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25th February 2002

Dear Mr. Holloway

RBG Resources Plc (the "Company")
Resignation of PricewaterhouseCoopers ("PWC") as auditor for the Company,
pursuant to Sections 392 and 394 Companies Act 1985 (the "Companies Act")

Further to our meeting with you on 20th February concerning your statement as to the circumstances of your resignation as Auditors' of the Company, following a five year relationship, we provide you with our response, a copy of which will be filed with the Registrar of Companies:

1. Return of Confirmation Letters and Identity of the Six Counter Parties (the "Counter Parties"):

PWC were notified on several occasions that each of the Counter Parties had assured us that they had faxed their respective confirmations directly to the designated PWC office in London, as instructed by the confirmation letter.

Due to PWC's insistence that they had not received the first confirmation, we requested each of the Counter Parties to resend the Confirmations, with a copy to ourselves. Our copies of the second confirmations were provided to PWC.

However, due to non-receipt of the confirmations by PWC for a second time, we were again requested to arrange for the Counter Parties to re-send the confirmations. At this point one of the Company's directors requested two of our marketing agents, as principle relationship officers to the Counter Parties to speak to the Counter Parties. Following discussion, the Counter Parties agreed and then proceeded to pass their respective confirmations to a nominated Counter Party. This Counter Party then faxed all six confirmations to PWC's Romania office in error.

By former agreement, the nominated Counter Party was required to send only one of these confirmations to PWC's Romanian office, with the remainder to be sent to the London office. The Company was informed of this error and we sought to obtain those confirmations destined for PWC London in order to arrange for the confirmations to be sent directly to PWC in London.

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The error on our part was to interfere with the process. However, it appeared that without our intervention, the confirmations would not have been received. We regret taking this course of action.

2. Additional Audit Procedures Undertaken Concerning the Counter Parties.

Following our investigations, set out below, there is evidence to show that the six Counter Parties are conducting business activities consistent with the transactions in the books and records of the Company and that these businesses are operating from their respective offices.

We have previously provided PWC with relevant information concerning the six Counter Parties. As this letter is to be filed with the Registrar of Companies and will therefore become a matter of public record we are setting out below a summary which omits information of a commercially sensitive nature.

Counter Party 1

Company number: supplied
Country of Incorporation: supplied
Ownership: supplied
Principal: supplied
Address: supplied

The latest Dun & Bradstreet report on our file, dated 23rd January 2002, confirms the above details for this Counter Party. Furthermore, PWC is aware from their previous audit reviews that the Company has conducted business with this Counter Party for more than five years.

An Executive Director of the Company visited the offices of this Counter Party on 2nd February 2002 and we highlight his site report: -

'Visited [this office]... on 2nd Feb 2002 about 11.00am. It is situated at [address]. [Counter Party 1] ... has a room as permanent office space in this [name] Business Center. It also uses conference rooms and secretarial staff of Business Center. Mr. owns [the] business. Nobody verbally contacted Mr.... or ... for confirmation and enquiry for their business, customers and suppliers. There were 3 or 4 more companies occupying the premises with whom [the Company] has no business relationship'.





Counter Party 2

Company number: supplied
Country of incorporation: supplied
Ownership: supplied
Principal: supplied
Address: supplied

Included in our credit file for this customer are the audited accounts of the Counter Party for the years ended 31st March 1996 to 31st March 2001.

The latest Dun & Bradstreet report on our file, dated 29th January 2002, confirms the above details of this Counter Party. Furthermore, PWC is aware from their previous audit reviews that the Company has conducted business with this Counter Party for more than five years.

An Executive Director of the Company visited the offices of this Counter Party on 4th February 2002 and we highlight his site report: -

'The Company is situated at [address]. This is also [Counter Party 2's] Registered Office. Met Ms [name] who informed me that no one had contacted her for any information on the company. The company is situated in the [name] Business Center. They are using [the] Business Center facilities for their business work'.

Counter Party 3

Country of incorporation: supplied
Ownership: supplied
Principal: supplied
Address: supplied

Though the correspondence address of this company is in [Europe], the trading activities with the Company are conducted from Hong Kong

Included in our credit file for this Counter Party is the report and accounts for the year ended 31st March 2001 and the Management Accounts for previous years.

The latest Dun & Bradstreet report on our file dated 22nd January 2002 confirms the above details of this Counter Party. Furthermore, PWC is aware from their previous audit reviews that the Company has conducted business with this Counter Party for two years.

An Executive Director of the Company visited the offices of Counter Party 3 on 4th February 2002 and we highlight his site report: -

A member of the **Rbg** family



'Visited [Counter Party 3] on 4th Feb 2002. Met Ms [name] in their office at [address]. This office is situated in Business Center [name] and they have an office ... of one room for their exclusive use as told [to me] by Ms [name] and they use other facilities of the Business Center. I also asked for [the] Certificate of Incorporation for the company. I was given their Certificate of Incorporation. Name of the Company was mentioned on the name board maintained by the Business Center. Ms [name] informed [me that] this space is sufficient for them for now'.

Counterparty 4

Company number: supplied
Country of incorporation: supplied
Ownership: supplied
Principal: supplied
Address: supplied

The address given to PWC was [address]. This address was given to PWC in error and is the address of the Bankers of [bank name]. The bank, in respecting their relationship with the Counter Party, had forwarded the confirmation request to the Counter Party.

Included in our credit file for this customer is the report of the accountants of Counter Party 4 for the year ended 31st March 2001 and the Management Accounts for previous years.

The latest Dun & Bradstreet report on our file dated 17th January 2002 confirms the above details of this Counter Party. Furthermore, PWC is aware from their previous audit reviews that the Company has conducted business with this Counter Party for a period of more than three years

An Executive Director of the Company visited the offices of this Counter Party on 1st February 2002 and we highlight his site report: -

'Visited on 1st Feb 2002 office of [Counter Party 4] about 7.00pm. This company is situated in [address].

I met Mr. [name] in their office.

[Counter Party 4] has about 700 sq feet office in a new building. This is the one of the newly constructed buildings in the area. The office accommodates about 4 persons and has conference facilities which can be used by up to 6 to 8 people. They have recently moved into this office. Mr. [name] said that nobody has visited and contacted him to obtain any information on their company. The nameplate of [Counter Party 4] was prominently displayed outside their office and there are no other nameplates near this'.



Counterparty 5

Country of incorporation: supplied
Ownership: supplied
Principal: supplied
Headquarter address: supplied
Hong Kong trading address: supplied

Though the correspondence address of this company is in [country], the trading activities with the Company is conducted from Hong Kong

Included in our credit file for this customer are the report of the accountants of this Counter Party for the year ended 31st March 2001 and the Management Accounts for previous years.

The latest Dun & Bradstreet report on our file dated 18th January 2002 confirms the above details of this Counter Party. Furthermore, as you will be aware from your previous audit reviews the Company has successfully conducted business with this Counter Party for two years

An Executive Director of the Company visited the offices of Counter Party 5 on 5th February 2002 and we highlight his site report:

'Visited [Counter Party 5's] office on 5th Feb 2002 about 10.30am. It is situated at [address]. The office is situated in a Business Center. Met Ms [name], who is the coordinator of the office in [place]. The Company uses the Business Center facilities for their day-to-day operation. I was also told they are looking for a separate office but shall be maintaining this office for time to come'.

Counter Party 6

Company number: supplied
Country of incorporation: supplied
Ownership: supplied
Principal: supplied
Address: supplied

Included in our credit file for this customer are the audited accounts of Counter Party 6 for the years ended 31st March 1996 to 31st March 2001.

The latest Dun & Bradstreet report on our file dated 20th December 2001 confirms the above details of this Counter Party on file except that the address on this report is the previous address. Furthermore, PWC is aware

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from their previous audit reviews that the Company has conducted business with this Counter Party for more than five years.

An Executive Director of the Company visited the offices of Counter Party 6 on 4th February 2002 and I enclose his site report:

'Visited [Counter Party 6's] office on 4th Feb 2002 about 2.30pm in the afternoon. It is situated on [address]. [The] company is owned by Mr [name]. Mr. [name] is in charge. This is a Business Center and has about 4 rooms and a reception area of which [the Counter Party] uses the Business Center facilities as and when required. On enquiring if some persons have asked for any information on them, their customers and suppliers, the senior informed me that he received a call for confirmation of address and the person said he went to deliver the parcel but nobody turned up'.

3. General

The Company has regularly received the benefit of PWC's extensive consultancy services, mainly for tax advice. In this respect we attach an excerpt from an advice received from PWC on 24th August 2001, concerning those activities and profits taxable in Hong Kong. (**Appendix 1**). It had been our initial intention to set up an office in Hong Kong. The reason why the some counter parties will use Hong Kong as their business locations could well be for the same reasons as set out in Appendix 1.

4. Business Transactions Recorded in the Books and Records of the Company

An operational and delivery chart showing differing but typical points of delivery that can be accepted from the supplier and for delivery to the customer was provided and explained in our written response to PWC.

An analysis of transactions and confirmations pertaining to the release of material and title to the customer by each of the Counter Parties, was also provided.

We concluded that all confirmations required for the sale, delivery and transfer of title of the material subject to a contract has been obtained at such point of transfer and are well documented in our files

This two and a half page analysis, previously supplied to PWC, has been omitted from this letter to preserve commercial confidentiality.

A handwritten signature in dark ink, consisting of a stylized, cursive 'S' shape.

A member of the PWC team



5. Identity as to Ownership of the Counter Parties

The existence, ownership or management of each of the Counter Parties has been provided from information provided by Dun and Bradstreet or similar agency and that held on our files, supplied by the Counter Parties themselves, the financial information supplied by the Counter Party and from meetings with our relationship managers and employees. This is in addition to the recent visit by our Executive Director. Further investigations will be made to ensure the veracity of the information received by the Company. In each case, we have supplied this information to PWC.

6. Transaction of our Romanian Subsidiary with a Counter Party.

This two page explanation, previously provided to PWC, has been omitted from this letter to preserve commercial confidentiality.

The above illustration clearly demonstrates that this transaction has been conducted on purely commercial terms and on an arms length basis.

7. Transactions with a Related Party.

Following extensive testing by PWC, it was agreed that all such transactions with such parties had been conducted on an arms length basis. Based on this, for this year's disclosure within the financial statements there was to be no disclosure due to the same relationship and basis of transaction with all counter parties. PWC had included the following draft wording on the note relating to related party transactions in the Company's draft accounts to September 2001:

'Companies owned and controlled by brothers of [name], a director and shareholder of the Company, are not considered by the directors to be related parties under FRS 8, which is a change from prior years. The Company continues to enter into contracts for the sale and purchase of metals with such companies in the normal course of business and these transactions are at arm's length and on terms similar to those given to any third parties.'

For every audit we have endeavoured to provide PWC with all related party information in good faith and to the best of our knowledge.

As of the date we provided the information on related parties and up to 29th January 2002, the date you highlighted the issue of the ownership of [company name], we were neither aware nor had received any information to indicate that this may be deemed to be a related party. Whilst we do not believe that our relationship with this counter party falls within the definition of

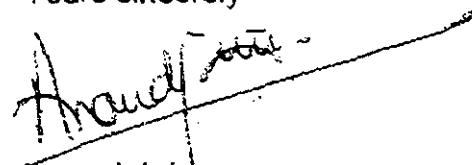


a related party, as set out in PWC's explanatory letter to us dated 12th November 2001, it should be noted that, as in previous cases, we would take the advice of our auditor in assessing any such disclosure.

8. Conclusion

Throughout our five year relationship with PWC we have always sought to have an open and trusting relationship. In this respect we have always done our best to deal with enquiries honestly and in good faith. Your decision to resign as auditors of the Company, though regrettable, is accepted.

Yours sincerely



Anand Jain
Director & Secretary



**PWC document relating to RBG Hong Kong dated 24th
August 2001**

Appendix 1

1) For the avoidance of doubt, the Hong Kong Inland Revenue Department apply a totality approach looking at all relevant facts to determine whether profits should be taxed in Hong Kong. Typically the analysis is as follows:

- Where both the contract of purchase and contract of sale are effected in Hong Kong, the profits are fully taxable.
- ***Where both the contract of purchase and contract of sale are effected outside Hong Kong, the profits are not taxable.***

2) *Activities that can take place in Hong Kong*

The activities that may take place in Hong Kong without affecting the offshore nature of its trading activities include the following:

- ***Issuing or accepting invoices (but not orders) for contracts of sale or purchase effected outside Hong Kong;***
- Arranging letters of credit;
- ***Operating a bank account and making or receiving payments;***
- Leasing office premises where the support function are performed; and
- ***Entering into legal contracts with third parties in of the support services.***

3) *Activities that must take place outside Hong Kong*

The activities that must be performed outside Hong Kong include the following:

- ***All customer orders must be initiated, negotiated, received, confirmed and signed by the traders or appropriate personnel in Singapore or Dubai (or any other jurisdiction outside Hong Kong);***
- Similarly, all purchase orders must be initiated, negotiated, placed and followed up by the traders or appropriate personnel, with final confirmation and execution in Singapore or Dubai (or any other jurisdiction outside Hong Kong);

A handwritten signature, possibly 'R. B. G.', written in dark ink.



- *The people in Hong Kong must not have any involvement in processing sale and purchase orders. Nor should they have any authority to vary the terms of the sales and purchase orders; and*
- *No stock can be held in Hong Kong.*

