



ABN 77 009 241 374

Ladies and Gentlemen

In my letter to shareholders in the 2011 Annual Report I provided an overview of the company's activities and external market factors. Not a great deal has changed since I penned that review 6 weeks ago so I do not intend to repeat all of the comments here, but rather to highlight the important matters and provide a brief update on the status of activities.

I urge all shareholders and prospective investors to have a look at the Annual Report - it is well worth the effort.

Our CEO, Paul Willis, will provide a detailed presentation on the company's activities later in the meeting.

Our primary focus during the last 12 months has been on progressing the Definitive Feasibility Study (DFS) on the Sihayo Pungkut Gold Project. The study has taken somewhat longer than originally anticipated in order to complete a number of very significant value adding initiatives including further metallurgical studies, in-fill drilling at the Sambung Deposit (which is now included in the DFS), a mill throughput optimisation study and cost reduction investigations.

The comprehensive metallurgical program, which is nearing completion, has been designed to cover the full range of mineralisation styles encountered, to confirm gold recoveries and to also include Sambung mineralisation.

The in-fill drilling at Sambung will enable the Inferred Resources to be upgraded to Indicated Resources for inclusion in the mine and mill schedule.

Cost reduction initiatives include reviewing alternative power supply options (biomass power generation is looking particularly attractive) and investigating an alternative waste rock disposal option utilising a conveyor system rather than conventional trucking.

The benefits of this additional work will be to deliver a study result with increased total gold production at substantially lower operating costs compared to earlier study estimates.

We anticipate that the study will be finalised and results announced to the market in first quarter 2012.

Regional exploration work throughout the remainder of the Contract of Work (COW) has continued in a methodical and thorough manner with results confirming the outstanding geological potential contained in these areas.

Concurrently with DFS and exploration activities, considerable effort is being directed towards the engagement of the local community through agricultural development programs. Significant progress is being achieved with the ultimate objective of ensuring that the surrounding villages



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receive real and lasting benefits and the company achieves and maintains its "social licence to operate".

The next 12 months promises to be an exciting and rewarding period for the company as we complete the feasibility study and, given a positive outcome, secure project financing. Other key activities will be to obtain the requisite development approvals, increase the support of the local community and Government as well as continuing with the regional exploration programs.

Our share price performance over recent months has been disappointing along with many other exploration and pre-development companies, however we would expect a market re-rating as we progressively achieve the key milestones culminating in the operation of a profitable gold mine.

On behalf of the board I thank all shareholders for their continued support and thanks to all our employees for their hard work and dedication as we look forward to the year ahead with enthusiasm confidence and a clear set of objectives.

I will now move on to the formal business of the meeting.

A handwritten signature in black ink, appearing to read "Peter Bilbe", with a small flourish at the end.

Peter Bilbe
Chairman