



(Incorporated in the Republic of Singapore)
(Company Registration No. 197501110N)

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UPDATE: ACQUISITION OF GRANITE

This announcement is made further to the announcement made by the Company on 5 February 2009 relating to the acquisition of 51% of the rights, interest in and ownership to granite on a mining area (the "**Mining Area**") located in the District of Meral, Karimun Regency, Province of Riau Islands (the "**Land**") owned by **PT KAWASAN DINAMIKA HARMONITAMA ("KDH")**.

1. Background

As announced on 5 February 2009, Equation Resources Pte Ltd ("**ERPL**"), a 70% owned subsidiary of the Company, had entered into a Sale and Purchase and Co-operation Agreement (the "**Agreement**") with KDH for the acquisition of 51% of the rights, interest in and ownership to granite on the Mining Area. It is a term under the Agreement that ERPL will work and co-operate with KDH to extract granite from the Mining Area, process the granite and sell the granite.

2. Supplemental Agreement

The Board of Directors of the Company wishes to announce that ERPL has today entered into a supplemental agreement to the Agreement, inter alia, for the acquisition of the remaining 49% of the rights, interest in and ownership to granite on the Mining Area (the "**Supplemental Agreement**").

3. Rationale

KDH has been facing financial difficulties and if unable to raise sufficient funds, could potentially disrupt its operations. In light of the arrangements between ERPL and KDH pursuant to the Agreement, the Directors recognise that it will not be in ERPL's interest if there are significant disruptions to KDH's operations.

As such, the Directors are of the view that it would be advantageous for both parties if ERPL is able to provide KDH with additional financing and in return acquire the remaining 49% of the rights, interest in and ownership to granite on the Mining Area.

4. Key terms of the Supplemental Agreement

A summary of the key terms of the Supplemental Agreement is set out below:-

- 4.1 ERPL will pay S\$3,500,000 as consideration to purchase the right, ownership and rights to 49% of the granite on the Mining Area; the consideration was agreed on a willing buyer willing seller basis taking into account the release of profit guarantee not less than S\$4 million in accordance to the Deed of Confirmation and Undertaking provided in connection with the Agreement by Mr Tay Yao Tung and Mr Tay Juhari (please see paragraph 4.6 below for further details on the said Deed of Confirmation and Undertaking).
- 4.2 The purchase consideration will be satisfied as follows:-
- (a) an aggregate of S\$821,360 will be paid to an agreed list of creditors of KDH upon the signing of the Supplemental Agreement;
 - (b) S\$209,320 will be paid to KDH upon the signing of the Supplemental Agreement;
 - (c) S\$2,009,320 will be paid to KDH within 5 weeks from the date of the Supplemental Agreement; and
 - (d) ERPL had previously provided KDH with S\$460,000 to account for regional tax to be imposed on a quantity of granite. The parties have agreed to apply this amount towards the purchase consideration.
- 4.3 On the date of the Supplemental Agreement, ERPL shall be entitled to:-
- (a) 100% of rights, interest in and ownership of all the granite in the Mining Area; and
 - (b) all the profits that is to be derived from the granite on the Mining Area.
- 4.5 Notwithstanding the above, KDH will continue to carry out the extraction and processing of the granite while the sale of the granite will continue to be arranged and carried out by ERPL. ERPL will continue to bear part of the costs of the extraction, processing and selling of the Granite in accordance with the terms of the Agreement.
- 4.6 As mentioned in the announcement dated 5 February 2009 (the "**earlier announcement**"), in connection with the Agreement, ERPL had also on 27 February 2009 entered into a Deed of Confirmation and Undertaking with Mr Tay Yao Tung and Mr Tay Juhari to provide the confirmations and undertakings set out in paragraph 4.6 of the earlier announcement (the "**Deed of Confirmation**") as follow:-
- (a) KDH shall at all times for the duration of the Agreement, possess the valid and relevant authorisation, licences, permits and approvals necessary for the necessary mining activities;

- (b) KDH shall ensure that the authorisations, licenses, permits and approvals mentioned above shall be renewed promptly (where necessary) so as to fulfil its obligations under the Agreement and shall ensure that all such authorisations, licences, permits and approvals remain in full force and effect and that all conditions, if any, imposed under such authorisations, licences, permits and approvals are complied with;
- (c) KDH is entitled to occupy the Mining Area for the duration of the Agreement; and
- (d) In the 24 months after the completion of the Agreement, the profit for such sale of granite for each 12 month period shall not be less than S\$2 million.

The current shareholders of KDH (the "**KDH Shareholders**"), which includes Mr Tay Yao Tung, have agreed to sell all their shares in KDH to 2 purchasers with ERPL consent. Accordingly, the parties to the Deed of Confirmation have today entered into a Deed of Termination whereunder the Deed of Confirmation would be terminated (and Mr Tay Yao Tung and Mr Tay Juhari would be released from their obligations therein) with effect from the date of completion of the transfers by the KDH Shareholders' of all their shares in KDH to the purchasers. It is intended that the purchasers would subsequently provide the confirmations and undertakings substantially in the form set out in the Deed of Confirmation to ERPL upon their becoming the new shareholders of KDH.

- 4.7 As all the relative figures computed on the bases set out in Rule 1006 of the Listing Manual, Rules of Catalist, (the "**Listing Manual**") are less than 5%, the proposed acquisition is not regarded as a discloseable transaction under Rule 1010 of the Listing Manual. However, the Company is making this announcement as a matter of good corporate governance.

By Order of the Board

Chng Weng Wah
Executive Director
13 November 2009