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This Document comprises an AIM Admission Document drawn up in accordance with the AIM Rules and does not comprise a prospectus in accordance with the Public Offers of Securities Regulations 1995 (as amended) (the “POS Regulations”). The Company and the Directors, whose names appear on page 7 of this Document, accept responsibility for the information contained in this Document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application will be made to the London Stock Exchange for the Ordinary Shares in the Company and the Warrants to be admitted to trading on AIM. The Ordinary Shares and Warrants are not dealt on any other recognised investment exchange and no application has been made or is being made for the Ordinary Shares and the Warrants to be admitted to any such exchange. It is expected that Admission will become effective and that trading in the Ordinary Shares and the Warrants on AIM will commence on 8 October 2004.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority. A prospective investor should be aware of the risks in investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. The rules of AIM are less demanding than those of the Official List. London Stock Exchange plc has not itself examined or approved the contents of this document.

Neither Beaumont Cornish Limited nor Phillip Securities (UK) Limited have authorised the contents of any part of this document for the purposes of Regulation 13(l)(g) of the POS Regulations and (without limiting the statutory rights of any person to whom this document is issued) no liability whatsoever is accepted by Beaumont Cornish Limited or Phillip Securities (UK) Limited for the accuracy of any information or opinion in this document or for the omission of any material information from this document, for which the Company and the Directors are solely responsible.

The whole of this document should be read. An investment in the Company involves a significant degree of risk, may result in the loss of the entire investment and may not be suitable for all recipients of this document. Investors should consider carefully the risk factors which are set out in Part VI of this document.

Mercator Gold plc

(Incorporated in England and Wales under the Companies Act 1985 No. 05079979)

Admission to AIM

Nominated Adviser

BEAUMONT
CORNISH
Limited

Broker



Phillip Securities UK Limited

Share capital immediately following Admission

Authorised			Issued and fully paid	
Number	Amount		Number	Amount
900,000,000	£9,000,000	Ordinary Shares of 1p each	51,494,800	£514,948

Beaumont Cornish Limited, which is authorised and regulated by the Financial Services Authority, is the Company's Nominated Adviser for the purposes of the AIM Rules. Its responsibilities as the Company's Nominated Adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person who may rely on any part of this document. Beaumont Cornish Limited will not be responsible to anyone other than the Company for providing the protections afforded to customers of Beaumont Cornish Limited or for advising any other person on the Admission and other arrangements described in this Document.

Phillip Securities (UK) Limited, which is authorised and regulated by the Financial Services Authority and is a member of the London Stock Exchange, is the Company's Broker for the purposes of the AIM Rules and is acting exclusively for the Company in connection with the Admission. Phillip Securities (UK) Limited will not be responsible to anyone other than the Company for providing the protections afforded to customers of Phillip Securities (UK) Limited or for advising any other person on the Admission and other arrangements described in this Document.

Copies of this document, which contains full details about the Company and the admission of its Ordinary Shares and the Warrants to trading on AIM, may be obtained free of charge for a period of one month from the date of this document from the registered office of the Company, Ship Canal House, King Street, Manchester M2 4WB and the offices of the Company's Nominated Adviser, Beaumont Cornish Limited, Georgian House, 63 Coleman Street, London EC2R 5BB.

CONTENTS

	<i>Page</i>
Definitions	3
Expected Timetable of Principal Events	6
Directors, Secretary and Advisers	7
Part I – Information on the Group	8
Introduction	8
Aurogenic and the Annean Joint Venture	8
Location and Background	8
Principal interests – the Meekatharra Properties	9
Trading and Future Prospects	12
Future Financing	12
Management	13
Corporate Governance and Financial Control	14
Dividend Policy	15
Restrictions on Share Dealings	15
Lock-in and Orderly Market Arrangements	15
CREST	15
Warrants, share options and deferred consideration shares	15
Reasons for the Admission	16
Taxation	16
Risk Factors	16
Pro Forma Statement of Combined Net Assets and Financial Information	16
Further Information	17
Availability of the Admission Document	17
Part II – Competent Persons’ Report on the Meekatharra Properties	18
Part III – Accountants’ Report on the Company	41
Part IV – Accountants’ Report on Aurogenic	49
Part V – Illustrative Pro forma Statement of Combined Net Assets	59
Part VI – Risk Factors	61
Part VII – Additional Information	66
Glossary of Technical Terms	86

DEFINITIONS

In this Document, where the context permits, the expressions set out below shall bear the following meanings:

“Accountants’ Reports”	the reports on the financial information relating to the Company and Aurogenic by PKF, the Company’s Auditors and Reporting Accountants;
“Acquisition”	the acquisition of the whole of the issued share capital of Aurogenic pursuant to the Share Exchange Agreement;
“Act”	the Companies Act 1985 (as amended);
“Admission”	the admission of the Ordinary Shares and the Warrants to trading on AIM and such admission becoming effective in accordance with the AIM Rules;
“AIM”	the market designed primarily for emerging or smaller companies operated by the London Stock Exchange;
“Annean Joint Venture”	the joint venture agreement dated 3 March 2004 between Aurogenic (1) and SBM (2) in relation to the Meekatharra Properties, details of which are set out in Part I and in paragraph 10.2 of Part VII of this document;
“Aurogenic”	Aurogenic Resources Pty Ltd, a company incorporated and registered in W. Australia on 19 January 2004 under registered number ACN 78 107 674 215;
“Beaumont Cornish”	Beaumont Cornish Limited, the Company’s Nominated Adviser;
“Beaumont Cornish Warrant”	the warrant issued to Beaumont Cornish in connection with its services to the Company as its Nominated Adviser entitling Beaumont Cornish to subscribe for 250,000 new Ordinary Shares at the price of 8p per share, on the terms and conditions set out in the Beaumont Cornish Warrant Instrument;
“Beaumont Cornish Warrant Instrument”	the document containing the terms and conditions relating to the Beaumont Cornish Warrant, details of which are set out in paragraph 6.6 of Part VII of this document;
“Board” or “Directors”	the directors of the Company, whose names are set out on page 7 of this Document;
“Combined Code”	the revised combined code on the principles of corporate governance and best practice published by the Financial Reporting Council in July 2003;
“Company” or “Mercator”	Mercator Gold plc, a company incorporated in England and Wales on 22 March 2004 under registered number 05079979;
“Competent Person’s Report”	the report by Snowden Corporate on the Meekatharra Properties as set out in Part II of this document;
“Convertible Loan Notes”	unsecured convertible loan notes issued by way of the Convertible Loan Note Placings;
“Convertible Loan Note Holders”	holders of Convertible Loan Notes
“Convertible Loan Note Placings”	the First and Second Convertible Loan Note Placings;
“CREST”	the computerised settlement system used to facilitate the transfer of title to shares in uncertificated form operated by CRESTCo;
“CRESTCo”	CRESTCo Limited;

“CREST Regulations”	The Uncertificated Securities Regulations 2001 (SI 2001/3755)
“Document” or “document”	this Admission Document;
“Financial Services and Markets Act” or “FSMA”	the Financial Services and Markets Act 2000;
“First Convertible Loan Note Placing”	the placing of £180,000 of Convertible Loan Notes, further details of which are set out in paragraph 4.1 of Part VII of this document;
“First Share Placing”	the placing, by Loeb Aron on behalf of the Company, of 14,766,600 units each comprising one Ordinary Share and one Warrant, details of which are set out in paragraph 3.11 of Part VII of this document;
“FSA”	the Financial Services Authority Limited, the single statutory regulator under the FSMA;
“Group”	the Company and Aurogenic;
“Loeb Aron”	Loeb Aron & Company Limited, the Company’s Corporate Adviser;
“Loeb Aron Warrant”	the warrant issued to Loeb Aron in connection with its services to the Company in relation to the First and Second Convertible Loan Note Placings and the First Share Placing entitling Loeb Aron to subscribe for 2,300,000 new Ordinary Shares at 6p per share, on the terms and conditions set out in the Loeb Aron Warrant Instrument;
“Loeb Aron Warrant Instrument”	the document containing the terms and conditions relating to the Loeb Aron Warrant, details of which are set out in paragraph 6.5 of Part VII of this document;
“London Stock Exchange”	the London Stock Exchange plc;
“Meekatharra Properties”	1,020 sq km of tenements (468 sq km of granted tenements and 552 sq km of tenements in application) in the prospective Meekatharra greenstone region of the Murchison Goldfields district of Western Australia, between Tuckanarra in the south to an area north of Meekatharra, which are the subject of the Annean Joint Venture;
“Mercator Warrants”	the Warrants, the Beaumont Cornish Warrant, the Loeb Aron Warrant and the Phillip Securities Warrant;
“Mercator Warrant Instruments”	the Warrant Instrument, the Beaumont Cornish Warrant Instrument, the Loeb Aron Warrant Instrument and the Phillip Securities Warrant Instrument;
“Official List”	the official list of the UK Listing Authority;
“Ordinary Shares”	Ordinary Shares of 1p each in the capital of the Company;
“Ordinary Share Capital”	the 51,494,800 Ordinary Shares in issue following Admission;
“Phillip Securities “	Phillip Securities (UK) Limited, the Company’s Broker;
“Phillip Securities Warrant”	the warrant issued to Phillip Securities in connection with its services in relation to the Second Share Placing entitling Phillip Securities to subscribe for 250,000 new Ordinary Shares at 8p per share, on the terms and conditions set out in the Phillip Securities Warrant Instrument;
“Phillip Securities Warrant Instrument”	the document containing the terms and conditions relating to the Phillip Securities Warrant, details of which are set out in paragraph 6.7 of Part VII of this document;
“Placings”	the First and Second Convertible Loan Note Placings and the First and Second Share Placings;

“POS Regulations”	The Public Offer of Securities Regulations 1995, as amended;
“SBM” or “St Barbara”	St Barbara Mines Limited, an Australian public company whose securities are listed on both the Australian Stock Exchange and AIM and which is the current land owner of the Meekatharra Properties;
“Second Convertible Loan Note Placing”	the placing of £300,000 of Convertible Loan Notes, further details of which are set out in paragraph 4.2 of Part VII of this document;
“Second Share Placing”	the placing of 8,728,000 units each comprising one Ordinary Share and one Warrant, with Phillip Securities, details of which are set out in paragraph 3.12 of Part VII of this document;
“Share Exchange Agreement”	the agreement dated 9 July 2004 in respect of the Acquisition between the Company (1) and the shareholders of Aurogenic (2), details of which are set out in paragraph 10.6 of Part VII of this document;
“Shareholders”	holders of Ordinary Shares;
“share options”	the options, issued to shareholders of Aurogenic as part consideration for the sale of shares in Aurogenic to the Company pursuant to the Share Exchange Agreement described in more detail in Part I and in paragraph 6.8 of Part VII of this document;
“Share Placings”	the First and Second Share Placings;
“Snowden Corporate”	Snowden Corporate Services Pty Ltd, the Company’s mining industry consultants. Snowden Corporate is a wholly owned subsidiary of Snowden Mining Industry Consultants Pty Ltd;
“UK” or “United Kingdom”	United Kingdom of Great Britain and Northern Ireland;
“UK Listing Authority”	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part VI of the Financial Services and Markets Act 2000;
“Warrant”	A warrant to subscribe for one new Ordinary Share at 8p per share, on the terms and conditions set out in the Warrant Instrument;
“Warrant Instrument”	the document containing the terms and conditions relating to the Warrants, details of which are set out in paragraph 6.4 of Part VII of this document;

All references in this document to “£” or “p” are to the lawful currency of the United Kingdom, and all references to “A\$” are to the lawful currency of Australia.

All references to legislation in this document are to English legislation unless the contrary is indicated.

A Glossary of Technical Terms is set out at the end of this document.

EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of the Document	1 October 2004
Admission effective and trading in the Ordinary Shares and the Warrants on AIM commences	8 October 2004

ADMISSION STATISTICS

Number of Ordinary Shares in issue on Admission	51,494,800
Number of Mercator Warrants outstanding on Admission	37,294,600
Number of share options outstanding on Admission	20,000,000
Market Capitalisation at 6p per Ordinary Share*	£3,089,688

* *Being the price per Ordinary Share at which Ordinary Shares (with Warrants attached) were issued pursuant to the Share Placings.*

DIRECTORS, SECRETARY AND ADVISERS

Directors

Terrence John Strapp (*Non-Executive Chairman*)
Patrick Aloysius Harford (*Managing Director*)
Michael John de Villiers (*Finance Director*)
Dr Julian Richard Vearncombe (*Exploration Director*)
Michael Elias (*Non-Executive Director*)
Richard Nicholas Allen (*Non-Executive Director*)
Paul Robert Loudon (*Non-Executive Director*)

All of:

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Secretary and Registered Office

Michael John de Villiers
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Beaumont Cornish Limited
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London EC2R 5BB

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PART 1

INFORMATION ON THE GROUP

INTRODUCTION

The Company was incorporated on 22 March 2004 as West Australian Gold Mines Limited. It subsequently changed its name to Mercator Gold Limited on 21 May 2004 and it was re-registered as a public company with the name Mercator Gold plc on 17 September 2004. The Company was formed for the purpose of acquiring the whole of the issued share capital of Aurogenic and raising sufficient funds to explore for economic gold resources in the Meekatharra Properties pursuant to the Annean Joint Venture. The Company's objective is to increase shareholder value through the discovery of large economic gold deposits. While the initial focus will be on the Meekatharra Properties, other mineral property acquisitions or joint ventures are likely to be pursued by the Company.

AUROGENIC AND THE ANNEAN JOINT VENTURE

In late November 2003, Patrick Harford and Dr Julian Vearncombe, Directors of the Company, and Dr Susan Vearncombe entered into discussions with SBM, with a view to agreeing a joint venture for the exploration of the Meekatharra Properties which are currently held by SBM. Terms were subsequently agreed and Aurogenic, a special purpose vehicle company was incorporated and registered in Australia on 19 January 2004, for the purposes of entering into the Annean Joint Venture.

Under the terms of the Annean Joint Venture, Aurogenic has a right to earn a 45 per cent interest in the Meekatharra Properties by spending a minimum of A\$ 1 million on exploration by 2 March 2005 and electing to spend a further A\$ 2 million on exploration by 2 March 2006. If Aurogenic earns the 45 per cent interest, it can elect to increase this interest to 51 per cent by spending a further A\$ 1 million by 2 March 2007. If Aurogenic earns the 51 per cent interest, it can elect to increase its interest to 70 per cent by spending a further A\$ 4 million by 2 March 2009. If Aurogenic earns the 70 per cent interest, SBM must then contribute pro-rata on any further expenditure or dilute its interest by a standard dilution formula. Aurogenic has commenced exploration work on the Meekatharra Properties and, as at 31 August 2004, unaudited management accounts of the Group show that A\$ 375,073 has been expended in relation to such operations.

On 9 July 2004 the Company entered into an agreement (the "Share Exchange Agreement") to acquire the whole of the issued share capital of Aurogenic.

LOCATION AND BACKGROUND

The Meekatharra Properties comprise 1,020 sq km of tenements (468 sq km of granted tenements and 552 sq km of tenements in application) in the prospective Meekatharra greenstone region of the Murchison Goldfields district of Western Australia, between Tuckanarra in the south to an area north of Meekatharra. The Murchison district has historically been one of the major gold producing provinces within the Archean Yilgarn Craton of Western Australia with gold production estimated at approx 12 million ounces. This is inclusive of the gold mines of Mt Magnet, Big Bell, Cue and those at Meekatharra. The Meekatharra Properties have historically produced more than 1.5 million ounces of gold. Preliminary exploration indicates a potential to host considerably more shallow oxide gold than that located already and for the discovery of a new multi-million-ounce gold camp.

The Board considers that the tenements comprising the Meekatharra Properties have the potential to host large gold deposits.

Having secured an interest in the Meekatharra Properties, the Company plans to re-examine the tenements using advanced technologies to complement traditional methods to define deposits containing at least half a million ounces of gold. The Company plans to explore for high-grade gold zones within large, low-grade porphyry-hosted gold deposits; moderate to high-grade BIF-hosted gold deposits; and moderate to high-grade lode gold deposits located in the pressure shadows to rigid granitic plutons.

The Company has secured the full-time service of Dr Julian Vearncombe and the part-time service of Dr Susan Vearncombe and in so doing has ensured access to their geological expertise and technical skills, particularly in relation to a proprietary technology (SpaDiS™), developed by Vearncombe & Associates

Pty Ltd., a company owned by Dr Julian Vearncombe and Dr Susan Vearncombe. Based on fractal technology, SpaDiS™ is a software tool for the spatial analysis of naturally occurring features, such as gold deposits, to identify trends including repetitions, widths and spacings between deposits. The Group is applying this technology (under an agreement between the Company and Vearncombe & Associates Pty Ltd) to assess the data covering the Meekatharra Properties in order to rapidly identify and prioritise drilling targets.

The Board considers that having access to this technology gives it a significant competitive advantage in achieving the Company's corporate objectives. The longer-term objective of the Company is to establish a significant business in the mining of gold in Australia and other countries. The experienced management team will pursue a focused and disciplined acquisition strategy for further mining assets in Australia and other countries where infrastructure and gold mining operations are well established. The emphasis will be on projects that can be developed and brought into profitable production in a reasonable timescale, thereby enhancing shareholder value.

The Company was established in order to implement this strategy and raised £480,000, before expenses, through the Convertible Loan Note Placings (details of which are set out in paragraphs 4.1 and 4.2 of Part VII of this document) to provide working capital and the initial funding required by the Company for the exploration programmes for the Meekatharra Properties.

On 9 July 2004 the Company entered into the Share Exchange Agreement. Details of the Share Exchange Agreement are set out in paragraph 10.6 of Part VII of this document. In September 2004, a further £1,409,676, before expenses, was raised by the Share Placings (details of which are set out in paragraphs 3.11 and 3.12 of Part VII of this document).

PRINCIPAL INTERESTS – THE MEEKATHARRA PROPERTIES

The Directors of the Company consider that the geological structures, low sovereign risk, local expertise and early development opportunities make Meekatharra a good place by global standards to explore for and exploit gold resources. Meekatharra has excellent infrastructure, haul roads, power and an operating gold plant (owned by SBM) allowing rapid development of identified resources.

The gold mines around Meekatharra have historically produced in excess of 3.5 million ounces of gold and those of the Murchison Goldfield about 12 million ounces of gold. Of this production, the tenements covered by the Annean Joint Venture have produced in excess of 1.5 million ounces of gold and represent a substantial ground holding with numerous exploration opportunities, including resource extensions along strike and below old mines, new deposits in areas of known gold mineralization (brown-field targets), and new discoveries in highly prospective structural corridors, favourable rock types and extensive alteration zones with the potential to host additional large gold resources (green-field targets).

The Meekatharra Properties comprise 468 sq km of granted tenements and 552 sq km of tenements in application. The tenements contain over 60 prospects and are comprised in nine principal project areas namely, the Abbots, Meekatharra North, Meekatharra South East, Kurara East, Nannine, Norie, Stakewell, Tuckanarra and Yaloginda. From the total number of the prospects the management of Aurogenic has selected eight high priority targets for exploration in the coming months, details of which are set out below:

Resource extensions in the Yaloginda project area:

- Surprise-Jess
- Bluebird – South Junction – Ironbar
- Lukes Junction

Brown-fields exploration:

- The Meekatharra North project area, specifically that around Maid Marion
- The Nannine and Norie project area, specifically Aladdin North that overlaps these two areas
- The Tuckanarra project area, specifically the Bottle Dump area and areas to the south of Bottle Dump

Green-fields exploration:

- Meekatharra Southeast and Yaloginda areas, two specific areas with magnetic drop outs that are structurally favourable for gold mineralization and that are under-explored
- Kurara East project area, specifically Cassia

Resources

The table below shows the current indicated and inferred gold resources (per SBM) for all the principal project areas within the Meekatharra Properties. **The Group considers these resources as a guide for exploration.** Resource upgrades are required before these can be converted to measured resources or reserves.

Project	Meekatharra Gold Resources					
	Indicated			Inferred		
	Tonnes (kt)	Grade (g/t Au)	Ounces (oz)	Tonnes (kt)	Grade (g/t Au)	Ounces (oz)
Meekatharra North						
Five Mile Well*				339	1.8	18,200
Yaloginda mine area						
Magazine				782	1.6	37,100
Bluebird East (also known as Great Northern Highway)	2,117	1.2	81,700	38	1.6	2,000
Bluebird Deepes				135	7.3	31,700
Bluebird Extension	1,656	1.8	96,600	885	1.6	45,500
South Gibraltar – Mystery	465	1.4	20,600			
Ironbar	290	1.6	14,800	140	1.5	6,800
Luke's Junction	201	1.8	11,700			
Nannine						
Nannine Reef				267	2.1	18,000
Stakewell						
Kohinoor	33	9.3	9,900	7	10.2	2,300
Total	4,762		235,300	2,593		161,600

* Under the terms of the Annean Joint Venture, SBM has the right to mine the first 18,200 ounces of gold.

Yaloginda Project

To the immediate south west of Meekatharra is a zone of workings known as Yaloginda which has been the mainstay of SBM and before that Endeavour Resources. The 15km long zone, up to 2km in width, comprises some eighteen known deposits and old mines which have combined historical production and resources of over 1 million ounces of gold. Host rocks include BIF, basalt and carbonate-altered mafic, but most of the extracted gold is from sub-vertical porphyry intrusive into ultramafic schist. Except for two pits (South Junction and Great Northern Highway - also known as Bluebird East) the pits do not go below 100m in depth.

Bluebird Extended is at the north end of South Junction, below Bluebird and south of Bluebird North with a gold resource of 173,800 ounces (Bluebird Deepes and Bluebird Extended). At South Junction SpaDiS™ and field mapping show high-grade (in excess of 10 g/t) gold mineralization in cross cutting structures. The recognition of this high-grade shoot control is new. The Group is currently in the final stages of a thorough data validation exercise for this area in preparation for drilling.

Surprise is a small open pit operated by SBM in the 1990s. The below pit drilling includes 10m @ 26.7 g/t Au. The Group is currently in the final stages of a thorough data validation exercise for this area in preparation for drilling.

The Lukes Junction Prospect has a formal gold resource of 11,632 ounces. Drill intercepts from RC drill holes at Lukes Junction include 11m@10.93 g/t Au (LJ0143), 11m@9.29 g/t Au (LJ25), and 5m@5.06 g/t Au (LJ23). The Group has completed data verification for the Lukes Junction area and a drill program is being designed in order to fully test the extent of mineralization.

Nannine Project

Nannine is located 35km south west of Meekatharra and 25km south of the treatment plant at Bluebird. The area has produced more than 100,000 ounces of gold. Historic data on gold distribution will be compiled, evaluated and analysed using conventional mining software and SpaDiS™.

The Group will review the gold distribution data and geology at Aladdin to target for additional ounces to the existing informal resource and for structural repetitions along strike. At Aladdin North (Nannine and Norie project areas), a zone of complex geology is one of the most highly fractured and faulted within the Meekatharra belt. The area north of Aladdin has in the past received little exploration attention and the Group is devising a detailed exploration program for this area.

Kurara East (Bluebush, Mingah, Cassia and Ti Tree)

The Kurara East project is located approximately 45km south west of Meekatharra and 35km south of the treatment plant at Bluebird. Four prospects, Bluebush, Cassia, Mingah and Ti Tree lie within the southern pressure shadow of the Norie Pluton.

At Cassia, contouring of grade x thickness in air-core assay results has highlighted four anomalies located in a zone of shallow (about 25m) cover, with basalt and gabbro as the underlying hard rock. The Group has re-logged all the rock chips and mapped outcrop to the south and east of this zone. Important results from this are the recognition for the first time of gold associated with BIF in the rock chips, of a graphite schist with anomalous gold, and an area of mostly basalt with chert. Cassia is a highly favoured target because of its rock types, basalt, BIF and graphite schist and for the shallow depths required to drill to bedrock. Infill aircore drilling is required to confirm the extent of the anomalies, determine host rock character, and associated alteration. Aeromagnetic data covering this area will be re-processed to provide additional targeting constraints. Geophysical targeting methods will be evaluated and applied where appropriate. Follow-up RC drilling will be conducted at this early stage prospect.

Meekatharra North

Meekatharra North is about 25km north east of the Bluebird treatment plant and is a target area for reconnaissance drilling along the extension of the Meekatharra gold camp. One of the project areas at Meekatharra North, the Paddys Flat line of workings to the south and outside of the joint venture boundary, has an endowment (production + resources) of over 2.0 million ounces of gold including the Mickey Doolan, Prohibition and Vivians-Consol deposits. The Group will be targeting the under-explored northern extension of this alteration zone.

A further working area within the Meekatharra North area is Maid Marion which is considered a high priority target. Previous drilling at this area recorded the following intercepts:

62MMRB009 50m @ 1.22 g/t Au (4m assay interval RAB drill hole)

62MMRB070 68m @ 1.05g/t Au (4m assay interval RAB drill hole)

62MMRB074 10m @ 1.74g/t Au (4m assay interval RAB drill hole)

93MMRC005 44m @ 1.43g/t Au inc. 2m @ 25.75ppm Au (2m assay interval RC drill hole)

Exploration at Meekatharra North and specifically around Maid Marion is likely to include re-processing and interpretation of aeromagnetic data, especially the location of cross-faults, a two hundred metre line spaced air-core program in the area of relatively shallow overburden around Maid Marion, and targeted RC drilling to locate depth extensions of the known mineralisation.

Green-fields exploration targeting

Gold mineralisation in the Archaean greenstones of Western Australia is associated with some (but not necessarily all) of the following parameters:

- Iron-rich (high Fe/(Fe+Mg) ratio) and rheologically competent rocks including differentiated granophyre, dolerite, basalt and banded iron formation, the so-called favourable rock types.
- Complex and multiple repeated cross-faulting at a variety of orientations with faulting that displaces the host rocks into discrete competent blocks surrounded by less competent rocks.
- Complex rock-type distribution such that no simple stratigraphy may be deduced.
- An outer calcite-chlorite halo tens to hundreds of metres from gold lodes and a proximal mica-quartz-sulphide alteration.
- Adjacent to or including graphitic schists (metamorphosed black shales), the carbon reduces the ore fluid and may lead to gold deposition.

These parameters occur in a number of locations within the Meekatharra Properties. Where all of the parameters come together, world-class deposits such as that at Kalgoorlie may be found. Importantly, not all parameters are required for a major new find. For instance, Bluebird is located in a carbonated ultramafic rock and not in iron-rich host dolerite, basalt or BIF. The Group has commenced compiling geochemical, geological (including structure and alteration) and geophysical data for the entire Murchison Goldfields district. This compilation is to provide a consistent knowledge level against which new data may be assessed, and to assess where additional data are required, and to develop new targets. Two specific targets are recognised at Meekatharra Southeast and Yaloginda areas, with magnetic drop outs that are structurally favourable for gold mineralization, including favourable rocks types and that are under-explored.

TRADING AND FUTURE PROSPECTS

The Company, the holding company for Aurogenic, has not yet commenced trading. Aurogenic has commenced trading having started exploration work on the Meekatharra Properties and having incurred related expenditure.

The Company has brought together a technical and management team capable of assessing large ground holdings with historically and empirically disparate data bases. International ground holding costs are becoming prohibitive and so the Company's competitive advantage in terms of technical assessment should allow it to acquire and add significant value to exploration properties.

The Group's first project is in a politically stable area of known gold mineralization and the Meekatharra Properties project will act as a template for the Group's activities over the coming years. Whilst the outcome of exploration programs is always uncertain the Directors believe that the eight high priority targets that have been selected from over 60 targets already assessed at Meekatharra give the Group a high likelihood of success.

The Group's capital structure should allow it to advance from any initial success or to assess new projects if its initial programs disappoint. Should the Group meet its resource targets at Meekatharra of at least 2 million ounces of gold then the Company's management team has the experience and management capability to make the transition, if appropriate, from exploration to producer status.

FUTURE FINANCING

The Company has raised through the Placings an aggregate of approximately £1.9 million, before expenses, to explore for economic gold resources in the Meekatharra Properties. This funding ensures that the Group has more than sufficient funding to meet the initial target under the Annean Joint Venture to spend A\$1 million by 2 March 2005 on exploration work on the Meekatharra Properties. By 2 March 2005, the Board expects to have carried out sufficient exploration work on its initial prospects to determine whether to proceed with further exploration work and to secure the right to earn a 45 per cent interest in the Meekatharra Properties.

If the decision is taken to proceed with the Annean Joint Venture, the Company is likely to need to raise additional funds to ensure that the Group can meet the exploration expenditure requirement of A\$3 million by 2 March 2006. The Directors believe that such funds would be raised in early 2006 by way of further issues of new shares (which may include the exercise of Warrants and share options) although the Company may also consider alternative financing arrangements at that time depending on market conditions. Further

funding would also be required if the Company, having secured its 45 per cent interest in the Meekatharra Properties, decided to increase its economic interest to 51 per cent or more.

If the Board decides in March 2005 or before not to proceed with the Annean Joint Venture after an assessment of its exploration results, the Board intends to conserve its then cash resources until a new exploration opportunity has been identified in Australia or in another country.

MANAGEMENT

An experienced management team has been assembled to assist the Company in achieving its objectives. In particular, Patrick Harford, Dr Julian Vearncombe and Dr Susan Vearncombe are well respected in the evaluation of ore deposit geology and have been members of successful gold exploration teams within Australia and internationally.

The Directors

The Board comprises three Executive Directors and four Non-Executive Directors, including the Chairman, whose brief biographies are included below:

Terry John Strapp – Non-Executive Chairman (aged 60)

Terry Strapp was appointed as a Director and as Chairman on 7 July 2004. He has extensive experience in banking, finance and corporate risk management and has been actively involved in the mining industry for the last twenty years. He is currently Executive Chairman and a major shareholder in Oakvale Capital Limited a leading independent specialist financial risk management business in Australia. He has held, over the years, numerous positions on public company boards, including Executive Chairman of Zapopan N.L, Chairman of Pac Min Limited (formerly Camelot Resources N.L) and as a director of Mount Gibson Mining Limited. He is a Certified Practising Accountant (CPA), a Fellow of the Australian Institute of Banking and Finance (FAIBF), an Affiliate of the Securities Institute of Australia (AffSIA) and a member of the Australian Institute of Company Directors (MAICD).

Patrick Aloysius Harford BSc (Hons) – Managing Director (aged 52)

Patrick Harford was appointed as a Director and as Managing Director on 22 March 2004. He graduated with Honours in Geomorphology from Melbourne University in 1973. He has had extensive experience in gold and diamond exploration and production, including being managing director of Grants Patch Mining Limited (when that company operated an alluvial gold mine in the Northern Territory), Zapopan NL (during the period that it located and developed the Mt Todd and Tanami mines in the Northern Territory) and Auridiam Consolidated NL (during that company's successful construction of a 2 million tonne per annum diamond mine in Zimbabwe). He has extensive experience of working successfully in southern Africa and has an extensive knowledge of alluvial diamond production and marketing. He was most recently with Tianshan Goldfields Ltd, an ASX-listed exploration company with a gold project in western China.

Michael John de Villiers B.Comm CFA (SA) – Finance Director (aged 41)

Michael de Villiers was appointed as a Director and as Finance Director on 22 March 2004. He qualified as a Commercial and Financial Accountant with Ernst & Young in Cape Town and gained some fourteen years' experience as financial manager at mining and chemicals operations in Namibia, Botswana, Ghana and Bulgaria. He was previously the Finance Director of Oxus Gold plc and Navan Mining plc.

Dr Julian Vearncombe BSc (Hons), PhD, FGS, RPGeo, FAIG – Exploration Director (aged 49)

Dr Julian Vearncombe was appointed as a Director and as Exploration Director on 15 April 2004. He is an experienced geologist, with expertise in finding gold, base metals and kimberlites. His career has involved academia, management, exploration and mine geology and he has established structural controls on mineralisation and developed predictive technologies for the mineral exploration and mining industries. He has been a crucial member of exploration teams that have located in excess of five million ounces of gold. A graduate of the Universities of Leeds and Wales (Swansea) he spent his early career at the Open University (Milton Keynes), University of the Witwatersrand and Rand Afrikaans University (both Johannesburg) before joining the University of Western Australia where he was responsible for establishing the well regarded MSc course in "Ore Deposit Geology and Evaluation". Upon leaving academia, Dr Julian Vearncombe worked in a consulting capacity for various exploration and mining companies. Mine geology

projects have included resource geometry evaluation, structural geology and staff training. Exploration projects have included due diligence, geological mapping, spatial pattern analysis, target generation and the identification of joint venture partners and projects. He is a member of the Australia Federal Government's Mineral Exploration Action Agenda (MEAA), Access to Human and Intellectual Capital subgroup.

Nick Allen – Non-Executive Director (aged 68)

Nick Allen was appointed as a Non-Executive Director on 7 April 2004. He has worked in the mining industry for over 40 years, primarily in diamond mining and marketing, including lengthy periods with African Selection Trust and De Beers.

Michael Elias BSc (Hons) – Non-Executive Director (aged 53)

Michael Elias was appointed as a Non-Executive Director on 7 July 2004. He is a geologist with over 30 years' of experience in the mining industry. He has worked with WMC (mainly in nickel projects, including as Chief Geologist Resource Development Nickel Division) and Geological Survey of Western Australia. He is currently a director of CSA Australia.

Paul Robert Loudon, ASI – Non-Executive Director (aged 42)

Paul Loudon was appointed as a Non-Executive Director on 22 March 2004. He has more than 20 years' experience in mining finance, corporate management and stockbroking in Australia, Canada and UK. He was previously the mining analyst with Intersuisse Stockbroking in Sydney before moving to Canada where he worked in corporate development and senior management with several exploration and mining companies. He is currently the Non-Executive Chairman of BDI Mining Corp (formerly BM Diamond Corp (TSXV-BDI)) and is a director and the Head of Equity Finance at Loeb Aron & Company Limited.

Senior Geological Consultant

Dr Susan Vearncombe BSocSci, MSc (Hons), PhD, MAIG, RPGeo.– Exploration Manager (aged 47)

Dr Susan Vearncombe is an experienced explorationist, having worked within company structures, research organisations and as a consultant. Her experience extends over most Australian States and Territories, Africa, Indonesia, New Zealand, South America and USA, and on projects covering geology from Archaean through to modern active systems. She is well published in the areas of petrogenesis, structural geology and regional tectonics, volcanogenic massive sulphide and gold systems, and spatial analysis. Dr Susan Vearncombe is a director of Aurogenic and is immediate-past Chairperson of the Western Australia branch of the Australian Institute of Geoscientists (AIG) and an AIG Federal Councillor.

CORPORATE GOVERNANCE AND FINANCIAL CONTROL

The Directors support the highest standards of corporate governance and intend to observe the requirements of the Combined Code to the extent that they consider appropriate in light of the Company's size, stage of development and resource.

The Company will hold at least four Board meetings throughout the year at which reports relating to the Company's operations, together with financial reports, will be considered. The Board is responsible for formulating, reviewing and approving the Company's strategy, budgets, major items of capital expenditure and acquisitions.

Following Admission, the Board will establish an Audit Committee and a Remuneration Committee, each with formally delegated duties and responsibilities with effect from Admission.

The Audit Committee will comprise Terry Strapp as its Chairman, Nick Allen and Michael de Villiers. The committee will meet twice a year and at any other time when it is considered appropriate to consider and discuss audit and accounting related issues. The committee will make recommendations on the appointment of the auditors and the audit fees, be responsible for ensuring the financial performance of the Company is properly monitored and reported on and will receive and review reports from management and auditors relating to the interim report, the annual report and accounts and internal control systems of the Company. The committee will have the opportunity to meet the auditors without executive Board members being present.

The Remuneration Committee will comprise Nick Allen as its Chairman and Paul Loudon. The committee will meet at any time when it is considered appropriate to review and make recommendations on the

remuneration arrangements for Directors and Senior Management, including any bonus arrangements and the award of share options having regard to the performance of the Group and the interests of shareholders. The remuneration and terms of appointment of non-executive Directors will be set by the Board.

The Directors will comply with Rule 19 of the AIM Rules relating to Directors' dealings and will take all reasonable steps to ensure compliance by the Company's Directors and applicable employees.

DIVIDEND POLICY

The Board anticipates that, following Admission, cash resources will be retained for the development of the Company's business and will not be distributed for the foreseeable future. The declaration and payment by the Company of any dividends and the amount thereof will depend on the results of the Company's operations, its financial position, cash requirements, prospects, profits available for distribution and other factors deemed to be relevant at the time.

RESTRICTIONS ON SHARE DEALING

Other than the lock-in arrangements, referred to below, that apply to the Ordinary Shares and Warrants held by the Directors and certain of the Shareholders, there are no restrictions on the free transferability of the Company's shares.

LOCK-IN AND ORDERLY MARKET ARRANGEMENTS

Pursuant to the AIM Rules the Directors and First International Resources Limited, a significant Shareholder, have agreed with the Company and Beaumont Cornish not to dispose of any Ordinary Shares or Warrants held by them at Admission for a period of 12 months from the date of Admission. In addition, the Directors have agreed not to dispose of such Ordinary Shares and Warrants for a further period of 12 months thereafter except with the consent of Beaumont Cornish and Phillip Securities with a view to ensuring an orderly market in the Company's Ordinary Shares. The Directors have also agreed to not to dispose of any Ordinary Shares that they may purchase in the 24 month period following Admission except with the consent of Beaumont Cornish and Phillip Securities with a view to ensuring an orderly market in the Company's Ordinary Shares.

In addition, Loeb Aron has agreed with the Company and Beaumont Cornish for a period of 24 months following the date of Admission not to dispose of any Ordinary Shares, share options or Warrants that it may hold at Admission and any Ordinary Shares or Warrants that they may purchase in the 24 month period following Admission except with the consent of Beaumont Cornish and Phillip Securities with a view to ensuring an orderly market in the Company's Ordinary Shares.

CREST

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by a written instrument. The Company's Articles of Association permit the Company to issue shares in un-certificated form in accordance with the CREST Regulations 2001.

The Directors have applied for the Ordinary Shares to be admitted to CREST. Accordingly, settlement of transactions in the Ordinary Shares and Warrants following Admission may take place within the CREST system if the relevant shareholders so wish.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates and Warrant certificates will be able to do so.

WARRANTS, SHARE OPTIONS AND DEFERRED CONSIDERATION SHARES

The Company has outstanding at the date of this document the Mercator Warrants which entitle holders to subscribe for up to 37,294,600 new Ordinary Shares and share options in respect of 20,000,000 new Ordinary Shares. Assuming the Mercator Warrants and the share options are exercised in full, these will represent 52.7 per cent of the Company's then enlarged issued Ordinary Share capital.

The outstanding Mercator Warrants comprise:

- Warrants, to subscribe for up to 34,494,600 new Ordinary Shares at the price of 8p per share at any time during the 13 month period following the date of Admission. If the Warrants are exercised in

accordance with their terms, 17,247,300 further warrants will be granted, to be exercised at 10p per Ordinary Share at any time during the 25 month period following the date of Admission;

- the Loeb Aron Warrant, to subscribe for up to 2,300,000 new Ordinary Shares at the price of 6p per share at any time during the 36 month period following the date of Admission;
- the Beaumont Cornish Warrant, to subscribe for up to 250,000 new Ordinary Shares at the price of 8p per share at any time during the 36 month period following the date of Admission; and
- the Phillip Securities Warrant, to subscribe for up to 250,000 new Ordinary Shares at the price of 8p per share at any time during the 36 month period following the date of Admission.

The terms and conditions relating to the outstanding Mercator Warrants are set out in the Mercator Warrant Instruments, details of which are set out in paragraphs 6.4 to 6.7 of Part VII of this document.

Application will be made for the Warrants to be admitted to trading on AIM. The Warrants are not dealt or traded on any other recognised investment exchange and no application has been made or is being made for the Warrants to be admitted to any such exchange.

No application has been made or is being made for the Beaumont Cornish Warrant, the Loeb Aron Warrant and the Phillip Securities Warrant to be admitted to trading on AIM or any other recognised investment exchange.

Under the terms of the Share Exchange Agreement share options in respect of 20,000,000 new Ordinary Shares, exercisable at 8p per share were granted to the vendors of Aurogenic. The share options can be exercised at anytime during the 60 month period following the date of Admission.

In addition, under the terms of the Share Exchange Agreement, 20,000,000 Ordinary Shares, credited as fully paid, will be issued, by way of deferred consideration, to the vendors of Aurogenic within 10 days of the election by the Company to earn the 45 per cent interest under the Annean Joint Venture.

It is also intended, following Admission to establish a share option scheme for the benefit of Executives and senior employees of the Group pursuant to which share options will be granted to Directors to subscribe for up to 3,400,000 Ordinary Shares.

REASONS FOR THE ADMISSION

The Directors believe that Admission and the funds raised through the Placings, further details of which are set out in paragraphs 3.9, 3.11, 3.12, 4.1 and 4.2 of Part VII of this document, are an important step towards the future development of the Company. Admission is expected to raise the public profile of the Company and enhance the Company's ability to make acquisitions by enabling it to issue traded securities.

TAXATION

Information regarding United Kingdom taxation for shareholders who are resident in the United Kingdom for tax purposes and who hold Ordinary Shares as investments is set out in paragraph 14 of Part VII of this document. Shareholders not resident in the United Kingdom should seek appropriate advice in their own tax jurisdictions.

If you are in any doubt as to your tax position, you should contact your professional adviser immediately.

RISK FACTORS

The Board recognises the risks of investments in the business of gold mining in Australia and the attention of prospective investors is drawn to the Risk Factors set out in Part VI of this document.

These risks are not easy to quantify and may be beyond any person's control. They could result in a substantial, or even a complete, loss of the value of the Company's investment in the principal interests and projects detailed in this part of the document.

ILLUSTRATIVE PRO FORMA STATEMENT OF COMBINED NET ASSETS AND FINANCIAL INFORMATION

The combined net assets of the Company on Admission, as extracted from the pro forma statement of combined net assets set out for illustrative purposes only in Part V of this document, are £1,773,313.

Your attention is drawn to the financial information on the Group, namely the Accountants' Report on the Company, which is set out in Part III of this document and the Accountants' Report on Aurogenic which is set out in Part IV of this document.

FUTHER INFORMATION

Your attention is also drawn to the information contained the Competent Person's Report in Part II of this document and the Additional Information on the Group set out in Part VII of this document.

AVAILABILITY OF THE ADMISSION DOCUMENT

Copies of this Document will be available free of charge from the registered office of the Company, Ship Canal House, King Street, Manchester M2 4WB and from the offices of Beaumont Cornish, Georgian House, 63 Coleman Street, London EC2R 5BB during normal business hours on any weekday (except public holidays) from the date of this Document and will remain available for 1 month after the date of Admission.

PART II
COMPETENT PERSONS' REPORT



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Perth, Brisbane, Vancouver, Johannesburg

1 October 2004

The Directors
Mercator Gold plc
Ship Canal House
King Street
Manchester M2 4WB

The Directors
Beaumont Cornish Limited
Georgian House
63 Coleman Street
London EC2R 5BB

Dear Sirs

**COMPETENT PERSONS' REVIEW OF THE MINERAL ASSETS
OF MERCATOR GOLD PLC**

At your request (agreement dated 20 April 2004), Snowden Corporate Services Pty Ltd ("Snowden") was engaged to prepare a Competent Persons' Review of the Mineral Assets of Mercator Gold plc ("Mercator"). It is our understanding that this report is to be included in its entirety in an Admission Document to accompany Mercator's admission to AIM, a market for emerging and smaller companies operated by the London Stock Exchange.

The mineral assets that are reported on in this review are the subject of the "Annean joint venture" agreement with St Barbara Mines Ltd ("St Barbara") which comprises an extensive, semi-contiguous tenement holding over the Meekatharra greenstone belt located in the Murchison district of Western Australia. The Murchison district has historically been one of the major gold producing provinces within the Archaean Yilgarn Craton of Western Australia, with gold production estimated at approximately 12 million ounces.

Under the terms of the joint venture agreement, Mercator has the right to earn an initial 45% interest in the Annean joint venture tenements by spending A\$ 3 million on exploration by 2 March 2006 (with a minimum of A\$ 1 million being expended by 2 March 2005), with a provision to increase its equity to 51% by spending an additional A\$ 1 million by 2 March 2007 and to 70% by spending an additional A\$ 4 million by 2 March 2009. The joint venture tenements are located within trucking distance from St Barbara's 3Mtpa Bluebird processing facility, which may be used to process any ore mined as part of the joint venture.

The objective of this review is to confirm the veracity of the available technical information, the reasonableness of the views expressed in Mercator's Information Memorandum on the Annean joint venture tenements ("the Technical Report") in the context of the available information, to consider the appropriateness of the proposed work programme and budget and to express an opinion on Mercator's exploration strategy.

For the purpose of this review, Snowden has undertaken a desktop assessment of much of the technical information that was relied upon by the authors of the Technical Report. The review, which also included discussions with key company personnel, was carried out during the period 3 to 20 May 2004 at Mercator's Perth office. Documentation provided for each of the project areas included internal reports by Mercator, reports by previous and current tenement holders, published technical documents and various company reports. Snowden did not undertake a site visit to the Annean joint venture tenements for the specific purpose of this review since Snowden contributors to this report have recently undertaken several site visits to the area. Prior to the completion of this review, Snowden has been advised by Mercator's management that of the project areas which we report on in this review eight specific prospects have been selected by Mercator's management for initial exploration.

All resource estimates quoted in this review have been derived from St Barbara's June 2003 formal resource statement. These resource estimates were reported by a Competent Person within the context of the Australasian Code for Reporting of Identified Mineral Resources and Ore Reserves ("the JORC Code"), but have not been subject to review by Snowden which makes no warranty as to their veracity. St Barbara has consented to the inclusion of these resource estimates in this review.

Snowden has satisfied itself and Mercator has warranted that all material information in its possession has been fully disclosed to Snowden. A draft version of this report was provided to the directors of Mercator for comment in respect of omission and factual accuracy.

Snowden has not independently verified the current ownership status and legal standing of the mineral tenements contained within the Annean joint venture and is not qualified to make legal representations in this regard. Rather we have relied upon information provided by Mercator and have prepared this review on the understanding that all its tenements are currently in good standing and that there is no cause to doubt the eventual granting of any tenement applications.

Snowden Corporate Services Pty Ltd is a wholly owned subsidiary of Snowden Mining Industry Consultants Pty Ltd, an independent firm providing specialist mining industry consultancy services in the fields of geology, exploration, resource estimation, mining engineering, geotechnical engineering, risk assessment, mining information technology and corporate services. The company, which operates from offices in Perth, Brisbane, Johannesburg and Vancouver, has prepared independent expert's reports and mineral asset valuations on a variety of mineral commodities in many countries.

This report has been prepared by Mr Jeames McKibben (Consultant Geologist) and reviewed by Mr Philip Retter (Manager Corporate Services) and Mr Philip Snowden (Managing Director) of Snowden's Perth office in accordance with the Australasian Institute of Mining and Metallurgy's (AusIMM) Code and Guidelines for Assessment and Valuation of Mineral Assets and Mineral Securities for Independent Experts Reports ("the VALMIN Code") and Code for Reporting of Mineral Resources and Ore Reserves ("the JORC Code").

Neither Snowden nor those involved in the preparation of this report have any material interest in Mercator or in the mineral properties considered in this review. Snowden is remunerated for this report by way of a professional fee determined according to a standard schedule of rates which is not contingent on the outcome of this review.

1.0 INTRODUCTION

Mercator's principal focus is on the exploration for gold deposits in the Meekatharra area of the Murchison district, located some 750km northeast of Perth, Western Australia (Figure 1, Figure 2). Gold was initially discovered in the Meekatharra area in 1891 and since that time, extensive exploration and mining has occurred, most notably at the historic mining centres of Bluebird, Gabanintha, Kohinoor, Nannine, Paddys Flat, Reedys and South Junction. The principal host to these deposits is the regionally extensive north-northeast trending Meekatharra greenstone belt. Whilst this greenstone belt has been extensively

explored and exploited historically, Mercator's strategy is to re-evaluate the joint venture tenements for geologically driven conceptual targets supported by geometrical analysis of drilling data at a range of scales.

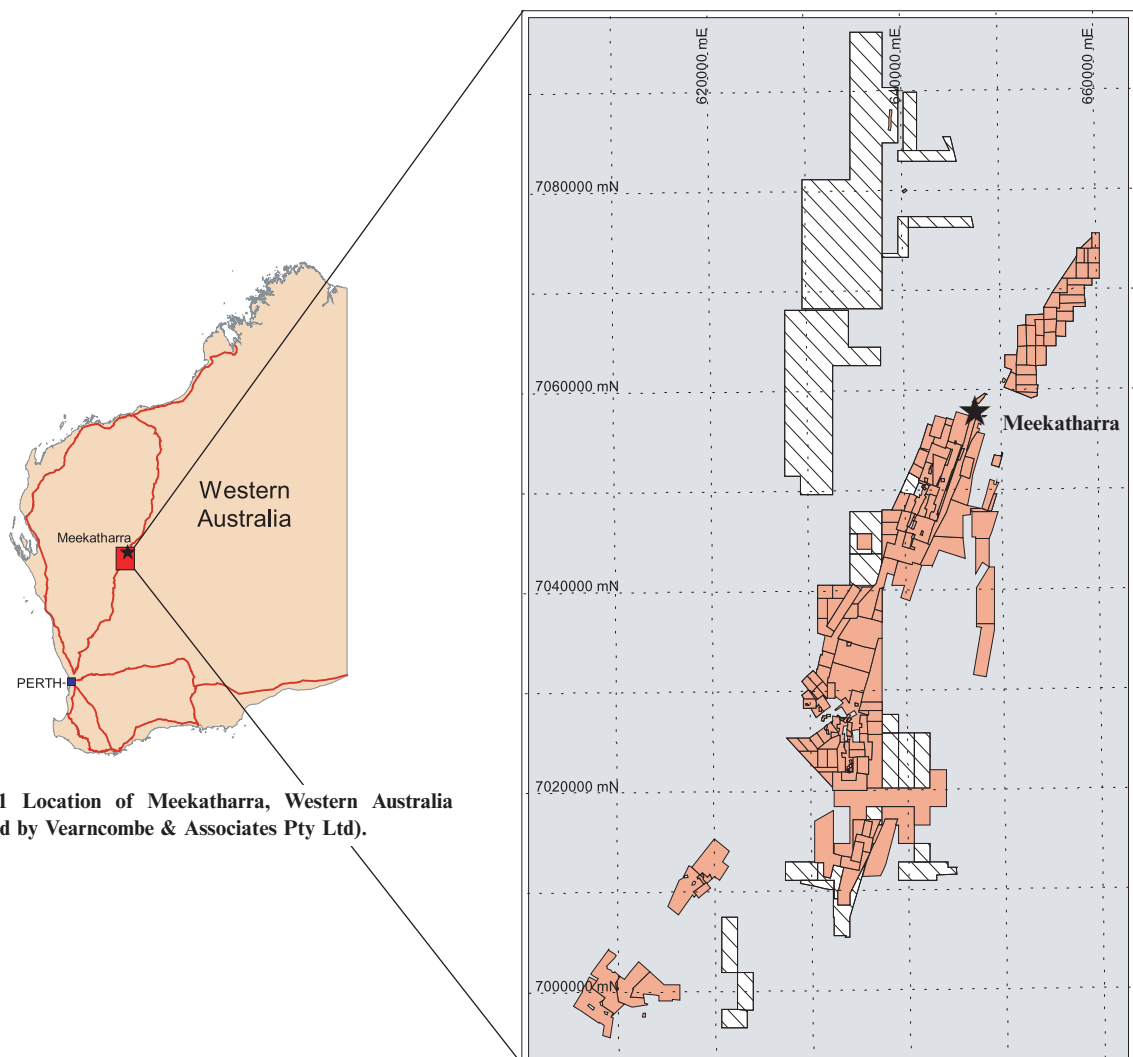


Figure 1 Location of Meekatharra, Western Australia
(prepared by Vearncombe & Associates Pty Ltd).

Figure 2 Map of the Annean joint venture tenements, which comprise 468km² of granted tenements (red) and 552km² of tenements in application (hachured). Granted Exploration Licences being converted to Mining Licences are in red and hachured (prepared by Vearncombe & Associates Pty Ltd).

Through the Annean joint venture, Mercator is currently earning into a 45% interest in a tenement holding covering approximately 1,020km² of the Meekatharra greenstone belt (refer to Figure 2). Nine project areas constitute this tenement holding and include the Abbots, Meekatharra North, Meekatharra South East, Kurara East, Nannine, Norie, Stakewell, Tuckanarra and Yaloginda projects. These project areas contain greenfields to advanced stage exploration targets spread throughout the joint venture area, which are typically categorised according to the style of mineralisation evident. These include:

Banded iron formation (BIF) hosted gold targets:

- Nannine
- Tuckanarra; and
- Stakewell

Porphyry hosted gold targets:

- Yaloginda, including Bluebird and Surprise prospects

Structural targets within variable rock types:

- Kurara East, including Bluebush, Cassia and Mingah prospects

2.0 MERCATOR'S EXPLORATION AND CORPORATE OBJECTIVES

Mercator has developed its corporate objectives within a distinct commercial framework which Snowden has assessed to be as follows:

- **Specialist gold explorer.** Mercator has established itself as a specialist gold explorer with particular emphasis placed upon the Meekatharra area of Western Australia.
- **Focus on areas with demonstrated gold prospectivity and production.** Mercator has acquired the rights to an extensive tenement holding in a well established gold province of Western Australia's Archaean Yilgarn Craton. Mercator's objective is to re-examine this province using advanced technologies to complement traditional structural geology and geostatistical methods, to define deposits containing at least half a million ounces of gold. The company intends to generate targets using conceptual models to explore for:
 - high-grade gold zones within large, low-grade porphyry-hosted gold deposits;
 - moderate- to high-grade banded iron formation (BIF)-hosted gold deposits; and
 - moderate- to high-grade lode gold deposits located in the pressure shadows to rigid granitic plutons.

These targets represent the main deposit styles which have contributed to the majority of the historical gold production within the Meekatharra region.

- **Technology driven resource company.** Mercator has secured ongoing access to the SpaDiS™ technology, developed by Vearncombe & Associates Pty Ltd ("Vearncombe"), providing a unique predictive and targeting tool using established geological datasets.
- **Experienced team.** Mercator intends to operate with a small team experienced in gold exploration and academia. The principals of Mercator - Patrick Harford, and Drs Julian and Susan Vearncombe are renowned in the evaluation of ore deposit geology and have been instrumental members of successful gold exploration teams within Australia and internationally.
- **Joint venture opportunities.** Through the Annean joint venture, Mercator has secured an extensive tenement holding over an area of significant gold production. Mercator intends to directly fund the ongoing evaluation of its key projects but through ongoing investigations will consider other joint venture opportunities.

Mercator's ultimate success will rely substantially on the skills of its exploration team and an effective exploration strategy. In Snowden's opinion, Mercator has the key elements in place to achieve its objective of discovering and developing gold deposits.

3.0 SpaDiS™ TECHNOLOGY

Snowden has been advised by Mercator that it plans to use the SpaDiS™ software developed by Vearncombe as an instrumental tool in generating targets, offering a competitive advantage within the previously extensively explored Meekatharra region. SpaDiS™ is designed to aid the analysis of two-dimensional (2D) and three-dimensional (3D) spatial datasets by providing a highly visual multi-functional platform.

SpaDiS™ uses a technique of assessment known as autocorrelation, which is based upon an unbiased geometric method of spatial analysis. Application of the autocorrelation technique to point data, such as the location of gold deposits, provides a visual approach to quantify characteristic spatial trends for groups of point objects and allows anisotropy to be distinguished from data that may initially appear randomly distributed. In the case of SpaDiS™, autocorrelation analysis is used to investigate a distribution of point objects, such as gold deposits, to identify linear trends, and whether such linear trends occur at a characteristic spacing.

At the regional scale, autocorrelation analysis can assess distribution patterns of mineralisation and potential controlling structures. At the deposit scale, the characteristics of mineralised zones such as direction, spacing, high-grade ore direction and grade distribution can all be understood.

Using SpaDiS™, Vearncombe has previously investigated the distribution of mineralisation from numerous sites within Western Australia and southern Africa at a range of scales, including:

- from terrane to prospect scale to deduce structural directions controlling mineralisation;
- relative to the distribution of all drilling by removing spatial bias inherent in the drilling distribution to determine ore shoot directions; and
- using grade control data to determine the continuity of mineralisation within open pits.

Snowden notes that the underlying mathematical techniques employed in the SpaDiS™ software have been published in several journals. These techniques have been independently verified as a mathematically valid approach to the identification of mineralised trends and potentially gold lodes. Snowden notes that the technique relies upon:

- expertise and experience of the analyst responsible for the investigation; and
- meaningful and reliable data.

Targets identified using this technique require further exploration to establish whether gold mineralisation indeed exists. If indications of mineralisation are found then an appropriate exploration programme will be designed. In this context, the ability of experienced operators is a strong determinant in the effectiveness of the technique. In Snowden's opinion the principals of Mercator have had extensive practical experience in autocorrelation, through the development of the SpaDiS™ software and application of the technique to a range of geological and mineral deposit investigations. Snowden therefore considers the SpaDiS™ software to have merit and endorses its use as a conceptual tool in generating gold targets on the Annean joint venture tenements.

4.0 GEOLOGY OF THE ANNEAN JOINT VENTURE TENEMENTS

The Meekatharra greenstone belt is subdivided into two bimodal volcano-sedimentary sequences, consisting of basalt, BIF and ultramafic units which are overlain predominantly by felsic volcanoclastic, sedimentary and jasperlitic BIF units (Figure 3).

These units have been subjected to greenschist facies metamorphism, deformed by polyphase folding, shearing, faulting and intruded by dolerite, felsic porphyry and post-tectonic granitoid bodies. This has resulted in a strong northwest to northeast trending fabric which is paralleled by the regional scale Mt Magnet-Meekatharra shear system, an anastomosing network of faults and shears intimately associated with the gold mineralisation of the region (Figure 4).

Mercator's Annean joint venture covers approximately 1,000km² of this greenstone sequence centred on the western limb of the regional scale, north-northeast trending Polelle Syncline, which is flanked to the west and east by Archaean granitoid batholiths. The Polelle Syncline appears to be a complex, polyphase-folded and disrupted synclinal fold structure, with near vertical limbs. Near Meekatharra, the fold clearly plunges south but further south, plunge reversals are evident (St Barbara, 2002b).

The core of the Polelle Syncline is intruded by several 'internal' granitoid bodies. The largest of which is the post-tectonic, ovoid Norie Pluton which occupies the central-western part of the Annean joint venture area block, although other smaller bodies are evident to the north and south.

Within the joint venture area, the Polelle Syncline has been disrupted by a series of regional scale, largely sub-parallel, northerly trending shear zones related to the Mt Magnet-Meekatharra shear system, which range in width from a few metres to in excess of 200m. These shear structures are characterised by a pervasive schistosity, quartz veining, felsic porphyry intrusive bodies and sulphide mineralisation.

Gold mineralisation

Previous mining activity has been concentrated along the greenstone succession on the western flank of the Polelle Syncline. It is estimated that the gold mines of the Meekatharra area have collectively produced in excess of 3.5 million ounces of gold (Watkins *et al.*, 1990).

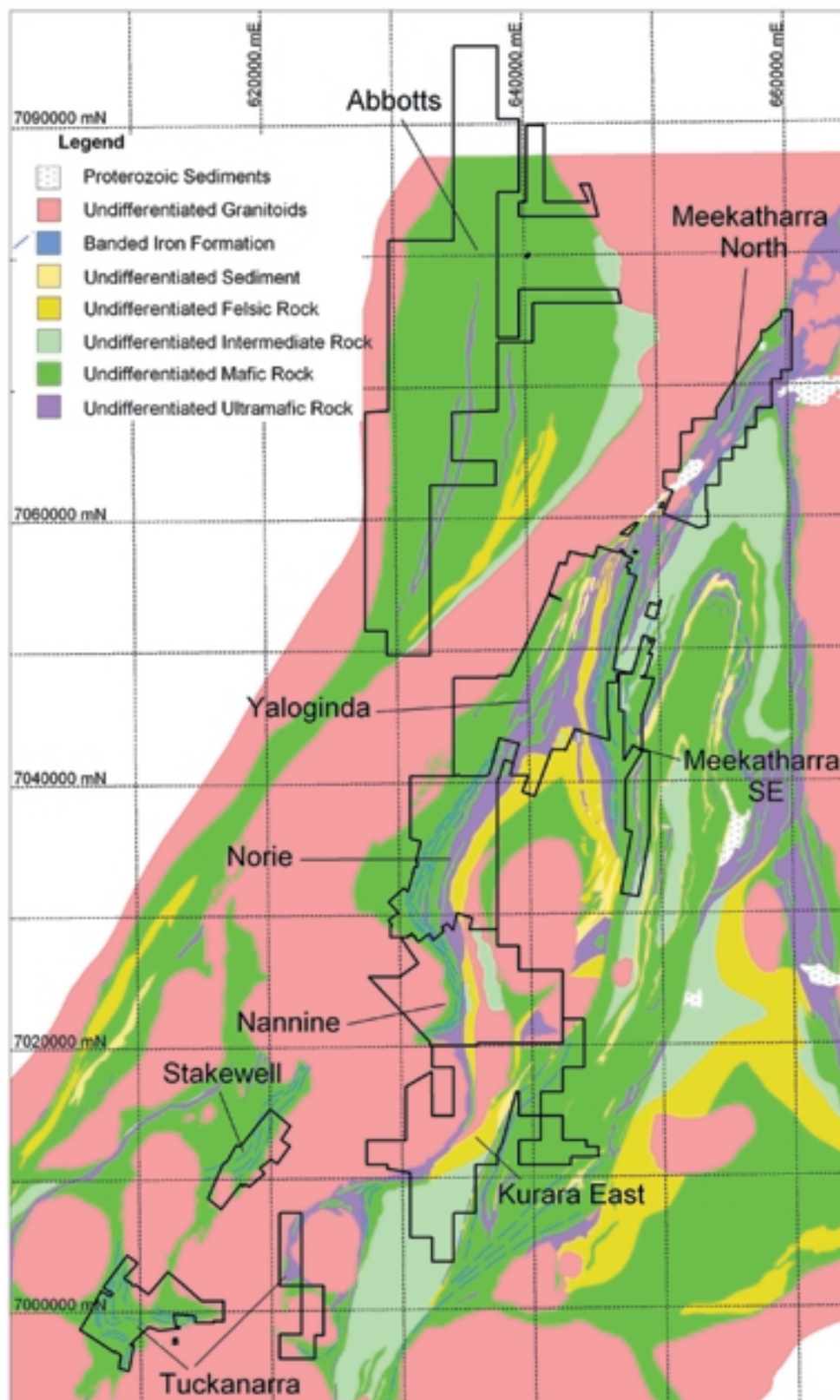


Figure 3 Annean joint venture tenement outline and simplified solid geology (prepared by Vearncombe & Associates Pty Ltd).

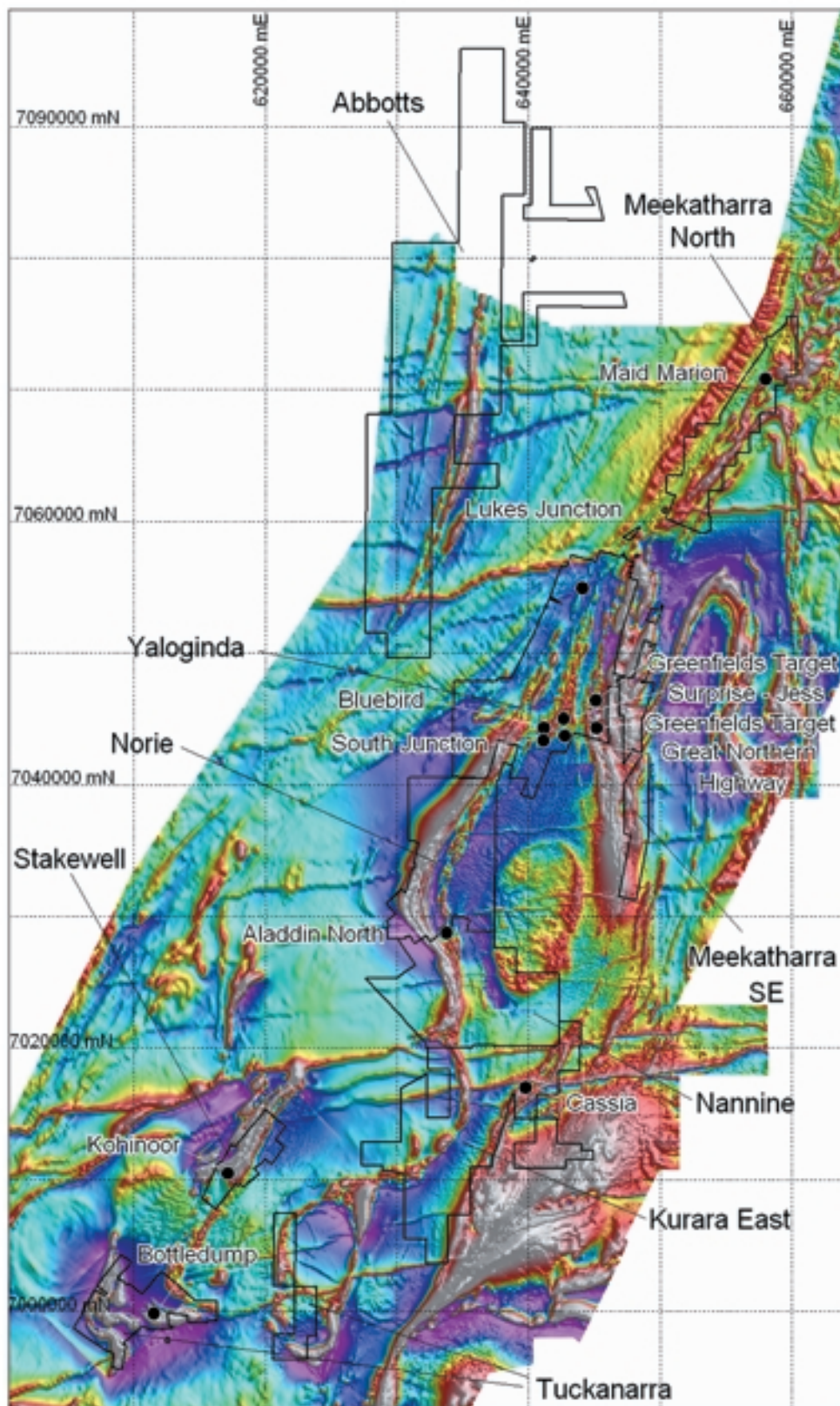


Figure 4 Total Magnetic Intensity image (reduced to pole) of the Annean joint venture tenements and exploration targets (prepared by Vearncombe & Associates Pty Ltd). The image shows folding, shearing, faulting, post-tectonic granitoid bodies and Proterozoic dolerite dykes. There is a strong northerly trending fabric which is paralleled by the regional scale Mt Magnet-Meekatharra shear system.

Several styles of gold mineralisation are evident throughout the Annean joint venture tenements, with primary gold mineralisation predominantly associated with sulphidic quartz veins hosted in sheared mafic, ultramafic and BIF units or within felsic porphyry intrusives. In addition, gold mineralisation occurs where faults and shear zones transect quartz reefs and BIF units. Gold has also been recovered from quartz veins in granitic host rocks.

In the Meekatharra area, weathering has resulted in a well developed regolith profile extending to more than 100m in depth. Lateritic caps and saprolitic clays also host supergene enriched gold mineralisation. The majority of gold production from within the Annean joint venture tenements has been from open pits developed above the base of complete oxidation in areas of outcropping or sub-cropping bedrock (St Barbara, 2002a).

Extensive alluvium covers the majority of the Annean joint venture tenements, obscuring the underlying greenstone units. The cover, which extends up to 100m in thickness in places, has hampered previous exploration. Salt lakes occupy the central part of the Annean joint venture tenement block.

Previous Exploration

Gold prospecting activities during the early 1900s concentrated on the search for high-grade gold mineralisation along BIF units and quartz veins exposed along the Mt Magnet-Meekatharra shear system. Mining operations were eventually established at Gibraltar, Karangahaki, Kohinoor and Reedys, with numerous smaller scale workings elsewhere. This initial phase of production ceased in the 1940s as a result of low gold prices (Henderson and Hill, 1990).

Renewed gold exploration activities in the early 1980s focussed on the search for bulk tonnage, low-grade open-pit deposits enclosing the abandoned underground workings. This search was subsequently extended to deeper, higher grade gold deposits at depth and for blind gold deposits on geophysically-defined extensions to the mineralised shears under areas of cover.

Since the late 1980s, work has focused on exploring for near mine gold resources for the established Bluebird processing facility. This work resulted in several significant new discoveries, including Bluebird, South Junction, Batavia, NOA, Jack Ryan, Surprise, Magazine and Wanganui Central, which were subsequently developed and several additional gold prospects where exploration is ongoing.

In 2001, St Barbara commenced a major aircore drilling campaign on targets identified in soil covered areas to the north, west and south of the Norie Pluton. This programme resulted in the discovery of the Cassia, Mingah and Bluebush prospects within the Annean Joint Venture tenements and the Petra prospect and the Mulla Mulla resource within adjoining tenements.

In order to manage, store and manipulate the large amount of exploration data that has been generated over the last 20 years, St Barbara initiated a data management system which has been provided to Mercator. This database has provided a basis for the formulation of Mercator's exploration strategy, with the SpaDiS™ software being an instrumental targeting tool.

In summary, the Meekatharra area has had a long history of exploration and mining. Despite this significant amount of exploration work, the areas of transported cover remain relatively under explored, most notably in the joint venture area adjoining the Norie Pluton (an area of approximately 300km²). It is therefore Snowden's opinion that Mercator's proposed re-assessment of the previous exploration data and previously exploited gold deposits to generate conceptual geological targets is a valid and worthwhile exploration strategy.

The following section summarises the attributes of the individual project areas making up the Annean joint venture, the currently defined resources and exploration potential within the context of the main categories of gold of mineralisation as defined by Mercator.

5.0 BIF – HOSTED TARGETS

BIF-hosted targets comprise essentially gold-bearing, sulphide mineralisation occurring in cross-cutting quartz veins or as fine disseminations hosted by iron-formations. Specifically, these gold deposits are associated with late stage structures, such as shears and faults, which intersect BIF horizons at a high angle.

5.1 NANNINE BIF PROJECT

Mercator's Nannine project area is located approximately 35km southwest of Meekatharra and covers an area of approximately 160km². The project covers a structurally complex greenstone succession that wraps around the western side of the Norie Pluton and is cut by the Mt Magnet-Meekatharra shear. Gold mineralisation is generally confined to a central north-northwest trending corridor associated with extensive, although discontinuous, BIF horizons. Shearing along the Mt Magnet-Meekatharra shear has resulted in oblique faults and quartz-filled shear zones which transect and disrupt the host BIF units. Gold mineralisation is in podiform shoots that plunge along the intersection of these shears and BIF units.

Gold was discovered in the Nannine area in October 1891 and by 1946 a total of 2,503.8kg (80,503 oz) of gold had been produced from 136,300 tonnes of ore, with more than 90% of this production being prior to 1910 (Ryall, 1989). Modern systematic exploration commenced in 1981 with several resources subsequently defined, including Aladdin, Nannine Reef, Luggs Reward and the Bayleys Island deposits (refer to Mercator's Figure 7). Several of these deposits were exploited by open pit, principally at the Aladdin and Bayley Island Central and South-East mines, with combined production in excess of 110,000 ounces of gold. Snowden has not been provided with the production data for individual deposits.

Project resources

St Barbara (2003) reported a small, low-grade remnant resource extending from the base of historical workings which were developed on a high-grade quartz reef. This resource consists of low-grade mineralisation enclosing the high-grade reef and is summarised in Table 1.

Table 1			
Nannine Project Resources (after St Barbara, 2003)			
Project	Inferred		
	t	g/t (Au)	oz (Au)
Nannine Reef	267,000	2.10	18,000

Various resource estimates have previously been reported for small deposits of remnant mineralisation at Luggs Reward, Aladdin and Bayley's Island. The Aladdin and the Bayley's Island remnant mineralisation extend at depth beneath the former open pits. At Luggs Reward, limited drilling has identified a small, low-grade zone of mineralisation which does not conform to the JORC Code.

Exploration potential

From Snowden's review of the technical data it is apparent that the Nannine project area has not been explored in any great detail other than the strike extensions of the known gold deposits, which at best has only defined shallow zones of low-grade gold mineralisation. The northern half of the tenements host several minor historic gold workings developed on BIF units within an ultramafic-mafic package. Limited reconnaissance aircore drilling of these areas has failed to outline any significant gold anomalies. Exploration on the southern half of the project has been hampered by the presence of Lake Annean. As a result the southern strike extension of the trend hosting the Bayley Island, Nannine Reef and Aladdin deposits has received limited attention to date.

In addition to generating greenfields gold targets within the Nannine project area, Mercator proposes to reassess the previously mined gold deposits through a detailed review of the previous drilling data in order to define additional resources, particularly associated with high-grade shoots at depth. Snowden has noted from its review that there is potential to define further high-grade mineralisation below the limits of the historic workings at Nannine Reef, which has not been assessed to date.

Mercator's proposed exploration programme over its Nannine project tenements will initially focus on the compilation and interpretation of all available geophysical, geochemical and geological data, including previous drilling results. This data will be subject to a detailed evaluation through the use of conventional and advanced technologies, in addition to geological mapping and further sampling, to define targets that Mercator considers to be capable of hosting at least half a million ounces of gold. These targets will be prioritised according to strict geological parameters. Depending on the maturity of the exploration target outlined the targets will receive further geological/structural mapping and electromagnetic (EM) geophysical surveying prior to drill assessment.

Based on the past production history, the Nannine project area has demonstrated potential to host further substantial BIF-related gold deposits, due to the paucity of outcrop throughout the southern half of the project area and the presence of multiple BIF units in the northern half of the project area. Both these areas have received limited attention to date. Snowden is therefore of the opinion that Mercator's exploration strategy for the Nannine project has sufficient conceptual merit and that the work programme proposed is justified.

5.2 STAKEWELL PROJECT

The Stakewell project comprises 5 contiguous granted mining leases (ML) located 55km southwest of Meekatharra that cover an area of approximately 25km². The project area hosts several gold occurrences, including the former Kohinoor mine, which between 1897 and 1996 produced 35,000 oz of gold from underground mining (Enshaw, 1996; Figure 5).



Figure 5 Stakewell project geology plan. The Kohinoor deposit lies within iron formation and basalt (prepared by Vearncombe & Associates Pty Ltd).

The project area is situated on the western edge of a granitoid intrusive body and predominantly covers mafic and ultramafic rocks intercalated with BIF. Gold mineralisation is associated with steeply dipping, east-northeast trending BIF units which are deformed and locally rotated by northwest trending shears, which cut the BIF units at a high angle. At the former Kohinoor mine, intersecting shears have resulted in the development of a pronounced schistosity, variable quartz veining and a wide zone of brecciation over a strike length of 40m within the BIF unit.

Most of the previous exploration completed within the Stakewell project targeted the gold potential of outcropping BIF horizons and quartz veins. Drilling up until mid 2002 had not produced encouraging results, however, re-evaluation of the drilling data by St Barbara indicated that previous campaigns had been oriented parallel to the principal vein direction and hence did not intersect the main gold mineralisation zones. In late 2002, following a campaign of drilling at a more optimal direction, St Barbara reported several significant gold intersections, including 18 metres at 2.11g/t Au and 4m at 2.56g/t Au and confirmed the continuity of quartz veins along a north-northwest trending zone. This zone remains open along strike.

Project resources

A small, underground resource extends at depth from the base of the former Kohinoor mine. However, despite the relatively high gold grade of the resource, development is considered unlikely due to its present limited size (i.e. could not sustain the necessary development costs).

Exploration potential

Based on the available technical data, the project area hosts several BIF units which appear to be relatively under-explored. Several potential target areas are apparent where quartz veins and shear zones intersect BIF units. In particular the potential for BIF-hosted mineralisation along strike from Kohinoor has yet to be fully assessed.

One of Mercator's primary objectives for the Stakewell project area is to establish the controlling structures to BIF-hosted gold mineralisation in order to target drilling. As such, Mercator plans to undertake detailed geological mapping and sampling in areas of BIF outcrop. In addition, it proposes undertaking a review of appropriate geophysical techniques to locate zones of sulphide mineralisation. Through this focussed strategy, Mercator hopes to minimise the exploration risks and costs associated with drilling conceptual targets, through a carefully designed drilling programme.

Furthermore, as part of its strategy for the Stakewell project, Mercator will investigate the potential for additional high-grade mineralised zones at Kohinoor Deeps, in order to increase the size of the currently defined resource.

It is Snowden's opinion that through a greater understanding of the controls on mineralisation within the Stakewell project, Mercator has the potential to discover further gold mineralisation associated with the BIF units or shear hosted sulphidic quartz veins. Snowden considers that Mercator's foremost strategy of establishing the geological control to the gold mineralisation will mitigate the inherent risks and costs associated with drilling conceptual targets, such as plunging ore shoots of limited aerial extent, is a prudent approach to the management of its exploration expenditure. Snowden is therefore satisfied that the exploration programme being proposed by Mercator is justified.

5.3 TUCKANARRA PROJECT

The Tuckanarra project is located approximately 65km southwest of Meekatharra and covers an area of approximately 60km² (Figure 6). The project area is predominantly located over mafic rocks and BIF units which are folded along northwest trending axes and flanked to the north, west and east by intrusive granitoids. Small, high-grade gold deposits are concentrated in the hinge zones of folded BIF units, which have been worked intermittently since gold was discovered at Tuckanarra in 1897. Historical gold production from the Tuckanarra area is estimated to exceed 39,000 ounces, with the majority derived from the Tuckanarra mineral field (Watkins and Hickman, 1990). Recent open pit mining activity has focused on the Bollard, Bottle Dump, Cable, Maybelle and Maybelle North deposits, however Snowden has not been provided with production figures for these deposits.

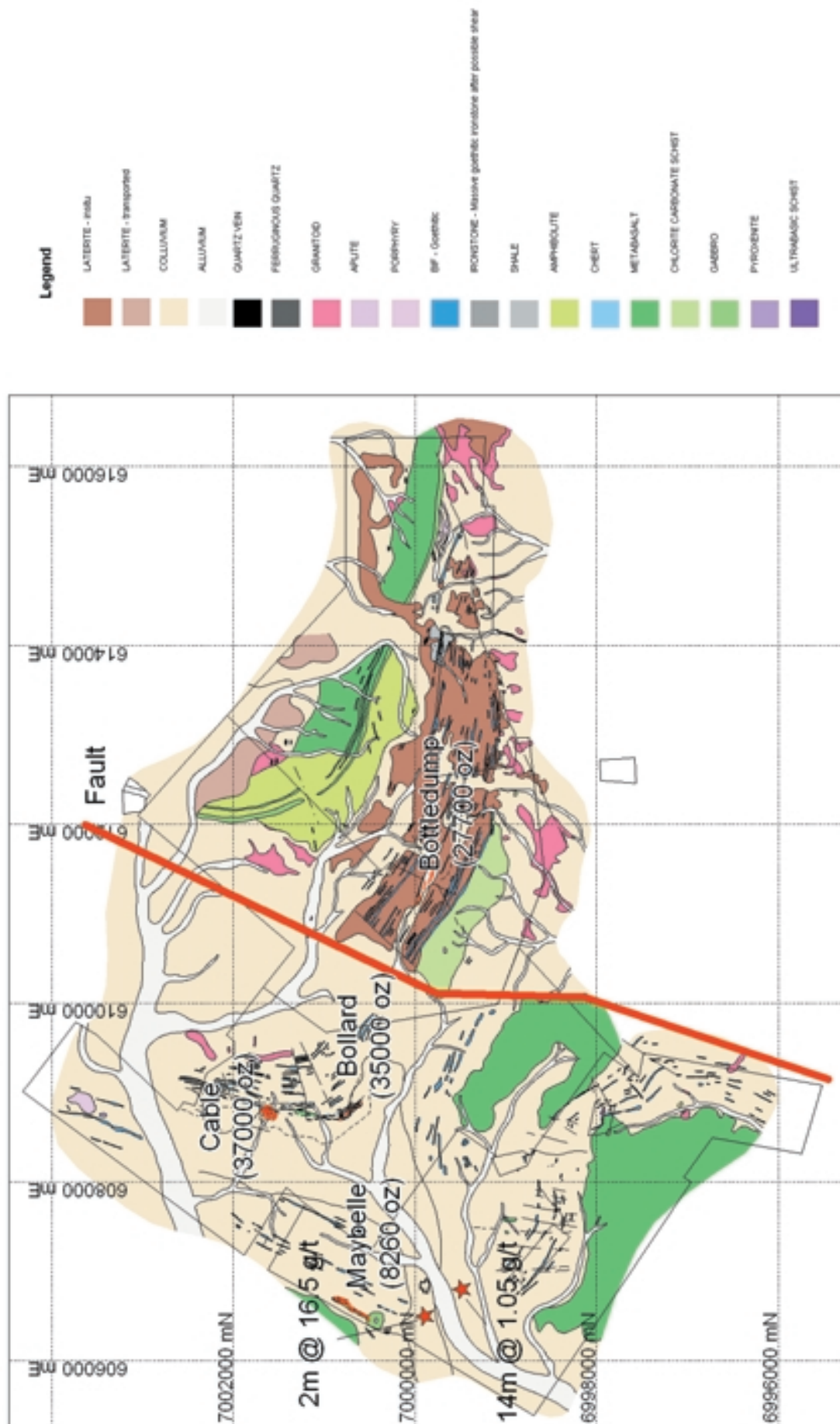


Figure 6 Geological compilation map of the Tuckanarra area, showing pre-mining gold inventories (pre-1990); (prepared by Vearncombe & Associates Pty Ltd).

There are currently no gold resources defined within the project area which meet the minimum reporting requirements of the JORC Code although an estimate has been reported for the small zone of low-grade mineralisation extending at depth from the completed Maybelle North open pit.

Exploration potential

The Tuckanarra project has been comprehensively explored by several companies. The most thorough work was completed by Metana up until the early 1990's. Metana investigated many of the numerous old gold workings developed on BIF units scattered throughout the project tenements and made several discoveries including the Bottle Dump, Cable and Maybelle North deposits.

As part of its exploration strategy for the project area, Mercator plans to undertake a compilation of the available technical data along with geological mapping and sampling. Detailed analysis of the gold distribution throughout the project area will then be carried out using SpaDiS™ and other conventional software packages to highlight targets with the potential to significant gold deposits. In addition, Mercator proposes mapping and further sampling at several of the former open pits, to investigate the potential for high-grade ore shoots within the previously defined deposits of low-grade mineralisation. Subject to the results of the data assessment phase, a programme of reconnaissance aircore drilling is proposed along with targeted RC drilling for the assessment of the zones of high-grade mineralisation identified.

From Snowden's assessment of the exploration data it is evident that the Tuckanarra project has been extensively explored, but there are sizeable areas which remain undrilled. Snowden recognises that a geologically driven exploration strategy, as presented by Mercator, provides the potential for the delineation of high-grade shoots associated with the known areas of gold mineralisation and the discovery of new gold deposits associated with BIF units. Snowden agrees with Mercator that the project area is prospective for moderate to high-grade BIF-hosted gold deposits, as demonstrated by the widespread presence of a deformed, sheared and veined BIF unit hosting historical gold workings. In this regard, recent drilling by AngloGold, former joint venture partners to St Barbara, has provided further encouragement by defining a 1km long bedrock gold anomaly potentially related to the hinge zone of a folded BIF unit and overlain by a palaeochannel. Significant drill intersections within this anomaly include 2 metres at 16.5g/t Au and 14 metres at 1.05g/t Au. Snowden considers the project to be at a mature stage of exploration, however, several conceptual targets remain untested and require further investigation. In this context the work programme proposed by Mercator is justified.

6.0 PORPHYRY-HOSTED TARGETS

Porphyry hosted targets within the Annean joint venture tenements essentially comprise gold-bearing, sulphidic mineralisation occurring as disseminations, fracture fillings, or associated with quartz veins within porphyritic, felsic igneous intrusions, which are typically emplaced along zones of structural weakness such as shear zones and faults.

6.1 YALOGINDA PROJECT

The Yaloginda project area is located to the immediate southwest of Meekatharra and covers an area of approximately 130km² (Figure 7). The project tenements cover St Barbara's Bluebird gold processing facility as well as several former open pit gold mines and historical gold workings located along the Mt Magnet–Meekatharra shear on the northwestern side of the Norie Pluton. Historically, gold mineralisation within the project area has been exploited on at least two geologically distinct lines; the Gibraltar line, where mineralisation is associated with sheared ultramafics and felsic intrusives; and the Rock Lee line, where narrow zones of high-grade gold mineralisation are hosted by BIF units.

The larger gold deposits, including Gibraltar, Karangahaki, Magazine, Bluebird, Bluebird Extension, Bluebird Deeps, Surprise and South Junction are concentrated along the Gibraltar line and occur at the intersection of the Mt Magnet–Meekatharra shear and pressure shadows to the Norie Pluton, where the shear shows evidence of flexure and exceeds 3km in width. Gold mineralisation is generally associated with shear structures, which commonly have been intruded by granitoid and felsic porphyry. Gold mineralisation typically occurs at the contact between these intrusive bodies and altered ultramafic rocks and is largely hosted by quartz veins and stockworks.

The Gibraltar and Rock Lee lines have been extensively explored with more than 1 million ounces of gold discovered and subsequently mined from more than a dozen deposits along the 18 kilometre trend between

Bluebird and Meekatharra. Thick cover and regolith sequences have hampered exploration over the remaining Yaloginda project area.



Figure 7 Geology, open pits and remnant resources of the Yaloginda project area (resource figures reported in St Barbara Mines Ltd 2002a Annual Report (prepared by Vearncombe & Associates Pty Ltd).

Project resources

Eight remnant resources have been reported by St Barbara within the Yaloginda project. These comprise South Gibraltar-Mystery, Batavia, Luke's Junction, Bluebird Extension and Bluebird Deeps, Bluebird East, Magazine and Ironbar. The South Gibraltar-Mystery, Batavia, Bluebird Extension, Bluebird East and Magazine deposits represent low-grade remnant resources extending from the base of the respective open pits, whilst Luke's Junction and Ironbar are undeveloped, low-grade resources.

The Bluebird Deeps underground resource extends at depth (150 to 400 m) from the southern end of the Bluebird Extension open pit resource (Figure 8). Based on the limited drilling to date, the Bluebird Deeps resource comprises a series of *en échelon* high-grade lenses.

The resource estimates for the Yaloginda project as reported by St Barbara (2003) are summarised in Table 2.

Project	Indicated			Inferred			Total		
	t	g/t (Au)	oz (Au)	t	g/t (Au)	oz (Au)	t	g/t (Au)	oz (Au)
S Gibraltar - Mystery	465,000	1.40	20,600	-	-	-	465,000	1.40	20,600
Batavia	-	-	-	30,000	3.80	3,673	30,000	3.80	3,673
Luke's Junction	201,000	1.80	11,632	-	-	-	201,000	1.80	11,632
Bluebird Extension	1,656,000	1.80	96,600	885,000	1.60	45,525	2,541,000	1.73	141,125
Bluebird East	2,117,000	1.20	81,700	38,000	1.60	1,955	2,155,000	1.21	83,588
Ironbar	290,000	1.59	14,783	140,000	1.50	6,752	430,000	1.56	21,535
Bluebird Deeps	-	-	-	135,000	7.30	31,685	135,000	7.30	31,685
Magazine	-	-	-	782,000	1.60	37,100	782,000	1.60	37,100
Total	4,729,000		225,315	2,010,000		126,690	6,739,000		350,938

Various resource estimates have previously been reported for the Rock Lee South, Rhens West, Surprise, Ascot West, Edin Hope and South Junction prospects, which are low-grade zones extending from the base of the completed open pits. However, as these estimates do not currently meet the minimum reporting requirements of the JORC Code they have not been considered as part of this review.

Exploration potential

To date, considerable exploration has been carried out at Yaloginda, delineating some 18 gold deposits with a gold endowment in excess of one million ounces, principally between Bluebird and Meekatharra along the Gibraltar line. Within this context, Mercator's initial exploration strategy for the project area has two main objectives. Firstly, to determine the location, orientation and dimensions of the zones of high-grade mineralisation associated with these deposits with the objective of generating targets with the potential to host more than half a million ounces of gold and secondly to locate additional gold mineralisation associated with intrusive porphyry bodies. To this end, Mercator proposes a compilation of all previous grade control, exploration and resource data in addition to a detailed analysis through SpaDiS™ and conventional exploration software to identify patterns and trends in the data. Furthermore, Mercator plans to undertake detailed open pit mapping, 3-D modelling and a review of geophysical methods to aid in the determination of the 3-D geometry of porphyry bodies, prior to the drill testing of the identified targets.

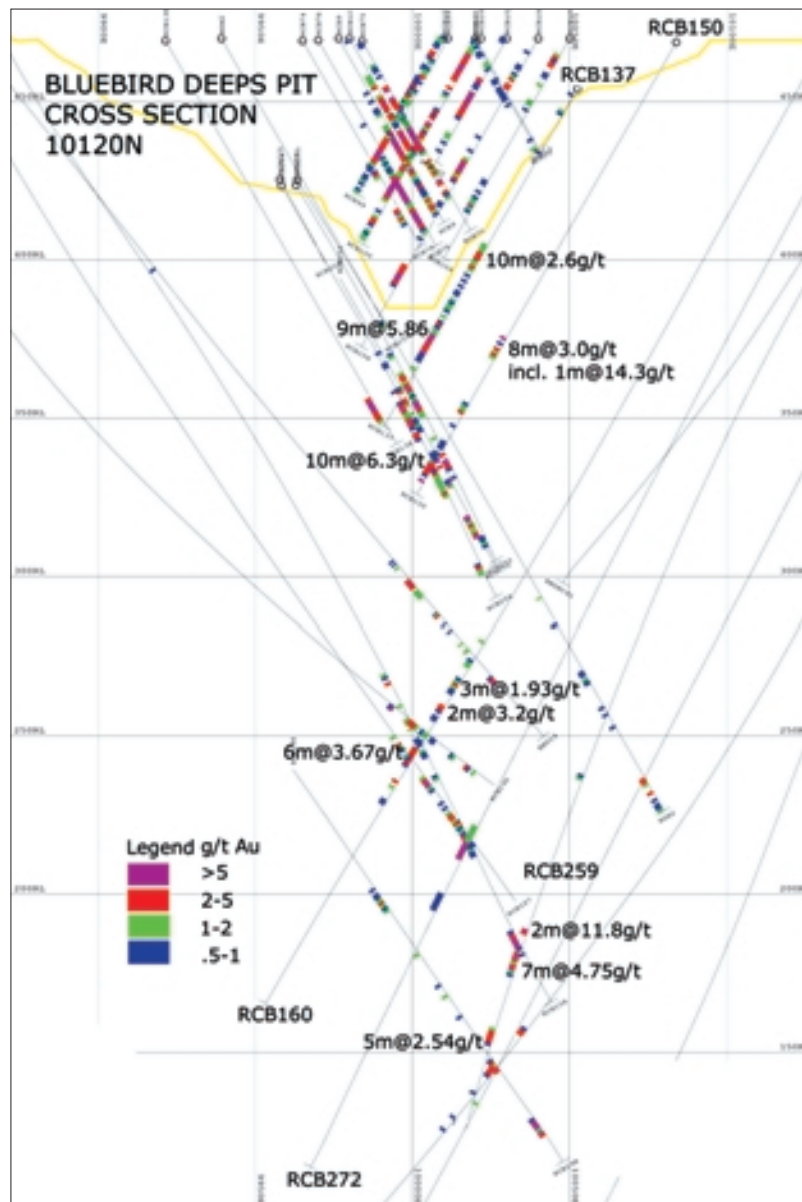


Figure 8 Section 10120N at Bluebird Deeps showing mined pit (yellow) and gold intercepts (g/t Au) at a lower cut off of 0.5 g/t Au (prepared by St Barbara Mines Ltd).

From Snowden's assessment of the exploration data it is apparent that the main zones of gold mineralisation within the Yaloginda project have been comprehensively explored. A fresh geologically driven approach, as advocated by Mercator, provides the potential for further success. Snowden concurs with Mercator that the project is prospective for high-grade gold zones within larger, low- to moderate-grade porphyry-hosted gold deposits which have been the main focus of previous mining activity. Several resources that could potentially be defined through further evaluation of high-grade ore zones include Batavia, Surprise, South Junction, Bluebird Extension and Bluebird Deeps.

At Surprise, previous drilling does not appear to have been carried out at an optimal direction and has possibly failed to intersect zones associated with high-grade mineralisation (Figure 9). Recent mapping by Mercator at South Junction, Bluebird Extension and at the Jess prospect near the Bluebird mill, has defined several trends which appear to be controlling the distribution of gold mineralisation.

As such, Snowden considers that the Yaloginda project is worthy of further exploration to the extent being proposed by Mercator.

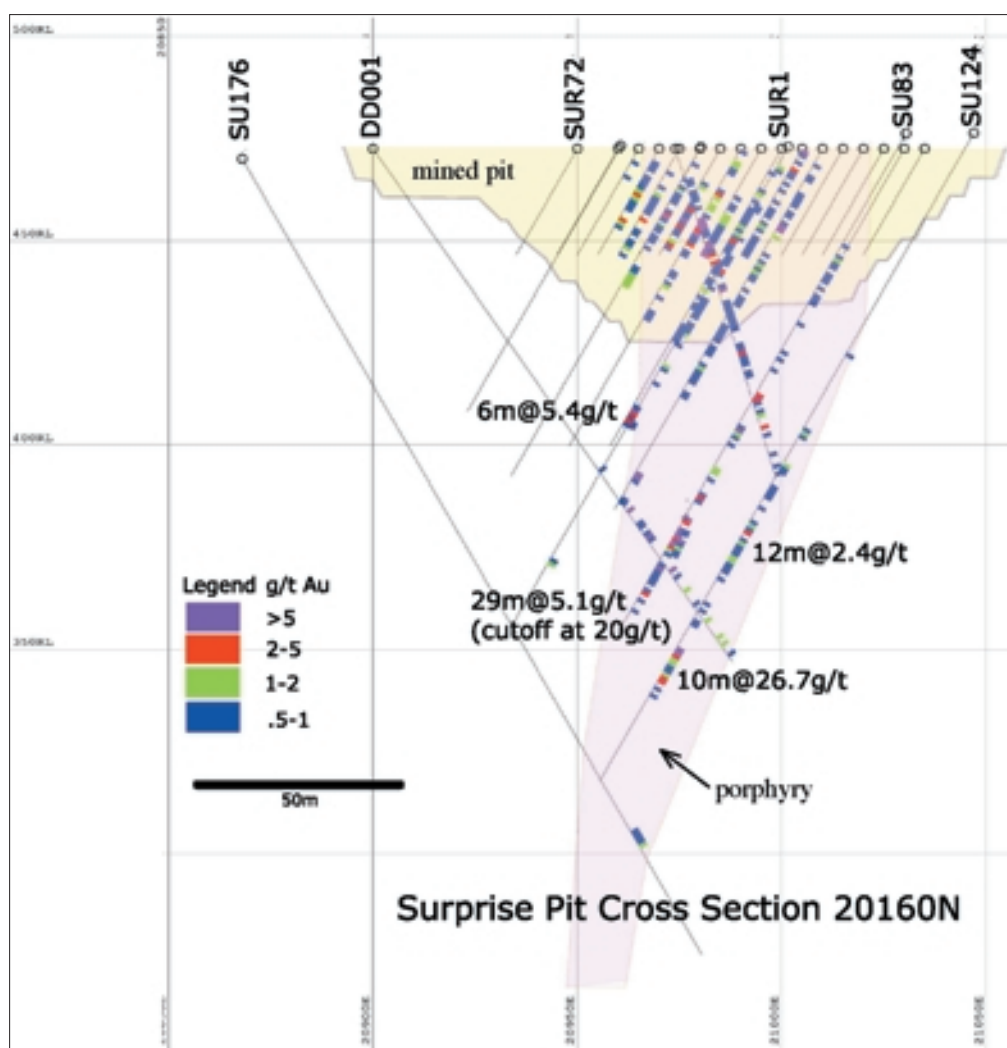


Figure 9 Section 20160N at Surprise showing drill intercepts (g/t Au) within porphyry (pink) below former open pit (yellow); (prepared by St Barbara Mines Ltd and Vearncombe & Associates Pty Ltd).

6.2 NANNINE PORPHYRY

The Caledonian gold deposit is located towards the centre of the Nannine Project, with mineralisation hosted within quartz veining associated with a granite-greenstone contact. The Caledonian orebody is essentially contained within granite and dips steeply to the southwest along the contact over a 260m strike length with an average width of 10m. There are no remnant resources which currently meet the minimum reporting requirements of the JORC Code at Caledonian.

Extensive drilling has been undertaken along the granite greenstone contact to the north of the Caledonian pit, returning sporadic zones of gold mineralisation surrounding small historical workings. The area surrounding the Caledonian deposit will be evaluated by Mercator as part of its targeting programme for the Nannine Project.

7.0 STRUCTURAL TARGETS WITHIN VARIABLE ROCK TYPES

Structural gold targets within the Annean joint venture typically consist of gold-bearing quartz veins which crosscut a wide variety of host rock types. In the case of the deposits around Meekatharra, this style of mineralisation is commonly spatially related to late-stage granitoid plutons and is generally localised within dilational sites on or adjacent to major faults.

7.1 KURARA EAST PROJECT

The Kurara East project is located approximately 50km southwest of Meekatharra and is a contiguous tenement block covering an area of approximately 200km². There is no recorded gold production from within the project tenements, although the area covers the northern extent of the Reedys line along a sheared granite/greenstone contact. Gold mineralisation at Reedys (south of Mercator's project area) occurs along the sheared contacts of dolerite, basalt, ultramafic schist, quartz-feldspar porphyry, shale and minor interbedded BIF. The deposits of the Reedys line have a combined gold production of approximately 650,000 ounces.

In addition, gold mineralisation has been defined at several other locations in close proximity to the current Kurara East project area. Significant gold production is recorded from the Turn of the Tide line, which lies to the immediate southeast of the project area and is associated with quartz veining in deeply weathered, sheared felsic volcanic rocks at the Turn of the Tide Main, Culculli and Culculli North mines, as well as in sheared mafic, ultramafic schists and BIF-mafic contacts at the Thompsons mine. The Turn of the Tide line trends into the Kurara East tenement. Furthermore, recent drilling at Polelle, which lies to the northeast of the project area has defined several gold prospects scattered around the northern and eastern edges of the Norie granite pluton.

Mercator's Kurara East project area is situated along the southern margin of the Norie Pluton and covers the north-northeast trending greenstone rocks which have been deformed and/or deflected by the granitoid intrusions and the northeast-trending Mt Magnet-Meekatharra shear system. The majority of the Kurara East project is concealed by variable depths of cover, including lake sediments, thus limiting the understanding of the project's geology.

Exploration potential

Extensive wide-spaced RAB, aircore and RC drilling has been carried out over the project area in the last 5 years defining several gold anomalies in the central and eastern portions, including the Bluebush, Cassia, Mingah and Ti Tree prospects (Figure 10). Gold mineralisation at Bluebush and Mingah is associated with sulphidic quartz veinlets mainly in altered granite and to a lesser extent in the adjoining greenstones. Recent work by Mercator suggests that gold anomalies at the Cassia prospect are associated with BIF, quartz veining and chert within an altered and sheared mafic sequence. The Ti Tree prospect is associated with basalts and dolerites.

Mercator's primary objective at Kurara East is to define additional drill targets capable of meeting its hurdle criteria of hosting potential for half a million ounces of gold. As such, Mercator plans to undertake further geological mapping and sampling combined with reinterpretation of the available geophysical and satellite imagery to define targets for infill aircore drilling. Subject to the results of this initial assessment phase, follow-up RC drilling will be conducted to test the lateral and depth extents of any significant anomalies defined. Consideration will be given to the use of geophysical methods to assist in targeting at prospects

with less pronounced geological attributes, such as Bluebush and Mingah, where recent investigations by Mercator have located widespread granite, limited alteration and an absence of favourable rock types.



Figure 10 Lake fill sediments at Kuarara East (photo supplied by Vearncombe & Associates Pty Ltd).

Snowden notes that whilst the Kurara East project has been selectively drilled along wide-spaced lines, the presence of considerable thicknesses of cover material has impeded the understanding of the project geology and the results of previous exploration. The presence of a sheared mafic sequence located in proximity to a granite contact and related to structures associated with the Mt Magnet-Meekatharra shear system, suggests that the project area remains prospective for the discovery of high-grade, Reedys-style lode gold deposits and lower-grade supergene quartz stockwork gold deposits. Snowden is therefore of the opinion that the project is of merit and worthy of exploration to the extent being proposed by Mercator.

8.0 REGIONAL TARGETTING

8.1 MEEKATHARRA NORTH PROJECT

The Meekatharra North project is located to the immediate east and northeast of Meekatharra and covers an area of approximately 110km² (Figure 11). The project area lies adjacent to the Mt Magnet-Meekatharra shear system at the northern end of the Meekatharra greenstone belt. The project tenements cover ultramafic and mafic intercalated with BIF units, which have been structurally emplaced against Archaean basement gneisses and granitoids. This sequence has been intruded by several late stage 'internal' granitoids, resulting in deformation and flexure of the greenstone belt. Extensive weathering and oxidisation is apparent across the project area, with a large proportion of the tenements obscured by laterite, soil and alluvium.

Previous exploration of the adjoining area to the south has been undertaken by a number of companies, which outlined a number of significant gold deposits associated with shear zones, porphyry intrusions, and BIFs at the Paddys Flat, including Mickey Doolan, Prohibition and Vivian-Consols. Within the Meekatharra North project area smaller deposits at Maid Marion and Five Mile Well were defined, with the Five Mile Well deposit subsequently mined.

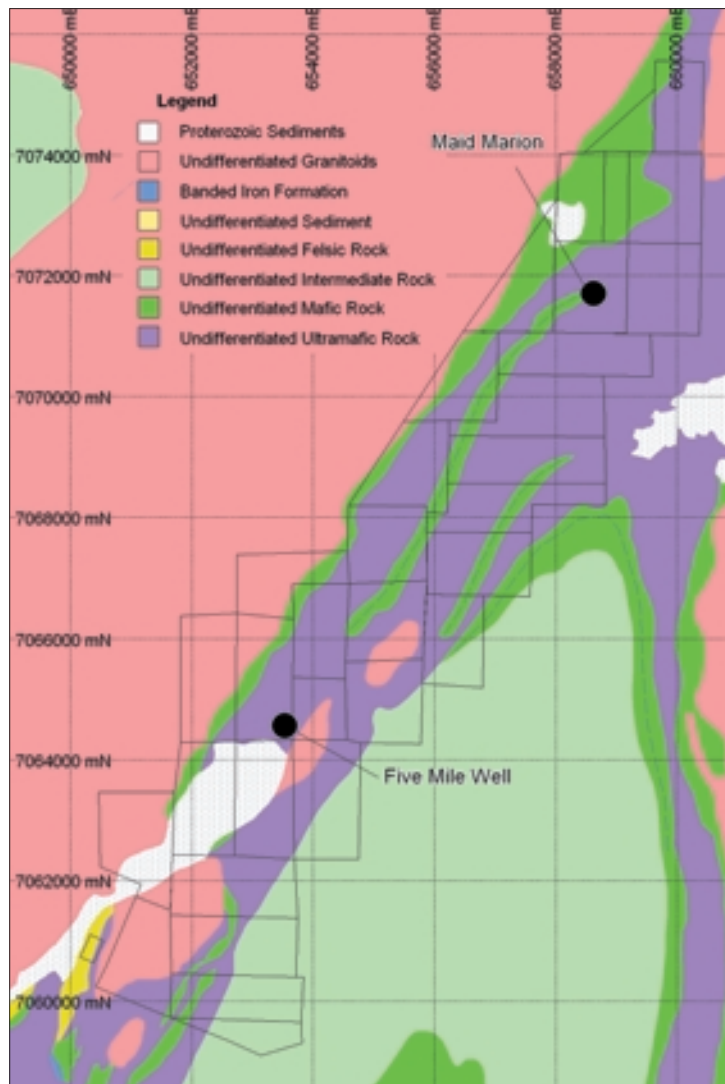


Figure 11 Geology and the location of the Five Mile Well and Maid Marion gold deposits (prepared by Vearncombe & Associates Pty Ltd).

Project resources

The Five Mile Well remnant resource reported by St Barbara is located within a broader bedrock gold anomaly along a mafic-ultramafic contact in the south of the project area. The shallow oxide resource is in the early stages of assessment and appears to be of generally low tenor and is reportedly refractory at depth.

Table 3 Meekatharra North Project Resources (after St Barbara, 2003)			
Project	Inferred		
	t	g/t (Au)	oz (Au)
Five Mile Well	339,000	1.80	18,200

A resource estimate has been previously prepared for the small, low-grade Maid Marion deposit (also known as Paddy's West). The Maid Marion mineralisation is currently considered uneconomic by St Barbara.

Exploration potential

Reconnaissance exploration work has been completed on a selective wide spaced basis over several parts the Meekatharra North tenement area but has been met with limited success. This lack of success may reflect the presence of widespread cover sequences across the majority of the project area. Reconnaissance RAB drilling has defined zones of anomalous bedrock gold geochemistry associated with granitoid intrusives and sheared ultramafic contacts in the central and northern parts of the project area.

Mercator's assessment of the Meekatharra North project area is planned to initially focus on the compilation, interpretation and analysis of all available geophysical, geochemical and geological data. Follow-up geological and structural mapping and geochemical sampling are proposed, in addition a review of the aeromagnetic and satellite imagery data. Pit mapping is proposed for Five Mile Well, with the aim of defining zones of high-grade mineralisation for drill assessment. Subject to the results of these investigations, targeted RC drilling will be carried out.

Based on its review of the available technical data, Snowden considers the Meekatharra North project area remains prospective, given the project's location along strike from the historically significant Paddys Flat mining centre, the apparent flexure of the greenstone sequence around "internal" granitoid bodies, the presence of a sheared and mineralised ultramafic contact within the tenement, from which small tonnages of high-grade ore have reportedly been mined and the lack of systematic exploration completed over the remaining tenement area. Snowden is therefore of the opinion that the Meekatharra North project is of merit and that the work programme proposed by Mercator is appropriate.

8.2 ABBOTTS PROJECT

The Abbots project area is located approximately 30km north of Meekatharra and covers an area of approximately 190km² over the Abbots greenstone belt, which consists of felsic and mafic volcanic units, with intercalated metasediments. The Abbots greenstone belt lies to the immediate northwest of the Meekatharra greenstone belt, and is typified by different and less favourable geological attributes than the adjoining Meekatharra belt.

Gold production of approximately 37,000 ounces is recorded from the Abbots greenstone belt derived principally from the Mt Vranizan and New Murchison King mines. Gold mineralisation is hosted by a shear zone in mafic volcanic and metasedimentary rocks developed near the interpreted axial plane of a synform. There is a general paucity of gold mineralisation in proximity to the project area.

The Abbots project area has been the subject of cursory exploration work to date which has provided limited encouragement despite the presence of several groups of small historic gold workings.

At present Mercator has not proposed a dedicated work programme for the Abbots project, which comprises one granted tenement and seven tenement applications. Rather the project area is to be reviewed as part of an integrated regional targeting programme. Within this context, Snowden considers that the Abbots project is worthy of evaluation to the extent being proposed by Mercator.

8.3 MEEKATHARRA SOUTH EAST PROJECT

The Meekatharra South East project area is located approximately 15km south of Meekatharra and covers an area of approximately 30km². The project area is located adjacent to the Mt Magnet-Meekatharra shear system and overlies volcanogenic sediments, BIF, basalts and other mafic units within the core of the Polelle Syncline. Although the geology is considered prospective for gold mineralisation, being located immediately south of the extensively mineralised Paddys Flat mining centre, the project area hosts no historic gold workings and is not concealed under significant thicknesses of cover.

The project area has not been subject to intensive exploration to date and the results from this work were mostly negative.

Mercator has not proposed a concerted work programme for this project area other than an assessment of targets identified through an integrated regional review of the Annean joint venture tenements.

8.4 NORIE PROJECT

The Norie project area is located approximately 25km southwest of Meekatharra covering an area of approximately 75km² over a concealed, sheared greenstone succession along the western margin of the Norie Pluton, which is cut by the Mt Magnet-Meekatharra shear. Numerous historic gold workings are evident associated with BIF units and quartz veins, however no substantial production has been recorded from the project tenements despite its location lying directly along strike of the significant gold deposits of the Bluebird and Reedys lines. The Norie Pluton and the associated greenstone contact is buried under extensive cover, however, the remainder of the project area is well exposed and has been previously subject to blanket soil sampling and wide-spaced drilling.

The previous soil sampling and drilling outlined gold mineralisation associated with a sheared granite/greenstone contact as well as BIF, mafic and porphyry units. The main prospects identified include Kingys, Bindi, 12 Mile, Norie South, Samphire, Samphire SW and Petra. Several gold geochemical targets remain untested at Samphire SW, Norie South and in the west of the project area associated with greenstone xenoliths in granite.

The Norie project will be evaluated by Mercator as part of the regional targeting exercise to generate drill targets with the potential to host at least half a million ounces of gold.

9.0 WORK PROGRAMME AND EXPLORATION BUDGET

Snowden has been advised by Mercator that it has proposed a staged programme of exploration for the Annean joint venture tenements over a two year period following its admission to AIM. Mercator's programme will initially focus on the compilation, verification and critical re-assessment of the geology and historical exploration data through a regional targeting review of all the tenements to generate detailed targets for subsequent follow-up assessment ultimately leading to:

- the definition of *Deposit targets* which comprise high-grade ore shoots associated with the known gold deposits which will require additional drilling to upgrade the current defined gold deposits with a view to determining their economic viability. Mercator proposes to assess these zones through targeted RC and diamond drilling. Potential targets include Surprise-Jess, Bluebird Extension and Bluebird Deeps at Yaloginda;
- the re-evaluation of *Brownfields targets* which include other historical gold workings with favourable geological indicators using the most appropriate and latest techniques to define precise drill targets capable of hosting high-grade gold resources. Mercator plans to assess these targets through geological/structural mapping, electromagnetic surveys, interpretation and modelling, and RC drilling. Potential targets include strike extents to Kohinoor at Stakewell and Bottle Dump at Tuckanarra; and
- the evaluation of *Greenfield targets*, which consist of previously identified gold anomalies and concepts occurring in combination with favourable geological parameters. Mercator proposes to investigate these anomalies and concepts through geological/structural mapping, soil and rockchip sampling, geophysics, interpretation of satellite and aeromagnetic imagery, aircore and RC drilling. Potential targets include Maid Marion at Meekatharra North and Cassia at Kurara East.

Snowden considers that the work programme proposed by Mercator is well conceived and provides adequate consideration of the differing styles of mineralisation and maturity of the targets identified in the tenements.

Snowden has reviewed Mercator's exploration budget which is summarised in Table 4. We note that as at the 31 August 2004, the company has expended \$375,073 as part of the Annean joint venture and has budgeted a further \$2.7 million to be spent before 31 March 2006. Furthermore, we note the amounts outlined are sufficient to meet the terms of the Annean joint venture agreement to the extent that the company will fulfil its initial obligation to earn a 45% interest. However, Snowden has not reviewed the minimum expenditure obligations of the tenements with respect to the statutory commitments by the Western Australian Department of Industry and Resources ("DoIR"). Snowden has been informed by Mercator that it is to receive exemptions from the minimum expenditure obligations for several tenements as specified by the Western Australian DoIR.

Table 4			
Mercator – Exploration Budget Summary (A\$)			
	Year 1	Year 2	Total
Exploration Personnel	513,000	553,000	1,066,000
Exploration Contract Services	151,000	128,000	279,000
Exploration Drill Projects	437,000	582,000	1,019,000
Administration	133,000	42,000	175,000
Rents, Rates & Government Services	238,000	301,000	539,000
TOTAL	A\$1,472,000	A\$1,606,000	A\$3,078,000

In Snowden's opinion, Mercator's proposed expenditures are realistic in the context of the available working capital currently held by the company. It should be possible to evaluate the resource potential of its main project areas at Yaloginda, Nannine, Stakewell, Tuckanarra, Kurara East and Meekatharra North in the two year period. Furthermore, the budget proposed should permit a meaningful assessment of the potential and limited drilling of the key targets identified within the remaining project tenements. Snowden cautions, however, that the proposed exploration programmes may change in Year 2 from that currently stated and will be dependent on the results from the Year 1 programme.

10.0 CONCLUSIONS

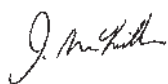
Mercator has entered into the Annean joint venture to explore a substantial portion of the historically significant mining centre of Meekatharra using a geologically driven conceptual strategy. This joint venture provides Mercator with an accelerated entry into an extensive tenement holding in a significant gold province. The Annean joint venture tenements host a myriad of greenfields to advanced stage exploration targets primarily contained within granted mining leases in close proximity to St Barbara's Bluebird gold processing facility, thereby permitting the rapid development of any gold resources defined. The challenge confronting Mercator is to meet its threshold of discovering gold deposits in excess of half a million ounces within the constraints of its budget. In Snowden's opinion, the best short-term opportunity for success in this regard lies within the Yaloginda project, where there is the potential to define high-grade resources from shoots contained within known low-grade deposits at Surprise-Jess and Bluebird. Additional undeveloped gold targets have already been established at the Bluebush, Mingah and Cassia prospects at the Kurara East tenement.

In addition to an effective exploration strategy, Mercator's ultimate success will be dependent in large on the skill of Mercator's exploration team. In Snowden's opinion, Mercator has the resources and expertise to achieve its objective of discovering and developing gold deposits in the Meekatharra area.

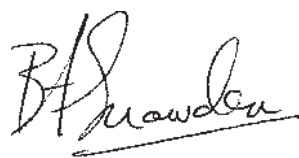
In the context of the funds held and the company's stated objectives over the course of the next two years, Snowden expects that Mercator will at least define several high quality drill targets within its project areas. We believe that Mercator will continue to acquire exploration properties and carefully manage its expenditure through the divestment of its non-core interests.

In Snowden's opinion, the conceptual exploration strategy outlined by Mercator within the Annean project tenements has merit and Snowden is satisfied that the proposed exploration programmes designed by Mercator to evaluate these targets are appropriate. We are also confident that Mercator will effectively adopt a prudent approach to the management of its exploration expenditure as it endeavours to meet its stated corporate objectives.

Yours faithfully



Mr J A J McKibben *BSc(Hons), MBA*
Consultant Geologist



Dr P Snowden *BSc (Hons), PhD, FAusIMM, MAIG*
Managing Director & Principal Consultant Geologist

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PART III
ACCOUNTANTS' REPORT ON THE COMPANY



Accountants and business advisors
Sovereign House Queen Street Manchester M2 5HR

The Directors
Mercator Gold plc
Ship Canal House
King Street
Manchester
M2 4WB

and

The Directors
Beaumont Cornish Limited
Georgian House
63 Coleman Street
London
EC2R 5BB

1 October 2004

Dear Sirs

Mercator Gold plc (the “Company”)

Introduction

We report on the financial information set out below which has been prepared for inclusion in the Admission Document of the Company dated 1 October 2004 (the “Prospectus”) relating to the proposed admission of the Company’s ordinary shares and certain warrants to trading on AIM.

The Company was incorporated on 22 March 2004 (company number 5079979). On incorporation the Company had an authorised share capital of £1,000 divided into 1,000 ordinary shares of £1 each of which one subscriber share was issued. On 24 March 2004 one further share was allotted.

On 30 April 2004 unsecured convertible loan notes with a nominal value of £180,000 were issued.

The Company changed its name from West Australia Gold Mines to Mercator Gold Limited on 21 May 2004.

On 1 June 2004, after the balance sheet date, unsecured convertible loan notes with a nominal value of £300,000 were issued.

On 7 June 2004 the Company sub-divided its existing authorised share capital, whether issued or unissued, into 100,000 ordinary shares of 1 pence each. The authorised share capital was then increased to £9,000,000 by the creation of 899,900,000 ordinary shares of 1 pence each.

On 4 August 2004 the Company issued 20,000,000 ordinary shares and 20,000,000 share options exercisable at 8 pence per share at any time during the 60 months period from the date of Admission to AIM, as consideration for the acquisition of the entire share capital of Aurogenic Resources Pty Ltd.



On 4 August 2004 £148,600 of the first issue of £180,000 unsecured convertible loan notes were converted into 2,476,667 placing units and on 10 August 2004 the balance of the £180,000 unsecured convertible loan notes, £31,400, were converted into 523,333 placing units. Each placing unit consisted of one fully paid ordinary share of 1 pence each and two warrants to subscribe for one ordinary share and one additional half warrant.

On 4 August 2004 all of the £300,000 issue of unsecured convertible loan notes were converted into 5,000,000 placing units. Each placing unit consisted of one fully paid ordinary share of 1 pence each and two warrants to subscribe for one ordinary share and one additional half warrant.

On 17 September 2004 the Company re-registered as a public limited company.

On 20 September 2004, the Company placed 14,766,600 units comprising 14,766,600 fully paid ordinary shares of 1 pence each and 14,766,600 warrants under the First Share Placing at a placing price of 6 pence per unit raising £885,996.

On 23 September 2004, the Company placed 8,728,000 units comprising 8,728,000 fully paid ordinary shares of 1 pence each and 8,728,000 warrants under the Second Share Placing at a placing price of 6 pence per unit, raising £523,680.

Basis of preparation of financial information

The financial information set out below is based upon the non-statutory financial statements prepared by the Directors and covers the period from 22 March 2004 to 31 May 2004. The financial statements were audited by PKF, Farringdon Place, 20 Farringdon Road, London, EC1M 3AP and the audit reports were unqualified.

Responsibility

The financial statements of Mercator Gold plc are the responsibility of the Directors of the Company who approved their use.

The Directors are responsible for the contents of the Prospectus in which this report is included.

It is our responsibility to compile the financial information set out in this report from the financial statements and to form an opinion on the financial information and report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgments made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion, the financial information gives, for the purposes of the Prospectus dated 1 October 2004, a true and fair view of the state of affairs of Mercator Gold plc at 31 May 2004 and of its loss for the period then ended.

Consent

We consent to the inclusion in the Prospectus of this report and accept responsibility for the report for the purposes of paragraph 45(1)(b)(iii) of Part 7 of Schedule 1 to the Public Offers of Securities Regulations 1995.

FINANCIAL INFORMATION

Accounting Policies

Basis of preparation

The financial statements are prepared under the historical cost convention.

Financial Reporting Standard Number 1

Exemption has been taken from preparing a cash flow statement on the grounds that the Company qualifies as a small company.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exceptions:

Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold; and

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

MERCATOR GOLD plc PROFIT AND LOSS ACCOUNT

		Period from 22 March to 31 May 2004 £
Turnover		—
Cost of sales		—
		<hr/>
Gross profit		—
Administrative costs		(35,442)
		<hr/>
Operating profit loss	(i)	(35,442)
Profit on disposal of tangible fixed assets		—
Interest receivable	(ii)	656
		<hr/>
Loss on ordinary activities before taxation		(34,786)
Tax on loss on ordinary activities		—
		<hr/>
Retained loss for the financial year	(viii)	(34,786)
		<hr/>

MERCATOR GOLD plc BALANCE SHEET

		As at 31 May 2004 £
Current assets:		
Debtors	(iv)	118,636
Cash at bank and in hand		37,788
		<hr/>
		154,424
Creditors: amounts falling due within one year	(v)	(189,208)
		<hr/>
Net current assets/(liabilities)		(34,784)
		<hr/>
Total assets less current liabilities		(34,784)
		<hr/>
		(34,784)
		<hr/>
Capital and reserves		
Called up share capital	(vii)	2
Profit and loss account	(viii)	(34,786)
		<hr/>
Equity shareholders' funds		(34,784)
		<hr/>

Notes:**(i) Operating profit/(loss)**

This is stated after charging:

	Period from 22 March to 31 May 2004 £
Directors' emoluments and other benefits	20,150
Auditors remuneration:	
Audit services	4,500
Non-audit services	<u>1,000</u>

(ii) Interest receivable

	Period from 22 March to 31 May 2004 £
Interest receivable from loan to Aurogenic Resources Pty Ltd	<u>656</u>

(iii) Taxation

No liability to UK corporation tax arose on ordinary activities for the period. At 31 May 2004, the Company had tax losses amounting to approximately £35,000 available to offset against future taxable profits. This represents a deferred tax asset of approximately £10,000, which has not been recognised in the financial statements due to insufficient evidence of future recovery.

(iv) Debtors

	As at 31 May 2004 £
Other debtors	<u>116,636</u>

Included within other debtors is £115,656 due from Aurogenic Resources Pty Ltd, a company incorporated in Australia, which was acquired after the period end.

(v) Creditors: amounts falling due within one year

	As at 31 May 2004 £
Convertible loan notes	169,200
Trade creditors	7,091
Accruals and deferred income	<u>12,917</u>
	<u>189,208</u>

(vi) **Unsecured Convertible Loan Notes**

	As at 31 May 2004 £
Unsecured convertible loan notes proceeds	180,000
Less issue costs	10,800
	<u>169,200</u>

Directors' interest in the unsecured convertible loan notes are as follows:

	Number of Convertible Loan Notes	Number of Shares on Conversion
M J De Villiers	12,000	200,000
P R Loudon	8,400	140,000
Vearncombe Superannuation Fund*	12,000	200,000
P A Harford	—	—
R N Allen	—	—
M Elias	6,000	100,000
T J Strapp	<u>12,000</u>	<u>200,000</u>

* In which Dr J R Vearncombe has an interest

1. The unsecured convertible loan notes were issued in £600 units. On 4 August 2004, £148,600 of the £180,000 unsecured convertible loan notes were converted into 2,476,667 placing units and on 10 August 2004 the balance of the £180,000 unsecured convertible loan notes, £31,400, were converted into 523,333 placing units.
2. Each placing unit comprised one fully paid ordinary share in the Company and two warrants ("Warrants"). Each Warrant allows for the subscription of one fully paid ordinary share in the Company at 8 pence per share at any time during the period of 13 months from the date of Admission.
3. Each two Warrants exercised triggers the grant by the Company of a further warrant which allows for the subscription of one fully paid ordinary share in the Company at 10 pence per share at any time during the period of 25 months from the date of Admission.
4. In the event that Admission is not secured within 9 months of the issue of the unsecured convertible loan notes, the Warrant exercise price will be reduced to 4 pence per share and the exercise period extended to a period of 24 months from the date of each extension. Other warrant exercise prices shall remain unchanged.
5. Shares resulting from conversion of the unsecured convertible loan notes or the exercise of the Warrants are credited as fully paid and rank *pari passu* in all respects with the other ordinary shares of the Company in issue at the time.

(vii) **Share capital**

	Authorised As at 31 May 2004 £000	Allotted, called up and fully paid As at 31 May 2004 £000
Ordinary shares of £1 each	<u>1,000</u>	<u>2</u>
	<u>1,000</u>	<u>2</u>

(viii) Reconciliation of shareholders' funds and movement on reserves

	Share capital £	Profit and loss account £	Total £
Share capital issued	2	—	2
Retained loss for the year	—	(34,786)	(34,786)
At 31 May 2004	<u>2</u>	<u>(34,786)</u>	<u>(34,784)</u>

(ix) Related party transactions and transactions with directors

During the period, the Company paid £4,584 to Mr T Strapp and Mr M Elias, who were appointed directors of the Company after the period end, as consultancy fees for services rendered.

Included in other debtors is a loan of £115,000 to Aurogenic Resources Pty Ltd, a company incorporated in Australia that was acquired after the period end, and a company in which Mr P A Harford and Dr J R Vearncombe, directors, are also directors and shareholders. Interest on the loan totalling £656 has been accrued for the period. The amount due to the Company at the period end was £115,656.

The Company paid £10,800 to Leob Aron & Company Limited (the Company's corporate advisers) for capital raising and which was a shareholder in Aurogenic Resources Pty Ltd) for the placing of the unsecured convertible loan notes.

Legal fees payable to Cobbetts, a firm connected with Cobbetts Limited, the company director that resigned in the period, of £1,000 are accrued and included within administration expenses.

The Directors' interests in unsecured convertible loan notes and share options are shown in note (vi).

(x) Post balance sheet events

Issued share capital

On 7 June 2004 the Company sub-divided its existing authorised share capital, whether issued or un-issued, into 100,000 ordinary shares of 1 pence each. The authorised share capital was then increased to £9,000,000 by the creation of 899,900,000 ordinary shares of 1 pence each.

Unsecured Convertible Loan Notes

On 1 June 2004, unsecured convertible loan notes with a nominal value of £300,000 were issued by the Company.

	£
Convertible loan notes proceeds	300,000
Less issue costs	<u>18,000</u>
	<u>282,000</u>

None of the Directors had an interest in this issue of unsecured convertible loan notes.

The unsecured convertible loan notes were issued in £600 units. On 4 August 2004 following the acquisition of Aurogenic Resources Pty Ltd the unsecured convertible loan notes were converted into 5,000,000 placing units in accordance with their terms .

Each placing unit comprised one fully paid ordinary share in the Company and one warrant ("Warrant"). Each Warrant allows for the subscription of one fully paid ordinary share in the Company at 8 pence per share at any time during the period of 13 months from the date of Admission.

Every two Warrants exercised triggers the grant by the Company of a further warrant exercisable at a price of 10 pence at any time during the period of 25 months from the date of Admission.

In the event that Admission to AIM is not achieved by 31 January 2005, the Warrant exercise price will be reduced to 4 pence per share and the exercise period will be extended to a period of 24 months from the date of such an extension. Other warrant exercise prices shall remain unchanged.

Shares resulting from conversion of the unsecured convertible loan notes or the exercise of the Warrants will be credited as fully paid and rank *pari passu* in all respects with the other ordinary shares of the Company in issue at the time.

On 4 August 2004, £148,600 of the £180,000 unsecured convertible loan notes were converted into 2,476,667 placing units and on 10 August 2004 the balance of the £180,000 unsecured convertible loan notes, £31,400, were converted into 523,333 placing units, details of which are outlined in note (vi) above.

Acquisition of Aurogenic Resources Pty Ltd

On 9 July 2004, the Company entered into an agreement to acquire the entire issued share capital of Aurogenic Resources Pty Ltd in a share for share exchange. 20,000,000 ordinary shares of 1 pence each were issued at par. In addition, 20,000,000 share options, exercisable at 8 pence per share at any time during the period of 60 months from the date of Admission, were also issued to the shareholders of Aurogenic. The Share Exchange Agreement with the vendors of Aurogenic Resources Pty Ltd also provides for the issue of an additional 20,000,000 ordinary shares of 1 pence each to the vendors within 10 days of the Company making the election to earn a 45 per cent. participating interest under clause 5.3 of the joint venture agreement between Aurogenic Resources Pty Ltd and St Barbara Mines Limited (“the Annean Joint Venture”).

Part IV of this Prospectus sets out the results of Aurogenic Resources Pty Ltd from its date of incorporation on 19 January 2004 to 31 May 2004.

The Directors’ interests, directly or indirectly in the above transaction were as follows:

	Ordinary Shares of 1 pence each No.	Share options No.
P A Harford	8,250,000	8,250,000
Dr J R Vearncombe*	1,500,000	1,500,000
P R Loudon	1,000,000	1,000,000

* Dr J R Vearncombe’s interests include Dr S Vearncombe’s interest in 750,000 Ordinary Shares and 750,000 share options.

The Company’s corporate advisors, Loeb Aron & Company Limited, which was a shareholder in Aurogenic Resources Pty Ltd, received 1,000,000 ordinary shares of 1 pence each and 1,000,000 share options.

Private placings

On 20 September 2004, the Company placed 14,766,600 units comprising 14,766,600 ordinary shares of 1 pence each and 14,766,600 warrants (“Warrants”) under the First Share Placing at a placing price of 6 pence per unit raising £885,996. Each Warrant allows for the subscription of one fully paid ordinary share in the Company at 8p per share at any time during the period of 13 months from the date of Admission. In addition, for each two new ordinary shares issued pursuant to the exercise of the Warrants, a further warrant will be issued entitling the holder to subscribe for one new ordinary share at a price of 10 pence per share at any time during the period of 25 months from the date of Admission.

On 23 September 2004, the Company placed 8,728,000 units comprising 8,728,000 ordinary shares of 1 pence each and 8,728,000 Warrants under the Second Share Placing at a placing price of 6 pence per unit, raising £523,680. Each Warrant allows for the subscription of one fully paid ordinary share in the Company at 8p per share at any time during the period of 13 months from the date of Admission. In addition, for each two new ordinary shares issued pursuant to the exercise of the Warrants, a further warrant will be issued entitling the holder to subscribe for one new ordinary share at a price of 10 pence per share at any time during the period of 25 months from the date of Admission.

Yours faithfully

PKF
Registered Auditor

PART IV
ACCOUNTANTS' REPORT ON AUROGENIC



Chartered Accountants
& Business Advisors

Level 7, BGC Centre
28 The Esplanade
Perth WA 6000
PO Box Z5066
St Georges Terrace
PERTH WA 6831

The Directors
Mercator Gold plc
Ship Canal House
King Street
Manchester
M2 4WB

and

The Directors
Beaumont Cornish Limited
Georgian House
63 Coleman Street
London
EC2R 5BB

1 October 2004

Dear Sirs

Aurogenic Resources Pty Ltd (“Aurogenic”)

Introduction

We report on the financial information of Aurogenic Resources Pty Ltd set out below.

Aurogenic was incorporated in Australia on 19 January 2004 for the purposes of mineral exploration. On 3 March 2004, Aurogenic entered into a joint venture with St Barbara Mines Limited whereby Aurogenic could earn a 45 per cent interest in a significant number of granted tenements and applications in the Murchison Goldfields of Western Australia. The terms of the joint venture allow for Aurogenic to earn a 45 per cent interest in the tenement area by expending A\$3 million over a period of two years from the commencement of the joint venture. Aurogenic then has the right to earn up to 70 per cent for a total expenditure of A\$ 8 million. Under the terms of the joint venture, Aurogenic must expend a minimum of A\$1 million in the first year before it can withdraw from the joint venture.

Aurogenic entered into a financial agreement with Mercator Gold Limited (“Mercator”) on 17 May 2004 whereby Mercator will provide funding up to £500,000 for the purposes of funding Aurogenic’s obligations under the joint venture agreement (“the Annean Joint Venture”) with St Barbara Mines Limited and for day to day running costs and administration, of which £115,000 had been drawn down at 31 May 2004.

On 4 August 2004, the entire share capital of Aurogenic was acquired by Mercator in a share for share exchange, where the shareholders of Aurogenic received 50,000 ordinary shares of 1 pence each in Mercator for every one share of A\$1 in Aurogenic. Aurogenic is now therefore a wholly owned subsidiary of Mercator. Mercator was re-registered as a public limited company on 17 September 2004.

Mercator raised £1.41 million of funds in September 2004 via private placements of units comprising ordinary shares and warrants and is applying for its ordinary shares and certain warrants to be traded on AIM, a market operated by the London Stock Exchange (“Admission”).

The financial information presented below is for Aurogenic only, and has been prepared for inclusion in the Admission Document of Mercator dated 1 October 2004 (the “Prospectus”) relating to the proposed Admission to AIM of Mercator.

Basis of preparation of financial information

The financial information set out in this report is based on the audited financial statements of Aurogenic for the period from incorporation to 31 May 2004 and has been prepared on the basis set out in this report, to which no adjustments were considered necessary. The financial information is expressed in Australian dollars, unless otherwise stated.

Responsibility

Such financial statements are the responsibility of the Directors of Aurogenic who approved their issue.

The Directors of Mercator are responsible for the contents of the Prospectus dated 1 October 2004 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the financial statements, to form an opinion on the financial information and to report our opinion to you.

Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued in the United Kingdom by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that recorded by the auditors who audited the financial statement from the period of incorporation to 31 May 2004 underlying the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to Aurogenic’s circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

As set out in Accounting Policy note (1), Aurogenic is reliant on ongoing funding from Mercator.

Opinion

Based on the continuing support of Mercator, in our opinion, the financial information gives, for the purposes of the Prospectus dated 1 October 2004, a true and fair view of the state of affairs of Aurogenic as at the date stated and of its results for the period then ended.

Consent

We consent to the inclusion in the Prospectus dated 1 October 2004 of this report and accept responsibility for this report for the purposes of paragraph 45 (8) (b) of Schedule 1 to the Public Offers of Securities Regulations 1995 (as amended).

FINANCIAL INFORMATION

Accounting Policies

(a) *Basis of preparation*

The financial information has been prepared on the basis of the significant accounting policies of Aurogenic as summarised below including the measurement and recognition requirements but not all of the disclosure requirements of applicable Accounting Standards, other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) in Australia.

The financial report has been prepared in accordance with the historical cost convention.

The financial information has been prepared on a going concern basis. Aurogenic is reliant on funding from Fair Choice Limited and Mercator. Refer to note Accounting Policy note (l).

(b) *Cash and cash equivalents*

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks.

(c) *Contributed Equity*

Issued and paid up capital is recognised at the fair value of the consideration received by Aurogenic. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the share proceeds received.

(d) *Taxes*

Income Taxes

Income tax is brought to account using a method of tax effect accounting whereby income tax expense for the period is calculated on the accounting profit after adjusting for items which, as a result of their treatment under income tax legislation, create permanent differences between that profit and the taxable income. The tax effect of timing differences which arises from the recognition in the accounts of items of revenue and expenses in periods different from those in which they are assessable or allowable for income tax purposes, are represented in the Statement of Financial Position as “future income tax benefits” or “provision for deferred income tax”, as the case may be at current tax rates. A future income benefit tax is only carried forward as an asset where realisation of the benefit can be regarded as being assured beyond reasonable doubt.

Goods and Service Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

Cash Flows are included on the Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(e) *Revenue recognition*

Interest revenue

Interest revenue is recognised on a cash received basis.

(f) *Receivables*

Trade accounts receivable, amounts due from related parties and other receivables represent the principal amounts due at the balance sheet date plus accrued interest and less where applicable, any unearned income.

(g) *Translation of foreign currency transactions*

Transactions in foreign currencies are initially measured at the rate of exchange in effect at the date of each transaction.

At each balance sheet date:

Foreign currency monetary items are reported using the rate of exchange at the transaction date.

Non-monetary items, which are carried in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.

(h) *Property, plant & equipment*

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life

Office equipment – 37.5 - 40% on straight line method

On disposal of an item of property, plant and equipment, the difference between the net sales proceeds and the carrying amount of the asset at the time of the disposal is recognised as income or expense in the profit and loss statement.

(i) *Accounts Payable*

Accounts payable represent principal amounts outstanding at balance date plus, where applicable, any accrued interest.

(j) *Borrowings*

Borrowings are recognised in the financial statements on the basis of the net amounts received after issuance costs and after accruing interest expense for the period.

(k) *Borrowing costs*

Borrowing costs are recognised as an expense in the period in which they are incurred.

(l) *Going concern*

Aurogenic has borrowings of A\$206,800 owing to Fair Choice Limited. That amount plus interest at 5% per annum is due for repayment in full by 31 October 2004. Fair Choice Limited holds a mortgage over all the assets and undertakings of Aurogenic.

Aurogenic entered into a financing agreement dated 17 May 2004 with Mercator whereby Mercator will provide funding of up to approximately £500,000 for the purpose of funding Aurogenic's obligations under the Annean Joint Venture and for day to day running costs and administration, of which £115,000 had been drawn down at 31 May 2004. The loan bears interest at the rate of 2 per cent. over the Bank of England base rate. The loan is repayable in Great British Pounds. Aurogenic has not taken out any hedging contracts for currency protection. This loan was secured by the shareholders of Aurogenic, but only to the extent of all their shares. Following the acquisition of the entire shareholding in Aurogenic by Mercator, funding of the loan is dependent upon the financial stability of Mercator.

Mercator has raised £1.41 million of funds in September 2004 via private placements of units comprising ordinary shares and warrants and is applying for Admission of the ordinary shares and warrants to AIM. Subject to Mercator's ongoing support Aurogenic is in a position to pay its debts as and when they fall due and as such they believe that the presentation of these accounts on a going concern basis is fair and reasonable.

However, should the continuing support from Mercator not be forthcoming, Aurogenic could find itself in a position of insolvency, particularly regarding the debts due to Fair Choice Limited and Mercator. In that case, Aurogenic may not be able to meet its obligations under the joint venture agreement and could lose any entitlements under that agreement. As Aurogenic does not have any other assets of significance and due to the mortgage to Fair Choice Limited, it is reasonable to assume Aurogenic would then be wound up.

(m) Events occurring after the balance sheet date

As at the date of this report, there were no post balance date events other than disclosed in this report.

AUROGENIC RESOURCES PTY LTD PROFIT AND LOSS STATEMENT

		Period from 19 January 2004 to 31 May 2004 A\$
	Notes	
Other revenue	(i)	803
Exploration expenditure		(202,681)
Borrowing costs and interest paid		(16,085)
Depreciation		(2,025)
Management fees		(49,500)
Corporate consulting fees		(18,172)
Legal fees		(6,938)
Other operating expenses		(46,135)
(Loss) from ordinary activities before income taxes	(ii)	(340,733)
Income tax expense		—
(Loss) after income tax		(340,733)

The profit and loss statement should be read in conjunction with the accompanying notes.

AUROGENIC RESOURCES PTY LTD BALANCE SHEET

		As at 31 May 2004 A\$
	Notes	
Current Assets		
Cash and cash equivalents		137,751
Other receivables	(v)	27,269
Total Current Assets		165,020
Non-Current Assets		
Property, plant & equipment	(iv)	23,676
Total Non-Current Assets		23,676
Total Assets		188,696
Current Liabilities		
Trade and other payables	(vi)	(24,921)
Interest bearing liabilities	(vii)	(504,108)
Total Current Liabilities		(529,029)
Total Liabilities		(529,029)
Net Assets/(Liabilities)		(340,333)
Shareholders' Equity		
Share capital	(viii)	400
(Accumulated losses)		(340,733)
Total Shareholders' Equity		(340,333)

The balance sheet should be read in conjunction with the accompanying notes.

AUROGENIC RESOURCES PTY LTD CASH FLOW STATEMENT

Period from
19 January 2004
to 31 May 2004
AS

Cash flows from operating activities:

Interest received	803
Payments to suppliers and employees	(107,198)
Net cash used in operating activities	(106,395)

Cash flows from investing activities:

Payment for property, plant and equipment	(25,701)
Payment for exploration expenditure	(202,681)
Net cash used in investing activities	(228,382)

Cash flows from financing activities:

Proceeds from issue of shares	2
Proceeds from borrowing	472,526
Net cash provided by financing activities	472,528
Net increase in cash and cash equivalents	137,751
Cash and cash equivalents at the beginning of the period	—
Cash and cash equivalents at the end of the period	137,751

The statement of cash flows should be read in conjunction with the accompanying notes.

Cash and cash equivalents

Cash and cash equivalents consist of cash on hand and balances with banks and investments in money market instruments. Cash and cash equivalents included in the cash flow statement comprise the following balance sheet amounts:

At 31 May 2004
AS

Cash on hand and with banks	137,751
-----------------------------	---------

Reconciliation of net cash provided by operating activities to operating loss after income tax

Period from
19 January 2004
to 31 May 2004
AS

Operating loss for the year	(340,733)
Add: non-cash items	
Depreciation	2,025
Foreign exchange unrealised losses	15,403
Borrowing costs and interest accruals	16,085
Exploration expenditure	202,681
Changes in assets and liabilities	
Increase in receivables	(26,777)
Increase in payables	24,921
Net cash provided by operating activities	(106,395)

NOTES TO THE FINANCIAL STATEMENTS

(i) Other revenue

	Period from 19 January 2004 to 31 May 2004 A\$
Other operating revenue	
Interest received	803
	<u>803</u>

(ii) Operating (loss)

The operating (loss) is stated after charging:

	Period from 19 January 2004 to 31 May 2004 A\$
Depreciation	2,025
Borrowing costs and interest paid	16,085
	<u>16,085</u>

(iii) Income tax

The amount provided in respect of income tax differs from the amount prima facie payable on operating loss. The difference is reconciled as follows :

	Period from 19 January 2004 to 31 May 2004 A\$
Operating loss for period	(340,733)
Prima facies tax on operating loss (at 30%)	(102,220)
Permanent differences, timing differences and future income tax benefit not brought to account	102,220
Income tax attributable to operating loss	<u>—</u>

Future income tax benefit is not carried forward as an asset unless realisation of the benefit can be regarded as being assured beyond reasonable doubt.

(iv) Property, plant & equipment

	Office Equipment A\$	Total A\$
Cost		
Opening balance	—	—
Additions	25,701	25,701
Disposals	—	—
At 31 May 2004	<u>25,701</u>	<u>25,701</u>
Depreciation		
Opening balance	—	—
Charge for the year	2,025	2,025
At 31 May 2004	<u>2,025</u>	<u>2,025</u>
Net book value		
At 31 May 2004	<u>23,676</u>	<u>23,676</u>

(v) Other receivables

At 31 May
2004
A\$

Current

Amount owing from shareholders	398
Amount owing from director – Patrick Harford	2,802
Goods and services tax receivables	24,069
	<hr/>
	27,269

(vi) Trade and other payables

At 31 May
2004
A\$

Current

Trade accounts payable	24,921
	<hr/>

(vii) Interest bearing liabilities

At 31 May
2004
A\$

Current

Borrowings from Fair Choice Limited	206,800
Borrowings from Mercator	297,308
	<hr/>
	504,108

Fair Choice Limited has a mortgage over all the assets and undertakings of Aurogenic.

Prior to the acquisition of Aurogenic by Mercator, the Mercator loan was secured by the shareholders of Aurogenic, but only to the extent of all of their shares.

(viii) Share capital

At 31 May
2004
A\$

Fully paid

Ordinary Shares:	
400 Ordinary shares of A\$1	400
	<hr/>
	400

(ix) Commitments for expenditure

As at 31 May 2004, Aurogenic had the following commitments:

At 31 May
2004
A\$

Funding of joint venture activities contracted for at 31 May 2004 but not provided for:-	
Not later than one year	797,319
	<hr/>

(x) **Related party disclosures**

The following transactions have taken place with related parties:

Directors

	31 May 2004 A\$
Amounts paid and payable to directors during the period	184,500

The directors of Aurogenic during the period from incorporation to 31 May 2004 were as follows:

Patrick Harford (Appointed 19 January 2004)

Dr Julian Vearncombe (Appointed 20 April 2004)

Dr Susan Vearncombe (Appointed 20 April 2004)

Remuneration of the directors during the period from incorporation to 31 May 2004 was as follows:

	Period from 19 January 2004 to 31 May 2004 A\$
Patrick Harford, management fees	49,500
Drs Julian and Susan Vearncombe, geological consulting fees (paid to Vearncombe & Associates Pty Ltd)	135,000
	184,500

Loans to Directors

As set out in note (v), a loan of A\$ 2,802 has been made to a Director as at 31 May 2004. This loan has been repaid after 31 May 2004. The terms and conditions of the loan were as follows:

Term of Loan	No fixed term
Interest	Nil
Repayments	No set repayment terms

(xi) **Economic dependency**

Aurogenic is reliant upon the continued funding from Mercator under a loan agreement whereby Mercator has agreed to provide finance to Aurogenic to a joint maximum amount of £500,000 to fund Aurogenic's commitments to joint venture expenditures.

(xii) **Segment results**

Aurogenic operates in one segment, namely the mineral exploration industry in Australia.

(xiii) **Post balance sheet events**

On 9 July 2004, Mercator entered into an agreement to acquire the entire share capital of Aurogenic in a share for share exchange, where the shareholders of Aurogenic received 50,000 ordinary shares of 1 pence each in Mercator for every one share of A\$ 1 in Aurogenic. Aurogenic is now therefore a wholly owned subsidiary of Mercator.

There have not been any other matters or circumstances that have arisen since the end of the financial period that have significantly affected, or may significantly affect, the operations of the entity, the results of those operations, or the state of the affairs of the entity in future years, other than those stated above and elsewhere in this report.

Yours faithfully

PKF
Registered Auditor

PART V

ILLUSTRATIVE PRO FORMA STATEMENT OF COMBINED NET ASSETS

The following unaudited pro forma statement of combined net assets of the Group is prepared for illustrative purposes only and may not, because of its nature, give a true picture of the financial position of the Group after the proposed Admission to AIM. It has been prepared to illustrate the effect on the net assets of the Group as if the unsecured convertible loan notes and their conversion, the acquisition of Aurogenic, the repayment of the Fair Choice Limited loan, the First and Second Share Placings and the proposed Admission to AIM had taken place on 31 May 2004.

	As at 31 May 2004			
	Mercator Audited £	Aurogenic Audited £	Adjustments £	Pro-forma Net Assets £
Fixed assets				
Intangible fixed assets – goodwill	–	–	331,494	331,494
Property, plant and equipment	–	9,148	–	9,148
Investments	–	–	–	–
	–	9,148	331,494	340,642
Current assets				
Debtors	116,636	10,536	–	127,172
Cash at bank and in hand	37,788	53,223	1,352,096	1,443,107
	154,424	63,759	1,352,096	1,570,279
Creditors: amounts falling due within one year	(193,208)	(204,400)	260,000	(137,608)
Net current assets/(liabilities)	(38,784)	(140,641)	1,612,096	1,432,671
Total assets less current liabilities	(38,784)	(131,493)	1,943,590	1,773,313

Notes to the pro forma statement of combined net assets

(i) The net assets of the Group have been extracted from the audited balance sheets of Mercator and Aurogenic as at 31 May 2004 as set out in the Accountants' Reports in Part III and IV of this document. Within the adjustment column above, adjustment has been made to take account of the acquisition of Aurogenic, the repayment of the Fairchoice Limited loan, the First and Second Share Placings and the conversion of the unsecured convertible loan notes.

(ii) The adjustments made are summarised below:

	Adj. to intangible fixed assets £	Adj. to fixed asset investments £	Adj. to cash at bank and in hand £	Adj. to creditors due within one year £
a. £300,000 unsecured convertible loan notes issued	—	—	300,000	(300,000)
Commission on issue of the unsecured convertible loan notes	—	—	(18,000)	—
b. £180,000 unsecured convertible loan notes and £300,000 unsecured convertible loan notes converted into Ordinary Shares	—	—	—	480,000
c. Acquisition of Aurogenic Resources Pty Ltd	—	200,000	—	—
d. Goodwill arising on the acquisition of Aurogenic and eliminations on consolidation (investment in Aurogenic, Aurogenic share capital on pre-acquisition reserves).	331,494	(200,000)	—	—
e. First Share Placing – issue of 14,766,600 Ordinary Shares at 6p per share, raising £885,996	—	—	885,996	—
Commission on private share placing 6%	—	—	(53,160)	—
f. Second Share Placing – issue of 8,728,000 at 6p each, raising £523,680	—	—	523,680	—
Commission on private share placing 6%	—	—	(31,420)	—
g. Admission costs	—	—	(175,000)	—
h. Repayment of Fair Choice Limited loan	—	—	(80,000)	80,000
	<u>331,494</u>	<u>—</u>	<u>1,352,096</u>	<u>260,000</u>

No adjustments have been made for any event since 31 May 2004 save as disclosed above, and in particular the pro-forma statement of combined net assets does not take into account any trading or working capital movements arising since those dates.

PART VI

RISK FACTORS

An investment in the Company may not be suitable for all recipients of this document. An investment in the Company is only suitable for investors who are capable of evaluating the risks and merits of such investment and who have sufficient resources to bear any loss, which might result from such investment. Investors are accordingly advised to consult an investment adviser, who is authorised under the Financial Services and Markets Act 2000 and who or which specialises in investments of this kind before making a decision to purchase Ordinary Shares.

In addition to all other information set out in this document, prospective investors should carefully consider the specific factors set out below in evaluating whether to make an investment in the Company. The specific risks set out below are those that the Board believes to be material, but these risks may not be the only ones faced by the Company. Additional risks, including those that the Board currently does not know of or deems immaterial, may also result in decreased revenues, increased expenses or other events that could result in a decline in the price of the Ordinary Shares.

This document contains forward-looking statements that involve risks and uncertainties. The Company's results could actually differ materially from those anticipated in the forward-looking statements as a result of many factors, including the risks faced by the Company, which are described below and elsewhere in this document.

The exploration and development of natural resources is a highly speculative activity that involves a high degree of financial risk. The risk factors which should be taken into account in assessing the Company's activities and investment in the Company include, but are not necessarily limited to, those set out below. Any one or more of these risks could have a material effect on the value of any investment in the Company and should be taken into account in assessing the Company's activities.

Exploration and mining risks

The business of exploration for minerals involves a high degree of risk. Few properties that are explored are ultimately developed into producing mines. The mineral deposits to be assessed by the Company may not contain economically recoverable volumes of precious metals. Should the mineral deposits contain economically recoverable resources then delays in the construction and commissioning of mining projects or other technical difficulties may result in plans for production being delayed or further capital expenditure being required.

The operations of the Company may be disrupted by a variety of risks and hazards which are beyond the control of the Company, including geological and geotechnical factors, unusual or unexpected rock formations, flooding and extended interruptions due to inclement or hazardous weather conditions, environmental hazards, industrial accidents, occupational and health hazards, technical failures and other acts of God. These risks and hazards could also result in damage to, or destruction of, production facilities, personal injury, environmental damage, business interruption, monetary losses and possible legal liability. No assurance can be given that the Company will be able to obtain insurance coverage at reasonable rates (or at all), or that any coverage it obtains will be adequate and available to cover any such claims.

The occurrence of any of these hazards can delay activities of the Company and may result in liability. The Company may become subject to liability for pollution or other hazards against which it has not insured or cannot insure, including those in respect of past mining activities for which it was not responsible.

Mineral exploration is highly speculative in nature, involves many risks and frequently is unsuccessful. There can be no assurance that any mineralisation discovered will result in proven and probable reserves being attributed to the Company. If reserves are developed, it can take a number of years from the initial phases of drilling and identification of mineralisation until production is possible, during which time the economic feasibility of production may change. Substantial expenditures are required to establish ore reserves through drilling, to determine metallurgical processes to extract metals from ore and, in the cases of new properties, to construct mining and processing facilities. As a result of these uncertainties, no assurance can be given that the exploration programmes undertaken by the Company will result in any new commercial mining operations being brought into operation.

Volatility of metal prices and exchange rates

Historically, metal prices have displayed wide ranges and are affected by numerous factors over which the Company does not have any control. These include world production levels, international economic trends, currency exchange fluctuations, expectations for inflation, speculative activity, consumption patterns and global or regional political events. In the case of gold, purchases and sales of bullion holdings by central banks or other large holders or dealers may also have an impact on the market and price. The aggregate effect of these factors is impossible to predict.

The market for some metals is relatively illiquid and small purchases or sales of the metals can have a material impact on the price, resulting in a higher volatility and distorting the price away from the fundamental supply-demand balance.

There is also uncertainty as to the possibility of increases in world production both from existing mines and as a result of mines currently closed being reopened in the future if price increases make such projects economic.

Consequently as a result of the above factors, price forecasting can be difficult to predict or imprecise.

Any future Company income from its product sales will be subject to exchange rate fluctuations and could become subject to exchange controls or similar restrictions. Currency conversion may have an adverse effect on income or asset values.

Governmental regulations and processing licences

Governmental approvals, licences and permits are, as a practical matter, subject to the discretion of the applicable governments or governmental offices. The Company must comply with known standards, existing laws and regulations that may entail greater or lesser costs and delays depending on the nature of the activity to be permitted and the interpretation of the laws and regulations implemented by the permitting authority. New laws and regulations, amendments to existing laws and regulations, or more stringent enforcement of existing laws and regulations, could have a material adverse impact on the Company's results of operations and financial condition.

The Company's exploration, mining and processing activities are dependent upon the grant of appropriate licences, concessions, leases, permits and regulatory consents which may be withdrawn or made subject to limitations. There can also be no assurance that they will be renewed or if so, on what terms.

The tenements which are the subject of the Annean Joint Venture contain a range of past, current and future obligations on the Company including minimum expenditure requirements. In some cases there could be adverse consequences of breach of these obligations, ranging from penalties to, in extreme cases, suspension or termination of the licenses or related contracts.

Development projects

Development projects have no operating history upon which to base estimates of future cash operating costs. For development projects, estimates of proven and probable reserves and cash operating costs are, to a large extent, based upon the interpretation of geological data obtained from drill holes and other sampling techniques and feasibility studies which derive estimates of cash operating costs based upon anticipated tonnage and grades of ore to be mined and processed, the configuration of the ore body, expected recovery rates, comparable facility and equipment operating costs, anticipated climatic conditions and other factors. As a result, it is possible that actual cash operating costs and economic returns may differ from those currently estimated.

Limited operating history

The Company has no properties producing positive cash flow and its ultimate success will depend on its ability to generate cash flow from producing properties in the future. The Company has not earned profits to date and there is no assurance that it will do so in the future. A portion of the Company's activities will be directed to the search for and the development of new mineral deposits. Significant capital investment will be required to achieve commercial production from the Company's existing projects and from successful exploration efforts. There is no assurance that the Company will be able to raise the required funds to continue these activities.

Financing

The successful discovery and extraction of precious or base metals may require very significant capital investment. In addition, delays in the construction and commissioning of any of the Company's mining projects or drilling projects or other technical difficulties may result in projected target dates for related production being delayed and/or further capital expenditure being required. In common with all mining and drilling operations, there is uncertainty, and therefore risk, associated with operating parameters and costs resulting from the scaling up of extraction methods tested in laboratory conditions. The Company's ability to raise further funds (which may be sought partially from Shareholders) will depend on the success of existing and acquired operations. The Company may not be successful in procuring the requisite funds and, if such funding is unavailable, the Company may be required to reduce the scope of its operations or anticipated expansion.

The Group strategy depends on the successful outcome of its identified exploration targets and its ability to earn a 45 per cent interest in the Meekatharra Properties. Attention is drawn to the section headed "Future Financing" in Part I of this document.

Reserve and Resource estimates

The Company has derived the ore resource figures presented in this document from the calculations and estimates prepared by SBM management and/or reported in the Competent Persons' Report set out in Part II of this document. Resource figures are estimates and there can be no assurances that they will be recovered or that they can be brought into profitable production. Resource estimates may require revisions based on actual production experience. Furthermore, a decline in the market price of gold, silver, or other metals that the Company may discover could render ore resources containing relatively lower grades of these minerals uneconomic to recover and may ultimately result in a restatement of resources.

The estimates of potential resources include a proportion which are undeveloped. These resources require further capital expenditure in order to bring them into production. No guarantee can be given as to the success of drilling programmes in which the Company has interests. In addition, drilling, development and production may be delayed or adversely effected by factors outside the control of the Company and the companies operating those drilling programmes.

Environmental factors

The Company's operations are subject to environmental regulation (including regular environmental impact assessments and permitting). Such regulation covers a wide variety of matters, including, without limitation, prevention of waste, pollution and protection of the environment, labour regulations and worker safety. The Company will also be subject, under such regulations, to clean-up costs and liability for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. Environmental legislation and permitting are likely to evolve in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors and employees.

Political risks

Although political conditions in Australia are generally stable, the introduction of new legislation or amendments to existing legislation by governments or the application of developments in existing common law in Australia, or the interpretation of those laws, could impact adversely on the assets, operations and ultimately the financial performance of the Company.

Native Title

The decision of the High Court of Australia in *Mabo v The State of Queensland (No 2)* (1992) 107 ALR 1 ('the Mabo Case'), recognised that in certain circumstances it may be possible for communal native title rights or interests to exist in relation to certain land in the Commonwealth of Australia. The Commonwealth Government enacted the *Native Title Act 1993* which allows indigenous people to lodge native title claims over certain land in Australia, and restricts acts involving land (including the issue of mining leases) which may affect native title which continues to subsist in that land. The High Court decision in *The Wik Peoples v The State of Queensland* (1996) 141 ALR 129 ('the Wik Case') held that the pastoral

leases in that case (in Queensland) do not necessarily extinguish native title and that native title rights and interests can co-exist with pastoral leasehold rights and interests. The Commonwealth *Native Title Amendment Act 1998* clarified many issues of concern relating to the circumstances in which mining tenures could be issued over land in which native title had not been extinguished, putting in place procedures to be followed for resolution of native title issues.

In the recent case of *Western Australia v Ward (2002) HCA 28* (8 August 2002) (“the Ward case”), the High Court, by majority concluded that there was insufficient evidence to establish native title rights to minerals or petroleum. In any event, such a right would have been extinguished by the relevant legislation which vests ownership of minerals and petroleum in the crown. However, where native title rights exist in relation to particular land or waters, inconsistent rights and titles (including mining tenements) which have been granted to others in respect of the land or waters, may be invalid.

SBM has entered into 2 separate Co-operation and Mining Agreements with the native title groups whose claims affect the majority of the Annean Joint Venture Tenements.

Both these Agreements are in similar terms and provide for compensation to the relevant native title claim group in consideration for the agreement of the native title claim group to the granting of any future mining tenements applied for by SBM within the native title claim areas. Both Agreements are subject to strict confidentiality provisions and, accordingly, details of the compensation payments cannot be disclosed.

In addition to compensation payments SBM is required to undertake heritage clearance surveys prior to carrying out significant ground disturbing activities, and is also required to offer training and contracting opportunities where appropriate to the relevant native title claim groups.

SBM may assign the whole or any part of its interest in any of its mining tenements which are within the native title claim boundaries at any time without restriction provided that the assignee enters into a Deed of Covenant agreeing to the bound by the provisions of the relevant Co-operation and Mining Agreement.

Uninsured risks

The Company, as a participant in exploration and mining programmes, may become subject to liability for hazards that cannot be insured against or against which it may elect not to be so insured because of high premium costs or other reasons. The Company may incur a liability to third parties (in excess of any insurance cover) arising from pollution or other damage or injury.

Dependence on key personnel

The Company is dependent upon its current executive management team. Whilst it has entered into contractual arrangements with the aim of securing the services of these personnel, the retention of their services cannot be guaranteed. Accordingly, the loss of any key management of the Company may have an adverse effect on the future of the Company’s business. The Company competes with numerous other companies and individuals in the search for and acquisition of mineral claims, leases and other mineral interests as well as for the recruitment and retention of qualified employees and contractors.

Currency risk

Currency fluctuations may affect the cash flow that the Company will realise from its operations, as mineral production is sold in the world market in United States dollars. The Company’s costs are incurred primarily in Australian dollars and British pounds sterling. Fluctuations in exchange rates between currencies in which the Company operates may cause fluctuations in its financial results, which are not necessarily related to the Company’s underlying operations.

Areas of investment risk

The Ordinary Shares will be quoted on AIM rather than on the Official List. An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List. AIM has been in existence since June 1995 but its future success and the liquidity in the market for the Company’s securities cannot be guaranteed. Investors should be aware that the value of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore not recover their original investment.

The market price of the Ordinary Shares may not reflect the underlying value of the Company's net assets. The price at which investors may dispose of their Ordinary Shares in the Company may be influenced by a number of factors, some of which may pertain to the Company, and others of which are extraneous. On any disposal investors may realise less than the original amount invested.

The risks above do not necessarily comprise all those faced by the Company and are not intended to be presented in any assumed order of priority.

PART VII

ADDITIONAL INFORMATION

1. Responsibility Statement

The Directors accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

2. The Company

2.1 The Company was incorporated and registered as a private company limited by shares in England and Wales under the Act with the name West Australian Gold Mines Limited on 22 March 2004 with registered number 05079979. The Company changed its name to Mercator Gold Limited on 21 May 2004 and was re-registered as a public limited company with the name Mercator Gold plc on 17 September 2004. The principal legislation under which the Company operates is the Act.

2.2 The liability of the members of the Company is limited.

2.3 The Company's head office is at Georgian House, 63 Coleman Street, London EC2R 5BB and its registered office is at Ship Canal House, King Street, Manchester M2 4WB.

2.4 The principal activity of the Company is mineral exploration.

2.5 The Company currently has one 100 per cent beneficially owned subsidiary company, particulars of which are set out below:

Aurogenic Resources Pty Ltd, a company incorporated and registered in Australia (registered number ACN 107674215)

3. Share Capital

3.1 The authorised and issued share capital of the Company following Admission is as follows:

Ordinary Shares of 1p each

Authorised		Issued and fully paid	
Number	£	Number	£
900,000,000	9,000,000	51,494,800	514,948

The Company has outstanding at the date of this document the Mercator Warrants which entitle holders to subscribe for up to 37,294,600 new Ordinary Shares and share options in respect of 20,000,000 new Ordinary Shares. Assuming the Mercator Warrants and the share options are exercised in full, these represent 52.7 per cent of the Company's then enlarged issued Ordinary Share capital.

3.2 On incorporation, the authorised share capital of the Company was £1,000 divided into 1,000 ordinary shares of £1 each.

3.3. On 22 March 2004, 2 ordinary shares of £1 each were issued fully paid to the subscribers to the memorandum at a price of £1 per share.

3.4 On 7 June 2004, the authorised and issued share capital of 1,000 Ordinary Shares were sub-divided into 100,000 Ordinary Shares of 1 pence each.

3.5 On 7 June 2004, the authorised share capital was increased from £1,000 to £9,000,000. by the creation of an additional 899,900,000 Ordinary Shares.

3.6 On 7 June 2004 the Company passed the following resolutions

- (a) an Ordinary Resolution to authorise the Directors, pursuant to section 80 of the Act, to allot relevant securities up to an aggregate nominal amount of £9,000,000 provided that the authority shall expire upon the date falling five years after the passing of this Resolution;

- (b) a Special Resolution that the Directors be empowered to allot or agree to allot equity securities pursuant to the authority referred to in sub-paragraph (b) above as if section 89(1) of the Act did not apply to any such allotment.
- 3.7 On 9 July 2004 the Company entered into an agreement to acquire the entire issued share capital of Aurogenic under the terms of the Share Exchange Agreement, full details of which are set out at paragraph 10.6 of below. On 4 August 2004, 20,000,000 Ordinary Shares were issued to the vendors of Aurogenic. On 29 September 2004, share options to subscribe for 20,000,000 Ordinary Shares exercisable at 8 pence per share at any time during the period of five years from the date of Admission were issued to the vendors of Aurogenic.
- 3.8 On 4 August 2004 the Company issued 7,476,667 Ordinary Shares to Convertible Loan Note Holders at a price of 6 pence per share together with 9,953,334 Warrants to subscribe for Ordinary Shares exercisable at 8 pence per share for a period of 13 months from the date of Admission. On the exercise of Warrants, for every two such warrants exercised the Company will grant a further warrant to subscribe for one Ordinary Share exercisable at 10 pence per share at any time during the period of 25 months from the date of Admission.
- 3.9 On 10 August 2004 the Company issued 523,333 Ordinary Shares to convertible loan note holders at a price of 6 pence per share together with 1,046,666 Warrants to subscribe for Ordinary Shares exercisable at 8 pence per share at any time during the period of 13 months from the date of Admission. On the exercise of Warrants, for every two such warrants exercised the Company will grant a further warrant to subscribe for Ordinary Shares exercisable at 10 pence per share at any time during the period of 25 months from the date of Admission.
- 3.10 On 17 September 2004 the Company re-registered as a public limited company under the name Mercator Gold plc and adopted new Articles of Association.
- 3.11 On 20 September 2004 the Company issued 14,766,600 Ordinary Shares at a placing price of 6 pence per share to raise £885,996 (before issue costs) together with 14,766,600 Warrants to subscribe for Ordinary Shares exercisable at 8 pence per share at any time during the period of 13 months from the date of Admission. On the exercise of Warrants, for every 2 such warrants exercised the Company will grant a further warrant to subscribe for one Ordinary Share exercisable at 10 pence per share at any time during the period of 25 months from the date of Admission.
- 3.12 On 23 September 2004 the Company issued 8,728,000 Ordinary Shares at a placing price of 6 pence per share to raise £523,680 (before issue costs) together with 8,728,000 warrants to subscribe for Ordinary Shares exercisable at 8 pence per share at any time during the period of 13 months from the date of Admission. On the exercise of Warrants, for every 2 such warrants exercised the Company will grant a further warrant to subscribe for one Ordinary Share exercisable at 10 pence per share at any time during the period of 25 months from the date of Admission.
- 3.13 Save as disclosed in this paragraph 3, there has been no increase or reduction in the authorised or issue share capital of the Company since the date of incorporation.
- 3.14 The Directors have no present intention of allotting and issuing any relevant securities save as disclosed in this document.
- 3.15 Save as mentioned in this paragraph 3 and in paragraph 6 below:
 - (a) no unissued share or loan capital of the Company is under option or is agreed conditionally or unconditionally to be put under option;
 - (b) no share capital or loan capital of the Company has been issued for cash or other consideration since the incorporation of the Company and no such issue is proposed.
- 3.16 The existing Ordinary Shares of 1p each are in certificated form.
- 4. Convertible Loan Note Placings**
- 4.1 On 8 April 2004 Convertible Loan Notes with a nominal value of £180,000 were issued by the Company in units of £600.

- 4.2 On 1 June 2004 Convertible Loan Notes with a nominal value of £300,000 were issued by the Company in units of £600.

5. Memorandum and Articles of Association

5.1 *Memorandum of Association*

The Memorandum of Association provides that the principal object of the Company is, *inter alia*, to carry on the business of a general commercial company. The objects of the Company are set out in full in Clause 4 of the Memorandum of Association, which is available for inspection as specified in paragraph 16 below.

- 5.2 The Articles of Association of the Company (“the Articles”) which were adopted by a special resolution of the Company passed on 17 September 2004 contain, *inter alia*, provisions to the following effect:

(a) *Voting Rights*

Subject to any special rights or restrictions as to voting attached to any shares by or in accordance with these Articles, on a show of hands every member who is present in person or by proxy not being himself a member shall have one vote and on a poll every member who is present in person or by proxy shall have one vote for every share of which he is the holder.

Subject to the provisions of the Act and to any rights or restrictions as to voting attached to any class of shares, at any general meeting on a show of hands every member who (being an individual) is present in person or (being a corporation) is present by a duly authorised representative has one vote, and on a poll every member present in person or by proxy or (being a corporation) by a duly authorised representative has one vote for each Ordinary Share of which he is the holder.

(b) *Transfer of Shares*

Title to and interest in shares may be transferred without a written instrument in accordance with statutory regulations from time to time made under the Act.

Transfer of shares may be effected by transfer in writing in any usual or common form or in any other form acceptable to the directors. The instrument of transfer shall be signed by or on behalf of the transferor and (except in the case of fully paid shares) by or on behalf of the transferee. The transferor shall be deemed to remain the holder of the share until the name of the transferee is entered on the register of members in respect thereof.

All transfers of shares must be effected by an instrument of transfer in writing in any usual form or in any other form approved by the Board. The instrument of transfer shall be executed by or on behalf of the transferor and, except in the case of fully paid shares, by or on behalf of the transferee.

The Board may, in its absolute discretion and without giving any reason, refuse to register any transfer of shares unless:-

- (i) the instrument of transfer is in respect of a share in respect of which all sums presently payable to the Company have been paid; it is in respect of a share which is fully paid up;
- (ii) it is in respect of a share on which the Company has no lien;
- (iii) it is in respect of only one class of share;
- (iv) it is in favour of a single transferee or not more than four joint transferees;
- (v) it is duly stamped (if required); and
- (vi) the instrument of transfer duly stamped is deposited at the office or such other place as the directors may appoint, accompanied by the certificate for the shares to which it relates and such other evidence as the directors may reasonably require to show the right of the transferor to make the transfer, provided that, in the case of a transfer by a nominee of a recognised clearing house or of a recognised investment exchange, the lodgement of a share certificate will only be necessary if a certificate has been issued

in respect of the share in question if it is lodged at the registered office together with the relevant share certificate(s) and such other evidence as the Board may reasonably require to show the right of the transferor to make the transfer, provided that such discretion may not be exercised in such a way as to prevent dealing from taking place on an open and proper basis.

The Directors shall not refuse to register any transfer or renunciation of partly paid shares which are admitted to trading on the London Stock Exchange on the grounds that they are partly paid shares in circumstances where such refusal would prevent dealings in such shares from taking place on an open and proper basis

If the Board refuses to register a transfer it must, within two months after the date on which the transfer was lodged with the Company, send notice of the refusal to the transferor and the transferee.

The registration of transfers may be suspended by the Board for any period (not exceeding 30 days) in any year.

The Ordinary Shares now in issue are in registered form. Title to the Ordinary Shares in issue or to be issued may be transferred by means of a relevant system such as the CREST System.

There are no other restrictions on the transfer of shares and no pre-emption rights in respect of them.

(c) *Failure to disclose interests in shares*

If a member, or any other person appearing to be interested in shares held by that member, has been issued with a notice pursuant to section 212 of the Act and has failed in relation to any shares (“the default shares”) to give the Company the information thereby required within the prescribed period from the date of notice, the following sanctions shall apply:

- (i) the member shall not be entitled in respect of the default shares to be present or to vote (either in person or by representative or proxy) at any general meeting or at any separate meeting of the holders of any class of shares or on any poll or to exercise any other right conferred by membership in relation to any such meeting or poll; and
- (ii) where the default shares represent at least 0.25 per cent in nominal value of their class the defaulting member shall not be entitled to:
 - (A) receive dividends any dividend or other money payable in respect of the shares shall be withheld by the Company, which shall not have any obligation to pay interest on it and the member shall not be entitled to elect in the case of a scrip dividend to receive shares instead of that dividend; and
 - (B) to transfer or agree to transfer any of such shares, or any rights therein.

The above restrictions shall continue until either the default is remedied or the shares are registered in the name of the purchaser or offeror (or that of his nominee) pursuant to an arm’s length transfer. Any dividends withheld pursuant to shall be paid to the member as soon as practicable after the above restrictions lapse.

(d) *Dividends*

Subject to the provisions of the Act and of the Articles and to any special rights attaching to any shares, the Company may by ordinary resolution declare dividends, but no such dividends shall exceed the amount recommended by the Board. All dividends shall be apportioned and paid pro rata according to the amounts paid up or credited as paid up (otherwise than in advance of calls) on the shares during any portion or portions of the period in respect of which the dividend is paid. Interim dividends may be paid provided that they appear to the Board to be justified by the profits available for distribution and the position of the Company. Unless otherwise provided by the rights attached to any share, no dividends in respect of a share shall bear interest. The Board may, with the prior authority of an ordinary resolution of the Company, offer the holders of Ordinary Shares the right to

elect to receive Ordinary Shares credited as fully paid instead of cash in respect of all or part of any dividend.

Any dividend unclaimed after a period of twelve years from its due date of payment shall be forfeited and cease to remain owing by the Company and shall thereafter belong to the Company absolutely.

(e) *Distribution of assets on liquidation*

On a winding up of the Company, the liquidator may, with the authority of an extraordinary resolution and any other sanction required by the Act, divide among the members in specie the whole or any part of the assets of the Company, and whether or not the assets shall consist of property of one kind or shall consist of properties of different kinds, and may for such purposes set such value as he deems fair upon any one or more class or classes of property, and may determine how such divisions shall be carried out as between the members or different classes of members. The liquidator may, with the like authority, vest any part of the assets in trustees upon such trusts for the benefit of members as the liquidator, with the like authority, shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no member shall be compelled to accept any shares in respect of which there is a liability.

(f) *Redemption*

The Ordinary Shares are not redeemable.

(g) *Changes in share capital*

The Company may alter its share capital as follows:

- (i) it may by ordinary resolution increase its share capital, consolidate and divide all or any of its share capital into shares of larger amounts, cancel any shares which have not been taken or agreed to be taken by any person and sub-divide its shares or any of them into shares of smaller amounts;
- (ii) subject to any consent required by law and to any rights for the time being attached to any shares, it may by special resolution reduce its share capital, any capital redemption reserve, any share premium account or other undistributable reserve in any manner; and
- (iii) subject to the provisions of the Act and to any rights for the time being attached to any shares it may with the sanction of a special resolution enter into any contract for the purchase of its own shares.

(h) *Variation of rights*

Subject to the provisions of the Act and of the Articles, the special rights attached to any class of share in the Company may be varied or abrogated either with the consent in writing of the holders of not less than three quarters in nominal value of the issued shares of the class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of the class (but not otherwise) and may be so varied or abrogated whilst the Company is a going concern or while the Company is or is about to be in liquidation. The quorum for such separate general meeting of the holders of the shares of the class shall be at least two persons holding or representing by proxy at least one third of the nominal amount paid up on the issued shares of the relevant class.

(i) *Directors' interests in contracts*

- (i) A director who is in any way, whether directly or indirectly, interested or deemed by the Act to be interested in a contract, transaction or arrangement or a proposed contract, transaction or arrangement with the Company shall declare the nature of his interest at a meeting of the directors in accordance with Section 317 of the Act.
- (ii) Save as provided below, a director (including an alternate director) shall not vote in respect of any contract or arrangement or any other proposal in which he has any material interest otherwise than by virtue of his interests in shares or debentures or other securities or rights of the Company. However a director shall be entitled to vote

in respect of any contract or arrangement or any other proposal in which he has any interest which is not material. A director shall not be counted in the quorum at a meeting in relation to any resolution on which he is debarred from voting. A director of the Company shall be entitled to vote (and be counted in the quorum) in respect of any resolution at such meeting if his duty or interest arises only because the resolution relates to one of the following matters:-

- (A) the giving to him of any guarantee, security or indemnity in respect of money lent or obligations incurred by him at the request of or for the benefit of the Company;
- (B) the giving to a third party of any guarantee, security or indemnity in respect of a debt or obligation of the Company for which he himself has assumed responsibility in whole or in part, under a guarantee or indemnity or by the giving of security;
- (C) any proposal concerning an offer for subscription or purchase of shares or debentures or other securities or rights of or by the Company or any of its subsidiaries or of any Company which the Company may promote or in which it may be interested in which offer he is or is to be interested as a participant in the underwriting or sub-underwriting thereof;
- (D) any proposal concerning any other Company in which he is interested directly or indirectly and whether in any one or more of the capacities of officer, creditor, employee or holder of shares, debentures, securities or rights of that other Company, but where he is not the holder (otherwise than as a nominee for the Company or any of its subsidiaries) of or beneficially interested in one per cent or more of the issued shares of any class of such Company or of any third Company through which his interest is derived or of the voting rights available to members of the relevant Company (any such interest being deemed for the purpose of this Article to be a material interest in all circumstances);
- (E) any proposal concerning the adoption, modification or operation of a superannuation fund, retirement benefits scheme, share option scheme or share incentive scheme under which he may benefit; or
- (F) any arrangement concerning the purchase and/or maintenance of any insurance under which he may benefit.

Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more directors to offices or employments with the Company or any Company in which the Company is interested, such proposals may be divided and considered in relation to each director separately and in such case each of the directors concerned (if not debarred from voting because of the limit on shareholding specified in Article 96.1.4) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.

The Company may by ordinary resolution suspend or relax the provisions relating to Directors' interests either generally or in respect of any particular matter or ratify any transaction not duly authorised by reason of the contravention thereof.

(j) *Directors*

The maximum aggregate annual fees payable to the directors for their services in holding office of director of the company shall be the sum of £200,000 or such larger sum as the company in general meeting by ordinary resolution shall from time to time determine, but this limit shall not apply in respect of the salaries, bonuses or other remuneration payable by the company or any subsidiary of the company or expenses reimbursed to any director.

Any director who serves on any committee or who devotes special attention to the business of the Company, or who otherwise performs services which in the opinion of the directors are outside the scope of the ordinary duties of a director, may be paid such remuneration by way

of salary, lump sum, percentage of profits or otherwise as the directors may determine. The directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with the business of the Company, or in attending and returning from meetings of the directors or of committees of the directors or general meetings or separate meetings of the holders of any class of shares or of debentures of the Company or otherwise in connection with the discharge of their duties.

Any provision of the Statutes which, subject to the provisions of these Articles, would have the effect of rendering any person ineligible for appointment or election as a director or liable to vacate office as a director on account of such person having reached any specified age or of requiring special notice or any other special formality in connection with the appointment or election of any director over a specified age, shall not apply to the Company.

(k) *Borrowing powers*

Subject as hereinafter provided the directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital, and (subject to the Act) to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party. The aggregate principal amount for the time being outstanding in respect of monies borrowed or secured by the Company (after deducting cash deposited) shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed an amount equal to 4 times the aggregate of:

- (i) the nominal amount of the share capital of the Company issued and paid up (or credited as paid up); and
- (ii) the amounts shown as standing to the credit of capital and revenue reserves, including share premium account, capital redemption reserve and profit and loss account (but deducting therefrom the amount, if any, standing to the debit of profit and loss account) in either a consolidation of the audited balance sheets of all the companies in the Group last laid before the members thereof respectively in general meeting or (at the directors' discretion) in the audited consolidated balance sheet of the Group last laid before the Company in general meeting; but
 - (A) adjusted in respect of any variations in the issued and paid up share capital, share premium account or capital redemption reserve effected or any distributions made (otherwise than within the Group) since the date of such balance sheets except insofar as provided therein; and
 - (B) excluding therefrom any amounts set aside for taxation and, to the extent included, any amounts attributable to outside shareholdings in subsidiaries; and
 - (C) excluding all amounts attributable to intangible items save goodwill arising on consolidation, notwithstanding the fact that these may previously have been written off against reserves.

6. Warrants, share options and deferred consideration shares

6.1 The Company has outstanding at the date of this document the Mercator Warrants which entitle holders to subscribe for up to 37,294,600 new Ordinary Shares and share options in respect of 20,000,000 new Ordinary Shares. Assuming the Mercator Warrants and the share options are exercised in full, these will represent 52.7 per cent of the Company's then enlarged issued Ordinary Share capital.

6.2 The outstanding Mercator Warrants comprise:

- Warrants, to subscribe for up to 34,494,600 new Ordinary Shares at the price of 8p per share at any time during the 13 month period following the date of Admission. If the Warrants are exercised in accordance with their terms as set out in the Warrant Instrument, 17,247,300 further warrants will be granted, to be exercised at 10p per Ordinary Share at any time during the 25 month period following the date of Admission;

- the Loeb Aron Warrant, to subscribe for up to 2,300,000 new Ordinary Shares at the price of 6p per share at any time during the 36 month period following the date of Admission;
 - the Beaumont Cornish Warrant, to subscribe for up to 250,000 new Ordinary Shares at the price of 8p per share at any time during the 36 month period following the date of Admission; and
 - the Phillip Securities Warrant, to subscribe for up to 250,000 new Ordinary Shares at the price of 8p per share at any time during the 36 month period following the date of Admission.
- 6.3 Application will be made for the Warrants to be admitted to trading on AIM. The Warrants are not dealt or traded on any other recognised investment exchange and no application has been made or is being made for the Warrants to be admitted to any such exchange.
- No application has been made or is being made for the Beaumont Cornish Warrant, the Loeb Aron Warrant and the Phillip Securities Warrant to be admitted to trading on AIM or any other recognised investment exchange.
- 6.4 By a Warrant Instrument by way of Deed Poll dated 29 September 2004 the Company created warrants to subscribe in cash for up to 34,494,600 Ordinary Shares at 8p per share on the terms and conditions set out in the Deed (the “Warrants”). The Warrants may be exercised in whole or in part at any time in the 13 month period following the date of Admission and to the extent that they are not exercised during that period they shall lapse. As part of the terms of the Warrants, every two Warrants exercised will entitle the holder thereof to one further warrant on substantially the same terms (save as to exercise price and period) to subscribe in cash for an Ordinary Share at an exercise price of 10p at any time during the 25 month period following the date of Admission (“10p Warrants”). No modification, variation or amendment to the terms and conditions of the Warrants shall be effective unless the modification, variation or amendment has been approved by a Special Resolution of the Warrantholders. The terms and conditions include, *inter alia*, anti-dilution provisions and a right of assignment in whole or in part. No application will be made for the 10p Warrants to be admitted to trading on AIM.
- 6.5 By a Deed of Warrant Grant dated 29 September 2004 the Company granted to Loeb Aron a warrant (the “Loeb Aron Warrant”) to subscribe in cash for up to 2,300,000 new Ordinary Shares at 6p per share upon the terms and conditions set out in the Deed. The Loeb Aron Warrant may be exercised, in whole or in part, at any time during the 36 month period following the date of Admission and to the extent that the Loeb Aron Warrant is not exercised within this period it shall lapse. No modification, variation or amendment to the terms and conditions of the Loeb Aron Warrant shall be effective unless the modification, variation or amendment is in writing and has been signed by or on behalf of the parties. The terms and conditions include, *inter alia*, anti-dilution provisions and a right of assignment in whole or in part.
- 6.6 By a Deed of Warrant Grant dated 29 September 2004 the Company granted to Beaumont Cornish a warrant (the “Beaumont Cornish Warrant”) to subscribe in cash for up to 250,000 new Ordinary Shares at 8p per share upon the terms and conditions set out in the Deed. The Beaumont Cornish Warrant may be exercised, in whole or in part, at any time during the 36 month period following the date of Admission and to the extent that the Beaumont Cornish Warrant is not exercised within this period it shall lapse. No modification, variation or amendment to the terms and conditions of the Beaumont Cornish Warrant shall be effective unless the modification, variation or amendment is in writing and has been signed by or on behalf of the parties. The terms and conditions include, *inter alia*, anti-dilution provisions and a right of assignment in whole or in part.
- 6.7 By a Deed of Warrant Grant dated 29 September 2004 the Company granted to Phillip Securities a warrant (the “Phillip Securities Warrant”) to subscribe in cash for up to 250,000 new Ordinary Shares at 8p per share upon the terms and conditions set out in the Deed. The Phillip Securities Warrant may be exercised, in whole or in part, at any time during the 36 month period following the date of Admission and to the extent that the Phillip Securities Warrant is not exercised within this period it shall lapse. No modification, variation or amendment to the terms and conditions of the Phillip Securities Warrant shall be effective unless the modification, variation or amendment is in

writing and has been signed by or on behalf of the parties. The terms and conditions include, *inter alia*, anti-dilution provisions and a right of assignment in whole or in part.

- 6.8 Under the terms of the Share Exchange Agreement share options in respect of 20,000,000 new Ordinary Shares, exercisable at 8p per share were granted to the vendors of Aurogenic. The share options can be exercised at anytime during the 60 month period following the date of Admission.
- 6.9 In addition, under the terms of the Share Exchange Agreement, 20,000,000 Ordinary Shares, credited as fully paid, will be issued, by way of deferred consideration, to the vendors of Aurogenic within 10 days of the election by the Group to earn the 45 per cent interest under the Annean Joint Venture.
- 6.10 It is also intended, following Admission to establish a share option scheme for the benefit of Executives and senior employees of the Group pursuant to which share options will be granted to Directors to subscribe for up to 3,400,000 Ordinary Shares.

7. Directors' and Other Interests

- 7.1 As at 27 September 2004 (the latest practicable date prior to the publication of this document), the interests of each of the Directors and those of their immediate families (all of which are beneficial unless stated) in the existing issued share capital of the Company (i) which have been notified to the Company pursuant to Sections 324 and 328 of the Act or (ii) are required to be entered into the register maintained under Section 325 of the Act, or (iii) are interests of persons connected (within the meaning of Section 346 of the Act) with a Director, which interests, if such connected persons were Directors, would be required to be disclosed under (i) or (ii) above and the existence of which is known to or could with reasonable diligence be ascertained by the Directors, were as follows:

Director	Number of Ordinary Shares	Percentage of issued Ordinary Share Capital following Admission
Terry Strapp	200,000	0.39
Patrick Harford*	8,250,100	16.02
Michael de Villiers	470,100	0.91
Dr Julian Vearncombe**	1,700,000	3.30
Michael Elias	100,000	0.19
Nick Allen	—	—
Paul Loudon***	1,140,000	2.21

* Patrick Harford's interest in Ordinary Shares includes: (i) the interest in Ordinary Shares (as disclosed in paragraph 7.4 below) held by Caledonian Capital Ltd, a company associated with Patrick Harford through a discretionary trust established for the benefit of the Harford family and (ii) the interest in 100,000 Ordinary Shares held by Ademro Pty Ltd, in which Patrick Harford has an equity interest.

** Dr Julian Vearncombe's interest in Ordinary Shares includes Dr Susan Vearncombe's interest in 750,000 Ordinary Shares. Drs Julian and Susan Vearncombe also have an interest in the Vearncombe Superannuation Fund which is the holder of 200,000 Ordinary Shares (representing 0.39 per cent of the issued Ordinary Share capital following Admission).

*** Paul Loudon has an interest in Georgian House Opportunities Fund Ltd which is the holder of 1,140,000 Ordinary Shares (representing 2.21 per cent of the issued Ordinary Share capital following Admission). Paul Loudon also has an interest in Loeb Aron, as a director of the company, which holds 1,000,000 Ordinary Shares (representing 1.94 per cent of the issued Ordinary Share capital following Admission).

- 7.2 As at 27 September 2004 (the latest practicable date prior to the publication of this document) the Directors were the holders of the following Warrants to subscribe for new Ordinary Shares and are also the holders of share options to subscribe for the following new Ordinary Shares (pursuant to the Share Exchange Agreement):

Director	Number of Warrants to subscribe for new Ordinary Shares	Number of share options to subscribe for new Ordinary Shares
Terry Strapp	400,000	—
Patrick Harford*	—	8,250,000
Michael de Villiers	670,000	—
Dr Julian Vearncombe**	400,000	1,500,000
Michael Elias	200,000	—
Nick Allen	—	—
Paul Loudon***	280,000	1,000,000

* Patrick Harford's interests in Warrants and share options includes: (i) the interest in share options in respect of 8,150,000 Ordinary Shares (as disclosed in paragraph 7.4 below) held by Caledonian Capital Ltd, a company associated with Patrick Harford through a discretionary trust established for the benefit of the Harford family and (ii) the interest in share options in respect of 100,000 Ordinary Shares held by Ademro Pty Ltd, in which Patrick Harford has an equity interest.

** Dr Julian Vearncombe's interests in share options includes Dr Susan Vearncombe's interest in share options in respect of 750,000 Ordinary Shares. Drs Julian and Susan Vearncombe also have an interest in the Vearncombe Superannuation Fund which is the holder of 400,000 Warrants.

*** Paul Loudon has an interest in Georgian House Opportunities Fund Ltd which is the holder of share options in respect of 1,000,000 Ordinary Shares and 280,000 Warrants. Paul Loudon also has an interest in Loeb Aron, as a director of the company, which is the holder of share options in respect of 1,000,000 Ordinary Shares and the holder of the Loeb Aron Warrant.

- 7.3 Save as set out in paragraphs 7.1 and 7.2 above, none of the Directors will have and no person connected with them (within the meaning of section 346 of the Act) is expected to have, any interest in the share capital of the Company.
- 7.4 As at 27 September 2004 (the latest practicable date prior to the publication of this document), the Directors were aware of the following persons, other than the Directors, who, directly or indirectly, were interested in three percent or more of the issued Ordinary Share capital of the Company:

Name	Number of Ordinary Shares	Percentage of issued Ordinary Share Capital	Number of Warrants to subscribe for new Ordinary Shares	Number of options to subscribe for new Ordinary Shares
First International Resources Ltd	8,250,000	16.02	—	8,250,000
Caledonian Capital Ltd	8,150,000	15.83	—	8,150,000
Newlands Resources Ltd	5,800,000	11.26	5,800,000	—
Ocean Resources Capital Holdings plc	5,000,000	9.71	5,000,000	—
Hartford Investment Group Ltd	4,200,000	8.15	4,200,000	—
City Equities Ltd	4,000,000	7.77	4,000,000	—
Hoodless Brennan & Partners plc	2,500,000	4.85	2,500,000	—

- 7.5 Save as disclosed above, the Directors are not aware of any person who, directly or indirectly, is interested in three per cent or more of the Company's issued share capital or of any person who, directly or indirectly, jointly or severally, exercises, or could exercise, control over the Company.
- 7.6 Save for Dr Susan Vearncombe, Dr Julian Vearncombe's wife, who has interests in 750,000 Ordinary Shares and share options in respect of 750,000 Ordinary Shares and who also has an interest in the Vearncombe Superannuation Fund which is the holder of 200,000 Ordinary Shares and 400,000 Warrants and as disclosed in paragraphs 7.1 and 7.2 above, none of the Directors nor any member of their immediate family or any person connected with him owns, controls or is beneficially or non-beneficially interested directly or indirectly in any shares or option to subscribe for, or any securities convertible into shares of the Company.
- 7.7 There are no outstanding loans or guarantees provided by the Company to or for the benefit of any of the Directors.
- 7.8 Save for the above, no Directors has or has had any interest, whether direct or indirect, in any transaction which is or was unusual in its nature and conditions or significant to the business of the Company taken as a whole and which was entered into by any member of the Company during the current or immediately preceding financial year or which was effected during any earlier financial year and which remains in any respect outstanding or unperformed.
- 7.9 No Director or any member of a Director's family has a related financial product referenced to the Ordinary Shares.

- 7.10 The current directorships and partnerships and directorships and partnerships (all of which are registered in England and Wales unless otherwise indicated) held during the five years preceding the date of this document, other than the Company and Aurogenic, of each of the Directors are as follows:

Terry Strapp

Current Directorships

Oakvale Capital Limited (registered in Australia)
SDG Nominees Pty Ltd (registered in Australia)
SMJ Pty Ltd (registered in Australia)
Wesley College Endowment Fund Inc
(registered in Australia) (Trustee/Director)
Fincorp Limited (registered in Australia)

Past Directorships

Aussie On Line Limited (registered in Australia)
Mount Gibson Limited (registered in Australia)

Patrick Harford

Current Directorships

Ademro Pty Ltd (registered in Australia)
Northern Territory Gold Mining NL
(registered in Australia)
Harsav Pty Ltd (registered in Australia)
Lakebush Pty Ltd (registered in Australia)
Melanesian Minerals Corp (registered in Canada)
Nexon Limited (registered in British Virgin Islands)
Bonheur 27 General Trading Pty Ltd
(registered in South Africa)

Past Directorships

Gillark Pty Ltd (registered in Australia)
Peak Hill Gold Mines NL (registered in Australia)
Rakov Pty Ltd (registered in Australia)
Scramble Pty Ltd (registered in Australia)
Destiny Prospecting Pty Ltd (registered in Australia)
Queensland Bagasse Holdings Pty Ltd
(registered in Australia)
MinRes Resources Inc (registered in Canada)
Bardi Mining Pty Ltd (registered in Australia)
BKM Management Limited (registered in Australia)

Michael de Villiers

Current Directorships

Eurasia Mining (UK) Limited
Independent Executive Consultants Limited

Past Directorships

Oxus Gold plc
Navan Mining plc
Navan Mining (UK) Limited
Navan Resources plc (registered in Ireland)
Balkan Minerals & Mining AD (registered in Bulgaria)
Navan Chelopech AD (registered in Bulgaria)
Bimak AD (registered in Bulgaria)

Dr Julian Vearncombe

Current Directorships

Vearncombe & Associates Pty Ltd
(registered in Australia)

Past Directorships

None

Michael Elias

Current Directorships

CSA Australia Pty Ltd (registered in Australia)

Past Directorships

Gold Partners Limited (registered in Australia)

Nicholas Allen

Current Directorships

None

Past Directorships

None

Paul Loudon

Current Directorships

BDI Mining Corp (registered in Canada –
previously BM Diamond Corp Inc & Battlefield
Minerals Corporation)
Loeb Aron & Company Limited
Indo Mineratama BVI Limited (registered in
British Virgin Islands)
Indomin International Limited (registered in
Barbados)
PT Galuh Cempaka (registered in Indonesia)
April Enterprises Pty Ltd (registered in Australia)

Past Directorships

Ashton-MMC Pte Limited (registered in Singapore)
Kinvara Ventures Inc (registered in Canada)

Paul Loudon (*continued*)

Current Directorships

Megan Development Limited (registered in British Virgin Islands)
Green Dragon Nominees PTY Limited (registered in British Virgin Islands)
Georgian House Opportunities Fund Ltd (registered in British Virgin Islands)
Georgian House Capital Ltd (registered in British Virgin Islands)

Past Directorships

- 7.11 (i) Terry Strapp was a non-executive director of Pennant Holdings Limited (a company registered in Australia) which in November 1990 went into administration. Unsecured creditors were paid in full. The company was not thereafter liquidated.
- (ii) Patrick Harford was a director of a family building business, Complete Form Pty Ltd (a company registered in Australia) when it was placed in administration in June 1987 (following the non-payment of fees in respect of building work carried out on behalf of a corporate client which went into receivership) with a deficit of A\$ 1.6 million which, on liquidation, had reduced to A\$ 100,000.
- (iii) Patrick Harford was a director of Kakadu Resources Limited (a company registered in Australia) which has since changed its name to Reneson Consolidated Mines NL. He was a director of the company when it was put into provisional administration in August 1985 with an estimated surplus of A\$ 4.6 million. The company came out of administration in December 1996.
- (iv) On 27 May 2002, a Cease Trade Order was issued by the Ontario Securities Commission to insiders (directors, officers and shareholders with more than 10 per cent of the issued capital) of Melanesian Minerals Corporation (registered in Canada) an inactive issuer for that company's failure to file audited financial statements for the year ended 31 December 2001. Similar orders were subsequently issued by the securities commissions of the Provinces of British Columbia and Alberta, respectively. Melanesian Mineral Corporation's financial statement filings are now current and application has been made to each of the foregoing securities commissions requesting revocation of the Cease Trade Orders. Paul Loudon was a director of Battlefield Minerals Corporation (a company registered in Canada) which owned more than 10 per cent of Melanesian Minerals Corporation at the time and was a recipient of the Cease Trade Order. Patrick Harford was a director of Melanesian Minerals Corporation at the time.
- 7.12 Save as disclosed in paragraph 7.11 above none of the Directors has:
- (i) any unspent convictions in relation to indictable offences;
- (ii) had a bankruptcy order made against him or made an individual voluntary arrangement;
- (iii) been a director of a company which has been placed in receivership, compulsory liquidation, creditors' voluntary arrangement or made any composition or arrangement with its creditors generally or of any class of its creditors whilst he was a director of that company or within twelve months after he ceased to be a director of that company;
- (iv) been a partner in a partnership which has been placed in compulsory liquidation, administration or made a partnership voluntary arrangement whilst he was a partner in that partnership or within twelve months after he ceased to be a partner in that partnership;
- (v) had any asset placed in receivership or any asset of a partnership in which he was a partner placed in receivership whilst he was a partner in that partnership or within twelve months after he ceased to be a partner in that partnership;
- (vi) been publicly criticised by any statutory or regulatory authority (including recognised professional bodies);

- (vii) been disqualified by a court from acting as a director of any company or from acting in the management or conduct of the affairs of a Company.

8. Directors' Consultancy Contracts and Letters of Appointment

8.1 The following are particulars of the Executive Directors' consultancy contracts with the Company:

- (a) Patrick Harford was appointed as a consultant from 1 October 2004 under a Consultancy Agreement dated 22 September 2004. The appointment is for a term of 12 months and is terminable thereafter by either party giving to the other not less than 90 days notice to expire at any time on or after 30 September 2005. Patrick Harford will be paid an initial fee at the rate of £3,600 per month.

Patrick Harford will work for the Group for an average period of 12 days per month. The agreement contains, *inter alia*, certain restrictions relating to confidentiality and non-competition.

- (b) Michael de Villiers was appointed as a consultant from 1 October 2004 under a Consultancy Agreement dated 22 September 2004.

The appointment is for a term of 12 months and is terminable thereafter by either party giving to the other not less than 90 days notice to expire at any time on or after 30 September 2005. Michael de Villiers will be paid an initial fee of £1,667 per month.

Michael de Villiers will initially work for the Group on a part-time basis and will devote not less than four days per month to the affairs of the Group. In the event of Michael de Villiers working any extra days for the Group he shall receive a fee of £600 per day.

- (c) Dr Julian Vearncombe was appointed as a consultant from 1 October 2004 under a Consultancy Agreement dated 22 September 2004. The appointment is for a term of 12 months and is terminable thereafter by either party giving to the other 90 days notice to expire at any time on or after 30 September 2005. Dr Julian Vearncombe will be paid an initial fee of £7,500 per annum.

Dr Julian Vearncombe will work for the Group for a period of not more than 12 days per month. The agreement contains, *inter alia*, certain restrictions relating to confidentiality and non-competition

8.2 The following are particulars of the Non-Executive Directors' Letters of Appointment from the Company:

- (a) Terry Strapp was appointed as a Non-Executive Director and Chairman of the Company on 7 July 2004. On 23 September 2004, the Company confirmed the terms of his appointment, the initial term of the appointment being 12 months from 1 October 2004. The Letter of Appointment provides for termination by either party on one months notice. Under the terms of his appointment, he will be paid £20,000 per annum.
- (b) Michael Elias was appointed as a Non-Executive Director of the Company on 7 July 2004. On 23 September 2004, the Company confirmed the terms of his appointment, the initial term of the appointment being 12 months from 1 October 2004. The Letter of Appointment provides for termination by either party on one months notice. Under the terms of his appointment, he will be paid £7,500 per annum.
- (c) Nicholas Allen was appointed as a Non-Executive Director of the Company on 7 April 2004. On 23 September 2004, the Company confirmed the terms of his appointment, the initial term of the appointment being 12 months from 1 October 2004. The Letter of Appointment provides for termination by either party on one months notice. Under the terms of his appointment, he will be paid £7,500 per annum.
- (d) Paul Loudon was appointed as a Non-Executive Director of the Company on 22 March 2004. On 23 September 2004, the Company confirmed the terms of his appointment, the initial term of the appointment being 12 months from 1 October 2004. The Letter of Appointment provides for termination by either party on one months notice. Under the terms of his appointment, he will be paid £7,500 per annum.

- 8.3 Save as set out in paragraphs 8.1 and 8.2 above, there are no existing or proposed agreements between the Directors and the Company.
- 8.4 The aggregate remuneration of the Directors (inclusive of pension contributions and benefits in kind) in respect of the financial period ended 31 May 2004 was approximately £24,734. It is estimated that, based on current arrangements, approximately £130,000 will be payable to the Directors by way of fees for the current financial period ending 30 June 2005.

9. Related Party Transactions

- 9.1 In the year ended 31st May 2004 the Company paid £4,584 to Terry Strapp and Michael Elias as consultancy fees. Terry Strapp and Michael Elias were appointed as Directors of the Company on 7 July 2004.
- 9.2 Patrick Hartford and Dr Julian Vearncombe were directors and shareholders of Aurogenic. On 9 July 2004, the Company entered into the Share Exchange Agreement.
- 9.3 The Directors had certain interests in the Convertible Loan Notes prior to their conversion and now have interests in Ordinary Shares, Warrants and share options, details of which are set out at paragraphs 7.1 and 7.2 above.
- 9.4 As at 31 May 2004, there was a loan outstanding from the Company to Aurogenic of £115,000 together with interest of £656.
- 9.5 In the year ended 31 May 2004 the Company paid £10,800 to Loeb Aron for corporate/financial advisory fees for the Convertible Loan Note Placings, details of which are set out in paragraphs 4.1 and 4.2 above. Loeb Aron and Megan Development Limited were shareholders in Aurogenic. On 9 July 2004, the Company entered into the Share Exchange Agreement. As a result of the Acquisition, Loeb Aron and Megan Development Limited became shareholders and holders of share options in the Company. Loeb Aron holds 1,000,000 Ordinary Shares and share options in respect of 1,000,000 new Ordinary Shares. Loeb Aron has also been issued with the Loeb Aron Warrant pursuant to the agreement with the Company referred to in paragraph 10.3 below. Megan Development Limited subsequently transferred 1,140,000 Ordinary Shares, 280,000 Warrants and share options in respect of 1,000,000 new Ordinary Shares to Georgian House Opportunities Fund Ltd. Paul Loudon is a Director of Loeb Aron and also has an interest in the shares of Georgian House Opportunities Fund Ltd.
- 9.6 In the year ended 31 May 2004 the Company accrued legal fees of £1,000 with Cobbetts, a firm connected with Cobbetts Limited, a Director of the Company that resigned on 22 March 2004. These fees are accrued and are included within the Admission expenses set out in paragraph 15.7 below.

10. Material Contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by the Company and Aurogenic within the two years prior to the date of this document and are or may be material:

- 10.1 By a letter agreement dated 17 December 2003 between Vearncombe & Associates Pty Ltd (on behalf of Ademro Pty Ltd, a company owned and controlled by Patrick Harford) (1) and SBM (2), proposals relating to a joint venture between SBM and Ademro Pty Ltd (on behalf of "Newco", a company to be formed for the purpose of the joint venture) in respect of the Meekatharra Properties were confirmed subject only to due diligence being carried out by Ademro Pty Ltd.
- 10.2 By an agreement dated 3 March 2004 between Aurogenic and SBM (the "Annean Joint Venture"), the parties to the agreement agreed the joint venture arrangements in respect of properties held by SBM subject to Aurogenic entering into deeds of assignment and assumption, in the form required by certain royalty agreements, with SBM and other parties to such royalty agreements and Aurogenic agreeing to pay a share of the due royalty payable in respect of the Meekatharra Properties.

The parties agreed that the properties to be the subject of the Annean Joint Venture would be the Meekatharra Properties.

Under the terms of the Annean Joint Venture, Aurogenic has a right to earn a 45 per cent interest in the Meekatharra Properties by spending A\$ 3 million on exploration by 2 March 2006, with a minimum expenditure of A\$ 1 million by 2 March 2005. Aurogenic must, within 60 days of the first A\$1 million having been spent, give a notice of election to SBM stating its intention to spend the full A\$3 million on exploration and so earn the 45 per cent interest. If Aurogenic earns the 45 per cent interest, it can elect to increase this interest to 51 per cent by spending a further A\$ 1 million by 2 March 2007. If Aurogenic earns the 51 per cent interest, it can elect to increase its interest to 70 per cent by spending a further A\$ 4 million by 2 March 2009. If Aurogenic earns the 70 per cent interest, SBM must then contribute pro-rata on any further expenditure or dilute its interest by a standard dilution formula.

- 10.3 By an agreement dated 14 April 2004 between Loeb Aron (1) and the Company (2) Loeb Aron agreed to arrange initial funding of £180,000 in the period April-May 2004 and further funding of £1,200,000 in the period July – September 2004.

Loeb Aron also agreed to introduce the Company to advisers, including potential nominated advisers, with a view to preparations for the Company's application to have its shares traded on AIM and ahead of such application to arrange further funding of £500,000.

In addition, conditional upon the funding referred to above being arranged, the Company agreed to:

- (i) the payment to Loeb Aron of commission of 6 per cent on such funding which may be satisfied in cash or the issue and allotment of shares; and
 - (ii) the issue of the Loeb Aron Warrant provided a minimum of £750,000 is raised for the Company.
- 10.4 By an agreement dated 17 May 2004 between the Company (1) and Aurogenic (2), the Company agreed to provide loan funding up to £500,000 for the purposes of funding Aurogenic's obligations under the Annean Joint Venture and for day to day running costs and administration.
- 10.5 By a letter agreement dated 8 June 2004 between Beaumont Cornish (1) and the Company (2), Beaumont Cornish agreed to act as the Company's nominated adviser and to advise and assist the Company in preparing the Company for an application for its Ordinary Share capital to be admitted to trading on AIM.

The agreement provides for the payment to Beaumont Cornish of an initial non-refundable fee of £10,000 plus VAT and a further fee of £10,000 plus VAT payable on Admission.

In addition, the Company agreed to grant Beaumont Cornish the Beaumont Cornish Warrant, on the basis as described in paragraphs 6.2 and 6.6 above.

Beaumont Cornish will be entitled to act for the Company in respect of the first transaction after Admission that is a substantial transaction or is an acquisition regarded by the AIM Rules as a reverse takeover for a fee equating to 1 per cent of the value of the transaction or acquisition subject to a minimum fee of £40,000 plus VAT.

The engagement letter also contains indemnities from the Company to Beaumont Cornish.

- 10.6 By an agreement dated 9 July 2004 between the Company (1) and the shareholders of Aurogenic ("the Vendors") (2) ("the Share Exchange Agreement") the Company agreed to purchase the entire issued share capital of Aurogenic for a consideration of £200,000 to be satisfied by the allotment and issue by the Company to the Vendors of 20,000,000 Ordinary Shares and the grant of 20,000,000 options each to subscribe for one new Ordinary Share at 8p per share and to be exercised at any time during the period of 5 years commencing on the date of Admission.

In addition, the Share Exchange Agreement provides for the issue of 20,000,000 Ordinary Shares, credited as fully paid, to the Vendors within 10 days of the Company making the election to earn a 45 per cent participating interest under clause 5.3 of the Annean Joint Venture, details of which are set out in paragraph 10.2 above.

The Share Exchange Agreement contains warranties given by Caledonian Capital Ltd, being one of the vendors, in relation to the affairs of Aurogenic.

- 10.7 By an agreement dated 2 September 2004 between the Company (1) and Phillip Securities (2), Phillip Securities agreed to use its reasonable endeavours to place up to 8,500,000 Ordinary Shares (each with a Warrant attached) with investors at a price of 6p per share (the “Second Share Placing”). In consideration of carrying out the Second Share Placing, Phillip Securities will be paid a fee of £15,000 and a commission equal to 6 per cent of the aggregate value of the monies raised and will be issued with the Phillip Securities Warrants.
- 10.8 By an agreement dated 2 September 2004 between Phillip Securities (1) and the Company (2) (“the Broker Agreement”) Phillip Securities has agreed to act as the Company’s Broker following Admission. The Broker Agreement may be terminated by either party giving to the other 6 months notice to expire no earlier than one year from the date of the agreement. Under the Broker Agreement Phillip Securities will be paid £ 10,000 per annum (together with VAT if applicable).
- 10.9 By an agreement dated 29 September 2004 between Beaumont Cornish (1) the Company (2) and the Directors (3) (“the Nominated Adviser Agreement”) Beaumont Cornish has agreed to act as Nominated Adviser to the Company and thereafter subject to one month’s written notice by either party. Beaumont Cornish may nevertheless terminate its appointment as Nominated Adviser at any time if the Company or the Directors are in breach of their obligations or if there are circumstances in which Beaumont Cornish, in its absolute discretion, forms the opinion that it is no longer suitable for the Company’s shares to be traded on AIM.

Under the Nominated Adviser Agreement the Company has agreed to pay Beaumont Cornish a fee in the first two years of £15,000 per annum plus VAT for acting as Nominated Adviser and such fee shall be payable quarterly in advance with the first payment of £3,750 being due immediately following Admission. The retainer arrangements shall be subject to review on a half yearly basis following the initial two year period.

The Nominated Adviser Agreement contains indemnities from the Company to Beaumont Cornish and warranties which have been given to Beaumont Cornish by Patrick Harford and the Company.

- 10.10 By separate agreements dated 29 September 2004 between the Company (1), Beaumont Cornish (2) and respectively each of the Directors (3) (the “Directors Lock-in Agreements”) each of the Directors has undertaken to the Company and Beaumont Cornish (for as long as Beaumont Cornish remains the Company’s Nominated Adviser) that he will not sell, transfer or otherwise dispose of any interest in the Ordinary Shares, Warrants and share options held at Admission for a period of 12 months from the date of Admission. In addition each of the Directors has agreed not to dispose of such Ordinary Shares, Warrants and share options for a further period of twelve months thereafter except with the consent of Beaumont Cornish and Phillip Securities with a view to ensuring an orderly market in the Company’s Ordinary Shares. Each of the Directors has also agreed to not to dispose of any Ordinary Shares that he may purchase in the 24 month period following Admission except with the consent of Beaumont Cornish and Phillip Securities with a view to ensuring an orderly market in the Company’s Ordinary Shares.
- 10.11 By an agreement dated 29 September 2004 between the Company (1), Beaumont Cornish (2) and First International Resources Limited (3), First International Resources Limited has undertaken to the Company and Beaumont Cornish (for as long as Beaumont Cornish remains the Company’s Nominated Adviser) that it will not sell, transfer or otherwise dispose of any interest in Ordinary Shares for a period of 12 months from the date of Admission.
- 10.12 By an agreement dated 29 September 2004 between the Company (1), Beaumont Cornish (2) and Loeb Aron (3), Loeb Aron has undertaken to the Company and Beaumont Cornish (for as long as Beaumont Cornish remains the Company’s Nominated Advisor) that it will not during the 24 month period following Admission sell, transfer or other dispose of any interest in Ordinary Shares held at Admission and any Ordinary Shares that it may purchase after Admission except with the consent of Beaumont Cornish and Phillip Securities with a view to ensuring an orderly market in the Company’s Ordinary Shares.
- 10.13 The Directors’ Consultancy Contracts and Letters of Appointment referred to in paragraphs 8.1 and 8.2 above

- 10.14 By an agreement dated 25 May 2004 between Fair Choice Limited (1) and Aurogenic (2) Fair Choice Limited agreed to lend to Aurogenic the sum of A\$200,000. The agreement provided for an establishment fee of A\$5,000 to be paid by Aurogenic on the date of the agreement and for interest at 5 per cent per annum, payable monthly, on the outstanding amount. All principal sums due under the agreement are to be repaid by 30 October 2004.
- 10.15 By an agreement dated 23 September 2004 between the Company (1) and Vearncombe & Associates Pty Ltd (2) Vearncombe & Associates agreed to provide services (as therein described) to the Company for a five year period from 23 September 2004 for a fee of A\$14,000 per calendar month (excluding Australian Goods and Services Tax). The services included the provision of technical advisory services in relation to the Annean Joint Venture Project including maintaining the tenements comprised in the Meekatharra Properties in good standing and preparing project reports and conducting data analysis. The agreement also provides for the Company or its subsidiary, during the term of the agreement, with a non-exclusive licence to use the SpaDiS™ technology during the currency of the agreement for its exploration purposes and for which the Company will pay a licence fee of A\$14,000 per calendar month (excluding Australian Goods and Services Tax). The Company will also be entitled to any improvements to the SpaDiS™ technology developed by Vearncombe & Associates during the currency of the agreement.

11. Working Capital

The Directors, having made due and careful enquiry, believe that the working capital available to the Group will be sufficient for its present requirements, that is for at least twelve months from the date of Admission.

12. Litigation

There are no legal or arbitration proceedings in which the Group is involved or which are pending or threatened by or against the Group which may have, or have had during the 12 months preceding the date of this document, a significant effect on the Group's financial position.

13. Financial Information on the Company

The Company's current accounting reference date is 30 June.

The financial information set out in this document relating to the Group does not constitute statutory accounts within the meaning of Section 240 of the Act and no such accounts have been filed with the Registrar of Companies in England and Wales.

14. Taxation

14.1 General

The following comments are intended as a general guide to the UK tax treatment of the acquisition, ownership and disposal of Ordinary Shares for persons who are the absolute beneficial owners of those shares. The comments do not apply to certain categories of shareholder, such as persons owning shares as securities to be realised in the course of a trade. All persons are advised to obtain their own professional advice on the tax implications of acquiring, owning and/or disposing of Ordinary Shares.

14.2 UK Taxation

(a) Dividends

The Company will not be required to withhold tax at source when paying a dividend.

An individual shareholder who is resident in the UK for tax purposes and who receives a dividend from the Company will be entitled to a notional tax credit which such shareholder may set off against his total income tax liability on the dividend. The tax credit will be equal to 10 per cent of the aggregate of the dividend and the tax credit ("the gross dividend"), which is also equal to one-ninth of the cash dividend received. A UK resident shareholder who is liable to income tax at the starting or base rate will be subject to tax on the dividend at the rate of 10 per cent of the gross dividend, so that the tax credit will satisfy in full such shareholder's liability to income tax in respect of the gross dividend yield. Generally, a UK

resident individual shareholder who is not liable to income tax in respect of the gross dividend will not be entitled to repayment of the notional tax credit. In the case of a UK resident individual shareholder who is liable to income tax at the higher rate, the tax credit will be set against but not fully match his tax liability on the gross dividend and he will have to account for additional tax equal to 22.5 per cent of the gross dividend to the extent that the gross dividend when treated as the top slice of his income falls above the threshold for higher rate income tax.

UK resident taxpayers who are not liable to UK tax on dividends, including pension funds and charities, will not be entitled to claim repayment of the notional tax credit attaching to dividends paid by the Company.

UK resident corporate shareholders will generally not be subject to corporation tax on dividends paid by the Company. Those shareholders will not be able to claim repayment of tax credits attaching to dividends.

In general, the right of non-UK resident shareholders to claim tax credits attaching to dividend payments will depend upon the terms of any applicable double tax treaty which exists between the jurisdiction in which they are resident and the UK. In most cases, the amount that can be paid to non-UK resident shareholders in respect of any dividend payment will be reduced to nil as a result of the terms of the relevant treaty. A shareholder resident outside the UK may also be subject to foreign taxation on dividend income under local law. A shareholder who is not resident in the UK should consult his own tax adviser concerning his tax liabilities on dividends received from the Company.

(b) *Capital gains*

If a shareholder disposes of some of the Ordinary Shares they may, depending on individual circumstances, incur a liability to capital gains tax or corporation tax.

A shareholder not resident in the UK for tax purposes but which carries on a trade, profession or vocation in the UK through a branch or agency to which shares are attributable may be subject to capital gains tax or corporation tax on a disposal of shares.

Individuals who are temporarily non-UK resident may, in certain circumstances, be subject to tax in respect of gains realised whilst they are not resident in the UK.

In the case of a shareholder within the charge to corporation tax, indexation allowance will apply to the amount paid for the shares. In the case of other shareholders, indexation allowance has been replaced by a taper relief which will reduce the amount of chargeable gains realised on a subsequent disposal of their shareholding according to how long the shares have been held since the shares were acquired.

(c) *Inheritance tax*

If any holder of Ordinary Shares is regarded as domiciled in the UK for inheritance tax purposes, inheritance tax may be payable in respect of the Ordinary Shares on the death of the holder or on any gift of the Ordinary Shares.

(d) *Stamp duty and stamp duty reserve tax*

Stamp duty and stamp duty reserve tax ("SDRT") will not be payable in relation to the issue of the Ordinary Shares. The transfer on subsequent sale of the Ordinary Shares will generally give rise to a stamp duty liability on the purchaser at the rate of 0.5 per cent (with duty rounded up to the nearest £5). A charge to SDRT (generally at the same rate and generally collected through CREST for shares within that system) may arise on any unconditional agreement to transfer such shares, unless such agreement is completed by a duly stamped instrument of transfer.

15. General

- 15.1 Beaumont Cornish, which is authorised and regulated by the Financial Services Authority, has given and not withdrawn its written consent to the issue of this document with the inclusion herein of its name and the references to it in the form and context in which they appear.

- 15.2 PKF have given and have not withdrawn their written consent to the issue of this document with the inclusion of their reports set out in Parts III and IV of this document and to the references to their name in the form and context in which such references are included and accept responsibility for their reports for the purposes of paragraph 45(1)(b)(iii) and 45(8)(b) of Schedule 1 to the POS Regulations. PKF have not become aware, since the dates of such reports and letters, of any matter affecting their reports and letters at that date.
- 15.3 Snowden Corporate has given and has not withdrawn its written consent to the issue of this document with the inclusion of its report set out in Part II of this document and to the references to its name in the form and context in which such references are included and accept responsibility for its report for the purposes of regulation 13(1)(d) of the POS Regulations.
- 15.4 Phillip Securities which is authorised and regulated by the Financial Services Authority has given and not withdrawn its written consent to the issue of this document with the inclusion herein of its name and the references to it in the form and context in which they appear.
- 15.5 Since 31 May 2004 the Group has continued to expend monies on the Meekatharra Properties which it has expensed. The amount of finance raised since 31 May 2004 is in excess of the costs incurred by the Group and accordingly the Directors consider that the financial position of the Group has not deteriorated.
- 15.6 Save as disclosed in this document, no exceptional activities have influenced the Company's and Aurogenic's activities and there have no significant trends concerning the development of the business of the Company or Aurogenic nor any significant acquisition or disposal of assets since the completion of the Acquisition on 23 September 2004.
- 15.7 The total costs and expenses payable by the Company in connection with or incidental to the Admission are estimated to amount to approximately £175,000 (including Value Added Tax).
- 15.8 Other than the proposed application for Admission, the Ordinary Shares have not been admitted to trading on any recognised investment exchange, nor has any application for such admission been made, and the Directors do not intend to make any other arrangements for trading in the Ordinary Shares on such exchange.
- 15.9 The Ordinary Shares have not been sold, nor are they available, in whole or in part, to the public in conjunction with the proposed application for Admission.
- 15.10 Save for the Group's utilisation of the SpaDiS™ technology in relation to its exploration activities disclosed in Part I of this document, there are no patents or other intellectual property rights, licences or particular contracts, which are of fundamental importance to the Company's business.
- 15.11 Save for the Acquisition, the Company has no significant investments in progress.
- 15.12 No person (other than professional advisers disclosed in this document) has received, directly or indirectly, from the Company within the 12 months preceding the date of this document, or entered into contractual arrangements (not otherwise disclosed in this document) to receive, directly or indirectly, from the Company on or after Admission any of the following:
- (a) fees totalling £10,000 or more;
 - (b) securities in the Company with a value of £10,000 or more; or
 - (c) any other benefit with a value of £10,000 or more at the date of this document.

16. Documents available for inspection

Copies of the following documents will be available for inspection at the registered office of the Company and of Beaumont Cornish Limited, Georgian House, 63 Coleman Street, London EC2R 5BB during normal business hours on weekdays (Saturdays excepted), for a period of 14 days following the date of this document.

- (a) the Memorandum and Articles of Association of the Company and Aurogenic;
- (b) the audited financial statements of the Company for the financial period ended 31 May 2004

- (c) the audited financial statements of Aurogenic for the financial period ended 31 May 2004;
- (d) the Directors' consultancy contracts and letters of appointment referred to in paragraphs 8.1 and 8.2 above;
- (e) the material contracts referred to in paragraph 10 above;
- (f) the letters of consent referred to in paragraph 15 above; and
- (g) the Mercator Warrant Instruments referred to in paragraphs 6.4 to 6.7 above.

17. Availability of Admission Document

Copies of this document will be available during normal business hours on any business day free of charge to the public at the offices of, Beaumont Cornish Limited, Georgian House, 63 Coleman Street, London EC2R 5BB for a period of one month from the date of Admission.

This document is dated 1 October 2004

GLOSSARY OF TECHNICAL TERMS

The following terms in this document have the following meanings unless the context otherwise requires or unless otherwise provided.

“2D/3D spatial datasets”	Two dimensional and three dimensional (down-drill hole) data all of which have geographic coordinates
“air-core”	A method of obtaining rock-core by a reverse circulation drilling technique whereby sample material is carried to the surface from an open face drill bit through the drill tube
“anisotropy”	Literally not isotropic, a substance having different physical properties when measured in different directions
“anastomosing”	Branching and joining irregularly to produce a net like pattern
“aeromagnetic data”	A survey made from the air that records variation in the earth's magnetic field
“alluvial”	Pertaining to detrital processes with transport by a river and deposition at points along the river
“alluvium”	Material that is alluvial, commonly composed of sands and gravels.
“alteration zones”	Chemical changes in the composition of a rock or mineral due to passage of a fluid through the rock, commonly associated with mineralization and/or weathering
“anomaly”	A value higher or lower than expected, which outlines a zone of potential exploration interest but not necessarily of commercial significance
“Archaean (Yilgarn Craton)”	The oldest rocks of the Precambrian era, earlier than 2,500 Ma and prior to most life-forms; the Yilgarn Craton is an extensive terrain comprising south Western Australia and of Archaean rocks
“assay”	The analysis of samples of minerals, rocks and mine product to determine and quantify their constituent parts
“Au”	Gold
“autocorrelation”	A geometrical method for the analysis of pairs of spatial data based on the relationship of two directional arrow between each pair
“banded iron formation” or “BIF”	A finely banded siliceous iron - bearing rock, mostly of Precambrian age
“basalt”, “high-Mg basalt”, “metabasalt”	<p><i>basalt:</i> fine-grained basic igneous rock comprising the minerals plagioclase, pyroxene with or without olivine, magnetite, quartz and hornblende</p> <p><i>High-Mg basalt:</i> A basalt with a high magnesium composition, typically comprising plagioclase, pyroxene and olivine</p> <p><i>metabasalt:</i> a basalt that shows evidence of having undergone metamorphism</p>
“basement gneisses”	Banded rocks that formed during high-grade regional metamorphism which are covered unconformably by un-metamorphosed sediments
“batholith”	A large intrusive mass of igneous rock
“bedrock”	A mining term for the un-weathered rock below the oxidised near surface material
“below pit”	Literally anything beneath an open pit

“bimodal”	Pertaining to volcanism, two chemically distinct and separate styles of volcanic rock
“breccia”	Coarse grained rock composed of broken, angular fragments of rock
“brown-fields”	In the context of mineral exploration, brown-fields are those adjacent to and near an existing or historic mine
“calcite-chlorite”	A rock with the minerals calcite and chlorite commonly but not always as a result of alteration
“carbonate”	Rocks rich in calcium and/or magnesium – the limestone minerals
“carbonated ultra-mafic”	An ultramafic rock that has undergone alteration with the addition of carbonate
“chert”	A cryptocrystalline form of quartz occurring in bands in sedimentary rock
“clays”	Near-surface rocks comprising clay or layer-lattice minerals, usually fine platy minerals
“competent blocks/rocks”	A relative term for a rock layer which during deformation resists flow, shape change and cleavage development
“cross-cut”	The relationship of one structure to another
“cross-fault”	A fault that cuts across a predefined feature such as bedding
“decline”	Sub-vertical development from surface from which the orebody is accessed
“deposit”	Coherent geological body such as a mineralised body
“dilation sites”	An opening in a rock usually induced during rock deformation and into which (mineralising) fluids may flow
“dilution”	Rock containing little or no valuable material but which is mixed with ore during the mining process due to the complex nature of the orebody contacts and/or the non-selectivity of the mining method used
“dip”	The angle at which layered rocks, foliation, a fault, or other planar structures, are inclined from the horizontal
“dissemination”	Fine particles of a mineral or other rock feature dispersed throughout the enclosing rock
“dolerite”	A medium grained intrusive igneous rock of basalt composition
“drill core”	Rock samples recovered by diamond drilling
“drill hole”	Hole drilled in the ground
“drill spacing”	The distance between drill holes
“drilling”,	<i>drilling:</i> exploration drilling – creation of test holes in the ground produced by mechanical means
“aircore drilling”,	
“diamond drilling”,	<i>aircore drilling:</i> see “air-core” above
“infill drilling”,	
“RAB drilling”,	<i>diamond drilling:</i> colloquial term for diamond core drilling – see “drill core” above
“RC drilling”,	
“reconnaissance drilling”,	<i>infill drilling:</i> see “infill drilling” below
“scout drilling”	<i>RAB drilling:</i> a drilling method used in relatively soft rocks by means of a rotary bit and compressed air which carries the sample to the surface on the outside of the drill tube <i>RC drilling:</i> a drilling technique employing a rotating or hammering action on a drill bit which returns a sample to the surface inside the rod string by compressed air

	<i>Reconnaissance drilling:</i> initial drill testing of ground
	<i>Scout drilling:</i> like reconnaissance drilling
“EM”	Electromagnetic
“extensions”	Continuous or discontinuous additions to known mineralisation
“fault”	Fracture in a rock along which there has been an observable amount of displacement
“feldspar”	A group of rock forming silicate minerals making up approximately 60 per cent of the earth’s crust
“field mapping”	Geology field mapping, a process of documenting the surface geology and for interpretation of rocks at depth by the systematic and ordered recording of rock information on a spatial grid
“felsic”	Rocks that contain an abundance of quartz and feldspar pertaining to light-coloured silicate materials that are poor in iron and magnesium
“flexure”	A bend or curve (in rock strata)
“fold”	A substantial bend in rock strata
“fractal technology”	Analytical tools developed to enable the study of fractals where “a fractal is a shape which is made of parts similar to the whole in some way” (Mandelbrot, 1987). A useful alternative description of fractals is the mathematics of “non-differentiable” phenomena
“fracture”	Break in rocks due to intense folding or faulting
“g”	Grammes
“g/t”	Grammes of precious metal per tonne of dry ore
“gabbro”	A plutonic rock consisting mostly of plagioclase and clinopyroxene
“geochemical”	A method of searching for concealed bodies by means of chemical sampling techniques
“geology”	The study of the earth as a whole, its origin, structure, composition and history; commonly used to refer to rock science
“geometrical”	Measurements of length and angle
“geomorphology”	The description and interpretation of landforms
“geophysics”	The study of the variations in the values of physical parameters of the earth
“geoscience”	The science of geology, commonly used in a broader context than geology to include the chemistry and physics of the earth
“geostatistics”	The spatial statistics of the numeric results of exploration sampling
“grade”	Relative quantity or the percentage of ore mineral content in an ore body.
“granite”	A medium to coarse-grained igneous rock composed principally of quartz and feldspar
“granitic”	Pertaining to granite
“granitoid”	Rocks of a generally granite composition but including some that may not be strictly called granite
“granophyre”	A microgranite which displays a graphic texture
“graphite”	A soft black form of native carbon
“greenschist facies”	A grade of metamorphism, less deep than amphibolite facies

“green-fields”	In the context of mineral exploration, greenfields-fields are those remote to a mine and from which there are only limited exploration data available
“greenstone”	The volcanic and sedimentary rock component of the Archaean terrains
“halo”	A sub-circular zone surrounding an anomaly
“igneous”	A rock formed by the solidification of mineral-rich molten liquid, which is intruded into bedrock or erupted from a volcano
“infill drilling”	Drill testing for mineralization between existing drill lines
“intercalated”	Mix between
“intercept”	A zone of mineralization located by drilling with defined distance and grade
“intrusions” or “intrusives”	A body of igneous rock that has forced or invaded its way into pre-existing rock
“jasperlitic”	Pertaining to jasper, a red chert variety of chalcedony, usually iron-bearing.
“km”	Kilometres
“km²”	Square kilometres
“laterite”	Near-surface residual deposit formed under tropical conditions comprising hydrated iron oxides
“lenses”	Eye-shaped zones
“linear trends”	Near-straight lines
“lode”	An ore deposit occurring in place within definite boundaries separating it from adjoining rocks
“m”	Metres
“Ma”	Million years
“magnetic drop outs”	On magnetic images these are zones where the strata appear to be much less magnetic than expected
“mapping”	The spatially precise documentation of information
“mafic”	Pertaining to dark coloured silicate minerals that are rich in iron and magnesium and the igneous rocks in which these minerals are abundant
“metamorphism”	A pronounced change in the constitution of rock effected by pressure and heat that results in a more compact and more highly crystalline condition
“metamorphosed black shales”	Metamorphism of a carbon-bearing sedimentary unit, usually to a graphite schist
“metasediments”	Term applied to sedimentary rocks, which have been partially altered in composition, texture, or internal structure by processes involving pressure, heat and/or the introduction of new chemical substances
“mica-quartz”	A rock or alteration with the minerals mica and quartz
“mineralization”	Process of formation and concentration of elements and their compounds within a mass or body of rock
“mineral reserve”	That portion of a mineral resource on which technical and economic studies have been carried out to demonstrate that it can justify extraction at the time of the determination and under specified economic conditions
“mineral resource”	a tonnage or volume of rock or mineralization or other material of intrinsic economic interest the grades , limits and other appropriate characteristics of which are known with a specified degree of knowledge. Mineral resources are

	sub-divided in order of increasing confidence into Inferred, Indicated and Measured categories. See “resource” below
“Mt”	Million tonnes
“Mtpa”	Million tonnes per annum
“open pit”	Mine working or excavation open to the surface
“ore”	A mixture of rock minerals that may be mined and from which at least one of the minerals can be processed at a profit
“orebody”	A mass of ore
“ore shoot”	A large and usually rich aggregation of mineral in a vein
“ounce” or “oz”	Troy ounce; unit of weight equal to 31.102g
“outcrop”	A rock exposure on the surface
“overburden”	Uneconomic material which overlies a bed of useful material
“oxide”	Mineral produced by natural weathering processes at or near the Earth’s surface
“palaeochannel”	An ancient (geological) river course
“plutons”	A high-level cylindrical mass of granitic rock emplaced at low temperature in a near solid state
“podiform shoots”	Elongate lens-like unit
“polyphase folding”	The deformation of rocks in multiple events into complex folds and re-folds
“porphyry”	An igneous rock in which relatively large conspicuous crystals (called phenocrysts) are set in a fine-grained ground mass
“post-tectonic”	After deformation, and usually metamorphism and igneous activity
“Precambrian”	The first geological era between the formation of the earth and 590 Ma ago
“pressure shadow”	A zone of low mean stress in the lee of a rigid or competent body
“project areas”	Regions and sub-regions selected for exploration
“prospects”	A target (or historic target) upon which exploration programmes are planned (or have been planned)
“quartz”	Homogeneous rock composed of silicon dioxide (SiO ₂ silica)
“reef”	A mineralised zone, commonly a quartz vein hosting the ore mineral
“refractory”	Minerals that are stubborn or difficult to process
“regolith”	The layer of loose, incoherent or coherent material that forms the surface of the land above the bedrock
“remnant resource”	That part of a resource defined before mining, that is left behind after mining has ceased
“rheologically competent rocks”	Rheology is the science of the strength of materials (including rock). “Competent” is defined above.
“resource”	<i>Measured:</i> a mineral resource intersected and tested by drill holes, underground openings or other sampling procedures at location which are spaced closely enough to confirm continuity and where geoscientific data are reliably known. A measured mineral resource estimate will be based on a substantial amount of reliable data, interpretation and evaluation which allows a clear determination to be made of shapes, sizes, densities and grades

Indicated: a mineral resource sampled by drill holes, underground openings or other sampling procedures at locations too widely spaced to confirm continuity but close enough to give a reasonable indication of continuity and where geoscientific data are known with a reasonable degree of reliability. An Indicated resource estimate will be based on more data and therefore will be more reliable than an Inferred resource estimate

Inferred: a mineral resource inferred from geoscientific evidence, underground openings or other sampling procedures where the lack of data is such that continuity cannot be predicted with confidence and where geoscientific data may not be known with a reasonable level of reliability

“resource extensions”	Additional zones of mineralization located adjacent to the known resource
“resource upgrades”	Additional resources located adjacent to known resources
“saprolite”	The zone of oxidised rock above bedrock and beneath the regolith
“schist”	A strongly foliated, coarsely crystalline metamorphic rock
“schistosity”	A cleavage within the rock defined by medium to high-grade metamorphic growth minerals
“sedimentary”	Composed of sediments
“sediments”	Rocks formed from material derived from pre-existing rock rocks by processes of denudation together with organic and chemical diagenesis
“shear (zone/system)”	A tabular area of rock that has been transformed and brecciated by many parallel fractures resulting from shear strain; often becomes a channel for underground solutions and the seat of ore deposition
“shearing”	The change of shape of the rock strata during deformation
“sheared contact”	Deformation with intense schistosity or fracturing along the zone of juxtaposition of two rock units
“shoot control”	The deformation and other geology controls on the shape and position of a long zone of high-grade ore
“spatial analysis”	The scientific analysis of data with geographic coordinates
“stockwork”	A network of veins or veinlets, usually containing quartz
“strata”	Successive layers of sedimentary rock
“stratigraphy”	The succession and age relation of layered rocks
“strike”	Horizontal dimension of an orebody or zone of mineralization
“strike length”	The longest horizontal dimension of an orebody or zone of mineralisation
“structural corridors”	Zones of characteristic deformation geology
“Structural repetitions”	Multiply repeated deformation elements
“sub-cropping”	Loose float material arising from poor quality outcrop common in Western Australia
“sub-vertical”	Near - upright
“sulphide”	Mineral containing sulphur in its non-oxidised form
“supergene”	A word suggesting an origin “from above”, almost exclusively for processes involving water percolating down from the surface
“syncline” or “synclinal fold”	A fold in which the younger strata are on the outer arc

“synform”	A fold whose limbs close downward in strata for which the stratigraphic sequence is unknown
“tenements granted”	Mineral exploration titles that have been issued by the WA State Government and on which exploration may be conducted
“tenements (in application)”	Mineral exploration titles that have been applied for and which may be granted by the WA State Government on completion of a number of statutory and non-statutory requirements including negotiations with the native title claimants
“t”	Tonne (one thousand kilogrammes)
“trends”	Directions
“trending”	Linear feature with a particular common direction
“ultramafic”	An igneous rock that consists almost entirely of ferromagnesian minerals and possesses no free quartz with less than 45 per cent silica
“veins” or “veinlets” or “veining”	Tabular or sheet like body of minerals which has formed in a joint or a fissure, or a system of joints and fissures, in rocks
“volcanic”	Extrusive and associated intrusive igneous rocks
“volcanoclastic”	Volcanic rock re-worked by sedimentary processes
“volcano-sedimentary sequences”	A stratigraphic pile of volcanoclastic rock
“workings”	Old mine pits, shafts and/or adits
“xenoliths”	Inclusions of pre-existing rock in an igneous rock
“zones”	An area of particular geology that is longer than it is wide