

This document is important and requires your immediate attention. If you are in any doubt about the contents of this document, you should consult a person authorised under the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.

The Directors, whose names appear on page 7 of this document, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

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

A prospective investor should be aware of the potential risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Attention is drawn, in particular, to Part III of this document entitled "Risk Factors".

The London Stock Exchange has not examined or approved the contents of this document.

A copy of this document, which has been drawn up in accordance with the Public Offers of Securities Regulations 1995 ("POS Regulations") and the AIM Rules and comprises a prospectus, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Regulation 4(2) of the POS Regulations.

GoldStone Resources Limited

(incorporated in Jersey with company number 71490)

Placing of 22,400,000 ordinary shares of 1p each at 25p per share

**Admission to trading on the Alternative Investment Market
of ordinary shares and warrants**

by

Westhouse Securities LLP

Westhouse, which is regulated by The Financial Services Authority, is acting as nominated adviser and broker to GoldStone Resources Limited. Under the AIM Rules, a nominated adviser has certain responsibilities to the London Stock Exchange which are less onerous than the responsibilities of a sponsor of a company applying for its securities to be admitted to the Official List of the United Kingdom Listing Authority. In accordance with the AIM Rules, Westhouse has confirmed to the London Stock Exchange that it has satisfied itself that the Directors have received independent advice and guidance as to the nature of their responsibilities and obligations under the AIM Rules and that to the best of its knowledge and belief, all relevant requirements of the AIM Rules (save for compliance with the general duty of disclosure contained in Regulation 9 of the POS Regulations, in respect of which the nominated adviser is not required to satisfy itself) have been complied with. In giving its confirmation to the London Stock Exchange, Westhouse has not made its own enquiries except as to matters which have come to its attention which it considers it necessary to satisfy itself. Westhouse is not acting for any other persons and will not be responsible to anyone other than GoldStone Resources Limited for providing the protections afforded to customers of Westhouse or for providing advice in relation to the contents of this document, the Placing or the application for Admission. Westhouse has not authorised any part of this document for the purposes of Regulation 13(1)(g) of the POS Regulations. No liability is accepted by Westhouse for the accuracy of any information or opinions contained in, or for the omission of any material information from, this document for which the Directors are solely responsible.

The Placing is conditional, *inter alia*, on Admission taking place on or before 25 March 2004 (or such later date as GoldStone Resources Limited and Westhouse may agree but, in any event, not later than 8 April 2004). The Placing Shares will rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company and will rank *pari passu* in all other respects with all other Ordinary Shares which will be in issue on Admission.

Westhouse is a trading name of Westhouse Securities LLP, a member of the London Stock Exchange and regulated by The Financial Services Authority, a subsidiary of Kredietbank Luxembourg and part of the Almanij-Kredietbank Group.

Copies of this document, which is dated 19 March 2004, will be available free of charge to the public during normal working hours on any weekday (except Saturdays and public holidays) from the offices of Westhouse, Clements House, 14-18 Gresham Street, London EC2V 7NN from the date of Admission for not less than one month.

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DEFINITIONS

In this document, where the context permits or unless otherwise stated, the definitions set out below shall apply:

“Act”	the Mining Act 20 of 1989 of Guyana
“Admission”	the admission of the Existing Ordinary Shares, the Placing Shares and the Warrants to trading on AIM and such admission becoming effective in accordance with the AIM Rules
“AIM”	the Alternative Investment Market of the London Stock Exchange
“AIM Rules”	the rules published by the London Stock Exchange governing admission to and the operation of AIM
“Board” or “Directors”	the directors of the Company whose names are set out on page 7 of this document
“Company” or “GoldStone”	GoldStone Resources Limited
“CREST”	the relevant system (as defined in the Regulations) in respect of which CRESTCo Limited is the Operator (as defined in the Regulations)
“Existing Ordinary Shares”	the 40,000,000 Ordinary Shares in issue at the date of this document
“GeoQuest”	GeoQuest Holdings Limited
“GGMC” or “Commission”	the Guyana Geology and Mines Commission
“Guyana”	Co-operative Republic of Guyana
“Law”	the Companies (Jersey) Law 1991
“London Stock Exchange”	London Stock Exchange plc
“Ordinary Shares”	the ordinary shares of 1p each in the capital of the Company
“Permits”	the permissions granted to GoldStone as renewed or amended from time to time, in terms of which the Company is authorised to exclusively occupy and conduct geological and geophysical surveys for all minerals in the western and central parts of Guyana
“Placing”	the conditional placing by Westhouse, as agent for the Company, of 22,400,000 Placing Shares at the Placing Price pursuant to the Placing Agreement as described in this document
“Placing Agreement”	the conditional agreement dated 19 March 2004 and made between (1) Westhouse, (2) the Directors, (3) GeoQuest and (4) the Company, further details of which are set out in paragraph 5.4 of Part V of this document
“Placing Price”	25p per Placing Share
“Placing Shares”	the 22,400,000 new Ordinary Shares to be issued pursuant to the Placing
“POS Regulations”	the Public Offers of Securities Regulations 1995
“Regulations”	the Uncertificated Securities Regulations 2001
“Shareholder(s)”	the person(s) who are registered as holder(s) of Ordinary Shares from time to time

“UK”	the United Kingdom of Great Britain and Northern Ireland
“US” or “USA”	the United States of America, its territories and possessions, any state of the United States and the District of Columbia
“US\$”	United States dollars
“Warrant Instrument”	the warrant instrument constituting the Warrants dated 16 March 2004
“Warrantholder(s)”	holder(s) of Warrants
“Warrants”	warrants of the Company entitling the holders thereof to subscribe for Ordinary Shares as constituted by the Warrant Instrument, summary details of which are set out in paragraph 6 of Part V of this document
“Westhouse”	Westhouse Securities LLP, the nominated adviser and broker to the Company
“ZAR”	South African rand

GLOSSARY OF TERMS AND MEASURES

“alluvial”	deposited by a stream or other body of running water
“alluvium”	general term for clay, silt, sand, gravel, or similar unconsolidated material deposited by a stream or other body of running water
“artisanal”	skilled manual work
“assay”	the analysis of minerals, rocks and mine product to determine and quantify their constituent parts
“basal”	the base or lowest level
“basement source terrain”	the oldest basal rock types forming the initial nucleus of continental crust from which erosion produces the earliest sedimentary deposits
“basin”	a closed depression which accommodates sedimentary deposits
“bedform”	a unit of sediment distinguished by its external shape, internal structure and grain size distribution
“Central Rand Group”	a succession of sedimentary layers comprising the gold-bearing upper 2,880 metre thickness of the Witwatersrand deposits in South Africa
“conglomerate”	a rock consisting of cemented pebbles and sand
“detrital”	formed from worn-down rock or mineral fragments
“g”	grammes
“g/t”	grammes per tonne
“granite-greenstone rocks”	generally, submarine ocean-floor volcanic lavas (greenstones) or chemical sediments which have subsequently been penetrated from beneath by molten intrusive magmas (granite) that have altered and structurally deformed the greenstones
“hydrothermal vein-quartz”	fracture-filled veins of silica that originated from meteoric water percolating through rocks and dissolving silica which is then precipitated in locations of lower temperature or pressure
“km”	kilometres
“km ² ”	square kilometres
“lateritic bauxite”	iron-rich aluminium ore
“m”	metres
“oz”	troy ounces (1 oz = 31.102 grammes)
“Pakaraimas”	a mountainous plateau of Roraima rocks located along the western boundary of Guyana with Venezuela
“palaeocurrent”	the flow of water that was responsible for moving the sediment
“palaeoplacer(s)”	a placer that has been fossilised into rock
“placer(s)”	sediments composed of sand and gravel, which contain concentrations of heavy minerals, particularly gold and diamonds, but commonly tin, ilmenite and zircon
“ppb”	parts per billion
“quartz”	homogeneous rock composed of silica

“Roraima”	a group of sedimentary rocks forming mountainous terrain in Guyana, Venezuela, Brazil, Suriname and French Guiana
“sedimentary”	composed of sediments
“sedimentation”	the process of deposition of sediments
“sedimentological”	refers to the description, classification and origin of sedimentary rock
“sediments”	gravel, sand or silt-sized particles deposited in layers
“shoreline deposits”	sediments deposited at the margin between land and a water body
“strata”	successive layers of sedimentary rock
“Witwatersrand”	an area in South Africa where gold deposits were discovered in 1886 and from which an estimated 50,000 tonnes of gold have been produced

DIRECTORS, SECRETARY AND ADVISERS

Directors	<p>Sir James Michael Yorrick Oliver (<i>Non-Executive Chairman</i>) Nicolaas Phillipus Jacobus van der Hoven (<i>Chief Executive</i>) Dr. Wyatt Ernest Lawrence Minter (<i>Director of Exploration</i>) Jurie Hendrik Wessels (<i>Finance Director and Company Secretary</i>) Michael Chris Brian Christie (<i>Non-Executive Director</i>) Wilhelm Emil Bührmann (<i>Non-Executive Director</i>) all of: First Floor, PSG House, Alphen Office Park Constantia Main Road, Constantia 7806 South Africa</p>
Company Secretary	Jurie Hendrik Wessels
Nominated Adviser and Broker	<p>Westhouse Securities LLP Clements House 14-18 Gresham Street London EC2V 7NN</p>
Placing Agents	<p>VSA Resources Limited 43 London Wall London EC2M 5TF</p>
Solicitors to the Company	<p>Faegre Benson Hobson Audley LLP 7 Pilgrim Street London EC4V 6LB</p>
Solicitors to the Placing	<p>Berwin Leighton Paisner Adelaide House London Bridge London EC4R 9HA</p>
Auditors	<p>Deloitte & Touche PO Box 403 Lord Coutanche House 66-68 Esplanade, St. Helier Jersey JE4 8WA Channel Islands</p>
Reporting Accountants	<p>Baker Tilly 2 Bloomsbury Street London WC1B 3ST</p>
Minerals Industry Consultants	<p>Snowden Corporate Services Pty Ltd 87 Colin Street Perth Western Australia 6005</p>
Bankers	<p>Royal Bank of Canada Trust Company (International) Limited PO Box 621 Le Gallais Chamber 54 Bath Street, St Helier Jersey JE4 8YD</p>
Registrars	<p>Computershare Investor Services (Channel Islands) Limited Ordnance House 31 Pier Road, St Helier Jersey JE4 8PW</p>

PLACING STATISTICS

Placing Price	25p
Number of Ordinary Shares in issue immediately following the Placing	62,400,000
Market capitalisation at the Placing Price immediately following the Placing	£15.60 million
Number of Ordinary Shares being placed on behalf of the Company	22,400,000
Estimated net proceeds of the Placing receivable by the Company	£5.04 million

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

	<i>2004</i>
Publication of Prospectus	19 March
Dealings in Ordinary Shares to commence on AIM	25 March
CREST accounts credited	25 March
Definitive share certificates despatched	not later than 1 April

KEY INFORMATION

The following information is derived from the full text of this document. Prospective investors should read the whole document and not just rely on the key information set out below. In particular, attention is drawn to Part III which is entitled “Risk Factors”.

Business

GoldStone holds two permits for mineral exploration in Guyana where it has undertaken exploration in order to find economically mineable gold palaeoplacers. The Company is seeking to raise £5.6 million in order to conduct further exploration work and is applying for its shares to be admitted to trading on AIM.

The objective of the exploration is to discover a Witwatersrand-type deposit. The exploration is led by Dr Lawrie Minter, the Company’s Director of Exploration, who is an internationally-recognised placer sedimentologist and Witwatersrand expert. Witwatersrand palaeoplacers have produced around 40 per cent. (an estimated 50,000 tonnes) of total world gold production.

The Company’s focus has been on a geological formation known as the Roraima. Gold assays of over 1,700 channel samples of Roraima quartz-pebble conglomerates have demonstrated the anomalously high gold content of the Roraima. From these assays, the Directors have inferred that significant quantities of gold may be found in the Roraima and that it is likely to be concentrated in palaeoplacer layers.

Significant to the exploration programme was a shallow borehole intersection of a palaeoplacer with a gold grade of 3 g/t over 45 cm. The Directors believe that, if gold deposits are found in the Roraima they will be near the surface and probably could be mined through open cast and shallow underground mining, in contrast to the Witwatersrand deposits, many of which lie more than 2 km beneath the surface.

In addition, the area covered by the Permits contains a lateritic bauxite deposit. Preliminary sampling by GoldStone suggests the potential for the deposit is in excess of 100 million tonnes of 35 per cent. extractable alumina. This would be classified as large by international mining standards. Systematic exploration is now required to determine the extent of the bauxite.

Strategy

GoldStone intends to carry out a systematic drilling programme which may last up to twelve months depending on meteorological and site conditions. Throughout the period progress will be assessed frequently. If appropriate, resources may be diverted to conduct detailed drilling on a specific target with the intention of bringing a potentially gold-bearing palaeoplacer to a feasibility stage earlier.

The Directors do not intend that GoldStone will fund the cost of the exploration of the bauxite deposit as they consider that the Company’s focus should remain on the potential gold assets. In the opinion of the Directors, the potential of the deposit should be attractive to major participants in the bauxite industry and the Company will therefore seek joint venture partners to develop the asset. Discussions are under way with two parties over potential joint ventures.

Reasons for the Placing

The Company proposes to raise £5.6 million, before expenses, from the Placing. The net proceeds of the Placing will be used to continue the gold exploration programme and to provide working capital. The major part of the expenditure comprises controllable drilling and exploration costs.

PART I

Information on the Group

1. Introduction

GoldStone holds two permits for mineral exploration in Guyana where it has undertaken exploration in order to find economically mineable gold palaeoplacers. The Company is seeking to raise £5.6 million in order to conduct further exploration work and is applying for its shares to be admitted to trading on AIM.

GoldStone, which is incorporated in Jersey, is wholly owned by GeoQuest Holdings Limited, an unlisted public company registered in South Africa. GeoQuest is a holding company for gold and diamond exploration and mining companies. GeoQuest acquired GoldStone in 1999.

2. Background

GoldStone is focused on palaeoplacer gold exploration in South America. Since 1998, it has been exploring a geological formation known as the Roraima, the largest remaining block of which covers an area of 73,000 km² across Venezuela, Brazil, Suriname, French Guiana and Guyana. The objective of the exploration has been to discover a Witwatersrand-type deposit. The exploration is led by Dr Lawrie Minter, GoldStone's Director of Exploration, who is an internationally recognised placer sedimentologist and Witwatersrand expert. Witwatersrand palaeoplacers have produced around 40 per cent. (an estimated 50,000 tonnes) of total world gold production.

Artisanal miners have for many years exploited gold and diamond-bearing river alluvium in Guyana, but little attempt has been made to identify the source of the minerals. GoldStone's exploration programme has been directed at locating the source. The Directors now believe that the source was the Roraima and that the sediments from which the Roraima was formed were derived from the erosion of gold-bearing granite-greenstone rocks located in basement source terrain in north-east Guyana.

Measurements by the Company indicated that the shoreline of the Roraima basin was located across the Pakaraima plateau in Guyana and, accordingly, because shoreline deposits are more prospective for placers, the Company, in 1999, decided to focus its exploration programme in Guyana.

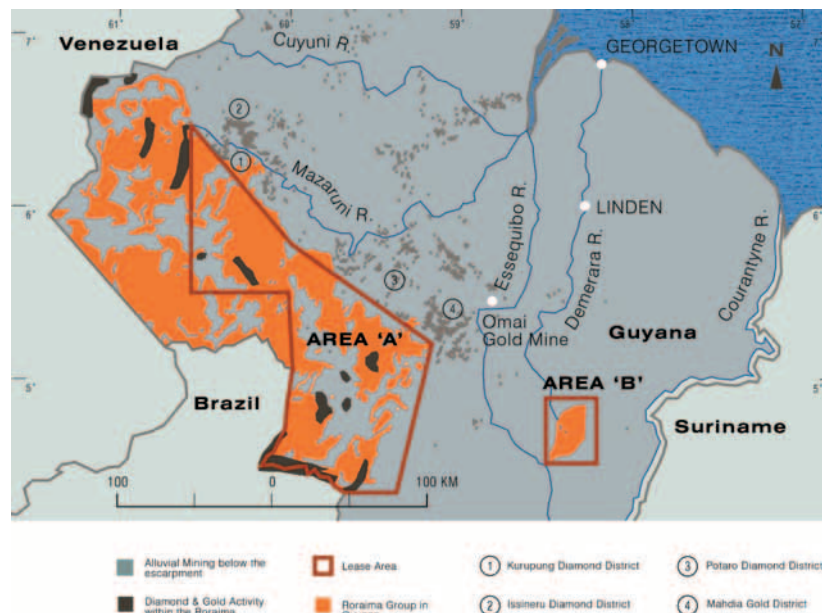
Gold assays of over 1,700 channel samples of Roraima quartz-pebble conglomerates collected during GoldStone's exploration programme have demonstrated the anomalously high gold content of the Roraima and confirmed that the gold was derived from basement source terrain. GoldStone has inferred from this information that significant quantities of gold may be found in the Roraima and that it is likely to be concentrated in palaeoplacer layers.

Significant to the exploration programme was a shallow borehole intersection of a palaeoplacer with a gold grade of 3 g/t over 45 cm. This falls within the range of gold grades mined in Witwatersrand mines. The Directors believe, however, that if gold deposits are found in the Roraima they will be near the surface and probably could be mined through open cast and shallow underground mining, in contrast to the Witwatersrand deposits, many of which lie more than 2 km beneath the surface.

3. Description of Principal Asset

The Company has secured reconnaissance permits covering 17,242 km². The Permits cover two areas: (1) Lease Area "A" covers 16,020 km² in western Guyana and incorporates the bulk of the Roraima that is located in western Guyana and (2) Lease Area "B" covers an area of 1,222 km² in north-central Guyana and also consists substantially of Roraima rocks.

Figure 1: Lease Areas “A” and “B”



Gold

The palaeoplacer gold potential of the Roraima has never before been systematically explored to the extent undertaken and proposed by GoldStone and no resource has yet been identified. With respect to sedimentological characteristics such as pebble size, conglomerate accumulation, bedform dimensions and palaeocurrent determinations, the Directors believe that the Roraima conglomerates in Lease Areas A and B compare favourably with well-studied Witwatersrand palaeoplacers such as the Steyn Reef. The Roraima basin is four times larger than the Witwatersrand Central Rand basin and the background gold content is higher.

Witwatersrand and Roraima Comparison

Witwatersrand	Roraima	Significance to Roraima
Witwatersrand 'gold source' area estimated to be 720,000 km ²	Guiana Shield 'gold source' area estimated to be 2,800,000 km ²	Source area approximately four times larger
Witwatersrand Central Rand basin 30,000 km ²	Roraima basin approximately 120,000 km ²	Basin four times larger so potentially more placers
Palaeoplacers characterised by quartz pebble conglomerates within a sedimentary basin	Palaeoplacers characterised by quartz pebble conglomerates within a sedimentary basin	Similar rock type
Only 45 per cent. of the quartz pebbles derived from gold-bearing hydrothermal source areas	85 per cent. of the quartz pebbles derived from hydrothermal source areas	Much stronger signal of a 'gold source'
Detrital gold particles from Witwatersrand are fine-grained	Detrital gold particles from the Roraima are fine-grained	Similar sized gold particles
Witwatersrand gold particles are 300 million years older than their host rocks	Roraima gold particles are 100 million years older than their host rocks	Age of gold confirms its detrital origin
The background gold content of the Witwatersrand is approximately 6 ppb	The background gold content of the Roraima is approximately 10 ppb	Anomalously high gold content indicates 'gold source'

Witwatersrand	Roraima	Significance to Roraima
Sedimentation rate of 14 metres per million years	Sedimentation rate of 19 metres per million years	Indicative of numerous placer unconformities
Witwatersrand palaeoplacers have produced an estimated 50,000 tonnes of gold	Palaeoplacers not yet located	Significant placer potential

Bauxite

Guyana is known to host a significant level of bauxite reserves. The existence of lateritic bauxite deposits within Lease Area A was established in the 1960s, but no further exploratory work was carried out until 2001 when GoldStone commenced fieldwork.

The bauxite deposit is located in the Kopinang Basin within Lease Area A and exceeds 6,000 hectares. Preliminary sampling suggests the potential for lateritic bauxite containing over 100 million tonnes of 35 per cent. extractable alumina. This would be classified as large by international mining standards. Systematic exploration is now required to determine the extent of the bauxite. As described below under the heading “Strategy”, it is not the intention of the Directors that GoldStone will fund the cost of the exploration of the deposit.

The Permits

A permit was initially issued by the GGMC to GoldStone in 1999 which granted the Company the exclusive right, except in certain zones as described below, to occupy and conduct geological and geophysical surveys for an initial period of 36 months commencing July 1999. The permit applies to Lease Area A and Lease Area B as shown on the map in Figure 1. For the duration of the permit, the areas are exclusively reserved for GoldStone to prospect, mine, locate and acquire prospecting and mining permits. This permit was extended in August 2002 by a supplementary agreement for a further 36 months until 14 July 2005.

Prior to the expiry of the permit in 2005, the Company has the right to apply for and receive up to twenty prospecting licences on condition that: i) it has satisfied the requirements of a work programme submitted by the Company to the GGMC in June 1999; ii) a work programme is approved for each prospecting application made; and iii) satisfactory proof has been provided by the Company to the Minister of Mines and Minerals of sufficient financial resources and technical capability to continue with its prospecting operations in accordance with the work programme. The annual cost of the licences would be derived from a prescribed tariff applied by the GGMC. The issue of such further prospecting licences would ensure that title to the Group’s principal assets will endure significantly beyond 2005.

A second permit, with terms substantially similar to those of the initial permit, was issued during August 2002. This permit applies to smaller areas that are located within the southern part of Lease Area B.

The Permits exclude zones within the respective areas that were lawfully occupied by persons other than GoldStone or were the subject matter of grants or pending applications prior to June 1999. The Permits also exclude areas classified as river location licences and areas used by Amerindians in their sustenance activities, including hunting and artisanal mining. The first permit, however, makes provision for GoldStone to approach Amerindian communities for permission to explore, and grants GoldStone the undertaking that the Guyanese Government, which owns all the mineral rights in the Republic, will “not entertain or accept any applications for any form of mineral rights or grant any form of mineral rights pertaining to Amerindian lands” in the areas other than from the Company.

The first and second permits provide for payment in advance of yearly licence fees of US\$50,000 and US\$4,878 respectively.

4. Strategy

Taking into account the geological similarities between the Witwatersrand and the Roraima, GoldStone has developed an exploration strategy consistent with techniques successfully used in Witwatersrand exploration. The programme involves drilling shallow 250m vertical boreholes at a spacing that will aim to intersect all potential gold targets in three formations in the Roraima which have been identified by the Company as having gold potential.

The drilling programme may last up to twelve months depending on meteorological and site conditions. Throughout the period, progress will be assessed frequently and, if appropriate, resources may be diverted to conduct detailed drilling on a specific target, with the intention of bringing a potentially gold-bearing palaeoplacer to a feasibility stage earlier.

The Directors do not intend that GoldStone will fund the cost of the exploration of the bauxite deposit as they consider that the Company's focus should remain on the potential gold assets. In the opinion of the Directors, the potential of the deposit should be attractive to major participants in the bauxite industry and the Company will therefore seek joint venture partners to develop the asset. Discussions are under way with two parties over potential joint ventures.

The identification of significant gold or bauxite resources will hold the potential for GoldStone to generate cash flows through the sale, commercialisation or joint venturing of a portion of its assets. Such cash flows, if generated, may, *inter alia*, be applied to fund future exploration programmes aimed at further development and maximisation of the Company's mineral assets.

5. Operations

GoldStone currently operates from a head office in Cape Town and a branch office in Georgetown, Guyana. All strategic planning and material financial and administrative functions are performed and executed from the Cape Town office. The logistical and exploration functions and subordinated administrative and financial functions are executed from the Georgetown office.

The Directors intend to maintain the existing policy of outsourcing as many human resource functions as possible in order to contain costs. Similarly, exploration is carried out largely on an outsourced basis. In particular, high cost items such as drilling will be secured and executed on a "turn-key" basis. The wide network of contacts of some of the Directors facilitates the implementation of these policies. Specialised and suitable persons, reputable drilling companies, independent geological consulting agencies and laboratories have been identified and selected by the Company for its operations.

Dr Lawrie Minter and Dr Stuart Buck, Head of Exploration, will travel frequently to Guyana to liaise with the permanently stationed operations manager, Nick Norman, on exploration matters.

6. Corporate Structure

GoldStone is currently wholly owned by GeoQuest, an unlisted company registered in South Africa. GeoQuest is a holding company for gold and diamond exploration and mining companies.

A subsidiary of Remgro Limited, a constituent of the FTSE/JSE Africa Top 40 Index and one of South Africa's largest quoted groups, is the largest shareholder in GeoQuest with a holding of 21 per cent. Emil Bührmann is a director of this Company. Certain directors of GoldStone, namely Nico van der Hoven, Dr Lawrie Minter, Michael Christie, Jurie Wessels and Sir Michael Oliver, together are interested in 52 per cent. of the issued share capital of GeoQuest. They are also directors of GeoQuest, with the exception of Jurie Wessels who is its company secretary. Emil Bührmann is also a director of GeoQuest.

The remaining 27 per cent. of the issued share capital of GeoQuest is held by a number of private investors.

7. Board of Directors and Senior Management

The Board comprises:

Sir Michael Oliver, aged 63, Non-Executive Chairman, resident in England, is a director of a number of investment funds. He was previously Director, Investment Funds, at Hill Samuel Asset Management and Scottish Widows Investment Partnership Limited. He was a partner of stockbrokers Kitcat and Aitken for many years and subsequently managing director of Carr Kitcat and Aitken between 1990 and 1993.

Nico van der Hoven, aged 48, Chief Executive, has over fifteen years' experience in the mining exploration sector. He has co-founded a number of mining exploration companies in South Africa and currently is a director of Xanadu Mining (Pty) Limited, Grindstone Mining Limited and GeoQuest. He has degrees in commerce and law from the University of Stellenbosch.

Dr Lawrie Minter, aged 66, Director of Exploration, gained extensive experience working as a geologist from 1959 to 1983 for Rhodesian Selection Trust Exploration Limited, General Mining Corporation Limited and Anglo American Corporation Limited. He is credited with having developed the first exploration and mining models for the gold-bearing palaeoplacers in the Witwatersrand. He is an internationally recognised expert on Witwatersrand-type palaeoplacers and from 1983 to 2000 he held the chair of Economic Geology at the University of Cape Town.

Jurie Wessels, aged 36, Finance Director and Company Secretary, is a minerals lawyer and has significant experience in the management of mineral rights and properties. He is a director of Karmel Diamond Holdings (Pty) Limited a company focusing on the exploration sector in South Africa. He holds a bachelor's degree in economics and a post-graduate degree in law from the University of Stellenbosch and in 1995 set up his own law practice, Wessels & Associates.

Michael Christie, aged 64, Non-Executive Director, was a director and co-founder of a number of privately owned wholesale and retail food stores and was a founder member of the SPAR food chain in South Africa. In 1983 he co-founded the Health & Racquet Club Group (Pty) Ltd and served as a director until 1992. He currently is a director of Xanadu Mining (Pty) Limited, Grindstone Mining Limited and GeoQuest.

Emil Bührmann, aged 48, Non-Executive Director, is a chartered accountant and has served on the boards of a number of publicly listed companies in South Africa. He is a non-executive director of Gencor Limited and Trans Hex Group Limited and is an executive director of Remgro Group Limited, the holding company for the mining, financial and industrial interests of the former Rembrandt Group. He is also a director of GeoQuest.

Senior Management

Dr Stuart Buck, aged 52, Head of Exploration, is a sedimentologist with twenty five years' international exploration experience. He has held various positions with Anglo American Corporation Limited, Rio Tinto, Baker Atlas and TASK Geoscience, for whom he managed exploration and mining projects in the Witwatersrand and South America.

Nick Norman, aged 58, Operations Manager, has more than thirty years' senior management experience working on mining and exploration projects. He has held senior positions with Rio Tinto Exploration, RTZ (Chile), Riofinex AM&S and Thabex Exploration in both South Africa and South America.

Each of Mr Norman and Dr Buck have agreed to provide consultancy services to the Company. The terms of Mr Norman's consultancy agreement are set out in paragraph 5.5 of Part V of this document.

Task Geoscience Limited has submitted a technical and cost proposal to GoldStone under which, *inter alia*, the services of Dr Buck will be provided. Dr Buck will manage the core logging aspect of GoldStone's drilling programme and make bimonthly trips to Guyana. This proposal is open for acceptance until mid-April 2004 and the Company intends to accept its terms shortly after Admission.

8. Corporate Governance

The Directors acknowledge the importance of the Combined Code on Corporate Governance and intend, following Admission, to apply its principles so far as is practicable and appropriate to a company of the size and nature of GoldStone.

The Company has appointed Sir Michael Oliver as its Non-Executive Chairman and Emil Bührmann and Michael Christie as Non-executive Directors. Emil Bührmann will chair the Audit Committee and Sir Michael Oliver the Remuneration Committee.

The Audit Committee will receive and review reports from management and the Company's auditors relating to the annual and interim accounts and the accounting and internal control systems of the Company. The Audit Committee will have unrestricted access to the Company's external auditors.

The Remuneration Committee will review the scale and structure of the Executive Directors' remuneration and the terms of their service contracts. The remuneration and terms and conditions of appointment of the Non-Executive Directors will be set by the Board.

9. Financial Record

The table below summarises the trading results of the Group for the three years ended 28 February 2003 and for the six months ended 31 August 2003. The information has been extracted from the Accountants' Report set out in Part IV of this document.

	Six months ended 31 August 2003 \$000	Year ended 28 February 2003 \$000	Year ended 28 February 2002 \$000	Year ended 28 February 2001 \$000
Exploration expenses	(124)	(162)	(501)	(916)
Administrative expenses	(54)	(354)	(129)	(180)
	<u>(178)</u>	<u>(516)</u>	<u>(630)</u>	<u>(1,096)</u>
Other operating income	—	—	580	125
Loss before and after taxation	<u>(178)</u>	<u>(516)</u>	<u>(50)</u>	<u>(971)</u>

10. Current Trading and Future Prospects

As described in this Part I, the Company's operations are currently at the exploration stage and thus have not yet generated any revenue. The prospects for further exploration and subsequent development of mining operations are set out above.

11. Dividend Policy

The Board anticipates that, following Admission, the Company's cash resources will be retained for exploration activities and will not be distributed until the Company has an appropriate level of distributable profits. The declaration and payment by the Company of any dividends and the amount thereof will depend on the results of its operations, financial position, cash requirements, prospects, profits available for distribution and other factors deemed to be relevant at the time.

12. Reasons for the Placing and Use of Proceeds

The Company proposes to raise £5.6 million, before expenses, from the Placing. The net proceeds of the Placing will be used to continue its gold exploration programme and provide working capital. The major part of the expenditure comprises controllable drilling and exploration costs.

13. Details of the Placing

Pursuant to the Placing Agreement, Westhouse will use its reasonable endeavours to procure subscribers for 22,400,000 Placing Shares on behalf of the Company.

Further details of the Placing Agreement are set out in paragraph 5.4 of Part V of this document.

14. Warrants

The Warrants will entitle holders to subscribe in cash for Ordinary Shares at an exercise price of 35 pence each on the terms and conditions of the Warrant Instrument. The exercise price of 35 pence per share may be adjusted in the circumstances summarised in paragraph 6 of Part V of this document. The Warrants may be exercised at any time from and including Admission up to and including 30 September 2006 or, if earlier, the date upon which a Listing or Takeover (in each case as defined in the Warrant Instrument) becomes effective. The Company intends to apply for the Warrants to be admitted to trading on AIM. Warrants to subscribe for an aggregate of 11,200,000 Ordinary Shares will be issued in connection with the Placing, representing approximately 15.2 per cent. of the issued share capital of the Company following Admission, assuming exercise of all the Warrants but no other share issues.

Further details regarding the Warrants are set out in paragraph 6 of Part V of this document.

15. Future Funding

The level of future funding required to bring the business of the Company to the next stage of development will depend on the results of the proposed drilling programme. Should a palaeoplacer be intersected during the course of the programme, the necessary finance for further development could be derived from a) the funds raised in the Placing (dependent on the funds already utilised at that point); b) a joint venture agreement with a major gold company to finance the development of the palaeoplacer; and c) a further placing of shares in the Company.

16. Lock-in and Orderly Market Arrangements

Under the terms of the Placing Agreement, the Directors and GeoQuest have undertaken not to dispose of any interest in Ordinary Shares for the period of 12 months from Admission, subject to certain exceptions. On the first anniversary of Admission, they are permitted to dispose of 50 per cent. of their holdings of Ordinary Shares and after 18 months a further 25 per cent. The restrictions cease after two years subject to orderly market arrangements.

17. Share Option Scheme

The Company has adopted a share option scheme as an incentive to employees, including the Directors, to promote the continued growth of the Company. It is not intended to grant options to Non-Executive Directors. Under the scheme, options over 5 per cent. in aggregate of the issued share capital on Admission, exercisable at the Placing Price, are to be granted to certain of the Directors. Details of these options and the scheme are set out in paragraph 7 of Part V of this document.

18. CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument in accordance with the Regulations. The articles of association of the Company permit the holding of Ordinary Shares under the CREST system. The Warrant Instrument permits the holding of Warrants under the CREST system. All the Ordinary Shares and Warrants will be in registered form and no temporary documents of title will be issued. The Company has applied for the Ordinary Shares and the Warrants to be admitted to CREST and it is expected that the Ordinary Shares and the Warrants will be so admitted and accordingly enabled for settlement in CREST on the date of Admission. It is expected that Admission will become effective and dealings in Ordinary Shares and Warrants will commence on 25 March 2004. Accordingly, settlement of transactions in Ordinary Shares and Warrants following Admission may take place within the CREST system if any Shareholder or Warrantholder so wishes. CREST is a voluntary system and holders of the Ordinary Shares or Warrants who wish to receive and retain certificates will be able to do so.

19. UK Taxation

Information regarding UK taxation with regard to certain holders of the Ordinary Shares is set out in paragraph 11.13 of Part V of this document. If you are in any doubt as to your tax position, you should contact your professional adviser.

20. Further Information

Your attention is drawn to the information on Guyana in Part II of this document, the Risk Factors in Part III, the financial information in Part IV, the additional information set out in Part V and the Competent Person's Report in Appendix I.

PART II

Mining in Guyana

Background

Guyana has a population of around 700,000 and a per capita gross domestic product (“GDP”) of approximately US\$900. The country is well endowed with natural resources including gold and bauxite, large tropical forests and fertile agricultural lands.

Around 90 per cent. of the population lives along a narrow coastal strip, part of which lies below sea level and is protected by miles of sea defences. The interior of the country is largely covered by forests and sparsely populated.

The country has a multi-racial population. The Indo-Guyanese are the largest ethnic group, making up around 48 per cent. of the population. Afro-Guyanese account for about 33 per cent. of the population and indigenous peoples or “Amerindians” make up another 8 per cent. The incidence of poverty, at 35 per cent. of the population (with much higher rates in rural and Amerindian areas), is among the highest in the western hemisphere.

Guyana is bounded on the north by the Atlantic Ocean, on the east by Suriname, on the south by Brazil and on the west by Brazil and Venezuela. The country achieved independence from Britain in 1966, but remains a member of the Commonwealth.

Recent Economic Developments

Guyana’s economy was buoyant during much of the 1990s as a result of an economic recovery programme initiated in the late 1980s. GDP grew by over 7 per cent. annually from 1991 to 1997 and poverty rates, as measured in the 1992 and 1999 household income and expenditure surveys, declined substantially, although rural poverty remained high.

Since 1998, however, economic performance has declined. Annual growth averaged less than 0.5 per cent. between 1998 and 2001 and the Government has found it difficult to contain fiscal deficits. This can be explained by (a) price decreases affecting exports of sugar, rice and lumber during 1998 and 1999; (b) drought conditions caused by *El Niño* during 1997 and 1998; (c) a 55 day strike between May and July 1999 by public service employees, which led to a large wage award following arbitration by the courts; and (d) domestic political disturbances that followed the general elections of 1997 and 2001.

Guyana receives debt relief under the Heavily Indebted Poor Countries (“HIPC”) initiative. This has resulted in the country’s outstanding debt reducing by over 50 per cent. Notwithstanding this debt relief, net positive flows of concessional assistance will continue to be needed in Guyana.

Mining in Guyana

Mining is an important component of Guyana’s economy and ranks amongst the most valuable industries. The GGMC is responsible for managing the mining and petroleum industries according to the law and policies of the Government and promotes foreign investment and participation in mineral development in the country.

Mining permits are granted by the following Government agencies: the Bauxite Industry Development Company Limited for bauxite, the GGMC for gold and diamonds and the Guyana Natural Resources Agency for oil. From 1982 to early 1997, the Guyana Gold Board was the sole buyer of gold. However, following regulatory changes that came into effect in 1997, twelve private sector individuals and companies were licensed to purchase, store and export gold on a trial basis for an initial period of one year. The programme was extended for an unspecified period beyond 1998.

Mining Fiscal Regime

Guyana's Mining Fiscal Regime guarantees 100 per cent. foreign ownership of large-scale prospecting and mining licences, secure tenure of property rights and title, rights to assign and transfer rights obtained under prospecting and mining licences and a repatriation of funds. The state applies the following fiscal measures to the mining industry:

- annual fees in respect of permits granted, the level of which is determined in accordance with a prescribed tariff and is dependent on the type of permit and the area covered;
- 5 per cent. royalty on production or gross revenues for gold, precious metals, diamonds and precious stones;
- 1.5 per cent. royalty on production or gross revenues for bauxite and other minerals, except sand and quarriable stones;
- 35 per cent. corporation tax on taxable income;
- zero rating on duty and consumption tax on equipment and process materials, which include spare parts used for surveys, exploration development and mining by licensees or their contractors;
- straight line depreciation at 20 per cent. per annum;
- 10 per cent. consumption tax on fuel; and
- 6.25 per cent. withholding tax on distributed dividends.

General Description of Current Mining Laws

The Mining Act 20 of 1989 governs the search for and extraction of metals, minerals and precious stones in Guyana, including gold, bauxite and diamonds. The Act empowers the GGMC, with approval of the Minister of Mines and Minerals (currently the Prime Minister Hon. Samuel Hinds) to issue licences. The GGMC is a statutory body created by section 3 of the Guyana Geology and Mines Commission Act of 1979 with the mandate to regulate the minerals industry within the framework of the Act.

The Act stipulates that all the minerals located in Guyana belong to the State. The Act, however, provides that a licence or permit holder may take and appropriate minerals after they have been extracted under a permit issued by the Minister of Mines and Minerals and subject to the payment of royalties.

Grant of Permissions

The Act provides for four scales of operation. Small and medium scale prospecting and mining permissions are reserved in favour of Guyanese citizens. Prospecting licences for areas between 500 and 12,800 acres may be issued to foreign entities. Applications for permission for geological and geophysical surveys may also be made to reconnoitre large areas of land with the objective of applying for prospecting licences over favourable areas selected on the basis of results obtained from the reconnaissance work.

The Act empowers the Minister of Mines and Minerals to grant permission for geophysical and geological surveys. In order to be successful, an application for such a permission should be based on a new or special concept that needs to be tested by reconnaissance and can be based on geological hypotheses or the need to obtain further geological data. There is no prescribed format for such an application, but it is required that the application elaborates on the geological objectives, areas of interest, proposed payment of fees, technical and financial capability and a work programme.

In applying for a prospecting licence, an application has to be submitted that consists of the completed form, a work programme and budget for the first year's activities, identification of the area, proof of financial and technical capability, proposals for employment and training of Guyanese citizens and payment of an application fee.

Rights to the Extracted Minerals

Section 6 of the Act provides that the ownership of all minerals within Guyana is vested in the State. Section 7, however, states that the GGMC may, with approval of the Minister of Mines and Minerals, grant a licence or permit authorising the holder of such licence to enter upon private or State lands and to search or mine and appropriate any minerals.

Grounds for Termination of Mining Licences

The Act stipulates the circumstances under which a licence may be terminated and sets out the procedure to be followed in doing so. The GGMC may only cancel a licence by written notice served on the licensee if the holder of the licence (a) fails to fulfil the conditions of its licence; (b) does not comply with the provisions of the Act or any other statute that governs the prospecting or mining of minerals; (c) fails to pay any amount payable by the holder of the licence; or (d) is convicted of an offence under the Act.

The Act states that the GGMC shall not cancel a licence on the grounds of default unless the Commission has (a) by written notice given the holder of the licence at least thirty days' notice of the GGMC's intention to cancel the licence; (b) the written notice specifies a reasonable date before which the licensee may submit representations which it wishes the Commission to consider; and (c) the GGMC has taken into account the representations made and any action taken by the licensee to remove that ground or, where the default cannot be remedied, any offer by the licensee to the GGMC of adequate compensation. The Commission may also cancel the licence with the approval of the Minister of Mines and Minerals if an order is made or a resolution passed to wind up the affairs of the licensee, unless the winding up is for the purpose of amalgamation and the Commission has consented to the amalgamation, or is for reconstruction and the Commission has been given notice of the proposed reconstruction.

PART III

Risk Factors

An investment in the Company is subject to a number of risks. Prospective investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Company, including, in particular, the risks described below, before making any investment decision. The information below does not purport to be an exhaustive list. Investors should consider carefully whether investment in the Ordinary Shares or the Warrants is suitable for them in the light of the information in this document and their personal circumstances. Before making any final decision, prospective investors in any doubt should consult with an investment adviser authorised under the Financial Services and Markets Act 2000. If any of the following risks were to materialise, the Company's business, financial position, results and/or future operations may be materially adversely affected. In such case, the market price of the Ordinary Shares and the Warrants may decline and an investor may lose all or part of his investment. Additional risks and uncertainties not presently known to the Directors, or which the Directors currently deem immaterial, may also have an adverse effect upon the Company.

1. General

Investment risk

Although the Ordinary Shares and the Warrants are to be admitted to trading on AIM, they will not be listed on the Official List of the UK Listing Authority. An investment in securities quoted on AIM may carry a higher risk than an investment in securities quoted on the Official List. AIM has been in existence since June 1995, but its future success and liquidity in the market for the Company's securities cannot be guaranteed.

Investors should be aware that, following Admission, the market price of the Ordinary Shares and the Warrants may be volatile and may go down as well as up and investors may therefore be unable to recover their original investment. This volatility could be attributable to various facts and events, including any regulatory or economic changes affecting the Company's operations, variations in the Company's operating results, the gold price, developments in the Company's business or its competitors, or changes in market sentiment towards the Ordinary Shares and the Warrants. In addition, the Company's operating results and prospects from time to time may be below the expectations of market analysts and investors.

At the same time, market conditions may affect the Ordinary Shares and the Warrants regardless of the Company's operating performance or the overall performance of the gold mining industry. Share market conditions are affected by many factors such as general economic outlook, movements in or outlook on interest rates and inflation rates, currency fluctuations, commodity prices, changes in investor sentiment towards particular market sectors and the demand and supply for capital.

Accordingly, the market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets, and the price at which investors may dispose of their Ordinary Shares and Warrants at any point in time may be influenced by a number of factors, only some of which may pertain to the Company while others of which may be outside the Company's control.

Loss making history

As a result of its lack of revenue generation, GoldStone is subject to all the risks associated with the operations of a developing business. The Company's prospects may be jeopardised by the type of difficulties which often afflict businesses in the early stages of their development. There can be no guarantee that the Company will move into profitability.

Currency risk

The Company's operations are influenced by exchange rate fluctuations and may be subject to exchange control or similar restrictions. Following Admission, the Directors intend to translate some of the proceeds of the placing, which will be in pounds sterling, into US dollars, Guyanese

dollars and South African rand. The amounts translated will be based on the anticipated expenditure in those currencies. The Company will, in this way, reduce exposure to currency movements on its expenditure. However, currency fluctuations may affect the Company in the event that the mining operation is established.

Dependence on key executives and personnel

The Company's development and prospects are dependent upon the continued services and performance of its senior management and other key personnel. The loss of the services of any of the senior management or key personnel may have an adverse impact on the Company. In order to mitigate this risk, the Company has undertaken to take out key men insurance policies in respect of its Chief Executive and Director of Exploration.

2. Risks relating to the Company and the gold mining industry

Exploration Risk

Gold exploration involves a high degree of risk and exploration projects are frequently unsuccessful. Few prospects that are explored are ultimately developed into producing mines. To the extent that the Company is involved in gold exploration, the long-term success of the Company's operations will be dependent upon its exploration programme. There can be no assurance that the Company's future gold exploration efforts will be successful. The risks associated with gold exploration include the identification of potential gold mineralisation based on analysis of geological data and the need to have sufficient capital available for exploration and development.

If reserves are developed, it could take a number of years from the initial phases of drilling and identification of mineralisation until production is possible, during which time the economic feasibility of production may change. Substantial expenditure may be required to establish ore reserves through drilling, to determine metallurgical processes to extract metals from ore and, in the cases of new properties, to construct mining and processing facilities. As a result of these uncertainties, there can be no assurance that current and future exploration programmes will result in the discovery of reserves.

Permits

Exploration, mining and processing activities are dependent upon the grant, renewal or continuance in force of appropriate permits, licences, concessions, leases and regulatory consents which may be valid only for a defined time period, may be subject to limitations and may provide for withdrawal in certain circumstances.

As described in Part I of this document, the Company holds two reconnaissance permits issued by the GGMC. The Permits have been extended and now expire in July 2005. The Directors are confident that the Company will fulfil the necessary pre-conditions, which are set out in section 3 of Part I of this document under the heading "*The Permits*", in order to exercise its right to be granted prospecting licences under the Permits. The Directors also believe that, subject to the fulfilment of the pre-conditions, the right to receive prospecting licences will be honoured by the GGMC.

There can, however, be no assurance that the Company will meet the necessary pre-conditions to be granted prospecting licences or that future licences, concessions, leases, permits and regulatory consents will be granted or, if so, on what terms.

Environmental issues

Mining projects may be subject to the environmental laws of states in which the Company operates. These laws may result in limitations of mining activities which may become increasingly strict in future. Environmental awareness on the part of the public has been increasing, as has public pressure on environmental authorities. No assurance can be given that the need to comply with current or future environmental laws, regulations or commitments will not have a material adverse effect on the activities of the Company or that the liabilities resulting from any environmental damage caused by the activities of the Company will not be material.

Uninsured risks

The insurance industry is not yet well developed in Guyana and many forms of insurance protection which are typically used in more economically developed countries are unavailable. Furthermore, the Company, as a participant in mining and exploration activities, may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs. In particular, insurance against risks such as environmental pollution or other hazards as a result of exploration and production is not generally available to the Company or to other companies in the mining industry on acceptable terms. Losses from uninsured risks may cause the Company to incur costs that could have a materially adverse effect upon the Company's financial performance and results of operations.

Mining and processing risks

There are risks inherent in the development and exploitation of mineral deposits. The business of mining by its nature involves risks and hazards often outside the Company's control including geological, geotechnical and seismic factors and production risks (ore grade/quality, tonnages and recovery/yields), industrial and mechanical incidents, unscheduled plant shutdowns or other processing problems, technical failures, labour disputes, environmental hazards including the discharge of toxic chemicals, fire, drought, flooding and other events outside of the Company's control. The exploration, development and production of natural resources is an activity that involves financial risk.

In common with all mining operations, there is uncertainty associated with the Company's operating parameters and costs. While costs can be budgeted with a reasonable degree of confidence, operating parameters can be difficult to predict and are often affected by factors outside the Company's control.

Financing

Further exploration and the development of the Company's operations depends upon the Company's ability to obtain financing through the raising of additional equity or debt or by other means. Any additional equity financing may be dilutive to shareholders and debt financing, if available, may involve restrictions on financing and operating activities. The net proceeds of the Placing are expected to enable the Company to meet its working capital requirements for a minimum of 12 months only, and the Company may thereafter need additional funds through debt and equity financing to meet such requirements. There can be no assurance that such funding required by the Company will be made available to it.

Litigation

While the Company currently has no material outstanding litigation, there can be no guarantee that the current or future actions of the Company will not involve the Company in litigation, whether as claimant or defendant. Litigation and settlement costs can be substantial, even with respect to the defence of claims that have no merit. Owing to the inherent uncertainty of the litigation process, there can be no assurance that the resolution of any particular legal proceedings will not have a material effect on the Company's financial position or results of operations.

Gold price volatility

The market price of gold is volatile and is affected by numerous factors which are beyond the Company's control. These factors include world production levels, global and regional economic and political events, international economic trends, inflation and deflation, currency exchange fluctuations, speculative activity and the political and economic conditions of major gold-producing countries. Additionally, the purchase and sale of gold by world central banks or other large holders or dealers may also have an impact on the market price. The aggregate effect of these factors is impossible to predict.

3. Risks Relating to Guyana

Political and economic risks

The Company's assets and prospects may be affected by political and economic uncertainties. Since colonial rule by Britain, France and the Netherlands, Guyanese politics has been occasionally

turbulent and during the period 1964 to 1985 the Guyanese Government had socialist tendencies under the rule of Prime Minister, Forbes Burnham. Following Burnham's death in 1985, Hugh Desmond Hoyte was elected President and gradually brought about an almost complete reversal of Burnham's policies, moving from state socialism and one-party control to a market economy and unrestricted freedom of the press and assembly.

The ruling People's Progressive Party and the official opposition, the People's National Congress, together represent 96 per cent. of the electorate. These parties are both considered to be pro-democracy, friendly to Western democracies and supportive of an expanding private sector. Although both these parties embrace private and co-operative forms of ownership, there can be no assurance that this will remain the broad political thinking in future. A change in thinking could have an adverse effect on the Permits and the granting of prospecting licences under them.

Financial instability

Guyana, like any other country, is likely to be adversely affected by a worldwide economic downturn. This may result in a devaluation of the Guyanese dollar, inflationary pressure and a general deterioration in other macroeconomic indicators. Guyana's economy is, in part, driven by its ability to sell its natural resources of gold, bauxite, sugar, rice, timber and precious stones and, consequently, a substantial change in the price of such commodities may adversely affect the country's currency and gross domestic product. Such variability could, in turn, lead to an unforeseen rise in Guyanese dollar denominated costs. This risk is mitigated by the fact that most costs incurred by the Company are US dollar denominated, with the exception of local labour.

Regulatory environment

The Company's exploration operations are subject to environmental monitoring, Amerindian consensus, labour laws, immigration regulations, health regulations and regulations that govern the import and export of equipment. Compliance with these regulations and obligations imposed by the Permits may increase the costs of the Company's operations.

The Board believes the Company substantially complies with laws and regulations that affect its operations. These laws and regulations may however change and could result in the Company being required to comply with obligations that are more stringent and less flexible than the ones currently in force. This may cause a delay in the planned operations of the Company or prevent the development of the Company's activities in Guyana.

Taxation

The Guyana mining tax regime was changed during 1999 to make Guyana more attractive to international resource investors. There is, however, no guarantee that a future government will not impose a more onerous tax regime or apply more severe and restrictive policies.

Guyana's physical infrastructure

Guyana's eastern coastal strip is relatively densely populated and developed. The western interior and hinterland is, however, largely undeveloped. The interior is accessible by some roads but mostly by boat on the many navigable rivers or by aircraft to numerous airstrips. There are no guarantees that the current limited road network will be maintained to a level where it remains usable.

Crime and corruption

In common with many South American countries, Guyana has a high crime rate. Public opinion in the country is increasingly focusing on the need to control crime, in particular narcotics trafficking and money laundering. It is hoped that new senior police and judicial appointments will result in stronger measures to address the crime problems.

The current high incidence of crime could have an adverse effect on the Company successfully and safely conducting its business activities in Guyana.

Border dispute

During the 1800s, Venezuela and British Guiana both laid claim to a large tract of land (five-eighths of present-day Guyana) between the Essequibo River and the mouth of the Orinoco River. In 1899 an international court of arbitration pronounced British Guiana to be legally entitled to the area, and the matter appeared to be settled. In the early 1960s, Venezuela reasserted its claim to the disputed territory. The disputed territory covers all of Lease Area A, but does not include any part of Lease Area B.

From 1960 to 1990, various agreements were signed, the most notable of which was the Protocol of Port-of-Spain in terms of which Venezuela agreed to a twelve-year moratorium on the border dispute. Although Venezuela failed to renew the protocol, relations between Guyana and Venezuela slowly improved to the extent that Venezuela sponsored Guyana's bid for membership of the Organisation of American States in 1990. Both countries appear to be committed to diplomatic settlement and Guyana claims to have received support from the Commonwealth Heads of State during their recent meeting in Nigeria in December 2003. Despite the improved diplomatic relations between the countries, there can be no guarantee that the position will not deteriorate. Such a deterioration may have a materially adverse effect on the Company.

PART IV
Accountants' Report

The following is the full text of a report on GoldStone Resources Limited from Baker Tilly, the Reporting Accountants, to the Directors of GoldStone Resources Limited and Westhouse Securities LLP.



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19 March 2004

Dear Sirs

GOLDSTONE RESOURCES LIMITED (“the Company”)

Introduction

We report in connection with the proposed placing of ordinary shares of the Company (“the Placing”) and admission of its ordinary share capital to trading on the Alternative Investment Market (“Admission”). This report has been prepared for inclusion in the Admission Document dated 19 March 2004 (“the Prospectus”).

Basis of preparation

The Company changed its name from Migrate Mining Limited to GoldStone Resources Limited on 12 February 2004. The financial information set out below is based on the audited financial statements of the Company for the three years ended 28 February 2003 and the audited interim financial statements for the 6 months ended 31 August 2003, no adjustments being considered necessary. The accounts of the Company for the three years ended 28 February 2003 and the six months ended 31 August 2003 were audited by Deloitte & Touche of Lord Coutanche House, 66-68 Esplanade, St Helier, Jersey, JE4 8WA, Chartered Accountants, who gave unqualified reports thereon. No audited financial statements have been prepared for the Company in respect of any subsequent period.

No cash flow statements have previously been prepared for the Company as it has taken advantage of the exemption under Financial Reporting Standard 1 “Cash flow statements” not to prepare a cash flow on the grounds that it is a wholly owned subsidiary of GeoQuest Holdings Limited whose consolidated financial statements are publicly available. The cash flow statements set out below have been prepared specifically for inclusion in this report.

Responsibility

The financial statements and the interim financial statements are the responsibility of the directors of the Company (“Directors”) who approved their issue. The Directors are responsible for the contents of the prospectus dated 19 March 2004 in which this report is included.

It is our responsibility to compile the financial information set out below from the Company’s financial records and to make a report in accordance with paragraphs 45 of Schedule 1 to the Public Offers of Securities Regulations 1995. Our work has been undertaken so that we might state those matters we are required to state in our report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone for any other purpose for our work, for this report or for the opinions we have formed.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that previously recorded by the auditors who audited the financial statements underlying the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the Company’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement, whether caused by fraud or other irregularity or error.

Going concern

In forming our opinion, we have considered the adequacies of the disclosures made in this report concerning the basis on which the accounts have been prepared on a going concern basis, and in particular the fundamental accounting concept described in the Accounting Policies. Our opinion is not qualified in this respect.

Opinion

In our opinion, the financial information set out below gives, for the purpose of the Prospectus, a true and fair view of the losses and cash flows of the Company for the three years ended 28 February 2003 and the 6 months ended 31 August 2003 and of the state of affairs of the Company at the end of each of these periods.

Profit and Loss Accounts

		Year ended 28 February			6 months ended 31 August
	Notes	2001 \$'000	2002 \$'000	2003 \$'000	2003 \$'000
Exploration expenses		(916)	(501)	(162)	(124)
Administrative expenses		(180)	(129)	(354)	(54)
		<u>(1,096)</u>	<u>(630)</u>	<u>(516)</u>	<u>(178)</u>
Other operating income		125	580	—	—
Operating loss	2	<u>(971)</u>	<u>(50)</u>	<u>(516)</u>	<u>(178)</u>
Taxation	3	—	—	—	—
Loss on ordinary activities after taxation		<u>(971)</u>	<u>(50)</u>	<u>(516)</u>	<u>(178)</u>
Retained deficit brought forward		<u>(921)</u>	<u>(1,892)</u>	<u>(1,942)</u>	<u>(2,458)</u>
Retained deficit carried forward		<u><u>(1,892)</u></u>	<u><u>(1,942)</u></u>	<u><u>(2,458)</u></u>	<u><u>(2,636)</u></u>

Operating losses all derive from continuing operations.

No separate Statement of Total Recognised Gains and Losses has been presented as all such gains and losses have been dealt with in the Profit and Loss Account.

Balance Sheets

		Year ended 28 February			6 months ended
	Notes	2001 \$'000	2002 \$'000	2003 \$'000	31 August 2003 \$'000
Fixed assets	5				
Tangible assets		40	39	22	15
Current assets	6				
Debtors		2	1	—	—
Cash at bank		5	7	3	6
		<u>7</u>	<u>8</u>	<u>3</u>	<u>6</u>
Creditors: amounts falling due within one year	7	<u>(1,384)</u>	<u>(1,434)</u>	<u>(70)</u>	<u>(188)</u>
Net current liabilities		<u>(1,377)</u>	<u>(1,426)</u>	<u>(67)</u>	<u>(182)</u>
Total assets less current liabilities		<u>(1,337)</u>	<u>(1,387)</u>	<u>(45)</u>	<u>(167)</u>
Net liabilities		<u>(1,337)</u>	<u>(1,387)</u>	<u>(45)</u>	<u>(167)</u>
Capital and reserves					
Called up share capital	8	—	—	2	2
Share premium	9	—	—	1,856	1,912
Capital reserve	11	555	555	555	555
Profit and loss account		<u>(1,892)</u>	<u>(1,942)</u>	<u>(2,458)</u>	<u>(2,636)</u>
Shareholders' equity deficit	10	<u>(1,337)</u>	<u>(1,387)</u>	<u>(45)</u>	<u>(167)</u>

Cash Flow Statements

		Year ended 28 February			6 months ended 31 August 2003
	Notes	2001 \$'000	2002 \$'000	2003 \$'000	2003 \$'000
Net cash (outflow)/inflow from operating activities	12A	(958)	(59)	(496)	(169)
Capital expenditure and financial investment					
Purchase of tangible fixed assets		(8)	(14)	—	—
		(8)	(14)	—	—
Financing					
Proceeds of issue of A Shares		—	—	1,858	56
Amounts received yet to be converted to equity		902	75	57	173
Loans converted to equity		—	—	(1,423)	(57)
Net cash inflow from financing		902	75	492	172
(Decrease)/increase in cash in period		<u>(64)</u>	<u>2</u>	<u>(4)</u>	<u>3</u>
Reconciliation of net cash flow to movement in net funds	12B				
(Decrease)/increase in cash in period		(64)	2	(4)	3
Movement in (debt)/funds in period		(64)	2	(4)	3
Opening net funds		69	5	7	3
Closing net funds		<u>5</u>	<u>7</u>	<u>3</u>	<u>6</u>

NOTES TO THE FINANCIAL INFORMATION

1. Accounting policies

The principal accounting policies, which have been consistently applied in the Company's financial information throughout the period under review, are as follows:

Basis of accounting

The financial information has been prepared in United States dollars under the historical cost convention and in accordance with applicable accounting standards in the United Kingdom.

At 31 August 2003, the Company had net current liabilities of US\$182,000 and a deficiency of shareholders' funds. As disclosed in note 14, the Company is seeking to raise approximately £5.6 million of new equity share capital through the proposed placing of 22,400,000 ordinary shares at 25 pence per share. The Company is being advised in the Placing by Westhouse Securities LLP. On this basis, the financial information has been prepared on the basis that the fundamental accounting concept of going concern applies.

Tangible fixed assets

Tangible fixed assets are stated at historical cost less accumulated depreciation.

Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Office equipment	25 per cent. per annum
Field and geological equipment	25 per cent. per annum

Gold samples are stated at cost and are not depreciated.

Exploration costs

Exploration costs are expensed until the commercial viability of a project has been proven.

Equity share conversion

The Company has adopted a policy from the year ended 28 February 2002 to convert amounts payable to its parent company into equity share capital.

Income and expenses

Income and expenses are included in the financial statements on the accruals basis.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profits and its results as stated in the financial statements.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantially enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Foreign currencies

The financial information has been prepared using United States dollars as the functional currency. Transactions denominated in other currencies are translated into United States dollars at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in other currencies at the balance sheet date are translated at the exchange rate ruling at that date. These translation differences are dealt with in the profit and loss account.

2. Operating loss

	Year ended 28 February			6 months ended
	2001	2002	2003	31 August
	\$'000	\$'000	\$'000	2003
				\$'000
Operating loss is stated after charging:				
Depreciation on tangible fixed assets				
Owned assets	12	15	17	7
Auditors' remuneration	7	11	11	5
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

3. Taxation

The Company is registered as an “exempt company” under Jersey tax legislation and currently pays a fee at a fixed rate of £600 per year. This is included as an expense in the profit and loss account as it is not dependent on the Company’s results.

4. Employees

	Year ended 28 February			6 months ended
	2001	2002	2003	31 August
	No	No	No	2003
				No
The average weekly number of persons (including directors) employed by the Company was:				
	1	—	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

	Year ended 28 February			6 months ended
	2001	2002	2003	31 August
	\$'000	\$'000	\$'000	2003
				\$'000
Staff costs for the above employees and directors				
Wages and salaries	27	—	—	—
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

There are no Directors (2003: none, 2002: none; 2001: none) to whom retirement benefits are accruing under a money purchase scheme.

In addition to the above, directors fees of approximately £Nil (2003: \$1,000; 2002: \$1,000; 2001: \$1,000) were paid to D F Waters and W J S Sutton, for their services as directors of the Company.

5. Tangible fixed assets

	Gold samples \$'000	Office equipment \$'000	Field & geological equipment \$'000	Total £'000
Cost				
As at 1 March 2000	4	16	30	50
Additions	—	—	8	8
As at 28 February 2001	4	16	38	58
Additions	—	—	14	14
As at 28 February 2002, 28 February 2003 and 31 August 2003	4	16	52	72
Depreciation				
As at 1 March 2000	—	3	3	6
Charge in year	—	4	8	12
As at 28 February 2001	—	7	11	18
Charge in year	—	4	11	15
As at 28 February 2002	—	11	22	33
Charge in year	—	4	13	17
As at 28 February 2003	—	15	35	50
Charge in period	—	1	6	7
As at 31 August 2003	—	16	41	57
Net book value				
As at 31 August 2003	4	—	11	15
As at 28 February 2003	4	1	17	22
As at 28 February 2002	4	5	30	39
As at 28 February 2001	4	9	27	40

6. Debtors

	2001 \$'000	As at 28 February 2002 \$'000	2003 \$'000	As at 31 August 2003 \$'000
Debtors and prepayments	2	1	—	—

7. Creditors: amounts falling due within one year

	2001 \$'000	As at 28 February 2002 \$'000	2003 \$'000	As at 31 August 2003 \$'000
Creditors and accruals	36	11	13	15
Amounts to be converted to share capital	—	—	57	173
Loans payable:				
Geoquest Holdings Ltd	1,306	1,368	—	—
Xanadu Mining (Pty) Ltd	42	55	—	—
	1,384	1,434	70	188

The loans were unsecured, interest free and with no fixed terms and repayment. The amount due to Xanadu Mining (Pty) Limited was transferred to Geoquest Holdings Limited during the year ended 28 February 2003 and these loans were converted to equity as described in note 13.

8. Share capital

	2001 £'000	As at 28 February 2002 £'000	2003 £'000	As at 31 August 2003 £'000
Authorised:				
5,000 Ordinary A Shares of £1 each	5	5	5	5
5,000 Ordinary B Shares of £1 each	5	5	5	5
	<u>10</u>	<u>10</u>	<u>10</u>	<u>10</u>
Issued and fully paid:				
1,331 Ordinary A Shares of £1 each (2003 : 1,294, 2002 : 100, 2001 : 100)	—	—	1	1
	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>	<u>\$'000</u>
Converted to \$ at date of issue	<u>—</u>	<u>—</u>	<u>2</u>	<u>2</u>

During the year ended 28 February 2003, the loans owed to Geoquest Holdings Limited and Xanadu Mining (Pty) Ltd were converted into ordinary shares.

On 18 February 2003 142 ordinary £1 A shares were issued at a premium of £994 per share. They were converted using an exchange rate of US\$1 : £1.61.

On 6 June 2002, 1,052 ordinary £1 A shares were issued at a premium of £999 per share. They were converted using an exchange rate of US\$1 : £1.55.

The above share issues resulted in a total share premium of approximately \$1,856,000.

During the period ended 31 August 2003, loans amounting to approximately \$57,000, were converted into equity share capital by the issue of 37 £1 A shares at a premium of £975 per share. They were converted using an exchange rate of US\$1 : £1.57. This share issue resulted in a share premium of approximately \$56,000.

The Ordinary A shares and the Ordinary B shares rank *pari passu* in all respects.

9. Share premium

	2001 \$'000	As at 28 February 2002 \$'000	2003 \$'000	As at 31 August 2003 \$'000
Opening balance	—	—	—	1,856
Proceeds from issue of ordinary A shares	—	—	1,858	56
Nominal value of ordinary A shares	—	—	(2)	—
Closing balance	<u>—</u>	<u>—</u>	<u>1,856</u>	<u>1,912</u>

10. Reconciliation of movement in shareholders funds

	2001 \$'000	As at 28 February 2002 \$'000	2003 \$'000	As at 31 August 2003 \$'000
Loss for the year	(971)	(50)	(516)	(178)
New shares issued	—	—	1,858	56
Opening shareholders' funds	<u>(366)</u>	<u>(1,337)</u>	<u>(1,387)</u>	<u>(45)</u>
Closing shareholders' funds	<u>(1,337)</u>	<u>(1,387)</u>	<u>(45)</u>	<u>(167)</u>

11. Capital reserve

The capital reserve represents the premium arising on the capitalisation of shareholders' loans.

12. Cash flows

	Year ended 28 February			6 months ended
	2001	2002	2003	31 August 2003
	\$'000	\$'000	\$'000	\$'000
A Reconciliation of operating loss to net cash inflow from operating activities				
Operating loss	(971)	(50)	(516)	(178)
Depreciation	12	15	17	7
Decrease in debtors	14	1	1	—
(Decrease)/Increase in creditors	(13)	(25)	2	2
Net cash inflow/(outflow) from operating activities	<u>(958)</u>	<u>(59)</u>	<u>(496)</u>	<u>(169)</u>
B Analysis of change of net funds in year				
Cash at bank and in hand	<u>69</u>	<u>5</u>	<u>7</u>	<u>3</u>
Opening net funds	69	5	7	3
(Decrease)/increase in cash in year	<u>(64)</u>	<u>2</u>	<u>(4)</u>	<u>3</u>
Cash at bank and in hand	<u>5</u>	<u>7</u>	<u>3</u>	<u>6</u>
Closing net funds	<u>5</u>	<u>7</u>	<u>3</u>	<u>6</u>

13. Related party transactions

GoldStone Resources Limited is a wholly owned subsidiary of GeoQuest Holdings Limited, as is Xanadu Mining (Pty) Limited. Loans received from these companies are disclosed in note 7 above. In accordance with the Company's stated accounting policy, these loans were converted to share capital.

14. Post balance sheet events

14.1 On 16 March 2004, each of the issued and unissued ordinary shares was subdivided into 100 ordinary shares of 1p each.

On the same date, loans amounting to approximately \$515,000 were converted into equity share capital by the issue of 66,900 ordinary shares of 1p each at a premium of \$7.68 per share. They were converted using an exchange rate of US\$1.8:£1. This share issue resulted in a share premium of \$513,792.

On the same date, a bonus issue was declared whereby each shareholder received 199 ordinary shares of 1p each for each ordinary share held.

14.2 Pursuant to the Prospectus in which this report is contained, the Company is raising approximately £5.04 million, net of expenses, by way of a placing. Further details of the Placing are included within the Prospectus.

15. Nature of financial information

The financial information presented above in respect of the three years ended 28 February 2003 and the 6 months period ended 31 August 2003 does not constitute statutory accounts for each of the periods. In respect of the statutory accounts for the three years to 28 February 2003 Deloitte & Touche have made an unqualified report under the Companies (Jersey) Act 1991.

16. Consent

We consent to the inclusion of this report in the prospectus dated 19 March 2004 and accept responsibility for this report for the purposes of paragraphs 45 of Schedule 1 to the Public Offers of Securities Regulations 1995.

Yours faithfully

Baker Tilly
Chartered Accountants
Registered Auditor

PART V

Additional Information

1. The Company

- 1.1 The Company was incorporated in Jersey under the provisions of the Companies (Jersey) Law 1991 (the “Law”) on 17 April 1998 under the name Migrate Mining Limited with registered number 71490. The name of the Company was changed to GoldStone Resources Limited on 12 February 2004 and the Company was registered as a public company on 17 March 2004.
- 1.2 The Company’s registered office is at 11 Bath Street, St. Helier, Jersey.
- 1.3 The liability of the members of the Company is limited.
- 1.4 The Company was incorporated with an authorised share capital of £10,000 divided into 10,000 ordinary shares of £1 each.
- 1.5 By the passing of a special resolution on 13 September 1999, the Company’s authorised share capital of £10,000 was divided into 5,000 A ordinary shares of £1 each and 5,000 B ordinary shares of £1 each.
- 1.6 By the passing of a special resolution on 16 March 2004, the Company’s authorised share capital was redesignated and sub-divided into 1,000,000 ordinary shares of 1p and increased to £1,500,000 by the creation of 149,000,000 Ordinary Shares.
- 1.7 Following the Placing the issued share capital of the Company will be 62,400,000 Ordinary Shares.
- 1.8 Pursuant to the Articles of Association of the Company, the directors have the power and authority to allot or grant options over the authorised but unissued share capital of the Company provided that they may only allot shares representing less than ten per cent. of the authorised but unissued share capital of the Company from time to time without offering them to existing shareholders on a pre-emptive basis.
- 1.9 The principal activity of the Company is gold exploration. There are no exceptional factors which have influenced the Company’s activities to date.

2. Memorandum and Articles of Association

- 2.1 The Memorandum of Association of the Company, as is permissible for a Jersey registered company, does not contain an objects clause.
- 2.2 The rights attaching to the Ordinary Shares are set out in the Articles of Association (the “Articles”) of the Company.
- 2.3 The Articles, which were adopted on 16 March 2004 contain, *inter alia*, provisions to the following effect:

(a) Voting Rights

At general meetings of the Company, on a show of hands, every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative, shall have one vote and on a poll every member present in person or by proxy shall have one vote for each share held by him. On a poll votes may be given either personally or by proxy.

No member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of shares in the Company held by him have been paid.

(b) *Alteration of Capital*

- (i) The Company may by special resolution alter its share capital in any of the ways permitted or provided for under the Law and may, from time to time, subject to the provisions of the Law:
 - (a) issue; or
 - (b) convert existing non-redeemable shares, whether issued or not, into shares which are to be redeemed or are liable to be redeemed at the option of the Company or the holder thereof.
- (ii) The Company may by special resolution, subject to the provisions of the Law, reduce its share capital in any way.
- (iii) The directors shall not, without approval of the Company in general meeting, allot or grant options over any shares representing ten per cent. or more of the authorised (but unissued) share capital of the Company from time to time without first making an offer to each person who holds shares in the Company to allot to him on the same or more favourable terms a proportion of those shares which are nearly as practicable equal to the proportion in nominal value held by him of the aggregate of relevant shares and the directors shall not allot any of such shares to a person unless the period in which any such offer may be accepted has expired and the Company has received notice of the acceptance or refusal of every offer so made PROVIDED THAT this pre-emption procedure shall not apply in respect of the issue or allotment of shares or the grant of options in the Company which takes place contemporaneously with Admission.

(c) *Modification of Rights*

Subject to the provisions of the Law, the special rights attached to any class of shares for the time being issued may (unless otherwise provided by the terms of issue of the shares of that class) be varied or abrogated at any time with the consent in writing of the holders of two-thirds of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of such holders. At every such separate meeting the necessary quorum shall be persons holding or representing by proxy not less than one third in nominal amount of the issued shares of the class or, at any adjourned meeting of such holders, one holder who is present in person or by proxy, whatever the amount of his holding, shall be deemed to constitute a meeting.

(d) *Purchase of Own Shares*

Subject to the provisions of the Law, the Company may from time to time purchase any of its own shares of any class (including redeemable shares) in any manner authorised by the Law provided that, in the event that the Company purchases any shares which are admitted to listing or trading on an investment exchange, such purchases shall be made in accordance with any relevant restrictions imposed by such listing authority or exchange.

(e) *Transfer of Shares*

Any member may transfer all or any of his shares. The instrument of transfer of a share shall be in writing in any form which the directors may approve (which shall specify the full name and address of the transferee) and shall be signed by or on behalf of the transferor and, in the case of a share which is not fully paid, by the transferee. The directors may decline to register any transfer of shares unless the instrument of transfer is deposited at the registered office of the Company or such other place as the directors may reasonably require, accompanied by the certificate of the shares to which it relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer.

(f) *Dividends and other distributions*

The Company in general meeting may by ordinary resolution declare dividends in accordance with the respective rights of the members, but no dividend shall exceed the amount recommended by the directors. The directors may pay interim dividends if it appears to them that they are justified by the profits of the Company.

Subject to any rights or privileges attached to shares, all dividends shall be apportioned and paid *pro rata* to the amounts paid up on the shares during any portion or portions of the period in respect of which the dividend is paid. No dividend shall bear interest against the Company.

Any dividend unclaimed after a period of twelve years from the date it was declared shall be forfeited and shall revert to the Company.

The board may, in relation to any dividend (whether declared or not) offer holders of Ordinary Shares the right to elect to receive Ordinary Shares credited as fully paid, instead of cash, in respect of such dividends, subject to such minimum holding provisions as the directors may resolve from time to time.

In a winding up, the liquidator (or, where there is no liquidator, the directors) may, with the sanction of a special resolution, divide amongst the members *in specie* any part of the assets of the Company or vest the same in trustees upon such trusts for the benefit of the members as the liquidator (or the directors, as the case may be) shall, with the like sanction, think fit.

(g) *Restrictions on Shares*

The directors have the power, by notice in writing, to require any shareholder to disclose to the Company the identity of any person other than the shareholder (an “interested party”) who has any interest in the shares held by the shareholder and the nature of such interest. If a member has been duly served with such a notice and is in default in supplying to the Company the information required for the prescribed period (as defined below), the directors may in their absolute discretion at any time thereafter serve on such member a notice (a “direction notice”) in respect of the shares in relation to which the default occurred (the “default shares”) and any other shares held by the member directing that the member shall not be entitled to vote at a general meeting or class meeting of the Company, whether personally or by proxy, or to exercise any other right conferred by membership in relation to meetings of the Company or the holders of any class of shares in the Company.

Where the default shares represent at least 0.25 per cent. in nominal value of the issued shares of the class concerned, the direction notice may in addition direct that any dividend or part thereof or other money which would otherwise be payable on such shares shall be retained by the Company without liability to pay interest thereon when such money is finally paid to the member and that no transfer other than an approved transfer of any of the shares held by such member be registered unless (i) the member is not himself in default as regards supplying the information requested; and (ii) the transfer is of part only of the member’s holding and when presented for registration is accompanied by a certificate by the member in a form satisfactory to the directors to the effect that, after due and careful enquiry, the member is satisfied that no person in default as regards supplying the information requested is interested in any of the shares the subject of the transfer.

The prescribed period referred to above means 14 days from the date of service of the notice where the default shares represent at least 0.25 per cent. in nominal value of the class of shares concerned and 28 days in all other cases.

For the purposes of the Articles, a transfer is only an “approved” transfer if (i) it is a transfer of shares to an offeror by way of acceptance of a take-over offer (within the meaning of Article 116 of the Law); or (ii) the transfer results from a sale made through

a recognised investment exchange (as defined in the Financial Services and Markets Act 2000) or any stock exchange outside the UK on which the Company's shares are usually traded; or (iii) the directors are satisfied that the transfer is made pursuant to a sale of the whole of the beneficial ownership of the shares to a party unconnected with the member.

(h) *Directors*

- (i) At every annual general meeting of the Company as near as possible (but not exceeding) one third of the directors for the time being shall retire by rotation and be eligible for re-election. The directors to retire by rotation will be those who wish to retire and not offer themselves up for re-election and those who have been longest in office or, in the case of those who became or who are re-elected directors on the same day, shall, unless they otherwise agree, be determined by lot.
- (ii) Save as provided in paragraph (iii) below, a director shall not vote at a meeting of the directors in respect of any contract or arrangement or any other proposal whatsoever in which he has an interest which (together with any interest of any person connected with him) is to his knowledge a material interest, otherwise than by virtue of his interests in the Company. A director shall not be counted in the quorum present at a meeting in relation to any resolution on which he is not entitled to vote.
- (iii) The prohibition in paragraph (ii) above shall not apply to a director in relation to any of the following matters, namely: (i) the giving of any guarantee, security or indemnity to him in respect of money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings; (ii) the giving of any guarantee, security or indemnity to a third party in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security; (iii) any contract, arrangement or other proposal concerning an offer of shares, debentures or other security of or by the Company or any of its subsidiary undertakings in which offer he is, or may be, entitled to participate or interested as a participant in the underwriting or sub-underwriting thereof; (iv) any contract, arrangement or other proposal concerning any other company in which he and any persons connected with him do not to his knowledge hold an interest in shares representing one per cent. or more of either any class of the equity share capital or the voting rights in such company; (v) any contract, arrangement or other proposal concerning an arrangement for the benefit of employees of the Company or any of its subsidiary undertakings and which does not award him any privilege or benefit not awarded to the employees to whom such arrangement relates; and (vi) any contract, arrangement or other proposal concerning insurance which the Company proposes to maintain or for the benefit of any directors or for the benefit of persons including directors.
- (iv) The aggregate fees paid to the directors who do not hold executive office for their services shall be determined by such non-executive directors, but shall not exceed in aggregate £150,000 per annum or such higher limit as shall be determined by the Company in general meeting by ordinary resolution. The non-executive directors are entitled to all travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the directors or any committee of the directors or general meeting of the Company or in connection with the business of the Company generally.
- (v) The executive directors are entitled to all travelling and other expenses properly and necessarily expended by them in attending meetings of the directors (or of committees thereof) or members or otherwise on the affairs of the Company. The

directors shall also be paid by way of remuneration for their services such sum as they may determine subject to any rates or limits (if any) fixed by the Company in general meeting. If any director is appointed agent or to perform extra services or to make any special exertions or to go or reside abroad for any of the purposes of the Company, he may be remunerated therefor either by a fixed sum or by commission or participation in profits or otherwise or partly in one way and partly in another, as the directors think fit.

- (vi) No meeting of the directors shall be held in the UK and any decision reached or resolution passed by the directors at any meeting which is held in the UK shall be invalid and of no effect. No director physically present in the UK at the time of any directors' meeting may participate in the meeting by means of a conference telephone or, similar communications equipment.
- (vii) The number of directors shall not be less than four and, unless otherwise determined by the directors, the quorum for any meeting of the directors shall be three. There is no maximum number of directors. A director shall not be required to hold any shares in the Company by way of qualification.

(i) **Borrowing Powers**

Save as set out below, the directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets (present and future) and uncalled capital, or any part thereof, and to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or any parent or subsidiary undertaking of the Company or of any third party.

3. Directors' and Other Interests

- 3.1 The interests of the Directors in the share capital of the Company (whether beneficial or non-beneficial, direct or indirect) as at 18 March 2004 (the latest practicable date prior to the publication of this document), are as follows:

Name	No. of Ordinary Shares	Percentage of Ordinary Shares in Issue (following Admission)	No. of Ordinary Shares under option
Nico van der Hoven ¹	40,000,000	64.1	1,040,000
Dr Lawrie Minter ²	40,000,000	64.1	1,040,000
Jurie Wessels ³	40,000,000	64.1	1,040,000
Michael Christie ⁴	40,000,000	64.1	—
Emil Bührmann ⁵	40,000,000	64.1	—
Sir Michael Oliver ⁶	40,000,000	64.1	—

1. Nico van der Hoven is interested in the 40,000,000 Ordinary Shares owned by GeoQuest by virtue of his being a director of, and a shareholder in, GeoQuest. Mr van der Hoven is the registered holder of 0.3 per cent. of the issued share capital of GeoQuest and is, potentially, beneficially interested in 18.0 per cent. of the issued share capital of GeoQuest under the terms of discretionary trusts. Whether or not Mr van der Hoven will, in fact, benefit from the shares held in GeoQuest by these trusts is entirely at the discretion of their trustees as there are no vested rights.
2. Dr Lawrie Minter is interested in the 40,000,000 Ordinary Shares owned by GeoQuest by virtue of his being a director of, and a shareholder in, GeoQuest. Dr Minter is the registered holder of 3.8 per cent. of the issued share capital of GeoQuest and is, potentially, beneficially interested in 4.7 per cent. of the issued share capital of GeoQuest under the terms of a discretionary trust. Whether or not Dr Minter will, in fact, benefit from the shares held in GeoQuest by this trust is entirely at the discretion of its trustees as there are no vested rights.
3. Jurie Wessels is interested in the 40,000,000 Ordinary Shares owned by GeoQuest by virtue of his being, potentially, beneficially interested in 7.1 per cent. of the issued share capital of GeoQuest under the terms of a discretionary trust. Whether or not Mr Wessels will, in fact, benefit from the shares held in GeoQuest by this trust is entirely at the discretion of its trustees as there are no vested rights.
4. Michael Christie is interested in the 40,000,000 Ordinary Shares owned by GeoQuest by virtue of his being a director of GeoQuest. Mr Christie is also, potentially, beneficially interested in 15.8 per cent. of the issued share capital of GeoQuest under the terms of discretionary trusts. Whether or not Mr Christie will, in fact, benefit from the shares held in GeoQuest by these trusts is entirely at the discretion of their trustees as there are no vested rights.
5. Emil Bührmann is indirectly interested in the 40,000,000 Ordinary Shares owned by GeoQuest by virtue of his being a director of GeoQuest and of Remgro Group Limited, the largest shareholder in GeoQuest, being the registered holder of 21.3 per cent. of the issued share capital of GeoQuest.
6. Sir Michael Oliver is interested in the 40,000,000 Ordinary Shares owned by GeoQuest by virtue of his being, potentially, beneficially interested in 2.5 per cent. of the issued share capital of GeoQuest under the terms of discretionary trusts. Whether or not Sir Michael will, in fact, benefit from the shares held in GeoQuest by these trusts is entirely at the discretion of their trustees as there are no vested rights.

- 3.2 Save as disclosed in paragraph 3.1, none of the Directors has any interest in the share capital of the Company.
- 3.3 At the date of this document, GoldStone is a wholly owned subsidiary of GeoQuest which will, following Admission on the basis that the Placing is fully subscribed, own 64.1 per cent. of the issued share capital of the Company.
- 3.4 No Director has or has had an interest in any transaction which is or was unusual in its nature or conditional or significant to the business of the Company in the current or immediately preceding financial year or which was effected in an earlier financial year and which remains in any respect outstanding or unperformed.
- 3.5 There are no outstanding loans granted by the Company to any Director nor any guarantee being provided by the Company for the benefit of any Director.
- 3.6 Other than a directorship of the Company, the directorships or partnerships held over the previous 5 years by the Directors are as follows:

Name	Current	Previous
Nico van der Hoven	Broadlink Limited Camus Enterprise SA GeoQuest Holdings Limited Grindstone Mining (Pty) Limited Marine Distributors (Pty) Limited Xanadu Mining (Pty) Limited	
Dr Lawrie Minter	GeoQuest Holdings Limited Xanadu Mining (Pty) Limited	
Jurie Wessels	Karmel Diamond Holdings (Pty) Limited Swallow Development Company (Pty) Limited Wessels & Associates Inc.	
Michael Christie	Cape Foliage Farm cc GeoQuest Holdings Limited Grindstone Mining (Pty) Limited Xanadu Mining (Pty) Limited	
Emil Bührmann	Air Products SA (Pty) Limited Commsco Holdings (Pty) Limited Commsco (Pty) Limited Dorbyl Limited Gencor Limited GeoQuest Holdings Limited Goldplat Nominees (Pty) Limited Industrial Partnership Investments (Pty) Limited Kromhoek Mining Company (Pty) Limited Kromhoek (Pty) Limited Medi-Clinic Corporation Limited Mining Beperk (partnership) Orogen West Africa Limited	

Name	Current	Previous
Emil Bührmann (continued)	Rainbow Chicken Limited Remgro Group Limited Trans Hex Group Limited Transvaal Sugar Limited Wispeco Holdings Limited	
Sir Michael Oliver	German Smaller Companies Investment Trust plc Hill Samuel UK Emerging Companies Investment Trust plc The Bishopsgate Foundation The Central and European Fund Limited The European Growth Fund Limited The Euro Spain Fund Limited The Museum of the Port of London and Docklands	Ferroners Limited Garbhaig Hydro Power (1994) Limited Garbhaig Hydro Power Company Limited Highland Light and Power Limited Oliver's Wharf (Management) Limited The Portugal Growth Fund Limited

3.7 None of the Directors has, or has been involved in:

3.7.1 any unspent convictions in relation to indictable offences;

3.7.2 any bankruptcies or individual voluntary arrangements of such Director;

3.7.3 any receiverships, compulsory liquidations, creditors' voluntary liquidations, administrations, company voluntary arrangements or any composition or arrangement with its creditors generally or any class of its creditors of any company where such Director was a director at the time of or within the 12 months preceding such events;

3.7.4 any compulsory liquidations, administrations or partnership voluntary arrangements of any partnerships where such Director was a partner at the time of or within the 12 months preceding such events;

3.7.5 receiverships of any asset of such Director or of a partnership of which the Director was a partner at the time of or within the 12 months preceding such events; or

3.7.6 any public criticisms of such Director by statutory or regulatory authorities (including recognised professional bodies), and whether such Director has ever been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

3.8 Save as disclosed below, the Directors are not aware at the date of this document of any interest in the Company's share capital which immediately following Admission would amount to 3 per cent. or more of the Ordinary Shares in issue.

Name	No. of Ordinary Shares	Percentage of Ordinary Shares in Issue
GeoQuest Holdings Limited	40,000,000	64.1
RAB Capital PLC	8,000,000	12.8
Gartmore Investment Management Limited	3,300,000	5.3
Invesco Asset Management Limited	3,300,000	5.3
Legal & General Investment Management Limited	2,300,000	3.7

4. Directors' Service Contracts and Remuneration

4.1 Nico van der Hoven has entered into a service agreement with the Company dated 18 March 2004 pursuant to which he is engaged, conditional upon Admission, as Chief Executive Officer of GoldStone and employed by the Company full time at a salary of the ZAR equivalent of £8,300 per month, subject to review on a bi-annual basis, if circumstances permit. The service agreement continues until 31 August 2005 and is terminable thereafter by one year's written notice, subject to the provisions of South African labour law.

- 4.2 Dr Lawrie Minter has entered into a service agreement with the Company dated 18 March 2004 pursuant to which he is engaged, conditional upon Admission, as Director of Exploration of GoldStone and employed by the Company full time at a salary of the ZAR equivalent of £8,300 per month, subject to review on a bi-annual basis, if circumstances permit. The service agreement continues until 31 August 2005 and is terminable thereafter by one year's written notice, subject to the provisions of South African labour law.
- 4.3 Jurie Wessels has entered into a service agreement with the Company dated 18 March 2004 pursuant to which he is engaged, conditional upon Admission, as Director of Finance and Company Secretary of GoldStone and employed by the Company full time at a salary of the ZAR equivalent of £6,700 per month, subject to review on a bi-annual basis, if circumstances permit. The service agreement continues until 31 August 2005 and is terminable thereafter by one year's written notice, subject to the provisions of South African labour law.
- 4.4 Conditional upon Admission, Sir Michael Oliver holds office as a non-executive Director pursuant to the terms of a letter of appointment dated 20 February 2004. Subject to the provisions of the Articles relating to retirement by rotation and vacation of office, the appointment is for a term of three years. Sir Michael is to be paid a fee of £20,000 per annum which is subject to annual review.
- 4.5 Conditional upon Admission, Michael Christie holds office as a non-executive Director pursuant to the terms of a letter of appointment dated 18 March 2004. Subject to the provisions of the Articles relating to retirement by rotation and vacation of office, the appointment is for a term of three years. Mr Christie is to be paid a fee of £20,000 per annum which is subject to annual review. The Company has also agreed to pay Mr Christie a consultancy fee of the ZAR equivalent of £360 per day for a maximum of 110 days per financial year for any consultancy work carried out by him for GoldStone.
- 4.6 Conditional upon Admission, Emil Bührmann holds office as a non-executive Director pursuant to the terms of a letter of appointment dated 18 March 2004. Subject to the provisions of the Articles relating to retirement by rotation and vacation of office, the appointment is for a term of three years. Mr Bührmann is to be paid a fee of £10,000 per annum which is subject to annual review.
- 4.7 The aggregate of the remuneration payable and benefits in kind to be granted to the Directors under the arrangements in force (whether or not conditional upon Admission) at the date of this document for the year ending 28 February 2005 will be approximately £400,000.

5. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and are, or may be, material:

- 5.1 A permission for Geological and Geophysical Survey under Section 97 of the Act dated 15 July 1999 (the "First Permit") pursuant to which the Company was granted the exclusive right to occupy an area of some 13,242 square miles in western and central Guyana described more fully in an annex to the First Permit, but excluding such portions of such area as were the subject of grants or pending applications on or before 10 June 1999, areas locatable as river location licences and areas used by Amerindians in their sustenance activities, including hunting and artisanal mining, (the "Area") and conduct geological and geophysical surveys for all minerals in the Area for the 36 month period ending 14 July 2002. The First Permit was amended by a supplementary agreement dated 9 August 2002 and extended for an additional 36 month period ending 14 July 2005.

The First Permit provides that the Area shall be reserved to the Company, during the period of the permission, for the prospecting, mining and location of claims and the granting of medium scale prospecting and mining permits, prospecting licences and any other mineral rights available under the laws of Guyana. Until the First Permit expires, the Company has the right to apply for, and to be granted, up to twenty prospecting licences, subject to (i) it having satisfied the requirements of a work programme dated 10 June 1999 which was

submitted to the GGMC in support of the Company's application for permits; (ii) a work programme being submitted and approved for each prospecting licence applied for and (iii) satisfactory proof having been furnished to the Minister of Mines and Minerals of Guyana of the Company's financial resources and technical capability.

Under the terms of the First Permit, as amended, an annual fee of US\$50,000 is payable to the Government of Guyana via the GGMC.

In accordance with the terms of the First Permit, the Company relinquished an area of 6,693 square miles on 14 July 2000, which comprised some 51 per cent. of the Area, and a further area of 117 km² on 14 July 2002.

- 5.2 A permission for Geological and Geophysical Survey under Section 97 of the Act dated 9 August 2002 (the "Second Permit") pursuant to which the Company was granted the exclusive right to occupy an area in western and central Guyana described more fully in an annex to the Second Permit, but excluding such portions of such area as are locatable as river location licences and areas used by Amerindians in their sustenance activities, including hunting and artisanal mining, (the "Area") and conduct geological and geophysical surveys for all minerals in the Area for the 36-month period ending 14 July 2005.

The Second Permit provides that the Area shall be reserved to the Company, during the period of the permission, for the prospecting, mining and location of claims and the granting of medium scale prospecting and mining permits, prospecting licences and any other mineral rights available under the laws of Guyana. Until the Second Permit expires, the Company has the right to apply for, and to be granted, an unspecified number of prospecting licences, subject to (i) it having reasonably satisfied the requirements of a work programme dated 10 June 1999 which was submitted to the GGMC in support of the Company's application for permits; (ii) a work programme being submitted and approved for each prospecting licence applied for and (iii) satisfactory proof having been furnished to the Minister of Mines and Minerals of Guyana of the Company's financial resources and technical capability.

Under the terms of the Second Permit a fee of US\$4,878 is payable on 14 July each year.

- 5.3 An engagement letter dated 27 November 2003 with Brown, Shipley & Co Limited (which was assigned to Westhouse by an agreement between Brown Shipley and Westhouse dated 9 February 2004) pursuant to which Westhouse is appointed as nominated adviser and broker to the Company for an initial period of one year from the date of Admission, such appointment being terminable by either party giving the other 90 days' written notice after the lapse of 9 months from the date of admission. The Company will pay an annual retainer of £30,000 plus VAT, if applicable, to Westhouse during the term of such appointment, payable quarterly in advance. The terms of the engagement provide that the Company will indemnify Westhouse, its subsidiaries and its holding company (if any) and the officers, directors, employees and agents of Westhouse and of its subsidiaries and holding company against any claims and losses suffered by them in connection with the provision of services under the terms of the engagement.
- 5.4 A placing agreement dated 19 March 2004 and made between Westhouse (1), the Directors (2), GeoQuest (3) and the Company (4) conditional upon, *inter alia*, Admission taking place not later than 25 March 2004 (or such later date as the Company and Westhouse may agree, not being later than 8 April 2004) and upon not less than £5 million being raised under the Placing. Under the terms of the Placing Agreement, Westhouse agrees to use reasonable endeavours to procure subscribers for a total of 22,400,000 Placing Shares at the Placing Price and is entitled to a corporate finance fee and to a commission of 2 per cent. of the total funds raised under the Placing and a further 3 per cent. of the value at the Placing Price of the Ordinary Shares placed with placees introduced by Westhouse.

The Placing Agreement contains certain warranties given in favour of Westhouse by the Company and the Executive Directors as to the accuracy of information contained in this document and other matters relating to the Company and its business. The Placing Agreement also contains an indemnity given in favour of Westhouse by the Company. The liability of the Executive Directors under the Placing Agreement has been limited in certain respects.

The Directors and GeoQuest have undertaken not to dispose of any interest in Ordinary Shares for the period of 12 months after Admission, subject to certain exceptions. On the first anniversary of Admission they are permitted to dispose of 50 per cent. of their holdings of Ordinary Shares and after 18 months a further 25 per cent. The restrictions cease after two years subject to orderly market arrangements.

Westhouse can terminate the Placing Agreement in certain circumstances, including in the event a *force majeure* event arises at any time prior to Admission.

In certain circumstances where the Placing Agreement terminates or fails to become unconditional Westhouse would receive a reduced corporate finance fee.

- 5.5 A letter of agreement dated 13 February 2004 setting out the terms on which Mr Nick Norman is to be engaged, conditional upon (i) Admission and (ii) Mr Norman obtaining such work permit from the Guyanese government as he may require, from time to time, to execute his duties, as consultant Geological Operations Manager for the duration of the Company's drilling programme in Guyana.

Mr Norman will be entitled to a consultancy fee of US\$300 per day and reasonable expenses incurred in the course of his work for the Company.

This agreement may be terminated at any time by either party giving to the other seven days' written notice, provided that Mr Norman cannot give notice to the Company until 30 calendar days after his arrival in Guyana.

- 5.6 A letter of agreement dated 16 February 2004 between the Company and F. and D. Ltd. ("F&D") pursuant to the terms of which, conditional upon (i) Admission and (ii) signature by F&D and each of its directors, employees and associated personnel of GoldStone's standard confidentiality agreement, the Company will rent certain office space and equipment for an inclusive rental of US\$1,000 per month. Additionally, F&D will provide certain administrative and accounting services to the Company for which F&D will be paid a monthly fee of US\$2,000. These fees are payable monthly, in advance.

The term of the agreement commences on 1 April 2004 and will continue until 31 August 2005, unless either party defaults on its obligations, in which case, provided the defaulting party has been given at least one month's written notice to remedy the fault (or, if the default is on the part of F&D and relates to the services rendered by it or the provision of security, storage, water or electricity to the premises, at least one week's written notice) and has failed to remedy such fault, the agreement will terminate immediately.

6. The Warrants

- 6.1 The Warrants will entitle holders to subscribe (the "Subscription Rights") in cash for Ordinary Shares at an exercise price (the "Exercise Price") of 35 pence each subject to the Memorandum and Articles of Association of the Company and otherwise on the terms and conditions set out in the Warrant Instrument. Ordinary Shares allotted pursuant to the exercise of Subscription Rights will be credited as fully paid and will not rank for any dividend or any distribution for which the record date is a date prior to the date on which the notice of exercise was lodged or which is declared, made or paid in respect of any financial year of the Company prior to the financial year of the Company current at the date on which the notice of exercise was lodged or which is declared, made or paid prior to the date on which the notice of exercise was lodged but shall rank *pari passu* in all other respects with the Ordinary Shares in issue on that date.

- 6.2 The Warrants will be freely transferable:

- (a) in the case of Warrants held in certificated form, by instrument of transfer in the usual or common form or in any other form which may be approved by the Company and need not be executed as a deed. The instrument of transfer of Warrants shall be signed by or on behalf of the transferor but need not be signed by or on behalf of the transferee; and

- (b) in the case of Warrants held in uncertificated form, by a properly authenticated dematerialised instruction and/or other instruction or notification received by the Company or by such person as it may require for these purposes in such form and subject to such terms and conditions as may from time to time be prescribed by or on behalf of the Company (subject always to the facilities and requirements of the relevant system concerned).
- 6.3 The Warrants may be exercised at any time during the period from and including Admission up to and including 30 September 2006, or, if earlier, the date upon which a Listing or a Takeover (as defined in the Warrant Instrument) becomes effective (the “Exercise Period”), in whole or in part:
 - (a) in the case of Warrants held in certificated form, by the relevant holder completing the Notice of Exercise (as defined in the Warrant Instrument) and lodging the relevant Warrant certificate, together with a remittance for the aggregate Exercise Price, with the Registrars; once delivered, the Notice of Exercise shall be irrevocable save with the consent of the directors of the Company;
 - (b) in the case of Warrants held in uncertificated form, if a properly authenticated dematerialised instruction in such form and subject to such terms and conditions and having such effect as may be prescribed by or on behalf of the Company (which, once lodged, shall be irrevocable save with the consent of the Company) and the remittance in cleared funds for the subscription price are received by the Company or by such person as it may require. The Company may determine when any such properly authenticated dematerialised instruction and/or other instruction or notification and remittance are to be treated as received.
- 6.4 Unless the Company otherwise determines, or the Regulations and/or rules of the relevant system concerned otherwise require, on the exercise of Subscription Rights, Ordinary Shares shall be issued (a) in uncertificated form where such Subscription Rights were conferred by Warrants held in uncertificated form on the date of notification of exercise; or (b) in certificated form where such Subscription Rights were conferred by Warrants held in certificated form on the date of the notification of exercise.
- 6.5 Whether Warrants are held in certificated form or uncertificated form on the exercise date shall be determined by reference to the register of holders of Warrants as at the close of business on the relevant date or such other time as the Board may in its absolute discretion determine. Exercise of Subscription Rights must comply with applicable statutory and regulatory requirements.
- 6.6 Ordinary Shares to be issued pursuant to the exercise of Subscription Rights conferred by Warrants in certificated form shall be allotted not less than seven days after holders have lodged the Notice of Exercise and remittance with the Registrars and with effect from the date on which the Notice of Exercise was lodged. In the event of a partial exercise of Subscription Rights conferred by Warrants in certificated form, a replacement certificate for the unexercised Warrants will be issued.
- 6.7 Warrants in respect of which Subscription Rights have been exercised in full will be cancelled.
- 6.8 The Company will apply to AIM for the Ordinary Shares allotted pursuant to the exercise of Subscription Rights to be admitted to trading on AIM and will use all reasonable endeavours to obtain the grant of such admission of such Ordinary Shares as soon as possible.
- 6.9 If on a date prior to the end of the Exercise Period, the Company proposes to allot or issue any shares in the capital of the Company to holders of existing Ordinary Shares where the equity securities respectively attributable to the interests of such holders are proportionate to the respective numbers of relevant Ordinary Shares held by them, then the Exercise Price shall be adjusted (i) in the case of an offer of new Ordinary Shares for subscription by way of rights at a price less than the market price at the date of announcement of the terms of the offer, by multiplying the Exercise Price in force immediately before such announcement by a fraction

of which the numerator is the number of Ordinary Shares outstanding on the date of such announcement plus the number of Ordinary Shares which the aggregate of the amount (if any) payable for the total number of new Ordinary Shares comprised in such rights issue would purchase at such market price and the denominator is the number of Ordinary Shares outstanding at the date of such announcement plus the aggregate number of Ordinary Shares offered for subscription and (ii) in any other case, in such manner as the Auditors shall certify to be appropriate.

- 6.10 The number and/or nominal value and/or the Exercise Price of new Ordinary Shares to be subscribed on any exercise of Warrants will be adjusted in such manner as the Company's auditors shall determine in the event of any allotment or issue to Shareholders of fully paid Ordinary Shares by way of capitalisation of profits or reserves or any sub-division or consolidation of Ordinary Shares or the grant of options to subscribe for ordinary shares or the issue of securities convertible into Ordinary Shares. The adjustment shall be determined by the auditors so that, after such adjustment, the total number of shares which may be subscribed pursuant to each Warrant shall be such number as will carry, as nearly as possible, the same proportion of the votes and the same entitlement to participate in profits, as would have been conferred by each Warrant had there been no event giving rise to such adjustment, and so that the total sum payable in order to subscribe for those shares which may be subscribed pursuant to such Warrant will be as nearly as possible the same as it was prior to such adjustment.
- 6.11 In the event of any winding-up of the Company before the end of the Exercise Period, each holder of Warrants will (unless substitute Warrants are granted of a value no less than the value of the Warrants being substituted) be treated as if, immediately before the date of such winding-up, the Warrants had been exercised and shall accordingly be entitled to receive out of the assets available in the winding-up such sum as he would have received had he been the holder of Ordinary Shares resulting from the exercise of such Warrants, after deducting a sum per share equal to the Exercise Price.
- 6.12 Prior to the end of the Exercise Period the Company shall not, without the prior approval of the holders of Warrants by extraordinary resolution, modify the rights attached to any of its Shares which might reasonably be expected to have a material adverse effect on the rights of holders of Warrants or the holders of Ordinary Shares issued upon the exercise of Subscription Rights.
- 6.13 The provisions of the Memorandum and Articles of Association of the Company and the Warrant Instrument relating to the registration, transfer and transmission of Shares and the issue of Certificates shall apply to the Warrants. Title to, transfers of, and the exercise of Subscription Rights may be evidenced, effected and exercised otherwise than by a written certificate or instrument in accordance with any rules or regulations from time to time made under the Companies Act 1985 of Great Britain (including without limitation the Uncertificated Securities Regulations 1995) or analogous legislation in Jersey.
- 6.14 All or any of the rights for the time being attached to the Warrants may only be altered or abrogated with prior approval of the holders of Warrants by extraordinary resolution (i.e. 75 per cent. of the votes cast at a meeting of Warrantholders) in accordance with the Warrant Instrument.
- 6.15 The Company may purchase Warrants in the market, or by tender or by private treaty, in each case at any price. All Warrants so purchased by the Company shall forthwith be cancelled and shall not be available for reissue or resale.
- 6.16 The Warrant Instrument is and will be available for inspection by holders of Warrants at the registered office of the Company during the Exercise Period.

7. Share Option Scheme

By resolution of the sole shareholder of the Company passed on 16 March 2004, the Company adopted the GoldStone Resources Share Option Scheme (the "Scheme").

Options have been granted, conditional on Admission, over Ordinary Shares amounting to approximately 1.67 per cent. of the issued share capital of the Company on Admission, to each of Nico van der Hoven, Dr Lawrie Minter and Jurie Wessels. These options are exercisable at the Placing Price at any time between the first and the fifth anniversaries of grant.

A summary of the principal terms of the Scheme follows.

- (a) Any employee (including executive directors) of the Company or any of its subsidiaries is eligible to participate in the Scheme. No minimum period of employment is required before an option to subscribe for Ordinary Shares under the terms of the Scheme (“Option”) may be granted.
- (b) An Option will entitle the holder to subscribe for Ordinary Shares at a price (“Option Price”) equal to the greater of:
 - (i) the average of the middle market quotations of an Ordinary Share as derived from the AIM Supplement to the Daily Official List of the London Stock Exchange for the three dealing days immediately preceding the date on which the Option is granted; and
 - (ii) the par value of an Ordinary Share.
- (c) Options may only be exercised in respect of 100 Ordinary Shares or multiples thereof at a time, or in full.
- (d) The aggregate number of Ordinary Shares in respect of which Options may be granted under the Scheme is not to exceed 5 per cent. of the issued ordinary share capital of the Company from time to time, provided that such limit may be increased by ordinary resolution of the shareholders of the Company. Subject to such limit, the aggregate number of Ordinary Shares in respect of which any one employee may hold Options shall be determined by the directors in their sole discretion.
- (e) An option will normally be exercisable only during the period between one and five years following the date of grant. The directors shall, however, be entitled, if in their reasonably held opinion special circumstances exist, to permit the exercise of an Option prior to the date on which it would otherwise be exercisable. Options may also be exercised, if so determined by the directors, at any time after an offer to all shareholders of the Company (other than the offeror) to acquire their shares, or a scheme of arrangement between the Company and its shareholders, or any class of them, or any other scheme or arrangement including the sale, reorganisation or reconstruction of the Company’s share capital, by virtue of which control of the Company would pass, becomes unconditional or is sanctioned by court, as the case may be.
- (f) An Option will normally lapse if the Option holder ceases to be employed by the Company. However, Options may be exercised by an Option holder following cessation of his employment during a limited period in certain specified circumstances, such as the death, retirement or retrenchment of the Option holder. If an Option holder ceases to be employed by the Company in any other circumstances, the directors have a discretion to allow him to exercise Options, unless he ceases to be employed on grounds which justify summary dismissal.
- (g) In the event of the issue of shares on a capitalisation of the Company’s profits and/or reserves (including the share premium account and the capital redemption reserve fund), or a rights issue or a subdivision or consolidation of the Ordinary Shares, the number of Ordinary Shares subject to an Option may be adjusted in such manner as the auditors certify is fair and reasonable in their opinion.
- (h) Ordinary Shares allotted on the exercise of an Option granted under the Scheme will rank equally in all respects with the Ordinary Shares of the Company in issue at the date of allotment. Disposal of Ordinary Shares allotted on the exercise of an Option must, subject to certain exceptions including ceasing to be employed by reason of death, serious incapacity, serious disability or any other reason that the directors may in their discretion determine, be

notified to the directors in writing and requires their prior written consent. Ordinary Shares allotted pursuant to the exercise of Options may also be sold, if so determined by the Directors, at any time after an offer to all shareholders of the Company (other than the offeror) to acquire their shares, or a scheme of arrangement between the Company and its shareholders, or any class of them, or any other scheme or arrangement including the sale, reorganisation or reconstruction of the Company's share capital, by virtue of which control of the Company would pass, becomes unconditional or is sanctioned by court, as the case may be.

- (i) If the Company, prior to any Option being duly exercised, is (i) put into liquidation for the purposes of reorganisation, (ii) a party to a scheme of arrangement affecting the structure of its share capital, (iii) reduces its capital, (iv) splits or consolidates its shares, (v) is a party to a reorganisation, (vi) issues shares on a capitalisation of its profits and/or reserves, (vii) effects a rights issue or (viii) otherwise changes its capital, the auditors shall, if requested to do so by the directors, be entitled in writing to effect such adjustments to the Option Price in respect of the Ordinary Shares in respect of which Options have been granted but not exercised, as they shall consider fair and reasonable in the circumstances and not less favourable, subject (where necessary) to the sanction of the court. The Auditors shall act as experts and not as arbitrators and their decision shall be final and binding.
- (j) If the Company is placed in liquidation otherwise than for the purposes of reorganisation, the Scheme and any Options granted under it which have not been exercised at the date of liquidation, shall lapse from the date upon which any application (whether provisional or final) for the liquidation of the Company is lodged at the relevant court.
- (k) If an offer is made or a scheme of arrangement proposed by virtue of which control of the Company would pass to another person or company, then the directors shall ensure that an offer is made or scheme of arrangement proposed, as the case may be, to all Option holders in respect of Ordinary Shares in respect of which Options have been granted but not exercised, after taking into account that such shares have not yet been paid for. If control of the Company passes to another person or company as a result of a takeover or reconstruction or amalgamation which makes provision for Option holders to be granted Options in respect of shares to be issued by such other person or in such other company on terms, in the opinion of the Auditors (acting as experts and not as arbitrators and whose decision shall be final and binding), not less favourable than those on which the Option holders are entitled to exercise their Options (taking into account any rights issues), the Option holders shall be obliged to accept options in respect of shares in such other company on such terms in lieu of their existing Options under the Scheme.
- (l) Any dispute concerning the Scheme shall be referred to the auditors for determination, whose decision shall be final and binding on all parties to the dispute.

8. Working Capital

The Directors are of the opinion, having made due and careful enquiry, that the working capital available to the Company will, from Admission, be sufficient for its present requirements, that is for at least 12 months from Admission.

9. Litigation

There are no legal or arbitration proceedings in which the Company is involved or which the Company is aware are pending or threatened by or against the Company which may have or have had since its incorporation a significant effect on the Company's financial position.

10. Minimum Amount

The minimum amount which, in the opinion of the Directors, must be raised by the Placing in order to provide the sums required in respect of the matters specified in Schedule 1 of the POS Regulations is £5 million, as follows

	£000
(i) purchase price of property	nil
(ii) preliminary expenses	nil
(iii) repayment of monies borrowed in respect of (i) and (ii) above	nil
(iv) working capital	5,000
TOTAL	<u>5,000</u>

11. General

11.1 Other than as described in this document, there has been no significant change in the trading or financial position of the Company since its incorporation.

11.2 It is estimated that the total expenses payable by the Company in connection with Admission will amount to approximately £560,000 (excluding VAT).

11.3 Baker Tilly Chartered Accountants have given and not withdrawn their written consent to the inclusion in this document of their report set out in Part IV and the references thereto and to their name in the form and context in which they appear

11.4 Westhouse has given and not withdrawn its written consent to the issue of this document and the inclusion herein of its name in the form and context in which it appears.

11.5 Snowden Corporate Services Pty Ltd has given and not withdrawn its written consent to the issue of this document and the inclusion herein of its name in the form and context in which it appears

11.6 With reference to and for the purposes of paragraph 45(8)(b) of Part VII of Schedule 1 to the POS Regulations, Baker Tilly Chartered Accountants, accept responsibility in relation to this document for the report set out in Part IV of this document.

11.7 The financial information contained in the report set out in Part IV of this document does not constitute statutory accounts.

11.8 There have been no interruptions in the business of the Company which may have or have had in the 12 months preceding publication of this document a significant effect on the financial position of the Company.

11.9 Other than as set out in this document, there are no patents or intellectual property rights, licences or particular contracts which are of fundamental importance to the Company's business.

11.10 Except for fees payable to the professional advisers whose names are set out on page 7 of this document and payments to trade suppliers, no person has received any fees, securities in the Company or other benefit to a value of £10,000 or more, whether directly or indirectly, from the Company within the 12 months preceding the application for Admission, or has entered into any contractual arrangement to receive from the Company, directly or indirectly, any such fees, securities or other benefit on or after Admission.

11.11 The Company's accounting reference date is 28 February.

11.12 Jersey Taxation

The Company is a Jersey incorporated company with exempt company status. It is the intention of the Directors to ensure that the Company continues to meet the conditions for exempt company status.

11.13 Summary of principal UK tax reliefs for UK resident investors

The comments in this paragraph are intended as a general guide to the tax position of a UK resident under UK law and Inland Revenue practice as at the date of this memorandum. Any person who is in any doubt as to his tax position or who is subject to tax in a jurisdiction other than the UK should consult a professional adviser without delay.

(a) *Stamp duty and stamp duty reserve tax*

No stamp duty or stamp duty reserve tax is payable on the issue of new shares by the Company to shareholders.

Any subsequent disposal of Ordinary Shares by the shareholder will generally give rise to the payment of *ad valorem* stamp duty on the transfer document at the rate of 50p per £100, or part, on the amount or value of the consideration paid. Agreements for such transfers are generally subject to stamp duty reserve tax (unless, in general, the transfer of the relevant shares is duly stamped with *ad valorem* duty), generally at the rate of 0.5 per cent. of the amount or value of the consideration paid. Liability to pay any stamp duty reserve tax is generally that of the transferee or purchaser. Where a purchase or transfer is effected through a member of the London Stock Exchange or a qualified dealer, the member or dealer will normally account for the collection and payment of the tax, but in all other cases the transferee or purchaser must account for the tax to the Inland Revenue.

Persons operating clearance services or depository receipt schemes may be required to account for stamp duty and stamp duty reserve tax at rates higher than those referred to above.

(b) *Taxation of capital gains*

A subsequent disposal of Ordinary Shares by persons resident or ordinarily resident in the UK in a tax year which gives rise to gains may be liable to capital gains tax (individuals and trustees) and corporation tax (companies). Liability to tax and the rate of tax will depend on the shareholder's circumstances and the availability of exemptions or allowable losses. Trustees may be subject to tax at a different rate from that applicable to individuals.

Indexation allowance, which increases the acquisition cost of an asset in line with the rise in the retail price index, is available for corporate shareholders during the period of ownership.

For individuals and trustees, taper relief may be available to reduce the amount of a chargeable gain according to how long the asset has been held.

Individuals and certain trusts have an overall annual exemption from capital gains tax for the first £7,900 of chargeable gains in the current tax year. Most settlements have an equivalent exemption of £3,950 in the current tax year.

Losses realised on the disposal of assets may be set against other gains made during the tax year or carried forward and set against gains in future tax years.

Different tax treatment applies to persons who trade in securities.

Persons who are neither resident nor ordinarily resident in the UK will not normally be liable to tax in the UK in respect of any gain accruing to them on a disposal of Ordinary Shares. The terms of a relevant double taxation treaty may apply to persons with dual residence.

(c) *Taxation of dividends*

To the extent that shares in the Company are not held by individuals or companies dealing in shares, dividends paid by the Company will be assessable under Schedule D Case V and may be subject to withholding taxes in the paying territory. The extent to which such foreign tax may be set against a UK taxpayer's liability in the UK will depend on the particular circumstances of the taxpayer.

UK corporate shareholders holding 10 per cent. or more of the Company's share capital may be entitled to claim relief against UK corporation tax in respect of the Company's underlying tax.

Persons who are not resident in the UK should consult their own tax advisers on the possible application of relevant local tax law and to what relief or credit they may be entitled in the jurisdiction in which they are resident.

11.14 Copies of this document are available free of charge at the offices of Westhouse during normal business hours, Monday to Friday, until the date one month after the date of Admission.

19 March 2004

APPENDIX I

Competent Person's Report



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16 February 2004

The Directors
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Dear Sirs

Competent Person's Report on GoldStone Resources Limited's Property in the Republic of Guyana

We have prepared the attached Competent Person's Report on GoldStone Resources Limited's ("GoldStone") property in Guyana titled "Gold Potential of The Roraima Property – Guyana". We understand that this report will be included in a prospectus to accompany an application by GoldStone for admission to the Alternative Investment Market of the London Stock Exchange.

Professor Norman Smith (PhD), who was engaged as *Specialist Contributor* to provide analysis and opinion on the merits of the project, has contributed significantly to this Competent Person's Report. He is Professor and Chair of the Department of Geosciences at the University of Nebraska, Lincoln. Prior to his current position, which commenced in 1998, he was thirty one years in the Department of Geological Sciences, University of Illinois at Chicago. Professor Smith is a distinguished scientist who is a specialist and authority in the field of fluvial sedimentology; he is a member of the American Association of Petroleum Geologists, The Society for Sedimentary Geology, International Association of Sedimentologists, Fellow of the Geological Society of America and the National Association of Geology Teachers; he has been the recipient of twenty one research grants and contracts; he has authored or co-authored sixty five research papers and has coedited a book: Smith, N.D., and Rogers, J (editors), 1999. Fluvial Sedimentology VI: International Association of Sedimentologists, Special Publication, 28, 478 pp Blackwell Science, Oxford.

In our opinion Professor Smith is eminently qualified to fulfil the role of Specialist Contributor. His report is included in ITEM 10 (b) of the Competent Person's Report.

This report has been prepared by Dr Philip Snowden (Managing Director, Snowden Corporate Services Pty Ltd) reviewed by Mr Philip Retter (Manager Snowden Corporate Services). Messrs Retter and Snowden are geologists with eighteen and thirty years' experience respectively and meet the criteria in terms of the Australasian Institute of Mining and Metallurgy's (AusIMM) Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Expert Reports (the VALMIN Code).

Snowden Corporate Services Pty Ltd is a wholly owned subsidiary of Snowden Mining Industry Consultants Pty Ltd, an independent firm providing specialist mining industry consultancy services in the fields of geology, exploration, resource estimation, mining engineering, geotechnical engineering, risk assessment, mining information technology and corporate services. The company, which operates from offices in Perth, Kalgoorlie, Brisbane, Johannesburg and Vancouver, has prepared independent expert's reports and mineral asset valuations on a variety of mineral commodities in many countries.

Neither Snowden nor those involved in the preparation of this report have any material interest in GeoQuest Holdings Ltd, or its subsidiary GoldStone Resources Limited, or the mineral properties considered in this report. Snowden is remunerated for this report by way of a professional fee determined according to a standard schedule of rates which is not contingent on the outcome of this report.

Yours faithfully
for and on behalf of
Snowden Corporate Services Pty Ltd

Dr P A Snowden
D Phil, MAIG, FAusIMM, CPGeo
Principal Geologist and Managing Director

**COMPETENT PERSON'S REPORT
IN RESPECT OF
GOLDSTONE RESOURCES LTD**

**GOLD POTENTIAL OF THE RORAIMA
PROPERTY – GUYANA**

Competent Person:

Snowden Corporate Services Pty Ltd
Perth, Australia

Specialist Contributor:

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ITEM: 3 SUMMARY

The Property

GoldStone's Roraima property in northwest Guyana has been established to explore for palaeoplacer gold deposits of the type found in the Witwatersrand Basin of South Africa. The property is located in two areas: (1) Lease Area "A" covers 16,020 km² and incorporates the bulk of the Roraima Group sediments that are located in Guyana and (2) Lease Area "B" covers an area of 1,222 km² in north-central Guyana known as Parish's Hill which consists substantially of Roraima Group rocks.

Within Lease Area "A" the Roraima sediments build the spectacular, tropical jungle covered, Pakaraima plateau and mountains which extend westwards and southwards into Venezuela and Brazil respectively. The highest point in the entire Amazon region of South America is the 3000m Mount Roraima located in Venezuela close to the junction of Guyana, Brazil and Venezuela. In Guyana the eastern front of the Pakaraima plateau is defined by an abrupt, rugged 300m to 500m escarpment that gives way to flat deeply weathered ~2200 Ma-old Archaean basement terrain. This escarpment is marked by numerous waterfalls including Kaieteur Falls, which has a 226m drop. A dense network of rivers flow off the Roraima Group rocks of the Pakaraimas and across the basement towards the east and northeast. It is within this deeply weathered basement of the Guiana craton that Guyana's famous bauxite deposits occur and where the Omai gold mine is located. In addition there is widespread mining of alluvial gold and diamonds by artisanal miners in rivers and streams draining the Pakaraimas.

Ownership

The Roraima property is located over state owned land. GoldStone applied for and was granted by the Government of Guyana on July 15, 1999 "Permission for Geological and Geophysical Survey" for three years under Section 97 of The Mining Act 1989. On July 14, 2000 GoldStone relinquished approximately fifty per cent (50%) of its Lease Area in accordance with Clause 2 of its Permission. In a Supplementary Agreement dated August 9, 2002 GoldStone's Permission was extended to July 14, 2005.

Geology

The Roraima Group in Lease Areas "A" and "B" of GoldStone's property represents the proximal facies in a foreland sedimentary basin which extends westwards and southwestwards into Venezuela and Brazil. Small remnants of even more proximal Roraima sediments are preserved in outlier's in Suriname. The original extent of the basin was much more extensive than the area now preserved.

There is widespread consensus that the Roraima Group sediments were sourced from an elevated orogenic terrain cored by 2,200-2,000 Ma basement rocks to the north and east of the Roraima sediments in Guyana about 1,900 Ma ago.

In Lease Area "A" mapping by Keats (1973) showed that the Roraima Group, which is up to 1,800m thick in the area, can be subdivided into ten lithologically distinctive units which he numbered from Unit I at the base to Unit X at the top of the sequence. Minter (who is a director of GeoQuest Holdings Ltd and GoldStone's Director of Exploration and is responsible for managing the geological investigations of its Roraima property) recognised three genetic sequences within Keats' ten units. Importantly, Minter identified within two of Keats' units, Units IV and VII, surfaces on which quartz pebble conglomerates occur and which he proposed are analogous to the gold-rich palaeoplacers of the Witwatersrand Basin in South Africa. Quartz pebble conglomerates similar to those in Units IV and VII of Area "A" are also found in Lease Area "B". However, direct stratigraphic correlation with Lease Area "A" has so far not been convincingly demonstrated.

Very wide spaced mapping and orientation channel sampling and gold assaying of quartz pebble conglomerates in Units IV and VII and sampling of quartz pebble conglomerates in five diamond drill holes, drilled by GoldStone, led Minter to conclude that gold enriched quartz pebble palaeoplacers within alluvial fan and braidplain environments do indeed exist within the Roraima.

Furthermore, he concluded that the geological character of some of the palaeoplacers mapped in the field is very similar to some of the very rich gold and uranium placers in the Witwatersrand Basin.

Mineralisation

Minter has noted that the background gold grade of Unit IV and Unit VII sediments is about ten (10) parts per billion (“ppb”) (the gold background in the Witwatersrand sediments is about 6 ppb). Several pebble conglomerates from the Roraima returned gold grades in the range 20 to 100 ppb with the highest two values being 1,539 ppb (1.54 g/t) and 3,000 ppb (3.00 g/t). A 3,000 ppb assay represents a 300 fold gold concentration over background and provides clear evidence of a “mature” braidplain environment on which superconcentration of heavy minerals has occurred.

Indirect but persuasive evidence of the occurrence of gold (and diamond) enriched palaeoplacers in the Roraima within GoldStone’s property is provided by the widespread occurrence of alluvial gold and diamond mining in the drainages at the foot of the Pakaraima plateau as well as within rivers on the plateau. Minter has concluded (as have others before him) that the significant alluvial gold and diamond deposits could only have been derived from pre-concentrations of gold and diamonds in the Roraima.

Exploration concept

The exploration challenge for GoldStone is to be able to identify the particularly gold enriched parts of braidplains (preferably more than one) that will justify resource definition exploration and lead to the outlining of an economically mineable palaeoplacer.

It is GoldStone’s intention to achieve this through a systematic surface diamond drilling programme of one hole per 50 km² or one hole per each 5 km x 10 km unit area.

We have independently concluded that Minter’s exploration model is soundly based. Furthermore, we acknowledge that identifying a gold rich palaeoplacer with mineable characteristics will require a systematic and quite intense surface drilling programme such as the one being proposed by Minter. Unravelling the economic geology of the palaeoplacers is unlikely to be achieved by further field mapping and sampling. The drilling approach being advocated by Minter is really the same as the approach followed over the last hundred years in the exploration of palaeoplacers in the Witwatersrand Basin.

In our opinion, the exploration property has merit and it is recommended that the drilling programme being advocated by Minter be undertaken but that certain key success milestones be inserted into the programme by GoldStone to ensure that in their opinion each successive planned phase of work is justified.

Other potential

The Roraima Group has been intruded by a number of substantial gabbro dykes and sills. GoldStone has recognised the gabbro sills which are up to 400 m thick in places as worthy exploration targets for platinum group metals (PGMs). An indication that PGMs exist in the area is provided by the occurrence of a palladium-mercury mineral called potarite, discovered in the 1920’s in alluvial gold diggings below the Pakaraima escarpment, in the valley of the Potaro River. Potarite is now well known to the local miners who routinely encounter it during their gold mining operations. Minter (2002 a), has concluded that it is most likely that the source of the palladium is the thick, possibly layered, gabbroic sills in the Roraima. Minter has noted that the tropical climate in Guyana supports a dense forest where the soils have a pH of 4.2. Platinum and palladium, released from the gabbros through weathering, are mobile in solutions with a pH range of 3 to 5. The most likely source for mercury in the environment where potarite has been found is the local miners who use it in their gold recovery process.

GoldStone has also recognised the exploration potential for bauxite in its Lease Area “A”. GoldStone has conducted a limited programme of pitting and sampling over an area identified in the early 1960’s as having potential for bauxite. The area of interest is located in the south of Area “A” below the Pakaraima escarpment where deeply weathered gabbros are located. GoldStone intends to undertake follow-up exploration.

The PGM and bauxite potential of GoldStone's property is regarded by the company to be of incidental importance. The company is focussed entirely on its placer gold project at this time.

ITEM: 4 INTRODUCTION AND TERMS OF REFERENCE

4 (a) Terms of Reference

Snowden Corporate Services Pty Ltd of Perth, Australia ("Snowden") has prepared this independent Competent Person's Report on GoldStone Resources Ltd, an exploration company incorporated in Jersey, Channel Islands and a wholly owned subsidiary of Geoquest Holdings Ltd, on the Roraima property in the Republic of Guyana in the far north of South America (Figure 4.1). The report has been compiled by Dr Philip Snowden and Mr Philip Retter, with a specialist report from Professor Norman Smith (Professor Smith's report was provided at the request of Dr Snowden). We understand that the report will be included in a prospectus to accompany an application by GoldStone for admission to the Alternative Investment Market of the London Stock Exchange.

4 (b) Purpose of the Report

The purpose of this report is, firstly, to evaluate and to present our opinion on the potential of GoldStone's Roraima property to contain economically exploitable palaeoplacer-hosted gold mineralisation and, secondly, to consider the merits of GoldStone's planned exploration programme. The project is founded on the hypothesis that the Roraima Group sedimentary rocks within the project area are analogous in many respects to the Witwatersrand Supergroup in South Africa and may contain economically exploitable gold enriched palaeoplacers on unconformities similar to those in the Witwatersrand Basin.

4 (c) Sources of Information and Data

This report is based on the following:

1. A review of three detailed reports on GoldStone's investigations into the Roraima Group during the period 1998 to 2002. The reports, which are listed in Item 23 of this report, were compiled by Dr Lawrie Minter who initiated the Roraima property and who led the various field programmes. Dr Minter is a director of GeoQuest Holdings Ltd and GoldStone's Director of Exploration.
2. A five day field visit in February 2003 to the Roraima property in Guyana by Dr Snowden and specialist contributor Professor Smith.
3. The observations and opinions of Professor Smith whose report is presented in Item 10b.
4. Various published papers on the geology of the Roraima Group listed in Item 23.
5. Wide-ranging discussions with Dr Minter who has undertaken detailed field investigations of the Roraima Group since 1998.

4 (d) Field involvement of the Competent Person

In February 2003 Dr Snowden and Professor Smith undertook a five day site investigation of GoldStone's Roraima property in Guyana. During this time four days were spent in the field in the company of Dr Minter and one day in Georgetown, the capital of Guyana, examining drill core from holes drilled in the project area. Dr Minter organised all aspects of the visit.

Access to the field areas inspected was gained by fixed wing aircraft and by helicopter. In the field, four traverses were walked in three areas – the Kaieteur Falls and Maikwak Mountain areas in Lease Area "A" and Parish's Hill area in Lease Area "B".



Figure 4.1 Location map of the Republic of Guyana in the north of South America

ITEM: 5 DISCLAIMER

The base data upon which this report relies has been compiled by Dr Minter who is a director of GeoQuest Holdings Ltd and GoldStone's Director of Exploration. We are satisfied that all relevant information in GoldStone's possession pertaining to the Roraima property has been fully disclosed. Furthermore our enquiries have satisfied us that the field work undertaken by Dr Minter and his associates has been carried out to a high standard and in a professional manner.

To obtain independent specialist opinion on GoldStone's Roraima property, we engaged Professor Smith who is an authority on fluvial sedimentology. Professor Smith's report is included in full in Item 10 of this report. In the report Professor Smith examines the merits of the geological model being advanced by GoldStone for its Roraima property. We have relied upon Professor Smith's specialist opinion with respect to the interpretation of the data, the potential of the Roraima Group to host economically exploitable gold deposits in GoldStone's property and the justification for GoldStone's proposed drilling programme.

We have not sought independent legal verification of GoldStone's status with respect to its right of access to its Lease Areas "A" and "B". We have, however, made specific inquiry of GoldStone in this regard and have been advised that its property is currently in good standing in all respects. We have also made inquiries at the highest level of the Guyana government and have been made aware that GoldStone is held in high regard.

ITEM: 6 PROPERTY DESCRIPTION AND LOCATION

GoldStone's Roraima exploration property is located in two areas (Figure 6.1): Lease Area "A", which incorporates much of the Roraima Group in Guyana, Lease Area "B" incorporates an outlier of Roraima Group known as Parish's Hill.

6 (a) Area of the property

The area of the two leases that constitute GoldStone's Roraima property are as follows:

Lease Area "A"	= 16,020 km ²
Lease Area "B" (Parish's Hill)	= 1,222 km ²
Total	<u><u>= 17,242 km²</u></u>

The Lease Areas are those remaining following the statutory reduction of the original Lease Areas specified in the Reconnaissance Permission (Clause 1) dated July 15, 1999. The relinquishment, equivalent to “no less than 50 per cent (50%) of the original area” was advised by GoldStone in a letter dated July 14, 2000. In terms of Clause 2 of the Permission, the reduction had to be made within 12 months of the Permission being issued.

6 (b) Location

Areas “A” and “B” of the Roraima property are shown on Figure 6.1.

Area “A” is a tract of state land located in the Mining District of Potaro, Mazaruni, Cuyuni and Rupununi, as shown on Terra Survey Topographic Sheets 23NE, SE; 24 NW, SE, SW; 32 NE, SE; 33 NW, NE, SE, 34 NW, SE, SW; 42 NW, NE, SE, SW; 43 NW, SE, SE, SW; 48 NE, SE; 49 NW, NE; 50 NW, NE, SW; 54 NW, NE; 55 NW of 1:50,000 scale (Figure 6.2).

Area “B” is a tract of state land located in the Mining District of Rupununi and Berbice as shown on Terra Survey Topographic Sheets 52 NW, NE, SW, SE of scale 1:50,000.

Minter (2002) has recorded the geographical coordinates of all property boundaries.

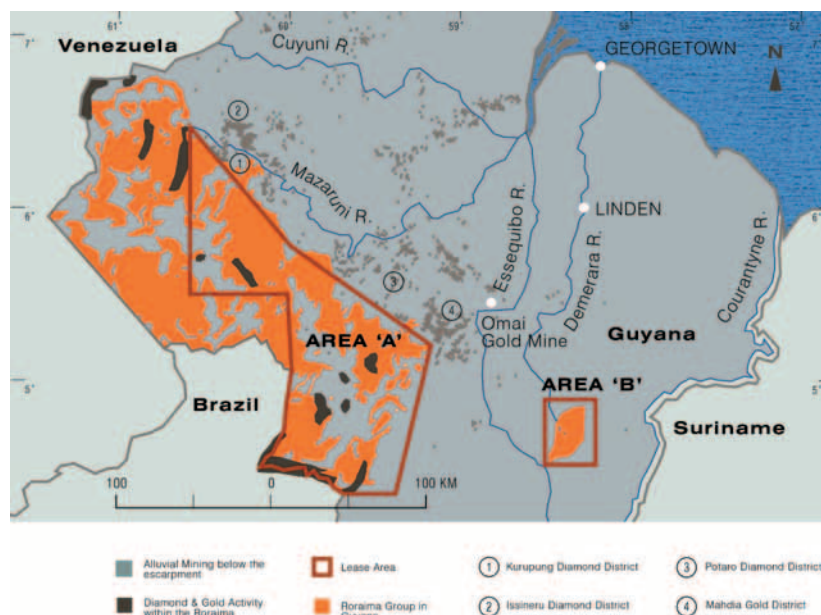


Figure 6.1 Showing GoldStone’s Lease Areas “A” and “B” in northern Guyana as well as the distribution of identified alluvial diamond and gold workings in drainages eroding Roraima Group rocks. Alluvial workings on the Pakaraima plateau and below the escarpment are identified. The escarpment coincides approximately with the eastern boundary of Area “A”. Source: Minter, 2002.



The property is located in the Republic of Guyana which lies between latitudes 1° north and 8° north and longitudes 57° east and 61° east. Guyana is situated in the north of continental South America and is bounded by the countries of Venezuela in the northwest and west, Brazil in the southwest and south and Suriname in the east. Guyana has approximately 450 km of Atlantic Ocean coastline defining its northern boundary (Figure 6.3).

All mineral aspects in Guyana are dealt with by its Mining Act of 1989. The rights of surface owners are correspondingly governed by the State Lands Act – Chapter 61:01. The Civil Law of Guyana Act Chapter 6:01, Section 3, determines that the English Common Law as at 1 January 1917 (and subsequently amended) applies as the common law of Guyana and accordingly all contractual (commercial) agreements are adjudicated upon in accordance with the English Common Law.



Figure 6.3 Roraima Group in Guyana, Venezuela, Brazil and Suriname. Also shown is the approximate extent of the original Roraima Basin.

Permission for Geological and Geophysical Survey under Section 97 of the Mining Act 1989 (“Permission”) dated July 15, 1999.

1. The Permittee shall pay fees for the first twelve (12) months of this permission in advance to the Government of Guyana through Guyana Geology and Mines Commission in the sum of US\$25,000.00 (twenty-five thousand United States Dollars). For the second twelve (12) month period the Permittee shall pay in advance fees in the sum of US\$75,000.00 (seventy-five thousand United States Dollars). For the third year US\$100,000 (one hundred thousand United States Dollars). All sums shall be payable in advance, without demand and are non-refundable.
2. The permittee shall conduct on the Area during the first twelve (12) month period a Geological and Geophysical Reconnaissance Survey. Prior to expiration of the said first twelve (12) months, the Permittee shall relinquish portions of the Area equivalent to no less than fifty per cent (50%) of the original area; then prior to the end of the second twelve (12) month period, the Permittee shall relinquish a further twenty-five per cent (25%) of the original Area.
3. The Area shall be reserved for the Permittee for the duration of this permission to prospecting, mining or the location of claims, granting of Prospecting and Mining Permits, (Medium scale) Prospecting Licences and for any other mineral rights available under the laws of Guyana, with the exception of places that are the subject matter of grants and pending applications on or before the 10th June, 1999.

4. The Permittee's rights under this Permission shall exclude areas locatable as river location licences and those used by Amerindians in their sustenance activities including hunting and artisanal mining.
5. (a) For the duration of this Permission, the Permittee shall have the right to apply to the Guyana Geology and Mines Commission for, and shall be granted Prospecting Licences covering up to twenty (20) Prospecting Licences.
PROVIDED THAT (i) such grants shall be subject to the Permittee having satisfied the requirements of the said Work Program, for the Geological and Geophysical Survey, and (ii) satisfactory proof has been furnished to the Minister of financial resources and technical capability, along with approved work program for each Prospecting application.
(b) The Guyana Geology and Mines Commission shall treat such applications on a priority basis.
6. The Permittee shall conduct the said surveys for the said period in accordance with the Work Program submitted by the Permittee and approved by the Minister.
7. The Permittee shall submit to the Minister through the Guyana Geology and Mines Commission all raw and analytical data, duplicate samples, maps, field and statistical data for the Areas free of charge, together with a final report upon expiration of this Permission. Any discovery of minerals during the duration of this Permission shall be described in the report. Quarterly progress reports shall be submitted at the end of each calendar quarter. The said data and information shall be maintained in confidence by the Minister and the Guyana Geology and Mines Commission during the term of this Permission and any subsequent Prospecting Licence granted in respect of the Area subject thereto.
8. No assignment or transfer of the rights and interests in the Area shall be permitted for the duration of the Permission. The Permittee is not, except to the extent provided herein, under the Permission conferred with any proprietary rights whatsoever to the area which is subject to this Permission.
9. There shall be no extension or renewal of the terms and conditions of this permission.
10. The Permittee shall observe and comply with the provisions of the Mining, State Lands and Forests Act and all regulations, thereunder currently in force insofar as the same may be applied to this Permission, and the Permittee shall be taken and considered to be the person liable thereunder.
11. The Permittee has agreed to excise Amerindian lands from the area conditional on the fact that the Permittee being desirous of having Amerindian lands included in the Area may approach the said communities for permission to explore. The government shall, as from the 10th day of June, 1999, not entertain or accept any applications for any form of mineral rights and or grant any form of mineral rights pertaining to Amerindian lands excised from this Application other than to the Permittee PROVIDED THAT the Minister shall take all necessary steps as may be required to give effect to Section 81 of the Mining Act and ensure that the consent of the surface rights holder is expressly obtained.
12. The Guyana Geology and Mines Commission has the statutory mandate to grant mineral rights to all areas, including Amerindian lands and all negotiations as referred to in Clause 11 above shall be in consultation and concurrence with the several affected Amerindian areas, and the Commission shall be involved in such negotiations. However, the Guyana Geology and Mines Commission at all times does reserve the right to recommend a refusal of the grant of Prospecting Licences over the said Amerindian areas.
13. The Permittee is granted permission for the duration of the Permission to conduct aerial surveys over the said Amerindian areas PROVIDED THAT such aerial surveys area are conducted at a level of no less than eighty (80) meters above ground level. All affected communities shall be advised by the Guyana Geology and Mines Commission that aerial surveys are to be carried out and stream, rock or soil samples may be taken in the areas. To expedite this advising of the communities the Permittee has undertaken to pay reasonable costs for the required transportation including helicopter, support for the Guyana Geology and Mines Commission to carry out this work.

14. The actual waiver or benefit of any covenant or condition of this Permission on the part of the Minister shall not be assumed or deemed to extend to any instance or any breach of covenant or condition other than that to which such waiver shall specifically relate nor to be a general waiver of the benefit of any such covenant or conditions.

Supplementary agreement made pursuant to Permission for Geological and Geophysical Survey under Section 97 of The Mining Act, 1989 (“Supplementary Permission”) dated August 14, 2002.

WHEREAS on the 15th July, 1999, the exclusive right to occupy the Area and conduct geological and geophysical survey for all minerals in the western and central parts of Guyana being more specifically described in Annex “B” to the Permission (hereinafter referred to as “the Area”) was granted to MIGRATE MINING LIMITED, a duly registered company under the Companies Act No. 19 of 1991, whose registered office is situated at Lot 1, Croal Street, Stabroek, Georgetown, Demerara, Guyana, for the period of thirty-six (36) months from the 15th day of July, 1999, (save and except such portions of the Area as were lawfully occupied by Persons’ other than the Permittee previous to the 10th day of June 1999, and all navigable rivers) on the terms and conditions set out in the Permission.

AND WHEREAS the Minister agrees to extend the Period of the Permission.

NOW THEREFORE IT IS AGREED that the Permission for geological survey under Section 97 of the Mining Act 1989 granted to MIGRATE MINING LIMITED dated 15th July, 1999, shall be varied and amended as follows:

- A. The period of the permission shall be extended for an additional thirty-six (36) months, the permission now expires on July 14th, 2005.
- B. Paragraph 1 of the Permission dated 15th July, 1999, is hereby deleted and is replaced by the following paragraph:
- “The Permittee shall pay fees for the first twelve (12) months of this Permission in advance to the Government of Guyana, through Guyana Geology and Mines Commission, in the sum of Twenty-five Thousand United States Dollars (US\$25,000.00). For the second twelve month period the Permittee shall pay in advance fees in the sum of Seventy-five Thousand United States Dollars (US\$75,000.00). For the third year One Hundred Thousand United States Dollars (US\$100,000.00). For the fourth year Fifty Thousand United States Dollars (US\$50,000.00). For the fifth year Fifty Thousand United States Dollars (US\$50,000.00). For the sixth year Fifty Thousand United States Dollars (US\$50,000.00). All sum shall be payable in advance, without demand and are non-refundable”.
- C. Paragraph 2 of the Permission dated 15th July, 1999, is hereby deleted and is replaced by the following paragraph:
- “The Permittee shall conduct on the Area during the first twelve (12) month period a Geological and Geophysical Reconnaissance Survey. Prior to expiration of the said first twelve (12) months, the Permittee shall relinquish portions of the Area equivalent to no less than fifty per cent (50%) of the original area; then prior to the end of the third twelve (12) month period, the Permittee shall relinquish a further one hundred and seventeen square kilometers (117 km²) of the original Area”.
- D. Paragraph 9 of the Permission dated 15th July, 1999, is hereby deleted and is replaced by the following paragraph:
- “The Permittee shall at any time during the operation of this Permission, have the right to relinquish all its rights under the Permission without either party having any further recourse against the other, provided that:
- (i) notice of such relinquishment of rights has been served in writing on the Minister; and that
 - (ii) all fees due and payable under the Permission for any prior twelve (12) month period wherein the relinquishment is made, have been paid in full”.

- E. All rights and obligations of MIGRATE MINING LIMITED and all reservations granted in favour of MIGRATE MINING LIMITED under the permission dated 15th July, 1999, and all the terms and conditions set out in the Permission, save as herein varied or amended, shall continue throughout the period of the extension herein granted.

Note: On 12 February 2004, we understand that the name of the Company was changed from Migrate Mining Limited to GoldStone Resources Limited.

6 (d) Survey

The Roraima property has not been physically surveyed as boundaries of “Reconnaissance Permits” are considered legal as described. It is not a legal requirement for such boundaries to be surveyed for purposes of the “Reconnaissance Permit”.

6 (e) Known mineralisation

Currently known mineralisation within or peripheral to GoldStone’s Lease Areas “A” and “B” is restricted to areas of alluvial gold or gold and diamond deposits in or in the vicinity of the modern drainage system. The sites of alluvial mining are shown on Figure 6.1. The alluvial gold and diamond mining operations in the rivers and river alluvium are largely conducted by artisanal miners.

GoldStone has not participated in the exploitation of any of these deposits and currently has no intention to do so. GoldStone’s objective is to explore the Roraima Group for “hard-rock” Witwatersrand type gold bearing reefs.

No gold mineral resources or ore reserves have so far been defined by GoldStone and GoldStone has not created any mine workings, tailings ponds or waste deposits.

6 (f) Encumbrances

We have been advised by GoldStone that its Permission to explore Lease Areas “A” and “B” is unencumbered. In terms of its licence GoldStone is the sole beneficiary of exploration success arising from its exploration effort on the lease areas.

6 (g) Environmental liabilities

GoldStone has no environmental liability arising from its geological investigations undertaken so far.

6 (h) Permit to conduct proposed work

GoldStone’s intention is to conduct a systematic drilling programme with diamond core holes of average length 250 m on relatively evenly spaced grids across its Lease Areas “A” and “B”. GoldStone has made application to the Minister to undertake this drilling and permission was granted in a letter from the Manager, Geological Services Division of the Guyana Geology and Mines Commission dated February 7, 2003. We are in possession of a faxed copy of the letter of authorisation and are satisfied that the appropriate authority to undertake the planned programme is in place.

ITEM: 7 ACCESSIBILITY, CLIMATE, LOCAL RESOURCES, INFRASTRUCTURE AND PHYSIOGRAPHY

7 (a) Topography, elevation and vegetation

Guyana is dominated by two distinct topographic terrains (Figure 6.1). The relatively low lying coastal plain which extends to the east and southeast of the country in the drainage area dominated by rivers such as the Essequibo (the largest and most extensive river in Guyana), Demerera and Courantyne. The Courantyne marks the political boundary between the states of Guyana and Suriname.

The second topographic terrain dominates the west and northwest of the country to form the Pakaraima mountains and plateau area ie. the Pakaraimas (In the literature the terms Pakaraima plateau and Pakaraima mountains are at times used interchangeably). This elevated and dissected terrain, which rises abruptly about 300 m to 500 m above the Essequibo valley and coastal plain, is built largely of Roraima Group sediments and is the area of principal interest in this report.

The east and northeast facing Pakaraima plateau escarpment area (also referred to as the Roraima escarpment) is dissected by numerous east and northeast flowing rivers and is marked by several significant waterfalls the most important of which is Kaieteur Falls on the Potaro River which displays an overall drop of 226 m (741 feet). Along the escarpment front there are several other waterfalls of note including the Peaima Falls on the Mazaruni River in the north of Area “A”. The topography along the escarpment front is rugged and deeply incised. However, it is along this escarpment where the geology of the Pakaraima plateau can be investigated because it is where the best rock exposures are to be seen. The steepness of much of the terrain, however, also renders many rock exposures inaccessible on foot. Exposures are somewhat scarce west from the escarpment with few outcrops on the plateau surface.

The Pakaraima plateau stands at about 700 m above mean sea level (“amsl”) in the Peaima Falls area and falls away to some 200 m amsl in the valley of the Mazaruni River. This elevation range is typical of that encountered along 200 km of escarpment within GoldStone’s Area “A” and the elevation range is similar in Area “B”.

Like most of Guyana GoldStone’s property is largely covered by dense, tall timbered tropical rain forest. In Area “B” there are areas of more open savannah vegetation.

7 (b) Access to the property

Access to GoldStone’s Area “A” is generally difficult and requires the use of road, river and air transport. There are few roads. Air transport access is by fixed wing aircraft to isolated air strips and then by hiking with support provided by local porters. Helicopter access can be arranged but requires substantial planning ahead if it is to be used effectively. Generally this means sending advanced ground crews to chosen sites to clear the forest and prepare landing pads. Pad preparation is generally a significant undertaking involving a team of several personnel for several days.

7 (c) Proximity to population centres and the nature of transport

GoldStone’s property in Areas “A” and “B” are located within a radius of between 200 km and 300 km of Georgetown the capital city of Guyana. Georgetown is well equipped and well serviced with amenities and there are firms in the city that act as facilitation agents to expedite exploration activities. They are equipped to supply field teams and all equipment and have the knowledge to access any chosen area in Guyana. Primary access to Area “A” is by aircraft either by fixed wing plane to one of the airstrips or by helicopter. Thereafter travel is via the waterways and by foot.

The Area “B” incorporates Parish’s Hill, an outlier of Roraima Group rocks about 200 km south of Georgetown. Mid-way between Georgetown and Parish’s Hill is Linden – a bauxite mining town. Parish’s Hill can be accessed by road.

There are no sites of significant population occurrence within the property area. There are small widely scattered villages with poor to modest infrastructure. The closest settlement of note is Linden.

7 (d) Climate and length of the operating season

Guyana lies between 2 degrees and 8 degrees north of the equator. The climate is tropical although tempered by coastal trade winds. The coastal areas of Guyana (including Georgetown) are hot (30 to 32°C) and humid for much or all of the year. However, the elevated nature of most of the Pakaraima plateau terrain modifies the climate significantly to the extent that the temperature rarely exceeds 28°C.

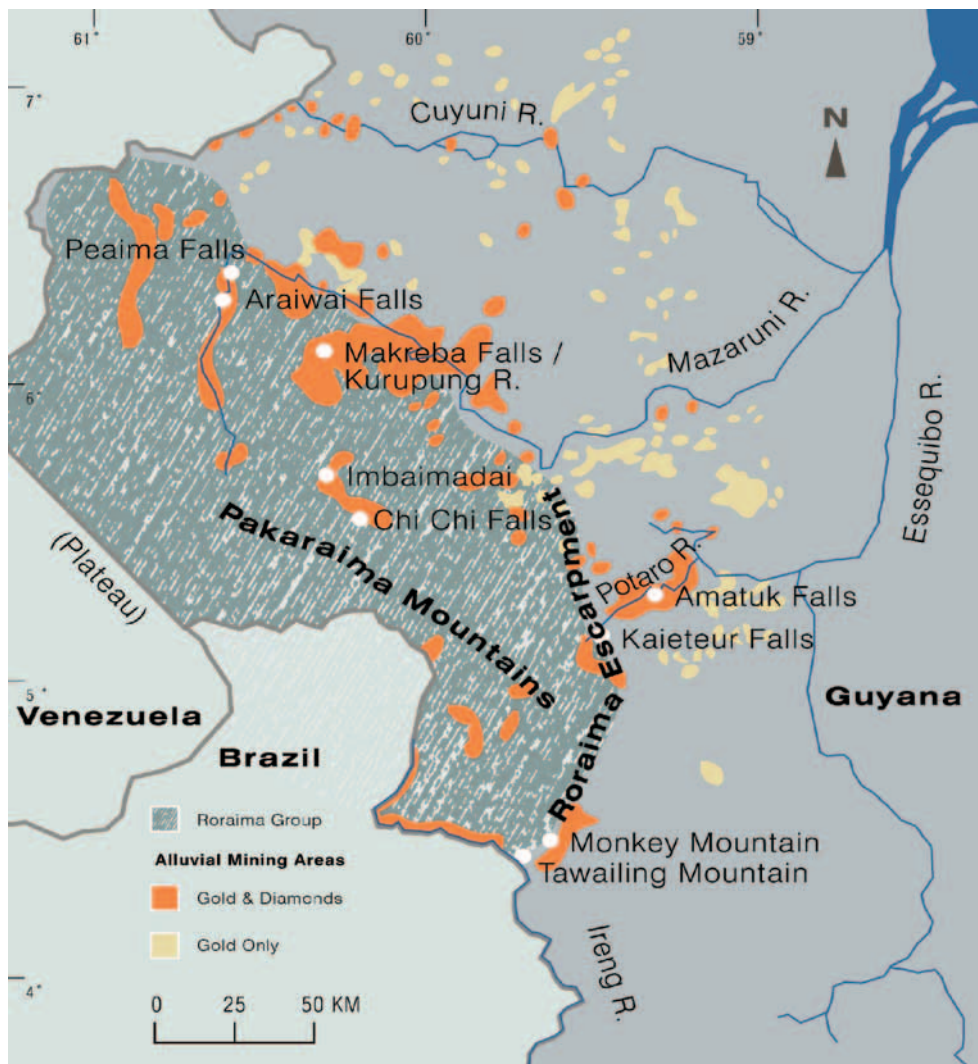


Figure 7.1 Showing the locations examined during GoldStone's 1998/1999 reconnaissance investigation of the Roraima Group. Locations are along the Roraima or Pakaraima escarpment at Peaima Falls, Araiwai Falls, Makreba Falls/Kurupung River, Imbaimadai, Chi Chi Falls, Amatuk Falls, Kateteur Falls, Monkey Mountain and Tawailing Mountain. Also shown are mining areas for alluvial gold and diamond and gold deposits. Source: Minter, July 1999.

Rainfall is heavy and occurs throughout the year although two rainfall seasons are identified during mid November to mid January and May to July.

Dr Minter of GoldStone has advised us that field work is avoided during the wet seasons because of the general low productivity. There are, therefore, 6 to 7 months in the year when the weather permits effective field work to be undertaken.

7 (e) Extent of surface rights for mining, and infrastructure availability

GoldStone's property status currently allows geological and geophysical investigations and permission has been granted by the authorities for GoldStone to undertake diamond drilling. In terms of its licence GoldStone does not have the right to mine. GoldStone's intention is to identify areas that will justify intensive exploration within its property and then to make application for the appropriate licences in accordance with Guyana's Mining Act of 1989.

Areas "A" and "B" of the property constitute an extensive area of 17,242 km² which encompasses a wide range of physiographic environments. Because of the vastness of the area it is premature to be specific about the suitability of the terrain to accommodate mine infrastructure such as tailings storage areas, waste disposal areas and potential processing plant sites. Water availability is unlikely to pose any problem should mine development proceed at some stage in the future. There is currently no power infrastructure in the property area.

ITEM: 8 HISTORY

8 (a) Prior ownership

There has been no previous systematic exploration over GoldStone's "A" and "B" leases and the ground has never previously been held for gold exploration. Local artisanal miners and prospectors have examined much of the terrain with their focus being to mine alluvial gold and diamonds within the numerous rivers draining the project area. Most of the current artisanal mining activity is east of GoldStone's Lease Area "A".

8 (b) Exploration work undertaken by GoldStone

Introduction

This section of the report outlines the type, amount, quantity and results of exploration undertaken by GoldStone.

In 1998, Dr Minter proposed that the 1900 Ma-old Roraima Group, in the north of South America, which consists principally of fluvial sediments, is analogous in many respects with the ~2800 Ma-old Witwatersrand Supergroup in South Africa. Minter concluded that the Roraima has the potential to host palaeoplacer gold deposits. A key line of support for this view is the abundance of old and current gold and diamond mine workings in, or associated with the rivers draining the Roraima sediments of the Pakaraima plateau (Figures 1 and 4). Minter, like many investigators before him, concluded that the alluvial gold and diamonds could have no source other than from the Roraima Group.

Type of work

Since initial consideration of the geological model GoldStone has undertaken six phases of work between 1998 and 2002:

Phase 1	Literature review
Phase 2	Reconnaissance geological investigations in 1998/1999
Phase 3	Interpretation of reconnaissance investigation
Phase 4	Geological investigations July 1999 to October 2002
Phase 5	Stratigraphic diamond drilling
Phase 6	Technical investigations

Amount/quantity of work

Phase 1. Literature review. Minter commenced his investigation of the potential of the Roraima for mineable gold placer deposits with a detailed literature review. This study provided him with the encouragement to undertake Phase 2 – a geological reconnaissance tour of the Roraima Group in Guyana.

Phase 2. Geological reconnaissance. Minter assembled two geological teams to undertake orientation field tours. Each team was led by a qualified sedimentologist experienced in the analysis of braided fluvial systems. The teams undertook sedimentological investigations at a number of locations along the Pakaraima escarpment. Cross section information was obtained by undertaking traverses up nine, deeply incised river valleys oriented approximately perpendicular to the escarpment. The river valleys investigated were (Figure 7.1): 1. Peaima Falls, 2. Arawai Falls, 3. Makreba Falls/Kurupung River, 4. Imbaimadai, 5. Chi Chi Falls, 6. Amatuk Falls, 7. Kaieteur Falls, 8. Monkey Mountain, 9. Tawailing Mountain.

This phase of work confirmed that the Roraima succession could, in GoldStone's opinion, contain gold palaeoplacer deposits and the company took the decision to register Reconnaissance Leases covering the entire Roraima Group in Guyana. The original granted leases were subsequently reduced in size to meet the terms of the granted lease and then further reduced in size in 2001 to release ground which GoldStone assessed to have little or no potential for palaeoplacers. The ground currently retained in Area "A" covers 16,020 km² and Area "B" covers 1,222 km².

Phase 3. Interpretation of the reconnaissance investigation. The initial field investigations of the Roraima Group led Minter (1999) to conclude that it consists of three fining upward sequences in

which alluvial fans, braidplains and shoreline deposits could be distinguished shedding off a northeast palaeohigh and dipping to the southwest. More specifically Minter identified the stratigraphic position of possible palaeoplacer surfaces. These are unconformity surfaces which reflect a period of time during which heavy minerals (such as gold and diamonds) become concentrated through the sorting action of water and wind. Resistant rounded quartz pebbles are a common indicator of placer occurrence. Such deposits constitute the Witwatersrand gold bearing pebble conglomerate reefs.

The most important palaeoplacers in the Roraima sequence were identified by Minter within Units IV and VII of Keats (1973). Details of the geology of these rocks is given in ITEM 9(c). These units were considered worthy of detailed investigation by Minter to evaluate their gold potential.

Phase 4. Geological investigations July 1999 to October 2002. During the period July 1999 to October 2002, GoldStone undertook a range of work commencing with several geological traverses in order to identify and map the distribution of Units IV and VII and to locate their basal unconformities since it is these surfaces that could be expected to host the most mature (and most gold enriched) palaeoplacer deposits. The traverses were undertaken into the interior of the Pakaraimas ie. westwards from the escarpment where the first geological tour was focussed.

GoldStone engaged an experienced team of sedimentologists with “Witwatersrand” experience to undertake the detailed survey traverses. Apart from mapping the geology encountered along the traverses a specific objective was to channel sample conglomeratic units (using petrol driven diamond saws) and submit the samples to an internationally recognised analytical laboratory for geochemical analysis. Laboratories in Toronto, Canada and Cape Town, South Africa were selected. Other information collected during the traverses included identification of rivers recently dredged for alluvial gold and diamonds.

All geographic and geological data obtained during this field programme was compiled onto 1:50,000 topographic sheets. The sheets show outcrop areas of Unit IV and Unit VII in Lease Area “A”, stratigraphic targets at Parish’s Hill Lease Area “B”, traverse routes, river stretches recently dredged, traces of identified unconformities, sample sites with anomalous gold values, pebble size measurements, palaeocurrent directions and any other locations of note. Reduced colour copies of all 19 1:50,000 sheets covering the property are presented in Minter (2002).

Phase 5. Stratigraphic diamond drilling. As part of the programme to build up a three dimensional picture of Roraima Group geology on the property GoldStone drilled five diamond drill holes (Table 8.1)

Table 8.1
Stratigraphic diamond core holes drilled on the Roraima property 2000/2001

Hole Number	Date Drilled	Collar Elevation (m amsl)	Total Depth below collar (m)	Core Size	Location
MM2/MM2A	5/10/2001	731.5	314.8	NQ	Monkey Mountain
PP2	3/10/2000	405	575.0	NQ	Parish’s Hill
PP3	17/10/2000	122	284.0	NQ	Parish’s Hill
V2	20/11/2000	1079	257.0	NQ	Velgraad (Maikwak) sheet 49
V5	8/11/2000	891	168.6	NQ	Velgraad (Maikwak) sheet 49

Phase 6. Technical investigations. Upon conclusion of the field traverses GoldStone undertook a range of studies which included:

- Provenance studies – investigated oxygen isotope ratios of quartz pebbles to establish the likely source of the Roraima pebble conglomerates. To this end a suite of fifty Roraima quartz pebbles collected in sets of ten from various potential palaeoplacer surfaces indicates that 85 per cent came from a hydrothermal source. Minter concluded that gold bearing quartz veins from the early Proterozoic (~2200 Ma) Guiana Shield to the northeast of the Roraima Basin could realistically be the source of the pebbles. The occurrence of hydrothermal gold in this basement is evidenced by the Omai gold mine in the Guianan basement.

- Lithostratigraphy – the GoldStone sedimentological field team confirmed that the Roraima sediments are composed of essentially horizontally bedded conglomerates, sandstone and siltstone. The stratigraphy, defined by Keats (1973) into ten lithological units numbered I-X from the base upwards was confirmed as were the three fining upward sequences defined by Minter (1999).
- Sedimentology – palaeocurrent azimuths measured across the area were essentially unimodal with a vector mean oriented towards the southwest but with local variation.
- Pebble size measurements – pebble size measurements from Unit IV of the Roraima are consistent in size with pebble sizes in at least one of the Witwatersrand's most important gold bearing placers.
- Geochronology – radio isotope dating of zircons from tuff beds in the Roraima Group were dated at 1901 ± 1 Ma. Gold sourced from the underlying greenstone basement has been dated at 2000 Ma.

Results

Alluvial gold and diamonds. Figure 6.1 and Figure 7.1 illustrate the widespread occurrence of alluvial gold and diamond mining by artisanal miners in recent fluvial sediments. Sites of mining occur within the river system both within the Roraima terrain on the Pakaraima plateau and concentrated at sites below and peripheral to the escarpment. Minter has concluded these concentrations of gold and diamonds can only have been derived from the Roraima rocks during scarp retreat by spalling as well as by deposition at the sites of decreased river gradient after erosion and transport from the Pakaraima plateau.

Gold assay sampling results. Saw cut channel samples collected in the field by the various sedimentological mapping teams during the July 1999 to October 2002 programme numbered 1701 samples from Area "A" and 24 from Area "B". All gold assays were determined by fire assay with results reported in parts per billion ("ppb"). The assays ranged from 0 ppb to 1539 ppb (1.539 ppm or g/t) in sample 1683.

From the assays Minter concluded that the background gold content for the Roraima is 10 ppb. The conglomeratic beds sampled commonly contain over 100 ppb gold and are generally anomalous relative to background.

Diamond drill hole samples. All pebble conglomerates intersected in the five stratigraphic boreholes drilled were assayed. Assays ranged from 1.0 ppb to 3400 ppb (3.4 g/t). Details of the lithologies sampled and the assay results obtained are provided in ITEM 9 of this report.

No development work has been undertaken by GoldStone on its Roraima property.

8 (c) Historical mineral resource and mineral reserve estimates

There are no historical mineral resource or mineral reserve estimates for any part of GoldStone's Roraima property.

8 (d) Production

There has been no gold production from the palaeoplacers which are the focus of GoldStone's investigations. There has been a long history of artisanal mining of recent alluvial deposits within the river system traversing GoldStone's property. These alluvial deposits are not the subject of this report.

ITEM: 9 GEOLOGICAL SETTING

9 (a) Regional geology

The Roraima Group sedimentary sequence in Guyana is just part of a much larger sedimentary basin that extends into Venezuela, Brazil and Suriname (Figure 6.3). Roraima rocks within this basin build the Pakaraima mountains and plateau and cover an area of at least 73,000 km² (Reis and Yanez, 2001). Isolated outliers of these rocks indicate that the Roraima Basin once covered a

much larger area of approximately 1,350,000 km² (Figure 6.3 and Figure 9.1). Zircons from volcanic tuffs within these sediments suggest that they were deposited in the early Proterozoic. Age dating reported by Minter indicates an age of 1901 Ma while dating by Santos *et al* (2003) suggests a slightly younger age of 1873 Ma.

The Roraima Basin evolved on part of the late Archaean-age Amazon Craton which is referred to as the Trans-Amazon Craton or the Guianan Shield in the north and northeast of South America. It is a granite-greenstone belt terrain that evolved between about 2.25 and 2.00 Ma. The structural trend or “grain” of the terrain is approximately parallel to Guyana’s Atlantic coastline ie. east-southeast (Figure 9.1).

Geological interpretation has indicated that uplift in the north and northeast of the Trans-Amazon basement led to the evolution of the Trans-Amazon orogenic belt and a complementary foreland basin (the Roraima Basin) to its southwest. Into this basin was deposited eroded sediment from the Trans-Amazon mountains built of Archaean granites and greenstone belt rocks. There is widespread consensus that the overall palaeo-current direction during deposition of the sediment into the Roraima Basin was from the north and northeast (Minter, 2002; Keats, 1973); hence the most proximal part of the basin appears to be that preserved in Guyana while the most distal part is to the southwest in Brazil (Figure 9.1).

Santos *et al* (2003) note that the Roraima Group, wherever it is preserved, builds tabular plateaus and cuestas that rise abruptly above the basement. The Roraima mountains are the highest mountains of the Amazon craton (up to 3,016 m at Mount Roraima close to the junction of Guyana, Brazil and Venezuela). Sediment thicknesses in the basin range from 200 m (eroded) to 3,000 m in the Pakaraima plateau area of Venezuela. In Guyana the sequence is about 1,800 m thick where it is best preserved.

Santos *et al* (2003) have noted that local sedimentological studies by numerous workers across the greater Roraima Basin have identified environments of deposition ranging from alluvial fans to fluvial braided deposits. In addition lacustrine, aeolian, tidal and shallow marine deposits have been described. Overall sandy continental deposits predominate.

Thick dolerite/gabbroic sills (up to 400 m thick) have intruded the Roraima sequence. Santos *et al* have reported a U-Pb age for two mafic sills to be 1782 ± 3 Ma.

9 (b) Local geology

The geology of the Roraima Group in Guyana was documented in detail by Keats (1973). The succession is preserved largely over an area of about 25,000 km² in the Pakaraima plateau. To the east of the plateau there are outliers of Roraima the most important of which is at Parish’s Hill.

Keats subdivided the Roraima into ten lithological units numbered I – X from the base upwards (Figure 9.2). Minter (1999) has classified these units into three fining upwards sequences with their bottom boundaries marking Low Stand States of base level as a result of tectonic uplift in the orogenic source area when gravel was transported into the depository. Brief descriptions of the 10 units described by Keats are summarised below:

Unit I – at the base of the sedimentary succession, in the proximal areas along the northeast facing scarp of the Pakaraima plateau. Its thickness ranges from 0 m to 180 m.

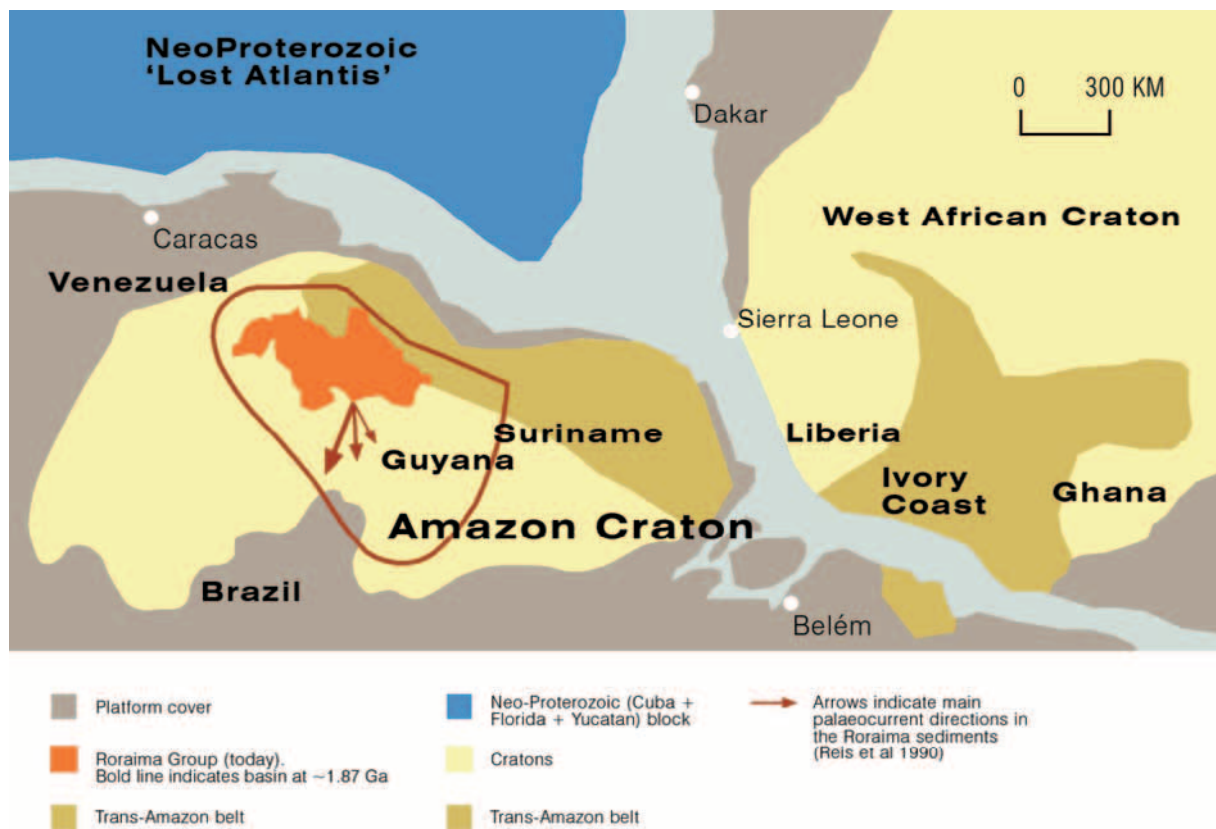


Figure 9.1 Reconstructed geological configuration of northern South America and western Africa about 1900 Ma showing the interpreted extent of the Roraima Basin and its extent today. The Roraima palaeocurrent directions are shown. The proximal setting of the Roraima in Guyana is apparent. Source: adapted from Figure 15 of Santos et al. (2003).

Unit II – is composed largely of medium to very coarse-grained graded quartz sandstones with less than 5% red jasper pebbles. Within these quartz sandstones are intercalations of arkose which are poorly sorted and poorly bedded. Red jasper chips contribute 10 to 15% of the grains. The thickness range of Unit II is 60 m to 180 m.

Unit III – comprises sandstones, intraformational and extraformational conglomerates and minor siltstones and shales. This unit shows considerable lateral variation in geological character and in thickness. Once again jasper grains are prominent making up some 10 to 15% of the total. A feature of these rocks seen in “fresh” drill hole core is colour mottling and prominent heavy mineral banding caused by concentrations of haematite and magnetite. Pebbles in this unit are described as having “good” roundness and “medium” to “medium-high” sphericity. Total thickness is generally in the range 160 m to 360 m. However, locally it is less than 150 m in areas of elevated basement.

Unit IV – is a series of quartz conglomerates with intercalated quartz sandstones and minor arkosic sandstones. This unit has been intruded transgressively by dolerite/gabbro sills. Conglomerates are similar to those in the underlying Unit III. The larger pebbles are up to 95% quartz. Pebbles display “good” roundness and “medium” sphericity. Total thickness ranges from about 90 m to about 250 m.

Unit V – is a series of fine to coarse quartzose and arkosic sandstones with occasional shales or mudstones.

Unit VI – is a series dominantly of shales and silty shales. Underlying this unit over most of the Pakaraima plateau is a dolerite/gabbro sill. The sediments of Unit VI range in thickness from about 70 m to 250 m.

Unit VII – is a series of bimodal quartz conglomerates and quartzose sandstones. Unit VII is persistent throughout Guyana and Venezuela. Its thickness ranges from 15 m to 60 m. According to Keats it has a basal quartz conglomerate grading up into pebbly sandstones with this cycle repeated several times.

Unit VIII – consists of quartzose sandstones with minor shales. The base of this unit is taken as the last pebbly sandstone seen in Unit VII. The thickest development of this unit is about 250 m. Approximately 5 to 10% of grains are jasper.

Unit IX – is known as the jasper sequence. It ranges in thickness from 120 m to 225 m with the base marked by the first jasper or chert pebbles. The jaspers are described by Keats as mixtures of volcanic glass shards and quartz.

Unit X – consists of medium grained pebbly quartzose sediments.

Placing these lithological units in a genetic framework Minter (2002) has described them as follows:

Sequence 1 (Units I, II and III) – alluvial fan facies like debris-flow diamictites and sandstone boulder beds depict the earliest sedimentation in a Low Stand Tract. This depositional environment is associated with basin edge fault scarps near the present eastern flank of the escarpment and indicates proximity to tectonic activity.

Sequence 2 – followed as a result of renewed tectonism with stacked gravelly to sandy braided sheet sandstone bodies (Unit IV) with high net:gross sedimentation in a Low Stand Tract. The bedforms are composed of gravel sheets and lags, large pebbly trough cross-bedded units and solitary tabular gravel bars.

The sequence fines upwards through a Transitional System Tract comprising sandstones (Unit V) and siltstones (Unit VI) representing marine influenced deltas and intertidal sediments of High Stand Tract.

Sequence 3 – evolved following renewed tectonism which produced another sequence boundary and a Low Stand Tract into which prograded a unimodal fluvial system that deposited conglomerates and quartz arenite (Unit VII) followed by feldspathic sandstone. Distal volcanic airfall tuff beds from a few centimetres to a metre thick occur interbedded with these sandstones. These tuff beds become more prevalent higher up the sequence where they are represented by red jasper beds.

It has already been observed, but we emphasise here, that palaeocurrent azimuths of trough cross bedded sandstone measured throughout Units IV and VII are essentially unimodal in distribution with a vector mean oriented towards the southwest.

9 (c) Property geology

Since GoldStone's Lease Areas "A" and "B" include a substantial part of the Roraima succession in Guyana the property geology is broadly described as in Item 9 (b) which considers the local geology of the area.

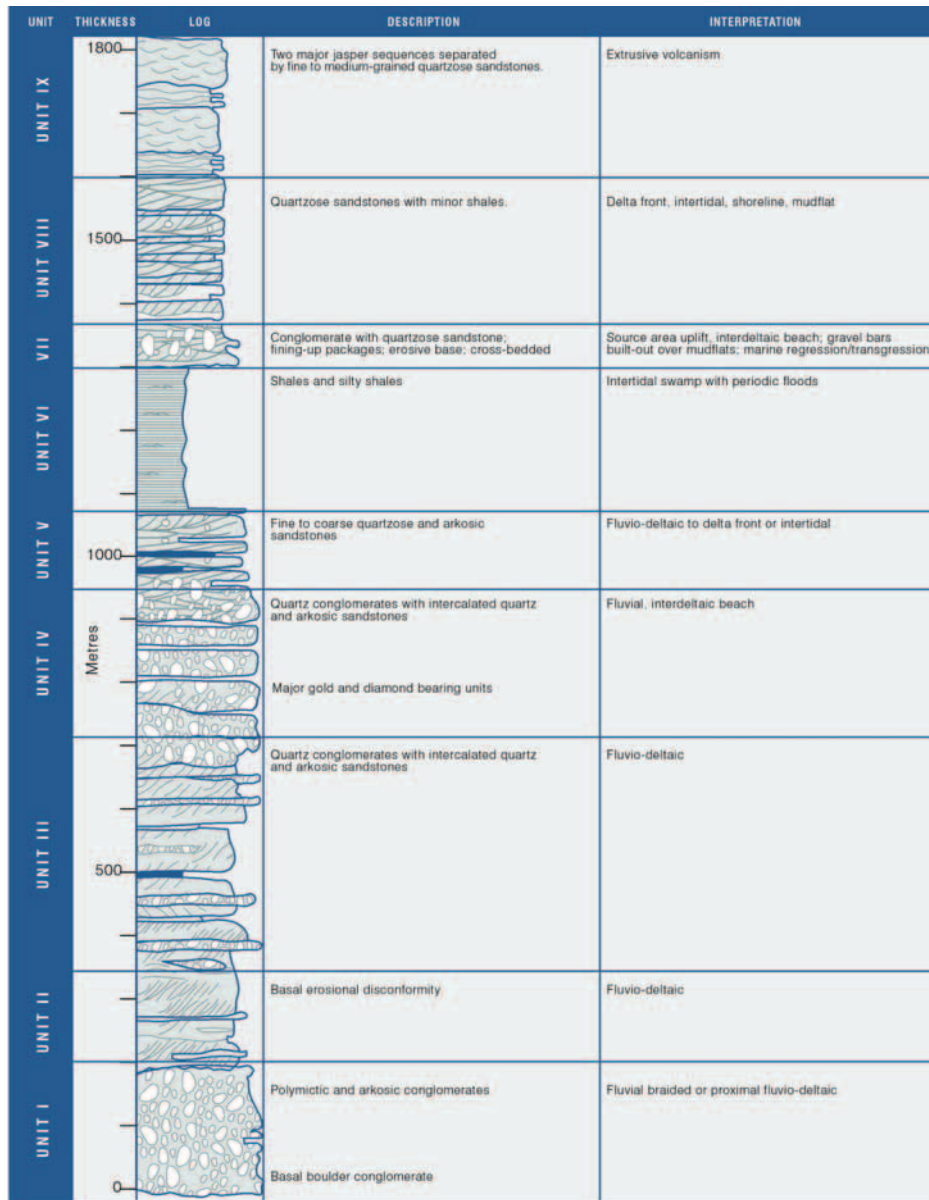


Figure 9.2 Stratigraphic section of the Roraima Group in Guyana (after Keats, 1973). The “descriptions” have been abbreviated. Note the Unit IV and VII pebble conglomerates are identified as the major gold and diamond-bearing units. Source: Minter, 2002.

ITEM: 10 DEPOSIT TYPES

10 (a) Deposit type being investigated

GoldStone acquired its Roraima property to explore for palaeoplacer gold deposits analogous to those mined in the Witwatersrand Basin. Minter (1999) on behalf of GoldStone made a number of observations which conveyed his rationale for involvement in the Roraima property:

- Over 50 per cent of world gold production has come from palaeoplacer deposits with most of this coming from Witwatersrand palaeoplacers;
- the Witwatersrand gold and uranium palaeoplacers are characterised by quartz pebble conglomerates within a sedimentary basin;
- the Witwatersrand Basin covers an area of about 30,000 km². The cratonic source area is estimated to have been at least 720,000 km²;
- the total original extent of the Roraima Basin in Guyana, Brazil, Venezuela and Suriname is approximately 1,200,000 km². The extent of the source area is estimated by Minter to be 2,880,000 km² (Figure 6.3 and Figure 9.1);

- recent to modern day drainages carrying eroded Roraima Group debris have been, and continue to be, mined for their significant gold and diamond content;
- by contrast Minter notes that no gold occurs in drainages eroded from Witwatersrand strata;
- detrital gold particles recovered from Witwatersrand palaeoplacers have a nominal mean grain size diameter of 136 microns;
- a study on gold bearing alluvium sourced from the Roraima Group by Claus and Giles (1997) has indicated that 75 per cent of the gold particles are between 250 and 44 microns and little of this size fraction is recovered by the local miners using the gravity collection methods they rely on; and
- there are four main areas of alluvial gold and diamond mining in Guyana that can be confidently traced back to a Roraima source: the Cuyani River basin in the north on the Venezuela border; the Mazaruni River and its tributaries; the Potaro River and the Ireng River on the Brazilian border in the south.

10 (b) Geological concept – evaluation

In the context of the foregoing observations there are two essential questions that require consideration: firstly, was the tectono-sedimentary environment conducive for the formation of heavy mineral placer deposits ie. are there indeed gold placer deposits of the Witwatersrand type within the project area and, secondly, was gold (and diamond) mineralisation introduced into the Roraima Basin in sufficient abundance to be concentrated within palaeoplacers into economically mineable deposits.

The sedimentological environment

In consideration of the first question Professor Norman Smith was engaged as specialist consultant, to evaluate the appropriateness of the sedimentary environment for gold enriched palaeoplacers. Professor Smith's report is presented below in full.

Roraima Report

Norman D. Smith

March, 2003

Introduction.

This report assesses the potential of the Precambrian Roraima Group in Guyana, South America, to contain economically exploitable deposits of placer gold. It is based on a one-week visit to Guyana on February 2-8, 2003, and examination of three reports prepared by Lawrie Minter, particularly the Interim Roraima Exploration Report for July 1999-October 2002 entitled "Roraima Gold Potential". Four days were spent with Lawrie and Phil Snowden in the field examining outcrops of the Roraima in Lease Area A, a large tract in western Guyana that lies within the eastern margins of the Pakaraima Plateau, and the smaller Lease Area B, an outlier of Roraima situated east of the Pakaraima Plateau. We concentrated our field observations on Keats' (1973) Units 4 and 7, as these comprised horizons of coarse sandstone and quartz-pebble conglomerate thought most likely to contain placer gold. In this tropical rain-forest setting of intense weathering, outcrops of vertical sections are widely scattered and accessible only in dissected stream valleys and along escarpments of tabular mesas that rise abruptly above the forest floor. Because of difficulty of access and long distances between outcrops, we were able to visit only a few exposures of the Roraima, but these were sufficient to get an idea of the basic stratigraphic and sedimentological character of the critical units of interest.

In addition to the four days of field reconnaissance, one day was spent in Georgetown examining cores of five exploration diamond-drill boreholes. Two of these cores contained conglomerates of Unit 7 from Lease Area A (V-2, V-5), two contained conglomerates from Lease Area B (Parish Peak: PP-2, PP-3), and a fifth core from Monkey Mountain in Lease Area A (MM-2A) contained sparse pebbles of Unit 4.

A key working hypothesis underlying this brief investigation is that the Witwatersrand Basin serves as a reasonable model for assessing the gold-bearing potential of the Roraima Group. Similarities between the Roraima and the gold-bearing rocks of the Wits include the following: (1) recurring horizons of well-sorted quartz-pebble conglomerates within a thick sequence of clastic sedimentary rocks; (2) similar depositional environments; (3) large geographic areas containing conglomerate-bearing units; and (4) measurable and persistent background concentrations of gold in the conglomerates. In addition, isotopic analyses presented in background reports indicate that the majority of Roraima quartz pebbles are derived from hydrothermal quartz veins, a common source of gold. Recent data by Santos et al (2003) confirm that Roraima source materials were likely granitoid-greenstone basement rocks within the Trans-Amazonian orogenic belt lying to the north and east of the Roraima Basin, now mostly covered by coastal plain sediments. Such source rocks, though nearly 1 Ga younger, are similar to those thought to have supplied the Wits basin. SEM and optical microscopic images of gold grains extracted from Roraima samples show unequivocal detrital morphologies, indicating physical abrasion prior to deposition and a clear indication that sedimentary processes were involved in gold distribution. The preliminary hypothesis that, like the Wits, the Roraima contains paleoplacers of detrital gold formed by sedimentary processes thus seems reasonable.

Environment of Deposition.

The sandstone and conglomeratic portions of the Roraima that we observed are typically fluvial in character and indicative of shallow braided rivers similar to those occurring today in 'wet' alluvial fans and braidplains (e.g., Canterbury Plains of New Zealand; alluvial plains draining the Himalayas of northern India, e.g., the Kosi River). This river style is fairly common today, but it dominated early Paleozoic and Precambrian alluvial sequences due to the lack of stabilizing land vegetation. Evidence for a braided-stream origin for the coarse portions of the Roraima can be found in the unidirectional nature of paleocurrents; gravel bar forms; common but subordinate planar crossbeds (= transverse-type bars that abound in modern braided streams); irregular bed thicknesses and poor grain-size sorting at the bed scale, both reflecting unstable stream beds and rapidly fluctuating flows typical of such streams; and the predominance of trough cross stratification, reflecting transport of subaqueous dunes that dominate sediment transport in the interconnected channels that separate exposed braid bars. Evidence of occasional eolian sandstone beds is consistent with braided stream settings because fluvial flow is able to cover only small portions of a fan or braidplain at the same time, leaving the rest exposed to attack by wind erosion and deposition.

As it regards placer production, a braided-stream environment is an important deduction for the Roraima. Because fluvial flows are fundamentally unidirectional and controlled by regional slope, the directions of both source and sediment transport can be readily predicted from paleocurrent measurements. Furthermore, because braided streams are highly unstable and constantly rework their own sediment, opportunities for sorting and concentrating heavy minerals away from light minerals are continually met. Also, it is widely held that braided rivers dominated the distribution of coarse sediment in the Wits.

Placer Formation.

Regardless of their specific spatial or temporal scales of occurrence, all placers require two things: (1) a source of heavy mineral grains and (2) one or more sorting mechanisms. Whether or not an economic placer deposit forms may depend ultimately on such external factors as the stage of stream evolution, tectonic history, local geology and physiography, base-level elevation, or climate, any of which may exert controls on sediment source or long-term cycles and rates of aggradation and degradation that govern the areal extent and richness of a placer deposit. Common to the origins of all water-laid placers, however, are concentration processes that involve interactions between the fluid, sediment bed, and the transported particles. No matter how favorable the regional or local setting may be, without a mechanism of sorting dense sediment grains from light grains, there can be no placer deposit formed.

The detailed interactions between flow, sediment bed, and transported sediment are often complex and not fully understood. At least four different classes of sorting processes are recognized that can lead to placerization: entrainment sorting, transport sorting, suspension sorting, and shear sorting

(see Slingerland and Smith, 1986, for a review of these processes). The nature of preservation of sedimentary deposits, however, rarely provides an unequivocal signature as to which of those processes dominated or even operated in a particular deposit. Nevertheless, certain “rules of thumb” that combine experience with theoretical understanding have emerged to guide at least crude prediction of placer behavior. For example, it is common to find the concave basal surfaces of trough cross-beds to be enriched in heavy minerals. This process, a consequence of entrainment sorting conditioned by convergence of turbulent back-flow eddies, can be easily observed and at least qualitatively understood by watching curve-crested dunes migrate down-current in a laboratory flume. On a larger scale, so-called “false-bottom placers” (an old placer-mining term) reflect spatially limited and short-lived scour surfaces within alluvial deposits, a result of ordinary scouring and redeposition that temporarily allows a degradation surface to trap heavy minerals while light minerals (e.g. quartz) are bypassed. Neither of these examples will normally lead to extensive placers with high enrichments, yet if they are repeated many times during overall aggradation, they might concentrate dense particles in sufficient quantities to justify localized alluvial-mining operations. These are but examples only.

“Bedrock placers”, another old placer-mining term, accumulate on the ultimate scour horizons that define the maximum downward extent of fluvial erosion – bedrock surfaces. Where present, these are high-priority targets for placer miners because fine-grained heavy minerals commonly accumulate there, the results of both selective entrapment during fluvial transport and downward percolation when turbulent eddies disrupt the sediment bed and momentarily jiggle or resuspend coarse sediment grains otherwise not in transport. Such sediment grains, usually large, immobile, and referred to as “lag deposits” (because they lag behind smaller, more mobile sediment), serve two important functions in concentrating heavy minerals: (1) being large, they form a rough surface for entrapping finer sediment in their interstices (pores), and (2) once entrapped, the particles are hidden from the full brunt of turbulent flow. The smaller and more dense a particle is, the more likely it will remain permanently hidden at or near the bottom-most erosional surface, protected by lag deposits of gravel. Thus, because they are permanent features and therefore potentially exist the longest time to entrap and concentrate heavy minerals, bedrock surfaces are commonly the richest horizons in an alluvial placer-mining succession.

Geologists might refer to this surface separating bedrock from the overlying alluvial sediment as an unconformity, and indeed it is. Because by definition true unconformities represent long-lived and usually widespread surfaces of erosion followed by deposition, they comprise a more general case for placerization targets than “bedrock placers” per se. Thus, an alluvial fan or river floodplain that is uplifted, partially eroded by laterally shifting and downcutting river channels, and then later aggraded with younger alluvial sediment, will have produced a single unconformity (erosion surface) over which large quantities of sediment were transported and very little deposited. Both experience and sedimentological theory would predict the surface to be more enriched in small dense mineral grains than in the overlying younger deposits. The surface in this case is not strictly speaking a ‘bedrock surface’ because it separates two episodes of unconsolidated alluvial sediment, but it serves the same purpose by forming a long-lived fluvial-transport surface where dense particles can concentrate. Furthermore, the longer the surface exists (ie. the larger the unconformity), the more time it will have to concentrate rare dense particles such as detrital gold. Overlying scour surfaces in the younger alluvium may also concentrate heavy minerals, but their short-lived and local nature would result in commensurately lower enrichments (‘false-bottom placers’). Such surfaces result from adjustments to any of a large number of internal or external causes, eg. long- or short-term discharge fluctuations, local base-level changes, neotectonism, channel migration and avulsion, source-area perturbations etc.; the list is long and generally unknowable in geological deposits, but the results are superficially the same – erosional surfaces of variable extents separating layers of sediment. From the viewpoint of placer exploration, the working principle to carry forth is this: the larger the time gap separating two layers of alluvial sediment, the greater are the opportunities for enrichment of heavy minerals at or near the surface separating those two layers. Of course, this principle assumes that heavy minerals are being supplied to the river sediment.

Gold Paleoplacers in the Roraima?

A variety of evidence indicates that Proterozoic braided rivers drained an auriferous granitoid-greenstone belt to the north and northeast of the present lease areas, and there is no doubt that gold was supplied in large quantities to the basin in which the Roraima Group was deposited. A long history of gold and diamond placer mining in the rivers currently draining the Pakaraima Plateau attest to this; clearly, the placer gold is being released by weathering and erosion of Roraima bedrock. Assays of selected outcrop and core samples, mainly conglomerates, confirm generally low-grade but persistent concentrations of gold (Minter 2002). The source requirement for placerization appears to be fulfilled.

The more difficult question is whether sorting of detrital gold ever took place with enough efficiency during Roraima deposition to form one or more economic placer deposits within the lease areas. There are no known geophysical methodologies for placer exploration; serendipity and blind luck have historically played major roles in gold-placer discoveries. It can probably be said that if a few small outcroppings of Wits conglomerates had not been fortuitously exposed near present-day Johannesburg, half of the gold production of all time would still be lying undiscovered in the ground. But it was discovered, and as mining progressed and knowledge of the Wits deposits improved, it became clear that many of the most important ore bodies occur along unconformities. Some of these such as the Basal Reef, Vaal Reef, and Ventersdorp Contact Reef, all containing quartz-pebble conglomerates, formed on regional surfaces where degradation was general, long-termed, and widespread. Others like the Saaiplaas and B Reefs occur on surfaces of well-defined channelways incised into the alluvial substrate. Given the similarities between the Wits and Roraima described earlier, the question can be asked: how likely is it that the Roraima contains similarly large unconformities that might have concentrated detrital gold into economic quantities?

There is no deterministic way to answer that question with the present state of knowledge of Roraima geologic history. Unconformities can arise in a number of ways, and without an understanding of the magnitude and chronology of tectonic, climatic, geomorphological, base-level, and probably other changes, prediction of the size, frequency, or distribution of unconformities in a given succession of sedimentary rocks must remain pretty much a theoretical pipe dream. Likewise, assessing magnitudes of unconformities in cores or field exposures of sedimentary rocks is little more than educated guesswork unless there are indications of relative ages in the bounding units (eg. diagnostic fossils). Major unconformities, subtly defined by only parallel bedding planes, exist where whole Paleozoic periods are missing (eg. Grand Canyon, USA), and there exist spectacularly defined angular unconformities where the bounding units are at most only a few thousands of years apart. In most (not all) cases, there is no way, even in relative terms, to determine how much stratigraphic record is missing in an unconformity (or for that matter, an ordinary bedding surface) by merely looking at it in outcrop or core. In cases like the Roraima where lithologies (coarse clastics) and depositional environments (fluvial) are similar throughout the target portions of the sequence, the problem is particularly difficult.

There is a third way, however, that might be used to predict the likelihood that large unconformities are present in a given succession of sedimentary deposits. This is based on the premise that erosion occurs in a hierarchy of processes whose magnitudes and frequencies of occurrence are logarithmically distributed through time. The table below illustrates examples of this for a hypothetical braided river system over a long time interval:

<i>Time Scale</i>	<i>Processes Promoting Channel-Bed Erosion</i>
<i>sec</i>	<i>turbulence fluctuations, burst-and-sweep</i>
<i>min, hrs days, months</i>	<i>bedform migration, channel-wise velocity variations short-term discharge fluctuations, bar and braid-channel migration</i>
<i>10⁰-10¹ yr</i>	<i>major flooding, thalweg migration</i>
<i>10²-10³ yr</i>	<i>avulsion, short-term neotectonics, minor climate variations, stream capture that alters discharge or sediment supply</i>
<i>10⁴-10⁵ yr</i>	<i>Milankovitch-scale climate variations, neotectonics, eustasy</i>
<i>10⁶-10⁷ yr</i>	<i>Basin and source-area tectonics, plate motions, source unroofing</i>

All of the processes listed in the table above are also associated similarly with deposition because small changes in any of them can cause the response to change from erosion to deposition, or vice-versa. For example, flooding may initially cause a channel to scour, but deposition follows as the flood wanes. Likewise, a change of climate in a river drainage basin may force an increase in sediment supply (causing the river to become overloaded and aggrade) or a decrease in sediment supply (causing the river bed to degrade). Thus, the hierarchical responses of erosion and deposition to the various processes are essentially similar.

It then follows that the longer the interval of time embodied by a particular sedimentary succession, the more likely one or more low-frequency, high-magnitude events will have occurred during the deposition of that succession. In the case of a large but rare erosional event, this will have the effect of erasing a long record of lower frequency, lower magnitude events, both depositional and erosional, and such extreme 'erasure events' (= unconformities) become more probable with the passage of time. The bottom-line effect is this: the longer the interval of time over which sedimentation rates are measured (thickness of deposit/ $(T_1 - T_2)$, where $T_1, 2$ are the ages of upper and lower surfaces of the sedimentary succession), the lower the average sedimentation rate will be. This relationship is illustrated in a Figure 1 (Sadler, (1981) which is based on a large range of calculated sedimentation rates and time intervals over which those sedimentation rates were measured. (Note: be sure not to confuse "time interval" with "age". 'Time interval' is the length of time lapsed between two measured ages, whereas 'age' measures lapsed time only from the present). Although there is a large scatter of calculated sedimentation rates for any specific time interval (= 'time span' in Figure 1), the inverse logarithmic correlation between mean sedimentation rate and time span of measurement is striking. The relationship implies that the observed decreases in sedimentation rates with increasingly long time spans of measurement is the consequence of increasingly large unconformities.

Sedimentation rates for the Wits, Klondike gold-placer deposits (also coarse fluvial sediments), and Roraima are included in Figure 1 for comparison. The Wits data represent the Central Rand Group and was provided by Lawrie Minter on request. A mean sedimentation rate of .014 m/1000y is calculated over a time interval of 180 Ma. The Klondike data (Froese et al, 2000, their 'hypothesis A') is included to allow comparison to a much younger placer deposit. Here, a sedimentation rate of .055 m/1000y is calculated over an interval of 1.27 Ma based on tephra dates. Roraima sedimentation rates are somewhat less certain. Lawrie (written comm.) proposed a rate of .019 m/1000 years based on the age of the basement (2000 Ma) as a lower limit and ash beds above Unit 7 as an upper limit (1900 Ma), yielding a time span of 100 Ma. Recent SHRIMP zircon age data by Santos et al (2003) yields a sedimentation rate of .024 m/1000y over a 85 Ma time span, assuming the youngest zircons in a near-basal sample (their SP-1) to approximate time of deposition. These two calculated points for the Roraima are virtually indistinguishable in the log-log plot Figure 1 and are thus plotted as a single point. It is interesting to note that the points for the three locations fall squarely in the main cluster of data calculated for other settings. I would interpret this to mean that there is nothing unusual about the distribution of unconformities in the three gold-bearing units and that their realized (Wits, Klondike) and potential (Roraima) status as economic placer deposits is attributable to favorable source regions. In the context of the Wits serving as a model for the Roraima, it is also noteworthy that their calculated average sedimentation rates are similar and, by implication of Figure 1, their distributions of unconformities.

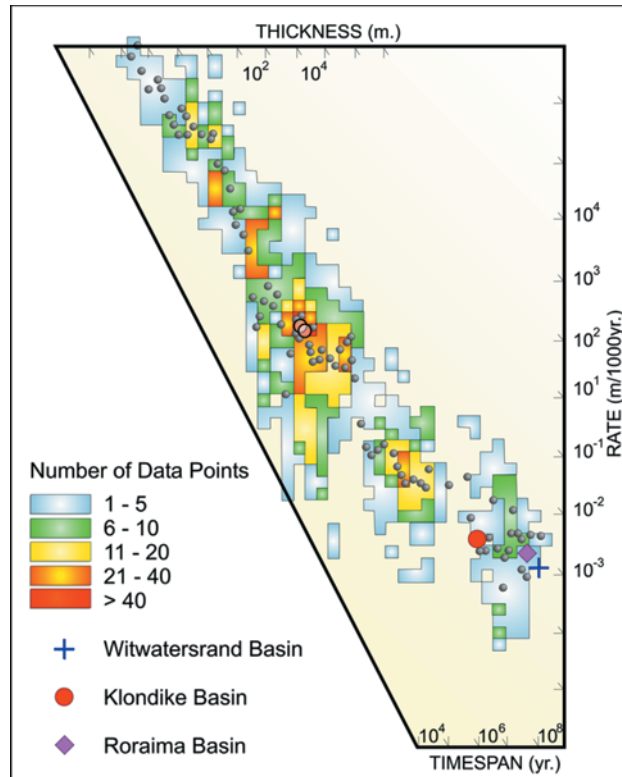


Fig. 1 – Sadler's (1981) plot of measured sedimentation rates vs time span over which rates were measured for a wide range of fluvial deposits. Solid circles indicate median sedimentation rates for given time span. Data for Wits, Roraima and Klondike placer gravels are included for comparison.

Summary

There is a strong likelihood that large and regionally widespread unconformities, heretofore unrecognized, are present within the succession of Roraima fluvial sandstones and conglomerates. The existence of background detrital gold, demonstrated from both preliminary sampling and a long history of alluvial mining in the rivers draining the Roraima outcrop region, make these surfaces attractive exploration targets. However, the mere existence of a regional unconformity does not guarantee an economically exploitable placer. This requires a correct mix of sorting processes, gold supply, and preservation, of which can be assured a priori. Furthermore, because regional unconformities act as sediment transport surfaces prior to renewal of net deposition, certain portions of that transport surface may be more favorable for placer accumulation than others, particularly in fluvial systems where deposition is controlled in part by regional slope and proximity to source areas. In addition, locations of detrital gold concentrations are partly governed by the grain-size distribution of the gold itself, which in the present case is largely unknown. Simply said, fine gold will outrun coarse gold on a transport surface, all other factors being equal. Thus, an unconformity may be rich in placer material in one region area but poor in another.

Given the uncertainties about placer prediction, and given that further field work is unlikely to cast significant new light on the overall prognosis (short of stumbling upon a rich bed, in the classic placer-exploration tradition), it would seem that a programme of diamond drilling is the next logical step to assessing the gold potential of the Roraima Group. Paleocurrent patterns have been generally ascertained, and these can be employed to develop exploration strategies designed to sample both proximal and distal reaches of the Roraima deposits. The single thin but high-grade (approx. 3 g/tonne) conglomerate layer in core PP-2 from lease area B is promising; there may be

more and richer horizons to be found. In core, there is nothing particularly unusual in the appearance of this interval, nor of the surface upon which it lies. This seems to be the nature of the game.

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Dr Snowden travelled with Professor Smith during his week long field inspection of Roraima sites and concurs with his opinions.

Occurrence of gold and other heavy minerals

In this section the second question posed in 10(b) is considered. The occurrence of gold and diamond mineralisation in the Roraima and its possible concentration within palaeoplacers has been considered by a number of investigators. Minter (1999) undertook a detailed literature review in this regard and below we present extracts from Minter's review.

1. In 1895, Anderson (a surveyor) and Dunn (a geologist) headed up the Kaieteurian Conglomerate Expedition, which was a reconnaissance-style exploration of the conglomerate exposures around Kaieteur Falls. The goal of the expedition was to establish if the conglomerates were gold bearing. Perhaps analogies were drawn with the Witwatersrand reefs. A discussion of this report is included in Harrison's (1908) book. Apparently only traces of gold were found in grab samples. The Roraima rocks were as a result considered to be barren. This single report coloured all later discussions and assessments of the Guyanese Roraima by the British.
2. The sole (but important) comments concerning gold palaeoplacers from the Guyanese Roraima come from Gibbs and Barron (1993). "Some gold is associated with diamonds in the placers derived from erosion of the sediments of the Roraima Group, indicating that paleoplacer gold as well as diamond mineralisation may exist in these platform-cover sandstones and conglomerates. By analogy with the Tarkwaian goldfields of Ghana, paleoplacer deposits might be expected to be economically significant, but there have been few efforts to test this sort of target on the Guiana Shield" p.197

"The Roraima Group undoubtedly contains auriferous conglomerates, since the streams eroding it carry gold as well as diamonds. The subvolcanic, Roraima-like, Muruwa Formation also carried paleoplacers, which have yielded both gold and diamonds in Suriname. But in spite of the renown of Middle Proterozoic gold conglomerates in other shields, such as the Tarkwaian of Ghana and the Jacobina in Brazil, relatively little exploration effort has been directed toward the Middle Proterozoic conglomerates of the Guiana Shield. Traditional gold prospectors are more accustomed to seeking relatively coarse gold, from recognised basement quartz mineralisation, and fine gold in hard Middle Proterozoic quartz pebble conglomerate would not have attracted their interest". P.199.
3. Claus and Giles (1997) went further, and suggested that many of the Guyanian and Venezuelan "alluvials" on and around the Roraima were residual in nature (i.e. eluvial placers) and contain rounded pebbles only because they are "derived from disintegrated Roraima conglomerate". They are "not the product of the abrading action of recent fluvial transport". The eluvial placers were derived during the period of "humid tropical" weathering conditions which have persisted throughout the Quaternary period.
4. From Conolly, H.J.C 1925 "Preliminary survey of the Mazaruni and Puruni diamond fields, British Guiana, March-December 1925, Pt. 1, Page 82. "In a few deposits, notably at the foot of the Arikuanang and Meamu Mountains, the diamond-bearing gravel is derived directly from the disintegration of the boulders of mountain conglomerate around. This detritus has obviously been little affected by the action of running water in the small creeks of the area and the rich finds made suggest that the gem was already in some concentration in the parent rock".

5. No other major papers on diamonds were produced until 1957, “Diamond Resources of British Guiana, Bulletin 28” by E.R. Pollard, C.G., Dixon and R.A. Dujardin. Page 6: “Alluvial deposits show a striking relationship to the Roraima Plateau. Most of them are found within a radius of 15 miles from the delimiting escarpments or actually on the plateau itself. Encircling the Roraima Formation, diamond workings are found on the upper Cuyuni and Wenamu Rivers to the north, on the Mazaruni River to the north-east, on the Potaro River to the east, on the Ireng River to the south and on the Caroni River in Venezuela to the west”.

The key points arising from Minter’s review include:

- The gold and diamond mineralisation mined from recent sediments, by artisanal miners, in the drainage peripheral to the Roraima escarpment can only have been derived from weathered Roraima rocks;
- the alluvial gold and diamonds represent the product of weathering since the Quaternary. The implication of this observation is that a comparatively large number of diamonds have been contributed by a relatively small volume of eroded Roraima material in a short period of time (geologically speaking);
- because of its fine grain size much of the alluvial gold sourced from the Roraima is unrecovered during artisanal alluvial mining;
- the distribution and concentration of alluvial diamonds in the immediate foothills of the Pakaraimas indicates that they have been sourced from an already formed concentrate ie. diamonds concentrated on a palaeoplacer within the Roraima;
- by implication Minter concludes that it is reasonable to expect that gold mineralisation is also likely to be concentrated within the palaeoplacers;
- the primary source of gold is likely to be the primary hydrothermal quartz vein deposits in the Trans-Amazon basement. The Omai gold mine provides evidence for the occurrence of such mineralisation.

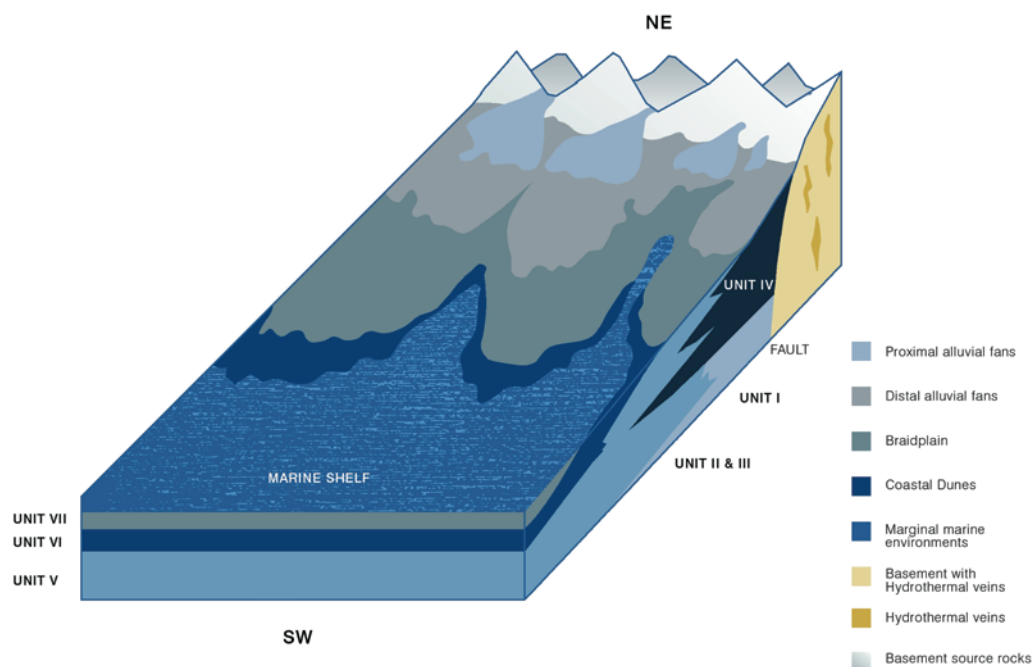


Figure 10.1 Schematic depositional model for the Roraima Group ~1900 Ma-ago. Note: gold bearing hydrothermal quartz veins in the elevated basement “source” rocks and the proximal, distal and braidplain alluvial fan environments. Such geological environments are interpreted by Minter (1999 and 2002) within the Roraima property. Source: Minter, 2002.

It is therefore Minter's overall thesis that the Roraima sequence, in particular Units IV and VII, is likely to contain palaeoplacers locally enriched in heavy minerals in particular gold, which could be present locally in mineable concentrations, and diamonds which are unlikely to be present in mineable concentrations and hence, are not targeted by GoldStone.

In Snowden's opinion the observations made by Minter are reasonable and appropriate.

In formulating his geological model for economic gold palaeoplacers in the Roraima Group in Guyana Minter (1999) has looked to the gold enriched palaeoplacers of the Witwatersrand Basin for context and framework (Tankard *et al.* 1982). He has noted the following:

- the economically mineable palaeoplacers in the Witwatersrand represent subaerial braidplains or deltas that covered areas of 100 to 600 km²;
- the deposits may be solitary or coalescing composites each with its own unimodal palaeocurrent direction;
- they are confined to the geographic margin of the basin defined by onlapping unconformities.

In the context of these observations as well as the geology of the Roraima and abundance of alluvial gold and diamonds in the drainages sourced from the Roraima it is Minter's opinion that the Roraima sequence can comfortably host several economically mineable palaeoplacers.

It is GoldStone's intention to test the hypothesis through a programme of systematic diamond drilling of the Roraima. It is proposed that the drilling will be at a spacing that will provide the opportunity to intersect a Witwatersrand-sized gold enriched braidplain placer (a gold field) covering between about 100 km² and 500 km².

ITEM: 11 MINERALISATION

Introduction

Orientation channel samples collected during field traverse mapping by GoldStone geologists were assayed as were pebble conglomerates intersected in 5 stratigraphic diamond core holes drilled on the property.

Minter (2002) has presented detailed documentation on the stratigraphic sections that were measured, mapped and sampled during the programme of field mapping. In Figure 11.1 we have reproduced a mapped profile from Minter's report to convey the nature of work done, the stratigraphy encountered and the intervals assayed.

Parish's Hill – Area "B" (1:50,000 topographic sheets 52 NW and SW)

Minter distinguished three lithological units at Parish's Hill (Figure 11.2) which he interpreted to classify into two genetic packages of sediments, a Lower Formation and an Upper Formation. No direct correlation with the Roraima stratigraphy in Lease Area "A" could be made.

The Lower Formation contains basal oligomictic quartz pebble conglomerates that crop out along the eastern side of the outlier. It is in this area (Figure 11.2) where sample 1683, which assayed 1,539 ppb gold (1.54 g/t), was collected. This is the highest grade field sample collected by GoldStone during its orientation sampling programme. Points to note about this site include:

- the measured profile of 70 m hosts several conglomerates (Figure 11.1);
- the base of the sequence and hence any basal conglomerate that may exist could not be reached because of the difficulty of access; and
- Messrs Snowden and Smith examined part of this profile during their site visit.

Gold assays of the three conglomerates mapped are presented in Table 11.1 (most sample intervals are 50 cm):

Minter interprets the assay of sample number 1683 of 1,539 ppb gold to be indicative of a palaeoplacer.

GoldStone drilled a stratigraphic hole PP3 on the eastern side of Parish's Hill about 1.5 km from where the cliff section was measured (Figure 11.2). Sample assay results of pebble conglomerates from this drill hole ranged between 10 ppb and 55 ppb. Minter was unable to make any direct correlation between the conglomerates sampled in the cliff section and those intersected in drill hole PP3.

Table 11.1
Gold assays (ppb) from channel samples identified on Figure 11.1

Conglomerate 1		Conglomerate 2		Conglomerate 3	
Sample No.	Gold Assay (ppb)	Sample No.	Gold Assay (ppb)	Sample No.	Gold Assay (ppb)
1627	21	1684	28	1688	9
1626	18	1683	1539	1687	20
1625	24	1682	9	1686	40
1624	31	1681	10	1685	11
1623	9	1680	11		
1622	8	1630	24		
		1629	13		
		1628	11		

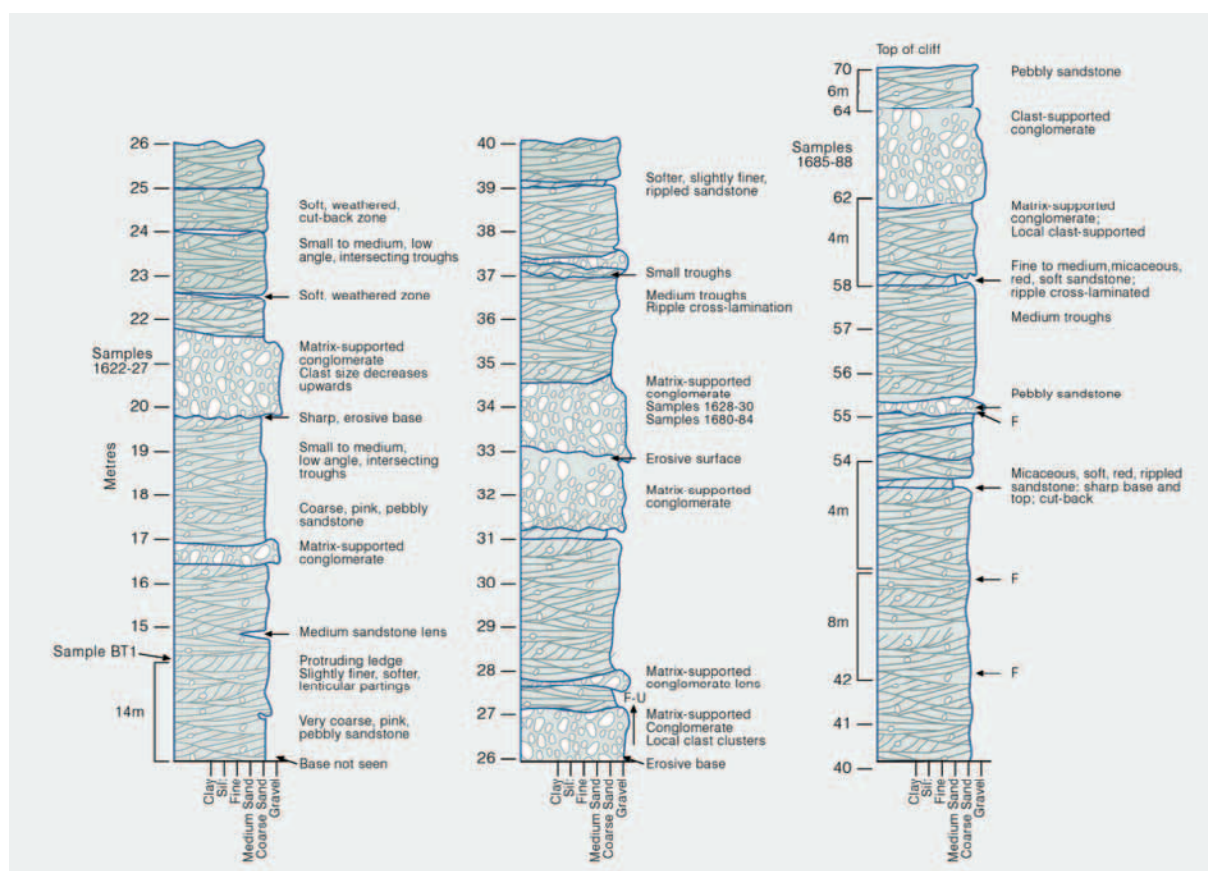


Figure 11.1 Stratigraphic section (70 m) of the Roraima Group on the eastern side of Lease Area “B” (Parish's Hill). Channel sampled pebble conglomerates with sample numbers are identified together with the sedimentological descriptions of the mapped rock sequence. Source: Modified from Minter, 2002.

A second stratigraphic diamond hole PP2 was drilled by GoldStone about 14 km to the southwest on Parish's Hill (Figure 11.2). Minter (2002) records a pebble lag at 108 m (down hole depth) that assayed 3,000 ppb gold (3.0 g/t) over a sample interval of 45 cm. Minter notes that this is a significant assay and very likely represents a palaeoplacer. The 3,000 ppb sample falls within an interval of pebbly sandstones in the Upper Formation.

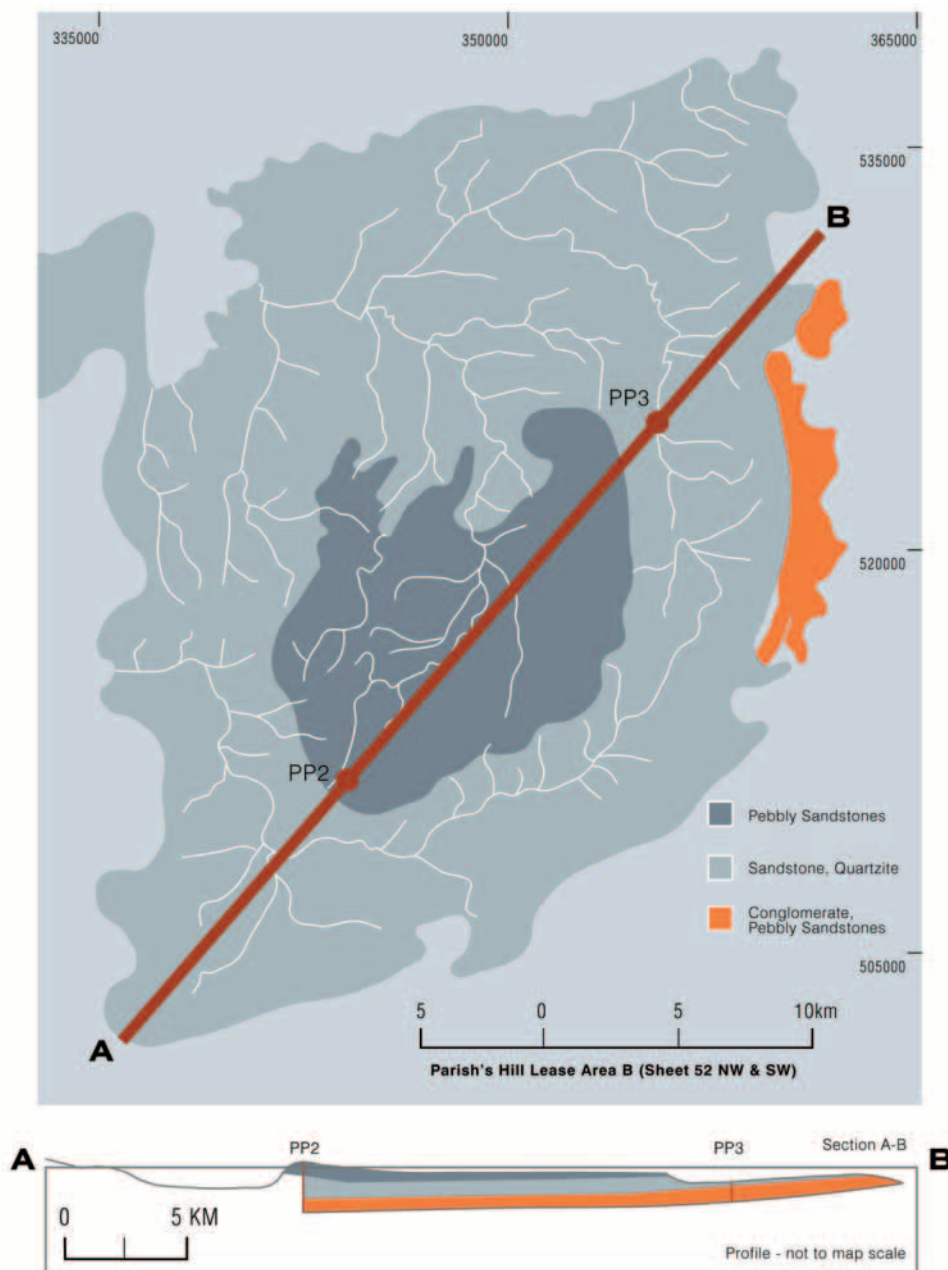


Figure 11.2 Geological map and cross section (A-B) of Lease Area “B” – Parish’s Hill. The cross section is based on diamond drill holes PP2 and PP3 on Section A-B.

Lease Area “A”

The following comments represent extracts from Minter’s 2002 report that apply to each of the 1:50,000 topographic maps that cover the Area “A” part of GoldStone’s property (the map sheets are identified on Figure 6.2).

Sheet 23 NE. The base of Unit IV could not be accessed due to a steep cliff. The Mazaruni River immediately to its west has been dredged for gold.

Sheet 24 NW. Unit IV is preserved over an area of 183 km² on this sheet. The lowest pebble conglomerate in Unit IV is not well developed where sighted. The conglomerate assayed 10 ppb.

Sheet 24 SW. Unit IV covers an area of 328 km² on this sheet. The Roraima is drained by the Kurupung River. The area is famous for a 53 carat diamond recovered from a minor tributary of the Kurupung. Minter reports that samples of pebble conglomerates from Unit IV had gold values over 20 ppb.

Sheet 24 SE. Unit IV covers 6 km² on this sheet. Channel sampling of the conglomerate facies indicates they are auriferous throughout with values of up to 100 ppb.

Sheet 33 NW. Unit IV occurs over about 75 km². Most of the remainder of this sheet is underlain by gabbro.

Sheet 33 SE. Unit IV covers 463 km². The base of Unit IV was not identified in the field.

Sheet 34 NW. Unit IV covers 9 km² but was not investigated in the field.

Sheet 34 SW. Unit IV covers 184 km². The rocks dip at between 10 and 20 degrees which is greater than over most of the area. The base of Unit IV is defined by an auriferous boulder conglomerate that assayed 29 ppb. An upper conglomerate assayed only 8 ppb.

Sheet 34 SE. Pebbly sandstones in the lower part of Unit IV were located which returned background gold values.

Sheet 42 NW. There is a small area of Unit VII in the far west highlands. The base of Unit VII is marked by pebbly quartz arenite with gold values of only 10ppb.

Sheet 42 NE. No outcrops of either Units IV or VII.

Sheet 42 SW. Remnants of Unit VII occur on high ridges that could not be accessed. Unit VII occupies a cumulative area of 297 km².

Sheet 43 NW. Unit IV occurs as a erosional remnants for which no gold information is available.

Sheet 43 SW. Unit IV occupies 676 km². Numerous pebble beds within Unit IV were evident on the traverses across this area in the general vicinity of Kaieteur Falls.

Sheet 49 NW. Unit VII strata cover 327 km². Where inspected Unit VII includes 24 m of pebbly quartz arenite interbedded with beds of quartz pebble conglomerate. Two stratigraphic boreholes V2 and V5 were drilled on this sheet. Entrenched channels mark the base of Unit VII and they are infilled with conglomerate. Minter determined relatively high gold values ranging from 100 ppb to 287 ppb.

Sheet 50 NW. Much of this sheet is covered by gabbro sill.

Sheets 54 NW and NE. In the Monkey Mountain area Unit IV crops out along a strike length of approximately 30 km covering an area of 128 km². The strata has been tilted north at about 20 degrees. Unit IV was measured at 240 m thick at one locality. Conglomerates occur at the base of Unit IV and at 10 m, 35 m and 170 m above the base. They are composed predominantly of white quartz pebbles and the gold content ranges from 13 to 79 ppb in samples collected over a wide area.

ITEM: 12 EXPLORATION

12 (a) Nature, extent and results of surveys and investigations

During the period 1998 to 2002 GoldStone undertook two field-based programmes of work that can best be described as hypothesis testing or geological model evaluation campaigns. The work undertaken and its context was outlined in detail in Item 11 of this report. So far GoldStone has not undertaken any systematic exploration of its Roraima property. It is, however, appropriate to regard the work done as orientation exploration.

The work done by GoldStone is documented in two principal reports by Minter (1999 and 2002). Snowden was able to gain a first hand appreciation of the property and the orientation exploration work undertaken during a 5 day site visit for this review and evaluation. In Snowden's opinion all work by GoldStone has been executed to the highest standards under the management of Dr Minter. We note that Dr Minter has exercised close supervision of all work and engaged only highly qualified and appropriately experienced geologists to assist with field mapping and data and sample collection.

In summary the investigation work carried out included:

- Detailed traverse mapping of Lease Areas "A" and "B";
- field investigation of Units IV and VII of Lease Area "A" and Upper and Lower sedimentary sequences in Lease Area "B";
- detailed construction of topographic profiles with identified geology;

- measurement of sedimentological parameters including current direction and clast-size studies;
- collection of power saw-cut channel samples of pebble conglomerates;
- assaying of all samples;
- drilling five stratigraphic diamond drill holes and detailed geological logging, cutting, sampling and assaying all conglomerates considered by Dr Minter to be of interest; and
- Snowden has already considered the results of the investigations by GoldStone on the Roraima of Guyana in Items 10 and 11 of this report.

In our opinion the key results of the surveys and investigations arising from the orientation exploration work carried out so far are:

1. GoldStone's Roraima property incorporates the most proximal part of the much more extensive Roraima sedimentary basin which formed ~1900 Ma.
2. The tectonosedimentary environment leading to the formation of clast and matrix supported quartz pebble conglomerates within Units IV and VII of Lease Area "A" and in both the Lower and Upper sequence of Lease Area "B"
3. The pebble conglomerates mark palaeoplacers that achieved varying degrees of maturity.
4. The concentrations of alluvial gold and diamonds in the modern drainage system peripheral to the Roraima Basin can only have been derived from eroded Roraima Basin sedimentary rocks.
5. The two highest gold assays obtained from pebble conglomerates during GoldStone's exploration so far are 3,000 ppb (3 g/t) over a thickness of 45 cm in borehole PP2 at the western end of Parish's Hill (in the Upper sequence) and 1,539 ppb (1.54 g/t) over 50 cm from a channel sample from Lower Sequence at the eastern end of Parish's Hill. The placer that returned the 3,000 ppb assay was not distinctive or unusual in any obvious way.
6. Several anomalous gold assays in the range 10 ppb to 300 ppb were obtained from samples of pebble conglomerates collected from Units IV and VII in Area "A". The general gold background of the sediments is less than 10 ppb gold.

12 (b) Interpretation of the exploration information

The following are the key points arising from Professor Smith's interpretation of the exploration information compiled by Minter. The points are summarised from the report presented in Item 10 (b) and are endorsed by the Competent Person.

1. There is a strong likelihood that large and regionally widespread unconformities, previously unrecognised are present within the succession of Roraima fluvial sandstones and conglomerates.
2. The existence of background detrital gold, demonstrated from both preliminary sampling and a long history of alluvial mining in the rivers draining the Roraima outcrop region make such surfaces attractive exploration targets.
3. The mere existence of a regional unconformity does not guarantee an economically exploitable placer.
4. Such a placer requires a correct mix of sorting processes, gold supply and presentation, of which can be assured *a priori*.
5. Because regional unconformities act as sediment transfer surfaces prior to renewal of net deposition, certain portions of that transport surface may be more favourable for placer accumulation than others, particularly in fluvial systems where deposition is controlled in part by regional slope and proximity to source areas.

6. In addition, locations of detrital gold concentrations are partly governed by the grain-size distribution of the gold itself which in the present case is largely unknown. Simply said, fine gold will outrun coarse gold on a transport surface, all other factors being equal. Thus an unconformity may be rich in placer material in one region area but poor in another.
7. Given the uncertainties about placer prediction, and given that further field work is unlikely to cast significant new light on the overall prognosis (short of stumbling upon a rich bed, in the classic placer-exploration tradition), it would seem that a programme of diamond drilling is the next logical step to assessing the gold potential of the Roraima Group.
8. Palaeocurrent patterns have been generally ascertained, and these can be employed to develop exploration strategies designed to sample both proximal and distal reaches of the Roraima deposits.
9. The single thin but high-grade (approximately 3 g/t) conglomerate layer in core PP2 from lease Area “B” is promising; there may be more and richer horizons to be found. In core, there is nothing particularly unusual in the appearance of this interval, nor of the surface upon which it lies. This seems to be the nature of the game.

12 (c) Party responsible for the investigations

Dr Lawrie Minter, who is a Director of GeoQuest Holdings Ltd and GoldStone’s Director of Exploration, has been responsible for all surveys and investigations carried out. Dr Minter engaged specialist geologists on a contract basis to assist with field mapping and sampling.

12 (d) Reliability of data

Snowden is satisfied that the exploration data acquired by Minter was obtained in accordance with the highest standards possible. There is no uncertainty about the quality of the work carried out to acquire the data.

ITEM: 13 DRILLING

GoldStone drilled five diamond core holes, three in Area “A” and two in Area “B” in order to assist with its programme to unravel the stratigraphy of the project. Where pebble conglomerates were intersected the core was cut and the half core was submitted for assaying.

Details of the five holes drilled are summarised in Table 8.1. The holes were drilled at a NQ (47 mm) diameter by a firm contracted from Canada. No deflections were drilled. The core recovery was excellent.

For each of the drill sites significant site preparation work was required involving clear tree felling to make the site safe for helicopter access, and establishing water supply. All drilling equipment was delivered to each drill site by helicopter.

Drill core was placed in metal trays sourced from South Africa and stored in a facility in Georgetown (Figure 13.1). Snowden has sighted core from all five drill holes.

The core was marked-up and logged in detail by Dr Minter. Core identified for assaying was cut in half by diamond saw, bagged and then dispatched to the chosen assay laboratory.

We are satisfied that all matters to do with core drilling, transportation, logging, cutting, sampling and storage have been done to the highest standards employed in the exploration industry.



Figure 13.1 Trays of drill hole core laid out for inspection at GoldStone's core storage facility in Georgetown. The facility is equipped to provide full logistical and manpower support to GoldStone's field geologists during field mapping, sampling and exploration. Source: P Snowden.

ITEM: 14 SAMPLING METHOD AND APPROACH

14 (a) Description of sampling methods

Field channel samples. Each field team responsible for mapping and sampling Units IV and VII of the Roraima Group was equipped with a Stihl petrol-driven man-portable diamond saw and chisel. The diamond saw was specifically constructed for channel sampling. The sampling approach proved to be both efficient and effective and high quality samples were collected. Sampling parameters are: channel sample width = 10 cm; depth = 1 cm after outer 1 cm is discarded; length = 20 to 50 cm; minimum weight = 400 g (some up to 3 kg) but average = 1,500 g. Channel sample collection sites are identified in the field by numbered aluminium tags.

Collection of core samples. The drill hole core was marked-up following detailed lithological logging. Intervals selected for sampling were marked and the core was cut in half by diamond saw (Figure 14.2). This work was undertaken at GoldStone's storage facility in Georgetown. Samples were bagged and despatched to the laboratory. Core samples ranged in length between 20 cm and 40 cm and weighed 400 g to 800 g.

Samples of conglomerate were individually weighed, checked by the Guyana Government Mining Commission and by Customs Officials and then sealed in buckets and air-freighted to either XRAL in Toronto or to Scientific Services in Cape Town, using Chain of Custody formalities and documentation.

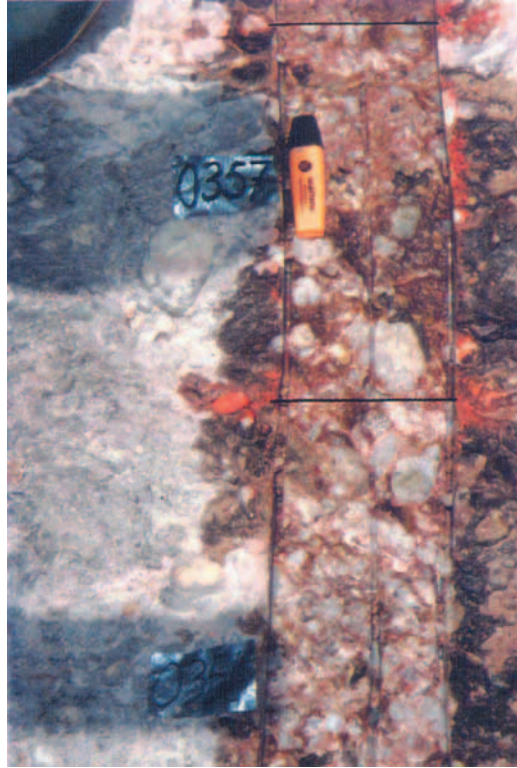


Figure 14.1 Channel samples 0357 and 0356 through pebble conglomerate from Monkey Mountain in the south of Lease Area “A”. Note saw cut lines. The channel is 10 cm wide with cross cuts at 30 cm intervals. Source: Minter, 2002

14 (b) Drilling, sampling or recovery factors

No drilling, sampling or recovery factors were applied.

14 (c) Sample quality and representivity

Snowden’s inquiries indicate that all samples submitted for assay by GoldStone can be regarded as high quality. The sampling programme undertaken so far was part of an orientation mapping programme. It cannot be described as representative in any way and does not purport to be.

14 (d) Parameters used to establish the sampling interval

Field channel sampling and diamond core sampling has been directed towards sampling the conglomerates encountered during orientation exploration and stratigraphic drilling. The sample intervals, for both channel and core samples, were appropriate for the identification of mineralised palaeoplacer conglomerates.

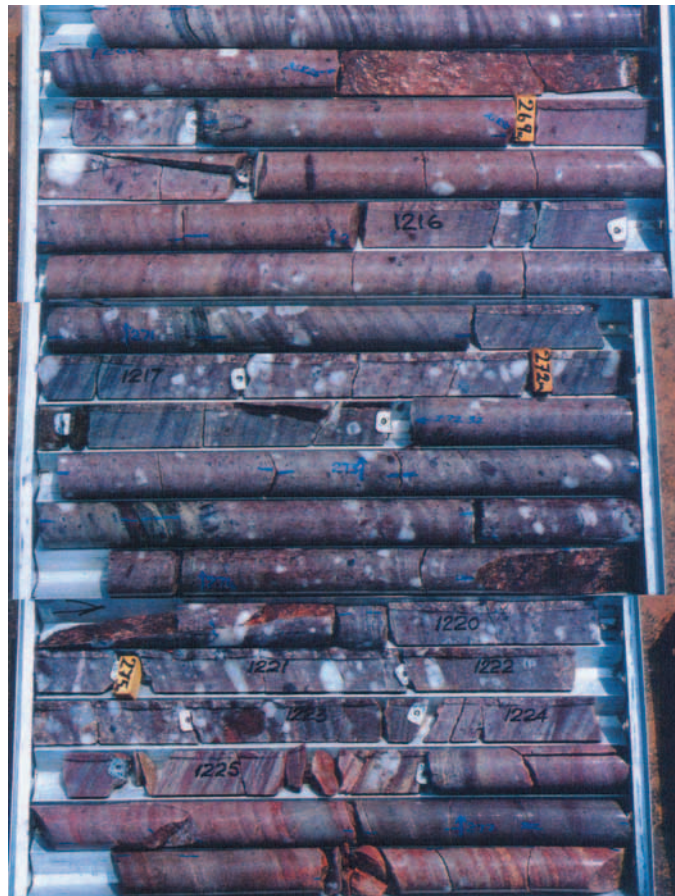


Figure 14.2 Diamond drill hole core (NQ) laid out in galvanized high quality steel core trays from interval through the Lower Conglomeratic Formation intersected in diamond drill hole PP3 drilled at Parish's Hill, Lease Area "B". Note down hole depths (metres) written on yellow wooden blocks. Pebble conglomerates have been sampled (half of sampled core remains) and sample number written in black ink – sample numbers 1216 to 1225. Note quartzites with heavy mineral laminations overlying pebble conglomerates and pebble lags. Drill core Source: Minter, 2002.

14 (e) Sample values and true widths

The assay value of each, discrete, channel sample collected has been reported by Minter (2002). No samples have been composited. Individual results for samples from a single channel are presented below in Table 14.1 as an example of data collected. It shows sample 348 (base) to 363 (top). The channel was collected from site ES 052 which is located on the OKO River (not shown on plan in this report) in an area west of Monkey Mountain with coordinates of UTM 21; easting 491911 and northing 194265. The sequence sampled has a true thickness of 480 cm. Figure 14.1 is reproduced from Minter (2002) and shows two samples – 357 and 356 within the cut channel and the bounding saw cut lines. The conglomerate is a Unit IV conglomerate from Monkey Mountain.

As with channel samples the assay results of each discrete diamond core sample are presented by Minter (2002) and no samples are composited. Table 14.2 presents a list of samples from DDH-PP3 (drilled at Parish's Hill) and their assays in ppb gold. The drilled core and sample numbers are shown on Figure 14.2 reproduced from Minter (2002). Half core sample assays from PP3 in the down hole depth interval 268 m to 277 m are given in Table 14.2. Detailed drill hole sampling logs of all five holes drilled are presented by Minter (2002).

Table 14.1
Channel sample gold assay data from site ES 052 west of Monkey Mountain

Sample number	Gold assay (ppb)	Sample length (cm)
363	7	30
362	18	30
361	7	30
360	6	30
359	12	30
358	12	30
357	24	30
356	10	30
355	7	30
354	3	30
353	3	30
352	3	30
351	3	30
350	6	30
349	3	30
348	3	30

Table 14.2
Half core gold sample assays (ppb) from drill hole PP3 (see Figures 11.2 and 14.2)

Sample number	Gold assay (ppb)	Sample length (cm)
1214	8	41
1215	8	40
1216	35	50
1217	55	41
1218	10	35
1219	12	20
1220	15	31
1221	14	30
1222	12	32
1223	15	24
1224	24	24
1225	31	28

ITEM: 15 SAMPLE PREPARATION, ANALYSIS AND SECURITY

15 (a) Sample preparation

The procedures followed in the collection of field channel samples and diamond core samples, their bagging and dispatch to the laboratory is presented in ITEM 14 (a). No sample splitting or reduction of sample was carried out on site in Guyana. The process of sample packing and dispatch was overseen by D Sparrock, an expeditor contracted by GoldStone.

15 (b) Sample preparation, assaying and analysis

Minter in a communication dated March 21, 2003 has advised the following:

The sample preparation involves:

1. Reduction of total sample in a jaw crusher to <4 mm;
2. Reduction of total sample in a cone crusher to <1 mm;

3. Split off 100 g and pulverise in a swing-mill to 80% <63 microns;
4. Split off 50 g sub-samples and fire assay using a lead carrier;
5. Analysis was then done on a solution of the dissolved bead using atomic absorption;
6. GoldStone (formerly Migrate) engaged XRAL Laboratories located at 1885 Leslie Street, Toronto, Ontario M3B 3J4, Canada;
7. GoldStone (formerly Migrate) also used Scientific Services (Pty) Ltd, Consulting Analytical Laboratories, PO Box 527 Howard Place, 7450 Cape Town, South Africa; and
8. Minter is in possession of a confidential certification sheet of analyses compiled by “Geostats” showing the satisfactory results achieved by Scientific Services.

Selected samples were analysed for Pd, Pt and Au using a Perkin Elmer/Sciex Elan 6000 inductively coupled plasma mass spectrometer (ICP-MS). Counts-per-second intensities for ^{105}Pd , ^{195}Pt and ^{197}Au were measured in 3 replicates of 20 sweeps each with 35 ms dwell times per mass peak (total dwell time per mass peak per analysis, 2100 ms)

Typical instrument operating conditions were as follows:

- Nebuliser gas flow: $\sim 0.78 \text{ L}\cdot\text{min}^{-1}$
- Main gas flow: $15 \text{ L}\cdot\text{min}^{-1}$
- Auxiliary gas flow: $0.75 \text{ L}\cdot\text{min}^{-1}$
- ICP RF forward power: 1000 W
- Autolens voltages: ^9Be : 8.4 V, ^{59}Co : 8.8 V, ^{115}In : 9.8 V

Internal standardisation was achieved by normalising all intensities to the intensity of ^{115}In (10 ppb In was added to all samples, blanks and standards). Calibration was achieved by external standardisation against standard solution made on the day of the analysis from an artificial multi-element PGE and Au standard.

Typical detection limits for Pd, Pt and Au are in the ppt to low ppb range.

15 (c) Quality control measures

Regarding quality control Minter advised the following:

1. XRAL claim a detection limit of 1 ppb and repeated every 12th sample. Their precision was within 3ppb.
2. Scientific Services inserted standards to check their analyses. They used standards obtained from Geostats, from Gannet in W Australia (ST265), and from Mintek (SARM 53 and 54). Their results were comparable to those from XRAL. However, 50 g aliquot repeats through the fire assay procedure always showed a variation that is characteristic of palaeoplacer gold and is related to its particulate nature.

15 (d) Opinion

In our opinion the sampling, sample preparation, security and analytical procedures employed by GoldStone meet or exceed the best industry standards and are adequate for provision of reliable information for this report. The author has not independently checked the quality performance of the laboratories.

ITEM: 16 DATA VERIFICATION

16 (a) Quality control and data verification procedures

We examined five channel sample sites in the field and all sampled diamond drill core. No samples were submitted by us for independent laboratory assay.

16 (b) Data verification and limitations

We verified selected data to the extent that the geology of channel samples examined in the field was compared with the gold assays reported by Minter (2002) as were selected diamond core intervals. In our opinion there is consistency between “geology” and assay data.

In general, however, we have relied upon sampling and analytical data acquired and reported by GoldStone. In our opinion there is no reason to call into question any data reported by GoldStone.

It was only practical to examine a few selected channel sample sites during the four days Dr Snowden spent reviewing the property in the field.

ITEM: 17 ADJACENT PROPERTIES

There are no adjacent gold exploration properties in Guyana.

ITEM: 18 MINERAL PROCESSING AND METALLURGICAL TESTING

No mineral processing or metallurgical test work has been undertaken.

ITEM: 19 MINERAL RESOURCE AND MINERAL RESERVE ESTIMATES

There are no mineral resource or mineral reserve estimates.

ITEM: 20 OTHER RELEVANT DATA AND INFORMATION

20 (a) Laterite bauxite potential of the Roraima property

20.(a) i Introduction

Within GoldStone’s Lease “A”, GoldStone is investigating the potential for laterite bauxite which is known to occur widely in the area but which has received little attention since the early 1960’s. The results of GoldStone’s work so far is summarised in a report by Fey (2001) who is an independent consultant to GoldStone. At the time his report was written in August 2001 he was Professor of Soil Science in the Faculty of Agriculture and Forestry Sciences, University of Stellenbosch, South Africa. It is Fey’s report that forms the basis for this summary. Discussion of the bauxite potential of the property is limited to a relatively brief summary in this report because GoldStone is not currently proposing to undertake any significant work on bauxite exploration or evaluation as its focus is on gold exploration within its property.

Fey notes that the potential for developing bauxite deposits in the region was assessed by Bleackley (1960) and by Bateson (1962). The focus of prior work and that done more recently by GoldStone is in the Kopinang Basin on 1:50,000 Sheet 49 NW.

Sample data and analytical results for samples collected from test pits excavated in the Kopinang region are presented in Table 20.1 and are sourced from Fey (2001). Fey's sample sites are shown located on Figure 20.1.

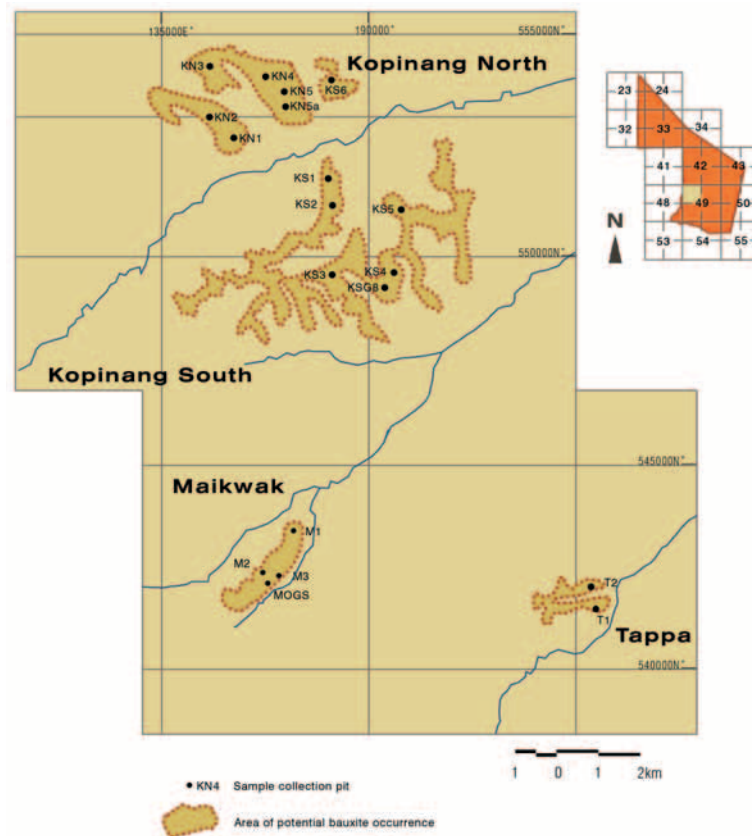


Figure 20.1 Location of Fey's bauxite test pits in the Maikwak, Tappa, Kopinang North and Kopinang South areas on 1:50,000 topographic Sheet 49 NW in the southwest of GoldStone's (formerly Migrate) Lease Area "A". The areas with bauxite potential are outlined. The areas of bauxite potential are located at the foot of the Pakaraima plateau immediately west of Kopinang South and Maikwak. Note the northeast drainage off the plateau. Source: Fey, 2001.

The assay results show that available alumina values in 19 of the 24 laterite samples are greater than 30 per cent. Five of them exceed 40 per cent. Six of the samples are sourced from saprolitic gabbro and averaged 25 per cent alumina, 5 samples were saprolitic from hornfels and averaged 37 per cent alumina and the remaining 6 were from hard laterite cap (origin from gabbro or hornfels uncertain) and averaged 39 per cent available alumina.

Fey notes that these values compare favourably with the available alumina content of bauxites exploited in Western Australia. However, he also notes that the Western Australian bauxites have a range of attractions other than grade. Other observations made by Fey include:

- Largely based on Bleackley's (1960) work (40 test pits) the average thickness of the bauxite cap is about 5 m with 4.3 per cent silica and 41.4 per cent alumina;
- Bateson (1962) assessed the Kopinang laterites as submarginal, however, Fey concluded that Bateson had mis-sited his test pits;
- the available alumina is gibbsitic; and
- Bleackley suggested that the Kopinang Basin alone holds a huge tonnage of bauxite (~1,400 million) and that the potential of the greater Pakaraima mountains is "very great". The potential is related to the distribution of the gabbro.

Table 20.1
Bauxite sample information and analytical data (Fey 2001) from Lease Area “A” –
Roraima property

Sample No.	Pit Number (location)	Depth (cm)	Available alumina (%)	Description/remarks	Silica (%)
	Maikwak				
1655	M1	30-140	17	Hornfels gravelly clay	8.2
1656	M1	140-210	33	Gabbro saprolite	2.4
1657	MGS	60-180	31	Old geological survey pit; hornfels on crest	9.8
1658	MGS	180-300	35	Hornfels saprolite	7.4
1659	M2	80-170	35	Hornfels saprolite in hollow	4.6
1660	M3	60-240	34	Hornfels saprolite in forest (steep slope)	7.0
	Tappa				
1661	T1	40-100	28	Gabbro gravelly clay	4.8
1662	T1	100-190	34	Red gabbro saprolite	
1663	T2	90-130	42	Gabbro duricrust	1.7
	Kopinang North				
1664	KN5	60-240	43	Layered hornfels saprolite – very hard	5.4
1665	KN5a	Surface	35	Hard laterite outcrop	
1666	KN6	10-40		Ferruginous gravel (not analysed)	
1667	KN4	90-180	25	Mottled hornfels saprolite; some clay	4.0
1668	KN4	40-80	32	Hornfels saprolite rubble	7.1
1669	KN4	80-200	38	Hornfels saprolite (layered, wet)	7.9
1670	KN3	0-80	32	Hard laterite outcrop	2.1
1671	KN2	30-50	45	Hard laterite outcrop	1.0
1672	KN1	80-90	25	Hard ferruginous laterite	1.3
	Kopinang South				
1673	KS5	0-50	23	Hard ferruginous laterite	1.4
1674	KS4	90-240	32	Red gabbro saprolite with some clay	11.1
1675	KOGS	0-240	34	Old geological survey: hardish laterite	3.5
1676	KS3	Surface	44	Hard gabbro saprolite/secondary laterite	
1677	KS2	40-130	36	Clayey gabbro saprolite	3.3
1678	KS2	130-210	41	Gabbro saprolite; little clay	6.0
1679	KS1	Surface	36	Hard laterite outcrop	

Fey concludes that the bauxite potential of GoldStone’s Roraima property is significant. This has to be demonstrated by systematic exploration at some stage in the future.

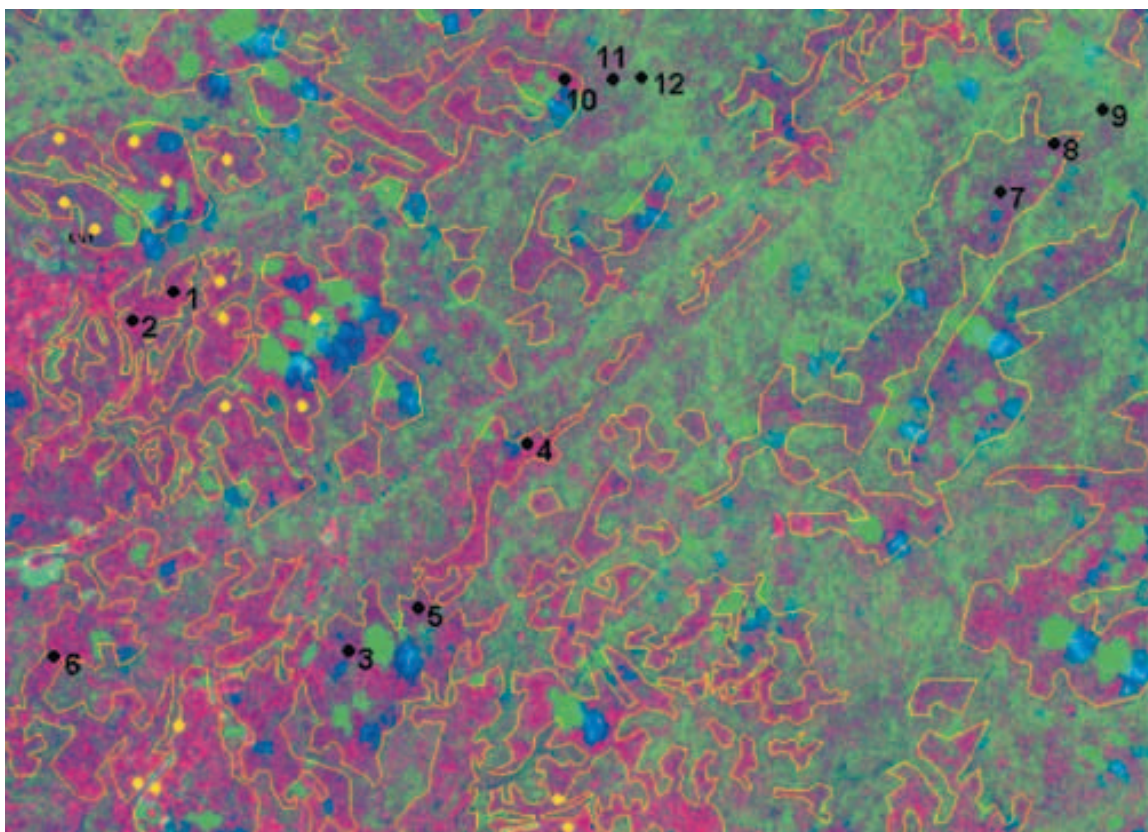
20.(a) ii Bauxite distribution in the Kopinang Basin, Guyana – a new remote sensing study

We are in receipt of two reports, firstly, a report dated July 2003 by Mr N J Wulschleger entitled “Satellite image processing and remote sensing interpretation of lateritic bauxite in the Kopinang Basin, Guyana, South America” and secondly, a report dated 2 November 2003 by Professor M V Fey titled “Assessment of remote sensing interpretation of lateritic bauxite distribution in the Kopinang Basin, Guyana”. Both reports were commissioned by GoldStone.

As previously noted in our Independent Report we have acknowledged that Professor M V Fey is an expert in the fields of laterite geology and we are satisfied that he is appropriately qualified and experienced to provide professional opinion on the merits of Wulschleger’s report.

The Wulschleger report was commissioned by GoldStone to investigate the possibility of correlating the distribution of bauxite deposits with vegetation spectral signatures and topography related patterns on satellite images.

We have noted in particular Figure 6b below extracted from his report that shows the extent of interpreted potential lateritic bauxite (yellow boundaries), along with the existing sample sites (yellow) and proposed ground-truthing sites (black). The image size is 21.4 x 14.4 km.



Fey’s review of Wulschleger’s report presents the following observations:

1. After careful examination I am essentially in agreement with the conclusions of Wulschleger’s report, namely (i) that the use of processed satellite imagery and geo-referenced topographic maps allows a confident prognosis of some 6000 hectares of lateritic bauxite terrain and (ii) that the thickness of the deposits and their grade cannot be assessed by remote sensing and that further field work will be needed to confirm indications of thickness and grade based on various studies over the past few decades.
2. I am confident that the techniques applied by Wulschleger will be of enormous benefit in proving the bauxite reserves of the Kopinang Basin, and strongly recommend that a new field-based ground-truthing phase be initiated as soon as is feasible. This would include not only spot-check correlation but also the mapping of small pilot areas to establish the accuracy of boundaries of the lateritic bauxite predicted through remote sensing.

3. As indicated in my earlier report, drilling will be necessary, because of the frequent hardness of the laterite cap, before reliable estimates can be made of the thickness of the deposits. Based on earlier studies coupled with the new aerial estimates from remote sensing, however, it is now my expectation that at least 100 million and possibly as much as 300 million tons of bauxite of suitable grade for making alumina are to be found in the Kopinang Basin.

We are satisfied that these observations presented by Professor Fey confirm his previous conclusions that the Kopinang bauxite deposits warrant further exploration. In this context GoldStone has advised us that it is currently in discussion with a leading bauxite exploration and mining company (the name of the company has been divulged to us) about participation in the Kopinang project.

20 (b) Platinum group metal exploration

Minter (2002a) records the occurrence of an unusual tetrahedral mineral of equal atomic proportions of palladium and mercury named “potarite” at a number of locations within the vicinity of the Potaro River in Area “A” of the Roraima property (Figure 20.2). Potarite was first recorded by Spencer in 1926 from alluvial workings in the Potaro River.



Figure 20.2 Distribution of gabbroic sills and dykes in the Roraima Group of Lease Area “A”. Note the four sites where potarite (a palladium – mercury mineral) has been collected during alluvial gold and diamond mining. Gabbro sills represent an exploration target for platinum group metals – PGMs. Source: Minter, 2002a.

After investigating the origin and genesis of potarite Minter concluded that the most likely source of the palladium is from the gabbroic layered sills that intrude the Roraima Group. Minter has noted that the tropical climate in Guyana (27°C mean daily temperature and an annual rainfall of up to 3.5 m) supports dense forest that accounts for a soil pH of 4.2. Platinum and palladium are mobile in the pH range 3 to 5.

The mercury in the potarite is presumed to be a product of contamination as a consequence of the mercury used by artisanal miners during their recovery of alluvial gold. The potarite occurrences, therefore, represents “a modern” mineral species.

The key lead provided by this work is to consider the platinum group metal potential of the gabbros. It remains open whether the gabbros are layered and whether there exist any concentrations of platinum group metals. GoldStone intends to explore the areas within its property that are underlain by gabbro at some future time.

20 (c) The mining fiscal regime of Guyana

The following documentation is reproduced from an updated publication issued by the Guyana Geology and Mines Commission. It is presented here to provide general information. All information should be independently confirmed by interested parties.

THE MINING FISCAL REGIME

The Government of Guyana through the Guyana Geology and Mines Commission is promoting foreign investment and participation in mineral development in Guyana. We would like to assure you that for all Mining Sector Investment in Guyana the Government guarantees:

- 100 per cent foreign ownership of large scale Prospecting and Mining Licences.
- Secure tenure of Property Rights and Title.
- Right to assign and transfer rights under Prospecting and Mining Licences.
- Right to peacefully and quietly occupy the land alienated under the Prospecting or Mining Licence, without undue interference.
- Straightforward procedures for Application, Licensing and Operation.
- Repatriation of funds.
- Grant of the Mining Licence, once the terms of the Prospecting Licence are fulfilled, in accordance with the Mining Act 1989.
- Renewal of the Mining Licence, once its terms are fulfilled, in accordance with the Mining Act 1989.

Fiscal Terms applicable to Mining and Prospecting in Guyana are grouped into three categories, viz:

- Large Scale Development of Gold and Precious Metals, Diamonds and Precious Stones.
- Large Scale Development of Bauxite and Other Minerals, except sand and stones (quarriable materials).
- Medium and Small Scale Development of Gold and Diamonds (reserved for Guyanese).

LARGE SCALE DEVELOPMENT

Gold and Precious Metals, Diamonds and Precious Stones

- | | |
|---|--|
| • Royalty | 5 per cent of production or gross revenues |
| • Income tax | 35 per cent of taxable income |
| • Depreciation | 20 per cent straight line |
| • Duty and consumption tax on equipment/materials | Zero rating on all equipment, process materials and spares used for surveys, exploration or mining by the licensee or his contractor. Food and beverages are not included. |
| • Fuel | 10 per cent CIF Consumption Tax. |
| • Withholding tax | 6.25 per cent of distributed dividends. |
| • Free equity to the State | None. However, the State shall have the right to nominate one full member to the Board of Directors. |
| • Stability clause | All conditions to be maintained for up to 15 years from the start of production or the life of the deposit, whichever is shorter, then the general rules for duties, income tax and withholding tax shall apply. |

During geological reconnaissance and large scale prospecting, up to half of the cost of specific infrastructural developments, which may serve the local community, may be credited against rental fees, at the approval of the Geology and Mines Commission.

Bauxite and Other Minerals

(except sand and quarriable stones)

Royalty	1.5% of product or of gross revenue or of production costs leaving the plant, whichever is greater.
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All other conditions are the same as those that apply for gold.

The reduced royalty rate is an inducement for the development of industrial minerals, base and ferrous metals, semi-precious stones and other non-traditional minerals.

20 (d) The mineral industry of Guyana

This summary of the status of Guyana's mineral industry is drawn largely from a report by Szczesniak (2002) and references mostly 2001 information.

The main mineral commodities mined in 2001 were bauxite, diamonds and gold. Hinds (2000) has noted that the country has undeveloped resources of copper, gold, iron ore, manganese, nickel, platinum and uranium.

The Guyana Geology and Mines Commission (GGMC) is responsible for managing the mining and petroleum industries according to the law and policies of the Government and promotes foreign investment and participation in mineral development in the country. Mining concessions are negotiated through mineral agreements with the following government agencies: the Bauxite Industry Development Co. Ltd (BIDCO) for bauxite; the GGMC for gold and diamonds, and the Guyana Natural Resources Agency for oil. Since 1982 the Guyana Gold Board has been the sole official buyer of gold. On January 10, 1997, however, 12 private sector individuals and companies were licensed to purchase, store and export gold on a trial basis initially for one year. The program was extended for an unspecified period beyond 1998 which could indicate that the GGB will eventually be phased out.

The state has the following fiscal measures to acquire revenues from the mining industry: royalties (1.5% of production or gross revenues from bauxite and other minerals and 5% for gold, precious metals, diamond and precious stones); corporate income tax (35% of taxable income); withholding tax (6.25% of distributed dividends); and consumption tax on fuel (10%). Equipment and process materials including spare parts used for surveys, exploration, development and mining by their licensees or their contractors, are duty free. All conditions are to be maintained for up to 15 years from the start of production or the life of the deposit, whichever is shorter; then the general rules for duties, income tax and withholding tax will apply.

Bauxite was the main mineral produced in 2001 with production of about 2.0 million tonnes, (Mt), a decrease of 0.4 Mt from 2.4 Mt in 2000. Most of Guyana's bauxite produced was chemical-grade bauxite produced by Aroaima Bauxite Co of Guyana. Other producers are Berbic Mining Enterprise Ltd and Linden Mining Enterprise Ltd controlled by BIDCO but with the objective to privatise part of the companies.

Diamond production more than doubled in 2001 to 178,698 carats with the increase coming through a reduction in smuggling. Nearly all diamond production comes from alluvial operations. Three foreign companies including Rio Tinto Plc reportedly explored for diamonds in 2001.

Gold production in 2001 increased for the second straight year to 14.2 metric tonnes from 12.9 tonnes in 1999 and 12.5 tonnes in 2000.

The Omai gold mine accounted for nearly 75 per cent of Guyana's gold production with production of 11.0 tonnes (reported as 354,300 ounces of gold) in 2001. In November 2001, Cambior Inc of Canada increased its holding in Omai Gold Mines Ltd (operator of the Omai mine) to 95 per cent. The Guyanese Government controls the remaining 5 per cent. Without significant additional mineral resources being discovered at Omai the mine will be depleted by 2005.

ITEM: 21 INTERPRETATION AND CONCLUSIONS

GoldStone's Roraima property in Guyana extends over an area in excess of 17,000 km² and incorporates the most proximal of the 1900 Ma Roraima Group supracrustal sediments. Minter (2002) has concluded, after two field mapping campaigns (the first in 1998/1999 and the second in 2000/2001) that the Roraima Group has a number of similarities with the Witwatersrand Supergroup in South Africa.

Key observations made by Minter, which are consistent with observations made by other investigators, are:

- The Roraima sediments occupy a foreland basin and were sourced from a highland terrain to its north and northeast; and
- two stratigraphic intervals of fluvial sediments named by Keats (1973). Unit IV and Unit VII contain numerous quartz pebble conglomerates that formed in fluvial braidplain environments and that at least some of the conglomerates could be palaeoplacers developed on unconformity surfaces, some with potentially significant lateral extent.

After reviewing Minter's geological interpretation, we have concluded that it is reasonable and soundly based. On geological grounds it is reasonable to draw analogies between the interpreted environments of formation of the Witwatersrand and Roraima Basins. We note, however, that the age of the two basinal sequences differ by ~1000 Ma.

The assay sampling of pebble conglomerates by GoldStone is regarded by us as preliminary orientation sampling. We record, however, that it was done to a very high standard in all respects from collection through to analysis. It is important to recognise that the field sampling is exceedingly sparse and is not representative of the rocks present in the property area in any way.

Most of the pebble conglomerates sampled by GoldStone returned gold grades, measured in ppb, that are elevated above the background gold grades of the general Roraima sediments. Some of the samples returned significantly elevated gold grades with the highest being 3,000 ppb (3 g/t). Minter's conclusion that pebble conglomerates with gold concentrations that are four to three hundred times background can be considered palaeoplacers is reasonable and justified.

There appears to be no argument with the view put forward by Minter and many other workers before him, that the extensive geologically recent alluvial gold and diamond deposits both peripheral to and within the Roraima terrain can only have been derived from the weathering of mineralised Roraima sediments. It is Minter's contention that concentrations of alluvial gold and diamonds such as that mined and still being mined by artisanal workers can only have been derived from rocks where pre-concentration had already occurred and that the zones of pre-concentration are the Roraima palaeoplacers.

It is Minter's opinion that the orientation field mapping carried out so far and the relatively few samples collected and assayed, from the huge Roraima property, have demonstrated unequivocally the existence of gold enriched palaeoplacers. In Minter's opinion only systematic exploration drilling and drill core sampling will identify areas of significant gold mineralisation in palaeoplacers. Such areas will then justify more detailed in-fill exploration drilling. The author notes that it was just this approach that led to the discovery, at great depth, of mineable gold and uranium enriched palaeoplacers in the Witwatersrand Basin.

We find Minter's evidence in support of his view that it is reasonable to expect that mineable palaeoplacer gold deposits are likely to exist within the Roraima property to be compelling and persuasive. This is also the opinion of Professor Smith (Item 10 (b)).

In Minter's opinion (personal communication) there is a better than 50 per cent probability that a programme of systematic exploration will lead to the discovery of an economically exploitable "palaeoplacer lobe" within GoldStone's property.

The work completed by GoldStone on its Roraima property during the period 1998 to 2002 has been of the highest standard and in our opinion the completed project met its original objectives.

ITEM: 22 RECOMMENDATIONS

Measuring exploration success

Minter (2002) has indicated that it is now GoldStone's intention to progress to systematic diamond drill exploration of its Roraima property since there are no remote sensing devices available that would guide one closer to mineralised targets and field sampling programmes are unlikely to be practical or effective.

The objective of the exploration drilling will be to identify palaeoplacers within the Roraima succession. By analogy with mineralised Witwatersrand palaeoplacers Minter has suggested that one might expect to find significantly gold enriched areas that cover at least 100 km². Such a discovery would represent a notable "gold field" and would be of great importance to GoldStone and Guyana in general.

Strong exploration success would be achieved, in Minter's opinion, if one or two palaeoplacer "lobes" were to be located during the first 30 per cent of the programme ie. after 30 per cent of holes are drilled. If such success were achieved GoldStone would consider re-allocation of exploration funds to progress the proving-up of one or more economic quartz pebble, gold enriched, palaeoplacers and so expedite the mineral resource definition stage.

Achieving exploration success

Minter has concluded that the greatest exploration success will be achieved by drilling diamond core holes at 50 km² centres in order to intersect palaeoplacers and test their lateral continuity.

Execution of the drilling programme

GoldStone has identified the drilling company B.A.M.S Equipment Operations Alberta Ltd of Grand Prairie, Alberta, Canada to execute the drilling programme.

Core logging, data interpretation and sampling

Once the drilling programme is underway it is expected that two drill rigs will operate concurrently. The average length of each drill hole is budgeted to be 250 metres. It is expected 580 m of core, requiring logging and interpretation will be generated each week. The proposed exploration drilling programme will require the support of expert sedimentologists to manage the logging, interpretation and sampling of the drill core. The firm Geotask has been engaged for this purpose. Geotask is based in Aberdeen, Scotland.

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Documentation provided by GoldStone Resources Ltd

1. Permission for Geological and Geophysical Survey under Section 97 of the Mining Act 1989 dated 15th July 1999 and signed by the Honourable Samuel A. Hinds, Prime Minister and Minister of Mines and Minerals.
2. Supplementary agreement made pursuant to Permission for Geological and Geophysical Survey under Section 97. Agreement authorises extension of the Permission to 15th July 2005. Signed by Honourable Samuel A Hinds, Prime Minister and Minister of Mines and Minerals.
3. Letter from Migrate Mining to Guyana Geology and Mines Commission dated 14 July 2000 advising of 50 per cent relinquishment of area.
4. Letter from Guyana Geology and Mines Commission to Professor L Minter letter dated February 7, 2003; advising authorisation for Amended Work Programme involving the drilling of exploration holes over areas held by GoldStone under the Permission for Geophysical and Geological Survey.

