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Gentlemen

REVIEW OF COPPER MINING DEVELOPMENTS IN KOLWEZI, DRC

Introduction

Behre Dolbear International Limited has been engaged by your Company (GEC review the developments planned by the DRC Copper and Cobalt Project (DPC Kolwezi, the Democratic Republic of Congo (DRC). This report has been prepared af visit to Johannesburg, Lubumbashi and Kolwezi to witness the present situation or ground and interview participants and affected parties. Telephone interviews have held with GEC's legal advisors in Kinshasa and Paris, financial advisors in London, the World Bank. You have our consent to use this report, in its entirety, as required.

Behre Dolbear International is the London-based arm of the Behre Dolbear grou companies, headquartered in Denver, Colorado. The group values its reputation independent consulting opinions on wide-ranging aspects of the minerals industry. clients are principally mining companies, national governments and financial institut including international bodies such as the World Bank. Behre Dolbear has signifi international expertise in advising governments on mineral transactions including governments of Colombia, Jordan, Nigeria, Papua New Guinea, Puerto Rico, Surin and Venezuela.

The study team consisted of:

> Mr Denis Acheson, President, Behre Dolbear International Limited, experienced executive in the mining industry in Africa; and

Dr Scott Mernitz, Senior Associate with Behre Dolbear & Company (USA) Inc., a Qualified Professional (Mining & Metallurgical Society of America) specialist in environmental, community and sustainability issues in the mining industry internationally.

This report has been reviewed by Mr Bernard J Guarnera, President and CEO, Behre Dolbear & Company, Inc.

Background to the Development

In 2001, La Générale des Carrières et des Mines (Gécamines), the state-owned mining company, successor to Union Minière du Haut Katanga, had been brought to a state of ruin by turmoil in the DRC and was, in effect, bankrupt and able to sustain a production rate of only about 25,000 tonnes of copper a year compared to the peak production of about 500,000 t/y. It was unable to pay its employees. The major production units (primarily open pit mines) in Kolwezi were flooded.

The situation was stabilized with World Bank intervention and in 2002 a new Mining Code was developed and approved by the government. This provided for privatization of the mining assets by negotiated agreements with Gecamines. Since then a number of agreements have been reached.

GEC, a company registered in the British Virgin Islands, is privately owned by BSG Resources (BSGR) 50%, the Gertner Group 30% and Dan Gertler International Limited 20%. In September 2004 GEC entered into a joint venture and leasing agreement with Gécamines (the JVA), whereby a new Congolese company, DRC Copper and Cobalt Project SARL (DCP), would take over specified assets in the West Group of Gécamines, centred on Kolwezi, while also leasing others. In 2005 the JVA was formally approved by the Council of Ministers of the DRC and by presidential decree. Exploitation certificates over three areas, Tilwezembe, Kananga and KOV (an abbreviation for Kamoto East, Oliveira and Virgule) have been formally transferred from Gécamines to DCP and registered in the Mining Cadastre with effect from March 2006.

The major assets of DCP are the KOV open-pit mine (now flooded), two other open pits, the run-down Kolwezi concentrator and the "New Luilu" electro-refinery. Also transferred are real estate including residential and infrastructure, and tailings and waste dumps.

DCP's shares are held 75% by GEC and 25% by Gécamines. GEC is to provide all the finance, part as equity and part as debt through project finance loans, which will be advanced to DCP on commercial terms. GEC has nominated six members of the Board of Directors including the Chairman; Gécamines has two members. GEC can appoint the chief executive, Gécamines the deputy chief executive.

The Chairman of DCP is Mr Simon Tuma-Waku, a Congolese mining engineer who was Minister of Mines from 2002 to 2004. Before that, he was an employee of Bateman Engineering,. Chief executive (Administrateur Directeur Général) of DCP is Mr Jim Gorman, who previously headed the development of the Kansanshi mine in Zambia for First Quantum Minerals Ltd.

Development Plans

GEC is in the process of completing a feasibility study with outside consultants. Behre Dolbear has seen much of this study in draft form and opines that it is a document of professional quality. GEC intends to raise funds with an IPO on AIM this year and subsequently to raise project finance loans. Total capital expenditure is estimated at US$1.2 billion. GEC's expenditure to date was said to be over $30 million – a number which the financial advisors said was realistic.

Initially, production would be from the Tilwezembe and Kananga open pits through the Kolwezi concentrator and Shituru refinery, starting in July this year and rising to a rate of 10,000 to 15,000 tonnes per year copper and 6,000 to 9,000 tonnes per year of cobalt. Production from KOV is scheduled to start in late 2009 and, in addition to Tilwezembe's and Kananga's production, ramp up to a rate of some 250,000 t/y copper and 25,000 t/y cobalt. This would make DCP a significant (more than 1% of global production) copper producer, while having a major impact on the cobalt market by providing about half the current consumption.

Profitability

The cash-flow analysis, over the period 2006 to 2038, in GEC's feasibility study shows an estimated net present value of over $900 million, using realistic price forecasts, based on a group of professional studies, and a real 10% annual discount rate. This discount rate has been elaborately determined to include an objective country risk assessment, which some might regard as optimistic in the light of DRC's recent past. The internal rate of return estimate is over 30%.

Financial Benefits to DRC

The direct financial benefits to DRC and Gécamines are from tax of 30% on net earnings, a 2% royalty to the state on net sales revenue (NSR), being the sales value less export and marketing costs, and a 1.5% leasing royalty to Gécamines (initially 2%) on NSR. Indirect benefits are the 25% of after-tax earnings to the credit of Gécamines; also tax from employees and the multiplier effect discussed below.

Behre Dolbear has not verified the feasibility numbers, but has calculated from them undiscounted benefits to the state and Gécamines up to 2038 as follows:

▪ 2% royalty on NSR (sales less export and marketing cost)	$537M
▪ "Lease Royalty" to Gécamines of 2% of NSR, reducing to 1.5%	$410M
▪ Profits tax at 30%	$4,595M
▪ Gécamines share of after-tax earnings	$2,275M
Total	US$7,817M

This total benefit to DRC amounts to 45.3% of the total profit before tax. In Behre Dolbear's experience, 45% of the pre-tax proceeds flowing to the state and parastatal company is a typical proportion in modern mining agreements.

Community Impacts

Behre Dolbear reviewed the impact of the GEC/DCP project from the perspectives of social and economic sustainability and potential project benefits to the people of the Kolwezi vicinity, the Katanga province and the DRC. Also considered were prospective infrastructure and quality-of-life improvements, and environmental protection from and mitigation of potential adverse effects from the proposed mining and processing operations.

The re-employment of a large number of local people (about 4,000 direct employees, not including contractors, during the construction period, and 1,500 direct employees at full production), most of whom will be former Gécamines employees who have been unemployed or underpaid for the last few years, will have an obvious effect on the economics of the district. The estimated mine life is over 30 years, longer than most new mining projects. Thus, a sustained employee base will have direct and indirect effects for many years, with perhaps a multiplier effect of at least 5 and up to 15 jobs in Katanga for each new mining job in Kolwezi. Included are jobs related to: construction and maintenance of new and revived infrastructure (roads, the railway, electric power facilities, water works); provision of food, housing, transportation and entertainment for primary workers; plus other secondary (suppliers of goods) and tertiary (suppliers of services) jobs.

An issue relating to labour in Katanga, and other parts of DRC and the world, is the artisanal mining industry. There are thought to be some 100,000 men, women and children involved in this activity in Katanga on the high-grade copper and cobalt deposits and perhaps 20,000 in Kolwezi. They are referred to locally as creuseurs or hand-pickers and work on waste dumps or established open pits gathering mostly heterogenite (a cobalt ore) or malachite (copper carbonate) and bagging for collection by merchants who buy and export the product.

Behre Dolbear interviewed three officials – the founder, the secretary and the lawyer - of the artisanal miners' association EMAK (Exploitants Miniers Artisinaux du Katanga). They were well aware of the developments and had attended public meetings addressed by company representatives. When asked whether their members would prefer to continue hand picking or be employed by the company the reply was: some one, some the other. There was no sign of opposition to the development. Behre Dolbear also stopped at an active hand-picking site during the tour with GEC/DCP staff, witnessing working conditions and mineral products. They were a remarkably friendly group.

DCP management are aware that artisanal mining will remain a challenge which will have to be handled sensitively. They are also sensitive to the importance of maximizing the Congolese element in management. Behre Dolbear met the senior team at the Kolwezi concentrator, which has recently been operating sporadically (it was down during the visit because it was out of reagents). The concentrator manager and all his team are to be taken on by DCP. GEC will inject technical expertise through consultants.

Behre Dolbear asked GEC for a rough estimate of the amount of capital and operating expenditures that could be regarded as directly relevant to the local community on items such as: enhanced infrastructure; environmental controls and monitoring, reclamation, closure and security. GEC's estimate was \$114 million or 9.5% of total capital expenditure. This is a subjective judgment on what is of direct benefit to the community and 5% might be more realistic, with a similar percentage of operating expenditure amounting to about $7 million a year. Behre Dolbear's recent global mining-projec experience suggests that a range of 3% to 8% for each of the capital and operating expenditures might be prudent and reasonable to help ensure the "social license" to operate during a continuing, peaceful project life. Behre Dolbear concludes that a fair return to the community for quality-of-life matters can be expected from the DCP development.

Environmental Issues and the Equator Principles

The Environmental Impact Statement (EIS) and the Environmental Monitoring Projec Plan (EMPP), included in the feasibility study, are being prepared in accordance with the terms of Article 202 of the new DRC Mining Code and provide details on projec environmental and social impacts, monitoring and mitigation commitments. Public agency and NGO comments will be sought during the EIS process.

The EIS and EMPP appear to be the major environmental "permits" required for the proposed industrial development which will include operation of the Kolwezi concentrator mining in the Tilwezembe, Kananga and KOV pits, use of old and then new tailings dams and refineries; also reconstruction of roads, the railway, water systems, and other infrastructure. Financial commitments, monitoring and reporting are typical for such documents.

GEC staff represented during the site visit that base-line conditions prior to redevelopmen and new construction will be fully addressed in the EIS and EMPP. Although it is not their obligation to rehabilitate all historic situations, they do intend to improve the environmen of the working area. Behre Dolbear expects that GEC will take care to specify and clearly separate its actions as to:

1) clean-up of historic sites to benefit the community and new projects for which i is financially responsible; and yet to
2) divorce itself from other historic environmental problems that it is no responsible for.

Article 258 of the Mining Code requires that a minimum 0.5% of annual project financia turnover be set aside for security (bonding) for proper project reclamation and closure This is progressive and reasonable practice. The DCP project will be the first major industrial copper/cobalt project in DRC to proceed under the provisions of the new Code.

The Equator Principles have now been adopted by 41 global financial institutions to guide their lending activities for natural resources developments (details are available on www.equator-principles.com). The Principles are based on World Bank/IFC guidelines, and address the most progressive environmental and social sustainability thinking and issues for global mining projects. In summary, the 17 major tenets of the Principles are as follows:

- Assessment of baseline environmental and social conditions;
- Requirements under host country laws and regulations, and applicable environmental treaties and agreements;
- Sustainable development and renewable natural resources;
- Protection of human health, cultural properties and biodiversity, including endangered species and sensitive ecosystems;

- Use of dangerous substances;
- Major hazards;
- Occupational health and safety;
- Fire prevention and life safety;
- Socioeconomic impacts;
- Land acquisition and land use;
- Involuntary resettlement;
- Impacts on indigenous peoples and communities;
- Cumulative impacts of existing projects, the proposed project, and anticipated future projects;
- Participation of affected parties in the design, review, and implementation of the project;
- Consideration of feasible environmentally and socially preferable alternatives;
- Efficient production, delivery and use of energy; and
- Pollution prevention and waste minimization, pollution controls and solid and chemical waste management.

According to current international guidelines, the Principles are to be addressed in mine project planning. Behre Dolbear specialists have worked for several international clients to advise compliance with the Principles.

While several of the Principles may not apply or may not be emphasized at present for the DCP project under the developing environmental laws and regulations of the DRC, it is Behre Dolbear's opinion that attention to most of the Principles will be applied to project development plans. This will be important since GEC will seek debt financing for project development from international lending institutions. Specifically, from preliminary environmental information reviewed in the project files and on site, it is apparent that the following tenets of the Principles are being addressed in a compliant manner by GEC/DCP:

- Assessment of baseline environmental and social conditions;
- Requirements under host country laws and regulations, and applicable environmental treaties and agreements;
- Sustainable development and renewable natural resources;
- Protection of human and environmental health;
- Use of dangerous substances;
- Occupational health and safety;
- Socioeconomic impacts;
- Land acquisition and land use;
- Involuntary resettlement;
- Impacts on indigenous peoples and communities;
- Participation of affected parties in the design, review, and implementation of the project;
- Consideration of feasible environmentally and socially preferable alternatives;
- Efficient production, delivery and use of energy.

Knowledge of other Equator Principles compliance will await the details to be provided in the EIS and EMPP, as summarized in the Environmental section of the Feasibility Study. These documents are in preparation and will be subject to public scrutiny.

Criticisms of the Joint Venture Agreement

Behre Dolbear's attention has been drawn to a number of presentations from organizations generally referred to as NGOs, most notably the substantial and well researched paper "The State vz The People" by Fatal Transactions and others. This describes well the "catastrophe" that befell Gécamines and proceeds to criticize the JVAs that have been reached between Gécamines and several private developers. We have also seen correspondence between RAID and others and the World Bank.

The principal criticisms are that:

- Gécamines has been stripped of its assets instead of gradual rebuilding through better management as had been recommended by IMC Group Consulting Ltd in a report commissioned by the World Bank in 2003;
- The procedures recommended in the Lutundula Report by a parliamentary commission were not followed;
- The JVAs were not reached through an open-tender, transparent process;
- The JVAs are unreasonably favourable to the private investors;
- Specifically, the royalties payable to the state and to Gecamines will be minimized by major deductibles in the Net Sales Revenue.

Behre Dolbear's opinion on these criticisms is:

- It retrospect, it seems most unlikely that it would have been possible for Gécamines to restructure itself without a major inflow of capital which was not offered. The World Bank has stated that it did not accept this recommendation but agreed with the government that the Company should be broken up and separate partnerships negotiated with mining companies. This approach had met with reasonable success in Zambia.

- The Lutundula Commission was set up to examine transactions completed up to 2003 between former belligerent Congolese parties and private investors. It reported in June 2005 and, although it recommended that the study should be extended to subsequent deals which would have included DCP, this was not accepted by parliament or the executive.

- The government decided not to proceed down an open-tender route on the grounds that this would be too complex and take too long. Behre Dolbear agrees with this decision and does not believe that with open tender the Gecamines assets would be as near to resurrection as they now are. The World Bank has, however, commissioned audits ~~of the~~ mining titles and partnership agreements and will report these findings.

- The balance of advantages in the JVA between GEC on the one hand and Gécamines and the Congolese state on the other has been discussed above. The perceived risks attached to a major investment in the DRC, in the light of the experience of recent years, are such that the expected returns to GEC seem fair and not over-generous. Experience suggests that if total government take exceeds 50% of profits, a project is likely to fail.

- The royalty will be determined after deducting from the sale to customer price only the freight and marketing costs, which is normal in royalty determinations.

- Cancellation of the transaction, apart from legal ramifications, would be a disastrous set-back to what is, at last, a start to the rejuvenation of the Katanga mining industry. It would probably take years for another potential partner with Gecamines to reach where DCP is now on these properties

NGOs have criticized the apparent lack of transparency in the transaction and tend to bracket the DCP deal with others which were substantially different. Behre Dolbear recognizes that, in major public/private transactions in Central Africa, full transparency without political influence is unlikely to be achieved. However, no evidence has been seen that there has been inappropriate political or financial influence in the DCP transaction. The participants in GEC were in a favourable position, through personal contacts in the DRC, to advance their commercial interests and they were able to convince the Gécamines management and the government of their financial and technical ability to undertake a major project. Several presentations were made to government bodies and to the World Bank before conclusion of the JVA. At the time market prices for most metals, especially copper, and expectations for the future were much lower than they are now.

BSGR has other mining operations, including across the border in Zambia at Luanshya and Chambishi, where assets, acquired on a liquidated/insolvent basis, have been rehabilitated leading to employment of about 3000 people. The Company is also active in Guinea and Sierra Leone and is establishing a record of social and environmental programmes in regions similar to Kolwezi. Outside Africa, the group has mining and metallurgical activities in the Balkans and the Caspian region.

BSGR controls Bateman Engineering, a major international engineering and construction company based in South Africa and specializing in natural resources. The progression of Mr Simon Tuma-Waku from engineer with Bateman to Minister of Mines of the DRC to (after a gap) Chairman of DCP inevitably raises eyebrows. But BSGR acquired Bateman after Mr Tuma-Waku had left his employment there and the JVA was negotiated after he had resigned as Minister, so they did not know him in either capacity. Mr Tuma-Waku accompanied the Behre Dolbear team throughout the visit to the Congo and left the impression of seriousness, competence and honesty, an impression endorsed by the World Bank representative he worked with as Minister. GEC and DCP are fortunate that he was available for the role of Chairman of the latter.

The absence of the normal structure of an international mining company at GEC is a potential handicap, which can be overcome. This structure is not so much an operating problem, more the likely perception of international investors and lenders, who will expect to see a regular Board with acceptable CEO and CFO. Behre Dolbear's exposure to the few senior mining professionals gave us confidence in GEC's ability to provide competent management and engineering skills; but for the AIM listing the perception from London will be important.

Summary of Conclusions

Behre Dolbear's conclusions are:

- The GEC JVA with Gécamines was freely negotiated and appears fair;
- The financial returns from the planned DCP development to the DRC including Gécamines, estimated at almost US$8 billion over 32 years, or 45% of the pre-tax earnings, will be appropriate;
- The benefits to the community in terms of employment, environmental improvement, social facilities and infrastructure will be substantial;
- Cancellation of the deal would be not only unfair to GEC, but also disastrous for Gécamines, the DRC and the community;
- GEC and DCP will have to live with doubts about the legitimacy of the deal arising from the lack of transparency;
- For fund-raising purposes, GEC will need to establish a corporate structure acceptable to the London financial community.

Yours sincerely

Denis Acheson

Denis Acheson
President, Behre Dolbear International Limited

cc Mr Bernard J Guarnera, President and CEO, Behre Dolbear & Company, Inc.