

30 December 2008

## GMM Update

Dear Shareholder

General Mining Corporation Ltd ("GMM") is pleased to provide an update on the Company and its exploration projects. Despite the challenging market the Company believes it has a unique set of exploration projects that will allow the company to unlock shareholder value.

The Company is particularly excited about the Uvs Nuur Evaporite and Khangai Fault projects in Mongolia which are believed to have considerable potential for potash, lithium and soda ash deposits.

Of particular importance is that both potash and lithium continue to remain in high demand due to potash being an essential fertiliser and plant nutrient on food crops and due to the rapid move by car manufacturers towards hybrid and electric cars with lithium batteries. Both lithium and potash can also be produced using cost effective and simple mining techniques.

Key features of the Uvs Nuur Project include:

- The existence of an enclosed evaporite basin formed during the closure of the Okhostk Ocean which provides a crucial pre-requisite to the formation of a potash deposit;
- The existence of large, up to 300m thick, exposed salt beds within the exposed northern edge of the basin with reported bands of sylvinite (potash);
- The existence of numerous deposits of other evaporate minerals including gypsum and soda ash – several of which occur on the Company's tenements;
- The presence of mineral/thermal springs which originate from surrounding volcanic rocks which provide a source of lithium into the evaporate basin; and
- A tenement holding which includes 4 granted exploration licences (1617 km<sup>2</sup>) and 2 applications (920 km<sup>2</sup>).

In addition the potential for potash and lithium also exists on the Company's extensive Khangai Fault tenements, which covers a significant area in the Great Lakes Basin of Western Mongolia including several evaporite lakes. Several large outcropping pegmatites on the Company's Khangai Project also offer potential for spodumene hosted lithium similar to nearby pegmatites across the Russian border.

The Uvs Nuur Basin and Khangai Fault projects have had very little exploration and have not been assessed for their potash or lithium potential with only minor exploration conducted for soda ash and halite.

GMM has engaged The Ercosplan Group of Companies, considered world leaders within the potash and mineral salts industry, to provide a preliminary Exploration Concept Study due for completion shortly. Ercosplan are a multi-disciplinary and independent consulting firm which arose out of Central Germany, the birthplace of the modern potash industry.

Depending on the recommendations of the Exploration Concept Study, GMM may conduct first pass exploration early in 2009 including seismic surveys, stratigraphic drilling and sampling of brines and pegmatites.

### **About the Potash and Lithium Markets**

Potash (potassium chloride) is an essential plant nutrient that improves the taste, vitamin content and disease resistance of plants. Since 2007 prices for potash soared almost 500% to over US\$1000 per tonne in response to a tightening of supply and continued strong growth from China, India and Brazil. Prices have since moderated, however recent contract prices have still remained robust between US\$800 to US\$900. Whilst China remains the largest importer of potash it is estimated that underlying demand may be far greater due to the current ratio of application being below recommended levels.

Lithium is used in the manufacture of glass, ceramics, enamel and batteries. The rapid shift by car manufacturers around the world towards hybrid and electric cars that utilise lithium batteries and other lithium components is set to lead to a significant rise in the demand for lithium in the coming years. This shift has gained momentum in recent months as automobile titans General Motors, Ford and Chrysler have been forced to rapidly change production focus to smaller and lighter cars.

### **About Ercosplan**

Ercosplan is an East German multidisciplinary consulting firm specialising on the potash and the mineral salts industry. The Ercosplan Group of Companies arose out of the former Kali-Ingenierburo in Central Germany, the birthplace of the modern international potash industry, where much of the world's early potash was derived from.

Ercosplan have over 50 years of experience in all aspects of the potash and mineral salts industry and have consulted on projects across the world. The Ercosplan Group of Companies are pure consultancy firms with no exploration and mining arm, instead focusing on providing support at all stages of development from exploration concept studies, prefeasibility studies and process design to capital cost assessment studies, market studies and supervision of construction activities.

### **Khangai Fault Project (Ni-Cu-PGE, Cu-Mo-Au)**

GMM is also still in discussions with potential partners for the Khangai Fault nickel-copper-pge and copper-molybdenum-gold projects. In light of declining commodity prices for these metals, cutbacks to budgets and opportunist political pressure being applied on the Mongolian Government to reform mining laws, GMM cannot guarantee that these talks will lead to a concluded

agreement in the near future.

It should be noted that discussions with third parties have at no stage included the Uvs Nuur Evaporite Project which GMM considers to have substantial potential and which has the advantage of being a simpler and lower cost exploration target. GMM does not currently see any need to bring in additional partners to the lithium and potash project.

### **Planned Activities in 2009**

With the rapid decline in the majority of commodity prices it is the company's firm belief that shareholder funds are best spent on the unique Uvs Nuur Evaporite Project which offers exposure to two strong commodities in potash and lithium. GMM expects to finalise an exploration program for early 2009 which may involve stratigraphic drilling, seismic surveys and brine sampling. The timing of the exploration program will depend on weather conditions and the availability of suitable drill rigs – likely to be sourced from nearby Russian industrial centres.

GMM believes these simple exploration activities may substantially upgrade the potential and value of the project. A further announcement will be made in early January to shareholders, once the Exploration Concept Study by Ercosplan has been completed.

### **New Website**

Further information on the Company's projects and news will be posted to the Company's new website at [www.generalmining.com](http://www.generalmining.com)

If you have any questions regarding this letter or any other matter please contact Chris Wanless on +61 9528 6049 or +61 417102614.

Yours Sincerely,

Chris Wanless  
Director  
General Mining Corporation Ltd