

INDONESIA

Recently, Indonesia has enjoyed growth in gross domestic product (GDP) of about 6% per year, and in January 2011, Moody's upgraded the country's sovereign debt from Ba2 to Ba1, one step below that of Brazil and India. Moody's cited the government's debt position and prospects for foreign direct investments (FDI) as key reasons for the upgrade. Indonesia's debt position is about 27% of its GDP, whereas it has been as high 80% in 2001 (Thomson Reuters, 2011). Prospects for foreign direct investment are improving and anticipated to grow to more than US\$14 billion in 2011. Also, Indonesia's stock market has risen by more than 40% in 2010. Indonesia is one of only five countries that did not enter recession during the recent Global Financial Crisis.

The Indonesian archipelago, (chain or cluster of islands that are formed tectonically) has produced app. 5.3 million ounces of gold, or around 6% of the global mine supply of gold (2003-2005). Indonesia hosts a number of world-class mining projects operated by some of the largest resource companies in the world, including Vale, Freeport McMoRan, Newmont, and Newcrest. The increase in both gold and copper prices over the past decade has led to an increase in exploration and development activities in Indonesia.

Indonesia is one of the most geologically prospective countries in the world. The Fraser Institute's annual global ranking (2008/09) of geological prospectivity, based on a worldwide survey of mining companies, places Indonesia sixth in terms of pure mineral potential. Cainozoic Age magmatic arcs, which traverse Indonesia and neighbouring Philippines, contain some of the largest known accumulations of gold and copper on Earth including Freeport's Grassberg (35M oz Au¹), Newmont's Batu Hijau (7.6M oz Au) and Xstrata's Tampakan (16M oz Au).

Indonesia has transformed into one of the most stable multi-party democracies in the region. The Government has undertaken a number of economic reforms aimed at improving the business and investment climate, overhauling business regulations, taxation and employment practices. Foreign investment, reaching over \$10 billion per annum in recent years, reflects support for such changes.

As part of major changes in the political and economic climate in Indonesia, the government is now placing greater emphasis on developing the mining industry. A sign of this change was the introduction of new Mining Laws in 2009 giving much improved security of tenure to existing tenements and a transparent path towards granting new tenements in the near future. A regulation of the new Mining Law is for all existing Mining Leases (Kuasa Pertambangan or "KP") to be converted to a new legal structure – Mining Business License (Ijin Usaha Pertambangan or "IUP").

Indonesia stands poised to take advantage of renewed global confidence in the resources sector. A combination of political and legal changes in the country has seen a significant increase in interest to secure resources for economic development in Southeast Asia.

Golden Peaks Resources has positioned itself to be part of the next wave of mining investment in one of the most prospective countries in the world. Our prospects are currently focussed in Eastern Indonesia, a region that has seen the country's greatest mining activity in the past 15 years. Since 1995, five of the six metal mines to commence production are located in eastern Indonesia – Mesel(Au), Lanut(Au),

Gosowong(Au), Lerokis (Au/Cu) and Hijau(Cu/Au). An additional two gold projects, Bakan and Toka Tinding are in development stage with production planned to commence within the next 12 months.

All five Golden Peaks mineral tenements are within close proximity to operating gold mines or defined resources in similar geological settings. The company has adopted an approach of mitigating risk by selecting a range of projects, with varied levels of development, in highly prospective geological terrains containing operating mines and / or established resources over a variety of mineralisation settings. Prospects range from having drilled inferred resources to those at a more preliminary exploration stage.

Map of Indonesia highlighting magmatic arcs, major mines and Golden Peaks properties

