

**TRUSCOTT MINING CORPORATION LIMITED**

**ACN 116 420 378**

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**NOTICE OF ANNUAL GENERAL MEETING**

**AND**

**EXPLANATORY MEMORANDUM**

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**Date of Meeting**

Friday 31 October 2008

**TIME OF MEETING**

2:30 pm WDT

**PLACE OF MEETING**

Boardroom 13 Colin Street, West Perth WA 6005

**This Notice of Annual General Meeting and Explanatory Memorandum should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their accountant, solicitor or other professional adviser without delay.**

**TRUSCOTT MINING CORPORATION LIMITED**  
**ACN 116 420 378**

**NOTICE OF ANNUAL GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of Truscott Mining Corporation Limited ACN 116 420 378 (“**Company**”) will be held in the Boardroom at 13 Colin Street, West Perth, WA 6005 on 31 October 2008 commencing at 2:30 pm WDT.

An Explanatory Memorandum containing information in relation to each of the following Resolutions accompanies this Notice of Meeting.

Terms used in this Notice of General Meeting will, unless the context otherwise requires, have the same meaning as given to them in the Glossary as contained in the Explanatory Memorandum.

**AGENDA**

**BUSINESS**

**Financial Statements and Reports**

To receive and consider the financial statements of the Company and the Reports of the Directors and Auditor for the financial year ended 30 June, 2008.

**RESOLUTIONS**

**Resolution 1 – Remuneration Report**

To adopt the Remuneration Report for the financial year ended 30 June 2008, submitted as part of the Directors’ Report for the financial year ended 30 June 2007, pursuant to sections 250R(2) and 250R(3) of the *Corporations Act 2001 (Corporations Act)*.

Please note that the vote on this item is advisory only and does not bind the Directors of the Company or the Company.

**Resolution 2 – Election of Directors**

- (a) To elect as a Director Mr Derrick Sufredo, who retires in accordance with rule 11.3 of the Company’s Constitution and, being eligible, offers himself for re-election.
- (b) To elect as a Director Mr Kevin R Alexander, who retires in accordance with rule 11.12 of the Company’s Constitution and, being eligible, offers himself for re-election.

### **Resolution 3 – Acquisition of Exploration Tenements from Resource Holdings (WA) Pty Ltd**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**.

*“That, for the purposes of listing rules 7.1 and 10.11 and for all other purposes, Shareholders approve the acquisition of Northern Territory tenements EL 25881 and EL 26145 from Resource Holdings, a company controlled by Mr Peter N Smith the Executive Chairman of Truscott Mining Corporation Ltd, for a consideration of 4,000,000 unlisted options with an exercise price of 85 cents and an expiry of 18 May 2012. The options are to be in escrow for 2 years from the date of grant.”*

#### **Voting exclusion statement**

The Company will disregard any votes cast on Resolution 3 by Resource Holdings to whom the options are to be issued and any associate of that company.

However, the Company need not disregard a vote if it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on the proposed Resolution; and it is not cast on behalf of Resource Holdings or an associate of Resource Holdings Pty Ltd

Please note terms used in Resolution 3 of this Notice of Meeting have the same meaning as set out in the glossary of the Explanatory Memorandum accompanying this Notice.

The options to be issued to Resource Holdings (such options to be granted on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of General Meeting, including Annexure A to the Explanatory Memorandum).”

### **Resolution 4 –Grant of Options to Ivan Henderson – Chief Geologist**

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

*“That, for the purpose of listing rule 7.1 and Section 208 of the Corporations Act and for all other purposes, the Directors be authorised to grant for nil cash consideration the following unlisted options:*

*A. 300,000 options with an exercise price of 25 cents and an expiry date of 20 August 2011 to vest immediately;*

*B. 300,000 options with an exercise price of 30 cents and an expiry date of 20 August 2012 to vest on 20 August 2009; and*

*C. 300,000 options with an exercise price of 25 cents and an expiry date of 20 August 2013 to vest on 20 August 2010.*

The options are to be issued to Mr Ivan Henderson or his nominee/s (such options to be granted on the terms and conditions set out in the Explanatory Memorandum accompanying this Notice of General Meeting, including Annexure B to the Explanatory Memorandum).”

### **Voting exclusion statement**

The Company will disregard any votes cast on Resolution 4 by Mr Ivan Henderson to whom the options are to be issued and any associate of Mr Henderson and a person who might receive a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the resolution is passed.

However, the Company need not disregard a vote if it is cast by a person as a proxy appointed in writing that specifies how the proxy is to vote on the proposed Resolution; and it is not cast on behalf of Mr Henderson or an associate of Mr Henderson.

Please note terms used in Resolution 4 of this Notice of Meeting have the same meaning as set out in the glossary of the Explanatory Memorandum accompanying this Notice.

### **By Order of the Board of Directors**

A handwritten signature in blue ink, appearing to read 'Michael Povey', written over a horizontal line.

Michael Povey  
Company Secretary  
Truscott Mining Corporation Limited  
25 September 2008

**TRUSCOTT MINING CORPORATION LIMITED**  
**ACN 116 420 378**

**EXPLANATORY MEMORANDUM**

This Explanatory Memorandum has been prepared for the Shareholders of Truscott Mining Corporation Limited ("**Company**") in connection with the business to be conducted at the Annual General Meeting of the Company to be held at **the Boardroom 13 Colin Street West Perth WA 6005 on 31 October 2008 commencing at 2:30 pm WDT**. This Explanatory Memorandum is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting.

This Explanatory Memorandum should be read in conjunction with the accompanying Notice of Annual General Meeting.

The Directors recommend that Shareholders read this Explanatory Memorandum before determining whether or not to support the Resolutions.

**Resolution 1 – Remuneration Report**

Section 300A of the Corporations Act requires that the Directors' Report must contain a Remuneration Report containing information about the Board's policy for determining the nature and amount of the remuneration of Directors and senior management. The Remuneration Report must also explain the relationship between the remuneration policy of the Board and the Company's performance. Shareholders are required to vote on a non-binding resolution to adopt the Remuneration Report.

Please note that the vote on this item is advisory only and does not bind the Directors of the Company or the Company.

**Resolution 2 (a) and 2 (b) – Election of Directors**

**Mr Derrick Sufredo**

Pursuant to rule 11.3 of the Company's Constitution, at each Annual General Meeting, one third of the Directors (or, if their number is not a multiple of 3, then the number nearest to one third) must retire from office. The Directors retire by rotation, with the Directors who have been the longest in the office since being appointed or re-appointed being the Directors who must resign in any year. If 2 or more persons became directors (or were re-elected) on the same day, those to retire must be determined by lot unless they otherwise agree among themselves. Each director is entitled to offer himself for re-election as a Director at the Annual General Meeting which coincides with his retirement.

Accordingly, Mr Sufredo will retire in accordance with the requirements of the Company's Constitution at the Annual General Meeting. As he is entitled and eligible for re-election, he seeks re-election as a director of the Company at the meeting.

Mr Sufredo has been a Director of the Company since it was incorporated in September 2005 and is a Non-Executive Director.

Mr Sufredo has operational experience including the provision of technical services on mine sites within the Australian gold mining sector. Commercial and management expertise in business development functions within the futures and stock broking industry. Derrick was the founding managing director and was a part owner of C.K. Locke and Partners, an Australian Financial Services Licensee. Mr Sufredo is a member of the audit committee.

### **Mr Kevin R Alexander**

Pursuant to rule 11.12 of the Company's Constitution a person appointed by the Board must retire from office at the next Annual General Meeting after the appointment. Each director so appointed is entitled to offer himself for re-election as a Director at the Annual General Meeting which coincides with his retirement.

Accordingly, Mr Alexander will retire in accordance with the requirements of the Company's Constitution at the Annual General Meeting. As he is entitled and eligible for re-election, he seeks re-election as a director of the Company at the meeting.

Mr Alexander is a geologist with 26 years experience in the exploration and mining of gold, base metals and diamonds in Australia, Indonesia, Kazakhstan, Russia and Armenia. He has held a number of positions at the Chief Geologist and Exploration Managers level and in particular has considerable exposure to projects involving large drilling programmes and ranging from pre-feasibility stage through to advanced development and operating mines. Most recently he was Chief Geologist for Oriel Resources plc, an A.I.M listed company, and was responsible for the geological aspects of feasibility studies into large nickel and chrome projects in Kazakhstan.

## **Resolution 3 – Acquisition of Tenements from Resource Holdings (WA) Pty Ltd**

### **Background**

On 11 June 2008 the Company announced that it had finalised an agreement with Resource Holdings to purchase the Explorer Project area in the Northern Territory. The area comprises two Exploration Licenses ('ELs') specifically EL25881 of 210.70km<sup>2</sup> and EL26145 of 24.68km<sup>2</sup> located within the Halls Creek Mobile Belt, Northern Territory. The Explorer Project has been independently valued at \$68,000 from within the range of \$61,000 to \$75,000.

The region in which the new project area falls has recently received increased technical interest. The Halls Creek Mobile Belt that underlies the tenure is now more widely recognised as having been an active zone between the Kimberly-Pine Creek block and the Tanami-Tennant Creek block to the East. The project area will be explored for its potential to host uranium, rare earths and base metal mineralisation.

The agreement provides for the acquisition of 100% of the Explorer Project from Resource Holdings, an entity controlled by Executive Chairman, Mr Peter Smith.

The consideration for the 100% acquisition of the Explorer Project is 4,000,000 unlisted Truscott options exercisable at 85 cents, each with an exercise date of on or before the 18<sup>th</sup> of May 2012. A voluntary escrow period of 2 years has been agreed between the Parties. The options have been independently valued at \$49,520.

Under Part 2E of the Corporations Act 2001 and ASX listing rule 10.11 the Company is required to receive shareholder approval for the acquisition to be completed by the issue of the options.

Directors' recommendation:

Resolution 3 – acquisition of tenements from Resource Holdings

Derrick Sufredo, Michael Povey and Kevin Alexander (who do not have an interest in Resolution 3 recommend to Shareholders that they vote in favour of Resolution 3 for the reasons outlined in this Explanatory Memorandum. Peter Smith does not wish to make any recommendation to Shareholders in relation to proposed Resolution 3 as he has a material personal interest in the outcome of that particular Resolution as it relates to the proposed grant of Unlisted Options as consideration to a company controlled by him.

**Terms of the sale agreement with Resource Holdings (WA) Pty Ltd**

(a) The Agreement is subject to and conditional on:

1. the grant of any necessary consents and approvals by the Minister under the Mining Act to the proposed assignment of the Tenements as contemplated in this Agreement; and
2. Truscott Mining obtaining all approvals reasonably and properly required for the grant of the Options to Resource Holdings including, without limitation, approval for the purposes of the Corporations Act, the Listing Rules or the Constitution of Truscott Mining.

(b) The consideration is 4,000,000 unlisted options in the capital of Truscott Mining with each option convertible into one ordinary fully paid share in the capital of Truscott Mining at an exercise price of \$0.85 per option, exercisable on or before 18 May 2012 and otherwise on the terms and conditions set out in Annexure A.

**Restriction agreement**

In accordance with Chapter 9 of the Listing Rules Parties acknowledge and agree that part or all of the Options to be granted in accordance with this Agreement may be deemed by ASX to be "restricted securities" as defined by the Listing Rules and if this is the case, Resource Holdings agrees that it will create a restriction agreement in respect of the "restricted securities".

Notwithstanding the requirements of Chapter 9 of the Listing Rules, Resource Holdings agrees that, should ASX not deem all of the Options to be "restricted securities" for a minimum period of 24 months from the later of:

- (a) the date of grant of the Options; and
- (b) the creation of the restriction agreement by Resource Holdings,

all of the Options will be voluntarily escrowed for a period of 24 months from the Completion Date and Resource Holdings will do all such things and sign all such documents as are required to give effect to the voluntary escrow of the Options for the prescribed period, including executing a voluntary escrow deed prior to the grant by Truscott Mining of the Options.

### **Value of consideration**

The Directors requested Young & Cullen Pty Ltd to provide an indicative valuation of the Unlisted Options proposed to be granted to the related parties for inclusion in this Explanatory Memorandum.

Young & Cullen Pty Ltd by letter dated 23 May 2008, have concluded that the Black and Scholes Option Pricing Model attributes an indicative value of 1.238 cents to each Option to be granted based on the following assumptions:

1.	Underlying security price:	15 cents
2.	Exercise price of the Unlisted Options	85 cents
3.	Dividend rate	0%
4.	Standard deviation of returns	70%
5.	Risk free rate (current Reserve Bank interbank overnight cash rate)	7.25%
6.	Expiry date	18 May 2012

Young & Cullen Pty Ltd further discounted the Unlisted Options value for the following factors:

1. The fact that the options are unlisted:  
A discount of between 30% and 50%. 33.3% was selected as there is some overlap with the escrow discount.
2. The Unlisted Options will be subject to a 2 year escrow period:  
A discount of 20% pa has been applied.

The terms of the Unlisted Options to be granted are set out in Annexure A.

### **Dilution Effect and Potential Costs**

The potential cost to the Company of the grant of an aggregate of 4,000,000 Unlisted Options pursuant to Resolution 3 is that there will be a dilution of the issued share capital if the Unlisted Options are exercised. The Company currently has 52,564,502 Shares on issue and 6,253,600 Unlisted Options on issue (the exercise price and expiry date of which are set out below):

<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
753,600	20 cents each	31 March 2010
3,000,000	20 cents each	31 March 2011
2,500,000	25 cents each	23 May 2012

The exercise of the proposed Unlisted Options to Resource Holdings would have a dilution effect of approximately 6.80% of Shareholders (assuming all the Options on issue have been exercised).

If all the options are exercised, a further 4,000,000 shares will be on issue and \$3,400,000 will be raised by the Company.

### **Independent Geologists' report**

The Directors requested Al Maynard & Associates Pty Ltd to provide an independent asset appraisal of the current cash value of the 2 tenements to be acquired for inclusion in this Explanatory Memorandum.

Al Maynard & Associates Pty Ltd by letter dated 15<sup>th</sup> May 2008 was of the opinion that the current value of the Explorer Project in the Northern Territory is considered to be \$68,000 from within the range of \$61,000 to \$75,000.

The full valuation report from Al Maynard & Associates Pty Ltd is included as Annexure C.

### **Listing Rule 10.11**

Listing rule 10.11 provides that a company must not issue or agree to issue securities to a related party without first obtaining the approval of members by ordinary resolution. As Resolution 3 relates to the issue of securities to an entity which a director controls, shareholder approval must be obtained.

In accordance with listing rule 10.13, the following information is provided to shareholders:

- (1) The securities will be issued to Resource Holdings. Resource Holdings is a related party to the company as it is controlled by Peter N Smith, the Executive Chairman.
- (2) The total number of securities to be issued is 4,000,000 unlisted options with an exercise price of 85 cents.
- (3) The options will be issued in accordance with the Resource Holdings agreement. However, if the date of issue is later than 1 month after the date of the Annual General Meeting, an ASX waiver or modification will be sought prior to issue.
- (4) The options will be issued on the Terms and Conditions as set out in Annexure A.
- (5) Each share issued pursuant to the options will rank pari passu with the Company's then issued shares.
- (6) No funds will be raised by the issue of the options. The funds raised on any exercise of the options will be used for the ongoing working capital purposes of the Company.

### **Resolution 4 –Grant of Options to Ivan Henderson – Chief Geologist**

#### **Background**

Under Resolution 4 the Company proposes to grant a total of 900,000 Unlisted Options to Mr Ivan Henderson, or his nominees.

Listing Rule 7.1 provides that a company must not, without prior approval of Shareholders, issue securities if the securities will in themselves or when aggregated with the securities issued by a company during the previous 12 months, exceed 15% of the number of securities on issue at the commencement of that 12 month period.

In accordance with listing rule 7.3, the following information is provided to shareholders:

- (1) The securities will be issued to Mr Ivan Henderson, or his nominee.
- (2) The total number of securities to be issued is:

<u>Number</u>	<u>Exercise price</u>	<u>Expiry date</u>	<u>Vesting date</u>
300,000	25 cents	20/08/2011	Immediate
300,000	30 cents	20/08/2012	20/08/09
300,000	25 cents	20/08/2013	20/08/10

- (3) The options will be issued in accordance with the terms of Mr Henderson's employment agreement. The date the options will be issued must be no later than 3 months after the date of this meeting. However, if the date of issue is later than 3 months after the date of the Annual General Meeting, an ASX waiver or modification will be sought prior to issue.
- (4) The options will be issued on the Terms and Conditions as set out in Annexure B.
- (5) Each share issued pursuant to the options will rank pari passu with the Company's then issued shares.
- (6) No funds will be raised by the issue of the options. The funds raised on any exercise of the options will be used for the ongoing working capital purposes of the Company.
- (7) The options will be issued and allotted on one day.

Mr Henderson was appointed as the Chief Geologist of the Company on 20 August 2007 and is entitled to receive the options under the terms of his employment contract.

The grant of the Options is designed to encourage Mr Henderson to have a greater involvement in the achievement of the Company's objectives and to provide an incentive to strive to that end by participating in the future growth and prosperity of the Company through share ownership.

The Directors consider that the incentive represented by the grant of the Unlisted Options is a cost effective and efficient reward and incentive for the Company to provide, as opposed to alternative forms of incentive, such as the payment of additional cash compensation.

The number of Unlisted Options to be issued to Mr Henderson has been determined based on a number of factors including a review of his total remuneration and market standards. The Directors have generally reviewed a selection of comparable companies to determine market conditions generally and considered the proposed number of Unlisted Options to be granted will ensure that Mr Henderson's overall remuneration is in line with market standards.

Further, the Company considers that it is in the interests of Shareholders to align the interest of Key Management and Shareholders by encouraging Management, subject to appropriate conditions, to have an equity holding in the Company. However the Company considers that similar to other Shareholders, this interest should arise through direct investment by the Management. In this regard, if all of the Unlisted Options are exercised, Mr Henderson will be investing a total of \$240,000 into the Company.

Granting options as part of the remuneration packages of senior executives is a well established practice of public companies and, in the case of the Company, has the benefit of conserving cash whilst properly rewarding management.

On the basis of the indicative option value, as detailed in the table below, the value of Unlisted Options proposed to be granted is as follows:

<b>Vesting date</b>	<b>No. of Unlisted Options</b>	<b>Indicative Value \$*</b>
Immediate	300,000	\$5,323
20 August 2009	300,000	\$6,007
20 August 2010	300,000	\$7,816

\*Note: the Indicative Value of the Unlisted Options is based upon the Black-Scholes options pricing model. Further details, and the assumptions on which the calculation of the indicative value is prepared, is discussed below.

Directors' recommendation:

All Directors were available to consider Resolution 4 – issue of options:

Peter Smith, Michael Povey, Kevin Alexander and Derrick Sufredo (who do not have an interest in Resolution 4) recommend to Shareholders that they vote in favour of Resolution 4 for the reasons outlined in this Explanatory Memorandum.

Using the Black-Scholes option pricing model and based on the assumptions set out below, the options were ascribed values as follows:

<b>Vesting date</b>	<b>Immediate</b>	<b>20/08/09</b>	<b>20/08/10</b>
Underlying security price	10 cents	10 cents	10 cents
Valuation date	9/09/2008	9/09/2008	9/09/2008
Exercise price of the Unlisted Options	25 cents	30 cents	25 cents
Unlisted discount	33.0%	33.0%	33.0%
Vesting discount	0.0%	5.0%	10.0%
Standard deviation of returns	70.0%	70.0%	70.0%
Risk free rate (current Reserve Bank interbank overnight cash rate)	7.0%	7.0%	7.0%
Expiry date	20/08/11	20/08/12	20/08/13
<b>Indicative value per option</b>	1.77 cents	2.00 cents	2.61 cents

1. The fact that the options are unlisted:  
A discount of between 30% and 50% can be applied.
2. The Unlisted Options do not vest for 12 months after grant:  
A discount of 5% and 10% for the options vesting in 2009 and 2010 respectively has been applied.

Details of the potential benefits and costs to the Company are listed below:

*Potential Benefits*

If the Unlisted Options are granted pursuant to the proposed Resolution 4, the Company considers the following benefits arise:

- The grant of Unlisted Options is a non-cash form of remuneration, thus conserving liquid funds.
- The exercise of the Unlisted Options will provide working capital for the Company at no significant cost. If all the Unlisted Options proposed to be granted pursuant to Resolution 4 are ultimately exercised, an amount of \$240,000 would be raised.

*Dilution Effect and Potential Costs*

The potential cost to the Company of the grant of an aggregate of 900,000 Unlisted Options pursuant to Resolution 4 is that there will be a dilution of the issued share capital if the Unlisted Options are exercised. The Company currently has 52,564,502 Shares on issue and 6,253,600 Unlisted Options on issue (the exercise price and expiry date of which are set out below):

<b>Number</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
753,600	20 cents each	31 March 2010
3,000,000	20 cents each	31 March 2011
2,500,000	25 cents each	23 May 2012

The exercise of the proposed Unlisted Options would have a dilution effect of approximately 1.53% of Shareholders (assuming all the Options on issue have been exercised).

Under the Australian Equivalent of IFRS, the Company is required to expense the value of the Unlisted Options in its income statement over the vesting periods. The Directors do not consider that from an economic and commercial point of view, there are any costs or detriments including opportunity costs or taxation consequences for the Company or benefits foregone by the Company in granting the Unlisted Options pursuant to Resolution 4, other than, if the Unlisted Options are exercised at a time when the market price of the Shares is greater than the exercise price of the Unlisted Options, there will be a detriment insofar as the Company will be required to issue Shares at a price lower than it might otherwise have been able to, with the result that less funds will be raised.

**ANNEXURE A**  
**Terms of the Unlisted Options to be issued to Resource Holdings (WA) Pty Ltd**

The terms and conditions of the Options are as follows:

1. No monies will be payable for the issue of the options.
2. A certificate will be issued for the options.
3. Each option shall carry the right to subscribe for one fully paid ordinary share ("**Share**") in Truscott Mining Corporation Limited ACN 116 420 378 ("**Company**") at any exercise price of 85 cents ("**Exercise Price**").
4. The options shall expire at 5.00pm on 18 May 2012 ("**Expiry Date**").
5. The options may be exercised by the optionholder at any time during the period that is between the date of allotment of the options and the Expiry Date.
6. The issue price of the Shares the subject of these options shall be payable in full on exercise of these options.
7. Options may only be exercised by the delivery to the registered office of the Company of a notice in writing. The notice must specify the number of options being exercised and the exercise price for the option specified and must be accompanied by:
  - (a) the option certificate for those options, for cancellation by the Company; and
  - (b) a cheque payable to the Company (or such other form of payment acceptable to the board of directors of the Company) for the aggregate Exercise Price for each Share to be issued on exercise of the options specified in the notice.

The notice is only effective (and only becomes effective) when the Company has received value for the full amount of the Exercise Price (for example, if the Exercise Price is paid by cheque, by clearance of that cheque).

8. There are no participating rights or entitlements inherent in the options and the holder will not be entitled to participate in new issues of capital offered to shareholders during the currency of the options. However, the record date for determining entitlements to any such issue will be determined in accordance with the Listing Rules of the Australian Securities Exchange ("**ASX**") ("**Listing Rules**"). This will give optionholders the opportunity to exercise their options prior to the date for determining entitlements to participate in any such issue.
9. If there is a bonus share issue ("**Bonus Issue**") to the holders of Shares, the number of Shares over which an option is exercisable will be increased by the number of Shares which the optionholder would have received if the option had been exercised before the record date for the Bonus Issue ("**Bonus Shares**"). The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank equally in all respects with the other shares of that class on issue at the date of issue of the Bonus Shares.

10. If there is a pro rata issue (other than a Bonus Issue) to the holders of Shares during the currency of, and prior to the exercise of any options, the Exercise Price of an option will be adjusted in accordance with the formula provided in the Listing Rules (whether or not the Company is listed on the ASX at the time).
11. If at any time the issued capital of the Company is reconstructed, all rights of an optionholder are to be changed in a manner consistent with the Listing Rules.
12. Shares allotted pursuant to an exercise of options shall rank, from the date of allotment, equally with existing fully paid ordinary shares of the Company in all respects.
13. The Company shall, in accordance with the Listing Rules, make application to have Shares allotted pursuant to an exercise of options quoted on ASX, if the Company is listed on the ASX at the time.

**ANNEXURE B**  
**Terms of the Unlisted Options to be granted to Ivan Henderson**

**1. GENERAL**

- 1.1 No monies will be payable for the issue of the options.
- 1.2 A certificate will be issued for the options.
- 1.3 Each option shall carry the right to subscribe for one fully paid ordinary share in the Company (“**Share**”) with exercise prices of 25 cents, 30 cents, and 25 cents (“**Exercise Prices**”) for the options with respective vesting dates of immediate, 20 August 2009, and 20 August 2010.
- 1.4 The options shall respectively expire at 5pm on the 20 August 2011, 20 August 2012, and 20 August 2013 (“**Expiry Dates**”).
- 1.5 Subject to clause 3, the options may be exercised by the Optionholder at any time that is after the vesting day of the options and before the Expiry Date.
- 1.6 The issue price of Shares the subject of these options shall be payable in full on exercise of these options.
- 1.7 Options may only be exercised by the delivery to the registered office of the Company of a notice in writing. The notice must specify the number of options being exercised and the exercise price for the option specified and must be accompanied by:
  - (a) the option certificate for those options, for cancellation by the Company; and
  - (b) a cheque payable to the Company (or such other form of payment acceptable to the Board) for the aggregate Exercise Price for each Share to be issued on exercise of the options specified in the notice.

The notice is only effective (and only becomes effective) when the Company has received value for the full amount of the Exercise Price (for example, if the Exercise Price is paid by cheque, by clearance of that cheque).

- 1.8 Subject to clause 4.1, within 10 Business Days after the notice referred to in clause 1.7 becomes effective, the Board must:
  - (a) allot and issue the number of Shares to be issued in respect of the options being exercised;
  - (b) cancel the option certificate for the options being exercised; and
  - (c) if applicable, issue a new option certificate for any remaining options covered by the certificate accompanying the notice.
- 1.9 The options are not transferable other than to:

- (a) a spouse of an Eligible Person;
  - (b) the trustee of a trust in which the Eligible Person is a beneficiary; or
  - (c) the trustee of a superannuation fund of which the Eligible Person is a member.
- 1.10 Shares allotted pursuant to an exercise of options shall rank, from the date of allotment, equally with existing Shares of the Company in all respects.
- 1.11 The Company shall, in accordance with the Listing Rules, make application to have Shares allotted pursuant to an exercise of options listed for Official Quotation, if the Company is listed on the ASX at the time.

## **2. PARTICIPATION, BONUS ISSUES, REORGANISATION AND WINDING UP**

- 2.1 The Optionholder is not entitled to participate in any new issue of securities to existing holders of Shares in the Company unless the Optionholder does so before the record date for the determination of entitlements to the new issue of securities and participate as a result of being holders of Shares.

The Company must give the Optionholder, in accordance with the Listing Rules, notice of any new issue of securities before the record date for determining entitlements to the new issue.

- 2.2 If there is a bonus share issue ("**Bonus Issue**") to the holders of Shares, the number of Shares over which an option is exercisable will be increased by the number of Shares which the Optionholder would have received if the option had been exercised before the record date for the Bonus Issue ("**Bonus Shares**"). The Bonus Shares must be paid up by the Company out of the profits or reserves (as the case may be) in the same manner as was applied in the Bonus Issue and upon issue rank pari passu in all respects with the other shares of that class on issue at the date of issue of the Bonus Shares.
- 2.3 If there is a pro rata issue (other than a Bonus Issue) to the holders of Shares during the currency of, and prior to the exercise of any options, the Exercise Price of an option will be adjusted in accordance with the formula provided in the Listing Rules (whether or not the Company is listed on the ASX at the time).
- 2.4 If, prior to the expiry of any options, there is a reorganisation of the issued capital of the Company, then the rights of the Optionholder (including the number of options to which each Optionholder is entitled and the Exercise Price) is changed to the extent necessary to comply with the Listing Rules applying to a reorganisation of capital at the time of the reorganisation.

- 2.5 If, prior to the expiry of the options, a resolution for a members' voluntary winding up of the Company is proposed (other than for the purpose of a reconstruction or amalgamation) the Board may, in its absolute discretion, give written notice to the Optionholder of the proposed resolution. The Optionholder may, during the period referred to in the notice, exercise the options.
- 2.6 For the purposes of this clause 2, if options are exercised simultaneously, then the Optionholder may aggregate the number of Shares or fractions of Shares for which the Optionholder is entitled to subscribe. Fractions in the aggregate number only will be disregarded in determining the total entitlement of the Optionholder.
- 2.7 Any calculations or adjustments which are required to be made under this clause 2 will be made by the Board and, in the absence of manifest error, are final and conclusive and binding on the Company and the Optionholder.
- 2.8 The Company must within a reasonable period give to each Optionholder notice of any change under clause 2 to the Exercise Price of any options held by the Optionholder or to the number of Shares which the Optionholder is entitled to subscribe for on exercise of an option.

### **3. TAKEOVER PROVISIONS**

- 3.1 Notwithstanding clause 1.5, all options may be exercised by the Optionholder:
- (a) in the event a takeover bid (as defined in the Corporations Act) to acquire any Shares becomes or is declared to be unconditional, irrespective of whether the takeover bid extends to Shares issued and allotted after the date of the takeover bid or not; or
  - (b) at any time after a Change of Control Event has occurred; or
  - (c) if a merger by way of scheme of arrangement under the Corporations Act has been approved by the Court under section 411(4)(b) of the Corporations Act 2001.

### **4. LAPSE OF OPTIONS**

- 4.1 Options not validly exercised on or before the Expiry Date will automatically lapse.
- 4.2 Subject to clause 1.5, unless otherwise determined by the Board, if the Eligible Person that is the Optionholder or that nominated the Optionholder as their nominee ceases to be an Eligible Person prior to the options being exercised then:

- (a) if the Eligible Person ceases to be an Eligible Person for a Termination Reason, any such options held by the Optionholder will automatically lapse;
- (b) if the Eligible Person ceases to be an Eligible Person for a Specified Reason, the Optionholder, may exercise any such options held by him or her within:
  - (i) 30 days of the date (as the case may be) Retirement, Redundancy, death or Total and Permanent Disablement; or
  - (ii) such longer period as the Board determines,
- (c) Options the subject of clause 4.2(b) not exercised within 30 days or the longer period determined by the Board, will automatically lapse; and
- (d) if the Eligible Person ceases to be an Eligible Person for:
  - (i) any reason other than a Specified Reason or a Termination Reason; or
  - (ii) a Change of Control Event,

then the options shall continue to be exercisable until the Expiry Date.

4.3 A certificate signed by the Company Secretary of the Company stating that an Eligible Person ceased for any reason to be an Eligible Person shall (in the absence of manifest error) be conclusive for the purposes of these terms, both as to such occurrence and the date of such occurrence.

4.4 Subject to clause 4.2(b), if at any time prior to the Expiry Date of any options an Optionholder dies, the deceased Optionholder's Legal Personal Representative may:

- (a) elect to be registered as the new holder of the deceased Optionholder's options;
- (b) whether or not he or she becomes so registered, exercise those options in accordance with and subject to these terms as if he were the Optionholder of them; and
- (c) if the deceased Optionholder had already given the Company a notice of exercise of his or her options, pay the Exercise Price in respect of those options.

## 5. INTERPRETATION

In these Terms and Conditions:

**ASX** means ASX Limited ACN 008 624 691 and, where the context permits, the Australian Securities Exchange operated by ASX Limited;

**Board** means the Board of Directors of the Company as constituted from time to time;

**Business Day** means Monday to Friday inclusive except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day;

**Change of Control Event** means a shareholder, or group of associated shareholders, being entitled to sufficient shares in the Company to give it or them the ability, and that ability is successfully exercised, in a general meeting, to replace all or a majority of the Board;

**Company** means Truscott Mining Corporation Limited ACN 116 420 378;

**Corporations Act** means Corporations Act 2001 (Cth);

**Director** means a director of the Company from time to time;

**Eligible Person** means the person who, at the time of the grant of the options to them or their nominee, is a Director or an employee (whether full-time or part-time) of the Company or of an associated body corporate of the Company;

**Legal Personal Representative** means the executor of the will or an administrator of the estate of a deceased person, the trustee of the estate of a person under a legal disability or a person who holds an enduring power of attorney granted by another person;

**Listing Rules** means the official listing rules of ASX as amended, varied, modified or waived from time to time;

**Official Quotation** has the meaning ascribed to it in the Listing Rules;

**Optionholder** means the person holding these options, being the Eligible Person or their nominee;

**Redundancy** means, in relation to an Eligible Person, a determination by the Board that the Company's need to employ a person for the particular kind of work carried out by that Eligible Person has ceased (but, for the avoidance of any doubt, does not include the dismissal of an Eligible Person for personal or disciplinary reasons or where the Eligible Person leaves the employ of the Company of his or her own accord);

**Retirement** means, in relation to an Eligible Person, retirement by that Eligible Person from the Company at age 60 or over or such earlier age as considered appropriate by the Board;

**Specified Reason** means Retirement, Total and Permanent Disablement, Redundancy or death;

**Termination Reason** means in relation to an Eligible Person, dismissal by the Board of that Eligible Person for one of the following reasons:

- (a) where the Eligible Person has engaged in wilful misconduct, bringing the Company into disrepute;
- (b) repeated disobedience by the Eligible Person, after the Eligible Person has received prior written warning in relation to any disobedience on their part;
- (c) incompetence by the Eligible Person in the performance of duties for which the Eligible Person was engaged; or
- (d) where the Eligible Person has engaged in fraud or dishonesty in respect of any the property or affairs of the Company; and

**Total and Permanent Disablement** means, in relation to an Eligible Person, that the Eligible Person has, in the opinion of the Board and with effect on a date determined by the Board, after considering such medical and other evidence as it sees fit, become incapacitated to such an extent as to render the Eligible Person unlikely ever to engage in any occupation for which he is reasonably qualified by education, training or experience.

## GLOSSARY

In this Explanatory Memorandum and the Notice, the following terms have the following meanings unless the context otherwise requires:

<b>ASIC</b>	means Australian Securities and Investments Commission.
<b>ASX</b>	means Australian Stock Exchange Limited ACN 008 624 691.
<b>Board</b>	means the board of Directors of the Company.
<b>Business Day</b>	means Monday to Friday inclusive except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day and any other day that ASX declares is not a business day.
<b>Company</b>	means Truscott Mining Corporation Limited ACN 116 420 378.
<b>Constitution</b>	means the constitution of the Company.
<b>Corporations Act</b>	means Corporations Act 2001.
<b>Corporations Regulations</b>	means Corporations Regulations 2001.
<b>Director</b>	means a director of the Company.
<b>Listing Rules</b>	means the Listing Rules of ASX.
<b>Notice</b>	means the Notice of Annual General Meeting accompanying this Explanatory Memorandum.
<b>Resolution</b>	means a resolution contained in the Notice.
<b>Resource Holdings</b>	means Resource Holdings (WA) Pty Ltd ACN 079 106 684
<b>Share</b>	means a fully paid ordinary share in the capital of the Company.
<b>Shareholder</b>	means an ordinary shareholder of the Company.

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*Australian & International Exploration & Evaluation of Mineral Properties*

INDEPENDENT ASSET APPRAISAL  
OF  
LEGUNE RESOURCE AREA  
IN THE  
NORTHERN TERRITORY - AUSTRALIA

PREPARED FOR

TRUSCOTT MINING CORPORATION LIMITED

Authors: Brian J Varndell B.Sc(Spec Hons Geol), FAusIMM  
Allen J Maynard BAppSc(Geol), MAIG, MAusIMM  
Company: Al Maynard & Associates Pty Ltd  
Date: 15<sup>th</sup> May, 2008

## TABLE OF CONTENTS

1.0	INTRODUCTION.....	1
1.1	Scope and Limitations .....	1
1.2	Statement of Competence.....	3
2.0	VALUATION OF THE MINERAL ASSETS – METHODS AND GUIDES.....	3
2.1	General Valuation Methods.....	3
2.2	Discounted Cash Flow/Net Present Value .....	4
2.3	Joint Venture Terms.....	4
2.4	Similar Transactions .....	4
2.5	Multiple of Exploration Expenditure .....	4
2.6	Ratings System of Prospectivity (Kilburn) .....	5
2.7	Empirical Methods (Yardstick – Real Estate).....	5
2.8	General Comments.....	5
2.9	<i>Environmental implications</i> .....	6
2.10	<i>Native Title Claims</i> .....	6
2.11	<i>Commodities-Metal prices</i> .....	6
2.12	<i>Resource/Reserve Summary</i> .....	6
2.13	<i>Previous Valuations</i> .....	6
2.14	<i>Encumbrances/Royalty</i> .....	6
3.0	BACKGROUND INFORMATION.....	6
3.1	<i>Introduction</i> .....	6
3.2	<i>Specific Valuation Methods</i> .....	6
4.0	Legune Project Area .....	7
4.1	<i>Introduction</i> .....	7
4.1	<i>Location and access</i> .....	7
4.2	<i>Geology and Mineralisation</i> .....	7
4.2.1	Regional Geology .....	7
4.2.2	Local Geology .....	8

4.3	<i>Exploration Completed</i> .....	8
4.4	Potential.....	8
5.0	VALUATION OF THE LEGUNE PROJECT .....	9
5.1	<i>Valuation Methods</i> .....	9
5.2	<i>MEE Method</i> .....	9
5.3	<i>Valuation Conclusions</i> .....	9
6.0	References .....	10
	Figure 1: NT Location Map of ELs 25881 & 26145. ....	7
	Table 1: Range of Values for the Legune Project.....	9

The Directors,  
Truscott Mining Corporation Ltd,  
13 Colin Street,  
West Perth, WA 6872

15<sup>th</sup> May, 2008

Dear Sirs,

## **1.0 INTRODUCTION**

This report has been prepared by Al Maynard & Associates ('AM&A') at Truscott Mining Corporation Limited's ('Truscott') request to provide an independent appraisal of the current cash value of the Legune area tenement holding from within the northwest of the Northern Territory, Australia.

### **1.1 *Scope and Limitations***

This independent valuation and its accompanying geological description have been prepared at the request of Mr. K. Alexander of Truscott to provide the writer's opinion of the current value of the two tenements described in this accompanying report.

This valuation has been prepared in accordance with the requirements of the Valmin code (1999) as adopted by the Australian Institute of Geoscientists ('AIG') and the Australasian Institute of Mining and Metallurgy ('AusIMM').

This valuation is valid as of 15<sup>th</sup> May 2008, which was the date of the final review of the valuation report. This valuation can be expected to change over time having regard to political, economic, market and legal factors. The valuation can also vary due to the success or otherwise of any mineral exploration that is conducted either on the properties concerned or by other explorers on prospects in the near environs. The valuation could also be affected by the consideration of other exploration data, not in the public domain, affecting the properties which have not been made available to the author.

In order to form an opinion as to the value of any property, it is necessary to make assumptions as to certain future events, which might include economic and political factors and the likely exploration success. The writer has taken all reasonable care in formulating these assumptions to ensure that they are appropriate to the case. These assumptions are based on the writer's technical training and experience in the mining industry. The opinions expressed represent the writer's fair professional opinion at the time of this report. These opinions are not however, forecasts as it is never possible to predict accurately the many variable factors that need to be considered in forming an opinion as to the value of any mineral property.

The valuation methodology of mineral properties is exceptionally subjective. If an economic reserve or resource is subsequently identified then this valuation will be dramatically low relative to any later valuations, or alternatively if further exploration is unsuccessful it is likely to decrease the value of the tenements.

The values obtained are estimates of the amount of money, or cash equivalent, which would be likely to change hands between a willing buyer and a willing seller in an arms length transaction, wherein each party had acted knowledgeably, prudently and without compulsion. This is the required basis for the estimation to be in accordance with the provisions of the Valmin Code.

There are a number of generally accepted procedures for establishing the value of mineral properties with the method employed depending upon the circumstances of the property. When relevant, AM&A uses the appropriate methods to enable a balanced analysis. Values are presented as a range and the preferred value is identified.

The readers should therefore form their own opinion as to the reasonableness of the assumptions made and the consequent likelihood of the values being achieved.

The information presented in this report is based on technical reports provided by Truscott supplemented by our own inquiries. At the request of AM&A copies of relevant technical reports and agreements were made available.

Truscott will be invoiced and expected to pay a fee for the preparation of this report. This fee comprises a normal, commercial daily rate plus expenses. Payment is not contingent of the results of this report or the success of any subsequent public fundraising. Except for these fees, neither the writers nor their families nor associates have any interest in the properties reported upon nor in Truscott. Truscott has confirmed in writing that all technical data known to the public domain is available to the writers. It has also confirmed, in writing that no other independent professional valuation affecting the mineral property, the subject of this report, was provided within the last two years.

The valuation presented in this document is restricted to a statement of the fair value of the tenement package. The Valmin Code defines fair value as “The estimated amount of money, or the cash equivalent of some other consideration, for which, in the opinion of the Expert reached in accordance with the provisions of the Valmin Code, the mineral asset or security shall change hands on the Valuation date between a willing buyer and a willing seller in an arms length transaction, wherein each party had acted knowledgeably, prudently and without compulsion”.

It should be noted that in all cases, the fair valuation of the mineral properties presented is analogous with the concept of “valuation in use” commonly applied to other commercial valuations. This concept holds that the properties have a particular value only in the context of the usual business of the company as a going concern. This value will invariably be significantly higher than the disposal value, where, there is not a willing seller. Disposal values for mineral assets may be a small fraction of going concern values.

In accordance with the Valmin Code, we have prepared the “Range of Values” as shown in Table 1, section 5.4. A field visit was not made to the project as the

authors are familiar with the geology of the district from previous work in the area and this provides sufficient information to form an opinion as to the current value of the mineral assets.

## **1.2 Statement of Competence**

This report has been prepared by Brian J. Varndell B.Sc(Spec Hons Geol), FAusIMM, a geologist with more than 35 years experience in mineral exploration and more than 25 years experience in mineral asset valuation and the principal Allen J. Maynard BApp.Sc(Geol) MAusIMM and Member of AIG, a geologist with 30 years in the industry and 25 years in mineral asset valuation. The writers hold the appropriate qualifications, experience and independence to qualify as independent “Experts” under the definitions of the Valmin Code.

## **2.0 VALUATION OF THE MINERAL ASSETS – METHODS AND GUIDES**

Without proven ore reserves it is not possible to place a singular dollar value on any mining tenement. However, with due regard to the guidelines for assessment and valuation of mineral assets and mineral securities as adopted by the AusIMM Mineral Valuation Committee on 17 February 1995 – the Valmin Code (updated 1999 & 2005) – we have derived the estimates listed below using the appropriate method for the current technical value of the mineral exploration properties as described.

The following ASIC publications have also been duly referred to and considered in relation to the valuation procedure: Practice Note (“PN”) 42 on Independence of Expert’s Reports which is read in conjunction with Practice Note 43 (Valuation Report and Profit Forecasts), Policy Statement (“PS”) 74 (Acquisitions agreed to by shareholders) and Policy Statement 75 (Independent Expert Reports to Shareholders). These PNs & PSs were replaced by ‘Regulatory Guidelines’ 111 & 112 on 30<sup>th</sup> October, 2007.

The subjective nature of the valuation task is kept as objective as possible by the application of the guideline criteria of a “fair value”. This is a value that an informed, willing, but not anxious, arms length purchaser will pay for a mining (or other) property in a transaction devoid of “forced sale” circumstances.

### **2.1 General Valuation Methods**

The Valmin Code identified various methods of valuing mineral assets, including:-

- Discounted cash flow,
- Capitalisation of earnings,
- Joint Venture and farm-in terms for arms length transactions,
- Precedents from similar asset sales/valuations,
- Multiples of exploration expenditure,

- Ratings systems related to perceived prospectivity,
- Real estate value and,
- Rule of thumb or yardstick approach.

## **2.2 Discounted Cash Flow/Net Present Value**

This method provides an indication of the value of a property with identified reserves. It utilises an economic model based upon known resources, capital and operating costs, commodity prices and a discount for risk estimated to be inherent in the project. The discount is very subjective but it is common to use 5% of measured resources, 1.5% of indicated resources and 0.5% of inferred resources. Alternatively a value can be assigned on a royalty basis commensurate with the in situ contained metal value.

Net present value ('NPV') is determined from discounted cash flow ('DCF') analysis where reasonable mining and processing parameters can be applied to an identified ore reserve. It is a process that allows perceived capital costs, operating costs, royalties, taxes and project financing requirements to be analysed in conjunction with a discount rate to reflect the perceived technical and financial risks and the depleting value of the mineral asset over time. The NPV method relies on reasonable estimates of capital requirements, mining and processing costs.

## **2.3 Joint Venture Terms**

The terms of a proposed joint venture agreement may be used to provide a market value based upon the amount an incoming partner is prepared to spend to earn an interest in part or all of the property. This pre-supposes some form of subjectivity on the part of the incoming party when grass roots properties are involved.

## **2.4 Similar Transactions**

When commercial transactions concerning properties in similar circumstances have recently occurred, the market value precedent may be applied in part or in full to the property under consideration.

## **2.5 Multiple of Exploration Expenditure**

The multiple of exploration expenditure method ('MEE') is used whereby a subjective factor (also called the prospectivity enhancement multiplier or 'PEM') is based on previous expenditure on a tenement with or without future committed exploration expenditure and is used to establish a base value from which the effectiveness of exploration can be assessed. Where exploration has produced documented positive results a MEE multiplier can be selected that takes into account the valuer's judgment of the prospectivity of the tenement and the value of the database. MEEs can range between 0 to 3 applied to previous exploration expenditure to derive a dollar value.

## **2.6 Ratings System of Prospectivity (Kilburn)**

The most readily accepted method of this type is the modified Kilburn Geological Engineering/Geoscience Method and is a rating method based on the basic acquisition cost ('BAC') of the tenement that applies incremental, fractional or integer ratings to a BAC cost with respect to various prospectivity factors to derive a value. Under the Kilburn method the valuer is required to systematically assess four key technical factors which enhance, downgrade or have no impact on the value of the property. The factors are then applied serially to the BAC of each tenement in order to derive a value for the property. The factors used are; off-property attributes on-property attributes, anomalies and geology. A fifth factor that may be applied is the current state of the market.

## **2.7 Empirical Methods (Yardstick – Real Estate)**

The market value determinations may be made according to the independent expert's knowledge of the particular property. This can include a discount applied to values arrived at by considering conceptual target models for the area. The market value may also be rated in terms of a dollar value per unit area or dollar value per unit of resource in the ground. This includes the range of values that can be estimated for an exploration property based on current market prices for equivalent properties, existing or previous joint venture and sale agreements, the geological potential of the properties, regarding possible potential resources, and the probability of present value being derived from individual recognised areas of mineralisation. This method is termed a "Yardstick" or a "Real Estate" approach. Both methods are inherently subjective according to technical considerations and the informed opinion of the valuer.

## **2.8 General Comments**

The aims of the various methods are to provide an independent opinion of a "fair value" for the property under consideration and to provide as much detail as possible of the manner in which the value is reached. It is necessarily subjective according to the degree of risk perceived by the property valuer in addition to all other commercial considerations. Efforts to construct a transparent valuation using sophisticated financial models are still hindered by the nature of the original assumptions where a known resource exists and are not applicable to properties without an identified resource.

The values derived for this report have been concluded after taking into account:-

- The cost and accuracy of the existing technical data and its relevance to the prospect;
- Using the exploration data and potential as a measure of worth;
- The general geological environment of the property under consideration is taken into account to determine the exploration potential;
- Current market values for properties in similar or analogous locations;
- Current commodity prices: eg Uranium Oxide at US\$55-60 per pound.

## **2.9 Environmental implications**

Information to date indicates that the project area contains some unique faunal habitats or fauna or flora species regarded as being rare, threatened or endangered. AM&A is aware of specific environmental constraints on part of the project area.

## **2.10 Native Title Claims**

The tenements may be subject of Native Title Claims and will be dealt with through the normal administrative process. AM&A is not aware of any sacred sites or areas of significance within the tenements.

## **2.11 Commodities-Metal prices**

Where appropriate current metal prices are used sourced from the usual metal market publications. In this valuation current metal prices were considered during the valuation.

## **2.12 Resource/Reserve Summary**

Only Inferred JORC compliant resources have yet been identified that require substantial infill drilling for conversion to Proven reserves.

## **2.13 Previous Valuations**

No previous valuation of the tenements has been declared within the last two years.

## **2.14 Encumbrances/Royalty**

According to information provided there are no encumbrances or royalties attached to any of the licences however there are statutory state royalties due on all production.

## **3.0 BACKGROUND INFORMATION**

### **3.1 Introduction**

This valuation has been provided by way of a detailed study of information provided by Truscott for the 235.38km<sup>2</sup> package of tenements.

The area under review comprises two Exploration Licences ('EL') specifically EL25881 of 210.70km<sup>2</sup> and EL26145 of 24.68km<sup>2</sup> located within the Halls Creek Mobile Belt, Northern Territory.

### **3.2 Specific Valuation Methods**

There are several methods available for the valuation of a mineral prospect ranging from the most favoured DCF analysis of identified Reserves/Resources to the more subjective rule-of-thumb assessment when no Reserves have yet been calculated but Resources may exist. These are discussed in Section 2.0.

## 4.0 Legune Project Area

### 4.1 Introduction

The project area has recently received increased technical interest as the Halls Creek Mobile Belt that underlies the tenure is now more widely recognised as having been an active zone between both the Kimberly to Pine Creek block and the Tanami to Tennant Creek block to the East.

Some major deep crustal lineaments traverse the area and could be the sites for potential mineralisation.

### 4.1 Location and access

The main tenement block is centred some 60km north of Newry, a settlement on the Victoria Highway that links Kununurra in Western Australia to Katherine in the Northern Territory.

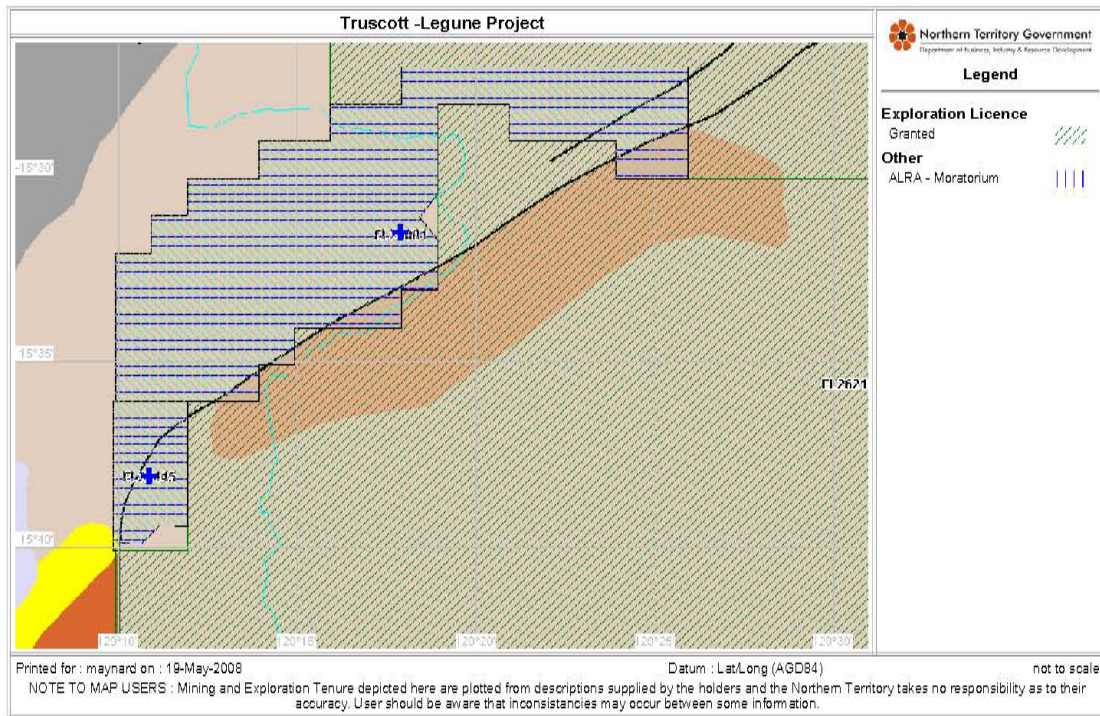


Figure 1: NT Location Map of ELs 25881 & 26145.

## 4.2 Geology and Mineralisation

### 4.2.1 Regional Geology

To the south across the border into Western Australia the 1.88Ga Proterozoic Halls Creek Mobile Belt basement is associated with layered intrusives and at the Sally Malay project host nickel and copper mineralisation.

The 1.2 - 1.88Ga poorly constrained clastic sedimentary sequences that overlie the older basement rocks appear to thin towards the south west of the project area where they unconformably overlie the Halls Creek Mobile Zone. Windows in the sediment pile that expose units closer to the unconformity

exhibit radiometric signatures that are also evident in closely associated faulting. Part of this clastic sediment pile could be prospective for uranium or rare earth mineralisation in locations near or over deep seated sutures.

Further to the northeast, at the Rum Jungle Complex, poly-metallic deposits and unconformity-style uranium mineralisation has been dated at 1.63-1.64Ga.

#### **4.2.2 Local Geology**

In the tenement area the majority of the northern exposure is of the Mesoproterozoic Fitzmaurice Group sediments. Near the southern margin of EL25881 is the substantial Victoria River shear zone which locally controls the direction of the Victoria River.

To the south of this suture outcrop is predominantly comprised of younger Duerdin Group, Ranford Formation Sediments.

#### **4.3 Exploration Completed**

The immediate project area appears to have been largely overlooked by explorers in the past with the exception of limited work done searching for diamonds. Diamond exploration was a consequence of the Argyle diamond mine discovery located across the Western Australian Border.

Other than 1:250,000 scale mapping by the Northern Territory Geological Survey and their acquisition of aeromagnetic and radiometric data on 200m and 400m line spacing, no exploration work over the tenements has been reported. This data has been compiled by Southern Geoscience Consultants but interpretation is yet to be undertaken.

#### **4.4 Potential**

The basement rocks in the Legune Project area could be prospective for base metal styles of mineralisation. Part of the clastic sediment pile could also be considered to be prospective for uranium or rare earth mineralisation where it overlies suitably deep seated sutures.

It is reasonable to assume that the Legune Project area has not received any serious consideration for uranium or base metal exploration because it is remotely located relative to the known mineralisation in the north of the Northern Territory. In addition past Federal Government limitations on levels of production and low uranium prices severely depressed uranium exploration in this sector of the mining industry over many years.

The region therefore has been overlooked and remains an under explored area. With new interest and understanding it is now receiving attention for its exploration potential for a range of minerals.

## 5.0 VALUATION OF THE LEGUNE PROJECT

To arrive at a fair market value several aspects need to be considered. This is a remote area which lacks any infrastructure such as roads, railways or nearby ports. Aerial magnetic and radiometric survey information has been acquired but not yet interpreted.

### 5.1 Valuation Methods

The writers consider that the MEE method is the most applicable.

### 5.2 MEE Method

Using the MEE method (Multiple of Exploration Expenditure) it is considered quite appropriate to apply an inflating factor rather than a deflating one primarily due to the presence of the strong Victoria suture structural feature. An inflating factor of 1.5 has been applied to the previous exploration expenditure of \$45,500 and ranges in value from low to high are ascribed at +/-10%.

Thus, it is determined that \$68,000 is ascribed to the project value using the MEE method.

### 5.3 Valuation Conclusions

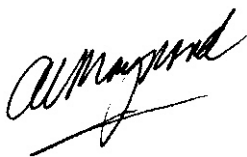
A summary of our appraised values for the tenement is shown in the following Table 1.

Method	Low Range A\$k	High Range A\$k	Preferred A\$k
MEE	61	75	68

**Table 1: Range of Values for the Legune Project.**

Thus, it is the writers' opinion that the current value of the Legune Project in the Northern Territory is considered to be A\$68,000 from within the range of A\$61,000 to A\$75,000.

Yours faithfully,



Allen J. Maynard

BAppSc(Geol), MAIG, MAusIMM.

## 6.0 References

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