Main Considerations for Initial Rating

BSG Resources Limited by TMI Ltd.

July 2007

Shaul Ben Shimol

Series | Rating
---|---
New Issue (Secured Debt) | A+/ Stable

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2. Main Considerations

2.1 General

BSGR was incorporated on 01/07/03 and was registered as a company in the State of Guernsey on 09/03/07. The Company operates in the field of mining and marketing a range of minerals and metals, extracting and marketing oil, energy and in the field of engineering for the energy and mining industries.

As of its incorporation, the Company has performed a chain of acquisitions of companies in the fields of mining minerals and engineering and as of today is in different stages of promoting various projects in the field of energy in addition to expanding existing operations.

BSGR is wholly owned by Nysco Management Corp. and the ultimate owner thereof is the Balda Foundation whose beneficiaries are Benny Steinmetz and his family. BSGR constitutes part of the conglomerate named the Benny Steinmetz Group (hereinafter: "BSG"). It should be mentioned that BSG has been engaged in the field of mining since the nineties.

Below are details of the main holdings of the BSGR according to the main fields of operations (hereinafter: "the Group"):  

A. Mines and Metal

In this field of operation, BSGR acts through a number of companies (some of these companies are wholly owned and others are owned in part) mainly in the Balkans and in Africa. The main activity in this field is with regard to the following metals: copper, cobalt, nickel and steel. The Company intends to extend its hold of the above mentioned metals.

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1 The Bailiwick of Guernsey – an independent state under the British Crown situated in the English Channel and characterized by a convenient tax regime.
geographic regions in the course of the coming years and, similarly, to expand the basket of products to additional metals.

This field of operation includes Nikanor traded on the AIM Stock Exchange in London at a value of 1.3 billion pounds and Cunico which the Company intends to float on the London Stock Exchange during the coming weeks.

B. Energy

In this field, the Company acts through BSG Energy, a private company, which presently constitutes the platform for the energy operations of BSGR, control of Bateman Litwin and holding of various projects in the field of power stations in Eastern Europe and a project for manufacturing ethanol in the US.

C. Engineering

This field of operation includes Bateman Engineering which provides engineering services for the mining industry worldwide and Bateman Litwin which supplies engineering services for the energy industry worldwide. The companies are traded on the AIM Stock Exchange in London at a combined value of 540 million pounds.

2.2 The Company's Investment Portfolio

The present investment portfolio of the Company includes a limited number of yielding assets, mainly in the field of mines and engineering services (Cunico, Bateman Eng. and Bateman Litwin). During the coming years investments on a very large scale are anticipated both in the mines and in projects in additional fields, mainly in the field of energy.

Below is an estimate of Maalot regarding the composition at present of the main holdings of the Group:

An analysis of the Company's investment portfolio was conducted on a number of levels: an analysis of the industry risk involved in each of the activities, the political risk involved in the countries of operation, diversity of the Company's fields of operations (with reference to the range of products and the dependence between them) and the degree of their geographic distribution. In addition, Maalot examined the anticipated investments of the Company and their influence on the nature of the future holdings portfolio.

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2 A notice to the public on this matter was published last week.

3 According to the value of tradable assets as of the month of July and Maalot's estimation of the holdings of non traded assets on the basis of the data provided by the Company.
In Maalot's estimation, the degree of risk of the present investments portfolio is slightly higher than average, in view of the following:

- The main activity in the field of mining and metals is characterized by a slightly lower than average risk and the activity in the field of engineering is characterized by a slightly lower than average risk.
- A high correlation between the metals in the portfolio of holdings and furthermore in light of the simultaneous extraction of copper and the cobalt in the Group's plants and their share of the total metal operations of the Group.
- The main yielding assets of the Company are situated in countries which are less stable than Israel with a significant political risk despite the improvement which has occurred in those countries in recent years. Nevertheless, operations in a number of countries reduce, to a certain extent, the total political risk of the Group's activities.

In Maalot's estimation, the performance of new projects in the field of mining and energy anticipated to be characterized by a risk level which is similar to that of the present companies may increase the sectorial diversity and the geographic distribution and reduce the risk involved in the total mix of the Group's investments on condition that the rate of the Group's investments in Congo is lower than the present scope of the Group's investments in these countries.

The rating of the Group is based on the methodology for rating a sectorial holdings company. The Company is characterized by investments in certain sectors of operations (mines and energy) with holding rates that enable significant influence on the policy of the held companies but without control, and with higher holding rates in other companies. Admittedly, the investments are on a long term basis but on the other hand, there are no significant holdings with a cash flow which characterizes the typical conglomerate.

In the view of Maalot, the classification of the Company as a sectorial holdings company creates a contingency between the value of the Company's holdings and the nature of their operations for the purpose of the exercise of the shares to pay back a loan or alternatively in order to roll over a current debt.
For details of the companies which are members of the Group, see section 5.

2.3 Management and Strategy

BSGR is wholly owned by Nysco Management Corp. and the ultimate owner thereof is the Balda Foundation, whose beneficiaries are Benny Steinmetz and his family.

BSGR belongs to part of the conglomerate named the Benny Steinmetz Group (BSG) which also encompasses operations in the field of real estate, a finance section and operations in the field of the trade of diamonds. BSG has many years of experience and extensive work contacts in the field of mining, especially in Africa.

In the view of Maalot, the Company is characterized by a high quality management with considerable experience in the core fields of the Group. In the view of Maalot, the ability of the Group to perform the projects is based on cooperation with local and governmental factors in the different fields of operation. The Company management has expertise and know-how with regard to acquisitions, increasing the value of companies and flotations and a long history of performing different projects. Evidence of the above can be seen in the growth of BSGR since its incorporation in the year 2003.

At the same time, BSGR as an independent company has been operating for a limited number of years and in Maalot's opinion, there are many challenges to the establishment of the Company and the development of management reserves in light of its continued expansion.

The Company's pattern of investments includes continuing investments in the fields in which BSGR is engaged at present including the expansion of the basket of metals to zinc, gold, iron, uranium etc., in the field of energy – the construction and operation of power stations in Eastern Europe, down-stream activities and renewable energy (ethanol and bio-diesel). It should be mentioned that the Company tends to set up new ventures and not to enter into existing companies and demands that very high yield rates be met.

In the view of Maalot, BSGR is an entrepreneurial company which is considered relatively aggressive at this stage of its development and as a resulting of the Company's aspiration to increase the scope of its holdings while creating a broader sectorial and geographical distribution. In the view of Maalot, the application of this strategy may lead to the formation of a more balanced assets portfolio which shall reduce the political risk entailed therein at present and reduce the reliance on the central companies (Cunico and Nikanor) provided that the Group's rate of investments in the Congo is lower than the present scope of the Group's investments in these countries.
2.4 Financial Risk

In the opinion of Maalot, the financial risk of the Company is lower than average and is based, inter alia, on its high financial strength as can be seen in the value of the holdings portfolio compared to the scope of the future debt of the Company, liquidity and high accessibility of the Group to finance sources and the fact that it belongs to the BSG Group.

The figures presented below are in thousands of dollars unless stipulated otherwise.

A. General

BSGR is a private company and its reports are not subject to the provisions of the Securities Authority. The Company reports according to the IFRS. The Company's financial statements for the year 2006 were signed on 27/06/07 and its statements for the first quarter of the year 2007 were signed on 03/07/07. It should be mentioned that if the Company lists the bonds for trading, the transparency of the Group may improve beyond the ongoing reports of the traded companies of the Group.

- **Hedging Policy** – As of the date of this report, the Group does not have a hedging policy. Nevertheless, each company of the Group may exercise an independent hedging policy (as in the recent case of Cunico).
- **Tax Rate** – BSGR in its place of residence in Guernsey enjoys a relatively convenient tax regime (approximately 0%).

B. Financial Strength

Below is the debt structure (solo) of the Company.

<table>
<thead>
<tr>
<th>Section</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>2007/Q1</th>
<th>Pro forma</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consolidated Equity</td>
<td>A</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity</td>
<td>140,844</td>
<td>294,189</td>
<td>964,623</td>
<td>866,900</td>
<td>1,250,500</td>
</tr>
<tr>
<td>Equity (Solo)</td>
<td>90,640</td>
<td>452,504</td>
<td>471,812</td>
<td>558,665</td>
<td>744,265</td>
</tr>
<tr>
<td>Shareholders' Loans</td>
<td>D</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Loans</td>
<td>99,719</td>
<td>107,556</td>
<td>105,103</td>
<td>192,548</td>
<td>192,548</td>
</tr>
<tr>
<td>Equity + Shareholders' Loans</td>
<td>90,640</td>
<td>452,504</td>
<td>471,812</td>
<td>558,665</td>
<td>744,265</td>
</tr>
<tr>
<td>Loans</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Debt to CAP, net</td>
<td>n.r.</td>
<td>n.r.</td>
<td>n.r.</td>
<td>n.r.</td>
<td>57%</td>
</tr>
<tr>
<td>Notes:</td>
<td>(A) Equity includes minority rights. The differences between the consolidated equity and the equity (solo) result from the method of reporting pursuant to IFRS and include mainly differences</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

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attributable to updating the market value of the traded companies which are included.

(B) During recent years there has been a rise in the Company's equity as a result of current profits but mainly from the addition of operations to the Company against the allocation of shares and adjustment of the value of traded holdings. During the second quarter of 2007 BSGR issued to the parent company shares in consideration for $185.6 million against Bateman Litwin shares. It should be mentioned that the equity in the framework of the pro forma includes this issue but does not include the anticipated profit to be credited as a result of the Cunico flotation.

(c) Since the establishment of the Company, it has been financed by share capital, as stipulated above, and by shareholders' loans. It should be mentioned that the rating is contingent, inter alia, on the conversion of the shareholders' loans to a loan of a lower preference than the bonds as stipulated in section 1.1. For the avoidance of doubt, these characteristics require the shareholders' loans to be treated as equity.

(D) The pro forma includes the issue of bonds in an amount of approximately US$1 billion which the Company is expected to issue in the course of the years 2007-8.

It should be mentioned that prior to the issue of the bonds, the Company was not leveraged under the classification of the shareholders' loan as equity. In the view of Maalot, the financial leverage expressed by the ratio between the financial debt and CAP net, as stipulated in the pro forma, is relatively high. Maalot anticipates that in the course of time the ratio will be lower than 50%.

According to the Company, the dividend policy of the Company is not to distribute dividends and the cash flow balance in the coming years is expected to be used for investments. Maalot anticipates that a withdrawal of dividends shall take place, at the earliest, upon the termination of the grace period of the bonds.

Below is a calculation of the ratio between the value of the holdings and the debt:

<table>
<thead>
<tr>
<th>Company</th>
<th>Estimated Holding (%) updated</th>
<th>Lease</th>
<th>2006</th>
<th>Q1/2007</th>
<th><strong>Pro Forma</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Nikanor</td>
<td>26%</td>
<td>yes</td>
<td>591,723</td>
<td>431,113</td>
<td>646,803</td>
</tr>
<tr>
<td>Cunico</td>
<td>* 37%</td>
<td>In the process A</td>
<td>213,064</td>
<td>233,459</td>
<td>1,125,000</td>
</tr>
<tr>
<td>Bateman Eng.</td>
<td>50%</td>
<td>yes</td>
<td>153,827</td>
<td>182,772</td>
<td>262,779</td>
</tr>
<tr>
<td>Bateman Litwin</td>
<td>66%</td>
<td>yes</td>
<td>-</td>
<td>-</td>
<td>289,402</td>
</tr>
</tbody>
</table>

Total Sum of Investment including other 1,076,099 1,066,809 2,561,699

| Investments value+ Debt Cash/ | C | 9.3 | 9.8 | 3.6 |

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Note: * Holding rate after the flotation of Cunico
** The figures are based on the market value of the companies held as of 02/07/07.

Clarifications: (A) the value of Cunico in the framework of the pro forma was taken for the purpose of the calculation as US$2.5 billion (post money) without taking into consideration the shareholders' loan anticipated to be in favor of BSGR after the issue of the debt. According to the BSGR management, the value of the company for the flotation is expected to exceed the said estimation and according to publications, Cunico shall be floated at a value of US$2.5-3.0 billion (prior to the money). In the view of Maalot, this value leads to a ratio between the value of the holdings to the debt of approximately 4.0. Furthermore, the value of Cunico in the pro forma includes a shareholders' loan in the sum of US$200 million to BSGR which shall be defined as part of the flotation.
(B) During the second quarter, BSGR issued shares to the parent company against shares of Bateman Litwin.
(C) In the framework of the calculation of the value of the holdings + cash in the pro forma, the cash raised in the framework of the issue of the bonds was taken into account.

The rating is based, inter alia, on the policy of the Company of maintaining a ratio of not less than 3.5 between the adjusted value of holdings + cash and the financial debt.

C. Liquidity and Access to Finance Sources

In the view of Maalot, the Company's liquidity and access to finance sources are higher than average prior to the issue, in view of: the absence of bank loans, traded shares which are not charged and the fact that the Company belongs to the BSG. On the other hand, the Company does not have an approved credit framework with banks, the Company is not traded, the nature and scope of the investments in the Group and their influence on receiving loans.

In the view of Maalot, the issue of bonds by BSGR is anticipated to open the Israeli capital market to the Company. At the same time, it is expected that leveraging the Company and charging its shares in favor of the bond holders may limit the Company’s access to finance sources. According to the Company, it does not intend to raise bank credit in the near future.

As part of the rating, the Company undertook to maintain a minimum cash reserve in the sum of the expenses of the bi-annual interest in the coming years - as stipulated in the Trust Deed.

In the view of the Company, during the coming years, the Company is expected to benefit (solo) from an annual cash flow of approximately US$ 70 million (a conservative scenario) based mainly on the
repayment of the shareholders' loan to Cunico, management fees from Baku and dividends from the engineering companies. Similarly, upon completion of the investments in the Nikanor and Cunico companies and the operation of the mines at full capacity, the Company anticipates cash flows of a significant scope which shall be used for the repayment of the bonds.

In the view of Maalot, an additional source for repayment of the debt is the exercise of part of the traded shares and/or the cash flow from projects which are presently at the promotional stage.

### 2.5 Risk of the Sector

As stated above, the activities of BSGR are divided into three main sectors: mining, engineering and energy and gas on a worldwide basis. It should be mentioned that the Company's energy activities are presently at the entrepreneurial stage and therefore the main reference is to the mining and engineering activities. **In the view of Maalot, the adjusted risk of the sector in which the Company operates is slightly lower than average.**

Below is a summary of the risks in the different sectors:

#### A. The Mining Sector

The world economy relies on metals and other minerals as raw materials for a very broad range of products. In the course of recent years there has been a rise in worldwide demand for metals resulting from global growth, a rise in the prices of energy and the entry of speculative investors into the field who have developed positions on most of the metals on the LME\(^4\). The rise in the demands has led to a sharp leap in the price of the metals (see graphs below).

It should be mentioned that the rice in the metal prices has reappeared following the stagnation of the metal prices in the Nineties which caused the opening of a low number of mines (in particular mines which do not contain iron).

**In the view of Maalot, the risk of the global minerals and metals sector is slightly lower than average, inter alia, due to:**

- The commodities are of a standard nature.
- High entry barriers in view of the very large scope of investments in developing countries and the tightening of regulation in developing countries. On the other hand, there is a fear of expenses and timetables exceeding the expected in the case of companies presently at the stage of developing mines.

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\(^4\) LME - London Metal Exchange.
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- The influence of the wave of mergers and acquisitions in the world in the field lead to the reduction of the number of players in the market and on the other hand, the price levels lead to the entry of new companies (late comers).
- The development of the emerging economies (especially China and India) and the phenomenon of the super cycle.

In the view of Maalot, these positive factors are set off in part by the following factors:

- High fluctuations in metal prices in recent years.
- Exposure of currencies resulting from receipt of the consideration in US dollars whereas part of the costs is in the local currency.
- The search for alternatives to metals in the form of other complex materials.

It should be mentioned that the risk of the sector of a specific mining company may differ from the above in accordance with the basket of products of that company\(^5\), as well as the company’s ability to act on a vertically integrated basis.

Below is the development of the prices of the main metals in recent years:

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\(^5\) It is customary to divide the minerals into a number of groups of which the main ones are: bas metals (iron, copper, aluminum etc.), precious metals (gold, silver, uranium etc.), energy (coal) and diamonds.

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deemed to be high between them (0.4). In the view of Maalot, expanding the Company's basket of metals to precious metals is anticipated to reduce the correlation in the investments portfolio and to reduce the adjusted risk of the sector in which BSGR operates.

In the view of Maalot, the business and operational risks of the companies in the field of the mines include, inter alia: external events which may lead to the closure of the mine (an earthquake, collapse, fire); strikes of employee unions (including strikes of subcontractors) for extended periods which may halt production; actual geological findings which are not the same as those forecasted in feasibility studies; environment requirements, legal or regulatory changes which may affect the operations or economic profitability of the mine. As a result, the commercial positioning of the mining company shall be in accordance with a range of parameters which include the mix of its mines and the risk that events of the type stipulated above may occur and the extent of their influence on the Company.

B. The Engineering Sector (Engineering and Construction – E&C)

The sector risk in this section relates to the activities of the companies Bateman Engineering and Bateman Litwin.

The global engineering and construction sector is usually characterized by strong competition which results in the reduction of the prices so that the usual rates of operating profits are relatively low and range between 4% and 7%. The sector is characterized by a high degree of seasonal adjustments influenced by macro economic parameters. In order to reduce the risk, many of the companies in the field operate in a number of countries. In addition, the revenues of the companies in the sector are subject to fluctuations resulting from the number of tenders in which the companies' offers are chosen every year.

In the view of Maalot, the main risk factors in the sector include:

- The range of the services provided by the company.
- Operational flexibility.
- Management culture.
- Scope and number of projects.
- Liquidity and access to finance resources (more weight than other financial criteria).

In the view of Maalot, in the engineering niches of the mining sector and engineering for the energy sector, the risk level is lower than that of the entire sector due to: entry barriers such as goodwill, accumulated know-how and experience in the operation of complex projects, the equity threshold required is higher; growth rates which are higher than average; a lower degree of competition and higher profit margins.
(1) **Engineering for the Mining Sector**

In the view of Maalot, the activities of the engineering companies in the mining field are admittedly sensitive but not directly exposed to commodity prices unlike the mining companies. The reason for this is mainly due to the delay of a number of years between the reduction of the metal prices and the drop in investments by the mining companies. This delay results from the gradual implementation of the decision to make the investment from the time decided (between 3 and 7 years) and from the nature of the decisions to invest, made usually on the basis of long term considerations and not necessarily based on the spot market prices; thus, as long as there is no drastic fall in the prices which affects the economic profitability, no investment plan will be cancelled. In addition, expanding the range of activities and metals may also reduce the exposure to the commodities market since the correlation between the various metals is not necessarily complete. Thus for example, the demand for uranium and coal is motivated mainly by the need for energy and not from urbanization processes in developing countries.

Evidence of the strength of the demands for engineering services on the part of mining companies is the investment plan of 5 large companies in the mining sector (BHPB, CVRD, Anglo American, Rio Tinto and Xstrata) which constitute approximately 50% of the entire market. This plan is valued by the Company in the sum of approximately US$ 70 billion which will be spread over the years of 2007 to 2011.

In the field of engineering and construction for the mining industry, small specialized companies operate such as the Finnish Outokompou Technology, Ausenco and Lycopodium from Australia and departments of large construction companies such as Bechtel, SNC Lavalin, the Shaw Group, Fluor Corporation, Technip and Halliburton.

(2) **Engineering for the Energy Sector**

In the view of Maalot, the activities of the engineering companies in the field of energy are admittedly exposed to the business cycle of the oil and gas sector but this is reduced to a certain extent by the activity also in the field of power stations and renewable energy. In the view of Maalot, the production capacity of electricity in the world (in particular clean energy) is below maximum, developing regulation on environmental matters and present high investments made by oil and gas companies in the development of reserves support high demands in the future for engineering services.

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6 Engineering and construction services for a range of fields: construction, energy, minerals and metals, chemicals etc.
In the view of S&P, the construction field for the sector of oil and gas is subject to seasonal adjustments to a high degree and is characterized by strong competition. Nevertheless on the medium term basis, the positive trend is expected to continue in view of the growth of investments by companies searching for and extracting oil and gas in light of the continued rise in the oil prices. In the view of S&P, the demand for services in the oil and gas industry is derived from the present and anticipated levels of explorations, the degree of development of existing reserves and the capacity for manufacture which is influenced by: the global economic growth; OPEC policy: the present level of stock as opposed to levels in the past; characteristics of the region in established areas of production; the availability of capital. The global demand for projects in the field of oil and gas has been influenced recently by greater concentration on producing gas. Advanced technologies may distinguish one company from another and are essential in view of the ever increasing complexity of the operations in the field of oil and gas extraction.

In the field of engineering and construction services for the energy industry small and medium sized companies operate such as Petrofac and Seadrill as well as departments of large construction companies such as Bechtel, SNC Lavalin, the Shaw Group, Fluor Corporation, Technip and Halliburton.

2.6 The Political Risk

The main activities of BSGR are centered on countries which are rated for credit purposes as lower than the rating of Israel or at not rated at all and are considered developing economies, including Macedonia\(^7\), Albania, Kosovo, Zambia and Congo. At the same time, it should be mentioned that the Group intends to develop activities in additional countries which are characterized by a lower political risk such as the US, Russia, Romania etc.

In determining the rating of the bonds, Maalot took into consideration the political risk entailed in the activity of BSGR in the different countries. The political risk is mainly the risk associated with commercial activities in a specific country (Country Risk)\(^8\).

**In the view of Maalot, the political risk involved in the activities of BSGR in the countries stipulated above is higher than average**, inter alia, due to the following:

- The potential for political disorder in the African countries (in particular Congo) which may result in the stoppage of operations.

\(^7\) Macedonia is rated by S&P as BB+.

\(^8\) This political risk is not the same as the sovereign credit risk which is the risk that a country will be unable to repay a loan.
Changes in the regulation may include an increase of tax and the rate of royalties to which the countries are entitled (for example the anticipated reform in Zambia).

The possible takeover by the government of the mining industry in view of the global metal prices and the weight of the industry in the GNP. At the same time, in the view of Maalot, the chances of such scenario are low due to the reliance of the different countries on the foreign companies in the development of the mines and local infrastructure and the preference for changes by means of amendment of the regulation as stated above.

Increasing dependence on infrastructures (such as electricity and transport) which may compel the mining companies to invest in the infrastructures in order to operate their sites to full capacity.

These negative factors are set off in part by:

- Geographic diversity of the Groups assets in a number of countries, so that an extreme scenario in one country at a given time is not expected to influence in a total manner the ability to repay the bonds by the Company.

- The Company products are almost all sold in western markets or in the framework of exclusive marketing agreements and part of the consideration is received outside the country of operation.

- In the view of Maalot, the implementation of future investments by the Group together with a change in the mix of the Company's activities in favor of sectors which are not in the mining field are expected to reduce the political risk.

- Existing cooperation with local governments (such as state holdings in part of the projects).

- The fact that the companies are traded and the considerable influence on the shareholders as a result of regulatory acts in these countries.

In the view of Maalot, the rating of the countries and their political risk (in ascending order) are as follows: Macedonia, Zambia, Kosovo, the Congo and Sierra Leone. It should be mentioned that the Group does not have insurance to cover the political risk of its activities in these countries.

(1) African Countries

The African countries which suffered for many years from colonialism, under development, political instability and different wars, are becoming a target for investments in light of the economic growth in recent years, democratization trends and economic reforms.

Congo – During the last decade Congo has undergone a number of political events which have changed the face of the country including a military coup and years of conflicts between different social groups. In June 2003 democratic elections took place and
were accepted by the different factions. Since the year 2001 international bodies have been supplying economic aid. These bodies include the World Bank, the IMF, the US and European countries. It should be mentioned that the country is not rated by S&P.

The mining activities in Congo are performed in the framework of the mining law which is intended to create a stable environment for the mining companies while creating various mechanisms for strengthening the rights of the investors in the sector.

Zambia is one of the most advanced countries south of the Sahara. The country is democratic and received its independence in the year 1964. Zambia is rich in minerals and the mining field in general and copper in particular constitute a central sector of the country's economy. It should be mentioned that the country is not rated by S&P.

Sierra Leone is one of the weakest countries in the world today (according to the human development index of the UN) and is in the process of rehabilitation following a decade of civil war (which ended in 2002). UN forces left the country in December 2005. In the course of the coming months elections are supposed to take place in the country which may under certain scenarios disrupt the present stability. It should be mentioned that the country is not rated by S&P.

The country's main source of income is diamonds and there are plans to reopen aluminum and titanium mines closed in the years of the conflict.

It should be mentioned that in the view of JP Morgan, in the course of the coming years we can expect to see additional international companies entering African markets both by way of independent investments and by way of acquisition of entrepreneurial companies.

(2) The Balkan States

Despite the proximity of the Balkan states to Europe, the existing between the economies of the states are very considerable differences. The Eastern Europe countries which were under Soviet influence constitute, in recent years, a source of growth and attraction for international investors with high growth rates. The Balkan states entered into a spiral which culminated in the dismantlement of Yugoslavia in 1992 and the commencement of a civil war with US support. This war ended in 1995 but the "tearing up" of Yugoslavia led Serb movements to aspire to independence for Kosovo which culminated in the year 1999 with the entry of NATO forces which intervened in the war.
Macedonia – received independence in 1991 upon the dismantlement of Yugoslavia and is now characterized by relative quiet both from a political point and from a security point, Macedonia's economy is gradually being transformed from a centralized one into a market economy. The state has indeed succeeded in improving the macro economic terms including a growth in the stream of foreign investments but the growth is at a low rate with unemployment rates reaching 35%. It should be mentioned that the country is rated by S&P as BB+.

The mining industry constitutes approximately 17% of the country's industrial produce. This industry is characterized by few investments in recent decades in view of the state of the economy upon the dismantlement of Yugoslavia but in recent years the government has commenced a reorganization of the sector and its privatization.

Kosovo – is an autonomous region bordering on Albania and Macedonia and which constituted for years the source of a lengthy ethnic conflict between the Albanians and the Serbs. Since the termination of the Kosovo war in 1999, the region is under the protection of the UN. It should be mentioned that the country is not rated by S&P.

The mining industry in the country is not developed in view of the lack of investments and resources. In the year 2002 an organization on behalf of the UN gave notice of privatization of the copper and nickel mines while regulating from a regulatory point, inter alia, by granting licenses, regulating taxes and supervising the mines.

3. Rating Outlook

The rating outlook of the Company is stable. This outlook is based on the commercial standing of the companies held; performance of investments at a level of risk which does not exceed the existing level; the business development of the Company; maintaining the financial contingencies as stipulated above. On the other hand, non compliance with or a delay in the performance of the Company's business plan and a significant drop in the value of the companies held may have an adverse effect on the rating of the bonds.

4. Charge of Shares

As part of the rating, BSGR undertook to charge in favor of the holders of the bonds shares of the companies according to the following rules:

(A) Charge of Traded Shares only, including Nikanor, Bateman Engineering and Bateman Litwin and the shares of Cunico shall serve as part of the

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collateral after the termination of the lock-up period after the issue of shares on the LSE. Nevertheless, the charge of non traded shares may be permitted subject to the following conditions:

- BSGR shall have control\(^9\) of the company in question.
- The financial debt of the company in question does not exceed the equity.
- The value of the company shall be determined at 80% of an independent assessment or the equity, whichever is lower.
- Providing securities at the ratio of the value of the shares to the debt of 1:3.5 for the said portion.

In addition, the Company may charge specific real estate assets, the assets themselves and not by means of shares, in countries with investment ratings – when the ratio of the securities shall be 1:2.

(B) **Providing an adjusted ratio of securities\(^{10}\) for the balance of the financial debt of TMI (principal + interest) of 1:2.75** – as stipulated in the Trust Deed.

(C) **A mechanism for speedy exercise** – this mechanism shall enter into force after the adjusted ratio of the securities to the financial debt of TMI is less than 1.75 during 3 trading days provided that the Company shall have the possibility of providing additional securities during a period of 3 trading days after notice of the above is given to the Trustee immediately upon the termination of the 3 trading days. After this period, the Trustee may initiate the sale of the securities until a ratio of 1:2.0 is reached.

(D) **A mechanism for slow exercise** - this mechanism shall enter into force after the adjusted ratio of the securities to the financial debt of TMI is less than 2.0 during 10 trading days provided that the Company shall have the possibility of providing additional securities during a period of 10 trading days. After this period, the Trustee may initiate the sale of the securities until a ratio of 1:2.0 is reached.

(E) **Release of securities** – the Company shall be entitled to release securities on condition that the adjusted ratio of the securities to the financial debt of TMI exceeds 1: 3.35 during 30 trading days in a manner that after the release, the ratio shall not be less than 1:3.35.

(F) **Mix of securities** – the Company shall provided tradable securities at a minimum ratio of 1:1.35 to the financial debt of TMI. At the same time, it should be mentioned that the securities may be replaced provided that the provisions stipulated in the sections above are fulfilled without affecting the rating of the bonds.

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\(^9\) As defined in the Securities Law.

\(^{10}\) Adjusted ratio of securities – the ratio includes the conversion of the relations required of real estate securities and non traded securities to traded securities as stipulated in section (a).
In the view of Maalot, the mechanisms for the exercise of the securities set forth above constitute a central part in strengthening the credit rating of the Company and together with the charge of the shares significantly increase the Company's ability of recovery and reduce the likelihood of a TMI default.

5. Analysis of the Companies Held

Below is a review of the main companies in the investments portfolio of BSGR:

5.1 Nikanor (26%)

(A) General

Nikanor Plc (in this section "the Company" or "Nikanor") is an international company which operates in the Democratic Republic of Congo and is presently engaged in the development of three open pit mines for copper and cobalt and the main one is the KOV mine, together with the rehabilitation of the existing work capacity and the construction of additional processing plants. Upon the completion of the development of the mines, Nikanor shall have fully vertical operations (mining, processing, refining and sale).

The Company was floated on the secondary market of London (AIM) in July 2006 and at present approximately 26% thereof is held by BSGR. The other share holders of the Company include Glencore and the RP Fund (24%), the Gertner family (15%) and Dan Gertler (10%) and the balance is held by the public.

It should be mentioned that these mines were mined in the past by the Gecamines company owned by the Congo government and were transferred to the joint ownership of Nikanor (75%) and Gecamines (25%) in September 2004 pursuant to an agreement ratified by the Congo government in July 2005. As part of the partnership a finance agreement was signed by the partners (JV Capex Development Agreement) whereby Nikanor shall invest all the sums required for the development of the mine including the Congo government's share which shall be defined as a loan bearing interest at the rate of LIBOR + 10% and shall be repaid commencing in the year 2010 upon the operation of the mine. In addition, Nikanor undertook to rehabilitate road infrastructure in the Kanga region.

11 In the Katanga region (south east Congo) which is considered the biggest area in the world for copper mining.

12 Glencore International – a Swiss private company engaged in international trade of crude oil. In addition, the company is engaged in a number of natural resources including cutting plants, refineries, mining, processing and sale of metals and minerals and agriculture. Glencore is considered a major player in the field of operating and sale of copper and cobalt in Africa.
Commercial

In the view of Maalot, the commercial risk of Nikanor is much higher than average and is influenced, inter alia, by the following negative factors:

- The Company’s activities are concentrated in Congo which is characterized by a very high political risk compared to Israel.
- The Company’s activities are expected to be based on one significant yield producing asset (KOV) (single site asset) which is supposed to commence operations in the year 2009 and until that time the company’s activities will depend on mines which are significantly smaller than KOV.
- The scope of the investments until the KOV mine is transformed is estimated at approximately US$ 1.6 billion. In the future, the Company is expected to perform an additional raising of capital in the sum of approximately US$ 500 million.
- The relatively short Company history.

On the other hand, these factors are set off by the following positive factors:

- Partial ownership of the Congo mines by the government (25%).
- The KOV mine is estimated to have one of the highest rates in the world of copper in its earth (4.83% compared to the accepted quality of approximately 1%).
- A forecast for lower than the sector average extraction costs.

Below are the physical figures of the mines:

<table>
<thead>
<tr>
<th>The Mine</th>
<th>Quality (%)</th>
<th>Metal (kilo-tons)</th>
<th>Commencement of Extraction</th>
<th>Term of Operation (years)</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Copper</td>
<td>Cobalt</td>
<td>Copper</td>
<td>Cobalt</td>
</tr>
<tr>
<td>Kov</td>
<td>4.83%</td>
<td>0.47%</td>
<td>6,575</td>
<td>658</td>
</tr>
<tr>
<td>Tilwezembe</td>
<td>1.49%</td>
<td>1.04%</td>
<td>89</td>
<td>62</td>
</tr>
<tr>
<td>Kananga</td>
<td>2.07%</td>
<td>1.29%</td>
<td>143</td>
<td>89</td>
</tr>
</tbody>
</table>

In the case of the KOV mine, this mine was operated in the past in the years 1960-2000 and in total, until the year 2000, 2.2 million tons of copper were mined from it. As stated above, the total amount of investment in the KOV mine is expected to be approximately US$ 1.6 billion at the first stage and in addition, the Company shall need additional finance sources of approximately US$ 500 million. It should be mentioned that this assessment was performed by Bateman Eng. after a previous assessment by the Company of costs in the amount of US$ 1.2 billion.

The increase in the scope of the investment as well as the withdrawal of the Chinese financing bank led to the Company performing a share issue in the sum of approximately 372 million pounds to Glencore, the...
RP Fund and BSGR. The entry of Glencore included an offtake agreement of any amount of the copper and the cobalt produced at market prices and the right to appoint a chairman or a CEO in addition to the appointment of a CFO.

In the view of Maalot, the entry of Glencore brought into the company an experienced factor with a presence in the African market, but it appears that the entry was due to a certain pressure after the refusal of the minority shareholders to perform a sale offer of the company shares.

In the view of the Company, it is expected to generate a positive cash flow (before tax and finance) in the sum of approximately US$ 250 million in the year 2009 and this will rise to US$ 560 million in the year 2011 upon the operation of the company's facilities at full capacity on the assumption of a sharp drop in the copper and cobalt prices.

In the view of SRK, the activity of Nikanor was evaluated in the framework of the prospectus at US$ 1.1 billion. It should be mentioned that this evaluation does not include an update of the estimate of the development costs (approximately US$ 0.4 billion). It should be mentioned that this evaluation is significantly lower than the market value of Nikanor and reflects the investors' estimation of the metal prices, the expansion potential etc.

5.2 Cunico (37% after the flotation)

(1) General

Cunico Resources NV (in this section "the Company" or "Cunico") is engaged through subsidiaries in the field of mining, development and sale of minerals (copper, cobalt and nickel). The Company's activity is concentrated in the Balkan states (Albania, Macedonia and Kosovo) and in Africa (Zambia). The activity of Cunico was established during the years 2003-6 and included, inter alia, the acquisition of the LCM and Chambishi companies (activity in Zambia) and Feni (activity in Albania and Macedonia).

In the year 2006 the Group extracted 11 thousand tons of nickel, 22 thousand tons of copper and 3 thousand tons of cobalt and the total revenues of the Group amounted to approximately US$ 424 million. In the view of the Company, upon the completion of the performance of the investments, the Company is expected to extract approximately 43 thousand tons of nickel, 91 thousand tons of copper and approximately 6 thousand tons of cobalt.

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13 SKR Consulting Engineers and Scientists - consultants not connected to the Group who specialize in the field of minerals and water with worldwide activities. In the framework of the Nikanor and Cunico prospectuses SRK gave an asset evaluation based on the existing reserves in the ground.

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Cunico is controlled by BSGR (50%) and by IMR BV\(^{14}\) (50%). The controlling shareholders intend to issue 50% of the Cunico shares on the LSE during the coming fortnight according to a value of US$ 2.5-3.0 million before the money (according to public announcements). The issue consideration shall be used for the continued development of the existing plants and the acquisition of additional mines. Following the issue, the holding of BSGR in Cunico is expected to be reduced to approximately 37%. It should be mentioned that the interested parties agree that future investments in the Balkan and in Zambia shall be performed in the framework of Cunico.

(2) Commercial

In the view of Maalot, the commercial risk of Cunico is slightly higher than average and is influenced, inter alia, by the following negative factors:

- The Company's activities are concentrated in geographic areas which are characterized by a higher political risk compared to Israel.
- A rise in the bargaining power of the employees as expressed by the sharp rise in the costs of wages especially in areas where a number of mining companies operate.
- The need to ensure sufficient energy sources for the Company's operations in Macedonia and Zambia.
- Mines with relatively low quality earth and in Macedonia, the Company needs to import earth to enrich the local earth.
- Large scale investments which it is expected that the Company will invest in the coming years to increase production.
- Lack of continuous operating history in the Ferronikeli plant in Kosovo.

On the other hand, these factors are set off by the following positive factors:

- Geographic distribution of the mines (Kosovo, Macedonia and Zambia) and no dependence between the African and Balkan markets.
- Diversity of the fields of activity (copper-cobalt and nickel). However this diversity is not sufficiently broad in global terms.
- The structure of the ownership and management enable use of the Company as a platform for the performance of additional investments in these geographic areas and Bateman Eng. may be exploited to promote activities and as a subcontractor.

\(^{14}\) IMR (International Mineral Resources) – the company is held by 3 businessmen from Kazakhstan and is engaged mainly in the field of minerals and mines in Kazakhstan.

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In the view of Maalot, based on the level of nickel prices in recent years, the main revenues of the Company are anticipated to be derived from the Balkan states. This activity which centers on the Feni plant in Macedonia was purchased in 01/2005 for approximately US$ 42.6 million (as of 12/2005 the plant was valued at US$ 124 million). During the period since the purchase a number of processes have been implemented to improve and increase the efficiency of the nickel extraction capacity. In the view of the Company, the completion of the Company's investment in the Balkan area is expected to increase the extraction capacity of the Company as stated above while continuing to increase efficiency (a small increase in the number of employees) and creating back-up for production.

In the view of the Company, the scope of investments by the Company shall amount to approximately US$ 700 million and shall increase the extraction capacity of the Company to approximately 45 thousand tons of nickel and approximately 100 thousand tons of copper and approximately 5 thousand tons of cobalt.

(3) Finance

In the course of the year 2006 the Company reported income of approximately US$ 424 million and a net profit of approximately US$ 61 million, an increase compared to the year 2005. Nevertheless the results for the year 2006 were influenced by a hedge on the nickel prices which reduced the operating profit of the Company by approximately US$ 71.6 million.

In the view of the Company, the flotation of the Company and the raising of approximately US$ 800 million by the Company are expected to be used to repay a debt in the sum of approximately US$ 140 million to interested parties, for investment in a development plan of approximately US$ 550 million and the balance for future plans. Furthermore, in the framework of the flotation a loan in the scale of approximately US$ 400 million shall be made available to the partners and it will be repaid over 5 years.

It should be mentioned that a draft prospectus of the Company states that the Company does not have a dividend policy and it intends to invest current revenues in the expansion of its activities. In the view of Maalot, the absence of control of the Company does not allow reliance on dividends as a current source for the repayment of the bonds of BSGR.

In the view of SRK, the activity of Cunico was evaluated in the framework of the prospectus at US$ 2.1 billion. It should be mentioned that this evaluation may not be the same as the market value of Cunico after it is floated and may reflect the investors' estimation of the metal prices, the expansion potential etc.
5.3 Bateman Engineering (50.2%)

(1) General

Bateman Engineering (in this section "the Company" or "Bateman") is engaged in providing engineering planning and project management (design & build) services for the global mining industry and for the energy industry (as of today in South Africa only). Bateman is an international company (registered in Holland) which was floated on the London secondary market (AIM) in October 2005 and approximately 69% of it is held by BSGR.

Bateman was established in South Africa in the year 1919 and in 1990 was floated on the Johannesburg stock exchange. In the year 2002 it was acquired (in stages) fully by BSGR and went private (was registered as a private Dutch company – Bateman BV). In July Bateman BV was split into two companies: Bateman Engineering which concentrates on services to the mining sector and Bateman Litwin which concentrates on services to the energy sector which was also floated on the AIM stock exchange (May 2006).

Bateman is in a state of continuous growth with an ever increasing backlog of orders which in its estimation will reach a turnover of approximately US$ 1 billion by the year 2011. The Company’s growth is mainly due to the increase in the mining industry (which is influenced by the commodities market) which is anticipated to continue also in the medium term. Bateman has invested in various infrastructures and in recruiting qualified personnel, inter alia, by setting up a center of operations in India in order to support the significant increase in the scope of its activities.

(2) Commercial

In the view of Maalot, the commercial position of Bateman Engineering is higher than average in light of: range of activities, geographic diversity, considerable growth in the scope of activity together with a backlog of orders for the coming years: many years of experience, expertise and a high market share in part of the niches in the sector. Main risks of the Company are: lack of qualified employees and wage rises; lack of supply of equipment and input; deviations from project budgeting; reliance on subcontractors.

Bateman supplies solutions for mining companies in the conversion of the different minerals to marketable products. Bateman plans and manages the metal processing plants but is not engaged in the

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15 The results of Bateman Engineering are reported on the basis of the fiscal year which terminates in June.
mining itself or in the marketing of the finished goods. A project managed by the Company includes the planning, acquisition, performance and setting up and the construction is performed by subcontractors. The Company does not operate the project which it set up but is only responsible for guiding the customer on the manner of operation. Historically, Bateman has been engaged mainly in the management of projects for the diamond industry as a result of the fact that it was originally a South African company, but it now handles minerals and different metals and also enjoys a geographic distribution.

The company operates through 4 business divisions:

<table>
<thead>
<tr>
<th>Individual Industry</th>
<th>Sales in ($ 2006)</th>
<th>Breakdown</th>
</tr>
</thead>
<tbody>
<tr>
<td>Minerals and Metals</td>
<td>265</td>
<td>Providing engineering services to mining companies with different mineral resources</td>
</tr>
<tr>
<td>Engineered Technologies</td>
<td>63</td>
<td>The division is a provider of services within the cement and coal industry</td>
</tr>
<tr>
<td>Metal Recovery</td>
<td>19</td>
<td>Extraction of metals from mounds of industrial waste from active and non active mines</td>
</tr>
<tr>
<td>Power and Energy</td>
<td>1</td>
<td>Activities of congressional stations within South Africa</td>
</tr>
</tbody>
</table>

The development of the backlog of orders and a number of new projects indicate a significant expansion of Bateman which benefits from the positive momentum of the sectors of its activities. The scope of new orders reached a record high in December 2006 and amounts to approximately US$ 543 million also due to the large scope of two new projects (together 395 million dollars) and this constitutes an indicator of the size and complexity of the projects which the Company is able to manage. The backlog of orders as of December 2006 ensures revenue visibility of between 2 to 3 years.

16 In an average sized project the number of employees will be approx. 2,000 but only 100 shall be Company employees.
17 The backlog of orders is the remaining works for performance pursuant to signed contracts.
18 New orders are the cumulative sum of the entry into new projects and demands for amendments (to existing contracts) received during the reporting period.
Below is the development of the backlog of orders and new orders of Bateman Engineering (in millions of dollars):

<table>
<thead>
<tr>
<th>For period ended</th>
<th>2004</th>
<th>2005</th>
<th>2006</th>
<th>H1/2007</th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Orders (for end of period)</td>
<td>122</td>
<td>263</td>
<td>267</td>
<td>599</td>
</tr>
<tr>
<td>New orders</td>
<td>146</td>
<td>335</td>
<td>308</td>
<td>543</td>
</tr>
<tr>
<td>Revenues</td>
<td>162</td>
<td>215</td>
<td>342</td>
<td>236</td>
</tr>
<tr>
<td>Open orders/Revenues</td>
<td>0.8</td>
<td>1.2</td>
<td>0.8</td>
<td>2.5</td>
</tr>
</tbody>
</table>

The Company intends to expand the lines of its products including activity in the field of energy minerals where the behavior of their end markets is not the same as that of minerals in an attempt to accomplish geographic diversity. In addition the Company intends to grow by mergers and acquisitions especially companies with unique technologies or companies operating in complementary fields.

(3) Finance

The Company's revenues are subject to fluctuations due to the variety of the scope and timing of the projects performed and in recent years there has been a significant leap in the scope of the revenues. In the first half of 2007 the Company's revenues amounted to approximately US$ 236 million compared to revenues of US$ 342 million in the entire year of 2006. Despite the increase in the demand for engineering services, the Company's profitability is in the region of 3%.

In the view of Maalot, the financial strength of the Company is very good in light of the negligible leverage, also in comparison with other construction companies. In the view of Maalot, in light of the scope of the net profit of the Company, BSGR does not rely on the revenues generated by the Company.
5.4 Bateman Litwin (66%)

(1) General

Bateman Litwin (in this section "the Company" or "Bateman Litwin ") is engaged in providing engineering planning and project management services for the global energy industry (oil and gas and power stations): the Company also supplies various solutions for the chemical industry and the mineral and metal sector. Bateman Litwin is an international company (registered in Holland) which was floated on the London secondary market (AIM) in October 2005 and approximately 66% of it is held by BSGR.

Bateman Litwin is a spin off from Bateman BV as stated above in July 2004 and retains in its possession the holding in Litwin purchased one month earlier (June 2004). Litwin was established in 1955 in France and has accumulated since its establishment goodwill and experience of more than 1,000 projects in the field of energy in European markets, North Africa and the Middle East. Litwin now constitutes the main source of the Company for projects which are being performed.

Bateman Litwin is in a state of continuous growth with an ever increasing backlog of orders which in its estimation will reach a turnover of approximately US$ 800 million by the year 2010. The Company's growth is mainly due to the increase in the oil and gas industry (which is also influenced by the commodities market) which is anticipated to continue also in the medium term and by developments in the field of power production.

(2) Commercial

In the view of Maalot, the commercial position of Bateman Litwin is higher than average in light of: the range of activities, geographic diversity, considerable growth in the scope of the activity together with a backlog of orders for the coming years; many years of experience, expertise and intellectual property. The main risks of the Company are: lack of qualified employees and wage rises; lack of supply of equipment and input; deviations from project budgeting; reliance on subcontractors.

Bateman supplies engineering solutions and different services for the oil and gas sector, production of electricity and chemicals. A project managed by the Company includes the planning, acquisition, performance and setting up and the construction is performed by subcontractors. The Company has 1,500 employees, mainly engineers and it operates world wide while ensuring insurance of political risks in dangerous countries (for

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19 The results of Bateman Litwin are reported on the basis of the fiscal year which terminates in June.
example Kazakhstan and Turkmenistan) even if this entails high costs.

<table>
<thead>
<tr>
<th>Business Unit</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Energy Sector</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Oil &amp; gas</strong></td>
<td>services provided for development and production of oil &amp; gas fields,</td>
</tr>
<tr>
<td></td>
<td>treatment of the transfer of fuels and their storage, construction of</td>
</tr>
<tr>
<td></td>
<td>refinery units processing factories for the petrochemical industry</td>
</tr>
<tr>
<td><strong>Power Station</strong></td>
<td>erection of power stations providing services to clients and consumers</td>
</tr>
<tr>
<td></td>
<td>producing between 15-300 megawatts</td>
</tr>
<tr>
<td><strong>Chemical Technology</strong></td>
<td>design and construction of plant for phosphate processing</td>
</tr>
<tr>
<td><strong>Advanced Technologies</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Solvent Extraction</strong></td>
<td>metals &amp; mineral extraction services</td>
</tr>
</tbody>
</table>

The development of the backlog of orders and the number of projects available indicate a significant expansion of Bateman Litwin exploiting the positive momentum of the sectors of its activities. The substantial increase in the backlog of orders is derived mainly from the transformation of Litwin (which was acquired in June 2004) from a service and consultancy company to a construction company (full LSTK contract). According to the Company there is a surplus demand for the Company's services and therefore it may select the works. The backlog of orders as of December 2006 ensures revenue visibility of between 3 to 4 years.

Below is the development of the backlog of orders of Bateman Litwin (in millions of dollars):

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Open Orders (for end of period)</td>
<td>150</td>
<td>556</td>
<td>639</td>
<td>738</td>
<td>906</td>
<td>1014</td>
</tr>
<tr>
<td>Revenues</td>
<td>48</td>
<td>116</td>
<td>270</td>
<td>198</td>
<td>404</td>
<td>514</td>
</tr>
<tr>
<td>Open orders/Revenues</td>
<td>3.1</td>
<td>4.8</td>
<td>2.4</td>
<td>3.7</td>
<td>2.2</td>
<td>2.0</td>
</tr>
</tbody>
</table>

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During the coming years, the Company intends to extend its line of products including for the oil industry, offering a full range of solutions in the field of the advanced technologies and the development of renewable energy. The Company intends to continue the strategy of mergers and acquisitions of companies with synergies in the fields of its activities.

(3) Financial

The impressive growth of the Company can be seen in the growth rate of approximately 133% in 2006 compared to 2005 and approximately 71% in the first half of 2007 (financial year) compared to Dec 2006. The energy division is responsible for the main part of the revenues. Nevertheless, the advanced technologies division is much more profitable than the energy division in light of the high added value provided to customers. The geographic breakdown of the revenues varies according to the mix of the projects and the scope of incoming projects. In the view of Maalot, the Company's geographic diversity is higher than average.

In the view of Maalot, the financial strength of the Company is very good in light of the negligible leverage, also in comparison with other construction companies. In the view of Maalot, in light of the scope of the net profit of the Company, BSGR does not rely on the revenues generated by the Company.

6. Rating Contingencies

The following rating is an initial rating. The final rating of the bonds is contingent on the conditions set forth in section XX of the Trust Deed, in addition:

- Receipt of the signed solo accounts of BSGR as of 31/12/06.
- Completion of the final legal documents.
- Registration of the charges pursuant to the provisions of the Trust Deed.
- Receipt of a legal opinion on the exercise of the charge by the Trustee - as stipulated in the Trust Deed and its appendices.
- A clarification is required to the effect that BSGR shall waive all defenses that it has (if at all) under the law with regard to the guarantee (Israeli law) and that if the guarantee is exercised – BSGR may sue TMI for the exercise – only after the final payment of the bonds.
7. Reporting

The Company shall deliver to Maalot all reports given to the bond owners and in addition:

(A) annual audited financial statements including presentation of the results of BSGR only;
(B) reviewed quarterly financial statements;
(C) a report every quarter which sets forth the security ratio and its components as given to the Trustee;
(D) a report of the material events which in the opinion of the Company may have a material adverse influence on its business;
(E) a report of the changes in the Group holdings and changes in the Company's board of directors and senior management;
(F) any other report requested by Maalot in the course of the follow-up after the bonds and their main considerations.