

Company Registration No. 3961277

Gerald UK Limited

Report and Financial Statements

30 April 2005



Gerald UK Limited

Report and financial statements 2005

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Gerald UK Limited

Report and financial statements 2005

Officers and professional advisers

Directors

L Lander
F Calia
D M Rabagliati

Secretary

D M Rabagliati

Registered Office

3 Cloth Street
Barbican
London
EC1A 7NP

Auditors

Deloitte & Touche LLP
London

Gerald UK Limited

Directors' report

The directors present their report and financial statements for the year ended 30 April 2005.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounts to US\$1,004,000 (2004 - US\$535,000). A dividends of US\$1,060,000 (2004 - US\$3,200,000) was paid to Gerald Limited (the immediate parent undertaking) on 19 April 2005.

Principal activities and review of business developments

The company's principal activity is that of investment business.

The company, through a newly constituted subsidiary "Gerald Capital Investment Limited", has entered into a joint venture agreement with the Easthope Group, a third party, (the "Mianchi Joint Venture") to invest US\$3.45million, which was paid prior to 30 April 2004, in the Mianchi Joint Venture, which is pursuing the developing of a new bauxite mining and alumina production facility in the Henan province of China. The project is currently undergoing feasibility as well as preliminary site remedial work. As of 30 April 2005, the amount invested represented a 12% (2004 - 12%) equity interest in the Mianchi Joint Venture.

Future prospects

The company's future prospects remain good and it is expected to continue to operate as it has currently.

Directors and their interests

The directors of the company during the year and up to the approval of the financial statements were:

L Lander

F Calia

D M Rabagliati

The directors have no beneficial interest in the shares of the company or group companies which require disclosure under Companies Act 1985.

Change in auditors

During the year, Ernst & Young resigned and Deloitte & Touche LLP was appointed as statutory auditors of Gerald UK Limited on 10 May 2006 to fill the casual vacancy.

Gerald UK Limited

Directors' report

Auditors

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Approved by the Board of Directors
and signed on behalf of the Board

A handwritten signature in black ink, appearing to be 'M. P. ...', written over the word 'Director'.

Director

31 July 2006

Gerald UK Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Annual Report and the financial statements. The directors have chosen to prepare the accounts for the company in accordance with United Kingdom Generally Accepted Accounting Practice.

United Kingdom Company law requires the directors to prepare such financial statements for each financial year which give a true and fair view in accordance with United Kingdom Generally Accepted Accounting Practice (UK GAAP) of the state of affairs of the company and of the profit or loss of the company for that period and comply with UK GAAP and the Companies Act 1985. In preparing those financial statements, the directors are required to:

- (a) select suitable accounting policies and then apply them consistently;
- (b) make judgements and estimates that are reasonable and prudent;
- (c) state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- (d) prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF GERALD UK LIMITED

We have audited the financial statements of Gerald UK Limited for the year ended 30 April 2005 which comprise the profit and loss account, the balance sheet and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

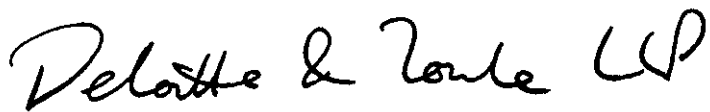
Basis of audit opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit 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 statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion, we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 30 April 2005 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The script is cursive and fluid, with the letters connected. The "D" is large and loops around the "e" in "Deloitte". The "T" in "Touche" is also large and loops around the "e". The "LLP" is written in a simpler, more upright script at the end.**Deloitte & Touche LLP**

Chartered Accountants and Registered Auditors

31 July 2006

Gerald UK Limited

Profit and loss account For the year ended 30 April 2005

	Notes	2005 US\$000	2004 US\$000
Turnover		166,147	118,845
Cost of sales		<u>(166,147)</u>	<u>(118,845)</u>
		-	-
Administrative expenses		(228)	(128)
Interest receivable	2	3,244	1,155
Interest payable and similar charges	3	<u>(1,603)</u>	<u>(283)</u>
Profit on ordinary activities before taxation	4	1,413	744
Tax on profit on ordinary activities	6	<u>(434)</u>	<u>(209)</u>
Profit for the financial year		979	535
Dividends paid	11	<u>(1,060)</u>	<u>(3,200)</u>
(Loss) for the year transferred to reserves		<u><u>(81)</u></u>	<u><u>(2,665)</u></u>

There were no recognised gains or losses in 2005 or 2004 other than the result of the year.

Gerald UK Limited

Balance sheet 30 April 2005

	Notes	2005 US\$000	2004 US\$000
Fixed assets			
Unlisted investments	7	4,970	3,567
Long-term loan receivable		4,654	-
		<u>9,624</u>	<u>3,567</u>
Non Current assets			
Debtors		10,770	10,770
Current assets			
Debtors	8	34,087	30,910
Cash and deposits at banks		7,706	29,804
		<u>41,793</u>	<u>60,714</u>
Creditors: amounts falling due within one year	9	(21,852)	(39,289)
		<u>19,941</u>	<u>21,425</u>
Net current assets			
Long-term loan payable		(4,654)	-
		<u>35,681</u>	<u>35,762</u>
Total assets less liabilities			
Capital and reserves			
Called up share capital	10	35,000	35,000
Profit and loss account	12	681	762
		<u>35,681</u>	<u>35,762</u>
Total equity shareholders' funds			

These financial statements were approved by the Board of Directors on ²⁷ July 2006.

Signed on behalf of the Board of Directors


Director

Gerald UK Limited

Notes to the Accounts Year ended 30 April 2005

1. Accounting policies

The financial statements are prepared in accordance with applicable United Kingdom law and accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements have been prepared on a historical cost basis.

Turover

Turnover comprises of sales of metal during the year

Investments

The carrying value of the company's investments is stated at historical cost less any provisions for impairment.

Foreign currencies

Asset and liabilities in foreign currencies are expressed in the United States dollars at the rate of exchange ruling at the balance sheet date. Share capital denominated in foreign currencies are stated in United States dollars at the rates ruling on the dates at which the transactions were originally recorded. The results for the year are expressed in United States dollars using rates of exchange ruling at the date of the transactions.

All difference arising from translation are dealt with in the profit and loss account.

Group financial statements

The company is exempt by virtue of Section 228 of the Companies Act 1985 from the requirement to prepared *group financial statements and deliver them to Register of Companies*. These financial statements present information about the company as an individual undertaking and not about its group. The Company is included in the consolidated financial statements of Gerald Holdings Limited, which is incorporated in the United Kingdom.

Taxation

Current tax is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted at the balance sheet date.

Deferred taxation is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of income and expenditure in taxation commutations in periods different from those in which they are included in financial statements.

Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Related party transactions

The directors have taken advantage of the exemption in paragraph 3 (c) of Financial Reporting Standard 8 from disclosing detail of transactions with its ultimate parent company and fellow subsidiaries.

Cash flow statement

The directors have taken advantage of the exemption in paragraph 5(a) of Financial Reporting Standard 1 (revised) from producing a cash flow statement.

Gerald UK Limited

Notes to the Accounts Year ended 30 April 2005

2. Interest receivable

Included within interest receivable are the following amounts:

	2005 US\$000	2004 US\$000
From banks	278	169
From group undertaking and others	2,966	986
	<u> </u>	<u> </u>

3. Interest payable and similar charges

	2005 US\$000	2004 US\$000
Payable to group undertakings	1,477	248
Bank loans and others	126	35
	<u> </u>	<u> </u>
	1,603	283
	<u> </u>	<u> </u>

4. Profit on ordinary activities before tax

This is stated after charging/(crediting):

	2005 US\$000	2004 US\$000
Auditors' remuneration – audit	15	12
Auditors' remuneration – tax	25	21
Foreign exchange (gains)/losses	(8)	(12)
	<u> </u>	<u> </u>

5. Emoluments of directors

No directors received any remuneration for their services as a director of the company.

6. Taxation

a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2005 US\$000	2004 US\$000
UK corporation tax	434	209
	<u> </u>	<u> </u>
Total current tax	434	209
	<u> </u>	<u> </u>

Gerald UK Limited

Notes to the Accounts Year ended 30 April 2005

6. Taxation (continued)

b) Factors affecting current tax charge

The current taxation charge for the year is different to the standard rate of corporation tax in the UK (30%). The differences are explain below:

	2005 US\$000	2004 US\$000
Theoretical tax at UK corporation tax rate of 30% (2004 – 30%)	424	223
Group relief claimed for no consideration (at 30%)	(15)	(14)
Expenses not deductible for tax purposes	25	-
Actual current tax charge	<u>434</u>	<u>209</u>

7. Investments

	2005 US\$000	2004 US\$000
Cost		
Beginning Balance	3,567	117
Additions	1,403	3,450
Ending Balance	<u>4,970</u>	<u>3,567</u>

The investments include the following:

- An 99% interest in Globull Investment & Development Management SA, a company incorporated in Luxembourg was purchased for US\$62,999 (50,339 bearer shares) on 5 December 2002.
- An 87% interest in Globull Investment & Development Management SCA, a company incorporated in Luxemburg, was purchased for US\$53,841 (43,073 Class B Bearer shares) on 5 December 2002.
- In 2004 the company, through a newly constituted subsidiary, "Gerald Capital Investment Limited", has entered into a joint venture agreement with the Easthope Group, a third party, (the "Mianchi Joint Venture") to invest US\$3.45 million, which was paid prior to 30 April 2004 in the Mianchi Joint Venture, which is pursuing the development of a new bauxite mining and alumina production facility in the Henan province of China. The project is currently undergoing feasibility as well as preliminary site remedial work. As of 30 April 2005, the amount invested represents 12% (2004 - 12%) of equity interest in the Mianchi Joint Venture.

In the directors' view, the fair value of these investments is not less than their carrying values.

8. Debtors

	2005 US\$000	2004 US\$000
Amount owed by group undertakings	22,694	3
Trade debtors	10,339	30,907
Other debtors	1,054	-
	<u>34,087</u>	<u>30,910</u>

Gerald UK Limited

Notes to the Accounts Year ended 30 April 2005

9. Creditors: amounts falling due within one year

	2005 US\$000	2004 US\$000
Amount due to group undertakings	11,452	8,196
Provision for corporation tax	493	108
Sundry accruals	59	70
Trade creditors	9,848	27,581
Bank loan	-	3,334
	<u>21,852</u>	<u>39,289</u>

10. Called up share capital

	2005 US\$000	2004 US\$000
Authorised, issued and full paid:		
35,000,000 ordinary shares of US\$1 each and 2 shares of £1 each	<u>35,000</u>	<u>35,000</u>

11. Dividends paid

	2005 US\$000	2004 US\$000
Dividends paid to Gerald Limited (US\$0.03 per share)	<u>1,060</u>	<u>3,200</u>

12. Profit and loss account

	2005 US\$000	2004 US\$000
Opening balance	762	3,427
Profit for the financial year	979	535
Dividends paid	(1,060)	(3,200)
Closing balance	<u>681</u>	<u>762</u>

13. Ultimate holding company

The company's immediate holding company is Gerald Limited, a company incorporated in the United Kingdom. The smallest group in which the financial statements of the company are consolidated is Gerald Holdings Limited. The consolidated financial statements are filed at Companies House, Crown Way, Maindy Cardiff, CF149U2

The company's ultimate holding company and controlling party is Gerald Metals Inc., a company incorporated in the United States of America. Copies of the financial statements of Gerald Metals Inc are not publicly available.

Gerald UK Limited

Notes to the Accounts Year ended 30 April 2005

14. Events after the balance sheet date

Subsequent to the year end:

a) On 21 April 2006:

- Gerald Holdings Limited (GHL), a group undertaking, transferred its 100% shareholding in Gerald Metals Limited (GML) to Gerald Limited (GL), which in turn transferred the shareholding to Gerald UK Limited (GUK) pursuant to a group reorganisation arrangement.
- GUK transferred its investment in shares of Globull Investments and Development SCA (SCA) and Globull Investment Development SA (SA) together with a receivable due from SCA plus accrued interest thereon, to GML.
- GML contributed all these transferred assets to a company controlled by shareholders of Gerald Metals Inc. in exchange primarily for non-voting, non-convertible preferred shares approximating the net fair market value of the transferred assets (US\$30 million).
- These transfers are not expected to give rise to a tax liability on the transferring company.

b) On 6 February 2006, Gerald Capital Investment Limited (GCI), a 100% subsidiary of GUK, entered into an agreement to sell its interest in G&D Far East Metal Investment Company Limited to a third party for an amount greater than the carrying value of the investment, to be determined conditional on the performance of another third party.

c) As at the date of these accounts, a dispute has arisen in respect of an investment held by a subsidiary of Gerald UK. The amount of the investment made during 2004 was for US\$6 million. No final decision has been made as to the impairment of this asset at this time.