on Completion,

the terms and details of which are more particularly set out in

paragraph 9.1.3 of Part VI of this Document

Paul Ingram, Mark Syropoulo and TINA, each of whom/ "Introducing Parties" which acted as introducers of the Mongolian Acquisition to the Company "IPO Admission" the initial admission of Ordinary Shares to trading on AIM on 4 September 2007 "Khashaat Coal Project" the exploration and development project on licence number 7457X covering 133 ha in the northwestern part of the Sayshand Province of Mongolia "Kimko LLC" Kimko LLC, a limited liability company organised and registered under the laws of Mongolia with state registration number 9011119060 and which is a wholly owned subsidiary of Polo Mongolia "Licences and Agreements" the licences, licence applications and option and acquisition agreements to potentially acquire licences, in which the Company plans to acquire all right, title and interest pursuant to the terms of the Mongolian Acquisition "Lock-in Agreements" the existing and conditional lock-in and orderly market agreements, details of which are set out in paragraph 9.6 of Part VI of this Document "London Stock Exchange" London Stock Exchange plc the management services agreement dated 29 January 2008 "Management Agreement" out at paragraph 9.1.2 of Part VI of this Document "Meeting of Shareholders"

between Asia Intercept and Polo Mongolia and MUC Mongolia, details of which are more particularly set

"Minerals Law"

"Mongolian Acquisition"

"Mongolian Acquisition Agreement"

"Mongolian Acquisition Deed"

the meeting of Shareholders to be held at the offices of Herbert Smith LLP at 20 Rue Quentin Bauchart, 75008 Paris, France at 3:00 p.m. local time (2:00 p.m. GMT) on 29 February 2008

Minerals Law of Mongolia which came into force on 26 August 2006

the proposed acquisition by Polo of the Mongolian Target Companies

the agreement dated 19 November 2007 between (1) the Vendors, (2) Polo, (3) the Mongolian Target Companies, (4) Paul Ingram and (5) Mark Syropoulo pursuant to which Polo has conditionally agreed to acquire the Mongolian Target Companies, which companies hold all right, title and interest in and to the Licences and Agreements, a summary of the principal terms of which is set out in paragraph 9.1.1 of Part VI of this Document

the deed of amendment to the Mongolian Acquisition Agreement, dated 14 February 2008 between (1) the Vendors, (2) Polo, (3) the Mongolian Target Companies, (4) Paul Ingram and (5) Mark Syropoulo, a summary of the principal terms of which is more particularly set out in paragraph 9.1.1 of Part VI of this Document

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| "Mongolian Acquisition Shares" | the entire issued share capital of MUC Mongolia and WCW | |
|----------------------------------|--|--|
| "Mongolian Consideration Shares" | the 15,000,000 Ordinary Shares to be issued to the Vendors (or their nominees) pursuant to the Mongolian Acquisition Agreement on Completion | |
| "Mongolian Introductory Shares" | the 10,000,000 Ordinary Shares to be issued to the Introducing Parties (or their nominees) pursuant to the Mongolian Acquisition Agreement on Completion | |
| "Mongolian Target Companies" | MUC Mongolia, WCW and Polo Mongolia | |
| "Mongolian togrogs" or "MNT" | Mongolia togrogs, the basic monetary units of currency in Mongolia | |
| "MPRAM" | Minerals and Petroleum Resources Authority of Mongolia | |
| "MUC BVI" | MUC Resources Ltd., a limited liability company incorporated in the BVI with company number 1439374, which is a wholly owned subsidiary of the Company | |
| "MUC Mongolia" | MUC Resources LLC, a limited liability company organised and registered under the laws of Mongolia with state registration number 9011066002, which is a wholly owned subsidiary of MUC BVI | |
| "New Options" | new options over Ordinary Shares granted by the Company on Admission under the Share Option Scheme Rules | |
| "New Ordinary Shares" | (a) the Mongolian Consideration Shares and the Mongolian Introductory Shares and/or (b) the GCM Consideration Shares | |
| "Novation Agreement" | the agreement to be entered on Completion under the terms of the Mongolian Acquisition Deed between (1) the Company, (2) Asia Intercept, and (3) Polo Mongolia pursuant to which the parties agree to novate the Initial Promissory Notes and transfer responsibility and obligations in respect of the Initial Promissory Notes from Asia Intercept to Polo Mongolia, details of which are set out at paragraph 9.1.1 of Part VI of this Document | |
| "Official List" | the Official List of the UK Listing Authority | |
| "Options" | the Existing Options and the New Options | |
| "Ordinary Shares" | ordinary shares of no par value in the capital of the Company | |
| "Placees" | the private and institutional investors who subscribed for the Placing Shares at the Placing Price under the Placing | |
| "Placing" | the placing by BMO, as an agent for the Company, of 281,680,000 Ordinary Shares at the Placing Price on 31 January 2008 | |
| "Placing Agreement" | the agreement between the Company and BMO dated 31 January 2008, the terms of which are more particularly set out in paragraph 9.5 of Part VI of this Document | |

"Placing Price" 9 pence per Ordinary Share "Placing Shares" 281,680,000 Ordinary Shares issued to the Placees pursuant to the Placing "Polo Australasia Limited" Polo Australasia Limited, a company incorporated and registered in the BVI on 31 January 2008 with company registration number 1462318 and which is a wholly owned subsidiary of the Company Polo Bangladesh Limited, a company incorporated and "Polo Bangladesh Limited" registered in the BVI on 31 January 2008 with company registration number 1462321 and which is a wholly owned subsidiary of the Company "Polo Mongolia" Polo Resources LLC, a limited liability company organised and registered under the laws of Mongolia with state registration number 9019031059, which is a wholly owned subsidiary of WCW "Proposed Director" Anthony Lloyd Bainbridge "RAB" RAB Special Situations (Master) Fund Limited, a company incorporated in the Cayman Islands "RAB Promissory Note" the promissory note dated 1 February 2008 between the Company and RAB, details of which are more particularly set out at paragraph 9.2 of Part VI of this Document "Register" the register of Shareholders kept at the registered office of the Company "Registrar" Computershare Investor Services (Channel Islands) Ltd. "Resolutions" the resolutions set out in the Notice of Meeting of Shareholders in Part VII of this Document and "Resolution" shall be construed accordingly "Shareholders" holders of Ordinary Shares "Share Option Scheme" the share option scheme adopted by the Existing Directors on 6 February 2008 "Share Option Scheme Rules" the rules of the Share Option Scheme as varied or amended by the Directors from time-to-time, details of which are more particularly set out at paragraph 7 of Part VI of this Document "SRK" SRK Consulting (Australasia) Pty Ltd, the technical experts that prepared the Competent Persons Report contained in Part IV of this Document the State of Mongolia "State" "TINA" TINA Financing Group International Ltd., a company incorporated and registered in the BVI with company number 1375170

| "UK" or "United Kingdom" | the United Kingdom of Great Britain and Northern Ireland |
|--|---|
| "UK Listing Authority" | the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the FSMA |
| "Uncertificated" or "in Uncertificated form" | recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which, by virtue of the CREST Regulations, may be transferred by means of CREST |
| "Union Coal Project" | the exploration and development project on licence number 3066A and licence number 7863A covering a total of 284 ha in the southeast part of the Tov Province of Mongolia |
| "United States" or "US" | the United States of America, its territories and possessions and any state of the United States and District of Columbia |
| "VAT" | value added tax |
| "Vendors" | Asia Intercept, Anthony Bainbridge and Danny Sun |
| "WCW" | World Coal Works Corporation, a limited liability company incorporated and registered in the BVI with company number 1425327 and formerly known as World Uranium Works Corporation |
| "£" or "Pound" | UK Pounds Sterling, the basic monetary units of currency in the UK |
| "\$" or "US\$" or "USD" | US Dollar, the basic monetary units of currency in the US |

GLOSSARY OF TECHNICAL TERMS

"°C" degrees Celsius "ad" air dried basis "Airborne radiometric survey" traverses carried out along equally spaced lines that measure the strength and characteristics of ionising radiation emitted from the ground surface and shallow depth "ar" as received basis "basalt" dark-colored, fine-grained volcanic rock (contain between 45 to 54 per cent. SiO₂). It has low viscosity and is relatively fluid when molten "Bt" billion tonnes "Btu" the quantity of heat required to raise the temperature of one pound of water one degree Fahrenheit at a specified temperature "C1 category" the former Soviet system for classification of reserves and resources, C1 category reserves in place have been estimated by a sparse grid of trenches, drill holes or underground workings. The quality and properties of the deposit are known tentatively by analyses and by analogy with known deposits of the same type. The general conditions for exploitation are known. The ore tonnage is derived from estimates of strike length, dip length and the average thickness of the orebody. Allowance for barren blocks may be made statistically "chlorite" interbedded basic volcanics with abundant ferro-magnesian minerals "coffinite" a uranium bearing silicate mineral: U(SiO₄)1-x(OH)₄x "Competent Person" a geologist or engineer with at least five years of experience in mineral exploration, mine development or operation or mineral project assessment, or any combination thereof, has experience relevant to the subject matter of the mineral project and the technical report and is a member in good standing of a professional association "Craton" portion of a continent that has been structurally stable for a prolonged period of time "Cretaceous" a geological period of time from 135Ma to 65Ma "foldbelt" a portion of a major mountain belt characterised by large thrust faults, stacked one upon another. Layered rock between the faults was folded when faulting was taking place "gamma ray spectrometric survey" a ground or air survey that measures the uranium, thorium and potassium content of rock samples by analysing the characteristics of the gamma radiation emitted from the water below the Earth's surface "groundwater" "ha" hectares

"indicated resource" that part of a 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 "inferred resource" that part of a 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 "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 Reserves "Jurassic" a geological period of time from 190Ma to 135Ma "kcal/kg" kilocalories per kilogram, equivalent to 1,000 calories per kilogram "km" kilometre(s) "km2" square kilometre(s) "lb" pound "m" metre(s) "Ma" million years "Mesozoic" a geological era from 245Ma to 65Ma, and including the Triassic, Jurassic and Cretaceous periods "mm" millimetre(s) "Mt" million tonnes "Mtpa" million tonnes per annum "NI 43-101" National Instrument 43-101, a rule developed by the

National Instrument 43-101, a rule developed by the Canadian Securities Administrators and administered by the provincial securities commissions that govern how companies disclose scientific and technical information about their mineral projects to the public

an ancient river bed formed at a time when the geology and climate of an area was different, with generally higher rainfall. Subsequent changes have seen the river bed, which would be mostly sand and gravels, buried by a further cover sediment. The sands and clays (in minor amounts) are interlayered and are notorious for being highly variable and difficult to characterise

"palaeochannels"

| "quadrillion" | one thousand times one trillion (10 to the 15th power) | |
|----------------------------------|--|--|
| "quartz" | a hard glossy mineral consisting of silicon dioxide in crystal form; present in most rocks (especially sandstone and granite) | |
| "rhyolite" | light-colored crystalline or black glassy volcanic rock or magma, containing more than 68 per cent. ${\rm SiO}_2$ with a very high viscosity when in a molten state | |
| "roll front deposit" | bodies of mineralisation that cut across sandstone bedding | |
| "sandstone" | a sedimentary rock consisting of quartz-rich sand consolidated with some cement (clay or quartz etc.) | |
| "sandstone-hosted uranium" | occur mainly in medium to coarse-grained sandstones deposited in a continental fluvial or marginal marine sedimentary environment. There are three types of sandstone deposits generally recognised: rollfront deposits, tabular deposits and tectonic/lithologic deposits | |
| "sedimentary" | rocks formed from material, including debris of organic origin, deposited as sediment by water, wind or ice and then compressed and cemented together by pressure | |
| "skarn minerals" | a term used to describe the minerals formed in metamorphic rocks surrounding an igneous intrusive where it comes in contact with a limestone or dolomite rock formation | |
| "sub-bituminous coal" | a dull black coal (35 to 45 per cent. carbon) with a slightly higher heat value than lignite | |
| "tabular deposit" | irregular, elongate lenses of mineralisation that are parallel to sandstone bedding | |
| "tectonic/lithologic deposit" | occur in sandstones adjacent to a permeable fault zone | |
| "tonnes" or "t" | a metric tonne (1,000 kilograms or 2,204.62 pounds) | |
| "U" | uranium | |
| "U ₃ O ₈ " | triuranium octaoxide | |
| "uranium" | heavy silvery white metallic element found in several minerals, notably uraninite and carnotite | |
| "uraninite/pitchblende" | a uranium-rich mineral with a composition that is largely ${\rm UO}_2$ (uranium dioxide), but which also contains ${\rm UO}_3$ and oxides of lead, thorium, and rare earths | |
| "uranophane" | uranophane Ca(UO ₂)2(SiO ₃ OH)2·5H ₂ O is a rare calcium uranium silicate hydrate mineral that forms from the oxidation of uranium bearing minerals | |
| "W" | tungsten | |
| "yellowcake" | a natural uranium concentrate that takes its name from its colour and texture. Yellowcake typically contains 70 to 90 per cent. U_3O_8 by weight | |

ACQUISITION STATISTICS

| Number of Existing Ordinary Shares in issue prior to Admission | 711,282,000 |
|---|-----------------|
| Mongolian Consideration Shares to be issued | 15,000,000 |
| Mongolian Introductory Shares to be issued | 10,000,000 |
| GCM Consideration Shares to be issued | 72,340,425 |
| Total number of New Ordinary Shares to be issued pursuant to the Acquisitions | 97,340,425 |
| Number of Ordinary Shares in issue immediately following completion of the Acquisitions and Admission | 808,622,425 |
| Percentage of Enlarged Share Capital represented by the New Ordinary Shares | 12.04 per cent. |
| Market capitalisation of the Company at the Placing Price immediately following Admission | £72.8 million |
| Number of Options outstanding on Admission | 72,500,000 |
| Number of outstanding warrants over Ordinary Shares on Admission | 8,450,400 |
| Number of issued Ordinary Shares on a fully diluted basis on Admission | 889,572,825 |
| AIM symbol | PRL |
| International Security Identification Number ("ISIN") | VGG6844A1075 |

EXPECTED TIMETABLE OF EVENTS

| Publication of this Document | 20 February 2008 |
|---|---|
| Latest time and date for receipt of Forms of Instruction | 2:00 p.m. GMT on 26 February 2008 |
| Latest time and date for receipt of Forms of Proxy | 2:00 p.m. GMT on 27 February 2008 |
| Meeting of Shareholders | 3:00 p.m. local time (2:00 p.m. GMT) on 29 February 2008 |
| Admission effective and dealings to commence in the Enlarged Share Capital on AIM | 4 March 2008 |

PART I

LETTER FROM THE CHAIRMAN

POLO RESOURCES LIMITED

(Incorporated and registered in the British Virgin Islands with registered number 1406187)

Existing Directors:

Stephen Roland Dattels (Executive Chairman)
Paul Anthony Ingram (Chief Executive Officer)
Guy Elliott (Non-executive Director)
Suresh Hiremath (Non-executive Director)
Harald Gustaaf van Hoeken (Non-executive Director)
Danny Sun (Non-executive Director)

Registered Office:

Craigmuir Chambers P.O. Box 71 Road Town, Tortola British Virgin Islands

20 February 2008

To the holders of Existing Ordinary Shares
Dear Shareholder,

Acquisition of the Mongolian Target Companies

Acquisition of a minority interest in GCM Resources plc

Admission of the Enlarged Share Capital to trading on AIM

Notice of Meeting of Shareholders

1. Introduction

I am delighted to provide you with more information regarding the Acquisitions that were recently announced by the Company. The increase in demand for both thermal coal for power generation and coking coal for steel production represents a significant opportunity for Polo. The growth of demand for coal in Asia has been particularly robust, most notably in China, where the demand for imported coal has tripled since 2003. The Directors are focused on acquiring interests in coal projects that are strategically located to serve this growing Asian demand and they believe that the Acquisitions that are set out in this Document will drive Polo forward and represent an important part of the Company's growth strategy. This is an exciting opportunity for the Group as it seeks to become a major international coal mining and exploration group with additional interests in uranium.

On 23 November 2007, the Company announced that it had entered into an agreement to acquire the Mongolian Target Companies from the Vendors. The total consideration payable in respect of the Mongolian Acquisition to the Vendors and to the Introducing Parties is US\$2 million in cash and 25,000,000 Ordinary Shares. Further details of the Mongolian Acquisition are provided in paragraph 3 of this Part I.

The Vendors have also agreed to manage the Mongolian activities of the Group and to assist MUC Mongolia and Polo Mongolia in ongoing management services, subject to the terms of the Management Agreement, further details of which are set out in paragraph 9.1.2 of Part VI of this Document.

On 1 February 2008, the Company announced that it had entered into the GCM Purchase Agreement to purchase the GCM Shares from RAB for a total consideration of £9,000,000 in cash and 72,340,425 Ordinary Shares. Further details of the GCM Acquisition are provided in paragraph 7 of this Part I.

The Group is committed to creating a major international coal mining and exploration group. The Independent Directors and the Existing Directors believe that each of the Mongolian Acquisition and the GCM Acquisition, respectively, provide Polo with the opportunity to build a significant and diversified portfolio of coal and exploration assets that will accelerate the growth of the Group and add value to Shareholders. The Group will also be well placed to benefit from increases in coal consumption in Asia and to expand its focus to pursue additional growth opportunities globally.

The Mongolian Acquisition and the GCM Acquisition will constitute reverse takeovers under the AIM Rules and are therefore conditional (*inter alia*) upon the approval of Shareholders in a general meeting. A reverse takeover also involves the cancellation of the Existing Ordinary Shares from trading on AIM and a new application for the Enlarged Share Capital to be admitted to trading on AIM.

Accordingly, a meeting of Shareholders is being convened at which resolutions will be proposed, *inter alia*, to approve the Acquisitions. The Resolutions are set out in full in the notice of the Meeting of Shareholders in Part VII of this Document. The Independent Directors, who together control approximately 11.95 per cent., of the Existing Ordinary Shares, intend to vote in favour of the Resolutions. In the event that only one of the Acquisitions receives Shareholder approval, but not the other, it is the intention of the Directors to proceed with the application for Admission and complete the Acquisition which is approved by the Shareholders.

The Mongolian Acquisition is a related party transaction under the AIM Rules on the basis that Mr. Danny Sun, a non-executive Director of the Company, is one of the Vendors and Mr. Paul Ingram, the Chief Executive Officer of the Company, is one of the Introducing Parties. Accordingly, Mr. Sun and Mr. Ingram have not participated in the Board's deliberations with regard to the Mongolian Acquisition. The Independent Directors, who have consulted with Canaccord, the Company's nominated adviser, consider that the terms of the Mongolian Acquisition are fair and reasonable in so far as the Shareholders are concerned. In providing advice, Canaccord has taken into account the commercial assessment of the Independent Directors.

The purpose of this Document is to give you details of the Acquisitions, to explain why the Independent Directors (in respect of the Mongolian Acquisition) and the Existing Directors (in respect of the GCM Acquisition) consider the Acquisitions to be in the best interests of the Company and its Shareholders as a whole and to ask you to vote in favour of the Resolutions required to approve, *inter alia*, the Acquisitions which will be proposed at the Meeting of Shareholders convened for 3:00 p.m. local time (2:00 p.m. GMT) on 29 February 2008, notice of which is set out in Part VII of this Document.

You should read the whole of this Document and your attention is drawn to the risk factors set out in Part III of this Document.

2. Background to and reasons for the Acquisitions

The Company was incorporated and registered in the BVI on 23 May 2007 and was admitted to AIM on 4 September 2007 as an investing company. The stated investment strategy of the Company on the IPO Admission was to make investments and/or acquisitions in the natural resources sector, which might include exploration, development or production projects in minerals, base metals, precious metals or hydrocarbons, with the main areas of focus being Australia, Africa, North America, South America, Asia (including the Indian sub continent), Eastern and Western Europe.

Since the Company was admitted to AIM, the Directors have been reviewing various opportunities in line with the Company's investment and acquisition strategy. The Company has been seeking to acquire interests in natural resources projects such as (without limit) exploration permits and licences, renewable energy processing plants, coal mines or oil and gas fields. As an "investing company" under the AIM Rules, the Company was allowed a period of 18 months from IPO Admission to make a substantial acquisition, failing which a meeting of Shareholders would be convened to consider winding up the Company. The Acquisitions will both meet this requirement.

The Independent Directors believe that, taking into account the value of the Mongolian Consideration Shares and the Mongolian Introductory Shares and the potential exploration and development opportunities offered by the Licences and Agreements, the Mongolian Acquisition provides the opportunity to generate significant value for Shareholders. The Independent Directors further believe that the Mongolian Acquisition is in line with the Company's stated strategy and provides Polo with the opportunity to build a significant and diversified portfolio of coal and uranium assets in Mongolia. The Independent Directors also believe that the geology of Mongolia is prospective for significant mineral deposits; however, the country's resources have been vastly under-explored and under-developed due to a lack of infrastructure. Furthermore, the Independent Directors believe that the strategic location of the Licences and Agreements will allow the Group to take advantage of Asia's increasing consumption of coal. Mongolian coal exports to China totalled 2.53 Mt in 2005, and market reports indicate that coal exports will grow significantly to in excess of 15 Mt per year by 2010 representing an exciting opportunity for the Company.

In addition, the Independent Directors believe that the strategic location of the Group's uranium licences will allow the Group to take advantage of the new construction of nuclear power reactors currently concentrated in Asia and the growing supply-demand imbalance in the uranium market.

Further details of the Licences and Agreements are set out in the Competent Persons Report in Part IV of this Document and further details of the terms on which the Company has agreed to acquire the Mongolian Target Companies are set out in paragraph 3 below of this Part I and in paragraph 9.1.1 of Part VI of this Document.

The GCM Acquisition provides the Company with the opportunity to acquire an important strategic interest representing approximately 20.5 per cent. of the issued share capital of GCM. GCM is a London-based resource development company with a wholly owned subsidiary operating in Bangladesh and investments in South Africa. GCM is engaged in developing a coal mine and power plant project in Bangladesh. The Existing Directors believe that the GCM Acquisition represents a strategic opportunity to acquire a minority interest in an emerging coal provider as the Group seeks to become a major international coal mining and exploration group.

Further details of the GCM Acquisition are set out in paragraph 7 below of this Part I and in paragraph 9.2 of Part VI of this Document.

3. Principal Terms of the Mongolian Acquisition

On 19 November 2007, the Company entered into the Mongolian Acquisition Agreement with the Vendors, the Mongolian Target Companies, Paul Ingram and Mark Syropoulo to acquire the Mongolian Target Companies which will own at Admission all right, title and interest to the Licences and Agreements.

The total consideration payable by the Company in respect of the Mongolian Acquisition is US\$2 million in cash and 25,000,000 Ordinary Shares. All of these Ordinary Shares will be subject to a one year lock-in period which, save in limited circumstances, restricts sale by the respective parties and an orderly market arrangement during the 12 months following the initial one-year lock-in period.

Pursuant to the terms of the Mongolian Acquisition, of the 25,000,000 Ordinary Shares to be issued, 15,000,000 Ordinary Shares are to be issued at Completion to Danny Sun and Anthony Bainbridge, as the Vendors. Of these Ordinary Shares, Mr. Sun and Mr. Bainbridge have elected to allocate 2,900,000 shares to Lee Yang (in recognition of her work with Asia Intercept) and 500,000 shares to Ever Award Holdings Ltd. (owned by Michael Liu and Larry Wang) in recognition of Mr. Liu's and Mr. Wang's assistance in the Mongolian Acquisition. The remaining 11,600,000 Ordinary Shares will be issued in equal proportions to Mr. Bainbridge and Excellent Way Enterprises Limited (of which Mr. Sun is the beneficial holder).

Of the remaining 10,000,000 Ordinary Shares to be issued pursuant to the terms of the Mongolian Acquisition, 7,500,000 shares are to be issued to Paul Ingram and Mark Syropoulo and 2,500,000 shares are to be issued to TINA, each in their capacity as Introducing Parties. Mr. Ingram and Mr. Syropoulo have elected to allocate 700,000 shares to Ever Award Holdings Ltd. (in recognition of Mr. Liu's and Mr. Wang's assistance in the Mongolian Acquisition). The remaining 6,800,000 Ordinary Shares will be issued in equal proportions to Mr. Ingram and Mr. Syropoulo.

The Company agreed, subject to Completion, in the Mongolian Acquisition Agreement to be solely responsible for all valuation and due diligence costs, exploration costs, ongoing acquisition costs and other expenses incurred in support of, and on behalf of, Polo and the Licences and Agreements from 20 October 2007, including but not limited to drilling costs and personnel. The Company also agreed to fund outstanding payments due to third party vendors on certain of the Licences and Agreements. These funds were advanced to Polo Mongolia in exchange for the Initial Promissory Notes from Asia Intercept. The total amount of Initial Promissory Notes outstanding at the date of this Document is US\$17,700,000. The Initial Promissory Notes will be novated from Asia Intercept to Polo Mongolia at Completion pursuant to the Novation Agreement.

The Vendors have agreed to manage the Mongolian activities of the Group and to assist MUC Mongolia and Polo Mongolia in ongoing management services, subject to the terms of the Management Agreement, further details of which are set out in paragraph 9.1.2 of Part VI of this Document.

Other than their activities with the Group, the Vendors, Mr. Ingram and Mr. Syropoulo have agreed not to carry on or to be engaged in any business which is engaged in the mining of or exploration for

mineral deposits in Mongolia for a period of three years from the date of Completion, except for gold projects or any other project in relation to which the Vendors, Mr. Ingram or Mr. Syropoulo have already entered into binding agreements prior to the signing of the Mongolian Acquisition Agreement.

The Company agreed that if, after Completion, Polo acquires title to a deposit having a resource greater than 125 million tonnes of thermal or coking coal from or with the direct assistance of the Vendors (such determination to be determined by the Board acting reasonably), the Company will issue an additional 30,000,000 Ordinary Shares to the Vendors and 10,000,000 Ordinary Shares to the Introducing Parties, all of which would be subject to a one year lock-in period from their date of issue which, save in limited circumstances, restricts sale by the respective parties and to an orderly market arrangement during the 12 months following the initial one-year lock-in period.

The Company's obligation to issue shares in respect of subsequent transactions conducted with the direct assistance of the Vendors will arise only on the first two transactions in which the Company makes a relevant acquisition after Completion.

The Mongolian Acquisition is conditional, (*inter alia*), on the passing of Resolution 1 (approval of the Mongolian Acquisition) and Admission.

Further details of the Mongolian Acquisition Agreement are set out in paragraph 9.1.1 of Part VI of this Document.

Polo Resources Limited 100% 100% **World Coal Works MUC Resources Ltd.** Corporation 100% 100% **MUC Resources LLC** Polo Resources LLC 100% 100% 100% **Uranium Licences and** Coal Licences and Kimko LLC Agreements Agreements

Figure 1: Mongolian Target Companies following Completion

4. Information on the Coal and Uranium Markets

Coal Market

Mongolia is estimated to have potential coal reserves of some 100 Bt, the majority of which is proven but to date has not been developed due to a lack of infrastructure. Annual coal production in Mongolia is approximately 5 Mt which is primarily used for steam and electricity generation.

Coal deposits are quite consistently distributed throughout Mongolia. There are over 200 deposits, and finds of coal and brown coals were identified in 15 basins and four regions, of which about 50 deposits have undergone geological and exploration works. While significant volumes of sub-bituminous coals are currently mined in Mongolia, the emerging export focus is on hard coals. Higher value coals such as coking coal and high-energy thermal coal will be most marketable in the near-term to the Chinese market, and to the seaborne market in the future, due to current transport infrastructure constraints within China.

The Nyalga Coal Basin is one of Mongolia's historic deposits. The Chandgana Khavtgai and Chandgana Tal properties in the Nyalga Coal Basin are currently owned and operated by Red Hill Energy Ltd. Combined, these projects have 819.7 Mt of measured and indicated resources and an additional 439.6 Mt inferred.

Historically, coal mining in Mongolia has focused on supplying low-cost coals, transported over short distances along the existing rail line to the country's power stations in the central northern regions. The majority of coal production in Mongolia has focused on the sub-bituminous coal deposits located along the railway line as these have been the most economical supply of energy.

Currently, China is the only export market for Mongolian coal, with exports in 2005 totalling 2.53 Mt. It has been reported that exports are forecast to grow in excess of 15 Mtpa by 2010.

30000 25000 20000 kt pa 15000 10000 5000 2003 2004 2005 2006 (f) 2010 (f) 2015 (f)

Figure 2: Mongolian Coal Exports (Actual and Forecast)

Source: Chinese Customs Data; Barlow Jonker Forecast (2006)

In a 2007 report, the Energy Information Administration (EIA) projects coal use in China's electricity sector to increase from 22.7 quadrillion Btu in 2004 to 55.9 quadrillion Btu in 2030, at an average rate of 3.5 per cent. per year. In comparison, the EIA projects that coal consumption in the US electricity sector will grow by 1.7 per cent. annually, from 20.3 quadrillion Btu in 2004 to 31.1 quadrillion Btu in 2030.

The EIA reports that 45 per cent. of China's coal use in 2004 was in the non-electricity sectors, primarily in the industrial sector. The report also states that China was the world's leading producer of both steel and pig iron in 2004. Over the period from 2004 to 2030, the EIA forecast coal demand in China's non-electricity sectors to more than double, increasing by 20.9 quadrillion Btu. Despite such substantial growth, however, the EIA report indicates that the non-electricity share of total coal demand will decline slightly to 41 per cent. of total coal demand in 2030. Coal remains the primary source of energy in China's industrial sector, primarily because the country has limited reserves of oil and natural gas.

In a research report published on 5 February 2008, Citi Investment Research (a division of Citigroup Global Markets Inc.) indicates that 2008/09 annual contract prices for thermal and coking coal will roughly double. Citi Investment Research forecasts in the report that the 2008/09 thermal coal contract price will be US\$100 per tonne, or increase by 82 per cent. as compared to pricing of US\$55 per tonne in December 2007, and the 2008/09 contract price of coking coal will be US\$200 per tonne from US\$95 per tonne in December 2007, an increase of 110 per cent.

Uranium Market

Mongolia has a long history of uranium exploration commencing with joint Russian and Mongolian endeavours from 1943 to 1957. Initial success was obtained in northeastern Mongolia (the Dornod and Gurvanbulag regions) where uranium is present in volcanogenic sediments.

The main uranium prospect in Mongolia is the Dornod open cut mine in the far northeast of the country. From 1988 to 1995, some 590,000 tonnes of material at an average grade of 0.118 per cent. U_3O_8 was mined from the No. 2 Deposit of the Dornod site. Due to low uranium prices, the mine was shut down in 1995 and the Dornod Project was maintained on a care and maintenance basis until 2005 when Khan Resources Inc. became the operator. In 2005, Khan Resources Inc. commissioned a scoping study, which was then followed by a pre-feasibility study which was completed in August 2007. The study, which was NI 43-101 compliant, estimated indicated resources at 25.3 Mt at an average grade of 0.116 per cent. U_3O_8 , for 64.3 million lbs U_3O_8 and inferred mineral resources at 2.2 Mt at an average grade of 0.050 per cent. U_3O_8 for 2.4 million lbs U_3O_8 .

Mined uranium is used principally as the fuel for nuclear-powered electricity generating stations. Additional uses include small nuclear reactors in research, in nuclear-powered marine vessels, in space travel and for desalination; and in radioisotopes for medical research, industry and in smoke detectors.

Uranium world production is dominated by Canada and Australia who, together, produce about 44 per cent. of annual mine supply. In 2006, world production amounted to 39,655 tonnes (2005: 41,702 tonnes). Primary uranium production filled approximately 60 per cent. of world reactor requirements during 2006. The balance was made up by secondary supplies including: depleted uranium from enrichment; reprocessed material from spent fuel; unprocessed spent fuel; and highly enriched uranium ("HEU") of military origin. The uranium spot price has increased in the last five years from around US\$10/lb at the beginning of 2003 to US\$75/lb by 11 February 2008.

Many industrialised nations are heavily dependent on nuclear power generation, with nuclear electricity representing a major component in such countries as the United States (19 per cent.), Germany (32 per cent.), Japan (30 per cent.), Hungary (38 per cent.), Sweden (48 per cent.), and particularly France (78 per cent.) and Lithuania (69 per cent.). Worldwide, there are currently 439 operating nuclear power reactors in 31 countries with total installed capacity of 372,000 MWe. The scale of the world's nuclear industry is considerable and growing.

Concerns over the global oil supply and global warming have renewed interest in nuclear energy (nuclear reactors do not release the levels of carbon dioxide into the atmosphere which are released by power stations which burn oil or gas). In addition, improved reactor performance, extended fuel cycles, increased generating capacity and reduced operating costs are also contributing to a revival in nuclear power. As of January 2008, there were 439 nuclear power reactors in operation worldwide with a further 34 reactors under construction, 93 planned (approved and funded) and another 222 proposed (intended but not approved or funded). New construction is currently concentrated in Asia with China and India at the forefront.

5. Information on the Mongolian Acquisition

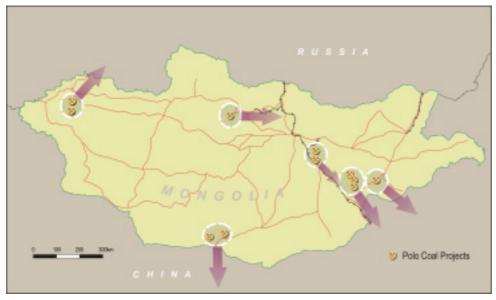
The Mongolian Target Companies are three special purpose vehicles, namely MUC Mongolia, Polo Mongolia and WCW. The Mongolian Target Companies collectively hold a portfolio of 14 coal licences (of which eight licences are held in the name of Polo Mongolia, one licence is held in the name of Kimko LLC, a wholly owned subsidiary of Polo Mongolia, and five licences are in the process of being transferred to Polo Mongolia), 18 uranium licences (of which 16 licences are held in the name of MUC Mongolia and two licences are in the process of being transferred to MUC Mongolia), one tungsten licence and seven applications for additional uranium licences which have been lodged with the MPRAM. In addition, Polo Mongolia has entered into an option agreement with a third party with regards to another coal licence. Each of MUC Mongolia, Polo Mongolia and WCW has no trading history and no material assets or liabilities other than the Licences and Agreements.

Coal Licences and Agreements

Polo Mongolia holds nine coal licences covering 94,477 ha in Mongolia. In addition, a further five licences are in the process of being transferred to Polo Mongolia. Further details on these licences are set out in Part II of this Document.

Polo Mongolia is also a party to an option agreement with Uguumur Alt LLC for the acquisition of an additional coal exploration licence in Mongolia (licence number 11987X). Under the agreement, Polo Mongolia was given a due diligence period of three months for drill assessment, geophysics and review of previous results and has until 30 May 2008 to acquire the licence, at which time a final cash payment of US\$3 million will be due. Subject to satisfactory due diligence and the ongoing financial position of the Company, it is the intention of the Company to exercise the option in accordance with its respective terms, details of which are more particularly set out at paragraph 9.1.5.9 of Part VI of this Document.

Figure 3: Location of Coal Licences and Agreements



Source: Mongolian Target Companies

The Mongolian Target Companies have specifically targeted major coal resources that are near the necessary infrastructure to export coal into the growing energy markets of adjacent China and Russia.

The Mongolian Target Companies have focused on the acquisition of licences found in the following three zones:

- 1) Erdenetsogt Basin (Doshin Coal Project, Altanshiree Coal Project and Khashaat Coal Project): This area is within truckable distance to China. Resources occur at shallow depths in open cut formation in seams up to 100 m in thickness. Resources defined in C1 category total more than 100 Mt of coal and the Directors believe that the coal product would be in high demand for the Chinese thermal industry;
- 2) Ereen Basin (Ereen Coal Project): A small basin of high quality coal occurring in a 10 m thick near surface seam with low strip ratios. The 6,000 kcal plus coal found in this basin can be used in the domestic market (there are requirements of 2 Mtpa within 150 km of the Ereen project site) or transported to loading facilities 122 km from the project site; and
- 3) Tsaidam Basin (Union Coal Project): Polo Mongolia will hold the only two mining licences within this basin (pending transfer confirmation by the MPRAM) which are ideally located to rail and the capital city of Ulaanbaatar in the northern region of the large Tsaidam Basin (3.5 Bt of coal in C1 category). The Union Coal Project area is 14 km from a rail loading facility.

The Mongolian Target Companies' projects within these three zones in Mongolia are explained in further detail below.

Doshin Coal Project

The Doshin Coal Project is located in the mid-west part of the Sayshand Province of Mongolia known as the Erdenetsogt Basin. The exploration licence covers a total of 16,594 ha. Polo Mongolia has entered into an option purchase agreement dated 18 February 2008 for the acquisition of the licence with Uguumur Alt LLC. Further details of the terms and conditions of the agreement are set out in paragraph 9.1.5.9 of Part VI of this Document.

The Doshin project area is situated around 3 km southeast of the nearest town, Altanshiree City. It is around 405 km southeast of Ulaanbaatar and around 300 km north of the Chinese border. The nearest Mongolian railway is around 75 km to the west of the licence area.

A detailed exploration drilling programme was conducted within the northern part of the Doshin project area. A total of 31 shallow boreholes (1,880 m drilled) were drilled by the previous owner of the concession and a further five shallow boreholes (260 m drilled) were completed from the current exploration programme undertaken by Polo Mongolia. Most of the boreholes are distributed along

four grid lines. Three of the grid lines are around 300 m to 400 m apart, while the last grid line is located around 1.3 km away. The distance between borehole locations along each grid line is around 40 m, except for the last section where the distance varies between 65 to 360 m. The total depth of the boreholes ranges from 25 to 70 m with the average around 60 m.

The coal seams in the Doshin project area are shallow dipping (less than 5 degrees) and subcrop near the surface. The area consists of three main seams, with thickness ranging from 1 to 12.6 m. The upper two seams appear to be lenticular and therefore are not consistent across the deposit. The third seam is consistent throughout the project area but also varies in thickness.

Based on the regional geology interpretation, the coal bearing formation of Doshin extends throughout and beyond the Doshin licence. The seams predominantly comprise of dull coal and are considered suitable for the thermal market.

Based on the drilling data within the Doshin project area acquired by Polo Mongolia in 2006, it was found that:

- 40 per cent. to 65 per cent. of the total seam interval contains coal. Therefore, total potential coal production is approximately 50 per cent. of total resource estimate; and
- the shallowest coal occurs at around 40 m depth from the surface, and therefore is considered suitable for open cut extraction.

The nature of the coal appears to be a high ash, low to medium energy coal. The coal quality is summarised as:

- Inherent Moisture (ad), ranging from 5.1 per cent. to 16.1 per cent., average 11.2 per cent.
- Total Moisture (ar), ranging from 20.8 per cent. to 40 per cent., average 28.8 per cent.
- Ash content (ad), ranging from 7.3 per cent. to 31.2 per cent., average 16.6 per cent.
- Sulphur content (ad), ranging from 0.7 per cent. to 3.4 per cent., average 1.6 per cent.
- Calorific value (ad) ranging from 3,500 to 5,270 kcal/kg, average 4,570 kcal/kg

In SRK's opinion, the Doshin Coal Project has large quantities of shallow coal amenable to open-pit mining methods and with low to medium energy, high total moisture, high ash and high sulphur content. SRK recommends that further drilling should be conducted to provide sufficient detail for a prefeasibility study. The proposed exploration budget for 2008 is estimated at US\$777,415.

Altanshiree Coal Project

Similar to the Doshin Coal Project, the Altanshiree Coal Project is located in the mid-west part of the Sayshand Province of Mongolia known as the Erdenetsogt Basin. The exploration licence covers a total of 19,884 ha known as the Altanshiree licence. Polo Mongolia has executed a share purchase agreement for the acquisition of 100 per cent. of the shares of a new company, Kimko LLC, holding the licence. Further details of the terms and conditions of the agreement are set out in paragraph 9.1.5.8 of Part VI of this Document.

The project area is situated around 10 km northeast of Altanshiree City. The location is around 405 km southeast of Ulaanbaatar and around 300 km north of China's border. The nearest Mongolian railway line is around 75 km from the Altanshiree project area in a straight line to the west.

The Altanshiree licence is in the preliminary regional exploration phase. There is no drilling exploration in the Altanshiree and surrounding area. Based on the regional geology interpretation, the Altanshiree coal bearing formation appears to be formed within the same coal bearing formation in the Doshin project area (around 12 km south of the Altanshiree area). Therefore, SRK expects one to find flat dipping coal seams at shallow depths below the surface in the Altanshiree area. The thickness of the seams could range from several centimetres up to around 10 m.

Based on the coal analysis results from the Doshin project area, coal qualities of Altanshiree is interpreted by SRK to be a low to medium energy coal with high ash and high sulphur content. The deposit could be suited for open cut mining methods and the coal product for the domestic thermal market.

SRK recommends that a preliminary exploration programme involving widespaced regional drilling is undertaken to evaluate the potential of the Altanshiree project area. The proposed exploration budget for 2008 is estimated at approximately US\$1.36 million.

Khashaat Coal Project

The Khashaat Coal Project is located in the northwestern part of the Sayshand Province of Mongolia known as the Erdenetsogt Basin. The exploration licence covers 133 ha. Polo Mongolia entered into an option agreement with Bilguun Tsag LLC to acquire the licence. Polo Mongolia has fulfilled the conditions of the agreement and lodged the licence for transfer on 13 February 2008 with the MPRAM.

The Khashaat Coal Project area is situated around 8.5 km west of the nearest town, Arshaantayn Hural City, which is around 184 km west of Choyr City, one of the largest cities in the northern part of the Sayshand Province. The location is around 240 km southeast of Ulaanbaatar and around 520 km north of China's border. The nearest Mongolian railway line is around 75 km to the west of the Khashaat area.

The Khashaat Coal Project is at the preliminary exploration phase. Based on regional geology interpretation, the Khashaat coal bearing formation appears to be formed within an anticlinal structure trending west to east. The coal bearing formation in the Khashaat area is part of the Choir-Nyalga Basin.

A preliminary drilling exploration programme comprising of 45 boreholes covers the Khashaat project area. The SRK site investigation of the current mining operation at Khashaat, located in the western part of the area, delineated the coal seam dipping gently (less than 30 degrees) at the subcrop in the hinge of anticline. The area consists of two main seams of which the lowest seam is significantly thick. The upper seam appears to be lenticular and therefore is not consistent across the deposit. The thickness of the upper seam ranges from 3 to 5 m. The lowest seam averages around 45 m in thickness and contains several stone bands. In the northern part of the Khashaat area, the coal unconformably underlies unconsolidated Quaternary sediments.

The Khashaat coal is predominantly composed of bright bands with several minor dull bands and thin partings. Minor secondary pyrite was found in the coal seam. Quality analyses from boreholes in the surrounding area indicate the seams in the Khashaat area have a calorific value ranging from 4,300 kcal/kg to 5,608 kcal/kg (adb). Based on these observations, SRK concluded that the coal is suited for the domestic thermal market. The preliminary geological model shows no indication of faulting, and based on the low stripping ratio, average 3:1, the Khashaat Coal Project area is also suited to opencut extraction.

SRK recommends that, given the potential to develop an open-cut mine for the Khashaat Coal Project, further drilling should be conducted to provide sufficient detail for a pre-feasibility study. The proposed exploration budget for 2008 is estimated at US\$104,533.

Ereen Coal Project

The Ereen Coal Project is located in the western area of the Bulgan Province of Mongolia known as the Ereen Basin. The mining licence covers a total of 35 ha. Polo Mongolia held an option agreement with Ulziin Undraa LLC until 15 March 2008. Polo Mongolia has fulfilled the terms and conditions set out in the option agreement and has purchased the licence for US\$4 million, including tax. The licence transfer has been lodged with the MPRAM on 14 February 2008. Further details of the terms and conditions of the agreement are set out in paragraph 9.1.5.3 of Part VI of this Document.

The project area is situated around 23 km northwest of the nearest town, Shaikan City, and around 420 km west of Ulaanbaatar. The nearest Mongolian railway line is 52 km from the Ereen Coal Project area.

Prior to the purchase of the licence from Ulziin Undraa there was a small open pit mine operated by Ulziin Undraa. On exercise of the option on 14 February 2008, these operations ceased.

No detailed information regarding any previous or current exploration activity in the Ereen Coal Project area is available. According to field observations by SRK, the area consists of several thick seams (up to four seams) which are interbedded with thin layers of siltstone or shale. Total thickness of mineable coal could be more than 10 m.

The coal appears to be predominantly bright with minor dull bands, indicating a potential high energy coal which contains an abundance of vitrinite. The local miner at Ereen is currently selling a raw coal product to the domestic thermal market for around US\$12 per tonne.

Several thin layers of mudstone and siltstone were observed by SRK in the coal seams indicating high ash content. Removing this non-coal material, either during mining or by beneficiation, would result in increasing the calorific value of the coal.

Preliminary exploration indicates that the Ereen Coal Project has the potential to be developed into an economic open cut coal mine servicing the Mongolian domestic thermal market and the Russian export market. SRK recommends further drilling should be conducted to provide sufficient detail for a feasibility study. The proposed exploration budget for 2008 is estimated at US\$104,533.

Union Coal Project

The Union Coal Project is located in the southeast of the Tov Province of Mongolia known as the Tsaidam Basin. The Mongolian Government granted two mining licences, north block (202 ha) and south block (82 ha), covering a total of 284 ha. Part of the Union Coal Project area (around 25 per cent.) has been depleted by opencut mining. There is no information regarding the production from the operation.

Polo Mongolia has signed a transfer agreement with Mongoljinmaa LLC and Dusal LLC dated 23 January 2008. The licences have been lodged for transfer with the MPRAM.

The Union Coal Project area is situated 35 km east of the nearest small town called Bayan Soum, and around 113 km southeast of Ulaanbaatar. The Baganuur Coal Mine Company, which is owned and operated by the Mongolian Government, is located 35 km to the northeast and a large coal terminal operated by the Mongolian Government is about 35 km away. The nearest Mongolian railway is around 14 km to the north.

The area has undergone regional exploration drilling and the results indicate a large shallow potential coal deposit mine amenable to open pit mining methods. A total of 14 boreholes, with depths ranging from 65 m to 150 m, were completed during the previous exploration programme. The boreholes are located along three grid lines 5 km apart. The distance between boreholes along each grid line is around 0.5 km.

The coal seams in the Union Coal Project area are shallow, gently dipping (less than 25 degrees) and subcrop near the surface. The project area is within the north-eastern part of the Tsaidam-Nuur Synclonorium System. Based on the regional geological interpretation, the coal bearing formation of Tsaidam extends throughout and beyond the licence area. The seams predominately comprise of dull coal and are considered suitable for the thermal market.

The area consists of at least two main seam zones of which the lowest seam is significantly thick. The seams appear to be lenticular and split across the deposit. The thickness of each seam ranges from less than 1 m to greater than 20 m, and are generally interbedded with several stone bands.

Based on a report prepared by the Mongolian Government, it was found that the yield of coal from the seam zone in the Union Coal area ranges from 90 per cent. to 92 per cent. with ash content ranging from 9.8 per cent. to 12 per cent. The nature of coal appears to be a medium ash, low energy coal. The coal quality is summarised as:

- Total Moisture (ar), average 34 per cent.
- Inherent Moisture (ad), average 12.25 per cent.
- Ash content (ad) average 10.24 per cent.
- Volatile Matter (ad), average 51.33 per cent.
- Sulphur content (ad) average 0.92 per cent.
- Calorific value (daf) average 6,231 kcal/kg

Based on its field observations and the previous exploration data, SRK concluded that the Union Coal Project area potentially contains a large coal deposit amenable for open cut extraction with strip ratios averaging 3:1. SRK recommends that, given the potential to develop an open-cut mine for the Union Coal Project, further drilling should be conducted to provide sufficient detail for a pre-feasibility study. The proposed exploration budget for 2008 is estimated at US\$209,065.

Strategic Development of Coal Licences and Agreements

The Group's strategy in Mongolia is to fast track into development the Union Coal Project and the Ereen Coal Project in 2008. Both projects have mining licences and can be progressed to development stage using existing infrastructure. In addition, both projects have significant coal outcropping in small pits and in the case of the Ereen licence is currently producing coal for sale to the nearby copper smelter at Erdenet. The Group is targeting total production of 1 Mt of coal per annum commencing in the fourth quarter of 2008 from the Ereen Coal Project and the Union Coal Project. Coal production is targeted at 6,000 kcal/kg direct transported coal to China with plans to expand production after two to three years of operation. The Group has targeted 1 Bt of high quality coal defined in resources over the next two years in the Erdenetsogt Basin, the Ereen Basin and the Tsaidam Basin.

Uranium and Tungsten Licences and Agreements

MUC Mongolia holds 16 uranium licences in Mongolia. In addition, pursuant to an option agreement with Geo-Asmo LLC dated 27 December 2007 (further details of which are set out in paragraph 9.1.5.6 of Part VI of this Document), MUC Mongolia is acquiring title to an additional uranium licence (licence number 11052X), and is awaiting confirmation of the licence transfer by the MPRAM. MUC Mongolia has also entered into a licence transfer agreement with Gravi Mag LLC dated 23 November 2007 (further details of which are set out in paragraph 9.1.5.2 of Part VI of this Document) for uranium exploration licence 12796X and is awaiting confirmation of the licence transfer by the MPRAM. In addition, MUC Mongolia has submitted seven applications for uranium licences to the MPRAM.

Pursuant to a licence transfer agreement between Polo Mongolia and Tuhum Davs LLC dated 1 December 2007 (further details of which are set out in paragraph 9.1.5.4 of Part VI of this Document), Polo Mongolia acquired title to one tungsten licence (licence number 9237X). The Company has little information on this tungsten licence and plans to investigate the property for further information on the licence area.

The uranium licences are located across two geological terranes which are noted to host multiple uranium deposits of varying genetic style. All licences are at the earliest stage of exploration, but can be considered as under-explored in the context of modern exploration techniques, as the majority of exploration in the districts covered by the licences were primarily explored during Soviet times without access to sophisticated instrumentation for low-level uranium, thorium and potassium detection. In the provinces in which the licences are located, exploration and mine development is active.

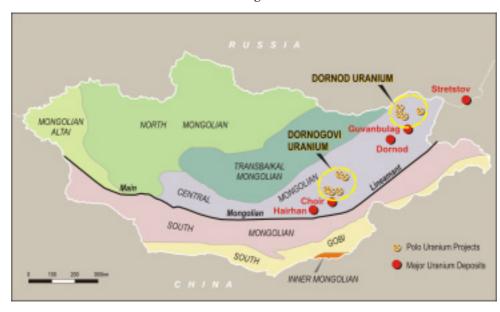


Figure 4: Location of Uranium Licences and Agreements

Source: Mongolian Target Companies

Dornogovi District

The ten licences held by MUC Mongolia in the Dornogovi District, covering approximately 21,195 ha, are about 200 km east of the Hairhan and Haraat uranium deposits, and can be accessed by paved road to the township of Choir, approximately 200 km south-south-east of Ulaanbataar, and then by dirt track approximately 100 km to the southern most licence.

Although referred to as the 'Dornogovi District' licences, four licences are not located in the Dornogovi Province. These are: licence number 9802X (Khentii Province), licence number 10230X (Gobisumber Province), licence number 10231X (Tov Province) and licence number 12105X (Selenge Province). For the sake of brevity, SRK included these licences in their discussion of the Dornogovi District Projects and/or Dornogovi District licences in the Competent Persons Report contained in Part IV of this Document, which is summarised in this Part I.

Little data is available for the northern Dornogovi licences, other than for licence number 9646X, where shallow trenches were excavated and shallow drilling was undertaken. Russian drilling profiles indicate uranium-enriched layers occurring at around 20 to 30 m below the surface, and apparently confined to palaeochannels. On average, the uranium-enriched layer is reported as approximately 2.1 m thick, 70 m wide, and 800 m long along strike. However, due to the lack of understanding with regards to sampling and analytical techniques, SRK cannot verify any results of the historic drilling programme. A reconnaissance field review of trenches by geologists of MUC Mongolia using a Russian scintillometer detected, on average, twice times background uranium levels, and, up to four times background from coarse red-yellow-brown conglomerates. SRK interprets that the high four times readings relate to uranium concentrated in limonitic cements. In addition, a single trench displayed high readings, up to nine times background, in association with limonite stained clayey, silty sandstones. Together, the identified stratigraphy from drilling and reconnaissance surface detection by MUC Mongolia, indicate at least elevated U values within licence number 9646X.

The Dornogovi District licences represent greenfield exploration plays that require verification of historic exploration results. MUC Mongolia plans to source further available historic exploration data from government records, implement a detailed reconnaissance programme in order to verify this data and undertake further exploration and drilling activities. The proposed exploration budget for 2008 and 2009 is approximately US\$1.75 million.

Given that uranium mineralisation is demonstrated in the area, and that historic exploration was limited, SRK considers that additional exploration with the Dornogovi licences is required, and the work proposed by MUC Mongolia as appropriate, given the budgetary levels proposed.

Dornod Province

The six licences held by MUC Mongolia in the Dornod Province cover 31,771 ha. Access to the Dornod Province licences is via paved road for approximately 100 km east from Ulaanbaatar to the coal mining town of Baganoor, then approximately 550 km east by partly paved and partly dirt road from Baganoor to Choibalsan in northeastern Mongolia.

The Dornod licences are in the historically explored Dornod and Saddle Hills areas, which are located in the Argun-Mongolia uranium province. All uranium mineralisation discovered to date in the area occurs in a narrow belt along the northern margin of what is locally referred to as the Dornod Structure (a large geological feature covering approximately 2,000 km²). Where identified, uranium mineralisation in the Dornod area occurs as pitchblende-coffinite assemblages, associated with carbonaceous partings and fragments in areas of structural complexity. The uranium mineralisation occurs as "blanket-like" horizons from less than 1 m thick to greater than 30 m thick within the volcano-sedimentary succession at depths from 30 m to greater than 450 m below surface.

Early exploration work led to the discovery of the Dornod uranium deposit. From 1988 to 1995, some 590,000 tonnes of material at an average grade of 0.118 per cent. U_3O_8 was produced from the Dornod open pit mine. Due to low uranium prices the mine was shutdown in 1995 and has been maintained on a care and maintenance basis since then.

The Dornod area is currently a target for uranium exploration and production in Mongolia, and encompasses three of the largest uranium deposits in Mongolia: the Dornod Deposit (N #7) (Khan Resources Inc.) with reported resources of 13 Mt grading 0.16 per cent. U_3O_8 ; the Gurvanbulag Deposit (Western Prospectors Group Ltd.) with reported resources of 10.5 Mt grading 0.18 per cent. U_3O_8 ; and the Khavar Deposit (Western Prospectors Group Ltd.) with reported resources of 2.5 Mt grading 0.14 per cent. U_3O_8 .

The Dornod Province licences represent greenfield exploration plays that are located within a district with demonstrable uranium production, and require verification of historic exploration results to focus exploration strategies. Available geological information for the area is more advanced to that of the Dornogovi District licences. The proposed exploration budget for the Dornod Province licences in 2008 and 2009 is estimated at approximately US\$1.16 million and includes data review, trenching, geological mapping, collection of airborne geophysical data, profile sampling and soil sampling.

Given that uranium mineralisation is demonstrated, and has been historically mined, in the area, SRK considers that additional exploration with the Dornod licences is justified, and the work proposed by MUC Mongolia as appropriate, given the budgetary levels proposed.

Strategic Development of Uranium and Tungsten Licences and Agreements

The Company will continue to monitor and assess potential opportunities in the uranium and tungsten mining sector which may be appropriate in respect of both the Group's uranium and tungsten Licences and Agreements, and also in respect of further investments or acquisitions which may be made by it.

6. Information on Mongolia

Country Overview

Mongolia is a landlocked country bordered by Russia to the north and China to the east, south and west. With an area of more than 1.5 million square kilometres, it is the world's seventh largest country. Ulaanbaatar, Mongolia's capital city, is located in the north central part of the country and has Mongolia's only international airport. The local airline, MIAT, serves about 20 communities and the Trans-Mongolian Railway connects to the Trans-Siberian Railway in the north and the China rail system to the south.

The southern third of Mongolia is dominated by the Gobi Desert that continues southward into China. While part of the desert is true desert, much of it is classed as desert steppe and has sufficient grass to support scattered herds of sheep, goats, and camels. Much of the rest of the country is comprised of grasslands and the southern continuation of the Russian steppes. The northern margin of Mongolia is forested with high mountain ranges. As much of the country is open, most of the area is accessible by car. Distances are large, however, and roads are often poor or non-existent.

Mongolia is divided into 18 aimags (provinces) that are further subdivided into 310 soums (counties). There are also four independent municipalities that are sometimes classed as aimags (Ulaanbaatar, Darkhan-Uul, Orkhon, and Gov-Sumber), bringing the total to 22.

The climate in Mongolia is extreme continental. Temperatures are extreme in winter (as low as -50°C) and summer (as high as 40°C). In Ulaanbaatar, July is the warmest and wettest month, with an average temperature of 17°C and an average rainfall of 76 mm, while January is the coldest and driest month, with an average temperature of -25°C and no precipitation. Rainfall and temperature throughout Mongolia are variable depending on elevation.

The population of Mongolia is reported to be about 2.4 million and is relatively homogenous in terms of ethnicity, language and religion. It is also a young country with more than 60 per cent. of the population below the age of 30. Approximately one third of the Mongolian population lives in the capital city of Ulaanbaatar with a large portion of the remainder living as nomads throughout the country.

Mongolia has a very long history and is often associated with its most famous leader, Genghis Khan, who ruled during the 13th century. In 1921, Mongolia fell under the influence of the United Soviet States of Russia, which dominated the politics and economy of the country until 1990 when the country's transition to democracy and a free market economic system began.

The Mongolian Constitution, adopted in 1992, established an elected legislature and a directly elected President. The Prime Minister is nominated by and serves on behalf of the majority party in the parliament. The Constitution enshrines the concepts of democracy, freedom of speech, and judicial independence, among others.

The first multiparty elections were held in July 1990 at which the Mongolian People's Revolutionary Party (the "MPRP") became the dominant political party. The MPRP was victorious again in the

July 1992 elections but lost to the Democratic Coalition in the elections of 1996. The MPRP regained power in 2000. In November 2007, Mr. Sanjgaagiin Bayar, Chairman of the MPRP, was elected by Parliament as the Prime Minister of Mongolia.

Since 1991, Mongolia has been making a concerted effort to implement a comprehensive economic reform programme aimed at moving the country toward a free market economy. One of the primary objectives of this programme has been to encourage foreign investment to stimulate economic growth and several laws have been adopted in that regard.

The economy is dominated by agriculture, and mining provides more than 50 per cent. of the foreign earnings. Tourism is a small but significant contributor to the national economy. Growth was 10.6 per cent. in 2004, 5.5 per cent. in 2005, 7.5 per cent. in 2006, and nine per cent. in 2007 largely because of high copper prices and new gold production. Mongolia is experiencing its highest inflation rate in over a decade as consumer prices in 2007 rose 14 per cent., largely because of increased fuel and food costs. Mongolia's economy continues to be heavily influenced by its neighbours. For example, Mongolia purchases 80 per cent. of its petroleum products and a substantial amount of electric power from Russia, leaving it vulnerable to price increases. China currently receives nearly 70 per cent. of Mongolia's exports.

Mineral Legislation in Mongolia

The Minerals Law of Mongolia applies to all minerals except water, petroleum and natural gas. Under Mongolian law, all mineral rights belong to the State. The State grants the right to mine and explore for mineral resources located within Mongolia. Exploration and mining licences may only be issued to a Mongolian legal entity and only one party may be the registered holder of a licence.

Under the Minerals Law, the State can claim up to a 50 per cent. interest in entities holding so-called "deposits of strategic importance." The law also states that a mineral deposit is of strategic importance if a deposit may have a potential impact on national security, economic and/or social development of the country at the regional and national levels, or that is producing or is capable of producing greater than 5 per cent. of the gross national product of Mongolia in any given year.

With respect to deposits of strategic importance, the State may claim up to a 50 per cent. participation if state-funds were used to initially identify the deposit. If private funds were used to establish the reserves (resources), the State may jointly participate up to 34 per cent. or as otherwise agreed with the licence holder. The details with respect to such "participation" will be negotiated between the State and the relevant licence holder. Parliament makes the final decision as to which deposits are of strategic importance. To date, Parliament has designated 15 deposits as strategic through Resolution #27 dated 7 February 2007. None of the areas under the Licences and Agreements overlap with the areas of the deposits currently designated as of strategic importance.

The Minerals Law provides for additional requirement that a legal entity holding a mining licence covering a deposit of strategic importance must sell no less than 10 per cent. of its shares through the Mongolian Stock Exchange. However, the Company has been informed by GTs Advocates, its Mongolian solicitors, that this provision will most likely be invalidated by the Mongolian Parliament as it is not clear how this provision will be implemented and at the same time be in compliance with the existing company law of Mongolia.

Pursuant to the Minerals Law, exploration licences are granted for an initial period of three years with the option to extend for two successive additional periods of three years each.

Under the Minerals Law an exploration licence fee shall be payable for each hectare included within the licence area at the following rates: US\$0.10 for the first year; US\$0.20 for the second year and US\$0.30 for the third year of the term of the exploration licence; US\$1.00 for each of the fourth to sixth years of the term of the exploration licence; and US\$1.50 for each of the seventh to ninth years of the term of the exploration licence.

Exploration licence holders are obliged to meet a minimum annual exploration expenditures requirement in each year except the first year that the licence is held. During the second and third year of the licence, the licence holder must spend US\$0.50 per hectare on exploration activities; US\$1.00 per hectare during the fourth, fifth and sixth years and US\$1.50 per hectare during the seventh, eighth and ninth years.

Exploration licence holders are also obliged to comply with an environmental protection plan that provides measures to ensure that the level of environmental pollution does not exceed accepted

limits and for reclamation of the area by means of backfilling, levelling and cultivations to allow for future public use. The licence holder must deposit 50 per cent. of the environmental protection plan budget in an account with the relevant local government. If the licence holder fails to implement part of the plan the local governor can use the funds to implement those measures. The environmental budget payments for the Licences and Agreements in respect of the year 2007 have all been made. At this time, MUC Mongolia and Polo Mongolia are awaiting approval of their submitted annual exploration plans for 2008 by the Geology Office of the MPRAM and the State Professional Inspection Agency. As a result, MUC Mongolia and Polo Mongolia do not know what their environmental protection payments will be in 2008 at the date of this Document but believe the Group has the funds to meet any obligations.

The Minerals Law provides that the holder of an exploration licence has an absolute right to obtain a mining licence covering all or any portion of the exploration licence area. Mining licences are issued for a term of 30 years and may be renewed for two successive periods of 20 years each for a total of 70 years.

Under the Minerals Law a mining licence fee shall be payable for each hectare included in the mining area at US\$15.00. For coal and other common mineral resources the fee shall be US\$5.00 for each hectare.

The Minerals Law provides for a royalty to be paid by a mining licence holder to the Mongolian Government of 5 per cent. on the value of all extracted minerals that are "sold, shipped for sale or used." There is a lower rate applicable to domestically sold coal and certain "common minerals."

To engage in mining activities the licence holder must acquire surface rights to the relevant land area. If the holder of the mineral licence is a foreign invested business entity (25 per cent. or more foreign ownership) the business entity engaging in mining activities must also obtain land use rights. To obtain land use rights (also referred to as surface rights), the licence holder must make an application to the relevant governor's office in the soum where the licence area is located, and enter into a contract with that office.

7. Information on GCM Acquisition

On 1 February 2008, the Company entered a share purchase agreement with RAB for the purchase by the Company of the GCM Shares in consideration of the payment to RAB of £9,000,000 in cash and the issue to RAB of 72,340,425 Ordinary Shares. The GCM Purchase Agreement is conditional upon the passing of Resolution 2 (approval of the GCM Acquisition) and Admission taking place no later than 31 March 2008. Further details of the GCM Purchase Agreement are set out in paragraph 9.2 of Part VI in this Document.

The GCM Acquisition will provide the Company with an important strategic interest in GCM, representing approximately 20.5 per cent. of GCM's issued share capital. GCM is a London-based resource development company with a wholly owned subsidiary operating in Bangladesh and investments in South Africa. GCM's shares are quoted on AIM (ticker code: GCM).

GCM is engaged in developing a coal mine and power plant project in Bangladesh, the Phulbari Project. The mine life is expected to be more than 30 years, with targeted production of 15 Mt at full capacity of mostly export quality metallurgical and thermal coal. The Phulbari Project plans to add to Bangladesh's energy security by reliably delivering coal to the domestic market. GCM has the potential to install up to 1000 MW of coal fired power generating capacity at the mine site.

In addition, GCM has invested in GVM Metals Limited, whose primary focus is to bring various South African coal properties to production. This investment provides GCM with a meaningful stake in the South African coal sector and the opportunity to assist development of a number of underground and open-cut coal mines.

Further information on GCM, including its AIM admission document, recent announcements and other disclosures required by it under Rule 26 of the AIM Rules, can be found on GCM's website, www.gcmplc.com.

The Existing Directors believe that the GCM Acquisition represents a strategic opportunity to acquire a minority interest in an emerging coal provider as the Group seeks to become a major international coal mining and exploration group.

8. Existing Directors, Proposed Director, Secretary and employees

The board of the Company currently comprises Stephen Roland Dattels, Paul Anthony Ingram, Guy Elliott, Suresh Hiremath, Harald Gustaaf van Hoeken and Danny Sun. On Admission, Anthony Lloyd Bainbridge will also become a Non-executive Director.

The Existing Directors

Stephen Dattels (aged 60), Executive Chairman

Mr. Dattels has founded and/or financed a number of mining ventures with his most recent being UraMin Inc. which was sold in July 2007 to Areva, the French government-owned fully integrated uranium company.

Mr. Dattels was an executive at Barrick Gold Corporation during its formative years when it grew from a capital base of \$10 million to a market capitalisation of \$2 billion when he left in early 1987. During his employment with Barrick, he was a Director and Executive Vice President of Corporate Finance.

In the past decade, he has completed several financings either directly or through his merchant bank, Regent Mercantile Bancorp Inc., for International Gold Resources Corporation (which he brought from inception to its sale in 1996 to Ashanti Goldfields Company Limited), Apollo Gold Corporation, Royal Standard Minerals Inc., Guyana Goldfields Inc., European Minerals Corporation, Defiance Mining Corporation (merged with Rio Narcea Gold Mines Ltd., which in turn is being merged with Lundin Mining Corporation), Weda Bay Minerals Inc. (sold to Eramet S.A.), Apac Minerals Inc. (now Golden China Resources Corporation which is being merged with Sino Gold Mining Limited), African Gold PLC (now Mwana Africa PLC), Red Dragon Resources and Regent Pacific Group Limited (Hong Kong).

He also was the Chairman and founder of Caledon Resources PLC (formerly Finelot PLC), an AIM-listed Australian coal producer and Chinese exploration company, and was the co-founder and Managing Director of AIM-listed Oriel Resources PLC, a developer of nickel and chrome assets in Kazakhstan. He also co-founded Everfor Diamonds PLC, a Kola Peninsula diamond explorer listed on the AIM market.

Most recently, Mr. Dattels founded a new venture called CCEC Ltd. which is acquiring coking coal and thermal coal projects in China. CCEC Ltd. recently merged with Regent Pacific Group Limited, a public company listed on the Hong Kong Stock Exchange.

Mr. Dattels has a bachelor of arts degree from McGill University, a law degree (cum laude) from the University of Western Ontario and has completed the Program for Management Development at Harvard.

Paul Ingram (aged 54), Chief Executive Officer

Mr. Ingram is a geologist with extensive experience in managing major mineral exploration programmes for several publicly listed companies. He has designed and implemented innovative techniques for exploration in remote areas, and has managed projects in countries throughout Australia and East Asia.

Mr. Ingram has been involved in mineral exploration and development for over 30 years. He was formerly Managing Director of Menzies Gold Ltd and Exploration Director of Caledon Resources PLC.

Mr. Ingram has a bachelor of applied science (geology) degree from Queensland University of Technology and is a member of the Australian Institute of Mining and Metallurgy and the Mining Industry Consultants Association.

Guy Elliott (aged 49), Non-Executive Director

Mr. Elliott is a co-founder of F3 Capital Management, LLC, an independent alternative asset management firm specialising in early stage financings in the natural resources field. Prior thereto, Mr. Elliott was president and co-founder of Croesus Capital Management, a specialist emerging markets hedge fund manager. He was a manager of proprietary trading at HSBC New York from 1992 to 1993 and worked for

EBF & Associates as a portfolio manager from 1990 to 1992. He has also worked for Merrill Lynch International in New York focusing on fixed income securities and Cargill in London, Geneva and Minneapolis trading fixed income, foreign exchange and derivatives. Mr. Elliott is a director of Aurelian Oil & Gas PLC, an AIM-listed exploration and production company and Direct Petroleum Exploration Inc., a private Denver based exploration and production company.

Mr. Elliott has a bachelor of science degree from the London School of Economics.

Suresh Hiremath (aged 55), Non-executive Director

Mr. Hiremath has extensive experience in financial markets having spent 25 years in the industry, combined with formal qualification as a Chartered Accountant (England & Wales), and holds a Securities Institute (UK) Certificate in Investment Management. Mr. Hiremath began his career as an investment analyst with Cargill Inc. (the commodity company), setting up their Financial Markets division in the UK in 1980. He moved into the banking sector in 1989 when he joined Continental Bank as the Chief Dealer of their treasury operations. In 1990, Mr. Hiremath joined Goldman Sachs as a director of the Foreign Exchange and Fixed Income trading group in London to develop their proprietary trading business. In 1995 Mr. Hiremath led a leveraged management buy-out of a UK manufacturing company, Strayfield Ltd, as CEO but returned to the financial markets the following year with Commerzbank in Frankfurt as a director of the treasury division to lead and set-up their global foreign exchange and fixed income proprietary trading operation. In 1999 Mr. Hiremath returned to the UK as a director of Barclays Capital in their proprietary trading group. Towards the end of 2001 Mr. Hiremath set up his own funds management business, Castellan Capital, where he is a principal and its chief investment advisor in London.

Mr. Hiremath studied electronics and telecommunications engineering at the Indian Institute of Technology.

Harald van Hoeken (aged 38), Non-executive Director

Mr. van Hoeken is an engineer from The Netherlands with over a decade of experience in the African oil and gas industry. Mr. van Hoeken was with Petroleum Geo-Services (PGS) from 1997 to 2003 and based in Lagos, Nigeria for over five years, initially as Area Manager West Africa, then Managing Director Nigeria and took over as Business Manager of the Gulf of Guinea when he relocated to London. Mr. van Hoeken has significant experience in both exploration and production, having also worked with PGS Production which specialises in leased floating, production, storage and offloading vessels (FPSOs) and as an executive in Wellstream International Limited, a company manufacturing and supplying offshore and onshore production equipment.

Mr. van Hoeken has a bachelor of science degree in both Aerospace Engineering and Ocean Engineering obtained with Honours at the Florida Institute of Technology.

Danny Sun (aged 44), Non-executive Director

Mr. Sun, a Chinese Canadian citizen, has extensive experience in international trade and natural resource investment. He brings a wealth of experience in negotiating business agreements between Chinese government agencies, overseas companies and business groups in China. Mr. Sun has more than 25 years of experience in the management of various self-owned and state-owned companies in a number of sectors such as mining, technology, futures and the environment. He founded and was chairman of Asia Intercept Mining Group, Zhong Jun Jia Hua Investment Group and China Gold Investment Co. Ltd. Mr. Sun was founder and a director of Guangdong Union Futures Exchange and he was a general manager of Shenzhen Hui Guang Industry Development Co. Ltd in the early 1990s.

Mr. Sun holds a bachelor degree in communication and a master degree in Management Business Administration.

The Proposed Director

Tony Bainbridge (aged 46), Proposed Chief Operating Officer

Mr. Bainbridge is an exploration geologist and has spent the past 25 years working in the gold, base metals and energy industries throughout the Asia-Pacific region. For the past two years, Mr. Bainbridge has held the position of president of Asia Intercept Mining Group leading a search for coal and

uranium in Mongolia and China. Prior thereto, Mr. Bainbridge was an exploration manager with Highlands Pacific Limited in Papua New Guinea, where he managed a team of geologists in a country wide exploration search for gold, copper and nickel. During this time, his team discovered, drilled and brought into production the high grade Kainantu Au-Te gold mine. Before becoming an exploration manager, Mr. Bainbridge was chief geologist at Highlands Pacific Limited for five years. Prior to working at Highlands Pacific, Mr. Bainbridge operated a geological consultancy group for various companies in Indonesia, Papua New Guinea, The Solomon Islands, Fiji, Thailand, China and Mongolia.

Mr. Bainbridge has a bachelor of science degree (Honours) from the University of Queensland and is a "Qualified Person" as defined by NI 43-101.

Company Secretary

Gordon Cassidy (aged 62), Company Secretary and Chief Financial Officer

Mr. Cassidy has spent 20 years in Africa and has worked in Zambia, Kenya, Nigeria, Zaire and Mozambique. He transferred back to the United Kingdom in 1987, where he held the position of UK Finance Director with Crown Cork and Seal Co. Inc, a metal packaging manufacturer. He was also a Finance Director at a private hospital operated by BMI, a provider of acute care private medical facilities in the UK. Most recently, Mr. Cassidy was the Group Financial Controller for UraMin Inc.

Employees

The Company has had no employees since its incorporation, other than the Directors. However, the Company has a Management Agreement with Asia Intercept which provides for the management of the Group's day-to-day activities in Mongolia, further details of which are set out in paragraph 9.1.2 of Part VI of this Document.

9. Current trading, future prospects and significant trends

On 24 August 2007, the Company raised a total of £6,644,000 (before expenses). The Company's Ordinary Shares were admitted to trading on AIM the following month on 4 September 2007.

Since IPO Admission, Polo has not traded and has sought appropriate acquisition and investment opportunities in line with its investment and acquisition strategy, whilst seeking to minimise expenditure.

On 25 September 2007, the Company completed a fundraising, allotting and issuing a further 131,422,000 Ordinary Shares in the Company at a price of 5 pence per share to institutional and other investors, raising £6,571,100.

As at 30 November 2007, the Company had incurred costs of approximately £113,726.

On 31 January 2008, the Company completed the Placing and issued a further 281,680,000 Ordinary Shares in the Company at a price of 9 pence per share to institutional and other investors, raising net proceeds of £23,779,722.

The Company has advanced the US\$2,000,000 in cash consideration payable under the Mongolian Acquisition Agreement to the Vendors and has received the Consideration Promissory Note in respect of an equivalent amount. In the event that Shareholders do not vote in favour of the resolution to approve the Mongolian Acquisition at the Meeting of Shareholders, the Vendors are obliged to satisfy the Consideration Promissory Note in full.

The Company has also advanced £9,000,000 in cash consideration payable under the GCM Purchase Agreement to RAB and has received the RAB Promissory Note in respect of an equivalent amount. In the event that Shareholders do not vote in favour of the resolution to approve the GCM Acquisition at the Meeting of Shareholders, RAB is obliged to satisfy the RAB Promissory Note in full.

As at the date of this Document, the Company has also advanced, between 20 October 2007 and 7 February 2008, a total of US\$17,700,000 to Polo Mongolia to fund outstanding payments due to third party vendors on certain of the Licences and Agreements and to fund ongoing due diligence

costs, exploration costs, and other expenses incurred in support of the Licences and Agreements. The Company has received the Initial Promissory Notes in respect of an aggregate equivalent amount. In the event that Shareholders do not vote in favour of the resolution to approve the Mongolian Acquisition at the Meeting of Shareholders such promissory notes shall be satisfied in full.

As at 19 February 2008, the Company had a cash balance of £14,526,245.

The Existing Directors and the Proposed Director believe that they are well placed to enhance the value of the Company with the Mongolian Acquisition and the GCM Acquisition and are currently reviewing further potential investment and acquisition opportunities which may meet the Company's investment criteria and which they intend to pursue although there is no guarantee that any negotiations will lead to an investment by the Company or to the completion of an acquisition.

Save as disclosed in this Document, there have been no significant trends concerning the development of the business of the Company.

Each of the Mongolian Target Companies has no trading history and no material assets or liabilities other than the Licences and Agreements.

Neither Polo Australasia Limited nor Polo Bangladesh Limited have traded since incorporation.

10. Working Capital

In the opinion of the Existing Directors and the Proposed Director, having made due and careful enquiry, taking into account the funds available to it following Admission, the Group will have sufficient working capital for its present requirements that is, for at least the next 12 months from the date of Admission.

11. Admission to AIM and dealings in the Ordinary Shares

Application will be made for the Existing Ordinary Shares to be re-admitted and the New Ordinary Shares to be admitted to trading on AIM. It is expected that Admission will become effective and dealings in the Ordinary Shares will commence on 4 March 2008.

Canaccord was appointed as the Company's nominated adviser and broker on 30 January 2008. Further details of their appointment are set out in paragraph 9.3.1 of Part VI of this Document.

12. Dividend Policy

The nature of the Company's business means that it is unlikely that the Directors will recommend a dividend in the early years following Admission. The Directors believe the Company should seek to generate capital growth for its Shareholders but may recommend distributions at some future date, depending upon the generation of sustainable profits, when it becomes commercially prudent to do so.

13. Lock-in and Orderly Market Arrangements

At IPO Admission, the Founder Shareholders, the directors at the time (Guy Elliott, Suresh Hiremath and Harald van Hoeken) and persons connected with them owned 165,000,000 Ordinary Shares and options to acquire a further 6,000,000 Ordinary Shares at the price of 5 pence per Ordinary Share. These persons undertook to the Company that they would not sell or dispose of, except in certain circumstances, any of their respective interests in Ordinary Shares at any time before the first anniversary of IPO Admission or, if later, the date on which the Company makes its first investment or acquisition. Further details of these arrangements are set out in paragraph 9.6.1 of Part VI of this Document.

At Admission, the Existing Directors, the Proposed Director and persons connected with them will own 100,000,000 Ordinary Shares representing 12.37 per cent. of the Enlarged Share Capital and options to acquire a further 6,000,000 Ordinary Shares at the price of 5 pence per Ordinary Share and options to acquire a further 30,000,000 Ordinary Shares at the price of 9 pence per Ordinary Share. The Existing Directors, the Proposed Director and persons connected with them have undertaken to the Company and Canaccord that they will not sell or dispose of, except in certain circumstances, any of their respective interests in Ordinary Shares at any time for a period of 12 months from the date of Admission and will be subject to orderly market arrangements during the following twelve months after the initial one-year lock-in period. Further details of these arrangements are set out in paragraph 9.6.2 of Part VI of this Document.

The 25,000,000 Ordinary Shares to be issued in respect of the Mongolian Acquisition will represent 3.09 per cent. of the Enlarged Share Capital. These 25,000,000 Ordinary Shares will be subject to a one-year lock-in period from the date of issue and subject to orderly market arrangements during the following 12 months after the initial one-year lock-in period. Further details of the lock-in and orderly market agreements are set out in paragraph 9.6.2 of Part VI of this Document.

14. Corporate Governance

The Directors support high standards of corporate governance and intend to observe the requirements of the Combined Code to the extent they consider appropriate in light of the Company's size, stage of development and resources. Whilst there is no equivalent to the Combined Code in the BVI, the BVI Business Companies Act 2004 ("BCA") brings with it a more formalised approach to corporate governance particularly in the areas of the laws and rules as to directors' duties and liabilities and shareholders' rights which will apply to all BVI companies.

The Company will hold timely board meetings periodically as issues arise which require the attention of the Board. The Directors will be responsible for formulating, reviewing and approving the Company's strategy, budget, major items of capital expenditure and senior personnel appointments.

The Company has established a remuneration committee ("the Remuneration Committee") and also an audit committee ("the Audit Committee") with formally delegated duties and responsibilities.

The Remuneration Committee, which will comprise Stephen Dattels as Chairman, Guy Elliott and Suresh Hiremath, will be responsible for the review and recommendation of the scale and structure of remuneration for senior management, including any bonus arrangements or the award of share options with due regard to the interests of the Shareholders and the performance of the Company.

The Audit Committee, which will comprise Guy Elliott as Chairman, Suresh Hiremath and Harald van Hoeken, will meet not less than twice a year. The committee will be responsible for making recommendations to the Board on the appointment of auditors and the audit fee and for ensuring that the financial performance of the Company is properly monitored and reported. In addition, the Audit Committee will receive and review reports from management and the auditors relating to the interim report, the annual report and accounts and the internal control systems of the Company.

In accordance with the provisions of the AIM Rules, which require the nominated adviser and the Company to maintain regular contact so as to enable: i) the nominated adviser to ensure the Company and the Directors continue to understand their obligations under the AIM Rules for Companies: and ii) that the nominated adviser is kept up to date with developments at the Company, the Directors have considered it appropriate to appoint a committee to ensure compliance with those rules ("AIM Rules Compliance Committee")

The AIM Rules Compliance Committee established by the Company comprises any two Directors of the Company and they have been given full power and authority to perform, approve, execute, deliver and/or issue all things which the AIM Rules Compliance Committee considers necessary or expedient in connection with the Company's Admission to and trading on AIM, or any matter incidental thereto including, without limitation raising and discussing or issuing notification to the nominated adviser of:

- (a) any deals by Directors in respect of any Ordinary Shares in which the Directors are interested;
- (b) any changes by any Shareholder holding 3 per cent. or more of any Ordinary Shares which increase or decrease such holding through any single percentage;
- (c) the resignation, dismissal or appointment of any Director from time to time;
- (d) any change in the Company's accounting reference date, registered office address or any change in its legal name;
- (e) any material change between the Company's actual trading performance or financial condition and any profit forecast, estimate or projection made public on behalf of the Company;
- (f) any decision to make any payment in Ordinary Shares;
- (g) the reason for the application for admission to trading on AIM or cancellation of any Ordinary Shares:
- (h) the occurrence and number of Ordinary Shares taken into and out of treasury;

- (i) the resignation, dismissal or appointment of the Company's nominated adviser or broker from time to time;
- (j) any change in the website address operated by the Company including any changes in order to ensure continued compliance with Rule 26 of the AIM Rules for Companies;
- (k) the admission to any other exchange or trading platform of the Ordinary Shares; and
- (1) any changes relating to the Company in connection with its financial condition, sphere of activity, performance of its business and the expectation of its performance.

On IPO Admission, the Company adopted and operates a share dealing code governing the share dealings of the Directors and applicable employees during close periods that is in accordance with Rule 21 of the AIM Rules for Companies.

15. CREST and Depositary Interests

Shares of non-UK companies cannot be held and transferred directly into the CREST system. CREST is a paperless settlement system allowing securities to be transferred from one person's CREST account to another without the need to use share certificates or written instruments of transfer. Shareholders who wish to hold and transfer Ordinary Shares in uncertificated form may do so pursuant to a Depositary Interest arrangement established by the Company.

Depositary Interests facilitate the trading and settlement of shares in non-UK companies into CREST. The Ordinary Shares will not themselves be admitted to CREST. Instead the Depositary issues Depositary Interests in respect of the Ordinary Shares. The Depositary Interests are independent securities constituted under English law that may be held and transferred through the CREST system.

Depositary Interests have the same security code (ISIN) as the underlying Ordinary Shares. The Depositary Interests are created and issued pursuant to a deed poll with the Depositary, which will govern the relationship between the Depositary and the holders of the Depositary Interests.

Ordinary Shares represented by Depositary Interests are held on bare trust for the holders of the Depositary Interests. Each Depositary Interest will be treated as one Ordinary Share for the purposes of determining eligibility for dividends, issues of bonus stock and voting entitlements. In respect of dividends, the Company will put the Depositary in funds for the payment and the Depositary will transfer the money to the holders of the Depositary Interests. In respect of any bonus stock, the Company will allot any bonus stock to the Depositary who will issue such bonus stock to the holder of the Depositary Interest (or as such holder may have directed) in registered form.

In respect of voting, the Depositary will cast votes in respect of the Ordinary Shares as directed by the holders of the Depositary Interests which the relevant Ordinary Shares represent. The Ordinary Shares have been admitted to CREST and accordingly, it is anticipated that settlement of transactions in the Ordinary Shares following Admission may take place within the CREST system if relevant Shareholders so wish. CREST is a voluntary system and Shareholders who wish to receive and retain share certificates will be able to do so.

Further information regarding the depositary arrangement and the holding of Ordinary Shares in the form of DIs is available from the Depositary, Computershare Investor Services PLC. The Depositary may be contacted at The Pavilions, Bridgwater Road, Bristol BS99 6ZY, telephone 0870 703 6187.

16. Taxation

General information regarding UK taxation is set out in paragraph 13 of Part VI of this Document. These details are intended only as a general guide to the current tax position under UK taxation law. If an investor is in any doubt as to his tax position he should consult his own independent financial adviser immediately.

17. City Code

The Company is not subject to the City Code, as being incorporated in the BVI, it is not treated by the Takeover Panel as resident in the UK, the Channel Islands or the Isle of Man. As a result neither a takeover of the Company nor certain stakeholding activities of a shareholder would be governed by the City Code. Subject to the passing of Resolution 3 at the Meeting of Shareholders, the Articles

will be amended so that they will, with effect from Admission, incorporate certain provisions which seek to provide Shareholders will certain protections otherwise afforded by the City Code in respect of companies to which the City Code applies. These provisions, like others contained in the Articles, will be enforceable by the Company (acting through the Directors) against Shareholders. However, the Company would need to take any action to enforce such provisions in the courts of the BVI without any guarantee that any such action would be successful or any certainty as to what the costs of doing so would be. Further details are set out at paragraph 4 of Part VI of this Document.

18. Share Option Scheme

In addition to the Existing Options (further details of which are set out at paragraph 3.6 of Part VI of this Document), the Company granted, conditional on Admission, certain Existing Directors and the Proposed Director New Options to subscribe for Ordinary Shares, further details of which are more particularly set out at paragraph 3.10 of Part VI of this Document. The New Options are exercisable pursuant to and on the terms of the Share Option Scheme Rules as summarised in paragraph 7 of Part VI of this Document. The Company will not issue options pursuant to the Share Option Scheme over a number of Ordinary Shares in excess of 15 per cent. of the Ordinary Shares in issue from time to time.

19. Articles

The Company proposes to amend its Articles, and attached to the Notice of Meeting of Shareholders set out at Part VII of this Document are the Articles with the proposed changes marked. The Shareholders are required to approve the proposed amendments to the Articles and Resolution 3 is being proposed for these purposes. If approved, new provisions will be incorporated into the current Articles giving Shareholders greater protection with effect from Admission. A summary of the principal changes to be approved is set out below:

- (a) Regulation 2.2, as amended, will prohibit the Company, except with the approval of a resolution of Shareholders:
 - from issuing more than a further 823,572,825 new Ordinary Shares before the first anniversary of Admission;
 - from issuing more than a further 411,786,412 new Ordinary Shares between the first anniversary and second anniversary of Admission;
 - from issuing more than a further 205,893,206 new Ordinary Shares between the second anniversary and third anniversary of Admission; and
 - from issuing more than a further 205,893,206 new Ordinary Shares in any year after the third anniversary of Admission prior to any subsequent anniversary of Admission,

provided that the above restrictions will not apply:

- where the Ordinary Shares shall first be offered to Shareholders on a pro rata basis;
- to Ordinary Shares to be held under an employees' share scheme (having the definition set out in the UK Companies Act 2006);
- to an allotment of bonus shares; or
- to an allotment of Ordinary Shares which, as respects dividends or any distribution to a Shareholder on a liquidation of the Company, carry a right to participate only up to a specified amount in a distribution.
- (b) Regulation 7, as amended, will mean that a general meeting of the Company can only be called on 14 days' notice (previously seven) and will be quorate if any two shareholders entitled to vote are present in person or by proxy.
- (c) new Regulation 23 will incorporate provisions similar to Rule 9 of the City Code, whereby a person, or persons acting in concert, is prevented from acquiring a stake in the Company of 30 per cent. (or greater) of the issued share capital from time to time, without making an offer for the remainder of the issued share capital of the Company;
- (d) new Regulation 24 will require all Shareholders with an interest in Ordinary Shares exceeding three per cent. of the Company's issued share capital from time to time, to notify the Company of such interest, and identify the shares in which it is interested;

(e) new Regulation 24 will allow the Company to make investigations into the interests of Shareholders in Ordinary Shares. Non-cooperation by any Shareholder may result in the Company serving a default notice imposing restrictions on the Ordinary Shares of the defaulting Shareholder including suspension of the right to vote or attend meetings of Shareholders, suspension of the right to receive any dividends on Ordinary Shares held by them, or suspension of the right to transfer or agree to transfer Ordinary Shares held by them.

For further details of the provisions of the Articles, Shareholders' attention is drawn to paragraph 4 of Part VI and the Notice of Meeting of Shareholders in Part VII which sets out the full text of the Articles (as they will be on Admission, subject to the passing of Resolution 3) as an Appendix.

20. Risk Factors

Shareholders should consider carefully the risk factors set out in Part III of this Document in addition to the other information presented.

21. Additional Information

Your attention is drawn to the additional information set out in Parts II to VI of this Document.

22. Meeting of Shareholders

Set out in Part VII of this Document is a notice convening the Meeting of Shareholders to be held at the offices of Herbert Smith LLP at 20 Rue Quentin Bauchart, 75008 Paris, France at 3:00 p.m. local time (2:00 p.m. GMT) on 29 February 2008 at which the following resolutions will be proposed:

- Resolution 1 is to approve the Mongolian Acquisition for the purposes of the AIM Rules;
- Resolution 2 is to approve the GCM Acquisition for the purposes of the AIM Rules; and
- Resolution 3 is to amend the Company's memorandum and articles of association.

The attention of Shareholders is also drawn to the voting intentions of the Existing Directors set out in paragraph 25 below.

23. Action to be Taken

Shareholders will find enclosed with this Document a Form of Proxy and a Form of Instruction for use at the Meeting of Shareholders. Whether or not you intend to be present at the meeting, you are requested to complete, sign and return your Form of Proxy (for holders of Ordinary Shares) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, England, as soon as possible but, in any event, so as to arrive no later than 2:00 p.m. GMT on 27 February 2008 or your Form of Instruction (for holders of Depositary Interests) to Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, England, as soon as possible but, in any event, so as to arrive no later than 2:00 p.m. GMT on 26 February 2008. The completion and return of a Form of Proxy or a Form of Instruction will not preclude you from attending the meeting and voting in person should you wish to do so.

24. Related Party

As Danny Sun is both a Non-executive Director of the Company and one of the Vendors and Paul Ingram is the Chief Executive Officer of the Company and one of the Introducing Parties, the Mongolian Acquisition is being treated as a related party transaction under the AIM Rules. The Independent Directors consider, having consulted with Canaccord, the Company's nominated adviser, that the terms of the Mongolian Acquisition are fair and reasonable in so far as the Shareholders are concerned. In providing its advice to the Independent Directors, Canaccord has taken into account the commercial assessment of the Independent Directors in respect of the Mongolian Acquisition.

25. Recommendation

The Independent Directors (with respect to the Mongolian Acquisition) and the Existing Directors (with respect to the GCM Acquisition), having, in relation to the related party aspects of the Mongolian Acquisition, consulted with Canaccord, believe that the Acquisitions and the Resolutions

are fair and reasonable and in the best interests of the Company and its Shareholders. Consequently, the Independent Directors (in respect of Resolution 1) and the Existing Directors (in respect of Resolutions 2 and 3) recommend that Shareholders vote in favour of the Resolutions to be proposed at the Meeting of Shareholders as those Independent Directors and Existing Directors (who are also Shareholders) intend to do in respect of their own beneficial holdings of Ordinary Shares which amount, in aggregate, to 85,000,000 Ordinary Shares representing 11.95 per cent. of the Existing Ordinary Shares. In the event that the Shareholders vote in favour of either, but not both, Resolution 1 and Resolution 2 as set out in paragraph 22 above and in the Notice of Meeting of Shareholders in Part VII of this Document, the Directors will proceed with the approved Acquisition only and application will be made for the Existing Ordinary Shares and the New Ordinary Shares to be issued pursuant to the approved Acquisition to be admitted to AIM. In providing advice to the Independent Directors and the Existing Directors, Canaccord has taken into account the commercial assessments of the Independent Directors and the Existing Directors.

Yours sincerely

Stephen Roland Dattels

Executive Chairman

PART II

INFORMATION ON THE MONGOLIAN TARGET COMPANIES

1. Introduction

The Mongolian Target Companies are three special purpose vehicles, namely MUC Mongolia, Polo Mongolia and WCW. The Mongolian Target Companies collectively hold a portfolio of 14 coal licences (of which eight licences are held in the name of Polo Mongolia, one licence is held in the name of Kimko LLC, a wholly owned subsidiary of Polo Mongolia, and five licences are in the process of being transferred to Polo Mongolia), 18 uranium licences (of which 16 licences are held in the name of MUC Mongolia and two licences are in the process of being transferred to MUC Mongolia), one tungsten licence and seven applications for additional uranium licences which have been lodged with the MPRAM. In addition, Polo Mongolia has entered into an option agreement with a third party with regards to another coal licence. Each of MUC Mongolia, Polo Mongolia and WCW has no trading history and no material assets or liabilities other than the Licences and Agreements.

2. Coal Licences and Agreements

Status of Licences and Agreements

| The coal licences and agreements of Polo Mongolia are summarised in the following table: | | | | | | |
|--|----------------|--------------|---------------------------|---------------------------|--------------|--|
| Name | Licence # | Licence Type | Date Granted | Expiry/ Renewal Date | Area (ha) | Group Ownership |
| Baruun | 12483X | Exploration | 11-Jun-2002 | 11-Jun-2010 | 22,089 | 100% |
| Shiree | 11295X | Exploration | 7-Feb-2006 | 7-Feb-2009 | 2,019 | 100% |
| Baishint | 11353X | Exploration | 13-Feb-2006 | 13-Feb-2009 | 1,921 | 100% |
| Burged | 12930X | Exploration | 13-Nov-2007 | 13-Nov-2010 | 1,148 | 100% |
| Tal Bulag | 11063X | Exploration | 5-Jan-2006 | 5-Jan-2009 | 11 | 100% |
| Ovuu | 12764X | Exploration | 3-Oct-2007 | 3-Oct-2010 | 21,507 | 100% |
| Shuluut | 7590X | Exploration | 28-May-2004 | 28-May-2010 | 102 | 100% |
| Naruun North | 10566X | Exploration | 3-Oct-2005 | 3-Oct-2008 | 25,796 | 100% |
| Altanshiree | 11162X | Exploration | 19-Jan-2006 | 19-Jan-2009 | 19,884 | 100% |
| Khashaat | 7457X | Exploration | 12-May-2004 | 12-May-2010 | 133 | Licence registration in name of Polo Mongolia in process |
| Ereen | 8766A | Mining | 15-Nov-2004 | 23-Aug-2033 | 35 | Licence registration in name of Polo Mongolia in process |
| Union | 3066A 7863A | Mining | 19-Mar-2001 1-Jul-2004 | 19-Mar-2031 1-Jul-2034 | 284 | Licence registration in name of Polo Mongolia in process |
| Ergen | 9116X | Exploration | 10-Jan-2005 | 10-Jan-2011 | 883 | Licence registration in name of Polo Mongolia in process |
| Doshin | 11987X | Exploration | 5-Sept-2006 | 5-Sept-2009 | 16,594 | Option Agreement |

Polo Mongolia is a party to an option agreement with Uguumur Alt LLC for the acquisition of a coal exploration licence in Mongolia (licence number 11987X). Under the agreement, Polo Mongolia was given a due diligence period of three months for drill assessment, geophysics and review of previous results and has until 30 May 2008 to acquire the licence, at which time a final cash payment of US\$3 million will be due. Subject to satisfactory due diligence and the ongoing financial position of the Company, it is the intention of the Company to exercise the option in accordance with its respective terms, details of which are more particularly set out at paragraph 9.1.5.9 of Part VI of this Document.

Doshin Coal Project

The Mongolian Government has issued an exploration licence, covering a total area of 16,594 ha, for the Doshin project area (licence number 11987X). Polo Mongolia entered into an option purchase agreement with Uguumur Alt LLC on 18 February 2008 to extend the option purchase date to 30 May 2008. Under the agreement, Polo Mongolia was given a due diligence period of three months for drill assessment, geophysics and review of previous results. In the event that Polo Mongolia exercises its option under the agreement it will be required to pay a final cash payment of US\$3 million on closing. Further details of the terms and conditions of the agreement are set out in paragraph 9.1.5.9 of Part VI of this Document.

Location

The Doshin coal licence is located in the mid-west part of the Sayshand Province of Mongolia known as the Erdenetsogt Basin. The project area is situated around 3 km southeast of the nearest town, Altanshiree City. Altanshiree City is around 78 km north of Sayshand City, the capital city of the Sayshand Province. The Doshin area is around 405 km southeast of Ulaanbaatar and around 300 km north of China's border. The nearest Mongolian railway line is around 75 km to the west of the Doshin project area.

Geology

The Doshin project area lies between the East Govi Basin and the Suhbatar Basin. Both basins are part of the Eastern Mongolian Coal Bearing Province. The Eastern Mongolian Coal Bearing Province is bounded by the Paleozoic structural high of Hentii Ranges on the northwest and by the Nuhetdavaa uplift on the southeast. Based on a regional geology report prepared by the Mongolian Government, the Doshin area is contained within the East Govi Coal Basin.

The Doshin area consists of three main seams of which the lowest seam is significantly thick. The upper two seams appear to be lenticular and therefore not consistent across the deposit. The thickness of the first seam ranges from 1 to 1.3 m. The second seam ranges in thickness from 1 to 3 m and averages around 1.9 m. The thickness of the lowest seam ranges from 4 to 12.6 m, averaging around 7 m.

Based on field observations undertaken by SRK, the coal seam is a dull brown coal type. Based on coal core analysis from the current drilling programme, the yield of clean coal from the third seam ranges from 45 to 65 per cent. The coal deposit in the Doshin area is relatively shallow at around 40 m depth from the surface and is considered suitable for open cut mining. With predominantly flat topography and with gently dipping seams (less than 5 degrees) an average stripping ratio of around 5:1 is estimated.

The Doshin coal deposit area will produce a high ash, high moisture, high sulphur, low to medium energy coal. The coal quality statistics of the Doshin project area indicates that the coal qualities vary significantly. The coal quality is summarised as:

- Inherent Moisture (ad), ranging from 5.1 per cent. to 16.1 per cent., average 11.2 per cent.
- Total Moisture (ar), ranging from 20.8 per cent. to 40 per cent., average 28.8 per cent.
- Ash content (ad), ranging from 7.3 per cent. to 31.2 per cent., average 16.6 per cent.
- Sulphur content (ad), ranging from 0.7 per cent. to 3.4 per cent., average 1.6 per cent.
- Calorific value (ad) ranging from 3,500 to 5,270 kcal/kg, average 4,570 kcal/kg

Based on the coal quality values above, Doshin coal is suited for the domestic thermal market.

Previous Exploration Work

Regional mapping surrounding the Doshin project area was conducted around 1950 by Russian geologists. The Mongolia Geologic Survey Bureau conducted further regional geological mapping from 1976 to 1998. Detailed exploration drilling was conducted during 2006 and 2007. According to the regional geology reports, the coal deposit covers 80 per cent. of the Doshin project area.

A total of 31 shallow boreholes were drilled by the previous owner of the concession over the northern part of the Doshin licence area. Generally, the boreholes were located along four grid lines with the distance between boreholes varying from 40 to 60 m. The distance between lines drilling sections also varies between 300 to 1300 m but mostly in 400 m distance. Most of the previous boreholes were drilled as shallow, fully cored boreholes with an average total depth of each borehole around 40 m. The total metreage drilled was around 1,880 m.

The recent drilling programme was conducted to check the results of the previous drilling programme and to take some coal core samples for analysis. There are a total of five boreholes in the current exploration programme. Generally, the boreholes are located in each corner of the previous drilling programme area. The distance between boreholes vary from 400 m to 1 km. Based on field observations by SRK during their site visit in December 2007, the borehole diameter ranged from 48 to 64 mm.

Exploration Programme

Part of the Doshin Coal Project has undergone preliminary exploration which has defined a resource of coal which is suitable for the domestic thermal coal market and will be amenable to open cut mining methods. Based on SRK's experience, Doshin coal would be suitable and economic in a mouth-mine power plant project with electricity sold to the Chinese market.

SRK recommends a detail drilling programme be undertaken in order to prove the coal resources in terms of tonnage, strip ratio and coal quality to international standards. This drilling campaign should aim to fulfill the requirements for a preliminary feasibility study and to provide a JORC Code compliant indicated resource. The proposed exploration budget for 2008 is estimated at US\$777,415.

Altanshiree Coal Project

The Mongolian Government granted an exploration licence (licence number 11162X) covering a total of 19,884 ha known as the Altanshiree licence. Polo Mongolia has executed a share purchase agreement for the acquisition of 100 per cent. of the shares of a new company, Kimko LLC, holding the exploration licence. The transfer of the shares has been registered with the company's registrar on 14 February 2008. Polo Mongolia paid US\$1,260,000 for 100 per cent. of the shares of Kimko LLC, which assets include the Mineral Licence number 11162X. Further details of the terms and conditions of the agreement are set out in paragraph 9.1.5.8 of Part VI of this Document.

Location

The Altanshiree coal licence is located in the mid-west part of the Sayshand Province of Mongolia known as the Erdenetsogt Basin. The project area is situated around 10 km northeast of Altanshiree City, around 405 km southeast of Ulaanbaatar and around 300 km north of the Chinese border. The nearest Mongolian railway line is around 75 km from the coal project area in a straight line to the west.

Geology

Similar to the Doshin project area, the Altanshiree project area lies between the East Govi Basin and the Suhbatar Basin. Based on the field observations of SRK and regional geology reports from the Mongolian Government, it has been deduced that the coal bearing formation of the Altanshiree project area could be the same as the coal bearing formation in the nearby Doshin area.

SRK interprets that the coal seams in the nearby Doshin area would be found in the Altanshiree project area. The coal deposit in the Altanshiree area is expected to be shallow with less than 100 m of overburden cover and with flat dipping seams based on the coal formation in the Doshin project area.

Based on the flat topography and shallow coal seams, the Altanshiree area is considered to be suitable for simple open pit mining. Since the area consists of predominantly weak to friable mudstone, SRK recommends a detail geotechnical analysis to analyse the slope stability parameters for the mine design.

Previous Exploration Work

Regional mapping surrounding the Altanshiree project area was conducted around 1950 by Russian geologists. The Mongolia Geologic Survey Bureau conducted further regional geological mapping from 1976 to 1998. The regional geology information indicates that the coal bearing formation extends over 80 per cent. of the Altanshiree licence.

There has been no drilling exploration in the Altanshiree and surrounding area.

Exploration Programme

SRK indicates that the Altanshiree coal deposit could be estimated to produce a high ash, high total moisture content, high sulphur, and low to medium energy coal which is suitable for the domestic thermal market. Based on SRK's experience, Altanshiree coal would be suitable and economic in a mouth-mine power plant project. Electricity could be readily sold to the Chinese market.

SRK recommends a detail drilling programme be undertaken in order to prove the coal resources in terms of tonnage, strip ratio and coal quality to international standards. This drilling campaign should aim to fulfill the requirements for a preliminary feasibility study and to provide a JORC Code compliant indicated resource. The proposed exploration budget for 2008 is estimated at approximately US\$1.36 million.

Khashaat Coal Project

The Mongolian Government issued an exploration licence for the Khashaat area, covering 133 ha, to Bilguun Tsag LLC on 12 May 2004 (licence number 7457X). Polo Mongolia entered into an option agreement with Bilguun Tsag LLC to acquire the licence. Polo Mongolia has fulfilled the conditions of the agreement and lodged the licence transfer on 13 February 2008 with the MPRAM. Polo Mongolia paid US\$3,300,000 for the licence including tax payments.

Location

The Khashaat Coal Project is located in the northwestern part of the Sayshand Province of Mongolia known as the Erdenetsogt Basin. The project area is situated around 8.5 km west of the nearest town, Arshaantayn Hural City. Arshaantayn Hural City is around 184 km west of Choyr City, one of the largest cities in the northern part of the Sayshand Province. The location is around 240 km southeast of Ulaanbaatar and around 520 km north of China's border. The nearest Mongolian railway line is around 75 km to the west of the Khashaat area.

Geology

The Khashaat Coal Project area lies in the Choir-Nyalga Basin. The basin is located in the northwestern part of the Eastern Mongolian Coal Bearing Province, close to southern part of Paleozoic structural high of the Hentii Ranges to the northwest, and bounded by the Nuhetdavaa uplift in the southeast. There are at least 35 coal deposits within the basin. The coal deposits are commonly dominated by very thick seams with complicated seam splitting.

Based on documentation and observations from the SRK site visit in December 2007, the coal seams in the Khashaat area are structurally controlled by the east-west trending Khashaat Anticline System. On the southern limb of the anticline, the coal is shallow and generally dips at around 25 degrees. In the hinge area of the anticline the coal dips gently.

The site investigation of the current mining operation at Khashaat, located in the western part of area, delineated the coal seam dipping gently (less than 30 degrees) at the subcrop in the hinge of anticline. The area consists of two main seams of which the lowest seam is significantly thick. The upper seam appears to be lenticular and therefore is not consistent across the deposit. The thickness of the upper seam ranges from 3 to 5 m. The lowest seam averages around 45 m in thickness and contains several stone bands. In the northern part of Khashaat, the coal unconformably underlies unconsolidated Quaternary sediments.

The overburden material is predominantly mudstone interbedded with siltstone, shale and sandstone. The coal seam in the Khashaat area consists of bright bands with minor dull bands and interbedded stone partings. With predominantly flat topography and with gently dipping seams (less than 25 degrees), the coal deposit is considered suitable for open cut mining with an average stripping ratio estimated at around 3:1.

Quality analyses from boreholes in the surrounding area indicate the seams in the Khashaat area have a calorific value ranging from 4,300 kcal/kg to 5,608 kcal/kg (adb). Based on these observations, SRK concluded that the coal is suited to the domestic thermal market.

Previous Exploration Work

Regional mapping surrounding the project area was conducted around 1950 by Russian geologists. The Mongolia Geologic Survey Bureau conducted further regional geological mapping from 1976 to 1998.

A preliminary exploration drilling programme using open hole drilling methods was conducted by the previous owner. A total of around 45 boreholes were drilled along nine grid sections. The distance between the grid lines ranges from 80 m to 150 m and the distance between borehole locations along each grid line is around 50 m to 100 m. The total depth of the boreholes ranges from 56 m to 200 m, with an average around 120 m. Fourteen of the boreholes are outside the Khashaat licence area.

Exploration Programme

The Khashaat Coal Project is considered to be at a preliminary stage of exploration. The licence area has large quantities of shallow coal amenable to open-pit mining methods and with low to medium energy, medium total moisture, medium ash and medium sulphur content. Based on SRK's experience, Khashaat coal would be suitable and economic in a mouth-mine power plant project, and electricity could be readily sold to the Chinese market.

SRK recommends a detail drilling programme be undertaken in order to prove the coal resources in terms of tonnage, strip ratio and coal quality to international standards. This drilling campaign should aim to fulfill the requirements for a preliminary feasibility study and to provide a JORC Code compliant indicated resource. The proposed exploration budget for 2008 is estimated at US\$104,533.

Ereen Coal Project

The Mongolian Government issued a mining licence covering 35 ha, known as the Ereen project area, on 15 November 2004 (licence number 8766A). Polo Mongolia held an option agreement with Ulziin Undraa LLC until 15 March 2008. Polo Mongolia has fulfilled the terms and conditions set out in the option agreement and has purchased the licence for US\$4 million, including tax. The licence transfer was lodged with the MPRAM on 14 February 2008. Further details of the terms and conditions of the agreement are set out in paragraph 9.1.5.3 of PartVI of this Document.

Prior to the purchase of the licence from Ulziin Undraa there was a small open pit mine operated by Ulziin Undraa. On exercise of the option on 14 February 2008, these operations ceased.

On its site visit to the Ereen Coal Project area, SRK observed that the coal appears to be predominantly bright with minor dull bands, indicating a potential high energy coal which contains an abundance of vitrinite. The local miner at Ereen is currently selling a raw coal product to the domestic thermal market for around US\$12 per tonne.

Location

The Ereen coal licence is located in the western area of the Bulgan Province of Mongolia known as the Ereen Basin. The project area is situated around 23 km northwest of the nearest town, Shaikan City. Shaikan City is approximately 95 km west of Bulgan City, the capital city of the Bulgan Province. The licence is around 420 km west of Ulaanbaatar. The nearest Mongolian railway line is 52 km from the Ereen project area.

Geology

The Ereen and surrounding area is located in the middle part of the Central Mongolian Coal Bearing Region. There are up to 17 coal seams with a total thickness reaching 63 m within the Ereen area. Commonly, the number of coal ranges from 6 to 11 seams. The coal seams are within the upper sub-unit of the Shaikan Ovuu Formation, which consists predominantly of interbedded polymictic sandstone and bluish grey siltstone, various coal seams and minor conglomerate and gravel beds.

Visually, the coal ranges from lustrous to semi lustrous coal type and from "long flame" to "anthracite" hard coal type. The "anthracite" indicates that the quality of coal may be due to heating by the volcanic cover.

On their site visit in December 2007, SRK observed that the Ereen Coal Project area contains at least three main coal seams having a total thickness in the order of 10 m. The coal seam exposed in the Ereen coal open-pit mine was observed to be interlaminated with thin to thick siltstone, mudstone and shale. The thickness of the seam ranged from 0.03 m to 1.2 m. Most of the coal seams dip around 26 to 30 degrees and subcrop very close to the surface.

Information obtained from the local miner indicates that most of the coal is a high ash, low to medium sulphur, medium to high energy coal suitable for the thermal markets. However, there are no coal quality analysis records to determine whether the coal would be suitable for the export market. Based on the coal quality statistical model of the nearby Shaikan Ovuu deposit, the coal at Ereen may vary in quality such that it may be possible to blend an export product.

Previous Exploration Work

Regional mapping surrounding the Ereen Coal Project area was conducted in 1977, 1987 to 1988, 1990 and 1998 by geologists of Mongolia Geologic Survey Bureau.

The only data that was available for SRK to review from the previous exploration programme was a borehole layout map and a regional geological map. The borehole distribution map shows that 29 boreholes were drilled between 1987 and 1988 within the Ereen Coal Project area. The location of the boreholes indicates that the coal bearing sequences are located in the southwest part of Ereen covering about 15 per cent. of the area.

There was no information available for review on the drilling methods applied at the Ereen Coal Project area.

While there currently is a small open-pit mine within the Ereen Coal Project area, there is no information on the historical production or any technical data of this operation.

Exploration Programme

Based on geological data from nearby coal deposits such as Shaikan Ovuu, SRK believes that the Ereen Coal Project area has the potential for economic coal extraction using open cut mining methods. This regional information also supports the expectation that Ereen coal is suitable for the Mongolian domestic thermal market and the Russian export market.

SRK recommends a detail drilling programme be undertaken to prove the coal resources at Ereen in terms of tonnage, strip ratio and coal quality. The programme should aim to estimate the resources to an international standard (such as JORC), determine the extent of the deposit and fulfill the requirements for a pre-feasibility study. The proposed exploration budget for 2008 is estimated at US\$104,533.

Union Coal Project

The Mongolian Government issued two mining licences, north block (total area of 202 ha and licence number 7863A) and south block (total area of 82 ha and licence number 3066A), covering a total of 284 ha to Dusal LLC. Polo Mongolia has signed a transfer agreement dated 23 January 2008. The transfer has been lodged with the MPRAM. Further details of the terms and conditions of the agreement are set out in paragraph 9.1.5.7 of Part VI of this Document.

Location

The Union Coal Project is located in the southeast of the Tov Province of Mongolia known as the Tsaidam Basin. The project area is situated 35 km east of the nearest small town called Bayan Soum, and around 113 km southeast of Ulaanbaatar. The Baganuur Coal Mine Company, which is owned and operated by the Mongolian Government, is located 35 km to the northeast and there is a small coal mining company, Maanit, which is owned and operated by local people located 25 km to the west. A large coal terminal operated by the Mongolian Government is about 35 km away. The nearest Mongolian railway is around 14 km to the north.

Geology

The Union Coal Project area lies within the Choir-Nyalga Coal Basin part of the Eastern Mongolian Coal Bearing Province. At the Choir-Nyalga Basin there are 23 coal seams, five of which are very large, reaching 100 m in thickness. The Choir-Nyalga Coal Basin has been reported to have up to 20 billion tonnes of coal.

Borehole data indicates that coal in the project area has numerous partings. Based on SRK's field observations, the coal seam is a bright to dull brown coal type. Secondary pyrite in the coal seams was observed during the site visit together with many spots of spontaneous combustion due to the pyrite. Based on the seam structure map derived from previous borehole data, SRK interpreted that at least one major fault occurs in the Union coal deposit area. The fault is in the order of 100 m to 200 m horizontal displacement.

Previous drilling indicates that the Union Coal Project area contains one main seam zone which is comprised of at least three seams. All seams are significantly thick but appear to be lenticular and therefore not consistent across the deposit. Total thickness of the coal seam zone is 60 m including interbedded stone bands ranging from 1 m to 2 m thick. The interburden material between seams is predominantly mudstone interbedded with siltstone, shale and sandstone.

The coal deposit in the Union project area is relatively shallow ranging from 6 m to 60 m depth from the surface. With predominantly flat topography, gently dipping seams (less than 5 degrees) and an average stripping ratio of around 5:1, the coal deposit is considered suitable for opencut mining.

The coal seams typical of the Tsaidam Formation produce a medium ash, high moisture, medium sulphur, and low energy coal which is suitable for the domestic thermal market. According to a Mongolian Government report, the yield of coal from the coal seam zone in the Tsaidam Nuur Coal Bearing Formation area ranges from 90 per cent. to 92 per cent. with ash content ranging from 9.8 per cent. to 12 per cent. Based on the Mongolian Government report, the coal quality in the surrounding of the Tsaidam Nuur Coal Bearing Formation area is summarised as:

- Total Moisture (ar), average 34 per cent.
- Inherent Moisture (ad), average 12.25 per cent.
- Ash content (ad) average 10.24 per cent.
- Volatile Matter (ad), average 51.33 per cent.
- Sulphur content (ad) average 0.92 per cent.
- Calorific value (daf) average 6,231 kcal/kg

According to previous exploration data which was submitted by the owner of the Baganuur Coal Mine Company, the coal analyses of Union coal indicates that the seams vary significantly in quality. The quality of the seams is summarised as:

- Moisture (ad), ranging from 8.4 per cent. to 10.76 per cent.
- Ash content (ad), ranging from 11 per cent. to 17 per cent.
- Sulphur content (ad), ranging from 0.5 per cent. to 0.7 per cent.
- Calorific value (daf), ranging from 5,500 to 5,997 kcal/kg

Based on the coal quality values above, SRK indicates that Union coal is suited for the domestic thermal market.

Previous Exploration Work

Regional mapping surrounding the Union Coal Project area was conducted around 1950 by Russian geologists. The Mongolia Geologic Survey Bureau conducted further regional geological mapping from 1976 to 1998.

From 1986 to 1987, Russian and Mongolian exploration expeditions completed more than 70 boreholes located in the Union project and surrounding areas. The total depth of each borehole ranges from 50 m to 350 m and averages 120 m. Around 14 of the total boreholes are located in the Union Coal Project area. The boreholes are located along three grid lines around 5 km apart and 0.5 km distance between boreholes on each section. According to regional geology reports, the coal deposit covers 75 per cent. of the Union project area.

Exploration Programme

The Union Coal Project is considered to be at a preliminary stage of exploration. The project has undergone preliminary exploration which has defined a resource of coal which is suitable for the domestic thermal coal market and which is amenable to open cut mining methods. Based on SRK's experience, Union project coal would be economic in a mouth-mine power plant project, and electricity could be readily sold to the Chinese market.

SRK recommends a detail drilling programme be undertaken in order to prove the coal resources in terms of tonnage, strip ratio and coal quality to international standards. This drilling campaign should aim to fulfill the requirements for a preliminary feasibility study and to provide a JORC Code compliant indicated resource. The proposed exploration budget for 2008 is estimated at US\$209,065.

Ancillary Licences and Agreements

In addition to the projects discussed above, Polo Mongolia holds eight coal licences located in areas outside the three primary zones of interest discussed above. These include Baruun, Shiree, Baishint, Burged, Tal Bulag, Ovuu, Shuluut and Naruun North. In addition, Asia Intercept has acquired title to the Ergen coal licence (licence number 9116X) from Ikh Khan Uul LLC and has applied for the transfer of this licence to Polo Mongolia, which is pending confirmation from the MPRAM. These licences are not the initial focus of the Mongolian Target Companies and are not considered material assets at this time and as such have not been included in the Competent Persons Report contained in Part IV of this Document.

3. Uranium & Tungsten Licences and Agreements

Status of Licences and Agreements

MUC Mongolia holds 16 uranium licences in Mongolia. An additional two licences are in the process of being transferred to MUC Mongolia. The company has also submitted seven applications for uranium licences to the MPRAM. The uranium exploration licences and applications of MUC Mongolia are summarised in the following table:

| Licence Name | Licence # | Province | Date Granted | Expiry/ Renewal Date | Area (ha) | Group Ownership |
|-------------------|--------------|------------|---------------------|-------------------------|--------------|--------------------|
| Giorekon alpha | 11000X | Dornogovi | 23-Dec-2005 | 22-Dec-2008 | 1,098 | 100% |
| Giorekon beta | 11001X | Dornogovi | 23-Dec-2005 | 22-Dec-2008 | 2,138 | 100% |
| Giorekon charlie | 11002X | Dornogovi | 23-Dec-2005 | 22-Dec-2008 | 494 | 100% |
| Maikhant | 11003X | Dornogovi | 23-Dec-2005 | 22-Dec-2008 | 4,792 | 100% |
| Giorekon echo | 11004X | Dornogovi | 23-Dec-2005 | 22-Dec-2008 | 3,131 | 100% |
| Khongor uul | 11030X | Dornod | 29-Dec-2005 | 29-Dec-2008 | 30,003 | 100% |
| Ar bulag-2 | 10230X | Gobisumber | 01-Aug-2005 | 31-Jul-2008 | 2,394 | 100% |
| Ar bulag-1 | 10231X | Tov | 01-Aug-2005 | 31-Jul-2008 | 647 | 100% |
| Bayant | 12105X | Selenge | 11-Oct-2006 | 10-Oct-2009 | 1,529 | 100% |
| Bayan | 9802X | Khentii | 16-May-2005 | 16-May-2008 | 1,821 | 100% |
| Mukhar ulaan-3 | 12751X | Dornod | 27-Sept-2007 | 27-Sept-2010 | 301 | 100% |
| Mukhar ulaan | 12752X | Dornod | 27-Sept-2007 | 27-Sept-2010 | 163 | 100% |
| Mukhar ulaan-2 | 12753X | Dornod | 27-Sept-2007 | 27-Sept-2010 | 113 | 100% |
| Khoid ulaan-1 | 12754X | Dornod | 27-Sept-2007 | 27-Sept-2010 | 940 | 100% |
| Khoid ulaan-2 | 12755X | Dornod | 27-Sept-2007 | 27-Sept-2010 | 251 | 100% |
| Alag tsav | 9646X | Dornogovi | 24-Apr-2005 | 23-Apr-2008 | 3,151 | 100% |
| Application 20827 | * | Dornogovi | * | * | 2,889 | Pending |
| Application 20846 | * | Dornogovi | * | * | 101,180 | Pending |
| Application 20847 | * | Khentii | * | * | 19,250 | Pending |
| Application 20955 | * | Dornogovi | * | * | 2,904 | Pending |
| Application 20956 | * | Khentii | * | * | 7,373 | Pending |
| Application 20957 | * | Khentii | * | * | 11,650 | Pending |
| Application 20978 | * | Dornogovi | * | * | 3,066 | Pending |
| | | | | | | |

^{*} Note: As these are licence applications, the licence number, grant date and expiry date are not known at the date of this Document.

The Existing Directors believe that the applications for exploration licences listed in the table above will be granted; however, no guarantees can be made that the licences under application with the MPRAM will be issued to MUC Mongolia. To the best of their knowledge, the Existing Directors are unaware of any reasons why the licences would not be issued to MUC Mongolia.

Pursuant to an option agreement with Geo-Asmo LLC dated 27 December 2007 (further details of which are set out in paragraph 9.1.5.6 of Part VI of this Document), MUC Mongolia is acquiring title to an additional uranium licence (licence number 11052X), and is awaiting confirmation of its transfer by the MPRAM.

In addition, MUC Mongolia entered into a licence transfer agreement with Gravi Mag LLC dated 23 November 2007 (further details of which are set out in paragraph 9.1.5.2 of Part VI of this Document) pursuant to the terms of which MUC Mongolia is acquiring title to an additional uranium licence (licence number 12796X) and is awaiting confirmation of its transfer by the MPRAM.

These licences are summarised in the table below:

| Name | Licence # | Licence Type | Area (ha) | Current Licence Holder | Status |
|----------|-----------|--------------|-----------|---------------------------|---|
| Ikh nart | 11052X | Exploration | 1,208 | Geo-Asmo LLC | Agreement completed and licence registration in name of MUC Mongolia in process |
| Dornod 2 | 12796X | Exploration | 5,667 | Gravi Mag LLC | Agreement completed and licence registration in name of MUC Mongolia in process |

Polo Mongolia holds one tungsten licence (licence number 9237X), the details of which are set out below.

| Licence Name | Licence # | Province | Date Granted | Expiry / Renewal Date | Area (ha) | Group Ownership |
|--------------|-----------|-----------|--------------|--------------------------|--------------|--------------------|
| Tuhum Davs | 9237X | Tov/Bayan | 1-Feb-2005 | 1-Feb-2011 | 48 | 100% |

The Company has little information on the tungsten licence listed above and plans to investigate the property for further information on the licence area.

Regional Geology

Mongolia occupies part of the Central Asian Fold Belt, which is juxtaposed against the Siberian craton to the north and the Sino-Korean craton to the south, with the oldest rocks dated at 2.65 Ga. Geologically, Mongolia is divided into seven fold belts or systems with the Central Mongolian portion of the fold belt containing some significant uranium deposits in the Dornod and Hairhan areas, proximal to MUC Mongolia's licence holdings.

Sandstone-hosted deposits are the main target of interest in the licences held by MUC Mongolia. The three main types of sandstone deposits are generally recognised as rollfront deposits (arcuate bodies of mineralisation that crosscut sandstone bedding), tabular deposits (irregular, elongate lenticular bodies parallel to the depositional trend, deposits commonly occur in palaeochannels incised into underlying basement rocks) and tectonic/lithologic deposits (occur in sandstones adjacent to a permeable fault zone).

Sandstone-hosted uranium mineralisation is reported throughout central and southern Mongolia. An example of a tabular shallow-level palaeochannel deposit is the Haraat deposit owned by Denison Mines, which has a reported inferred resource of 10.6 Mt with a grade of 0.023 per cent. U (2,461 tonnes U). An example of the roll front style of uranium deposit is the Denison Mines' Hairhan project with a reported indicated resource of 4.73 Mt grading 0.064 per cent. U (3,036 tonnes U) and an inferred resource of 1.85 Mt grading 0.073 per cent. U (1,341 tonnes U).

Sandstone deposits constitute about 18 per cent. of world uranium resources. Orebodies of this type are commonly low to medium grade (0.05 to 0.4 per cent. U_3O_8) and individual orebodies are small to medium in size (ranging up to a maximum of 50,000 tonnes U_3O_8). The main uranium minerals are uraninite and coffinite, and conventional mining/milling operations of sandstone deposits have been progressively undercut by cheaper in situ leach mining methods. All deposits in the Dornogovi and Dornod Provinces fall into one of the three sub categories of sandstones listed above.

Dornogovi District

Location

In the Dornogovi District, MUC Mongolia holds 10 uranium exploration licences and is awaiting confirmation of the transfer of one uranium licence.

Although referred to as the 'Dornogovi District' licences, four licences are not located in the Dornogovi Province. These are: licence number 9802X (Khentii Province), licence number 10230X (Gobisumber Province), licence number 10231X (Tov Province) and licence number 12105X (Selenge Province). For the sake of brevity, SRK included these licences in their discussion of the Dornogovi District Projects and/or Dornogovi District licences in the Competent Persons Report contained in Part IV of this Document, which is summarised in this Part II.

The Dornogovi licences are approximately 200 km east of the Hairhan and Haraat uranium deposits and can be accessed by paved road to the township of Choir, approximately 200 km south-south-east of Ulaanbataar, and then by dirt track approximately 100 km to the southern most licence (11003X). The area is characterised by a desert landscape with a mostly flat topography and gently rolling hills.

Geology

The licences in the Dornogovi District cover a series of large sediment filled depressions which have formed in east-west and northeast-southwest trending extensional basins. Lower Cretaceous sediments have filled the basin with recent alluvial sediments occupying modern stream courses. Older Paleozoic rocks outcrop along the basin margins. Older basement, composed primarily of potassic altered granite with a high uranium background, forms a large massif to the north, and extensional sediment filled arcuate basins formed along the southern boundary of the massif in the Cretaceous. These basins have filled with mainly continental sediments and include lower Cretaceous coal seams and younger arkosic sandstones. Roll front and tabular uranium deposits have formed in these basins including the Haraat and Hairhan deposits owned and operated by Denison Mines. The licences cover portions of one of these extensional basins and are prospective for sandstone hosted uranium deposits.

Previous Exploration Work

Little data is available for the northern Dornogovi licences, other than for licence number 9646X. Anomalies were first identified in the area by airborne radiometric data flown by the Russians. Russian geologists then followed up on licence number 9646X where shallow trenches were excavated and shallow drilling was undertaken with at least 84 holes drilled. Little is known of this work and as such, SRK cannot verify any results reported for this drilling programme. However, a reconnaissance field review of trenches by MUC Mongolia's geologists using a Russian scintillometer detected, on average, twice times background uranium levels, and, up to four times background from coarse red-yellow-brown conglomerates. SRK interprets that the high four times readings relate to uranium concentrated in limonitic cements. In addition, a single trench displayed high readings, up to nine times background, in association with limonite stained clayey, silty sandstones.

Russian drilling profiles indicate uranium-enriched layers occurring at around 20 to 30 m below the surface, and apparently confined to palaeochannels. On average, the uranium-enriched layer is reported as approximately 2.1 m thick, 70 m wide, and 800 m long along strike. Given the lack of understanding with regards to sampling and analytical techniques, and reporting guidelines under the JORC Code, SRK cannot verify or report results of the historic drilling. Despite this, the identified stratigraphy from drilling, and reconnaissance surface detection by MUC Mongolia, indicate at least elevated U values within licence number 9646X.

In the southern Dornogovi licences, radiometric anomalies, particularly proximal to licences 11000X to 11004X, occur within a Late Mesozoic extensional sedimentary basin setting. The basin fill comprises Cretaceous and younger-aged sandstones and siltstones, interpreted to have been derived from a continental source. These sedimentary rocks are possible candidates to host the radiometric anomalies presented. Sedimentary rocks of this age and type host tabular and stacked roll front uranium mineralisation, located approximately 100 km west of licences 11000X to 11004X, at the Haraat and Hairhan deposits. The basin also contains Jurassic-aged volcanic rocks which were identified by SRK during their site visit in December 2007. It is possible that these rocks may be prospective for Saddle Hills-type uranium deposits, which occur in the Dornod Province to the northeast. The northeast to southwest oriented airborne radiometric anomalies have a similar orientation to the dominant palaeochannel direction in the basin. The radiometric anomalies in these palaeochannels may represent near surface tabular sandstone hosted uranium deposits (possible Haraat-type) and warrant further investigation.

Exploration Programme

The Dornogovi District licences represent greenfield exploration plays that require verification of historic exploration results. The geological setting of the area is currently at an early level of understanding, and further work is required in order to better understand the geological environment responsible for the anomalous uranium results from previous explorers. MUC Mongolia plans to source further available historic exploration data from government records, implement a detailed reconnaissance programme in order to verify this data and undertake further exploration and drilling activities.

The proposed exploration budget for the uranium licences in Year 1 (2008) is estimated at US\$873,418, with a further US\$873,418 proposed to be spent in Year 2 (2009). However, expenditure in Year 2 may be adjusted based on Year 1 results. In total, an exploration budget of approximately US\$1.75 million has been proposed for the Dornogovi District licences over two years.

Dornod Province

Location

MUC Mongolia holds six uranium exploration licences in the Dornod Province of Mongolia and is awaiting the transfer of one licence. Access to the Dornod Province licences is via paved road for approximately 100 km east from Ulaanbaatar to the coal mining town of Baganoor, then approximately 550 km east by partly paved and partly dirt road from Baganoor to Choibalsan in northeastern Mongolia. The area is characterised by a desert landscape with a mostly flat topography and gently rolling hills.

Geology

The licences are in the historically explored Dornod and Saddle Hills areas, which are located in the Argun-Mongolia uranium province.

Three uranium mineralised sites are recognised in the Saddle Hills area at Gurvanbulag, Dornod and Mardaingol, and all occur in volcanic rocks, filling what appear to be volcanic depressions, or down-faulted crustal blocks. As for the Dornod area, the stratigraphic profiles at the three sites are similar, each with a typical bimodal basalt-rhyolite association consisting of a lower succession of sedimentary rocks, basalts, intermediate tuffs and rhyolites, capped by a thick upper succession of felsic volcanic rocks.

All uranium mineralisation discovered to date occurs in a narrow belt along the northern margin of what is locally referred to as the Dornod Structure (a large geological feature covering approximately 2,000 km²). Where identified, uranium mineralisation in the Dornod area occurs as pitchblende-coffinite assemblages, associated with carbonaceous partings and fragments in areas of structural complexity. The uranium mineralisation occurs as "blanket-like" horizons from less than 1 m thick to greater than 30 m thick within the volcano-sedimentary succession at depths from 30 m to greater than 450 m below surface. The best uranium concentrations identified to date occur in the upper parts of the lower subcomplex (e.g. Dornod), and the lower part of the middle subcomplex (e.g. Gurvanbulag). The Russians explored resources at Gurvanbulag to a depth of about 550 m with surface drilling, and within this mineralised material, higher grade lenses were found to be mineralised over restricted vertical ranges of about 50 to 200 m.

Previous Exploration Work

Historic mining and prospecting activities in the Dornod Province date back to the 1940s. The licences held by MUC Mongolia in this area are adjacent to exploration and mining licences held by Western Prospectors Group Ltd. and Khan Resources Inc. The licences held by MUC Mongolia were only recently released for exploration and previously were nominated grazing areas.

In 1971, the Russian-Mongolian Geological Expedition (RMGE) conducted an airborne gamma ray spectrometric survey and ground gamma ray surveys over the northeastern area of the country. During the same period, RMGE also carried out geological mapping at a scale of 1:50,000 in the same area. Coincident with the Mongolian studies, a Russian Geological Expedition conducted uranium exploration over a much larger area in northeastern Mongolia. Their work included geological mapping, prospecting, ground and airborne gamma ray spectrometer surveys. The integrated work by both expeditions led to the discovery in 1972 of "significant uranium mineralisation" hosted by Mesozoic to Cretaceous volcanic and sedimentary rocks occurring in the Dornod Structure.

Further evaluation from 1972 to 1990, including trenching, geological mapping, prospecting, geophysical surveying, diamond drilling and underground development, outlined 13 mineralised zones within an area of uranium mineralisation covering some 20 km². Priargunsky Kombinat (Priargunsky), the Russian operator, completed some 450 surface diamond drill holes spaced 50 m apart, and some detailed areas with holes 25 m apart. Early prospecting work led to the discovery of the Dornod uranium deposit, and production started there from an open pit in 1988.

From 1988 to 1995, some 590,000 tonnes of material at an average grade of 0.118 per cent. U_3O_8 were mined from the Dornod open pit mine, and hauled 550 km by rail to the Priargunsky uranium processing facilities in Krasnokamensk, Siberia (Russia). In 1995, the mine was shutdown due to low uranium prices and since then the Dornod Project has been maintained on a care and maintenance basis.

The Dornod area is currently a target for uranium exploration and production in Mongolia, and encompasses three of the largest uranium deposits in Mongolia: the Dornod Deposit (Khan Resources Inc.) with reported resources of 13 Mt grading 0.16 per cent. U_3O_8 ; the Gurvanbulag Deposit (Western Prospectors Group Ltd.) with reported resources of 10.5 Mt grading 0.18 per cent. U_3O_8 ; and the Khavar Deposit (Western Prospectors Group Ltd.) with reported resources of 2.5 Mt grading 0.14 per cent. U_3O_8 .

Exploration Programme

The Dornod Province licences represent greenfield exploration plays that are located within a district with demonstrable uranium production, and require verification of historic exploration results to focus exploration strategies. Available geological information for the area is more advanced to that of the Dornogovi District licences. However, the geological setting of the specific licences is currently at an early level of understanding, and further work is required in order to better establish if the licences have the potential to host similar tonnes and grade of mineralisation to that which is currently being developed in adjacent licences by other companies.

The proposed exploration budget for the Dornod Province licences in Year 1 (2008) is estimated at US\$582,279 and includes data review, trenching, geological mapping, collection of airborne geophysical data, profile sampling and soil sampling. A similar budget of US\$582,279 is proposed for Year 2 (2009) to follow up defined target zones identified from Year 1 work. In total, an exploration budget of around US\$1.16 million has been proposed for the Dornod Province licences over two years.

PART III

RISK FACTORS

AN INVESTMENT IN THE COMPANY IS SPECULATIVE AND INVOLVES A HIGH DEGREE OF RISK.

The exploration and development of natural resources are speculative activities that involve a high degree of financial risk. Prospective investors should carefully consider all the information in this Document including the risks described below. The risks and uncertainties described below are the material risk factors facing the Company which are currently known to the Existing Directors and the Proposed Director. These risks and uncertainties are not the only ones facing the Company and additional risks and uncertainties not presently known or currently deemed immaterial may also have a material adverse effect on the Company's business, results of operations or financial condition. If any or a combination of the following risks materialise, the Company's business, financial condition, operational performance and share price could be materially and adversely affected to the detriment of the Company and the Shareholders. No inference ought to be drawn as to the order in which the following risk factors are presented as to their relative importance or potential effect.

The risks are not presented in any order of priority.

GENERAL INVESTOR RISKS

A prospective investor should consider with care whether an investment in the Company is suitable for him in light of his personal circumstances and the financial resources available to him. An investment in the Company is only suitable for investors capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss which may result from the investment. Prospective investors should therefore consult an independent financial adviser authorised under the FSMA before investing.

Investment in the Company should not be regarded as short-term in nature. There can be no guarantee that any appreciation in the value of the Company's investments will occur or that the investment objectives of the Company will be achieved. Investors may not get back the full amount initially invested. The prices of shares and the income derived from them can go down as well as up. Past performance is not necessarily a guide to the future. There is also the possibility that the market value of an investment in the Company may not reflect the true underlying value of the Company.

Changes in economic conditions including, for example, interest rates, rates of inflation, industry conditions, competition, political and diplomatic events and trends, tax laws and other factors can substantially and adversely affect equity investments and the Company's prospects.

Changes in the general economic climate in which the investee companies operate, including in particular investee companies in the mining and resource sector, may adversely affect the financial performance of the Group. Factors which may contribute to that general economic climate include, growth of countries where investments are undertaken or where the Group's commodities are sold, the level of government intervention in their receptive economies (e.g. interest rates) and the perceived political and economic stability of the state in which the investment operates or where the Group's commodities are sold.

Notwithstanding the fact that an application will be made for the Ordinary Shares to be traded on AIM, this should not be taken as implying that there will be a "liquid" market in the Ordinary Shares. The market for shares in smaller public companies is less liquid than for larger public companies. Therefore, an investment in the Company may be difficult to realise. The Ordinary Shares will not be listed on the Official List. Investments in shares traded on AIM carry a higher degree of risk than investments in shares quoted on the Official List.

Shareholders may sell their Ordinary Shares in the future to realise their investment. Sales of substantial amounts of these Ordinary Shares following Admission, or the perception that these sales could occur, could materially adversely effect the market price of the Ordinary Shares available for sale compared to the demand to buy Ordinary Shares. Such sales may also make it more difficult for the Company to sell equity securities in the future at a time and price that is deemed appropriate.

The price for the Ordinary Shares may be volatile and influenced by many factors, some of which are beyond the control of the Company. For example, the performance of the overall share market, other Shareholders buying or selling large numbers of Ordinary Shares, changes in legislation or regulations and general economic conditions.

Market perception

Market perception of mining and exploration companies may change which could impact on the value of investors' holdings and impact on the ability of the Company to raise further funds by issue of further shares in the Company.

RISKS RELATING TO THE COMPANY AND ITS BUSINESS

An investment in the Company is speculative and involves a high degree of risk. Future results, including resource recoveries and work programme plans and schedules, will be affected by changes in market conditions, commodity price levels, political or regulatory developments, timely completion of exploration programme commitments or projects, the outcome of commercial negotiations and technical or operating factors.

Initial operational risks

The Company will continue to be dependent upon the ability of the Directors to identify further suitable investment opportunities and implement the Company's strategy. During this identification process, resources may be expended fruitlessly on investigative work and due diligence.

Exploration and mining risks

Whilst the Directors will endeavour to apply what they consider from time to time to be the latest technology to assess potential projects, the business of exploration for and identification of minerals, in particular coal, uranium and tungsten, is speculative and involves a high degree of risk. The mineral deposits of any projects acquired by the Group may not contain economically recoverable volumes of minerals, base metals, precious metals or hydrocarbons of sufficient quality or quantity. Even if there are economically recoverable deposits, delays in the construction and commissioning of mining projects or other technical difficulties may make the deposits difficult to exploit.

The exploration and development of any project may be disrupted, damaged or delayed by a variety of risks and hazards which are beyond the control of the Group. These include (without limitation) geological, geotechnical and seismic factors, environmental hazards, technical failures, adverse weather conditions, acts of God and government regulations or delays.

Exploration is also subject to general industrial operating risks, such as environmental hazards, explosions, fires, equipment failure and industrial accidents, which may result in potential delays or liabilities, loss of life, injury, environmental damage, damage to or destruction of property and regulatory investigations. The Company may also be liable for the mining activities of previous miners. Although the Company intends, itself or through its operators, to maintain insurance in accordance with industry practice, no assurance can be given that the Company or the operator of an exploration project will be able to obtain insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims. The Company may elect not to become insured because of high premium costs or may incur a liability to third parties (in excess of any insurance cover) arising from pollution or other damage or injury.

Operational targets and delays

The Group's operational targets will be subject to the completion of planned operational goals on time and according to budget, and are dependent on the effective support of the Group's personnel, systems, procedures and controls. Any failure of these may result in delays in the achievement of operational targets with a consequent material adverse impact on the business, operations and financial performance of the Group. The locations of all of the Group's mining and exploration activities dictate that climatic conditions have an impact on operations and, in particular, severe weather could disrupt the delivery of supplies, equipment and fuel. It is, therefore, possible that exploration and mining activity levels might fluctuate. Unscheduled interruptions in the Group's operations due to mechanical or other failures or industrial relations related issues or problems or issues with the supply of goods or services could have a serious impact on the financial performance of those operations. In particular, demand for rail and port services for the export of coal or uranium may be constrained by limited capacity. There can accordingly be no guarantee that suitable capacity will be available on commercially acceptable terms. The Group will not generate any material income until mining has successfully commenced. In the meantime the Group will continue to expend its cash reserves.

Transportation delays

Railway and ship transportation are expected to be the Group's principal means of transporting raw materials products to customers. As a result, increases in transportation costs may adversely affect the Group's ability to compete successfully. If there are increased transport costs, the Group's results of operations could be materially adversely affected.

Drilling, developing and operating risks

Drilling, developing and operating projects involve a number of risks, many of which are beyond the control of the Group, which may delay or adversely impact the Group's activities. These delays and potential impacts could result in the Group's activities being delayed or abandoned and substantial losses could be incurred.

Drilling may not result in the discovery of economically viable resources due to insufficient resources being discovered, the resources not being of sufficient quality to be developed economically or the costs of any development being in excess of that required for any economic project.

If economically recoverable minerals, base metals, precious metals or hydrocarbon are found, it may take a number of years from the initial phases of exploration until production is possible, during which time the economic feasibility of production may change. Substantial expenditure is required to establish reserves and, in the cases of new properties, to construct mining and processing facilities. As a result of these uncertainties, no assurance can be given that the exploration programmes will result in any new commercial mining operations being brought into operation.

The scale of production from the development of a discovered mineral, base metal, precious metal or hydrocarbon resource will be dependent upon factors over which the Group has no control such as market conditions at that time, access to, and the operation of, transportation and processing infrastructure, the available capacity levels and tariffs payable by the Group for such infrastructure and the granting of any licences or quotas the Group may require from the relevant regulatory authority. All of these factors may result in delays in production, additional costs or a reduction in expected revenues for the Group. Therefore, there is a risk that the Group may not make a commercial return on its investment.

Project development

There can be no assurance that the Group will be able to manage effectively the expansion of its operations or that the Group's current personnel, systems, procedures and controls will be adequate to support the Group's operations. Any failure of management to effectively manage the Group's growth and development or its appointed contractors or to secure appropriate coal export arrangements could have a material adverse effect on the Group's business, financial condition and results of operations. There is no certainty that all or, indeed, any of the elements of the Group's current strategy will develop as anticipated and that the Group will be profitable.

Reserve and resource estimates

The Group's reported mineral reserves and resources are only estimates. No assurance can be given that the estimated mineral reserves and resources will be recovered or that they will be recovered at the rates estimated. Mineral reserve and resource estimates are based on limited sampling, and, consequently, are uncertain because the samples may not be representative. Mineral reserve and resource estimates may require revision (either up or down) based on actual production experience.

Any future reserve and/or resource figures will be estimates and there can be no assurance that the minerals are present, will be recovered or that it can be brought into profitable production. Furthermore, a decline in the market price for natural resources that the Group may discover could render reserves containing relatively lower grades of these resources uneconomic to recover and may ultimately result in a restatement of reserves.

Volatility of prices

Historically, commodity prices have fluctuated and are affected by numerous factors beyond the Company's control, including global demand and supply, international economic trends, currency exchange fluctuations, expectations for inflation, speculative activity, consumption patterns and global or regional political events. The aggregate effect of these factors is impossible to predict. Fluctuations in commodity prices, over the long term, may adversely impact the returns of the Company's investments.

Economically viable mining

The exploration and development of mineral deposits involves significant financial risks over a prolonged period of time, which even if there is a combination of careful evaluation, experience and knowledge may not be eliminated. While discovery of a mineral deposit may result in substantial rewards, few properties that are explored are ultimately developed into economically viable operating mines. Major expenditure may be required to establish reserves by drilling and in constructing mining and processing facilities at a site, and it is possible that even preliminary due diligence will show adverse results, leading to the abandonment of projects. It is impossible to ensure that preliminary feasibility studies or full feasibility studies on the Group's projects or the current or proposed exploration programmes on any of the Licences and Agreements will result in a profitable commercial mining operation.

Investment choice

The level of funding immediately available to the Company could limit its choice of investments to projects at an early stage of development, which will therefore have no proven economic value.

Financing

The successful exploration of natural resources on any project will require very significant capital investment. The only sources of financing currently available to the Company are through the issue of additional equity capital or through bringing in partners to fund exploration and development costs. The Company's ability to raise further funds will depend on the success of their investment strategy and acquired operations. The Company may not be successful in procuring the requisite funds on terms which are acceptable to it (or at all) and, if such funding is unavailable, the Company may be required to reduce the scope of its investments or anticipated expansion.

Environmental factors

The Group may invest in operations that may be subject to environmental and safety regulation (including regular environmental impact assessments and permitting). This will include a wide variety of matters, such as prevention of waste, pollution and protection of the environment, labour regulations and worker safety. The regulations may change in a manner that may require stricter or additional standards than those currently in effect, a heightened degree of responsibility for companies and their directors and employees and more stringent enforcement of existing laws and regulations. There may also be unforeseen environmental liabilities resulting from exploration and development activities, which may be costly to remedy. In particular, the acceptable level of pollution and the potential clean up costs and obligations and liability for toxic or hazardous substances for which the Group may become liable as a result of its activities may be impossible to assess against the current legal framework and current enforcement practices of the various jurisdictions.

Political, economic and regulatory regime

The Licences and Agreements are in jurisdictions outside the United Kingdom and accordingly there will be a number of risks which the Group will be unable to control. Whilst the Group will make every effort to ensure it has robust commercial agreements covering its activities, there is a risk that the Group's activities will be adversely affected by economic and political factors such as the imposition of additional taxes and charges, cancellation or suspension of licences, expropriation, war, terrorism, insurrection and changes to the laws governing mineral exploration and operations.

Governmental approvals, licences and permits are, as a practical matter, subject to the discretion of the applicable governments or governmental offices. The Group must comply with known standards, existing laws and regulations that may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and the interpretation of the laws and regulations implemented by the permitting authority. New laws and regulations, amendments to existing laws and regulations, or more stringent enforcement of existing laws and regulations could have a material adverse impact on the Group's results of operations and financial condition.

The Group's activities will be dependent upon the grant of appropriate licences, concessions, leases, permits, and regulatory consents that may be withdrawn or made subject to limitations. There can be no assurance that they will be granted or renewed or if so, on what terms. There is also the possibility that the terms of any licence the Group may acquire may be changed.

Currency risk

The Company will report its results in United States dollars or in Pounds, whilst a majority of the Group's costs and revenues may be denominated in other currencies. This may result in additions to the Company's reported costs or reductions in the Company's reported revenues.

Fluctuations in exchange rates between currencies in which the Company invests, reports or derives income may cause fluctuations in its financial results that are not necessarily related to the Group's underlying operations.

Ability to exploit successful discoveries

It is possible that the Group may not be able to exploit commercially viable discoveries in which it acquires an interest. Exploitation may require external approvals or consents from relevant authorities and the granting of these approvals and consents is beyond the Group's control. For instance, power purchase agreements or standard offer contracts in certain jurisdictions are subject to approval by local, state, provincial or national utilities commissions or other regulatory authorities. The granting of such approvals and consents may be withheld for lengthy periods, not given at all, or granted subject to the satisfaction of certain conditions which the Group may not be able to meet. As a result of such delays, the Group may incur additional costs, losses or revenue or part or all of its equity in a licence. Additionally, should the regulatory regime in an applicable jurisdiction be modified in a manner which adversely affects natural resources facilities or projects, including in taxes and permit fees, the returns to the Company may be adversely affected.

Inability to obtain mining licences

The Group's exploration activities will continue to be dependent upon the grant of appropriate licences, concessions, leases, permits and regulatory consents, which may not be granted or may be withdrawn or made subject to limitations. There is no guarantee that, upon completion of any exploration programme, a mining licence will be granted with respect to the exploration territory. There can also be no assurance that any mining licence will be issued or renewed and if so, on what terms.

Competition

The exploration and mining business is competitive in all of its phases. The Company competes with numerous other companies and individuals, including competitors with greater financial, technical and other resources than the Company, in the search for and acquisition of exploration and development rights on attractive mineral properties. In particular, the Company may face competition from domestic operators, existing multi-national mining companies with operations in Mongolia or the surrounding region, multi-national companies who may in the future invest in Mongolia or the surrounding region, and new entrants to the market, including other investment companies or hedge funds seeking to establish interests in the area. The Company's success will depend not only on its ability to develop the properties on which it intends to acquire exploration and development rights from the Mongolian Acquisition, but also on its ability to select and acquire exploration and development rights on further suitable properties for exploration and development. There is no assurance that the Company will continue to be able to compete successfully with its competitors in acquiring exploration and development rights on such properties.

Equipment failure

There is a risk of equipment failure due to wear and tear, design error or operator error, among other things, which could adversely affect the returns to the Company.

Joint ventures

The Company may enter into joint ventures. There is a risk that a joint venture partner does not meet its obligations and the Company may therefore suffer additional costs or other losses. It is also possible that the interests of the Company and those of its joint venture partners are not aligned resulting in project delays or additional costs and losses. The Company may have minority interests in the companies, partnerships and ventures in which it invests and may be unable to exercise control over the operations of such companies.

Labour

Certain of the Group's operations are carried out under potentially hazardous conditions. Whilst the Group intends to operate in accordance with relevant health and safety regulations and requirements, the

Group remains susceptible to the possibility that liabilities might arise as a result of accidents or other workforce-related misfortunes, some of which may be beyond the Group's control.

Further, the Group may struggle to recruit and retain miners, engineers and other important members of the workforce required to run a full mining programme. Shortages of labour, or of skilled workers, may cause delays or other stoppages during exploration and mining.

Reliance on key personnel and contractors

The success of the Group depends on a significant extent on the Directors, management and other key personnel and contractors, including Asia Intercept which will provide services to Polo Mongolia and MUC Mongolia under the Management Agreement. The Existing Directors and the Proposed Director believe that the Group's future success will depend largely on its ability to attract and retain highly skilled and qualified personnel and contractors and to expand, train and manage its employee and contractor base. There can be no guarantee that suitably skilled and qualified individuals will be identified and employed or contracted on satisfactory terms or at all. If the Group fails to recruit or retain the necessary personnel or contractors, or if the Group loses the services of any of its key executives, its business could be materially and adversely affected.

Uninsured risks

The Group, as a participant in exploration and mining programmes, may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs. The Group may incur a liability to third parties (in excess of any insurance cover) arising from pollution or other damage or injury. Any such liability could materially affect the performance of the Company.

Limited operating history

The Company was incorporated on 23 May 2007 and neither it nor any member of the Group have an established track record. The Company is not currently producing cash flow and its ultimate success will depend on its ability to generate cash flow from its investments in the future. The Company has not earned profits as it has not traded since incorporation and there is no assurance that it or the Group will earn profits in the future.

Concentration risk

Due to the relatively small size of the Company on Admission, the Mongolian Acquisition and the GCM Acquisition represent a significant proportion of the Company's total assets. As a result, the impact on the Company's performance and the potential returns to investors will initially be more adversely affected if any one of the investments performs badly than would be the case if the Company's portfolio of investments was more diversified.

Lack of dividends for the foreseeable future

For the foreseeable future, the Company intends to retain any future earnings for the business and therefore the Company does not anticipate paying dividends in the short to medium term.

Early stage of operations

The Group's operations are at an early stage of development and success will depend on the Directors' ability to manage the current projects and to take advantage of further opportunities which may arise. There can be no guarantee that the Company or any member of the Group can or will be able to, or that it will be commercially advantageous for the Company, to develop all or any of the Licences and Agreements. Further, the Group has no properties producing positive cash flow and its ultimate success will depend on its ability to generate cash flow from active mining operations in the future and its ability to access equity markets for its development requirements.

RISKS RELATING TO MONGOLIA

Security risks

Although Mongolia's transition to democracy has been relatively peaceful and there is representation of various political parties in the Government, tension continues to exist between the governing coalition

partners. There are no known threats of war, acts of war, terrorism or extreme violence in the country. However, other security risks known in Mongolia come from illegal miners entering sites. Companies will hire their own security force to protect their assets, including but not limited to tools, equipment and minerals. In the event that illegal miners are found on licenced areas owned by the Mongolian Target Companies, they can be removed following due process. Illegal miners are very rare in the coal and uranium sectors and are mostly found on alluvial sites.

Political risk

The Company plans to conduct its exploration activities principally in Mongolia. The Directors are hopeful that the government of this country will continue to support the development of natural resources by foreign operators. However there can be no assurance that future political and economic conditions in this country will not result in its government adopting different policies in relation to foreign development and ownership of mineral resources. Any such changes in government or policy may result in changes in laws affecting ownership of assets, taxation, rates of exchange, environmental protection, labour relations, repatriation of income, return of capital, investment agreements and other areas, each of which may affect the Group's ability to undertake exploration and development activities in the manner currently contemplated. Future changes in the Mongolian Government, major policy shifts or lack of consensus between the various political groups could lead to political instability and could also have a material adverse effect on the mineral sector in general.

Climatic concerns

Exploration and mining in Mongolia is predominantly carried out from April through October, although some companies are starting to work year round. The harsh winters can slow down progress, add to the deterioration and break down of equipment as well as hinder the ability to hire highly skilled labour force as temperatures can dip below -40 $^{\circ}$ C.

Unlawful, selective or arbitrary government action may have an adverse effect on the value of investment in Mongolia

Governmental authorities have a high degree of discretion in Mongolia and at times appear to act selectively or arbitrarily, without hearing or prior notice, and in a manner that is contrary to law or influenced by political or commercial considerations. Moreover, the Mongolian Government also has the power in certain circumstances, by regulation or government act, to interfere with the performance of, nullify or terminate contracts. Unlawful, selective or arbitrary governmental actions have reportedly included denial or withdrawal of licences, sudden and unexpected tax audits, criminal prosecutions and civil actions. Unlawful, selective or arbitrary government action, if directed at the mining sector, could have a material adverse effect on the Group's business and results of operations.

Mongolian legal system and Mongolian legislation risks

The legal system in Mongolia is not fully developed and has inherent uncertainties that could limit the legal protections available to the Company. The following risks relating to the Mongolian legal system create uncertainties, many of which do not exist in countries with more developed market economies:

- (i) inconsistencies among (a) laws; (b) decrees, orders and regulations issued by the Government and ministries; and (c) regional and local laws, rules and regulations;
- (ii) limited judicial and administrative guidance on interpreting Mongolian legislation;
- (iii) substantial gaps in the regulatory structure due to delay or absence of implementing regulations;
- (iv) the relative inexperience of judges and courts in interpreting new principles of Mongolian legislation, particularly those relating to business, corporate and securities laws;
- (v) some lack of judicial independence from political, social and commercial forces;
- (vi) a high degree of discretion on the part of governmental authorities; and
- (vii) bankruptcy procedures that are not well developed and are subject to abuse.

Although the judicial system can be described as independent, judges have little experience, if any, in dealing with complex commercial law issues, which leads to a degree of uncertainty as to the outcome of

any litigation. Further, it may be difficult to obtain swift and equitable enforcement, or to obtain enforcement of a judgment by a court of another jurisdiction. Another risk is that the introduction of new Mongolian laws and regulations and the interpretation of existing ones may be subject to policy changes reflecting domestic political or social changes. As the Mongolian legal system develops, there can be no assurance that changes in such legislation or interpretation thereof will not have a material adverse effect on the Group's business, financial condition, results of operations and future prospects.

In addition, while legislation has been enacted to protect private property against expropriation and nationalisation, due to the lack of experience in enforcing these provisions and political factors, these protections may not be enforced in the event of an attempted expropriation or nationalisation. Expropriation or nationalisation of any of the Group's assets, or portions thereof, potentially without adequate compensation, could have a material adverse effect on the Group.

Compliance with environmental requirements

Exploration licence holders in Mongolia are required by law to comply with environmental protection plans agreed with the government in respect of each licence. The environmental protection plan obliges the holders of licences in Mongolia to ensure that the level of environmental pollution does not exceed accepted limits and for reclamation of licence areas by means of backfilling, leveling and cultivations to allow for future public use. The licence holder must deposit 50 per cent. of the environmental protection plan budget in an account with the relevant local government, and if the licence holder fails to implement part of the plan the local governor can use the funds to implement those measures. The environmental budget payments for the Licences and Agreements in respect of the year 2007 have all been made. At this time, MUC Mongolia and Polo Mongolia are awaiting approval of their submitted annual exploration plans for 2008 by the Geological Office of the MPRAM and the State Professional Inspection Agency. As a result, MUC Mongolia and Polo Mongolia do not know what their environmental protection payments will be in 2008 at the date of this Document. As at the date of this Document, the Group has not agreed environmental protection plans in respect of any of the Licences and Agreements for 2008. There can be no guarantee as to the level of the required payment, or obligations of the Group under the environmental protection plan, and onerous obligations, or unexpectedly high budget payments may materially affect the financial performance of the Group.

The Minerals Law provides that a mining licence will not be issued until a determination has been made by the CRC of the MPRAM that the value and size of the deposit proposed to be mined is sufficient to fund applicable environmental requirements.

Minimum annual exploration expenditure

The Minerals Law states that exploration licence holders are obligated to meet minimum annual exploration expenditure in respect of each licence. There is no exploration expenditure required for the first year. During the second and third year of the licence, the licence holder must spend US\$0.50 per hectare on exploration activities. During the fourth, fifth, and sixth years of the licence, the licence holder must spend US\$1.00 per hectare on exploration activities. During the seventh, eighth, and ninth years of the licence, the licence holder must spend US\$1.50 per hectare on exploration activities. If in any year the Group is unable to meet this minimum required expenditure, it may lose its right to apply for a mining licence, or have the term of the exploration licence terminated early. If the Group was unable to acquire a mining licence, or the exploration licence was prematurely terminated, this could materially affect the financial performance of the Group.

Payment of annual exploration and mining licence fees

If in any year the Group is unable to pay required annual exploration and mining licence fees, the term of the relevant exploration or mining licence may terminate.

Deposits of strategic importance

Under the Minerals Law, the State of Mongolia can claim up to 50 per cent. interest in entities holding deposits of strategic importance (which include deposits which may have a potential impact on national security, economic and/or social development of the country at the regional and national level, or which are capable of producing over 5 per cent. of the gross national product in any given year). At the date of this Document, none of the areas which are the subject of any Licences or Agreements overlap with the

areas of the deposits currently designated as of strategic importance, however, Parliament has yet to finalise the list of deposits which are so designated and some of the areas in which the Group may hold or acquire an interest may fall into this category. This would make it possible for the State to participate in the mining reserves to the extent of up to 34 per cent., as negotiated with the licence holder, or up to 50 per cent. if state funds were used in setting up the reserve. If any of the areas in which the Group has an interest is classified as a deposit of strategic importance, the Group's financial performance may suffer significant detriment as a result of the operation of these provisions.

There is also an additional requirement imposed by the Minerals Law that an entity holding a mining licence which covers a deposit of strategic importance must sell at least 10 per cent. of its shares through the Mongolian Stock Exchange. It is unclear whether and how this provision is to be implemented but if it is, or if a similar requirement is adopted, this may have a material effect on the Group's business plans, market position and financial performance.

"Special needs land"

The Land Law of Mongolia provides that land can be declared "special needs land" and be reclaimed for a "special needs" purpose (for example if it is to be turned into a special protected area, allocated for ensuring national defense and security, granted to foreign diplomatic and consular offices and representative offices of international organisations; reserved as a site for conducting scientific and technological tests and experiments and permanent environment and weather prediction and observation; inter Aimag reserve pastures; State fodder resource hayfields; oil area covered by the contract or licence to be used for exploration in accordance with the contract on sharing product; or designated as free zone land). If the land is designated as special needs land and taken for one of such purposes, the holder is entitled to payment of compensation to be negotiated with the relevant government agency. If agreement is not reached through negotiation, the amount of compensation is to be determined based on a conclusion of an authorised independent body. There is no guarantee that such amount would adequately compensate the Group for the loss of the land and its operations thereon, and it is highly likely that such reclamation of land by the government agency would cause a material adverse effect to the Group's finances and business.

Inability to acquire "land rights"

Foreign legal entities or Mongolian entities with foreign investment of greater than 25 per cent. may not own or possess land but may acquire rights of use. These rights are given over a particular land feature for a particular purpose over a specified period of time, in accordance with the law and the terms of the relevant licence. The companies in the Group have no such rights at the date of this Document, and there is no guarantee that they will be able to acquire the necessary rights when needed. Furthermore, if land use rights are acquired, they may not be transferred, pledged or subleased and the Group may be unable to dispose of them if it decides to disinvest from part or all of its Mongolian land. In order to carry out mining operations, the Group will have to acquire surface rights and pay the land fees, which range widely depending on classification of the relevant land. The resolution of surface rights issues is not clear in Mongolian law. The Group could incur significant expense in setting up its operations on Mongolian land yet there is no guarantee that the necessary rights will be granted. These restrictions on the Group's ability to use land may cause detriment and materially and adversely affect the Group's financial position and business.

Licences and Agreements

The Directors are not aware of any reason why all the Licences and Agreements which have not already been issued to a member of the Group will not be issued but no assurance can be given that the Group will be successful in securing all or any of the Licences and Agreements. If the Licences and Agreements are successfully secured, there can be no guarantee that it will be possible or commercially viable for the Group or the Company to exploit reserves or resources under the Licences and Agreements, or develop the Licences and Agreements as the Company currently intends, and the Directors may conclude that the development or further development or investment into the Licences and Agreements is not in the best interests of the Company. If the Company decides not to, or is unable to realise, any or all of the Licences and Agreements this could have a material adverse affect on the performance of the Group.

Reliance on Russian and Chinese exports

The Licences and Agreements are all in respect of exploration properties in Mongolia. The Directors believe that the majority of the Group's future trade will be with China and Russia. Should either China

or Russia, for any reason beyond the Company's control, restrict the import of coal or other resources from Mongolia, or impose a tariff on the import of coal from Mongolia, or subsidise the production costs or price of coal produced domestically, or should the attitude of China or Russia to coal as a source of energy change for environmental or other reasons, or should Chinese or Russian commercial buyers and users of coal be reluctant for whatever reason to buy coal or other resources from Mongolia, the Group may be unable to economically exploit the resources available to it under the Licences and Agreements due to the loss of primary local markets, and the performance of the Group will be adversely affected.

Taxation

Tax rates may be increased and new types of taxes may be implemented subject to the approval of parliament. To minimise these risk, the Mongolian Target Companies will enter into investment agreements with the Government of Mongolia at the appropriate time.

RISKS RELATING TO COAL

Volatility of coal prices

The market price of coal is volatile and is affected by numerous factors which are and will be beyond the Group's control. These include international supply and demand, the level of consumer product demand, international economic trends, currency exchange rate fluctuations, the level of interest rates, the rate of inflation, global or regional political events and international events as well as a range of other market forces. For example, coal prices have recently been driven to a significant extent by demand in China and India. A decline in Asian demand or a material increase in the supply of coal could have a significant adverse effect on coal prices. In addition, consolidation in the steel industry may lead to increased purchasing power for steel producers which could reduce the price paid for metallurgical coal. Coal prices have experienced, and in the future may experience, significant fluctuations as a result of these and other factors, many of which are beyond the Group's control. Sustained downward movements in coal market prices could render less economic, or uneconomic, some or all of the activities to be undertaken by the Group.

Public acceptance of coal

Because of unique political, technological and environmental factors that affect the coal industry, the industry is subject to public opinion risks which could have an adverse impact on the demand for coal power and increase the regulation of the coal power industry. Transnational governmental agreements regarding the environment or reduced acceptance of coal as a clean source of energy may lead to reduced demand and adversely affect the performance of the Company.

RISKS RELATING TO URANIUM

In Mongolia

Uranium exploration is new to the country and how it will be dealt with will be dependant on the Mongolian Government. This includes how it will be explored and sold in the international market.

Uranium prices

The marketability of uranium is subject to numerous factors beyond the control of the Company. The price of uranium may experience volatile and significant price movements over short periods of time. Factors that impact on the price of uranium include demand for nuclear power, political and economic conditions in uranium-producing and consuming nations, reprocessing of spent fuel and re-enrichment of depleted uranium tails or waste, sales of excess civilian and military inventories (including from dismantling nuclear weapons) by governments and industry participants and product levels and costs of production.

Limited number of customers

A small number of electric utilities worldwide buy uranium for nuclear power plants. Because of the limited market for uranium, a reduction in demand by electric utilities for newly-produced uranium would adversely affect the Company's business.

Public acceptance of nuclear energy

Because of unique political, technological and environmental factors that affect the nuclear industry, the industry is subject to public opinion risks which could have an adverse impact on the demand for nuclear power and increase the regulation of the nuclear power industry. An accident at a nuclear reactor anywhere in the World could impact the continuing acceptance of nuclear energy and the future prospects for nuclear generation, which may have a material adverse effect on the Company.

RISKS RELATING TO GCM SHARES

Minority interest and dilution

At Completion of the GCM Acquisition, the Company will hold a minority (approximately 20.5 per cent.) interest in GCM, which could impair the Company's ability to exercise effective control over business, financial, management or other decisions by GCM. GCM's management or majority stakeholders may make decisions with which the Company does not agree, or take risks or otherwise act in a manner that does not serve the Company's interests. The Company's equity investment in GCM may also be diluted further if it does not partake in future equity or equity-linked fundraising opportunities. If any of the foregoing were to occur, the value of the GCM Acquisition could decrease and the Company's financial condition, operations and share price could suffer as a result.

Volatility of the market sector

Like the Company, GCM operates in the mining and resources sector which is particularly volatile and is affected by numerous factors which are beyond the Company's and GCM's control. These include international supply and demand, the level of consumer product demand, international economic trends, currency exchange rate fluctuations, the level of interest rates, the rate of inflation, global or regional political events and international events as well as a range of other market forces. Sustained downward movements in coal market prices could render less economic, or uneconomic, some or all of the coal exploration and/ or extraction activities to be undertaken by GCM. The volatility of the natural resources market may have a material adverse effect on the performance of GCM's shares and on the Company.

Volatility of share prices

The value of the GCM Shares may be volatile and may go down as well as up. The Company may, on disposing of its investment in GCM, realise less than its original investment or may lose its entire investment. The market price of the shares in GCM may not reflect the underlying value of GCM's net assets. Market share prices, including prices of shares in GCM, could be subject to significant fluctuations due to various factors and events, including any regulatory or economic changes affecting GCM's operations, variations in GCM's operating results, the price of coal, competition or to changes in market sentiment towards natural resources companies or towards the shares of GCM. In addition, stock markets from time to time suffer significant price and volume fluctuations that affect the market prices for securities and which may be unrelated to GCM's operating performance. Any of these events could result in a decline in the market price of GCM's shares and may cause financial loss to the Company.

Economic, political and legal risk

Some of the operations in which GCM is involved are in a foreign jurisdiction where there may be a number of associated risks over which neither GCM nor the Company will have control. These may include economic, social or political instability or change, terrorism, hyperinflation, currency non-convertibility or instability, changes of laws affecting foreign ownership, government participation, taxation, working conditions, rates of exchange, exchange control, exploration and other licencing approvals, as well as government control over the domestic pricing of coal. Difficulties may arise where GCM or the Company has investments in foreign jurisdictions as there can be no guarantee of effective legal protection to GCM's or the Company's interests.

LEGAL, TAX AND REGULATORY RISKS

Legal systems

Some of the countries in which the Company may operate could have legal systems that may result in risks such as: (i) potential difficulties in obtaining effective legal redress in the courts of such jurisdictions,

whether in respect of a breach of law or regulation, or in an ownership dispute; (ii) a varying degree of discretion on the part of governmental authorities; (iii) the lack of judicial or administrative guidance on interpreting applicable rules and regulations; (iv) inconsistencies or conflicts between and within various laws, regulations, decrees, orders and resolutions; and (v) relative inexperience of the judiciary and courts in such matters. In certain jurisdictions the commitment of local business people, government officials and agencies and the judicial system to abide by legal requirements and negotiated agreements may be more uncertain, creating particular concerns with respect to licences and agreements for business. These may be susceptible to revision or cancellation and legal redress may be uncertain or delayed. There can be no assurance that joint ventures, licences, licence applications or other legal arrangements will not be adversely affected by the actions of government authorities or others and the effectiveness of and enforcement of such arrangements in these jurisdictions cannot be assured.

Due diligence costs

The Company may incur costs in conducting due diligence into potential opportunities that may not result in an acquisition being made.

Litigation risks

Legal proceedings may arise from time to time in the course of the Group's business. There have been a number of cases where the rights and privileges of mining and exploration companies have been the subject of litigation. Neither the Existing Directors nor the Proposed Director can preclude that such litigation may be brought against the Group in future from time to time or that it may be subject to any other form of litigation.

Due to the relatively undeveloped legal systems in some of the jurisdictions in which the Company may invest, the Company may find it difficult, impossible or very costly to enforce the rights it may have under agreements it may enter into.

Integration of acquisitions

There is no guarantee that, following any acquisition, the Group will be able to successfully integrate and manage the newly acquired business.

Tax residency

The Company will initially be managed and controlled from the BVI and is initially anticipated to be considered to be resident in the BVI for tax purposes. However, the location of the management and control of the Company may change in the future and/or may be questioned by applicable tax authorities, either of which may affect the Company's tax residency and therefore the Company's tax position.

Dilution of Shareholders' interests

The Company may need to raise additional funds in the future to finance its investments and acquisitions. If additional funds are raised through the issuance of new equity or equity-linked securities of the Company other than on a pro rata basis to existing Shareholders, the percentage ownership of the Shareholders may be reduced, Shareholders may experience subsequent dilution and/or such securities may have preferred rights, options and pre-emption rights senior to the Ordinary Shares.

The Directors intend that the Company should be able to issue new Ordinary Shares as consideration for further acquisitions and/or raise additional working capital for the Company as required. Insofar as such new Ordinary Shares are not offered first to existing Shareholders, then their interests in the Company will be diluted.

City Code

The City Code will not apply to the Company. As a result, a takeover offer for the Company will not be regulated by the UK takeover authorities. Subject to the passing of Resolution 3 at the Meeting of Shareholders, the Company's Articles will contain certain takeover protections, which are summarised in paragraph 4 of Part VI of this Document, although these will not provide the full protection afforded by the City Code.

These provisions, like others contained in the Articles, will be enforceable by the Company (acting through its directors) against Shareholders. However, the Company would need to take any action to enforce such provisions in the courts of the BVI without any guarantee that any such action would be successful or any certainty as to the amount of the costs that the Company might incur in connection with any said action.

Economic, political, judicial, administrative, taxation or other regulatory factors

The Company may be adversely affected by changes in economic, political, judicial, administrative, taxation or other regulatory factors, in the areas in which the Company will operate and holds it major assets, as well as other unforeseen matters.

Forward Looking Statements

Certain statements within this Document, including those in Parts I and II of this Document, constitute forward looking statements. Such forward looking statements involve risks and other factors which may cause the actual results, achievements or performance of the Group to be materially different from any future results, achievements or performance expressed or implied by such forward looking statements. Such risks and other factors include, but are not limited to, general economic and business conditions, changes in government regulation, currency fluctuations, the Group's ability to develop its existing or new resources, competition, changes in development plans and the other risks described in this Part III. There can be no assurance that the results and events contemplated by the forward looking statements contained in this Document will, in fact, occur. These forward looking statements are correct only as at the date of this Document. The Company will not undertake any obligation to release publicly any revisions to these forward looking statements to reflect events, circumstance or unanticipated events occurring after the date of this Document except as required by law or by regulatory authority.

Other risks

The Company may invest in exploration for and the development of resources which is speculative and involves a significant degree of risk. There is no assurance that such exploration will lead to commercial discoveries or, if there is a commercial discovery, that such reserves will be realisable.

The risks noted above do not necessarily comprise all those faced by the Group and are not intended to be presented in any assumed order of priority.

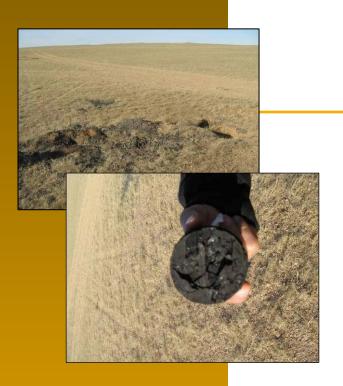
The investment described in this Document is speculative and may not be suitable for all recipients of this Document. Potential investors are accordingly advised to consult a person authorised under the FSMA who specialises in advising in investments of this kind before making any investment decisions. A prospective investor should consider carefully whether an investment in the Company is suitable in the light of his personal circumstances and the financial resources available to them.

PART IV

COMPETENT PERSONS REPORT

Set out overleaf is the full text of a Competent Persons Report prepared by SRK.

Independent Technical Review of Coal and Uranium Exploration Tenements, Mongolia



Report Prepared for

Polo Resources Limited and Canaccord Adams Limited (Nominated Adviser)

Prepared by



Project Number: POR001 February 2008

Independent Technical Review Coal and Uranium Exploration Tenements, Mongolia

Polo Resources Limited and Canaccord Adams Limited (Nominated Adviser)

SRK Consulting (Australasia) Pty Ltd SRK Consulting, Brisbane Contact: Pat Hanna

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POR001 February 2008

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Executive Summary

The purpose of the evaluation is to provide a Competent Persons Report (CPR) in a form acceptable to AIM (a sub-market of The London Stock Exchange) and which provides potential investors and shareholders of Polo Resources Limited (Polo) and Canaccord Adams Limited (CAL) with a clear and un-biased view of the assets and its future production potential. This report summarises the major findings of the SRK Consulting (Australasia) Pty Ltd trading as SRK Consulting (SRK)'s review.

This report has been prepared to the standard of, and is considered by SRK to be, a CPR under the guidelines of the JORC and Valmin Codes and in compliance with AIM. The Valmin Code is the code adopted by the Australasian Institute of Mining and Metallurgy (AusIMM) and the Australian Institute of Geoscientists (AIG), and the standard is binding upon all AusIMM and AIG members. The Valmin code incorporates the JORC Code for the reporting of Mineral Resources and Ore Reserves.

All assets which are the subject of this CPR are presented in Appendix 1, in the format advised in the Guidance Note for Mining, Oil and Gas Companies dated March 2006, as part of the AIM rules for the listing of Companies of the London Stock Exchange.

COAL PROJECT TENEMENTS

A map of the location of the coal tenements is shown in Figure 1.

Doshin Coal Project

The Mongolian Government granted an exploration licence covering a total of 16,594 hectares (ha) known as the Doshin tenement.

A detail drilling exploration programme comprising of 31 boreholes located in the northern part of the Doshin Area delineated two main seams with thicknesses of 3 metres (m) and 11m respectively. The preliminary geological model indicates at least 2 normal faults in the area.

Based on the regional geology interpretation, the coal bearing formation of Doshin extends throughout and beyond the Doshin tenement. The seams predominately comprise of dull coal and are considered suitable for the thermal market.

Based on drilling data for 5 locations within the Doshin Area acquired by Polo in 2006, it was found that:

- Only 40% to 65% of the total seam interval contains coal. Therefore, potential coal production is approximately 50% of total resource estimate.
- The shallowest coal occurs at around 40m depth from the surface, and therefore is considered suitable for the open cut extraction.

The nature of coal appears to be a variable ash, medium energy coal. The coal quality is summarised as:

- Inherent Moisture (ad), ranging from 5.1% to 16.1%, average 11.2%
- Total Moisture (ar), ranging from 20.8% to 40.0%, average 28.8%
- Ash content (ad), ranging from 7.3% to 31.2%, average 16.6%
- Sulfur content (ad), ranging from 0.7% to 3.4%, average 1.6%.
- Calorific value (ad) ranging from 3,500 to 5,270 kcal/kg, average 4,570 kcal/kg.

Based on field observations (SRK site visit on 7^{th} to 8^{th} December 2007), it could be deduced that the high ash content is most likely to be a result of the fine banding of non-coal material within the coal seams.

The conclusions of this report recommend that, given the potential to develop an open-cut mine for the Doshin Project; further drilling should be conducted to provide sufficient detail for a prefeasibility study.

Ereen Coal Project

The Mongolian Government granted a mining licence (exploitation concession) covering a total of 35 ha. There is a small open cut mine within the Ereen Area which was being operated by a local miner (mining ceased upon transfer of the licence).

There was no exploration data available for review during the site investigation of the Ereen Area. The interpretation and evaluation of the coal geology for the Ereen Area in this report is based on previous regional geological reports which were compiled by the Mongolian Government and on field observations during the SRK's site visit on 9 December 2007.

The regional geological model and field observations indicate that the area has been faulted by major reverse and normal faults which offset the coal layers. The regional geology model also suggests that part of the coal bearing formation is affected by igneous intrusions of Tsaihiur Uul Formation $(J_2^{-3}ch)$ which is composed of rhyolite, trachite and rare tuffs. The coal is heat-affected near the intrusions.

According to the regional geological reports, the coal thicknesses reach over 10m. Field observations indicate that the coal can be classified into semi-lustrous to hard coal type. The hard coal to "antrachite" type indicates that the quality of seam might be affected by rhyolitic intrusions. The nature of coal appears to be a high energy coal which contains an abundance of vitrinite (bright coal) as observed in the field. Based on information provided by the local miner, it is SRK's opinion that the coal seam is suitable for thermal markets.

Several thin layers of mudstone and siltstone were observed in the coal seams indicating high ash content. Removing this non-coal material, either during mining or by beneficiation, would result in increasing the calorific value of the coal.

It is SRK opinion that due to shallow depth of cover, the coal deposit is suitable for open-cut mining methods.

The recommendation of this report is that given the potential to develop a significant open-cut mine for the Ereen Coal Project; further drilling should be conducted to provide sufficient detail for a feasibility study.

Altanshiree Coal Project

The Mongolian Government granted an exploration licence covering a total of 19,884 ha known as the Altanshiree tenement.

The stage of exploration in this area is in the preliminary regional exploration phase. Based on the regional geology interpretation, the Altanshiree coal bearing formation appears to be formed within the same coal bearing formation in Doshin Area (around 12 kilometres (km) south of the Altanshiree Area). This coal bearing formation of Altanshiree occurs throughout the tenement area.

The coal seams are typically brown coal type with low to medium energy and high ash. The deposit is suitable for open cut extraction and the product are suited for the thermal market.

The conclusions of this report recommend that a preliminary exploration programme involving wide-spaced regional drilling is required to undertake an initial evaluation of the potential of the Altanshiree Area.

SRK conducted a site visit on 9 December 2007.

Khashaat Coal Project

The Mongolian Government granted an exploration licence covering a total of 133 ha known as the Khashaat tenement.

The Khashaat Area is at the preliminary exploration phase. Based on the regional geology interpretation, the Khashaat coal bearing formation appears to be formed within an anticlinal structure trending west to east. The coal bearing formation in Khashaat is a part of the Choir-Nyalga Basin.

A preliminary drilling exploration programme comprising of 45 boreholes covers the Khashaat Area.

The site investigation of the mining operation at Khashaat, located in the western part of area, delineated the coal seam dipping gently (less than 30 degrees) at the subcrop in the hinge of anticline. The area consists of two main seams of which the lowest seam is significantly thick. The upper seam appears to be lenticular and therefore is not consistent across the deposit. The thickness of the upper seam ranges from 3 to 5m. The lowest seam averages around 45m in thickness and contains several stone bands. In the northern part of Khashaat, the coal unconformably underlies unconsolidated Quaternary sediments.

There is no information on the coal quality analyses of the seams at Khashaat. However, from the site investigation, the coal was predominantly composed of bright bands with several minor dull bands and thin partings. Minor secondary pyrite was found in the coal seam.

Quality analyses from boreholes in the surrounding area indicate the seams in Khashaat Area have a calorific value ranging from 4,300 kcal/kg to 5,608 kcal/kg (adb). Based on these observations it is concluded that the coal is suited to the thermal market.

The preliminary geological model shows no indication of faulting, and based on the low stripping ratio, average 3:1, the Khashaat Project Area is suited to opencut extraction.

It is recommended that the current information for Khashaat Coal Project is of sufficient merit to undertake a detail drilling programme in order to prove the coal resources in terms of tonnage, strip ratio and coal quality to international standards. This drilling campaign is expected to fulfill the requirements for a preliminary feasibility study and to provide a JORC Code compliant Indicated Resource.

SRK conducted a site visit on 7th to 8th December 2007

Union Coal Project Area

The Mongolian Government granted two mining licences covering a total of 284 ha known as the Union Coal tenement. Part of the Union Coal Area (around 25%) has been depleted by opencut mining. There is no information regarding to the production from the operation.

A preliminary exploration programme comprising of 14 boreholes located in one part of the Union Coal Area delineated a main zone coal with interbedded stone partings and a total thickness approaching 60m. The seam splits into at least three splits which are lenticular in shape. The preliminary geological model indicates at least one strike-slip fault in the area.

The area of Union Coal is located within the Tsaidam Nuur Coal Bearing Formation. Based on the regional geological interpretation, the Tsaidam Nuur Coal Bearing Formation extends throughout and beyond the Union Coal tenement. The seams predominately comprise of bright to dull coal and are considered suitable for the thermal market.

Based on the Mongolian Government report, it was found that the yield of coal from the seam zone in the Union Coal Area ranges from 90% to 92% with ash content ranging from 9.8% to 12%. The nature of coal appears to be a medium ash, low energy coal. The coal quality is summarised as:

- Total Moisture (ar), average 34%
- Inherent Moisture (ad), average 12.25%
- Ash content (ad) average 10.24%
- Volatile Matter (daf), average 51.33% or in (ad), average 39.79%
- Sulfur content (ad) average 0.92%
- Calorific value (daf) average 6,231 kcal/kg or in (ad) average 4,830 kcal/kg

Based on field observations (SRK site visit on 7th to 8th December 2007) and the previous exploration data, it could be concluded that the Union Coal Area potentially contains a large coal deposit amenable for open cut extraction with strip ratios averaging 3:1 (bcm/t).

The conclusions of this report recommend that, given the potential to develop an open-cut mine for the Union Coal Project; further drilling should be conducted to provide sufficient detail for a prefeasibility study.

URANIUM EXPLORATION TENEMENTS

The location of Uranium tenements are shown in Figure 2.

Dornogovi District

SRK reviewed, via site visit and desktop review of data, the Uranium (U) tenements of Polo in December 2007. Polo holds 10 uranium exploration tenements and has 7 tenements under application in the Dornogovi District, Mongolia.

Although referred to as the 'Dornogovi District' tenements, four tenements are not located in Dornogovi Province. These are: 9802 (Khentii Province), 10230 (Gobisumber Province), 10231 (Tov Province), and 12105 (Selenge Province). For the sake of brevity, these tenements will be included in the discussion of the Dornogovi District Projects and/or Dornogovi District tenements.

The granted tenements are approximately 200km east of the Hairhan and Haraat uranium deposits, and can be accessed by paved road and dirt track from Ulaanbaatar, to the southern most tenement (11003).

The tenements represent greenfields exploration plays that require verification of historic exploration results, as the geological and mineralization setting of the tenements are currently at an early level of understanding. However, uranium mineralization is demonstrated proximal to the Polo tenements, and within the overall district. Polo has proposed a detailed reconnaissance programme in order to verify historic data, and to plan further exploration activities.

Given that the uranium mineralisation is demonstrated in the area, and that historic exploration was limited, SRK considers that additional exploration within the Polo tenements is required, given the budgetary levels proposed by the Company.

Dornod Province

Polo holds 6 uranium exploration tenements in Dornod Province, Mongolia, with access to the tenements via paved, partly paved, and partly dirt road, some 125km north of Choibalsan. The tenements are similar in terms of the stage of exploration, to those at Dornogovi, and essentially, represent greenfields exploration plays that are located within a district with demonstrable uranium production. The geological setting of the specific tenements is currently at an early level of understanding, and further work is required in order to better establish if the tenements have the potential to host similar tonnes and grade of mineralisation to that which is currently being developed in adjacent tenements by other explorers and miners.

Given the areas production history, the well-established geological criteria for U mineralisation in the district will greatly assist Polo's exploration efforts, meaning that specific geological, geochemical and structural features can be immediately tested, and SRK considers this approach as appropriate, at the budgetary levels proposed by the Company.

It is SRK's view that Polo presents a portfolio of Projects located across two geological terranes which are noted to host multiple U deposits of varying genetic style. All tenements are at the earliest stage of exploration, but can be considered as under-explored in the context of modern exploration techniques. For both the Dornogovi District and Dornod Province tenements, uranium is currently being mined within the district, and as such, a sound base of geological knowledge is available for Polo to incorporate and build on in its exploration strategy. In SRK's opinion, the immediate challenge for Polo will be to verify historic uranium anomalism, and interpret this within the context of the specific geological criteria considered as important to controlling the localisation and upgrading of U mineralisation throughout the districts being explored. Drilling of conceptual targets must then be undertaken to test the potential of the areas under investigation.

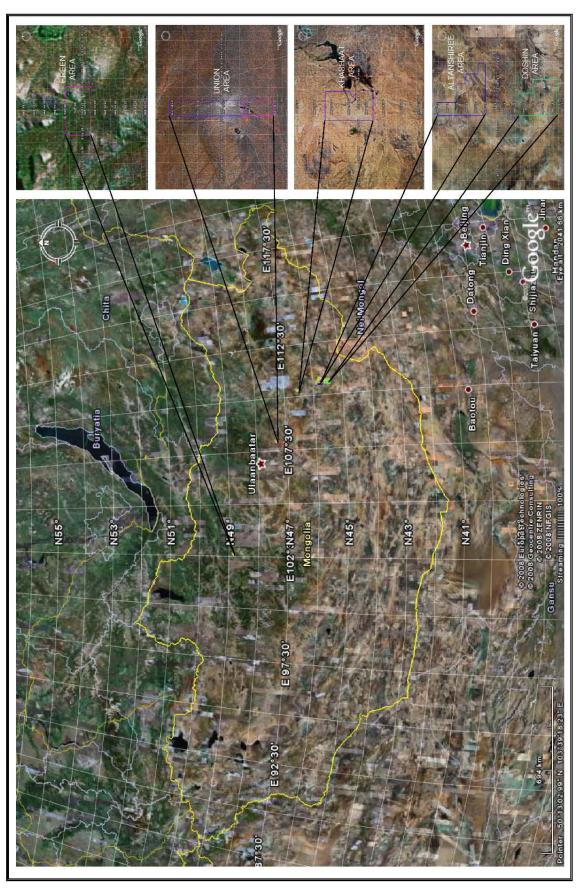


Figure 1: Location of the Coal Project Tenements

POR001_Combined Rev12

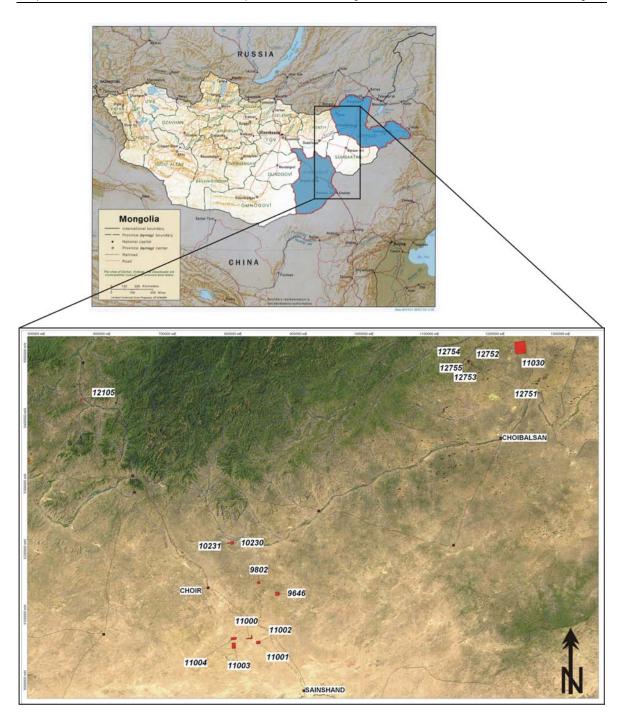


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Glossary of Terms

| Abbreviation | Terminology |
|-----------------------------|--|
| % | percent |
| °C | Degrees Celsius |
| adb | air dried basis |
| AIG | Australian Institute of Geoscientists |
| AIM | AIM, a sub-market of The London Stock Exchange |
| AIMG | Asia Intercept Mining Group |
| Airborne radiometric survey | Traverses carried out along equally spaced lines that measure the strength and characteristics of ionising radiation emitted from the ground surface and shallow depth. |
| arb | as received basis |
| AusIMM | Australasian Institute of Mining and Metallurgy |
| Basalt | Dark-colored, fine-grained volcanic rock (contain between 45 to 54% SiO ₂). It has low viscosity and is relatively fluid when molten |
| bcm/t | bank cubic metres per tonne |
| Brown coal | A group of low-rank coals characterized by their brownish coloration and high (greater than 50 percent) moisture content. These coals typically include lignite and some http://www.britannica.com/memberlogin subbituminous coals |
| CaF | Calcium fluoride |
| CAL | Canaccord Adams Limited (Nominated Adviser) |
| carbonaceous material | detrital plant debris, amorphous humate, marine algae |
| chlorite | interbedded basic volcanics with abundant ferro-magnesian minerals |
| Coal Resource | A Coal Resource is that portion of a deposit in such form and quantity that there are reasonable prospects for eventual economic extraction. The location, quantity, quality, geological characteristics and continuity of a Coal Resource are known, estimated or interpreted from specific geological evidence and knowledge |

<u>Abbreviation</u> <u>Terminology</u>

Coffinite Coffinite is a uranium bearing silicate mineral: U(SiO₄)1-x(OH)4x

Competent Person A geologist or engineer with at least five years of experience in mineral

exploration, mine development or operation or mineral project assessment, or any combination thereof, has experience relevant to the subject matter of the mineral project and the technical report and is a member in good

standing of a professional association

CPR Competent Person's Report

Craton Portion of a continent that has been structurally stable for a prolonged

period of time

Cretaceous A geological period of time from 135Ma to 65Ma

CV Calorific Value daf Dry and ash free

Dornogovi District Tenements known as the Dornogovi District tenements are located in 5

Provinces, Dornogovi Province: 11000, 11001, 11002, 11003, 11004 and 9646, Khentii: 9802, Gobisumber Province: 10230, Tov Province: 10231

and Selenge Province: 12105

Feldspar A group of abundant rock-forming minerals of the general formula, MAI

(Al,Si)₃O₈ where M can be K, Na, Ca, Ba, Rb, Sr, and Fe

Foldbelt A portion of a major mountain belt characterized by large thrust faults,

stacked one upon another. Layered rock between the faults was folded

when faulting was taking place

Ga Refers to "Billion Years" of geological time

Gamma ray spectrometric

survey

A ground or air survey that measures the uranium, thorium and potassium content of rock samples by analysing the characteristics of the gamma

radiation emitted from the sample

Genetic Style Refers to the mode of formation for the development of a mineral deposit

Groundwater water below the Earth's surface

ha hectare(s) hydrocarbons petroleum

IM Inherent moisture

Indicated Coal Resource is that part of a coal 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

Inferred Coal Resource An Inferred Coal Resource is that part of a coal 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

Igneous Intrusions Igneous intrusions are bodies of igneous rock which form due to the

crystallization of magma underground

J₂-³ch Tsaihiur Uul Formation

 J_2^h sh upper part of sub-unit Shaikan Ovuu Formation J_2^k sh lower sub-unit of Shaikan Ovuu Formation

<u>Abbreviation</u> <u>Terminology</u>

JORC Joint Ore Reserves Committee of the Australasian Institute of Mining and

Metallurgy, Australian Institute of Geoscientists and Minerals Council of

Australia

JORC Code Australian Code for Reporting of Mineral Resources and Ore Reserves

JORC Committee Joint Ore Reserves Committee of The Australasian Institute of Mining and

Metallurgy, Australian Institute of Geoscientists and Minerals Council of

Australia

Jurassic A geological period of time from 190Ma to 135Ma

 $\begin{array}{ccc} K_1cc_1 & Tsagaan Tsar Unit \\ K_1ht & KhukhTeeg Unit \\ K_1mn & Manlai Unit \\ K_1Sh & Sainshand Unit \end{array}$

kcal/kg Kilocalories per kilogram, equivalent to 1,000 calories per kilogram

km Kilometre(s) m metre(s)

Measured Coal Resource A Measured Coal Resource is that part of a coal 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

Mesozoic A geological era from 245Ma to 65Ma, and including the Triassic, Jurassic

and Cretaceous periods

mm millimetre(s)

Montmorillonite An aluminous clay mineral derived from feldspars or other aluminum-

bearing minerals

ßN Neogenic olivine basalt

ρN Neogenic red colored, gravely clay

PA Purchase Agreement

Palaeochannels An ancient river bed formed at a time when the geology and climate of an

area was different, with generally higher rainfall. Subsequent changes have seen the river bed, which would be mostly sand and gravels, buried by a further cover sediment. The sands and clays (in minor amounts) are interlayered and are notorious for being highly variable and difficult to

characterise

Polo Polo Resources Limited

Q Quaternary semi-consolidated sediments

Quartz A hard glossy mineral consisting of silicon dioxide in crystal form; present

in most rocks (especially sandstone and granite).

RD Relative Density

Rhyolite Light-colored crystalline or black glassy volcanic rock or magma,

containing more than 68% SiO₂ with a very high viscosity when in a molten

state

Roll front deposit bodies of mineralisation that cut across sandstone bedding

Sandstone A sedimentary rock consisting of quartz-rich sand consolidated with some

cement (clay or quartz etc.)

Sedimentary Rocks formed from material, including debris of organic origin, deposited

as sediment by water, wind, or ice and then compressed and cemented

together by pressure

| Abbreviation | Terminology |
|-----------------------|--|
| Skarn minerals | A term used to describe the minerals formed in metamorphic rocks surrounding an igneous intrusive where it comes in contact with a limestone or dolomite rock formation |
| SRK | SRK Consulting (Australasia) Pty Ltd trading as SRK Consulting |
| T | temperature |
| TM | Total moisture |
| TS | Total sulfur |
| sulphides | pyrite, H ₂ S |
| Tabular deposit | irregular, elongate lenses of mineralisation that are parallel to sandstone bedding |
| Terrane | A group of rocks having a common age or origin |
| U | Uranium |
| Uraninite/pitchblende | Uraninite is a uranium-rich mineral with a composition that is largely UO_2 (uranium dioxide), but which also contains UO_3 and oxides of lead, thorium, and rare earths |
| Uranophane | Uranophane $Ca(UO_2)_2(SiO_3OH)_2\cdot 5H_2O$ is a rare calcium uranium silicate hydrate mineral that forms from the oxidation of uranium bearing minerals |

Disclaimer

The opinions expressed in this report have been based on the information supplied to SRK Consulting (Australasia) Pty Ltd trading as SRK Consulting (SRK) by Polo Resources Limited (Polo) and Canaccord Adams Limited (Nominated Adviser) (CAL). The opinions in this report are provided in response to a specific request from Polo and CAL to do so. SRK has exercised all due care in reviewing the supplied information. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them.

1 Introduction

SRK was commissioned by Polo and CAL (Nominated Adviser) to undertake an independent review of the Coal (Doshin, Ereen, Altanshiree, Khashaat and Union Coal) and Uranium Exploration Tenements in Mongolia.

The purpose of the evaluation is to provide a CPR in a form acceptable to AIM and which provides potential investors and shareholders of Polo and CAL with a clear and un-biased view of the asset and its future production potential. This report summarises the major findings of the SRK review.

This report has been prepared to the standard of, and is considered by SRK to be, a Competent Persons Report under the guidelines of the JORC and Valmin Codes and in compliance with AIM. The Valmin Code is the code adopted by the AusIMM and the AIG, and the standard is binding upon all AusIMM and AIG members. The Valmin code incorporates the JORC Code for the reporting of Mineral Resources and Ore Reserves.

All assets which are the subject of this CPR are presented in Appendix 1, in the format advised in the Guidance Note for Mining, Oil and Gas Companies dated March 2006, as part of the AIM rules for the listing of Companies of the London Stock Exchange.

This report is not a Valuation Report and does not express an opinion as to the value of mineral assets or tenements involved, nor to the 'fairness and reasonableness' of any transactions between Polo and any other parties.

SRK are responsible for this report as part of the admission document, and declare that all reasonable care has been taken to ensure that the information contained in this report is, to the best of SRK's knowledge, in accordance with the facts and contains no omission likely to affect its impact.

SRK has derived the technical information which forms the basis of its Report on information provided by Polo. SRK has supplemented this information where necessary with information from its own extensive regional geological database. However, where discrepancies arise and no alternative comments are provided, data and interpretations provided by Polo prevail in this report. The past exploration history for these tenements has been derived from previous explorers reports, as provided by Polo, and government records of exploration activities within the Project areas. SRK has not conducted its own independent searches.

1.1 Statement of Qualification

The author of the **Coal Tenements** (Doshin, Ereen, Altanshiree, Khashaat and Union Coal) section of this report, Yoga Suryanegara, is employed as a Senior Consultant by SRK, Brisbane, Australia. Yoga has the following qualifications and relevant experience in the reporting of Coal Resources:

- Graduate of Padjadjaran University, Bandung, Indonesia with a Bachelor of Engineering degree in Geology (1997).
- 10 years technical experience includes activities in exploration of coal deposits, geological modelling and reporting of Coal Resources, due diligence studies and the evaluation of coal deposits throughout Indonesia, China and Australia.
- Professional qualifications include Member of the AusIMM.
- Competent Person in accordance with the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves, 2004 (JORC Code).

The **Uranium Exploration Tenements** section of this report was prepared by a team of consultants sourced from the SRK Group offices in Melbourne and Sydney, Australia. These consultants are specialists in the fields of exploration geology and Mineral Resource and Reserve estimation and classification.

- Dr Louis Bucci (PhD, BAppSc (Hons), MAIG, MSEG) Senior Consultant Louis is an economic geologist with over 10 years international commercial and academic work experience, with an emphasis on investigating mineralised hydrothermal systems. Louis has worked on gold, base metals, nickel, uranium, PGM/E, iron ore and tin-tungsten systems, across deposit models ranging from structurally-controlled / orogenic Au, to porphyry & intrusion-related Cu-Au, to base metal systems (VMS, and skarn / manto). Louis is a member of the Australian Institute of Geoscientists, and has extensive experience in the provision of Independent Technical Assessments and Competent Persons Reports for Initial Public Offerings and other documents on the Australian Stock Exchange, Hong Kong Stock Exchange, Toronto Stock Exchange, and London Stock Exchange's AIM. Dr Bucci conducted the field-based assessment of Polo's assets in November 2007, and was a co-author for this report.
- Dr Stuart Barclay (PhD, MSc, BSc(Hons)) Senior Consultant Stuart is a highly experienced
 and skilled Geologist specialising in hydrocarbon reservoir geology, diagenesis and
 geochemistry with over nine years of experience working in the upstream petroleum
 exploration sector as a consultant and scientist. His experience also includes consulting
 services to the minerals sector, and has authored numerous unpublished commercial reports,
 peer-reviewed publications and conference presentations. Dr Barclay was a co-author for this
 report.

1.2 Warranties

Polo has represented in writing to SRK that full disclosure has been made of all material information and that, to the best of its knowledge and understanding, such information is complete, accurate and true.

1.3 Indemnities

As recommended by the Valmin Code, Polo has provided SRK with an indemnity under which SRK is to be compensated for any liability and/or any additional work or expenditure resulting from any additional work required:

- which results from SRK's reliance on information provided by Polo or to Polo not providing material information, or
- which relates to any consequential extension workload through queries, questions or public hearings arising from this Report.

1.4 Consents

SRK consents to this Report being included, in full, in the Polo re-listing document, in the form and context in which the technical assessment is provided, and not for any other purpose. SRK provides this consent on the basis that the technical assessments expressed in the Summary and in the individual sections of this Report are considered with, and not independently of, the information set out in the complete Report.

1.5 Statement of Independence

Neither SRK nor any of the authors of this Report have any material present or contingent interest in the outcome of this report, nor do they have any pecuniary or other interest that could be reasonably regarded as being capable of affecting their independence or that of SRK.

SRK's fee for completing this Report is based on its normal professional rates plus reimbursement of incidental expenses. The payment of professional fees is not contingent upon the outcome of the report. Neither SRK, nor any of the authors of this Report, hold any share capital in Polo or CAL.

2 Doshin Coal Project

2.1 Introduction

The sources of information which were used in the evaluation of the data review include:

- Part of Polo's General Presentation which was submitted on November 2007
- Several geological maps and geological information which were submitted by the Mongolian Government
- Several previous exploration reports on the region of Doshin which were provided by Polo
- Several current exploration reports (in particular, the drilling project carried out in 2006 within Doshin Area) which were provided by Polo.

2.2 Property Description and Location

2.2.1 The Mineral Asset

The coal tenement known as Doshin Coal Project is located in the mid-west part of the Sayshand Province of Mongolia (Figure 2-1). The project area is situated around 3km southeast of the nearest town, Altanshiree City. Altanshiree City is around 78km north of Sayshand City, the capital city of Sayshand Province. The location is around 405km southeast of Ulaanbaatar and around 300km north of China's border. It is around 220km by railway from the Sayshand City to the Eren Hot, the north border city of China.

The Mongolian Government granted an exploration licence covering a total of 16,594 ha.

A detailed exploration drilling programme was conducted within the northern part of the concession area. A total of 31 shallow boreholes (1,880m drilled) were drilled previously by the owner of the concession and a further 5 shallow boreholes (260m drilled) were completed from the current exploration programme undertaken by AIMG. Most of the boreholes are distributed along four grid lines. Three of the grid lines are around 300m to 400m apart, while the last grid line is located around 1.3km away. The distance between borehole locations along each grid line is around 40m, except for the last section where the distance varies between 65m to 360m. The total depth of the boreholes ranges from 25m to 70m with the average around 60m.

Based on the previous documentation, and verified during the site visit, the coal seams in the Doshin Area are shallow dipping (less than 5 degrees) and subcrop near the surface.

The area consists of three main seams of which the lowest seam is significantly thick. The upper two seams appear to be lenticular and therefore not consistent across the deposit. The thickness of the 1st seam ranges from 1 to 1.3m. The 2nd seam ranges in thickness from 1 to 3m and averages around 1.9m. The thickness of the lowest seam ranges from 4 to 12.6m, averaging around 7.0m.

Coal analyses of Doshin coal indicates that the seams vary significantly in quality. The quality of the seams is summarised as:

- Inherent Moisture (ad), ranging from 5.1% to 16.1%, average 11.2%
- Total Moisture (ar), ranging from 20.8% to 40.0%, average 28.8%
- Ash content (ad), ranging from 7.3% to 31.2%, average 16.6%
- Sulfur content (ad), ranging from 0.7% to 3.4%, average 1.6%
- Calorific value (ad) ranging from 3,500 to 5,270 kcal/kg, average 4,570 kcal/kg.

Based on the coal quality values above, the coal is suited to the thermal market.

2.2.2 Exploration Tenement

The Mongolian Government issued an exploration licence for the Doshin Area to Uguunur Bayan Khairkhan LLC, covering a total area of 16,594 ha (licence number 11987X issued on 5 September 2006, with an expiry date of 5 September 2009). Polo has signed a Purchase Agreement (PA) with the current lease owners.

The coal project tenement is delineated by the coordinates in Table 2-1.

Table 2-1: Tenement Coordinates for Doshin Area Coal Project

| | Liconos | Geodetic Coordinates | | | | | |
|--------------------------|----------------|----------------------|---------|--------|---------|----------|--------|
| Area | Licence No. | | Easting | | | Northing | |
| | | Degrees | Minutes | Second | Degrees | Minutes | Second |
| | | 110 | 30 | - | 45 | 25 | - |
| | ation 11987X | 110 | 30 | - | 45 | 33 | - |
| Doshin Area (Exploration | | 110 | 36 | 15 | 45 | 33 | - |
| Licence) | | 110 | 36 | 15 | 45 | 30 | - |
| Liochioc) | | 110 | 40 | - | 45 | 30 | - |
| | | 110 | 40 | - | 45 | 25 | - |

2.3 Accessibility, Climate, Local Resources, Infrastructure and Physiography

The area is located in the middle-west part of the Sayshand Province. The regional terrain is predominantly flat (Figure 2-3) while part of the western and eastern block has isolated, gently rolling hills (Figure 2-4). The altitude ranges from 950m to 1,100m. The coal project area is dominated by hilly grassland (Figure 2-3).

The climate of the project area is typically semi-arid, continental monsoon and is cold and windy with extreme temperature differences. The rainy season is from June to August whilst the dry season is from March to May. The mean annual precipitation is 23.3 millimetres (mm), the maximum is 71mm and the minimum 1mm. The lowest temperatures reach -26 degrees Celsius (°C) in January while the highest temperatures reach 23 °C in July.

From November to March the weather is windy and permafrost occurs from November to March. The maximum frozen soil depth reaches 3m.

The region lies in a low occurrence (level IV) seismic zone. According to records, there have been no large earthquakes in the region of the project area.

Around 3km to the west of the Doshin Area lays the small city called Altanshiree (Figure 2-2). The total population is around 1,000 people and most of the villagers work as farmers. All of the electricity in this area is supplied by small local diesel powered plants with the power line distribution spread out to surrounding areas. Altanshiree City is around 78km north of Sayshand City, the capital city of Sayshand Province.

There is no mobile telephone access in the Altanshire and surrounding areas. Mobile telephone connection starts at around 300km from Ulaanbaatar along the asphalt highway (at the Choyr City).

The local roads are dominated by sandy soil roads. Around 150km from Doshin to Ulaanbaatar access is predominantly a rough soil road while the remainder of the road is asphalt in good condition. Based on information provided by Polo, there are no other plans for the Mongolian Government to upgrade the sandy soil road from Choyr to Doshin to asphalt in 2008.

The nearest Mongolian Railway line is around 75km to the west of the Doshin coal project.

Figure 2-1: Location of the Doshin Coal Project with Landsat Image



Figure 2-2: Altanshiree City, the Nearest Village to the Coal Project Area

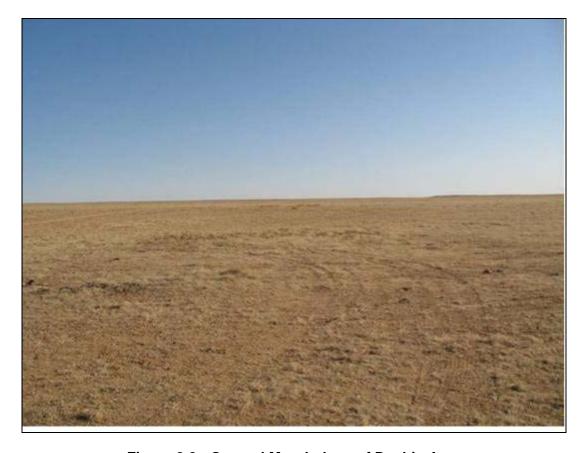


Figure 2-3: General Morphology of Doshin Area

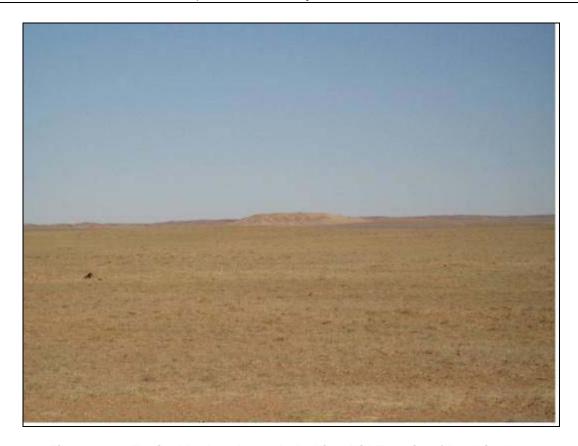


Figure 2-4: Typical Isolated Gently Rolling Hill Terrain of Doshin Area

2.4 Geological Setting

The Doshin project area lies between the East Govi Basin and the Suhbatar Basin. Both basins are part of the Eastern Mongolian Coal Bearing Province. The Eastern Mongolian Coal Bearing Province is bounded by the Paleozoic structural high of Hentii Ranges on the northwest and by the Nuhetdavaa uplift on the southeast. The region is heterogonic and is covered by the Hercynian folded system. The basement of the Upper Mesozoic coal-bearing formation is represented by complex folded Paleozoic and partially Pre-Cambrian rocks.

Coal presence in Eastern Mongolian Coal Bearing Province is mainly associated with Lower Cretaceous sediments. In the territory of East Govi Basin, coal it is related to Lower Middle Jurassic sediment. Usually, the main coal bearing structures are represented by large Mesozoic troughs that were filled by thick volcanogenic-sedimentary sequence.

The area of Doshin is formed by the Ondorshil Fault System. Regionally the area has been uplifted and is composed of Middle and Upper Paleozoic complexes.

The coal in East Govi Basin is classified as brown coal type. Based on the regional geology report by the Mongolian Government, the Doshin Area is contained within the Eastern Govi Coal Basin.

Detailed information of the sediments found in the Doshin Area was not available.

Based on discussions with Polo's geologist, the stratigraphic interpretation, based on regional exploration, consists of:

- Quaternary semi-consolidated sediments (Q)
- KhukhTeeg Unit (code: K₁ht), predominantly mudstone with interbedded shale, sandstone, coal and conglomerate in the basal part of the unit. The thickness of this unit is around 260m

- Tsagaan Tsar Unit (code: K₁cc₁), predominantly igneous rock with interfingering coarse grained sandstone. The total thickness of this unit is around 700m
- Manlai Unit (code: K₁mn), predominantly interbedded mudstone, coarse grain sandstone and conglomerate. The total thickness of this unit is around 400 to 530m
- Sainshand Unit (code: K₁Sh), predominantly interbedded mudstone, fine grain sandstone and conglomerate. The total thickness of this unit is around 650m

2.4.1 Igneous Intrusions

Information pertaining to occurrences of igneous intrusions in the surrounding Doshin Area was not available.

However, part of Tsagaan Tsar Unit is known to consist of igneous material such of granitoid.

2.5 Local Geology

Based on information from Polo's geologist, the coal seams in the project area are contained within the KhukhTeeg Unit (code: K_1 ht) which consists of predominantly mudstone interbedded with shale, sandstone, and conglomerate in the basal part of the unit.

Based on the previous and current exploration results, a total of 3 coal seams were identified, with thickness ranging from 1m to 12.6m. The seams are labeled Seam 1 through to Seam 3. The dip of coal seams is generally less than 5 degrees. The 1st and 2nd seam are typically lenticular and of varying thickness. The 3rd seam is consistent throughout the project area but also varies in thickness.

Borehole data indicates that coal in the Doshin Area has numerous partings. Based on field observations, the coal seam is a dull brown coal type. There is no indication of secondary pyrite in the coal seams observed during the site visit.

The other rocks are predominantly mudstone with interbedded sandstone and conglomerate in the basal part of the unit.

Based on observations of the cross sections of the previous borehole data and also based on the repetition of coal seam layers in borehole No. 10, it is interpreted that at least two faults occur in the Doshin coal deposit. The fault displacement is in the order of 5m to 10m.

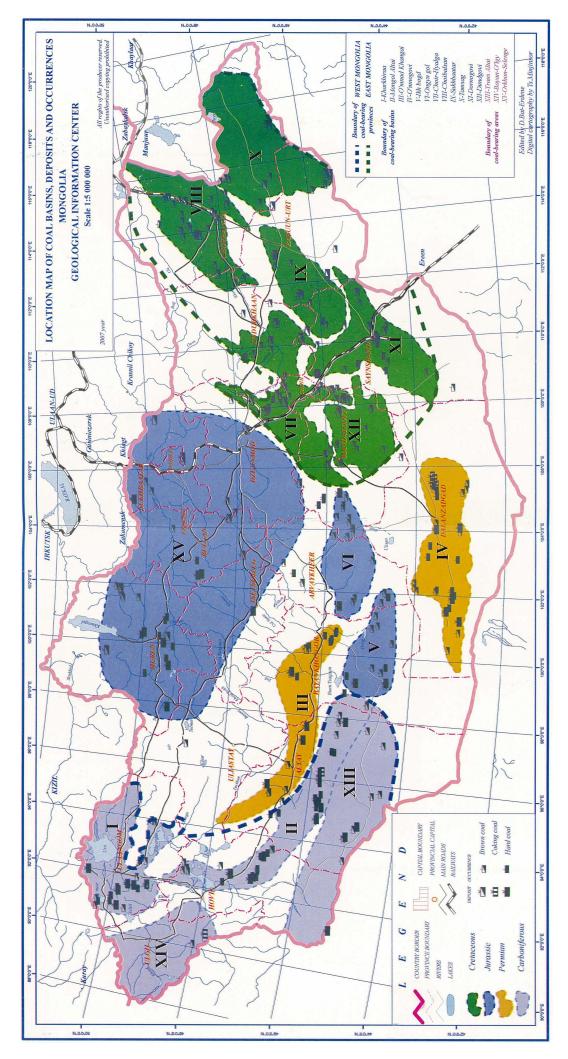


Figure 2-5: Distribution of Coal Basin Regions in Mongolia

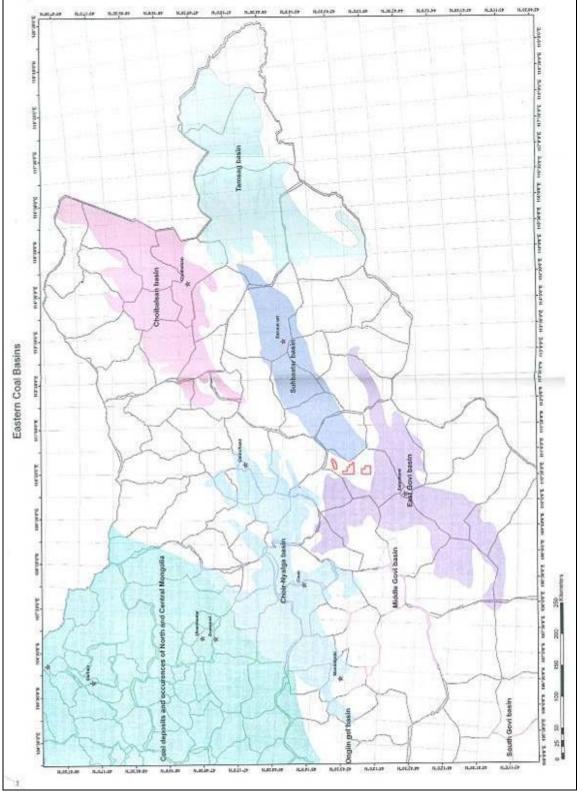


Figure 2-6: Distribution of Coal in the Eastern Coal Basin Province of Mongolia

YS/PH/ck

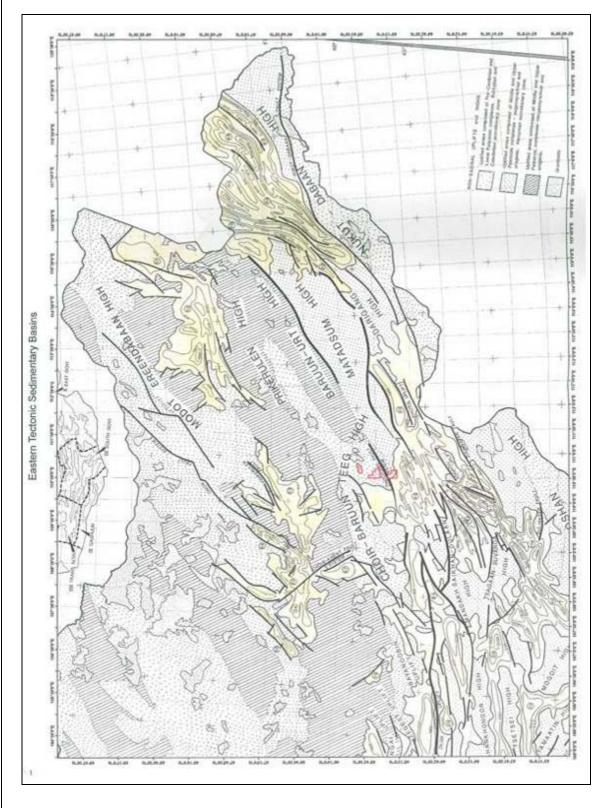
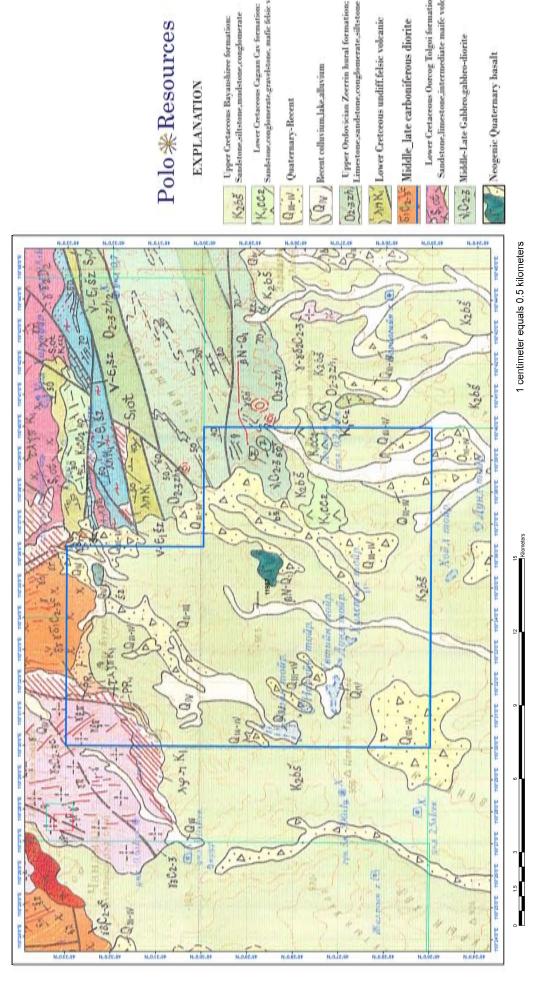


Figure 2-7: The Eastern Tectonic Setting of Sedimentary Basin in Eastern Basin Province of Mongolia

YS/PH/ck







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Figure 2-8: Local Geology Setting of Doshin Area

Borehole locations No. 9, 10 and 11 (northern part of the coal project area indicating possible faults of Doshin Area

Figure 2-9: Doshin Coal Deposit-X Section No. 1 through Borehole Locations Nos. 9, 10 and 11

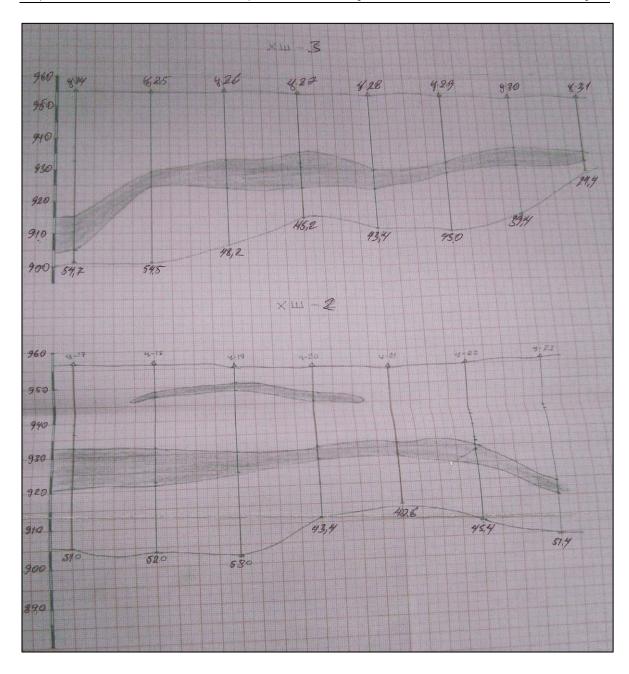


Figure 2-10: Doshin Coal Deposit-X Sections No. 2 and 3 through Borehole Locations in the Northeast and Southwest of X-Section No. 1.

Both sections indicate the faults continue to the north and south middle part of the Doshin Area.

2.6 Coal Geology

The previous drilling data provided by Polo indicates that the Doshin Area consists of three main seams of which the lowest seam is significantly thick. The upper two seams appear to be lenticular and therefore not consistent across the deposit. The thickness of the 1st seam ranges from 1 to 1.3m. The 2nd seam ranges in thickness from 1 to 3m and averages around 1.9m. The thickness of the lowest seam ranges from 4 to 12.6m, averaging around 7.0m.

The interburden material is predominantly mudstone interbedded with siltstone, shale and sandstone. Below the 3rd seam, there is mudstone interbedded with conglomerate ranging around 15 to 30m in thickness.

There are no geophysical log data from the previous or current drilling programmes. Based on coal core analysis from the current drilling programme, the yield of clean coal from the 3rd seam ranges from 45% to 65% (Figure 2-11).

The coal deposit in the Doshin Area is relatively shallow at around 40m depth from the surface. The coal deposit is considered suitable for the opencut mining. With predominantly flat topography and with gently dipping seams (less than 5 degrees) an average stripping ratio of around 5:1 is estimated (Figure 2-12, Figure 2-13 and Figure 2-14).

2.6.1 Coal Quality

Information on exploration sampling methods was not available for review.

The coal quality statistics (Table 2-2) of the Doshin Area indicates that the coal qualities vary significantly. The coal quality is summarised as:

- Inherent Moisture (ad), ranging from 5.1% to 16.1%, average 11.2%
- Total Moisture (ar), ranging from 20.8% to 40.0%, average 28.8%
- Ash content (ad), ranging from 7.3% to 31.2%, average 16.6%
- Sulfur content (ad), ranging from 0.7% to 3.4%, average 1.6%
- Calorific value (ad) ranging from 3,500 to 5,270 kcal/kg, average 4,570 kcal/kg.

There is no information available for Relative Density (RD) analytical results.

The mineable coal seams are typical of the Khukh Teeg Unit (K_1 ht) and the Doshin Formation thermal coals. The Doshin Coal Deposit Area will generally produce a variable ash, high moisture, variable sulphur with medium energy coal which is suitable for the thermal market.

Table 2-2: Seam Assay Data, Doshin Project

| Lab. Analysis | Inherent Moisture | Total Moisture | Ash (% adb) | Total Sulfur | Calorific Value |
|------------------|----------------------|-------------------|---|-----------------|--------------------|
| | (% adb) | (% arb) | (************************************** | (% adb) | (% adb) |
| Saybolt | 8.40 | | 18.90 | 1.06 | 4,740 |
| 29/6/2007 | 9.80 | | 11.50 | 1.17 | 5,228 |
| | 8.60 | | 17.90 | 1.98 | 4,799 |
| | 8.00 | | 13.10 | 1.03 | 5,124 |
| Central | 9.06 | 36.89 | 23.47 | 3.39 | 4,554 |
| Geological | 8.86 | 36.36 | 13.63 | 0.82 | 5,105 |
| Laboratory | 9.36 | 30.87 | 25.83 | 0.90 | 4,359 |
| Central | 5.05 | 39.98 | 31.21 | 2.47 | 3,973 |
| Geological | 9.88 | 37.05 | 18.60 | 2.50 | 4,615 |
| Laboratory | 9.24 | 26.10 | 26.25 | 2.34 | 3,913 |
| (No date) | 8.11 | 31.17 | 22.49 | 2.45 | 4,357 |
| | 13.01 | 28.80 | 17.62 | 2.28 | 4,341 |
| | 11.94 | 29.42 | 14.19 | 1.68 | 4,634 |
| | 8.83 | 33.68 | 11.12 | 1.63 | 5,180 |
| | 11.57 | 20.81 | 17.04 | 2.65 | 4,508 |
| | 15.33 | 25.54 | 18.22 | 1.90 | 4,221 |
| | 14.87 | 23.75 | 17.33 | 1.88 | 4,220 |
| | 14.76 | 22.25 | 13.95 | 2.10 | 4,591 |
| | 13.52 | 32.48 | 16.15 | 3.12 | 4,428 |
| | 10.58 | 25.15 | 20.80 | 1.77 | 4,219 |
| | 13.76 | 25.70 | 12.80 | 1.41 | 4,544 |
| | 7.24 | 22.14 | 7.53 | 1.33 | 5,268 |
| | 11.34 | 24.54 | 12.17 | 1.17 | 4,838 |
| | 16.08 | 25.95 | 7.29 | 0.70 | 4,680 |

| Lab. Analysis | Inherent Moisture (% adb) | Total Moisture (% arb) | Ash (% adb) | Total Sulfur (% adb) | Calorific Value (% adb) |
|------------------|---------------------------------|------------------------------|----------------|----------------------------|-------------------------------|
| | 8.46 | 24.00 | 11.21 | 1.02 | 5,084 |
| Central | 14.78 | 25.45 | 12.84 | 1.11 | 3,507 |
| Geological | 11.19 | 39.03 | 16.58 | 0.93 | 4,394 |
| Laboratory | 14.80 | 29.78 | 20.27 | 1.14 | 3,807 |
| (No date) | 14.62 | 25.43 | 19.12 | 1.10 | 4,235 |
| | 9.16 | 29.30 | 10.70 | 1.13 | 5,174 |
| | 15.57 | 25.61 | 12.84 | 1.22 | 4,810 |
| | 12.42 | 27.92 | 18.51 | 0.98 | 4,667 |
| Minimum | 5.05 | 20.81 | 7.29 | 0.70 | 3,507 |
| Maximum | 16.08 | 39.98 | 31.21 | 3.39 | 5,268 |
| Average | 11.19 | 28.76 | 16.60 | 1.64 | 4,566 |

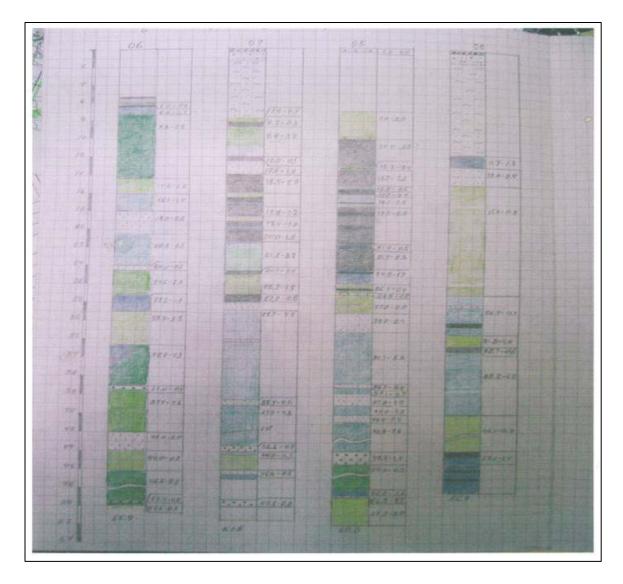


Figure 2-11: Borehole Logs No. 6, 7, 8 and 9 of the Previous Drilling in Doshin Area

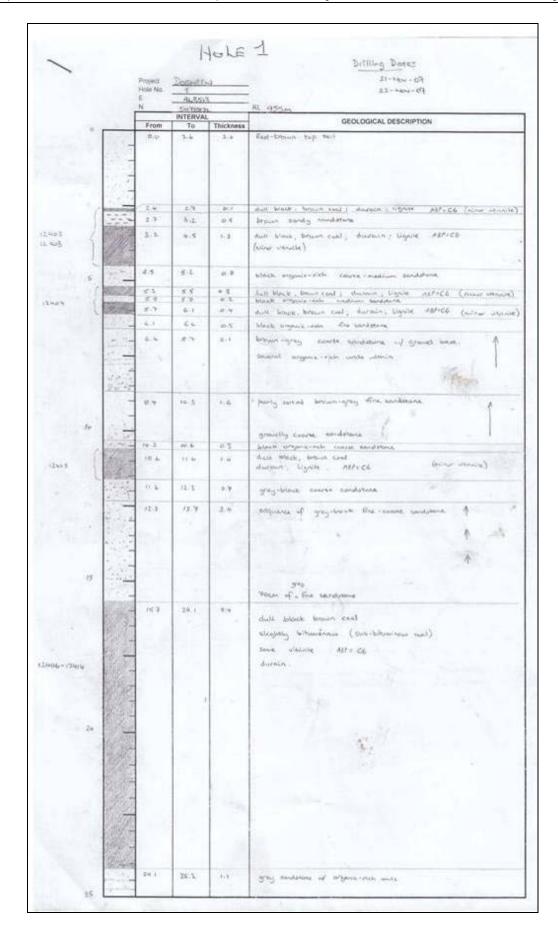


Figure 2-12: Borehole Log No. 1 of the Current Drilling in Doshin Area

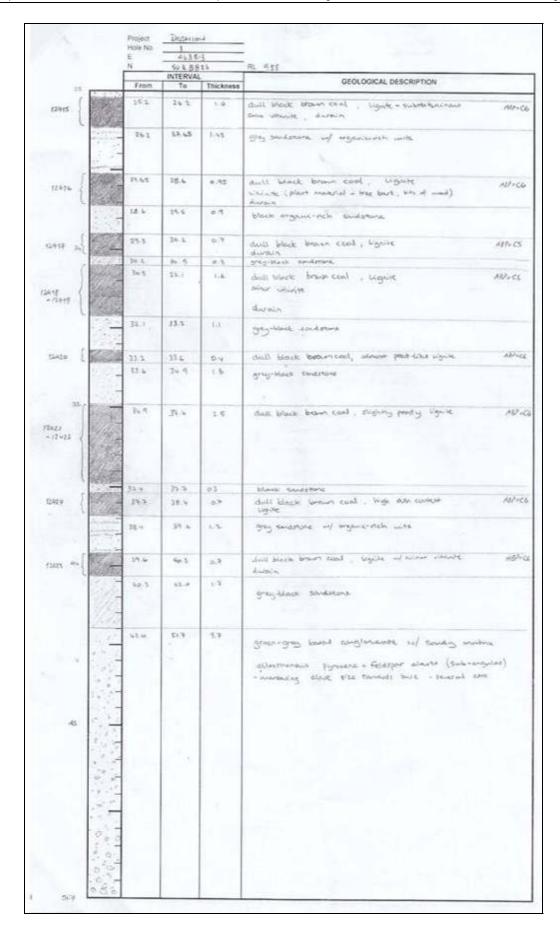


Figure 2-13: Borehole Log No. 1 (continued) of the Current Drilling in Doshin Area

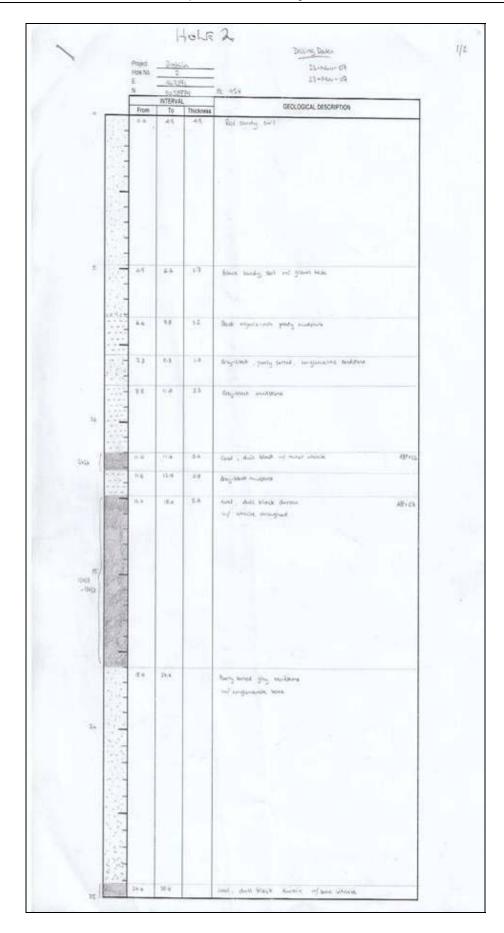


Figure 2-14: Borehole Log No. 2 of the Current Drilling in Doshin Area

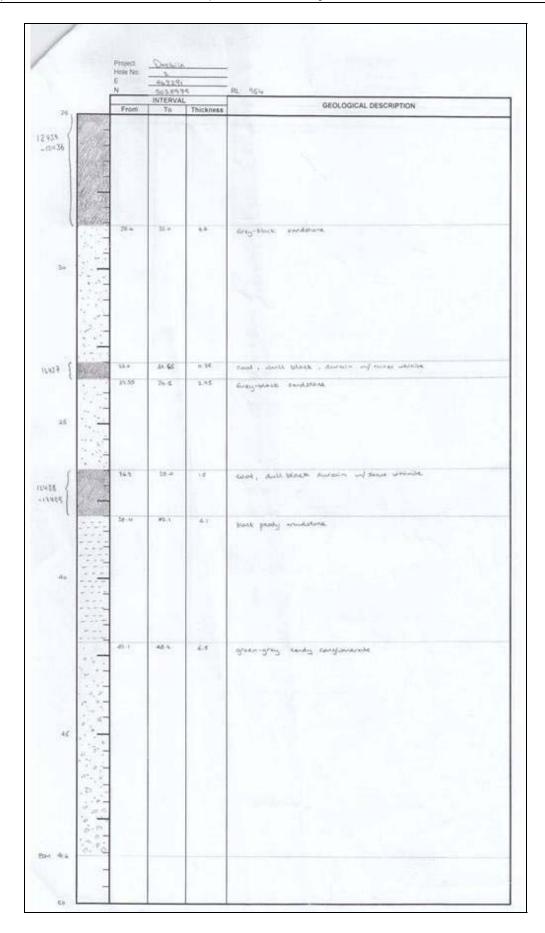


Figure 2-15: Borehole Log No. 2 (continued) of the Current Drilling in Doshin Area

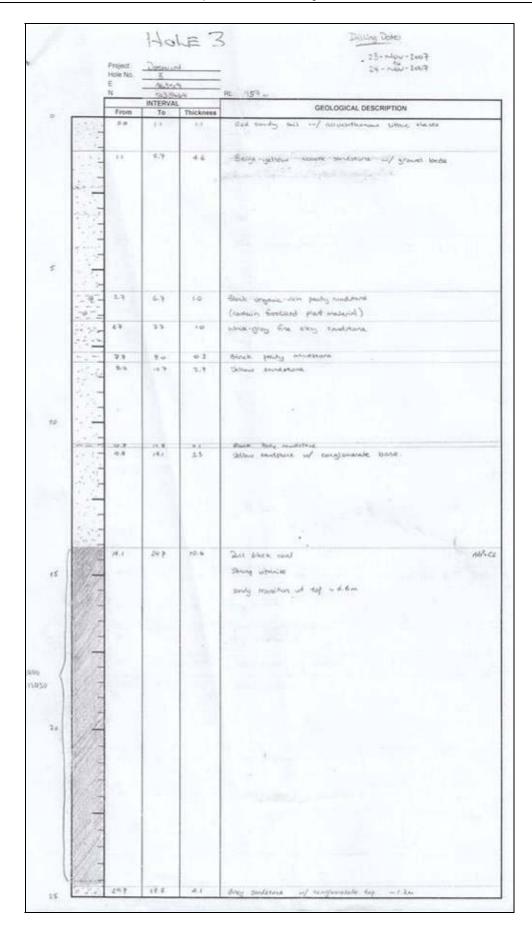


Figure 2-16: Borehole Log No. 3 of the Current Drilling in Doshin Area

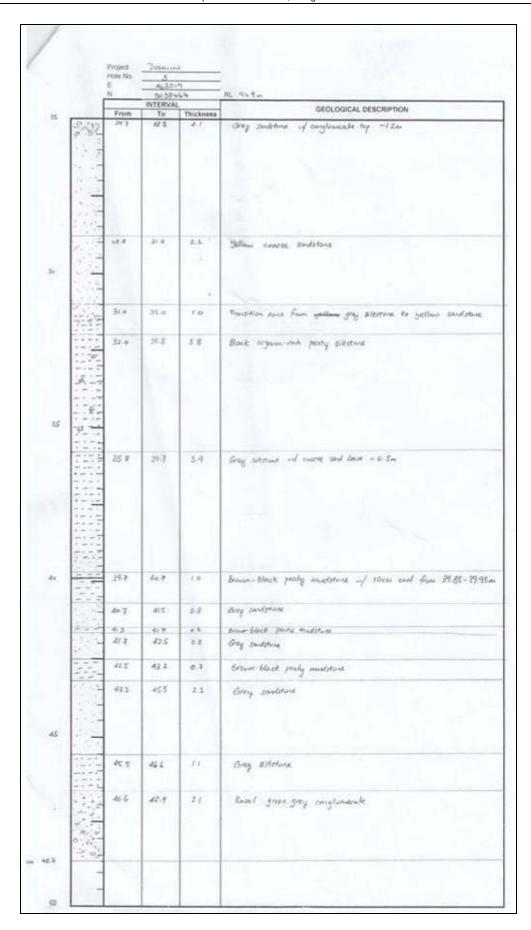


Figure 2-17: Borehole Log No. 3 (continued) of the Current Drilling in Doshin Area

2.7 Exploration

Regional mapping surrounding the project area was conducted around 1950 by Russian geologists. The Mongolia Geologic Survey Bureau conducted further regional geological mapping from 1976 to 1998.

Formal information was not available from the recently completed exploration programme conducted in this area. Information from Polo's geologist indicates that detailed exploration drilling was conducted during 2006 and 2007.

A geological field database was provided for review during the site visit. The available data from the previous exploration programme includes borehole cross-sections and manually interpreted geological maps. The recent exploration programme includes 5 boreholes without geophysical log data.

According to the regional geology reports, the coal deposit covers 80% of the Doshin Area.

No information was available for review on geophysical borehole logs.

Some previous and current boreholes located in the Doshin Area were inspected by SRK during the site visit on 7th to 8th of December 2007 (Figure 2-18, Figure 2-19, Figure 2-20, Figure 2-21 and Figure 2-22).



Figure 2-18: Cored Borehole from the Previous Drilling Programme, Doshin Coal Deposit, December 2007



Figure 2-19: Cored Borehole from the Previous Drilling Programme, Doshin Coal Deposit, December 2007



Figure 2-20: Current Borehole Collar, Doshin Coal Deposit, December, 2007



Figure 2-21: Cored Borehole from the Current Drilling Programme, Doshin Coal Deposit, December, 2007



Figure 2-22: Cored Borehole from the Current Drilling Programme, Doshin Coal Deposit, December, 2007



Figure 2-23: Typical Coal from the Doshin Deposit, December 2007

2.8 Drilling

The previous drilling programme was conducted over the northern part of the Doshin Area. Boreholes were closely spaced for the purpose of achieving a high category of Resources for reporting.

In the previous exploration programme 31 boreholes were drilled. Generally, the boreholes were located along four grid lines with the distance between boreholes varying from 40 to 60m. The distance between lines drilling section also varies between 300m to 1300m but mostly in 400m distance.

Most of the previous boreholes were drilled as shallow, fully cored boreholes with an average total depth of each borehole around 40m. The total metreage drilled was around 1,880m.

The recent drilling programme was conducted to check the results of the previous drilling programme and to take some coal core samples for analysis. Down-hole geophysical logging was not conducted on the boreholes in both drilling programmes. Therefore it is difficult to identify the detail characteristics of the Doshin coal, especially in determining the frequency of the stone bands within the coal seams.

There are a total of five boreholes in the current exploration programme. Generally, the boreholes are located in each corner of the previous drilling programme area. The distance between boreholes vary from 400m to 1km.

Based on field observations, the borehole diameter ranged from 48mm to 64mm.

2.9 Sampling Method and Approach

Information on sampling methods of coal core for the previous drilling programme was not available. It was observed on the site visit that not all of the cored coal samples were sent to the laboratory. Core samples of non-coal material was not put in core boxes nor stored.

In the recent drilling programme, all core samples were stored in core boxes. Based on the information from Polo's well site geologist, the coal cores were logged immediately upon recovery whilst the core remained undisturbed in the core barrel split. The coal cores were wrapped in a plastic sock to seal the moisture of coal.

The coal cores were subsequently placed into sample bags together with the plastic sock to ensure all moisture was recorded on arrival at the laboratory to determine accurate Total Moisture results.

Usually the coal core samples were sent to the Polo office in Ulaanbaatar to be checked by a senior geologist before being sent onto the laboratory. There is no information as to the length of period involved in sending the core samples to the laboratory after the sampling have been completed. There is no information regarding the accreditation of the coal analysis laboratory in which the samples were analysed.

From the site visit, it was noted that drilling supervision and core coal sampling was conducted by newly graduated geologists. When the coal core samples was checked at the offices of Polo, it was noted that they contained stone band, shale or carbonaceous mudstone.

2.10 Data Verification

The data reviewed in this report (listed in Section 2-1) by SRK was supplied by Polo.

SRK conducted the site visit to the Doshin project area in December 2007.

2.11 Coal Beneficiation Testing

There is no information regarding the beneficiation testing of coal seams from the Doshin Area.

2.12 Mineral Resource and Mineral Reserve Estimates

Information on the coal resource or the coal reserve statements of the Doshin Area was not available during the site investigation.

Since the drilling exploration programme was conducted without the use of geophysical logging, SRK is of the opinion the borehole data cannot be considered to be reliable as required by the JORC Code.

In SRK's opinion, the Doshin Area has large quantities of shallow coal amenable to open-pit mining methods and with low to medium energy, high total moisture, high ash and high sulfur content. The coal is considered suitable for the thermal market.

The Doshin Coal Project is considered to be at a preliminary stage of exploration at this point in time. There is insufficient data to determine a mine design or to estimate reserves.

2.13 Exploration Budget and Work Programme

It is recommended that the following drilling exploration budget is required to develop the project to the level of estimation of the Resource and Reserves to an international standard (Table 2-3).

Table 2-3: Drilling Exploration Budget

| COAL BUDGET - 2008 (US\$) | | | | | | | | |
|-------------------------------------|----|---------|----|---------|--|--|--|--|
| CAPEX ITEMS | | | | | | | | |
| Car Purchase | \$ | 7,030 | | | | | | |
| Water Truck | \$ | 6,660 | | | | | | |
| Fuel Trucks | \$ | 4,440 | | | | | | |
| Mobile Toilet / shower Blocks | \$ | 5,920 | \$ | 24,050 | | | | |
| DRILLING COSTS | | | | | | | | |
| Contractor | \$ | 267,233 | | | | | | |
| Water Truck Hire | \$ | 10,989 | | | | | | |
| Diesel Rigs / vehicles | \$ | 1,043 | | | | | | |
| Core Boxes | \$ | 1,406 | | | | | | |
| Backhoe | \$ | 14,264 | | | | | | |
| Crew Messing for Rig 1 | \$ | 7,955 | \$ | 302,889 | | | | |
| GEOLOG' | | | | | | | | |
| Assaying | \$ | 59,835 | | | | | | |
| Sample Equipment | \$ | 4,255 | | | | | | |
| Satellite Dish | \$ | 2,564 | | | | | | |
| Geophysics / Magnetics and downhole | \$ | 26,640 | | | | | | |
| Tenement Rentals | \$ | 7,814 | | | | | | |
| Govt Costs for Environ / Reporting | \$ | 3,836 | \$ | 104,945 | | | | |
| LABOUR | | | | | | | | |
| Management | \$ | 9,620 | | | | | | |
| Geologists | \$ | 95,016 | | | | | | |
| Logistics | \$ | 55,026 | | | | | | |
| Consultants | \$ | 12,580 | \$ | 172,242 | | | | |
| OPERATIO | | | | | | | | |
| Shed Rental | \$ | 8,525 | | | | | | |
| Office Rental | \$ | 13,213 | | | | | | |
| UB staff accommodation | \$ | 11,935 | | | | | | |
| Accounts - auditors | \$ | 8,525 | | | | | | |
| Insurance | \$ | 4,689 | | | | | | |
| Legal fees | \$ | 10,656 | | | | | | |
| Travel | \$ | 12,494 | | | | | | |
| Accommodation | \$ | 1,850 | \$ | 71,887 | | | | |
| SUBTOTAL | \$ | 676,013 | | 676,013 | | | | |
| Office Overhead 15% | | | \$ | 101,402 | | | | |
| TOTAL | | | \$ | 777,415 | | | | |

The 2008 budget totalling \$777,415 as per Table 2-3 represents the following key performance indicators:

Drilling:

- Diamond (core sample purposed): Total metreage for the 20 boreholes drilled will be around 1,330m, the total depth of each drillhole is around 60m.
- RC (validate model purposed): Total metreage for the 25 boreholes drilled will be around 1,500m, the total depth of each drillhole is around 60m.

Coal quality assay:

- Raw quality analysis (Proximate, total moisture, total sulphur, calorific value and relative density): 1,300 plies
- Full Analysis: 4 composite

The proposed work programme is designed to confirm earlier findings and to take the project to an inferred resources category.

2.14 Other Relevant Data and Information

Based on the flat topography and shallow coal seams, the Doshin Area is considered to be suitable for simple open pit mine methods.

Information on the condition of the water table in the Doshin Area was not available.

Based on data from the cross-sections, a broad analysis of the strip ratio indicated that an approximate incremental stripping ratio for each borehole is around 7:1 while the average is around 5:1.

2.15 Interpretation and Conclusions

Part of the Doshin Coal Project has undergone preliminary exploration which has defined a resource of coal which is suitable for the thermal coal market and will be amenable to open cut mining methods.

This conclusion is encouraging to investors to commit to further development of the project. The next stage will aim to prove Measured and Indicated Resources to an international standard such as the JORC Code, in preparation for a full feasibility study.

2.16 Recommendations

It is recommended that the current information for Doshin Coal Project is of sufficient merit to undertake a detail drilling programme in order to prove the coal resources in terms of tonnage, strip ratio and coal quality to international standards. This drilling campaign is expected to fulfill the requirements for a preliminary feasibility study and to provide a JORC Code compliant Indicated Resource.

The exploration programme should involve an aeromagnetic survey to confirm the current fault interpretation within the coal deposit area.

The programme would be designed to collect preliminary data on the water table condition as well as geotechnical analysis of interburden material to define slope stability conditions for the open-pit mine.

2.17 References

Dean O'Keef and Tuguldur Tsogtsaikhan, *Geology, Resources Estimation Update for The Shaikan Ovoo Coal Deposit, Mongolia*. Micromine Consulting, Bulgan Alt Mining and Exploration Co January, 2007.

No name, Coal Distribution of Mongolia (Province, Basins and Region), Copy Paper of Polo Internal Report. 2007

Polo, Presentation of Paper Work, Polo Internal Report. November 2007

No name, Geologycal Map of Shaikan Ovuu and the Surrounding Area

3 Ereen Coal Project

3.1 Introduction

The sources of information used in the evaluation of data reviewed include:

- 1. Part of Polo's General Presentation which was submitted on November 2007
- 2. Several geological maps and geological information which were submitted by the Mongolian Government
- 3. Several previous exploration reports on the region of Ereen which were provided by Polo.

3.2 Property Description and Location

3.2.1 The Mineral Asset

The coal tenement, known as Ereen Coal Project, is located in the west part of the Bulgan Province of Mongolia (Figure 3-1). The project area is situated around 23km northwest of the nearest town, Shaikan City (Figure 3-2). Shaikan City is approximately 95km west of Bulgan City, the capital city of Bulgan Province. The location is around 420km west of Ulaanbaatar.

The Mongolian Government granted a mining licence (exploitation concession) covering a total of 35 ha. There is a small open cut mining operation within the Ereen Area which was operated by a local miner (mining ceased upon transfer of the licence). There is neither any information on the historical production nor any technical data of this operation.

No detailed information regarding any previous or current exploration activity in this area was available. According to information received from the local miner, the current owner started mining this area based on exploration drilling data acquired by the Russian Government.

According to field observations, the area consists of several thick seams (up to four seams) which are interbedded with thin layers of siltstone or shale. Total thickness of mineable coal could be more than 10m.

The coal appears to be predominantly bright with minor dull bands, indicating a potential high energy coal which contains an abundance of vitrinite. The local miner at Ereen is currently selling a raw coal product to the thermal market for around US\$12 per tonne.

3.2.2 Exploration Tenement

The Mongolian Government issued a mining licence for the Ereen tenement to Ilchitmetall Coal Mining Company, covering a total area of 35 ha (licence number 8766A, issued on 23 August 2003). Polo have signed a PA with the current lease owners.

The coal project tenement is delineated by the coordinates in Table 3-1.

Table 3-1: Tenement Coordinates for Ereen

| | | Geodetic Coordinates | | | | | | | |
|---------------------|----------------|----------------------|---------|--------|----------|---------|--------|--|--|
| Area | Licence No. | Easting | | | Northing | | | | |
| | 110. | Degrees | Minutes | Second | Degrees | Minutes | Second | | |
| | | 102 | 34 | 00 | 48 | 48 | 50 | | |
| Ereen | 8766A | 102 | 34 | 00 | 48 | 49 | 05 | | |
| (Mining Licence) | 0700A | 102 | 34 | 40 | 48 | 49 | 05 | | |
| | | 102 | 34 | 40 | 48 | 48 | 50 | | |

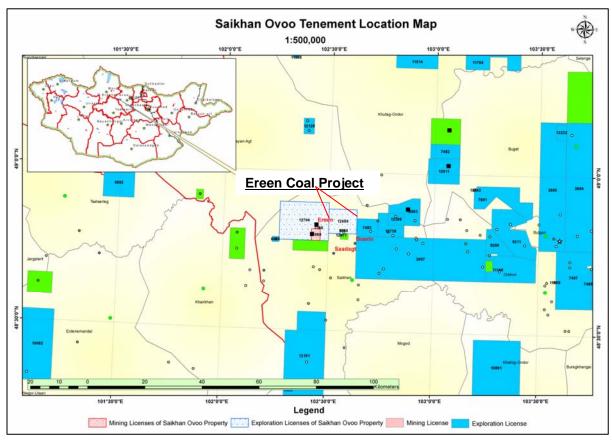


Figure 3-1: Location of Ereen



Figure 3-2: Shaikan City, the Nearest Village to the Coal Project Area

3.3 Accessibility, Climate, Local Resources, Infrastructure and Physiography

The area is located in the western area of the Bulgan Province. The regional terrain is dominated by moderately gentle hills (Figure 3-3). In some areas a solitary hill generally represents a faulted zone. The altitude ranges from 1,530m to 1,825m. The coal project area is dominated by hilly grassland (Figure 3-3).

The climate of the project area is typically semi-arid, continental monsoon and is cold and windy with extreme temperature differences. The rainy season is from June to August whilst the dry season is from March to May. The mean annual precipitation is 23.3mm, the maximum is 71mm and minimum 1mm. The lowest temperatures reach -26°C in January while the highest temperatures reach 23°C in July.

From November to March the weather is windy and freezing occurs from November to March. The maximum frozen soil depth reaches 3m.

The region lies in a low occurrence (IV) seismic zone. According to seismicity records, there have been no large earthquakes in or in the region of the project area.

The surrounding area of Ereen consists of farm land. Since the Ereen open cut mine started, many people from other villages have migrated to Shaikan City. Most of the villagers work as farmers and a few of them work in the mining industry. The electricity in the Ereen Area is supplied by a small capacity local diesel power plant with the wire distribution spreading out to surrounding areas.

There is no mobile phone access in the Shaikan and surrounding area. Mobile telephone connectivity started 50km from the Bulgan City along the asphalt highway.

The local roads are dominated by sandy soil roads. Halfway from Shaikan to Bulgan City (around 55km) the access is predominantly by a rough soil road while the remainder of the road is asphalt in good condition. Based on information provided by Polo, there are plans to upgrade the sandy soil road from Bulgan to Shaikhan to asphalt in 2008. The nearest Mongolian Railway line is 52km from the coal project area.



Figure 3-3: General Morphology of Ereen North Area

3.4 Geological Setting

The geology of the Ereen Project area consists of Lower Permian sediments, Middle Triassic sedimentary and volcanic rocks, Middle Jurassic conglomerates, coal and sandstone, as well as Upper Jurassic, Neocene, and Quaternary sediments.

The Ereen and surrounding area is located in the middle part of Central Mongolian Coal Bearing Region (refer to Figure 2-5 and Figure 3-1). This region is part of the Mongolian – Transbaikalian folded region. The coal bearing sedimentary rock of Jurassic – Cretaceous was formed in small graben and synclinal structures.

Within the Ereen region, there are up to 17 coal seams with a total thickness reaching 63m. Commonly, the number of coal ranges from 6 to 11 seams.

According to the stratigraphic interpretation base on the previous exploration drilling, most of the Ereen Area was formed by:

- Middle Jurassic Conglomerate bed of lower sub-unit of Shaikan Ovuu Formation (J₂^ksh)
- Middle Jurassic interbedded sandstone, siltstone and coal sub-unit of the upper part of the Shaikan Ovuu Formation (J₂^hsh)
- Middle-Upper Jurassic feldsic extrusive sub-unit of the upper part of the Tsahiur Uul Formation (J₂-³ch)
- Neocene red colored, gravelly clay (ρN)
- Neocene olivine basalt (\(\beta \) N
- Quaternary semi-consolidated sediments (Q)

On the site visit, it was observed that most of the project area consisted of the upper sub-unit Shaikan Ovuu Formation $(J_2^h sh)$ and Quaternary sediments.

3.4.1 Extrusive Volcanics

The site investigation of the Ereen Area did not find any indication of igneous intrusions in the area.

3.5 Local Geology

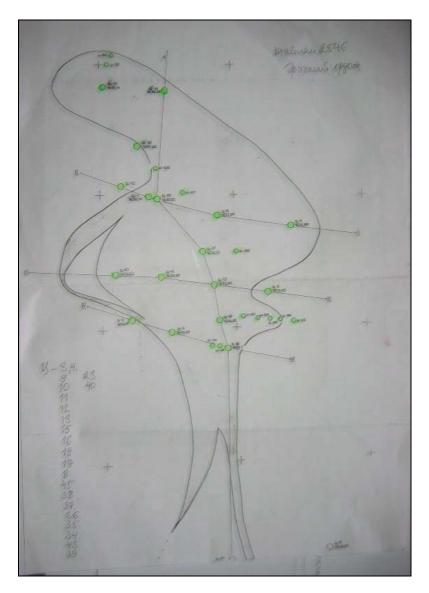
The coal seams in the project area are within the upper sub-unit of Shaikan Ovuu Formation $(J_2^h sh)$ which consists predominantly of interbedded polymictic sandstone and bluish grey siltstone, various coal seams and minor conglomerate and gravel beds.

Visually, the coal ranges from lustrous to semi lustrous coal type and from "long flame" to "anthracite" hard coal type. The "anthracite" indicates that the quality of coal may be due to heating by the volcanic cover.

Previous exploration in the Ereen Area indicates that the extent of the coal deposit is influenced by horizontal lithofacies changes. Most of the seams split with thin to thick interbedded stone partings.

The Ereen deposit is comprised of a broad northeast plunging syncline with the axis of the syncline located in the central part of the area (Figure 3-4).

Field observations indicate the occurrence of some faulting within the Ereen Area. Although it is thought the structures may be reverse faults, there is insufficient data to confirm this interpretation.



Source: Manual Interpretation Model

Figure 3-4: Outline of Ereen Coal Deposit and Surrounding Areas (black) – Borehole Locations (green)

3.6 Coal Geology

According to a map of the previous exploration, there are total of 29 boreholes located in the Ereen and surrounding areas. However, no borehole data was available for review.

It was observed on the site visit that the area contains at least 3 main coal seams having a total thickness in the order of 10m. The coal seam exposed in the Ereen coal open-pit mine was observed to be interlaminated with thin to thick siltstone, mudstone and shale. The thickness of the seam ranged from 0.03m to 1.2m.

As shown in Figure 3-4 the direction of the coal seam dip is to east and west. Most of the coal seams dip around 26 to 30 degrees and subcrop very close to the surface.



Figure 3-5: Open-pit Coal Mining at Ereen

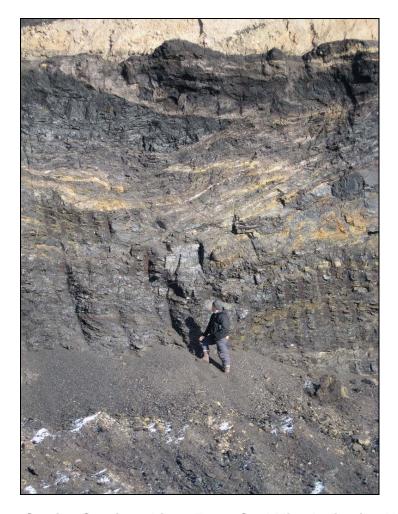


Figure 3-6: Section Stratigraphic at Ereen Coal Mine Indicating Numerous Cyclotherms

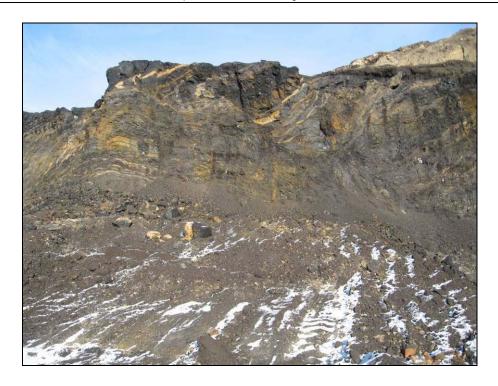


Figure 3-7: Indication of Reverse Fault in Ereen Open-pit Mine



Figure 3-8: Coal Seam Specimen in Ereen Area

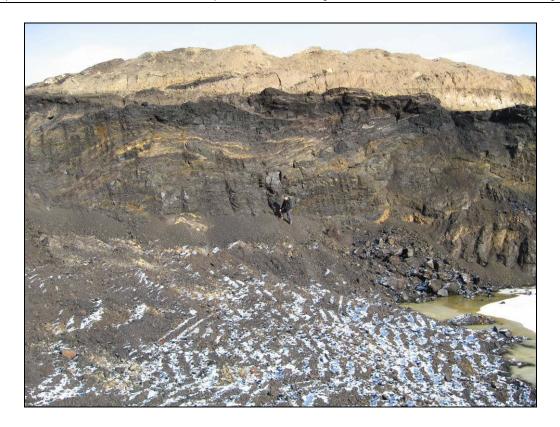


Figure 3-9: Dragfold Indicative of Nearby Reverse Fault in Ereen Area

3.6.1 Coal Quality

The coal seams in the Ereen Area are typical of the thermal coals of the J_2^h sh sub-unit. Information obtained from the local miner indicates that most of the coal is a high ash, low to medium sulfur, medium to high energy coal suitable for the thermal markets. However, there are no coal quality analysis records to determine whether the coal would be suitable for the export market.

Based on the coal quality statistical model of the nearby Shaikan Ovuu deposit, the coal at Ereen may vary in quality such that it may be possible to blend an export product.

3.7 Exploration

Regional mapping surrounding the project area was conducted in 1977, 1987 to 1988, 1990 and 1998 by geologists of Mongolia Geologic Survey Bureau.

The only data that was available for SRK to review from the previous exploration programme was a borehole layout map and a regional geological map. The borehole distribution map shows that 29 boreholes were drilled between 1987 and 1988 within the Ereen Project area.

The location of the boreholes indicates that the coal bearing sequences are located in the southwest part of Ereen covering about 15% of the area.

3.8 Drilling

There was no information available for review on the drilling methods applied at Ereen Coal Project area.

3.9 Sampling Method and Approach

There was no information available for review on the sampling methods of coal core taken from the drilling programme.

3.10 Data Verification

The data reviewed for this report (listed in Section 3-1) by SRK was supplied from Polo.

To confirm the data SRK conducted a site visit to the Ereen Area in December 2007. The local Ereen open-pit coal mine provided valuable information which helped verify the information reviewed in the previous reports.

3.11 Coal Beneficiation Testing

There was no information on coal beneficiation testing available for the Ereen Area. There is no indication that coal beneficiation of the coal was tested at the local laboratory.

3.12 Mineral Resource and Mineral Reserve Estimates

SRK has visited and reviewed the project area as discussed in other sections of this report. In SRK's opinion, there is a reasonable understanding of the coal geology of the Ereen Project area to indicate that the exploration target is sufficiently prospective to warrant further investigations and expenditure.

There is no estimation of Coal Resources or Reserves available for the Ereen Project.

3.13 Exploration Budget and Work Programme

Table 3-2: Drilling Exploration Budget

| COAL BUDGET - 2008 (US\$) | | | | | | | | |
|------------------------------------|----|--------|----|--------|--|--|--|--|
| DRILLING COSTS - RIG 1 | | | | | | | | |
| Contractor | \$ | 50,000 | | | | | | |
| Water Truck Hire | \$ | 1,500 | | | | | | |
| Diesel Rigs / vehicles | \$ | 400 | | | | | | |
| Core Boxes | \$ | 800 | | | | | | |
| Backhoe | \$ | 2,000 | | | | | | |
| Crew Messing for Rig 1 | \$ | 1,000 | \$ | 55,700 | | | | |
| GEOLOGY | | | | | | | | |
| Assaying | \$ | 5,000 | | | | | | |
| Sample Equipment | \$ | 500 | | | | | | |
| Tenement Rentals | \$ | 220 | | | | | | |
| Govt Costs for Environ / Reporting | \$ | 108 | \$ | 5,828 | | | | |
| LABOUR | | | | | | | | |
| Management | \$ | 1,000 | | | | | | |
| Geologists | \$ | 15,000 | | | | | | |
| Logistics | \$ | 5,000 | | | | | | |
| Consultants | \$ | 1,500 | \$ | 22,500 | | | | |
| OPERATION | S | | | | | | | |
| Shed Rental | \$ | 240 | | | | | | |
| Office Rental | \$ | 372 | | | | | | |
| UB staff accommodation | \$ | 336 | | | | | | |
| Accounts - auditors | \$ | 240 | | | | | | |
| Insurance | \$ | 132 | | | | | | |

| COAL BUDGET – 2008 (US\$) | | | | | | |
|---------------------------|----|--------|----|---------|--|--|
| OPERATIONS | | | | | | |
| Legal fees | \$ | 300 | | | | |
| Travel | \$ | 5,000 | | | | |
| Accommodation | \$ | 250 | \$ | 6,870 | | |
| SUBTOTAL | \$ | 90,898 | \$ | 90,898 | | |
| Office Overhead 15% | | | \$ | 13,635 | | |
| TOTAL | | | \$ | 104,533 | | |

The 2008 budget as in Table 3-2 totalling \$104,533, represents the following key performance indicators:

Drilling:

- Diamond (core sample purposed): The total metreage of the 3 boreholes drilled will be around 300m, the total depth of each borehole is around 100m.
- RC (validate model purposed): The total metreage of the 3 boreholes drill will be around 300m, the total depth of each borehole is around 100m.

Coal quality assay:

- Raw quality analysis (Proximate, total moisture, total sulphur, calorific value and relative density): 14 plies
- Full Analysis: 2 composite

The proposed work programme is designed to confirm earlier findings of the coal deposit potential and also to provide the detail regional stratigraphic of the coal bearing regional deposit in the surrounding area of Ereen.

3.14 Other Relevant Data and Information

Based on geological data from nearby coal deposits such as Shaikan Ovuu, the Ereen Area is expected to have the potential for economic coal extraction using open cut mining methods. This regional information also supports the expectation that the Ereen coal is suitable for the thermal markets.

3.15 Interpretation and Conclusions

Preliminary exploration from past drilling programmes indicate that Ereen Coal Project has the potential to be developed into an economic open cut coal mine servicing the Mongolian domestic thermal market and the Russian export market.

3.16 Recommendations

SRK recommends a detailed drilling programme be designed to prove the coal resources at Ereen in terms of tonnage, strip ratio and coal quality. This programme should be conducted in order to estimate the resources to an international standard (such as JORC) and to determine the extent of the deposit. This initial drilling campaign is expected to fulfill the requirements for a pre-feasibility study.

The further exploration programme should also involve an aeromagnetic survey to help confirm the structural interpretation of the Ereen Coal Deposit.

3.17 References

Dean O'Keefe and Tuguldur Tsogtsaikhan, *Geology, Resources Estimation Update for The Shaikan Ovoo Coal Deposit, Mongolia*. Micromine Consulting, Bulgan Alt Mining and Exploration Co January, 2007.

No name, Coal Distribution of Mongolia (Province, Basins and Region), Copy Paper of Polo Internal Report. 2007

Polo, Presentation of Paper Work, Polo Internal Report. November 2007

No name, Geologycal Map of Shaikan Ovuu and the Surrounding Area

4 Altanshiree Coal Project

4.1 Introduction

The sources of information which were used in the evaluation of the data review include:

- Part of Polo's General Presentation which was submitted on November 2007
- Several geological maps and geological information which were submitted by the Mongolian Government

4.2 Property Description and Location

4.2.1 The Mineral Asset

The coal tenement known as Altanshiree Coal Project is located in the mid-west part of the Sayshand Province of Mongolia. The project area is situated around 10km northeast of the nearest town Altanshiree City. Altanshiree City is around 78km north of Sayshand City, the capital city of Sayshand Province. The location is around 405km southeast of Ulaanbaatar and around 300km north of China's border. Transport by railway is around 220km from the Sayshand City to Eren Hot, the north border city of China.

The Mongolian Government granted an exploration licence covering a total of 19,884 ha.

There is no drilling exploration in the Altanshiree and surrounding area.

Based on the field observations and the regional geology reports from the Mongolian Government, it has been deduced that the coal bearing formation of Altanshiree Area could be the same as the coal bearing formation of the Doshin Area. Therefore, it is expected to find flat dipping coal seams at shallow depths below the surface. The thickness of the seams could range from several centimetres up to around 10m.

Based on the coal analysis results from Doshin Area, coal qualities of Altanshiree is expected to be a low to medium energy coal with high ash and high sulfur content.

4.2.2 Exploration Tenement

The Mongolian Government issued an exploration licence for the Altanshiree Area to Ti End Pi LLC, covering a total area of 19,884 ha (licence number 11162X issued on the 19 January 2006, with an expiry date of 19 January 2009. Polo have signed a PA with the current lease owners.

The coal project tenement is delineated by the coordinates in Table 4-1.

Geodetic Coordinates Licence Area **Easting Northing** No. **Degrees Minutes** Second Degrees Minutes Second Altanshiree Area 11162X (Exploration Licence)

Table 4-1: Tenement Coordinates for Altanshiree Area Coal Project

4.3 Accessibility, Climate, Local Resources, Infrastructure and Physiography

The area is located in the mid-west part of the Sayshand Province. The regional terrain is predominantly flat (Figure 4-3) while part of the eastern block has isolated gently rolling hills. The altitude ranges from 950m to 1,100m. The coal project area is dominated by hilly grassland (Figure 4-2).

The climate of the project area is typically semi-arid, continental monsoon and is cold and windy with extreme temperature differences. The rainy season is from June to August whilst the dry season is from March to May. The mean annual precipitation is 23.3mm, the maximum is 71mm and the minimum 1mm. The lowest temperatures reach -26°C in January while the highest temperatures reach 23°C in July.

From November to March the weather is windy and permafrost occurs from November to March. The maximum frozen soil depth reaches 3m.

The region lies in a low occurrence (level IV) seismic zone. According to records, there have been no large earthquakes in the region of the project area.

Around 10km to the south of Altanshiree Area lays the small city called Altanshiree (Figure 4-1), with a total population of around 1,000 people, mostly villagers working as farmers. All electricity in this area is supplied by small local diesel power plants with the power line distribution spread out to surrounding areas. Altanshiree City is around 78km north of Sayshand City, the capital city of Sayshand Province.

There is no mobile phone access in the Altanshiree and surrounding area. Mobile phone connectivity starts at around 300km from Ulaanbaatar along the asphalt highway (at the Choyr City).

The local roads are dominated by sandy soil roads. Around 150km from Altanshiree to Ulaanbaatar access is predominantly by a rough soil road while the remainder of the road is asphalt and in good condition. Based on information provided by Polo, there are no plans for the Mongolian Government to upgrade the sandy soil road from Choyr to Altanshiree to asphalt in 2008.

The nearest Mongolian Railway line is around 75km from the coal project area in a straight line to the west.



Figure 4-1: Altanshiree City, the Nearest Village to the Coal Project Area



Figure 4-2: General Morphology of Altanshiree Area



Figure 4-3: Isolated Gently Rolling Hill Terrain of Altanshiree Area

4.4 Geological Setting

The Altanshiree Project Area lies between the East Govi Basin and the Suhbatar Basin. Both basins are part of the Eastern Mongolian Coal Bearing Province. The Eastern Mongolian Coal Bearing Province is bounded by the Paleozoic structural high of Hentii Ranges on the northwest and by the Nuhetdavaa uplift on the southeast. The region is heterogonic and is covered by the Hercynian folded system. The basement of the Upper Mesozoic coal-bearing formation is represented by complex folded Paleozoic and partially Pre-Cambrian rocks.

Coal presence in Eastern Mongolian Coal Bearing Province is mainly associated with Lower Cretaceous sediments. In the territory of East Govi Basin, coal is related to Lower Middle Jurassic sediment. Usually, the main coal bearing structures are represented by large Mesozoic troughs that were filled by thick volcanogenic-sedimentary sequence.

The area of Altanshiree is formed by the Ondorshil Fault System. Regionally the area has been uplifted and is composed of Middle and Upper Paleozoic complexes.

The coal in East Govi Basin is classified as brown coal type. Based on the regional geology report by the Mongolian Government, the Doshin Area is contained within the Eastern Govi Coal Basin

Detail information of the sediments found in the Doshin Area was not available.

Based on discussions with Polo's geologist, the stratigraphic interpretation, based on regional exploration, consists of:

Quaternary semi-consolidated sediments (Q)

- KhukhTeeg Unit (code: K₁ht), predominantly mudstone which is interbedded with shale, sandstone, coal and conglomerate in the bottom part of the unit. The thickness of this unit is around 260m
- Tsagaan Tsar Unit (code: K₁cc₁), predominantly sediment of igneous rock which is interfingering with coarse grains of sandstone. In the middle part to the bottom part of unit, the rock is more complex, interbedded between coarse grains of sandstone and the conglomerate. The total thickness of this unit is around 700m
- Manlai Unit (code: K₁mn), predominantly interbedded sediment between mudstone, coarse grained sandstone and also conglomerate. The total thickness of this unit is around 400 to 530m
- Sainshand Unit (code: K₁Sh), predominantly interbedded sediment between mudstone, fine grain sandstone and also conglomerate. The total thickness of this unit is around 650m

4.4.1 Igneous Intrusions

Information pertaining to occurrences of igneous intrusions in the surrounding Altanshiree Area was not available. However, part of Tsagaan Tsar Unit is known to consist of igneous material such of granitoid.

4.5 Local Geology

Based on information from Polo's geologist, the coal seams in the project area are contained within the KhukhTeeg Unit (code: K₁ht) which consists of predominantly mudstone interbedded with shale, sandstone, and conglomerate in the basal part of the unit.

Due to insufficient data, evidence of faults could not be interpreted in the Altanshiree Area. However based on the regional geological tectonic setting, the area is lying in the northern part of Ondorshil Fault System. This suggests that it would be expected to find some faulting in the project area.

There is insufficient data to find any evidence of igneous intrusions within the Altanshiree Coal Deposit.

4.6 Coal Geology

Information on the detailed coal geology of Altanshiree and the surrounding area was not available. However, based on the regional geology reports, it is expected that the coal seams in the nearby Doshin Area would be found in Altanshiree.

Based on the coal formation in Doshin Area, the coal deposit in Altanshiree Area is expected to be shallow with less than 100m of overburden cover and with flat dipping seams. The coal deposit could be suitable for the opencut mine.

4.6.1 Coal Quality

There are no details available for the coal quality of Altanshiree Area.

However it is expected that the Altanshiree Coal Deposit could be estimated to produce a high ash, high total moisture content, high sulfur, and low to medium energy coal which is suitable for the thermal market.

4.7 Exploration

Regional mapping surrounding the project area was conducted around 1950 by Russian geologists. The Mongolia Geologic Survey Bureau conducted further regional geological mapping from 1976 to 1998.

A copy of the regional geological database was provided for review during the site investigation.

The regional geology information indicates that the coal bearing formation extends over 80% of the Altanshiree Area.

4.8 Drilling

The Altanshiree Area has not been explored using drilling methods in the past.

4.9 Sampling Method and Approach

There are no samples of coal core taken from the Altanshiree Project Area.

4.10 Data Verification

The data reviewed in this report (listed in Section 4-1) by SRK was supplied by Polo.

SRK conducted a site visit to the Altanshiree Project Area in December 2007.

4.11 Coal Beneficiation Testing

There are no samples of coal core taken from the Altanshiree Project Area.

4.12 Mineral Resource and Mineral Reserve Estimates

Due to the absence of exploration drilling, there is no coal resource or reserve statement for the Altanshiree Area.

4.13 Exploration Budget and Work Programme

Table 4-2: Exploration Drilling Budget

| COAL BUDGET – 2008 (US\$) | | | | | | | | |
|-------------------------------|----|---------|----|---------|--|--|--|--|
| CAPEX ITEMS | | | | | | | | |
| Car Purchase | \$ | 10,260 | | | | | | |
| Water Truck | \$ | 9,720 | | | | | | |
| Fuel Trucks | \$ | 6,480 | | | | | | |
| Mobile Toilet / shower Blocks | \$ | 8,640 | \$ | 35,100 | | | | |
| DRILLING COSTS - RIG 1 | | | | | | | | |
| Contractor | \$ | 498,015 | | | | | | |
| Water Truck Hire | \$ | 19,278 | | | | | | |
| Diesel Rigs / vehicles | \$ | 2,387 | | | | | | |
| Core Boxes | \$ | 3,780 | | | | | | |
| Backhoe | \$ | 25,137 | | | | | | |
| Crew Messing for Rig 1 | \$ | 13,770 | \$ | 562,367 | | | | |

| COAL BUDGET – 2008 (US\$) | | | | | | | | |
|-------------------------------------|-------|---------|----|-----------|--|--|--|--|
| GEOLOGY | | | | | | | | |
| Assaying | \$ | 98,127 | | | | | | |
| Sample Equipment | \$ | 7,290 | | | | | | |
| Satellite Dish | \$ | 3,742 | | | | | | |
| Geophysics / Magnetics and downhole | \$ | 38,880 | | | | | | |
| Tenement Rentals | \$ | 11,880 | | | | | | |
| Govt Costs for Environ / Reporting | \$ | 5,832 | \$ | 165,751 | | | | |
| LABO | OUR | | | | | | | |
| Management | \$ | 16,200 | | | | | | |
| Geologists | \$ | 171,072 | | | | | | |
| Logistics | \$ | 91,109 | | | | | | |
| Consultants | \$ | 21,600 | \$ | 299,981 | | | | |
| OPERA | TIONS | | | | | | | |
| Shed Rental | \$ | 12,960 | | | | | | |
| Office Rental | \$ | 20,088 | | | | | | |
| UB staff accom | \$ | 18,144 | | | | | | |
| Accounts - auditors | \$ | 12,960 | | | | | | |
| Insurance | \$ | 7,128 | | | | | | |
| Legals | \$ | 16,200 | | | | | | |
| Travel | \$ | 29,035 | | | | | | |
| Accommodation | \$ | 3,240 | \$ | 119,755 | | | | |
| SUBTOTAL | | | \$ | 1,182,953 | | | | |
| Office Overhead 15% | | | \$ | 177,443 | | | | |
| TOTAL | | | \$ | 1,360,396 | | | | |

The 2008 budget in Table 4-2 totalling \$1,360,395, represents the following key performance indicators:

• Drilling:

- Diamond (core sample purposed): Total metreage of the 16 boreholes drilled will be around 1,625m, the total depth of each borehole averages around 100m.
- RC (validate model purposed): Total metreage of the 17 boreholes drilled will be around 1,775m, the total depth of each borehole averages around 100m.

• Coal quality assay:

- Raw quality analysis (Proximate, total moisture, total sulphur, calorific value and relative density): 1,600 plies
- Full Analysis: 6 composite

The proposed work programme is designed to confirm earlier findings and to take the project to an inferred resources category.

4.14 Other Relevant Data and Information

Based on the flat topography and shallow coal seams, the Altanshiree Area is considered to be suitable for simple open pit mine methods.

Information on the condition of the water table in the Altanshiree Area was not available.

The surrounding area of Altanshiree consists of predominantly flat topography with some gentle sloping hills. Developing a mine road to the nearest railway network is not expected to have any problems.

It was observed during site visit that the Altanshiree Area consists of predominantly weak to friable mudstone. A detail geotechnical analysis is required to analyse the slope stability parameters for the mine design.

4.15 Interpretation and Conclusions

Data based on the regional geology interpretation suggests that the Altanshiree Coal Bearing Formation is similar to that of the coal bearing formation in the nearby Doshin Area. The coal bearing formation covers at least 80% of the Altanshiree tenement.

The nature of coal appears to be a low to medium energy coal with high ash and high sulfur. The deposit could be suited for open cut mining methods and the coal products suited for the thermal market.

Based on SRK's experience, Altanshiree coal would be suitable and economic in a mouth-mine power plant project. Electricity could be readily sold to the Chinese market.

4.16 Recommendations

It is recommended that the current information for Altanshiree Coal Project is of sufficient merit to undertake a detail drilling programme in order to prove the coal resources in terms of tonnage, strip ratio and coal quality to international standards. This drilling campaign is expected to fulfill the requirements for a preliminary feasibility study and to provide a JORC Code compliant Indicated Resource.

The exploration programme should involve an aeromagnetic survey to confirm the current fault interpretation within the coal deposit area.

The programme would be designed to collect preliminary data on the water table condition as well as geotechnical analysis of interburden material to define slope stability conditions for the open-pit mine.

4.17 References

Dean O'Keef and Tuguldur Tsogtsaikhan, *Geology, Resources Estimation Update for The Shaikan Ovoo Coal Deposit, Mongolia*. Micromine Consulting, Bulgan Alt Mining and Exploration Co January, 2007.

No name, Coal Distribution of Mongolia (Province, Basins and Region), Copy Paper of Polo Internal Report. 2007

Polo, Presentation of Paper Work, Polo Internal Report. November 2007

No name, Geologycal Map of Shaikan Ovuu and the Surrounding Area

5 Khashaat Coal Project

5.1 Introduction

The sources of information which were used in the evaluation of the data review include:

- Part of Polo's General Presentation which was submitted on November 2007
- Several geological maps and geological information which were prepared by the Mongolian Government
- Several previous exploration reports on the region of Khashaat which were provided by Polo
- Several current exploration reports which were provided by Polo.

5.2 Property Description and Location

5.2.1 The Mineral Asset

The coal tenements known as the Khashaat Project is located in the northwestern part of the Sayshand Province of Mongolia (Figures 5-1 to 5-2).

The Khashaat Project Area is situated around 8.5km west of the nearest town, Arshaantayn Hural City. Arshaantayn Hural City is around 184km west strike of Choyr City, one of the biggest city in the northern part of Sayshand Province. The location is around 240km southeast of Ulaanbaatar and around 520km north of China's border. It is around 400km by railway from the Choyr City to the Eren Hot, the north border city of China.

Currently, a small mine operates in the western part of the Khashaat Area and most of the coal geology information was derived from this mine.

5.2.2 Exploration Tenement

The Mongolian Government issued an exploration licence for the Khashaat Area to Bilguun Tsag LLC, covering a total area of 133 ha (licence number 7457X renewed on the 12 May 2007).

The coal project tenement is delineated by the coordinates in Table 5-1.

Table 5-1: Tenement Coordinates for Khashaat Area Coal Project

| | | Geodetic Coordinates | | | | | | |
|---------------------------------------|---------------------|----------------------|---------|--------|----------|---------|--------|--|
| Area | Licence No. | Easting | | | Northing | | | |
| | | Degrees | Minutes | Second | Degrees | Minutes | Second | |
| | | 110 | 13 | 40 | 46 | 29 | 40 | |
| | | 110 | 14 | 21 | 46 | 29 | 40 | |
| Khashaat Area (Exploration 7457 | | 110 | 14 | 21 | 46 | 29 | 16 | |
| | | 110 | 14 | 22 | 46 | 29 | 15 | |
| | 7457 | 110 | 14 | 19 | 46 | 29 | 13 | |
| | 7 4 37 A | 110 | 14 | 18 | 46 | 29 | 14 | |
| Licence) | | 110 | 14 | 13 | 46 | 29 | 11 | |
| | | 110 | 14 | 22 | 46 | 29 | 4 | |
| | | 110 | 14 | 22 | 46 | 28 | 50 | |
| | | 110 | 13 | 40 | 46 | 28 | 50 | |

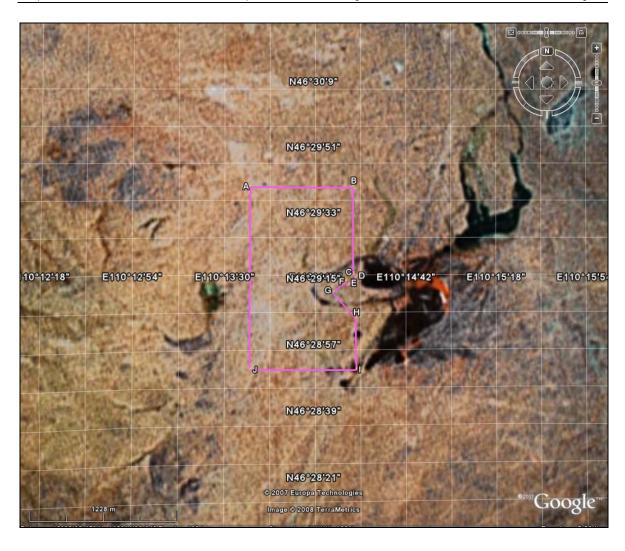


Figure 5-1: Location of the Khashaat Coal Project from Landsat Image



Figure 5-2: Location of the Khashaat Coal Project (Magenta Boundary) in Relation to the Nearest City of Arshaantayn Hural

5.3 Accessibility, Climate, Local Resources, Infrastructure and Physiography

Khashaat is located in the northwestern part of the Sayshand Province. The regional terrain is predominantly flat (Figures 5-4 and 5-5). The altitude ranges from 950m to 1,100m and the project areas are dominated by hilly grassland.

The climate of the project areas is typically semi-arid, continental monsoon and is cold and windy with extreme temperature differences. The rainy season is from June to August whilst the dry season is from March to May. The mean annual precipitation is 23.3mm, the maximum is 71mm and the minimum 1mm. The lowest temperatures reach -26 °C in January while the highest temperatures reach 23 °C in July.

From November to March the weather is windy and permafrost occurs from November to March. The maximum frozen soil depth reaches 3m.

The region lies in a low occurrence (level IV) seismic zone. According to records, there have been no large earthquakes in the region.

Most of the Arshaantayn Hural City people work either in the mining industry or trading industry. The electricity in this area is supplied by a local, small capacity coal power plant (Figure 5-5) and is transmitted through powerlines spread throughout the surrounding district.

There is no mobile phone access in the Altanshiree and surrounding areas. Mobile telephone connection ceases at around 300km from Ulaanbaatar along the asphalt highway (at the Choyr City).

The local roads are dominated by sandy soil roads. Around 150km from Khashaat to Ulaanbaatar access is predominantly a rough soil road while the remainder of the road is asphalt in good condition. Based on information provided by Polo, there are no plans for the Mongolian Government to upgrade the sandy soil road from Choyr to Khashaat to asphalt in 2008.

The nearest Mongolian Railway line is around 75km to the west of the Khashaat Coal Project.



Figure 5-3: Arshaantayn Hural City, the Nearest Village to the Khashaat Coal Project Area



Figure 5-4: General Morphology of Khashaat Area



Figure 5-5: Local Small Capacity Coal Power Plant in Arshaantayn Hural City Area

5.4 Geological Setting

The Khashaat Project Area lies in the Choir-Nyalga Basin. The basin is located in the north-western part of the Eastern Mongolian Coal Bearing Province, close to southern part of Paleozoic structural high of the Hentii Ranges to the northwest, and bounded by the Nuhetdavaa uplift in the southeast. There are at least 35 coal deposits within the basin. The coal deposits are commonly dominated by very thick seams with complicated seam splitting. The region is heterogonic and is covered by the Hercynian folded system. The basement of the Upper Mesozoic coal-bearing formation is represented by complex folded Paleozoic and partially Pre-Cambrian rocks.

Detail information of the sediments found in the Khashaat Area was not available. The Khashaat Area is formed by the Ondorshil Fault System. Regionally the area has been uplifted and is composed of Middle and Upper Paleozoic complexes.

5.4.1 Igneous Intrusions

Information pertaining to occurrences of igneous intrusions in the surrounding Khashaat Area was not available. However, part of Tsagaan Tsar Unit is known to consist of granitoid igneous material.

5.5 Local Geology

A preliminary exploration drilling programme using openhole drilling methods was conducted in Khashaat Project Area. A total of around 45 boreholes were drilled by the previous owner of the Khashaat concession. All boreholes are located along nine grid sections. The distance between the grid lines ranges from 80m to 150m and the distance between borehole locations along each grid line is around 50m to 100m. The total depth of the boreholes range from 56m to 200m, with an average around 120m. Fourteen of the boreholes are outside the Khashaat concession area.

The boreholes were not geophysically logged and consequently the coal seam thicknesses in the boreholes could not be confirmed.

Based on documentation and observations from the site visit, the coal seams in the Khashaat Area are structurally controlled by the east-west trending Khashaat Anticline System. On the southern limb of the anticline, the coal is shallow and general dips at around 25 degrees. In the hinge area of the anticline the coal dips gently.

5.6 Coal Geology

The site investigation of the current mining operation at Khashaat, located in the western part of area, delineated the coal seam dipping gently (less than 30 degrees) at the subcrop in the hinge of anticline. The area consists of two main seams of which the lowest seam is significantly thick. The upper seam appears to be lenticular and therefore is not consistent across the deposit. The thickness of the upper seam ranges from 3 to 5m. The lowest seam averages around 45m in thickness and contains several stone bands. In the northern part of Khashaat, the coal unconformably underlies unconsolidated Quaternary sediments.

The overburden material is predominantly mudstone interbedded with siltstone, shale and sandstone.

From the site investigation, SRK deduces that the coal seam in Khashaat Area consists of bright bands with minor dull bands and interbedded stone partings. Since there are no geophysical logs available from the previous or current drilling programmes, the yield of clean coal from the seam zone can not be determined.

With predominantly flat topography and with gently dipping seams (less than 25 degrees) an average stripping ratio of around 3:1 is estimated (Figure 5-7, Figure 5-8, Figure 5-9 and Figure 5-10), the coal deposit is considered suitable for the opencut mining.

5.6.1 Coal Quality

No coal analyses of Khashaat seams were available during the site visit. As observed in the small opencut mine nearby the coal predominantly consists of bright bands with several minor dull bands and stone partings. Minor secondary pyrite was found in the coal seam.

Quality analyses from boreholes in the surrounding area indicate the seams in Khashaat Area have a calorific value ranging from 4,300 kcal/kg to 5,608 kcal/kg (adb). Based on these observations it is concluded that the coal is suited to the thermal market.

There is no information available for RD analytical results.

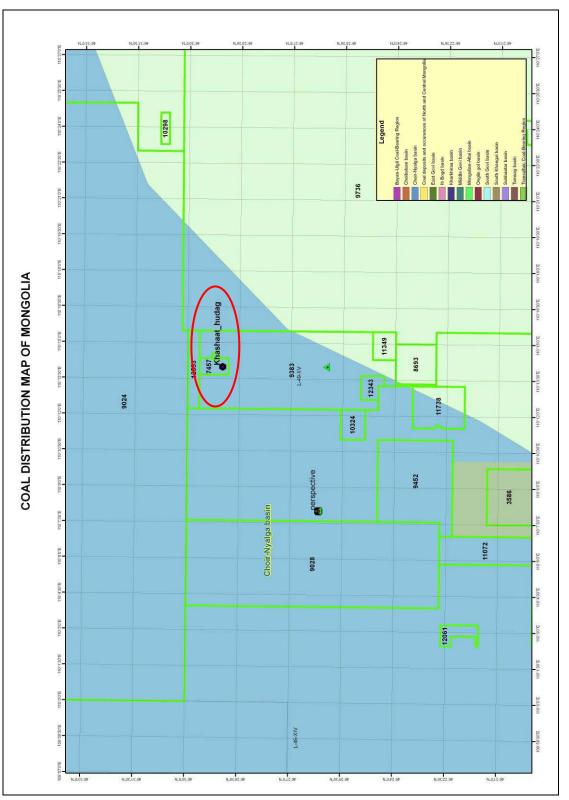


Figure 5-6: Local Geology Setting of Khashaat Area

All areas of Khashaat are located in the Choir-Nyalga Coal Bearing Formation (shaded in blue)

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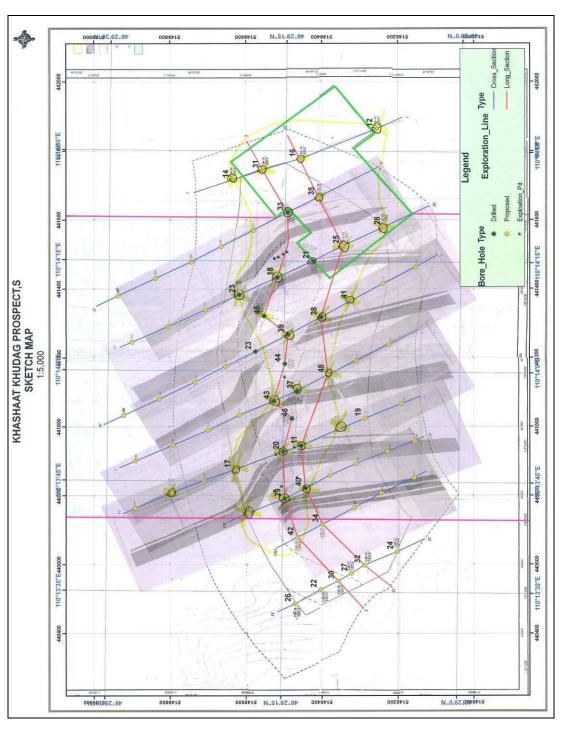


Figure 5-7: Borehole Distribution Map of Khashaat (Magenta Boundary) and Surrounding Area

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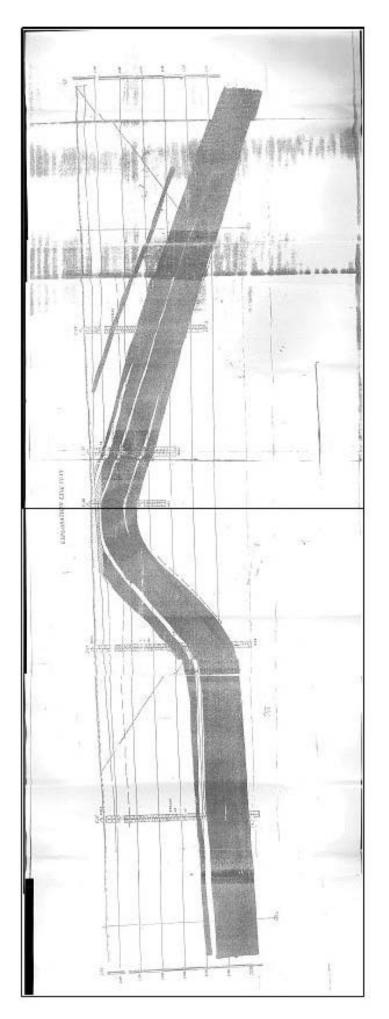


Figure 5-8: Section 4 Interpretation of Coal Deposit in Central Part of Khashaat Area

The coal seam forms an anticline and part of the seam was truncated by Quartenary unconsolidated sediments.

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Figure 5-9: Section 3 Interpretation of Coal Deposit in South-western Part of Khashaat Area

The coal seam forms an anticline and has very low stripping ratio.

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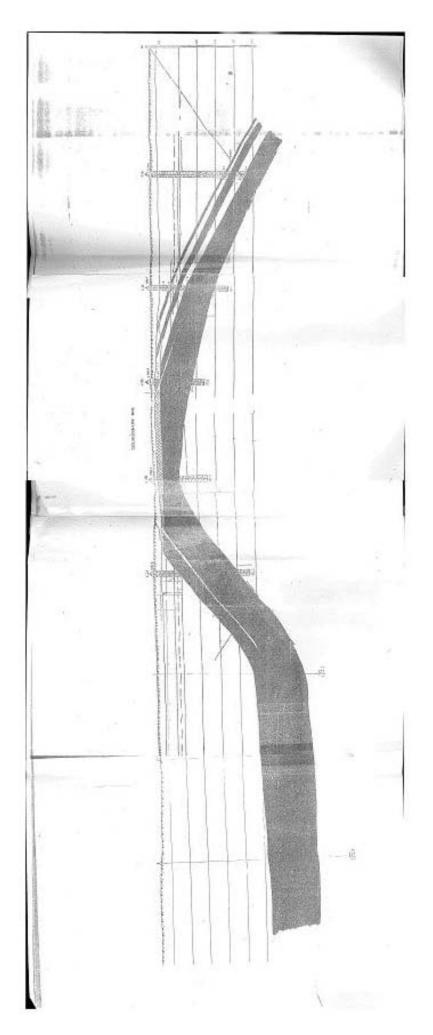


Figure 5-10: Section 2 Interpretation of Coal Deposit in South-western Part of Khashaat Area

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POR001_Combined Rev12

5.7 Exploration

Regional mapping surrounding the project area was conducted around 1950 by Russian geologists. The Mongolia Geologic Survey Bureau conducted further regional geological mapping from 1976 to 1998.

In 1986 to 1987, Russian and Mongolian exploration expeditions conducted around 375m³ of trenching, and 36.5m of pit sampling.

A geological field database was provided for review during the site visit. The available data from the previous exploration programme includes borehole cross-sections and manually interpreted geological maps. The recent exploration programme includes 1 borehole (without core log data) and some outcrop trenching.

A selection of previous and current boreholes located in the Khashaat Area were inspected by SRK during the site visit on 7th to 8th of December 2007.

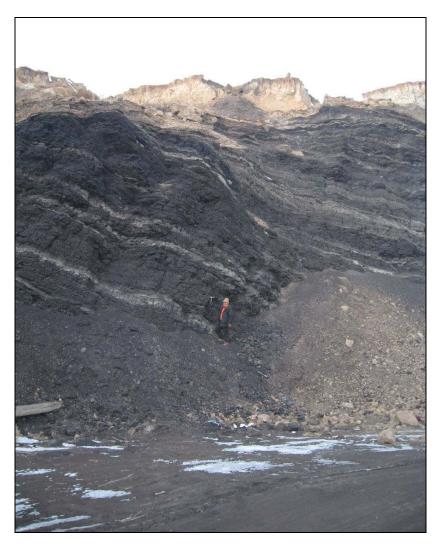


Figure 5-11: Typical Stratigraphy in the Khashaat Coal Mining Company

The coal seam (more than 30m thick) is interbedded with thin stone bands.



Figure 5-12: Coal Mining Operation in Khashaat Area

The pit base and side wall exposes the coal seam zone.



Figure 5-13: Chips (cuttings) from the Previous Drilling Programme in Khashaat Area

The wood marker (85m) is the roof of coal seam zone



Figure 5-14: Chips (cuttings) from the Previous Drilling Programme in Khashaat Area

The wood marker (103m) is the floor of coal seam zone.

5.8 Data Verification

The data reviewed in this report (listed in Section 5-1) by SRK was supplied by Polo.

SRK conducted the site visit to the Khashaat Area in December 2007 to verify the data reported in documentation of previous exploration programmes.

5.9 Mineral Resource and Mineral Reserve Estimates

Information on the coal resource or the coal reserve statements of the Khashaat Area is not available.

In SRK's opinion, the Khashaat Area has large quantities of shallow coal amenable to open-pit mining methods and with low to medium energy, medium total moisture, medium ash and medium sulfur content. The coal is considered suitable for the thermal market.

The Khashaat Coal Project is considered to be at a preliminary stage of exploration at this point in time. There is insufficient data to determine a mine design or to estimate reserves.

5.10 Exploration Budget and Work Programme

It is recommended that the following exploration budget is required to develop both projects to the level of estimation of Resource and Reserves to an international standard.

Table 5-2: Exploration Drilling Budget

| COAL BUDGET – 2008 (US\$) | | | | |
|------------------------------------|------|---------|--|--|
| DRILLING COSTS – RIG 1 | | | | |
| Contractor | \$ | 50,000 | | |
| Water Truck Hire | \$ | 1,500 | | |
| Diesel Rigs / vehicles | \$ | 400 | | |
| Core Boxes | \$ | 800 | | |
| Backhoe | \$ | 2,000 | | |
| Crew Messing for Rig 1 | \$ | 1,000 | | |
| GEOLOGY | | | | |
| Assaying | \$ | 5,000 | | |
| Sample Equipment | \$ | 500 | | |
| Tenement Rentals | \$ | 220 | | |
| Govt Costs for Environ / Reporting | \$ | 108 | | |
| LABOUR | | | | |
| Management | \$ | 1,000 | | |
| Geologists | \$ | 15,000 | | |
| Logistics | \$ | 5,000 | | |
| Consultants | \$ | 1,500 | | |
| OPERATION | | | | |
| Shed Rental | \$ | 240 | | |
| Office Rental | \$ | 372 | | |
| UB staff accom | \$ | 336 | | |
| Accounts - auditors | \$ | 240 | | |
| Insurance | \$ | 132 | | |
| Legals | \$ | 300 | | |
| Travel | \$ | 5,000 | | |
| Accommodation | \$ | 250 | | |
| Subtotal | \$ | 90,898 | | |
| Office Overhead 15% | \$ | 13,635 | | |
| TOTAL | \$ 1 | 104,533 | | |

The 2008 budget (Table 5-2), totalling \$104,533 for Khashaat Area, represents the following key performance indicators:

Drilling :

- Diamond (core sample purposed): Total metreage for the 3 boreholes drilled will be around 300m, the total depth of each borehole averages around 100m.
- RC (validate model purposed): Total metreage for the 3 boreholes drilled will be around 300m, the total depth of each borehole averages around 100m.

Coal quality assay:

- Raw quality analysis (Proximate, total moisture, total sulphur, calorific value and relative density): 14 plies
- Full Analysis: 3 composite

The proposed work programme is designed to confirm earlier findings of the coal deposit potential and also to provide the detail regional stratigraphic of the coal bearing deposit in the surrounding area of Khashaat.

5.11 Interpretation and Conclusions

The Khashaat Coal Project has undergone preliminary exploration which has defined a resource of coal suitable for the thermal coal market and which is amenable to open cut mining methods.

This conclusion is encouraging to investors to commit to further development of the projects. The next stage will aim to prove Measured and Indicated Resources to an international standard such as the JORC Code, in preparation for a full feasibility study.

Based on SRK's experience, Khashaat coal would be suitable and economic in a mouth-mine power plant project. Electricity could be readily sold to the Chinese market.

5.12 Recommendations

It is recommended that the current information for Khashaat Coal Project is of sufficient merit to undertake a detailed drilling programme in order to prove the coal resources in terms of tonnage, strip ratio and coal quality to international standards. This drilling campaign is expected to fulfill the requirements for a preliminary feasibility study and to provide a JORC Code compliant Indicated Resource.

The exploration programme should involve an aeromagnetic survey to confirm the current fault interpretation within the coal deposit area.

The programme would be designed to collect preliminary data on the water table condition as well as geotechnical analysis of interburden material to define slope stability conditions for the open-pit mine.

5.13 References

Dean O'Keef and Tuguldur Tsogtsaikhan, *Geology, Resources Estimation Update for The Shaikan Ovoo Coal Deposit, Mongolia*. Micromine Consulting, Bulgan Alt Mining and Exploration Co January, 2007.

No name, Coal Distribution of Mongolia (Province, Basins and Region), Copy Paper of Polo Internal Report. 2007

Polo, Presentation of Paper Work, Polo Internal Report. November 2007

No name, Geologycal Map of Shaikan Ovuu and the Surrounding Area

6 Union Coal Project

6.1 Introduction

The sources of information which were used in the evaluation of the data review include:

- Part of Polo's General Presentation which was submitted on November 2007
- Several geological maps and geological information which were prepared by the Mongolian Government
- Several previous exploration reports on the region of Union Coal Project which were provided by Polo
- Several current exploration reports (in particular, the drilling project carried out in 2006 within Union area) which were provided by Polo.

6.2 Property Description and Location

6.2.1 The Mineral Asset

The coal tenement, known as Union Coal Project, is located in the southeast of the Töv Province of Mongolia (Figure 6-1). The project area is situated 35km eastern of the nearest small town called of Bayan Soum, and around 113km southeast of Ulaanbaatar city.

The Mongolian Government granted two mining licenses, north block (total area 202 ha) and south block (82 ha), are covering a total of 284 ha.

The area has undergone regional exploration drilling and the results indicate a large shallow potential coal deposit mine amenable to open pit mining methods. A total of 14 boreholes, with depth ranging from 65m to 150m, were completed during the previous exploration programme. The boreholes are located along three grid lines 5km apart. The distance between boreholes along each grid line is around 0.5km.

Based on the previous documentation, and verified during the site visit, the coal seams in the Union Coal Area are shallow, gently dipping (less than 25 degrees) and subcrop near the surface. The Union Coal Area is within the north-eastern part of the Tsaidam Nuur Synclonorium System. Based on the regional geological interpretation, the Tsaidam Nuur Coal Bearing Formation extends throughout and beyond the tenement area. The seams predominately comprise of dull coal and are considered suitable for the thermal market.

The area consists of at least two main seam zones of which the lowest seam is significantly thick. The seams appear to be lenticular and split across the deposit. The thickness of the each seam ranges around from <1m to >20m, and is generally interbedded with several stone bands.

According to previous exploration data which was submitted by the owner of the Baganuur Coal Mine Company, the coal analyses of Union Coal indicates that the seams vary significantly in quality. The quality of the seams is summarised as:

- Moisture (ad), ranging from 8.4% to 10.76%
- Ash content (ad), ranging from 11.0% to 17.0%
- Sulfur content (ad), ranging from 0.5% to 0.7%
- Calorific value (daf) ranging from 5,500 to 5,997 kcal/kg or in (ad) ranging from 3,973 to 4,833 kcal/kg

However, the Mongolian Government report states coal quality in the surrounding of Tsaidam Nuur Coal Bearing Formation Area as summarized below:

- Total Moisture (ar), average 34.0%
- Inherent Moisture (ad), average 12.25%
- Ash content (ad) average 10.24%
- Volatile Matter (daf), average 51.33% or in (ad) average 39.79%
- Sulfur content (ad) average 0.92%
- Calorific value (daf) average 6,231 kcal/kg or in (ad) average 4,830 kcal/kg

Based on the coal quality values above, Union Coal is suited for the thermal market.

6.2.2 Exploration Tenement

The Mongolian Government issued mining licences 3066A and 7863A for this tenement (valid from 19 March 2001 and 1 July 2004 respectively) to DUSAL LLC, covering a total area of 284 ha.

The coal project tenement area was divided into 2 block areas, north block (7863A - total area 202 ha) and south block (3066A - 82 ha), covering a total of 284 ha. The coal project tenement is delineated by the coordinates in Table 6-1.

Table 6-1: Tenement Coordinates for Union Coal Project

| | Linaman | Geodetic Coordinates | | | | | |
|-------------|----------------|----------------------|---------|--------|----------|---------|--------|
| Block | Licence No. | Easting | | | Northing | | |
| | 140. | Degrees | Minutes | Second | Degrees | Minutes | Second |
| South 3066A | | 107 | 53 | 35 | 47 | 16 | 32 |
| | 3066A | 107 | 53 | 5 | 47 | 16 | 32 |
| | | 107 | 53 | 5 | 47 | 17 | 14 |
| | | 107 | 53 | 35 | 47 | 17 | 14 |
| North | 7863A | 107 | 53 | 5 | 47 | 17 | 14 |
| | | 107 | 53 | 35 | 47 | 17 | 14 |
| | | 107 | 53 | 35 | 47 | 18 | 58 |
| | | 107 | 53 | 5 | 47 | 18 | 58 |

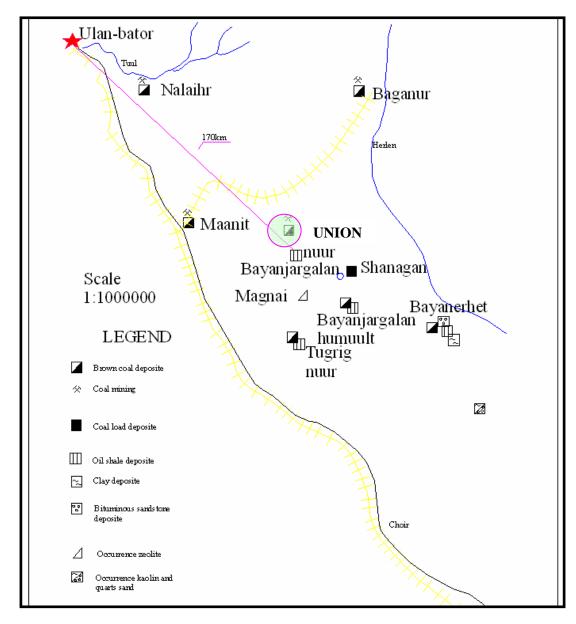


Figure 6-1: Location of the Union Coal Project

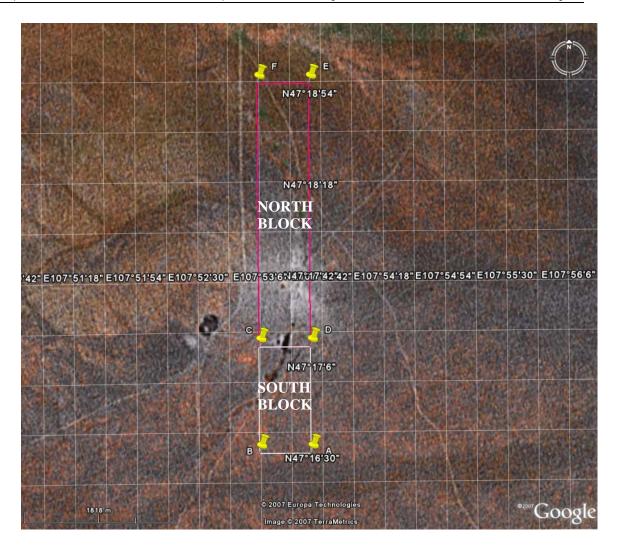


Figure 6-2: Satellite Image of Union Coal Project

6.3 Accessibility, Climate, Local Resources, Infrastructure and Physiography

The area is located in the southeast of the Plateu Area of Tov Province. The regional terrain is predominantly flat and part of the area has moderately gentle hills. The altitude ranges from 1,370m to 1,400m. The coal project area is dominated by flat grassland (Figure 6-3).

The climate of the project area is semi-arid, continental monsoon and is cold and windy with large temperature differences. The rainy season is from July to August whilst the dry season is from March to June. The mean annual precipitation is 244mm, the maximum is 432mm and minimum 131mm. The mean years' evaporation is 1,934mm with the maximum being 2,285mm and minimum 1,661mm. The lowest temperatures reach -41.5 °C (February) while the highest temperatures reach 38.6°C (July).

From November to April the weather is windy and freezing occurs from October to April. The maximum frozen soil depth reaches 2.97m.

The region lies in a low occurrence (IV) seismic zone. According to records, there have been no large earthquakes in or neighbouring the project area.

The Baganuur Coal Mine Company which is owned and operated by Mongolian Government is located 35km to the northeast of the Union Coal Area. To the west around 25km, there is small coal mining company called Maanit which is owned and operated by local people.

The local roads are dominated by sandy soil roads. There is a big coal terminal operated by Mongolian Government about 35km away. The nearest railway is around 14km to the north. A rough sandy soil road connects the project area to the west with Ulaanbaatar highways which is about 115km distance.



Figure 6-3: General Morphology of Union Coal Deposit



Figure 6-4: Bayan Soum City, the Nearest City to Union Coal Deposit

6.4 Geological Setting

The Union Coal Project Area lies within Choir-Nyalga Coal Basin part of the Eastern Mongolian Coal Bearing Province. The Eastern Mongolian Coal Bearing Province is bounded by the Paleozoic structural high of Hentii Ranges on the northwest and by the Nuhetdavaa uplift on the southeast. The region is heterogonic and is covered by the Hercynian folded system. The basement of the Upper Mesozoic coal-bearing formation is represented by complex folded Paleozoic and partially Pre-Cambrian rocks.

At Choir-Nyalga Basin there are 23 coal seams, five of which are very large, reaching 100m in thickness.

Based on the previous exploration, Choir-Nyalga Coal Basin was reported to have up to 20 billion tonnes of coal. The coal in Union Tenement is the part of the Tsaidam Nuur Coal Bearing Formation which is as the part of Choir-Nyalga Basin. The coal is classified as brown coal type.

Coal presence in Eastern Mongolian Coal Bearing Province is mainly associated with Lower Cretaceous sediments. Geology of the license area consists of Pre-Cretaceous Fundament formation, late Jurassic- early Cretaceous sediments, and early Cretaceous material. The Pre-Cretaceous Fundament formation is developed in the central and north parts of Mongolia.

The Lower Cretaceous sediments, which contain the coal bearing sequence, are included in the Zuunbayan series which is divided into three sub-units (from lower to upper): Engeer Ulaan Unit, Khartsav Unit and Khar Nuur Unit. The total thickness of the Zuunbayan series can be up to 1,500m.

Detail information of the sediments found in the Union Coal Area was not available for review.

The Tsaidam Nuur Coal Bearing Formation area lies in the northern part of Tsaidam Nuur Trough. Tsaidam Nuur Trough is the place where the same named coal deposit is located; extending along the Delgerhaan Trough, the north-western branch of the Nyalga Trough.

Coal deposits in Tsaidam Nuur Trough occur in trough bends labeled as Shorvogyn and Nuurt Ukhaa. The strike is generally oriented to north-east with sediments dipping from 4 to 6 degrees. In some areas, the fold limbs are complicated by additional minor folding and the occurrence of major and minor faults.

In Zuunbayan series, there are about 20 coal seam zones identified five of which are very large. There is one coal seam zone in Union Coal Area with thickness up to 50m and another with thickness up to 110m.

A Lower Paleozoic intrusive complex is widespread throughout the north-west area and is composed of diorite, gabbro- diotite and granodiorite.

6.5 Local Geology

Based on discussions with Polo's geologist, the stratigraphic interpretation of the Union Coal Project consists of:

- K₁dz⁵₂ Unit, predominately interbedded between fine sediment with conglomerate, included the Quaternary semi-consolidated sediments (Q) an
- K₁dz⁴₂ Unit, predominantly interbedded between mudstone and coal, consisting of 3 main seam zones with the thickness of each seam zone average around 23m, 28m, and 20m. Each seam zone consists of the stone band with thickness range from 0.05m to 2m. All the seam is getting

thinner and is also split to the east part of the syncline, thinning with the lenticular shape to the west area. Total thickness of this unit is around 113m.

- K₁dz³₂ Unit, predominantly interbedded between sandstone and mudstone with no coal. Total thickness of this unit is around 70m.
- K₁dz²₂ Unit, predominantly interbedded between mudstone and coal, consisting of 1 main seam zone with thickness of the seam zone averaging around 56m. Consists of the stone band with thickness range from 0.05m to 2m. The seam is getting thinner and is also split to the east part of the syncline trough to the surface, thinning with the lenticular shape to the west area. Total thickness of this unit is around 60m.
- $K_1 dz_2^{2b}$ Unit, predominantly mudstone with no coal. Total thickness of this unit is around 15m.
- K₁dz¹₂ Unit, predominantly interbedded between mudstone, sandstone and coal. Consists of more than 5 main seams with thickness of the seam ranging from 1m to 4m. All of the seams are getting thinner and are also split to the east part of the syncline, thinning with the lenticular shape to the west area. Total thickness of this unit is around 120m.

Based on the previous exploration results, the Union's coal seams in the project area are contained within the $K_1dz_2^3$ Unit which is predominantly sandstone and the $K_1dz_2^2$ Unit which is predominantly coal seam zones interbedded with mudstone.

The dip of coal seams is generally less than 10 degrees to the west. The seam zone is typically lenticular and of varying thickness thickening to the west of the coal project.

Borehole data indicates that coal in the Union Coal Area has numerous partings. Based on field observations, the coal seam is a bright to dull brown coal type. Secondary pyrite in the coal seams was observed during the site visit together with many spots of spontaneous combustion due to the pyrite.

The other sediments are predominantly mudstone with interbedded sandstone and conglomerate in the basal part of the unit.

Based on the seam structure map derived from previous borehole data, it is interpreted that at least one major fault occurs in the Union Coal deposit area. The fault is in the order of 100m to 200m horizontal displacement.

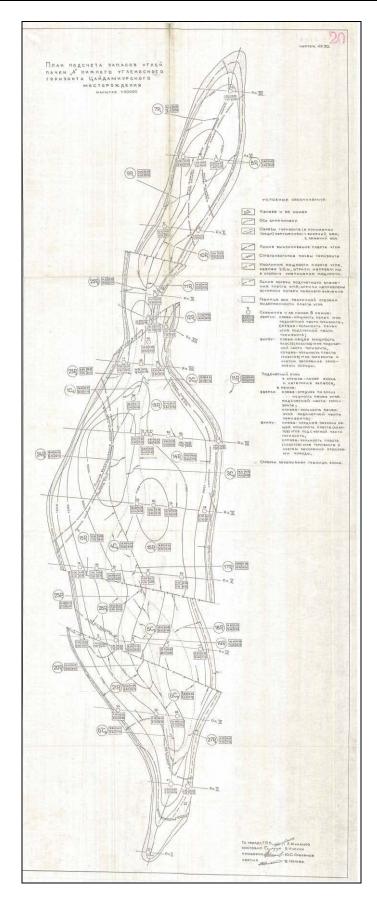


Figure 6-5: Local Geology Setting of Union Coal Project and the Surrounding Area

The Orientation of the Syncline is relatively South-North

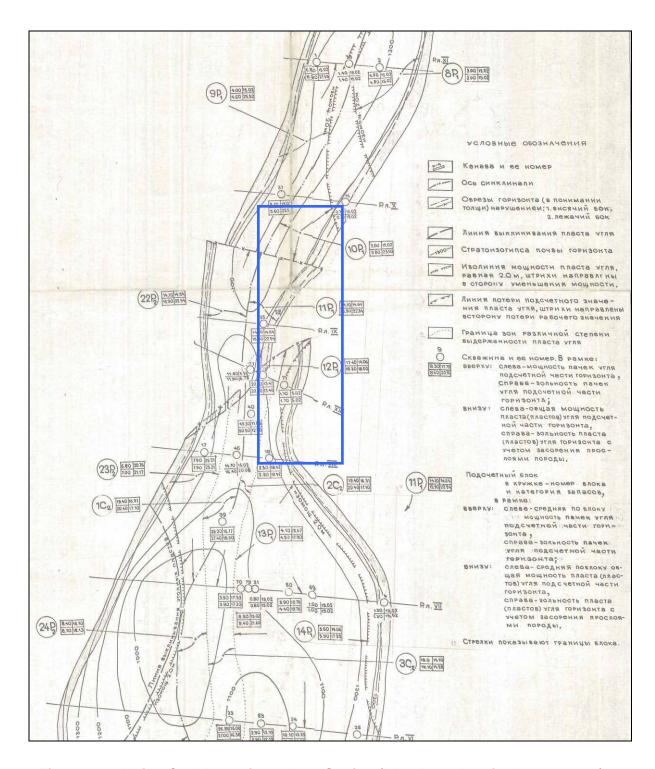


Figure 6-6: Union Coal Deposit Geology Setting (Blue Boundary is the tenement)

The layout indicates a major strike-slip fault in the central part of the Union Coal Area.

YS/PH/ck

February 2008

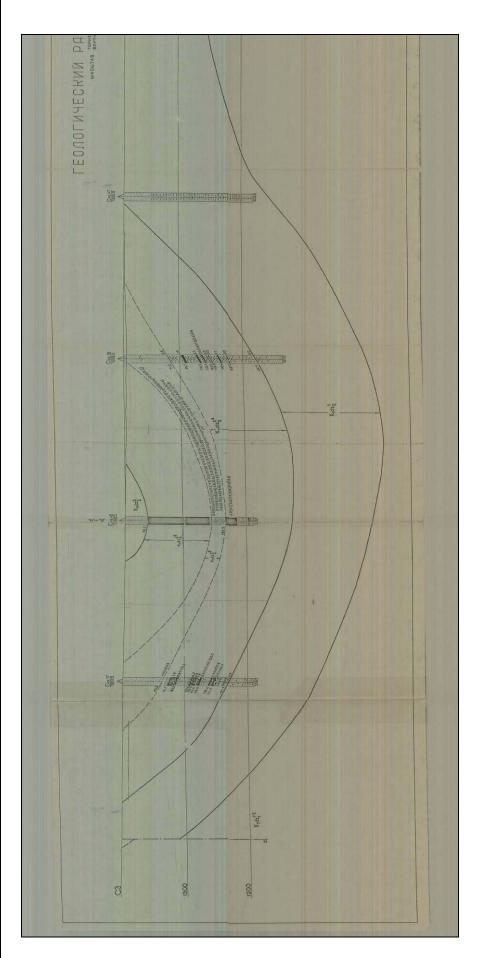


Figure 6-7: Union Coal Deposit-X Sections No. 8 through Borehole Locations in the South of the Tenement.

6.6 Coal Geology

The previous drilling indicates that the Union Coal Area contains of one main seam zone which is comprised of at least three seams. All seams are significantly thick but appear to be lenticular and therefore not consistent across the deposit. Total thickness of the coal seam zone is 60m including interbedded stone bands ranging from 1m to 2m thick.

The interburden material between seams is predominantly mudstone interbedded with siltstone, shale and sandstone.

There are geophysical log data from the previous or current drilling programmes and based on coal core analysis from the previous drilling programme, the yield of clean coal from the seam zone averages around 90%.

The coal deposit in the Union Coal Area is relatively shallow ranging from 6m to 60m depth from the surface. With predominantly flat topography and with gently dipping seams (less than 5 degrees) and an average stripping ratio of around 5:1 (Figure 6-8 and Figure 6-9) the coal deposit is considered suitable for the opencut mining.

6.6.1 Coal Quality

The coal seams typical of the $K_1dz_2^2$ Unit of the Tsaidam Nuur Coal Formation produce a medium ash, high moisture, medium sulfur, and low energy coal which is suitable for the thermal market.

According to the Mongolian Government report, the yield of coal from coal seam zone in the Tsaidam Nuur Coal Bearing Formation area ranges from 90% to 92% with ash content ranging from 9.8% to 12%.

According to previous exploration data which was submitted by the owner of the Baganuur Coal Mine Company, the coal analyses of Union Coal indicate that the seams vary significantly in quality. The quality of the seams are summarised as:

- Moisture (ad), ranging from 8.4% to 10.76%
- Ash content (ad), ranging from 11.0% to 17.0%
- Sulfur content (ad), ranging from 0.5% to 0.7%
- Calorific value (daf) ranging from 5,500 to 5,997 kcal/kg or in (ad) ranging from 3,973 to 4,833 kcal/kg

The Mongolian Government report states coal quality of Tsaidam Nuur Coal Bearing Formation Area as summarised below:

- Total Moisture (ar), average 34.0%
- Inherent Moisture (ad), average 12.25%
- Ash content (ad) average 10.24%
- Volatile Matter (daf), average 51.33% or in (ad) 39.79%
- Sulfur content (ad) average 0.92%
- Calorific value (daf) average 6,231 kcal/kg or in (ad) average 4,830 kcal/kg

There is no information available for RD results.

6.7 Exploration

Regional mapping surrounding the project area was conducted around 1950 by Russian geologists. The Mongolia Geologic Survey Bureau conducted further regional geological mapping from 1976 to 1998.

Based on previous exploration in 1986 to 1987, Russian and Mongolian exploration expeditions completed more than 70 boreholes located in the Union Coal and the surrounding areas. The total depth of each borehole ranges from 50m to 350m and averages 120m. Most boreholes were logged by geophysical data analysis.

Geological data was not available for review from the recently completed exploration programme conducted in the area. Information from Polo's geologist indicates that preliminary exploration drilling was conducted during 1998 with some of the boreholes fully cored.

Around 14 of the total boreholes are located in the Union Coal Project Area. The boreholes are located along three grid lines around 5km apart and 0.5km distance between boreholes on each section.

A geological field database was provided for review during the site visit. The data available from the previous exploration programme includes borehole cross-sections and manually interpreted geological maps.

Some of the previous boreholes located in the Union Coal Area were inspected by SRK during the site visit on 7th to 8th of December 2007 (Figure 6-8, Figure 6-9 and Figure 6-10).

According to the regional geology reports, the coal deposit covers 75% of the Union Coal Area.



Figure 6-8: Borehole Collar from the Previous Drilling Programme, Union Coal Deposit



Figure 6-9: Mined Out Location of Union Coal Deposit



Figure 6-10: Trenching Location of Union Coal Deposit



Figure 6-11: Spontaneous Combustion in Current Mine Location at Union Coal Area

6.8 Drilling

The recent drilling programme was conducted to check the results of the previous drilling programme and to take some coal core samples for analysis. Down-hole geophysical logging was not conducted on the boreholes in the recent drilling programme. Therefore it is difficult to identify the detail characteristics of the Union Coal Area, especially in determining the frequency of the stone bands within the coal seams.

Based on field observations, the borehole diameter ranged from 48mm to 64mm.

6.9 Sampling Method and Approach

Information on sampling methods of coal core for the previous drilling programme was not available.

In the recent drilling programme, all core samples were stored in core boxes. Based on the information from Polo's wellsite geologist, the coal cores were logged immediately upon recovery whilst the core remained undisturbed in the core barrel split. The coal cores were wrapped in a plastic sock to seal the moisture of coal.

The coal cores were subsequently placed into sample bags together with the plastic sock to ensure all moisture was recorded on arrival at the laboratory to determine accurate Total Moisture results.

The coal core samples were sent to the Polo's office in Ulaanbaatar to be checked by a senior geologist before being sent onto the laboratory. There is no information as to the length of period involved in sending the core samples to the laboratory after the sampling have been completed. There is no information regarding the accreditation of the coal analysis laboratory in which the samples were analysed.

6.10 Data Verification

The data reviewed in this report (listed in Section 6-1) by SRK was supplied by Polo. SRK conducted a site visit to the Union Coal Project Area in December 2007 to verify the boreholes from the various drilling programmes (Figure 6-8).

6.11 Coal Beneficiation Testing

No information was reviewed on the beneficiation testing of coal seams from the Union Coal Project Area.

6.12 Mineral Resource and Mineral Reserve Estimates

Information on the coal resource or the coal reserve statements of the Union Coal Project Area was not available during the site investigation.

Since the drilling exploration programme was conducted without the use of geophysical logging, SRK is of the opinion the borehole data cannot be considered to be reliable as required by the JORC Code. However only borehole data with readable and good quality logs could be included as the acceptable data in modelling and resources estimate.

In SRK's opinion, the Union Coal Project Area has large quantities of shallow coal amenable to open-pit mining methods and with low to medium energy, high total moisture, low ash and medium sulfur content. The coal is considered suitable for the thermal market.

The Union Coal Project is considered to be at a preliminary stage of exploration at this point in time. There is insufficient data to determine a mine design or to estimate reserves.

6.13 Exploration Budget and Work Programme

It is recommended that the following drilling exploration budget is required to develop the project to the level of estimation of the Resource and Reserves to an international standard.

Table 6-2: Drilling Exploration Budget

| COAL BUDGET – 2008 (US\$) | | | | |
|------------------------------------|----|---------|--|--|
| DRILLING COSTS – RIG 1 | | | | |
| Contractor | \$ | 100,000 | | |
| Water Truck Hire | \$ | 3,000 | | |
| Diesel Rigs / vehicles | \$ | 800 | | |
| Core Boxes | \$ | 1,600 | | |
| Backhoe | \$ | 4,000 | | |
| Crew Messing for Rig 1 | \$ | 2,000 | | |
| GEOLOGY | | | | |
| Assaying | \$ | 10,000 | | |
| Sample Equipment | \$ | 1,000 | | |
| Tenement Rentals | \$ | 440 | | |
| Govt Costs for Environ / Reporting | \$ | 216 | | |
| LABOUR | | | | |
| Management | \$ | 2,000 | | |
| Geologists | \$ | 30,000 | | |
| Logistics | \$ | 10,000 | | |
| Consultants | \$ | 3,000 | | |

| COAL BUDGET – 2008 (US\$) | | | | |
|---------------------------|------|---------|--|--|
| OPERATIONS | | | | |
| Shed Rental | \$ | 480 | | |
| Office Rental | \$ | 744 | | |
| UB staff accom | \$ | 672 | | |
| Accounts - auditors | \$ | 480 | | |
| Insurance | \$ | 264 | | |
| Legals | \$ | 600 | | |
| Travel | \$ | 10,000 | | |
| Accommodation | \$ | 500 | | |
| Subtotal | \$ ' | 181,796 | | |
| Office Overhead 15% | \$ | 27,269 | | |
| TOTAL | \$ 2 | 209,065 | | |

The 2008 budget (Table 6-2), totalling \$209,065 for Union Coal Project Area, represents the following key performance indicators:

• Drilling:

- Diamond (core sample purposed): Total metreage for the 5 boreholes drilled will be around 500m, the total depth of each borehole averages around 100m
- RC (validate model purposed): Total metreage for the 5 boreholes drilled will be around 500m, the total depth of each borehole averages around 100m

• Coal quality assay:

- Raw quality analysis (Proximate, total moisture, total sulphur, calorific value and relative density): 150 plies
- Full Analysis: 2 composites

The proposed work programme is designed to confirm earlier findings of the coal deposit potential and also to take the project to inferred resource categories.

6.14 Conclusions and Recommendations

The Union Coal Project has undergone preliminary exploration which has defined a resource of coal which is suitable for the thermal coal market and which is amenable to open cut mining methods.

This conclusion is encouraging to investors to commit to further development of the project. The next stage will aim to prove Indicated and Inferred Resources to an international standard such as the JORC Code, in preparation for a full feasibility study.

The exploration programme should involve an aeromagnetic survey to confirm the current fault interpretation within the coal deposit area.

The programme would be designed to collect preliminary data on the water table condition as well as geotechnical analysis of interburden material to define slope stability conditions for the open-pit mine.

Based on SRK's experience, Union Coal Project Area would be suitable and economic in a mouth-mine power plant project. Electricity could be readily sold to the Chinese market.

6.15 References

Dean O'Keef and Tuguldur Tsogtsaikhan, *Geology, Resources Estimation Update for The Shaikan Ovoo Coal Deposit, Mongolia*. Micromine Consulting, Bulgan Alt Mining and Exploration Co January, 2007.

No name, Coal Distribution of Mongolia (Province, Basins and Region), Copy Paper of Polo Internal Report. 2007

Polo, Presentation of Paper Work, Polo Internal Report. November 2007

No name, Geologycal Map of Shaikan Ovuu and the Surrounding Area

7 Uranium Exploration Tenements

7.1 Introduction

SRK has derived the technical information which forms the basis of its Report on information provided by Polo. SRK has supplemented this information where necessary with information from its own extensive regional geological database. However, where discrepancies arise and no alternative comments are provided, data and interpretations provided by Polo prevail in this report. The past exploration history for these tenements has been derived from previous explorers reports, as provided by Polo, and government records of exploration activities within the Project areas. SRK has not conducted its own independent searches.

7.2 Tenement Status and Permits

SRK has been informed by Polo that they have secured 16 uranium tenements, and currently have 7 uranium tenements under application in Mongolia (Figure 7-1). These tenements are presented in Table 7-1. SRK has reviewed the Licences from a technical perspective only. SRK has not undertaken any legal due diligence to confirm whether or not any ownership, statutory obligations and consents are in force and current.

Table 7-1: Summary Terms and Conditions for the Polo Tenements

| Tenement Name (Uranium) | Tenement No. | Owner | Date Granted | Expiry Date | Area (km²) |
|----------------------------|-----------------|---------|-----------------|-------------|---------------|
| Giorekon alpha | 11000 | Polo | 23.12.2005 | 22.12.2008 | 10.98 |
| Giorekon beta | 11001 | Polo | 23.12.2005 | 22.12.2008 | 21.38 |
| Giorekon charlie | 11002 | Polo | 23.12.2005 | 22.12.2008 | 4.94 |
| Maikhant | 11003 | Polo | 23.12.2005 | 22.12.2008 | 47.92 |
| Giorekon echo | 11004 | Polo | 23.12.2005 | 22.12.2008 | 31.31 |
| Khongor uul | 11030 | Polo | 29.12.2005 | 29.12.2008 | 300.03 |
| Ar bulag-2 | 10230 | Polo | 01.08.2005 | 31.07.2008 | 23.94 |
| Ar bulag-1 | 10231 | Polo | 01.08.2005 | 31.07.2008 | 6.47 |
| Bayant | 12105 | Polo | 11.10.2006 | 10.10.2009 | 15.29 |
| Bayan | 9802 | Polo | 16.05.2005 | 16.05.2008 | 18.21 |
| Mukhar ulaan-3 | 12751 | Polo | 27.09.2007 | 27.09.2010 | 3.01 |
| Mukhar ulaan | 12752 | Polo | 27.09.2007 | 27.09.2010 | 1.63 |
| Mukhar ulaan-2 | 12753 | Polo | 27.09.2007 | 27.09.2010 | 1.13 |
| Khoid ulaan-1 | 12754 | Polo | 27.09.2007 | 27.09.2010 | 9.40 |
| Khoid ulaan-2 | 12755 | Polo | 27.09.2007 | 27.09.2010 | 2.51 |
| Alag tsav | 9646 | Polo | 24.01.2005 | 23.04.2008 | 31.51 |
| TOTAL | | | | | 529.66 |
| Application | 20827 | Pending | TBA | TBA | 28.89 |
| Application | 20846 | Pending | TBA | TBA | 1,011.8 |
| Application | 20847 | Pending | TBA | TBA | 192.5 |
| Application | 20955 | Pending | TBA | TBA | 29.04 |
| Application | 20956 | Pending | TBA | TBA | 73.73 |
| Application | 20957 | Pending | TBA | TBA | 116.5 |
| Application | 20978 | Pending | TBA | TBA | 30.66 |

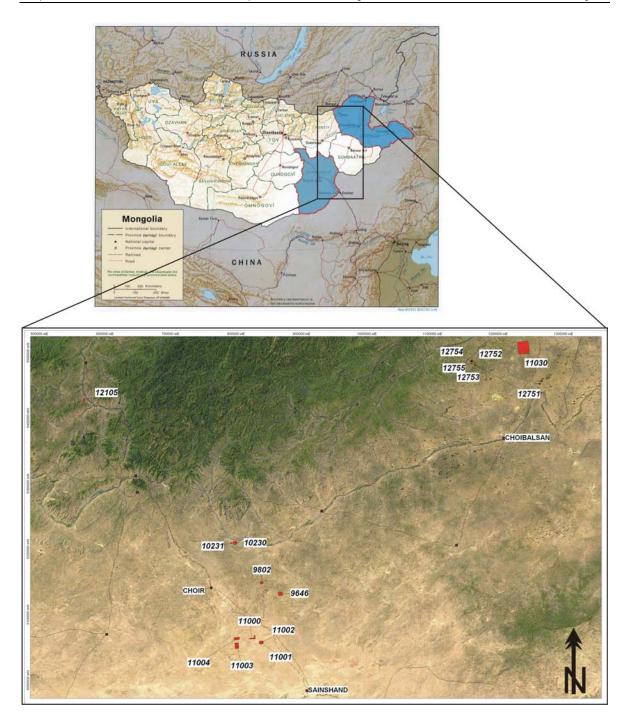


Figure 7-1: Location of Polo Uranium Tenements in Mongolia

7.3 Regional Geology of Mongolia

Mongolia occupies part of the Central Asian Fold Belt, which is variously named the Central Asian Mobile Belt, Mountain Belt, Orogenic Belt or Ural-Mongolian Fold Belt in literature. The Central Asian Fold Belt is juxtaposed against the Siberian craton to the north, and the Sino-Korean craton to the south, with the oldest rocks dated at 2.65 Ga (Mironov, 2005). The Belt has undergone numerous cycles of sedimentation and metamorphism, with rare mafic intrusion, and abundant granitic intrusion, and felsic extrusion, events. Geologically, Mongolia is divided into seven fold belts or systems (Figure 7-2), with the Central Mongolian portion of the fold belt containing some significant uranium deposits in the Dornod and Hairhan areas, proximal to Polo's tenement holdings.

The Central belt is characterised by Proterozoic gneisses, schists, and anatectic granites, occurring as inliers in early Paleozoic volcanic and sedimentary rocks (Mironov, 2005). Silurian and Devonian sandstones and shales are widespread, with Upper Paleozoic volcanic and molasse-type sedimentary rocks unconformably overlying earlier Proterozoic and Paleozoic rocks. Folding, granite intrusion, the Variscan orogeny and erosion closed the Paleozoic and prepared the platform upon which the Jurassic and Cretaceous uranium bearing bimodal basalt - rhyolite complexes were erupted.

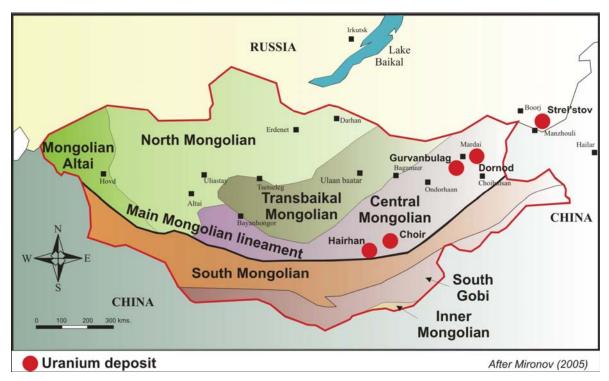


Figure 7-2: Map of Mongolian Foldbelts Illustrating the Distribution of Some Known Uranium Deposit Regions

Polo holds tenements within the Dornogovi District and the Dornod Province (Figure 7-1). The Company's tenements in the Dornogovi District cover a series of large sediment filled depressions which have formed in east-west and northeast-southwest trending extensional basins. Lower Cretaceous sediments have filled the basin with recent alluvial sediments occupying modern stream courses. Older Paleozoic rocks outcrop along the basin margins. Older basement, composed primarily of potassic altered granite with a high uranium background, forms a large massif to the north, and extensional sediment filled arcuate basins formed along the southern boundary of the massif in the Cretaceous. These basins have filled with mainly continental sediments and include lower Cretaceous coal seams and younger arkosic sandstones. Roll front and tabular uranium deposits have formed in these basins including the Haraat and Hairhan deposits owned and operated by Denison Mines. Polo's tenements cover portions of one of these extensional basins and are prospective for sandstone hosted uranium deposits.

In Dornod Province, Polo's tenements are characterised by bimodal continental basalt – rhyolite rocks and interbedded continental sedimentary rocks. The volcanic rocks erupted during the late Jurassic to early Cretaceous, and imprecise K-Ar dates indicate that the volcanic rocks likely erupted over 5 to 35 million years (De Ross, 2007). Basement rocks consist of Proterozoic to late Paleozoic gneisses, migmatites, amphiboles, granites, aplites, and pegmatites. Strong Na and K metasomatic, propylitic and argillic alteration may be found along faults, some of which are reported as "radioactive". A few small granite intrusions of early Mesozoic age may be the last manifestation of the late Paleozoic (Variscan) orogeny.

7.4 Geological Setting and Uranium Mineralisation in the Central Mongolian Belt

Late Mesozoic extensional basins are a prominent geological and topographic feature of the Central and Southern Mongolian tectonic belt. The basins are interpreted as having formed in an intracontinental, back-arc tectonic setting, in response to extensional faulting. These basins, which are likely fault bounded grabens and half-grabens, are generally oriented northeast/southwest and were filled by eroded sediment during the Mesozoic to Cenozoic periods.

Uranium deposits formed in the basins include sediment hosted tabular and irregular stacked roll front style deposits. The tabular deposits often form close to the surface by concentration of uranium in organic rich sediments, in response to redistribution by oxidising ground waters at or just below the groundwater table. Such deposits usually form in palaeochannels, as these contain organic rich sediments and act as aquifers to groundwater movement, and reducing environments for U precipitation. Ground waters in this environment often carry high levels of dissolved uranium species leached from the surrounding basement rocks.

In south east Mongolia these deposits usually form in the younger, near surface Cenozoic fluvio-lacustrine deposits which form in parts of these basins. Uranium roll front deposits occur in the older Cretaceous and Jurassic basin fill sediments which in places are known to be up to 1,500m thick, and are a primary source of the coal deposits in the district. These roll front deposits can form at depth below the water table from the migration of oxygenated waters moving down dip of shallow dipping permeable sandstones. The sandstone units are often separated by less permeable clayey units, and as a result, a stacked discordant sequence of mineralised sandstone units can form over significant thicknesses.

Sandstone hosted uranium mineralisation is reported throughout central and southern Mongolia. An example of a tabular shallow-level palaeochannel deposit is the Haraat deposit (Choir) owned by Denison Mines who have reported a resource as presented in Table 7-2.

Table 7-2: Resources Reported by Denison Mines for their Haraat Deposit West of Polo's Tenements in the Dornogovi District

| Resource Category | Mt | Grade (%U) | Tonnes of U |
|----------------------|------|---------------|-------------|
| Inferred | 10.6 | 0.023 | 2461 |

The roll front style of U deposit is represented by Denison's Hairhan project, located in the vicinity of the Haraat deposit, but in an older rock sequence. The Hairhan project has a reported resource as presented in Table 7-3.

Table 7-3: Resources Reported by Denison Mines for their Hairhan Deposit West of Polo's Tenements in the Dornogovi District

| Resource Category | Mt | Grade (%U) | Tonnes of U |
|----------------------|------|---------------|-------------|
| Indicated | 4.73 | 0.064 | 3036 |
| Inferred | 1.85 | 0.073 | 1341 |

7.5 Styles of Uranium Mineralisation Applicable to the Central Mongolian Belt

Uranium mineralisation can form in a number of geological environments (Figure 7-3). For the Polo tenements, Sandstone-hosted deposits are the main target of interest. Sandstone uranium deposits occur mainly in medium to coarse-grained sandstones deposited in a continental fluvial or marginal marine sedimentary environment. Impermeable shale/mudstone units are interbedded in the sedimentary sequence and often occur immediately above and below the mineralised sandstone. Uranium precipitated under reducing conditions caused by a variety of reducing agents within the sandstone including: carbonaceous material (detrital plant debris, amorphous humate, marine algae), sulphides (pyrite, H₂S), hydrocarbons (petroleum), and interbedded basic volcanics with abundant ferro-magnesian minerals (eg chlorite).

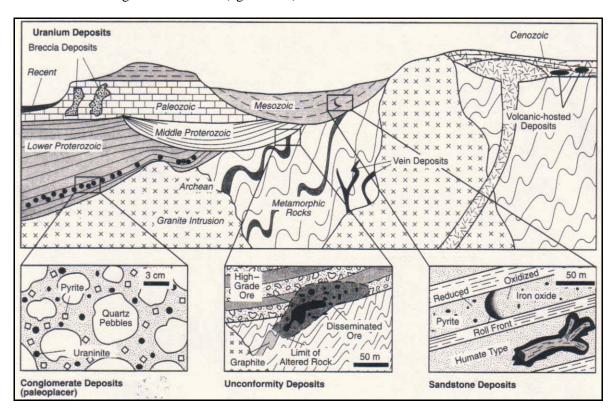


Figure 7-3: Recognised Styles of U Mineralisation

Three main types of sandstone deposits are generally recognised:

- Rollfront deposits arcuate bodies of mineralisation that crosscut sandstone bedding
- Tabular deposits irregular, elongate lenticular bodies parallel to the depositional trend, deposits commonly occur in palaeochannels incised into underlying basement rocks
- Tectonic/lithologic deposits occur in sandstones adjacent to a permeable fault zone Sandstone deposits constitute about 18% of world uranium resources. Orebodies of this type are commonly low to medium grade (0.05 to 0.4% U3O8) and individual orebodies are small to medium in size (ranging up to a maximum of 50,000t U3O8). The main primary uranium minerals are uraninite and coffinite, and conventional mining/milling operations of sandstone deposits have been progressively undercut by cheaper in situ leach mining methods. All deposits in the Dornogovi District and the Dornod Province fall into one of the three sub categories listed above and presented in Figure 7-3.

7.6 Uranium Tenements

7.6.1 Dornogovi District

Polo holds 10 uranium exploration tenements and has 7 tenements under application in the Dornogovi District, Mongolia (Figure 7-4).

Although referred to as the 'Dornogovi District' tenements, four tenements are not located in Dornogovi Province. These are: 9802 (Khentii Province), 10230 (Gobisumber Province), 10231 (Tov Province), and 12105 (Selenge Province). For the sake of brevity, these tenements will be included in the discussion of the Dornogovi District Projects and/or Dornogovi District tenements.

The geology and prospectivity potential of the tenements under application have not been addressed in this assessment.

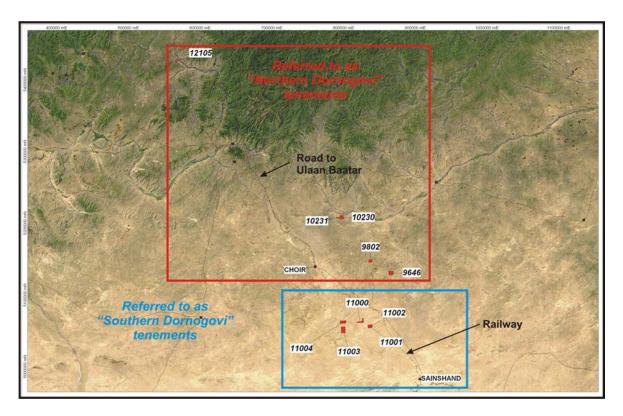


Figure 7-4: Location of the Uranium Tenements in the Dornogovi District Owned or Under Application/Tender by Polo

The granted Polo tenements in the Dornogovi District are approximately 200km east of the Hairhan and Haraat uranium deposits (De Ross, 1997; Wilson, 2007), and can be accessed by paved road to the township of Choir, approximately 200km south-south-east of Ulaanbataar, and then by dirt track approximately 100km to the southern most tenement (11003). The area is characterised by a desert landscape with a mostly flat topography and gently rolling hills. Outcrop is limited, with lithological identification over wide areas mainly constrained to mapping of float material.

7.6.1.1 Geology and Mineralisation Styles

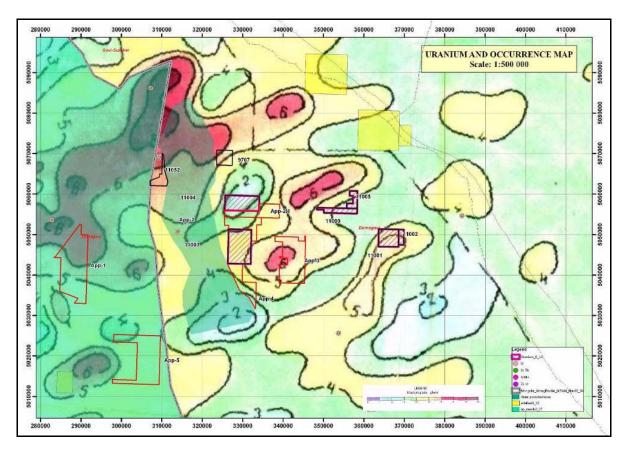
Northern Dornogovi Tenements

Little data is available for these tenements, other than for tenement 9646, which is covered by historic Russian airborne radiometric surveys. Tenement 9646 is characterised by a linear, northeast trending depression within Mesozoic extensional basin sedimentary rocks. Historic Russian

drilling in the north-east portion of the tenement identifies Upper Cretaceous fluviate sediments, consisting of coarse proximal conglomerates with abundant granite cobbles. These units become finer towards the centre of the tenement, where sandstones, clayey silts and clays dominate. There is evidence of alkaline metasomatism within the granite cobbles, which may partially explain the radiometric anomaly over the area, and may also be a source of uranium in the ground waters and sediments of the tenement.

Southern Dornogovi Tenements

Radiometric anomalies, particularly proximal to tenements 11000-11004, occur within a Late Mesozoic extensional sedimentary basin setting (De Ross, 2007). The basin fill comprises Cretaceous and younger-aged sandstones and siltstones, interpreted to have been derived from a continental source (De Ross, 2007). These sedimentary rocks are possible candidates to host the radiometric anomalies presented (Figure 7-5). Sedimentary rocks of this age and type host tabular and stacked roll front uranium mineralisation, located approximately 100km west of tenements 11000-11004, at the Haraat and Hairhan deposits (both operated by Denison Mines; The basin also contains Jurassic-aged volcanic rocks which are www.denisonmines.com). described as having fluorite veining, and such rocks were identified by SRK during the site visit component of this assessment (Figure 7-6). It is possible that these rocks may be prospective for Saddle Hills-type uranium deposits, which occur in Dornod Province to the north-east. The northeast to south-west oriented airborne radiometric anomalies have a similar orientation to the dominant palaeochannel direction in the basin (De Ross, 2007). The radiometric anomalies in these palaeochannels may represent near surface tabular sandstone hosted uranium deposits (possible Haraat-type), and warrant further investigation.



SRK has not verified the magnitude of these anomalies

Figure 7-5: Radiometric Anomalies for the Southern Dornogovi Area



Figure 7-6: Strongly Brecciated and CaF Vein-bearing Rhyolite at the 11002 Tenement

7.6.1.2 Previous Work

Northern Tenements

Tenements in the Dornogovi Northern areas were first targeted by the Asia Intercept Mining Group (AIMG) on the basis of known anomalies in airborne radiometric data flown by the Russians (De Ross, 2007; Figure 7-7B).

Russian geologists followed up airborne radiometric anomalies at two sites on tenement 9646, and at both localities shallow trenches were excavated and a programme of shallow drilling was undertaken. At least 84 holes were drilled (Figure 7-7C). Little is known of this work apart from hard copy maps of the radiometric survey, and surface plans showing basic geology, topography and the location of the drill holes superimposed on the radiometric anomalies. As such, SRK cannot verify any results reported for this drilling programme. However, reconnaissance field review of trenches by Polo geologists using a Russian scintillometer, detected on average, twice times background uranium levels, and, up to four times background from coarse red-yellow-brown conglomerates. It is interpreted that the high 4x readings relate to uranium concentrated in limonitic cements. In addition, a single trench displayed high readings, up to nine times background, in association with limonite stained clayey, silty sandstones (Figure 7-8).

Drilling profiles from the Russian drilling indicate uranium-enriched layers as occurring at around 20 to 30m below the surface, and apparently confined to palaeochannels (Figure 7-7C). On average, the uranium-enriched layer is reported as approximately 2.1m thick, 70m wide, and 800m long along strike. The relatively constant depth also infers that the uranium is being concentrated at a redox front at or near the (palaeo) water table. The orientation of the palaeo drainage is uncertain due to the limited drilling. However, it appears to be roughly parallel with the radiometric anomalies, which occur where ever the enriched layer identified in drilling is intersected by the current surface topography. Given the lack of understanding with regards to sampling and analytical techniques, and reporting guidelines under the JORC Code, SRK cannot verify or report results of the historic drilling. Despite this, the identified stratigraphy from drilling, and reconnaissance surface detection by Polo, indicate at least elevated U values within tenement 9646. This requires further sampling and testing through confirmatory drilling.

Southern Tenements

No significant ground follow up was conducted on anomalies identified in airborne radiometric data flown by the Russians (De Ross, 2007; Figure 7-9), and there is only one known drill hole in the area at 45°34'36.5''N, 109°19'08.8E. A predominant northeast-southwest orientation of radiometric anomalies reflect the trend of an extensional basin setting (Figure 7-9), and limited ground follow-up of these anomalies undertaken by AIMG geologists, confirmed the existence and location of these anomalies. These surveys also indicated that the potential source of the anomalies appear to be sediment-hosted (possibly sandstone). At the present time, there is little understanding of the geographic/geologic/temporal characteristics of the radiometric anomalies identified, as neither detailed airborne radiometric data nor ground follow-up data is available. As such, detailed field mapping and sampling over these areas should constitute the first stages of exploration moving forward.

B. Radiometric anomalies defined within the tenement 9646 area. The source and magnitude of the anomalies have not been verified by SRK

A. Location of tenement 9646

C. Location of historic Russian drilling, interpreted geological profiles, and reported grades for intersection. Grades and width of intersections have not been verified by SRK.

 $1.00/0.021 = 1 \text{m}/0.021\% \text{ U}_3 \text{O}_8$

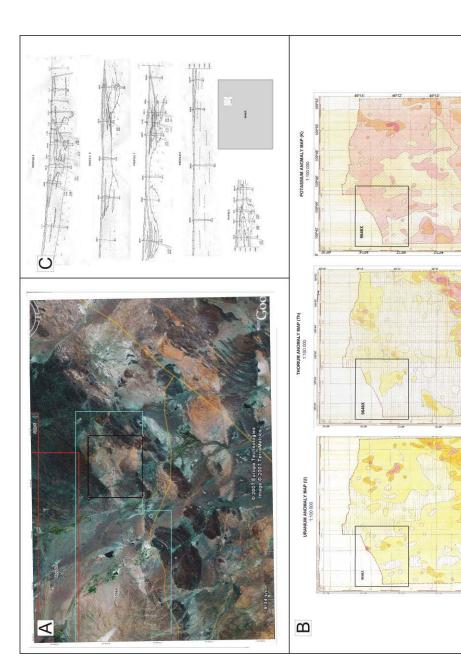


Figure 7-7: Tenement 9646

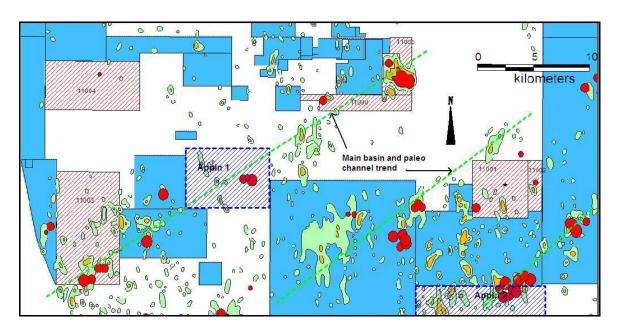
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Figure 7-8: Yellow Brown Clayey Sand with 9x Background Radiometric Response



The trend of the anomalies follow the orientation of palaeochannels in the area. The magnitude of the green, orange and red anomalies have not been resolved by SRK. De Ross (2007) states that the red anomalies are the highest magnitude.

Figure 7-9: Airborne Radiometric Anomalies (red circles) in the Giorekon Alpha to Echo Tenement Areas (11000 to 11004)

7.6.1.3 Proposed Exploration

The uranium tenements held by Polo in the Dornogovi District are at very early stages of exploration, and require significant additional work. Activities within Years 1 and 2 post re-listing will include:

- Finalisation of collection and integration of available historic geological, geochemical and geophysical data from government records
- Verification of the historic airborne radiometric anomalies, potentially by the implementation
 of additional airborne geophysical surveys such as magnetics (to assist with lithology
 identification) and radiometrics
- Verification sampling within historic trenches or at outcrop which exposes the near surface extensions of the prospective Cretaceous and younger-aged sandstone and siltstone sequences
- Determination of the presence of the sandstone sequence hosting U mineralisation at the Haraat and Hairhan deposits, through mapping and interpretation of geophysical datasets
- Development of a structural model with regards to potential fluid pathways which may have transported uraniferous fluids to local sites with reducing lithological geochemical characteristics
- Resolution of the significance of fluorite-bearing veins and breccias with regards to Saddle Hills style U mineralisation potential for the area
- Identification of the extent and geometry of recognised palaeochannels through surface mapping and interpretation of radiometric data
- Verification, through additional drilling, of the dimensions for uranium-enriched sediments defined by historic drilling in the north-east portion of tenement 9646

Given the early stage of the Project, the second year's exploration will be dependant on the results of Year 1 work. A budget of US\$873,418 has been set for exploration in Year 1 (2008), with a further US\$873,418 preliminarily allocated for Year 2 (2009), but may be adjusted based on Year 1 results. In total, Polo have committed US\$1,746,836 to the Dornogovi District tenements in the first 2 years, but may adjust the second year budget based on Year 1 results. A breakdown of exploration budget allocation against cost centre is presented in Table 7-4.

Table 7-4: Preliminary Proposed Exploration Budget for the Dornogovi District Tenements

| Cost Centre | Proposed Exploration Expenditure | | | | |
|---|----------------------------------|---------------|--|--|--|
| Cost Centre | Year 1 (US\$) | Year 2 (US\$) | | | |
| Drilling Costs - Drilling - Earth works - Fuel - Consumables - Labour | \$471,979 | \$471,979 | | | |
| Geology & Geochemistry (including assays) | \$100,672 | \$100,672 | | | |
| Geophysics | \$72. | ,293 | | | |
| Salaries / Consulting Fees | \$108,878 | \$108,878 | | | |
| Logistics / Operations | \$41,817 | \$41,817 | | | |
| Subtotal | \$759,494 | \$759,494 | | | |
| Contingency (15%) | \$113,929 | \$113,929 | | | |
| Total per year | \$873,418 | \$873,418 | | | |
| Total for 2 years | \$1,74 | 6,836 | | | |

7.6.1.4 SRK Comment

Based on the genetic models presented for sandstone hosted U mineralisation in Section 7.5, the main objective for uranium exploration in the Dornogovi District area is to understand the controls to mineralised uraniferous groundwaters in terms of how and where they are channelled, and where they are most likely to intersect lithologies in a reducing environment that will initiate precipitation of economic quantities of uranium mineralisation. As such, airborne magnetics will prove useful for aiding in a structural and stratigraphic interpretation of the area, and potentially for mapping different lithologies. Although airborne radiometrics is useful for the direct detection of uranium bearing minerals at surface, it is of limited or little use for accumulations of uranium mineralisation at depth. However, radiometric data can be useful for aiding structural and geological interpretation of the area.

Given the generally poor outcrop exposure, groundwater geochemistry and soil geochemistry may assist in exploration as a follow up to geophysical target identification. A regional soil sampling grid testing for uranium and other associated elements (e.g. vanadium etc) may prove useful in characterising potential targets.

In summary, the Dornogovi District tenements represent greenfields exploration plays that require verification of historic exploration results. The geological setting of the licence is currently at an early level of understanding, and further work is required in order to better understand the geological environment responsible for the anomalous uranium results from previous explorers. Polo has proposed a programme to source further available historic exploration data from Government records, and plans to implement a detailed reconnaissance programme in order to verify this data and plan further exploration activities. Given that the uranium mineralisation is demonstrated in the area, and that historic exploration was limited, SRK considers that additional exploration within the Polo tenements is required, and the work proposed by Polo (Section 7.6.1.3) as appropriate, given the budgetary levels proposed in Table 7-4.

7.6.2 Dornod Province

Polo holds 6 uranium exploration tenements in the Dornod Province, Mongolia (Figure 7-10).

Access to the Dornod Province tenements is via paved road for approximately 100km east from Ulaanbaatar to the coal mining Town of Baganoor, then approximately 550km east by partly paved and partly dirt road from Baganoor to Choibalsan in northeastern Mongolia. The tenements are located some 125km north of Choibalsan by dirt road to Mardai. Polo's Dornod Province tenements are characterised by a desert landscape with a mostly flat topography and gently rolling hills. Outcrop is limited, with lithological identification over wide areas mainly constrained to mapping of float material, and locally, to areas with historic mining activity.

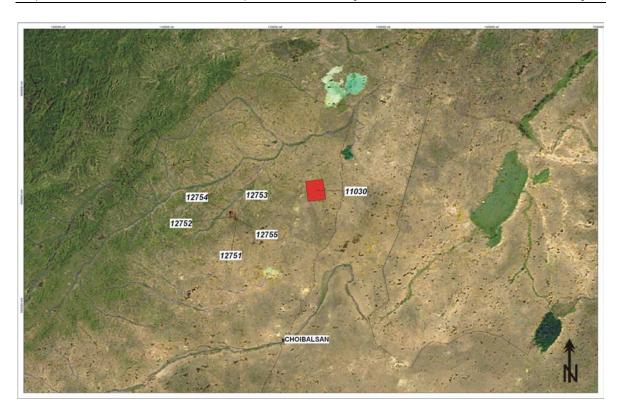


Figure 7-10: Location of Polo's Tenements in Dornod Province, Mongolia

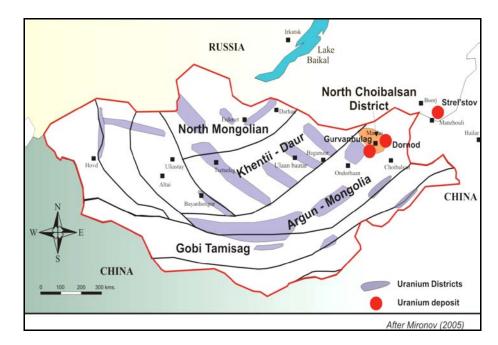
7.6.2.1 Geology and Mineralisation Styles

Polo holds tenements in the historically explored Dornod and Saddle Hills areas, which are located in the Argun-Mongolia uranium province (Figure 7-11).

The Dornod area consists of volcanic rocks, filling what appear to be volcanic depressions, or down-faulted crustal blocks. In general, the area is composed of a lower succession of sedimentary rocks, basalts, intermediate tuffs and rhyolites, capped by a thick upper succession of felsic volcanic rocks. The volcanic rocks of the Dornod Complex are divided into the Lower, Middle and Upper Sub-complexes, separated by breaks and unconformities. The Lower Sub-complex is an intercalation of layers of quartz-feldspar porphyries, trachydacites and andesite-basalts with horizons of tuff and sedimentary rocks (De Ross, 2007). The total thickness of the sub-complex varies from 150 to 450m. The Middle Sub-complex comprises structurally and texturally varied layers of volcanic rocks, with a total thickness of 300 to 800m, and the Upper Sub-complex includes layers of trachyandesites a few hundred metres thick. Historic exploration in the district indicates that uranium mineralisation is mostly located toward the bottom of the complex (Wilson, 2006).

Although uranium mineralisation is common throughout the Dornod Complex, economic concentrations of uranium mineralisation occur in a narrow stratigraphic interval in the lower part of the Complex. Ore mineralisation is most extensive in horizons of porous sedimentary and volcanic rocks usually enriched with organic or sulphide minerals. Deposits are interpreted to be controlled by major zones of steeply dipping fractures of northerly and north-easterly trend, and their intersection with north-westerly oriented faults.

Where identified, uranium mineralisation in the Dornod area occurs as pitchblende-coffinite assemblages, associated with carbonaceous partings and fragments in areas of structural complexity (Wilson, 2006; De Ross, 2007). The uranium mineralisation occurs as "blanket-like" horizons from less than 1m thick to greater than 30m thick within the volcano-sedimentary succession at depths from 30m to greater than 450m below surface (De Ross, 2007). However, uranium mineralisation has also been reported from veins within the basement rocks (Wilson, 2006).



Source: SRK 2006

Figure 7-11: Location of the Argun-Mongolia Uranium Province

The Saddle Hills area is characterised by bimodal continental basalt-rhyolite rocks and interbedded continental sedimentary rocks. At its north end lies the Strel'tsov caldera, and within it, Russia's presently only source of uranium (SRK, 2006). In the caldera, lower mafic and intermediate volcanic rocks are made up of three layers of basalt alternating with three layers of trachydacite. Sedimentary rocks are interbedded with volcanic flows at various levels. Rhyolites cover the basalt and trachydacite units.

Three uranium mineralised sites are recognised in the Saddle Hills area at Gurvanbulag, Dornod and Mardaingol (Figure 7-11), and all occur in volcanic rocks, filling what appear to be volcanic depressions, or down-faulted crustal blocks. As for the Dornod area, the stratigraphic profiles at the three sites are similar, each with a typical bimodal basalt – rhyolite association consisting of a lower succession of sedimentary rocks, basalts, intermediate tuffs and rhyolites, capped by a thick upper succession of felsic volcanic rocks. The volcanic rocks erupted during the late Jurassic to early Cretaceous. The basement rocks display a pronounced paleo-relief that may have formed through erosional and tectonic processes in pre- or syn-volcanic periods.

All uranium mineralisation discovered to date occurs in a narrow belt along the northern margin of what is locally referred to as the Dornod Structure. Uranium occurs in basement rocks, and lower and middle subcomplexes. More specifically, the best uranium concentrations identified to date occur in the upper parts of the lower subcomplex (e.g. Dornod), and the lower part of the middle subcomplex (e.g. Gurvanbulag). The Russians explored resources at Gurvanbulag to a depth of about 550m with surface drilling, and within this mineralised material, higher grade lenses were found to be mineralised over restricted vertical ranges of about 50 to 200m (SRK, 2006).

Uranium-bearing veins occur most commonly in volcanic rocks intruded with steeply dipping subvolcanic intrusions, feeder pipes or fissures. This relationship holds for Strel'tsov, Mardaingol and Dornod. Previous workings suggest that the best uranium distribution within the area is a function of the interaction of intra-formational faults, cooling contraction fractures, grain size of tuffs or breccia fragments (and its resultant enhanced permeability), chemical alteration, and reductants such as plant remains, iron sulphides and titanium oxides. The prolonged structural history in the area is associated with alteration, which can be broadly divided into two categories; High T alteration that pre-dates most of the volcanic cover, and low temperature alteration and uranium introduction after late Mesozoic /early Cretaceous volcanism had ceased. As such, a continuum of alteration mineral development is recognised in the area, which consists of pre-U

mineralisation phases (e.g. High T: quartz, K-felspar, lead and zinc sulphides, skarn minerals, magnetite, tin and tungsten, epidote, gold), and syn- to post-U mineralisation phases (e.g. low T: hydromicas, mixed layer micas, montmorillonite, carbonates, kaolinite, chlorite, feldspars, sericite, epidote, uranium minerals (coffinite, pitchblende and uranophane), fluorite and molybdenite).

The main uranium minerals are coffinite, uranophane, uraninite/pitchblende, with common accompanying alteration phases being generally weak silicification, hematite and chlorite (shamosite) formation. Some fluorite is also identified with the uranium minerals.

7.6.2.2 Previous Work

Historic mining and prospecting activities date back to the 1940s. The tenements acquired by Polo from AIMG in this area, are adjacent to exploration and mining licences held by Western Prospectors and Khan Resources. The Polo tenements were previously vacant prior to exploration by AIMG. The reason for this vacancy is that the tenements were only recently released for exploration. Prior to release, the areas were nominated grazing areas (De Ross 2007).

Historic exploration work in the overall area consisted of:

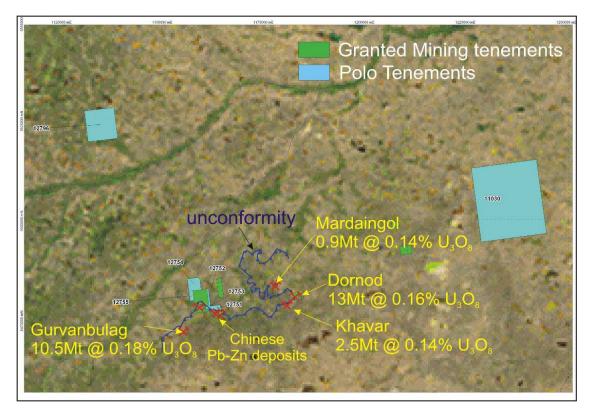
- From 1943 to 1972, a large area of northeastern Mongolia was prospected for uranium and geological mapping at scales of 1:200,000 and 1:50,000 was carried out by joint Russian-Mongolian expeditions
- In 1971, the Russian-Mongolian Geological Expedition started exploring for uranium over a 3,000km² area in the northeastern portion of the country. This included an airborne gamma ray spectrometric survey (at 1:500,000 and 1:200,000) and follow-up ground gamma ray surveys (at 1:25,000) over the area. During the same period, Russian-Mongolian Geological Expedition also carried out geological mapping at a scale of 1:50,000 in the same area
- Coincident with the Mongolian studies, a Russian Geological Expedition conducted uranium exploration over a much larger area in northeastern Mongolia. This included geological mapping, prospecting, ground and airborne gamma ray spectrometer surveys
- The integrated work by both expeditions led to the discovery in 1972 of "significant uranium mineralisation" hosted by Mesozoic to Cretaceous volcanic and sedimentary rocks occurring in the Dornod volcanic-tectonic structure, a large geological feature covering approximately 2,000km².
- Further evaluation from 1972 to 1990, including trenching, geological mapping, prospecting, geophysical surveying, diamond drilling and underground development, outlined 13 mineralised zones within an area of uranium mineralisation covering some 20km². Priargunsky Kombinat (Priargunsky, the Russian operator) completed some 450 surface diamond drill holes spaced 50m apart, and some detailed areas with holes 25m apart
- Early prospecting work led to the discovery of the Dornod uranium deposit, and production started there from an open pit in 1988 (Wilson 2006). From 1988 to 1995, some 590,000 tonnes of material at an average grade of 0.118% U3O8 were mined from the Dornod open pit mine, and hauled 550km by rail to the Priargunsky uranium processing facilities in Krasnokamensk, Siberia (Russia) (MacCormack, 1998)
- In 1995, Priargunsky, on behalf of World Wide Minerals Ltd. (World Wide, a predecessor company to Khan Resources), commenced stripping and mining operations at the Dornod No. 2 deposit open pit, but due to low uranium prices, the mine was shut down in 1995. Since then, the Project has been maintained on a care and maintenance basis.
- Perestroika and the dissolution of the Soviet Union caused the cessation of further funding for exploration and development of the Dornod Project. From 1991 to 1995, ongoing operations focussed on the already fully developed open pit. By mid-July 1995, the open pit was operating at a minimal level because of a shortage of funds for the purchase of explosives, and the mine was finally shut down. Operations were placed on stand-by and no further mining has occurred since 1995

The Dornod area is currently a target for uranium exploration and production in Mongolia, and encompasses three of the largest uranium deposits in Mongolia. Details of these are presented in Table 7-5, and the location of Polo's tenements relative to these resources is presented in Figure 7-12.

Table 7-5: Resources Reported by Western Companies in the Dornod and Saddle Hills Area

| Deposit Name | Operating Company | Reported Resource |
|-----------------------|---------------------|----------------------|
| Dornod deposit (N# 7) | Khan Resources | 13 Mt @ 0.16% U3O8 |
| Gurvanbulag | Western Prospectors | 10.5 Mt @ 0.18% U3O8 |
| Khavar | Western Prospectors | 2.5 Mt @ 0.14% U3O8 |

Source: De Ross (2007)



Modified after De Ross (2007)

Figure 7-12: Geographic Location of Polo Tenements Relative to Defined Resources in the Area

7.6.2.3 Proposed Exploration

Similar to the exploration approach in the Dornogovi District, Polo intends to commence their exploration in Dornod through a detailed data review for available reports on the area, in particular focusing on the uranium prospectivity of the tenement. In addition, Polo propose to:

- Implement an airborne geophysical survey (magnetics and radiometrics) to assist with lithology identification and surface uranium anomaly detection
- Identify the position of the lower sub-complex volcanic and volcano sedimentary units, which historic exploration in the district indicates is most prospective for uranium mineralisation
- Target the lithological sequence hosting U mineralisation at the Gurvanbulag, Mardaingol, and Dornod and Hairhan deposits, through mapping and interpretation of geophysical datasets

- In concert with potential host-rock identification, resolve the relationship between high- and low-T alteration assemblages relative to sandstone-hosted and that related to volcanic activity, as a means of vectoring towards uranium depositional sites
- Development of a structural model with regards to potential fluid pathways which may have transported uraniferous fluids to local sites with reducing lithological geochemical characteristics
- In tandem with the structural model, Polo will specifically target intra-formational faults and other textural features which have been identified by previous workers as being important with regards to U mineralisation (e.g. cooling contraction fractures, grain size of tuffs or breccia fragments, chemical alteration, and reductants such as plant remains, iron sulphides and titanium oxides)
- Identify the extent and geometry of the unconformity which passes through, and may be related to U mineralisation at, the Gurvanbulag deposit within Polo's tenements
- Drill test targets identified

Year 1 exploration will involve data review, trenching, geological mapping, collection of airborne geophysical data, profile sampling and soil sampling. A proposed budget of US\$582,279 for Year 1 has been allocated to complete these tasks. A Year 2 budget of US\$582,279 will aim to follow up defined target zones from Year 1 work, with a total commitment of US\$1,164,558 for the Dornod Province Projects over 2 years. A breakdown of exploration budget allocation against cost centres in Dornod Province is presented in Table 7-6.

Table 7-6: Preliminary Proposed Exploration Budget for the Dornod Province Tenements

| Cost Centre | Proposed Exploration Expenditure | | | | |
|----------------------------|----------------------------------|---------------|--|--|--|
| Cost Centre | Year 1 (US\$) | Year 2 (US\$) | | | |
| Drilling Costs | | | | | |
| - Drilling | | | | | |
| - Earth works | \$314,652 | \$314,652 | | | |
| - Fuel | ψ514,052 | ψ514,052 | | | |
| - Consumables | | | | | |
| - Labour | | | | | |
| Geology & assaying | \$ 67,114 | \$ 67,114 | | | |
| (including assays) | Ψ 07,114 | ΨΟΙ,ΤΙΨ | | | |
| Geophysics | \$ 48 | 3,188 | | | |
| Salaries / Consulting Fees | \$ 72,585 | \$ 72,585 | | | |
| Logistics / Operations | \$ 27,878 | \$ 27,878 | | | |
| Subtotal | \$506,329 | \$506,329 | | | |
| Contingency (15%) | \$ 75,949 | \$ 75,949 | | | |
| Total per year | \$582,279 | \$582,279 | | | |
| Total for 2 years | \$1,16 | 4,558 | | | |

7.6.2.4 SRK Comment

As is the case for the Dornogovi District tenements, Polo will focus primarily on the controls to structure and fluid migration within their tenement holdings in Dornod Province. Again, airborne magnetics will prove useful for aiding in a structural and stratigraphic interpretation of the area, radiometric data will be used to assist this process. Groundwater geochemistry and soil geochemistry may be implemented in a tenement-scale soil programme, and Polo will use available data for the known deposits at Gurvanbulag, Mardaingol, Khavar and Dornod to enhance their exploration focus.

In summary, the Dornod Province tenements are similar in terms of the stage of exploration, to those at the Dornogovi District. Essentially, they represent greenfields exploration plays that are located within a district with demonstrable uranium production, and require verification of historic exploration results to focus exploration strategies. Available geological information for the area is

more advanced to that of the Dornogovi District tenements. However, the geological setting of the specific tenements is currently at an early level of understanding, and further work is required in order to better establish if the tenements have the potential to host similar tonnes and grade of mineralisation to that which is currently being developed in adjacent tenements by other explorers.

In light of the fact that uranium mineralisation is demonstrated, and has been historically mined, in the area, SRK considers that additional exploration within the Polo tenements is justified. The well-established geological criteria for U mineralisation in the area will greatly assist Polo's exploration efforts, meaning that specific geological, geochemical and structural features can be immediately tested using the work programme proposed by Polo in Section 7.6.2.3. SRK considers this approach as appropriate, at the budgetary levels proposed in Table 7-7.

7.7 Conclusions

The mineral assets of Polo that are the subject of this section of SRK's review, are predominantly uranium exploration Projects, with some W potential. As no JORC-compliant resource has been defined on any tenement, the properties are speculative by nature and involve varying degrees of exploration and financial risk. However, initial field and data reviews pertaining to the specific tenements, and to both the Dornogovi District and Dornod Province tenement areas as a whole, indicate the occurrence of multiple zones of U anomalism, which are apparently laterally extensive.

It is SRK's view that Polo presents a portfolio of Projects located across two geological terranes which are noted to host multiple U deposits of varying genetic style. All tenements are at the earliest stage of exploration, but can be considered as under-explored in the context of modern exploration techniques, as the majority of exploration in the districts covered by Polo tenements were primarily explored during Soviet times without access to sophisticated instrumentation for low-level U, Th and K detection. For both the Dornogovi District and Dornod Province tenements, uranium is currently being mined within the district, and exploration and mine development is also active. As such, a sound base of geological knowledge is available for Polo to incorporate in its exploration strategy. In SRK's opinion, the immediate challenge for Polo will be to verify historic uranium anomalism, and interpret this within the context of the specific geological criteria considered as important to controlling the localisation of U mineralisation throughout the districts being explored.

In conclusion, it is SRK's view that the work programme and budget presented by Polo is based on sufficient technical merit to warrant further investigation. A total budget of A\$2,911,392 (Table 7-7) has been allocated to exploration programmes for the Polo tenements, and it is SRK's opinion that the business objectives of Polo are closely aligned to the work programme outlined by the company in the exploration budget.

Table 7-7: Exploration Budget Summary for Years 1 and 2 for Polo Uranium Tenements

| Project Area | Year 1 (US\$) | Year 2 (US\$) | Contingency (15%) | Total per Project Area over 2 years (US\$) |
|--------------------------------|------------------|------------------|-------------------|--|
| Dornogovi District Projects | \$ 759,494 | \$ 759,494 | \$ 227,848 | \$1,746,836 |
| Dornod Projects | \$ 506,329 | \$ 506,329 | \$ 151,898 | \$1,164,557 |
| Subtotal | \$1,265,823 | \$1,265,823 | \$379,746 | |
| Total | | | \$2,911,392 | |

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Date and Signature

Dated this twentieth day of February, 2008

Yoga Suryanegara SRK Consulting

Dr Louis Bucci SRK Consulting Appendix 1: List of Assets that Polo have the Right to Purchase in Mongolia and are the Subject of this Report

SRK Consulting Independent Technical Review – Coal and Uranium Exploration Tenements, Mongolia

| Comment | | | | | | | | | | | | | | |
|----------------------------|---------------------------------|---|---|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------------|------------------------------|--|------------------------------|------------------------------|------------------------------|
| Licence Area (km²) | 31.51 | 18.21 | 23.94 | 6.47 | 10.98 | 21.38 | 4.94 | 47.92 | 31.31 | 300.03 | 15.29 | 3.01 | 1.63 | 1.13 |
| Licence Expiry Date | 23 April 2008 | 16 May 2008 | 31 July 2008 | 31 July 2008 | 22 December 2008 | 29 December 2008 | 10 October 2009 | 27 September 2010 | 27 September 2010 | 27 September 2010 |
| Status | Exploration | Exploration | Exploration | Exploration | Exploration | Exploration | Exploration | Exploration | Exploration | Exploration | Exploration | Exploration | Exploration | Exploration |
| Interest (%) | Right to purchase | Right to purchase | Right to purchase | Right to purchase | Right to purchase | Right to purchase | Right to purchase | Right to purchase | Right to purchase | Right to purchase | Right to purchase | Right to purchase | Right to purchase | Right to purchase |
| Holder | Polo Resources Limited | Polo Resources Limited | Polo Resources Limited | Polo Resources Limited | Polo Resources Limited | Polo Resources Limited | Polo Resources Limited | Polo Resources Limited | Polo Resources Limited | Polo Resources Limited | Polo Resources Limited | Polo Resources Limited | Polo Resources Limited | Polo Resources Limited |
| Asset/ Project Location | Dornogovi Province, Mongolia | Khentii Province, Mongolia – referred to as 'Northern Dornogovi or Dornogovi District tenement' | Gobisumber Province, Mongolia – referred to 'Northern Dornogovi or Dornogovi District tenement' | Tov Province, Mongolia – referred to as 'Northern Dornogovi or Dornogovi District tenement' | Dornogovi Province, Mongolia | Dornod Province, Mongolia | Selenge Province, Mongolia – referred to 'Northern Dornogovi or Dornogovi District tenement' | Dornod Province, Mongolia | Dornod Province, Mongolia | Dornod Province, Mongolia |
| Commodity | Uranium | Uranium | Uranium | Uranium | Uranium | Uranium | Uranium | Uranium | Uranium | Uranium | Uranium | Uranium | Uranium | Uranium |
| Tenement Number | 9646 | 9802 | 10230 | 10231 | 11000 | 11001 | 11002 | 11003 | 11004 | 11030 | 12105 | 12751 | 12752 | 12753 |
| Asset / Project Name | Alag Tsav | Bayan | Ar Bulag-2 | Ar Bulag-1 | Giorekon Alpha | Giorekon Beta | Giorekon Charlie | Maikhant | Giorekon Echo | Khongor Uul | Bayant | Mukhar Ulaan-3 | Mukhar Ulaan | Mukhar Ulaan-2 |

YS/PH/ck

February 2008

SRK Consulting Independent Technical Review – Coal and Uranium Exploration Tenements, Mongolia

| Asset / Project | Tenement | Commodity | Asset/ | Holder | Interest (%) | Status | Licence | Licence | Comment |
|---------------------|----------|-----------|--------------------------------|---------------------------|-------------------|-------------------|----------------------|-------------------------|---------|
| Name | Number | | Project Location | _ | | | Expiry Date | Area (km ⁻) | |
| Khoid Ulaan-1 | 12754 | Uranium | Dornod Province, Mongolia | Polo Resources Limited | Right to purchase | Exploration | 27 September 2010 | 9.40 | |
| Khoid Ulaan-2 | 12755 | Uranium | Dornod Province, Mongolia | Polo Resources Limited | Right to purchase | Exploration | 27 September 2010 | 2.51 | |
| Altanshiree | 11162X | Coal | Sayshand Province, Mongolia | Polo Resources Limited | Right to purchase | Exploration | 19 January 2009 | 198.84 | |
| Doshin | 11987X | Coal | Sayshand Province, Mongolia | Polo Resources Limited | Right to purchase | Exploration | 5 September 2009 | 165.94 | |
| Union Coal South | 3066A | Coal | Tov Province, Mongolia | Polo Resources Limited | Right to purchase | Mining Licence | 19 March 2031 | 0.82 | |
| Khashaat | 7457X | Coal | Sayshand Province, Mongolia | Polo Resources Limited | Right to purchase | Exploration | 12 May 2010 | 1.33 | |
| Union Coal North | 7863A | Coal | Tov Province, Mongolia | Polo Resources Limited | Right to purchase | Mining Licence | 1 July 2034 | 2.02 | |
| Ereen | 8766A | Coal | Bulgan Province, Mongolia | Polo Resources Limited | Right to purchase | Mining Licence | 23 August 2033 | 0.35 | |

YS/PH/ck

February 2008

SRK Report Distribution Record

| Ref: | POR-001 Combined (Rev11) |
|----------|--------------------------|
| Сору No: | Digital-1 |
| Date: | 20 February 2008 |

| Name/Title | Company | Сору# |
|-------------|------------------------|-----------|
| Paul Ingram | Polo Resources Limited | Digital-1 |
| Jeanne | Regent Advisors | Digital-1 |

Approval Signature: P. Hanna

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PART V

ACCOUNTANTS' REPORTS

SECTION A(i) — ACCOUNTANTS' REPORT ON THE COMPANY

The following is the full text of a report on Polo Resources Limited from Chapman Davis LLP, the Reporting Accountants, to the directors of Polo Resources Limited and Canaccord Adams Limited:



Tel. 020 7357 6008 Fax. 020 7357 6159 Email. cd@chapet.co.uk

2 CHAPEL COURT LONDON SELLIHH

The Directors
Polo Resources Limited
Craigmuir Chambers
Road Town
Tortola
British Virgin Islands
VG1110

The Directors Canaccord Adams Limited Cardinal Place, 7th Floor 80 Victoria Street London SW1E 5JL

20 February 2008

Dear Sirs.

POLO RESOURCES LIMITED (THE "COMPANY")

Introduction

We report on the financial information set out in Part V Section A(ii) which has been prepared for inclusion in the Admission Document dated 20 February 2008 of the Company (the "Admission Document") on the basis of the accounting policies set out in the financial information. This report is required by Schedule Two to the AIM Rules for Companies and is given for the purpose of complying with the AIM Rules for Companies and for no other purpose.

Responsibility

As described in Part V Section A(ii) of the Admission Document, the Directors of the Company are responsible for the preparation of the financial information on the basis set out in Note 1 of the financial information and in accordance with applicable International Financial Reporting Standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of the Company as at the date stated in accordance with the basis of preparation set out in Note 1 to the financial information and has been prepared in accordance with applicable International Financial Reporting Standards as described in Part V Section A(ii).

Declaration

For the purposes of Schedule Two to the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two to the AIM Rules for Companies.

Yours faithfully,

Chapman Davis LLP *Chartered Accountants*

SECTION A(ii) — FINANCIAL INFORMATION ON POLO RESOURCES LIMITED

Responsibility

The Directors of the Company are responsible for preparing the financial information on the basis of preparation set out in Note 1 to the financial information and in accordance with applicable International Financial Reporting Standards.

Income statement for the period ended 30 November 2007

| | | Period 23 May 2007 |
|--|-------|---------------------------------|
| | Notes | to 30 November 2007 £'000 |
| Turnover | | _ |
| Administrative expenses | | (114) |
| Share options expensed | 5, 11 | (169) |
| Operating loss | 3 | (283) |
| Interest receivable | | 72 |
| Loss on ordinary activities before taxation | 2 | (211) |
| Income tax expense | 4 | |
| Loss on ordinary activities after taxation | | (211) |
| Retained loss for the period ended 30 November 2007 attributable to members of the Company | | (211) |
| Loss per share Basic | 6 | (0.10) pence |
| | | () I |

All of the operations are considered to be continuing.

Balance sheet as at 30 November 2007

| | | | Notes | As at 30 November 2007 £'000 |
|--|---------------------------|--|-------------------------------|---------------------------------------|
| Non current assets Exploration licences | | | | |
| Current assets Trade and other payables Cash and cash equivalents | | | 7 | 1,371 11,162 |
| Total current assets | | | | 12,533 |
| Total assets Current liabilities | | | | 12,533 |
| Trade and other payables | | | 8 | (16) |
| Total liabilities | | | | (16) |
| Total net assets | | | | 12,517 |
| Shareholders' equity Ordinary shares Share premium Share based payment reserve Retained earnings | | | 9 10 | 12,559 169 (211) |
| Total equity | | | | 12,517 |
| Statement of changes in shareholders' equity | | | | |
| | Share premium £'000 | Share based payment reserve £'000 | Retained earnings £'000 | Total £'000 |
| At incorporation Issue of ordinary shares | 13,298 | _ | _ | 13,298 |
| Share issue costs | (739) | _ | _ | (739) |
| Share options expensed | | 169 | _ | 169 |
| Retained loss for the period | | | (211) | (211) |
| Balance at 30 November 2007 | 12,559 | <u>169</u> | (211) | <u>12,517</u> |

Cash flow statement for the period ended 30 November 2007

| | Notes | Period ended 30 November 2007 £'000 |
|--|--------|--|
| Cash used in operating activities | 110103 | 2 000 |
| Operating loss | | (283) |
| (Increase) in debtors | | (25) |
| Increase in creditors | | 16 |
| Share options expensed | | <u>169</u> |
| Net cash outflow from operating activities | | (123) |
| Cash flows from investing activities Interest received | | 72 |
| Net cash inflow from investing activities | | 72 |
| Cash flows from financing activities | | |
| Issue of ordinary shares | | 13,298 |
| Prepaid listing expenses | | (739) |
| Short term loans granted | | (1,346) |
| Net cash generated from financing activities | | 11,213 |
| Increase in cash and cash equivalents | | 11,162 |
| Cash and cash equivalents at beginning of period | | |
| Cash and cash equivalents at end of period | | 11,162 |

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies

(a) Basis of preparation

The Company was registered as Ormond Natural Resources Inc. in the British Virgin Islands having been incorporated on 23 May 2007 under the BVI Business Companies Act 2004 with registered number 1406187. On 24 July 2007 a resolution was passed to change the name of the Company to Polo Resources Limited.

The financial information has been prepared under the historical cost convention and on a going concern basis and in accordance with International Financial Reporting Standards and IFRIC interpretations adopted for use in the European Union ("IFRS") and those parts of the BVI Business Companies Act applicable to companies reporting under IFRS.

(b) Foreign currencies

The Company's functional currency is Sterling (£). The exchange differences arising on the translation are taken directly to a separate component of equity.

(c) Intangible assets

Intangible assets are recorded at cost less eventual amortisation and provision for impairment in value.

(d) Exploration and development costs

Exploration and development costs are carried forward in respect of areas of interest where the consolidated entity's rights to tenure are current and where these costs are expected to be recouped through successful development and exploration, or by sale. Alternatively, these costs are carried forward while active and significant operations are continuing in relation to the areas of interest and it is too early to make reasonable assessment of the existence or otherwise of economically recoverable reserves. When the area of interest is abandoned, exploration and evaluation costs previously capitalised are written off to the Income Statement.

In accordance with the full cost method, all costs associated with mining development and investment are capitalised on a project-by-project basis pending determination of the feasibility of the project. Costs incurred include appropriate technical and administrative expenses but not general overheads. If a mining development project is successful, the related expenditures will be written-off over the estimated life of the commercial ore reserves on a unit of production basis. Impairment reviews will be carried out regularly by the Directors of the Company. Where a project is abandoned, or is considered to be of no further commercial value to the Company, the related costs will be written off.

The recoverability of deferred mining costs and mining interests is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of reserves and future profitable production or proceeds from the disposition of recoverable reserves.

(e) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(f) Deferred taxation

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the tax computations, and is accounted for using the balance sheet liability method. Deferred tax

liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case it is also dealt with in equity.

(g) Share-based payment transactions

(i) Equity settled transactions:

The Company provides benefits to employees (including senior executives) of the Company in the form of share-based payments, whereby employees render services in exchange for shares or rights over shares (equity-settled transactions).

The cost of these equity-settled transactions with employees is measured by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using a Black-Scholes model.

In valuing equity-settled transactions, no account is taken of any performance conditions, other than conditions linked to the price of the shares of Polo Resources Limited (market conditions) if applicable.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award (the vesting period).

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the Company's best estimate of the number of equity instruments that will ultimately vest. No adjustment is made for the likelihood of market performance conditions being met as the effect of these conditions is included in the determination of fair value at grant date. The Income Statement charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is only conditional upon a market condition.

If the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payment arrangement, or is otherwise beneficial to the employee, as measured at the date of modification.

If an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of loss per share (see Note 6).

2 Turnover and segmental analysis

| The Company had no turnover during the period. | | | |
|--|-------------------------|-------------------|----------------|
| By geographical area | United Kingdom £'000 | Mongolia £'000 | Total £'000 |
| Operating loss for the period ended 30 November 2007 | (211) | _ | (211) |
| Other segment information | | | |
| Segment assets | 11,171 | 1,346 | 12,517 |

3 Operating loss

| | £'000 |
|--|-------|
| Operating loss is arrived at after charging: | |
| Auditors' remuneration — non audit services | _ |
| Directors' emoluments — fees and salaries | 9 |
| Directors' emoluments — share based payments | 169 |
| Auditors' remuneration for non-audit services provided during the period | |
| amounting to £7,500 relates to the provision of an accountant's report for the | |
| purpose of the Company's AIM admission document and was charged to the | |
| share premium reserve, as part of share issue expenses. | |
| | |

4 Taxation

Analysis of charge in period

Tax on ordinary activities ____

No taxation has been provided due to losses in the period

Factors affecting the tax charge for the period

| | £'000 |
|--|-------|
| Loss on ordinary activities before tax | (211) |
| Standard rate of corporation tax in the UK | 30% |
| Loss on ordinary activities multiplied by the standard rate of corporation tax | (63) |
| Effects of: | |
| Non deductible expenses | _ |
| Future tax benefit not brought to account | 63 |
| Current tax charge for period | |
| | |

No deferred tax asset has been recognised because there is insufficient evidence of the timing of suitable future profits against which they can be recovered.

5 Directors' emoluments

| Directors' remuneration | | | | £'000 327 |
|----------------------------|----------------------|------------------|------------------|----------------|
| | Directors Fees £'000 | Consultancy Fees | Options £'000 | Total £'000 |
| Executive Directors | | | | |
| Guy Elliott | 3 | _ | 57 | 60 |
| Harald van Hoeken | 3 | _ | 56 | 59 |
| Suresh Hiremath | 3 | | 56 | _ 59 |
| | 9 | | <u>169</u> | <u>178</u> |

No pension benefits are provided for any Director.

6 Loss per share

The Loss for the period attributed to shareholders is £0.211 million.

This is divided by the weighted average number of ordinary shares outstanding calculated to be 217.64 million to give a basic loss per share of 0.10 pence.

As inclusion of the potential ordinary shares would result in a decrease in the loss per share they are considered to be anti-dilutive, as such, a diluted loss per share is not included.

7 Trade and other receivables

| | £'000 |
|-------------------------------------|--------------|
| Current trade and other receivables | |
| Short term loans | 1,346 |
| Prepayments | 25 |
| Total | <u>1,371</u> |

The short term loans are interest free and repayable within 12 months.

8 Trade and other payables

£'000

O-4: --- :- I----

Current trade and other payables:

Accruals <u>16</u>

9 Share capital

| Authorised | Number of shares | Nominal value £'000 |
|--|------------------|---------------------|
| Unlimited ordinary shares of no par value each | | |
| Called up, allotted, issued and fully paid | Number of shares | Nominal value £'000 |
| Incorporation | 1 | _ |
| 3 August 2007 for cash at 0.05p per share | 165,000,000 | _ |
| 3 August 2007 — original incorporation share cancelled | (1) | |
| 24 August 2007 for cash at 5p per share | 132,880,000 | _ |
| 4 September 2007 for non-cash consideration | 300,000 | _ |
| 25 September 2007 for cash at 5p per share | 131,422,000 | |
| As at 30 November 2007 | 429,602,000 | _ |

Total share options in issue

During the period, 6,000,000 options were issued.

As at 30 November 2007 the options in issue were:

| Exercise Price | Expiry Date | 30 November 2007 |
|----------------|--------------------|------------------|
| 5p | 4 September 2012 | 6,000,000 |
| | | 6,000,000 |

No options lapsed or were cancelled and no options were exercised during the period.

10 Share based payment arrangements

Share options

During the period, the Company established an employee share option plan to enable the issue of options as part of remuneration of key management personnel and Directors to enable the purchase of shares in the entity. Options are granted under the plan for no consideration. Options are granted for a five year period. There are no vesting conditions associated with the options. Options granted under the plan carry no dividend or voting rights.

Under IFRS 2 'Share Based Payments', the Company determines the fair value of options issued to Directors and Employees as remuneration and recognises the amount as an expense in the income statement with a corresponding increase in equity.

| Name | Date Granted/ Vested | Number | Exercise Price (pence) | Expiry Date | Fair Value at Grant Date (pence) |
|-------------------|-------------------------|-----------|---------------------------|-------------|--|
| Guy Elliott | 04/09/2007 | 2,000,000 | 5 | 04/09/2012 | 0.0282 |
| Harald van Hoeken | 04/09/2007 | 2,000,000 | 5 | 04/09/2012 | 0.0282 |
| Suresh Hiremath | 04/09/2007 | 2,000,000 | 5 | 04/09/2012 | 0.0282 |
| Totals | | 6,000,000 | | | |

The fair value of the options vested during the period was £0.169 million. The assessed fair value at grant date is determined using the Black-Scholes Model that takes into account the exercise price, the term of the option, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The following table lists the inputs to the model used for the period ended 30 November 2007:

| Dividend Yield (%) | _ |
|-------------------------------|------|
| Expected Volatility (%) | 60 |
| Risk-free interest rate (%) | 5.30 |
| Share price at grant date (£) | 0.05 |

The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may, not necessarily be the actual outcome.

11 Commitments

As at 30 November 2007, the Company had no material commitments.

12 Post Balance Sheet Events

The following events occurred after the balance sheet date:

- On 14 December 2007, the Company acquired, subject to shareholder approval, the entire share capital of World Coal Works Corporation, a company incorporated in the British Virgin Islands, and its wholly owned subsidiary Polo Resources LLC, a company incorporated in Mongolia.
- On 19 December 2007, the Company acquired, subject to shareholder approval, the entire share capital of MUC Resources Ltd, a company incorporated in the British Virgin Islands, and its wholly owned subsidiary MUC Resources LLC, a company incorporated in Mongolia.
- The Company advanced against promissory notes the following sums to its newly acquired subsidiary:
 - o 19 December 2007, the sum of US\$1,500,000
 - o 2 January 2008, the sum of US\$2,500,000
 - o 15 January 2008, the sum of US\$3,450,000
 - o 7 February 2008, the sum of US\$7,500,000
 - o The total outstanding from the subsidiary at the date of admission being US\$17,700,000.
- On 16 January 2008, the Company appointed the following directors:
 - o Stephen Dattels (Executive Chairman)
 - o Paul Ingram (Chief Executive Officer)
- On 31 January 2008, the Company incorporated in the British Virgin Islands, two new subsidiaries, Polo Australasia Limited and Polo Bangladesh Limited.
- On 31 January 2008, the Company completed a Placing and issued 281,680,000 ordinary shares of no par value at a price of 9 pence per share, raising £25,351,200 before expenses. The Company also granted a warrant to subscribe for 8,450,400 ordinary shares at 9 pence per share.
- On 1 February 2008, the Company agreed to purchase, subject to shareholder approval, 10,000,000 shares in GCM Resources plc (to be transferred to its wholly owned subsidiary Polo Bangladesh Limited) representing approximately 20.5% of GCM's issued share capital. The consideration for this purchase is £9,000,000 in cash and the issue of 72,340,425 ordinary shares of no par value in the Company.

- On 6 February 2008, the Company granted an option, conditional on admission to AIM, for 500,000 ordinary shares in respect of consultancy services.
- On 11 February 2008, the Company appointed Danny Sun as a non-executive director.
- On admission, the Company will grant options over 36,000,000 ordinary shares of the Company to individuals that have provided services to the Company.
- On completion of the acquisitions and admission, the Company will issue a further 97,340,425 ordinary shares of no par value.
- On admission, the Directors and a proposed director will be granted options over the ordinary shares of the Company as follows:

| Name | Number of ordinary shares | Exercise price |
|--------------------|------------------------------|----------------|
| Stephen Dattels | 5,000,000 | 9 pence |
| Paul Ingram | 12,000,000 | 9 pence |
| Guy Elliott | 3,000,000 | 9 pence |
| Danny Sun | 5,000,000 | 9 pence |
| Anthony Bainbridge | 5,000,000 | 9 pence |

The above share options vest equally over the three year period from the date of grant. The options are exercisable at any time after vesting during the Director's period as an eligible employee until the tenth anniversary of admission.

13 Related party transactions

There are no related party transactions requiring disclosure.

14 Nature of financial information

The financial information presented above in respect of the period ended 30 November 2007, does not constitute the statutory accounts for that period.

SECTION B(i) - ACCOUNTANTS' REPORT ON MUC RESOURCES LTD.

The following is the full text of a report on MUC Resources Ltd. from Chapman Davis LLP, the Reporting Accountants, to the directors of MUC Resources Ltd. and Canaccord Adams Limited.



Tel. 020 7357 6008 Fax. 020 7357 6159 Email. cd@chapet.co.uk

2 CHAPEL COURT LONDON SELLIHH

The Directors MUC Resources Ltd. Craigmuir Chambers Road Town Tortola British Virgin Islands VG1110

The Directors Canaccord Adams Limited Cardinal Place, 7th Floor 80 Victoria Street London SW1E 5JL

20 February 2008

Dear Sirs,

MUC RESOURCES LTD. ("MUC BVI")

Introduction

We report on the financial information set out in Part V Section B(ii) which has been prepared for inclusion in the Admission Document dated 20 February 2008 of Polo Resources Limited (the "Admission Document") on the basis of the accounting policies set out in the financial information. This report is required by Schedule Two to the AIM Rules for Companies and is given for the purpose of complying with the AIM Rules for Companies and for no other purpose.

Responsibility

As described in Part V Section B(ii) of the Admission Document, the directors of MUC BVI are responsible for the preparation of the financial information on the basis set out in Note 1 of the financial information and in accordance with applicable International Financial Reporting Standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of MUC BVI as at the date stated in accordance with the basis of preparation set out in Note 1 to the financial information and has been prepared in accordance with applicable International Financial Reporting Standards as described in Part V Section B(ii).

Declaration

For the purposes of Schedule Two to the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two to the AIM Rules for Companies.

Yours faithfully,

Chapman Davis LLP *Chartered Accountants*

SECTION B(ii) — FINANCIAL INFORMATION ON MUC RESOURCES LTD.

Responsibility

The directors of MUC BVI are responsible for preparing the financial information on the basis of preparation set out in Note 1 to the financial information and in accordance with applicable International Financial Reporting Standards.

Balance sheet at 30 November 2007

| | | Notes | As at 30 November 2007 £ |
|--|-----------------------|---------------------------|-------------------------------------|
| Non current assets | | 110100 | |
| Current assets Cash and cash equivalents | | | 5 |
| Total current assets | | | 5 |
| Current liabilities Other creditors | | | _ |
| Total liabilities | | | = |
| Total net assets | | | 5 |
| Shareholders' equity Ordinary shares Share premium Retained earnings | | 2 | 5 |
| Total equity | | | 5 |
| Statement of changes in shareholders' equity | | | |
| | Share premium £ | Retained earnings £ | Total £ |
| At incorporation Issue of ordinary shares | 5 | | 5 |
| Balance at 30 November 2007 | 5 | | 5 |
| Cash flow statement for the period ended 30 November 2007 | | | |
| | | | Period ended 30 November 2007 |
| Cash used in operating activities Investing activities Interest received | N | otes | £ - |
| Financing Issue of ordinary shares | | | 5 |
| Increase in cash and cash equivalents Cash and cash equivalents at beginning of period | | | 5 |
| Cash and cash equivalents at end of period | | | 5 |

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Basis of preparation

The Company was registered as MUC Resources Ltd. in the British Virgin Islands having been incorporated on 24 October 2007 under the BVI Business Companies Act 2004 with registered number 1439374.

The financial information has been prepared under the historical cost convention and on a going concern basis and in accordance with International Financial Reporting Standards and IFRIC interpretations adopted for use in the European Union ("IFRS") and those parts of the BVI Business Companies Act applicable to companies reporting under IFRS.

The Company has incurred neither income nor expenses in the period to 30 November 2007, consequently no Income Statement has been prepared.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2. Ordinary shares

| As at 30 November 2007 |
|------------------------------|
| £ |
| |
| |
| |
| |
| |

At the date of incorporation, the Company had an unlimited authorised share capital of no par value ordinary shares, of which 1,000 ordinary shares were issued fully paid to the subscriber to the Memorandum of Association of the Company.

3. Capital commitments

As at 30 November 2007, the Company had no material capital commitments.

4. Related party transactions

There are no related party transactions requiring disclosure.

5. Post Balance Sheet Events

On 19 December 2007, subject to Polo Resources Limited's shareholders' approval, the sole shareholder sold their 1,000 ordinary shares to Polo Resources Limited, a company incorporated in the BVI, and admitted to trading on AIM, a market operated by London Stock Exchange plc.

6. Ultimate Controlling Party

The ultimate controlling party is Polo Resources Limited, a company incorporated in the BVI, and listed on AIM, a market operated by London Stock Exchange plc, as disclosed above in the post balance sheet events.

SECTION C(i) — ACCOUNTANTS' REPORT ON WORLD COAL WORKS CORPORATION

The following is the full text of a report on World Coal Works Corporation from Chapman Davis LLP, the Reporting Accountants, to the directors of World Coal Works Corporation and Canaccord Adams Limited.



Tel. 020 7357 6008 Fax. 020 7357 6159 Email. od@chapet.couk

2 CHAPEL COURT LONDON SELLIHH

The Directors
World Coal Works Corporation
P.O. Box 957
Offshore Incorporations Centre
Road Town
Tortola
British Virgin Islands

The Directors Canaccord Adams Limited Cardinal Place, 7th Floor 80 Victoria Street London SW1E 5JL

20 February 2008

Dear Sirs,

WORLD COAL WORKS CORPORATION ("WCW")

Introduction

We report on the financial information set out in Part V Section C(ii) which has been prepared for inclusion in the Admission Document dated 20 February 2008 of Polo Resources Limited (the "Admission Document") on the basis of the accounting policies set out in the financial information. This report is required by Schedule Two to the AIM Rules for Companies and is given for the purpose of complying with the AIM Rules for Companies and for no other purpose.

Responsibility

As described in Part V Section C(ii) of the Admission Document, the directors of WCW are responsible for the preparation of the financial information on the basis set out in Note 1 of the financial information and in accordance with applicable International Financial Reporting Standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of WCW as at the date stated in accordance with the basis of preparation set out in Note 1 to the financial information and has been prepared in accordance with applicable International Financial Reporting Standards as described in Part V Section C(ii).

Declaration

For the purposes of Schedule Two to the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two to the AIM Rules for Companies.

Yours faithfully,

Chapman Davis LLP
Chartered Accountants

SECTION C(ii) — FINANCIAL INFORMATION ON WORLD COAL WORKS CORPORATION

Responsibility

The directors of WCW are responsible for preparing the financial information on the basis of preparation set out in Note 1 to the financial information and in accordance with applicable International Financial Reporting Standards.

Balance sheet at 30 November 2007

| | | | As at 30 November 2007 |
|--|-----------------------|---------------------------|------------------------------|
| | | Notes | £ |
| Non current assets | | | |
| Current assets | | | |
| Cash and cash equivalents | | | 24,152 |
| Total current assets | | | 24,152 |
| Current liabilities | | | |
| Other creditors | | | |
| Total liabilities | | | |
| Total net assets | | | 24,152 |
| Shareholders' equity | | | |
| Ordinary shares | | 2 | 24,152 |
| Share premium | | | _ |
| Retained earnings | | | |
| Total equity | | | 24,152 |
| Statement of changes in shareholders' equity | | | |
| | Share Capital £ | Retained earnings £ | Total £ |
| At incorporation | _ | _ | _ |
| Issue of ordinary shares | 24,152 | | 24,152 |
| Balance at 30 November 2007 | 24,152 | | 24,152 |

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting policies

Basis of preparation

The Company was registered as World Uranium Works Corporation in the British Virgin Islands having been incorporated on 15 August 2007 under the BVI Business Companies Act 2004 with registered number 1425327. On 22 January 2008 a resolution was passed to change the name of the Company to World Coal Works Corporation.

The financial information has been prepared under the historical cost convention and on a going concern basis and in accordance with International Financial Reporting Standards and IFRIC interpretations adopted for use in the European Union ("IFRS") and those parts of the BVI Business Companies Act applicable to companies reporting under IFRS.

The Company has incurred neither income nor expenses in the period to 30 November 2007, consequently no Income Statement has been prepared.

Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

2. Ordinary shares

| | As at 30 November 2007 £ |
|--|--------------------------------|
| Authorised: 50,000 ordinary shares of US\$1.00 par value each | 24,152 |
| Allotted, called up and fully paid: 50,000 ordinary shares of US\$1.00 par value each | 24,152 |

At the date of incorporation, the Company had an authorised share capital of 50,000 US\$1.00 par value ordinary shares, of which 1 ordinary share was issued fully paid to the subscriber to the Memorandum of Association of the Company.

On 30 September 2007, the company issued 49,999 ordinary shares of US\$1.00 fully paid at par value.

3. Capital commitments

As at 30 November 2007, the Company had no material capital commitments.

4. Related party transactions

There are no related party transactions requiring disclosure.

5. Post Balance Sheet Events

On 14 December 2007, subject to Polo Resources Limited's shareholders' approval, the shareholders sold their 50,000 ordinary shares of US\$1.00 par value to Polo Resources Limited, a company incorporated in the BVI, and listed on AIM, a market operated by London Stock Exchange plc.

On 24 December 2007, the Company acquired the entire share capital of Polo Resources LLC, a company incorporated in Mongolia.

6. Ultimate Controlling Party

The ultimate controlling party is Polo Resources Limited, a company incorporated in the BVI, and listed on AIM, a market operated by London Stock Exchange plc, as disclosed above in the post balance sheet events.

SECTION D(i) — ACCOUNTANTS' REPORT ON POLO RESOURCES LLC

The following is the full text of a report on Polo Resources LLC from Chapman Davis LLP, the Reporting Accountants, to the directors of Polo Resources LLC and Canaccord Adams Limited.



Tel. 020 7357 6008 Fax: 020 7357 6159 Email: cd@chapet.co.uk

2 CHAPEL COURT LONDON SELLIHH

The Directors
Polo Resources LLC
Office 301 Park View Apartments
1 Khoroo Chinggis Road
Sukhbaatar,
Ulaanbaatar
P.O. Box 524
Mongolia

The Directors Canaccord Adams Limited Cardinal Place, 7th Floor 80 Victoria Street London SW1E 5JL

20 February 2008

Dear Sirs,

POLO RESOURCES LLC ("POLO MONGOLIA")

Introduction

We report on the financial information set out in Part V Section D(ii) which has been prepared for inclusion in the Admission Document dated 20 February 2008 of Polo Resources Limited (the "Admission Document") on the basis of the accounting policies set out in the financial information. This report is required by Schedule Two to the AIM Rules for Companies and is given for the purpose of complying with the AIM Rules for Companies and for no other purpose.

Responsibility

As described in Part V Section D(ii) of the Admission Document, the directors of Polo Mongolia are responsible for the preparation of the financial information on the basis set out in Note 1 of the financial information and in accordance with applicable International Financial Reporting Standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of Polo Mongolia as at the date stated in accordance with the basis of preparation set out in Note 1 to the financial information and has been prepared in accordance with applicable International Financial Reporting Standards as described in Part V Section D(ii).

Declaration

For the purposes of Schedule Two to the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two to the AIM Rules for Companies.

Yours faithfully,

Chapman Davis LLP *Chartered Accountants*

SECTION D(ii) — FINANCIAL INFORMATION ON POLO RESOURCES LLC

Responsibility

The directors of Polo Mongolia are responsible for preparing the financial information on the basis of preparation set out in Note 1 to the financial information and in accordance with applicable International Financial Reporting Standards.

Income statement for the period ended 30 November 2007

| | | Period 10 October 2007 to |
|---|-------|---------------------------------|
| | Notes | 30 November 2007 \$'000 |
| Turnover | | _ |
| Administrative expenses | | (117) |
| Operating loss | 3 | (117) |
| Interest receivable | | |
| Loss on ordinary activities before taxation | 2 | (117) |
| Income tax expense | 4 | |
| Loss on ordinary activities after taxation and retained loss for the period | | (117) |

All of the operations are considered to be continuing.

Balance sheet as at 30 November 2007

| | | Notes | 30 Noveml | As at ber 2007 \$'000 |
|--|------------------------------|-------|-------------------------|-----------------------------|
| Non current assets Exploration licences | | 6 | | 337 |
| Property, plant and equipment | | 7 | | 304 |
| | | | | 641 |
| Current assets | | | | 041 |
| Trade and other receivables | | 8 | | 1,426 |
| Cash and cash equivalents | | | | 901 |
| Total current assets | | | | 2,327 |
| Total assets | | | | 2,968 |
| Current liabilities Trade and other payables | | 9 | | (325) |
| Loans | | 10 | | (2,750) |
| Total liabilities | | | | (3,075) |
| Total net (liabilities) | | | | (107) |
| Shareholders' equity Ordinary shares Retained earnings | | 11 | | 10 (117) |
| Total equity | | | | (107) |
| Statement of changes in shareholders' equity | | | | |
| | Ordinary shares \$'000 | earr | uined nings 8'000 | Total \$'000 |
| At incorporation | _ | | - | _ |
| Issue of ordinary shares Retained loss for the period | 10 | , | - (117) | 10 |
| Retained loss for the period | | (| 11/) | <u>(117</u>) |
| Balance at 30 November 2007 | 10 | | <u>(117</u>) | <u>(107</u>) |

Cash flow statement for the period ended 30 November 2007

| | Notes | Period ended 30 November 2007 \$'000 |
|--|-------|---|
| Cash used in operating activities | | |
| Operating loss | | (117) |
| (Increase) in debtors | | (1,426) |
| Increase in creditors | | 325 |
| Depreciation | | |
| Net cash outflow from operating activities | | (1,218) |
| Cash flows from investing activities | | |
| Property, plant and equipment | | (289) |
| Purchase of exploration licences | | (352) |
| Net cash outflow from investing activities | | (641) |
| Cash flows from financing activities | | |
| Issue of ordinary shares | | 10 |
| Loans received | | 2,750 |
| Net cash generated from financing activities | | 2,760 |
| Increase in cash and cash equivalents | | 901 |
| Cash and cash equivalents at beginning of period | | |
| Cash and cash equivalents at end of period | | 901 |

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies

(a) Basis of preparation

Polo Resources LLC ("Polo Mongolia") is a limited liability company, incorporated and domiciled in Mongolia. Polo Mongolia commenced operations on 10 October 2007 and the principal place of business of the company is in Ulaanbaatar City. The registered address of the Polo Mongolia is Office 301 Park View Apartments, 1 Khoroo Chinggis Rd, Sukhbaatar, Ulaanbaatar P.O. Box 524, Mongolia.

The company is principally engaged in exploration and the development of mineral deposits.

The financial statements have been prepared on the historical cost basis and are in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standard Board ("IASB") and interpretations issued by the Standing Interpretations Committee of IASB.

Polo Mongolia has recorded net current liabilities of US\$747,516 and deficit in shareholders' funds of US\$106,737 as at 30 November 2007. The financial statements has been prepared on a going concern basis notwithstanding the above mentioned factors as an undertaking has been issued by the main loan provider, Polo Resources Limited, to maintain the company as a going concern. In addition, Polo Resources Limited has confirmed that it will not demand Polo Mongolia to repay any part of the advances made to the company by itself if this would render Polo Mongolia unable to pay its other debts as and when they fall due.

(b) Foreign currencies

The financial statements are presented in US\$, which is also the functional currency of Polo Mongolia.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

(c) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably.

The cost of day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Depreciation and amortisation are recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Property, plant and equipment under construction / capital in progress are not depreciated until the assets are ready for their intended use. Other mineral assets are amortised from commencement of production.

The estimated useful lives for the current period are as follows:

- computer 3 years
- vehicles 10 years

(d) Intangible assets

These comprise of exploration licences held and are amortised over the term of the permit on a straight line basis.

(e) Exploration and development costs

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- researching and analysing historical exploration data
- gathering exploration data through topographical, geochemical and geophysical studies
- exploratory drilling, trenching and sampling
- determining and examining the volume and grade of the resource
- surveying transportation and infrastructure requirements
- conducting market and finance studies

Administration costs that are not directly attributable to a specific exploration area are charged to the income statement. Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Exploration and evaluation expenditure (including amortisation of capitalised licence costs) is capitalised. Capitalised exploration and evaluation expenditure considered to be tangible is recorded as a component of property, plant and equipment at cost less impairment charges. Otherwise, it is recorded as an intangible asset. As the asset is not available for use, it is not depreciated. All capitalised exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash generating unit) to which the exploration is attributed. Exploration areas at which reserves have been discovered but that require major capital expenditure before production can begin are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway or planned. To the extent that capitalised expenditure is not expected to be recovered it is charged to the income statement.

Cash flows associated with exploration and evaluation expenditure (comprising both amounts expensed and amounts capitalised) are classified as investing activities in the cash flow statement.

When proved reserves are determined and development is sanctioned, capitalised exploration and evaluation expenditure is reclassified as 'Assets under construction', and is disclosed as a component of property, plant and equipment. Development expenditure for mineral activity is capitalised and classified as 'Assets under construction'. As the asset is not available for use, it is not depreciated. On completion of development, any capitalised exploration and evaluation expenditure, together with the subsequent development expenditure, is classified as either 'Plant and equipment' or 'Other mineral assets'.

After the development project has been brought into commercial production, costs of any additional work on that project are expensed as incurred, except for large development projects, which will be amortised over the remaining life of that related assets.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value.

(g) Taxation

Income tax on the profit or loss for the year is recognised in the income statement.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(h) Other receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

(i) Other payables

Payables are measured initially and subsequently at cost.

Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(j) Impairment of assets

The carrying amounts of assets except for inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed 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. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(k) Employee benefits

(i) Short term employee benefits:

Wages, salaries, bonus and other salary related expenses are recognised as expenses in the year in which the associated services are rendered by employees of the Company. Short term accumulating compensated absences such as paid annual leave are recognised when services rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

(ii) Defined benefit plans:

As required by law, companies in Mongolia make social security and health contributions to the Social and Health Insurance scheme and such contributions are recognised as an expense in the income statement as incurred.

(I) Revenue

Revenue is recognised to the extent that is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

| 2 | Turnover and segmental analysis | | |
|---|--|--------------------|-----------------|
| | The company had no turnover during the period. | | |
| | By geographical area | Mongolia \$'000 | Total \$'000 |
| | Operating loss for the period ended 30 November 2007 | (117) | (117) |
| | Other segment information Segment assets | 2,968 | 2,968 |
| 3 | Operating loss | | |
| | | | \$'000 |
| | Operating loss is arrived at after charging: | | |
| | Depreciation | | _ |
| | Directors' emoluments — fees and salaries | | _ |
| | Rental of premises | | 6 |
| 4 | Taxation | | |
| | Analysis of charge in period | | \$'000 |
| | Tax on ordinary activities | | |
| | No taxation has been provided due to losses in the period | | |
| | Factors affecting the tax charge for the period | | |
| | | | \$'000 |
| | Loss on ordinary activities before tax | | (117) |
| | Standard rate of statutory tax in Mongolia | | 25% |
| | Loss on ordinary activities multiplied by the standard rate of statutory tax Effects of: | | (29) |
| | Non deductible expenses | | 29 |
| | Current tax charge for period | | |
| 5 | Directors' emoluments | | |
| | | | \$'000 |
| | Directors' remuneration | | |
| | | | Total |
| | | | \$'000 |
| | Director Tony Poinbridge | | |
| | Tony Bainbridge | | |
| | | | |

No pension benefits are provided for any director.

6 Exploration licences

| | \$'000 |
|--|--------|
| Cost | |
| Additions | 352 |
| At 30 November 2007 | 352 |
| Accumulated amortisation | |
| Charge for the period | 15 |
| At 30 November 2007 | 15 |
| The carrying value is analysed as follows: | |
| Exploration licences | 337 |

Impairment Review

At 30 November 2007, the directors have carried out an impairment review and confirmed that no provision is required.

Amortisation for the period amounting to US\$14,667 has been capitalised as exploration and evaluation assets (See note 7).

7 Property, plant and equipment

| | Vehicles \$'000 | Computer equipment \$'000 | Exploration and evaluation \$'000 | Total \$'000 |
|--------------------------|--------------------|---------------------------|-----------------------------------|-----------------|
| Cost | | | | |
| Additions | 12 | 9 | 283 | 304 |
| At 30 November 2007 | 12 | 9 | 283 | 304 |
| Accumulated depreciation | | | | |
| Charge for the period | | | | |
| At 30 November 2007 | | | | _= |
| Net book value | | | | |
| At 30 November 2007 | 12 | 9 | 283 | 304 |

Included in the exploration and evaluation assets are amortisation of exploration licences capitalised amounting to US\$14,667 (See Note 6).

8 Trade and other receivables

| | \$'000 |
|-------------------------------------|--------------|
| Current trade and other receivables | |
| Deposit | 128 |
| Prepayments | 19 |
| Other receivables | <u>1,279</u> |
| Total | 1,426 |

Included in other receivables is an advance of US\$1,279,000 made to MUC Resources LLC. MUC Resources LLC is a wholly owned subsidiary of Asia Intercept Mining LLC, in which Anthony Bainbridge, the sole owner of Polo Resources LLC, holds 40% of the issued shares. The advance is unsecured, interest free and has no fixed terms of repayment.

9 Trade and other payables

| | \$'000 |
|-----------------------------------|--------|
| Current trade and other payables: | |
| Other payables | 285 |
| Accruals | 40 |
| | 325 |

10 Loans

| | \$'000 |
|-----------------------------------|--------------|
| Short term loans | |
| Loans from Polo Resources Limited | <u>2,750</u> |
| | 2,750 |

The loans are unsecured, interest free and are repayable on demand.

11 Share capital

| Authorised | Number of shares | Nominal value \$'000 |
|---|--------------------------------|-------------------------|
| 12,000,000 ordinary shares of 1 Mongolian togrog par value each | 12,000,000 | 10 |
| | | |
| Called up, allotted, issued and fully paid | Number of shares | Nominal value \$'000 |
| Called up, allotted, issued and fully paid Incorporation | Number of shares | - 10 |
| | Number of shares - 12,000,000 | - 10 |

This amount of US\$10,200 was agreed upon by Polo Mongolia as the value of capital contribution as at 10 October 2007, as stated in the company's charter.

12 Post Balance Sheet Events

On 24 December 2007, subject to Polo Resources Limited's shareholders' approval, World Coal Works Corporation, a wholly owned subsidiary of Polo Resources Limited, had purchased all the shares in Polo Resources LLC.

Accordingly, effective on 24 December 2007, the holding company and ultimate holding company is World Coal Works Corporation and Polo Resources Limited, both incorporated in the British Virgin Islands.

On 13 February 2008, Polo Resources LLC acquired the entire share capital of Kimko LLC, a company incorporated in Mongolia.

13 Nature of financial information

The financial information presented above in respect of the period ended 30 November 2007, does not constitute the statutory accounts for that period.

SECTION E(i) — ACCOUNTANTS' REPORT ON MUC RESOURCES LLC

The following is the full text of a report on MUC Resources LLC from Chapman Davis LLP, the Reporting Accountants, to the directors of MUC Resources LLC and Canaccord Adams Limited.



Tel. 020 7357 6008 Fax: 020 7357 6159 Email: cd@chapet.co.uk

2 CHAPEL COURT LONDON SELIHH

The Directors MUC Resources LLC Office 301 Park View Apartments 1 Khoroo Chinggis Road Sukhbaatar, Ulaanbaatar P.O. Box 524 Mongolia

The Directors Canaccord Adams Limited Cardinal Place, 7th Floor 80 Victoria Street London SW1E 5JL

20 February 2008

Dear Sirs,

MUC RESOURCES LLC ("MUC MONGOLIA")

Introduction

We report on the financial information set out in Part V Section E(ii) which has been prepared for inclusion in the Admission Document dated 20 February 2008 of Polo Resources Limited (the "Admission Document") on the basis of the accounting policies set out in the financial information. This report is required by Schedule Two to the AIM Rules for Companies and is given for the purpose of complying with the AIM Rules for Companies and for no other purpose.

Responsibility

As described in Part V Section E(ii) of the Admission Document, the directors of MUC Mongolia are responsible for the preparation of the financial information on the basis set out in Note 1 of the financial information and in accordance with applicable International Financial Reporting Standards.

It is our responsibility to form an opinion on the financial information as to whether the financial information gives a true and fair view, for the purposes of the Admission Document, and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document, a true and fair view of the state of affairs of MUC Mongolia as at the date stated in accordance with the basis of preparation set out in Note 1 to the financial information and has been prepared in accordance with applicable International Financial Reporting Standards as described in Part V Section E(ii).

Declaration

For the purposes of Schedule Two to the AIM Rules for Companies, we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two to the AIM Rules for Companies.

Yours faithfully,

Chapman Davis LLP *Chartered Accountants*

SECTION E(ii) — FINANCIAL INFORMATION ON MUC RESOURCES LLC

Responsibility

The directors of MUC Mongolia are responsible for preparing the financial information on the basis of preparation set out in Note 1 to the financial information and in accordance with applicable International Financial Reporting Standards.

Income statements

| | Notes | Period 1 January 2007 to 30 November 2007 \$'000 | Year ended 31 December 2006 \$'000 | Period 21 September 2005 to 31 December 2005 \$'000 |
|---|-------|---|---|--|
| Turnover | | _ | _ | _ |
| Administrative expenses | | (22) | | |
| Operating loss | 3 | (22) | | |
| Interest receivable | | | | |
| Loss on ordinary activities before taxation | 2 | (22) | | |
| Income tax expense | 4 | | | |
| Loss on ordinary activities after taxation and retained loss for the period | | (22) | | |

All of the operations are considered to be continuing.

Balance sheets As at 30 November 2007 \$'000 As at 31 December 2005 \$'000 As at 31 December 2006 \$'000 Notes Non current assets Exploration licences 6 738 Property, plant and equipment 7 1 1 67 805 1 1 Current assets Trade and other receivables 8 616 Cash and cash equivalents **Total current assets** 616 **Total assets** 1,421 **Current liabilities** 9 (1,442) Trade and other payables **Total liabilities** (1,442)Total net (liabilities)/assets 1 1 (21)Shareholders' equity Ordinary shares 10 1 1 1 Retained earnings (22)

1

(21)

1

Total equity

Statements of changes in shareholders' equity

| | Ordinary shares \$'000 | Retained earnings \$'000 | Total \$'000 |
|------------------------------|------------------------------|--------------------------------|-----------------|
| At incorporation | - | _ | _ |
| Issue of ordinary shares | 1 | _ | 1 |
| Retained loss for the period | | | |
| Balance at 31 December 2005 | 1 | | 1 |
| At 1 January 2006 | 1 | _ | 1 |
| Retained loss for the period | <u>-</u> | | |
| Balance at 31 December 2006 | 1 | | 1 |
| At 1 January 2007 | 1 | _ | 1 |
| Retained loss for the period | <u>-</u> | (22) | (22) |
| Balance at 30 November 2007 | 1 | (22) | (21) |

Cash flow statements

| | Notes | Period ended 30 November 2007 \$'000 | Year ended 31 December 2006 \$'000 | Period ended 31 December 2005 \$'000 |
|--|-------|---|---|---|
| Cash used in operating activities | | | | |
| Operating loss | | (22) | _ | _ |
| (Increase) in debtors | | (616) | _ | _ |
| Increase in creditors | | 1,442 | _ | _ |
| Depreciation | | 1 | | |
| Net cash inflow from operating activities | | 805 | _ | _ |
| Cash flows from investing activities | | | | |
| Property, plant and equipment | | _ | _ | (1) |
| Purchase of exploration licences | | (805) | | |
| Net cash outflow from investing activities | | (805) | _ | (1) |
| Cash flows from financing activities | | | | |
| Issue of ordinary shares | | | | 1 |
| Net cash generated from financing activities | | | | 1 |
| Increase in cash and cash equivalents | | _ | _ | 1 |
| Cash and cash equivalents at beginning of period | | | | |
| Cash and cash equivalents at end of period | | | | |

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of Significant Accounting Policies

(a) Basis of preparation

MUC Resources LLC ("MUC Mongolia"), previously known as Georecon LLC, is a limited liability company, incorporated and domiciled in Mongolia. The company was incorporated on 21 September 2005 and the principal place of business of the company is in Ulaanbaatar City. The registered address of the company is Office 301 Park View Apartments, 1 Khoroo Chinggis Rd, Sukhbaatar, Ulaanbaatar, P.O. Box 524, Mongolia.

The company is principally engaged in the exploration and development of mineral deposits.

The financial statements have been prepared on the historical cost basis and are in accordance with International Financial Reporting Standards ("IFRS") adopted by the International Accounting Standard Board ("IASB") and interpretations issued by the Standing Interpretations Committee of IASB.

The Company has recorded net current liabilities of US\$826,546 and deficit in shareholders' funds of US\$20,990 as at 30 November 2007. The financial statements has been prepared on a going concern basis notwithstanding the above mentioned factors as an undertaking has been issued by the main creditor, Polo Resources LLC, to maintain the company as a going concern. In addition, Polo Resources LLC has confirmed that it will not demand the company to repay any part of the advances made to the company by itself if this would render the company unable to pay its other debts as and when they fall due.

(b) Foreign currencies

The financial statements are presented in US\$, which is also the functional currency of the company

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statement.

(c) Property, plant and equipment

Items of property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to working condition for its intended use.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar items.

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the company and its cost can be measured reliably.

The cost of day-to-day servicing of property, plant and equipment are recognised in the income statement as incurred.

Depreciation and amortisation are recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Property, plant and equipment under construction / capital in progress are not depreciated until the assets are ready for their intended use. Other mineral assets are amortised from commencement of production.

The estimated useful lives for the current period are as follows:

computer 3-5 yearsvehicles 10 years

(d) Intangible assets

These comprise of exploration licences held and are amortised over the term of the permit on a straight line basis.

(e) Exploration and development costs

Exploration and evaluation activity involves the search for mineral resources, the determination of technical feasibility and the assessment of commercial viability of an identified resource.

Exploration and evaluation activity includes:

- · researching and analysing historical exploration data
- gathering exploration data through topographical, geochemical and geophysical studies
- · exploratory drilling, trenching and sampling
- determining and examining the volume and grade of the resource
- surveying transportation and infrastructure requirements
- conducting market and finance studies

Administration costs that are not directly attributable to a specific exploration area are charged to the income statement. Licence costs paid in connection with a right to explore in an existing exploration area are capitalised and amortised over the term of the permit.

Exploration and evaluation expenditure (including amortisation of capitalised licence costs) is capitalised. Capitalised exploration and evaluation expenditure considered to be tangible is recorded as a component of property, plant and equipment at cost less impairment charges. Otherwise, it is recorded as an intangible asset. As the asset is not available for use, it is not depreciated. All capitalised exploration and evaluation expenditure is monitored for indications of impairment. Where a potential impairment is indicated, assessment is performed for each area of interest in conjunction with the group of operating assets (representing a cash generating unit) to which the exploration is attributed. Exploration areas at which reserves have been discovered but that require major capital expenditure before production can begin are continually evaluated to ensure that commercial quantities of reserves exist or to ensure that additional exploration work is underway or planned. To the extent that capitalised expenditure is not expected to be recovered it is charged to the income statement.

Cash flows associated with exploration and evaluation expenditure (comprising both amounts expensed and amounts capitalised) are classified as investing activities in the cash flow statement.

When proved reserves are determined and development is sanctioned, capitalised exploration and evaluation expenditure is reclassified as 'Assets under construction', and is disclosed as a component of property, plant and equipment. Development expenditure for mineral activity is capitalised and classified as 'Assets under construction'. As the asset is not available for use, it is not depreciated. On completion of development, any capitalised exploration and evaluation expenditure, together with the subsequent development expenditure, is classified as either 'Plant and equipment' or 'Other mineral assets'.

After the development project has been brought into commercial production, costs of any additional work on that project are expensed as incurred, except for large development projects, which will be amortised over the remaining life of that related assets.

(f) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value.

(g) Taxation

Income tax on the profit or loss for the year is recognised in the income statement.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

(h) Other receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

(i) Other payables

Payables are measured initially and subsequently at cost.

Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

(j) Impairment of assets

The carrying amounts of assets except for inventories are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in the income statement. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed 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. Reversals of impairment losses are credited to the income statement in the year in which the reversals are recognised.

(k) Employee benefits

(i) Short term employee benefits:

Wages, salaries, bonus and other salary related expenses are recognised as expenses in the year in which the associated services are rendered by employees of the company. Short term accumulating compensated absences such as paid annual leave are recognised when services rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when absences occur.

(ii) Defined benefit plans:

As required by law, companies in Mongolia make social security and health contributions to the Social and Health Insurance scheme and such contributions are recognised as an expense in the income statement as incurred.

(l) Revenue

Revenue is recognised to the extent that is probable that the economic benefits will flow to the company and the revenue can be reliably measured. Revenue is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

2 Turnover and segmental analysis

| Comparing loss by geographical area Comparing loss Compa | | | | |
|---|--|--------|--------|--------|
| Period 2000 | The company had no turnover during the periods | | | |
| Notation Notation has been provided due to losses in the period factors affecting the tax charge for the period statutory tax in Mongolia 1,000 | The company had no turnover during the periods. | Period | Year | Period |
| No perating loss by geographical area Nongolia No | | | | ended |
| No perating loss by geographical area Mongolia (22) | | | | |
| Nongolia | | | | |
| Nongolia 1,421 | | \$ 000 | \$ 000 | \$ 000 |
| Nongolia 1,421 | | | | |
| Nongolia 1,421 | Mongolia | (22) | | |
| Nongolia 1,421 | Segment assets | | | |
| Period ended November 2007 2006 20 | e e e e e e e e e e e e e e e e e e e | 1 421 | 1 | 1 |
| Period 2007 | Mongona | | | 1 |
| Period Standard rate of statutory tax in Mongolia Loss on ordinary activities before tax effects of: Standard rate of statutory tax in Mongolia Loss on ordinary activities multiplied by the standard rate of statutory tax in Mongolia Loss on ordinary activities multiplied by the standard rate of statutory tax in Mongolia Loss on ordinary activities multiplied by the standard rate of statutory tax in Mongolia Loss on ordinary activities multiplied by the standard rate of statutory tax in Mongolia Loss on ordinary activities multiplied by the standard rate of statutory tax in Mongolia Loss on ordinary activities multiplied by the standard rate of statutory tax in Mongolia Loss on ordinary activities multiplied by the standard rate of statutory tax in Mongolia Loss on ordinary activities multiplied by the standard rate of statutory tax in Mongolia Loss on ordinary activities multiplied by the standard rate of statutory tax in Mongolia Loss on ordinary activities multiplied by the standard rate of statutory tax in Mongolia Loss on ordinary activities multiplied by the standard rate of statutory tax in Mongolia Loss on ordinary activities multiplied by the standard rate of statutory tax in Mongolia Loss on ordinary activities multiplied by the standard rate of statutory tax in Mongolia Loss on ordinary activities multiplied by the standard rate of statutory tax in Mongolia Loss on ordinary activities multiplied by the standard rate of statutory tax in Mongolia Loss on ordinary activities multiplied by the standard rate of statutory tax in Mongolia Loss on ordinary activities multiplied by the standard rate of statutory tax in Mongolia Loss on ordinary activities multiplied by the standard rate of statutory tax in Mongolia Loss on ordinary activities multiplied by the standard rate of statutory tax in Mongolia Loss on ordinary activities multiplied by the standard rate of statutory tax in Mongolia Loss on ordinary activities multiplied by the standard rate of statutory tax in Mongolia Loss on ordinary activities mul | Operating loss | | | |
| Note 10 Not | | | | Period |
| Comparising loss is arrived at after charging: Depreciation | | | | ended |
| Symbol Symbol Symbol Symbol Symbol Operating loss is arrived at after charging: Depreciation | | | | |
| Depreciation Directors' emoluments — fees and salaries | | | | \$'000 |
| Depreciation Directors' emoluments — fees and salaries | Onerating loss is arrived at after charging | | | |
| Taxation | | 1 | | |
| No taxation S'000 S'000 S'000 S'000 S'000 Tax on ordinary activities No taxation has been provided due to losses in the period S'000 S'000 S'000 S'000 Loss on ordinary activities before tax (22) - Standard rate of statutory tax in Mongolia 25% 30% 30 Loss on ordinary activities multiplied by the standard rate of statutory tax (5) - Effects of: | | 1 | _ | _ |
| Analysis of charge in period \$1000 | Directors' emoluments — fees and salaries | | | |
| Tax on ordinary activities | Taxation | | | |
| Tax on ordinary activities | Analysis of charge in period | \$'000 | \$'000 | \$'000 |
| No taxation has been provided due to losses in the period Factors affecting the tax charge for the period Some ordinary activities before tax Standard rate of statutory tax in Mongolia Loss on ordinary activities multiplied by the standard rate of statutory tax Effects of: Non deductible expenses Current tax charge for period Directors' emoluments Period ended 30 November 2006 2006 8000 Directors' remuneration Total Total Total Directors' 1000 8000 Total Total Total Directors' 1000 8000 Total Total Total Directors' 1000 8000 Source Total Total Total Directors' 1000 8000 Source Total Total Total Total Directors' 1000 8000 Source Total Total Total Total Directors' 1000 8000 Source Total Total Total Source Total Tot | | _ | | · _ |
| Standard rate of statutory tax in Mongolia Loss on ordinary activities multiplied by the standard rate of statutory tax in Mongolia Loss on ordinary activities multiplied by the standard rate of statutory tax (5) - - | • | | | |
| Some ordinary activities before tax C(22) C - C - C - C - C - C - C - C - C - C | No taxation has been provided due to losses in the perio | d | | |
| Some ordinary activities before tax C(22) C - C - C - C - C - C - C - C - C - C | Factors affecting the tax charge for the period | | | |
| Current tax charge for period Current tax charge for period Directors' remuneration Directors' remuneration Directors Current tax charge Curre | | \$2000 | \$2000 | \$2000 |
| Standard rate of statutory tax in Mongolia 25% 30% 3 | Loss on outlineary activities before toy | · | | φου |
| Loss on ordinary activities multiplied by the standard rate of statutory tax | · · · · · · · · · · · · · · · · · · · | | | _ |
| Statutory tax (5) | Standard rate of statutory tax in Mongolia | 259 | % 30° | % 30 |
| Statutory tax (5) | Loss on ordinary activities multiplied by the standard rat | te of | | |
| Non deductible expenses | | | _ | _ |
| Non deductible expenses | | (0) | , | |
| Current tax charge for period | | _ | | |
| Period ended 30 November 2007 2006 31 December 2007 \$'000 | Non deductible expenses | | | |
| Period ended 30 November State Period ended 31 December State State Period ended 31 December State State Period ended 31 December State | Current tax charge for period | | | |
| Solution | Directors' emoluments | | | |
| 30 November 31 December 2006 2006 2000 \$'0 | | | | |
| 2007 2006 200 \$'000 \$'000 \$'000 | | | | |
| Directors' remuneration — | | | | 200 |
| Total Tota | | \$'000 | \$'000 | \$'00 |
| Director \$'000 \$'000 \$'000 | Directors' remuneration | | | |
| | | Total | Total | Tota |
| Tony Bainbridge – – – | Director | \$'000 | \$'000 | \$'00 |
| | Tony Bainbridge | _ | _ | - |

No pension benefits are provided for any director.

6 Exploration licences

| Cost | \$'000 |
|--|----------------|
| Additions in period to 31 December 2005 | _ |
| At 31 December 2005 | <u>-</u> |
| Additions in year to 31 December 2006 | |
| At 31 December 2006 | |
| Additions in period to 30 November 2007 | 805 |
| At 30 November 2007 | 805 |
| Accumulated amortisation | |
| Charge for the period to 31 December 2005 | <u> </u> |
| At 31 December 2005 | _= |
| Charge for the year to 31 December 2006 | |
| At 31 December 2006 | _= |
| Charge for the period to 30 November 2007 | _ 67 |
| At 30 November 2007 | 67 |
| The carrying value is analysed as follows; | |
| At 31 December 2005 | _ _ |
| At 31 December 2006 | |
| At 30 November 2007 | 738 |

Impairment Review

At 30 November 2007, the directors have carried out an impairment review and confirmed that no provision is required.

Amortisation for the period to 30 November 2007 amounting to US\$67,130 has been capitalised as exploration and evaluation assets (See note 7).

7 Property, plant and equipment

| | Computer equipment \$'000 | Exploration and evaluation \$'000 | Total \$'000 |
|---|---------------------------------|-----------------------------------|-----------------|
| Cost | | | |
| Additions in period | 1 | | 1 |
| At 31 December 2005 | 1 | = | _1 |
| Additions in period | | | |
| At 31 December 2006 | 1 | | 1 |
| Additions in period | _ | 67 | 67 |
| Write off | (1) | | _(1) |
| At 30 November 2007 | | 67 | <u>67</u> |
| Accumulated depreciation | | | |
| Charges for the periods since incorporation | | | |
| At 30 November 2007 | | | |
| Net book value | | | |
| At 31 December 2005 | 1 | | _1 |
| At 31 December 2006 | 1 | | 1 |
| At 30 November 2007 | | 67 | 67 |

Included in the exploration and evaluation assets are amortisation of exploration licences capitalised amounting to US\$67,130 (See Note 6).

8 Trade and other receivables

| | 30 November 2007 \$'000 | 31 December 2006 \$'000 | 31 December 2005 \$'000 |
|-------------------------------------|-------------------------------|----------------------------|----------------------------|
| Current trade and other receivables | | | |
| Deposit, prepayments and advances | 616 | | |
| Total | 616 | _ | |

The balance comprises deposit paid to acquire mining licences. As per the purchase agreements signed between MUC Resources LLC and the sellers, there is still an outstanding capital commitment of US\$669,667 with regards to the licence purchase.

9 Trade and other payables

| | 30 November 2007 \$'000 | 31 December 2006 \$'000 | 31 December 2005 \$'000 |
|-----------------------------------|-------------------------------|----------------------------|----------------------------|
| Current trade and other payables: | | | |
| Other payables | 1,442 | | |
| | 1,442 | | |

Included in other payables as at 30 November 2007 is an advance of US\$1,279,000 from Polo Resources LLC. Polo Resources LLC is wholly owned by Anthony Bainbridge. Asia Intercept Mining LLC, in which Anthony Bainbridge holds 40% of the issued shares, is the sole shareholder of MUC Resources LLC. The advance is unsecured, interest free and has no fixed terms of repayment.

10 Share capital

| Authorised | Number of shares | Nominal value \$'000 |
|--|------------------|-------------------------|
| 1,000,000 ordinary shares of 1 Mongolian togrog par value each | 1,000,000 | 1 |
| Called up, allotted, issued and fully paid | Number of shares | Nominal value \$'000 |
| Incorporation | _ | _ |
| 21 September 2005 for cash at 1 Mongolian togrog per share | 1,000,000 | 1 |
| As at 30 November 2007, 31 December 2006 and | | |
| 31 December 2005 | 1,000,000 | 1 |

The amount of US\$823 was agreed upon by the Company as the value of capital contribution as at 21 September 2005, as stated in the Company's Charter.

11 Post Balance Sheet Events

On 31 January 2008, subject to Polo Resources Limited's shareholders' approval, MUC Resources Ltd., a wholly owned subsidiary of Polo Resources Limited, had purchased all the shares in MUC Resources LLC. Accordingly, effective on 31 January 2008, the holding company and ultimate holding company is MUC Resources Ltd. and Polo Resources Limited, both incorporated in the British Virgin Islands.

12 Nature of financial information

The financial information presented above in respect of the period ended 30 November 2007, does not constitute the statutory accounts for that period.

PART VI

ADDITIONAL INFORMATION

1. Responsibility

The Company and the Directors whose names and functions appear on page 5 of this Document, accept responsibility, individually and collectively, for compliance with the AIM Rules, and for the information contained in this Document (save for the recommendation at paragraph 25 of Part 1 of this Document in respect of the Mongolian Acquisition for which the Independent Directors take sole responsibility). To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this Document, for which they are responsible, is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

- 2.1 The Company is registered in the BVI, having been incorporated on 23 May 2007 under the BCA with registered number 1406187 with the name Ormond Natural Resources Inc. On 24 July 2007 a resolution was passed to change the name of the Company to Polo Resources Limited. The Company is domiciled in the BVI. The liability of the members is limited.
- 2.2 On 4 September 2007 the Company was admitted to trading on AIM.
- 2.3 The principal legislation under which the Company operates is the BCA.
- 2.4 The registered office and principal place of business of the Company is at the offices of Harneys Corporate Services Limited, Craigmuir Chambers, Road Town, Tortola, BVI, VG1110 and its telephone number is +27 82 404 3637.
- 2.5 The ISIN (International Security Identification Number) of the Company is VGG6844A1075.
- 2.6 The website address of the Company is www.poloresources.com.
- 2.7 Following Admission, the Company will have four directly wholly owned subsidiaries, namely MUC BVI, WCW, Polo Bangladesh Limited and Polo Australasia Limited. In addition, MUC Mongolia shall be a directly wholly owned subsidiary of MUC BVI and Polo Mongolia shall be a directly wholly owned subsidiary of WCW. 100 per cent. of the issued share capital of MUC Mongolia was transferred to MUC BVI, as directed by the Company, on 31 January 2008 and is held on trust by MUC BVI in accordance with the Mongolian Acquisition Agreement pending Completion. 100 per cent. of the issued share capital of WCW was transferred to the Company on 14 December 2007 and is held on trust by the Company in accordance with the Mongolian Acquisition Agreement pending Completion. If Completion does not take place by 15 March 2008, the Mongolian Acquisition Shares are to be returned to the Vendors.

Information on these entities is presented below:

| Name | Date and place of incorporation | Authorised Share Capital | Issued Share Capital | beneficially held by the Company on Completion |
|---|---------------------------------|-----------------------------|-------------------------|--|
| Polo Australasia Limited | 31 January 2008, BVI | Unlimited | 1 share | 100% |
| Polo Bangladesh Limited | 31 January 2008, BVI | Unlimited | 1 share | 100% |
| MUC Resources Ltd. ("MUC BVI") | 24 October 2007, BVI | Unlimited | 1,000 shares | 100% |
| World Coal Works Corporation ("WCW") | 15 August 2007, BVI | 50,000 shares | 50,000 shares | 100% |
| MUC Resources LLC ("MUC Mongolia") | 21 September 2005, Mongolia | 1,000,000 shares | 1,000,000 shares | 100% |
| Polo Resources LLC ("Polo Mongolia") | 10 October 2007, Mongolia | 12,000,000 shares | 12,000,000 shares | 100% |
| Kimko LLC | 29 October 2007, Mongolia | 1,000 shares | 1,000 shares | 100% |

% charac

Neither Polo Australasia Limited nor Polo Bangladesh Limited have traded since incorporation and neither have any material assets or liabilities.

3. Share Capital

- 3.1 At the date of incorporation, the Company had one Ordinary Share issued and fully paid. On incorporation, the Company was authorised to issue an unlimited number of shares to such persons and on such terms and conditions and at such times as the Directors determined free from pre-emption rights. Subject to amending the Articles upon Admission, the anti-dilution rights of the Shareholders following Admission are as set out at paragraph 4.2.1 of this Part VI.
- 3.2 On 3 August 2007 the Company allotted and issued 165,000,000 Ordinary Shares, to certain subscribers at 0.05 pence per share in cash raising a total of £82,500.
- 3.3 On 24 August 2007 the Company allotted and issued 132,880,000 Ordinary Shares to certain subscribers at 5 pence per share in cash raising a total of £6,644,000.
- 3.4 On 24 August 2007 the Company agreed to grant options in respect of 6,000,000 Ordinary Shares as set out in more detail in paragraph 3.6 below.
- 3.5 On 4 September 2007 the Company allotted and issued as fully paid 300,000 Ordinary Shares to Beaumont Cornish Limited pursuant to an agreement for the provision of nominated adviser services in respect of the Company's IPO Admission.
- 3.6 On 4 September 2007 the Company entered the Founder Option Agreements with Guy Elliott, Suresh Hiremath and Harald van Hoeken. Under the terms of the Founder Option Agreements Guy Elliott, Suresh Hiremath and Harald van Hoeken were granted the following Existing Options:

| Name | Date of grant | Ordinary Shares | Exercise Price | Exercise Period |
|-------------------|------------------|-----------------|-----------------------|------------------------|
| Guy Elliott | 4 September 2007 | 2,000,000 | 5 pence | 5 years |
| Suresh Hiremath | 4 September 2007 | 2,000,000 | 5 pence | 5 years |
| Harald van Hoeken | 4 September 2007 | 2,000,000 | 5 pence | 5 years |

The Existing Options may be exercised in whole or in part until the expiry of the exercise period. A holder of the Existing Options is entitled to receive notice of certain proposed transactions or events of the Company which may dilute or otherwise affect his Existing Options, and a holder may exercise or be deemed to have exercised his Existing Options prior to the occurrence thereof. Ordinary Shares issued pursuant to an exercise of Existing Options shall rank pari passu in all respects with the Company's existing Ordinary Shares save as regards any rights attaching by reference to a record date prior to the receipt by the Company of the notice of exercise of Existing Options. The Company shall apply to admit to trading on AIM the Ordinary Shares issued pursuant to the exercise of Existing Options.

- 3.7 On 25 September 2007 the Company completed a private fundraising, allotting and issuing a further 131,422,000 Ordinary Shares in the Company at a price of 5 pence per share to institutional and other investors, raising £6,571,100.
- 3.8 On 31 January 2008 the Company completed the Placing and issued 281,680,000 Ordinary Shares to the Places at 9 pence per share in cash raising £25,351,200 before expenses. To carry out the Placing, the Company entered the Placing Agreement. Under the Placing Agreement the Company agreed to pay to BMO a commission of six per cent. on the gross proceeds raised from the Placing Shares and to grant to BMO a warrant to subscribe for 8,450,400 Ordinary Shares in cash at 9 pence per share on or before the first anniversary of Admission.
- 3.9 On 6 February 2008 the Company agreed to grant, conditional on Admission, an option in respect of 500,000 Ordinary Shares to Jeanne Usonis pursuant to an engagement letter for the provision of consulting services in respect of the Company's Admission.

3.10 On 20 February 2008, the Company granted, conditional on Admission, certain Existing Directors and the Proposed Director New Options to subscribe for Ordinary Shares in the Company as set out below:

| Name | Date of grant | Number of Ordinary Shares | Exercise Price | Exercise Period (unless agreed otherwise) |
|--------------------|-----------------|------------------------------|-----------------------|---|
| Guy Elliott | On Admission | 3,000,000 | 9 pence | Until 10th anniversary of Admission* |
| Stephen Dattels | On Admission | 5,000,000 | 9 pence | Until 10th anniversary of Admission* |
| Paul Ingram | On Admission | 12,000,000 | 9 pence | Until 10th anniversary of Admission* |
| Danny Sun | On Admission | 5,000,000 | 9 pence | Until 10th anniversary of Admission* |
| Anthony Bainbridge | On Admission | 5,000,000 | 9 pence | Until 10th anniversary of Admission* |

^{*} Note: All New Options granted, conditional on Admission, to Existing Directors and the Proposed Director are subject to the three year vesting rule under the Share Option Scheme Rules, details of which are more particularly set out at paragraph 7 of this Part VI.

- 3.11 On 20 February 2008, the Company agreed to grant, conditional on Admission, further New Options over 36,000,000 Ordinary Shares to eligible parties under the Share Option Scheme (the "Additional New Options"). The Additional New Options have an exercise price of 9 pence per Ordinary Share and are subject to the three year vesting rule (details of the three year vesting rule are more particularly set out at paragraph 7 of this Part VI).
- 3.12 The number of Ordinary Shares issued at the date of this Document comprises 711,282,000 Ordinary Shares.
- 3.13 At Completion the Company will issue the New Ordinary Shares, comprising 97,340,425 Ordinary Shares, thereby increasing the number of Ordinary Shares in issue immediately following Admission to 808,622,425 Ordinary Shares.
- 3.14 Save as disclosed in this paragraph 3 of this Part VI and elsewhere in this Document, no share or loan capital of the Company is proposed to be issued or is under option or is agreed conditionally or unconditionally to be under option.
- 3.15 If the proposed changes to the Articles under the Resolutions are adopted on Admission, the Articles shall include certain rights of pre-emption, further details of which are set out in paragraph 4.2.1 below.
- 3.16 As further described in Part I of this Document, the CREST Regulations do not provide for the direct holding and settlement of foreign securities in CREST and the Company has therefore appointed Computershare Investor Services PLC as the Depositary whereby they will constitute and issue Depositary Interests in respect of the Company's securities. The Ordinary Shares will be held by the Custodian and the Depositary shall pass on and ensure that the Custodian forwards on to the holders of Depositary Interests all rights and entitlements which it or the Custodian receives in or in respect of the Ordinary Shares evidenced by the Depositary Interests. A detailed summary of the CREST and depositary arrangements are set out in paragraph 10 of this Part VI below.

4. Summary of BVI Company Law and Taxation

The Company is incorporated in the BVI as a BVI business company ("BVIBC") under the provisions of the BCA and therefore is subject to BVI law. Certain provisions of the BCA are summarised below. The following is not intended to provide a comprehensive review of the applicable law, or of all provisions which differ from equivalent provisions in jurisdictions, with which interested parties may be more familiar. This summary is based upon the law and the interpretation of the law applicable as at the date of this Document and is subject to change.

4.1 The Memorandum of Association

The memorandum of the Company (the "Memorandum") contains, *inter alia*, provisions relating to the objects of the Company. The object of the Company is to engage in any act or activity that is not prohibited under any law for the time being in force in the BVI.

4.2 Articles of Association

The rights attaching to the shares, as set out in the Memorandum and the Articles, contain (or subject to the passing of Resolution 3 at the Meeting of Shareholders, will contain with effect from Admission), amongst others, the following provisions:

4.2.1 Issuance of Shares

The BCA places the issuance of shares and other securities in a company under the control of its directors. Subject to any limitation or provisions to the contrary contained in the Articles and without affecting rights previously conferred upon Shareholders, the Directors have the power to offer, allot, grant options over or otherwise dispose of such shares. The authority given may be renewed, revoked, waived or varied by a resolution of Shareholders.

With effect from Admission, Regulation 2.2, as amended, will prohibit the Company, except with the approval of a resolution of Shareholders:

- from issuing more than a further 823,572,825 new Ordinary Shares before the first anniversary of Admission;
- from issuing more than a further 411,786,412 new Ordinary Shares between the first anniversary and second anniversary of Admission;
- from issuing more than a further 205,893,206 new Ordinary Shares between the second anniversary and the third anniversary of the Admission; and
- from issuing more than a further 205,893,206 new Ordinary Shares in any year after the third anniversary of Admission prior to any subsequent anniversary of Admission,

provided that the above restrictions will not apply:

- where the Ordinary Shares shall first be offered to Shareholders on a pro rata basis;
- to Ordinary Shares to be held under an employees' share scheme (having the definition set out in the UK Companies Act 2006);
- to an allotment of bonus shares; or
- to an allotment of Ordinary Shares which, as respects dividends or any distribution to a Shareholder on a liquidation of the Company, carry a right to participate only up to a specified amount in a distribution.

Nothing in the Articles shall preclude the Directors from recognising a renunciation of the issuance of any share by the allottee in favour of some other person.

Shares may be issued for consideration in any form, including money, a promissory note or other written obligation to contribute money or property, real property, personal property (including goodwill and know-how) services rendered or a contract for future services, or any combination thereof.

Shares which are not fully paid for on issue may be subject to forfeiture. There is no obligation on the Company to refund part payment for forfeit share.

Subject to any contrary provisions in a company's memorandum and articles of association, a company has the power to issue shares with or without voting rights or with different voting rights; common, preferred limited or redeemable shares; options, warrants or similar rights to acquire any securities of the company; and securities convertible into or exchangeable for other securities or property of the company.

4.2.2 Votes of Shareholders

Subject to any special terms as to voting or to which any shares may have been issued, at a meeting of Shareholders, on a show of hands or on a poll every Shareholder who, being an individual, is present in person or, being a corporation is present by a duly authorised representative, has one vote for every share of which he is the holder.

4.2.3 Variation of rights

If at any time the capital of the Company is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that

class) may be varied or abrogated with the consent in writing of the holders of at least 75 per cent. of the issued shares of that class, or with the sanction of a resolution passed by at least a 75 per cent. majority of the holders of shares of the class present in person or by proxy at a separate meeting of the holders of the shares of that class. To every such separate meeting the provisions of the Articles relating to meetings of the Company shall mutatis mutandis apply, but so that the necessary quorum shall be at least one person holding or representing by proxy at least one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll.

4.2.4 Transfers of Shares

- (a) Subject to any limitations in the Memorandum, shares in the Company may be transferred by a written instrument of transfer signed by the transferor and containing the name and address of the transferee.
- (b) In the case of uncertificated shares a Shareholder shall be entitled to transfer his shares by means of a relevant system and the operator of the relevant system shall act as agent of the Shareholders for the purposes of the transfer of shares. In addition to the foregoing, a transferor of an uncertificated share is effective only if a record of the transfer evidencing the transferor's consent is available and the statutory particulars in respect of the transferee are entered in the register of members.
- (c) The Directors may, in their absolute discretion and without giving any reason, refuse to register any transfer of shares unless:
 - (i) any written instrument of transfer, duly stamped (if so required), is lodged with the Company at the registered office or such other place as the Board may appoint accompanied by the certificate for the shares to which it relates (except in the case of a transfer by a recognised person or a holder of such shares in respect of whom the Company is not required by law to deliver a certificate and to whom a certificate has not been issued in respect of such shares);
 - (ii) it is in respect of only one class of share; and
 - (iii) it is in favour of not more than four transferees.
- (d) If the Directors refuse to register a transfer of any shares, they must, within two months after the date on which the transfer was lodged with the Company, send to the transferor and the transferee notice of the refusal.
- (e) All instruments of transfer which are registered shall be retained by the Company, but any instrument of transfer which the Directors decline to register shall (except in any case of fraud) be returned to the person depositing the same.
- (f) Subject to the foregoing, the Company must, on the application of the transferor or transferee of a certificated share in the Company, enter in the share register the name of the transferee of the share save that the registration of the transfers may be suspended and the share register closed at such times and for such periods at the Directors may from time to time determine provided always that such registration shall not be suspended and the share register closed for more than thirty (30) days each year.
- (g) The Company shall not be required to treat a transferee of a share in the Company as a shareholder of the Company until the transferee's name has been entered in the share register.
- (h) Nothing in the Articles precludes the Directors from recognising a renunciation of the issuance of any share by the allottee in favour of some other person.

4.2.5 Disclosure of interests exceeding three per cent.

Subject to the passing of Resolution 3 at the Meeting of Shareholders, the Articles, as amended, will: (a) incorporate disclosure obligations on any Shareholder with an interest in Ordinary Shares exceeding, in aggregate, three per cent. of the Company's issued Ordinary Shares from time to time to notify the Company of such interest and identify the Ordinary Shares in which it is interested; and

(b) permit the Company to make investigations into the interests of Shareholders in Ordinary Shares. Non-cooperation by any Shareholder may result in the Company serving a default notice imposing restrictions on the Ordinary Shares in which the Company believes the defaulting Shareholder is interested, including suspension of its right to vote or attend meetings of Shareholders, suspension of the right to receive any dividends on Ordinary Shares, or suspension of the right to transfer or agree to transfer Ordinary Shares held by the Shareholder, or which the Shareholder is interested in.

4.2.6 Payment of dividends

The profits of the Company available for dividend and resolved to be distributed shall be applied in the payment of dividends to the Shareholders in accordance with their respective rights and priorities provided that no dividend or interim dividend may be paid otherwise than in accordance with BVI law.

A dividend can be declared and paid, at any time or from time to time, by the Directors once they are satisfied that the Company can immediately after the distribution is able to satisfy the solvency test.

The Company satisfies the solvency test if (i) the value of the Company's assets exceeds its liabilities; and (ii) the Company is able to pay its debts as they fall due.

The Directors may from time to time pay interim dividends to the shareholders if such interim dividends appear to be justified by the profits of the Company.

Dividends in money, shares or other property may be declared by the Directors.

4.2.7 Unclaimed dividends

Any dividend unclaimed for three years after having been declared may be forfeited for the benefit of the Company.

4.2.8 Borrowing Powers

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertakings, property and assets (both present and future), including its uncalled capital and, subject to the BCA, to issue debentures, debenture stock and other securities whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.

4.2.9 Directors

- (a) No shareholding qualification is required by a Director.
- (b) The Directors may appoint one or more of their number to an executive office.

4.2.10 Meetings of Shareholders

The Board may call meetings of shareholders whenever and at such times and places as it shall determine and, on the written requisition of Shareholders entitled to exercise at least 30 per cent. of the voting rights in respect of the matter for which the meeting is requested, shall forthwith proceed to convene a meeting of shareholders.

A meeting of shareholders may be called by at least fourteen clear days' notice. Subject to the provisions of the Articles and to any restrictions imposed on any shares, the notice shall be given to all the members whose names appear in the share register of the Company on the date the notice is given. The notice shall specify the time and place of the meeting and the general nature of the business to be conducted. The accidental omission to give notice of a meeting to any person entitled to receive the same, or the non-receipt of a notice of meeting by any person, shall not invalidate the proceedings of that meeting.

A meeting of shareholders shall be quorate if any two shareholders entitled to vote are present in person or by proxy.

The appointment of a proxy shall be executed by or on behalf of the appointer. A corporation which is a member of the Company may authorise such person as it thinks fit to act as its representative at any meeting of the Company or at any separate meeting of the holders of any class of shares.

4.3 Financial assistance to purchase shares of a company or its holding company

The Company may give financial assistance to any person in connection with the acquisition of its own shares pursuant to section 28 of the BCA.

4.4 Purchase of shares

A company may, subject to its memorandum and articles purchase, redeem or otherwise acquire and hold its own shares in the manner provided for under the BCA or under its memorandum and articles.

A company may only offer to purchase, redeem or otherwise acquire shares if the resolution of directors authorising the purchase, redemption or other acquisition contains a statement that the directors are satisfied, on reasonable grounds, that immediately after the acquisition the value of the company's assets will exceed its liabilities and the company will be able to pay its debts as they fall due.

Subject to any limitations in the memorandum or articles of association, shares that a company purchases, redeems or otherwise acquires may be cancelled or held as treasury shares.

A company is not prohibited from purchasing and may purchase its own warrants subject to and in accordance with the terms and conditions of the relevant warrant instrument or certificate. There is no requirement under BVI law that a company's memorandum or articles of association contain a specific provision enabling such purchases and the directors of a company may rely upon the general power contained in its memorandum of association.

A subsidiary may hold shares in its parent company.

4.5 **Dividends and distribution**

There is, at present, no BVI taxation or withholding tax on dividends declared and paid by the Company to non-residents of the BVI.

4.6 **Protection of minorities**

Section 184 of the BCA provides certain statutory remedies to shareholders including derivative actions, personal actions and representative actions. The courts may consider claims by minority shareholders alleging that a company has acted ultra vires, illegally or fraudulently, where there has been a fraud by the majority on the minority or where (subject to certain conditions) a particular transaction involving a director is unfairly prejudicial to one or more of its shareholders.

Section 184 of the BCA provides certain statutory remedies to shareholders including derivative actions, personal actions and representative actions.

The BCA further provides that any shareholder of a company is entitled to payment of the fair value of his shares upon dissenting from any of the following:

- (a) a merger, if the company is a constituent company, unless the company is the surviving company and the shareholder continues to hold the same or similar class of shares;
- (b) a consolidation, if the company is a constituent company;
- (c) any sale, transfer, lease, exchange or other disposition of more than 50 per cent. of the assets or business of the company if not made in the usual or regular course of the business carried on by the company but not including (i) a disposition pursuant to an order of the court having jurisdiction in the matter, (ii) a disposition for money on terms requiring all or substantially all net proceeds to be distributed to the shareholders in accordance with their respective interests within one year after the date of disposition or (iii) a transfer pursuant to the power of the directors to transfer assets as described in Section 28(2) of the BCA;
- (d) a redemption of ten per cent. or fewer of the issued shares of the company required by the holders of 90 per cent. or more of the issued shares of the company pursuant to the terms of the BCA; or
- (e) an arrangement, if permitted by the court.

Generally any other claims against a company by its shareholders must be based on the general laws of contract or tort applicable in the BVI or their individual rights as shareholders as established by the company's memorandum and articles of association.

A majority of the shareholders must approve a proposed merger of the company, unless the merger is with a wholly owned subsidiary.

Any sale, transfer, lease, exchange or other disposition, other than a mortgage, charge or other encumbrance or the enforcement thereof, of more than 50 per cent. of the assets of a company, if not made in the usual or regular course of the business carried on by the company requires shareholder approval.

Shareholders dissenting from the proposal to dispose of 50 per cent. or more of the assets or from any arrangement (which may cover other types of reorganisation or reconstruction of the company) are entitled to require the company to pay the fair value of their shares, in accordance with the procedures and conditions laid down by the BCA.

Although the BCA does not prescribe procedures for variation of the rights of different classes of shareholders, the rights of such shareholders are governed by common law. The Memorandum permits variation in class rights with the consent in writing of the holders of 75 per cent. of the issued shares of the relevant class or with the sanction of a resolution passed by at least a 75 per cent. majority of the holders of shares of the class present in person or by a proxy at a separate meeting of the holders of the shares of that class.

4.7 Management

The Company is managed by its Directors, consisting of not less than 1 or more than 15 directors, who each have full authority to bind the Company. Directors are required under BVI law to act honestly and in good faith with a view to the best interests of the company, and to exercise the care, diligence and skill a reasonable director would exercise in the same circumstances taking into account but without limitation the position of the director and the nature of the company, the nature of the decision and the nature of the responsibilities undertaken by him. As mentioned above, certain actions require prior approval of the Shareholders, as a matter of statute. While the Company may provide certain indemnity for its Directors, the BCA precludes the Directors from taking advantage of such indemnities unless they act honestly and in good faith and in what they believed to be in the best interests of the Company, and in the case of criminal proceedings, where the Director had no reasonable cause to believe that his conduct was unlawful.

4.8 Accounting and auditing requirements

BVI law makes no specific provision for the types of books and records to be maintained. It requires only that a company keep such accounts and records as the directors of the company consider necessary or desirable in order to reflect the financial position of the company. There is no statutory requirement to audit or file annual accounts unless the company is engaged in certain businesses, which require a licence under BVI law.

4.9 Inspection of corporate records

Shareholders of the Company are entitled to inspect, on giving written notice, the memorandum and articles, the register of members, the register of directors and minutes of meetings and resolutions of members and of those classes of members which he is a member. However, the Directors have power to refuse the request on the grounds that the inspection is not in the best interest of the Company or of any other Shareholder of the Company. A Shareholder who has been refused an inspection may apply to court for an order to permit the inspection.

The only corporate records generally available for inspection by members of the public are those required to be maintained at the BVI Registry of Corporate Affairs, namely the certificate of incorporation and memorandum and articles of association together with any amendments to these documents, and certain other documents which the Company may optionally elect to file.

A company may elect to maintain a copy of its share register and register of directors at the Registry of Corporate Affairs, but this is not required under BVI law. These documents are, however, maintained in the office of the company's registered agent and may be inspected with the company's consent, or in limited circumstances pursuant to a court order.

4.10 Winding up

The BCA and the Insolvency Act 2003 (in the case of insolvency) make provision for both voluntary and compulsory winding up of a company, and for appointment of a liquidator. The shareholders or the directors may resolve to wind up the company voluntarily. If it is the directors who resolve to commence the winding up, they must present a plan of dissolution for approval by the shareholders, incorporating the matters set out in the BCA.

The company, any member or creditor may petition the court pursuant to the Insolvency Act, for the winding up of the company upon various grounds amongst others, that it is just and equitable that the company should be wound up or that the company is insolvent within the meaning of that term in the Insolvency Act. This includes circumstances the value of a company's liabilities exceeds its assets or the company is unable to pay its debts as they fall due.

4.11 Takeovers

Generally the merger or consolidation of an BVIBC requires shareholder approval, (however a BVIBC parent company may merge with one or more BVI subsidiaries without shareholder approval, provided that the surviving company is also a BVIBC). Shareholders dissenting from a merger are entitled to payment of the fair value of their shares unless the company is the surviving company and the shareholder continues to hold a similar interest in the surviving company.

The BCA Act permits BVIBCs to merge with companies incorporated outside the BVI, provided the merger is lawful under the laws of the jurisdiction in which the non-BVI company is incorporated. Further, on a merger, shareholders holding 90 per cent. of the outstanding shares may direct the company to redeem the remaining 10 per cent. of shares.

Under the BCA, following a statutory merger, one of the companies is subsumed into the other (the surviving company) or both are subsumed into a third company (a consolidation). In either case, with effect from the effective date of the merger, the surviving company assumes all of the assets and liabilities of the other entity(ies) by operation of law and the other entities cease to exist.

Subject to the passing of Resolution 3 at the Meeting of Shareholders, the Articles will incorporate provisions similar to Rule 9 of the City Code so that any person, or persons acting in concert, shall be prevented, from acquiring a stake in the Company of 30 per cent. (or greater) of the issued share capital from time to time, without making an offer for the remainder of the issued share capital of the Company.

There is no City Code or similar regulation of takeover offers applicable in the BVI.

4.12 Articles of Association post-Admission

For further details of the provisions of the Articles, Shareholders' attention is drawn to the Notice of Meeting of Shareholders in Part VII which sets out the full text of the Articles (as they will be on Admission, subject to the passing of Resolution 3), with the proposed changes marked, as an Appendix.

5. Interests of the Existing Directors and the Proposed Director

5.1 As at the date of this Document and at Admission, the interests (all of which are beneficial unless otherwise stated) of the Directors and their immediate families in the share capital of the Company and, so far as is known to the Directors, or could with reasonable due diligence be ascertained by them, persons connected with them (within the meaning of Sections 252 to 255 of the UK Companies Act 2006 ("Connected Person")) if the Connected Person was a Director would otherwise be disclosed pursuant to this paragraph are or are expected to be as follows:

| | As at the date of | As at the date of this Document | | mission |
|------------------------------|------------------------------|--|------------------------------|--|
| Name | Number of Ordinary Shares | Percentage of issued share capital | Number of Ordinary Shares | Percentage of Enlarged Share Capital |
| Stephen Dattels ¹ | 60,000,000 | 8.44% | 60,000,000 | 7.42% |
| Paul Ingram ² | _ | _ | 3,400,000 | 0.42% |
| Guy Elliott | 20,000,000 | 2.81% | 20,000,000 | 2.47% |
| Suresh Hiremath | 2,500,000 | 0.35% | 2,500,000 | 0.31% |
| Harald van Hoeken | 2,500,000 | 0.35% | 2,500,000 | 0.31% |
| Danny Sun ³ | _ | _ | 5,800,000 | 0.72% |
| Tony Bainbridge | _ | | 5,800,000 | 0.72% |

Notes:

- 1. Stephen Dattels' entire shareholding is held through Chiropo Company SA.
- 2. Paul Ingram's entire shareholding will be held through Siam Resources Ltd.
- 3. Danny Sun's entire shareholding will be held through Excellent Way Enterprises Limited.

5.2 As at Admission the Existing Directors and the Proposed Director (and all persons connected with the Existing Directors and the Proposed Director within the meaning of Sections 252 to 255 of the UK Companies Act 2006) will hold the following Options over Ordinary Shares:

| Name | Type of Option | Date of grant | Number of Ordinary Shares | Exercise Price | Exercise Period (unless agreed otherwise) |
|--------------------|------------------|------------------|------------------------------|----------------|---|
| Guy Elliott | Existing Options | 4 September 2007 | 2,000,000 | 5 pence | 5 years |
| Guy Elliott | New Options | On Admission | 3,000,000 | 9 pence | Until 10th anniversary of Admission* |
| Suresh Hiremath | Existing Options | 4 September 2007 | 2,000,000 | 5 pence | 5 years |
| Harald van Hoeken | Existing Options | 4 September 2007 | 2,000,000 | 5 pence | 5 years |
| Stephen Dattels | New Options | On Admission | 5,000,000 | 9 pence | Until 10th anniversary of Admission* |
| Paul Ingram | New Options | On Admission | 12,000,000 | 9 pence | Until 10th anniversary of Admission* |
| Danny Sun | New Options | On Admission | 5,000,000 | 9 pence | Until 10th anniversary of Admission* |
| Anthony Bainbridge | New Options | On Admission | 5,000,000 | 9 pence | Until 10th anniversary of Admission* |

^{*} Note: All New Options granted, conditional on Admission, to Existing Directors and the Proposed Director are subject to the three year vesting rule under the Share Option Scheme Rules, details of which are more particularly set out at paragraph 7 of this Part VI.

- 5.3 Save as disclosed in this Document, none of the Existing Directors, the Proposed Director or any Connected Person connected with the Existing Directors or the Proposed Director (within the meaning of Sections 252 to 255 of the UK Companies Act 2006) has any interest, whether beneficial or non-beneficial, in any share capital of the Company.
- 5.4 Save as disclosed in this Document in respect of the Initial Promissory Notes and the Consideration Promissory Note there are no outstanding loans granted or guarantees provided by the Company to or for the benefit of any of the Existing Directors or the Proposed Director.
- 5.5 Save as otherwise disclosed in this Document, no Existing Director or Proposed Director has any interest, whether direct or indirect, in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company taken as a whole and which was effected by the Company since its incorporation and which remains in any respect outstanding or unperformed.
- 5.6 Save as disclosed in paragraph 6 below and as set out at paragraph 9.1 of this Part VI, there are no contracts, existing or proposed, between any Existing Director or Proposed Director and the Company.
- 5.7 The Existing Directors and the Proposed Director hold, and have during the five years preceding the date of this Document held, the following directorships or partnerships:

| Name | Current Directorships | Past Directorships |
|-----------------|--------------------------------|--------------------------------------|
| Stephen Dattels | CCEC Limited | Caledon Resources PLC |
| | Emerging Metals Limited | European Minerals Corporation |
| | Regent Discovery Limited | Everfor Diamonds PLC |
| | Regent Mercantile Bancorp Inc. | Mago Resources Pty Ltd. |
| | Regent Mercantile Limited | Oriel Resources PLC |
| | | Uramin Inc. |
| | | Uramin UK Limited |

| Name | Current Directorships | Past Directorships | | |
|---|---|---|--|--|
| Paul Ingram | Caledon Coal Ltd. Caledon Resources PLC Consolidated Global Investments Limited Fabian Entertainment Pty Ltd. Siam Resources Ltd. | None | | |
| Guy Elliott | Aurelian Oil & Gas PLC Direct Petroleum Exploration, Inc. F3 Capital Management Hecta Media Inc. | Marathon PGM Corporation Templar Minerals Limited | | |
| Suresh Hiremath | Alchemy India (Offshore) Limited Castellan Capital Limited Castellan Limited Gateway Capital Management Limited | Marsing UK Ltd. | | |
| Harald Van Hoeken | Amber OPL286 (BVI) Ltd Amber E&P Services (Nigeria) Ltd Amber Petroleum Limited Amber Petroleum (UK) Limited Amber TSB Development (BVI) Ltd Amber TSB Development (Nigeria) Ltd Equinox Deepwater JDZ Ltd Momo Petroleum Ltd Oil Fields Resources (SL) Ltd | PGS Americas Inc. PGS Exploration (UK) Limited PGS Nigeria Limited Wellstream International Limited | | |
| Danny Sun | Asia Intercept Mining Group Ltd. Zhong Jun Jia Hua Investment Group | China Goldcorp Limited China Gold Investment Co. Ltd. Chinese Worldnet.com Inc. Global Finance Net of North America | | |
| Tony Bainbridge | Garrison International Ltd. Asia Intercept Mining Group Ltd. P.T. Lembah Maharaja Amb Exploration Pty Ltd. | None | | |
| Save as disclosed below, none of the Existing Directors or the Proposed Director has: | | | | |

- 5.8 Save as disclosed below, none of the Existing Directors or the Proposed Director has:
 - (a) any unspent convictions in relation to indictable offences;
 - (b) had any bankruptcy order made against him or entered into any individual voluntary arrangements or has had a receiver appointed to any asset of such director; or
 - (c) been a director of a company which has been placed in receivership, compulsory liquidation, creditors voluntary liquidation, administration, been subject to a company voluntary arrangement or any composition or arrangement with its creditors generally or any class of its creditors whilst he was a director of that company or within the 12 months after he ceased to be a director of that company; or
 - (d) been a partner of any partnership which has been placed into compulsory liquidation, administration or been the subject of a partnership voluntary arrangement whilst he was a partner in that partnership or within the 12 months after he ceased to be a partner in that partnership; or
 - (e) been the owner of any assets or a partner in any partnership which has been placed in receivership whilst he was a partner in that partnership or within 12 months after he ceased to be a partner in that partnership; or
 - (f) been publicly criticised by an statutory or regulatory body (including recognised professional bodies); or

- (g) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of affairs of any company.
- 5.9 (a) Stephen Dattels resigned as a director of Werner Dahnz Company Limited in November 1988. Werner Dahnz Company Limited went into liquidation in August 1989. Mr. Dattels resigned as a director of Java Gold Corporation in April 1998 and Java Gold Corporation ceased trading on 17 August 1999. Mr. Dattels resigned as a director of Currency Network PLC on 15 November 2001. Currency Network PLC was dissolved on 23 July 2002. On 26 November 2001, a wholly owned subsidiary of Currency Network PLC, Currency Network (UK) Limited, of which Mr. Dattels had never been a director, was placed in creditors' voluntary liquidation.
 - (b) Paul Ingram was a director of Menzies Gold Limited, an Australian registered company, when on 30 January 2003, Menzies Gold Limited entered into voluntary administration. A deed of company arrangement was prepared and total debt estimated at £2.3 million. Menzies Gold Limited has since been re-listed.
- 5.10 The Directors have held Company office as follows:

| Name | Commencement of period of offices |
|-------------------|-----------------------------------|
| Stephen Dattels | 16 January 2008 |
| Paul Ingram | 16 January 2008 |
| Guy Elliott | 23 May 2007 |
| Suresh Hiremath | 3 August 2007 |
| Harald van Hoeken | 3 August 2007 |
| Danny Sun | 11 February 2008 |

5.11 The aggregate remuneration (including any contingent or deferred compensation) payable and benefits in kind to be granted to Directors is estimated to be £335,000 for the current financial period ending 31 July 2008 under arrangements in force at the date of this Document.

6. Existing Directors' and Proposed Director's service contracts and emoluments

- 6.1 Following the IPO Admission the services of Guy Elliott, Suresh Hiremath and Harald van Hoeken were each provided under the terms of separate service agreements each dated 24 August 2007 and commencing with effect from 4 September 2007. Each received an initial fee of £1,000 per month.
- 6.2 On 16 January 2008 the Company appointed Stephen Dattels and Paul Ingram as directors of the Company. By Board resolution of the same date it was decided that Stephen Dattels and Paul Ingram would be executive directors of the Company, serving as Executive Chairman and Chief Executive Officer respectively. Further it was resolved that Guy Elliott, Suresh Hiremath and Harald van Hoeken would be non-executive directors of the Company.
 - On 11 February 2008 the Company appointed Danny Sun as a non-executive director of the Company.
 - By Board resolution dated 12 February 2008 the Company approved and entered into executive service agreements for Stephen Dattels and Paul Ingram. The Company further approved and entered into non-executive letters of appointment in respect of each of Guy Elliott, Suresh Hiremath, Harald van Hoeken and Danny Sun. The principal terms and conditions of each contract or letter of appointment are as set out below:
 - (a) The services of Stephen Dattels are provided under the terms of a service agreement dated 12 February 2008 under which he has been appointed as the Executive Chairman of the Company, with effect from 16 January 2008. The appointment will continue until terminated upon 12 months' written notice by either party. He will receive a salary of £120,000 per annum. Where there is a change of control of the Company and Mr. Dattels' employment is terminated, he will receive two times his basic salary and benefits in addition to other amounts he is entitled to under statute or contract. Mr. Dattels will also be subject to post-termination restrictions commensurate with his position, a garden leave provision and provisions protecting

the Company's intellectual property and confidential information. Mr. Dattels will work for such hours and days as may be necessary for the proper and efficient performance of his duties and as will be agreed between him and the Company from time to time. For the avoidance of doubt, Mr. Dattels will be required to devote not less than 30 per cent. of his working week to his duties under the services agreement.

- (b) The services of Paul Ingram are provided under the terms of a service agreement dated 12 February 2008 under which he has been appointed as the Chief Executive Officer of the Company, with effect from 16 January 2008. The appointment will continue until terminated upon 12 months' written notice by either party. He will receive a salary of £200,000 per annum. Where there is a change of control of the Company and Mr. Ingram's employment is terminated, he will receive two times his basic salary and benefits in addition to other amounts he is entitled to under statute or contract. Mr. Ingram will also be subject to post-termination restrictions commensurate with his position, a garden leave provision and provisions protecting the Company's intellectual property and confidential information. Mr. Ingram will work for such hours and days as may be necessary for the proper and efficient performance of his duties and will be required to devote 100 per cent. of his working week to his duties under the services agreement.
- (c) The services of Guy Elliott, Suresh Hiremath, Harald van Hoeken and Danny Sun are each provided under the terms of a letter of appointment dated 12 February 2008 commencing with effect from 16 January 2008 in respect of the services of Guy Elliott, Suresh Hiremath and Harald van Hoeken and with effect from 11 February 2008 in respect of the services of Danny Sun and thereafter subject to termination upon one month's written notice by either party, at an initial fee of £25,000 per annum. The letter of appointment provides that each non-executive director will devote two days a month to the Company and any time spent by them in excess of that time commitment will be charged to the Company on commercial rates on a time basis as agreed with the Company at such time.
- 6.3 Subject to Completion the services of the Proposed Director, Anthony Bainbridge, shall be provided under the terms of a service agreement dated 20 February 2008 under which he has conditionally been appointed as the Chief Operating Officer of the Company, subject to Completion and with effect from Admission. Under the terms of the service agreement the appointment will continue until terminated upon 12 months' written notice by either party. Mr. Bainbridge will be based in Mongolia and he will receive a salary of £200,000 per annum. Where there is a change of control of the Company and Mr. Bainbridge's employment is terminated, he will receive two times his basic salary and benefits in addition to other amounts he is entitled to under statute or contract. Mr. Bainbridge will also be subject to post-termination restrictions commensurate with his position, a garden leave provision and provisions protecting the Company's intellectual property and confidential information. Mr. Bainbridge will work for such hours and days as may be necessary for the proper and efficient performance of his duties and will be required to devote 100 per cent. of his working week to his duties under the services agreement.
- As well as the remuneration and benefits under their respective service agreement or letter of appointment, certain Existing Directors have been granted the New Options detailed in paragraph 3.10 of this Part VI. The Proposed Director has also been granted New Options as set out in paragraph 3.10 of this Part VI, with the grant to him conditional on Completion. In addition, Guy Elliott, Suresh Hiremath and Harald van Hoeken hold Existing Options. The Options may be exercised in whole or in part until the expiry of the exercise period. A holder of the Options is entitled to receive notice of certain proposed transactions or events of the Company which may dilute or otherwise affect the Options. Ordinary Shares issued pursuant to an exercise of Options shall rank *pari passu* in all respects with the Company's existing Ordinary Shares save as regards any rights attaching by reference to a record date prior to the receipt by the Company of the notice of exercise of the Options. The Company shall apply to admit to AIM the Ordinary Shares issued pursuant to the exercise of the Options.
- 6.5 Save as disclosed in this Document, there is no contract or arrangement to which the Company is a party and in which any Existing Director or Proposed Director is materially interested and which is significant in relation to the business of the Company and no amount or benefit has been or is intended to be paid or given to any promoter of the Company.

7. Share Option Scheme

The New Options are exercisable pursuant to and on the terms of the Share Option Scheme Rules as summarised below:

- the Directors may grant eligible employees, consultants or their nominees options on such terms and subject to such conditions and at such price as the Directors think fit;
- the New Options are ordinarily subject to a three year vesting period, with one third of the employee's or director's entitlement vesting on the first anniversary of their grant, the second third vesting on the second anniversary, and the final third vesting on the third anniversary;
- on the death of any eligible employee holding New Options, the New Options shall automatically vest and the personal representatives may exercise the New Options at any time within 18 months of the death;
- on the retirement or redundancy of any eligible employee, or in the event that they leave the Company by reason of disability or injury, the New Options shall automatically vest and the eligible employee may exercise the New Options at any time for six months following their departure;
- subject to the above, New Options shall lapse if not vested by the date the eligible employee or director leaves the employment of the Company, unless agreed otherwise with the Directors, and shall lapse if not exercised by the tenth anniversary of Admission;
- the Company is indemnified against any tax liability incurred on grant or exercise of the New Options;
- the exercise price of any New Options shall be determined by the Directors at their sole discretion:
- the Company can grant New Options over no more shares than would be equal to 15 per cent. of the Company's issued share capital from time to time;
- there is no limit to the number of New Options that can be granted to any individual;
- all New Options shall automatically vest on a change of control of the Company (as defined in the Shares Option Scheme Rules) or on any takeover offer or other merger of the Company;
- the Directors may by resolution of the Board amend the Share Option Scheme Rules or grant New Options subject to such rules as they think fit in the circumstances; and
- the Directors may by resolution of the Board grant any options over Ordinary Shares outside the Share Option Scheme Rules as required to meet existing contractual obligations of the Company or to such third parties in the future as they deem for at their sole discretion to conduct all and any business of the Company in the ordinary course.

A holder of New Options is entitled to receive notice of certain proposed transactions or events of the Company which may dilute or otherwise affect their New Options, and may exercise or be deemed to have exercised their New Options prior to the occurrence thereof. Ordinary Shares issued pursuant to an exercise of the New Options shall rank *pari passu* in all respects with the Company's existing Ordinary Shares save as regards any rights attaching by reference to a record date prior to the receipt by the Company of the notice of exercise of the New Options. The Company shall apply to admit to trading on AIM the Ordinary Shares issued pursuant to the exercise of the New Options.

8. Substantial Shareholders

As at the date of this Document and on Admission, save for the interests of the Existing Directors and the Proposed Director, which are set out in paragraph 5 above, the Company is aware of the following persons who are or will hold, directly or indirectly, voting rights representing three per cent. or more of the issued share capital of the Company to which voting rights are attached:

| | As at the date of | | On Admission | | | | |
|---|------------------------------|--|------------------------------|--|--|--|--|
| Name | Number of Ordinary Shares | Percentage of issued share capital | Number of Ordinary Shares | Percentage of Enlarged Share Capital | | | |
| TPG-Axon Partners (Offshore) Ltd | 71,907,000 | 10.11% | 71,907,000 | 8.89% | | | |
| Angstrom Capital Limited | 60,000,000 | 8.44% | 60,000,000 | 7.42% | | | |
| Libra Advisors, LLC* | 45,450,000 | 6.39% | 45,450,000 | 5.62% | | | |
| Perella Weinberg Partners Xerion Master Fund Ltd | 41,960,000 | 5.90% | 41,960,000 | 5.19% | | | |
| TPG-Axon Capital | 37,043,000 | 5.21% | 37,043,000 | 4.58% | | | |
| Seamans Capital Management Ltd. | 36,870,000 | 5.18% | 36,870,000 | 4.56% | | | |
| Tocqueville Gold Fund | 33,650,000 | 4.73% | 33,650,000 | 4.16% | | | |
| RIG III Fund Limited | 32,000,000 | 4.50% | 32,000,000 | 3.96% | | | |
| RAB Special Situations (Master) Fund Limited | 24,900,000 | 3.50% | 97,240,425 | 12.03% | | | |

^{*} Note: Libra Advisors LLC is the investment manager of two funds, Libra Fund LP (holding 36,760,000 Ordinary Shares) and Libra Offshore Ltd (holding 8,690,000 Ordinary Shares).

9. Material Contracts

The following contracts are the only contracts (not being contracts entered into in the ordinary course of business of the Group) which have been entered into by the Group since incorporation and which are, or may be, material or which have been entered into at any time by the Group and which contains any provision under which the Group has any obligation or commitment which is, or may be, material to the Group as at the date of this Document.

9.1 Agreements in relation to the Mongolian Acquisition

9.1.1 Mongolian Acquisition Agreement, Mongolian Acquisition Deed and Novation Agreement

By an agreement (the "Mongolian Acquisition Agreement") made on 19 November 2007 between Asia Intercept (1), the Company (2), Polo Mongolia (3), MUC Mongolia (4), WCW (5), Anthony Bainbridge (6), Danny Sun (7), Paul Ingram (8) and Mark Syropoulo (9), as varied by the Mongolian Acquisition Deed made between the same parties and dated 14 February 2008, the Company has agreed to acquire, conditionally (inter alia) upon Admission and approval of the Mongolian Acquisition by holders of the Existing Ordinary at the Meeting of Shareholders, the Mongolian Target Companies which at Admission will own certain rights, title and interests in the Licences and Agreements. The entire issued share capital of MUC Mongolia (the "MUC Mongolia Shares") is to be acquired by the Company from Anthony Bainbridge and the entire issued share capital of WCW (the "WCW Shares") is to be acquired by the Company from Anthony Bainbridge and Danny Sun on Completion (the MUC Mongolia Shares and together with the WCW Shares, the "Mongolian Acquisition Shares"). The Mongolian Acquisition Shares have already been transferred to the Company and at the date of this Document, the Company holds the Mongolian Acquisition Shares on trust for the Vendors. If Completion does not take place by 15 March 2008, the Mongolian Acquisition Shares are to be returned to the Vendors. The terms of this trust relationship are set out in the Mongolian Acquisition Deed.

As consideration under the Mongolian Acquisition Agreement and the Mongolian Acquisition Deed, on Completion the Company:

(a) will make payment of US\$2,000,000 to the Vendors (the "Mongolian Acquisition Cash Consideration"), which has been advanced to the Vendors by the Company under the Consideration Promissory Note, further details of which are contained in paragraph 9.1.4 of this Part VI;

- (b) agrees that all obligations of Asia Intercept under the Initial Promissory Notes shall be novated to Polo Mongolia on Completion in accordance with the terms of the Novation Agreement, and that the terms of the Initial Promissory Notes shall be varied to ensure that such sums are not 'extinguished' or written off at Completion, but exist and shall be recorded post-Completion as an intra-company loan from the Company to Polo Mongolia;
- (c) will allot and issue the Mongolian Consideration Shares credited as fully paid as follows:
 - (i) 5,800,000 Ordinary Shares to Excellent Way Enterprises Limited (beneficially owned by Danny Sun);
 - (ii) 5,800,000 Ordinary Shares to Anthony Bainbridge;
 - (iii) 2,900,000 Ordinary Shares to Lee Yang; and
 - (iv) 500,000 Ordinary Shares to Ever Award Holdings Ltd. (beneficially owned by Michael Liu and Larry Wang);
- (d) will allot and issue the Mongolian Introductory Shares credited as fully paid as follows:
 - (i) 3,400,000 Ordinary Shares to Paul Ingram;
 - (ii) 3,400,000 Ordinary Shares to Mark Syropoulo; and
 - (iii) 700,000 Ordinary Shares to Ever Award Holdings Ltd. (beneficially owned by Michael Liu and Larry Wang); and
 - (iv) 2,500,000 Ordinary Shares to TINA.

The Vendors, Paul Ingram and Mark Syropoulo are bound under the Mongolian Acquisition Agreement for a period of three years from Completion by a non-compete clause in respect of the mining of, or exploration for, mineral deposits in Mongolia (except for gold deposits and the existing obligations of the Vendors under binding agreements which have already been entered into).

Under the Mongolian Acquisition Agreement, the Vendors indemnify the Company from any loss suffered or incurred as a result of any of the Licences and Agreements not being held by MUC Mongolia or Polo Mongolia as set out in the Mongolian Acquisition Deed at Completion. Further, the Vendors indemnify the Company in respect of any losses incurred by the Company as a result of a breach by the Vendors of any of the warranties or representations made by the Vendors in respect of MUC Mongolia and Polo Mongolia, and the Licences and Agreements, under the Mongolian Acquisition Agreement, including but not limited to:

- (a) the corporate status and authority of the Vendors and the Introducing Parties to enter the Mongolian Acquisition Agreement;
- (b) the Vendors' title and other rights or interests in respect of the Licences and Agreements and the Mongolian Acquisition Shares;
- (c) the existence of no litigation, investigation, dispute or environmental liability in respect of, or any breach of, the Licences and Agreements; and
- (d) the full disclosure of all information to the Company which might reasonably affect its willingness to enter the Mongolian Acquisition Agreement or proceed to Completion.

In addition to the Mongolian Acquisition, the Mongolian Acquisition Agreement sets out the agreement of the parties in respect of subsequent transactions conducted with the direct assistance of the Vendors. In particular, the Mongolian Acquisition Agreement confirms that:

(a) if the Company acquires title to the Erdenetsogt Coal Deposit (or an equivalent deposit having a resource greater than 125 million tonnes of thermal or coking coal), or if it acquires title to or interest in another significant coal asset from or with the

assistance of the Vendors, the Company shall allot and issue, subject to a one-year lock-in period, 30 million Ordinary Shares to the Vendors, five million Ordinary Shares to Paul Ingram and Mark Syropoulo, and five million Ordinary Shares to TINA, in respect of each such relevant acquisition, and

(b) the Company shall be under no obligation, with no potential liability, should it decide not to pursue any transaction or acquisition recommended or introduced by the Vendors or the Introducing Parties. In the event that the Company decides to refuse a project offered to it by the Vendors, it shall be open to the Vendors to purchase such projects themselves or through their contacts without infringing the noncompete provisions contained in the Mongolian Acquisition Agreement.

The Company's obligation outlined above to issue Ordinary Shares in respect of subsequent transactions conducted with the direct assistance of the Vendors will arise only on the first two transactions in which the Company makes a relevant acquisition after Completion. The Vendors' rights under this provision are not capable of assignment. Determination as to whether the Vendors have assisted in introducing and facilitating a transaction for which they are entitled to the further Ordinary Shares at paragraph (a) above shall be at the reasonable discretion of the Board acting in good faith, with the Board's determination notified to the Vendors in writing. In the event that there is a dispute between the Vendors and the Board as to the Board's decision such matter shall be referred to an independent expert for final determination.

Warranties set out in the Mongolian Acquisition Agreement have been confirmed by the Vendors and the Company respectively as being true and accurate as at the date of the Mongolian Acquisition Deed, and will be repeated at Admission.

Under the Mongolian Acquisition Deed, the Vendors assign and transfer (to the fullest extent permitted by law) all intellectual property rights used in connection with or derived from the Licences and Agreements. In addition, the parties agreed to undertake all such steps as reasonably necessary and reasonably requested to assign or transfer any intellectual property rights to the Company or as the Company directs following Completion.

The parties agreed that any dispute arising out of or in connection with the Mongolian Acquisition Agreement and the Mongolian Acquisition Deed shall be resolved by arbitration in the London Court of International Arbitration.

9.1.2 Management Services Agreement

On 29 January 2008 Asia Intercept (jointly owned by Anthony Bainbridge and Danny Sun) entered a management services agreement with MUC Mongolia and Polo Mongolia (the "Management Agreement") for the provision of management services post-Completion.

Under the Management Agreement, MUC Mongolia and Polo Mongolia (the "Operating Companies") have retained Asia Intercept (the "Service Provider") to provide the Operating Companies with purchasing, accounting, personnel, operating and other administrative services, on the terms summarised below:

- (a) the Service Provider agrees to provide the services to the Operating Companies with reasonable care using personnel who have a reasonable degree of skill and experience for the work involved;
- (b) the agreement is for an initial fixed term of 12 months from Completion and may be renewed by agreement in writing by the parties thereafter;
- (c) the agreement may be terminated by any party at any time where a party fails to rectify a material breach, of which notice has been given, if a resolution or order is made in insolvency proceedings for a party's winding up or if there is a change of control of either the Service Provider or the Operating Companies;
- (d) the Operating Companies will pay the Service Provider, as applicable, an amount equal to the cost of providing the services and any related tax or charges thereon plus an amount equal to 10 per cent. of the gross cost incurred by the Service Provider; and
- (e) the Operating Companies will reimburse the Service Provider the reasonable expenses incurred by it in the proper performance of the services.

9.1.3 Initial Promissory Notes

9.1.3.1 On 20 October 2007 the Company entered into a loan agreement with Asia Intercept pursuant to which the Company advanced to Polo Mongolia U\$\$350,000 and Asia Intercept issued a promissory note for U\$\$350,000 to the Company. The loan is due and payable upon the earlier to occur of: (i) receipt by Asia Intercept of the Company's written demand for payment, (ii) the date of the completion of the Mongolian Acquisition and (iii) 31 January 2008. The proceeds of the loan shall be used solely for the purpose of acquiring additional mineral licences in Mongolia on behalf of the Company.

At a meeting of the Board held on 16 January 2008, the Directors resolved to amend the date specified in item (iii) from 31 January 2008 to 29 February 2008 with immediate effect.

9.1.3.2 On 24 October 2007 the Company entered into a loan agreement with Asia Intercept pursuant to which the Company advanced to Polo Mongolia US\$1,250,000 and Asia Intercept issued a promissory note for US\$1,250,000 to the Company. The loan is due and payable upon the earlier to occur of: (i) receipt by Asia Intercept of the Company's written demand for payment, (ii) the date of the completion of the Mongolian Acquisition and (iii) 31 January 2008. The proceeds of the loan shall be used solely for the purpose of acquiring additional mineral licences in Mongolia on behalf of the Company.

At a meeting of the Board held on 16 January 2008, the Directors resolved to amend the date specified in item (iii) from 31 January 2008 to 29 February 2008 with immediate effect.

9.1.3.3 On 15 November 2007 the Company entered into a loan agreement with Asia Intercept pursuant to which the Company advanced to Polo Mongolia US\$150,000 and Asia Intercept issued a promissory note for US\$150,000 to the Company. The loan is due and payable upon the earlier to occur of: (i) receipt by Asia Intercept of the Company's written demand for payment, (ii) the date of the completion of the Mongolian Acquisition and (iii) 31 January 2008. The proceeds of the loan shall be used solely for the purpose of acquiring additional mineral licences in Mongolia on behalf of the Company.

At a meeting of the Board held on 16 January 2008, the Directors resolved to amend the date specified in item (iii) from 31 January 2008 to 29 February 2008 with immediate effect.

9.1.3.4 On 19 November 2007 the Company entered into a loan agreement with Asia Intercept pursuant to which the Company advanced to Polo Mongolia US\$100,000 and Asia Intercept issued a promissory note for US\$100,000 to the Company. The loan is due and payable upon the earlier to occur of: (i) receipt by Asia Intercept of the Company's written demand for payment, (ii) the date of the completion of the Mongolian Acquisition and (iii) 31 January 2008. The proceeds of the loan shall be used solely for the purpose of acquiring additional mineral licences in Mongolia on behalf of the Company.

At a meeting of the Board held on 16 January 2008, the Directors resolved to amend the date specified in item (iii) from 31 January 2008 to 29 February 2008 with immediate effect.

9.1.3.5 On 29 November 2007 the Company entered into a loan agreement with Asia Intercept pursuant to which the Company advanced to Polo Mongolia US\$900,000 and Asia Intercept issued a promissory note for US\$900,000 to the Company (the "Fifth Promissory Note"). The loan is due and payable upon the earlier to occur of: (i) receipt by Asia Intercept of the Company's written demand for payment, (ii) the date of the completion of the Mongolian Acquisition and (iii) 31 January 2008. The proceeds of the loan shall be used solely for the purpose of acquiring additional mineral licences in Mongolia on behalf of the Company.

At a meeting of the Board held on 16 January 2008, the Directors resolved to amend the date specified in item (iii) from 31 January 2008 to 29 February 2008 with immediate effect.

9.1.3.6 On 19 December 2007 the Company entered into a loan agreement with Asia Intercept pursuant to which the Company advanced to Polo Mongolia US\$1,500,000 and Asia Intercept issued a promissory note for US\$1,500,000 to the Company. The loan is due and payable upon the earlier to occur of: (i) receipt by Asia Intercept of the Company's written demand for payment, (ii) the date of the completion of the Mongolian Acquisition and (iii) 31 January 2008. The proceeds of the loan shall be used solely for the purpose of acquiring additional mineral licences in Mongolia on behalf of the Company.

At a meeting of the Board held on 16 January 2008, the Directors resolved to amend the date specified in item (iii) from 31 January 2008 to 29 February 2008 with immediate effect.

9.1.3.7 On 2 January 2008 the Company entered into a loan agreement with Asia Intercept pursuant to which the Company advanced to Polo Mongolia US\$2,500,000 and Asia Intercept issued a promissory note for US\$2,500,000 to the Company. The loan is due and payable upon the earlier to occur of: (i) receipt by Asia Intercept of the Company's written demand for payment, (ii) the date of the completion of the Mongolian Acquisition and (iii) 31 January 2008. The proceeds of the loan shall be used solely for the purpose of acquiring additional mineral licences in Mongolia on behalf of the Company.

At a meeting of the Board held on 16 January 2008, the Directors resolved to amend the date specified in item (iii) from 31 January 2008 to 29 February 2008 with immediate effect.

9.1.3.8 On 15 January 2008 the Company entered into a loan agreement with Asia Intercept pursuant to which the Company advanced to Polo Mongolia US\$3,450,000 and Asia Intercept issued a promissory note for US\$3,450,000 to the Company. The loan is due and payable upon the earlier to occur of: (i) receipt by Asia Intercept of the Company's written demand for payment, (ii) the date of the completion of the Mongolian Acquisition and (iii) 31 January 2008. The proceeds of the loan shall be used solely for the purpose of acquiring additional mineral licences in Mongolia on behalf of the Company.

At a meeting of the Board held on 16 January 2008, the Directors resolved to amend the date specified in item (iii) from 31 January 2008 to 29 February 2008 with immediate effect.

- 9.1.3.9 On 7 February 2008 the Company entered into a loan agreement with Asia Intercept pursuant to which the Company advanced to Polo Mongolia US\$7,500,000 and Asia Intercept issued a promissory note for US\$7,500,000 to the Company. The loan is due and payable upon the earlier to occur of: (i) receipt by Asia Intercept of the Company's written demand for payment, (ii) the date of the completion of the Mongolian Acquisition and (iii) 29 February 2008. The proceeds of the loan shall be used solely for the purpose of acquiring additional mineral licences in Mongolia on behalf of the Company.
- 9.1.3.10 On Completion, the Company (1), Asia Intercept (2), and Polo Mongolia (3) will enter into the Novation Agreement pursuant to which the parties agree to novate and vary the Initial Promissory Notes and transfer responsibility for the aggregate sum due in respect of the Initial Promissory Notes from Asia Intercept to Polo Mongolia. Under the Novation Agreement, the aggregate sum of US\$17,700,000 due under the Initial Promissory Notes will not be written off at Completion but shall exist and be recorded post-Completion as an intra-company loan.

9.1.4 Consideration Promissory Note

A promissory note (the "Consideration Promissory Note") delivered by Asia Intercept to the Company on 25 January 2008 pursuant to which Asia Intercept agreed to pay the Company the sum of US\$2,000,000 that was advanced by the Company to Keyland Resources Ltd. (as the nominee of Asia Intercept) as consideration due under the Mongolian Acquisition Agreement but was paid prior to the satisfaction of all the conditions necessary for Completion set out in the Mongolian Acquisition Agreement (the

"Mongolian Acquisition Conditions"). Asia Intercept agreed to pay US\$2,000,000 to the Company on the Repayment Date, which shall be the earlier of (i) 15 March 2008 and (ii) any date on which it is agreed in writing by each of the parties to the Mongolian Acquisition Agreement that the satisfaction of the Mongolian Acquisition Conditions has become impossible, provided that Asia Intercept shall have no obligation to make such repayment if Completion has occurred prior to the Repayment Date.

In the event that the Mongolian Acquisition Conditions are not satisfied on or before 15 March 2008 and the principal sum of US\$2,000,000 is paid by Asia Intercept to the Company, the Company will take all such steps as are within its powers to return matters to the position immediately prior to the execution of the Mongolian Acquisition Agreement, including without limitation, the transfer back to the relevant sellers named in the Mongolian Acquisition Agreement of the Licences and Agreements and of shares in the relevant companies.

9.1.5 Agreements in relation to Licences and Agreements

- 9.1.5.1 On 19 November 2007, Polo Mongolia entered into a transfer agreement with Ikh Khan Uul LLC (State Registration Number 9011041010). Pursuant to the terms of the Ikh Transfer Agreement, Asia Intercept has acquired title to Mineral Exploration Licence #9116X. Polo Mongolia has applied for the transfer of licence #9116X to Polo Mongolia with the MPRAM and is currently awaiting confirmation of the transfer.
- 9.1.5.2 On 23 November 2007, MUC Mongolia entered into a licence transfer agreement with Gravi Mag LLC pursuant to the terms of which MUC Mongolia shall acquire title to Mineral Exploration Licence #12796X. MUC Mongolia has applied for the transfer of licence #12796X to MUC Mongolia with the MPRAM and is currently awaiting confirmation of the transfer.
- 9.1.5.3 On 30 November 2007, Polo Mongolia entered into an option agreement with Ulziin Undraa LLC (State Registration Number 9011122001), a limited liability company registered under the laws of Mongolia. Polo Mongolia has fulfilled the terms of the agreement and paid US\$4,000,000 (including tax) to Ulziin Undraa LLC for the licence. Polo Mongolia has applied for the transfer of licence number #8766A with the MPRAM and is currently awaiting confirmation of the transfer.
- 9.1.5.4 On 1 December 2007, Polo Mongolia entered into a transfer agreement with Tuhum Davs LLC (State Registration Number 9011078103) (the "Tuhum Transfer Agreement"). Pursuant to the terms of the Tuhum Transfer Agreement, Polo Mongolia acquired title to Mineral Exploration Licence #9237X.
- 9.1.5.5 On 21 December 2007, Polo Mongolia entered into an option agreement with Bilguun Tsag LLC (State Registration Number 9011055088), a company registered under the laws of Mongolia. Polo Mongolia has fulfilled the terms of the Agreement and has applied for the transfer of Mineral Exploration Licence #7457X to Polo Mongolia with the MPRAM and is currently awaiting confirmation of the transfer.
- 9.1.5.6 On 27 December 2007, MUC Mongolia entered into an option agreement with Geo-Asmo LLC (State Registration Number 901101150), a company registered under the laws of Mongolia, to acquire title to Mineral Exploration Licence #11052X (the "Geo-Asmo Agreement"). MUC Mongolia has satisfied the terms of the Geo-Asmo Agreement, has applied for the transfer of licence #11052X to MUC Mongolia with the MPRAM and is currently awaiting confirmation of the transfer.
- 9.1.5.7 On 23 January 2008, Polo Mongolia entered into a licence transfer agreement with Dusal LLC (State Registration Number 9011042088) and Mongoljinmaa LLC (State Registration Number 9011057004) pursuant to which Polo Mongolia shall acquire titles to Mineral Licences #3066A and #7863A. Polo Mongolia has applied for the transfer of licences #3066A and #7863A to Polo Mongolia with the MPRAM and is currently awaiting confirmation of the transfers.

- 9.1.5.8 On 13 February 2008, Polo Mongolia entered into a share purchase agreement with Boldmur Bagaa, a citizen of Mongolia, for the acquisition of 100 per cent. of the issued shares of a company known as Kimko LLC, a limited liability company under the laws of Mongolia (State Registration Number 9011119060). Kimko LLC is the licence holder of Mineral Exploration Licence #11162X. Polo Mongolia has fulfilled the terms and conditions of the agreement and paid US\$1,260,000 (including tax) for 100 per cent. of the issued shares of Kimko LLC. The share transfer was registered with the company's registrar office on 14 February 2008.
- 9.1.5.9 On 18 February 2008, Polo Mongolia signed an option purchase agreement for the acquisition of Mineral Exploration Licence #11987X with Uguumur Alt LLC (State Registration Number 2893819). The agreement provides for:
 - (i) a due diligence period of three months for drill assessment, geophysics and review of previous results;
 - (ii) upon confirmation of coal a period up until 30 May 2008 for the decision to be made on the acquisition of the licence; and
 - (iii) final cash payment of US\$3,000,000 upon successful transfer of title, held in escrow, to Polo Mongolia.

9.2 GCM Purchase Agreement

On 1 February 2008, the Company entered a share purchase agreement with RAB Special Situations (Master) Fund Limited ("RAB") (the "GCM Purchase Agreement") for the purchase by the Company of 10,000,000 ordinary shares in GCM of 10 pence each (the "GCM Shares") in consideration of the payment to RAB of £9,000,000 in cash (the "Cash Consideration") and the issue to RAB of 72,340,425 new Ordinary Shares (the "GCM Consideration Shares"). The GCM Shares will be credited to a CREST account in the name of Polo Bangladesh Limited, a wholly owned subsidiary of the Company. The GCM Purchase Agreement is conditional upon the passing of the requisite Resolutions, and in particular the resolution approving the GCM Purchase Agreement and Admission taking place no later than 31 March 2008.

The Company has paid to RAB an amount equal to the Cash Consideration under the GCM Purchase Agreement and has been issued a promissory note (the "RAB Promissory Note") in the principal amount of the Cash Consideration executed by RAB Capital Plc as agent for RAB under which RAB has agreed to repay the principal amount of £9,000,000 by 30 April 2008 at the latest if the conditions of the RAB GCM Agreement are not satisfied. If the conditions of the GCM Purchase Agreement is completed, RAB will be released from its obligation to repay the principal amount under the RAB Promissory Note, and the monies will be applied instead in satisfying the Company's obligation to pay the Cash Consideration at completion of the GCM Purchase Agreement. Pending completion of the GCM Purchase Agreement, the GCM Consideration Shares shall be held by the Depositary.

Since 1 February 2008, the Company has continued to acquire shares in GCM. On 12 February 2008, the Company bought 1,140,746 shares in GCM on the open market for £1,278,747. On 13 February 2008 the Company bought 350,000 shares in GCM on the open market for £412,496. On 14 February 2008, the Company bought 737,202 shares in GCM on the open market for £1,023,727. As at 15 February 2008 the Company owned 2,227,948 shares in GCM representing 4.56 per cent. of the issued share capital of GCM. These shares are held by the Company's wholly owned subsidiary Polo Bangladesh Limited. On Completion, and in the absence of further purchases, the Company will own 12,227,948 shares in GCM representing 25.05 per cent. of the issued share capital of GCM.

For the purposes of the City Code, the Company is considered to be acting in concert with Stephen Dattels and Guy Elliott. Stephen Dattels is deemed to be interested in 1,425,000 shares in GCM (representing 2.92 per cent. of GCM's issued share capital). Guy Elliott is the owner of 250,000 shares in GCM (representing 0.51 per cent. of GCM's issued share capital). Taken together with the shares in GCM owned by the Company, and the shares proposed to be acquired from RAB (subject to the passing of Resolution 2 approving the GCM Acquisition), the concert party is currently deemed for the purposes of the City Code to be interested in 13,902,948 voting rights in GCM, representing 28.49 per cent. of the total voting rights of GCM.

9.3 Letters of Engagement and Nominated Adviser and Broker Agreements

- 9.3.1 A nominated adviser and broker agreement dated 30 January 2008 between the Company (1), Canaccord (2) and the Directors (3) to act as nominated adviser and broker to the Company for the purpose of AIM for a minimum period of one year commencing on the date of the agreement and terminable thereafter on three months' prior written notice by either party. Canaccord is entitled to resign as nominated adviser and broker at any time if Completion is not achieved by 31 July 2008 or the Company announces at any time prior to 31 July 2008 that it will not proceed with the Acquisitions. Canaccord will receive an annual nomad and broker adviser's fee of £75,000 (plus VAT) payable semi-annually in advance, with the first instalment payable on Admission.
- 9.3.2 Pursuant to an engagement letter dated 23 May 2007 Beaumont Cornish Limited ("Beaumont Cornish") was engaged as the Company's nominated adviser and broker. The engagement letter further provided that Beaumont Cornish would have the exclusive right to act for the Company as nominated adviser on its first transaction, including for the avoidance of doubt, a "reverse takeover" under the AIM Rules. Beaumont Cornish's appointment as the Company's nominated adviser and broker was terminated by mutual consent on 31 January 2008. The Company has paid final settlement of all sums owing to Beaumont Cornish in relation to its previous appointment as the Company's nominated adviser and broker.

9.4 Introduction Agreement

Pursuant to the AIM Introduction Agreement (the "Introduction Agreement") dated 20 February 2008 entered into between (1) Canaccord, (2) the Company, (3) the Existing Directors and (4) the Proposed Director, Canaccord conditionally agreed to assist the Company to obtain Admission by 8.00 a.m. on 4 March 2008.

The Introduction Agreement contains warranties given by the Company and the Directors in favour of Canaccord, and an indemnity from the Company in favour of Canaccord in respect of all liabilities, losses, costs, charges and expenses which Canaccord may suffer in respect of Admission.

Pursuant to the Introduction Agreement, the Company has agreed to pay to Canaccord a corporate finance fee of £250,000 and to reimburse Canaccord its costs and expenses reasonably incurred in relation to the execution of its obligations under the Introduction Agreement.

9.5 Placing Agreement

An agreement (the "Placing Ageement") dated 31 January 2008 was entered into between the Company (1), BMO Nesbitt Burns Inc. ("BMO") (2), and the Directors (3). Under the Placing Agreement, BMO conditionally agreed on the terms and conditions of the agreement and to use its reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. The Placing Shares were admitted to AIM on 6 February 2008. Under the Placing Agreement the Company agreed:

- (a) to pay BMO a commission equal to six per cent. of the gross proceeds of the Placing; and
- (b) to grant BMO a warrant to subscribe for 8,450,400 Ordinary Shares at 9 pence per Ordinary Share and exercisable at any time during the period of one year commencing on the date of Admission.

Under the Placing Agreement the Company agreed for a period of 90 days from the date of Admission that it will not, without the consent of BMO, issue, offer to sell, grant any option for the sale of, or otherwise dispose of any Ordinary Shares.

The Placing Agreement contains warranties given to BMO by the Company and the Directors and an indemnity given to BMO by the Company with the liability of the Directors in respect of the warranties being subject to individual limits.

9.6 Lock-in Agreements

9.6.1 Lock-in agreements dated 24 August 2007 between the Company, Beaumont Cornish Limited, the Directors at the time (i.e. Guy Elliott, Suresh Hiremath and Harald van Hoeken) and Founder Shareholders (the "Locked-In Parties"), pursuant to which each of

the Locked-In Parties has undertaken save in certain circumstances not to sell or otherwise dispose of or agree to sell or dispose of any of their interests in the Ordinary Shares held by them for the period commencing from the date of IPO Admission for a period of 12 months or until the completion of an acquisition or investment by the Company (whichever is the later).

9.6.2 On Completion, the Existing Directors, the Proposed Director, Chiropo Company SA, Excellent Way Enterprises Limited, Lee Yang, Ever Award Holdings Ltd., Siam Resources Limited, Mark Syropoulo, and each of the underlying beneficial owners of the Mongolian Introductory Shares to be received by TINA, being Iciar Ortega Soriguren, Steven Bywater (whose shares shall be held by Logic System Limited) and Rick Lu (the "Canaccord Lock-in Parties") shall enter a lock-in agreement with the Company and Canaccord pursuant to which each of the Canaccord Lock-in Parties has undertaken save in certain circumstances not to sell or otherwise dispose of any of their interests in the Ordinary Shares held by them for a period commencing from the date of Admission for a period of twelve months and for a further period of 12 months following the initial one-year lock-in period will not sell or otherwise dispose of any of their interests in the Ordinary Shares, other than through Canaccord.

Save as disclosed above, there are no contracts (other than contracts entered into in the ordinary course of business) which have been entered into by the Company or any member of the Group since its incorporation and which are or may be material.

10. CREST and the Depositary arrangements

The Ordinary Shares are in registered form. Ordinary Shares may be delivered, held and settled in CREST by means of the creation of dematerialised depositary interests representing such Ordinary Shares. Pursuant to a method under which transactions in international securities may be settled through the CREST system, the Depositary will issue the Depositary Interests. The Depositary Interests will be independent securities constituted under English law which may be held and transferred through the CREST system.

The Depositary Interests will be created pursuant to, and issued on the terms of the deed poll executed by the Depositary on 18 June 2007 in favour of the holders of the Depositary Interests from time to time (the "Deed Poll"). The Deed Poll is summarised in paragraph 10.1 below. Prospective holders of Depositary Interests should note that they will have no rights in respect of the underlying Ordinary Shares, or the Depositary Interests, representing them against CREST or its subsidiaries.

Ordinary Shares will be transferred or issued to an account for the Depositary held by the Custodian. The Depositary shall pass on, and shall ensure that the Custodian passes on, to the holder of all Depositary Interests all rights and entitlements which the Depositary or Custodian receives in respect of the Ordinary Shares such as any such rights or entitlements to cash distributions, to information to make choices and elections, and to attend and vote at general meetings.

The Depositary Interests will have the same security code (ISIN) as the underlying Ordinary Shares and will not require a separate application for admission to trading on AIM.

The depositary services and custody agreement is summarised in paragraph 10.2 below and the share registrar agreement is summarised in paragraph 10.3 below.

10.1 Depositary Interests — Terms of the Deed Poll

Prospective subscribers for and purchasers of the Ordinary Shares are referred to the Deed Poll available for inspection at the offices of the Depositary or by written request to the Depositary (subject to a reasonable copying charge). In summary, the Deed Poll contains, among other things, provisions to the following effect which are binding on holders of Depositary Interests.

The Depositary will hold (itself or through its nominated Custodian), as bare trustee, the Ordinary Shares issued by the Company and all and any rights and other securities, property and cash attributable to the Ordinary Shares and pertaining to the Depositary Interests for the benefit of the holders of the relevant Depositary Interests.

Holders of the Depositary Interests warrant, among other things, that the securities in the Company transferred or issued to the Custodian on behalf of the Depositary and for the account

of the holders of Depositary Interests are free and clear from all liens, charges, encumbrances or third party interests and that such transfers or issues are not in contravention of the Company's Articles nor any contractual obligation, law or regulation. The holder of Depositary Interests indemnifies the Depositary for any losses it incurs as a result of breach of this warranty.

The Depositary and the Custodian must pass on to Depositary Interests holders and exercise on behalf of Depositary Interest holders all rights and entitlements received or to which they are entitled in respect of the Ordinary Shares which are capable of being passed on or exercised. Rights and entitlements to cash distributions, to information to make choices and elections and to attend and vote at meetings shall, subject to the Deed Poll, be passed on to the holders of Depositary Interests upon being received by the Custodian and in the form in which they are received by the Custodian together with any amendments and additional documentation necessary to effect such passing-on.

The Depositary shall re-allocate any Ordinary Shares of distributions which are allocated to the Custodian and which arise automatically out of any right or entitlement of Ordinary Shares already held by the Custodian to holders of Depositary Interests pro rata to the Ordinary Shares held for their respective accounts provided that the Depositary shall not be required to account for any fractional entitlements arising from such re-allocation and shall donate the aggregate fractional entitlements to charity.

The Deed Poll contains provisions excluding and limiting the Depositary's liability. For example, the Depositary shall not incur any liability to any holder of Depositary Interests or to any other person for any loss suffered or incurred arising out of or in connection with the transfer and prospective holders of the Depositary Interests and Ordinary Shares should refer to the terms of the Deed Poll and the Articles to ensure compliance with the relevant provisions.

The Depositary may compulsorily withdraw the Depositary Interests (and the holders of Depositary Interests shall be deemed to have requested their cancellation) if certain events occur. These events include where the Depositary believes that ownership of the Depositary Interests may result in a pecuniary disadvantage to the Depositary or the Custodian or where the Depositary Interests are held by a person in breach of the law. If these events occur the Depositary shall make such arrangements for the deposited property as it sees fit, including sale of the deposited property and delivery of the net proceeds thereof to the holder of the Depositary Interests in question.

Holders of Depositary Interests are responsible for the payment of any tax, including stamp duty reserve tax ("SDRT") on the transfer of their Depositary Interests.

10.2 Depositary Interests — Terms of Depositary Services and Custody Services Agreement

The terms of the depositary services and custody services agreement dated 24 August 2007 between the Company and the Depositary (the "Depositary Agreement") relate to the Depositary's Appointment as Depositary and Custodian in relation to the Ordinary Shares.

Subject to earlier termination, the Depositary is appointed for a fixed term of two years and thereafter until terminated by either party giving not less than six months' notice.

The depositary services and custody services include the issue and cancellation of depositary interests and maintaining the Depositary Interests register.

In the event of termination, the parties agree to phase out the Depositary's operations in an efficient manner without adverse effect on members and the Depositary shall deliver to the Company (or as it may direct) all documents and other records relating to the Depositary Interests which is in its possession and which is the property of the Company.

10.3 Share Register — Terms of the Principal Registrar Agreement

The terms of the principal registrar agreement dated 24 August 2007 between the Company and the Registrar (the "Registrar Agreement") under which the Company appoints the Registrar to maintain the Company's principal share register in Jersey and provide certain other services as are summarised below.

The Registrar will perform various services in its capacity as Registrar, including maintenance of the register in Jersey; maintenance or divided instruction records; registration of share transfers;

preparation and despatch of dividend warrants; supplying to the Company, as soon as reasonably practicable, all necessary information so that the register be open for inspection at the registered office of the Company; and arranging for the provision of facilities for the holding of general meetings including the distribution of ballot papers in the event of a poll, and the provision of scrutineers of any vote, if required.

The agreement can be terminated by either party on the giving of six months' written notice, at any time by notice on an insolvency event occurring in relation to the other party or at any time if either party commits a material breach of its obligations which that party has failed to make good within 30 days of receipt of notice.

The Registrar shall not be liable to the Company for any loss sustained by the Company for whatever reason provided that the Registrar shall remain liable for any loss arising as a result of fraud negligence or wilful default by the Registrar.

11. Litigation

There are no governmental, legal or arbitration proceedings (including, to the knowledge of the Existing Directors and the Proposed Director, any such proceedings which are pending or threatened, by or against the Company, MUC BVI, MUC Mongolia, Polo Mongolia and WCW) which may have or have had during the 12 months immediately preceding the date of this Document a significant effect on the financial position of the Company or any member of the Group.

12. Working Capital

The Existing Directors and the Proposed Director are of the opinion that, having made due and careful enquiry, the working capital available to the Group will, from the date of Admission, be sufficient for its present requirements, that is, for at least the next 12 months from the date of this Document.

13. UK Taxation

The following information is intended only as a general guide to the position under current United Kingdom taxation law and HM Revenue and Customs practice as at the date of this Document for Shareholders who are the beneficial owners of Ordinary Shares, resident or ordinarily resident in the United Kingdom for tax purposes and who hold their Ordinary Shares as an investment and is not a substitute for the investor obtaining professional advice before buying shares. Its applicability will depend upon the particular circumstances of individual Shareholders. The summary is not exhaustive and does not generally consider tax reliefs or exemptions.

13.1 The Company

The Company intends to conduct its affairs so that, for United Kingdom corporation tax purposes, it will not be regarded as resident within the United Kingdom nor as carrying on a trade through a permanent establishment located in the United Kingdom. On that basis and on the assumption that it has no United Kingdom source income the Company will have no liability in respect of United Kingdom corporation tax on its income or capital gains.

13.2 United Kingdom Resident Investors

Shareholders who are resident in the United Kingdom may be liable to United Kingdom income tax or corporation tax in respect of dividend income received from the Company and to United Kingdom capital gains tax or corporation tax on chargeable gains in respect of capital gains realised on a disposal of Ordinary Shares.

(a) Taxation of dividends

A distribution by the Company with respect to the Ordinary Shares in the form of a dividend may give rise to income chargeable in the United Kingdom to either income tax or corporation tax on income. In the case of a dividend, individuals domiciled and ordinarily resident for tax purposes in the United Kingdom who are liable to income tax at the starting or basic rate will be taxed at the ordinary rate (10 per cent.). An individual who is a higher rate tax payer will be chargeable to tax at the upper rate (32.5 per cent.). Non-taxpayers will

have no liability to income tax. United Kingdom resident corporate shareholders will normally be liable for corporation tax on any dividends paid by the Company. No withholding tax will be deducted from dividends paid by the Company.

The United Kingdom government has announced its intention to introduce legislation to grant a non-payable tax credit (subject to certain financial limits) to United Kingdom resident or ordinarily resident individuals who are in receipt of dividends from non-United Kingdom resident companies. If such legislation is enacted, it would bring the taxation of dividends received from the Company by individual Shareholders who are resident or ordinarily resident in the United Kingdom more closely into line with the taxation of dividends received from United Kingdom resident companies by such Shareholders, in that the effect of the tax credit would be to reduce the effective rate of income tax payable in respect of such dividends down from 32.5 per cent. of the dividend received to 25 per cent. of the dividend received. However, there can be no guarantee that these proposals will be enacted, and even if they are enacted the current proposals are only for the tax credit to be available for dividends paid after 5 April 2008.

(b) Taxation of capital gains

The Company will not be a collective investment scheme for the purposes of the United Kingdom offshore funds legislation. Accordingly, any gain realised by a United Kingdom resident holder of Ordinary Shares or a holder of Ordinary Shares who carries on a trade in the United Kingdom through a permanent establishment with which their investment in the Company is connected on a sale or other disposal (including from liquidation or dissolution of the Company) of their Ordinary Shares may, depending on their circumstances and subject as mentioned below, be subject to United Kingdom capital gains tax or corporation tax on chargeable gains. The amount of the gain will be the difference between the acquisition cost of the Ordinary Shares and the disposal proceeds.

On a disposal of Ordinary Shares by an individual investor on or before 5 April 2008 who is resident or ordinarily resident in the United Kingdom for tax purposes, the Ordinary Shares may attract taper relief which reduces the amount of chargeable gain according to how long, measured in years, the Ordinary Shares have been held. The United Kingdom government has announced that in respect of disposals on or after 6 April 2008 taper relief will be withdrawn and instead a flat rate of capital gains tax of 18 per cent. will be payable in relation to chargeable gains realised by individuals, trustees and personal representatives who are resident or ordinarily resident in the United Kingdom. An investor which is a body corporation resident in the United Kingdom for tax purposes will benefit from indexation allowance which, in general terms, increases the capital gains tax base cost of an asset in accordance with the rise in the retail prices index.

13.3 Stamp Duty and Stamp Duty Reserve Tax ("SDRT")

No United Kingdom stamp duty or SDRT will arise on the issue of Ordinary Shares. Generally, no United Kingdom stamp duty or SDRT is payable on a transfer of or agreement to transfer Ordinary Shares executed outside of the United Kingdom.

13.4 Individual Savings Accounts (ISAs) and Personal Equity Plans (PEPs)

Ordinary Shares will be eligible to be held in the stocks and shares component of an ISA or an existing PEP subject to applicable subscription limits, and provided that the ISA or PEP manager has acquired them through the secondary market following Admission. Ordinary Shares which are acquired pursuant to a placing will not be eligible for inclusion in an ISA or PEP.

Any person who is in any doubt as to his or her tax position or who may be subject to tax in any jurisdiction other than the United Kingdom should consult his or her own professional adviser.

14. Mongolian Taxation

The following is a general summary of the Mongolian tax legislation as it applies today.

14.1 Corporate Income Tax

The corporate income tax rate is 10 per cent. on the first 3.0 billion MNT of profits (about US\$2.5 million) and 25 per cent. on all profits in excess of 3.0 billion MNT.

14.2 Taxation of dividends, interest payments

Under the Business Entity Taxation Law dividend payments made to Mongolian chartered entities is subject to 10 per cent. withholding tax. 20 per cent. withholding tax shall be applicable to payments (of dividends, interest, service payments, etc) made to a non-resident entity, whereas dividend payments to countries with which Mongolia has a double taxation treaty are subject to lower rates of withholding.

14.3 Capital gains tax

The tax laws provide that the gains realised from the sale of immovable and movable assets are taxed. The law doesn't make any distinction between capital and non-capital assets.

With respect to the sale of shares, the basic provision of the Business Entity Income Tax Law is that non-residents must pay Mongolian income tax on income from goods sold, work performed, and service provided in the territory of Mongolia. The phrase "earned in Mongolia" is not defined. There is no provision of the Business Entity Income Tax Law, which provides that the sale of shares of a Mongolian company by a non-resident to another non-resident is deemed Mongolian source income, and as such no tax is assessed by the tax authorities on such transactions.

Finally, sale of immovable property, which is located in the territory of Mongolia, is taxed at the rate of 2 per cent. on gross sales price.

14.4 Individual Income Tax

The personal income tax rate in Mongolia is 10 per cent.

15. BVI Taxation

The Company and all dividends, interest, rents, royalties, compensations and other amounts paid by the Company to persons who are not persons resident in the BVI are exempt from the provisions of the Income Tax Act in the BVI and any capital gains realised with respect to any shares, debt obligations or other securities of the Company by persons who are not persons resident in the BVI are exempt from all forms of taxation in the BVI. As of 1 January 2005, the Payroll Taxes Act, 2004 came into force. It will not apply to the Company except to the extent that the Company has employees (and deemed employees) rendering services to the Company wholly or mainly in the BVI. The Company at present has no employees in the BVI and no intention of having any employees in the BVI.

No estate, inheritance, succession or gift tax, rate, duty, levy or other charge is payable by persons who are not persons resident in the BVI with respect to any shares, debt obligation or other securities of the Company.

All instruments relating to transfer of property to or by the Company and all instruments relating to transactions in respect of the shares, debt obligations or other securities of the Company and all instruments relating to other transactions relating to the business of the Company are exempt from the payment of stamp duty in the BVI.

There are currently no withholding taxes or exchange control regulations in the BVI applicable to the Company or its Shareholders.

16. General

- 16.1 The financial information relating to the Group contained in Part V of this Document has been prepared to 30 November 2007. Save as disclosed in this Document, there has been no significant change in the trading or financial position of the Group since 30 November 2007.
- 16.2 The Company will publish its first interim report for the period ended 31 January 2008 on or before 30 April 2008. The audited accounts for the year ended 31 July 2008 will be published on or before 31 January 2009. The Company will publish its interim report for the six months ending 31 January 2009 on or before 30 April 2009. The accounting reference date of the Company is 31 July.
- 16.3 The total costs and expenses payable by the Company in connection with or incidental to the Admission, including London Stock Exchange fees, professional fees, consulting and investor relation services and the costs of printing and distribution, are estimated to amount to approximately £797,363 (excluding VAT), all of which will be payable by the Company.

- 16.4 Save as disclosed below and elsewhere in this Document, no person (excluding professional advisers otherwise disclosed in this Document and trade suppliers) has:
 - (a) received, directly or indirectly, from the Company within 12 months preceding the date of this Document; or
 - (b) entered into contractual arrangements (not otherwise disclosed in this Document) to receive, directly or indirectly, from the Company on or after Admission any of the following:
 - (i) fees totalling £10,000 or more; or
 - (ii) securities in the Company with a value of £10,000 or more; or
 - (iii) any other benefit with a value of £10,000 or more at the date of Admission.

In October 2007, the Company paid US\$237,000 in financial advisory fees to TINA in connection with its private placement in August 2007. Pursuant to an engagement letter dated 1 December 2007, the Company has agreed to pay Jeanne Usonis fees in the amount of US\$35,000 per month until Admission and on 6 February 2008 granted to Ms. Usonis options (conditional on Admission) to subscribe for 500,000 Ordinary Shares at 9 pence per Ordinary Share and exercisable at any time for a period of five years from Admission as consideration for her consulting services to the Company in relation to the Admission. Since incorporation, the Company has paid Regent Advisors LLC financial advisory fees totalling US\$105,000.

- 16.5 The financial information contained in Part V of this Document does not constitute full statutory accounts as referred to in Section 240 of the Act.
- 16.6 Chapman Davis LLP have given and not withdrawn its written consent to the issue of this Document with the inclusion of its reports and references to their name in the form and context in which they appear in this Document.
- 16.7 Canaccord has given and has not withdrawn its written consent to the issue of this Document with the inclusion of its name and references to its name in the form and context in which they appear.
- 16.8 SRK has given and has not withdrawn its written consent to the issue of this Document with the inclusion of its name and references to its name in the form and context in which they appear.
- 16.9 Save as set out in this Document, the Existing Directors and the Proposed Director are not aware of any exceptional factors that have influenced the Company's activities.
- 16.10 Save as set out in this Document, no commission is payable by the Company to any person in consideration of his agreeing to subscribe for securities to which this Document relates or of his procuring or agreeing to procure subscriptions for such securities.
- 16.11 Save as disclosed in this Document, no payment (including commissions) or other benefit has been or is to be paid or given to any promoter of the Company.
- 16.12 Save as disclosed in this Document, there are no patents or other intellectual property rights, licences or particular contracts which are, or may be, of fundamental importance to the business of the Company.
- 16.13 Save as disclosed in this Document, there are no investments in progress which are significant.

17. Documents available for inspection

Copies of the following documents will be available for inspection at the offices of Kerman & Co LLP, 200 Strand, London, WC2R 1DJ during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) from the date of this Document until at least 30 days after the date of Admission:

- (a) the memorandum and articles of association of the Company;
- (b) the Accountants' reports set out in Part V of this Document;
- (c) the Directors' service agreements and letters of appointment;
- (d) the material contracts referred to in paragraph 9 of this Part VI; and
- (e) the letters of consent referred to in paragraphs 16.6, 16.7, and 16.8 of this Part VI.

18. Availability of documents

Copies of this Document will be available free of charge from the date of this Document until the date which is one month after Admission, at the office of Canaccord, Cardinal Place, 7th Floor, 80 Victoria Street, London SW1E 5JL during normal business hours on any week day (Saturdays and public holidays excepted). A copy of this Document will also be available on the Company's website, www.poloresources.com.

Date: 20 February 2008

PART VII

NOTICE OF MEETING OF SHAREHOLDERS

POLO RESOURCES LIMITED

(Incorporated and registered in the British Virgin Islands with registered number 1406187)

NOTICE OF MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN THAT a meeting of shareholders of the above-named company ("the Company") will be held at the offices of Herbert Smith LLP at 20 Rue Quentin Bauchart, 75008 Paris, France on 29 February 2008 at 3:00 p.m. local time (2:00 p.m. GMT) for the purposes of considering and, if thought fit, approving the following resolutions:

- 1. **THAT** the proposed acquisition (the "Mongolian Acquisition") by the Company of MUC Resources LLC, Polo Resources LLC and World Coal Works Corporation (together the "Target Companies") on the terms and subject to the conditions of the agreement ("Mongolian Acquisition Agreement") described in the admission document sent to shareholders of the Company dated 20 February 2008 (the "Admission Document"), be and is hereby approved and that the directors of the Company be and are hereby authorised to do all such things as any of them may consider necessary or desirable to implement the Mongolian Acquisition, or otherwise in connection with the same including by waiver or variation of the terms and conditions of the Mongolian Acquisition Agreement.
- 2. **THAT** the proposed acquisition (the "GCM Acquisition") of 10,000,000 issued ordinary shares of £0.10 each in the capital of GCM Resources plc by the Company on the terms and subject to the conditions of the agreement ("GCM Purchase Agreement") described in the Admission Document, be and is hereby approved and that the directors of the Company be and are hereby authorised to do all such things as any of them may consider necessary or desirable to implement the GCM Acquisition, or otherwise in connection with the same including by waiver or variation of the terms and conditions of the GCM Purchase Agreement.
- 3. **THAT,** subject to and conditional upon the passing of resolution 1 or 2 above, the attached regulations be adopted by the Company as its memorandum and articles of association, and that the registered agent of the Company be and is hereby authorised to file a restated memorandum and articles of association of the Company at the Registry of Corporate Affairs in the British Virgin Islands.

Dated 20 February 2008

Registered Office Craigmuir Chambers P.O. Box 71 Road Town, Tortola British Virgin Islands

Stephen R. Dattels, by order of the Board 20 February 2008

- (i) A member of the Company entitled to attend and vote at the 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.
- (ii) As permitted by Regulation 41 of the Uncertificated Securities Regulations 2001, shareholders who hold shares in uncertificated form must be entered on the Company's share registered at 2:00 p.m. GMT on 27 February 2008 in order to be entitled to attend and vote at the Meeting of Shareholders. Changes to entries on the register after that time will be disregarded in determining the rights of any person to attend and vote at the meeting.
- (iii) A form of proxy is enclosed with this notice for use in connection with the business set out above. To be valid, forms of proxy and any power of attorney or other authority under which it is signed must be lodged with Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, England by not later than 48 hours prior to the time fixed for the meeting.

- (iv) A form of instruction is enclosed with this notice for use in connection with the business set out above. To be valid, forms of instruction and any power of attorney or other authority under which it is signed must be lodged with Computershare Investor Services PLC, The Pavilions, Bridgwater Road, Bristol BS99 6ZY, England by not later than 72 hours prior to the time fixed for the meeting.
- (v) Completion and return of a form of proxy or a form of instruction does not preclude a member from attending and voting at the Meeting or at any adjournment thereof in person.
- (vi) In the case of joint holders, the signature of only one of the joint holders is required on the form of proxy or the form of instruction but the vote of the first named on the register of members will be accepted to the exclusion of the other joint holders.
- (vii) Terms referred to in this Notice have the meaning given to them in the Admission Document.

TERRITORY OF THE BRITISH VIRGIN ISLANDS THE BVI BUSINESS COMPANIES ACT. 2004

AMENDED AND RESTATED MEMORANDUM OF ASSOCIATION

OF

POLO RESOURCES LIMITED

A COMPANY LIMITED BY SHARES

1 DEFINITIONS AND INTERPRETATION

- 1.1 In this Memorandum of Association and the attached Articles of Association, if not inconsistent with the subject or context:
 - "**Act**" means the BVI Business Companies Act, 2004 (No. 16 of 2004) and includes the regulations made under the Act;
 - <u>"arm's length transfer"</u> in relation to any Shares means a transfer which is shown to the satisfaction of the Board to be pursuant to:
 - (a) <u>a sale of those Shares to a bona fide unconnected third party on a recognized investment exchange, or on any stock exchange on which the Shares are normally traded; or</u>
 - (b) an acceptance of a takeover offer for the Company, being an offer to acquire all the Shares, or all the Shares of any class or classes in the Company (other than the Shares which are the date of the offer are already held by the offeror);
 - "Admission" means the re-admission to trading on AIM of the entire issued shares of the Company expected to take place during February or March 2008;
 - "Articles" means the attached Articles of Association of the Company;
 - "Board" means the Board of Directors of the Company;
 - "Business Day" means a weekday on which banks are generally open for business in London;
 - "Chairman of the Board" has the meaning specified in Regulation 12;
 - "Distribution" in relation to a distribution by the Company to a Shareholder means the direct or indirect transfer of an asset, other than Shares, to or for the benefit of the Shareholder, or the incurring of a debt to or for the benefit of a Shareholder, in relation to Shares held by a Shareholder, and whether by means of the purchase of an asset, the purchase, redemption or other acquisition of Shares, a transfer of indebtedness or otherwise, and includes a dividend;

| "Eligible Person" | means individuals, | corporations. | trusts. | the | estates | of | deceased |
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"Memorandum" means this Memorandum of Association of the Company;

"recognised" clearing house shall have the meaning ascribed by Section 285 of the Financial Services and Markets Act 2000:

"recognized clearing house" shall have the meaning ascribed by section 285 of the Financial Services and Markets Act 2000;

"recognised investment exchange" shall have the meaning ascribed by section 285 of the Financial Services and Markets Act 2000;

"recognised person" means a recognised clearing house or a nominee of a recognised clearing house or of a recognised investment exchange;

"relevant system" means a relevant system as referred to in the Securities Regulations to include Crest;

"Registrar" means the Registrar of Corporate Affairs appointed under section 229 of the Act:

"Resolution of Directors" means either:

- (a)(c) a resolution approved at a duly convened and constituted meeting of directors of the Company or of a committee of directors of the Company by the affirmative vote of a majority of the directors present at the meeting who voted except that where a director is given more than one vote, he shall be counted by the number of votes he casts for the purpose of establishing a majority; or
- (d) a resolution consented to in writing by all directors or by all members of a committee of directors of the Company, as the case may be;

"Resolution of Shareholders" means either:

- (a) a resolution approved at a duly convened and constituted meeting of the Shareholders of the Company by the affirmative vote of a majority of in excess of 50% of the votes of the Shares entitled to vote thereon in respect of which the Shareholders holding the Shares were present in person or by proxy at the meeting and being Shares in respect of which the votes were voted; or-
- (b) a resolution consented to in writing by a majority of Shareholders together holding in excess of 50% of the votes of Shares entitled to vote thereon;

"Seal" means any seal which has been duly adopted as the common seal of the Company:

"Securities" means Shares and debt obligations of every kind of the Company, and including without limitation options, warrants and rights to acquire Shares or debt obligations;

"Securities Regulations" means the Uncertificated Securities Regulations 2001 (SI 2001/3755);

"Share" means a share issued or to be issued by the Company;

"Shareholder" means an Eligible Person whose name is entered in the register of members of the Company as the holder of one or more Shares or fractional Shares;

"Stock Exchange" means London Stock Exchange Plc or any successor body carrying on its functions:

"Treasury Share" means a Share that was previously issued but was repurchased, redeemed or otherwise acquired by the Company and not cancelled; and

"**UK Companies Act**" means the United Kingdom Companies Act 1985 including any modification, extension, re-enactment or renewal thereof and any regulations made thereunder;

"UK Companies Act 2006" means the United Kingdom Companies Act 2006 including any modification, extension, re-enactment or renewal thereof and any regulations made thereunder:

"United Kingdom" means Great Britain and Northern Ireland.

"written" or any term of like import includes information generated, sent, received or stored by electronic, electrical, digital, magnetic, optical, electromagnetic, biometric or photonic means, including electronic data interchange, electronic mail, telegram, telex or telecopy, and "in writing" shall be construed accordingly.

- 1.2 In the Memorandum and the Articles, unless the context otherwise requires a reference to:
 - (a) a "Regulation" is a reference to a regulation of the Articles;
 - (b) a "Clause" is a reference to a clause of the Memorandum;
 - voting by Shareholders is a reference to the casting of the votes attached to the Shares held by the Shareholder voting;
 - (d) the Act, the Memorandum or the Articles is a reference to the Act or those documents as amended or, in the case of the Act any re-enactment thereof; and
 - (e) the singular includes the plural and vice versa.
- 1.3 Any words or expressions defined in the Act unless the context otherwise requires bear the same meaning in the Memorandum and the Articles unless otherwise defined herein.
- 1.4 Headings are inserted for convenience only and shall be disregarded in interpreting the Memorandum and the Articles.

2 NAME

The name of the Company is Polo Resources Limited.

3 STATUS

The Company is a company limited by shares.

4 REGISTERED OFFICE AND REGISTERED AGENT

- 4.1 The first registered office of the Company is at Craigmuir Chambers, Road Town, Tortola, British Virgin Islands, the office of the first registered agent.
- 4.2 The first registered agent of the Company is Harneys Corporate Services Limited of Craigmuir Chambers, P.O. Box 71, Road Town, Tortola, British Virgin Islands.
- 4.3 The Company may by Resolution of Shareholders or by Resolution of Directors change the location of its registered office or change its registered agent.
- 4.4 Any change of registered office or registered agent will take effect on the registration by the Registrar of a notice of the change filed by the existing registered agent or a legal practitioner in the British Virgin Islands acting on behalf of the Company.

5 CAPACITY AND POWERS

- 5.1 Subject to the Act and any other British Virgin Islands legislation, the Company has, irrespective of corporate benefit:
 - (a) full capacity to carry on or undertake any business or activity, do any act or enter into any transaction; and
 - (b) for the purposes of paragraph (a), full rights, powers and privileges.
- 5.2 For the purposes of section 9(4) of the Act, there are no limitations on the business that the Company may carry on.

6 NUMBER AND CLASSES OF SHARES

- 6.1 The Company is authorised to issue an unlimited number of no par value Shares of a single class.
- 6.2 The Company may issue fractional Shares and a fractional Share shall have the corresponding fractional rights, obligations and liabilities of a whole Share of the same class or series of Shares.
- 6.3 Shares may be issued in one or more series of Shares as the directors may by Resolution of Directors determine from time to time.

7 RIGHTS OF SHARES

- 7.1 Each Share in the Company confers upon the Shareholder:
 - (a) the right to one vote at a meeting of the Shareholders or on any Resolution of Shareholders;
 - (b) the right to an equal share in any dividend paid by the Company; and
 - (c) the right to an equal share in the distribution of the surplus assets of the Company on its liquidation.
- 7.2 The Company may by Resolution of Directors redeem, purchase or otherwise acquire all or any of the Shares in the Company subject to Regulation 3 of the Articles.

8 VARIATION OF RIGHTS

If at any time the Shares are divided into different classes, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may be varied or abrogated with the consent in writing of the holders of at least 75% per cent of the issued shares of that class, or with the sanction of a resolution passed by at least a 75% per cent majority of the holders of shares of the class present in person or by proxy at a separate meeting of the holders of the shares of that class. To every such separate meeting the provisions of the Articles relating to meetings of the Company shall mutates mutandis apply, but so that the necessary quorum shall be at least one person holding or representing by proxy at least one-third of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll.

9 RIGHTS NOT VARIED BY THE ISSUE OF SHARES PARI PASSU

9.1 The rights conferred upon the holders of the Shares of any class shall not, unless otherwise expressly provided by the terms of issue of the Shares of that class, be deemed to be varied by the creation or issue of further Shares ranking *pari passu* therewith.

10 REGISTERED SHARES

- 10.1 The Company shall issue registered Shares only.
- 10.2 The Company is not authorised to issue bearer Shares, convert registered Shares to bearer Shares or exchange registered Shares for bearer Shares.

11 TRANSFER OF SHARES

- 11.1 The Company shall, on receipt of an instrument of transfer complying with Sub-Regulation 6.1 of the Articles, enter the name of the transferee of a Share in the register of members unless the directors resolve to refuse or delay the registration of the transfer for reasons that shall be specified in a Resolution of Directors.
- 11.2 The directors may not resolve to refuse or delay the transfer of a Share unless the Shareholder has failed to pay an amount due in respect of the Share.
- 11.3 Subject to Clause 8, the Company may amend the Memorandum or the Articles by Resolution of Shareholders or by Resolution of Directors, save that no amendment may be made by Resolution of Directors:
 - (a) to restrict the rights or powers of the Shareholders to amend the Memorandum or the Articles:
 - (b) to change the percentage of Shareholders required to pass a Resolution of Shareholders to amend the Memorandum or the Articles;
 - (c) in circumstances where the Memorandum or the Articles cannot be amended by the Shareholders; or
 - (d) to Clauses 7, 8, 9 or this Clause 11.
- 11.4 Any amendment of the Memorandum or the Articles will take effect on the registration by the Registrar of a notice of amendment, or restated Memorandum and Articles, filed by the registered agent.

Signed for <u>by</u> HARNEYS CORPORATE SERVICES LIMITED of Craigmuir Chambers, Road Town, Tortola, British Virgin Islands for the purpose of incorporating a BVI Business Company under the laws of the British Virgin Islands on 23 May, 2007:

Incorporator

Andrew Swapp
Authorised Signatory

HARNEYS CORPORATE SERVICES LIMITED

TERRITORY OF THE BRITISH VIRGIN ISLANDS THE BVI BUSINESS COMPANIES ACT. 2004

AMENDED AND RESTATED ARTICLES OF ASSOCIATION

OF

POLO RESOURCES LIMITED

A COMPANY LIMITED BY SHARES

1 REGISTERED SHARES

- 1.1 Every Shareholder is entitled to a certificate signed by a director or officer of the Company, or any other person authorised by Resolution of Directors, or under the Seal specifying the number of Shares held by him and the signature of the director, officer or authorised person and the Seal may be facsimiles.
- 1.2 Any Shareholder receiving a certificate shall indemnify and hold the Company and its directors and officers harmless from any loss or liability which it or they may incur by reason of any wrongful or fraudulent use or representation made by any person by virtue of the possession thereof. If a certificate for Shares is worn out or lost it may be renewed on production of the worn out certificate or on satisfactory proof of its loss together with such indemnity as may be required by Resolution of Directors.
- 1.3 If several Eligible Persons are registered as joint holders of any Shares, any one of such Eligible Persons may give an effectual receipt for any Distribution.

2 SHARES

- 2.1Shares and other Securities may be issued at such times, to such Eligible Persons, for such consideration and on such terms as the directors may by Resolution of Directors determine.
- 2.2Section 46 of the Act (Pre-emptive rights) does not apply to the Company.
- 2.1 Subject to Regulation 2.2 below, all unissued Shares and other Securities shall be under the control of the directors of the Company and the directors are unconditionally authorised to exercise the power of the Company to issue Shares or Securities, grant options over or otherwise dispose of the same to such persons and on such terms as they think fit at any time. The authority given in this Regulation 2.1 may be renewed, revoked, waived or varied by a Resolution of Shareholders.
- 2.2 <u>Subject to Regulations 2.3 with effect from Admission the Company shall not, except with</u> the approval of a Resolution of Shareholders:
 - (a) <u>from time to time and at any time, before the first anniversary of Admission, issue</u> <u>more than 823,572,825 new Shares;</u>
 - (b) <u>from time to time and at any time, between the first anniversary and the second anniversary of Admission, issue more than 411,786,412 new Shares;</u>

- (c) <u>from time to time and at any time, between the second anniversary and the third</u> anniversary of the Admission, issue more than 205.893.206 new Shares:
- (d) <u>from time to time and at any time after the third anniversary of Admission, issue more than 205,893,206 new Shares prior to any subsequent anniversary of Admission;</u>
- 2.3 The provisions of Regulation 2.2 shall not apply:
 - (a) where the Shares shall first be offered to Shareholders on a pro rata basis;
 - (b) to Shares to be held under an employees' share scheme (having the definition set out in the UK Companies Act 2006);
 - (c) to an issuance of bonus shares; or
 - (d) to an issuance of Shares which, as respects dividends or any distribution to a Shareholder on a liquidation of the Company, carry a right to participate only up to a specified amount in a distribution.
- 2.4 Nothing in these Articles shall preclude the Directors from recognising a renunciation of the issuance of any Share by the allottee in favour of some other person.
- 2.5 A Share may be issued for consideration in any form, including money, a promissory note, or other written obligation to contribute money or property, real property, personal property (including goodwill and know-how), services rendered or a contract for future services.
- 2.6 No Shares may be issued for a consideration other than money, unless a Resolution of Directors has been passed stating:
 - (a) the amount to be credited for the issue of the Shares;
 - (b) the determination of the directors of the reasonable present cash value of the nonmoney consideration for the issue; and
 - (c) that, in the opinion of the directors, the present cash value of the non-money consideration for the issue is not less than the amount to be credited for the issue of the Shares.
- 2.7 The Company shall keep a register (the "**register of members**") containing:
 - (a) the names and addresses of the Eligible Persons who hold Shares;
 - (b) the number of each class and series of Shares held by each Shareholder;
 - (c) the date on which the name of each Shareholder was entered in the register of members; and
 - (d) the date on which any Eligible Person ceased to be a Shareholder.
- 2.8 The register of members may be in any such form as the directors may approve, but if it is in magnetic, electronic or other data storage form, the Company must be able to produce legible evidence of its contents. Until the directors otherwise determine, the magnetic, electronic or other data storage form shall be the original register of members.
- 2.9 A Share is deemed to be issued when the name of the Shareholder is entered in the register of members.

- 2.10 Nothing in these Articles shall require title to any shares or other securities of the Company to be evidenced by a certificate if the Act and the rules of the Stock Exchange permit otherwise.
- 2.11 Subject to the Act and the rules of the Stock Exchange, the Board without further consultation with the holders of any Shares or securities of the Company may resolve that any class or series of Shares or other securities of the Company from time to time in issue or to be issued (including shares in issue at the date of the adoption of these Articles) may be issued, held, registered, converted to, transferred or otherwise dealt with in uncertificated form in accordance with the Securities Regulations and practices instituted by the operator of the relevant system and no provision of these Articles will apply to any uncertificated share or other securities of the Company to the extent that they are inconsistent with the holding of such shares or other securities in uncertificated form or the transfer of title to any such shares or other securities by means of a relevant system or any provision of the Securities Regulations.
- 2.12 Conversion of shares held in certificated form into shares held in uncertificated form, and vice versa, may be made in such manner as the Board may, in its absolute discretion, thinks fit (subject always to the Securities Regulations and the requirements of the relevant system concerned). The Company shall enter on the register of members how many Shares are held by each Shareholder in uncertificated form and in certificated form and shall maintain the register of members in each case as is required by the Securities Regulations and the relevant system concerned. Notwithstanding any provision of these Articles, a class or series of Shares shall not be treated as two classes by virtue only of that class or series comprising both certificated Shares and uncertificated Shares or as a result of any provision of these Articles or the Securities Regulations which apply only in respect of certificated or uncertificated Shares.
- 2.13 If a share certificate for certificated Shares is defaced, worn out, lost or destroyed it may be replaced without fee but on such terms (if any) as to evidence and indemnity and to payment of any exceptional out-of-pocket expenses of the Company in investigating such evidence and preparing such indemnity as the Board may think fit and, in case of defacement or wearing out, on delivery up of the old certificate to the Company.
- 2.14 All forms of certificate for share or loan capital or other securities of the Company (other than letters of allotment, scrip certificates and other like documents) shall be issued under the Seal or in such other manner as the Board may authorise. The Board may by Resolution of Directors determine, either generally or in any particular case or cases, that any signatures on any such certificate need not be autographic but may be affixed to such certificate by some mechanical or electronic means or may be printed thereon or that such certificate need not be signed by any person.
- 2.15 Any Shareholder receiving a share certificate for certificated Shares shall indemnify and hold the Company and its Directors and officers harmless from any loss or liability which it or they may incur by reason of any wrongful or fraudulent use or representation made by any person by virtue of the possession thereof.

3 REDEMPTION OF SHARES AND TREASURY SHARES

- 3.1 The Company may purchase, redeem or otherwise acquire and hold its own Shares save that the Company may not purchase, redeem or otherwise acquire its own Shares without the consent of Shareholders whose Shares are to be purchased, redeemed or otherwise acquired unless the Company is permitted by the Act or any other provision in the Memorandum or Articles to purchase, redeem or otherwise acquire the Shares without their consent.
- 3.2 The Company may only offer to purchase, redeem or otherwise acquire Shares if the Resolution of Directors authorising the purchase, redemption or other acquisition contains a statement that the directors are satisfied, on reasonable grounds, that immediately after

- the acquisition the value of the Company's assets will exceed its liabilities and the Company will be able to pay its debts as they fall due.
- 3.3 Sections 60 (Process for acquisition of own shares), 61 (Offer to one or more shareholders) and 62 (Shares redeemed otherwise than at the option of company) of the Act shall not apply to the Company.
- 3.4 Shares that the Company purchases, redeems or otherwise acquires pursuant to this Regulation may be cancelled or held as Treasury Shares except to the extent that such Shares are in excess of 50% of the issued Shares in which case they shall be cancelled but they shall be available for reissue.
- 3.5 All rights and obligations attaching to a Treasury Share are suspended and shall not be exercised by the Company while it holds the Share as a Treasury Share.
- 3.6 Treasury Shares may be transferred by the Company on such terms and conditions (not otherwise inconsistent with the Memorandum and the Articles) as the Company may by Resolution of Directors determine.
- 3.7 Where Shares are held by another body corporate of which the Company holds, directly or indirectly, shares having more than 50% of the votes in the election of directors of the other body corporate, all rights and obligations attaching to the Shares held by the other body corporate are suspended and shall not be exercised by the other body corporate.

4 MORTGAGES AND CHARGES OF SHARES

- 4.1 Shareholders may mortgage or charge their Shares.
- 4.2 There shall be entered in the register of members at the written request of the Shareholder:
 - (a) a statement that the Shares held by him are mortgaged or charged;
 - (b) the name of the mortgagee or chargee; and
 - (c) the date on which the particulars specified in subparagraphs (a) and (b) are entered in the register of members.
- 4.3 Where particulars of a mortgage or charge are entered in the register of members, such particulars may be cancelled:
 - (a) with the written consent of the named mortgagee or chargee or anyone authorised to act on his behalf; or
 - (b) upon evidence satisfactory to the directors of the discharge of the liability secured by the mortgage or charge and the issue of such indemnities as the directors shall consider necessary or desirable.
- 4.4 Whilst particulars of a mortgage or charge over Shares are entered in the register of members pursuant to this Regulation:
 - (a) no transfer of any Share the subject of those particulars shall be effected;
 - (b) the Company may not purchase, redeem or otherwise acquire any such Share; and
 - (c) no replacement certificate shall be issued in respect of such Shares,

without the written consent of the named mortgagee or chargee.

5 FORFEITURE

- 5.1 Shares that are not fully paid on issue are subject to the forfeiture provisions set forth in this Regulation and for this purpose Shares issued for a promissory note, other written obligation to contribute money or property or a contract for future services are deemed to be not fully paid.
- 5.2 A written notice of call specifying the date for payment to be made shall be served on the Shareholder who defaults in making payment in respect of the Shares.
- 5.3 The written notice of call referred to in Sub-Regulation 5.2 shall name a further date not earlier than the expiration of 14 days from the date of service of the notice on or before which the payment required by the notice is to be made and shall contain a statement that in the event of non-payment at or before the time named in the notice the Shares, or any of them, in respect of which payment is not made will be liable to be forfeited.
- 5.4 Where a written notice of call has been issued pursuant to Sub-Regulation 5.3 and the requirements of the notice have not been complied with, the directors may, at any time before tender of payment, forfeit and cancel the Shares to which the notice relates.
- 5.5 The Company is under no obligation to refund any moneys to the Shareholder whose Shares have been cancelled pursuant to Sub-Regulation 5.4 and that Shareholder shall be discharged from any further obligation to the Company.

6 TRANSFER OF SHARES

- 6.1 Subject to any limitations in the Memorandum, certificated Shares in the Company may be transferred by a written instrument of transfer signed by the transferor and containing the name and address of the transferee.
- 6.2 In the case of uncertificated Shares a Shareholder shall be entitled to transfer his Shares by means of a relevant system and the operator of the relevant system shall act as agent of the Shareholders for the purposes of the transfer of Shares. In addition to the foregoing, a transferor of an uncertificated Shares is effective only if a record of the transfer evidencing the transferor's consent is available and the statutory particulars in respect of the transferee are entered in the register of members.
- 6.3 The transferor of any Shares shall remain the holder of those Shares until the name of the transferee is entered in the register as the holder of those Shares.
- 6.4 The register of members may be closed at such times and for such periods as the Board may from time to time determine, not exceeding in aggregate thirty days in each year, upon notice being given by advertisement in a leading daily newspaper and in such other newspaper (if any) as may be required by the Act and the practice of the Stock Exchange.
- 6.5 The Board may decline to register a transfer of any Share to a person known to be a minor, bankrupt or person who is mentally disordered or a patient for the purpose of any statute relating to mental health.
- 6.6 The Board may also decline to register any transfer of Shares unless:-.
 - (a) any written instrument of transfer, duly stamped (if so required), is lodged with the Company at the registered office or such other place as the Board may appoint accompanied by the certificate for the Shares to which it relates (except in the case of a transfer by a recognised person or a holder of such Shares in respect of whom the Company is not required by law to deliver a certificate and to whom a certificate has not been issued in respect of such Shares);
 - (b) any instrument of transfer is in respect of only one class or series of Share; and

(c) in the case of a transfer to joint holders, the number of joint holders to whom the Share is to be transferred does not exceed four.

The Company may retain an instrument of transfer which is registered but a transfer which the Directors refuse to register shall (except in the case of known or suspected fraud) be returned to the person lodging it when notice of the refusal is given.

- 6.7 If the Board declines to register a transfer it shall, within two months or such other period (if any) as may be prescribed by the Act, send to the transferee notice of the refusal.
- 6.8 No fee shall be charged by the Company for registering any transfer, probate, letters of administration, certificate of death or marriage, power of attorney, distringas or stop notice, order of court or other instrument relating to or affecting the title of any Share, or otherwise making any entry in the Register relating to any Share.
- 6.9 The executor or administrator of a deceased Shareholder, the guardian of an incompetent member or the trustee of a bankrupt Shareholder shall be the only person recognised by the Company as having any title to his Share but they shall not be entitled to exercise any rights as a Shareholder of the Company until they have proceeded as set forth in the next following three regulations.
- 6.10 The production to the Company of any document which is evidence of probate of the will, or letters of administration of the estate, or confirmation as executor, of a deceased Shareholder or of the appointment of a guardian of an incompetent Shareholder or the trustee of a bankrupt Shareholder shall be accepted by the Company even if the deceased, incompetent or bankrupt Shareholder is domiciled outside the British Virgin Islands if the document evidencing the grant of probate or letters of administration, confirmation as executor, appointment as guardian or trustee in bankruptcy is issued by a foreign court which had competent jurisdiction in the matter. For the purpose of establishing whether or not a foreign court had competent jurisdiction in such a matter the Directors may obtain appropriate legal advice. The Directors may also require an indemnity to be given by the executor, administrator, guardian or trustee in bankruptcy.
- 6.11 Any person becoming entitled by operation of law or otherwise to a Share or Shares in consequence of the death, incompetence or bankruptcy of any Shareholder may be registered as a Shareholder upon such evidence being produced as may reasonably be required by the Directors and in the case of uncertificated Shares subject also to the facilities and requirements of the relevant system concerned. An application by any such person to be registered as a Shareholder shall for all purposes be deemed to be a transfer of Shares of the deceased, incompetent or bankrupt Shareholder and the Directors shall treat it as such.
- 6.12 Any person who has become entitled to a Share or Shares in consequence of the death, incompetence or bankruptcy of any Shareholder may, instead of being registered himself, request in writing that some person to be named by him be registered as the transferee of such Share or Shares and such request shall likewise be treated as if it were a transfer.
- 6.13 What amounts to incompetence on the part of a person is a matter to be determined by the court having regard to all the relevant evidence and the circumstances of the case.

7 MEETINGS AND CONSENTS OF SHAREHOLDERS

- 7.1 Any director of the Company may convene meetings of the Shareholders at such times and in such manner and places within or outside the British Virgin Islands as the director considers necessary or desirable.
- 7.2 Upon the written request of Shareholders entitled to exercise 30% or more of the voting rights in respect of the matter for which the meeting is requested the directors shall convene a meeting of Shareholders.

- 7.3 The director convening a meeting shall give not less than $7\underline{14}$ days' notice of a meeting of Shareholders to:
 - (a) those Shareholders whose names on the date the notice is given appear as Shareholders in the register of members of the Company and are entitled to vote at the meeting; and
 - (b) the other directors.
 - 7.4 The director convening a meeting of Shareholders may fix as the record date for determining those Shareholders that are entitled to vote at the meeting the date notice is given of the meeting, or such other date as may be specified in the notice, being a date not earlier than the date of the notice.
 - 7.5 A meeting of Shareholders held in contravention of the requirement to give notice is valid if Shareholders holding at least 90% of the total voting rights on all the matters to be considered at the meeting have waived notice of the meeting and, for this purpose, the presence of a Shareholder at the meeting shall constitute waiver in relation to all the Shares which that Shareholder holds.
 - 7.6 The inadvertent failure of a director who convenes a meeting to give notice of a meeting to a Shareholder or another director, or the fact that a Shareholder or another director has not received notice, does not invalidate the meeting.
 - 7.7 A Shareholder may be represented at a meeting of Shareholders by a proxy who may speak and vote on behalf of the Shareholder.
 - 7.8 The instrument appointing a proxy shall be produced at the place designated for the meeting before the time for holding the meeting at which the person named in such instrument proposes to vote. The notice of the meeting may specify an alternative or additional place or time at or by which the proxy shall be presented.
 - 7.9 The instrument appointing a proxy shall be in substantially the following form or such other form as the chairman of the meeting shall accept as properly evidencing the wishes of the Shareholder appointing the proxy.

| Polo Resources Limited |
|--|
| I/We being a Shareholder of the above Company HEREBY APPOINT |
| (Any restrictions on voting to be inserted here.) |
| Signed this day of |
| |
| Shareholder |

- 7.10 The following applies where Shares are jointly owned:
 - (a) if two or more persons hold Shares jointly each of them may be present in person or by proxy at a meeting of Shareholders and may speak as a Shareholder;
 - (b) if only one of the joint owners is present in person or by proxy he may vote on behalf of all joint owners; and

- (c) if two or more of the joint owners are present in person or by proxy they must vote as one.
- 7.11 A Shareholder shall be deemed to be present at a meeting of Shareholders if he participates by telephone or other electronic means and all Shareholders participating in the meeting are able to hear each other.
- 7.12 A meeting of Shareholders is duly constituted if, at the commencement of the meeting, there are present in person or by proxy Shareholders holding not less than 50% of the votes two of the Shares entitled to vote on Resolutions of Shareholders to be considered at the meeting. A quorum may comprise a single Shareholder or proxy and then such person may pass a Resolution of Shareholders and a certificate signed by such person accompanied where such person be a proxy by a copy of the proxy instrument shall constitute a valid Resolution of Shareholders.
- 7.13 If within two hours from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Shareholders, shall be dissolved; in any other case it shall stand adjourned to the next business day in the jurisdiction in which the meeting was to have been held at the same time and place or to such other time and place as the directors may determine, and if at the adjourned meeting there are not present within one hour from the time appointed for the meeting in person or by proxy Shareholders holding not less than one third of the votestwo of the Shares or two of each class or series of Shares entitled to vote on the matters to be considered by the meeting, those present shall constitute a quorum but otherwise the meeting shall be dissolved.
- 7.14 At every meeting of Shareholders, the Chairman of the Board shall preside as chairman of the meeting. If there is no Chairman of the Board or if the Chairman of the Board is not present at the meeting, the Shareholders present shall choose one of their number to be the chairman. If the Shareholders are unable to choose a chairman for any reason, then the person representing the greatest number of voting Shares present in person or by proxy at the meeting shall preside as chairman failing which the oldest individual Shareholder or representative of a Shareholder present shall take the chair.
- 7.15 The chairman may, with the consent of the meeting, adjourn any meeting from time to time, and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.
- 7.16 At any meeting of the Shareholders the chairman is responsible for deciding in such manner as he considers appropriate whether any resolution proposed has been carried or not and the result of his decision shall be announced to the meeting and recorded in the minutes of the meeting. If the chairman has any doubt as to the outcome of the vote on a proposed resolution, he shall cause a poll to be taken of all votes cast upon such resolution. If the chairman fails to take a poll then any Shareholder present in person or by proxy who disputes the announcement by the chairman of the result of any vote may immediately following such announcement demand that a poll be taken and the chairman shall cause a poll to be taken. If a poll is taken at any meeting, the result shall be announced to the meeting and recorded in the minutes of the meeting.
- 7.17 Subject to the specific provisions contained in this Regulation for the appointment of representatives of Eligible Persons other than individuals the right of any individual to speak for or represent a Shareholder shall be determined by the law of the jurisdiction where, and by the documents by which, the Eligible Person is constituted or derives its existence. In case of doubt, the directors may in good faith seek legal advice from any qualified person and unless and until a court of competent jurisdiction shall otherwise rule, the directors may rely and act upon such advice without incurring any liability to any Shareholder or the Company.

- 7.18 Any Eligible Person other than an individual which is a Shareholder may by resolution of its directors or other governing body authorise such individual as it thinks fit to act as its representative at any meeting of Shareholders or of any class of Shareholders, and the individual so authorised shall be entitled to exercise the same rights on behalf of the Shareholder which he represents as that Shareholder could exercise if it were an individual.
- 7.19 The chairman of any meeting at which a vote is cast by proxy or on behalf of any Eligible Person other than an individual may call for a notarially certified copy of such proxy or authority which shall be produced within 7 days of being so requested or the votes cast by such proxy or on behalf of such Eligible Person shall be disregarded.
- 7.20 Directors of the Company may attend and speak at any meeting of Shareholders and at any separate meeting of the holders of any class or series of Shares.
- 7.21 An action that may be taken by the Shareholders at a meeting may also be taken by a resolution consented to in writing, without the need for any notice, but if any Resolution of Shareholders is adopted otherwise than by the unanimous written consent of all Shareholders, a copy of such resolution shall forthwith be sent to all Shareholders not consenting to such resolution. The consent may be in the form of counterparts, each counterpart being signed by one or more Shareholders. If the consent is in one or more counterparts, and the counterparts bear different dates, then the resolution shall take effect on the earliest date upon which Shareholders holding a sufficient number of votes of Shares to constitute a Resolution of Shareholders have consented to the resolution by signed counterparts.

8 DIRECTORS

- 8.1 The first directors of the Company shall be appointed by the first registered agent within 6 months of the date of incorporation of the Company; and thereafter, the directors shall be elected by Resolution of Shareholders or by Resolution of Directors.
- 8.2 No person shall be appointed as a director, or nominated as a reserve director, of the Company unless he has consented in writing to be a director or to be nominated as a reserve director.
- 8.3 Subject to Sub-Regulation 8.1, the minimum number of directors shall be one (1) and the maximum number of directors shall be fifteen (15).
- 8.4 Each director holds office for the term, if any, fixed by the Resolution of Shareholders or the Resolution of Directors appointing him, or until his earlier death, resignation or removal. If no term is fixed on the appointment of a director, the director serves indefinitely until his earlier death, resignation or removal.
- 8.5 A director may be removed from office,
 - (a) with or without cause, by Resolution of Shareholders passed at a meeting of Shareholders called for the purposes of removing the director or for purposes including the removal of the director or by a written resolution passed by a least 75% of the Shareholders of the Company entitled to vote; or
 - (b) with cause, by Resolution of Directors passed at a meeting of directors called for the purpose of removing the director or for purposes including the removal of the director.
- A director may resign his office by giving written notice of his resignation to the Company and the resignation has effect from the date the notice is received by the Company or from such later date as may be specified in the notice. A director shall resign forthwith as a director if he is, or becomes, disqualified from acting as a director under the Act.

- 8.7 The directors may at any time appoint any person to be a director either to fill a vacancy or as an addition to the existing directors. Where the directors appoint a person as director to fill a vacancy, the term shall not exceed the term that remained when the person who has ceased to be a director ceased to hold office.
- 8.8 A vacancy in relation to directors occurs if a director dies or otherwise ceases to hold office prior to the expiration of his term of office.
- 8.9 Where the Company only has one Shareholder who is an individual and that Shareholder is also the sole director of the Company, the sole Shareholder/director may, by instrument in writing, nominate a person who is not disqualified from being a director of the Company as a reserve director of the Company to act in the place of the sole director in the event of his death.
- 8.10 The nomination of a person as a reserve director of the Company ceases to have effect if:
 - (a) before the death of the sole Shareholder/director who nominated him,
 - (i) he resigns as reserve director, or
 - (ii) the sole Shareholder/director revokes the nomination in writing; or
 - (b) the sole Shareholder/director who nominated him ceases to be able to be the sole Shareholder/director of the Company for any reason other than his death.
- 8.11 The Company shall keep a register of directors containing:
 - (a) the names and addresses of the persons who are directors of the Company or who have been nominated as reserve directors of the Company;
 - (b) the date on which each person whose name is entered in the register was appointed as a director, or nominated as a reserve director, of the Company;
 - (c) the date on which each person named as a director ceased to be a director of the Company;
 - (d) the date on which the nomination of any person nominated as a reserve director ceased to have effect; and
 - (e) such other information as may be prescribed by the Act.
- 8.12 The register of directors may be kept in any such form as the directors may approve, but if it is in magnetic, electronic or other data storage form, the Company must be able to produce legible evidence of its contents. Until a Resolution of Directors determining otherwise is passed, the magnetic, electronic or other data storage shall be the original register of directors.
- 8.13 The directors may, by Resolution of Directors, fix the emoluments of directors with respect to services to be rendered in any capacity to the Company.
- 8.14 A director is not required to hold a Share as a qualification to office.

9 POWERS OF DIRECTORS

9.1 The business and affairs of the Company shall be managed by, or under the direction or supervision of, the directors of the Company. The directors of the Company have all the powers necessary for managing, and for directing and supervising, the business and affairs of the Company. The directors may pay all expenses incurred preliminary to and in connection with the incorporation of the Company and may exercise all such powers of the

- Company as are not by the Act or by the Memorandum or the Articles required to be exercised by the Shareholders.
- 9.2 Each director shall exercise his powers for a proper purpose and shall not act or agree to the Company acting in a manner that contravenes the Memorandum, the Articles or the Act. Each director, in exercising his powers or performing his duties, shall act honestly and in good faith in what the director believes to be the best interests of the Company.
- 9.3 If the Company is the wholly owned subsidiary of a holding company, a director of the Company may, when exercising powers or performing duties as a director, act in a manner which he believes is in the best interests of the holding company even though it may not be in the best interests of the Company.
- 9.4 Any director which is a body corporate may appoint any individual as its duly authorised representative for the purpose of representing it at meetings of the directors, with respect to the signing of consents or otherwise.
- 9.5 The continuing directors may act notwithstanding any vacancy in their body.
- 9.6 The directors may by Resolution of Directors exercise all the powers of the Company to incur indebtedness, liabilities or obligations and to secure indebtedness, liabilities or obligations whether of the Company or of any third party.
- 9.7 All cheques, promissory notes, drafts, bills of exchange and other negotiable instruments and all receipts for moneys paid to the Company shall be signed, drawn, accepted, endorsed or otherwise executed, as the case may be, in such manner as shall from time to time be determined by Resolution of Directors.
- 9.8 For the purposes of Section 175 (*Disposition of assets*) of the Act, the directors may by Resolution of Directors determine that any sale, transfer, lease, exchange or other disposition is in the usual or regular course of the business carried on by the Company and such determination is, in the absence of fraud, conclusive.

10 PROCEEDINGS OF DIRECTORS

- 10.1 Any one director of the Company may call a meeting of the directors by sending a written notice to each other director.
- 10.2 The directors of the Company or any committee thereof may meet at such times and in such manner and places within or outside the British Virgin Islands as the directors may determine to be necessary or desirable.
- 10.3 A director is deemed to be present at a meeting of directors if he participates by telephone or other electronic means and all directors participating in the meeting are able to hear each other.
- 10.4 A director shall be given not less than 3 days' notice of meetings of directors, but a meeting of directors held without 3 days' notice having been given to all directors shall be valid if all the directors entitled to vote at the meeting who do not attend waive notice of the meeting, and for this purpose the presence of a director at a meeting shall constitute waiver by that director. The inadvertent failure to give notice of a meeting to a director, or the fact that a director has not received the notice, does not invalidate the meeting.
- 10.5 A director may by a written instrument appoint an alternate who need not be a director and the alternate shall be entitled to attend meetings in the absence of the director who appointed him and to vote in place of the director until the appointment lapses or is terminated.

- 10.6 A meeting of directors is duly constituted for all purposes if at the commencement of the meeting there are present in person or by alternate not less than one-half of the total number of directors, unless there are only 2 directors in which case the quorum is 2.
- 10.7 If the Company has only one director the provisions herein contained for meetings of directors do not apply and such sole director has full power to represent and act for the Company in all matters as are not by the Act, the Memorandum or the Articles required to be exercised by the Shareholders. In lieu of minutes of a meeting the sole director shall record in writing and sign a note or memorandum of all matters requiring a Resolution of Directors. Such a note or memorandum constitutes sufficient evidence of such resolution for all purposes.
- 10.8 At meetings of directors at which the Chairman of the Board is present, he shall preside as chairman of the meeting. If there is no Chairman of the Board or if the Chairman of the Board is not present, the directors present shall choose one of their number to be chairman of the meeting.
- 10.9 An action that may be taken by the directors or a committee of directors at a meeting may also be taken by a Resolution of Directors or a resolution of a committee of directors consented to in writing by all directors or by all members of the committee, as the case may be, without the need for any notice. The consent may be in the form of counterparts each counterpart being signed by one or more directors. If the consent is in one or more counterparts, and the counterparts bear different dates, then the resolution shall take effect on the date upon which the last director has consented to the resolution by signed counterparts.

11 COMMITTEES

- 11.1 The directors may, by Resolution of Directors, designate one or more committees, each consisting of one or more directors, and delegate one or more of their powers, including the power to affix the Seal, to the committee.
- 11.2 The directors have no power to delegate to a committee of directors any of the following powers:
 - (a) to amend the Memorandum or the Articles;
 - (b) to designate committees of directors;
 - (c) to delegate powers to a committee of directors;
 - (d) to appoint or remove directors;
 - (e) to appoint or remove an agent;
 - (f) to approve a plan of merger, consolidation or arrangement;
 - (g) to make a declaration of solvency or to approve a liquidation plan; or
 - (h) to make a determination that immediately after a proposed Distribution the value of the Company's assets will exceed its liabilities and the Company will be able to pay its debts as they fall due.
- 11.3 Sub-Regulation 11.2(b) and (c) do not prevent a committee of directors, where authorised by the Resolution of Directors appointing such committee or by a subsequent Resolution of Directors, from appointing a sub-committee and delegating powers exercisable by the committee to the sub-committee.
- 11.4 The meetings and proceedings of each committee of directors consisting of 2 or more directors shall be governed *mutatis mutandis* by the provisions of the Articles regulating the

- proceedings of directors so far as the same are not superseded by any provisions in the Resolution of Directors establishing the committee.
- 11.5 Where the directors delegate their powers to a committee of directors they remain responsible for the exercise of that power by the committee, unless they believed on reasonable grounds at all times before the exercise of the power that the committee would exercise the power in conformity with the duties imposed on directors of the Company under the Act.

12 OFFICERS AND AGENTS

- 12.1 The Company may by Resolution of Directors appoint officers of the Company at such times as may be considered necessary or expedient. Such officers may consist of a Chairman of the Board of Directors, a president and one or more vice-presidents, secretaries and treasurers and such other officers as may from time to time be considered necessary or expedient. Any number of offices may be held by the same person.
- 12.2 The officers shall perform such duties as are prescribed at the time of their appointment subject to any modification in such duties as may be prescribed thereafter by Resolution of Directors. In the absence of any specific prescription of duties it shall be the responsibility of the Chairman of the Board to preside at meetings of directors and Shareholders, the president to manage the day to day affairs of the Company, the vice-presidents to act in order of seniority in the absence of the president but otherwise to perform such duties as may be delegated to them by the president, the secretaries to maintain the register of members, minute books and records (other than financial records) of the Company and to ensure compliance with all procedural requirements imposed on the Company by applicable law, and the treasurer to be responsible for the financial affairs of the Company.
- 12.3 The emoluments of all officers shall be fixed by Resolution of Directors.
- 12.4 The officers of the Company shall hold office until their successors are duly appointed, but any officer elected or appointed by the directors may be removed at any time, with or without cause, by Resolution of Directors. Any vacancy occurring in any office of the Company may be filled by Resolution of Directors.
- 12.5 The directors may, by Resolution of Directors, appoint any person, including a person who is a director, to be an agent of the Company.
- 12.6 An agent of the Company shall have such powers and authority of the directors, including the power and authority to affix the Seal, as are set forth in the Articles or in the Resolution of Directors appointing the agent, except that no agent has any power or authority with respect to the following:
 - (a) to amend the Memorandum or the Articles;
 - (b) to change the registered office or agent;
 - (c) to designate committees of directors;
 - (d) to delegate powers to a committee of directors;
 - (e) to appoint or remove directors;
 - (f) to appoint or remove an agent;
 - (g) to fix emoluments of directors;
 - (h) to approve a plan of merger, consolidation or arrangement;
 - (i) to make a declaration of solvency or to approve a liquidation plan;

- (j) to make a determination that immediately after a proposed Distribution the value of the Company's assets will exceed its liabilities and the Company will be able to pay its debts as they fall due; or
- (k) to authorise the Company to continue as a company incorporated under the laws of a jurisdiction outside the British Virgin Islands.
- 12.7 The Resolution of Directors appointing an agent may authorise the agent to appoint one or more substitutes or delegates to exercise some or all of the powers conferred on the agent by the Company.
- 12.8 The directors may remove an agent appointed by the Company and may revoke or vary a power conferred on him.

13 CONFLICT OF INTERESTS

- 13.1 A director of the Company shall, forthwith after becoming aware of the fact that he is interested in a transaction entered into or to be entered into by the Company, disclose the interest to all other directors of the Company.
- 13.2 For the purposes of Sub-Regulation 13.1, a disclosure to all other directors to the effect that a director is a member, director or officer of another named entity or has a fiduciary relationship with respect to the entity or a named individual and is to be regarded as interested in any transaction which may, after the date of the entry into the transaction or disclosure of the interest, be entered into with that entity or individual, is a sufficient disclosure of interest in relation to that transaction.
- 13.3 A director of the Company who is interested in a transaction entered into or to be entered into by the Company may:
 - (a) vote on a matter relating to the transaction;
 - (b) attend a meeting of directors at which a matter relating to the transaction arises and be included among the directors present at the meeting for the purposes of a quorum; and
 - sign a document on behalf of the Company, or do any other thing in his capacity as a director, that relates to the transaction,

and, subject to compliance with the Act shall not, by reason of his office be accountable to the Company for any benefit which he derives from such transaction and no such transaction shall be liable to be avoided on the grounds of any such interest or benefit.

14 INDEMNIFICATION

- 14.1 Subject to the limitations hereinafter provided the Company shall indemnify against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred in connection with legal, administrative or investigative proceedings any person who:
 - (a) is or was a party or is threatened to be made a party to any threatened, pending or completed proceedings, whether civil, criminal, administrative or investigative, by reason of the fact that the person is or was a director of the Company; or
 - (b) is or was, at the request of the Company, serving as a director of, or in any other capacity is or was acting for, another body corporate or a partnership, joint venture, trust or other enterprise.
- 14.2 The indemnity in Sub-Regulation 14.1 only applies if the person acted honestly and in good faith with a view to the best interests of the Company and, in the case of criminal

proceedings, the person had no reasonable cause to believe that their conduct was unlawful.

- 14.3 For the purposes of Sub-Regulation 14.2, a director acts in the best interests of the Company if he acts in the best interests of
 - (a) the Company's holding company; or
 - (b) a Shareholder or Shareholders of the Company;

in either case, in the circumstances specified in Sub-Regulation 9.3 or the Act, as the case may be.

- 14.4 The decision of the directors as to whether the person acted honestly and in good faith and with a view to the best interests of the Company and as to whether the person had no reasonable cause to believe that his conduct was unlawful is, in the absence of fraud, sufficient for the purposes of the Articles, unless a question of law is involved.
- 14.5 The termination of any proceedings by any judgment, order, settlement, conviction or the entering of a *nolle prosequi* does not, by itself, create a presumption that the person did not act honestly and in good faith and with a view to the best interests of the Company or that the person had reasonable cause to believe that his conduct was unlawful.
- 14.6 Expenses, including legal fees, incurred by a director in defending any legal, administrative or investigative proceedings may be paid by the Company in advance of the final disposition of such proceedings upon receipt of an undertaking by or on behalf of the director to repay the amount if it shall ultimately be determined that the director is not entitled to be indemnified by the Company in accordance with Sub-Regulation 14.1.
- 14.7 Expenses, including legal fees, incurred by a former director in defending any legal, administrative or investigative proceedings may be paid by the Company in advance of the final disposition of such proceedings upon receipt of an undertaking by or on behalf of the former director to repay the amount if it shall ultimately be determined that the former director is not entitled to be indemnified by the Company in accordance with Sub-Regulation 14.1 and upon such terms and conditions, if any, as the Company deems appropriate.
- 14.8 The indemnification and advancement of expenses provided by, or granted pursuant to, this section is not exclusive of any other rights to which the person seeking indemnification or advancement of expenses may be entitled under any agreement, Resolution of Shareholders, resolution of disinterested directors or otherwise, both as acting in the person's official capacity and as to acting in another capacity while serving as a director of the Company.
- 14.9 If a person referred to in Sub-Regulation 14.1 has been successful in defence of any proceedings referred to in Sub-Regulation 14.1, the person is entitled to be indemnified against all expenses, including legal fees, and against all judgments, fines and amounts paid in settlement and reasonably incurred by the person in connection with the proceedings.
- 14.10 The Company may purchase and maintain insurance in relation to any person who is or was a director, officer or liquidator of the Company, or who at the request of the Company is or was serving as a director, officer or liquidator of, or in any other capacity is or was acting for, another body corporate or a partnership, joint venture, trust or other enterprise, against any liability asserted against the person and incurred by the person in that capacity, whether or not the Company has or would have had the power to indemnify the person against the liability as provided in the Articles.

15 RECORDS

- 15.1 The Company shall keep the following documents at the office of its registered agent:
 - (a) the Memorandum and the Articles;
 - (b) the register of members, or a copy of the register of members;
 - (c) the register of directors, or a copy of the register of directors; and
 - (d) copies of all notices and other documents filed by the Company with the Registrar of Corporate Affairs in the previous 10 years.
- 15.2 Until the directors determine otherwise by Resolution of Directors the Company shall keep the original register of members and original register of directors at the office of its registered agent.
- 15.3 If the Company maintains only a copy of the register of members or a copy of the register of directors at the office of its registered agent, it shall:
 - (a) within 15 days of any change in either register, notify the registered agent in writing of the change; and
 - (b) provide the registered agent with a written record of the physical address of the place or places at which the original register of members or the original register of directors is kept.
- 15.4 The Company shall keep the following records at the office of its registered agent or at such other place or places, within or outside the British Virgin Islands, as the directors may determine:
- 15.5 minutes of meetings and Resolutions of Shareholders and classes of Shareholders; and
- 15.6 minutes of meetings and Resolutions of Directors and committees of directors.
- 15.7 Where any original records referred to in this Regulation are maintained other than at the office of the registered agent of the Company, and the place at which the original records is changed, the Company shall provide the registered agent with the physical address of the new location of the records of the Company within 14 days of the change of location.
- 15.8 The records kept by the Company under this Regulation shall be in written form or either wholly or partly as electronic records complying with the requirements of the Electronic Transactions Act, 2001 (No. 5 of 2001) as from time to time amended or re-enacted.

16 REGISTER OF CHARGES

The Company shall maintain at the office of its registered agent a register of charges in which there shall be entered the following particulars regarding each mortgage, charge and other encumbrance created by the Company:

- (a) the date of creation of the charge;
- (b) a short description of the liability secured by the charge;
- (c) a short description of the property charged;
- (d) the name and address of the trustee for the security or, if there is no such trustee, the name and address of the chargee;

- (e) unless the charge is a security to bearer, the name and address of the holder of the charge; and
- (f) details of any prohibition or restriction contained in the instrument creating the charge on the power of the Company to create any future charge ranking in priority to or equally with the charge.

17 SEAL

The Company shall have a Seal an impression of which shall be kept at the office of the registered agent of the Company. The Company may have more than one Seal and references herein to the Seal shall be references to every Seal which shall have been duly adopted by Resolution of Directors. The directors shall provide for the safe custody of the Seal and for an imprint thereof to be kept at the registered office. Except as otherwise expressly provided herein the Seal when affixed to any written instrument shall be witnessed and attested to by the signature of any one director or other person so authorised from time to time by Resolution of Directors. Such authorisation may be before or after the Seal is affixed, may be general or specific and may refer to any number of sealings. The directors may provide for a facsimile of the Seal and of the signature of any director or authorised person which may be reproduced by printing or other means on any instrument and it shall have the same force and validity as if the Seal had been affixed to such instrument and the same had been attested to as hereinbefore described.

18 DISTRIBUTIONS BY WAY OF DIVIDEND

- 18.1 The directors of the Company may, by Resolution of Directors, authorise a Distribution by way of dividend at a time and of an amount they think fit if they are satisfied, on reasonable grounds, that, immediately after the Distribution, the value of the Company's assets will exceed its liabilities and the Company will be able to pay its debts as they fall due.
- 18.2 Dividends may be paid in money, shares, or other property.
- 18.3 Notice of any dividend that may have been declared shall be given to each Shareholder as specified in Sub-Regulation 20.1 and all dividends unclaimed for 3 years after having been declared may be forfeited by Resolution of Directors for the benefit of the Company.
- 18.4 No dividend shall bear interest as against the Company and no dividend shall be paid on Treasury Shares.

19 ACCOUNTS AND AUDIT

- 19.1 The Company shall keep records that are sufficient to show and explain the Company's transactions and that will, at any time, enable the financial position of the Company to be determined with reasonable accuracy.
- 19.2 The Company may by Resolution of Shareholders call for the directors to prepare periodically and make available a profit and loss account and a balance sheet. The profit and loss account and balance sheet shall be drawn up so as to give respectively a true and fair view of the profit and loss of the Company for a financial period and a true and fair view of the assets and liabilities of the Company as at the end of a financial period.
- 19.3 The Company may by Resolution of Shareholders call for the accounts to be examined by auditors.
- 19.4 The first auditors shall be appointed by Resolution of Directors; subsequent auditors shall be appointed by Resolution of Shareholders or by Resolution of Directors.
- 19.5 The auditors may be Shareholders, but no director or other officer shall be eligible to be an auditor of the Company during their continuance in office.

- 19.6 The remuneration of the auditors of the Company may be fixed by Resolution of Directors.
- 19.7 The auditors shall examine each profit and loss account and balance sheet required to be laid before a meeting of the Shareholders or otherwise given to Shareholders and shall state in a written report whether or not:
- 19.8 in their opinion the profit and loss account and balance sheet give a true and fair view respectively of the profit and loss for the period covered by the accounts, and of the assets and liabilities of the Company at the end of that period; and
- 19.9 all the information and explanations required by the auditors have been obtained.
- 19.10 The report of the auditors shall be annexed to the accounts and shall be read at the meeting of Shareholders at which the accounts are laid before the Company or shall be otherwise given to the Shareholders.
- 19.11 Every auditor of the Company shall have a right of access at all times to the books of account and vouchers of the Company, and shall be entitled to require from the directors and officers of the Company such information and explanations as he thinks necessary for the performance of the duties of the auditors.
- 19.12 The auditors of the Company shall be entitled to receive notice of, and to attend any meetings of Shareholders at which the Company's profit and loss account and balance sheet are to be presented.

20 NOTICES

- 20.1 Any notice, information or written statement to be given by the Company to Shareholders may be given by personal service or by mail addressed to each Shareholder at the address shown in the register of members.
- 20.2 Any summons, notice, order, document, process, information or written statement to be served on the Company may be served by leaving it, or by sending it by registered mail addressed to the Company, at its registered office, or by leaving it with, or by sending it by registered mail to, the registered agent of the Company.
- 20.3 Service of any summons, notice, order, document, process, information or written statement to be served on the Company may be proved by showing that the summons, notice, order, document, process, information or written statement was delivered to the registered office or the registered agent of the Company or that it was mailed in such time as to admit to its being delivered to the registered office or the registered agent of the Company in the normal course of delivery within the period prescribed for service and was correctly addressed and the postage was prepaid.

21 VOLUNTARY LIQUIDATION

The Company may by Resolution of Shareholders or by Resolution of Directors appoint a voluntary liquidator.

22 CONTINUATION

The Company may by Resolution of Shareholders or by a resolution passed unanimously by all directors of the Company continue as a company incorporated under the laws of a jurisdiction outside the British Virgin Islands in the manner provided under those laws.

23 TAKEOVER PROVISIONS

23.1 For the purposes of this Regulation 23:

- (a) "City Code" means the Takeover Code, as issued from time to time by or on behalf of the Panel of Takeovers and Mergers in the United Kingdom (or any successor to or replacement thereof) as the same for the time being has effect;
- (b) <u>"Interest" and "Interested" shall be construed in accordance with the definition of "interests in securities" as set out in the City Code;</u>
- (c) references to Rules 4, 5, 6 and 9 shall be references to Rules 4, 5, 6 and 9 of the City Code;
- (d) <u>"Limit" refers to the limits imposed by each of paragraphs (a) and (b) respectively of Regulation 23.1 below;</u>
- (e) an acquisition is a "Permitted Acquisition" if:
 - (i) the Board consents to the acquisition (even if, in the absence of such consent, the acquisition would be a Prohibited Acquisition);
 - (ii) the acquisition is made in circumstances in which the City Code, if it applied to the Company, would require an offer to be made as a consequence and such offer is made in accordance with Rule 9 of the City Code, as if it so applied; or
 - (iii) <u>if the acquisition arises from repayment of a stock borrowing arrangement</u> (on arm's length commercial terms);
- (f) an acquisition is a "Prohibited Acquisition" if Rules 4, 5, or 6 of the City Code would in whole or part apply to the acquisition if the Company was subject to the City Code and the acquisition was made (or, if not yet made, would when made be) in breach of or otherwise not comply with Rules 4, 5 or 6 of the City Code;
- (g) "Depositary" any person who is a Shareholder by virtue of its holding shares in the Company as trustee for those individuals who have elected to hold shares in the Company in dematerialised form through depository interests;
- (h) <u>an "arms length transfer" in relation to any Shares is a transfer which is shown to the satisfaction of the Board to be made pursuant to:</u>
 - (i) a sale of those Shares to a bona fide unconnected third party on a recognised investment exchange, or on any stock exchange or market on which the Shares are normally traded; or
 - (ii) an acceptance of a takeover offer for the Company, being an offer to acquire all the Shares, or all the Shares of any class or classes in the Company (other than Shares which are at the date of the offer already held by the offeror or persons acting in concert with the offeror); and
- (i) the Company will be entitled to treat any persons as appearing to be interested in any shares if:
 - (aa) the Shareholder holding such Shares or any person who is or may be interested in such Shares either fails to respond to a written notice served on that Shareholder by the Company requiring the Shareholder to disclose any interests in those Shares (a "Disclosure Notice") or has given to the Company a notification pursuant to a Disclosure Notice which in the opinion of the Director fails to establish the identities of those interested in the Shares and if, after taking into account such notification and any other relevant notification pursuant to a Disclosure Notice, the Company knows or

- has reasonable cause to believe that the person in question is or may be interested in the Shares; or
- (bb) that person, not being the Shareholder, is interested in those Shares in any manner or the Company otherwise has reasonable cause to believe that it is.

23.2 A person must not (other than solely as Depositary):

- whether by himself or with persons determined by the Board to be acting in concert with him, acquire after the date of Admission (the "Effective Date") an interest in shares which, taken together with shares in which persons determined by the Board to be acting in concert with him have become interested since the Effective Date, carry 30 per cent. or more of the voting rights attributable to all the shares of the Company except as a result of a Permitted Acquisition; or
- whilst he, together with persons determined by the Board to be acting in concert with him, is interested in shares which in aggregate carry 30 per cent or more of the voting rights attributable to all the shares in the Company but does not hold shares carrying more than 50 per cent. of such voting rights, acquire after the Effective Date, whether by himself or with persons determined by the Board to be acting in concert with him, an interest in additional shares which, taken together with shares in which persons determined by the Board to be acting in concert with him are interested, increases the percentage of shares carrying voting rights in which he is interested, except as a result of a Permitted Acquisition; or
- (c) effect or purport to effect a Prohibited Acquisition.
- 23.3 Where any person breaches any Limit, except as a result of a Permitted Acquisition or becomes interested in any shares as a result of a Prohibited Acquisition, that person is in breach of these Regulations.
- 23.4 The Board may do all or any of the following where it has reason to believe that any Limit is or may be breached or any Prohibited Acquisition has been or may be effected:
 - (a) require any Shareholder or person appearing or purporting to be interested in any shares to provide such information as the Board considers appropriate to determine any of the matters under this Regulation 23;
 - (b) <u>have regard to such public filings or as it considers appropriate to determine any of the matters under this Regulation 23;</u>
 - (c) make such determinations under this Regulation 23 as it thinks fit, either after calling for submissions from affected Shareholder or other persons or without calling for such submissions;
 - (d) require that some or all of any shares which the Board may determine to be held, or in which the Board may determine that any persons are or may be interested, in breach of these Articles ("Excess Shares") be sold;
 - (e) in respect of some or all of any Excess Shares remove from the holder(s) thereof the right to vote at any meeting of Shareholders and/or any right to any dividends or other distributions (whether of income or of capital) from a particular time for a definite period (or, in the event that the circumstances would, if the City Code applied to the Company, require an offer to be made under Rule 9 of the City Code, then from a particular time until such an offer is made in accordance with Rule 9 of the City Code as if so applied, or (if earlier) until such Excess Shares are sold to a person who is demonstrated to the satisfaction of the Board not to be

acting in concert with the holder pursuant to an arm's length transfer (as defined below); and

- (f) take such other action as it thinks fit for the purposes of this Regulation 23 including:
 - prescribing rules (not inconsistent with this Regulation 23);
 - setting deadlines for the provision of information;
 - <u>drawing adverse inferences where information requested is not provided;</u>
 - <u>making determinations or interim determinations;</u>
 - executing documents on behalf of a Shareholder;
 - converting any Excess Shares held in uncertificated form into certificated form, or vice versa;
 - paying costs and expenses out of proceeds of sale; and/or
 - changing any decision or determination or rule previously made by it.
- 23.5 The Board has full authority to determine the application of this Regulation 23, including as to the deemed application of the whole or any part of the City Code and the interpretation of any term used in these Articles and/or the City Code, provided that no infringement is ever made to the general principle of equality between the Shareholders. Such authority shall include all discretion vested in the Panel as if the whole or any part of the City Code applied including, without limitation, the determination of conditions and consents, the consideration to be offered and any restrictions on the exercise of control. Any resolution or determination of, or decision or exercise of any discretion of power by, the Board Shareholder or any Director acting in good faith under or pursuant to the provisions of this Regulation 23 shall be final and conclusive; and anything done by, or on behalf of, or on the authority of, the Board Shareholder or any Director acting in good faith pursuant to the provisions of this Regulation 23 shall not be open to challenge, whether as to its validity or otherwise on any ground whatsoever. The Board shall not be required to give the reasons for any decision, determination or declaration taken or made in accordance with this Regulation 23.
- 23.6 Any one or more of the Directors may act as the attorney(s) of a Member in relation to the execution of documents and other actions to be taken for the sale of Excess Shares determined by the Board under this Regulation 23.

24 DISCLOSURE OF INTERESTS IN SHARES AND COMPANY INVESTIGATIONS

- 24.1 For the purposes of this Regulation 24:
 - (a) <u>a person will be treated as having an "interest" in Shares if:</u>
 - (i) he owns them;
 - (ii) <u>he has the right (whether conditional or absolute) to exercise or direct the exercise of the voting rights attaching to them or has general control of them;</u>
 - (iii) by virtue of any agreement to purchase, option or derivative he has the right or option to acquire them or call for their delivery; or he is under an obligation to take delivery of them, whether the right, option or obligation is conditional or absolute:

- (iv) he is party to any derivative whose value is determined by reference to their price and which results, or may result, in his having a long position in them; or
- (v) <u>he has received an irrevocable commitment in respect of them:</u>
- (b) <u>a person's interest shall be "**notifiable**" if the aggregate number of the Shares in which he has such interest is equal to or exceeds three per cent. of the Company's issued share capital; and</u>
- (c) <u>"Relevant Shares"</u> means, in relation to a Shareholder, those Shares in which the Shareholder has a notifiable interest.
- 24.2 <u>The provisions of this Regulation 24 are in addition to and separate from any other rights or obligations arising at law or otherwise.</u>

NOTIFICATION OF INTERESTS IN SHARES

- 24.3 Where a Shareholder:
 - (a) <u>acquires or disposes of his interest in Relevant Shares; or</u>
 - (b) <u>knows that any other person has acquired or disposed of an interest in Relevant Shares; or</u>
 - (c) <u>becomes aware of any other change in circumstances affecting his or any other person's interest in any Relevant Shares,</u>

Then, if the circumstances set out in Regulation 24.4 apply, the Shareholder shall become obliged to notify the Company of his interests (if any) in the Relevant Shares, and to the extent he is aware of such further information and is not prevented by applicable law from disclosing the same, to notify the Company of the interests of any other person in the Relevant Shares. If in any case the Shareholder is prevented by applicable law from disclosing information in relation to any other person pursuant to this Regulation, the Shareholder shall use his reasonable endeavours to procure that such other person himself notifies his interests in the Relevant Shares to the Company.

- 24.4 <u>The circumstances in which the Shareholder is obliged to notify the Company of matters</u> relating to interests in Relevant Shares pursuant to Regulation 24.3 are where:
 - (a) the Shareholder or any other person has a notifiable interest in Relevant Shares immediately after the relevant acquisition or disposal, but did not have such an interest immediately before that time.
 - (b) the Shareholder or any other person has a notifiable interest in Relevant Shares immediately before the relevant acquisition or disposal, but does not have such an interest immediately after it; or
 - (c) the Shareholder or any other person] has a notifiable interest in Relevant Shares immediately before the relevant acquisition or disposal, and has such an interest immediately after it, but the percentage levels of his interest immediately after it are not the same.
- For the purposes of Regulation 24.4, "percentage level" means the percentage figure found by expressing the aggregate number of all the shares comprised in the Company's issued share capital in which the person has an interest immediately before or (as the case may be) immediately after the relevant acquisition or disposal (or the time when the Shareholder became aware of any other circumstance affecting interests in Shares) as a percentage of the Company's issued share capital, and rounding that figure down, if it is not a whole number, to the next whole number.
- 24.6 Any notification required to be made under Regulation 24.3 must be made in writing to the Company within the period of [four] days from the day on which that obligation arises, and, to the extent that a Shareholder is not lawfully able to make such notification, such

Shareholder shall use his reasonable endeavours to procure that the relevant person notifies his interest to the Company within such four day period. The period for the submission of any notification to the Company may be extended by the Directors at their discretion.

- 24.7 The notification shall state the number of Shares (if any) in which the person making the notification knows he (or any other relevant person) was interested at the time when the obligation arose, and (except where the notification states that a person no longer has a notifiable interest) such notification shall include the following particulars, so far as known to the person making the notification at the date when it is made:
 - the identity of each registered holder of shares to which the notification relates and the number of such shares held by each of them, and, if the registered holder is not entitled to exercise the voting rights attaching to the Shares, the identity of the person who is entitled to exercise the voting rights on his behalf;
 - (b) <u>the nature of the interests in the Relevant Shares and the chain of controlled</u> undertakings (if applicable) through which the voting rights are effectively held;
 - (c) the date on which the relevant percentage level has been reached or crossed;
 - (d) <u>in the case of a person making the notification in relation to Shares in which he is</u>
 <u>the registered owner, the change since the last notification he made regarding his</u>
 <u>shareholding; and</u>
 - (e) the resulting situation in voting rights.
- 24.8 Where a person authorises another (the "agent") to acquire or dispose of, on his behalf, interests in Shares in the Company, he shall procure that the agent notifies him immediately of acquisitions or disposals effected by the agent which will or may give rise to any obligation of disclosure imposed by this Regulation with respect to his interest in the Shares.
- 24.9 If it shall come to the notice of the Directors that any Shareholder or any person appearing to be interested in the Shares registered in the name of any Shareholder has not within the requisite period made, or as the case may be, procured the making of any notification required by this Regulation, the Company may (at the absolute discretion of the Directors) at any time thereafter by notice to any Shareholder (a "Restriction Notice") direct that in respect of the Shares in relation to which the default has occurred (the "Default Shares", which expression shall include any further Shares which are acquired by the defaulting Shareholder) such shares will not confer upon the Shareholder the right to vote at any general meeting of Shareholders and/or will not carry any right to any dividends or other distributions (whether of income or of capital).
- 24.10 The Company shall send a copy of the Restriction Notice to each other person appearing to be interested in the Shares the subject of such notice but the failure or omission by the Company to do so shall not invalidate such notice. The Company may at the absolute discretion of the Directors at any time give notice to the Shareholder cancelling or suspending for a stated period the operation of a Restriction Notice in whole or in part.
- 24.11 Any Restriction Notice shall have effect from the date of its issue until one of the following has occurred ("relevant event"):
 - (a) <u>the default is remedied to the satisfaction of the Company, and the Board notifies</u> <u>the relevant Shareholder of its satisfaction; or</u>
 - (b) <u>the shares are registered in the name of a transferee, or that of his nominee, pursuant to an arm's length transfer.</u>
- 24.12 A person, other than the Shareholder holding a Share, shall be treated as appearing to be interested in that Share if the Shareholder has informed the Company that the person is or may be interested, or if the Company (after taking account of information obtained from the

- <u>Shareholder</u>, or pursuant to a notice from anyone else) knows or has reasonable cause to believe that the person is or may be so interested.
- 24.13 Notwithstanding anything to the contrary herein, the Company may, at the absolute discretion of the Directors, at any time give notice to any Depositary disapplying, for any period of time and in whole or in part, the provisions of Regulations 24.1 to 24.12 in relation to that Depositary.

COMPANY INVESTIGATIONS

- 24.14 The Company may by notice in writing (a "Disclosure Notice") require a person whom the Company knows or has reasonable cause to believe to be or, at any time during the 3 years immediately preceding the date on which the Disclosure Notice is issued, to have been interested in the Company's Shares:
 - (a) to confirm whether or not this is the case; and
 - (b) where he holds or has during that time held an interest in the Company's Shares, to give such further information as may be required in accordance with the following Regulation 24.15.
- 24.15 A Disclosure Notice may require the person to whom it is addressed:
 - (a) to give the particulars of the identity of persons interested in the Shares in question and the nature of their interests;
 - (b) to give particulars of his own past or present interest in Shares in the Company (held by him at any time during the 3-year period immediately preceding the date on which the notice is issued); and
 - (c) where his interest is a past interest, to give (so far as lies within his knowledge) particulars of the identity of the person who held that interest immediately upon his ceasing to hold it.
- 24.16 A Disclosure Notice shall require any information given in response to it to be given in writing within such reasonable time as may be specified in the Disclosure Notice but not later than [fourteen days] from the issue of the Disclosure Notice.
- 24.17 Regulations 24.14 to 24.16 apply in relation to a person who has or previously had, or is or was entitled to acquire, a right to subscribe for Shares in the Company as it applies in relation to a person who is or was interested in Shares already issued; and references in Regulations 24.14 to 24.16 above to an interest in Shares are to be read accordingly in any such case as including respectively any such right and Shares.
- 24.18 If a Disclosure Notice is given to a person appearing to be interested in any Shares, a copy will at the same time be given to the holder of those Shares, but the accidental omission to do so or the non-receipt by the Shareholder will not prejudice the operation of Regulations 24.16 to 24.20, which are without prejudice to the provisions of Regulation 24.23.
- 24.19 Subject to the provisions of Regulation 24.20, where a Disclosure Notice is served by the Company on a person appearing to the Directors to be, or to have been, interested in the Shares of the Company and that person fails to give the Company any information required by the Disclosure Notice within the specified time, the Company may (at the discretion of the Directors) apply to Court for an order directing that the Shares in question be subject to such restrictions as the Court believes appropriate in the circumstances and/ or deliver a notice on the Shareholder holding the Shares in relation to which the default has occurred (a "Default Notice"). The Default Notice shall apply to the Shares in relation to which the default has occurred and any further Shares which are acquired by the defaulting person (together, the "Default Shares").

- 24.20 With effect from delivery of a Default Notice, unless the Directors otherwise determine, a Shareholder will not be entitled in respect of any Shares held by him, whether or not referred to in the Disclosure Notice:
 - (a) to attend and vote (including by poll) at any meeting whether personally or by proxy;
 - (b) to receive any dividend or other amount payable in respect of the Shares; or
 - (c) <u>subject to Regulation 24.22, to transfer or agree to transfer any of the Shares, or</u> any rights in them-

and the restrictions imposed by these Regulations in relation to any Shares will continue until a relevant event occurs in relation to those Shares.

- 24.21 Any dividends or other amounts withheld pursuant to Regulation 24.20(b) will be paid (without interest) to the Shareholder as soon as practicable after the restrictions contained in Regulation 24.20 cease to have effect.
- 24.22 The restrictions in Regulation 24.20 are without prejudice to the right of either the registered or the beneficial owner of the Shares concerned, to sell or agree to sell them pursuant to an arm's length transfer.
- 24.23 Where a Disclosure Notice is served on a Depositary, and the Depositary fails, through no fault of its own, for any reason to comply with the Disclosure Notice:
 - (a) the provisions of Regulations 24.18 to 24.22 will only be implemented by the Company in relation to those Shares in respect of which there has been a failure, and will not be implemented in relation to any other Shares in the Company held by the Depositary; and
 - (b) the Company will not prevent the Shares held by the Depositary in respect of which there has been a failure from being transferred by the Depositary to a person shown to the satisfaction of the Board to be the beneficial holder or holders of such Shares.
- 24.24 The Company may at the absolute discretion of the Directors, at any time give notice to the Shareholder cancelling, or suspending for a stated period the operation of a Default Notice in whole or in part.

Signed for <u>by</u> HARNEYS CORPORATE SERVICES LIMITED of Craigmuir Chambers, Road Town, Tortola, British Virgin Islands for the purpose of incorporating a BVI Business Company under the laws of the British Virgin Islands on 23 May, 2007:

Incorporator

Andrew Swapp

Authorised Signatory
HARNEYS CORPORATE SERVICES LIMITED

