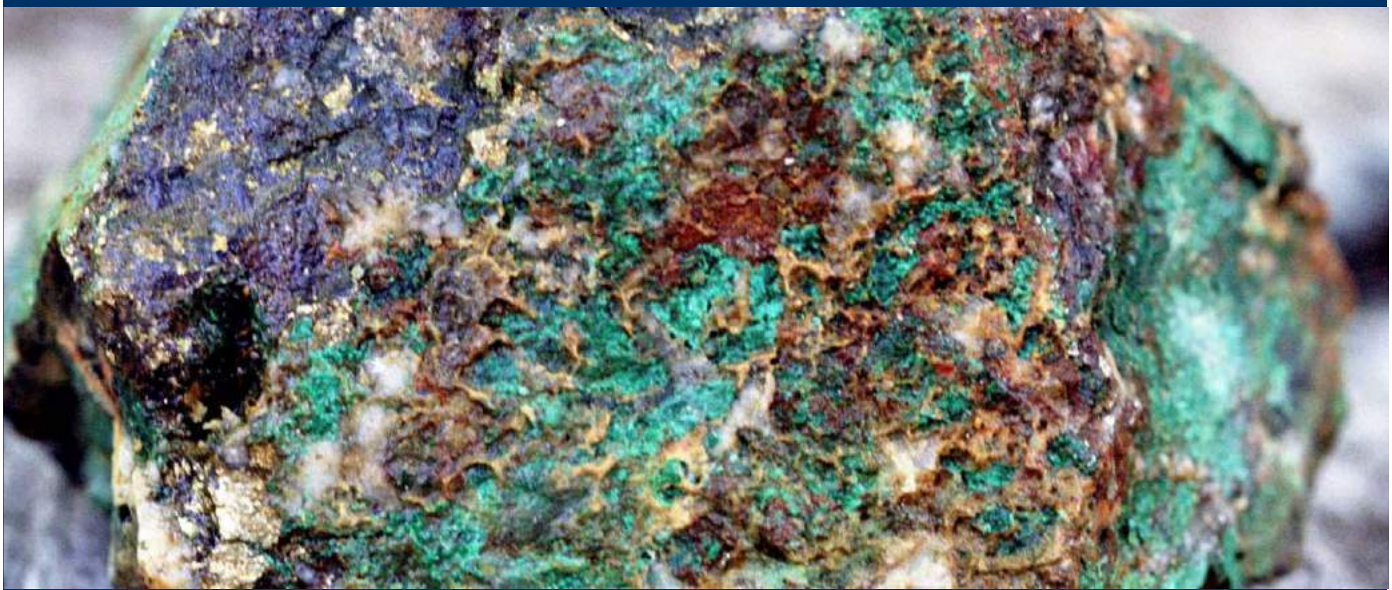
Kalimantan Gold Corporation Limited



AIM Admission Document

December 2006

Nomad

RFC Corporate Finance Ltd

Broker

KEITH BAYLEY Corporate Finance

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.
If you are in any doubt about the contents of this document, you should consult an independent professional adviser authorised under the Financial Services and Markets Act 2000 (the “FSMA”) who specialises in advising on the acquisition of shares and other securities.

Kalimantan Gold Corporation Limited

(Registered in Bermuda under the Bermuda Companies Act with Registration Number EC/23943)

Admission to trading on AIM

ISIN Code: CA4834061042

Nominated Adviser	Broker
RFC Corporate Finance Limited	**Keith, Bayley, Rogers & Co. Limited**

Issued Share Capital upon Admission:

57,925,784 issued common shares with a par value of US$0.01 each

IMPORTANT NOTICES

Application has been made for the Shares to be admitted to trading on the AIM market of the London Stock Exchange plc ("AIM"). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority.

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.

London Stock Exchange plc has not itself examined or approved the contents of this Admission Document.

This document is an Admission Document drawn up in accordance with the AIM Rules and has been issued in connection with the application for Admission.

It is expected that Admission will become effective and dealings in the Shares will commence on AIM on or about 13 December 2006.

Directors’ Declaration

The Directors of Kalimantan Gold Corporation Limited (“Kalimantan Gold” or the “Company”), whose names appear in the Corporate Directory of this Admission Document, and the Company accept responsibility for the information contained in this Admission 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 Admission Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Notice from Nominated Adviser and Broker

RFC Corporate Finance Limited (“RFC”) is the Company’s nominated adviser for the purpose of the AIM Rules. RFC’s 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 any other person. RFC will not be responsible to such persons for providing protections afforded to customers of RFC nor for advising them in relation to the arrangements described in this Admission Document.

Keith, Bayley, Rogers & Co. Limited (“Keith Bayley Rogers”) is the Company’s broker and is authorised and regulated by the Financial Services Authority. Keith Bayley Rogers is acting for the Company and no one else in connection with the proposed arrangements described in this Admission Document. It will not regard any other person as its customer nor be responsible to any other person for providing protections afforded to the clients of Keith Bayley Rogers nor for providing advice to any other person in connection with the arrangements described in this Admission Document.

Without limiting the statutory rights of any person to whom this Admission Document is issued, no representation or warranty, express or implied, is made by RFC or Keith Bayley Rogers as to the contents of this Admission Document and no liability is accepted by RFC or Keith Bayley Rogers for the accuracy or opinions contained in this Admission Document or for the omission of any material information from this Admission Document, for which the Company and the Directors, and, in respect of their reports contained in Parts C, D and E of this document, Steffen Robertson & Kirsten (Australasia) Pty Ltd, Ernst & Young LLP and Hadiputranto, Hadinoto & Partners respectively, are solely responsible.

Distribution Restrictions

The distribution of this Admission Document in jurisdictions other than the United Kingdom may be restricted by law, and therefore persons into whose possession this Admission Document comes should inform themselves about and observe any such restrictions.

The whole of this document should be read and your attention is drawn to the “Risk Factors” Section in Part B of this Admission Document.

Contents

Investment Summary

The following information should be read in conjunction with the full text of this Admission Document from which it is derived. Any capitalised terms have the meanings as defined on pages 6-7.

Overview	- Kalimantan Gold is a junior exploration company that is registered in Bermuda and whose Shares are currently listed on the TSX Venture Exchange. - The Company has interests in two mineral exploration projects located in Kalimantan, Indonesia: the KSK CoW Project and the Jelai-Mewet Project.
The KSK CoW Project	- The Company has a 75% interest in the **KSK CoW Project**, a Contract of Work providing exploration rights over 941km^2 in Central Kalimantan. - Exploration over many years has identified a series of porphyry copper-gold targets on the KSK CoW[1], with better drill intersections including 83m @ 2.6% copper, 1.9% zinc, 61gms Ag/t and 0.22gms Au/t (drilled down-dip in vein material from the Baroi Far East Zone prospect) and 167m @ 0.59% copper (from the Beruang Kanan prospect)[2]. - Systematic drilling is now required to gain a better structural understanding of the more advanced prospects and better test their resource potential[1]. - For this purpose, the Company entered into a heads of agreement with Oxiana in October 2006 to form an exploration joint venture for the KSK CoW Project. Subject to definitive documentation, Oxiana will initially fund a US$2.5 million data compilation and drilling program and will then have the right to earn up to a 66.67% interest in the Project by funding Pre-Feasibility and Bankable Feasibility Studies (which Oxiana estimate will cost approximately US$35 million).
Jelai-Mewet Project	- The Company has an effective 100% interest in the **Jelai-Mewet Project**, which consists of exploration rights covering 5,000 hectares in East Kalimantan (in the form of a general survey stage "KP" authorisation granted to a domestic Indonesian partner of Kalimantan Gold in August 2006). - Work by previous explorers, including by Indochina Goldfields Ltd (now Ivanhoe Mines Ltd) in the late 1990's, identified an extensive system of epithermal gold-silver vein prospects in the Jelai-Mewet Project area[1]. - Only a small portion of the strike length of the identified vein systems has been drill tested[1] and the Company intends to conduct a 4,000 metre drilling programme during the first half of 2007 to further test the field's potential.
Corporate	- The Company also intends to leverage off the expertise and industry network of the Company's Directors and management to pursue new project opportunities in Kalimantan. - The Board and management of the Company are fully committed to the Company's activities in Kalimantan being conducted in a socially and environmentally responsible manner. To this end, the Company has already established a community development foundation in central Kalimantan. - The Company completed a Cdn$2.65 million private placement in August 2006, fully funding its current proposed activities through to the end of 2007. - The Company has a current market capitalisation of approximately £9.7 million based on the recent price of its Shares on the TSX Venture Exchange.

There are significant risks associated with minerals exploration and with investment in securities in general. Your attention is drawn to the Risk Factors set out in Part B of this Admission Document.

1. *As extracted from the Summary Section of SRK's Competent Persons Report in Part C of this Admission Document.*
2. *As extracted from Section 9.1.1 of SRK's Competent Persons Report in Part C of this Admission Document.*

Admission Statistics and Expected Timetable

Admission Statistics

Number of Shares in issue on Admission (undiluted)	57,925,784
Market capitalisation on Admission (undiluted, at the last sale price on TSXV of Cdn$0.35)	£9.7 million
Number of Shares in issue on Admission (fully diluted basis)	76,557,801

Note: the fully diluted share capital figure above is calculated on the basis that all of the Company's outstanding Warrants and Options, as set out in the table in Section 10 of Part A of this Admission Document, are exercised.

Expected Timetable

Date of publication of Admission Document	7 December 2006
Dealing of the Shares to commence on AIM	13 December 2006

Exchange Rate

Exchange rates of US$1.00 = C$1.11 = £0.53 = A$0.75 = Indonesian Rp9100 (being the approximate market rates as at 5 December 2006) have been used throughout this document with the exception of Parts C, D and E of this Admission Document.

Corporate Directory

Directors	Mr Murray Clapham *(Non-Executive Chairman)* Mr Rahman Connelly *(Chief Executive Officer & Deputy Chairman)* Mrs Doris Meyer *(Director and Chief Financial Officer)* Mr Peter Bojtos *(Non-Executive Director)*	
Other Senior Executives	Mansur Geiger *(Vice President, Exploration)* Bardolf Paul *(Manager, Community Relations)*	
Secretary	Geraldine Burnett	
Registered Office & Principal Share Register	Thistle House 4 Burnaby Street, 5th Floor Hamilton HM12 Bermuda	
Executive Offices	*Corporate Office in Canada* Unit 1, 15782 Marine Drive White Rock, British Columbia Canada V4B 1E6 Ph: +1 604 536 2711	*Exploration Office in Indonesia* Jl Teuku Umar 32A Palangkaraya Kalimantan Tengah 73112 Indonesia
Website	www.kalimantan.com	
Nominated Adviser	RFC Corporate Finance Limited Level 8, QV1 Building 250 St Georges Terrace Perth WA 6000, Australia Ph: +618 9480 2500	*and* Level 14 19-31 Pitt Street Sydney NSW 2000 Australia
Broker	Keith, Bayley, Rogers & Co. Limited Sophia House 76-80 City Road London EC1Y2EQ United Kingdom	
Competent Person	SRK Consulting Level 6, 44 Market Street Sydney NSW 2000 Australia	
Auditor and Reporting Accountant	Ernst & Young LLP Pacific Centre, PO Box 10101 700 West Georgia Street Vancouver, British Columbia Canada V7Y 1C7	
Solicitors to the Company	*In Canada* Axium Law Corporation 3350 - Four Bentall Centre 1055 Dunsmuir Street Vancouver, British Columbia Canada V7X 1L2	*In Indonesia (regarding Titles)* Hadiputranto, Hadinoto & Partners Tower II, 21st Floor Sudirman Central Business District Jl. Jendral Sudirman Kav 52-53 Jakarta 12190, Indonesia
	In the UK Charles Russell LLP 8-10 New Fetter Lane London EC4A 1RS United Kingdom	*In Bermuda* Mello Jones & Martin Thistle House 4 Burnaby Street Hamilton HM FX, Bermuda
Share Registrars	*In the UK (Depository Interests)* Computershare Investor Services Plc The Pavilions Bridgwater Road Bristol BS99 7NH, United Kingdom	*In Canada (Branch Register)* Pacific Corporate Trust Company 2nd Floor 510 Burrand Street Vancouver, BC V6C 3B9, Canada

Definitions

The following definitions apply throughout this Admission Document, unless the context requires otherwise.

Admission	the admission of the Shares to trading on AIM becoming effective in accordance with the AIM Rules
Admission Document	this admission document issued by the Company
AIM	the AIM market of the London Stock Exchange
AIM Rules	the rules governing the operation of AIM as published by the London Stock Exchange from time to time
Bankable Feasibility Study	a comprehensive study of the preferred option from a Pre-feasibility Study including the technical and financial aspects of developing and operating a mine in respect of the relevant deposit(s), of a standard customarily required by international financial institutions to make a decision relating to the lending of funds for the development
Bermuda Companies Act	the Companies Act, 1981, of Bermuda (as amended) and related Bermudian company regulations (as relevant)
Board or **Directors**	the Board of Directors of the Company unless the context indicates otherwise
Broker	the Company's broker as defined in the AIM Rules (being Keith Bayley Rogers)
Cdn$** or **C$	Canadian currency
City Code	the UK City Code on Takeovers and Mergers
Companies Act or **the Act**	the Companies Act 1985 (England and Wales) (as amended)
Company or **Kalimantan Gold**	Kalimantan Gold Corporation Limited, a company incorporated in Bermuda, and where the context permits, its subsidiaries
Competent Persons Report	the competent persons report by SRK Consulting contained in Part C of this Admission Document
CoW or **Contract of Work**	a Contract of Work, a form of mineral title in Indonesia as described in the Indonesian legal report by HHP in Part E of this Admission Document
CREST	the computerised system for trading securities in uncertificated form in the UK operated by CRESTCo Limited
Depository Interests	the uncertificated interests representing Shares to be electronically listed for trading on AIM and issued through the Company's UK registrar
Director	a director of the Company
GBP or **£** or **pence** or **p**	UK currency
Group	the Company and its subsidiaries
HHP	Hadiputranto, Hadinoto & Partners, the Company's Indonesian legal advisors, whose Indonesian legal report is contained in Part E of this Admission Document
Indokal	Indokal Limited, a company incorporated in Hong Kong and a wholly owned subsidiary of Kalimantan Gold
JCM	PT Jelai Cahaya Minerals, a company incorporated in Indonesia that holds the Jelai-Mewet KP
Jelai-Mewet KP	the General Survey stage KP held by JCM and covering around 5,000 hectares in northeastern Kalimantan, as described in HHP's Indonesian legal report in Part E of this Admission Document
Jelai-Mewet or **Jelai-Mewet Project**	the project to explore for gold-silver mineralisation on the Jelai-Mewet KP

Keith Bayley Rogers	Keith, Bayley, Rogers & Co. Limited, a company incorporated in the UK
KIC	Kalimantan Investment Corporation, a company incorporated in the British Virgin Islands
KSK	PT Kalimantan Surya Kencana, a company incorporated in Indonesia
KSK CoW	the CoW in central Kalimantan held by KSK, the terms and conditions of which are set out in HHP's Indonesian legal report in Part E of this Admission Document
KSK CoW Project	the project to explore for copper-gold and related mineralisation on the KSK CoW
KP	a Kuasa Pertambangan, a type of mineral title in Indonesia as described in HHP's Indonesian legal report in Part E of this Admission Document
London Stock Exchange or **LSE**	London Stock Exchange plc
Nomad or **Nominated Adviser**	nominated adviser as defined in the AIM Rules (being RFC)
Option(s)	options to subscribe for Shares
Option Holder(s)	a holder of any Options
Oxiana	Oxiana Exploration Pty Ltd, an Australian incorporated company and wholly owned subsidiary of Oxiana Limited, a company listed on the Australian Stock Exchange
Oxiana Heads of Agreement	the heads of agreement between the Company and Oxiana dated 5 October 2006 and described in Section 4 of Part A and Section 9 of Part F of this Admission Document
PCK	PT Pancaran Cahaya Kahayan, a company incorporated in Indonesia
Pre-Feasibility Study	a study on alternatives for the development of a mining operation in respect of a defined mineral deposit(s) that is in sufficient detail to determine the technical and financial viability of each alternative
Project or **Projects**	either or both of the KSK CoW Project or the Jelai-Mewet Project, as the context demands
RFC	RFC Corporate Finance Limited, a company incorporated in Australia
Shareholder(s)	holder(s) of Shares
Share(s) or **Common Share(s)**	fully paid common shares of US$0.01 par value in the capital of the Company
SRK Consulting or **SRK**	Steffen Robertson and Kirsten (Australasia) Pty Ltd, trading as SRK Consulting, a company incorporated in Australia, whose Competent Person's Report is contained in Part C of this Admission Document
TSX Venture Exchange or **TSXV**	A stock exchange in Canada operated by TSX Group Inc.
USD or **US$** or **$** or **cents**	United States currency
UK	the United Kingdom of Great Britain and Northern Ireland
Warrant(s)	warrants to subscribe for Shares
Warrant Holder(s)	a holder of any Warrants
YTS	Yayasan Tambuhak Sinta, the Upper Kahayan community development foundation established by KSK

Glossary of Selected Technical Terms

A detailed glossary of selected technical terms (as used throughout this document) is provided in SRK's report in Part C of this Admission Document.

Part A - Information on the Group

1 Introduction and History

Kalimantan Gold was effectively formed through a corporate reorganisation in 1996 and 1997 that, coupled with various agreements entered into in 1997 and 1998, resulted in it becoming a Bermuda registered and Canadian listed company with its main asset being a 75% interest in the **KSK CoW Project**. The KSK CoW Project is a porphyry copper-gold exploration project in Central Kalimantan that has been the primary focus of the Company since that time.

In August 2006 (following preliminary investigations since 2004), the Company acquired an effective 100% interest in the **Jelai-Mewet Project**, an epithermal gold-silver exploration project in East Kalimantan. In October 2006, the Company then entered into a joint venture heads of agreement with Oxiana in relation to the KSK CoW Project which remains subject to definitive documentation and under which Oxiana can earn up to a 66.67% interest in the KSK CoW Project by funding a significant exploration and feasibility program.

Figure 1: Map showing location of the KSK CoW and Jelai-Mewet Projects in Kalimantan, Indonesia

2 Corporate Structure

Kalimantan Gold's current corporate structure, indicating the structures through which it holds its interests in the KSK CoW and Jelai-Mewet Projects, is set out in the diagram below.

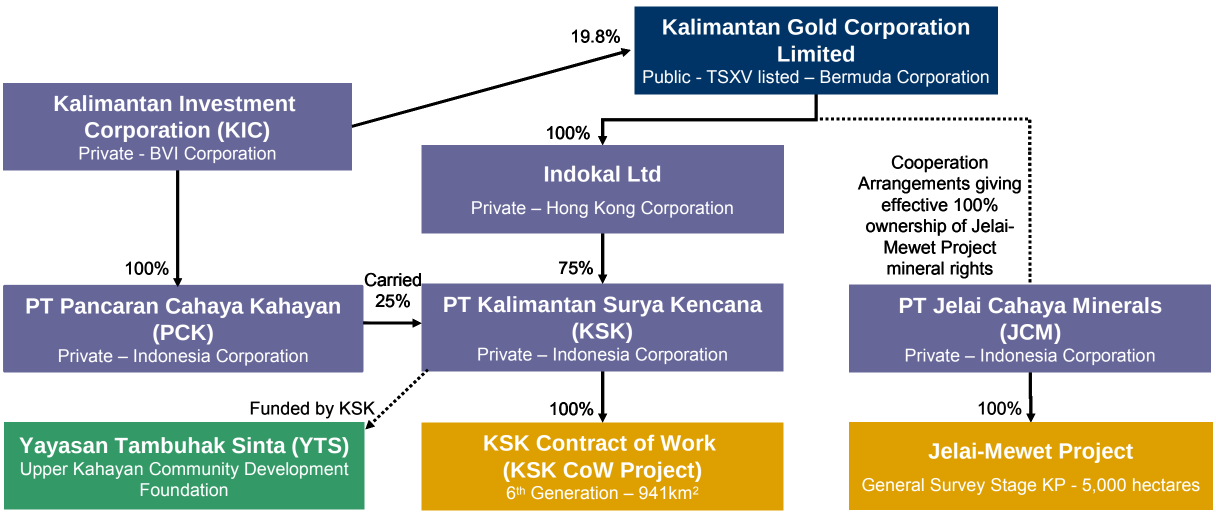


Figure 2: Current corporate structure diagram for the Group

The ownership structure of the KSK CoW Project may potentially change pursuant to the Oxiana Heads of Agreement or pursuant to community development activities, details of which are set out in Sections 4 and 6 of this Part A respectively.

It should also be noted that under the Oxiana Heads of Agreement (which is subject to definitive documentation), in order to help facilitate the proposed earn-in by Oxiana into the Project, the Company is to use its reasonable commercial endeavours to negotiate with KIC a restructuring of the ownership of the KSK CoW Project that would preferably involve KGC becoming the sole shareholder of PCK through Indokal. Any such restructure arrangements will be subject to related party disclosure rules both in respect of AIM and the TSXV.

3 Overview of Indonesia and Kalimantan

Indonesia is an archipelago of more than 17,000 islands straddling the equator in south east Asia. Kalimantan is the Indonesian part of the island of Borneo *(see Figure 1)*, which is centrally located within the archipelago. Kalimantan comprises approximately two-thirds of the island, with an area of about 540,000km^2. The other part of Borneo, being on the north coast, is divided into the Sultanate of Brunei and the Malaysian states of Sabah and Sarawak.

Indonesia is a developing Asian nation with an estimated population of 245 million people, who are predominantly muslim, and estimated GDP per capita of US$3,600. Indonesia is a republic with a democratically elected President, currently Susilo Bambang Yudhoyono (since October 2004), who is both chief of state and head of government. The country is divided into 30 provinces and 440 districts or regencies, which following the decentralisation in 2001, have become the key administrative units responsible for providing most government services.

Indonesia has a significant minerals industry, with numerous foreign and domestic companies conducting active mining operations and exploration projects. Notable existing operations include Freeport-McMoRan Copper & Gold Inc's Grasberg copper-gold operation, Newmont Mining Corporation's Batu Hijau copper-gold operation, PT Inco's nickel operations, the tin mining operations in Sumatra and substantial coal mining operations in Sumatra and Kalimantan. Also in Kalimantan are the Mt Muro gold operation of Straits Resources Ltd, the Cempaka alluvial diamond operation of BDI Mining Corporation and Rio Tinto's Kelian gold operation, which is currently in closure mode.

As described in Section 6.1 and the Summary Section of the Competent Persons Report by SRK in Part C of this Admission Document, both the KSK CoW and Jelai-Mewet Projects are located in the "Kalimantan Arc", a broad magmatic arc that curves from the west coast, through the middle and then to the north east coast of Kalimantan which also hosts the Mt Muro and Kelian deposits. The Kalimantan Arc is a geologically complex area where the formation of a plate suture (join) and associated deep heat source resulted in volcanic activity and the emplacement of magmatic (melted) rock into the middle and upper crust at the suture.

A summary of the mining laws of Indonesia are set out in the Indonesian legal report by HHP that is contained in Part E of this Admission Document.

4 The KSK CoW Project

A summary of the KSK CoW Project is provided below. This summary should be read in conjunction with the more comprehensive details on the Project's technical aspects and legal tenure as set out in SRK's Competent Person's Report in Part C and HHP's Indonesian legal report in Part E of this Admission Document respectively.

Introduction and Ownership Structure

The KSK CoW is a 6th generation Contract of Work between KSK and the Government of Indonesia providing exploration and potential mining rights over a 941km^2 area in Central Kalimantan. As set out in *Figure 2*, the Company has a 75% interest in the Project by virtue of the 75% shareholding in KSK that is held by the Company's 100% owned subsidiary, Indokal. The other 25% of KSK is held by PCK, a subsidiary of KIC.

Subject to the recent Oxiana Heads of Agreement described below, the Company has been funding all activities on the KSK CoW Project pursuant to a joint venture agreement between Indokal, KSK and PCK whereby:

- 10% of the shares held by PCK in KSK (ie 2.5% of the KSK issued shares) are funded on a free-carried basis by Indokal up until commencement of production, and any such advances made by Indokal pursuant to such free carry shall not be repayable to Indokal; and
- the remaining 90% of the shares held by PCK in KSK (ie currently 22.5% of the KSK issued shares) are funded by Indokal on an interest free basis up until the commencement of production, but will be subject to an interest rate of 2% above LIBOR (the London Interbank Offer Rate) from the commencement of

production until the outstanding balance is repaid. Such loans are to be repaid to Indokal out of dividends which would otherwise be payable by KSK to PCK.

It should also be noted, that under this joint venture agreement, PCK, Indokal and KSK agreed that at their discretion they will transfer in proportion to their respective holdings at the time of transfer 1% of the issued shares of KSK to a community development foundation (being YTS) at zero value at the commencement of commercial production, and a further 1% at par value (being Rp 2,415 per share) ten years after commencement of commercial production.

Contract of Work (Title) Status

The KSK CoW was initially entered into in April 1997 and it is currently within what is designated as the "Exploration" period. KSK applied for a second mandatory relinquishment to the KSK CoW area on 15 May 2006, reducing the size of the KSK CoW from 121,620 hectares to 94,119 hectares. The Minister of Energy and Mineral Resources of Indonesia ("MEMR") has not yet approved this relinquishment but as it is mandatory the Directors consider that it is certain. The Exploration period for 60,949 hectares of the KSK CoW ("Block B"), is currently due to expire on 27 April 2007 subject to any extension or suspension of the period as may be agreed to by.the MEMR. Two 12 month extensions are possible. The other 33,170 hectares of the KSK CoW ("Block A") is in a state of suspension (that was to expire on 27 August 2006) at the beginning of a first such agreed extension of the Exploration period. KSK has submitted a request to extend this suspension period from 27 August 2006 and for this suspension to apply to the entire CoW (ie both Blocks A and B), but the MEMR has not as at the date of this report provided a response.

At any time that KSK determines that the results of exploration in respect of a particular part of the CoW area has shown a deposit of an apparent commercial quantity and quality, KSK may proceed into a 12 month "Feasibility Study" period in respect of that area (subject to a possible 12 month extension). This is then followed by a 36 month "Construction" period and 30 year "Operating" period. All such time periods are also subject to discretionary extensions from the MEMR.

Part of the KSK CoW falls within what are designated as "Protected Forest" areas in which open cut mining is ordinarily not allowed. Whilst certain Indonesian legislation suggests that because the KSK CoW was granted before the Protected Forest legislation was enacted then KSK will be able to conduct open cut mining operations in accordance with its CoW within these areas, this remains an area of legal uncertainty and KSK will likely require a Presidential Decree (along the lines of ones already given to some other companies) specifically authorising any such open cut mining.

Further details on the terms and conditions of the KSK CoW, the KSK joint venture agreement, the Protected Forest restrictions and other relevant Indonesian legal matters are contained in HHP's Indonesian legal report in Part E of this Admission Document as well as in the risks section in Part B of this Admission Document.

Exploration History and Geology

A large amount of exploration work over many years by KSK and its predecessors has identified a series of porphyry intrusive and other intrusive-related copper-gold (with silver & molybdenum) prospects within the KSK CoW area. The most advanced prospect areas are at Baroi, Beruang and Mansur, where the mineralisation shows similarities with that which occurs in similar arc-related settings in Indonesia and the south-west Pacific which are known to host economically significant copper deposits.

In total, historical exploration on the KSK CoW to date has included over 20,000 metres of drilling, over 190 line kilometres of induced polarisation and magnetic surveys, over 9,000 samples and over 8,000 line kilometres of aeromagnetic surveys. The better drill intersections including 83m @ 2.6% copper, 1.9% zinc, 61gms Ag/t and 0.22gms Au/t (drilled down dip in a vein at the Baroi Far East Zone prospect) and 167m @ 0.59% copper (in a zone of narrow vein and disseminated mineralisation at the Beruang Kanan prospect and therefore also not necessarily the true width of the structure being tested).

Systematic drilling is now required to gain a better structural understanding of the more advanced prospects and better test their resource potential.

The above details are extracted from the KSK CoW Project Summary section and the drilling results section (being section 9.1.1) in the Competent Persons Report prepared by SRK that is contained in Part C of this Admission Document. Further details on the exploration results and technical aspects of the KSK CoW Project are contained in the SRK report.

The Oxiana Heads of Agreement

The Company entered into a heads of agreement with Oxiana in October 2006 to form an exploration joint venture for the KSK CoW Project. Oxiana is a resources company listed on the Australian Stock Exchange and the Toronto Stock Exchange with a current market capitalisation of approximately A$4.3 billion. Oxiana owns and operates the Sepon copper and gold mining operations in Laos, the Golden Grove copper-zinc-gold mining operation in Western Australia and several other exploration and development projects in south east Asia and Australia. Pursuant to the Oxiana Heads of Agreement, which remains subject to definitive documentation:

- In the "Initial Period" – Oxiana is obligated to sole fund a US$2.5 million exploration program consisting of a full data compilation, review, reprocessing and assessment followed by a drilling program to test the prioritised targets. The drill program is expected to include drilling 12 deep holes at the Baroi, Beruang and Mansur prospects. Oxiana will endeavour to complete the program within 12 months, but will have a maximum of 18 months to do so. If Oxiana decided to withdraw at the end of the Initial Period, it will have earned no interest in the KSK CoW Project.
- After the Initial Period, Oxiana can elect to continue into a "Sole Funding Period". If so, it will sole fund expenditure to earn up to a total interest of 66.67% in the Project, with the following milestones:
  - 40% equity at the completion of a Pre-Feasibility Study, which Oxiana will use reasonable endeavours to complete within 30 months from commencement of the joint venture but for which it will have a maximum of 42 months to do so.
  - 66.67% equity at the completion of a Bankable Feasibility Study, which it will use reasonable endeavours to complete within 48 months of commencement of the joint venture, but for which it will have a maximum of 60 months to do so.
- Oxiana may withdraw at any time during the Sole Funding Period, and Kalimantan Gold will have an option to acquire the interest of Oxiana at the time of withdrawal.
- After completion of the Bankable Feasibility Study, both parties will contribute to future expenditures in accordance with their percentage interests (or otherwise have their interest diluted), and if the Company requests, Oxiana will use its best endeavours to arrange the Company's share of project financing. If possible, such financing will be on a non-recourse basis, provided that Oxiana will not provide any security to support such financing.
- As discussed in Section 2 of this Part A above, to help facilitate the proposed earn-in of Oxiana into the Project, the Company and Oxiana will seek to negotiate with KIC a restructure of the current ownership structure of PCK and KSK.

The formal documentation is currently being drafted and the Company expects this to be agreed and signed before the end of 2006.

Further details on the Oxiana Heads of Agreement are set out in Section 9 of Part F of this Admission Document.

5 The Jelai-Mewet Project

A summary of the Jelai-Mewet Project is provided below. This summary should be read in conjunction with the more comprehensive details on the Project's technical aspects and legal tenure as set out in SRK's Competent Person's Report in Part C and HHP's Indonesian legal report in Part E of this Admission Document respectively.

Ownership Structure and Title

The Company has an effective 100% interest in the Jelai-Mewet Project, which consists of exploration rights covering 5,000 hectares in the province of East Kalimantan. As set out in *Figure 2* earlier, these rights are held in the form of a "General Survey" stage "KP" authorisation granted to JCM, a domestic Indonesian company with whom the Company has entered into cooperation agreements which effectively give the Company full mining rights to the Project area.

The Jelai-Mewet General Survey stage KP was formally granted to JCM 28 August 2006 based on a Decree of the Bupati of the Regency of Bulungan in the province of East Kalimantan. The KP is valid until 28 August 2007, but may be extended for a further year at the discretion of the Bupati. Permissible General Survey stage activities consist of preliminary investigations and exploration, including shallow drilling and surface sampling, carried out along the broad features of an area for indications of mineralization.

Prior to expiry, JCM can apply for an Exploration KP, which is granted for a maximum of 3 years, and is capable of being extended twice, each for a period of one year. An Exploitation KP can subsequently be applied for and is granted for up to 30 years, and may be extended for further 10-year terms. The Company (through JCM) intends to apply for an Exploration KP within the next 6 months.

Further details on the terms and conditions of the Jelai-Mewet KP and Cooperation Arrangements with JCM are contained in HHP's Indonesian legal report in Part E of this Admission Document.

Geology and Exploration History

The Jelai-Mewet Project is located at the north-eastern end of the Kalimantan Arc in a regional rift basin setting that contains a regionally extensive system of epithermal vein hosted gold-silver and basement sediment-hosted copper deposits.

The significant exploration undertaken to date has been done by Bureau de Recherches Geologiques et Minieres from 1979 to 1982 and PT Mascan Mas Minerindo in joint venture with Indochina Gold Fields of Canada ("Indochina" – now Ivanhoe Mines Ltd) from 1994 to 2000. This work included regional surveys which resulted in identification of a number of target areas within the Jelai-Mewet KP area of which Jelai-Mewet in particular was trenched and drill tested by Indochina.

High gold grades were returned from quartz veins drilled by Indochina with the geology consistent with low-sulphidation epithermal gold-silver mineralization. Although no mineral resource has been defined at Jelai-Mewet, the exploration completed established the field as one that has strong exploration potential. However, further work is required to identify the areas where the veins are extensive enough to form a recoverable deposit. SRK considers that this will be where the veining is related to a major fault system.

The above details are extracted from the Jelai-Mewet Project Summary section in the Competent Persons Report prepared by SRK which is contained in Part C of this Admission Document. Further details on the exploration results and technical aspects of the Jelai-Mewet Project are contained in the SRK report.

Proposed Work Program

Only a small portion of the strike length of the identified vein systems has been drill tested and the Company intends to conduct a 4,000 metre drilling programme, together with further data compilation and review, trenching, sampling and mapping, during the first half of 2007 to further test the field's potential. The proposed drilling programme is for 32 inclined holes to around 150m depth in the portions of the identified vein systems at Jelai-Mewet that are judged to have the most favourable geometry and structural setting for higher grade and volume mineralisation. The Directors expect that the results from this programme would enable a more detailed drill programme to be planned that would lead toward establishing a resource.

6 Community Development Activities

The Board and management of the Company are fully committed to the Company's activities in Kalimantan being conducted in a socially and environmentally responsible manner, and to ensuring it has full and honest communication with the other stakeholders in the region.

Pursuant to this commitment, the Company established a central Kalimantan community development foundation, Yayasan Tambuhak Sinta ("YTS") in 1997. YTS is substantially funded by KSK with minor funding received from aid agencies, both local and international. The mission of YTS is to strengthen governance conditions to the KSK CoW exploration area and in Central Kalimantan province in general, in order to ensure good conditions for the smooth development of a major mine

YTS's purposes include:

- promoting the maintenance, education and welfare of the people of the region;
- promoting the ecological protection of the region; and
- promoting the establishment and development of sustainable business in the region.

The activities of YTS are designed to provide a deeper level of understanding of the social, cultural, economic and ecological dynamics in each community and to strengthen the capacity of villagers and village institutions to appropriately adjust and benefit from the impact that future mining development might have on the social, economic and cultural integrity of the community. Specific activities being undertaken by YTS include:

- facilitating participatory village planning that results in an annual "Village Development Plan";
- linking the Village Development Plan into the government annual planning mechanism;
- the provision of a "Village Development Fund" for supporting livelihood activities in the Village Development Plan;
- provision of technical expertise to support improvement of livelihood activities in the villages;
- linking villages to outside resources to support other elements in the Village Development Plan, such as hydraulic rams to provide clean water in the villages;

- together with the United Nations Conference on Trade and Development (UNCTAD), promoting and facilitating a cross-sectoral, multi-stakeholder and integrated approach to planning and implementing development in the province, in a partnership of government, business, communities and donors;
- Kalimantan Kids Club which which helps provide continuing education to high school and university to the children of poor local Dayak villagers. To date, more than 50 young people have received scholarships in the form of subsidized school fees, supplies, and living expenses to continue their education to higher levels;
- participation in the World Wildlife Fund's 'Heart of Borneo' conservation initiative and collaboration with The Nature Conservancy in a scoping study of 'high conservation value forestry' in our CoW; and
- collaboration with the United Nations Industrial Development Organisation (UNIDO) on implementing the Global Mercury Project, which is aimed at reducing unsafe mercury handling practices in small scale gold mining worldwide.

7 Prospects, Future Strategy and Objectives

The primary objective of Kalimantan Gold is to create value for its shareholders through the exploration and ultimately the responsible development of its mineral projects. The Company aims to achieve this goal through:

- formalising the joint venture arrangement with Oxiana for advancing exploration of the KSK CoW Project by systematically drill testing the priority targets with the aim of delineating a commercially minable resource;
- completing drilling and other exploration work at the Jelai-Mewet Project with the aim of delineating an initial resource as a precursor to feasibility studies, and also conducting preliminary exploration to assess other prospects within the broader Jelai-Mewet KP area;
- the considered selection of new project opportunities in Kalimantan, leveraging off the expertise and established industry network of the Company's Directors and management; and
- continuing its community development initiatives in Kalimantan.

8 Reasons for the AIM Listing

The Directors consider that the Admission to AIM will provide the means to broaden the Company's investor base, provide additional liquidity for trading shares in the Company and enhance the profile and status of the Company in international capital markets. The Directors believe this will improve the Group's ability to attract funding to advance the exploration and development of its existing projects and pursue other mineral project opportunities.

9 Use of Funds

A summary of the proposed application of the Company's cash assets is set out in the table below. The expenditure breakdown is based on the current intentions and estimates of the Company and is subject to reassessment.

	US$ millions
Funding Sources	
Approximate cash balance as at 31 October 2006	2.2
Total Funds Available	**2.2**
Use of Funds	
Jelai-Mewet Project exploration program	0.8
Funding for YTS community development activities	0.2
Residual KSK and other Indonesian expenditure	0.2
Corporate and administration costs until 31 December 2007	0.6
AIM Admission costs	0.3
Unallocated working capital	0.1
Total Funds Used	**2.2**

Notes in relation to the above forecast expenditures are as follows:

- It is assumed that pursuant to the Oxiana Heads of agreement, Oxiana will sole fund the KSK CoW exploration program over the next 12 to 18 months and also make a contribution of US$20,000 per month to the overheads of KSK during this period.
- The Company will continue to provide funding to YTS for community development activities during the 12 to 18 month period of Oxiana's initial exploration program.
- The proposed 4,000m drilling program at Jelai-Mewet Project is conducted and the results reviewed before further significant drilling and other exploration is undertaken. Should the results warrant further drilling, the Company may seek to raise further funding to cover the cost of any such program.
- Corporate and administration costs include an allowance for additional ongoing costs related to Admission.
- It is assumed that no Options or Warrants in the Company are exercised before the end of 2007.

10 Summary Capital Structure

On Admission, Kalimantan Gold's capital structure is expected to be as follows:

Type of Security	Exercise Price	Expiry Date	Number
Common Shares			
Existing Shares in issue	-	-	57,925,784
Total Shares in issue following Admission	-	-	**57,925,784**
Unlisted Warrants			
Warrants issued as part of August 2006 private placement	Cdn$0.30	16 August 2008	13,270,890
Broker Warrants issued as part of August 2006 private placement	Cdn$0.23	16 August 2008	398,127
Warrants to be granted to RFC on Admission	Cdn$0.27	13 December 2008	650,000
Total Warrants in issue following Admission			**14,319,017**
Unlisted Options			
Employee & Director Options	US$0.11	21 August 2007	281,000
Employee & Director Options	Cdn$0.33	28 November 2008	415,000
Employee & Director Options	Cdn$0.43	28 November 2008	65,000
Employee & Director Options	Cdn$0.55	29 March 2009	1,000,000
Employee & Director Options	Cdn$0.20	15 September 2009	1,070,000
Employee & Director Options	Cdn$0.25	1 June 2011	27,000
Employee & Director Options	Cdn$0.20	8 August 2011	1,455,000
Total Options in issue following Admission			**4,313,000**
Fully diluted share capital			**76,557,801**

A further 425,000 Shares may potentially be issued immediately after Admission to RFC as part payment in lieu of cash for its services as Nomad. However, this is at the discretion of the Company.

KIC also holds a contingent option to acquire 1 million Shares at US$1.30 per share exercisable for two years after the date that 1 million ounces of proven and probable gold reserves have been delineated on the KSK CoW.

Each Option and each Warrant entitles the holder to subscribe for one Share. If all of the Options and Warrants expected to be in issue at the date of Admission were exercised this would result in the issue of an additional 18,632,017 Shares with total exercise proceeds received of approximately Cdn$5.5 million (US$5.0 million).

Further information about the terms, conditions, rights and liabilities attaching to the Shares, Warrants and Options is provided in Part F of this Admission Document.

Shareholders of Kalimantan Gold

To the best of the knowledge of the Directors, Shareholders that will have an interest, directly or indirectly, jointly or severally, in 3% or more of the share capital of Kalimantan Gold or who may exercise control over the Company as at 5 December 2006 (being the last practicable date before the issue of this Admission Document) and also following Admission, are as follows:

Beneficial Shareholder	Interest in issued Shares	Undiluted interest (%)	Interest in Warrants and Options	Fully Diluted Interest in Shares	Diluted interest (%)
Kalimantan Investment Corporation (KIC)	11,488,789	19.8%	-	11,488,789	15.0%
Murray Clapham*	3,109,895	5.4%	470,000	3,579,895	4.7%
Resources Investment Trust Plc	3,000,000	5.2%	3,000,000	6,000,000	7.8%
RAB Capital plc	2,500,000	4.3%	2,500,000	5,000,000	6.5%
Rahman Connelly*	2,368,790	4.1%	635,000	3,003,790	3.9%

* In addition, Murray Clapham and Rahman Connelly are both directors of KIC and shareholders in KIC, holding approximately 2.5% and 4.7% of KIC's issued capital respectively. Further details on KIC are contained in Section 8(a)(i) of Part F of this Admission Document.

11 Financial Information

Key financial information of Kalimantan Gold is provided in Part D of this Admission Document, which contains three year financial information ending 31 December 2005 as well as Ernst & Young LLP's accountant's report on it and the Company's 30 June 2006 unaudited interim financial statements.. It should be noted that, as the Group does not currently conduct any production activities, it does not currently generate any operating revenue.

The Company had a cash balance of approximately Cdn$2.4 million at 31 October 2006, with a private placement completed in August 2006 of 13,270,890 Shares at Cdn$0.20 each, each with an attached Cdn$0.30 Warrant expiring 16 August 2008, that raised gross proceeds of Cdn$2.65 million.

12 Dividend Policy

The Directors anticipate that in the two year period following Admission the Company's activities and expenditure will be focussed on the evaluation, exploration and possible development of its mineral properties. Accordingly, the Company does not expect to derive any earnings or declare any dividends during that period. Thereafter it is the Director's intention to pay dividends if and when profit, available cash flow and capital requirements allow.

13 Directors and Senior Management

Kalimantan Gold's Board of Directors is comprised of two non-executive Directors and two executive Directors, who between them have a mix of legal, technical, financial, commercial and Indonesian expertise that it considers is appropriate for the current business activities of the Company.

Brief biographies for the Directors are set out below.

Mr Murray Hallen Clapham (aged 67) LLB
Director, Non-Executive Chairman

A lawyer who was a resident of Indonesia since the early 1960's and is now a resident of Singapore, Murray Clapham has represented many international companies in Indonesia and was one of the driving forces behind establishing modern mineral exploration in Indonesia. Mr Clapham has been a Director of the Company since 3 May 1996 and also works as a consultant to the Airtrust Group of Companies and is a director of KIC, a significant shareholder of Kalimantan Gold.

Mr Rahman Connelly (aged 56)
Executive Director, Chief Executive Officer and Deputy Chairman

Rahman Connelly was the founding director of Connelly Temple, a major Australian pension fund management company which was sold to Royal Sun Alliance in 1997. Mr Connelly also has a range of other business interests in the financial sector. Mr Connelly has been a Director of the Company since 16 October 2000, is also Chairman of KIC and is a resident of Australia.

Mrs Doris Aileen Meyer (aged 54) C.G.A.
Director and Chief Financial Officer

Doris Meyer has been involved with the Company since 1997 initially as Corporate Secretary, then Chief Financial Officer, becoming a director on 7 June 2000. Mrs Meyer, who has extensive experience in the mining industry, is a Member of the Associations of the Certified General Accountants of British Columbia and Canada. Mrs Meyer is the President and owner of Golden Oak Corporate Services Ltd, a private company that provides corporate administrative services to public mining companies. Mrs Meyer is a resident of Canada.

Mr Peter Bojtos (aged 57) BSc, PEng, CEng
Non-Executive Director

Peter Bojtos is a professional engineer with over 34 years of international experience in the mining industry. He has an extensive background in corporate management as well as in many facets of the industry in senior technical and management roles - from exploration through feasibility to mine construction, operation and decommissioning. For the past 10 years Mr Bojtos has been an independent director of several mining and exploration companies including, William Resources Inc., Birim Goldfields Inc., Queenstake Resources Ltd, Vaaldiam Resources Ltd, Falkland Gold and Minerals Ltd and Desert Sun Mining Corporation. Mr Bojtos has been a Director of the Company since 11 June 2002 and is a resident of the USA.

Senior Management

Mr Mansur Geiger
Vice President, Exploration

Mansur Geiger has over 30 years mineral exploration experience in Australia and Indonesia. Mr Geiger is fluent in the Indonesian language and customs. He has worked on the KSK CoW Project from its inception in 1982 and it is reasonable to say that he has committed his career to seeing Kalimantan Gold succeed in making a major mineral discovery. Mr Geiger is a resident of Indonesia.

Mr Bardolf Paul
Community Relations Manager

Bardolf Paul is a rural and regional development specialist with around 20 years experience in the Asia region, primarily in community development roles related to the natural resources sector. In Kalimantan, Bardolf heads YTS and is working with local communities close to the KSK CoW, with local and regional government in the province, and with donors and other development agencies. Bardolf was a member of the Extractive Industries Review Secretariat, commissioned by the World Bank's International Finance Corporation to examine the performance of the World Bank in the oil, gas and mining sectors.

The Company, together with its subsidiaries, had a total of 21 permanent and 102 contract employees as at 31 December 2005, a total of 19 permanent and 84 contract employees as at 31 December 2004 and a total of 19 permanent and 72 contract employees as at 31 December 2003. YTS, the community development foundation established by KSK, had a further 8, 5 and 7 employees in these years respectively. There have been no material changes in the number of employees since 31 December 2005. The majority of the Company's employees are based in Kalimantan.

14 Lock-in Arrangements

Pursuant to the AIM Rules, all of the Directors and their related parties, whose interests in Shares and Options are detailed in Section 8 of Part F of this Admission Document, and KIC, whose interest in Shares is set out in Section 10 of this Part A of the Admission Document, have provided written undertakings under which they have undertaken not to dispose of any Shares or Options in the Company that they or their related parties own for a period of 12 months from Admission. The Company has no other related parties or "applicable employees", as defined in the AIM Rules, who would be required to be subject to any lock in arrangements pursuant to the AIM Rules.

15 Corporate Governance

The Directors acknowledge the importance of the guidelines set out in the revised Combined Code on Corporate Governance published in June 2006 ("Combined Code"). They therefore intend to comply with the Combined Code so far as is appropriate having regard to Kalimantan Gold's size and nature as a junior exploration company. The Company complies with the corporate governance rules of the TSX Venture Exchange and the Canadian (provincial) Securities Commissions as well as with Bermuda's corporate governance regime, which has a much narrower scope.

Details on the corporate governance practices of Kalimantan Gold are set out in Section 12 of Part F of this Admission Document.

16 Admission, Settlement (CREST) and Dealings

The Company will make an application for the admission of all of the Shares to trading on AIM. Trading in the Shares on AIM is expected to commence on or around 12 December 2006. The Shares will continue to trade on the TSX Venture Exchange.

To be traded on AIM, securities must be able to be transferred and settled through the "CREST" system, a UK computerised paperless share transfer and settlement system, which allows securitiesto be held and transferred in electronic form rather than in paper form. Foreign securities, such as the Shares, cannot be transferred and settled through CREST. To enable investors to settle trades in the Shares through CREST, the Company has appointed Computershare Investor Services plc ("Computershare") as its "Depository" to hold the Shares on trust (pursuant to a depository deed poll) and issue dematerialized "Depository Interests" representing the Shares. The deed poll sets out the procedures for ensuring that the Depository Interest holders have the same shareholder rights as if they held the underlying Shares, including voting at meetings and receiving dividends, with one Depository Interest equivalent to one Share.

The Depository Interests will be independent UK securities and they will be held on a register maintained by the Depository. The Depository Interests will have the same security code as the underlying Shares which they represent and will not require a separate admission to AIM. Shareholders who currently hold their Shares on the Company's Canadian or Bermudian registers and wish to trade their Shares on AIM and settle such trades through CREST can transfer their Shares to the Depository who will then issue Depository Interests to you. Shareholders who receive Depository Interests will not hold a share certificate evidencing their interest in the underlying Shares.

Participation in CREST is voluntary and Shareholders who wish to hold Shares in certificated form may do so. They will not, however, then be able to settle their Shares through CREST and will have their holding recorded on the Company's Canadian or Bermudian share registers. Application has been made for the Depository Interests, representing Shares, to be admitted to CREST with effect from Admission

For more information concerning CREST and the procedure for transferring shareholdings between the Company's various registers, Shareholders should contact their brokers.

It is emphasised that, although the Shares will trade on AIM, the Company will not be subject to takeover regulation in the UK. Being a Bermuda incorporated company, Kalimantan Gold is subject to the provisions of the Bermuda Companies Act, and as a "reporting issuer" in several Canadian provinces, will be subject to the takeover provisions of the securities legislation in those provinces, further details of which are provided in Sections 2 and 3 of Part F of this Admission Document.

Part B - Risk Factors

Any investment in Shares or other securities in the Company should be considered speculative because of the nature of the business activities of the Group and the stage of development of the properties in which it has an interest. Many of the risk factors associated with the Group's business and its involvement in the exploration and minerals industry in Indonesia are largely beyond the control of the Company and its Directors.

The following risks have the potential to materially adversely affect the Group's business, financial condition, 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 the Group's business. Neither the Company nor the Directors provide any assurances or guarantees of future profitability, distributions, payment of dividends, return of capital or performance of the Company or its Shares.

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 Shares or other securities in Kalimantan Gold. If in any doubt, investors should consult with an independent financial adviser who specialises in advising on the acquisition of shares and other securities.

a) Risks Specific to Kalimantan Gold

- **The Group has exploration stage mineral Project interests only**

The mineral Projects in which the Company has an interest, namely the KSK CoW and the Jelai-Mewet Projects, are both at the exploration stage and are without a known body of commercial ore. No assurances can be given that these Projects will achieve commercial viability through successful exploration, development and production.

Whilst some individually attractive drill intersection assay results have been received for both the KSK CoW and the Jelai-Mewet Projects, considerable further exploration work is required at both Projects to better understand and test the extent of mineralisation. As SRK reports *(reference: the Summary and Section 14 of the SRK CPR)*, the character of porphyry systems, as being targeted at the KSK CoW Project, and low sulphidation epithermal systems, as evident at the Jelai-Mewet Project, can often result in high grade vein intersections without sufficient extent for a commercially exploitable resource.

Furthermore, due to their relatively remote location and the lack of established roadways, access to the Group's Projects in Kalimantan, Indonesia, in particular the KSK CoW Project in Central Kalimantan, for drilling and other exploration work, and ultimately project development and mining, is relatively difficult and expensive. As a result, significant exploration budgets are required and it is likely that relatively large and/or high grade deposits would be required to provide a resource that could be economically mined.

- **No earnings or dividend history**

The Company has no earnings or dividend record. As it intends to continue to employ available funds for the exploration of its Projects, it does not expect to generate earnings or pay dividends until such time as it can delineate commercial resources and bring the projects into production, or otherwise realise value from them.

- **The Company will likely require further equity funding**

The Company anticipates it will be required to raise additional equity capital to finance its future activities, including further exploration on the Jelai-Mewet Project and potential future development of both Projects into commercial mining operations. There can be no assurance that the Company will be able to raise that finance on acceptable terms or in a timely manner. Furthermore, any such future funding arrangements may result in substantial dilution to the interests of existing shareholders in the Projects.

- **Indonesia experiences economic, social and political volatility**

The Group's mineral Project interests are located in Indonesia, a developing nation with a large number of ethnic and indigenous groups, whose fiscal and monetary controls, laws, policies and regulatory processes in many areas are less established than in developed nations, and where there is a wide range of policies, ideologies and attitudes between the numerous different political parties and candidates. Since the downfall of President Suharto in 1998, there have been four Presidents and two changes of parliament. The current President, Susilo Bambang Yudhoyono, has been in power since October 2004, and has sought to establish policies which reduce corruptive practices and enhance Indonesia as a destination for foreign investment.

The Group is exposed to the resultant risk of being adversely affected by possible political or economic instability in Indonesia through civil war, war, terrorism, military repression, expropriation, changes in mining or investment policies, laws and regulations, extreme fluctuations in currency exchange rates and high rates of inflation.

The Group's Projects in Kalimantan are located in areas where there are indigenous communities and villages, and other land users. Any exploration and potential mining activities needs to appropriately consider the needs of these communities and land users and suitable land use compensation arrangements have to be entered into. There is a risk that compensation arrangement on amenable terms cannot be agreed with these parties and this may adversely impact on any potential mining development.

Kalimantan, and in particular Central Kalimantan, has had outbreaks of inter-ethnic violence over the years. The most recent significant incidents were in 2001 when it is reported that over 500 Madurese migrant settlers were killed in central Kalimantan by indigenous Dayak people. There is a risk that further such incidents could occur and adversely affect the exploration and potential mining activities of the Group.

As essentially all of the Company's material assets are located in Indonesia, it may be difficult to enforce against the Company any judgment that is obtained in a United Kingdom (or Canadian) court.

- **The Group's Indonesian mineral property titles have various risks**

While the Company has diligently investigated the titles to its KSK CoW and the Jelai-Mewet KP and to the best of the Company's knowledge title to all of the said mining contracts are in good standing, this should not be construed as a guarantee that title will not be challenged or impugned by third parties. The properties may be subject to prior unregistered agreements or transfers and title may be affected by undetected defects or governmental actions.

As set out in HHP's legal report in Part E of this Admission Document, the "Exploration Period" for the KSK CoW has a current expiry date (for Block A) of 27 April 2007 and (for Block B) of 12 months from when it is taken out of suspension. Whilst these dates are subject to further extension or suspension, this at the discretion of the relevant Indonesian authority, and approval for this can not be guaranteed. If such suspensions or extensions are not granted then KSK may not be in a position to apply for the Feasibility Study stage before the Exploration Period expires and this may result in KSK losing the CoW. Similarly, there are dates by which KSK must commence commercial operation (the "Operating Period") under the KSK CoW which may not be able to be met if further extensions or suspensions are not granted or if exploration, feasibility and development activities take longer than expected. However, the Group expects that the increased exploration activity planned pursuant to the Oxiana Heads of Agreement will reduce these risks.

The Group's rights in relation to the Jelai-Mewet KP are contractual in nature only (under cooperation and other agreements), with the actual KP being held by JCM. The enforcement of contractual rights in Indonesia can be difficult and accordingly if JCM breaches its obligations under the cooperation or other associated agreements then it may be difficult for the Company to achieve specific performance or receive satisfactory compensation.

Further, specific information on the KSK CoW and the Jelai-Mewet KP, including information relevant for title risk assessment is set out in HHP's legal report in Part E of this Admission Document.

- **There are "protected forest" restrictions in areas covered by the Group's mineral property titles**

In 1999 Forestry Law No 41/1999 was implemented that banned open pit mining operations on land classified by the Government as Hutan Lindung (protected forests). Part of the KSK CoW is covered by such protected forest areas, including approximately half of the currently defined Baroi area and possibly the Mansur area. Whilst a Presidential Decree in 2004 confirmed that those companies holding contracts of work that pre-dated the enactment of the new law (such as the KSK CoW) would be allowed to continue their activities within protected forest zones, there is some legal uncertainty as to the situation and KSK has not yet received specific authorisation for such activity.

When KSK is at the position that it can demonstrate that it will be proceeding to development of a mining operation, if required it intends to seek such specific authorisation (via a permit, Presidential Decree or otherwise) for open cut mining activity within the protected forest areas. Such authorisation will likely require the necessary criteria defined in the Presidential Decree to be met, including that an economic resource is delineated, the capital cost is determined, the benefits to local communities and regional development are identified and the Group has the support of the regional government. There can be no assurance that the Company will be able to meet the necessary criteria and/or be allowed to develop a mine in the protected forest area. Further, information on the protected forest laws and regulations are set out in HHP's legal report in Part E of this Admission Document.

- **The Oxiana Heads of Agreement**

The Oxiana Heads of Agreement should not be taken to imply that the parties will necessarily agree on definitive documentation or that after completing the "Initial Program" Oxiana will proceed to the Sole Funding Period. This will depend on the results of the Initial Program, on Oxiana's due diligence and on Oxiana's position at such time. If definitive documentation is not agreed and the Initial Program is not undertaken or if Oxiana withdraws from the joint venture after the Initial Program, this may adversely affect the Group's ability to adequately progress the KSK CoW exploration within the conditions of the KSK CoW.

- **Potential conflicts of interest and the relationship between the Group and KIC**

Certain directors and officers of the Company are involved as directors or officers of other companies engaged in mineral exploration and may be presented from time to time with opportunities, which give rise to conflicts of interest. Furthermore, as described in Part A of this Admission Document, two Directors of the Company are also Directors and/or shareholders of KIC, whose subsidiary is the Group's Joint Venture partner in the KSK CoW. Whilst any Director who had a conflict of interest would not participate in the taking of decisions where such conflict might exist, such conflicts of interest may potentially adversely impact on the board's decisions in relation to the Project.

- **Internal controls**

In 2004 the Company uncovered a fraud in which an Indonesian based employee (who was subsequently terminated) misappropriated funds of around US$63,185. Whilst the Company has reviewed its internal controls and will use its best efforts to ensure handling of the Group's cash in Indonesia is minimised, there is a risk that further fraud may occur and adversely affect the Group's financial position.

- **Bermuda registration issues**

As a company registered in Bermuda, the rights of Shareholders will be governed by Bermudian law and the Company's Memorandum of Continuance and Bye-laws. The rights of Shareholders under Bermudian law may differ from the rights of shareholders or companies incorporated in other jurisdictions such as the UK. Furthermore, all of the Directors and some of the named experts in this Admission Document are not residents of the UK. Therefore the enforcement of any UK judgments obtained in UK courts against the Company, the Directors or the experts may be more difficult than for parties who are resident in the UK.

b) Further Risks Specific to Mineral Exploration and Development Companies

- **Exploration and feasibility risks and costs**

Exploration for minerals is speculative and involves significant degrees of risk. Exploration and feasibility activities may be delayed or disrupted by the availability of drilling rigs or other technical contractors, adverse weather conditions, difficulties in gaining access to the desired exploration sites, delays in approvals from authorities or technology providers or technical issues such as unexpected geological formations or process testwork results.

The proposed exploration expenditure set out in Section 9 of Part A of this Admission Document is based on certain assumptions with respect to the method and timing of exploration work. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions, and the Group may have insufficient funds to cover any cost rises.

- **Project development and operating risks**

If Kalimantan Gold achieves exploration success that leads to a decision to develop production operations, the development and ongoing production from such operations can involve a high degree of risk and may be adversely affected by various factors. Fires, power outages, labour disruptions, unusual or unexpected rock formations, adverse weather conditions, flooding, explosions, cave-ins, landslides, infrastructure availability and the inability to obtain suitable or adequate machinery, equipment or labour are some of the risks involved in the operation of mines and the conduct of exploration programs. The Company may become subject to liability for pollution, cave-ins or hazards against which it cannot insure or against which it may elect not to insure.

- **Grant of licences**

The operations of the Company will require various licences and permits from various governmental authorities which are or may be granted subject to various conditions and may be subject to renewal from time to time. There can be no assurance that the Company will be able to comply with such conditions and obtain or retain all necessary licences and permits that may be required to carry out exploration, development and mining operations at its projects. Failure to comply with these conditions may render the licences liable to forfeiture. For further details see HHP's legal report in Part E of this document.

- **General environmental risks**

In addition to the protected forest restrictions detailed earlier, exploration and mining projects in general have varying levels and types of potential impact on the natural environment and are subject to relevant environmental legislation, including for land remediation and the discharge of hazardous waste and materials. Kalimantan Gold will be required to comply with this legislation and from time to time environmental management issues may arise from factors beyond its control. The minerals industry has become subject to increasing environmental responsibility and liability and the potential for liability from such issues is an ever-present risk.

Regardless of compliance with environmental laws and best practices, mining developments globally, including in Indonesia, are becoming increasing subject to vigorous anti-development campaigns from non-government environmental and other organizations. Such campaigns can potentially disrupt any mining development.

- **Economic, commodity price and general government risks**

Changes in the general economic climate in which the Group operates may adversely affect its future costs and revenues and the value of its mineral assets. In particular, current and forecast commodity prices (such as copper and gold) can change rapidly and significantly and this can have a substantial effect on the value of the Group's Projects and the potential future revenue and profits that might be earned from any successful development of those Projects.

Commodity prices are influenced by many factors affecting their demand and supply including global industrial production levels and economic sentiment, inflation and interest rates, exchange rates, industrial disputes, wars and other military activity, technological advancements, forward selling activities, government environmental policies, infrastructure investment, weather conditions and general exploration success.

Changes in government, monetary policies, export controls, taxation, royalties, land tenure, water use, mine safety, environmental protection and other laws and regulations can also have a significant influence on the outlook for projects and companies and the actual and potential returns to investors. There can be no assurance that new rules and regulations will not be enacted, or that existing rules and regulations will be applied in a manner that would not limit or curtail development or production of the Company's operations and thereby adversely affect the Group.

- **Foreign exchange risk**

The Group's anticipated expenditures are denominated in Canadian dollars, US dollars, Indonesian rupiah, Australian dollars and in UK pounds. Exchange rates can fluctuate quickly and this could materially affect the spending power of the Group's current cash balances, which are largely held in Canadian dollars. The Group does not currently hedge these currency risks.

- **Reliance on key personnel**

The success of the Company in part will depend on the ability of the Directors, management team and other executive personnel (employed by the Company or its business partners) to develop the Company's Project portfolio and enhance Project value. Should one or more of the key personnel cease to be involved, for whatever reason, then the capability of the Company may be expected to be impaired pending suitable replacements being identified and retained by the Company or its business partners.

- **Retention of key business relationships**

The Group relies on good relationships with other entities (such as Oxiana, JCM and KIC), regulatory and governmental departments, and community leaders. While the Directors have no reason to believe otherwise, there can be no assurance that its existing relationships will continue to be maintained or that new ones will be successfully formed and the Group could be adversely affected by any such changes to these relationships.

- **Insurance**

Insurance against all risks associated with mineral exploration is not always available or affordable. Kalimantan Gold intends to maintain insurance where it is considered appropriate for its needs. However, it will not be insured against most risks it is exposed to either because appropriate cover is not available or because the Directors consider the required premiums to be excessive having regard to the benefits that would accrue.

c) General Securities Risks

- **Securities investments and share market conditions**

The prices at which the Shares trade may rise or fall in response to a number of factors affecting the market for equities in general which are unpredictable and unrelated or disproportionate to the operating performance of the Company. Such factors include changes in the general economic outlook, interest and inflation rates, currency exchange rates, investor sentiment and the demand and supply for capital.

- **Liquidity of the Company's Shares**

Admission of the Shares to trading on AIM should not be taken as implying that there will be an ongoing liquid market for the Shares.

As a result of the above, no guarantee can be given in respect of the Company's future Share price, earnings or realisable value of its valuations of the Company's investments.

Competent Person's Report on the Mineral Exploration Assets of Kalimantan Gold Corporation Limited

Report Prepared for

Kalimantan Gold Corporation Limited

and

RFC Corporate Finance Limited

Report Prepared by

SRK Consulting
Engineers and Scientists

7 December 2006

Steffen Robertson and Kirsten (Australasia) Pty Ltd
Reg No ABN 56 074 271 720
Trading as SRK Consulting

Competent Person's Report on the Mineral Exploration Assets of Kalimantan Gold Corporation Limited

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Summary

Kalimantan Gold Corporation Limited (KGCL) holds exploration assets over two lease areas in Kalimantan. This Competent Person's Report (Report) by Steffen Robertson & Kirsten (Australasia) Pty Ltd (SRK), which reviews these assets, has been prepared for inclusion in an "Admission Document" for the admission of the common shares of KGCL to the AIM market of the London Stock Exchange.

The assets that have been reviewed are:

- Porphyry intrusive and other intrusive-related gold – copper – silver – molybdenum prospects at Baroi, Beruang and Mansur within the PT Kalimantan Surya Kencana (KSK) Contract of Work (CoW), Central Kalimantan, Indonesia (KGCL current interest of 75%, but subject to reduction pursuant to a recent joint venture heads of agreement with Oxiana Exploration Pty Ltd). This area is part of the "Kalimantan Arc", which contains a number of intrusion-related deposits, including Indo Muro and Kelian. A large amount of work has been done on the prospects in this CoW over a number of years by KSK and predecessors. The exploration work completed over the years has resulted in definition of 38 prospects and has seen a number of these prospects tested beyond the initial exploration and conceptual geological model stage to having a number of well developed anomalies, targets and showings.

- Epithermal gold – silver prospects at Jelai-Mewet in Eastern Kalimantan (KGCL effectively 100% of mining rights via a cooperation agreement with PT Jelai Cahaya Minerals (JCM) who holds a "KP" licence over the area). This area is at the north-eastern end of the Kalimantan Arc in a regional rift basin setting that contains a regionally extensive system of epithermal gold – silver and basement sediment-hosted copper deposits. The significant exploration undertaken to date has been done by Bureau de Recherches Geologiques et Minieres from 1979 to 1982 and PT Mascan Mas Minerindo in joint venture with Indochina Gold Fields of Canada (IGF) from 1994 to 2000. This work included regional surveys which resulted in identification of a number of target areas of which Jelai-Mewet in particular was trenched and drill tested by IGF.

This Report is based on a review of reports and maps on the material exploration assets of KGCL, review of drill core from the Beruang, Mansur and Baroi prospects, a site visit to Jelai-Mewet prospect, a site visit to Baroi far East Zone prospect and aerial surveys of the other prospects of interest in the KSK CoW.

KSK CoW

The KSK CoW contains the Baroi, Beruang and Mansur prospects which have geological, geochemical and alteration characteristics that are consistent with the mineralisation being associated with porphyry intrusive and intrusive related vein systems. The mineralisation shows similarities with that which occurs in similar arc-related settings in Indonesia and the south-west Pacific which are know to host economically significant copper deposits.

The KSK CoW has a long history of exploration that has targeted epithermal gold and porphyry intrusive copper – gold mineralisation. The history of the work done that is relevant to the Baroi, Beruang and Mansur prospects material to this report is:

1982 – 1985: PT Pancaran Cahaya Bahagia and Sinar Enterprises International BV conducted geological and geochemical surveys for placer gold.

1986 – 1990: JV between PT Pancaran Cahaya Bahagia and Molopo targeted epithermal gold. Regional stream sediment sampling and later soil sampling in 1987 and 1988 identified gold mineralisation centres near Mansur and recognised the potential for porphyry copper.

1992 – 1995: Kalimantan Investment Corporation (KIC) conducted IP geophysical surveys and shallow diamond core drilling to test bedrock geology and mineralisation at Mansur. Three adits were tunneled at Mansur where drilling was not possible.

1996: PT Cyprus Amax Indonesia in joint venture with KIC drilled four deep holes at Mansur.

1997 – 1999: KGCL applied for the current CoW through KSK, which was granted in 1997. Reconnaissance geological mapping and sampling identified mineralisation in boulder samples in the Baroi area. A regional aeromagnetic survey, flown in 1998 added understanding of the regional geology and structure that was important for mineralisation. Exploration work at Beruang Kanan included extensive mapping and sampling, petrography, IP geophysical surveying and drilling (16 holes totaling 2,793 metres).

At Beruang Tengah, exploration work included mapping and sampling, petrography, IP geophysical surveying and drilling (7 holes totaling 1,313 metres).

2000 – 2006: KSK focused exploration efforts on the Beruang Kanan and Baroi prospects. At Beruang Kanan follow up mapping and sampling, petrography and IP geophysical surveying in 2000-2001 resulted in an additional 9 drill holes (totaling 1,967 metres). At Baroi, exploration work included extensive mapping and sampling, ground IP and ground magnetic geophysical surveys, shallow drilling to test bedrock geology and near surface veins (38 holes totaling 2,681 metres), medium depth drilling to test geological models and extent of mineralisation (24 holes totaling approximately 6,762 metres) and deep drilling to test porphyry intrusive geological models and depth of mineralisation (4 holes totaling 2,983 metres).

October 2006: KGCL enters into a heads of agreement with Oxiana Exploration Pty Ltd (Oxiana) for the formation of a joint venture for the KSK CoW under which Oxiana will fund an initial US$2.5 million exploration program and can then earn up to a 66.67% interest in the KSK CoW by funding pre feasibility and bankable feasibility studies.

In total, historical exploration on the KSK CoW to date has included over 20kms of drilling, over 190 line kms of IP and magnetic surveys, over 9,000 samples and over 8,000 line kms of aeromagnetic surveys.

At Baroi, known mineralisation extends over an area of 6 x 4 kilometres, which is divided into two areas (Central Zone and Far East Zone) by a regional north-west trending fault. The Central Zone is further divided into Central Zone, South Zone and East Zone on the basis of geology, alteration and surface geochemistry.

The Baroi prospects have similar early stage Zn-Pb-Cu-Ag±Au sulphide veins overprinted by later Cu-Ag sulphide + quartz-chlorite veining. The veins are hosted in a volcanic succession and are likely to be intrusive-related or distal to a porphyry intrusive system. Monzonite intrusions in the Central Zone may be related to the mineralisation, however this has yet to be fully tested. In the Baroi Far East Zone, intense silica alteration, phillic alteration and argillic alteration occurs with the most intense veining found in the Baroi system to date. Within this area, based on current information it is SRK's opinion that swarms of parallel, steeply dipping, north-west striking quartz – chlorite – Cu-Ag sulphide veins occurring for 600 to 1000 metres strike, 100 to 200 width and open at depth have the greatest exploration potential.

The Beruang prospects occur within a volcanic succession that has been intruded by pre-mineralisation gabbro intrusions and post-mineralisation basaltic and andesitic porphyry dykes (up to 200 metres wide). At Beruang Kanan three prospective zones have been identified from geological mapping and surface geochemical surveys. The Main Zone prospect is a centre of argillic, advanced argillic and silica and pyrite alteration which is associated with high Cu, Au and Mo geochemistry. These geological and geochemical characteristic are consistent with the Main Zone mineralisation having a porphyry-intrusive or intrusive-related origin. Prospects such as the North Zone and South Polymetallic Zone have a strong structural (fault) focus, the details of which require further work to determine controls on mineralisation and the extent of the mineralised system.

At Beruang Tengah (four kilometres south-east of Beruang Kanan in the same volcanic complex), two prospects have been identified. The Eastern Zone has a central potassic alteration zone surrounded by phyllic alteration which is associated with quartz – sulphide veining. The surface soil sampling delineated coincident circular copper and gold anomalism centered on the alteration system. The geological and geochemical characteristics of the Eastern Zone are consistent with an intrusive-related or porphyry intrusive centre. Details of the controls on the mineralisation have yet to be determined. The western prospect (Gold Zone) is a north-east trending ridge of quartz diorite with a strike of approximately 1,000 metres. Soil geochemical surveys revealed anomalous gold coincident with the ridge, suggesting the quartz diorite intrusion and/or a major structure parallel to the intrusion is controlling gold mineralisation. The details of the controls on mineralisation have yet to be tested at the Gold Zone prospect.

Mansur prospect is a potassic altered diorite and feldspar porphyry intrusion surrounded by potassic alteration of the sandstone and siltstone hosts rocks. Shallow soil surveys over the intrusion show a gold anomaly coincident with the intrusion and additional gold anomalies to the north and south of the intrusion. Anomalous copper results from the soil survey occur in a semicircular arc around the southern and western edges of the intrusion. Quartz veins at surface and quartz – carbonate veins in drill core have returned anomalous copper and gold results. The geology, alteration, magnetic signature and geochemistry of the Mansur prospect are strongly suggestive of a porphyry intrusive controlling the copper – gold and gold only vein mineralisation. Further work is required to better test the extent of the vein systems and resource potential.

KGCL commenced a review of the results of exploration results, which included a review and recommendations for future exploration report by Dr Peter Pollard, who has particular porphyry mineralization expertise. It is proposed that pursuant to the agreement with Oxiana, Oxiana will complete a full data compilation, review, reprocessing and assessment program followed by drill testing of the priority targets within 12-18 months after the joint venture is formed. In SRK's opinion, this would be an appropriate and worthwhile program for advancing the project.

Jelai-Mewet

Jelai-Mewet is one of 11 main gold prospects identified on the Jelai / JCM KP licence area by regional surveys. It is the only one of the prospects that has had substantial follow up exploration work carried out on it and been drill tested.

Regional stream sediment geochemistry and mapping by Bureau de Recherches Geologiques et Minieres (BRGM) from 1979 to 1982 identified a number of mineralised centres and highlighted the potential for epithermal mineralisation. In 1994, PT Mascan Mas Minerindo conducted reconnaissance geological mapping, extensive sampling and soil geochemical surveys over areas highlighted by BRGM. A joint venture was formed with Indochina Gold Fields of Canada (IGF) to further explore the region. IGF conducted regional mapping and sampling as well as trenching and drilling (26 drill holes totaling 3,872 metres) at the Jelai-Mewet prospect. High gold grades were returned from drill core samples of colloform banded quartz vein and quartz-heamatite vein stockwork. The veins occur in three main zones striking approximately north-northwest and splaying north or north-east. Although no mineral resource has defined at Jelai-Mewet, the exploration completed established the field as one that has strong exploration potential.

Surface alteration maps have not been generated due to the lack of unweathered exposure; however alteration was logged by IGF, but has yet to be compiled into geological models. Surface mapping of the quartz vein ridges on the prospect identified three main zones of mineralisation (Mewet in the east, Sembawang and Nyabi-Adau in the east). In SRK's opinion, the Sembawang Vein has the greatest potential for a significant resource as it appears that this system is related to a fault (quartz matrix fault breccia) at the contact between dacite volcanic and basalt volcanic units.

Quartz veins and zones of silicification, including silicified breccias (possibly fault breccias) at the Jelai-Mewet prospect are consistent with low sulphidation epithermal Au-Ag mineralisation. Volcanic host rocks have been chlorite altered and locally quartz – sericite altered around the quartz veins.

The character of low sulphidation systems of the type at Jelai-Mewet is such that high grade drill intersections such as those encountered by IGF will be relatively common. The veins containing the high grades may be narrow and individually may not be extensive enough to form a recoverable deposit. In SRK's experience, a significant resource will require the presence of a major fault-hosted vein system. High grade shoots and thickness variation within the system is commonly a result of small scale variation in the geometry of controlling faults.

KGCL intend to take approximately 6-12 months to map, trench and sample and drill test (32 inclined holes to 150m depth totalling around 4000m) the portions of the vein systems at Jelai-Mewet judged to have the most favourable geometry and structural setting for higher grade and volume mineralisation. In SRK's opinion, this is a reasonable field program to initially test the potential of the field, for which less than 10% of the current identified main vein strike lengths have been drill tested, and enable a more detailed drill program to be planned that may lead toward establishing a resource.

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1 Introduction

1.1 Terms of Reference

This Competent Person's Report comprises Steffen Robertson & Kirsten (Australasia) Pty Ltd's (SRK) independent technical review of the material mineral exploration assets currently held by Kalimantan Gold Corporation Limited (KGCL). This Report has been prepared at the request of the Directors of KGCL and RFC Corporate Finance Ltd (KGCL's "Nominated Advisor") for inclusion in an Admission Document, to be dated on or about 7 December 2006 for the admission of the ordinary shares of KGCL to the AIM market of the London Stock Exchange.

The assets that have been reviewed consist of the following:

1. The Baroi prospect located in the Kalimantan Surya Kencana (KSK) Contract of Work (CoW), Central Kalimantan, Indonesia, which KGCL considers prospective for copper-silver-gold mineralisation, associated with porphyry style systems. Exploration activity to date at Baroi includes geophysical surveys, geological mapping, sediment, channel and chip sampling and drilling.

2. The Mansur and Beruang prospects also located in the KSK CoW. These are also considered by KGCL to be prospective for porphyry style mineral deposits. Varying levels of work, including drilling, have been done to date on these prospects and they are considered by KGCL to warrant further exploration at some time in the future.

3. The Jelai Mewet (Jelai) prospect located in North East Kalimantan which KGCL consider to be prospective for epithermal style gold mineralisation. This prospect has only recently been acquired by KGCL. Exploration undertaken to date by third parties includes geochemical soil sampling, geological mapping, trenching, rock chip sampling and diamond drilling.

SRK considers the Baroi, Beruang, Mansur and Jelai-Mewet prospects to be the most material of KGCL's assets. Consequently these prospects form the focus of this Report.

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1.2 Reporting Standard

This Report has been produced in accordance with the Standards of Disclosure for Mineral Projects as contained in National Instrument 43-101 (NI43-101) and accompanying policies and documents. NI43-101 utilises the definitions and categories of mineral resources and mineral reserves as set out in the Canadian Institute of Mining, Metallurgy and Petroleum (CIM) Standards on Mineral Resources and Mineral Reserves Definitions and Guidelines (CIM Code). This Report is also considered by SRK to be a Technical Assessment Report under the guidelines of the Valmin Code. The Valmin Code incorporates the JORC Code for the reporting of Mineral Resources and Ore Reserve and is binding upon all AusIMM members.

1.3 Basis of Opinion

The opinions and comments presented in this Report are based on the following work programme:

- Early February 2006 – review of documents sent via e-mail which summarise the geology and exploration undertaken at the KSK CoW (Baroi, Mansur, Beruang Kanan and Beruang Tengah) and exploration property at Jelai Mewet.

- 12 February – 17 February 2006 – review of documents at KGCL offices in Palangka Raya and review of selected drill core from Beruang and Mansur prospects (KSK CoW) at the KGCL offices in Palangka Raya.

- 13 April – 23 April 2006 – site visit and review of geology at Jelai-Mewet Prospect in Eastern Kalimantan, site visit and review of geology and drill core at Baroi Far East Prospect (KSK CoW), aerial helicopter survey of greater Baroi, Mansur and Beruang prospects (KSK CoW).

- Late April – Early June 2006 – after checking factual details (via draft) with KGCL, initial version of Competent Person's Report finalised for public release in relation to KGCL's TSX Venture Exchange listing.

- October 2006 – reviewed September 2006 "Review and recommendations for future exploration" report by Dr Peter Pollard, discussed recent activities on projects with KGCL executives, including a joint venture heads of agreement with Oxiana Exploration Pty Ltd (Oxiana), and updated and finalised the Report for inclusion in the AIM Admission Document.

1.4 Statement of Independence

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

SRK has no prior association with KGCL in regard to the mineral assets that are the subject of this Report. SRK has no beneficial interest in the outcome of the technical assessment being capable of affecting SRK's independence.

SRK's fee for completing this Report is based on its normal professional daily rates plus reimbursement of incidental expenses. The payment of that professional fee is not contingent upon the outcome of the report.

1.5 Qualification of Consultants

SRK is part of an international group (the SRK Group) which comprises over 500 professional staff offering expertise in a wide range of engineering disciplines.

The SRK Group's independence is ensured by the fact that it holds no equity in any project and that its ownership rests solely with its staff. The SRK Group has a demonstrated track record in undertaking independent assessments of Mineral Resources and Ore Reserves, project evaluations and audits, competent person's reports and independent feasibility evaluations on behalf of exploration and mining companies and financial institutions world-wide. The SRK Group also has specific experience in transactions of this nature.

This Report has been prepared by a team of consultants based at the SRK office in Sydney (Australia). These consultants are specialists in the fields of geology, mineral exploration, resource estimation, resource classification and independent reporting.

The individuals responsible for this Report, listed below, have extensive experience in the mining industry, including at least five years relevant experience in the evaluation and assessment of the type of mineral deposits under consideration, and are members in good standing of appropriate professional associations.

Stuart Munroe	PhD, MAusIMM	Principal Consultant (Geology)
Richard Clayton	MSc, FGS, C.Geol.	Senior Consultant (Resource Geology)

1.6 Consents

Pursuant to the AIM Rules, SRK consents to the inclusion of this Report in KGCL's Admission Document, in the form and context in which it is provided, and not for any other purpose. Pursuant to Section 4.4 of National Instrument 44-101 and Section 8.3 of National Instrument 43-101 SRK and the authors also consent to this Report being published, in full on Sedar as part of the Admission Document.

For the purposes of the AIM Rules, SRK accepts responsibility for this Report. Having taken all reasonable care to ensure that such is the case and subject to the disclaimer below, the information contained in this Report is to the best of our knowledge in accordance with the facts and contains no omission likely to affect its import.

SRK provides this consent on the basis that the technical assessments expressed in the Summary and in the individual sections of this Report are considered with, and not independently of, the information set out in the complete Report.

2 Disclaimer

The opinions expressed in this Report have been based in part on observations made during site visits to the Jelai-Mewet and Baroi projects held over a 10-day period in April 2006 together with information and drill core made available to SRK by KGCL. The opinions in this report are provided in response to a specific request from KGCL to do so. SRK has exercised all due care in reviewing the supplied information. Whilst SRK has compared key supplied data with expected values, the accuracy of the results and conclusions from the review are entirely reliant on the accuracy and completeness of the supplied data. SRK does not accept responsibility for any errors or omissions in the supplied information and does not accept any consequential liability arising from commercial decisions or actions resulting from them.

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

This Report includes some details on the legal status associated with the tenure of the KGCL properties. SRK is not qualified to provide comment on the legal status of tenure and this information has been provided by KGCL, has not been independently verified by SRK and has been included for contextual purposes only.

3 Property Descriptions and Locations

KGCL are currently actively exploring two geographically separate areas in Kalimantan, Indonesia which are referred to herein as the KSK Contract of Work (CoW) and Jelai-Mewet project. Table 1 below summarises the status and nature of KGCL's assets. Figure 1 indicates the location of the assets in Kalimantan.

Asset	Holder	KGCL Interest (%)	Status	Licence expiry date	Licence area	Comments
KSK CoW	PT Kalimantan Surya Kencana	75% (subject to potential reduction under agreement with Oxiana)	6^{th} Generation CoW (in "Exploration Period")	27 April 2007 for Exploration Stage (subject to possible extension) prior to progressing to Feasibility, Construction and Operating Periods (which has an initial 30 year term after commencement of mining)	941 km^2	Oxiana to complete a data review and compilation prior to drill program
Jelai-Mewet	PT Jelai Cahaya Minerals	100% (via agreement with JCM)	KP (in "General Survey" stage)	28 August 2007 for General Survey stage (subject to possible 1 year extension) with priority for conversion to Exploration (3-5 year term) and then Exploitation (30+ year term) KPs	50 km^2	Programme of mapping, trenching, and drilling planned

Table 1. Summary of KGCL Assets

SRK understands that the Joint Venture partner in the KSK CoW is PT Pancaran Cahaya Kahayan, which is wholly owned by Kalimantan Investment Corporation (KIC). SRK has been informed that two KGCL Directors, Murray Clapham and Rahman Connelly, are directors of KIC and each hold approximately 5% of the issued share capital of KIC.

The KSK CoW is located in Central Kalimantan approximately 180 km north of Palangka Raya, close to the geographic centre of the island of Borneo and immediately south of the equator (approximate longitude 113°20'E and latitude 0°35'S). After the application of the second mandatory area relinquishment submitted in May 2006, the CoW will cover 94,110 hectares (94.1 km^2) which is subdivided into two blocks. Block A (33,170 hectares) is in the fourth year of exploration of the CoW and Block B (60,949 hectares) which is in the third year of exploration of the CoW.

Under a CoW, foreign general mining investors are able to explore and mine. The CoW is authorised by the Indonesian central government. Under the CoW, the contractor conducts all stages of the operation and assumes all financial and operational risks. The government's latest eighth-generation CoW (yet to be finalised or implemented) contain new provisions that give regional governments greater input in community development plans implemented by the contractor and provide for a larger share of royalties and taxes.

The Jelai-Mewet project in Eastern Kalimantan is located approximately 50 kilometres southwest of the city of Tarakan, (on Tarakan Island), immediately off the north-east cost of Kalimantan at the northern edge of the Sekatak River delta (approximate longitude 116°59'E and latitude 3°13'N). The Jelai-Mewet lease covers approximately 5000 hectares of a regionally extensive gold and copper mineral field. SRK understands that KGCL has entered into Cooperation agreements with the Indonesian Company, JCM, under which KGCL effectively has 100% of the mining rights over the Jelai-Mewet area which JCM holds via a General Survey stage KP (Kuasa Pertambangan) licence. A General Survey KP is a permit that allows KGCL to preliminary exploration including initial shallow drilling and taking samples. We understand that KGCL intends to apply for an Exploration stage KP immediately prior to a proposed drilling program at Jelai-Mewet.

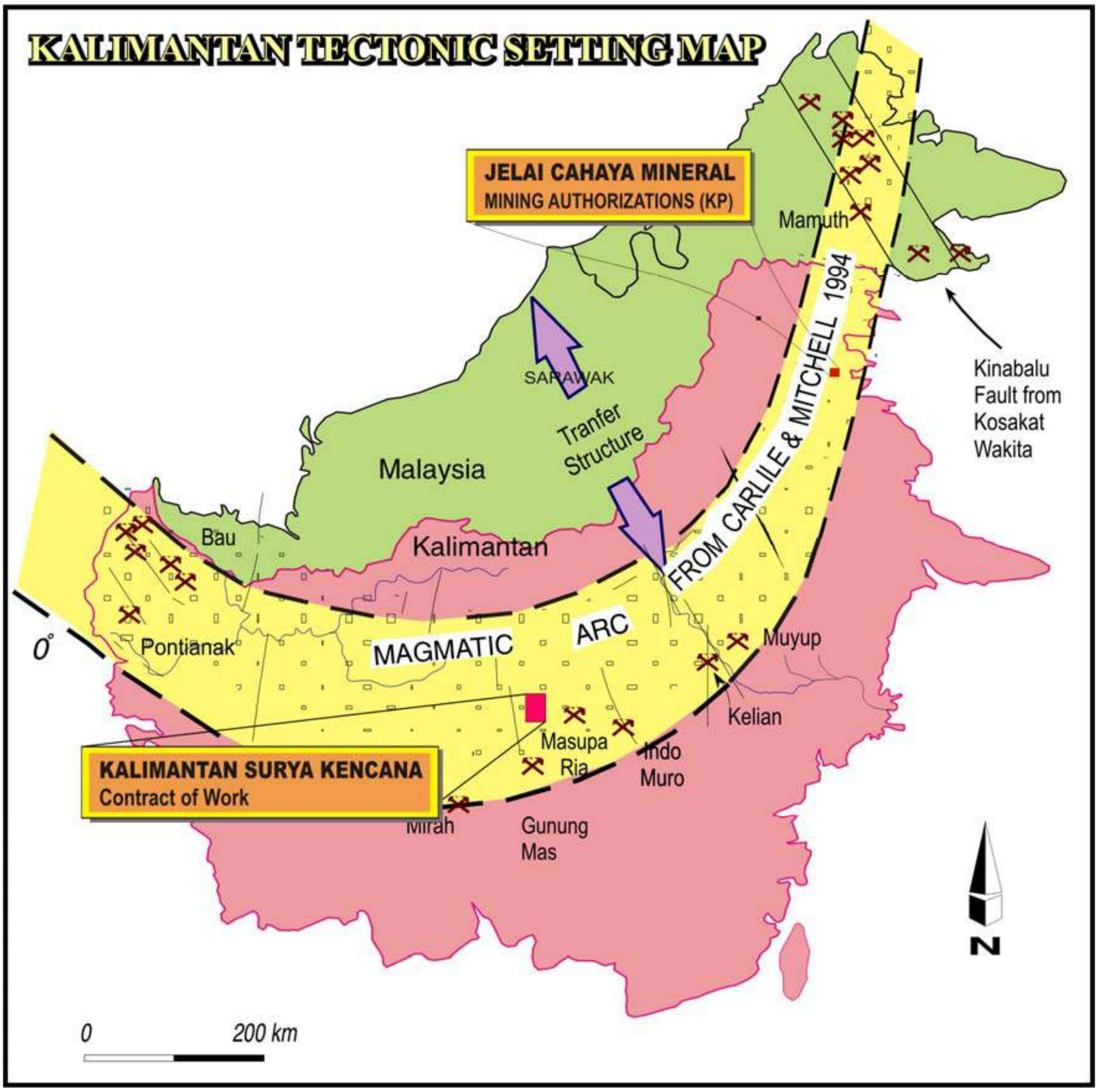


Figure 1. Location of KGCL exploration assets and location of Kalimantan Arc (after Carlile and Mitchell 1994)

Under Indonesian Mining Law No. 11/1967, domestic investors are able to operate exploration and mining under a KP. Draft law which is yet to be implemented, attempts to simplify mining administration by removing the distinction between foreign and domestic investors. Under the draft law, both domestic and foreign investors will be able to operate mines under the authority of a "mining operation permit" (Izin Usaha Pertambanga, IUP) or a "mining operation agreement" (Perjanjian Usaha Pertambangan, PUP).

4 Accessibility, Climate, Local Resources, Infrastructure and Physiography

4.1 KSK CoW

The nearest major centre to the KSK CoW is Palangka Raya, which is connected to Jakarta by daily flights from two commercial airlines (Batavia Air and Swirajaya Air).

The KSK CoW is covered in densely vegetated tropical rainforest at elevations of 200 to 800m above sea level. Much of the KSK CoW is characterised by steep relief which is accessible only on foot or with helicopter support. Lower lying areas are accessible using forestry roads which are built and maintained at the discretion of the forestry companies. The forestry roads did not access all the prospects on the KSK CoW at the time of this review, making some helicopter support necessary to efficiently explore the prospects identified on the KSK CoW.

Helicopter landing pads are presently maintained at several locations in the KSK CoW, including the main base camp at Baroi. Travel time to the base camp by helicopter is 50 minutes from Palangka Raya or 1 hour and 45 minutes from Balikpapan. Alternative access to the property is via road from Palangka Raya to Samba Village (4 hours), then by boat from Samba to Manggu Village (1 hour), then by road from Manggu to the KSK CoW staging camp (5 hours), then by foot to the base camp at Baroi (approximately 3-4 hours).

The climate for the KSK CoW is similar to other equatorial rainforest areas. There is relatively little variation in the seasonal climate; however, there is a slightly wetter season from December to March when roads may wash out and river access is difficult or delays in helicopter movements are experienced.

4.2 Jelai-Mewet

The nearest major centre to the Jelai-Mewet vein system is Tarakan, which is connected to Jakarta and Singapore via Balikpapan and to Kuala Lumpur via Kota Kinabalu and Tawau (located in the Malaysian province of Sabah).

Access to the prospect from Tarakan is via Sekatak Village, on the Sekatak River. This can be done efficiently by speedboat that can be hired from Tarakan. Further upstream, past Sekatak Village, large canoes with small outboard motors can be hired from local settlements. From Sekatak Village, access to the prospect is to the west along the Sekatak River and south via the Mewet River. A 15 to 20 kilometre long road from Sekatak Village to the prospect was not passable during the field visit accompanying this review as a result of washed out bridges, however it is expected that these could be repaired. The travel time from Tarakan to Jelai-Mewet is approximately 1.5 hours by speedboat and 3.5 to 4 hours by canoe. The return trip is quicker downstream, taking approximately 2 and 1.5 hours by canoe and speedboat respectively.

The topography consists of flat to gently sloping plains with some steep sided ridges. The area is covered in thick forest vegetation but is generally accessible by foot or motorbike tracks. Exposure of the geology is poor; however, a number of prominent quartz veins and quartz breccia veins are exposed. Topographic contours at 2.5 metre intervals over the prospect have been generated during grid surveying, soil sampling and trench surveying undertaken during the historical exploration of the prospects.

The climate for the prospect area is similar to other equatorial climates. The wetter season is commonly from December to March, when rivers may flood and roads become impassable.

5 History

5.1 KSK CoW

From 1982 to 1985 geological and geochemical surveys for placer gold deposits in the Baroi area were conducted by PT Pancaran Cahaya Bahagia and Sinar Enterprises International BV.

From 1986 - 1990 a joint venture between PT Pancaran Cahaya Bahagia and Molopo focused on exploration for epithermal gold mineralisation. During 1987 and 1988 regional stream sediment sampling identified gold mineralisation centres at Mansur, Lakapoi and Tambang Huoi (Figure 2). Soil auger sampling over the anomalous areas defined weak copper and gold anomalism. The joint venture recognised potential for porphyry copper style mineralisation.

From 1992 - 1995 Kalimantan Investment Corporation (KIC) conducted IP geophysical surveys and shallow diamond drilling was completed at the Tambang Huoi and Mansur prospects. Three adits were also tunneled at Mansur in areas inaccessible by drilling. PT Cyprus Indonesia (Cyprus) drilled four deep holes over a high chargeability IP anomaly in the south-western part of the Mansur Prospect in 1996 as part of a JV agreement to earn into the project. Later in 1996 KGCL applied for the current CoW through KSK, which was granted in 1997.

A regional magnetic survey was flown by Aerodat in 1998 and re-processed in 2003. Interpretation of the re-processed data indicated 38 targets on the KSK CoW and added some understanding of the geology and alteration at the Beruang Kanan, Beruang Tengah and Mansur prospects.

In November 2002, KGCL reported that logging roads allowed access to the Baroi prospects which enabled follow up of high grade mineralisation encountered in boulder samples during exploration surveys in 1985 and later in 1997.

Since 2002, under the current CoW, KSK has undertaken:

- Geological mapping;
- IP and magnetic surveys over Baroi Far East Zone Prospect;
- Shallow drilling, medium drilling and deep drilling (to down hole depths of 80m, 300m and 500m respectively) at Baroi's Central, Far East, East Zone and South Zone prospects;
- Logging and sampling of drill core and analysis of alteration geochemistry by spectral scanning (PIMA);
- Petrological studies;
- Stream sediment sampling;
- Trench and rock chip sampling; and
- Interpretation of magnetic surveys, air photographs, Landsat and Radarsat imagery.

There is no mineral resource or reserve currently delineated on the KSK CoW. There has been no mineral or metal production from the KSK CoW, however a number of illegal miners are working the Mansur River for alluvial gold (located immediately south of the Mansur prospect).

5.2 Jelai-Mewet

The Jelai region was the subject of regional stream sediment geochemistry by Bureau de Recherches Geologiques et Minieres (BRGM) from 1979 to 1982. The potential for epithermal gold-silver mineralisation at Jelai was highlighted by this work with 11 main prospects being identified on the current Jelai KP licence area, one of which was Jelai-Mewet.

In 1994 PT Mascan Mas Minerindo conducted reconnaissance surveys over areas highlighted by BRGM and formed a joint venture with Indochina Gold Fields of Canada (IGF) at that time.

Between 1995 and 2000 Jelai-Mewet was the subject of exploration mapping, sampling and drill testing by IGF. Initially poor geological exposure resulted in only regional mapping, supplemented by use of remote sensing (Landsat, Radarsat) interpretation and regional stream sediment geochemical sampling.

In 1997 and 1998, follow-up exploration included further soil sampling, geological mapping, trenching and rock chip sampling.

Twenty-six diamond drill holes were completed by IGF totaling 3,872 metres. of which; twelve holes totaling 1,828 metres tested the northern part of the Mewet Vein (165 m strike); ten holes (totaling 1,597 metres) tested the intersection of the Nyabi-Adau vein (200 m strike); and four holes (totaling 446 metres) tested the Sembawang Vein and associated vein splays (including the Lipan Vein).

There is no mineral resource or reserve delineated in the Jelai-Mewet vein system.

Three shallow shafts were observed (one on the Nyabi and two on the Mewet Vein). These shafts are rumoured to have been sunk by illegal miners after IGF withdrew from their exploration in 2000. At two of these shafts (one on each of the Nyabi and Mewet veins) there is evidence of small scale extraction of quartz vein material (probably less than two thousand tonnes at each shaft). There is no evidence of processing of the extracted material and no reported or rumored gold production from the area.

6 Geological Setting

6.1 Regional geology of Kalimantan

Kalimantan covers most of the island of Borneo, which overlies continental crust of the Eurasian Plate. Basement consists of Cretaceous and older sedimentary and volcanic rocks and Cretaceous granite that was emplaced at tectonically active margins of microplates that make up the Eurasian Plate in Borneo.

From Eocene to Late Miocene time (40–10 Ma), a microplate that underlies the northern part of Borneo Island was pushed below a plate underlying the southern part of the island. The interaction between these two microplates is not well understood and is a geologically complex area, where surface exposure is poor, however the result of this interaction at that time was the formation of a plate suture (join) where deep crustal thermal highs caused lower crustal and sub-crustal melting, resulting in volcanic activity and emplacement of melts into the middle and upper crust at the suture. This event created a terrane which is known as the Kalimantan Arc in existing geological literature. Figure 1 presents a schematic representation of the location, orientation and dimensions of this arc.

The southern part of the Kalimantan Arc (on which the KSK CoW is located) was an area where Eocene–Middle Miocene (40–20 Ma) volcanic and sedimentary rocks were deposited in broad depressions, elongate in an east-northeast direction. At the same time a number of fractionated porphyritic intrusions were emplaced which are known from the exploration work that KSK has done in their CoW. The movement of thick crustal microplates during and after volcanism has subsequently deformed the volcanic and sedimentary rocks deposited in this area.

The eastern part of the Kalimantan Arc (on which the Jelai-Mewet Project is located) was an area where microplate accommodation resulted in relatively tightly restricted basins that are elongate for several hundred kilometres in a north-northeast direction and are filled with Late Miocene volcanic and sedimentary rocks (20–10 Ma). These basins are relatively gently deformed, perhaps because they are at the eastern edge of the main zone of microplate convergence.

6.2 KSK CoW

The KSK CoW is located at the contact between a sequence of folded, north-east striking sedimentary and volcanic rocks with a sequence of metamorphic and older intrusive basement rocks that occur to the south of the KSK CoW. The contact between these two geological belts strikes north-east, parallel to the strike of the arc rocks and parallel to a number of north-east striking faults which were likely responsible for defining the limits of deposition of the volcanic rocks in north-east trending rift basins. A number of intrusions (including porphyritic intrusions at KSK CoW) have intruded the volcanic sequence and basement along this contact. The locations of the intrusions are likely controlled by the north-east trending faults, but are particularly focused around the intersection of these faults with north-west trending basement faults. The detailed history of the interaction between the faults before, during and after volcanism and mineralisation in Kalimantan is yet to be fully understood.

The geological setting indicates the KSK CoW is at the southern edge of a volcanic sequence. The faults parallel to the contact and a number of orthogonal (north-west striking) faults are similar in style to the faults that occur in other similar continental suture settings in the Pacific (e.g. Papua New Guinea) which is host to intrusive-related Cu-Au resources, high sulphidation style Cu-Au-Zn-Ag-Pb resources and low-sulphidation style Au-Ag resources. Within Kalimantan, intrusion-related vein Au resources occur at Kelian and at Indo Muro. Outside of the KSK CoW, the only known porphyry copper systems known occur in eastern Sabah (north-eastern Borneo). Within the KSK, porphyry copper - gold and alteration systems consistent with mineralised porphyry intrusions occur in a number of centres including Mansur, Beruang Tengah and Beruang Kanan (Leach et al 2002). The intrusions and the deeper sources for the intrusions are important indicators for potentially economic mineralised systems as they provide a source of heat and hydrothermal fluid, which is important for generating the styles of mineralisation indicated.

Previous work by KGCL has outlined 38 intrusive-related centres which are prospective for Cu – Au resources (Figure 2). Of these, a number of intrusive-related vein systems and mineralised porphyry intrusions are considered to be highly prospective for copper and gold. This report concentrates on the mineralisation at Baroi, Beruang Kanan, Beruang Tengah and Mansur. Other mineralised centres occur throughout the KSK CoW, but are concentrated (in a "V" shape) on a 30 kilometre north-east trend (from Tumbang Hoi to Mamuring) and on a 20 kilometre north-west trend from (Tumbang Hoi to Mansur).

6.3 Jelai-Mewet

The Jelai-Mewet project area is located in a series of north-northeast trending Oligocene–Eocene basins. These basins are filled with Oligocene–Miocene sedimentary rocks and volcanic rocks which are overprinted by volcanic-related intrusions (Figure 3). Basin extension is associated with the collision of micro-plates that make up the Eurasian Plate in South-East Asia. The north-northeast trending section of the Kalimantan suture acted as an accommodation zone during north-to-north-west directed crustal compression. The resulting graben that hosts the Jelai-Mewet project extends north-northeast along the Kalimantan Arc for over 200 kilometres.

The basement to the basin consists of folded and metamorphosed sedimentary rocks (sandstone and siltstone) of Cretaceous age. The basin sequence at Jelai-Mewet is composed of sedimentary and volcanic rocks which are overprinted by post-mineralisation dacite and dolerite intrusions.

The volcanic rocks at Jelai-Mewet have been chlorite altered near the mineralised areas (propylitic alteration) and locally overprinted by quartz + sericite (phyllic alteration) around the quartz veins. Alteration at surface is difficult to map due to lack of unweathered exposure. IGF has not compiled maps of alteration that has been logged in the drill core, although this could be done from the detailed drill logs.

PROSPECT LOCATION

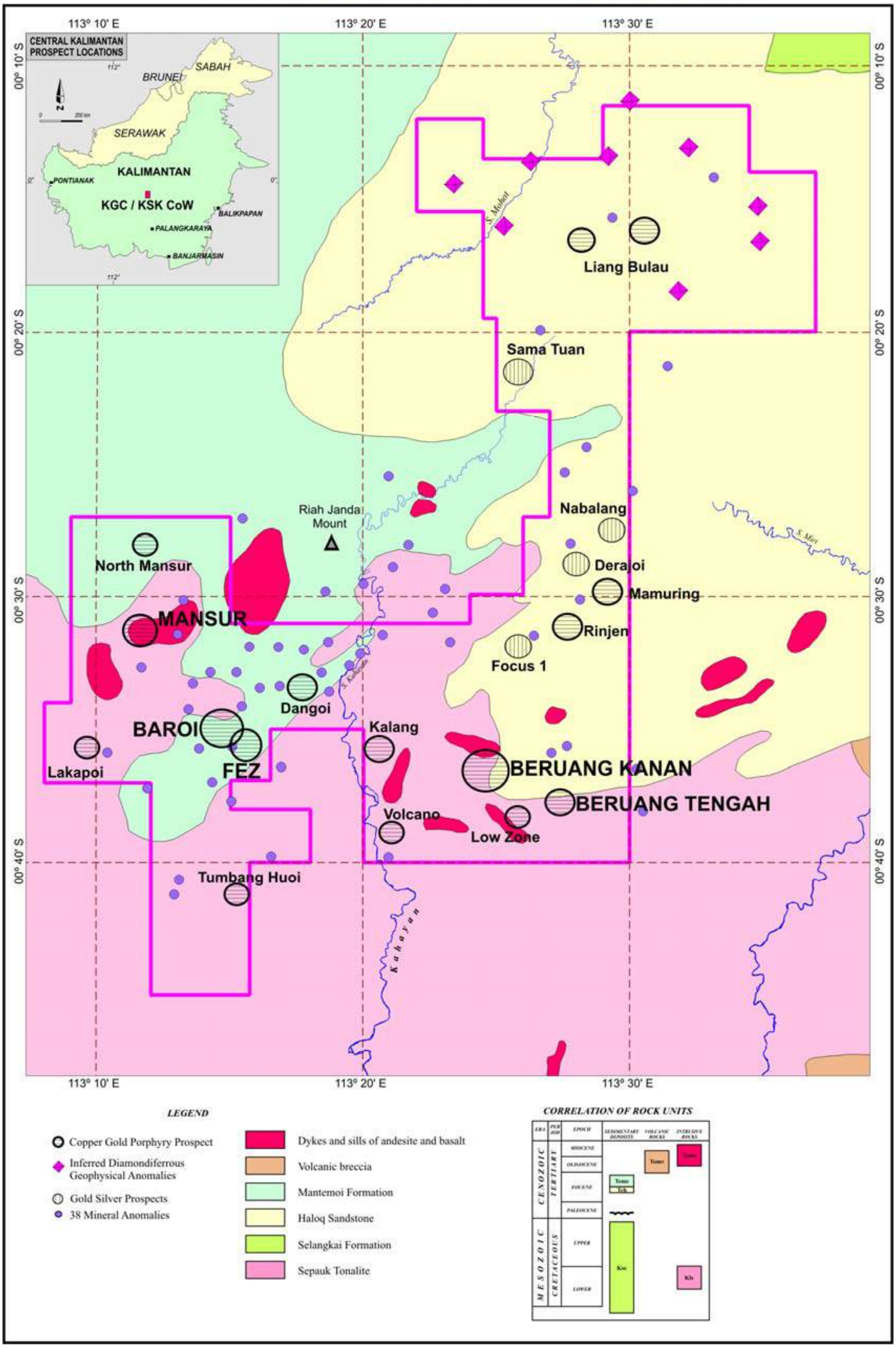


Figure 2. Geological setting and location of prospects and main geochemical anomalies in the KSK CoW

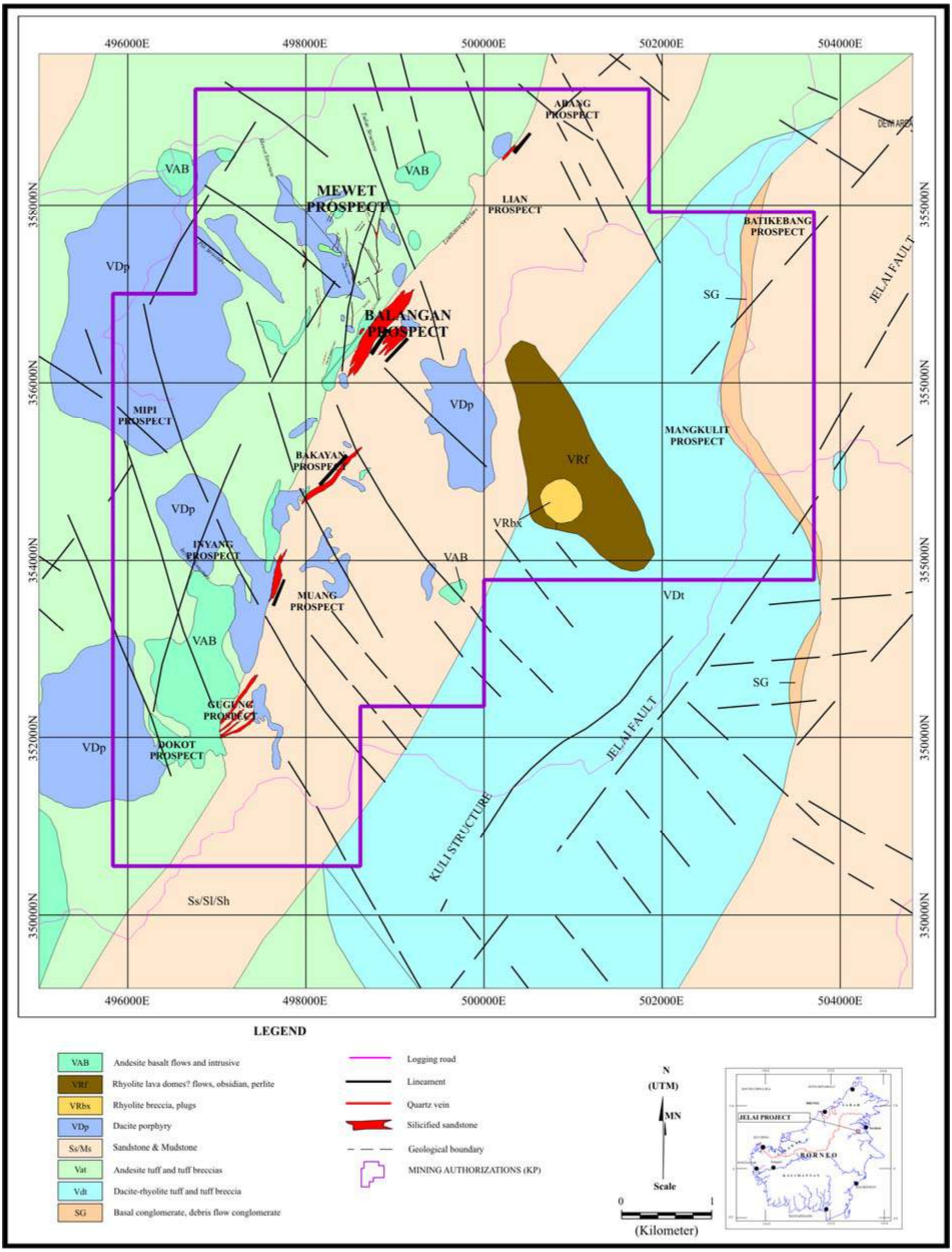


Figure 3. Geological setting and location of prospects of the Jelai-Mewet project

7 Deposit Types

7.1 KSK CoW

The KSK CoW contains a number of targets which show indications of being associated with porphyry Cu-Au-Mo style mineralisation. In addition, Beruang Tengah and Beruang Kanan are prospects that have porphyry-style alteration systems with copper – gold mineralisation systems (Leach et al 2002).

There are indications that some of the mineralised vein systems may be distal to an intrusive heat source, which is a phenomenon that is similar to other known vein systems in Kalimantan and in other continent-continent collision margin zones elsewhere in the region (e.g. Papua New Guinea). These vein systems contain Cu-Au and may also be associated with elevated Pb, Zn, Sb and/or Mo.

Based on airborne surveys, KGCL has also identified geophysical anomalies at Liang Bulau in the northern section of the KSK CoW (as shown in Figure 2) that are consistent with the signatures of kimberlite or lamproite pipes. Given the alluvial diamond mining history of Kalimantan, there is some merit in KGCL continuing reconnaissance stream sediment sampling for diamonds and diamond indicator minerals in the Liang Bulau area and if this sampling is encouraging, testing the geophysical anomalies. However, as this is not a current focus of KGCL and given the early stage nature of this prospect, the Liang Bulau diamond exploration prospect has not been further reviewed by SRK in this Report.

7.2 Jelai-Mewet

Quartz vein textures and zones of silicification around the veins suggest the mineralisation is a "low-sulphidation epithermal" vein system. Such systems are commonly controlled by the fault systems that host the mineralisation.

8 Mineralisation

8.1 KSK CoW

8.1.1 Baroi prospects

Known mineralisation in the Baroi centre extends over an area of 6 x 4 kilometres and can be divided into two areas (Central Zone and Far East Zone), separated by a major (northeast-trending) fault which is evident in remote sensing images and defined by geological mapping, surface geochemistry (copper and gold in soil) and geophysics (Figure 4). The Central Zone has been further divided into the Central Zone, South Zone and East Zone. The Central Zone is centred on a monzonite intrusion which has an unknown association with the mineralisation.

The Baroi prospects all have similar styles of vein-hosted mineralisation in volcanic and sedimentary rocks with minor dyke intrusions and are likely to be intrusive-related or distal to a porphyry intrusive system. Monzonite intrusions in the Central Zone differentiate this prospect, however their relationship to the mineralisation is unknown and not fully tested. The fault that separates the two prospects is associated with a high IP chargeability anomaly, which may also be due to sulphides or graphitic fault gouge within that fault.

In the Far East Zone, a gossanous silica cap surrounded by argillic (hydrothermal clay) alteration occurs within the zone of mineralisation, which is likely related to a zone of disseminated pyrite and very narrow pyrite vein stringers which are also responsible for the high IP chargeability anomalies.

In both the Far East Zone and the Central Zone, mineralisation is hosted by predominantly northwest and north-northwest trending, steeply southwest dipping veins up to ten metres thick, containing early chalcopyrite (Cu) + galena (Pb) + sphalerite (Zn) and later quartz + chalcopyrite + chlorite mineralisation. Channel samples of the Baroi Far East veins consistently return copper grades of 1– 5% Cu and elevated Zn, Ag and Pb. Similarly, in the Central Zone, elevated Cu and Ag values are associated with elevated gold (commonly 1-3 g/t Au where the Cu grades are 1-5 %Cu).

Of the two vein assemblages indicated, the quartz + chalcopyrite + chlorite vein systems appear, from current information and observations of drill core made during this review, to have the greater potential as a base for a significant resource.

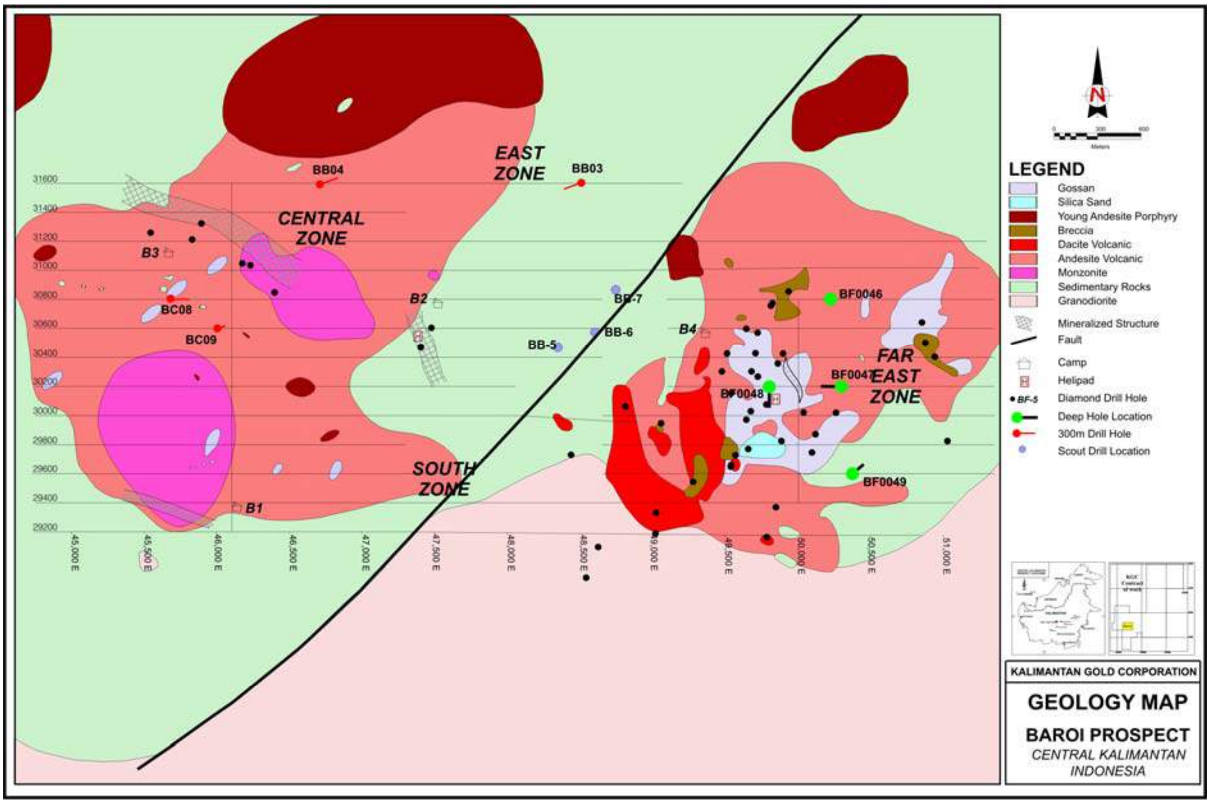


Figure 4. Geology, mineralisation and drill hole locations for the Baroi prospects.

8.1.2 Beruang Kanan prospect

Beruang Kanan is a volcanic complex in a sedimentary basin in an area of significant intersecting fault zones. The volcanics host pre-mineralisation gabbroic intrusions and post-mineralisation basaltic and andesitic porphyry dykes, which are up to 200 metres wide.

Geological and geochemical surveys differentiated three main zones (Figure 5):

1. Main Zone in a centre of argillic and advanced argillic alteration with anomalous Cu, Au and Mo in soil geochemistry. In addition, the pH of the stream water is >4 over a large part of the Main Zone (highly acidic due to sulphide weathering from the rock). The Main Zone has been the focus of most of the exploration and follow up drilling.
2. South Polymetallic Zone (within the South Zone).
3. West Zone, which has large areas of anomalous Cu in soil (> 200 ppm), but has not been followed up as a result of the apparent lack of a geological or structural focus within the large area of anomalous geochemistry.

The division between the Main Zone and South Zone is largely a result of the division of gold in soil geochemistry into a northern and southern zone. In the combined North Zone and South Zone prospects, alteration mapping indicates a broadly north – south trending zone of phyllic and advanced argillic alteration, extending approximately 2.5 kilometres north–south and 1 kilometre east–west.

Within the South Zone, a north-east striking fault zone is associated with intense phyllic alteration and stockwork quartz + sulphide veins. The soil survey assays indicate high antimony and arsenic in this area. The zone (known as the South Polymetallic Prospect) is likely controlled by a north-east striking fault which separates the South Zone and North Zone copper and gold anomalous soil geochemistry.

The North Zone gold and copper soil anomalies occur with the advanced argillic alteration and zone of high acidity measured in the streams. It is likely that the advanced argillic alteration occurs with a large amount of disseminated pyrite which is responsible for the high acidity in the surrounding creek water. Drilling has intersected base metal sulphide (Zn, Pb, Ag, Cu) as disseminated grains in the wall rock and in veins. Within the North Zone is a smaller prospect (North Polymetallic) which has surface veins that have returned high Au, Ag and Zn values from rock chips. Follow up drilling intersected Pb, Zn, Cu sulphide veins with anomalous Au and Ag associated with quartz + clay + sericite + barite, calcite and gypsum alteration.

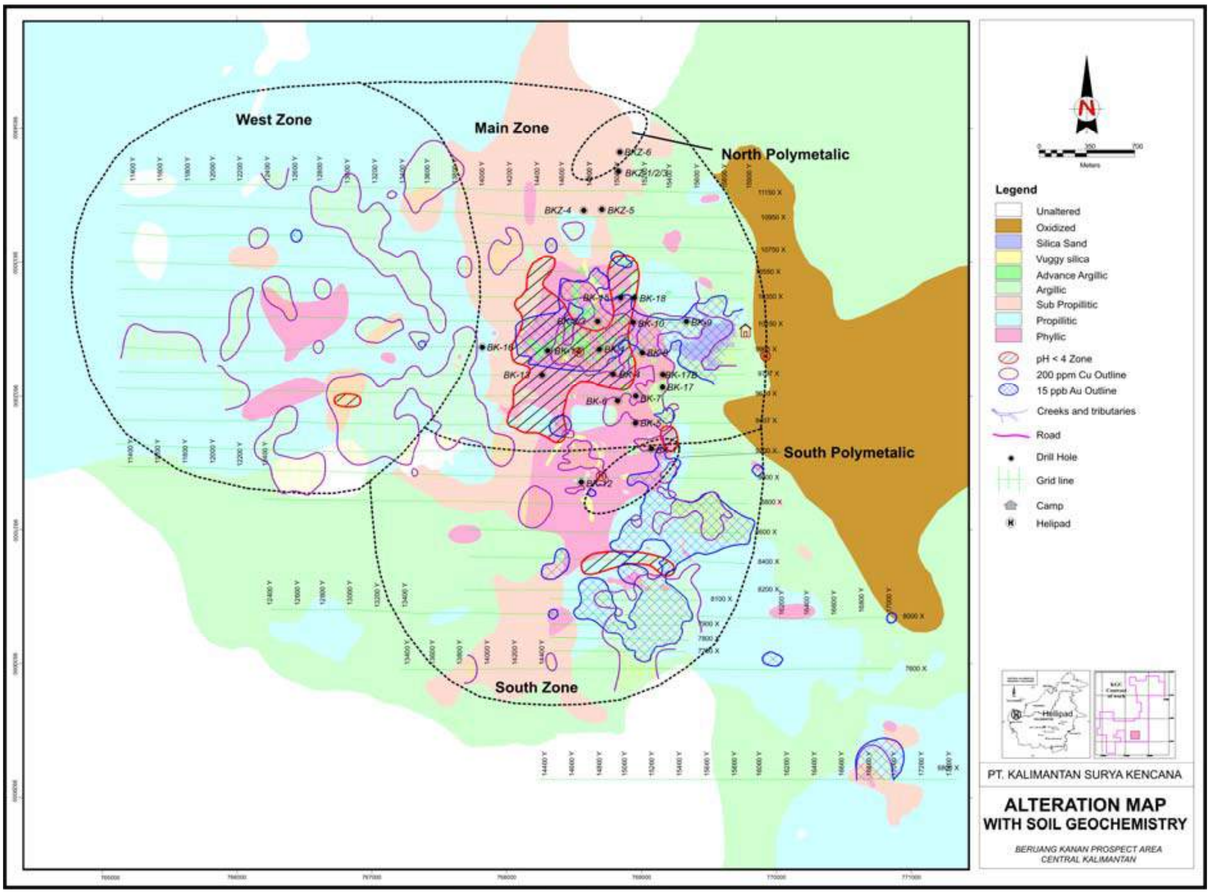


Figure 5. Alteration, drill hole locations and soil geochemical anomalies over the Beruang Kanan prospect

The South Zone gold and copper soil anomaly occurs outside the more intense alteration, implying the alteration (phyllic and advanced argillic) and gold mineralisation are not related. In the South Zone, quartz + copper sulphide veins occur within the anomalously high copper in soil anomaly. Petrological examination of the veins show native gold occurs with the chalcopyrite, which explains the coincident copper + gold anomaly in the soil.

Anomalous copper in soil in the West Zone is associated with lower gold in soil anomalism and a lack of intense alteration. The geochemical surveys across all prospects at Beruang Kanan suggest a complex mineralised system spread over a large area, the details of which have yet to be understood. The West Zone is separated from the other prospects by a north-south shear zone evident by a break in the soil geochemistry grid and the edge of the mapped north-south zone of phyllic alteration.

8.1.3 Beruang Tengah prospects

Beruang Tengah is two prospects (eastern prospect and western prospect) that are located approximately 4 kilometres south-east of Beruang Kanan.

The eastern prospect (Eastern Zone) has a central potassic alteration zone surrounded by phyllic alteration, which is associated with sheeted quartz + sulphide veins. A circular gold in soil anomaly at the Eastern Zone closely follows anomalous copper in soil (Figure 6).

The western prospect (Gold Zone) is dominated by phyllic alteration of volcanic rocks with associated intrusions. A gold in soil anomaly is coincident with an erosion resistant ridge of quartz diorite intrusion and minor quartz veins found in trenches (Figure 6). There is no significant copper in the soil surveys conducted over the Gold Zone.

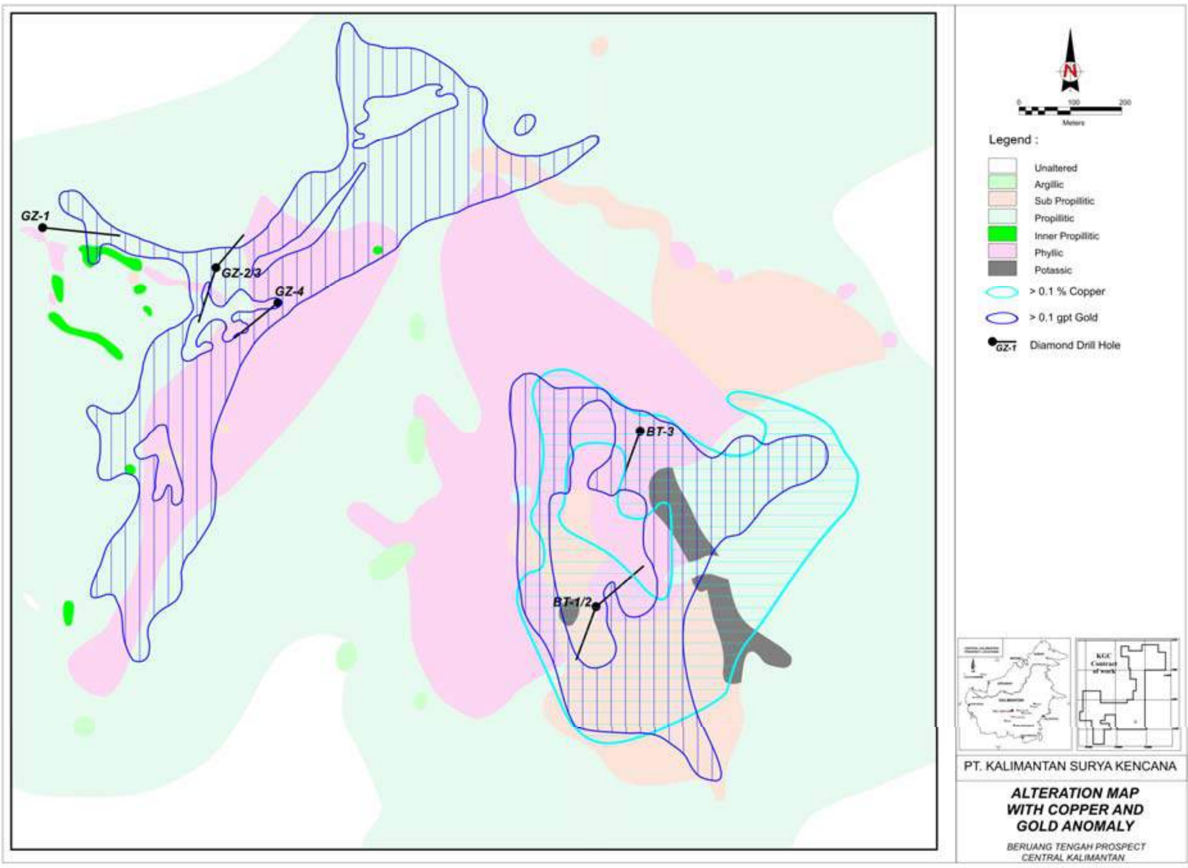


Figure 6. Alteration, drill hole locations and soil geochemistry for the Beruang Tengah prospects

8.1.4 Mansur prospect

The Mansur prospect is a potassic altered diorite and feldspar porphyry intrusion surrounded by potassic altered siltstone and sandstone sedimentary rocks. Within the altered diorite, quartz + K-feldspar alteration overprints the potassic alteration. The intrusion and sedimentary rocks are overprinted by later feldspar porphyry dykes. There is some contact alteration of the host sedimentary sequence as a result of heating from the intrusion.

A gold in soil anomaly is centered on the diorite porphyry intrusion. Gold in soil anomalies also occur to the south of the diorite and to the south-west (approximately 1 kilometre from the diorite). The gold in soil anomalies were drill tested by Cyprus Amax Indonesia (Cyprus) in 1996 (Figure 7) without returning significant zones of mineralisation. This may indicate the gold in soil anomaly is widely dispersed in the soil and more precise targeting is required to intersect the vein systems associated with the diorite.

A copper in soil anomaly occurs in a semi-circular zone around the western and southern edges of the copper in soil anomaly and coincides with the extent of the potassic altered sedimentary rocks. A number of trenches have tested the dominant north–south trending copper in soil anomaly at the western edge of the diorite intrusion. Channel samples of the C-horizon soil from the trenches returned values that are similar to the near surface soil values (all less than 0.2 % Cu), however, the bedrock has not been tested in this area by the KSK shallow drill rigs and Cyprus did not test the copper in soil anomalies at Mansur.

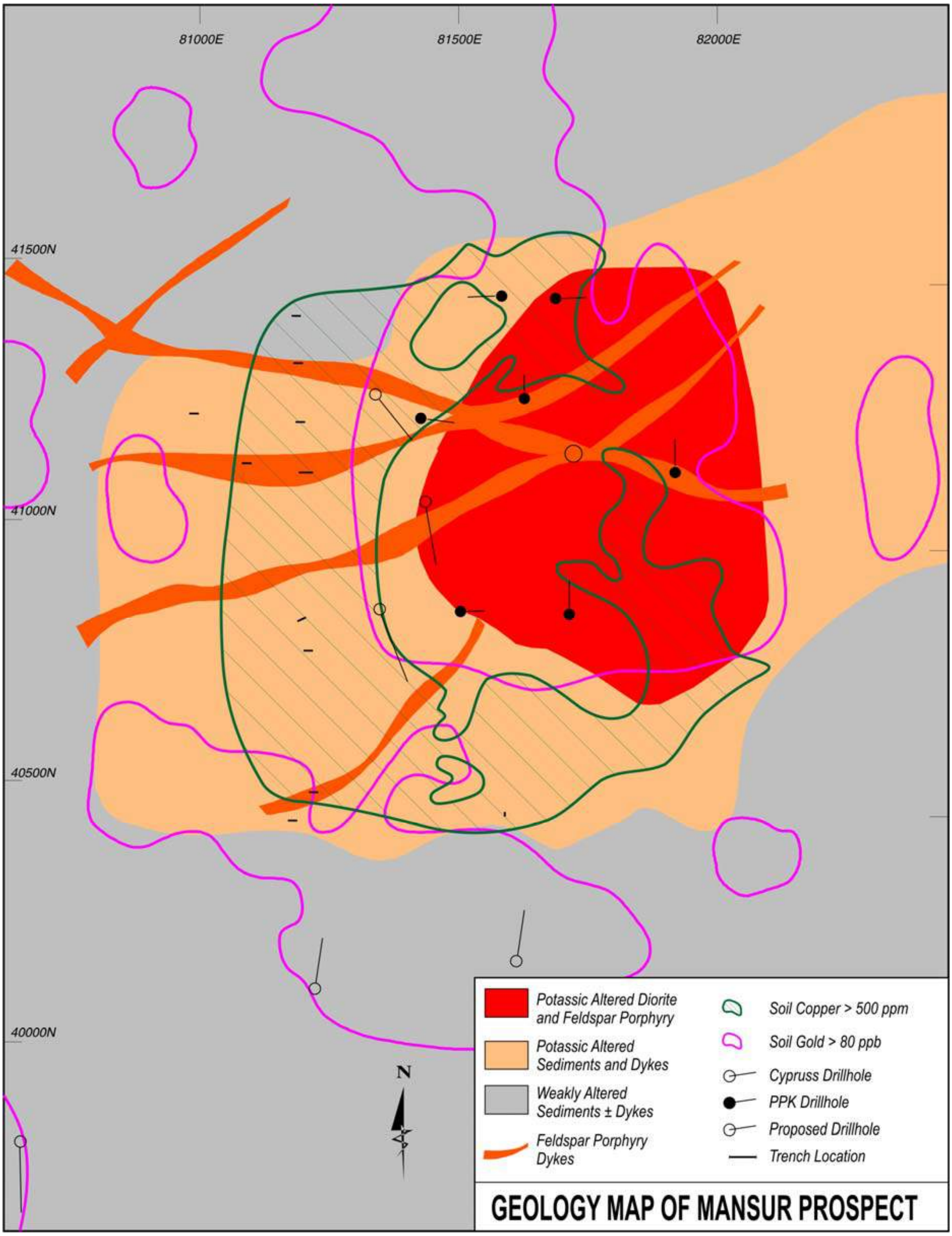


Figure 7. Geology, soil geochemistry and drilling at the Mansur prospect

8.2 Jelai-Mewet

Two styles of quartz vein have been noted by IGF as being typical of the area:

1. White quartz veins which may be colloform banded or with adularia, which contain fragments of quartz and host rock. These styles of mineralisation commonly contain high gold grades, and

2. Heamatite in quartz veins which are a pale red colour and are cut by a fine fracture networks of quartz which may extend into the host rock. This quartz stockwork style of mineralisation hosts

lower gold grades, however high gold grades may be found associated with the hematite rich quartz.

In drill core, shear zones parallel to the quartz veining have been reported. The shear zones contain friable chlorite schist, poorly consolidated clay + silica gouge and silicified breccia. None of the core is oriented, however steeply dipping (approximately 70°) shear zones are indicated. This is an important observation since it is likely that a vein system controlled by fault zones is likely to be more continuous (larger tonnage potential) than a network of veins (Figure 8). Bends along faults associated with mineralisation will result in pinching and swelling of the veins, creating thicker higher grade intersections in some areas and narrower lower grade intersections in others. At the time of this report, these detailed controls on mineralisation are yet to be established. Further exploration is required to identify the detailed controls on mineralisation and periodicity of higher grade shoots.

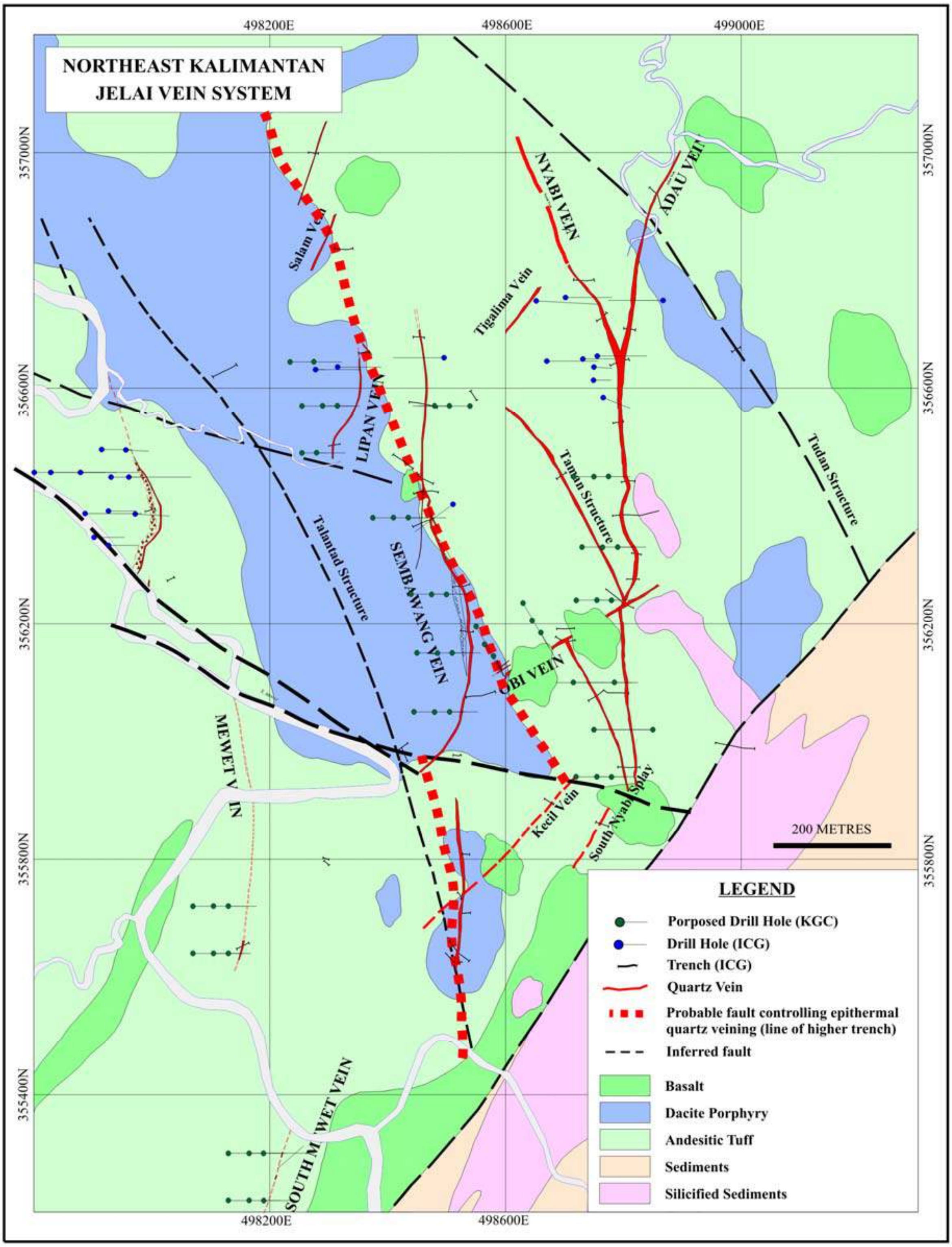


Figure 8. Geology, vein systems and drill hole locations for the Jelai-Mewet prospect

9 Exploration

9.1 KSK CoW

Regional surveys

A summary of the regional exploration activity is shown in Table 2.

Exploration activity	1987-94	1995-99	2002	2004
Reconnaissance mapping and sampling	672 samples	569 samples	3 samples	
Aeromagnetic survey	8,000 line kilometres			Reprocessing and reinterpretation
Structural analysis				Incorporating aeromagnetic, satellite and aerial photography

Table 2. Summary of regional exploration activity in the KSK CoW.

During 1987 and 1988 regional stream sediment sampling identified gold mineralisation at Mansur, Lakapoi and Tambang Huoi.

A regional magnetic survey was completed in 1998 for the purposes of better understanding the geology of the region and identifying target areas (intrusive systems in the volcanic belts). Interpretation of the original data and interpretation of the re-processed data (in 2003) indicated 38 targets on the KSK CoW and added some understanding of the geology and alteration at the Beruang Kanan, Beruang Tengah and Mansur prospects.

Soil auger sampling over the follow-up areas from the stream sediment surveys defined areas of copper and gold anomalism. Different soil sampling techniques have been used at different times. At Beruang 1,476 C-horizon, ridge and spur samples were collected at 50 metre intervals. Later C-horizon soil samples were collected along north-south lines (spaced 100–200 metres apart with samples taken at 20-40 metres along the line). At Baroi, 407 C-horizon soil samples have been taken on east-west lines. The early samples were assayed for Cu, Pb, Zn, and Mo. The samples were analysed for Au if Cu exceeded 500 ppm. At Mansur 1,488, 2-3 kg samples were collected at 0.3-0.5 metres depth (which may be prone to slope soil creep and distortion of the anomaly). These were analysed for Au, Cu, Pb, Zn, and Mo and As.

In 2003, regional interpretation of Landsat and ASTER (satellite data), the regional magnetic data, Radarsat and air photographs was done to provide a more detailed view of the regional structure of CoW. This work identified a number of regional structures that may be important for mineralisation.

Baroi prospects

A summary of the exploration activity in the Baroi prospects (Central and East Zone, Far East Zone) is shown in Table 3.

Exploration activity	1995-99	2002	2003	2004	2005	2006
Mapping, trenching and sampling	14 samples	74 samples	564 samples	145 samples	398 samples	
Petrography (Terry Leach)	9 samples		11 samples		15 samples	
PIMA (alteration analysis)			450 samples			
Ground IP and magnetic surveys				18.3 line kilometres far east zone	52.4 line kilometres central & east zone	
Shallow drilling			9 holes (634 m) central & east zone, 17 holes (1,197 m) far east zone	10 holes (686 m) far east zone	2 holes (164 m) central & east zone	
Medium drilling				18 holes (4,984 m) far east zone	3 holes (902 m) far east zone	3 holes (approx 876 m) central & east zone
Deep drilling					1 hole (589 m) far east zone	4 holes (2,394 m) far east zone

Table 3. Summary of exploration activity in Baroi Prospects (Central and East Zones and Far East Zone)

In 2002 and 2003, access to the Baroi area was possible via logging roads that had opened up the area at that time. During 2002-2003 geological mapping, soil sampling and trench sampling were done to follow up on mineralisation discovered in nearby creeks during regional mapping done in 1997. Analysis of 450 rock samples from surface and drill core was done using PIMA (short wavelength infra-red reflectance spectroscopy) to identify alteration assemblages. Thick clay soils in the Baroi area made recovery of soil samples from the C-horizon difficult. Nevertheless, in SRK's opinion, the data provided by the soil programs is useful at a regional scale for identification of mineralised centres that required some follow up exploration activity.

At Baroi Far East, veins were mapped, from which samples were collected which returned high Cu, Zn, Pb and Ag. Selected better Baroi Far East surface channel results are tabled in Table 4 below. High Cu and Ag values from the soil geochemistry surveys and alteration (argillic) mapping defined a broad north–south zone of mineralisation (approximately 500 metres wide) at the western edge of a magnetic high that has been defined by ground magnetic surveys.

Sample No	Metres	Cu %	Pb %	Zn %	Au_(g/t)	Ag (g/t)
0633-5	12	3.90	0.01	0.03	0.07	53.3
672-5	12	6.06	0.17	0.40	0.72	197.5
1800 & 1845-6	9	4.16	0.24	0.76	0.05	62
1802 & 1863-4	9	0.83	0.17	3.79	0.06	24.7
1869-71	9	2.42	0.54	3.26	0.16	149.7
0641-3	9	14.03	0.04	0.66	0.11	464.3
0669-71	9	3.63	0.01	0.51	0.07	46
0241&0330	6	6.68	3.51	5.78	0.61	240
0648-9	6	6.73	0.04	0.32	0.14	104.5
676-7	6	15.60	0.02	0.25	0.14	240.5
682-3	6	6.30	0.02	0.17	0.04	103
724-5	6	4.82	0.30	1.84	0.04	119.5
822-3	6	7.68	0.52	0.78	0.05	332.5

Table 4. Selected better surface channel sample results at Baroi Prospect (Far East Zone)

In 2003 nine shallow drill holes in the Central and East Zones and seventeen shallow drill holes in the Far East Zone were also completed at that time. These holes tested shallow intersections of exposed high grade Cu–Zn (base metal) ±Au ±Ag veins, some of which are several metres wide at the surface.

In 2004, ground magnetic and IP surveys over the Baroi Far East Zone were completed to follow up on anomalous soil geochemistry and provide a better understanding of the geology and alteration. These surveys were followed up with additional IP and ground magnetic surveys in 2005. In 2004, drilling focused on the vein systems at the Far East Zone. Extension of the ground magnetic and IP surveys into the Central and East Zones were done in 2005.

Most recently, deep drilling (approximately 600 metres to end of hole) at the Far East Zone targeted high chargeability IP anomalies, co-incident ground magnetic lows (possibly representing alteration systems), surface advanced argillic alteration and regional fault intersections. The drilling of these deep holes was done to test the potential of a postulated deep porphyry intrusion which may be responsible for the mineralisation. Four deep drill holes were completed in 2006 in the Baroi Far East Zone without intersecting a porphyry intrusion, although potassic alteration at depth was observed in one hole. The drill holes did intersect volcanic hosted Cu–Zn (base metal) ±Au ±Ag and quartz–chlorite–Cu veins, many of which returned encouraging grades over significant down-hole widths. The fluid that formed these veins is likely to be a result of cooling of an intrusive complex at depth.

Baroi Far East Zone drill hole and surface rock chip and trench samples of early stage vein material (Zn-Pb-Cu-Ag massive sulphide veins) consistently return high Cu, Zn, Pb and Ag as suggested by the mineral assemblages, e.g. BF05 drilled 24 metres (from 40 metres down hole) down dip of a vein and returned 5.08% Cu, 1.24% Zn and 88 g/t Ag (out of a total mineralized intersection from 2.45m of 83 metres at 2.6% Cu, 0.6% Pb, 1.8% Zn, 61g/t Ag and 0.22g/t Au). Current information and observations made during this review at Baroi Far East Zone indicates the vein density for the early stage veins would not be high enough to form a significant resource. Late stage chalcopyrite(Cu)–quartz veins are more extensive and consistently return high Cu and Ag values. These late stage veins have greater potential for producing a resource and need to be systematically drill tested.

Similar vein systems to those at Baroi Far East Zone reportedly occur in the Baroi Central Zone and in small mineralised centres approximately one kilometre north-east and one kilometre south-west of the Far East Zone mineralisation centre. Current information suggests these centres are less extensively mineralised than the centre of the Far East Zone.

Veins observed at surface and in drill core dip steeply to the south west and strike south-east (120-140°). The orientation of the veins and the zone of veins as mapped suggest drilling to the north-east would be optimal. Relatively few holes have been systematically drilled in this direction, such that the true dimensions of the mineralised system have yet to be established.

Repeat assays on rock chip samples from the Baroi prospect sent to different analytical laboratories had a strong correlation (correlation coefficient of 0.994 for Cu, 0.993 for Zn, 0.995 for Au, 0.956 for Ag) indicating accuracy of the results between the labs and reducing risk of analytic error affecting results.

Beruang prospects

A summary of the exploration activity in the Beruang prospects (Beruang Kanan and Beruang Tengah) is shown in Table 5.

Exploration activity	1987-94	1995-99	2000	2001
Mapping and sampling	950 samples (B Kanan)	2,231 samples (B Kanan) 95 samples (B Tengah Gold Zone)	563 samples (B Kanan)	161 samples (B Kanan)
Petrography (Terry Leach)		91 samples (B Kanan) 14 samples (B Kanan North) 22 samples (B Tengah)	5 samples (B Kanan)	21 samples (B Kanan)
PIMA (alteration analysis)		561 samples		
Ground IP		12 line km (B Kanan) 12.8 line km (B Kanan North) 12.4 line km (B Tengah)		60.5 line km (B Kanan)
Drilling		10 holes (1,922 m) (B Kanan) 6 holes (871 m) (B Kanan North) 3 holes (702 m) (B Tengah) 4 holes (611 m) (B Tengah Gold Zone)		9 holes (1,967 m) (B Kanan)

Table 5. Summary of exploration activity in Beruang prospects (Beruang Kanan and Beruang Tengah)

Beruang Kanan and Beruang Tengah are two prospects within the same circular topographic feature identified in regional satellite and magnetic images and interpreted to be related to a deep-seated intrusive complex and possibly alteration of the volcanic host rocks caused as a result of the intrusions.

From 1996 to 1999, 1,190 rock chip and channel samples, 1,476 ridge and spur soil auger samples and 130 kilometres of grid soil samples at 200 metre spacing have been collected at the Beruang prospects. The earlier samples were analysed for Cu, Pb, Zn, Mo, As, Ag, Sb and Au and later samples analysed only for Cu and for other elements if Cu was greater than 500 ppm.

Also in the late 1990's, the Beruang prospects were mapped for geology and alteration. IP surveys have been completed to identify sulphide and intrusion centres. PIMA was used to identify alteration assemblages. In addition samples from surface and drill core have been petrographically described to confirm host rock composition and alteration assemblages.

At Beruang Tengah Gold Zone 415 channel samples (each sample taken over two metres) returned assays of up to 11 g/t Au. Subsequently four drill holes (totaling 562 metres) tested high gold in soil anomalies and high gold values from the trench sampling program.

Drill core from Beruang Kanan which was observed during this review indicated a strongly altered (phyllic and advanced argillic) centre which was strongly deformed in some areas. Quartz + pyrite + chalcopyrite in veins are associated with a strong cleavage in the altered rock, suggesting a strong structural control to the veins.

Mansur porphyry Au-Cu prospect
A summary of the exploration activity at the Mansur porphyry Au-Cu prospect is shown in Table 6.

Exploration activity	1987-94	1995-99	2001	2002
Mapping and sampling	1,301 samples			72 samples
Petrography (Terry Leach)			5 samples	
Ground IP and magnetics		27.4 line km		
Drilling	11 holes (1,109 m) 3 adits (where drill pads could not be located)	7 holes (2,072 m)		

Table 6. Summary of exploration activity at Mansur porphyry Au-Cu prospect

The Mansur porphyry intrusion was discovered in 1993 by mapping up stream from anomalous stream sediment anomalies in the Mansur Creek. The source of the anomalies is an intrusive system that is expressed in the regional magnetic data as a prominent high. In 1994, the predecessor to KSK completed further stream sediment sampling, trenching, rock chip sampling, soil geochemistry, an eleven hole shallow drill hole program and the construction of three adits in 1994. This was further followed up with ground magnetic and IP geophysical surveys over the Mansur system, which was done to further understand the geology and alteration.

One north–south trending soil auger line (81,200 E) is highly anomalous in copper. Copper analyses of trench channel samples of oxidized, weathered bedrock in the area returned values of less than 0.2% Cu and up to 1.06 g/t Au. The low copper values in the bedrock may be a function of soil creep (the bedrock source for the high Cu values may be upslope). The results from the trenching do reduce the Cu prospectivity of the Mansur system in that area, however, the remainder of the system remains poorly tested for Cu and Au.

In 1996, PT Cyprus Amax Indonesia (Cyprus) completed infill soil sampling (237 samples), trenching (50 metres) and seven drill holes (totaling 2,072 metres). Petrological examination of some of the drill core was done in 2001.

Within the soil sample analyses, trench channel sample analyses and drill core analyses, the highly anomalous gold assays are commonly associated with only low copper; however the anomalous copper results may also be associated with elevated gold. A working model of two stages of mineralisation (early copper + gold, and later gold only) needs to be further tested.

Drill core from shallow holes at Mansur was observed during this review. SRK's observations correlate high gold values in quartz + carbonate veins with carbonate + sericite alteration of the host volcanic at the edge of the porphyry system. In SRK's opinion, this style of vein mineralisation, although apparently distal from a nearby hydrothermal centre, forms a sound basis for further exploration of the Mansur system for a Au ± Cu resource.

9.1.1 Drilling

Three drilling techniques have been successfully employed to drill test targets.

1. A "scout drill rig" is owned by KSK and has been used to test a number of prospects (including Baroi, Mansur, Beruang Kanan and Beruang Tengah). This drill is capable of being deployed quickly and is able to test to down hole depths of approximately 80 metres with a change in the size of the drill bit from NQ (47.6 mm diameter core) to BQ (36.4 mm diameter core) at approximately 30 to 35 metres down hole. The scout drill rig is capable of being mobilised and set up manually, negating the need for helicopter or heavy vehicle transport. Drilling costs including drill pad set up, mobilisation of drill rig, drilling, core recovery, sampling and assay has been achieved at a rate of approximately US$55 per metre.
2. A larger drill rig, also owned by KSK is also capable of being mobilised and set up manually. This drill rig is capable of drilling down to depths of approximately 300 metres with a change in the drill bit from NQ to BQ required at approximately 100 metres down hole. Drilling costs including drill pad set up, mobilisation of drill rig, drilling, core recovery, sampling and assay has been achieved at a rate of approximately US$60 per metre.
3. Contract drilling using larger drill rigs with helicopter support has been used to test up to 600 metres down hole. Deep drilling at Mansur using large drill rigs has been done in the past under joint venture with Cyprus. Deep drilling has also recently been completed under contract for KSK at the Baroi prospect on the KSK CoW. Drill core recovered using these drill rigs is commonly HQ (core recovered is 54 mm in diameter) to approximately 400 metres down hole and NQ beyond these depths. Drilling costs including drill pad set up, mobilisation of drill rig, drilling, core recovery, sampling and assay has been achieved at a rate of approximately US$120 per metre.

Baroi prospect

A summary of the drilling at Baroi prospects in shown in Table 7. Drilling at Baroi was done during 2003 and 2004 and most recently, deep drilling was completed early in 2006. The focus of the exploration drilling at Baroi has been on The Far East Zone. Less drilling has been done at the Central Zone and some areas between the Central Zone and the Far East Zone.

Prospect	Number of holes	Metres
Far East Zone	52	10,172
Central Zone	8	823
East Zone and South Zone	11	1,991

Table 7. Summary of drilling at the Baroi prospects

The better drill intersections at Baroi have come from the Far East Zone, where drilling has intersected early chalcopyrite + galena + sphalerite + pyrite veins and later quartz + chalcopyrite + chlorite veins, which extend in a south-east direction as a swarm throughout the prospect. The vein system has several hundreds of metres to one kilometre of strike length, is approximately 500 metres wide and extends down dip for several hundred metres. Although individual early stage sulphide veins are up to 10 metres thick, the number and location of these veins has not encouraged more intense drilling.

Four deep drill holes, drilled into the western edge of a magnetic high intersected predominantly narrow veins (quartz + chlorite). The best intersections of these veins are shown in Table 8.

Hole	Orientation (azimuth / dip)	From – To (1)	Metres (1)	Cu (%)	Pb (%)	Zn (%)	Ag (g/t)	Au (g/t)
BF-4	260 / 60	52.8 – 76.8	24	1.53	0.25	2.27	28.6	0.13
BF-5	210 / 60	2.4 - 85.4	83	2.64	0.62	1.85	61.1	0.22
Incl.		2.4 – 31.4	29	3.18	1.71	4.21	97.1	0.57
Incl.		40.4 – 64.4	24	5.08	0.04	1.24	88.5	0.02
BF-9	70 / 60	6.8 – 36.8	30	2.18	0.07	0.37	53.7	0.05
BF023	210 / 60	252 – 258	6	0.82	?			
BF024	230 / 60	13.5 – 61.5	48	0.52	0.26	0.18	28.1	0.02
BF28/030	230 / 60	1.0 – 42.8	41.8	3.18	0.99	1.85	101	0.16
Incl.		1.0 – 12.0	11	11.05	1.64	2.55	296	0.24
BF29/033		28.0 – 64.9	37	0.73	1.08	0.02	144.7	0.23
BF037	vertical	65 – 71	6	0.67	?			
BF040	210 / 80	36.3 – 67.3	31	1.04	0.59	2.9	29.6	0.17
BF048	vertical	154 – 184	30	1.12	0.2	0.8	29.4	0.02
Incl.		163 - 175	12	2.2	0.05	0.5	47.8	0.02

Table 8. Selected drill hole results from the Baroi Far East Zone

(1) Note that the widths expressed in the table above are intersected widths which are not necessarily coincident with true widths.

The drill core, surface geochemistry and surface exposure (mapped geology) indicate copper mineralisation occurs in narrow later stage veins which follow a southeast trend. The orientation of the vein systems at surface suggests optimal drilling to intersect the vein systems near surface would be to the northeast. Porphyry intrusive geological models that have been tested have not necessarily involved drilling in this direction. As a result, the true dimension and grade of the vein systems near surface has yet to be established. However, observations made during this study suggest there is potential for a mineralized zone 600 to 1000 metres in strike length and 100 to 200 metres in width, with the veining open at depth.

Beruang prospect

Drilling at Beruang was done during the period from 1997 – 2001. The drilling completed to date is shown in Table 9.

Prospect	Holes	Metres
Beruang Kanan	19	3,889
Beruang Kanan (North Polymetallic)	6	871
Beruang Tengah	3	702
Beruang Tengah Gold Zone	4	611

Table 9. Summary of drilling at the Beruang prospects

Beruang Kanan

Drilling at Beruang Kanan Main Zone (1998-2001) returned the best intersections shown in Table 10.

Hole	End of Hole (m)	Orientation	From – To (1)	Metres (1)	Cu (%)
BK2	171.5	70°→090°	4.5 – 171.5	167	0.59
Incl.			4.5 – 97.5	93	0.75
BK3	240.4	60°→270°	6.4 – 85.4	79	0.89
BK4	200.2	90°→0°	6.0 – 111.0	105	0.53
BK5	212.7	60°→270°	3.0 – 105.0	102	0.62
Incl.			3.0 – 66.0	63	0.75

Table 10. Selected drill hole results from Beruang Kanan Main Zone

(1) Note that the widths expressed in the table above are intersected widths which are not necessarily coincident with true widths.

BK2 and BK3 have been drilled from the same pad in opposite directions in the phyllic to advanced argillic alteration (see the interpretative cross-section in Figure 9 below). The drilling indicates a significant zone of narrow vein and disseminated mineralisation which returns 0.7–0.9% Cu. BK5 was drilled 800 metres south of BK2 and BK3 in the phyllic alteration, indicating there may be significant tonnage of low grade copper mineralisation on a north-south trend at Beruang Kanan.

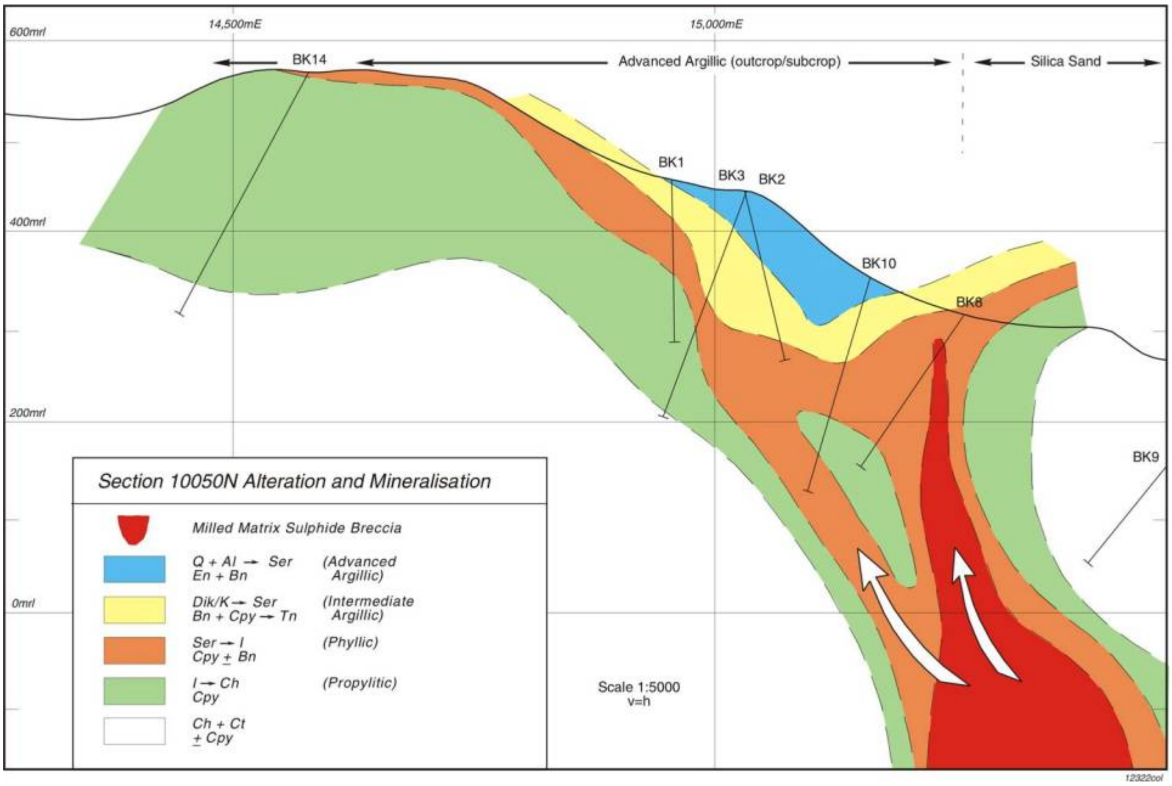


Figure 9. Beruang Kanan Prospect - Interpretative cross section with drill holes projected on to line 10050N showing the distribution of alteration and sulphide mineral types (from Leach, 2001)

At the North Polymetallic Zone prospect, drilling intersected Pb, Zn, Cu sulphide veins with high Au and Ag values in a pervasively quartz–clay–sericite altered zone. The best drilling result from four drill holes in this area is shown in Table 11.

Hole	End of Hole (m)	From – To (1)	Metres (1)	Au (g/t)
BKZ1	123.1	30 – 34	4	1.3

Table 11. Selected drill hole results from Beruang Kanan (North Polymetallic Zone)

(1) Note that the widths expressed in the table above are intersected widths which are not necessarily coincident with true widths.

Beruang Tengah

At Beruang Tengah, seven holes (totaling 1,266 m) have been drilled to follow up on mapping and soil sampling programs and bedrock trenching programs.

At Beruang Tengah Eastern Zone, three holes (totaling 704 m) have been drilled. The best result is shown in Table 12.

Hole	End of Hole (m)	Orientation	From – To (1)	Metres (1)	Au (g/t)	Cu (%)
BT2	250	60°→200°	36 – 39	3	5	0.24

Table 12. Selected drill hole results from Beruang Tengah Eastern Zone

(1) Note that the widths expressed in the table above are intersected widths which are not necessarily coincident with true widths.

At Beruang Tengah Gold Zone, four holes (for 562 m) have been drilled. The best results are shown in Table 13.

Hole	End of Hole (m)	From – To (1)	Metres (1)	Au (g/t)
GZ1	250	200 – 204	4	1.4
GZ2	154	15 – 19	4	1.2
GZ3	105	14 – 18	4	1.5

Table 13. Selected drill hole results from Beruang Tengah Gold Zone

(1) Note that the widths expressed in the table above are intersected widths which are not necessarily coincident with true widths.

Mansur prospect

In 1994 KSK predecessor completed an eleven hole (totalling 1,078 m) shallow drilling program at Mansur targeting surface gold geochemistry. The best results are shown in Table 14.

Hole	From – To (1)	Metres (1)	Au (g/t)
SMH5	31 – 32	1	6.1
and	59 – 60	1	5.7
SMH8	12 – 13	1	4.1
SMH3	38 – 39	1	3.2
SMH9	31 – 32	1	2.1

Table 14. Selected drill hole results from Mansur (porphyry Au-Cu) prospect

(1) Note that the widths expressed in the table above are intersected widths which are not necessarily coincident with true widths.

This program was followed up with ground magnetic and IP geophysical surveys, infill soil geochemistry, trenching and petrographic analyses. The results of this work provided JV partner Cyprus with targets for a further seven drill holes (totalling 2,072 m). Although surface trenches provided channel samples that returned up to 10 metres at 0.5 g/t Au, the drilling did not return significant results.

Repeat gold assays from a number of samples from Mansur prospect have large variations suggestive of influence by coarse gold in the samples. The same effect is less obvious in channel samples from the three adits driven at Mansur Prospect where drilling was inaccessible. The coarse gold problem reported from the drill core may be a function of the smaller sample volume retrieved from drill core.

9.1.2 Sampling Method and Approach

Core from the KSK CoW was placed into wooden core boxes on the drill platform and marked with depth down hole at the start and finish of each run. The core was then transported by hand to a central core logging and measurement facility built on site at each drill program. Half core has been sampled at 1 metre intervals only where there is an indication of alteration or mineralisation that would be of interest.

9.1.3 Sample Preparation, Analyses and Security

The core is measured for recovery and geologically logged prior to sampling. The geologist marks the core where sampling had been deemed necessary and half-core is sampled at one metre intervals. The core is cut in half using a chisel and one half of the core is brushed into a plastic sample bag for analysis. An aluminum tag with the hole number and sample interval is placed into the bag and the bag is marked with the hole number and sample interval. The plastic sample bag is taped down and the tape is also marked with the hole number and sample interval.

Two or three sample bags are placed into a larger bag for transporting to Palangka Raya. On arrival in Palangka Raya the larger bags are checked for damage. Broken bags are not sent for analysis. Core samples are repacked and sent by commercial courier for analysis to Indoassays Laboratory in Balikpapan.

Indoassays Laboratory in Balikpapan produce pulp and residue from each sample. Fifty grams of pulp is produced from each sample for analysis. Residue from each sample is repacked into a new plastic bag by the laboratory and given a reference number. Pulp is packaged into an envelope. Both residue and pulp is returned to Palangka Raya and stored in a separate facility at the KSK offices.

Geochemical sampling and drill testing procedures used by KSK are of a good standard for regional exploration. The drill core may be more precisely sampled using a diamond saw to split the core and blanks and standards are not submitted by KSK to check consistency of assay results. However, check samples that are analysed by the Intertek Laboratory in Jakarta do not indicate any issues with regard to analytical imprecision or bias. Although the authors of this report have not reviewed these laboratories and their procedures, SRK Consulting understands that both laboratories are of international standard and are capable of promptly returning reliable assay results.

9.1.4 Data Verification

KGCL periodically send pulp and residue samples to PT Intertek Utama Services in Jakarta for analysis to test the precision of the analysis results received from PT Indoassays Laboratories (Balikpapan). A small number of these results (from Baroi) were reviewed as part of this study, however, SRK have done no re-sampling, re-analysis or data base verification during this review.

9.2 Jelai-Mewet

C-horizon ridge and spur soil sampling by ICG was analysed for Au, Ag, As, Cu, Pb, Zn and Sb. From these surveys, broad north-south trending Au and As geochemical anomalies were mapped, which followed exposed quartz veins and silicified ridges. Closer spaced soil geochemical sampling, geological mapping, trenching and rock chip sampling of veins defined the current prospects.

Early exploration identified a number of north-south trending vein systems. The main vein systems from west to east are known as the Mewet Vein, Sembawang Vein and the Nyabi-Adau Vein. These are accompanied by a number of smaller veins that strike north-northeast, northeast and north-northwest.

The Obi Vein (a subsidiary of the Sembawang Vein) has not been drilled, but ICG reported 15m at 3.82 g/t Au from trench TRMW15 which contained a quartz breccia near a contact between dacite porphyry and andesite tuff. The contact possibly represents a fault zone.

A surface investigation of the vein systems by SRK Consulting for this review indicated the presence of vein material at the Mewet and Nyabi-Adau veins without the presence of a major fault. As is common with low-sulphidation systems, high gold grades in veins without the presence of a major structure indicates low tonnage potential. The Sembawang Vein at the centre of the field is a breccia, which appears to be linked to a fault system. Veins and breccias associated with fault systems (such as that at Sembawang) have a greater chance of providing the higher tonnage and grade required to form a significant low-sulphidation epithermal deposit.

9.2.1 Drilling

Drilling at Jelai-Mewet had been undertaken by IGF at the Mewet Vein, Nyabi-Adau Vein and Sembawang Vein. IGF used a man-portable drill rig which collected PQ (85 mm diameter), HQ (70 mm diameter) and NQ (47.6 mm diameter) core from immediately under the soil cover. Down-hole surveying of the drill holes was done at 50 metre intervals for the first 17 of the 26 drill holes. After drill hole JM017 was surveyed, no orientations were taken as a result of down-hole camera malfunction.

Core recoveries in the Mewet Vein (JM011 – JM022) average 92.4%. Core recovery for the Sembawang drill holes was also high.

The drilling at the northern Mewet veins intersected a vertically continuous vein system over a 165 metre strike. High grade intersections on a 150 metre strike length section of the Mewet Vein remain open along strike to the south and are open down dip. All holes that reached target depth at Mewet intersected quartz veining and/or quartz matrix supported vein breccias, many of which returned high grade gold values. Au:Ag ratios from the quartz veins are reported to be 1:1 to 1:2. A controlling fault was not observed at surface or in drill core photos, which may indicate the Mewet Vein is an isolated mineralised system. Further work is required to confirm this and close the extent of the veining. The better results from the drill holes are presented in Table 15 and Figure 10.

Drill Hole	From – To (m) (1)	Intersection (m) (1)	Assay (g/t Au)
JM011	26.3 – 28.4	2.1	6.9
JM012	57.0 – 58.7	1.7	11.1
JM013	38.3 – 40.2	1.9	7.5
JM015	56.6 – 58.0	1.4	9.5
and	67.5 – 69.3	1.8	7.4
and	69.3 – 70.8	1.5	7.4
JM018	115.0 – 119.5	4.5	6.4
JM019	185.1 – 191.2	6.1	5.6
JM021	125.5 – 131.6	6.1	2.6

Table 15. Selected results from Jelai-Mewet drilling

(1) Note that the widths expressed in the table above are intersected widths which are not necessarily coincident with true widths.

Shallow drilling of the intersection between the Nyabi and Adau veins (JM001 – JM010) encountered 8.6m at 2.1 g/t Au, in the first hole (JM001), however a further nine holes in the same area failed to intersect similar grades in the quartz-rich fault system. Surface trenching of the Nyabi Vein above JM001 returned 13 m at 1.42 g/t Au from quartz vein stockwork. Trenching of the Adau Vein, approximately 50 metres north of JM001 returned 12 m at 1.8 g/t Au, however this area has not been drill tested. The drilling has tested approximately 200 metres of a total strike length of 1,300 metres of surface veining, delineated by mapping and surface soil and rock chip geochemistry.

The Sembawang Vein is 1200 m in strike and is associated with a weaker surface geochemical anomaly. A number of surface trenches reported encouraging quartz vein mineralisation, many of which returned encouraging gold values over several metres. Of the four drill holes that were completed in the Sembawang vein system, only one appears to have tested the fault and vein mineralisation. Hole JM024 returned 4.1 m at 4.3 g/t Au from 57.4 m, immediately south of surface trench TRMW18A which returned 5 m at 4.8 g/t Au. Other drill holes failed to intersect significant mineralisation despite the positive surface trench geology and assay results. This is likely a result of the non-optimal location of the drill holes as a result of a poor understanding of the fault and vein relationships and role of a number of the vein splays associated with the Sembawang Vein. Further work is required to increase current understanding of the continuity of the Sembawang system and test the gold resource potential.

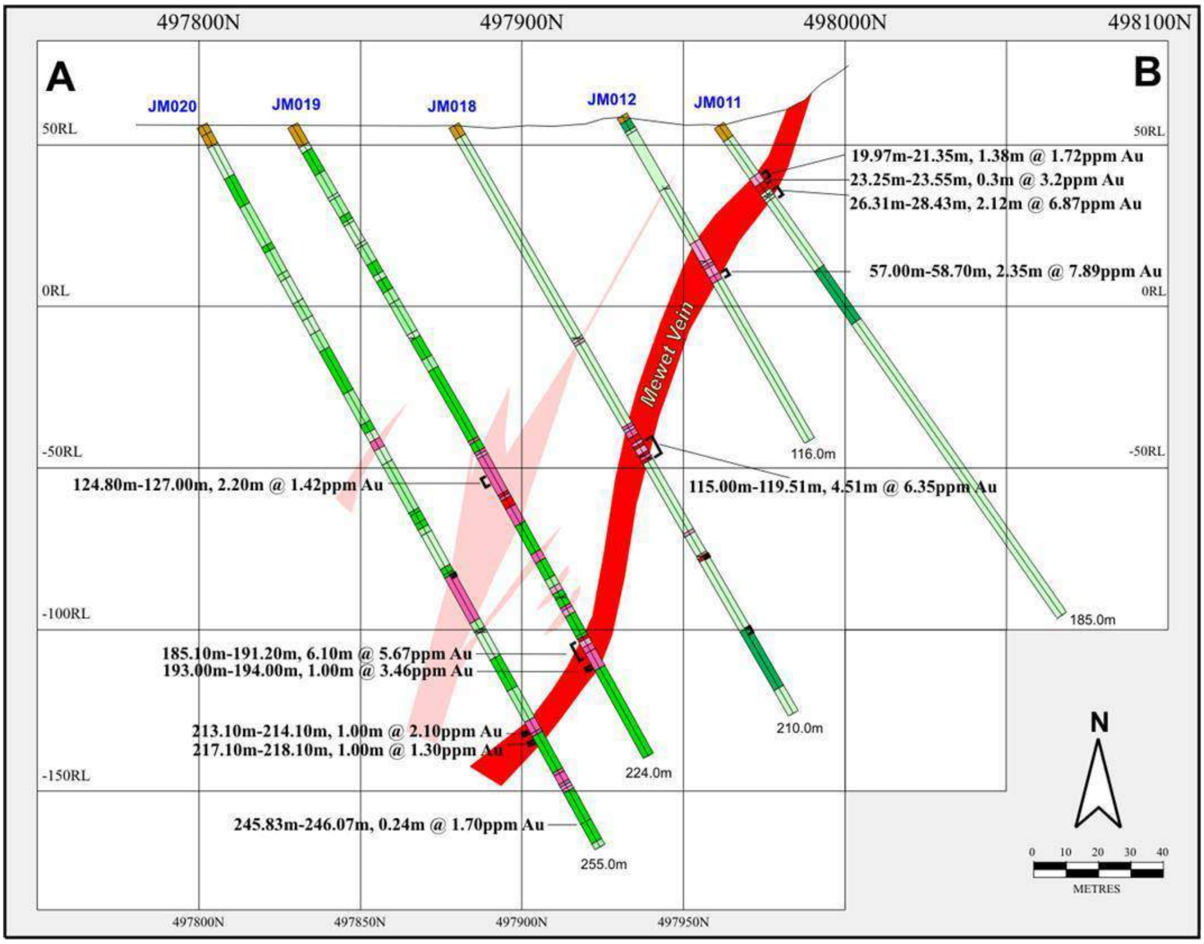


Figure 10. Jelai Gold Prospect – Mewet Vein, Cross Section 356,450N

9.2.2 Sampling Method and Approach

Core from the Jelai-Mewet drill programs was logged, photographed and cut using diamond saw at a facility near Mewet Village. Photographs of core from holes JM0011-JM026 were reviewed during this review. Half core was sampled with a minimum sample interval of 10 cm and a maximum interval of one metre. In drill core that lacked indications of alteration or mineralisation, quarter core was sampled over two metre intervals.

9.2.3 Sample Preparation, Analyses and Security

Samples were transported to PT Indo Assay in Balikpapan and analysed for gold by fire assay and for silver by AAS. Limited samples were submitted to PT Indo Assay in Jakarta and PT Inchcape Utama in Jakarta for check analyses. ICG report a strong correlation between assay results for repeat analyses from different labs (correlation coefficient of 0.979 for samples that returned up to 1 g/t Au and a correlation coefficient of 0.998 for Au from 1–5 g/t Au). This also suggests a low nugget effect for gold in the samples that returned up to 5 g/t Au. There is no information regarding the use of standards or blanks in the samples sent for analysis by ICG.

After logging, photographing and sampling, IGC transported the core to a central facility near the airport in Tarakan. The core was left in a storage shed, which has subsequently deteriorated. The core has been dumped in a pile on the floor of the derelict warehouse where it has subsequently deteriorated. SRK is of the opinion that this core will be of no use to KGCL due to its condition.

9.2.4 Data Verification

All data available to KGCL and available to SRK during this review was reported by IGF in a number of reports written during exploration. Neither KGCL nor SRK have been able to verify the data base or any of the sample analyses at this time, however field visits undertaken during this review indicate the style of mineralisation encountered is consistent with the results reported. The initial stages of the proposed exploration by KGCL will focus on repeat sampling of some of the work done by IGF.

10 Adjacent Properties

The Piton deposit, located approximately ten kilometres to the south for Beruang, has been mined by local miners (both hard rock and alluvial) for the past 20 years. No production data are available for these operations.

In recent years, there has been some small scale alluvial gold mining by local miners in the Mansur River, downstream from the Mansur porphyry Cu-Au prospect. No production data are available.

There are no other known current or historically active properties immediately adjacent to the either the KSK CoW or Jelai-Mewet project.

11 Mineral Processing and Metallurgical Testing

No mineral processing or metallurgical test work has been undertaken to date on either the KSK CoW or Jelai-Mewet project.

12 Mineral Resource and Mineral Reserve Estimates

At the current time no Mineral Resource or Reserve estimates have been prepared for either the KSK CoW or Jelai-Mewet projects.

13 Other Relevant Data and Information

13.1 Planned expenditure

In light of the results of the work undertaken to date, KGCL intend to undertake further exploration of both the KSK CoW and Jelai-Mewet project areas. The proposed work is summarized in Table 16.

Asset	Prospect	Proposed Programme	Duration	Cost
KSK CoW	All	Review and consolidation of prospects prior to 8 hole deep drilling programme by Oxiana	Approx 12 - 18 months	US$2,500,000 (to Oxiana)
Jelai-Mewet	-	Mapping, trenching, and approximate 4,000m drill programme	Approx 6 - 12 months	US$760,000 (to KGCL)

Table 16. KGCL projects - planned work programme and expenditure

For the KSK CoW, pursuant to the heads of agreement with Oxiana, it is proposed that Oxiana review and compile the exploration results to date to refine and prioritise targets for drill testing. It is estimated that this programme will take approximately 12-18 months at an expected cost of US$2,500,000 to Oxiana.

At Jelai-Mewet KGCL propose to undertake a 4 to 6 week field inspection which will include detailed mapping of vein and alteration systems, re-opening, re-mapping and re-sampling of trenches and opening of new trenches. Drill testing of the most prospective vein systems is also proposed in a total programme comprising 32 inclined holes down to a depth of 150 metres, totalling around 4,000 metres. It is expected that the total programme would take approximately 6-12 months.

13.2 Organisation and management

KGCL's in-country manager (Mansur Geiger) has been in place for a number of years and provides excellent long-term continuity. This long term involvement has enabled the in-country manager to develop geological and logistical experience specific to the local operating conditions. Relations with the local government organizations in Central Kalimantan are also reportedly good. This, together with the fact that the company is in possession of two of its own drill rigs, should enable future exploration to be conducted with a minimum of lead time. Oxiana also brings with it significant geological and operating expertise relevant to the KSK CoW project.

14 Conclusions and Recommendations

14.1 KSK CoW

The regional geological setting of Kalimantan and the geological setting of the KSK CoW is consistent with a geological environment where economic porphyry-style Cu-Au, intrusion-related vein systems containing Cu-Au-Zn-Ag and high sulphidation style Cu-Au-Zn-Ag-Pb mineralisation is prospective.

Exploration undertaken by KGCL has identified a number of mineralised centres that show evidence of these styles of mineralisation. The exploration work has been undertaken over a number of years and has advanced a number of prospects to the point where geological models and the extent of mineralisation can be tested with further drilling. The geological information retrieved from exploration to date is not sufficient at any one of the deposits to enable mineral resources to be delineated.

Given the remote location of the KSK CoW, it is likely that a large deposit would be required to provide a resource that could be mined. Large deposits of gold and copper (within the top 10% of deposits by grade and tonnage) do exist in similar geological environments to that in Kalimantan and a number of the characteristics of mineralised porphyry copper – gold and intrusive related copper – gold – silver systems are present in the KSK CoW. A significant budget would be required to explore for these deposits in an environment where exploration is largely helicopter supported.

SRK considers that the work done to date in the KSK COW has been of a high standard and has generated many targets. It is SRK's opinion that the proposed joint venture agreement with Oxiana, an experienced mining project operator, and the initial program to review and compile the existing exploration data prior to drill testing of the priority targets is appropriate for the current stage of the project.

14.2 Jelai-Mewet

In SRK's opinion, the geological setting and vein textures observed at Jelai-Mewet, are consistent with the presence of a low sulphidation epithermal style Au (± Ag) vein system. Exploration for the vein systems is made difficult by thick rainforest vegetation that covers the area. Nevertheless, mapping by previous lease holders has identified a number of veins in an area that suggests a large hydrothermal system is present, which can potentially support a significant Au-Ag deposit. Only a small portion (around 10%) of the prospective strike lengths of these veins have been drill tested to date at Jelai-Mewet. Furthermore, the other 10 main prospects identified within the Jelai KP licence area have not any significant follow up exploration conducted on them.

In SRK's experience, the nature of low sulphidation epithermal Au-Ag deposits is such that high grade drill intersections will be relatively common. The veins containing the high grade intersections may be narrow and may not be extensive enough to form a recoverable deposit. Higher grade veins and fault-hosted veins containing gold and silver will conform to the small scale variations in orientation of major controlling faults. Mapping of the alteration, structure and vein textures of the major faults and the veins within the major faults will enable exploration to target those parts of the system with high gold grades that also have maximum tonnage potential.

KGCL have proposed a field inspection, including detailed mapping of vein and alteration systems, examination of drill core, re-assay of selected drill core samples, re-opening, re-mapping and re-sampling of trenches, opening of new trenches and drill testing of most prospective vein systems, down to a depth of 150 metres. It is SRK's opinion that this program is worthwhile and consistent with the exploration required to define the prospective structures. SRK recommends that the exploration focus on identifying the major faults and high grade shoots within those faults, mapping vein systems rather than individual veins and mapping the alteration systems as a guide to the major mineralised structures.

15 References

Include a detailed list of all references cited in the technical report.

Carlile JC and Mitchell AHG, 1994. Magmatic arcs and associated gold and copper mineralisation in Indonesia. J. Geochem. Expl., v50, 91-142.

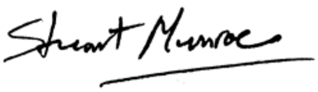
Leach T, Geiger M and Prasetyo D, 2002. Porphyry Copper Systems in Central Kalimantan. Technical Paper presentation: Open Session, Prospectors and Developers Association of Canada March 2002 Annual Convention.

Leach, T, 2001. Comments on exploration activity at the Beruang Kanan porphyry copper prospect, Central Kalimantan. Unpublished report to P.T. Kalimantan Surya Kencana.

Pollard, PJ, 2006. Copper (-gold) prospects within the Kalimantan Surya Kencana Contract of Work, Kalimantan, Indonesia: Review and recommendations for future exploration.

16 Signatures

For and on behalf of Steffen Robertson & Kirsten (Australasia) Pty Ltd.



Stuart Munroe (PhD, Grad Dip App Fin Inv, MAusIMM, F Fin)

Principal Consultant (Geology)

Richard Clayton (MSc, BSc (Hons), FGS, CGeol)

Senior Consultant (Resource Geology)

Appendix 1: Abbreviations and Glossary of Terms

Abbreviations:

Ag	Silver
Au	Gold
CoW	Contract of Work
Cu	Copper
E	East
g/t	grams per ton
Mo	Molybdenum
N	North
Pb	Lead
S	South
Sb	Antimony
W	West
Zn	Zinc

Glossary of Terms:

accommodation	the space locally available
acidic	lower pH (<7.00)
adit	a (sub)horizontal tunnel driven into the side of a hill or mountain for access to a mine
adularia	potassium feldspar commonly associated with high sulphidation epithermal deposits
aerial helicopter survey	airborne geophysical survey flown in a helicopter
alluvial gold	gold eroded by the action of running water and transported and deposited by rivers and concentrated in river sediments
alteration	change in the physical or chemical composition of a rock or mineral
analytic error	error resulting from the analysis
analytical	of or relating to analysis – separating something into its constituent elements
andesitic	a rock or group of volcanic rocks comprising andesite or closely related rock types
andesite tuff	a pyroclastic rock of intermediate composition formed by the accumulation of material (ash) generated by the explosive fragmentation of magma and/or existing rock during a volcanic eruption
anomalous	having statistical lower or higher concentration of specified elements in rocks or soils
antimony	a semi-metal (Sb), extracted from stibnite and other minerals and is used as an alloy for lead
argillic alteration	intense acid leaching of plagioclase and mafic silicates producing clay minerals
arsenic	a semi-metal (As) and is a good geochemical indication for gold
assay	the amount of metal or metals in an ore
assemblage	coexisting in equilibrium or a group of a number of different materials which may or not be related
AAS	Atomic Absorption Spectrometer – method of assaying rocks and minerals
ASTER	Advanced Spaceborne Thermal Emission and Reflection Radiometer is a high resolution imaging instrument used to obtain detailed maps of the land surface temperature, reflectance and elevation useful for identifying geological features/structures which may be deflected in outcrop and soil types
barite	an economic mineral, $BaSO4$
basaltic	a rock or group of volcanic rocks comprising basalt (a mafic igneous rock) or closely related rock types
base metal	a mining industry term for non-ferrous metals inferior in value to the precious metals e.g. copper, lead, zinc
basement	surface onto which sediments have been deposited and is mainly composed of metamorphic and/or igneous rocks

basin	a large topographic depression formed by tectonic processes in which sediment has accumulated
bedrock	unweathered rock beneath unconsolidated material
belt	major structural unit that has a well defined area which has shown or is showing marked mobility typically characterized by the development of deformation structures (e.g. folds, foliations, lineations, faults)
blanks	is the concentration of an element in a sample that has been prepared and analysed without the addition of a rock or mineral sample
boulder	a rounded rock fragment with a diameter >256 mm
BQ	core with a diameter of 36.4 mm recovered from a drill hole
breccia	a rock consisting of angular clasts or formed by the fragmentation of rock
calcite	a calcium carbonate and alteration mineral, CaCO3
cap	impermeable layer of rock
chalcopyrite	copper sulphide mineral, CuFeS2
channel sampling	a sample from channels cut across the face (exposed rock surface) of an exposed ore
chargeability	a measure of induced polarization in time-domain induced polarization methods, equal to the area under the time-decaying voltage curve over a given time period divided by the steady-state voltage before measurement
chip sampling	a sample of rock chips taken from a face (exposed rock surface)
chlorite	a green alteration mineral or clay mineral
chlorite schist	a medium to coarse grained metamorphic rock exhibiting a schistosity containing a certain amount of chlorite. Schistosity is a foliation (planar fabric) formed by metamorphic processes e.g. deformation in which minerals have a preferred orientation and can be seen by the unaided eye.
C-horizon	the lowest horizon of a soil profile and includes consolidated rock and sediment
clay	a sediment with particles <4 μm in size, alteration mineral
coarse gold	nugget-sized pieces of native gold
colloform banded	a texture, crystals have grown in radiating and concentric form, common in low sulphidation mineral deposits
compression	differential stress (stress not equal in all directions) that deforms rocks by squeezing them
crust	the outermost solid layer of the Earth forming the upper layer of the lithosphere overlying the mantle
margin zones	two continental margins converge when an ocean basin completely closes with the total elimination of oceanic crust by subduction. Collision of continental plates involves thickening of the lithosphere and the creation of an orogenic belt or mountain belt.
contours	lines of equal elevation
convergence	where two plate margins move towards each other
correlation coefficient	a measure that determines the degree to which two variable's movements are associated
Cretaceous	period of the Mesozoic, 145.6 – 65.0 Ma
dacite	a fine grained glassy quartz-bearing volcanic rock with a composition between andesite and rhyolite
deformed	geological process in which stress causes a change in the geometry of the rock by which they are folded or faulted
density	mass per unit volume (kg/m3)
deposited	to lay down deposits
depressions	an area that has subsided
diamond drilling	method of obtaining a cylindrical core of rock by drilling with a diamond drill bit
diamond saw	a diamond-charged blade used as a cutting edge for rocks
dip	the inclination of a planar surface, measured in the vertical plane perpendicular to its strike
disseminated	ore minerals are dispersed throughout a country rock
distal	far from its source
dolerite	fine- to medium-grained mafic igneous rock

drill bit	the cutting or boring element used for drilling
drill core	solid continuous core sample of rock provided by drilling using diamond drill bit as a rock cutting tool
drill pad	platform from which a drill rig is able to drill
drill rig	a structure housing equipment used to drill (make a hole in the ground) for exploration purposes to obtain rock core samples
drilling	the act or process of making a circular hole with a drill or other cutting tool for the purpose of blasting, exploration, prospecting, valuation or obtaining oil, gas or water
dyke	a tabular igneous intrusion which cuts across the bedding or other planar structures in the country rock
Eocene	an epoch of the Palaeogene, 56.5 – 35.4 Ma
epithermal	hydrothermal mineral deposit formed at low temperatures and pressures near the Earth's surface associated with volcanism
erosion	removal of regolith (weathered material lying on the surface) material
Eurasian Plate	lithospheric tectonic plate underlying Indonesia, Asia and Europe
exploration	the search for deposits of useful minerals or fossil fuels
extension	differential stress that deforms rocks by stretching them
fault	a fracture in rocks along which rocks on one side have been moved relative to rocks on the other. Faults act as a channel for passage of fluids containing metals.
feldspar	rock forming silicate minerals of sodium, potassium, calcium and aluminum
fire assay	the basic standard method of assaying gold by placing a small sample of the gold, which has been weighed, with a quantity of lead in a small cup. This is heated in a muffle furnace with a draught of air flowing over the cup. The lead and any base metals are oxidized and absorbed into the cup, while the gold and any silver remain as a small metallic button. The silver is then dissolved out with nitric acid, leaving pure gold which can be weighed and the gold content calculated by comparing with the original weight of the sample.
fold	bend in rock strata or planar surface
gabbro	a coarse-grained mafic igneous rock containing little or no silica
galena	lead sulphide mineral, PbS
geochemical surveys	application of methods and techniques of geochemistry such as soil and rock sampling in the search for minerals
geochemistry	the study of the distribution and amounts of the chemical elements in minerals, ores, rocks, soils, water, and the atmosphere
geological mapping	method of displaying the distribution of rocks in an area
geology	the study of the solid Earth
geophysical surveys	exploration of an area in which physical properties (e.g. magnetic properties, density) unique to rocks in the area are quantitatively measured by one or more geophysical methods
gossanous	rock composed of hydrated oxides of iron, forming a superficial cover over rocks containing sulphides of iron and/or other metals
gouge	the clay filling of a vein
graben	down faulted blocks in an extensional regime
granite	a course grained igneous rock with a high silica content
graphitic fault gorge	an incohesive fault rock with <30% visible fragments with mineral composition of granite surrounded by a matrix
grid surveying	to identify highs and lows
ground magnetic	magnetic survey applied at the ground's surface rather than in the air
gypsum	calcium sulphate mineral ($CaSO_4.2H_2O$), evaporate mineral
haematite	major ore mineral of iron, also an accessory mineral (Fe_2O_3 – iron oxide)
grade	the concentration of a metal in an ore body
high sulphidation	an epithermal gold-copper deposit with sulphur present in oxidized form, hosted in volcanic or intrusive rocks close to volcanic centres
HQ	core with a diameter of 63.5 mm recovered from a drill hole
hydrothermal	a hot, aqueous solution of high salinity originating from surface water, groundwater, sea water,

	meteoric water, formation water, metamorphic water or magmatic water
intrusive	igneous body emplaced at depth intruding previously existing rocks
Induced Polarisation (IP)	a geophysical exploration method based on the phenomenon that metallic minerals can store electric charge, which is gradually released when the energising current is removed. The only method capable of detecting disseminated deposits.
K-feldspar	potassium feldspar mineral
Landsat	satellite imagery providing reflectance data of the Earth's surface and is used for identifying surface geological features and structures which may be reflected in outcrop, vegetation patterns or soil types
logging	recording information about the drill core
low sulphidation	an epithermal gold-silver deposit with sulphur present in reduced form and are more distant from volcanic centres (associated with geothermal springs) than high-sulphidation deposits
magnetic survey	measurement of variations in the Earth's magnetic field due to differences in magnetic properties of the surrounding rocks
matrix	fine grained material separating clasts (particle of rock) in a sedimentary rock
metallurgy	the study of metals and their properties
metamorphic rock	a rock which results from the partial recrystallisation in the solid state under temperature and pressure conditions elevated with respect to the surface
microplates	a small tectonic plate with identifiable margins between larger tectonic plates
Miocene	an epoch of the Neogene sub-period, 23.3 – 5.2 Ma
mineral deposits	concentration of a mineral in the Earth's crust
mineral processing	process of extraction and concentration of economic minerals contained in ore
Mineral Reserve	the mineable part of a resource, inclusive of dilution, of which at the time of reporting, extraction could reasonably be justified
Mineral Resource	mineralisation to which conceptual tonnage and grade figures are assigned but for which exploration data are inadequate to calculate geological reserves and/or to which mining parameters have not been applied
mineralisation	precipitation of minerals out of solution
monzonite	a medium to coarse-grained intrusive igneous rock dominated by feldspar and has less than 5% quartz
native	a mineral comprising a chemical element in an uncombined state or as an alloy with another element(s)
NQ	core with a diameter of 47.6 mm recovered from a drill hole
nugget effect	a result of mineralisation being heterogeneously distributed through a rock such that a manageable sample of the rock (2 to 6 kg), when analysed does not adequately represent the true grade. The effect is more common for certain types of gold deposits, including intrusive-related, porphyry and low sulphidation epithermal gold deposits.
Oligocene	the youngest epoch of the Palaeogene, 35.4–23.3 Ma
oriented	rock sample oriented with respect to the present horizontal and true north
orthogonal	at right angles
overprinted	superimposition of a mesoscopic (metre scale) to microscopic (5 µm – 2mm) younger structure on an older one
periodicity	how many times something will occur
pervasively	through the whole rock
petrology	the study of all aspects of rocks
pH	pondus Hydrogeni which means potential hydrogen and is the measure of acidity (activity of Hydrogen) of a solution
phyllic alteration	characterised by pervasive quartz, sericite and pyrite
PIMA	Portable Infrared Mineral Analyzer is a portable infrared spectrometer that operates in the SWIR (Short Wave InfraRed) range of the electromagnetic spectrum and is used for mineral exploration, studying the degree of crystallinity of minerals, and mapping alteration systems
pinch and swell	a repetitive thinning and thickening of a body or rock

placer deposit	a deposit formed by mechanical sedimentary processes such as sorting of sediments by clast size or density. Placer deposits are formed along shorelines and rivers.
plains	a broad, extensive expanse of land with relatively low relief
plate suture	a surface within the lithosphere representing the contact between two plates or microplates
polymetallic	a mineral deposit containing more than one metal
porphyry	1) an igneous rock with a porphyritic texture – contains phenocrysts (large mineral grains) within a fine-grained matrix 2) a magmatic – hydrothermal deposit where mineralisation is related to, and hosted by intrusive deposits and consists of veins forming stockwork containing disseminated sulfides, gold and other minerals. Porphyry deposits are associated with hydrothermal alteration which involves hot aqueous fluids interacting with the rocks changing the mineralogy and texture of the rock.
post-mineralisation	occurring after mineralisation
potassic alteration	characterised by K-feldspar, biotite and quartz replacing plagioclase and mafic minerals
ppm	parts per million, unit of measure of trace minerals found in rocks
pre-mineralisation	occurring before mineralisation
propylitic alternation	involves the input of water, carbon dioxide and sulphur from meteoric fluids and is characterised by epidote, chlorite and carbonates (calcite)
prospects	any mine workings not yet valued; to examine ground for minerals; an area to be examined geophysically for minerals, and an area confirmed by geophysical and geological studies to the degree it can now be tested
pulp	a result of grinding of the rock sample during preparation for analysis
pyrite	iron sulphide mineral, FeS2
quartz	silica mineral, SiO2
Radarsat	a monochromatic image of the surface of the earth collected by a satellite from a reflected beam of known frequency. Depending on the beam frequency, the Radarsat image may or may not penetrate vegetation cover.
recovery	proportion of core or cuttings actually recovered from a drillhole, compared to the maximum theoretical quantity
regional	large geographic area
relief	change in the height of the ground over the area
remote sensing	the recording of images of parts of the Earth's surface using the sun as a source of electromagnetic radiation and measures the radiation that is reflected by matter on (or near) the Earth's surface. Includes satellite imagery and aerial photography.
residue	characteristic of pertaining to, or consisting of residuum – remaining essentially in place after all but the least soluble constituents have been removed of material eventually resulting from the decomposition of rock
resistant	less susceptible to physical and chemical breakdown
ridge and spur	a technique of soil sampling ridges (spur) to obtain a sample at relatively shallow depths (less than 1 metre) which is less likely to have moved significantly from source
ridges	a topographical feature of long narrow elevation
rift basins	structural valleys bound by extensional (normal) faults formed in regions of extension where continental crust fractures
rock chip sampling	obtaining a sample, generally for assay, by breaking chips off a rock face
sampling	the gathering of specimens of ore or wall rock for appraisal of the ore body
sandstone	sedimentary rock of sand sized particles (0.625 – 2 mm)
sedimentary basins	regions were sediment is accumulating
sedimentary rock	rock formed as a result of consolidation of loose sediments created by weathering processes
sequence	package of sediment deposited during a particular period
sericite	a fine grained variety of muscovite (white mica)
shafts	a vertical excavation from the surface to provide access to the underground mine workings
shear zone	a zone of ductile deformation between two undeformed blocks that have been displaced
sheeted	numerous narrow, parallel veins

shoots	a higher grade lens or pipe of ore
silica	mineral, Si
silicified	referring to rocks in which a significant proportion of the original constituent minerals have been replaced by silica
silicification	a type of wall rock alteration involving an increase in quartz or cryptocrystalline silica in the altered rock
siltstone	sedimentary rock with silt sized particles (0.04 – 0.625 mm)
soil auger sampling	sampling of deep soil profile using a hand operated or power operated bit to recover the sample
soil creep / slope creep	movement of material down slope when the weathered rock and soil is lubricated by water
soil sampling	systematic collection of samples of soil at a series of different locations, in order to study the distribution of geochemical values of interest
spectral scanning	measurement of the intensity of reflected infrared light from a rock to measure the microscopic and sub-microscopic mineral abundance in the sample
sphalerite	zinc sulphide mineral, ZnS
standards	samples that are used to calibrate an instrument
stockwork	a mineral deposit consisting of a three-dimensional network of interlocking tabular planar to irregular veins/lodes closely enough spaced that the whole mass can be mined
stream sediment sampling	systematic sampling of sediments within drainage channels, in order to study the distribution of geochemical values of interest
strike	the direction of a horizontal straight line constructed on an inclined planar surface, at a direction of 90° from the true dip direction
structure	geometric geological feature
sulphides	group of ore minerals containing the element sulphur, S and metals
swarm	a number of similar geologic phenomena or features occurring closely within a given period or place
tectonically active margins	deformation occurring at the edges of plates
terrane	a region of crust with well-defined margins, which differs significantly in tectonic evolution from neighbouring regions
texture	small scale penetrative feature observed in a rock
tonnage	the total weight of ore in a deposit measured in tons
topography	the shape of Earth's surface or the geometry of landforms in a geographic area
trenching	form of sampling whereby a trench is dug and a sample is removed from the bottom of the trench
trend	direction
vein	a sheet-like or tabular, discordant, mineralised body formed by complete or partial infilling of a fracture traversing within a rock of different material
vein splays	minor veins diverging at acute angles at the extremities of major veins
vein stringers	narrow vein or irregular filament of mineral traversing a rock mass
volcanic rocks	extrusive igneous rock formed by the solidification of lava or pyroclastic material
volcanic activity	volcano eruption
volcanic complex	a group of volcanic rocks
wall rock	the rock surrounding a mineral deposit, igneous intrusion or fault
weathering	the disintegration and decomposition of rock and sediment by near-surface mechanical and chemical processes – process of forming sedimentary rocks

Appendix 2: Certificates of Qualified Persons

SRK Consulting
Engineers and Scientists

SRK Consulting
Level 6
44 Market Street
Sydney NSW 2000 - Australia

Email: sydney@srk.com.au
www.srk.com.au

Tel: 61 2 9024 8800
Fax: 61 2 9024 8888

KGC001

Certificate of Qualified Person
Competent Person's Report on the Mineral Exploration Assets of Kalimantan Gold Corporation Limited dated December 2006

(a) I, Stuart Munroe (PhD, BSc (Hons)), am employed as a Principal Consultant (Geology) for SRK Consulting in Sydney at Level 6, 44 Market Street, Sydney, NSW 2000, Australia.

(b) I am a member of the Australasian Institute of Mining and Metallurgy.

As a result of my experience and qualifications, I am a Qualified Person as defined in National Instrument 43-101.

(c) My most recent visit(s) to the KSK CoW and Jelai-Mewet project areas was between the 13th and 23rd of April 2006.

(d) I was responsible for all sections of the above mentioned report.

(e) I am not aware of any material fact or material change with respect to the subject matter of this technical report that is not reflected in this report and that the omission to disclose would make this report misleading.

(f) I am independent of Kalimantan Gold Corporation Limited in accordance with the application of Section 1.5 of National Instrument 43-101.

(g) I have had no previous involvement with any of the projects or prospects commented upon in the above mentioned report.

(h) I have read National Instrument 43-101 and Form 43-101F1 and this report has been prepared in compliance with same.

Dated, this 7th day of December 2006.

Stuart Munroe

Stuart Munroe (PhD, Grad Dip App Fin Inv, MAusIMM, F Fin)
Principal Consultant (Geology)

Steffen Robertson and Kirsten (Australasia) Pty Ltd
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Trading as SRK Consulting

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North America
South America

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KGC001

Certificate of Qualified Person
Competent Person's Report on the Mineral Exploration Assets of Kalimantan Gold Corporation Limited dated December 2006

(a) I, Richard Clayton (MSc, BSc (Hons)), am employed as a Senior Consultant (Resource Geology) for SRK Consulting in Sydney at Level 6, 44 Market Street, Sydney, NSW 2000, Australia.

(b) I am a Fellow of the Geological Society of London and registered as a Chartered Geologist.

As a result of my experience and qualifications, I am a Qualified Person as defined in National Instrument 43-101.

(c) I have not visited the KSK CoW or Jelai-Mewet project as part of this commission.

(d) I was responsible for peer review of the above mentioned report.

(e) I am not aware of any material fact or material change with respect to the subject matter of this technical report that is not reflected in this report and that the omission to disclose would make this report misleading.

(f) I am independent of Kalimantan Gold Corporation Limited in accordance with the application of Section 1.5 of National Instrument 43-101.

(g) I have had no previous involvement with any of the projects or prospects commented upon in the above mentioned report.

(h) I have read National Instrument 43-101 and Form 43-101F1 and this report has been prepared in compliance with same.

Dated, this 7th day of December 2006.

Richard Clayton (MSc, BSc (Hons), FGS, CGeol)
Senior Consultant (Resource Geology)

Steffen Robertson and Kirsten (Australasia) Pty Ltd
Reg No ABN 56 074 271 720
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Part D - Accounting Information

1. Independent Accountant's Report

ERNST & YOUNG

Ernst & Young LLP
Chartered Accountants
Pacific Centre
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Phone: (604) 891-8200
Fax: (604) 643-5422

4 December 2006

The Directors
Kalimantan Gold Corporation Limited
Unit 1 – 15782 Marine Drive
White Rock, BCV4B 1E6

Dear Sirs,

Kalimantan Gold Corporation Limited

We report on the financial information set out in pages 68 to 80 as at and for each of the years ended 31 December 2003, 2004 and 2005. This financial information has been prepared for inclusion in the AIM admission document to be dated 7 December 2006 of Kalimantan Gold Corporation Limited on the basis of the accounting policies set out in note 2 to the financial information in accordance with Canadian Generally Accepted Accounted Principles. This report is required by Schedule Two of the AIM Rules and is given for the purpose of complying with that schedule and for no other purpose.

Save for any responsibility arising under Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do 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 report or our statement, required by and given solely for the purposes of complying with Schedule Two of the AIM Rules, consenting to its inclusion in the AIM admission document.

Responsibilities
The Directors of Kalimantan Gold Corporation Limited are responsible for preparing the financial information on the basis of preparation set out in note 2 to the financial information.

It is our responsibility to form an opinion as to whether the financial information, for the purposes of the AIM admission document, presents fairly, in all material respects, the financial position of Kalimantan Gold Corporation Limited as at the dates stated and the results of its operations and its cash flows for the years then ended on the basis of the accounting policies set out in note 2 to the financial information in accordance with Canadian Generally Accepted Accounted Principles.

Basis of opinion
We conducted our work in accordance with Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of 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.

ERNST & YOUNG

Opinion
In our opinion, the financial information, for the purposes of the AIM admission document to be dated 7 December 2006, presents fairly, in all material respects, the financial position of Kalimantan Gold Corporation Limited as at the dates stated and the results of its operations and its cash flows for the years then ended on the basis of the accounting policies set out in note 2 to the financial information in accordance with Canadian Generally Accepted Accounted Principles.

Declaration
For the purposes of Paragraph (a) of Schedule Two of the AIM Rules we are responsible for this report as part of the AIM admission document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge, in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the AIM admission document in compliance with Schedule Two of the AIM Rules.

Yours faithfully

Ernst & Young LLP

Ernst & Young LLP
Chartered Accountants
Vancouver, British Columbia, Canada

2. 3-Year Historical Financial Information

Ernst & Young LLP of Canada (whose address is set out in the preceding accountants report in Section 1 of this Part D of the Admission Document) have acted as the statutory auditor of Kalimantan Gold Corporation Limited for the periods covered by the historical financial information in this section and are regulated for audit work by and registered with the Institute of Chartered Accountants of British Columbia and the Canadian Public Accountability Board.

Kalimantan Gold Corporation Limited
(a development stage company)

CONSOLIDATED BALANCE SHEETS

[See Nature of Operations - Note 1]

As at December 31 (In United States Dollars)

	2005 $	**2004** $	**2003** $
ASSETS			
Current			
Cash and cash equivalents	**1,252,942**	381,469	421,979
Prepaid items and advances	**28,255**	27,669	55,777
	1,281,197	409,138	477,756
Fixed assets	**19,859**	25,310	35,266
	1,301,056	434,448	513,022
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current			
Accounts payable and accrued liabilities	**224,734**	101,234	207,921
Provision for employee service entitlements *[note 6]*	**36,127**	64,378	62,384
	260,861	165,612	270,305
Shareholders' equity			
Share capital *[note 7]*	**435,737**	333,715	294,576
Contributed surplus *[note 7]*	**12,434,897**	10,676,910	9,433,211
Deficit	**(11,830,439)**	(10,741,789)	(9,485,070)
	1,040,195	268,836	242,717
	1,301,056	434,448	513,022

See accompanying notes

Kalimantan Gold Corporation Limited
(a development stage company)

CONSOLIDATED STATEMENTS OF LOSS AND DEFICIT

[See Nature of Operations - Note 1]

Year ended December 31 (In United States Dollars)

	2005 $	2004 $	2003 $
EXPENSES			
General and administrative			
Accounting and audit	**18,323**	17,790	12,200
Employee defalcation expense *[note 3]*	—	63,185	—
Amortization	**1,178**	236	—
Consultants	**88,833**	89,759	126,053
Investor relations	**8,334**	18,493	3,465
Legal	**9,985**	11,725	10,796
Office and administrative services	**6,512**	8,844	4,576
Stock compensation expense *[note 7c]*	**163,508**	236,257	105,000
Telephone and facsimile	**1,910**	1,246	888
Transfer agent, filing and exchange fees	**29,223**	38,063	27,082
Travel and accommodation	**49,749**	27,784	30,000
	377,555	513,382	320,060
Exploration *[note 4]*	**727,719**	741,795	625,810
Interest income	**(10)**	(25)	(10)
Foreign exchange (gain) loss	**(16,614)**	2,503	—
Gain on sale of equipment	—	(936)	—
Loss for the year	**(1,088,650)**	(1,256,719)	(945,860)
Deficit, beginning of year	**(10,741,789)**	(9,485,070)	(8,539,210)
Deficit, end of period	**(11,830,439)**	(10,741,789)	(9,485,070)
Net loss per common share - basic and diluted	**0.03**	0.04	0.04
Weighted average number of shares outstanding	**36,334,975**	31,340,429	26,450,691

See accompanying notes

Kalimantan Gold Corporation Limited
(a development stage company)

CONSOLIDATED STATEMENTS OF CASH FLOWS

[See Nature of Operations - Note 1]

Year ended December 31 (In United States Dollars)

	2005 $	2004 $	2003 $
OPERATING ACTIVITIES			
Loss for the year	**(1,088,650)**	(1,256,720)	(945,860)
Add charges to operations not involving a current payment of cash:			
Depreciation and amortization	**11,997**	18,151	19,064
Gain on disposal of capital assets	—	(936)	—
Stock compensation expense	**163,508**	236,257	105,000
Changes in non-cash working capital items:			
Prepaid items and advances	**(586)**	28,108	(37,771)
Accounts payable and accrued liabilities	**123,500**	(106,687)	167,084
Provision for employee service entitlements	**(28,251)**	1,994	—
Cash used in operating activities	**(818,482)**	(1,079,833)	(692,433)
INVESTING ACTIVITIES			
Proceeds on sale of fixed assets	—	936	—
Purchase of fixed assets	**(6,546)**	8,195	—
Purchase of equipment	—	—	(25,213)
Cash provided by (used in) investing activities	**(6,546)**	9,131	(25,213)
FINANCING ACTIVITIES			
Capital stock issued for cash:			
Proceeds from share issue	**1,708,049**	1,060,772	1,110,270
Share issue costs	**(11,548)**	(14,190)	(24,315)
Cash provided by financing activities	**1,696,501**	1,046,582	1,085,955
Net increase (decrease) in cash and cash equivalents	**871,473**	(40,510)	368,259
Cash and cash equivalents, beginning of year	**381,469**	421,979	53,720
Cash and cash equivalents, end of year	**1,252,942**	381,469	421,979
Supplementary information			
Interest paid	—	—	—
Income taxes paid	—	—	—

See accompanying notes

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005 (In United States Dollars)

1. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY

Nature of operations

Kalimantan Gold Corporation Limited (the "Company") is in the business of acquiring and exploring mineral properties in Indonesia and has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts spent for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties. The Company will periodically have to raise additional funds to continue operations and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Going concern uncertainty

These consolidated financial statements have been prepared on the basis that the Company is a going concern, which contemplates the realization of its assets and the settlement of its liabilities in the normal course of operations. The ability of the Company to continue as a going concern is uncertain and dependent upon obtaining the financing necessary to meet its financial commitments and to complete the development of its properties and/or realizing proceeds from the sale of one or more of the properties. These consolidated financial statements do not reflect any adjustments related to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of financial statements

The Company's financial statements are presented in United States dollars in accordance with Canadian generally accepted accounting principles on the accrual basis using the historical cost concept. The Company's functional currency is the United States dollar as the majority of the Company's transactions are denominated in this currency.

Cash equivalents

The Company considers term deposits acquired with a remaining maturity at the date of acquisition of three months or less to be cash equivalents.

Basis of consolidation

The consolidated financial statements represent the consolidation of the financial statements of the Company and its subsidiary companies, which are as follows:

Indokal Ltd. ("Indokal")	100% incorporated in Hong Kong
PT Kalimantan Surya Kencana ("KSK")	75% incorporated in Indonesia
PT Pancaran Paringa Kalimantan ("PPK")	80% incorporated in Indonesia (dormant)

Kalimantan Investment Corporation ("KIC"), the Company's significant shareholder, owns 25% of KSK.

Fixed assets and amortization

Fixed assets are recorded at cost of acquisition, less accumulated amortization. Amortization is calculated using the straight-line basis over the estimated useful lives of assets of four years commencing from the year the assets are put into service.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005 (In United States Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

Exploration and development of mineral property interests

Exploration costs are expensed as incurred. Development costs are expensed until it has been established that a mineral deposit is commercially mineable and a production decision has been made by the Company to implement a mining plan and develop a mine, at which point the costs subsequently incurred to develop the mine on the property prior to the start of mining operations are capitalized.

The Company reviews the carrying values of its mineral properties on a regular basis by reference to the project economics including any independent feasibility studies on a property, the timing of the exploration and/or development work, the work programs and the exploration results experienced by the Company. The review of the carrying value of any producing property will be made by reference to the estimated future operating results and net cash flows. When the carrying value of a property or equipment exceeds its estimated net recoverable amount, provision is made for the decline in value.

Asset retirement obligations

The Company adopted CICA Handbook Section 3110, "Asset Retirement Obligations", which established standards for asset retirement obligations and the associated retirement costs related to site reclamation and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at June 30, 2006 and December 31, 2005, the Company has not incurred any asset retirement obligation related to the exploration and development of its mineral properties.

Share capital

The Company records proceeds from share issuances net of issue costs. Common shares issued for consideration other than cash are valued at the quoted market price over a reasonable period before and after the date the agreement to issue the shares was reached and announced.

Foreign currency translation

Transactions in currencies other than United States dollars are translated into United States dollars at rates of exchange prevailing at the date of the transaction. Balances of monetary assets and monetary liabilities in currencies other than United States dollars are translated into United States dollars at rates of exchange prevailing at the balance sheet date. Non-monetary assets and liabilities are translated at the rates of exchange prevailing at the date of the transaction. Exchange gains or losses on translations are included in income or loss for the year.

Financial instruments

[i] Fair values

Carrying amounts of certain of the Company's financial instruments, including cash and cash equivalents, and accounts payable and accrued liabilities approximate their fair values due to their short-term maturity.

[ii] Foreign currency risk

The Company undertakes certain transactions in U.S. dollars and Indonesian Rupiah and as such is subject to risk due to fluctuations in exchange rates. Foreign exploration expenditures of the Company denominated in U.S. dollars and Rupiah come due in the short-term and accordingly, management of the Company believes there is not significant exposure to foreign currency fluctuations. The Company does not use derivative instruments to hedge exposure to foreign exchange rate risk.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005 (In United States Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES (cont'd.)

[iii] Credit risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash and cash equivalents. The Company limits its exposure to credit loss by placing the majority of its cash and cash equivalents with high credit quality financial institutions.

[iv] Interest rate risk

The Company is not subject to significant interest rate risk arising from these financial instruments.

Stock based compensation plan

The Company uses the fair value based method of accounting for stock option awards granted to employees and directors, as prescribed by CICA 3870 *Stock-based Compensation and Other Stock-based payments*. Under this method, the fair value of the stock options at the date of grant is amortized over the vesting period, with the offsetting credit to contributed surplus. If the stock options are exercised, the proceeds are credited to share capital.

Income taxes

The liability method of accounting for income taxes is used, and future income tax assets and liabilities are recorded based on temporary differences between the carrying amounts of balance sheet items and their corresponding tax bases. Future income tax assets also include unused tax losses, subject to a valuation allowance, to the extent that it is more likely than not that such loss ultimately will be utilized. This standard also requires that the future income tax assets and liabilities be measured using the enacted rates and laws that are expected to apply when these assets or liabilities are either to be realized or settled.

Loss per common share

Basic net earnings (loss) per share are computed using the weighted average number of common shares outstanding during the periods. The treasury stock method is used for the calculation of diluted net earnings (loss) per share. Stock options and warrants are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options and warrants.

As the Company has recorded a net loss in each of the periods presented, basic and diluted net loss per share are the same since the exercise of warrants or options or the conversion of convertible securities would reduce the loss per share.

Use of estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. Actual results could differ from those reported.

3. PREPAID ITEMS AND ADVANCES

During 2004, a former employee misappropriated funds. The Company recorded a defalcation expense at the 2004 US dollar equivalent of $63,185.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005 (In United States Dollars)

4. MINERAL PROPERTIES

KSK CoW – Central Kalimantan

The Company, through its wholly owned subsidiary Indokal, owns 75% of the issued and outstanding shares in PT Kalimantan Surya Kencana ("KSK") which holds the KSK 6th generation Contract of Work ("KSK CoW") with the Indonesian Government.

4. MINERAL PROPERTIES (cont'd.)

After the application of the second mandatory area relinquishment submitted in May 2006, the KSK CoW will cover 94,110 hectares which is subdivided into two blocks. Block A (33,170 hectares) is in the fourth year of exploration of the KSK CoW and Block B (60,949 hectares) is in the third year of exploration of the KSK CoW. Two, one year, extensions may be applied for at the end of the third exploration year. Following that phase there is a two year feasibility period, then a three year construction period, then operations for thirty years.

SIPPs – East Kalimantan

On October 14, 2004, Kalimantan Gold Corporation Limited, directly applied for two SIPPs (survey permits) covering additional mineral exploration prospects in northeast Kalimantan. The first SIPP application covers 13,870 hectares and includes the Jelai Mewet project and the second SIPP application covers 11,140 hectares and includes the Sekatak Bikis project.

	For the year 2005 $	**For the year 2004** $	**For the year 2003** $	**Cumulative exploration since inception** $
Exploration costs assumed from a predecessor				2,038,322
Exploration costs during the year:				
Community development	**36,000**	17,072	17,830	85,270
Consultants and contractors	**83,303**	106,593	—	814,038
Contracted drilling	**—**	—	—	827,512
Field support	**67,016**	44,274	83,900	1,022,244
Land tax and dead rent	**24,135**	24,506	38,405	163,456
Salaries, wages and related costs	**252,970**	253,074	218,236	2,778,482
Sample preparation and analysis	**13,818**	32,406	32,821	445,614
Supplies and equipment	**127,676**	158,495	127,365	1,174,379
Transport (including helicopters)	**88,795**	63,395	—	888,290
Travel and accommodation	**23,187**	24,065	88,189	439,985
	716,900	723,880	606,746	10,677,592
Depreciation	**10,819**	17,915	19,064	237,420
Current year exploration	**727,719**	741,795	625,810	10,915,012
Expensed during year	**(727,719)**	(741,795)	(625,810)	(10,915,012)
Mineral properties, end of year	**—**	—	—	—

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005 (In United States Dollars)

5. FIXED ASSETS

	2005			2004	2003
	Cost $	**Accumulated depreciation** $	**Net book value** $	**Net book value** $	**Net book value** $
Office and field equipment	**230,742**	**210,883**	**19,859**	25,310	35,266

6. PROVISION FOR EMPLOYEE SERVICE ENTITLEMENTS

In 2003, the Company started to recognize a provision for Indonesian employee service entitlements in accordance with Indonesia's Labor Law No. 13/2003 dated March 25, 2003. The new provision is estimated using Company calculations based on Company assumptions in line with applicable regulation. In 2005 the Company retained an independent actuary to estimate the prior and current year calculations in accordance with government regulations resulting in an adjustment to this estimated provision. The provision for employee service entitlements is included in the salary portion of mineral expense.

Movements of provision for employee service entitlements:

	$
Balance January 1, 2003	(1,929)
Less: utilization during the year	—
Add: provision during the year	(60,455)
Balance December 31, 2003	(62,384)
Less: utilization during the year	5,703
Add: provision during the year	(7,697)
Balance December 31, 2004	(64,378)
Less: utilization during the year	15,866
Add: provision during the year	(23,483)
Less: actuarial adjustment to estimated provision	35,868
Balance December 31, 2005	(36,127)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005 (In United States Dollars)

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS

Authorized:

Authorized share capital $1,000,000 divided into 100,000,000 common shares at a par value of $0.01 each.

[a] Common shares issued and outstanding:

	Common Shares Issued and Outstanding	Share Capital Par Value US$0.01	Contributed Surplus US$		Total Share Capital and Contributed Surplus US$
Balance December 31, 2002	24,240,941	242,410	8,294,422		8,536,832
Private placement	1,800,000	18,000	342,000	(1)	360,000
Private placement	821,500	8,215	156,085	(2)	164,300
Private placement	2,255,286	22,551	524,719	(3)	547,270
Share issue costs	—	—	(24,315)		(24,315)
Options exercised	340,000	3,400	35,300	(4)	38,700
Share compensation cost	—	—	105,000		105,000
Balance December 31, 2003	29,457,727	294,576	9,433,211		9,727,787
Private placement	792,213	7,922	310,274	(5)	318,196
Private placement	1,468,569	14,686	414,769	(6)	429,455
Options exercised	385,000	3,850	50,650	(7)	54,500
Warrants exercised	1,268,116	12,681	245,941	(8)	258,622
Share issue costs	—	—	(14,190)		(14,190)
Stock based compensation	—	—	236,255		236,255
Balance December 31, 2004	33,371,625	333,715	10,676,910		11,010,625
Private placement	2,663,435	26,634	406,497	(9)	433,131
Private placement	7,538,842	75,388	1,199,530	(10)	1,274,918
Share issue costs	—	—	(11,548)		(11,548)
Stock based compensation	—	—	163,508		163,508
Balance December 31, 2005	43,573,902	435,737	12,434,897		12,870,634

1. On March 31, 2003 the Company issued 1,800,000 units in the capital of the Company at a price of $0.20 per unit for gross proceeds of $360,000, less issue costs of $365, pursuant to a private placement. Each unit comprised one common share and one-third of one common share purchase warrant. Each whole warrant will be exercisable for the purchase of one common share at a price of $0.23 per share until they expire on April 6, 2005.

2. On July 18, 2003 the Company issued 821,500 units in the capital of the Company at a price of $0.20 per unit for gross proceeds of $164,300, less issue costs of $934, pursuant to a private placement. Each unit comprised one common share and one-third of one common share purchase warrant. Each whole warrant will be exercisable for the purchase of one common share at a price of $0.23 per share until they expire on July 21, 2005.

3. On November 26, 2003 the Company issued 2,255,286 units in the capital of the Company at a price of $0.25 (CDN$0.32) per unit for gross proceeds of $547,270 (CDN$721,692) less issue costs of $4,866 pursuant to a private placement. Each unit comprised one common share and one-half of one common share purchase warrant. Each whole warrant will be exercisable for the purchase of one common share at a price of CDN$0.38 per share until they expire on November 26, 2005. The Company paid a cash finders' fee of $18,150.

4. In 2003 the Company issued 340,000 common shares pursuant to the exercise of stock options for gross proceeds of $38,700.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005 (In United States Dollars)

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd.)

5. On May 18 and 21, 2004 the Company issued 792,213 units in the capital of the Company at a price of CDN$0.55 per unit for gross proceeds of $318,196 (CDN$435,717), less issue costs of $1,519. Each unit comprised one common share and one-half of one common share purchase warrant so that the Company issued 792,213 common shares and 396,107 whole common share purchase warrants. Each warrant is exercisable for the purchase of one common share at a price of CDN$0.70 per share until they expire on November 18, 2005 and November 21, 2005. The Company paid a finder's fee of CDN$10,180 (US$7,492) and issued 30,850 common share purchase warrants exercisable at a price of CDN$0.70 until they expire on May 18, 2005.

6. On November 23, 2004 the Company issued 1,468,569 units in the capital of the Company at a price of CDN$0.35 per unit for gross proceeds of $429,455 (CDN$514,000), less issue costs of $5,179. Each unit comprised one common share and one-half of one common share purchase warrant so that the Company issued 1,468,569 common shares and 734,285 whole common share purchase warrants. Each warrant is exercisable for the purchase of one common share at a price of CDN$0.45 per share until they expire on November 18, 2005. All warrants expired unexercised.

7. In 2004 the Company issued 385,000 common shares pursuant to the exercise of stock options for gross proceeds of $54,500.

8. In 2004 the Company issued 1,268,116 common shares pursuant to the exercise of common share purchase warrants for gross proceeds of $258,622.

9. On July 11, 2005 the Company issued 2,663,435 Units in the capital of the Company at a price of CDN$0.20 per unit for gross proceeds of $433,130 (CDN$532,687), less issue costs of $4,072. Each Unit comprised one common share and one-half of one common share purchase warrant so that the Company issued 2,663,435 common shares and 1,331,718 whole common share purchase warrants. Each warrant is exercisable for the purchase of one common share at a price of CDN$0.25 per share until they expire on July 10, 2006.

10. On October 11, 2005 the Company issued 7,538,842 Units in the capital of the Company at a price of CDN$0.20 per unit for gross proceeds of $1,274,918 (CDN$1,507,768), less issue costs of $7,476. Each Unit comprised one common share and one-half of one common share purchase warrant so that the Company issued 7,538,842 common shares and 3,769,417 whole common share purchase warrants. Each warrant is exercisable for the purchase of one common share at a price of CDN$0.25 per share until they expire on October 10, 2006.

[b] Common share purchase warrants outstanding December 31, 2005:

Number of Warrants	Exercise Price	Expiry Date
1,331,718	Cdn$0.25	July 10, 2006
3,769,417	Cdn$0.25	October 10, 2006

Common share purchase warrant activity for the three preceding years is as follows:

	Shares #	Weighted average exercise price $
Balance, December 31, 2002	1,101,450	0.20
Issued	2,001,474	0.26
Balance, December 31, 2003	3,102,924	0.24
Issued	1,161,242	0.45
Exercised	(1,268,116)	(0.20)
Balance, December 31, 2004	2,996,050	0.35
Issued	5,101,135	0.25
Expired	(2,996,050)	(0.35)
Balance, December 31, 2005	5,101,135	0.25

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005 (In United States Dollars)

7. SHARE CAPITAL AND CONTRIBUTED SURPLUS (cont'd.)

[c] Options outstanding at December 31, 2005 are as follows:

Number of Shares	Exercise Price	Expiry Date
500,000	$0.20	June 3, 2006
450,000	$0.11	August 21, 2007
415,000	Cdn$0.33	November 28, 2008
65,000	Cdn$0.43	November 28, 2008
1,000,000	Cdn$0.55	March 29, 2009
1,170,000	Cdn$0.20	September 15, 2009

At the annual and special meeting held on June 15, 2004 a new stock option plan (the "2004 Plan") was adopted by the shareholders and renewed by the shareholders on May 24, 2006. The 2004 Plan is a 10% rolling plan whereby the Corporation may grant options equal to 10% of the issued and outstanding common shares on a non-diluted basis at the date of any particular grant of options. The total number of common shares available for granting under a rolling plan will increase or decrease as the number of issued and outstanding common shares changes. The options vest and are exercisable immediately upon granting and terminate 90 days following termination of employment.

Option activity for the three preceding years is as follows:

	Shares #	Weighted average exercise price $
Outstanding, December 31, 2002	1,956,000	0.13
Granted	480,000	0.25
Exercised	(340,000)	0.11
Cancelled	(50,000)	0.11
Expired	(186,000)	(0.45)
Outstanding, December 31, 2003	1,860,000	0.13
Granted	1,000,000	0.55
Exercised	(385,000)	(0.14)
Expired	(45,000)	(0.12)
Outstanding, December 31, 2004	2,430,000	0.31
Granted	1,170,000	0.20
Balance, December 31, 2005	3,600,000	0.27

A non-cash stock compensation expense of $163,508 ($236,257 in 2004 for the grant of 1,000,000 options; $105,000 in 2003 for the grant of 480,000 options) was charged to the consolidated loss for the year ended December 31, 2005 for the grant of 1,170,000 options to directors, officers and employees. Contributed surplus was increased by the same amount.

For the year	**2005**	**2004**	**2003**
Risk-free interest rate	**3.50%**	3.10%	3.90%
Expected dividend yield	**0**	0	0
Expected stock price volatility	**118%**	67%	75%
Expected option life in years	**5**	5	5

The weighted average fair value of the options granted during the year ended December 31, 2005 was $0.14 [December 31, 2004 - $0.24; December 31, 2003 - $0.22].

[d] Pursuant to a share purchase agreement dated December 22, 1995 between Kalimantan Investment Corporation ("KIC"), the Company's controlling shareholder, and Kalimantan Minerals Ltd. (the predecessor to the Company), the Company granted KIC a contingent option to acquire 1,000,000 common shares at U.S. $1.30 per share exercisable for two years after the date that one million ounces of proven and probable gold reserves have been delineated on KSK CoW.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005 (In United States Dollars)

8. RELATED PARTY TRANSACTIONS

[a] The Company, Doris Meyer, the President and Chief Executive Officer of the Company and Golden Oak Corporate Services Ltd., a company owned by Doris Meyer, have an agreement. The Company pays Golden Oak an annual retainer in Canadian currency of $96,000 plus Canada's 7% goods and services tax ("GST"). The Company is not eligible to recapture GST as it does not operate in Canada, however, Golden Oak remits the GST collected. In 2005, the Company paid Golden Oak fees and GST translated into U.S. dollars on payment each month for the U.S. dollar equivalent of $86,651 ($64,461 in 2004 and $25,708 in 2003). Either party may terminate the agreement at any time upon 90 days notice.

[b] During the year ended December 31, 2003 the Company paid or accrued as owing to Rahman Connelly a fee of $25,500 for his services as Chief Executive Officer. In addition a lump sum travel cost reimbursement of $20,000 was accrued for the year of 2003 for Mr. Connelly. Mr. Connelly pays his own travel costs and office related costs and then estimates the Company's portion. Mr. Connelly traveled extensively in 2003 on behalf of the Company's fund raising efforts as well as to the property for site visits. Mr. Connelly participated in the July 18, 2003 private placement by purchasing 90,000 units at $0.20 for $18,000.

[c] Murray Clapham, Chairman of the Board, pays his own travel costs and office related costs and then estimates the Company's portion. Mr. Clapham travelled on behalf of the Company's fund raising efforts as well as to the Palangka Raya office in Kalimantan for director meetings and site visits. Mr. Clapham was paid a lump sum travel reimbursement of $10,000 for the year ended 2003. Mr. Clapham participated in the November 26, 2003 private placement by purchasing 41,562 units at C$0.32 for $10,000.

[d] A salary bonus of $18,000 was accrued as owing to Mansur Geiger for his extraordinary efforts in 2003. Mr. Geiger participated in the November 26, 2003 private placement by purchasing 74,812 units at C$0.32 for $18,000.

9. INCOME TAXES

The Company is a tax exempt Bermuda company with no connection to Canada other than it is a reporting issuer to certain Canadian securities commissions and its shares are listed for trading on the TSX Venture Exchange.

The Company's CoW in Indonesia determines the level of income tax that will eventually become payable if and when the Company incurs a profit from mining operations in that country. Profits generated by mining under the Company's sixth generation CoW are taxed at the corporate rate of 30%, and a withholding tax on dividends of 20% is applied unless there is a tax treaty with the country of residence.

10. SUBSEQUENT EVENTS

a) On August 17, 2006 the Company issued 13,270,890 common shares and 13,270,890 common share purchase warrants for gross proceeds of CDN$2,654,178 (US$2,351,872) pursuant to a private placement. Each unit sold at CDN$0.20 consisted of one common share and one common share purchase warrant. Each warrant is exercisable for the purchase of one common share at a price of CDN$0.30 per share until August 16, 2008. A finder's fee was paid in the form of $187,377 cash and 398,127 finder's warrants, each finder warrant is exercisable for the purchase of one common share at a price of CDN$0.23 per share until August 16, 2008. The fair value of the 398,127 finders' warrants was calculated to be $56,870. The Black-Scholes model was used to fair value these warrants based on a risk-free interest rate of 4.1%, a zero expected dividend yield, expected stock price volatility of 141% and an expected life of the warrant of 2 years;

b) 811,992 shares were issued pursuant to the exercise of share purchase warrants for proceeds of CDN $202,998 (US$178,638);

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2005 (In United States Dollars)

c) 4,289,143 share purchase warrants expired unexercised;

d) 269,000 common shares were issued pursuant to the exercise of stock options for proceeds of $36,426;

e) 27,000 stock options were granted on June 2, 2006 pursuant to the 2004 Plan at an exercise price of CDN$0.25 for a five year term;

f) 1,455,000 stock options were granted on August 9, 2006 pursuant to the 2004 Plan at an exercise price of CDN$0.20 for a five year term; and

g) 500,000 stock options expired unexercised.

3. Unaudited Interim Accounts for the Half-Year Ended 30 June 2006

KALIMANTAN GOLD CORPORATION LIMITED

Interim Financial Statements

(a development stage company)
(unaudited and prepared by Management)

Six months ended June 30, 2006

Notice to Reader

These interim financial statements of Kalimantan Gold Corporation Limited have been prepared by management and approved by the Audit Committee and Board of Directors of the Company. In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its external auditors have not reviewed these interim financial statements, notes to financial statements and the related quarterly Management Discussion and Analysis.

KALIMANTAN GOLD CORPORATION LIMITED

CONSOLIDATED BALANCE SHEETS

(a development stage company)
(In United States Dollars)

As at		June 30, 2006 (unaudited)		December 31, 2005 (Audited)
ASSETS				
Current assets				
Cash and cash equivalents	$	**385,104**	$	1,252,942
Prepaid items and advances		**58,803**		28,255
		443,907		1,281,197
Fixed assets (note 4)		**18,440**		19,859
	$	**462,347**	$	1,301,056
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities	$	**142,112**	$	224,734
Provision for employee service entitlements		**36,127**		36,127
		178,239		260,861
SHAREHOLDERS' EQUITY				
Share capital (note 5)				
Authorized: 100,000,000 common shares				
Par value $0.01 per share				
Issued 43,843,902 (2005-43,573,902) shares		**438,437**		435,737
Contributed surplus (note 5)		**12,481,445**		12,434,897
Deficit		**(12,635,774)**		(11,830,439)
		284,108		1,040,195
	$	**462,347**	$	1,301,056

Going Concern Note 2

Approved by the Directors:

/s/ Doris Meyer | */s/ Rahman Connelly*

Doris Meyer
Director

Rahman Connelly
Director

The accompanying notes form an integral part of these consolidated financial statements

KALIMANTAN GOLD CORPORATION LIMITED

CONSOLIDATED STATEMENTS OF LOSS AND RETAINED EARNINGS/(DEFICIT)

(a development stage company)

(In United States Dollars)

	Three months ended		Six months ended	
For the period ended:	**June 30, 2006**	June 30, 2005	**June 30, 2006**	June 30, 2005
Expenses				
General and administrative:				
Accounting and audit	**$ 1,674**	$ 4,324	**$ 6,511**	$ 4,324
Amortization	**295**	295	**589**	589
Consultants	**113,661**	23,396	**178,908**	44,714
Investor relations	**6,357**	697	**8,158**	5,667
Legal	**3,581**	4,111	**18,691**	7,294
Office and administrative services	**2,814**	3,873	**4,068**	5,526
Stock compensation expense	**4,652**	-	**4,652**	-
Telephone and facsimile	**2,367**	544	**2,787**	967
Transfer agent, filing and exchange fees	**12,952**	8,973	**23,834**	20,602
Travel and accomodation	**26,410**	452	**28,295**	12,348
	174,763	46,665	**276,493**	102,031
Current exploration (Note 3)	**181,380**	110,378	**551,904**	250,089
Foreign exchange (gain) loss	**(21,692)**	-	**(23,062)**	-
Loss for the period	**$ (334,451)**	$ (157,043)	**$ (805,335)**	$ (352,120)
Loss per common share	**$ (0.01)**	$ (0.00)	**$ (0.02)**	$ (0.01)
Weighted average number of shares outstanding	**43,710,386**	33,371,625	**43,642,521**	33,371,625
Deficit, beginning of period	**$ (12,301,323)**	$ (10,936,866)	**$ (11,830,439)**	$ (10,741,789)
Loss for the period	**(334,451)**	(157,043)	**(805,335)**	(352,120)
Deficit, end of period	**$ (12,635,774)**	$ (11,093,909)	**$ (12,635,774)**	$ (11,093,909)

The accompanying notes form an integral part of these consolidated financial statements

KALIMANTAN GOLD CORPORATION LIMITED

CONSOLIDATED STATEMENTS OF CASH FLOWS

(a development stage company)

(In United States Dollars)

	Three months ended		Six months ended	
For the period ended:	**June 30, 2006**	June 30, 2005	**June 30, 2006**	June 30, 2005
Cash provided from (used for)				
Operating activities				
Loss for the period	**$ (334,451)**	$ (157,043)	**$ (805,335)**	$ (352,120)
Add charges to operations not involving a current payment of cash:				
Depreciation	**2,808**	3,002	**5,457**	6,808
Stock compensation expense	**4,652**	-	**4,652**	-
Changes in non-cash working capital items:				
Prepaid items and advances	**(8,793)**	14,394	**(30,548)**	9,704
Accounts payable and accrued liabilities	**(100,697)**	661	**(82,622)**	(8,540)
	(436,481)	(138,986)	**(908,396)**	(344,148)
Investing activities				
Purchase of equipment	**(2,709)**	(542)	**(4,038)**	(542)
	(2,709)	(542)	**(4,038)**	(542)
Financing activities				
Capital stock issued for cash:				
Share subscriptions	**-**	274,323	**-**	274,323
Share issues	**44,596**	-	**44,596**	-
	44,596	274,323	**44,596**	274,323
Net change in cash and cash equivalents	**(394,594)**	134,795	**(867,838)**	(70,367)
Cash and cash equivalents, beginning of period	**779,698**	176,307	**1,252,942**	381,469
Cash and cash equivalents, end of period	**$ 385,104**	$ 311,102	**$ 385,104**	$ 311,102

Supplementary information				
Interest paid	$ -	$ -	$ -	$ -
Income taxes paid	$ -	$ -	$ -	$ -

The accompanying notes form an integral part of these consolidated financial statements

1. INTERIM FINANCIAL STATEMENTS

These interim financial statements follow the same accounting policies and methods of their application as the most recent annual financial statements and should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2005 which may be found on www.sedar.com.

2. NATURE OF OPERATIONS AND GOING CONCERN UNCERTAINTY

Nature of operations

Kalimantan Gold Corporation Limited (the "Company") is in the business of acquiring and exploring mineral properties in Indonesia and has not yet determined whether its properties contain ore reserves that are economically recoverable. The recoverability of the amounts spent for mineral properties is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties. The Company will periodically have to raise additional funds to continue operations and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future.

Going concern uncertainty

These consolidated financial statements have been prepared on the basis that the Company is a going concern, which contemplates the realization of its assets and the settlement of its liabilities in the normal course of operations. The ability of the Company to continue as a going concern is uncertain and dependent upon obtaining the financing necessary to meet its financial commitments and to complete the development of its properties and/or realizing proceeds from the sale of one or more of the properties. These consolidated financial statements do not reflect any adjustments related to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern.

3. MINERAL PROPERTIES

KSK CoW – Central Kalimantan
The Company, through its wholly owned subsidiary Indokal, owns 75% of the issued and outstanding shares in PT Kalimantan Surya Kencana ("KSK") which holds the KSK 6th generation Contract of Work ("KSK CoW") with the Indonesian Government.

After the application of the second mandatory area relinquishment submitted in May 2006, the KSK CoW will cover 94,110 hectares which is subdivided into two blocks. Block A (33,170 hectares) is in the fourth year of exploration of the KSK CoW and Block B (60,949 hectares) is in the third year of exploration of the KSK CoW. Two, one year, extensions may be applied for at the end of the third exploration year. Following that phase there is a two year feasibility period, then a three year construction period, then operations for thirty years.

A portion of the KSK CoW is within a Hutan Lindung (protected/reserved forest) area. The KSK CoW was granted prior to the enactment of the 1999 Government of Indonesia Law No. 41 on Forestry which prohibits open pit mining in Hutan Lindung (protected/reserved forest) areas. A subsequent Presidential Decree has confirmed that when the Company's property fits the necessary criteria it may apply for a permit to exploit that portion of the properties within the KSK CoW that fall within the Hutan Lindung.

SKIPs – East Kalimantan
On March 23, 2006 the Company incorporated a 100% beneficially owned domestic Indonesian subsidiary, PT Jelai Cahaya Minerals ("PT Jelai"). PT Jelai applied for and was granted a permit called in short form a SKIP over 5,000 hectares area called the Jelai-Mewet prospect that allows the Company to conduct surface exploration including taking samples over the vein system at the Jelai project in East Kalimantan. This is a preliminary permit to allow the Company to evaluate the prospect and decide on the total size of the area needed prior to requesting the issue of a KP (Kuasa Pertambangan) or mining permit.

	For the six months ended June 30, 2006	For the year ended December 31, 2005	Cumulative exploration since inception
Exploration costs assumed from a predecessor	$ -	$ -	$ 2,038,322
Exploration costs during the period:			
Community development	18,000	36,000	103,270
Consultants and contractors	1,109	83,303	815,147
Contracted drilling	177,008	-	1,004,520
Field support	64,370	67,016	1,086,614
Land tax and dead rent	945	24,135	164,401
Salaries, wages and related costs	172,509	252,970	2,950,991
Sample preparation and analysis	13,829	13,818	459,443
Supplies and equipment	8,752	127,676	1,183,131
Transport (including helicopter)	77,476	88,795	965,766
Travel and accomodation	13,038	23,187	453,023
	547,036	716,900	11,224,628
Amortization	4,868	10,819	242,288
Current period exploration	551,904	727,719	11,466,916
Expensed during the period	(551,904)	(727,719)	(11,466,916)
Mineral properties end of period	$ -	$ -	$ -

4. FIXED ASSETS

	June 30, 2006			December 31, 2005
	Cost	Accumulated Depreciation	Net book value	Net book value
Office and field equipment	$ 234,780	$ 216,340	$ 18,440	$ 19,859

5. SHARE CAPITAL AND CONTRIBUTED SURPLUS

Authorized:

Authorized share capital $1,000,000 divided into 100,000,000 common shares at a par value of $0.01 each.

(5a) Common shares issued and outstanding:

	Common Shares Issued and Outstanding	Share Capital Par Value US$0.01	Contributed Surplus US$	Total Share Capital and Contributed Surplus US$
Balance December 31, 2005	43,573,902	435,737	12,434,897	12,870,634
Warrants exercised	70,000	700	15,060	15,760
Options exercised	200,000	2,000	26,836	28,836
Fair value options granted	-	-	4,652	4,652
Balance June 30, 2006	43,843,902	438,437	12,481,445	12,919,882

(5b) Common share purchase warrants outstanding at June 30, 2006:

Number of Warrants	Exercise Price	Expiry Date
3,769,417	Cdn$0.25	October 10, 2006

Common share purchase warrants transactions are summarized as follows

	Shares	Weighted Average Exercise Price $
Balance December 31, 2005	5,101,135	Cdn$0.25
Exercised	(70,000)	Cdn$0.25
Expired	(1,264,218)	(Cdn$0.25)
Balance June 30, 2006	3,766,917	Cdn$0.25

(5c) Common share purchase options outstanding at June 30, 2006:

Number of Shares	Exercise Price	Expiry Date
350,000	$0.11	August 21, 2007
415,000	Cdn$0.33	November 28, 2008
65,000	Cdn$0.43	November 28, 2008
1,000,000	Cdn$0.55	March 29, 2009
1,070,000	Cdn$0.20	September 15, 2009
27,000	Cdn$0.25	June 1, 2011

Common share purchase options are summarized as follows:

	Shares	Weighted Average Exercise Price $
Balance December 31, 2005	3,600,000	$ 0.27
Granted	27,000	Cdn$0.25
Exercised	(200,000)	-0.14
Expired	(500,000)	(0.20)
Balance June 30, 2006	2,927,000	$ 0.30

A non-cash stock compensation expense of $4,652, or $0.17 per share, ($nil in 2005) for the grant of 27,000 options was charged to the consolidated loss for the six months ended June 30, 2006. Contributed surplus was increased by the same amount. The Black-Scholes model was used to fair value these options based on a risk-free interest rate of 4.2%, a zero expected dividend yield, expected stock price volatility of 118% and an expected life of the option of 5 years.

(5d) Pursuant to a share purchase agreement dated December 22, 1995 between Kalimantan Investment Corporation ("KIC"), the Company's controlling shareholder, and Kalimantan Minerals Ltd. (the predecessor to the Company), the Company granted KIC a contingent option to acquire 1,000,000 common shares at U.S.$1.30 per share exercisable for two years after the date that one million ounces of proven and probable gold reserves have been delineated on KSK CoW.

6. RELATED PARTY TRANSACTIONS

The Company pays fees to Golden Oak Corporate Services Ltd., a company owned by Doris Meyer, President and Chief Executive Officer in the amount of CDN$8,000 per month before Canada's goods and services tax. During the six months ended June 30, 2006, the Company paid Golden Oak $44,939 ($42,531 in 2005). Either party may terminate the agreement at any time upon 90 days notice.

7. SUBSEQUENT EVENTS

(7a) The Company is working towards having its shares admitted for trading on the Alternative Investment Market ("AIM") of the London Stock Exchange as soon as practicable to expand its access to capital and participate in this natural resource dominated expanding market for smaller and growing companies. Under the AIM Rules, the Company is required to appoint and retain a broker and a nominated advisor ("Nomad"). The broker's role is to help the Company to raise finance on the market and to act as the principal interface between the Company and the investment community and to advise the Company on investment conditions. The London Stock Exchange delegates the task of determining whether an individual company is appropriate for admission onto AIM to Nomads.

The Company has engaged the firm of Keith, Bayley, Rogers & Co. Limited ("KBR"), in London, England as corporate stockbroker in accordance with the AIM Rules. KBR is acted as a finder on the private placement closed on August 17, 2006. KBR has been paid a fee of 10,000 British Pounds and KBR will be paid an additional 30,000 British Pounds on the Company's admission to AIM. KBR will thereafter be paid an annual retainer while engaged by the Company.

The Company has engaged the firm of RFC Corporate Finance Ltd. ("RFC") of Perth, Australia to act as Nomad. Aside from being specialists in the mineral resource sector RFC is close to Indonesia and two of the Company's directors live in Australia. RFC will be paid staged fees of AUD$200,000 to guide the Company through the admission process to AIM including preparation and overseeing the Admission Document. The Company has receipt of regulatory approval to satisfy up to AUD$100,000 of these fees by the issue of 425,000 common shares. In addition on admission to AIM the Company has regulatory approval to issue RFC 650,000 share purchase warrants exercisable for two years at a price of CDN$0.27. RFC will thereafter be paid an annual retainer while engaged by the Company.

(7b) On August 9, 2006 the Directors granted Incentive Stock Options to Directors, employees and consultants on 1,455,000 shares of the Company's capital stock, exercisable for up to five years at a price of CDN$0.20 per share, which price is the last closing price of the Company's shares prior to the date of grant. The options granted will be subject to any applicable regulatory hold periods.

(7c) On August 17, 2006 the Company issued 13,270,890 common shares and 13,270,890 common share purchase warrants in the capital of the Company for gross proceeds of CDN$2,654,178 pursuant to a private placement announced on July 4, 2006 and July 25, 2006. Each unit sold at CDN$0.20 consisted of one common share and one common share purchase warrant. Each warrant is exercisable for the purchase of one common share at a price of CDN$0.30 per share until August 16, 2008. A finder's fee was paid in the form of $187,377 cash and 398,127 broker warrants, each broker warrant is exercisable for the purchase of one common share at a price of CDN$0.23 per share until August 16, 2008. The common shares issued, and any common shares issued pursuant to the exercise of share purchase warrants prior to December 18, 2006 are restricted from trading until December 18, 2006.

Part E – Legal Report on Indonesian Mineral Titles

HADIPUTRANTO, HADINOTO & PARTNERS

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PRIVATE AND CONFIDENTIAL

6 December 2006

The Directors
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Canada

The Directors
RFC Corporate Finance Limited
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250 St George's Terrace
Perth 6000
Western Australia

LEGAL CONSULTANT'S REPORT ON INDONESIAN MINERAL ASSETS

Dear Sirs,

1 INTRODUCTION

1.1 Purpose

This Indonesian Legal Consultant's Report (the "**Report**") was requested by Kalimantan Gold Corporation Limited ("**Kalimantan Gold**") and RFC Corporate Finance Limited ("**RFC**") and is prepared by Hadiputranto, Hadinoto & Partners, Jakarta for inclusion in an "**Admission Document**" for admission of the ordinary shares of Kalimantan Gold to the AIM market of the London Stock Exchange Plc ("**Admission**").

1.2 Scope

This Report describes the interests of Kalimantan Gold in mining rights granted pursuant to the laws of the Republic of Indonesia and under certain agreements and other instruments that are governed by such laws. As such, this Report summarizes the review carried out by us on two Indonesian incorporated companies, Kalimantan Surya Kencana ("**KSK**") and PT Jelai Cahaya Minerals ("**JCM**") with respect to:

(a) an Indonesian mining exploration project of KSK being conducted pursuant to a Contract of Work between KSK and the Government of the Republic of Indonesia dated 28 April 1997 ("**KSK CoW**"); and

(b) an Indonesian mining exploration project of JCM being conducted pursuant to a Decree of the Bupati of Bulungan No. 507/K-VIII/540/2006 dated 28 August 2006 on the Granting of the Mining Business License (*Izin Usaha Pertambangan* – IUP) Mining Authorization (*Kuasa Pertambangan* – "**KP**") of General Survey Stage to JCM ("**JCM KP**").

We have been advised that Kalimantan Gold holds 100% of the shares in Indokal Limited ("**Indokal**") (although we have not independently verified the same). As further detailed below, Indokal holds 75% of the issued share capital in KSK.

Hadiputranto, Hadinoto & Partners is a member of Baker & McKenzie International, a Swiss Verein.

As for JCM, Kalimantan Gold has entered into certain contractual arrangements with JCM and its shareholders, pursuant to which Kalimantan Gold (either by itself or through a wholly owned mining services company) has agreed to provide all necessary financial, technical and managerial requirements for the development and operation of a mine within the JCM KP area, and in return JCM has agreed to pay to Kalimantan Gold (or its subsidiary) the net proceeds of the sale of minerals from the JCM KP area. These arrangements are further described below.

The scope of this Report is limited to:

- a high level overview of the mining and related regulations applicable to the development of KSK's and JCM's mining projects in Indonesia;

- confirmation of the valid corporate standing of KSK and JCM and their current shareholdings;

- a summary of the mining rights granted to, and associated obligations imposed on KSK pursuant to, the KSK CoW;

- a summary of the mining rights granted to, and associated obligations imposed on JCM pursuant to, the JCM KP; and

- a description of the contractual arrangements entered into between Kalimantan Gold and JCM relating to the mining operations carried out pursuant to the JCM KP.

This Report is not, and should not be considered to be, a full legal audit of or a full due diligence on KSK and JCM. Furthermore, we have assumed that what we say about the interests and mining rights of KSK and JCM is not in any material way affected by the laws of, or agreements in, any jurisdiction other than the Republic of Indonesia. In particular, we make no comment on the impact of the heads of agreement that we understand has been entered into (but which we have not reviewed) between Kalimantan Gold and Oxiana Exploration Pty Ltd in respect of a proposed joint venture for the KSK CoW.

We have not sought to investigate any taxation and accounting matters.

1.3 Documents Reviewed

The information contained in this Report is prepared based on our review of documents made available to us by the Company, which are listed in Schedule 1 of this Report ("**Documents Reviewed**").

1.4 Assumptions and Qualifications

This report is subject to the assumptions and qualifications set out in Schedule 2 of this Report.

1.5 Public Searches

We have not conducted public searches for any litigation actions which may have been commenced against the Company. We have, however, reviewed all of the Documents Reviewed to determine whether any litigation actions or disputes have been mentioned.

In Indonesia generally "public" searches can take several weeks (depending on the search and on location), and the results are often unreliable due to the fact that the majority of records are kept in manual filing systems, and documents are often lost or misfiled.

1.6 Statement of Interests

We provide fee based legal services to Kalimantan Gold and its affiliates in relation to Indonesian law and will receive a fee for preparing this report. We will not receive any other monetary or other benefit, either directly or indirectly, for doing so.

1.7 Consent

We consent to the inclusion of this Report in its entirety in the Admission Document provided that the Admission Document does not comment upon or qualify this Report in any way. We confirm that having taken all reasonable care to ensure that the information as to Indonesian legal matters contained in this

Report is, to the best of our knowledge, and subject to the assumptions and qualifications set out elsewhere herein, in accordance with the facts and contains no omissions likely to affect its import. Apart from preparing this Report, we have not been involved in the preparation of other parts of the Admission Document and we are not responsible for the contents thereof or omissions contained therein or for any use made of this Report other than its inclusion in its entirety in the Admission Document.

This Report may not be copied, circulated, quoted or divulged to, or used by or relied upon by, any other person or entity, or otherwise referred to for any other purpose than Admission without the prior written consent of Hadiputranto, Hadinoto & Partners, Jakarta (Reference: Luke Devine).

2 INDONESIAN MINING AND RELATED REGULATIONS

2.1 Introduction

The basis for the regulation of the Indonesian mining sector derives ultimately from the 1945 Constitution of the Republic of Indonesia, which stipulates that Indonesia's natural resources are to be controlled by the State and must be used for the maximum benefit of the Indonesian people. The Indonesian 1967 Mining Law and its implementing regulations adopt this fundamental principle. Control has been interpreted as being equivalent to ownership. Therefore there is no title to particular mineral deposits granted by the State to private companies or individuals, but rather the State will only grant the right to exploit and sell the mineral deposits.

2.2 Types of Minerals

Indonesian mining regulations classify mineral resources into 3 types:

a) Strategic Minerals, (e.g. uranium, oil and gas, coal);
b) Vital Minerals, (e.g. gold, silver, nickel, bauxite); and
c) Non-strategic and Non-vital Minerals, (e.g. marble, granite).

The mining of coal and the vital minerals is open for foreign investment.

2.3 Investment in mining

2.3.1 Foreign Investment in Mining

A sole foreign investor, or a joint venture between foreign investors and Indonesian investors, may carry out mining activities through a Contract of Work granted to an Indonesian foreign investment company (*Perusahaan Penanaman Modal Asing* – "**PMA**"). A Contract of Work ("**CoW**") is signed between the PMA company established by the foreign investors (and, if applicable, their Indonesian partners) and the Government of Indonesia ("**GoI**").

The CoW sets out in detail, the rights and obligations of the mining company in relation to the development and operation of the mining project.

From the initial CoWs signed in the 1960s through to the last CoWs signed in the late 1990s, there have been a number of revisions to the CoW terms. Each revision is referred to as a new "generation" of CoW. There have been a total of 7 different "generations" of CoWs signed. The KSK CoW is a 6th Generation CoW.

The regulation of the rights and obligations of a mining company engaged under a CoW are principally contained in the CoW itself. The CoW will govern all stages of the mine development.

Under Indonesian law, the CoW has the status of "lex specialis" (or "special law"), meaning that it overrides the Indonesian laws of general application (e.g. general tax laws) where the relevant subject matter is specifically dealt with in the terms of the CoW itself. This treatment is of most importance in relation to the taxation provisions of the CoW, which set out the detailed tax regime applicable to the relevant mining company throughout the life of the CoW, regardless of the changes in Indonesia's tax regulations from time to time.

Further details of the KSK CoW are provided in Section 3 of this Report.

2.3.2 Domestic Investment in Mining

Domestic investment in mining is conducted through either a CoW or a KP. A KP is in essence a license issued by the Head of Regency, the Governor and the Minister of Energy and Mineral Resources, depending of the location of the mining area. If the mining area delineated by the KP is located within one Regency, then the KP will be issued by the Bupati or Head of the Regency. If the mining area crosses the boundary between two Regencies, then the KP is issued by the Governor (Head of the Province). If the mining area crosses the boundary between two Provinces, the authority to issue the KP lies in the Minister of Energy and Mineral Resources.

Although the Mining Law contemplates that a KP applicant should have demonstrable capacity to exploit minerals in its KP area, this is often not the case. As a result, KP holders on occasion enter into agreements with foreign mining companies to cause mining activities to be conducted on their behalf.

A KP grants exclusive mining rights within the delineated mining area to the holder for specified minerals or metals for a defined stage of mining activity. There are several types of KP depending on the stage of development of the mining area itself, as follows:

- General Survey KP;
- Exploration KP;
- Exploitation KP;
- Transportation and Selling KP; and
- Processing and Refining KP.

After carrying out the relevant phase of mine development under one form of KP (e.g. general survey KP), the KP holder is required to reapply to the relevant issuing authority for the next KP (e.g. exploration KP), for which they have priority over other applicants, provided they have met the relevant obligations. The rights and obligations of the KP holder will be stated in the decree of the granting of such KP, and are supplemented by applicable mining regulations.

Unlike a CoW (which has “lex specialis” status – meaning that its provisions override the general laws and regulations), a KP is subject to the prevailing laws and regulations of the day, including changes in tax laws.

Further details of the JCM KP and relevant obligations are provided in Section 3 of this Report.

2.4 Mining and land rights

The granting of a CoW or KP only grants to the relevant mining company the rights of exploring, exploiting and selling of the mineral deposits below the surface of the relevant mining area. It does not give the mining company the rights to the land surface area.

The Indonesian mining regulations and the terms of the CoW provide that when the holder of the CoW or KP intends to conduct exploitation activities, and the surface land is occupied by indigenous people, settlers, traditional farmers, or used for plantations or industrial forest, certain land compensation arrangements must be entered into:

a) For land occupied by indigenous people, settlers or traditional farmers, the holder of the CoW or KP is required to identify the owner of the indigenous title to such land, and enter into a land use and compensation agreement (paying compensation for land and the crops).

b) For land used for plantations, the holder of the CoW or KP is required to enter into an agreement with the plantation company to use the land. The agreement would provide for compensation for trees cut and clearing of the land.

c) For land used for production forest, the holder of the CoW or KP shall enter into an agreement with the holder of the production forest concession to use the land. The agreement would provide for compensation for trees cut and clearing of the land.

It is also possible that part or all of the mining area the subject of a CoW or KP is located in forest classified as “Protected Forest”. The implications of this are discussed below.

2.5 Restrictions on Open Cut Mining in Protected Forest

2.5.1 Introduction of 1999 Forestry Law

Based on Article 38.4 of the Law No. 41 of 1999 on Forestry ("**Forestry Law**"), open cut mining in "Protected Forest" is prohibited. General exploration activities, including drilling, in Protected Forest areas may also be affected, as discussed in section 2.5.2 below.

When the Forestry Law was first introduced, it created a great deal of uncertainty as to whether mining companies with mining concessions which pre-dated the Forestry Law were entitled to, in accordance with the terms of their Contracts of Work and mining regulations, carry out open cut mining in protected forests.

By emergency Government Regulation ("**PERPU**") No. 1 of 2004, the GoI stipulated that any agreement and licenses in the mining sector that had been granted prior to the Forestry Law shall remain valid until their expiry date. Subsequent to the PERPU, through Presidential Decree No. 41 of 2004 ("**PD 41/2004**"), the GoI authorized 13 mining companies to continue carrying out operations (including open cut mining) in their CoW Area despite the provisions of the apparently inconsistent Forestry Law. The above emergency Government Regulation was later ratified by the Parliament, and accordingly has the legal effect of amending Article 38.4 of the Forestry Law.

A subsequent challenge as to the validity of the Government's actions in passing the PERPU was made to the Constitutional Court, and the Constitutional Court upheld the validity of the Government's actions in passing the PERPU. Accordingly, the PERPU has, from a regulatory viewpoint, confirmed that the existing mining company is entitled to carry out open cut mining operations within its mining area as delineated by CoW.

2.5.2 Ministry of Forestry decrees

Following the PD 41/2004, the Minister of Forestry issued Regulation of the Minister of Forestry No. P.12/Menhut-II/2004 on the Use of Protected Forest Area for Mining Activities ("**Reg. P-12**"), which essentially states that the licenses to carry out mining activities in protected forest (both for exploration and exploitation stages) shall only be valid for the mining companies included in the list of 13 mining companies authorized by PD 41/2004 to conduct mining activities.

Based on Reg.P-12, those 13 mining companies must obtain a permit to carry out exploration activities within the Protected Forest from the Head of the Office of Forestry Planology on behalf of the Minister of Forestry in order to be able to conduct the exploration activities and then they should obtain the license for exploitation activities (namely a forestry borrow and use license).

We understand from investigations with the Directorate General of Mineral, Coal and Geothermal that they are currently in discussions with the Ministry of Forestry to recommend to the President that the President issue a further Presidential Decree for a second batch of mining companies who are able to demonstrate that they are developing their prospects.

In June 2006, the Minister of Forestry issued Regulation of the Minister of Forestry No. P.14/Menhut-II/2006 on Guideline of the Borrow and Use of Forestry Area ("**Reg. P-14**"), which provides that mining activities can only be conducted within production forest and protected forest through a "borrow and use" mechanism. The regulation however states that open-cut mining in protected forest is not permitted under and circumstances.

A mining company will first have to apply for an in-principle licence, and fulfill the obligations prescribed by that licence and the Reg. P-14 within 2 years, before it can be granted the permanent borrow and use permit. One of the material obligations attached to the in-principle licence is the obligation for the mining company to provide "clear and clean" reforested land as compensation for the forest area used for the mining activities. This replacement land area should be twice the area of the forest area used used for mining, and should be located adjacent to the mining area. If the mining company cannot provide the compensation land within 2 years as of the granting of the in-principle licence, it will be deemed to have satisfied the obligation by instead paying an additional royalty of 1% of the proceeds from production sold.

Upon satisfying the obligations of the in-principle licence, the mining company is granted a borrow and use permit, valid for 5 years, extendable in 5 year intervals.

2.6 Environmental Legislation

2.6.1 Environmental Impact Studies

Pursuant to the Indonesian environmental laws and regulations and the terms of a CoW, a mining company should prepare an environmental impact analysis (AMDAL) during the Feasibility Study period (which is the period following the exploration period which KSK is currently operating within).

Pursuant to Government Regulation No. 27 Year 1999, an environmental feasibility study must be approved by the head of the agency having the duty to manage environmental impacts at the central government level (currently the Minister of Environment) or Governor at the regional level. Since the CoW area is located within two provinces, i.e. Central Kalimantan and West Kalimantan, the authority to grant approval on the AMDAL is the Minister of Environment.

KSK is obliged to submit periodic reports on implementation of its environmental management plan and environmental monitoring plan to the Ministry of Environment, Directorate General of Mineral, Coal and Geothermal, the MEMR and the Governor of the relevant area.

Pursuant to the Decree of Minister of Environment No. 45 year 2005 on Guidance on Arranging Report on Implementation of Environmental Management Plan and Environmental Monitoring Plan, the report should be submitted periodically in accordance with the terms of the AMDAL itself. If there is no such provision stipulated, then it should be submitted at least every six months.

2.6.2 Land Remediation

With respect to remediation of the mining area after completion of mining activities under the CoW, the holder of the CoW will be required to provide remediation security (in form of deposits with a government bank or third party guarantees, e.g. government banking or insurance institutions owned by Government or foreign exchange banks) prior to the commencement of the operating activity.

The amount of the remediation security shall be determined based on the estimated remediation cost stated in the Annual Environmental Management Plan prepared by the holder of the CoW. The remediation cost shall consist of (i) direct cost, e.g. cost of removing mine facilities, re-plantation costs, etc and (ii) indirect costs, including heavy equipment mobilization and demobilization cost, remediation planning cost, administration and profit of remediation contractors.

To the extent that security has been provided, release of remediation security shall be made in stages, in accordance with the completion of the remediation work. Any interest accruing in respect of remediation cash security posted shall also be released to the mining company.

2.7 Mandatory Payments, Royalties and Income Tax

A holder of mining rights is required to pay deadrent and royalties. Government Regulation No. 45/2003 specifies the deadrent and royalty obligations of KP holders, with the obligations for CoW holders set out in the CoW. Circular Letter of the DEMR/Director General of Geology & Mineral Resources No. 008.E/84/DJG/2004 provides instructions for calculating payments of deadrent and royalties. Law No. 25/1999 specifies to which level of government KP holders and CoW contractors are to pay royalties and how such levels of government are to allocate and transfer such funds to other levels of government.

An attachment to Government Regulation No. 45/2003 sets out the deadrent charges based on the number of hectares covered by a KP and the stage of mining involved. For KPs, dead rent charges begin at Rp.500 per hectare per year during the General Survey KP and increase to as much as Rp.25,000 per hectare per year during the Exploitation KP.

Royalties for KP holders are defined as percentages of FOB sales prices for metals exported as such or as contained in exported concentrates. The current defined rates are 4% of sale price for copper, 3.75% of sale price for gold and 3.25% of sale price for silver.

Companies holding KPs are also subject to income tax at generally applicable rates (currently 30%) and are subject to generally applicable tax laws.

2.8 Regional and Provincial Governments

The Indonesian Parliament passed the Regional Autonomy Law in 1999, giving the Regencies/Cities and the Provincial Governments of Indonesia more authority to regulate matters falling within their respective geographical jurisdictions.

The 1999 law gives the Regency/City and the Provinces very broad authority to essentially regulate all matters within their respective jurisdictions, except for limited areas reserved for Central Government regulation (e.g. foreign affairs, security and defense, judicial administration, religion, etc).

The Regencies/Cities and Provinces have since 1999 continued to develop and issue further regulations to implement the principles of Regional Autonomy Laws.

3 Confirmation of Corporate Standing of KSK and JCM

3.1 Corporate Matters

3.1.1 Company Establishment

KSK

KSK was validly established under the laws of the Republic of Indonesia on 2 April 1997. KSK was established by Indokal and PT Pancaran Cahaya Kahayan ("**PCK**"), a limited liability company established in the Republic of Indonesia, having its principal place of business at S. Widjojo Centre, 2nd Floor, Jalan Jenderal Sudirman No. 71, Jakarta, Indonesia. The principal place of business and registered office of KSK is currently at Jl. Teuku Umar 32A, Palangkaraya 73112, Central Kalimantan, Indonesia.

The Articles of Association contained in the Deed of Establishment of KSK states that KSK's purposes and objectives are to engage in mining activities. The scope of work in relation to the purposes and objectives includes conducting the exploration, evaluation, mining and processing the mineral ores, metals and result of the minerals in every steps with regard to the environmental and interests of the local communities; marketing and selling of the results or additional results of the activities mentioned above, including to export; importing all things required by KSK to conduct the mining activities; and establishing other industry related to the activities of KSK.

JCM

JCM was validly established under the laws of the Republic of Indonesia on 23 March 2006 and its establishment was approved by the Minister of Law and Human Rights on 31 May 2006. JCM's corporate establishment was registered at the Company Register at the Office of Industry, Trade and Cooperatives on 15 May 2006.

JCM was established by Suyono, an Indonesian citizen, holder of the identity card No. 09.5306.281173.0303 and residing at Jalan Berlian No. 7, RT 007, RW 002, Kelurahan Cilandak, Kecamatan Cilandak, Jakarta Selatan, Indonesia ("**Suyono**"), and Susilowati, an Indonesian citizen, holder of the identity card No. 09.5306.470463.0022 and residing at Jalan Puri Mutiara No. 1, RT 004, RW 001, Kelurahan Cipete, Kecamatan Cilandak, Jakarta Selatan, Indonesia ("**Susilowati**").

The Articles of Association contained in the Deed of Establishment of JCM states that JCM's purposes and objectives are to engage in mining, trading, industry, development, land transportation, and service activities. These objectives are sufficient to authorize JCM to carry out the development of the mine pursuant to the JCM KP.

3.1.2 Current Shareholders

Under Indonesian law, share ownership is evidenced by a share certificate, which is registered in the share register of the company.

KSK

Based on the Documents Reviewed, KSK has paid up capital of Rp2,415,000,000 divided into 1,000,000 shares having a par value of Rp2,415 each. Indokal owns 75% and PCK owns 25% of the total shares issued by KSK.

Also see sections 4.2.12 and 4.2.13 below for Indonesian participation and assignment restrictions.

JCM

Based on the Documents Reviewed, JCM has paid up capital of Rp. 200,000,000 divided into 2,000 shares having a par value of Rp100,000 each. Suyono owns 95% and Susilowati owns 5% of the total shares issued by JCM.

3.1.3 Management

KSK

Based on the latest amendment to its Articles of Association the composition of the Board of Directors and Commissioners are as follows:

Board of Directors:

President Director	:	Rahman Connely
Director	:	Suyono
Director	:	Giles Andrew Geiger or known as Mansur Geiger

Board of Commissioners:

President Commissioner	:	Rais Abin
Commissioner	:	Murray Hallen Clapham

Also see section 4.2.12 below for Indonesian participation requirements.

JCM

Based on the latest amendment to its Articles of Association the composition of the Board of Directors and Commissioners are as follows:

Board of Directors:

Director	:	Suyono

Board of Commissioners:

Commissioner	:	Susilowati

3.1.4 KSK Joint Venture

A Joint Venture Agreement ("**JVA**") was entered into between Indokal, PCK and KSK on 12 November 1998.

The following provisions of the JVA are of relevance to the KSK CoW, and the relationship between Indokal and PCK in relation to the development of the mine which is subject to the KSK CoW:

(a) 10% of the shares held by PCK in KSK (ie currently 2.5% of the KSK issued shares) are funded on a free-carried basis by Indokal up until commencement of production, and any such advances made by Indokal pursuant to such free carry shall not be repayable to Indokal.

(b) The remaining 90% of the shares held by PCK in KSK (ie currently 22.5% of the KSK issued shares) are funded by Indokal on an interest free basis up until the commencement of production, but will be subject to an interest rate of 2% above LIBOR from the commencement of production until the outstanding balance is repaid. Such loans are to be repaid to Indokal out of dividends which would otherwise be payable by KSK to PCK.

(c) KSK plans to establish the Foundation for Sustainable Development of Upper Kahayan region, Kalimantan, Indonesia (the "**Foundation**") to promote and maintain the education and welfare of the people in the region, to promote ecological protection and development of the region, and to promote the establishment and development of sustainable business in the region. Indokal and PCK have agreed to transfer a collective total of 2% of the issued shares of KSK to the Foundation, with each of Indokal and PCK to transfer their pro-rata portion of the 2% shareholding. The terms of the transfer are:

(i) a 1% shareholding in KSK shall be transferred to the Foundation for no consideration at the commencement of the commercial production; and

(ii) the remaining 1% shareholding in KSK will be transferred to the Foundation at par value (which is Rp.2,415 per share) ten years after the commencement of the commercial production.

Generally, any transfer of shares shall be subject to the approval from the Minister of Energy and Mineral Resources. However, if the above transfer of shares were considered as a form of divestment under the Article 24 of the KSK CoW, the above approval from the MEMR would not be required.

The JVA constitutes legal, valid, binding and enforceable obligations of the parties to it and it is in appropriate form to be admissible in evidence in the courts of the Republic of Indonesia.

All actions required under the laws of the Republic of Indonesia to authorize the entry into by KSK, PCK and Indolokal of the JVA, and the performance by each of the parties thereto of its obligations under the JVA have been taken and are in full force and effect.

The choice of laws of Indonesia as the governing law of the JVA would be recognised and given effect by the courts of the Republic of Indonesia. The submission in the JVA to the jurisdiction of the UNCITRAL Arbitration Rules is a valid submission. A foreign arbitration award, which meets the requirements in the New York Convention on the Recognition and Enforcement of Foreign Arbitral Award (the “Convention”) and the requirements set out below should be recognized and enforced in the Republic of Indonesia.

The Convention has been ratified by the Republic of Indonesia pursuant to Presidential Decree No. 34 of 1981. Under the Convention and Law No. 30/1999 on Arbitration and Alternative Dispute Resolutions, in order for the foreign arbitral awards to be recognized and enforced within the jurisdiction of the Republic of Indonesia, such awards must satisfy the following requirements:

(i) the award is rendered by an arbitration body or an arbitrator in a country which is bilaterally bound to Indonesia or jointly with Indonesia by an international convention on the recognition and enforcement of foreign arbitration awards. Its enforcement is based on the principle of reciprocity;

(ii) the foreign arbitration awards are only limited to awards which, according to Indonesian law, fall within the scope of its commercial law;

(iii) the foreign arbitration awards do not contravene the public order;

(iv) a foreign arbitration award may be enforced in Indonesia after an exequatur (writ of execution) has been obtained from the Chairman of the Central Jakarta District Court.

3.1.5 JCM KP Cooperation Arrangements

As mentioned above, under Indonesian laws and regulations, foreign entities are not permitted to hold shares in companies which hold KPs. Accordingly, Kalimantan Gold is not permitted to acquire shares in JCM.

As a result, Kalimantan Gold has entered into certain commercial agreements with JCM and its shareholders which provide for the following:

a) Kalimantan Gold is granted sole and exclusive rights to market all minerals derived from the JCM KP;

b) Kalimantan Gold, through a wholly owned Indonesian company, shall provide all mining services required for the exploration, construction and operation of the mine, and in return, Kalimantan Gold will be entitled to all net proceeds from the sale of minerals arising from the JCM KP;

c) Until such time as Kalimantan Gold establishes the Indonesian subsidiary to provide mining services, Kalimantan Gold shall fund all JCM's exploration activities required in respect of the JCM KP by way of a direct loan to JCM;

d) JCM is required to maintain all KPs in valid force and effect;

e) Upon request of Kalimantan Gold, JCM shall take all required steps necessary to convert the JCM KP into a Contract of Work with a company in which Kalimantan Gold (or its nominees) hold 100% of the shares;

f) Kalimantan Gold holds a power of attorney from JCM to sign any and all documents required to be signed in the name of JCM relating to the mining activities.

To provide further protection to Kalimantan Gold, the shareholders in JCM have granted a pledge over their shares in JCM to Kalimantan Gold to secure the obligations of JCM under the exploration loan agreement and related agreements. In addition, the shareholders have provided personal guarantees of JCM's obligations to Kalimantan Gold, and have granted powers of attorney to Kalimantan Gold authorizing Kalimantan Gold to exercise all shareholder powers in relation to corporate actions of JCM.

The JCM KP Cooperation Agreements constitute legal, valid, binding and enforceable obligations of the parties to them and they are in appropriate form to be admissible in evidence in the courts of the Republic of Indonesia.

No authorizations, approval, actions, conditions and things required by the laws or any regulatory authority in the Republic of Indonesia need to be taken, fulfilled or done (including the obtaining of any necessary approval, authorization, exemption, license or permission and the making of any necessary filing, recording or registration) in order:

(a) to ensure that the obligations of each of the party under the JCM KP Cooperation Agreements are legally binding and enforceable under the laws of the Republic of Indonesia;

(b) to ensure the validity, enforceability or admissibility in evidence of each of the JCM KP Cooperation Agreements.

The choice of laws of Indonesia as the governing law of the JCM KP Cooperation Agreements would be recognised and given effect by the courts of the Republic of Indonesia. The submission in the JCM KP Cooperation (other than the Cooperation and Investment Agreement dated 5 October 2006 between JCM, Kalimantan Gold, Suyono and Susilowati ("Cooperation and Investment Agreement")) to the jurisdiction of the Indonesian courts is a valid submission.

The submission in the Cooperation and Investment Agreement to the jurisdiction of the Arbitration Rules of the Singapore International Arbitration Centre is a valid submission.

4 MINING RIGHTS GRANTED UNDER KSK CONTRACT OF WORK

4.1 KSK CoW

KSK entered into the KSK CoW to conduct gold mining and the mining of other associated minerals in Central Kalimantan with the GoI on 28 April 1997 after obtaining the investment approval from the President of the Republic of Indonesia through B.143 concerning the Approval for 68 Contract of Work in the framework of Foreign Investment in the General Mining Sector. The names of the shareholders of KSK, i.e. Indokal and PCK, were listed in item No. 51 in the Attachment to the above Presidential Decree.

Accordingly, based on the prevailing Indonesian Laws and regulations at the signing of the CoW, we can confirm that the KSK CoW was validly granted.

The GoI is entitled to lawfully terminate the KSK CoW in the circumstances provided for in the KSK CoW. The relevant provisions of the KSK CoW provide that:

Article 20.1.

In the event of default of KSK in respect of any of its obligations under the KSK CoW, the GoI shall give written notice to KSK to remedy such default within maximum of 180 days after receipt of the notice. If KSK fails to remedy the default within that period, the GoI may terminate the KSK CoW.

Article 20.2.

Notwithstanding the provisions of Article 20.1, in respect of KSK payment defaults, the cure period for KSK will be 30 days after receipt of a default notice from GoI.

Based solely on the Documents Reviewed, we have not seen a default notice issued by the GoI to KSK pursuant to Article 20.1, nor has our review highlighted any evidence which would give the GoI grounds to terminate the KSK CoW.

4.2 Rights and Obligations of KSK under KSK CoW

4.2.1 Payment of the Security Deposit

Pursuant to Article 7.5. of the KSK CoW, within 30 days as of the signing of the CoW KSK must pay US$100,000 (less any amount already deposited during the Preliminary Survey or "SIPP" period), as the Security Deposit. 50% of that Security Deposit is to be released by the GoI after the completion of the General Survey stage (as explained further below in the General Survey stage).

We have sighted the payment of the US$100,000 security deposit.

4.2.2 Stages of Mine Development

The KSK CoW gives KSK the rights to conduct general exploration and mining activities within the mining area delineated in the KSK CoW. The KSK CoW divides the activities up into distinct stages:

(a) General Survey;
(b) Exploration;
(c) Feasibility Study;
(d) Construction; and
(e) Operating/Production.

4.2.3 Mining stages completed or partially completed

<u>General Survey Stage</u>

Not later than 6 months after the signing of the KSK CoW, KSK was required to commence General Survey activities. General Survey activities consist of investigations and preliminary exploration work carried out along broad features of an area for indications of mineralization. The General Survey stage commences on the date the general survey activities are first commenced, and continues for a maximum period of 12 months, but may be extended with the agreement of the MEMR for a further period of 12 months.

The Documents Reviewed show that the extended General Survey period was completed on 27 April 1999, indicating that the initial General Survey Period commenced on 27 April 1997.

The KSK CoW requires KSK to spend a minimum of US$140 per square kilometer of mining area during the first 12 months of the General Survey period. The Documents Reviewed show that this requirement has been met by KSK.

At the end of the General Survey period, KSK was required to relinquish 25% of the original KSK CoW area. The initial CoW area of KSK was 121,900 hectares. The Documents Reviewed show that KSK has met its relinquishment obligations in respect of the General Survey period, however we also note that at the time of effecting the relinquishment, KSK sought (and received approval for) an increase in the contract area to 124,200 hectares. The additional area is the former area of PT Pancaran Paringa Kalimantan.

With regard to the Security Deposit referred to above, 50% of the US$100,000 deposit was required to be released by the GoI to KSK after the completion of the General Survey stage. The Documents Reviewed show that 50% was released on 10 October 1999.

Exploration Stage

On 28 April 1999, KSK entered into the Exploration stage. At the commencement of this stage, the remaining contract area was 124,200 hectares.

Subject to the suspension matters referred to below, the Exploration stage is for a maximum period of 36 months from 28 April 1999, but may be extended twice, each extension for a period of 12 months, with the approval of the MEMR.

KSK is required to submit its annual work program and budget to the MEMR in respect of the Exploration work to be carried out. In the event that KSK has not spent at least 80% of the budgeted amount for the first year of exploration by the end of that first year, the Government may terminate the KSK CoW. The Documents Reviewed do not provide any information as to whether KSK fulfilled this budget obligation for the first year of Exploration stage. The Documents Reviewed do not, however, indicate any claim or default notice from the MEMR in respect of any alleged failure to meet such condition.

Further, during the Exploration stage KSK is required to spend a minimum of US$1,300 per km² of contract area. If after 36 months, MEMR determines that KSK has seriously neglected its obligations in respect of this minimum expenditure requirement, MEMR may require KSK to deposit a bond for a sum not exceeding the total remaining minimum spend obligations. If KSK has not met the minimum expenditure obligations by the end of the Exploration period, the bond may be forfeited to MEMR in respect of the expenditure obligations remaining unfulfilled. Based on Quarterly Report of fourth quarter of 2005, KSK has met this minimum spend obligation.

Pursuant to Article 3(4) of the KSK CoW, the Exploration period may be suspended by KSK with the approval of the MEMR. The Documents reviewed indicate that the Exploration activities of KSK (and accordingly, the counting of the Exploration period) were suspended six (6) times from 28 August 1999 until 27 August 2004. Accordingly, as of 27 August 2004, the Exploration period had run for 4 months (from 28 April 1999 until 27 August 1999), leaving a further 32 months remaining in the initial Exploration stage. The above is applicable for the original contract area of KSK (or later known as “Block B” area). As for the “Block A” area (former area of PT Pancaran Paringa Kalimantan), when it was acquired by KSK as the expansion area of the CoW, according to KSK it was 28 months through its Exploration stage, leaving 8 months remaining in the Exploration stage. After the acquisition of Block A, KSK continued operations for a further 4 months (from 28 April 1999 (when acquired) until 27 August 1999), when Block A was again put into suspension.

The Exploration stages for both Block A and Block B were reactivated as from 28 August 2004, with the Exploration period due to expire 32 months thereafter (27 April 2007) for Block B and 4 months thereafter (27 December 2004) for Block A.

Following the reactivation of the Exploration stage, KSK relinquished part of the CoW area and sought approval to further expand the CoW area. These actions were approved by the MEMR on 22 September 2005 with retroactive effect as of 22 March 2005. From the time of such approval, the total KSK CoW area was 121,620 hectares, divided into two areas (the 33,170 hectare Block A area which is in the stage of First Extension of the Exploration stage, and the 88,450 hectare Block B area within its original Exploration stage). The Approval from the MEMR noted the approval to the first extension of the Exploration stage of Block A, effective as of 28 August 2005 until 27 August 2006. As a result of this, there is an 8 month period of the exploration of Block A (27 December 2004 until 27 August 2005) which falls between the end of the initial 3 year Exploration stage and the start of the first extension of the Exploration stage.

KSK then received MEMR approval to suspend the mining activities in Block A from 28 August 2005 until 27 August 2006. KSK has submitted a request to extend this suspension period from 27 August 2006 and for this suspension to apply to the entire CoW (ie both Blocks A and B).

KSK submitted an application to relinquish a further part of Block B in May 2006, reducing its area to 60,949 hectares and the total CoW area to 94,110 hectares. The MEMR has not yet approved this relinquishment.

Accordingly, as of the date of this Report:

(a) Block A, with a current area of 33,170 hectares remains in a state of suspension at the beginning of First Extension of Exploration period (1 year) (subject to MEMR approval for continuation of the suspension after 27 August 2006 and with the possibility to extend for a second 12 months subject to MEMR approval); and

(b) Block B, with a current area of 60,949 hectares, remains actively in the initial Exploration period which is due to expire on 27 April 2007 (subject to approval by the MEMR of a requested suspension commencing 27 August 2006 and any extension as may be agreed to by the MEMR, of which two 12 month extensions are possible).

At any time KSK determines that the results of exploration in respect of a particular part of the CoW area has shown a deposit of an apparent commercial quantity and quality, KSK may proceed into the Feasibility Study period in respect of that area, without affecting its rights to continue to explore the remaining CoW area.

Once the Exploration periods (and the two allowable extensions each of 12 months) for Block A and Block B have expired (taking into account all periods of suspension), KSK will need to either enter into the Feasibility period, or abandon the project.

We would point out that the granting of the extensions to the Exploration period are at the discretion of the MEMR. Similarly, any request by KSK to put the Blocks back into suspension is subject to the discretion of the MEMR. Despite this blanket discretion in favour of the GoI, the KSK CoW does place some “good faith” type obligations on the GoI in considering extensions. Article 23 of the KSK CoW provides that at any time during the term of the KSK CoW, upon request by either Party, the GoI and KSK shall consult with each other on the possibility of an application of extension of any period or stage referred in the KSK CoW, and the GoI may in its discretion grant an extension of such period(s) or stage(s) without prejudice to the other provision of the CoW. The GoI in granting the extension must fully consider the specific circumstances of KSK’s request and the program and budget submitted by KSK in relation to the extension period. The Minister of Energy and Mineral Rsources will notify within three (3) months whether or not the application of the extension is approved.

Based on past practice with the KSK CoW and with other CoW projects in which we have been involved, the GoI does not unreasonably refuse any valid request for an extension where there are reasonable grounds for making the request (e.g. delays in obtaining forestry approvals, inability to source equipment etc).

Should KSK proceed to the Feasibility Study period, it must immediately commence the preparation of a detailed feasibility study meeting the requirements specified in the KSK CoW, and in addition, the deadrents payable by KSK would increase. Further relevant obligations of KSK during the Feasibility period are specified below.

4.2.4 Reporting and Payment Obligations in respect of General Survey and Exploration Periods

The KSK CoW requires KSK to submit regular quarterly reports to the MEMR on the status of the project, such reports to include details of the exploration work, employment, minimum expenditure obligations etc. The Documents Reviewed show that there is a complete series of the Quarterly Reports, except for the following:

1. third quarter of 2000;

2. fourth quarter of 2000; and

3. second quarter of 2004.

During the General Survey and Exploration periods, KSK has the obligation to pay (based on 6 month semesters) certain dead rent in respect of the mining area. The Documents Reviewed disclose that KSK has fulfilled its obligations to pay the deadrent for first semester 2006, 2005, 2004, 2003, 2002, 2001, first semester 1999, 1998, 1997, and SIPP period (1996). We could not locate any documents showing the payments for the second semester of 1999 and year 2000.

Further, KSK is required to pay land and building tax during the pre-operation periods in the same amount as applicable for deadrent. We have seen from the Documents Reviewed evidence of payment of this tax in respect of the year of 2005 to Regency of Gunung Mas, Regency of Sintang, and Regency of Murung Raya and certain other payments in the previous years, but not all relevant periods. We note that for the 2004 land and building tax payment, there was a payment also for Regency of Buntok, which is not the case in 2005. According to KSK, the Regency of Buntok had been split as a result of expansion of regencies. The site is now located in Regency of Murung Raya. The site is also located within the Regency of Ketintang. However, there was no response when KSK tried to make payment to this Regency. Hence, payment of the land and building tax to Regency of Ketintang has not been made.

KSK is also required to meet any tax or duty payments as may be stipulated in regional regulations. We have not included a review of any such regulations or payments in this Report.

4.2.5 Future Mining Stages

The Feasibility Study, Construction and Operating periods of the mine have not yet commenced. The rights and obligations of KSK in respect of those periods are described generally as follows:

Feasibility Study Period

Following to the completion of the Exploration stage, KSK will then need to apply for the Feasibility Study stage, which shall be valid for 12 months and can be extended for a further 12 months (and further subject to discretionary extension from the MEMR). In this stage, KSK will have to carry out studies to determine the feasibility of commercially developing the deposits in question, and determine the area which will become the initial commercial production area for the KSK CoW. During the Feasibility Study stage, KSK shall prepare periodical reports on the study results and mine development and operations costs to the MEMR. At the end of the Feasibility Study stage, KSK must submit the Feasibility Study Final Report to the MEMR. The report must include the technical and economic calculations and reasoning for assessing the viability of the mining operations, and be supported by data, pictures, maps, and other information related to a decision whether or not the mining development should be continued.

At any time during the Feasibility Study stage, KSK may submit an application to move to the Construction stage. After obtaining the approval of the MEMR, KSK will have to prepare for all facility and construction designs and submit them to the MEMR for approval, accompanied with estimated costings and the construction schedule.

During the Feasibility Study stage, KSK is required to complete the environmental impact study to be carried out by an independent consultant, which must then be approved by the GoI.

At the end of the Feasibility Study stage, KSK may only retain 25% of the initial KSK CoW area.

Construction Period

The Construction stage starts upon the approval on the designs and schedule of the construction submitted with KSK's request to the MEMR to move to the construction stage. The Construction stage is for a maximum of 36 months (subject to discretionary extension from the MEMR).

Operating Period

Not later than 6 months after the completion of the Construction stage, KSK shall start the Operating stage (commercial production), which continues for 30 years or such longer time as may be approved by the MEMR. There is an overriding requirement that, despite all preceding phases of mine development, the start of the Operating stage must occur not later than 8 years after the start of the General Survey stage (assuming there have been no extensions or suspensions). Any extensions (and, although the KSK CoW is silent, in our opinion, on suspensions) to any of the mine development phases granted from time to time by the MEMR will be added to this 8 year window.

Based on the current status of the KSK CoW and assuming all suspensions to date are added to the 8 year window, Block B must start the Operating stage by 28 April 2011 and Block A must start the Operating stage by 28 August 2011. However, these dates are subject to any further suspensions or extensions that are applied for and granted, and also subject to any discretionary extension from the MEMR.

The KSK CoW does not restrict the type of ore or metal product that is produced and sold (subject to the matters discussed in section 4.2.7 below) and during the Operation stage, KSK may submit a proposal to the MEMR for the development of a smelter or refinery.

Pursuant to the terms of the KSK CoW, KSK is granted with all licenses and necessary permits to construct and operate of all required facilities, including the mine's processing facilities, port, aircraft landing facilities and transportation, communication, water supply facilities.

During the Operating Period, KSK will have to submit various reports to the MEMR on its production and refining activities.

4.2.6 Taxes and Financial Obligations

The KSK CoW specifies in detail all mandatory payment obligations of KSK in respect of taxes, duties and other levies. Article 13 states that KSK shall be liable to pay the following taxes, duties and levies:

a) Deadrent in respect of the CoW Area or the mining area (which, during each year of the possible maximum 5 years of the exploration stage are 1st year: US$0.10/hectare, 2nd year: US$0.12/hectare, 3rd year: US$0.15/hectare, 4th year: US$0.25/hectare and 5th year: US$0.35/hectare);

b) Royalties in respect to the production of minerals at the rate prescribed in the CoW which are, for copper, US$45/tonne of contained copper (where total annual production is below 80,000 tonnes) and US$55/tonne (where total annual production is at least 80,000 tonnes per year) and for gold, US$225/kg of contained gold (where production is below 2,000 kg per year) and US$235/kg (where production is at least 2,000 kg per year);

c) Corporate Income Tax in respect of the income received or accrued at the rates of 10% (for taxable income up to Rp25million), 15% (for taxable income up exceeding Rp25million up to Rp50million) and 30% (for taxable income exceeding Rp50million);

d) Personal Income Tax in respect of employees;

e) Withholding tax in respect of payment of dividends, interest, including remuneration due to loan payment warranty, rents, royalties, and other income related to the utilization of property, remuneration for technical and management services as well as other services at the following rates:

   i) 15% of gross income - in case of payment of dividends, interest, royalties;

   ii) 7.5% of gross income - in case of payment of dividend to a non resident founder shareholder and individual resident founder shareholder

   iii) 15% of deemed net income on rents and income related to the use of property, and compensation paid for technical, management and other services in accordance with article 23 of Income Tax Law 1994 in case of payment to resident tax payer;

   iv) 20% of gross income or such lower rate due to tax treaty in case of income payment (article 26 Income Tax Law 1994) to non resident taxpayer;

f) Value Added Tax (VAT) and Sales Tax on Luxury Goods on Import and/or delivery of taxable goods and services;

g) Stamp duty on documents;

h) Import Duty on goods imported into Indonesia;

i) Land and Building Tax in respect of the following:

   i) The KSK CoW or the mining area;

   ii) The utilization of the land and building in the area where the Company construct facilities for its mining operations;

j) Levies, taxes, charges and duties imposed by Provincial and/or Regency Government which have been approved by the GoI;

k) General administrative fees and charges for facilities or services rendered and particular rights granted by the GoI (Central Government) to the extent that such fees and charges have been approved by the GoI (Central Government); and

l) Duty on registration and transfer of ownership of motorized vehicles and ships in Indonesia.

KSK will not have any liability to pay any taxes or duties other than those listed in the KSK CoW.

4.2.7 Marketing of the minerals

KSK is given the rights to sell the minerals produced from the mining operation under the CoW. However, KSK must observe the Indonesian laws and regulations on exports and shall endeavor to meet the domestic market requirement along with the export sales agreements.

KSK will use its best efforts to maximize the economic return from the operation, taking into account world market conditions and other circumstances at the time of the sale.

The GoI may prohibit the sale or export of the minerals or products if such sale or export would be contrary to the international obligations of the GoI or to external political considerations affecting the national interest of Indonesia.

Any sales to KSK's affiliates shall be conducted on an arm's length basis and in accordance with terms and conditions as if the sales are made with a non-affiliated party. KSK then will have to submit to the GoI the evidence on correctness of the figures used in price calculation, metal content determination, analysis of the shipped materials and copies of the sales contracts.

4.2.8 Currency Exchange

All remittance shall be made through a foreign investment company's account ("**PMA Account**") opened in an Indonesian foreign exchange bank. Currency exchange from the PMA Account shall be carried out through foreign exchange banks. KSK shall have the right to transfer funds offshore for the following purposes in accordance with prevailing laws and regulations:

a) Net operating profit of KSK in proportion to the shareholding of any non-Indonesian investor;

b) Repayment of principal of loan and the interest thereon and all fees and expenses related thereto, so long as the loan is part of the investment plan of KSK which have been approved by the GoI;

c) Allowance for depreciation of the capital goods of KSK;

d) Proceeds from the sale of shares;

e) Expenses of the expatriates employed by KSK together with their families and for training of the Indonesian personnel abroad;

f) Debts of KSK denominated in foreign currency, including debts owed to the Contractor and sellers of the equipment and raw materials, or for commission payments;

g) Technical assistance fees; and

h) License fees.

4.2.9 Special rights of the Government

The following shall require prior written approval from the GoI:

a) amending the Deed of Establishment of KSK;

b) changing the line of business of KSK;

c) voluntary liquidation and winding up of KSK;

d) merging or consolidating KSK with another company; and

e) pledging or otherwise using as security the minerals in the Contract Area.

4.2.10 Dispute Resolution

The parties to the KSK CoW may choose to use the UNCITRAL Conciliation Rules in case of conciliation, or UNCITRAL Arbitration Rules in the case of arbitration. Both shall use English language and shall be held in Jakarta or such other location agreed upon by the Parties.

For tax matters, the parties agree to use the Consultative Board of Tax (*Majelis Pertimbangan Pajak*).

4.2.11 Termination

KSK may at any time, during the life of the CoW, notify to the GoI that it intends to unilaterally terminate the CoW. The notification must be accompanied by the data, maps, documents, plans, working papers, and other technical data and statements relating to the mining project. GoI must issue a confirmation of termination within 6 months (failing which termination will be deemed to have occurred regardless).

If the termination occurs during the General Survey or Exploration stage, KSK shall have a six month period in which to sell, move or otherwise dispose of its assets in Indonesia and surrender to the GoI all information on work that has been done by KSK up to the date of the notification.

If the termination occurs during the Feasibility Study stage, KSK shall offer to the GoI, which offer shall be valid for 30 days, all of the movable and immovable assets of KSK within the Contract Area, to be purchased by the GoI at market price within 90 days after the GoI receives the offer. If the GoI does not accept the offer, KSK may sell these assets to a third party within six months after the end of the offer to the GoI.

If termination occurs during the Construction stage, KSK shall offer to the GoI, which offer shall be valid for 30 days, all of the movable and immovable assets of KSK within the Contract Area, to be purchased by the GoI at market price within 90 days after the GoI receives the offer. If the GoI does not accept the offer, KSK may sell the assets to another party within 12 months after the expiry of the offer made to the GoI.

4.2.12 Indonesian Participation

There is an obligation on KSK to ensure that, within 15 years of the start of commercial production, at least 5% of its shares are owned by Indonesians. KSK has, based on its current shareholding composition, satisfied this requirement.

The Indonesian shareholders have an entitlement under the KSK CoW to appoint Commissioners to the Board of Commissioners of KSK in proportion to their shareholding, provided that to meet this requirement, nothing shall require KSK to have a Board of Commissioners of greater than 10 members.

4.2.13 Assignment and Transfer of Shares

The CoW cannot be transferred or assigned (including for the purpose of financing) in whole or in part, without the prior written consent from the MEMR.

The shareholders of KSK may not transfer their shares in KSK without the prior written approval of the MEMR. The approval from the MEMR is not required to be obtained in case of the following:

a) Transfer of shares in KSK in the framework of promotion of national interest (divestment); and

b) Transfer of shares to an affiliated company.

4.3 Protected Forest Areas within the KSK CoW

Based on the map attached to the CoW signed between KSK and the GoI (as set out in Schedule 3), a significant portion of the KSW CoW area is located within Protected Forest areas.

KSK was not one of the 13 companies listed in PD 41/2004. This is because KSK was not yet at the stage that it could demonstrate that it would be proceeding to development of a mining operation.

We should point out that there are conflicting maps in relation to the delineation of the Protected Forest boundaries in relation to KSK's CoW. We have attached in Schedule 3 the 3 maps as follows:

(a) the forestry map prepared by the Provincial Government Forestry Office (which is still in the process of being finalized);

(b) the forestry map prepared by the Ministry of Forestry (Central Government); and

(c) the forestry map prepared by the Central Government Ministry of Energy and Mineral Resources (i.e. the Central Government) ("**MEMR**").

We have been informed by KSK that in respect of the three main prospects in the KSK CoW (Beruang Kanan, Mansur and Baroi):

- Beruang Kanan does not fall within Protected Forest on any of the maps;
- Mansur is located just outside the Protected Forest area on the Provincial Government forestry map, but is shown as inside the Protected Forest area on the remaining two maps; and
- Baroi is located within Protected Forest area according to the Ministry of Energy and Mineral Resources map and the Provincial Government forestry map, but is shown as outside the Protected Forest area on the Ministry of Forestry map.

The regulations are unclear as to which map will prevail in the event of inconsistency, but as a practical matter, the relevant issuing authority of any permits to work in Protected Forest will base its consideration of whether a permit is required or not on its own map (i.e. if KSK is required to obtain a permit to conduct exploration in Protected Forest from Ministry of Forestry, Ministry of Forestry will base their assessment on the Ministry of Forestry map).

Although not one of the 13 listed companies, KSK has applied for a license to carry out exploration work in the protected forestry through the Directorate General of Minerals, Coal and Geothermal on 4 October 2005, which subsequently has applied for the license to the Office of the Forestry Planology on 6 December 2005. The Office of Forestry Planology has required several documents be submitted to them prior to their making a decision on whether they can grant the license. As far as we are aware, to date KSK has not received the relevant forestry licence.

The issue of whether KSK, being not one of the 13 mining companies listed in PD 41/2004, will be permitted to carry out open cut mining in the Protected Forest area, remains an area of legal uncertainty. In our opinion, the PERPU re-affirms the position that, as the KSK CoW pre-dates the Forestry Law, KSK is lawfully entitled to conduct open pit mining operations within the mining area specified in the KSK CoW. However, as a practical matter and unless KSK was willing to seek court or arbitral affirmation to this effect, until such time as KSK appears on a Presidential Decree along the lines of PD41/2004, it is unlikely that KSK will be able to obtain the necessary permits and approvals to carry out such open cut mining.

In addition to the above, KSK needs to consider the impact of compliance with Reg. P-14, principally the additional royalty payable in the event that KSK is not able to source the required replacement land for the forest area being used for mining operations. The provisions of Reg. P-14 have been the subject of much objection from the mining industry, and there are efforts to have its provisions amended or to have the entire regulation revoked. However at present, it remains in effect.

5 MINING RIGHTS GRANTED UNDER JCM KP

5.1 JCM KP

JCM obtained its KP based on Decree of the Bupati of Bulungan No. 507/K-VIII/540/2006 dated 28 August 2006 on the Granting of the Mining Business License (Izin Usaha Pertambangan – IUP) Mining Authorization of General Survey Stage to JCM. The JCM KP is valid until 28 August 2007.

JCM is given the rights to conduct general survey activities for gold minerals within an area of 5,000 hectares located in Sub-district of Sekatak, Regency of Bulungan, Province of East Kalimantan. General survey activities consist of preliminary investigations and exploration, including shallow drilling and surface sampling, carried out along the broad features of an area for indications of mineralization.

The General Survey KP may be extended for a further year at the discretion of the Bupati. Pior to expiry, JCM can then apply for an Exploration KP, which is granted for a maximum of 3 years, and is capable of being extended twice, each for a period of one year. An Exploitation KP can subsequently be applied for and is granted for up to 30 years, and may be extended for further 10 year terms.

5.2 Rights and Obligations under JCM KP

The rights and obligations of JCM as holder of the JCM KP are set out both in the terms of the KP itself, and supplemented by applicable mining laws and regulations. The obligations specified in the JCM KP are as follows:

a) fulfill and observe the laws and regulations of the Republic of Indonesia;

b) notify the local government before starting to conduct general survey activities;

c) pay the deadrent applicable for the General Survey stage (at the rate prescribed by regulation) and pay the Seriousness Bond (*Jaminan Kesungguhan*);

d) provide reports on Work Program and Budget within 30 days after the issuance of the JCM KP;

e) provide a report on the completion of boundary signage of the KP area within 60 days after the issuance of the KP;

f) submit quarterly reports to the Bupati of Bulungan with copy to Head of the Mines and Energy Office of Bulungan;

g) submit a final report on the General Survey activities conducted by JCM within 3 months after the expiry date of the KP;

h) appoint a Mining Technical Head (Kepala Teknik Tambang) who should be responsible on the Health, Safety and Environment in general mining.

We note that JCM has not yet notified the Bupati of its intention to commence General Survey activities.

JCM has made payment of the Seriousness Guarantee to the Mining Office of Bulungan Regency on 22 August 2006 in the total amount of Rp 136,350,000 (US$3 per hectare times 5,000 hectares).

JCM also has already paid the Deadrent to the Mining Office of the Bulungan Regency on 22 August 2006 in the total amount of Rp 2,500,000 (Rp 500 per hectare times 5,000 hectares).

JCM has submitted its Work Program and Budget for the period 2006 and 2007 to the Bupati.

If JCM does not fulfill its obligations under the KP, the KP can be revoked by the Bupati of Bulungan Regency.

5.3 Settlement of disputes relating to JCM KP

If there is a dispute arising between the Bupati and JCM out of the JCM KP, JCM shall have its legal domicile at the District Court in Tarakan.

5.4 Transfer of JCM KP

Any assignment or transfer of the KP shall be subject to the prior written approval from the Bupati of Bulungan.

5.5 Land Rights

As with a CoW, a KP does not give the holder rights to the surface land, and accordingly, JCM will need to enter into compensation or land use agreements with the holders of any land title or concessions (e.g. forestry or plantation concessions) over the relevant land to be mined**.**

5.6 Forestry

As the JCM KP was granted after the introduction of the Forestry Law, based on current regulations, if the mining area provided under the KP is located within a Protected Forest area, JCM will not be able to carry out open cut mining. The maps provided by JCM show that the location of the JCM KP area falls outside any protected forest areas.

Yours faithfully,
HADIPUTRANTO, HADINOTO & PARTNERS

Hadiputranto, Hadinoto & Partners

SCHEDULE 1

LIST OF DOCUMENT REVIEWED

Corporate Documents:

KSK

1. Deed of Establishment No. 5 dated 2 April 1997 drawn up before Maria Kristiana Suharyo, Notary in Jakarta, approved by the Minister of Justice under Letter No. C2-2962.HT.01.01.TH.97 dated 23 April 1997, registered in the Company Register of South Jakarta under No. 1338/BH.09-03/VIII/1997 dated 26 August 1997, TDP No. 09031225293, published in the State Gazette No. 72, Supplement No. 5173.
2. Deed of Resolution of the Extraordinary General Meeting of Shareholders of PT Kalimantan Surya Kencana No. 6 dated 15 July 2002 drawn up before Maria Kristiana Suharyo, Notary in Jakarta, received and noted by the Minister of Justice and Human Rights under Letter No. C-22611 HT.01.04.TH.2002 dated 18 November 2002.
3. Deed of Statement of Meeting Resolution of PT Kalimantan Surya Kencana No. 17 dated 28 December 2004 drawn up before Erna Priyono, Notary in Jakarta, received and noted by the Minister of Law and Human Rights under Letter No. C-UM.02.01.2925 dated 3 March 2005.

JCM

1. Deed of Establishment No. 7 dated 23 March 2006 drawn up before Erna Priyono, Notary in Jakarta, approved by the Minister of Laws and Human Rights under Letter No. C-15862 HT.01.01.TH.2006 dated 31 May 2006, registered in the Company Register of Palangkaraya under No. 002631 dated 15 May 2006, TDP No.1506.1.51.00642.
   NOTE: We have not received the announcement in the State Gazette. However, this may take approximately one (1) year.
2. Share Register of JCM.
3. Share Certificate No. 0001.
4. Share Certificate No. 0002.

Joint Venture Agreement:

Joint Venture Agreement between Indokal Limited, PT Pancaran Cahaya Kahayan and PT Kalimantan Surya Kencana dated 12 November 1998.

JCM KP Cooperation Agreements:

1. Cooperation and Investment Agreement between JCM, Kalimantan Gold, Suyono and Susilowati dated 5 October 2006;
2. Loan Agreement between Kalimantan Gold and JCM dated 5 October 2006;
3. Pledge of Shares Agreement between Kalimantan Gold, Suyono and Susilowati dated 5 October 2006;
4. Power of Attorney from JCM to Kalimantan Gold dated 5 October 2006;
5. Power of Attorney from Suyono and Susilowati to Kalimantan Gold dated 5 October 2006;
6. Spousal Consent for Suyono dated 5 October 2006;
7. Spousal Consent for Susilowati dated 5 October 2006; and
8. Guarantee Agreement between Kalimantan Gold, Suyono and Susilowati dated 5 October 2006.
9. Amendment Letter between JCM, Kalimantan Gold, Suyono and Susilowati dated 22 November 2006.

Mining Documents:

KSK

1. Presidential Approval No. B.143/Pres/3/1997 dated 17 March 1997 regarding the Approval for the 68 Contract of Works in the framework of foreign investment in General Mining sector.
2. Contract of Work dated 28 April 1997 between KSK and the Government of Indonesia.
3. Preliminary Survey License (Surat Izin Penyelidikan Pendahuluan – SIPP) in the Framework of Foreign Investment in the General Mining No. 369/2012/DJP/K/1996 which granted the approval to conduct preliminary survey to PT Pancaran Cahaya Kahayan in cooperation with Indokal Limited.

4. Decision of the Director General of General Mining No. 448.K/20.01/DJP/1998 dated 7 September 1998 regarding the Extension of the General Survey Period of the CoW of PT Kalimanntan Surya Kencana.
5. Decision Letter of the Director General of General Mining No. 478.K/20.01/DJP/1999 dated 16 August 1999 regarding the Relinquishment I, Expansion I of the CoW Area and the Start of the Exploration Activities of the CoW of PT Kalimantan Surya Kencana.
6. Letter from the Directorate General of General Mining No.2259/20.01/DJP/1999 dated 26 October 1999, regarding the Suspension of the CoW of PT Kalimantan Surya Kencana from 28 August 1999 until 27 February 2000.
7. Letter from the Directorate General of General Mining No. 690/20.01/DJP/2000 dated 18 April 2000 regarding the Suspension of the CoW of PT Kalimantan Surya Kencana from 28 February 2000 until 27 August 2000.
8. Letter from the Directorate General of General Mining No. 1991/20.01/DJP/2000 dated 13 September 2000 regarding the Suspension of the CoW of PT Kalimantan Surya Kencana from 28 August 2000 until 27 August 2001.
9. Letter from the Directorate General of Geology and Mineral Resources No. 1485/20.01/DJG/2000 dated 24 October 2001 regarding the Suspension of the CoW of PT Kalimantan Surya Kencana from 28 August 2001 until 27 August 2002.
10. Letter from the Directorate General of Geology and Mineral Resources No. 3634/20.01/DJG/2002 dated 3 September 2002 regarding the Suspension of the CoW of PT Kalimantan Surya Kencana from 28 August 2002 until 27 February 2003.
11. Letter from the Directorate General of Geology and Mineral Resources No. 1321/20.01/DJG/2003 dated 1 July 2003 regarding the Suspension of the CoW of PT Kalimantan Surya Kencana from 28 February 2003 until 27 August 2003.
12. Letter from the Directorate General of Geology and Mineral Resources No. 1768/20.01/DJG/2003 dated 10 September 2003 regarding the 6th Suspension of the CoW of PT Kalimantan Surya Kencana from 28 August 2003 until 27 August 2007
14. Letter from the Directorate General of Geology and Mineral Resources No. 2222/40.00/DJG/2004 dated 30 November 2004 regarding the Reactivation of the Exploration Activities of PT Kalimantan Surya Kencana as of 28 August 2004.
15. Decree of the Minister of Energy and Mineral Resources No. 390.K/40.00/DJG/2005 dated 22 September 2005 regarding Relinquishment II, Expansion II, of the Block B and Extension I of the Exploration Stage on the Block A of the CoW Area of PT Kalimantan Surya Kencana.
16. Letter from Directorate General of Geology and Mineral Resources No.1881/40/DJG/2005 dated 11 October 2005 regarding the Suspension of Block A from 28 August 2005 until 27 August 2006.

JCM

1. Letter of the Bupati of Bulungan No. 545/160/DPE-II/2006 dated 23 March 2006 on the Explanation Letter on Monitoring Permit.
2. Decree of the Bupati of Bulungan No. 507/K-VIII/540/2006 dated 28 August 2006 on the Granting of the Mining Business License (*Izin Usaha Pertambangan* – IUP) Mining Authorization (*Kuasa Pertambangan* – "**KP**") of General Survey Stage to PT Jelai Cahaya Minerals ("**JCM**").

Forestry Documents:

1. Letter No. 2548/20/DJP/1997 from Director General of General Mining to the Director General of Forestry Inventory and Utilization of the Department of Forestry dated 24 September 1997 regarding the Application for Approval of the General Survey Activities in the CoW Area KW.96P00079 within the Forestry Area of the Central Kalimantan Province under the name of PT Kalimantan Surya Kencana.
2. Letter from the Directorate of General Mining Engineering No. 216/21/DPT/1998 dated 16 January 1998 regarding the Approval of the General Mining Activities within the Forestry Area in the Regency of North Barito and Regency of Kapuas, Province of Central Kalimantan.
3. Letter No. 2094/20.01/DJP/1998 from Director General of General Mining to the Director General of Forestry Inventory and Utilization of the Department of Forestry dated 15 September 1998 regarding the Application for Extension of the Approval of the General Survey Activities for Gold and its Associated Minerals in the CoW Area within the Forestry Area in the Regency of Kapuas, Central Kalimantan Province under the name of PT Kalimantan Surya Kencana.
4. Letter from the Directorate of General Mining Engineering No. 114/20.01/DPT/1999 dated 8 January 1999 regarding the Approval of Extension I of the General Mining Activities within the Forestry Area in the Regency of North Barito and Regency of Kapuas, Province of Central Kalimantan.
5. Letter from Forestry and Plantation Planology Agency to the Director General of General Mining No. 800/VIII-KP/2000 dated 25 September 2000 regarding Application for Approval of the Exploration Activities for Gold and its Associated Minerals within the Forestry Area under the name of PT Kalimantan Surya Kencana in the Province of Central Kalimantan and West Kalimantan.

6. Letter from the Head of the Forestry Office of Central Kalimantan Province to the Governor of Central Kalimantan No. 522/1/3668/1.03/IX/2005 dated 28 September 2005 regarding the Exploration Activities within the Forestry Area under the name of PT Kalimantan Surya Kencana.
7. Letter from the Governor of Central Kalimantan to KSK No. 540/752/05/Distam dated 27 October 2003 regarding Status of Protected Forest within the CoW Area of PT Kalimantan Surya Kencana.
8. Letter from the Governor of Central Kalimantan to KSK No. 540/234/02/Distam dated 19 November 2005 regarding Temporary License for the Exploration Activities within the Forestry Area.
9. Letter from the Director General of Mineral, Coal and Geothermal to the Head of the Forestry Planology Agency No. 2804/40/DJG/2005 dated 6 December 2005 regarding the Application for Approval of the Utilization of Forestry Area for the Exploration Activities of PT Kalimantan Surya Kencana.
10. Letter from the Forestry Planology Agency to KSK No. S.050/VII/PW-5.2/2006 dated 16 January 2006 regarding the Application for Approval to Utilize the Forestry Area for Exploration Activities of PT Kalimantan Surya Kencana.
11. Letter from the Mines and Energy Office of Central Kalimantan Province No. 540/37/PU dated 8 February 2006 regarding the Recommendation for Approval of the Extension of Exploration Activities within the Protected Forest Area.
12. Letter from the Governor of Central Kalimantan to the Minister of Forestry No. 503/312/Ek. Dated 23 February 2006 regarding Recommendation of the Extension of Exploration License within the Forestry Area under the name of PT Kalimantan Surya Kencana.

Security Deposit:

1. Security Deposit of KSK:

   a. Letter No. 2758/861/DJP/97 dated 20 October 1997 regarding the withdrawal of the Security Deposit under the name of Director General of General Mining qq Pancra Cahaya Kahayan.
   b. Certificate of Fixed Time Deposit No. 269773 dated 18 July 1996 issued by PT Bank Dagang Negara (Persero) under the name of Directorate General of General Mining qq PT Pancaran Cahaya Kahayan in the amount of US$100,000.-.
   c. Call Account Statements of KSK at HSBC Jakarta on 5 October 1999 which showed the credited amount of US$66,754.09 from BDN Account of Directorate General of General Mining.
   d. Official Receipt of KSK No. 9923 dated 5 October 1999 stating receipt from Directorate General of Mining of an amount of US$66,574.09.
   e. Letter from Directorate General of Geology and Mineral Resources No. 1668/87.04/DJG/2001 dated 9 July 2001 regarding Withdrawal of the Security Deposit.
   f. Certificate of Fixed Time Deposit No. 308548 dated 30 September 1999 issued by PT Bank Dagang Negara (Persero) under the name of Directorate General of General Mining qq PT Kalimantan Surya Kencana in the amount of US$50,000.-.
   g. Official Receipt of KSK No. OR-21 dated 9 July 2001 stating receipt from Directorate General of General Mining qq PT Kalimantan Surya Kencana of an amount of US$54,128.70.

2. Security Deposit of JCM:

   Bank Transfer Receipt dated 22 August 2006 showing that JCM has fulfilled its obligation of paying the security deposit to Mining Office of the Bulungan Regency.

Deadrent Payments:

Bank Transfer for the following deadrent payments of KSK:
1. Semester I of 2006.
2. Semester I and II of 2005.
3. Semester I and II of 2004.
4. Semester I and II of 2003.
5. Semester I and II of 2002.
6. Semester I and II of 2001.
7. Semester I of 1999
8. Semester I and II of 1998.
9. Semester I and II of 1997.
10. SIPP Period in 1996.

Bank Transfer for the following deadrent payment of JCM:
1. Year 2006, General Survey KP.

Quarterly Reports Obligation:

1. Quarter I, II, III, and IV of 2005
2. Quarter I, III, and IV of 2004
3. Quarter I, II, III, and IV of 2003
4. Quarter I, II, III, and IV of 2002
5. Quarter I, II, III, and IV of 2001
6. Quarter I, II of 2000
7. Quarter I, II, III, and IV of 1999
8. Quarter I, II, III, and IV of 1998
9. Quarter II, III, and IV of 1997

Audited Financial Reports:

1. Audited Financial Statement conducted by Coopers & Lybrand (Sidharta, Sidharta & Harsono) on 31 December 1997.
2. Audited Financial Statement conducted by Ernst & Young (Hanadi, Sarwoko & Sandjaja) on 31 December 1999 for year 1998 and 1999.
3. Audited Financial Statement conducted by Ernst & Young (Hanadi, Sarwoko & Sandjaja) on 31 December 2000 for year 1999 and 2000.
4. Audited Financial Statement conducted by Ernst & Young (Prasetyo, Sarwoko & Sandjaja) on 31 December 2002 for year 2001 and 2002.
5. Audited Financial Statement conducted by Ernst & Young (Prasetyo, Sarwoko & Sandjaja) on 31 December 2003 for year 2002 and 2003.
6. Audited Financial Statement conducted by Ernst & Young (Prasetyo, Sarwoko & Sandjaja) on 31 December 2004 for year 2003 and 2004.
7. Draft audited Financial Statement conducted by Ernst & Young (Prasetyo, Sarwoko & Sandjaja) on 31 December 2005 for year 2004 and 2005.

Relinquishment and Expansion:

Relinquishment Report and Expansion Report of the CoW Area made in June 1999.

Other Related Documents:

1. Deed of Establishment of PT Pancaran Cahaya Kahayan No. 27 dated 7 January 1991, drawn up before Arikanti Natakusumah, Notary in Jakarta, approved by the Minister of Justice under Letter No. C2.10609.HT.01.01.TH.92 dated 31 December 1992,
2. Deed of Statement of Extra Ordinary General Meeting of Shareholders of PT Pancaran Cahaya Kahayan No. 107 dated 30 April 1996.
3. Deed of Statement of Extra Ordinary General Meeting of Shareholders of PT Pancaran Cahaya Kahayan No. 108 dated 30 April 1996.
4. Deed of Statement of Extra Ordinary General Meeting of Shareholders of PT Pancaran Cahaya Kahayan No. 26 dated 6 March 1998.
5. Deed of Statement of Extra Ordinary General Meeting of Shareholders of PT Pancaran Cahaya Kahayan No. 22 dated 16 Sepember 1998.
6. Deed of Statement of Extra Ordinary General Meeting of Shareholders of PT Pancaran Cahaya Kahayan No. 29 dated 24 September 1998.
7. Trade Business Licence (Surat Izin Usaha Perdagangan – "SIUP") Small Scale of JCM No. 666/15-05/DAG-1/PK/V/2006 dated 15 May 2006. This licence will be valid so long as JCM conduct mineral trading business.
8. Business Location Permit No. 660/396/DTK-P/SITU/IV/2006 dated 8 April 2006, which state that JCM has the business location at Jl. Teuku Umar No. 32A Palangkaraya. This licence shall be valid for 3 years until 6 April 2009.

SCHEDULE 2

ASSUMPTIONS AND QUALIFICATIONS

1. Assumptions

We have assumed unless otherwise stated in this Report:

(i) all relevant notices of meetings have been duly and properly given in relation to meetings of directors and members, the resolutions appearing in the minutes of shareholders and directors meetings of the KSK provided to us are a full and accurate record of all resolutions passed by its shareholders and directors and that all relevant legal requirements have been complied with;

(ii) the genuineness of all signatures, seals and dates and the correct identity and legal capacity and authority of all signatories and corporate officers and the due execution and validity of all documents in accordance with applicable laws;

(iii) the authenticity, completeness and factual accuracy of all documents and corporate records presented as originals and the conformity with the originals of all documents and corporate records presented as copies;

(iv) any document submitted to us continues unamended and is in full force and effect;

(v) that the original documents still exist and have not been varied, cancelled or superseded by some other document or agreement or action of which we are not aware;

(vi) that where a document was provided to us in draft form it was executed in the form of that draft;

(vii) all documents required to be stamped have been or will be stamped and are not subject to any penalty or fine arising out of late or inadequate stamping;

(viii) that all documents constitute valid and binding and enforceable obligations of the parties thereto under all applicable laws and were entered into by KSK for its corporate benefit;

(ix) the due authorisation, execution and delivery of the Joint Venture Agreement and the JCM KP Cooperation Agreements and other documents required to implement the Joint Venture Agreement and the JCM KP Cooperation Agreements by the parties thereto and that the performance thereof is within the capacity and powers of each of the parties thereto;

(x) that all corporate records and other documents inspected by us are genuine, complete, up-to-date and accurate and no material documents relevant or related to them have been withheld from us, whether deliberately or inadvertently;

(xi) the absence of any other arrangements between any of the parties to the Joint Venture Agreement and the JCM KP Cooperation Agreements and the Corporate Documents which modify or supersede any of the terms of the Joint Venture Agreement and the JCM KP Cooperation Agreements and the Corporate Documents;

(xii) that all facts stated in the document sent to us on which we have relied in providing this Report are and continue to be correct and no relevant matter was withheld from us, whether deliberately or inadvertently;

(xiii) for each document to which a corporation is a party, that such party had been, and at all relevant times, remained duly incorporated and had at all relevant times the necessary corporate power, all corporate authorisations, and all such authorisations had been validly obtained, to enter into such document, and each such documents was validly executed and was entered into for that party's respective corporate benefit and that such party was solvent at the time it entered into such document; and

(xiv) all conditions precedent in agreements or documents provided to us have been fulfilled;

(xv) no laws other than the laws of Indonesia will affect Admission;

(xvi) that none of the opinions expressed above will be affected by the laws (including public policy) of any jurisdiction outside the Republic of Indonesia;

(xvii) the execution and performance by the parties of the Joint Venture Agreement and the JCM KP Cooperation Agreements do not and will not conflict or be inconsistent with, or result in any breach of any of the terms, conditions, covenants, or provisions of or constitute a default under any contract, agreements or instruments to which each of the parties is a party or by which any of the parties or any of its property or assets are bound or may be subject;

(xviii) the issuance of each authorization, approval and consent from any governmental authority obtained by or on behalf of KSK or JCM and relied upon in this legal opinion, falls within the competence of such governmental authority, has been duly authorized, executed and delivered and has not been revoked or terminated; and

(xix) we express no legal opinion as to any laws other than the laws of the Republic of Indonesia as currently in force and we have assumed that there is nothing in any law of other jurisdictions that affects our legal opinion. In particular, we have made no independent investigation of such foreign laws as a basis for the legal opinion stated herein and do not express or imply any legal opinion on such laws.

The making of each of the above assumptions indicates that we have assumed that the subject of each assumption is true, correct and complete in every respect. While we are not aware of any of the assumptions above being incorrect, we have not made any inquiry to verify any assumption. No assumption is limited by any other assumption.

2. Overall Qualifications and Disclaimers

This Report is subject to the following qualifications and disclaimers:

(i) it has been prepared only for Kalimantan Gold and RFC, with respect to Admission and is not meant to be relied upon by any other person or for any other purpose;

(ii) our investigations have only concerned, and our Report relates only to, the matters reviewed by us which are the subject of this Report;

(iii) we are unable to advise Kalimantan Gold and RFC that the documents sent to us comprises all of the information and material in existence which may be relevant and we have relied on the information provided to us in that regard;

(iv) we have not made any independent investigations or searches other than those specifically referred to in this Report on the areas for which we were assigned responsibility. Such records and registers may not be complete or up to date in that documents might not be filed at the relevant offices immediately, might no longer be on file, might be replaced, or might otherwise not appear on the file;

(v) we have not gone beyond the scope of our instructions and have only performed the legal documentary review in the manner agreed. The statements made in this Report are specifically limited by reference to that scope and manner of performance;

(vi) our review of the minutes of KSK 's meetings of shareholders, and the historical matters contained in the statutory/corporate records has been limited to the records made available to us as set out in Schedule 1. Consequently, references to a review of the statutory/corporate records should be read in this context;

(vii) we have not considered the environment, tax and financial audit affairs of Company as part of our review;

(viii) we have not sought to update the information contained in this Report from the dates stated herein;

(ix) there may be other information or documents not known to us which would affect the contents of this report. A list of the documents provided to Hadiputranto, Hadinoto & Partners is attached to this Report as Schedule 1;

(x) save where indicated in the Report, we have not sought independently to verify any of the documents or information provided to us;

(xi) the term “enforceable”, where used above, means that the obligations assumed by the relevant party under the relevant document are of a type which the courts of the Republic of Indonesia generally enforce; however, enforcement before the court of the Republic of Indonesia will in any event be subject to the nature of the remedies available in such courts, the acceptance by such courts of jurisdiction, to prescription periods and to the availability of defence such as set-off and counter-claim. In particular the enforceability of an obligation may be affected by statutes of limitation, public policy and by laws and regulations affecting the rights of creditors generally, including those under the Indonesian Bankruptcy Law;

(xii) our legal opinion is subject to and limited by the provisions of laws of general application relating to or affecting generally the enforcement of parties' rights and remedies and by the provisions of any applicable law relating to bankruptcy, fraudulent transfer or suspension of payments;

(xii) the rights and obligations of the parties to the Joint Venture Agreement and the JCM KP Cooperation Agreements are, to the extent that the laws of the Republic of Indonesia are or would be deemed applicable, subject to the principle of good faith (itikad baik or te goeder trouw), which under Indonesian law governs the relationship between the parties to a contract and which in certain circumstances may limit or preclude the reliance on, or enforcement of, contractual terms and provisions;

(xiv) any provision in any agreement to the effect that certain calculations, determinations or certificates will be conclusive and binding will not apply if such calculations, determinations or certifications are fraudulent or manifestly inaccurate;

(xv) Law No. 24 of 1999 dated 17 May 1999 concerning the Flow of Foreign Exchange System and Exchange Rate System provides that a person may freely hold and use foreign currency in Indonesia, including the freedom to convert from Rupiah to another currency or vice versa. The transfer of foreign exchange to and from abroad is, however, subject to the disclosure and reporting obligation to Bank Indonesia by the transferor through the bank where the transfer is conducted as stated in the Regulation of Bank Indonesia No. 1/9/PBI/1999, dated 28 October 1999 concerning the Monitoring on the Flow of Foreign Exchange Activities, as amended, modified and supplemented from time to time;

(xvi) nothing in this legal opinion should be taken as indicating that the remedies of specific performance, injunction or prejudgment attachment (being in some instances discretionary remedies of the court) would necessarily be available in any particular instance with respect to any particular provision of the Joint Venture Agreement or the JCM KP Cooperation Agreements should the matter be litigated in Indonesia;

(xvii) the award of damages and costs in enforcement proceedings undertaken in Indonesia is subject to the general discretion of the courts in respect of the award of costs;

(xviii) in order to be admissible in evidence before an Indonesian court, it might be necessary for a document to be translated into the Indonesian language. An Indonesian court may accept in evidence certified translations of documents prepared by official registered translators. However, a certified translation may not always accurately reflect the English version and any particular phrase may be construed by an Indonesian court quite differently than the plain meaning of the English text might suggest;

(xix) decisions by an Indonesian court as to matters of Indonesian law are not binding on lower courts or on the same court in any subsequent case. Indonesian court judgments are not systematically published and the courts are often unfamiliar with sophisticated commercial or finance transactions, leading in practice to a lack of certainty in the interpretation and application of Indonesian legal principles. Indonesian court can be found wanting in any proper and complete legal and factual analysis of the issues at hand and at times the courts may not have determined cases based on their merits or the legal and factual analysis presented in the proceedings;

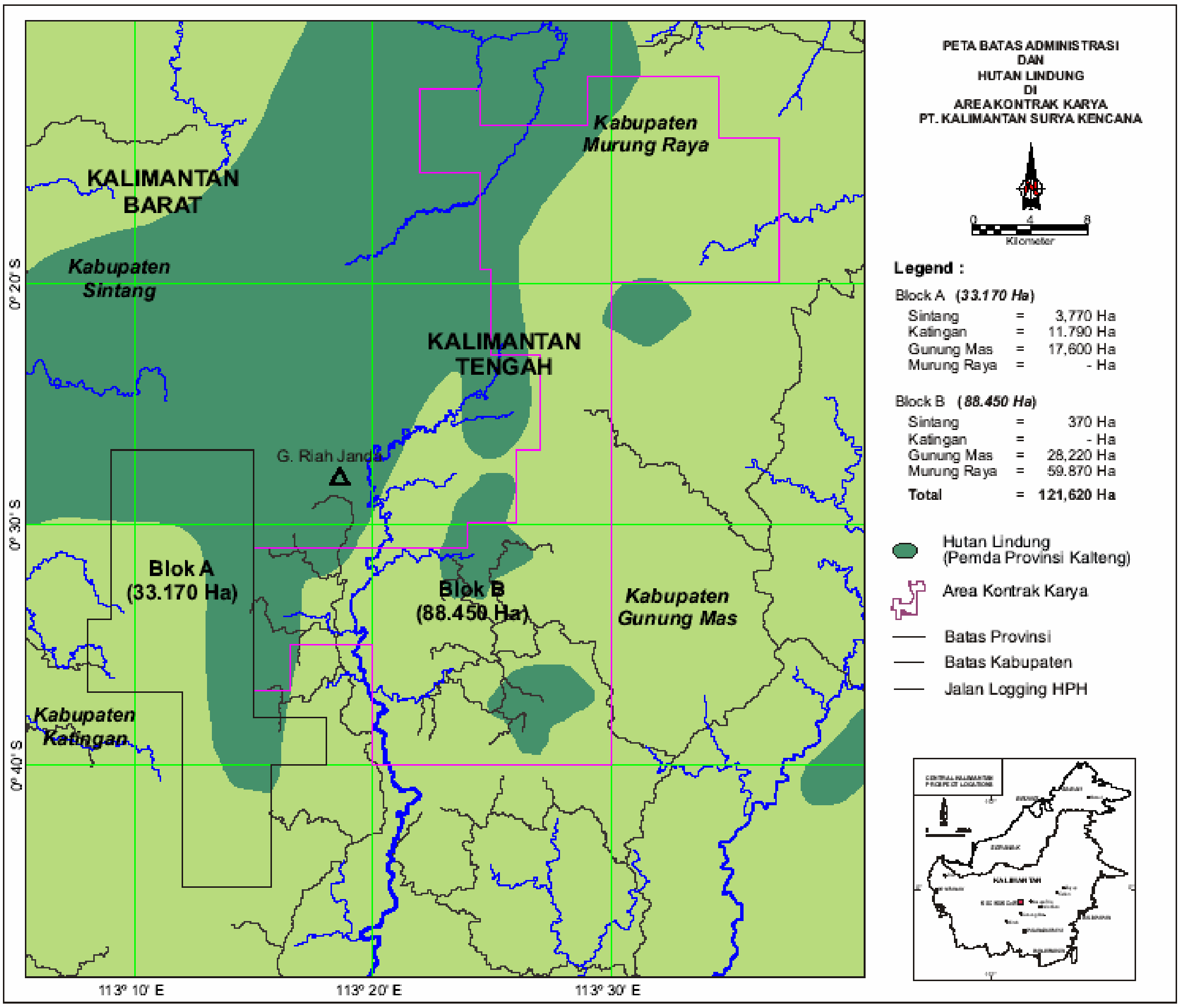
(xx) while companies established in the Republic of Indonesia are required to be registered with the Company Registry, this registration system is not reliable for the purposes of obtaining up-to-date corporate information such as the complete Articles of Association or names of shareholders, directors and commissioners, and does not include information relating to encumbrances and charges over corporate assets, nor is there any other means of being apprised of such encumbrances or charges over moveable assets or of the appointment of receivers or liquidators; and

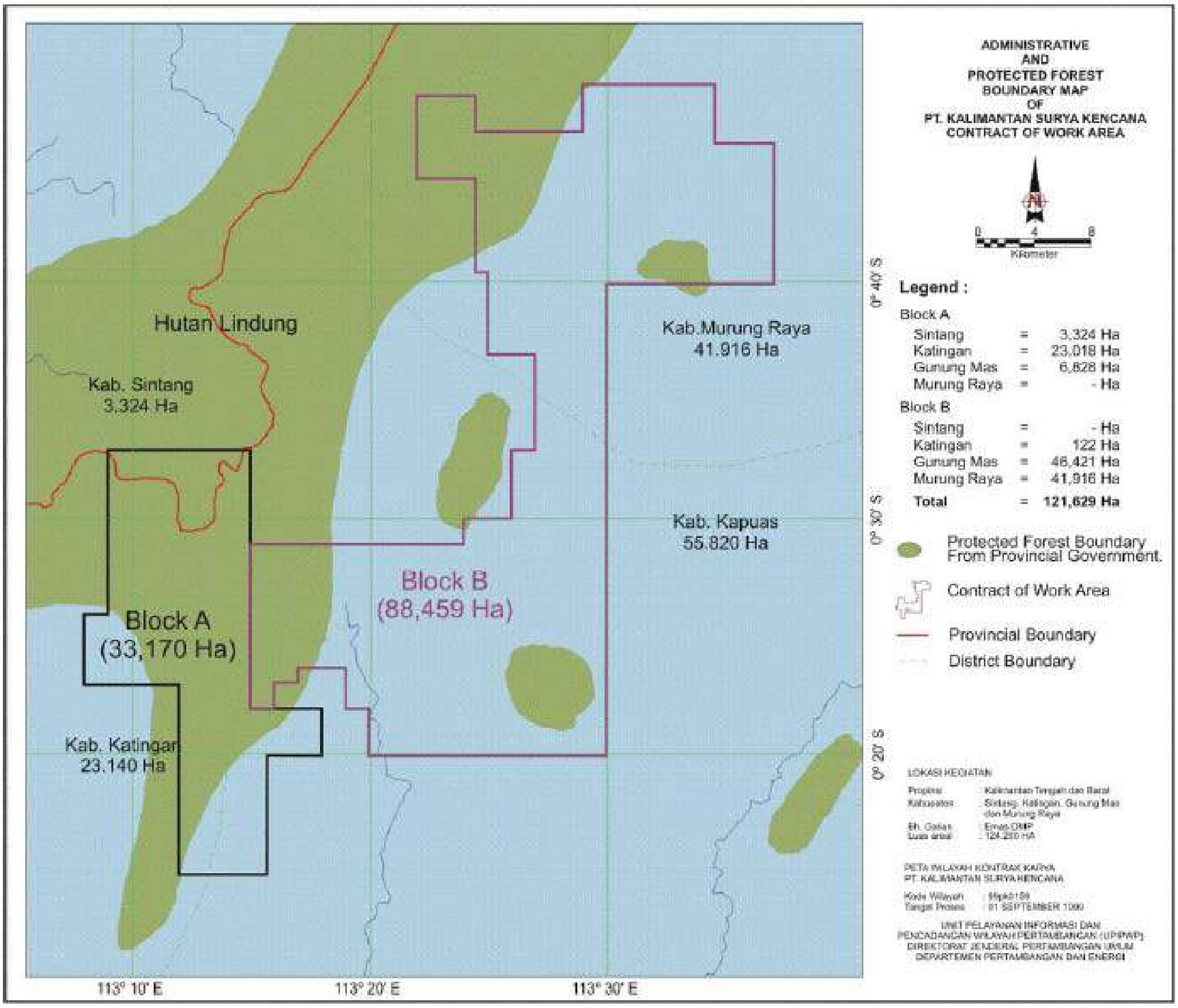
(xxi) claims may become barred under the laws of the Republic of Indonesia imposing limitation periods within which suits, actions or proceedings can be brought or may be or become subject to defences of set-off or counterclaim.

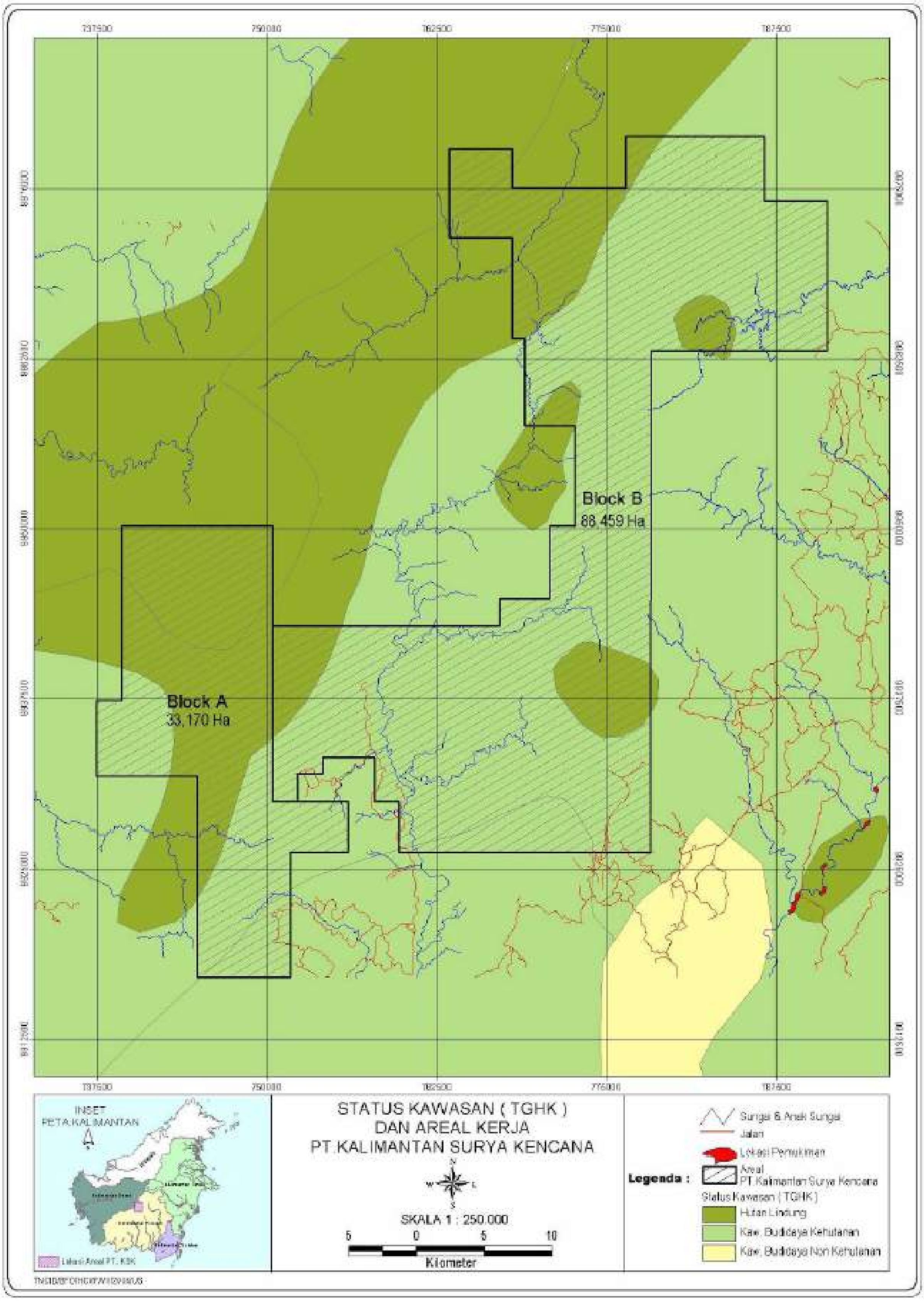
All information in this Report is made subject to these qualifications and disclaimers.

SCHEDULE 3

FORESTRY MAPS




ADMINISTRATIVE
AND
PROTECTED FOREST
BOUNDARY MAP
OF
PT. KALIMANTAN SURYA KENCANA
CONTRACT OF WORK AREA
N
0 4 8
Kilometer
Legend :
Block A
Sintang = 3,324 Ha
Katingan = 23,018 Ha
Gunung Mas = 6,828 Ha
Murung Raya = - Ha
Block B
Sintang = - Ha
Katingan = 122 Ha
Gunung Mas = 46,421 Ha
Murung Raya = 41,916 Ha
Total = 121,629 Ha
Protected Forest Boundary From Provincial Government.
Contract of Work Area
Provincial Boundary
District Boundary
LOKASI KEGIATAN
Hutan Lindung
Kab. Sintang
3.324 Ha
Kab.Murung Raya
41.916 Ha
Kab. Kapuas
55.820 Ha
Block B
(88,459 Ha)
Block A
(33,170 Ha)
Kab. Katingan
23.140 Ha
0° 40' S
0° 30' S
0° 20' S
113° 10' E
113° 20' E
113° 30' E


Block A
33,170 Ha
Block B
88,459 Ha
737500
750000
762500
775000
787500
INSET
PETA KALIMANTAN
STATUS KAWASAN (TGHK)
DAN AREAL KERJA
PT.KALIMANTAN SURYA KENCANA
SKALA 1 : 250.000
5 0 5 10
Kilometer
Legenda :
Sungai & Anak Sungai
Jalan
Lokasi Pemukiman
Areal
PT.Kalimantan Surya Kencana
Status Kawasan (TGHK)
Hutan Lindung
Kaw. Budidaya Kehutanan
Kaw. Budidaya Non Kehutanan
Lokasi Areal PT. KSK

Part F – Additional Information

1 Corporate Information

The Company is registered in Bermuda under the Bermuda Companies Act as an exempted company limited by shares with registration number EC/23943.

The liability of the members of the Company is limited to the amount (if any) that is unpaid on the shares respectively held by them.

The Company was originally incorporated under the laws of the Province of Ontario as Advance Red Lake Gold Mines Limited on 13 July 1936 by Letters Patent, as supplemented by Supplementary Letters Patent dated 26 May 1953 and 23 June 1965; was dissolved 5 September 1979; was revived upon application for revival by order dated 4 September 1981; changed its name to Advance Red Lake Gold Mines Inc. effective 11 August 1988; changed its name to Titan Empire Inc. effective 8 December 1989; changed its name to AWG American – WestJava Gold Corp. effective 2 November 1994; continued under the Company Act (British Columbia) by Certificate of Continuation issued 4 January 1995; changed its name to AWG American – WestJava Inc. and continued under the Business Corporation Act (Ontario) effective 28 September 1995 and changed its name to Kalimantan Gold Corporation effective 11 March 1996. On 17 April 1997, Kalimantan Gold Corporation amalgamated with its wholly owned subsidiary, Kalimantan Minerals Ltd, continuing under the name Kalimantan Gold Corporation.

The Company applied for consent to continue the Company in Bermuda and the Bermudian Minister of Finance issued his consent to the continuation of the Company in Bermuda on 6 October 1997 ("Minister's Consent"). The Company was continued in Bermuda as an exempted company on 7 October 1997.

The Company's principal place of business is its Executive Office in Canada at the address and telephone number set out in the Corporate Directory on page 5 of this Admission Document. Its registered office is also set out in the Corporate Directory. The Company also conducts business from its Exploration Office in Kalimantan, whose address is also set out in the Corporate Directory.

The Company is the holding company of the Group. Its corporate and asset structure is set out in Section 2 of Part A of this Admission Document (which also includes the interests of KIC, which is not a subsidiary of the Company, to provide a better appreciation of the outside equity interests).

The material corporate details for KSK (which is a 75% owned subsidiary of the Company) and JCM (the holder of the Jelai-Mewet KP, but which is not a subsidiary of the Company) are set out in HHP's Indonesian legal report in Part E of this Admission Document.

The Company's only other subsidiary is Indokal Limted. Indokal is a private limited liability company incorporated in Hong Kong with Company Number 171969. Indokal's registered office address is at Level 28, Three Pacific Place, 1 Queen's Road East, Hong Kong. Indokal has 100 issued shares which are held by the Company. Indokal has two directors, Rahman Connelly and Murray Clapham.

2 The Bermuda Companies Act

The Company is registered under and is obliged to comply with the Bermuda Companies Act and the other applicable laws of Bermuda. It is also obliged to comply with specific obligations arising from other laws that relate to its activities in the various regions that it operates.

As an "exempted company", the Company is authorised to carry on business outside Bermuda from a place of business in Bermuda but may not, without a specific licence granted by the Minister of Finance, or in certain circumstances permitted by the Bermuda Companies Act, conduct business within Bermuda. The Company is therefore permitted to establish a place of business in Bermuda to conduct business outside Bermuda.

The Company has been classified as non-resident of Bermuda for exchange control purposes by the Bermuda Monetary Authority (BMA). As such, the Company may deal in and convert currency (other than Bermuda currency) held for its account to any other currency without restriction.

3 The City Code, Takeover Regulation and Relevant Canadian Securities Laws

The Company is registered in Bermuda and is managed and controlled outside the UK. For those reasons the City Code on Takeovers and Mergers ("City Code") does not apply to the Company. It is emphasised that, although the Ordinary Shares will trade on AIM, the Company will not be subject to takeover regulation in the UK. It follows that Shareholders are not entitled to the protections afforded by the City Code. Whilst there are no no similar protections under Bermuda law, the Company is a "reporting issuer" (as defined under the relevant laws) in several provinces in Canada (the principal such jurisdiction being British Columbia) and is therefore subject to provisions regulating takeovers under the securities legislation in those provinces.

Under the securities laws of British Columbia when any person ("an offeror"), except pursuant to a formal take-over bid, acquires beneficial ownership of, or the power to exercise control or discretion over, or securities convertible into, voting or equity securities or any class of a reporting issuer that, together with such offeror's securities would constitute 10 per cent or more of the outstanding securities of that class, the offeror must immediately issue an file a press release announcing the acquisition, and file a report of such acquisition with the applicable securities regulatory authorities within two business days thereafter. Certain institutional investors may elect an alternate reporting system. Once an offeror has filed such report, the offeror is required to issue further press releases and file further reports each time that the offeror acquires beneficial ownership of, or the power to exercise control or direction over, or securities convertible into, an additional 2 per cent or more of the outstanding securities of the applicable class.

In British Columbia, a takeover bid is generally defined as an offer to acquire outstanding voting or equity securities of a class made to any holder in British Columbia of securities subject to the offer to acquire, if the securities subject to such offer, together with securities held by the offeror and any person acting in concert with the offeror, constitute in aggregate 20 per cent or more of the outstanding securities of that class of securities at the date of the offer to acquire. Subject to limited exemptions, a takeover bid must be made to all holders of securities of the class that is subject to the bid who are in British Columbia and must allow such security holders 35 days to deposit securities pursuant to the bid. The offeror must deliver to the security holders a takeover bid circular which describes the terms of the takeover bid and the directors of the reporting issuer must deliver a directors' circular within fifteen days of the date of the bid, making a recommendation to security holders to accept or reject the bid.

It should also be noted that pursuant to applicable Canadian securities laws, if the Company distributes securities in Canada pursuant to a private placement, the subscribers will generally not be entitled to sell such securities for a period of four months and one day from the date of closing of such private placement. In the event that a private placement is completed with subscribers resident outside of Canada, the Company must take steps to ensure that such statutory hold period is not circumvented, for instance by instructing the Company's transfer agent not to register the subject securities in the name of any Canadian resident for a period of four months and one day from the date of completion of the private placement and/or by issuing the subject securities under a separate ISIN number.

4 Share Capital

The Shares, Warrants and Options that the Company will have on issue at Admission are detailed in Section 10 of Part A of this Admission Document. The terms of the Warrants and Options are summarised in Section 5 of this Part F.

Application for Admission is being made in respect of all of the Shares. All Shares on issue rank pari passu in all respects. The Shares have already been admitted for trading and will continue to trade after Admission on the TSX Venture Exchange under the symbol KLG. Other than set out in the foregoing, the Shares have not been admitted to dealing on any recognised investment exchange, no application for such admission has been made and there are no other intended arrangements for dealings in the Shares.

The Shares are in registered form and have been created under the Bermuda Companies Act. The International Securities Identification Number (ISIN) for the Shares is CA4834061042.

The Company was continued in Bermuda with a minimum share capital of US$12,000 and an authorised share capital of US$1,000,000 divided into 100,000,000 common shares with a par value of US$0.01 each.

The Company's primary register of members (Shareholders) is kept at its registered office. As a company which is listed on an "approved stock exchange" (under the Bermuda Companies Act), the Company may keep one or more branch registers outside Bermuda, and maintains a branch register in Canada.

Information on changes in the Company's share capital, Warrants, Options and other acquisition rights and/or obligations over authorised but unissued capital or an undertaking to increase capital:

- for the 6 month period ending 30 June 2006, is set out in Note 5 of the Interim accounts contained in Section 2 of Part D of this Admission Document; and
- for the period from 1 January 2003 until 31 December 2005, is set out in Note 7 to the Independent Accountant's Report contained in Section 1 of Part D of this Admission Document.

As at 31 December 2005 (the date of the most recent audited balance sheet of the Company), the Company did not hold (either legally or beneficially) any shares in itself, nor were there any shares in the Company not representing capital. During the year ended 31 December 2005 no more than 10% of the Company's share capital was paid for with assets other than cash.

Save as disclosed in this document:

- no share or loan capital of the Company has been issued or is proposed to be issued;
- no person has any preferential subscription rights for any share capital of the Company; and
- no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

5 Terms and Conditions of Warrants

A summary of the material terms and conditions of the Warrants in issue or to be issued, as set out in the table in section 10 of Part A of this Admission Document, is as follows:

a) The Warrants are exercisable in whole or in part at any time on or before 4pm (Vancouver time) on their "Expiry Date" (as set out in Section 10 of Part A) by delivery of the Warrant certificate and a completed and executed exercise form to the Company's executive office in Canada together with the payment of the "Exercise Price" (as set out in Section 10 of Part A) in cleared funds. Warrants not exercised by such time will lapse.

b) The Warrant Holder is entitled on exercise (in accordance with (a) above) to be allotted one Share for each Warrant exercised (subject to possible adjustments referred to below).

c) The Company will allot and deliver the new Shares within five days after receipt of the Warrant exercise documents, and where only part of a holding of Warrants under a certain Warrant certificate are exercised, a new Warrant certificate for the number of Warrants that are not exercised at such time and have not otherwise expired.

d) The Company will not apply to AIM or the TSXV for admission of the Warrants. The Company will make application for admission to AIM and the TSXV of all new Shares allotted on exercise of the Warrants. Those Shares will be fully paid and non-assessable, free of all liens, charges and encumbrances and participate equally in all respects with existing Shares, and in particular new Shares allotted on exercise of the Warrants will qualify for dividends declared after the date of their allotment.

e) The Warrants shall not entitle the holder to any rights as a Shareholder in the Company, including without limitation, voting rights.

f) Warrants may not be transferred and may only be exercised by the Warrant Holder.

g) the Warrants shall not be exercisable by the Warrant Holder, in whole or in part, and the Company shall not give effect to any such exercise, if, after giving effect to such exercise, the Warrant Holder, together with any person or company acting jointly or in concert with the Warrant Holder (the "Joint Actors") would in the aggregate beneficially own, or exercise control or direction over that number of voting securities of the Company which is twenty percent (20%) or greater of the total issued and outstanding voting securities of the Company, immediately after giving effect to such exercise.

h) The Exercise Price and/or number of Shares to be issued on the exercise of each Warrant shall be adjusted in the event of any: share split or consolidation; stock dividend; rights issue at a price that is less than 95% of the current market price of the Shares on the TSXV; any in specie distribution of investments (including other securities in the Company or any other securities), assets or debt instruments, other than dividends paid out of profits in the ordinary course of business; and any reorganisation of the issued capital of the Company. The specified adjustments for these situations are in accordance with generally accepted principles for TSXV listed companies and are designed to protect the effective economic position of the Warrant Holders.

i) The Warrants are governed by and construed in accordance with the laws of the Province of British Columbia, Canada.

6 Stock Option Plan

The Options currently in issue and expected to be in issue as at Admission are set out in the table in section 10 of Part A of this Admission Document. These Options are issued under the Company's stock option plan (the "2004 Plan") which was adopted by Shareholders at the Company's annual and special meeting held on 15 June 2004 and approved by the Shareholders most recently on 24 May 2006.

The 2004 Plan is a 10% rolling plan whereby the Corporation may grant Options equal to 10% of the issued and outstanding Shares on a non-diluted basis at the date of any particular grant of Options. The Options may only be issued to directors, employees and other service providers as a means of rewarding positive performance and providing incentive to effectively manage the affairs of the Company. The total number of Shares available for granting under a rolling plan will increase or decrease as the number of issued and outstanding Shares changes.

Options granted under the 2004 Plan are subject to the following provisions:

(a) the Option is non-assignable and non-transferable other than by will or the laws of descent and distribution;

(b) for Options granted to employees or other service providers (including management company employees), the Company is required to represent that the proposed Option Holder is a bona fide employee or service provider, as the case may be, of the Company or of any of its affiliates;

(c) if an Option Holder ceases to be employed by the Company (other than as a result of termination with cause) or ceases to act as a director or officer of the Company or a subsidiary of the Company, any Option held by such Option Holder may be exercised within 90 days after the date such Option Holder ceases to be employed as an officer or director or, as the case may be, or within 30 days if the Option Holder is engaged in investor relations activities and ceases to be employed to provide investor relations activities;

(d) in the event of the death of an Option Holder, the Option Holder's heirs or administrators may exercise any portion of the outstanding Option up to a period of one year from the date of the Option Holder's death or the termination date of the Option, whichever is earlier;

(e) the term of an Option cannot exceed five years from the date of grant;

(f) the Options will be vested on a basis to be determined by the Directors and may be vested immediately upon granting;

(g) the maximum number of Shares that may be granted to an Option Holder within a one year period may not exceed 5% of the issued Shares at the time of grant;

(h) any Shares subject to an Option which for any reason is cancelled or terminated without having been exercised shall again be available for grant under the 2004 Plan;

(i) the issuance to any consultant, within a one-year period, of a number of Shares may not exceed 2% of the issued Shares.

Other than where they are in conflict with the above provisions of the 2004 Plan, the Options are also subject to the general terms and conditions for the Warrants (adjustments etc), as set out in Section 5 of this Part F above, other than paragraph (g) of that Section.

7 Rights Attaching to Shares and Powers of the Company

The rights attaching to Shares are set out in the Company's "Bye-Laws" and "Memorandum of Continuance", applicable Bermuda statutes regarding companies, including the Bermuda Companies Act, and general law. In addition, the Company is subject to the rules of the TSX Venture Exchange, the securities laws of British Columbia, Ontario and Alberta (as a "reporting issuer" in those Canadian provinces) and will be subject to the AIM Rules upon Admission. The powers and objects of the Company are summarised under paragraph (a) below and set out in full in clause 6F of the Memorandum of Continuance. Bye-Laws contain, inter alia, provisions summarised under all other headings below. The Bye-Laws and Memorandum of Continuance of the Company may be inspected during normal business hours at the registered office of the Company. The Bye-Laws may be amended from time to time in the manner provided for in the Bermuda Companies Act.

Following is a summary of the more significant rights of the holders of Shares of the Company. This summary is not exhaustive nor does it constitute a definitive statement of the rights and liabilities of the Company's members.

a) Powers and Objects of the Company

The Company's Memorandum of Continuance, which incorporates some general provisions of the Bermuda Companies Act, provides that the Company's has very broad objects, which include to carry on all or any of the business of mineral explorers, miners, mine owners, metal workers producers, refiners, importers and exporters, engineers, farming activities, conducting research and to buy, sell, manufacture, design, transport and deal in goods or property (as relevant) of all kinds.

The Company, being incorporated in Bermuda has the power to sue and be sued. It has the powers set out in the

First Schedule to the Bermuda Companies Act and a broad and comprehensive list of additional powers which complement its objects. These include the power to:

i) borrow and raise money and secure or discharge any debt or obligation in any manner;

ii) enter into any guarantee, contract or indemnity or suretyship (including the granting of security over the Company's assets or uncalled capital);

iii) create or deal with instruments and securities, whether negotiable or otherwise;

iv) deal with or dispose of all or any part of undertaking, property or assets of the Company;

v) issue and allot securities in the Company for any purpose;

vi) grant pensions, annuities, or other allowances to any directors, officers or employees (future, present or past) of the Company or its subsidiaries or holding companies;

vii) issue preference shares which are liable to be redeemed at the option of the holder; and

viii) purchase its own shares.

b) Voting rights

Save where a greater majority is required by the Bermuda Companies Act or the Bye-Laws, any question proposed for consideration at any general meeting shall be decided on by a simple majority of votes cast. At any general meeting, a "Resolution" put to the vote of the meeting shall be decided on a show of hands unless a poll is demanded. On a poll, votes may be cast either personally or by proxy and each Shareholder is entitled to one vote for each Share held.

A poll may be demanded by the chairman of the meeting, by at least three Shareholders present in person or represented by proxy, by any one or more Shareholders present in person or by proxy who are together entitled to not less than 10% of the total voting rights of all Shareholders having the right to vote at such meetings, or by one or more Shareholders present in person or represented by proxy who together hold Shares conferring the right to vote at such meeting, being Shares on which an aggregate sum has been paid up equal to not less than 10% of the total sum paid up on all such Shares conferring such right.

No Shareholder shall, unless the Board otherwise determines, be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company have been paid. In the case of an equality of votes at a general meeting, whether on a show of hands or on a poll, the chairman of such meeting shall not be entitled to a second or casting vote. A person entitled to more than one vote on a poll need not use all his votes or cast all the votes he uses in the same way. In the case of joint holders of a Share, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders, and for this purpose seniority shall be determined by the order in which the names stand in the share register in respect of the joint holding.

c) Dividends

The Board may from time to time declare cash dividends or distributions out of contributed surplus to be paid to the Shareholders including such interim dividends as appear to the Board to be justified by the position of the Company. Subject to the rights of any members holding shares with special dividend rights (of which there are presently none), all dividends in respect of shares (including the Shares) are to be declared and paid proportionately to the amount paid up or credited as paid up on the shares (of which all are currently fully paid).

Any dividend or distribution out of contributed surplus that is unclaimed for a period of six yeras from the date of declaration shall be forfeited and revert to the Company.

d) Transfer

Generally, the Shares are freely transferable, subject to formal regulatory requirements and to such other requirements as may be applicable and to the registration of the transfer not resulting in a contravention of or failure to observe the provisions of applicable Bermuda Companies Act.

Bermuda Monetary Authority ("BMA") consent is required for all new issues of shares in a Bermuda exempted company including all issues to persons who are non-resident of Bermuda for exchange control purposes. The BMA's consent is also required for subsequent transactions in issued shares between persons regarded as non-resident of Bermuda for exchange control purposes, if a general consent has not been granted. The BMA has provided a general consent which allows for the issue and free transferability of Shares to and between any non (Bermuda) residents without the prior approval of the BMA so long as the subject Shares are listed on an "Appointed Stock Exchange", which includes AIM and TSXV.

Subject to the Bermuda Companies Act and to such of the restrictions contained in the Bye-Laws as may be applicable, any shareholder may transfer all or any of his shares by an instrument of transfer in the usual common form or in any other form which the Board may approve, which includes transfers of the Depositary Interests on CREST.

e) Issue of Further Shares

The unissued shares of the Company shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration and upon such terms and conditions as the Board may determine (subject to the Bye-Laws).

Subject to any special rights conferred on the holders of any share or class of shares, any share in the Company may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise, as the Company may by Resolution determine or, if there has not been any such determination or so far as the same shall not make specific provision, as the Board may determine.

f) Variation of rights

Subject to the Bermuda Companies Act, all or any of the special rights for the time being attached to any class of shares for the time being issued may from time to time be altered or abrogated with the consent in writing of the holders of not less than seventy five percent of the issued shares of that class or with the sanction of a resolution of the holders of such shares voting in person or by proxy.

The special rights conferred upon the holders of any shares or class of shares shall not, unless otherwise expressly provided in the rights attaching to or the terms of issue of such shares, be deemed to be altered by the creation or issue of further shares ranking pari passu therewith.

g) Changes in share capital

The Company may from time to time increase its capital by such sum to be divided into shares of such par value as the Company by resolution shall prescribe. The Company may, by the Resolution increasing the capital, direct that the new shares or any of them shall be offered in the first instance either at par value or at a premium or (subject to the provisions of the Bermuda Companies Act) at a discount to all the holders for the time being of shares of any class or classes in proportion to the number of such shares held by them respectively or make any other provision as to the issue of the new shares.

The Company may from time to time by Resolution:

i) divide its shares into several classes and attach thereto respectively any preferential, deferred, qualified or special rights, privileges or conditions;

ii) consolidate and divide all or any of its share capital into shares of larger par value than its existing shares;

iii) sub-divide its shares or any of them into shares of smaller par value than is fixed by its memorandum;

iv) make provision for the issue and allotment of shares which do not carry any voting rights;

v) cancel shares which, at the date of the passing of the resolution in that behalf, have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled; and

vi) change the currency denominations of its share capital.

h) Powers of the Board

Subject to the provisions of the Bermuda Companies Act and these Bye-Laws and to any directions given by the Company by Resolution, the Board shall manage the business of the Company and may pay all expenses incurred in promoting and incorporating the Company and may exercise all the powers of the Company.

The Board may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of the undertaking, property and assets (present and future) and uncalled capital of the Company and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any other persons.

The Board may delegate its powers and authorities to any person, attorney or committee (with powers not exceeding those vested in or exercisable by the Board under the Bye-Laws). It may from time to time appoint one or more of its body to be a managing director, joint managing director or an assistant managing director or to hold any other employment or executive office with the Company.

i) Appointment of Directors and Term of Office

The number of Directors shall be such number not less than two as the Company by resolution may from time to time determine and, subject to the Bermuda Companies Act and the Bye-Laws, shall serve until the end of the next annual general meeting (but may be re-elected at that meeting). The Company's present Directors were all ,most recently re-elected at the last annual general meeting held on 24 May 2006.

The Company shall at the Annual General Meeting and may by Resolution determine the minimum and the maximum number of Directors and may by Resolution determine that one or more vacancies in the Board shall be deemed casual vacancies for the purposes of the Bye-Laws. At the last annual general meeting of the Company the number of directors was set at 5, which included one casual vacancy. Without prejudice to the power of the Company by resolution in pursuance of any of the provisions of the Bye-Laws to appoint any person to be a Director, the Board, so long as a quorum of Directors remains in office, shall have power at any time and from time to time to appoint any individual to be a Director so as to fill a casual vacancy.

The Company may in a special general meeting called for that purpose remove a Director provided notice of any such meeting shall be served upon the Director concerned not less than 14 days before the meeting and he shall be entitled to be heard at that meeting.

The office of a Director shall be vacated upon the happening of any of the following events:

i) if the Director resigns;

ii) if the Director becomes of unsound mind or a patient for any purpose of any statute or applicable law relating to mental health and the Board resolves that the Director's office is vacated;

iii) if the Director becomes bankrupt or compounds with his creditors;

iv) if the Director is prohibited by law from being a Director;

v) if the Director ceases to be a Director by virtue of the Companies Acts or is removed from office pursuant to these Bye-Laws.

j) Director's Fees & Additional Remuneration

The amount, if any, of Directors' fees shall from time to time be determined by the Company by resolution in general meeting and in the absence of a determination to the contrary in general meeting, such fees shall be deemed to accrue from day to day.

Any Director who, by request goes or resides abroad for any purpose of the Company or who performs services which in the opinion of the Board go beyond the ordinary duties of a Director may be paid such extra remuneration (whether by way of salary, commission, participation in profits or otherwise) as the Board may determine.

k) Indemnities

Subject to the proviso below, every Director, officer of the Company and member of a committee (constituted for the purpose of exercising powers delegated to it by the Board) shall be indemnified out of the funds of the Company against all civil liabilities, loss, damage or expense (including all reasonable legal and other costs and expenses properly payable) incurred or suffered by him as such Director, officer or committee member provided always that the indemnity shall not extend to any matter which would render it void pursuant to the Bermuda Companies Act. This indemnity extends to any person acting as a Director, officer or committee member in the reasonable belief that he has been so appointed or elected notwithstanding any defect in such appointment or election.

Every Director, officer and committee member shall be indemnified out of the funds of the Company against all liabilities incurred by him as such Director, officer or committee member in defending any proceedings, whether civil or criminal, in which judgement is given in his favour, or in which he is acquitted, or in connection with any application under the Bermuda Companies Act in which relief from liability is granted to him by the court.

l) General Meetings

The Board shall convene and the Company shall hold an annual general meeting of members at such time and place as the Board shall appoint. The Board may, whenever it thinks fit, and shall, when required by the Bermuda Companies Act, convene general meetings other than annual general meetings which shall be called special general meetings.

A general meeting shall be called by not less than five days notice in writing. Shorter notice is permitted with the agreement of all shareholders entitled to vote at the meeting in the case of an annual general meeting or a majority of shareholders holding at least 95% of the voting rights for a special general meeting.

Except in the case of the removal of auditors and directors, anything which may be done by Resolution of the Company in general meeting or by resolution of a meeting of any class of the shareholders of the Company may, without a meeting and without any previous notice being required, be done by resolution in writing, signed by all of the shareholders or their proxies, or in the case of a shareholder that is a corporation, on behalf of each shareholder, being all of the shareholders of the Company who at the date of the resolution in writing would be entitled to attend a meeting and vote on the resolution.

There are no provisions in the Bye-Laws which impose conditions on the admission of persons to the Company's general meetings.

m) Reports and Notices

The Bermuda Companies Act requires that at least five (5) days' notice of every general meeting shall be given to all shareholders unless the Bye-Laws or terms of issue of the shares provide otherwise. The Bye-laws do not currently provide otherwise. The Bermuda Companies Act requires that the notice of general meeting shall specify the place, day and hour of the meeting and, in the case of a special general meeting, the general nature of the business to be considered. The Bermuda Companies Act requires that, unless otherwise unanimously agreed by all Shareholders and all of the Directors, the Board shall ensure that the following be laid before the Company in general meeting:

- The Company's financial statements, which shall include a statement of results of operations for the period, a statement of retained earnings or deficit, a balance sheet at the end of such period, a statement of changes in financial position or cash flows for the period, notes to the financial statements (which, in addition to any other information contained therein, must indicate which jurisdiction's generally accepted accounting principles have been utilised), and such further information as may be required by the Bermuda Companies Act, the Company's Memorandum of Continuance or the Bye-laws; and
- The Auditor's report.

n) Reserves & Capitalisation of Profits

The Board may, before recommending or declaring any dividend or distribution out of contributed suplus, set aside such sums as it thinks proper as reserves which shall, at the discretion of the Board, be applicable for any purpose of the Company and pending such application, may also at such discretion, either be employed in the business of the Company or be invested in such investments as the Board may from time to time think fit. The Board may also without placing the same to reserve carry forward any sums which it may think it prudent not to distribute.

The Company may, upon the recommendation of the Board, at any time and from time to time pass a resolution to the effect that it is desirable to capitalize all or any part of any amount for the time being standing to the credit of any reserve or fund which is available for distribution or to the credit of any share premium account or any capital redemption reserve fund and accordingly that such amount be set free for distribution amongst the shareholders or any class of shareholders who would be entitled thereto if distributed by way of dividend.

o) Winding Up

If the Company shall be wound up, the liquidator may, with the sanction of a resolution of the Company and any other sanction required by the Bermuda Companies Act, divide amongst the shareholders in specie or kind the whole or any part of the assets of the Company and may for such purposes set such values as the liquidator deems fair upon any property to be divided as aforesaid and may determine how such division shall be carried out as between the shareholders or different classes of shareholders. No shareholder shall be compelled to accept any shares or other assets upon which there is any liability.

p) Major Shareholders

Nothing in the Bye-Laws confers on major shareholders in the Company any voting rights which are different to those conferred on the holders of Shares.

q) Pre-emption Rights

With the exception of shares following an increase in capital (see paragraph (g) above), nothing in the Bye-Laws confers any pre-emption rights arising either in respect of an issue or sale of shares or on any other basis. It should be noted, however, that Options and Warrants currently on issue or to be issued do give certain rights to the holders of such securities to subscribe for Shares in accordance with the terms of those securities.

r) Redemption and Conversion Rights

There are no redemption or conversion rights in respect of the shares of the Company presently on issue.

s) Shareholder Disclosure Obligation

There is no obligation on a shareholder to disclose its shareholding in the Company either under the laws of Bermuda or the Bye-Laws.

8 Directors' Holdings and Other Interests

a) Directors' interests

i) Interests in share capital

The interests (all of which are beneficial interests save as otherwise stated) of the Directors and of the persons connected with them (within the meaning of section 346 of the Companies Act) in the Shares, Options and Warrants[1] of the Company as at the date of Admission are as follows:

Director	Number of Shares	Undiluted interest (%)	Number of Options	Fully Diluted Interest in Shares	Diluted interest (%)
Murray Clapham[2]	3,109,895	5.4%	470,000	3,579,895	4.7%
Rahman Connelly[3]	2,368,790	4.1%	635,000	3,003,790	3.9%
Doris Meyer[4]	97,571	0.2%	631,000	728,571	1.0%
Peter Bojtos[5]	140,500	0.2%	320,000	460,500	0.6%

The key terms of Options held by each director are as follows:

Grant Date **Expiry Date** **Exercise Price**	*22-Aug-02* **21-Aug-07** **US$0.11**	*26-Nov-03* **28-Nov-08** **C$0.33**	*26-Nov-03* **28-Nov-08** **C$0.43**	*30-Mar-04* **29-Mar-09** **C$0.55**	*15-Sep-05* **15-Sep-09** **C$0.20**	*9-Aug-06* **8-Aug-11** **C$0.20**	**Total**
Murray Clapham	-	65,000	-	100,000	150,000	155,000	470,000
Rahman Connelly	-	80,000	-	200,000	120,000	235,000	635,000
Doris Meyer	31,000	-	65,000	100,000	250,000	185,000	631,000
Peter Bojtos	-	65,000	-	100,000	-	155,000	320,000

1. *None of the directors hold an interest in any Warrants.*
2. *2,859,895 of these Shares and all of the Options are held directly by Mr Clapham, with the remaining 250,000 Shares held by his spouse.*
3. *All held directly by Mr Connelly.*
4. *All the Shares are held by Golden Oak Corporate Services Ltd, a company owned 100% by Mrs Meyer. The Options are held directly by Mrs Meyer.*
5. *All held directly by Mr Bojtos.*

In addition, Murray Clapham holds 197,000 shares in KIC (representing 2.5% of KIC's issued capital) and Rahman Connelly holds 366,081 shares in KIC (representing 4.7% of KIC's issued capital) and they are also both directors of KIC. As set out in Section 4 and 10 of Part A of this Admission Document, KIC has a shareholding of approximately 20% in Kalimantan Gold, 1 million US$1.30 exercise price contingent Options as well as a 25% carried interest in the KSK CoW Project (through its subsidiary PCK). KIC's largest shareholders are an Indonesian company and two United States / Indonesian "charitable" based foundations, which are independent of Kalimantan Gold and its Directors.

Also, as discussed in Section 2 of Part A of this Admission Document, pursuant to the Oxiana Heads of Agreement, in order to help facilitate the proposed earn-in by Oxiana into the Project, the Company is to use its reasonable commercial endeavours to negotiate a restructuring of the ownership structure for the KSK CoW Project with KIC. Whilst no current proposal has been made to KIC, it is possible that any such restructure may result in the exact nature of Mr Connelly's and Mr Clapham's interest in KIC and the Company changing.

Save as set out above, none of the Directors have any interest in the share capital of any company in the Group.

ii) Transactions, assets, contracts or arrangements

Other than as described below or elsewhere in this Admission Document, no Director has, or has had, any direct or indirect interest in any:

- transaction which is or was unusual in its nature or conditions or significant to the business of the Group taken as a whole and which has been effected in the current or immediately preceding financial period or was effected during any earlier financial period and remains in any respect outstanding or unperformed;

- asset which has been acquired or disposed of by, or leased to, any member of the Group or which is proposed to be so acquired, disposed of, or leased; or

- contract or arrangement existing at the date of this Admission Document which is significant to the business of the Group.

iii) Directors' service agreements and remuneration

Remuneration has been and will continue to be set on the basis which reflects both the state of the market and appropriate incentives based upon the overall performance of the Company.

The Company, Doris Meyer (the Chief Financial Officer of the Company) and Golden Oak Corporate Services Ltd ("Golden Oak"), a company owned by Doris Meyer, have an agreement in relation to the provision of Mrs Meyer's executive services to the Company. The Company pays Golden Oak an annual retainer of C$96,000 plus Canada's 7% goods and services tax ("GST"). The Company is not eligible to recapture GST as it does not operate in Canada, however, Golden Oak remits the GST collected. In the six months ended 30 June 2006, the Company paid consulting fees of US$44,939 to Golden Oak and in the year ended 31 December 2005 the Company paid Golden Oak fees and GST equivalent of US$86,651. Either party may terminate the agreement at any time upon 90 days notice.

Effective from 1 July 2006, Rahman Connelly, the Chief Executive Officer of the Company is to receive a monthly fee of $3,000 per month commensurate with his increased level of executive duties. This arrangement may be reviewed at any time by the Company. Mr Connelly did not receive any cash fees from the Company for his executive services during 2005.

The non-executive Directors, Murray Clapham and Peter Bojtos, will be paid directors fees of US$12,000 per annum each for the year effective from 1 January 2006. Mr Connelly is also to be paid a directors fee of US$12,000 per annum in respect of the 6 month period from 1 January 2006 to 30 June 2006 in which he was a non-executive Director.

The Directors also receive remuneration in the form of Options issued in accordance with the Company's stock option plan as described in Section 6 of this Part F of the Admission Document. The number, grant date and terms of the Options granted to Directors since 2002 are set out in the table in subsection (i) above.

Other than as set out above, there are no service contracts with the Directors of management which provide for benefits upon termination of employment.

b) Additional directorships/partnerships

In addition to their directorships of the Company, the Directors hold or have held at some time during the 5 years preceding the date of this Admission Document the following directorships or are or have been at some time in the 5 years preceding the date of this Admission Document partners in the following businesses:

Name	Current directorships/ partnerships	Past directorships/ partnerships
Murray Clapham	Kalimantan Investment Corporation Tondano Investments Indokal Ltd PT Kalimantan Surya Kencana	PT S Widjojo
Rahman Connelly	Kalimantan Investment Corporation Tarmal Pty Limited Indokal Ltd PT Kalimantan Surya Kencana PT Pancaran Cahaya Kahayan	Hillside Settlement Pty Ltd
Doris Meyer	Sunridge Gold Corp Queenstake Resources Ltd Golden Oak Corporate Services Ltd	-

Name	Current directorships/ partnerships	Past directorships/ partnerships
Peter Bojtos	Falkland Gold and Minerals Limited Queenstake Resources Ltd Sage Gold Inc Tournigan Gold Corporation US Gold Corporation Vaaldiam Resources Limited Vault Minerals Inc Fischer-Watt Gold Co Inc Apolo Gold & Energy Inc Apogee Minerals Limited	Asian Minerals Resources Limited Birim Goldfields Inc GMD Resources Corp Desert Sun Mining Corp Gossan Resources Limited Link Mineral Ventures Inc LMX Resources Ltd

c) Directors' background

Save as disclosed below, no Director has:

- any unspent convictions in relation to indictable offences;
- ever been declared bankrupt or been the subject of an individual voluntary arrangement;
- ever been a director of a company which, while he was a director or within 12 months after his ceasing to be a director, had a receiver appointed, entered into liquidation, entered into administration, entered into a voluntary arrangement, or made any composition or arrangement with its creditors generally, or with any class of its creditors;
- ever been a partner in a partnership which, while he was a partner or within 12 months after his ceasing to be a partner, entered into compulsory liquidation, administration or a partnership voluntary arrangement;
- owned, or been a partner in a partnership which owned, any asset which, while he owned that asset, or while he was a partner or within 12 months after his ceasing to be a partner in the partnership which owned that asset, entered into receivership;
- been the subject of any public criticism by any statutory or regulatory authority (including recognised professional bodies); or
- 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.

Peter Bojtos is a director of Sage Gold Inc. (previously named Sahelian Goldfields Inc.) which filed a proposal to its creditors under the Bankruptcy and Insolvency Act of Canada in July 2001. As a result, the creditors were stayed from taking action and the company was not placed into bankruptcy. The proposal by Sage was approved by the courts in September 2001, which resulted in the company being reorganised.

In June 2000, the Ontario Securities Commission ordered that certain members of management and insiders of Link Mineral Ventures Limited be prohibited from trading in securities of Link. Mr Bojtos, along with three others, was listed as a person subject to the order. The Commission's order resulted from the company's failure to file its annual financial statements for the year ended 31 December 1999 by 19 May 2000 as required by Ontario securities law. In a statement issued, following the making of the order regarding Link's securities, the Commission did not necessarily ascribe fault to the respondents.

d) Benefits

Save as disclosed below or elsewhere in this Admission Document, no person, directly or indirectly, in the last 12 months has received or is contractually entitled to receive, directly or indirectly, from the Company on or after Admission (excluding in either case persons who are trade suppliers, professional advisers or otherwise as disclosed in this Admission Document) any payment or benefit from the Company or securities in the Company to the value of £10,000 or more or entered into any contractual arrangements to receive the same from the Company at the date of Admission.

In relation to the private placement completed by the Company in August 2006, Keith Bayley Rogers, the Broker to the Company, received commissions totalling C$187,377 and 398,127 Warrants expiring 16 August 2008 with an exercise price of Cdn$0.23. Out of this commission, Keith Bayley Rogers paid commissions of C$25,367 and 63,418 Warrants to Hoodless Brennan plc of 40 Marsh Wall, Docklands, London E14 9TP.

e) Shareholders

The details of all Shareholders who had a beneficial interest in at least 3% of the issued share capital of the Company as at 20 November 2006, insofar as is known to the Directors, is set out in the table in Section 10 of Part A of this Admission Document.

Save as described in that table, the Directors are not aware of any person who is interested, directly or indirectly, in 3% or more of the issued share capital of the Company or of any other person who, directly or indirectly, jointly or severally, could exercise control over the Company.

There are no arrangements, known to the Directors, which will, at a subsequent date, result in a change of control of the Company.

9 Material Contracts

This section contains summaries of the more important provisions of contracts to which Kalimantan Gold is a party which have not been summarised elsewhere in this Admission Document and which are or may be material in terms of the Offer or the operations of Kalimantan Gold or otherwise are or may be material to an investor who is contemplating this Offer.

It should be noted that most of the material contracts relating to the Company's mineral project interests in Indonesia are under Indonesian law and their material provisions are set out in HHP's Indonesian legal report in Part E of this Admission Document.

a) Oxiana Heads of Agreement

The Oxiana Heads of Agreement is dated 5 October 2006 and its principle terms are set out in Sections 4 and 2 of Part A of this Admission Document (under the heading "The Oxiana Heads of Agreement" in the case of Section 4). Whilst the Oxiana Heads of Agreement is a binding agreement, it remains subject to formal documentation as discussed further in paragraph (ix) below. Other material terms of the Oxiana Heads of Agreement are:

i) Oxiana will earn its percentage interest in the company that holds the KSK CoW or a company or companies holding the shares in such company, as agreed by the parties. Oxiana requires and KGC will ensure that such company or companies hold no other assets or interests other than the KSK CoW and have no liabilities (other than commitments in relation to the KSK CoW). Oxiana will conduct due diligence on these companies during the Initial Period (as defined in Part A) with a view to the parties reaching agreement on the manner of earn in by the expiration of that period.

ii) Oxiana may withdraw at any time during the Sole Funding Period (as defined in Part A) by notice in writing to the Company. The Company will have an option to acquire the interest held by Oxiana at the time of withdrawal for 50% of the total expenditure to the date of withdrawal less the amount expended during the Initial Period (being a minimum of US$2.5 million). If the Company does not exercise this option to acquire within 60 days, Oxiana will be free to sell its interest to a third party.

iii) Oxiana will contribute $20,000 per month during the Initial Period to the administration overheads of KSK in Indonesia. If the "Joint Venture" proceeds to the Sole Funding Period, the parties will agree on a continuing contribution by Oxiana to overheads of KSK if and to the extent that Oxiana continues to use KSK as a vehicle for payment of expenditure and KSK continues to provide administrative support to Oxiana through the Sole Funding Period. All such sums so contributed by Oxiana will form part of the expenditure by Oxiana to earn its interest.

iv) KSK will continue to fund its community development activities through YTS during the Initial Period. If the Joint Venture proceeds to the Sole Funding Period, Oxiana will fund all community relations associated with the KSK CoW and the Joint Venture activities which will, subject to satisfactory due diligence, include continuation and funding of YTS on programs agreed by the management committee of the Joint Venture.

v) During the Initial Period and, if Oxiana elects to proceed to the Sole Funding Period, Oxiana must ensure that the minimum expenditure commitments and other minimum obligations relating to the KSK CoW are satisfied in full.

vi) The Joint Venture agreement will contain all other terms usually contained in agreements of this nature including (but not limited to):

- Oxiana will be manager during the Initial Period and the Sole Funding Period and otherwise for so long as it holds a majority interest in the Joint Venture (subject to any right of the Company to take over as manager). Oxiana will not be entitled to any remuneration for performing its function as manager and acknowledges it is the intention of both parties to work and interact together.

- All budgets and work programs must be submitted to a management committee for approval.
- Management committee decisions will be made by majority decision with each party having voting rights in proportion to its interest in the Joint Venture, provided that Oxiana shall be deemed to hold a majority interest during the Initial Period and the Sole Funding Period.
- Each party will have a first right of refusal over any sale or transfer of the other party's interest.
- In respect of the company or companies in which Oxiana earns an interest - so long as the Company has an interest in the Joint Venture it will be entitled to appoint nominees to board of each company in proportion to its interest in the Joint Venture. Oxiana will be entitled to appoint directors to the boards of such companies with Oxiana holding a majority vote on the boards and at shareholder's meetings during the Sole Funding Period and for so long as it holds the majority interest in the Joint Venture.
- A Party's interest will be diluted if it ceases to fund its share of Expenditure (after the Sole Funding Period).
- Standard force majeure and confidentiality provisions.

vii) Subject to due diligence and identification of the area of the prospect, Oxiana agrees in principle, to relinquishment of an area known as the Liang Bulau diamond prospect from the north of the KSK CoW as and when requested by the Company and PCK and for the prospect to be subsequently acquired by the Company or it's nominee.

viii) Oxiana acknowledges that it will obtain valuable information from the Company regarding the prospective nature of the area covered by the KSK CoW and its surrounding areas. To this end, during the term of the Joint Venture, Oxiana (and its related entities) shall not stake, lease or otherwise acquire any interest in a mineral prospect within fifteen (15) kilometres of the boundaries of the KSK CoW unless it does so using KSK as the vehicle.

ix) The formation of the Joint Venture shall be subject to due diligence by Oxiana in relation to the Company, KIC and the subsidiaries of the Company and KIC and the KSK CoW and to formal documentation of the terms of the Joint Venture in a joint venture agreement. To this end, the parties agree to negotiate in good faith the terms of a formal Joint Venture agreement that is consistent with the terms of the HOA. This is currently in process.

x) On and from signing of the Oxiana Heads of Agrement, Oxiana shall have the exclusive right to earn an interest in the KSK CoW and the Company will not invite expressions of interest, enter into negotiations, offer any interest in, sell, transfer, encumber or otherwise deal with its interest in the KSK CoW or the companies which hold an interest in the KSK CoW (direct or indirect). In the event that Oxiana gives notice to the Company on conclusion of Oxiana's due diligence that it does not wish to continue with the Joint Venture, Oxiana's exclusivity shall cease and the Company shall be released from its obligation.

xi) The Company will give Oxiana full access to all areas held under the KSK CoW and all data related to exploration on the KSK CoW to date, to allow a full and detailed assessment of areas to be undertaken. Such information will, however, be subject to standard confidentiality restrictions.

xii) This agreement will be governed by the laws of the State of Western Australia, Australia.

b) Nomad Engagement Agreement

Under an agreement dated 26 July 2006 between the Company and RFC, the Company appointed RFC as its Nominated Adviser for the purposes of the AIM Rules, which will continue until terminated by either the Company or RFC giving the other party 2 months written notice (the engagement may also be terminated in certain other circumstances).

Under the terms of the agreement, the Company agreed to pay RFC fees of A$200,000 in respect of Admission (and subject to regulatory approval and necessary adjustments, up to A$100,000 of these fees may be satisfied by the issue of 425,000 Shares) and an annual fee of A$60,000 payable quarterly in advance from Admission. To date, A$37,500 of the fee in relation to Admission has been paid to RFC. The Company also agreed to issue RFC on Admission, 0.65 million share purchase warrants exercisable at C$0.27 each any time within 2 years after Admission.

RFC agrees to provide services required by the Company in relation to the Admission and the Company accepts certain obligations including, amongst other things to advise and consult with RFC in relation to certain matters. The Company also agrees to indemnify RFC in relation to any loss or damage suffered by RFC that is in any way related to the engagement except in certain restricted circumstances.

c) Broker Engagement Agreement

Under an agreement dated 17 May 2006 between the Company and Keith Bayley Rogers the Company appointed Keith Bayley Rogers as its Broker for the purposes of the AIM Rules. The agreement may be terminated by either the Company or Keith Bayley Rogers giving the other party 30 days written notice.

Under the terms of the agreement, the Company agreed to pay KBR a fee of £30,000 (plus VAT) upon Admission and an annual retainer of £20,000 payable quarterly in advance from Admission. If the Company terminates the agreement at any time during the year following its Admission, it shall be liable to pay Keith Bayley Rogers the balance outstanding on the retainer as if the agreement had been terminated 1 year after the date of Admission. The Company also agreed to pay Keith Bayley Rogers in respect of any placing: a commission of 3% on all monies raised; a further 2% on all monies raised through Keith Bayley Rogers; and issue Keith Bayley Rogers Warrants to subscribe for 3% of the number of shares issued under the placing, exercisable at the placing price at any time over 2 years from issue.

The agreement also provided for Keith Bayley Rogers to act as 'corporate stockbroker' and to use its reasonable endeavours to raise funds for the private placement completed in August 2006 for which they were paid C$187,377 and were issued 398,127 Warrants exercisable at C$0.23 per share by 16 August 2008.

KBR agrees to provide services required by the Company and the Company accepts certain obligations including, amongst other things to provide Keith Bayley Rogers with certain information and access and to consult with and/or seek Keith Bayley Roger's approval in relation to financial promotions and announcements. The Company also agrees to indemnify Keith Bayley Rogers and certain other persons associated with Keith Bayley Rogers in relation to any loss or damage suffered by Keith Bayley Rogers or those other persons because of or in relation to certain matters connected with the agreement, except in certain restricted circumstances.

10 Taxation Implications for UK Residents of Investing in the Company

The following statements are of a general and non-exhaustive nature based on the Directors' understanding of the current tax legislation and practice of the tax authorities in Bermuda and the United Kingdom and may not apply to certain Shareholders in the Company, such as Shareholders who do not hold their Shares as capital assets, dealers in securities, Shareholders who own (directly or indirectly) 10% or more of the Company, insurance companies and collective investment schemes. They relate to persons who are resident, ordinarily resident and domiciled in the United Kingdom for tax purposes, who are beneficial owners of Shares and who hold their Shares as an investment.

An investment in the Company involves a number of complex tax considerations. Changes in tax legislation in any of the countries in which the Company will have investments or in Bermuda, Canada or the United Kingdom or in Indonesia (or in any other country in which a subsidiary of the Company through which investments are made, is located), or changes in tax treaties negotiated by those countries, could adversely affect the returns from the Company to investors.

Prospective investors should consult and rely upon the advice of their professional advisers on the potential tax consequences of subscribing for, purchasing, holding, converting or selling Shares under the laws of their country and/or state of citizenship, domicile or residence.

Bermuda taxation

General

In Bermuda there are no taxes on profits, income or dividends, nor is there any capital gains tax, estate duty or death duty. Profits can be accumulated and it is not obligatory for a company to pay dividends. Each company is required to pay an annual government fee, which is determined on a sliding scale by reference to the amount of the company's authorised share capital and share premium account.

Pursuant to existing legislation the Minister of Finance is authorised to give an assurance to an exempted company (currently for the period ending on 28 March 2016) that, in the event of there being enacted in Bermuda any legislation imposing tax computed on profits or income or computed on any capital asset, gain or appreciation, then the imposition of any such tax shall not be applicable to such entities or any of their operations. In addition, there may be included an assurance that any such tax or any tax in the nature of estate duty or inheritance tax, shall not be applicable to the Shares, debentures or other obligations of such entities. On 20 November 1997 the Company was granted such an assurance until 28 March 2016.

Stamp duty

Stamp duty is not chargeable in respect of the incorporation, registration or licensing of an exempted company, nor, subject to certain minor exceptions, on its transactions including those involving its share capital.

UK taxation of dividends and distributions

The Company will not be required to withhold UK tax from dividends paid on the Shares. A Shareholder who is resident or ordinarily resident and domiciled for tax purposes in the UK, or a Shareholder who is carrying on a trade, profession or vocation in the UK through a branch or agency (or, in the case of a company, through a permanent establishment) in connection with which the Shares are held will, depending upon the Shareholder's particular circumstances, be subject to UK income tax or corporation tax as the case may be on the amount of any dividends paid by the Company. An individual Shareholder who is resident in the UK for tax purposes and who receives a dividend from the Company will be taxable at the dividend ordinary rate (10% in 2006-07) and/or (depending on the amount of the holder's overall taxable income) at the dividend upper rate (32.5% in 2006-07). A Shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law.

If the dividend has been subject to non-UK withholding tax ("WHT"), the amount of the dividend received plus the WHT will be included in the assessable income of the UK resident or ordinarily resident Shareholder. In these circumstances the Shareholder should be entitled to a credit for the foreign tax paid. The credit would be limited to the lesser of the WHT or the UK tax payable on the combined amounts of the dividend plus WHT. If the WHT exceeds the UK tax payable on the dividend, the excess is neither creditable nor repayable.

Dividends paid to a UK resident company Shareholder will be assessable income of the Shareholder. If the dividend has been subject to WHT it will be treated as described above.

UK resident or ordinarily resident Shareholders who are not domiciled in the UK may only be subject to UK income tax on dividends paid by the Company when the dividend is, or is deemed to be, remitted to the UK, provided that the Company's share register is situated outside the UK. Currently, the Company has a primary register in Bermuda and a branch register in Canada. There is no guarantee that the Company's share register will however remain outside the UK.

UK taxation of chargeable gains

A disposal, or deemed disposal, of Shares in the Company by a Shareholder who is either resident or ordinarily resident for tax purposes in the UK will, depending on the Shareholder's circumstances and subject to any available exemption or relief, give rise to a chargeable gain or allowable loss for the purposes of the taxation of chargeable gains in the UK. Broadly, Shareholders who are not resident or ordinarily resident for tax purposes in the UK will not be liable for UK tax on capital gains realised on the disposal of their Shares unless such Shares are used, held or acquired for the purposes of a trade, profession or vocation carried on in the UK through a branch or agency or for the purpose of such branch or agency or, in the case of companies, through a UK permanent establishment. Such Shareholders may be subject to foreign taxation on any gain under local law.

A Shareholder who is an individual and who has, on or after 17 March 1998, temporarily ceased to be resident or ordinarily resident for tax purposes in the UK for a period of less than five complete tax years and who disposes of the Shares during that period may also be liable to UK taxation of chargeable gains (subject to any available exemption or relief) as if, broadly, the disposal was made in such Shareholder's year of return to the UK.

UK stamp duty and stamp duty reserve tax ("SDRT")

Issue
No stamp duty, or SDRT, will be payable on the allotment or issue of the Shares, provided that they are not issued to a nominee or agent whose business includes the provision of clearance services or the issuance of depository receipts.

Transfer
Transfers of Shares outside the CREST system will generally be liable to stamp duty on the instrument of transfer at a rate of (currently) 0.5 per cent of the amount or value of the consideration given for the Shares (rounded up to the nearest £5), but only if the instrument of transfer is executed in the UK or, if executed outside the UK, it is brought into the UK for registration upon a register maintained by the Company in the UK. Stamp duty is normally paid by the transferee of the relevant shares or securities. If the Shares are registered on a register maintained in the UK, an agreement to transfer them will generally be subject to SDRT at a rate of (currently) 0.5 per cent of the agreed consideration. If, however, the agreement is subsequently perfected by an instrument of transfer which is duly stamped before the expiry of six years from the date of the agreement (or, if later, the date upon which it becomes unconditional) any SDRT will be cancelled or, to the extent already paid, will, upon a claim being made, be repaid. SDRT is normally the liability of the person to whom the shares will be transferred under the agreement.

Entry into CREST
No stamp duty or SDRT should arise on the transfer of the Shares to a group company of the UK Registrar, to hold in its capacity as depository, nor on the subsequent issue by the depository to that transferor of depositary interests representing the underlying Shares in uncertificated form (which are eligible for settlement through CREST).

Transfers within CREST
Depository interests representing Shares may be transferred in a paperless form within CREST. Special rules apply to these uncertificated depository arrangements. The depository arrangements to be put in place by the Company should satisfy the criteria for SDRT exempt depository interests. Any such transfer of the depository interests should therefore not be subject to stamp duty or SDRT, provided the Shares are not registered on a register which is kept in the UK, they continue to be listed on a recognised stock exchange, such as the TSX Venture Exchange, and so long as such depository interests are only capable of settlement in CREST.

UK inheritance tax

The Shares will not be assets situated in the UK for UK inheritance tax purposes unless they are registered on the UK branch register. A gift of such assets by, or the death of, an individual holder who is domiciled, or is deemed to be domiciled under certain rules relating to long residence or previous domicile, may (subject to certain exemptions and reliefs) give rise to a liability to UK inheritance tax. For inheritance tax purposes a transfer of assets at less than market value may be treated as a gift and particular rules may apply where the donor reserves or retains some benefit.

If the Company establishes a UK branch register, any Shares registered on that register will be regarded as situated in the UK for these purposes.

Non-UK Residents

Persons who are note resident or ordinarily resident (or, if resident or ordinarily resident are not domiciled) in the UK, including those individuals and companies which trade in the UK through a branch, agency or permanent establishment, and who subscribe for the Shares in the course of that trade, are recommended to seek the advice of professional advisors in relation to their taxation obligations in both the UK and any other jurisdiction in which they may be liable to tax.

The above statements are intended as a general guide only to the current taxation regime in the United Kingdom and are not exhaustive. It is the responsibility of all persons to satisfy themselves of the particular taxation treatment that applies to them by consulting their own professional tax advisers before investing in Shares. Taxation consequences will depend on particular circumstances.

Neither the Company nor any of its officers, employees, agents and advisers accepts any liability or responsibility in respect of taxation consequences connected with an investment in Shares in the Company.

11 Working Capital

The Directors, having made due and careful enquiry, , are of the opinion that the working capital available to the Company and the Group will, from the time of the Company's Admission, be sufficient for the requirements of the Group for at least 12 months from the date of Admission.

12 Corporate Governance

The Directors acknowledge the importance of the guidelines set out in the revised Combined Code on Corporate Governance published in June 2006 ("Combined Code"). They therefore intend to comply with the Combined Code so far as is appropriate having regard to Kalimantan Gold size and nature as a junior exploration company.

The following is a summary of Kalimantan Gold's approach to corporate governance.

Role and Responsibilities of the Board of Directors

The Company's corporate governance policies take into account characteristics specific to a junior exploration company. The Board has general responsibility for the control, supervision and management of the affairs of the Company with the objective of enhancing shareholder value. The Bye-laws provide that the Board shall manage the business of the Company and may pay all expenses incurred in promoting and incorporating the Company. The Board is authorised to exercise all the powers of the Company on the Company's behalf.

The Board fulfills its mandate directly and through its committees at regularly scheduled meetings or as required.

The frequency of meetings may be increased and the nature of the agenda items may be changed depending upon the state of the Company's affairs and in light of opportunities or risks which the Company faces. The directors are kept informed of the Company's operations at these meetings as well as through reports and discussions with management on matters within their particular areas of expertise.

The Board of Directors of Kalimantan Gold is comprised of four directors. Peter Bojtos and Murray Clapham (other than in relation to matters regarding KIC, of which he is a director) are considered by the Company to be independent (although they may not be considered independent under the Combined Code). Rahman Connelly, as Chairman of KIC and also as a member of management is not, and Doris Meyer as a member of management is not. In determining whether a director is independent, the Board chiefly considers whether the director has a relationship which could, or could be perceived to, interfere with the director's ability to objectively assess the performance of management.

The Board is responsible for approving long-term strategic plans and annual operating plans and budgets recommended by management and ensuring adequate internal controls are established and maintained. Board consideration and approval is also required for material contracts and business transactions, and all debt and equity financing transactions.

The Board delegates to management responsibility for meeting defined corporate objectives, implementing approved strategic and operating plans, carrying on the Company's business in the ordinary course, managing the Company's cash flow, evaluating new business opportunities, recruiting staff and complying with applicable regulatory requirements. The Board also looks to management to furnish recommendations respecting corporate objectives, long-term strategic plans and annual operating plans.

Potential Conflicts of Interest

Any Director who had a potential conflict of interest would not participate in the taking of decisions where such conflict might exist. As noted in Section 2 of Part A, as part of the Oxiana Heads of Agreement it is contemplated that the current ownership structure of KSK may be renegotiated, and the Board recognises and will endeavour to mitigate the potential conflict of interest held by Mr Connelly and Mr Clapham (as directors and shareholders of KIC) in any such negotiations by having Mrs Meyer and Mr Bojtos acting as a sub-committee for such negotiations.

Ethical Business Conduct

The Board monitors the ethical conduct of Kalimantan Gold and ensures that it complies with applicable legal and regulatory requirements, such as those of relevant securities commissions and stock exchanges. The Board has found that the fiduciary duties placed on individual directors by the Company's governing corporate legislation and the common law, as well as the restrictions placed by applicable corporate legislation on the individual director's participation in decisions of the Board in which the director has an interest, have been sufficient to ensure that the Board operates independently of management, ethically and in the best interests of the Company.

Nomination of Directors

The Board considers the appropriateness of its size and composition on an ongoing basis. If it is considered, given the existing mix of skills and experience of the Board and the strategic demands of the Company, that the Board would benefit from the services of a new director, then a search for a suitable candidate would be undertaken. The Board has not appointed a nominating committee because the Board fulfills these functions.

Compensation

The Board of Directors is responsible for determining all forms of compensation to be granted to the Chief Executive Officer of the Company and the directors, and for reviewing the Chief Executive Officer's recommendations respecting compensation of the other senior executives of the Company, to ensure such arrangements reflect the responsibilities and risks associated with each position. When determining the compensation of its executive officers, the Board considers the following issues: i) recruiting and retaining executives critical to the success of the Company and the enhancement of shareholder value; ii) providing fair and competitive compensation; iii) balancing the interests of management and Kalimantan Gold's shareholders; and iv) rewarding performance, both on an individual basis and with respect to operations in general. In order to achieve these objectives, the compensation paid to the Company's executive officers consists of a base salary and long-term incentive in the form of stock options.

Committees of the Board of Directors

The Board has appointed an Audit Committee and no others. The Audit Committee is comprised of Doris Meyer, Peter Bojtos and Murray Clapham. While the Board may recommend a Chairman for the Audit Committee, the Audit Committee shall have the discretion to appoint the Chairman from amongst its members, and there is currently no permanent Chairman. At least one (1) member of the Audit Committee shall be independent and the Board and the Audit Committee shall endeavour to appoint a majority of independent directors to the Audit Committee, who in the opinion of the Board, would be free from a relationship which would interfere with the exercise of the Audit Committee members' independent judgment. The primary function of the Audit Committee is to assist the Board in fulfilling its oversight responsibilities related to the quality and integrity of financial reporting, the system of internal control and management of financial risks, the audit process, and the Company's process for monitoring compliance with laws and regulations and contractual obligations.

Assessments

The Board has not adopted formal procedures for assessing the effectiveness of the Board, its Audit Committee or individual directors.

Share Dealing Code

The Board has adopted a share dealing code which sets out the procedures and restrictions on dealings by Directors and senior management in the Company's securities and is consistent with the AIM Rules and the rules of the TSX Venture Exchange in respect of such dealings. In particular, it prohibits any such dealings at any time whilst they or the Company are in possession of non-public price sensitive information and during any "Close Period" as defined in the AIM Rules. It also requires the Chairman of the Board to be notified before any such dealings and for any such dealings to be immediately reported to the Company's Nomad, the AIM market and the TSX Venture Exchange.

13 General

a) Expenses

The estimated expenses of or incidental to the Admission that are payable by the Company are set out in Section 9 of Part A of this Admission Document.

b) Financial position

Save as disclosed in this Admission Document there has been no significant change in the financial or trading position of Kalimantan Gold since 30 June 2006.

c) Litigation and arbitration

There are no governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened) of which the Company is aware, which may have or have had during the 12 months immediately preceding the date of this Admission Document, a significant effect on the financial position or profitability of the Company or the Group.

d) Exceptional factors

Save as disclosed in this Admission Document, the Directors are unaware of any exceptional factors which have influenced Kalimantan Gold's recent activities.

e) Investments in progress

Save as disclosed in this Admission Document, there are no significant investments in progress. The Company continuously evaluates new investment opportunities. However, no significant investment commitments in relation to any such opportunities have been made by the Company as at the date of this Admission Document.

f) Dependence on licences, contracts etc

Kalimantan Gold does not depend on any patents or other intellectual property rights, licences or particular industry, commercial or financial contracts or new manufacturing processes save as disclosed in this Admission Document.

e) Related party transactions

Save as disclosed in this Admission Document, there are no related party transactions which are, as a single transaction or in their entirety, material to the issuer which have been entered into from 1 December 2003 (ie the date from which the historical financial information in Part D of this Admission Document relates) up to the date of this Admission Document.

g) Consents

SRK has given their written consent to being named as the Competent Person in this Admission Document, to the inclusion in Part C of this Admission Document of their Competent Person's Report and to all statements referring to that report in the form and context in which they appear and have not withdrawn such consent before the date of this Admission Document.

Ernst & Young LLP have given their written consent to the inclusion in Section 1 of Part D of this Admission Document of their independent accountant's report and to all statements referring to that report in the form and context in which they appear.

Hadiputranto, Hadinoto & Partners have given their written consent to being named as solicitors to the Company (in Indonesia – regarding titles), to the inclusion in Part E of this Admission Document of their Indonesian legal report and to all statements referring to that report in the form and context in which they appear and have not withdrawn such consent before the date of this Admission Document.

The following persons have given and not withdrawn their written consent to being named in this Admission Document but have not made any statements that are included in this Admission Document or statements identified in this Admission Document as being based on any statements made by those persons:

- RFC as Nominated Advisor; and
- Keith Bayley Rogers as Broker.

Other than as specified above, to the maximum extent permitted by law, each of the persons referred to above expressly disclaims and takes no responsibility for any part of this Admission Document other than the references to their name.

14 Availability of Admission Document

Copies of the Admission Document will be available during normal business hours on any business day free of charge to the public at the offices of Keith Bayley Rogers and on the Company's website (www.kalimantan.com) for a period of one month from the date of Admission.

Dated: 7 December 2006