

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document, or as to the action you should take, you should immediately consult an independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA") who specialises in advising on the acquisition of shares and other securities. An investment in Sunkar Resources Plc involves a high degree of risk and particular attention is drawn to the risk factors set out in Part 4 of this document. The whole text of this document should be read.

Application has been made for the whole of the issued and to be issued ordinary share capital of Sunkar Resources Plc to be admitted to trading on the AIM market of the London Stock Exchange. It is expected that Admission will become effective and dealings in the issued and to be issued Ordinary Shares will commence on 30 June 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. A prospective investor should be aware of the risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. It is emphasised that no application is being made for admission of any Ordinary Shares to the Official List of the UK Listing Authority. Each AIM company is required, pursuant to the AIM Rules for Companies, to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. Neither the London Stock Exchange nor the UK Listing Authority has examined or approved the contents of this document. The Ordinary Shares are not dealt in on any other recognised investment exchange and no other such applications have been made. AIM securities are not admitted to the Official List and the AIM Rules are less demanding than those of the Official List.

This document, which comprises an AIM admission document, has been drawn up in accordance with the AIM Rules and has been issued in connection with the proposed admission to trading of the whole of the issued and to be issued ordinary share capital of the Company on AIM. The Placing and Admission will not constitute an offer to the public requiring an approved prospectus under section 85 of FSMA and, accordingly this document does not constitute a prospectus for these purposes and a copy of it has not been, and will not be, approved by or filed with the Financial Services Authority.

The Directors of Sunkar Resources Plc (the "Company") and the Company, whose names and details are set out on page 6 of this document, accept responsibility for the information contained in this document including individual and collective responsibility for the Company's compliance with the AIM Rules. 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 is in accordance with the facts, and does not omit anything likely to affect the import of such information. All of the Directors accept responsibility accordingly. In connection with this document and/or the Placing, no person is authorised to give any information or to make any representations other than as contained in this document and, if given or made, such information or representations must not be relied upon as having been so authorised.

The attention of investors is drawn to the risk factors set out in Part 4 of this document.

Sunkar Resources Plc

(incorporated in England and Wales under the Companies Act 1985 with registered number 5759399)

Placing of 28,000,000 Ordinary Shares of 0.1p each at 120p per share and Admission to trading on AIM Canaccord Adams Limited

Nominated Adviser, Joint Lead Manager and Joint Broker

GMP Securities Europe LLP

Joint Lead Manager and Joint Broker

Ordinary share capital immediately following Admission

Amount	Authorised	Number	Amount	Issued and fully paid	Number
£500,000		500,000,000	£159,849		159,849,327

The Placing Shares will, on Admission, rank *pari passu* in all respects with the existing ordinary shares and rank in full for all dividends and other distributions declared, made or paid on ordinary shares after Admission.

Canaccord Adams Limited ("Canaccord"), which is authorised and regulated in the UK by the Financial Services Authority and is a member of the London Stock Exchange, is the Company's Nominated Adviser, Joint Lead Manager and Joint Broker for the purposes of the AIM Rules and is acting exclusively for the Company and for no other person in connection with the Placing and Admission. Canaccord will not be responsible to anyone other than the Company for providing the protections afforded to customers of Canaccord or for advising any other person on the Placing or Admission and other arrangements described in this document. Its responsibilities as the Company's Nominated Adviser under the AIM Rules are owed solely to the London Stock Exchange plc and are not owed to the Company or to any Director or to any other person who may rely on any part of this document.

GMP Securities Europe LLP ("GMP Europe"), which is authorised and regulated in the UK by the Financial Services Authority and is a member of the London Stock Exchange, is the Company's Joint Lead Manager and Joint Broker for the purposes of the AIM Rules and is acting exclusively for the Company and for no other person in connection with the Placing and Admission. GMP Europe will not be responsible to anyone other than the Company for providing the protections afforded to customers of GMP Europe or for advising any other person on the Placing or Admission and other arrangements described in this document.

This document does not constitute or form part of an offer or invitation to purchase or subscribe for, or the solicitation of an offer to purchase or subscribe for, Ordinary Shares to any person in any jurisdiction in which such offer, invitation or solicitation is unlawful, in particular, this document must not be taken, transmitted, distributed or sent, directly or indirectly, in or into Canada, Australia, Japan, the Republic of South Africa or the Republic of Ireland or transmitted, distributed or sent to or by any national, resident or citizen of such countries. The Ordinary Shares have not been, nor will they be registered under the applicable securities laws of Australia, the Republic of South Africa, the Republic of Ireland, Japan or any province or territory of Canada. Accordingly, subject to certain exceptions the Ordinary Shares may not be, directly or indirectly, offered, sold, transferred, taken up or delivered, directly or indirectly, in Australia, the Republic of South Africa, the Republic of Ireland, Japan or Canada or for the account or benefit of any national, citizen or resident of Canada, Japan, the Republic of South Africa or the Republic of Ireland. The distribution of this document in certain jurisdictions may be restricted by law and therefore 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.

The Placing Shares have not been nor will they be registered under the United States Securities Act of 1933, as amended ("Securities Act"), or under the securities laws of any state of the United States. The Placing Shares may not be offered or sold in the United States or to, or for the account or benefit of, US Persons as defined in Regulation S under the Securities Act ("Regulation S") except, as part of the Placing, by affiliates of Canaccord or GMP Europe to institutional "accredited investors" as defined in Rule 501(a) (1), (2), (3) or (7) of Regulation D under the Securities Act that are also "qualified institutional buyers" within the meaning of Rule 144A under the Securities Act or in another transaction exempt from, or not subject to, the registration requirements of the Securities Act. In addition, all purchasers in the Placing in the United States must agree to resell such securities only to the Company or outside the United States in a transaction meeting the requirements of Rule 904 of Regulation S under the Securities Act. All other purchasers must resell such securities only in accordance with the provisions of Regulation S, pursuant to registration under the Securities Act or pursuant to an available exemption from or in a transaction not subject to registration under the Securities Act. All purchasers may only engage in hedging transactions with regard to the Placing Shares as permitted under the Securities Act. The Company may refuse to register any transfer of the Placing Shares not made in accordance with Regulation S or another appropriate exemption from registration under the Securities Act.

Neither Canaccord nor GMP Europe has authorised the contents of any part of this document and (without limiting the statutory rights of any person to whom this document is issued) no liability whatsoever is accepted by Canaccord or GMP Europe for the accuracy of any information or opinions contained in this document nor for the omission of any material information from this document and no representation or warranty, express or implied, is made by Canaccord or GMP Europe as to any of the contents of this document, for which the Company and its Directors are solely responsible. The information contained in this document has been prepared solely for the purposes of Admission and is not intended to inform or be relied upon by any subsequent purchaser of the Ordinary Shares and accordingly no duty of care is accepted in relation to them.

Copies of this document will be available during normal business hours on any day (except Saturdays, Sundays and public holidays) free of charge for the period from the date of this document until one month after Admission from the offices of Canaccord, 7th Floor, Cardinal Place, 80 Victoria Street, London SW1E 5JL.

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KEY INFORMATION

This summary must be read as an introduction to this document. Any decision to invest in Ordinary Shares should be based on consideration of the document as a whole. Attention is drawn in particular to the section headed "Risk Factors" set out in Part 4 of this document.

Information on Sunkar

Sunkar is a UK registered company that aims to be an integrated phosphate fertiliser manufacturer. The Company has a 90% interest in Temir-Service LLP, a limited liability partnership established under the laws of the Republic of Kazakhstan. On 14 December 2004, Temir was announced as the winner of a tender to mine phosphates on the Chilisai deposit by the Ministry of Energy and Mineral Resources in Kazakhstan.

The Chilisai phosphate deposit is one of the largest known deposits in the FSU. The CPR set out in Part 5 of this document indicates that the resources within the Licence Area are sufficient for a 56 year mine life at the rate of 10 million tonnes of ore mined per year.

The Company believes that the highest value added opportunity lies in developing an integrated phosphate product manufacturing facility at the deposit site. A key advantage is the project's proximity to low cost sulphur from the North Caspian oil and gas operations.

Sunkar was incorporated on 28 March 2006 and initially acquired an 80% interest in Temir on 13 September 2006 for \$12 million. Through a private placement with institutional investors in November 2007 Sunkar raised over \$18 million which was partly used to acquire an additional 10% interest in Temir. The remaining 10% of Temir is owned by a private individual Nurlan Abdulayev who is currently General Director of Temir Service LLP.

Following Admission, the Group intends to proceed to prepare a final "bankable" feasibility study in relation to the Project. Two key aspects of this study are: evaluating and optimising a flowsheet for the production of phosphoric acid (the precursor for all processed phosphate fertilisers) from the Chilisai ore and a comprehensive examination of the markets for phosphate rock, phosphoric acid, mono-ammonium phosphate (MAP) and di-ammonium phosphate (DAP).

Key strengths

The Directors believe that the Group has a number of key strengths which will be important to the future of the Group's business, which are:

- Expected low cost of phosphate mining: the Project benefits from ease of extraction due to the characteristics of the ore body and the straightforward mining process.
- The low cost of manufacture: the cash cost of DAP production at target extraction rates of 10 million tonnes of ore has been estimated at under \$125 per tonne, with the project expected to have one of the lowest costs of production of phosphate fertilisers in the world.
- Access to low cost sulphur: North western Kazakhstan has an abundance of elemental sulphur, which is produced as a by-product of oil and gas production and as such the Directors believe that this can be obtained at below global market prices.
- Proximity to markets: domestically, Kazakhstan is an important and growing market for phosphates, and bordering China is well positioned to supply phosphates into their growing economy. The Company may access ports on the Caspian Sea for shipping their product to new target markets.
- Infrastructure: the region surrounding the Chilisai deposit has extensive infrastructure in place due to the extensive oil and gas and mining operations in the region, this includes paved roads, major railroad crossing to the Deposit, telecommunication and power infrastructure of a very high standard and a trunk gas pipeline.
- Strong Board: the Board has significant long term experience in relevant industries and local knowledge of the region.
- Available labour pool and Proximity to Equipment and Services: the Chilisai Deposit is located close to the town of Kandagash which has a population of approximately 60,000. Most of the male workforce is engaged in mining, oil, construction and support industries.

Growth strategy

Sunkar intends to establish a large scale, low cost phosphate fertiliser manufacturing company over the next four years.

The Group's focus in the next year is to:

- establish early mining operations;
- commence production and marketing of phosphate rock;
- prepare the BFS, to include bulk sampling, industrial scale testing and conceptual process design; development and operation of a strategic mine plan; and completion of an in depth study of markets and optimal product range;
- commence and optimise mining operations.

The Company will also continue to evaluate opportunities with strategic partners from a number of world recognised market operators for the development of the Project.

Summary of Resource

Behre Dolbear have reviewed the estimates of resources at the Deposit prepared by the FSU operator and compiled table 2 after certain verification estimating the resources as defined under the JORC code.

TABLE 1
CHILISAI RESOURCES ALIGNED WITH JORC CATEGORIES

	Category			Total (in-place)
	Measured	Indicated	Inferred	
Inside of Contract Boundary	184	439	180	803

Note: Figures represent millions of tonnes of phosphate rock in-place.

Source: CPR (section 1.2)

Current trading and prospects

The Company does not currently trade and is solely focused on production and development.

Working capital

The Company believes that taking account of the net proceeds of the Placing, that the working capital available to the Group is sufficient for the Group's present requirements, that is for at least the next 12 months following the date of this document.

Reasons for the Placing

Sunkar aims to raise a minimum of \$65 million (before expenses) and intends to use these funds for the following purposes:

- to fund the bankable feasibility study at an estimated cost of \$9 million;
- to fund the work programme for 2008 and 2009 of up to \$39 million, depending on approvals;
- to provide general working capital of approximately \$12 million (including existing creditors of \$6 million) for the period to 31 December 2009.

Principal shareholders

Following the Placing, (detailed further in paragraph 14.4 of Part 1) Serikjan Utegen, Nurdin Damitov, Thomas Sinclair and Brian Savage will control the exercise of approximately 38.7% of the rights to vote at general meetings of the Company.

Placing

The Company intends to raise a minimum gross proceeds of \$65 million through the Placing.

The Placing, which is not being underwritten, comprises the placing of the 28,000,000 Placing Shares. The net proceeds of the Placing, after deduction of fees, expenses and commissions, are expected to be approximately \$60 million. Following Admission, the Company's market capitalisation will be approximately £191.8 million with 159,849,327 Ordinary Shares in issue. As a result of the Placing, the holders of the Company's Existing Ordinary Shares represent approximately 82.5% of the issued ordinary share capital of the Company immediately after the Placing.

Canaccord and GMP Europe are acting as agents for the Company in respect of the Placing. The Placing Shares represent approximately 17.5% of the issued ordinary share capital of the Company immediately

after the Placing. The Placing Shares allotted pursuant to the Placing will, following allotment, rank *pari passu* in all respects with the Existing Ordinary Shares and will have the right to receive all dividends and other distributions thereafter declared, made or paid in respect of the issued ordinary share capital of the Company.

The Placing is subject to the satisfaction of conditions contained in the Placing Agreement, a summary of which is contained in paragraph 18.1 of Part 7 of this document.

Admission is expected to take place and dealings in the Ordinary Shares are expected to commence on AIM at 8.00 am (London time) on 30 June 2008. CREST accounts will be credited by 8.00 am on 30 June 2008 and definitive share certificates will be despatched by 30 June 2008. These times and dates are indicative and may be changed.

Lock-in Agreements

Upon Admission, the Directors, their related parties and applicable employees have undertaken that they will not sell or dispose of any of their respective interests in Ordinary Shares for a period of 12 months immediately following Admission. They have further undertaken that, after the expiry of such 12 month period, they will not make any such sale or disposal except through either of the Company's Joint Brokers so long as they are acting as brokers to the Company so as to maintain an orderly market in the Ordinary Shares for a further period of 12 months.

Certain other Shareholders have given similar undertakings to the Joint Brokers, except that the initial lock-in period is 6 months and disposals may be made within such 6 month period with the consent of the Company's Joint Brokers and the Company. There is a further 12 month orderly marketing provision during which they will only sell or dispose of their Ordinary Shares through either of the Company's Joint Brokers, so long as they remain the Company's brokers.

Risk factors

Investors are specifically referred to the risk factors in Part 4 of this document.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Teck Soon Kong <i>Non-Executive Chairman</i> Serikjan Utegen <i>Chief Executive Officer</i> Donald Archibald Sinclair <i>Chief Financial Officer</i> Nurdin Damitov <i>Director, Corporate Affairs</i> Charles Guy Arthur Marie le Sellier de Chezelles <i>Non-Executive Director</i> Nicholas Royston Clarke <i>Proposed Non-Executive Director</i> all of 4 Park Place, London SW1A 1LP
Company secretary and registered office	Donald Archibald Sinclair One London Wall London EC2Y 5AB UK
Nominated Adviser, Joint Lead Manager and Broker	Canaccord Adams Limited 7th Floor Cardinal Place 80 Victoria Street London SW1E 5JL UK
Financial Adviser, Joint Lead Manager and Broker	GMP Securities Europe LLP 4 Albemarle Street London W1S 4GA
UK legal advisers to the Company	Maclay Murray & Spens LLP One London Wall London EC2Y 5AB UK
Solicitors to the Placing	Charles Russell LLP 8-10 New Fetter Lane London EC4A 1RS UK
Kazakhstan legal advisers to the Company	Salans LLP 135 Abylai Khan Ave. Almaty 050000 Kazakhstan
Kazakhstan legal advisers to the Placing	White & Case Kazakhstan LLP 117/6 Dostyk Ave Almaty 050059 Kazakhstan
Auditors and Reporting Accountants	PKF (UK) LLP Farringdon Place 20 Farringdon Road London EC1M 3AP UK

Competent Person

Behre Dolbear & Company (USA) Inc.
999 Eighteenth Street
Suite 1500
Denver
Colorado 80202
USA

Registrars to the Company

Capita Registrars Limited
The Registry
34 Beckenham Road
Kent BR3 4TU
UK

PLACING STATISTICS AND EXPECTED TIMETABLE

Placing Statistics

Placing Price per Placing Share	120p
Number of Existing Ordinary Shares	131,849,327
Number of Placing Shares being issued pursuant to the Placing	28,000,000
Number of Ordinary Shares in issue immediately following the Placing	159,849,327
Placing Shares as a percentage of the Enlarged Share Capital	17.5%
Placing Shares as a percentage of the fully diluted share capital on Admission	15.5%
Estimated gross proceeds of the Placing receivable by the Company	£33.6 million
Estimated net proceeds of the Placing receivable by the Company (approximately)	£31.0 million
Market Capitalisation of the Company on Admission	£191.8 million

Expected timetable of principal events

Publication of the Admission document	24 June 2008
Admission effective and commencement of dealings in Ordinary Shares on AIM 8.00 am on	30 June 2008
CREST accounts credited for Placing Shares in uncertificated form	8.00 am on 30 June 2008
Despatch of definitive share certificates for the Placing Shares in certificated form.	8.00 am on 30 June 2008

All times are London times. Each of the times and dates in the above timetable is subject to change without further notice.

DEFINITIONS

The following definitions apply throughout this document unless the context requires otherwise:

“Act”	the Companies Act 1985, as amended, and, to the extent enacted, the Companies Act 2006
“Admission”	the admission of the Ordinary Shares to trading on AIM and such admission becoming effective in accordance with the AIM Rules
“AIM”	an exchange regulated market operated by the London Stock Exchange
“AIM Rules”	the rules for AIM companies and the guidance note for mining, oil and gas companies as issued by the London Stock Exchange, from time to time, in relation to AIM traded securities and governing admission to and operation of AIM
“AIM Rules for Nomads”	the rules for nominated advisers to AIM companies as issued by the London Stock Exchange, from time to time
“Articles”	the articles of association of the Company adopted on 5 June 2008, further details of which are set-out in paragraph 7 of Part 7
“Article 71”	Article 71 of the Law of the Republic of Kazakhstan dated 27 January 1996 “On Subsoil and and Subsoil Use” (as amended)
“Behre Dolbear”	Behre Dolbear & Company (USA) Inc.
“BFS”	Bankable Feasibility Study
“Board” or “Directors”	the directors of the Company, whose names are set out on page 6 of this document
“Canaccord”	Canaccord Adams Limited
“Chilisai Deposit” or “Deposit”	area of occurrence of phosphorite ore body covering approximately 1,550 square kilometres
“Combined Code”	the combined code on corporate governance issued by the Financial Reporting Council, from time to time
“Company” or “Sunkar”	Sunkar Resources Plc and, where relevant, its subsidiary undertakings
“Companies Act 2006”	The Companies Act 2006, to the extent enacted
“Competent Body”	Ministry of Energy and Mineral Resources of the Republic of Kazakhstan or any other Kazakhstan governmental entity authorised pursuant to Kazakhstan law as the competent body for subsurface use matters
“CPR”	the technical report on the Chilisai Deposit and the Licence Area prepared by Behre Dolbear dated 12 May 2008 and addressed to the Company, Canaccord and GMP Europe

“CREST”	the computerised settlement system operated by Euroclear UK & Ireland Limited to facilitate the transfer of title to or interests in shares in uncertificated form
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended, and any applicable rules made under these regulations
“Directors”	the Executive Directors, Non-executive Directors and the Proposed Director whose names are set out on page 6 of this document
“DTR”	the Disclosure and Transparency Rules published by the FSA
“Enlarged Share Capital”	the issued share capital of the Company upon Admission, being the aggregate of the Existing Ordinary Shares and the Placing Shares
“EPC”	Engineering Procurement Construction
“Executive Directors”	the executive directors of the Company whose names are set out on page 6 of this document
“Existing Ordinary Shares”	the 131,849,327 Ordinary Shares in issue as at the date of this document
“Financial Services Authority” or “FSA”	the Financial Services Authority in its capacity as the competent authority for the purposes of Part VI of FSMA
“FSMA”	the Financial Services and Markets Act 2000, as amended
“FSU” or “Former Soviet Union”	the Commonwealth of Independent States and the Baltic States
“GKZ”	The State Commission for Mineral Reserves
“GMP Europe”	GMP Securities Europe LLP
“Group”	the Company and its subsidiary undertakings as at the date of this document
“IFA”	International Fertiliser Industry Association
“IFRS”	International Financial Reporting Standards
“JORC”	The Code for Reporting of Mineral Resources and Ore Reserves published by the Australasian Joint Ore Reserves Committee
“Joint Brokers”	Canaccord and GMP Europe
“Joint Lead Managers”	Canaccord and GMP Europe
“License Area”	The area subject to the Subsoil Use Contract
“Locked-up Shareholders”	The Directors, Substantial Shareholders, their related parties, applicable employees and certain other shareholders

“London Stock Exchange”	London Stock Exchange plc
“Management”	the Executive Directors and Senior Manager of the Company
“MEMR”	Ministry of Energy and Mineral Resources of Kazakhstan
“Non-executive Directors”	the non-executive directors of the Company whose names are set out on page 6 of this document
“Official List”	the Official List of the UK Listing Authority
“Ordinary Shares”	ordinary shares of 0.1p each in the capital of the Company
“Panel”	the Takeover Panel
“Placing”	the conditional placing by the Joint Brokers, as agents for the Company, of the Placing Shares at the Placing Price pursuant to the Placing Agreement, details of which are set out in paragraph 18.1 of Part 7 of this document
“Placing Agreement”	the conditional agreement dated 24 June 2008 between the Company, the Directors, Canaccord and GMP Europe relating to the Placing, details of which are set out in paragraph 18.1 of Part 7 of this document
“Placing Price”	120p per Placing Share
“Placing Shares”	the 28,000,000 new Ordinary Shares to be issued by the Company pursuant to the Placing
“Project”	the mining and processing of phosphates at the Chilisai Deposit as more particularly described in Part 1 and Part 5 of this document
“Proposed Director”	means Nicholas Clarke
“Recognised Investment Exchange”	has the meaning ascribed to it in Section 285 of FSMA
“Shareholders”	holders of Ordinary Shares
“Share Schemes”	the unapproved share option schemes of the Company, details of which are set out in paragraph 9 of Part 7 of this document and “Share Scheme” means either one of them
“Statutes”	the Companies Act 2006 and all other statutes (and any regulations subordinate thereto) for the time being in force concerning companies and affecting the Company
“Subsoil Use Contract”	a contract for production of phosphate at the Chilisai Deposit in the Mugalzharski region of the Aktyubinsk Oblast, Kazakhstan, between the MEMR, as the Competent Body, and Temir, as the contractor, registered by MEMR (registered No. 1872) on and effective from 13 October 2005, details of which are set out in paragraph 20.1 of Part 5 of this document
“Substantial Shareholders”	has the meaning given to it in the AIM Rules
“Takeover Code”	the City Code on Takeovers and Mergers
“Temir”	Temir-Service LLP, a limited liability partnership formed under the laws of the Republic of Kazakhstan

“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK GAAP”	UK generally accepted accounting principles
“UK Listing Authority”	the Financial Services Authority acting in its capacity as a competent authority for the purposes of Part VI of FSMA including where the context so permits any committee, employee or servant of such authority to whom any function of the UK Listing Authority may from time to time be delegated
“Uncertificated”	an Ordinary Share recorded on the Company’s register 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
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia
“VAT”	value-added tax
“Warrants”	the 12,550,006 warrants to subscribe for Ordinary Shares in issue as at the date of this document, details of which are set out in paragraph 8 of Part 7 of this document
“Wirtgen”	Wirtgen GmbH

GLOSSARY OF TECHNICAL TERMS

DAP	diammonium phosphate, the industrial fertiliser containing as standard 18% of Nitrogen and 46% of P ₂ O ₅ equivalent, pure DAP formula: (NH ₄) ₂ HPO ₄
MAP	monoammonium phosphate, the industrial fertiliser containing as standard 10-11% of Nitrogen and 50-52% of P ₂ O ₅ equivalent, pure MAP formula: NH ₄ H ₂ PO ₄
Ore	a mineral deposit of sufficient extent and concentration to invite exploitation
PAP	Phosphoric Acid Plant
phosphate rock	phosphate bearing raw material, a commercial commodity, either initial ore or ore after beneficiation
ROM	run-of-mine
SAP	Sulphuric Acid Plant
TSP	triple-superphosphate, the industrial fertiliser containing as standard 43-46% of P ₂ O ₅ equivalent, typical TSP formula: Ca(H ₂ PO ₄) ₂ H ₂ O Merchant-Grade Phosphoric acid water solution with 54% P ₂ O ₅ content with low impurities

**UNITS OF
MEASUREMENT**

unless otherwise stated, in this document all units of measurement are metric and the word “tonne” shall represent the standard metric tonne

Note:

In this document, the symbols “£” and “p” refer to pounds and pence sterling, respectively; the symbols “US\$” and “\$” refer to United States dollars; and the symbol “KZT” and “Tenge” refer to Kazakhstan Tenge.

PART 1

INFORMATION ON THE GROUP

1. Introduction

Sunkar is a UK registered company that aims to be an integrated phosphate fertiliser manufacturer. The Company has a 90% interest in Temir-Service LLP, a limited liability partnership established under the laws of the Republic of Kazakhstan. On 14 December 2004, Temir was announced as the winner of a tender to mine phosphates on the Chilisai deposit by the Ministry of Energy and Mineral Resources in Kazakhstan.

The Chilisai phosphate deposit is one of the largest known deposits in the FSU. The CPR set out in Part 5 of this document indicates that the resources within the Licence Area are sufficient for a 56 year mine life at the rate of 10 million tonnes of ore mined per year.

The Company believes that the highest value added opportunity lies in developing an integrated phosphate product manufacturing facility at the deposit site. A key advantage is the project's proximity to low cost sulphur from the North Caspian oil and gas operations.

Sunkar was incorporated on 28 March 2006 and initially acquired an 80% interest in Temir on 13 September 2006 for \$12 million. Through a private placement with institutional investors in November 2007 Sunkar raised over \$18 million which was partly used to acquire an additional 10% interest in Temir. The remaining 10 per cent. of Temir is owned by a private individual Nurlan Abdulayev who is currently General Director of Temir Service LLP.

Following Admission, the Group intends to proceed to prepare a final "bankable" feasibility study in relation to the Project. Two key aspects of this study are: evaluating and optimising a flowsheet for the production of phosphoric acid (the precursor for all processed phosphate fertilisers) from the Chilisai ore and a comprehensive examination of the markets for phosphate rock, phosphoric acid, mono-ammonium phosphate (MAP) and di-ammonium phosphate (DAP).

2. Group Assets

2.1 History

The Chilisai Deposit was initially explored in the FSU during the 1970s. In the mid-1970s the State Reserve Commission of the FSU approved an official estimate of 1.2 billion tonnes of phosphate containing rock. Large scale trial mining and processing operations were established in the 1980s, but were later abandoned due to the collapse in the agricultural industry in the FSU which was going through economic reform at the time.



Abandoned Soviet Era Processing Facility

2.2 Location and Description of the Assets

The Chilisai Deposit is situated in northwestern Kazakhstan immediately west of the town of Kandagash (formerly known as Oktyabrsk), in the Mugalzarski and Temirski regions of the Aktyubinsk Oblast. Kandagash is a main freight hub on the North-South road, the Moscow-Tashkent rail link, the Orsk-Atyrau rail link and the main Bukhara/Ural gas pipeline.

Located in a predominantly agricultural region with significant oil and gas production facilities, and mining infrastructure, Kandagash is an important rail hub and a center for several major heavy industries. Kandagash is situated approximately 90km south of the city of Aktobe, the central city of the Oblast. Aktobe is the main administrative centre for the Aktyubinsk Oblast with an international airport servicing the surrounding region and its oil and gas and mining enterprises.

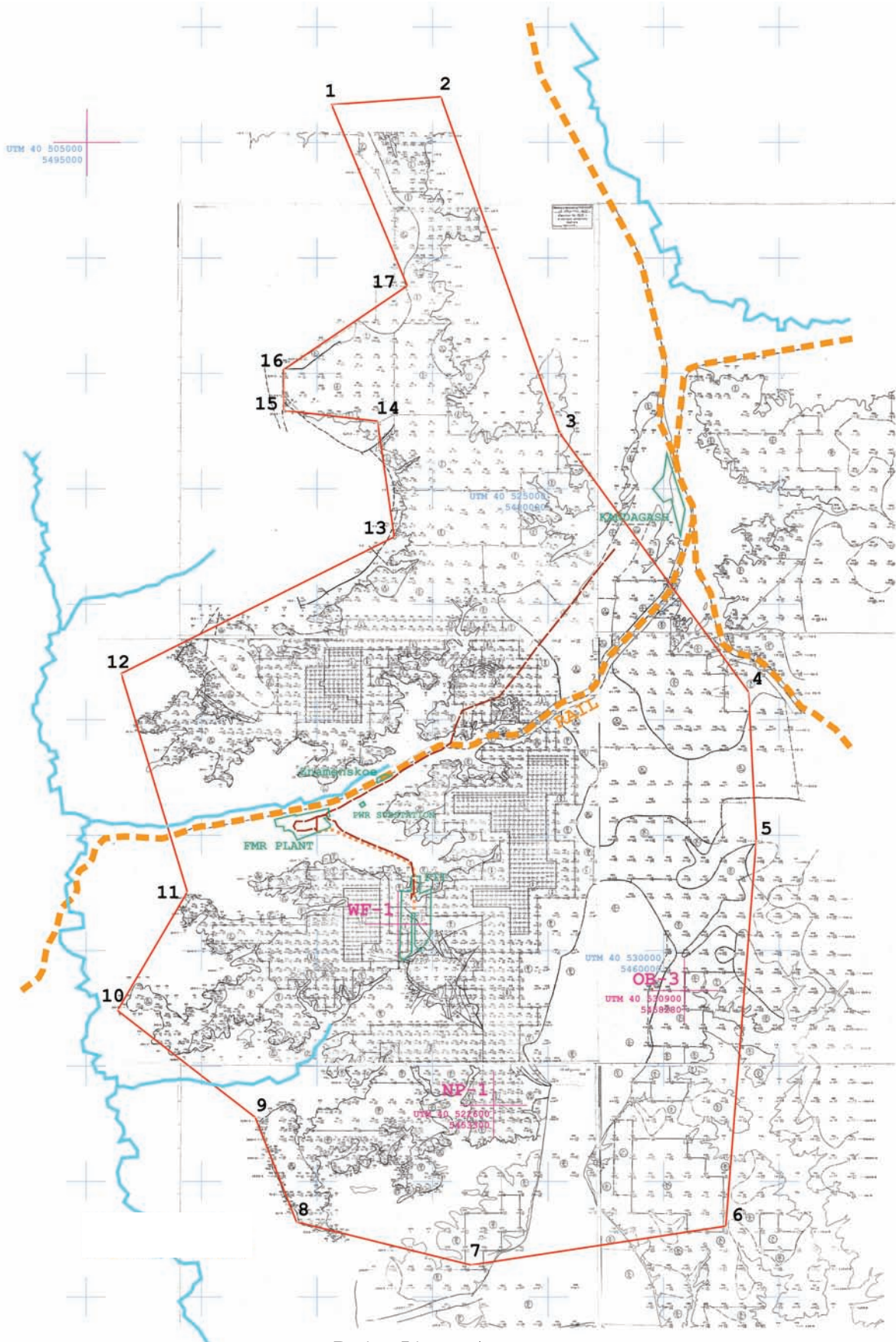
The location of the Deposit and the network of connecting railways (in black) are shown on the map below.



Map of Kazakhstan

The Licence Area is 836 sq km, which encompasses an extensive shallow sedimentary layer under a thin layer of overburden. It is anticipated that the deposit can be developed through a simple open pit mining process. The area covers the central part of the Chilisai Deposit. The layout of the Licence Area is presented on the next page.

Temir derives its rights to extract minerals from the Licence Area under the Subsoil Use Contract. The period of the contract is initially 25 years (from 2005) but this can be extended by agreement between the parties. Temir, as the current subsoil user, has a priority right to negotiate the extension of the Subsoil Use Contract and, if these negotiations are successful, there is no requirement for a further tender to be carried out. Further details of the Subsoil Use Contract are set out in paragraph 20.1 of Part 5 of this document.



Project Licence Area
Scale 1:250,000
(On the Reserves calculation layout of 1975 Report)

2.3 Summary of Official Soviet Balance Reserves and Mineral Resources

TABLE 1
CHILISAI RESOURCES IN-PLACE

Category	Gross			Net Attributable to Sunkar ⁵		
	Tonnes Phosphate Rock ¹ (millions)	Grade (% P ₂ O ₅)	Tonnes P ₂ O ₅ (millions)	Tonnes Phosphate Rock (millions)	Grade (% P ₂ O ₅)	Tonnes P ₂ O ₅ (millions)
Measured (A+B)	184	10.7	19.7	184	10.7	19.7
Indicated (C ₁)	439 ²	9.9	43.5	439	9.9	43.5
Inferred (C ₂)	<u>180³</u>	<u>10.3⁴</u>	<u>18.5</u>	<u>180</u>	<u>10.3</u>	<u>18.5</u>
Total	<u>803</u>	<u>10.1</u>	<u>81.7</u>	<u>803</u>	<u>10.1</u>	<u>81.7</u>

- 1 The “Expert Opinion,” Ministry of Energy and Mineral Resources of Kazak Republic, Committee of Geology and Subsoil Use, State Commission on Resources, December 6, 2004, documents upgrading of some C₂ category resources to C₁. The result was to increase C₁ resources to 716 million tonnes and to decrease C₂ resources to 215 million tonnes. The net downward adjustment of 34 million tonnes is not well documented. As a result, Behre Dolbear used the estimates, by category, from the 1975 report.
- 2 474 tonnes of C₁ from 1975 report less 35 tonnes outside of contract area = 439 tonnes.
- 3 492 tonnes of C₂ from 1975 report less 312 tonnes outside of contract area = 180 tonnes.
- 4 Not provided in 1975 estimate – Inferred by Behre Dolbear.
- 5 The Company’s economic interest in the licence area is 90% through its 90% participating interest in Temir.

The reported P₂O₅ content averaged 10.1% without much variation vertically or horizontally. Behre Dolbear used a mine-mouth grade of 10.5% P₂O₅ grade for project cash flow analysis to balance the likelihood of about 10% dilution with the probability that selective mining will extract higher grade material.

Source: CPR (section 1.2).

Under the Soviet deterministic resource categorisation system, the “A” and “B” resource categories have the highest certainty.

Behre Dolbear have reviewed the estimates of resources at the Deposit prepared by the FSU operator and compiled Table 2 after certain verification efforts, estimating the resources as defined under the JORC code.

TABLE 2
CHILISAI RESOURCES — SOVIET SYSTEM OF RESOURCE CLASSIFICATION
ALIGNED WITH JORC RESOURCE CATEGORIES

Soviet Classification System JORC Classification	Category (millions of tonnes of phosphate rock in-place)			
	A+B Measured	C ₁ Indicated	C ₂ Inferred	Total (In-place)
Inside of Contract Boundary	<u>184</u>	<u>439</u>	<u>180</u>	<u>803</u>

Source: CPR (section 1.2)

The resources were estimated by the former operator using a grade cut-off of 6% P₂O₅ and a maximum ratio of 14m³ of overburden per 1 tonne of mineable material. Behre Dolbear emphasise in their CPR (section 1.2) that the Deposit is categorised as a “resource” because only limited economic factors have been applied. The average grade of the resources referred to in the above table was 10.1% P₂O₅, as derived from the data of the GKZ. A bankable feasibility study will be required to detail the economics of exploiting the phosphate deposit.

The CPR set out in Part 5 of this document concludes that the resources are sufficient for a 56 year mine life at a mining rate of 10 million tonnes per year.

3. Strategy of the Company

Sunkar intends to establish a large scale, low cost integrated phosphate fertiliser company over the next four years.

The Group's focus in the next year is to:

- establish early mining operations;
- commence production and marketing of phosphate rock;
- prepare the BFS, to include bulk sampling, industrial scale testing and conceptual process design; development and operation of a strategic mine plan; and completion of an in depth study of markets and optimal product range;
- commence and optimise mining operations.

Various strategies for marketing products are being investigated with the aim of securing offtake agreements for a significant proportion of production. Management believe that a strategic partnership with one of the global or regional industry leaders could be beneficial.

Upon completion of the BFS, the Company will seek project finance in order to commence detailed design and construction of processing plants. The intention is to introduce capacity at the DAP plant in two equal stages.

4. Key Strengths

The Directors believe that that the key strengths of the Group's business are:

- **Expected low cost of phosphate mining**

Given the size of the Licence Area and the geological structure of the ore body, with its thin overburden (average 3 metres), and uniform, flat and practically continuous structure, mining operations are expected to be straightforward and be low cost. The Project benefits from ease of extraction due to the characteristics of the ore body and the straightforward mining process. Most mining is to be achieved using mid-range mining and construction equipment and blasting is not expected to be required.

- **The low cost of manufacture**

Bench scale testing of the ore carried out by Behre Dolbear shows that the ore can be upgraded by means of dry beneficiation (crushing and sorting) to an average 17% of P_2O_5 by weight and such concentrate has the ability to be converted into phosphoric acid with P_2O_5 recovery of more than 78%. Subsequent conversion of phosphoric acid into DAP is a straightforward and widely used process.

The cash cost of DAP production at target extraction rates of 10 million tonnes of ore has been estimated at under \$125 per tonne, with the project expected to have one of the lowest costs of production of phosphate fertilisers in the world.

- **Access to low cost Sulphur**

Sulphuric acid, produced from elemental sulphur, is a key raw material in the conversion of the phosphate ore to phosphoric acid (an intermediary in the production of DAP/MAP and is also saleable product). Sulphur is a bi-product from oil and gas production and there are large oil and gas fields in NW Kazakhstan already producing and stockpiling crystalline sulphur within 500 km of the Chilisai Deposit. The Directors consider that the expansion and development of the oil and gas industry in this area in the years to come will mean that the regional supply of sulphur will be well in excess of local demand and thus local pricing is expected to be considerably less than that of the world market.

- **Proximity to markets**

Domestically, Kazakhstan is an important and growing market for phosphates. Kazakhstan is the world's ninth largest country and among the world's top ten grain producers. The government of Kazakhstan is supportive of continued expansion in agricultural production and, to meet their objectives, provides support for the domestic sale of fertilisers.

Recent price inflation in world markets for grain has led Kazakhstan to supplement its programme for accelerating agricultural sector growth.

In addition, Kazakhstan borders China and is therefore well positioned to supply phosphates into China's growing economy. Chinese phosphate fertiliser consumption in 2005 was estimated by consultants, British Sulphur, to be 9.4 million tonnes P₂O₅ by weight, of which 2.3 million tonnes were imported. The Directors believe due to continuing growth in the Chinese economy, fertiliser consumption in China will grow at rates well above those of the rest of the world.

As production from the Company grows and world demand for DAP increases, the Company may access ports on the Caspian Sea for shipping their product to new target markets.

- **Infrastructure**

Kazakhstan has an integrated transport system and infrastructure. In particular, the region surrounding the Chilisai deposit has extensive infrastructure in place due to the extensive oil and gas and mining operations in the region. In comparison to most mining deposits, the infrastructure at and near the Chilisai Deposit is, in the opinion of the Directors, excellent.

There is a paved road and two major railroads crossing the Deposit. Telecommunications and power infrastructure of a very high standard are available at the Deposit, including a 110 kilovolt power-line. There is also a trunk gas pipeline (natural gas from the substantial Zhanazhol Field). Mobile telephone coverage is available and the addition of only one further mast will ensure coverage for the centre of operations on the Licence Area.

- **Strong Board**

The Board has significant long term experience in relevant industries and local knowledge of the region. In particular the Chief Executive Officer and the Chief Financial Officer have between them specialised experience in Kazakhstan and specialised knowledge in the agricultural industry, as well as financial expertise.

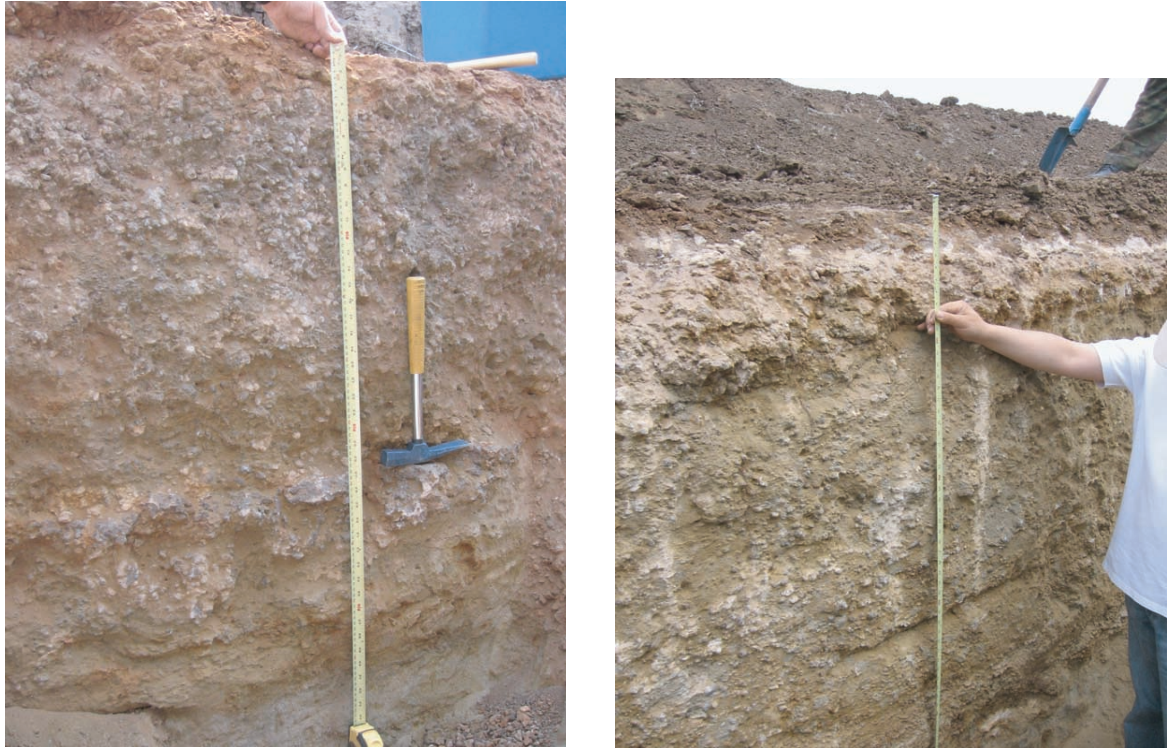
- **Available labour pool and Proximity to Equipment and Services**

The Chilisai Deposit is located close to the town of Kandagash which has a population of approximately 60,000. Most of the male workforce is engaged in mining, oil, construction and support industries. Aktobe, which is approximately 90 kilometres north of Kandagash, is also an important source of labour, equipment and ancillary services for the Group.

5. Deposit, Mining and Manufacturing Operations of the Group

5.1 Mining

Concentrations of phosphate at Chilisai Licence Area are found in a shallow (average overburden in licence area is 3 metres), thin (approximately 1 metre), flat-lying, practically continuous sedimentary layer occupying most of the licence area of approximately 836 square kilometres. Three distinct lithologies are present in the phosphate bearing zone; from top to bottom, a weakly cemented plate, a nodule zone, and a pebble zone.



Trench cut through the ore body

In historic reports the P_2O_5 content averaged 10.1% without much variation vertically or horizontally. According to the CPR, resources are more than sufficient to support a conceptual 10 million tonnes per year mining and processing operation producing up to 1.76 million tonnes of DAP per year for 56 years.

5.2 Description of the Mine and Mining Operations

Assessment of possible mining methods indicates that the mining operation is likely to be a straight-forward process. Overburden will be stripped by scrapers and bulldozers and the ore body is easily distinguishable by its colour from the overburden. In order to minimise dilution, the Company plans to use surface miners, such as those produced by Wirtgen, MAN Takraf and Caterpillar.

Processing Options

Beneficiation

Phosphate feed rock will be crushed with cone crushers and sized to pass through a 25 mm screen. The resulting fines passing 800 microns (20 mesh) screen will be rejected and disposed of as pit backfill. The crushing and screening stage will be integrated with the continuous mining operation to reduce the volume of ore transported from pit site to processing plant achieving a weight reduction of approximately 50%. This configuration should reduce the operating costs associated with hauling rock from pit site to the processing plant. An additional test programme is necessary to develop the crushing and screening equipment parameters and configuration based on work indices and material handling properties of the material.

Chemical Processing

The processing plant is expected to consist of a Sulphuric Acid Plant (SAP), a Phosphoric Acid Plant (PAP) and a Diammonium Phosphate Granulation Plant (DAP). These facilities will require service facilities for material handling, storage and shipping, raw materials receiving and storage (sulphur and ammonia), and office, warehouse, and maintenance facilities.

Sulphuric Acid Plant

The Company intends to adopt a modular approach and plans to construct two 4,100tpd Monsanto-type SAPs, that will have a combined annual design capacity of approximately 2.26 million tonnes of sulphuric acid (H₂SO₄) sufficient to produce 824,900 tonnes of phosphoric acid in P₂O₅ equivalent per annum.

Phosphoric Acid Plant

The PAP uses conventional sulphuric acid digestion of phosphate rock to produce phosphoric acid. The sulphuric acid reacts with phosphate rock, mostly calcium phosphate, to produce weak phosphoric acid and phosphogypsum. The resulting slurry is filtered and the phosphogypsum discarded.

Diammonium Phosphate Granulation Plant

The DAP has an annual design capacity of approximately 1.76 million tonnes of DAP. Raw materials are principally liquid ammonia and phosphoric acid reacted to form wet DAP. At full capacity, the plant consumes approximately 824,900 tonnes per year of phosphoric acid that is produced in the PAP and approximately 400,000 tonnes of liquid anhydrous ammonia per year, which is assumed to be imported from Russia, Ukraine, or other sources and not produced on site.

5.3 Work Plan 2008-2009

The Company's work plan has been designed to be a part of the Group's strategy to produce a commercially viable DAP/MAP product which is a high value added end user fertiliser.

Bankable Feasibility Study

The BFS is a core task for progressing the overall project and represents a critical path item preceding project finance agreements and subsequent construction of processing facilities. The BFS is planned to commence during 2008 following Admission.

The BFS is expected to be performed by the Company, technical consultants and selected EPC contractors.

Early Mining

Early Mining operations are expected to commence in the second to third quarter of 2008 subject to mining equipment procurement and delivery.

The Company will engage third party contractors to provide equipment and services to support and implement the goal of the operations.

It is intended to rent a surface miner produced by Wirtgen to determine its suitability for mining the deposit. In order to keep up with the Surface Miners' capacity the relevant stripping equipment is being procured or will be leased. A fleet of mining equipment will be needed for haulage between mine site and railroad station/storage location.

During the test extraction operation the Surface Miner is expected to produce around 1,000 tonnes of ore per day, or 200,000 tonnes of ore per annum.

Early Beneficiation

It is envisaged that early beneficiation will be carried out by a mobile crushing and sorting plant being purchased.

The designated dry beneficiated process is expected to produce 17% P₂O₅ material (approximately 52% of weight of ore) and mine rejects with P₂O₅ content of less than approximately 4% (approximately 47% of weight of ore). The concentrate shall be hauled in the future to a chemical processing facility and the current plan calls for it to be delivered to rail transport or storage locations. As part of the reclamation process, the mine rejects will be placed into mined-out areas.

It is proposed that the 17% concentrate produced will be sold to neighbouring regions as low grade fertiliser and to Uzbekistan and Russia in small quantities as additional feed to their fertiliser manufacturing operations. Simultaneously these shipments will be used to bulk test the reactivity of Chilisai ore.

Test plant

The Company intends to utilise overseas pilot plant facilities to test the reactivity of the ore.

Herbicides Plant

Sunkar is currently in the process of negotiating the possible acquisition of a 50% interest in Herbicides LLP, a Kazakhstan limited liability partnership that owns and operates a herbicide plant. Sunkar intends to use the plant initially for the purpose of testing the process of grinding and sorting phosphate rock and later in producing chemical compounds for use in the main plant at Chilisai. Although the parties continue to be in discussions, there can be no assurance that the parties will come to an agreement or that this transaction will occur at all or that such purchase could be achieved on terms that would be commercially acceptable to the Company.

6. Details of the Placing

Under the Placing, the Company will issue 28,000,000 Placing Shares, raising proceeds of approximately \$60 million net of estimated fees and expenses of approximately \$5 million.

The ISIN number for Ordinary Shares in the Company is GB00B29KHR09.

The Placing Shares, will represent approximately 17.5% of the Enlarged Share Capital immediately following Admission and 15.6% of the fully diluted share capital of the Company.

Immediately following Admission, it is expected that in excess of 47% of the Company's issued share capital will be held in public hands.

All Placing Shares will be offered at the Placing Price. Liability for UK stamp duty and stamp duty reserve tax is described in paragraph 16 of Part 7 of this document.

7. Reasons for Placing

Sunkar aims to raise a minimum of \$65 million (before expenses) and intends to use these funds for the following purposes:

- to fund the bankable feasibility study at an estimated cost of \$9 million
- to fund the work programme for 2008/09 of up to \$39 million, depending on approvals
- to provide general working capital of approximately \$12 million (including existing creditors of \$6 million) for the period to 31 December 2009

8. Directors

Brief biographies of the Directors are set out below. Paragraph 4 of Part 7 of this document contains further details and other important information.

The following are the Directors as at the date of this document:

Teck Soon Kong, Non-executive Chairman, aged 67

Teck Soon Kong was appointed as a non-executive director of the Company on 23 October 2006. He is currently also an executive Director of Gulf of Guinea Energy Limited, and Sterling Resources Limited as well as Chairman of Noble Denton Group Limited. He has many years experience at Board level including being Chairman and CEO of Nelson Resources Limited. In all he has over forty years of international oil industry and related experience including senior positions with the Royal Dutch/Shell Group, Nimir Petroleum and as an Adviser in the Minister's Office of Petroleum & Mineral Resources, Saudi Arabia.

Serikjan Utegen, Chief Executive Officer, aged 42

Serikjan Utegen was appointed as Chief Executive Officer of the Company on 23 October 2006. He has previously held the positions of Director of Operations and then President for KKM Holding JSC developing three oil fields in Western Kazakhstan and has experience in the management of exploration, financing and corporate development. He has worked for a range of Kazakhstan oil companies, including the position of Head of the Transportation Department of KazTransOil National Oil Pipeline Utility of Kazakhstan. Mr Utegen holds a degree in applied mathematics from the Al Farabi State University of Kazakhstan.

Donald Sinclair, Chief Financial Officer, aged 42

Donald Sinclair is a Chartered Management Accountant and was appointed as Chief Financial Officer of the Company on 22 January 2007. Prior to joining the Company he was Finance Manager with Grampian Country Food Group and previously spent four years with Syngenta, a leading agrochemical manufacturer becoming Business Controller for Syngenta's \$2 billion Herbicides global product line. Mr Sinclair holds a BSc degree in agriculture from the University of Aberdeen and an MSc degree in agricultural economics from the University of London.

Nuridin Damitov, Director, Corporate Affairs, aged 33

Nuridin Damitov has been involved in various oil, gas and mineral consulting activities and IPO's. He is currently Vice President, Frontier Mining Ltd (an AIM listed company) and has experience of banking and finance from his time as a Director of PricewaterhouseCoopers (Kazakhstan), as a board member of Halyk Bank and through his work as a Director of State Investment Committee of the Republic of Kazakhstan and Assistant Chairman of the National Securities Commission of the Republic of Kazakhstan. Mr Damitov holds a law degree from Colombia University, New York and Kazakh State University Law School.

Charles de Chezelles, Non-executive Director, aged 68

Charles de Chezelles was appointed as a non-executive director of the Company on 23 October 2006 and has spent most of his career in the financial industry in the US and Europe. He is currently Managing Director of Omega Trust Company Limited (London) and Damerin Limited (London). Past positions include: Managing Director Banco Real S.A., London, Executive Director, Credit Suisse-First Boston (CSFB), London; Director, First Boston Europe, London; Vice President, The First Boston Corporation, New York; Vice President, Smith Barney Inc., New York, Investment Analyst, Stralem & Company, New York.

Mr de Chezelles sits on the Board of several financial and natural resources companies including: Cambrian Mining Plc, Kazgas Limited, IDS International Limited, Tagish Lake Gold Corp Inc, Tarquin Resources Plc and Triton Metals Limited.

Nick Clarke, Proposed Non-executive Director, aged 56

Nick Clarke is a Chartered Engineer with 34 years mining experience since qualifying from Camborne School of Mines. He spent 16 years in production management in the mining industries of South Africa, Ghana, and Saudi Arabia where he held senior management positions in production and technical service departments. He has worked on a number of world-class mines including Ashanti Goldfields Corporation, Ghana and Mahd adh Dahab Mine, Saudi Arabia. In 1993 he joined CSM Consultants Limited (now Wardell Armstrong International Limited) to manage the mining, geology and processing consultancy department and was appointed Managing Director in 1997. During this period Nick managed numerous multi-disciplinary mining project studies in Kazakhstan, Kyrgyzstan, Uzbekistan, Romania, Macedonia and Tajikistan. He joined Oriel Resources plc in 2004 as an executive and was appointed Managing Director in 2005, a position he held until the sale of the company in May 2008. Since 2006, Nick has been a non executive director of Caledon Resources plc an AIM listed coal miner with assets in the Bowen Basin, Queensland, Australia.

9. Competent Person's Report — Summary

Set out in Part 5 of this document is the CPR prepared by Behre Dolbear as required by the AIM Rules and you are advised to read this in full for an independent assessment of the reserves and resources of the Group, a description of the property, geology, exploration, mining processes, taxation and other relevant matters.

10. Financial Information — Summary

Part 6 of this document contains historical financial information about the Group comprising the consolidated profit and loss account and balance sheet prepared under international financial reporting standards for the period from incorporation of Sunkar to 30 April 2007. Part 6 also contains the unaudited interim financial accounts for the period 6 months ending 31 October 2007.

11. Current Trading and Prospects

On Admission, the Company will have cash resources of approximately \$60 million. The Company does not currently generate operating revenue. The Directors believe the Company is well placed to enhance the value of the Group through development and production of the Project area.

12. Admission, Dealings, CREST and Settlement

Admission is expected to take place and dealings in the Ordinary Shares are expected to commence on AIM at 8.00 am (London time) on 30 June 2008. No application is intended to be made for the Ordinary Shares to be admitted to trading or to be listed on any other stock exchange.

It is expected that Ordinary Shares allocated to investors will be delivered in uncertificated form and settlement will take place through CREST on Admission.

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Articles permit the holding of Ordinary Shares under the CREST system. The Company will apply for the Existing Ordinary Shares and the Placing Shares to be admitted to CREST with effect from Admission. Accordingly, settlement of transactions in Ordinary Shares held in uncertificated form following Admission will take place within the CREST system.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so.

No temporary documents of title will be issued. All documents sent by or to a placee, or at his direction, will be sent through the post at the placee's risk. Pending the despatch of definitive share certificates, instruments of transfer will be certified against the register of members of the Company.

13. Lock-In Agreements

Each Director, each related party of such Director (as defined in the AIM Rules) and each employee of the Company who (alone or together with their family) holds or is interested in 0.5% or more of the Ordinary Shares has undertaken to the Company, Canaccord and to GMP Europe that, save in certain specified circumstances, for a period of 12 months from Admission they will not, and they shall procure that their associates (as defined at paragraph (c) of the definition of related party in the AIM Rules) will not sell, transfer, charge, grant any option over or otherwise dispose of (together "dispose of") the legal, beneficial or any other interest in any Ordinary Shares or other securities held by them in the Company or rights arising from any such shares or other securities or attached to any such shares or other securities or any shares or securities in the Company or rights attaching thereto acquired by them during the said period.

In addition, they have also undertaken to the Company, Canaccord and to GMP Europe that for so long as Canaccord or GMP Europe is acting as the Company's broker, any disposal after the first anniversary and prior to the second anniversary of Admission shall be effected through Canaccord or GMP Europe in such orderly manner as Canaccord or GMP Europe shall reasonably require, with a view to the maintenance of an orderly market in the shares of the Company.

In addition, certain Shareholders holding 3% or more of the Ordinary Shares upon Admission have entered into lock-in agreements with Canaccord and GMP Europe on similar terms except that the initial lock-in period is 6 months and during that period any disposal may be made with the prior written consent of Canaccord, GMP Europe and the Company. There is a further 12 month period during which such Shareholders may only sell or dispose of Ordinary Shares through either of the Company's Joint Brokers, so long as they remain the Company's brokers.

14. Corporate Governance

The Board supports high standards of corporate governance.

The Board intends to comply with the letter and spirit of the Combined Code insofar as is reasonably practicable for a public company of its size and nature following Admission.

The Board will meet regularly throughout the year and all necessary information will be supplied to the Directors on a timely basis to enable them to discharge their duties effectively. Additionally, special meetings will take place or other arrangements will be made when Board decisions are required in advance of regular meetings. The Board has established guidelines requiring specific matters to be subject to a decision by the full Board (with other matters delegated to Board committees). The Board is responsible for leading and controlling the Company and in particular for formulating, reviewing and approving the Company's strategy, budget, major items of capital expenditure and acquisitions and disposals.

14.1 Share Dealing Code

The Directors will comply with Rule 21 of the AIM Rules relating to directors' dealings as applicable to AIM companies and will also take all necessary steps to ensure compliance by the Company's applicable employees. On Admission, the Company will adopt a share dealing code which is appropriate for an AIM quoted company, for this purpose.

14.2 Compliance with the Combined Code

The Directors recognise the value and importance of high standards of corporate governance and intend, so far as practicable, given the Company's size and the constitution of the Board, to comply with the main provisions of the Combined Code as varied by the recommendations on corporate governance of the Quoted Companies Alliance for companies with shares traded on AIM.

The Combined Code provides that the board of directors of a UK public company should include a balance of executive and non-executive directors, with independent non-executive directors comprising at least one-half of the board (excluding the Chairman). The Combined Code states that the board should determine whether a director is independent in character and judgment and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the director's judgment.

The Board currently comprises the Chairman (who is an independent non-executive director), three executive directors and two independent non-executive directors (independent within the meaning of the Combined Code). The Company intends to retain a minimum of two independent non-executive directors.

The Directors have formed, and have adopted terms of reference for, an audit committee, a remuneration committee and a nomination committee. The Combined Code requires that all the members of the audit committee and remuneration committee and a majority of the members of the nomination committee should be independent non-executive directors.

14.3 Committees of the directors

Audit committee

The audit committee is chaired by Charles de Chezelles and its other members are Teck Soon Kong and Nicholas Clarke. It will normally meet not less than three times a year. This committee will be comprised exclusively of non-executive directors. The audit committee has responsibility for, amongst other things, the planning and review of the Group's annual report and accounts and half-yearly reports and the involvement of the Group's auditors in that process. The committee focuses in particular on compliance with legal requirements, accounting standards and the AIM Rules and on ensuring that an effective system of internal financial control is maintained. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board.

The terms of reference of the audit committee cover such issues as membership and the frequency of meetings, as mentioned above, together with the role of the secretary and the requirements of notice of and quorum for and the right to attend meetings. The duties of the audit committee covered

in the terms of reference are: financial reporting, internal controls and risk management systems, whistle blowing, internal audit, external audit, and reporting responsibilities. The terms of reference also set out the authority of the committee to exercise its duties.

Remuneration committee

The remuneration committee is chaired by Teck Soon Kong and its other members are Charles de Chezelles and Nicholas Clarke. It will normally meet not less than twice a year. This committee will be staffed exclusively by non-executive directors. The remuneration committee has responsibility for making recommendations to the Board on the Group's policy on the remuneration of certain senior executives (including Senior Management), the implementation and operation of share incentive schemes and for the determination, within agreed terms of reference, of specific remuneration packages for each of the executive directors, including pension rights, contracts of employment and any compensation payments.

The terms of reference of the remuneration committee cover such issues as membership and frequency of meetings, as mentioned above, together with the role of secretary and the requirements of notice of and quorum for and the right to attend meetings. The duties of the remuneration committee covered in the terms of reference relate to the following: determining and monitoring policy on and setting level of remuneration, contracts of employment, early termination, performance-related pay, pension arrangements, authorising claims for expenses from the chief executive and chairman, reporting and disclosure, and remuneration consultants. The terms of reference also set out the reporting responsibilities and the authority of the committee to exercise its duties.

Nomination committee

The nomination committee is chaired by Teck Soon Kong and its other members are Charles de Chezelles and Serikjan Utegen. It will normally meet twice a year. This committee will always have a majority of independent non-executive directors. The nomination committee has responsibility for regularly reviewing the structure, size and composition (including the skills, knowledge and experience) of the Board and making recommendations to the Board with regard to any changes. Its duties including :giving full consideration to succession planning for directors and other senior executives in the course of its work, taking into account the challenges and opportunities facing the Company, and the skills and expertise needed on the Board in the future; reporting to the Board regularly; identifying and nominating for the approval of the Board, candidates to fill board vacancies as and when they arise, save that appointments as Chairman or Chief Executive should be matters for the whole Board; and, before any appointment is made by the Board, evaluating the balance of skills, knowledge and experience on the board, and, in the light of this evaluation preparing a description of the role and capabilities required for a particular appointment. The nomination committee will also make recommendations to the Board as to the composition of the audit and remuneration committees.

The terms of reference for the nomination committee also cover such issues as the role of the secretary, notice of and quorum for and the right to attend meetings, as well as the reporting obligations of the committee and the authority of the committee to exercise its duties.

14.4 Corporate Governance Guidelines for Dealings with Major Shareholders

The Company has four major shareholders and, in advance of the proposed placing of shares in the Company and application for Admission the Board has put in place corporate governance guidelines with those major shareholders in order to ensure that:

1. the Board can operate in a manner independent of those major shareholders; and
2. any dealings with major shareholders are on an arm's length basis and on normal commercial terms.

Currently, four major shareholders have agreed to be bound by these guidelines. These are Serikjan Utegen, Nurdin Damitov, Thomas Sinclair and Brian Savage who hold shares either directly or through a nominee.

Each of them by signing these guidelines has accepted and agreed that the proper balance of the Board must be maintained in order to ensure the independence of the board from its major shareholders so as to enable the Board to act (both as a whole and through its delegated committees) in the interests of the shareholders as a whole.

In addition, they have agreed, as major shareholders that any transactions to be entered into between any of them and the Company or any of its subsidiaries or subsidiary undertakings will be entered into on an arm's length basis and on normal commercial terms and in compliance with the AIM Rules on related party transactions and they will refrain from voting in respect of those transactions.

These guidelines are legally binding and governed by English Law.

15. Taxation

General information relating to taxation for UK residents is summarised in paragraph 16 of Part 7 of this document. If you are in any doubt as to your tax position, or are subject to tax in a jurisdiction other than the UK, you should consult your professional adviser immediately.

16. Dividend Policy

The Company has not paid any dividends to date. As the strategy of the Company is to build shareholder value through growth the Directors do not anticipate paying dividends during the construction phase of the Project and will revisit the Company's dividend policy when the Company has developed its commercial sales and succeeded in generating positive cash flows.

17. Share Options

The Company has two share option schemes, the Unapproved Share Option Scheme No. 1 2008 and the Share Option Scheme No. 2 2008. The rules of each scheme are identical in substance, but the No. 1 Scheme is exclusively for Group employees while the No.2 Scheme is for Non-executive Directors or third party consultants. Further details of these share option schemes are set out in paragraph 9 of Part 7 of this document.

18. Takeovers

Sunkar will not be subject to the Takeover Code as the Board considers that its central management and control will not be exercised in the UK. The Company has incorporated into its articles of association, provisions relating to takeovers which will apply in certain situations. Further details on the implications of this for Shareholders are included in paragraph 17 of Part 7 of this document.

19. Employees

The Group employed on average 17 people in the twelve months to 30 April 2008 and as at the date of this document, had 20 employees. A breakdown of employees is set out in paragraph 13 of Part 7 of this document.

20. Environment

20.1 Environmental Issues

The Project will involve environmental implications typical in the mining sector and there are also environmental implications operating chemical processing plants that handle dangerous substances and associated emissions.

Mining environmental implications include dust generation and the need for proper land reclamation. Dust suppression techniques, continuous surface reclamation as part of the stripping operation, and the shallow character of deposit will mitigate these factors to a substantial extent. Underground water will not need to be protected during the mining operations, as the water table is below the ore body of the Deposit. Proper mine design and further optimisation of stripping and topsoil/overburden replacement techniques during early mining will be key approaches.

The chemical processing operation involves dangerous substances like sulphuric acid, ammonia, hydrofluoric acid and some others and requires the operator to employ advanced first tier engineering services to address these types of risks and factor in associated mitigation features into the design of the processing plants. The resulting tailings from the phosphoric acid plant — filter cake (consisting primarily of gypsum and silica) — will need additional treatment before putting into stockpiles or before its secondary usage as construction material. The high quality engineering works should help to optimise treatment and stockpiling techniques for these purposes.

20.2 Environmental Improvements

The Project has certain environmental features which can improve the environment on a regional and world scale.

Sulphur utilisation in the Project should help Caspian Sea oil and gas producers to meet environmental standards. The Company, by agreeing the offtake of sulphur from such producers for immediate utilisation, would reduce such stockpiling in the region.

In addition, the generation of sulphuric acid out of sulphur using the proven and environmentally safe sulphuric acid plant design will generate an excess supply of electricity over the needs of the Project which can be sold into the national grid or to the local neighbourhood. This electric power does not generate CO₂.

As a result of the development of the Project, the output of world high grade fertiliser will be increased and this will further help to mitigate arable land expansion and help to fight global food shortage issues due to higher yields of crops being achieved due to higher fertiliser usage.

PART 2

FURTHER INFORMATION ON THE AGRICULTURE AND FERTILISER INDUSTRY

1. Sales and Marketing

Potential Markets

The following specific regions are expected to be targeted by the Company.

Kazakhstan

At the time of the collapse of the Soviet Union, the country's agricultural industry was in decline. However, since around 2000, privatisation of the agricultural industry and favourable government policies have led to revitalisation and growth. By 2003, 90% of the agricultural industry was in private hands. The increasing size of land holdings is leading to more commercialisation of farming and, as a result, consumption of agricultural inputs, including fertilisers, is increasing. In 2003, agricultural output of \$2.8 billion accounted for 10.9% of GDP and 22% of total employment. According to the RK Statistics Agency, gross agricultural product in 2006 was approximately \$6.4 billion.

The government is supportive of continued expansion and subsidises the domestic sale of fertilisers.

Recent Kazakh Government policy statements have included strong support for the development of the bio-fuels industry.

Kazakhstan is situated on the major east-west railway routes to China. The Deposit is situated on a major spur of this important rail link.

China

The ongoing economic boom in Mainland China has boosted total fertiliser consumption and has increased rapidly over the past 15 years from approximately 30 million tonnes in 1990-1991 to an estimated 46 million tonnes in 2005. Phosphate consumption has likewise shown a substantial increase, moving from 2.2 million tonnes P₂O₅ in 1990-1991 to slightly over 11 million tonnes by 2005. The Directors consider that given the continued growth in the Chinese economy, it is reasonable to expect that fertiliser (and phosphate) requirements will continue to increase at rates well above world averages. Historically, Kazakhstan has been a strong trading partner with China.

The Directors believe that western and central regions of China are of particular importance given the location of Chilisai Deposit on the major rail link to China. It is important to note that the Chinese Government is currently focusing on developing its underpopulated western provinces. These areas could provide an important market for Chilisai sourced fertiliser.

Other CIS Countries

Total fertiliser consumption in the other CIS countries in particular Russia and Ukraine is now rebounding from the sharp decline it suffered following the collapse of agricultural output in the late 1980s. In 1987-1988, consumption of P₂O₅ was 8.5 million tonnes, in 1998 consumption was 0.65 million tonnes and in 2006 consumption was 0.69 million tonnes per annum. Given the rebound in the agricultural production in the FSU, demand for fertiliser is expected to increase.

2. Agricultural Industry

The information in this section is derived from the Report dated March 2007 on the Economic Feasibility of the Chilisai Deposit in Kazakhstan for Phosphate Fertiliser Production prepared by British Sulphur Consultants, a division of CRU International Limited. ("British Sulphur Report")

The main driving force for increasing phosphate fertiliser demand is the need to increase production of food and fibre for the increasing world population. Also, increases in per capita income will mean demand for food and fibres will rise at rates above those of population growth. According to current estimates by the Food and Agricultural Organization of the United Nations, worldwide population will expand at around 1.1% per year to 2025. Where the highly developed economies of North America and Western Europe have had static or reducing fertiliser consumption in recent years, the

Governments of the emerging economies of East and South Asia and Russia are actively pursuing agricultural development through a broad range of state initiatives. Currently a new driving force has started to play a significant role in increasing world fertiliser demand. World fuel prices have grown to the extent that production of crops for bio ethanol and bio diesel has started to compete with food production. This factor is beginning to have a global effect on major grain producing countries.

3. Phosphate Industry

Fertilisers account for approximately 87% of global phosphate consumption. In 2005, some 46.0 million tonnes P₂O₅ was consumed throughout the world. Phosphate demand in a country depends on a number of factors including: the amount and availability of arable land; soil chemistry; types of crops planted; climate; government programmes and farm incomes.

The phosphate fertiliser industry has experienced strong growth since 2004. The primary reasons for the strong demand are increased population and increased per capita incomes across the globe. Demand for grain, in particular has outstripped supply, reducing world stocks and pushing grain prices higher.

World phosphate fertiliser consumption is forecast by British Sulphur Consultants to grow by 14.6 million tonnes P₂O₅ or approximately 1.5% annually during the 2005-2025 period. This growth rate is slightly higher than the population growth rate as, in their opinion, it reflects an increase in per capita consumption of food and fibre resulting from rising incomes.

World Demand for Upgraded Phosphates

Most phosphoric acid is upgraded into downstream phosphate products before shipment to the customer. The most popular forms of downstream phosphate products are ammonium phosphates (DAP and MAP), concentrated superphosphates (TSP), inorganic feed phosphates for livestock (MCP, DCP and DFP), sodium phosphates (STPP), nitrophosphates (NP) and a variety of other compounds of phosphorus. The table below shows British Sulphur's estimate of world phosphate consumption for the major fertiliser products to 2025.

	2005	2010	2015	2020	2025	Change '05-'25
Total Fertilisers	40.8	45.0	48.5	51.8	55.4	14.6
DAP	12.4	14.8	16.6	18.1	20.0	7.6
MAP	7.9	8.0	8.6	9.1	9.7	1.8
TSP	2.9	3.1	3.3	3.5	3.7	0.9
Other Products	17.6	19.2	20.1	21.1	22.0	4.4

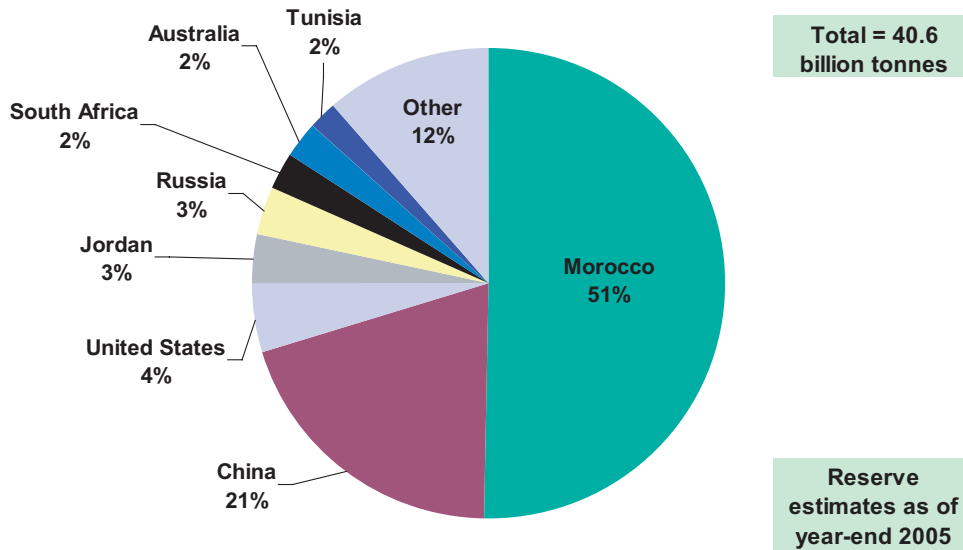
World DAP consumption is forecast to rise 7.6 million tonnes between 2005 and 2025, accounting for the majority of expected growth. DAP remains the most popular phosphate fertiliser product because of its high nutrient concentration and good physical properties (dry product, can be shipped in bulk or bags, few problems in storage and handling, ease of granulation, and good for bulk blending). MAP is also an attractive dry phosphate product and its consumption is also expected to increase. It is often difficult, to distinguish between demand for DAP and MAP, as in many markets they are readily substituted.

Phosphate Supply

Even with a modest forecast for overall demand growth, phosphate supply from existing mines and plants is likely to fall short in the period to 2025. Many of the existing mines and plants are not operating at 100% of nameplate capacity, but this can be misleading, as reported capacity figures are often unreliable.

The long-term supply of phosphate rock will be determined by the size of the mineable reserves. The figure below shows an estimate of global phosphate rock reserves mineable at less than \$40 per tonne. This value has been chosen as an economic cut-off, as most production costing more than this amount is not economically viable to produce.

World Phosphate Rock Reserves Mineable at < \$40/t



Source: British Sulphur Report

Morocco has the largest reserves and accounts for around half the world's total and with vast untapped reserves will remain the world's largest exporter of phosphate rock. China has the second largest reserves which it is expected to continue to develop to feed domestic demand. The United States is the second largest phosphate rock producer with the third largest reserves, but expansion of production will be difficult due to the stringent permitting process.

Phosphate rock capacity is expected to increase in China by 17 million tonnes during the period 2005-2025, with Morocco increasing production by 5 million tonnes in the same period.

PART 3

KAZAKHSTAN

1. Kazakhstan Overview

The following information relating to Kazakhstan is provided for background purposes only. The information contained in this paragraph 9 has been extracted from documents and other publications released by various officials and other public and private sources, including participants in the capital markets and financial sector in Kazakhstan. There is not necessarily any uniformity of views among such sources as to the information provided therein.

1.1 Introduction

Kazakhstan, the largest of the former Soviet republics in territory, excluding Russia, possesses enormous fossil fuel reserves and plentiful supplies of other minerals and metals. It also has a large agricultural sector featuring livestock and grain production. Kazakhstan's industrial sector rests on the extraction and processing of these natural resources and also on a growing machine-building sector specializing in construction equipment, tractors, agricultural machinery, and some defence items. The break up of the FSU in December 1991 and the collapse in demand for Kazakhstan's traditional heavy industry products resulted in a short-term contraction of the economy, with the steepest annual decline occurring in 1994. In 1995-97, the pace of the government programme of economic reform and privatization quickened, resulting in a substantial shifting of assets into the private sector. Kazakhstan enjoyed double-digit growth in 2000-01 — 8% or more per year in 2002-06 — largely due to its booming energy sector, but also due to economic reform, good harvests, and foreign investment. Real GDP in Kazakhstan grew by 13.5% in 2001, by 9.8% in 2002, by 9.3% in 2003, by 9.6% in 2004, by 9.7% in 2005, by 10.7% in 2006, and by 8.5% in 2007. Furthermore, the period year-on-year consumer price inflation in Kazakhstan decreased from 1,258% in 1994 to 8.4% in 2006.

Geography and population

Kazakhstan is the ninth largest country by land area in the world. It is located in Central Asia and is bordered by Russia to the north and west, China's Xinjiang-Uigur Autonomous Region to the east, Kyrgyzstan, Uzbekistan and Turkmenistan to the south and the Caspian Sea to the west. The country covers an area of approximately 2.7 million square kilometres (approximately the same size as western Europe) and spans two time zones from the Caspian Sea in the west to the Altai Mountains in the east. In December 1997, the capital moved from Almaty to Astana, which is located in central Kazakhstan, and most of the State bodies have relocated to Astana. However Almaty remains the financial capital of the country and is by far the largest city.

As of 1 January 2008, the population of Kazakhstan is approximately 15.34 million people, which makes Kazakhstan a relatively sparsely populated country with an average population density of 5.7 people per square kilometre.

1.2 Government

Kazakhstan is a constitutional republic with a presidential form of governance. The president is both the head of state and commander-in-chief of the armed forces. President Nursultan Nazarbayev, who has been in office since Kazakhstan became independent in December 1991, won a new seven-year term in the 2005 election, gaining 91.1% of votes cast. The Kazakhstan constitution provides for separation of powers, but the president wields considerable control over all three branches of government and determines national policy priorities. He may also veto legislation that has been passed by the Parliament. The Prime Minister, Karim Masimov, since 10 January 2007, is appointed by the President and approved by the Parliament of the republic and is Kazakhstan's head of government. There are two deputy prime ministers — Umirzak Shukeyev, since August 2007 and Yerbol Orynbayev, since October 2007 — and 17 ministers in the government.

Kazakhstan has had four different parliamentary structures since the end of the Soviet era. The current structure has a bicameral Parliament, with the Mazhilis (the lower house) comprised of 107 members elected on a regional constituency basis and the Senate comprised of 47 members, 40 of whom are elected for six-year terms in double-seat constituencies by the local assemblies,

half renewed every three years; and 7 presidential appointees. A parliamentary election was held in Kazakhstan on 18 August 2007. 107 seats were at stake in the Mazhilis, an increase of 30, following recently passed constitutional amendments. Under the changes, 98 deputies were elected by party lists, an increase from just 10 in the last legislature. The remaining nine seats are reserved for the Assembly of Peoples of Kazakhstan. The President's party, Nur-Otan, received about 88% of the vote and won all of the available seats. None of the six other parties contesting the election reached the 7% threshold to win seats.

Reforms aimed at moving Kazakhstan further toward a full market economy continues. Kazakhstan has undertaken one of the more successful pension reform programmes amongst its peer "transition economies". The Agency for Regulation and Supervision of Financial Markets and Financial Organisations of Kazakhstan, which regulates the Kazakhstan financial markets, is implementing EU-harmonised banking regulations (for example Basel-2). Privatisation, liberalisation of capital controls and tax reforms have also made headway. The government is also moving ahead with the introduction of "e-government" (initially in the customs service), which is aimed at stimulating greater public sector transparency.

1.3 Economic Overview

Kazakhstan's economy is highly dependent on the successful development of the oil sector. For each of the past five years, GDP growth in Kazakhstan has been over 8%, fuelled by increased world demand for oil and high oil prices. Over this period, the general economic situation in Kazakhstan has improved, leading to a strong growth in imports into Kazakhstan. High oil prices have boosted the current account and balance of payments which moved into surplus and increased foreign exchange reserves. Between 1992 and 2007, Kazakhstan has attracted more than \$39 billion in foreign direct investment (excluding investment in shares) and in 2007, its GDP was \$102 billion.

Inflation, which had picked up to 10.8% in 2007, persists at a relatively high level and may rise again in response to the 25% wage increase awarded to public sector employees in 2009.

Rapid economic growth has helped stimulate employment and raise living standards. Unemployment fell from 13.5% in 1999 to 7.8% in 2006.

The Kazakh economy also benefits from a significant cushion, the National Fund for the Republic of Kazakhstan (the "NFRK"), a professionally-managed fund that aggregates above-target tax receipts and a share of revenues from the energy sector with an eye to a time when oil revenue slows or stops. Established in 2000, the NFRK is intended to support future state budgets. As at the end of 2007, the NFRK's funds constituted KZT 2,735,815 billion (approximately US\$22,703,858 million). These funds are intended to be available in the future, should they be needed, to meet budgetary operational expenditures, including debt servicing.

Reflecting its relatively tight fiscal policies, in 2000 Kazakhstan was the first former Soviet republic to repay all of its debt to the International Monetary Fund, seven years ahead of schedule. In March 2002, the US Department of Commerce recognised Kazakhstan as a market economy under relevant US trade law. This was due to substantive market economy reforms in the areas of currency convertibility, wage rate determination, openness to foreign investment and government control over the means of production and allocation of resources.

In September 2002, Kazakhstan became one of the first countries in the former Soviet Union to receive an investment-grade credit rating from a major international credit rating agency, when Moody's rated Kazakhstan's foreign currency bonds and notes at Baa3. Recently, Fitch rated Kazakhstan's sovereign rating as BBB+ and Standard & Poor's BBB-. As at the end of 2007, Kazakhstan's gross foreign debt was approximately \$93.9 billion.

1.4 Mining regulatory regime in Kazakhstan

General

In Kazakhstan, all subsoil reserves belong to the state. The Competent Body (currently the Ministry of Energy and Mineral Resources or MEMR) grants exploration and production rights by means of conclusion of subsoil use contracts. Subsoil use rights are granted for a specified period, but they may be extended before the expiration of the contract and licence (if applicable). Subsoil use contracts may be terminated by the Competent Body if the subsoil user does not satisfy its contractual obligations, including, but not limited to, periodic payment of royalties and taxes to the government and the satisfaction of mining, environmental, safety and health requirements.

Under the current contractual regime, subsoil use contract terms are agreed by the parties during a negotiation process. The government of Kazakhstan has developed a contract for use as a sample for subsoil use contracts. The terms and conditions of a model contract not already regulated by legislation may be amended by agreement of the parties.

In general, Kazakhstan law generally recognises the concept of stabilisation and guarantees stability of the terms and conditions of subsoil use rights, even if subsequent legislation provides for less favourable terms and conditions. Likewise, if a contract contains provisions establishing that the contract's terms and conditions cannot be changed without the parties' consent, any changes introduced by subsequent legislation are not automatically applicable unless the parties expressly agree. However, in certain circumstances, the parties to a subsoil use contract have to amend the subsoil use contract to comply with effective laws. The application of stabilisation provisions is usually stipulated in the subsoil use contract. Stabilisation protection is not available for certain matters, including environmental protection, healthcare, defence and national security.

Pursuant to recent legislative amendments, deposits that are included on a list of "strategic resources" are subject to special treatment. In particular, the Competent Body has the following new rights with respect to such "strategic resources":

- the right to demand amendments and (or) additions to the applicable subsoil use contract if the actions of the subsoil user has caused significant change in the economic interests of the Republic of Kazakhstan creating a threat to its national security;
- the right to terminate the applicable subsoil use contract unilaterally, if within a certain period of time (in total not more than 12 months) the subsoil user does not agree to amend the contract if requested by the Competent Body;
- the right to repudiate the applicable subsoil use contract unilaterally with two months' notice. This right is in addition to the right to demand amendments and terminate as set forth above.

The recent legislative amendments purport to extend their force to previously executed subsoil use contracts. The list of deposits of strategic resources has not yet been approved by the Government of the Republic of Kazakhstan. Until such list is approved the Competent Body will not be able to exercise any of its new rights. It is currently unclear which deposits would fall within the scope of the recent amendments.

Other subsoil use terms

Assignment, transfer, amendments and pledge of subsoil use rights

Assignments, transfers, amendments and pledges of subsoil use rights and of a participation interest in a legal entity holding subsoil use rights may be made only with the prior consent of MEMR.

The transfer of subsoil use rights in full or in part by a subsoil user to any other person on a chargeable or free of charge basis, including a transfer (i) through a disposal of a participatory interest (shares) in a subsoil user legal entity, (ii) as a contribution to the charter capital of a legal entity to be formed, (iii) of subsoil use rights within a property complex sold (including a disposal of a participatory interest (shares) in a subsoil user legal entity) in bankruptcy proceedings in respect of a subsoil user, or (iv) in the event of a privatization of state-owned subsoil user, as well as a pledge of subsoil use rights, must be consented to by the MEMR.

Amendments to the subsoil use legislation adopted on 12 January 2007 prohibit the transfer of a subsoil use right (including a participation interest in a legal entity holding a subsoil use right) within two years from the date of conclusion of the applicable subsoil use contract except in the case of a transfer of subsoil use rights as part of a liquidation or reorganisation of the legal entity or as a result of enforcement of a pledge over the subsoil use right.

Funds received via a borrowing secured by pledge of subsoil use rights may only be used to finance operations under the applicable subsoil use contract.

Article 71 of the Law on Subsoil and Subsoil Use provides that, for the preservation and strengthening of the resource and power basis of the national economy in newly concluded and also in previously concluded subsoil use contracts, with the exception of contracts for subsoil water and for widely spread minerals, the state shall have a priority right over another party to the contract or participants of a legal entity possessing the subsoil use right and over other entities to purchase the subsoil use right to be alienated (in part) and/or part of the shares in a legal entity possessing the

subsoil use right, as well as in a legal entity having the ability to determine decisions directly and/or indirectly and/or to influence decisions taken by the subsoil user, if such legal entity's main activity is connected with subsoil use in the Republic of Kazakhstan, on conditions not worse than those offered by other buyers.

The Company has received a waiver of the Republic of Kazakhstan's rights under Article 71. This waiver permits the issuance of 88,996,763 Ordinary Shares of the Company or more (i.e. the Company may issue unlimited number of Ordinary Shares above the stated threshold) not only on AIM but also on any stock exchange (i.e. the Company will not need to apply for a new waiver if it decides to issue more than 88,996,763 Ordinary Shares). The waiver also expressly permits the circulation and transfer of the Ordinary Shares issued on an exchange.

Relinquishment

Subsoil use legislation imposes certain relinquishment obligations concerning the relevant contract area that must be set forth in the subsoil use contract.

Balance reserves

If subsoil use rights are determined by reference to reserves, and the actual reserves prove to be lower than anticipated, the subsoil user is not automatically entitled to an adjustment of the terms and conditions of the subsoil use contract, or reimbursement for expenses incurred.

If the reserves prove to be higher than anticipated, the contract usually provides for additional obligations on the subsoil user.

According to Kazakhstan law, if reserves are greater than anticipated (which should be proved by the state expert), a subsoil contract has to be amended by the written agreement of the parties according to the procedures established by Kazakhstan law.

Taxation of subsoil users

Subsoil users operate under special tax provisions set out in the subsoil use contracts. Generally, subsoil use contracts establish procedures for the calculation and payment of the following taxes: Excess Profit Tax; special subsoil use payments (bonuses, royalties, and occasionally payments relating to production sharing); and generally applicable business taxes such as corporate income tax and VAT. Prior to their conclusion, all subsoil use contracts are subject to compulsory tax reviews. The purpose of the review is to confirm that the contractual tax regime is consistent with the tax law in force when the contract is signed. Tax reviews are usually conducted on a contract-by-contract basis, taking into account the specific conditions of the subsoil user. Tax regimes confirmed as a result of tax reviews become part of subsoil use contracts.

Tax regimes

Since 1995, subsoil users have been taxed under one of two tax regimes:

The first regime envisages the payment by the subsoil user of all generally established taxes and other payments provisioned in the Tax Code, including Excess Profit Tax. These contracts are referred to as "EPT" contracts.

The second regime envisages the payment by the subsoil user of a share of the production to the government of Kazakhstan, and all generally established taxes and payments, with certain exemptions ("PSAs"). This second regime does not apply to any of the Group's existing contracts.

Tax payments of subsoil users

The taxes and other special payments levied on Temir are as follows:

Bonuses

Subscription bonuses are fixed lump-sum payments made by subsoil users for the right to use the subsoil in question. Subscription bonuses are determined in subsoil use contracts or licences (if applicable) and are based on the volume of mineral resources and the estimated economic value of the areas covered by the contract. Commercial discovery bonuses are amounts paid to the government in respect of the commercial discovery of mineral resources in Kazakhstan. Bonuses are based on the estimated value of the mineral resources identified.

Temir is liable to pay a subscription bonus of US\$11,000 and a commercial discovery bonus based upon the incremental discovery of reserves beyond the initially estimated productive reserves. The

rate of the commercial discovery bonus is 0.1% of the “calculation base”. The “calculation base” is the cost of approved productive reserves of the minerals based on the international commodities exchange or, if there is no market price, the cost of productive reserves is calculated based on the amount of the planned expenditure being adjusted to the amount of planned profitability as set out in the work programme.

Royalties

Royalties are calculated and paid separately for each type of mineral resource extracted. Royalties may be paid either in monetary form or in kind. Temir is obliged to pay a 2% royalty based on the average weighted price of sale of its first commercial product excluding indirect taxes and shipment costs.

Excess Profit Tax

A description of Excess Profit tax is set out in Section 22.0 of the CPR in Part 5 together with an illustrative example in Table 22.3 contained in the CPR.

Export duties

All goods, with a few exceptions, are exempt from customs duties when exported from Kazakhstan. Certain restrictions and licensing requirements may apply to the export of goods from Kazakhstan. Export of phosphor is conducted on the basis of a license issued by the relevant governmental authority of the Republic of Kazakhstan.

Other taxes

In addition to the above payments, subsoil users are subject to other taxes and obligatory payments envisaged by Kazakhstan tax legislation, such as corporate income tax, VAT, property tax and social tax.

Tax rates

The general corporate income tax rate is 30%.

Dividends and interest payable to non-resident legal entities are also subject to withholding tax at a rate of 15% (with certain exceptions), except where the rate is modified by a double-taxation treaty between Kazakhstan and the country of residence of the non-resident in question.

Interest payable to resident legal entities is subject to withholding tax at the rate of 15% (with certain exceptions).

VAT rate currently constitutes 13%, social tax is 13% (the rate is reduced depending on income of the taxpayer) and the property tax is 1% based on average annual value of the property.

PART 4

RISK FACTORS

Any investment in Ordinary Shares or other securities in the Company should be considered speculative because of the nature of the business activities of Sunkar. Prospective investors should carefully consider the risks described below, together with all other information contained in this Admission document or subsequently released to the market, and their own personal investment objectives and financial circumstances before deciding whether to invest in Ordinary Shares or other securities in Sunkar. If in any doubt, investors should consult with an independent financial adviser who specialises in advising on the acquisition of shares and other securities.

The following risks have the potential to materially and adversely affect Sunkars' business, financial condition, and results of operations and/or share price. In such case, an investor may lose all or part of his or her investment. Additional risks and uncertainties not currently known to the Directors may also have an adverse effect on Sunkars' business and the information set out below does not purport to be an exhaustive summary of the risks affecting Sunkar. Neither the Company or the Directors provide any assurances or guarantees of future profitability, distributions, payment of dividends, return of capital or performance of the Company or its Ordinary Shares.

1. Specific Risk Factors

Specific risks which may affect the Company include the following:

Processing Method

Limited test work has been carried out to determine if marketable phosphoric acid can be produced. The results of bench scale testing on a limited sample of phosphate rock from the Licence Area show that phosphoric acid of saleable quality can be produced from low-grade concentrate. However, further testing is required to test the viability of this process across the deposit and so there are uncertainties regarding the success of the concentration stage required to produce an economic and saleable product. Although the production of sulphuric acid, phosphoric acid and DAP are based on well established technologies, the successful application of these technologies to the phosphate rock at the Chilisai Deposit depends on several factors related to the reactivity of the mined rock that are not fully known. As a result, the Company's estimated costs of recovery may be inaccurate and this could have an adverse effect on the success of the Project.

Capital and Operating Costs

The Company has not yet completed a pre-feasibility study and so capital and operating costs are unquantified at this time. In addition, the Company does not have in place binding agreements for rail and ocean freight costs for transportation of its products. Until this study is completed, the costs and project economics remain subject to uncertainties.

Pricing Risk

The pricing of agricultural minerals and finished products is not transparent and customers usually do not buy from a terminal market on the basis of common publicly disclosed prices. Transactions are usually negotiated with multiple suppliers each with differing product availability and specifications, logistics price and credit terms. Industry practice leans heavily towards "spot" or annual pricing which will mean that the Group may not have the benefit of assured revenue based on the security of long term off-take contracts.

Capital Expenditure

The mining business is capital intensive and the development and exploitation of the phosphate reserves and the acquisition of machinery and equipment require substantial capital expenditures. The Group must continue investing capital to maintain or to increase the amount it processes and the amount of phosphate that it produces. Some of the Group's projects may require greater investment than currently planned. There is no assurance that the Group will be able to achieve its production levels and generate sufficient cash flow, or that the Group will have access to sufficient investments, loans or other financing alternatives, to continue its exploration, exploitation, development and refining activities at or above present levels.

Subsoil Use Contract

The Group's subsoil use rights are subject to termination if the Group does not comply with its contractual obligations.

In Kazakhstan, all subsoil reserves belong to the State. The Competent Body (currently, the Ministry of Energy and Mineral Resources) grants exploration and production rights. Subsoil use rights are not granted in perpetuity, and any renewal must be agreed before the expiration of the relevant contract or licence. They may be terminated by the Competent Body if the Group does not satisfy its contractual obligations, which include periodic payment of royalties to the government and the satisfaction of mining, environmental, safety and health requirements. Furthermore, a breach of tax payment obligations arising under a subsoil use contract or licence (if applicable) can result in suspension or termination of such subsoil use rights. There can be no assurance that the Group will be able to achieve compliance with all applicable regulations at all times.

Temir Service LLP does not currently technically comply with the production and investment obligations of the Subsoil Use Contract. This could lead to a suspension of the contract with the possibility of termination. However, the Company has submitted a revised overall work programme to the MEMR and on 21 May 2008, the MEMR confirmed their decision to accept an amended work programme. The MEMR have also confirmed that it is their intention to revise the terms of the Subsoil Use Contract accordingly. Although the terms of the Subsoil Use Contract have not yet been formally revised the Directors have received legal advice that in practical terms, Temir Service LLP can be regarded as being currently in compliance with the amended work programme and that the risk of issues relating to non-compliance with the work programme, production and investment obligations is minimal.

Because many of Kazakhstan's subsoil use laws have been adopted recently, the legal consequences of a given breach may not be predictable. The statutes do not distinguish penalties according to the severity of the breach, and there are few precedents in this area of the law. The loss of any of the Group's subsoil use rights could have a material adverse effect on its mining operations.

Further Fundraisings

Although the Company, in its opinion, believes that it has sufficient working capital, taking into account existing financing arrangements and its net proceeds from the Placing, for its present requirements, that is at least for the next 12 months from the date of Admission, the Company may need to engage in equity or debt financings to secure working capital or other funding following that 12 month period. If the Company raises additional funds through issues of equity or convertible debt securities, the Company's existing shareholders could suffer dilution, and any new equity securities it issues could have rights, preferences and privileges superior to those of existing holders of its Ordinary Shares, including the Ordinary Shares sold in the Placing. Any debt financing secured by the Company in the future could involve restrictive covenants relating to its ability to raise capital, as well as other financial and operational matters, which may make it more difficult for the Company to obtain additional capital and to pursue business opportunities, including potential acquisitions. The Company may not be able to obtain additional debt financing on terms favourable to it, if at all. If the Company is unable to obtain adequate debt financing or debt financing on terms satisfactory to it, the Company's ability to continue to grow its business and respond to business challenges could be impaired.

Target Market Economies

The Group's focus on its target markets may negatively impact the Group's results in the event of a slowdown in demand. There can be no assurance that the current growth in the economies of the Group's target markets will continue. An overall slowdown in these markets, as a result of either political or economic forces, could bring about a decrease in demand for the Group's products. Some of the target markets are expanding their own production of phosphates and this could also bring about a decrease in demand for the Group's products.

Competition

The Group will be in competition with established phosphates producers operating in its target markets, and they have or may attain greater brand recognition, larger customer bases or have greater financial, sales and marketing, technical and other resources than the Company has.

Competitors with large reserves and existing production facilities are able to secure greater market share, particularly during the exploration and building stages of the Group's work programme at Chilisai.

As a result, the Company's competitors may be able to respond to market demands more quickly or devote greater resources to the development, promotion and sales than the Company and the average selling prices of the Company's products could decrease in the future in response to competitive pricing pressures.

Reliance on Third Parties

The Group will be reliant on third party service providers and suppliers to provide infrastructure and raw materials required for the Group's business and operations and there can be no assurance that such parties will be able to provide such services in the time scale and at the cost anticipated by the Company.

Key Personnel

The Group depends on its key personnel. If the Group is unable to attract and retain key personnel, its business may be harmed.

The Group's business depends in significant part upon the contributions of a number of the Group's key senior management and personnel. There can be no certainty that the services of its key personnel will continue to be available to the Group. Factors critical to retaining the Group's present staff and attracting additional highly qualified personnel include the Group's ability to provide these individuals with competitive compensation arrangements. If the Group is not successful in retaining or attracting highly qualified individuals in key management positions its business may be harmed. The Group does not currently maintain "key person" insurance.

Insurance

The Group does not insure against certain risks, and its insurance coverage may be insufficient to cover losses.

Kazakh law requires mining companies to insure only against certain limited risks, including employer's liability insurance, environmental insurance and third party liability insurance for vehicles. Because Kazakh law currently prohibits foreign insurance companies from operating directly in Kazakhstan, the underdeveloped insurance market in Kazakhstan offers only limited opportunities for insuring risks associated with the Group's business, and reinsurance with an international insurance house will substantially increase costs.

Mining Risk

The business of mining and chemical processing involves a number of risks and hazards, including industrial accidents, labour disputes, unusual or unexpected geological conditions, equipment failure, changes in the regulatory environment, environmental hazards, and weather and other natural phenomena such as earthquakes and floods. The Group may experience material mine or plant shutdowns or periods of reduced production as a result of any of the above factors. Such occurrences could result in material damage to, or the destruction of, mineral properties or production facilities, human exposure to pollution, personal injury or death, environmental and natural resource damage, delays in mining, monetary losses and possible legal liability, any of which could negatively affect the Group's results of operations.

Infrastructure

The Group's operations are located in a remote area, and the Group's product delivery will be dependent on the Kazakh, Russian and Chinese national rail systems.

The Chilisai Deposit is located in a region which is sparsely populated and difficult to reach from outside Kazakhstan. Accordingly, to reach customers, the Group's products must be transported over long distances, both within Kazakhstan and through Russia or China. No assurance can be given that sufficient access to these networks and any delays in transporting the Group's products as a result of insufficient railway capacity could have a material adverse effect on its results of operations.

Additionally, both Kazakhstan's and Russia's physical infrastructure have in some cases suffered from a lack of funding and maintenance. Deterioration of Kazakhstan's or Russia's physical infrastructure could disrupt the transportation of goods and supplies, add costs to doing business in Kazakhstan and Russia and interrupt business operations, which could have a material adverse effect on the Group's business.

Furthermore, each of these countries exercises significant control over its rail system and rail tariffs. The Kazakh national rail system is a monopoly, and the rail tariffs it sets must be approved by the Natural

Monopolies Regulation Agency. The Russian and Kazakh national rail systems are undergoing fundamental reorganisations, and the long-term effect this will have on rail tariffs and services is uncertain. Similarly, the Chinese rail system is a state-owned monopoly responsible for setting prices. Rail tariff increases in recent years generally have outpaced inflation, and there can be no assurance that such tariffs will remain stable in the future. Increases in the Group's transportation costs could have an adverse effect on the Group's business and operating results.

Regional Instability

Since the break up of the Soviet Union, a number of former Soviet republics have experienced periods of political instability, civil unrest, military action or incidents of violence. Kazakhstan has not experienced any such unrest and, to date, this regional instability has not affected Kazakhstan or the Group's operations in Kazakhstan. However, future political instability, civil unrest or continued violence in the region could affect the political or economic stability of Kazakhstan, and could have an adverse effect on the Group's business, financial condition, results of operations or prospects.

Environmental Compliance

Compliance with environmental laws requires ongoing expenditure and considerable capital commitments from the Group, and non-compliance may subject the Group to significant penalties, including the suspension or revocation of its subsoil use rights.

The Republic of Kazakhstan has adopted environmental regulations requiring industrial companies to undertake programmes to reduce, control or eliminate various types of pollution and to protect natural resources. The Group must actively monitor specific air emission levels, ambient air quality, quality of nearby surface water, level of contaminants in soil and creation of solid waste. The Group must also submit an annual report on pollution levels to the State environmental authorities. In addition, the environmental authorities conduct additional testing to validate the Group's results.

In light of evolving laws and regulations and the uncertainty inherent in this area, the Group is unable to estimate its total environmental expenditure over the longer term, but these expenditures may be material. The Group may have to incur additional capital and other expenditures for continued compliance with such laws and regulations.

Implementation of the Kyoto Protocol may subject the Group to additional environmental compliance costs.

Kazakhstan is a signatory to the Kyoto Protocol, which entered into force in February 2005. The Kyoto Protocol is intended to limit or capture emissions of greenhouse gases such as carbon dioxide and methane. Compliance with new environmental health and safety requirements that may be enacted to ensure compliance with the Kyoto Protocol may require the Group to incur capital expenditures, and new implementing legislation in Kazakhstan may present additional regulatory burdens to the Group. The Parliament of Kazakhstan has not ratified the country's accession to the Kyoto Protocol, and it is unclear when any new obligations will take effect. Failure to comply with any new legislation could result in fines and other penalties.

Kazakhstan Laws and Regulations

The laws and regulations of Kazakhstan relating to foreign investment, subsoil use, licensing, companies, tax, customs, currency, capital markets, pensions, insurance, banking and competition are still developing, and uncertainties in the law could have a material adverse effect on the Group's operations.

Many such laws provide regulators and officials with substantial discretion in their application, interpretation and enforcement. Furthermore, the judicial system in Kazakhstan may not be fully independent of social, economic and political forces. Court decisions can be difficult to predict and enforce, and the Group's best efforts to comply with applicable law may not always result in compliance. Furthermore, because the statutes on subsoil use do not define the course of action available to the government by reference to the gravity of a breach, a minor breach could conceivably lead to harsh consequences, such as suspension or termination of the subsoil user rights. Because of the relative newness of the subsoil use legislation, there are few precedents that would make the consequences of a breach more predictable.

The Kazakhstan government has stated that it believes in continued reform of the corporate governance processes and will ensure discipline and transparency in the corporate sector. However, there can be no assurance that the Kazakhstan government will continue such policy.

Given Kazakhstan's short legislative, judicial and administrative history, it is not possible to predict the effect of current and future legislation on the Group's business. The ongoing rights of the Group under its subsoil use contracts and licences (if applicable) and other agreements may be susceptible to revision or cancellation, and legal redress in relation to such revocation or cancellation may be uncertain.

Social Programmes for Local Communities

As a condition of certain of its subsoil use licences and contracts, the Group is obliged to maintain certain social programmes for the benefit of local communities. Furthermore, the Group has an obligation under its subsoil use licences and contracts to invest in training the local workforce. These obligations may increase or become more burdensome in the future and may have a negative impact on the Group's profitability.

Kazakhstan Taxation

The taxation system in Kazakhstan is at an early stage of development and experience. The interpretation and application of tax laws and regulations are evolving, which significantly increases the risks with respect to the Group's operations and investment in Kazakhstan in comparison with more developed tax systems.

Tax legislation is subject to different and changing interpretations, as well as inconsistent enforcement. Tax regulation and compliance is subject to review and investigation by the authorities who may impose extremely severe fines, penalties and interest charges.

The fact that the tax authorities have conducted an audit of a particular period does not prevent them from revisiting that period and raising an additional assessment. In addition, Kazakhstan's tax system does not have the concept of the tax authorities giving legally binding rulings on tax issues that are put to them.

The uncertainty of application and the evolution of tax laws create a risk of additional and substantial payments of tax by the Group, which could have a material adverse effect on the Group's financial position and results of operations.

Article 71 of the Subsoil Law

Article 71 ("Article 71") of the Law of the Republic of Kazakhstan dated 27 January 1996 "On Subsoil and Subsoil Use" (as amended, the "Subsoil Law") provides, amongst other things, that, in respect of both newly concluded subsoil use contracts and subsoil use contracts concluded before the coming into effect of Article 71 (other than contracts in respect of underground water and commonly occurring minerals), the Republic of Kazakhstan has a priority right, in the event of a transfer of a subsoil use right, to acquire (on conditions no worse than those offered to other buyers): (i) all or any part of a subsoil right which is being alienated; and/or (ii) the shares in the legal entity possessing a subsoil right and also in a legal entity which can directly and/or indirectly determine the decisions and/or influence decisions to be taken by the subsoil user, if the main business of the latter is connected with subsoil use in Kazakhstan. Article 71 is broadly drafted and includes offerings and subsequent circulation of shares on a stock exchange.

The Company's current Article 71 waiver refers to a price for the offering of £1.20 per share in connection with the Placing. Should the shares be issued for less than this per share price, then the Company would be deemed to be in violation of Article 71, and the Competent Body could unilaterally terminate the Subsoil Use Contract.

2. General Risk Factors

Share market conditions

As the Company is a listed company, its share price will be subject to the numerous influences which may affect both the broad trend in the share market and the share prices of individual companies and sectors.

Control of the Group

A limited number of the Shareholders will continue to have substantial control over the Company after completion of the Placing, so potential investors may not be able to influence the outcome of important decisions. However, Corporate Governance Guidelines have been put in place, details of which are in paragraph 14.4 of Part 1 of this document.

Upon completion of the Placing, the Directors, Thomas Sinclair and Brian Savage, will beneficially own, in aggregate, approximately 40% of the Company's issued share capital. As a result, these Shareholders will be able to exercise significant control over all matters requiring Shareholder approval, including the election of Directors and approval of significant corporate transactions, which could delay or prevent an outside party from acquiring control of the Company. The ability of insiders to prevent or delay these transactions could cause the price of the Ordinary Shares to decline. The interests of the Company's significant Shareholders may differ from the interests of other Shareholders and thus investors may disagree as to whether any actions proposed to be taken by the Company by such significant Shareholders are in the best interests of the Shareholders generally.

Economic conditions

Both domestic and world economic conditions may affect the performance of the Company. Factors such as the level of industrial production, inflation, currency fluctuation, interest rates, supply and demand and industrial disruption impact on operations and commodity prices although the market for fertilisers is less volatile changes in demand tend to be slow and predictable.

AIM

The Ordinary Shares will be admitted to AIM. An investment in shares quoted on AIM may be less liquid and may carry a higher risk than an investment in shares quoted on the Official List. The rules of AIM are less demanding than those of the Official List of the UK Listing Authority. Further, the London Stock Exchange has not itself examined or approved the contents of this document. 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.

Volatility of the value of the Ordinary Shares

Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment, especially as the market in Ordinary Shares on AIM may have limited liquidity.

In addition, the price at which investors may dispose of their shares in the Company may be influenced by a number of factors, some of which may pertain to the Company, and others of which are extraneous. These factors could include the performance of the Company's operations, large purchases or sales of Ordinary Shares, liquidity (or absence of liquidity) in the Ordinary Shares, currency fluctuations, legislative or regulatory or taxation changes and general economic conditions. The value of the Ordinary Shares will therefore fluctuate and may not reflect their underlying asset value.

Shares available for future sale

The Group is unable to predict whether substantial amounts of Ordinary Shares will be sold in the open market following termination of the restrictions under the lock-up arrangements described in paragraph 13 of Part 1 of this document. Any sales of substantial amounts of Ordinary Shares in the public market, or the perception that such sales might occur, could materially adversely affect the market price of the Ordinary Shares.

PART 5
COMPETENT PERSON'S REPORT

**COMPETENT PERSON'S REPORT
AND SCOPING STUDY
ON THE
CHILISAI PHOSPHATE DEPOSIT
AKTYUBINSK OBLAST, KAZAKHSTAN
FOR
SUNKAR RESOURCES plc
CANACCORD ADAMS LIMITED – NOMINATED ADVISOR
GMP SECURITIES EUROPE LLP – FINANCIAL ADVISOR**

**49° 01' 05" to 49° 38' 18" North Latitude
57° 05' 15" to 57° 37' 30" East Longitude**

(BEHRE DOLBEAR PROJECT 07-023)

MAY 2008

Prepared By:

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1.0 EXECUTIVE SUMMARY

1.1 BACKGROUND

Behre Dolbear & Company (USA), Inc. (Behre Dolbear) is a subsidiary company of the parent company, Behre Dolbear & Company, Inc. Behre Dolbear was contracted by Sokol Holdings, Inc. and, subsequently, Sunkar Resources plc (Sunkar or the Company) to undertake a technical review, to prepare an independent Competent Persons' Report (CPR), and to provide an indicative valuation of the Chilisai phosphate property (the Project). The Chilisai deposit is located in northwestern Kazakhstan and contains a substantial quantity of shallow phosphorite material on a major axis of rail transportation to major Asian markets and has the potential to ultimately produce either diammonium phosphate (DAP), monoammoniumphosphate (MAP) or both. It is a project that, if proven, represents an attractive opportunity with some reasonable risks.

The area of the project is defined by a Subsoil Use Contract (SUC) with a 25-year term and development of the property is guided by a Work Program. Previous operations on the property during the Soviet era consisted of a surface mine and a flotation plant that produced a limited amount of product. The former facility is still present, but will not be used by Sunkar except for potentially recycling the concrete for use as gravel. The proposed new operation will require construction of a new processing facility and the infrastructure required to support a mine, concentrator, sulphuric acid plant, phosphoric acid plant and a facility to convert the phosphoric acid to DAP or MAP. It should be noted that throughout the remainder of this report, for simplicity it has been assumed that the final product will be only DAP. The production of DAP and MAP requires similar processing equipment and both products are subject to similar market dynamics.

The Project is unique compared to many other DAP producers in its proximity to low-cost sulphur from the petroleum refining operations present in Kazakhstan. Sulphur is a waste product and the oil and gas producers need to dispose of the excess sulphur or risk payment of penalty.

This CPR presents Behre Dolbear's opinion regarding the Company's mineral resource estimate as derived by the former operator, the associated risks to developing and restarting the proposed Project in order to produce and market DAP as based on currently available information, and the indicative value of the Project. As of May 12, 2008, within the SUC the historical resource estimate includes a total of 803 million tonnes (Mt) of in-place phosphate rock at an average grade of 10.1% P₂O₅.

The CPR has been prepared by Behre Dolbear and will be included in the Admission Document (Admission Document) to be published by the Company. The Admission Document is published in connection with the Company's application to the London Stock Exchange (LSE) for the issued ordinary share capital of the Company to be admitted (Admission) to the Alternative Investment Market (AIM), a market operated by London Stock Exchange plc.

This CPR has been prepared in accordance with the Rules; specifically the "Guidance note for Mining, Oil and Gas Companies, March 2006" and the content requirements of Appendix 2 and the summaries set out in Appendices 1 and 3. Furthermore, Behre Dolbear accepts responsibility for the CPR and confirms that, to the best of its knowledge and belief having taken all reasonable care to ensure that such is the case, the information contained in the CPR is in accordance with the facts and contains no omission likely to affect its import for the purpose of paragraphs 1.1 and 1.2 of Annex I and paragraph 1.1 and 1.2 of Annex III of the AIM Rules.

In accordance with the Rules, the standard adopted for the reporting of the Mineral Resource statements for the Project is that defined by the terms and definitions given in The 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (JORC Code) as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia. The historical resource estimates were reported to Behre Dolbear using the Soviet resource classification system. Behre Dolbear has relied on the historical resource estimate as derived by the former operator to approximate the relationship to resources as defined under the JORC Code.

The effective date of this CPR is deemed to be May 12, 2008, and is co-incident with future cash flow projections for the Project as incorporated herein. To the knowledge of Behre Dolbear, as informed by the Company, there has been no material change in respect of the mineral resource estimates since May 12, 2008.

1.2 THE PHOSPHORITE DEPOSIT

The Chilisai deposit is located in northwestern Kazakhstan and contains a substantial quantity of shallow phosphorite material on a major axis of rail transportation to major Asian markets (Figure 1.1). The area of the project is defined by an SUC with a 25-year term and development of the property is guided by a Work Program (Figure 1.2).

Concentrations of phosphate at Chilisai are found in a thin (about 1 meter), flat-lying, widespread, multiform, layer over an area of 1,550 square kilometers (km²). The SUC includes 836 km² of the total mineralized area and only covers the Chilisai property. The Chilisai property is the largest of several identified deposits within the area. Three distinct lithologies are present in the phosphate bearing zone; from top to bottom, a weakly cemented plate, a nodule zone, and a pebble zone. The phosphate content reportedly averaged 10.1% P₂O₅ without much variation vertically or horizontally. Behre Dolbear used a beneficiation circuit feed grade of 10.5% P₂O₅ grade to balance the likelihood of about 10% dilution with the probability that selective mining will extract higher grade material. Resources are more than sufficient to support a conceptual 10 million tonnes per year (Mtpy) mining and processing operation producing 1.76 Mtpy of DAP for 56 years.

The resources are based on the Soviet system of nomenclature, as defined in the "Geological-Industrial Assessment of the Chilisai Phosphorite-Bearing Deposit of the Aktyubinsk Phosphorite Basin," (Report on the results of detailed exploration with calculation of reserves as of June 1, 1975), Volume IV, Text Appendices, Book 20", V. Litoshko, V. Makukha, Y. Obolensky, E. Silivrya, A. Kozlov and have been adjusted to adhere to the current contract limit. "Detail Exploration Results Report, Volume I, Chilisai Deposit of Phosphate in 1976-1979," Ministry of Geology of Kazak SSR, Aktubinsk, 1979, was also important to the review of other aspects related to the deposit. The resources are presented in Table 1.1. The above resource reports were approved by the State Commission of Reserves of the USSR (protocol #7428 dated 13.08.1975).

Figure 1.1.1. Map of Kazakhstan Showing Major Rail Lines

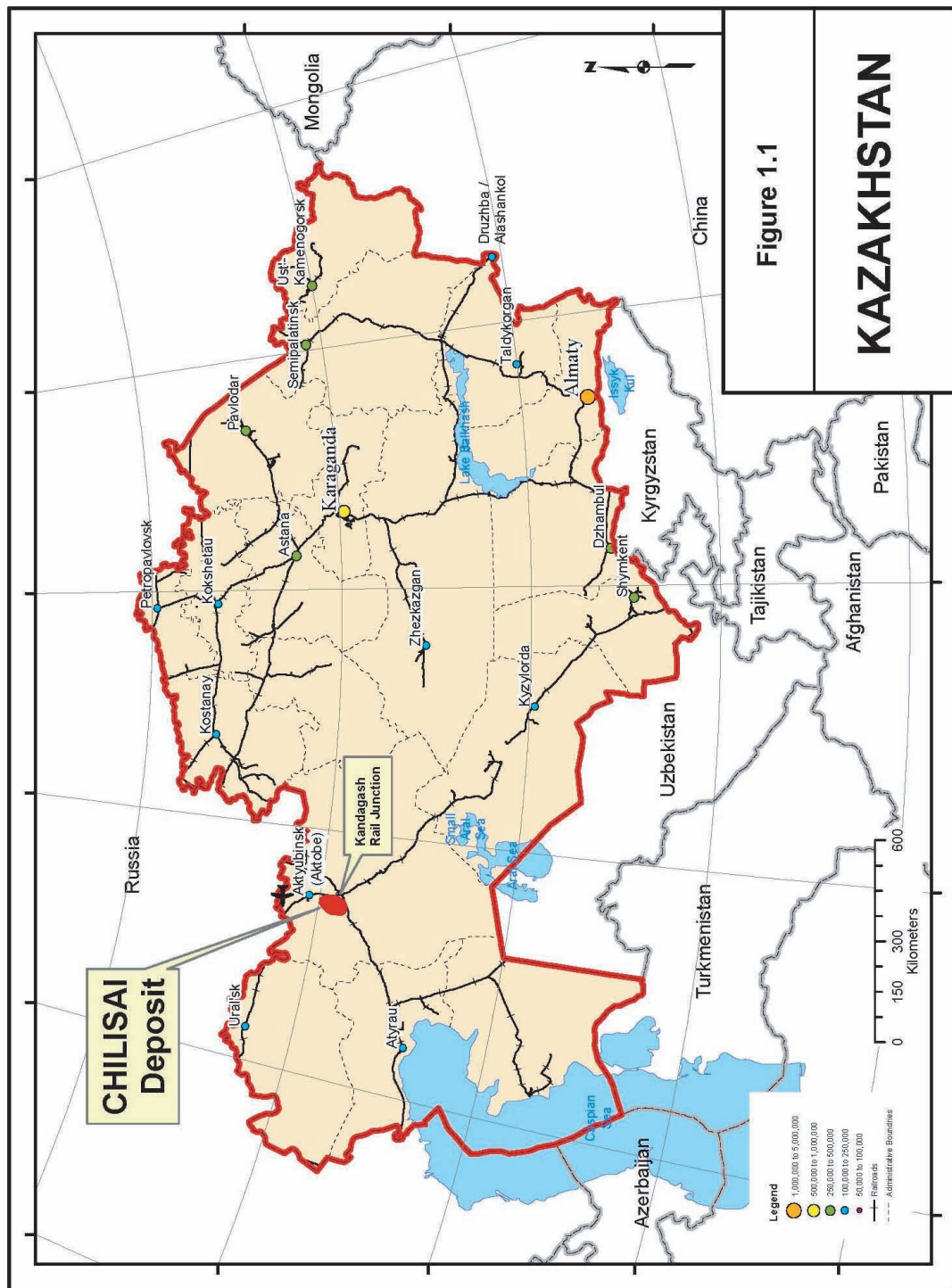


Figure 1.1

KAZAKHSTAN

Figure 1.2. Contract Area with Drill Holes

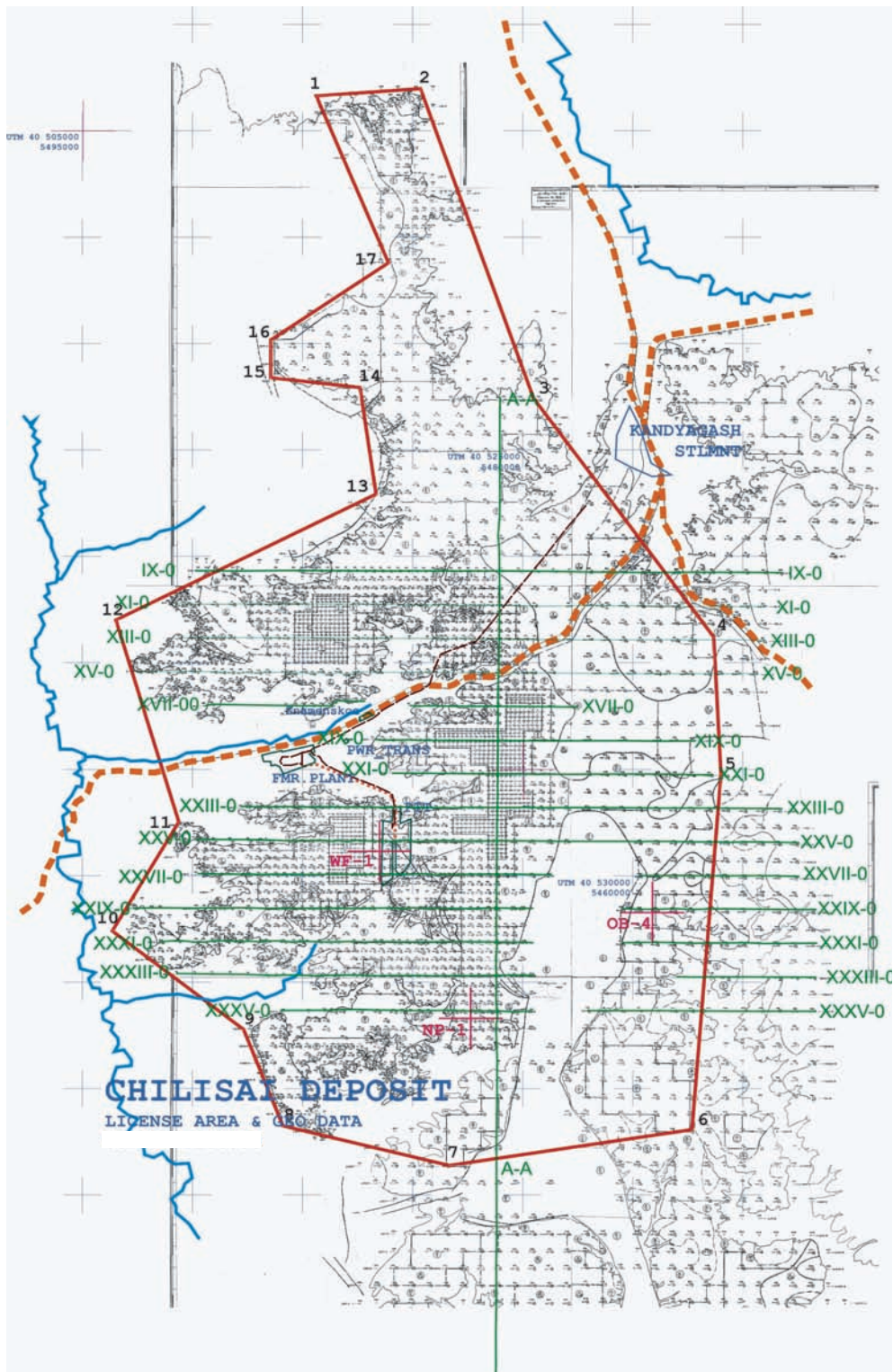


TABLE 1.1 CHILISAI HISTORIC RESOURCES IN-PLACE (MILLIONS OF TONNES)

Category	Tonnes Phosphate Rock ¹	Gross		Net Attributable to Sunkar		
		Grade (% P ₂ O ₅)	Tonnes P ₂ O ₅	Tonnes Phosphate Rock	Grade (% P ₂ O ₅)	Tonnes P ₂ O ₅
Measured (A + B)	184	10.7	19.7	184	10.7	19.7
Indicated (C ₁)	439 ²	9.9	43.5	439	9.9	43.5
Inferred (C ₂)	<u>180³</u>	<u>10.3⁴</u>	<u>18.5</u>	<u>180</u>	<u>10.3</u>	<u>18.5</u>
Total	<u>803</u>	<u>10.1</u>	<u>81.7</u>	<u>803</u>	<u>10.1</u>	<u>81.7</u>

1 The "Expert Opinion," Ministry of Energy and Mineral Resources of Kazak Republic, Committee of Geology and Subsoil Use, State Commission on Resources, December 6, 2004, documents upgrading of some C₂ category resources to C₁. The result was to increase C₁ resources to 716 million tonnes and to decrease C₂ resources to 215 million tonnes. The net downward adjustment of 34 million tonnes is not well documented. As a result, Behre Dolbear used the estimates, by category, from the 1975 report.

2 474 tonnes of C₁ from 1975 report less 35 tonnes outside of contract area = 439 tonnes

3 492 tonnes of C₂ from 1975 report less 312 tonnes outside of contract area = 180 tonnes

4 Not provided in 1975 estimate — Inferred by Behre Dolbear

The reported P₂O₅ content averaged 10.1% without much variation vertically or horizontally. Behre Dolbear used a mine-mouth grade of 10.5% P₂O₅ grade for project cash flow analysis to balance the likelihood of about 10% dilution with the probability that selective mining will extract higher grade material.

The resources outlined under the Soviet system of resource classification in Table 1.1 are aligned with the JORC Code classification system in Table 1.2. These values are indicative to assist the reader with an understanding of the Russian system.

**TABLE 1.2 CHILISAI RESOURCES — SOVIET SYSTEM OF RESOURCE CLASSIFICATION
ALIGNED WITH JORC RESOURCE CATEGORIES**

Soviet Classification System JORC Classification	Category (millions of tonnes of phosphate rock in-place)				Total (In-place)
	A+B Measured	C ₁ Indicated	C ₂ Inferred		
Inside of Contract Boundary	<u>184</u>	<u>439</u>	<u>180</u>		<u>803</u>

The resources were estimated by the former operator using a grade cut-off of 6% P₂O₅ and a maximum ratio of 14 cubic meter (m³) of overburden per 1 tonne of mineable material (note: the density of the overburden was not reported in the available documents, so volumetric measurements are used based on the Soviet era determinations). Behre Dolbear emphasizes that the deposit is categorized as a "resource" because only limited economic factors have been applied. A feasibility study will be required to define the economic viability of exploiting the phosphorite deposit. The average grade of the resources reported in Categories A through C₁ by the Soviet operator is 10.1% P₂O₅.

1.3 INTERPRETATION

Mining costs and resource risks are expected to be reasonable. Three issues which must be resolved are:

- process feasibility;
- transportation costs; and
- the ability of the market to absorb the product at a price that will support a viable venture.

1.3.1 Conclusions

The Chilisai phosphate property is considered by Behre Dolbear to be a property of merit. It has the potential to be a significant producer of phosphate if technical, economic, and market issues can be resolved. Behre Dolbear has reached the following major conclusions.

- Chilisai resources in the A, B, C, and Off Balance categories are sufficient for a 56-year mine life at a 10Mtpy mining rate.
- DAP production from a conceptual mine at Chilisai is available to several markets due to its location on a major railroad intersection.
- The conceptual DAP production rate at Chilisai has been projected to be 1.76 Mtpy. Based on the current global capacity and production, Chilisai could conceptually produce approximately 2% to 5% of the world's capacity of DAP and MAP. This value does not take into account the planned new projects discussed later in this report.
- Three major factors pose varying degrees of risk for the project:
 - a. the ability to produce a marketable product is unclear;
 - b. transportation and distribution costs are not well known; and
 - c. there are unknowns related to the market for the products, in that a detailed marketing study has not been completed to define specific markets, customers, and products.

In an effort to determine the potential for producing a marketable product, a single composite sample was subjected to scoping bench-scale beneficiation and leach tests. The sampling program was limited in scope and was designed to collect material for a scoping-level bench-scale test program. The objectives of the test program were to determine:

- if the sample was amenable to upgrading to a higher P₂O₅ content without incurring significant losses of the valuable mineral; and
- if the resulting processed mineral could be chemically wet processed to generate an acceptable commercial phosphoric acid product.

The composite sample responded to physical upgrading without flotation, followed by direct acid leaching, indicating the potential for recovery of over 78% of the phosphate.

The primary issue, which must be resolved, is whether or not the scoping level sample was representative of the entire Chilisai deposit. A new test program has been planned to confirm the preliminary bench-scale results on additional samples. Approximately 27 samples are to be collected from multiple locations at the Project. Behre Dolbear has recommended that, at a minimum, the test program should include sample characterization (mineralogy and head sample analyses), grindability and breakage tests to determine crushing and grinding work indices, and confirmation beneficiation and direct acid leach tests. In addition to confirming the samples' amenability to the conceptual flowsheet, the test program should be designed to determine optimum leach times and temperatures, as well as slurry rheology and filtration characteristics.

Behre Dolbear recommends that a feasibility study be conducted to evaluate the technical, environmental, and economic factors that are necessary for economic development, including geology and classification of resources, mine design, infrastructure reviews, capital and operating costs, product markets, and environmental considerations. Of critical importance to the feasibility study will be the continuation of bench-scale and possibly pilot-scale testing to further define the beneficiation and process circuits. Typically, a feasibility study results in an engineering and economic evaluation of a project to a ±15% level of accuracy versus the ±50% level of accuracy in the scoping study produced in this report.

1.4 RISK ANALYSIS

Behre Dolbear performed a risk assessment of the Chilisai property using its in-house risk ratings of Low, Moderate, and High. The following definitions were used in allocating the amount of risk associated with the different technical and other areas discussed in this report.

- **High Risk:** the factor poses an immediate danger of a failure, which if uncorrected, will have a material effect (>15%) on the project cash flow and performance and could potentially lead to project failure.

- **Moderate Risk:** the factor, if uncorrected, could have a significant effect (>10%) on the project cash flow and performance unless mitigated by some corrective action.
- **Low Risk:** the factor, if uncorrected, will have little or no effect on project cash flow and performance.

1.4.1 Resource

Resource risk is considered to be low. The property has been sampled and drilled out to produce a high degree of certainty that the tonnes and grades estimated by the former operator are present. The geology of the deposit is well established.

1.4.2 Mining Method and Cost

The projected mining system is straightforward and widely used. The deposit is not expected to pose significant technical challenges except for assuring that a constant rate of production can be achieved without excessive dilution due to the thin nature of the phosphate-bearing zone. Capital and operating costs have not been quantified beyond a conceptual level, but can be in the feasibility study. Behre Dolbear assigns a low risk to the mining system, as conceived.

1.4.3 Processing Method

In August 2006, Behre Dolbear sampled three locations (WF-1, NP-1, OB-3) to obtain material for scoping-level bench testing. The different rock types from each site were collected (pebble, nodule, and plate). Preliminary sample characterization studies were conducted for all samples under the direction of Behre Dolbear and Sunkar. Only one of the three sites had all three rock types and a composite was generated for this site by proportionally recombining the three rock types (WF-1 Composite). Sample characterization and scoping-level bench-scale beneficiation tests and chemical leach tests were conducted on this composite.

The bench-scale tests demonstrated that the composited material from the WF-1 location could be upgraded from 10.5% P_2O_5 to 17% P_2O_5 using basic dry beneficiation processes (crushing and sizing). The upgraded material was directly acid leached to produce phosphoric acid. The direct acid leaching of low-grade concentrate avoids conventional froth flotation or other techniques and resulted in an overall P_2O_5 recovery of 78% on the single composite sample. This approach could potentially result in cost reductions for the Project when compared to other DAP producers. The production of sulphuric acid, phosphoric acid, and DAP are based upon well established technologies. These technologies are considered to be low risk. Further, sulphur is readily abundant and available in Kazakhstan as a by-product of oil and gas production and can be procured at a low cost to the Project. Sulphur is a waste product and the oil and gas producers need to dispose of the excess sulphur or risk payment of penalty.

Another contributing risk factor in the potential processing method is the ore grade. The crude rock is similar in grade to Florida rock, but lower in grade than the rock held by Jordanian, Egyptian, and Saudi competitors (20% to 30% P_2O_5). Although the grade is lower than seen with other competitors, the gangue material is primarily inert silica minerals as opposed to carbonaceous gangue. This results in acid consumptions that could be comparable to those of other operations; however, the phosphoric acid will need to be concentrated prior to DAP production, potentially resulting in higher energy consumption.

Although it was demonstrated that there is the potential that conventional technologies can be applied to the Chilisaï deposit to produce a saleable product, this demonstration was achieved with only a single composite sample. Inferring that the results of the bench-scale tests on a single composite sample are applicable to the entire deposit, especially a deposit the size of the Chilisaï deposit, represents a risk to the success of the Project. For this reason, Behre Dolbear assigns a high risk to the processing method until further testing of additional samples demonstrates the efficacy of the direct acid leaching method. It should be noted, however, that another test program has been planned.

1.4.4 Markets

The fertiliser industry is a highly competitive business with most companies being fully integrated and producing a number of phosphate, potash, and urea products from which blended fertilisers

can be produced. British Sulphur Consultants (BSC) believes that a market will be available in western China for the phosphate and fertiliser products produced by the Project. Chilisai will be a new producer with an unproven record trying to enter a new market in a geographic area, which will be contested by existing producers who will try to protect their market share. The projected growth of the Chinese and Indian markets to some extent mitigates this factor, but Behre Dolbear assigns a moderate risk to the ability of Chilisai product to enter the market.

1.4.5 Transportation Costs

Only preliminary transportation costs have been obtained. Typically, a protracted negotiating process with railroads, etc. is undertaken to obtain the lowest rail and ocean freight costs. BSC has completed a study which indicates reasonable transportation costs into the western China market area. The next study undertaken for the property should further define the transportation costs affecting the property. Behre Dolbear assigns a moderate risk to transportation costs.

1.4.6 Project Economics

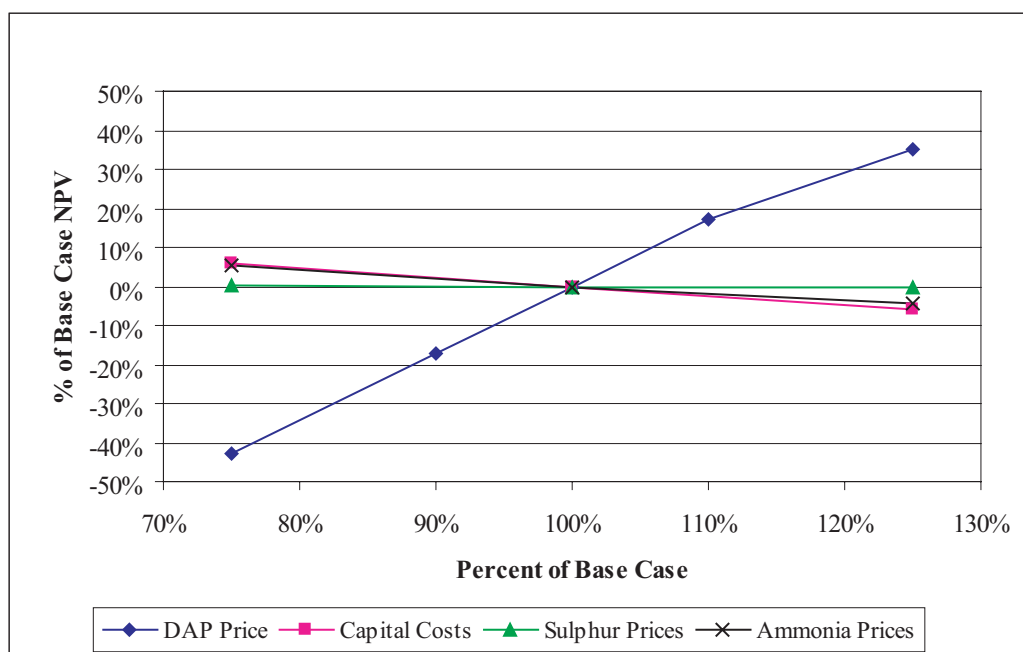
Capital and operating costs are conceptual at this time. The feasibility study should review and determine the capital and operating costs and projected economic performance of the Project. Until such a study is completed, the costs and project economics pose a moderate risk to the project.

1.4.7 Sensitivity Study

This Chilisai Project scoping study is considered to have a level of accuracy of $\pm 50\%$. To provide a better understanding of the Project, Behre Dolbear performed net present value (NPV) sensitivities using the conceptual cash flow model developed for this scoping study.

Figure 1.3 illustrates the Project's sensitivity to changes in DAP price, capital costs, sulphur prices, and ammonia prices. The Project demonstrates the greatest sensitivity to DAP price.

Figure 1.3. Sensitivity of NPV to DAP price, capital costs, sulphur price, and ammonia price (base case of \$437 per tonne DAP, 10% discount rate)



1.5 INDICATIVE VALUES

Behre Dolbear used three valuation methodologies to develop the indicative value of the Project: the Income Approach based upon a discounted cash flow; Market Comparables based upon market capitalization of similar publicly traded companies; and Rules of Thumb based upon ratios of resources to commodity prices. Behre Dolbear assigned a weight factor to each of the three values determined using these three valuation techniques. The weight factors were based on the estimated reliability of the particular valuation technique. The final indicative value was derived as a sum of the three weighted values.

Additionally, three DAP pricing scenarios were used by Behre Dolbear to determine indicative values at differing DAP price levels. Each of the three long-term DAP prices is based upon long-term prices developed by BSC during the past year in three separate reports dated February 2007, November 2007, and March 2008. These price forecasts reflect changing trends on the global DAP market. The world fertiliser market has experienced significant price escalations during the past 14 months, which might not be sustainable over the longer term, especially after new sources of production are brought on-stream. However, the fundamentals suggest that prices will remain higher than the historical average due to substantial shifts in agricultural land use by developing countries and the possible shift of agricultural output to feedstock for fuel substitutes in developed countries.

Behre Dolbear averaged the FOB Tampa DAP prices as projected by BSC for the period between 2014 through 2025. These values were adjusted by \$30 per tonne to account for an estimated transportation differential to the potential Sunkar markets versus FOB Tampa (FOB Chilisai mine site). The prices are summarized in Table 1.3. These three prices were used as the basis of the cash flow model and determination of indicative value throughout this report.

TABLE 1.3 BSC PROJECTED DAP PRICES AND TRANSPORTATION DIFFERENTIAL

BSC Report	Average DAP Price between 2014 and 2025, FOB Tampa US\$/tonne	Estimated Transportation Differential US\$/tonne	Estimated DAP Price FOB Chilisai US\$/tonne
February 2007	282	30	312
November 2007	407	30	437
March 2008	774	30	804

1.5.1 Income Approach — Conceptual Cash Flow Method

Behre Dolbear compiled a conceptual cash flow model based on capital and operating costs derived from a comparison of similar projects. The estimated level of accuracy of the input to the conceptual cash flow is $\pm 50\%$ and Behre Dolbear anticipates that the returns will change when the costs are better defined. The economic evaluation is based on an initial period of 30 years of construction and production yielding 10Mtpy ore, after a ramp-up period. The DAP production is estimated to be 1.76Mtpy. The terminal value is based on an additional 26 years of production at the same rate. At a 10% discount rate, the terminal value accounts for approximately 9% of the total NPV.

The NPV and internal rate of return (IRR) at the three price regimes is shown in Table 1.4.

TABLE 1.4 CHILISAI PROJECT NET PRESENT VALUE AND INTERNAL RATE OF RETURN AT VARIABLE DISCOUNT RATES (\$ MILLIONS)

Discount Rate	DAP Price \$312/tonne	DAP Price \$437/tonne	DAP Price \$804/tonne
5.00%	\$2,760	\$4,939	\$11,338
10.00%	\$ 955	\$1,892	\$ 4,645
12.50%	\$ 586	\$1,262	\$ 3,245
15.00%	\$ 356	\$ 862	\$ 2,350
20.00%	\$ 101	\$ 411	\$ 1,319
25.00%	(\$ 21)	\$ 182	\$ 780
IRR, %	23.9%	33.7%	53.9%

1.5.2 Market Comparables Method

Public markets generally ascribe values to mining companies based upon a value of the tonne, pound, or ounce of the company's major commodity in reserves or resources. The resources of three operating and publicly traded phosphate companies were compared to the Chilisai resources using March 2008 market capitalization values and adjusting the DAP price accordingly from March 2008 DAP price of \$1,050 per tonne. The comparison included a discount to reflect the immature state of development of the Chilisai deposit.

1.5.3 Rules of Thumb Method

Behre Dolbear developed an indicative value of the Chilisai property by a generic Rules of Thumb method, working back from the three projected selling prices of DAP into western China (base prices determined from BSC reports). The prices were subjected to a risk-adjustment factor and then applied accordingly to the reserve and resource estimates of the project.

1.5.4 Indicative Values

Using the three DAP price forecasts derived by BSC and a 10% discount rate, the indicative value of the Chilisai property is estimated to range from \$805 million to \$3,321 million. If the discount rate is increased to 12.5%, the indicative value is estimated to range from \$560 million to \$2,481 million. The indicative values were derived by weighting the results of the three valuation methods, the Income Approach, Market Comparables, and Rules of Thumb, as shown in Tables 1.5 to 1.7.

TABLE 1.5 WEIGHTED INDICATIVE VALUE — \$312 PER TONNE OF DAP, 10% DISCOUNT RATE (MILLIONS OF \$)

Valuation Methodology	Value Determined Using Methodology	Assigned Weight Factor ¹	Weighted Value ²
Income Approach	\$ 995	0.6	\$597
Rules of Thumb	\$1,006	0.1	\$101
Market Comparables	\$ 355	0.3	\$107
Value — Sum of Weighted Values		1.0	\$805

1 Weight factor assigned for determining weighted values. The assigned weight factor is based on the estimated reliability of the valuation methodology as compared to the other two valuation methodologies.

2 Weighted value calculated as the product of the value determined using a particular valuation methodology (i.e., Income Approach) and the assigned weight factor. For example, \$995×0.6 = \$597.

TABLE 1.6 WEIGHTED INDICATIVE VALUE — \$437 PER TONNE OF DAP, 10% DISCOUNT RATE (MILLIONS OF \$)

Valuation Methodology	Value Determined Using Methodology	Assigned Weight Factor	Weighted Value
Income Approach	\$1,892	0.6	\$1,135
Rules of Thumb	\$1,408	0.1	\$ 141
Market Comparables	\$ 498	0.3	\$ 149
Preferred Value — Sum of Weighted Values		1.0	\$1,425

TABLE 1.7 WEIGHTED INDICATIVE VALUE — \$804 PER TONNE OF DAP, 10% DISCOUNT RATE (MILLIONS OF \$)

Valuation Methodology	Value Determined Using Methodology	Assigned Weight Factor	Weighted Value
Income Approach	\$4,645	0.6	\$2,787
Rules of Thumb	\$2,591	0.1	\$ 259
Market Comparables	\$ 916	0.3	\$ 275
Preferred Value — Sum of Weighted Values		1.0	\$3,321

2.0 INTRODUCTION

Behre Dolbear was contracted by Sunkar to undertake a technical review of the Chilisai phosphate property in Kazakhstan. A second part of Behre Dolbear's assignment was to provide an indicative value of the Project based upon the ultimate production of DAP.

2.1 REQUIREMENT AND COMPLIANCE

2.1.1 Requirement

The CPR has been prepared by Behre Dolbear and will be included in the Admission Document to be published by the Company. The Admission Document is published in connection with the Company's application to the LSE for the whole of the issued and to be issued ordinary share capital of the Company to be admitted (Admission) to the AIM.

The CPR has been prepared in accordance with the following rules and recommendations (hereinafter referred to as the "Rules"):

- the "Guidance note for Mining, Oil and Gas Companies, March 2006" (Guidance Note): specifically and without limitation the CPR complies with the content requirements of Appendix 2 and includes the relevant summaries set out in Appendices 1 and 3, and Behre Dolbear accepts responsibility for the CPR in accordance with Schedule 2(a) and paragraphs 1.1 and 1.2 of Annex 1 and paragraphs 1.1 and 1.2 of Annex III of the AIM Rules and consent to its inclusion in the Admission Document;
- the rules for AIM companies, February 2007 (AIM Rules), specifically Rule 3 relating to Admission Documents;
- the rules for trading AIM securities as set out in the "Rules of the London Stock Exchange;" and
- the "Prospectus Rules" published by the Financial Services Authority (FSA) from time to time and governed by the United Kingdom Listing Authority (UKLA).

2.1.2 Compliance

This CPR has been prepared in accordance with the Rules; specifically the "Guidance Note for Mining, Oil and Gas Companies, March 2006" and the content requirements at Appendix 2.0 and the summaries set out in Appendices 1.0 and 3.0. Furthermore, Behre Dolbear accepts responsibility for the CPR and confirms that, to the best of its knowledge and belief having taken all reasonable care to ensure that such is the case, the information contained in the CPR is in accordance with the facts and contains no omission likely to affect its import for the purpose of paragraphs 1.1 and 1.2 of Annex I and paragraph 1.1 and 1.2 of Annex III of the AIM Rules.

In accordance with the Rules, the standard adopted for the reporting of the Mineral Resource statements for the Project is that defined by the terms and definitions given in “*The 2004 Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the “JORC Code”)*” as published by the Joint Ore Reserves Committee of the Australasian Institute of Mining and Metallurgy, Australian Institute of Geoscientists and Minerals Council of Australia.” The historical resource estimates were reported to Behre Dolbear using the Soviet resource classification system. Behre Dolbear has relied on the historical resource estimate as derived by the former operator to approximate the relationship to resources as defined under the JORC Code.

This CPR has been prepared under the direction of the Competent Persons as defined by the JORC Code, who assumes overall professional responsibility for the Mineral Resource statements as presented herein. The CPR, however, is published by Behre Dolbear, the commissioned entity, and accordingly Behre Dolbear assumes responsibility for the CPR. The JORC Code is an internationally recognized reporting code and is acceptable to the FSA.

Notwithstanding the above, Behre Dolbear notes the following:

- a detailed statement of all legal proceedings relevant to the Project or an appropriate negative statement has been included in the Admission Document;
- brief summaries of the Company's existing and proposed directors are included in the Admission Document and details relating to qualifications of key technical and managerial staff have been excluded from this CPR for practical purposes of volume;
- presentation of information contained elsewhere in the Admission Document which relates to information in the CPR is accurate, balanced and complete and not inconsistent with the CPR;
- where any information in the CPR has been sourced from a third party, such information has been accurately reproduced and no facts have been omitted which would render the reproduced information inaccurate or misleading;
- based on information supplied by the Company coincident with the Base Information Date (May 12, 2008), there has been no material change to the subject matter of the CPR between the Base Information Date, the publication date of the CPR and the date of the Admission Document;
- drafts of the CPR were provided to the Company, but only for the purpose of confirming both the accuracy of factual information and the reasonableness of assumptions relied upon in this CPR; and
- this CPR has not undergone regulatory review. Behre Dolbear understands that the Nominated Advisor has conducted an internal review of this CPR in accordance with the Rules.

This CPR is addressed to the Company, the Nominated Advisor (Nomad) and Joint Broker, Canaccord Adams Limited (Canaccord), and the Financial Advisor and Joint Broker, GMP Securities Europe LLP.

2.2 EFFECTIVE DATE AND BASE TECHNICAL INFORMATION DATE

The effective date of this CPR is deemed to be May 12, 2008, and is co-incident with future cash flow projections as they relate to the Project incorporated herein. To the knowledge of Behre Dolbear, as informed by the Company, there has been no material change in respect of the mineral resources since May 12, 2008. The mineral resource estimates and indicative value are dependent upon the following:

- technical information as generated by the Company, and
- appropriate adjustments made by Behre Dolbear to technical information provided by the Company.

2.3 VERIFICATION, VALIDATION, AND RELIANCE

2.3.1 Behre Dolbear's Report

This CPR is dependent upon technical, financial, and legal input. In respect of the technical information as provided to and taken in good faith by Behre Dolbear, and other than where expressly stated, this has not been independently verified by means of re-calculation. Behre Dolbear's report is based upon a site visit to the deposit, interviews with geologists who worked on the project during the Soviet-era operations, and reviews of reports, documents, and maps prepared by Kazakh government agencies, and bench-scale laboratory testing completed on one composite sample collected from the site. This information has been reviewed and accepted by Behre Dolbear as reasonable and Behre Dolbear accordingly relied upon this information in the production of this document. Most significant were:

- "Detail Exploration Results Report, Volume I, Chilisai Deposit of Phosphate in 1976-1979," Ministry of Geology of Kazak SSR, Aktubinsk, 1979;
- "Detail Exploration Results Report, Volume II, Registry of Exploring and Drilling Holes," Ministry of Geology of Kazak SSR, Aktubinsk, 1979;
- "Work Program for Development of Chilisai Phosphorite Deposit in Aktyubinsk Oblast," Mining and Economic Consulting LLP, 2005;
- Legal Opinion on Temir-Service LLP, Salans and Akin, Gump, Straus and Feld, LLP;
- "Expert Opinion," Ministry of Energy and Mineral Resources of Kazak Republic, Committee of Geology and Subsoil Use, State Commission on Resources, December 6, 2004;
- "Contract as to Phosphorite Mining at Chilissaikoye Deposit in Mugalzharski District, Aktyubinsk Oblast, Republic of Kazakhstan Between Ministry of Energy and Mineral Resources of the Republic of Kazakhstan (Competent Body) and Temir-Service LLP (Contractor)," Astana, 2005;
- "Geological-Industrial Assessment of the Chilisai Phosphorite-Bearing Deposit of the Aktyubinsk Phosphorite Basin," (Report on the results of detailed exploration with calculation of reserves as of June 1, 1975), Volume IV, Text Appendices, Book 20, V. Litoshko, V. Makukha, Y. Obolensky, E. Silivrya, A. Kozlov;
- Appendix 40 — Sakharov, S.I., Nabiulin Y.N., Smirnov, A.I., Kuznetsova, G.G., Zhigach, K.A., Burobina, T.Y., and Khomkova, T.N. "Studying of Mineral Composition and Processing Abilities of Three Samples of the Aktyubinsk Basin Phosphorite Ore (the Chilisai deposit)," Report on Theme #354, Contract #37, Lyubersty 1971;
- Appendix 35 — "Results of Analyses of Concentrates +1mm and +10mm From Test Openings Samples," Volume IV, Book 19;
- Appendix 43 — Scientific and Research Institute for Fertilisers and Insecticide-Fungicides (NIUIF), Report on Theme 0-10-73, Sections 1, 2 — "Processing of Phosphorus Concentrates From the Chilisai Deposit for Extraction Phosphoric Acid and Ammonia Phosphate," 1973;
- "Phosphate Feasibility Study, A Single-Client report prepared for: Sunkar Resources" by British Sulphur Consultants, February 2007;
- "Economic Feasibility of the Chilisai Deposit in Kazakhstan for Phosphate Fertiliser, A Single-Client report prepared for: Sunkar Resources" by British Sulphur Consultants, February 2007;
- A legal opinion by Salans dated October 20, 2006;
- "Phosphates Price Forecast" by British Sulphur Consultants, November 2007; and
- "Phosphates Price Forecast" by British Sulphur Consultants, March 2008.

2.3.2 Other Relevant Data

A number of phosphate market studies and fertiliser industry publications were reviewed by Behre Dolbear. These include, but were not limited to publications of the Fertiliser Institute and the International Fertiliser Association. Other information relied upon is noted in the report, as appropriate. Behre Dolbear also consulted other reports it has produced in the past for other phosphate properties.

Behre Dolbear has also assumed certain macro-economic parameters and commodity prices and relied on these as inputs to determine the potential economic viability of the Project.

To the knowledge of Behre Dolbear, as informed by the Company, there has been no material change in respect of the mineral resource estimate since May 12, 2008.

2.3.3 Technical Reliance

Behre Dolbear places reliance on the Company and its technical representatives that all technical information provided to Behre Dolbear, as of May 12, 2008, is accurate. The technical representative for the Company is Mr. Serik Utegen.

2.3.4 Financial Reliance

In consideration of all financial aspects relating to the Project, Behre Dolbear has placed reliance on the Company.

2.3.5 Legal Reliance

In consideration of all legal aspects relating to the Project, Behre Dolbear has placed reliance on the representations by the Company that the following are correct as at May 12, 2008 and remain correct until the date of the Admission Document:

- that, save as disclosed in the Admission Document, the Directors of the Company are not aware of any legal proceedings that may have an influence on the rights to explore for minerals;
- that the legal owners of all mineral and surface rights have been verified; and
- that, save as expressly mentioned in the Risk Factors of the main body of the Admission Document, no significant legal issue exists which would affect the likely viability of the assets and/or on the estimation and classification of the Mineral Resources as reported herein.

2.4 LIMITATIONS, RELIANCE ON INFORMATION, DECLARATION, AND CONSENT

2.4.1 Limitations

Behre Dolbear is responsible for this CPR as part of the Admission Document and declares that Behre Dolbear has taken all reasonable care to ensure that the information contained in this report, is to the best of Behre Dolbear's knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in accordance with the requirements of Schedule Two of the AIM Rules.

Save for the responsibility arising under Paragraph (a) Schedule Two of the AIM Rules and the guidance to Schedule Two set out in Part Two — Guidance Notes to the AIM Rules, to the fullest extent permitted by law, Behre Dolbear does not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such other person as a result of, arising out of, or in connection with this CPR or statements contained therein, required by and given solely for the purpose of complying with the Rules and consenting to inclusion of the CPR in the Admission Document.

The Company has confirmed, in writing, to Behre Dolbear that to its knowledge the information provided by it (when provided) was complete and not incorrect or misleading in any material respect. Behre Dolbear has no reason to believe that any material facts have been withheld and the Company has confirmed, in writing, to Behre Dolbear that it believes it has provided all material information.

The achievability of the development of the Project is neither warranted nor guaranteed by Behre Dolbear. The Project development as presented and discussed herein has been proposed by the Company's management, and adjusted where appropriate by Behre Dolbear, and cannot be assured; it is necessarily based on economic assumptions, many of which are beyond the control of the Company. Future cash flows derived from such forecasts are inherently uncertain as they are dependent on the outcome of the success of previous reporting periods, accordingly actual results may be significantly more or less favorable.

2.4.2 Reliance on Information

Behre Dolbear believes that its opinion must be considered as a whole and that selecting portions of the analysis or factors considered by it, without considering all factors and analyses together, could create a misleading view of the process underlying the opinions presented in the CPR. The preparation of a CPR is a complex process and does not lend itself to partial analysis or summary.

Behre Dolbear's opinion in respect of the Mineral Resources declared and the Project is effective at May 12, 2008 and is based on information provided by the Company throughout the course of Behre Dolbear's investigations, which in turn reflect various technical-economic conditions prevailing at the date of this report. Further, Behre Dolbear has no obligation or undertaking to advise any person of any change in circumstances which comes to its attention after the date of this CPR or to review, revise, or update the CPR or opinion.

2.4.3 Declaration

Behre Dolbear will receive a fee for the preparation of this report in accordance with normal professional consulting practice. This fee is not contingent on the outcome of the Admission and Behre Dolbear will receive no other benefit for the preparation of this report. Behre Dolbear does not have any pecuniary or other interests that could reasonably be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Mineral Resources.

Neither Behre Dolbear, the Competent Persons, nor any directors of Behre Dolbear have at the date of this report, nor have had within the previous two years, any shareholding in the Company, the Project, or advisors of the Company. Consequently, Behre Dolbear, the Competent Persons, and the directors of Behre Dolbear consider themselves to be independent of the Company.

In this CPR, Behre Dolbear provides assurances to the Board of Directors of the Company that the mineral resource estimate as provided to Behre Dolbear by the Company, and reviewed and, where appropriate, modified by Behre Dolbear, are reasonable, given the information currently available.

This CPR includes technical information, which requires subsequent calculations to derive subtotals, totals, and weighted averages. Such calculations may involve a degree of rounding and consequently introduce an error. Where such errors occur, Behre Dolbear does not consider them to be material.

2.4.4 Consent

Behre Dolbear has authorized the contents of its report and context in which they are respectively included and has authorized the contents of its report for the purposes of paragraph 23.1 of Annex I to the AIM Rules.

Subject to the foregoing, neither the whole nor any part of this report nor any reference thereto may be included in any other document without the prior written consent of Behre Dolbear as to the form and context in which it appears.

2.5 UNITS OF MEASUREMENT AND CURRENCY

Measurement units used in this report are in the metric system. The currency is United States (U.S.) dollars unless specifically stated otherwise.

3.0 BACKGROUND

3.1 PERSONNEL

Mr. Robert D. Maxwell, Senior Associate and Project Manager for this report, provided expertise required for the resource estimation and evaluation. Mr. Maxwell has more than 32 years of experience in mining, exploration, development, and evaluation of deposits in North America. He directed field operations for Kerr McGee's phosphate projects in northern Florida including drilling, exploration, and resource estimation. He has been involved in numerous evaluations related to major mineral property acquisitions. He is well versed in all aspects of the industry and is accepted as a Qualified/Competent Person.

Mr. Ralph Crosser, Senior Associate with Behre Dolbear, provided the phosphate beneficiation and processing expertise for this report. Mr. Crosser has over 40 years of experience in the mineral industry related to evaluation and development of plant operations, capital projects, and environmental management. He was operations manager for several years for a potash operation in New Mexico, in the U.S. with a geographic and environmental setting similar to that in Kazakhstan. Mr. Crosser's background is enhanced by senior environmental managerial experience in the capacity of corporate representative and operations manager relating to evaluations, feasibility studies, capital cost estimates, and project management.

Mr. James Edgerley, Senior Associate with Behre Dolbear, was responsible for the review of mining issues. He has extensive experience in the minerals industry with particular emphasis on feasibility studies, project economics, and project management. Mr. Edgerley has strong capabilities in surface mine design and operations management. He has been involved in the review of phosphate mining operations in Jordan and Saudi Arabia.

Mr. Robert Connochie, President of Behre Dolbear Capital, Inc., was previously the president of Potash Corporation of America and later of Asia Pacific Resources, which is developing a potash project in Thailand. He has extensive experience with fertiliser mineral markets with his most recent focus being Asian markets. He was subcontracted to Behre Dolbear & Company (USA), Inc. for this assignment. Mr. Connochie provided market data and analysis for this report.

Mr. William Jennings, Senior Associate and Principal with Behre Dolbear has over 20 years of experience in the mineral industry with over 15 years in preparing economic projections for mining projects. Mr. Jennings performed the cash flow analysis.

Mr. Bernard J. Guarnera, Behre Dolbear & Company, Inc.'s president and chief executive officer, performed quality assurance and under took the indicative valuations. Mr. Guarnera has over 35 years of professional experience as an economic geologist and mineral appraiser. He is a Certified Mineral Appraiser with the American Institute of Mineral Appraisers and a Chartered Professional (Geology) with the Australasian Institute of Mining and Metallurgy. He was subcontracted to Behre Dolbear & Company (USA), Inc. for this assignment.

Messrs. Guarnera and Maxwell are Qualified Persons under the definitions of Canada's National Instrument 43-101 and Qualified Persons under the Australasian JORC Code. Resumes of Messrs. Guarnera, Maxwell, Connochie, Crosser, Edgerley, and Jennings are included as Appendix 2.0.

A visit to the site was performed by Messrs. Maxwell, Crosser, and Edgerley on February 24, 2006. The abandoned and partially salvaged plant, infrastructure, and mine operated in the late 1980s and early 1990s were examined. In Aktobe, Behre Dolbear personnel interviewed Mr. V. Litoshko, still employed by the former operator West Kazakhstan Territorial Department of Committee of Geology and Subsoil Use of Kazakhstan (successor of Ministry of Geology of Kazakh SSR).

Mr. Maxwell collected samples for metallurgical testing from three locations on the site August 22 and 23, 2006.

3.2 COMPENSATION AND INDEPENDENCE

Behre Dolbear received a fee based on the time expended on the project from Sunkar. The fee was partially paid in advance and was not contingent upon the results of the property examination. Neither Behre Dolbear, nor the Competent Persons, nor any directors of Behre Dolbear have at the date of this report, nor have had within the previous two years, any shareholding in the Company, the Project, or other advisors of the Company. Consequently, Behre Dolbear, the Competent Persons, and the directors of Behre Dolbear consider themselves to be independent of the Company.

4.0 PROPERTY DESCRIPTION

4.1 AREA

The contract area is delineated by points of departure, described by Universal Transverse Mercator System WGS84 coordinates as follows:

5496639.6 515627.6	5457449.5 506360.1
5496982.7 520357.3	5462537.1 509384.6
5482424.4 525495.5	5471998.2 506522.4
5471205.8 533675.8	5477920.7 518341.2
5464774.9 534008.1	5482930.5 517612.3
5448065.8 532690.7	5483394.4 513538.0
5446380.8 521664.9	5485164.0 513557.7
5448246.1 514109.4	5488793.4 518905.3
5452775.0 512259.2	

Additionally, Behre Dolbear has on file the coordinates of the deposit based on the Krassovsky 1942 System. The contract area covers an 836km² portion of an overall area of phosphate mineralization of 1,550km². The eastern and northwestern boundaries of the contract area approximate a limit of the deposit determined by a prohibitive overburden thickness. The northern, southern, and southwestern boundaries are established approximately where the phosphate unit has been eroded by encroaching stream drainage systems and/or by pinch-out of the host rock.

4.2 LOCATION

The Chilisai deposit is located in northwestern Kazakhstan immediately west of the town of Kandygash in the Mugalzharski and Temirski regions of the Aktyubinsk Oblast (state). Kandygash is located about 90km. south of the city of Aktobe, center city of the Oblast. The deposit is located from 49° 01' 05" to 49° 38' 18" north latitude and 57° 05' 15" to 57° 37' 30" east longitude.

4.3 TENURE

The Work Program for development of the Chilisai deposit was prepared in accordance with the resolution of the Tender Commission for Subsoil Use (Minutes No. 12 dated November 12, 2004) and was deemed as an integral part of the SUC entered December 2005 between the Minister of Energy and Mineral Resources of the Republic of Kazakhstan and Temir-Service LLP (see Section 20.1 for details of the contract). The SUC has a term of 25 years; the property has the potential to produce phosphate rock at a rate of 10Mtpy for more than 50 years.

4.4 NATURE OF TITLE

See Section 20.1 of this report for details of the SUC entered into between the Ministry of Energy and Mineral Resources Republic of Kazakhstan (Competent Body) and Temir-Service LLP (Contractor).

4.5 TOPOGRAPHY, ELEVATION, AND VEGETATION

4.5.1 Topography

The Chilisai deposit is in the headland area of the Ilek River on the Subural Plateau west of the Mugodzhar Mountains. The terrain over the deposit is a nearly flat plateau, with gently rolling topography dissected by a young to mature dendritic pattern of stream encroachment on the south and west (Figure 4.1). Minor relief on the eastern edge of the deposit is sufficient to increase the overburden to a thickness that affects the mining limit. Salt diapirs slightly alter the terrain to the west.

Figure 4.1. Typical terrain at sample site OB-4



4.5.2 Elevation

The elevation of the surface in the vicinity of the deposit ranges from 235 meters (m) to 320m.

4.5.3 Vegetation

In 1975, about 70% of the surface overlying the deposit was described as being used for agriculture — mainly wheat production. This usage appears to have dwindled. Natural vegetation is monotonous and typical of zones of the moderately-hot dry steppes.

4.6 MEANS OF ACCESS

The Chilisai deposit is located at the junction of two major railroad lines: Moscow-Tashkent (northwest-southeast) and Orsk-Atyrau (northeast-southwest). A railroad spur built to service the phosphate plant has been stripped of rail and ties, but the bed is usable for future operations. A major north-south paved highway passes along the eastern boundary of the SUC area.

4.7 PROXIMITY TO A POPULATION CENTER

The town of Kandygash is on the eastern boundary of the Chilisai deposit. Kandygash is located about 90km south of the city of Aktobe, center city of the Oblast. The population of Kandygash settlement is slightly above 60,000 as of 2006. Both are accessible to the deposit by paved roads. Aktobe and Kandygash are important sources of manpower for an operation at Chilisai.

4.8 CLIMATE

The climate is continental with severe cold winters and hot, dry summers. A high evaporation rate and clear skies are characteristic of the spring and summer seasons. July and August are the warmest months with the highest temperature probably not exceeding 44°C. The low in winter may be minus 42°C.

Annual precipitation does not exceed 220 millimeters (mm). The major precipitation periods are May through July and October through November. Snow cover is stable by late November or early December and melted by the end of March or early April. Snow depth ranges from 200mm to 300mm. The soil freezing depth is 1.8m to 2.2m. Drilling is best accomplished on frozen ground.

4.9 LOCAL RESOURCES AND INFRASTRUCTURE

Surface access is physically feasible via established trails related to past agricultural development. Legal access to mineralization is covered by the Sub Surface Contract. Access to individual farm tracts will need to be negotiated. A 110 kilovolt (kv) power line runs through the contract area. Process makeup and drilling water sources are expected to be from wells dedicated to the project. Availability of experienced mining personnel from the former operation is an unknown due to the limited nature of the mine and the time elapsed since operations ceased. Pending an examination of the former tailing pond site, a possible new tailing disposal area has been identified. A potential processing plant site has been identified by Behre Dolbear adjacent to the old rail spur road bed and east of the old plant site.

Previous operations on the property during the Soviet era consisted of a surface mine and a beneficiation plant including flotation that produced a limited amount of product. The former facility is still present, but will not be used by Sunkar except for potentially recycling the concrete for use as gravel. The proposed new operation will require construction of a new processing facility and the infrastructure required to support a mine, concentrator, sulphuric acid plant, phosphoric acid plant and a facility to convert the phosphoric acid to DAP or MAP. Other adjacent, or nearby, structures associated with a cement plant and railroad maintenance facilities are also unusable.

4.10 OWNERSHIP HISTORY

The deposit was discovered during a preliminary stage of drilling on an 800m × 800m grid in 1967. In 2004, Temir-Service LLP won the public tender for Chilisai deposit. In October 2005, a contract designated SUC was entered between the Minister of Energy and Mineral Resources of the Republic of Kazakhstan and Temir-Service LLP. On September 13, 2006, Sunkar acquired 80% ownership of Temir and another 10% in January 2008. The other 10% is owned by one private investor.

4.11 PAST EXPLORATION AND DEVELOPMENT

The prior drilling program delineated 1.2 billion tonnes of phosphate material to a C₂ level of confidence or higher in the Chilisai area. The contract area contains 803Mt of C₂ or higher category resources (see Table 1.1). In addition, approximately another 800Mt were described as present in proximity to the Chilisai deposit.

Starting in 1972, five drill rigs worked from a temporary camp. An office was set up in 1974. Drilling was essentially complete by 1976. Cores were taken in 35mm runs, providing 40 to 50 gram samples. Some 300 one kilogram (kg) samples were taken by hand excavation. Behre Dolbear is not aware of any exploration or development work being performed since 1976.

A plant and mine were built on the deposit but reports of the results of several years of mining were not available to Behre Dolbear for review. Interviews with former miners indicate a drag scraper was used to remove material in 20 centimeter (cm) slices.

4.12 HISTORICAL RESOURCE ESTIMATES

The historical resource estimates presented in Table 4.1 were used as a basis for this report and were derived from a table of resources based on Protocol No. 7428 August 13, 1975. Two revisions of the resources were noted by Behre Dolbear. The first was to decrease C₂ resources by 250Mt and increase C₁ resources by 284Mt. The second revision was in the "Expert Conclusion" of December 2004 which showed a decrease in C₂ resources by 277Mt and an increase in C₁ resources by 238Mt. The change in total resources from 1975 to 2004 was a decrease of 3%, perhaps to account for mining losses. The reduction of resources by the Ministry, compared with a Behre Dolbear adjustment of ore blocks in the mined area, suggests that the former mining operation extracted between 3.5Mt and 7.5Mt of ore before the cessation of operations.

TABLE 4.1 COMPARISON OF CLASSIFICATION SYSTEMS

	<u>Measured</u>	<u>Indicated</u>	<u>Inferred</u>	<u>Potential</u>
JORC and CIMM	Greatest density before mining			A broad category ranging from geological theory to projections of known deposits
	A+B	C₁	C₂	P₂
Soviet System	After mine development	Highest density before mining	Sufficient to delineate general extent of deposit	Based on discovery and evidence of a deposit

The Soviet system of assignment of categories of levels of confidence combines factors of continuity and complexity with rigid definitions of spacing. Table 4.1 represents Behre Dolbear's generalized comparison of the Soviet system to the JORC resource definitions, as considered relevant for the Chilisai deposit. Table 4.1 does not reference economic viability and is shown only to illustrate Behre Dolbear's opinion of how Soviet levels of confidence at the Chilisai Project relate to Western classifications.

The quantity of resources estimated to be C₂ was generally quite conservative. Behre Dolbear has confidence that a deposit that has survived scrutiny to the C₂ level contains a substantial quantity of mineral, as reported.

4.13 PRODUCTION HISTORY

A comprehensive sampling program at Chilisai by Soviet era engineers gave sufficient confidence that this was a project of merit according to the standards of the former operator, leading to the construction of a massive facility (Figure 4.2). These facilities were subsequently abandoned. The reason(s) for the shut down is not part of the documentation Behre Dolbear reviewed, nor was the information derived from interviews.

Figure 4.2. Existing processing facility at the Chilisai project site



Operating reports from the Soviet era operations were not available for review by Behre Dolbear.

Examination of a satellite image of mine workings overlaid on a map of resource blocks indicates that the mined area consumed varying portions of four resource blocks: 11 B, 31 C₁, 35 C₁, and 36 C₁ (where the numeral represents a sequentially numbered area and the letter designates the resource category). If confirmed, about 7.5Mt of ore should be subtracted from the 1975 resource estimate.

5.0 GEOLOGICAL SETTING

5.1 REGIONAL GEOLOGY

The Chilisai deposit is within the Subural Plateau west of the Mugodzhar highlands. The deposit is in the conjunction zone of the Pre-Ural “fore deep” and the Ural-Emba salt dome oblast (region or province). The deposit is underlain by a complicated asymmetrical depression characterized by a system of folds aligned with the Ural strike. Some anticlinal features are related to salt tectonics, which are also complicated by salt diapirs. The diapirs were formed when deep core salt formations were squeezed to the surface causing a doming of overlying rock units. The effect may be twofold: deposition of sediments on the high surface of the dome may be limited and/or the high ground may accelerate erosion.

5.2 LOCAL AND PROPERTY GEOLOGY

The Chilisai deposit is part of a Mesozoic-Cenozoic platform mantle represented by the Chalk, Paleogene, and Quaternary Systems. Deformation of near surface sediments by salt domes is apparent in satellite imagery. In at least one instance, units hosting phosphate over a salt dome have been eroded. The phosphorite deposit is occasionally displaced a few meters by minor, near normal faulting.

6.0 DEPOSIT TYPE

The Santonian-stage phosphate-bearing units are near-marine shoreline sands formed by transgression of a sea associated with a Paleo-Caspian basin. Characteristics of the Chilisai deposits differ significantly from more typical phosphate deposits being exploited at this time in

areas such as Florida in the U.S., the Mid-East, and Morocco. The Chilisai deposit is thinner, stated to be generally lower in phosphate content (based on analyses reported by the Kazakh authorities), and has a higher degree of cementation.

Three phosphatic layers occur in the deposit area, consisting of a well-cemented (from top to bottom) "plate," a nodule zone, and a pebble zone (Figures 6.1 and 6.2). The plate is not always present. The two lower zones are hosted by poorly-cemented, glauconitic sandstone units. Each zone has distinctive coloration, which is expected to be valuable to grade control during mining.

Figure 6.1. Phosphate layers



Figure 6.2. Plate layer being ripped

Note the distinct cementation of the plate layer



7.0 PHOSPHORITE DEPOSIT

7.1 CHARACTERISTICS AND COMPOSITION

The phosphorites in the Chilisaí deposit form a layer, which is homogenous in terms of thickness and properties but varies in terms of its structure. The average grade for the deposit is approximately 10.1% P_2O_5 . The deposit is sedimentary and is represented by three lithologic varieties: phosphate plate, nodules, and pebble, as described below.

1. The phosphate plate is a conglomerate of phosphate nodules and pebbles, which are cemented by sand-phosphate cement and is found as a cover to the nodular bed (Figure 7.1). It is absent in certain areas of the phosphate beds. The average thickness of the plate in certain areas is 0.2m. It reportedly has maximum content of 16% to 18% P_2O_5 .

Figure 7.1. Plate above nodules



2. The phosphate nodules are concretions of fine sand phosphate, rounded, fancy form, forming concretions from several nodules (Figure 7.2). The average size of nodules ranges from 1cm to 5cm.

Figure 7.2. WF-1 nodules above hand



3. The phosphate pebbles are well rounded with sizes from 1cm to 3cm often oval shaped and flattened.

The filling material of the nodular and pebble beds are glauconite-quartz sands and siltstone, usually loosened and easy to separate from concretion material by simple screening. The principal gangue material is silica constituting approximately 50% of the total gangue minerals.

8.0 EXPLORATION

Behre Dolbear did not review historical documents on exploration approaches or techniques. The Soviet program drilled out 1.2 billion tonnes of phosphate material to the A through C₂ levels of confidence or better in the Chilisai area. The contract area contains 803Mt of C₂ or higher category resources (see Table 1.1). Starting in 1972, five drill rigs worked from a temporary camp. An office was set up in 1974. Drilling was essentially completed by 1976.

9.0 DRILLING AND PITTING

No drilling was performed by Sunkar or Behre Dolbear. During the Soviet program, cores were taken in 35mm runs, providing 40 gram (g) to 50g samples. Some 300 samples of 1kg size were taken by hand excavation. Exploration drilling was vertical holes drilled through base of the phosphatic zone a fraction of a meter to rarely over 20m in depth. Drilling patterns varied from exploration fences and grids with holes on 400m to 800m spacing to delineation drilling on a 200m by 200m spacing. Behre Dolbear observed no record of exploration or development work performed since 1976.

10.0 SAMPLING METHOD AND APPROACH

The former operator sampled using core drills and hand dug pits. Assays for 20 compounds (e.g., P_2O_5) were made. The drilling was performed by rotary rigs. One or both of two methods of sampling by drilling may have been used: taking of core or collecting bit cuttings as samples. Documentation of the use of either method was not found by Behre Dolbear. Neither core nor samples were observed by Behre Dolbear. It is likely that, similar to sampling by companies in Florida, USA, the entire sample was sent to a laboratory for analysis and not preserved.

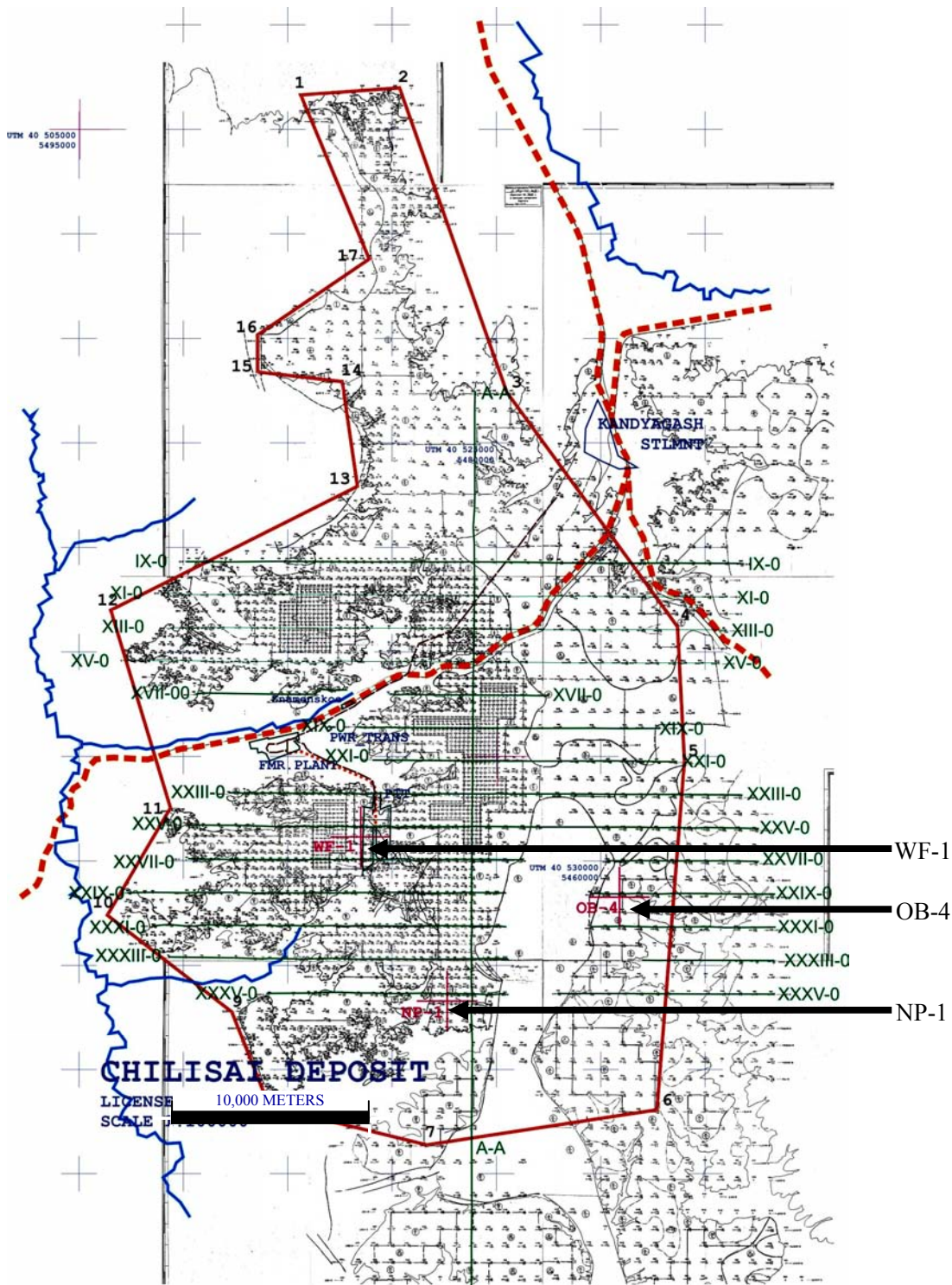
Behre Dolbear sampled three locations (WF-1, NP-1, OB-3) in August 2006 to obtain material for small-scale bench testing. These sample sites are shown in Figure 10.1. The purpose of the sampling program was to obtain samples for a scoping bench-scale testing program in order to determine a conceptual processing flowsheet and its associated conceptual capital and operating costs. A more extensive sampling program has been planned to collect approximately 27 samples from multiple sites.

The different rock types present at each site were collected (pebble, nodule, and plate). The sample sizes were approximately 10 kg per sampled horizon. Site NP-1 was selected to obtain samples of nodules and pebble with some overburden. The site yielded no pebble and the nodules occurred above the plate. Site WF-1 was selected to provide samples of material with minimal overburden and because of the sample site's proximity to the original mining operations (west face of the main pit). Site OB (samples OB-3 and OB-4) was selected to provide samples of material with thicker overburden as well as to test material on the east side of the deposit, which is generally expected to exhibit poorer quality mineralization.

Preliminary sample characterization studies were conducted for all samples. Only one of the three sites had all three rock types and a composite was generated for this site by proportionally recombining the three rock types (WF-1 Composite). Detailed sample characterization, bench-scale beneficiation tests, and chemical leaching tests were conducted on this composite.

Analyses of the samples at site WF-1 averaged 10.5% P_2O_5 . The other samples from the NP-1 and OB-3 sites had P_2O_5 values ranging from 9.0% P_2O_5 to 15.7% P_2O_5 . These assay results were relatively comparable to the findings of the Soviet era study (9% to 13% P_2O_5), which included assays from more than 5,000 drill holes.

Figure 10.1. Contract area with drill holes and Behre Dolbear sample locations



11.0 SAMPLE PREPARATION, ANALYSIS, AND SECURITY

No core or exploration samples were observed by Behre Dolbear. Sample preparation, analysis, and security procedures by the former operator were not available for review by Behre Dolbear. Based on Behre Dolbear's generally high regard for the Soviet's technical procedures and security, analyses in the June 1979 report were accepted as reliable for purposes of this report. Twenty compounds were analyzed by the former operators. Values of P_2O_5 , Fe_2O_3 , and Al_2O_3 content were contoured on maps reviewed by Behre Dolbear.

12.0 DATA VERIFICATION

Behre Dolbear observed a number of copies of documents generated by Soviet engineers as listed in Section 2.3.1 of this report. An interview and site visit with a former Chilisaï supervisor resulted in verbal confirmation of the information related to resource and deposit descriptions in the documents.

13.0 ADJACENT PROPERTIES

No significant phosphate plants are adjacent to the Project. There are resources, reported by the former operators and presented in Table 4.1, that exist at the northern, eastern, and southern edges of the contract area. In addition, approximately 800 additional Mt of 'off balance' and off contract material were described as present in proximity to the Chilisaï deposit by the Ministry ("Expert Opinion," Ministry of Energy and Mineral Resources of Kazak Republic, Committee of Geology and Subsoil Use, State Commission on Resources, December 6, 2004.). 'Off balance' is material not meeting the former operator's criteria of material of at least 6% P₂O₅ and with an overburden ratio greater than 14m³ of overburden per tonne of phosphatic material in place

Sulphur and ammonia are two critical raw materials required to operate this Project successfully. The Project is unique compared to many other DAP producers because of its proximity to low-cost sulphur from the petroleum refining operations present in Kazakhstan. Sulphur is a waste product and the oil and gas producers need to dispose of their excess sulphur or risk payment of penalty. Ammonia is another bi-product of the oil and gas industry. Natural gas can be converted to ammonia as a potential revenue source for the oil and gas companies. Currently there is excess capacity for ammonia in Russia, Uzbekistan, and other CIS countries, which could potentially result in ammonia price discounts compared to the FOB Black Sea price.

14.0 MINERAL PROCESSING AND METALLURGICAL TESTING

Based on the historical operating data, the standard floatation technology used during the Soviet era of operations yielded disappointing results. Since the 1970s, there have been advances in phosphate concentration flowsheets and floatation reagents that may improve the characteristics of the concentrate for additional processing to DAP. To address this concern, seven samples were collected at the site and subjected to bench-scale testing. Behre Dolbear subcontracted Resource Development Inc. (RDI) in Wheat Ridge, Colorado, to perform bench-scale laboratory testing of Chilisaï phosphate samples under the supervision and direction of Behre Dolbear. The objectives of the test program were to determine:

- if the Chilisaï ore was amenable to upgrading to a higher P₂O₅ content without incurring significant losses of the valuable mineral; and
- if the resulting processed mineral could be chemically wet processed into an acceptable commercial phosphoric acid product.

Section 18.0 of this report presents Behre Dolbear's initial concept of a potential metallurgical and chemical process to produce DAP based on this preliminary bench-scale testing and standard DAP production methods.

14.1 BENCH-SCALE TEST PROGRAM AND RESULTS

The bench-scale testing program consisted of the following phases.

1. Head analyses of the seven samples received from the three collection sites were performed, resulting in P₂O₅ assays ranging from 9.0% P₂O₅ to 15.7% P₂O₅. Assay results from the three different sample sites were relatively comparable to the findings of the Soviet era study, which included assays from more than 5,000 drill holes.
2. The WF-1 Composite sample and the three rock types used to generate the WF-1 Composite were further characterized using seven independent assaying subcontractors in order to provide diversification in assaying techniques for comparison. The analytical techniques included x-ray fluorescence (XRF), inductive coupled plasma (ICP), atomic absorption (AA), colorimetric analysis, and wet chemistry analysis. Assay results for the WF-1 Composite ranged between 10% P₂O₅ and 17% P₂O₅, but the majority of the assays were between 10.3% P₂O₅ and 11.5% P₂O₅, which is comparable to the results reported in the 1975-79 Soviet-era reserve estimation. For purposes of this evaluation, Behre Dolbear used a head assay of 10.5% P₂O₅ for the WF-1 Composite as the baseline grade.

3. Dry beneficiation tests were conducted on the WF-1 Composite. The composite feed material was crushed to minus 25mm and screened at 850 microns. The recovery into the plus 850 micron product was 82.7% of the contained P_2O_5 , representing 52% of the feed weight with a grade of 16.87% P_2O_5 .
4. Other beneficiation tests included heavy media separation, calcination, and froth flotation. Poor recoveries were achieved with the heavy liquid separation due to the occurrence of the phosphate-bearing mineral identified as having a "cryptocrystalline," structure also referred to as "collophane." In some bodies of work, this mineral is also referred to as "kurskite." Collophane has a variable specific gravity (2.5-2.9) which is virtually identical to silica minerals, making it essentially impossible to concentrate by differential specific gravity separation. Calcining tests showed no effect on the amount of fluorine in the product, nor significant weight reduction. Froth flotation did not result in significant upgrading of P_2O_5 content (1.5% improvement) and recovered less than 60% of P_2O_5 contained in the dry concentrate feed. Further testing of these technologies was not warranted because mineralization does not occur as discrete particles, which would be amenable to flotation or other techniques described above. As a result, liberation by traditional methods is incomplete. Excessive grinding to achieve liberation would result in significant losses into the waste fines and unacceptably low ($\pm 53\%$) P_2O_5 recovery.
5. Acid treatment was conducted on the concentrate resulting from the crushing and sizing procedure since there was no significant upgrading from additional beneficiation technologies. Acid treatment tests were performed by attacking dry concentrate (16% to 17% of P_2O_5) with a weak acid solution containing sulphuric acid and diluted phosphoric acid. Varying these conditions simulated the di-hydrate and hemi-hydrate processes (see Section 18.0 for more detailed description of these processes). The di-hydrate process conditions produced weak phosphoric acid and leached more than 95% of the P_2O_5 contained in the concentrate. Calcium mostly reported to the filter cake, showing the completeness of the conversion to H_3PO_4 and production of phosphogypsum. Magnesium levels were less than 0.2% in the filtrate samples. Iron was less than 0.4% in the filter cake and less than 1.0% in the concentrated filtrate resulting in a light green colored liquid. Carbonates did not appear to cause significant foaming problems. Fluoride concentration was not determined in reaction off-gas, but the odor of halogen gases was noticed.
6. To verify the initial test results, confirmation tests were conducted on larger bench-scale samples of the WF-1 Composite. Using appropriate chemical process laboratory methods for the di-hydrate and hemi-hydrate processes, these tests were designed to confirm the potential processes for recovering most or all of the available phosphate.
7. The results of the confirmation tests confirmed the earlier test results. The di-hydrate process acid-rock reaction (attack) operated best at $\pm 75^\circ C$, and the hemi-hydrate process operated best at $\pm 110^\circ C$. The filtrate P_2O_5 concentration was 22.5%. The P_2O_5 recovered into the filtrate was approximately 99%.

14.2 BENCH-SCALE TEST PROGRAM INITIAL CONCLUSIONS

Based on the work completed and the composite sample tested, Behre Dolbear reached the following initial conclusions.

- Direct leaching of dry concentrate upgraded by crushing and screening to 17% P_2O_5 appears to provide a reasonable process for producing phosphoric acid. This is especially true given Sunkar's access to low-cost sulphur. Direct leaching also avoids the need for a flotation plant, resulting in the potential for significant capital and operating savings as compared to other DAP producers, as well as reduced water consumption.
- Regardless of the rock size processed during the leaching test program, processing the upgraded Chilisai rock using the di-hydrate process for orthophosphoric acid (H_3PO_4) production appears to be feasible. Leach recoveries were in excess of 95% and best results were obtained at a particle size passing 850 microns (20 mesh).

- Based on the results of these preliminary tests, there does not appear to be significant hindrances to producing commercial phosphoric acid from the Chilisaï ore. Contaminants such as magnesium, cadmium, fluorides, iron, and aluminum, which can cause problems in commercial phosphoric acid operations, were at low levels. These contaminants were below industry specifications for merchant grade phosphoric acid.
- Further testing is required to obtain design information for future reactor configuration, gas collection methods, optimal recovery, and acid consumption.

It should be noted that both the beneficiation and leach tests during this phase of work were scoping in nature and not intended to provide detailed design data. Additionally, this bench-scale test work was conducted on a single composite sample.

14.3 RECOMMENDATIONS FOR FUTURE TEST WORK

Additional testing is needed to confirm these results, to determine if the WF-1 Composite material tested was representative of the overall Chilisaï deposit, and to develop additional design data. A new test program has been planned to confirm the preliminary bench-scale results on additional samples. Approximately 27 samples are to be collected from multiple locations at the Project. Behre Dolbear has recommended, at a minimum, the test program should include sample characterization (mineralogy and head sample analyses), grindability and breakage tests to determine crushing and grinding work indices, and confirmation beneficiation and direct acid leach tests. In addition to confirming the samples' amenability to the conceptual flowsheet, the test program should be designed to determine optimum leach times and temperatures, as well as slurry rheology and filtration characteristics.

15.0 MINERAL RESOURCE AND MINERAL RESERVE ESTIMATES

Behre Dolbear documented an 803Mt resource at Chilisaï within the contract area. These resources are based on the Soviet system of nomenclature, as defined in the "Geological-Industrial Assessment of the Chilisaï Phosphorite-Bearing Deposit of the Aktyubinsk Phosphorite Basin." (Report on the results of detailed exploration with calculation of reserves as of June 1, 1975), Volume IV, Text Appendices, Book 20", V. Litoshko, V. Makukha, Y. Obolensky, E. Silivrya, A. Kozlov and have been adjusted to adhere to the current contract limit. "Detail Exploration Results Report, Volume I, Chilisaï Deposit of Phosphate in 1976-1979," Ministry of Geology of Kazak SSR, Aktubinsk, 1979, was also important to the review of other aspects related to the deposit. The above resource reports were approved by the State Commission of Reserves of the USSR (protocol #7428 dated 13.08.1975).

The resources as based on the Soviet-era data from 1975 are presented in Table 15.1. All these resources are historic.

**TABLE 15.1 CHILISAI HISTORIC RESOURCES IN-PLACE
(MILLIONS OF TONNES)**

Category	Gross			Net Attributable to Sunkar		
	Tonnes Phosphate Rock ¹	Grade (% P ₂ O ₅)	Tonnes P ₂ O ₅	Tonnes Phosphate Rock	Grade (% P ₂ O ₅)	Tonnes P ₂ O ₅
Measured (A + B)	184	10.7	19.7	184	10.7	19.7
Indicated (C ¹)	439 ²	9.9	43.5	439	9.9	43.5
Inferred (C ²)	180 ³	10.3 ⁴	18.5	180	10.3	18.5
Total	803	10.1	81.7	803	10.1	81.7

1 The "Expert Opinion," Ministry of Energy and Mineral Resources of Kazak Republic, Committee of Geology and Subsoil Use, State Commission on Resources, December 6, 2004, documents upgrading of some C₂ category resources to C₁. The result was to increase C₁ resources to 716 million tonnes and to decrease C₂ resources to 215 million tonnes. The net downward adjustment of 34 million tonnes is not well documented. As a result, Behre Dolbear used the estimates, by category, from the 1975 report.

2 474 tonnes of C₁ from 1975 report less 35 tonnes outside of contract area = 439 tonnes

3 492 tonnes of C₂ from 1975 report less 312 tonnes outside of contract area = 180 tonnes

4 Not provided in 1975 estimate — Inferred by Behre Dolbear

The reported P₂O₅ content averaged 10.1% without much variation vertically or horizontally. Behre Dolbear used a mine-mouth grade of 10.5% P₂O₅ grade for project cash flow analysis to balance the likelihood of about 10% dilution with the probability that selective mining will extract higher grade material.

Two other factors should be noted, neither of which is expected to impact a 25-year mine plan:

1. It appears that the mined area consumed varying portions of four resource blocks: 11 B: 31 C1: 35 C1: and 36 C1. If confirmed, about 7.5Mt of ore should be subtracted from the total above; and
2. Behre Dolbear observed several “stockpiles” of material near the plant thought to be unprocessed phosphate rock. Other material observed along the edges of the mine may be phosphate rock as well. If so, the material should be classified in the ‘A’ category. This material is not reflected in the resources stated in Table 15.1.

The resources are shown below in Table 15.2 to approximate their relationship to resources defined under the JORC Code. These values are indicative to assist the reader with an understanding of the Russian system.

**TABLE 15.2 CHILISAI RESOURCES — SOVIET SYSTEM OF RESOURCE CLASSIFICATION
 ALIGNED WITH JORC RESOURCE CATEGORIES**

Soviet Classification System JORC Classification	Category (millions of tonnes of phosphate rock in-place)			Total (In-place)
	A+B Measured	C ¹ Indicated	C ² Inferred	
Inside of Contract Boundary	184	439	180	803

The resources were estimated by the former operator using a grade cut-off of 6% P₂O₅ and a maximum ratio of 14m³ of overburden per 1 tonne of mineable material (note: the density of the overburden was not reported in the documents, so volumetric measurements are used based on the Soviet era determinations). Behre Dolbear emphasizes that the deposit is categorized as a “resource” because only limited economic factors have been applied. A feasibility study will be required to define the economic viability of exploiting the phosphorite deposit. The average grade of the resources reported in Categories A through C₁ by the Soviet operator is 10.1% P₂O₅.

16.0 OTHER RELEVANT DATA AND INFORMATION

16.1 GENERAL COUNTRY BACKGROUND

Kazakhstan at 2.7 million km² is the second largest nation, after the Russian Federation, of the Former Soviet Union. It is landlocked in the center of the Eurasian landmass but has a small maritime industry on the Caspian Sea where it moves cargo to neighboring countries. It is bordered by Russia on the north, China to the east, Kyrgyzstan, Uzbekistan, and Turkmenistan to the south, and the Caspian Sea to the west. The country is mainly flat-lying, short-grass and long-grass steppe, but has some forest lands in the north and mountainous terrain in the Altai Range to the east and the Tien Shan Range along the Kyrgyz border. The population is 15.3 million of which 57.19% are ethnic Kazakh (Qazaq), Russian 27.24%, Ukrainian 3.14%, Uzbek 2.74%, German 1.59%, Tatar 1.56%, Uyгур 1.49%, and other 5.05% (October 2006).

The nation is well-endowed with natural resources including a wide variety of minerals, the most important of which are oil and gas. An extensive mining and metallurgy industry was developed during Soviet times and continues to be important today. Also during Soviet times, an extensive manufacturing base was created, much of which has fallen into disuse. A challenge for the present government is to reestablish the manufacturing sector so as to diversify the economy away from dependence upon petroleum. Agriculture is also important. Kazakhstan produces nearly 16Mt of grain per year, mostly wheat which enjoys a good export market (around 8Mt per year), oil seeds and cotton, and rice in the south. Livestock rearing of cattle, sheep, horses, and camels is a mainstay for many rural areas.

16.2 MINERAL INDUSTRIES

Kazakhstan possesses enormous fossil fuel reserves as well as plentiful supplies of other minerals and metals. Kazakhstan's industrial sector rests on the extraction and processing of these natural resources and also on a growing machine-building sector specializing in construction equipment, tractors, agricultural machinery, and some defense items.

As the result of the in-country oil and gas industry, certain raw materials are readily available to the Project. In particular, sulphur and ammonia are the two critical raw materials required to operate this Project successfully. Sulphur is a waste product and the country's oil and gas producers need to dispose of the excess sulphur or risk payment of penalty. Ammonia is another bi-product of the oil and gas industry. Natural gas can be converted to ammonia as a potential revenue source for the oil and gas companies. Currently there is excess capacity for ammonia in Russia, Uzbekistan, and other CIS countries, which could potentially result in ammonia price discounts compared to the FOB Black Sea price.

16.3 BUSINESS ENVIRONMENT

Transparency International is an NGO headquartered in Germany, which attempts to expose government corruption by way of its annual publication of its Corruption Perception Index (CPI). In its 2007 review, some 200 countries were evaluated through its survey system. The procedure employed is to use multiple surveys of business people and country analysts around the world, including experts who are residents in the countries evaluated. In the 2007 survey, the top rated countries were Denmark, Finland, and New Zealand with a CPI score of 9.4 based upon six surveys. At the bottom, rated 179 were Myanmar and Somalia, each with a score of 1.4. Kazakhstan was in the lower mid-range at 150 with a score of 2.1 and tied with other countries including Azerbaijan, Kyrgyzstan, and Tajikistan. Again by way of comparison, the U.S. was at 20 with a score of 7.2, Russia was 143 at 2.3, and Uzbekistan was 175 at a CPI of 1.7.

AON Corporation, an insurance and risk management specialist, annually publishes its Political and Economic Risk Ratings, which is best known for its world map of country risk. AON also uses a composite type of ranking system, which places countries into one of five classes ranging from low risk to high risk. The risk classes and some example countries for each are shown in Table 16.1. Of considerable importance is the fact that Kazakhstan has moved up two classes over the past few years from a high-risk category to a medium risk category. Many of its neighbors remain in the high-risk class.

TABLE 16.1
AON RISK CLASSES AND EXAMPLES — 2008

Risk	Countries
Low	U.S., Western Europe
Medium to Low	Poland, Bulgaria
Medium	Kazakhstan, Russia
Medium to High	Ukraine, Mongolia
High	Uzbekistan, Kyrgyzstan, Tajikistan, Turkmenistan

Kazakhstan has made progress in its ability to govern fairly and efficiently, and this along with a strong economy has reduced the risk faced by foreign investors from the levels of a few years back. Kazakhstan is now ranked with countries that are generally considered to be quite attractive targets for mineral industry investors.

17.0 CONCEPTUAL MINING SYSTEM

Behre Dolbear examined the proposed mining operation in the Work Program and proposed by Sunkar. Behre Dolbear recognized that the Work Program provides a basis for producing rock and flour products with a positive cash flow (phosphate flour is phosphate rock ground fine to be used directly as dry fertiliser). In order to produce a final DAP product, Behre Dolbear developed a conceptual mine and processing plant scenario that used additional techniques and unit operations. A simplistic mine plan was conceived by Behre Dolbear with acknowledgement that gaps in the data remain, and that further work will be necessary to better define the Project's feasibility. The primary purpose of the conceptual mine plan, as described below, is to provide a basis for estimating the production method and rate, and quality of feed to the plant. A reliable analysis of project viability can only be determined by more advanced feasibility studies, which are beyond the scope of this report.

The mine location has many positive characteristics. The arid flat-lying steppe and the flat-lying deposit simplify mine planning and offer favorable mining and hauling profiles. There is no water inflow recorded in the available data, and the water table is well below mining depths. The flat topography is interrupted by mature drainages and rolling knolls; however, large mining areas can be outlined within the most favorable topography. The reasonably harsh winters will restrict topsoil removal, but should not present unusual problems. Most of the infrastructure required by a remote operation is nearby at Kandygash or readily accessible from other areas.

17.1 CONCEPTUAL MINE PLAN

The conceptual mine plan was developed using the following production assumptions:

1. initial production is planned at 5Mtpy;
2. three years are planned for engineering and construction of the first unit;
3. expansion work will commence during the first year of production to add another 5Mtpy coming on line in production Year 4;
4. the mine output is projected to increase from 1.5Mtpy of ore in production Year 1 to 5Mtpy in Year 3, reaching full production of 10Mtpy in Year 5; and
5. at full mine production of 10Mtpy, the DAP yield is expected to be approximately 1.76Mtpy.

The mining sequence consists of three operations:

1. removal and replacement of topsoil;
2. removal and disposition of overburden; and
3. mining and transporting of ore to the beneficiation plant.

In determining the physical characteristics of these three mining horizons, the Work Program is the principal reference. Tables from a referenced 1975 report were also analyzed to support analyses of ore and waste characteristics. Study of cross sections and contour maps of depth, thickness, and quality from the 1975 report were also useful.

The basic design and cost structure of the mine was developed for two 5Mtpy increments. Expansion will generally duplicate the initial outline and quantities. An adjustment was made to compensate for longer ore haul distances encountered when mining the expanded phase. The thickness of topsoil averages 0.3m over the proposed commercial areas. The shortened 8-month top soil removal and storage operation will mine 768,000 bank cubic meters (bcm) annually. Stockpiling will be minimized by scheduling direct transfer to mined-out pits where possible.

Overburden depth averages 3m over these same areas. This material is unconsolidated, consisting of loam clays, loamy sands, sandy clays, and occasionally, siltstones. The overburden can be mined by a variety of earth moving equipment. During the winter months, freezing down to possibly 1.5m to 2m is expected, which will require special handling such as ripping. Annually, 7,680,000bcm will be removed and replaced in mined-out pits, or stockpiled for future rehandling.

The 0.93m thick phosphate-rock horizon generally consists of three distinct layers. The 0.2m thick cap, or plate, in most areas is cemented by sand-phosphate to the degree that bulldozer ripping is required. The plate is not consistent over the entire area of the deposit. Where some enriching has occurred, a brownish color separates the plate from the overburden. The middle layer consists of concretions of fine, sand phosphate described as phosphorite nodules. The color of this section is generally shades of grey. The bottom layer consists of black, oval-shaped phosphate pebbles. The layers are illustrated in Figure 17.1.

Figure 17.1. Three layers present in phosphate rock horizon



Mining at the initial rate of 5Mtpy will create a disturbed area of approximately 2.6km² per year equivalent to an area 1.6km by 1.6km. The resulting stripping ratio is a favorable 1.69bcm of waste to 1 tonne of phosphate rock. The dry phosphate ore density is expected to be approximately 2.1 tonnes per cubic meter and the formation contains approximately 5% moisture in situ. This is all to be verified by the feasibility study.

The 0.93m phosphate thickness is the average layer thicknesses listed in the Work Program. Similarly, topsoil and overburden thicknesses adopted in this study are taken from that publication.

The stratigraphic unit underlying the phosphate zone and, hence, the base of the mine face is an easily identified, white, fine, well sorted, sand.

17.2 MINING OPERATION ASSUMPTIONS

The work schedule has been estimated at 310 days per year, with two 11.5-hour shifts per day. Various “days-on-days-off” schedules are possible for the three labor crews.

Conceptually, the topsoil layer is to be removed and transported by equipment such as a bowl scraper. It is expected that the most cost effective sequence will be to deposit the topsoil in an adjacent mined-out pit, on the backfilled overburden, thus restoring original contour. The first panel to be opened would require stockpiling of both topsoil and overburden and this could occur occasionally in the future because of limitations in mine scheduling. At one-way haul distances exceeding 600m, incremental haulage costs by scraper generally start to escalate quickly.

The average estimated volume of topsoil to be handled each year is 768,000 bcm. Allowing for a shortened working season, this volume could typically be handled by a single CAT twin-engine 627G bowl scraper or equivalent (Figure 17.2). The bowl capacity on this equipment is 12cm struck and 17cm heaped. A general purpose bulldozer on the mine site, a CAT D10 or equivalent, should be available to assist the scraper.

Figure 17.2. Caterpillar 627G Scraper



The total volume of overburden to be removed and replaced each year is estimated at 7,680,000 bcm. The maximum truck haul distance is estimated one-way at 1,000m as waste will likely be dumped in available mined-out panels. The conceptual mine plan used in this study calls for an excavator truck fleet consisting of such equipment as O&K RH90C excavator with 10m³ bucket or equivalent (Figure 17.3), loading into five 64-tonne CAT 775E off-highway trucks or equivalent (Figure 17.4). A suitably sized, rubber-tired front-end loader could potentially augment the excavator and would also provide support to other operations.

Figure 17.3. O&K RH90C Excavator



Figure 17.4. 64-tonne Caterpillar 775E Off-highway Truck



The phosphorite deposit consists of the top plate material, nodules, and pebbles. After ripping the cemented plate, it is expected that the material will be unconsolidated and mineable by truck-excavator equipment. The conceptual mine plan calls for a front shovel mining at the ore faces and then swinging and dumping the ore into off-highway trucks. Initial haul distance to the beneficiation plant is estimated at a maximum of 2km each way. This will increase substantially over time. Dilution can potentially be controlled when mining and delivering the ore to the plant. It is proposed that a trained technician be assigned to each active panel, to assist the equipment operators in detecting the ore-waste interfaces. Behre Dolbear believes that a dilution and loss factor estimate of 10% is appropriate.

Annual production of 5Mtpy will likely require one O&K RH90C front-loading shovel with a 10m³ bucket or equivalent. The conceptual truck fleet consists of four 64-tonne units. The general purpose bulldozer could be equipped with a ripper to assist ore mining.

Another possibility for mining at the face would be the use of road construction machines that traditionally have been used to remove roads. These machines have been adapted to mining surface minerals such as coal and phosphate. This recent innovation in tabular bed mining should be investigated before finalizing method of extraction and equipment selection. The Wirtgen surface miner is such an adaptation of a roadway milling machine and has been successfully mining in conditions such as those found at Chilisai (Figure 17.5). A rotating, drum-mounted set of teeth extracts the ore and conveys the broken material directly to waiting trucks, or windrows it for later rehandling. Depending on the size of the unit, and the material to be handled, various depths of cuts can be taken.

Figure 17.5. Wirtgen surface miner



17.3 MINING ISSUES

Dilution and losses must be minimized during mining and delivery of ore to the plant. Thin-bed mining is particularly vulnerable to higher levels of dilution. Mitigation techniques include the following:

- collect and evaluate more data on color and composition differences between ore and waste;
- assign a grade-control technician at every active mining face;
- mechanically sweep top of ore;
- in extreme situations, install face lighting at night or schedule mining in daylight hours only;
- use machinery designed to remove old pavement from roads should be investigated to mine the thin ore zones encountered at Chilisaï;
- install smaller loading (and hauling) equipment to assist the operators while probably accepting lower productivity; and
- in advance of mining, drill test holes for chemical analysis.

It is proposed that at a minimum the first two techniques should be adopted. For the purposes of this report, a dilution and loss factor of 10% has been applied to as-received rock quality. Several small test pits permitting an investigation of all the formations will substantially help define this factor.

17.4 MINING CAPITAL AND OPERATING COSTS

For the purposes of this study, approximate estimates of mining capital and operating costs were made by Behre Dolbear to assist the creation of conceptual cash flow analyses as summarized in Table 17.1.

TABLE 17.1 MINING CAPITAL AND OPERATING COSTS

Cost Item	US\$
Mining Equipment	39,820,000
Haul Roads/Site Work	4,000,000
Pre-production Stripping	1,180,000
Mining Capital (excluding infrastructure)	45,000,000
Mining Operating Costs	\$3.00 per tonne near the central plant ranging up to \$5.75 per tonne at the mine limits

18.0 CONCEPTUAL PROCESS DESIGN

18.1 CONCEPTUAL PROCESS DESIGN

A review of data available, information gathered from various documents made available in Almaty, a trip to the mine site, interviews with persons with knowledge of the history of the Chilisai deposit, and the bench-scale laboratory tests conducted at the RDI laboratories enable the following observations to be made.

1. Processing at the Chilisai phosphorite facility historically used conventional crushing, washing and screening technology, followed by fatty acid flotation. The washing and screening plant performed as would be expected for the characteristics of rock being processed for removal of clay and fine silica materials in the rock. With screen openings of 1mm, approximately 50% by weight of the throughput was rejected. This upgraded the screen oversize to 17.3% P₂O₅, with the tailing containing approximately 3% P₂O₅.
2. The performance of the flotation circuit was disappointing considering that it only produced concentrate grades in the 20% range. Considering the flotation reagents available at the time, this is not surprising, since carbonate minerals will generally report to the concentrate when using fatty acid flotation. A reconstruction of the mineralogy of the ore using chemical analytical data indicates the ore could contain approximately 10% common carbonate minerals. The presence of carbonates in the concentrate make further processing to produce phosphoric acid difficult when using the wet phosphoric acid process. This was further confirmed in the 2007 bench-scale flotation tests conducted at RDI. The phosphate mineralization in the sample tested did not appear to occur as discrete particles, leading to poor recovery by flotation.
3. The WF-1 Composite (generated from the three WF-1 samples) tested at the RDI laboratory was upgraded by crushing to minus 25mm and screening at 850-micron (20-mesh). Recovery of P₂O₅ into the plus 850 micron fraction was greater than 82%, with a feed weight reduction of more than 47%, generally confirming the previous Soviet numbers. The phosphate content of the plus 850 micron fraction was increased to a range of 17% to 18% P₂O₅.

Based on these observations, the conceptual technical production parameters are shown in Table 18.1. The leaching operating parameters are based principally on U.S. performance data from available internet sources and trade associations.

TABLE 18.1 CONCEPTUAL TECHNICAL PRODUCTION PARAMETERS

Processing Factors	Unit of Measurement	Value/Factors	Tonnes Produced/Consumed per Annum (000s)
P ₂ O ₅ Content in Ore (Geologic)	Percent	10.6 (BPL 23.2% ¹)	
Average Content of P ₂ O ₅ in Produced Ore	Percent	10.5 (BPL 22.6%)	
Annual Production of Mine Ore	Tonnes		10,000
Crush/Screen Concentrate (17% P ₂ O ₅) (BPL 37.2%)	Tonnes		5,200
Ore Consumption per 1 tonne of Concentrate (upgrade factor)		1.92	
Annual Production of Phosphoric Acid H ₃ PO ₄ (100% P ₂ O ₅)	Tonnes		825
Concentrate Consumption per 1 tonne Phosphoric Acid H ₃ PO ₄		6.30	
H ₂ SO ₄ Consumption per 1 tonne of Phosphoric Acid		2.50	
Annual Consumption of Sulphuric Acid H ₂ SO ₄	Tonnes		2,260
Sulphur Consumption per 1 tonne of H ₂ SO ₄		0.333	
Annual Production of DAP Phosphoric Acid Consumption per 1 tonne of DAP	Tonnes	0.465	1,760
Anhydrous Ammonia NH ₃ Consumption	Tonnes		400
Anhydrous Ammonia NH ₃ Consumption per 1 tonne of DAP		0.224	

1 In the case of phosphate rock, the phosphorous content may also be referred to as “bone phosphate of lime” (BPL, where 1.0% BPL is equivalent to 0.46% P₂O₅).

18.2 PROCESSING BACKGROUND AND ORE CHARACTERISTICS RELEVANT TO PROCESSING

Based on reports generated during the Soviet era, the mineralogical composition of phosphorite ore at Chilisai is relatively simple, consisting mainly of two minerals: (1) quartz, which is present in the form of granules and (2) kurskite, a semi-crystalline phosphate of carbonate-apatite type, which cements the quartz sand. Rarely occurring minerals include glauconite, hydrous micas, feldspars, pyrite, calcite, and gypsum. The apatite in this sedimentary deposit consists of cryptocrystalline material, which makes up phosphate rock and fossil bone. Such material is referred to as “collophane” rather than apatite. Collophane commonly is a secondary occurrence as a cementing material, as a replacement of organic remains or in nodules. It has a dense layered or concretionary structure. It is variable in color, white to black, low in hardness (3-4), and has a variable specific gravity (2.5-2.9).

The eastern section of the deposit is characterized by a significant presence of clay matter.

The mineralogy was further confirmed by the X-ray diffraction analyses (XRD) of the WF-1 Composite sample that had been classified by size. The mineralogy of the 850 × 106-microns size fraction (typical sized fraction for flotation) was a mixture of 16% apatite, 13% mixed feldspars, and 68% quartz (silica). The sample was further examined using petrographic microscopy, and the phosphate-bearing mineral was confirmed to be kurskite.

Phosphorite ores of the Chilisai deposit are represented by phosphorite plate, phosphate nodules, and siltstone. Phosphorite formations (nodules and siltstone) are deposited in relatively loose fine sands or aleurolites. Granulometric composition of the Chilisai deposit was established when determining the quality on 196 samples during the Soviet era as shown in Table 18.2.

TABLE 18.2 GRANULOMETRIC COMPOSITION OF PHOSPHATE ROCK

Classes (mm)	Minimum	Maximum	Average	Total Output "+” (%)
+50 ^{1,2}	0.0	44.8	7.6	7.6
-50 + 10 ¹	19.8	52.3	32.7	40.3
-10 + 5	4.7	18.8	11.4	51.7
-5 + 1.0	2.8	60.8	8.2	59.9
-1.0 + 0.5	0.8	9.8	3.3	63.2
-0.5 + 0	19.0	58.2	36.8	100.0

1 Includes pebble sized material (2mm to 64mm)

2 Nodule size not specified. May include fragments of plate which is a weakly cemented collection of pebbles and nodules.

The granulometric composition shows that the feed rock consists of roughly equal amounts of class -50+10mm (32.7%) and -0.5+0mm (36.8%), i.e., medium-fine siltstone (nodules and phosphorite siltstone) and medium-fine sand (quartz sand) fractions. The content of the coarse sand fraction, which is represented mostly by plate fragments or inter-grown nodules, is insignificant (7.6%). The gravel fraction (-10+5mm) totals 11.4% on average. The total output of the +10mm class is 40.3% on average. The rock's valuable portion is represented by the +1.0mm fraction, with the weight averaging 59.9%.

The sum of rare-earth elements in phosphorites (the sample analysis was performed in labs of the Chemistry and Geology Departments of the Moscow State University) varied from 0.02% to 0.22% with an average of 0.06% to 0.07% (Milovsky, Volodina, 1975). This sum includes the elements from the cerium and yttrium groups. Uranium and thorium content of the ore was 0.0022% and 0.0005%, respectively. This is low compared to other phosphorite deposits.

The chemical composition of the Chilisai deposit for the entire potential producing layer is shown in Table 18.3 (determined during Soviet era). The distribution of phosphoric anhydrite in different layers within the phosphorite bed is as follows: 7.99% to 19.15% in the phosphorite plate, 6.03% to 16.70% in the nodule layer, and 6.00% to 13.82% in the pebblestone layer.

TABLE 18.3 CHEMICAL COMPOSITION OF THE CHILISAI DEPOSIT — HISTORICAL DATA

No.	Components	Content (%) Fluctuation Margins		
		Minimum	Maximum	Average
1	P ₂ O ₅	4.22	16.87	10.27
2	SiO ₂	32.06	81.53	48.55
3	TiO ₂	0.05	0.56	0.20-0.25
4	Fe ₂ O ₃	1.32	13.0	3.12
5	Al ₂ O ₃	0.85	13.8	3.5-4.0
6	Al ₂ O ₃ (acid-soluble)	0.33	3.94	1.70
7	CaO	6.08	29.1	18.0-21.0
8	MgO	0.1	1.85	0.4-0.5
9	FeO	0.24	4.67	1.3-1.6
10	MnO	Trace Concentration	0.27	0.03-0.05
11	CO ₂	0.44	11.50	3.23
12	SO ₃	0.23	6.67	1.2-1.7
13	Na ₂ O	0.46	1.16	0.6-0.8
14	K ₂ O	0.31	2.46	1.0-1.2
15	H ₂ O	0.1	2.86	0.7-1.2
16	H ₂ O of Hydration	2.04	4.58	2.5-3.5
17	F	0.4	2.05	1.14
18	Cl	Trace Concentration	1.23	0.03-0.05
19	Insoluble residue	33.44	83.92	50.0-60.0
20	Other admixtures	2.33	12.90	6.0-8.0

In the eastern section of the field, the P₂O₅ content in the nodule and pebblestone layers is much lower. In the nodule layer, P₂O₅ varies from 3.06% to 13.88% with the average of 7.33%; in the pebblestone layer the P₂O₅ content ranges from 3.51% to 12.70%, with the average of 7.34%.

18.3 CONCEPTUAL PROCESSING METHOD

Typical processing plants that would be used to convert the 10Mt of run-of-mine feed (ROM) into diammonium phosphate (DAP) are described below. The capital and operating costs have been generated on a scoping level and will be further defined in subsequent feasibility study.

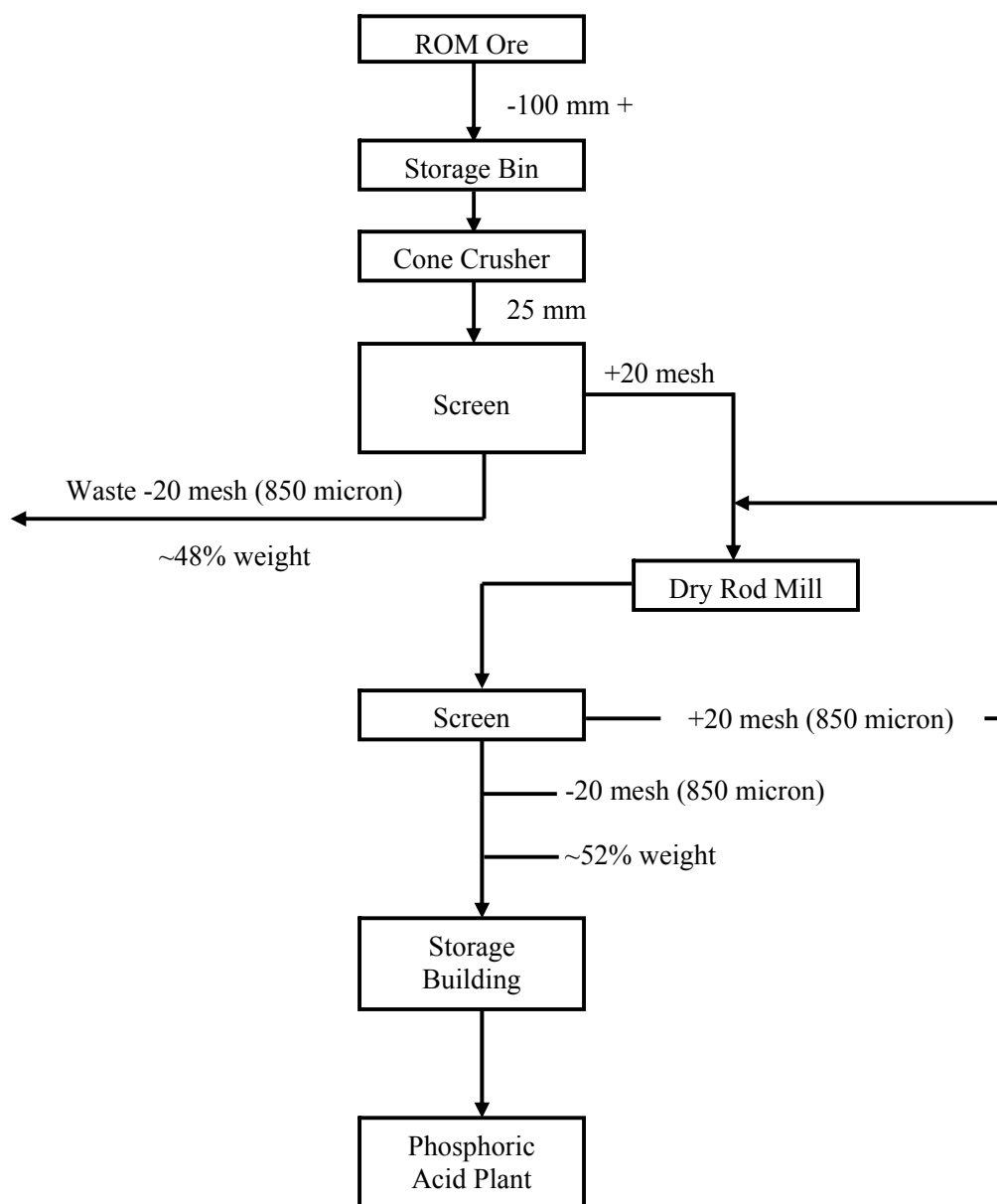
18.3.1 Beneficiation

Based on the scoping-level test work, it is envisioned that the run-of-mine (ROM) phosphate rock will be crushed and sized with cone crushers to pass through a 25mm screen. The resulting fines passing 850 microns (20-mesh) will be rejected and disposed of as pit backfill and the plus 850 micron material will be sent to the processing plant for direct leaching. Typically, the crushing and screening stages are integrated with the continuous mining operation to reduce the volume of ore transported from pit site to processing plant. Using the results from the physical upgrade testing, approximately half of the rock from the mine would not require transportation to the acid plants, thus, resulting in a potential reduction in operating costs. Additionally, by eliminating the need for a traditional flotation circuit, a conventional tailings disposal facility may be unnecessary. An additional test program is necessary to develop the crushing and screening equipment parameters and configuration based on work indices and material handling properties of the material.

In the conceptual process design, the coarse fraction material delivered to the processing plant will be ground in a dry rod mill to pass 850 microns (20 mesh). The final ground material will then be put into a covered storage facility to feed the phosphoric acid plant.

Figure 18.1 illustrates the conceptual crushing and grinding circuit flowsheet for upgrading the ROM material for feed to the phosphoric acid plant.

Figure 18.1. Conceptual Crushing and Grinding Circuit Flowsheet for Upgrading the ROM Material for Feed to the Phosphoric Acid Plant



18.3.2 Chemical Processing

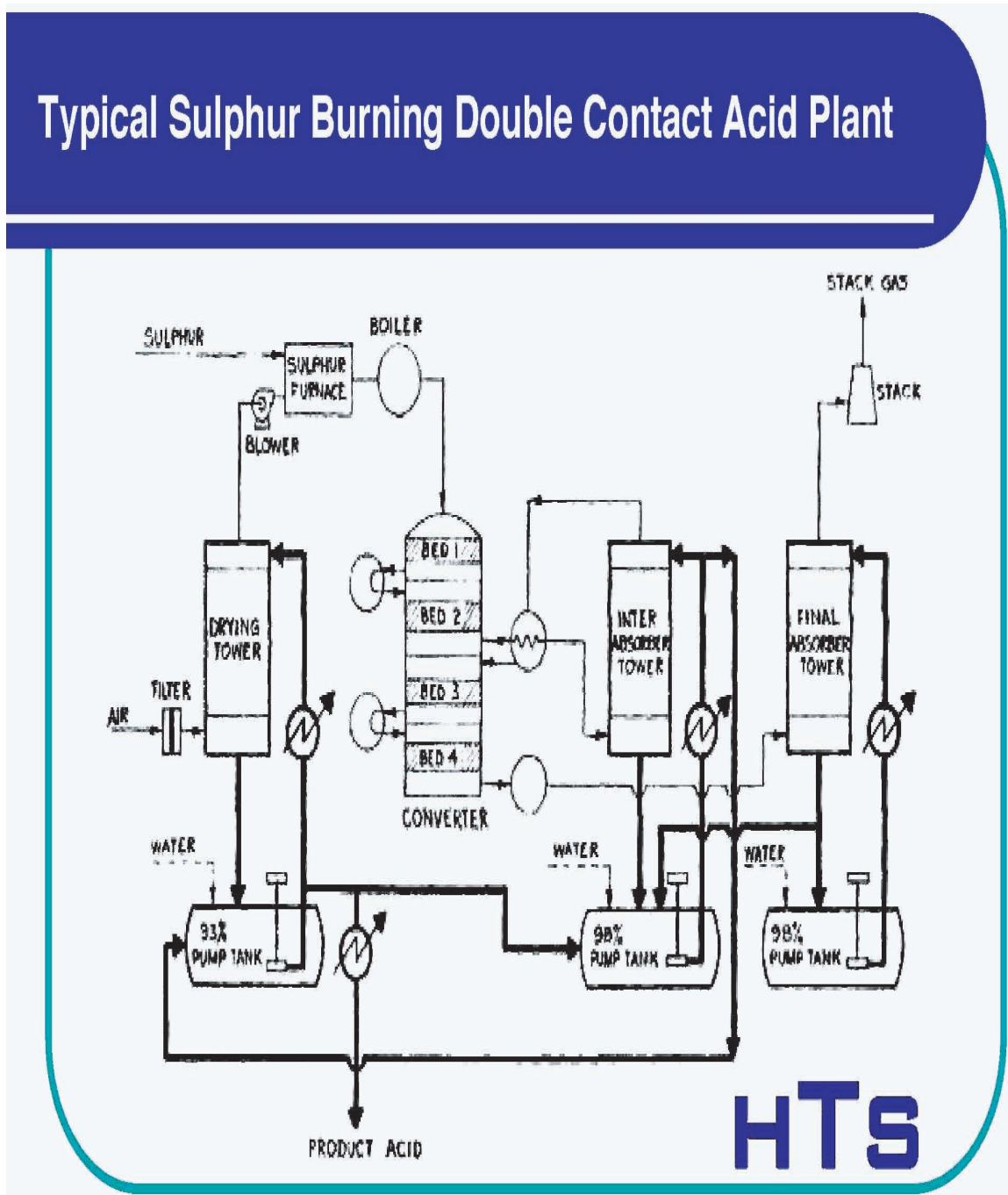
The conceptual fertiliser production complex consists of the following standard unit processes and production facilities; Sulphuric Acid Plant (SAP), Phosphoric Acid Plant (PAP), and DAP Production and Granulation Plant. Typically, these facilities require service facilities for material handling, storage and shipping, raw materials receiving and storage (sulphur and ammonia), and office, warehouse, and maintenance facilities.

18.4 SULPHURIC ACID PLANT

This concept assumes that the SAP will consist of two 4,100tpd Monsanto-type SAPs that have combined annual design capacities for the production of 2,260,000 tonnes of sulphuric acid (H₂SO₄). The primary inputs are solid sulphur, industrial water, air and energy. As previously noted, Kazakhstan has an abundance of elemental sulphur available for use at potentially below-market prices. Electricity generation facilities and steam distribution facilities will utilize waste heat from production of sulphuric acid. It is expected that on-site production of electricity and steam will satisfy all power and heating requirements at the processing site.

The SAP includes the following sections: solid sulphur storage, solid sulphur melting and filtration, and molten sulphur storage. A single sulphuric acid production line that includes air drying, sulphur combustion, SO₂ to SO₃ conversion gas-acid absorption, and acid cooling systems, and sulphuric acid storage. The plants use conventional elemental sulphur conversion to sulphuric acid. The plants are generally open to the atmosphere, which allows for ease of maintenance and heat dissipation, with the operation controlled from a central control room. The equipment involves reactor vessels, ducting, and boilers for heat recovery, blowers, packed towers, pumps, piping, cooling towers, and other gas-handling equipment. The process involves drawing filtered ambient air through a high-efficiency drying tower by the main blower to remove moisture. The compressed dry air enters a refractory-lined furnace where molten sulphur is burned to produce relatively high strength sulphur dioxide (SO₂) gas. The hot SO₂ combustion gas is then cooled in a steam boiler to the proper temperature to promote conversion to SO₃ in the conversion step. The conversion process for sulphuric acid manufacture is the catalytic oxidation, using vanadium pentoxide, of the sulphur dioxide (SO₂) to sulphur trioxide (SO₃), according to the equation $SO_2 + \frac{1}{2} O_2 = SO_3 + \text{Heat}$. Because the reaction is highly exothermic and reversible, to obtain the high degree of conversion, the conversion reaction needs to be carried out in stages (converter passes) with heat removal between the passes. To achieve the final increment of required conversion, SO₃ must be removed from the process gas stream prior to passing through the final conversion pass. After passing through the first three catalyst passes, SO₃-rich gas is cooled and absorbed with 98% sulphuric acid in the interpass absorbing tower. The lean SO₂ gas flows through a mist eliminator to remove fine mist particles. The clean and lean gas is then reheated and enters the last catalyst pass to complete the conversion of the remaining SO₂ to SO₃. The SO₃ is then absorbed in 98% acid in the high efficiency final tower. A simplified flowsheet for the SAP is shown in Figure 18.2.

Figure 18.2. Simplified Flowsheet for the Sulphuric Acid Plant
(Source: High Tech Solutions)



18.5 PHOSPHORIC ACID PLANT

The PAP uses conventional sulphuric acid digestion of phosphate rock to produce phosphoric acid. The sulphuric acid reacts with phosphate rock, mostly calcium phosphate, to produce weak phosphoric acid and phosphogypsum. The resulting slurry is filtered and the phosphogypsum discarded.

Currently, there are two types of wet phosphoric processes in common use in the fertiliser industry.

1. The di-hydrate process involves dry grinding the phosphate ore in a ball mill and air classification to reduce the size of the rock so the sulphuric acid will rapidly attack the rock

in the reaction tank followed by digestion tanks. Calcium in the phosphate rock concentrate reacts with sulphuric acid to form crystals of di-hydrate phosphogypsum, which are grown in a digestion tank. This tank is gently stirred at approximately 70°C and its matured contents are pumped to filters, where 28% acid is recovered. The di-hydrate process is a significantly simpler process than the hemi-hydrate process; it operates at lower temperatures and has less corrosion and maintenance requirements.

2. The hemi-hydrate process is capable of processing coarse rock with particle size up to 2mm without drying or grinding. The hemi-hydrate process uses multiple reactors with slurry recirculation and is operated at approximately 100°C. The calcium in the phosphate rock concentrate reacts with sulphuric acid to form crystals of hemi-hydrate phosphogypsum, which are grown in the reactor tanks. The slurry is pumped from the final reaction vessel pumped to the filters, where 40% acid is recovered. The hemi-hydrate process is more energy efficient than the di-hydrate process, provides exceptionally pure phosphoric acid, has less water requirements, and produces gypsum waste product, which is self-drying.

Both processes return dilute acid rinse water from washing the filter cake to the leaching sections and require fume collection and evaporators to concentrate the filtered phosphoric acid. The phosphogypsum (leach residue), containing 25% to 30% water is discarded via a conveyor belt to a disposal area.

Based on the bench-scale testing, it is possible that the plant could use either the di-hydrate or the hemi-hydrate process subject to completion of pilot plant testing. For the purposes of this report, Behre Dolbear has assumed that the di-hydrate process will be implemented at the Project. Figures 18.3 through 18.5 depict a typical di-hydrate PAP.

18.6 DIAMMONIUM PHOSPHATE GRANULATION PLANT

The conceptual DAP has an annual design capacity of 1,766,500 tonnes of DAP. Raw materials are principally liquid ammonia and phosphoric acid reacted to form wet DAP. At full capacity, the plant is estimated to consume approximately 824,900 tonnes per year of phosphoric acid that is produced in the PAP and approximately 400,000 tonnes of liquid anhydrous ammonia per year, which is assumed to be imported from Russia, Ukraine, or other sources and not produced on site.

The DAP granulation plant includes the following sections: ammonia storage consisting of a large tank (30,000 tonnes); two identical DAP granulation production lines that include reaction, DAP granulation, wet transfer and drying systems; conveying, screening, milling, and gas scrubbing systems; and DAP bulk storage; and reclamation warehouse.

Figure 18.3. Typical Di-Hydrate Phosphoric Process Plant
(Source: High Tech Solutions)

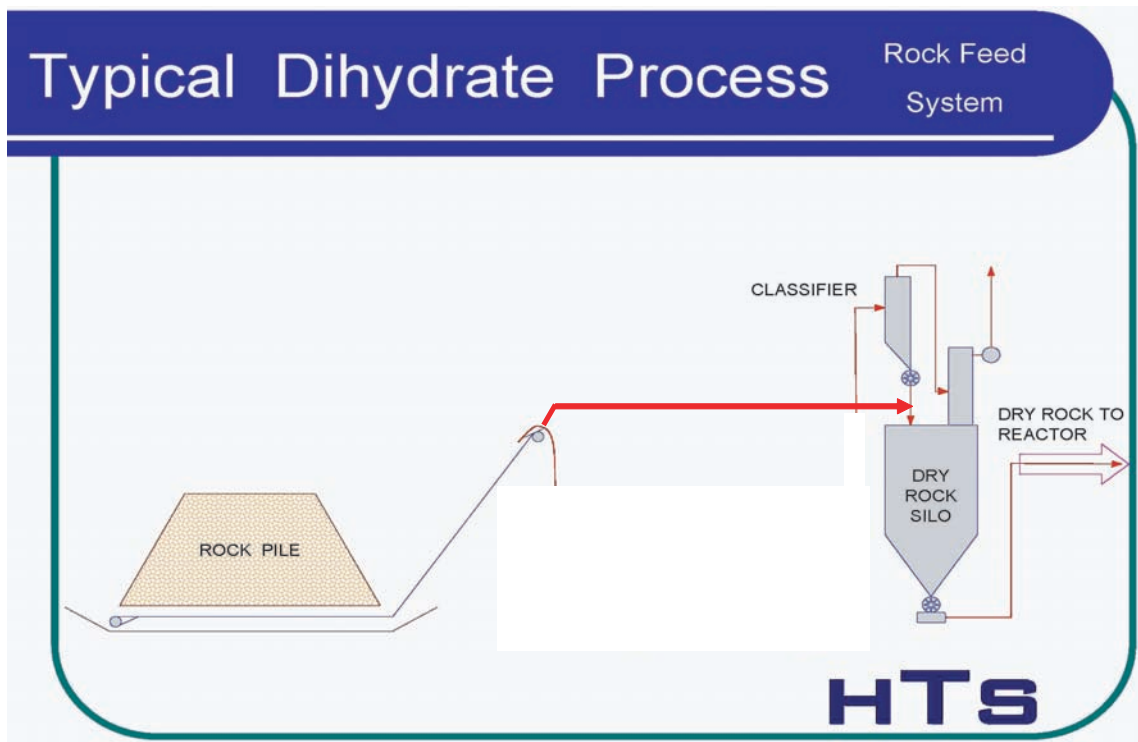


Figure 18.4. Typical Di-Hydrate Phosphoric Process Plant
(Source: High Tech Solutions)

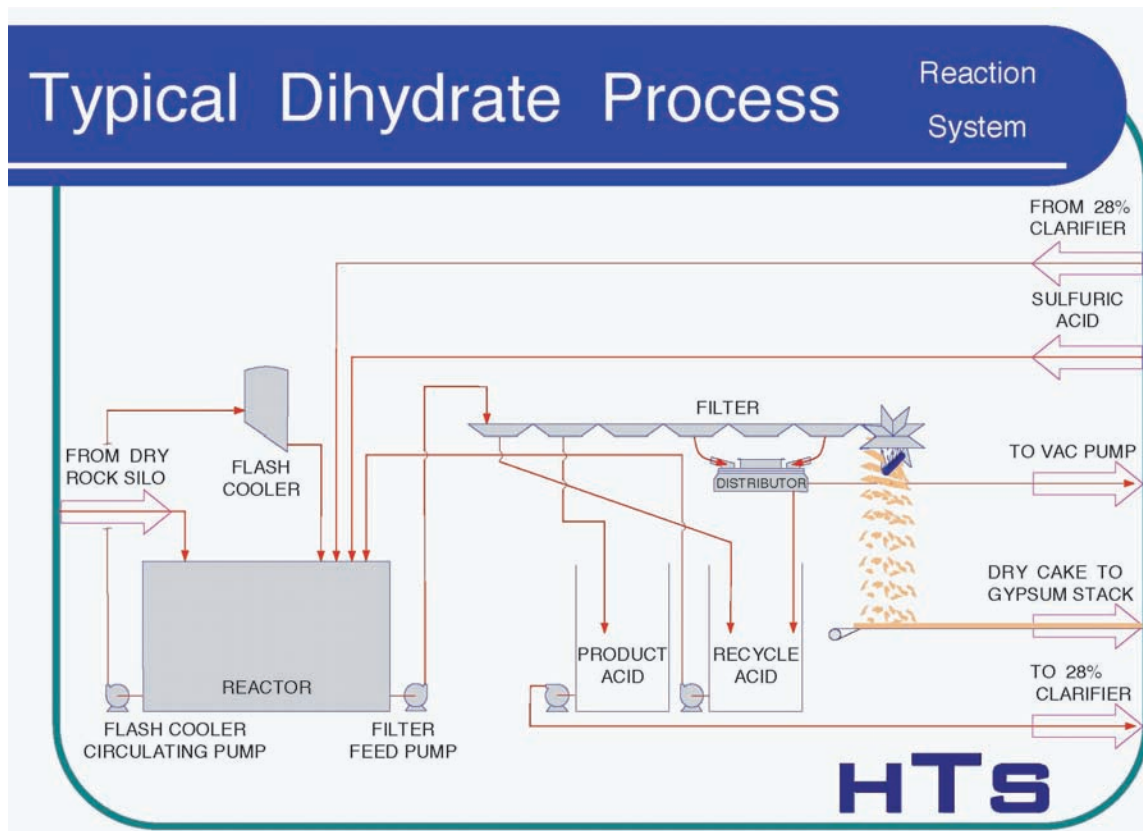
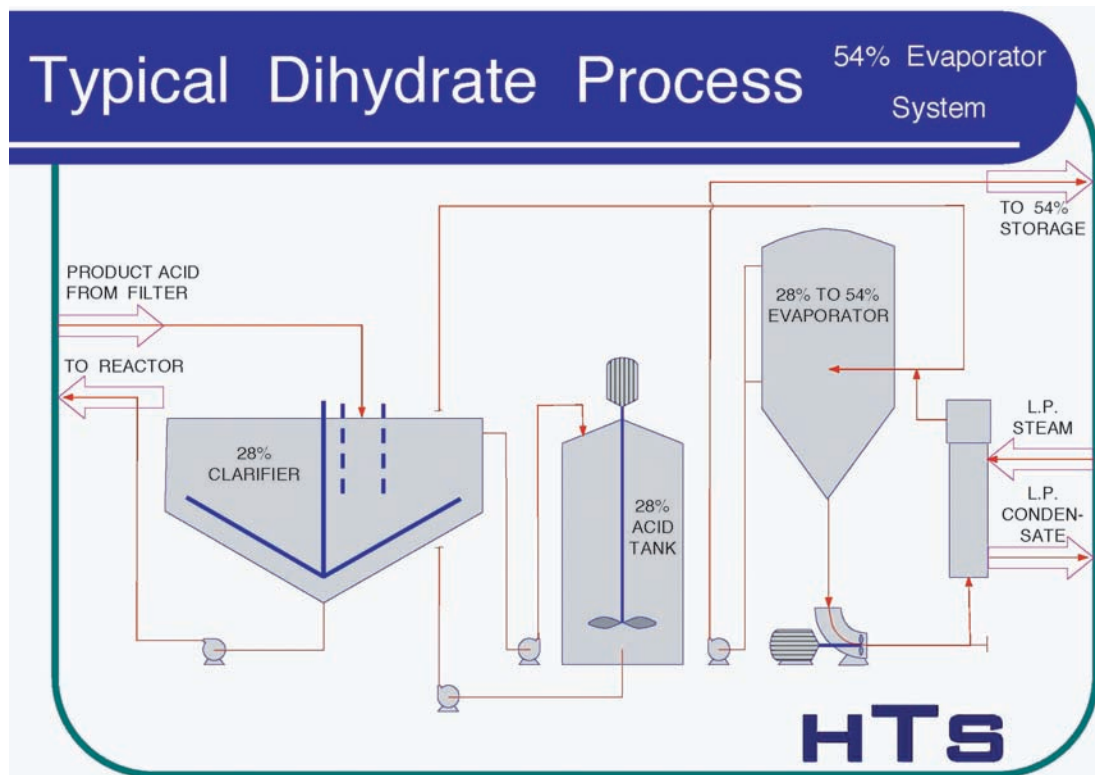


Figure 18.5. Typical Di-Hydrate Phosphoric Process Plant
(Source: High Tech Solutions)



The DAP plant has been assumed to employ a conventional anhydrous ammonia-phosphoric acid reactor followed by rotary granulation of the precipitate. The wet DAP pellets are dried in a rotary dryer with discharge transported and distributed to screening towers to remove fines and oversized material. The properly sized granulated DAP is cooled, re-screened, and conveyed to storage. A simplified flowsheet for the DAP plant is shown in Figures 18.6 and 18.7.

Figure 18.6. Simplified Flowsheet of the Granulation Plant
(Source: High Tech Solutions)

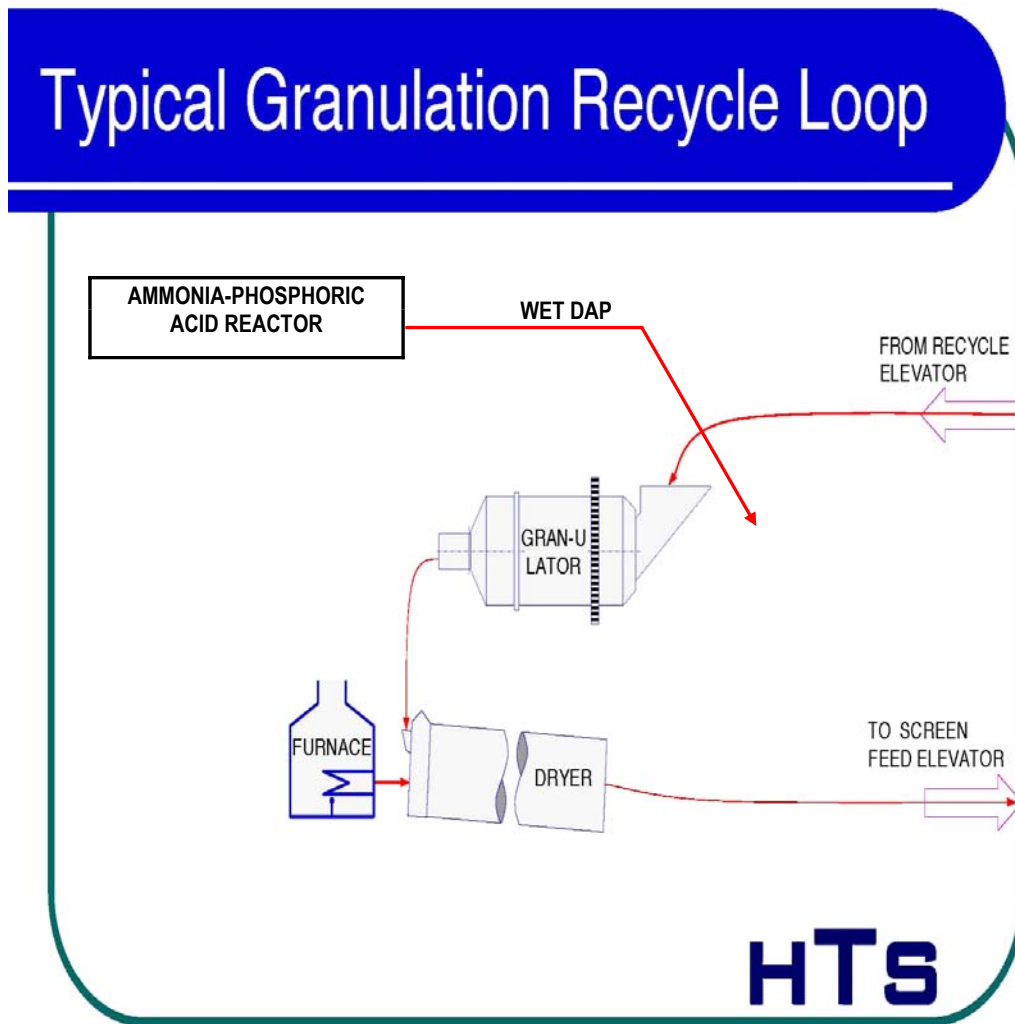
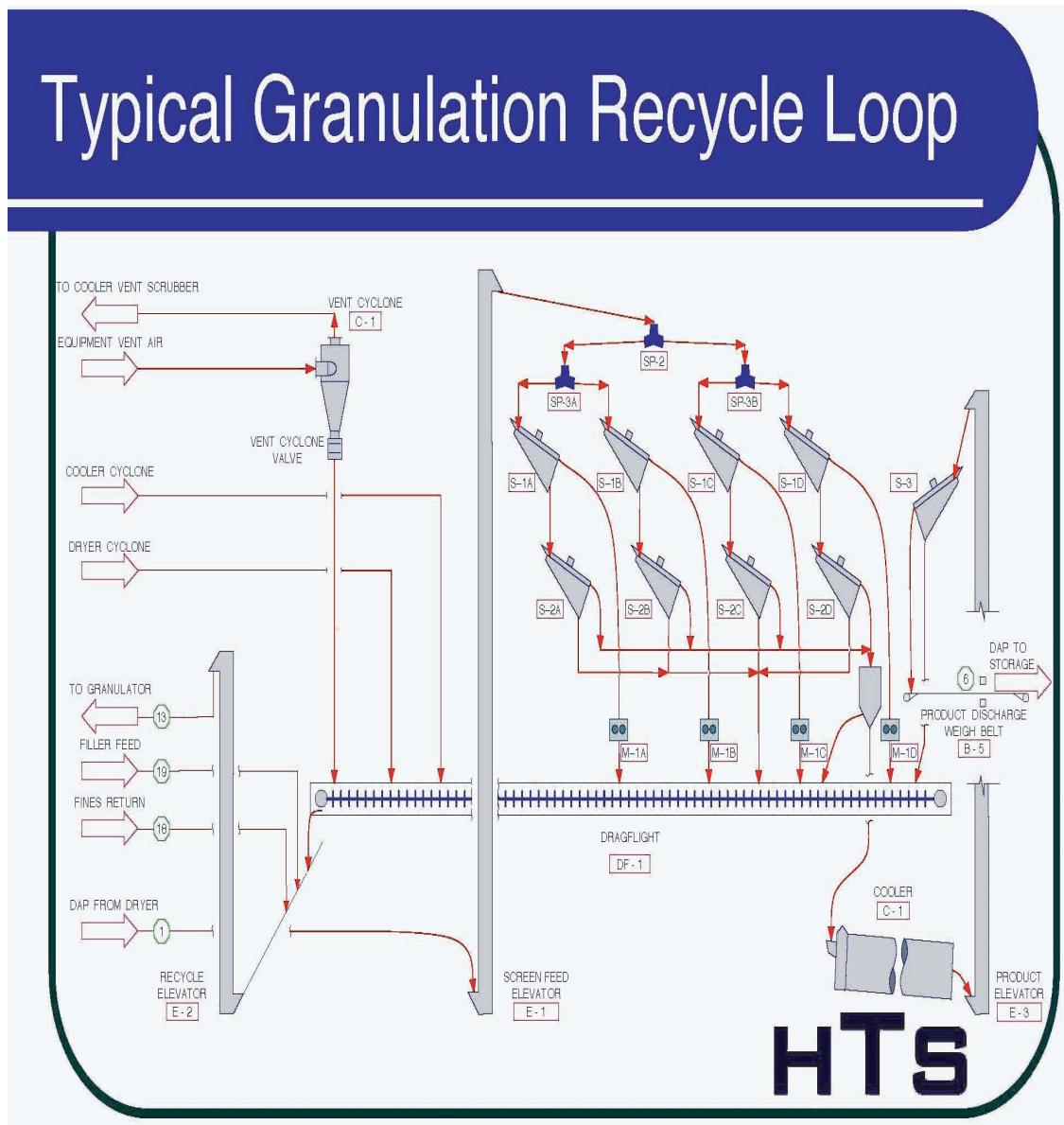


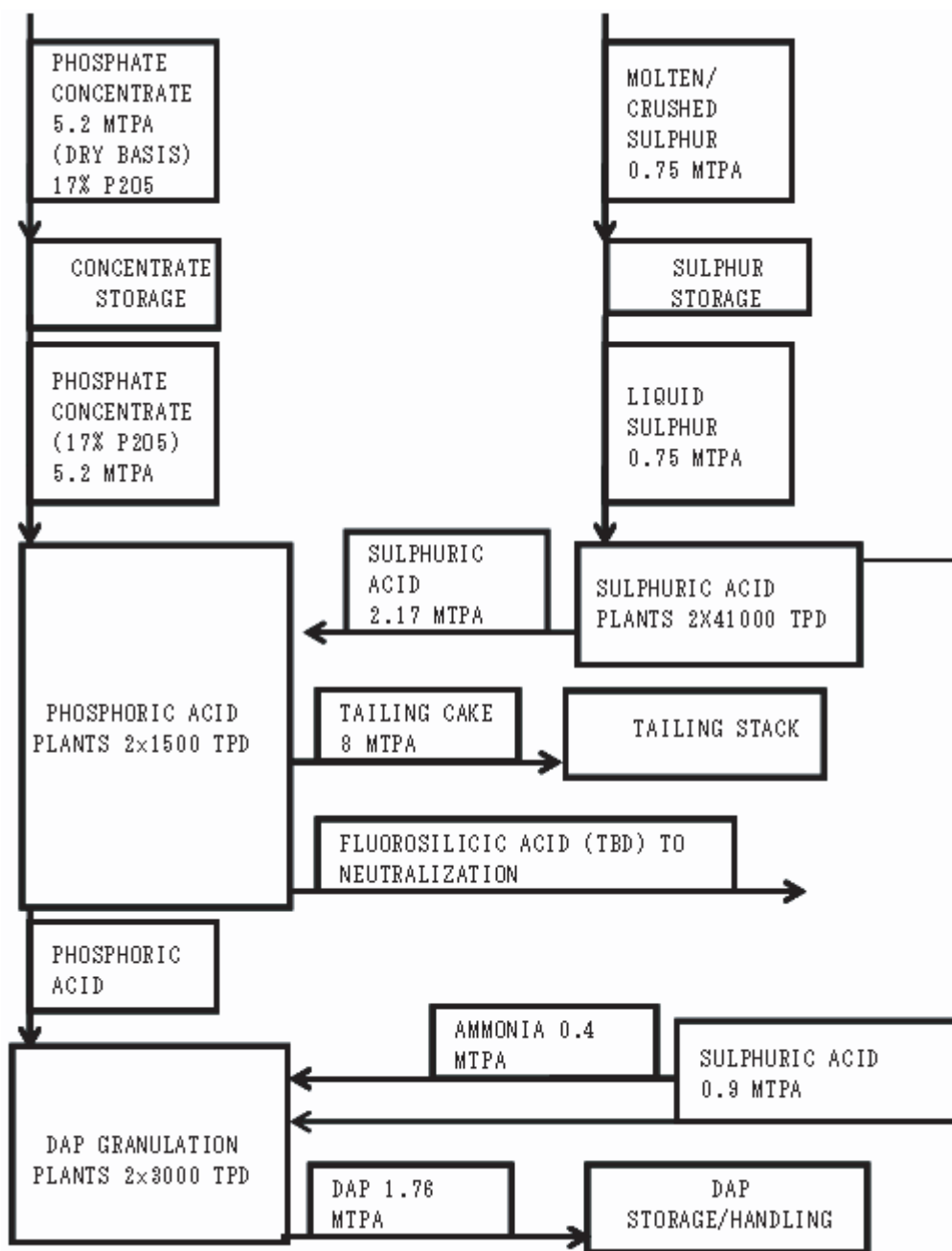
Figure 18.7. Simplified Flowsheet of the Granulation Plant
(Source: High Tech Solutions)



18.7 OVERALL PROCESS FLOWSHEET

The overall process flowsheet is illustrated in Figure 18.8.

Figure 18.8. Chilisaï Chemical Phosphate Process Flow Chart



18.8 CONCEPTUAL OPERATING AND CAPITAL COSTS

Preliminary estimates of the processing capital and operating costs were made by Behre Dolbear to assist with the creation of the conceptual cash flow analysis. These costs are summarized in Table 18.4. The estimated level of accuracy of the inputs to these costs is $\pm 50\%$.

TABLE 18.4
PROCESSING CAPITAL AND OPERATING COSTS

Cost Item	US\$
Beneficiation Circuit	22,000,000
Water Supply	6,000,000
Sulphuric Acid Plant	150,000,000
Phosphoric Acid Plant	138,000,000
DAP Plant	108,000,000
Infrastructure	81,200,000
Engineering and Procurement	66,024,000
Contingency	123,245,000
Processing Capital	694,469,000
Processing Operating Costs	\$100.82 per tonne DAP — processing only \$124.70 per tonne DAP to market — including mining costs

The contingency reflects the level of accuracy in this study, the volatility of the rapidly changing situation in the global equipment market, and the uncertainties related to escalation factors, falling dollar value, and equipment purchases and deliveries to and from Central Asia.

The operating costs are based on a long-term sulphur price of \$7 per tonne and a long-term ammonia price of \$235 per tonne. The sulphur price was derived on the basis of the readily available sulphur in Kazakhstan from the petroleum refining operations. Sulphur is a waste product and the petroleum refining operations are at risk for fines and environmental impacts if they are unable to appropriately dispose of the sulphur. Sunkar has been actively negotiating the procurement of sulphur from these facilities. Behre Dolbear estimated the shipping costs as the basis for the price as oil and gas producers need to dispose of the excess sulphur or risk payment of penalty. The ammonia price is based on an average long-term price as projected by BSC in March 2008 of \$385 per tonne FOB Yuzhnyy (averaged from 2014 through 2025). Because of the excess of ammonia capacity in Russia and Uzbekistan, it is possible that the Project will be able to secure a \$100 per tonne to \$150 per tonne discount. This has been further demonstrated by negotiations and inquiries by Sunkar from potential suppliers.

18.9 ANCILLARY FACILITIES

The fertiliser complex facilities will require utilities and infrastructure support facilities. These include:

- material handling for storage of supplies and shipping of product;
- raw materials receiving and storage of sulphur and ammonia;
- warehouses for parts, supplies and storing produced product; and
- offices and maintenance facilities.

19.0 MARKETS AND MARKETING

The Chilisai phosphate project is an agricultural minerals operation. While professional, detailed evaluations of reserves, mining plans, processing methods, and capital and operating costs are obviously required for a project assessment, it is equally important to understand future industry conditions and the project's potential competitive position. With agricultural minerals and their finished products, actual and future market demand, product pricing, transportation costs, and competitive advantages are seldom obvious or transparent. Customers, often with significant buying power, usually do not buy from a terminal market on the basis of common, publicly disclosed prices; but rather transactions are negotiated with multiple suppliers each with differing product availability and specifications, logistics, price, and credit terms.

Phosphate fertilisers and agricultural feed supplements consume about 90% of the world production of phosphate rock. Industrial and other uses of phosphate, which account for the remaining 10% of consumption, include the manufacture of detergents and other industrial chemicals, and use in metal treating, foods, and beverages. Phosphate is generally produced in the form of three major products:

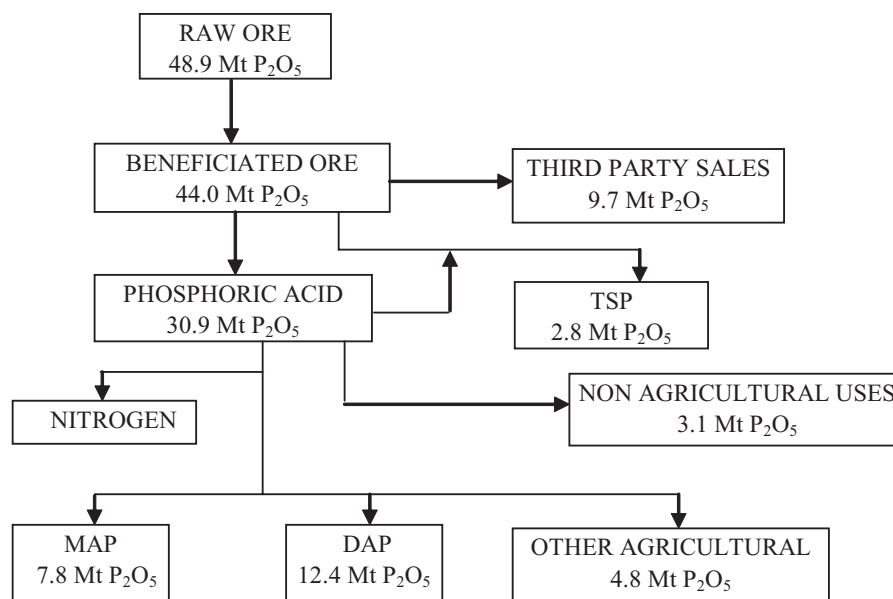
- beneficiated phosphate rock;
- phosphoric acid; and
- the processed fertilisers DAP and MAP.

The phosphorous in phosphate rock is generally found in some form of tri-calcium phosphate, which is very insoluble in water, in combination with other minerals. In order to be available to plants, the tri-calcium phosphate must be converted to a water-soluble compound. As a result, less than 2% of the phosphate rock produced is applied directly as "flour" or "powder" to the soil as a fertiliser. This product is effective only if the rock is highly reactive and the soil very acidic. By far the most common and cost efficient method of converting the phosphorous in phosphate rock into a water-soluble phosphate fertiliser is through the production of phosphoric acid by the "wet acid" process. The concentrated phosphoric acid may then either be reacted with ammonia in specific ratios to produce either DAP or MAP, or with additional ground phosphate rock to produce triple-super-phosphate (TSP).

Additional treatment of the phosphoric acid will remove further impurities to produce industrial, technical, and food-grade phosphoric acid. This is a relatively small, but growing and profitable business for some producers.

Figure 19.1 shows a simplified and approximate industry flowsheet, including estimated quantities based on a contained P_2O_5 basis.

**Figure 19.1. World Industry Flowsheet
 (Millions of Tonnes P₂O₅ as of 2004)**



Allows for conversion and handling losses, which make up the balance of material within the flowsheet.

For healthy growth, all plants require balanced nutrition and at least thirteen mineral nutrients are known to be important to plant growth. Of these by far the most important nutrients are:

- Nitrogen (N);
- Phosphorous (P); and
- Potassium (K).

To some extent these nutrients are available from organic sources, such as manures and crop residues; however, their nutrient concentration is quite low and their chemical form may not allow effective use by plants. Manufactured fertilisers provide farmers with an efficient and cost effective source of the essential nutrients in the controlled concentrations and ratios necessary for modern agricultural production. The use of manufactured fertilisers has been, and will remain, one of the most important means to achieve further increases in sustainable agricultural productivity.

The basis of this report is the premise that Chilisai is expected to be a producer of DAP (or MAP) with minimal production of phosphate rock or other phosphate products.

19.1 IMPORTANCE OF FERTILISERS

Throughout the world, improving agricultural productivity to increase the supply of nutritious, high-quality food has been a common objective. Several reasons are driving the need for improving agricultural productivity.

- The world population is expected to continue increasing. The United Nations estimates that the world population will reach 7.7 billion by 2020, an increase of 35% from the current level of approximately 6 billion people. Much of the population increase will be in developing countries, where food supply and malnutrition are already serious problems.
- As economic conditions improve in developing countries, the individual's demand for a higher quality, more varied diet increases. This long-term and irreversible trend has been observed in many developing countries. Additionally, there is a distinct relationship between growth in GDP and availability of stable food resources.
- The amount of arable land continues to decrease. This results from continued industrialization, the growth of cities, and the use of large tracts of land for recreation.
- There has been a decline in potable water available for agricultural use. This is a result not only of increasing population, but also of increasing demands for other uses.

The effective use of manufactured fertilisers, which means the correct application of nutrients in a balanced proportion to meet the exact requirements of the crop and growing conditions, has proven to be one of the best ways of maintaining and increasing agricultural productivity. Correct nutrition has produced significant gains in all the world's agricultural regions. It is also important to note that phosphorus is vital for photosynthesis, utilization of sugars and starches and other functions in all plant growth. As a result, phosphate fertilisers are used throughout the world on almost all major crops, such as corn, rice, wheat, soybeans, fruits, and vegetables.

If fertilisers are used properly, the food quality may be enhanced with minimal risk to personal health or safety. Almost always, environmental problems that have been associated with fertilisers occurred as a result of misapplication and the over-use of fertilisers.

In addition to the requirement for food resources, an increasing proportion of crops, such as corn in the United States and sugar cane in Brazil, have been diverted from their traditional animal feed and human food markets and used to produce synthetic fuels, such as ethanol. This new market demand, which at current crude oil prices, is expected to continue growing, has contributed to near record crop prices and total demand for fertilisers. Bio-fuel production is expected to be a key driver for fertilisers as the bio-fuel market has been growing at a rate of 25% to 50% per year. Although this rate of growth in the bio-fuels market is expected to slow, the overall demand for fertiliser as the result of the bio-fuels market is expected to continue to increase.

19.2 MAJOR NUTRIENTS AND FERTILISER PRODUCTS

Nitrogen is most commonly derived from anhydrous ammonia, which is also a raw material in the production of ammoniated phosphates. Most ammonia is made by a chemical process, which uses natural gas or other low cost source of hydrocarbon to convert the inert nitrogen gas in the atmosphere to the chemically active compound, anhydrous ammonia. Since reserves of natural gas are relatively common throughout the world, ammonia production facilities are widespread, and many countries have some indigenous nitrogen fertiliser production. Urea remains the single most common nitrogen fertiliser product.

Potassium is generally recovered from surface brines and from underground mines using conventional mining techniques or in-situ leaching. There are few commercial sources of potassium and as a result production is limited to a very few geographical regions. Potassium is generally applied as a "mixed fertiliser," that is either a compound or mixture containing sources of either one or two of the other major nutrients. The most common product is muriate of potash (MOP), often simply referred to as "potash."

Phosphate rock is the only economical source of phosphorus for producing phosphate fertilisers and chemicals. Deposits are widely distributed throughout the world and are generally mined by using surface mining methods, although some underground mining does occur. Phosphate rock, when used in an untreated form, is not very soluble and therefore can provide little phosphorus to plants, except in some moist acidic soils. Treating phosphate rock with sulphuric acid produces phosphoric acid, the basic material for making most phosphate fertilisers. The only raw materials required to make phosphoric acid by the wet process are sulphur or sulphuric acid and phosphate rock.

Single superphosphate, urea, and ammonium sulphate were the traditional sources of phosphorus and nitrogen fertilisers 15 years ago before the widespread usage of high-analysis fertilisers. Now by far the most common phosphate fertilisers are TSP, DAP, and MAP.

Historically, products such as urea, DAP or MAP, and potash containing the three major nutrients have been processed to produce compound fertilisers (each particle is the same and contains varying amounts of nitrogen-phosphorus (NP) or nitrogen-phosphorus-potassium (NPK), depending on the formulation desired). Compound fertilisers are still used in certain areas, but there is a clear trend towards the use of bulk blended fertilisers that are mechanical mixtures of products such as DAP or MAP, urea, and potash. This change is driven by capital and operating cost considerations and is unlikely to be reversed. Fertiliser blending plants are generally located close to the point at which the fertiliser is used so that specific formulations suitable for local conditions can be produced.

19.3 WORLD MARKET

19.3.1 Demand

Over the past 30 years, demand has grown at an average annual rate of 1.4%. As shown in Figure 19.2, for the past 10 years increases in demand have been almost exclusively within the developing countries. As GDP increases in a developing country, the demand for reliable food also increases. As a result, the demand for fertilisers increases, which can directly translate to the price of fertilisers such as DAP and MAP. Of particular interest in recent years has been the growth in China and India. The growth in GDP in these highly populated countries (China's annual growth in GDP has averaged 9.5% from 1978 to 2006) has had a significant impact on the global demand for fertilisers. In addition to growth in developing countries, fertiliser consumption can also be affected by factors such as:

- changes in supply and major crop failures;
- variations in climatic conditions in various parts of the world;
- changes in local and regional agricultural economies;
- significant changes in political regimes, such as the collapse of the former Soviet Union in the early 1990s;
- political decisions that impact subsidy programs;
- changes in energy prices; and
- foreign exchange allocations.

Figure 19.2. Global P₂O₅ Demand from 1975 to 2005

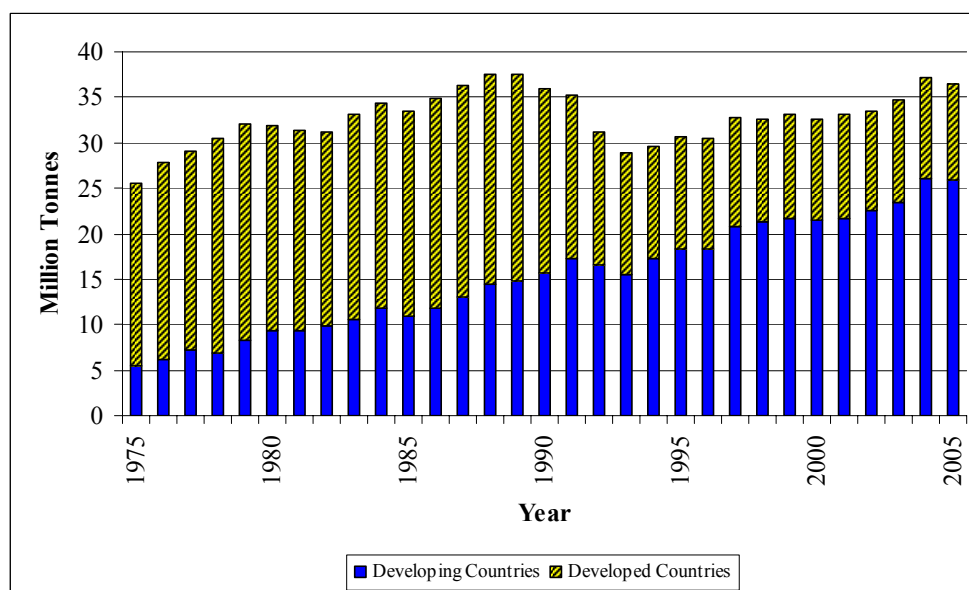


Table 19.1 shows the world's 10 countries that currently consume the most fertiliser. These 10 countries consume greater than 70% of the world's total. The United States, France, Germany, Canada, and Australia are generally regarded as "mature." In these countries, agricultural activity is widespread, many different crops are grown, planted acreage does not vary greatly from year-to-year, and advanced technology is applied to enhance already high levels of productivity. Generally speaking, the industry is profitable. For these reasons, fertiliser consumption in these countries is expected to either remain at about current levels or increase at average annual rates of less than 3%. In the other five countries, there is a critical need to continue to increase food supplies and their agricultural industries are still very much in the "developing" stage. Growth in fertiliser consumption should continue for the foreseeable future.

**TABLE 19.1 TOP TEN FERTILISER CONSUMING COUNTRIES — 2005
(MILLION TONNES)**

	Country	N	P ₂ O ₅	K ₂ O	N+P ₂ O ₅ +K ₂ O
1	China	29.7	11.0	5.5	46.2
2	India	12.7	5.2	2.4	20.3
3	U.S.	10.9	4.1	4.3	19.3
4	Brazil	2.3	2.9	3.5	8.7
5	Pakistan	3.0	1.0	<0.1	4.0
6	Indonesia	2.5	0.4	0.7	3.7
7	France	2.2	0.6	0.7	3.5
8	Germany	1.8	0.3	0.4	2.5
9	Canada	1.5	0.6	0.2	2.3
10	Australia	1.0	1.0	0.2	2.2
	Rest of the World	25.6	9.3	7.9	42.8
Total		93.2	36.4	25.8	155.4

Source: International Fertiliser Industry Association

It is important to recognize that in every country optimal fertilization requires a balanced application of the three major nutrients and that the proper ratios depend on soil and climatic conditions and the crops being grown. Therefore, the availability and pricing of nitrogen and potassium products have a direct impact on the consumption and pricing of phosphates.

The primary and most important driver for increased demand for phosphate fertilisers is the need for increased agricultural productivity. Long-term growth in demand is almost certain. The International Fertiliser Association (IFA) has forecasted that world demand for phosphate fertilisers will increase at an annual rate of 2.3% for the next several years. The United Nations Food and Agriculture Organization has studied consumption trends for many years and has prepared a forecast of plant nutrient requirements to 2030. The group projects that worldwide consumption will increase by 2030 to between 167Mt and 199Mt, depending largely upon efficiency of use, which is an annual growth rate of 0.7% to 1.3%. They further note that the bulk of the increase will be in south and east Asia and North and South America.

Other industry analysts and Behre Dolbear's own observations support these forecasts. Growth rates of 1.5% to 3% would result in demand approximately as follows (Table 19.2).

**TABLE 19.2 PROJECTED DEMAND AT 1.5% AND 3% ANNUAL GROWTH RATES
(MILLIONS OF TONNES OF P₂O₅)**

Growth Rate	2006 Base	Year			
		1.5%	2011 3%	1.5%	2016 3%
Beneficiated Rock	52	56	60	60	70
Phosphoric Acid	34	37	39	39	46
DAP	13	14	15	15	17

The average rate of growth will vary on a regional basis from close to zero in the developed agricultural markets, such as North America and Western Europe to perhaps 3% to 7% per annum in certain of the developing countries. It is also important to recognize that demand growth will not be steady, but will vary widely on an annual and seasonal basis reflecting growing conditions, agricultural prices, and general economic conditions. Note also that this forecast assumes that the demand for DAP will equal the over-all demand for fertilisers. To the extent that DAP is substituted for other phosphate products (MAP and TSP) and to the extent that fertiliser application rates in the developing countries are brought into balance by increasing the percentage of phosphorus applied, the demand for DAP could be significantly higher.

19.3.2 Supply

Long-term supply of the major materials, rock, acid, and finished fertilisers, is expected to increase to match demand. Currently, the United States is the primary producer of DAP, but production in the United States is not expected to increase for three reasons. First, ore reserves at several existing mines are declining both in tonnage and quality. Second, new mines in the Florida and North and South Carolina area will only be brought on-stream to replace existing mines as they are depleted. Third, environmental restrictions, both real and perceived, will restrict the development of new mines outside the current production area. As the supply in the United States declines, supply from other regions, such as the Middle East, is expected to significantly increase.

The importance of TSP, the first of the modern, high-concentration fertilisers, has been greatly reduced. DAP and MAP are now by far the most important products. This is a result of their higher nutrient content, stability during shipping and storage, and ease of blending with other fertiliser products.

Table 19.3 shows world production of MAP and DAP for 2006 together with estimated production capacity. Because many plants have the capability of varying the amounts of MAP, DAP, TSP, and granulated fertilisers produced, the capacity figures should be used with caution.

TABLE 19.3 ESTIMATED 2006 CAPACITY AND PRODUCTION FOR MAJOR PRODUCERS (MILLION TONNES P₂O₅)

Region	Capacity		Production	
	MAP	DAP	MAP	DAP
World	9.6	21.9	8.3	12.8
Western Europe	0.2	0.1	<0.1	0.1
Central Europe	0.2	0.2	0.1	0.1
Eastern Europe and Central Asia	2.0	1.4	1.4	1.0
North America	2.6	7.3	2.4	4.1
Latin America	0.8	0.1	0.6	<0.1
Africa	0.4	1.9	0.4	1.0
West Asia and Middle East	<0.1	1.0	<0.1	0.6
South Asia	0.0	4.8	0.0	2.5
East Asia	3.2	4.5	3.2	3.0
Oceania, Others	0.1	0.6	0.1	0.3

Source: International Fertiliser Industry Association, BD estimates

Based on current global capacity and production values shown in Table 19.3 and a projected production rate of 1.76 million tonnes of DAP annually, Chilisai could conceptually produce up to 2% to 5% of the world's capacity of DAP and MAP. This value does not take into account the planned new projects discussed later in this report.

Major Producers

There are very few companies that are major phosphate product producers. In the United States in 2006, there were only six producers operating 12 mines. The United States industry is dominated by Mosaic, PCS, and Agrium, Inc. All of these companies are vertically integrated through to finished fertilisers and all also produce potash and nitrogen.

Chinese phosphate production is still very much under the control or influence of the central government and, as a result, their operating decisions often reflect national policy directives rather than project or corporate economic objectives.

In the other major producing countries of Russia, Jordan, Morocco, and Tunisia, there has been some movement toward decreasing government involvement and increased private ownership. This has resulted in increased emphasis on productivity, cost reduction, and profitability. Over the longer term, this will strengthen the industry and create a framework for attractive rates of return on new investment.

Industry Strategies

Because the products are basically commodities and most producers can fully meet “quality requirements” the delivered product cost remains the most important, but not the only, element of industry competition. Producers strategies are, therefore, almost always based on maintaining, if not improving, their position on the industry cumulative cost of production curve.

To reduce the total dependence on pricing, producers will strive to build long-term relationships with key customers. The objective may not be to achieve a higher price but to ensure that the customer's business is retained. In addition to maintaining a policy of consistent, responsive, and competitive pricing, product availability and reliability of delivery, appropriate shipping quantities, technical support, and economic risk sharing are important contributors to success.

Most international producers tend to follow pricing initiatives from the United States; however, there is always price competition. Perhaps because of government pressure international producers have tended to sell as much as practical, leaving the United States as the “swing producer.” Incremental production (and production capacity) has been added, as required.

The concepts of “value added” and the need to reduce transportation costs have driven the vertical integration trend. If a producer lacks the technology, financing ability, or operating and marketing strength, joint venture partners having these abilities have been sought.

Focus on a single fertiliser product, DAP for example, is possible depending on the markets to be served. This strategy cannot be generalized, but must be evaluated on the basis of a specific project. While it has clear potential advantages, it may limit the producer to certain markets, increasing the vulnerability to uncontrollable changes in those markets. Most producers have found it advantageous to offer a variety of products.

Over the past 10 years, the production side of the fertiliser industry has experienced significant rationalization. As a result, a potential new producer will have to choose between being a small regional supplier or achieve sufficient size to compete on a broad international basis. In either case, as previously mentioned, an assured supply of all necessary raw materials and a reliable transportation system(s) to the customer are essential and of course, they must be cost competitive.

Planned New Projects

Reacting to what has been a period of strong demand and favorable prices, world producers have announced and, in some cases, have begun construction of a number of expansions and new green-fields projects. The following list is not exhaustive but will provide a sense of the industry potential. As always, not all planned projects will come on-stream, on schedule, if at all.

- Ma'aden (Saudi Arabia) has completed a feasibility study for a project initially based on the annual production of 11Mtpy of rock, upgraded to 4.5Mt of 32% beneficiated rock, 1.3Mt of acid, and 2.9Mt of fertilisers. Ma'aden is now completing project financing and letting construction contracts.
- Ferphos (Algeria) is looking for partners to participate in a three phase sulphur-based acid plant having a planned ultimate capacity of 9,600tpd, two DAP plants and one ammonia plant, plus ocean terminal facilities. Ferphos has an installed capacity of 1.2Mt of rock. Rashtriya Chemicals and Fertilisers (India) has expressed interest in participating.
- OCP (Morocco) and Bunge (Brazil) have announced a new joint venture for the annual production of 1,125,000 tonnes of sulphuric acid, 375,000 tonnes of phosphoric acid, and 600,000 to 650,000 tonnes of MAP/DAP/TSP. Product will supply Bunge's fertiliser business in Brazil and Argentina.
- Group Chimique Tunisien (Tunisia), Gujarat State Fertiliser Corporation (India), and Cormandal Fertilisers (India) plan to build a \$165 million phosphoric acid plant having a capacity of 330,000tpy. Output will be sold to India.
- National Petrochemical Company (Iran) and Madras Fertiliser (India) are planning a phosphoric acid plant.

- Indo-Jordan Chemicals, a joint venture owned by Southern Petrochemicals Industries Corporation of India (52.2% interest), Jordan Phosphate Mines Company (34.8%) and The Arab Investment Company (13.0%) announced in mid 2007 plans to invest \$200 million in an expansion that would double annual phosphoric acid production to 500,000 tonnes P₂O₅. All of the acid would be shipped to India.
- Jordan Phosphate Mines Company and Indian Farmers Fertilisers Cooperative have signed a Memorandum of Understanding covering the building of a 500,000 tonnes per annum acid plant at Eshidiya, Jordan at an estimated cost of \$350 million. Production would be shipped to India with any surplus being marketed internationally.
- Indo-Egyptian Fertiliser, a venture owned by Indian Farmers Fertiliser Cooperative (76% interest), and El Nasr Mining Company (24% interest) have announced plans to construct a 1,620,000 tonnes per annum sulphuric acid plant, a 540,000 tonnes per annum phosphoric acid plant, and additional infrastructure at an estimated cost of \$350 million. El Nasr will supply 1,700,000 tonnes per annum of phosphate rock feedstock. Indian Farmers Fertiliser will be responsible for the entire off-take under a long-term agreement.

19.3.3 World Trade and Prices

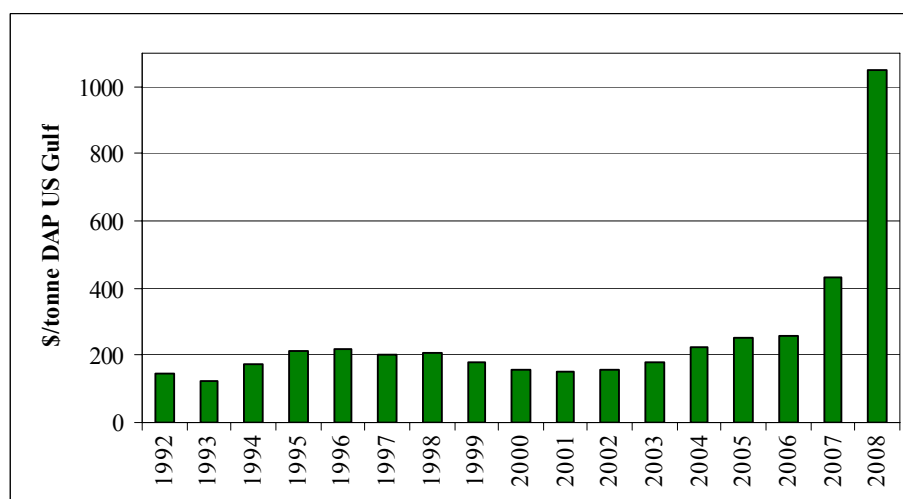
The estimated world trade for DAP is shown in Table 19.4.

**TABLE 19.4 ESTIMATED DAP WORLD TRADE FOR 2006
 (MILLION TONNES P₂O₅)**

Region	Exports	Imports
World	5.6	5.7
Western Europe	<0.1	0.7
Central Europe	<0.1	<0.1
Eastern Europe and Central Asia	1.0	0.0
North America	2.6	<0.1
Latin America	<0.1	0.8
Africa	1.0	0.3
West Asia and Middle East	0.3	0.4
South Asia	0.0	1.7
East Asia	0.5	1.4
Oceania	<0.1	0.2
Various	0.0	<0.1

Because of its importance, the United States Gulf price is generally used as a measure of the international price with all other prices being compared to it. Between 1992 and 2006 (Figure 19.3), phosphate fertiliser pricing has demonstrated a cyclical nature. Historically, these pricing cycles have resulted from changes in supply and demand with lower prices observed in times of oversupply.

Figure 19.3. Average Annual DAP Prices — United States Gulf — 1992 to 2007



The spot price as reported in the March 20, 2008 report by *Fertiliser Week* was \$1,050 per tonne DAP. DAP prices have been steadily increasing since 2006, but very significant increases have occurred over the past six months. The increases in fertiliser prices have been driven by several factors:

- Increases in demand for non-food crops, especially for corn for ethanol and other bio-fuels;
- Increases of prices for most food crops;
- Grain inventories at near record low levels;
- Significant increases in energy and other input costs;
- Significant increases in freight prices;
- Higher demand for grain-fed meat in emerging economies such as India, China, and Brazil;
- Increased capital and equipment costs; and
- Increased costs for inputs such as sulphur, phosphate rock and ammonia.

There is also some conjecture that the increases in commodity prices, such as fertiliser prices, has been tied to speculative buying by investors in commodity markets, especially in funds tied to commodity indices.

DAP pricing may be on either an FOB or CIF basis, depending on the customer's preference and may include credit terms and possibly premiums and discounts that may not be apparent. Sales will generally be made on the basis of:

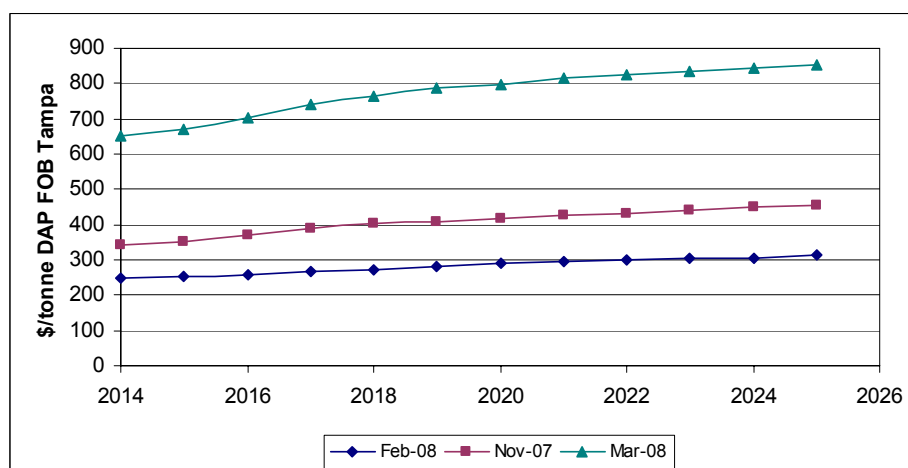
- Annual "evergreen" contracts specifying a minimum tonnage \pm an agreed variation. Prices may be negotiated annually or semi-annually and may or may not reference spot prices quoted in industry publications.
- Public tenders — Countries in which there is a high-level of government involvement (India and Pakistan, for example) generally are required by law to buy on this basis.
- Spot purchases — This is an important component of international trade. All producers offer some product on a spot basis. In addition to consumers, commodity traders are active participants in this market.

Forecasted DAP Prices

Three DAP pricing scenarios developed by BSC during the past year are shown in Figure 19.4. These forecasted prices were reported by BSC in three separate reports dated February 2007, November 2007, and March 2008. The price forecasts reflect changing trends on the global DAP market during the past year. The world fertiliser market has experienced significant price

escalations during last 14 months, which might not be sustainable over the longer term, especially once new sources of production are brought on-stream. However, the fundamentals suggest prices will remain higher than the historical average due to substantial shifts in agricultural land use by developing countries and the possible shift of agricultural output to feedstock for fuel substitutes in developed countries.

Figure 19.4. Comparison of Forecasted DAP Prices Prepared by BSC in February 2007, November 2007, and March 2008



The average of the BSC projected DAP prices between 2014 and 2025 are \$282 per tonne, \$407 per tonne, and \$774 per tonne as forecasted by BSC in February 2007, November 2007, and March 2008, respectively.

19.4 PHOSPHATE MARKET BY COUNTRY

The following comments relate to specific regions that are expected to be of most importance to production from the Chilisaï project.

19.4.1 Kazakhstan

Following the collapse of the Soviet Union, the country's agricultural industry went into decline. However, since about 2000, privatization of the agricultural industry and favorable government policies have led to revitalization and growth. By 2003, 90% of the agricultural industry was in private hands. Agricultural output of \$2.8 billion accounted for 10.9% of GDP and 22% of total employment. Kazakhstan, the world's ninth largest country, now ranks sixth among the world's grain producers. The government is clearly supportive of continued expansion and to meet their objectives, subsidizes the domestic sale of fertilisers. This objective is supported by The World Bank, which in April 2005 announced a \$24 million loan for the Kazakhstan Agricultural Competitiveness Project.

Historically, wheat sales to Russia have been a major source of export earnings. Recently, new markets have been targeted that include Europe and the Middle East. Kazakhstan was the key investor for a new grain terminal at Ventspils, Latvia in 2005 and is currently investing \$10 million in a grain terminal in Georgia's Black Sea port of Poti to be completed in 2009. These types of developments are of particular interest because they greatly improve the country's competitive position and send a clear signal that Kazakhstan plans to compete in a much broader range of export markets.

19.4.2 China

Reflecting the booming economy in Mainland China, total fertiliser consumption has increased rapidly over the past 15 years from about 30Mt in 1990 to 1991 to 46Mt in 2005 (IFA). Phosphate consumption has likewise shown a substantial increase, moving from 2.2Mt P₂O₅ in 1990 to slightly over 11Mt in 2005 (IFA). Given the continued growth in the Chinese economy (annual

average GDP growth of 9.5% between 1978 and 2006), it is reasonable to expect that fertiliser (and phosphate) requirements will continue to increase at rates well above world average. As regards to the Chilisaï project, three factors should be noted:

1. China can import, via ocean freighter, phosphate from a wide variety of suppliers;
2. Chinese government policy is to encourage development of the domestic supply industry; and
3. Historically, Kazakhstan is a strong trading partner with China and proximity is enhanced by a well-developed Kazakhstan rail system to China.

BSC emphasizes the landlocked aspect of the western Chinese market. This point, combined with the proximity of Kazakhstan and its well-developed rail system, makes western China the main target market for the Chilisaï Project.

19.4.3 India

During 2004 to 2005, India produced 5.2Mt of DAP (all product tonnes in this section) and consumed 6.3Mt. Only 0.6Mt were imported; a result primarily reflecting uncertainty with respect to government subsidies, not lack of demand.

DAP imports for 2005 to 2006 exceeded 2.2Mt supplied by the U.S. (70%), Russia (18%), Australia (7%), and Jordan (5%). There are five major importers using six different ports.

Because of a lack of raw materials, India will continue to be a major and growing market for both acid and DAP. Further consolidation of the industry is expected with the surviving companies increasingly looking offshore to finance new projects in an effort to secure sources of raw materials.

19.4.4 Russia, Central Asian Republics, and Baltic States

Total fertiliser nutrient consumption in the FSU (CIS countries plus Baltic States) has fallen sharply since the collapse of the Soviet Union in the late 1980s, from a high of about 27Mt to a present level of less than 5Mt (IFA). This has been attributed to the general disintegration of the collective farm system and government-controlled supply and distribution functions. In Central Asia (Kyrgyzstan) and probably elsewhere, Western aid agencies have noted that local farmers, now free of mandated quotas and no longer receiving low cost supplies, have not found the application of farm chemicals (fertilisers, pesticides, or herbicides) to be cost effective in meeting local market conditions. Phosphate consumption in the FSU reflects this situation, falling from 8.6Mt P₂O₅ in 1988 to 1989 to 0.7Mt in 2005 (IFA).

19.4.5 Other Regions

Other possible destinations for the Chilisaï product may include Iran and Pakistan, and with closure of phosphate plants in Western Europe for environmental reasons, the now independent states of Central Europe.

19.5 INDUSTRY ISSUES

Broad policy issues and concerns that will influence supply, demand, prices, and growth rates within the phosphate industry include the following.

19.5.1 Government Agricultural Programs

Agriculture is a regulated industry in most countries, including the United States and Western Europe. Agricultural regulations and subsidies are often set as a component of over-all economic and foreign policies. Typical regulations that may influence fertiliser consumption in a particular country in a given year include:

- restrictions on acreage planted;
- subsidies for certain crops;
- subsidies for raw materials and/or agricultural products;

- import restrictions; and
- environmental restrictions.

19.5.2 Technological Developments

Research continues to improve crop yields and the efficiency of fertiliser usage. Precision agriculture uses Global Positioning System (GPS) technology, intensive soil testing, and computer-controlled fertiliser application equipment to determine exact nutrient requirements and to apply precisely those materials. This reduces excess application of fertilisers and minimizes nutrient deficiencies.

Genetic research has developed crop varieties that increase yields without requiring comparable increases in fertiliser requirements.

Technological developments, such as the above, are now routinely used in the developed countries and are expected to slowly spread to the developing countries.

19.5.3 Bio-Fuels

In the current high price energy markets and as influenced by the move to “greener” energy resources, bio-fuels and renewable energy are high on the political agenda. In the United States alone, nearly 25% of the corn planted and grown is used for the generation of bio-fuels. This rapidly expanding demand for bio-fuels has had a significant effect on the fertiliser markets and prices.

19.6 CONCEPTUAL MARKETING PLAN

Ideally, from a marketing perspective, the Chilisaï Project would have the ability to produce and sell phosphoric acid, Merchant-Grade phosphoric acid, TSP, MAP, and DAP.

It is expected that the Chilisaï Project product will move by rail to China, western Russia, Siberia, and Central Europe from northwestern Kazakhstan. Shipments to Iran would be via rail to a port on the Caspian Sea, thence by freight ship to northern Iran. The project appears to be located on a good rail network to reach China via the east-west railway in Kazakhstan to the port of entry and by lines reaching Russian, Central Europe, and the Caspian ports. Some indicative rail rates, obtained from freight agents, are shown below:

- Chilisaï to China Border at Druzba = \$ 25.00 per tonne (Travel Express Co. Almaty);
- Chilisaï to Tianjin (east coast China) = \$125.00 per tonne (TEK Co. Almaty);
- China east coast to inland points = \$ 45.00 per tonne (TEK Co. Almaty); and
- Chilisaï to Western China market = \$ 45.00 per tonne (estimated by Sunkar).

19.6.1 Competitive Production Centers

Under the Soviet Union, two major centers for phosphate mining and refining were developed. The first is located on the Kola Peninsula (northwest of Moscow, see map) near the port of Murmansk. This center is based upon the production of apatite-nepheline ores. The second is in southern Kazakhstan, headquartered in the city of Taraz and works on sedimentary ores on the Karatau Ridge and which are reportedly higher grade than those at Chilisaï (this probably accounts for the Soviet's decision to make a large investment at Taraz first).

Both of these centers suffered during the break-up of the Soviet Union and have been up and down during the past 15 years with the problems that affected post-Soviet industry generally. Nevertheless, firms that now control both production centers have issued optimistic reports regarding their future operations and have projected output levels of:

- KazPhosphate = 550,000 tonnes of various phosphate products, including fertiliser; and
- Apatit JSC = 1.5 to 2.0Mt apatite concentrate at 38% to 40% P₂O₅.

These operations produce a variety of phosphate products and do not specialize in DAP as has been proposed at Chilisaï.

China

Phosphate mining and refining centers within China will provide serious competition to Chilisaï product, particularly in view of reports that as a matter of government policy, the Chinese plan to make the country more self-sufficient in fertiliser materials.

19.7 RECOMMENDED MARKETING STUDY WORK

The initial marketing study undertaken by Behre Dolbear was not to a depth that would support a project development decision. Behre Dolbear recommends the following items for further examination during the feasibility study:

- Review the inland freight systems to determine their reliability, capacity, and additional locomotives and cars will be required, and the freight charges;
- Review the potential ports to determine their capacity and the need for additional storage, handling, and loading facilities;
- Identify target markets and approximate tonnages, assess the probable delivered product prices in these markets, and within each market, identify individual customers, their current suppliers, and forecast the DAP/MAP needs;
- Estimate inland and ocean freight rates for the target markets to determine mine-site netbacks;
- Meet with potential customers, considering that this is a “relationship” business and that in Asia, in particular, relationships take time to develop. Potential customers should include, as appropriate, government fertiliser, financial, and agricultural representatives;
- Assess the needs and costs for the Chilisaï Project’s marketing department as results of the above steps are developed. In addition, sales logistics skills will be required; and
- Evaluate the potential for producing and marketing agricultural grade and purified acid, industrial, and feed phosphates.

19.8 MARKETING RESEARCH — BRITISH SULPHUR CONSULTANTS

In February 2007, Sunkar Resources commissioned BSC to update and complete additional marketing research, and extend the forecast period to the Year 2025. BSC’s study is broadly supportive of the analysis previously summarized. Their report’s major conclusions include the following.

1. World consumption of phosphate fertilisers will increase at an average annual rate of 1.5%. By region, this will vary from –0.7% for Western Europe to 1.8% for Asia. Because of its attractive product features, consumption of DAP will increase at an annual rate of 2.4%, again, with growth concentrated in Asia. Over the forecast period the forecast increase in world DAP consumption is 17.0 million product tonnes of which 12.8 million tonnes will be for Asia.
2. World DAP production capacity will not increase quite as much as demand with the result that operating rates will increase from 60% in 2005 to 72% in 2025. U.S. production will decline with major increases forecast for India, China, Saudi Arabia, and Egypt.
3. India as well as Pakistan will be at the center of DAP import growth as Asia continues to be the major importing region, as shown in Table 19.5.

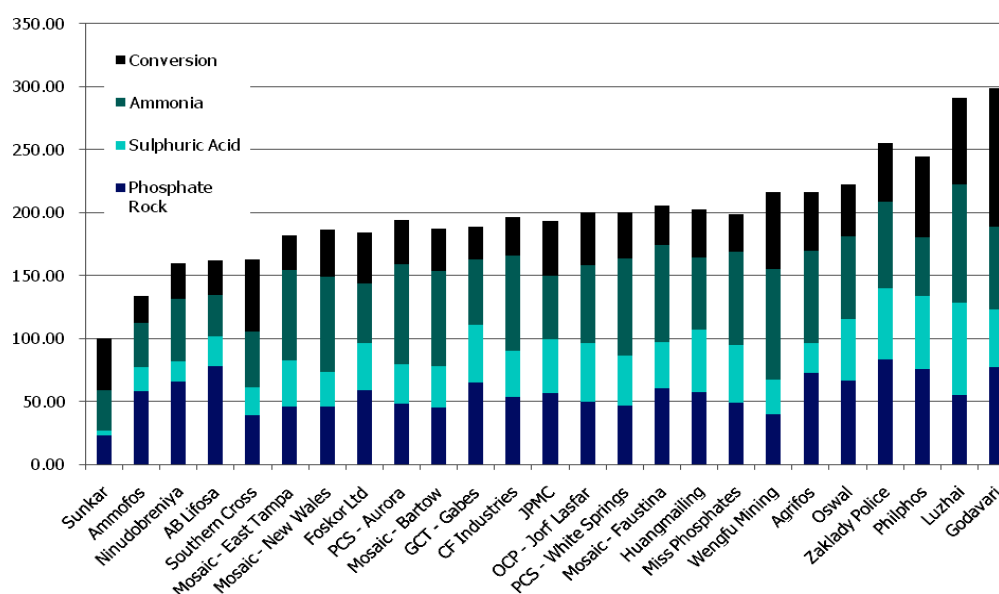
**TABLE 19.5 WORLD DAP IMPORTS BY REGION BSC FEBRUARY 2007
 (MILLION OF PRODUCT TONNES)**

Region	2005	2025
South Asia	3.8	8.2
Southeast Asia	1.1	2.0
East Asia	2.0	1.7
Rest of World	5.5	7.7
Total	12.4	19.6

- Based on the forecast of DAP demand and supply, excluding Chilisai but including known and assumed capacity expansions, the market should be able to absorb new production from Kazakhstan.
- It may be possible to sell phosphate rock to the Razi plant in Iran. BSC estimates potential annual sales of 200,000 tonnes at a \$7 to \$10 per tonne premium to the FOB Morocco sales price. Notwithstanding the availability of target markets, transport costs will probably limit sales of rock outside this market.
- The sale of acid and finished products (primarily DAP and possibly MAP) will be possible. The penetration of global markets will depend upon the degree to which low sulphur and ammonia costs can offset freight disadvantages.
- The primary target area for DAP sales will be western China. BSC analysis suggests that the FOB Chilisai price will be \$30 above the FOB Tampa forecast. DAP sales to other markets will be at roughly the Tampa FOB price.
- Preliminary cost projections indicate that Chilisai will have a competitive cash operating cost advantage based on low costs for rock, ammonia (or natural gas), and sulphur. These advantages are expected to offset freight cost disadvantages and place the project very near the bottom of the industry cost curve. Additionally, BSC assessed and catalogued the phosphate industry's production cost structure. Illustrated in Figure 19.5 are the British Sulphur data for 2006 on world producers' cash costs compared to the estimate of Sunkar's cash cost to produce DAP.

Figure 19.5. DAP Cash Cost (per tonne of DAP Produced) — Comparison of World DAP Producers versus Sunkar*

*2006 World DAP Producers DAP Cash Costs by BSC



20.0 CONTRACTS

Mineral rights in Kazakhstan are acquired from the national government by a tender process and formalized by a SUC.

20.1 SUBSOIL USE CONTRACT

Behre Dolbear has reviewed the SUC issued to Temir-Service Limited LLP, which controls the Chilisai phosphate project, solely for the purpose of verifying commercial terms contained therein. Behre Dolbear is not qualified to issue a legal opinion regarding the SUC and the comments herein should not be construed as such an opinion. Behre Dolbear has on file an October 20, 2006 Salans legal due diligence report prepared for inclusion in admission documents. SUCs are governed by the Law of the Republic of Kazakhstan on Subsoil and Subsoil Use and interested readers are urged to obtain a copy of this law.

Commercial terms and conditions contained in the Temir-Services LLP SUC pertinent to an economic valuation include:

- the contract life is 25 years and may be extended;
- a contribution to social development projects in the region in the amount of 2% of annual capital investment and later from profits is required;
- a contribution to a training fund for Kazakhstani personnel in the amount of 0.1% of operating expenditures is required;
- payment to the government for prior geologic work on the project in the amount of \$1,826,900 is required — this is to be paid in installments with an initial payment of \$18,266 and the balance in quarterly payments at the rate of \$3.00 per thousand tonnes of phosphate ore mined;
- a royalty of 3% of the mining cost is to be paid;
- an investment of \$30 to \$37 million in the first year and over \$100 million during the first 4 years is stated in the SUC — it is not clear whether this is a contract obligation or a target;
- a Scope of Mining is included in the SUC and indicates that an annual mining rate of 10Mtpy will be obtained — it is not clear whether this is a contract obligation or a target; and
- a signing bonus of \$11,000 has been paid and a Commercial Discovery Bonus, apparently based upon the incremental discovery of reserves beyond the initially mineable reserves, is to be paid — the rate of this bonus is 0.1% of the “calculation base” which in turn appears to be at the discretion of the Government's Competent Body (the Ministry of Energy and Mineral Resources). Behre Dolbear urges that competent tax counsel be retained to examine this issue with the view of determining whether or not this will have significant impact upon project economics.

21.0 ENVIRONMENTAL CONSIDERATIONS

In addition to environmental concerns typically associated with mining and industrial activities, the agriculture industry faces issues specific to fertiliser usage. Over-fertilization and the subsequent run-off of excess fertiliser may contribute to nitrogen accumulation in watercourses and catchment areas.

Excessive phosphorus run-off has long been recognized as associated with eutrophication of lakes and other non-flowing bodies of water. Eutrophication may result in heavy growth of aquatic plants and algal mats and deoxygenation. Improved planting methods, fertiliser management, and soil conservation techniques are used effectively to reduce phosphorus run-off.

Fertiliser production also is an environmental concern. For every ton of phosphoric acid produced, 5 tons of phosphogypsum are generated. Phosphogypsum is a solid material that results from the reaction of phosphate rock with sulphuric acid. Although it is nearly identical to natural gypsum, it may contain small amounts of phosphate, fluorine, radium, and other elements present in phosphate ore. Initial indications are that meaningful quantities of deleterious constituents are not present at the Chilisai site, including lack of radioactive elements.

21.1 GENERAL PROVISIONS

The SUC requires the Contractor to comply with the Legislation of the State regarding protection of subsoil and the environment and to undertake all necessary measures for the purpose of:

- Protecting the life and health of the population;
- ensuring rational and comprehensive use of the Minerals;
- restoring the natural landscapes and reclamation of the disturbed lands;
- preventing landslides and ground subsidence; and
- ensuring the preservation of the natural state of the water facilities.

21.2 MINING

During mining, the Contractor must comply with the following Ecological Requirements:

- preservation of the surface by applying special methods of deposit development;
- prevention of desertification of lands;
- minimisation of the disturbance of the land prior to subsoil use operations, e.g. construction of roads to be approved by the national conservation bodies;
- prevention of wind and water erosion of soil and the oxidation of overburden materials;
- isolation of fresh water horizons and pollution prevention of those horizons;
- prevention of the depletion and contamination of surface and underground waters;
- usage of non-toxic reagents when preparing washer fluids;
- clean-up and recycling of drilling fluid;
- appropriate disposal of drilling and combustive-lubricating materials using ecologically safe methods;
- prevention of pollutant emissions into the atmospheric air;
- minimisation of the damages to the environment after operations have ceased in accordance with the legislation of the Republic of Kazakhstan; and
- environmental monitoring approved by the appropriate regulatory agencies and other requirements pursuant to the laws regarding subsoil use and the protection of the environment.

21.3 CONDUCT AND COMPLIANCE

The Company must ensure that all documentation containing assessments of the Environmental impact of scheduled activities, sections on "Environmental Protection" and termination of the Subsoil Use Operations or temporary shutdown are presented to the state environmental auditors.

Prior to commencement of activities under the Contract, the Company must conduct an assessment of the impact of scheduled activities on any nearby populations. This assessment must be approved by the appropriate regulatory authorities.

The Company must conduct environmental monitoring in order to study the impact of its activities. The Company must also take appropriate measures to mitigate any negative impacts. The production monitoring data and reports must be forwarded to the appropriate authorities.

In case of above-level emissions, the Company must promptly notify the central executive body of environmental protection and must take the necessary measures to rectify any damages.

Upon expiry of the Contract and during relinquishment of the Contract Territory by stages, the Company will hand-over the Contract Lands in conditions suitable for further use as specified by the legislation of the state.

Any damage to the Environmental setting as well as the Contracted Territory during the effective period of the Contract will be restored at the expenses of the Company to the condition suitable for the further use of the lands for the specified purposes.

21.4 AREA REQUIREMENT

Requirements of the Subsoil Use and Protection include:

- ensuring comprehensive geological exploration of the deposit for the reliable estimation of the volume and structure of the mineral reserves;
- appropriately avoiding selective mining of high-grade sites;
- reliable accounting of mineable and non-mineable resources, including the volume of the mineralized materials processed and production waste materials;
- avoiding any adjustment of the mineral reserves registered on the state balance on the basis of initial processing data;
- preventing the accumulation of industrial and domestic wastes on water intake sites and in places of underground water used for drinking water supply;
- protecting of the subsoil from water influx;
- preventing subsoil contamination during operations, in particular contamination occurring through the storage of gas and other toxic substances and materials,
- appropriately disposing of hazardous substances and wastes; and
- complying with any suspensions of subsoil use operations and termination of the Contract and procedure for liquidation of the deposit development facilities as set forth in the Contract.

22.0 TAXES

Corporate income taxation procedures in Kazakhstan generally follow Western practice in terms of recognition of income and expense items for ordinary operations. Tax and fees unique to the mineral industries are set forth in the SUC described above.

The corporate income tax rate is 30%. Other items of possible importance to this project include the following items.

- Mineral exploration expenditures are capitalized and then depreciated at a rate of 25% per year.
- The tax-loss carry forward for mineral producers is 7 years.
- Depreciation rates are on a simple percentage declining balance basis and vary by class of asset from 7% to 30% per year. Fixed Assets put into use for the first time may be depreciated at double the normal rate for the first year. Asset classes likely to be important in the calculations for this project are shown in Table 22.1.
- Deductions for repairs of fixed assets are limited, with any excess expenditure to be capitalized. The maximum rate of deduction for repairs to buildings is 15%. The maximum rate for industrial power and other machinery is 25% (Table 22.2).
- Mineral exploration expenditures are capitalized and then depreciated at a rate of 25% per year.
- Excess Profit Tax is applied to mineral producers in Kazakhstan. This tax is applied after the calculation of regular income tax (Table 22.3) and is a stair-step based upon the profit margin between after tax profit (after the regular income tax) and cost. Table 22.3 shows this tax schedule. Behre Dolbear accepts a Sunkar communication that Sunkar has legal advice that the SUC requires an excess profits tax on concentrate only and not on downstream products. Behre Dolbear estimates the product sold in the concentrate form will not generate sufficient profit to be subject to the excess profit tax.
- A customs duty to be paid by the Subsoil User at a rate in accordance with Kazakhstan statutes.

- A liquidation fund to finance final reclamation of the mined lands and plant site will be established in a separate bank account. Annual contributions to this fund are set at 0.1% of operating costs of mining.
- VAT is applied; however, it is expected that all product will be exported and thus any VAT paid will be reimbursed by the government, this item should be a wash in the economic calculations.

TABLE 22.1 DEPRECIATION RATES

Item	Annual Rate (%)
Buildings	8
Railroad Spurs	8
Thermal Power Equipment	15
Chemical Industry Equipment	20
Mining Equipment	25

TABLE 22.2 DEDUCTIONS FOR REPAIRS OF FIXED ASSETS

Item	Maximum Deduction for Repairs (%)
Buildings	15
Industrial Power and Other Machinery	25

TABLE 22.3 EXCESS PROFIT TAX

Profit Margin (Ratio of Profit to Cost)	Rate of Excess Profit Tax (%)
Under 1.2	0
1.2 to 1.3	10
1.3 to 1.4	20
1.4 to 1.5	30
1.5 to 1.6	40
1.6 to 1.7	50
Over 1.7	60

23.0 INDICATIVE VALUE

Based on the conceptual study performed by Behre Dolbear and the preliminary bench-scale laboratory tests, an indicative value for the Chilisai property has been derived using three valuation methodologies:

- The Income Approach which develops the net present value of a cash flow discounted at an appropriate risk factor;
- Market Comparables based upon the value that is ascribed to currently producing, publicly listed firms for each tonne of Proven and Probable phosphate reserves. The result is then factored to reflect the status of the Chilisai property and the DAP price; and
- Rules of Thumb based upon the price a unit of a commodity would sell for on the market at various stages of project development.

Behre Dolbear assigned weight factors to the three values determined using these three valuation techniques. The weight factors were based on the estimated reliability of the particular valuation methodology. The final indicative value was derived as a sum of the three weighted values.

Three DAP pricing scenarios were used by Behre Dolbear to determine indicative values at differing DAP prices. Each of the three long-term DAP prices are based on long-term prices developed by BSC during the past year. Due to changes in the fertiliser market demand as the result of a number of factors including increased bio-fuel demand and the expansion of the Chinese economy, phosphate prices have shown significant growth in the past year. These changes in pricing are reflected in the DAP price forecasts by BSC. It should be noted, however, that the DAP market has historically been cyclical and has periodically experienced price downturns due to oversupply.

Behre Dolbear averaged the FOB Tampa DAP prices as projected by BSC for the period between 2014 through 2025. The long-term selling price FOB Chilisai was determined by estimating the delivered price of competitors' DAP into the likely market served by the Chilisai property. In this case, BSC identified western China as Chilisai's primary market. The Chilisai Project has been estimated by BSC to have a \$30 per tonne shipping cost advantage to the market area in western China. The resulting long-term selling prices are summarized in Table 23.1.

TABLE 23.1 BSC PROJECTED DAP PRICES

BSC Report	Average DAP Price between 2014 and 2025, FOB Tampa US\$/tonne	Estimated Transportation Differential US\$/tonne	Estimated DAP Price FOB Chilisai US\$/tonne
February 2007	282	30	312
November 2007	407	30	437
March 2008	774	30	804

The Chilisai property can be described as being at the pre-development level. It has been drilled and category A, B, C₁, and C₂ resources have been defined at the deposit.

23.1 INCOME APPROACH VALUATION

Behre Dolbear conducted an Income Approach valuation of the Chilisai property. The following significant parameters were incorporated into the cash flow:

- average long term DAP prices (projected by BSC) as adjusted for an estimated transportation cost advantage (FOB Chilisai);
- mining costs of \$3.00 to \$5.75 per tonne of ore developed by Behre Dolbear;
- processing, sulphuric acid production, phosphoric acid production and DAP operating costs of \$100.82 per tonne of DAP developed by Behre Dolbear;
- capital costs totaling \$739 million for the mine, beneficiation plant, sulphuric acid plant, phosphoric acid plant, and DAP plant developed by Behre Dolbear; and
- a tax rate of 30%.

The cash flow model is based on an initial period of 30 years of construction and production with a mining rate of 10Mtpy of ore after a ramp-up period. During steady state conditions, the production rate of DAP is assumed to be 1.76Mtpy DAP. Approximately 250Mt would be mined during the first 30 years of construction and production. The overall cash flow model includes a terminal value based on an additional 26 years of production at the same mining and DAP production rates. At a 10% discount rate, the terminal value accounts for approximately 9% of the total NPV.

Behre Dolbear compiled the conceptual cash flow model based on capital and operating costs derived from a comparison of similar projects with which the company has specific experience. The estimated level of accuracy of the input to the conceptual cash flow is ±50%. The cash flow spread sheets are shown in Appendix 3.0.

The NPV values at various after-tax discount rates ranging from 5% to 25% are shown in Table 23.2.

TABLE 23.2 CHILISAI PROJECT NET PRESENT VALUE AT VARIABLE DISCOUNT RATES (\$ MILLIONS)

Discount Rate	DAP Price \$312/tonne	DAP Price \$437/tonne	DAP Price \$804/tonne
5.00%	\$2,760	\$4,939	\$11,338
10.00%	\$955	\$1,892	\$ 4,645
12.50%	\$586	\$1,262	\$ 3,245
15.00%	\$356	\$ 862	\$ 2,350
20.00%	\$101	\$ 411	\$ 1,319
25.00%	(\$21)	\$ 182	\$ 780
IRR %	23.9%	33.7%	53.9%

23.2 MARKET COMPARABLES VALUATION

Public markets generally ascribe values to mining companies based upon an assumed value for each tonne, pound, or ounce of the company's major commodity held in reserves or resources. The derivation of an average Market Multiple for Proven and Probable reserves of established companies operating phosphate product facilities is shown in Table 23.3. While Chilisai's A + B categorizations at the time of estimation would normally be considered equal to Proven and Probable reserves by Western standards, because of their current status, Behre Dolbear (as previously noted) considers that they are equivalent to Measured and Indicated resources.

TABLE 23.3 MARKET COMPARABLES — DETERMINED MARCH 2008 DAP PRICE OF \$1,050/TONNE

Company	Market Capitalization (\$ millions)	Proven and Probable Reserves Tonnes of Rock (millions)	\$/tonne
The Mosaic Company	23,936 ¹	480 ²	49.87
CF Industries, Inc.	1,508 ³	80 ²	18.85
Potash Corporation of Saskatchewan	16,150 ⁴	400	40.37
Weighted Average			43.33
Chilisai Project	7,972 unadjusted	184 (A +B class)	

1 52.8% of company Market Capitalization based on ratio of phosphate sales to other products.

2 Converted from short tons.

3 25% of company Market Capitalization based on ratio of phosphate sales to other products.

4 32% of company Market Capitalization based on ratio of phosphate sales to other products.

Behre Dolbear's derivation of a value for the Chilisai Project takes into consideration the immature status of the Chilisai deposit compared to those controlled by the companies listed above. Based on a discount factor of 85%, the value of the comparable A and B class resources in the Chilisai deposit is estimated to be approximately \$1,196 million at a DAP Price of \$1,050 per tonne. This discount is based on Chilisai's stature as a non-operating company with no feasibility study defining technical and economic factors and the fact that Chilisai's phosphate is considered as a Measured and Indicated resource (Soviet categories A and B) versus the Proven and Probable reserves of the publicly-traded companies.

At the long-term DAP prices considered in this study of \$312, \$437, and \$804 per tonne DAP, the Market Comparables indicative values have been adjusted to \$355 million, \$498 million, and \$916 million, respectively.

23.3 RULES OF THUMB VALUATION

Behre Dolbear developed an indicative value of the Chilisai property using a generic Rules of Thumb method, working back from the probable selling price of DAP in western China as shown in Table 23.4. The bench-scale laboratory test results showed that approximately 5.7 tonnes of Chilisai rock are required to produce one tonne of DAP. This theoretically yields a hypothetical mined ore value of \$141.05 per tonne with a DAP price of \$804 per tonne ($\$804/5.7 = \141.05). At DAP prices of \$312 and \$437 per tonne, the hypothetical mined ore values are \$54.74 and \$76.66 per tonne ore, respectively.

TABLE 23.4 DETERMINATION OF RULES OF THUMB INDICATIVE VALUES AT THREE DAP PRICE LEVELS (MILLIONS OF \$)

Resource Category	Tonnage (Mt)	Risk-adjusted Mined Rock Price (\$ per tonne ore)	Market Price Factor	Indicative Value (\$ millions)
DAP Price — \$312 per tonne DAP				
A Resources	48	\$27.37	10%	\$131
B Resources	136	\$27.37	5%	\$186
C Resources	619	\$27.37	2.5%	\$424
Off-balance Category	773	\$27.37	1.25%	\$264
Total				\$1,006
DAP Price — \$437 per tonne DAP				
A Resources	48	\$38.33	10%	\$184
B Resources	136	\$38.33	5%	\$261
C Resources	619	\$38.33	2.5%	\$593
Off-balance Category	773	\$38.33	1.25%	\$370
Total				\$1,408
DAP Price — \$804 per tonne DAP				
A Resources	48	\$70.53	10%	\$339
B Resources	136	\$70.53	5%	\$480
C Resources	619	\$70.53	2.5%	\$1,091
Off-balance Category	773	\$70.53	1.25%	\$681
Total				\$2,591

The objective, however, is to determine the value of a crude tonne of ore in the ground and it must be recognized that the Chilisai deposit has the following deficiencies when compared to deposits in the Mideast or the United States:

- Rock Quality Risk Factor:** The crude rock is similar in grade to Florida rock, but lower in grade than the rock held by Jordanian, Egyptian, and Saudi competitors (10.5% P₂O₅ versus plus 30% P₂O₅). Although the grade is lower than seen with other competitors, the gangue material is primarily inert silica minerals as opposed to carbonaceous gangue. This results in acid consumptions that could be comparable to those of other operations; however, the phosphoric acid will need to be concentrated prior to DAP production, resulting in higher energy consumptions. Behre Dolbear has assigned a Rock Quality Risk Factor of 10% based on the analysis of samples from three locations and the establishment of a preliminary process flowsheet.
- Process Success Risk Factor:** Although the testing has indicated a potentially viable process is applicable, there are still many unknowns regarding the success of the process required to produce a salable product. Process risk still exists because the bench-scale tests were conducted on only one composite sample from one location. Further confirmation is required on additional samples and a test program is in progress. Behre Dolbear has assigned a Process Success Risk Factor of 15%.
- Operating Success Risk Factor:** The Chilisai Project is a start-up operation with no history of successful production of DAP. Also, Sunkar, as manager, has no experience operating an industrial mineral plant and will most likely need to bring in a competent operating partner. Behre Dolbear has assigned a 25% risk factor to this element.

Behre Dolbear is accordingly risk-adjusting the mined rock price by 50% to \$70.53, \$38.33, and \$27.37 per tonne ore based on the three DAP price levels.

Behre Dolbear's experience is that mineralization at industrial mineral properties with defined Measured Resources (A category), but no feasibility study trade for an average of 10% of the current market price; Indicated Resources (B category) for 5% of market price; and Inferred Resources (C category) 2.5% of the market price. Off-balance category material was assigned 1.25% of the price. At the three DAP price levels, the indicative values of the in-ground resources of the Chilisai property using the Rules of Thumb methodology are shown in Table 23.4.

Behre Dolbear stresses that these are highly hypothetical indicative values for 100% of the Chilisai property. Since the principal factor affecting this evaluation is the single sample testing for this property, the reader should be cautious in using this estimate of value. Further study is necessary raise the level of confidence and to assess the impacts of currently unquantified issues. Variations in these factors could significantly increase or decrease the value of the property as estimated by this method.

23.4 INDICATIVE VALUES

Behre Dolbear derived indicative values of the Chilisai property at the three different DAP price levels. The values were derived by weighting the results of the three valuation methods: the Income Approach, Market Comparables, and Rules of Thumb as shown in Tables 23.5, 23.6, and 23.7. Depending on the long-term DAP price used and a 10% discount rate, the indicative value of the Chilisai property is estimated to range from \$805 million to \$3,321 million. If the discount rate is increased to 12.5%, the indicative value is estimated to range from \$560 million to \$2,481 million.

TABLE 23.5 WEIGHTED INDICATIVE VALUE — \$312 PER TONNE OF DAP, 10% DISCOUNT RATE (MILLIONS OF \$)

Valuation Methodology	Value Determined Using Methodology	Assigned Weight Factor ¹	Weighted Value ²
Income Approach	\$ 995	0.6	\$597
Rules of Thumb	\$1,006	0.1	\$101
Market Comparables	\$ 355	0.3	\$107
Value — Sum of Weighted Values		1.0	\$805

1 Weight factor assigned for determining weighted values. The assigned weight factor is based on the estimated reliability of the valuation methodology as compared to the other two valuation methodologies.

2 Weighted value calculated as the product of the value determined using a particular valuation methodology (i.e., Income Approach) and the assigned weight factor. For example, $995 \times 0.6 = 597$.

TABLE 23.6 WEIGHTED INDICATIVE VALUE — \$437 PER TONNE OF DAP, 10% DISCOUNT RATE (MILLIONS OF \$)

Valuation Methodology	Value Determined Using Methodology	Assigned Weight Factor ¹	Weighted Value ²
Income Approach	\$1,892	0.6	\$1,135
Rules of Thumb	\$1,408	0.1	\$ 141
Market Comparables	\$ 498	0.3	\$ 149
Preferred Value — Sum of Weighted Values		1.0	\$1,425

1 Weight factor assigned for determining weighted values. The assigned weight factor is based on the estimated reliability of the valuation methodology as compared to the other two valuation methodologies.

2 Weighted value calculated as the product of the value determined using a particular valuation methodology (i.e., Income Approach) and the assigned weight factor. For example, $1,892 \times 0.6 = 1,135$.

TABLE 23.7 WEIGHTED INDICATIVE VALUE — \$804 PER TONNE OF DAP, 10% DISCOUNT RATE (MILLIONS OF \$)

Valuation Methodology	Value Determined Using Methodology	Assigned Weight Factor ¹	Weighted Value ²
Income Approach	\$4,645	0.6	\$2,787
Rules of Thumb	\$2,591	0.1	\$ 259
Market Comparables	\$ 916	0.3	\$ 275
Preferred Value — Sum of Weighted Values		1.0	\$3,321

1 Weight factor assigned for determining weighted values. The assigned weight factor is based on the estimated reliability of the valuation methodology as compared to the other two valuation methodologies.

2 Weighted value calculated as the product of the value determined using a particular valuation methodology (i.e., Income Approach) and the assigned weight factor. For example, $\$4,645 \times 0.6 = \$2,787$.

24.0 RISK ANALYSIS

Behre Dolbear performed a risk assessment of the Chilisai property using its in-house risk ratings of Low, Moderate, and High. The following definitions were used in allocating the amount of risk associated with the different technical and other areas discussed in this report:

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

24.1 RESOURCE RISK

Resource risk is considered to be low. The property has been drilled out to produce a high degree of certainty that the tonnes and grades estimated by the former operator are present. The geology of the deposit is well established.

24.2 MINING METHOD AND COST

The projected mining system is straight forward and widely used. The deposit is not expected to pose significant technical challenges except for assuring that a constant rate of production can be achieved without excessive dilution due to the thin nature of the phosphate-bearing zone. Capital and operating costs have not been quantified, but can be in a follow-up feasibility study. Behre Dolbear assigns a low risk to the mining system, as conceived.

24.3 PROCESSING METHOD

Behre Dolbear sampled three locations (WF-1, NP-1, OB-3) in August 2006 to obtain material for small-scale bench testing. The different rock types from each site were collected (pebble, nodule, and plate). Preliminary sample characterization studies were conducted for all samples. Only one of the three sites had all three rock types and a composite was generated for this site by proportionally recombining the three rock types (WF-1 Composite). Detailed sample characterization and scoping-level bench-scale beneficiation tests and chemical leach tests were conducted on this composite.

The scoping-level bench-scale tests demonstrated that the composited material from the WF-1 location could be upgraded from 10.5% P₂O₅ to 17% P₂O₅ using basic dry beneficiation processes (crushing and sizing). The upgraded material was directly acid leached to produce phosphoric acid. The direct acid leaching of low-grade concentrate avoids conventional froth flotation or other techniques and resulted in an overall P₂O₅ recovery of 78%. This approach could potentially result in cost reductions for the Project when compared to other DAP producers. The production of sulphuric acid, phosphoric acid, and DAP are based upon well established technologies. These technologies are considered to be low risk. Further, sulphur is readily abundant and available in Kazakhstan as a by-product of oil and gas production.

Another factor contributing to the risk in the potential processing method is the ore grade. The crude rock is similar in grade to Florida rock, but lower in grade than the rock held by Jordanian, Egyptian, and Saudi competitors (20% to 30% P₂O₅). Although the grade is lower than seen with other competitors, the gangue material is primarily inert silica minerals as opposed to carbonaceous gangue. This results in acid consumptions that could be comparable to those of other operations; however, the phosphoric acid will need to be concentrated prior to DAP production, resulting in higher energy consumptions.

Although it was demonstrated that conventional technologies can potentially be applied to the Chilisai deposit to produce a saleable product, this demonstration was achieved with only a single sample. Inferring that the results of the bench-scale tests on a single composite sample are applicable to the entire deposit, especially a deposit the size of the Chilisai deposit, still represents a significant risk to the success of the Project. For this reason, Behre Dolbear still assigns a high risk to the processing method until further testing of additional samples demonstrates the efficacy of the direct acid leaching method. It should be noted, however, that another test program is being planned.

24.4 MARKETS

The fertiliser industry is a highly competitive business with most companies being fully integrated and producing a number of phosphate, potash, and urea products from which blended fertilisers can be produced. BSC believes that a market will be available in western China for the phosphate and fertiliser products produced by the project. Chilisai will be a new producer with an unproven record trying to enter a new market in a geographic area that will be contested by existing producers who will try to protect their market share. The projected growth of the Chinese and Indian markets to some extent mitigates this factor, but Behre Dolbear assigns a moderate risk to the ability of Chilisai product to enter the market.

24.5 TRANSPORTATION COSTS

Only preliminary transportation costs have been obtained. Typically, a protracted negotiating process is undertaken to obtain the lowest rail and ocean freight costs. The next study undertaken for the property should further define the transportation costs affecting the property. Behre Dolbear assigns a moderate risk to transportation costs.

24.6 PROJECT ECONOMICS

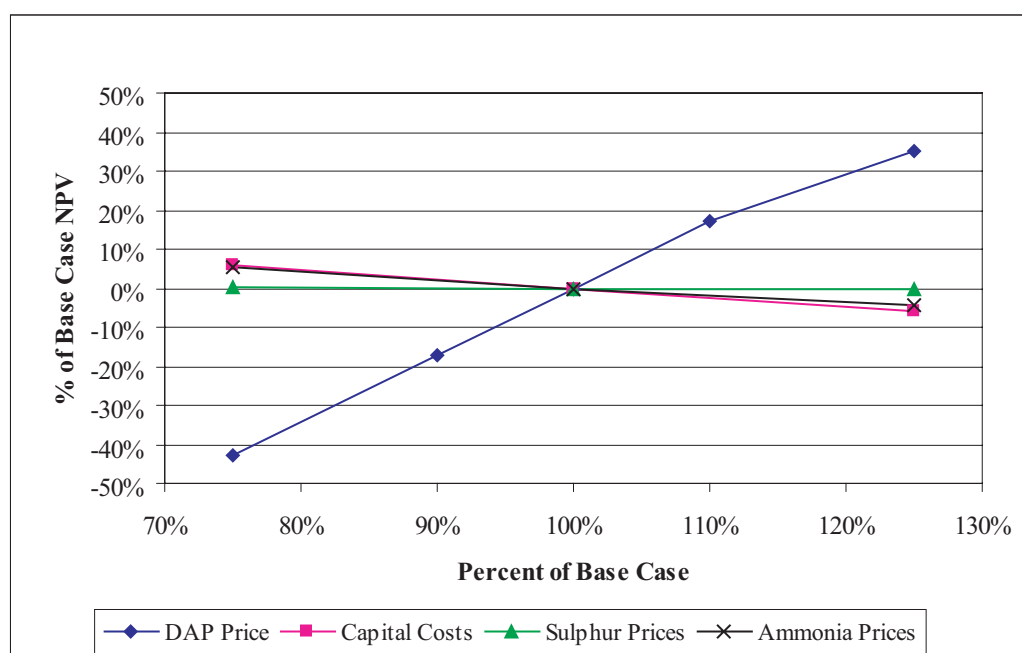
Capital and operating costs are unquantified at this time. A feasibility study will be required to determine the costs and projected economic performance of the project. Until this study is completed, the costs and project economics pose a moderate risk to the project.

24.7 SENSITIVITY ANALYSIS

This Chilisai Project scoping study is considered to have a level of accuracy of ±50%. To provide a better understanding of the project, Behre Dolbear performed NPV sensitivities for four major factors: price, capital costs, sulphur costs, and ammonia costs.

Figure 24.1 illustrates the Project's sensitivity to changes in DAP price, capital costs, sulphur prices, and ammonia prices. The Project demonstrates the greatest sensitivity to DAP price.

Figure 24.1. Sensitivity of NPV to DAP price, capital costs, sulphur price, and ammonia price (base case of \$437 per tonne DAP, 10% discount rate)



25.0 CONCLUSIONS AND RECOMMENDATIONS

25.1 CONCLUSIONS

Behre Dolbear considers the Chilisaï phosphate property to be a property of merit. It has the potential to be a significant producer of phosphate if technical, economic, and market issues can be resolved. Behre Dolbear has reached the following major conclusions.

- Chilisaï resources in the A, B, C, and Off-balance categories are sufficient for a 56-year mine life at a 10Mtpy mining rate.
- DAP production from a conceptual mine at Chilisaï is available to several markets due to its location on a major railroad intersection.
- The conceptual DAP production rate at Chilisaï has been projected to be 1.76Mtpy. Based on the current global capacity and production, Chilisaï could conceptually produce approximately 2% to 5% of the world's capacity of DAP and MAP. This value does not take into account the planned new projects discussed previously in this report.
- Three major factors pose varying degrees of risk for the project:
 1. the ability to produce a marketable product;
 2. transportation and distribution costs are not well known; and
 3. there are unknowns related to the market for the products, in that a detailed marketing study has not been completed to define specific markets, customers, and products.

Using three DAP prices as predicted by BSC in the past year (\$312, \$437, and \$804 per tonne DAP), the indicative value of the Chilisaï property at a 10% discount rate is estimated to range from \$863 million to \$3,321 million. If the discount rate is increased to 12.5% discount rate, the indicative value is estimated to range from \$622 million to \$2,481 million.

25.2 RECOMMENDATIONS

The primary issue, which must be resolved, is whether or not the composite sample that was subjected to bench testing during this study was representative of the overall Chilisaï deposit. A

new test program has been planned to confirm the preliminary bench-scale results on additional samples. Approximately 27 samples are to be collected from multiple locations at the Project. Behre Dolbear has recommended, at a minimum, the test program should include sample characterization (mineralogy and head sample analyses), grindability and breakage tests to determine crushing and grinding work indices, and confirmation beneficiation and direct acid leach tests. In addition to confirming the samples' amenability to the conceptual flowsheet, the test program should be designed to determine optimum leach times and temperatures, as well as slurry rheology and filtration characteristics.

Behre Dolbear recommends that a feasibility study be conducted to evaluate the technical, environmental, and economic factors that are necessary for economic development, including geology and classification of resources, mine design, infrastructure reviews, capital and operating costs, product markets, and environmental considerations. Of critical importance to the feasibility study will be the continuation of bench-scale and possibly pilot-scale testing to further define the beneficiation and process circuits. Typically, a feasibility study results in an engineering and economic evaluation of a project to a $\pm 15\%$ level of accuracy versus the $\pm 50\%$ level of accuracy in the scoping study produced in this report.

APPENDIX 1.0
GLOSSARY

AA	Atomic absorption
AIM	Alternative Investment Market
bcm	Bank cubic meters
BDI	Baltic Dry Index
BPL	Bone phosphate of lime
BSC	British Sulphur Consultants
CIS	Commonwealth of Independent States
cm	Centimeter
Competent Body	Ministry of Energy and Mineral Resources Republic of Kazakhstan
Contractor	Temir-Service LLP
CPI	Corruption Perception Index
CPR	Competent Persons' Report
DAP	Diammonium phosphate
FSA	Financial Services Authority
FSU	Former Soviet Union
GDP	Gross domestic product
GPS	Global Positioning System
Guidance Note	Guidance Note for Mining, Oil and Gas Companies, March 2006.
ICP	Inductive coupled plasma
IFA	International Fertiliser Association
JORC Code	The 2004 Australasian Code Reporting of Exploration Results, Mineral Resources and Ore Reserves.
kg	Kilogram
km ²	Square kilometers
kv	Kilovolt
LSE	London Stock Exchange
m	Meter
m ³	Cubic meter

MAP	Monoammonium phosphate
Million	M
mm	Millimeters
MOP	Muriate of potash, or just potash
Mtpy	Million tonnes per year
NGO	Non Government Organization
Nomad	Nominated Advisor
NP	Nitrogen-phosphorous
NPK	Nitrogen-phosphorous-potassium
NPV	Net present value
P ₂ O ₅	Phosphorous pentoxide
PAP	Phosphoric acid plant
RDI	Resource Development Inc.
ROM	Run-of-mine feed
Salans	Salans Hertzfeld & Heilbronn
SAP	Sulfuric acid plant
Soviet system replaced by UTM	Krassovsky 1942 System
SUC	Subsoil Use Contract
the Project	Chilisai phosphate property
tonne	t
Tonnes (metric system)	Tonnes
TSP	Triple-super-phosphate
UKLA	United Kingdom Listing Authority
Universal Transverse Mercator System	UTM
VAT	Value Added Tax
XRF	X-ray fluorescence

APPENDIX 2.0
RESUMES

BERNARD J. GUARNERA
PRESIDENT, CHIEF EXECUTIVE OFFICER
and CHIEF OPERATING OFFICER

Mineral Property Valuation,
Mineral Development
and Lease Agreements

Mr. Bernard J. Guarnera has more than 40 years of experience with mining and consulting firms in the international mineral industry focusing on the valuation of developed and undeveloped mineral properties, negotiation, and structuring of mineral development and lease agreements, and economic geology. Mr. Guarnera's valuation expertise spans all commodities and geographic areas with recent emphasis on base and precious metals and past emphasis on energy minerals. He is a Certified Mineral Appraiser with the American Institute of Mineral Appraisers. Mr. Guarnera has lectured and instructed the mining engineering group of the Internal Revenue Service on mineral valuation techniques and has also presented seminars and instruction on mineral valuations to the American Institute of Rural and Farm Appraisers and financial institutions. Mr. Guarnera has provided expert witness testimony on mineral property values on several occasions.

While with Behre Dolbear & Company, Inc., Mr. Guarnera has participated in numerous recent mineral property valuations, including:

- Addington Resources' Tennessee properties for sale purposes;
- Copper mines, and smelter of ASARCO's Ray, Arizona complex for state tax purposes;
- Crown Butte Resources' New World, Montana gold property for taking compensation;
- Newmont Gold Company's Indonesian and Mexican gold properties for tax basis purposes;
- Copper mines, mills, smelter and ancillary facilities of Exxon Coal and Mineral's Compañía Minera Disputada, S.A.;
- Baca Land Grant, New Mexico geothermal and undeveloped mineral resources;
- Copper Flat, New Mexico copper property for financing purposes;
- Cogema, Inc.'s uranium properties in south Texas for divestiture purposes;
- McDonald Seven-Up Pete gold property for royalty purposes;
- Kings Mountain, North Carolina mica property for estate division purposes;
- Royalty value of a wollastonite property in New York; and
- Legadembi, Ethiopia gold mine for privatization purposes.

CORPORATE EXPERIENCE

1991-Present	Behre Dolbear & Company, Inc. — President, Chief Executive Officer and Chief Operating Officer
1981-1990	Boise Cascade Corporation — Manager, mineral resources
1976-1980	Dames & Moore — Principal-in-Charge economic geology and mining group
1968-1976	Texaco, Inc. — Manager, coal and hard mineral exploration projects
1967	Amax Exploration, Inc. — Field Geologist/Party Chief
1965-1966	Anaconda American Brass, Ltd. — Field Geologist/Party Chief
1964	Quebec Cartier Mining Company, Ltd. — Geologist/Engineer

PROFESSIONAL AFFILIATIONS

- American Institute of Mineral Appraisers
- American Institute of Mining Engineers — 40 Year Member
- Association of Geoscientists of Ontario
- Australasian Institute of Mining and Metallurgy — Fellow
- Canadian Institute of Mining and Metallurgy

- Geological Society of America — Fellow
- International Mining Professionals Society — Past President
- Mining and Metallurgical Society of America — Counselor
- Mining Club of New York
- Northwest Mining Association — Past President and Life Member
- Society of Economic Geologists — Fellow
- Society of Mining Engineers — Resources and Reserves Committee

DIRECTORSHIPS

- Cracker Creek Gold Mining Company
- Midland Mining Corporation

COURSES/SEMINARS TAUGHT

- Valuation of Mineral Deposits — U.S. Internal Revenue Service — Mining, Engineering Section
- Valuation of Uranium Deposits — American Society of Farm Managers and Rural Appraisers
- The ABC's of Ore Reserves — Seminar for Financial Community in Denver, London, New York, and Toronto
- The Valuation of Mineral Properties — Seminar for Financial Community in London, New York, and Toronto
- Economics of the Minerals Industry — Boise State University Department of Geology and Geophysics

REGISTRATIONS/CERTIFICATIONS

- Professional Engineer No. 41852, Texas
- Professional Geologist No. 510, Idaho
- Professional Geologist No. 70, Oregon
- Professional Geologist No. 0144, Ontario
- Certified Mineral Appraiser
- Chartered Professional (Geologist) — Australia

EDUCATION

- Michigan Technological University — B.S. Geological Engineering — 1965
- Michigan Technological University — M.S. Economic Geology — 1967

ROBERT D. MAXWELL
SENIOR ASSOCIATE and
ECONOMIC GEOLOGIST

Mineral Property Evaluation,
Exploration, Feasibility, and
Resource Estimation

Mr. Robert D. Maxwell has more than 32 years of experience in mining, exploration, development and evaluation of deposits in North America. He has supervised exploration programs for uranium which resulted in discoveries. He has supervised or participated in geologic investigations as part of due-diligence studies for major property acquisitions.

Mr. Maxwell's experience commenced in the mid-1960s and covers production, development, and exploration phases of uranium projects in the major uranium districts of western North America. His background with major companies and consulting firms also includes delineation of phosphate deposits as well as investigation of various facets of potash, copper, coal, heavy sands, industrial, mineral, and gold projects. He has conducted multi-mineral studies and inventories of the potential for income from mineral resources for major landholders.

Some of the recent projects Mr. Maxwell has been involved with are:

- Owner confidential, Green Mountain, Wyoming uranium deposit resource evaluation
- Owner confidential, Colorado and Utah uranium deposit evaluation
- Owner confidential, Kazakhstan uranium deposition valuation
- Owner confidential, Powder River Basin, Wyoming uranium deposit
- Owner confidential, Mongolian uranium deposits
- Rio Algom Moore Ranch uranium deposit resources, Wyoming
- Coal bed methane host mapping, Powder River Basin, Wyoming
- Owner confidential, Wyoming uranium deposit
- Owner confidential, Red Desert, Wyoming uranium deposit
- Rio Algom, four uranium exploration prospects, Wyoming and Texas
- Numerous prospect submittal evaluations

CORPORATE EXPERIENCE

1996-2000	Rio Algom Mining Corporation — Senior Exploration Geologist — Evaluated the stature of uranium exploration and acquisition projects in the western USA suitable for in-situ extraction
1995-1996	STB Environmental — Assistant Manager — Operations
1995	G. B. Robbins — Senior Geologist
1994-1995	Consulting Geologist — Work Plans for thermal recovery of mercury from soil
1992-1994	Dames & Moore — Mercury Program Manager, Columbia Natural Gas Pipelines
1982-1992	Mineral Property Evaluation — Project Manager or Investigator for Mineral Studies
1979-1982	Dames & Moore — Economic Geology Group Leader
1978-1979	Consulting Geologist for major companies acquiring uranium properties
1975-1978	Wyoming Mineral Corp. (Westinghouse) — Manager, Special Exploration Projects/Manager, Southern Region Exploration/Regional Geologist
1969-1975	Continental Oil Company — Minerals Division — District Geologist/Staff Mining Geologist/Exploration Geologist
1964-1969	Kerr McGee Corporation — Senior Geologist/Geologist/Junior Mine Geologist/Grade Control Engineer

PROFESSIONAL AFFILIATIONS

- American Institute of Professional Geologists, No. 10913
- Society for Mining, Metallurgy, and Exploration of the AIME
- Wyoming Geological Association
- Society of Economic Geologists (former member)
- American Society for Testing Materials — Secretary, Task Group E 10.14.02, Uranium Resource Evaluation (~ 1980)
- American Mining Congress — Underground Radiation Safety Committee (~ 1971)

EDUCATION

- University of Colorado at Denver — MBA — Emphasizing International and Finance — 1991
- Texas Western College (UTEP) — B.Sc., Geology — 1964
- Management Short Courses:
 - Project Management — Dames & Moore
 - Management Functions and Policies — Westinghouse
 - Management Techniques — Westinghouse
 - Managerial Grid — Conoco
 - Contemporary Supervision — Conoco
- Technical Short Courses:
 - Groundwater Exploration
 - Geochemical Exploration
- Numerous Technical Seminars and Symposia

ROBERT G. CONNOCHIE
SENIOR ASSOCIATE

Strategic Planning and
Financing Specialist

CORPORATE EXPERIENCE

- 1993-Present Chartwell Ventures Incorporated (CVI), President
- CVI is a management consulting firm specializing in the mining industry. CVI focuses on:
 - strategic planning,
 - project and market evaluation and development,
 - development and implementation of financing plans, both project and corporate,
 - mergers and acquisitions, and
 - performance improvement.
- Assistance is provided at the Board level, as interim management, or on a consulting basis.
- When requested, CVI may provide equity capital to junior companies.
- 1987-1993 Potash Company of America (PCA), Chairman and President
PCA produced potash and salt from two Canadian mines. Products were sold in more than 20 countries around the world. Sales for 1992 were \$120 million with pre-tax profits of \$17 million. PCA directly employed 475.
- During 1987 to 1993, PCA successfully:
- Revised the mining method and milling process at its New Brunswick mine. This \$70 million project was completed on time and within budget. Production increased from 50% to 110% of design capacity with a corresponding drop in unit operating costs.
 - Returned its flooded Saskatchewan mine to production by developing and implementing new solution mining technology.
 - Developed cost and planning systems to provide a sound basis for decision making and profit improvement.
 - Enhanced performance by emphasizing individual leadership and training throughout the company.
 - Achieved excellent safety and environmental compliance records that significantly reduced costs.
 - Restructured marketing and distribution functions to focus on profitability.
- 1968-1987 Rio Algom Limited, Vice President Corporate Development
Prior to its acquisition Rio Algom was a major Canadian mining and metals company. Revenue for 1992 was \$800 million with net profit of \$30 million.
- Major accomplishments:
- Devised strategic planning and five year forecasting systems used to measure performance and guide company growth.
 - Developed and evaluated strategic options.
 - Annually reviewed and recommended several capital projects each costing in excess of \$10 million.
 - Negotiated long-term marketing/financing contracts for uranium and copper with both domestic and international customers.
 - Successfully identified, evaluated and negotiated acquisitions including: a major United States metals distribution company, a Canadian tin property, a joint venture interest in a Canadian coal project, a Chilean copper property, and a North American potash company.

- Merged a major subsidiary with two competitors and developed a new operating plan to improve international competitiveness.

Prior to becoming Vice President, Mister Connochie held various positions including: Treasury Analyst, Project Evaluation Analyst with parent company RTZ, and Executive Assistant to President.

- 1967-1968 Urwick, Currie & Partners (Management Consultants)
Completed financial planning, and project cost control assignments for a wide variety of clients. Implemented recommendations that achieved annual cost savings of greater than twice the cost of the project.
- 1964-1965 Macmillan, Bloedel (forest products company)
Production, mill quality control, and cost accounting. Owners' representative on major mill expansion.

PROFESSIONAL INTERESTS

Director:

- Repadre International Corporation
- Asia Pacific Resources Ltd.

Advisor:

- Oxiana Resources N.L.

Former Chairman:

- Canpotex Limited
- The Potash and Phosphate Institute
- Foundation for Agronomic Research
- Saskatchewan Potash Producers Association

Former Director:

- The Fertiliser Institute
- Lornex Mining Corporation
- Rossing Uranium
- Asia Pacific Potash Corporation
- Athlone Minerals Ltd.
- International PBX Ltd.

EDUCATION

- University of Western Ontario — MBA, Majored in Finance and Quantitative Analysis — 1967
- University of British Columbia — B.A. Sc, Civil Engineering — 1964

RALPH W. CROSSER, JR.
SENIOR ASSOCIATE

Environmental and Mining
Engineering

Mr. Ralph W. Crosser has over 40 years of experience in the mineral industry related to evaluation and development of plant operations, capital projects, and environmental management. Mr. Crosser's background is enhanced by senior environmental managerial experience in the capacity of corporate representative and operations manager relating to evaluations, feasibility studies, capital cost estimates, and project management.

As Vice President and General Manager Amax Potash Corporation, Mr. Crosser was responsible for all mining, processing, staff and external affairs functions for the Carlsbad, New Mexico facility. The Carlsbad facility was an integrated underground potash mine and mill, with self-contained staff functions, producing 550,000 tons per year of potash muriate. He managed feasibility studies and executed an expansion project that extended the life of the operation for 10 years. He also participated in the divestiture program that led to the sale of the Carlsbad property to Horizon Resources, Corp.

As Director, Environmental Services, Amax, Inc., Mr. Crosser was responsible for technical environmental support functions to all Amax facilities and operations. He was responsible for corporate overview for remediation and control practices at Amax facilities. He was designated Corporate environmental representative to trade organizations, i.e., American Mining Congress and responsible for environmental regulation negotiations with headquarters EPA for mining and processing. Other assignments included responsibility for all environmental control, permitting for major mine development and conducting environmental due diligence investigations for acquisitions and dispositions of Amax operating units, including Amax Phosphate.

As Manager, Environmental Affairs and Industrial Engineering, The Bunker Hill Co., He was responsible for all environmental control and cost improvement programs, including North Idaho Phosphate Co., a joint venture with Stauffer Chemical Corporation.

CORPORATE EXPERIENCE

2002-Present Behre Dolbear & Company (USA), Inc. — Senior Associate

- Assistant Project Manager — Jordan Phosphate Mining Company Privatization (JPMC) — Tasks included process and operations technical consultant for HSBC in the privatization of JPMC and in the evaluation of the operations for potential improvement that result from privatization
- Environmental and Permitting Specialist — U.S. Energy Corp. Review and update environmental section of the pre-feasibility study for Mount Emmons molybdenum mine in Western Colorado Project Engineer — JPMC Plant Rehabilitation Project — Reviewed and evaluated the Eshidiya Beneficiation Plant rehabilitation contractor's flow sheet modifications and plans. Advised JPMC on contractor modifications to the beneficiation process
- Environmental Specialist — Freedom Gold, Bogon Gedeh Project Liberia. Environmental evaluation and environmental requirements for pre-feasibility study
- Project Manager — United States Trade and Development Agency (USTDA) Definitional Mission of Mining projects in Bulgaria and Romania
- Process and Environmental Specialist — Brush Resources Inc., the inspection and evaluation of the beryllium production unit, Delta, Utah
- Salt Evaporative Operations, Engineering and Equipment Specialist — Ghana Salt, a USTDA funded feasibility study for the production of refined salt from seawater
- Evaporative Mining Operations and Equipment Specialist — Privatization of Arab Potash Company (APC) — Tasks included inspection and evaluation of APC's evaporative recovery systems, facilities, technology and operations to prepare an Informational Memorandum

- 1998-2001 Consultant — Environment and Business Planning, Denver, Colorado
- Independent Consultant — Amax Metals Recovery — business plan for alternative metal recovery processing and environmental permitting
 - Independent Consultant — John Halepaska and Associates — environmental review of mineral processing facilities
- 1993-1998 CDDM Managers and Consultants, Inc., Carlsbad, New Mexico — President
- Property manager and contractor for equipment liquidation for CIT Corp of a potash mine and surface facilities
 - Mine planning and reserve estimating consulting services
 - Environment services — air quality modeling, permitting, mine closure, and remediation
- 1988-1993 Amax Potash Corp./Horizon Potash Corp., Carlsbad, New Mexico — Vice President and General Manager
- 1979-1988 Amax, Inc., Golden, Colorado — Director, Environmental Services
- 1977-1979 Consultant — Instrumentation and environmental review
- 1973-1977 The Bunker Hill Company, Kellogg, Idaho — Manager, Environmental Affairs
- 1961-1973 Kennecott Copper Corporation, Salt Lake City, Utah — Various operating, staff, and management positions

EDUCATION

- University of Nevada — B.S. Business Administration — 1959
- University of Pittsburgh — Management Program for Executives — 1971

JAMES D. EDGERLEY
SENIOR ASSOCIATE

Surface Coal Mining

Extensive experience in the minerals industry with particular emphasis on feasibility studies, project economics, and project management. Strong capabilities in surface coal mine design and operations management.

PROFESSIONAL EXPERIENCE

- 1997-Present Behre Dolbear & Company (USA), Inc. — Senior Associate
Feasibility studies, project economics, project management with emphasis on surface operations.
- 1994-1997 Independent Consultant Retained by a group of investors to evaluate a potential coal project in southwestern Texas. The product was to be shipped to a large power plant in northern Mexico.
- 1983-1993 Trapper Mining Inc. — President and General Manager
Trapper produces 2.0 to 2.5 million tons of coal per year from a surface mine in western Colorado. It is a multi-seam dragline operation considered very difficult due to steepness of grades, thin seams, and relatively severe winter weather. Staff and hourly personnel numbered approximately 200. The mine continuously produced an above average return to its investors and has been honored many times for its safety record and reclamation programs. Trapper is managed as an autonomous corporation reporting quarterly to a Board of Directors representing the four utility owners.
- 1982-1983 Rocky Mountain Energy Company — Vice President Diversification
Managed diversification plans and activities for all minerals within the United States.
- 1978-1982 Rocky Mountain Energy Company — Vice President Coal
Responsible for all elements of coal business including exploration, development of controlled reserves, marketing, and representation on joint management committees.
- 1978-1982 Rocky Mountain Energy Company — Vice President Coal
Joint ventures consisted of a 500,000 ton per year (tpy) underground mine, a 6 million tpy surface mine and a 3 million tpy surface mine, all located in Wyoming.

Responsible for all elements of coal business including exploration, development of controlled reserves, marketing, and representation on joint management committees. Joint ventures consisted of a 500,000 tpy underground mine, a 6 million tpy surface mine and a 3 million tpy surface mine, all located in southern Wyoming. Operations also included a captive 500,000 tpy surface mine and plant. Home office staff in Broomfield, Colorado consisted of 25 to 30 professionals in the coal group.
- 1975-1978 Utah International Inc. — Manager of Mineral Acquisitions
Responsibility encompassed all minerals with emphasis on eastern United States coal. Assignments included search for projects, initial company contact, evaluation, and negotiation.
- 1970-1975 Utah International Inc. — Saraji Coal Mine, Australia
Saraji was a 6.5 million tpy surface, coking coal project in Queensland, Australia, shipping 4.5 million tpy of product into export markets. As Senior Project Engineer in the San Francisco office, responsibilities included completion of an exploration program, development of preliminary feasibility studies of the mine, port expansion, road and railroad access, extensive water supply system, and the construction of a new town.

Relocated to Brisbane in 1971 as Saraji Development Engineer. Responsibilities were to refine the technical and economic feasibility by coordination of company engineering groups and outside consultants, and technical assistance in the marketing of the product to Japanese steel mills. During 1973 to 1975, as Saraji Mine Manager, the mine was brought to full production on budget and on schedule. Total project costs exceeded \$200 million.

1965-1970	Bechtel Corporation — Senior Engineer/Project Engineer Various domestic and foreign assignments in mine and plant engineering, construction projects, and feasibility studies, covering a range of metallic ores. During 1967 to 1969, worked part-time while completing an M.B.A. at University of California-Los Angeles.
1961-1965	Alimak Corporation — Vice President and General Manager A technical sales and service company offering underground mining equipment throughout North and South America.
1955-1961	Mine Equipment Company, LTD — Branch Manger/Sales Engineer A Canada-based sales organization providing capital equipment to hardrock mines and mills.
1954-1955	Canadian Johns-Manville — General Mill Foreman Responsible for production from the 17,000 tons per day asbestos mill located at Asbestos, Quebec.
1950-1954	Pamour Porcupine Mines, LTD — Production Engineer/Shift Boss/Miner at a large underground gold mine in Northern Ontario. Entered the industry as a miner under a formal training program leading to supervisory positions.

PROFESSIONAL AFFILIATIONS

- Professional Engineer, Province of Ontario
- Life Member, Canadian Institute of Mining and Metallurgy
- Member, American Institute of Mining and Metallurgical Engineers
- Honorary Member, Colorado Mining Association
- Life Member, R.M.C.M.I.

EDUCATION

- University of California-Berkley — M.B.A. — 1970
- University of Toronto, Mining Engineering — B.A.Sc. — 1950

WILLIAM F. JENNINGS
SENIOR ASSOCIATE

Valuation and
Mineral Economics

Mr. William F. Jennings has 30 years experience with consulting firms and, early in his career, with the United States Geological Survey. He has specialized in the economics and valuation of mineral properties, with emphasis on base metals, precious metals, and coal. On valuation and feasibility projects, Mr. Jennings prepares economic analysis models and determines taxes, cash flow, net present value, and rate of return. On projects where valuation is not amenable to standard cash flow net present value analysis, he performs valuations using other accepted techniques. On due diligence projects, he reviews and critiques the economic analyses prepared by others. Mr. Jennings has provided expert witness testimony intermittently since 1978. He develops cost estimates for highway and rail transportation. He has performed studies of alternative coal supply for utilities and has edited a book on coal supply agreements. Mr. Jennings is a registered professional engineer and a Certified Mineral Appraiser.

Mr. Jennings has been a Behre Dolbear associate since 1989. Some recent projects include:

- valuation of Minera Yanacocha S.A. gold mining operation in Peru for Newmont Mining Corporation;
- valuation of Crown Butte Mines' New World property, Montana, for a public use taking;
- valuation of operating mines of Pegasus Gold for a bankruptcy proceeding;
- valuation of three of Newmont Gold's properties in Mexico and Indonesia, for tax basis purposes;
- valuation of a portion of Huntington Ready Mix gravel quarry, Indiana, for a highway taking;
- valuation of gravel quarry, Arizona, for a public use taking;
- valuation of a turquoise property, Colorado, for a public use taking;
- determination of project economics for feasibility of a mine in oil-bearing diatomite, California;
- determination of project economics for feasibility study of Cornucopia's Mineral Ridge property;
- determination of project economics for feasibility study of Atlanta Gold's Atlanta property;
- due diligence review of economics of Atacama Minerals proposed iodine mine, Chile;
- due diligence review of Apex Silver's proposed silver/lead/zinc mine, Bolivia; and
- coal geology and quality study of captive deposit, and alternative fuels cost and transportation analyses for proposed mine-mouth generating station in Wyoming.

CORPORATE EXPERIENCE

1989-Present	Behre Dolbear & Company, Inc., Senior Associate
1979-1989	Independent Consultant
1976-1979	NUS Corporation, Senior Engineer
1974-1976	Dravo Corporation, Mining Engineer
1968-1974	U.S. Geological Survey, Research Technician

PROFESSIONAL AFFILIATIONS

- Society for Mining, Metallurgy, and Exploration
- American Institute of Mineral Appraisers

REGISTRATIONS/CERTIFICATIONS

- Professional Engineer — Colorado

EDUCATION

- University of Colorado, M.S., Geology — 1974
- University of Colorado, B.S., Civil Engineering — 1969

PUBLICATIONS

Hasbrouck, W. P., Botsford, M. L., and Jennings, William F., "Data from Ground Magnetic Survey of the Ralston Dike, Jefferson County, Colorado," USGS open file report 75-97, 1975.

Jennings, William F., "How to Negotiate and Administer a Coal Supply Agreement," McGraw-Hill, New York, 522 p., 1981.

Jennings, William F., "Mine Financial Feasibility Analysis Using Digital Computer Programs," Colorado Mining Association Yearbook 1978, p. 103-112. (Paper presented at 81st National Western Mining Conference of the Colorado Mining Association, 1978.)

Larson, E. E., Watson, D. E., and Jennings, William F., "Regional Comparison of a Miocene Geomagnetic Transition in Oregon and Nevada," Earth and Planetary Science Letters, vol. 11, p. 391-400, 1971.

Lawton, Max R. and Jennings, William F., "The Effects of Contractual Structure on Coal Supply Agreements Between Utilities and Producing Companies," NUS Corporation's NUSletter, 1980.

**APPENDIX 3.0
CASH FLOW MODEL**

Competent Person's Report and Scoping Study on the Chilisaí Phosphate Deposit May 2008

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Economic Evaluation of												
Suburk Meskaban Phosphate Project												
Phase I and Phase II - 5 berry ore expanding to 10 berry ore												
Phase I and Phase II - 5 berry ore expanding to 10 berry ore												
Production												
one grade (percent P2O5)	10.504	10.504	10.504	10.504	10.504	10.504	10.504	10.504	10.504	10.504	10.504	10.504
concentrate grade (percent)	16.874	16.874	16.874	16.874	16.874	16.874	16.874	16.874	16.874	16.874	16.874	16.874
5000 recovery (percent)	82.708	82.708	82.708	82.708	82.708	82.708	82.708	82.708	82.708	82.708	82.708	82.708
contained P2O5 in concentrate (tonnes)	95.004	95.004	95.004	95.004	95.004	95.004	95.004	95.004	95.004	95.004	95.004	95.004
phosphoric acid production - contained P2O5 (tonnes)	46.708	46.708	46.708	46.708	46.708	46.708	46.708	46.708	46.708	46.708	46.708	46.708
di-ammonium phosphate production (tonnes)	0	0	0	0	0	0	0	0	0	0	0	0
price of phosphate (US\$ per tonne) (base sold - int. prod.)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
price of di-ammonium phosphate (US\$ per tonne)	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00	\$12.00
gross revenue from sale of concentrate	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
gross revenue from sale of di-ammonium phosphate	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
commission on sales	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
net income from sales	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Operating costs (US\$ per tonne)												
mining cost (US\$ per tonne mined)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
mining cost (US\$ per tonne mtp)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
annual operating cost (US\$)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
mine closure reclamation cost (US\$)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
social development projects fund	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776
reimbursement for geologic work	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
total operating cost	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776
depreciation	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
amortization	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Net income before taxes	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776
corporation income tax	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Net income after taxes	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776
Net cash flow from operations	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776	\$1,963,776
Capital expenditures	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
debt financing balance items	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
equity financing/recruitment - mine	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
equity financing/recruitment - process facilities	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
20% declining balance items	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
maifuric acid plant	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
phosphate acid plant	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
8% declining balance items	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
haul roads and site work/overpass	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
pre-production striping	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
power infrastructure	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
facility infrastructure	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
contingency	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Working capital	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total capital expenditure	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00

Competent Person's Report and Scoping Study on the Chilisaí Phosphate Deposit May 2008

	YEAR 13	YEAR 14	YEAR 15	YEAR 16	YEAR 17	YEAR 18	YEAR 19	YEAR 20	YEAR 21	YEAR 22	YEAR 23	YEAR 24	YEAR 25
Economic Evaluation of Chilisaí Phosphate Project													
November 19, 2007*** 30-year cash flow period, 26 year terminal value p													
Prepared by Behre Dolbear & Co., Inc.													
Production													
material production (tonnes)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
ore grade phosphate (tonnes)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
concentrate grade (percent)	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%
concentrate production (tonnes)	1,687,000	1,687,000	1,687,000	1,687,000	1,687,000	1,687,000	1,687,000	1,687,000	1,687,000	1,687,000	1,687,000	1,687,000	1,687,000
concentrate production (percent)	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%
contaminated P2O5 in concentrate (tonnes)	5,147,303	5,147,303	5,147,303	5,147,303	5,147,303	5,147,303	5,147,303	5,147,303	5,147,303	5,147,303	5,147,303	5,147,303	5,147,303
contaminated P2O5 in concentrate (percent)	306.0%	306.0%	306.0%	306.0%	306.0%	306.0%	306.0%	306.0%	306.0%	306.0%	306.0%	306.0%	306.0%
phosphate acid production - contained P2O5 (tonnes)	868,350	868,350	868,350	868,350	868,350	868,350	868,350	868,350	868,350	868,350	868,350	868,350	868,350
phosphate acid production - contained P2O5 (percent)	51.47%	51.47%	51.47%	51.47%	51.47%	51.47%	51.47%	51.47%	51.47%	51.47%	51.47%	51.47%	51.47%
di-ammonium phosphate production (tonnes)	824,933	824,933	824,933	824,933	824,933	824,933	824,933	824,933	824,933	824,933	824,933	824,933	824,933
di-ammonium phosphate production (percent)	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%
Price of conc. (US\$ per tonne) (base sold - Infr. product)	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451
Price of phosphate acid (US\$ per tonne) (base acid - Infr. prod.)	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00	50.00
Price of di-ammonium phosphate (US\$ per tonne)	312.00	312.00	312.00	312.00	312.00	312.00	312.00	312.00	312.00	312.00	312.00	312.00	312.00
Gross revenue from sales of concentrate	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Gross revenue from sales of phosphate acid	\$86,835,000	\$86,835,000	\$86,835,000	\$86,835,000	\$86,835,000	\$86,835,000	\$86,835,000	\$86,835,000	\$86,835,000	\$86,835,000	\$86,835,000	\$86,835,000	\$86,835,000
Gross revenue from sales of di-ammonium phosphate	\$259,132,634	\$259,132,634	\$259,132,634	\$259,132,634	\$259,132,634	\$259,132,634	\$259,132,634	\$259,132,634	\$259,132,634	\$259,132,634	\$259,132,634	\$259,132,634	\$259,132,634
Total revenue from sales	\$345,967,634	\$345,967,634	\$345,967,634	\$345,967,634	\$345,967,634	\$345,967,634	\$345,967,634	\$345,967,634	\$345,967,634	\$345,967,634	\$345,967,634	\$345,967,634	\$345,967,634
Commission on sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Reimbursement for geologic work	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operating cost													
unit operating costs (US\$ per tonne)	\$3.95	\$3.95	\$3.95	\$3.95	\$3.95	\$3.95	\$3.95	\$3.95	\$3.95	\$3.95	\$3.95	\$3.95	\$3.95
DAP production (US\$ per tonne DAP)	\$99.26	\$99.26	\$99.26	\$99.26	\$99.26	\$99.26	\$99.26	\$99.26	\$99.26	\$99.26	\$99.26	\$99.26	\$99.26
annual operating cost (US\$)	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000
mining	\$17,500,000	\$17,500,000	\$17,500,000	\$17,500,000	\$17,500,000	\$17,500,000	\$17,500,000	\$17,500,000	\$17,500,000	\$17,500,000	\$17,500,000	\$17,500,000	\$17,500,000
mine closure (beneficiation, acid & DAP)	\$1,750,000	\$1,750,000	\$1,750,000	\$1,750,000	\$1,750,000	\$1,750,000	\$1,750,000	\$1,750,000	\$1,750,000	\$1,750,000	\$1,750,000	\$1,750,000	\$1,750,000
social development projects fund	\$6,750,000	\$6,750,000	\$6,750,000	\$6,750,000	\$6,750,000	\$6,750,000	\$6,750,000	\$6,750,000	\$6,750,000	\$6,750,000	\$6,750,000	\$6,750,000	\$6,750,000
reimbursement for geologic work	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
total operating cost	\$24,000,000	\$24,000,000	\$24,000,000	\$24,000,000	\$24,000,000	\$24,000,000	\$24,000,000	\$24,000,000	\$24,000,000	\$24,000,000	\$24,000,000	\$24,000,000	\$24,000,000
depreciation	\$26,325,909	\$26,325,909	\$26,325,909	\$26,325,909	\$26,325,909	\$26,325,909	\$26,325,909	\$26,325,909	\$26,325,909	\$26,325,909	\$26,325,909	\$26,325,909	\$26,325,909
amortization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
deduction of tax loss carry forward	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
corporate income tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net cash flow	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634
Net cash flow	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634
Working capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
30% declining balance items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
mining equipment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
millling equipment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
sulfuric acid plant	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
DAP plant	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8% declining balance items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
haul roads and site work; overpasses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
pre-production striping	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
power infrastructure	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
contingency	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Working capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Final capital requirement	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net cash flow	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634	\$85,967,634

Competent Person's Report and Scoping Study on the Chilisaí Phosphate Deposit May 2008

	YEAR 26	YEAR 27	YEAR 28	YEAR 29	YEAR 30	YEAR 31	YEAR 32	YEAR 33	YEAR 34	YEAR 35	TOTAL
Economic Evaluation of Sunjar Kazakhstan Phosphate Project November 14, 2007											
30-year cash flow period; 26 year terminal value per year of 2007											
Production	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	15,000,000	250,000,000
ore grade (percent P2O5)	10.50A	10.50A	10.50A	10.50A	10.50A	10.50A	10.50A	10.50A	10.50A	10.50A	10.50A
concentrate grade (percent)	16.87A	16.87A	16.87A	16.87A	16.87A	16.87A	16.87A	16.87A	16.87A	16.87A	16.87A
P2O5 recovery during concentration (percent)	82.70A	82.70A	82.70A	82.70A	82.70A	82.70A	82.70A	82.70A	82.70A	82.70A	82.70A
contained P2O5 in concentrate (tonnes)	5,142,70A	5,142,70A	5,142,70A	5,142,70A	5,142,70A	5,142,70A	5,142,70A	5,142,70A	5,142,70A	5,142,70A	138,682,573
P2O5 recovery in phosphoric acid (percent)	95.00A	95.00A	95.00A	95.00A	95.00A	95.00A	95.00A	95.00A	95.00A	95.00A	95.00A
ratio phosphoric acid needed (percent)	46.70A	46.70A	46.70A	46.70A	46.70A	46.70A	46.70A	46.70A	46.70A	46.70A	46.70A
ratio phosphoric acid needed (tonnes)	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	20,623,313
di-ammonium phosphate production (tonnes)	46,70A	46,70A	46,70A	46,70A	46,70A	46,70A	46,70A	46,70A	46,70A	46,70A	44,161,269
Sales	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
price of conc. (US\$/wet tonne) (conc. sold - incurs credit)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
price of phosphoric acid (US\$/wet tonne) (conc. sold - incurs credit)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
price of di-ammonium phosphate (US\$/ tonne)	\$312.00	\$312.00	\$312.00	\$312.00	\$312.00	\$312.00	\$312.00	\$312.00	\$312.00	\$312.00	\$312.00
gross revenue from sales of concentrate	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
gross revenue from sales of phosphoric acid	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
gross revenue from sales of di-ammonium phosphate	\$5,142,700	\$5,142,700	\$5,142,700	\$5,142,700	\$5,142,700	\$5,142,700	\$5,142,700	\$5,142,700	\$5,142,700	\$5,142,700	\$13,778,315,846
commission on sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
net income from sales	\$5,142,700	\$5,142,700	\$5,142,700	\$5,142,700	\$5,142,700	\$5,142,700	\$5,142,700	\$5,142,700	\$5,142,700	\$5,142,700	\$13,778,315,846
Operating cost	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
unit operating costs (US\$/ wet tonne)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
DAF production (US\$/ wet tonne DAF)	\$99.52	\$99.52	\$99.52	\$99.52	\$99.52	\$99.52	\$99.52	\$99.52	\$99.52	\$99.52	\$99.52
annual operating cost (US\$)	\$50,000,000	\$50,000,000	\$50,000,000	\$50,000,000	\$50,000,000	\$50,000,000	\$50,000,000	\$50,000,000	\$50,000,000	\$50,000,000	\$1,032,250,000
mining (beneficiation, acid & DAF)	\$17,225,796	\$17,225,796	\$17,225,796	\$17,225,796	\$17,225,796	\$17,225,796	\$17,225,796	\$17,225,796	\$17,225,796	\$17,225,796	\$41,409,224
mine closure reserve fund	\$6,556,737	\$6,556,737	\$6,556,737	\$6,556,737	\$6,556,737	\$6,556,737	\$6,556,737	\$6,556,737	\$6,556,737	\$6,556,737	\$177,846,491
social development projects fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
re-employment for geologic work	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$768,246
total operating cost	\$22,782,533	\$22,782,533	\$22,782,533	\$22,782,533	\$22,782,533	\$22,782,533	\$22,782,533	\$22,782,533	\$22,782,533	\$22,782,533	\$5,944,657,266
depreciation	\$4,297,248	\$3,785,166	\$3,351,823	\$2,918,586	\$2,485,343	\$2,052,100	\$1,618,857	\$1,185,614	\$752,371	\$319,128	\$674,226,063
amortization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
deduction of tax loss carry forward	\$94,215,360	\$94,215,360	\$94,215,360	\$94,215,360	\$94,215,360	\$94,215,360	\$94,215,360	\$94,215,360	\$94,215,360	\$94,215,360	\$1,919,030,822
corporate income tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
net income after taxes	\$219,034,800	\$222,134,266	\$225,437,623	\$228,742,089	\$232,046,555	\$235,351,021	\$238,655,487	\$241,960,000	\$245,264,516	\$248,569,032	\$5,233,102,748
net cash flow from operations	\$284,133,146	\$287,979,122	\$291,825,098	\$295,671,074	\$299,517,050	\$303,363,026	\$307,209,002	\$311,054,978	\$314,900,954	\$318,746,930	\$5,904,020,911
21% declining balance items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
mining equipment - mine engineering/procurement - process facilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21% declining balance items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
milling equipment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
sulfuric acid plant	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
DAF plant	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
21% declining balance items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
haul roads and site work; overpasses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
power infrastructure	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
general infrastructure	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
facility infrastructure	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
contingency	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Working capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total capital expenditure	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net cash flow	\$284,133,146	\$287,979,122	\$291,825,098	\$295,671,074	\$299,517,050	\$303,363,026	\$307,209,002	\$311,054,978	\$314,900,954	\$318,746,930	\$5,904,020,911

Competent Person's Report and Scoping Study on the Chilisai Phosphate Deposit
 May 2008

	Year 26	Year 27	Year 28	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34	Year 35	Total
Economic Evaluation of Sunkar Baksharan Phosphate Project Prepared by Behr Dolbear & Co., Inc. Depreciation Schedule											
25% declining balance items											
new investment	\$0	\$147,344	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
depreciation	\$147,344	\$0	\$147,344	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
undepreciated investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
20% declining balance items											
new investment	\$0	\$418,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
depreciation	\$0	\$0	\$418,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
undepreciated investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
15% declining balance items											
new investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
undepreciated investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10% declining balance items											
new investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
undepreciated investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8% declining balance items											
new investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
undepreciated investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
total annual (full year) depreciation	\$0	\$147,344	\$418,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Income tax calculation											
net income before taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
deduction of tax loss carry forward	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
corporate income tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
total annual (full year) depreciation	\$0	\$147,344	\$418,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Tax loss carry forward calculation											
net income before taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
cumulative net income before taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
potential write-off	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
cumulative potential write-off	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
trial write-off	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
actual write-off	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash Flow	\$0	\$147,344	\$418,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Rate of Return	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

	Year 26	Year 27	Year 28	Year 29	Year 30	Year 31	Year 32	Year 33	Year 34	Year 35	Total
Income tax calculation											
net income before taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
deduction of tax loss carry forward	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
corporate income tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
total annual (full year) depreciation	\$0	\$147,344	\$418,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Tax loss carry forward calculation											
net income before taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
cumulative net income before taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
potential write-off	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
cumulative potential write-off	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
trial write-off	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
actual write-off	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash Flow	\$0	\$147,344	\$418,000	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Rate of Return	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%

Competent Person's Report and Scoping Study on the Chilisa Phosphate Deposit

May 2008

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
Economic Evaluation of the Sunjar Kazakhstan Phosphate Project												
Prepared by Behre Dolbear & Co., Inc.												
Phase I and Phase II: 5 MTPY ore expanding to 10 MTPY ore ***** NO EXCESS PROFITS TAX ***** DAP price = \$37 per tonne												
From:	0	0	0	1,500,000	3,500,000	5,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
metallic processed (tonnes)	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
contained P2O5 in ore (tonnes)	0	0	0	0	5,000,000	5,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
concentrate grade (percent)	16.8%	16.8%	16.8%	16.8%	16.8%	16.8%	16.8%	16.8%	16.8%	16.8%	16.8%	16.8%
concentrate production (tonnes)	62,724	62,724	62,724	62,724	525,000	525,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000
contained P2O5 in concentrate (tonnes)	0	0	0	2,173,333	4,543,333	4,543,333	5,147,303	5,147,303	5,147,303	5,147,303	5,147,303	5,147,303
contained P2O5 in concentrate (percent)	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%	95.0%
phosphoric acid production - contained P2O5	0	0	0	95,000	190,000	190,000	217,303	217,303	217,303	217,303	217,303	217,303
ratio (phosphoric acid needed) (percent)	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%
di-ammonium phosphate production (tonnes)	0	0	0	0	883,425	883,425	1,766,851	1,766,851	1,766,851	1,766,851	1,766,851	1,766,851
Sales	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
price of p2o5 acid (US\$ per tonne)	\$437.00	\$437.00	\$437.00	\$437.00	\$437.00	\$437.00	\$437.00	\$437.00	\$437.00	\$437.00	\$437.00	\$437.00
price of di-ammonium phosphate (US\$ per tonne)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
gross revenue from sales of concentrate	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
gross revenue from sales of phosphoric acid	\$0.00	\$0.00	\$0.00	\$0.00	\$185,959.89	\$185,959.89	\$217,303.00	\$217,303.00	\$217,303.00	\$217,303.00	\$217,303.00	\$217,303.00
gross revenue from sales of di-ammonium phosph	\$0.00	\$0.00	\$0.00	\$0.00	\$385,269.89	\$385,269.89	\$771,938.78	\$771,938.78	\$771,938.78	\$771,938.78	\$771,938.78	\$771,938.78
comission on sales	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
net income from sales	\$0.00	\$0.00	\$0.00	\$0.00	\$385,959.89	\$385,959.89	\$771,938.78	\$771,938.78	\$771,938.78	\$771,938.78	\$771,938.78	\$771,938.78
Operating cost	\$0.00	\$0.00	\$0.00	\$5.80	\$4.30	\$3.30	\$3.30	\$3.30	\$3.30	\$3.30	\$3.30	\$3.50
mining cost (US\$ per tonne mined)	\$0.00	\$0.00	\$0.00	\$0.00	\$104.67	\$104.67	\$99.24	\$99.24	\$99.24	\$99.24	\$99.24	\$99.26
DAP production (US\$ per tonne DAP)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
annual operating cost (US\$)	\$0.00	\$0.00	\$0.00	\$8,700.00	\$15,050.00	\$15,050.00	\$33,000.00	\$33,000.00	\$33,000.00	\$33,000.00	\$33,000.00	\$35,000.00
DAP production (beneficiation, acid & DAP)	\$0.00	\$0.00	\$0.00	\$0.00	\$92,173.33	\$92,173.33	\$175,310.494	\$175,310.494	\$175,310.494	\$175,310.494	\$175,310.494	\$175,310.494
mine closure escrow fund	\$1,963,776	\$2,195,280	\$2,335,920	\$0.00	\$0.00	\$0.00	\$208,310	\$208,310	\$208,310	\$208,310	\$210,346	\$210,346
environmental projects fund	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1208.310	\$1208.310	\$1208.310	\$1208.310	\$1210.346	\$1210.346
training fund	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$208.310	\$208.310	\$208.310	\$208.310	\$210.346	\$210.346
reimbursement for geologic work	\$0.00	\$0.00	\$0.00	\$18,266.00	\$10,500.00	\$15,000.00	\$30,000.00	\$30,000.00	\$30,000.00	\$30,000.00	\$30,000.00	\$30,000.00
total operating cost	\$1,963,776	\$2,195,280	\$2,335,920	\$22,499.540	\$113,286.322	\$114,451.382	\$220,029.885	\$220,029.885	\$220,029.885	\$220,029.885	\$222,026.330	\$222,026.330
depreciation	\$0.00	\$0.00	\$0.00	\$0.00	\$90,504.927	\$92,868.320	\$76,004.429	\$82,655.931	\$81,930.559	\$43,330.606	\$36,415.404	\$30,838.309
amortization	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
debt of tax loss carry forward	\$0.00	\$0.00	\$0.00	\$0.00	\$19,036.622	\$0.00	\$146,776.333	\$146,776.333	\$149,938.620	\$152,573.606	\$154,046.520	\$155,721.520
corporate income tax	\$0.00	\$0.00	\$0.00	\$0.00	\$88,961.625	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Net income after taxes	\$1,963,776	\$2,195,280	\$2,335,920	\$22,499.540	\$113,286.322	\$114,451.382	\$220,029.885	\$220,029.885	\$220,029.885	\$220,029.885	\$222,026.330	\$222,026.330
ad-hoc depreciation & amortization	\$0.00	\$0.00	\$0.00	\$0.00	\$90,504.927	\$92,868.320	\$76,004.429	\$82,655.931	\$81,930.559	\$43,330.606	\$36,415.404	\$30,838.309
Net cash flow from operations	\$1,963,776	\$2,195,280	\$2,335,920	\$22,499.540	\$203,791.309	\$207,319.702	\$306,034.314	\$302,685.816	\$301,911.025	\$303,360.491	\$305,641.934	\$308,188.946
Capital expenditures	\$6,636,667	\$2,700,000	\$2,335,920	\$1,350,000	\$1,350,000	\$1,350,000	\$1,350,000	\$1,350,000	\$1,350,000	\$1,350,000	\$1,350,000	\$1,350,000
28 declining balance items	\$6,636,667	\$2,700,000	\$2,335,920	\$1,350,000	\$1,350,000	\$1,350,000	\$1,350,000	\$1,350,000	\$1,350,000	\$1,350,000	\$1,350,000	\$1,350,000
engineering/procurment - mine	\$60,624,000	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
20% declining balance items	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667
milling equipment	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667
phosphoric acid plant	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667
DAP plant	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667
8% declining balance items	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000
haul roads and site work, overpasses	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000
general infrastructure	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000
power infrastructure	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000
water infrastructure	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000
facility infrastructure	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000
contingency	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000
Marketing capital	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000
total capital expenditures	\$98,188,667	\$20,700,000	\$18,000,000	\$11,700,000	\$11,700,000	\$11,700,000	\$11,700,000	\$11,700,000	\$11,700,000	\$11,700,000	\$11,700,000	\$11,700,000
Net cash flow	(\$100,152,576)	(\$11,959,280)	(\$120,070,226)	(\$201,181,540)	\$109,969,941	\$104,155,314	\$405,555,314	\$400,531,992	\$398,316,673	\$395,735,687	\$392,262,075	\$390,888,946

Competent Person's Report and Scoping Study on the Chilisaí Phosphate Deposit May 2008

	13	14	15	16	17	18	19	20	21	22	23	24	25
<p>Prepared by Behre Dolbear & Co., Inc. Also see exhibit Phase I and Phase II: 5 MWTP ore expanding to 10</p>													
Production	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
material processed (tonnes)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
concentrate P2O5 in concentrate (percent)	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000
concentrate grade (percent)	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%
recovery during comminution (percent)	5,147,303	5,147,303	5,147,303	5,147,303	5,147,303	5,147,303	5,147,303	5,147,303	5,147,303	5,147,303	5,147,303	5,147,303	5,147,303
contained P2O5 in concentrate (tonnes)	868,350	868,350	868,350	868,350	868,350	868,350	868,350	868,350	868,350	868,350	868,350	868,350	868,350
recovery in phosphate (percent)	82.93%	82.93%	82.93%	82.93%	82.93%	82.93%	82.93%	82.93%	82.93%	82.93%	82.93%	82.93%	82.93%
recovery in phosphate (tonnes)	82.93%	82.93%	82.93%	82.93%	82.93%	82.93%	82.93%	82.93%	82.93%	82.93%	82.93%	82.93%	82.93%
ratio (phosphate acid needed) (percent)	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%
di-ammonium phosphate production (tonnes)	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451
Sales	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
price of conc. (US\$ per tonne) (mine sold -)	\$437.00	\$437.00	\$437.00	\$437.00	\$437.00	\$437.00	\$437.00	\$437.00	\$437.00	\$437.00	\$437.00	\$437.00	\$437.00
price of di-ammonium phosphate (US\$ per tonne)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
gross revenue from sales of concentrate	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
gross revenue from sales of phosphate acid	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978
gross revenue from sales of di-ammonium phos	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978
commission on sales	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
net income from sales	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978
Operating costs (US\$ per tonne)	\$31.50	\$31.50	\$31.50	\$31.50	\$31.50	\$31.50	\$31.50	\$31.50	\$31.50	\$31.50	\$31.50	\$31.50	\$31.50
mining cost (US\$ per tonne mined)	\$99.26	\$99.26	\$99.26	\$99.26	\$99.26	\$99.26	\$99.26	\$99.26	\$99.26	\$99.26	\$99.26	\$99.26	\$99.26
DMP production (US\$ per tonne DMP)	\$31.50	\$31.50	\$31.50	\$31.50	\$31.50	\$31.50	\$31.50	\$31.50	\$31.50	\$31.50	\$31.50	\$31.50	\$31.50
annual operating cost (US\$)	\$315,000,000	\$315,000,000	\$315,000,000	\$315,000,000	\$315,000,000	\$315,000,000	\$315,000,000	\$315,000,000	\$315,000,000	\$315,000,000	\$315,000,000	\$315,000,000	\$315,000,000
DMP production (beneficiation, acid & DAP)	\$175,345,774	\$175,345,774	\$175,345,774	\$175,345,774	\$175,345,774	\$175,345,774	\$175,345,774	\$175,345,774	\$175,345,774	\$175,345,774	\$175,345,774	\$175,345,774	\$175,345,774
mine closure reserve fund	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346
mine closure reserve fund	\$1210,346	\$1210,346	\$1210,346	\$1210,346	\$1210,346	\$1210,346	\$1210,346	\$1210,346	\$1210,346	\$1210,346	\$1210,346	\$1210,346	\$1210,346
training fund	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346
reimbursement for geologic work	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
total operating cost	\$222,026,310	\$222,026,310	\$222,026,310	\$222,026,310	\$222,026,310	\$222,026,310	\$222,026,310	\$222,026,310	\$222,026,310	\$222,026,310	\$222,026,310	\$222,026,310	\$222,026,310
depreciation	\$26,125,909	\$26,125,909	\$26,125,909	\$26,125,909	\$26,125,909	\$26,125,909	\$26,125,909	\$26,125,909	\$26,125,909	\$26,125,909	\$26,125,909	\$26,125,909	\$26,125,909
amortization	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
deduction of tax loss carry forward	\$157,075,422	\$157,075,422	\$157,075,422	\$157,075,422	\$157,075,422	\$157,075,422	\$157,075,422	\$157,075,422	\$157,075,422	\$157,075,422	\$157,075,422	\$157,075,422	\$157,075,422
corporate income tax	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Net income after taxes	\$669,000,000	\$669,000,000	\$669,000,000	\$669,000,000	\$669,000,000	\$669,000,000	\$669,000,000	\$669,000,000	\$669,000,000	\$669,000,000	\$669,000,000	\$669,000,000	\$669,000,000
addback depreciation & amortization	\$26,125,909	\$26,125,909	\$26,125,909	\$26,125,909	\$26,125,909	\$26,125,909	\$26,125,909	\$26,125,909	\$26,125,909	\$26,125,909	\$26,125,909	\$26,125,909	\$26,125,909
Net cash flow from operations	\$695,125,909	\$695,125,909	\$695,125,909	\$695,125,909	\$695,125,909	\$695,125,909	\$695,125,909	\$695,125,909	\$695,125,909	\$695,125,909	\$695,125,909	\$695,125,909	\$695,125,909
Capital expenditures	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
25% declining balance items	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
engineering/procurement - mine	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
engineering/procurement - process facilities	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
20% declining balance items	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
mining equipment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
general infrastructure	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
phosphoric acid plant	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
DMP plant	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
8% declining balance items	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
haul roads and site work, overpasses	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
power infrastructure	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
water infrastructure	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
facility infrastructure	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
contingency	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Working capital	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Total capital expenditures	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
Net cash flow	\$692,125,909	\$692,125,909	\$692,125,909	\$692,125,909	\$692,125,909	\$692,125,909	\$692,125,909	\$692,125,909	\$692,125,909	\$692,125,909	\$692,125,909	\$692,125,909	\$692,125,909

Competent Person's Report and Scoping Study on the Chilisaí Phosphate Deposit May 2008

	26	27	28	29	30	31	32	33	34	35	Total
Sukker Kazakhstan Phosphate Project Prepared by Behre Dolbear & Co., Inc. Phase I and Phase II: 5 MWPY ore expanding to 10											
Production (tonnes)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	250,000,000
material processed (tonnes)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	250,000,000
contained P2O5 in ore (tonnes)	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	25,200,000
concentrate grade (percent)	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%
concentrate production (tonnes)	5,147,103	5,147,103	5,147,103	5,147,103	5,147,103	5,147,103	5,147,103	5,147,103	5,147,103	5,147,103	123,622,273
contained P2O5 in concentrate (tonnes)	868,350	868,350	868,350	868,350	868,350	868,350	868,350	868,350	868,350	868,350	20,623,113
phosphate in product (tonnes)	824,933	824,933	824,933	824,933	824,933	824,933	824,933	824,933	824,933	824,933	20,623,113
phosphate in product (percent)	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%
di-ammonium phosphate production (tonnes)	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	44,151,529
Sales	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
price of conc. (US\$ per tonne) mine acid j	\$437.00	\$437.00	\$437.00	\$437.00	\$437.00	\$437.00	\$437.00	\$437.00	\$437.00	\$437.00	\$437.00
price of di-ammonium phosphate (US\$ per tonne)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
gross revenue from sales of concentrate	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
gross revenue from sales of phosphoric acid	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$19,298,474,438
gross revenue from sales of di-ammonium phosf	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$19,298,474,438
commission on sales	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
net income from sales	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$771,938,978	\$19,298,474,438
Operating cost	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
mining cost (US\$ per tonne mined)	\$99.52	\$99.52	\$99.52	\$99.52	\$99.52	\$99.52	\$99.52	\$99.52	\$99.52	\$99.52	\$99.52
DAP production (US\$ per tonne DAP)	\$66,046,046	\$66,046,046	\$66,046,046	\$66,046,046	\$66,046,046	\$66,046,046	\$66,046,046	\$66,046,046	\$66,046,046	\$66,046,046	\$66,046,046
annual operating cost (US\$)	\$175,795,774	\$175,795,774	\$175,795,774	\$175,795,774	\$175,795,774	\$175,795,774	\$175,795,774	\$175,795,774	\$175,795,774	\$175,795,774	\$4,394,974,080
DAP production (beneficiation, acid & DAP)	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$5,409,224
mine closure escrow fund	\$18,225,796	\$18,225,796	\$18,225,796	\$18,225,796	\$18,225,796	\$18,225,796	\$18,225,796	\$18,225,796	\$18,225,796	\$18,225,796	\$449,224,000
training fund	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$5,409,224
reimbursement for geologic work	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$768,266
total operating cost	\$237,200,230	\$237,200,230	\$237,200,230	\$237,200,230	\$237,200,230	\$237,200,230	\$237,200,230	\$237,200,230	\$237,200,230	\$237,200,230	\$5,709,400,438
depreciation	\$4,297,248	\$4,297,248	\$4,297,248	\$4,297,248	\$4,297,248	\$4,297,248	\$4,297,248	\$4,297,248	\$4,297,248	\$4,297,248	\$674,226,063
Net income before taxes	\$530,441,500	\$530,441,500	\$530,441,500	\$530,441,500	\$530,441,500	\$530,441,500	\$530,441,500	\$530,441,500	\$530,441,500	\$530,441,500	\$12,911,977,000
corporate income tax	\$159,132,450	\$159,132,450	\$159,132,450	\$159,132,450	\$159,132,450	\$159,132,450	\$159,132,450	\$159,132,450	\$159,132,450	\$159,132,450	\$3,874,556,775
deduction of tax loss carry forward	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Net income after taxes	\$371,309,050	\$371,309,050	\$371,309,050	\$371,309,050	\$371,309,050	\$371,309,050	\$371,309,050	\$371,309,050	\$371,309,050	\$371,309,050	\$9,040,611,442
addback depreciation & amortization	\$4,297,248	\$4,297,248	\$4,297,248	\$4,297,248	\$4,297,248	\$4,297,248	\$4,297,248	\$4,297,248	\$4,297,248	\$4,297,248	\$674,226,063
Net cash flow from operations	\$375,606,298	\$375,606,298	\$375,606,298	\$375,606,298	\$375,606,298	\$375,606,298	\$375,606,298	\$375,606,298	\$375,606,298	\$375,606,298	\$9,714,837,605
Capital expenditures	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
25% declining balance items	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
engineering/procurement - mine	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
engineering/procurement - process facilities	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
20% declining balance items	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
mining equipment	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
general infrastructure	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
phosphoric acid plant	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
DAP plant	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
8% declining balance items	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
haul roads and site work; overpasses	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
general infrastructure	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
power infrastructure	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
facility infrastructure	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
contingency	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
working capital	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
total capital expenditures	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Net cash flow	\$375,606,298	\$375,606,298	\$375,606,298	\$375,606,298	\$375,606,298	\$375,606,298	\$375,606,298	\$375,606,298	\$375,606,298	\$375,606,298	\$8,922,988,605

Competent Person's Report and Scoping Study on the Chilisaí Phosphate Deposit May 2008

Prepared by BDUISA

	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	Year 8	Year 9	Year 10	Year 11	Year 12
254 declining balance items												
new investment	\$6,624,000	\$9,336,667	\$4,668,333	\$1,273,333	\$1,273,333	\$1,273,333	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000
depreciation	\$6,624,000	\$6,960,667	\$7,629,000	\$19,224,333	\$19,224,333	\$19,224,333	\$19,224,333	\$19,224,333	\$19,224,333	\$19,224,333	\$19,224,333	\$19,224,333
undepreciated investment	\$6,624,000	\$6,960,667	\$7,629,000	\$59,473,000	\$59,473,000	\$59,473,000	\$40,406,109	\$32,584,882	\$26,665,337	\$22,249,452	\$18,937,889	\$16,452,817
204 declining balance items												
new investment	\$0	\$6,666,667	\$6,666,667	\$139,333,333	\$139,333,333	\$139,333,333	\$69,666,667	\$69,666,667	\$69,666,667	\$69,666,667	\$69,666,667	\$69,666,667
depreciation	\$0	\$6,666,667	\$6,666,667	\$139,333,333	\$139,333,333	\$139,333,333	\$69,666,667	\$69,666,667	\$69,666,667	\$69,666,667	\$69,666,667	\$69,666,667
undepreciated investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
154 declining balance items												
new investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
undepreciated investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
104 declining balance items												
new investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
undepreciated investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8 declining balance items												
new investment	\$17,564,800	\$10,760,667	\$40,763,000	\$44,880,333	\$10,428,000	\$10,428,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000
depreciation	\$17,564,800	\$10,760,667	\$40,763,000	\$44,880,333	\$10,428,000	\$10,428,000	\$216,224,800	\$216,224,800	\$216,224,800	\$216,224,800	\$216,224,800	\$216,224,800
undepreciated investment	\$0	\$0	\$0	\$0	\$0	\$0	\$183,575,200	\$183,575,200	\$183,575,200	\$183,575,200	\$183,575,200	\$183,575,200
total annual (full year) depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$76,984,029	\$62,555,291	\$51,910,559	\$43,330,606	\$36,415,404	\$30,838,309
Income tax calculation												
net income before taxes	(\$1,963,776)	(\$2,195,280)	(\$2,372,226)	(\$12,999,540)	\$182,176,240	\$176,649,586	\$475,845,264	\$489,254,002	\$499,978,734	\$508,578,687	\$513,495,244	\$519,072,339
deduction of tax loss carry forward	(\$1,963,776)	(\$2,195,280)	(\$2,372,226)	(\$12,999,540)	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
corporate income tax	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)	(\$0.00)
total annual (full year) depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$76,984,029	\$62,555,291	\$51,910,559	\$43,330,606	\$36,415,404	\$30,838,309
Tax loss carry forward calculation												
net income before taxes	\$0	(\$2,195,280)	(\$2,372,226)	(\$12,999,540)	\$182,176,240	\$176,649,586	\$475,845,264	\$489,254,002	\$499,978,734	\$508,578,687	\$513,495,244	\$519,072,339
depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
potential write-off	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
cumulative potential write-off	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
actual write-off	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash Flow	(\$10,152,576)	(\$11,959,280)	(\$120,070,226)	(\$201,381,540)	\$199,969,541	\$194,155,031	\$465,955,714	\$480,333,092	\$499,315,073	\$508,735,687	\$513,242,075	\$519,586,942
Rate of Return	33.67%											
Net present value calculated to beginning of year 1												
discount rate 0%	2,504	\$5,649,095,414										
5-00%	2,504	\$3,690,954,490										
10-00%	2,504	\$2,695,420,203										
12-50%	2,504	\$1,796,163,202										
20-00%	2,504	\$409,029,226										
30-00%	2,504	\$96,176,710										
calculation of terminal value (26 years of production beyond 30th year)												
discount rate 0%	2,504	18,956										
5-00%	2,504	14,375										
10-00%	2,504	9,169										
12-50%	2,504	7,628										
20-00%	2,504	4,953										
30-00%	2,504	3,989										
present worth factor - 10 years (average of years 26-31)												
discount rate 0%	0.4767											
5-00%	0.2314											
10-00%	0.0573											
12-50%	0.0292											
20-00%	0.0042											
30-00%	0.0012											
steady-state annual cash flow												
discount rate 0%	37534062.9998											
5-00%	37534062.9998											
10-00%	37534062.9998											
12-50%	37534062.9998											
20-00%	37534062.9998											
30-00%	37534062.9998											

Competent Person's Report and Scoping Study on the Chilisaí Phosphate Deposit May 2008

	7/03	7/04	7/05	7/06	7/07	7/08	7/09	7/10	7/11	7/12	7/13	7/14	7/15	7/16	7/17	7/18	7/19	7/20	7/21	7/22	7/23	7/24	7/25		
24% declining balance items																									
net income before taxes	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	\$3,000,000	
deduction of tax loss carry forward	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
corporate income tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
total annual (full year) depreciation	\$26,325,909	\$22,662,284	\$19,809,697	\$17,468,966	\$15,538,058	\$13,940,453	\$12,611,287	\$11,571,057	\$10,711,357	\$7,605,305	\$6,525,339	\$5,639,496	\$4,907,226												
Income tax calculation																									
net income before taxes	\$23,584,739	\$20,248,363	\$17,809,950	\$15,936,742	\$14,098,750	\$12,649,355	\$11,457,221	\$10,470,314	\$9,640,307	\$6,908,699	\$5,914,022	\$5,077,306	\$4,381,079	\$3,811,426	\$3,346,717	\$2,972,335	\$2,670,681	\$2,428,750	\$2,237,750	\$2,088,151	\$1,968,203	\$1,872,109	\$1,795,425	\$1,734,282	
deduction of tax loss carry forward	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
corporate income tax	\$157,075,422	\$134,174,509	\$116,030,285	\$102,559,422	\$90,098,025	\$79,377,306	\$70,197,546	\$62,319,756	\$55,688,125	\$39,660,601	\$33,588,631	\$28,846,633	\$25,270,085												
Tax loss carry forward calculation																									
net income before taxes	\$23,584,739	\$20,248,363	\$17,809,950	\$15,936,742	\$14,098,750	\$12,649,355	\$11,457,221	\$10,470,314	\$9,640,307	\$6,908,699	\$5,914,022	\$5,077,306	\$4,381,079	\$3,811,426	\$3,346,717	\$2,972,335	\$2,670,681	\$2,428,750	\$2,237,750	\$2,088,151	\$1,968,203	\$1,872,109	\$1,795,425	\$1,734,282	
deduction of tax loss carry forward	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
corporate income tax	\$157,075,422	\$134,174,509	\$116,030,285	\$102,559,422	\$90,098,025	\$79,377,306	\$70,197,546	\$62,319,756	\$55,688,125	\$39,660,601	\$33,588,631	\$28,846,633	\$25,270,085												
total annual (full year) depreciation	\$26,325,909	\$22,662,284	\$19,809,697	\$17,468,966	\$15,538,058	\$13,940,453	\$12,611,287	\$11,571,057	\$10,711,357	\$7,605,305	\$6,525,339	\$5,639,496	\$4,907,226												
Net Cash Flow																									
net income before taxes	\$23,584,739	\$20,248,363	\$17,809,950	\$15,936,742	\$14,098,750	\$12,649,355	\$11,457,221	\$10,470,314	\$9,640,307	\$6,908,699	\$5,914,022	\$5,077,306	\$4,381,079	\$3,811,426	\$3,346,717	\$2,972,335	\$2,670,681	\$2,428,750	\$2,237,750	\$2,088,151	\$1,968,203	\$1,872,109	\$1,795,425	\$1,734,282	
deduction of tax loss carry forward	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
corporate income tax	\$157,075,422	\$134,174,509	\$116,030,285	\$102,559,422	\$90,098,025	\$79,377,306	\$70,197,546	\$62,319,756	\$55,688,125	\$39,660,601	\$33,588,631	\$28,846,633	\$25,270,085												
total annual (full year) depreciation	\$26,325,909	\$22,662,284	\$19,809,697	\$17,468,966	\$15,538,058	\$13,940,453	\$12,611,287	\$11,571,057	\$10,711,357	\$7,605,305	\$6,525,339	\$5,639,496	\$4,907,226												
Rate of Return																									
terminal value	9945	9945	9945	9945	9945	9945	9945	9945	9945	9945	9945	9945	9945	9945	9945	9945	9945	9945	9945	9945	9945	9945	9945	9945	
NPV of 30-year cash flow plus 26-year terminal value	33,674	33,674	33,674	33,674	33,674	33,674	33,674	33,674	33,674	33,674	33,674	33,674	33,674	33,674	33,674	33,674	33,674	33,674	33,674	33,674	33,674	33,674	33,674	33,674	

Competent Person's Report and Scoping Study on the Chilisai Phosphate Deposit
 May 2008

Prepared by BDUSA

	26	27	28	29	30	31	32	33	34	35	Total	
25% declining balance items												
new investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
depreciation	\$47,344.00	\$147,344.00	\$147,344.00	\$147,344.00	\$147,344.00	\$147,344.00	\$147,344.00	\$147,344.00	\$147,344.00	\$147,344.00	\$1,473,344.00	
undepreciated investment	\$1,486,860	\$1,115,145	\$836,359	\$627,269	\$470,452	\$470,452	\$470,452	\$470,452	\$470,452	\$470,452	\$146,873,348	
20% declining balance items												
new investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
depreciation	\$418,000.00	\$1,254,000.00	\$1,254,000.00	\$1,254,000.00	\$1,254,000.00	\$1,254,000.00	\$1,254,000.00	\$1,254,000.00	\$1,254,000.00	\$1,254,000.00	\$12,540,000.00	
undepreciated investment	\$2,401,569	\$2,241,255	\$1,793,084	\$1,434,403	\$1,147,522	\$1,147,522	\$1,147,522	\$1,147,522	\$1,147,522	\$1,147,522	\$416,852,378	
15% declining balance items												
new investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
undepreciated investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
10% declining balance items												
new investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
undepreciated investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
8% declining balance items												
new investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
depreciation	\$23,924,800	\$71,774,400	\$139,483,200	\$207,724,800	\$275,971,200	\$344,217,600	\$412,464,000	\$480,710,400	\$548,956,800	\$617,203,200	\$5,196,375,200	
undepreciated investment	\$1,486,860	\$1,115,145	\$836,359	\$627,269	\$470,452	\$470,452	\$470,452	\$470,452	\$470,452	\$470,452	\$146,873,348	
total annual (full year) depreciation	\$4,297,248	\$13,103,544	\$24,889,808	\$37,726,064	\$50,562,316	\$63,408,568	\$76,254,820	\$89,101,072	\$101,947,324	\$114,793,576	\$762,101,234	
Income tax calculation												
net income before taxes	\$510,441,500	\$510,441,500	\$510,441,500	\$510,441,500	\$510,441,500	\$510,441,500	\$510,441,500	\$510,441,500	\$510,441,500	\$510,441,500	\$7,621,781,500	
deduction of tax loss carry forward	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
corporate income tax	\$153,132,450	\$153,132,450	\$153,132,450	\$153,132,450	\$153,132,450	\$153,132,450	\$153,132,450	\$153,132,450	\$153,132,450	\$153,132,450	\$1,914,111,825	
total annual (full year) depreciation	\$4,297,248	\$13,103,544	\$24,889,808	\$37,726,064	\$50,562,316	\$63,408,568	\$76,254,820	\$89,101,072	\$101,947,324	\$114,793,576	\$762,101,234	
Tax loss carry forward calculation												
net income before taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
undepreciated investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
total annual (full year) depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	
Net Cash Flow	\$10,388,576.502	\$10,789,018.002	\$11,319,971.584	\$11,851,158.408	\$12,383,114.971	\$12,915,187.917	\$13,447,270.841	\$13,981,353.765	\$14,511,436.689	\$15,041,519.613	\$15,571,602.537	\$155,000,822
Rate of Return	33.67%											

Competent Person's Report and Scoping Study on the Chilisaí Phosphate Deposit

May 2008

	1	2	3	4	5	6	7	8	9	10	11	12
<p style="text-align: center;">Economic Evaluation of Sunkar Kaakhaman Phosphate Project Prepared by Behre Dolbear & Co., Inc. Phase I and Phase II: 5 MTPY ore expanding to 10 MTPY ore ***** NO EXCESS PROFITS TAX ***** DAP price = \$804 per tonne</p>												
From	0	0	0	1,800,000	3,600,000	5,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
metallic processed (tonnes)	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
contained P2O5 in ore (tonnes)	0	0	0	150,000	300,000	400,000	800,000	800,000	800,000	800,000	800,000	800,000
concentrate grade (percent)	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%
concentrate production (tonnes)	82,700	82,700	82,700	82,700	82,700	82,700	82,700	82,700	82,700	82,700	82,700	82,700
contained P2O5 in concentrate (tonnes)	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0	95.0
ratio (phosphoric acid needed) (percent)	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%
di-ammonium phosphate production (tonnes)	0	0	0	882,225	1,764,451	2,338,935	4,677,870	4,677,870	4,677,870	4,677,870	4,677,870	4,677,870
Sales												
price of p2o5 (US\$ per tonne) (mine sold)	\$0.00	\$0.00	\$0.00	\$804.00	\$804.00	\$804.00	\$804.00	\$804.00	\$804.00	\$804.00	\$804.00	\$804.00
price of di-ammonium phosphate (US\$ per tonne)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
gross revenue from sales of concentrate	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
gross revenue from sales of phosphoric acid	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
gross revenue from sales of di-ammonium phosphate	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
comilation on sale	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
net income from sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Operating cost												
total operating cost (US\$ per tonne)	\$0.00	\$0.00	\$0.00	\$5.80	\$4.30	\$3.30	\$3.30	\$3.30	\$3.30	\$3.30	\$3.30	\$3.50
mining cost (US\$ per tonne mined)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
DAP production (US\$ per tonne DAP)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
annual operating cost (US\$)	\$0	\$0	\$0	\$8,700,000	\$15,000,000	\$20,000,000	\$33,000,000	\$33,000,000	\$33,000,000	\$33,000,000	\$33,000,000	\$35,000,000
DAP production (beneficiation, acid & DAP)	\$0	\$0	\$0	\$2,443,312	\$4,886,624	\$6,515,504	\$12,931,008	\$12,931,008	\$12,931,008	\$12,931,008	\$12,931,008	\$13,666,667
mine closure escrow fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
environmental projects fund	\$1,963,776	\$2,195,280	\$2,353,333	\$3,870,000	\$5,160,000	\$6,880,000	\$13,760,000	\$13,760,000	\$13,760,000	\$13,760,000	\$13,760,000	\$14,466,667
training fund	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
reimbursement for geologic work	\$0	\$0	\$0	\$18,266	\$4,500	\$10,500	\$0	\$0	\$0	\$0	\$0	\$0
total operating cost	\$1,963,776	\$2,195,280	\$2,353,333	\$12,499,500	\$19,771,136	\$26,880,500	\$46,761,008	\$46,761,008	\$46,761,008	\$46,761,008	\$46,761,008	\$49,467,667
depreciation	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
amortization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
debt of tax loss carry forward	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
corporate income tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net income after taxes	\$1,963,776	\$2,195,280	\$2,353,333	\$12,499,500	\$19,771,136	\$26,880,500	\$46,761,008	\$46,761,008	\$46,761,008	\$46,761,008	\$46,761,008	\$49,467,667
adback depreciation & amortization	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net cash flow from operations	\$1,963,776	\$2,195,280	\$2,353,333	\$12,499,500	\$19,771,136	\$26,880,500	\$46,761,008	\$46,761,008	\$46,761,008	\$46,761,008	\$46,761,008	\$49,467,667
Capital expenditures	\$16,364,800	\$16,364,800	\$16,364,800	\$16,364,800	\$16,364,800	\$16,364,800	\$16,364,800	\$16,364,800	\$16,364,800	\$16,364,800	\$16,364,800	\$16,364,800
2% declining balance items	\$6,636,667	\$6,636,667	\$6,636,667	\$6,636,667	\$6,636,667	\$6,636,667	\$6,636,667	\$6,636,667	\$6,636,667	\$6,636,667	\$6,636,667	\$6,636,667
engineering/procurement - mine	\$2,700,000	\$2,700,000	\$2,700,000	\$2,700,000	\$2,700,000	\$2,700,000	\$2,700,000	\$2,700,000	\$2,700,000	\$2,700,000	\$2,700,000	\$2,700,000
engineering/procurement - process facilities	\$60,624,000	\$60,624,000	\$60,624,000	\$60,624,000	\$60,624,000	\$60,624,000	\$60,624,000	\$60,624,000	\$60,624,000	\$60,624,000	\$60,624,000	\$60,624,000
20% declining balance items	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667	\$3,666,667
milling equipment	\$23,000,000	\$23,000,000	\$23,000,000	\$23,000,000	\$23,000,000	\$23,000,000	\$23,000,000	\$23,000,000	\$23,000,000	\$23,000,000	\$23,000,000	\$23,000,000
phosphoric acid plant	\$18,000,000	\$18,000,000	\$18,000,000	\$18,000,000	\$18,000,000	\$18,000,000	\$18,000,000	\$18,000,000	\$18,000,000	\$18,000,000	\$18,000,000	\$18,000,000
DAP plant	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8% declining balance items	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000	\$1,200,000
haul roads and site work, overpasses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
general infrastructure	\$6,333,333	\$6,333,333	\$6,333,333	\$6,333,333	\$6,333,333	\$6,333,333	\$6,333,333	\$6,333,333	\$6,333,333	\$6,333,333	\$6,333,333	\$6,333,333
power infrastructure	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000	\$20,000,000
facility infrastructure	\$16,364,800	\$16,364,800	\$16,364,800	\$16,364,800	\$16,364,800	\$16,364,800	\$16,364,800	\$16,364,800	\$16,364,800	\$16,364,800	\$16,364,800	\$16,364,800
contingency	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Working capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total capital expenditures	\$16,364,800	\$16,364,800	\$16,364,800	\$16,364,800	\$16,364,800	\$16,364,800	\$16,364,800	\$16,364,800	\$16,364,800	\$16,364,800	\$16,364,800	\$16,364,800
Net cash flow	\$1,963,776	\$2,195,280	\$2,353,333	\$12,499,500	\$19,771,136	\$26,880,500	\$46,761,008	\$46,761,008	\$46,761,008	\$46,761,008	\$46,761,008	\$49,467,667

Competent Person's Report and Scoping Study on the Chilisaí Phosphate Deposit May 2008

	13	14	15	16	17	18	19	20	21	22	23	24	25
Economic Evaluation of Phosphate Production													
Sunkar Kankakanan Phosphate Project													
Prepared by Behre Dolbear & Co., Inc.													
Phase I and Phase II: 5 MTPY ore expanding to 10													
From													
mine production (tonnes)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
metallic processed (tonnes)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000
contained P2O5 in ore (tonnes)	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000
concentrate grade (percent)	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%
concentrate production (tonnes)	5,147,303	5,147,303	5,147,303	5,147,303	5,147,303	5,147,303	5,147,303	5,147,303	5,147,303	5,147,303	5,147,303	5,147,303	5,147,303
contained P2O5 in concentrate (tonnes)	868,350	868,350	868,350	868,350	868,350	868,350	868,350	868,350	868,350	868,350	868,350	868,350	868,350
phosphoric acid production (tonnes)	824,933	824,933	824,933	824,933	824,933	824,933	824,933	824,933	824,933	824,933	824,933	824,933	824,933
ratio (phosphoric acid needed) (percent)	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%
di-ammonium phosphate production (tonnes)	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451
Sales													
price of phosphate (US\$ per tonne)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
price of di-ammonium phosphate (US\$ per tonne)	\$804.00	\$804.00	\$804.00	\$804.00	\$804.00	\$804.00	\$804.00	\$804.00	\$804.00	\$804.00	\$804.00	\$804.00	\$804.00
gross revenue from sales of concentrate	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
gross revenue from sales of phosphoric acid	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40
gross revenue from sales of di-ammonium phosphate	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40
commination on sales	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
net income from sales	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40	\$1,420,226.40
Operating cost													
mining cost (US\$ per tonne mined)	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50	\$3.50
DAP production (US\$ per tonne DAP)	\$99.26	\$99.26	\$99.26	\$99.26	\$99.26	\$99.26	\$99.26	\$99.26	\$99.26	\$99.26	\$99.26	\$99.26	\$99.26
annual operating cost (US\$)	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000	\$35,000,000
DAP production (beneficiation, acid & DAP)	\$175,345,774	\$175,345,774	\$175,345,774	\$175,345,774	\$175,345,774	\$175,345,774	\$175,345,774	\$175,345,774	\$175,345,774	\$175,345,774	\$175,345,774	\$175,345,774	\$175,345,774
mine closure reserve fund	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346
environmental projects fund	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346	\$210,346
training fund	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
reimbursement for geologic work	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000
total operating cost	\$24,994,078	\$24,994,078	\$24,994,078	\$24,994,078	\$24,994,078	\$24,994,078	\$24,994,078	\$24,994,078	\$24,994,078	\$24,994,078	\$24,994,078	\$24,994,078	\$24,994,078
depreciation	\$26,325,809	\$26,662,284	\$19,809,697	\$17,468,066	\$15,538,058	\$13,940,453	\$12,611,987	\$10,571,057	\$8,931,357	\$7,605,405	\$6,525,199	\$5,639,496	\$4,907,226
amortization	\$1,158,868	\$1,227,004	\$1,227,004	\$1,227,004	\$1,227,004	\$1,227,004	\$1,227,004	\$1,227,004	\$1,227,004	\$1,227,004	\$1,227,004	\$1,227,004	\$1,227,004
deduction of tax loss carry forward	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
corporate income tax	\$347,671.63	\$348,771.02	\$349,626.88	\$349,694.28	\$349,694.28	\$350,173.00	\$350,572.90	\$351,184.28	\$350,159.48	\$350,557.48	\$350,681.16	\$351,146.90	\$351,366.58
Net income after taxes	\$811,251.91	\$813,799.02	\$815,795.83	\$814,022.89	\$815,953.89	\$817,972.22	\$819,002.14	\$820,032.06	\$821,061.98	\$822,091.90	\$823,121.82	\$824,151.74	\$825,181.66
adback depreciation & amortization	\$24,325,809	\$22,662,284	\$19,809,697	\$17,468,066	\$15,538,058	\$13,940,453	\$12,611,987	\$10,571,057	\$8,931,357	\$7,605,405	\$6,525,199	\$5,639,496	\$4,907,226
Net cash flow from operations	\$837,560.00	\$836,461.12	\$835,055.96	\$832,709.99	\$831,493.95	\$831,022.67	\$830,634.13	\$830,300.00	\$829,925.13	\$829,550.26	\$829,175.39	\$828,800.52	\$828,425.65
Capital expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2% declining balance items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
engineering/procurment - process facilities	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000
20% declining balance items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
milling equipment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
20% declining balance items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
phosphoric acid plant	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
DAP plant	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8% declining balance items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
haul roads and site work overpasses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
general infrastructure	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
power infrastructure	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
water infrastructure	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
contingency	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Working capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total capital expenditures	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000	\$600,000
Net cash flow	\$837,560.00	\$836,461.12	\$835,055.96	\$832,709.99	\$831,493.95	\$831,022.67	\$830,634.13	\$830,300.00	\$829,925.13	\$829,550.26	\$829,175.39	\$828,800.52	\$828,425.65

Competent Person's Report and Scoping Study on the Chilisaí Phosphate Deposit
May 2008

	26	27	28	29	30	31	32	33	34	35	Total
Production	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	250,000,000
material processed (tonnes)	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	10,000,000	250,000,000
concentrate P2O5 (tonnes)	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	1,050,000	25,000,000
concentrate grade (percent)	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%	16.87%
recovery during comminution (percent)	82.70%	82.70%	82.70%	82.70%	82.70%	82.70%	82.70%	82.70%	82.70%	82.70%	82.70%
recovery in concentrate (tonnes)	5,145,103	5,145,103	5,145,103	5,145,103	5,145,103	5,145,103	5,145,103	5,145,103	5,145,103	5,145,103	128,482,873
recovery in phosphate (tonnes)	868,350	868,350	868,350	868,350	868,350	868,350	868,350	868,350	868,350	868,350	20,623,313
recovery in phosphate (percent)	85.93%	85.93%	85.93%	85.93%	85.93%	85.93%	85.93%	85.93%	85.93%	85.93%	85.93%
ratio (phosphate acid needed) (percent)	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%	46.70%
di-ammonium phosphate production (tonnes)	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	1,766,451	44,161,269
Sales	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
price of conc. (US\$ per tonne) (mine field -)	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
price of di-ammonium phosphate (US\$ per tonne)	\$804.00	\$804.00	\$804.00	\$804.00	\$804.00	\$804.00	\$804.00	\$804.00	\$804.00	\$804.00	\$804.00
gross revenue from sales of concentrate	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
gross revenue from sales of phosphate acid	\$1,420,226,403	\$1,420,226,403	\$1,420,226,403	\$1,420,226,403	\$1,420,226,403	\$1,420,226,403	\$1,420,226,403	\$1,420,226,403	\$1,420,226,403	\$1,420,226,403	\$35,056,660,064
gross revenue from sales of di-ammonium phos	\$1,420,226,403	\$1,420,226,403	\$1,420,226,403	\$1,420,226,403	\$1,420,226,403	\$1,420,226,403	\$1,420,226,403	\$1,420,226,403	\$1,420,226,403	\$1,420,226,403	\$35,056,660,064
commission on sales	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
net income from sales	\$1,420,226,403	\$1,420,226,403	\$1,420,226,403	\$1,420,226,403	\$1,420,226,403	\$1,420,226,403	\$1,420,226,403	\$1,420,226,403	\$1,420,226,403	\$1,420,226,403	\$35,056,660,064
Operating costs (US\$ per tonne)	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
mining cost (US\$ per tonne mined)	\$99.52	\$99.52	\$99.52	\$99.52	\$99.52	\$99.52	\$99.52	\$99.52	\$99.52	\$99.52	\$99.52
DAP production (US\$ per tonne DAP)	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00	\$5.00
annual operating cost (US\$)	\$50,000,000	\$50,000,000	\$50,000,000	\$50,000,000	\$50,000,000	\$50,000,000	\$50,000,000	\$50,000,000	\$50,000,000	\$50,000,000	\$1,010,250,000
DAP production (beneficiation, acid & DAP)	\$175,795,774	\$175,795,774	\$175,795,774	\$175,795,774	\$175,795,774	\$175,795,774	\$175,795,774	\$175,795,774	\$175,795,774	\$175,795,774	\$4,136,274,080
mine closure escrow fund	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$5,489,224
mine closure project fund	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$5,489,224
training fund	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$225,796	\$5,489,224
reimbursement for geologic work	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$30,000	\$768,266
total operating cost	\$250,165,978	\$250,165,978	\$250,165,978	\$250,165,978	\$250,165,978	\$250,165,978	\$250,165,978	\$250,165,978	\$250,165,978	\$250,165,978	\$6,033,204,170
depreciation	\$4,297,348	\$4,297,348	\$4,297,348	\$4,297,348	\$4,297,348	\$4,297,348	\$4,297,348	\$4,297,348	\$4,297,348	\$4,297,348	\$874,226,063
amortisation	\$1,166,799	\$1,166,799	\$1,166,799	\$1,166,799	\$1,166,799	\$1,166,799	\$1,166,799	\$1,166,799	\$1,166,799	\$1,166,799	\$23,140,000
deduction of tax loss carry forward	\$349,862	\$349,862	\$349,862	\$349,862	\$349,862	\$349,862	\$349,862	\$349,862	\$349,862	\$349,862	\$8,639,468,948
corporate income tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net income after taxes	\$881,094,223	\$881,094,223	\$881,094,223	\$881,094,223	\$881,094,223	\$881,094,223	\$881,094,223	\$881,094,223	\$881,094,223	\$881,094,223	\$20,158,400,882
addback depreciation & amortisation	\$4,297,348	\$4,297,348	\$4,297,348	\$4,297,348	\$4,297,348	\$4,297,348	\$4,297,348	\$4,297,348	\$4,297,348	\$4,297,348	\$874,226,063
Net cash flow from operations	\$885,391,571	\$885,391,571	\$885,391,571	\$885,391,571	\$885,391,571	\$885,391,571	\$885,391,571	\$885,391,571	\$885,391,571	\$885,391,571	\$20,832,626,945
Capital expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
2% declining balance items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
engineering/procurement - mine	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
engineering/procurement - process facilities	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
20% declining balance items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
milling equipment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
general infrastructure	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
power infrastructure	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
facility infrastructure	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
contingency	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Working capital	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8% declining balance items	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
haul roads and site work, overpasses	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
general infrastructure	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
power infrastructure	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
facility infrastructure	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
contingency	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total capital expenditures	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net cash flow	\$885,391,571	\$885,391,571	\$885,391,571	\$885,391,571	\$885,391,571	\$885,391,571	\$885,391,571	\$885,391,571	\$885,391,571	\$885,391,571	\$20,832,626,945

Competent Person's Report and Scoping Study on the Chilisaí Phosphate Deposit May 2008

	13	14	15	16	17	18	19	20	21	22	23	24	25
<p>254 declining balance items</p> <p>new investment \$3,500,000 \$3,500,000 \$3,500,000 \$3,500,000 \$3,500,000 \$3,500,000 \$3,500,000 \$3,500,000 \$3,500,000 \$3,500,000 \$3,500,000 \$3,500,000 \$3,500,000 \$3,500,000</p> <p>depreciation expense \$2,884,204 \$2,884,204 \$2,884,204 \$2,884,204 \$2,884,204 \$2,884,204 \$2,884,204 \$2,884,204 \$2,884,204 \$2,884,204 \$2,884,204 \$2,884,204 \$2,884,204 \$2,884,204</p> <p>undepreciated investment \$4,585,613 \$4,585,613 \$4,585,613 \$4,585,613 \$4,585,613 \$4,585,613 \$4,585,613 \$4,585,613 \$4,585,613 \$4,585,613 \$4,585,613 \$4,585,613 \$4,585,613 \$4,585,613</p>													
<p>204 declining balance items</p> <p>new investment \$18,000,000 \$18,000,000 \$18,000,000 \$18,000,000 \$18,000,000 \$18,000,000 \$18,000,000 \$18,000,000 \$18,000,000 \$18,000,000 \$18,000,000 \$18,000,000 \$18,000,000 \$18,000,000</p> <p>depreciation expense \$14,592,310 \$14,592,310 \$14,592,310 \$14,592,310 \$14,592,310 \$14,592,310 \$14,592,310 \$14,592,310 \$14,592,310 \$14,592,310 \$14,592,310 \$14,592,310 \$14,592,310 \$14,592,310</p> <p>undepreciated investment \$3,407,690 \$3,407,690 \$3,407,690 \$3,407,690 \$3,407,690 \$3,407,690 \$3,407,690 \$3,407,690 \$3,407,690 \$3,407,690 \$3,407,690 \$3,407,690 \$3,407,690 \$3,407,690</p>													
<p>154 declining balance items</p> <p>new investment \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0</p> <p>depreciation expense \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0</p> <p>undepreciated investment \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0</p>													
<p>104 declining balance items</p> <p>new investment \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0</p> <p>depreciation expense \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0</p> <p>undepreciated investment \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0</p>													
<p>84 declining balance items</p> <p>new investment \$600,000 \$600,000 \$600,000 \$600,000 \$600,000 \$600,000 \$600,000 \$600,000 \$600,000 \$600,000 \$600,000 \$600,000 \$600,000 \$600,000</p> <p>depreciation expense \$496,000 \$496,000 \$496,000 \$496,000 \$496,000 \$496,000 \$496,000 \$496,000 \$496,000 \$496,000 \$496,000 \$496,000 \$496,000 \$496,000</p> <p>undepreciated investment \$104,000 \$104,000 \$104,000 \$104,000 \$104,000 \$104,000 \$104,000 \$104,000 \$104,000 \$104,000 \$104,000 \$104,000 \$104,000 \$104,000</p>													
<p>Income tax calculation</p> <p>net income before taxes \$1,158,906.416 \$1,162,570.040 \$1,165,422.627 \$1,163,718.418 \$1,165,648.427 \$1,165,648.427 \$1,165,648.427 \$1,165,648.427 \$1,165,648.427 \$1,165,648.427 \$1,165,648.427 \$1,165,648.427 \$1,165,648.427 \$1,165,648.427</p> <p>deduction of tax loss carry forward \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0</p> <p>corporate income tax 30.00% \$347,673.925 \$346,771.022 \$345,626.788 \$349,916.525 \$349,694.528 \$349,694.528 \$349,694.528 \$349,694.528 \$349,694.528 \$349,694.528 \$349,694.528 \$349,694.528 \$349,694.528</p>													
<p>Tax loss carry forward calculation</p> <p>net income before taxes \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0</p> <p>depreciation expense \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0</p> <p>potential write-off \$8,979,205.248 \$10,135,776.888 \$11,301,200.815 \$12,464,919.133 \$13,630,567.950 \$14,797,813.791 \$15,966,386.289 \$17,137,031.716 \$18,304,500.544 \$19,472,725.423 \$20,642,539.208 \$21,813,845.936 \$23,000,000.000 \$24,190,000.000</p> <p>trial write-off \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0</p> <p>actual write-off \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0 \$0</p>													
<p>Net Cash Flow \$833,966,403 \$832,861,114 \$831,495,936 \$827,870,939 \$827,293,917 \$826,612,678 \$825,969,834 \$825,372,622 \$824,848,483 \$824,382,797 \$823,962,597 \$823,581,368 \$823,248,199 \$822,964,000</p>													
<p>Rate of Return 53.87%</p>													
<p>terminal value (NPV of 30-year cash flow plus 26-year terminal value)</p> <p>\$4151 7408895952 2030495053 1137960566 2727620688 4305937353 4644035595 3244922440 1826284143 1712297599 7797531267 3042286208</p>													

Competent Person's Report and Scoping Study on the Chilisaí Phosphate Deposit
 May 2008

	26	27	28	29	30	31	32	33	34	35	Total
Sukir Kambuhan Phosphate Project Prepared by Behre Dolbear & Co., Inc. Depreciation Schedule											
25% declining balance items											
new investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
depreciated investment	\$147,344	\$147,344	\$147,344	\$147,344	\$147,344	\$147,344	\$147,344	\$147,344	\$147,344	\$147,344	\$1,473,440
undepreciated investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
total	\$147,344	\$147,344	\$147,344	\$147,344	\$147,344	\$147,344	\$147,344	\$147,344	\$147,344	\$147,344	\$1,473,440
20% declining balance items											
new investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
depreciated investment	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$180,000
undepreciated investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
total	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$18,000	\$180,000
15% declining balance items											
new investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
depreciated investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
undepreciated investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
10% declining balance items											
new investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
depreciated investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
undepreciated investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
8% declining balance items											
new investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
depreciated investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
undepreciated investment	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Income tax calculation											
net income before taxes	\$1,165,753.176	\$1,166,275.259	\$1,166,798.501	\$1,167,321.743	\$1,167,845.023	\$1,168,368.265	\$1,168,891.507	\$1,169,414.749	\$1,169,938.023	\$1,170,461.265	\$11,704,614.800
deduction of tax loss carry forward	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
depreciation of tax loss carry forward	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
corporate income tax	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
total	\$1,165,753.176	\$1,166,275.259	\$1,166,798.501	\$1,167,321.743	\$1,167,845.023	\$1,168,368.265	\$1,168,891.507	\$1,169,414.749	\$1,169,938.023	\$1,170,461.265	\$11,704,614.800
Tax loss carry forward calculation											
net income before taxes	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
depreciation of tax loss carry forward	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
total	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Net Cash Flow	\$820,311,472	\$820,177,847	\$820,044,874	\$819,912,073	\$819,779,272	\$819,646,471	\$819,513,670	\$819,380,869	\$819,248,068	\$819,115,267	\$8,203,067,237
Rate of Return	53.87%										

PART 6

SECTION A — ACCOUNTANT'S REPORT ON SUNKAR RESOURCES PLC

The Directors
Sunkar Resources Plc
4 Park Place
London
SW1A 1LP

And

The Directors
Canaccord Adams Limited
7th Floor
Cardinal Place
80 Victoria Street
London
SW1E 5JL

And

The Members
GMP Securities Europe LLP
4 Albemarle Street
London
W1S 4GA

24 June 2008

Dear Sirs

Sunkar Resources plc (“Sunkar” or “the Company”) and its subsidiary

We report on the financial information of the Company set out in Section B of Part 6, which has been prepared for inclusion in the Admission Document dated 24 June 2008 of the Company on the basis of the accounting policies set out in paragraph 1. This report is required by paragraph (a) of Schedule Two of the AIM Rules and is given for the purpose of complying with paragraph (a) of Schedule Two of the AIM Rules and for no other purpose.

Responsibilities

The directors of the Company are responsible for preparing the financial information contained in paragraph 1 of the financial information. It is our responsibility to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards 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 judgments 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.

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PKF (UK) LLP is a limited liability partnership registered in England and Wales with registered number OC310487.

A list of members' names is open to inspection at Farringdon Place, 20 Farringdon Road, London EC1M 3AP, the principal place of business and registered office. PKF (UK) LLP is authorised and regulated by the Financial Services Authority for investment business activities. The PKF International Association is an association of legally independent firms.

Opinion

In our opinion, the financial information gives, for the purposes of the Admission Document dated 24 June 2008, a true and fair view of the state of affairs of the Company as at 30 April 2007 and its losses and cash flows for the period then ended in accordance with the basis of preparation set out in paragraph 1.

In forming our opinion, which is not qualified, we have considered the adequacy of disclosures made in note (viii) of paragraph 6 concerning the failure to comply with the production and investment obligations of the Sub Surface Use Contract (“SSUC”). These conditions can lead to the suspension of this Contract, with the possibility of termination.

However, the Company has submitted a revised overall work programme to the Kazakhstan Ministry of Energy and Mineral Resources (“MEMR”) and on 21 May 2008, the MEMR confirmed their decision to accept an amended work programme. The MEMR have also confirmed that it is their intention to revise the terms of the SSUC accordingly. Although the terms of the SSUC have not yet been formally revised, the Directors have received legal advice that in practical terms, Temir Service LLP can be regarded as being currently in compliance with the amended work programme and that the risk of issues relating to non-compliance with the work programme, production and investment obligations is minimal.

Declaration

For the purposes of Paragraph (a) of Schedule Two of the AIM Rules 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 omissions likely to affect its import. This declaration is included in the Admission Document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

PKF (UK) LLP

SECTION B — FINANCIAL INFORMATION ON SUNKAR RESOURCES PLC

1. Summary of significant accounting policies

Sunkar Resources Plc (the “Company”) is a company domiciled in England and Wales. The consolidated financial statements of the Company for the period from 28 March 2006 to 30 April 2007 comprise the Company and its subsidiary (together referred to as the “Group”).

The Company was incorporated as Electristar Limited in the United Kingdom on 28 March 2006 under company number 05759399. It changed its name to Sunkar Resources Limited on 12 July 2006. The Company re-registered as a public limited company on 3 December 2007

The Company acquired an 80% interest in Temir Service LLP on 13 September 2006. Temir Service LLP was registered in Kazakhstan and holds the Sub Surface Use Contract for the extraction of phosphorite from the Chilisaï deposit in Kazakhstan.

The Group’s principal activity for the period under review was evaluation and development of a business plan to exploit a mineral license for the Chilisaï phosphorite deposit in Kazakhstan.

Nature of operation and going concern

The Group is at an early stage of development and does not generate any significant revenues. Its success will depend upon raising funding to progress its development of the Chilisaï phosphate deposit in Kazakhstan.

In common with many pre revenue natural resources companies, the Company raises finance for its evaluation and development activities in discrete tranches as and when required. In the period since incorporation it has raised US\$27 million (including amounts raised after the balance sheet date) of equity funding. The directors consider that, given their plans and current estimates of project feasibility and profitability, the proceeds received to date together with the proceeds of the placing will provide adequate funding for the development of the Chilisaï project and working capital for the period covered by the Directors’ statement on working capital. Therefore, the Directors consider it appropriate to prepare the financial information on a going concern basis. However, these funds will not be sufficient to meet the current minimum spending requirements of the Subsoil Use Contract through to 2012 (as set out note (xv)) and fully develop operations and further specific project finance will therefore be required.

Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRSs”) and its interpretations adopted by the International Accounting Standards Board (“IASB”), which are the same as those adopted by the European Union and with the parts of the Companies Act 1985 applicable to companies reporting under IFRS. These are the Group’s first consolidated financial statements and accordingly no comparative information has been presented.

IFRS/Amendment	Title	Nature of change to accounting policy	Application date of standard	Application date for Group
IAS 1 amendment	Capital disclosures	No change to accounting policy, therefore, no impact	1 January 2007	1 May 2007
IAS 27 amendment	Consolidated and separate financial statements	No change to accounting policy, therefore, no impact	1 January 2009	1 May 2010
IFRS 2 amendment	Share-based payments	No change to accounting policy, therefore, no impact	1 January 2009	1 May 2009
IFRS 7	Financial instruments: disclosures	No change to accounting policy, therefore, no impact	1 January 2007	1 May 2007
IFRS 8	Operating segments	No change to accounting policy, therefore, no impact	Supersedes IAS 14 from 1 January 2009	1 May 2009

IFRS/Amendment	Title	Nature of change to accounting policy	Application date of standard	Application date for Group
IAS 23 amendment	Borrowing costs	No change to accounting policy, therefore, no impact	1 January 2009	1 May 2009
IFRIC 9	Reassessment of embedded derivatives	No change to accounting policy, therefore, no impact	1 June 2006	1 May 2007
IFRIC 10	Interim financial reporting and impairment	No change to accounting policy, therefore, no impact	1 November 2006	1 May 2007
IFRIC 11	IFRS 2 — Group and treasury share transactions	No change to accounting policy, therefore, no impact	1 March 2007	1 May 2007
IFRIC 12	Service concession arrangements	No change to accounting policy, therefore, no impact	1 January 2008	1 May 2008

Basis of preparation

The directors consider that the US dollar is the economic currency of the Group and accordingly the financial information is presented in US dollars, rounded to the nearest thousand. They are prepared on the historical cost basis. At 30 April 2007, the rate of exchange was 1.99826 US dollars to 1 GB pound.

The preparation of financial information in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Judgements made by management in the application of IFRSs that have significant effect on the financial information and estimates with a significant risk of material adjustment in the next year are discussed in note (xix) of paragraph 6.

The accounting policies set out below have been applied consistently to the period presented in the consolidated financial information.

The accounting policies have been applied consistently by Group entities.

(a) Basis of consolidation

(i) Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

(ii) Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

(i) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to US dollars at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to US dollars at foreign exchange rates ruling at the dates the fair value was determined.

(ii) Financial statements of foreign operations

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to US dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations, excluding foreign operations in hyperinflationary economies, are translated to US dollars at rates approximating to the foreign exchange rates ruling at the dates of the transactions.

(c) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost as deemed cost less accumulated depreciation and impairment losses. The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

Where parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Subsequent costs

The Group recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when that cost is incurred if it is probable that the future economic benefits embodied with the item will flow to the Group and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

(iii) Depreciation

Depreciation is charged to the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. The estimated useful lives are as follows:

- motor vehicles 3 years
- fixtures and fittings 3 years

The residual value, if not insignificant, is reassessed annually.

(d) Intangible assets

(i) Goodwill

All business combinations are accounted for by applying the purchase method. Goodwill represents amounts arising on acquisition of subsidiaries, associates and joint ventures. Goodwill represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired.

Goodwill is stated at cost less any accumulated impairment losses. Goodwill is allocated to cash-generating units and is no longer amortised but is tested annually for impairment.

Negative goodwill arising on an acquisition is recognised directly in the income statement

(ii) Sub Surface Use Contract

Expenditure on the acquisition of the sub surface use contract and exploration is carried as intangible assets until such a time as it is determined that there are commercially exploitable reserves and the necessary finance in place, at which time such costs are transferred to mineral interests to be amortised over the expected productive life of the asset. The Group's intangible assets are subject to a periodic review by the Directors for impairment. The recoverability is dependent upon a number of factors common to the natural resource sector. These include the extent to which the Group can establish economically recoverable reserves on its properties, the ability of the Group to obtain necessary financing to complete the development of such reserves and future profitable production or proceeds from the disposition thereof. Costs incurred in respect of projects determined as uncommercial are written off.

(iii) Subsequent expenditure

Subsequent expenditure on capitalised intangible assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

(e) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses.

(f) Cash and cash equivalents

Cash and cash equivalents comprises cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

(g) Impairment (except for the subsurface use contract)

The carrying amounts of the Group's assets (except for the Group's Sub Surface Use Contract) and deferred tax assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

For goodwill, assets that have an indefinite useful life and intangible assets that are not yet available for use, the recoverable amount is estimated at each balance sheet date.

An impairment loss is recognised whenever the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. 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 cash-generating units (group of units) and then, to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

(i) Calculation of recoverable amount

Receivables with a short duration are not discounted.

The recoverable amount of other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

(ii) Reversals of impairment

An impairment loss in respect of an investment in an equity instrument classified as available for sale is not reversed through profit or loss. If the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss shall be reversed, with the amount of the reversal recognised in profit or loss.

An impairment loss in respect of goodwill is not reversed.

In respect of other assets, 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.

(h) Provisions

A provision is recognised in the balance sheet when the Group has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

(i) Site restoration

The Group has obligations under the Chilisai Sub Surface Use Contract to restore mine and processing sites at the end of their lives to an acceptable condition.

(j) Trade and other payables

Trade and other payables are stated at cost.

(k) Operating lease payments

(l) Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax 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.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes, the initial recognition of assets or liabilities that affect neither accounting nor taxable profit, and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend.

(m) Equity settled share based payments

All share based payments are recognised in the financial statements.

All goods and services received in exchange for the issue of any share-based payments are measured at their fair values. Fair values of goods or services are determined indirectly by reference to the fair value of the shares awarded. This measure is used in the absence of information on the fair value of the services provided. Their value is appraised at the allotment dates.

Share-based payments are either capitalised as intangible assets or expensed through the income statement with a corresponding credit to the profit and loss account in the balance sheet.

2. Consolidated Income Statement

For the period from 28 March 2006 to 30 April 2007

	Note	2007 \$000
<i>Continuing operations</i>		
Revenue		—
Cost of sales		<u>—</u>
Gross profit		—
Other operating income	(iii)	100
Administrative expenses		<u>(339)</u>
Operating loss before financing costs	(iv)	<u>(239)</u>
Loss before tax		<u>(239)</u>
Income tax expense		—
Loss for the period		<u>(239)</u>
Attributable to:		
Equity holders of the parent		(191)
Minority interest		<u>(48)</u>
		<u>(239)</u>
Basic and diluted (loss) per share (cents)	(xii)	<u>(3.0c)</u>

3. Consolidated Balance Sheet

	Note	30 April 2007 \$000
Assets		
Property, plant and equipment	(vii)	110
Intangible assets	(viii)	<u>17,932</u>
Total non-current assets		<u>18,042</u>
Trade and other receivables	(ix)	59
Cash and cash equivalents	(x)	<u>378</u>
Total current assets		<u>437</u>
Total assets		<u><u>18,479</u></u>
Equity		
Issued capital	(xi)	166
Share premium	(xi)	6,531
Retained earnings	(xi)	<u>28</u>
Total equity attributable to equity holders of the parent		<u><u>6,725</u></u>
Minority interest	(xi)	2,950
Total equity		<u><u>9,675</u></u>
Liabilities		
Bank overdraft	(x)	27
Trade and other payables	(xiii)	<u>8,777</u>
Total current liabilities		<u>8,804</u>
Total liabilities		<u>8,804</u>
Total equity and liabilities		<u><u>18,479</u></u>

4. Consolidated Statement of Recognised Gains and Losses

For the period from 28 March 2006 to 30 April 2007

	2007 \$000
Foreign exchange translation differences	<u>(12)</u>
Net expenditure charged directly against equity	(12)
Loss for the period	(239)
Total recognised income and expense for the period	<u><u>(251)</u></u>
Attributable to:	
Equity holders of the parent	(201)
Minority interest	<u>(50)</u>
Total recognised income and expense for the period	<u><u>(251)</u></u>

5. Consolidated cash flow statement

For the period from 28 March 2006 to 30 April 2007

	Note	2007 \$000
Cash flows from operating activities		
Operating (loss)		(239)
Depreciation		5
Increase in receivables		(57)
Increase in payables		<u>4,793</u>
Cash generated from operations		4,502
Income taxes paid		<u>—</u>
Net cash from operating activities		<u>4,502</u>
Cash flows from investing activities		
Acquisition of subsidiary, net of cash acquired	(ii)	(10,223)
Acquisition of sub surface use contract		(570)
Acquisition of property, plant and equipment		<u>(103)</u>
Net cash from investing activities		<u>(10,896)</u>
Cash flows from financing activities		
Proceeds from the issue of share capital		6,766
Payment of transaction costs		<u>(9)</u>
Net cash from financing activities		<u>6,757</u>
Net increase in cash and cash equivalents		363
Cash and cash equivalents at 28 March 2006		—
Effect of exchange rate fluctuations on cash held		<u>(12)</u>
Cash and cash equivalents at 30 April 2007	(x)	<u>351</u>

6. Notes to the financial information

(i) Segmental reporting

A segment is a component of the Group distinguishable by economic activity (business segment) or by its geographical location (geographical segment) which is subject to risks and returns that are different from those of other segments. The Group's only business segment is the exploration for, and development of, phosphorite deposits. All the Group's activities are related to the exploration for, and development of, phosphorite in Kazakhstan with support provided from the UK. In presenting information on the basis of geographical segments, segment assets and the cost of acquiring them are based on the geographical location of the assets. Segment capital expenditure is the total cost incurred during the period to acquire segment assets and where the assets are located. There was no Group turnover during the period.

	2007 \$000
Total assets	
Kazakhstan	18,050
UK	<u>429</u>
Total	<u><u>18,479</u></u>
Capital expenditure on deferred exploration and evaluation costs	
Kazakhstan	16,137
UK	<u>—</u>
Total	<u><u>16,137</u></u>
Capital expenditure on property, plant and equipment	
Kazakhstan	110
UK	<u>—</u>
Total	<u><u>110</u></u>
Result for the period	
Kazakhstan	(239)
UK	<u>—</u>
Total	<u><u>(239)</u></u>

(ii) Acquisitions of subsidiaries

On 13 September 2006, the Company acquired an 80% interest in Temir Service LLP for \$12,000,000. Temir Service LLP has acquired the Sub Surface Use Contract for the extraction of phosphorite from the Chilsai deposit in Kazakhstan. In the period from 13 September 2006 to 30 April 2007, the subsidiary contributed net losses of \$239,000 to the consolidated net loss for the period.

Effect of acquisitions

The acquisitions had the following effect on the Group's assets and liabilities.

Acquiree's net assets at the acquisition date

	Recognised values \$000	Fair value adjustments \$000	Carrying amounts \$000
Property, plant and equipment	12	—	12
Intangible assets	15,292	15,078	214
Trade and other receivables	3	—	3
Cash and cash equivalents	1	—	1
Trade and other payables	<u>(308)</u>	<u>—</u>	<u>(308)</u>
Net identifiable assets and liabilities	15,000	<u>15,078</u>	<u>(78)</u>
Minority interest	(3,000)		
Goodwill on acquisition	<u>1,795</u>		
Total purchase consideration	13,795		
Consideration payable	(3,571)		
Cash (acquired)	<u>(1)</u>		
Net cash outflow	<u>10,223</u>		

Goodwill has arisen on acquisition of Temir Service LLP because of professional fees related to the purchase.

(iii) Other operating income

	2007 \$000
Foreign exchange gains	48
Indemnified costs	<u>52</u>
	<u>100</u>

(iv) Operating loss

The operating loss is stated after charging:

	2007 \$000
Depreciation	5
Auditors' remuneration:	
Audit of these financial statements	43
Fees payable to the auditor for other services:	
Audit of accounts of associates of the Company pursuant to legislation	21
Operating lease rentals	<u>6</u>

(v) Personnel expenses

	2007 \$000
Wages and salaries	192
Share-based payments	115
Compulsory social security contributions	<u>8</u>
	<u>315</u>

The average number of employees during the period was 6 excluding directors.

The directors did not receive any remuneration during the period.

(vi) Income tax**Recognised in the income statement**

	2007 \$000
Current tax expense	
Current year	—
Total income tax expense in income statement	—

Reconciliation of effective tax rate

	2007 \$000
Loss before tax	(239)
Income tax using the domestic corporation tax rate	(72)
Effect of tax rates in foreign jurisdictions (rates decreased)	
Non-deductible expenses	
Effect of tax losses carried forward	72
	—
	—

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	2007 \$000
UK tax losses	—
Overseas tax losses	199
	199

The overseas tax losses expire in 2010. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

(vii) Property, plant and equipment

	Motor vehicles \$000	Fixtures and fittings \$000	Total \$000
Cost			
Balance at 28 March 2006	—	—	—
Acquisitions through business combinations	—	12	12
Other acquisitions	85	18	103
Balance at 30 April 2007	85	30	115
Depreciation and impairment losses			
Balance at 28 March 2006	—	—	—
Depreciation charge for the year	3	2	5
Balance at 30 April 2007	3	2	—
Carrying amounts			
At 28 March 2006	—	—	—
At 30 April 2007	82	28	110

(viii) Intangible assets

	Goodwill \$000	Sub surface use contract \$000	Total \$000
Cost			
Balance at 28 March 2006	—	—	—
Acquisitions through business combinations	1,795	16,137	17,932
Balance at 30 April 2007	<u>1,795</u>	<u>16,137</u>	<u>17,932</u>
Amortisation and impairment losses			
Balance at 28 March 2006	—	—	—
Amortisation for the year	—	—	—
Impairment charge	—	—	—
Balance at 30 April 2007	<u>—</u>	<u>—</u>	<u>—</u>
Carrying amounts			
At 28 March 2006	—	—	—
At 30 April 2007	<u>1,795</u>	<u>16,137</u>	<u>17,932</u>

Impairment tests for intangible assets

The Directors have considered whether there is an indication of impairment of the goodwill at the balance sheet date by comparing the carrying amount with the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is the estimated future cash flows discounted to their present value. Evaluation is at an early stage and further ore testing will take place in 2008. Based upon estimated value in use the carrying amount of US\$1,795,000 is considered to be unimpaired.

The project to develop the Chilisai phosphate deposit is at a very early stage and the recoverability of this intangible asset is dependent upon the Group resolving certain technical, economic and market issues, obtaining the necessary financing to complete the development and achieving profitable production.

In addition, Temir Service LLP does not currently comply with the production and investment obligations of the Subsoil Use Contract (“SSUC”). This could lead to a suspension of the contract with the possibility of termination. However, the Company has submitted a revised overall work programme to the Kazakhstan Ministry of Energy and Mineral Resources (“MEMR”) and on 21 May 2008, the MEMR confirmed their decision to accept an amended work programme. The MEMR have also confirmed that it is their intention to revise the terms of the SSUC accordingly. Although the terms of the SSUC have not yet been formally revised the Directors have received legal advice that in practical terms, Temir Service LLP can be regarded as being currently in compliance with the amended work programme and that the risk of issues relating to non-compliance with the work programme, production and investment obligations is minimal.

(ix) Trade and other receivables

	2007
	\$000
Trade receivables and prepayments	<u>59</u>
	<u>59</u>

(x) Cash and cash equivalents

	2007
	\$000
Bank balances	378
Bank overdrafts	<u>(27)</u>
Cash and cash equivalents in the statement of cash flows	<u>351</u>

(xi) Capital and reserves***Reconciliation of movement in capital and reserves***

	Share capital \$000	Share premium \$000	Attributable to equity holders of the parent Accumulated losses \$000	Total \$000	Minority interest \$000	Total equity \$000
Balance at 28 March 2006	—	—	—	—	—	—
Total recognised income and expense	—	—	(201)	(201)	(50)	(251)
Acquisition of subsidiary	—	—	—	—	3,000	3,000
Shares issued	166	6,600	—	6,766	—	6,766
Cost of share issues	—	(69)	—	(69)	—	(69)
Share-based payments	—	—	229	229	—	229
Balance at 30 April 2007	<u>166</u>	<u>6,531</u>	<u>28</u>	<u>6,725</u>	<u>2,950</u>	<u>9,675</u>

Share capital and share premium

	2007 No. 000
Issued at 28 March 2006	—
Issued for cash	94,600
Issued at 30 April 2007 authorised for allotment	<u>94,600</u>

At 30 April 2007, the authorised share capital comprised 500,000,000 ordinary shares of 0.1p each

During the period from 28 March 2006 to 30 April 2007 the Company received monies to subscribe for 84,341,000 ordinary shares of 0.1p each at par and 10,258,652 ordinary shares of 0.1p at a premium of 34.9p each. The directors authorised the allotment of the shares in April 2007.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The Company undertook to issue 10,258,652 warrants during the period. Each warrant entitles the holder to purchase one ordinary share at a price of 115% of the forthcoming IPO price exercisable within one year of the IPO.

Share-based payments

The Company allotted 1,640,000 shares at par on 27 April 2007 in connection with services received. The fair value of the issue of these shares is \$229,453. The fair value of services received in return for the shares allotted is measured by reference to the fair value of the shares allotted. This measure is used in the absence of information on the fair value of the services provided. The estimate of the fair value of the services received is measured by reference to the value of shares allotted at a premium during the period. This has not affected the income statement as the cost has been included as a cost of acquisition of intangible assets.

(xii) Earnings per share***Basic earnings per share***

The calculation of basic earnings per share at 30 April 2007 was based on the loss attributable to ordinary shareholders of \$239,000 and a weighted average number of ordinary shares outstanding during the period ended 30 April 2007 of 7,934,000, calculated as follows:

Loss attributable to ordinary shareholders

	2007 \$000
Loss for the period	(239)
Loss attributable to ordinary shareholders	<u>(239)</u>

Weighted average number of ordinary shares

	2007 '000
Issued ordinary shares at 28 March 2006	—
Effect of shares issued in April 2007	7,934
Weighted average number of ordinary shares at 30 April 2007	<u>7,934</u>

(xiii) Trade and other payables

	2007 \$000
Trade payables	310
Non trade payables	100
Amounts payable to related parties (note (xvi))	8,128
Accrued expenses	<u>239</u>
	<u>8,777</u>

(xiv) Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the Group's business.

Liquidity risk

To date the Group has relied on shareholder funding and founder loans to finance its operations. As the Group has finite cash resources and no material income, the liquidity risk is significant and is managed by controls over expenditure.

Interest rate risk

At the balance sheet date there was no significant exposure to interest rate risk.

Foreign currency risk

The Group is exposed to foreign currency risk on purchases that are denominated in a currency other than the dollar. The currencies giving rise to this risk are primarily Pounds Sterling and Kazakh Tenge.

Fair values

In the directors' opinion there is no material difference between the book value and fair value of any of the Group's financial instruments.

(xv) Capital commitments

Under the existing Subsoil Use Contract the Group has obligations to invest a minimum of \$30 million in the first year and \$100 million in the four years commencing on 13 October 2005 to develop the Chilisai deposit. However, as explained in note (viii) MEMR has confirmed their acceptance of an amended work programme and production and investment obligations. These require project investment of \$115,000,000 in the period from 2008 to 2012 and ore production of 10,000,000 tonnes by 2012.

To date the Group has only invested in evaluating the deposit's potential and nothing has been invested in exploiting the deposit.

(xvi) Related parties**Identity of related parties**

The Group has a related party relationship with its subsidiary, its directors and executive officers and shareholders exerting significant influence over the financial and operating policies of the Group.

The Group has no ultimate controlling party.

Transactions with key management personnel

At the balance sheet date, the directors of the Company and their immediate relatives (in respect of those directors holding office at that date) control 23% of the voting shares of the Company.

The key management personnel compensations are as follows:

Key management personnel

	2007
	\$000
Salaries	119
Compulsory social security contributions	4
Share-based payments	115
	<u>238</u>

During the period the Company allotted 21,220,000 shares at par to key management and entities controlled by them.

The following shares were issued to directors and entities controlled by them:

	2007
	'000
T S Kong	812
C G A M Le Sellier de Chezelles	968
D A Sinclair	—
S Utegen	20,000
	<u>21,780</u>

Transactions with subsidiary undertakings

The Company has provided a loan facility to Temir Service LLP of up to \$1.5 million. The loan carries interest at a rate of LIBOR plus 2%. The loan is effectively repayable within one year from receipt of the final tranche unless mutually agreed otherwise.

Other related party transactions

During the period the Company acquired an option to purchase 80% of the interest in Temir Service LLP for \$10.5 million from a company controlled by a shareholder exerting a significant influence. An amount of \$2.5 million was outstanding at 30 April 2007.

During the period the Company incurred project related expenses of \$499,188 from a company controlled by shareholders exerting a significant influence. An amount of \$5,628,227 was owed to the same company at 30 April 2007. This includes a non-interest bearing loan of \$3,772,771 repayable on demand and reimbursement of project costs of \$1,103,237. The same company has also agreed to indemnify certain revenue expenses incurred by the Company. At 30 April 2007 \$52,000 had been indemnified and remained outstanding at 30 April 2007.

(xvii) Group entities

Significant subsidiaries

	Country of incorporation	Ownership interest 2007
Temir-Service LLP	Kazakhstan	80%

(xviii) Subsequent events

In May 2007 the Company received \$683,525 in return for issuing 994,901 ordinary shares of 0.1p at a premium of 34.9p per share.

In June 2007 the Company received \$617,503 in return for issuing 896,453 ordinary shares of 0.1p at a premium of 34.9p per share.

In June 2007, the Company agreed via its agent, subject to concluding satisfactory due diligence, to acquire a 50% interest in a Kazakhstan LLP which owns a chemical production plant for \$5 million. The Company has made an initial refundable payment of \$2.5 million. The agent, which is a company controlled by shareholders exerting significant influence, is entitled to commission of up to 10% of the total consideration plus reimbursement of expenses.

In July 2007 the Company received \$282,156 in return for issuing 400,000 ordinary shares of 0.1p at a premium of 34.9p per share and \$500,000 in return for issuing 542,005 ordinary shares of 0.1p at a premium of 44.9p per share.

In August 2007 the Company received \$20,000 in return for issuing 21,900 ordinary shares of 0.1p at a premium of 44.9p per share.

In December 2007 the Company received \$18.25 million in return for issuing 22,112,500 ordinary shares of 0.1p at a premium of 39.9p per share. As a result of a ratchet condition to the December placing, the Company issued 2,211,250 ordinary shares of 0.1p after March 2008 for no premium.

On 25 October 2007 the Company acquired an option to acquire an additional 10% of the participatory rights of Temir Service LLP. The cost of the option was \$4 million in cash together with 10 million ordinary shares in the Company.

On 30 November 2007 the Company exercised the option for consideration of \$1 million in cash. The transfer of the participatory rights was registered with the Kazakh authorities on 14 January 2008.

The Company has subsequently issued 70,666 ordinary shares for £70.68 to correct some allotments made at 45p to an effective 40p.

The Company has also issued 10 million ordinary shares as part consideration in the acquisition of 10% of Temir Service LLP.

Finance Lease Agreements. The Company has entered into two agreements for the leasing of mining equipment (Scrapers — US\$1,294,000 and Terex equipment €2,625,000) to Temir Service LLP. Both will commence from completion of handover. Repayments will be over 48 months at an interest rate of 8%.

On 17 April 2008 the Company entered into a financing agreement with Temir Service LLP for \$4.5 million, which replaces the previous loan facility for \$1.5 million.

(xix) Accounting estimates and judgements

Management have considered the selection and disclosure of the Group's critical accounting policies and estimates and the application of these policies and estimates.

Key sources of estimation uncertainty

Note (viii) contains information about the key assumptions and the risk factors relating to the possible impairment of goodwill and the Sub Surface Use Contract.

As stated in note (xi) the value of share-based payments has been estimated by reference to the value of shares allotted at a premium during the period. Any changes to these estimates may have a significant effect on the cost. Any such changes would affect the cost of the Subsurface Use Contract and the balance of profit and loss reserve.

As stated in note (ii) the Company acquired an 80% interest in Temir Service LLP. Management determined fair values for the underlying assets acquired. Any changes in the determination of the fair value of the assets would affect the carrying amount of goodwill and the Sub Surface Use Contract.

SECTION C — UNAUDITED INTERIM FINANCIAL INFORMATION

The following is extracted from the interim financial statements of Sunkar Resources plc for the six month period ended 31 October 2007

SUNKAR RESOURCES PLC

CONSOLIDATED INCOME STATEMENT

<i>(Unaudited)</i>	6 months ended 31 Oct 2007 \$000	6 months ended 31 Oct 2006 \$000	28 Mar 2006 to 30 Apr 2007 \$000
Other operating income	70	2	100
Administrative expenses	<u>(541)</u>	<u>(29)</u>	<u>(339)</u>
Operating loss before finance income	(471)	(27)	(239)
Finance income	<u>2</u>	<u>—</u>	<u>—</u>
Loss before taxation	(469)	(27)	(239)
Taxation	—	—	—
Loss for the period	<u>(469)</u>	<u>(27)</u>	<u>(239)</u>
Attributable to:			
Equity holders of parent	(371)	(23)	(191)
Minority interests	<u>(98)</u>	<u>(4)</u>	<u>(48)</u>
	<u>(469)</u>	<u>(27)</u>	<u>(239)</u>
Basic and diluted loss per ordinary share	<u>(0.4c)</u>	<u>(\$27)</u>	<u>(3.0c)</u>

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE

<i>(Unaudited)</i>	6 months ended 31 Oct 2007 \$000	6 months ended 31 Oct 2006 \$000	28 Mar 2006 to 30 Apr 2007 \$000
Foreign exchange translation differences	<u>3</u>	<u>4</u>	<u>(12)</u>
Net expenditure charged directly against equity	3	4	(12)
Loss for the period	<u>(469)</u>	<u>(27)</u>	<u>(239)</u>
Total recognised income and expense for the period	<u>(466)</u>	<u>(23)</u>	<u>(251)</u>
Attributable to:			
Equity holders of the parent	(369)	(19)	(201)
Minority interest	<u>(97)</u>	<u>(4)</u>	<u>(50)</u>

SUNKAR RESOURCES PLC
CONSOLIDATED BALANCE SHEET

	31 Oct 2007 \$000	30 Apr 2007 \$000
Intangible exploration assets	16,394	16,137
Goodwill	1,795	1,795
Financial asset – option to acquire additional 10% of Temir Service LLP	28,756	—
Deposit	2,500	—
Property, plant and equipment	<u>124</u>	<u>110</u>
	<u>49,569</u>	<u>18,042</u>
Other receivables and prepayments	149	59
Cash and cash equivalents	<u>23</u>	<u>378</u>
Total current assets	<u>172</u>	<u>437</u>
Total assets	<u>49,741</u>	<u>18,479</u>
Equity		
Issued share capital	172	166
Share premium	8,428	6,531
Capital reserve – shares to be issued	24,756	—
Retained profits	<u>(340)</u>	<u>28</u>
Total equity attributable to equity holders of parent	33,016	6,725
Minority interests	<u>2,852</u>	<u>2,950</u>
Total equity	<u>35,868</u>	<u>9,675</u>
Liabilities		
Trade and other payables	13,873	8,804
Total liabilities	<u>13,873</u>	<u>8,804</u>
Total equity and liabilities	<u>49,741</u>	<u>18,479</u>

SUNKAR RESOURCES PLC
CONSOLIDATED STATEMENT OF CASH FLOWS

<i>(Unaudited)</i>	6 months ended 31 Oct 2007 \$000	6 months ended 31 Oct 2006 \$000	28 March 06 to 30 Apr 2007 \$000
Cash flows from operating activities:			
Operating loss	(471)	(27)	(239)
Adjustments for:			
Depreciation	10	—	5
Increase in other receivables and prepayments	(91)	(2)	(57)
(Decrease)/increase in trade and other payables	<u>(1,649)</u>	<u>4,157</u>	<u>4,793</u>
Net cash outflow from operating activities	<u>(2,201)</u>	<u>4,128</u>	<u>4,502</u>
Cash flows from investing activities:			
Bank interest received	2	—	—
Acquisition of subsidiary net of cash acquired	—	(9,728)	(10,223)
Acquisition of intangible exploration assets	(49)	(236)	(570)
Acquisition of property, plant and equipment	<u>(24)</u>	<u>—</u>	<u>(103)</u>
Net cash outflow from investing activities	<u>(71)</u>	<u>(9,964)</u>	<u>(10,896)</u>
Cash flows from financing activities:			
Issue of share capital	2,103	5,842	6,766
Payment of transaction costs	<u>(163)</u>	<u>(9)</u>	<u>(9)</u>
Net cash inflow from financing activities	<u>1,940</u>	<u>5,833</u>	<u>6,757</u>
Net increase in cash and cash equivalents	(332)	(3)	363
Cash and cash equivalents at start of period	351	—	—
Exchange differences	<u>4</u>	<u>(6)</u>	<u>(12)</u>
Cash and cash equivalents at end of period	<u><u>23</u></u>	<u><u>3</u></u>	<u><u>351</u></u>

SUNKAR RESOURCES PLC
UNAUDITED NOTES TO THE INTERIM STATEMENTS
FOR THE SIX MONTHS ENDED 31 OCTOBER 2007

1. NATURE OF OPERATIONS AND GOING CONCERN

Operations

The Group owns a phosphorite mining property in Kazakhstan.

Going concern

The group is at an early stage of development and does not generate any significant revenues. Its success will depend upon the outcome of its development of the Chilisai phosphate deposit in Kazakhstan.

In common with many exploration companies, the Company raises finance for its exploration, evaluation and development activities in discrete tranches. Taking into account the proceeds of the placing the directors consider that the Company has sufficient funds for its current requirements. However, these funds will not be sufficient to meet the current minimum spending requirements of the Subsoil Use Contract through to 2012 (as set out note (xv)) and fully develop operations and further specific project finance will therefore be required.

2. BASIS OF PRESENTATION

These interim unaudited consolidated financial statements for Sunkar Resources PLC (“Sunkar” or the “Company”) have been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards (“IFRSs” or “IFRS”) as adopted by the European Union (EU) and implemented in the UK. Sunkar Resources PLC (the “Company”) is a company domiciled in England and Wales.

The accounting policies used in the preparation of the unaudited consolidated financial information are the same as those described in the Company’s audited consolidated financial statements and notes thereto for the period ended 30 April 2007.

In the opinion of the management, the accompanying interim financial information includes all adjustments considered necessary for fair and consistent presentation of financial statements. These interim consolidated financial statements should be read in conjunction with the Company’s audited financial statements and notes for the period ended 30 April 2007.

3. INTANGIBLE FIXED ASSETS

	31 Oct 2007 \$000	30 Apr 2007 \$000
Deferred exploration costs		
Cost		
Balance – beginning of period	16,137	—
Additions	<u>257</u>	<u>16,137</u>
Balance – end of period	<u>16,394</u>	<u>16,137</u>
Goodwill	\$000	\$000
Cost		
Balance – beginning of period	1,795	—
Additions	<u>—</u>	<u>1,795</u>
Balance – end of period	<u>1,795</u>	<u>1,795</u>

Impairment tests for intangible assets

The Directors have considered whether there is an indication of impairment of the goodwill at the balance sheet date by comparing the carrying amount with the recoverable amount. The recoverable amount is the higher of fair value less costs to sell and value in use. Value in use is the estimated future cash flows discounted to their present value. Evaluation is at an early stage and further ore testing will take place in 2008. Based upon estimated value in use the carrying amount of US\$1,795,000 is considered to be unimpaired.

SUNKAR RESOURCES PLC
UNAUDITED NOTES TO THE INTERIM STATEMENTS
FOR THE SIX MONTHS ENDED 31 OCTOBER 2007

The project to develop the Chilisai phosphate deposit is at a very early stage and the recoverability of this intangible asset is dependent upon the Group resolving certain technical, economic and market issues, obtaining the necessary financing to complete the development and achieving profitable production.

In addition, Temir Service LLP does not currently comply with the production and investment obligations of the Subsoil Use Contract (“SSUC”). This could lead to a suspension of the contract with the possibility of termination. However, the Company has submitted a revised overall work programme to the Kazakhstan Ministry of Energy and Mineral Resources (“MEMR”) and on 21 May 2008, the MEMR confirmed their decision to accept an amended work programme. The MEMR have also confirmed that it is their intention to revise the terms of the SSUC accordingly. Although the terms of the SSUC have not yet been formally revised the Directors have received legal advice that in practical terms, Temir Service LLP can be regarded as being currently in compliance with the amended work programme and that the risk of issues relating to non-compliance with the work programme, production and investment obligations is minimal.

4. TANGIBLE FIXED ASSETS

	31 Oct 2007 \$000	30 Apr 2007 \$000
Property, plant and equipment		
Cost		
Balance – beginning of period	115	—
Acquisition through business combination - Additions	— <u>24</u>	12 <u>103</u>
Balance – end of period	<u>139</u>	<u>115</u>
Depreciation		
Balance – beginning of period	5	—
Charge for period	<u>10</u>	<u>5</u>
Balance – end of period	<u>15</u>	<u>5</u>
Net book value		
At end of period	<u>124</u>	<u>110</u>
At start of period	<u>110</u>	<u>—</u>

5. FINANCIAL ASSET – OPTION TO ACQUIRE ADDITIONAL 10% OF TEMIR SERVICE LLP

The financial asset represents an option to acquire an additional 10% of the participating rights of Temir Service LLP. The consideration to acquire the option is \$4 million in cash and 10 million new ordinary shares valued at \$2.48 per share.

At the balance sheet date, the cash consideration was not paid and the shares had not yet been allotted.

6. DEPOSIT

In June 2007, the Company agreed via its agent, subject to concluding satisfactory due diligence, to acquire a 50% interest in a Kazakhstan LLP which owns a chemical production plant for \$5 million. The initial refundable payment of US\$2.5m was unpaid at the period end but has subsequently been paid. The agent, which is a company controlled by shareholders exerting significant influence, is entitled to commission of up to 10% of the total consideration plus reimbursement of expenses.

SUNKAR RESOURCES PLC
UNAUDITED NOTES TO THE INTERIM STATEMENTS
FOR THE SIX MONTHS ENDED 31 OCTOBER 2007

7. RECONCILIATION OF MOVEMENT IN CAPITAL AND RESERVES

<i>In thousands of dollars</i>	Share capital	Share premium	Shares to be issued	Accumulated losses	Total	Minority interest	Total equity
Balance at 28 March 2006	—	—	—	—	—	—	—
Total recognised income and expense	—	—	—	(201)	(201)	(50)	(251)
Acquisition of subsidiary	—	—	—	—	—	3,000	3,000
Shares issued	166	6,600	—	—	6,766	—	6,766
Cost of share issues	—	(69)	—	—	(69)	—	(69)
Share-based payments	—	—	—	229	229	—	229
Balance at 30 April 2007	<u>166</u>	<u>6,531</u>	—	<u>28</u>	<u>6,725</u>	<u>2,950</u>	<u>9,675</u>
	Share capital	Share premium	Shares to be issued	Accumulated losses	Total	Minority interest	Total equity
Balance at 1 May 2007	166	6,531	—	28	6,725	2,950	9,675
Total recognised income and expense	—	—	—	(368)	(368)	(98)	(466)
Shares issued	6	2,097	—	—	2,103	—	2,103
Cost of share issues	—	(200)	—	—	(200)	—	(200)
Shares to be issued	—	—	<u>24,756</u>	—	<u>24,756</u>	—	<u>24,756</u>
Balance at 31 October 2007	<u>172</u>	<u>8,428</u>	<u>24,756</u>	<u>(340)</u>	<u>33,016</u>	<u>2,852</u>	<u>35,868</u>

8. SHARE CAPITAL

At 31 October 2007, the authorised share capital comprised 500,000,000 ordinary shares of 0.1p each.

During the six months ended 31 October 2007 the Company issued 2,855,259 ordinary shares of 0.1p each at premiums between 34.9p and 44.9p.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The Company undertook to issue 2,291,354 share warrants during the period ended 31 October 2007 (30 April 2007: 10,258,652). Each warrant entitles the holder to purchase one ordinary share at a price of 115% of the forthcoming IPO price exercisable within one year of the IPO.

Share-based payments

The Company undertook to issue 10 million shares to acquire the option to purchase an additional 10% of the participation rights of Temir Service valued at \$2.48 per share.

9. LOSS PER SHARE

The loss per share is calculated based on the loss for the period and the weighted average number of shares in issue for each period. The Company had only one share in issue in the period ended 31 October 2006.

10. RELATED PARTY TRANSACTIONS

The company has provided a loan facility to Temir Service LLP of up to \$1.5 million. The loan carries interest at a rate of LIBOR plus 2%. The loan is effectively repayable within one year from receipt of the final tranche unless mutually agreed otherwise. The amount advanced at 31 October 2007 was £1 million (30 April 2007: £400,000).

SUNKAR RESOURCES PLC
UNAUDITED NOTES TO THE INTERIM STATEMENTS
FOR THE SIX MONTHS ENDED 31 OCTOBER 2007

During the period the Company incurred expenses of \$499,188 from a company controlled by shareholders exerting significant influence. At 31 October 2007 the Company owed \$4,252,227 (30 April 2007: \$5,628,227) to the same company. The same company has agreed to indemnify certain revenue expenses incurred by the Company. During the period ended 31 October 2007 costs of \$69,545 (30 April 2007: \$51,554) had been indemnified and the balance due under the indemnity was \$121,099 (30 April 2007: \$51,554).

In May 2007, the Company entered into an agency agreement with a company controlled by shareholders exerting significant influence to enter into negotiations to acquire share participation in an enterprise located in Kazakhstan that holds production and technical facilities for laboratory research and processing of mineral resources and production of mineral fertilizers (see note 6 for further details).

11. SEGMENTED INFORMATION

The Company has one operating segment consisting of an exploration and evaluation operation located in Kazakhstan. During the periods ended 31 October 2007, 30 April 2007 and 31 October 2006 all of the Company's capital assets and activities were in Kazakhstan.

12. CAPITAL COMMITMENTS

Under the existing Subsoil Use Contract the Group has obligations to invest a minimum of \$30 million in the first year and \$100 million in the four years commencing on 13 October 2005 to develop the Chilisai deposit. However, as explained in note (viii) MEMR has confirmed their acceptance of an amended work programme and production and investment obligations. These require project investment of \$115,000,000 in the period from 2008 to 2012 and ore production of 10,000,000 tonnes by 2012.

To date the Group has only invested in evaluating the deposit's potential and nothing has been invested in exploiting the deposit.

13. SUBSEQUENT EVENTS

On 30 November 2007 the Company exercised the option to purchase a further 10% of Temir Service LLP for consideration of \$1 million in cash. The transfer of the participatory rights was registered with the Kazakh authorities on 14 January 2008.

Subsequent to the balance sheet date the Company issued an additional 22,112,500 ordinary shares of 0.01p each at a premium of 39.9p. The gross proceeds of the issue were \$18,250,000. As a result of a ratchet condition to the December placing, the Company issued 2,211,250 ordinary shares of 0.1p after March 2008 for no premium.

The Company has subsequently issued 70,666 ordinary shares for £70.68 to correct some allotments made at 45p to an effective 40p.

The Company has also issued 10 million ordinary shares as part consideration in the acquisition of 10% of Temir Service LLP.

Finance Lease Agreements. The Company has entered into two agreements for the leasing of mining equipment (Scrapers — US\$1,294,000 and Terex equipment €2,625,000) to Temir Service LLP. Both will commence from completion of handover. Repayments will be over 48 months at an interest rate of 8%.

On 17 April 2008 the Company entered into a financing agreement with Temir Service LLP for \$4.5 million, which replaces the previous loan facility for \$1.5 million.

PART 7

ADDITIONAL INFORMATION

1. Responsibility and Responsibility by Expert

- 1.1 The Company, whose registered office address appears on page 6 of this document, and the Directors, whose names, addresses and functions appear on page 6, accept responsibility for the information contained in this document. To the best of the knowledge of the Company and the Directors (each of which has taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information.
- 1.2 PKF (UK) LLP, whose registered office address appears on page 6 of this document, has given and not withdrawn its written consent to the inclusion of the accountant's reports in Part 6 of this document and the references thereto and its name in the form and context in which they are included in this document. PKF (UK) LLP has no material interest in the Company.
- 1.3 PKF (UK) LLP, whose registered office address appears on page 6 of this document, accepts responsibility for the information contained in Part 6 of this document. To the best of the knowledge of PKF (UK) LLP (which has taken all reasonable care to ensure that such is the case), the information contained in Part 6 of this document is in accordance with the facts and makes no omission likely to affect the import of such information.
- 1.4 Behre Dolbear, whose address appears on page 7 of this document, has given and not withdrawn its written consent to the inclusion of the competent person's report in Part 5 of this document and the references thereto and its name in the form and context in which they are included in this document. Behre Dolbear has no material interest in the Company.
- 1.5 Behre Dolbear, whose address appears on page 7 of this document, accepts responsibility for the information contained in Part 5 of this document. To the best of the knowledge of Behre Dolbear (which has taken all reasonable care to ensure that such is the case), the information contained in Part 5 of this document is in accordance with the facts and makes no omission likely to affect the import of such information.

2. The Company

- 2.1 The Company was incorporated in England and Wales on 28 March 2006 under the Act as a private company limited by shares with the name Electristar Limited and the registered number 5759399. The Company changed its name to Sunkar Resources Limited on 12 July 2006.
- 2.2 On 3 December 2007 the Company re-registered as a public company limited by shares with the name Sunkar Resources plc. The legal and commercial name of the Company is Sunkar Resources plc.
- 2.3 The Company is domiciled in the United Kingdom.
- 2.4 The liability of the members of the Company is limited to the amount paid up or to be paid up on their shares.
- 2.5 The principal legislation under which the Company operates is the Act and the regulations made thereunder.
- 2.6 The registered office of the Company is at One London Wall, London, EC2Y 5AB and its telephone number is 0203 1785 785.
- 2.7 The Company acts as the holding company of the Group. Temir is the only subsidiary undertaking of the Company. The Company holds a 90% interest in Temir. The Company does not hold any other share capital in any other company.

3. Share Capital

- 3.1 On incorporation the authorised share capital of the Company was £1,000 divided into 1,000 ordinary shares of £1 each, of which one was issued and credited to the subscriber to the memorandum of association of the Company. The Ordinary Shares were created under the Act.

- 3.2 Since incorporation the following changes have been made to the issued and fully paid share capital of the Company:
- 3.2.1 By an ordinary resolution dated 25 August 2006 the authorised share capital of the Company was subdivided into 10,000,000 ordinary shares of 0.01 pence each, and then increased from £1,000 to £100,000 by the creation of 990,000,000 Ordinary Shares of 0.01p each.
- 3.2.2 By ordinary resolutions dated 24 April 2007 the authorised share capital of the Company was consolidated and then subdivided into ordinary shares of 0.1 pence each and the authorised share capital was increased to £500,000 by the creation of 400,000,000 ordinary shares of 0.1 pence each.
- 3.2.3 On 27 April 2007, the Company issued and allotted 95,202,400 Ordinary Shares to founding shareholders and other subscribers for cash, at values ranging from 0.1p to 35p per Ordinary Share. Further to the allotment, letters of clarification were distributed to members and on 15 June 2007, the Company entered into the register of members 75,263,541 Ordinary Shares. On 1 August 2007, the Company resolved to enter into the register of members a further 12,190,370 Ordinary Shares for cash, at values ranging from 0.1p to 45p per Ordinary Share.
- 3.2.4 On 30 November 2007, the Company issued and allotted 22,112,500 Ordinary Shares under a private placement for cash at 40p per Ordinary Share.
- 3.2.5 On 31 December 2007, the Company issued 10,000,000 Ordinary Shares for cash at 0.1p per Ordinary Share to Teratorn International Limited and Sun Avenue Partners Corp.
- 3.2.6 On 9 May 2008 and 18 June 2008, the Company issued 1,889,416 and 392,500 Ordinary Shares respectively for cash at 0.1p per share to investors who were granted the right to subscribe for certain amounts of shares pursuant to the private placement in November 2007 and to other investors to rectify incorrect numbers of shares previously allotted.
- 3.2.7 On 24 June 2008, the Company issued 10,000,000 Ordinary Shares in part consideration of the purchase of an option to acquire 10% of Temir Service LLP from Gannon Development Services Inc.

3.3 As at the date of this document, the Company's authorised and issued share capital is as follows:

	Nominal Value (£)	Number of Ordinary Shares
Authorised	£500,000	500,000,000
Issued and fully paid	£131,849.33	131,849,327

3.4 Following implementation of the Placing and Admission, the Company's authorised and issued share capital is expected to be as follows (assuming the Placing is fully subscribed):

	Nominal Value (£)	Number of Ordinary Shares
Authorised	£500,000	500,000,000
Issued and fully paid	£159,849.33	£159,849,327

Ordinary Shares have been issued fully paid for cash and 10,000,000 Ordinary Shares have been issued for a non-cash consideration.

3.5 Save as disclosed in this paragraph 3, there has been no change in the amount of the issued share or loan capital of the Company and no material change in the amount of the issued share or loan capital of any subsidiary undertaking of the Company, other than intra-group issues by wholly-owned subsidiary undertakings, in the three years immediately preceding the date of this document.

3.6 By ordinary and special resolutions passed on 24 April 2007:

3.6.1 the Directors were authorised for the purpose of section 80 of the Act to allot relevant securities in the capital of the Company up to an aggregate nominal amount of £499,999, such authority to expire after a period of five years; and

3.6.2 the Directors were empowered to allot shares as if section 89(1) of the Act did not apply, for issues of equity securities in connection with rights issues and with other allotments up to an aggregate nominal amount of £499,999, such power to expire after a period of five years.

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- 3.7 By ordinary and special resolutions passed on 5 June 2008:
- (a) the directors were generally and unconditionally authorised to exercise all powers of the Company to allot relevant securities (within the meaning of section 80 of the Act):
- (i) up to an aggregate nominal amount of £250,000 in connection with the Company's application for Admission; and
- (ii) up to an aggregate amount representing 50% of the Company's issued share capital upon completion of the Placing and Admission;
- provided that the authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting) at the expiry of the Company's annual general meeting in 2009, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired, and provided further that that the authority shall be in substitution for any existing authority to allot shares to the extent not previously utilised; and
- (b) the directors were empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94 of the Act) pursuant to the authority conferred by the resolution described above as if section 89(1) of the Act did not apply to any such allotment; provided that this power shall be limited to the allotment of equity securities:
- (i) up to an aggregate nominal amount of £250,000 in connection with the Placing and Admission;
- (ii) in connection with an offer of equity securities to holders of ordinary shares in proportion (as nearly as may be) to the respective number of ordinary shares held by them, but subject to such exclusions or arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements arising or any legal or practical problems under the laws of any overseas territories or the requirements of any regulatory body or stock exchange; and
- (iii) up to an aggregate nominal amount equal to 30% of the Company's issued share capital upon completion of the Placing and Admission, otherwise than pursuant to paragraphs (i) and (ii) above;
- provided that the authority shall expire (unless previously renewed, varied or revoked by the Company in general meeting) at the expiry of the Company's annual general meeting in 2009, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors may allot relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired, and provided further that that the authority shall be in substitution for any existing authority to allot shares to the extent not previously utilised.
- 3.8 The proposed issue of Ordinary Shares pursuant to the Placing will be carried out by virtue of the authorities contained in paragraph 3.7 above.
- 3.9 The provisions of section 89(1) of the Act (which, to the extent not disapplied pursuant to section 95 of the Act), confer on shareholders rights of pre-emption in respect of the allotment of equity securities and sales of equity securities held in treasury which are, or are to be, paid in cash, and apply to the authorised but unissued share capital of the Company to the extent not disapplied as described in paragraph 3.7. Subject to certain limited exceptions, unless the approval of Shareholders in a general meeting is obtained, the Company must normally offer Ordinary Shares to be issued for cash to holders of Ordinary Shares on a pro rata basis.
- 3.10 No shares of the Company are currently in issue with a fixed date on which entitlement to a dividend arises and there are no arrangements in force whereby future dividends are waived or agreed to be waived.
- 3.11 The Company does not have in issue any securities not representing share capital.
- 3.12 The Placing Shares will rank *pari passu* in all respects with the Existing Ordinary Shares, and will rank in full for all dividends and other distributions declared, paid or made on the ordinary share capital of the Company after Admission.

- 3.13 There are no shares held by or on behalf of the Company in itself or by any other member of the Group.
- 3.14 The Share Schemes envisage that up to 10% of the Ordinary Shares in issue may be placed under option pursuant to the Share Schemes. The allocation of these options pursuant to the Share Schemes is at the discretion of the Directors. The main terms of the Share Schemes are set out in paragraph 9 of this Part 7.

Name	Number of Ordinary Shares under Option	
	Exercise Price of 80p	Exercise Price equal to Placing Price
Teck Soon Kong	1,000,000	700,000
Serikjan Utegen	—	2,000,000
Donald Sinclair	—	1,200,000
Nurdin Damitov	—	1,200,000
Charles de Chezelles	1,000,000	500,000
Nicholas Clarke	—	500,000
Gaziza Onalbayeva	—	21,000
Natalya Moskal	—	14,000

All the above options issued to Directors vest in three equal tranches from the first, second and third anniversaries of Admission and lapse on the tenth anniversary of grant.

All of the above options issued to non directors vest on the first anniversary of Admission and lapse on the tenth anniversary of grant.

3.15 Warrants

3.15.1 Warrant Instrument dated 24 June 2008. The following warrants in relation to the capital of the Company have been issued to third parties and are outstanding:

Name	Number of shares under option
Debra Lighezzolo	247,550
Fiona MacLeod	28,571
George V MacLeod	473,808
James Park	306,796
Jonathan MacDonald	28,571
Julian Tyacke	2,404,307
Juno Kim	302,503
Lawrence Elliott Bates	297,349
Maureen MacLeod	28,571
Michael Stewart	765,111
Morven Fulton	28,571
Roderick MacLean	16,776
Samuel Dennis Allan Taylor	271,825
Sharon Bow	25,000
Cheviot Asset Management Limited	142,857
Tomas Velasco Gomez	492,295
William Durand Eppler	110,747
Beronia Enterprises Corp	63,225
Jomari Limited	611,750
Carapec AG	71,429
Conservation Investments Limited	71,429
Jokula Limited	98,737
LATEO ESTABLISHMENT S.A	451,128
Oilfield Engineering & Consulting Ltd	285,714
Red Star Enterprises Ltd	1,544,250
Neil Sinclair, Mary McCally and Pravir Tesiram	156,094
Spread Trustee Company Limited	768,545
Vecinto Limited	153,214
West Investment Holdings Limited	156,094
Kyrgyz Investment Company Ltd	570,000
Mia Devries	14,286

Name	Number of shares under option
Christian West	14,286
Fitel Nominees Limited	428,571
Andrew Staples	360,368
MOBFI S.A.	359,678
William Jeremy Weston	400,000

All of the above warrants are exercisable for a period of 12 months from Admission at 115% of the Placing Price.

3.15.2 Broker Warrants

Pursuant to the Placing Agreement as described in paragraphs 18.1 of this Part 7, the Company has agreed to grant Canaccord and GMP Europe warrants to subscribe for respectively 1.3 and 0.7 per cent. of the Placing Shares together (except for Placing Shares placed with Places introduced by the Company where such rate will be respectively 1.3 and 0.7 per cent. multiplied by 2.25/5). Each warrant will entitle the holder to acquire one Ordinary Share in the capital of the Company at the Placing Price for a period of 24 months from the date of Admission. Further details of these warrants are included at paragraphs 18.7 and 18.8 of this Part 7.

3.16 Save as is disclosed in paragraphs 3.3, 3.14 and 3.15 of this Part 7:

3.16.1 no share or loan capital of the Company has been issued or is proposed to be issued, fully or partly paid, either for cash or for a consideration other than cash;

3.16.2 no share or loan capital of the Company or any of its subsidiaries is under option or agreed conditionally or unconditionally to be put under option, nor are there any outstanding convertible securities, exchangeable securities or securities with warrants issued by the Company;

3.16.3 no commission, discounts, brokerage or other special term has been granted by the Company or is now proposed in connection with the issue or sale of any part of the share or loan capital of the Company.

3.17 A summary of the terms of the Share Scheme are set out in paragraph 9 of this Part 7.

4. Directors' and Others' Interests

4.1 As at 24 June 2008 (the latest practicable date prior to the publication of this document) and immediately following the Placing, the interests of the Directors and their immediate families and of all persons connected with them within the meaning of section 252 of the Companies Act 2006 in the issued share capital of the Company which would, if the connected person were a Director, have been notified to the Company pursuant to paragraph 17.2 of Annex 1 of the Prospectus Rules published by the FSA or could, with reasonable diligence, be ascertained by the Directors concerned (all of which are beneficial unless otherwise stated) currently and as they are expected to be immediately following the Placing and Admission are as follows:

Name	Present		Following the Placing	
	Number of Existing Ordinary Shares	Percentage of existing issued share capital	Number of Ordinary Shares	Percentage of Enlarged Share Capital ⁽ⁱ⁾
Teck Soon Kong	811,750 ⁽ⁱⁱ⁾	0.6	811,750 ⁽ⁱⁱ⁾	0.5
Serikjan Utegen	20,000,000 ⁽ⁱⁱⁱ⁾	15.2	20,000,000 ⁽ⁱⁱⁱ⁾	12.5
Donald Sinclair	—	—	—	—
Nurdin Damitov	20,000,000 ^(iv)	15.2	20,000,000 ^(iv)	12.5
Charles de Chezelles	968,545 ^(v)	0.7	968,545 ^(v)	0.6
Nicholas Clarke	—	—	—	—

Notes:

- (i) Assuming the Directors that are shareholders do not subscribe for any Placing Shares and the Placing is fully subscribed.
- (ii) On 5 June 2008, Mr Kong sold these Ordinary Shares to Jomari Limited, a company wholly owned by Kongs Everlasting Settlement, a family trust of which Mr Kong is a beneficiary.
- (iii) 16,000,000 of these Ordinary Shares are held by Novita Advisors Corp of which Mr Utegen is a shareholder.
- (iv) Held by Entente Advisors Corp and Upminster Advisors Corp, both of which Mr Damitov is a shareholder.
- (v) Held by Spread Trustee Company Limited and Napier Holding Services Limited, both of which Mr de Chezelles is a shareholder.

- 4.2 As at 24 June 2008 (the latest practicable date prior to the publication of this document) the Directors and persons connected with them (within the meaning of section 252 of the Companies Act 2006) have been granted options or issued warrants to subscribe for Ordinary Shares as follows:

Name	Number of Ordinary Shares subject to warrants	Number of Ordinary Shares subject to options
Teck Soon Kong	611,750	1,700,000
Serikjan Utegen	—	2,000,000
Donald Sinclair	—	1,200,000
Nurdin Damitov	—	1,200,000
Charles de Chezelles	768,545	1,500,000
Nicholas Clarke	—	500,000

- 4.3 Save as disclosed in paragraphs 4.1 and 4.2 of this Part 7, immediately following the Placing and Admission no Director nor any member of their respective families, nor any persons connected with them (within the meaning of section 252 of the Companies Act 2006) is expected to have any interest, beneficial or non-beneficial, in the share or loan capital of the Company or of any of its subsidiaries.

- 4.4 The Directors currently hold (other than the Company) the following directorships and have held the following directorships within the five years prior to the publication of this document:

Director	Current directorships/partnerships	Past directorships/partnerships held in the last five years
Teck Soon Kong	Dhow Services Limited (<i>Dormant</i>) Gulf of Guinea Energy Limited GOGE (Nig) Limited Harapan Trust Noble Denton Group Limited Noble Denton Holdings Limited Sterling Resources (UK) Limited Sterling Resources Limited	Arrowana Energy Services Limited Dhow B.V. Indago Petroleum Holdings Limited Kokoda Product Carriers Inc. Pearl Energy Limited Pearl Energy Pte. Ltd.
Serikjan Utegen	Novita Advisors Corporation Temir Service LLP	KKM Holding JSC
Donald Sinclair	—	—
Nurdin Damitov	Temir Service LLP	—
Charles de Chezelles	Askerside Limited Cambrian Mining Plc Damerin Limited Gossan Resources Inc IDS International Limited IDS International (Cayman) Limited Kazgas Limited Omega Investment & Research Limited Omega Trust Company Limited Stockgift Limited Tagish Lake Gold Corp Inc Tarquin Resources Plc Triton Metals Limited	Cambrian Forestry Products Plc Mincorp Plc Ocean Equities Limited Quiktrak Telecommunications (UK) Limited The Securities & Futures Performance Fund Limited Triton Mining Limited
Nicholas Clarke	Caledon Resources Plc	Afcan Mining Corp Brook Audley Resources Limited CSMA (WA) Limited Lero Gold Corp Oriol Resources Plc Wardell Armstrong International Limited

- 4.5 In addition to the interests of the Directors disclosed in paragraph 4.1 above, insofar as is known to the Company and the Directors as at the latest practicable date prior to the publication of this document, the following persons are and will following Admission be interested, directly or indirectly, jointly or severally, in 3.0% or more of the Company's Existing Ordinary Shares or could exercise control over the Company:

Name	Prior to Admission		Following Admission	
	Number of Ordinary Shares	Percentage of Existing Ordinary Shares	Number of Ordinary Shares	Percentage of Enlarged Share Capital
Novita Advisors Corporation ⁽ⁱ⁾	16,000,000	12.1	16,000,000	10.0
Teratorn International Limited ⁽ⁱⁱ⁾	13,500,000	10.2	13,500,000	8.4
GLG Global Mining Fund	6,668,750	5.1	12,711,550	8.0
Entente Corp Advisors ⁽ⁱⁱⁱ⁾	10,000,000	7.6	10,000,000	6.3
Upminster Advisors Corp ⁽ⁱⁱⁱ⁾	10,000,000	7.6	10,000,000	6.3
Morstan Nominees ^(iv)	6,668,750	5.1	8,808,750	5.5
BMF International Limited ^(v)	7,500,000	5.7	7,500,000	4.7
Righ Capital Limited ^(vi)	7,500,000	5.7	7,500,000	4.7
Sun Avenue Partners Corp ^(vii)	6,000,000	4.6	6,000,000	3.8
Garen Development Group SA ^(viii)	5,500,000	4.2	5,500,000	3.4
CQS Convertible and Quantitative Strategies Master Fund Limited	5,335,000	4.0	5,335,000	3.3
Chartmont Resources AG ^(ix)	5,000,000	3.8	5,000,000	3.1
Serikjan Utegen	4,000,000	3.0	4,000,000	2.5

Notes:

- (i) Beneficial interest held by Serikjan Utegen
- (ii) Beneficial interest held by Thomas Sinclair. Thomas Sinclair is also beneficially interested in 901,000 Ordinary Shares in the Company held by Cowaramup Investments Limited
- (iii) Beneficial interest held by Nurdin Damitov
- (iv) Beneficial interest held by Sofaer Global Research (UK) Limited
- (v) Beneficial interest held by Brian Savage
- (vi) Beneficial interest held by James Jeffs
- (vii) Beneficial interest held by Almas Mynbayev
- (viii) Beneficial interest held by Aydin Temirbayev
- (ix) Beneficial interest held by Dauren Myrzagaliyev

The figures relating to the percentage of Enlarged Share Capital are based on the assumption that there are full subscriptions under the Placing.

- 4.6 The Ordinary Shares held by the Shareholders set out at paragraph 4.5 above rank *pari passu* with all other existing Ordinary Shares and, in particular, have no different voting rights than other existing Shareholders.
- 4.7 Other than as disclosed in this document, the Directors are not aware of any persons who, directly or indirectly, jointly or severally, exercise or could exercise control over the Company. Neither the Directors nor any major Shareholders have different voting rights to other Shareholders.
- 4.8 Mr de Chezelles was appointed as a director of Quiktrak Telecommunications (UK) Limited on 20 January 2004 and resigned from this position on 26 April 2004. On 23 August 2004, an administrator was appointed to the company to assist with a corporate sale of the company which did not eventuate. The company was dissolved on 19 September 2006 with outstanding creditors of approximately £4.89 million (approximately £3.99 million due to the parent company).
- 4.9 Save as disclosed in sub-paragraph 4.8 above, None of the Directors has:
- 4.9.1 any unspent convictions relating to indictable offences;
- 4.9.2 had a bankruptcy order made against him or entered into any individual voluntary arrangements with his creditors;

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- 4.9.3 been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation or administration or entered into 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 at the time of, or within the twelve months preceding, such events;
- 4.9.4 been a partner of a firm which has been placed in compulsory liquidation or administration or which has entered into a partnership voluntary arrangement whilst he was a partner of that firm at the time of, or within twelve months preceding, such events;
- 4.9.5 had any asset belonging to him made the subject of a receivership or been a partner of a partnership whose assets have been placed in receivership whilst he or she was a partner at the time of, or within twelve months preceding, such receivership; and
- 4.9.6 been publicly criticised by any statutory or regulatory authorities (including any recognised professional body) or ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- 4.10 Save as disclosed in this document, no Director has had any interest, direct or indirect in, any transaction which is or was unusual in its nature or conditions or is or was significant to the business of the Company and its subsidiaries during the current or immediately preceding financial year or which was effected by the Company or any of its subsidiaries during an earlier financial year and remains in any respect outstanding or unperformed.
- 4.11 Each of the Directors has given an undertaking not to dispose of any of their Ordinary Shares, save in certain specified circumstances, for a period of 12 months from Admission.
- 4.12 None of the Directors or members of their family or any person connected with them, (within the meaning of section 252 of the Companies Act 2006) is interested in any related financial product whose value in whole or part is determined directly or indirectly by reference to the price of the Ordinary Shares including a contract for difference or a fixed odds bet.
- 4.13 There are no outstanding loans granted by the Company to any Director nor has any guarantee been provided by the Company for the benefit of any Director.
- 4.14 There are no actual or potential conflicts of interest between the duties of the Directors to the Company and their respective private interests or other duties.

5. Directors' Service Agreements, Letters of Appointment and Emoluments

- 5.1 On 24 June 2008, Serikjan Utegan entered into a service agreement with the Company under the terms of which he agreed to act as Chief Executive Officer of the Company. The agreement is conditional upon and takes effect upon Admission and continues until terminated by giving 12 months' notice in writing by either party. Under the agreement, Mr Utegan is entitled to an annual salary of £150,000, 35 days holiday (including public holidays) and repayment of all expenses properly and reasonably incurred by him in the performance of his duties. Mr Utegan is entitled to a performance based bonus and is to be provided with permanent health insurance. The agreement contains non-compete and non-solicitation restrictions on Mr Utegan following the termination of his employment. In addition Mr Utegan receives a salary of 369,000 Tenge per month from Temir.
- 5.2 On 24 June 2008, Donald Sinclair entered into a service agreement with the Company under the terms of which he agreed to act as Chief Financial Officer of the Company. The agreement is conditional upon and takes effect upon Admission and continues until terminated by giving 6 months' notice in writing by either party. Under the agreement, Mr Sinclair is entitled to an annual salary of £100,000, 35 days holiday (including public holidays) and repayment of all expenses properly and reasonably incurred by him in the performance of his duties. Mr Sinclair is entitled to a performance based bonus and is to be provided with permanent health insurance. The agreement contains non-compete and non-solicitation restrictions on Mr Sinclair following the termination of his employment.

- 5.3 On 24 June 2008, Nurdin Damitov entered into a service agreement with the Company under the terms of which he agreed to act as Director, Corporate Affairs of the Company. The agreement is conditional upon and takes effect upon Admission and continues until terminated by giving 6 months' notice in writing by either party. Under the agreement, Mr Damitov is entitled to an annual salary of £100,000, 35 working days holiday and repayment of all expenses properly and reasonably incurred by him in the performance of his duties. Mr Damitov is entitled to a performance based bonus and is to be provided with permanent health insurance. The agreement contains non-compete and non-solicitation restrictions on Mr Damitov following the termination of his employment. In addition Mr Damitov receives a salary of 369,000 Tenge per month from Temir.
- 5.4 On 24 June 2008, Teck Soon Kong entered into a letter of appointment with the Company under the terms of which he agreed to act as a non-executive Chairman of the Company. The letter of appointment is conditional upon and takes effect upon Admission and continues for an initial period of 3 years unless terminated by giving 3 months' notice in writing by either party. Under the terms of the letter of appointment, Mr Kong receives a fee of £60,000 per annum and is entitled to participate in the Company's share option schemes. Mr Kong is to be reimbursed all out of pocket expenses properly and reasonably incurred by him in the performance of his duties.
- 5.5 On 24 June 2008, Charles de Chezelles entered into a letter of appointment with the Company under the terms of which he agreed to act as a non-executive director of the Company. The letter of appointment is conditional upon and takes effect upon Admission and continues for an initial period of 3 years unless terminated by giving 3 months' notice in writing by either party. Under the terms of the letter of appointment, Mr de Chezelles receives a fee of £40,000 per annum and is entitled to participate in the Company's share option schemes. Mr de Chezelles is to be reimbursed all out of pocket expenses properly and reasonably incurred by him in the performance of his duties.
- 5.6 On 3 June 2008, Nicholas Clarke entered into a letter of appointment with the Company under the terms of which he agreed to act as a non-executive director of the Company. The letter of appointment is conditional upon and takes effect upon Admission and continues for an initial period of 3 years unless terminated by giving 3 months' notice in writing by either party. Under the terms of the letter of appointment, Mr Clarke receives a fee of £40,000 per annum and is entitled to participate in the Company's share option schemes. Mr Clarke is to be reimbursed all out of pocket expenses properly and reasonably incurred by him in the performance of his duties.
- 5.7 Save as disclosed in this paragraph 5, no Director has a service agreement with the Company that has been entered into or varied within six months prior to the date of this document or which is a contract expiring or determinable by the Company or any other Company in the Group without payment of compensation (other than statutory compensation) after more than one year.
- 5.8 Save for any payments to the Directors on termination in lieu of notice, no benefits on termination are payable by the Company in respect of the Directors
- 5.9 Details of the length of time in which the Director have been in office and the period of their term of office are set out below:

Name	Commencement of Period of office	Date of expiration of term of office
Teck Soon Kong	23.10.2006	Annual General Meeting to be held in 2008 whereby he will stand for re-election unless otherwise intended at that time
Serikjan Utegan	23.10.2006	Annual General Meeting to be held in 2008 whereby he will stand for re-election unless otherwise intended at that time
Donald Sinclair	22.01.2007	Annual General Meeting to be held in 2008 whereby he will stand for re-election unless otherwise intended at that time
Nurdin Damitov	09.05.2008	Annual General Meeting to be held in 2008 whereby he will stand for re-election unless otherwise intended at that time
Charles de Chezelles	23.10.2006	Annual General Meeting to be held in 2008 whereby he will stand for re-election unless otherwise intended at that time
Nicholas Clarke	Admission	Annual General Meeting to be held in 2008 whereby he will stand for re-election unless otherwise intended at that time

6. Significant Investments

Save as disclosed in this document, there have been no significant investments by the Company or any of its subsidiaries since 30 April, 2007 being the date to which the last audited accounts of the Company have been made up.

7. Memorandum and Articles of Association

7.1 Memorandum of Association of the Company.

7.2 The principal objects of the Company are to carry on business as a general commercial company.

7.3 The objects of the Company are set out in full in clause 4 of the memorandum of association of the Company.

7.4 Summary of the articles of association of the Company.

7.5 The Articles which were adopted by special resolution on 5 June 2008, contain provisions, *inter alia*, to the following effect. The following is a description of the rights attaching to the Ordinary Shares based on the Company's Articles and English law. This description does not purport to be complete and is qualified in its entirety by the full terms of the Articles.

7.5.1 Variation of class rights and class meetings

Whenever the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class may be varied or abrogated either in such manner (if any) as may be provided by those rights or (in the absence of any such provision) either with the consent in writing of the holders of not less than three-quarters in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate general meeting of the holders of the shares of that class, but not otherwise.

The provisions of the Articles relating to general meetings of the Company shall apply to every separate general meeting of the holders of a particular class of shares except that:

- (a) no member shall be entitled to receive notice of such meeting or to attend it unless he is a holder of shares of the class in question and no vote shall be given except in respect of a share of that class;
- (b) the necessary quorum (other than at an adjourned meeting) shall be two individuals being two members present in person or by proxy holding not less than one-third in nominal value of the issued shares of that class (excluding any such shares held as treasury shares), unless all the shares of the class are registered in the name of a single member, in which case the quorum shall be that single member, and where a member is present by proxy, he shall be treated as holding only the shares in respect of which that proxy or those proxies are authorised to exercise voting rights;
- (c) if any such separate general meeting is adjourned, the quorum at the adjourned meeting shall be one individual, being a member present in person or by proxy holding shares of that class;
- (d) any holder of shares of the class in question who is present in person or by proxy and entitled to vote may demand a poll;
- (e) every holder of shares of the class in question entitled to vote on the resolution who is present in person has one vote and every proxy present who has been duly appointed by a holder of shares of the class in question entitled to vote on the resolution has one vote; and
- (f) on a poll, every such holder shall have one vote for every share of the class held by him.

7.5.2 Convening General Meetings

All general meetings of the Company other than each annual general meeting shall be called general meetings. The Directors shall convene and the Company shall hold general meetings as annual general meetings in accordance with the Statutes. Subject as aforesaid the board may call general meetings whenever and at such times and places as it shall determine and on the requisition of members pursuant to the provisions of the Statutes shall proceed with proper expedition to convene a general meeting accordingly and if the

Directors fail to do so the meeting may be convened by the requisitionists. If at any time there are not within the United Kingdom sufficient directors to call a general meeting, any Director may convene a general meeting. An annual general meeting shall be called on at least 21 clear days' notice in writing. All other general meetings shall be called on at least 14 clear days' notice in writing. Two members being members present in person or by proxy and entitled to vote shall be a quorum for all purposes.

7.5.3 Ownership threshold and change of control

The Articles do not prescribe any ownership threshold above which shareholder ownership must be disclosed. Save for a breach of the Articles in respect of a takeover (Article 164), there are no provisions in the Articles which would have the effect of delaying, deferring or preventing a change of control of the Company.

7.5.4 Alteration of capital

The Company may from time to time by ordinary resolution:

- (a) increase its share capital by such sum to be divided into shares of such amounts and currencies as the resolution prescribes; or
- (b) consolidate, or consolidate and divide, all or any of its share capital into shares of a larger amount than its existing shares; or
- (c) sub-divide all or any of its existing shares into shares of a smaller nominal amount; or
- (d) cancel any shares which, at the date of the passing of the resolution, have not been taken, or agreed to be taken, by any person and diminish the amount of its share capital by the nominal amount of the shares so cancelled.

The Company may from time to time by special resolution reduce its share capital, any capital redemption reserve, any share premium account or any other undistributable reserve.

7.5.5 Purchase of own shares

Subject to the provisions of the Statutes and as authorised by a resolution of the Company as may be required by the Statutes and where appropriate, the London Stock Exchange, the Company may purchase any of its own shares, at any price and any such shares to be so purchased may be selected in any manner whatsoever.

7.5.6 Transfer of shares

Shares may be held in uncertificated form and uncertificated shares may be transferred otherwise than by a written instrument in accordance with the rules, procedures and practices of the relevant system (CREST) and the CREST Regulations. The directors shall not refuse to register a transfer of any such share unless permitted or required to do so in accordance with the Uncertificated Securities Regulations 2001.

Transfers of shares in certificated form may be effected by an instrument of transfer in the usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by or on behalf of the transferor and, unless the share is fully paid, by or on behalf of the transferee.

A transferor shall remain the holder of the share concerned (whether a certificated share or an uncertificated share) until the name of the transferee is entered in the register of members as the holder of that share.

The directors may refuse to register the transfer of a share held in certificated form unless the instrument of transfer:

- (a) is in respect of only one class of share;
- (b) is in favour of a single transferee or renounee or not more than four joint transferees or renounees; and
- (c) is duly stamped (if required), is delivered for registration to the registrar's office, or such other place as the directors may determine and is accompanied by the certificate(s) for the shares to which it relates and such other evidence as the directors may reasonably require to prove the title of the transferor to make the transfer.

In addition, the directors may refuse to register:

- (d) a transfer if a notice has been duly served in respect of shares (representing at least 0.25% of the issued shares of the class in question (excluding any shares of that class held as treasury shares)) pursuant to section 793 of the Companies Act 2006 or any other statutory provision concerning the disclosure of interests in voting shares and the notice has not been complied with within the period stipulated in the notice (which must not be less than fourteen days) and continues not to be complied with; or
- (e) the transfer of a share which is not fully paid or on which the Company has a lien provided that such refusal shall not be exercised so as to disturb the market in those shares.

Registration of transfers of shares may be suspended and the register of members closed by the directors provided (inter alia) that the register of members shall not be closed for more than thirty days in any year.

7.5.7 Restrictions on Shares

If the board is satisfied that a member or any person appearing to be interested in shares in the Company has been duly served with a notice under section 793 of the Companies Act 2006 and is in default in supplying to the Company the information thereby required within a prescribed period after the service of such notice, then (unless the directors determine otherwise) respect of the relevant shares the member shall not (for so long as the default continues) be entitled to attend or, either personally or by proxy at a general meeting (including a separate meeting of the holders of shares of a particular class) or to exercise any other right conferred by membership in relation to such meetings.

Where default shares represent at least 0.25% of the class of shares concerned, the directors may, in their absolute discretion, by giving notice (a “direction notice”) to the member concerned that any dividend (including shares issued in lieu of a dividend) which would otherwise be payable on such shares shall be retained by the Company without liability to pay compensation and no transfer of any of the shares held by the member shall be registered unless it is a transfer on sale to a bona fide unconnected third party or by the acceptance of a takeover offer or through a sale through a recognised investment exchange as defined in FSMA. The prescribed period referred to above means 14 days from the date of service of the notice under section 793 of the Companies Act 2006.

7.5.8 Pre-emption Rights

The Articles do not prescribe any rights of pre-emption in relation to offers for subscription of securities of the same class.

7.5.9 Redemption

Subject to the provisions of the Statutes (at the relevant time), any share in the Company may be issued:

- (a) on terms that they are, or are liable to be, redeemed at the option of the Company or the holder on such terms and in such manner as the Directors may, before the issue of such shares, determine; and
- (b) with such preferred, deferred or other rights, or subject to such restrictions, whether as regards dividend, return of capital, voting, conversion or otherwise, as the Company may from time to time by ordinary resolution determine (or, in the absence of any such determination, as the directors may determine).

7.5.10 Conversion

The Company may from time to time, by ordinary resolution, convert any fully paid up certificated shares into stock or reconvert any stock into fully paid up shares of any denomination.

7.5.11 Rights of Shares

Subject to the superior rights of any other class or classes of shares that are, or may be, issued by the Company, the rights and restrictions attaching to the shares as regards participation in the profits and assets of the Company shall be as follows:

(a) **Income**

Any profits which the Company may determine to distribute in respect of any financial year shall be distributed among the holders of the shares pro rata according to the amounts paid up or credited as paid up on the shares held by them.

(b) **Capital**

The capital and assets of the Company on a winding-up or other return of capital shall be applied in repaying to the holders of shares the amounts paid up or credited as paid up on such shares and subject thereto shall belong to and be distributed according to the number of such shares held by them respectively.

7.5.12 Voting

Subject to any special rights or restrictions as to voting imposed by or pursuant to the Articles or attached to any shares, on a show of hands every member present in person has one vote and every proxy present has one vote and in the case of a poll every member present in person or by proxy has one vote for every share held by him.

If a member of any other person appearing to be interested in shares in the Company shall have been served with a notice under section 793 of the Companies Act 2006 and is in default for the prescribed period in supplying to the Company the information required by such notice, then (unless the directors otherwise determine) in respect of the relevant shares, the member shall not (for so long as the default continues) be entitled to attend or vote, either personally or by proxy at a general meeting or to exercise any other right conferred by membership in relation to such meeting.

In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the general meeting at which the show of hands takes place or at which the poll is demanded shall be entitled to a casting vote, in addition any other vote he may have.

7.5.13 Dividends

The Company may, by ordinary resolution, declare dividends but no dividend shall be payable except out of the profits of the Company available for distribution in accordance with the provisions of the Statutes or in excess of the amount recommended by the directors. The directors may from time to time pay such interim dividends as appear to them to be justified by the profits of the Company provided that if shares of a class carry a right to a preferential dividend and such dividend is in arrears, no interim dividend shall be paid on any shares having deferred or non preferred rights unless and until such preferential dividend is no longer in arrears.

Subject to the rights attached to any shares, the profits of the Company which it resolves to distribute by way of dividend shall be applied in payment of dividends upon the shares (otherwise than in advance of calls) in proportion to the amounts paid up on the shares and so that all dividends shall be apportioned and paid in proportion to the amounts paid up on the shares during any part(s) of the period in respect of which the dividend is paid. Subject to the rights attached to any shares, no dividend payable in respect of any share shall bear interest.

7.5.14 Distribution in specie

If recommended by the Directors and sanctioned by an ordinary resolution of the Company, the directors shall direct payment of the whole or any part of any dividend by the distribution of specific assets and, in particular, of paid up shares.

7.5.15 Retention of dividends

The directors may retain any dividend payable on or in respect of a share on which the Company has a lien or (except in the circumstances specified in the Articles) if:

- (a) a notice has been duly served in respect of that share pursuant to section 793 of the Companies Act 2006 or any other statutory provision concerning the disclosure of interests in voting shares;
- (b) The shares which are the subject of that notice represent in aggregate not less than 0.25% of that class of share (excluding any shares of that class held as treasury shares); and

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- (c) The notice has not been complied with within the period stipulated in the notice (which must not be less than fourteen days from the date of service of the notice) and the holder of the shares remains in default in complying with such notice.

In addition, the directors may retain any dividend in the circumstances where a person who has become entitled to a share as a consequence of a transmission event (such as death or bankruptcy) fails to comply within ninety days of receipt of a notice from the directors requiring that person to elect to be registered as the holder of the share concerned or to transfer that share.

All unclaimed dividends may be invested or otherwise made use of by the directors for the benefit of the Company until claimed. Any dividend which has remained unclaimed for a period of twelve years from the date on which such dividend became due for payment shall be forfeited and shall revert to the Company.

7.5.16 **Directors**

- (a) Number of directors

Unless otherwise determined by the Company by ordinary resolution, the number of directors shall not be less than two nor more than ten.

- (b) Shareholding qualification

A director shall not be required to hold any shares in the Company by way of qualification for office. A director who is not a member of the Company shall nevertheless be entitled to receive notice of and to attend and speak at all general meetings and class meetings.

- (c) Retirement

At each annual general meeting of the Company, the following directors shall retire from office:

- (i) any director who has been appointed by the directors since the last annual general meeting;
- (ii) any director who was not elected or re-elected at one of the preceding 2 annual general meetings; and
- (iii) any director who has held office (other than executive office or office of chairman, whether or not an executive office) for 9 years or more at the date of the meeting.

- (d) Directors' remuneration and expenses

The Company shall pay to the directors (but not alternate directors) for their services as directors such aggregate amount of fees as the directors shall decide, which fees shall accrue daily. Any such remuneration shall be distinct from any salary, remuneration or other amounts payable to the director pursuant to any other provision of the Articles or any service agreement between the Company and the relevant director.

Any director who performs services, which, in the opinion of the directors, go beyond the ordinary duties of a director, may be paid such additional remuneration and may receive such other benefits as the directors may determine.

The Company may also pay or repay to any director all reasonable travelling, hotel and other expenses properly incurred in attending and returning from meetings of the directors or any committee of the directors or general meetings of the Company or otherwise incurred in connection with the business of the Company.

The directors may establish and/or contribute to any death and/or disability scheme or to any pension, retirement or superannuation scheme or fund and may pay or agree to pay pension, retirement, superannuation benefits, annuities and other emoluments to (or to any person in respect of) any person who is or has at any time been a director or employee of the Company or any associated company, for his benefit or for the benefit of any member of his family. The directors may also establish and/or contribute to any death and/or disability scheme for the benefit of any person who is or was at the time a director or officer or employee of the Company or any associated company or for the benefit of any member of his family.

(e) Interests in contracts

The directors are empowered pursuant to section 175 of the Companies Act 2006 (or any statutory re-enactment or modification thereof), which comes into force in October 2008, to authorise any matter which would or might otherwise constitute or give rise to a breach of the duty of a director to avoid a situation in which he has, or can have, an interest that conflicts, or possibly may conflict, with the interests of the Company. Any such authorisation shall be subject to such conditions or limitations as the directors may determine, whether at the time such authorisation is given or subsequently, and may be terminated by the directors at any time. Neither the director in question nor any other interested director shall vote on any resolution concerning any such authorisation.

A director, notwithstanding his office:

- (i) may enter into or otherwise be interested in any contract, arrangement, transaction or proposal with the Company or in which the Company is in any way interested, whether directly or indirectly;
- (ii) may act in a professional capacity for the Company;
- (iii) may be or become a director or other officer of, or hold any place of profit in, or act in a professional capacity for, or otherwise be interested in, any undertaking in which the Company has an interest;

and shall not, unless otherwise agreed, be liable to account to the Company for any profit, remuneration or other benefit realised by him as a consequence nor shall any such contract, transaction or arrangement be liable to be avoided on the grounds of his conflict of interests.

(f) Executive Office

The Board may from time to time appoint one or more directors to be the holder of any executive office for such period and on such terms as it decides.

7.5.17 Directors' interests

Where a director has, or can have, an interest that conflicts, or possibly may conflict, with the interests of the Company and the matter constituting such conflict or potential conflict is permitted by the Articles, subject to the terms on which any authorisation has been given:

- (i) the director in question need not disclose to or use for the benefit of the Company any information relating to the relevant matter which he obtains or has obtained otherwise than as a director or employee of the Company and in respect of which he owes a duty of confidentiality to a person other than the Company;
- (ii) the director in question shall not (unless it is otherwise agreed) be liable to account to the Company for any profit, remuneration or other benefits realised by him as a consequence and no contract, transaction or arrangement relating to the relevant matter shall be liable to be avoided on the grounds of his conflict of interests;
- (iii) the director in question need not consider board papers, nor participate in discussion of the directors, relating to the relevant matter;
- (iv) any director may act in any way authorised by any guidance for dealing with conflicts of interest issued by the directors from time to time.

Save as provided in the Articles, a director shall not vote at a meeting of the directors in respect of any contract, arrangement, transaction or any other proposal of any kind in which he has an interest. This prohibition does not apply if the director's interest cannot reasonably be regarded as likely to give rise to a conflict of interests, or to any resolution concerning any of the following matters:

- (a) the giving of any security, guarantee or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings;
- (b) the giving of any security, guarantee or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;

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- (c) any contract, arrangement, transaction or other proposal concerning an offer of shares, debentures or other securities of or by the Company or any of its subsidiary undertakings for subscription or purchase, in an offer in which he is or may be entitled to participate;
 - (d) any contract, arrangement, transaction or other proposal to which the Company is or is to be a party concerning any other body corporate in which he or any persons connected with him do not to his knowledge, directly or indirectly, hold an interest in shares within the meaning of sections 820 to 825 of the Companies Act 2006 representing 1% or more of either any class of the equity share capital, or the voting rights, in such body corporate;
 - (e) any contract, arrangement, transaction or other proposal concerning in any way a pension, retirement, superannuation, death and/or disability benefits scheme or fund or employees' share scheme under which he may benefit and which either has been approved, or is conditional upon approval, by the board of HM Revenue and Customs for taxation purposes; or relates both to employees and directors of the Company (or any associated company) and does not award him any privilege or benefit not generally awarded to the employees to whom such scheme or fund relates; and
 - (f) any contract or other proposal concerning any insurance which the Company is empowered to purchase and/or maintain for or for the benefit of any persons including directors.

A director shall not be counted in the quorum present at a meeting in relation to any resolution on which he is not entitled to vote.

7.5.18 Borrowing Power

Subject to the Statutes, the Directors may exercise all the powers of the Company to borrow or raise money and mortgage or charge all or any part of the undertaking or property of the Company (present and future) and upon any capital remaining unpaid and by the issue or sale of any bonds, debentures or securities as they think necessary for the purposes of the Company. The directors shall take all necessary steps (including the exercise of all voting and other rights or powers of control exercisable by the Company in relation to its subsidiaries (if any)) for securing that the aggregate principal amount at any one time outstanding in respect of moneys borrowed by it or them or any of them, shall not at any time, without the previous sanction of an ordinary resolution of the Company exceed £140 million.

7.5.19 Indemnity

Subject to the provisions of the Statutes, but without prejudice to any indemnity to which he may otherwise be entitled, every director or other officer of the Company shall be indemnified out of the assets of the Company against all costs, charges, losses, expenses and liabilities which he may sustain or incur in the execution or discharge of his duties or in the exercise of his powers or otherwise in relation to or in connection with his duties, powers or office.

The indemnity provisions do not operate to provide an indemnity against any liability attaching to a director in connection with any negligence, default, breach of duty or breach of trust in relation to the Company except as permitted by the Statutes.

7.5.20 Reserves

The directors may from time to time set aside out of the profits of the Company and put in a reserve such sums as they think proper. Such sums may, at the direction of the directors, be used for any purpose for which the profits of the Company may properly be applied and, pending such use, may either be employed in the business of the Company or be invested.

7.5.21 Untraced shareholders

The Company shall be entitled to sell, at the best price reasonably obtainable at the time of sale, the shares of a member or the shares to which a person is entitled by transmission if, during a period of 12 years at least three dividends (whether interim or final) in respect of those shares have become payable and no dividend in respect of those shares during that

period has been claimed and within a further period of three months following the date of advertisements giving notice of its intention to sell such shares placed after the expiry of the period of twelve years, the Company, so far as the directors are aware, has not received any communication from such member or person (in his capacity as member or person entitled by transmission). The net proceeds of the sale shall belong to the Company but the member or person who had been entitled to the shares shall become a creditor of the Company with respect to those proceeds.

If notices or other communications have been sent by post to any holder of shares to his registered or other specified address in the United Kingdom and are returned undelivered on two consecutive occasions or mandated dividend or other payments have failed on two consecutive occasions, the Company may cease to send such notices or other such communications or mandated payments until the person entitled thereto otherwise requests.

7.5.22 Distribution of assets on a winding up

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company and any other authority required by the Statutes, divide among the members in specie the whole or any part of the assets of the Company and may for such purposes set such value as he deems fair upon any property to be divided any may determine how such division shall be carried out as between the members or different classes of members. The liquidator may also vest the whole or any part of the assets of the Company in trustees upon such trusts for the benefit of the members as the liquidator thinks fit but so that no member shall be compelled to accept any shares or other assets in respect of which there is an actual or potential liability.

8. Warrants

8.1 On 24 June 2008, the Company constituted a warrant instrument in respect of up to 12,550,006 Warrants to subscribe for Ordinary Shares.

8.2 The main terms of the Warrants are as follows:

8.2.1 Constitution

The Warrants are constituted by the Warrant Instrument. The terms and conditions of the Warrants contained in the Warrant Instrument are set out below.

8.2.2 Subscription rights

Each Warrant entitles the holder to subscribe for one Ordinary Share at 115% the Placing Price per Ordinary Share exercisable at any time before the first anniversary of the date of Admission (“the Final Exercise Date”). The Warrants are freely transferable and may be exercised in whole or in part at any time before the Final Exercise Date. Exercise is by notice in writing lodged at the Company’s registered office accompanied by a banker’s draft or cheque for the appropriate remittance. The Company is obliged to allot the appropriate number of Ordinary Shares upon the date of exercise and where the Warrant was exercised in certificated form, despatch definitive share certificates within 14 days of the exercise notice being lodged.

The Ordinary Shares allotted pursuant to the exercise of a Warrant will be admitted to dealing on AIM upon exercise of the Warrant.

8.2.3 Adjustments

If at any time or times before the Final Exercise Date:

- (a) the Company allots any fully paid Ordinary Shares by way of capitalisation of profits or reserves to holders of the Ordinary Shares on the register on a date prior to the Final Exercise Date or upon any subdivision or consolidation of the Ordinary Shares before such date then the exercise price of the Warrant is subject to adjustment; and
- (b) the Company makes any offer or invitation to all Ordinary Shareholders (whether by rights issue, open offer or otherwise), or any offer or invitation is made to such holders otherwise than by the Company at a price of at least 15p per share, then the Company shall, or so far as it is able, procure that at the same time an appropriate offer or invitation is made to the Warrantholders, upon identical terms, as if the Warrants had at that time been exercised in full.

8.2.4 **Winding up**

If an order is made or an effective resolution of the Company passed on or before the Final Exercise Date for the voluntary winding up of the Company (except on terms sanctioned by an extraordinary meeting of the Shareholders for the purposes of reconstruction or amalgamation in which case the Company shall use its reasonable efforts to procure that the Warrantholder be granted a substitute warrant of equivalent value) each Warrantholder shall be treated as if immediately before the order or resolution he had fully exercised his rights to acquire Ordinary Shares pursuant to his Warrants and accordingly each Warrantholder shall rank *pari passu* with the holders of Ordinary Shares and shall be entitled to receive such sum (less the aggregate Subscription Price) he would otherwise have received out of the assets available in the liquidation). Subject to this the Warrants shall lapse on the liquidation of the Company.

8.2.5 **Variation of rights**

Save with the sanction of a resolution of not less than three quarters of the votes cast at a meeting of the Warrantholders (“an extraordinary resolution”) or the consent in writing of the Warrantholders entitled to not less than three quarters of the Ordinary Shares the subject of the Warrants, the Company shall not, whilst any Warrant remains outstanding alter any of the rights for the time being attached to the Warrants.

8.2.6 **Transmission**

The executor or administrator of a deceased Warrantholder (or the survivor or survivors where a Warrantholder was a joint holder), the guardian of an incompetent Warrantholder or the trustee of a bankrupt Warrantholder shall be the only person recognised by the Company as having any title to his Warrant. In order to be registered as the Warrantholder, such a person must produce such evidence as may reasonably be required by the Directors.

8.2.7 Each Warrantholder will be sent a copy of every document sent to the holders of its Ordinary Shares at the same time as it is sent to such holders.

9. **Employee Share Option Schemes**

The Company has two share option schemes, the Unapproved Share Option Scheme No. 1 2008 and the Unapproved Share Option Scheme No. 2 2008. The rules of each scheme are identical in substance but the No. 1 Scheme is exclusively for Group employees while the No.2 Scheme is for Non-executive Directors or third party consultants.

9.1 **Administration**

Each Share Scheme will be operated principally by the Board, whose decision in relation to any dispute or disagreement relating to an option or in relation to each Scheme (including the interpretation of the Rules of each Share Scheme) will be final and binding (except in relation to the variation of share capital, in which case the auditors of the Company will determine whether or not a proposed adjustment is fair and reasonable).

9.2 **Eligibility**

Any employee, executive director or any non executive director or consultant of either the Company or a subsidiary as determined by the Board is eligible to participate in the relevant Share Scheme, provided in the case of an employee or executive director only, that they are obliged to devote substantially the whole (or, where relevant, a certain specified amount) of their working time to the Company or subsidiary of the Company under the terms of their employment or office.

9.3 **Grant of Options**

No payment is required for the grant of options. The Board may grant options to eligible participants at its discretion and the number of shares over which an Option is granted is also determined at the discretion of the Board.

Options may only be granted during the period beginning on the date of adoption of each Share Scheme and ending on either the tenth anniversary of that date or on another date declared by the Board.

The first grant of Options must be made within a period of 42 days from the date of adoption of the Share Scheme, unless the Board determines otherwise. If the date determined by the Board is

outwith the 42 day period, it must not straddle a close period (as defined by the AIM Rules) (a “Close Period”). Subsequent grants must be made within 42 days following the announcement of the Company’s results for any period or at a time when the Board deems that there are exceptional circumstances which justify a grant.

9.4 **Limits on the Number of Shares Over Which Options May be Granted**

No option can be granted so that on a date of grant the number of shares in allocations made in the ten years ending on that date under all the Company’s employee share schemes exceeds 10% of the shares in issue on the day before that date.

For the purposes of determining the 10% limit, the following shares will not be taken into account:

- shares subject to options under the Share Schemes or any other employee share scheme which have been surrendered by the mutual consent of the Board and the Option Holder;
- shares which have been issued or re-issued following the exercise of options, provided that the shares were taken into account when placed under option;
- shares subject to options under the Share Schemes or any other employee share scheme which have lapsed.

9.5 **Exercise of Options**

Save as specified below and subject to any applicable performance criteria having been satisfied or waived, options are exercisable until the tenth anniversary of the date on which they are granted, and to the extent not exercised by such tenth anniversary shall lapse. If an option holder dies, his/her options may be exercisable by his/her personal representatives within 12 months of the date of the option holder’s death. If an option holder ceases to be an employee, non-executive director or consultant as a result of injury, disability, ill health, redundancy or because their employing company ceases to be a subsidiary of the Company or ceases to be owned by the Company or a subsidiary of the Company then the option holder may exercise his or her options within 6 months of cessation.

Options are also exercisable in the event of a change of control of the Company, or any scheme of reconstruction or amalgamation or scheme of arrangement, or where a person has become bound or entitled to acquire all of the shares in the capital of the Company pursuant to sections 979 to 982 of the Companies Act 2006, or in the event of a resolution for voluntary winding up being passed by the Company. In the case of a change of control, options are exercisable (to the extent to which any performance conditions have been satisfied or waived or deemed to be satisfied or waived as determined by the Board) within 6 months of such change of control.

In the event of the Directors reasonably determining that the Company might suffer adverse tax consequences, the Board will give written notice to option holders that his or her options may be exercised in whole or in part during the period specified in the notice. If any option is not exercised on or before the date occurring 14 days following a change of control or the date of completion under a share sale and purchase, merger or takeover agreement or such other similar agreement then the option shall lapse. Options are exercisable only to the extent that any applicable performance conditions have been satisfied or waived or are deemed to be satisfied or waived as determined by the Board.

In the case of any scheme of reconstruction etc, options may be exercised during a six month period beginning on the date on which the court sanctions the scheme (again, to the extent that any applicable performance conditions have been satisfied or waived or are deemed to be satisfied or waived as determined by the Board).

In the case of a winding up, options may be exercised in whole or in part at any time prior to the commencement of the winding up and subject to the Board’s discretion in relation to the extent to which performance conditions have been or are deemed to be satisfied or should be waived.

If another company has acquired control of the Company, option holders may enter into an agreement with the acquiring company to release their shares over the Company in consideration for the grant of options over shares in the acquiring company on terms which are materially identical to the Share Schemes.

9.6 Restrictions on Exercise

Options cannot be exercised during Close Periods unless the Option Holder has entered into a binding agreement prior to the Company being in a Close Period provided that such Close Period was not reasonably foreseeable.

Save pursuant to Rules 7.1 (death), 7.2.2 (voluntary resignation), 7.2.3 (cessation of employment in certain circumstances), 7.2.4 (cessation of employment at the discretion of the Board), 7.3.2 (Takeovers etc) and 7.4 (winding up) no Option subject to performance conditions can be exercised until such conditions are satisfied.

9.7 Exercise Price

The option exercise price is to be determined by the Board not more than 3 days prior to the date of grant of an Option. The exercise price of an option awarded on or immediately prior to a listing of the Company will be such price as the Board may determine. The exercise price of an option awarded after listing will be the middle market quotation of a share in the Company on the immediately preceding dealing day.

9.8 Performance Conditions

An Option may be granted on the basis that it may not be exercised in whole or in part until pre-established performance conditions detailed in the Option Certificate are achieved.

The rules provide that the Board may waive or modify any performance conditions if an event occurs which causes the Board to consider that the waiver of such performance condition is justifiable or which makes the imposition of modified performance conditions justifiable or entirely different performance conditions a fairer measure of the performance of the Company. Any amendment to performance conditions are at the discretion of the Board and must not result in the performance conditions becoming more difficult to achieve.

9.9 Variation of Share Capital

In the event of any variation in the ordinary share capital of the Company in consequence of a capitalisation or rights issue, sub-division, consolidation, reduction of share capital or otherwise, the number and/or exercise price of shares under option may be adjusted by the Board as it may in its absolute discretion determine subject to written confirmation from the Company's auditors that the adjustment is fair and reasonable and provided that the exercise price of an option is not reduced below nominal value. Option Holders must be given notice of any such adjustment.

9.10 Amendments

The Board may alter the Rules of the Schemes as it considers appropriate, subject to the prior consent of the trustee in situations where options granted by the Board are to be satisfied in whole or in part by shares held an employee trust.

No alteration to the advantage of existing or future option holders as regards limitations on the grant of options, the determination of the option exercise price, the adjustment of the options, the restrictions on exercise of options, the rights attached upon their issue to Ordinary Shares issued upon the exercise of options, the rights of option holders on the winding up of the Company, the transferability of options or to extend the class of persons eligible for the grant of options can be made without the prior approval of the Company in general meeting, except for minor alterations to benefit the administration of the Schemes or to take account of changes in the law or to obtain or maintain more favourable tax or regulatory treatment for an option holder or group company.

10. Property, Plant and Equipment

10.1 The Company entered into an agreement on 20 December 2007 whereby it would rent a serviced office at 4 Park Place, London, SW1A 1LP, for a minimum term of 12 months from 7 January 2007. The current rent per annum is £59,400 (plus VAT).

10.2 There are no environmental issues that may affect the Company's utilisation of the tangible fixed assets.

11. Subsidiaries

11.1 The Company is the holding company of a group of companies whose principal activities are to service oil and gas extraction.

11.2 The Company's significant subsidiaries and associated undertakings are:

Company	Country of Incorporation	Principal Activity	Proportion of capital held (ordinary shares)	Proportion of Voting Power Held
Temir-Service LLP	Kazakhstan	Phosphate exploration and mining	90%	90%

The above subsidiary operates in its country of incorporation.

12. Litigation

Neither the Company nor any of its subsidiaries are involved in any governmental, legal or arbitration proceedings and, so far as the Directors are aware, there are no governmental, legal or arbitration proceedings, pending or threatened against them or being brought by the Company or any of its subsidiaries, during the previous 12 months, which may have, or had in the recent past, a significant effect on the financial position or profitability of the Company.

13. Employees

13.1 As at 30 April 2007, the Group had 17 employees as follows of which none were employed on a temporary basis:

United Kingdom

Activity	Number of Employees
Senior management	1

Kazakhstan

Activity	Number of Employees
Senior management	5
Technical staff	2
Sales and marketing	0
Research and development	0
Finance and administration	4
Other	5

13.2 None of the employment contracts relating to the key management referred to below, contain a right to benefits (other than those due during the notice period due under the contract) upon termination.

13.3 On average during the most recent financial year the Group had engaged no temporary staff.

14. Working Capital

The Directors, having made due and careful enquiry, are of the opinion that, taking into account the net proceeds of the Placing receivable by the Company, the working capital available to the Company and the members of its Group will, from Admission, be sufficient for their present requirements, that is for at least twelve months from Admission.

15. Significant Change in Financial or Trading Position

Save as disclosed in this document, there has been no significant change in the financial or trading position of the Group since 30 April 2007, the date to which the last audited accounts are made up.

16. United Kingdom Taxation

The following paragraphs are intended as a general guide to the UK tax implications of the Placing only and are based on current UK tax legislation and HM Revenue and Customs practice as at the date of this document. Except where the position of non-UK resident Shareholders is expressly referred to, they deal only with the position of Shareholders who are resident or ordinarily resident in the UK for tax purposes, who are the beneficial owners of their Ordinary Shares and who hold

their Ordinary Shares as an investment. They do not deal with the position of certain classes of Shareholders, such as employees or dealers in securities. If investors are in any doubt about the taxation consequences of acquiring, holding or disposing of Ordinary Shares they should seek advice from their own professional advisers.

16.1 Taxation of Shareholders in respect of dividends

The Company will not be required to withhold tax at source from any dividend payments it makes.

Individual Shareholders resident in the UK will generally be entitled to a tax credit in respect of any dividend paid by the Company which they can offset against their income tax liability on those dividends. The amount of the tax credit is one-ninth of the amount of the cash dividend. The amount of the cash dividend received by such an individual Shareholder and the associated tax credit are both included in calculating the Shareholder's income for UK tax purposes.

The rate of income tax on dividends is 10% for basic rate taxpayers. The tax credit will discharge the entire income tax liability due in respect of the dividend of an individual Shareholder who is not liable to income tax at a rate greater than the basic rate. Higher rate taxpayers will be liable to tax on such dividends at the rate of 32.5%, so that an individual Shareholder who is a higher rate taxpayer will have a liability, after taking account of the tax credit, equal to 25% of the cash dividend.

A UK resident corporate Shareholder will not normally be liable to corporation tax or income tax in respect of any dividend received from the Company.

Shareholders who are not resident in the UK for tax purposes will generally not benefit from any entitlement to a refund of any part of the tax credit.

16.2 Stamp duty and stamp duty reserve tax

Subject to special rules which apply to certain categories of person including intermediaries and persons connected with depository arrangements and clearance services, the stamp duty and stamp duty reserve tax ("SDRT") treatment under the Placing will be as follows:

16.2.1 in relation to the Ordinary Shares being issued by the Company, no liability to stamp duty or SDRT will arise on their issue or on the issue of definitive share certificates by the Company;

16.2.2 the subsequent transfer of Ordinary Shares will generally be liable to stamp duty at the rate of 0.5% of the value of the consideration given, rounded up to the next £5. A charge to SDRT at the rate of 0.5% of the consideration will arise in the case of an unconditional agreement to transfer shares on the date of the agreement, and in the case of a conditional agreement on the date the agreement becomes unconditional. However, if within the period of six years of the date of the agreement or, in the case of a conditional agreement, the date on which it becomes unconditional, an instrument of transfer is executed pursuant to the agreement and stamp duty is paid on that instrument, any liability to SDRT will be repaid or cancelled. The liability to pay stamp duty or SDRT is generally satisfied by the purchaser or transferee;

16.2.3 no stamp duty or SDRT will arise on a deposit of Ordinary Shares in CREST for conversion into uncertificated form (otherwise than pursuant to a transfer on sale or in contemplation of such sale), unless such transfer is made for a consideration in money or money's worth, in which case a liability to stamp duty or SDRT will arise, usually at the rate set out in paragraph 16.2.2 of this Part 7;

16.2.4 agreements to transfer Ordinary Shares effected within CREST will generally be subject to SDRT at the rate of 0.5% of the actual consideration.

16.3 Taxation of Shareholders on a disposal of Ordinary Shares

A disposal or deemed disposal of Ordinary Shares by a Shareholder who is either resident or, in the case of an individual, ordinarily resident for tax purposes in the UK, or who is not UK resident but carries on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a company, a permanent establishment) to which the shares are attributable, may, depending on the Shareholder's circumstances and subject to any available exemptions or reliefs, give rise to a chargeable gain or an allowable loss for the purposes of UK taxation of chargeable gains. A

Shareholder who is an individual and who has, on or after 17 March 1998, ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than five years and who disposes of the shares during that period may also be liable to UK taxation of chargeable gains (subject to any available exemptions or reliefs) if he resumes residency.

For a shareholder within the charge to corporation tax, indexation allowance on the cost apportioned to the Ordinary Shares may be available to reduce the amount of chargeable gain realised on a subsequent disposal but will not create or increase any allowable loss.

16.4 **Inheritance tax**

Ordinary Shares are assets situated in the UK for the purposes of UK inheritance tax. A gift of Ordinary Shares by, or the death of, an individual Shareholder may give rise to a liability to UK inheritance tax even if the Shareholder is neither domiciled nor deemed to be domiciled in the UK. Liability to inheritance tax may also arise if Ordinary Shares are transferred into or out of trust and periodically while they are held in trust. Various relief and exemptions may be available, including business property relief and the exemption for transfers between spouses. These reliefs and exemptions are all subject to conditions. Shareholders should consult their own advisers concerning liability to inheritance tax and the availability of exemptions and reliefs.

17. **Mandatory Bids, Squeeze-Out and Sell Out Rules**

17.1 **Mandatory Bid**

The Takeover Code applies to the Company only when central management and control are exercised in the United Kingdom. As that is currently not considered by the Board to be the case, the Company's Articles contain provisions to replicate so far as possible the provisions of the Takeover Code. Accordingly, if an acquisition of Ordinary Share were to increase the aggregate holding of the acquirer and any parties acting in concert with it to Ordinary Shares carrying 30% or more of the voting rights in the Company, the acquirer and, depending on the circumstances, its concert parties (if any) would be required (except with the consent of a majority of the independent Non-executive Directors, (such directors having consulted with and taken into account the views of the Company's nominated adviser from time to time) to make a cash offer for the Ordinary Shares not already owned by the acquirer and its concert parties (if any) at a price not less than the highest price paid for Ordinary Shares by the acquirer or its concert parties (if any) during the previous 12 months. A similar obligation to make such mandatory cash offer would also arise on the acquisition of Ordinary Shares by a person holding (together with its concert parties, if any) Ordinary Shares carrying at least 30% but not more than 50% of the voting rights in the Company if the effect of such acquisition were to increase the percentage of the aggregate voting rights held by the acquirer and its concert parties (if any).

17.2 **Squeeze-out Rules**

Under the Act, if a person who has made a general offer to acquire Ordinary Shares (the "offeror") were to acquire, or contract to acquire, 90% of both the Ordinary Shares and the voting rights in the Company which are the subject of such offer, the offeror could then compulsorily acquire the remaining 10%. The offeror would do so by sending a notice to outstanding Shareholders within three months after the last day on which the offer can be accepted or within six months from the date of the offer if that period ends earlier, telling them that the offeror will compulsorily acquire their Ordinary Shares and then, six weeks later, executing a transfer of the outstanding Ordinary Shares in the offeror's favour and paying the consideration to the Company, which would hold the consideration on trust for outstanding Shareholders. The consideration offered to those Shareholders whose Ordinary Shares are compulsorily acquired under the Act must, in general, be the same as the consideration that was available under the general offer.

17.3 **Sell-out Rules**

17.3.1 The Act gives minority Shareholders a right to be bought out in certain circumstances by a person who has made a general offer as described in paragraph 17.2 above. If, at any time before the end of the period within which the general offer can be accepted, the offeror holds, or has agreed to acquire not less than 90% of both the Ordinary Shares and the voting rights in the Company, any holder of Ordinary Shares to which the general offer relates who has not accepted the general offer can, by a written communication to the offeror, require it to acquire that holder's Ordinary Shares.

17.3.2 The offeror is required to give each Shareholder notice of his right to be bought out within one month of that right arising. The offeror may impose a time limit on the rights of minority Shareholders to be bought out, but that period cannot end less than three months after the end of the acceptance period. If a Shareholder exercises his rights, the offeror is entitled and bound to acquire those Ordinary Shares on the terms of the offer or on such other terms as may be agreed.

18. Material Contracts

The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or its subsidiaries within two years immediately preceding the date of this document and are, or may be, material in the context of the Group:

- 18.1 The Placing Agreement dated 24 June 2008 and made between (1) the Company, (2) the Directors, (3) the Founders (as defined in that agreement), (4) Canaccord and (5) GMP Europe. Under the terms of the Placing Agreement, Canaccord and GMP Europe have agreed (conditionally, *inter alia*, on Admission taking place not later than 31 July 2008) as agents for the Company to use their reasonable endeavours to procure subscribers for the Placing Shares at the Placing Price. Under the Placing Agreement and subject to its becoming unconditional, the Company has agreed to pay Canaccord a corporate finance fee of £250,000, and to Canaccord and GMP Europe commissions of 3.25% and 1.75% respectively of the aggregate value of the Placing Shares at the Placing Price (except for Placing Shares placed with Placees introduced by the Company where such rate will be respectively 3.25% and 1.75% multiplied by 2.25/5) and warrants to subscribe for 1.3% and 0.7% of the Placing Shares respectively (except for Placing Shares placed with Placees introduced by the Company where such rate will be respectively 1.3% and 0.7% multiplied by 2.25/5), in each case together with any applicable VAT. The Company will pay all costs, charges and expenses of, or incidental to, the Placing including all fees and expenses payable in connection with Admission, the expenses of Canaccord and GMP Europe including their legal and other professional fees (plus VAT and disbursements), the expenses of the Registrars, the printing and advertising costs, the postage costs, all the Company's legal, accountancy and other professional advisers fees and expenses and all related VAT. The Placing Agreement contains representations, warranties and indemnities given by the Company and the Directors to Canaccord and GMP Europe as to the accuracy of the information contained in this document and other matters relating to the Group and its business. Canaccord and GMP Europe are entitled to terminate the Placing Agreement in certain specified circumstances prior to Admission.
- 18.2 The Nomad and Joint Broker Agreement dated 24 June 2008 and made between the (1) the Company (2) the Directors and (3) Canaccord pursuant to which the Company has appointed Canaccord to act as nominated adviser and joint broker for the purposes of the AIM Rules. The Company has agreed to pay Canaccord a fee of £75,000 per annum for its services as nominated adviser and joint broker under this agreement. The agreement contains certain undertakings, warranties and indemnities given by the Company and the Directors to Canaccord. The agreement is for a fixed term of 12 months and thereafter is terminable upon not less than 3 months' prior written notice by either the Company or Canaccord. For the period during which Canaccord acts as the Company's nominated adviser and/or joint broker, Canaccord has a right of first refusal, which will not be unreasonably withheld, to act as the Company's adviser and joint broker on any equity financings, whether public or private, on terms to be negotiated between Canaccord and the Company. If Canaccord is not willing to match the terms and conditions of a particular financing pursuant to its right of first refusal, this shall not prejudice Canaccord's right of first refusal in respect of any subsequent financings.
- 18.3 The joint broker agreement dated 24 June 2008 and made between (1) the Company and (2) GMP Europe pursuant to which the Company has appointed GMP Europe to act as joint broker. The Company has agreed to pay GMP Europe a fee of £20,000 per annum. The agreement contains certain undertakings and indemnities given by the Company to GMP Europe. The agreement is for an open ended term and both parties have the right to terminate on 7 days notice after the first anniversary of the date of the agreement. GMP Europe also has the ability to terminate on giving 7 days notice in the period prior to the first anniversary of the date of the agreement. During the term of the agreement, the Company undertakes to offer GMP Europe the opportunity to act as lead manager and book runner (or joint lead manager and joint bookrunner).
- 18.4 The lock in undertakings dated on or around 24 June 2008 details of which are set out in paragraph 13 of Part 1 of this document.

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- 18.5 An engagement letter dated 13 May 2008 whereby the Company engaged Canaccord to act as the exclusive Nominated Adviser joint broker, co-lead manager and joint bookrunner to the Company in connection with the Company's intended application to have the Ordinary Shares admitted to trading on AIM.
- 18.6 An engagement letter dated 13 May 2008 whereby the Company engaged GMP Europe as joint broker, co-lead manager and joint bookrunner in connection with the placing and has granted to GMP Europe the right of first refusal on all future equity financings or other alternative corporate transactions of the Company for a period of 12 months from the date of Admission on terms acceptable (based on normal market rates) to the board of the Company.
- 18.7 The deed of warrant grant dated 24 June 2008 between the Company (1) and Canaccord (2) under which the Company has granted to Canaccord 346,279 warrants to subscribe for such number of Ordinary Shares at the Placing Price per Ordinary Share at any time up to twenty four months from the date of Admission.
- 18.8 The deed of warrant grant dated 24 June 2008 between the Company (1) and GMP Europe (2) under which the Company has granted to GMP Europe 186,458 warrants to subscribe for such number of Ordinary Shares at the Placing Price per ordinary share at any time up to twenty four months from the date of Admission.
- 18.9 An option agreement dated 25 April 2006 between Cowaramup Investments Ltd and Mr Abdullayev Nurlan Bek-Alievich (1) Mr Ayupov Marat Nakibovich (2) Mr Aitjanov Serik Jumabekovich (3) Mr Kirdyashkin Vladimir Ivanovich (4) (the "Sellers") pursuant to which the Sellers granted to Cowaramup Investments Ltd an option to acquire an 80% interest in Temir Service LLP at a price of \$1.5 million. The option agreement gives Cowaramup Investments Ltd the option to designate a third party to exercise the option. The exercise period of the option was a period of 30 business days after the execution date of the option agreement.
- 18.10 A sale and purchase Agreement dated 25 April 2006 entered into between Sunkar Resources Limited with the Sellers pursuant to which Sunkar Resources Limited acquired an 80% interest in Temir Service LLP for a total consideration of \$1.5 million.
- 18.11 An option designation deed dated 4 July 2007 entered into between Cowaramup Investments Ltd and Sunkar Resources Limited pursuant to which the parties recorded an oral agreement made on 25 April 2006. This oral agreement was the acquisition by Sunkar Resources Limited of the right to acquire the 80% interest in Temir Service LLP as the designated party under the option agreement, such right being acquired at a price of \$10.5 million. Cowaramup Investments Limited is owned by a founding shareholder of the Company.
- 18.12 The Subsoil Use Contract, details of which are set out in section 20.1 of Part 5 of the document.
- 18.13 An agency agreement dated 30 May 2007 and amended 25 July 2007 entered into between Ayupov Marat Nakibovich and Gannon Development Services Inc whereby Ayupov Marat Nakibovich granted Gannon Development Services Inc the option to purchase a 10% interest in Temir Service LLP which is assignable to any third party.
- 18.14 An assignment agreement dated 25 October 2007 entered into between Sunkar Resources Plc and Gannon Development Services Inc pursuant to which Gannon Development Services Inc assigned the right to purchase from Ayupov Marat Nakibovich a 10% interest in Temir Service LLP for a price of \$4.0 million and 10,000,000 Ordinary Shares in Sunkar Resources Plc to be issued in accordance with the parties' instructions. A payment of \$1.5 million was made in December 2007.
- 18.15 A sale and purchase agreement dated 30 November 2007 entered into between Sunkar Resources Limited and Ayupov Marat Nakibovich pursuant to which Sunkar Resources Limited acquired a 10% interest in Temir Service LLP for a total consideration of \$1.0 million. The payment of \$1.0 million was made in December 2007.
- 18.16 A loan agreement dated 2 October 2007 between the Company and Sokol Holdings Inc, which related to an interest free loan of \$3.772 million to the Company, repayable on demand. Sokol Holdings Inc is jointly controlled by certain founding shareholders of the Company.
- 18.17 A letter of indemnity entered into on 6 June 2007 between Company and Sokol Holdings Inc, whereby Sokol Holdings agreed to indemnify the Company in respect of all costs and expenses of a revenue nature incurred by the Company in the period from its incorporation up until the date of its re-registration as a plc.

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- 18.18 The Pre-IPO placing agreement dated 30 November 2007 and made between (1) the Company, (2) the directors (at the time), (3) the founders (as defined in the agreement) and (4) Canaccord. Under the agreement, Canaccord agreed as agents for the Company to use their reasonable endeavours to procure subscribers for ordinary shares in the Company. The Company agreed to pay to Canaccord a commission of 6.0% and reimburse Canaccord for all expenses reasonably and properly incurred in connection with the placing (including any applicable VAT). The agreement contains representations, warranties and indemnities given by the Company, the directors and the founders to Canaccord. If for any reason, Admission does not become effective by 30 June 2008, those investors to whom Ordinary Shares were placed under this agreement are entitled to subscribe for such number of further Ordinary Shares as is equal to 10 per cent of their initial allocation at a price of 0.1p per share.
- 18.19 An agency agreement dated 20 May 2007 and made between the Company and Sokol Holdings Inc pursuant to which the Company appointed Sokol Holdings Inc to enter into negotiations and to execute a transaction to acquire a 50% participatory interest in an enterprise located in Kazakhstan holding production and technical facilities for laboratory research and processing of mineral resources and production of mineral fertilisers. The agreed acquisition price is \$5 million, on the basis that the amount of indebtedness in the enterprise would not exceed \$3.5 million. Under the agreement, Sokol Holdings Inc is entitled to a fee of up to 10% of the acquisition price of the share participation payable on successful completion of the transaction.
- 18.20 On 14 June 2007, Sokol Holdings Inc and Mr Ulan Xembayev entered into a letter of intent regarding the acquisition of a 50% share participation in Herbicides LLP for an acquisition price of \$5 million. A \$2.5 million refundable deposit was payable under the letter of intent.
- 18.21 A loan agreement dated 27 July 2007 and made between Sokol Holdings Inc and Herbicides LLP whereby Sokol Holdings Inc loaned \$2.5 million to Herbicides LLP to increase working capital purposes. The term of the loan is eight months from the moment of the transfer of the money to the bank account of Herbicides LLP and the loan is secured on the assets of Herbicides LLP. Interest on the loan is payable at the rate of the London Interbank 6 months deposit rate quotations for US Dollar plus 2%. At the sole discretion of Sokol Holdings, interest may be forgiven.
- 18.22 An assignment agreement dated 25 August 2007 and made between Sokol Holdings Inc, Mr Ulan Xembayev, the Company and Herbicides LLP whereby Sokol assigned to Mr Xembayev the right to repayment of the \$2.5million loan granted to Herbicides LLP on the condition that a technical, legal and financial audit has been satisfactorily completed, Sokol Holdings was able to take the pledge on the property of Herbicides LLP and the parties have signed agreements to transfer the share participation to the Company as the designee of Sokol Holdings Inc. Any other rights under the loan agreement between Sokol Holdings Inc and Herbicides LLP dated 27 July 2007 (including interest) shall be unconditionally, irrevocably and gratuitously assigned to the Company.
- 18.23 In December 2007, the Company made a payment of \$2.5 million to Sokol Holdings Inc in respect of the loan paid as referred to in paragraph 18.21 above.

19. Related Party Transactions

The Company has entered into the following related party contracts:

- 19.1 the contracts referred to in paragraphs 18.9 to 18.11, 18.16, 18.17, 18.19, 18.22 and 18.23 above;

20. Other Information

- 20.1 The registrars of the Company are Capita Registrars Limited, of The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.
- 20.2 The auditors of the Company are PKF (UK) LLP, of Farringdon Place, 20 Farringdon Road, London EC1M 3AP, PKF (UK) LLP has audited the Company's accounts for the period from incorporation ended 30 April 2007. PKF (UK) LLP reports on such accounts were unqualified and did not contain a statement under subsections 237(2) or (3) of the Act.
- 20.3 The Company's accounting reference date is 30 April. The Company intends to change its accounting reference date to 31 December following Admission. It is expected that interim financial information will be prepared to 30 June in each year thereafter.

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- 20.4 Canaccord has given and not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which they appear.
- 20.5 GMP Europe has given and not withdrawn its written consent to the issue of this document with the inclusion in it of references to its name in the form and context in which they appear.
- 20.6 Behre Dolbear has given and not withdrawn its written consent to the issue of this document with the inclusion in it of reference to its name in the form and context in which they appear.
- 20.7 Except as described in this document, no persons (excluding professional advisers otherwise disclosed in this document and trade suppliers) have received, directly or indirectly, from the Company within the 12 months preceding the date of this document, and no persons have entered into contractual arrangements to receive, directly or indirectly, from the Company on or after Admission:
- 20.7.1 fees, totalling £10,000 or more;
- 20.7.2 securities in the Company with a value of £10,000 or more calculated by reference to the Placing Price; or
- 20.7.3 any other payment or benefit with a value of £10,000 or more at the date of Admission.
- Except as described in this document, no payments aggregating over £10,000 have been made to any government agency or regulatory body or similar body by the Company or on its behalf with regard to the acquisition of, or maintenance of, its assets.
- 20.8 The costs and expenses of, and incidental to, the Placing and Admission are payable by the Company and are estimated to amount to approximately \$5 million.
- 20.9 The gross proceeds which can expect to be raised by the Placing is approximately \$65 million. The net proceeds are expected to be approximately \$60 million
- 20.10 In the opinion of the Directors, the minimum amount which must be raised from the Placing is \$65 million, to be applied as follows:
- 20.10.1 BFS: \$9 million;
- 20.10.2 work programme: \$39 million;
- 20.10.3 commissions and expenses of the issue: \$5 million; and
- 20.10.4 working capital: \$12 million.
- 20.11 The Ordinary Shares are in registered form and, following Admission, will be capable of being held in uncertificated form. Settlement of the Placing will, at the option of places, be within CREST and Ordinary Shares will be delivered into the CREST account of places immediately following the commencement of dealings at 8.00 am on 30 June 2008. No temporary documents of title will be issued. Definitive share certificates for places not settling through CREST will be despatched by 30 June 2008. Prior to the despatch of such certificates, transfers will be certified against the register of members of the Company. CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument.
- The Articles permit the holding and transfer of shares under CREST. The Company has applied for the issued and to be issued Ordinary Shares to be admitted to CREST and it is expected that they will be so admitted, and accordingly, enabled for settlement in CREST.
- 20.12 Save as disclosed in this document, no exceptional factors have influenced the Company's activities.
- 20.13 The Placing Shares are not being offered generally and no applications have been or will be accepted other than under the terms of the Placing Agreement and the Placing letters. All the Placing Shares have been placed firm with places. The Placing is not being guaranteed or underwritten.
- 20.14 Canaccord and GMP Europe are arranging for the Placing Shares to be placed with institutional and other investors. The arrangements for the payment for the Placing Shares to Canaccord and GMP Europe and during the period prior to completion of the Placing relating to monies received by Canaccord and GMP Europe from such investors are set out in the Placing letters sent to such investors.
- 20.15 Monies received from applicants pursuant to the Placing will be held in accordance with the terms and conditions of the Placing until the Placing Agreement becomes unconditional in all respects. If this does not occur as of 31 July 2008, application monies will be returned to the places at their risk without interest.

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- 20.16 The Placing Price of 120p per Ordinary Share represents a premium of 119.9p over the nominal value of 0.1p per ordinary Share.
- 20.17 Save as disclosed in this document the Group has no significant investments in progress.
- 20.18 The unaudited financial information relating to the Company contained in Part 6 of this document does not comprise statutory accounts of the Company for the purposes of section 435 of the Companies Act 2006.
- 20.19 Save for the various permits necessary, as otherwise disclosed in this document, there are no patents or other intellectual property rights, licences, industrial, commercial contracts or new manufacturing processes which are of fundamental importance to the Company's business.
- 20.20 There are no restrictions on the free transferability of the Ordinary Shares.
- 20.21 There are no arrangements, known to the Company, the operation of which may at a subsequent date result in a change of control of the Company.
- 20.22 No public takeover bids by third parties in respect of the Company's equity, have occurred during the last and current financial year.
- 20.23 Statements concerning the Company's competitive position in this document, in particular to its low cost of production are based on the conclusions drawn by Behre Dolbear in the CPR set out in Part 5.
- 20.24 Information sourced from a third party has been accurately reproduced and so far as the Company is aware, and able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 20.25 Save as disclosed in this document, there are no principal future investments on which the Company has made firm commitments.
- 20.26 Save as disclosed in this document, no person directly or indirectly has an interest in the Company's capital or voting rights which is notifiable.

21. Availability of this Document

Copies of this document are available free of charge to the public during normal business hours on any week day (excluding Saturdays, Sundays and public holidays) at the offices of Canaccord 7th Floor, Cardinal Place, 80 Victoria Street, London SW1E 5JL and shall remain available for at least one month after Admission.

Dated 24 June 2008

