

Circular is dated 11 August 2015



## I M QUARRIES LIMITED

(formerly known as M2L HOLDINGS LIMITED)  
(Incorporated in the Republic of Singapore)  
( UEN 201120428N | ARBN 154 095 897 )  
(NSX Code: MLH)

### CIRCULAR TO SHAREHOLDERS

#### IN RELATION TO:

- (1) THE PROPOSED ACQUISITION BY I M QUARRIES LIMITED (THE “COMPANY”) OF THE ENTIRE ISSUED AND PAID UP SHARE CAPITAL OF THREE CRYSTALS HONG KONG LIMITED FOR A PURCHASE CONSIDERATION OF S\$1,400,000 TO BE SATISFIED IN FULL BY WAY OF ISSUANCE OF 14,000,000 NEW SHARES IN THE ISSUED AND PAID UP SHARE CAPITAL OF THE COMPANY CREDITED AS BEING FULLY PAID UP (THE “PROPOSED ACQUISITION”); AND
- (2) THE PROPOSED ISSUE AND ALLOTMENT OF 1,600,000 NEW SHARES IN THE ISSUED AND PAID UP SHARE CAPITAL OF THE COMPANY CREDITED AS BEING FULLY PAID TO ABRIC TECHNOLOGIES PTE LTD AS PAYMENT OF ARRANGER FEE FOR THE PROPOSED ACQUISITION (THE “PROPOSED ARRANGER FEE”),

COLLECTIVELY, THE “PROPOSED TRANSACTIONS”.

Corporate Advisor



This Circular is important and should be read in its entirety. If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

*The fact that the National Stock Exchange of Australia Limited (“NSX”) may list the securities of the Company is not to be taken in any way as an indication of the merits of the Company or its listed securities. The National Stock Exchange of Australia Limited takes no responsibility for the contents of this Information Memorandum, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this document.*



## TRANSACTION HIGHLIGHTS

- Tenement located in close proximity to Hohhot, a major and biggest city in Inner Mongolia, the People's Republic of China.
- Tenement has a total of 20.43 million tonnes of JORC defined Mineral Resources, of which 11.26 million tonnes of resources are in the “indicated” category and a total 9.17 million tonnes of resources are in the “inferred” category.
- Exploration works completed, and the Company intends to apply for permits to develop the tenement as a commercial scale production mine. In addition to producing industrial grade garnet ore, stones and fines, the Company intends to extract lower garnet content rock deposits as high quality architectural granite slabs.
- Low non-cash acquisition cost, to be paid for in full by way of issue of new shares in the Company
- Low capital expenditure required to bring the tenement to commercial production.

*The following Chinese language translation is strictly for reference purpose only:*

### 投资收购要点

- 矿权所属位置靠近呼和浩特市，中国内蒙古自治区的一个主要和最大的城市。
- 按澳大利亚矿石储量联合委员会标准，矿权矿场存有 2,043 万吨矿资源，其中 1,126 万归纳为探明类，917 万吨归纳为推断。
- 矿井勘探工作已完成，公司拟申请商业开发生产许可。除了生产工业级石榴矿石与细砂，本公司也计划开采较低石榴石含量的岩石矿床作高品质建筑花岗岩板材。
- 低成本收购矿权，并以增发新股为兑换，不动用现金。
- 底资产投入作商业开发。

### IMPORTANT DATES AND TIMES:

Last date & time for lodgement of voting instruction form:	10 September 2015 at 11.30AM
Date & time for the extraordinary general meeting:	12 September 2015 at 11.30AM
Place of Extraordinary general meeting:	Gardenasia 240 Neo Tiew Crescent Singapore 718898



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## DEFINITIONS

Unless the context otherwise permits or unless otherwise stated, the following summary key terms and definitions are used in this Circular:-

“ASIC”	Australian Securities and Investments Commission.
“CDI”	CHESS Depositary Interest over a Share.
“CDN”	CHESS Depositary Nominees Pty Ltd.
“Consideration Shares”	14,000,000 CDIs to be issued at an issue price of S\$0.10 each to the Vendor (or persons nominated by him) on completion of the Proposed Acquisition.
“Darlington”	Darlington Geological Services Pty Ltd, the independent geologist appointed by the Company to prepare the IGR.
“Discontinued Business”	The businesses particularised in paragraph 9.
“EGM”	The extraordinary general meeting being be convened pursuant to the notice attached at the end of this Circular.
“Forfeited Shares”	The 21,799,999 Shares (including 2,000 Shares held in script form) forfeited pursuant to a members' resolution passed at the extraordinary general meeting held on 5 December 2012, and currently held by the Company for re-issue.
“HKCo”	Three Crystals Hong Kong Limited, a company incorporated in and under the laws of Hong Kong.
“IGR”	The independent geologist's report on the Houyao Garnet Project prepared in accordance with the JORC Code, the Valmin Code, Regulatory Guides 111 and 112 relating to Independent Expert Reports issued by ASIC and the relevant requirements of the Listing Rules of the NSX.
“Introducer”	Abric Technologies Pte Ltd (Registration No. 199204148H), a private company limited by shares incorporated in and under the laws of Singapore and whose directors and shareholders are unconnected third parties.
“JORC Code”	<i>The Australasian Code for Reporting on Exploration Results, Mineral Resources and Ore Reserves (December 2012 Edition)</i>
“Latest Practicable Date”	10 August 2015, being the latest practicable date prior to the issue of this Circular.
“New Shares”	The Consideration Shares and the Remuneration Shares.
“NSX”	The National Stock Exchange of Australia Limited, or the the securities exchange which is operates as the case may be.
“Operating Company”	Inner Mongolia Three Crystals Mining Co., Limited [Official name: 内蒙古晶三源矿业有限公司]



“Operating Licences”	all permits, approvals and licences required to commence commercial production at the Houyao Garnet Project.
“PRC”	The People's Republic of China.
“Remuneration Shares”	1,600,000 CDIs to be issued at an issue price of S\$0.10 to the Introducer (or persons nominated by them) on completion of the Proposed Acquisition.
“Share”	One ordinary share in the issued and paid up share capital of the Company and, where the context so require, includes a CHES Depositary Interest over a Share.
“Shareholder”	A shareholder of the Company, and where the context so require, includes the holder of a CDI.
“Valmin Code”	<i>The Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports.</i>
“Vendor”	He Jiguo, a PRC national and an unconnected third party.
“WFOE”	Inner Mongolia Three Crystals Trading Co., Limited [Official name: 内蒙古晶三源商贸有限公司]

Words importing the singular shall, where applicable, include the plural and vice versa and words importing one gender shall include the other gender. Reference to persons shall include corporations.

Any reference in this Circular to a “Rule” is a reference to the relevant Rule in the Listing Rules of the NSX for the time being.



**I M QUARRIES LIMITED**  
(formerly known as M2L HOLDINGS LIMITED)  
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**Directors:**

*Lam Peck Heng (Independent Non-executive Chairman)*  
*Chong Hock Tat Robin (Managing Director)*  
*Chua Soon Beng Ellen (Non-executive Director)*  
*Mah Seong Kung (Independent Non-executive Director)*

**Registered office:**

21 Bukit Batok Crescent #15-74  
WCEGA Tower  
Singapore 658065

11 August 2015

To: Shareholders of I M Quarries Limited

Dear Sir / Madam

**THE PROPOSED ACQUISITION OF THE ENTIRE ISSUED AND PAID UP SHARE CAPITAL OF THREE CRYSTALS HONG KONG LIMITED AND THE PAYMENT OF THE ARRANGER'S FEE IN CONNECTION THERETO**

**1. Introduction**

On 15 January 2015, the Company announced that it had entered into an Investment Agreement (the "Agreement") with He Jiguo (as Vendor) and Abric Technologies Pte Ltd (as Introducer), under which the Company was granted the option to acquire 100% of the issued and paid-up share capital of Three Crystals Hong Kong Limited ("HKCo"), a company to be incorporated in Hong Kong. The Agreement was amended by a Supplemental Agreement dated 20 July 2015.

The principal terms of the Agreement (as amended by the Supplemental Agreement) are summarised in *Appendix A* to this Circular.

For reasons set out in this Circular, the above transactions require shareholders' approval. The purpose of this Circular is to set out information on the Proposed Transactions, and to seek your approvals for the resolutions to be tabled at the EGM.

**2. Issue of Information Memorandum**

The Proposed Transactions require the Company to issue new securities, that is to say, the New Shares. Therefore, the Company is required to issue an Information Memorandum to comply with Rule 4.4(2)(ii). A copy of the Information Memorandum, which will be lodged separately with the NSX, is attached to this Circular as *Appendix B*.

**3. Information on HKCo and its subsidiaries**

Three Crystals Hong Kong Limited (Company No. 2196041) (*i.e.*, HKCo) was incorporated in and under the laws of Hong Kong on 26 January 2015. As of the Latest Practicable Date:

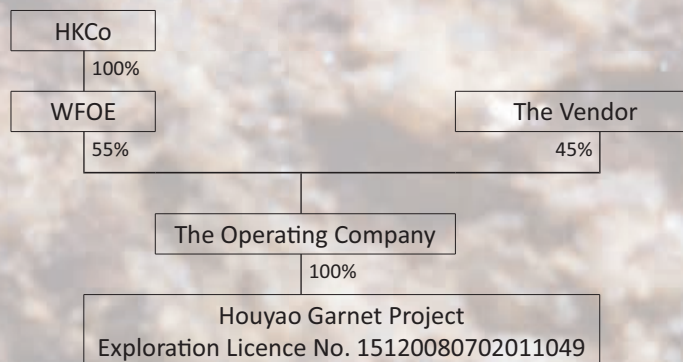
- (a) HKCo has an issued and paid up share capital of HK\$10,000 comprising 10,000 ordinary shares of HK\$1.00 each;



- (b) HKCo has no share of other class in issue;
- (c) the sole director and sole shareholder of HKCo is Chua Kee Leng, an independent lawyer acting in his professional capacity as bare nominee for the Vendor;
- (d) HKCo is the legal registered and beneficial shareholder of the entire registered capital of Inner Mongolia Three Crystals Trading Co., Limited [Official name: 内蒙古晶三源商贸有限公司] (*i.e.*, WFOE), a wholly-foreign owned enterprise registered in the PRC; and
- (e) WFOE is the legal registered and beneficial shareholder of 55% of the registered capital of Inner Mongolia Three Crystals Mining Co., Limited [Official name: 内蒙古晶三源矿业有限公司] (*i.e.*, the Operating Company).

The Operating Company holds Exploration Licence Number 15120080702011049, a licence to explore for industrial (not gemstone) grade garnet on a 0.95km<sup>2</sup> tenement (the “Houyao Garnet Project”).

The corporate structure of HKCo and its subsidiaries as of the Latest Practicable Date is as follows:



#### 4. Information on the Houyao Garnet Project

##### 4.1. General information

The Houyao Garnet Project is located approximately 50km to the south-east of Hohhot City, the provincial capital of Inner Mongolia in the PRC. There is adequate electric power in the local region and there is a large amount of water available in summer from the Heilaoyao River, which is 3km to the south of the project. There is also excellent communication facilities within the project area.

The Houyao Garnet Project is within a hilly terrain with altitudes between 1,460 and 1,700m above sea level. The area is semi-arid and has a short frost free period (about 120 days only). Temperatures can vary within extremes of +35°C to -30°C. Annual rainfall averages about 400mm.

Garnet is primarily used as an abrasive. Once concentrated and screened, the garnet is available in a variety of particle sizes, depending upon the final usage. Common uses are various grades of sandpaper, as a sandblasting agent, mixed with water for use abrasive for cleaning the insides of pipes, ships and military vehicles, for water jet cutting, and as a water filtration medium. In recent times, the use of quartz sand has been banned in many countries because of the risk of the lung disease “silicosis”. Garnet, because of its fracture pattern and hardness is rapidly becoming the replacement for quartz sand and demand for garnet is steadily increasing.



According to data published in the publication *Minerals Commodity Summary, January 2015* published by the U. S. Geological Survey:

- (a) estimated 2014 global garnet production data are as follows:

Country	Estimated production (tonnes)
United States	32,200
Australia	260,000
China	520,000
India	800,000
Other countries	50,000

- (b) garnet prices during 2014 varied over a wide range per metric ton, depending on the amount of processing and refining, degree of fracturing, garnet mineral type, quality, and quantity purchased. Most crude garnet concentrate is priced at between US\$75 to \$210 per tonne, and most refined material is priced at between US\$200 to US\$335 per tonne.

#### 4.2. Geological and mineralisation information

A very detailed exploration programme for garnet potential at the Houyao Garnet Project was carried out between July 2012 to the end of 2013. This programme consist of:

- (a) a topographic survey with measurements taken every 2.5 metres on lines spaced 25 metres apart;
- (b) a total of 7 vertical diamond drill holes totalling 825 metres were drilled along the length of the main garnet ore body, with composite sample taken at varied intervals, but typically of 3 metres. A total of 226 samples were sent for garnet analysis; and
- (c) surface sampling consisted of a total 24 lines which were spaced at either 50 or 100 metres intervals. The 24 sample lines totalled 3,775 metres with 1,434 samples sent for garnet analysis.

Three garnet mineralised zones, namely Orebodies I, II and III have been defined by a combination of geological mapping, channel/trench sampling as well as the 7 diamond drillholes. Orebody I is by far the largest of the three defined orebodies. It has a true thickness of between 40 and 70 metres and an average garnet grade of 23.22%. Orebodies II and III have been defined by mapping and trench/channel sampling only with no drilling being conducted. Both orebodies have a true width of between 15 and 35 metres and have average garnet grades of 18.7 and 18.9% respectively.

The Company had appointed Darlington to prepare the IGR. Further details on the geology, previous exploration and resources contained in the Houyao Garnet Project are set out in the IGR prepared by Darlington which is set out in full in *Appendix C*.

#### 4.3. Resource estimation

Resources for the above-mentioned 3 areas (or defined ore bodies) have a total of



20.43 million tonnes of resources, of which 11.26 million tonnes of resources are in the “indicated” category and a total 9.17 million tonnes of resources are in the “inferred” category, details which are set out below:

Orebody	Tonnes	Garnet Grade (%)	Resource Category
I	11,259,800	23.46	Indicated
I	6,611,900	22.81	Inferred
Total Orebody I	17,871,700	23.22	
II	1,279,800	18.66	Inferred
III	1,278,500	18.98	Inferred
TOTAL	20,430,000	22.67	

#### 4.4. Exploration target

Darlington has identified an exploration target of between 10 million to 15 million tonnes of ore at grades of between 20% and 25% garnet. This additional ore will possibly come from deeper in Orebody I (resource estimation currently calculated down to the 1,450RL) if the relevant government authority permits mining to go below 1,450RL. The potential quantity and grades of the exploration potential for Orebodies I, II and III is conceptual in nature as there has been insufficient exploration to estimate a mineral resource. It is uncertain if further exploration will result in the estimation of a mineral resource.

#### 4.5. Competent Person statement

The information in this Circular which has been extracted from the IGR that relates to exploration results and targets is based on information compiled by Peter A. Peebles who has sufficient experience which is relevant to the styles of mineralisation and types of deposit under consideration and to the activity which has been undertaken to qualify as a *Competent Person* as defined by the JORC Code. Peter A. Peebles consents to the inclusion in the report of information compiled by him in the form and context in which it appears.

#### 4.6. Information on tenement

The Operating Company has exploration rights on the Houyao Garnet Project under the following licence:

License No.	Content	Grant Date	Area Size	Inflection Points Co-ordinates	
		Expiry Date		Longitude	Latitude
Exploration Licence No. T15120080702011049	Types of Mineral Resource: Exploration	25 June 2015	0.95 km <sup>2</sup>	112°05'27''	40°27'01''
				112°05'27''	40°27'07''
				112°05'37''	40°27'21''
		03 July 2016		112°05'58''	40°27'31''
				112°06'20''	40°27'31''
				112°06'20''	40°27'01''



Generally, exploration licences in the Inner Mongolia Autonomous Region are granted for periods not exceeding 3 years, and may be extended before its expiry for periods not exceeding 2 years at each extension. As exploration licence holder for the Houyao Garnet Project, the Operating Company has the right to carry out exploration activities within the Houyao Garnet Project area as designated above and, on successful exploration, has the priority to obtain the mining rights to the mineral resources in that exploration area.

The Company had appointed Shanghai Lang Yue Law Firm to prepare the PRC Counsel's Report on the Tenement. This report gives details on applicable PRC laws and the exploration licence, and is set out in full in *Appendix D*.

## **5. The Company's intent for the Houyao Garnet Project**

The directors, after consultation with management of the Operating Company, are of the view that exploration works on the Houyao Garnet Project has substantially been completed and intends to apply for a mining permit to mine for garnet on the the Houyao Garnet Project (the "Mining Permit"). In particular, the directors note the informal response of the competent local government authorities to enquiries made by the Company's PRC counsel that the Operating Company has met the requirements for approval as a small-sized garnet ore mine, in that:

- (i) the mineral deposit of garnet ore at the Houyao Garnet Project as defined by a qualified PRC geologist under the applicable PRC geological standards is more than the required 94,500 tonnes; and
- (ii) the average grade of the garnet ore at the Houyao Garnet Project calculated by a qualified PRC geologist under PRC geological standards is above the required 18.76%.

The directors believe that the Target Company will be able to fulfill the other requirements to be granted the Mining Permit. In such an event, the Company intends to develop the Houyao Garnet Project to become a commercial scale production mine. The Operating Company will apply for the Operating Licences, and upon receipt of the Operating Licences, commence commercial production of industrial grade garnet ore, stones and fines. In addition to producing these garnet products, the Company intends to extract lower garnet content rock deposits as high quality architectural granite slabs.

The Operating Company estimates that it will require a RMB11,000,000 (approximately A\$2,4000,000) investment to bring the tenement to commercial production. Subject to fulfilment of certain conditions, the more significant conditions being set out in *Appendix A*, the Company will provide a 7-year interest free loan of RMB11,000,000 to the Operating Company, to be financed by proceeds from the sale of up to 21,797,999 Forfeited Shares to persons who are not related parties (as defined under Section 228 of the Corporations Act).

The Company will sell these Shares by way of private placement, and has carried out preliminary bookmaking exercise with selected potential investors (the "Preliminary Marketing"). The directors believe that the Company will be able to sell these Shares in sufficient numbers and at sufficient prices to raise the required RMB11,000,000 plus working capital. The bases for the directors' aforesaid belief are as follows:

- (a) the results of the Preliminary Marketing are reasonably good. There is sufficient expressions of interest to purchase these Shares if:



- (i) the Proposed Transactions are completed; and
  - (ii) these Shares released from escrow and re-quoted on NSX; and
- (b) the commercial potential and underlying fair value of the Houyao Garnet Project as is assessed by each of these potential investors, especially taking into account the 20.43 million tonnes of JORC compliant Mineral Resource estimate therein.

## **6. Information on the counter-parties**

### **6.1. Information on the Vendor**

The Vendor is a PRC national ordinarily resident in Hohhot City, the provincial capital of Inner Mongolia. A former banker with the Industrial and Commercial Bank of China, one of the so called *Big-4* banks in China, he is now a businessman and private investor. Prior to being a businessman and private investor, the Vendor had developed several real estate projects in Inner Mongolia .

The Vendor does not have any family relationship with, or is an associate of, any director or substantial shareholder of the Company.

### **6.2. Information on the Introducer**

The Introducer is a private company incorporated in and under the laws of Singapore in 1992. The principal activities are that of investment holding and business development services. Its legal and beneficial shareholders are Liao Beng Chye (who holds 70% of its issued and paid up share capital) and his brother, Liao Yong Ming (who holds the remaining 30% of its issued and paid up share capital). Its board of directors comprise of Liao Beng Chye and Liao Yong Ming. Liao Beng Chye is an Honorary Chairman of the Singapore chapter of the Chartered Management Institute of the United Kingdom.

Neither Liao Beng Chye nor Liao Yong Ming have any family relationship with, or is an associate of, any director or substantial shareholder of the Company.

## **7. Financial Information and proforma financial effects**

The Operating Company was registered on 16 September 2014 as a special purpose corporate vehicle to hold the Houyao Garnet Project, while HKCo and WFOE were incorporated and registered on 26 January 2015 and 29 April 2015 respectively in connection with the Proposed Acquisitions. Each of these companies has not actively traded since its incorporation or registration (as the case may be). As of the Latest Practicable Date, no financial statement is required to be prepared, reviewed or audited by each of these companies.

The proforma financial effects of the Proposed Transactions are calculated on the following bases:

- (a) that the existing corporate structure of HKCo and its subsidiaries are in place as of 31 March 2015, being the date the most recent set of audited financial statements of the Company has been prepared up to;
- (b) the Houyao Garnet Project continues to be recorded in the proforma financial statements at cost, that is to say, no fair value revaluation surplus is recognised to



account for the 20.43 million tonnes of JORC compliant Mineral Resource estimate in the Houyao Mine; and

- (c) the Proposed Transactions were completed on 31 March 2015.

The objective of the financial effects of the the Proposed Transactions as presented below is to illustrate what the historical information might have been had the Proposed Transactions been completed at an earlier date. However, such financial information are not necessarily indicative of the results of operations or the related effects on the financial position that would have been attained had the Proposed Transactions actually been completed at the earlier date.

Effects on results of operations (income statement)

None of HKCo, WFOE and the Operating Company has traded since its incorporation. Therefore, there is no effect on the results of operations of the Company on a proforma basis even assuming the Proposed Transactions are completed on that earlier date.

Effects on financial position (balance sheet)

(In S\$)	Proforma Consolidated Statement of Financial Position as of 31 March 2015	
	Before Proposed Transactions	After Proposed Transactions
<b>Current Assets</b>		
Cash at bank	-	-
<b>Non-Current Assets</b>		
Goodwill on consolidation	-	1,386,382
Exploration and evaluation asset	-	315,669
	-	1,702,051
<b>TOTAL ASSETS</b>	-	<b>1,702,051</b>
<b>EQUITY AND LIABILITIES</b>		
<b>Current Liability</b>		
Other payables	220,284	220,284
<b>Capital and Reserves</b>		
Share Capital	3,101,594	4,661,594
Shares held for re-issue	(2,266,599)	(2,266,599)
Accumulated losses	(1,055,279)	(1,055,279)
Attributable to Shareholders'	(220,284)	1,339,716
Minority interests	-	142,051
	(220,284)	1,481,767
<b>TOTAL EQUITY AND LIABILITIES</b>	-	<b>1,702,051</b>
<b>NET ASSET / (LIABILITY) PER SHARE (IN SINGAPORE CENTS)</b>	(0.56) <sup>(1)</sup>	2.43 <sup>(2)</sup>

<sup>(1)</sup> Calculated based on 39,619,001 Shares

<sup>(2)</sup> Calculated based on 55,219,001 Shares



## 8. Effects on capital structure

On completion of the Proposed Transactions, the Company will issue the New Shares to the Vendor and the Introducer, and/or to persons nominated by them. The New Shares will be issued subject to restriction (or escrow) for a period of 12 months from the date of issue.

The capital structure of the Company before and after completion of the Proposed Transactions, assuming all 21,797,999 Forfeited Shares held as CDIs are placed out to non-related parties, are as follows:

	Before completion of the Proposed Transactions		After completion of the Proposed Transactions	
	Number	%	Number	%
<b>Shares held as CDIs</b>				
Directors of the Company	22,796,000	37.11	22,796,000	29.60
Existing non-related Shareholders	16,823,001	27.39	16,823,001	21.84
Other non-related Shareholders	-	-	21,797,999	28.30
Forfeited Shares	21,797,999	35.49	-	-
Holders of the New Shares	-	-	15,600,000 <sup>(2)</sup>	20.25
	61,417,000	99.99 <sup>(1)</sup>	77,017,000	99.99 <sup>(1)</sup>
<b>Shares held in script form</b>				
Directors of the Company	1,000	n/m	1,000	n/m
Forfeited Shares	2,000	n/m	2,000	n/m
	3,000	n/m	3,000	n/m
	61,420,000	100.00	77,020,000	100.00

<sup>(1)</sup> Rounding error

<sup>(2)</sup> Subject to escrow for 12 months from date of issue

## 9. Rationale for the Proposed Transactions

The Company had traded as a holding company for businesses in the education sector (collectively, the "Discontinued Businesses"). The Discontinued Businesses were carried out by former subsidiaries which has since been disposed of pursuant to a Shareholders' resolution passed at an extraordinary general meeting held on 5 December 2012. Since then, the Company has not actively traded.

In its most recent audited financial statements, the Company report a loss before taxation of S\$179,338 for the year ended 31 March 2015, and a net liability of S\$220,284 which is the sum owed to Chong Hock Tat Robin, a director of the Company.

In view of the aforesaid financial position of the Company, and that the Company has not actively traded since the former subsidiaries carrying on the Discontinued Businesses were disposed of, the directors have sought and assessed a number of possible investment opportunity which would be profitable in the short to near term. Having considered available investment opportunities, the directors are of the view that the Houyao Garnet Project offers the Company the best possible opportunity. Therefore, the Company has entered into the Proposed Transactions.



## **10. Directors' interest in the Proposed Transactions**

Save for their interests in the Company, none of the directors or substantial shareholders have any interest in the Proposed Transactions.

## **11. Consents**

Each of Biztrack Consultants Private Limited, Darlington Geological Services Pty Ltd and Shanghai Lang Yue Law Firm:

- (a) has given and has not, before the the Latest Practicable Date, withdrawn their written consent:
  - (i) to be named in this Circular and in the attached Information Memorandum in the form and context in which they is named; and
  - (ii) where applicable, to the inclusion in this Circular and in the attached Information Memorandum of the statement(s) and reports by each of them respectively, in the form and context in which it appears in this Circular and in the attached Information Memorandum; and
- (b) to the maximum extent permitted by law, expressly disclaims all liability in respect of, makes no representation regarding, and takes no responsibility for, any part of this Circular and in the attached Information Memorandum, other than the references to his name and the statement(s) and/or report included in this Circular and in the attached Information Memorandum with his consent.

## **12. Shareholders' approval and Extraordinary General Meeting**

The Proposed Transactions, if completed, will change the nature and scale of the Company's activities. Rule 6.41 states that the Company must, amongst other things, obtain Shareholders' approval for the change, if so required by NSX.

Section 161 of the Companies Act requires that all issue of Shares by the Company be approved by Shareholders, either by way of approval for a specific issue of Shares or by way of a general mandate given to directors to issue Shares on the terms and subject to the conditions set out in the general mandate.

Rule 6.25 sets out a formulae to calculate the maximum number of Shares the Company can issue without Shareholders' prior approval. The New Shares exceed this maximum number of Shares the Company can issue without Shareholders' prior approval.

Therefore and for the reasons stated above, the Company is required to and is seeking the following approvals from Shareholders:

- (a) for the change in nature and scale of the Company's activities following completion of the Proposed Transactions, approval under and for the purpose of compliance with Rule 6.41; and
- (b) for the issuance of the New Shares, approval under and for purpose of compliance with:
  - (i) Rule 6.25; and
  - (ii) Section 161 of the Companies Act.



The EGM will be held at 11.30AM on 12 September 2015 at Gardenasia, 240 Neo Tiew Crescent, Singapore 718898 for the purpose of considering and, if thought fit, passing the resolutions set out in the Notice of Extraordinary General Meeting attached at the end of this Circular. The proposed resolutions, if thought fit, can be passed either with or without modification.

**13. Action to be taken by Shareholders**

Under the Company's constitution, a CDI-holder may give CDN voting instructions in relation to the number of CDIs he or she holds. If you wish to register your voting instruction, please complete the CDI Voting Instruction Form attached to the Notice of EGM and send it to the Company's share registry in any manner set out in the form.

**14. Directors' recommendation**

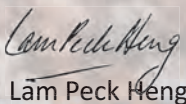
The directors, after taking into consideration all factors set out in this Circular, are of the opinion that the Proposed Transactions are in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of all resolutions to be proposed at the EGM.

Two directors of the Company, namely Chua Soon Beng Ellen and Chong Hock Tat Robin holding 2,797,000 Shares and 20,000,000 Shares respectively will vote in favour of all the resolutions to be proposed at the EGM.

**15. Directors' responsibility statement**

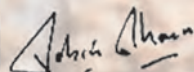
This Circular has been seen and approved by all Directors who collectively and individually accept responsibility for this Circular and confirm, after having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this Circular are fair and accurate in all material respects as at the Latest Practicable Date and that there are no material facts the omission of which would make any statement in this Circular misleading.

Yours faithfully  
For and on behalf of  
**I M Quarries Limited**



Lam Peck Heng

Independent Non-executive Chairman



Chong Hock Tat Robin  
Managing Director



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## **SUMMARY OF PRINCIPAL TERMS OF THE AGREEMENT**

The principal terms of the Agreement (as amended by the Supplemental Agreement) are summarised below:

- Counter-parties:** (1) HE Jiguo (*i.e.*, the Vendor)  
(2) Abric Technologies Pte Ltd (*i.e.*, the Introducer)
- Purchase Price:** Singapore Dollars One Million Four Hundred Thousand Only (\$\$1,400,000) (approximately A\$1,388,000), payable on completion by the issue of the Consideration Shares as follows:
- (a) 9,000,000 Consideration Shares to the Vendor and/or persons nominated by him; and
  - (b) 5,000,000 Consideration Shares to the Introducer and/or persons nominated by them.

In addition to the aforesaid purchase price, on completion of the Proposed Acquisition, the Company will also issue the Remuneration Shares to the Introducer and/or persons nominated by them as arranger's fee.

**Option Exercise Period:** The period from 1 April 2015 to 31 October 2015 (both dates inclusive).

**Conditions Precedent:** Completion of the sale and purchase of HKCo is conditional upon:

- (a) the Company receiving from shareholders approvals for:
  - (i) the purchase of HKCo.;
  - (ii) the issue of the Consideration Shares;
  - (iii) the issue of the Remuneration Shares;
- (b) WFOE being the registered holder of a 55% equity interest in the registered capital of the Operating Company; and
- (c) Exploration Licence Number 15120080702011049 being transferred to and registered in the name of the Operating Company.

As of the Latest Practicable Date, conditions precedent (b) and (c) above have been fulfilled.

**Other Terms:** The Operating Company requires a RMB11,000,000 (approximately A\$2,170,000) investment to bring the tenement to commercial production, and the Company will raise funds to pay for this investment (the "Fund Raising"). Conditional upon:

- (a) completion of the Fund Raising;



- (b) the Operating Company obtaining the Operating Licences;
- (c) the Operating Company changing the legal representative of: (i) WFOE; and (ii) the Operating Company, to a person or persons nominated by the Company; and
- (d) approval being received from the State Administration of Foreign Exchange,

the Company will, through WFOE, extend a RMB11,000,000 shareholder's loan to the Operating Company. This shareholder's loan shall be for a tenure of seven years, and shall be interest-free and be unsecured.



This Information Memorandum is important and should be read in its entirety. If you are in any doubt as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

*Application will be made for listing of the securities to be issued under this Information Memorandum to the National Stock Exchange of Australia Limited. The fact that the National Stock Exchange of Australia Limited may list the securities of the Company is not to be taken in any way as an indication of the merits of the Company or its listed securities. The National Stock Exchange of Australia Limited takes no responsibility for the contents of this Information Memorandum, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this document.*



## **I M QUARRIES LIMITED**

(formerly known as M2L HOLDINGS LIMITED)  
(Incorporated in the Republic of Singapore)  
( UEN 201120428N | ARBN 154 095 897 )  
(NSX Code: MLH)

## **INFORMATION MEMORANDUM**

**FOR AND IN CONNECTION WITH THE PROPOSED ISSUE OF 15,600,000 NEW SHARES ON COMPLETION OF THE PROPOSED ACQUISITION BY I M QUARRIES LIMITED OF THE ENTIRE ISSUED AND PAID UP SHARE CAPITAL OF THREE CRYSTALS HONG KONG LIMITED**

### **IMPORTANT NOTICE**

This Information Memorandum is dated 11 August 2015 and is issued by I M Quarries Limited to comply with Rule 4.4(2) for and in connection with the proposed issue of 15,600,000 new Shares on completion of the Proposed Transactions.

This Information Memorandum is issued together with and is attached to a Circular to Shareholders dated 11 August 2015 (the "Circular") in relation to the Proposed Transactions, which, if completed, will change the nature and scale of the Company's activities. The Circular is issued to seek Shareholders' approval for the change as is required under Rule 6.42. Further details as to the Company's history and reasons for the proposed change are set out in this Information Memorandum and in the Circular. Unless otherwise defined or the context requires otherwise, capitalised terms in this Information Memorandum shall have the same meaning as defined in the Circular.

The new Shares to be issued under this Information Memorandum will be issued only to the Vendor and/or the Introducer and/or to persons nominated by them, and will be issued subject to a restriction on their transfer and on-sale for a period of 12 months following their issue. Therefore, no Share is being offered to the public under this Information Memorandum.



## CORPORATE DIRECTORY

The following in the corporate directory of I M Quarries Limited (the “Company”):

### **Directors**

Lam Peck Heng  
*Independent Non-executive Chairman*

Chong Hock Tat, Robin  
*Managing Director*  
Chua Soon Beng Ellen  
*Non-executive Director*

Mah Seong Kung  
*Independent Non-executive Director*

### **Corporate Advisor**

Biztrack Consultants Private Limited  
Room 703 Kowloon Building  
555 Nathan Road  
Hong Kong

### **Australia Lawyers<sup>#</sup>**

Kings Park Corporate Lawyers  
Level 2, 45 Richardson Street  
West Perth WA 6005

### **Registered Address in Australia**

C/- Tony Ng & Co  
Level 1, 115 Lonsdale Street  
Melbourne VIC 3000

### **Share Registry<sup>#</sup>**

Link Market Services Limited  
Central Park, Level 4  
152 St Georges Terrace  
Perth WA 6000

### **Auditors<sup>#</sup>**

Name of firm:	MGI Singapore PAC Certified Public Accountants & Chartered Accountants (Singapore)
Address:	51 Anson Road #02-57 Anson Centre Singapore 079904
Partner-in-charge:	Ramachandran Sri Kumar
Professional qualification:	Chartered Accountant (Singapore) Registered Public Accountant

### **Company Secretary<sup>#</sup>**

Justin Tay Sheng Kwang ACIS

### **Registered Agent in Australia<sup>#</sup>**

Tony Ng FCPA, FFin, FCIS, FGIA

### **Nominated Advisor<sup>#</sup>**

Kings Park Corporate Lawyers  
Level 2, 45 Richardson Street  
West Perth WA 6005

### **Singapore Lawyers<sup>#</sup>**

TanLim Partnership  
101 Cecil Street #19-02  
Tong Eng Building  
Singapore 069533

### **Registered Address in Singapore**

21 Bukit Batok Crescent #15-74  
WCEGA Tower  
Singapore 658065

### **Principal Banker<sup>#</sup>**

OCBC BANK  
North Branch  
460 North Bridge Road  
Singapore 188734

<sup>#</sup> These persons were not involved in the preparation of this Information Memorandum and have not made any statement included in this Information Memorandum nor is there any statement made in this Information Memorandum on the basis of any statement made by these persons. These persons did not consent to being named in this Information Memorandum and did not authorise or cause the issue of this Information Memorandum.



## 1. GENERAL INFORMATION ON THE APPLICANT

The Company was incorporated in and under the laws of Singapore as a public company limited by shares (UEN 201120428N) on 30 August 2011 under its initial name "M2L Holdings Limited", and became registered under the Corporations Act in Australia (ARBN 154 095 897) on 18 November 2011.

The Company adopted its current name "I M Quarries Limited" pursuant to a Shareholders' resolution passed at an Annual General Meeting on 9 August 2015.

The Company's shares (issued in the form of CDIs) are listed on NSX since 17 April 2012. Save as aforesaid, none of the Company's securities is listed on any other stock exchange.

## 2. SECURITIES (AS OF LATEST PRACTICABLE DATE)

### 2.1. Share class information

As of the Latest Practicable Date, the Company has only one class of shares in issue, namely Ordinary Shares, issued as follows:

Sub-designation of security		Number of securities issued	Voting rights attaching to each security	The amount of fully paid up security
Ordinary Shares for which CDIs had been issued	Held by shareholders	39,619,001	Subject always to Note <sup>(1)</sup> below, each shareholder is entitled to one vote for each share.	S\$833,993
	Held by the Company	21,797,999		S\$1 <sup>(2)</sup>
		<u>61,417,000</u>		<u>S\$833,994</u>
Ordinary Shares issued in script form	Held by a shareholder	1,000	Subject always to Note <sup>(1)</sup> below, each shareholder is entitled to one vote for each share.	S\$1,000
	Held by the Company	2,000		S\$1 <sup>(2)</sup>
		<u>3,000</u>		<u>\$1,001</u>
Total Ordinary Shares in issue		<u>61,420,000</u>		<u>\$834,995</u>

<sup>(1)</sup> The Company will not exercise any voting right in respect of Shares held by and registered in the name of the Company.

<sup>(2)</sup> Nominal value.

The Company will issue 15,600,000 new Shares in the form of CDIs on completion of the Proposed Transactions. These shares will be issued subject to an escrow period of one year from the re-quotation of the Company's CDIs. In this event, the proforma share capital in issue will be as follows:



Sub-designation of security		Number of securities issued	Voting rights attaching to each security	The amount of fully paid up security
Ordinary Shares for which CDIs had been issued	Held by shareholders	55,219,001	Subject always to Note <sup>(1)</sup> above, each shareholder is entitled to one vote for each share.	S\$2,393,993
	Held by the Company	21,797,999		S\$1 <sup>(2)</sup>
		77,017,000		S\$2,393,994
Ordinary Shares issued in script form	Held by a shareholder	1,000	Subject always to Note <sup>(1)</sup> above, each shareholder is entitled to one vote for each share.	S\$1,000
	Held by the Company	2,000		S\$1 <sup>(2)</sup>
		3,000		\$1,001
Total Ordinary Shares in issue		77,020,000		\$2,394,995

## 2.2. Directors' Shareholdings

As of the Latest Practicable Date, the directors' shareholdings (on an actual basis before the Proposed Transactions and on a proforma basis after the Proposed Transactions are completed) are as follows:

Director	Before Proposed Transactions			After Proposed Transactions		
	Direct Interest	Deemed Interest	% of issued capital	Direct Interest	Deemed Interest	% of issued capital
Lam Peck Heng						
Chong Hock Tat Robin	20,000,000 <sup>(1)</sup>		32.56	20,000,000 <sup>(1)</sup>	-	25.97
Chua Soon Beng Ellen	2,797,000		4.55	2,797,000	-	3.63
Mah Seong Kung					-	

<sup>(1)</sup> Includes 1,000 Shares held in script form

## 2.3. Substantial Shareholding

As of the Latest Practicable Date, the shareholdings of substantial shareholders (defined as a person who owns 5% or more of a class of security) (on an actual basis before the Proposed Transactions and on a proforma basis after the Proposed Transactions are completed) are as follows:

Substantial Shareholder	Before Proposed Transactions			After Proposed Transactions		
	Direct Interest	Deemed Interest	% of issued capital	Direct Interest	Deemed Interest	% of issued capital
Chong Hock Tat Robin	20,000,000 <sup>(1)</sup>		32.56	20,000,000 <sup>(1)</sup>	-	25.97



Substantial Shareholder	Before Proposed Transactions			After Proposed Transactions		
	Direct Interest	Deemed Interest	% of issued capital	Direct Interest	Deemed Interest	% of issued capital
He Jiguo	-	-	-	4,757,408	-	6.18

<sup>(1)</sup> Includes 1,000 Shares held in script form

#### 2.4. Analysis of Shareholdings

As of Latest Practical Date, the distribution of holders of CDIs issued by the Company (including CDIs which are subject to escrow arrangements) (on an actual basis before the Proposed Transactions and on a proforma basis after the Proposed Transactions are completed) are as follows:

Holding	Before Proposed Transactions			After the Proposed Transactions		
	Number of holders	Number of CDIs	% of issued capital	Number of holders	Number of CDIs	% of issued capital
1 - 1,000	-	-	-	-	-	-
1,001 - 5,000	-	-	-	-	-	-
5,001 – 10,000	-	-	-	-	-	-
10,001 – 100,000	49	2,117,000	3.45	53	2,419,800	3.14
100,001 and above	16	37,502,001	61.06	29	52,799,201	68.56
	65	39,619,001	64.51	82	55,219,001	71.70
Held by the Company	1	21,797,999	35.49	1	21,797,999	28.30
	66	61,417,000	100.00	83	77,017,000	100.00

#### 2.5. Top 20 Shareholders

As of Latest Practical Date, the twenty (20) largest holders of CDIs issued by the Company (including CDIs which are subject to escrow arrangements and CDIs held by the Company) (on an actual basis before the Proposed Transactions and on a proforma basis after the Proposed Transactions are completed) are as follows:

S/No.	CDI-holder	Before Proposed Transactions		CDI-holder	After Proposed Transactions	
		Number of CDIs held	% of issued capital		Number of CDIs held	% of issued capital
1.	Chong Hock Tat Robin <sup>(1)</sup>	19,999,000	32.56	Chong Hock Tat Robin <sup>(1)</sup>	19,999,000	25.97
2.	Chua Soon Beng Ellen	2,797,000	4.55	He Jiguo	4,757,408	6.18
3.	Chong Hock Huat Raymond	2,461,667	4.00	Liau Beng Chye	3,467,200	4.50
4.	Yan Bohan	2,208,000	3.60	Chua Soon Beng Ellen	2,797,000	3.63



5.	Chua Kee Leng	2,000,000	3.26	Chong Hock Huat Raymond	2,461,667	3.20
6.	Fidus Custodians Limited	2,000,000	3.26	Yan Bohan	2,208,000	2.87
7.	Tay Meow Kian	1,713,333	2.79	Chua Kee Leng	2,000,000	2.60
8.	Michael Lim Chung Khoon	1,100,000	1.79	Fidus Custodians Limited	2,000,000	2.60
9.	Fong Pei Lian Jamie	1,000,000	1.63	Soo Teck Huat	2,000,000	2.60
10.	Lam Yew Kong	1,000,000	1.63	Tay Meow Kian	1,713,333	2.22
11.	Tay Kwee Yong	420,001	0.68	Wang Erli	1,600,000	2.08
12.	Goh Ai Ngoh	260,000	0.42	Michael Lim Chung Khoon	1,100,000	1.43
13.	Lin Ziyun Melody	260,000	0.33	Wang Li	1,100,000	1.43
14.	John Basil Loh	120,000	0.20	Fong Pei Lian Jamie	1,000,000	1.30
15.	Chan Keng Lian	120,000	0.20	Lam Yew Kong	1,000,000	1.30
16.	Citicorp Nominees Pty Ltd	103,000	0.17	Liu Jingbo	500,000	0.62
17.	Lin Zhiyi Linus	100,000	0.16	Lim Phing Ying	440,000	0.57
18.	Lin Zhili Lester	100,000	0.16	Tay Kwee Yong	420,001	0.55
19.	Chong Liling	100,000	0.16	Sie How Cheow Philip	300,000	0.39
20.	Shi Wen Jing	100,000	0.16	Sie How Suan	300,000	0.39
				Chua Swee Kheng	300,000	0.39
		37,902,001	61.71		51,463,609	66.82
	Held by the Company <sup>(2)</sup>	21,797,999	35.49		21,797,999	28.30
	Held by other CDI-holders	1,717,000	2.80		3,755,392	4.88
		61,417,000	100.00		77,017,000	100.00

<sup>(1)</sup> Chong Hock Tat Robin holds an additional 1,000 shares in script form

<sup>(2)</sup> The Company holds an additional 2,000 shares in script form

### 3. HISTORY AND NATURE OF BUSINESS

The Company had traded as a holding company for businesses in the education sector (*i.e.*, the Discontinued Business). The Discontinued Businesses were carried out by former subsidiaries which have since been disposed of pursuant to a Shareholders' resolution passed at an extraordinary general meeting held on 5 December 2012. Since then, the Company has not actively traded.

In its most recent audited financial statements, the Company reports a loss before taxation of S\$179,338 for the year ended 31 March 2015, and a net liability of S\$220,284 which is the sum owed to Chong Hock Tat Robin, a director of the Company.

In view of the aforesaid financial position of the Company, and that the Company has not actively traded since the former subsidiaries carrying on the Discontinued Businesses were disposed of, the directors have sought and assessed a number of possible investment opportunity which would be profitable in the short to near term. Having considered



available investment opportunities, the directors are of the view that the Houyao Garnet Project offers the Company the best possible opportunity. Therefore, the Company will, if Shareholders' approval is received, complete the Proposed Transactions to acquire a 55% interest in the Houyao Garnet Project.

The Houyao Garnet Project is a 0.95km<sup>2</sup> tenement operating under Exploration Licence Number 15120080702011049, a licence to explore for industrial (not gemstone) grade garnet. Some key features of the Houyao Garnet Project are:

- (a) it is located approximately 50km away from Hohhot, a modern city with a population in excess of 3 million people, in Inner Mongolia in the PRC;
- (b) a very detailed exploration programme for garnet potential had been completed;
- (c) it has a JORC Code compliant resource estimate of a total 20.43 million tonnes of resources, of which 11.26 million tonnes of resources are in the "indicated" category and a total 9.17 million tonnes of resources are in the "inferred" category; and
- (d) the independent geologist has identified an exploration target of between 10 million to 15 million tonnes of ore at grades of between 20% and 25% garnet. This additional ore will possibly come from deeper in one of the defined orebody (resource estimation currently calculated down to the 1,450RL) if the relevant government authority permits mining to go below 1,450RL. The potential quantity and grades of the exploration potential for are conceptual in nature as there has been insufficient exploration to estimate a mineral resource. It is uncertain if further exploration will result in the estimation of a mineral resource.

The Company had appointed Darlington Geological Services Pty Ltd to prepare an independent geologist's report. Fuller details on the geology, previous exploration and resources contained in the Houyao Garnet Project are set out in the independent geologist's report prepared by Darlington Geological Services Pty Ltd, a copy which is reproduced in full in Appendix C of the Circular.

The Company had also appointed Shanghai Lang Yue Law Firm to carry out legal due diligence and to report on the exploration licence of the Houyao Garnet Project. Details on applicable PRC laws and the exploration licence are set out in the Independent Legal Counsel's Report on the Tenement prepared by Shanghai Lang Yue Law Firm which is reproduced in full in Appendix D of the Circular.

The Company is seeking Shareholders' approval to change the nature and scale of its business from a company investing in the education sector to a company engaged in mining exploration and production by acquiring a 55% interest in the Houyao Garnet Project.

#### 4. SUMMARY OF PERFORMANCE

A summary of the performance of the Company for the last three financial years / periods is as follows:

	Period from 01.04.2014 to 31.03.2015 (12 months)	Period from 01.10.2012 to 31.03.2014 (15 months)	Period from 30.08.2011 (incorporation) to 30.09.2012 (13 months)
(In S\$)			
<b>Revenue</b>			
Other income	-	27,590	-



**Cost and expenses**

Employee benefits	-	92,820
Loss on disposal of subsidiary	550,365	-
Other operating expenses	179,338	158,347
	179,338	708,712
Loss before taxation	(179,338)	(681,122)
Taxation	-	-
Loss after taxation	(179,338)	(681,122)
Other comprehensive income	-	-
Total comprehensive loss for period	(179,338)	(681,122)

**5. TABULATION OF BALANCE SHEET**

A tabulation of the Company's audited balance sheet for each of the last 3 financial years, including a calculation of the net asset value per Share, are as follows:

(In S\$)	Statement of Financial Position as of		
	31 March 2015	31 March 2014	30 September 2012
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash at bank	-	-	103
<b>Non-Current Assets</b>			
Amount due from subsidiary	-	-	2,216,600
Investment in subsidiary	-	2	2
Other receivables	-	-	201,307
Intangible asset	-	-	49,999
	-		2,467,908
<b>TOTAL ASSETS</b>	<b>-</b>	<b>2</b>	<b>2,468,011</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Current Liability</b>			
Other payables	220,284	40,948	121,604
<b>Capital and Reserves</b>			
Share Capital	3,101,594	3,101,594	2,541,226
Shares held for re-issue	(2,266,599)	(2,266,599)	-
Accumulated losses	(1,055,279)	(875,941)	(194,819)
	(220,284)	(40,946)	2,346,407
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>-</b>	<b>2</b>	<b>2,468,011</b>
<b>NET ASSET / (LIABILITY) PER SHARE (IN SINGAPORE CENTS)</b>			
	(0.56) <sup>(1)</sup>	(0.10) <sup>(1)</sup>	3.82 <sup>(2)</sup>

<sup>(1)</sup> Calculated based on 39,619,001 Shares

<sup>(2)</sup> Calculated based on 61,420,000 Shares, the number of issued shares as of the balance sheet date



## **6. CHILD ENTITIES**

The Company does not have any child entity.

## **7. DISTRIBUTION RECORD**

No dividend or any other distribution has been paid by the Company to any Shareholder since the incorporation of the Company.

## **8. LITIGATION**

There has been no litigation or claim of material importance made against the Company since its incorporation, nor is there any pending or threatened against the Company.

## **9. MANAGEMENT**

### **9.1. Lam Peck Heng, Independent Non-executive Chairman**

Residential address: 20 Jalan Hajjah #03-24, Laguna Green  
Singapore 468726

Lam Peck Heng has extensive experience in both the public and private sectors in Singapore. He had been a teacher, a senior officer at the Economic Development Board and an administrative officer at the Ministry of Finance. His experience in the private sector includes being an assistant general manager in a Singapore government owned international trading company. Subsequently, he was appointed as registrar and executive director of the Singapore Society of Accountants (now known as the Institute of Singapore Chartered Accountants). He was appointed as Singapore's Head of Mission in Myanmar from 1988 to 1992 and served as Singapore's High Commissioner to India from January 1993 to June 1996 and as High Commissioner to New Zealand from July 1996 to June 2000. He was also the Honorary Consul of the Kingdom of Bhutan in Singapore from 1983 to 1988.

Lam Peck Heng holds a Bachelor of Science degree with Honours from the University of Singapore and a Master of Arts (Mathematics) degree from the University of Kansas, United States.

Currently, Lam Peck Heng is independent non-executive director of two companies listed on the Singapore Exchange, namely Memstar Technology Limited and Eratat Lifestyle Limited. He was previously independent non-executive director of a number of other public companies listed on the Singapore Exchange, including Keda Communications Limited, China Zaino International Limited, Bright Orient Holding Limited and China Auto Electronics Group Limited.

### **9.2. Chong Hock Tat Robin, Managing Director**

Residential address: 9 Greenleaf Grove  
Singapore 279494

Robin Chong is a finance graduate from Santa Clara University in the United States. He is a Fellow of the Chartered Management Institute, a professional institution for managers incorporated in the United Kingdom by Royal Charter. The projects which



Robin Chong has successfully invested and managed in the past include property management, internet technology start-ups, electronic publishing and education. He founded and incubated a private educational centre in Chongqing, China offering courses leading to the University of Cambridge International Examinations.

As Managing Director, Robin Chong is responsible for sourcing and assessing investment opportunities for the Company, and will oversee the Company's proposed acquisition of the Houyao Garnet Project and its development thereafter.

Robin Chong is a director of several private companies in Singapore. He does not hold, nor has he held, any directorship in other public company.

9.3. Chua Soon Beng Ellen, Non-executive Director

Residential address: 9 Greenleaf Grove  
Singapore 279494

Ellen Chua is the founder and owner of Pace Advertising Private Limited which she started in 1963. It is one of the oldest advertising agencies in Singapore. She is also a Fellow of The Chartered Institute of Management and graduated from Harvard University Graduate School of Business Administration in 1991 under the Owner and President Management Programme. She was a Vice President of Singapore Women's Association for several years until she started her own social group known as 'New Women' in the 1970's. New Women is now serving more than 10 charitable organisations in Singapore.

Ellen Chua is a director of several private companies in Singapore. She does not hold, nor has she held, any directorship in other public company.

9.4. Mah Seong Kung

Residential address: Block 511 Choa Chu Kang Street 51 #13-249  
Singapore 680511

Mah Seong Kung who graduated with an accountancy degree from the National University of Singapore is a Chartered Accountant (Singapore). Being formerly a registered person licensed to advise on corporate finance under the Securities & Futures Act by the Monetary Authority of Singapore, his experience and core competency is in investment banking and corporate advisory. Mah Seong Kung's prior work and professional experience includes being a director of a capital market services licensed advisory house, the general manager of a public company listed on the Singapore Exchange and an investment officer of a listed venture capital fund.

When performing the roles and functions normally carried out by an audit committee (if one is constituted) or when the board meets as the audit committee it will be chaired by Mah Seong Kung who has the relevant financial expertise.

Currently, Mah Seong Kung is an independent director and the chairman of the audit committee of Mercurius Capital Investment Limited, a public company listed on the Singapore Exchange.



9.5. *Other information on the directors*

Save as disclosed below:

- (a) there is no family relationships between any of the directors; and
- (b) none of the directors has, in any jurisdiction, been convicted in any criminal proceeding or has had a bankruptcy petition filed against him or any partnership in which he was a partner or any body corporate of which he was a director or has been sanctioned or otherwise disciplined by any self regulatory securities association of which he is or has been a security holder or any securities supervisory or regulatory body or any such event is pending.

**Disclosures:**

The Company makes the following disclosures:

- (1) Chua Soon Beng Ellen, a Non-executive Director, is the mother of Chong Hock Tat Robin, the Managing Director; and
- (2) Currently, Lam Peck Heng is an independent non-executive director of Eratat Lifestyle Limited ("Eratat"), a public company listed on the Singapore Exchange. On 22 August 2014 and upon an application by bondholders of Eratat, the High Court of Singapore ordered that, *inter alia*, Eratat be placed under judicial management to achieve one or more of the following purposes:
  - (i) the survival of Eratat, or the whole or part of its undertaking as a going concern; and
  - (ii) a more advantageous realisation of the Eratat's assets would be effected than on a winding up.

Judicial management proceedings are broadly similar, but not identical, to voluntary administration proceedings in Australia. As of the Latest Practicable Date, Eratat is still under judicial management

**10. STATEMENT OF NON-COMPLIANCE**

There is no requirement of the Listing Rules which the Company cannot meet.

**11. DECLARATION**

The Company hereby declare that to the best of the its knowledge, information and belief:

- (a) save as specified in this Information Memorandum, all the qualifications for listing set out in Chapter 3 of Section IIC of the Listing Rules have, in so far as applicable and required to be met and fulfilled prior to application, been met or fulfilled in relation to the Company and its securities the subject of the application;
- (b) all information required to be included in the disclosure document or information memorandum pursuant to Rule 4.7 and the Corporations Act will be included; and

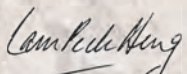


- (c) there are no other facts bearing on the Company's application for the listing of the securities to be issued under this Information Memorandum which, in the Company's opinion, should be disclosed to the NSX.

Dated: 11 August 2015

Signed for and on behalf of

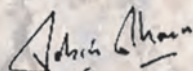
**I M QUARRIES LIMITED**



Lam Peck Heng

Independent Non-executive Chairman

Singapore



Chong Hock Tat Robin

Managing Director

Singapore



# **Darlington Geological Services Pty Ltd**

(ABN 56 125 009 725)

10 Hispano Place  
Carine  
WA 6020

Mobile: 0488 151 822  
Email: [darlingtongeoservices@gmail.com](mailto:darlingtongeoservices@gmail.com)

11 August 2015

The Directors  
I M Quarries Limited  
21 Bukit Batok Crescent #15-74,  
WCEGA Tower  
Singapore 658065

Dear Sirs,

## **INDEPENDENT GEOLOGIST'S REPORT ON THE HOUYAO GARNET PROJECT IN INNER MONGOLIA, PEOPLE'S REPUBLIC OF CHINA**

### **Background Information**

This independent geologist's report has been prepared by Darlington Geological Services Pty Ltd ("DGS") (ABN 56 125 009 725) at the request of I M Quarries Limited (ARCA 201120428N ARBN 154 095 897) ("MLH") to provide an independent appraisal of the Houyao Garnet Project in Inner Mongolia, People's Republic of China. The report also covers a limited area outside the proposed acquisition, and is done so to enhance the understanding of the area in general.

This report has been prepared in accordance with the Australasian Code for Reporting on Exploration Results, Mineral Resources and Ore Reserves December 2012 edition ("JORC Code"), the Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports ("Valmin Code"), and Regulatory Guides 111 and 112 relating to Independent Expert Reports by the Australian Securities and Investments Commission ("ASIC") and relevant requirements of the Listing Rules of the Australian Securities Exchange ("ASX") and the National Stock Exchange of Australia ("NSX").

This report has been prepared by Peter A Peebles who is the Principal of DGS, a qualified geologist, a Member of the Australasian Institute of Mining & Metallurgy ("AusIMM") and a Member of the Australian Institute of Geoscientists ("AIG"). He has had 28 years' experience in mineral exploration and evaluation and more than 20 years' experience in mineral asset valuation.

Mr Peebles has the appropriate qualifications, experience, competence and independence to be considered an "Expert" under the definitions provided in the Valmin Code and "Competent Person" as defined in the JORC Code.

The information in this report that relates to Exploration Targets is based on information compiled by Mr Peebles who has sufficient experience which is relevant to the styles of mineralisation and types of deposit under consideration and to the activity which has been undertaken to qualify as a Competent Person as defined by the 2012 edition of the "Australian Code for the Reporting of



Exploration Results, Mineral Resources and Ore Reserves” (JORC Code). Mr Peebles consents to the inclusion in the report of information compiled by him in the form and context in which it appears.

Mr Peebles does not have any material interest either direct, indirect or contingent in MLH nor in any of the mineral assets included in this report nor in any other MLH asset. DGS has had no input into the formulation of the mineral tenement under review. This Report has been prepared by DGS strictly in the role of an independent consulting geologist. The present status of tenement listed in this Report is based on information provided by MLH and the Report has been prepared on the assumption that the tenement will prove lawfully accessible for evaluation and development. The legal status of the tenements has not been investigated or assessed, nor have any political, environmental considerations been considered. This report is an Independent Geologist’s Report and deals with the prospectivity of the tenements subject to this report only.

MLH has warranted to DGS that full disclosure has been made of all material information in its possession or knowledge and that such information is complete, accurate and true. None of the information provided by MLH has been specified as being confidential and not to be disclosed in this Report.

The author has taken all care to ensure that this report is based on the best information available at the time of writing this report, but will not be held liable for any inaccuracies or omissions contained with information received from MLH or it’s representatives.

Fees for the preparation of this Report are being charged at normal commercial rates with expenses being reimbursed at cost. Payment of fees and expenses is in no way contingent upon the conclusions of this document.

Information used in the preparation of this Report has been derived from technical information provided by MLH, as well as a site visit.

The writer is generally familiar with the various geological settings and styles of mineralisation and combined with the technical data available are able to make informed comments on the Houyao Garnet Project.

Yours faithfully,

For and on behalf of Darlington Geological Services Pty Ltd



(Signed)

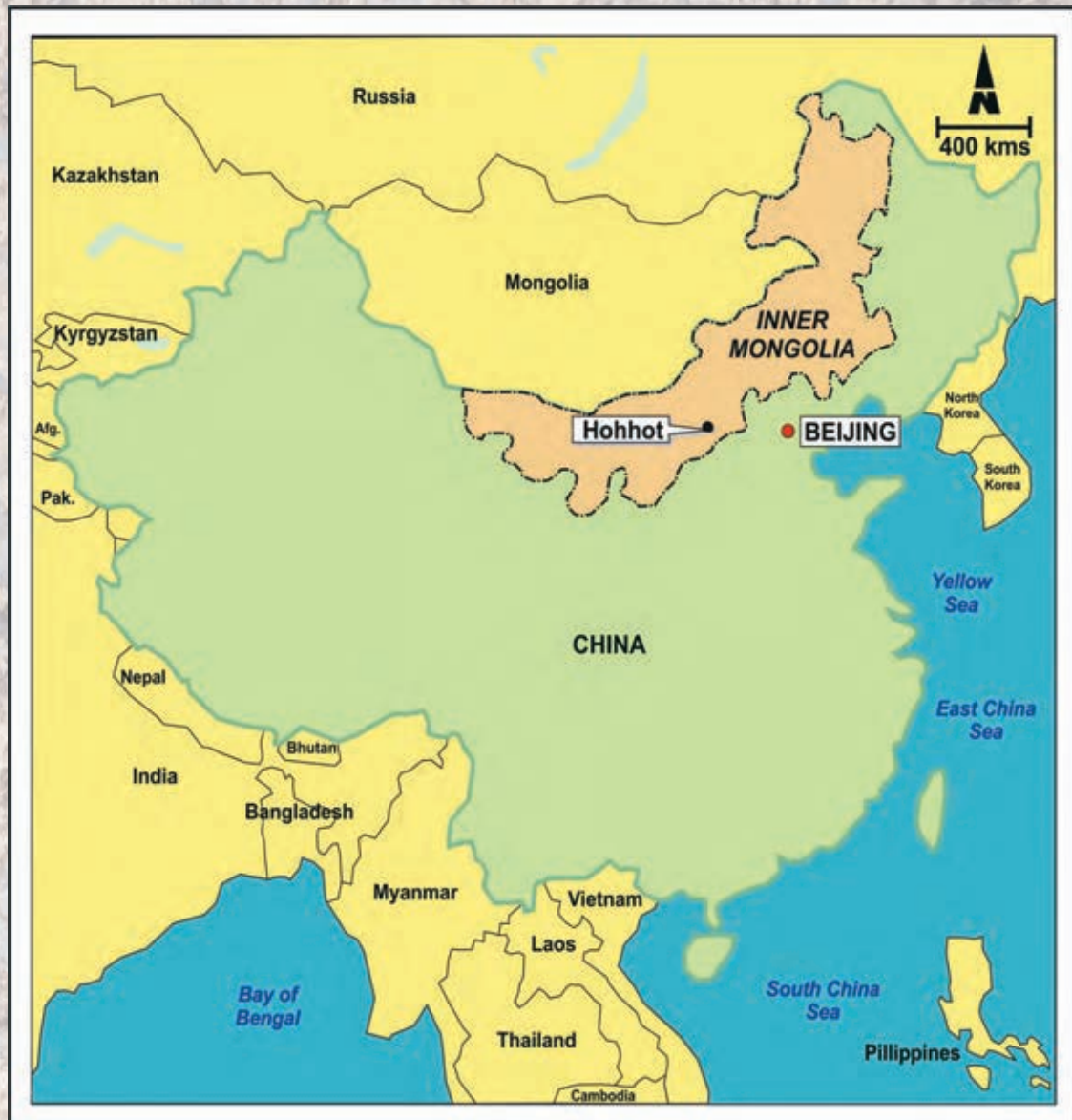
Peter A Peebles

BSc(Geol), AIG, AusIMM



## 1. Introduction

MLH has commissioned DGS to complete an independent geological appraisal of the Houyao Garnet Project in Inner Mongolia, People's Republic of China. Inner Mongolia has a small mining industry and is emerging as a Province which has an increasing interest in developing a viable mining industry. Figure 1 shows the location of Inner Mongolia within the People's Republic of China. The city of Hohhot, with a population in excess of 3 million people, is a modern city and is by far the largest city within Inner Mongolia and serves as its capital.



**Figure 1: Location of Inner Mongolia within the Peoples Republic of China**

Garnet is primarily used as an abrasive. Once concentrated and screened, the garnet is available in a variety of particle sizes, depending upon the final usage. Common uses are:

- Various grades of “sandpaper”
- As a sandblasting agent
- Mixed with water and used as an abrasive to clean the inside of pipes
- Cleaning of ships and military vehicles
- Water jet cutting
- Water filter medium



In recent times, the use of quartz sand has been banned in many countries because of the risk of the lung disease “silicosis”. Garnet, because of its fracture pattern and hardness is rapidly becoming the replacement for quartz sand and demand for garnet is steadily increasing.

A Resource of 20,430,000 tonnes of garnet bearing material at an average grade of 22.67% garnet has been estimated for the Houyao Garnet Project.

## 2. Location and Access

The Houyao Garnet Project is located within Inner Mongolia within the People’s Republic of China. The nearest major city is Hohhot which is the capital of Inner Mongolia. The project is located approximately 50km to the south-east of Hohhot. Figure 2 shows the location of the Project. Access to the tenement is not difficult, with a major regional highway nearby, and a regional road some 2km away.

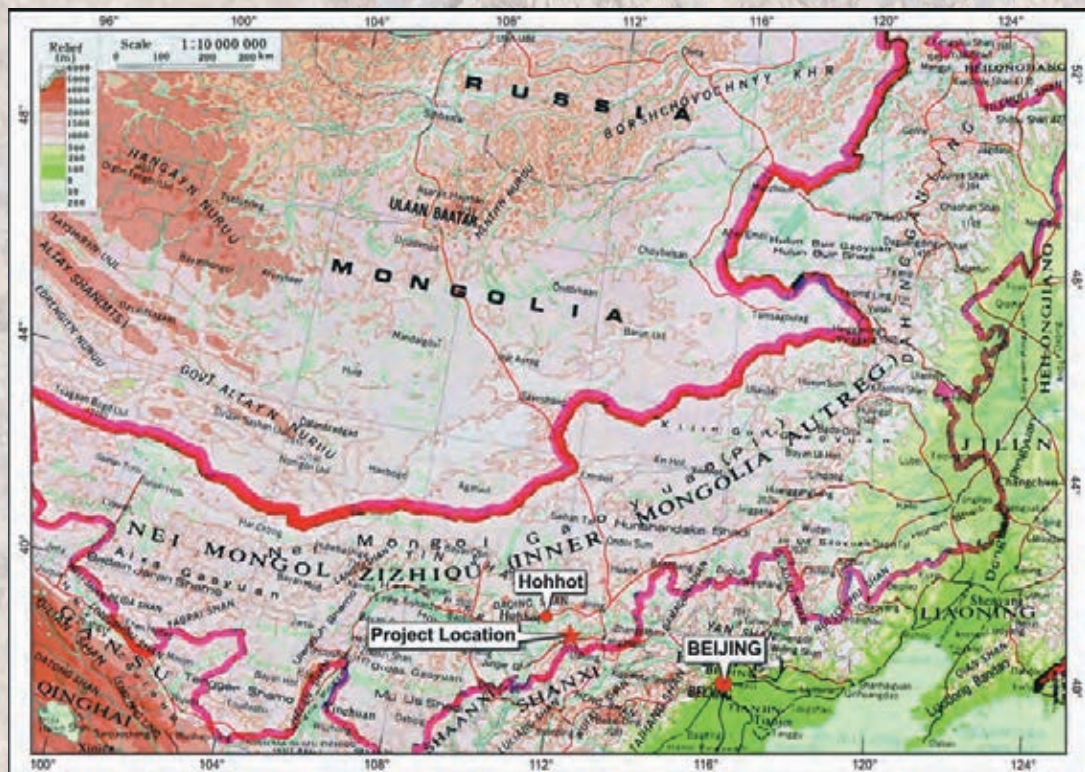


Figure 2: Location of the Houyao Garnet Project

There has been a history of small scale garnet mining in the area. There are at least three garnet concentrating facilities within a 5km distance from the project. There is adequate electric power in the local region and there is a large amount of water available in summer from the Heilaoyao River, which is 3km to the south of the project. There is also excellent communication facilities within the project area.

The Houyao Garnet Project is within a hilly terrain with altitudes between 1460 and 1700m above sea level. The area is semi-arid and has a short “frost free” period (about 120 days only). Temperatures can vary within extremes of +35 deg C to below -30 deg C. Annual rainfall averages about 400mm.



### **3. Tenure**

The Project is located within an Exploration Licence held by the Inner Mongolia Three Crystals Mining Co., Limited. The tenement currently has an area of 0.95 sq km (95 hectares) and is current until July 2016.

### **4. Garnet Exploration**

The Houyao Garnet project was initially explored for potential gold mineralisation between 2008 and 2012. There is a shallow shaft, an adit and a 30 metres long adit, and reportedly 2 diamond drill holes, with the location only approximately know. Gold occurs within quartz veins which are no more than 10cm thick and although some 89 samples were taken, the gold grades were only 1.15g/t to 12.8 g/t. Figure 4 shows the approximate location of the gold area while Plates 1 and 2 show the shaft and adit.



**Plate 1: Gold Exploration Shaft**



**Plate 2: Gold Exploration Adit**



It must be noted that the relevance of the gold occurrence has not been assessed in this report. It is mentioned because it is known to exist, but no further discussion of the gold prospectivity will be undertaken.

The focus of this report is that of the garnet potential within the tenement. The garnet potential has been assessed by the Inner Mongolia Minerals Experimental Research Unit, which oversaw the exploration for garnet within the area. Between July 2012 and the end of 2013, the Inner Mongolia Experimental Research Unit conducted a very detailed exploration programme. This consisted of a topographic survey with measurements taken every 2.5 metres on lines spaced 25 metres apart. This gave rise to a very detailed topographic control. A total of 7 vertical diamond drill holes totalling 825 metres were drilled along the length of the main garnet orebody, the location of which are shown in Figure 4. The composite sample intervals varied but were typically of 3 metres. A total of 226 samples were sent for garnet analysis. Whole diamond core was sent for laboratory analysis after SG determinations had been made. Core size was 110mm near surface down to 91mm in hard bedrock.

Surface sampling consisted of a total of 24 lines which were spaced at either 50 or 100 metre intervals. Where necessary, trenches were excavated but where outcrop was encountered, channel sampling was employed. The 24 sample lines totalled 3,775 metres with 1,434 composite samples submitted for garnet analysis. Composite samples intervals representing 1.5 metres to 6 metre intervals, but typically 2 to 3 metres intervals.

The drillhole collar information and significant trench and drill results are shown as Table 1 and Table 2 respectively.



**Plate 3: Surface Trench Within Orebody I**



Hole ID	E	N	RL	Dip	Azimuth	EOH
ZK0-1	37593208.7	4480363.1	1531.8	-90	0	107.4
ZK12-1	37593453.6	4480542.2	1571.5	-90	0	133.7
ZK15-1	37592849.9	4480184.9	1540.6	-90	0	107.4
ZK16-1	37593540.4	4480592.4	1554.3	-90	0	141.5
ZK4-1	37593284.5	4480439.0	1534.1	-90	0	107.3
ZK7-1	37593033.4	4480265.1	1522.3	-90	0	106.3
ZK8-1	37593369.9	4480487.2	1549.1	-90	0	121.4

**Table 1: Drill Hole Collar Information**

	Trench & Hole ID	From (metres)	To (metres)	Intercept (metres)	Garnet%
<b>Drill Holes</b>	ZK 0-1	14.4	99.6	85.2	23.19
	ZK 4-1	9.9	96.4	86.5	23.34
	ZK 7-1	6.0	94.7	88.7	22.57
	ZK 8-1	22.5	110.9	88.4	23.88
	ZK 12-1	22.0	126.0	104.0	23.61
	ZK 15-1	8.0	95.6	87.6	22.50
	ZK 16-1	31.3	132.0	100.7	23.63
<b>Trenches</b>	TC 0-1	10.6	133.6	123.0	22.74
	TC 0-2	110	143.3	33.3	18.79
	TC 2-1	5.0	118.0	113.0	23.11
	TC 3-1	5.0	95.7	90.7	23.26
	TC 3-2	62.0	110.0	48.0	19.06
	TC 4-1	7.0	110.0	103.0	23.44
	TC 4-2		No Results >14% Garnet		
	TC 6-1	7.5	124.2	116.7	23.52
	TC 7-1	4.7	128.4	123.7	22.59
	TC 7-2	96.0	116.0	20.0	18.90
	TC 8-1	5.5	111.3	105.8	23.54
	TC 8-2	18.0	40.0	22.0	18.57
	TC 10-1	5.0	105.0	100.0	24.86
	TC 11-1	2.7	118.1	115.4	22.8
	TC 11-2		No Results >14% Garnet		
	TC 12-1	4.1	100.8	96.7	23.20
	TC 12-2	22.0	67.0	45.0	18.80
	TC 14-1	3.5	91.8	88.3	22.96
	TC 15-1	3.2	87.3	84.1	22.56
	TC 16-1	4.6	91.2	86.6	23.33
	TC 16-2	20.0	50.0	30.0	18.50
	TC 18-1	4.2	92.5	88.3	23.07
	TC 20		No Results >14% Garnet		
	TC 24		No Results >14% Garnet		

**Table 2: Significant Drill and Trench Intercepts**



The SG of the garnet ore was determined by measuring the SG of 32 separate samples. The average SG was 2.81 with a low of 2.78 and a high of 2.84. The average SG was used to calculate tonnages in the resource estimation (see Section 7).

The laboratory also undertook some metallurgical studies which consisted of beneficiating the garnet through crushing, and concentrating using both high and low magnetic separators. The results indicate that the garnet can be concentrated to 92.4% with an overall recovery of 82.3%. Plate 3 shows the laboratory magnetic separators. Also an overall average hardness of the garnet concentrate was undertaken, with the average hardness of the concentrate being 7.2, taken from the examination of 24 samples.



**Plate 4: Laboratory Magnetic Separators**

All the garnet analysis, as well as the SG determinations, recoveries and concentrate grades and hardness studies were conducted by the Inner Mongolia Minerals Experiment Research Institute, Mineral Processing Laboratory in Hohhot.

## **5. Geology**

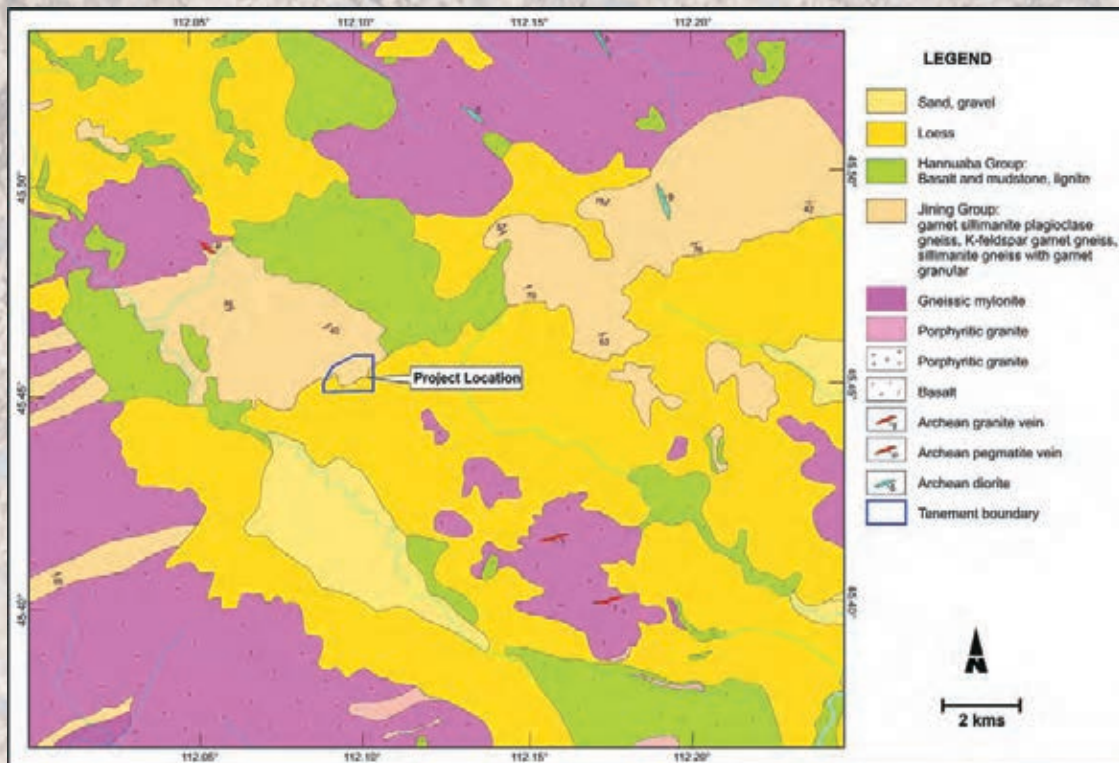
### **5.1. Regional Geology**

The main stratigraphic units exposed in the area are:

- Archaen Jining Group which has a regional strike in a N-E direction. It consists of biotite-sillimanite garnet plagiogneiss, garnet potassium feldspar gneiss, migmatite gneiss and granulites. The Jining Group has been intruded by various stages of granites, and porphyritic granites. The Jining Group has a thickness which exceeds 3,500 metres.
- Pliocene Hannuoba Group, which consists of basalts with occasional tuffs and shales. It has a thickness of about 250 metres. Figure 3 shows the regional geological setting.
- Pleistocene sediments which consist of mainly loess.

Both the Jining Group and the Pleistocene loess are exposed within the Project area.





**Figure 3: Regional Geology**

## 5.2. Project Geology

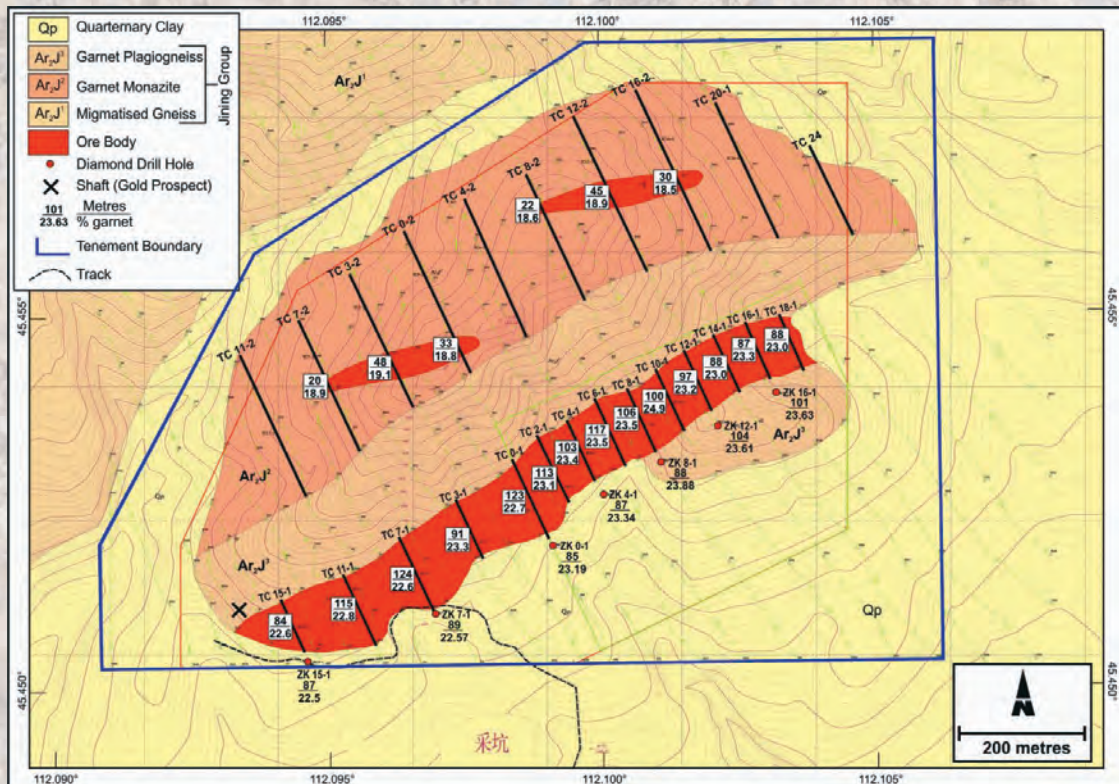
The exposed lithologies within the Project area consist of the Archaen Jining Group and the Pleistocene loess.

The Jining Group can be subdivided into three sub-groups, these being a migmatised gneiss ( $Ar_2J^1$ ), a garnet monazite ( $Ar_2J^2$ ) and a garnet plagiogneiss ( $Ar_2J^3$ ). All three units have a NE strike with a SE dip of between 40 and 50 deg. Figure 4 shows the basic geological units together with the trench and drill hole locations and significant intercepts.

The migmatised gneiss is towards the NW of the tenement, with the garnet content averaging between 3 and 5%. It follows the regional strike of 60 to 65 deg (NE) with a 40 – 50 deg dip to the SE.

The garnet monzonite is exposed within the centre of the project area. Orebodies II and III are within this unit. The unit as a whole has a garnet content of less than 15%, but the Orebodies II and III have garnet concentrations of 18.7% and 18.9% respectively. Both orebodies have orientations very similar to that of the regional trend ie a NE strike with a SE dip of between 40 and 50 deg.





**Figure 4: General Geology and Location of Trenches, Drillholes and Significant Intercepts**

The garnet plagiogneiss is located in the middle of the project area and it has an overall garnet content of more than 10%. Within this unit is Orebody I which has a garnet grainsize of between 2mm and 10mm.

## 6. Mineralisation

The three garnet mineralised zones (Orebodies I, II and III (see Figure 8) have been defined by a combination of geological mapping, channel/trench sampling as well as 7 diamond drillholes. Figure 4 shows the basic geology, orebody locations and significant intercepts. The intercepts are based on a minimum garnet content of 14% as currently this is viewed by current operators as the minimum economic grade.

Orebody I is by far the largest of the three defined orebodies. It has been defined by geological mapping, trench/channel sampling and the 7 diamond drillholes. It has a true thickness of between 40 and 70 metres and an average garnet grade of 23.22%. The mineralised zone extends over a length of 850 metres and has been defined to at least the 1450 RL and has an orientation coincident with the regional trend.

Orebodies II and III have been defined by mapping and trench/channel sampling only with no drilling being conducted. Both orebodies have a true width of between 15 and 35 metres and have average garnet grades of 18.7 and 18.9% respectively. The orientation of the ore bodies has been determined by surface mapping. The orientations are coincident with the overall regional trend which is a strike direction of approximately 60 to 65 deg with a SE dip of between 40 and 50 deg.

Figures 5, 6 and 7 show sections through Orebodies I, II and III while Plate 5 shows some higher grade garnet bearing ore.



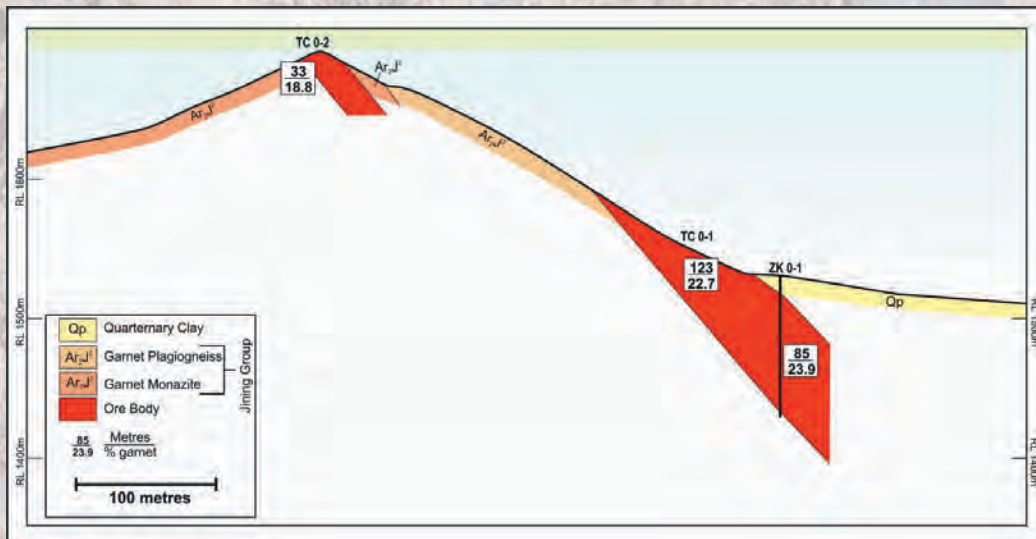


Figure 5: Section Through Trench 02, 01 and Drillhole ZK01

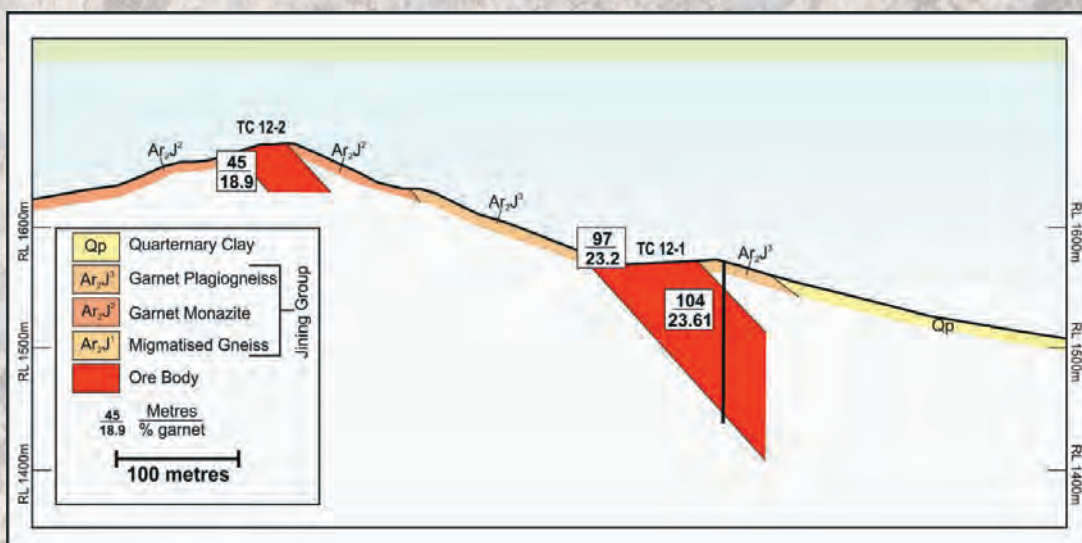


Figure 6: Section Through Trench 12-2, 12-1 and Drillhole ZK12-1

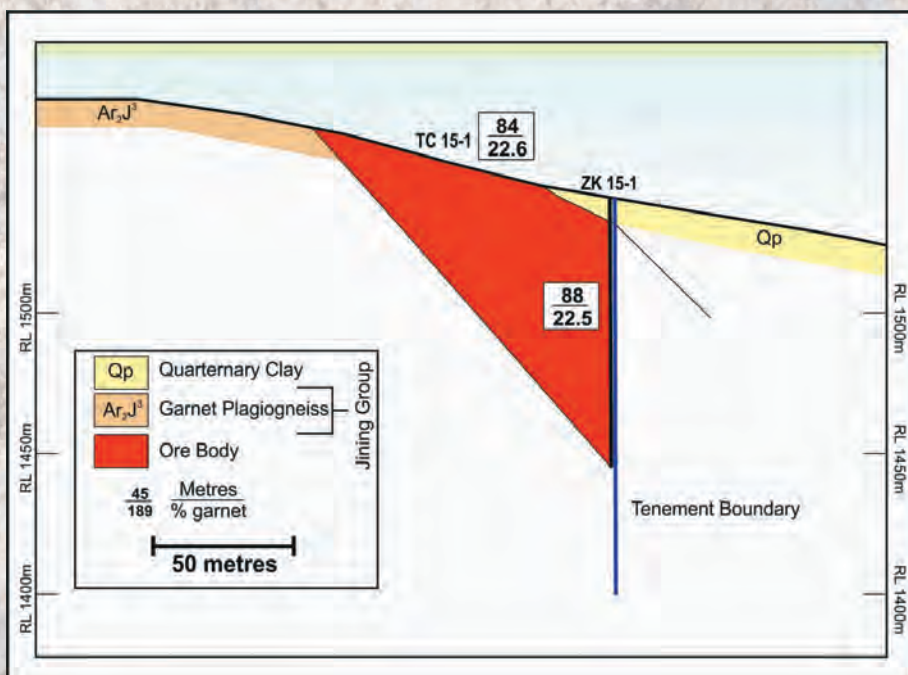


Figure 7: Section Through Trench 15 and Drillhole ZK 15-1





**Plate 5: Garnet Ore (Garnet is the darker brownish material)**

## 7. Resources

The resources have been estimated by the cross-sectional polygonal method. Assumptions made in the resource estimation are:

- An SG of 2.81 as determined by using the average SG of 32 samples.
- Orebodies II and III have been assumed to continue to a vertical depth of 50 metres.
- Orebodies II and III have been assumed to dip at an average angle of 50 deg (as determined by surface mapping and by the orientation of Orebody I).
- Orebody I has an orientation of a dip of 50 deg and assumed to continue to the 1450RL.
- Garnet mineralisation has been assumed to continue to the midpoint (half way) between sections as determined by trench/channel sampling and drill holes.

Figure 7 shows the extent of the orebodies and the limits of the resource areas, while Table 1 gives the resource estimate.

The resource estimations for Orebodies II and III have been calculated by assuming that they continue to a depth of 50 metres below surface. The exploration potential of Orebodies II and III gives rise to an exploration target of between 2.5 and 4 million tonnes at a grade of between 15 and 20% garnet. The estimate of exploration potential for these two orebodies is based on the fact that Orebody I has a depth of at least 150 metres below surface level and it is probable that Orebodies II and III will continue at depths below 50 metres.



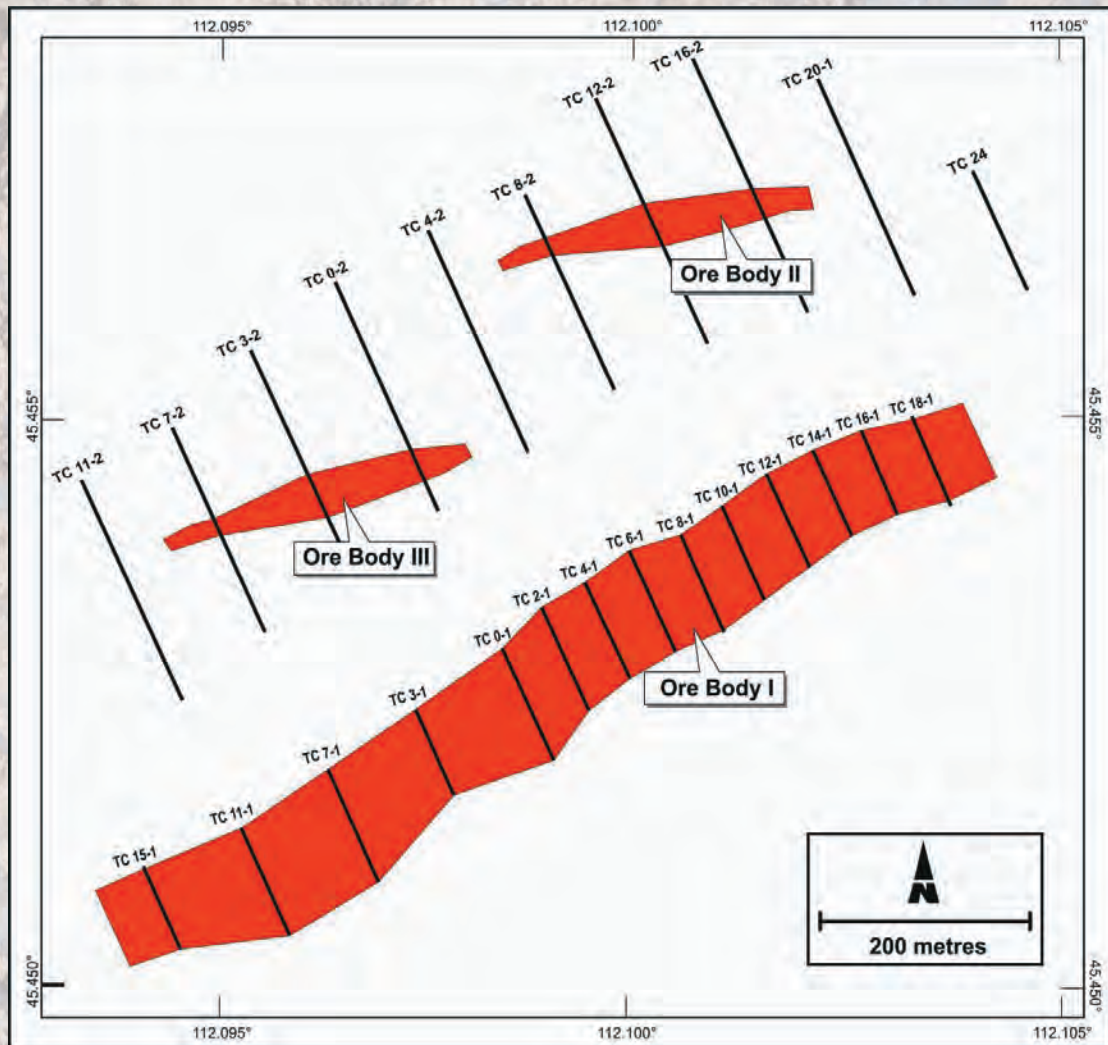


Figure 8: Location of Trenches and Orebody Resource Areas

Orebody	Tonnes	Garnet Grade (%)	Resource Category
I	11,259,800	23.46	Indicated
I	6,611,900	22.81	Inferred
Total Orebody I	17,871,700	23.22	
II	1,279,800	18.66	Inferred
III	1,278,500	18.98	Inferred
TOTAL	20,430,000	22.67	

Table 3: Resource Estimation

The resource estimation for Orebody I has been calculated down to the 1450RL. This has been done because the minimum base level of erosion (current river levels in the area) is at RL 1450. Current mining guidelines established by the relevant Government Authority will allow mining to go down to this level, and thus the resource estimation has been taken down to that RL. If mining was to be below the 1450 metre RL, approval to do so would have to be gained. On this basis, Orebody I continues below the 1450RL giving rise to an exploration target of between 10 and 15 million tonnes at grades between 20 and 25% garnet.

The potential quantity and grades of the exploration potential for Orebodies I, II and III is conceptual in nature as there has been insufficient exploration to estimate a Mineral

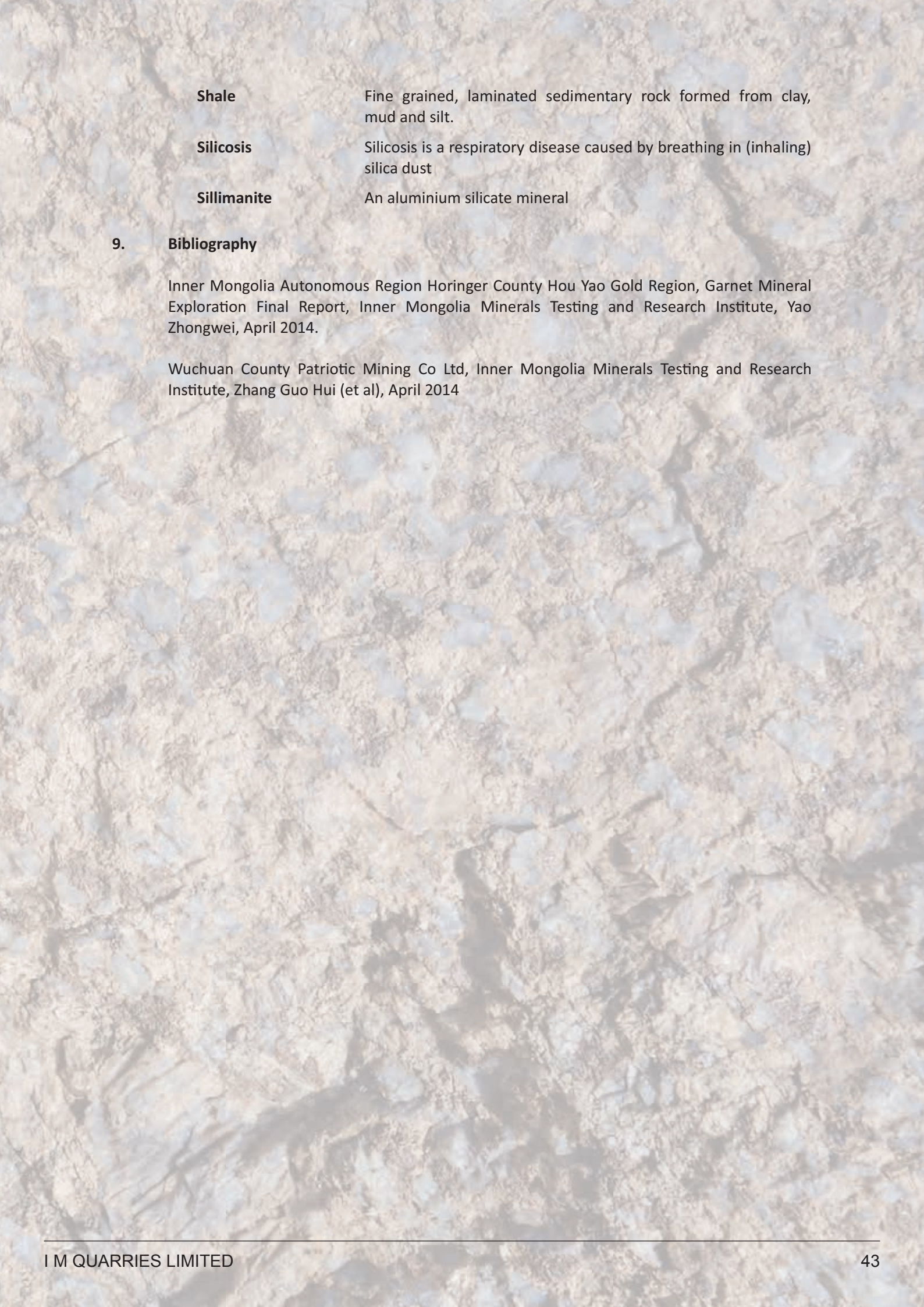


**Resource. It is uncertain if further exploration will result in the estimation of a Mineral Resource.**

## **8. Glossary of Technical Terms**

<b>Adit</b>	A horizontal tunnel excavated from the surface, normally used to access underground ore bodies
<b>Archaean</b>	An era of geologic time - older than 2,500 million years
<b>Archaean</b>	An era of geologic time - older than 2,500 million years
<b>Basalt</b>	A fine grained mafic rock derived from the cooling of lava at the earth's surface
<b>Beneficiation</b>	A process by which mineral concentrations can be increased
<b>Channel Sampling</b>	A sample taken either across or along a geological structure. Can be on the surface or in an underground opening
<b>Costean</b>	A shallow trench dug to expose material beneath the surface cover
<b>Diamond drilling</b>	A method of drilling with a diamond impregnated bit, giving a cylindrical core of rock.
<b>Diorite</b>	Coarse grained intermediate intrusive igneous rock
<b>Dip</b>	The angle at which a rock layer or feature is inclined from the horizontal
<b>Gneiss</b>	Metamorphic rocks which display coarse banding. Arise from high grade regional metamorphism
<b>Granulite</b>	A metamorphic rock of regional metamorphic origin having a granular texture
<b>Lignite</b>	Brown coal
<b>Lithology</b>	Rock type
<b>Loess</b>	A sediment consisting essentially of wind blown sand
<b>Migmatite</b>	A mixture of a metamorphic rock and an igneous rock
<b>Mineralisation</b>	The process and concentration of minerals within a rock which may be of economic significance
<b>Monzogranite</b>	A granite with equal amounts of orthoclase and plagioclase feldspars
<b>Monzonite</b>	An igneous rock consisting of equal amounts of plagioclase and orthoclase feldspar with less than 5 % quartz
<b>Mudstone</b>	A sedimentary rock formed by the consolidation of muds
<b>Plagiogneiss</b>	A gneiss which has a high plagioclase feldspar content
<b>Pleistocene</b>	A period of time in the earth's history from 2.6million years ago to 12,000 years ago
<b>Porphyry</b>	An intrusive igneous rock containing large crystals in a fine groundmass
<b>Quartz</b>	A mineral composed of silicon dioxide (SiO <sub>2</sub> ).
<b>SG (Specific Gravity)</b>	A measure of density - tonnes per cubic metre





<b>Shale</b>	Fine grained, laminated sedimentary rock formed from clay, mud and silt.
<b>Silicosis</b>	Silicosis is a respiratory disease caused by breathing in (inhaling) silica dust
<b>Sillimanite</b>	An aluminium silicate mineral

## **9. Bibliography**

Inner Mongolia Autonomous Region Horing County Hou Yao Gold Region, Garnet Mineral Exploration Final Report, Inner Mongolia Minerals Testing and Research Institute, Yao Zhongwei, April 2014.

Wuchuan County Patriotic Mining Co Ltd, Inner Mongolia Minerals Testing and Research Institute, Zhang Guo Hui (et al), April 2014



## JORC Code, 2012 Edition – Table 1

### Section 1 Sampling Techniques and Data

(Criteria in this section apply to all succeeding sections.)

Criteria	JORC Code explanation	Commentary
Sampling techniques	<ul style="list-style-type: none"> <li>Nature and quality of sampling (eg cut channels, random chips, or specific specialised industry standard measurement tools appropriate to the minerals under investigation, such as down hole gamma sondes, or handheld XRF instruments, etc). These examples should not be taken as limiting the broad meaning of sampling.</li> <li>Include reference to measures taken to ensure sample representivity and the appropriate calibration of any measurement tools or systems used.</li> <li>Aspects of the determination of mineralisation that are Material to the Public Report.</li> <li>In cases where 'industry standard' work has been done this would be relatively simple (eg 'reverse circulation drilling was used to obtain 1 m samples from which 3 kg was pulverised to produce a 30 g charge for fire assay'). In other cases more explanation may be required, such as where there is coarse gold that has inherent sampling problems. Unusual commodities or mineralisation types (eg submarine nodules) may warrant disclosure of detailed information.</li> </ul>	<ul style="list-style-type: none"> <li>Channel sampling over regularly spaced intervals.</li> <li>Standard industry practices adopted.</li> <li>Surface mapping determined sample points.</li> <li>Samples submitted to Chinese laboratory where standard industry practices employed.</li> </ul>
Drilling techniques	<ul style="list-style-type: none"> <li>Drill type (eg core, reverse circulation, open-hole hammer, rotary air blast, auger, Bangka, sonic, etc) and details (eg core diameter, triple or standard tube, depth of diamond tails, face-sampling bit or other type, whether core is oriented and if so, by what method, etc).</li> </ul>	<ul style="list-style-type: none"> <li>Drilling was diamond core with 110mm and 91mm diameter core . No orientation as holes were vertical.</li> </ul>
Drill sample recovery	<ul style="list-style-type: none"> <li>Method of recording and assessing core and chip sample recoveries and results assessed.</li> <li>Measures taken to maximise sample recovery and ensure representative nature of the samples.</li> <li>Whether a relationship exists between sample recovery and grade and whether sample bias may have occurred due to preferential loss/gain of fine/coarse material.</li> </ul>	<ul style="list-style-type: none"> <li>Recoveries &gt; 97% over the entire drill programme.</li> <li>Standard drilling practices employed.</li> <li>Not known.</li> </ul>
Logging	<ul style="list-style-type: none"> <li>Whether core and chip samples have been geologically and geotechnically logged to a level of detail to support appropriate Mineral Resource</li> </ul>	<ul style="list-style-type: none"> <li>Samples logged to a suitable level to support a resource</li> </ul>



Criteria	JORC Code explanation	Commentary
	<p><i>estimation, mining studies and metallurgical studies.</i></p> <ul style="list-style-type: none"> <li><i>Whether logging is qualitative or quantitative in nature. Core (or costean, channel, etc) photography.</i></li> <li><i>The total length and percentage of the relevant intersections logged.</i></li> </ul>	<p>estimation.</p> <ul style="list-style-type: none"> <li>Logging undertaken on qualitative intervals.</li> <li>All intervals logged.</li> </ul>
Sub-sampling techniques and sample preparation	<ul style="list-style-type: none"> <li><i>If core, whether cut or sawn and whether quarter, half or all core taken.</i></li> <li><i>If non-core, whether riffled, tube sampled, rotary split, etc and whether sampled wet or dry.</i></li> <li><i>For all sample types, the nature, quality and appropriateness of the sample preparation technique.</i></li> <li><i>Quality control procedures adopted for all sub-sampling stages to maximise representivity of samples.</i></li> <li><i>Measures taken to ensure that the sampling is representative of the in situ material collected, including for instance results for field duplicate/second-half sampling.</i></li> <li><i>Whether sample sizes are appropriate to the grain size of the material being sampled.</i></li> </ul>	<ul style="list-style-type: none"> <li>Full core used for analysis and metallurgical testwork.</li> <li>No non core drilling undertaken.</li> <li>Standard industry practices employed.</li> <li>Standard industry practices employed.</li> <li>Standard industry practices employed.</li> <li>Sample sizes appropriate.</li> </ul>
Quality of assay data and laboratory tests	<ul style="list-style-type: none"> <li><i>The nature, quality and appropriateness of the assaying and laboratory procedures used and whether the technique is considered partial or total.</i></li> <li><i>For geophysical tools, spectrometers, handheld XRF instruments, etc, the parameters used in determining the analysis including instrument make and model, reading times, calibrations factors applied and their derivation, etc.</i></li> <li><i>Nature of quality control procedures adopted (eg standards, blanks, duplicates, external laboratory checks) and whether acceptable levels of accuracy (ie lack of bias) and precision have been established.</i></li> </ul>	<ul style="list-style-type: none"> <li>Standard industry practices employed.</li> <li>No instruments or geophysical tools employed.</li> <li>Not necessary for determination of garnet %.</li> </ul>
Verification of sampling and assaying	<ul style="list-style-type: none"> <li><i>The verification of significant intersections by either independent or alternative company personnel.</i></li> <li><i>The use of twinned holes.</i></li> <li><i>Documentation of primary data, data entry procedures, data verification, data storage (physical and electronic) protocols.</i></li> <li><i>Discuss any adjustment to assay data.</i></li> </ul>	<ul style="list-style-type: none"> <li>Not known.</li> <li>No twinning of drill holes.</li> <li>Data presented as raw data as well as detailed maps and plans.</li> <li>No assay adjustments.</li> </ul>



Criteria	JORC Code explanation	Commentary
<i>Location of data points</i>	<ul style="list-style-type: none"> <li>• Accuracy and quality of surveys used to locate drill holes (collar and down-hole surveys), trenches, mine workings and other locations used in Mineral Resource estimation.</li> <li>• Specification of the grid system used.</li> <li>• Quality and adequacy of topographic control.</li> </ul>	<ul style="list-style-type: none"> <li>• All measurements conducted with differential GPS with accuracy of +/- 1mm.</li> <li>• Local Chinese Xi'an geographic coordinate system converted to Lat/Long.</li> <li>• Detailed surface contours at 2 metre intervals.</li> </ul>
<i>Data spacing and distribution</i>	<ul style="list-style-type: none"> <li>• Data spacing for reporting of Exploration Results.</li> <li>• Whether the data spacing and distribution is sufficient to establish the degree of geological and grade continuity appropriate for the Mineral Resource and Ore Reserve estimation procedure(s) and classifications applied.</li> <li>• Whether sample compositing has been applied.</li> </ul>	<ul style="list-style-type: none"> <li>• Sampling from trenches at appropriate intervals.</li> <li>• Sufficient data sampling for resource estimation.</li> <li>• Composites applied. Composite intervals described in body of test.</li> </ul>
<i>Orientation of data in relation to geological structure</i>	<ul style="list-style-type: none"> <li>• Whether the orientation of sampling achieves unbiased sampling of possible structures and the extent to which this is known, considering the deposit type.</li> <li>• If the relationship between the drilling orientation and the orientation of key mineralised structures is considered to have introduced a sampling bias, this should be assessed and reported if material.</li> </ul>	<ul style="list-style-type: none"> <li>• Trench and channel sampling normal to strike of mineralisation. Drill holes vertical which is appropriate for this style of deposit.</li> <li>• No sample bias due to drill orientation.</li> </ul>
<i>Sample security</i>	<ul style="list-style-type: none"> <li>• The measures taken to ensure sample security.</li> </ul>	<ul style="list-style-type: none"> <li>• Not known.</li> </ul>
<i>Audits or reviews</i>	<ul style="list-style-type: none"> <li>• The results of any audits or reviews of sampling techniques and data.</li> </ul>	<ul style="list-style-type: none"> <li>• No audits reported.</li> </ul>

## Section 2 Reporting of Exploration Results

(Criteria listed in the preceding section also apply to this section.)

Criteria	JORC Code explanation	Commentary
<i>Mineral tenement and</i>	<ul style="list-style-type: none"> <li>• Type, reference name/number, location and ownership including agreements or material</li> </ul>	<ul style="list-style-type: none"> <li>• Tenure according to Chinese law.</li> </ul>



Criteria	JORC Code explanation	Commentary
land tenure status	<p>issues with third parties such as joint ventures, partnerships, overriding royalties, native title interests, historical sites, wilderness or national park and environmental settings.</p> <ul style="list-style-type: none"> <li>The security of the tenure held at the time of reporting along with any known impediments to obtaining a licence to operate in the area.</li> </ul>	<ul style="list-style-type: none"> <li>Tenure according to Chinese law.</li> </ul>
Exploration done by other parties	<ul style="list-style-type: none"> <li>Acknowledgement and appraisal of exploration by other parties.</li> </ul>	<ul style="list-style-type: none"> <li>Not undertaken.</li> </ul>
Geology	<ul style="list-style-type: none"> <li>Deposit type, geological setting and style of mineralisation.</li> </ul>	<ul style="list-style-type: none"> <li>Massive garnet deposit within a gneissic environment. Garnet concentrated within gneiss.</li> </ul>
Drill hole Information	<ul style="list-style-type: none"> <li>A summary of all information material to the understanding of the exploration results including a tabulation of the following information for all Material drill holes: <ul style="list-style-type: none"> <li>easting and northing of the drill hole collar</li> <li>elevation or RL (Reduced Level – elevation above sea level in metres) of the drill hole collar</li> <li>dip and azimuth of the hole</li> <li>down hole length and interception depth</li> <li>hole length.</li> </ul> </li> <li>If the exclusion of this information is justified on the basis that the information is not Material and this exclusion does not detract from the understanding of the report, the Competent Person should clearly explain why this is the case.</li> </ul>	<ul style="list-style-type: none"> <li>Contained in the body of the report</li> <li>Not relevant as information is within the body of the report.</li> </ul>
Data aggregation methods	<ul style="list-style-type: none"> <li>In reporting Exploration Results, weighting averaging techniques, maximum and/or minimum grade truncations (eg cutting of high grades) and cut-off grades are usually Material and should be stated.</li> <li>Where aggregate intercepts incorporate short lengths of high grade results and longer lengths of low grade results, the procedure used for such aggregation should be stated and some typical examples of such aggregations should be shown in detail.</li> <li>The assumptions used for any reporting of metal equivalent values should be clearly stated.</li> </ul>	<ul style="list-style-type: none"> <li>Weighted averages employed as sample intervals were varied. A minimum cut-off grade of 14% garnet was used for resource estimation.</li> <li>Not used.</li> <li>Metal Equivalents not used.</li> </ul>



Criteria	JORC Code explanation	Commentary
<i>Relationship between mineralisation widths and intercept lengths</i>	<p><i>These relationships are particularly important in the reporting of Exploration Results.</i></p> <ul style="list-style-type: none"> <li><i>If the geometry of the mineralisation with respect to the drill hole angle is known, its nature should be reported.</i></li> <li><i>If it is not known and only the down hole lengths are reported, there should be a clear statement to this effect (eg 'down hole length, true width not known').</i></li> </ul>	<ul style="list-style-type: none"> <li>Geometry of the mineralization has been determined from drilling, surface sampling and geological mapping.</li> <li>True widths of mineralization has been determined drilling and surface sampling.</li> </ul>
<i>Diagrams</i>	<ul style="list-style-type: none"> <li><i>Appropriate maps and sections (with scales) and tabulations of intercepts should be included for any significant discovery being reported These should include, but not be limited to a plan view of drill hole collar locations and appropriate sectional views.</i></li> </ul>	<ul style="list-style-type: none"> <li>Included in the body of the report.</li> </ul>
<i>Balanced reporting</i>	<ul style="list-style-type: none"> <li><i>Where comprehensive reporting of all Exploration Results is not practicable, representative reporting of both low and high grades and/or widths should be practised to avoid misleading reporting of Exploration Results.</i></li> </ul>	<ul style="list-style-type: none"> <li>All sampling across underground openings has been reported, including grades and widths where known.</li> </ul>
<i>Other substantive exploration data</i>	<ul style="list-style-type: none"> <li><i>Other exploration data, if meaningful and material, should be reported including (but not limited to): geological observations; geophysical survey results; geochemical survey results; bulk samples – size and method of treatment; metallurgical test results; bulk density, groundwater, geotechnical and rock characteristics; potential deleterious or contaminating substances.</i></li> </ul>	<ul style="list-style-type: none"> <li>Geological observations made from mapping, bulk densities determined, metallurgical test results reported, no deleterious contaminants known.</li> </ul>
<i>Further work</i>	<ul style="list-style-type: none"> <li><i>The nature and scale of planned further work (eg tests for lateral extensions or depth extensions or large-scale step-out drilling).</i></li> <li><i>Diagrams clearly highlighting the areas of possible extensions, including the main geological interpretations and future drilling areas, provided this information is not commercially sensitive.</i></li> </ul>	<ul style="list-style-type: none"> <li>Has yet to be planned.</li> <li>Not relevant as future work yet to be planned.</li> </ul>



## Section 3 Estimation and Reporting of Mineral Resources

(Criteria listed in section 1, and where relevant in section 2, also apply to this section.)

Criteria	JORC Code explanation	Commentary
<i>Database integrity</i>	<ul style="list-style-type: none"> <li>Measures taken to ensure that data has not been corrupted by, for example, transcription or keying errors, between its initial collection and its use for Mineral Resource estimation purposes.</li> <li>Data validation procedures used.</li> </ul>	<ul style="list-style-type: none"> <li>Periodic checks made during data entry.</li> <li>Minemap Software employed to validate data.</li> </ul>
<i>Site visits</i>	<ul style="list-style-type: none"> <li>Comment on any site visits undertaken by the Competent Person and the outcome of those visits.</li> <li>If no site visits have been undertaken indicate why this is the case.</li> </ul>	<ul style="list-style-type: none"> <li>Site visit undertaken, to the site, visit to local geologists and visit to the laboratory which conducted the work.</li> <li>Not relevant as site visit undertaken.</li> </ul>
<i>Geological interpretation</i>	<ul style="list-style-type: none"> <li>Confidence in (or conversely, the uncertainty of) the geological interpretation of the mineral deposit.</li> <li>Nature of the data used and of any assumptions made.</li> <li>The effect, if any, of alternative interpretations on Mineral Resource estimation.</li> <li>The use of geology in guiding and controlling Mineral Resource estimation.</li> <li>The factors affecting continuity both of grade and geology.</li> </ul>	<ul style="list-style-type: none"> <li>High degree of confidence.</li> <li>Drill hole and channel sampling data used. No assumptions.</li> <li>No alternative assumptions.</li> <li>Geology used to determine orientation and boundaries of mineralisation.</li> <li>Strike and dip measurements and drilling data.</li> </ul>
<i>Dimensions</i>	<ul style="list-style-type: none"> <li>The extent and variability of the Mineral Resource expressed as length (along strike or otherwise), plan width, and depth below surface to the upper and lower limits of the Mineral Resource.</li> </ul>	<ul style="list-style-type: none"> <li>Strike length determined by surface sampling, widths determined from surface sampling and drill data, depth determined by drilling and RL constraints.</li> </ul>
<i>Estimation and modelling techniques</i>	<ul style="list-style-type: none"> <li>The nature and appropriateness of the estimation technique(s) applied and key assumptions, including treatment of extreme grade values,</li> </ul>	<ul style="list-style-type: none"> <li>Fully described in the body of the report.</li> </ul>



Criteria	JORC Code explanation	Commentary
	<p><i>domaining, interpolation parameters and maximum distance of extrapolation from data points. If a computer assisted estimation method was chosen include a description of computer software and parameters used.</i></p> <ul style="list-style-type: none"> <li><i>The availability of check estimates, previous estimates and/or mine production records and whether the Mineral Resource estimate takes appropriate account of such data.</i></li> <li><i>The assumptions made regarding recovery of by-products.</i></li> <li><i>Estimation of deleterious elements or other non-grade variables of economic significance (eg sulphur for acid mine drainage characterisation).</i></li> <li><i>In the case of block model interpolation, the block size in relation to the average sample spacing and the search employed.</i></li> <li><i>Any assumptions behind modelling of selective mining units.</i></li> <li><i>Any assumptions about correlation between variables.</i></li> <li><i>Description of how the geological interpretation was used to control the resource estimates.</i></li> <li><i>Discussion of basis for using or not using grade cutting or capping.</i></li> <li><i>The process of validation, the checking process used, the comparison of model data to drill hole data, and use of reconciliation data if available.</i></li> </ul>	<ul style="list-style-type: none"> <li>Previous resource estimates conducted. Current estimate within 1% of tonnage and grade.</li> <li>No known by-products.</li> <li>No by products known.</li> <li>No known deleterious elements known.</li> <li>Block modelling not used.</li> <li>No assumptions.</li> <li>Geological interpretation used to control down depth continuity limits.</li> <li>Local producers use 14% garnet as a minimum economic grade.</li> <li>All data checked against supplied maps and plans.</li> </ul>
Moisture	<ul style="list-style-type: none"> <li><i>Whether the tonnages are estimated on a dry basis or with natural moisture, and the method of determination of the moisture content.</i></li> </ul>	<ul style="list-style-type: none"> <li>Resource estimates calculated on a "dry" basis.</li> </ul>
Cut-off parameters	<ul style="list-style-type: none"> <li><i>The basis of the adopted cut-off grade(s) or quality parameters applied.</i></li> </ul>	<ul style="list-style-type: none"> <li>A minimum of 14% garnet used in resource estimations. No upper grade cut used.</li> </ul>
Mining factors or	<ul style="list-style-type: none"> <li><i>Assumptions made regarding possible mining methods, minimum mining dimensions and</i></li> </ul>	<ul style="list-style-type: none"> <li>Mining would be by open cut method. No</li> </ul>



Criteria	JORC Code explanation	Commentary
<i>assumptions</i>	<i>internal (or, if applicable, external) mining dilution. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential mining methods, but the assumptions made regarding mining methods and parameters when estimating Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the mining assumptions made.</i>	internal dilution as deposit grades are very consistent. No external dilution envisaged as deposit has very favourable dip. Limitation of depth of mining may be imposed by appropriate Government authorities.
<i>Metallurgical factors or assumptions</i>	<ul style="list-style-type: none"> <li><i>The basis for assumptions or predictions regarding metallurgical amenability. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider potential metallurgical methods, but the assumptions regarding metallurgical treatment processes and parameters made when reporting Mineral Resources may not always be rigorous. Where this is the case, this should be reported with an explanation of the basis of the metallurgical assumptions made.</i></li> </ul>	<ul style="list-style-type: none"> <li>Metallurgical test work conducted with recoveries and beneficiation results known. Adequate treatment facilities in the immediate area.</li> </ul>
<i>Environmental factors or assumptions</i>	<ul style="list-style-type: none"> <li><i>Assumptions made regarding possible waste and process residue disposal options. It is always necessary as part of the process of determining reasonable prospects for eventual economic extraction to consider the potential environmental impacts of the mining and processing operation. While at this stage the determination of potential environmental impacts, particularly for a greenfields project, may not always be well advanced, the status of early consideration of these potential environmental impacts should be reported. Where these aspects have not been considered this should be reported with an explanation of the environmental assumptions made.</i></li> </ul>	<ul style="list-style-type: none"> <li>Waste will be minimal considering the orientation and dimensions of the ore bodies. No harmful process residues. Residues will be disposed of in accordance with local laws.</li> </ul>
<i>Bulk density</i>	<ul style="list-style-type: none"> <li><i>Whether assumed or determined. If assumed, the basis for the assumptions. If determined, the method used, whether wet or dry, the frequency of the measurements, the nature, size and representativeness of the samples.</i></li> <li><i>The bulk density for bulk material must have been measured by methods that adequately account for void spaces (vugs, porosity, etc), moisture and differences between rock and alteration zones within the deposit.</i></li> </ul>	<ul style="list-style-type: none"> <li>Bulk density determined by 32 samples and average density used.</li> <li>No void spaces as material is a gneiss which contains no voids.</li> </ul>



Criteria	JORC Code explanation	Commentary
	<ul style="list-style-type: none"> <li>Discuss assumptions for bulk density estimates used in the evaluation process of the different materials.</li> </ul>	<ul style="list-style-type: none"> <li>Only one material considered as there is no variability in SG.</li> </ul>
Classification	<ul style="list-style-type: none"> <li>The basis for the classification of the Mineral Resources into varying confidence categories.</li> <li>Whether appropriate account has been taken of all relevant factors (ie relative confidence in tonnage/grade estimations, reliability of input data, confidence in continuity of geology and metal values, quality, quantity and distribution of the data).</li> <li>Whether the result appropriately reflects the Competent Person's view of the deposit.</li> </ul>	<ul style="list-style-type: none"> <li>Classification based on channel sampling, diamond drilling results, geological interpretations.</li> <li>Appropriate account has been taken considering all factors.</li> <li>The resource estimation reflects the Competent Person's view of the deposit.</li> </ul>
Audits or reviews	<ul style="list-style-type: none"> <li>The results of any audits or reviews of Mineral Resource estimates.</li> </ul>	<ul style="list-style-type: none"> <li>Not conducted.</li> </ul>
Discussion of relative accuracy / confidence	<ul style="list-style-type: none"> <li>Where appropriate a statement of the relative accuracy and confidence level in the Mineral Resource estimate using an approach or procedure deemed appropriate by the Competent Person. For example, the application of statistical or geostatistical procedures to quantify the relative accuracy of the resource within stated confidence limits, or, if such an approach is not deemed appropriate, a qualitative discussion of the factors that could affect the relative accuracy and confidence of the estimate.</li> <li>The statement should specify whether it relates to global or local estimates, and, if local, state the relevant tonnages, which should be relevant to technical and economic evaluation. Documentation should include assumptions made and the procedures used.</li> <li>These statements of relative accuracy and confidence of the estimate should be compared with production data, where available.</li> </ul>	<ul style="list-style-type: none"> <li>No geostatistical procedures used and the deposit is considered to be a "bulk commodity". Grades and widths are very consistent with little variability. Geological controls well known and understood.</li> <li>The statement refers to local estimates, as there may be limits imposed by Chinese Government authorities. Estimates made in accordance with potential limitations by such Authorities.</li> <li>No production data available as no previous mining has taken place.</li> </ul>





SHANGHAI LANG YUE LAW FIRM

**APPENDIX D**

上海朗悦律师事务所

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11 August 2015

The Directors

**I M Quarries Limited**

21 Bukit Batok Crescent #15-74

WCEGA Tower

Singapore 658065

Dear Sirs

**LEGAL COUNSEL'S REPORT ON TENEMENT**

Shanghai Lang Yue Law Firm is a China law practice registered by the Shanghai Bureau of Justice to practice China law in China, and the author of this report is duly qualified to practice law in the People's Republic of China (the "**PRC**"), which for the purposes of this report excludes the Hong Kong and Macau Special Administrative Regions of China and Taiwan.

We act as PRC legal counsel to I M Quarries Limited (the "**Company**") for the Company's proposed acquisition of a 55% interest in the mining tenement located in *Heilaoyao Town, He'lin'ge'er County, Hohhot City* in the Autonomous Region of Inner Mongolia of the PRC (the "**Tenement**") by way of acquisition of the entire issued and paid up share capital of Three Crystals Hong Kong Limited (the "**HKCo**") for a purchase consideration of S\$1,400,000 to be satisfied in full by way of issuance of 14,000,000 new shares in the issued and paid up share capital of the Company credited as being fully paid up (the "**Proposed Acquisition**"). The Tenement is held by Inner Mongolia Three Crystals Mining Co., Limited [Official Name: 内蒙古晶三源矿业有限公司] (the "**Operating Company**"), a 55% indirectly-owned subsidiary<sup>1</sup> of HKCo.

This report is prepared for inclusion in a Circular to Shareholders to be dated on or about 11 August 2015 to be issued by the Company in relation to the Proposed Acquisition.

In preparing this report, we have examined originals or copies, certified or otherwise identified to our satisfaction, of all such documents, corporate records, certificates, governmental approvals, and other instruments as we have considered necessary or appropriate as a basis for this report. We have assumed: (i) the genuineness of all signatures and the authenticity of all documents submitted to us as originals; (ii) the conformity to originals of all documents submitted to us as certified or reproduced copies; (iii) that all factual statements made in all documents are correct in all material respects; (iv) that all parties to the documents have full power and authority to enter into, and have

<sup>1</sup> References to an indirect subsidiary or an indirectly-held subsidiary in this report means a subsidiary which is held by another subsidiary or by a subsidiary of a subsidiary as so forth.





duly executed and delivered such documents; and that these documents, contracts, and certificates are enforceable on its terms.

To our best knowledge after due inquiry, the Company has disclosed to us all material facts relevant to this report. Where important facts were not independently established to us, we have relied upon certificates issued by governmental authorities and appropriate representatives of the Company and/or other relevant entities and/or upon representations, made in or pursuant to the documents.

Proper names mentioned in this report refer to unofficial English language translations of their official names which are in the Chinese language.

On the basis of the investigations and examinations and our perusal of aforesaid documents, contracts, certificates we consider that this report provides an accurate statement as to the status of the Tenement and the Operating Company's interests therein as at **24 July 2015** ("**Report Date**").

## 1. THE SCOPE OF THIS REPORT

1.1. This report relates to:

- (a) a brief summary of the laws applying to the Tenement in PRC; and
- (b) details of the Tenement.

1.2. This report relates only to the primary laws and regulations in force in PRC at Report Date with respect to the Tenement.

## 2. RELATED PRC LAWS

China's garnet ore industry is subject to extensive regulations by the PRC government. These regulations govern the following range of areas, including, but not limited to, investments, exploration, production, mining rights and exports relating to garnet, and investments, generation, pricing, dispatch and tariffs relating to Garnet resources. In addition, garnet ore operations are subject to fees and taxes, as well as safety and environmental protection laws and regulations. Set out below is a summary of the basic structure of the PRC legal system relating to the Tenement.

2.1. The laws and regulations regarding mineral resources and garnet ore resources

The PRC State Council enacted *Provisions on Promoting Industrial Structure Adjustment* ("**PPISA**") on 2 December 2005 and the National Development and Reform Commission (the "**NDRC**") issued a new *Catalogue of Industrial Structure Adjustment* (the "**Catalogue**") on 1 May 2013. The Catalogue lists industries which are either encouraged, restricted or eliminated. Industries not listed in the Catalogue (such as garnet ore exploration and mining) are generally deemed or classified as being industries which are allowed.





The *Mineral Resources Law* of the PRC (the “**MRL**”) was promulgated on 19 March 1986 and amended on 29 August 1996. According to the MRL and its detailed implementation rules promulgated on 26 March 1994:

- (i) mineral resources belong to the PRC State;
- (ii) the State practices a system wherein the exploration right and mining right should be obtained with compensation;
- (iii) the departments in charge of geology and mineral resources under the people's governments of provinces, autonomous regions and municipalities directly under the Central Government shall be in charge of supervision and administration of the exploration and mining of the mineral resources within their respective administrative areas; and
- (iv) the exploration licensees shall have the right to carry out specified explorations within the designated exploration areas and have the priority to obtain the right to mine the mineral resources in the exploration areas.

The purpose of the MRL is to regulate prospecting, reconnaissance, exploration and mining activities in relation to all types of mineral resources except water within the PRC. In light of the specific conditions and actual needs of respective administrative areas, local regulations, such as the Inner Mongolia Autonomous Region *Mineral Resources Regulations* (the “**Inner Mongolia MRR**”) may be formulated by the respective supervising and administrative authority, provided that such regulations do not contradict the Constitution, the laws of PRC (such as the MRL) and any administrative regulation.

The Inner Mongolia MRR became effective on 31 July 1999. Pursuant to the Inner Mongolia MRR, exploration licensees shall have the right to carry out specified explorations within the designated exploration areas and have the priority to obtain the right to mine the mineral resources in the exploration areas.

The *Mineral Resources Exploration Block Registration Regulations* (the “**MREBRR**”) was promulgated on 12 February 1998 by the PRC State Council. The MREBRR shall be observed in the supervision and administration of exploring mineral resource within the territory of PRC. Relevant key terms of the MREBRR include:

- (i) maximum term of exploration licence (excluding petroleum, natural gas) is 3 years;
- (ii) the exploration licensee can apply to renew the exploration licence no later than 30 days prior to the expiration date of the exploration licence; and
- (iii) the exploration licence can be renewed for a further up to two years each time.





The *Exploration Right and Mining Right Transfer Regulations* was promulgated in 12 February 1998 by the PRC State Council. This Regulations provide that:

- (i) exploration licensees shall have the priority to obtain the right to mine the mineral resources in the exploration areas after the completion of stipulated minimum exploration expenditure;
- (ii) the exploration right usage fee should be calculated and paid on an annual basis; and
- (iii) exploration right is transferable subject to certain conditions.

Pursuant to the Measures for the Administration of Invitation to Bid, Auction, and Quotation concerning Mineral Prospecting Right and Mining Right (for Trial Implementation) issued on 11 June 2003, except otherwise approved, all exploration rights and mining rights should be obtained with compensation through public bid, auction or public quotation.

2.2. The laws and regulations regarding pricing of garnet ore

Prices for the various types of garnet ore in the PRC are primarily determined by market forces of supply and demand for the various types of garnet ore. However, according to the Price Law issued by National People's Congress (the "**NPC**") and effective on 1 May 1998, temporary guidelines can be issued by the NPC, from time to time, to limit price increases if the price of garnet ore increases significantly or is likely to decrease significantly.

No such temporary guidelines are in effect at Report Date.

2.3. The laws and regulations regarding safety

According to the *Work Safety Law* effected on 1 November 2002, the *Mine Safety Law* effected on 1 May 1993, the *Regulations for the Implementation of Mine Safety Law* effected on 30 October 1996 and relevant implementation regulations promulgated thereunder the following applies:

- (i) The State Administration of Work Safety (the "**SAWS**") is the PRC government authority exercising control over, and supervision of, the safety of mining production operations.
- (ii) The designs of mine construction projects must comply with the safety rules and technological standards for mining industry and shall, according to regulations of the State, be subject to the approval of the authorities in charge of mining enterprises.
- (iii) The mining enterprises shall be responsible for the investigation and disposition in the case of ordinary mine safety accidents; while the relevant





local government, together with its competent department, the trade union and the mining enterprise shall be responsible for the investigation and disposition of cases of serious mine safety accident in accordance with the provisions of administrative rules and regulations.

- (iv) Mining enterprises are required to truthfully report to their supervising administrative authority within 24 hours of the occurrence of any safety accident that causes serious personal injury or fatality. Administrative authorities in charge of mine safety and mining enterprises shall report an accident to:

- (a) the People's government at same level; and
- (b) their own competent departments at the higher level,

after receiving an accident report which involves the death of or serious injuries to more than three persons.

- (v) Penalties for infringements: If a mining enterprise fails to perform its duty of administering production safety according to the provisions of applicable laws, it shall be ordered to rectify any non-compliance within a prescribed time period. If a mining enterprise fails to rectify the non-compliance within the prescribed time period, it shall be ordered to suspend construction or suspend its production or business pending completion of rectifications, and they may be fined. If serious consequences have resulted from the non-compliance of the applicable mine safety laws and a crime has been committed, the offenders shall be subject to criminal liabilities according to the relevant provisions of the *Criminal Law*.

#### 2.4. The laws and regulations regarding taxation

Pursuant to the *Provisional Regulation of Resources Tax and the Rules Administering Levy of Mine Resource Compensation Fees*, the garnet ore mining industry will be levied resources taxes and resources compensation fees. Resources tax and resources compensation fees are sometimes collectively referred to as "royalties". All entities and individuals engaged in mining (including the mining of garnet ore) within the territory of the PRC will have to pay resource taxes and resources compensation fees. Any adjustments to the taxable items and tax amount range shall be determined by the PRC State Council.

The resource tax amounts on garnet ore shall be determined in accordance with the resource tax taxable items and tax amount range table, as well as the relevant stipulations of the Ministry of Finance, which range from RMB0.5 to RMB20 per tonne. The mine resource compensation fee is calculated according to the formula of "the income of mine for sale of garnet ore product multiplied by the applicable mine resource compensation rate multiplied by mining recovery rate". Based on Inner Mongolia Mine Resource Tax regulations issued on 1 July 2007 and Inner Mongolia Autonomous Region local Mine Resources Compensation fee regulation issued on 8





May 1994, the resource tax rate for garnet ore mining is RMB2.0 per tonne and compensation fee is RMB2.0 per ton of garnet produced respectively.

2.5. The laws and regulations regarding environmental protection

The *Environmental Protection Law* of PRC was adopted on 26 December 1989. This law requires all operations that produce pollutants or other hazards to take environmental protection measures, and to establish an environmental protection responsibility system.

The *Water Pollution Prevention Law* was promulgated on 11 May 1984 and revised on 15 May 1996 and again on 28 February 2008. Any enterprise or institution that discharges water pollutants is subject to a discharge fee in accordance with relevant regulations and an excess pollutant discharge fee in case of discharges in excess of the prescribed level, and they must take corrective measures. Any entity that causes water pollution is obliged to ensure the elimination of the pollution and must provide compensation for direct losses suffered by entities or individuals.

The *Atmospheric Pollution Prevention Law* which was promulgated on 5 September 1987 and revised on 29 April 2000, became effective on 1 September 2000. The purpose of the *Atmospheric Pollution Prevention Law* is for the prevention and control of atmospheric pollution from, among other things, the burning of coal, motor-driven vehicles and vessels, exhaust gases and dust. A system of collecting fees has been implemented by the government from enterprises or entities for discharging pollutants on the basis of the categories and quantities of the atmospheric pollutants discharged. An enterprise or entity that has caused an atmospheric pollution hazard is obliged to eliminate the pollution and compensate relevant entities or individuals for their direct loss.

The *Law on the Prevention and Control of Environmental Pollution by Solid Wastes* became effective on 1 April 2005. A mining enterprise is required to adopt scientific mining methods and techniques for mineral separation so as to reduce the production and storage of gangues, waste rocks, and other mining solid wastes. After the facilities for storing gangues, waste rocks and other mining solid wastes are no longer used, a mining enterprise shall be required to close or dismantle such facilities according to the applicable provisions and regulations on environmental protection. Any mining enterprise that fail to do so shall be ordered to rectify such non-compliance within the time determined by the relevant competent supervising or administrative department of environmental protection, and may be imposed with a fine.

Penalties for infringements:

Any enterprise or entity which violates any of the aforesaid laws and regulations, thereby causing an environmental pollution accident:

- (a) is obliged to eliminate it and make compensation to any entity or individual that suffered direct losses; and





- (b) shall be fined (such fine being dependent upon the relevant damage) by the relevant competent supervising or administrative department of environmental protection or any other department with power to conduct environmental supervision and management. In serious cases, the responsible persons shall be subject to administrative sanctions by the enterprise or entity that employs them or by the competent department of the government. In the most serious cases, offenders shall be subject to criminal liabilities according to the relevant provisions of the *Criminal Law*.

Any enterprise or entity that fails to eliminate or control pollution by the applicable deadline set by the relevant competent supervising or administrative department of environmental protection shall, as provided for by the State, pay a fee for excessive discharge; in addition, a fine may be imposed on it on the basis of the damage incurred, of the company may be ordered to suspend its operations or close down.

### 3. THE TENEMENT

#### 3.1. Introduction

As set out in the MRL, all mineral resources belong to the State. State ownership of mineral resources, either near the earth's surface or underground, shall not change with the alteration of ownership of, or the right to use, the land on which the mineral resources are located. A person with a mining right shall have the right to apply for and be granted the right to use the land on which the mineral resources are located in accordance with applicable land use right laws. Anyone who wishes to conduct exploration and mining of mineral resources shall meet the specified conditions of qualification.

Exploration rights and mining rights are to be obtained with compensation upon the approval of competent government authorities. However, the State may also decide to reduce or grant exemption to the compensation for acquiring exploration and mining rights in consideration of specific situation.

An exploration licensee should start the exploration work within 6 months after obtaining the exploration licence and if the exploration licensee fails to do so, or suspend the exploration work up to 6 months during the exploration period, the competent supervising or administrative government authority is entitled to:

- (a) require the licensee to rectify such non-compliance within a limited time specified;
- (b) to pay a fine of no more than RMB50,000; or
- (c) revoke the exploration licence in case of serious infringement.





An exploration licensee have the right to carry out specified exploration activities within the designated exploration area, and have the privileged priority to obtain the mining rights to the mineral resources in that exploration area. The exploration licensee, after completion of stipulated minimum exploration expenditure and subject to approval in accordance with law, may transfer the exploration rights to others.

The department in charge of geology and mineral resources under the State Council shall be responsible for supervising and administering the exploration and mining of mineral resources throughout the country. The departments in charge of geology and mineral resources under the People's governments of the provinces, autonomous regions and municipalities directly under the central government shall be in charge of supervising and administering the exploration and mining of mineral resources within their respective administrative areas.

Mining for the following mineral resources shall be approved by the department in charge of geology and mineral resources under the State Council, and mining permits for such mining shall also be issued by the same department:

- (i) those mineral resources within state planned mining area or within those mining areas which are of great value to the national economy;
- (ii) those mineral resources, not within the above-mentioned areas, but the mine-able reserves of which are evaluated as large in scale;
- (iii) specified minerals for which protective mining policy is prescribed by the State;
- (iv) those mineral resources in the neighbouring sea or other marine areas under China's jurisdiction; and
- (v) those mineral resources the State Council otherwise specifies.

Mining for specified minerals as petroleum, natural gas and radioactive materials are examined and approved by other relevant departments in charge authorised by the State Council. The mining permits for mining of such specified mineral resources may be issued by the same departments.

Mining for mineral resources that are beyond the prescription of above-mentioned scope and whose reserves are evaluated as medium in scale shall be examined and approved by the departments in charge of geology and mineral resources under the People's governments of the provinces, autonomous regions and municipalities directly under the central government. The relevant mining permit shall also be issued by the same department.

A mining permit authorises the holder of the permit to mine within a designated mining area for a specified term of up to 20 years. The holder shall pay resource





taxes and resources compensation fees to the government as consideration for the right to mine.

If a person (legal entity or individual) mines without a mining permit, it shall be ordered to stop mining and compensate for the losses caused; the mineral products and unlawful proceeds shall be confiscated; and the person may also be fined. If the person refuses to stop mining and thus causes damage to the mineral resources, the person who is directly responsible shall be investigated for criminal responsibility in accordance with the provisions of the *Criminal Law*.

### 3.2. The exploration rights owned by a subsidiary of the Company

As a PRC enterprise, the Operating Company can engage in the exploration, mining and production of garnet ore subject to obtaining the necessary exploration licence and mining permit. At present, the Operating Company holds the following exploration licence (the "**Exploration Licence**"):

License No.	Content	Grant Date	Area Size	Inflection Points Co-ordinates	
		Expiry Date		Longitude	Latitude
Exploration Licence No. T15120080702011049	Types of Mineral Resource: Exploration	25 June 2015	0.95 km <sup>2</sup>	112°05'27"	40°27'01"
		03 July 2016		112°05'27"	40°27'07"
				112°05'37"	40°27'21"
				112°05'58"	40°27'31"
				112°06'20"	40°27'31"
				112°06'20"	40°27'01"

#### Initial grant and subsequent transfers of the Exploration Licence

The exploration licence was first obtained by one Xu Jingsheng, a PRC individual, on 9 June 2004 from the Inner Mongolia Autonomous Region Land and Resources Department under original licence number 1500000410815. Since then, the exploration licence has been renewed seven times set out as below:

Licence No. <sup>2</sup>	Term	Reasons to change	Remarks
1500000410815	9 June 2004 to 9 June 2005	Initial grant of exploration licence	1

<sup>2</sup> The corresponding exploration location is exactly the same although the exploration licence number has been changed.





Licence No.	Term	Reasons to change	Remarks
1501000530018	9 June 2005 to 9 June 2006	First renewal	
1501000620096	9 June 2006 to 9 June 2007	Second renewal	2
15000000730691	9 June 2007 to 9 June 2008	Third Renewal	3
T15120080702011049	3 July 2008 to 3 July 2010	Forth Renewal	
T15120080702011049	31 March 2011 to 3 July 2012	Fifth renewal	
T15120080702011049	3 July 2012 to 3 July 2014	Sixth renewal	
T15120080702011049	3 July 2014 to 3 July 2016	Seventh Renewal	
T15120080702011049	25 June 2015 to 3 July 2016	Transfer of licence holder	4

**Remarks**

- <sup>1</sup> Licence issued in the name of Xu Jingsheng
- <sup>2</sup> Licence issued in the name of Li Aiguo
- <sup>3</sup> Licence issued in the name of Wuchuan County Aiguo Mining Co., Limited
- <sup>4</sup> Licence issued in the name of Inner Mongolia Three Crystals Mining Co., Limited

**Most recent transfer for the Exploration Licence**

The Operating Company, namely, Inner Mongolia Three Crystals Mining Co., Limited was established under the approval of Inner Mongolia He'lin'ge'er County Administration of Industry and Commerce on 16 September 2014. As of Report Date, the Operating Company is a 55% indirectly-held subsidiary of HKCo.

Li Aiguo and Inner Mongolia Wuchuan County Aiguo Mining Co., Limited (the "**Transferors**") entered into an Exploration License Transfer Agreement dated 9 April 2015 with the Operating Company, under which the Transferors transferred the





exploration rights, assets and business of the Inner Mongolia He Lin County Houyao garnet exploration project (*i.e.*, the project to be developed under the Tenement) (the “**Houyao Garnet Project**”) to the Operating Company. The consideration for the said transfer was RMB300,000 which has been paid in full by the Operating Company.

Pursuant to the ERMRT, an exploration licensee such as Li Aiguo and Inner Mongolia Wuchuan County Aiguo Mining Co., Limited may transfer the exploration rights to another party subject to certain conditions being met and the approval of competent government authorities being received. Based on the registration records filed with Inner Mongolia Land and Resources Department, the Exploration Licence was transferred to the Operating Company on 25 June 2015, and is registered in the name of the Operating Company since that date. Accordingly, the Operating Company now legally owns the Exploration Licence which grants it the exploration rights of the Houyao Garnet Project.

#### Status of the Exploration Licence

The current term of the exploration licence of Houyao Garnet Project is for the period from 25 June 2015 to 3 July 2016. It remains valid and in good standing as is recorded in the public register of valid exploration licenses maintained by the Inner Mongolia Autonomous Region Land and Resources Department.

#### Renewals of Exploration Licence

In accordance with the MREBRR, the Houyao Garnet Project exploration project shall be examined, approved, registered, and licensed by the competent authority under the People's Government of Inner Mongolia Autonomous Region directly, which is the Inner Mongolia Autonomous Region Land and Resources Department.

Generally, the exploration licence is granted for periods of no more than 3 years. If there is a need to extend the time for exploration, within no later than 30 days prior to the expiration of the exploration licence, the permit holder, which is the Operating Company, shall file an application for an extension of the exploration licence with the competent government authority, which in this case is the Inner Mongolia Autonomous Region Land and Resources Department. Extended term of the exploration licence shall not exceed 2 years each time. If an exploration licence holder fails to apply for an extension within the designated time limit, the exploration licence shall be forfeited.

The exploration licensees are required to pay exploration right usage fee. The exploration right usage fees are calculated and paid on an annual basis. The standard for the exploration usage fees are as follows: RMB100 per square kilometre per year for the first three years; RMB100 per square kilometre shall be added per year starting from the fourth year. However, the highest amount shall not exceed RMB500 per square kilometre per year.





The exploration licensee shall invest a minimum expenditure for exploration from the date of issuance of the exploration licence according to the following schedule:

- (a) RMB2,000 per square kilometre for the first year of exploration;
- (b) RMB5,000 per square kilometre for the second year of exploration;
- (c) RMB10,000 per square kilometre each year thereafter, starting from the third year of exploration.

If the exploration licensee's expenditure for any given year exceeds the minimum stipulated for that year, the surplus may be applied to the expenditure for the following year.

The Operating Company has represented to us that it has paid the prescribed exploration right usage fee and has invested the prescribed minimum expenditure for exploration works (*i.e.*, RMB9,975 per annum being 0.95 square kilometres multiply by [RMB500 + RMB10,000]). We note that this is consistent with the official invoices and agreements statements of Inner Mongolia Three Crystals Mining Co., Ltd for the period from 16 September 2014 (date of registration) to 8 June 2015 which shows that during that 9-month period, the Operating Company had expensed a sum of RMB1,451,850 for investment in exploration and evaluation assets.

When assessing an application for the renewal of an exploration licence, provided the exploration licensee fulfils and complies with all conditions of the exploration licence including: (a) payment of the prescribed exploration right usage fee; and (b) investing the prescribed minimum expenditure for exploration works, approval for the extension of the exploration licence should be granted as a matter of course and procedure.

### 3.3. Application for Mining Permit

According to the MRL, the Inner Mongolia Autonomous Region MRR and other relevant laws and regulations, exploration licensees are entitled to carry out specified explorations within the designated exploration areas and will have the priority to obtain the right to mine the mineral resources in the exploration areas.

The Operating Company may apply for a mining permit in relation to the Houyao Garnet Project (the "**Mining Permit**") with the Inner Mongolia Autonomous Region Land and Resources Department in accordance with applicable PRC laws after Inner Mongolia Three Crystals Mining Co., Limited fulfils the specified related conditions during the geological exploration process in accordance with applicable PRC laws. Necessary requirements to apply for a Mining Permit stipulated by the Inner Mongolia Autonomous Region MRR and local regulations issued by Inner Mongolia Autonomous Region Land and Resources Department include:

- (a) the clear and specific mining scope with no controversy which is appropriate to the mine variety applied for and the proposed scale of mining production;





- (b) the relevant operational mining plan being approved by the Inner Mongolia Autonomous Region Land and Resource Department
- (c) the applicant having relevant capital and mining technology appropriate to the mine variety and the proposed scale of mining production;
- (d) the mineable reserve report being approved by the Inner Mongolia Autonomous Region Land and Resources Department;
- (e) the environmental evaluation report being approved by the Inner Mongolia Autonomous Region environmental Department;
- (f) the geological environmental protection, restoration and reclamation control report being approved by the Inner Mongolia Autonomous Region Land and Resource Department;
- (g) the mine safety report being approved by the Inner Mongolia Autonomous Region Administration Department of Work Safety; and
- (h) there being no conflict with any other provisions specified by laws and regulations.

Pursuant to *Procedures for Administration of Registration of Mining of Mineral Resources* enacted by the PRC State Council on 2 December 1998, the maximum term of a Mining Permit for a small size scale mine is 10 years, medium size scale mine is 20 years, large size scale mine is 30 years respectively and the Mining Permit is renewable.

We carried out enquiries with the competent government authorities who advised us that:

- (a) the Operating Company has met the requirements for approval as a small-sized garnet ore mine, in that:
  - (i) the mineral deposit of garnet ore at the Houyao Garnet Project as defined by a qualified PRC geologist under the applicable PRC geological standards is more than the required 94,500 tonnes; and
  - (ii) the average grade of the garnet ore at the Houyao Garnet Project calculated by a qualified PRC geologist under PRC geological standards is above 18.76%; and
- (b) the Operating Company is expected to be granted the Mining Permit provided that:





- (i) its paid up capital amount is not less than 30% of the relevant necessary capital appropriate to the mine variety and the proposed scale of mining production;
- (ii) the clear and specific mining scope with no controversy which is appropriate to the mine variety and the proposed scale of mining production;
- (iii) the geological report is approved by the Inner Mongolia Autonomous Region Land and Resources Department;
- (iv) the geological environmental protection, restoration and reclamation control report is approved by the Inner Mongolia Autonomous Region Land and Resource Department;
- (v) which meets the requirement of small size garnet ore; and

The above requirements are not expressly set out in any specific law or regulation, but is calculated based on above laws and regulations regarding the terms of exploration licences to be issued, and based on their practical experience supervising and administering garnet ore mines in Inner Mongolia Autonomous Region.

Pursuant to the regulation of Inner Mongolia Autonomous Region Mining Geological Environmental Control, the garnet ore mining industry will be required to contribute a mining geological environmental control deposit into an escrow account operated by the Company under supervision of the Inner Mongolia Autonomous Region Land and Resource Department annually. The annual deposit for each year is calculated based on the approved mining area divided by the unexpired period of the then current mining permit, based on the formula as follows:

The basic standard of fees annually		The type of ore		The mining method	
The actual mining area (m <sup>2</sup> )	The basic coefficient (RMB/m <sup>2</sup> )	The type of ore	The coefficient according to the type of ore	The mining method	The coefficient according to the mining method
Below 100,000	1.5	Garnet Ore	0.6	Surface mining	2.5
100,000 - 500,000	1			Underground mining	1
500,000 – 1,000,000	0.8				





*For illustration purposes only*, if the Mining Permit is issued for the entire existing area of the Houyao Garnet Project 0.95km<sup>2</sup> (i.e., 950,000m<sup>2</sup>), and this entire area of the Houyao Garnet Project is worked on, the maximum total deposit payable during its entire mine-life would be calculated as follows:

(In RMB)	If surface mining employed	If underground mining employed
For the first 100,000m <sup>2</sup>	225,000	90,000
For the next 400,000m <sup>2</sup>	600,000	240,000
For the final 450,000m <sup>2</sup>	540,000	216,000
	1,365,000	546,000

#### 4. CONCLUSION AND QUALIFICATIONS

Subject to the comments, qualifications and assumptions set out in this report, we are of the opinion that as at Report Date, the Tenement is in good standing and there is nothing to indicate that it will cease to be in good standing or that it is encumbered in any manner.

Further, based on the above-mentioned laws and regulations and the results of our investigations, and considering the facts relevant to the Operating Company and the Houyao Garnet Project, we are of the view that there is no reason to believe that the Operating Company will not be granted a Mining Permit from the Inner Mongolia Autonomous Region Land and Resources Department under normal circumstance should it fulfil all the licensing requirements described above. If the Operating Company fails to obtain the Mining Permit, it will be prohibited from mining garnet ore in the Houyao Garnet Project.

#### 5. CONSENTS

This report is prepared for inclusion in a Circular to Shareholders to be dated on or about 11 August 2015 to be issued by I M Quarries Limited in relation to the Proposed Acquisition. Accordingly, the contents of this report should be read in its entirety and within the context of the scope of this report. Shanghai Lang Yue Law Firm has given its consent in writing, and has not withdrawn that consent before the dispatch of the Circular:

- (a) to being named as the authors of this report;
- (b) for the inclusion of this report in the Circular in the form and context in which it is included; and
- (c) the inclusion of all statements made by us or said to be based on statements made by us in the form and context in which they are included in the Circular.

Yours faithfully

Angela Yao



SHANGHAI LANG YUE LAW FIRM









## M2L HOLDINGS LIMITED

(now known as I M Quarries Limited)  
(Incorporated in the Republic of Singapore)  
( UEN 201120428N | ARBN 154 095 897)

### NOTICE OF EXTRAORDINARY GENERAL MEETING

*A Circular to Shareholders in connection with this Notice of Extraordinary General Meeting dated the same date of this Notice will be dispatched to you separately*

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting of M2L Holdings Limited (now known as I M Quarries Limited ) (the “**Company**”) will be held at the following place, date and time:

**Place:** Gardenasia  
240 Neo Tiew Crescent  
Singapore 718898

**Date:** 12 September 2015

**Time:** 11:30 a.m.

to consider and, if thought fit, to pass with or without modification the following proposed resolutions:-

#### AS ORDINARY RESOLUTIONS

1. THAT for the purpose of Rule 6.41 of the Listing Rules of the National Stock Exchange of Australia Limited, the change in nature and scale of the Company's activities on completion of the Proposed Transactions (as defined in the Circular to Shareholders dated 11 August 2015 (the “**Circular**”) which a copy of this Notice of Extraordinary General Meeting is attached to and which is separately dispatched to Shareholders) be and is hereby approved.
2. THAT conditional upon Resolution 1 above and Resolution 3 below being passed:
  - (a) the Proposed Acquisition (as defined in the Circular) be and is hereby approved; and
  - (b) for the purposes of:
    - (i) Rule 6.25 of the Listing Rules of the National Stock Exchange of Australia Limited; and
    - (ii) Section 161 of the Companies Act (Chapter 50),the issue and allotment of 14,000,000 new shares in the issue and paid-up share capital of the Company at an issue price of S\$0.10 per share credited as



being fully paid to the Vendor (as defined in the Circular) and to the Introducer (as defined in the Circular) and/or persons nominated by them be and is hereby approved,

AND THAT the directors of the Company and each of them be and are hereby authorised to complete and/or do all such acts and things as they or he may consider necessary, desirable or expedient to give effect to this Resolution.

3. THAT conditional upon Resolutions 1 and 2 above being passed:

(a) the Proposed Arranger Fee (as defined in the Circular) be and is hereby approved; and

(b) for the purposes of:

(i) Rule 6.25 of the Listing Rules of the National Stock Exchange of Australia Limited; and

(ii) Section 161 of the Companies Act (Chapter 50),

the issue and allotment of 1,600,000 new shares in the issue and paid-up share capital of the Company at an issue price of S\$0.10 per share credited as being fully paid to the Introducer and/or persons nominated by them be and is hereby approved,

AND THAT the directors of the Company and each of them be and are hereby authorised to complete and/or do all such acts and things as they or he may consider necessary, desirable or expedient to give effect to this Resolution.

By Order of the Board

LAM PECK HENG  
Non-Executive Chairman  
Singapore  
11 August 2015





**M2L HOLDINGS LIMITED**  
(now known as I M Quarries Limited)  
ARBN 154 095 897

## LODGE YOUR VOTE



**ONLINE**  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)



**BY MAIL**  
M2L Holdings Limited  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235 Australia



**BY FAX**  
+61 2 9287 0309



**BY HAND**  
Link Market Services Limited  
1A Homebush Bay Drive, Rhodes NSW 2138



**ALL ENQUIRIES TO**  
Telephone: +61 1300 554 474

## LODGEMENT OF A CDI VOTING INSTRUCTION FORM

This CDI Voting Instruction Form (and any Power of Attorney under which it is signed) must be received at an address given above by **11:30am on Thursday, 10 September 2015**, being not later than 48 hours before the commencement of the Meeting. Any CDI Voting Instruction Form received after that time will be invalid.

CDI Voting Instruction Forms may be lodged using the reply paid envelope or:



**ONLINE**  
[www.linkmarketservices.com.au](http://www.linkmarketservices.com.au)

Login to the Link website using the holding details as shown on the CDI Voting Instruction Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, stockholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the CDI Voting Instruction Form).

## HOW TO COMPLETE THIS CDI VOTING INSTRUCTION FORM

### YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's CDI register. If this information is incorrect, please make the correction on the form. CDI Holders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your CDIs using this form.**

### DIRECTION TO CHESSE DEPOSITARY NOMINEES PTY LTD

Each CHESSE Depositary Interest (CDI) is evidence of an indirect ownership in the Company's shares of common stock (Shares). The underlying Shares are registered in the name of CHESSE Depositary Nominees Pty Ltd (CDN). As holders of CDIs are not the legal owners of the Shares, CDN is entitled to vote at the Meetings of stockholders on the instruction of the registered holders of the CDIs.

### APPOINTMENT OF A PROXY

If you wish to attend the Meeting in person or appoint some person or company other than CDN, who need not be a stockholder, to attend and act on your behalf at the Meeting or any adjournment or postponement thereof, please insert your name(s) or the name of your chosen appointee in the box in Step 2. Link will then send you a legal form of proxy which will grant you or the person specified by you the right to attend and vote at the Meeting. Please remember that a legal proxy is subject to all terms and conditions that apply to proxies as outlined in the *Notice of Extraordinary General Meeting* including any cut off time for receipt of valid proxies.

### SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

**Individual:** where the holding is in one name, the holder must sign.

**Joint Holding:** where the holding is in more than one name, all of the holders should sign.

**Power of Attorney:** to sign under Power of Attorney, you must lodge the Power of Attorney with Link. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** with respect to an Australian company, where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place. With respect to a U.S. company or other entity, this form may be signed by one officer. Please give full name and title under the signature.







## CDI VOTING INSTRUCTION FORM

STEP 1

### DIRECTION TO CHESS DEPOSITARY NOMINEES PTY LTD

I/We being a holder of CHESS Depositary Interests (CDIs) of M2L Holdings Limited (**Company**) hereby direct CHESS Depositary Nominees Pty Ltd (**CDN**) to vote the shares underlying my/our CDI holding at the Extraordinary General Meeting of stockholders of the Company to be held at **11:30am on Saturday, 12 September 2015 at Gardenasia, 240 Neo Tiew Crescent, Singapore 718898**, and at any adjournment or postponement of that Meeting, in accordance with the following directions. By execution of this CDI Voting Instruction Form the undersigned hereby authorises CDN to appoint such proxies or their substitutes in their discretion to vote in accordance with the directions set out below.

STEP 2

### PROXY APPOINTMENT – *this only needs to be completed if you wish to attend the Meeting or appoint another person to attend the Meeting*

If you wish to attend the Meeting in person or appoint some person or company other than CDN, who need not be a stockholder, to attend and act on your behalf at the Meeting or any adjournment or postponement thereof, please insert your name(s) in this box.

Link will then send you a legal form of proxy which will grant you or the person specified by you the right to attend and vote at the Meeting. Please remember that a legal proxy is subject to all terms and conditions that apply to proxies as outlined in the *Notice of Extraordinary General Meeting* including any cut off time for receipt of valid proxies.

STEP 3

### VOTING INSTRUCTIONS

**Voting instructions will only be valid and accepted by CDN if they are signed and received no later than 48 hours before the Meeting.**

**Please read the voting instructions overleaf before marking any boxes with an ☒.**

#### Resolutions

1 THAT for the purpose of Rule 6.41 of the Listing Rules of the National Stock Exchange of Australia Limited, the change in nature and scale of the Company's activities on completion of the Proposed Transactions (as defined in the Circular to Shareholders dated 11 August 2015 (the "Circular") which a copy of this Notice of Extraordinary General Meeting is attached to and which is separately dispatched to Shareholders) be and is hereby approved.

For Against Abstain\*

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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2 THAT conditional upon Resolution 1 above and Resolution 3 below being passed:

- (a) the Proposed Acquisition (as defined in the Circular) be and is hereby approved; and  
(b) for the purposes of:

- (i) Rule 6.25 of the Listing Rules of the National Stock Exchange of Australia Limited; and  
(ii) Section 161 of the Companies Act (Chapter 50),

the issue and allotment of 14,000,000 new shares in the issue and paid-up share capital of the Company at an issue price of S\$0.10 per share credited as being fully paid to the Vendor (as defined in the Circular) and to the Introducer (as defined in the Circular) and/or persons nominated by them be and is hereby approved,

AND THAT the directors of the Company and each of them be and are hereby authorised to complete and/or do all such acts and things as they or he may consider necessary, desirable or expedient to give effect to this Resolution.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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3 THAT conditional upon Resolutions 1 and 2 above being passed:

- (a) the Proposed Arranger Fee (as defined in the Circular) be and is hereby approved; and  
(b) for the purposes of:

- (i) Rule 6.25 of the Listing Rules of the National Stock Exchange of Australia Limited; and  
(ii) Section 161 of the Companies Act (Chapter 50),

the issue and allotment of 1,600,000 new shares in the issue and paid-up share capital of the Company at an issue price of S\$0.10 per share credited as being fully paid to the Introducer and/or persons nominated by them be and is hereby approved,

AND THAT the directors of the Company and each of them be and are hereby authorised to complete and/or do all such acts and things as they or he may consider necessary, desirable or expedient to give effect to this Resolution.

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
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\* If you do not mark the "For", "Against" or "Abstain" box your vote will not be counted.

STEP 4

### SIGNATURE OF CDI HOLDERS – THIS MUST BE COMPLETED

CDI Holder 1 (Individual)

Joint CDI Holder 2 (Individual)

Joint CDI Holder 3 (Individual)

Sole Director and Sole Company Secretary

Director/Company Secretary (Delete one)

Director

This form should be signed by the CDI Holder in accordance with the instructions overleaf.

MLH PRX502J







*All photos taken on-site at the Houyao Garnet Project*





IM QUARRIES LIMITED

*Landscape photo taken on-site at the Houyao Garnet Project*