

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. It contains the resolutions to be voted on at a General Meeting of Caspian Holdings Plc (“Caspian” or the “Company”) to be held on Monday 19 December 2011. If you are in any doubt as to the action you should take, you are recommended to seek your own personal financial advice from an independent financial adviser authorised under the Financial Services and Markets Act 2000.**

If you have sold or transferred all your ordinary shares of 0.1p each in the Company (“Ordinary Shares”), please send this document and the accompanying form of proxy for use in relation to the General Meeting of the Company to the purchaser or transferee or the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee. If you have sold or otherwise transferred some of your Ordinary Shares you should consult with the stockbroker, bank or agent through whom the sale or transfer was effected.

The Directors, whose names appear below, accept responsibility for the contents of this circular. 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 contents of this circular are in accordance with the facts and do not omit anything likely to affect the import of such contents.

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## **CASPIAN HOLDINGS PLC**

*(Incorporated in England & Wales under the Companies Act 1985  
with Registered Number 4782584)*

### **Notice of General Meeting**

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**Your attention is drawn to the letter from the Independent Director of the Company which is set out in this document and which recommends you vote in favour of the Resolutions to be proposed at the General Meeting.**

The notice of a General Meeting of the Company to be held at 09.00a.m on Monday 19 December 2011 at 18b Charles Street, Mayfair, London England is set out at the end of this document.

Shareholders are asked to complete and return the enclosed Form of Proxy in accordance with the instructions printed thereon as soon as possible but, in any event, so as to be received by the Company’s registrars, Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL not later than 09.00a.m on 17 December 2011. Completion and return of a Form of Proxy will not preclude Shareholders from attending and voting at the General Meeting should they so wish.

**This document does not constitute or form part of any offer or instruction to purchase, subscribe for or sell any shares or other securities in Caspian nor shall it or any part of it or the fact of its distribution form the basis of, or be relied on, in connection with any contract therefore.**

The distribution of this document in jurisdictions other than the UK may be restricted by law and therefore persons into whose possession this document and/or the accompanying Form of Proxy comes should inform themselves about and observe such restrictions. Any failure to comply with such restrictions may constitute a violation of the securities laws of any such jurisdiction.

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# CASPIAN HOLDINGS PLC

(Incorporated in England & Wales under the Companies Act 1985  
with Registered Number 4782584)

Directors:

Mr Michael Masterman (*Executive Chairman*)  
Mr Michael Garland (*Non-executive Director*)  
Mr Byron Pirola (*Non-executive Director*)

Registered Office:

22 Melton Street  
London  
NW1 2BW

29 November 2011

Dear Shareholder

## General Meeting

This circular is being sent to you in connection with a proposal to increase the Directors' authorities to issue securities including Ordinary Shares, under the Act. This circular explains why the Company is seeking to increase its authorities and provide you with information to enable you to exercise your vote at the forthcoming General Meeting to be held at 09.00a.m on Monday 19 December 2011 at 18b Charles Street, Mayfair, London, notice of which is set out at the end of this circular.

## Background to and reasons for the Transaction

At the Company's Annual General Meeting in June 2010, an ordinary resolution was passed to allow the Company to broaden its strategy to include operations in basic materials (including mining) as well as the oil and gas sector (including alternative and renewable energy).

The Company now proposes to acquire the entire issued share capital of Iberian Resources Spain, S.L. ("IRS") from Australian Iron Ore ("AIO") for a consideration amounting to US\$1 million (the "Consideration") to be satisfied by the issue of 256,680,000 Ordinary Shares at 0.25p per Ordinary Share and in addition repayment of a loan of €85,000. The Company has entered into a Sale and Purchase Agreement (the "Agreement") with AIO which is conditional on shareholder approval of Resolutions 1 and 2.

IRS is a Spanish based, private company involved in tungsten exploration and development. IRS has two separate opportunities; the reprocessing of 2.5 million tonnes of existing tailings from previous mining operations (the "Tailings Project") and the re-establishment of open pit mining (the "Mining Project"), (together the "La Parrilla Project").

## La Parrilla Project

The La Parrilla Project area is situated in the Extremadura region of southwest Spain, in the Provinces of Caceres-Badajoz, approximately 310 km southwest of Madrid and 240 km north of the city of Seville, in a predominantly farming community. The closest villages are Merida (50 km) and Miajadas (15 km).

The La Parrilla Project property comprises of three mineral concessions, covering 1,000 hectares, currently owned by Arypex S.L, a private company owned by the Bonilla family and the rights are valid until 2068. It consists of one rectangular shaped block aligned in a nearly E-W orientation. The licence reference and size of each concession are as follows:

- Adelaida n° 7766: 80 ha
- Victoria n° 7768-A: 734 ha
- La Parrilla n° 7768-B: 186 ha

Mining operations commenced on site in 1954 and ceased in 1986. An estimated 7Mt of material was removed during open pit mining between 1970 and 1986. The site has sealed road access, as well as good access to power, water and labour.

### *The Tailings Project*

The Tailings Project including its processing facilities are located within the La Parrilla concession. The Directors expect it to be in production within 12 months of completing the acquisition of IRS. The sum of

€200,000 has already been paid to fully acquire mineral rights to the tailings (of which the last payment of €50,000 was made in February 2011). The Tailing Project requires capital investment of approximately €1.5m, and it will have a pay-back period of 10 months. It is expected to be cash generating within its first 12 months.

### *The Mining Project*

The Mining Project is located in the Adelaida concession. IRS secured an option to acquire 100% of the mine from Arypex S.L. in July 2009 and renegotiated the terms in July 2010. Once the Company has acquired IRS, it can exercise the option by completing a series of staged option payments amounting to €2.95 million, as follows:

- €150,000 (already paid in July 2009 as initial option payments to purchase mineral rights to the mine)
- Further option payments due to complete purchase of mineral rights to the mine:
  - €1,000,000 (due February 2012)
  - €1,300,000 (due August 2013)
  - €500,000 (due February 2014)

In addition the Mining Project is subject to a net smelter royalty payable on production (1.5% from sales) and an annual advance royalty payment of €300,000.

The resource estimate for the Mining Project is 36MT at 0.090% WO<sub>3</sub> and 0.010% Sn. The project economics are subject to further exploration confirmation.

A more detailed overview of both the Tailings Project and the Mining Project are set out in the attachment to this circular.

### **Reasons for the Proposed Resolutions**

Accordingly, the Directors are seeking to increase their authorities to issues securities pursuant to section 551 and section 570 of the Companies Act 2006 (within the meaning of Section 560 of the Act) in order to satisfy the Consideration required under the Agreement and to raise funds for working capital.

### **City Code**

The Company is not subject to the City Code and consequently, Michael Masterman, a Director of the Company, may acquire over a 30% interest in securities in the Company without being required to make a mandatory offer to Shareholders, as is normally required under the City Code.

### **Related Party Transaction**

Michael Masterman controls 100% of Australia Iron Ore Plc, the vendor of IRS, and as such the acquisition of IRS by the Company is related party transaction under the AIM Rules. The Independent Directors consider, having consulted with the Company's nominated adviser, that the terms of the transaction are fair and reasonable insofar as its shareholders are concerned.

Following the completion of the acquisition of IRS, Michael Masterman, will be interested in 443,374,010 Ordinary Shares in the Company representing an interest of 60.92 per cent in the total voting rights of the Company.

### **Resolutions relating to the Transaction**

The Resolutions in relation to the Transaction will be proposed as follows:

**Resolution 1** (General Authority - Section 551) is proposed as a ordinary resolution to authorise the Directors to allot relevant securities (within the meaning of Section 551 of the Companies Act 2006) up to an aggregate nominal amount of £500,000. The authority referred to in this resolution shall be in substitution for all other existing authorities and shall expire (unless previously renewed, varied or revoked by the Company in general meeting) at the conclusion of the next Annual General Meeting of the Company. The Company may, at any time prior to the expiry of the authority, make an offer or agreement which would or might require relevant securities to be allotted after the expiry of the authority and the Directors are hereby authorised to allot relevant securities in pursuance of such offer or agreement as if the authority had not expired.

**Resolution 2** The Directors, pursuant to Section 570 of the Act, be empowered to allot equity securities (within the meaning of Section 560 of the Act) for cash pursuant to the authority conferred by Resolution 2 as if Section 561 of the Act did not apply to any such allotment provided that this power shall be limited to:

- a) the allotment of equity securities where such securities have been offered (whether by way of a rights issue, open offer or otherwise) to the holders of ordinary shares in the capital of the Company in proportion (as nearly as may be) to their holdings of such ordinary shares but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with equity securities representing fractional entitlements and with legal or practical problems under the laws of, or the requirements of, any regulatory body or any stock exchange in, any territory; and
- b) the allotment, other than pursuant to (a) above, of equity securities:
  - (i) arising from the exercise of options and warrants outstanding at the date of this resolution;
  - (ii) pursuant to one or more placings of equity securities by the Company for cash to raise up to £500,000 (in aggregate); and
  - (iii) other than pursuant to (i) and (ii) above, up to an aggregate nominal value of £500,000.

and this power shall, unless previously revoked or varied by special resolution of the Company in general meeting, expire at the conclusion of the next Annual General Meeting of the Company. The Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors are hereby empowered to allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.

### **General Meeting**

You will find set out at the end of this document a notice convening the General Meeting and setting out the Resolutions in full. The General Meeting is to be held at 18b Charles Street, Mayfair, London at 09.00a.m. on Monday 19 December 2011.

Enclosed with this document is a form of proxy for use at the General Meeting. Whether or not you intend to be present at the meeting, you are requested to complete and return the proxy card to the Company's registrars, Share Registrars Limited, Suite E, First Floor, 9 Lion and Lamb Yard, Farnham, Surrey GU9 7LL so as to be received as soon as possible and in any event not later than 09.00 a.m. on 17 December 2011. If you complete and return the form of proxy, you may still attend and vote at the meeting should you wish to do so.

### **Recommendation**

The Independent Directors unanimously recommend that Shareholders vote in favour of Resolutions (1 and 2) as the Directors who are Shareholders intend to do so in respect of their own legal and beneficial holdings (in total amounting to 260,534,911 Ordinary Shares, representing approximately 55.31% per cent. of the current issued share capital of the Company).

Yours faithfully

Independent Director  
Byron Pirola

## DEFINITIONS

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

“Act”	the Companies Act 2006
“Agreement”	Sale and Purchase Agreement between IRS, AIO and Caspian
“AIM Rules”	the AIM Rules for Companies
“AIO”	Australian Iron Ore Plc (a company incorporated in England and Wales)
“General Meeting”	the General Meeting of the Company convened for 19 December 2011
“Board” or “Directors”	the board of directors of the Company
“Business Days”	means a day (other than Saturday or Sunday) on which clearing banks are ordinarily open for business in London
“Company” or “Caspian”	Caspian Holdings Plc
“Consideration”	the issue of 256,680,000 Ordinary Shares at 0.25p per Ordinary Share amounting to US\$1 million
“Form of Proxy”	the accompanying form of proxy for use by Shareholders in relation to the General Meeting
“g/t”	grams per metric ton
“Independent Directors”	Michael Garland and Byron Pirola
“IRS”	Iberian Resources Spain SL, (a wholly owned subsidiary of AIO)
“La Parrilla Project”	both the “Mining Project” and the “Tailings Project”
“Mining Project”	the reestablishment of open pit mining
“Mt”	million metric tons
“MTU”	metric tons unit (equivalent to 10 kg)
“Notice of General Meeting”	the notice of General Meeting, set out at the beginning of this document
“Ordinary Shares”	ordinary shares of 0.1 pence each in the capital of the Company
“Panel”	the Panel on Takeovers and Mergers
“ppm”	parts per million
“Resolutions”	the resolutions set out in the Notice of General Meeting
“Shareholders”	the holders of Ordinary Shares
“t”	metric ton
“Tailings Project”	the reprocessing of 2.5 million tonnes of existing tailings from previous mining operations
“tpa”	metric tons per year
“tpd”	metric tons per day
“Transaction”	agreement between a buyer and a seller to exchange an asset for payment

## Location

The La Parrilla Project area is situated in the Extremadura region of southwest Spain, in the Provinces of Caceres-Badajoz, approximately 310 km southwest of Madrid and 240 km north of the city of Seville, in a predominantly farming community. The closest villages are Merida (50 km) and Miajadas (15 km)

## Geography

The terrain is relatively flat on a regional scale with a few elongated rolling hills rising up to some 200m above the surrounding plains. Elevations on the property range from 300 to 350 meters a.s.l., with two small hills of 350m elevation straddling the mineralised zone to the east and west.

The region is characterised by a Mediterranean climate, with very dry and hot summers and temperatures ranging from 10-33°C in May-October during the hot-dry summer and 3-18°C in the winters. Precipitation is usually restricted to winter, with an annual rainfall of up to 500 liters per m<sup>2</sup>/year. The concessions lie in terrains with little vegetation except for grasslands, sparsely scattered bushes and acorn trees. The area surrounding the property contains numerous acorn trees and olive trees.

## Geology

The La Parrilla deposit is located in the south-eastern part of the northwest trending Center Iberian lithostructural Zone (CIZ). The Center Iberian Zone (CIZ) extends from northwest Spain and Portugal into central and south Spain. La Parrilla deposit is located on a wide periclinal close of a broad anticline in pre-Ordovician rocks, mainly of Precambrian-Cambrian age, surrounded by Armorican (Ordovician) quartzite and associated volcanics, within the Montánchez Shear Zone (BZM). The oldest rocks outcropping in the area are Upper Precambrian-Cambrian slates and greywackes, with minor metavolcanic and basic rock beds, of the Schist-Greywacke Complex (CEG). The Ordovician sequence unconformably lies over the Precambrian rocks.

The regional geology provides evidence of a least two orogenic events, separated by a period of extension characterised by early Paleozoic rifting and a passive margin phase during Ordovician – Devonian time. Three Hercynian tectonic phases affected those rocks (after Torre & Fuente, 1984):

- First phase : Folds of N120°E trending axis accompanied by a flow schistosity
- Second phase: Folds of N-S trending axis
- Third phase: Folds of N90-120°E axis accompanied by an axial plane schistosity.

It appears that fractures within which mineralisation occurs, are at least post first phase, and the third phase has affected them. The main deformation seen in the pit wall is an isoclinal folding with a sub-vertical axial plane (75-80 to 90° South). The regional direction is NE-SW although in the area of the old open pit a change of direction, being ENE-WSW to E-W is observed. This structural direction change possibly indicates the existence of a shear structure that can be related to the mineralisation of the La Parrilla project.

The metasediments (slate and siltstone) and metavolcanic are all affected by regional, low-grade, greenschist facies metamorphism.

A contact metamorphism halo over the greywackes and shales in addition to hydrothermal alterations (muscovisation, tourmalisation) in the quartz veins indicate the possible presence of a Hercynian granitic batholith at depth. Related to these intrusions are aplites, quartz-veins and pegmatites.

## Mineralisation

The genetic model for the Project mineralisation has been interpreted through several studies to be of a granitic affiliation. The granitic body has not been intersected by drilling but its presence has been inferred by the hydrothermal alteration (muscovite, tourmalisation), the contact metamorphism halo and through the interpretation of gravimetric and aeromagnetic profiles. Greissenised granite fingers were intersected in the 2007-2008 drilling program which provided the highest grade intersections to date (55 meters grading 0.73% WO<sub>3</sub>).

The mineralisation is structured in vein bundles within a Ring-Dyke model that was generated by the intrusive pressure of the granitic dome/batholith at depth. The characteristics are that the veins have a directional angularity that changes their dip degree (shallower in the occidental and central part, and a more steeply dipping trend the peripheral part)

Scheelite (commonly coarse grained), arsenopyrite, cassiterite, pyrite, sphalerite, muscovite, tourmaline and minor wolframite cassiterite and arsenopyrite mineralization is present in several stacked subparallel quartz vein zones. The vein zones strike northeast, dip at about 60° and are up to 45 meters thick.

Vein thicknesses vary from a fraction of a millimeter to 50 cm, the average being about 10 cm. While parts of the open pit mining exposures show greater concentrations of veins than others, on average the veins constitute about 3% to 6% of the total rock.

There are at least two generations of veins, the earlier type being non-mineralised veins which have been deformed by several folding events which result in an “irregular vein” appearance. These are cross-cut by the more recent brittle un-deformed scheelite-bearing “veins” and veinlets. There are occurrences of scheelite within irregular veins, but these are associated with later cross-cutting planar veins. The scheelite is estimated to be liberated in the 1-8mm range and cassiterite in the 0.5-4 mm range. Arsenopyrite is liberated in the 1-10 mm range. Interlocking of the three ore minerals is minimal.

### **Mineral Rights Ownership**

Arypex rights are valid until 2068. The La Parrilla tungsten deposit and mine are located within the Adelaida concession whilst processing facilities and tailings dumps and dams are located on the La Parrilla concession to the southwest.

IRS secured an option to acquire 100% of the Project from Arypex S.L in July 2009 and renegotiated in July 2010. The Company can exercise the option by completing a series of staged option payments totalling €3.15 million:

- €200,000 (already paid to fully acquire mineral rights to the tailings, of which the last payment of €50,000 was made in February 2011)
- €150,000 (already paid as initial option payments to purchase mineral rights to the mine)
- Further option payments due to complete purchase of mineral rights to the mine:
  - €1,000,000 (due February 2012)
  - €1,300,000 (due August 2013)
  - €500,000 (due February 2014)

In addition the Project is subject to a net smelter royalty payable on production (1.5% from sales) and an annual advance royalty payment of €300,000.

### **Existing Infrastructure**

Access to the area is via the E-90 highway between Madrid and Badajoz with direct site access via exit 206 along a 3 km stretch of asphalt track. Additionally, the main intercontinental rail line between Madrid and Lisbon (Portugal) passes through the town of Don Benito which lies approximately 30 km south of the La Parrilla property.

The old mine was serviced by the national electricity grid and had transformers on site to fully use the electricity but those will have to be modernised for use in any new mining operation.

The concession contains abundant water sufficient to continue to support future mining operations as it did in the past. The mine is situated in the foothills of the Montánchez range and as such there are numerous unnamed creeks and underground water sources feed the mine site. The Burdalo River flows 5.8 km west of the mine. The old open pit is currently flooded and will have to be pumped prior to any future exploration. The old tailings ponds also contain water.

Existing mine facilities include a potential tailings storage area, potential waste disposal area and potential processing plant site.

The La Parrilla project area is close to a local labour source with the town of Merida having a population of some 55,000 and Miajadas having a population of some 10,000. Basic exploration supplies including fuel, equipment, foodstuffs and an unskilled, semiskilled and skilled workforce are all available in the local area.

### **History of La Parrilla Mine**

A small alluvial mining operation commenced on site in 1954, followed by small adits to mine the individual quartz-scheelite-cassiterite veins up until 1968.

Between 1968 and 1987 an open pit mining operation, with a mine-mill complex, processed some 3,000t/day of mineralised material, recovering a scheelite concentrate ( $WO_3$ ) as the main saleable product and cassiterite (Sn) and arsenopyrite as by-products. The material was crushed and ground to -8mm then treated using a jig to obtain 10 t/day of concentrate grading 75% arsenopyrite, 20% scheelite and 5% cassiterite. The concentrate was then ground to -2mm and tabled to produce two products, an arsenopyrite concentrate which was directly sold. The other product was a scheelite-cassiterite concentrate which was further treated with magnetic and electrostatic separation producing a high grade concentrate with 77-79%  $WO_3$  and a high grade tin concentrate of 70%.

The recovered grade of  $WO_3$  was 629g/t with a reported mill recovery of 40% based on an estimated head grade of 1,572 g/t  $WO_3$ .

The mining production for that period has been estimated to be in the order of 7 Mt.

La Parrilla in the 1980's was reported to be the largest tungsten producer in Spain.

## Planned Mining operations

The project consists of two separate opportunities; the reprocessing of 2.5mt of existing tailings from previous mining operations (the Tailings Project) and the re-establishment of open pit mining (the Mining Project).

### The Tailings Project

The 7 million tons of ore processed in the period 1968-1986 produced some 2 million m<sup>3</sup> of coarse tailings and 1.2 million m<sup>3</sup> of slimes. Of the coarse material some 700,000 m<sup>3</sup> were sold for their use in road workings and as aggregates with 1.3 million m<sup>3</sup> remaining on site.

In 1980-1982 Indumetal evaluated the old dumps and tailings ponds by sampling the dumps and slimes. Rioibex reviewed all the Indumetal data and determined there was considerable irregularity in the sample results from the slimes and confirmed the grade of the coarse dumps. A 1,000kg composite sample collected from various places from the tailings pond returned a grade of 2,835 ppm WO<sub>3</sub>.

In 1986, a company (Wolframexa) was formed between the Bonilla family and a regional government company to process the -3mm tailings from the current operation. The plant consisted in cyclones, spirals (LG7 and K67), and shaking tables. Tungsten recovery was reported to be of some 70% and Sn some 60%.

In late 2009, IRS sampled the coarse tailings dumps by digging 21 trenches with variable depths between 1 and 5.5 meters. 20 kg samples were collected at each site and sent for preparation and analysis to ALS Chemex lab.

In 2010, a detailed survey of the coarse tailings dumps showed a total volume of 1.2 million cubic meters equivalent to 2.5 million tons.

#### *Pilot plant testing*

A pilot plant testing is currently being undertaken by ERAL (a Spanish gravity concentration consulting firm) to assess the concentration on the fraction 0/2 mm tailings existing in the dumps of La Parrilla Mine. The test is carried out Rio Arimosan facilities (Avila province) where the original La Parrilla material was sieved at -2mm. The testing plant basically consists of the following elements:

- 1) Main Hopper equipped with belt feeder of variable speed to regulate the dosage.
- 2) Conveyor belt to feed the spiral plant.
- 3) Concentration pilot plant with pumping group, hydrocyclone and spiral.

The preliminary test undertaken on some 100 metric tons of tailings sieved to -2 mm showed excellent recovery of the scheelite with a good concentration rate. Representative samples have been collected from the feed, cyclone overflow, concentrate middlings and tailings from the spiral. Assay results of all the products are pending.

Several settings of the spiral have been tested all of them with good results.

A second spiral concentration was performed on concentrate from a first spiral passage giving a very good concentrate. A second batch of test will be carried out on 500 metric tons of tailings at Rio Arimosan facilities. The material will be wet sieved to +4, 4-2 and -2mm and the -60µ fraction removed by cycloning. All fractions and the feed will be weighted for mass balance.

The +4, 4-2 and -60µ fractions will be sampled for WO<sub>3</sub> and Sn contents before being discarded for metallurgical balance. The 60µ-2mm fraction will be treated in the ERAL spiral plant.

This second test will allow us to define and optimise the industrial process to be followed for the treatment of the coarse tailings at La Parrilla.

The industrial plant final design and layout is subject to the final results of the pilot plant test.

#### *Project Economics*

Based on the parameters shown below, the mine redevelopment project has an NPV of €2m (IRR=102%) with a payback of 9 months

Total coarse tailings:	2.5 million tons
Fraction 60L-2mm (30%):	750,000 tons
Slimes to be processed:	250,000 tons.
Total material to be processed:	1,000,000 tons
WO <sub>3</sub> grade:	1,200 ppm
Recovery:	70%
Recovered grade:	840 ppm
Operation life:	3 years

Plant capacity:	40 t.p.h.
Capital cost:	€1,500,000
Operating cost:	€12.29/processed ton
NPV @ 10%:	€2.27m
IRR:	89%
Payback period:	10.0 months

## The Mine Project

### Exploration History

Peñarroya España SA completed exploration during the period 1971-1974 which consisted of geological mapping, diamond drilling of 63 holes for a total of 8,500m, 1,500m of trenching, mini-shaft sinking, pilot testing of the shaft material for mineability, and preliminary resource estimations. Peñarroya determined that the recovery grade of the Bonilla mill was approximately 40% with an estimated head grade of 3,500ppm WO<sub>3</sub>.

In 1984, Rio Algom Limited's Spanish subsidiary, RIOIBEX, optioned the property. It conducted some preliminary investigations into the "ore reserves" and metallurgical recoveries. RIOIBEX completed a 46 hole diamond drill program but noted problems with diamond drilled core recovery so switched to a reverse circulation ("RC") program twinning the diamond holes previously drilled with 17 RC holes. The recovery of the RC cuttings was also variable and the overall average grade of the twinned holes improved by nearly 80% for WO<sub>3</sub>, and 65% for Sn over the diamond holes. 513,000 tons were mined by Bonilla, over a 279 working days period from March 13, 1985 to May 17, 2006, under the control of RIOIBEX. The average grade was 0.1058% WO<sub>3</sub> and 238ppm Sn.

RIOIBEX also carried out independent metallurgical studies and pilot plant tests on representative samples collected.

Based on the drilling work, Rioibex completed a resource estimate of 19 million tones at 0.105% ppm (1052ppm) WO<sub>3</sub>, 0.017% (171ppm) ppm tin at a 450ppm WO<sub>3</sub> + Sn cut-off with a strip ratio of 1.1 to 1, within a previously designed pit. The Rioibex "mining reserve" grade correlated fairly closely with the mill feed grades at the plant.

Rioibex used two hundred samples of rocks, both mineralised and unmineralised to determine the specific gravity. The result was a mean of 2.756 gm/cc with a standard deviation of 0.0647. Therefore a specific gravity of 2.76 was used in the Rioibex resource estimates.

With studies of the coarse waste containing an average grade of 1,105 WO<sub>3</sub>, and assuming a 40% recovery at the Bonilla mill, Rioibex estimated that the head grade of the material produced from the open pit would have been 1,850 ppm WO<sub>3</sub>.

In 1986, new resource estimates were completed by the author of the previous Rioibex resource estimate using the same data as the previous estimate as a commitment after withdrawing from the project but with different cut-off grades (Torre, 1986).

The analysis also included resource estimates from two zones which were not included in the previous estimates. The following table summarises the results of that work:

Cut-off (ppm)	Tonnage	WO <sub>3</sub> (ppm)	Sn (ppm)
400	29,262,500	1,161	169
500	28,317,000	1,187	172
600	26,317,500	1,247	166
700	23,080,500	1,350	163

The Bonilla family held the concession continuously and in the late 1980's approached the Banco de Crédito Industrial (BCI), a State owned bank, to obtain financing for additional work through La Línea Especial para la Investigación Minera (LEIM). The BCI contracted Minas de Almadén y Arrayanes, S.A. (MAYASA) a State owned mining company to carry out an evaluation of the deposit. The work took place in 1989 and MAYASA calculated a reserve of 29.7m tones at 1,600 ppm WO<sub>3</sub>, 143 ppm Sn at a 700 ppm WO<sub>3</sub> cut-off.

In 1990, the concessions were taken by the Banco de Crédito Industrial (BCI) that formed a company named Grupo Minero "La Parrilla", S.A. This company, under the direction of the Dirección General de Minas of Spain, contracted a group of experts to evaluate the deposit. This group, in 1991, completed a new resource estimate using the old LEIM, Rioibex and Peñarroya data. The LEIM total resource estimates at a cut-off grade of 600 ppm WO<sub>3</sub> were:

	Category	Tonnage (Mt)	WO <sub>3</sub> %
Kriged Estimate	Non 43-101	31.3	0.131
Sectional Estimate	Non 43-101	31.9	0.134

In 1990-1991, Grupo Minero "La Parrilla", S.A completed four diamond drill holes, for a total of 800m. The aim of these holes was to test the potential of an area to the northeast of the existing pit, under the recent sediment cover. The results were mainly negative.

In 1997, ARYPEX, S.L. acquired the concessions from Grupo Minero "La Parrilla", S.A. The shareholders of ARYPEX are the successors of the original owner of La Parrilla. In 2007-2008 HERCYNIAN Resources, a private Canadian company, signed an agreement with Arypex and carried out work consisting of a review of all available historical exploration and mining data and completed the planning and execution of a 4 hole confirmatory diamond drilling program at the site. As part of this exploration, SRK was appointed by HERCYNIAN to design and supervise a chain of custody report for the La Parrilla tungsten deposit. SRK was involved in a desktop review of available data, and the planning and execution of confirmatory drilling and a chain of custody sampling programme.

Four drill holes, totalling some 1,324m, were completed between November 2007 and April 2008 by HERCYNIAN to twin and confirm selected historical RIOIBEX cored drill holes.

Overall, the average grade of the confirmatory drillholes is similar to the average grade in the twinned historical drillholes, although this is the product of very different individual twin comparisons.

The HR-04 twinned pair is the most reliable twin and provides good confidence in the presence of high grades, however, the two highest grades in HR-04 far exceed the highest grades in the historical drillhole and now constitute the highest grade intersections in the deposit (55.2 m @ 0.73% WO<sub>3</sub>, including 2.2m @ 4.5% WO<sub>3</sub> and 1.95m @ 10.6% WO<sub>3</sub>).

The other three confirmatory drillholes compare less well and have much lower grades than their twins, but essentially confirm the presence of mineralisation.

SRK considered the confirmatory drilling to have confirmed the presence of a nuggety tungsten deposit with some zones of grade which are potentially of economic interest.

Whilst the twin drilling confirms the presence of such mineralisation over a 500m strike and 250 m width and 300 m depth; historical drilling demonstrates mineralization to be present over a larger volume (a 600m strike length, a 500m width and 400m depth).

SRK concluded that "the results of this program allow adoption of the RIOIBEX historical data to be used in the production of an independent NI43-101 compliant Mineral Resource estimate presented in separate report."

The results of this programme and extensive data verification allowed SRK the adoption of the RIOIBEX historical data to be used in the production of an independent 43-101 compliant Mineral Resource estimate.

### *Resources Estimate*

SRK completed, in November 2008, a Mineral Resource Statement for the Project for HERCYNIAN. The resource was calculated by ordinary Kriging methodology on domained 10 meter composites with a 1.0% WO<sub>3</sub> top cut, a cut-off grade of 400ppm WO<sub>3</sub> within an optimised pit shell based on conceptual parameters. Material present outside the conceptual pit shell is excluded.

The statement has been classified in accordance with the Guidelines of National Instrument 43-101 and accompanying documents 43-101.F1 and 43-101.CP. with an effective date of 1st September 2008.

### MINERAL RESOURCE STATEMENT AS OF 1ST SEPTEMBER 2008

Category	Tonnage (Mt)	WO <sub>3</sub> %	Sn %
Measured	—	—	—
Indicated	—	—	—
Inferred	36.0	0.090	0.010
<b>Total</b>	<b>36.0</b>	<b>0.090</b>	<b>0.010</b>

Note:

1. 0.04% WO<sub>3</sub> cut-off grade
2. 1Mt deducted at the average grade to account for mining completed after the topography used to constrain the model.
3. Mineral Resource reported with conceptual pit shell per N43-101.

SRK prepared a summary graphic of historical estimates which allows a meaningful comparison with SRK's block model and resultant Mineral Resource. SRK's model at the chosen cut-off grade of 400 ppm WO<sub>3</sub> is low grade and high tonnage compared to previous estimates.

SRK believed that their estimate shows considerable smoothing in comparison with historical estimates undertaken by LEIM. This was considered to be due to the different geological modelling technique utilised by SRK which used much broader composited zones containing internal geological dilution in order to demonstrate geological continuity and the use of an upper cut-off grade.

#### *Mineral Processing and Metallurgical Testing*

Geomet preliminary testing carried out for Rioibex in 1984 determined that the scheelite and arsenopyrite were readily amenable to gravity separation after grinding to -2mm and concluded that the predicted recovery rates for the tungsten would be 80-85%, tin 70-75% and arsenic~75%.

In late 1985, Rioibex submitted a 96kg, -7mm sieved sample from the mine plant to Warren Spring Laboratory in Hertfordshire England for further heavy liquid analysis in an attempt to predict the likely performance of dense media, cyclone, jig and spiral pre-concentration methods. They concluded that:

*“Comparison of dense media and jig separation on the +0.5mm fraction of the ore has indicated that similar performance with respect to tungsten can be achieved with stage rejection of up to 70% of the feed to these processes. For higher weight rejections the dense media process is significantly more effective and tin recovery is better for this process over the complete separating stage, Spiral separation will be effective on minus 0.5mm fines.”*

*“A combined dense media/spiral preconcentration process could be used to upgrade the ore to 1.3-3.2% W and 0.23-0.53% Sn at overall recoveries of 79.5-80.5% tungsten and 57-60% tin”*

Rioibex also conducted spiral testing at pilot plant scale in the ADARO facilities near Madrid in 1986. The testwork was done using MK7 spirals to process the <1 mm fraction. It achieved average recoveries in excess of 90% WO<sub>3</sub> and 60% Sn.

In 1990 another study in Spanish by Grupo Minero “La Parrilla” SA was performed for a plant with a treatment rate of approximately 1.5 Mtpa or 200 tonnes per hour (tph) of RoM ore. The flowsheet used incorporated crushing to minus 12mm, desliming followed by screening at 3mm to reject 25% by mass, ferro-silicon dense medium separation of the coarse fraction to reject a further 30% by mass. The coarse dense medium product, 19% by mass is screened to produce a coarse scheelite product.

Fines from the dense medium float fraction are treated in 4-stage gravity spiral plant and the resultant concentrate treated by flotation to separate the arsenical sulphides followed by magnetic separation to produce cassiterite and wolframite concentrates.

An overall recovery of 89 % WO<sub>3</sub> was indicated.

#### *Project Economics*

Based on the parameters shown below, the mine redevelopment project has an NPV of €25m (IRR=22%) with a payback of 3.8 years

Total Resources (from LEIM data):	31.0 million tons
WO <sub>3</sub> grade:	1,310 ppm
Mine dilution:	5%
Diluted Resources:	32,550,000 tons
Diluted WO <sub>3</sub> grade:	1,248 ppm
Stripping ratio w/o (volume):	3
Stripping ratio w/o diluted (Tm):	2.86
Mine life:	15 years
WO <sub>3</sub> Recovery:	85%
Recovered WO <sub>3</sub> grade:	1,060 ppm
Concentrate price:	€200 MTU
Total earth movement (ore+waste):	8,370,000 tons pa
Annual ore mine output:	2,170,000 tons pa
Plant capacity:	350tph
Exploration cost plus purchased price:	€5,800,000
Capital cost:	€35,000,000
Operating cost:	€14.21/t